

BAKER LAKE GOLD MINES INC.

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February 7, 1995

Multinational Mining Inc.
Suite 582-685 Dunsmuir Street
Vancouver, B.C.
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Attention: William Clancey

Dear Bill:

Re: Option and Joint Venture Agreement
Chappelle Claims, Omineca Mining Division

In reference to clause 8.01(J) of the above option and joint venture agreement (to be signed), we are now pleased to enclose a report dated January 31 from F. Marshall Smith, Consultant, to our company on the exploration program undertaken last fall.

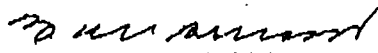
We are to receive an engineer's report from Mr. Les Demczuk which will include information on the assays. We are currently planning to re-assay some of the samples using a different process.

Once the engineer's report is received and reviewed, we shall be in a position to review our plans for this year with you.

We are writing you concurrently regarding the filing of assessments on Chappelle 12 and 14 claims.

Yours very truly,

BAKER LAKE GOLD MINES


Barry W. Phillips
President

BWP/cdv

enclosure

F. Marshall Smith Consulting Inc.

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January 31, 1995

Mr. Barry Phillips, President
Baker Lake Gold Mines Inc.
403-1661 Portage Ave
Winnipeg, Manitoba
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RE: Multinational Resources Joint Venture Property, West Chappelle area, Toodoggone district, British Columbia.

The purpose of this letter is to give a summary of the work completed during the 1994 exploration season on the Chappelle claims under a Joint Venture option from Multinational Mines Ltd. Unfortunately the drilling results from the Chappelle claims are not sufficiently encouraging to justify more drilling on this portion of the Baker Lake Gold Mines holdings in the Toodoggone. If proposed drilling on the Baker claims is successful a more aggressive programme of prospecting would be justified on the Chappelle claims to the south and west of the West Chappelle vein area.

The initial work consisted of road repairs and culvert placement on the West Chappelle access road to make this road usable year round for 4x4 trucks to the trench and drill areas. The worst sections on the old road were well done but there are still some weak portions during wet weather that will require constant maintenance. The access to the Chappelle 15 area required only limited maintenance and a short, 250 metre long, sidehill trail to the drill sites and trenches.

During the 1994 season a total of 260 metres (850 feet) of backhoe trenching was completed on Baker 7/17 and Chappelle 21 mineral claims. One new vein was located on Chappelle 21. This new vein is called the "K" vein and is parallel to and south west of the West Chappelle vein and immediately south of the vein located in 1993 on the Baker claims.

Trenching on Chappelle 39 just to the west of Baker 7/17 explored two veins that showed considerable float but yielded narrow unmineralized veins. This work consisted of about 100 metres in two parallel cuts.

Trenching on Chappelle 15 to the north-east of the Baker Claims consisted of about 160 metres of trenching in 3 slots. These openings and some related hand trenching located the sub-surface of what is called the "G" vein. During the surface washing of the initial hand trenched areas the surface washed soil was passed over a sluice box and visible gold was recovered from this material.

Diamond drilling was carried out to test the West Chappelle veins. None of the hole collars and no portion of any of the holes crossed the claim boundary of Baker 7/17 into Chappelle 21.

All drill core was logged by Mr. Les Demczuk, P. Geo. and samples submitted for assay at Chemex Laboratories. The values of the assays returned from Chemex Laboratories on all samples are all below economic grade in each of the vein intersections from the drilling. The cause of discrepancy between the gold recovered from sludge pan samples and the assay results have not yet been determined. Samples will be re-assayed at a different lab to determine if the assay results from Chemex are reasonable or if there is a problem with the current values reported from the property.

Property Description

The claim holdings are south of the Toodoggone River in the Samuel Black Range of the Omineca Mountains about 280 km north of Smithers, British Columbia. The property is road accessible via various logging roads, the Omineca Resource Road, and the Cheni Extension. The road distance to the property is about 475 km from Windy Point on Highway 97 at the south end of Williston Lake. The majority of the property is alpine tundra with sparse vegetation in the valley bottoms. Topography is moderate with some steep slopes and cliffs.

The Joint venture block of claims consists of Chappelle 12 & 14 between the two blocks of Baker Claims (creating a bridge for grouping to aid in assessment filing). Chappelle 15 & 16 claims lie to the north east of the main Baker block and cover the anomalous heavy mineral creek just north of Multinational's "C" vein. Chappelle 21 & 22 lie immediately south of the main Baker Claims and Chappelle 37 to 42 enclose the west side of the south end of the Baker Claims.

The Joint Venture with Multinational Mining Inc. has allowed us to form one block for assessment purposes. The eastern claim block and the western are bridged by two claims of the Joint Venture property. The 1994 work will allow us to file the maximum assessment to all the claims in the Baker group and the Joint Venture ground.

The 1994 program.

The start of the work plan consisted of getting 4x4 access to the area of primary effort using the old cat and truck road from the Baker Mine site to the West Chappelle vein and the old road to the "C" vein to the north.

This work consisted of installing two culverts and leveling the road to the area of the "West Chappelle" vein. Portions of the road are still very steep and difficult to use in heavy snow or very wet conditions. During our work program we experienced 22 consecutive days of mixed heavy and light rain or snow in very cool to winter conditions. The relatively good road access kept costs to the minimum for the whole project.

At the end of the 1993 work we considered that the new vein dipped to the south onto the adjoining claims owned by Multinational Resources. Chappelle 21 and 22 claims are located just south of the Baker claim block and were expected to cover the down dip extension of the 1993 discovery.

