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## CALNOR RESOURCES LTD.

March 4, 1988

Placer Dome Inc.  
1600 Bentall Four  
1055 Dunsmuir Street  
Vancouver, B.C. V6C 1A8

Attention: Mr. L. Reinterson,  
Executive Vice President  
Exploration

Dear Sirs:

Quesnel River Gold Deposit

With reference to our recent discussions, set forth below are the basic terms and conditions of the proposal by Calnor Resources Ltd. ("Calnor") to earn a 66 2/3% interest in Placer Dome's Quesnel River Gold Project (the "Property").

Calnor is a Vancouver Stock Exchange listed public company. Donald A. McLeod of the Northair Group is its President. The technical, management expertise and manpower of the Northair Group is available to Calnor. In the past year, the Northair Group has completed in excess of \$10 million in exploration and development programs as the operator under joint venture agreements. Additionally, Calnor's directors include Mr. A.F. Reeve of Laramide Resources Ltd. and Laramide and Northair are significant shareholders of Calnor. Calnor's assets include a 100% interest in the Red Dog Property, British Columbia and the High Lake and Crow Lake properties in Ontario.

Particulars of Calnor's proposal are as follows:

1. Calnor will commit to carry out by December 31, 1988 a programme of pre-feasibility work consisting of reverse circulation drilling, stripping, test mining and metallurgical work on or with respect to the Property at a cost of not less than \$500,000.

Particulars of this programme of work are described in the report by Carl (L) Lalonde dated March 1, 1988 which is enclosed herewith.

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2. After completion of the pre-feasibility programme, Calnor will have the option (the "Production Option") to place the Property into production at an initial rate of not less than 200,000 tons per year by not later than December 31, 1990, subject only the force majeure conditions including a decline in the price of gold to a level not acceptable by the management committee.

Notice to exercise the Production Option must be given by Calnor not later than June 30, 1989.

3. If after having exercised the Production Option, Calnor has expended an amount equal to Placer Dome's expenditures on the Property (the "Placer-Dome Expenditures") which we understand are approximately \$8.5 million, Calnor will have earned a 50% undivided interest in the Property and, upon having placed the Property into production will have earned an additional 16 2/3% undivided interest in the Property.
4. All work done will be directed by Calnor in connection with placing the Property into production will be carried out by Northair Mines under contract with Calnor. Such contracts will be at commercially competitive terms.
5. After production has been achieved, Calnor and Placer Dome will be associated as a joint venture in operating the Property as a mine pursuant to a joint venture operating agreement. Calnor will be the operator. The parties will contribute to operating costs and take product in kind in proportion to their respective interests in the Property, except that initially product shall be divided as to 80% to Calnor and 20% to Placer Dome until such time as Placer-Dome Expenditures and Calnor expenditures are equal, thereafter as to 50% to Calnor and 50% to Placer Dome until such time as all Placer-Dome and Calnor expenditures are recouped.
6. The joint venture operating agreement will contain all the usual provisions of agreements of this type as are appropriate under the circumstances.
7. An area of mutual interest which should include the Maud Property, will be established around the Property. Placer Dome will agree to offer Calnor a first right to acquire any interest in any mineral property Placer Dome may wish to farm out under joint venture agreements or to dispose of in such area.

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8. Calnor will offer to Placer Dome, the right to purchase a substantial amount of Calnor treasury stock at a price to be negotiated. At Placer Dome's option, the shares may be flow through shares.

The management of Calnor believes it to be well qualified and suited to place the Property into production on the foregoing basic terms.

We trust the foregoing proposal will receive your favourable consideration and we look forward to hearing from you.

If you have any questions or require clarification, please do not hesitate to call the writer.

Yours very truly,

CALNOR RESOURCES LTD.

Per:

Donald A McLeod,  
President