

Great Western
822820

ECONOMIC STUDY

CAVE CREEK PROJECT

Lectus Developments Ltd.
Internal Memo; Cash Flow Projections

It is now possible to establish preliminary cash flow projections on the Cave Creek project heap leach mine at Carefree, Arizona. For the purpose of this study the following assumptions are made:

- 1) Ore reserves in all categories totalling one million tons are minable.
- 2) Average grade of all reserves is 0.04 oz gold per ton
- 3) Recovery on agglomerated material will average 70%
- 4) Average gold price will be \$450 U.S.
- 5) Capital costs will be \$500,000 U.S.
- 6) Operating costs (estimated by Orocon Ltd. in its preliminary feasibility study) will be \$7.60. This figure is considered to be high. Orocon's study is based on a more costly vat leach system. Recent work indicates that an agglomerated heap leach is more appropriate.

Using these figures the project will yield an operating profit of \$5,000,000 U.S. over the life of the mine. Lectus' capital (one half of the total investment) out of 70% of the first proceeds. Following payback of capital, Lectus will receive 24.5% of the total return. The overall return may be improved by several factors such as a 30% increase in total ore reserves and a 25% increase in ore grade. Both of these increases are indicated but not proven. Also, operating costs would be considerably lower than the projected \$7.60 per ton if heap leaching is the method utilized. The estimated rate of production (1,000 tons per day) could be doubled after three months of operation, shortening the life of the project to 18 months, and lowering total overhead. This rate of production would yield approximately \$80,000 per month for 18 months. Assets and personnel would then be freed for other projects such as the Arabian mine, which is now being negotiated.

ECONOMIC STUDY

NELSON, BRITISH COLUMBIA PROPERTIES

Lectus Developments Ltd.
Internal Memo; Cash Flow Projections

Work programs on the various projects on the properties of Lectus Developments Ltd. at Nelson, British Columbia are not sufficiently advanced to make cash flow projections. However, drilling to date has suggested models of the deposits encountered. On the Give Out Creek discovery (100% owned by Lectus) a small high grade deposit has been discovered. The objective of the current program is to expand reserves to 100,000 ounces of gold at an average grade of 0.25 ounces of gold per ton.

The Star project is a joint venture between Lectus and Ryan Exploration, a wholly owned subsidiary of U.S. Borax. Several very large zones of low grade material have been indicated by drilling, geochemistry and geophysics. Geophysics, geochemical surveys and surface sampling have indicated several other large zones of gold mineralization to the east of the discovery zone. Drilling has commenced on these new targets.

In 1987 Lectus participated in the financial analysis of a large low grade gold deposit in the United States, the Almaden mine. This analysis serves as a useful model of cash flow and earnings for the large low grade deposit on the Star project. Most of the basic costs and operating conditions are the same.

While it is too soon to apply reserve figures to the gold deposits on the Star project, the targets that are indicated compare favorably to the Almaden model. Work to date indicates that the Star project may well enjoy higher gold grades and greater metallurgical recovery as well as the potential for greater tonnage. Copper and silver credits would also boost the gross value of the material being milled.

Ore from the Star project would be subject to higher cyanide consumption than the Almaden and higher capital costs might be incurred due to environmental sensitivity. The following tables may therefore be taken as a generally reliable guide to the potential performance of large low grade gold deposits in low cost areas like Nelson.

THE FOLLOWING ASSUMPTIONS WERE MADE:

Financial Analysis

The following assumptions were made:

Ore Tons per day	6,000
Ore Tons per year	2,190,000
Waste/Ore Ratio	0.3:1
Ore Reserves (tons)	18,000,000
Grade Opt Gold	0.030, 0.028
Recovery	75%
Gold Price (US)	450, 550

Capital Costs

Mining & Shops	7,500,000
Milling, Assay, Misc., Tailings	<u>20,500,000</u>
Subtotal	28,000,000
Working Capital	<u>3,000,000</u>
Total	<u>31,000,000</u>

All capital spent in 1988, full production in 1989.

Operating Costs (\$/ton milled)

Mining - \$0.90/ton moved,	1.17
0.3:1 strip ratio	
Milling Power	3.58
Adminstration, Insurance, General	0.40
General Maintenance	<u>0.17</u>
	<u>5.32</u>

Exploration and development written off at 100%.

