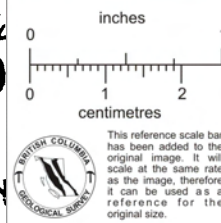




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R. J. (DICK) BILLING

DOHERTY McCUAIG LIMITED

MEMBERS
PRINCIPAL CANADIAN STOCK EXCHANGES
THE INVESTMENT DEALERS' ASSOCIATION OF CANADA
1 BENTALL CENTRE, 608 BARRARD STREET
VANCOUVER 111, BRITISH COLUMBIAFALCONBRIDGE NICKEL MINES LTD.

May, 1973

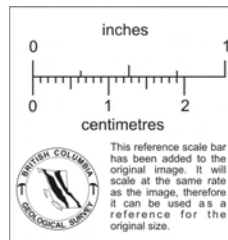
COMMENTS ON THE RECENT COPPER DISCOVERY
AT ITS SUSTUT PEAK PROPERTY IN THE
OMINECA MINING DIVISION, BRITISH COLUMBIAINTRODUCTION

At the annual meeting of April 25th, 1973 Falconbridge Nickel announced the discovery of a sizable copper deposit in the Sustut River Valley in the North Central part of British Columbia. At this meeting the drilling plan which included the width of ore sections and grades and typical mineralized specimens of the ore were on display. 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 the 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 strike 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 targets 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.



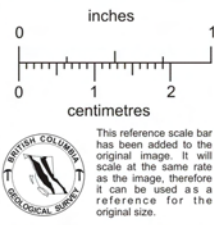
The copper-bearing samples displayed at the annual meeting indicate that the host rock is a dark-green, andesite breccia carrying abundant chalcocite, bornite and chalcopyrite. It is also reported that some native copper is associated with the copper sulphides. The Sustut copper deposits have many similarities 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 UPMOST 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.

