

REPORT ON THE
WAGNER GROUP OF CLAIMS, SLOCAN MINING DIVISION
BRITISH COLUMBIA, CANADA

FOR

INLAND Au-Ag RESOURCES LTD.

Vancouver, British Columbia

COVERING:

McCartney Fr. # 3471	1 c.g.
Duncan # 3472	1 c.g.
Ould Jim # 3473	1 c.g.
Ella # 3474	1 c.g.

		<u>Record No.</u>
Ag 1	16 units	4297 (4)
Ag 2	16 units	4298 (4)
Ag 3	6 units	4299 (4)
Ag 4	12 units	4300 (4)

LOCATED:

Lat. 50°40' Long. 117°11' NTS 82K/11E
Elev. 8000'

Prepared by:

P. J. Santos, P. Eng.
ANGINEL RESOURCES LTD.
626-9th Ave., Castlegar, B.C., Canada

May 11, 1984

WAGNER PROPOSAL 1934

4000 tons to be mined

Estimated Net Smelter Return	\$ 436.00 /ton
Estimated mining and related costs (NB)	\$ 200.00 /ton
Estimated net profit	\$ 236.00 /ton

Estimated Net Smelter Return on 4000 tons	\$ 1,744,000.00
Estimated mining and related costs	\$ 800,000.00
Estimated net return on 4000 tons	\$ 944,000.00

NB Most of the developement will be in ore and Trucking costs to the smelter will only be \$ 30.00 per ton reducing the engineers estimated mining and related costs to \$ 200.00 per ton.

TABLE OF CONTENTS

	<u>Page</u>
1. Summary and Conclusion	1
2. Introduction	2
3. Location and Access	2
4. Property Description and History	3
5. Regional Geology	3 - 4
6. Local Geology and Mineralization	4 - 5
7. Feasibility Study	6 - 8
8. Recommendations	9 - 10
9. Estimate of Cost	11 - 13
10. Bibliography	14
11. Certificate of Qualifications	15
12. Appendix	16 - 22
(a) Maps and Illustrations	17 - 19
(b) Assays Sheet	20
(c) Smelter Calculation Sheet	21
(d) 1984 Wagner Project Schedule	22

SCHEDULE OF ACCOMPANYING MAPS AND ILLUSTRATIONS

<u>PLATE</u>		<u>PAGE</u>
1	Index Map	17
2	Claim Map	18
3	Plan, Wagner Mine, Lower Drift	In Pocket
4	Access Route	In Pocket
5	Geologic Map, Gerrard Area	19
6	Schedule, Wagner Project	22
7	Wagner Mine, Ore Reserve Block	In Pocket
8	Proposed Geophysical Lines	In Pocket

1. SUMMARY AND CONCLUSION

The Wagner Property, which consists of four (4) crown grants and four (4) located claims of fifty (50) units, has excellent exploration potential. The recent exploration and development work done on the property indicate that the Wagner ore body is open along strike in both directions and down dip.

The recently conducted property investigation has shown that there is 11,000 tons of indicated and possible ore that is estimated to grade 30 oz/ton Ag and 30% Pb that occur between the Upper Adit and the Lower Drift. Within this tonnage there is about 4,900 tons of ore that is estimated to grade .016 oz/ton Au, 41.75 oz/ton Ag, .24% Cu, 35.68% Pb, 5.8% Zn. A preliminary feasibility study suggests that it may be economically feasible to mine this tonnage.

In view of the considerable expense required to mine and transport this tonnage, it is essential that further detailed mapping, sampling and drilling be done on both the Upper Adit and Lower Drift before mining is started.

Since the Wagner property has a very good exploration potential, a multi-phased exploration program is proposed.

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Copy No. 3

2. INTRODUCTION

A property investigation was conducted on the Wagner Mine located in the Slocan Mining Division of British Columbia, on the request of Donald E. Bragg, President of Inland Au-Ag Resources Ltd. Due to snow conditions and the limited time available, only the lower drift was surveyed and partially sampled.

A helicopter was used to gain access to the property. Don Bragg, Ernie Warner and Glen Langset accompanied the writer during the investigation. The road was overflown to assess the repair and maintenance required on the road.

3. LOCATION AND ACCESS

The property is located on the divide between the Trout Lake Valley and Duncan Lake Valley, in the Slocan Mining Division of British Columbia, at an elevation of 8,000 feet above sea level. The geographic coordinates are longitude $117^{\circ} 11'$ and latitude $50^{\circ} 40'$. The area is on NTS 82K.

Access to the property is twenty-five (25) kilometers of gravel road from the property to the junction with Highway 31, five (5) kilometers south of Gerrard, British Columbia. This junction is one hundred fifty (150) kilometers to the Ainsworth Mill and two hundred twenty-five (225) kilometers to the Trail smelter.

4. PROPERTY DESCRIPTION AND HISTORY

The property consists of four (4) crown-granted claims: Ella (L. 3474), Ould Jim Fr. (L. 3473), Duncan (L. 3472), McCartney Fr. (L. 3471); and four located claims: Ag 1 (16 units), Ag 2 (16 units), Ag 3 (6 units) and Ag 4 (12 units). The above crown-grants presently belong to Dan Duggan, while the Ag Claims were recently staked by Don Bragg. The property is mainly above the tree line at an elevation of 6,500 feet to 8,500 feet. The Wagner workings are at the elevation of around 8,000 feet in very rugged terrain.

