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Jan Poiré

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AURCHEM EXPLORATION LTD.  
16 - 266 Rutherford Road South  
Brampton, Ontario L6W 3X3  
Tel. (416) 452-6454 FAX: (416) 454-9195

November 14, 1991

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006793

Kerr Addison Mines Limited  
#700 - 4 King Street West  
Toronto, Ontario  
M5H 3X1

*Unsubstantiated offer.*

*R.*

Attention: Mr. Peter Bojtos  
Vice-President - Corporate Development

RECEIVED  
DEC 17 1991

Dear Mr. Bojtos:

Re: Discovery Creek Project, Mount Nansen, Yukon

Aurchem Exploration Ltd. is a privately-owned company currently active in exploration on a property in the Mount Nansen area of the Yukon. We would like to invite Kerr Addison Mines Limited to review our geological data to assess your possible interest in a joint venture agreement.

Exploration on the property has been very successful, bringing it, at present, to a drilling stage of defined targets. The following briefly describes the property. Strong reference to the geological model of syngenetic porphyry/epithermal mineralization is given to display the potential that this property holds.

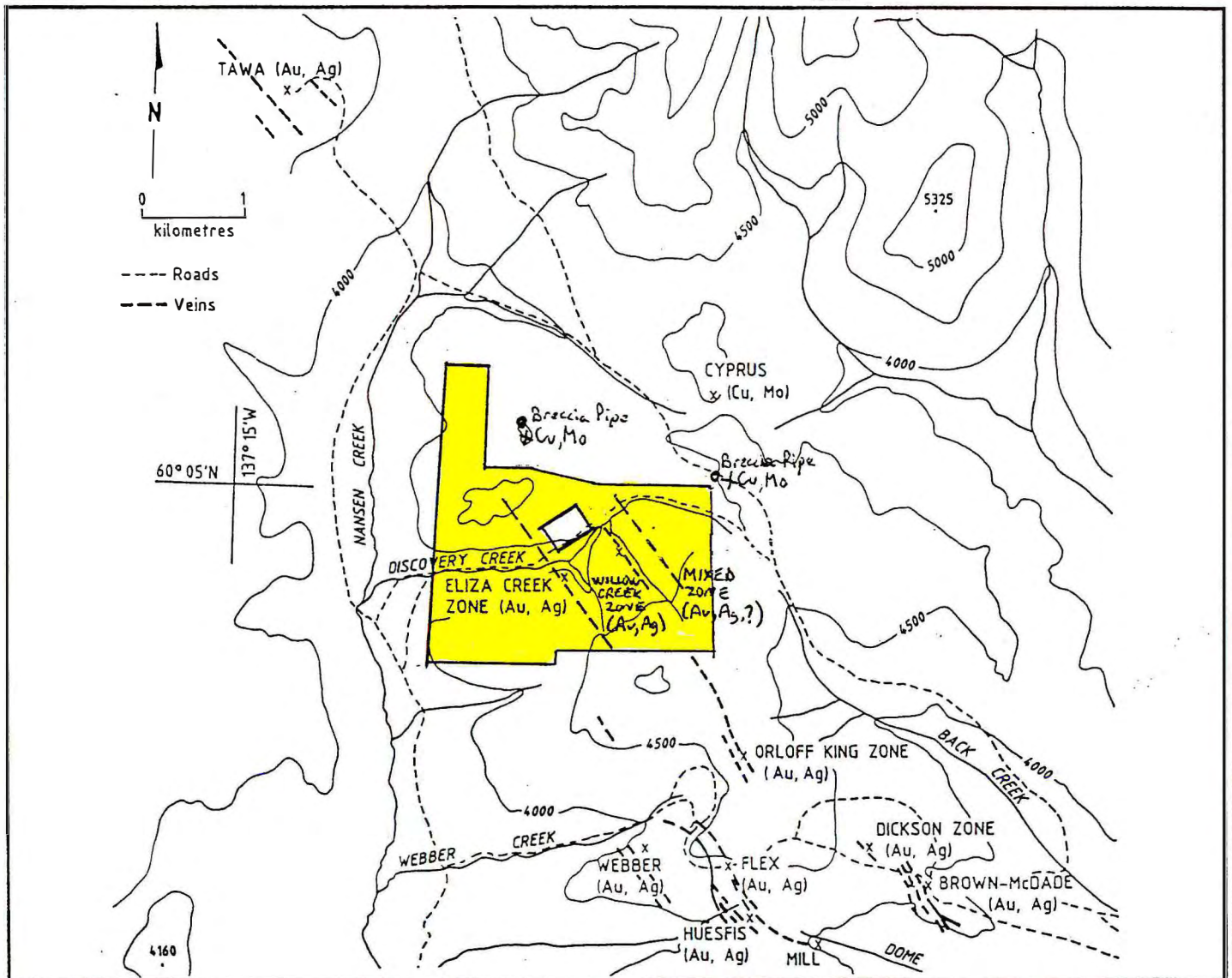
Location and Access

The property is located in the Mount Nansen area of the Yukon. (NTS 115 I/3). Road access directly to the property from the Klondike Highway at Carmacks is via the Mount Nansen Road. The property is centred on the valley of Discovery Creek about two miles northwest of the past producing Mount Nansen Mine/Mill.