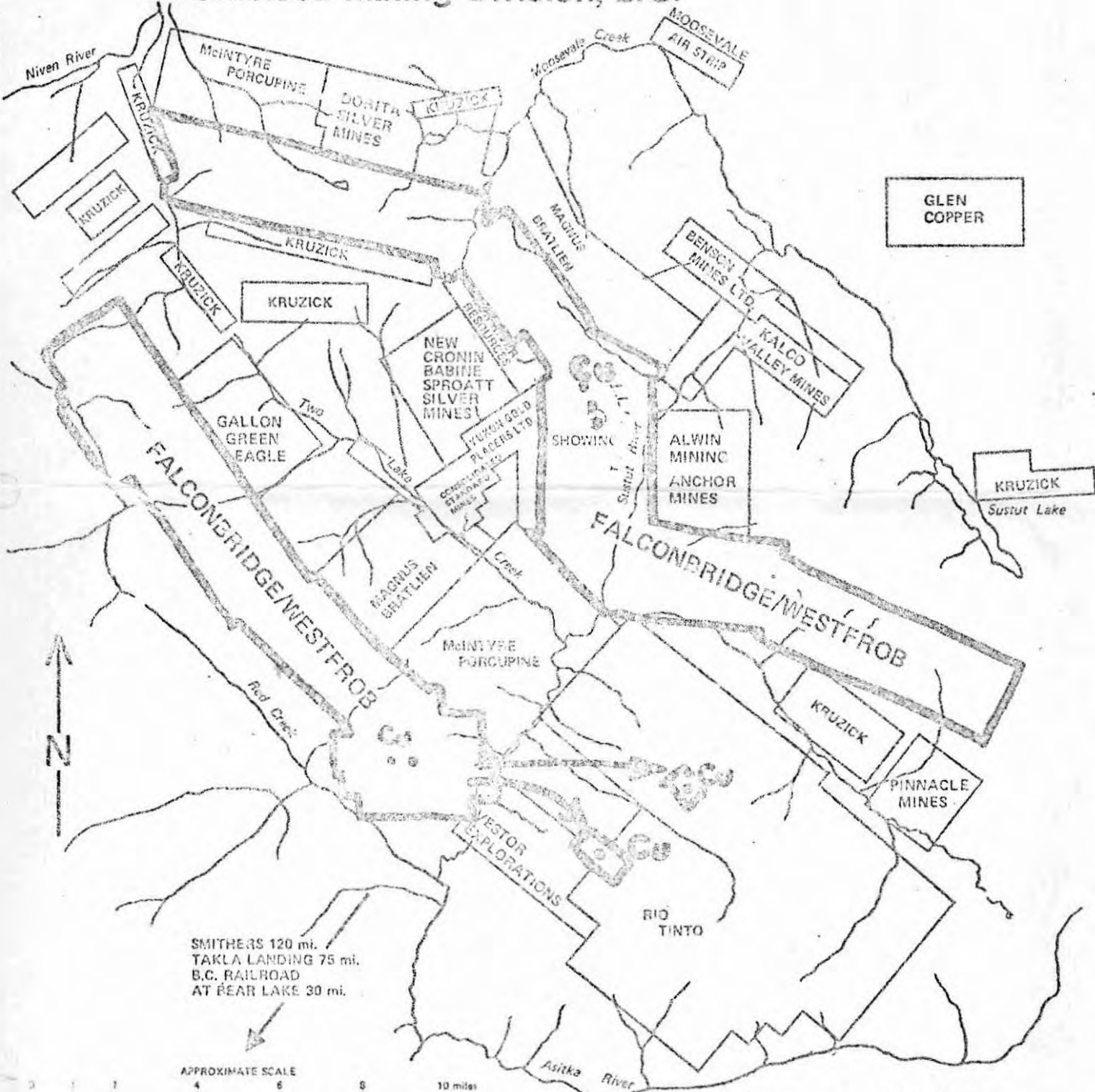
R. J. Mongeau
P. K. Gummer

FIGURE 1



SUSTUT PEAK PROPERTY MAP

Omineca Mining Division, B.C.

