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R.J. BAILES & ASSOCIATES LTD.

GEOLOGICAL CONSULTANTS

RECEIVED APR 9 1990 Ans'd.............

✓ PB ✓ DHW

Comments please JA

March 21, 1990

Mr. I.D. Bayer
P.O. Box 91
Suite 3970, Commerce Court W
Toronto, Ontario
M5L 1C7

Dear Mr. Bayer:

The enclosed data package outlines an opportunity to take over a VSE company which controls an exceptional zinc-lead-silver property in southern British Columbia called the Red Bird. The Red Bird property is located just north of the Canada - USA border not far from RFC's Pend Oreille mine in Washington State.

The Red Bird claims are adjacent to the Reeves MacDonald Mine which was an historic low cost producer. Some of the higher grade Reeves MacDonald orebodies plunged onto the Red Bird property and have been intersected by recent drilling carried out by Golden Eye Minerals.

The enclosed data package includes a financial analysis, a property synopsis, a summary report and a budget proposal. I look forward to your comments. I can be reached at (604) 688-4450, fax (604) 681-7466.

Yours truly,

R Bailes

Rick Bailes
Consulting Geologist

RJB/na

6437 DOUGLAS STREET, WEST VANCOUVER, BRITISH COLUMBIA V7W 2G3 □ TELEPHONE (604) 921-2034

FINANCIAL ANALYSIS

1.1 INTRODUCTION

This report is on a former lead/zinc mine approximately 25 miles from Trail BC. The down dip extension of the orebody has been found by two drill holes 400 feet apart each hitting ore of 8% zinc, 1% lead, and 2.5 ounces silver over lengths of 30 feet and 54 feet. These two drill holes alone are thought to indicate between one half and one million tons of ore. The analysis below uses the former lead/zinc producer's throughput rate and operating costs (inflated to todays dollars).

This project has been valued using a discounted cashflow approach. This method of valuation requires projecting yearly cash inflows or revenue, and subtracting yearly cash outflows such as operating costs, capital costs, royalties and taxes and discounting the difference back to the date of the valuation. The components of the cashflow are discussed below, followed by a summary of results and the detailed cashflow analysis.

1.2 DATA AND ASSUMPTIONS

1.2.1 Ore Milled

Base Case reserves are: 5 million tons (assumed)

The throughput rate is 1200 tons per day or 420,000 tons per year. This is the historic mining rate of the Reeves Macdonald Mine.

1.2.2 Average Ore Grade

zinc	8.0%
lead	1.0%
silver	2.5 oz/ton

1.2.3 Recoveries

zinc	90%
lead	90%
silver	92%

1.2.4 Concentrate grade

zinc	55%
lead	70%

1.2.5 Smelter Terms:

zinc concentrate

pay for:	85%
treatment charge:	36% of payable metal (approx)
shipping	$5/ton of conc.(25 miles from Trail)

lead concentrate

pay for:	content less 3 units
treatment charge:	42% of payable metal (approx)
shipping	$5/ton of conc.(25 miles from Trail)

