

SECTION III

1. JAMAICAN MINE DEVELOPMENT

Trevcorp's Jamaican concession, S.E.P.L. #318, has had extensive exploratory work performed on it during the last nine months. During this time, Trevcorp has had from four to 25 Jamaicans, along with Canadian mining professionals, active in the property.

We have prospected the concession and of the 283 samples assayed, all of which have tested gold, silver and copper. Gold values are up to 2.25 oz/ton, silver 27.27 oz/ton and copper 29.69%.

Our extensive geophysics have located several major anomalies with particular emphasis on the major veins joining the previously worked Charing Cross and Stamford Hill mines. This work confirmed the historical data, which contained reference to the 20 ft. wide vein, leading from the Stamford Hill adit to the Charing Cross; a distance of approximately 3,000 feet long with top heights of 750 feet. Mine manager's reports of the day refer to shipping values of 15 to 25% copper. In addition, Sawkins in the same data tells us that gold was present in all shipments and values ranged upwards to 15 oz/ton.

We have opened the Charing Cross No. 5 adit and chip samples from the side veins in the crosscut carry commercial values.

~~In May outlined and reaffirmed the intrusive at Connors in which 5,000,000 tons of commercially viable low grade ore has been drilled. Indications are that this ore body, in the form of a large porphyry intrusive, continues to the southeast.~~

We are in the process of negotiating with a "major" mining partner to further delineate, test and develop this large low grade ore body in the north area of the 14.44 square mile concession.

Trevcorp has received approval for the further extension of the lease documents covering the property. Additional exploratory as well as development work will be done in anticipation of high grade ore production beginning in October, 1990.

~~The enclosed Three Phase budget is self-explanatory and follows the steps necessary to finalize production planning, prior to mining.~~

Fraser Currah
Director

Encl.

**JS REDPATH LIMITED**

12 April 1990

File: 90056

Mr. Fraser Currah
Director
Trevco Oil and Gas Ltd.
390 Bay St., Suite 2000
Toronto, ON
M5H 2Y2

Dear Fraser:

In follow up to meeting with you at our offices on 10 April 1990, we have prepared a summary of preliminary costing and scheduling for the Charing Cross property in Jamaica, which was done after the site visit by Redpath representatives on 19 - 23 February 1990.

As you are aware, a complete and formal proposal concerning the proposed work was in the final stages of completion when we learned that there were significant changes encountered with regard to the location and strike of the mineralized zone. This resulted in any further work on the proposal being put on hold until more details became available.

After reviewing the report prepared by "Minroc Management Limited," it would appear that the approach recommended by them does not differ significantly from the general approach that was to be proposed by us. However, there are some significant details to be sorted out and not much more can be done until more facts are known and project financing secured.

The pages which accompany this letter summarize the project as we understood it after the site visit. Although details of the "Scope of Work" will change when everything gets sorted out, the intent or needs are not expected to be much different. Therefore, they should serve as a guide to determining the initial capital requirements. They can be "massaged" as required.

As we discussed, this work can only be considered Phase 1 of exploration. Depending on the quality of information obtained in Phase 1, there are three possible outcomes:

1. All further work will be dropped.
2. A further, more extensive Phase 2, exploration program will be performed.
3. A development and production decision will be made (this is not often the case).

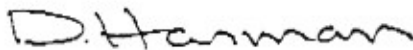
..12

Mr. Fraser Currah
12 April 1990
Page 2

At this point, #2 will be the most likely scenario if encouraging results are achieved in the first phase of work.

We trust that this letter will provide you with enough information to work with at this time. Please contact us if more information is required or you wish to discuss any aspect further.

Sincerely,



D. C. Hansman
Senior Manager, Development

/bm

List of Attachments

Attachment 1	Scope of Work
Attachment 2	Schedule of Work and Manpower
Attachment 3	Summary of Budget Costs



ATTACHMENT 1
SCOPE OF WORK

General

The scope of work proposed for this initial program is generally described below.

It should be noted that the details of the scope may be modified during the course of the work to meet objectives that develop or become better defined as work progresses.

Such adjustments can also be used to react to any budget restraints that may be in force.

Scope of Work

1. Provide Engineering support as required. It is envisaged that the "On-Site Engineer" will be able to handle the engineering required to conduct the proposed scope of work. Should additional specialist engineering support be required then this additional service shall be supplied according to the Schedule of Fees included.
2. Mobilize men and equipment to site.
3. Supervise the upgrading of an access road to site, including the installation of any necessary culverts, using the services of a local contractor.
4. Provide and setup surface facilities to house and support the underground and diamond drilling programs.
5. Enlarge and rehabilitate the portal entrance (No. 5 adit).
6. Slash the existing No. 5 adit to 7 ft. by 8 ft.
7. Secure the zone of caving ground located in the No. 5 adit approximately 200 feet from the portal.



