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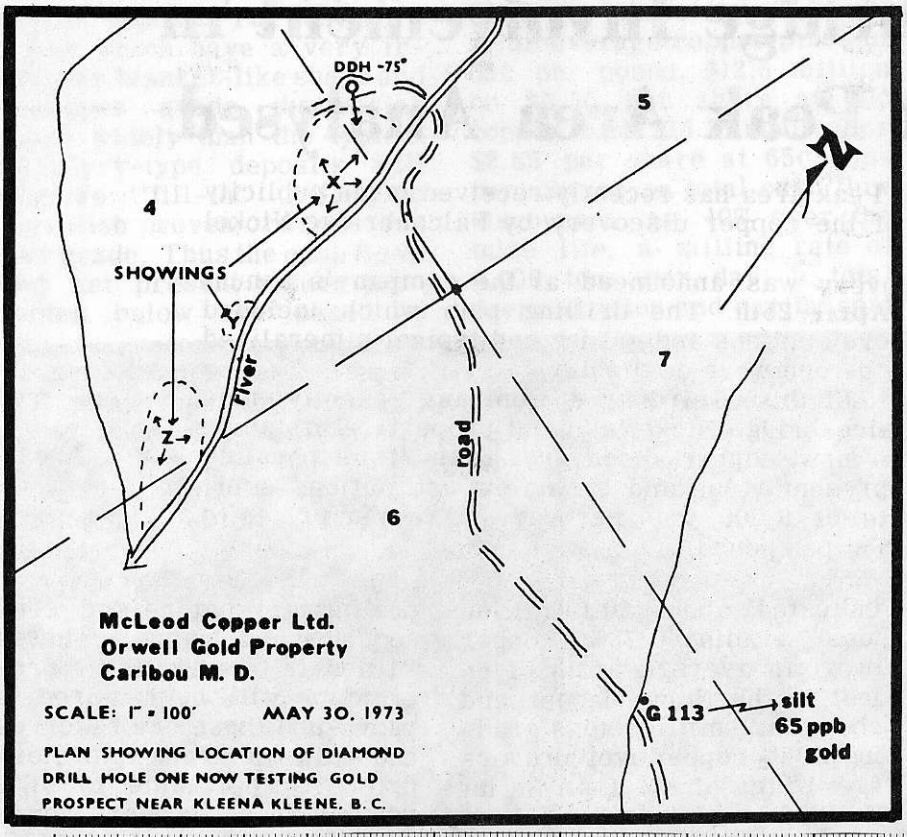
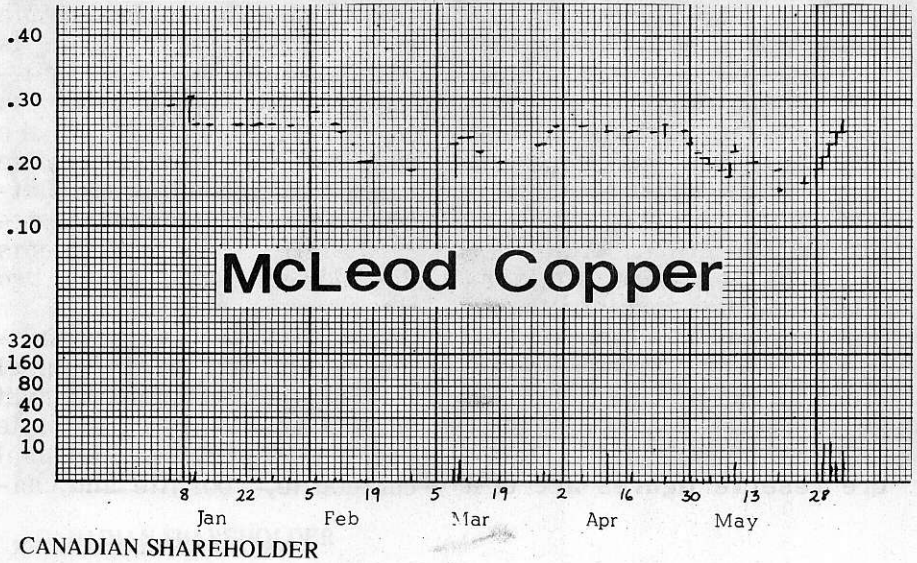
McLeod Copper Starts Exploration on Property





McLeod Copper is presently conducting the first phase of an exploration program on its Orwell gold property, 14 miles southwest of Kleena Kleene. Kleena Kleene is 160 miles west of Williams Lake. This phase of work, which is being paid for by Cadillac Exploration, included the construction of 7 miles of road.

