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EXPLORATION AND MINING
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826487

July 18, 1982

Mr. J.K. Newton
6017 Larch St.
Vancouver, B.C.

Dear Mr. Newton:

Re: COST ANALYSIS - YALAKOM
GOLD PROPERTY

INTRODUCTION

The Yalakom property is located about 240 kilometers north of Vancouver in the Bridge River area of British Columbia and can be considered to be a vein-type gold prospect.

The property consists of 8 Crown granted and one claim of 20 units and is part of the Elizabeth gold camp which was explored by Bralorne Mines Ltd. in the late 1940's. Underground work was carried out by Bralorne on the Yalakom property (No. 9 vein) and this consisted of 807 feet (245 meters) of horizontal development on the vein. Of this length, 165' (50 meters) is reported to average 1.45 oz Au (or 0.94 oz cut) across a width of 1.23 feet. The remainder of the drift apparently was not sampled but old reports indicate that gold is present over a large part. The portal is presently ice-filled, preventing systematic sampling from being carried out but recent sampling of vein material from the surface dump confirms the presence of gold (6 samples average in excess of 0.50 oz Au per ton).

The vein has been traced for 400 meters on surface.

RESERVES

The 165 foot length of sampled vein material is assumed to project above (and below) the level a distance equal to the length of the shoot (165').

A dilution factor of 20% can be applied to the 1.23 foot wide vein. It is proposed to extract the gold-bearing quartz vein by re-suing, where the vein is extracted first and the stope is then widened to a practical working width with this material remaining in the stope.

- 1) Tonnage calculation (above the level):

$$\frac{165' \times 165' \times 1.50'}{10 \text{ cubic feet per ton}} = 4,083 \text{ tons}$$

10 cubic feet per ton

- 2) Grade calculation:

$$0.94 \text{ oz Au/ton diluted } 20\% = 0.77 \text{ oz/ton}$$

- 3) Value at \$420 per oz Au (Canadian) - July 18, 1982

At 90% recovery =

$$\$420 \times 0.77 \text{ oz} \times 0.90 = \$290 \text{ per ton}$$

COSTS (per ton)

1) Removal of ice	-	\$5.00
2) Mining (delivered at portal)		90.00
3) Truck haulage to Trail -		
450 miles at 10¢/mile		45.00
4) Custom milling		<u>70.00</u>

Total = 210.00

less credit for silica content 30.00

Total operating costs = 180.00

Plus: Amortization of \$360,000 for 5 months

at 2% per month - 9.00

Engineering and management - 10.00

Total cost per ton = \$199.00


With close supervision and good management a surplus of \$90 per ton should be realized.

COMMENT

Immediately upon the rehabilitation of the adit, the entire length should be sampled at five foot intervals to confirm the earlier grades and to determine if other commercial grade shoots are present.

If results of this operation reach expectations, a new lower level should be considered to recover the down dip extension of the reported mineral zone.

Respectfully submitted,

R. W. Phendler
R. W. PHENDLER, P. Eng.
A circular professional seal for R.W. Phendler, a Provincial Engineer in British Columbia. The seal features the text "PROFESSIONAL" at the top, "R. W. PHENDLER" in the center, "BRITISH COLUMBIA" at the bottom, and "ENGINEER" at the very bottom. The name "Phendler" is also written across the seal in a cursive script.

RWP/bj