

**NUSPAR RESOURCES LTD.**

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SOMBRIO POINT UPDATE

February 1st, 1984

DEAR SHAREHOLDER:

The brief news releases and some media coverage of our recent activities have not fully described the project as it has been developing. This letter will attempt to answer some of the questions being asked and to explain the present objectives.

The Report of Reimchen Urlich Geological Engineering, received on January 18th, is a comprehensive review of the work performed, methods employed, results obtained and recommendations for the next phase of work. Limitations of the various methods of sampling the deposit and analyzing for gold content are discussed. It is noted that the following conditions may influence results:

- 1) Loss of fine gold during mechanical concentration;
- 2) Loss of gold during chemical digestion;
- 3) Interference during analysis due to the presence of other metals or compounds.

Two gold telluride minerals and native palladium have been identified in samples from the deposit. Tellurium interferes with gold recovery and the contained gold may not report by standard assay procedures. The economic significance of the palladium has not yet been determined.

Ten bulk samples from Sombrio ranging in weight from 1,059 to 1,895 pounds were delivered to test facilities in Edmonton, Alberta where a two stage compound water cyclone concentrator was employed to test gold recovery of the raw sample material. It was subsequently discovered that the equipment had not been correctly adjusted and this was considered to have had an adverse effect on performance. A further test with correct cyclone settings produced very encouraging indications that a properly designed and operated compound water cyclone will concentrate materials from the 250 million cubic yard deposit.

In addition to work conducted by Reimchen Urlich Geological Engineering, a series of concentration tests were conducted by Bacon Donaldson & Associates Ltd., in an attempt to

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resolve the wide discrepancy between two prior sets of analytical results. Gold was recovered from all samples submitted but it was subsequently determined that only about 3% to 6% of the gold present was recovered by the methods employed.

An independent engineer has been engaged to confirm the gold values and provide a report on the property for submission to regulatory authorities. Mr. J. R. Woodcock, P. Eng., will conduct this study and has examined the property over the past weekend in preparation for the required testing.

Subject to the independent engineering report proving acceptable to the Company and regulatory authorities, the test plant could be installed during late February and test work completed by April 30th, 1984.

Mr. C. M. Urlich, P. Eng., has prepared a tentative cost breakdown for his recommended on-site cyclone test program. A total cost of \$260,000 has been estimated for purchase, installation and operational testing. Triangle Ventures Ltd. has commissioned fabrication of the specially designed compound water cyclones and the ancilliary equipment is presently being designed and priced to determine the actual cost figures for the complete unit. This unit would have a capacity of 20 tons per hour of raw feed.

A number of the difficulties encountered in dealing with this large and unique gold occurrence have been resolved. Sombrio remains a potential asset of great importance to Nuspar and, because of its proximity to Victoria, to Vancouver Island.

Triangle Ventures Ltd. are conducting tests on samples from the property employing CLS-20, a proprietary chemical, together with various acids to leach the contained gold which is then recovered by an electrolytic method. Visible gold is being extracted and tests under laboratory conditions may be warranted. In view of the positive nature of these results Nuspar has agreed to support this work and will arrange to have the procedure checked by commercial laboratories.

John W. White, a Victoria area businessman, has been appointed to the Board of Directors of the Company. The importance and influence of island residents in a project directed to the exploration and development of the Sombrio

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deposit is acknowledged. Mr. White brings to the Board an appreciation of local conditions and development procedures which will prove invaluable.

I trust that further work will reveal an ore deposit worthy of the support provided by our shareholders.

Yours truly,

NUSPAR RESOURCES LTD.

A handwritten signature in dark ink, appearing to read "H. S. Aikins", followed by a horizontal line and a period.

H. S. Aikins  
President

This release has been prepared by H. S. Aikins on behalf of the Board of Directors, who accepts responsibility for its content. The Vancouver Stock Exchange has neither approved nor disapproved the information contained herein.