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882272  
**J.A. Chapman Mining Services**

#18 - 1480 Foster Street, White Rock, British Columbia, Canada, V4B 3X7  
ph: 604.536.8356, fax: 604.536.8351, res: 604.535.0038, E-mail: jacms1@sprynet.com

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✓ 68 → Glacier  
Gulch

February 25, 1999

Mr. Jack Ebbels  
Deputy Minister of Mines  
Province of British Columbia  
PO Box 9326 Stn Prov Govt  
Victoria, BC V8W 9N3

Dear Mr. Ebbels,

RE: UNITY PROJECT, HUDSON BAY MOUNTAIN, SMITHERS, BRITISH COLUMBIA

Thank you for the time that you and Gerald German spent with Larry Reaugh and myself yesterday. We appreciate the opportunity you provided to us to explain our personal backgrounds, to present the Verdstone and Molycor profiles and most important to explain our team's vision for development of the Yorke-Hardy deposit. I have summarized our presentation in this letter so that you will have a written reference.

The Yorke-Hardy deposit located in Hudson Bay Mountain is one of the largest undeveloped molybdenum deposits in North America. American Metal Climax Inc. ("Amax") spent some \$20 million on the exploration of the deposit in the 1960's and 1970's, including 191,500 feet of core drilling (164 holes), 10,000 feet of underground development, surface and underground rock sampling, geological mapping, metallurgical testing, geotechnical studies, preliminary mine and mill design and baseline environmental sampling. Amax determined the mineral resource to consist of 138,310,000 tons grading 0.252% MoS<sub>2</sub> at a 0.10% MoS<sub>2</sub> cutoff. The deposit has a high-grade core that contains 22,701,000 tons grading 0.401% MoS<sub>2</sub> at a 0.20% MoS<sub>2</sub> cutoff or 4,016,000 tons grading 0.636% MoS<sub>2</sub> at a 0.30% MoS<sub>2</sub> cutoff (Roger Steininger, 1981). Tungsten would be a valuable by-product of molybdenum production as the WO<sub>3</sub> grades are 0.038%, 0.041% and 0.044% at respective MoS<sub>2</sub> cutoffs of 0.10%, 0.20% and 0.30% (Dorothy Atkinson, 1981).

Mineral discovery potential at and near the deposit is still excellent, as: (1) the Yorke-Hardy deposit has not been completely delineated down-dip or on-strike, (2) significant gold and bismuth mineralization has been discovered on surface in Glacier Gulch at the 2,700 foot elevation, (3) there is a large and intense copper-in-soils anomaly flanking the surface expression of the Yorke-Hardy deposit to the north, and (4) the nearby Duthie Mine just southwest of the ski-hill on Hudson Bay Mountain was a base and precious metal producer from 1926 to 1989.

We have commenced a pre-feasibility review of the project based upon initial development by way of underground mining of high-grade ore and trucking, via the Yellowhead Highway, to an existing milling facility at Endako. This mine development plan would take about 10 months and sustain a seven-year operation at 2,000 tons per day. A long-term goal would be to develop an on-site mill, and then mine the remaining medium to low-grade portions of the deposit at about 10,000 tons per day over a 15 to 20 year period. The initial operations would require an operating team of 45 for mining and 55 for trucking. The trucking terminal for dispatch and repair would probably be located at Burns Lake or Houston, which would be central to a Smithers-Endako haul. The hauling would consist of 50 to 60 loads of ore per day on modern Super B-Train trucks. We plan to have the preliminary project economics available early in March and at that time we will be meeting with Endako's owners to discuss the possibility of working together to enhance the overall economics of Unity and Endako.

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Verdstone and Molycor personnel are being assisted in the Unity project development study by Procon Mining and Tunnelling Ltd. and Kleysen Transport Ltd., both well established and well respected companies in their respective fields of mining and transportation.