8. Extend the No. 5 adit approximately 100 feet along the vein.
9. Drive a raise approximately 100 feet in the vein to check vertical continuity.
10. Mine the mineralized vein, using resuing methods, to provide a bulk sample of approximately 1,200 tons. *(of High-grade ore)*
11. Carry out a surface diamond drilling program totalling approximately 9,000 feet of drilling to check the continuity of the vein along the strike.
12. Teardown and demobilize from site.

Depending on the time required to evaluate the information obtained from this initial program it may be beneficial to leave certain items of support equipment (with adequate security provisions) on site on a standby basis pending startup of the next phase. This can be assessed as work progresses.



ATTACHMENT 2

SCHEDULE OF WORK & MANPOWER

A preliminary schedule of work and manpower is included on the following page.

Redpath planned to operate on two ten hours shifts per day, seven days per week.

On-site work will commence approximately one month after Trevco provides Redpath with a written notice to proceed, assuming that a mutually satisfactory contract can be finalized and all Jamaican permits, etc. are in place.

PHASE THREE :

Purpose

1. To rebuild the parochial mine access road from Content~~o~~ Charing Cross (Bellas Gate), for ready access to the mine and the staging area. Prepare staging area and setup the production crews camp.
2. To extract a 2,000 ton bulk sample from the Charing Cross adits No. 4 and 5 ,as outlined by the J.S. Redpath Group. We have modified their extensive drifting and mobilization.
3. To drift into the previously drilled veins for further development and testing prior to production.
4. To ship the bulk sample to Lakeview, Ontario for testing and particularly smelting vs. heap leaching. Recent new technology, as tested by Lornyx,indicates a substantially high recovery of Copper, Gold and Silver using this environmently safe method. The cost of this method approximates \$5.00 per ton of ore, with 99+% recoveries.
5. To coordinate the development activity at Connors, by ournew partner, with our highgrade mines at Charing Cross, Stamford Hill and Congo-Keyes;to reaffirm leach utilizations and proforma cash flows. (note attached proforma cash flow).

Time: October - January, 1991

Phase Three Budget

Road Rebuilding/Staging Area	\$175,000
Mobilization: 1) Transportation	50,000
2) Materials	150,000
Supervision/Staff/Camp	150,000
Hourly Labour- Canadian	200,000
- Jamaican	50,000
Equipment - Rentals/Purchase	150,000
- Operating	30,000
- Maintenance	20,000
Site Administration	15,000
Surface Excavation/Drilling	75,000
Assays/Geology	15,000
Ore Freight/Shipping	100,000
Contingencies 10%	113,000
Administration 15%	186,500

Phase Three Budget **\$1,429,450**

Note:

1. Above expenditures included in Trevcorp Production Proforma.
2. Estimated bulk sample net ore value of 2,000 @ \$215 not taken into income or deducted from expenses.

ATTACHMENT 3
SUMMARY OF BUDGET COSTS

<u>Item</u>	<u>Description of Work</u>	<u>Total Cost Cdn. (\$)</u>
1.0	Mobilization	
	i) Transportation	105,000
	ii) Materials	306,000
2.0	Supervision & Staff	103,000
3.0	Hourly Labour - Canadian	334,000
4.0	Hourly Labour - Jamaican	26,000
5.0	General Supervision	11,000
6.0	Equipment Rentals	160,000
7.0	Equipment Operating & Maintenance	37,000
8.0	Site Administration	10,000
9.0	Subcontractors	
	i) Diamond Drilling	270,000
	ii) Surface Excavator	35,000
10.0	Demobilization	<u>90,000</u>
	Subtotal Project Costs	\$1,487,000
	Contingency @ 10%	<u>148,700</u>
	TOTAL PROJECT COSTS	<u>\$1,635,700</u>