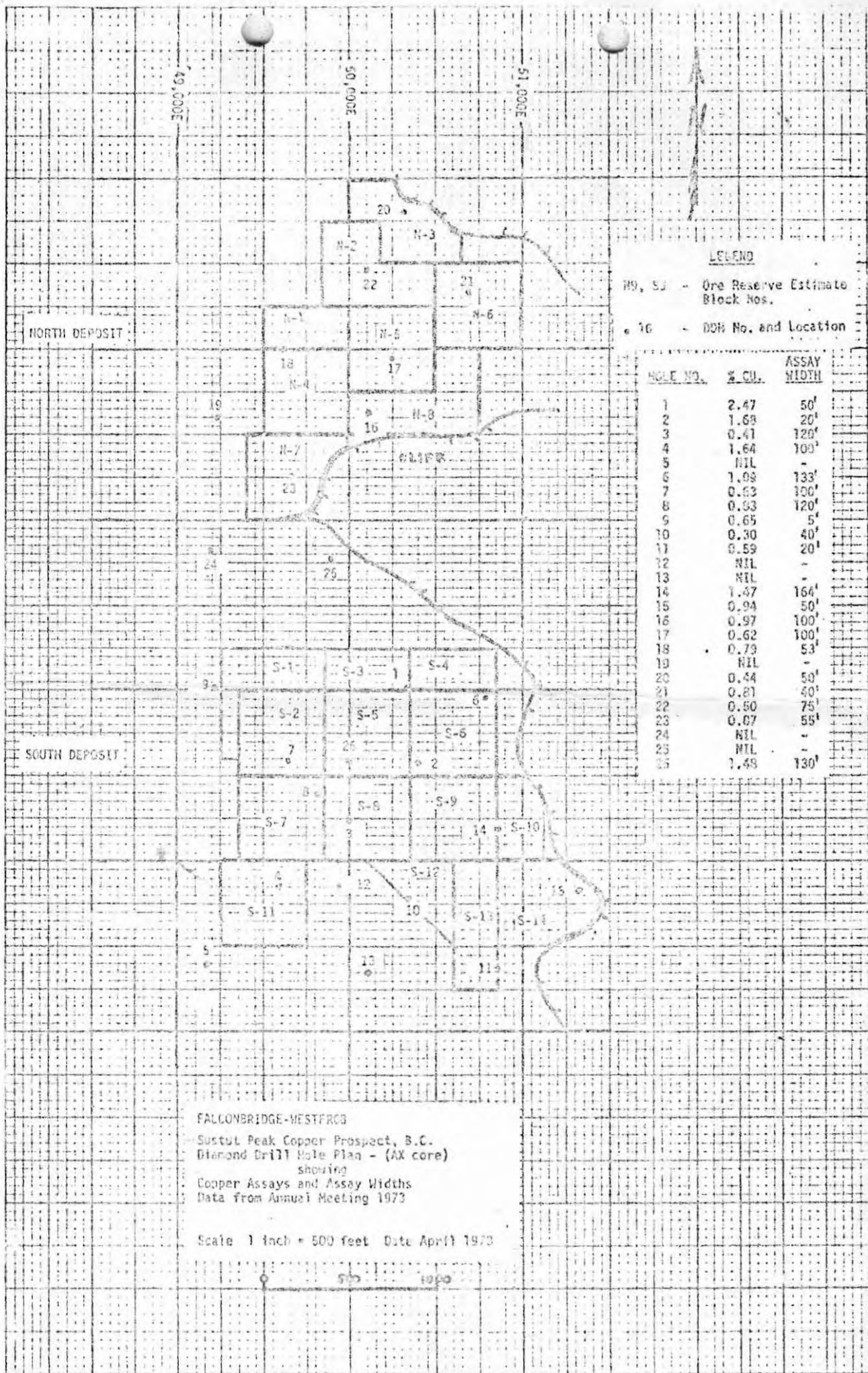


SMITHERS 120 mi.
TAKLA LANDING 75 mi.
B.C. RAILROAD
AT BEAR LAKE 30 mi.

APPROXIMATE SCALE
0 1 2 3 4 5 6 7 8 9 10 miles

MARCH 20, 1973

GLEN COPPER



LEGEND

- 19, 21 - Ore Reserve Estimate Block Nos.
- 16 - DDN No. and Location

HOLE NO.	% CU.	ASSAY WIDTH
1	2.47	50'
2	1.68	20'
3	0.41	120'
4	1.64	100'
5	NIL	-
6	1.08	133'
7	0.63	100'
8	0.93	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	0.60	75'
23	0.07	55'
24	NIL	-
25	NIL	-
25	1.48	130'

FALLOBRIDGE-WESTFCB
 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

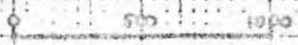


TABLE 1

SUSTUT PEAK ORE RESERVE CALCULATIONSNorth Deposit

<u>Block No.</u>	<u>Thickness</u>	<u>Area</u>	<u>Volume</u>	<u>Tons</u>	<u>Grade</u>	<u>TonsXGrade</u>
N-1	53	125,000	6,625,000	552,083	0.79	436,146
N-2	75	250,000	18,750,000	1,562,500	0.50	781,250
N-3	50	187,500	9,375,000	781,250	0.44	343,750
N-4	53	250,000	13,250,000	1,104,166	0.79	872,292
N-5	100	250,000	25,000,000	2,083,333	0.62	1,291,666
N-6	40	250,000	10,000,000	833,333	0.81	674,999
N-7	55	250,000	13,750,000	1,145,833	0.87	996,875
N-8	100	250,000	25,000,000	2,083,333	0.97	2,020,833
	526			10,145,831		7,417,811

South Deposit

S-1	52	187,500	9,750,000	812,500	0.62	503,750
S-2	100	250,000	25,000,000	2,083,333	0.63	1,312,499
S-3	50	125,000	6,250,000	520,833	2.47	1,286,458
S-4	133	125,000	16,625,000	1,385,416	1.09	1,510,104
S-5	130	250,000	32,500,000	2,708,333	1.48	4,008,333
S-6	77	250,000	19,250,000	1,604,166	1.23	1,973,125
S-7	120	250,000	30,000,000	2,500,000	0.83	2,075,000
S-8	120	250,000	30,000,000	2,500,000	0.41	1,025,000
S-9	92	250,000	23,000,000	1,916,666	1.49	2,855,833
S-10	164	125,000	20,500,000	1,708,333	1.47	2,511,245
S-11	100	250,000	25,000,000	2,083,333	1.64	3,416,665
S-12	40	125,000	5,000,000	416,666	0.30	124,999
S-13	63	187,500	11,812,500	984,375	1.12	1,102,500
S-14	50	250,000	12,500,000	1,041,666	0.94	979,166
	1,291			19,765,620		24,684,678

North Deposit: 10,145,831 s. tons grading 0.73% CU.
Thickness 66'

South Deposit: 19,765,620 s. tons grading 1.25% CU.
Thickness 92'

Total Tonnage: 29,900,000 s. tons grading 1.07% CU.

