



ELK PREFEASIBILITY STUDY

Cordilleran Resource Estimate;

- Total drill indicated; 340,000T/0.65 opt Au
- Top of "M" Shoot, (above hole #66) 43,465T/0.99 opt Au
Recoverable gold (90%) 38,296 ounces

Subject to confirmatory underground work it will be feasible to mine the top of the "M" shoot at a gold price of \$400 CDN per ounce provided that the ore can be custom milled within 100 miles of the minesite. The most logical plant to receive the ore is Corona's nickel plate mill at Hedley, B.C.

A two part programme is contemplated as follows:

A. Underground Exploration and Development

The objective of this work is to confirm the grade and continuity of the upper part of the "M" shoot, to carry out test mining and conduct metallurgical tests on a 10 ton sample of unoxidized ore. Preliminary indications are that the risks of serious mining and metallurgical problems are low. Wide spaced drilling and surface sampling results provide reasonable support for confirmation of continuity. "Stage I" environmental work will be advanced at this time. When the programme is completed, in a period of six months, approximately 40,000 tons of potential ore will be accessible and partly developed. The underground work will consist of 2,200 feet of access ramp and 1,150 feet of raising and sub-level drifting. The total estimated cost is \$2.6 million.

B. Production

This part of the programme contemplates stope development and completion of Stage I requirements followed by mining and hauling ore to a concentrator within a time period of about 15 months at a total cost of \$4.7 million or approximately \$108 per ton.

The financial outlook can be summarized as follows:

Estimated Revenue (\$400 CDN/oz)	\$ 15.3 MM
Costs: Exploration & Development	\$ 2.6 MM
Production Cost	\$ 4.7 MM
Placer Buyout	<u>\$ 1.3 MM</u>
Net Income Before Taxes	<u>\$ 6.7 MM</u> in 21 months

When the stope development is completed and mining and milling is advancing on a routine basis underground exploration and development of the next logical potential mining unit would be carried out; employing current cash flow in a tax effective manner.

The estimates provide \$22 per ton for milling costs. It is of critical importance to determine the availability of plant capacity as well as all of the related charges including the cost of grade control.