

116 X

BOB TERMUENDE'S SUBMISSION -

RUSTY SPRINGS PROPERTY, Y.T.

005700

AUGUST 1982

Canadian Hunter Exploration Ltd.
700, 435 4th Ave. S.W.
Calgary, Alberta T2P 3A8
(403) 260-1000



canadian hunter

SM
cc to
w. Simola

SEP 10 1982

Done
Sept. 10/82

Rusty Springs YAT

~~DAE~~
A.H.C.
W.I.
J.B.S.
FILE

September 8, 1982

Mr. D.A. Lowrie
Vice-President, Exploration
Kerr Addison Mines Limited
P.O. Box 91
Commerce Court West
Toronto, Ontario
M5L 1C7

Dear David:

Thanks for your recent letter with the attached copy dealing with Rusty Springs. I will consider this a dead issue. I hope I haven't caused you any undue effort in suggesting a visit to the property. Bill's report certainly is quite thorough and professional. I suppose if one never goes fishing, one can't catch fish, so I do thank you for making this special effort.

I will keep my ear to the ground with respect to any opportunities that might interest you out here. As you know, the oil and gas companies are rapidly pulling in their horns on mineral exploration. I think they have all found that they don't walk on water when it comes to mineral exploration. They have learned your business is a long step removed from our conventional petroleum activities. I really think the bridge that has lead many of the energy companies into your business has been uranium exploration in sedimentary deposits. At any rate, if I do hear of any opportunities coming our way I will be certain that you hear them.

Again, thanks very much for the effort you have made at Rusty Springs. ✓

Sincerely,

J. K. Gray
Executive Vice President

JKG/pd

CANADA'S HYDROCARBON POTENTIAL

Circum-Pacific Energy and Mineral Resources Conference

August 24, 1982

Honolulu

James K. Gray

Executive Vice-President

Canadian Hunter Exploration Ltd.

CANADA'S HYDROCARBON POTENTIAL

Canada presently produces significant quantities of oil, both conventional and synthetic, and natural gas.

Canada's future producing production potential is, for all practical purposes, unlimited. Restraints on future production will include the sheer volumes of capital required, the economics of production and the availability of new production and transportation technologies.

The range of opportunities, from immense resources of heavy oil and tar sands and the emerging natural gas giant in the Deep Basin to the enormous indicated supplies in a variety of frontier areas, is unique among hydrocarbon producing countries in the world.

Unfortunately, at the present, industry's efforts to move aggressively in developing this potential is being compromised and severely restricted by a myriad of government regulations and ill conceived strategies. Hopefully this illness will soon pass.

This afternoon I would like to take you on a flying trip through our principal producing areas. My purpose is to impress you with the scope and magnitude of Canada's hydrocarbon potential.

Western Canadian Sedimentary Basin

1. Conventional Oil

The Western Canadian Sedimentary Basin has been actively explored over eighty years. Two significant discoveries have marked our history. In 1936 after previous drilling had yielded only wet natural gas, a massive oil leg was discovered in the Turner Valley field located in the Southern Alberta foothills. This field contained original oil reserves of 500 million bbls and 2.9 Tcf of natural gas. It is now essentially depleted.

1947 was a historic year in Alberta. That was the year Leduc was discovered and the modern era of exploration was triggered.

To the end of 1981, 315 oil pools principally of Cretaceous, Mississippian and Devonian age have been discovered. Production to date totals 7.9 billion bbls. Our present producing rate is approximately 974,000 BOPD.

Most newly discovered oil in Alberta receives world oil price. The producer's net return from this price compares favourably with those available in the U.S. Improved exploration techniques together with attractive economics have combined to create new interest in oil exploration in our western basin. While no large new discoveries have been announced numerous significant new pools and pool additions have been recorded.

Ill considered government energy planning has committed Canada to long term import contracts with Mexico which have resulted in annoying market restrictions on Canadian production. Hopefully these restrictions will soon be removed.

