

# Okanagan BUSINESS

Brett  
881407

The Valley's Business Magazine

October, 1988

Volume 2, No. 10 — \$1.50



## **GOLD FEVER!**

A few good assays, and the rush is on

## **LOVING & LEAVING**

A legal look at employees and their departures

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# Okanagan *...The Valley's Business and Real Estate Magazine* **BUSINESS**

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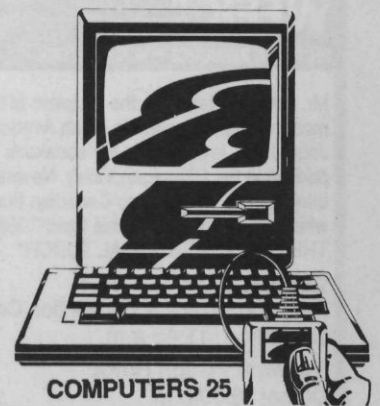
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**GOLD! 8**



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Kelowna - Capri Hotel  
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October 27th

Vernon - Vernon Lodge  
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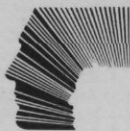
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## UP FRONT

# Chips and change

**C**omputers are more – much more – than the scientific tools and toys they were a decade ago. Technology, competition and imagination have brought the microchip revolution to our homes and offices.

When we buy bread, when we sit down to read the paper, when we phone our customers or friends – somewhere along the line a computer has played a part. People – and businesses – have come to rely on the machine, which was first put to a commercial application less than 40 years ago.

Businesses are increasingly turning to computers. That's why this month's special section – our biggest ever – tries to answer some of the questions business people ask.

There's one very important message in that section for those of you who have and rely on computers: do your back-ups. I'm going to as soon as this issue is put to bed . . .

. . . *The rush is on.* . . High-tech doesn't hold a candle to old-fashioned gold when it comes to drama, however. Charles Brett, our cover subject, is a prospector with a nose for gold. At 75, he's the namesake of the Brett Claims, which has spawned so much interest in gold mining in the Okanagan. Brett says his own aim in life is to see one of his claims yield a producing mine. He may yet get his wish . . . .

Even if no mine materializes out of the current spate of exploration and drilling activity on the west side of the valley, there will have been a lot of money injected into the economies of Vernon, Kelowna and Penticton.

The flurry of interest in gold, and the intricacies of the business, are the subject of our cover story.

. . . *Changes here.* . . Margo Goodhand, founding editor of Okanagan Business, has given up her position with Okanagan Valley Publications to pursue other interests. Among them her first son, Patrick.

I take over the position, so if you have a story idea or need someone to blame, praise, curse, cajole or talk to in regards to the editorial content, call.

– Allan Coyle,  
editor



## LETTERS TO THE EDITOR

We welcome any thoughts you have on the business scene, local or national. Letters must be signed, pseudonyms are not permitted – and your address must be included. All letters will be verified if published, so please include your phone number. We reserve the right to refuse or edit all contributions.

**OCT. 4 Vernon Chamber Luncheon** with Michael Walker of the Fraser Institute speaking on the subject of "Privatization" will be held at the Village Green Inn at 12:00 noon. Tickets are \$10.00 per person.

**OCT. 4 & 5 Okanagan Ownership for Women**, a conference for women entrepreneurs will take place at the Lodge Motor Inn, Kelowna. For more information call 762-2035.

**OCT. 6 Penticton Chamber of Commerce** will hold "Business After 5" at the Penticton Trade & Convention Centre. For more information call the Chamber at 492-4103.

**OCT. 13 Penticton Chamber Luncheon** will be held at the Delta Hotel at 11:45a.m. with guest speaker Brian Watkins.

**OCT. 13 Vernon Chamber of Commerce Fashion Show** "Professional Outlook '89" will be held at the Vernon Lodge Hotel. \$20 per person includes dinner. Cocktails at 5:30p.m., dinner at 6:30 and the fashion show at 7:30p.m.

