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Nadina Explorations Ltd

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Silver Zinc Mine - Owen h

821230

Houston B.C.

October 1973

NADINA EXPLORATIONS LTD.

Vancouver, Canada

SILVER-ZINC MINE

October 1973

[ Owen h. Houston B.C. ]

## CONTENTS

	<u>Page No.</u>
SUMMARY	1
LOCATION	2
GEOLOGY	2
EXPLORATION	3
ORE RESERVES	4
METALLURGY	9
MILLING	11
PRESENT AND PROJECTED PRODUCTION	12
OVERRUN IN CONSTRUCTION COSTS	15
MANAGEMENT	16
PROPOSED DEVELOPMENT AND MINING PLAN	18
METAL CONTRACTS	21
ROYALTIES PAYABLE	22
TAX POSITION	22
PROJECTED CASH REQUIREMENT	23

MAPS

SUMMARY:

Nadina has a proven ore body with the mill heads in excess of \$65.00 per ton, and a new mill has been built to handle 600 tons per day, however, poor management and serious misjudgments at the mine have prevented economic operation to date.

The ore reserves have been checked, sampled, and confirmed by six engineers and, with the new up-to-date flotation mill and higher metal prices, the property is a highly profitable mine, requiring only operating capital and management. The reserves are confirmed to be 551,650 tons proven and possible 502,000, for a total of over one million tons, and mining operation through the last two years has caused a net change of 117,000 tons downward.

Nadina contracted with Bralorne Resources of Vancouver to place the mine and mill into operation. After several years and many million dollars Bralorne has elected to close the operation and review their future mining plans.

At this date \$800,000. is required to correct the mining system, prepare the necessary stopes and improve the surface installations, to handle the rated capacity of 600 tons per day.

We believe the world wide currency inflation will maintain higher metal prices for several years hence and the current higher prices are not of a temporary nature.

### LOCATION:

Nadina Mines Ltd. acquired a property consisting of 146 claims (5, 500 acres) on which there were several vein systems containing gold, silver, copper, lead, zinc and cadmium. The claims located in rolling lightly wooded country at Owen Lake, 28 miles from Houston, B.C. are accessible by a good all weather road. Water and timber are readily available and CNR facilities exist at Houston. The mine is about 500 miles north of Vancouver, Canada, near Smithers, B.C., as shown on the location map.

### GEOLOGY:

The geology may be described as steeply folded and highly altered volcanics and intrusives on a NW - SE axis where 12 to 15 separate veins occur in several distinct vein systems, and three of these veins, 2, 3 and 1, have proven ore reserves.

Parallel shear zones and fractures run parallel to the NW strike of the volcanics. They dip 60 - 70 degrees to NE and tend to converge to the SE. Silver and gold values tend to fluctuate with the copper grades. Widespread sulphide mineralization 2, 300 ft. SE of the vein system led to the discovery of a strong geo-chemical anomaly which has very intriguing possibilities.

## EXPLORATION:

Exploration of the Wrinch vein system by 3,500 ft. of adits and cross cuts plus 2,700 ft. of drifting and raising together with 5,000 ft. of diamond drilling indicate the present ore reserves.

A series of diamond drill holes, 250 ft. below the 2,600 ft. main haulage level by Northgate Explorations, confirm the downward potential of the veins and indicate additional probable reserves.

The grade of ore improves at depth on the following ratio: gold plus 30%, silver plus 70%, zinc plus 100% between the surface and 800 ft. There is no change for copper or lead but the grade of the probable reserves should be slightly higher than the proven.

The geochemical anomaly area was tested by three 2,000 ft. diamond drill holes. A 300 to 400 ft. thickness of mineralized Rhyolite breccia carrying low values in silver and copper has been intersected in all the holes.

The third hole also intersected what is believed to be the extension of the mine vein system about 1,000 ft. below the existing workings and 1,500 ft. to the south where the core length was 26.4 ft., the grade was 20 oz. of silver, and 32% combined lead and zinc. (over \$200.00 per ton gross value at current metal prices.)

EXPLORATION (Cont'd):

The potential of this property will only be realized when the Wrinch vein system is extended in both directions and proven to the depth indicated by the vein intersection by the Northgate drill hole.