Most secondary and tertiary recovery projects also receive "new" oil price. Improved economics together with improved flooding technology are resulting in a new generation of secondary schemes. Miscible floods are being announced regularly by Amoco, Esso and others. Most of our fields have consolidated ownership, resulting from past unitization, facilitating the operation of enhanced recovery projects.

Exploration potential for new conventional production in our western provinces is attractive. Drilling density is low and producer economics have recently improved substantially. New log

analysis techniques and new stratigraphic seismic procedures are two of the exploration methods receiving particular attention.

2. Heavy Oil and Tar Sands

Canada's resource of oil in the form of heavy oil and tar is, for all practical purposes, limitless. The present recoverable reserve of oil from this source remains relatively modest due to the constraints of economics and technology.

Mining Operations:

Two, world scale, first generation plants are presently functioning in the Athabasca Tar Sands:

Suncor: This plant was built by the Sun Oil Company from 1964 to 1967 at a cost of \$235 million. The plant had an initial producing rate of 45,000 BOPD. In recent years the plant has undergone a number of expansions. These expansions have raised capacity to 70,000 BOPD. Another expansion is presently being planned which will raise capacity of Suncor to 80,000 BOPD.

At today's rate of production Suncor has sufficient tar sand available to it for a 25 year life.

Syncrude: Syncrude was built by 1978 for \$2.26 billion. It's producing capacity is presently 109,000 BOPD. Syncrude is also considering an expansion which will bring its capacity to 129,000 BOPD.

Total 1981 production for these two plants amounted to 38 million BO, only 50% of their designed capacity. Our industry is constantly extending its experience and improving procedures in tar sand mining techniques.

Alsands: This recently suspended mining project was to have been the first of the second generation tar sands mining operations. Alsands was planned to produce ± 140,000 BOPD and would have cost ± 14 billion dollars, or approximately \$100,000 of capital cost for each barrel of designed daily production.

Alsands has now been put on the shelf. The operator's economics were simply not attractive or certain enough to allow construction of such a high cost and technically complex project at this time. There is a real and perceived need for Alsands but through the "window of opportunity" was open in the late 1970's it is presently closed. Our

nation and our industry will be poorer for having this project delayed.

Other plants, specifically one being planned by Nova and Petro Canada have also been delayed. Unquestionably the "window of opportunity" for mining projects will return in a few years. When they are again considered I expect them to be scaled down considerably. We may well have seen the last of the mammoth projects. Future plants may well be in the \pm 25,000 BOPD range.

In Situ Operations:

Lloydminster: The lowest gravity oil produced in this area is in the range of 10 to 13 degrees. A number of pressure (water) and heat (steam and fire) projects are operating. It is estimated that there is approximately 15 billion bbls of oil in place at Lloydminster. Secondary operations are expected to increase recovery from \pm 5 to 10%, primary, to in excess of 20%.

Canada has a surplus of heavy oil production. Studies are presently underway by a number of operators into the feasibility of constructing large scale upgrading plants. To date none of these initiatives have matured into committed plans.

✓ Cold Lake (Peace River, Wabaska): There are three stages of development in these massive 8 to 10 degree heavy oil deposits.

Pilot Plants: These projects are numerous. They usually involve a few wells and cost a few million dollars.

Demonstration Models: The Esso "Lemming" project is the most notable example. This multi million dollar project has been operating for several years producing oil at the rate of 4000-5000 BOPD.

Full Scale Plants: Esso's Cold Lake world scale in situ project was also recently shelved. This plant was similar to Alsands in that it was expected to cost ± 14 billion dollars and produce 140,000 BOPD.

While AMOCO and Shell have projects featuring in situ generated heat (fire) Esso's Cold Lake scheme utilized surface generated heat (steam).

—
The oil contained in Alberta's Lloydminster, Cold Lake and Athabasca deposits (Cretaceous) together with what is referred to as the oil saturated carbonate triangle (Mississippian) adjacent to

Athabasca, represent the world's great hydrocarbon deposit. It is estimated that total oil in place resources may exceed 3000 billion barrels.

