

GLANVILLE MANAGEMENT LTD.

May 23, 1990

Boston Financial Corporation
820 - 470 Granville Street
Vancouver, B.C.
V6C 1V5

Attention: Mr. Nick Marsh, President

Dear Mr. Marsh:

Further to your instructions, we have reviewed the Anyox Project and have undertaken a preliminary financial analysis of a potential open pit copper mine at Anyox.

We have concluded that a substantial mineral inventory, potentially amenable to open pit mining is present, of which approximately 12 to 15 million tons is mineable at a stripping ratio of 2:1 and with a copper grade of 0.70 to 0.75%. There is good reason to believe that significant tonnages of copper ore can be delineated with better than historical average grades of gold and zinc.

Our financial analyses show that, at US \$1.25 copper, and under the assumptions made herein, the project has pre-tax net present values ranging from a low of \$2 million to in excess of \$30 million.

We have included only a brief summary of our suggestions for future work, but would be pleased to meet with you to discuss these in more detail or to answer any questions you may have.

Sincerely,

GLANVILLE MANAGEMENT LTD.



Ross Glanville
B.A.Sc., P.Eng., M.B.A., C.G.A.

RCH MANAGEMENT SERVICES



Robert C. Handfield
Ph.D., F.G.A.C.

A PRELIMINARY ECONOMIC ANALYSIS
AND REVIEW
OF THE
ANYOX PROJECT

MAY 1990

ROSS GLANVILLE, B.A.Sc., P.ENG., MBA, CGA
GLANVILLE MANAGEMENT LTD.

ROBERT C. HANDFIELD, PH.D., FGAC
RCH MANAGEMENT SERVICES

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EXECUTIVE SUMMARY

The Anyox Project is located on Observatory Inlet, approximately 160 kilometres north of Prince Rupert, B.C., and is the site of the former copper mine and smelter operated from 1914 to 1935 by Granby Consolidated Mining, Smelting and Power Co. Access is by boat or air with the nearest road access being at Kitsault, 25 kilometres to the east.

The Anyox massive sulphide deposits have been a major source of copper ore in the past, with production having been 24 million tons grading 1.56% copper with minor precious metals credits - 0.005 oz/t gold and 0.3 oz/t silver. Significant potential still exists for the Anyox area to once again become a major producer of copper, with important by-product gold, silver and zinc.

A substantial mineral inventory is available and potentially amenable to open pit mining. Of the various potential reserve calculations done previously, a 1984 computer generated study incorporated the most realistic parameters and is believed to be most reliable. The potential ore reserve was calculated to be 50 million tons grading 0.62% copper, of which approximately 12-15 million tons appears to be minable by an open pit with strip ratios less than 2:1. The grade of this open pit reserve was estimated to be about 0.7 -0.75% copper.

Additional massive sulphide bodies in the area have considerably higher grades, (up to 2% copper and 1.5% zinc) but are substantially smaller, with a combined tonnage of about 2.5 million tons. These deposits have not been included in the open pit potential discussed above.

Preliminary financial analyses show that, with US \$1.25 copper, and under the assumptions made herein, pre-tax net present values vary from a low of \$2.0 million for the base case, to over \$30 million with small increases in the grades of gold and zinc.

A preliminary review of the available data indicates that not only does the Anyox area have a high potential for the discovery of additional cupriferous massive sulphide deposits, but there is a very strong likelihood that portions of the deposits will be found to be much higher grade in zinc and/or gold than the overall average of the deposits previously mined. Assays of specific drill holes and of certain mineralized horizons show that zinc values to several percent and gold values to 0.03 to 0.05 oz/t occur over significant widths.

In view of the positive indications that the potential ore reserves at Anyox could be produced with substantial profits, we recommend that a complete review of all the past data be undertaken together with a program to assay drill core, already on site, for zinc and especially gold. At the same time, a more

detailed review of the grades and tonnages of mineralization available at different stripping ratios and mining rates should be undertaken. Such a review would also point out where additional data are required in order to bring the mineral inventory into the proven category.

INTRODUCTION

General

Glanville Management Ltd. and RCH Management Services were retained by Boston Financial Corporation to review and update a Preliminary Economic Analysis of the Anyox Project (first done by Glanville Management Ltd. in 1988) and to make appropriate recommendations.

In order to carry out this assignment, we made an inventory of all documents in Cominco Ltd.'s Anyox files, reviewed those relevant to the task, and reviewed the project with several professional engineers and geologists who are familiar with it, including personnel at Cominco. The list of documents reviewed is included later in this report. Although all care has been taken in assessing and reviewing the data and in preparation of this report, Glanville Management Ltd. and RCH Management Services hereby disclaim any and all liability arising out of its use or circulation.

