

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

CARLOS-HARRIS
OPTION

004956

BLACK CLAIMS
VAL CLAIMS

105G-14

To D.A. Lowrie From W.M. Sirola, Vancouver
Subject Finlayson Lake Area - Yukon Territory Date December 5th, 1978.

Accompanying this Memorandum is a report by Wayne Murton covering the work done on the Black, Val, and Vam Claims. The contents of this report maybe summarized as follows:

BLACK CLAIMS

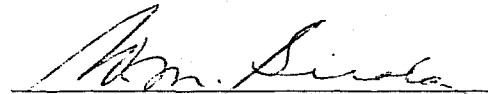
The original premise that the bleached phyllite encountered in a previous drill hole on this property was an infallible indication of massive sulfides, was disproved by our two drill holes which encountered weakly pyritized conductive phyllites and a moderately magnetic serpentinite.

VAM CLAIMS

No evidence of lead/zinc mineralization was found by soil geochemistry covering a rather formidable conductor on the north boundary of the claims. This is only partly conclusive because of the impediment of fluvial sand over part of the claims. However, followup gravity surveys failed to indicate any heavy density areas with the exception of one broad gravity feature at the southeast end of the property. This feature is probably caused by a combination of thin overburden and a change from phyllite to sheared volcanics.

VAL CLAIMS

Work on this claim block did not locate any conductors and their absence in our view, precluded any further exploration. This premise is based on our prior experience in the Anvil Range where we have not found substantial lead/zinc minerals remote from highly conductive graphitic phyllites.


W.M. Sirola

WMS:lg
Encl.

Carlos Harris

The Complexity of this Situation changed materially with the addition of the Vols/Kam Claims in the sense that we now have only mid July. until freeze up to evaluate the Blocks, Vols/Kam. This is a total of 110 cl's. The Situation can be rectified by changing the June 1, 1979 date to Dec. 1, 1979 thereby giving us 2 Summers in which to properly evaluate the Situation.

It is not unreasonable for them to expect some return in the property after the completion of 250,000 but since this was not part of the original deal, the addition of the Claims has caused dissension.

If we did own 50%, we should not expect Carlos to pay us 50% of any payments he might receive in future deals in the event we obtain the property to him.

KERR ADDISON MINES LIMITED

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To W. M. Sinclair From F. C. Brown
Subject SPACE CLAIM GROUP, D. DRUMS Date May 29/78

Carlos phoned this afternoon, reiterated confidential information.

1. Drilling on first hole, east gravity anomaly (small one), depth @ 3 pm today is 383 feet.

Encountered well mineralized gneissic rock (say not same as mineralized boulder or auger gneiss) @ 343'-383'. High Zn content with minor copper.

2. I shall be seeing him either tomorrow site or early Wed. morning.

3. Will phone you after I have visited their property and seen the core

Daed

COPY

May 29, 1978

Mr. Murray Smith
Arctic Diamond Drilling Ltd.
184 Industrial Road
Whitehorse, Yukon.
Y1A 2V1.

Dear Mr. Smith:

We are forwarding herewith the location maps of our proposed drill holes for our Tom Lake project (Black Claim), Yukon Territory.

The proposed holes are:

KA-78-1 To be drilled at -90° and 400' in depth.

KA-78-2 A provisional hole dependent upon the result of KA-78-1. To be drilled at -60° ; N55E and 600' in depth.

Map #1 shows the collar locations relative to the Lake. Map #2 shows the general location of Tom Lake. Apparently Mr. Sirola has contacted you earlier regarding this proposed drilling work.

Yours truly,
KERR ADDISON MINES LIMITED

Alexander Po
Geologist

AP:ps
Enclosures
File # 105G-14

KERR ADDISON MINES LIMITED
SUITE 703 - 1112 WEST PENDER STREET
VANCOUVER, B.C. V6E 2S5

COPY

Mr. D.A. Lowrie

W.M. Sirola, Vancouver

Black Claims

May 18, 1978

I will present the attached copy Letter of Intent to Dave Davenport tomorrow if he has the time to work on it in the immediate future. If you have any comments, please advise.

W.M. Sirola

WMS:ps
Enclosure

COPY

SPECIAL DELIVERY

May 2, 1978

Mr. Al Carlos
13 Aspen Drive
WHITEHORSE, Yukon.

