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Preliminary Report

Proposed Exploration/Development Program

Mosquito Creek Property

Wells, B. C.

Mosquito Creek Gold Mining Company Limited

*To WGT
for info
JSS*

The Mosquito Creek property of Mosquito Creek Gold Mining Company Limited, Wells, British Columbia is facing a difficult period as, due to a number of factors, the exploration and development work has not been carried on at the rate necessary to replace the ore reserves as they have been extracted or to keep the preparation of the stoping areas reasonably ahead of mining. In the result Mosquito Creek's probable and possible ore reserves along with extensions normally encountered in stope development are presently only sufficient for some six months of operation. Furthermore as a result of this situation the mine management is experiencing operating problems in maintaining a steady tonnage and consistent grade to the 100 ton cyanide concentrator. This has negatively affected the Company's cash flow and limited its ability to deal with the difficult period ahead using internally generated funds.

A principal contributing factor to these problems is the inadequacy of the hoisting plant, which was designed to handle waste and ore in cars rather than skips. In the result the tonnage of ore and waste that can be hoisted from underground is insufficient to carry on exploration drives, development headings and extraction simultaneously.

A successful exploration program to delineate new ore reserves would overcome this situation as it would permit management to undertake long range planning for the development and extraction of known ore reserves and new discoveries. However, it is also necessary that a mining plan be devised whereby the waste muck from the exploration and development headings, which include drifts, raises and crosscuts, can be removed from underground with minimum interference with the normal mining and milling operations. The mine management has considered various solutions to this problem and one of these is to drive, at a cost of some \$3.1 million, a 1,400 foot incline from the surface down to the No. 5 level which would be a new level 100 feet below No. 4 level, the lowest developed level in the mine. Such a project, would be costly, and is difficult to justify in that its principal objective would be to extract a limited tonnage of known ore below No. 4 level and the exploration of the favourable contact zone on or below the No. 5 level would be secondary and would involve additional expenditures. Of course, in driving the incline south westerly from the proposed portal site to the target area, ore bearing structures presently unknown may well be intersected. Another proposal is to increase the height of the shaft head frame sufficiently to install dumps and ore

and waste storage bins, sink the shaft one or two levels below No. 4 level, drive ore and waste passes upwards from the new bottom level to the No. 1 level and install shaft pockets and skip loading chutes below the bottom level. This would involve a substantial capital expenditure and before it could be recommended a major exploration program would be required to delineate sufficient reserves to justify such a capital commitment. Furthermore, to efficiently carry out this exploration and shaft program it would be necessary to shut the mining and milling operation down for some 18 to 24 months.

An alternative to these proposals is to undertake a major exploration program on Nos. 1 and 2 levels to test the favourable contact zone to the northwest beyond the present drift faces and to open these levels to the surface by short adit drifts such that the waste from the exploration headings could be transported directly to the surface whereby there would be no interruption in the mining of the known ore reserves. This plan would not only permit an immediate start on the much needed testing of this area but it would have the added advantage that any commercial grade tonnage encountered in the exploration program could be fed directly to the concentrator thereby supplementing the known reserves. Furthermore, assuming sufficient new ore is found by this proposed exploration program to warrant revamping the hoisting system and extending the shaft, this new ore would provide the mill feed while such a program was being carried out.

It is this exploration/development concept that Mosquito Creek has requested us to expand on by way of this preliminary report.

It is a three stage program (See the attached sketch):

Stage I

Stage I would involve driving a 220 foot adit entry from the surface to connect with the southeast end of No. 1 level to provide a haulageway to the surface for the waste generated from the exploration headings that would be driven beyond the present northwest drift face. Thus the waste generated from the drifting, crosscutting and raising phase of exploration program would not be a burden on the hoisting facilities and there would be no waste dilution of the mill feed.

In addition to the 220 foot adit drift the exploration program as proposed would include some 1,000 feet of drifting parallel to the contact, 900 feet of crosscuts for diamond drill stations, 300 feet of stope access raises, a 280 feet ventilation raise to the surface and 6,300 feet of diamond drilling. The cost is estimated at \$551,000 plus a contingency allowance of \$73,500 (See Schedule I).