Canada must import approximately 300,000 BOPD to meet demand. With our attractive producing potential one would question why our supply/demand relationship is so far out of balance? Basically the reason is the negative effects of government intervention in our industry. Heed our experience. If you still have the opportunity, be aware of the severe negative consequences of excess government involvement in the exploration and production business.

3. Natural Gas

Conventional

Cretaceous: Stratigraphic traps predominate in Alberta.

The traps vary widely in size and are usually geologically uncomplicated. There have been 7498 pools discovered with average per pool reserves of 9.04 bcf. Average reserves per well in these pools are 5.5 bcf.

Average liquid content of Cretaceous gas is 2.75 bbls/mmcf. Total Cretaceous liquid production amounts to approximately 0.5 million BLPD in Alberta.

Mississippian and Devonian: Sour and wet natural gas is found in a number of carbonate reservoirs of Mississippian age.

Devonian reefs, of both biohermal and biostromal character, contain 21 Tcf of originally recoverable gas of which 8.5 Tcf has been produced. Average liquid content of our Devonian production is 17.1 bbls/mmcf.

Mississippian shelf carbonate natural gas reservoirs are found in structural traps along our foothills belt lying east of our thrust Rocky Mountains. There is also significant reserves trapped along the Mississippian subcrop.

Total original Mississippian recoverable reserves amount to 22 Tcf of which 8.4 Tcf has been produced. Average liquid content of Mississippian gas is 11.1 bbls/mmcf.

Sulphur: Canada is the world's largest supplier of elemental sulphur, all produced as a by product of natural gas.

Canada's remaining reserves of sulphur are 119 million tons which represents a 21 year supply. Our annual production is 5.5 million tons while our domestic consumption is only one million tons per year. Canada is the world's largest exporter of sulphur

3. Deep Basin

The Deep basin is a 26,000 square mile "canoe" shaped area lying immediately in front of the Foothills thrust belt, where the entire 15,000' sand shale section is gas saturated. The gas saturation lies downdip from the water.

While we don't understand entirely the physics of the curiously inverted gas-water relation, we know it exists and we have seen it in the three other largest gas fields in western North American - San Juan Basin, Wattenberg and Milk River. Indeed, over half the gas reserves of the entire western half of North America are in the gas traps below water.

While the entire section is gas saturated, the principal reserves are in the lower Cretaceous. It is there that the section contains numerous coals, a prolific source of methane gas.

The Elmworth field occupies the central portion of the Deep Basin straddling the Alberta-British Columbia border.

Our company has just completed a comprehensive re-analysis of the Elmworth field gas reserves for the purpose of gas contracting negotiations with our purchaser. We believe established reserves in the field, all operators, now are 5.8 Tcf. Total mapped, proved, probable and possible reserves, are in the order of 14 Tcf. These reserves are contained in 19 separate formations and over 100 pools. We are confident that with additional production data and well control all probable and possible reserves can be converted to proven.

We believe there is potential for 8 Tcf of reserves on the British Columbia side of the field. Development has lagged on the B.C. side due to higher well costs, lack of gas markets and lower per well reserves and deliverability.

A highly exciting development at Elmworth is the recognition that the very large coal seams present throughout the area may contain many Tcf of recoverable gas.

Careful analysis of pressure cores indicate that Elmworth coal contains 500 cubic feet per ton of remaining absorbed natural

gas. Using our total coal isopach maps we conclude that there is +500 Tcf of natural gas in place in coal seams in the field area.

To date we have mapped one Tcf of gas in place in coal seams immediately in contact with high permeability productive Falher conglomerates. We estimate we can recover 50% of this gas or 500 Bcf.

We intend to prove, over the next few years, through reservoir simulation studies and pressure decline information as production from conglomerate proceeds, that coal seam methane is indeed a recoverable reserve.

Ultimately coal seam natural gas may develop into one of the most important reservoirs in the field.