Discovery Creek Claims - Aurchem Exploration Ltd.

Map below shows the Discovery Creek Claims in relation to the regional picture of known veins, showings and past producers.



### General Property/Regional Exploration

The property is referred to as the Goulter or Discovery Creek Property. It consists of 30 full and fractional claims centred around 7 surveyed Mineral Leases (21 year lease). The original property was held by a local prospector and his family from 1910 to 1985, when Aurchem then acquired ownership. Although centrally located in a well-known mineralized area, pre-Aurchem Exploration was mainly of a hand-dug pits/adits style.

Regionally, the area hosts both porphyry, and epithermal (vein) style mineralization. The main focus and exploration in the area has been on the epithermal veins hosting Au, Ag, Pb and Zn. They form a broad, multi-vein system of northwest trending, steeply dipping structures in an area possibly 5 by 10 kilometers in size. Porphyry dykes are strongly associated with this vein system.

The 1960's and early 1970's saw limited exploration for porphyry style mineralization of Cu, Mo (Sn, W) substantiating the existence of porphyry style mineralization.

Regionally, the area is also host to dozens of Placer Gold operations.

### Property Exploration

Aurchem's exploration of the property can be summarized as follows:

- (a) A detailed picketed grid; 100 foot spaced lines with 50 foot station separations has been completed over 90% of the property (covers  $\approx$  5,400 x 7000 ft.).
- (b) Approximately 25 trenches with mapping and sampling mainly within the Willow Creek Zone and to the south of Discovery Creek on the Eliza Creek Zone.
- (c) Grid coverage of a Total Field Magnetism survey (25 ft. stations).
- (d) I.P/Resistivity surveys basically covering the grid. General grid coverage using an "a" spacing of 200 feet (n = 1 to 6). Detailed coverage of selected areas using an "a" spacing of 50 feet and 100 feet (n = 1 to 6). Follow up using an "a" spacing of 400 feet on two lines. Both dipole/dipole and pole/dipole arrays were employed.
- (e) Partial coverage of a soil geochemical survey.
- (f) General geological prospecting regionally (property outcrops are almost non-existent).
- (g) An early diamond drill program confined to the Willow Creek Zone.

- (h) An early VLF (EM-16) survey shown to be of poor or limited value.

Exploration Results

The combination of I.P./Resistivity geophysics, Total Field Magnetics and soil geochemistry surveys correlate well to define targets. Limited surface trenching has confirmed the existence of mineralization on targets trenched.

The strongest epithermal vein displayed is called the Eliza Creek Vein. This vein shows to have a continuous strike of at least 5,800 feet. The I.P./Resistivity data shows an increasing strength to depth and to the north along strike. Trenching on the southern portion of the Eliza Creek vein produced good widths of moderate/low grade (selected trench assays from the Eliza Creek Vein Zone)

	Vein Width in feet	Au equivalent (Au + .014 Ag) oz/ton	Pb %	Zn %
(a)	37.0	.067	1.8	.20
(b)	27.8	.076	.4	.15
(c)	98.5	.040	.6	.22

Strong supergene oxidation and a suspected near surface leaching of the mineralization makes trenching a difficult method to assess grade on the epithermal veins.