Economic evaluation of the 400 thick Rhyolite breccia zone in the area of the geochemical anomaly must be completed before the potential of the Nadina property will be known.

ORE RESERVES:

In September 1969 by G. H. Lewis - we quote:

"450,000 tons over a 4.25 ft. width above 2,600 ft. level.

Grading:	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn/%</u>
	0.11	9.72	0.81	1.6	7.18 "

In 1970 by E. O. Chisholm - we quote:

"#3 Vein explored by systematic surface trenching and underground drifting on two adits at elevations of -110 ft. and -450 ft. or (2,600 ft. level).

Length:	Surface	1,800 ft.
	Top level (-170)	800 ft.
	Bottom level (-450 or 2,600 ft.)	300 ft.
	(partially explored ends open)	

Grade: (undiluted and width)

ORE RESERVES (Cont'd):

<u>"Width:</u>	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn/%</u>
3.8 ft.	0.07	14.1	1.33	2.1	6.5
Tonnage proven to 450 ft.					- 143,000 tons.

#4 Vein and Ruby Vein. Explored by systematic surface trenching and underground drifting on two levels of -170 and (-450 or 2,600 ft.)

Length:	Surface	1,900 ft..
	Top level	650 ft.
	Partially explored South end and open Bottom level	2,400 ft.

Grade: (undiluted and width)

<u>Width:</u>	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn/%</u>
4.5 ft.	0.11	10.0	0.4	1.5	7.0

Tonnage proven 400,000.

"Additional tonnage of provable ore is assumed to a depth of 850 ft.

REMARK - Vein shows relatively constant values from surface to bottom level but a marked increase in silver values in the vein toward the SE. This is also indicated in two surface diamond drill holes that intersected the SE extension of the vein system.

Total proven tonnage in the 3, 4 and Ruby Vein - 543,000 tons.

"Proven 543,000 tons undiluted weighted

Average grading:	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn%</u>
	.10	10.9	0.8	1.6	6.8

Probable 1,045,000 tons (undiluted) Assigned Grade - as above

Total 1,600,000 Grade - as above

In addition to the above reserves the potential is indicated below:

#1 Vein explored by scattered surface trenching only.

Grade (approx.)	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn%</u>
	0.01	6.0	.50	1.2	5.0

Estimated tonnage potential 350 tons per vertical foot.

#2 Vein explored by scattered surface trenching, also encountered by raises on lower level (and in D. D. hole reported by Bralorne).

Length: Approx. 1,600 ft. Width 6 ft.

Grade (approx.)	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn%</u>
	0.01	1.0	0.1	2.3	5.6

Estimated tonnage potential 950 tons per vertical foot.

#5 Vein

Length: 400 ft. partially developed.

Width:	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn%</u>
3.2 ft.	0.10	10.9	0.8	1.6	6.8

Potential 115 tons per vertical ft.

This gives a combined potential of 1,400 tons per vertical ft. indicated by surface trenching. In addition three exposed veins of undetermined potential."

ORE RESERVES (Cont'd):

Confirmation of the reserves can be found by Dolmage Campbell, who estimated, and we quote:

"	<u>Au/Oz.</u>	<u>Ag/Oz.</u>	<u>Cu/%</u>	<u>Pb/%</u>	<u>Zn/%</u>
551,650 tons	0.10	10.0	0.76	2.1	6.96

Readily available possible ore estimated to be 502,000 for a total reserve of 1.05 million tons.

The geological potential for new ore and the ultimate life of Nadina could be as much as 20 years at 500 tons per day.

With metal prices calculated at gold \$39.00, silver \$1.85, copper \$.55, lead \$.12 and zinc \$.155, the following Net Smelter Returns were anticipated for the following sources of production..."

Stope development raises and sub-drifts	\$16.00 p. t.
Stope development T. D. B.	18.00 p. t.
H. G. Stockpile	16.00 p. t.
L. G. Stock	13.00 p. t.
Normal stope production	24.00 p. t.

After some production and much further development, Dolmage Campbell saw no reason to re-evaluate the reserves, in fact, they stated results on #3 Vein to the SE indicates that the vein exists to the SE of the Rhyolite body, one veing being 9 ft. wide and well mineralized.