Stage II

Stage II which would be carried out on the No. 2 level would be similar to the No. 1 level program except that the adit drift would be some 550 feet in length, the exploration drift to the northwest would be 800 feet and the ventilation raise between Nos. 1 and 2 levels would be 130 feet. As on No. 1 level all of the exploration waste would bypass the shaft and be hauled directly to the surface.

The cost is also estimated at \$624,000 including the contingency allowance.

Whether Stage I and II are undertaken at the same time or Stage I is completed before Stage II is commenced would depend on a number of factors such as the availability of funds, manpower and equipment. In all probability, from a practical viewpoint, the recommendation would be to commence the No. 1 level program first and soon as a potential new ore zone was intersected by crosscutting or diamond drilling to concentrate on its development for extraction and direct the exploration emphasis to the No. 2 level program.

In estimating the cost of Stages I and II it has been assumed that the property would be in full operation and therefore a number of cost items such as supervision, accounting, mechanics, electricians, change house operation, compressed air and power are not included.

Stage III

Stage III would include sinking the shaft for at least 200 feet or 2 levels below No. 4 level, driving ore and waste passes from the bottom level to No. 3 level such that all the ore and waste from below the No. 2 level would be dropped to the bottom level where it would be loaded in skips and be hoisted to No. 2 level for haulage to the surface through the No. 2 level adit, the installation of pockets and loading chutes below the bottom level, and installing pockets in the shaft above No. 2 level and car loading chutes on No. 2 level. This phase of the exploration/development program would necessitate the shut down of this shaft for 9 months or so, however, during this period the mill tonnage would be drawn from stoping areas that it is anticipated will be discovered and developed above the Nos. 1 and 2 levels. No detailed cost estimates have been made in respect to Stage III, however, in all probability the cost would be in the order of \$500,000 to \$750,000.

The advantages of this proposal are that there would be no interruption in the mining of the present reserves and if the exploration program is not as successful as anticipated or only marginally so, any new ore found can be mined and processed without incurring the cost of Stage III. The estimated cost of the 3 stage program is in the order of \$1.75 to \$2 million.

General

The present reserves as provided by the Mosquito creek staff, as at October 5, 1982, are as follows:

		<u>Tons</u>	<u>Oz. Gold per ton</u>
Replacement Reserves	Probable	6,632	0.51
	Possible	3,193	0.48
Quartz Vein Reserves	Probable	2,195	0.18
	Possible	2,816	0.28

Of these tonnages 3,145 tons of probable and 1,687 tons of possible reserves grading 0.45 and 0.38 ounces of gold per ton respectively are between the No. 2 level and surface. Thus less than 6 months of mineable reserves are presently available.

In order to consider the merits of this proposed exploration/development program on Nos. 1 and 2 levels and ultimately the capital program to increase the ore and waste handling capacity of the shaft and to deepen the shaft without interfering with the present scale of mining and milling activities guidelines are required as to the potential profitability of the reserves presently available for mining. Therefore based on the average per ton property operating costs for the period January to July, 1982, as derived from the mine office records the attached mine profitability schedules have been prepared for various grades and tonnages to the concentrator and gold prices ranging from \$510 to \$800 per ton Canadian (See attached Schedule II).

The breakeven grade for the present operation is in the order of 0.39 ounces of gold per ton with gold at \$510 (Cdn.) per ounce, a feed rate of 2,000 tons per month and a recovery of 91% after allowing 3% for smelting losses and mint costs. From these schedules a grade of 0.46 ounces per ton, which was the average grade for the first 7 months of calendar 1982, should generate a mine profit of some \$63,000 per month at \$510 (Cdn.) and \$376,000 at \$800 (Cdn.) at the mine.

As stated these profitability estimates are based on the mine office costs which do not include such items as head office and corporate expenses, interest and insurance, however, since the Company is planning to operate the mine with its own staff rather than employing a contractor there should be a saving in mine costs of some \$25,000 to \$40,000 per month or \$12.50 to \$20 per ton. Therefore it is reasonable to assume for guideline purposes that these savings and others that may be effected should offset the costs not recorded in the mine accounts. This is supported in that the \$180.19 per ton cost used in the preparation of the attached schedules is in the range, after allowing for the projected savings, of the average costs for 1981 which were \$201.59 per ton including costs not recorded in the mine records. Furthermore it is anticipated that during the exploration program there will be tonnages of ore grade exploration muck available as mill feed that will, since it is not production muck, be virtually cost free to the milling operation.