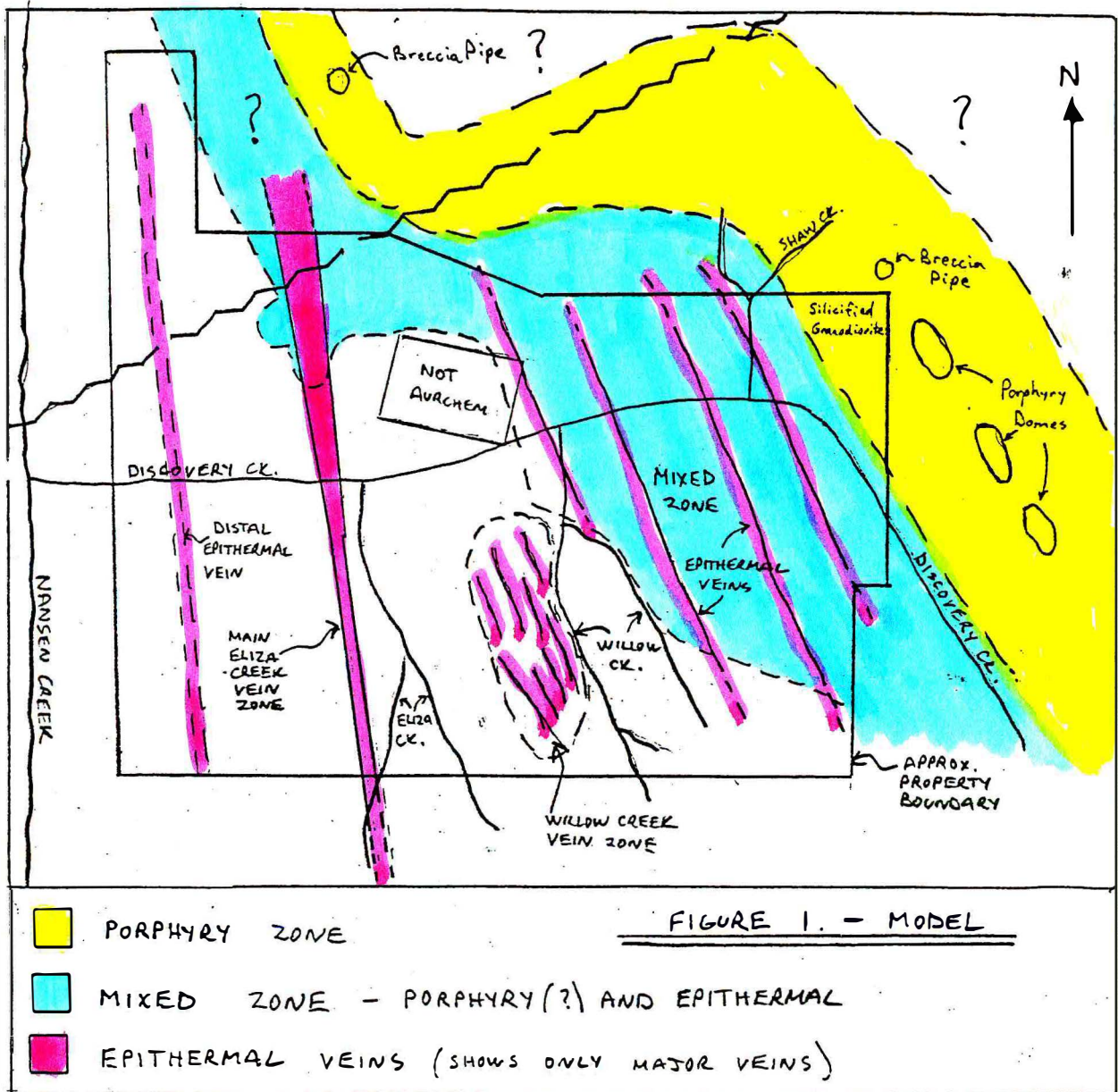
Within the property, higher grades from shoots within veins have produced assays as high as:

Au - 3.180 oz/ton over 1 foot  
Ag - 90.0 oz/ton  
Pb - 60.0%  
Zn - 9.0%

Although the Eliza Creek Zone is a strong target of significant potential, our 1991 work showed a higher potential exists in what we call our "Mixed Zone". The following geologic model explains this "Mixed Zone".

Geologic Model of the Property

Just to the east of the property exists a northwest trending porphyry system (Cu. Mo, minor Au, Ag). This porphyry system is faulted to the west to a location just north of the property where it again resumes a northwest trend. The westerly "flank" of the porphyry system is located within Aurchem's property up the eastern side and then along the northern edge. This is illustrated in Figure 1 below:



Within the "Mixed Zone", a strong I.P./Resistivity target has been identified, which appears to be a layer of unknown thickness which dips gently to the west (15° - 30°). This layer covering nearly the entire "Mixed Zone" area varies in depth with location from near surface to a depth beyond the reach of the I.P. survey. The true nature of this "layer" displaying high chargeabilities and low resistivities is unknown but is interpreted as likely hosting 5 - 10% sulphides in a strongly altered lithology. Some locations suggest massive sulphide layers, lenses, pods are probable within this layer. Overprinted on top of this picture are a number of steeply dipping northwest trending vein structures (epithermal veins). Their chargeabilities display a rapid increase in values to depth as they approach this "layer" where they then become "blended".

Over the "Mixed Zone", limited lines of soil geochems display very broad and strong anomalies of Au, Ag, Pb, Zn, As, Cu.

In summary, a porphyry system with syngenetic epithermal mineralization is strongly suggested. A "Mixed Zone" layer of porphyry/mesothermal style mineralization is postulated as being created somewhat lateral to the porphyry. The area was later overprinted by epithermal veins in a late cooling/collapse phase of the porphyry. The epithermal vein system displays trends in mineralogy and physical vein aspects suggesting temperature gradients relating to the porphyry heat source.

### Conclusion

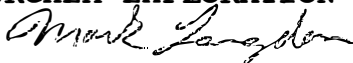
The next phase of exploration by drilling of defined targets is strongly warranted. No drilling on the Eliza Creek Zone or the "Mixed Zone" has yet been done. The Eliza Creek Zone on its own merit contains the potential of significant tonnages to support a mining operation. The "Mixed zone" holds a much greater potential with a major tonnage deposit quite possible.

If Kerr Addison Mines Limited is interested in reviewing the data with respect to a possible joint venture agreement, please sign the attached Confidentiality Agreement. Upon receipt, we will send the data package with a signed copy of the Agreement.

If you have any questions or inquiries, please feel free to call or FAX.

Yours truly,

AURCHEM EXPLORATION LTD.



Mark Langdon  
Manager - Geological Projects  
MSL:mi