

Ft. Knox 82E/6

520184

Kelowna, B.C.
June 24, 1994

WTR
P-503

Attn: Mr. John S. Brock
Columbia Gold Mines
15th Floor, 675 West Hastings Street
Vancouver, B.C.
V6B 1N2

Dear Sir:

The price of gold is finally on the rise and I wish to bring to your attention that I have some very interesting gold prospects available for option. My "Fort Knox" properties are located in Southern British Columbia and an outline of their geological potential is presented in the pages that follow. The mini-report accompanying this letter also discusses proposed work programs and suggested option terms relating to the properties.

I have spent 25 years prospecting in Southern British Columbia and I highly recommend the Fort Knox properties. In 1982, I staked the Vault property near Okanagan Falls, and in 1983, I staked the Gold Star property at Whiteman Creek, west of Vernon. These original grass-roots epithermal gold prospects received five million dollars worth of exploration over a seven year period and became part of the mineral inventory of the Province, although neither has yet established an ore reserve. Inco Ltd. is still "sitting" on the Vault property, while Huntington Resources Inc. has just signed an option agreement on my Gold Star property (they already own the adjoining Brett property).

Sway Resources Inc. has just announced a gold intercept of 11 feet of 1.5 oz. Au/T (near surface) on their Rock Creek area Joint-Venture, Ket property, located near the well-known Crown Jewel gold deposit which is situated just across the border in Washington State. A claim staking rush has apparently begun and my Fort Knox properties may lie in the path of the rush.

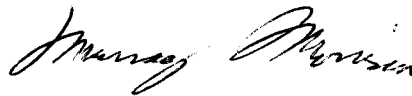
It would seem that the timing is now right to option my properties and I have structured a deal that allows for your company to obtain exclusive rights to my properties at very low cost (please see pages that follow).

It is my hope that the two companies that option each of the Fort Knox properties will share exploration results, and possibly even co-ordinate their drilling programs to reduce costs.

JUN 25 1994

There is a large group of Kelowna residents that have been following the developments at the Huntington Resources property at Whiteman Creek and at the Sway Resources property at Rock Creek and I am sure that the \$1,000.00 that your company spends to get involved with my properties will be returned several-fold in the market value of your company shares.

Yours sincerely,

A handwritten signature in cursive script that reads "Murray Morrison".

Murray Morrison

P.S. Although I am aware that your company has a very successful on-going project I feel that the Okanagan Falls area properties could be "groomed" for your next project.

1. JON
P. SUB
JULY 1. 94

POTENTIAL GOLD PROPERTIES - OKANAGAN FALLS AREA

Properties Available for Option

<u>Property Name</u>	<u>Mineral Claims</u>	<u>Main Geological Feature</u>
Fort Knox West	Fort 1-4, 10-15	excellent potential to host a sizeable epithermal gold-silver deposit
Fort Knox East	Fort Knox 1-10, Fort 5-9, 16-21	excellent potential to host a sizeable epithermal gold-silver deposit

LOCATION AND ACCESS

The Fort Knox West and East properties are located at Venner Meadows, 18 km southeast of Okanagan Falls, B.C. The properties are transected by a well-maintained logging road that originates from the Okanagan Falls Sawmill. Access to all portions of either property is easy and much of the countryside has been recently clear-cut logged.

RECENT WORK PROGRAMS

During 1993, I mapped the geology on portions of the Fort 1-6 mineral claims and quickly recognized the potential that these mineral claims have to host sizeable epithermal gold-silver deposits.

During May of this year (1994), a geologist representing a major exploration company collected four random samples from the property. Two of the 4 samples contained anomalous gold values (50 and 550 parts per billion) and a third sample contained anomalous silver (6.8 ppm). These values are considered highly significant in that the main cores of any precious metal ore zones occurring on the properties are hypothesized to lie 100 metres, or more, below surface (see Figure 9 accompanying this report).

EXPLORATION TARGET

The well-known Cannon Mine at Wenatchee and some of the very productive epithermal gold mines of the Republic District of Washington State provide examples of the type of ore zones that are sought on the Fort Knox properties.