**OCT. 18 Vernon Investment Club** will be holding a meeting at the Vernon Rec Centre at 7:30p.m. in the Halina room. Tickets will be \$2.00. Great Pacific Management will be speaking at the event. For more information

call 542-7545.

**OCT. 18 Vernon Chamber of Commerce "Business After 5"** will take place at the Lawton House, 2906 26st. 5 - 7p.m. \$2.50

**OCT. 18 Federal Business Development Bank** seminars on credit & collections will take place from 9a.m. to Noon in Penticton and on Understanding Financial Statements from 6:30 - 9:30p.m. in Penticton. For more information or for registration call Wendy McCulloch at 762-2035.

**OCT. 19 Federal Business Development Bank** seminars on Bookkeeping will be held from 9a.m.- 4:30p.m. in Penticton and on Time Management from 6:30a.m.- 9:30p.m. also in Penticton. For more information call Wendy McCulloch at 762-2035.

**OCT. 20 Penticton Chamber Luncheon** will be held at the Sandman Inn at 11:45a.m. with guest speaker Harry Rosen.

**OCT. 21 Time Text I**, a workshop geared to help business people control daily priorities, held at 1455 Ellis Street from 9a.m. to 1:30p.m. Phone Priority Management Systems at 860-1744 or 860-8768.

**OCT 24, 26 Encore Seminar** - evening session held at the Kelowna Chamber of Commerce from 6 - 9:30p.m. will cover such topics as effective telephone tech-

niques, special needs visitor and first responder. Registration fee is \$25. Phone 765-7540 or 763-3342 or 861-1515

**OCT. 24 Okanagan College** invites you to hear Donald Champion; Vice President, administration of B.C. Telephone Co. at 4:30p.m. in the Okanagan College Theatre.

**OCT. 26 "Entrepreneur of the Year" Awards Banquet** will be held at 6p.m. at the Capri Hotel. Tickets are \$25 per person with guest speaker Peter Newman.

**OCT. 26 Penticton Chamber Luncheon** will be held at the Penticton Trade & Convention Centre at 11:45a.m. The fee will be \$25 per person featuring guest speaker author & journalist, Peter Newman.

**OCT. 27 Vernon Chamber Luncheon** with author Peter C, Newman will be at the Vernon Lodge Hotel at 12:00 noon. \$10

*Do you have some information for us? Mail it to Mary Lou Bailey, Calendar Co-ordinator, Okanagan Business Magazine, 201 - 1460 Pandosy Street, Kelowna, V1Y 1P3 by September 15 for the October issue. Business Calendar is a free listing of workshops, seminars and meetings in the Okanagan. We give priority to events sponsored by non-profit or government-funded organizations.*

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# FREE TRADE:

Is it scary? Very scary?  
Our columnist says no,  
it's an opportunity  
we must take.

BY PETER WOODWARD



**Peter Woodward**  
*is an investment executive  
with ScotiaMcLeod  
in Kelowna*

Not often in our short history have we Canadians confronted great issues. But now we must come to a decision about free trade with the U.S.

I support free trade, strongly. It is my belief that we have an opportunity here to strengthen ourselves as a nation if we endorse free trade. Alternatively, if we turn away from free trade, I believe the end result will be a substantially weaker Canada, economically and politically.

Rather than look at the benefits of free trade, let's examine the major arguments of those who oppose this deal.

**1. Free trade will result in our being taken over by the U.S.** This is mischievous nonsense. It does not follow that because one nation has close trade relations with another that political assimilation must occur. Look at the nations of the European Economic Community, who have been in a common market for 30 years (and who, incidentally, are moving to break down all remaining trade barriers in 1992). Are the French any less French than they've ever been? Is Holland about to become a German province? Are the British anxious about Italian designs on the sovereignty?

The great bulk of our present international trade is with the U.S. Will we be any less sovereign as a nation if we can carry out that trade more easily and more profitably under a free trade agreement?