Since the property was staked in the 1890's, several companies have worked on the property and the early workers drove the Upper Adit.

The Lower Adit and the access road were put in by Sheep Creek Mines and the Lower Drift was driven by Silvex Resources Corporation, plus this company drilled six (6) holes (1,083 feet) in 1982.

5. REGIONAL GEOLOGY

The Wagner Mine is located in the Kootenay Arc of British Columbia, Canada, a narrow arcuate belt of folded and

faulted rocks that separate the late-Paleozoic and Mesozoic eugeo-syncline of British Columbia from the Pre-Cambrian rocks of the Purcell anticlinorium. The general area is underlain by sedimentary-metamorphic units of the Mount Gainer, Marsh Adams, and Mohican formations of the Hamill Group, and the Badshot, Index, Truine, Ajax, Sharon Creek, Jowett, and Broadview formations of the Lardeau Group, and the Milford Group as shown on Plate 5. These formations range in age from Pre-Cambrian (Hadrynian) to Paleozoic (Permian).

Folding is prevalent in the area and the rock formations are generally steeply dipping and strike northwest-southeast. The rock units have generally undergone moderate to high grade metamorphism.

6. LOCAL GEOLOGY AND MINERALIZATION

The property is underlain by graphitic phyllites, sericite schists, greenstones, and limestones of the Index Formation, by grey and white limestone of the Badshot Formation, and quartzite of the March Adams Formation.

At the Wagner Mine, the phyllites of the Index Formation is cut by three major sub-parallel quartz veins which are exposed on the east-facing side of the Duncan Knob above a glacier. The western and eastern quartz veins contain sparse disseminations of pyrite, while the middle vein is well mineralized with sulfides

and comprises the Wagner ore body. This ore body consists of quartz vein with massive sulfides on the footwall side of the vein and semi-massive to disseminated sulfides on the hanging wall side. The sulfide minerals consist of mainly argentiferous galena, sphalerite, pyrite, minor tetrahedrite, and traces of minute crystals of ruby silver. The sulfides on the hanging wall and footwall sides are separated by a section of white quartz which is essentially barren of sulphides. At the Upper Adit, the vein is a couple of feet thick, while one hundred twenty-five (125) feet below in the Lower Drift, the vein is more than eight (8) feet thick. At the Lower Drift, the vein strikes 296° Azimuth and dips 60° SW. The hanging wall sulfides contain relatively more pyrite and varies in thickness from twelve (12) inches to thirty-six (36) inches. The footwall sulfides vary in thickness from twenty-four (24) to more more than thirty-six (36) inches. The Lower Drift deviated from the vein and at the end of the drift, the footwall sulfide is not fully exposed, although thirty-six (36) inches have been exposed.

Previous sampling at the Wagner Mine shows an emperical "ratio" of at least one (1) ounce of silver for every one (1) percent of lead which makes a convenient and rapid method of estimating the silver content of the ore. The Assays of the channel samples taken from the Lower Drift are found in the Appendix and are plotted on Plate 3.

7. FEASIBILITY STUDY

The possibility of mining a relatively small but high-grade tonnage is being considered by Inland Au-Ag Resources. The viability of such a project was studied in this feasibility study.

There are three (3) underground workings in what was originally called the Wagner Property. Two (2) are located on the Duncan c.g. (L. 3472) referred to in this report as the Upper Adit and the Lower Drift and are located above the glacier. The third working (Lower Adit) is located in the Lardeau c.g. (L. 3470) below the glacier. The Lower Drift is about one hundred twenty-five (125) feet below the Upper Adit and was driven for a length of one hundred fifty (150) feet. The Upper Adit is said to have been driven for one hundred (100) feet and an eighty-foot (80) winze was sunk following the vein. The ore indicated between the Upper Adit and Lower Drift is defined as indicated ore in this report. In this ore block, the Lower Drift was sampled to a certain extent while the Upper Adit was not sampled at all due to the snow conditions. The vein at the Lower Drift is fairly strong and a projection of fifty (50) feet is considered reasonable and would be directly below (down dip) from the Upper Adit. This ore block is defined as Possible Ore in this report. These ore blocks are shown on

The estimated mining and related costs are as follows, in dollars per ton.

	<u>Cost/ton</u>
Mining	\$100.00
Development	75.00
Trucking	60.00
Road Repair & Maintenance	21.00
Camp & Helicopter	4.00
Supplies, Vehicles & Equipment	23.00
Supervision, Consulting & Surveyor	7.00
Mobilization-Demolization	3.00
Drilling	<u>3.00</u>
	<u>\$296.00</u>

Estimated net profit before taxes, option payments, and royalties is one hundred thirty-six dollars (\$136) per ton. The estimated profit of the high-grade ore is around six hundred and ninety thousand dollars (\$690,000).

The above calculation is based on a mining rate of fifty (50) tons/day with five (5) men, a mining target of four thousand and nine hundred (4,900) tons in three and one-half (3 1/2) months, the ore to be directly shipped to the smelter, and the road must be repaired completely before mining starts.

In view of the importance of maintaining the grade of the ore, the Lower Drift and the Upper Adit should be washed, mapped, and sampled thoroughly, then drilled prior to mining and road construction.