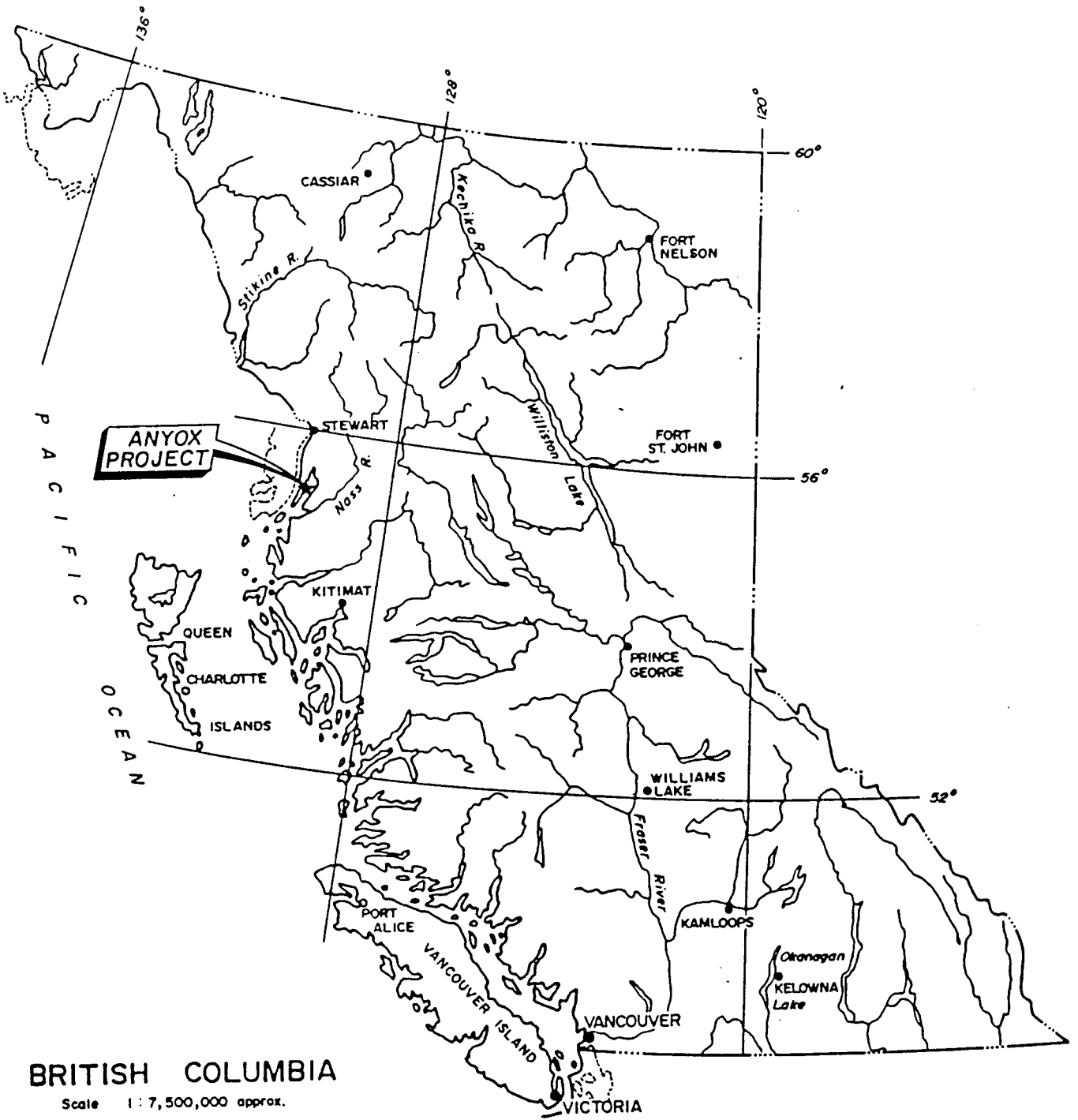
The Anyox Project is located on Observatory Inlet, approximately 160 kilometres north of Prince Rupert, B.C., (Fig. 1) and is the site of the former copper mine and smelter operated from 1914 to 1935 by Granby Consolidated Mining, Smelting and Power Co. Access is by boat or air with the nearest road access being at Kitsault, 25 kilometres to the east.

Past production totalled 24,000,000 tons of ore grading 1.56% copper with minor precious metals credits - 0.005 oz/t gold and 0.3 oz/t silver. Zinc was present in the ores mined but was seldom kept track of, and very few zinc assays are available. Power for the operation was generated on site by a hydroelectric dam specifically built for the mine and smelter.

Geology

The Anyox copper deposits are now recognized as Besshi-type volcanogenic massive sulphides. At least five deposits, or clusters of deposits are now known in the Anyox area, all of which occur along, or near, the contact between pillow basalts and argillites. The basalts, sediments and associated rocks occur as a large roof pendant, approximately 10 by 15 km, in granitic rocks of the Coast Range intrusive complex (Fig. 2).

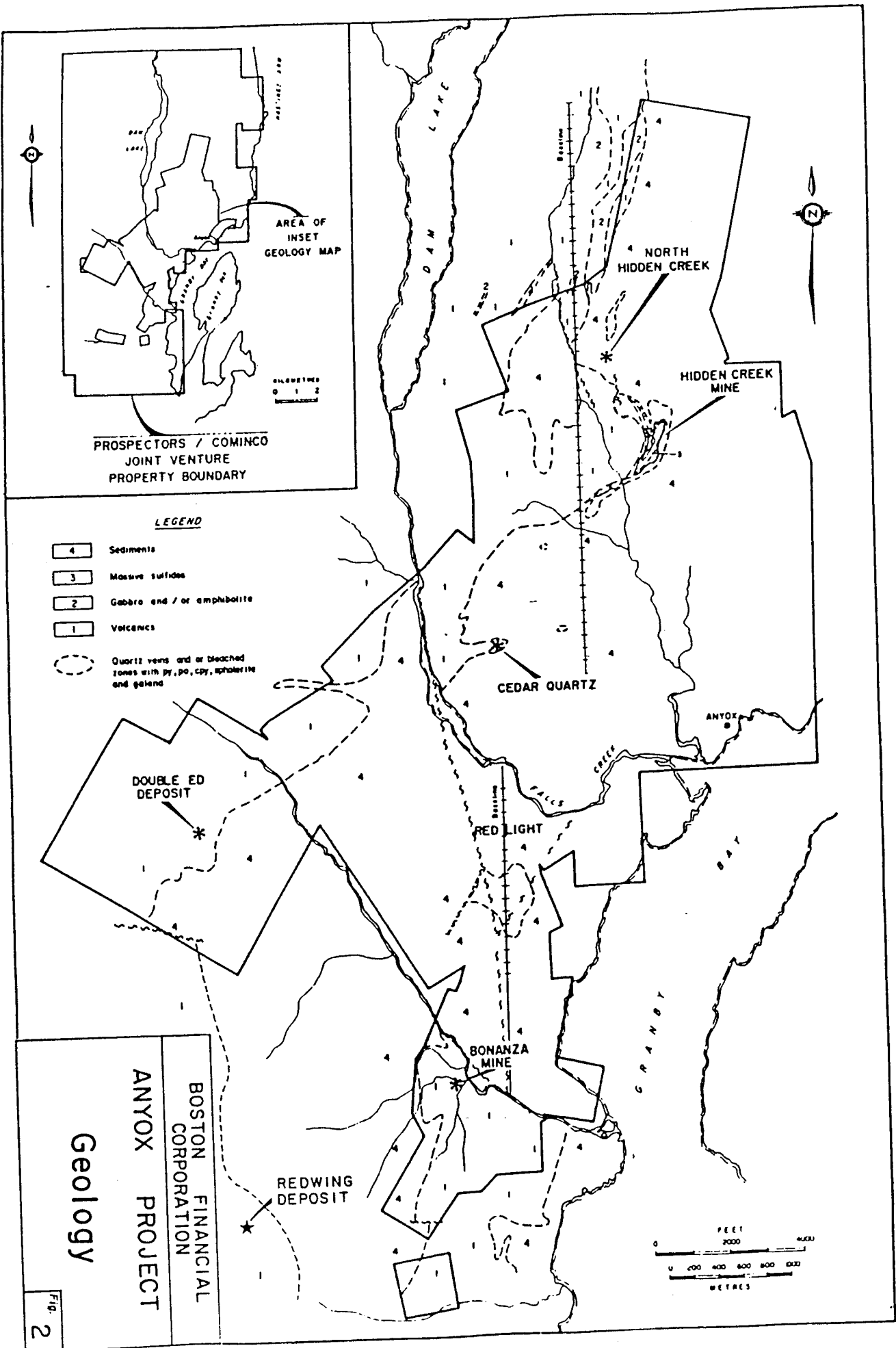
The oldest rocks exposed in the pendant are the pillow basalts, a sequence of unknown thickness which includes thin layers of basaltic tuff and agglomerate. A 50 meter thick well-bedded basaltic tuff, with interbedded cherty



