

# CORPORATION FALCONBRIDGE COPPER

FILE  
MEMORANDUM

DATE: December 15, 1986  
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TO: D. H. Watkins  
COPIES À  
COPIES TO: L. D. Pirie  
DE  
FROM: A. J. Davidson  
SUJET  
SUBJECT: Esperanza Explorations - Tillicum Prospect

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## Introduction

Esperanza Explorations Ltd. and La Teko Resources Ltd. are presently exploring the Tillicum Property which is 100% owned by Esperanza. Since 1982 La Teko has financed approximately \$2.3 million of exploration and development through a share purchase agreement. Esperanza have indicated to us that La Teko wishes to sell their controlling block of Esperanza shares (2,255,000 shares or 37% of Esperanza). Esperanza shares are presently trading on the VSE at 55 cents but traded as high as \$4.10 in 1983. Esperanza also holds 513,800 shares of Arctic Red Resources (VSE - ARP \$.34) and 384,676 shares of Western Canadian Land Co. (VSE - WTL \$.40) and has a working capital of \$650,000.

## Property

The Tillicum property (12,000 acres) is situated in the Arrow Lakes region of southeastern B. C. High grade gold mineralization was discovered at Tillicum in 1980. Two zones of gold mineralization have been outlined on the property; the low grade East Ridge Zone and the high grade Heino-Money Zone. These zones are thought to be associated with a skarn development.

East Ridge - Diamond drilling has outlined a mineral inventory of 5 million tons grading 0.05 oz/ton Au. This inventory is contained within a zone that measures 2500 feet along strike by 200 feet down dip by up to 100 feet thick (based on 25 holes). Grades of up to 0.11 oz/ton Au/39 feet have been intersected. I do not know if a higher grade pod has been outlined. Apparently the zone is amenable to open pit methods on a seasonal basis.

Heino Money Zone - Reserves are about 40,000 tons of 0.6 oz/ton Au with a geologically inferred potential for 150,000 tons (or more?) of similar grade between 2000 m and 2300 m. The deposit has been explored by diamond drilling as well as by two adits and a small pit. The gold is extremely coarse and the "nugget" effect is severe. Bulk samples from the underground drifting have been sent to the Dankoe mill (custom) and thence to the Trall smelter. The following bulk samples have been sent.

1985 2500 tons that returned approx. 0.78 opt

1986 1200 tons that returned approx. 1.4 opt.

Both the 1985 and 1986 samples were a result of drift mining on the upper and lower adits respectively.

The milling procedure thus far has been to crush and run the crushed ore through a jig. Subsequently, the jig overflow and tailings are sent for flotation. Au recoveries were 92.5% combined in 1985 and 35% (Jig), and 58% (Flotation) for a 93% combined recovery in 1986.

#### Mining and Production

W. Roberts of Welcome North (Esperanza) estimates that a 100 tpd mill could be erected on site for \$1 million. Year round mining could be achieved by accessing the workings from the 2000m level (below the tree line). Mining/milling costs are estimated to be in the \$100/ton (\$150/oz) range. Thirty thousand ounces/year could be produced at 100 tons per day.

#### Investment

The available La Teko block has a maximum market value of \$1.2 million. This block would effectively control Esperanza and would give the acquiring party control of the almost \$1 million in case and securities presently held by Esperanza.

If CFC purchased the La Teko block and subsequently funded either through CFC or Esperanza the \$1-2 million required (or 37% of it) to achieve production. CFC could realize a significant ROI in a very short period of time. The attached NPV sheet assumes CFC purchases the 37% interest for \$1.2 million and funds 37% of the extra \$2 million required (\$740,000) to achieve production. CFC would then receive 37% of the net proceeds (\$2.15

million/year). An NPV of 70% or \$6 million is realized. Payback would be less than one year.

Conclusions

CFC should approach La Teko and state our interest in acquiring the share block upon a favorable comprehensive review of the Tillicum data.

A handwritten signature in black ink, appearing to be 'A. Lee' or similar, written in a cursive style.

P.S. ESPERANZA WILL PROVIDE US WITH MORE DATA  
AS SOON AS IT BECOMES AVAILABLE.

PROPERTY NAME = TILLICUM

			% CU	%ZN	AG	AU	PB
GROSS TONNAGE =	150000.00	TONS AT	0.00	0.00	0.00	.8	0.00
DILUTION =	0.20	AT	0.00	0.00	0.00	0	0.00
DILUTED TONNAGE =	180000.00	TONS AT	0.00	0.00	0.00	.6666666667	0
GROSS IN SITU VALUE =	52881600.00						

PB GRADE =	0.00	PB REC =	0.00	PB (\$/TON) =	0.00		
CU GRADE =	0.00	CU REC =	0.00	CU (\$/TON) =	0.00	COST/TON =	100.00
ZN GRADE =	0.00	ZN REC =	0.00	ZN (\$/TON) =	0.00	COST/YEAR =	3000000
AG GRADE =	0.00	AG REC =	0.00	AG (\$/TON) =	0.00	-----	
AU GRADE =	.6666666667	AU REC =	0.92	AU (\$/TON) =	293.79	NET REV =	5813600.000
lb/ton =	2204.00	S.C CU \$/lb=		-----			
CU (\$/lb) =	0.00	S.C ZN \$/lb=		TOTAL \$/TON=	293.7866667	MINE LIFE =	6.00
ZN (\$/lb) =	0.00	S.C AG \$/lb=		-----			
AG (\$/? ) =	0.00	S.C AU \$/lb=	81.00	TONS/YEAR =	30000.00	CAP COST =	3200000
AU (\$/? ) =	560.00	S.C PB \$/lb=		ANN. REVN =	8813600.00	YRS PREP =	1.00
PB (\$/lb) =	0.00					COST/YR =	3200000

NET PRESENT VALUE TABLE

0	1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00
-1200000	-740000	2151032.000	2151032.000	2151032.000	2151032.000	2151032.000	2151032.000	2151032.000	2151032.000	2151032.000

INTEREST RATE = 0.12 ROR = .7  
NET PRESENT VALUE = 6035507.78 97408.81