INMET
MINING

825929

103F/09

M E M O R A N D U M

To: Frank Balint

From: Ian Morrison

Copies: C. Burge, G. Riverin, R. Saccany, R. Dujardin

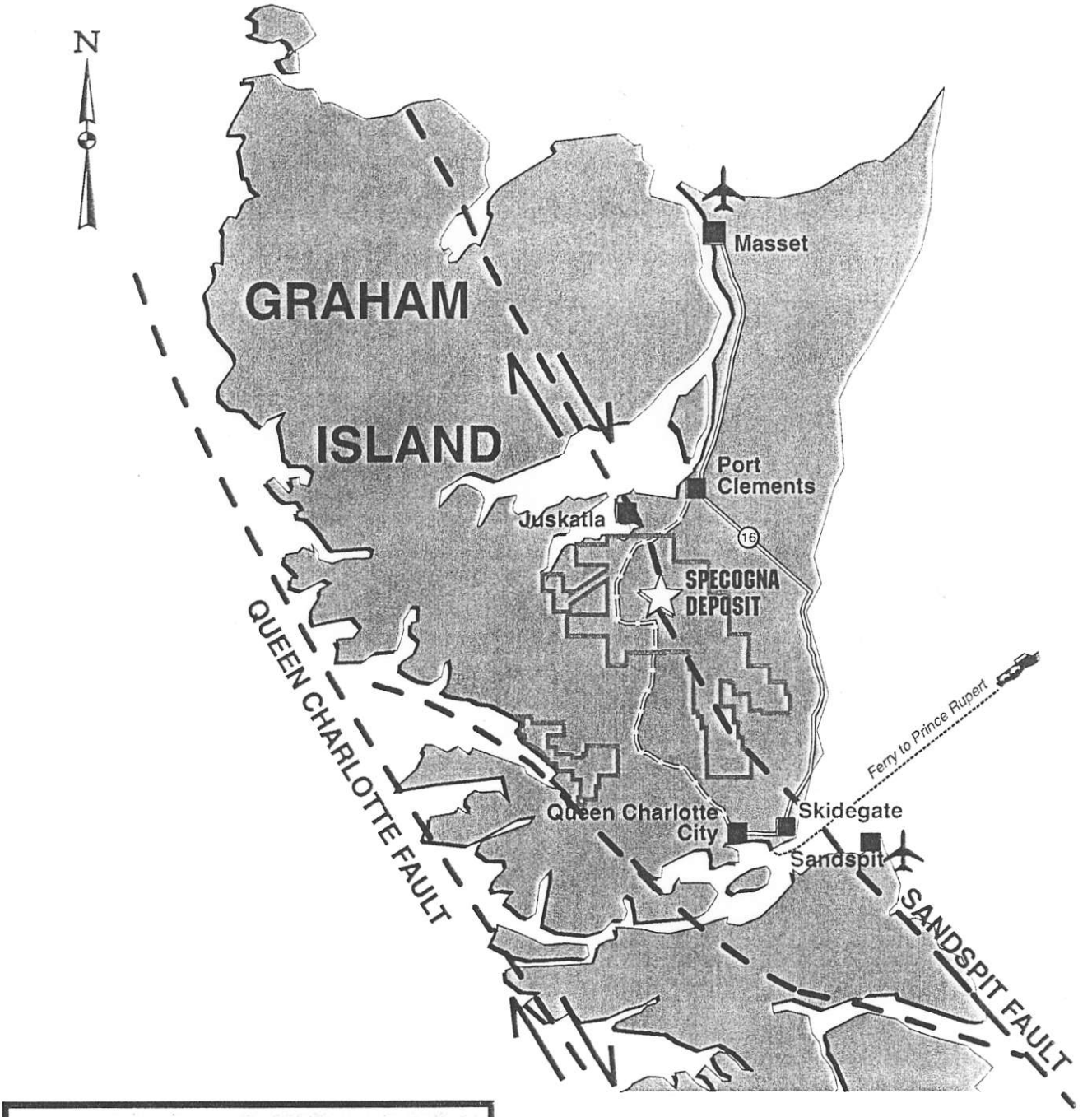
Date: August 27, 1996

Subject: **Specogna (Cinola) Gold Project, Queen Charlotte Islands, B.C.**

Introduction

The Specogna (formerly Cinola) deposit, located in central Graham Island of the Queen Charlotte Islands, B.C., is an epithermal gold deposit with a reported pittable reserve of 31 million tonnes grading 2.19 g/t Au (@ 1.1g/t Au cut-off). The project was the subject of a feasibility study by Davy-McKee on behalf of City Resources in 1988. At the time, the project was deemed to be non-financeable, primarily due to difficult metallurgy and environmental sensitivities. Ray Dujardin (Kerr Addison) reviewed the project in depth at that time and recommended no involvement.

Misty Mountain Gold Ltd. (Hunter-Dickenson) acquired the property in 1994, re-named it the Harmony project, and recently completed Phase I of a diamond drill program to further evaluate the Specogna deposit. The program was designed to test the idea that the previous, predominantly vertical drill holes did not adequately or representatively evaluate the vertically-dipping vein system which hosts the higher grade (5-7g/t Au) gold mineralization in the deposit. Misty's program consisted of 49 holes drilled on a 20 meter square drill pattern with holes dipping at -45°. The result of this program has reportedly indicated a potential 24% increase in gold grade at least over the portion of the



0 5 10 20 30 40 50 Kilometres

SCALE

MISTY MOUNTAIN GOLD LIMITED		
HARMONY PROJECT - Specogna Deposit		
General Location Map		
Scale: As Shown N.T.S.	Date: March 1996 By: a.g.b. / j.h.t.	Figure: 1

deposit drilled. Phase 2, which will continue the pattern over the rest of the deposit, is presently underway.

Given the positive impact that such an increase in grade would have on the economics of the project, it was considered worthwhile to further evaluate the project focusing on four aspects:

1. Are the high grade zones within the deposit sufficient to support a smaller-scale, stand-alone underground operation, thereby reducing the environmental impact?
2. Is there potential through further exploration to significantly increase reserves thereby making the metallurgical and environmental challenges "worthwhile"?
3. Have there been advances in technology which would significantly improve the processing of Specogna ores?
4. Are the environmental concerns of 1988 unchanged or can the concerns now be mitigated and can such a deposit be permitted, given its location?

As a first step in the process, IM and CB made a site visit which included an underground tour, a look at a small amount of recent and old core and a discussion with Robin Tolbert, the project manager. Simons Mining Group of Vancouver was hired to evaluate Specogna's metallurgical data and comment on the potential for any new or not previously considered technology which may be applicable to the deposit. B. Hallam was asked to comment on the permittability.

Location, Access and Physiography

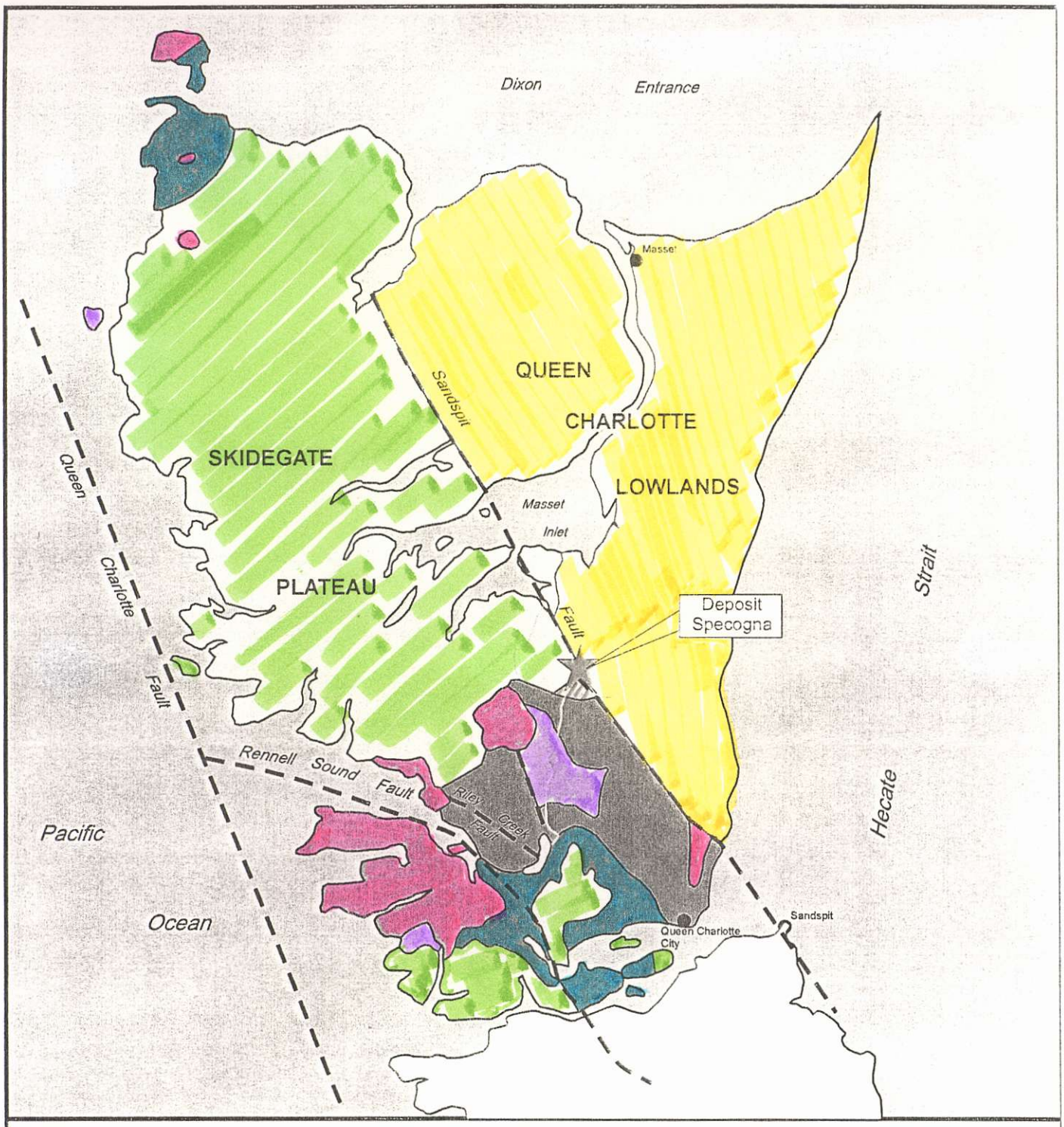
The Harmony property is located in the central part of Graham Island, approx 100 km by paved and logging road north of the town of Sandspit. The property is comprised of 1821 claims (444 sq km) and can be reached by flying from Vancouver to Sandspit and then driving for two hours by truck to the property. The nearest settlement to the property is Pt. Clements some 14 km (30 min) to the north.