silver treatment $.40/oz

1.2.6 Metal Prices

zinc	$.50/lb
lead	$.25/lb
silver	$5/oz

1.2.7 Royalty
20% NPI after capital is recovered with interest at 10%

1.2.8 Capital
$ 3 million in exploration
$30 million in capital and development
$ 2 million in working capital

$35 million

1.2.9 Average Operating Cost
$30/ton ($10.62/ton historical in 1973 $ with 300% inflation since then)

1.2.10 Inflation
none

1.2.11 Debt and Interest
none

1.3.0 RESULTS

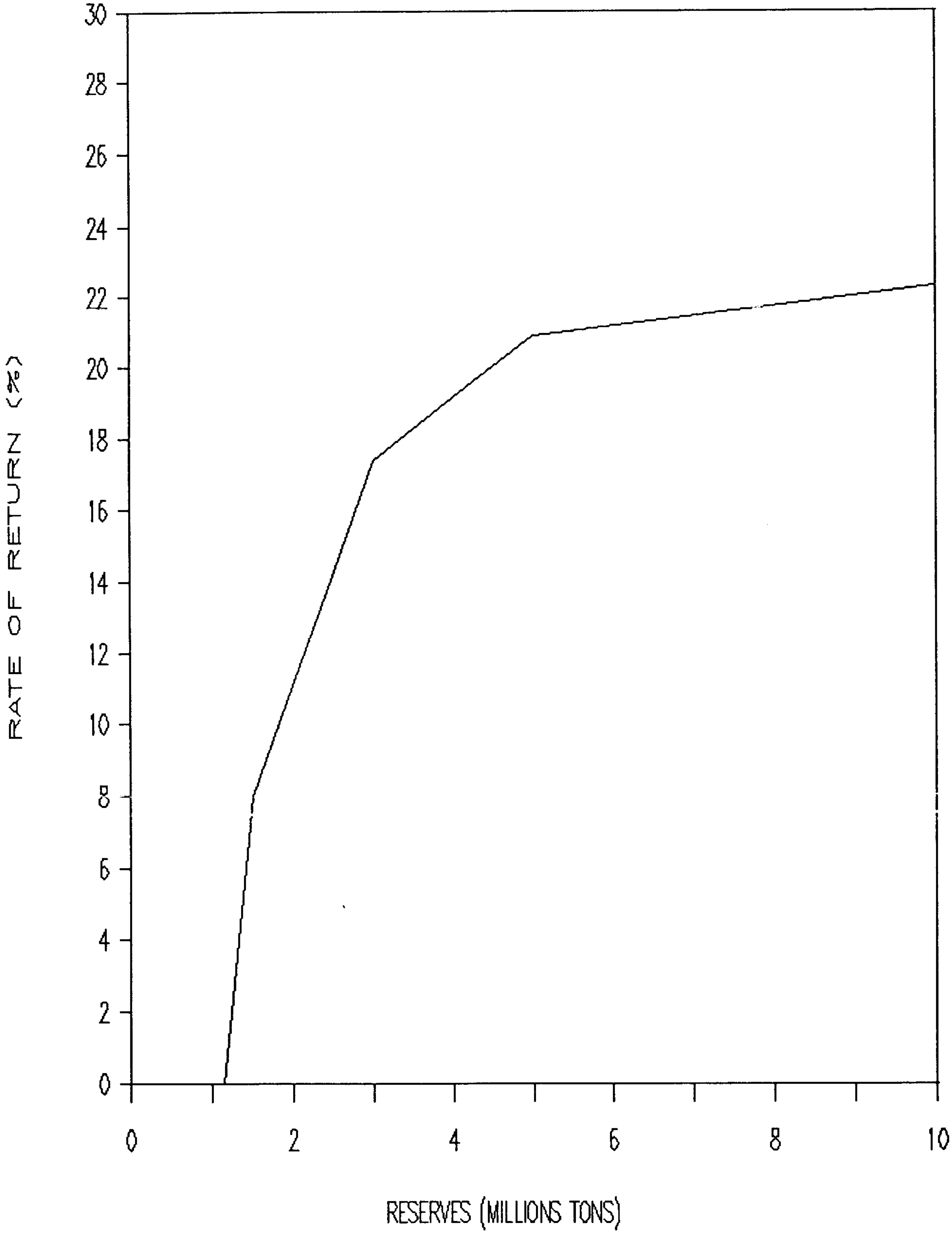
	Rate of Return %	Net Present Value (millions Canadian $) (10%)
Base Case	20.9%	16.5
Zn $0.45	16.9%	10.3
Zn $0.55	24.5%	22.6
3 million tons	17.4%	8.3

1.3.1 Shares freely trading

There are currently 4.2 million shares on the market trading between 8 cents to 18 cents per share.

