Calgary, Alta.,
June 7th, 1969. 861763

Mr. J. Allan,
Amax Exploration Inc.,
Suite 601,
535 Thurlow St.,
Vancouver, B.C.

NOTE: WORK COMMITTMENTS OR CASH CAN BE NEGOTIATED BECAUSE OF TIME. RAL

Dear Jim,

With reference to our telephone conversation of June 9th regarding the Norranco Mining & Refining Co. Ltd. deal for mining prospects in British Columbia.

Norranco Mining & Refining Co. Ltd. was formed in early 1968 in order to allow consultants to the petroleum industry an opportunity to participate in mineral resources without placing themselves in a fiduciary position insofar as the petroleum industry is concerned. We therefore have concentrated on hard-rock mining opportunities.

With the guidance of our consultant, Mr. A.D. Tidsbury, we concentrated our efforts on locating accessible properties with good geological position, no legal entanglements, low acquisistion costs and indicated high productivity potentials.

Through the summer and fall of 1968 we examined or reviewed some 150 properties, of which we physically visited and explored some 78 groups. We have acquired of this group, either by option or staking, five groups of property. Four we feel present better than average potential. The fifth we acquired by staking and having done insufficient evaluation to analyze the potentials. We can say no more than to state that mineral showings are abundantly present.

The five groups of properties which we hold are listed below with pertinent data as to location, number of claims, holding responsibility and expected potential. All of these properties will require that the higher cost phase of proving now be entered into. In order to obtain funds for such work we will relinquish a major portion of our interest in the properties in xchange for further exploration capital. These properties should be considered as good wildcat plays and any monies invested in this project should be considered as risk money with extremely high rewards if any one of this group of properties were to come to production.

Properties that we now hold are as follows:

Big Onion Prospect

This property consists of 92 claims held by option and 25 contiguous claims held by staking. The property is potentially a large open-pit low-grade copper-molybdenum project. This property was optioned because after reviewing data made available to us it was felt that previous exploration work had only partially evaluated a few of the known anomalies and areas with higher values showing on surface had not been touched. This property, located 11 miles East of Smithers, is accessible by a secondary highway which cuts directly through the claims group. An attached write-up gives more detail. The option and work requirements to Norranco on this property are as follows:

At signing on September 23, 1968 the sum of $3,000 was deposited and subsequent payments of $400 each month have been made. Work requirements and further option payments are as follows: By Septemb er 1969, work in the amount of $20,000 and option payments of $3,000 or work in the amount of $10,000 and option payments of $6,000 must be made.

There is no time limit on the above. If commercial production in indicated, then the original holder may elect to receive $500,000 over 10 years from production @ $50,000 per annum or 10 per cent of the vendor's shares of a company formed to operate the properties. 750,000

Big Onion Potential

On the basis of the values seen on outcrops and the areal extent of I.P. anomalies, it is possible that an area exceeding 9,000 feet by 3,000 feet exists which will average a minimum of 0.5 per cent copper. ?

Potential value in such an area would be 2 million tons per foot of depth. On the basis of cores cut to date, mineralization exceeds 700 feet. If it can be firmly established that ore of a value of 0.5 per cent copper or greater exists, then cash value per foot of depth would be $6,000,000 using 30¢ per pound for the sale price of copper. Assuming a mill and facility construction cost of $40,000,000 (on the basis of the Brenda costs) any depth in excess of 7 feet would make an economic operation.

Because of the proximity of this property to power, rail transport, fresh water and distance to a seaport, it has been estimated that $3 per ton of ore could be economically handled.

DN Claim Group

This property consists of 14 claims covering the principal mineral showings of a copper rich outcrop. This property was staked by Norranco in June 1968. Due to the time of year of the staking, only limited work was done. Samples of rock taken out by helicopter assayed 0.9 per cent copper. This property is held in its entirety by Norranco and if taken with a total project of the other properties would be free of option payments, but some carried interest provision will be requested. A comprehensive report on the property is supplied.

Property Potential

The DN group being a new and very briefly explored occurrence of copper minerals must still be classed as unknown potential. Preliminary soil samplings and rock outcrops suggest fairly rich copper values to exist over a lenght of some 500 inches to 800 feet to perhaps 2,000 feet or more. The outcrop is near the eastern contact of a large batholith with intruded volcanic and sedimentary rocks. At least two defined mineral bodies held by Kennecot Copper Corporation exist in exactly similar geological environment 4 miles to the South. On the basis of our limited

~ 40'

work on this property, all indications are that the property has the correct geological and structural conformations to yield a high value short life producing property.