The Specogna deposit is expressed topographicaly as a low hill rising above the Queen Charlotte Lowlands (coastal plain) and along the Sandspit/Specogna fault lineament. Rugged uplands of the Skidegate Plateau extend to the west.

The area has been largely clearcut by Macmillan Bloedel with secondary growth well established. The area is within the Yakhoun River basin, a significant salmon river.

Geology

Specogna is a low sulphidation epithermal gold deposit characterized by strong silicification and episodic quartz stockworks/veins developed within a heterolithic ortho-conglomerate which forms the hangingwall to a major fault (Sandspit/Specogna fault). Late rhyolitic dykes cut the conglomerate and focus along and sub-parallel to the fault. Vein textures are variable from drusy to banded grey quartz to glassy "amber" veins. Gold content varies within the veins with the banded grey veins generally carrying the high grade. A later, hydrothermal chalcedonic breccia is of lower grade. Sulphides are present in the form of pyrite and marcasite but only in low amounts (sulphur averages 1.7%).



TERTIARY

Skonun Formation
Clastic Sediments

Masset Formation
Basalt, Andesite, Rhyolite Volcanics

CRETACEOUS

Haida Formation
Sandstone - argilite

Undivided Sediments

JURASSIC

Yakoun Formation
Andesitic Flows, Volcanoclastics

TRIASSIC-JURASSIC

Undivided Sediments

CRETACEOUS-TERTIARY

Intrusives
Diorite - granite

0 5 10 20 30 50 50 Kilometres
SCALE

MISTY MOUNTAIN GOLD LIMITED

HARMONY PROJECT - Specogna Deposit

Regional Geology

Scale	Date March 1996	Figure
N.T.S.	By a.g.b. / j.h.t.	4

Underground Potential

High grade zones are present within the deposit, primarily in the form of narrow banded epithermal quartz veins. The veins reach widths of approximately 2 metres but generally are less than one metre. They are subvertically dipping, may be widely spaced and are discontinuous along strike. It is felt that the erratic distribution and discontinuity of the veins would preclude selective underground mining (see attached sections).

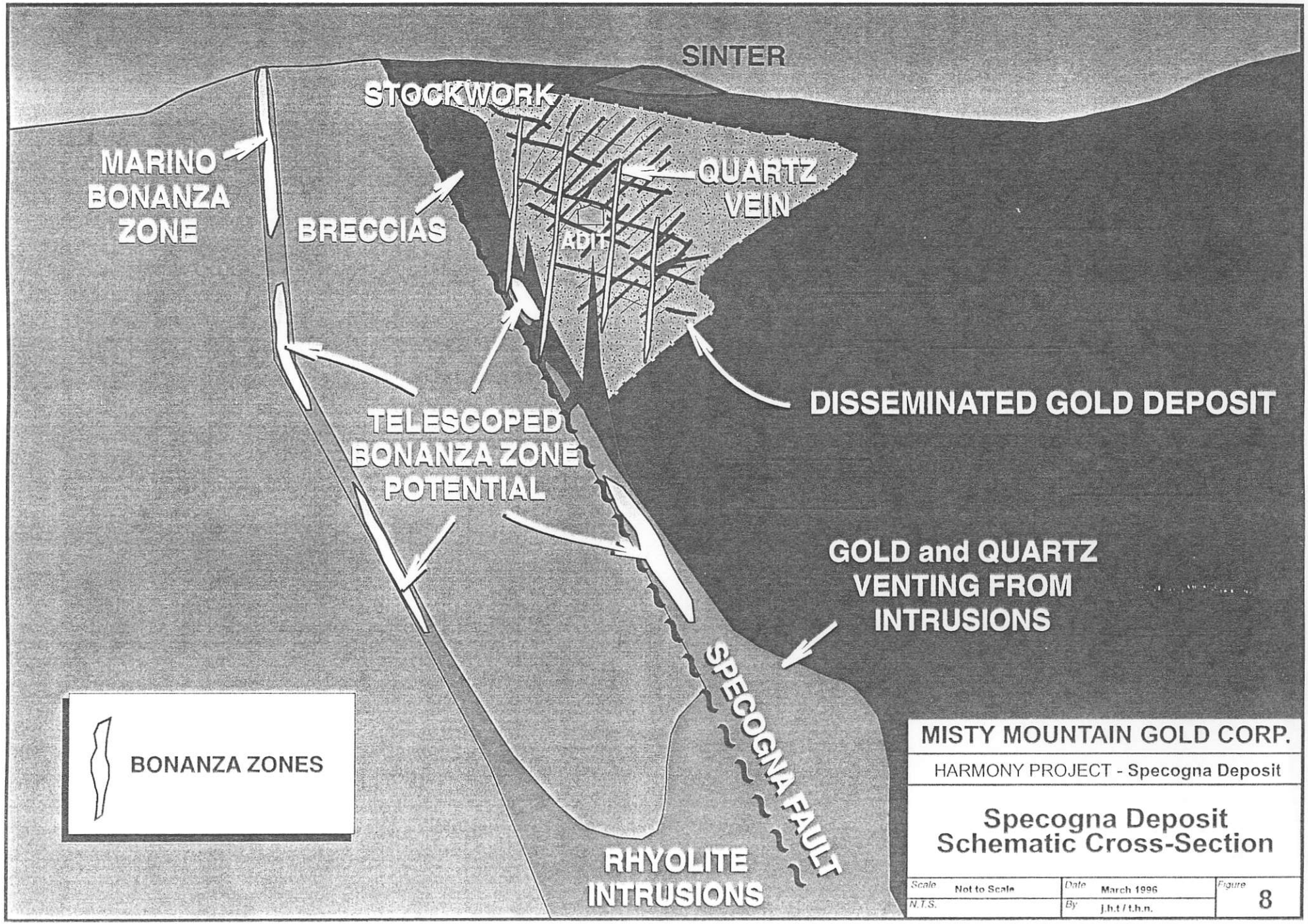
Exploration Potential

The deposit has characteristics, such as the scale of the mineralizing system, an association with a major fault zone and the presence of high grade veins, which compare favorably with large epithermal gold deposits elsewhere in the world. Both previous and current drilling have indicated that the deposit is open in several directions, particularly at depth where the potential for a "Bonanza-type" deposit may be significant. To test this model, detailed work is required to identify zoneation within the deposit such as in vein textures, etc. but unfortunately, the old core is in poor condition or has been destroyed and the current drilling program involves whole core sampling. Other target areas aligned along the Specogna fault have seen minimal work to date.

Mineral Processing

Through Simons, contact was made with Dr. Morris Beattie, a metallurgist who was involved with much of the previous metallurgical work on the deposit. His remarks are summarized as follows:

Work index of Specogna ore is very high (20 kWh per tonne) due to the toughness of the silicified conglomerate. Gold coarseness varies considerably, with significant amounts being very fine grained, down to the <1 micron level.

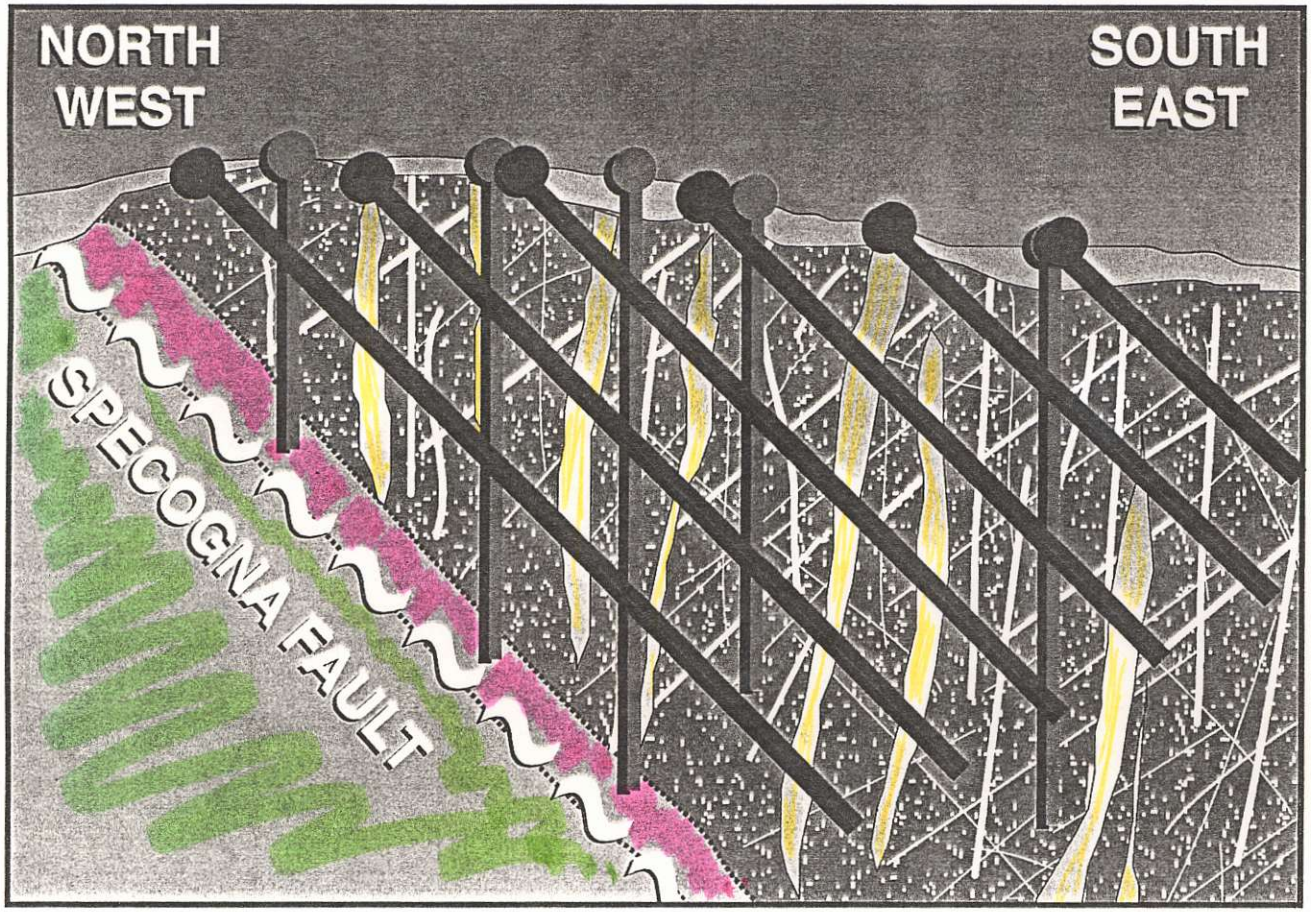


MISTY MOUNTAIN GOLD CORP.