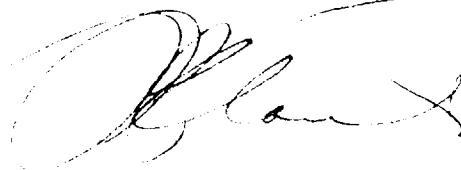
Summary and Recommendation

On the basis of our preliminary investigation of the operation which included a review of the geologic information and a cursory study of the published information on the adjoining Island Mountain and Aurum properties that were operated for some 30 years on sulphide (pyrite) replacement type ore bodies and of the Cariboo Quartz property which was primarily operated on ore from quartz - pyrite veins, it is not unreasonable to expect that extensions and repetitions of the known Mosquito Creek orebodies will be found along the strike of the main contact and that the property can be profitably operated at projected gold prices.

Therefore we would recommend that the Company give consideration to this proposed exploration/development program as briefly outlined in this preliminary study. Furthermore, that once the Mosquito Creek's corporate plans are more advanced and before a firm commitment is made to implement such a program it is recommended that a comprehensive engineering and geologic study coupled with an analysis of the exploration, operating and capital costs related to the proposal be undertaken.

Yours truly,

L. P. STARCK & ASSOCIATES LTD.

A handwritten signature in black ink, appearing to read 'L.P. Starck', with a long horizontal flourish extending to the right.

L.P. Starck, P. Eng.
President

LPS:dk
Attach.

MOSQUITO CREEK GOLD MINES

The following summarizes the estimated costs of a capital development program to advance the first and second levels along strike to the northwest, to drive both levels to surface, to provide a ventilation raise near the westerly face of these drives, provide standard exploration Xcuts Diamond Drilling, and finally, primary stope access raises.

The total cost of this Phase 1 program is estimated at \$1,250,000. \$1,102,900 has been included in estimates and the balance \$147,100 is allowed for contingencies.

Unit costs are based on current Mosquito rates and practices, and upon unit cost data derived from other similar mines: in British Columbia and elsewhere.

Indirect costs are to a considerable degree, allowed for in these estimates.

The priority of the level drifting, and Xcutting must be decided in consultation with mine management, but should be not long delayed.

F. Holland

MOSQUITO CREEK GOLD MINES
PROFORMA
DEVELOPMENT PROGRAM ESTIMATE

Main Level Access

1st Level to N.W.	1,000 ft. @ \$170.00	\$170,000.00
1st Level to Surface	220 ft. @ \$170.00	<u>\$ 37,400.00</u>

Total 1st Level Drifts \$207,400.00

2nd Level to N.W.	800 ft. @ \$170.00	\$136,000.00
2nd Level to Surface	550 ft. @ \$170.00	<u>\$ 93,500.00</u>

Total 2nd Level Drifts \$229,500.00

Exploration Xcuts

1st Level	900 ft. @ \$135.00	\$121,500.00
2nd Level	900 ft. @ \$135.00	<u>\$121,500.00</u>

Total Exploration Xcuts \$243,000.00

West Ventilation Raise

2nd Level to 1st Level	130 ft. @ \$100.00	\$13,000.00
1st Level to Surface	280 ft. @	
	140 ft. @ \$100.00	\$14,000.00
	140 ft. @ \$150.00	<u>\$21,000.00</u>

Total West Ventilation Raise \$48,000.00

Stope Access Raises

1st Level	3 @ 55° x 100'	
	300 ft. @ \$100.00	\$ 30,000.00
2nd Level	3 @ 55° x 100'	
	300 ft. @ \$100.00	<u>\$ 30,000.00</u>

Total Stope Access \$ 60,000.00

Exploration Diamond Drilling
(Set Pattern)

	18 Xcuts @ 700 ft.	
of drilling par Xcut =	12,600 ft. @ \$ 25.00	<u>\$315,000.00</u>

TOTAL \$1,102,900.00

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SUMMARY

Main Level Drifts	\$ 306,000.00
Main Level Access	130,900.00
Ventilation Raise	48,000.00
Stope Raises	60,000.00
Exploration Xcuts	243,000.00
Diamond Drilling	<u>315,000.00</u>
	<u>\$1,102,900.00</u>