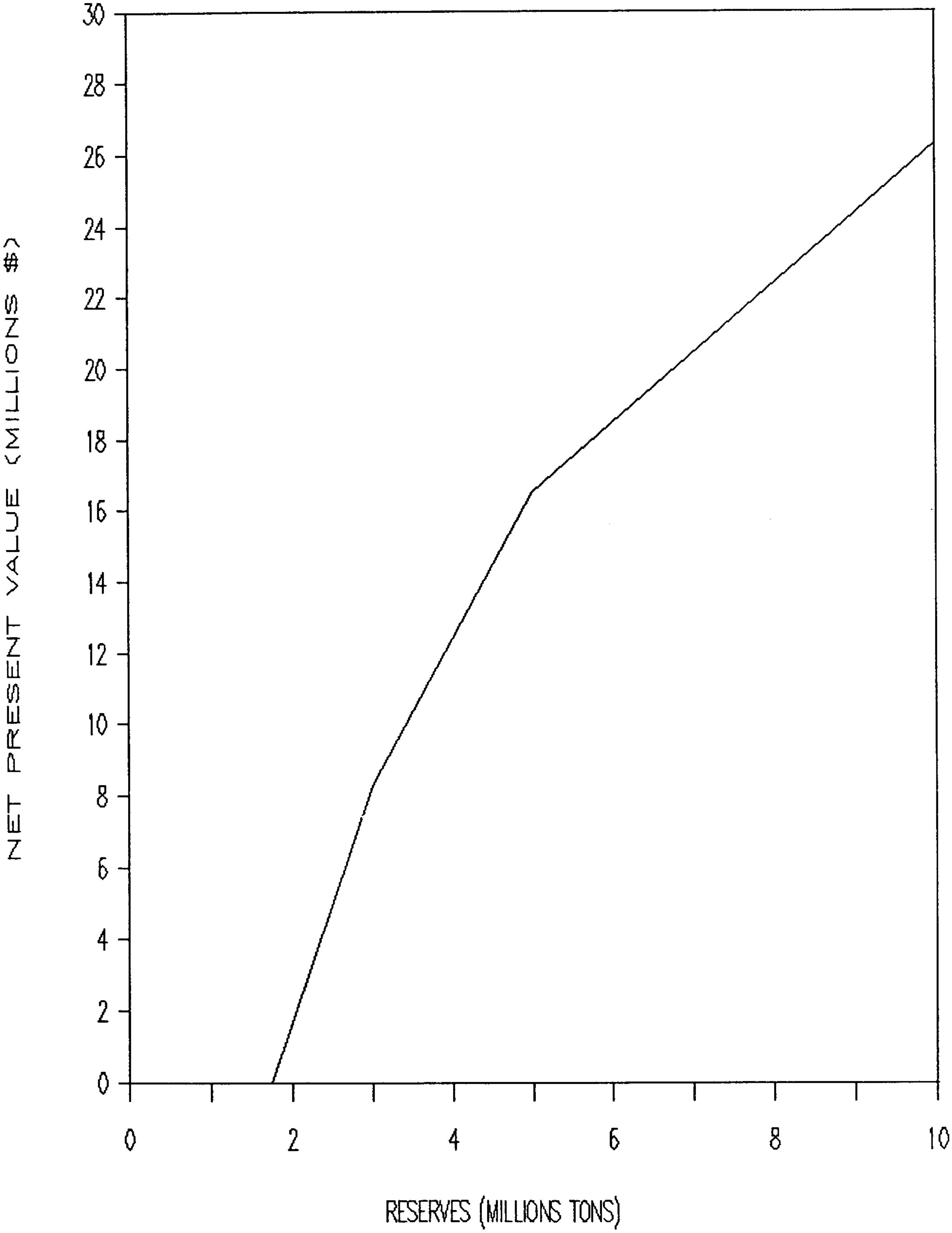
RATE OF RETURN vs RESERVES

ZINC$.50/LB,1200 TPD



NET PRESENT VALUE vs RESERVES

ZINC$.50/LB,1200 TPD,10% DISCOUNT RATE



WELOFF FINANCIAL SYSTEM 89/12/21

REDBIRD BC: ZINC PRICE $.50/LB (BREAKEVEN)

CASHFLOW SUMMARY

$ MILLION CAN.

	1990	1991	1992	1993	1994	1995	0	ACCUM
TOTAL MINEGATE REVENUE ($US M)	0.000	0.000	21.535	21.535	21.535	12.306	0.000	76.912
EXCHANGE RATE	0.840	0.840	0.840	0.840	0.840	0.840	0.000	0.840
TOTAL MINEGATE REVENUE ($CDN M)	0.000	0.000	25.637	25.637	25.637	14.650	0.000	91.562
LESS OPERATING COST	0.000	0.000	12.600	12.600	12.600	7.200	0.000	45.000
LESS ROYALTY	0.000	0.000	0.000	0.000	0.000	0.223	0.000	0.223
LESS FEDERAL INCOME TAX	0.000	0.000	0.000	0.000	0.723	1.518	0.000	2.241
LESS PROVINCIAL INCOME TAX	0.000	0.000	0.000	0.000	0.856	1.012	0.000	1.867
LESS MINING TAX	0.000	0.000	0.261	0.261	0.261	0.149	0.000	0.931
CASH FLOW BEFORE CAPITAL COSTS	0.000	0.000	12.777	12.777	11.197	4.548	0.000	41.299
LESS MINE CAPITAL	13.000	5.000	0.000	0.000	0.000	0.000	0.000	18.000
LESS MILL CAPITAL	7.500	7.500	0.000	0.000	0.000	0.000	0.000	15.000
LESS MISC CAPITAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS CAPITALIZED INTEREST LOAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS CAPITALIZED INTEREST LOAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS WORKING CAPITAL REQUIRED	0.000	0.000	2.000	0.000	0.000	0.000	0.000	2.000
PLUS WORKING CAPITAL RECOVERY	0.000	0.000	0.000	0.000	0.000	2.000	0.000	2.000
PLUS SALVAGE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL CAPITAL COSTS	20.500	12.500	2.000	0.000	0.000	-2.000	0.000	33.000
CASH FLOW BEFORE FINANCING	-20.500	-12.500	10.777	12.777	11.197	6.548	0.000	8.299
PLUS LOAN DRAWDOWN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS LOAN REPAYMENT #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS INTEREST EXPENSE #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PLUS LOAN DRAWDOWN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS LOAN REPAYMENT #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS INTEREST EXPENSE #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET EQUITY CASH	-20.500	-12.500	10.777	12.777	11.197	6.548	0.000	8.299
CUMULATIVE NET EQUITY CASH	-20.500	-33.000	-22.223	-9.447	1.750	8.299	0.000	0.000
DISCOUNTED NCF (5.0 %)	-20.006	-11.618	9.539	10.771	8.990	5.007	0.000	2.683
DISCOUNTED NCF (10.0 %)	-19.546	-10.835	8.492	9.152	7.292	3.877	0.000	-1.568
DISCOUNTED NCF (15.0 %)	-19.116	-10.136	7.599	7.834	5.970	3.036	0.000	-4.814
DISCOUNTED NCF (20.0 %)	-18.714	-9.509	6.832	6.750	4.929	2.402	0.000	-7.310
DISCOUNTED NCF (25.0 %)	-18.336	-8.944	6.169	5.851	4.102	1.919	0.000	-9.239
DISCOUNTED NCF (30.0 %)	-17.980	-8.433	5.593	5.100	3.439	1.547	0.000	-10.734
RATE OF RETURN (%)	7.99	0.00	0.00	0.00	0.00	0.00	0.00	7.99