If the project proceeds we do not anticipate any significant negative impacts, either environmental or socio-economic. The mining will be by underground methods with a surface stockpile or bin near the portal to facilitate ore transfer to highway trucks. It is our understanding that truck traffic on the Yellowhead Highway has significantly diminished in recent years because of reduced regional activity in both the mining and forest industries. Baseline environmental work that now spans some 38 years indicates no acid rock drainage or endangered flora or fauna within the proposed development area. There will be some minor visual impact of the portal area from the valley below. Maintaining a buffer of timber may mitigate this impact.

The project economics are most sensitive to capital cost and metal prices. It is important that permitting be kept to a reasonable cost level and short duration. I trust that government will take a strong stand in ensuring that only those intervenors with science and facts be allowed a voice in the public comment portion of permitting under BC's EA Act. We will be meeting shortly with government officials in the ministries of the Environment and Energy and Mines, to determine if the Unity project with its proposed underground "quarry" nature and limited scope could be approved under a Stage One review in less than six months. Also, the increasing number of court challenges against British Columbia resource developers by Status Indians and by the Sierra Legal Defence Fund are troublesome and we trust that your department will work diligently to mitigate these potentially negative impacts.

It is my opinion that the Unity project has the potential to have an immense positive impact upon the Region by creating employment and wealth. The spin-off effects of the high-paying jobs and multi-skill training received by workers will have a long-term positive effect on the Region's human resource skill level and thereby provide a broader economic base for enhanced "wealth" creation now and in the future.

Yours truly,

J.A. Chapman Mining Services

*Original signed by John Chapman*

John A. Chapman, P.Eng., FCIM  
Principal

cc. Bill Goodacre, MLA  
Larry Reaugh, President, Verdstone Gold Corporation & Molycor Gold Corporation  
Mike Scott, MP

TGS → Glacier  
Gulch

## MEMORANDUM

*J.A. Chapman Mining Services*

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*res: 604.535.0038 Email: jacms1@sprynet.com*

Date: March 20, 1999  
To: File  
From: John Chapman  
Re: Unity Project, Contact List

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Thompson Creek Metal Company  
103 – 5241 South Quebec Street  
Englewood, Colorado, 80111 U.S.A.  
Tel: 303.740.9022  
Fax: 303.740.9016

F. Steven Mooney, CEO  
Thompson Creek Metal Company  
(AIME Mining Member since 1965)

Richard J. Fiorini, President  
(AIME Mining Member since 1967)

Bruce R. Wright, General Manager, Development  
(AIME Mining Member since 1966)

Roger C. Steininger  
Self Employed Consulting Geologist  
3401 San Mateo Avenue  
Reno, Nevada, 89509-5091, U.S.A.  
Tel: 702.323.7775  
Fax: 702.323.1134  
(AIME Mining Member since 1969)

Endako Mines  
A Joint Venture of Thompson Creek Mining Ltd. & Nissho Iwai Moly Resources Inc.  
Bag 4001  
Fraser Lake, B.C. V0J 1S0  
Tel: 250.699.6211 (ext. 307)  
Fax: 250.699.7775

Al Morrish, Vice President & General Manager, E-mail: Error! Bookmark not defined.

Gordon Clark, Open Pit Superintendent

Glenn Johnson, Senior Geological Engineer

**Smithers Area Government:**

Brian Northup, Mayor  
Town of Smithers  
P.O. Box 879  
Smithers, B.C. V0J 2N0  
Tel (town office): 250.847.1600  
Fax (town office): 250.847.1601  
Tel (work): 250.847.2656  
Tel (home): 250.847.3676

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Ottawa, Ontario K1A 0A6  
Tel: 613.993.6654  
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Fax: 250.387.0827  
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Constituency Office  
3876 2<sup>nd</sup> Ave.  
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**Government Agencies:**

**Ministry of Energy and Mines:**  
3793 Alfred Avenue  
Bag 5000  
Smithers, B.C. V0J 2N0  
Fax: 250.847.7603

Wally G. Bergen, Regional Manager Northwest Region  
Tel: 250.847.7385  
E-mail: Error! Bookmark not defined.