MOSQUITO CREEK

ESTIMATE OF COSTS FOR DRIFTING & XCUTTING

Labour

2 Men @ \$12.61	\$201.76
Bonus @ \$12.61	<u>201.76</u>
	403.52
Plus 27%	<u>108.95</u>
Total Labour	<u>\$512.47</u>

\$512.47 @ 6.0' Adv.s	\$ 85.41 per foot
\$512.47 @ 5.0' Adv.s	\$102.44 per foot
\$512.47 @ 6.5' Adv.s	\$ 78.84 per foot

Wages + Bonus	\$78.84	\$85.41	\$102.49
Track	2.50	2.50	2.50
4" Pipe & Couplings	3.41	3.41	3.41
2" Pipe & Couplings	<u>1.45</u>	<u>1.45</u>	<u>1.45</u>
Explosives	34.62	37.50	45.00
	<u>\$120.82</u>	<u>\$130.27</u>	<u>\$154.85</u>

This assumes current Mosquito wage rates, does not include an allocation for indirect costs such as compressed air, administration, etc.

INTER-OFFICE CORRESPONDENCE

TO L.P. STARCK

DATE NOVEMBER 5, 1982

FROM F. HOLLAND

COPIES TO

SUBJECT RE: MOSQUITO CREEK GOLD MINES LIMITED

Herewith is an update of my memorandum dated October 26th, 1982, which indicated operating profit potentials for prices, per fine ounce of gold, between \$510 and \$600 Canadian.

These Tables have now been extended in \$50.00 increments up to \$800 per fine ounce.

Table 4 indicating the possible annual operating profit for a 12 month period, for three tonnage levels, three grade levels, and prices from \$550.00 to \$800.00 Canadian per fine ounce.

These projections are based upon current operating costs (January to July 1982) and would seem to indicate that control of mill head grade is the single most effective tool that management will have in effecting an operating profit. The price of gold is subject to external control and to some extent so are costs.

Indicated profit levels range from approximate \$430,000 per year in the minimum case, to in excess of 6 million dollars per year with the higher tonnage, higher grade, and \$800 Canadian gold.

Yours truly,

F. Holland

FH/sb

Attached - Notes
Table 2
Table 3
Table 4

MOSQUITO CREEK GOLD MINES LIMITED
NOTES TO
ESTIMATES OF OPERATING COSTS AND PROFIT

The following tabulations indicate the operating costs to be anticipated, and the operating profit potential for various tonnages milled, ore grades (oz. Au) and varying prices per ounce of gold, expressed in Canadian dollars.

The exchange rate assumed is 20%, that is \$1.00 U.S. is equivalent to 1.2 dollars Canadian.

Production is assumed to continue on a 20/21 day month basis, and three production levels are assumed:

2,000 TPM	I:E	100 T.P.D.
2,200 TPM	I:E	110 T.P.D.
2,800 TPM	I:E	140 T.P.D.

The 2,000 and 2,200 tons per month production rates are attainable with present crew and staff.

The 2,800 tons per month is based upon information that the mill equipment can handle this tonnage; and is the limit of capacity of the thickener.

The cost per ton is based upon the averages of Mosquito recorded costs, and tonnage milled, for the period January to July inclusive 1982, and is \$182.19 per ton milled. This is only the direct operating cost as recorded at the mine office in Wells. There is no significant economy of scale, although the 2,800 ton per month rate is costed at \$178.00 per ton milled, also based upon the cost data recorded at the mine office. Costs have not been increased for 1983, as with certain changes that may be implemented, and with the sharing of certain costs with a capital development program these costs should hold in to the early part of 1983. The costs of a capital development program, are considered to be separate from normal, mining, and routine development costs and are not included with mine operating costs.

In General, increased costs can be considered to be offset by changes in the price for gold, and it is not unreasonable to anticipate that the price for gold will at least keep pace with inflation.

The cut off grade, at \$510.00 CDN - \$425.00 U.S. is approximately .39 oz. per ton in all three cases, and at .37 oz. per ton and \$510.00 CDN, a loss is recorded in all three cases.

All cases reflect a modest profit, when the head grade rises to 0.40 oz. ton, or when the price rises to \$550.00 Canadian as the price and/or head grade rise. The profit margin continues to increase.

