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N.C. CARTER, Ph.D., P.Eng.
Consulting Geologist

1410 Wende Road
Victoria, B.C V8P 3T5
Canada

Phone 250-477-0419
Fax 250-477-0429
Email nccarter@shaw.ca

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Ms. Leila Kamil
2144 East 4th Avenue
Vancouver, B.C. V5N 1K6

Dear Ms Kamil:

**Re: Preliminary Evaluation of Expropriated Placer Claims L.C. and L.C. 1
Tenure Numbers PC 269573 and PC 269574
Victoria Mining Division, British Columbia**

Pursuant to your request, I have prepared a preliminary evaluation of the L.C. and L.C. 1 placer claims. This letter report is intended to provide background information for use in negotiations subject to a Framework Resolution Agreement executed by the owners of the subject placer claims May 22, 2001. In view of the current time restraints, this evaluation should be considered as preparatory to a more detailed report which can be prepared if required.

The writer has more than 40 years experience in the mineral industry including employment in both the public and private sectors. A number of mineral property evaluations have been carried out over the past 20 years and the writer is part of a group which is on the roster of qualified evaluators established by the BC Ministry of Energy and Mines to provide expert opinions in matters relating to expropriated mineral tenures.

The writer has relied extensively on documents provided by the owners of the subject placer claims in preparing this letter report. These documents include private company files, the veracity of which is not guaranteed by the writer.

The writer is independent of the owners of the placer claims and holds no interest in any mineral tenures on southern Vancouver Island.

Expropriated Placer Tenures

The following placer tenures were expropriated by the Province of British Columbia by way of the creation of Juan de Fuca Marine Trail Park in 1996.

Placer Claim Name	Tenure Number
L.C.	PC 269573
L.C. 2	PC 269574

................/2

The foregoing placer claims, shown on Figure 1 (appended), were protected from forfeiture by a Regulation of the Minister of Energy and Mines dated April 27, almost one year after the Provincial Government announced plans to create Juan de Fuca Marine Trail Park.

The subject claims are owned jointly by Leila Kamil (80% interest) and Leonard G. Bell (20% interest).

Location and Access

Placer claims L.C. and L.C.1 are situated at the mouth of Loss Creek near Sombrio Point which is on the Pacific coast roughly midway between Jordan River and Port Renfrew, 85 highway kilometres west of Victoria (Figure 1).

Provincial highway 14 passes through the northern part of one of the subject placer claims and a 1.5 kilometre secondary road provides access to the central part of the property.

Background

The L.C. and L.C.1 placer claims are 1 kilometre west of Sombrio Point where placer gold was reportedly first discovered by Spaniards in 1792. Extensive investigative work, including hydraulic operations, was carried out between 1910 and 1930. More recent work in the Sombrio Point area was conducted between the early 1970s and the mid-1980s by Triangle Ventures Ltd. Latter work was funded in part by Nuspar Resources Ltd.

The subject placer claims on Loss Creek were essentially a relocation of pre-existing Placer Mining Leases Numbers 257 and 258 which were issued for a 20 year period in 1972. An interest in these leases was acquired by Armside Mining Ltd.(N.P.L.) in 1973. Armside Mining, a private, non-reporting company incorporated in 1971, was controlled by the Kamil family which has maintained a controlling interest in the placer tenures to present.

Documented investigative work carried out by Armside Mining through the late 1980s included magnetometer and seismic geophysical surveys in 1973 and the collection and analyses of gravel and sand samples in 1974. Extensive land clearing, road building and the excavation of test pits was carried out between 1974 and 1976. A report on the aggregate potential of the placer leases was completed on behalf of the company by B.H. Levelton and Associates Ltd. In 1977 and data from this report were used by Imperial Appraisals Ltd. to prepare a market value appraisal report on the leases in 1979. Later that year, a soil survey was undertaken for future reclamation purposes; the results of this study are on public record as Assessment Report number 7368.

