

Mustang Minerals Corp.
Suite 514, 120 Adelaide Street West
Toronto, Ontario
M5H 1T1
July 8, 2001
Attention: Mr. Robin Dunbar, President

Dear Robin,

RE: PROPOSAL TO COMPLETE A STRUCTURAL AND GEOCHEMICAL STUDY OF THE
EXPLORATION POTENTIAL OF THE TILLICUM PROPERTY

Further to your recent conversations with Alar Soever, Senior Geologist, Watts, Griffis and McOuat Limited ("WGM") would be pleased to carry out a compilation of data, and a study of the structural setting and geochemistry of the mineralization on the Tillicum Gold Property.

SCOPE OF WORK

The scope of the assignment is to compile the existing data into a digital GEMCOM database to allow for an analysis of the structural setting and zonation patterns in the mineralization. Field locations of the historical data will be verified. Re-logging of some of the core will be carried out to assist with and confirm the results of the interpretation.

Stream sediment sampling will be carried out to help assess the potential of the northern part of the claim group, which has seen little exploration.

A summary report will be prepared, summarizing the findings of this work.

PROJECT TEAM

Alar Soever will be WGM's Project Manager on this Project. Alar will coordinate the work. WGM's on-site Manager will be Nick Carter. Nick is a very experienced BC geologist. Gemcom modelling will be carried out by Edmond Thorose under the supervision of Mike Kociumbus. Resumes for Mssrs. Carter, Thorose and Kociumbus are attached.

PROPOSED WORK PROGRAM

We envisage the following work program to complete 3-D modelling of the mineralization and a structural study to determine the controls on and zonation in the mineralization and identify targets for further work. The work program also includes reconnaissance mapping, prospecting, and stream sediment sampling on the northern claims.

The work program can be divided into the following tasks:

- Collect existing data;
- Collect survey control and prepare TRIM base for compilation;
- Convert data into a digital form and build Gemcom database, prepare plans and sections and complete initial interpretation;
- Complete field checks by structural mapping in the field and re-examination of the drill core, including re-logging of some of the holes for which there are no detailed logs, as required;
- Reconnaissance mapping, prospecting and stream sediment sampling on the northern claims;

Complete final interpretation; and,
Prepare Report.

EXECUTION PLAN

WGM proposes to carry out this project as described below. The project has been subdivided into a series of specific tasks. The objective, work planned, and deliverables for each task are as follows:

Collection of Project Data

Objectives:

All the project data is currently stored with geologist George Addie in Nelson, BC. Objective is to review and collect copies of the data for the project file.

Work Planned:

Alar Soever, WGM's Project Manager, will travel to Nelson, meet with Mr. Addie and review and collect copies of all available data on the property.

Deliverables:

Copies of all maps, plans, sections, drill logs and other data for data entry into digital database.

Survey Control for Old Data

Objectives:

Provide Survey control for old data in NAD83 co-ordinates

Work Planned:

Timberland consultants will be retained to map the roads and portal and other key locations on the claims

Deliverables:

Survey co-ordinates on TRIM base, which will provide base map for compilation.

2. Convert data into a digital form and build Gemcom database, prepare plans and sections and complete initial interpretation

Objectives:

Build Gemcom database and produce plans and sections.

Work Planned:

Data entry of geology logs, and assays for drilling data;
Digitize underground workings;
Data entry of underground sampling data;
Digitize surface geology;
Import topographic data; and,
Build preliminary 3-D model of mineralization.

Deliverables:

Digital database of the information on the property; and,
Plans and sections for use in structural field mapping and interpretation.

3. Complete field checks by structural mapping in the field and re-examination of the drill core, including relogging of some of the holes for which there are no detailed logs, as required.

Objectives:

To confirm preliminary interpretation based on data compilation;
To check and confirm locations of any data about which there are uncertainties;
To complete structural mapping and examination of mineralization in field exposures; and,
Collect additional geologic information from drill core that was only quick logged.

Work Planned:

Field mapping and sampling of the mineralization will be carried out, with particular attention applied to structural controls on the mineralization;
Field checking of locations of suspect data; and,
Relogging of drillholes which were quick logged only in the past or which the initial interpretation suggests should be re-examined.

Deliverables:

Confirmed locations of data to incorporate into digital database;
More complete drill logs for re-logged holes, for incorporation into digital database and 3-D model; and,
Structural geology map of mineralization for incorporation into 3-D model.