BRITISH COLUMBIA

Scale 1:7,500,000 approx.

BOSTON FINANCIAL CORPORATION	
ANYOX PROJECT	
Location Map	
Fig.	1



layers, conformably overlies the basalt and is thickest beneath the principal massive sulfide bodies. This tuff contains bedded and disseminated pyrrhotite and minor pyrite and chalcopyrite.

A crudely bedded chert unit up to 75 metres thick overlies the tuff sequence and is traceable for at least 3 km, but thins to less than 1 metre at the edges. This unit, where present, occurs just at the contact between the basaltic sequence and the overlying argillites. Most of the massive sulphides occur within this chert unit, although massive sulphide deposits are known in both the underlying and overlying units.

Above the chert unit is a 60 metre thick sequence of interbedded argillite and basaltic tuffs which hosts at least two massive sulphide bodies. This mixed unit is followed by a monotonous sequence of black argillite and cherty argillite.

Footwall rocks beneath all of the massive sulphide deposits show chloritic alteration and are cut by albite-quartz veinlets and stringers of sulphides. The alteration zones extend as much as 250 metres below the sulphide deposits.

All of the stratified rocks are complexly folded, as well as being cut by minor and major faults.

Scope of the Project

The Anyox Project is potentially a major copper producer, and has been looked at by a number of companies over the last 25 years. Shortly after operations ceased in 1935, Cominco purchased the property, at which time the known mineral inventory was 1.1 million tons grading 1.28% copper without allowance for mining dilution.

Cominco carried out an exploration program in 1938-39 and concluded there was about 20 million tons of low grade ore (0.46% Cu) beneath the old glory holes. Additional exploration by Cominco in 1952 resulted in the discovery of two additional deposits, the Double Ed and the Eden, 3 miles west and 4.5 miles northwest, respectively, from the main ore zone, the Hidden Creek deposits.

In 1981, Mitsui & Co. (Canada), Ltd. entered a joint venture with Cominco and carried out an exploration program in 1982. They concluded that the Hidden Creek zone contained a potential mineral inventory of 77 million tons grading 0.55% copper equivalent. At that time Wright Engineers Limited was commissioned to prepare a conceptual open pit design and economic evaluation.

In 1987 Prospectors Airways Co. Ltd. signed an agreement with Cominco to earn a 40% interest in the Anyox Project by spending \$3,000,000 over a three year period. Exploration programs carried out under this agreement in 1987, and 1988 resulted in total expenditures of approximately \$1.6 million.

In 1990, under a multi-party agreement, Cominco's interest was sold to Moss Management Ltd., and Boston Financial Corporation (BFC) acquired the option of Prospectors Airways.

Current concepts regarding the project envision a large scale open pit mine with an associated mill, possibly making use of the shut down facilities at Kitsault, a former molybdenum mine/mill complex. In light of the existing dam that supplied power during the 1914-35 operations, consideration is being given to refurbishing the dam and generating station and producing power, possibly for sale to B.C. Hydro. Additional possibilities to be investigated include in-situ leaching of the deposit and heap leaching of ore.

ORE RESERVES

At the time of the mine closure in 1935, Granby estimated remaining reserves in the Hidden Creek deposits at 1,120,000 tons grading 1.28%. Presumably, this ore would contain precious metals and zinc in about the same amounts as that previously produced. Cominco calculated that, with dilution, this figure would be about 2.2 million tons grading 0.9% copper.

During the 1950s, Cominco's exploration resulted in the discovery of two additional deposits within the general Anyox area. The larger of these deposits, the Double Ed, was explored by underground workings as well as by surface drilling whereas the smaller, the Eden was explored only by surface drilling. The Redwing Deposit, located about 4 miles southwest of the Anyox area, on ground not subject to BFC's option, was discovered in the early 1900's and then further explored by Anaconda during the 1960s.

Generally when reference has been made to ore reserves at Anyox, only the Hidden Creek portion has been included but as will be seen later, these other deposits may be extremely significant, not only for their known contained metal but even more for what they say about the exploration potential.