**2. Our cultural industries will be abandoned by the government.** There is nothing in the Free Trade Agreement (FTA) to stop us from creating policies to support "Canadian Culture." (With all

due respect to the Toronto Culture Moguls, this is probably a mixed blessing.) However, that support could not, obviously, take the form of tariffs on films, cassettes, records, etc.

**3. Canadian social policies such as Medicare and Unemployment Insurance will be abandoned.** Nowhere in the FTA is it even hinted that Canada must harmonize its health delivery system with that of the U.S. The same is true for U.I. The Americans know that if we Canadians wish to bankrupt ourselves with one of the most abused unemployment insurance schemes in the Western world, it is quite within our rights to do so.

**4. Under free trade Ottawa will no longer be allowed to fund programs to lessen "regional disparity."** Unfortunately, we will be able to carry on with these programs, notwithstanding the total lack of any firm evidence that these efforts are achieving anything positive. So the regional porkbarrelling can continue, although we may expose ourselves to possible countervailing duty petitions if we throw too much cash at individual companies or industries. In other words, we will have to be a bit more subtle in the future.

**5. Canada will lose control of its energy resources.** If losing control means that Ottawa will never again be able to impose a cheap "Made in Canada" oil price on the oil industry, while skimming off the excess in the form of an export tax, then yes, we have lost control of our energy resources. The FTA requires that Canada and the U.S. not discriminate against each other in times of

shortages. If this gesture sounds the alarm bells for Canadian nationalists, let them be reminded there will be no shortages so long as free market policies are followed. Furthermore, we are free to pursue our own conservation policies, which could include higher taxes, so long as there is no discrimination between domestic and export markets.

**6. Canada will still be subject to U.S. trade remedy laws such as countervailing duty petitions.** In all the furor over this point it has been largely forgotten that the U.S. will still be subject to Canadian trade remedy laws as well.

Yes, it's true that the dispute settling mechanism could be better. Negotiations for a new set of rules concerning dumping and subsidization will be carried out over the next five to seven years. Until then, the FTA dispute settling mechanism is still a far-reaching improvement over our present situation. For the first time in their history, Americans have bound themselves to subordinate the findings of their domestic trade agencies to rulings made by a review panel on which foreign nationals will sit. In other words, if the bilateral review panel rules that a U.S. countervail petition has no basis in fact, then the petition will be thrown out.

We are thus protected against political tariffs that seem to spring up in election years. We are not protected if we actually engage in dumping or other trade violations, nor should we be. The same goes for the U.S.

**6. Canada's wine industry will be wiped out.** That portion of the Canadian wine industry that came into existence

and grew solely as a result of protectionism may well be wiped out. That portion that is internationally competitive will grow and thrive under free trade. At a recent briefing on free trade sponsored by the Kelowna Chamber of Commerce and the Department of External Affairs, Harry McWatters of Sumac Ridge estate winery named two Okanagan vintages that are internationally competitive: Gewurtzraminer and Johannesburg Reisling. He's looking forward to exploring the expanded markets south of the border for quality estate wines.

**7. Canadian jobs will be lost under free trade.** Some jobs will disappear and others will be created. Job retraining will be necessary in some cases and government assistance for this will be available.

The government projects that in the next four years 120,000 new net jobs will be created.

Since I don't expect opponents of free trade to believe this figure, I challenge them to a simple exercise: find me an economics textbook that says free trade does *not* provide net economic benefits for all the parties involved.

**9. Free trade is OK as an idea, but this agreement is a bad deal for Canada.** After tearing up the FTA, Prime Minister John Turner has promised to negotiate with the U.S. a series of sectoral trade agreements. This approach was tried in 1983 by the last Liberal government and the negotiations failed. Furthermore, sectoral agreements are violations of the GATT.