Plate 7 and the sampling plan is shown on Plate 3. The recent sampling indicates that a mining width of eight (8) feet for milling ore is feasible. An eight-foot (8-) channel sample across the face of the drift assayed .032 oz/ton Au, 30.9 oz/ton Ag, .24% Cu, 24.9% Pb, and 6.39% Zn. Within this milling ore is a high-grade, three-foot (3-) section on the footwall side of the vein which assayed an average of .016 oz/ton Au, 41.75 oz/ton Ag, .24% Cu, 35.68% Pb and 5.8% Zn. These blocks are tabulated below.

<u>Milling Ore</u>	<u>Tons</u>	<u>Au</u> <u>oz/ton</u>	<u>Ag</u> <u>oz/ton</u>	<u>Pb %</u>	<u>Zn %</u>
Indicated	7020	.032	30.9	24.9	6.39
Possible	<u>4480</u>				
Total	11500				

Within the above milling ore, a high-grade section has the following tonnage and grade.

<u>High Grade</u> <u>Ore</u>	<u>Tons</u>	<u>Au</u> <u>oz/ton</u>	<u>Ag</u> <u>oz/ton</u>	<u>Pb %</u>	<u>Zn %</u>
Indicated	3009	.016	41.75	35.68	5.8
Possible	<u>1920</u>				
Total	4929				

The calculated Net Smelter Return (NSR) using current metal prices and Cominco's current smelter schedule for lead ore, for ore assaying .016 oz/ton Au, 41.75 oz/ton Ag, 35.68% Pb and 5.8% Zn, is four hundred thirty-six dollars (\$436) per ton (see computer calculations in the Appendix).

8. RECOMMENDATIONS

The Wagner Property is unique in that it has both the potential for a high-grade, small tonnage mining, and an excellent exploration potential. The following multi-phased recommendations are made which take into account the above potentials.

Phase 1

1. A program of mapping, sampling, and underground diamond drilling is recommended on the Upper Adit and Lower Adit. Due to the nature of the sulfides and the wall rocks, drilling mud must be used to maximize core recovery.
2. Contingent on the results of the above, a program of road construction and high-grade mining is recommended.

In view of the excellent exploration potential of the Wagner Property, regardless of the outcome of the Phase 1 program, exploration should still be carried out along strike and down dip of the Wagner ore body. In fact, the choice can be taken to forego the high-grade mining and undertake the exploration instead. If the ore body is proven to continue below the glacier, access to the ore body can be obtained through the Lower Adit and building a road over the glacier can be avoided. In the event that this happens, it will be necessary to negotiate with the owner of the Ladeau c.g. for access rights.

Due to the very strong continuity of the Wagner vein along strike and down dip, it is felt that the prospect of building up the ore reserve is very good. This is actually a better alternative because if enough ore reserve is proven, the installation of a concentrator such as a heavy-media separator at a lower elevation, say below the tree line, will allow the mining of lower grade ore thus resulting in higher metal extractions.

The following Phase 2 program can be done with or without the high-grade mining in Phase 1:

Phase 2

1. A program of geophysical testing (Vertical Loop E.M.) is recommended along the projected strike of the ore body below the glacier as shown on Plate 8, starting from the portal of the Lower Drift.
2. Contingent on the result of the geophysical testing, a program of diamond drilling is recommended. Drilling mud should be used to maximize core recovery, particularly for the ore intersections.
3. A program of geological reconnaissance and prospecting is recommended on the remainder of the property.

The project schedule found in the Appendix is recommended.

9. ESTIMATE OF COSTPhase 1

Underground Mapping & Sampling

Geologist		\$3,000.00
Assays		3,000.00
Support Costs		
Helicopter	\$2,000.00	
Disposable Supplies	100.00	
Freight	100.00	
Accommodations	500.00	
	<u>\$2,700.00</u>	2,700.00

Underground Diamond Drilling

1000' @ \$20/ft.		20,000.00
Mobilization-Demobilization		2,000.00
Geologist		3,000.00
Support Costs		
Helicopter	\$5,000.00	
Disposable Supplies	500.00	
Freight	100.00	
Camp Expenses	2,000.00	
	<u>\$7,600.00</u>	7,600.00
	Sub-total	<u>\$41,300.00</u>
	Plus 10% contingency	<u>4,130.00</u>
		<u>\$45,430.00</u>
	Allow	<u>\$46,000.00</u>

Contingent on the result of the above part of Phase 1, a program of road construction and high-grade mining or a program of further exploration is recommended (Phase 2).

