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July 15, 1987

Mr. William Clancey  
President  
Multinational Mining Inc.  
795 - 885 Dunsmuir Street  
Vancouver, B.C.  
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Dear Mr. Clancey:

Re: Progress Report-Phase One Drilling  
Chappelle Property

Phase one diamond drilling commenced June 15 and was complete July 13. 16 inclined holes were drilled from 9 sites for a total of 5,036 feet.

As shown on the attached diagrams, the first seven holes were drilled to test the northeast extension of B Zone. Results to date suggest that ore grade values may exist below the area tested.

Holes M87-8, -9, -10, -11 and -12 are fill-in holes drilled in the central part of the zone. Results in hand for the first two confirm good grades encountered in this area last year.

Holes M87-13 and -14 were drilled to test the southwest part of the zone west of a porphyry dyke. These holes indicate that the intrusion is more extensive than previously indicated, although some quartz veining was encountered marginal to, and within the dyke.

The final two holes (M87-15, -16) were located to test an area slightly northeast of, and a significant distance below M86-12. The vein was encountered earlier in both holes than anticipated such that both intercepts were closer to hole M86-12 than planned. A significant core length of quartz vein was encountered in M87-15 and it is believed that the hole is only slightly oblique to the vein. Hole M87-16 intersected a fine looking mineralized quartz vein which should yield some good assays.

It appears from limited assay results to date that the zone may be steepening in plunge to the northeast. This means deeper holes in the phase two program. The problem is compounded by increasing elevation to the northeast as well.

All assay results should be in hand early next week, after which planning of the phase two drilling program can begin.

J.T. Thomas Drilling have indicated that they can be ready to commence the program in about two weeks time and would like to retain Gerry Auger to prepare drill sites prior to start-up.

More drilling is needed before committing to an underground program. There is a good possibility that the road into the area may be serviceable by early fall which should result in a significant reduction in costs of such a program.

The general condition of the camp continues to deteriorate and roof repairs to the kitchen and some of the sleeping units are needed. The water system went out late last week and is currently operational only by way of some crude repairs.

Estimated costs to date are in the order of \$205,000, which figure anticipates an \$8,000 start-up cost. Under terms of the drill contract, drilling charges will drop \$1.50 per foot to \$33.70 for the second phase.

Yours truly,

N.C. Carter