A number of "reserve" calculations have been completed for the Hidden Creek zone over the last 50 years. It would appear that the most soundly based and most reliable, and possibly most conservative, is a 1984 computer generated calculation. The parameters used in that calculation were:

1. a cut-off grade of 0.2% copper and a tonnage factor of 10.5 cubic feet per ton were used;
2. only assays from drill-hole data used; assays from underground workings and from stoped areas were not included;
3. reserves were calculated on E-W sections spaced at 50 ft intervals;
4. within each reserve block a grid average assay was calculated to the center of a 20 by 20 ft block;
5. the calculation of average value was based on a search ellipse with the following dimensions: 100 ft -N-S; 100 ft - vertical and 30 ft E-W;

Approximately 600 drill holes were used in the reserve calculation. Because of the unequal distribution of data available, reserves were only calculated for the No. 1-5, 2-3, 3 and 4 mineral bodies while the 6,7 and 8 ore bodies were not included.

This calculation concluded that these Hidden Creek deposits contained 48.9 million tons grading 0.62% copper. Grades of other metals, i.e. zinc, gold and silver, were not calculated and in most cases the drill hole data is not available to allow such computation.

Following is a summary of the foregoing deposits:

Hidden Creek: 48.9 million tons grading 0.62% copper with unknown precious metals and zinc;

Double Ed: 1.35 million tons (indicated) @ 1.3% copper and 0.6% zinc plus 0.82 million tons (inferred) at the same grade.

Eden: 195,000 tons @ 1.3% copper and 1.9% zinc;

Bonanza: 11,700 tons @ 1.76% copper (Granby reserves at closure);

Redwing: est. 200,000 tons grading 2% copper with significant zinc (1.5 - 4.0%) and precious metals values with gold in the 0.02 -0.05 oz/t range.

Most of these reserves, including the Hidden Creek zones, should not be considered as proven. The Hidden Creek mineralization occurs in several discreet bodies, each of which is shown separately below:

orebody	tonnage	grade copper
1-5	26.14 million	0.59%
2	10.69 million	0.73%
2-3	3.35 million	0.65%
3	7.77 million	0.56%
4	1.02 million	0.60%

It is apparent from these data, and from our review of the individual sections that make up the ore reserve computations, that it may very well be possible to design a pit and mining plan that would allow ore, of a significantly higher grade than the overall average, to be mined. At this time we have not attempted to design such a mining plan and to our knowledge it has not been undertaken by others. It appears from the sections that about 10 to 15 million tons of the Hidden Creek zones would be recoverable at a "reasonable strip ratio". Our review of the sections indicates that the stripping ratio for the lower tonnage could be as low as 1.5:1. Two typical sections with a possible pit outline are shown in Figures 3 and 4. It would appear that the grade of the potential open pit ore will be between 0.7 and 0.8% copper.

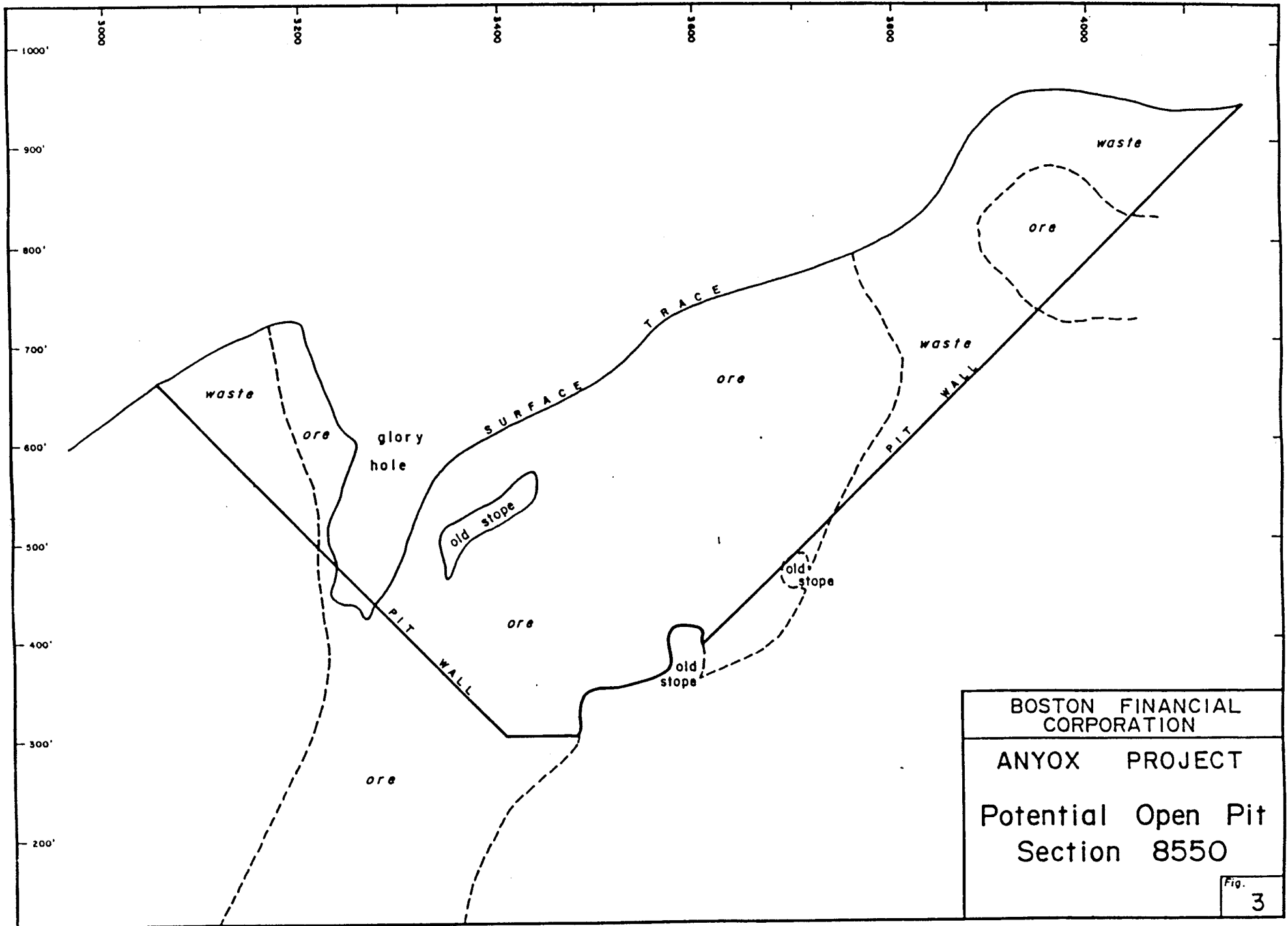
Although there is insufficient data available to allow the figures quoted above to be considered proven ore, there are too many drillholes and too much data to allow for easy hand calculation of reserves and in any case, a detailed review of the potential reserves is beyond the scope of this study.