Elmworth was discovered in 1976. Without modesty I record that my company, Canadian Hunter, discovered the field and identified the Deep Basin. Production started up in 1979 at the modest level of 90 mmcf/d. Present plant capacity is 400 mmcf/d and will exceed 1 Bcf/d by year end. By 1985 or 86 we expect Elmworth field plant capacity to be 2 Bcf/d, 40% of Canada's consumption of 5 Bcf/d. Canadian Hunter's Elmworth gas plant is presently being expanded to 450 mmcf/d making it the largest field gas plant in Canada. Elmworth has

now produced almost 100 Bcf. Pressure data indicates that lower porosity and permeable sandstones are contributing to production. The gas production is sweet and wet, 60 bbls of total liquids (condensate, propane, butane, ethane) per mmmcf.

Elmworth is Canada's largest gas field and the second or third largest in North America. It is the most rapidly growing giant gas field presently in production on the continent.

Frontier Areas

Now let me take you on a whirlwind trip through Canada's impressive frontier exploration areas.

Sable Island: Located only 100 miles off Canada's east coast this gas accumulation has the prospects of becoming Canada's first frontier production. Discovered in 1971 by Mobil Oil, Sable Island is now estimated to contain + 3.4 Tcf of recoverable reserves. Production has been developed in three or four gas pools. The gas is found in Lower Cretaceous sands and is trapped in depositional and salt dome related fault traps.

No major technical problems exist in bringing this field into production. If it were located in the Gulf of Mexico it would already be in production. Expect production to start around the end of the decade.

Hibernia: Discovered in 1979 by Chevron Standard. Accumulations in the Hibernia area according to published reports, are presently estimated to contain reserves of approximately 1.1 billion bbls of oil and 2 Tcf of natural gas. Hibernia wells have demonstrated high deliverability. The production is located 200 miles east of Newfoundland in 250' of water on the continental shelf.

Again the hydrocarbons are trapped in lower Cretaceous sands. The traps are structurally complex, fault modified horst and graben features.

It is currently estimated that reserves are now of sufficient magnitude to sustain economic rates of production. However, important technical problems exist. The field is located in our famous east coast "iceberg alley" and is lashed with furious winter storms. Just last winter the world's largest semi-submersible drilling rig was lost in one such storm.

It might not be the weather or ice, however, that holds up production. Jurisdictional ownership disputes between Newfoundland and Ottawa are still not settled. I think it is sensible to look to 1990 as a probable date for the delivery of first meaningful production from Hibernia.

Labrador Shelf-Davis Strait: Exploration drilling to date has discovered impressive volumes of natural gas reserves in this area. Canterra Energy estimates established reserves of approximately 6 tcf at one field alone. Trap types include growth faults in Tertiary beds, Cretaceous and upper Cretaceous facies changes over deep structures and Tertiary deltas and deep water marine fans.

Drilling is presently taking place in ± 4000' of water and wells in 10,000' of water are planned. The entire area is located in "iceberg alley." Production 1995 earliest. Don't bet on much before the end of the century.

Beaufort: Some 25 oil and gas discoveries have been drilled in this area over the past twelve years.

Beaufort reserves are in reservoirs of Lower Cretaceous and Jurassic age. Hydrocarbons trapping is in a complex series

of anticlinal structures formed by the upward movement of under compacted shales.

Consultant's estimate reserves potential of between 600,000,000 and 3.8 billion barrels on two of Dome Petroleum's largest structures. Gulf is presently drilling a stepout to an apparently very attractive recent discovery in shallow water from an artificial island.

While very large reserves seem to be present in the Beaufort, deliverability potential requires further evaluation before firm production commitments can be expected.

Beaufort production will require a new generation of technology to cope with the sea and shore ice packs, short summer drilling season and severe winter climate. Sensible forecasts make it difficult to anticipate meaningful production prior to 1990. With current technology only near shore production can be considered producible in the 1990 time frame.