A B.Q. wire line drill is now testing the largest showing (X) in order to determine open pit possibilities. It is planned to do 2,000 feet of drilling in holes varying between 150 feet and 300 feet. The drill contract was let on a cost plus basis and is being run by two shifts. The eight man crew is under the direction of a full time geologist.

In showing X the gold mineralization is associated with folded jointing and east-west shears in granodiorite. Similar shearing associated with mineralization is present in showing Z.

The silt-stream sample at G 113, which assayed 65 parts per billion gold, is significant and may indicate a considerable extension to the mineralized area. The extension would cross at some point upstream from the sample site.

Two grab samples from showing X assayed 0.76 and 1.52 ounces of gold; one three foot chip sample assayed 0.32 ounces of gold per ton.

RESEARCH COMMENTS

GAIRDNER & COMPANY LIMITED

Falconbridge Involvement in Sustut Peak Area Analysed

The Sustut Peak area has recently received much publicity as a result of the copper discovery by Falconbridge Nickel Mines Ltd.

This discovery was announced at the company's annual meeting on April 25th. The drilling plan which included the width of ore sections and grades and typical mineralized specimens of the ore were on display.

As a result of this, Gairdner & Company recently made a study of Falconbridge Nickel's Sustut property. This study evaluates this new copper discovery as best as possible through net present value and cash flow estimations using a milling rate of 8,000 tons per day and copper prices of 55¢, 60¢ and 65¢ per pound.

ORE RESERVES - GEOLOGY

As shown by Figure 1 Falconbridge has acquired the mineral rights to large tracts of land that cover the more promising copper prospects in the area. Exposures of copper mineralization exist on the main northeast block as well as on those located to the south and southwest. The exploratory drilling programme initiated last year outlined two major, flat-lying copper zones lying within 300 feet of surface. These zones are referred to as tne North deposit and the South deposit. To date 26 widely spaced diamond drill holes (about 500 feet apart) intersected high-grade copper mineralization in two zones (see Figure 2 for the drill plan and the drill hole results). Drilling to date has indicated about 10.1 million tons grading 0.73% copper over an average width of 66 feet in the North deposit and about 19.9 million tons grading 1.25% copper over an average width of 92 feet in the South deposit (see Table 1 for details). The North and the South zones have been relatively "closed off" by drilling except north and northwest of the North zone (see Figure 1) and, consequently, there is an excellent chance that more ore will be found in that direction. Also, because of the nature of mineralization the possibilities of discovering other similar deposits along strikes and on other blocks appear to be quite good.

There is no doubt that these ore reserve figures are of a preliminary nature and, consequently, a more detailed "filled-in" drilling programme will be required to prove-up these ore reserves and grade. A large exploratory drilling programme to fully delimit these two ore zones and to test other favourable targests in the area is scheduled for this year. Drilling to date tested the North and South zones right to the edge of the cliff. Because these two orebodies are flat-lying and near surface the edge of the cliff likely represents the easterly edge of the two ore zones.