In the event that the results of the underground mapping, sampling and diamond drilling justifies a program of high-grade mining, the estimated cost to mine and transport four thousand nine hundred (4,900) tons of high grade ore is as follows:

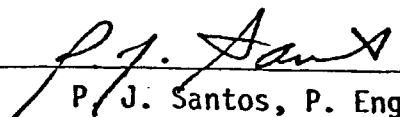
Road Repair and Maintenance	\$100,000.00
Direct Mining Costs	490,000.00
Development	367,500.00
Trucking	294,000.00
Camp and Helicopter	19,600.00
Supplies, Vehicles and Equipment	112,700.00
Supervision, Consulting and Surveyor	34,300.00
Mobilization and Demobilization	14,700.00
Sub-total	<u>\$1,432,800.00</u>
Plus 10% Contingency	<u>143,280.00</u>
	<u>\$1,576,080.00</u>
Allow	\$1,600,000.00

Since the property has an excellent exploration potential, it is possible to forego the high-grade mining part of Phase 1 and go to Phase 2 of the proposed exploration program. The following Phase 2 program is not contingent to the high-grade mining of Phase 1.

$$4900 \text{ Tons} @ \text{ } \$436 \text{ NSR} = 2.136400$$

Phase 2

1. Line Marking		\$1,000.00
2. Geophysics		10,000.00
3. Support Costs		
Helicopter	\$4,275.00	
Camp Expenses	2,000.00	
Truck Rental	500.00	
Disposable Supplies	200.00	
Mobilization-		
Demobilization	<u>1,000.00</u>	
	\$7,975.00	7,975.00
4. Diamond Drilling		100,000.00
Assays		5,000.00
Support Costs		
Helicopter	\$14,250.00	
Camp Expenses	10,000.00	
Truck Rental	10,000.00	
Disposable		
Supplies	2,000.00	
Mobilization-		
Demobilization	5,000.00	
Freight	<u>500.00</u>	
	\$41,750.00	41,750.00
5. Reconnaissance Geology, Core Logging, Prospecting and Consulting		
35 days @ \$300/day		10,500.00
Report Costs		<u>3,000.00</u>
	Sub-total	\$179,225.00
	Plus 10% Contingency	<u>17,922.00</u>
	Total	<u>\$197,147.00</u>
	Allow	\$200,000.00


 P. J. Santos, P. Eng.

10. BIBLIOGRAPHY

- Hawkins, T. G.
1981 - Preliminary assessment and recommended work program, Wagner prospect, Slocan Mining Division, British Columbia, Sawyer Consultants, Inc., 36 pp.
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- Porter, W. L.
1968 - Silver-lead-copper-zinc mining properties for lease or option, Lardeau, British Columbia, 52 pp.
- Read, P. B.
1976 - Geology Lardeau west-half, British Columbia, Geological Survey of Canada, Open File 432.
- Santos, P. J.
1984 - Preliminary report on the Wagner group of claims, Slocan Mining Division, British Columbia, Angin1 Resources Ltd., 17 pp.

11. CERTIFICATE OF QUALIFICATIONS

I, Perfecto J. Santos, of 626 - 9th Avenue, of the City of Castlegar, in the Province of British Columbia, do hereby certify:

That I am a Consulting Geological Engineer with the firm of Anginel Resources Ltd. whose offices are located at 626 - 9th Avenue, Castlegar, British Columbia, Canada,

That I am a registered Professional Engineer in the Province of British Columbia, Canada,

That I am a graduate of the College of Engineering, University of the Philippines with a Bachelor of Science degree in Mining Engineering (Geology Option),

That I have been practicing my profession continuously for the past twenty-three years,

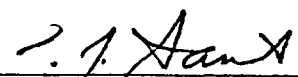
That I have prepared this report based on personal work as described in this report in the Wagner Mine on April 29, 1984 at the request of Donald Kenneth Bragg of Inland Au-Ag Resources Ltd. of Vancouver, British Columbia, and that I have examined the Wagner mine on previous occasions,

That in addition, pertinent available literature and maps were studied prior to the preparation of this report,

That I have not received directly or indirectly, nor do I expect to receive any interest directly or indirectly, in the Wagner Mine nor in the property of Donald Kenneth Bragg of Inland Au-Ag Resources Ltd.,

I hereby authorize Inland Au-Ag Resources Ltd. to use this report or summary thereof for the purpose of filing prospectus and statement of material facts to fulfill the requirements of Stock Exchanges and Securities Commissions.