David Minerals Group

This property, situated near Aspen Gove, British Columbia, consists of 50 whole and fractional claims held by option from David Minerals Ltd. The property is a copper-silver prospect with a history dating to 1919. The property was worked by hand for silver at this time until silver prices failed, the copper present being of no interest at that time. Assays of rock taken from the old workings gave values as high as 11 per cent copper with 6 ounaes of silver. This property is accessible by motor car approximately 8 months of the year and by four-wheel drive at all times. It is approximately 1 1/2 miles from the Merritt-Princeton highway.

Option terms require the following:

1. During 1968 the expenditure of not less than $11,000.
2. During 1969 the expenditure of up to $40,000.
3. During 1970 the expenditure of up to $80,000.

what was done? These amounts are accumulative and Norranco has expended to date the amount of $18,200 which thus requires that only $21,800 be spent in the balance of 1969.

mag & I.P.

4. By July 31, 1971 Norranco will deliver to David Minerals 30 per cent of the escrow shares or 225,000 escrow shares of a company to be formed to operate the properties. These properties are completely described in a report, a copy of which accompanies this letter. In our opinion this property presents the best potential of any prospect available today. (of 750,000 sh) why?

David Minerals Property Potential

On the basis of the work recently completed by our group on this property, potential has been somewhat more firmly pointed out. Induced polarization and magnetometer work has defined two areas approximately 2,400 feet by 2,400 feet having uniform characteristics indicative of positive mineral content. ?

Where assays have run to as high as 11 per cent copper and 6 ounces of silver by using an average of 0.25 per cent copper and 2.0 oundes of silver value of ore in-place would be $4.60 per ton, based on 30¢ per pound for copper and $1.50 per ounce for silver. Present indications are that it may be possible to establish an open-pit operation on these properties on either of the two areas indicated by geophysical survey, the target being a 30 million ton to 50 million ton operation. The type of cash costs and cash flow would be as follows:

A. Cost

To delineate ore body	$ 1,700,000
To install 5,000 ton per day concentrator and mining facility	10,000,000
Total Estimated Cost	$12,000,000

B. Cash Flow

Gross per day	$ 23,000
Gross per year (300 days)	6,900,000
Cost per year	4,500,000
Profit Life 20 years	48,000,000

If both areas were to be productive this amount may properly be doubled.

BAT and TAB Group

This group consists of 15 and a fraction claims immediately adjoining on the West and North sides the David Group of properties. These properties were acquired by Bill of Sale from Valnicla Copper Mine Ltd. in exchange for work done elsewhere. Holding requirements are that the claims shall be held in good standing and that if production of the property becomes effective, the sum of $250,000 shall be paid from 12-1/2 per cent of the product of the mine. By the mileage limits set up in the David Minerals agreement, these properties become part of the David operation.

gross royalty

No potential for this property has been estimated.

DOT and FRAN Group

This is a group of 36 silver, lead, zinc and copper claims located by staking late in 1968. The properties are located in the Dutch Creek area South of Radium, British Columbia. Only a cursory examination of the property was made and staking was done rapidly before winter set in. Grab samples taken showed high assays in silver in the order of 120 ounces per ton. Sampling was not scientifically done and the values received are not likely to be realistic on a mining operation. Nevertheless, the extent and profusion of the orde indicate that further work should be done in the form of geological mapping, some trenching and blasting, following which if this work indicates, geophysical work should be undertakem. Norranco, having paid wages to the prospector for assisting in the staking of these properties, has full title to the property. However, by verbal agreement with the prospector we will enter into an agreement upon initiation of work whereby a further nominal amount will be paid to the prospector.

The foregoing and the enclosed property briefs constitute a brief description of properties that we feel, after having made fairly extensive evaluations, warrant more extensive exploration work.

In order to enter the costlier phase of operation we are prepared to relinquish a portion of our interest in this group of properties, conditions of a deal being as follows:

A. Purchaser would agree to performing $150,000 ground work acceptable to vendor during 1969. Purchaser would agree to keep all claims in good standing. At completion of the 1969 exploratory program and prior

much too great

no discretion of purchaser

to March 31, 1970, a quit clause could be exercised by the purchaser, all properties and information from the 1969 exploratory program reverting to vendor should the quit clause be exercised.

B. Purchaser would agree to performing $250,000 ground work acceptable to the vendor in 1970 unless the quit clause mentioned in A. above were to be exercised. Purchaser would agree to keep all claims in good standing. By March 31, 1971, purchaser could exercise an option to carry on further exploration or production work or to return all properties and information to the vendor.