4. Reconnaissance mapping, prospecting and stream sediment sampling on the northern claims

Objectives:

To assess desirability of keeping these claims.

Work Planned:

Reconnaissance mapping, prospecting and stream sediment sampling of the northern claims.

Deliverables:

Geologic and geochemical data upon which to base a decision on these claims.

5. Complete final interpretation

Objectives:

To incorporate field data into interpretation.

Work Planned:

Digitizing of field mapping;
Correcting digital database; and,
Final interpretation.

Deliverables:

Final 3-D model, plans and sections for report.

6. Prepare Report

Objectives:

Complete a report that describes structural setting and geometry of the mineralization on the property, and its exploration potential.

Work Planned:

Preparation of report.

Deliverables:

Project Report.

PROJECT BUDGET

The proposed budget totals between \$50,000 and \$55,000 and is presented below:

TILLICUM BUDGET

Task #	Task	Item	Rate	Units	No of Units	Total	Task Totals		
1	Collect Project Data	Alar Soever	\$1,057	Day	3.5	\$3,500			Nick
		Carter	\$700	Days	0.75	\$500			George Addie
									\$500
									Day
									3
									\$1,500
									Travel to Nelson:
									A. Soever
									1,500
									Trip
									1
									\$1,500
									Copies of Data
									2,000
									Trip
									1
									\$200
									\$7,200
									Survey data control, Produce Base Map
									Timberland
									Consultants
									1
									\$1,800
									Task
									1
									\$1,800
									\$1,800
									3
									Compile Database Produce Plans and Sections, Initial Interpretation
									WGM
									\$518
									24
									\$12,400
									Prints
									\$30
									per print
									40
									\$1,200
									Nick
									Carter
									\$700
									Days
									2
									\$1,400
									\$15,000
									4
									Structural Mapping and Core Logging
									Geologist
									\$300
									Days
									15
									\$4,500
									Nick
									Carter
									\$700
									Days
									3
									\$2,100
									Travel
									\$1,500
									lump
									sum
									1
									\$1,500
									Analyses
									\$30
									Sample
									30
									\$900
									Food and Accommodation
									\$2,000
									lump
									sum
									1
									\$2,000
									Field Expenses
									\$2,000
									lump
									sum
									1
									\$2,000
									\$13,000
									5
									Stream Sediment Sampling
									Analysis
									\$300
									Days
									4
									\$1,200
									Analysis
									\$20
									Sample
									40
									\$800
									\$2,000
									6
									Final Interpretation
									Nick
									Carter
									\$700
									Days
									2
									\$1,400
									\$1,400
									7
									Prepare Report
									Nick
									Carter
									\$700
									Days
									6
									\$4,200
									WGM Peer
									review
									\$1,057
									Days
									2
									\$2,116
									WGM
									Drafting
									\$546
									Days
									4
									\$2,184
									Report Preparation
									printing,
									binding
									\$1,500
									\$10,000
									=SUM(ABOVE)
									\$10,000.00
									Total
									\$50,400
									Contingency
									10%
									\$5,040
									GRAND TOTAL
									\$55,440

We have reviewed this proposal and budget with the BC Government for pre-approval as to how much of this work will qualify as assessment. They have indicated verbally that the program as laid out would qualify, but are unwilling to provide a written assurance.

Finally, we have to be aware that the program cannot be completed prior

to the expiry date for the Halifax 20 unit claim which is July 18. A cash-in-lieu payment of \$4,000 plus recording fees of \$200 should be made by this date. The next critical date is July 29 when the Estol claim (6 units) expires.

We have 90 days beyond the filing date to complete the report.

Any field work done (ie - stream sediment sampling) on the northern claims could be applied to the claims we want to maintain by grouping all of the claims prior to filing the assessment work.

Time spent will be billed according to WGM's standard fee schedule (attached). Alar Soever is billed at an E-3 level. Mr. Kociumbus is at a E-1 level, while Mr. Thorose is at a B. All BC personnel are billed and disbursements are billed at cost.

We will not exceed the budget of \$55,000.

If these terms are acceptable, please acknowledge by signing one copy of this letter where indicated below and return one copy to us.

Yours very truly,

WATTS, GRIFFIS AND McOUAT LIMITED

per: Mary-Claire Ward
M-CW/lr Vice- President
cc: K. Hawrelak, A. Soever

Agreed to this _____ day of July, 2001

MUSTANG MINERALS CORP.

per: Robin Dunbar, President

Watts, Griffis and McOuat
Mustang Minerals Corp.
July 8, 2000