Geological mapping conducted in 1993 on the Fort Knox properties provided the data that has allowed for the drawing of the cross-sectional geology which is illustrated on Figure 9 accompanying this report. Although it should be understood that everything drawn below surface on the cross-section is hypothetical at this time, there are strong surface features that support the model of the ore zone as illustrated.

EXPLORATION TARGET (cont'd)

The theory behind the model suggests that silica-rich epithermal solutions ascended the Fort Knox Basement Fault under pressure, that these solutions encountered the highly permeable 4d conglomerate unit, and that with the sudden decrease in pressure brought about by the permeable rock that large volumes of precious-metal-bearing silica were immediately precipitated out of solution. The highest concentration of precious-metal-bearing silica, therefore, lies near the base of the 4d conglomerate unit where it is in contact with the fault.

The theory also suggests that lower temperature solutions under lower pressure continued to permeate up through the porous conglomerate unit altering rock minerals and precipitating pyrite.

It is also recognized that refracturing by later fault movements and the re-introduction of epithermal solutions resulted in several phases of mineralization. The criss-crossing, banded, multiphase vein patterns at the Fort Knox property stockwork are typical of epithermal systems mapped around the world.

The stockwork showing on the property illustrates one zone of weakness where the epithermal solutions have reached surface (ie. today's surface). The fact that some of the surface samples (collected well above the hypothesized ore zone on Figure 9) have yielded anomalous gold and silver values provides an exciting clue as to the grade of gold that might be expected to lie at depth nearer the Fort Knox Basement Fault.

The size potential of the epithermal precious-metal-ore zones on the Fort Knox properties is also an exciting feature. The receptive 4d conglomerate unit is 100 metres thick and it has been traced for 900 metres along strike before disappearing under glacial till. The conglomerate unit could conceivably underlie the 6 kilometre length of the properties.

SUGGESTED WORK PROGRAMS

Phase I (these surveys could be commenced immediately)

There are some simple preliminary surveys that could be conducted on the Fort Knox properties immediately. First of all, 15 to 20 surface rock samples should be collected from outcrop on the properties and analyzed for gold and silver in an effort to confirm the results obtained from the three anomalous samples collected in May. The 4d conglomerate should be well sampled in particular.

Second, a magnetometer survey should be conducted across portions of the property to outline the moderately magnetic 4c andesitic volcanic unit. The 4c unit parallels the 4d

SUGGEST WORK PROGRAMS (cont'd)

Phase I (cont'd)

conglomerate, and if the magnetic survey is able to trace the 4c unit into areas of overburden then the survey would also indirectly trace the important 4d unit into these same areas.

Third, some experimental VLF-EM surveying should be conducted over the 4d conglomerate unit to determine if the strong pyritic zones associated with the conglomerate can be traced across the property by VLF-EM means.

Phase II (should await the signing of the option agreement)

The results of the Phase I surveys, combined with the 1993 geological mapping, should provide enough data to position a series of drill holes to test the 4d conglomerate unit. The Phase II drilling program should consist of at least five 30 metre deep Percussion Drill Holes on each property. The drill holes should be designed to test the pyritic 4d conglomerate unit below the zone of weathering. The cost of drilling each property would be approximately \$6,000.00.

$$(5 \text{ PDH's} \times 30 \text{ metres} \times \$35.00/\text{metre} = \$5,250.00)$$

All drill chips should be analyzed for gold, silver and the typical epithermal indicator minerals: mercury, antimony and arsenic.

The results from the low cost drilling program could yield enough data to indicate that very substantial precious-metal-bearing orebodies do lie at moderate depths on these properties. The raising of capital to conduct deeper drilling programs should be an easy matter.

CASE HISTORY

As a point of interest, I should note that I staked the Okanagan Falls area Vault property as a grass-roots gold prospect in 1982. Exploration of the property was slow in developing at first, but Inco Ltd. subsequently spent 4 1/2 million dollars on the property in an effort to prove-up a gold mine. Inco found substantial gold, but much of it at great depths. The property is dormant at present.