Armside Mining purchased the two placer leases outright in early 1979 and in 1981 and 1982, the company investigated new methods for more accurately determining the tenor of the very fine-grained gold contained in the surficial deposits near the mouth of Loss Creek. Results of this work were filed with BC Ministry of Energy and Mines as Assessment Report 10869. The company referred to these results in a document prepared to attract investment in 1983.

A legal survey of the two placer leases was completed in 1985 and additional test work was carried out through the balance of the 1980s. Various permits and licenses were obtained during the course of this work including a permit subject to the Waste Management Act in 1986 and a Water License in 1988.

The current placer claims were located in September of 1991 to effectively cover the area of the placer leases. Placer claim L.C. covers the area of Placer Mining Lease number 257; placer claim L.C.2 covers Placer Mining Lease number 258.

................/3

A business plan proposing the extraction of gold and the exploitation of the aggregate (sand and gravel) resource on the subject claims was prepared by GDL Marketing and Services in 1994. Later that year, the claim owners entered into an agreement granting Triangle Ventures Ltd. an option to purchase the two placer claims on or before December 31, 1997.

The Provincial Government announced plans to create a park in the area in 1994 and a notice of relief from claim maintenance requirements by regulation of the Minister of Mines wes received in April of 1995. Up to that time, the owners had made annual cash-n-lieu payments to maintain the two placer claims and continued to do so in September of 1995. The owners also paid water license rentals through 1995.

The L.C. and L.C.1 placer claims were effectively expropriated by the Province by way of the official creation of Juan de Fuca Marine Trail Park in 1996. The claim owners executed a Framework Dispute Resolution Agreement May 22, 2001.

Documented Expenditures

The following estimates of expenditures incurred on the placer tenures between 1973 and 1995 have been derived in large part from documents provided by the claim owners. The writer has reviewed these in detail and in those cases where incomplete data are available, has made an estimate of actual costs as noted. For example, for property acquisition and maintenance costs, Armside Mining's 1979 purchase of the two placer leases pursuant to the purchase agreement was $35,000 but available documents indicate that only $18,500 of this amount was actually paid and this is the amount listed in the following table. Information pertaining to annual lease rentals and cash payments in lieu of assessment work for the placer claims are as listed on Provincial government records. Water license rental payments are as per invoices contained in the available documentation.

Exploration and development expenditures are reasonably well documented with the exception of the extensive surface work undertaken between 1974 and 1976 and further investigations between 1987 and 1990. Consequently, no costs for these time periods are included in the following table. Some of the 1970s costs are as listed in two assessment reports and costs of other reports are as per company documents. Exceptions include the 1977 B.H. Levelton and Associates Ltd. report and the 1979 Imperial Appraisals Ltd. report; in both cases, the writer has assigned a deemed value.

Expenditures between 1983 and 1986 are reasonably well documented by way of Armside Mining company spreadsheets and financial statements prepared for Revenue Canada filings by Leonard W. Rawluk, Certified General Accountant. For purposes of the following table, the writer has included only those expenses directly pertaining to exploration. For the four year period, these constitute between 21% and 32% of total company expenses.

Property Acquisition and Maintenance Costs

Placer Mining Leases Nos. 257, 258		
Acquisition costs (1979 lease purchase)		$18,500.00
Lease rentals – 1973-1990		$4,580.00
Placer Mining Claims – L.C., L.C.1		
Staking costs		$500.00
Cash-in-lieu payments – 1992-1995		$4,800.00
Water License Rentals – 1988-1995		$1,854.57
	Subtotal	$30,234.57

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Exploration and Development Expenditures 1973-1986