ASSUMPTIONS FOR ECONOMIC ANALYSIS

Ore Reserves

The ore reserve potential is discussed much more fully above. For this study we have assumed that only ore mineable by open pit methods at stripping ratios of 2:1 or less are available. We used the following scenarios:

tonnage	strip ratio	copper	silver	gold
15 million tons	2.0:1	0.70%	0.25 oz/t	0.003 oz/t
10 million tons	1.5:1	0.75%	0.25 oz/t	0.003 oz/t



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ANYOX PROJECT
Potential Open Pit Section 8550
Fig. 3

Mining Rates/mine lives

Only two mining rates were considered in this preliminary study; a rate of 3000 tpd for the smaller deposit and a rate of 4500 tpd for the larger deposit. In both cases the resulting mine life is 9.5 years

Operating costs

At 3000 tonnes per day\$8.75 per tonne
At 4500 tonnes per day 8.10 per tonne

In those cases where a zinc circuit was included, operating costs were increased by 5%.

Capital Costs/Working Capital

At 3000 tonnes per day\$60 million
At 4500 tonnes per day\$80 million

These costs were increased by 5% in the cases in which a zinc circuit was added.

Working capital was assumed to be equal to 2 month's revenue.

No allowance was made for exploration or other expenditures that may be necessary prior to making a production decision.

Metallurgical Recovery

Metallurgical recovery of copper is assumed to be 94%. The gold and silver grades stated above are recovered grades. In those cases in which a zinc recovery circuit was included, zinc recovery was assumed to be 65%.

Metal Prices

The base case metal prices used are as shown below:

copper	.....US	\$1.25
gold	.....US	\$400.00
silver	.....US	\$5.00
zinc	.....US	\$0.70

Marketing costs

Refining charges	.....US	\$0.12 per pound at \$1.25 Cu
Smelting charges	....US	\$70.00 per tonne copper concentrates US \$220.00 per tonne zinc concentrates
Transportation charges	.....US	\$30.00 per tonne

Timing of Capital Expenditures

The following assumptions were used:

- 35 percent of capital required in year 1
- 65 percent of capital required in year 2
- Production would begin in year 3

Replacement Capital/salvage value

Replacement capital was assumed to be 1.5% of the initial capital cost each year beginning in the first year of production.

Salvage value is assumed to be 5% of the initial capital cost and is recovered in the final year of production.

Discount rate

A 10 percent pre-tax real (assuming no inflation of prices or costs) discount rate was used to "present value" the yearly projected cash flows.

Payable metals

Copper:	1 unit deduction 28% concentrate grade 8% moisture content
Gold:	90% payable
Silver:	80% payable
Zinc:	8 units deduction 50% concentrate grade 8% moisture content

Exchange rate

We have assumed a long term relationship between the Canadian and US dollars of \$1.00 Canadian equalling \$0.82 US.

CASH FLOW PROJECTIONS

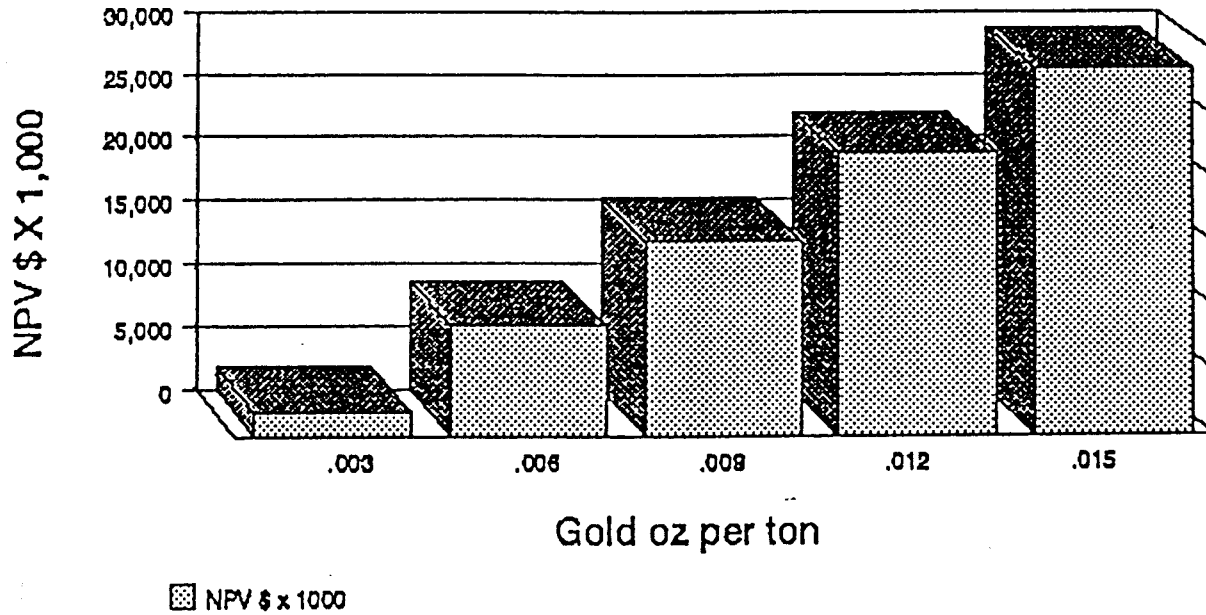
The detailed cash flow calculations on an annual basis are shown for the two base cases, that is the 10 million ton deposit and the 15 million ton deposit, on the fold-out pages.