HARMONY PROJECT - Specogna Deposit

Specogna Deposit Schematic Cross-Section

Scale	Date	Figure
Not to Scale	March 1996	8
N.T.S.	By j.h.t / t.h.n.	



- 1995 Angle Drill Hole
- Pre-1995 Drill Hole
- Haida Formation *Shale*
- Skonun Formation *Sandstone, Conglomerate*
- Rhyolite
- Disseminated Gold Mineralization
- Stockwork Gold Mineralization
- Gold Vein

MISTY MOUNTAIN GOLD LIMITED

HARMONY PROJECT - **Specogna Deposit**

Conceptualized Vein Versus Hole Orientation (section)

Scale 1 : 2 500	Date March 1996	Figure 10
N.T.S.	By j.h.t	

Consumption of rods during the pilot tests was high, which would likely translate to high equipment wear during a mining operation. Operating costs and power consumption for mining and milling will be high.

Gold is both free milling (20%) and occurs encapsulated in both quartz and in sulphides, particularly marcasite. City Resources investigated various methods of processing the ore (on 4 composite samples) including flotation and cyanide leach of concentrate, air-, H2O2-, NaOCl, FeCl3-, nitric acid (HNO3)- and "Arseno"-oxidation of whole ore followed by cyanidation. In most cases the cyanide consumption was high (probably due to the marcasite) and recoveries low, even with a -325 grind. Gold recoveries generally improved with the degree of oxidation with the most promising being the "Arseno" process, developed for arsenical ores but applied here. Recoveries generally were in the 90% area with cyanide consumption still high (2-3 kg NaCN /t). It was concluded that the remaining 10% of the gold would always be unrecoverable, being the micron-sized and encapsulated by silica.

Direct roasting of ore was dismissed out of hand due to the high cost of dry crushing and enviro contraints.

Corby Anderson of Simons suggested that two methods not tried (not widely considered at the time!) but potentially viable at Specogna are pressure oxidation (Autoclave) or bio-oxidation followed by cyanidation. With respect to the former, the low sulphide content (which fuels the Autoclave) may push energy costs too high. The bio-leach process may be suited to the project, but as yet not a proven technology on whole ore at a commercial scale. Newmont attempted such a process at a smaller scale at Tonkin Springs (7 million tonnes Au at 0.05oz/t) in Nevada but the project failed. Capital and operating costs for a bio leaching operation is high, expected to be comparable to those of pressure leach. The scale imagined at Specogna would definitely be pushing the envelope for bio-leach of whole ore. In any case, Simons produced an order of

magnitude (+/-40%) capital and operating cost estimate for the plant which were factored into a model (see below).

Permittability

The pristine image that persists regarding the Queen Charlotte Islands does not apply to the Misty Mtn. property. Clearcutting and roadwork has taken place extensively around the deposit area and several areas have been inadvertently flooded through logging activities and roads. Sulphide bearing rock has been quarried and used for roadbeds. A cursory inspection would suggest that a mining operation would not further disfigure the aesthetics of the area. Hallam remarked that, in his view, all environmental issues can be mitigated with sound engineering. Political opposition to the project experienced in the past may be reduced significantly now, particularly if the local Haida people are approached and brought onside. Previous operators and now Misty Mt. have realized this and some ground work has been laid.

Economic Model

A quick DCF calculation was done on the Specogna deposit using Simon's base case "order-of-magnitude (+/-40%) estimations for bio leach and pressure leach costs. The following parameters were used:

	Base Case:	Best Case:
Reserve:		
Tonnes:	31Mt	31Mt
Grade:	2.17g/t	2.70g/t
Price($US):	$400	$400

	Base Case:	Best Case:
Capital Costs ($US):		
Mine:	$ 25M	$15M
Plant:	$100M	$60M
Tailings:	$ 15M	$ 9M
Power:	$ 20M	$12M
Operating:		
Milling Rate (tpd):	6300	7160
Recovery:	85%	90%
Mining Costs ($US)	$ 4	$2.40
Processing Costs ($US):	$20	$12
Other ($US):	$ 8	$ 4.80
Discounted Cash Flow Analysis:		
Discount Rate:	10%	10%
Annual Cash Flow:	neg	$23.5M
IRR:	neg	17.3%

The base case scenario is clearly uneconomic. A **best case scenario** (ie. assuming -40% on capital and operating costs, +24% gold grade, +5% recovery, +13% rate of production) will result in a project which realizes a 17% IRR and a $US23.5 million annual cash flow. Mine life would be 12 years.

Conclusion

The pros and cons of the Harmony project are summarized as follows:

Pros:

- the Specogna deposit has a contained resource of 2 million ounces of gold

- recent drilling results have indicated that the reported grade may be understated by 24%
- exploration potential for other deposits or Bonanza veins at depth is considered good
- the Haida are more likely to favour development than they were 10 years ago
- this area of the Queen Charlottes has seen extensive logging and will likely not face as much resistance to mine development as a more pristine area.

Cons:

- the Specogna ore is challenged by difficult metallurgy requiring costly and/or as yet unproven processing methods to achieve reasonable gold recoveries.
- the project is located in an environmentally sensitive area within an environmentally sensitive province.
- the present owners likely have unrealistically high expectations of the value of the contained ounces.

The bottom line is that, even when assuming an optimistic scenario in terms of capital and operating costs, the successful implementation of whole ore bio-leach processing, a realized 24% increase in grade and successful permitting, the project as it stands offers only a modest rate of return and minimal mine life.

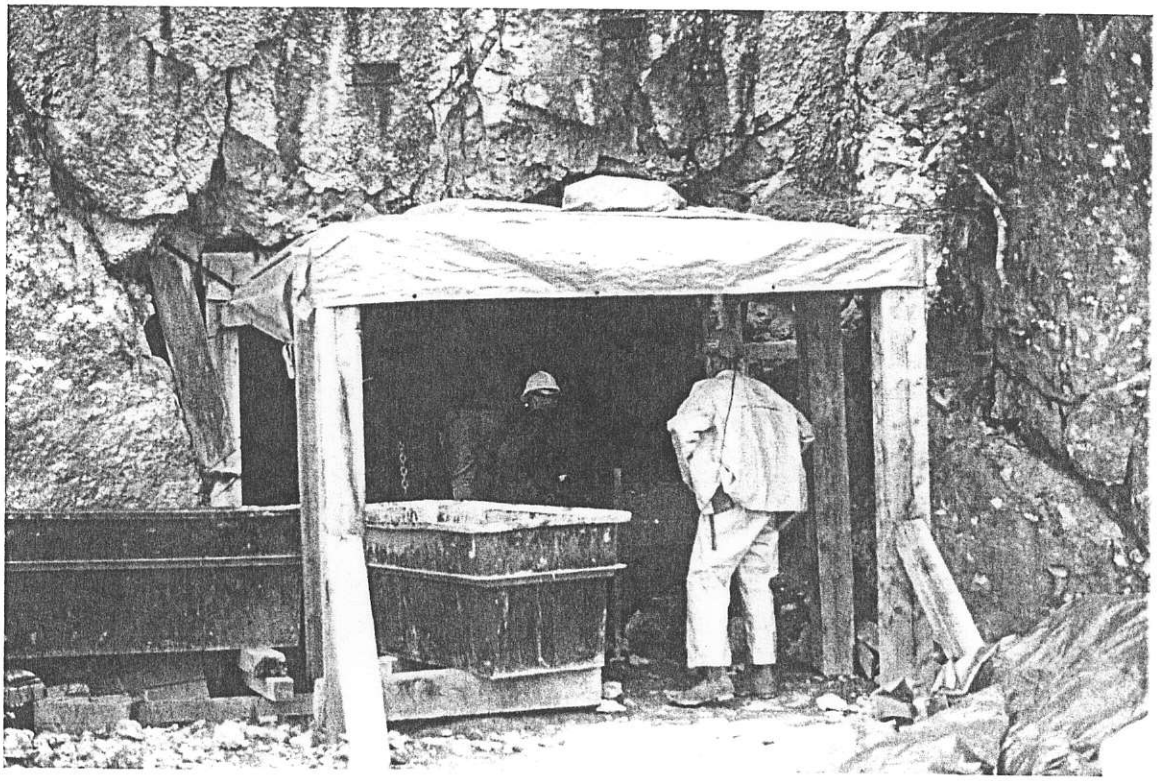
Recommendations

Given the challenges still remaining to make this deposit economic and given the high price tag for the in-situ ounces likely to be expected by Hunter-Dickenson, this project is not viewed as a fit for Inmet at this time and no further action is recommended. If the project is once again shelved by H-D, it should be re-considered as an exploration opportunity, with some protection from any existing environmental liability.