At \$600 Canadian, 1982 costs, 23,600 tons per annum, and a head grade of .50 ounces per ton, the indicated profit is \$3,192,000 per year.

TABLE 2

ESTIMATE OF OPERATING PROFIT @ VARIOUS TONNAGES
GRADES AND DOLLAR VALUECANADIAN DOLLARS PER OUNCE OF GOLD

		<u>\$510</u>	<u>\$550</u>	<u>\$575</u>	<u>\$600</u>	<u>\$610</u>	<u>\$650</u>	<u>\$700</u>	<u>\$750</u>	<u>\$800</u>
<u>2000 TPH</u>										
0 0.37 = 740 oz.	Value	343,434	370,370	387,505	404,040	410,774	437,710	471,380	505,050	538,720
0 91% 673.4	Cost	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>
	Profit	(20,946)	5,990	22,825	39,660	46,394	69,330	103,000	136,670	170,340
0 0.40 = 800 oz.	Value	371,280	400,400	418,600	436,800	444,080	473,200	509,600	546,000	582,400
0 91% 728 oz.	Cost	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>
	Profit	6,900	36,020	54,220	72,420	79,700	104,820	141,220	177,620	214,020
0 0.45 = 900 oz.	Value	471,690	450,450	470,925	491,400	499,590	532,350	573,300	614,250	655,200
0 91% 819	Cost	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>
	Profit	53,310	86,070	106,545	127,020	135,210	163,970	204,920	245,870	286,820
0 0.50 = 1000 oz.	Value	464,100	500,500	523,250	564,800	555,108	591,500	637,000	682,500	728,000
0 91% 910 oz.	Cost	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>	<u>364,380</u>
	Profit	99,720	136,120	158,870	181,620	190,720	227,120	272,620	318,120	363,620
<u>2200 TPH</u>										
0 0.37 = 814 oz.	Value	377,757	407,385	425,903	444,420	451,827	481,465	518,490	555,525	592,560
0 91% 740.7	Cost	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>
	Profit	(23,061)	6,567	25,085	43,602	51,009	80,637	117,672	154,707	191,742
0 0.40 = 880 oz.	Value	408,408	440,440	460,460	480,480	488,488	520,520	560,560	600,600	640,640
0 91% 800.8	Cost	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>
	Profit	7,590	39,622	59,642	79,662	87,670	119,702	159,742	199,782	239,822
0 0.45 = 990 oz.	Value	459,459	495,495	518,018	540,540	549,549	585,585	630,630	675,675	720,720
0 91% 900.9	Cost	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>
	Profit	58,641	94,677	117,200	139,722	148,731	184,767	229,812	274,857	319,902
0 0.50 = 1100 oz.	Value	510,510	550,550	575,575	600,600	610,610	650,650	700,700	750,750	800,800
0 91% 1001 oz.	Cost	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>	<u>400,818</u>
	Profit	109,692	149,732	174,757	199,782	209,792	249,832	299,882	349,932	399,982
<u>2800 TPH</u>										
0 0.37 = 1036 oz.	Value	480,807	518,518	542,087	565,656	573,084	612,755	659,890	707,025	754,160
0 91% 942.7 oz.	Cost	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>
	Profit	(17,593)	20,118	43,687	67,256	74,684	114,355	161,490	208,625	255,760
0 0.40 = 1120 oz.	Value	519,792	560,560	586,040	611,520	621,712	662,480	713,440	764,400	815,360
0 91% 1019.2 oz.	Cost	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>
	Profit	21,392	62,160	87,640	113,120	123,312	164,080	215,040	266,000	316,960
0 0.45 = 1260 oz.	Value	584,766	630,630	659,295	687,960	699,426	745,290	802,620	859,950	917,280
0 91% 1146.6 oz.	Cost	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>
	Profit	86,366	132,230	160,895	189,560	201,026	246,890	304,220	361,550	418,880
0 0.50 = 1274 oz.	Value	649,740	700,700	732,550	764,400	777,140	828,100	891,800	955,500	1,019,200
	Cost	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>	<u>498,400</u>
	Profit	151,340	202,300	234,150	266,000	278,740	329,700	393,400	457,100	520,800