Also it's doubtful the U.S. would be in the mood to throw out a painstakingly achieved comprehensive agreement in order to begin new negotiations on a series of sectoral treaties. If Canada throws out the FTA, the U.S. will more likely be disposed to creating more barriers to trade, not fewer. After all, we asked for these negotiations. If we bail out at the altar, we have to expect there will be consequences.

Western Canada has everything to gain and very little to lose under free trade. Look how Ontario has prospered under the Autopact. Over 90 per cent of its provincial exports go to the U.S. and two-thirds of this is in the automotive sector. The Autopact is the prime example of how beneficial free trade can be for all concerned.

This is what it boils down to in the end: if Ontario can prosper with free trade in automotive products, why not

free trade for the rest of us? The FTA will result in a greater prosperity in those parts of Canada that have not enjoyed the benefits that sectoral free trade has brought to Ontario. Ontario will benefit too.

This isn't a choice between the known and the unknown. The specific consequences of rejecting free trade are as unknown as the specific consequences of approval. Canada faces economic stagnation unless it can link itself to one of

the three great economic blocs presently forming in the world; neither Japan nor Europe can substitute for the logical choice of the U.S.

If we reject the FTA now, the chance for another agreement may not occur for a generation. Will Canada still be able to bargain from strength then, if we isolate ourselves now?

Think deeply Canada. The choice must now be made. ■

## What's it like to have 150 people over for dinner?



Elaine Procter, C. A., of MacKay & Partners (left) with Lorne and Pat Pamplin of Westbank's Smitty's Family Restaurant.

Well, if you're Lorne and Pat Pamplin of Pam-Wes Investments Ltd., it's just another day of providing super service and great food to customers at Smitty's Family Restaurant in Westbank.

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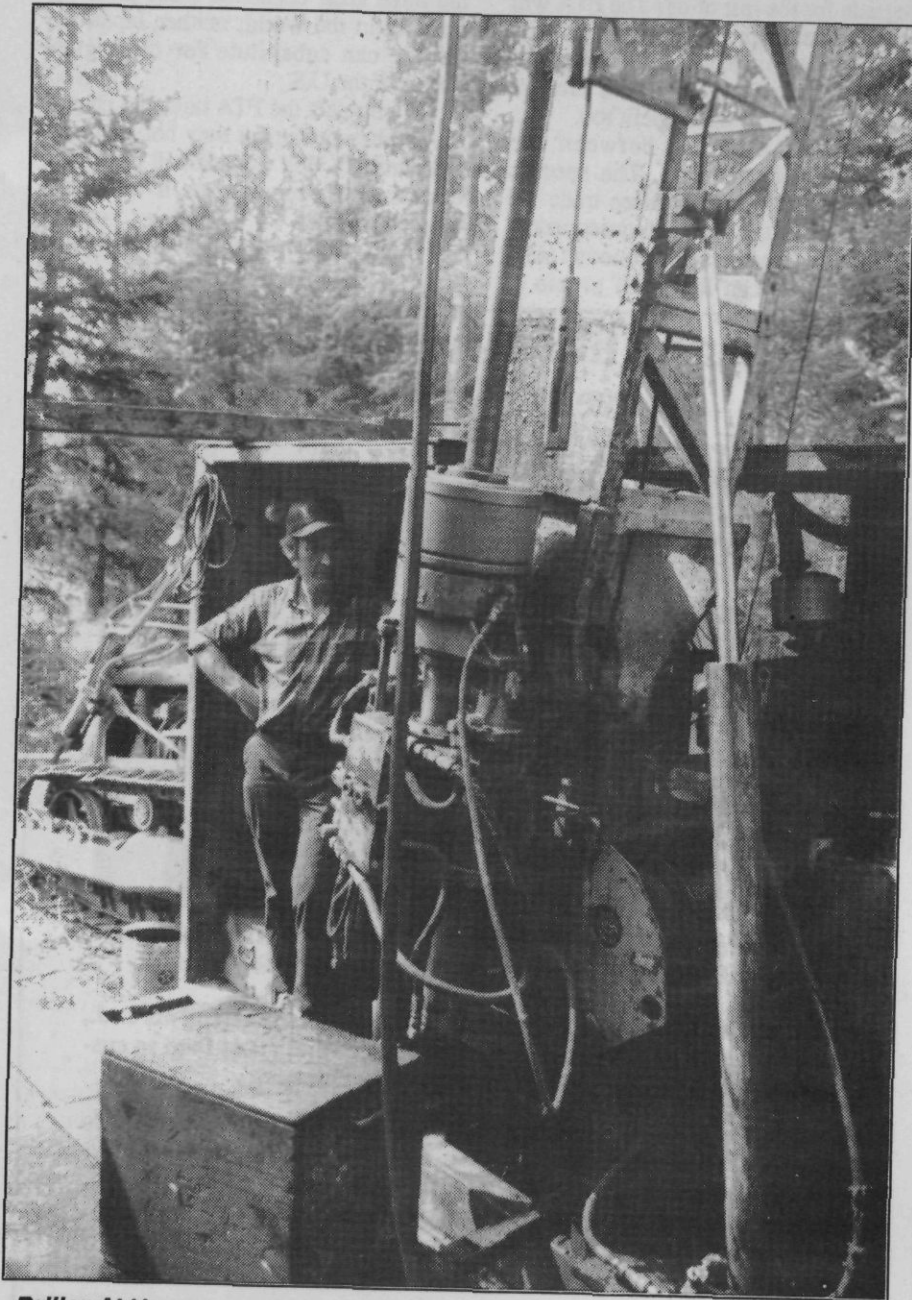
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*Driller Al Harvey watches as his diamond drilling rig cuts into the earth*