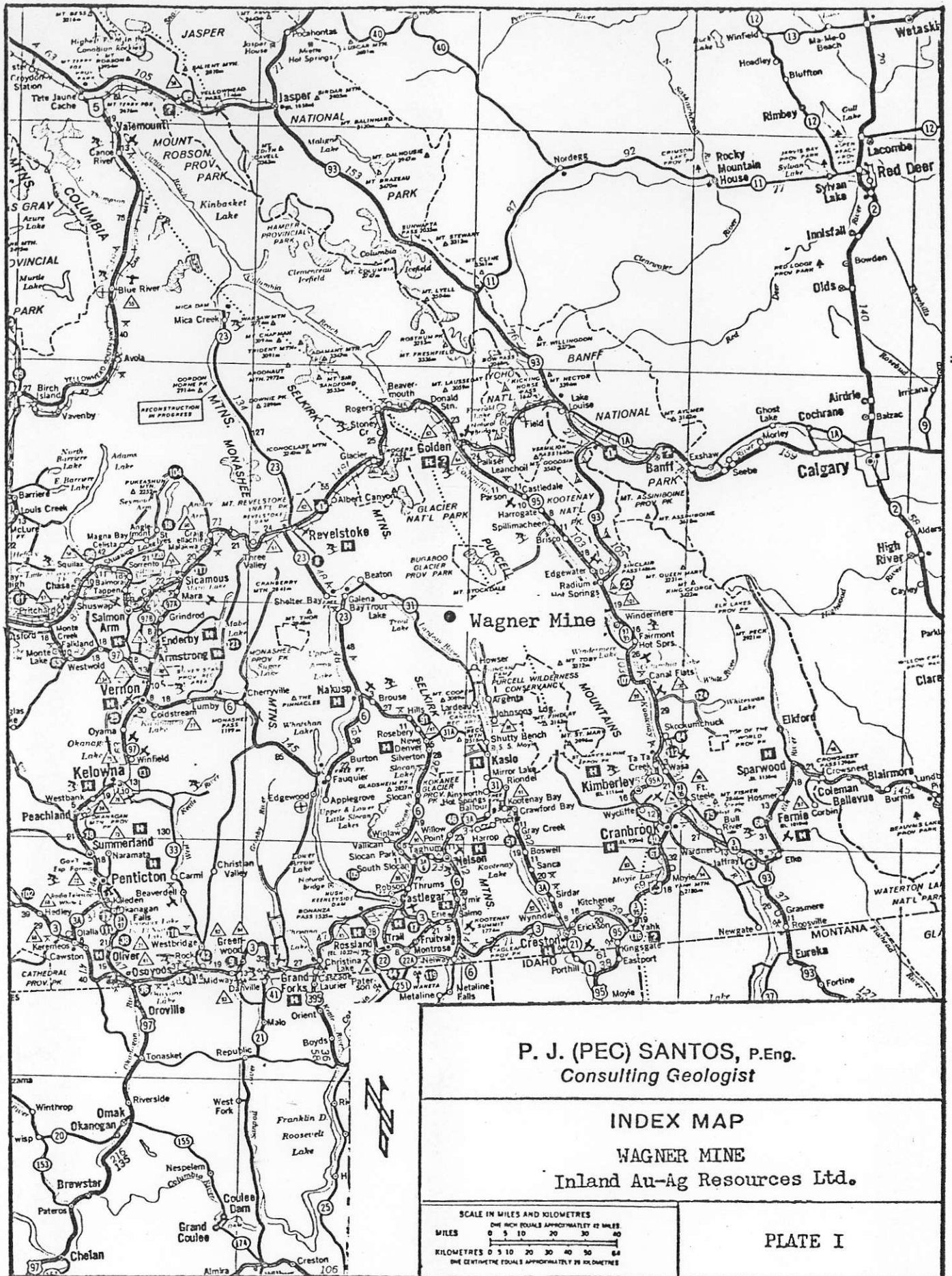
DATED at Castlegar, British Columbia, this 9th day of May, A.D. 1984.