Plate 374 - 9 & 11:

Surface expression of Sandspit fault

Plate 391 - 10: Spacogna hill viewed from the southwest



`Plate 374-14: Portal to the underground adit, Spacogna deposit

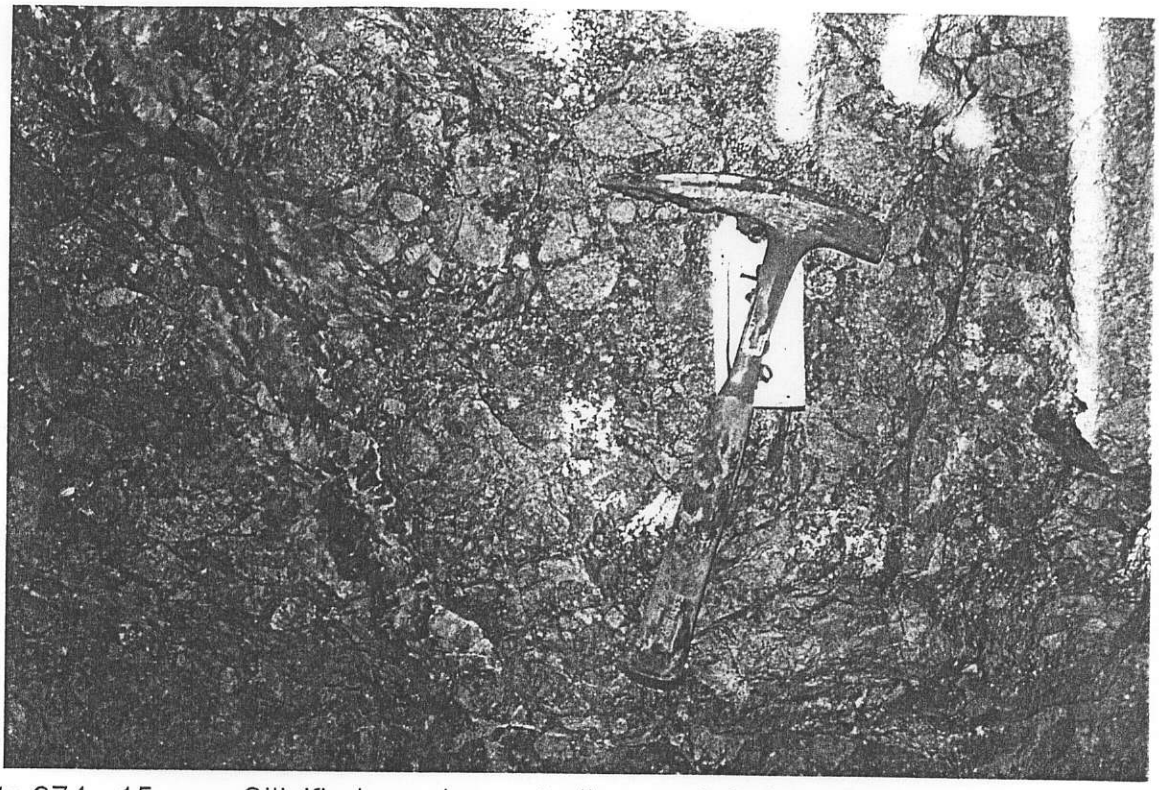


Plate 374 - 15: Silicified conglomerate (low grade) of the Skonun formation with narrow grey banded vein

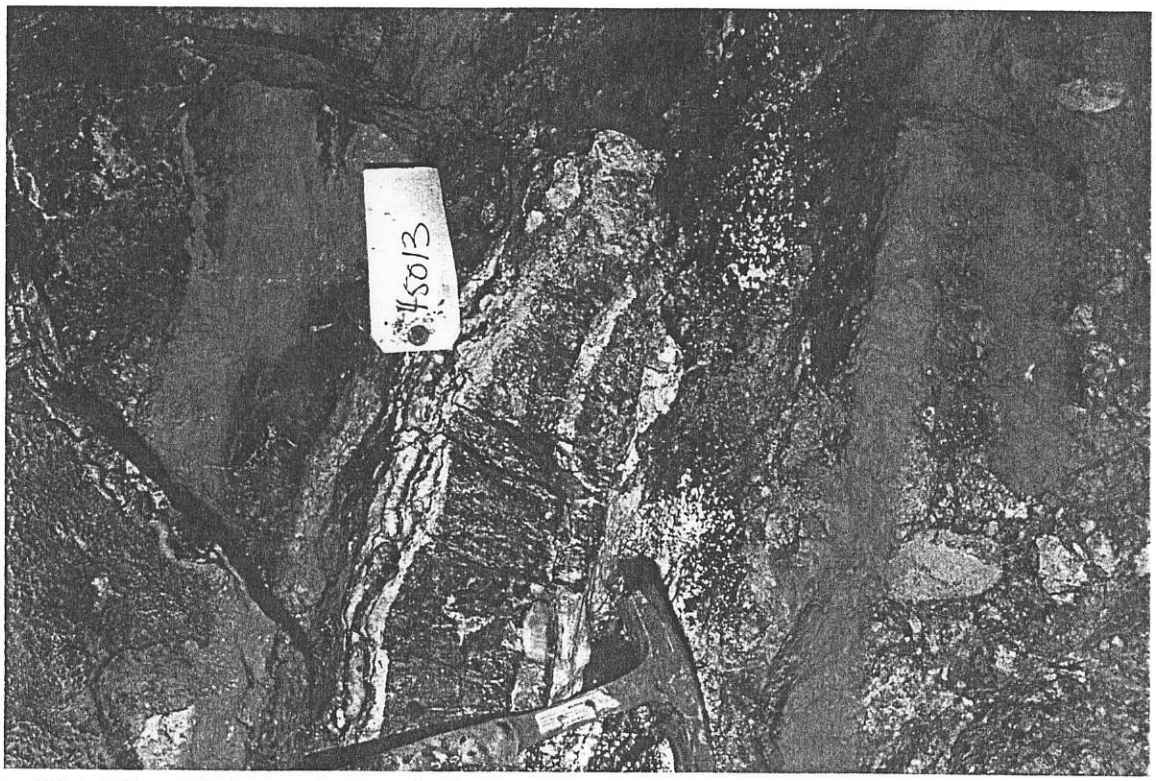


Plate 374-16: High grade banded grey vein in silicified conglomerate

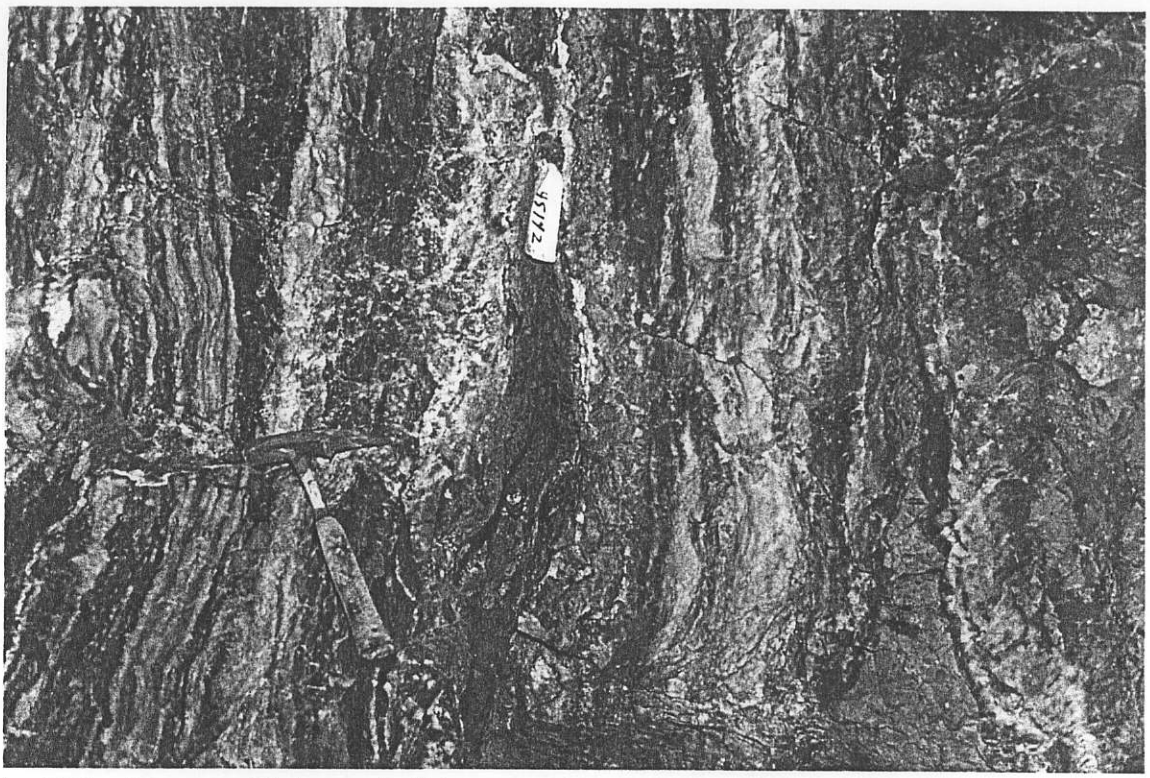


Plate 374 - 18: High grade "Hunter vein" approximately 2 m wide - note clay-filled central fracture

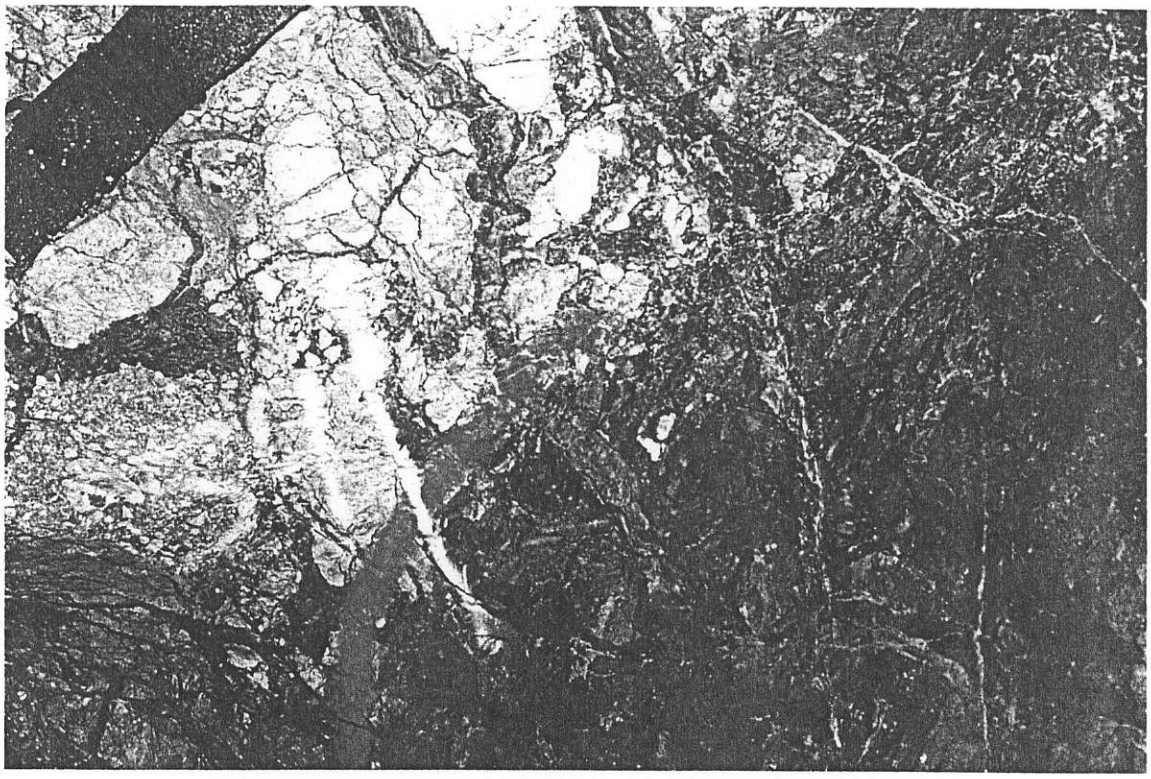


Plate 374-20: Hydrothermal breccia with chalcedonic silica veins in rhyolite dyke (Miocene Masset fm)

