

Mining Consultants

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February 27, 1985

The President and Directors,
Mascot Gold Mines Limited,
Suite 1440 - 800 West Pender Street,
Vancouver, B.C. V6C 2V6

Gentlemen:

A client of mine, Mr. Wm. Inverarity of Calgary, has asked me to act on his behalf - due to his location - in discussions with Mascot Gold Mines Limited concerning certain tailings piles in the Hedley area and the sampling of them.

Mr. Inverarity is financially assisting in having a mechanical contrivance designed and built by mining professors at Queens University with technical assistance being donated by certain individuals in the Federal Department of Mines, Ottawa. The prototype of this machine is designed to handle one ton per hour. It was originally conceived with barite in mind.

It is the intention of Mr. Inverarity to run a trial shipment of tailings through this machine and to test its reaction. If the results are satisfactory to him he would like to enter into an agreement with Mascot Gold Mines Limited for the usage of the complete tailings pile.

The tailings pile referred to is that which is located less than a mile up 20 Mile Creek from the Village of Hedley on Lot 3455, Glenwood Fraction Crown Grant claim. These tailings are from the concentrator of Hedley Mascot Gold Mines Limited during its years of operation.

Mr. Inverarity would like the permission of Mascot Gold Mines Limited to take between one and two tons of tailings sample from this pile and test this amount.

If the results are satisfactory to him, he proposes the following arrangement:

- (a) he will post all the required financial bonds and will procure all the necessary licenses prior to operating.
- (b) he will run through all the tailings at this particular site with all expenses being met by himself.
- (c) he proposes that Mascot Gold Mines Limited will not be responsible for any actions arising from this tailings site operation.
- (d) he proposes that Mascot Gold Mine Limited will

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Inverarity Proposal

receive a 10% Net Smelter Return from this site operation.

(e) he will meet any reasonable time frame in which to complete the project.

In return he asks from Mascot Gold Mines Limited permission to obtain the test sample and a willingness to agree to the above proposal or amended versions.

I have known Mr. Inverarity approximately eight years and can state that he is an honest, straight forward individual. He has a true belief in this elutriator.

This letter is for the purpose of discussion.

Yours truly,

A handwritten signature in cursive script, appearing to read "W.G. Hainsworth".

W.G. Hainsworth P.Eng.