Bryan H. Good, P.Eng., District Inspector and Resident Engineer Health and Safety – Northwest Region  
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Douglas W. Flynn, P.Eng., District Inspector and Resident Engineer Health and Safety – Northwest Region

Tel: 250.847.7386  
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Paul J. Wojdak, M.Sc., P.Geo., Regional Geologist Northwest Region  
Tel: 250.847.7391  
E-Mail: Error! Bookmark not defined.

Sylvia Van Zalingen, M.S., P.Ag., R.P. Bio., Inspector of Mines (Reclamation)  
Tel: 250.847.7358

Reg Fredrickson, B.Sc., District Highways Manager – Bulkley Nass District  
Ministry of Transportation & Highways  
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Gord Heenan, Transmission  
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Fax: 250.638.5695

Smithers District Chamber of Commerce  
P.O. Box 2379  
Smithers, B.C. V0J 2N0  
Tel: 250.847.5072  
Fax: 250.847.3337

Rosemary Madden, Manager

Susan Randrup, Tourism & Administration

Bill Zemenchik, President (former Manager Cassiar Mine) Tel (home): 250.847.3001

**Contractors:**

**Procon Mining and Tunnelling Ltd.**  
205 – 3920 Norland Avenue  
Burnaby, B.C. V5G 4K7  
Tel: 604.291.8292  
Fax: 604.291.8082  
E-mail: Error! Bookmark not defined.

Ed A. Yurkowski, P.Eng., President

Jim A. Dales, P.Eng., Vice President Operations

Dave L. Lewis, Manager Estimating

Ernst Binder, Estimator

**Jeff Kleysen, Vice President and General Manager**  
Kleysen Transport Ltd.  
2100 McGillivray Blvd.  
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Fax: 204.488.6946  
E-mail: Error! Bookmark not defined.

John A. Chapman, P.Eng.  
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Tel: 604.536.8356  
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**Mining Companies Permitting New Mines in the Bulkley Valley:**

Dorothy Cardinal, Coordinator  
Telkwa Project  
Luscar Ltd.  
Box 598  
1273 Highway 16  
Telkwa, B.C. V0J 2X0  
Tel: 250.846.5529  
Fax: 250.846.5607  
Roger Shaneman, Manager Environmental, Luscar Edmonton Office (Tel: 403.420.5810)  
Alan Fleming, Telkwa Project Manager, Luscar Edmonton Office (Tel: 403.420.5810)

**Yorke-Hardy Property Optionor:**

Don Davidson, M.A. Sc., P.Eng.  
Glacier Gulch Road  
P.O. Box 2511  
Smithers, B.C. V0J 2N0  
Tel: 250.847.3544  
Fax: 250.847.3543

**Yorke-Hardy Property Optionee:**

Verdstone Gold Corporation  
Molycor Gold Corporation  
2A – 15782 Marine Drive  
White Rock, B.C. V4B 1E6  
Tel: 604.531.9639  
Fax: 604.531.9634  
E-mail: Error! Bookmark not defined.

Larry Reaugh, Director & President (of both companies)

John Fisher, P.Eng., Metallurgical & Milling Specialist (of both companies)

John A. Chapman, P.Eng., Director & Unity Project Manager (of both companies)

Andres Kikauka, P.Geo., Exploration Geologist (of both companies)

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TGS → Glacier  
Gulch

March 19, 1999

Mr. Brian Northup, Mayor  
Town of Smithers  
P.O. Box 879  
Smithers, B.C. V0J 2N0

Dear Mr. Northup,

Thank you again for meeting with me today on the telephone at your place of work. As we discussed, the Yorke-Hardy deposit is the largest undeveloped molybdenum deposit in Canada, and it has been extensively explored (+\$20 million in 1970 dollars) by AMAX, the world's largest molybdenum producer, located in Colorado, U.S.A. At this time we are reviewing the potential to truck high-grade ore from the deposit to the Endako mine mill. If successful the seven year project would generate about \$6.5 million in payroll and another \$14 million in parts, materials and services purchases per annum, with the Bulkley Valley area being the principal beneficiary. The Project would be earning foreign currency in selling the molybdenum product, as the metal is priced and sold in U.S. dollars. Later development of the low-grade segment of the deposit, as a large operation (to achieve economy-of-scale), would add 15 to 20 years of additional life to the project.

