

862406

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31 May 1989

LINDQUIST LAKE SUMMARY

Proposal Deadline

Submissions must be delivered to the office of the Assistant Deputy Minister, Minerals in Victoria no later than 4:30 PM on the 16 June 1989.

Present Indicated Reserves

249000 tonnes at 10.1g/t Au, 294g/t Ag
or 275000 tons at .295 oz/t Au, 8.6 oz/t Ag (.411 Au-equiv.)

Actual drill data may be available through Frank Joubin for a 1% NSR royalty that could reduce the amount of delineation drilling required.

Preliminary Economics

A rough calculation to process the material through the Equity mill using US\$367/oz Au, US\$5.6/oz Ag and 15% dilution gives an undiscounted after tax profit of \$6.5 mill. (20.1% return on \$32.3 mill. expenditure). Doubling the tonnage gives an undiscounted after tax profit of \$17.3 mill. (30.7% return on \$56.3 mill. expenditure).

Capital expenditure is estimated at \$11.6 mill.

Exploration Budget

1989 - Total \$288,000 (\$100,000 from minesite exploration - property examinations)

(\$188,000 from T.Heard budget)

- The 10% fee (\$28,800) for the first year program is not covered in the above amounts. Possibly this would be assigned to acct.501-414 which was budgeted at \$548800.

1990 - Total \$1,800,000 which is designed to provide the required delineation drilling and metallurgical work to prepare a feasibility study.

Project Timetable

1989 - preliminary exploration and evaluation of indicated reserves

1990 - delineation drilling & metallurgical testing for feasibility

1990/1991 winter - feasibility study

1991 spring - Stage 1 mine development proposal

1991 summer/ 1992 spring - resolve concerns, public hearings and information, Stage 2 proposal if required

1992 summer - commence development

Project Positives

The Lindquist property is close enough to consider using the present Equity mill site to mill ore.

The property is already close to a feasibility study stage, particularly if drill data is available through Frank Joubin. Indications are that data

could be acquired for a 1% NSR royalty. If available this would drastically reduce the budgetted delineation drilling.

Cost to gain 100% ownership is limited to 10% of the first years budget - \$28,800. A very small cost relative to normal option agreements.

The property could be developed to reach production about the same time surface reserves at the Equity minesite are depleted. All other properties being explored in the general area of the present mine are in early stages of exploration and as with most exploration the chances of locating an economic orebody are low.

Extending Equity mine life could provide a number of benefits such as :- maintaining a ready work force to handle AMD for an additional 4 years, extending the time for bonding requirements while AMD control is handled with cash flow, increasing the time period for exploration to evaluate current projects and possibly locate additional ore, and increasing the time period for more favourable metal prices to allow development of the S.Tail UG while a mill is still on site.

Project Negatives

Negative aspects of the project are mainly related to location within a park. Some considerations are:-

Special controls will be required during exploration and mining to keep disturbance to a minimum, Parks Branch and environmental groups may cause delays, development may be time limited, and the property could be subject to expropriation.

Additional negatives are:-

The rehandling required for the combination road/barge ore haul, the long

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haul using existing roads and the shutdown of ore transportation over winter
(Whitesail is subject to water drawdown from the Alcan power system).



R. Baase

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