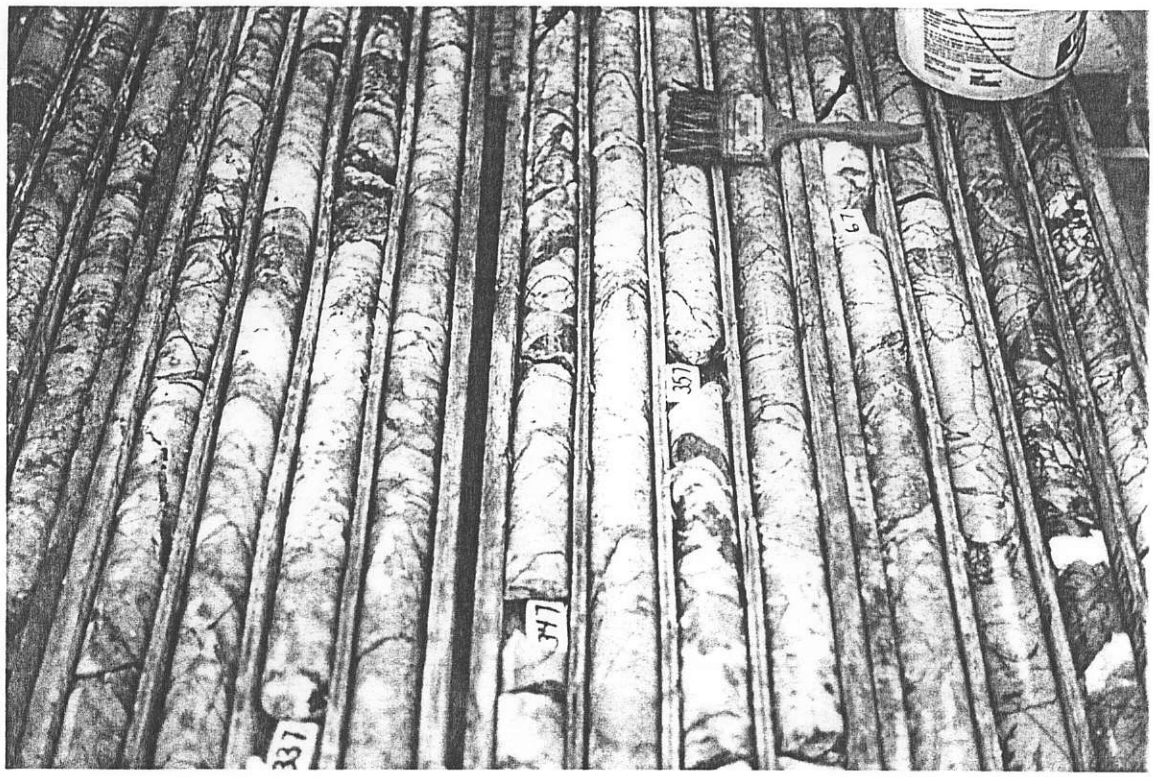


Plate 374 - 13: Widespread hydrothermal stockwork

Plate 374 - 12: Bladed quartz vein in core

BEST CASE: Specogna Deposit (assumes +24% grade, -40% costs, maximum recoveries) increased daily product – by formula

8/28/96

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	FINAL
COMMODITIES																					
% Cu	DILUTED GRADE		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	RECOVERY		0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
	% PAYABLE		0.96	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	LBS PAYABLE		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
$US per lb.	PRICE		1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
	TREATMENT		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
	TRANSPORT	$0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	SHIPPING	$0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	NET PAYABLE		0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
	CONTRIBUTION TO NSR		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Au g/t	DILUTED GRADE		2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700	2.700
	RECOVERY		0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
	% PAYABLE		0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95
	OZ. PAYABLE		0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074	0.074
$US per oz	PRICE		$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400
	CONTRIBUTION TO NSR		29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69	29.69
Ag g/t	DILUTED GRADE		3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
	RECOVERY		0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
	% PAYABLE		0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94
	OZ. PAYABLE		0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073
$US per oz	PRICE		$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00
	CONTRIBUTION TO NSR		0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36
	TOTAL NSR $US		$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05
	EXCHANGE RATE		$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
	TOTAL NSR $US		$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05	$30.05
PRODUCTION																					
	PROJECT YEAR	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
RESERVES: MILLIONS OF TONNES			31.30	31.30	31.30	29.00	26.70	24.40	22.10	19.80	17.50	15.20	12.90	10.60	8.31	6.01	0.00	0.00	0.00	0.00	0.00
MINING RATE:TONNES/MONTH	6,300 T/day		191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625
MONTHS PRODUCTION		0	0	0	12	12	12	12	12	12	12	12	12	12	12	12	0	0	0	0	0
TONNES (000)/YEAR		0	0	0	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	0	0	0	0	0
OPERATING COST: $US/T		$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77	$16.77
CASH FLOW: BEFORE TAX AND FOR 100 % OF PROJECT (x 000,000)																					
$136.8	CAPITAL	$33.7	$33.7	$33.7	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1	$2.1
$38.0	WORKING CAP	$0.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0
	NET REVENUE	$0.0	$0.0	$0.0	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$69.1	$0.0	$0.0	$0.0	$0.0	$0.0
	OPERATING COSTS	$0.0	$0.0	$0.0	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$38.6	$0.0	$0.0	$0.0	$0.0	$0.0
	SELLING EXPENSE				$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.0	$0.0	$0.0	$0.0	
	OPERATING PROFIT	$0.0	$0.0	$0.0	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$30.5	$0.0	$0.0	$0.0	$0.0	$0.0
	NSR ROYALTY						$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3					
	PROJECT CASH FLOW	$0.0 ($33.7)	($35.7)	($35.7)	$26.4	$26.4	$26.1	$26.1	$26.1	$26.1	$26.1	$26.1	$26.1	$26.1	$26.1	$26.1	($4.1)	($4.1)	($4.1)	($4.1)	($4.1)
	YEARS OF CASH FLOW	0	0	0	1	2	3	4	5	6	7	8	9	10	11	12	0	0	0	0	0
17.9%	IRR					#NUM!	-9.1%	0.0%	5.8%	9.7%	12.4%	14.3%	15.7%	16.8%	17.6%	18.2%	18.1%	18.0%	18.0%	17.9%	17.9%
10%	NPV								($11.0)	($1.0)	$8.2	$16.5	$24.1	$31.0	$37.2	$42.9	$42.1	$41.4	$40.7	$40.1	$39.6

Capital Costs:	$US
Power	$20.0
Mine	$30.0
Plant:	$100.0
Tailings:	$15.0
Cyanide De	$3.5
Total: -40%	$101.1

Operating Costs ($US/t)	
Power	$1.8
Mine	$4.0
Plant	$20.0
G&A	$2.0
Cyanide De	$0.2
Total: -40%	$16.8

Annual Maint Costs: ($US/	
Oxidizer:	$3.5
Total: -40%	$2.1

$136.8		$136.8
$38.0		
$0.0		$0.0
$462.8		
$6.2		
$366.5		
	AVE:	$16.77

DCF_SPEC.XLS

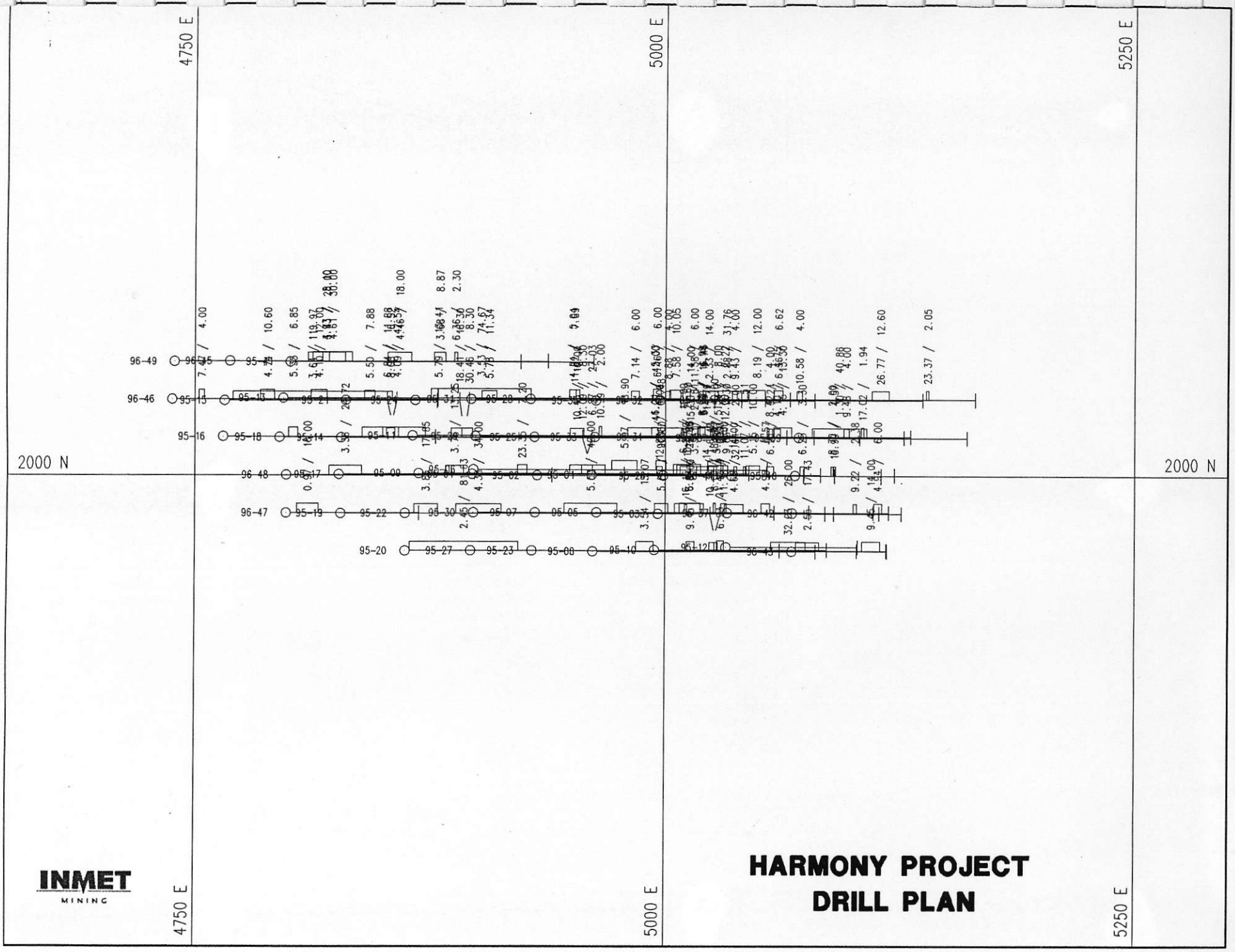
BASE CASE: Specogna Deposit (uses Simon's order of magnitude costs, published grade, expected recoveries)