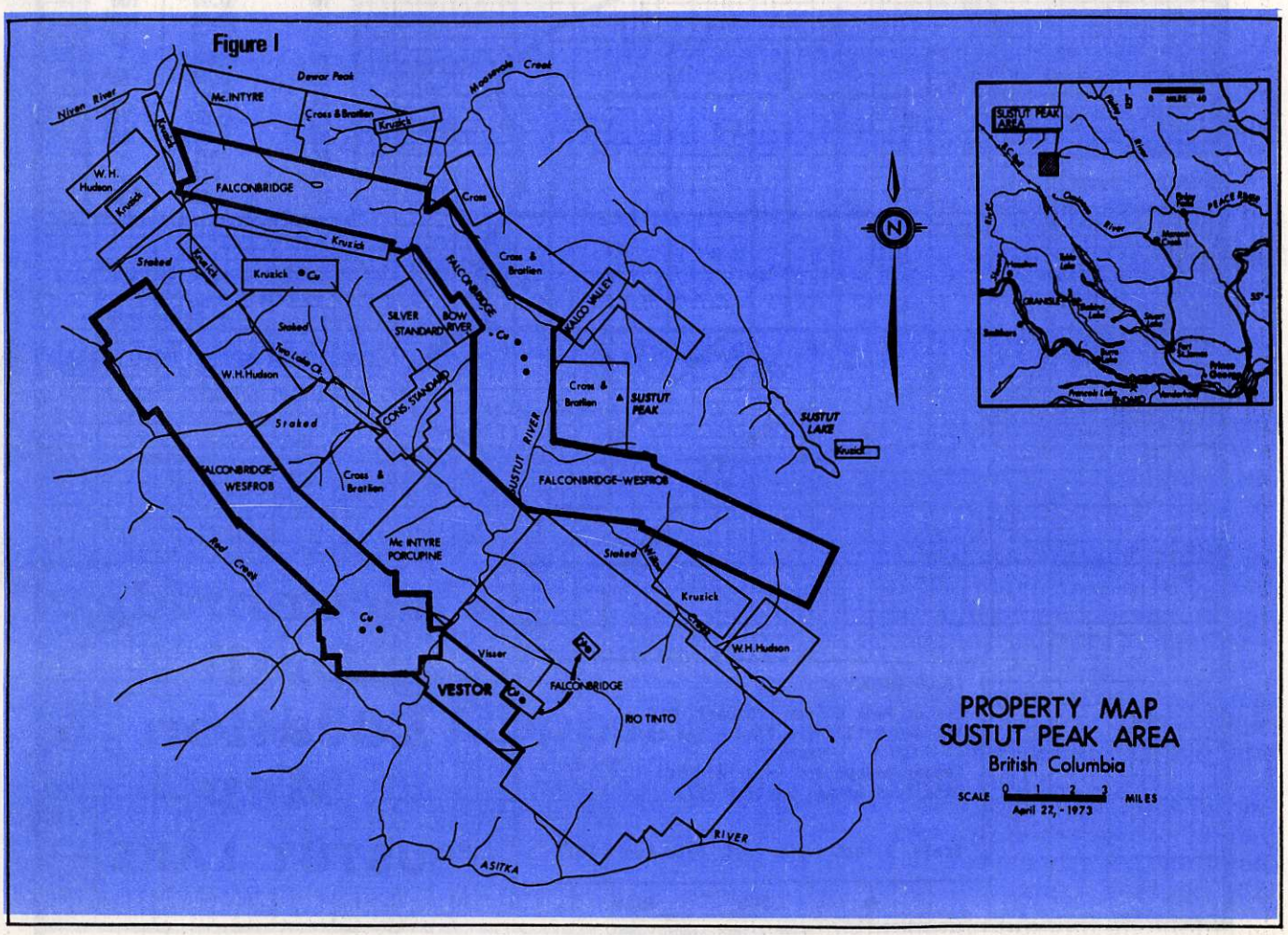
The copper-bearing samples displayed at the annual meeting indicate that the host rock is a dark-green, andesite breccia carrying abundant chalcocite, bornite and cha-