Dear Mr. Carlos:

Thank you for your prompt submission on the Black Mineral Claims. We did not drill this former Davie Group in 1966, largely because our gravity survey failed to indicate an Anvil Range type of massive sulphide deposit within reach of the gravity meter i.e. within 300 - 400 feet of the surface. It would now appear from subsequent drilling that there is a bleached phyllite depth of 280 feet in one drill hole and consequently there could be a sulphide deposit below or to one side of that rock type. A typical deposit could contain base metals or be wholly pyritic and the same bleached phyllite would be present.

I mention these things only to give you some appreciation of the fact that the presence of this rock type, while to some degree a favourable sign, is no assurance of a base metal deposit and a cover of 300 feet or more of overlying phyllite does not make for an ideal open pit.

Notwithstanding the above comments, the property is intriguing and we would suggest a modification to your proposal as follows:

1(a) Cash Payments

	\$
June 1, 1978	5,000.00
December 1, 1978	10,000.00
June 1, 1979	25,000.00
June 1, 1980	50,000.00
June 1, 1981	130,000.00
June 1, 1982	<u>180,000.00</u>
	<u>\$400,000.00</u>

1(b) Work Commitment

A minimum of \$50,000 to be expended on the property during the period June 1, 1978 - June 1, 1979.

cc: D.A. Lowrie (May 4, 1978)

COPY

- 2 -

- 1(c) By payment of \$400,000 in cash as described in 1(a), and by the Work Commitment of \$50,000 in 1(b), Kerr Addison will have earned 70% interest in the claims.
2. The claims shall be kept in good standing during the term of this Agreement and for two years beyond any termination thereof.
3. The Vendors' 30% interest will be non-assessable, and Kerr Addison shall have the right to purchase an additional 10% interest in the claims as follows;
 - (a) An additional 5% by June 1, 1983, upon payment of \$200,000 to the Vendors;
 - (b) A further 5% interest by June 1, 1984, upon payment of an additional \$200,000 to the Vendors.
- 4(a) Kerr Addison to place the property in production by June 1, 1985. If, for economic reasons this is not feasible, and the Vendor is not satisfied with this decision, an arbitration board, selected by the Courts, would rule on the decision. If this ruling were ~~not~~ in favour of the Vendor, Vendor would be paid ~~in~~ advance royalty of \$50,000 per year until such time as the property is placed in production or the Agreement terminated.
- 4(b) Upon placing the property in production, Kerr Addison to receive pre-production and capital costs from ~~85%~~ 100% of cash flow, with the remainder being paid to the Vendors.
During the payback period, Vendor would receive 50,000/yr in advance royalties.
- 5(a) This Agreement shall encompass any future claims staked, or acquired, by the Vendors, or Kerr Addison, within a perimeter of two miles of the present claim. In the event the Agreement be terminated, the additional claims will be transferred to the Vendors at no cost.
- 5(b) Prior to the signing of this Letter of Intent, Vendors will supply Kerr Addison with copies of existing drill logs and an opportunity to examine any drill core.