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WELOFF FINANCIAL SYSTEM 89/12/21

** REDBIRD BC: ZINC PRICE $.50/LB (BREAKEVEN) **

SUMMARY OF STATISTICS

	1990	1991	1992	1993	1994	1995	0	ACCUM
ORE MILLED (MILLION T)	0.000	0.000	0.420	0.420	0.420	0.240	0.000	1.500
HEAD GRADES								
LEAD (%)	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00
ZINC (%)	8.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00
SILVER (OZ/T OR GMS/T)	2.50	2.50	2.50	2.50	2.50	2.50	0.00	2.50
RECOVERIES (%)								
LEAD IN LEAD CONC	0.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
SILVER IN LEAD CONC	0.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
ZINC IN ZINC CONC	0.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
CONCENTRATE PRODUCTION (000'S DRY T)								
LEAD CONC	0.000	0.000	5.400	5.400	5.400	3.086	0.000	19.286
ZINC CONC	0.000	0.000	54.982	54.982	54.982	31.418	0.000	196.364
CONCENTRATE PAYABLE PRODUCTIONS (000'S UNITS)								
LEAD IN LEAD CONC (LBS)	0	0	7236	7236	7236	4135	0	25843
SILVER IN LEAD CONC (OZ)	0.0	0.0	869.4	869.4	869.4	496.8	0.0	3105.0
ZINC IN ZINC CONC (LBS)	0	0	51408	51408	51408	29376	0	183600
METAL PAYABLE PRODUCTIONS (000's UNITS)								
LEAD	0	0	7236	7236	7236	4135	0	25843
ZINC	0	0	52693	52693	52693	30110	0	188190
SILVER	0.0	0.0	869.4	869.4	869.4	496.8	0.0	3105.0
PRICES								
LEAD ($US/LB)	0.00	0.25	0.25	0.25	0.25	0.25	0.00	0.25
ZINC ($US/LB)	0.00	0.50	0.50	0.50	0.50	0.50	0.00	0.50
SILVER ($US/OZ)	0.00	5.00	5.00	5.00	5.00	5.00	0.00	5.00

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WELOFF FINANCIAL SYSTEM 89/12/21

** REDBIRD BC: ZINC PRICE $.50/LB (BREAKEVEN) **

OPERATING SUMMARY

	1990	1991	1992	1993	1994	1995	0	ACCUM
TOTAL REVENUES BY METALS ($US M)								
LEAD	0.000	0.000	1.809	1.809	1.809	1.034	0.000	6.461
ZINC	0.000	0.000	26.347	26.347	26.347	15.055	0.000	94.095
SILVER	0.000	0.000	4.347	4.347	4.347	2.484	0.000	15.525
TOTAL REVENUE	0.000	0.000	32.503	32.503	32.503	18.573	0.000	116.081
REFINING/MARKETING CHARGES ($US M)								
SILVER IN LEAD CONC	0.000	0.000	0.348	0.348	0.348	0.199	0.000	1.242
LEAD CONC TREATMENT CHARGES ($US M)								
BASE LEAD CONC TREAT CHARGE	0.000	0.000	0.756	0.756	0.756	0.432	0.000	2.700
LEAD PRICE ESCALATION	0.000	0.000	0.005	0.005	0.005	0.003	0.000	0.019
ESCALATED LEAD CONC TREAT CHARG	0.000	0.000	0.761	0.761	0.761	0.435	0.000	2.719
ZINC CONC TREATMENT CHARGES ($US M)								
BASE ZINC CONC TREAT CHARGE	0.000	0.000	11.546	11.546	11.546	6.598	0.000	41.236
ZINC PRICE ESCALATION	0.000	0.000	-1.990	-1.990	-1.990	-1.137	0.000	-7.107
ESCALATED ZINC CONC TREAT CHARG	0.000	0.000	9.556	9.556	9.556	5.461	0.000	34.130
TOTAL TREATMENT CHARGES	0.000	0.000	10.318	10.318	10.318	5.896	0.000	36.849
CONCENTRATE IMPURITY PENALTIES ($US M)								
LEAD CONCENTRATE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ZINC CONCENTRATE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL IMPURITY PENALTIES ($US M)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FREIGHT/TRANSPORT CHARGES ($US M)								
LEAD CONCENTRATE	0.000	0.000	0.027	0.027	0.027	0.015	0.000	0.096
ZINC CONCENTRATE	0.000	0.000	0.275	0.275	0.275	0.157	0.000	0.982
TOTAL FREIGHT/TRANSPORT	0.000	0.000	0.302	0.302	0.302	0.173	0.000	1.078
NET MINEGATE REVENUES ($US M)								
LEAD CONCENTRATE	0.000	0.000	5.663	5.663	5.663	3.236	0.000	20.224
ZINC CONCENTRATE	0.000	0.000	15.873	15.873	15.873	9.070	0.000	56.688
TOTAL NET MINEGATE REVENUE ($US M)	0.000	0.000	21.535	21.535	21.535	12.306	0.000	76.912
CDN-US EXCHANGE RATE	0.840	0.840	0.840	0.840	0.840	0.840	0.000	0.840
TOTAL NET MINEGATE REVENUE ($CDN M)	0.000	0.000	25.637	25.637	25.637	14.650	0.000	91.562

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** REDBIRD BC: ZINC PRICE $.50/LB 3 MILLION TONS *************************************

CASHFLOW SUMMARY

$ MILLION CAN.