MacKenzie Delta: More than 130 exploration wells have been drilled in the MacKenzie River Valley and in the onshore delta area. Imperial, Gulf and Shell discovered significant

natural gas reserves on the Mackenzie Delta in the late sixties and early seventies. Reserve estimates range between 3 and 4 Tcf.

Access to market awaits a pipeline down the valley to the south. No plans are presently being considered.

High Arctic: Over 160 wells have been drilled in Canada's Arctic Islands since Dome spudded the first well in the area at Winter Harbour in 1961.

Panarctic, the principle operator, suggests present Arctic reserves are 18.5 Tcf. Oil was discovered during 1981 in three oil discoveries in wells drilled from ice reinforced islands on the polar ice cap. Panarctic has now drilled 19 wells in this fashion. In the last three years only five wells were drilled each year down from the peak year in 1973 when 23 wells were drilled.

Your imagination is sufficient to picture the production problem facing arctic operators. Two natural gas transportation schemes, a pipeline and an LNG project, are

being considered. The pipeline is dead and, frankly, I am pessimistic about the LNG system at this time.

We must continue to classify our Arctic natural gas as proven resources until an economic transportation system is committed.

Summary

In summary let me emphasize the following elements of Canada's hydrocarbon production and potential.

1. A high percentage of our recent discoveries have been in our frontier areas and, until production facilities and transportation systems are committed, must be classified as "proven resources."
2. Obviously the capital required to develop Canada's enormous petroleum and natural gas potential is so immense that project prioritization will be necessary. Some projects will not be developed in our lifetime.
3. Operational problems respecting environmental concerns compounded with often new and hostile operating areas and the mammoth size of

the projects will result in unprecedented planning and execution challenges.

4. Challenges facing engineers and earth scientists are unlimited. All scientific, mechanical and operational disciplines will be required to develop new techniques. The opportunities like the challenges, are unlimited.

Canada is an immense storehouse of potential hydrocarbon production. It has taken imagination and skill to plan our energy projects so that a country so well endowed with hydrocarbon resources as Canada must still import over 15% of our requirements. It is incumbent upon our government, in the face of insecure international supplies, to let industry get on with the task of developing our potential as rapidly as practical.

KERR ADDISON MINES LIMITED
P.O. BOX 91
COMMERCE COURT WEST
TORONTO, ONTARIO
M5L 1C7

COPY



September 1, 1982

Mr. James K. Gray
Executive Vice President
Canadian Hunter Exploration Ltd.
700, 435 - 4th Ave. S.W.
Calgary, Alberta
T2P 3A8

Dear Jim:

Re: Rusty Springs Property, Y.T.
Kenton Natural Resources Corp.

I returned from holidays to find Bill Sirola's report on the Rusty Springs Property on my desk. Bill visited the property on August 16th, 1982 along with several interested parties.

I have only one comment on Bill Sirola's report, which is enclosed, and that is that in my experience with limestone hosted vein deposits in the Yukon, I have invariably found that there is supergene enrichment in the weathered zones. Bill's report describes weathering and secondary minerals on Page 7. I suggest to you that the assay results of the samples taken in the trenches would be higher than assay results from unweathered vein material.

I certainly wish Bob Termuende every success with this deposit but I am also secretly pleased that I am not in the vendor position. Thank you for bringing this to our attention. If you hear of something that could be of interest to us please contact me and you will get immediate action.

Yours very truly,

KERR ADDISON MINES LIMITED

D. A. Lowrie
Vice-President, Exploration

DAL/sm
Encl.