The Fort Knox properties have yielded samples with higher gold and silver values than did the initial samples on the Vault property, and I feel that the Fort Knox deposits may be much closer to surface than those on the Vault property. I feel that the Fort Knox properties have a high potential and that they will be much less expensive to explore than was the Vault property.

THE PROPERTY DEAL

Your company may earn a 100% undivided interest in either one of the Fort Knox properties, subject to a 2% Net Smelter Return (NSR), by making an initial cash payment of \$7,000.00; by signing an option agreement; and by issuing 100,000 company shares to me in the usual form allowed by the Vancouver Stock Exchange (VSE), ie:

25,000 shares on signing of the option agreement, and on approval of the agreement by the VSE;

25,000 shares on completion of Phase I Exploration;

25,000 shares on completion of Phase II Exploration; and

25,000 shares on completion of Phase III Exploration.

LETTER OF INTENT

In addition to the standard option agreement I have drafted an innovative "Letter of Intent" that allows for your company to gain exclusive rights to option the property immediately and permits limited exploration work to proceed on the mineral claims. Therefore, work can proceed during the prime exploration season while the option agreement is being drafted and VSE approval is being sought.

REVIEW PERIODS

The Letter of Intent covers "Review Periods" that allow your company to obtain exclusive rights to option the property by making payments of \$1,000.00 for each 30 day Review Period. Your company would be allowed up to seven consecutive 30 day Review Periods provided that each \$1,000.00 payment is made before the expiration date of the previous 30 day period.

The cumulative \$1,000.00 payments for the Review Periods would be credited towards the Initial Option Payment of \$7,000.00 if the property is optioned. If a decision is made by your company not to option the property then the Review Period payments would be forfeit.

PRELIMINARY WORK PROGRAMS COULD START IMMEDIATELY

I would use the Review Period payments to conduct the preliminary surveys listed previously (eg. magnetometer, VLF-EM and rock geochemical surveys) on behalf of your company. The money could pay my wages and personal expenses at standard contract prices (assaying expenses, VLF-EM instrument rentals, etc. would be extra).

SUMMARY

In summary, the property deal allows for your company to get involved in an active and exciting area at an ideal time. Your company could develop a very interesting gold deposit at very low cost. My property deal also offers great flexibility in that your company can either continue or terminate the deal at anytime with ease.

Your company receives three benefits from the same \$7,000.00:

- (a) your company can hold a well-situated property in an active area for up to 210 days without any further obligations;
- (b) your company receives \$7,000.00 worth of preliminary surveys with the same \$7,000.00; and
- (c) the same \$7,000.00 becomes the initial option payment if your company options the property.

FURTHER INFORMATION

Although all of the preceding data is in summary form, I have written a formal Assessment Report covering the 1993 geological mapping program for the government. This report can be made available for your review, and I believe that it provides ample information for your Engineer to use in writing a sound report.