	1990	1991	1992	1993	1994	1995	1996	1997	1998	0	ACCUM
TOTAL MINEGATE REVENUE ($US M)	0.000	0.000	21.535	21.535	21.535	21.535	21.535	21.535	24.612	0.000	153.824
EXCHANGE RATE	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.000	0.840
TOTAL MINEGATE REVENUE ($CDN M)	0.000	0.000	25.637	25.637	25.637	25.637	25.637	25.637	29.300	0.000	183.124
LESS OPERATING COST	0.000	0.000	12.600	12.600	12.600	12.600	12.600	12.600	14.400	0.000	90.000
LESS ROYALTY	0.000	0.000	0.000	0.000	0.000	0.918	2.444	2.268	2.941	0.000	8.570
LESS FEDERAL INCOME TAX	0.000	0.000	0.000	0.000	0.723	2.545	2.225	2.261	2.511	0.000	10.266
LESS PROVINCIAL INCOME TAX	0.000	0.000	0.000	0.000	0.856	1.697	1.483	1.508	1.674	0.000	7.217
LESS MINING TAX	0.000	0.000	0.261	0.261	0.261	0.261	0.819	1.695	2.197	0.000	5.754
CASH FLOW BEFORE CAPITAL COSTS	0.000	0.000	12.777	12.777	11.197	7.617	6.067	5.305	5.577	0.000	61.316
LESS MINE CAPITAL	13.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	18.000
LESS MILL CAPITAL	7.500	7.500	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	15.000
LESS MISC CAPITAL	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS CAPITALIZED INTEREST LOAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS CAPITALIZED INTEREST LOAN	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS WORKING CAPITAL REQUIRED	0.000	0.000	2.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.000
PLUS WORKING CAPITAL RECOVERY	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	2.000	0.000	2.000
PLUS SALVAGE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL CAPITAL COSTS	20.500	12.500	2.000	0.000	0.000	0.000	0.000	0.000	-2.000	0.000	33.000
CASH FLOW BEFORE FINANCING	-20.500	-12.500	10.777	12.777	11.197	7.617	6.067	5.305	7.577	0.000	28.316
PLUS LOAN DRAWDOWN #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS LOAN REPAYMENT #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS INTEREST EXPENSE #1	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
PLUS LOAN DRAWDOWN #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS LOAN REPAYMENT #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
LESS INTEREST EXPENSE #2	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
NET EQUITY CASH	-20.500	-12.500	10.777	12.777	11.197	7.617	6.067	5.305	7.577	0.000	28.316
CUMULATIVE NET EQUITY CASH	-20.500	-33.000	-22.223	-9.447	1.750	9.367	15.434	20.739	28.316	0.000	0.000
DISCOUNTED NCF (5.0 %)	-20.006	-11.618	9.539	10.771	8.990	5.824	4.418	3.679	5.005	0.000	16.602
DISCOUNTED NCF (10.0 %)	-19.546	-10.835	8.492	9.152	7.292	4.509	3.265	2.596	3.370	0.000	8.296
DISCOUNTED NCF (15.0 %)	-19.116	-10.136	7.599	7.834	5.970	3.531	2.446	1.860	2.310	0.000	2.297
DISCOUNTED NCF (20.0 %)	-18.714	-9.509	6.832	6.750	4.929	2.794	1.855	1.352	1.609	0.000	-2.103
DISCOUNTED NCF (25.0 %)	-18.336	-8.944	6.169	5.851	4.102	2.232	1.422	0.995	1.137	0.000	-5.371
DISCOUNTED NCF (30.0 %)	-17.980	-8.433	5.593	5.100	3.439	1.799	1.102	0.741	0.815	0.000	-7.824
RATE OF RETURN (%)	17.42	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	17.42

SUMMARY OF STATISTICS

	1990	1991	1992	1993	1994	1995	1996	1997	1998	0	ACCUM
ORE MILLED (MILLION T)	0.000	0.000	0.420	0.420	0.420	0.420	0.420	0.420	0.480	0.000	3.000
HEAD GRADES											
LEAD (%)	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00
ZINC (%)	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00
SILVER (OZ/T OR GMS/T)	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	0.00	2.50
RECOVERIES (%)											
LEAD IN LEAD CONC	0.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
SILVER IN LEAD CONC	0.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
ZINC IN ZINC CONC	0.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	90.0	0.0	90.0
CONCENTRATE PRODUCTION (000'S DRY T)											
LEAD CONC	0.000	0.000	5.400	5.400	5.400	5.400	5.400	5.400	6.171	0.000	38.571
ZINC CONC	0.000	0.000	54.982	54.982	54.982	54.982	54.982	54.982	62.836	0.000	392.727
CONCENTRATE PAYABLE PRODUCTIONS (000'S UNITS)											
LEAD IN LEAD CONC (LBS)	0	0	7236	7236	7236	7236	7236	7236	8270	0	51686
SILVER IN LEAD CONC (OZ)	0.0	0.0	869.4	869.4	869.4	869.4	869.4	869.4	993.6	0.0	6210.0
ZINC IN ZINC CONC (LBS)	0	0	51408	51408	51408	51408	51408	51408	58752	0	367200
METAL PAYABLE PRODUCTIONS (000's UNITS)											
LEAD	0	0	7236	7236	7236	7236	7236	7236	8270	0	51686
ZINC	0	0	52693	52693	52693	52693	52693	52693	60221	0	376380
SILVER	0.0	0.0	869.4	869.4	869.4	869.4	869.4	869.4	993.6	0.0	6210.0
PRICES											
LEAD ($US/LB)	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.00	0.25
ZINC ($US/LB)	0.00	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.00	0.50
SILVER ($US/OZ)	0.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	0.00	5.00

