SEMCO

SEMCO MINING CORPORATION

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MEMORANDUM

The feasibility of the Lawyers Gold Property

Serem Inc. the Canadian arm of B.G.R.M. an agency of the French Government which is involved in mining exploration development and production projects throughout the world in late 1983 proposed a public offering of shares at $5.00 each to finance its Canadian mining projects.

Various underwriters from Toronto suggested an offering on "best effort" basis and promised Serem Inc. to market 4 million shares raising 20 million dollars by early 1984.

The underwriters pulled out from the deal in January 1984 hence, Serem Inc. is facing serious difficulties to finance its projects in Canada.

It is our understanding that Serem has been unsuccessful to replace the underwriters by a financial institution and hence has dismissed all its technical staff in Vancouver. The Manager of the Western Canadian Projects, Mr. Peter Taggart, Geologist, was retained as consultant to look after Serem's interests until they are disposed of in some manner.

S.M.C. has particular interest to see the Lawyers Gold Property being developed as it still maintains a 5% net profit interest in that project. Notwithstanding that Serem retaining the consulting, geological engineering firm of David S. Robertson & Associates to advise on the appraised value of the properties held by the Company (who valued the assets and holdings in Canada at $24,427,000.00 as at September 30th 1983,) the only commercially marketable mining property appears to be the Lawyers Group of claims on which Serem & Associates have spent approximately $6,000,000.00 in the last four years.

Technical details and short description is attached under Schedule A.

The claims are situated about 270 kilometers north of Smithers, B.C. in the central portion of the Toodoggone gold belt. Approximately ten miles from the Lawyers property the Baker Gold Mine was recently shut down as its reserves were depleted. The Baker Mine originally belonged to Kennco Explorations Western Limited and was optioned by Dupont of Canada from Kennco in 1974. It took about six years for the Dupont to put the mine into production on 100 tpd operating schedule which commenced in 1981, May 1st terminating on December 1st 1983. From 77,500 tons of gold ore,

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38,240 ounces of gold and 23,000 kilos of silver (740,000 ounces) was produced. Dupont spent over $14 M on this project to which exploration and acquisition costs have to be added. (Approx. total cost for Dupont $18-19 M).

A challenging and intriguing situation faces mining entrepreneurs regarding these projects as on one hand we have

(a) Serem with a gold deposit containing proven ore over 500,000 tons and probable reserves of at least another 500,000 tons grading recoverable 0.25 ounce gold and approximately 8.0 ounces of silver per ton.

(b) 10 miles from Serem's gold property we have a shut down modern milling facility for which there is no other ore reserve in the area than that of Serem's.

It would appear that because of the remoteness of these projects on one hand and the limited (medium) size of the deposit, no major mining companies have approached the owners to put these together, leaving hence the door open for a private group, syndicate or junior mining company to put a deal together with private and/or public financing.

My suggestion is to try to option and purchase the mining property and once we have control of it, sit down with Dupont and make an offer to them either to lease or buy their installations.

Dupon knows very well that although there are serveral grass root promising and less promising projects in the Toodoggone, they are all four, five or eight years away to make any use of the installations. On the other hand, the Lawyers property is practically ready for production right away and with proper organization and financing, gold could be produced through the Baker Mill within eight - nine months.

It is my belief that Serem Inc. would not resist the temptation to sell off the property for a cash offer at 40 - 60¢ on a dollar invested in the Lawyers property (or perhaps one could acquire it for much less?). As for Dupont, the 100 tpd mill which they built for $14 M including operating buildings and production equipment, etc. (For details, see Schedule B attached) with an additional $1.5 - 1.8 M the plant capacity could be doubled. The mill and installations could be purchased probably for less than $4 - 5 M.

It is quite feasible to imagine that Serem would sell the mine for $3 - 4 M and Dupont would sell the plant and the installations for a similar or lesser amount.

Ore Reserves

David S. Robertson & Associates, Consultants, of Serem Inc. confirmed that the indicated reserves which could be considered as proven reserves stand at 561,773 tons grading .211 ounce of gold and 7.11 ounce of silver.

It is our understanding however that there are additional probable and possible reserves some drilled and others exposed by trenching and underground work. We have spent very little time to review the geology and the results of the various exploration programs carried out on the property but it our belief that one can easily establish 1 M tons of total reserves at the present time plus a potential for another 500,000 - 700,000 tons of similar grade than that indicated by Robertson.

Within the known reserves there are several blocks of much higher grade like, for example, one could mine at least 300,000 tons of .3 ounce per ton 8.5 ounce per silver ore. There is also a good possibility to mine 40 - 50,000 tons by open pit methods where the grade would be at least .25 ounce per ton.

Mine dilution has been taken into consideration in the above indicated grades and tonnages and as the metallurgical recovery is 97% in gold and 90% in silver, one can demonstrate that the recoverable gold and silver values per ton of mineral is over $220.00 Canadian per ton, at $500.00 Canadian per ounce of gold and $12.00 Canadian per ounce of silver price.

Underground mining and milling costs in British Columbia at small mining operations (80 - 90 ton per day) vary between $100.00 - $150.00 per ton. Similar operations in eastern Canada are 30% less, namely maximum $100.00 per ton.

It would appear that an operation of 200 ton per day or perhaps 300 ton per day on a unit cost basis would not be more than $100.00 per ton. (This low cost could be obtained only if the mine is operated with non-union labour and without large corporate overheads as multi-nationals tend to operate).

At least one million ton of commercial grade could be mined from the Lawyers property for a cost of $100 M while the revenue would be $220 M leaving an operating profit of $120 M. Given the circumstances outlined above, and assuming that the property and the mill installations would be available for less than $10 M this venture looks highly attractive.

The banks and other financial institutions surely would finance partially the project once the mine is secured. However, to be independent from debts and banks, equity financing would be necessary for at least $5 - 6 M securing the rest of the funds to tako the mine into production from the

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purchasers of the precious metals.

In my opinion a successful medium size mining company or a private company, who has been successful in business (not necessarily in the mining industry), and is interested in participating in the development of a precious metal mine in Canada, this situation should appear as being unique and most attractive.

The above indicated figures should be checked out with geologists of Serem as far as reserves and grade is concerned, and with mining companies who are operating in similar conditions as far as operating costs are concerned. A feasibility study in-house has already been prepared by Serem which should be overviewed as well as the metallurgical work done by laboratories in Vancouver.

Notwithstanding that Serem has no interest at this stage to agree with any junior mining company, or with Dupont to develop the property jointly or severally, it is my understanding that offers are arriving to their offices in Montreal and Vancouver; hence, time is of the essence to try to put this deal together as soon as possible.

A cash-strong private company who believes in the future of substantial strengthening of precious metal prices, would have an excellent chance to acquire one of the most promising mining ventures which we know of in British Columbia.