On the way up to the drill site midway between Vernon and Kelowna, Charlie Brett and geologist Dave Mitchell run into a couple of guys in pick-ups.

With a taste of fall flavouring the air, they are on their way to see some deadfall for the winter. Brett stops them – he's worried about the core samples at the drill site and wants to make it clear they're not welcome there.

One of the trucks bears Alberta plates. The driver is a driller from the oil-fields. But he knows about the operation at the old White Elephant Mine. And word is spreading, he tells Brett, that the drilling has yielded some good results.

# All that glitters

A fever  
settles  
on the  
valley:

Is it hype,  
hopefulness  
or Hemlo?

BY ALLAN COYLE



Along come two more men, these riding trail bikes. They're looking for the White Elephant Mine.

Gold Fever?

**I**t's hard to deny. It's obvious people are getting excited about gold when rumors about assay results come back even before the core samples are sent to the lab for testing.

After the results of single drill hole assay sent stock in Huntingdon Mines soaring to more than \$5.25 from a start of \$1.30, nearly everyone in the valley has come to know that there is gold along the west side of Okanagan Lake.

How much is a matter for the assayers, the drillers, the prospectors, the geologists and the speculators to figure out. Some think there may be enough to start one or more mines of significant proportion. Others think it may just be some small pockets of gold that are enough to fuel stock speculation and not much else.

Whatever the truth, the infectious atmosphere of a possible gold strike is certainly discernable. And where there's talk of gold, there's money to be made.

Seventy-five-year-old Brett, with his white hair, and his magnifying glass slung around his neck, is in large part responsible for the growing interest in the ore bodies along the lakeshore hills.

Brett is a long-time prospector. In 1973, after having nosed around the area, he staked claims not far off Whiteman Creek. A couple of samples he took from surface rocks came back with surprisingly good assays.



**Geologist Dave Mitchell checks a core sample for visible gold specks**

But Brett decided to sell the claims: in a deal worked out with Huntingdon Resources, they got the claims, Brett became a director of the company and got 35,000 shares thereof. The cash settlement was negligible.

**H**untingdon started a drill program. The rest is history. A year ago this month, the company drilled hole RC88-11 and came up with the amazing assay results. One 145-section of the hole yielded

an estimate of 2.95 ounces of gold per ton of ore.