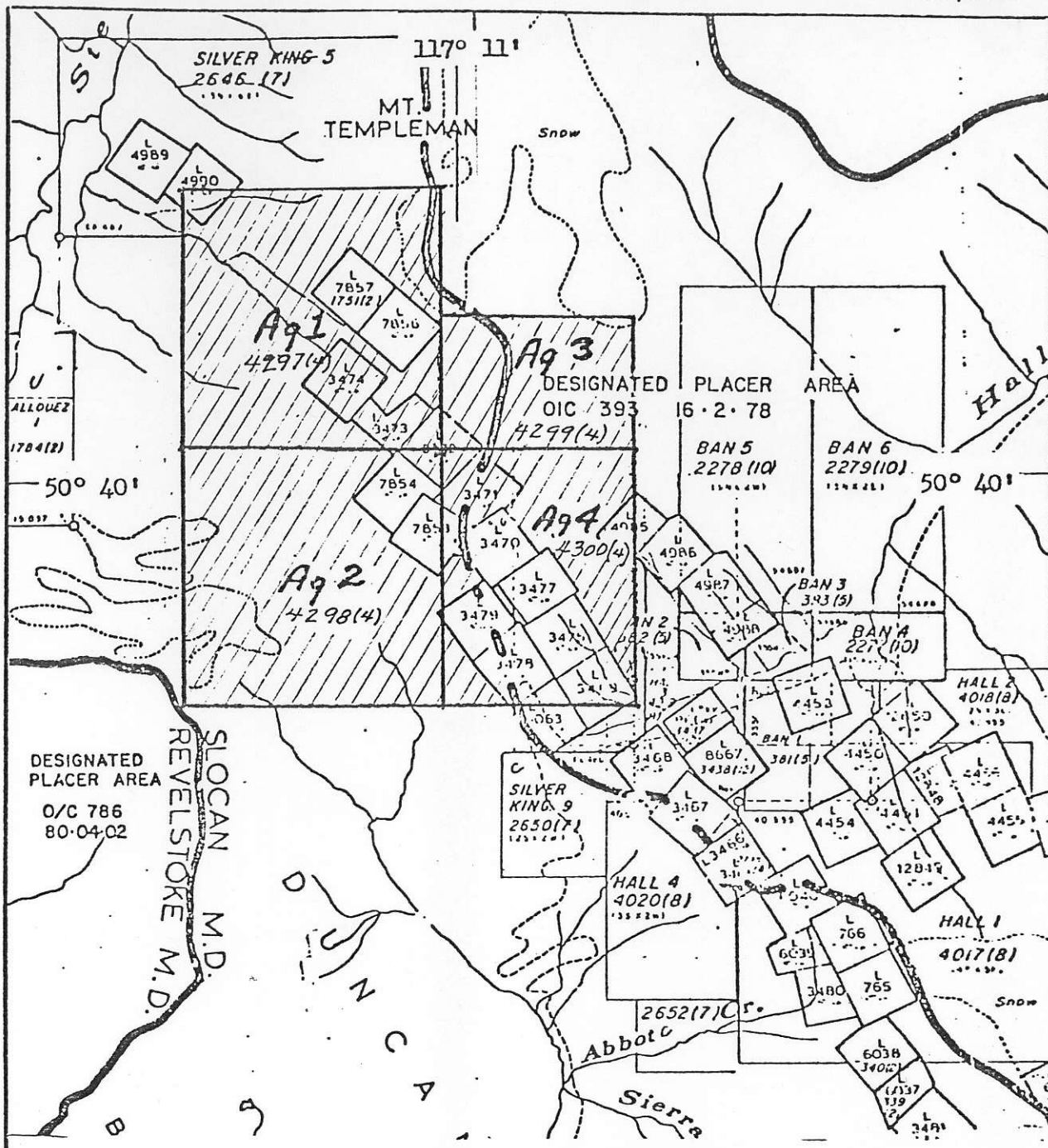


/ P. J. Santos, P. Eng.

10. Appendix

- (a) Maps and Illustrations
- (b) Calculation Sheets
- (c) 1984 Wagner Project Schedule





LEGEND and SYMBOLS

 WAGNER PROPERTY



P. J. (PEC) SANTOS P. ENG.
Consulting Geologist

Project Title

WAGNER MINE
 Inland Au-Ag Resources Ltd.