8/28/96

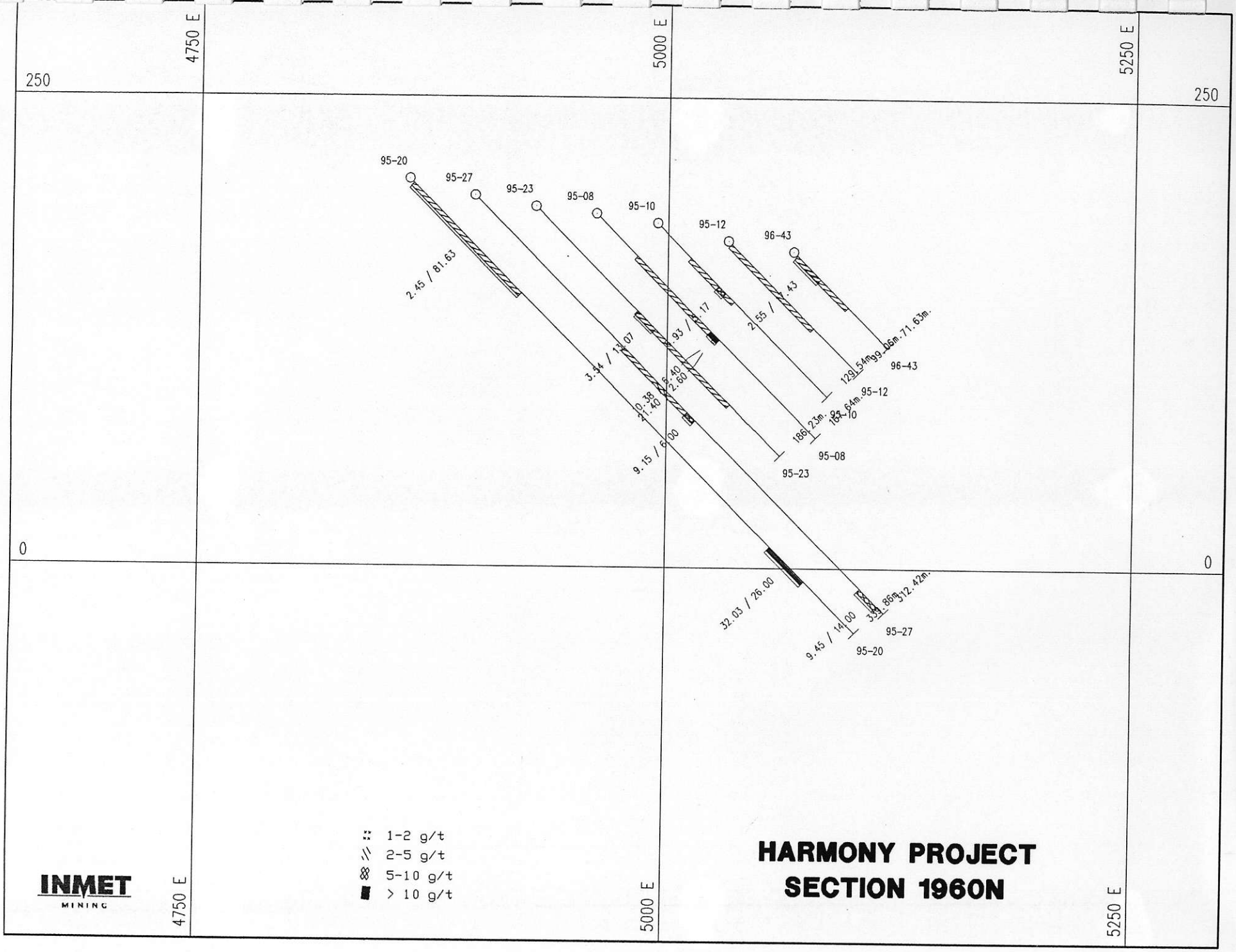
			1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	FINAL		
COMMODITIES																								
% Cu	DILUTED GRADE			0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		
	RECOVERY			0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88		
	% PAYABLE			0.96	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		
	LBS PAYABLE			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
$US per lb.	PRICE			1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00		
	TREATMENT			0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25		
	TRANSPORT	$0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	SHIPPING	$0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
	NET PAYABLE			0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75		
	CONTRIBUTION TO NSR			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
Au g/t	DILUTED GRADE			2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190	2.190		
	RECOVERY			0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85	0.85		
	% PAYABLE			0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95		
	OZ PAYABLE			0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057	0.057		
$US per oz	PRICE			$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400	$400		
	CONTRIBUTION TO NSR			22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74	22.74		
Ag g/t	DILUTED GRADE			3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00		
	RECOVERY			0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80		
	% PAYABLE			0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94		
	OZ PAYABLE			0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073	0.073		
$US per oz	PRICE			$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00	$5.00		
	CONTRIBUTION TO NSR			0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36	0.36		
	TOTAL NSR $US			$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10		
	EXCHANGE RATE			$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00		
	TOTAL NSR $US			$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10	$23.10		
PRODUCTION																								
	PROJECT YEAR		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
RESERVES: MILLIONS OF TONNES				31.30	31.30	31.30	29.00	26.70	24.40	22.10	19.80	17.50	15.20	12.90	10.60	8.31	6.01	0.00	0.00	0.00	0.00	0.00		
MINING RATE:TONNES/MONTH		6,300 T/day		191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625	191,625		
MONTHS PRODUCTION			0	0	0	12	12	12	12	12	12	12	12	12	12	12	12	0	0	0	0	0		
TONNES (000)/YEAR			0	0	0	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	2,300	0	0	0	0	0		27,594
OPERATING COST: $US/T			$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	$27.95	AVE:	$27.95
CASH FLOW: BEFORE TAX AND FOR 100 % OF PROJECT (x 000,000)																								
$228.0	CAPITAL		$56.2	$56.2	$56.2	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5	$3.5		$228.0
$38.0	WORKING CAP		$0.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$2.0	$38.0	
	NET REVENUE		$0.0	$0.0	$0.0	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$53.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	OPERATING COSTS		$0.0	$0.0	$0.0	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$64.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$771.3
	SELLING EXPENSE					$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.0	$0.0	$0.0	$0.0			$4.8
	OPERATING PROFIT		$0.0	$0.0	$0.0	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	($11.1)	$0.0	$0.0	$0.0	$0.0	$0.0		($133.7)
	NSR ROYALTY							$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2							
	PROJECT CASH FLOW	$0.0	($56.2)	($58.2)	($58.2)	($16.6)	($16.6)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($16.9)	($5.5)	($5.5)	($5.5)	($5.5)	($5.5)		
	YEARS OF CASH FLOW		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
#NUM!	IRR						#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!	#NUM!		
10%	NPV									($173.3)	($179.8)	($185.7)	($191.1)	($195.9)	($200.4)	($204.4)	($208.1)	($209.2)	($210.2)	($211.1)	($211.9)	($212.6)		

Capital Costs:	$US
Power	$20.0
Mine	$30.0
Plant:	$100.0
Tailings:	$15.0
Cyanide De	$3.5
Total:	$168.5
Operating Costs	**($US/t)**
Power	$1.8
Mine	$4.0
Plant	$20.0
G&A	$2.0
Cyanide De	$0.2
Total:	$28.0
Annual Maint Costs:	**($US/**
Oxidizer:	$3.5
Total:	$3.5

