

August 21, 1989

TO: R.T. HEARD  
D. HANSON

RE: NEW MOON PROSPECT - MORICE LAKE, B.C. - LUCERO RESOURCES

Jim Dawson has provided details concerning the underlying deal on this property and what sort of an arrangement Lucero would be prepared to entertain. Details are as follows, and I enclose a summary of the property prepared by me a few years ago when Newmont was looking to bring in a partner.

### The Deal

Lucero has assumed Newmont's liabilities with respect to the vendor of the property, C.F. Kowall. Expenditures necessary to vest Lucero as to a 90% interest have already been incurred by Newmont. A \$20,000 option payment is due to Kowall June 17, 1990. This leaves him with a 10% NPI (50% may be purchased for \$500,000 - 90% for \$900,000) with advance royalties beyond 1990 amounting to \$20,000 annually if work is performed on the property or \$10,000 if no work is carried out.

Lucero acquired the property from Newmont for stock and cash and assumption of the previously described obligations to Kowall. Dawson advises their out of pocket costs to date are around \$30,000.

Lucero would like to see the property brought to a feasibility study in 5 years with the incoming party earning a 70% interest. Annual payments to Lucero might be in the order of \$5,000. Lucero may elect to participate as to 30% or go to a 3.5% NSR.

Dawson advises that Lucero is very flexible re their end - what they want is a major to assume their obligations, including necessary assessment work, some of which is due shortly, as outlined below.

### Assessment Work

Two peripheral Modified Grid claims require assessment work by late September. Four central claims require work by next June 17, mainly because Newmont did not see fit to pay for recording of the extensive work they carried out (this should come as no surprise). Some \$16,000 of work will handle the 6 claims in question.

Dawson would obviously be delighted if Equity would step up to do this work - failing this, he plans to send Jack Marr (ex-Esso) in to do some mapping, etc. It may be possible to combine forces here by way of an extended property examination, assuming a significant part of the work could be done on relatively unexplored showings in the western property area.

N.C. CARTER, Ph.D., P.Eng.  
CONSULTING GEOLOGIST

D. Hanson advises that he would be available for a property examination and possibly some additional work after September 8.

In any event, I would recommend that Dawson be advised to handle the assessment work just in case, with a suggestion that Equity may be able to help out somewhat in this regard.

This is an excellent prospect - Newmont seems to have adequately explored the epithermal polymetallic potential of the property. In the writer's opinion, the major target is still the massive sulfide potential. Numerous showings are known on the property - many of these have not been investigated in any detail.

*NCC*

*JIM DAWSON 688-8218*

MEMORANDUM

February 7, 1986

Subject: NEW MOON PROSPECT, MORICE LAKE, B.C.

The New Moon property, held by Newmont Mines Ltd. under an option agreement with C. Kowall, is situated 100 km. south of Smithers in west-central B.C. The claims are on the west side of Morice Lake. A road extends from highway 16 to the north end of the lake; a 20 km helicopter flight is necessary from this point.

This is a large property, covering 90 square km and consisting of 22 claims comprising 375 units. Detailed exploration work has been confined to the central part of the property.

Two styles of mineralization are known on the property. Polymetallic massive sulfide float is present in moraine at the base of a small glacier. Assays of some of this material yielded grades of 6 - 8% copper, 12% combined lead-zinc, 2 - 3 oz/ton silver and minor gold. St. Joe held the property between 1982 and 1984 and devoted most of their efforts toward defining the source of this mineralization. Work included an airborne INPUT survey, ground geophysics where possible and 3 diamond drill holes which returned negative results.

St. Joe's work also included a limited amount of surface sampling on what is known as the Plateau Zone, between 6800 and 7000 feet elevation above the cirque in which the massive sulfide zone occurs. The Plateau Zone features epithermal base and precious metal mineralization which was first investigated by Phelps Dodge trenching in the early 1960's. Aggressive Mining drilled several shallow holes in 1972.

Interesting gold values found by St. Joe in 1982 were followed up by Newmont in 1985. Six mineralized zones have been found within the overall Plateau Zone to date. Several of these were found during the 1985 program, suggesting the property has been only partially prospected to date.

The Main Zone is exposed on surface and in trenches over a strike length of 225 metres and is open along strike and to depth. Trench samples average 2.61% lead, 3.07% zinc, 0.61 oz/ton silver and 0.059 oz/ton gold, or a gross value of \$75/ton.

Previous drilling, to depths of 50 metres below surface, yielded similar grades and indicated a possible increase in the indicated surface widths of 5.7 metres. Higher gold grades

of 0.07 - 0.12 oz/ton are found on surface near the northeast exposed limits of the zone.

Most work to date has been concentrated on the Main Zone, and Newmont proposes additional trenching and drilling to depth and along strike in 1986.

The other zones found to date have variable grades - one has appreciably higher silver values in the 5 oz/ton range.

Grades obtained to date from the Plateau Zone are not all that encouraging, considering the remoteness of the property. This appears to be a typical epithermal system and one could anticipate higher grades within the known mineralized systems, but this will require a significant amount of work to prove or disprove.

There is also potential for volcanogenic massive sulfides on the property. While the St. Joe work was unsuccessful in locating the source of the high grade float, the geological environment for these types of deposits is present. A chert-carbonate exhalite horizon and coarse rhyolite breccias have been mapped in the general cirque area which contains the sulfide float and bedded massive sulfides have been noted in small areas elsewhere on the property. This environment is considered significant inasmuch as it demonstrates that massive sulfides can occur in Lower Jurassic Hazelton Group sequences.

This is undoubtedly an interesting prospect - perhaps the greatest impediment is the proposed joint venture deal. The underlying agreement with the prospector is not bad - \$120,000 in total payments to 1990, with an option to purchase 90% of the retained 10% NPI. Advance payments against royalties are also required beyond 1990.

Newmont have spent \$166,553 to date and are proposing a \$416,500 budget for 1986. The incoming party would be required to fund the first \$215,000 of the 1986 program and 50% of the remainder. Costs would be shared 50-50 in subsequent years with Newmont having a 55% interest and the other party 45%. Newmont would be the operator and a 10% overhead charge would apply.

I feel the proposal is too onerous based on what we know about the property at this point. Moneys involved could be put to better use elsewhere.

