MULTINATIONAL RESOURCES INC.

M E M O R A N D U M

DATE: February 16, 1987 cc: C. Anderson

TO: R. E. Hallbauer

FROM: W. Meyer

SUBJECT: **MULTINATIONAL RESOURCES INC. - BAKER MILL - DUPONT COUNTEROFFER**

On February 5, 1987 Multinational made an offer to Dupont for the lease/purchase of the Baker Mill in the Toodoggone area. Lease payments were equal to 2-1/2 NSR on all ores processed in the mill. Dupont responded with a revised offer February 12, 1987. I believe from the response that Dupont did not realize that Multinational's intent was that there be two royalties of 2-1/2% each, one attached to the property per original agreement and an additional one for the mill payments.

Dupont's recent offer provides for two options:

1) $2,000,000 cash plus Dupont would drop the 2-1/2% royalty on the property. (i.e., their entire interest in the Toodoggone would be bought out.)

2) Lease/purchase

   - 3-year lease @ $500,000/yr. then purchase for $1,500,000 less all NSR payments;

   - Dupont would continue to list the mill for sale and could sell the mill even if Multinational were in production and notwithstanding that Multinational will have incurred $500,000 in startup costs.

The tables below summarize the effect of the three offers with the present reserve base and the effect on cash flows assuming 100,000 tons of mineralization is found at the same grade.

Present Reserve Base (38,000 tons grading 0.66 oz Au/t, 5.16 oz Ag/t)

	Multi Offer	Dupont Offer (cash sale)	Dupont Offer (lease/ purchase)
		(000's)	
Capital cost	1,650	3,650	1,650
Net cash flow	1,929	1,035	1,824
Total royalties paid	596	-	298
Royalty toward lease payments/purchase price	298	-	298
Outstanding balance on mill purchase	1,702	-	1,552

100,000 tons grading 0.66 oz Au/t, 5.16 oz Ag/t

	Multi Offer	Dupont Offer (sale)	Dupont Offer (lease)
		(000's)	
Capital cost	1,650	3,650	1,650
Net cash flow	6,697	6,308	6,325
Total royalties paid	1,568	-	784
Royalty toward lease payments/purchase price	784	-	784
Outstanding balance on mill purchase	1,216	-	716

Multi's offer has been rejected by Dupont and their revised lease/purchase offer is unacceptable because of their insistence that they have the right to continue offering the plant for sale. That leaves us with the cash offer which may not be all that bad since we would end up with a plant that would have some value for custom milling and/or for salvage. If we are to consider this route, Multi'would have to come up with 80% of the purchase price or $1.6 million. A debenture or a gold loan might be considered. Any comments or thoughts on how we might proceed?

WM

W. Meyer, Director

WM:jp

Multi offer.

MULTINATIONAL RES.
B.C.
all funds in Can. unless stated

5.25$Ag 5.16AgGRADE
350$Au .66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	38	0	0	0	0	0	0	0	0	0	38
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		10665	0	0	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1251	0	0	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		11916	0	0	0	0	0	0	0	0	0	11916
-OPERATING COSTS	0	5700	0	0	0	0	0	0	0	0	0	5700
-ROYALTY(5.0)	0	596	0	0	0	0	0	0	0	0	0	596
-LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261
NET REVENUE	-87	5447	0	0	0	0	0	0	0	0	0	5359
-TAXES(48%)	0	1301	480	0	0	0	0	0	0	0	0	1781
-CAPITAL COSTS	1650											1650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000	-1000									0
+LOAN DRAWNDOWN	1737	0	0	0	0	0	0	0	0	0		1737
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
NET CASH FLOW	0	1409	520	0	0	0	0	0	0	0	0	1929 (1929)
DISC. NPV(15%)	0	1225	393	0	0	0	0	0	0	0	0	1618
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	1737	1737	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
CLOSING BALANCE	1737	0	0	0	0	0	0	0	0	0	0	
LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261