C. Purchaser would pay the vendor $100,000 cash, assume all property — payments commitments and give the vendor a 1/8 carried interest in any production resulting from these properties.

or ?

gross royalty ?

D. Vendor would receive 10 per cent of escrow shares in any company formed by the purchaser to explore or produce the above properties.

As the 1969 exploration season is now started we would appreciate your consideration and an early reply.

Should you be interested in the prospects outlined above and in our terms we would furnish additional information as requested.

Yours very truly,

L. Stefansson,
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Calgary, Alta.

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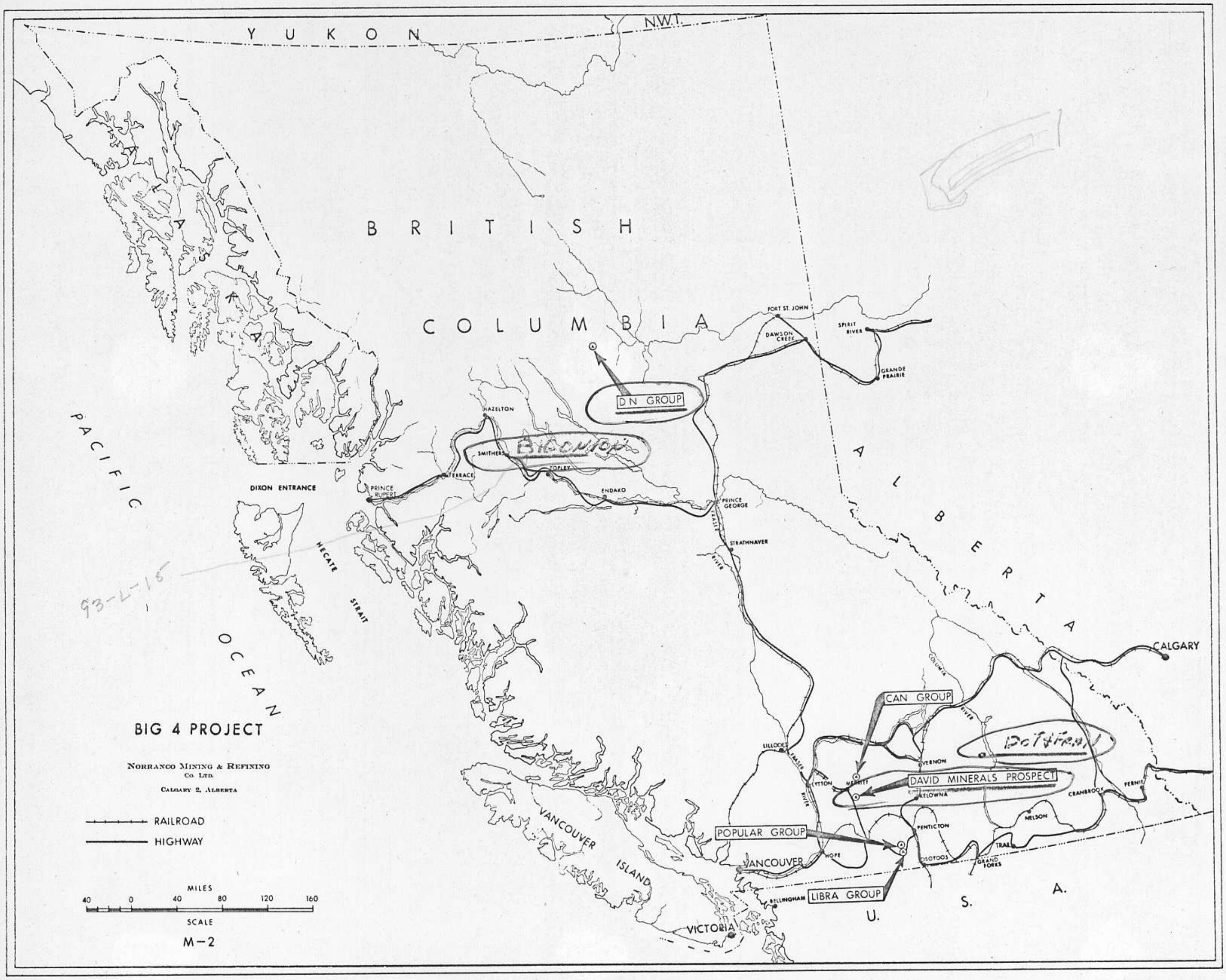
253-4153 (residence)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DIXON ENTRANCE
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ISLAND
U. S. A.
FORT ST. JOHN
DAWSON CREEK
SPIRIT RIVER
GRANDE PRAIRIE
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HAZELTON
SMITHERS
TERRACE
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MERRITT
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