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Chapelle

John C. Loretto, P.Eng
P.O.Box 624, Station A
Vancouver, B.C.
Canada. V6C 2N5

Tel: (604) 946 1078
Fax: (604) 946 0339

Mr. William Clancey, President
Multinational Resources Inc
795 - 885 Dunsmuir Street
Vancouver, B.C. V6C 1N8

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Dear Bill,

It was most interesting to hear of your two mining ventures, particularly the old Baker Mine as I feel that it has tremendous potential, particularly now that there is road access right to the property.

As I mentioned to you, I was called in to the Baker Mine by DuPont to solve their plant throughput and recovery problems and I could see then how they were really screwing it up. They made the tough decisions, like developing a mine solely by air, and then failed on the relatively easy steps, such as ore development and plant design. After it was all over, I carried out my own post-mortem and it was almost a textbook case of failure and bits and pieces of Baker history appear in various of my technical papers.

The Baker project is at the moment at an early stage for my particular experience in operations, design and consulting to be useful, other than to point out the various steps to production and suggest appropriate people to be involved with these steps. With this in mind, it seems to me (and we should of course run this past your Geological Consultant) that this is about the time to bring in a mine designer, such as Howard H. Bird who is the best in the business, particularly on small, high-grade, underground mines.

Howard began 41 years ago as a geologist, but gradually moved into mine design, picking up where the geologist leaves off, so that once you have the beginnings of some ore reserves he is able to put hard numbers on where the project is at and where it needs to go. From my knowledge of his work over the past 25 plus years has convinced me that he is an absolute master of his trade, and the list of projects he has saved is impressive and includes Giant Yellowknife and Salmita in the N.W.T.

Drilling would proceed with the collaboration of the Consulting Geologist and the Mine Designer to the point that they agree on some ore samples as being generally representative of the initial ore that will be milled. At this stage some metallurgical testwork can commence and this is where someone such as myself comes in to coordinate the testwork and ensure that the laboratory keeps on track and doesn't go overboard. This was where DuPont's errors began, and in any event I've almost invariably found that my modest professional charges are more than paid for out of the savings in testwork.

The next stage to be wary of is the permit applications to the Environmental authorities, as they can impose potentially fatal conditions on the project, as DuPont found out to their cost. Someone also has to coordinate the efforts of the Soils Testing Engineers and act as the interface between their tailings dam investigation work and the environmental people.

DuPont's problems, including those with the environmental people, resulted initially in very poor mill recoveries of less than 60% of the gold and silver, so that the tailings dam is in fact an ore reserve with over 120,000 tons running something like 0.3 oz/ton Au and 6 oz/ton Ag, which is not a bad little ore reserve in itself.

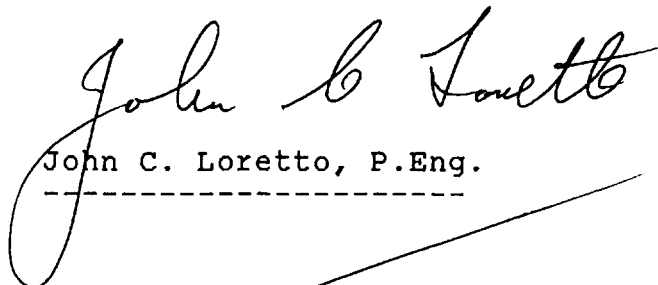
The 100 ton/day plant was greatly oversized and could have done a lot more than its rated tonnage and although it was poorly designed in the first place, the Mill Superintendent did a good job of fixing it up. Even so, the entire surface facilities are only worth a couple of hundred thousand dollars at the most, and if the seller wants significantly more than this, you're almost certainly better off putting in a new properly designed modular mill.

Your Nevada project also sounds very interesting and there's a fair chance that within the large tonnage of low-grade there is a smaller tonnage of economic grade ore that can be open-pitted and heap-leached if you want to go that route. The capital cost of a heap leach operation is so low, that, if you wish, you can often get going with as little as a million tons of heap-leachable ore.

As I mentioned to you, much of my work is controlling the testwork and engineering organizations on behalf of the mining companies, and I've attached a couple of names and addresses of mining groups that I have done such work for recently. I have also enclosed a copy of Howard Bird's Curriculum Vitae and he has numerous references should you require them.

Bill, although I'm quite nicely busy, I would be absolutely delighted to become involved with Multinational Resources Inc and I sincerely hope that there is a meaningful role for me with your most interesting situation. I look forward to hearing from you on this subject sometime soon.

Yours sincerely,


John C. Loretto, P.Eng.
