

Coronation Mines Ltd.

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830552

December 15, 1995

Mr. Jack Bass
Okanagan Indian Band
RR 7, Site 8, Comp 20
Vernon, B.C. V1T 7Z3

Dear Mr. Bass,

Re: Proposed Mineral Exploration Drilling

As discussed by telephone, we received late last month a BC Energy & Mines permit to drill up to nine holes on our Moffat Creek claims that lie west of Okanagan I.R. #1, as shown on the two appended maps. Because of limited funds, our current plan is to drill only the five proposed holes shown on the second map.

In our November 1st letter, we requested permission of Okanagan Indian Band to employ the Irish Creek Road to access our claims and conduct the drilling program. From our telephone conversations of December 1st and 14th, I understand that the Band has denied this permission. In order to address concerns and allay fears, I wonder if we can provide more information or meet with your Natural Resources Advisory Committee?

Coronation Mines Ltd. is a wholly-owned subsidiary of the TSE-listed company, Formation Capital Corp. Although based in Vancouver, most of Formation's exploration activity is in the state of Idaho. Of all the mining companies active in Idaho, we have been fortunate to win the Governor's Award for best environmental reclamation for the past two years. We have completed large drilling programs in Idaho the past three years. This work was all contracted to Target Drilling, a company owned and operated by Dwight Harvey who lived in Kelowna until recently. He is a member of the Nicola Band, and he employs many natives on his drilling crews. We would be happy to have him phone or fax a reference on our company from his present location in Idaho. For the Moffat Creek drilling, we would probably employ a local contractor. We have also considered bringing Target Drilling to do this work, but the job is too small to justify moving equipment from eastern Idaho.

The proposed work could be completed in as little as five days, or if problems arise, it could take one or two weeks. In addition to a low bed to haul the drill, there would be two or three support pick-up trucks and a water truck. Depending on the type of drill employed, we may need about one load per day of water in a 300 gallon tank on a pick-up for reverse circulation drilling. If we employ diamond drilling, they would probably require a larger water truck. We cannot find a source of water in the Gurney Creek-Moffat Creek area of claims, so we may be forced to haul from somewhere in the valley along Highway 97. If you know of a closer source, we would like to learn of it.

The drilling of five short exploratory holes will not alter the environment in any way, and if unsuccessful, we would probably not drill again. I don't know if the odds are one in a hundred or one in a thousand of discovering mineralization of potential economic significance, but if we are so fortunate, then more drilling would be required and this could eventually lead to development of a mine. Under current legislation, all these activities have to be conducted with strict environmental safeguards, so I am confident that there would never be any contamination of Reserve lands or water wells. This type of economic activity could be of considerable benefit to Band members. Dwight Harvey has demonstrated that natives do excellent drilling work, and I'm sure they would be good miners too.

Also as discussed, we will have to employ someone to prepare the five drill sites and cut a few trees along some of the access trails. We were hoping that this work could be done by Mr. Granberg's tractor and crew. In September, they were doing selective logging on our claims. They may be gone now, but we need to employ someone to cut narrow access trails of 75 to 150 m length to four of the five proposed drill sites. This would have to be done by cutting the stumps very close to the ground and hauling out an merchantable trees. Hopefully, the Band could take any of the trees that have to be cut and market them together with the logs which they are extracting. We will obtain the necessary cutting permit from the Dept. of Forestry. I imagine the Band has some cost in maintaining the portion of the road through the reserve. If we can make a modest contribution toward such costs, this is another possibility.

I will send this letter by facsimile and by mail. Please reply as soon as possible by phone or fax to the above number. Time is of the essence for two reasons. As winter advances, the depth of snow will become an increasing impediment to our work. Also our flow-through funding can only be used between now and the end of February. I had hoped to complete the work in December, but it is too late now. Unless I can foresee a reasonable probability of completing the work in January, we will have to divert the funds to some other project. As a new project will require at least two months to plan and permit, there would be very little time left to complete the work by the end of February.

Because the Natural Resources Advisory Committee may not meet for another month, it would be very much appreciated if you could poll some of the members by phone and then bring this request before the Band Council at the December 19th meeting for reconsideration. Please advise if I can be of further help, or if I, or a consultant from Kelowna who might represent us, should try to attend the Council meeting.

Very sincerely,



Lloyd A. Clark