Dupont Sale

MULTINATIONAL RES.
B.C.
all funds in Can. unless stated

5.25$Ag
350$Au

5.16AgGRADE
.66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	38	0	0	0	0	0	0	0	.0	0	38
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		10665	0	0	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1251	0	0	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		11916	0	0	0	0	0	0	0	0	0	11916
-OPERATING COSTS	0	5700	0	0	0	0	0	0	0	0	0	5700
-ROYALTY(NIL)	0	0	0	0	0	0	0	0	0	0	0	0
-LOAN INTEREST	192	384	0	0	0	0	0	0	0	0	0	576
NET REVENUE	-192	5832	0	0	0	0	0	0	0	0	0	5640
-TAXES(48%)[redacted]	0	475	480	0	0	0	0	0	0	0	0	955
-CAPITAL COSTS	3650											3650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000	-1000									0
+LOAN DRAWNDOWN	3842	0	0	0	0	0	0	0	0	0		3842
-LOAN PAYMENT	0	3842	0	0	0	0	0	0	0	0	0	3842
NET CASH FLOW	0	515	520	0	0	0	0	0	0	0	0	1035
DISC. NPV(15%)	0	448	393	0	0	0	0	0	0	0	0	841
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	3842	3842	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	3842	0	0	0	0	0	0	0	0	0	3842
CLOSING BALANCE	3842	0	0.	0	0	0	0	0	0	0	0	
LOAN INTEREST	192	384	0	0	0	0	0	0	0	0	0	576

Dupont Lease.

MULTINATIONAL RES.
B.C.
all funds in Can. unless stated

5.25$Ag
350$Au

5.16AgGRADE
.66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	38	0	0	0	0	0	0	0	0	0	38
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		10665	0	0	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1251	0	0	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		11916	0	0	0	0	0	0	0	0	0	11916
-MILL LEASE		500	0									
-OPERATING COSTS	0	5700	0	0	0	0	0	0	0	0	0	5700
-ROYALTY(2.5%)	0	298	0	0	0	0	0	0	0	0	0	298
-LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261
NET REVENUE	-87	5244	0	0	0	0	0	0	0	0	0	5158
-TAXES(48%)	0	1204	480	0	0	0	0	0	0	0	0	1684
-CAPITAL COSTS	1650											1650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000	-1000									0
+LOAN DRAWNDOWN	1737	0	0	0	0	0	0	0	0	0		1737
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
NET CASH FLOW	0	1304	520	0	0	0	0	0	0	0	0	1824
DISC. NPV(15%)	0	1134	393	0	0	0	0	0	0	0	0	1527
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	1737	1737	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
CLOSING BALANCE	1737	0	0	0	0	0	0	0	0	0	0	
LOAN INTEREST	97	174	0	0	0	0	0	0	0	0	0	261

Multi offer.

MULTINATIONAL RES.
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5.25$Ag 350$Au

5.16AgGRADE .66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	35	35	30	0	0	0	0	0	0	0	100
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		9823	9823	8420	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1152	1152	987	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		10975	10975	9407	0	0	0	0	0	0	0	31358
-OPERATING COSTS	0	5250	5250	4500	0	0	0	0	0	0	0	15000
-ROYALTY(5.0%)	0	549	549	470	0	0	0	0	0	0	0	1568
-LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261
NET REVENUE	-87	5003	5177	4437	0	0	0	0	0	0	0	14530
-TAXES(46%)FED.&YUK.	0	1088	2485	2610	0	0	0	0	0	0	0	6182
-CAPITAL COSTS	1650											1650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000		-1000								0
+LOAN DRAWNDOWN	1737	0	0	0	0	0	0	0	0	0		1737
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
NET CASH FLOW	0	1178	2692	2827	0	0	0	0	0	0	0	6697
DISC. NPV(15%)	0	1025	2035	1859	0	0	0	0	0	0	0	4919
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	1737	1737	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
CLOSING BALANCE	1737	0	0	0	0	0	0	0	0	0	0	
LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261

Dupont Sale.