"I haven't heard of anything better," says geologist Werner Gruenwald, who has seen the Brett claims yield more surprises than a 10-year-old's birthday party. There have been more spectacular assays, but the value hasn't extended over as large an area, says Gruenwald. "It's not often you see that continuity . . . It's definitely impressive."

Brett estimates .25 ounces of gold per ton is enough to justify a mine these days, given enough of an ore body. The RC88-11 assay was running 10 times that level. No wonder people

Whatever the answer, there's serious money being spent in search of Okanagan gold

## KELOWNA CHAMBER of COMMERCE

### Proudly Presents October's Winner For The Entrepreneur of the Year Award People - A Resource for the future.

#### **NORTHERN AIRBORNE - WALTER SHAWLEE**

In 1979, Northern Airborne was created to provide aircraft support and electronics manufacturing for the helicopter industry in Canada. Today, Northern Airborne's customers extend all over the world, with the focus of the company being more research and manufacturing based. Because of the commitment and vision of Walter Shawlee, the President of Northern Airborne, the company has attained its current level of success.

Walter Shawlee's management philosophy reflects a long-term commitment to his employees. He constantly strives for the right atmosphere within the organization - a place where creativity, quality, high ethical standards, and customer satisfaction are the norm. In return, the company commits to the long-term welfare of all employees and their professional lives. Today, more than 50% of the employees of Northern Airborne have been there for at least five years. Shawlee's style seems to be working. The company's profitability has remained high despite large research and development expenditures and continued re-investment in upgraded capital equipment. More exceptionally, sales growth increased by 30% last year and 50% this year.

Our congratulations to Walter Shawlee of Northern Airborne Technology Ltd.!

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## GOLD

were - and still are - excited.

Sterling McIlveen is president of Huntingdon. "This could be the best drill hole ever pulled in B.C.," he said when the results became known. Others went further. One company president, whose firm has claims in the area, likened the find to Hemlo, that massive Ontario gold find that has made many millionaires.

An engineer said he couldn't recall a richer drill hole anywhere, anytime.

And the stock in Huntingdon climbed.

---

For people who  
had bought seed  
stock, they had  
found their gold  
mine

---

On one of the busiest days, June 8, more than one-third of the outstanding stocks in Huntingdon traded on the Vancouver market.

For people who had bought seed stock, they had found their gold mine: some may have recorded returns on their investments that would top the 1,000 per cent mark: that's why the VSE, and junior mining companies in particular, are described as volatile.

Brett - the man who sold the claims to Huntingdon - will only make money if he sells the Huntingdon stock he owns - most of which is in escrow. (Huntingdon is owned by Lacana Mining Corporation, which in turn is part of the Royex/International Corona Group, one of the major players in the mining industry, with assets of more than a billion dollars.)

If you were prone to analogies, you might want to liken the mining industry to a food chain. The prospector - the little fish - sets out, finds a good claim, and gets swallowed by a larger fish, who can afford to do some exploratory work. If that pays off with some good assays, another bigger fish comes along and swallows the smaller one. It goes on and on, until someone

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## GOLD

with a lot of capital – like Corona – finally takes a big gulp.

"We hope nobody comes along and eats us up," says Corona's regional manager for exploration, Darrel Johnson.

The prospector is the first one to be bought out – swallowed. "A prospector, as a rule doesn't get much," Brett says.

So what's he after? "My one ambition, before I die, is to make a producer."

'We're just getting closer and closer and there will come a point where . . . some major decisions have to be made'

Brett wants to be responsible for finding a claim rich enough with gold-bearing ore to warrant someone starting a producing mine. His reward, he says, will come in the form of men finding work, a local economy being helped, more gold being produced. It sounds hokey, but talk to enough people out working the ground, checking rocks and they all sound sincere in their desire to see a working mine started.

Brett thinks there is potential right now for a gold mine or two in the Okanagan. The Brett Claims which Huntingdon is exploring are a likely site. Another is around Okanagan Falls, he says.