Yours very truly,
KERR ADDISON MINES LIMITED

W.M. Sirola, P. Eng.
Regional Exploration Manager

115G-14

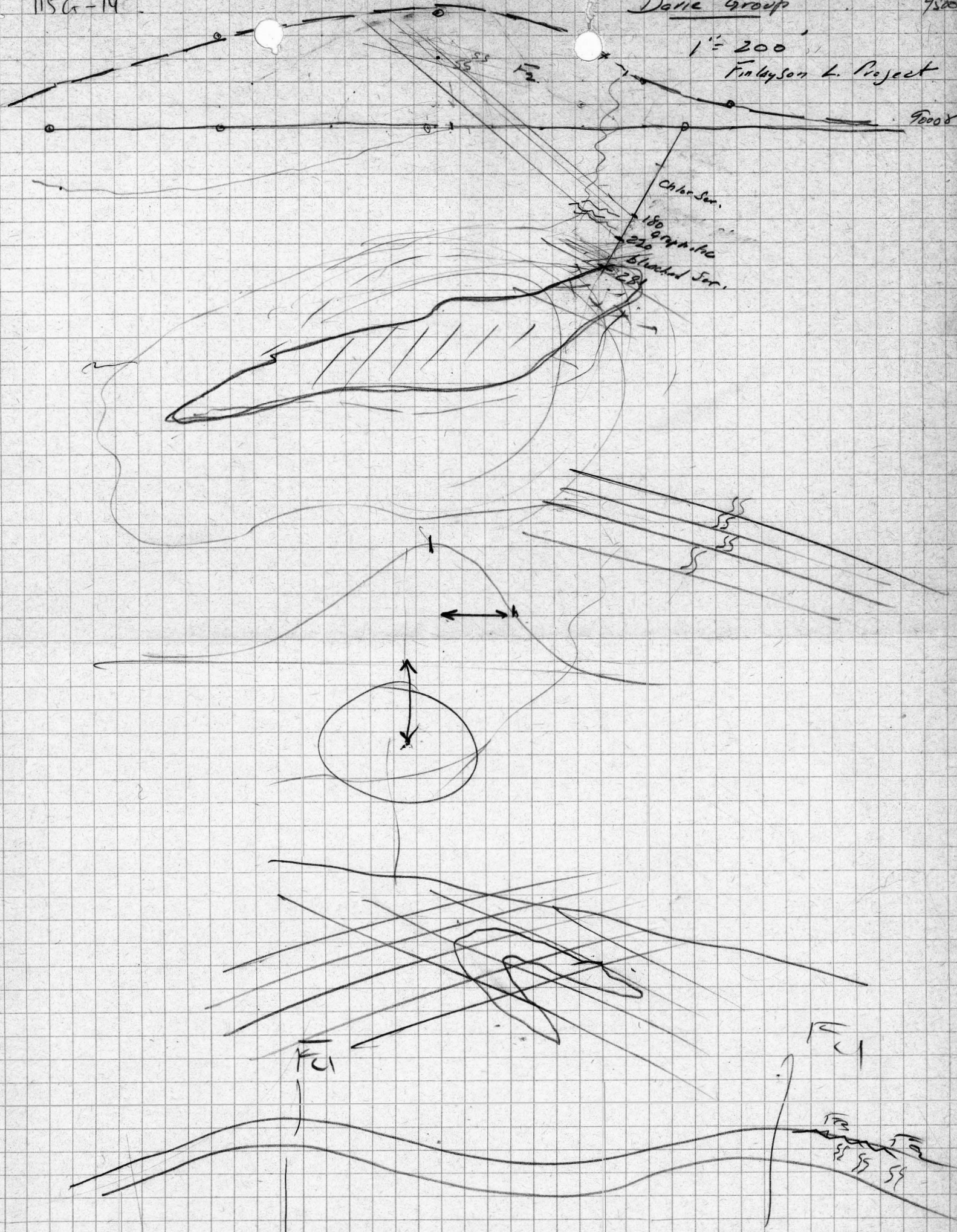
Davis Group

9520

1" = 200'

Finlayson L. Project

90008



KERR ADDISON MINES LIMITED

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To W.M. Sirola From J.W. Murton
Subject BLACK CLAIMS Date April 27, 1978

Al Carlos arrived in town last night and telephoned at 2.15 p.m. today. He said they would be mailing a summary of what they would like for a deal on the BLACK claims tonight which we should receive next Monday or Tuesday. He said they had landed a Pilatus Porter on Dol (Tom) Lake last year.

In the course of our conversation I mentioned that we were probably looking at a few thousand dollars down and a drill hole, and he said they would like to get "a bit of cash" as they feel the area has progressed past the point of where it was a few years ago. On that point I had to agree.

Half an hour later Carlos called again with the following information. I think he felt that if we knew a little more about what they were dealing with on their SHALE-group, we might be more inclined to be more generous (no dollar figures were mentioned).

They have not received the final gravity report from Ager, and they are not quite sure why but Ager says he thinks he needs to do more work before he can be sure what they have. They have an interim report, however, and Carlos requests that this information go no further in case Ager has to change his interpretation of their anomaly. (Carlos thinks Ager is afraid of a mistake).

Their gravity anomaly is a discreet anomaly peaking at $2\frac{1}{2}$ mg. If the .5 mg. contour is taken, it is 4800' long and 2200-2300' wide. If it is legitimate it could be the real thing and this could be why Ager is being so careful. It is described as "complete Bouger Gravity" and is not Residual Gravity as I asked. They had good survey control on a baseline which crossed right over the anomaly. The anomaly is right in the area of their float discovery.

They have staked more claims in the area of their FRED claims between the Pelly and the Highway to give themselves more protection. (I wonder if these new claims are part of their original deal or might be available?) While staking this ground they found chloritic phyllite similar to their SHALE rocks as well as amphibolite rich greenstone which they also apparently have found on their SHALE group. There is no mag anomaly over the "amphibolite" on the SHALE group which is close to their gravity anomaly, but where they find higher magnetics, they have a gravity low.

If we get together on the BLACK claims, they would like to see about 32 claims staked to fill in to the east.

Al said he would call before they head out to the bush again - we remain on very good terms.

J.W. Murton

JWM:ps