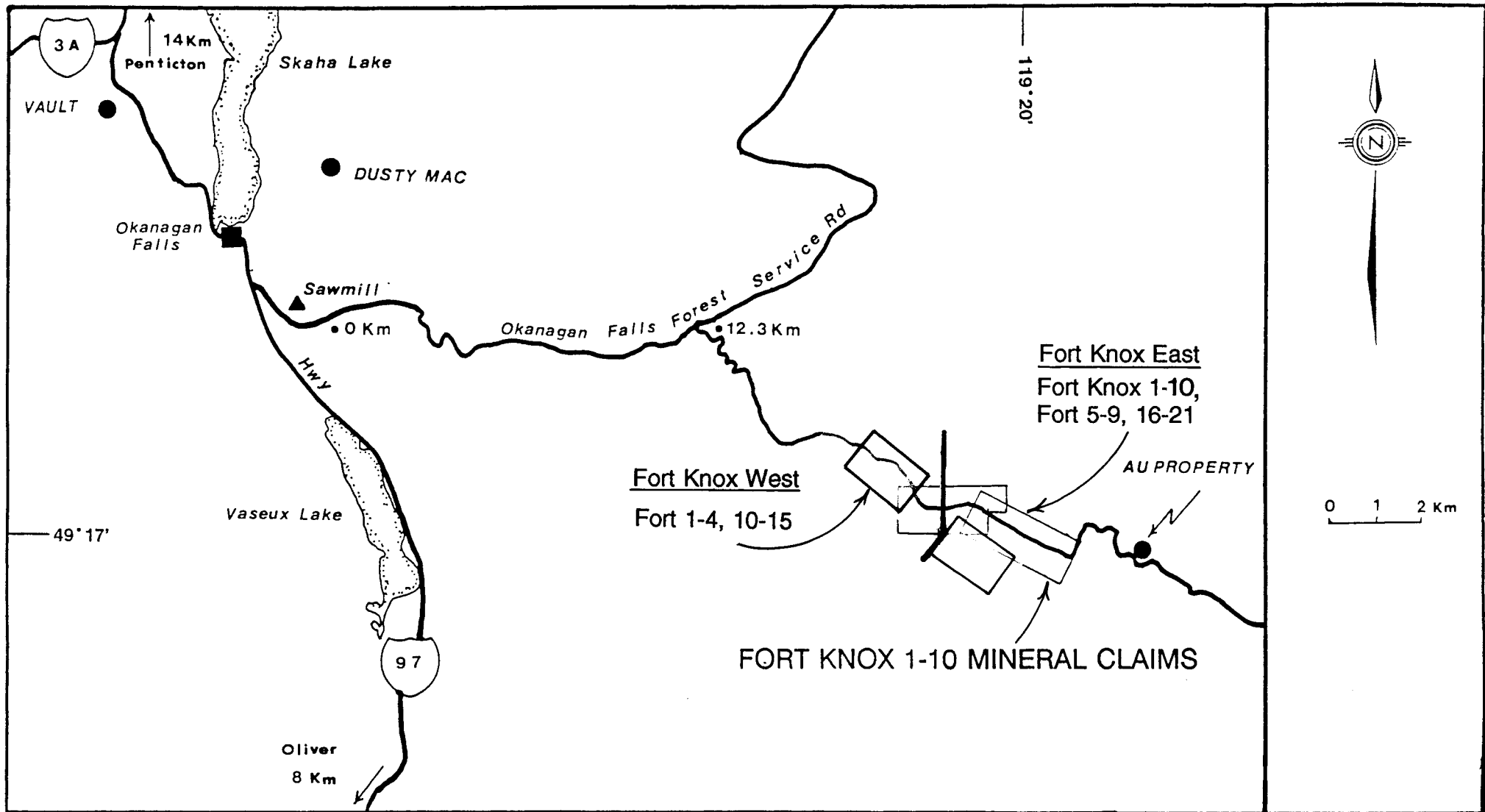
You may request further information by calling my Kelowna phone number (604) 764-4073. I do not have an answering machine, so if I am not home for your first call, please keep trying.

My mailing address is:

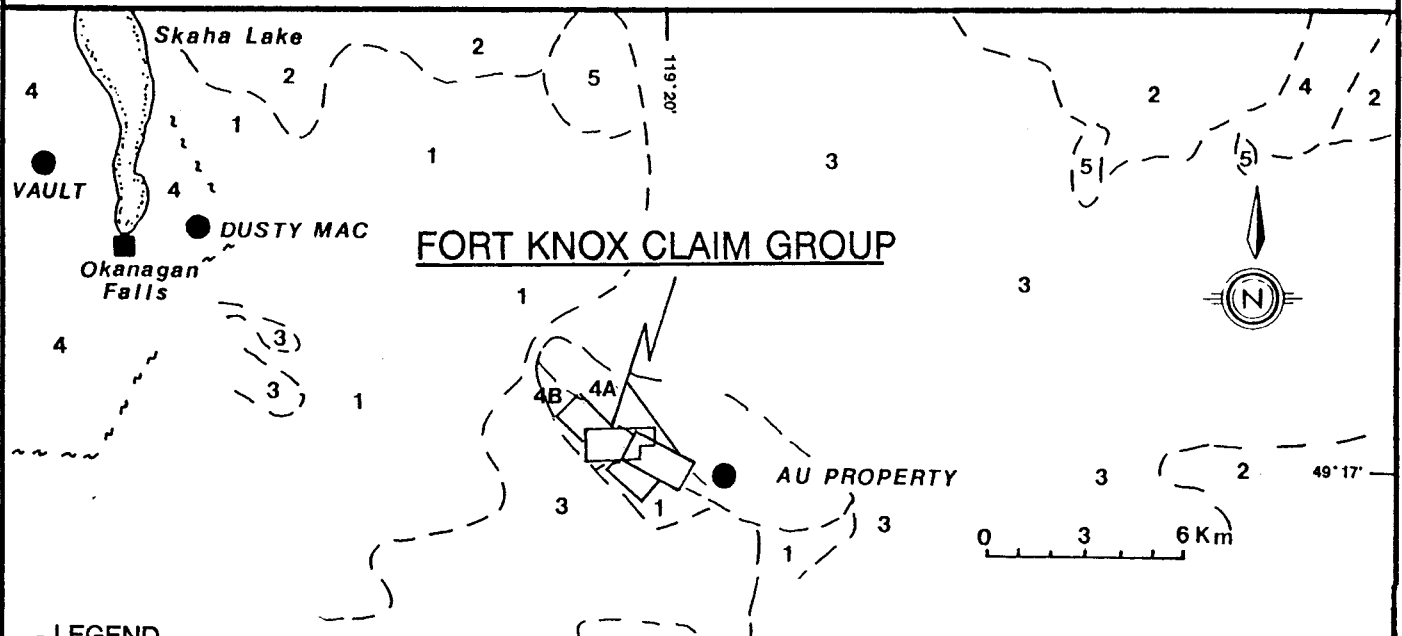
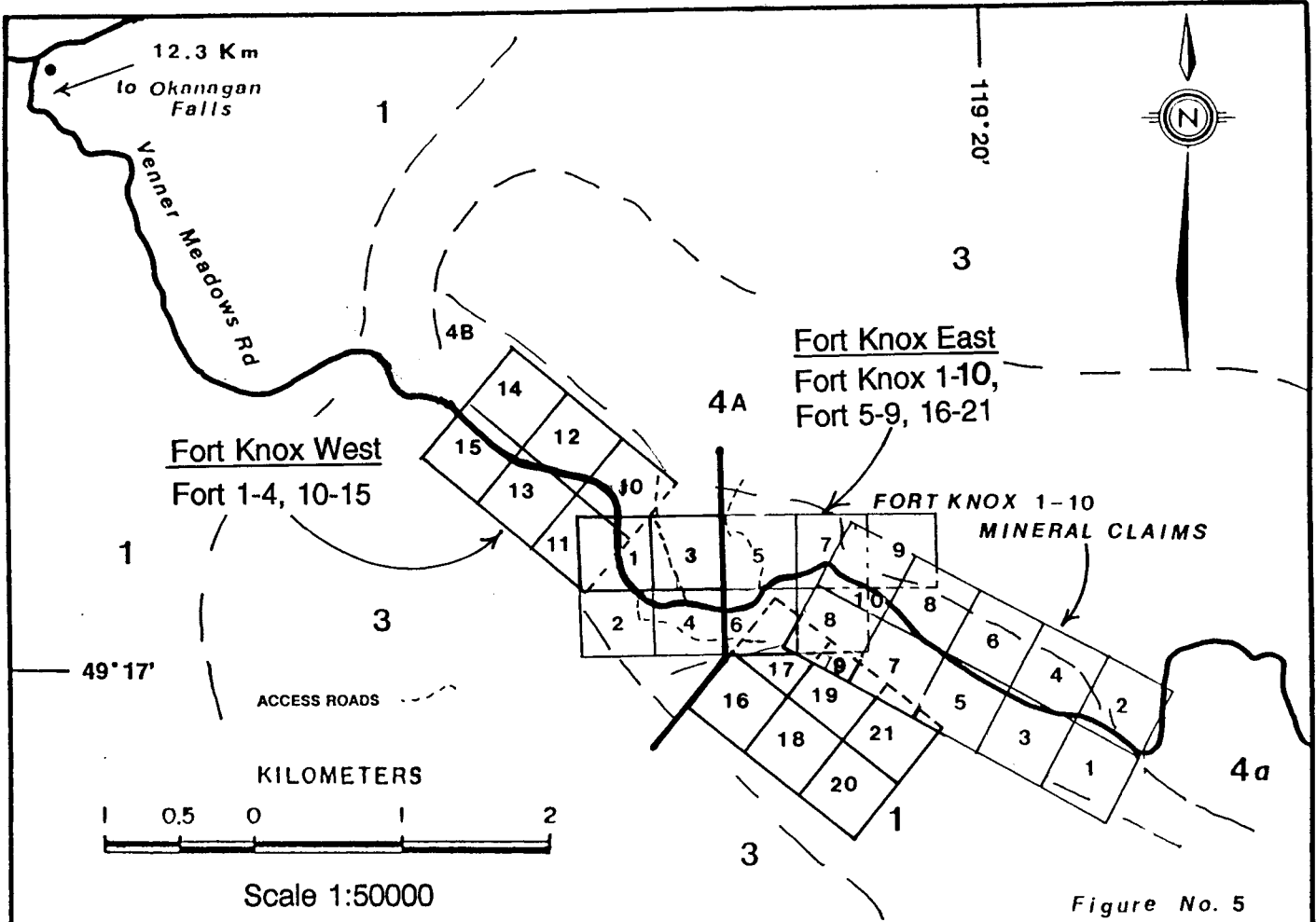
684 Balsam Road
Kelowna, B.C. V1W 1B9