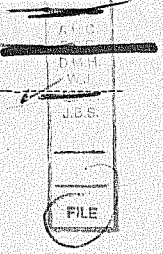
KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

SEP 1 1982

To Mr. D.A. Lowrie From Mr. W.M. Sirola

Subject RUSTY SPRINGS PROPERTY - 116K YUKON TERRITORY Date August 31, 1982
SKETCH SHOWING SAMPLING RESULTS



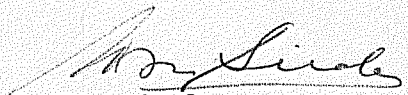
The accompanying sketch shows the locations of my trench samples and the results thereof. These results are also tabulated below as follows:

<u>Sample No.</u>	<u>Location</u>	<u>Width</u>	<u>Ozs. Ag</u>	<u>%Pb</u>	<u>%Cu</u>	<u>%Sb</u>	<u>%As</u>
3507	Tr. #8	0.71m	10.12	59.77	0.19	4.8	0.84
3508	Tr. #6	0.56m	25.35	4.20	0.96	0.35	0.99
3509	Tr. #7	0.61m	32.32	66.67	0.08	0.25	0.10
3510	Tr. #2	0.51m	56.04	68.19	0.24	1.24	1.22
3511*	Tr. #2	0.15m	11.64	66.27	0.13	3.60	2.48

* Narrow parallel vein in trench #2 - 3.6 metres east of main vein.

An interesting phenomenon about the mineralization on this property is that I along with probably quite a few other people, mistook bladed (possibly sheared) galena for tetrahedrite. The analytical results clearly indicate that galena is by far the dominant mineral in the vein and on closer examination of a specimen I retained in the office it becomes clear that the bladed mineral is indeed galena.

Regardless of any negative comments I have made regarding the economics of this property, I enjoyed meeting Bob Termuende as well as his sometime associate Mike Chernoff. Chernoff is an oil geologist who has done a lot of mapping in the Rusty Springs area and who is quite knowledgeable on the geology of the district. He pointed out for example, that he had not seen elsewhere any of the dolomitic breccia which is found at Rusty Springs.


 W.M. Sirola,
 Regional Exploration Manager.

