

CHESBAR RESOURCES INC.

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July 9, 1987

Dave Lowrie
Vice President Exploration
Kerr Addison Mines Ltd.
39th Floor, Commerce Court West
Toronto, Ontario
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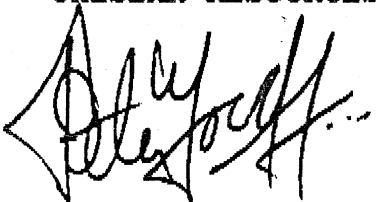
Dear Mr. Lowrie:

Please find enclosed the Exploration Proposal for the VIC and VG claim group in the Whitehorse Mining Division. The thrust of this seasons work will concentrate on testing known zones for continuity plus, possible identification of the high-grade float source to the north.

I hope all is satisfactory and if you have any questions, please do not hesitate to call.

Yours truly,

CHESBAR RESOURCES INC.



Peter Mordaunt
Project Geologist

Enclosures

PM/get

CHESBAR RESOURCES INC.

EXPLORATION PROPOSAL

VIC AND VG CLAIMS

WHITEHORSE MINING DIVISION

YUKON TERRITORY

NTS 116 I/3

JULY, 1987

PETER MORDAUNT
PROJECT GEOLOGIST

INTRODUCTION

This proposal is concerned with a property near Carmacks, Yukon under option by Chesbar Resources Inc. from Kerr-Addison Mines Ltd. Chesbar Resources Inc. must spend \$200,000 by December 31, 1987 to honour the option agreement. Furthermore, States Exploration Ltd. has an option to earn 50% of Chesbars interest.

To accomplish this a combination of stripping (trenching) and diamond drill programs are proposed. The stripping program will try to locate the source of high-grade float identified on the property during the 1985 and 1986 surface exploration programs. Although a good deal of stripping has already been completed this will concentrate on the North Zone.

This program will require roughly two weeks work with a combined dozer, and excavator which are presently on the property.

The diamond drill program will focus on two main target areas. First, the Main Zone/War Zone area on the VIC claims where Kerr-Addison Mines Ltd. drilled in 1986. This 19 hole program resulted in several significant assays over a narrow width, (i.e. 86-1 - 0.35/3.7', 86-17 - 0.97/1.6', 86-18 - 0.39/2.3', 86-8 - 1.04/1.3', 86-9 - 0.52/1.3', 86-15 - 0.37/8.5', 86-16 - 0.31/3.6'). Initially drilling in the Main Zone will concentrate on determining continuity along strike and down-dip of significant zones.

The second target area is the North Zone. It is within this zone where stripping and trenching will be done while simultaneously drilling on the Main Zone. Once target areas are defined then testing of these targets will be done by drilling.

Total drilling at this stage is estimated at roughly 3,500 - 4,000 feet for completion of this phase. This may be increased if results are encouraging.

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PROPOSED COST

1. Diamond Drilling (3,500 - 4,000 ft. at \$30/foot)	\$120,000.00
2. Dozer and Excavation for Stripping and Trenching	\$ 12,000.00
3. Transportation	\$ 9,000.00
4. Assaying	\$ 15,000.00
5. Communications	\$ 3,000.00
6. Camp Supplies, ect.	\$ 10,000.00
7. Personnel	\$ 8,000.00
8. 10% Contingencies	\$ 17,700.00 =====
Total	\$194,700.00

APPENDIX "A"PROPOSED INITIAL DRILL HOLE LOCATIONS

- Drill Holes:**
- (1) 3+82N. 21+75E
- Under 88-19
 - East of 88-17, 50 metres
 - 110 metres, -50 degrees
- 50° H.D. = 70.71^m
- (2) 4+00N. 21+50E
- Between 88-19 and 88-17
 - 95 metres, - 50 degrees
- 50° H.D. = 61.07^m
- (3) 3+82N. 20+71E
- Under 88-18
 - 105 metres, - 50 degrees
- 50° H.D. = 67.49^m
- (4) 2+75N. 19+75E
- 25 metres to west 88-13
 - 95 metres, - 50 degrees
- 50° H.D. = 61.07^m
- (5) 2+39N. 17+63E
- 25 metres to East of 88-10
 - 25 metres to West of 88-12
 - 70 metres, - 50 degrees.
- H.D. = 95^m

$$\begin{array}{r} 475^m \\ \times 3 \\ \hline 1425 \\ \hline 1425 \\ \hline 15675^m \end{array}$$