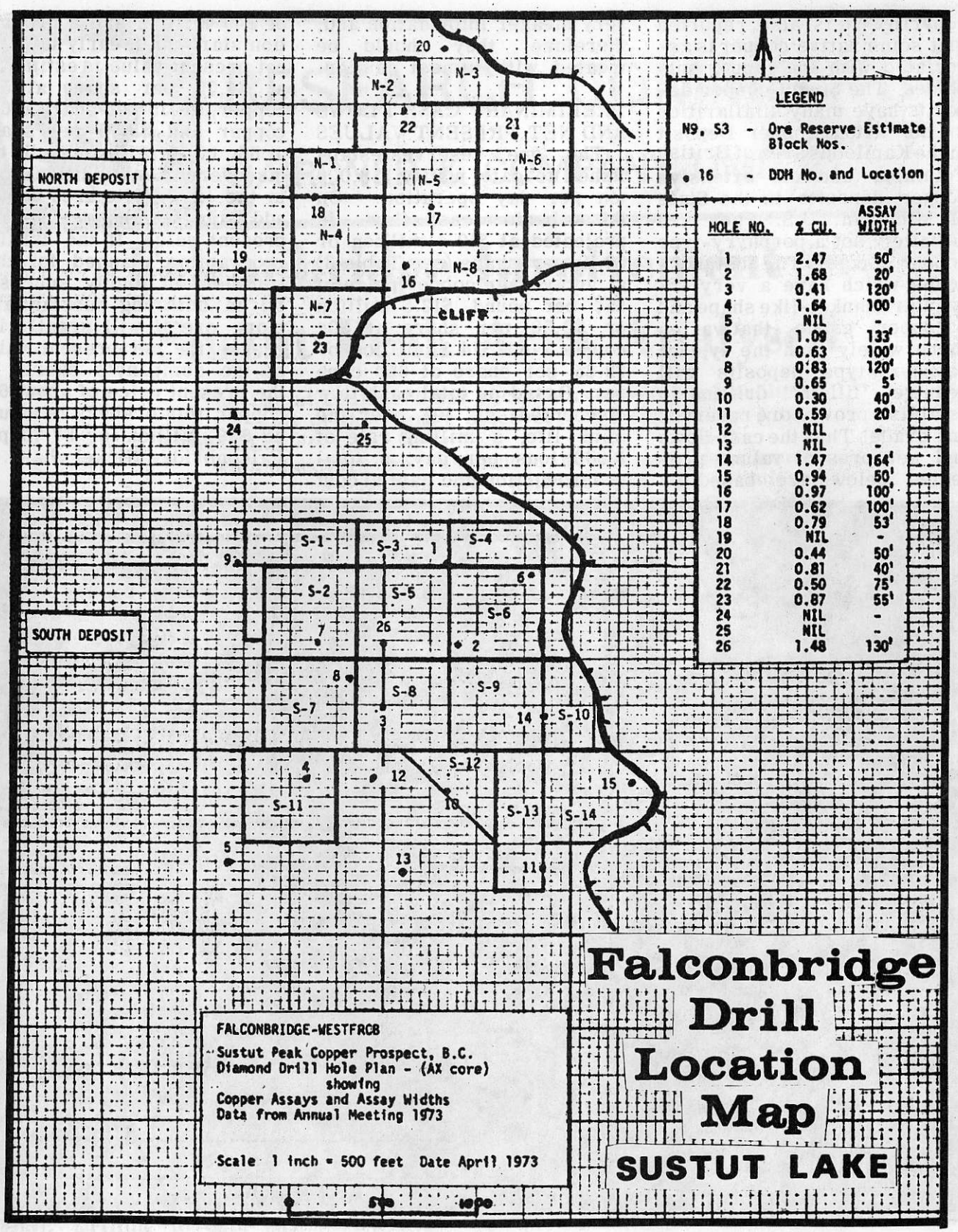
copyrite. It is also reported that some native copper is associated with the copper sulphides. The Sustut copper deposits have many similarities to the Afton Copper Deposit in the Kamloops area of British Columbia and the extensive copper deposits in the State of Michigan, U.S. They are definitely not a porphyry-type copper deposit. The Sustut ore zones which have a very irregular blanket-like shape and a copper grade that varies more widely than the typical porphyry-type deposits will require "fill-in" drilling to establish proven ore reserves and grade. Thus the cash flows and net present values projected below are based on very meager information and, therefore, they should be treated with utmost caution.

PRELIMINARY CASH FLOWS AND NET PRESENT VALUES

The ore reserves established to date justify a 8,000 ton per day operation. On this basis cash flow is projected at $10.4 million or $2.10 per share (see Table 3) at an average copper price of 55¢ per pound, $12.5 million or $2.50 per share at 60¢ copper and $14.3 million or $2.85 per share at 65¢ copper. Based on total cash flow discounted at 10% over the mine life, a milling rate of 8,000 tons per day, a total preproduction and capital cost of $45 million and a production start-up in early 1977 the net present value is estimated at $4.75 per share at 55¢ copper, $6.35 per share at 60¢ copper and $7.75 per share at 65¢ copper. Undoubtedly the discovery of any additional ore in the immediate area should add substantially to the net present value. If the drilling programme planned for this summer is highly successful in outlining substantially more ore it will greatly increase the net present value of the company's share. At the present price of about 65¢ copper this orebody is valued at $39 million or $7.75 per Falconbridge Nickel share.

Figure I




LEGEND
N9, S3 - Ore Reserve Estimate Block Nos.
• 16 - DDH No. and Location
NORTH DEPOSIT
SOUTH DEPOSIT
CLIFF
N-1
N-2
N-3
N-4
N-5
N-6
N-7
N-8
S-1
S-2
S-3
S-4
S-5
S-6
S-7
S-8
S-9
S-10
S-11
S-12
S-13
S-14
HOLE NO. | % CU. | ASSAY WIDTH
1 2.47 50'
2 1.68 20'
3 0.41 120'
4 1.64 100'
5 NIL -
6 1.09 133'
7 0.63 100'
8 0.83 120'
9 0.65 5'
10 0.30 40'
11 0.59 20'
12 NIL -
13 NIL -
14 1.47 164'
15 0.94 50'
16 0.97 100'
17 0.62 100'
18 0.79 53'
19 NIL -
20 0.44 50'
21 0.81 40'
22 0.50 75'
23 0.87 55'
24 NIL -
25 NIL -
26 1.48 130'
FALCONBRIDGE-WESTFRCB
Sustut Peak Copper Prospect, B.C.
Diamond Drill Hole Plan - (AX core) showing
Copper Assays and Assay Widths
Data from Annual Meeting 1973
Scale 1 inch = 500 feet Date April 1973
Falconbridge Drill Location Map
SUSTUT LAKE