SENSITIVITY ANALYSIS

Although the detailed calculations are shown for only two cases, a variety of sensitivity analyses were prepared to determine the impact of various factors on the overall project profitability. The impact of some of these factors is shown in Table I and in more detail in the summary computer printouts. The graphs (Fig. 5) show the impact of varying the gold and zinc grades.

ANYOX PROJECT

GOLD SENSITIVITY



ZINC SENSITIVITY

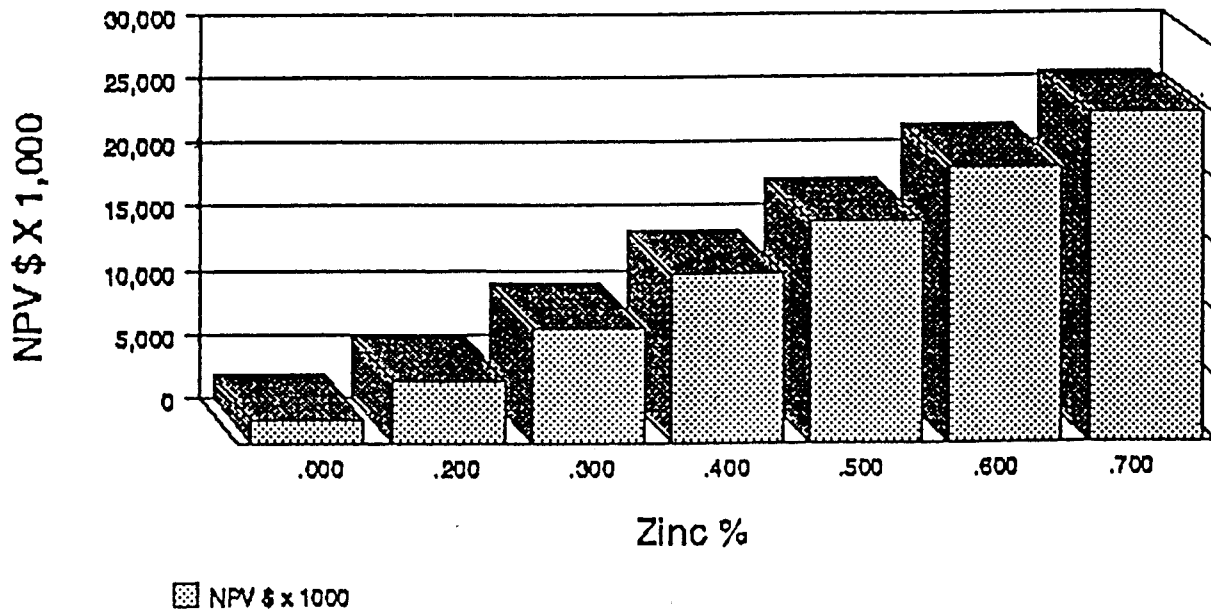


FIGURE 5

10,000,000 tonnes @ .75% Cu and .5% Zn

tonnes of ore	10,000,000	copper price US \$	1.25
tonnes per day	3,000	gold price US \$	400.00
operating cost \$/t	9.20	silver price US \$	5.00
copper grade	.750%	zinc price US \$	.70
gold grade (oz/t)	.0030	US/CDN exchange	.82
silver grade (oz/t)	.250		
zinc grade	.500%		
capital cost \$	63,000,000	\$ x 1000	
mine life (yrs)	9.52	<u>Net Present Value \$</u>	17,147
tonnes of ore/yr	1,050,000	<u>Ann. Operating Margin \$</u>	15,598
copper production (lb)	16,319,700		
gold production (oz)	3,150		
silver production (oz)	262,500		
zinc production (lb)	7,523,266		
copper revenue \$	23,989,105	refining costs \$	2,302,954
gold revenue \$	1,382,927	smelting costs \$	3,172,409
silver revenue \$	1,280,488	transport costs \$	1,314,274
zinc revenue \$	5,394,732		
Refining charges \$/lb	.12		
smelting charges \$/t	70.00		
transport charges \$/t	30.00		

15,000,000 tonnes @ .7% Cu and 0.01 oz/t Au

tonnes of ore	15,000,000	copper price US \$	1.25
tonnes per day	4,500	gold price US \$	400.00
operating cost \$/t	8.10	silver price US \$	5.00
copper grade	.700%	zinc price US \$	.70
gold grade (oz/t)	.0100	US/CDN exchange	.82
silver grade (oz/t)	.250		
zinc grade	.000%		
capital cost \$	80,000,000	\$ x 1000	
mine life (yrs)	9.52	<u>Net Present Value \$</u>	31,551
tonnes of ore/yr	1,575,000	<u>Ann. Operating Margin \$</u>	21,816
copper production (lb)	22,847,579		
gold production (oz)	15,750		
silver production (oz)	393,750		
zinc production (lb)	0		
copper revenue \$	33,584,748	refining costs \$	3,224,136
gold revenue \$	6,914,634	smelting costs \$	3,159,604
silver revenue \$	1,920,732	transport costs \$	1,462,445
zinc revenue \$	0		
Refining charges \$/lb	.12		
smelting charges \$/t	70.00		
transport charges \$/t	30.00		

TABLE I

NET PRESENT VALUES
(millions of Canadian \$)

Scenario	Price of copper (US\$/lb)		
	1.00	1.25	1.50
3000 tpd @ .75% Cu	-21.43	1.86	25.15
3000 tpd @ .75% Cu and 0.01 oz/t gold	-5.77	17.52	40.81
3000 tpd @ .75% Cu and 0.5% Zn	-6.14	17.15	40.44
3000 tpd @ .75% Cu, 0.01 oz/t gold and 0.5% Zn	9.52	32.81	56.10
4500 tpd @ .7% Cu	-24.55	8.06	40.66
4500 tpd @ .7% Cu and 0.01 oz/t gold	-1.05	31.55	64.16
4500 tpd @ .7% Cu and 0.5% Zn	-0.77	31.83	64.44
4500 tpd @ .7% Cu, 0.01 oz/t gold and 0.5% Zn	22.72	55.33	87.93

ADDITIONAL FACTORS

There are a number of factors, discussed below, which could have an important impact on the economics of this project, but which are not easily quantifiable with the limited data available. The impact of some of these factors has already been shown under the section on Sensitivity Analysis but even so, further study is warranted and other factors simply cannot easily be dealt with until more information is available. These factors are:

1. Selective mining may enable the average grade to be significantly increased, but the impact of this on the stripping ratio needs to be reviewed.
2. Attention to precious metals values may show zones with higher gold grades as has been indicated in both mined out areas and in exploration holes. Some previous intersections of higher gold were 0.04 oz/t over 41 ft, 0.03 oz/t over 63 ft, 0.02 oz/t over 129

ft, 0.03 oz/t over 60 ft and 0.05 oz/t over 20 ft. It is significant that the highest gold values are not always with the highest copper values.