COMPARISON

	2,190,000 TPY		Gold Price US \$450					Grade	0.028 Au OPT						
	1987	1988	(in \$000's)											Total	
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Tons of Ore			2190	2190	2190	2190	2190	2190	2190	0	0	0	0	0	17520
Recovered Gold (oz)			46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	0	0	0	0	368.0
Total Revenue			20696	20696	20696	20696	20696	20696	20696	20696	0	0	0	0	165568
Operating Cost @ \$5.32/ton			11651	11651	11651	11651	11651	11651	11651	11651	0	0	0	0	93208
Property Tax			290	290	290	290	290	290	290	290	0	0	0	0	2320
Operating Profit			8755	8755	8755	8755	8755	8755	8755	8755	0	0	0	0	70040
State Mining Tax		0	0	24	41	54	63	75	83	91	0	0	0	-27	404
State Income Tax		0	0	92	160	207	241	288	321	349	0	0	0	-104	1554
U.S. Federal Taxes		0	0	439	783	1023	1198	1434	1599	1743	0	0	0	0	8219
Total Taxes		0	0	555	984	1284	1502	1797	2003	2183	0	0	0	-131	10177
4% NPR Royalty		0	0	0	0	161	350	350	350	350	0	0	0	0	1561
After Tax Profits		0	8755	8200	7771	7310	6903	6608	6402	6222	0	0	0	131	58302
Mining Equip & Plant	0	10000	0	0	0	0	0	0	0	0	0	0	0	0	10000
Mill Equipment	0	18000	0	0	0	0	0	0	0	0	0	0	0	0	18000
Exploration	0	1000	0	0	0	0	0	0	0	0	0	0	0	0	1000
Preprod. & Develop.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	500	500	500	500	500	500	500	250	100	0	0	0	3850
Acquisition	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	1000
Flow-through	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Working Capital (Recovery)	0	0	3000	0	0	0	0	0	0	0	0	-3000	0	0	0
Total Capital Expenditures	1000	29000	3500	500	500	500	500	500	500	250	100	-3000	0	0	33850
Flow-through Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	-1000	-29000	5255	7700	7271	6810	6403	6108	5902	5972	-100	3000	0	131	24452
Cummulative Net Cash Flow	-1000	-30000	-24745	-17045	-9774	-2964	3439	9547	15449	21421	21321	24321	24321	24452	24452
Equity Cash Flow	-1000	-30000	-24745	-17045	-9774	-2964	3439	9547	15449	21421	21321	24321	24321	24452	24452
Equity Rate of Return						0.0%	3.6%	8.4%	11.6%	13.9%	13.9%	14.6%	14.6%	14.7%	14.7%

COMPARISON

	2,190,000 TPY				Gold Price US \$550			Grade	0.028 Au OPT						
	(in \$000's)														
	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Total</u>
Tons of Ore			2190	2190	2190	2190	2190	2190	2190	0	0	0	0	0	17520
Recovered Gold (oz)			46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	0	0	0	0	368.0
Total Revenue			25295	25295	25295	25295	25295	25295	25295	25295	0	0	0	0	202360
Operating Cost @ \$5.32/ton			11651	11651	11651	11651	11651	11651	11651	11651	0	0	0	0	93208
Property Tax			290	290	290	290	290	290	290	290	0	0	0	0	2320
Operating Profit			13354	13354	13354	13354	13354	13354	13354	13354	0	0	0	0	106832
State Mining Tax		0	45	70	99	124	141	153	162	169	0	0	0	-27	936
State Income Tax		0	173	270	383	477	543	590	622	650	0	0	0	-104	3604
U.S. Federal Taxes		0	853	1342	1913	2391	2726	2961	3125	3269	0	0	0	0	18580
Total Taxes		0	1071	1682	2395	2992	3410	3704	3909	4088	0	0	0	-131	23120
4% NPR Royalty		0	0	0	382	534	534	534	534	534	0	0	0	0	3052
After Tax Profits		0	12283	11672	10577	9828	9410	9116	8911	8732	0	0	0	131	80660
Mining Equip & Plant	0	10000	0	0	0	0	0	0	0	0	0	0	0	0	10000
Mill Equipment	0	18000	0	0	0	0	0	0	0	0	0	0	0	0	18000
Exploration	0	1000	0	0	0	0	0	0	0	0	0	0	0	0	1000
Preprod. & Develop.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	500	500	500	500	500	500	500	250	100	0	0	0	3850
Acquisition	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	1000
Flow-through	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Working Capital (Recovery)	0	0	3000	0	0	0	0	0	0	0	0	-3000	0	0	0
Total Capital Expenditures	1000	29000	3500	500	500	500	500	500	500	250	100	-3000	0	0	33850
Flow-through Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	-1000	-29000	8783	11172	10077	9328	8910	8616	8411	8482	-100	3000	0	131	46810
Cummulative Net Cash Flow	-1000	-30000	-21217	-10045	32	9360	18270	26886	35297	43779	43679	46679	46679	46810	46810
Equity Cash Flow	-1000	-30000	-21217	-10045	32	9360	18270	26886	35297	43779	43679	46679	46679	46810	46810
Equity Rate of Return					32	11.6%	18.2%	22.2%	24.8%	26.6%	26.5%	26.9%	26.9%	26.9%	26.9%