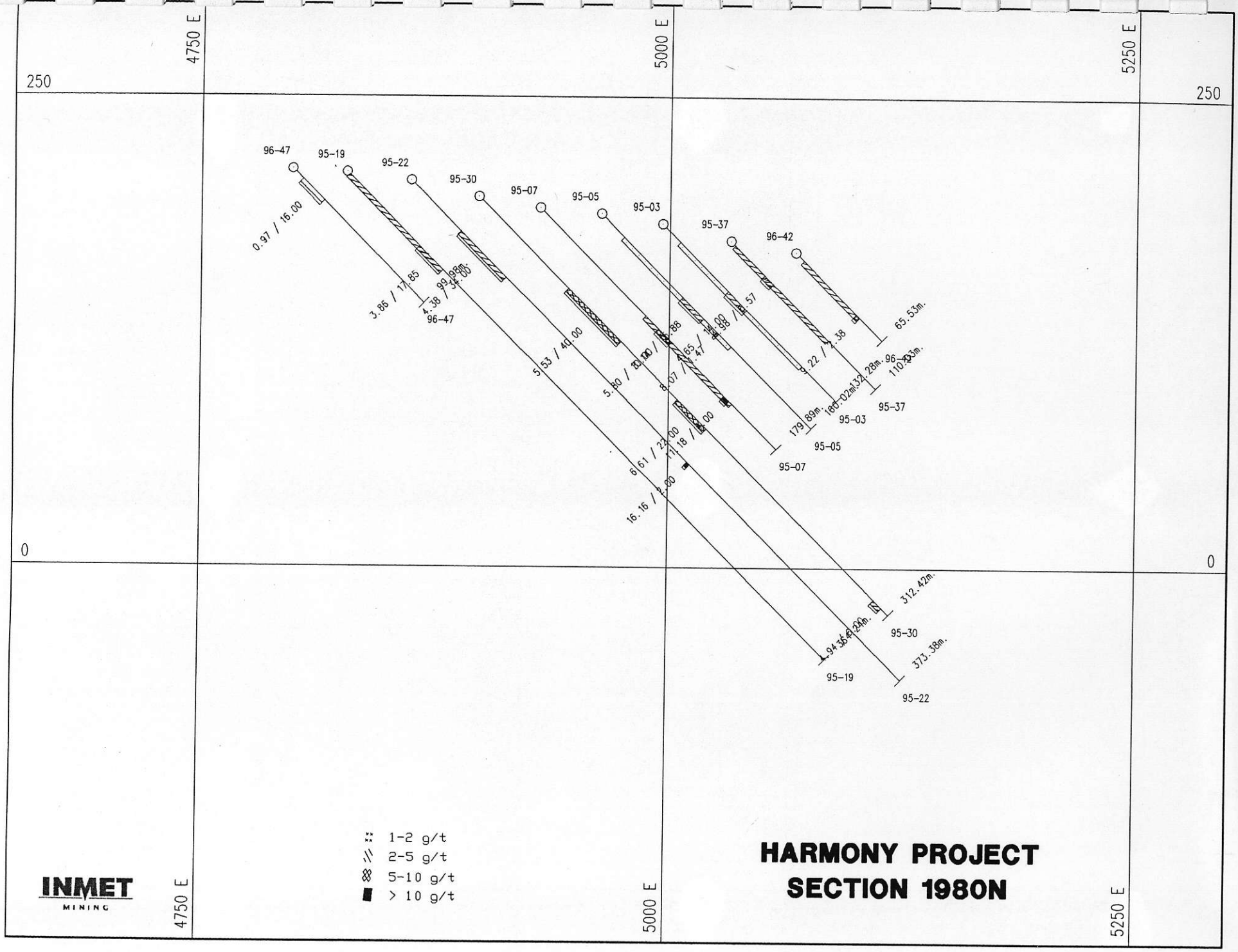
DCF_SPEC.XLS



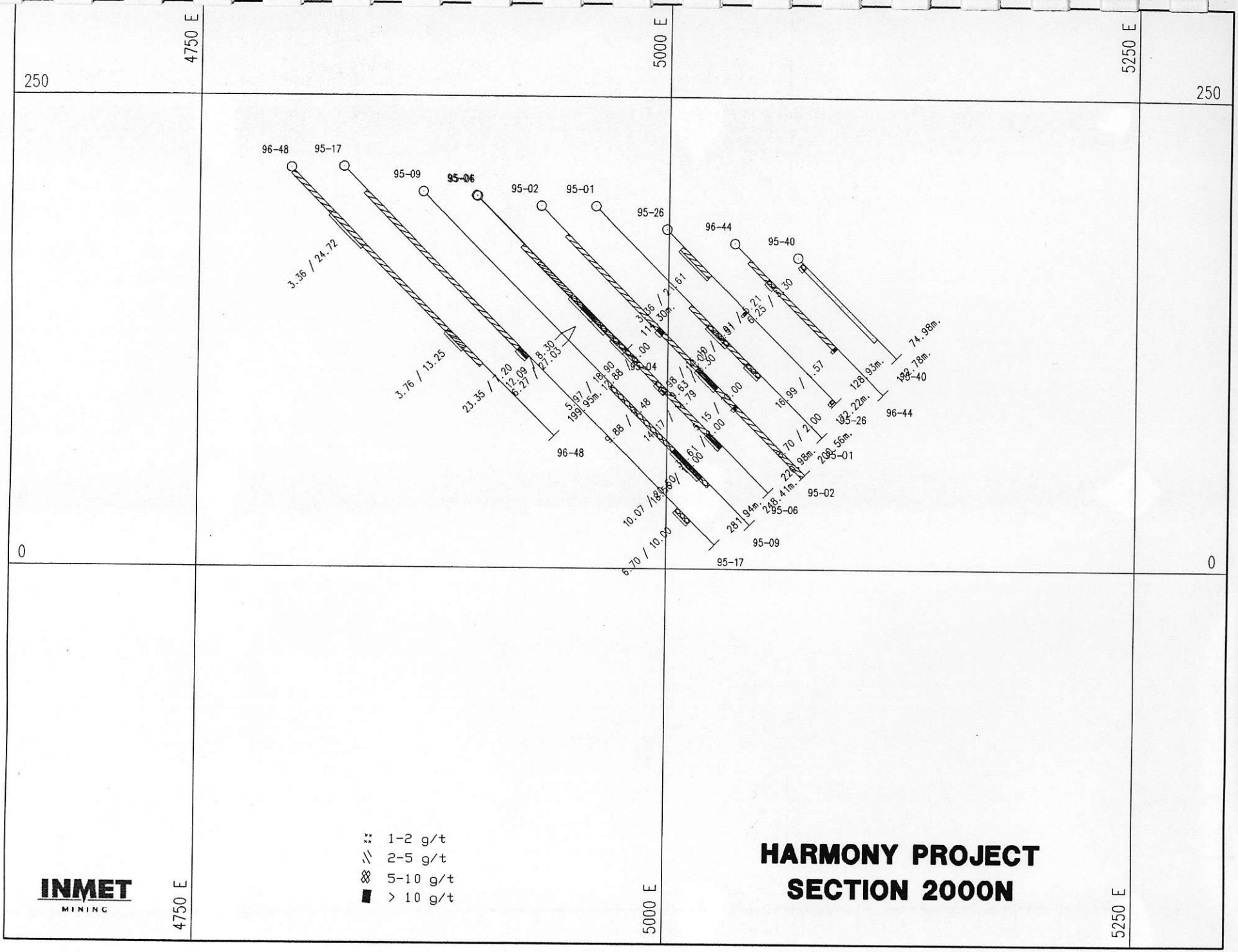
HARMONY PROJECT
DRILL PLAN

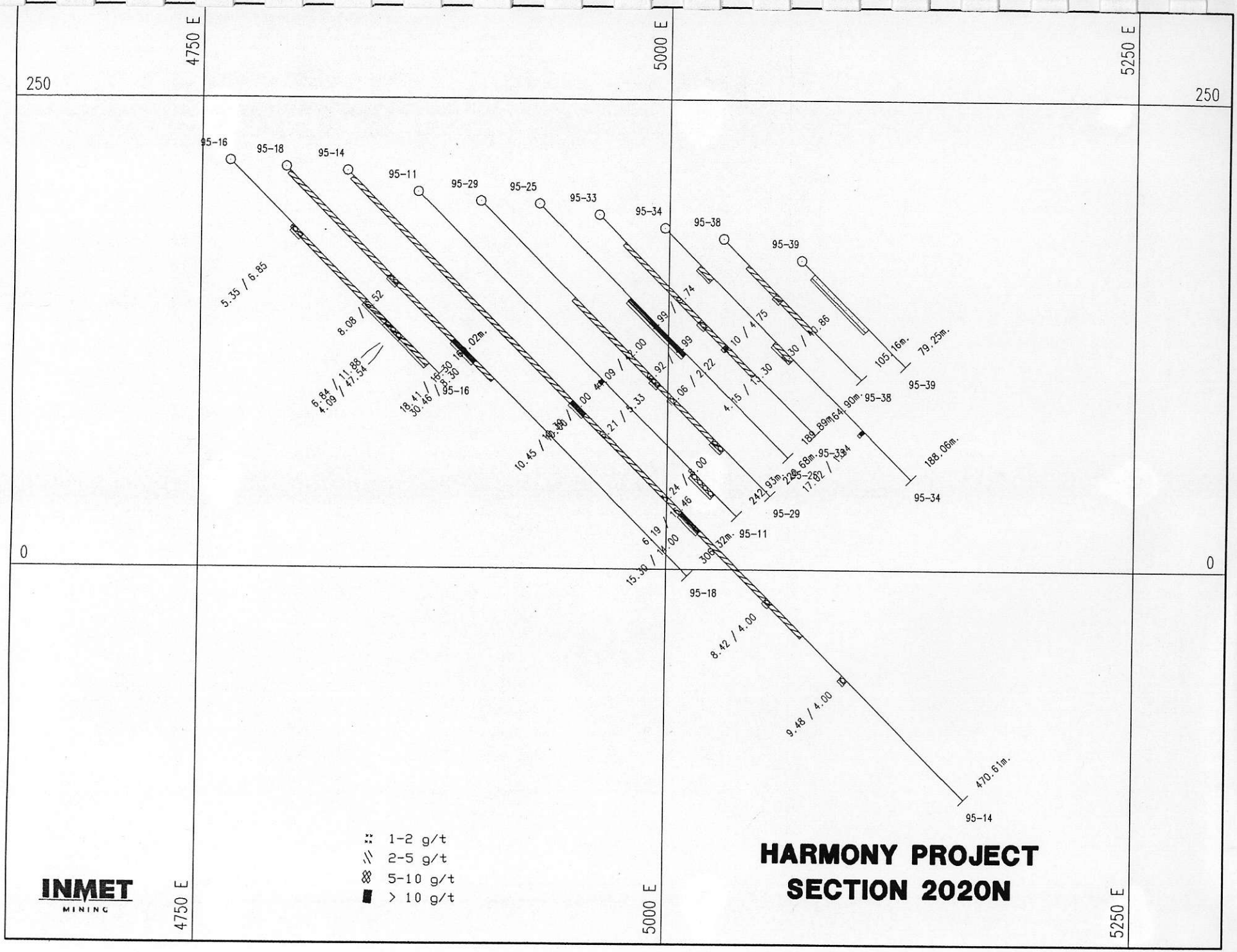


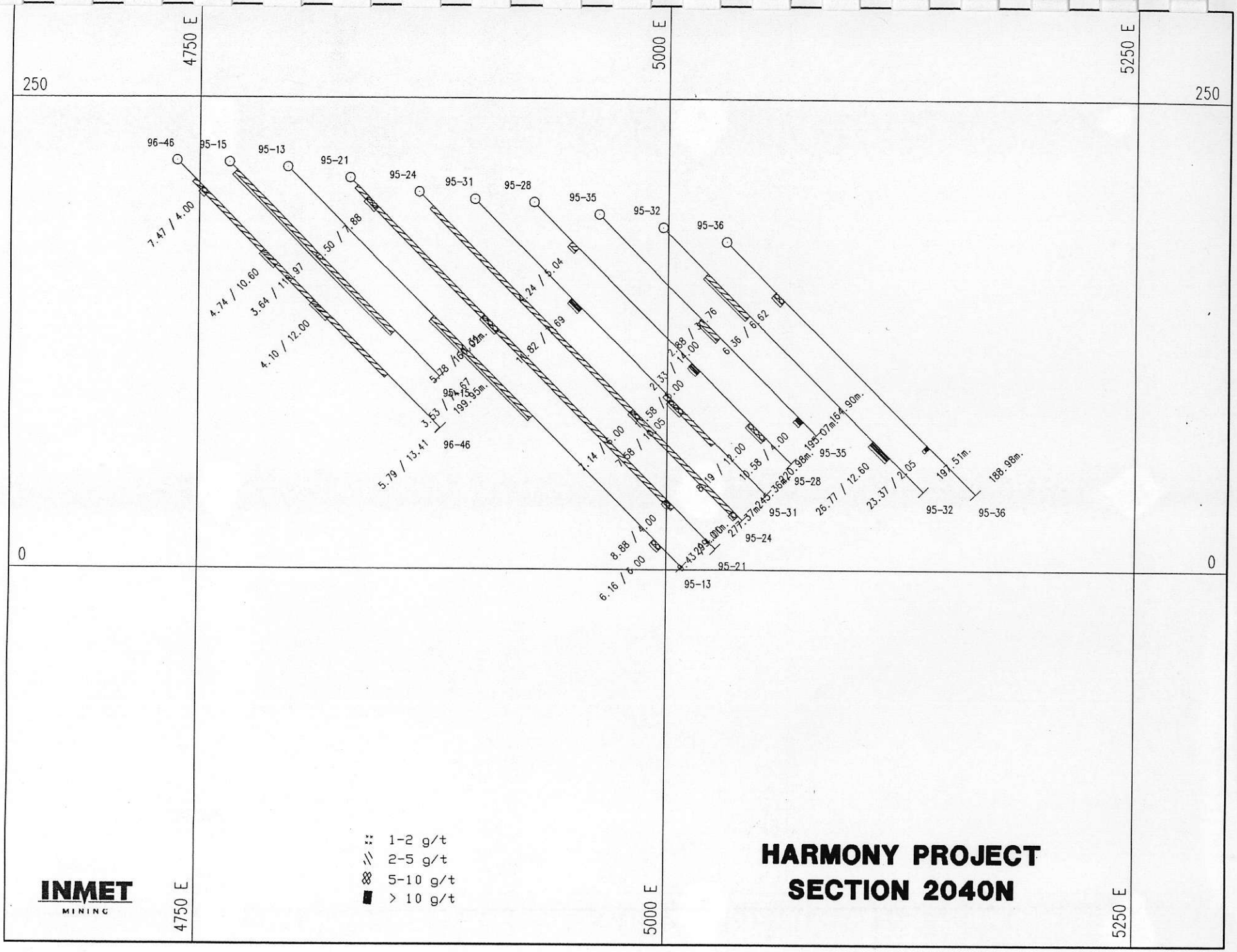
HARMONY PROJECT
SECTION 1960N

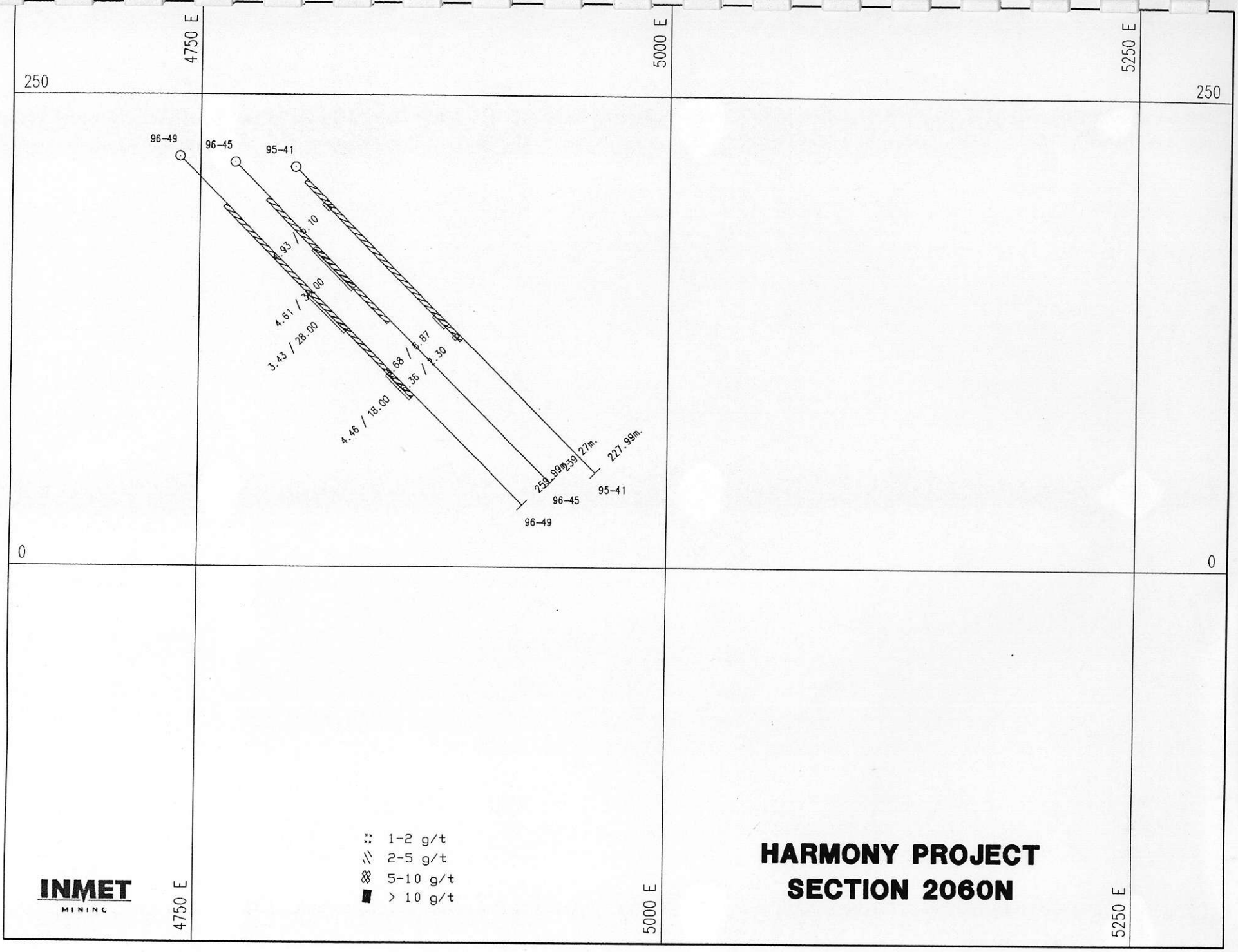


HARMONY PROJECT
SECTION 1980N


4750 E
5000 E
5250 E
250
0
96-48
95-17
95-09
95-06
95-02
95-01
95-26
96-44
95-40
3.36 / 24.72
3.76 / 13.25
23.35 / 1.20
12.09 / 8.30
6.27 / 21.03
5.97 / 18.90
199.95m.
9.88 / 0.48
10.07 / 10.00
6.70 / 10.00
281.94m.
248.41m.
220.98m.
200.56m.
172.22m.
128.93m.
92.78m.
74.98m.
16.99 / .57
6.70 / 2.00
96-48
95-17
95-09
95-06
95-02
95-01
95-26
96-44
96-40
95-40
1-2 g/t
2-5 g/t
5-10 g/t
> 10 g/t
INMET
MINING
HARMONY PROJECT
SECTION 2000N


4750 E
5000 E
5250 E
250
0
95-16
95-18
95-14
95-11
95-29
95-25
95-33
95-34
95-38
95-39
5.35 / 6.85
8.08 / 10.52
6.84 / 11.88
4.09 / 47.54
18.41 / 30.46
95-16
10.45 / 10.30
6.19 / 14.00
15.30 / 14.00