"It's a good area for gold, there's no doubt about that now," says Brett. "It's pockety – there will never be big mines, not big tonnage, but there will be mines."

Gruenwald, a Huntingdon director, doesn't want to say he can smell a mine in the offing. "I don't want to speculate right now. I'm probably too biased. But you definitely have to be excited about it."

## IMPULSE BUY?

Come February, a lot of people scramble to get an RRSP before the deadline date.

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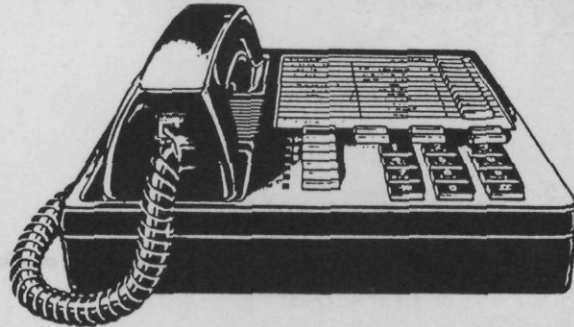
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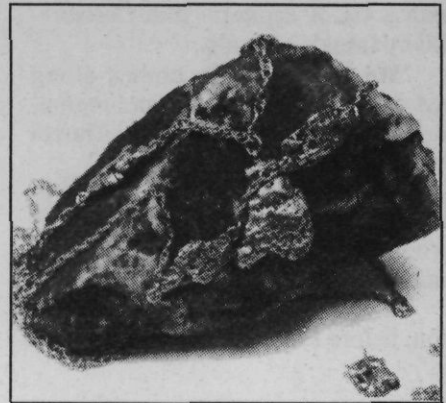
## GOLD

"We're just getting closer and closer and there will come a point where there have to be some major decisions made."

A mine can be a very lucrative operation. Brett uses the following example: figure that exploration and drilling shows you a gold-bearing ore body which runs 250,000 tons at .4

ounces of gold per ton. Assume \$400 an ounce for gold (although that price has eroded in recent weeks.) What you're looking at is a mine capable of producing \$40 million of gold.

But few companies make much money in the rough-and-tumble world of mining exploration in B.C. Their's is a complicated environment of seed



**Gold: fuel for fevers**

stock, stock offerings, drilling options, staking, and assays. It's nearly as tangled as the underbrush they have to drag the drilling rigs and equipment through.

A good example of how complicated the whole thing is Lucky Seven Exploration Ltd., a company founded and presided over by none other than Brett. (He's also president of Vernon Mining Co. Ltd.). This is the fifth company Brett has started.

Here's the scenario: with Lucky Seven, Brett has drilling rights on several claims about eight miles southeast of the HuntIngon Resources Claims which drew such attention this year. Lucky Seven also has rights to claims in other parts of the province. But it is the claims near Okanagan Lake which are the focus of attention now.

Those include the old White Elephant Mine. Brett was told by government geologists there is still gold in the area. When White Elephant Mines shut down in 1935, it did so while still a producing mine. So Brett thinks there is gold in the area.

He forms a company and takes it public on the VSE. Before the stock is traded openly, however, he sells seed stock at 30 cents a share - half of what it will come on the market for. The money raised this way finances the drilling program and swells the company treasury.

At about \$22 a foot for drilling and geologist costs, and about 1,700 feet of drilling done on the claims, it's easy to see where the money goes. Add to that the cost of marking the

