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April 22, 1996

Mr. Rick Meyers  
Regional Manager  
Central and Southwestern Region  
Energy and Minerals Division  
Ministry of Employment and Investment  
200 - 2985 Airport Drive  
Kamloops, B.C. V2B 7W8

Dear Mr. Meyers:

Re: Moffat Creek Property  
Vernon Mining Division

The Moffat Creek property (FF 1-24 2-post mineral claims), situated 18 km northwest of Vernon (NTS map-area 82L/06W), is owned by the Mesabi Syndicate. Principal participants in this syndicate include the undersigned, R.H. McMillan and R. Blusson.

This property and five others held by the syndicate in south-central British Columbia were, until recently, subject to an option agreement with Coronation Mines Ltd., a wholly-owned subsidiary of Formation Capital Corp.

Coronation Mines Ltd. had planned to conduct a drilling program on the Moffat Creek property and preparatory to the exploratory program had filed a Notice of Work dated October 6, 1995. Reclamation Permit MX-4-246, subject to the posting of a \$1,500 security deposit, was issued by your office November 23, 1995.

Access to the property is by way of a forest access road which is an extension of the Irish Creek road which leaves highway 97 northwest of Vernon. Some 4 km of the forest access road traverses Okanagan Indian Reserve 1.

Some selective logging off this road, on behalf of the Okanagan Band, was underway last fall and the same contractors were approached by Coronation Mines Ltd. to discuss preparation of drill pads and access roads for a winter drilling program. At this time, the company was advised that written permission would be required from the Okanagan Band to use that portion of the road crossing the Reserve.

A letter seeking such permission, forwarded in early November, was not responded to and a subsequent telephone call between Dr. Lloyd Clark and Mr. Jack Bass, manager of the Okanagan Band, elicited the information that access would be denied.

Additional information, concerning the company and the proposed drilling program, was sent by Dr. Clark to the Band office in mid-December prior to a Band Council meeting December 19.

A further telephone call, initiated by Dr. Clark to Mr. Bass January 16, 1996, resulted in Dr. Clark being advised that the Band Council was prepared to convene a special meeting during which Coronation Mines would be asked to present verbal and written reports on the nature of the work program, the environmental impacts of such a program and an archeological assessment of the program area. Dr. Clark was also advised that \$1,100 would have to be forwarded to the Band prior to convening this Council meeting.

Upon reflection, the decision of Coronation Mines Ltd. was to abandon plans for the winter drilling program. Subsequently, the Mesabi Syndicate was advised of Coronation Mines' intent to terminate the option agreement on the Moffat Creek property.

The problem of access to this valid mineral property, notwithstanding the fact that Ministry of Highways regards the forest access road as being open to the public, is now the responsibility of the Mesabi Syndicate.

Unless these difficulties are resolved, the Syndicate is in the position of being unable to interest other parties in the merits of the property and is unable to carry out necessary assessment work on the mineral claims comprising the property. To date, the Syndicate has incurred costs related to claims acquisition, recording fees and property maintenance.

The purpose of this letter is to solicit your support in resolving this issue. It is the opinion of the Syndicate that some redress may be available by way of the Mining Right-of-Way Act and Section 16 of the Mineral Tenure Act. Failing this, we must seek exemption from assessment work requirements.

Further, the Syndicate is exploring other legal avenues to address what properly may be considered as a loss of

opportunity.

We are prepared to provide any additional information you may require. Your suggestions and comments will be most welcome.

Yours truly,

N.C. Carter

cc: Dr. Bruce McRae  
Assistant Deputy Minister

Mr. Denis Lieutard  
Director, Mineral Titles

Mr. Graeme McLaren  
Policy Development Branch