TREVCO 2	CDN\$	Quarters FIRST	SECOND	THIRD	FOURTH	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8
REVENUE:												
Daily Mine Production - Highgrade - Open Pit				10	25	100	150	200	250	275	300	350
Highgrade Ore Sales	\$269			\$242,100	\$605,250	\$9,415,000	\$14,122,500	\$18,830,000	\$23,537,500	\$25,891,250	\$28,245,000	\$32,952,500
Open Pit Ore (30% J.V.)	\$3								\$15,750,000	\$21,000,000	\$26,250,000	\$26,250,000
Net Gas/Oil Sales		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
		\$0	\$0	\$242,110	\$605,275	\$9,415,100	\$14,122,650	\$18,830,200	\$39,302,750	\$46,911,525	\$54,520,300	\$59,227,850
OUTLAY:												
Jamaican Royalty	5.00%			\$12,105	\$30,263	\$470,750	\$706,125	\$941,500	\$1,964,375	\$2,344,563	\$2,724,750	\$2,960,125
Mobilization/Development			\$200,000	\$100,000	\$100,000	\$150,000	\$150,000	\$150,000	\$200,000	\$250,000	\$250,000	\$250,000
Equipment		\$40,000	\$200,000	\$100,000	\$100,000	\$350,000	\$150,000	\$200,000	\$200,000	\$150,000	\$150,000	\$300,000
Mine Roads		\$65,000	\$20,000	\$20,000	\$20,000	\$50,000	\$100,000	\$100,000	\$50,000	\$100,000	\$100,000	\$100,000
Development Drilling		\$25,000	\$25,000	\$50,000	\$100,000	\$150,000	\$150,000	\$150,000	\$150,000	\$200,000	\$200,000	\$200,000
Mine Labour			\$90,000	\$100,000	\$180,000	\$900,000	\$1,250,000	\$1,450,000	\$1,600,000	\$1,750,000	\$1,900,000	\$2,250,000
Housing			\$15,000	\$20,000	\$20,000	\$50,000	\$55,000	\$60,000	\$65,000	\$75,000	\$80,000	\$85,000
Supplies			\$90,000	\$50,000	\$75,000	\$300,000	\$430,000	\$470,000	\$530,000	\$580,000	\$650,000	\$740,000
Fuel/Explosives			\$30,000	\$50,000	\$70,000	\$200,000	\$250,000	\$325,000	\$400,000	\$440,000	\$525,000	\$580,000
Rentals		\$10,000	\$10,000	\$15,000	\$15,000	\$50,000	\$50,000	\$50,000	\$50,000	\$70,000	\$75,000	\$80,000
Supervision		\$25,000	\$30,000	\$30,000	\$30,000	\$100,000	\$105,000	\$110,000	\$125,000	\$150,000	\$165,000	\$175,000
Exploration/Engineering		\$40,000	\$20,000	\$20,000	\$20,000	\$100,000	\$150,000	\$150,000	\$200,000	\$225,000	\$250,000	\$300,000
Gas Development		\$0	\$0			\$0						
Administration/Travel		\$75,000	\$75,000	\$75,000	\$75,000	\$300,000	\$315,000	\$335,000	\$355,000	\$372,000	\$388,000	\$412,000
Contingency	5.00%	\$14,000	\$40,250	\$32,105	\$41,763	\$158,538	\$193,056	\$224,575	\$294,469	\$335,328	\$372,888	\$421,606
		\$294,000	\$845,250	\$674,210	\$877,026	\$3,329,288	\$4,054,181	\$4,716,075	\$6,183,844	\$7,041,891	\$7,830,638	\$8,853,731
TREVCO OPERATING PROFIT:		(\$294,000)	(\$845,250)	(\$432,100)	(\$271,751)	\$6,085,813	\$10,068,469	\$14,114,125	\$33,118,906	\$39,869,634	\$46,689,663	\$50,374,119
INVESTOR Profit Bonus:	10.00%				\$0	\$424,271	\$1,006,847	\$1,411,413	\$3,311,891	\$3,986,963	\$4,668,966	\$5,037,412
TREVCO after tax EARNING:	75.00%				(\$1,843,101)	\$3,322,043	\$6,796,216	\$9,527,034	\$22,355,262	\$26,912,003	\$31,515,522	\$34,002,530
Trevco Earnings/Share:	14,000,000					\$0.24	\$0.49	\$0.68	\$1.60	\$1.92	\$2.25	\$2.43
TREVCO MARKET VALUE:	12 Multiple				\$2.50	\$2.85	\$5.83	\$8.17	\$19.16	\$23.07	\$27.01	\$29.15
TREVCO FUNDING:												
Trevco Present Capital:		\$250,000										
Warrants Exercised:	4,000,000	\$2,000,000	28.57%	of TREVCO		\$1,500,000						
TREVCO CASH FLOW:		\$1,956,000	\$1,110,750	\$678,650	\$406,899	\$2,331,170	\$3,338,017	\$4,749,430	\$8,061,320	\$12,048,284	\$16,717,250	\$21,754,662