Murray Morrison, B.Sc. - Geology



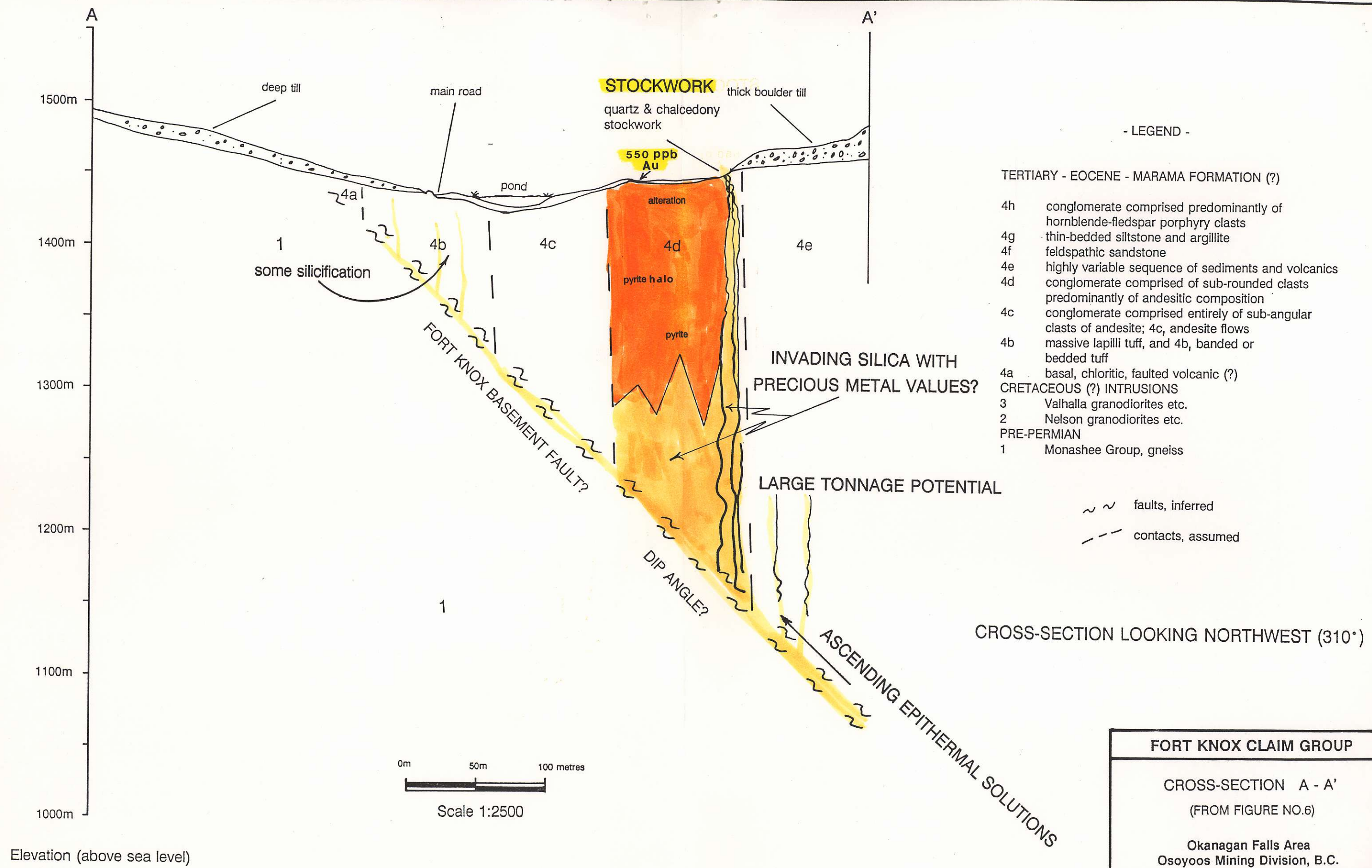
FORT KNOX CLAIM GROUP	
LOCATION & ACCESS	
Okanagan Falls Area Osoyoos Mining Division, B.C.	
Drawn By: M.M.	N.T.S.82-E-6W
January 1994	Figure No. 2