OPERATING SUMMARY

	1990	1991	1992	1993	1994	1995	1996	1997	1998	0	ACCUM
TOTAL REVENUES BY METALS ($US M)											
LEAD	0.000	0.000	1.809	1.809	1.809	1.809	1.809	1.809	2.067	0.000	12.921
ZINC	0.000	0.000	26.347	26.347	26.347	26.347	26.347	26.347	30.110	0.000	188.190
SILVER	0.000	0.000	4.347	4.347	4.347	4.347	4.347	4.347	4.968	0.000	31.050
TOTAL REVENUE	0.000	0.000	32.503	32.503	32.503	32.503	32.503	32.503	37.146	0.000	232.161
REFINING/MARKETING CHARGES ($US M)											
SILVER IN LEAD CONC	0.000	0.000	0.348	0.348	0.348	0.348	0.348	0.348	0.397	0.000	2.484
LEAD CONC TREATMENT CHARGES ($US M)											
BASE LEAD CONC TREAT CHARGE	0.000	0.000	0.756	0.756	0.756	0.756	0.756	0.756	0.864	0.000	5.400
LEAD PRICE ESCALATION	0.000	0.000	0.005	0.005	0.005	0.005	0.005	0.005	0.006	0.000	0.038
ESCALATED LEAD CONC TREAT CHARG	0.000	0.000	0.761	0.761	0.761	0.761	0.761	0.761	0.870	0.000	5.438
ZINC CONC TREATMENT CHARGES ($US M)											
BASE ZINC CONC TREAT CHARGE	0.000	0.000	11.546	11.546	11.546	11.546	11.546	11.546	13.196	0.000	82.473
ZINC PRICE ESCALATION	0.000	0.000	-1.990	-1.990	-1.990	-1.990	-1.990	-1.990	-2.274	0.000	-14.213
ESCALATED ZINC CONC TREAT CHARG	0.000	0.000	9.556	9.556	9.556	9.556	9.556	9.556	10.922	0.000	68.260
TOTAL TREATMENT CHARGES	0.000	0.000	10.318	10.318	10.318	10.318	10.318	10.318	11.792	0.000	73.697
CONCENTRATE IMPURITY PENALTIES ($US M)											
LEAD CONCENTRATE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
ZINC CONCENTRATE	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
TOTAL IMPURITY PENALTIES ($US M)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
FREIGHT/TRANSPORT CHARGES ($US M)											
LEAD CONCENTRATE	0.000	0.000	0.027	0.027	0.027	0.027	0.027	0.027	0.031	0.000	0.193
ZINC CONCENTRATE	0.000	0.000	0.275	0.275	0.275	0.275	0.275	0.275	0.314	0.000	1.964
TOTAL FREIGHT/TRANSPORT	0.000	0.000	0.302	0.302	0.302	0.302	0.302	0.302	0.345	0.000	2.156
NET MINEGATE REVENUES ($US M)											
LEAD CONCENTRATE	0.000	0.000	5.663	5.663	5.663	5.663	5.663	5.663	6.472	0.000	40.447
ZINC CONCENTRATE	0.000	0.000	15.873	15.873	15.873	15.873	15.873	15.873	18.140	0.000	113.377
TOTAL NET MINEGATE REVENUE ($US M)	0.000	0.000	21.535	21.535	21.535	21.535	21.535	21.535	24.612	0.000	153.824
CDN-US EXCHANGE RATE	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.840	0.000	0.840
TOTAL NET MINEGATE REVENUE ($CDN M)	0.000	0.000	25.637	25.637	25.637	25.637	25.637	25.637	29.300	0.000	183.124

RED BIRD PROPERTY SYNOPSIS

January, 1990

1. GRADE

ANNEX MINE
Historical: 8.5% Zn, 1% Pb, 2.5 oz/t Ag, 0.1% Cd
Drilling : 7.8% Zn, 0.7% Pb, 2.2 oz/t Ag, 0.1% Cd

RED BIRD
Historical: 10% Zn on Point orebody
Surface : 18.5% Zn, 6.5% Pb (600' x 20') in oxidized area