1973 – Geophysical Surveys	$5,335.00
1974 – Geochemical Surveys	$600.00
1974 – 1976 – land clearing, road building, excavations	not known
1977 – B.H. Levelton and Associates Ltd. Report (deemed value)	$7,500.00
1979 – Imperial Appraisals Ltd. Report (deemed value)	$5,000.00
- Soil Survey report (Assessment Report 7368)	$1,200.00
1982 – Geochemical Report (Assessmont Report 10896)	$2,244.80
1983 Balance Sheet	$863.46
1984 Financial Statements	$3,435.00
1985 Financial Statements	$43,556.00
1986 Financial Statements	$70,184.00
Subtotal	$139,918.26
Total Property Acquisition and Maintenance Costs and Exploration and Development Expenditures	$170,152.83

Geological Setting and Property Potential

The Loss Creek – Sombrio Point area is immediately south of the Leech River fault which extends westerly along Leech River and the upper reaches of Loss Creek valleys. This fault marks the boundary between Mesozoic Leech River Complex metamorphic rocks on the north and Tertiary volcanic rocks on the south which are locally overlain by younger sedimentary rocks.

The immediate area features an areally extensive, post-glacial delta deposit composed of sand, gravel and clay and ranging in thickness from 60 to 120 metres. The west side of this delta is cut by Sombrio River and the east side by Loss Creek. The L.C. and L.C.1 placer claims are along this eastern margin.

Very fine-grained (micron-sized) gold particles within the surficial deposits are thought to have been derived from gold-bearing quartz veins hosted by Leech River metasedimentary rocks west of Sombrio Point. The placer gold occurs in variable quantities and determinations of average grades and suitable methods for recovery have been the subjects of considerable investigative work in the past.

A 1983 estimate of the resource within the boundaries of the L.C. and L.C.1 placer claims, prepared on behalf of Amside Mining Ltd. (N.P.L.) by H. Kamil, was 30 million cubic yards averaging 0.019 ounces of gold per cubic yard. Total *in situ* gold resource was estimated to be 570,000 troy ounces. Average gross *in situ* value per cubie yard at a $500 Canadian per ounce gold price would be $9.50. Slightly higher gold contents were identified within a 4 hectares area immediately west of Loss Creek (Figure 1 appended). Here, some 6.8 million cubic yards averaging 0.023 ounces per cubic yard were thought to be present within the top 10 metres of auriferous gravels; this material would have a gross *in situ* value of $11.50 per cubic yard at $500 Canadian per ounce. It is not known what percentage of these average gold contents could be economically recovered.

The foregoing gold contents are similar to those reported for the adjacent Sombrio Point leases during the same time period. Analyses of a number of samples returned gold values in the 0.001 to 0.024 ounces gold per cubic yard range for what was considered to be a 250 million cubic yard resource. Investigations to ascertain feasible methods of recovery were underway in 1984.

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An assessment of the aggregate (sand and gravel) potential of the area now covered by the placer claims was the subject of a study carried out by B.H. Levelton and Associates Ltd. In 1977. Based on limited information, a total useable resource of 8.5 million cubic yards of was estimated to be present in the area immediately west of Loss Creek. This material was deemed to be capable of providing a full range of aggregate products, particularly material considered to be suitable for concrete and asphalt aggregate. Similar sand and gravel deposits olsewhere on southern Vancouver Island were worth $0.50 per cubic yard in the late 1970s.

It should be noted that sand and gravel are not covered by the Mineral Tenure Act. Special permitting and additional tenure requirements would have been required to exploit this resource.

Value of the L.C. and L.C.1 Placer Claims

Two valuation methods, including a cost approach and comparable transaction analysis, have been used to estimate a fair market value for the subject placer claims.

Cost Approach

A cost approach, which is applicable to mineral properties in the exploration stage, is based on the principal of contribution to value. In the appraised value method, exploration expenditures are analyzed fer their contribntion to the exploration potential of the property. A combination of past exploretion expenditures plus warranted future expenditures to test the exploration potential are used to arrive at a property value. Only those past expenditures which are meaningful and have effectively advanced the property potential are considered to be retained expenditures; these are combined with the estimated costs of a recommended and warranted program of additional investigative work to arrive at an estimate of property value.