*Bob Smith.*  
Signature

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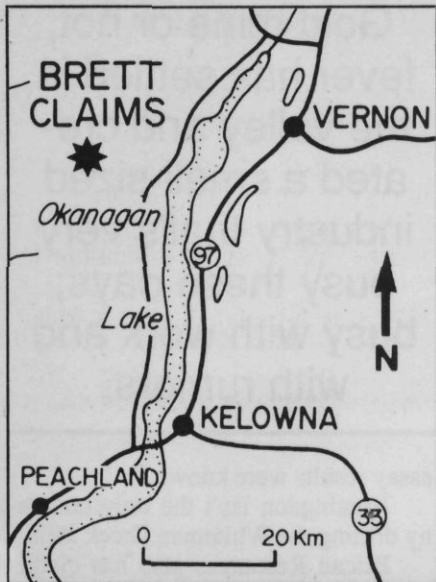
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claim and the cost of the drilling options, and you're talking about an investment that can approach \$200,000. Tack on to that the fees charged by accountants and lawyers. And there are no guarantees of ever finding enough gold to start a mine.

Estimates put Huntingdon's investment in the Brett claims at around \$1 million - \$450,000 spent



this year on drilling programs alone.

A mining company can strike out on all its claims, use up all the money in the treasury and fold. Investors might lose money. Then again, there's Huntingdon. One good hole and the stock climbs.

Getting in on seed stock sounds like a great way to make money. When someone like Brett goes to start a company he will offer friends, relatives and acquaintances seed stock. That usually goes for pennies a share, and if the company makes it to a listing with the VSE, the stock will go public - generally at twice what the seed stock was sold for.

It's the period between seed stock sales and going public that can see investors burned. A company may not meet VSE requirements because it does not have a property of merit, because the principal has not invested any of his own money or shown that the company has a business plan.

Brett sold 600,000 shares of seed stock in Lucky Seven Exploration Ltd.

at 30 cents a share. "I could have kept that money.

"You have to know who you're buying stock from. And you have to know they've done it before."

When Lucky Seven came on the market, investors bought 575,000 shares at 60 cents apiece. The stock has recently been trading at about 40

cents, but at press time Brett, his investors, and at least two major mining companies interested in the White Elephant claims, were awaiting assay results from the company's latest drilling program.

A lot of mining companies, prospectors and geologists are also watching the area closely. A spate of



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staking activity this summer, after the word got out on the Huntingdon bonanza hole, has seen most of the west side of the Okanagan valley staked from Falkland to Osoyoos.

And one of the reasons there's so much interest in the find is because the gold is occurring in ways not normally found. "I've seen many geolo-

gists walking away from here shaking their heads," says Gruenwald.

"It's an area people just felt didn't have the potential," he says. Although there are many ways gold occurs, the geological structure around here didn't suggest the results that are being obtained. Suffice it to say people like Gruenwald are constantly being sur-

prised at where and how they are finding the gold.

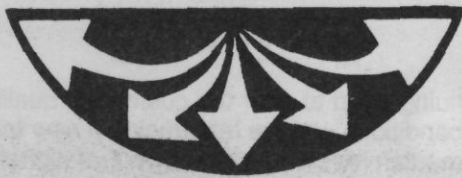
The experiences at the Brett claims have enticed Corona to pick up more properties in the North Okanagan, says Johnson.

One company announced it was sending a 25-man staking crew out almost instantly after the RC88-11

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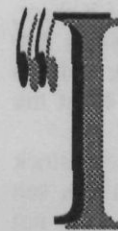
Gold mine or not, fever has settled in the valley and created a small-sized industry that's very busy these days; busy with work and with rumors.

assay results were known.

Huntingdon isn't the only company drilling the Whiteman Creek area.

Brican Resources also has claims it is drilling. Bill Gilmour, a partner in Vernon's Discovery Consultants and a director of Brican, estimates \$100,000 will be spent on their property drilling 15 holes that will explore some 5,000 to 7,000 feet of rock.

Gilmour estimates there has probably been \$1 million spent on exploration in the Whiteman Creek area, not including the money Huntingdon has dropped.



It's definitely been a benefit to the community.

"We're using Okanagan drillers and an Okanagan crew," he notes.

Gold mine or not, fever has settled in the valley and created a small-sized industry that's very busy these days; busy with work and with rumors.

But when you hear about good assay results, remember: All that glitters . . .