

Wm. Beatty

SOUP 830431

Vital Resources Limited

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December 7, 1982

The Vital Syndicate
c/o Mr. William A. Trebilcock
Geosystems Corporation
274 Riverside Avenue
Westport, Conn., 06880
U.S.A.

Dear Bill:

During the year, I have tried to keep you informed by telephone of activities re Vital properties. Some caution was needed, as both Noranda and Vital were acquiring ground. Additionally, I do not yet have important sampling results from Noranda.

However, I can assure you that we appreciate very much the patience and support of Vital Syndicate subscribers, and will continue to do everything possible to look after their interests which are also our own. I hope that these notes will inform them of the current status.

OIL, HOUSTON, BRITISH COLUMBIA

As indicated in my report of Dec. 1981, Vital held three oil prospecting permits in this area, totalling 170,000 acres. They had been acquired as a result of the discovery by Vital of oil in two shallow drill holes. Esso Resources became interested in the discovery, financed the second drill hole, and undertook to carry out extensive laboratory tests on the core.

In August, 1982, Esso, after considerable investigation, reported that they believed the oil to have been derived from oil shale, and that they did not consider it a seepage from a deeper source. Although we have discovered oil shale of unknown size and grade in a basin not previously known to contain such deposits, Esso indicated that it did not wish to proceed further with the investigation. In the present far less optimistic market, oil shales do not have a high priority and Exxon recently reported some heavy losses in this connection.

Additionally the B.C. Ministry of Mines etc., advised that our permits do not cover oil shales, and we do not propose to retain the licenses, which are expensive. However, the discovery may be significant in the future.

HOUSTON SILVER

In 1982, Noranda (Mattagami) carried out some ground geophysical surveys to check airborne anomalies which, because of their character and location, could represent the source of the high-grade (\$700.00 U.S. per ton at present prices) float found on the property.

The ground geophysics gave results which to me, are positive and significant, but no drilling was performed. I had rather hoped that Noranda would hand us back the property, but on Nov. 30, 1982, they advised in writing that "Noranda will carry out exploration work on the Houston claims in 1983". Verbal advice is that they will drill the major anomaly.

There are several zones in this property with very positive geophysical and geochemical indications, which have not been tested by drilling. The target is a good one - high-grade silver-gold-lead-zinc, ore, which could probably be treated at the nearby Equity Mill-controlled by Placer-Noranda.

SOUP CLAIMS - KLIYUL AREA (see Rept. May 1982)

In 1982, Noranda and Vital signed an option agreement under which Noranda would acquire a 60 per cent interest in return for an expenditure of \$2,000,000 over a 5 year period.

Following up work by Vital in 1981, Noranda carried out soil and rock-chip sampling in 1982.

The results of the soil sampling, on the steep side of a 7,000 ft. mountain, and across the trend of the mineralization, were most impressive. Samples taken at 25 meter intervals on lines 100 meters apart assayed, on various lines: 1,300 gms copper, 1 gm gold for 250 meters, the same line averaging 1,000 gms copper and 0.6 gm gold for 500 meters. A sample line 400 meters south of the above averaged 2,000 ppm copper and 1.5 gm gold over 400 meters. Owing to the presence of major rock slides, scree, etc., exposure is limited, but there is good evidence that mineralization extends over a length of 2,200 meters. Thus the target area is about 7,000 ft. by 1,000 ft., enough to yield several hundred million tons.

I do not yet have Noranda's chip sampling results, but they indicate that they are generally low; further that Noranda intends to abandon the option. They conclude that the soil has been enriched in copper and gold.

I need to see all of the available data before making definite conclusions. However, on present information, I am still extremely interested in this property.

- (a) The soil sample results are very high and impressively uniform.

- (b) Soil formation tends to provide an averaging effect, while it is quite difficult to sample a gold deposit with a few spot chip samples.
- (c) Gold might be concentrated in soil by a gravity (ELUVIAL) effect but rarely oxidized copper. The copper is high as well as the gold, and in the nearby KLI deposit which we drilled, there is a 1:1 correlation between copper and gold.

With the filing of Noranda's work, the claims are in good standing for some years. However, there are option payments- \$18,000 and \$24,000 due April 30, 1983 and 1984, respectively. These payments, and the issue of small amount of Vital stock, would achieve 100% ownership of the claims by Vital.

My present feeling is that the claims could be quite valuable. With a gram of gold worth \$20.00 at present, with the price outlook bullish and considering that large-scale mining and concentration of this ore might be achieved for \$5.00 per ton, a grade of 1 gm per ton gold and 0.4% copper in sufficient tonnage could be exciting. Preliminary data suggest a stripping ratio of 1:1 or less in early open pit mining. Bougainville (Papua) ore yielding 0.67 gm/ton gold has made lot of money (at 80,000 t.p.d.). The copper today is not exciting in itself, but it is important that our tests show that the gold collects in the copper concentrate, from which it is recovered quite cheaply.

Even a moderate chance for the discovery of such a deposit is worth a considerable sum of money. When Noranda results are received, we will study them, hopefully with representatives of the Syndicate. If our conclusions are favourable, new plans and reports showing the possibilities would be prepared. Discussions with financing groups would follow.

A favoured plan is go public, hopefully with a major company taking some of the stock, thus providing a cachet, plus a guarantee of strength for possible development. In preliminary discussions a very senior company has expressed interest in the property. Our public offering would be on the basis of the Soup Claims, plus the nearby KLI ground where there is similar mineralization and where we have staked additional ground. Staking and testing of a possible massive sulphide deposit elsewhere in B.C. is also warranted.

The very large scale possibilities of the Soup Claims could be tested by drilling a cross-section through a zone about 400 meters thick. Conditions for this preliminary work are difficult, and the cost could be about \$200,000.

PRESENT FINANCES

The company has no debts and about \$3,000 in cash. Our principle expenditures in 1982 were for staking additional claims at KLIYUL and to send an independent engineer to the Soup Claims so that, in the event of our going public, he could write a report. Noranda met the \$12,000 option commitment on the Soup Claims, and we paid no office rent or salaries. Minor expenses have been met by C.J. Sullivan and by T. Rodgers.

We are faced with the \$18,000 Soup option payment for April 1983, and the cost of qualifying the company to go public might be \$25,000.

Respectfully submitted,

C. J. Sullivan
C. John Sullivan,
President

Notes:
I am still thinking of raising some funds for this. Would you be prepared to write a report? I have not seen so much copper and gold in books, anywhere! Please advise!

John Sullivan

Gold is expected to double in price (Const. \$) in next 4 yrs - i.e. 20% compounded per. This is conservative view of some mines.