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Rico Copper

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572 Howe St.

May 23rd, 1956.

President & Directors,
Rico Copper Mines Limited,
Vancouver, B. C.

Dear Sirs:

This report briefly summarizes the results of our investigation into all factors at Rico and presents recommendations for the future.

"A" HIGH GRADE OPERATION

Exploration work to date at Rico Copper, on the surface and by underground diamond drilling, has indicated 25,000 tons of copper ore which would average, after dilution, .03 ozs Gold, 7 ozs. Silver and 8% Copper. At the present metal prices it would be profitable to make the necessary capital expenditures to extract this ore on a leasing-type operation. The following calculations are submitted to support this statement.

	<u>Per Ton</u>	<u>25,000 Tons</u>
Net Smelter Return Value	\$ 41.00	\$ 1,025,000
Operating Costs	<u>20.00</u>	<u>500,000</u>
Operating Profit	\$ 21.00	\$ 525,000
Capital Expenditure		<u>300,000</u>
Net Profit		<u>\$ 225,000</u>

Shipping rate would start at 750 tons per month, and be increased to 1000-1200 tons as the mine is developed.

The 25,000 tons would be extracted in two years, and return an average monthly operating profit of \$22,000.

Capital expenditures, estimated at \$300,000, are summarized below:

Road		\$ 75,000
Tramway		125,000
Mine - Underground	\$ 30,000	
Equipment	20,000	
Buildings	<u>15,000</u>	65,000
Loading facilities		15,000
Contingencies		<u>20,000</u>
		<u>\$ 300,000</u>

The property could be brought into production by this fall providing road work is started by the middle of June, and providing favorable weather prevails during September and that a helicopter is available for tram construction work.

"B" MILLING OPERATION

Diamond drilling has indicated 75,000 tons of milling grade ore which would average 1.2 ozs. Silver and 1.8% Copper. This ore, when combined with the 25,000 tons of high grade would total 100,000 tons averaging .02 ozs. Gold, 2.4 ozs. Silver and 3.52% Copper. Ore of this grade would have a net smelter return value of \$21.60 after allowing for dilution and mill recoveries.

The economics of a milling operation are tabulated below:

	<u>Per Ton</u>	<u>100,000 Tons</u>
Net Smelter Return Value	\$ 21.60	\$ 2,160,000
Operating costs (200 T/day)	<u>14.00</u>	<u>1,400,000</u>
Operating Profit	\$ 7.60	\$ 760,000
Capital Expenditures		<u>650,000</u>
Net Profit		<u>\$ 110,000</u>

From the foregoing calculations it is evident that there is not sufficient net profit to justify bringing the property into production as a milling operation.

In the writer's opinion an additional 100,000 tons of ore would be required to justify a 200 ton per day milling operation. Operating at less than 200 tons per day would substantially increase operating costs.

All the most southerly drill holes, above the 6000 foot elevation, showed commercial ore intersection. The writer would strongly recommend an additional 8 to 10 holes be drilled from the face of the tunnel. This work is estimated to cost \$20,000 to \$25,000. There is sufficient "ore potential" in the area, above and ahead of the present tunnel face, to justify the drilling program.

"C" EXPLORATION PROGRAM

(a) Quartz Crystals - In the vicinity of the "C" ore zone, on the surface, there is an excellent showing of quartz crystals. A representative sample of the best crystal should be thoroughly tested in view of the increasing demand for that material.

(b) A regional reconnaissance geological survey should be made of the southern slope of Little Foley Mountain. This survey should be followed by prospecting in the most favorable areas. In the event an ore zone is encountered in this area it might justify providing access to the property from the Chilliwack Lake road.

RECOMMENDATIONS

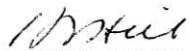
1. THAT a \$25,000 diamond drilling program be undertaken to determine the ore potential for a possible 200 ton per day milling operation.

2. THAT at least \$5,000 be expended on a geological and prospecting program on the Southern slope of Little Foley Mountain.

RECOMMENDATIONS (Continued)

3. THAT the 25,000 tons of high grade be mined and shipped providing insufficient new ore is found to justify the capital expenditure required to install a 200 ton per day milling operation.

Yours very truly,



Henry L. Hill

HLH/mjr