COMPARISON

	2,190,000 TPY		Gold Price US \$450		Grade		0.030 Au OPT								
	(in \$000's)														
	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>Total</u>
Tons of Ore			2190	2190	2190	2190	2190	2190	2190	0	0	0	0	0	17520
Recovered Gold (oz)			46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	0	0	0	0	368.0
Total Revenue			22174	22174	22174	22174	22174	22174	22174	22174	0	0	0	0	177392
Operating Cost @ \$5.32/ton			11651	11651	11651	11651	11651	11651	11651	11651	0	0	0	0	93208
Property Tax			290	290	290	290	290	290	290	290	0	0	0	0	2320
Operating Profit			10233	10233	10233	10233	10233	10233	10233	10233	0	0	0	0	81864
State Mining Tax		0	14	39	56	71	88	100	108	116	0	0	0	-27	565
State Income Tax		0	53	150	217	273	339	385	418	446	0	0	0	-104	2177
U.S. Federal Taxes		0	245	733	1075	1357	1692	1926	2091	2235	0	0	0	0	11354
Total Taxes		0	312	922	1348	1701	2119	2411	2617	2797	0	0	0	-131	14096
4% NPR Royalty		0	0	0	8	397	409	409	409	409	0	0	0	0	2041
After Tax Profits		0	9921	9311	8877	8135	7705	7413	7207	7027	0	0	0	131	65727
Mining Equip & Plant	0	10000	0	0	0	0	0	0	0	0	0	0	0	0	10000
Mill Equipment	0	18000	0	0	0	0	0	0	0	0	0	0	0	0	18000
Exploration	0	1000	0	0	0	0	0	0	0	0	0	0	0	0	1000
Preprod. & Develop.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	500	500	500	500	500	500	500	250	100	0	0	0	3850
Acquisition	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	1000
Flow-through	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Working Capital (Recovery)	0	0	3000	0	0	0	0	0	0	0	0	-3000	0	0	0
Total Capital Expenditures	1000	29000	3500	500	500	500	500	500	500	250	100	-3000	0	0	33850
Flow-through Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	-1000	-29000	6421	8811	8377	7635	7205	6913	6707	6777	-100	3000	0	131	31877
Cummulative Net Cash Flow	-1000	-30000	-23579	-14768	-6391	1244	8449	15362	22069	28846	28746	31746	31746	31877	31877
Equity Cash Flow	-1000	-30000	-23579	-14768	-6391	1244	8449	15362	22069	21421	21321	24321	24321	24452	31877
Equity Rate of Return						1.6%	8.7%	13.2%	16.2%	18.3%	18.2%	18.8%	18.8%	18.8%	18.8%

COMPARISON

			2,190,000 TPY			Gold Price US \$550			Grade	0.030 Au OPT					
			(in \$000's)												
	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Tons of Ore			2190	2190	2190	2190	2190	2190	2190	0	0	0	0	0	17520
Recovered Gold (oz)			46.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0	0	0	0	0	368.0
Total Revenue			27101	27101	27101	27101	27101	27101	27101	27101	0	0	0	0	216808
Operating Cost @ \$5.32/ton			11651	11651	11651	11651	11651	11651	11651	11651	0	0	0	0	93208
Property Tax			290	290	290	290	290	290	290	290	0	0	0	0	2320
Operating Profit			15160	15160	15160	15160	15160	15160	15160	15160	0	0	0	0	121280
State Mining Tax		0	63	95	130	155	172	184	192	200	0	0	0	-27	1164
State Income Tax		0	243	366	501	595	661	708	740	769	0	0	0	-104	4479
U.S. Federal Taxes		0	1206	1828	2511	2990	3325	3560	3724	3868	0	0	0	0	23012
Total Taxes		0	1512	2289	3142	3740	4158	4452	4656	4837	0	0	0	-131	28655
4% NPR Royalty		0	0	13	599	606	606	606	606	606	0	0	0	0	3642
After Tax Profits		0	13648	12858	11419	10814	10396	10102	9898	9717	0	0	0	131	88983
Mining Equip & Plant	0	10000	0	0	0	0	0	0	0	0	0	0	0	0	10000
Mill Equipment	0	18000	0	0	0	0	0	0	0	0	0	0	0	0	18000
Exploration	0	1000	0	0	0	0	0	0	0	0	0	0	0	0	1000
Preprod. & Develop.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Replacement	0	0	500	500	500	500	500	500	500	250	100	0	0	0	3850
Acquisition	1000	0	0	0	0	0	0	0	0	0	0	0	0	0	1000
Flow-through	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Working Capital (Recovery)	0	0	3000	0	0	0	0	0	0	0	0	-3000	0	0	0
Total Capital Expenditures	1000	29000	3500	500	500	500	500	500	500	250	100	-3000	0	0	33850
Flow-through Tax Credits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow	-1000	-29000	10148	12358	10919	10314	9896	9602	9398	9467	-100	3000	0	131	55133
Cummulative Net Cash Flow	-1000	-30000	-19852	-7494	3425	13739	23635	33237	42635	52102	52002	55002	55002	55133	55133
Equity Cash Flow	-1000	-30000	-19852	-7494	3425	13739	23635	33237	42635	52102	52002	55002	55002	55133	55133
Equity Rate of Return						16.8%	23.1%	26.9%	29.4%	31.0%	31.0%	31.2%	31.2%	31.2%	31.2%