TABLE 3

ESTIMATE OF OPERATING PROFIT PER MONTH AT VARIOUS TONNAGES MILLED
VARYING GOLD PRICE (CDN \$) AND INCREASING GRADE

<u>Tons Milled per Month</u>	<u>Assay Oz/Ton</u>	<u>Gold Price Per Ounce CDN Dollars</u>						
		510	550	575	600	610		
1000								
			<u>Estimated Profit per Month</u>					
	0.37	<20946>	5990	22825	39660	46394	The Estimated Profit with a Tonnage Milled of 24000 Ton per Year. @ 0.40 oz. Ton \$550.00 CDN \$432,240.00 @ \$575.00 \$660,640.00 @ \$600.00 \$869,040.00	
	0.40	6900	36020	54220	72420	79700		
	0.45	53310	86070	106545	127020	135210		
0.50	99720	136120	128870	181620	190720			
2000								
	0.37	<23061>	6567	25085	43602	51009	The Estimated Profit with a Tonnage Milled of 26400 Tons per Year @ 0.40 oz Ton \$550.00 CDN \$475,464.00 @ \$575.00 \$715,704 @ \$600.00 \$955,944.00	
	0.40	7590	39622	59642	79662	87670		
	0.45	58641	94677	117200	139722	148731		
0.50	109692	149732	174757	199782	209792			
3000								
	0.37	<17593>	20118	43687	67256	74684	The Estimated Profit with a Tonnage Milled of 33600 Tons per Year @ 0.40 oz Ton \$550.00 CDN \$745,920.00 @ \$575.00 \$1,051,680.00 @ \$600.00 \$1,357,440.00	
	0.40	21392	62160	87640	113120	123312		
	0.45	86366	132230	160895	189560	201026		
0.50	151340	202300	234150	266000	278740			

These Tables assume a 20 day working month.

At 2000 and 2200 T.P.M. the direct operating cost is \$182.19 per ton milled.

At 2800 tons per month the direct operating cost is \$178.00 per ton milled.

The lowest grade in oz./ton of 0.37 is close to cutoff.

These tables assume no significant economy of scale.

91% metallurgical recovery including smelter losses is assumed

Reductions in costs resulting from shared use of certain facilities, with a capital development program, are not included in this Table.

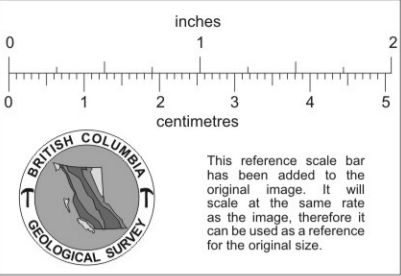
TABLE 4

OPERATING PROFIT 12 MONTH PERIOD

Tons Milled Per year	Assay Oz/Au Ton	Gold Price Per Ounce Canadian Dollars						
		\$550	\$575	\$600	\$650	\$700	\$750	\$800
		Estimated Operating Profit 12 Month Period						
24,000	0.40	\$ 432,240	\$ 660,640	\$ 869,040	\$1,257,840	\$1,694,640	\$2,131,440	\$2,568,240
	0.45	1,032,840	1,278,540	1,524,240	1,967,640	2,459,040	2,950,440	3,489,840
	0.50	1,633,440	1,546,440	2,179,440	2,725,440	3,271,440	3,817,440	4,363,440
26,400 SDT	0.40	475,464	715,704	955,944	1,436,424	1,916,904	2,397,384	2,877,864
	0.45	1,136,124	1,406,400	1,676,664	2,217,204	2,757,744	3,298,284	3,838,824
	0.50	1,796,784	2,097,084	2,397,384	2,997,984	3,598,584	4,199,184	4,799,784
33,600 SDT	0.40	745,920	1,051,680	1,357,440	1,968,960	2,580,480	3,192,000	3,803,520
	0.45	1,586,760	1,930,740	2,274,720	2,962,680	3,650,640	4,338,600	5,026,560
	0.50	2,422,760	2,809,800	3,192,000	3,956,400	4,720,800	5,485,200	6,249,600

NOTE: This Table assumes 1982 mine operating costs
does not include provision for capital development.

Revised 5-11-82



SKETCH OF THE AREAS FOR THE 3 STAGES OF THE PROPOSED PROGRAM