ORE RESERVES (Cont'd):

New stoping above the 2,600 ft. level tends to corroborate estimates of ore reserves."

The following qualified engineers have checked the ore reserves at Nadina and all concur with about the same results:

Dr. Neil Church	B.C. Department of Mines	- Victoria, B.C.
Messrs. Bacon and Crowhurst		- Vancouver, B.C.
E. O. Chisholm	P. Eng.	- Vancouver, B.C.
Dolmage Campbell & Associates Ltd.		- Vancouver, B.C.
C. E. Michener	P. Eng.	- Toronto, Ontario
J. F. Hutter	Bralorne Mines Ltd. 1972	- Prince George, B.C.
G. H. Lewis	P. Eng.	- Toronto, Ontario
R. C. Phillips	P. Eng.	- Toronto, Ontario
O. A. Seeber	P. Eng. - Northgate Ex.	- Toronto, Ontario

None of these gentlemen has indicated that the ore reserves were substantially different from the estimates herein. The writer has checked their reports and they can be assumed to be accurate.

METALLURGY:

The metallurgy has been studied by several engineers and the final result may be summarized by the Table prepared in February of 1972 and shown on the following page.

NADINA METALLURGY, NET SMELTER RETURN & PRODUCTION VALUE

Product	Wt. %	Ratio	Tons per year	ASSAYS					% RECOVERIES					NET SMELTER RETURN		
				Au	Ag	Cu	Pb	Zn	Au	Ag	Cu	Pb	Zn	\$/Ton con	\$/Ton ore	\$/Year
Copper Con	2.32	43.1	4,176	0.69	144.0	23.0	4.38	4.15	16.0	35.0	74.0	7.0	1.5	442.72	10.25	1,847,000
Lead-Zinc Con	12.20	8.2	21,960	0.137	29.7	0.99	9.21	49.2	16.7	38.0	16.8	77.5	93.7	146.87	17.90	3,223,000
Pyrite Con	16.30	6.13	29,340	0.21	11.05	0.23	0.64	1.18	34.2	18.9	5.2	7.2	3.0	-	-	-
Tails	69.18	-	124,524	0.048	1.11	0.042	0.17	0.17	33.1	8.1	4.0	8.3	1.8	-	-	-
HEAD	100.00	-	180,000	0.10	9.53	0.72	1.45	6.41	100.0	100.0	100.0	100.0	100.00	-	28.15	5,070,000

Effect of Metal Price on N. S. R. \$/Ton Ore

METAL	Au	Ag	Cu	Pb	Zn
Metal Price	\$39.00	\$1.85	\$0.55	\$0.12	\$0.155
Price Change	\$ 1.00	\$0.10	\$0.05	\$0.01	\$0.01
N. S. R. \$/Ton ore	\$ 0.02	\$0.50	\$0.51	\$0.16	\$1.00

Freight & Transit Loss Deductions to Net Smelter Return

Item	Copper		Lead-Zinc		TOTAL CONS	
	\$/Ton con	\$/Ton con	\$/Ton Ore	\$/Ton Ore	\$/Ton Year	\$/Ton Year
Net Smelter Return	442.72	146.87	28.15	5,070,000		
Freight & Handling Costs	23.94	23.38	3.41	613,000		
Transit Loss @ 1-1/2% of N. S. R.	6.64	2.20	0.42	76,000		
<b>Total Freight &amp; Transit Loss</b>	<b>30.58</b>	<b>25.58</b>	<b>3.83</b>	<b>689,000</b>		
Production Value (N. S. R.)						
- Freight & Transit Loss	412.14	121.29	24.32	4,381,000		

MILLING:

The mill plant itself is first class and is described in the February 1972 Report as a "Cadillac-type" mill. The mill has a rated capacity of 20,000 tons per month and has two complete floatation circuits.

The recovery of the last several months has been below standards because the mine could not produce sufficient tonnage; the management then put development material and rock from the dump through the mill. The dump material was from adit and raise exploration work, having been on the dump for two to four years was oxidized and thus caused severe problems in the mill.

The reported recovery from the mill at the close of six months production was found to be: Gold - 32%; Silver - 56%; Copper 58%; Lead - 70%; Zinc - 89%.