DATE - May 3, 1984

SCALE - 1:50 000

DRAWN BY - P. J. SANTOS

PLATE NO. 2

M82K

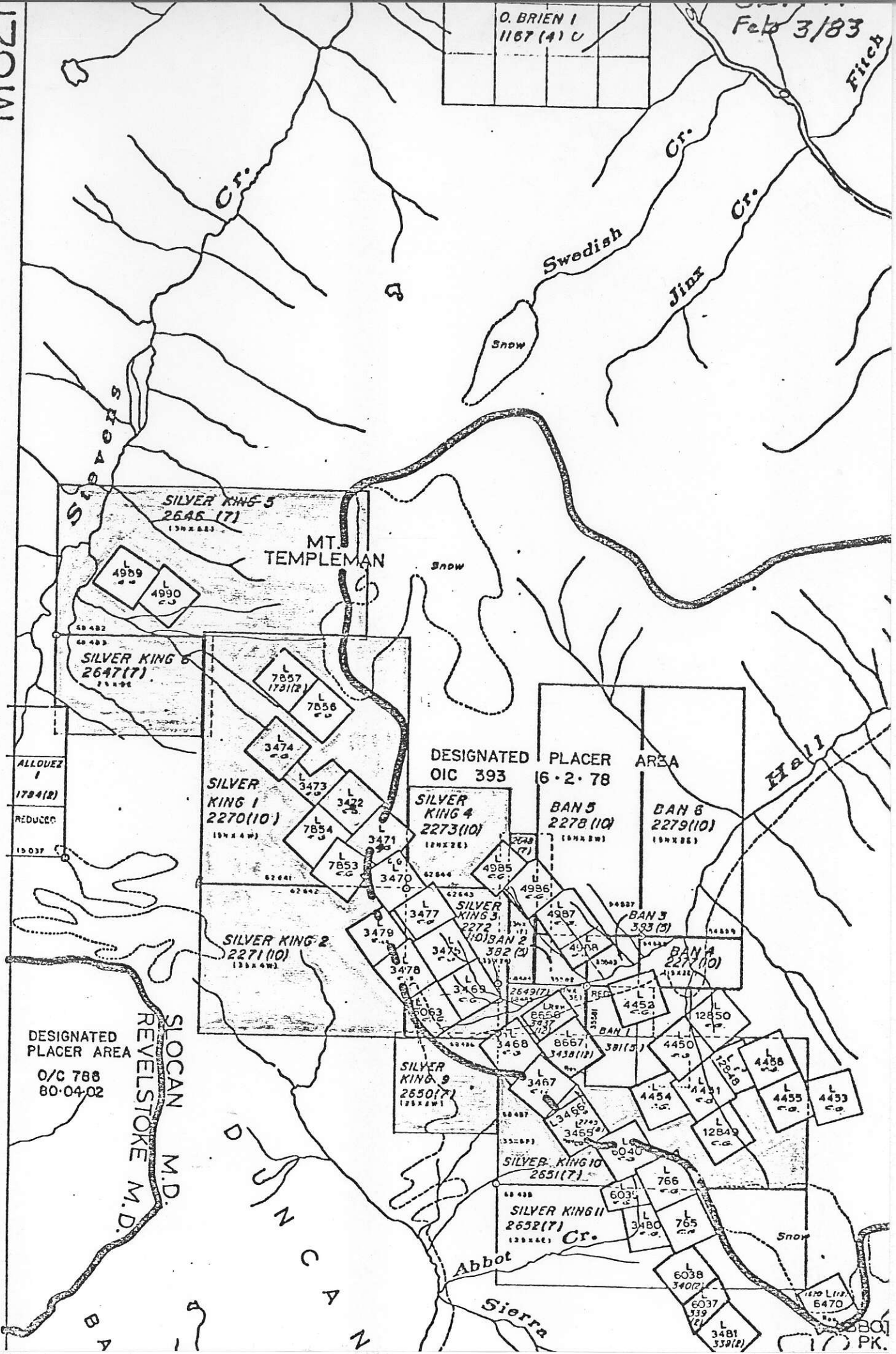
6

O. BRIEN I
1187 (4) U

Feb 3/83
Fitch

5

4



ALLOUVEZ I
1784(R)
REDUCED
15037

DESIGNATED PLACER AREA
O/C 788
80-04-02

SILVER KING 5
2646 (7)
158 X 883

MT. TEMPLEMAN

SILVER KING 6
2647 (7)
158 X 926

SILVER KING 1
2270 (10)
158 X 4 W

DESIGNATED PLACER AREA
OIC 393 6-2-78

SILVER KING 4
2273 (10)
128 X 281

BAN 5
2278 (10)
158 X 883

BAN 6
2279 (10)
158 X 883

SILVER KING 2
2271 (10)
158 X 4 W

SILVER KING 3
2272 (10)
158 X 4 W

BAN 3
323 (3)
158 X 883

BAN 4
2277 (10)
158 X 883

SILVER KING 9
2650 (7)
128 X 81

SILVER KING 10
2651 (7)
128 X 81

SILVER KING 11
2652 (7)
128 X 81

ST SEE MAP 82K/11W

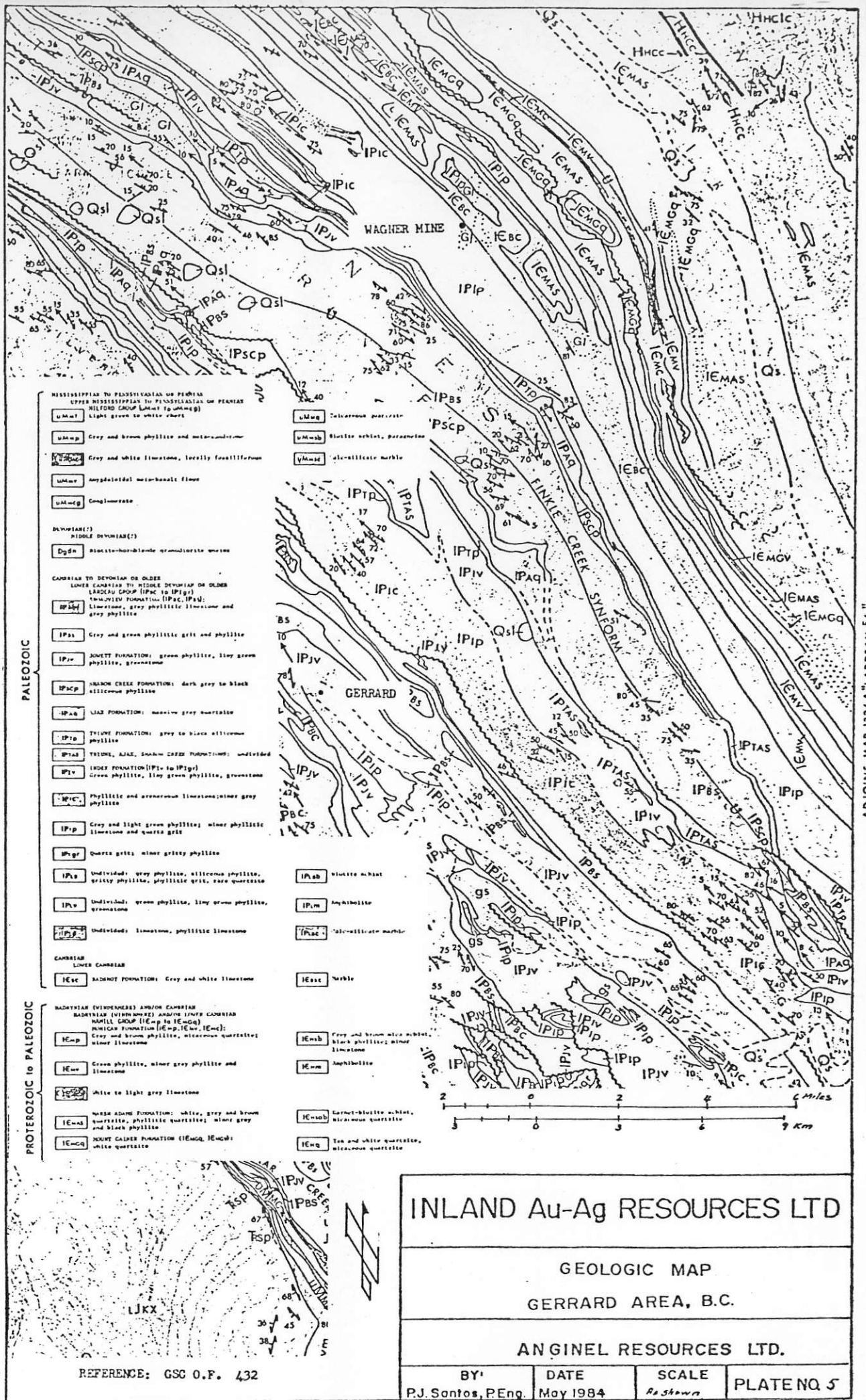
SLOCAN M.D.
REVELSTOKE M.D.

