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CASAU EXPLORATION LTD.

November 5, 1986

Mr. T.N. Macauley
Casau Exploration Ltd.
900 - 800 West Hastings St.
Vancouver, B.C.
V6C 3A4

Dear Terry:

RE: Possible Option - Cassiar Area

Mr. Marco Kreklo was in to see me regarding his claims which had been under option to Mid Mountain Resources (H. Eisler).

Kreklo has absolutely no useful technical data although he left me an engineering report by Singhai some sketch maps and newspaper clippings.

The AV claim in particular is well located although I have no first hand knowledge of any showings. The NOME claim can be reached by the Cusac road. The remainder of the NOME claims would have to be a helicopter operation. There is supposed to be a gold showing in the extreme north east corner near Silver Standard's HUNTER claim.

If we had a large treasury I would be inclined to take the option but the program would have to start at the grassroots level. The option would be in the order of \$5,000 cash down, \$120,000 cash over a period of time and, he indicated, 100,000 shares. I would lower the shares and raise the cash over a long period of time.

Let me know how you feel. I am still looking for properties in Ontario or Quebec but have not had much time to spend on it.

Regards

Casau Exploration Ltd.



J.C. Stephen

CASAU EXPLORATION LTD.

November 9, 1986

Mr. M.J. Kreklo
46564 Teton Avenue
Chilliwack, B.C.
V2P 6M4

Dear Mr. Kreklo:

RE: CASSIAR AREA NOME, AU AND CV CLAIMS

We have considered the material provided by you at our meeting last Tuesday and are interested in your claims. However, it is the feeling of the directors that we should not option any property without being able to examine the showings before hand.

In spite of the excellent location of your claims I must abide by this policy and can only suggest -

- 1) if you have any assay records, photos of showings, property maps (other than general claim maps) etc to prove there are quartz vein or other possible gold showings we might show those to the directors and forego a property examination which is rather impractical at this time of year, or
- 2) we would consider paying the cash in lieu on the 4 claims coming due shortly. We would then examine the property in late May, or as snow conditions allow, and, if we are satisfied with the results of that examination, we would offer an option deal on the following general terms.
 - 1) Casau will have paid \$800.00 cash in lieu on 4 claims to keep them in good standing.
 - 2) Casau will have a geologist visit the claim groups as early as is practical in 1987 to examine any showings, outcrops etc you may be able to point out.

- 3) If the results of the examination are accepted Casau will arrange an option agreement to earn 100% interest in the Property and will pay \$5000 down payment. Casau will then commence an exploration program to be conducted during summer 1987,
- 4) On completion of the summer program Casau will commence payment of \$5000 on December 1 and June 1 of each year to maintain the option in good standing.
- 5) Casau will conduct work programs of its choice so long as it keeps the option in good standing up to December 1, 1991.
- 6) From, and including, June 1, 1992 option payments will increase to \$10,000 on June 1 and December 1 of each year to December 1, 1995.
- 7) Within 90 days of December 1, 1995 Casau will pay \$100,000 cash (aggregate \$250,000) to exercise the option to earn 100% interest in the property.

Please consider this possible arrangement and phone me about it. We can sit down and discuss other possible arrangements - the main problem at the moment being the difficulty of making any proper property examination.

I will be away Friday November 7 to Sunday November 9 and will be spending a good deal of time at various meetings in the following week. The best time to phone is probably about 7:30 to 8:00 a.m.

Yours very truly,
Casau Exploration Ltd.

J.C. Stephen per MS.
J.C. Stephen, President

JCS/ms