We have had conversations with Mr. Dave Gunn, who designed and built the mill and he has confirmed the capacity and also says the recovery can be upgraded to be better than: Gold - 50%; Silver - 60%; Copper - 70%; Lead - 80%; Zinc - 95%; Cadmium - 50%.

The recovery has been considerably below the minimum acceptable standards and we have reviewed this with our consultant Dr. Roshan Bhappu of Tucson, Arizona. Dr. Bhappu will make himself available to spend a week or so at the mill in order to correct the flow sheet, and Mr. Dave Gunn will be in consultation with him on this test work.



The recovery will be better with an improvement in mill heads, and we will have Dr. Roshan Bhappu of Tucson, Arizona as a consultant for the mill studies.

PRODUCTION AT NADINA - 1973

	<u>Tons</u>	<u>Au</u>	<u>Ag</u>	<u>Cu</u>	<u>Pb</u>	<u>Zn</u>
January						
Mined	10,700	.09	6.45	.59	1.15	5.42
Milled	10,200	.09	6.32	.60	1.15	5.61
February						
Mined	12,600	.09	5.27	.56	1.00	3.96
Milled	13,500	.09	5.84	.54	1.06	4.64
March						
Mined	15,300	.09	5.5	.39	1.42	4.37
Milled	15,100	.08	5.2	.36	1.17	4.77
April						
Mined	14,400	.09	5.3	.48	.86	3.76
Milled	15,100	.08	4.9	.41	.90	3.95
May						
Mined	15,500	.08	5.02	.44	.94	4.27
Milled	15,300	.08	4.53	.41	.89	4.16
June						
Mined	10,000	.07	4.15	.35	.89	4.30
Milled	11,600	.08	3.72	.32	.94	4.10

Average tonnage 13,400 per month.

Recovery for 1973:

in Cu Concentrate	11. %	19.7	58%	6.80	
in Pb-Zn "	<u>21. %</u>	<u>36.3</u>		<u>64.00</u>	<u>89.10</u>
Total Recovery	<u>32 %</u>	<u>56%</u>	<u>58%</u>	<u>70.80%</u>	<u>89.10%</u>

Note: From Bralorne records - July 31, 1973.  
Bralorne said 40% of this tonnage was taken from the dump. The dump is the old development work.

A stope in the Nadina mine will produce 450 tons per week. Ten of these stopes must be in continuous production to feed the mill 700 tons per day 7 days per week. It is, therefore, necessary to have at least 20 stopes available for development to assure a continuous well controlled operation. It is essential in this regard to maintain a continuous reserve of 60,000 tons of broken ore, to maintain a steady grade at the mill head. This current operation has had a maximum of 9 stopes and a negligible reserve of broken ore.

OVERRUN IN CONSTRUCTION COSTS:

The overrun in construction costs and managerial attempts to effect offsetting economies in other areas is the principal cause for mine preparation being half done 13 months after commencement of production.

<u>Overrun</u>	<u>Cause</u>	<u>Amount</u>
Mill & Crusher	Errors	\$ 300, 000
Mine Trestle	Bralorne underestimate	90, 000
Powerhouse	Heating Consultant error	59, 000
Concentrate Storage	CNR facilities not available	50, 000
Mine Dryhouse	Bralorne - error in judgment	40, 000
Tool rental & Construction Facilities	Bralorne underestimate	140, 000
Construction overhead		48, 000
Temporary Services	New water system generators late	85, 000
Water system	Plans lost	74, 500
Tailings Dam	Excavation & Government demands	<u>127, 000</u>
TOTAL		\$ 1, 013, 500
Overdesign		179, 000
Underestimate		545, 000
Performance		293, 000
Mine Development	Early start up	425, 000
Mine Machinery	" " "	94, 000

Despite the disheartening beginning, Bralorne Management still anticipated profitable 500 ton per day production, although only 8 stopes were ready. Dolmage Campbell felt that 20 stopes could be made available by October 1972, but in fact only 9 were available by September 1973.

MANAGEMENT:

In the two year period of Bralorne management they encountered extremely difficult times as well as four different managers during the construction and tune-up period. Two managers died and there were two serious fires at the property to interrupt normal operations.

Inflationary pressures and soaring costs made it impossible for the engineers to meet budget estimates or time schedules. It is very difficult today to obtain competent mine management for underground operations and as a result of these difficulties the mine was not prepared in time for production for the mill opening.