Trench Sampling

Not 50 in re-logging of Core

Trench Sampling

16. Ag Pb Cu Sb As width

3507 10.12 59.77 0.19 4.8 0.84 0.71m

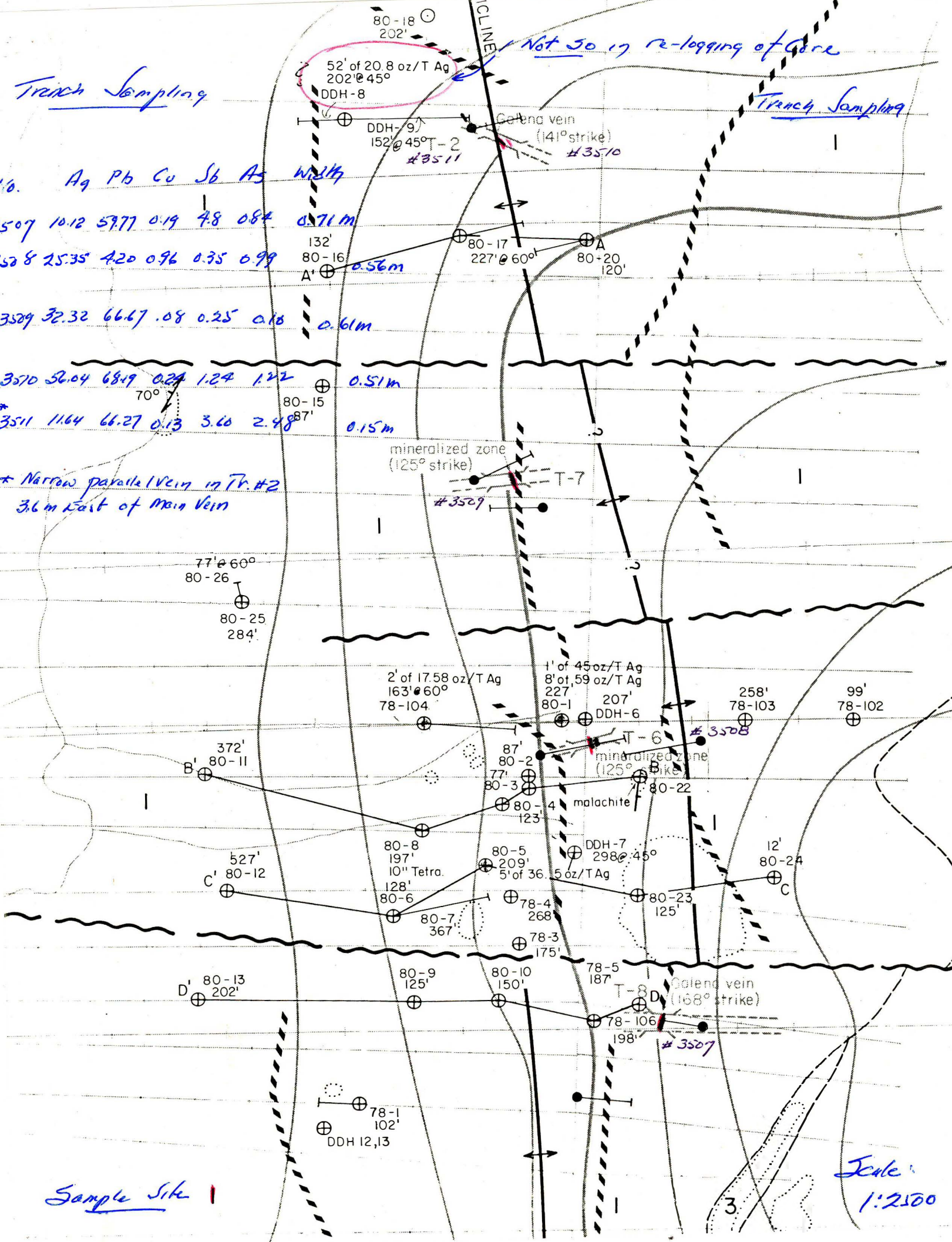
3508 25.35 4.20 0.96 0.35 0.99 0.56m

3509 32.32 66.67 .08 0.25 0.16 0.61m

3510 56.04 68.19 0.24 1.24 1.22 0.51m

* 3511 11.64 66.27 0.13 3.60 2.48 0.15m

* Narrow parallel vein in Tr. #2
3.6m East of Main Vein



Sample Site 1

Scale
1:2500

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

AUG 30 1982

To Mr. D.A. Lowrie From Mr. W.M. Sirola

Subject RUSTY SPRINGS PROPERTY EXAMINATION 116K/8,9 Y.T. Date August 27, 1982

The attached report does not laud the virtues of Rusty Springs.

The best vein is on Orma Hill and it is less than 1 metre wide and is exposed intermittently by trenching over a distance of 450 metres.

I have only partial analyses from my sampling of five trenches but from what I know thusfar the average silver content is 928.78 grams per tonne (27.09 ozs.) and the average lead content is somewhere in the order of 50%. The antimony content averages 2% but I do not have the arsenic values. The average copper content is 0.30%.

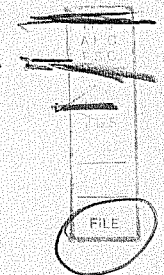
Kerr Addison's participation is not recommended because of the limited tonnage probability and the very high cost of trying to operate at the Arctic Circle.

Presumably one of us should contact Mr. J.K. Gray but I will leave that decision to you.

*Letter from DAC
Sept 1*



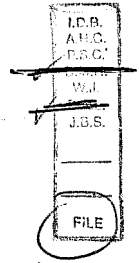
W.M. Sirola,
Regional Exploration Manager.



AUG 17 1982

KERR ADDISON MINES LIMITED

SUITE 703 - 1112 WEST PENDER STREET
VANCOUVER, B.C. V6E 2S1
PHONE 682-7401



August 13, 1982

Mr. James K. Gray,
Executive Vice-President,
Canadian Hunter Exploration Ltd.,
700, 435 - 4th Ave., S.W.,
Calgary, Alberta. T2P 3A8

Dear Mr. Gray:

Thank you for your letter of August 9th regarding the Rusty Springs project.