A modification of the cost approach is required to arrive at a fair value for the subject placer claims in view of the fact that additienal programs to further assess fhe potential of the property were rendered impossible by the expropriation of the property in 1996.

Documented exploration expenditures for the period 1973 to 1995 amount to $170,152.83. This figure represents only part of moneys actually spent during this time frame; for example, no provisions has been made for what were undoubtedly significant expenditures in carrying out extensive surface work in the mid-1970s or for the late 1980s test work. Consequently, the writer is of the opinion that a sum of $170,000.00 represents a fair and reasonable estimate of retained expenditures for evaluation purposes.

Comparable Transaction Analysis

This method of determining the value of a mineral property involves comparing market transactions for similer mineral properties between parties acting at arm's length. The fair market value determined by a comparable transaction analysis is defined as the highest price available in an open and unrestricted market between a willing buyer and a willing seller.

Mineral property transactions between a buyer and a seller may include a direct cash payment for property, an indirect cash payment for the purchase of shares in the company holding the property, or an option or farm-in agreement which involves a schedule of annual option payments and/or work commitments over a specified time period. Most mineral property transactions usually include a combination of all of the foregoing.

Comparable mineral properties for purposes of estimating a value for the subject mineral claims include those properties with a similar geological setting and style of mineralization and

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which are situated in the same geographic area. This obviously restricts this exercise to similar placer gold properties on southern Vancouver Island for which examples are few.

The subject placer claims were subject to a 1994 option agreement which granted Triangle Ventures Ltd. the right to purchase the claims for $1 million within a three year period. This agreement, which expired at the end of 1997 with apparently no work having been done (the claim owners continued to make cash-in-lieu payments to maintain the claims), is not considered to be a representative example of a bona fide offer to purchase the claims.

Prior to entaring into this agreement, the claim owners had worked with GDL Marketing and Services Ltd. In structuring a business plan for the development of aggregate and gold resources on the subject claims. While one other mineral property near Jordan River was included in the business plan, it is evident from documents that the L.C. and L.C.1 claims offered the most potential. Included in the business plan is reference to the fact that the claim owners were offering to sell the property for a sum of $200,000 plus a 1.25% royalty interest in any commercial production from the property. The potential value of the royalty interest is speculative but the cash component of this proposal provides a measure of property value.

Perhaps the best example of a comparable transaction is the 1983 agreement structured between Triangle Ventures Ltd., Sombrio Mines Ltd. and Nuspar Resources Ltd. With respect to 23 placer leases at Sombrio Point immediately adjacent to the L.C. and L.C.1 placer claims. While precise details of this agreement are presently unavailable, 1984 documents (Canada Stockwatch) indicate that Nuspar entered into an agreement to acquire a 50% interest in Sombrio Mines Ltd.'s apparent half interest in the Sombrio Point placer property by funding two phases of exploratory work. Records indicate that Nuspar had incurred expenditures of $171,750 by mid-1984. Details are not presently available concerning the probable issuance of Nuspar shares that were apparently part of the agreement. The number of shares involved in this transaction is thought to be substantial in view of the fact that principals of Triangle Ventures Ltd. effectively took control of Nuspar in mid-1984. The monetary value of the shares component would have also been substantial in view of the fact that the share price in 1983 ranged from $0.21 to $3.30.

From the facts available, the Nuspar-Sombrio-Triangle Ventures agreement provides a good measure of a comparable transaction. Nuspar incurred expenditures of $171,750 and if a nominal value of $50,000 is assigned to the issuance of shares component, a value of this transaction would be in the order of $220,000.

Conclusions

A fair market value for the L.C. and L.C.1 placer claims at the time of expropriation is considered to be between $170,000 and $220,000.

Respectfully submitted,

N.C. Carter, Ph.D. P.Eng.

FIGURE **1 - LOCATION - PLACER CLAIMS L.C_ and L.C.1**