Proposed Management Team:

The new group has made plans to change the management and we have made financial arrangements to have Mr. James Doherty act in the capacity of manager, Mr. Franklin Price as the consultant, and Dr. R. Bhappu as the mineral dressing advisor. The men on this new team have all held responsible positions in mine management positions and their qualifications are outlined herein.

James J. Doherty, Surrey, B.C. has been employed in the mining industry for 30 years in capacities from miner to manager. In the last 20 years he has worked chiefly for mining contractors, principally R. F. Fry & Co. Ltd. and Patrick Harrison & Associates, and as a mining consultant. He has worked on several vein-type deposits where ground

control and low mining costs are essential. Doherty has been in charge of many multi-million dollar underground projects for major mining companies in Canada, including International Nickel, Placer Development, and International Mineral & Chemical Corporation. All of his mining work is directed to underground development or production.

Roshan Bhappu, Tucson, Arizona - obtained his degree from the Colorado School of Mines and taught there for several years. He later became Project Engineer with Miami Copper. Listed in American Men of Science and Leaders of American Science, he is a special consultant to the United Nations on mining and metallurgical seminars, has been an active leader in AIME committees and projects since 1965, and is currently Secretary-Treasurer of the Minerals Processing Division.

As U. N. consultant, Dr. Bhappu has been instrumental in organizing a February 1966 Interregional Seminar on Ore Concentration in Water-Short areas; an April 1972 UN Working Committee on the Exploitation of Low-Grade Ore Deposits, and an Interregional Seminar on Hydrometallurgy scheduled for 1973. He holds the CSM Van Diest Gold Medal for Outstanding Achievement (1968), membership in a half-dozen professional societies, Arizona and New Mexico registration as Metallurgical Engineer, and credits for almost four-dozen published professional papers.

Franklin Price, Vancouver, B.C. - studied law at the University of Virginia, then took four years mining engineering at New Mexico, with additional studies at Colorado School of Mines. He has been in mining evaluation and managerial positions for 20 years. Mr. Price maintains an active consulting office in Vancouver, Canada.

PROPOSED DEVELOPMENT AND MINING PLAN:

Since the start of production at the Nadina operation, the mine has never operated at its rated capacity of 500 tons per day. It would seem stope preparation and mine development were not expedited or planned ahead, to assure the new mill a regular and dependable daily ore supply of 500 tons.

In other words, the mine is not ready today, some 14 months after mill start-up to provide the quantity and quality of ore, the mill requires for an economic operation.

A crash program of mine development (drifting and raising), some in ore, some in waste, to be followed by stope preparation for at least 10 new stopes is now needed. This would involve #3, #2 and #1 veins.

At present mining is only being done on the #3 vein.

Diamond drilling underground must be greatly accelerated to check out the potential new stoping areas, both for vertical and lateral continuity of ore.

A lot of this drilling could be done with a bazooka diamond drill, where holes are from 25 feet to 150 feet in length.

In order to catch up on this stope preparation and development work, the mill should remain closed down from 60 - 90 days, and this has been provided for in our budget. An assessment will have to be made of the entire Nadina operation - with a view to up-grade mining methods, accelerate production, and to reduce labour and costs.

Strict control of the mining to eliminate as much waste dilution into the ore must be made. Stope lengths should be a minimum length - so that mining openings would remain open the minimum amount of time. The hanging wall, when necessary, should be supported at all times. In a producing mine, development work (drifting and raising) and stope preparation should be done on a continuing basis.

At present some 2,000 feet of drifting and 1,500 feet of raising should be done immediately, and as ore veins are opened up for stoping - stope development proceeded with.

The cost of this program:

2,000 ft. of drifting and crosscutting @ \$60.00 ft.	\$120,000.00
1,200 ft. of raising and box holes @ \$60.00 ft.	72,000.00
Stope preparation	60,000.00
Equipment, supplies	<u>48,000.00</u>
TOTAL	<u><u>\$300,000.00</u></u>

## METAL CONTRACTS

The Company now has two metal contracts. The copper concentrate is sold to Noranda Mines in Eastern Canada, and the lead-zinc is shipped to Nippon & Sumatomo in Japan. It has been suggested that the mill circuit be altered to make a Cu-Pb concentrate to sell in Europe and a zinc product for Japan. Our consultant, Dr. Bhappu will work out the economics of this change.