MULTINATIONAL RES.
B.C.
all funds in Can. unless stated

5.25$Ag
350$Au

5.16AgGRADE
.66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	35	35	30	0	0	0	0	0	0	0	100
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		9823	9823	8420	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1152	1152	987	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		10975	10975	9407	0	0	0	0	0	0	0	31358
-OPERATING COSTS	0	5250	5250	4500	0	0	0	0	0	0	0	15000
-NO N.S.R.	0	0	0	0	0	0	0	0	0	0	0	0
-LOAN INTEREST	192	384	0	0	0	0	0	0	0	0	0	576
NET REVENUE	-192	5341	5725	4907	0	0	0	0	0	0	0	15782
-TAXES(48%)	0	240	2748	2836	0	0	0	0	0	0	0	5823
-CAPITAL COSTS	3650											3650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000		-1000								0
+LOAN DRAWNDOWN	3842	0	0	0	0	0	0	0	0	0		3842
-LOAN PAYMENT	0	3842	0	0	0	0	0	0	0	0	0	3842
NET CASH FLOW	0	259	2977	3072	0	0	0	0	0	0	0	6308
DISC. NPV(15%)	0	226	2251	2020	0	0	0	0	0	0	0	4497
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	3842	3842	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	3842	0	0	0	0	0	0	0	0	0	3842
CLOSING BALANCE	3842	0	0	0	0	0	0	0	0	0	0	
LOAN INTEREST	192	384	0	0	0	0	0	0	0	0	0	576

Dupont Lease

MULTINATIONAL RES.
B.C.
all funds in Can. unless stated

5.25$Ag 350$Au

5.16AgGRADE .66AuGRADE

CASHFLOW	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	TOTAL
PRODUCTION(000'S)	0	35	35	30	0	0	0	0	0	0	0	100
GOLD GRADE (OZ./ton)		.66	.66	.66	.66	.66	.66	.66	.66	.66	.66	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	350.00	
EXCHANGE RATE		1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	1.35	
TOTAL(000'S)		9823	9823	8420	0	0	0	0	0	0	0	
SILVER GRADE (OZ./ton)		5.16	5.16	5.16	5.16	.00	.00	.00	.00	.00	.00	
RECOVERY %		90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	90.00	
PRICE(U.S.$/oz.)		5.25	5.25	5.25	5.25	5.25	.00	.00	.00	.00	.00	
TOTAL(000'S)		1152	1152	987	0	0	0	0	0	0	0	
UNIT OP. COSTS:												
MINING		100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
MILLING		40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00	
ADMIN.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
PLANT&SER.		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	
TOTAL UNIT OP. COSTS	.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	150.00	
GROSS REVENUE (000'S)		10975	10975	9407	0	0	0	0	0	0	0	31358
-MILL LEASE		500	500	500								
-OPERATING COSTS	0	5250	5250	4500	0	0	0	0	0	0	0	15000
-ROYALTY(2.5%)	0	274	274	235	0	0	0	0	0	0	0	784
-LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261
NET REVENUE	-87	4777	4951	4172	0	0	0	0	0	0	0	13813
-TAXES(48%)	0	979	2376	2483	0	0	0	0	0	0	0	5838
-CAPITAL COSTS	1650											1650
-SUSTAINING CAPITAL												0
-WORKING CAPITAL		1000		-1000								0
+LOAN DRAWDOWN	1737	0	0	0	0	0	0	0	0	0		1737
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
NET CASH FLOW	0	1061	2574	2690	0	0	0	0	0	0	0	6325
DISC. NPV(15%)	0	923	1947	1768	0	0	0	0	0	0	0	4638
INTEREST RATE	5	10	10	10	10	10	10	10	10	10	10	
OPENING BALANCE	1737	1737	0	0	0	0	0	0	0	0	0	
-LOAN PAYMENT	0	1737	0	0	0	0	0	0	0	0	0	1737
CLOSING BALANCE	1737	0	0	0	0	0	0	0	0	0	0	
LOAN INTEREST	87	174	0	0	0	0	0	0	0	0	0	261