

**THOMAS E. KIRK**  
**674 Fernhill Road**  
**Victoria, B.C.**  
**V9A 4Y9**

**Telephone: 250-382-7056**  
**Facsimile: 250-386-1715**

August 30, 2001

Mr. Ken Davidson  
Principal  
Transformation Solutions  
123 - 645 Fort Street  
Victoria, B.C. V8W 1G2

Dear Sir:

**Re: Mining Rights Compensation Project -**  
**Mineral Tenure Evaluation - BLANEY and SAM CRAIG Mineral Claims**  
**Prepared by John R. Kerr, P.Eng., August 10, 2001**

The undersigned, the recorded owner of the BLANEY and SAM CRAIG mineral claims, has reviewed the evaluation of the subject mineral claims prepared by John R. Kerr, P.Eng., and offers the following comments:

**1. Resource Estimates - Musketeer mine (SAM CRAIG claims)**

Mr. Kerr refers (page 3) to BC Minfile data for Musketeer mine which includes a reference stating that "in 1942, a reserve (resource?) of 18,034 tonnes grading 11.32 grams/tonne (g/t) gold was reported (Northern Miner, November 29, 1974)." Mr. Kerr goes on to state that "as 9,623 tonnes have been mined at a grade approximating 9.3 g/t gold, an indicated resource of 8,400 tonnes grading 13 g/t gold remains in situ."

This assumption is incorrect for the following reasons. A company document, prepared in 1942 by Musketeer Mines Limited (jointly controlled by Pioneer Gold Mines of B.C. Ltd. and Anglo Huronian Limited) reported probable tonnages available and probable grade (prior to mining) at Musketeer mine as being approximately 30,000 tons grading 0.33 oz/ton gold (equal to 27,215 tonnes @ 11.32 g/t). The reported reserve/resource was diluted to a 3 ft. (0.91 metre) mining width.

Recorded production (BC Minfile) from the Musketeer mine by way of 3 underground levels, included 6,426 tonnes in 1942, an additional 3140 tonnes between 1961 and 1963 and 57 tonnes in 1974 for a total of 9,623 tonnes. It is important to note that all production was from the Trail vein; the Musketeer (Main) vein was not mined.

Subtracting the total production from the pre-mining estimate of 27,215 tonnes equals 17,592 tonnes which is within 2.5% of the figure quoted in the 1974 Northern Miner article.

The remaining resource for the Musketeer mine can be further substantiated by a review of comprehensive underground sampling data shown on plans and sections for the Trail and Main (Musketeer) veins which are publicly available in the Ministry of Energy and Mines Property File 92F060.

These plans and sections, at a scale of 1 inch equals 30 feet and prepared by N.G. Cornish on behalf of Bedwell River Gold Mine April 9, 1959 (prior to additional mining in 1962-63) show composites of detailed sampling of better mineralized shoots within the two vein structures. These results, which incorporate weighted average, undiluted gold grades over individual shoot lengths and overall average sample widths, are based on original Musketeer Mines Limited data as evidenced by the fact that several of these composites correspond to those reported in a number of available company documents from that era.

The section for the Trail vein shows areas mined in 1942. Simple volume calculations for these areas are roughly equivalent to 6,700 tonnes which is in reasonably good agreement with the BC Minfile figure of 6,426 tonnes mined in 1942.

Excluding these mined areas, a preliminary estimate of remaining, indicated mineral resources within both the Trail and Main (Musketeer) veins, following 1942 mining, would have been 24,172 tonnes grading 12.57 g/t gold. Note that these resources were adjacent to existing underground headings and diluted to a 0.91 metre (3 ft.) mining width, equivalent to that used during mining. The total resource has not been extended to depth below the lowest adit level.

Deducting the 1962-63 and 1974 recorded production (3,197 tonnes) from the foregoing estimate, the remaining indicated resource at Musketeer mine at the end of 1974 would have been 20975 tonnes with an average gold grade of 12.57 g/t. Using this estimate and that reported in BC Minfile (18,034 tonnes @ 11.32 g/t gold), the indicated resource at Musketeer mine would be in the range of 204,000 to 263,000 grams of gold as opposed to the 109,000 grams of gold estimated Mr. Kerr (page 5) and used in assigning a value for historical work on the present SAM CRAIG mineral claims.

The more thorough estimate of remaining indicated resources for Musketeer mine would render a significantly higher value for historical work, assuming that it is appropriate to make use of this sole parameter in assigning such a value.

## **2. Status of the Bedwell River Area at the Time of Location of the BLANEY and SAM CRAIG Mineral Claims**

The Bedwell River drainage area was Crown land when the BLANEY and SAM CRAIG mineral claims were staked.

Bedwell River and two smaller areas in the northern part of Strathcona Park had been removed from the park by an Order in Council in early 1987. Concurrent with this, a second Order in Council placed a time-limited, no-staking reserve on these areas; this was scheduled to expire on or about July 31, 1987. The deletion of the three areas from Strathcona Park was in response to recommendations of a committee appointed by the then Minister of Environment in 1985.

...../3

The undersigned was well aware of these impending park boundary changes having been associated with a company that was party to an agreement with respect to the YOU gold property. This property, also situated in the Bedwell River area, is about 8 km northeast of the Musketeer (SAM CRAIG claims) and Buccaneer (BLANEY claims) properties. Exploration work on the four Crown granted YOU claims in 1985 was made possible by a Park Use Permit issued in 1974.

Further evidence of the new status of the Bedwell River area was contained in a May, 1987 letter to the undersigned from Parks Branch advising that since the YOU property was situated in an area that was no longer part of Strathcona Park, the existing Park Use Permit would not be required and that the file would be closed. A subsequent notice from the Director of Mineral Titles, Ministry of Energy Mines and Petroleum Resources, advised that the rights to the YOU claims, like other mineral claims on Crown lands, could be exercised subject to the provisions of the Mineral Tenure Act.

The no-staking reserve covering the Bedwell River area was removed August 6, 1987 and the BLANEY and SAM CRAIG claims were staked the following day.

Mr. Kerr's report (page 4) provides details of five transactions pertaining to comparable mineral properties. While the average value of these transactions is stated as \$225,300, Mr. Kerr further states that "it is essential that the park encumbrance would depress values of tenure in the park, therefore the final comparable value must be discounted by 50%."

As indicated by the foregoing sequence of events, the Bedwell River area was Crown land when the subject mineral claims were staked. The undersigned had every expectation that he would be able to proceed with further investigation of these mineral claims free and clear of any of the encumbrances that had hindered previous work on mineral properties in Strathcona Park.

Accordingly, no discounting of the Comparable Transaction Value is warranted in the case of the BLANEY and SAM CRAIG mineral claims.

### **3. Value of Historical Work**

Mr. Kerr (page 5) states that "Only a limited value of historical work completed from 1942 - 1973 can be used in this evaluation as very little of this data meets quality for present-day evaluation."

Data available in BC Minfile, Minister of Mines Annual Reports and in Ministry of Energy and Mines Property Files provide descriptions of the extent and nature of work completed on the Musketeer and Buccaneer properties up to 1974. The plans and sections for Musketeer mine (SAM CRAIG claims), referred to previously and intended to be included as part of the data package conveyed to Mr. Kerr, provide details of the remaining resources.

In view of the information available, the undersigned is of the opinion that the value of historical work on both the BLANEY and SAM CRAIG mineral claims far exceeds the nominal values assigned by Mr. Kerr.

Respectfully submitted,

Thomas E. Kirk