- LEGEND -

- TERTIARY
 - 5 Coryell Intrusions
 - 4 Eocene Volcanics (4A) Sediments (4B)
 - CRETACEOUS? INTRUSIONS
 - 3 Valhalla
 - 2 Nelson
 - PRE-PERMIAN
 - 1 Monashee Group, gneiss
- Geology from GSC Map 15-1961 (Simplified)

FORT KNOX CLAIM GROUP	
REGIONAL GEOLOGY	
Okanagan Falls Area Osoyoos Mining Division, B.C.	
Drawn By: M.M.	N.T.S.82-E-6W
January 1994	Figure No. 4



- LEGEND -

- TERTIARY - EOCENE - MARAMA FORMATION (?)
- 4h conglomerate comprised predominantly of hornblende-feldspar porphyry clasts
 - 4g thin-bedded siltstone and argillite
 - 4f feldspathic sandstone
 - 4e highly variable sequence of sediments and volcanics
 - 4d conglomerate comprised of sub-rounded clasts predominantly of andesitic composition
 - 4c conglomerate comprised entirely of sub-angular clasts of andesite; 4c, andesite flows
 - 4b massive lapilli tuff, and 4b, banded or bedded tuff
 - 4a basal, chloritic, faulted volcanic (?)
- CRETACEOUS (?) INTRUSIONS
- 3 Valhalla granodiorites etc.
 - 2 Nelson granodiorites etc.
- PRE-PERMIAN
- 1 Monashee Group, gneiss

~ ~ faults, inferred
 - - - contacts, assumed

CROSS-SECTION LOOKING NORTHWEST (310°)

FORT KNOX CLAIM GROUP	
CROSS-SECTION A - A' (FROM FIGURE NO.6)	
Okanagan Falls Area Osoyoos Mining Division, B.C.	
Drawn By: M.M.	N.T.S.82-E-6W
January 1994	Figure No. 9

M. Morrison

Elevation (above sea level)

0m 50m 100 metres
 Scale 1:2500