The 1994 exploration work on the property started with the trenching of the "K" vein immediately south and parallel to the 1993 discovery (called the "J"). This area was selected because float on the hillside below the "K" structure consisted of banded quartz calcite and there were reports of gold assays to 0.3 ounces per ton gold. The vein float on the hillside probably comes from further uphill on the central portion of Chappelle 21 as the 0.1 to 0.3 metre thick vein in three trenches was not banded or mineralized like the float.

There are 3 trenches on Chappelle 21 on the "K" vein but none intersected more than 0.3 metre widths of quartz or wide areas of alteration. All other trenches started just within the north edge of Chappelle 21 and traversed north onto the Baker Mines property. None of the south extensions of the 5 trenches intersected veins on the Chappelle 21 claim. About one-half of the lengths of the 5 trenches were on Chappelle 21 claim.

IP resistivity surveys were conducted to determine the strike and dip of the trenched structures. The first few lines were done over the "J" vein where we had the best exposure of alteration and vein in strike continuity. The alteration envelope and the probable location of the vein could be clearly seen on the sections. The program was extended to the east to cover the "K" vein to the east and south of the "J". In this area we could clearly see the shape of the structures and the alteration zones. At this time it became very obvious that the veins and the alteration associated dipped to the north onto the Baker claims and not to the south as we had previously believed.

In order to meet our obligations to Multination we sought a drill target on Chappelle 15 claim. We located the possible source of gold in a small tributary of C creek at the north end of the Baker claims on Chappelle 15 claim. This was one of the two claims covering the tributary of a small creek that yielded a 13,500 ppb gold in dredge sampling in 1985 in the same program that located the anomaly on West Chappelle creek to the south.

The possible source for the gold anomaly was located as small quartz vein fragments called the "G" vein. The original showing is on the west side of the south flowing creek about 100 metres up hill (north) from the crossing of the creek and the road into "C" vein on Multinational's Mining Lease. The lease boundary is 125 metres south of the road at this location. Initially the vein was opened by hand trenching with minor washing of soils from the exposed site through a portable sluice box to check for gold. One .5 cm wide flake of gold was recovered in the sluice box. No fine gold was noted but there was considerable pyrite and black sulfides or arsenides were also recovered.

The area was accessed by a 250 metre long low angle road from a turnoff about 300 metres west of the creek crossing on the old road. The new road was used to allow the hoe and later the IP crew and drilling access to the area of the "G" vein. The structure appears to be a nearly flat vein with a series of complex openings rolling in dip to the west then flattening and rising and closing to the west in an east dipping portion. The western portion consists of stacked veins with

altered volcanics between and the 3 portions of the vein merge to one narrow structure on the east side. The structure may run to the north west but the true strike and dip is as yet unclear.

The "G" vein has composition mainly of fine grained quartz with minor calcite to major calcite and 2 to 20% sulfides mainly pyrite. Fluorite is common in the eastern portion of the vein where the structure is very narrow. There is considerable copper stain on surface in two localities near the structure but we did not see any copper sulfides in the vein on surface. The vein varies from about 20 cm thick on the eastern side to a maximum of 5 metres in the area of the separation of the three flutes.

IP resistivity was conducted first east west as we were expecting the structure to strike northerly parallel to the "A" vein. The eastern end of the U-shaped "G" vein has a N25E strike. The net apparent strike and dip for the basal portion of the U-shaped veins is about north south - the final IP lines were run north-south and defined a resistivity anomaly with an upturn to the north and west sides and flatish central portion.

Upon completion of the IP survey we began diamond drilling on September 25. Diamond drilling of the West Chappelle was carried out first as there the IP had defined clear targets that correlated with surface trenching.

The "K" vein was not drill tested because it did not appear significant in trenching nor did the IP survey indicate that there was a strong structure with alteration at depth in this area. There were no major anomalies on the south ends of any of the IP lines, that is on the Multinational Chappelle 21 claim. One half of all IP lines in the West Chappelle - Chappelle 21 & 22 area were run over the Multinational Joint Venture claims.

All trenches were rehabilitated on Chappelle 21 and 39 claims according to instructions from John Binns, P.Eng., Inspector of Mines. During the examination of our operation in 1994, Mr. Binns gave us favourable report on our 1993 clean-up of the "J" vein area and recommendations for the rehabilitation of trenches then all open on the West Chappelle. Minor rehabilitation will be required on the West Chappelle access road.

Diamond drilling was completed on West Chappelle on October 2 and the rig moved to drill three holes on the "O" vein on Chappelle 15 on October 3, 1994. The three vertical holes located veins that appear to be located within the resistivity high located by the IP resistivity survey. There is much more brecciation in the "O" vein area than West Chappelle and far less calcite in the veins. Some zones rich in chalcopryite were located in the drilling.

None of the assays from the many vein intersections in the "G" vein structure carried economically significant gold values. There are no assays in excess of 0.03 ounces gold per ton. None of the samples were run for silver. The assay procedure checked for metallics and none were located. The screen float assay carried less gold than the -100 mesh materials.

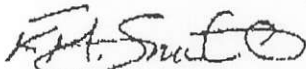
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The "G" vein is not of economic interest and no further work is justified in testing this structure. The trenches have been completely rehabilitated. The drill sites and access road require rehabilitation that should be a minor cost if heavy equipment is available locally.

Recommendations for 1995

There are many areas on the claims with large areas of intense alteration especially south and west of the West Chappelle on the top of the alpine plateau. These areas should be prospected in 1995 after the proposed drill programme on the West Chappelle is completed. We do not have targets for IP or a clear plan to get access to the area. The track put into the "PERRY MASON" group by Chem Mines may give access to the Chappelle 21 and 22 claims on the plateau but this track has not been examined in detail.

Yours truly,



F. Marshall Smith
January 31, 1995