3. Zinc values may be able to contribute substantial revenue to the operation. Although never recovered (and seldom even assayed) during the Granby years there certainly are sections of the deposit with higher zinc values, and it may be that the Hidden Creek zones could average 0.5% or more zinc.

4. Different methods of treatment, such as heap leaching or in-situ leaching may enable production of copper at lower costs and should not be dismissed without another review.

5. Exploration is almost certain to discover new zones, and it is reasonable to suppose that the grades of those zones will be more like the historical grade at Anyox rather than the grade now remaining. The other deposits in the area substantiate this hypothesis.

6. Economies of scale may make it worthwhile to operate at substantially larger daily throughputs and significantly increase the potential reserves, even if this increases the stripping ratio.

7. There are, currently underway, studies to determine the feasibility of building a copper smelter in B.C. One of the locations being considered is the north coast, and such a development, should it take place, could have an important impact on any operation at Anyox.

EXPLORATION POTENTIAL

General

It is axiomatic amongst explorationists that the best place to find an ore deposit is near an already discovered deposit or group of deposits. Although this truism is sometimes forgotten, or even disparaged, there are many instances, even after years of exploration, of great successes literally in the back yards of other deposits. This is just as true when one is discussing massive sulphides (the great discovery by Aur Resources last year at Val d'Or) as when talking about gold (the numerous discoveries over the last few years in the Carlin Trend, Nevada).

The cupriferous massive sulphide bodies mined at Anyox would be collectively considered a world class deposit by just about anyone's standards. The discovery of similar, albeit smaller,

deposits in the area during the 1950s and 60s confirms our truism above. Additional exploration has been carried out by Cominco in 1976 and by Mitsui in 1982 as well as that funded by Prospectors Airways in 1987 and 1988. All of this previous exploration has been aimed at discovering additional cupriferous massive sulphides, with little to no attention given to zinc rich deposits or to gold. All of the deposits discovered to date in the general Anyox area outcrop and have been discovered by traditional prospecting. Since today's surface is an arbitrary slice in time that would have been different 1 million years ago and will be different 1 million years in the future, it is highly unlikely that all of the massive sulphide bodies in the Anyox area would be exposed at the same time. On this basis alone, the potential for finding additional ore at Anyox has to be regarded as very good.

Copper/zinc

As mentioned previously, all of the known sulphide bodies at Anyox occur at or near the main basalt-sediment contact. It is logical therefore, that exploration for similar deposits be concentrated along this contact, and that has certainly been the case to date. More specifically, most of the modern exploration has been focused around the known areas of mineralization. Although a significant portion of the 25 km of favourable basalt-sediment contact has been explored at the surface, little attention has been paid to "prospecting" the subsurface or the overlying tuff unit or the underlying unit, both of which host known massive sulphides.

An example of an orebody not at the basalt-sediment contact is the Bonanza deposit, which occurs within a metamorphosed tuff or tuffaceous sedimentary unit approximately 300 to 500 feet (100-150 m) below the main basalt sediment contact. While quite small (700,000 tons), this deposit was reasonably rich (2.5% Cu) and with twice the average Anyox gold grade. A seven foot thick, sphalerite- rich, bedded pyrite horizon at the top of the deposit suggests the zinc content may have been significant as well. An unknown amount of the deposit has been faulted off and not yet been located.

The Double Ed deposit, described earlier in this report, also occurs below the main basalt-sediment contact, being about 500 feet (150 m) below that contact. The Double Ed and Bonanza deposits may be hosted by the same horizon, but in any case, the interval below the main basalt-sediment contact is certainly worth additional work.

An indication of the potential of the hanging wall sediments is given by a hole drilled by Granby, into hanging wall sediments near the No. 1-5 orebody, which intersected 41 ft averaging 2.3% Cu.

Additional exploration potential for zinc is suggested by certain other facts of particular interest. The best intersection of zinc mineralization assayed by Granby was 7.8% zinc over a 36 ft length. Combined with the 2.4% copper that occurred over the same interval, such an intersection is obviously significant. The No. 5 zone of the Hidden Creek deposits mined by Granby, included a portion of about 2.3 million tons that averaged between 1 and 2% zinc. Even these low values could be of great importance to an operating mine.

Gold

Almost no attention has been given, at Anyox, to finding gold or silver - rich zones of massive sulphides or distinct gold deposits despite accumulating evidence that suggests such a search is worthwhile. The evidence is both direct, from certain assays, etc. and indirect, by inference from related deposits.

As previously mentioned, many of the earlier drill holes were not assayed for gold; however, a certain amount of information is known about gold distribution from the production records and from isolated assays, as well as from the more recent work.

The data accumulated to date suggest that the best gold mineralization is associated with massive sulphides that are enclosed in, or in close proximity to, sediments. For example, the No. 5 zone, which was at least partially within the sediments, had large tonnages (2 million +) that averaged about 0.03 oz/t gold or 10 times the overall average for the Hidden Creek deposits. A 1982 drill hole contained a 23 ft section that averaged 0.054 oz/t gold and 3.2 oz/t silver in massive sulphides in the sediments. While most of the gold has been reported to occur in chalcopyrite, the assays available indicate there is not a high correlation between copper and gold.

The Anyox deposits are thought to be similar, in geology, metallogeny and age, to the Windy Craggy massive sulphide, located about 300 miles to the north. There, significant gold zones (up to 0.3 oz/t) have been located in overlying rocks. The similarities auger well for the discovery of such zones at Anyox.