95-18
95-11
95-29
95-34
95-38
95-39
8.42 / 4.00
9.48 / 4.00
470.61m.
95-14
1-2 g/t
2-5 g/t
5-10 g/t
> 10 g/t
INMET
MINING
HARMONY PROJECT
SECTION 2020N


4750 E
5000 E
5250 E
250
0
96-46
95-15
95-13
95-21
95-24
95-31
95-28
95-35
95-32
95-36
7.47 / 4.00
4.74 / 10.60
3.64 / 11.97
4.10 / 12.00
5.50 / 7.88
5.79 / 13.41
3.53 / 1.67
199.55m.
96-46
95-15
5.28 / 100.02m.
95-13
1.14 / 6.00
8.88 / 4.00
6.16 / 6.00
4.43
95-21
95-13
7.58 / 10.05
10.82 / 7.69
2.24 / 5.04
95-24
8.19 / 12.00
277.37m
245.36m
95-31
2.33 / 14.00
2.88 / 30.76
10.58 / 4.00
95-28
6.36 / 6.62
195.07m
95-35
26.77 / 12.60
23.37 / 2.05
197.51m.
95-32
164.90m.
188.98m.
95-36
1-2 g/t
2-5 g/t
5-10 g/t
> 10 g/t
INMET
MINING
HARMONY PROJECT
SECTION 2040N


4750 E
5000 E
5250 E
250
0
96-49
96-45
95-41
4.93 / 9.10
4.61 / 38.00
3.43 / 28.00
4.68 / 8.87
4.36 / 9.30
4.46 / 18.00
259.99m.
239.27m.
227.99m.
95-41
96-45
96-49
1-2 g/t
2-5 g/t
5-10 g/t
> 10 g/t
INMET
MINING
HARMONY PROJECT
SECTION 2060N