My greatest concern at this time regarding mine development is not technical or environmental but rather the interference of political environmentalists. It is terrible to see the delays caused to Tulsequah, Huckleberry and now Telkwa. It is certainly of grave concern to my associates and to me, that it should take such a long time to permit a mine in British Columbia. Most jurisdictions still only take six to twelve months, and I have had personal recent experience in this regard. It is obvious why British Columbia received the lowest ranking in North America on the Policy Potential Index recently featured in the January 1999, E&MJ magazine. The E&MJ has the largest world-wide circulation of any mineral resource magazine (see: Error! Bookmark not defined. (05/02/99)).

As promised I have sent today by mail a package with more Unity project information and also some articles on the environmental movement from a global perspective. We will keep you informed as we take the initial steps toward moving the Unity project from vision to reality.

Yours truly,

**J.A. Chapman Mining Services**

John A. Chapman, P.Eng., FCIM  
Principal

cc. Larry Reaugh, President, Verdstone Gold Corporation & Molycor Gold Corporation



TOS → Glacier Gulch

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?/portal?  
Location

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Good!  
H!

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Yours truly,

J.A. Chapman Mining Services

*Original signed by John Chapman*

John A. Chapman, P.Eng., FCIM  
Principal

cc. Bill Goodacre, MLA  
Larry Reaugh, President, Verdstone Gold Corporation & Molycor Gold Corporation  
Mike Scott, MP

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TGS → Glacier Gulch

July 21, 1999

Via Fax: 604.687.4030

Mr. Pierre Lebel, President  
Imperial Metals Corporation  
420 - 355 Burrard Street  
Vancouver, B.C. V6C 2G8

Dear Pierre:

## RE: UNITY PROJECT, SMITHERS, BRITISH COLUMBIA

Since our meeting on April 9<sup>th</sup> several events have impacted negatively on our effort to develop the York-Hardy molybdenum deposit as high-grade feed for Endako mine and/or Huckleberry mine. Thompson Creek Metals Company have informed us that they have determined that it would make better economic sense for them to spend capital at their existing mines than to embark on development of Yorke-Hardy as feed for Endako. Also, in telephone meetings with Imperial's Jack Miller and Arrow Transport's Dave Brown, it has been agreed that there is no feasible method of back-hauling Yorke-Hardy ore to the Huckleberry mine without damaging the vulcanized low-friction-angle composite inside the concentrate trailers.

In view of the present financial and technical hurdles to hauling Yorke-Hardy ore to Endako mine and/or to Huckleberry mine, we plan to embark upon the feasibility and permitting for a large stand-alone mining and milling operation producing molybdenum and tungsten concentrates. We intend to include feasibility work on the new hydrometallurgical process for production of molybdenum trioxide from molybdenite. At this time we are in discussions with resource investors to finance the planned feasibility and permitting activities.

Thank you for your consideration. As resource industry neighbors in the Smithers area we will continue to keep you informed of our progress on the Unity Project.

Yours truly,

J.A. Chapman Mining Services

*Original signed by John Chapman*

John A. Chapman, P.Eng., FCIM  
Principal

cc. Wally Bergen  
Don Davidson  
Larry Reagh  
Norm Ringstad

Larry Reagh  
- potential use of moly  
in Ballard Fuel Cells!

July 21/99  
JC discussed with TS - possible  
(\$) investor from Nevada. ↑