Mr. Termuende is indeed fortunate to have a champion such as yourself and I trust that Rusty Springs turns out to be everything that you suggest in your letter.

I telephoned Bob Termuende and along with Stuart Tennant of Placer Development, will be part of the entourage leaving Inuvik on the morning of August 16th.

Mineral exploration does differ from the oil and gas business and the on-going costs of concentrate transport from such a location as Rusty Springs has to be a matter of some concern if the project develops to that stage.

The results of my examination together with my recommendations will be forwarded to David Lowrie's office on my return.

Yours very truly,

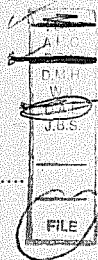
W.M. Sirola,
Regional Exploration Manager.

WMS/ck

c.c. David Lowrie ✓

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)



To..... I. D. Bayer/P. S. Cross From..... D. A. Lowrie
Rusty Springs Property, Y.T.
Subject..... Preliminary Date..... August 11, 1982

Location

Approximately 30 miles east of a point of intersection of the Arctic Circle and the Alaska-Yukon Boundary. The nearest road is the Dempster Highway which is about 120 miles east of the claims.

Ownership

The claims are held by Bob Termuende's company, ^{KENTON} ~~Teneon~~ Resources (sp.?). Data on size and geological setting is in our Vancouver office. It was received in Vancouver on August 10, 1982.

General

Verbal information indicates that the deposit is in an irregular vein-like configuration with possible dimensions of 1500' x 3' and not in a series of solution cavities as first reported. Surface sampling from trenches yielded high grade Pb, Ag, Zn with silver in the 40 oz. range. Previous drilling (27 holes) failed to identify the attitude or continuity of the zone. E & B Explorations performed the last work in 1979-1980 which included the abovementioned drilling and a gravity survey.

The presently proposed program will consist of 6 drill holes collared on or near the vein and angled to drill down the apparent dip of the vein.

Follow-up

Bill Sirola has talked with E & B and Placer and will be able to examine further data in Placer's office. He is arranging to visit the property in conjunction with Placer's visit on August 16, 1982.

Conclusion

The deposit may be interesting but the data and information are promotional.


D. A. Lowrie

DAL/sm



AUG 11 1982

canadian hunter

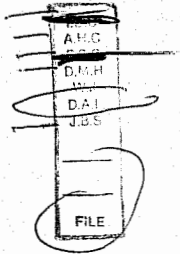
August 9, 1982

Bill Sirola
1112 West Pender Street
Vancouver, B.C.

Dear Bill:

TERMUNDE

Correct spelling !!



I have known Bob Tremunde for many years. Through this association I have followed the progress of the Rusty Springs property for the past three or four years.

I brought this prospect to the attention of Noranda two years ago. They reviewed the information but were not disposed to proceed on the prospect at that time.

I talked to Bob on Thursday of last week. He has a great deal of new information and new drilling results on the prospect. Apparently there is sufficient information that Dr. Neil Hillhouse the Manager of Exploration is planning a one day trip to Rusty Springs on August 16th of this year. Bob Tremunde tells me that they have a sincere interest in the project.

??

I have known Bob Tremunde, as I mentioned for some time. I can attest to his technical ability and to his business integrity. I am impressed that the Rusty Springs project has the potential to be a very large, rich potential deposit. I caveat this with my lack of experience in mineral exploration. I want to make certain that the Noranda group of companies has a very hard look at this opportunity at this early stage of its examination. I suggest that the only proper way to evaluate this is to review this material enclosed and phone Tremunde directly in Calgary. His phone number is (403) 263-0397. I suggest that he be invited to Vancouver with his material to give a presentation to the top exploration people in your company. I believe there to be a relatively short fuse in determining your level of interest in Rusty Springs.

It has been known for years

Sincerely,


James K. Gray
Executive Vice President

JKG/pd
c.c. Dave Lowrie