While the smelter was operating at Anyox, approximately 62,000 tons of quartz were mined from one or more quartz veins on Granby Peninsula located nearby. This quartz averaged 0.093

oz/t gold recovered so that the in-situ grade was probably about 0.1 oz/t. There is no indication that Granby ever tried to mine gold rich portions of these veins, so that it is not unreasonable to suppose that higher grade areas might well exist. Such veins should be searched for on the Anyox property as well.

CONCLUSIONS AND RECOMMENDATIONS

The Anyox massive sulphide deposits have been a major source of copper production in the past, with production having been 24 million tons grading 1.56% copper and with minor gold, silver and zinc. Significant potential still exists for the Anyox area to once again become a major producer of copper, with important by-product gold, silver and zinc.

Various exploration programs over the ensuing 55 years since the mines closed have shown that a substantial mineral inventory is available and potentially amenable to open pit mining at reasonable stripping ratios. Of the various potential reserve calculations done by different parties, a 1984 computer generated study incorporated the most realistic parameters and is believed to be most reliable. The potential ore reserve was calculated to be 50 million tons grading 0.62% copper, of which approximately 12-15 million tons appears to be minable by an open pit with strip ratios less than 2:1. The grade of this open pit reserve was estimated to be about 0.7 -0.75% copper. With increasing stripping ratios, a larger tonnage is, of course, available.

Additional massive sulphide bodies in the area have considerably higher grades, (up to 2% copper and 1.5% zinc) but are substantially smaller, with a combined tonnage of about 2.5 million tons. These deposits have not been included in the open pit potential discussed above.

Preliminary financial analyses show that, with US \$1.25 copper, and under the assumptions made herein, pre-tax net present values vary from a low of \$2.0 million for the base case, to over \$30 million with small increases in the grades of gold and zinc.

A preliminary review of the data accumulated over the years indicates that not only does the Anyox area have a high potential for the discovery of additional cupriferous massive sulphide deposits, but there is a very strong likelihood that portions of the deposits will be found to be much higher grade in zinc and/or gold than the overall average of the deposits previously mined. Assays of specific drill holes and of certain mineralized horizons show that zinc values to several percent and gold values to 0.03 to 0.05 oz/t occur over significant widths.

In view of the positive indications that the potential ore reserves at Anyox could be produced with substantial profits, we recommend that a complete review of all the past data be undertaken together with a program to assay drill core, already on site, for zinc and especially gold. At the same time, a more detailed review of the grades and tonnages of mineralization available at different stripping ratios and mining rates should be undertaken. Such a review would also point out where additional data are required in order to bring the mineral inventory into the proven category.

CERTIFICATE OF QUALIFICATION

I, Robert C. Handfield, of 825 Hendecourt Rd, North Vancouver, British Columbia, Canada, hereby certify that:

(1) I am a B.Sc. (Hons.) graduate in geology from the University of British Columbia, 1965.

(2) I hold a Ph.D. in geology from Princeton University, Princeton, N.J. (1970).

(3) I am a Fellow (F2816) of the Geological Association of Canada.

(4) I have been practising the profession of geology since 1965 and have evaluated exploration and mining properties in many parts of Canada and the U.S.A.

(5) I am an independent consultant specializing in the evaluation of exploration and mining properties.

(6) I was formerly Vice President of Giant Bay Resources Ltd. Prior to that I was Acquisitions Manager for Texasgulf Inc. and previously district exploration manager for the same company.

(7) This report is based on information provided to me from a number of sources including companies which have interests in the property.

(8) I have no interest, nor do I expect to receive any interest, either directly or indirectly, in the Anyox Property, Boston Financial Corporation or any of the parties connected therewith.

(9) I herewith grant my permission for Boston Financial Corporation to use this report for whatever purpose deemed necessary.

Dated in Vancouver, B.C., on the 22nd day of May, 1990.

Robert C. Handfield, B.Sc., Ph.D., F.G.A.C.

CERTIFICATE OF QUALIFICATION

I, Ross O. Glanville, of 7513 Pandora Dr. Burnaby, British Columbia, Canada, hereby certify that:

(1) I am a B.A.Sc. (Mining Engineering) graduate from the University of British Columbia, 1970.

(2) I hold a Masters Degree in Business Administration (M.B.A.) from the University of British Columbia. (1974).

(3) I am a registered member of the Association of Professional Engineers of British Columbia and have been since 1972.

(4) I am a registered member of the Certified General Accountants Association of British Columbia.

(5) I am President of Glanville Management Ltd., a company specializing in the valuations of exploration properties and mining companies.

(6) I have been practising my mining engineering profession since 1970 and have valued exploration and mining properties in many parts of Canada and the U.S.A., as well as in other areas of the world.

(7) I was formerly President of Giant Bay Resources Ltd. and Vice President - Valuations of Wright Engineers Limited, a large international mining, engineering, and consulting company. Prior to that I was a mining engineer and transportation manager with Placer Development Ltd., and a mining and project analyst with two major investment holding companies.

(8) This report is based on information provided to me from a number of sources including companies which have interests in the property. I previously made a site visit in 1988.

(9) I have no interest, nor do I expect to receive any interest, either directly or indirectly, in the Anyox Property, Boston Financial Corporation or any of the parties connected therewith.

(10) I herewith grant my permission for Boston Financial Corporation to use this report for whatever purpose deemed necessary.

Dated in Vancouver, B.C., on the 22nd day of May, 1990.

Ross O. Glanville, B.A.Sc., P.Eng., M.B.A., C.G.A.

DOCUMENTS REVIEWED

Anyox Mine Development, Proposed Work Programs, prepared by Sigma Engineering Ltd, December, 1987

Cominco Reports and file notes of various dates, of which only some are listed here, either by date only or by title and date:

May 1, 1980; Oct. 2, 1984; April 15, 1987;
April 21, 1987; April 28, 19, 1987; May 19, 1987;
November, 1987; Dec. 15, 1987; Jan. 27, 1988
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