TABLE 2

PROJECTED PRODUCTION RATES AND NET SMELTER RETURNS

Assumption:

- Both ore zones are amenable to the open pit mining method
- An average waste to ore ratio of 3-1
- A copper recovery to concentrate of 85%
- A concentrate grade of 35% copper
- Total smelting and refining charges of \$60 per s. ton, up \$4.00 from the current level
- Transportation cost of \$15.00 per s. ton

BASIS OF 30 MILLION
TONS OF DRILLED
INDICATED ORE

Production Rate t.p.d.	8,000	
" " t.p.y.	2.8 million	
Mine Life	10 yrs.	
Total Preprod. and Capital Cost	\$45 million	
	<u>SOUTH</u> <u>DEPOSIT</u>	<u>NORTH</u> <u>DEPOSIT</u>
Tons of Concentrate Prod. Per annum	85,200	49,600
	- - 000's omitted - -	
NET SMELTER REVENUES		
COPPER - 55¢ PR LB	\$23,856	\$13,888
- 60¢ PR LB	26,412	15,376
- 65¢ PR LB	28,968	16,864

TABLE 3

- CASH FLOW, EARNINGS AND NET PRESENT VALUE PROJECTIONS -
 PROJECTED PRODUCTION START-UP EARLY 1977

	----- 8,000 T.P.D. -----					
	SOUTH DEPOSIT			NORTH DEPOSIT		
	MINE LIFE - 7 YEARS			MINE LIFE - 3 YEARS		
	AVERAGE COPPER PRICE PER LB.					
	55¢	60¢	65¢	55¢	60¢	65¢
	----- -000's omitted -----					
Net Smelter Revenues	\$23,856	\$26,412	\$28,968	\$13,808	\$15,376	\$16,864
Less:						
Total Operating Cost incl. adm.(est. \$3.00/ton)	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400	\$ 8,400
Preproduction and Depreciation	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500	\$ 4,500
Interest (9%)	\$ 4,000	\$ 4,000	\$ 4,000	-	-	-
<u>Pre-tax Profit</u>	<u>\$ 6,956</u>	<u>\$ 9,512</u>	<u>\$12,068</u>	<u>938</u>	<u>\$ 2,476</u>	<u>\$ 3,964</u>
B.C. Tax - 15%	\$ 1,043	\$ 1,425	\$ 1,810	148	370	595
Deferred Federal Tax -20%	\$ 1,392	\$ 1,900	\$ 2,414	-	-	-
Federal Tax - 20%	-	-	-	\$ 198	\$ 495	\$ 795
<u>NET EARNINGS</u>	<u>\$ 4,521</u>	<u>\$ 6,187</u>	<u>\$ 7,844</u>	<u>\$ 642</u>	<u>\$ 1,611</u>	<u>\$ 2,574</u>
Net Earnings per Share*	\$ 0.90	\$ 1.25	\$ 1.55	\$ 0.13	\$ 0.30	\$ 0.50
<u>CASH FLOW</u>	<u>\$10,413</u>	<u>\$12,587</u>	<u>\$14,258</u>	<u>\$ 5,142</u>	<u>\$ 6,111</u>	<u>\$ 7,274</u>
Cash Flow per Share*	\$ 2.10	\$ 2.50	\$ 2.85	\$ 1.00	\$ 1.20	\$ 1.45
NET PRESENT VALUE BASED						
Discounted Cash Flow at 10%						
- in million	\$ 25.75	\$ 31.70	\$ 38.80			
- Per Share	\$ 5.15	\$ 6.35	\$ 7.75			
Pay Back - Years	3.6	3.3	3.0			

* Basis of 5 million shares outstanding