DUNCAN

Abbot
Sierra

Hall

PK.



INLAND Au-Ag RESOURCES LTD

GEOLOGIC MAP
 GERRARD AREA, B.C.

ANGINEL RESOURCES LTD.

BY: P.J. Santos, P.Eng.	DATE May 1984	SCALE As Shown	PLATE NO. 5
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KAMLOOPS RESEARCH & ASSAY LABORATORY LTD.

912 - 1 LAVAL CRESCENT — KAMLOOPS, B.C.
V2C 5P5

PHONE: (604) 372-2784 — TELEX: 040-8320

CERTIFICATE OF ASSAY

B.C. LICENSED ASSAYERS
GEOCHEMICAL ANALYSTS
METALLURGISTS

TO Mr. P. J. Santos
626 9th Ave.,
Castlegar, B.C. V1N 1M4

Certificate No. K 6314
Date May 10, 1984.

I hereby certify that the following are the results of assays made by us upon the herein described _____ samples

Kral No.	Marked	Au	Ag	Pb	Zn	Cu				
		ozs/ton	ozs/ton	percent	percent	percent				
1	10028	L.001	.26	.49	.22	.02				
2	10029	.032	30.9	24.9	6.39	.24				
3	10030	.026	40.1	34.5	11.3	.43				
4	10031	.024	47.0	34.9	8.22	.33				
5	10032	.010	11.8	9.53	1.34	.17				
6	10033	.006	12.4	11.2	9.48	.16				
7	10034	.004	16.0	12.2	17.9	.34				
8	10035	.008	13.7	11.3	5.75	.22				

L means "less than"

NOTE:
Rejects retained three weeks.
Pulps retained three months
unless otherwise arranged.

[Handwritten Signature]



CUSTOM LEAD CRE COMINCO LTD. MAY 22, 1984
TRAIL, B.C.

PRELIMINARY SETTLEMENT: INLAND AU-AG RESOURCES INC

LOT NUMBER: SERIAL NUMBER: INL6
CAR NUMBERS DATE RECEIVED

TEST.

NET WET WEIGHT	MOISTURE	NET DRY WEIGHT	SHORT DRY TONS				
0 LBS	10.0000 %	20000 LBS	10.0000				
ASSAYS: GOLD	SILVER	COPPER	LEAD	ZINC	SULPHUR	SILICA	
0.0160	41.7500	0.2400	35.6300	5.8000	0.0000	10.0000	
GZ/ DRY TON		%	%	%	%	%	
ALUMINA	IRON	LIME	ANTIMONY	ARSENIC	BISMUTH	MAGNESIA	CADMIUM
0.0000	5.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
%	%	%	%	%	%	%	%

METAL PRICES: MAY 16, 1984

EXCHANGE: \$US TO \$CDN = 1.29230 STERLING TO \$US = 1.40180

LABOUR RATE = 17.620

COMINCO CDN PRICE 33.000 * 0.000 = 0.00000

US PRICE 27.000 * 1.29230 * 0.600 = 20.93525

LME PRICE 331.918 * 1.40180 / 2204.6 * 1.29230 * 0.400 = 10.90964

CALCULATED LEAD PRICE = 31.84490

PB PRICE 31.84490 - 10.00 - 0.25 (31.84490 - 25.00) = 20.13367 C/LB

ZN PRICE 090.000 / 2204.6 * 1.29230 - 15.00 = 48.89399 C/LB

AG PRICE 8.84417 * 1.29230 * .970 - 0.00000 = 11.08644 \$/OZ

PAYMENTS PER TON

	CONTENT	DEDUCTIONS	PAID FOR		
PB	713.60 LBS	57.09 LBS	656.51 LBS	=\$	132.18 LEAD
ZN	116.00 LBS	46.40 LBS	69.60 LBS	=\$	34.03 ZINC
AG	41.7500 OZ	2.9671 OZ	38.7829 OZ	=\$	429.96 SILVER
			TOTAL PAYMENT	=\$	596.17

DEDUCTIONS

BASIC TREATMENT CHARGE =\$ -155.00

C.P. INDEX =\$ -3.20

LABOUR: LABOUR RATE = 17.620 =\$ -1.20

MOISTURE =\$ -0.80

NET DEDUCTIONS =\$ -160.20

VALUE/S.D.T. -- F.C.E. TADANAC =\$ 435.97

VALUE/S.D.T. * 10.0000 S.D.T. =\$ 4359.70

ADVANCE PAYMENT =\$ 3270.00

1984 WAGNER PROJECT SCHEDULE

	May	June	July	August	Sept.	Oct.	Nov
Detailed Mapping & Sampling	_____						
U.G. Diamond Drilling		_____					
Road Construction		_____					
Mobilization		_____					
Repair		_____					
Mining							
Mobilization		_____					
Development		_____	_____				
Stoping			_____	_____	_____	_____	
Demobilization						_____	
Supervision		_____	_____	_____	_____	_____	
Consulting	_____	_____	_____	_____	_____	_____	_____
Geophysics			_____	_____			
Surface Diamond Drilling				_____	_____		
Geological Reconnaissance			_____	_____			