

January 8, 1998

TO: GEORGE HEARD (2 pages)
FROM: NICK CARTER
RE: VILLALTA PROPERTY, Vancouver Island

Location: 49 05'N, 124 28'W - NTS 92F/1W; 40 km southwest of Nanaimo. Access via Nanaimo River road to a north turn-off 6 km past Fourth Lake. Road distance from Nanaimo is about 60 km.

Property: currently held by 3 2-post claims, two of which have expiry dates of January 14/98. Likely that these will be renewed by property owner (and original discoverer) Efram Specogna, 1704 Centenary Drive, Nanaimo V9X 1A3, tel. 250-753-7819.

Setting: Au mineralization is contained within a hematite-rich (35% Fe) blanket developed at the top of Paleozoic (Sicker Gp.) limestones and volcanics just below overlying, younger (late Cretaceous) Nanaimo Gp. sediments. Believed to be a product of paleoweathering (laterite?) in a karst environment and preserved by the younger sediments.

History: Discovered in the early 1980's(?), subjected to limited drilling. The original Canamin Resources (Specogna and son) submitted a prospectus to the Mine Development Steering Committee in 1986 proposing a 100 tpd CIP mill. This report contained an optimistic view of reserves (50000 tonnes @ 5 g/t open pit and 150000 tonnes underground). Control of the company changed in 1987 and further drilling indicated a more limited resource. Klohn Leonoff was retained by the new group (Alan Savage et al) and submitted a seasonal heap leach proposal to the government which would have involved a small open pit (80 x 40 x 10 metres) to mine some 40000 tonnes grading 2.8 g/t Au and 1.41 g/t Ag. Chester Millar (Glamis) submitted a further leaching proposal in 1991 and estimated 13500 to 22500 tons of open pit material grading between 2.4 and 4.1 g/ton Au. Underground potential was

deemed to be uneconomic. Capital costs were estimated to be \$250,000. A seasonal operation, at 5000 tpd, was being considered and the concept of selling "mill tailings" to cement plants was being investigated.

Principal area of concern for government agencies was the potential impact on salmon spawning streams, including Nanaimo River.

Potential: Probably close to that estimated by Klohn Leonoff and Chester Millar. Reserves/resources are variously estimated in the past to be 15000 tonnes indicated and 12000 tonnes inferred for a total of 27000 tonnes @ 4.32 g/t. There are some Ag values and reported sulphide minerals. The Au-bearing hematite-rich blanket has surface dimensions of 60 metres x 10-40 metres and a 5-10 metres thickness. It skies out to the south and is covered by younger sediments to the north. I agree with Millar that underground resources are not remotely economic. In all likelihood, what you see now is what you're going to get.

The material apparently leaches but there is little information regarding the scope of testwork completed.