ANNEX WEST - Historical: 5% Zn, 5% Pb

EXPECTED GRADE: 8% Zn, 1% Pb, 2.5 oz/t Ag, 0.1% Cd

2. TONNAGE

Historical tonnage is 1200 tons per vertical foot in each of the ore zones

INDICATED: by drilling & underground exploration in the Annex Zone
- 800 vertical feet x 1200 tpvf = **960,000 tons**

INFERRED: 3 zones x 1500 vertical feet x 1200 tpvf
= **5.4 million tons**

POTENTIAL: Additional drilling could easily outline 3 zones over 3,000 vertical feet = **10.8 million tons**

MAXIMUM: Restored Reeves MacDonald Mine is 4 zones over 6,000 vertical feet
= **29 million tons**
of which 7.2 million tons was mined

3. OPERATING PROFIT

NSR = approximately 50% of gross metal value
Gross metal value, using Zn = $.50/lb US, Pb = $.25/lb, Cd = $5.25/lb and Ag = $5.50 /oz and the expected grade is US$109.25 = C$128.53
NSR = 50% of 128.53 = **$64.27/ton**

OPERATING COSTS
Historic method was sub-level benching and blast hole mining with open stopes (very competent ground)
- historic costs were very low (approx. $10/ton in 1973)
- escalated @ 300% = **$30/ton** today

OPERATING PROFIT: $64.27 - $30.00 = **$34.27/ton**

4. CAPITAL COSTS for 1200 tpd mill

3 million for exploration
15 million for underground development
10 million for mine
15 million for mill
2 million for working capital
TOTAL = **45 million**

5. CONCLUSION

Based on "rule of thumb" economic parameters, the Red Bird deposits should be economically viable

Net Smelter Return is more than double the operating cost ($64.27/ton vs. $30.00/ton)

Based on a 5,000,000 ton deposit, **the total operating profit is about $170,000,000; more than triple the estimated capital cost of $45,000,000.**

R. J. BAILES October, 1989

RED BIRD BUDGET PROPOSAL

The Red Bird zinc property which occurs adjacent to the Reeves MacDonald Mine is underlain by a strike length of about 13,000' of Reeves limestone. The easternmost portion of this highly prospective rock package has been tested by 7 diamond drill holes with very encouraging results: the Annex Zone has been intersected in holes 87-1 and 88-1, and a partly oxidized section of the Red Bird Zone in hole 86-5 (see attached long section). A systematic evaluation of the entire strike length of Reeves limestone by drilling is highly recommended. The objective of this program is to discover a minimum of 10 million tons grading 8 - 10% zinc.

An initial phase, consisting of 9 drill holes totalling 24,000 feet is designed to:

1) firm np the encouraging drill results in the area drilled to date,
2) explore for the down dip extent of the high grade surface showings and
3) confirm the location of Reeves limestone beneath the Active Argillite cover.

A second phase of drilling totalling 34,200 feet is recommended to test the Reeves limestone at 800' intervals along its entire strike length and to further delineate the down plunge extent of the known mineralization.

The continued structural repetition of the Reeves ore bodies to the west and the high grades encountered in the two westernmost zones give the project a high chance for success. However, the drill holes are deep and the overall exploration costs are high. In this regard, the following points are made:

1) The recommended drill program is designed to justify underground exploration with very little additional drilling. This concept is based on the known dimensions of the ore bodies at the Reeves MacDonald Mine. Each zone produced about 1200 tons per vertical foot and each zone exhibited remarkable down plunge continuity: the Reeves ore body was traced for 6,500 feet. Using these parameters, the discovery of four lenses on the Red Bird with assumed down plunge extents of only 2,000 feet would yield about 9.6 million tons. This would justify driving a ramp from the Pend D'Oreille River level (1800') and carrying out further exploration from underground. The Pend D'Oreille River runs parallel to the prospective lithologies and should be no more than a mile away at any given point.

2) Most of the drill holes will go through the Active Argillite which has been thrust over top of the prospective lithogies. It is recommended that the upper portion of the drill holes be drilled with a hammer drill and only the lower portions be diamond drilled. The footage cost of the hammer drill is less than half that of the diamond drill.

