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**CONFIDENTIAL**

**WOOD  
GUNDY**

Mr. Terry Heard  
General Manager, Exploration  
Equity Silvermines Limited  
13,1155 Melville Street  
Vancouver, B.C.  
V6E4P4

August 11, 1989

Dear Mr. Heard:

Re: Acquisition Opportunity - Sulphurets Gold Corporation

Wood Gundy has been retained on behalf of Western Canadian Mining Corporation as exclusive agent in the proposed sale of their 74% interest, represented by 7,645,512 common shares, of Sulphurets Gold Corporation ("Sulphurets" or the "Company"). We are writing to advise you of this opportunity and to outline the procedures for obtaining additional information should you have a serious interest in purchasing these shares of Sulphurets.

Sulphurets Gold Corporation commenced business in 1987 as a mineral resource exploration and development company. The Company currently owns 100% of the Kerr copper-gold deposit located near Stewart, British Columbia. Successful exploration on the property has confirmed the presence of significant copper-gold mineralization with the potential to develop into a profitable "world-class" mining operation of as much as 150 to 200 million tonnes of 0.8% to 1.0% Cu.

**KERR PROPERTY**

General

Preliminary economic appraisals show that the Kerr copper-gold deposit located 62 km North of Stewart, British Columbia (see Appendix 1) could be mined profitably. Only a portion of the target area has been tested and it is expected that additional exploration will substantially increase the size of the deposit from the 60 million tonnes (66 million tons) currently outlined by actual drill results. The 1989 program is now underway and includes 4,200 metres (14,000 feet) of diamond drilling, induced polarization surveys, geological mapping, and metallurgical, economic, and environmental studies. With the construction of a semi-permanent camp at the site, any buyer could extend the program late into the fall season.



Because the high-grade mineralization trends across a ridge crest, open pit mining would not only be possible, but would result in lower operating costs due to horizontal or downhill haulage of all ore. A mining operation on a scale of approximately 15,000 to 30,000 tonnes per day is currently envisaged for the Kerr Property.

Although currently without road access, intense mineral exploration in the area and the opening of a number of nearby mines may result in shared costs for road construction. The government of British Columbia has recently initiated a road corridor study into the area.

### Geology

Diamond drilling in the Kerr property has confirmed the presence of widespread copper and gold mineralization. A thick, consistent, high-grade porphyry deposit called the B Zone, grading between 0.8% and 1.0% copper and 0.34 by 12 drill holes (see Appendix 2).

This high-grade deposit showing consistent results has been intersected over a 1,000 metre (3,300 foot) length, a 200 metre (660 foot) width and an average 100 metre (330 foot) thickness. Additional diamond drilling is required to confirm reserves; however, calculations using a specific gravity of 3.0 and the above dimensions yield a deposit of 60 million tonnes (66 million tons) based on the first 12 drill holes only. The average grade of the intersections in this deposit is 0.86% copper, 0.34 grams gold per tonne (0.010 ounces gold per ton) and 2.06 grams silver per tonne (0.06 ounces silver per ton).

It is important to note that the deposit is open to the north and south and at depth.

### Economics

In order to assess the economic viability of open pit mining the Kerr deposit, a consultant was asked to provide a preliminary economic appraisal using the above dimensions and grade. Assuming a conservative production rate of 15,000 tonnes per day (86 million tonnes over a 20 year mine life), 90% recovery of copper and 60% recovery of gold, an operation could be profitable (including full capital recovery) at \$0.80 (US) per pound copper and \$400.00 (US) per ounce gold. Capital costs for a 15,000 tonne per day operation were estimated to be \$205 million. Strip ratios in the early years would be 1:1 or less waste to ore and would average 2.3:1 for the life of the operation. By selectively mining a higher grade portion of the deposit initially, the economics would be improved.

If the current exploration program confirms a deposit in the 150-200 million tonne range, the scope of the project and returns to the shareholder could be substantially higher than the above numbers indicate.



### Potential

Geophysical surveys give a low resistivity, high chargeability anomaly coincident with the high-grade mineralization. This anomaly is open and extends 700 metres (2,300 feet) north and 150 metres (500 feet) south of the existing known mineralization. It follows the same alteration underlying the B Zone and is a prime drill target for expanding reserves.

Based on observations made during his field examination, an independent consultant concluded that all major segments of a porphyry system are present and that the interface between the potassic and phyllic alteration zones, normally the area richest in primary copper, has yet to be found. Bearing these concepts in mind, the 1989 diamond drilling program will focus on locating higher copper and gold values. It is anticipated that both tonnage and grade will be significantly increased.

Peripheral to the porphyry deposit are numerous high-grade gold-silver veins that have also been explored. Values of up to 144 grams gold per tonne (4.2 ounces gold per ton) and 500 grams silver per tonne (14.6 ounces silver per ton) have been obtained. These veins fall within the open pit outline for the B Zone.

### TEDRAY PROPERTY

Sulphurets Gold Corporation has the right to earn a 50% interest in the Tedray Property, located immediately north of and adjoining the Kerr B Zone mineralization, by completing cumulative expenditures of \$500,000 before the end of 1990. A total of \$80,000 was spent on exploration in the latter half of 1988 and results confirm the potential for continuation of B Zone mineralization onto the Tedray Property. Sulphurets Gold Corporation has decided to spend the additional amounts required to earn the 50% interest in Tedray in 1989.

### BIDDING PROCESS

The Data Room containing all technical and financial information relating to Sulphurets Gold Corporation will be open in Vancouver for visits by appointment from July 24 until August 31. Please call Haly Peper at (416) 865-2485 to book an appointment. On booking an appointment, potential purchasers will be sent a "Confidentiality Agreement" and asked to complete and return it before an appointment will be confirmed. Should you wish to engage an agent or advisor, they will be required to execute a similar Confidentiality Agreement which will be provided on request.

Potential Purchasers may also book a time to visit the Kerr site during the period from July 31 until August 18. The deadline for submission of final bids for the 74% interest in Sulphurets is August 31, and a notification of acceptance will be issued on September 8. Since bids are for the shares of Western Canadian Mining Corporation representing a control block, purchasers should be aware that a follow-up bid for the minority shareholders may be required.