The present freight rate appears reasonable. This is \$7.32/S. D. T. for copper to Noranda and \$31.00/S. D. T. for Japan.

The cash flow of the concentrates is important as Noranda pays for the metal the 15th of the fourth month after arrival, while the Japanese smelters pay 30 days after shipment from Vancouver. These concentrates are bankable, but interest of 9% on 1,200,000 dollars must be allowed for in the costs at \$9,000.00 per month.

These contracts were the best that could be obtained during the slump in metal demand that was in existence when they were made. The metal climate is now much improved and new and better contracts can and should be obtained.

## ROYALTIES PAYABLE

Eighteen (18) Crown Granted claims were bought by Nadina from Canadian Explorations Ltd., a subsidiary of Placer Developments Ltd.

A royalty of 2-1/2% of net smelter returns is payable on these claims the second year that the property is in production.

In each year thereafter throughout the life time of the mine, a royalty of 5% is payable to Canadian Explorations on these 18 claims.

In conversations with the Nadina management and the Bralorne management, we are informed that these royalties are under review. These managements believe that the royalties will be 2-1/2% for the life time of the mine - not 5%.

## TAX POSITION

The property and the equipment belong to the members of a syndicate. They carry their tax benefits back into their own corporations. In this regard Bralorne and Pacific Petroleums would use their benefits to write off their own losses, but Nadina would have available exploration write-offs in the amount of \$1, 768, 684. 00 as of August 1968.

PROJECTED CASH REQUIREMENT:

The projected dollar investment required to correct the Nadina project is estimated at nearly \$800,000.00 depending on time and method of takeover. The funds will be invested for nearly six months from phase one and the payback will start on month seven at the rate of \$200,000.00 per month. The exact amount of money required depends on several managerial and engineering decisions that should not be considered until we are further down the line. The takeover of the inventory, the type of Dry and Office building construction and amount of outside exploration will control and delimit investment.

The budget has been estimated at:

Two months operation with mill closed	\$ 150,000.00
Mill start-up costs	224,000.00
Mine Preparation - Contract	300,000.00
Engineering Studies - mill testing	25,000.00
New Dry Building - Office	60,000.00
Exploration Drilling	50,000.00
Contingency	100,000.00
	<u>\$ 909,000.00</u>
Less Government training aid	<u>54,000.00</u>
	<u>\$ 855,000.00</u>

Estimated operating costs are \$18.50 per ton to produce 15,000 tons per month with a net smelter return of \$40.00 per ton.

The projected monthly income to be \$320,000.00.

Estimated costs assumed to properly prepare mine and mill

plant at Nadina on monthly basis:

Months 1 and 2

Operation with mill closed	\$ 75,000.00	
Mine preparation - Contract	50,000.00	
Engineering studies	25,000.00	
	<u>\$ 150,000.00</u>	
Less - Training Aid	27,000.00	
		<u>\$ 123,000.00</u>
	NET LOSS	

Month 3

Operation	\$ 210,000.00	
Mine preparation - Contract	50,000.00	
New Building	60,000.00	
	<u>\$ 320,000.00</u>	
Mill testing - 7,500 tons @ \$30.00	\$ 225,000.00	
Less - Training Aid	27,000.00	
	<u>\$ 252,000.00</u>	
	NET LOSS	<u>\$ 68,000.00</u>

Month 4

Operation	\$ 250,000.00	
Mine preparation - Contract	50,000.00	
	<u>\$ 300,000.00</u>	
Mill testing - 12,000 tons @ \$30.00	360,000.00	
	<u>\$ 60,000.00</u>	
Exploration - Drilling	50,000.00	
	<u>\$ 110,000.00</u>	
	PROFIT	<u>\$ 10,000.00</u>

Month 5

Break even  
Milling 12,000 tons @ \$40/Ton

Month 6

Break even

Month 7

Mine and mill costs	\$ 290,000.00	
15,000 tons @ \$40.00 Ton	600,000.00	
	<u>\$ 890,000.00</u>	
	PROFIT	<u>\$ 310,000.00</u>