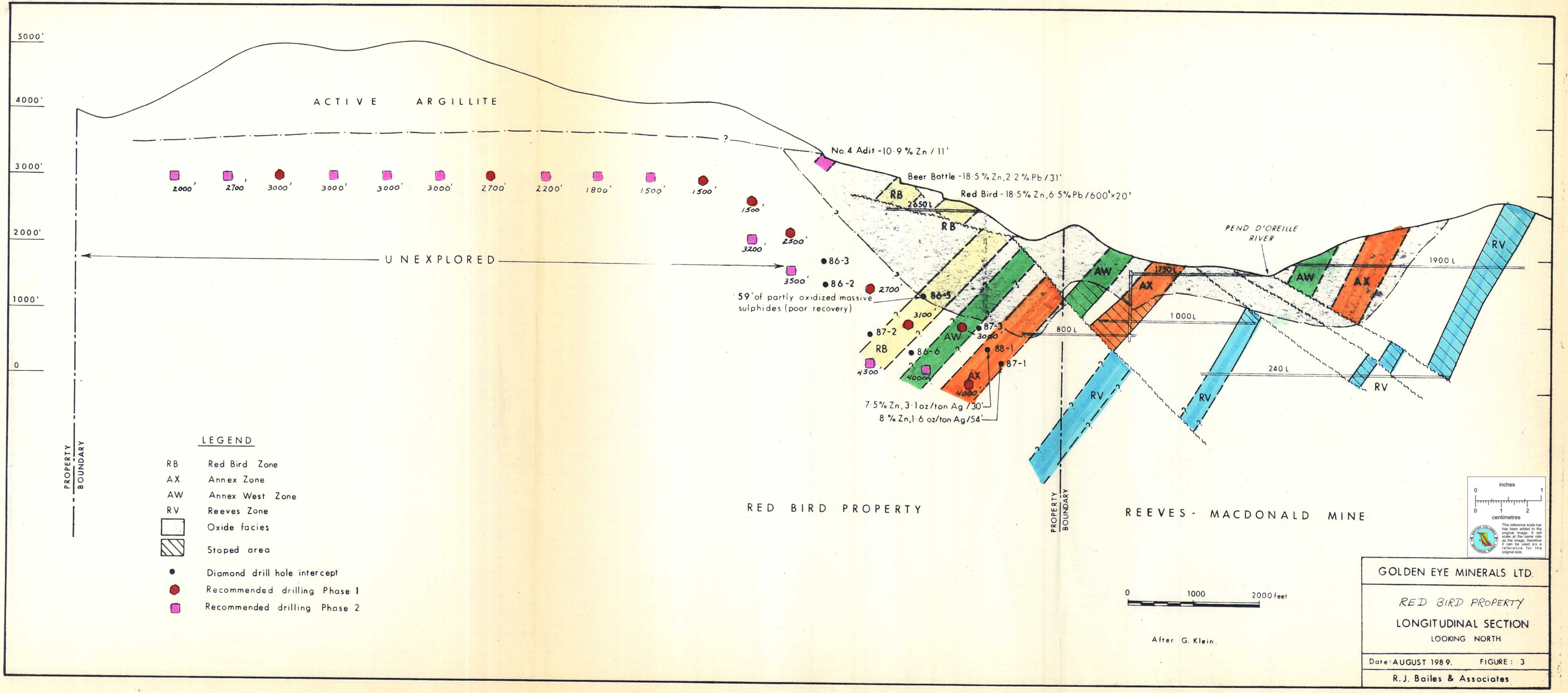
Cost Estimate

Phase 1: 1 hammer drill, 2 diamond drills - 3 months

Hammer drill: 9 holes x 1200' x $14/ft		$151,200
Diamond drill: 13,200' x $30/ft		396,000
Assays: 100 @ $30		3,000
Lithogeochemistry: 300 @ $15		4,500
Road access		20,000
Accommodation, food & equipment		25,000
Salaries & Supervision		60,000
Vehicle, travel & freight		20,000
	Subtotal	679,700
Contingency & Overhead		70,000
	Say	750,000

Phase 11: 1 hammer drill, 2 diamond drills - 4 months

Hammer drill: 12 holes x 1500' x $14/ft		252,000
Diamond drill: 16,200'x $30/ft		486,000
Assays: 140 @ $30		4,200
Lithogeochemistry: 200 @ $15		3,000
Road access		30,000
Accommodation, food & equipment		35,000
Salaries & Supervision		85,000
Vehicle, travel & freight		20,000
	Subotal	915,200
Contingency & Overhead		85,000
	Say	1,000,000
	Total	1,750,000



5000'
4000'
3000'
2000'
1000'
0
ACTIVE ARGILLITE
UNEXPLORED
No.4 Adit -10·9 % Zn / 11'
Beer Bottle -18·5 % Zn, 2·2 % Pb / 31'
Red Bird - 18·5 % Zn, 6·5 % Pb / 600' × 20'
2000'
2700'
3000'
3000'
3000'
3000'
2700'
2200'
1800'
1500'
1500'
1500'
3200'
2500'
3500'
2700'
3100
3000
4300'
4000
4000
86-3
86-2
86-5
87-2
86-6
87-3
88-1
87-1
59' of partly oxidized massive sulphides (poor recovery)
7·5% Zn, 3·1 oz/ton Ag / 30'
8 % Zn, 1·6 oz/ton Ag / 54'
RB
AX
AW
RV
2650 L
1750 L
1900 L
1000 L
800 L
240 L
PEND D'OREILLE RIVER
PROPERTY BOUNDARY
PROPERTY BOUNDARY
RED BIRD PROPERTY
REEVES - MACDONALD MINE
LEGEND
RB Red Bird Zone
AX Annex Zone
AW Annex West Zone
RV Reeves Zone
Oxide facies
Stoped area
Diamond drill hole intercept
Recommended drilling Phase 1
Recommended drilling Phase 2
0 1000 2000 feet
After G. Klein.
inches
centimetres
GOLDEN EYE MINERALS LTD.
RED BIRD PROPERTY
LONGITUDINAL SECTION
LOOKING NORTH
Date: AUGUST 1989.
FIGURE: 3
R.J. Bailes & Associates