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L. J. MANNING & ASSOCIATES LTD.

CONSULTING MINING AND GEOLOGICAL ENGINEERS

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September 28, 1971.

Gulf Minerals Canada Ltd.,
Suite 1300
10 King Street East
Toronto, Ontario.

Attention: Dr. N. M. Ediger

Gentlemen:

Re: Davis-Keays Mining Co. Ltd.

104K 012

The referenced mining company has for the past two years been involved in a rather stumbling attempt to obtain senior financing and more into production.

As we see the problem, not only can no two directors agree but also their proposed negotiating position has weighed far too heavily in favour of the vendor. We believe that this is basically the reason for the retirement of Dow^a from the scene as a major financier and certainly was the reason for the withdrawal from negotiations of one of our senior clients in 1970.

With the softening of the Kam-Kotia position in the Davis-Keays picture due to its own alleged financial problems, rumour has it that the directors have taken (or are taking) a more reasonable look at the facts of life.

We believe the mine to be one of the better small mines to be developed in the last few years and that the following brief statistics taken from a detailed feasibility study in 1970 justify this analysis:

Ore reserves -

Proven 1,007,362 tons @ 3.56% Cu.

Probable 562,322 tons @ 3.18%

Possible 439,260 tons @ undetermined.

Estimated total capital cost -

(including \$1,242,000 working capital and some monies already applied) \$13,223,170

Gross annual profit for a six-year operation (before taxes) at 50¢ copper \$4.67 million.

A further feasibility study based on a reduced operating rate is also currently being completed.

Should you be interested in the possibilities of the referenced property we would be most pleased to act in your behalf firstly to establish a reasonable negotiating position with the vendor, and secondly to confirm the financial positions of all currently involved. We would also, when appropriate, confirm the total feasibility of the project.

Our involvement would be entirely as consultants within our normal fee structure. It would, however, involve the use of considerable first-hand knowledge of the property obtained while representing another major client.

Best personal regards.

Yours truly,

L. J. MANNING & ASSOCIATES LTD.

A handwritten signature in cursive script, appearing to read 'H. M. Thurgood', written in dark ink.

H. M. Thurgood, P. Eng.

HMT:d1