

SUMMARY REVIEW

882252

→ DAVIDSON
Rec'd
Aug. 2/05
(From John
Chapman)
- not confidential

UNITY PROJECT SMITHERS, BRITISH COLUMBIA, CANADA

**A JOINT VENTURE
VERDSTONE GOLD CORPORATION
MOLYCOR GOLD CORPORATION**

MARCH 24, 1999

PREPARED BY:

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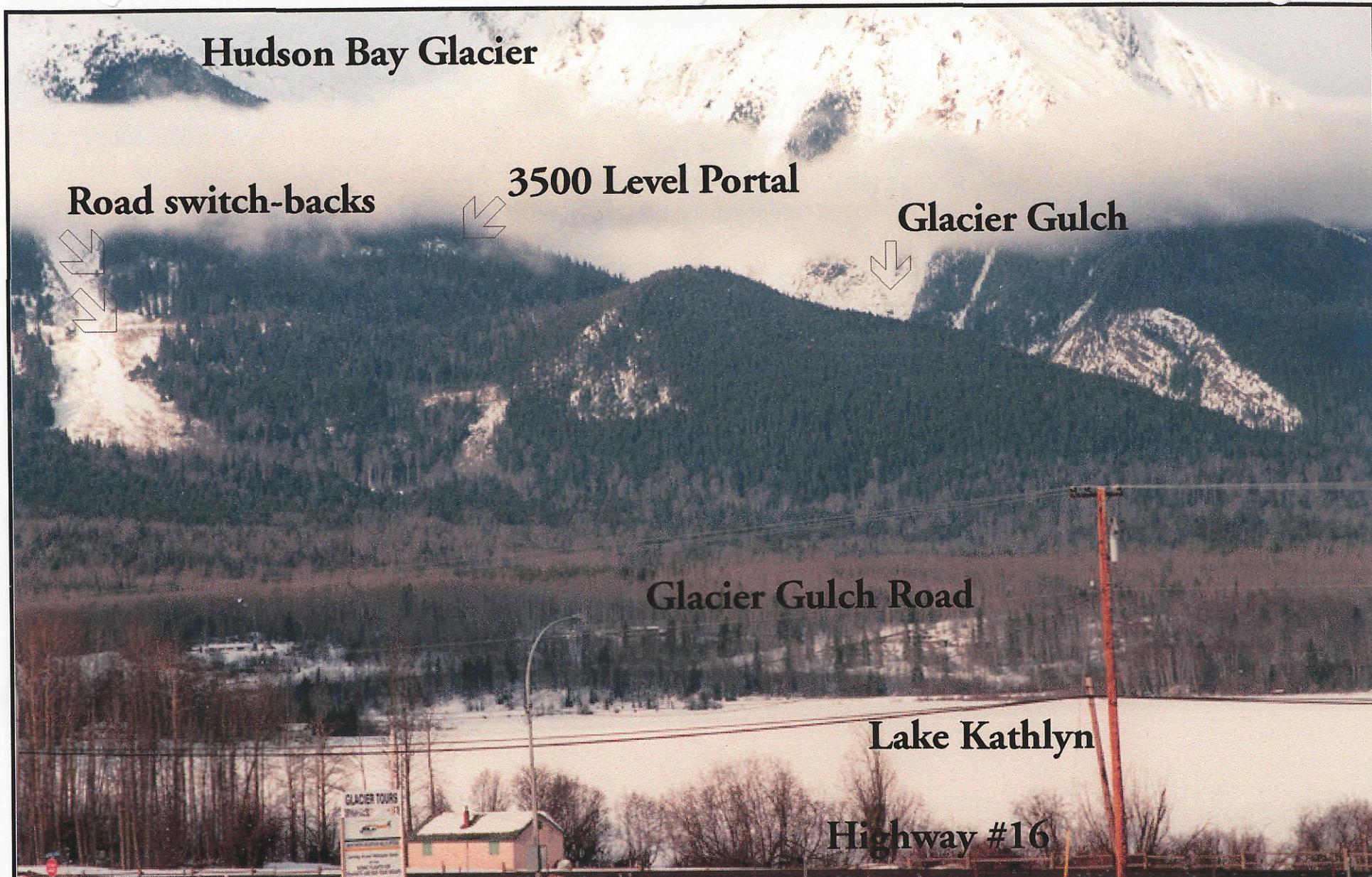
Unity Project
Verdstone Gold Corporation
Molycor Gold Corporation
 Scale: *J. A. Chapman Mining Services*
 1cm = 75km *March 1999*

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Hudson Bay Glacier

Road switch-backs

3500 Level Portal

Glacier Gulch

Glacier Gulch Road

Lake Kathlyn

Highway #16

Unity Project, Smithers, British Columbia, Canada

By: John A. Chapman

Photograph from Smithers Airport, View to West, March 1999

INTRODUCTION & TERMS OF REFERENCE

This Summary Review of the Unity Project provides information regarding its status and a proposal for development. The proposal is preliminary in nature, but it does indicate the potential for a technically and financially viable underground mining operation, in the high-grade core of the Yorke-Hardy deposit, with processing of ore at an offsite facility. This report has been prepared by John A. Chapman, P.Eng. a Director and stock option holder, in both Verdstone Gold Corporation and Molycor Gold Corporation. He also serves these companies as Manager of the Unity Project.

LOCATION

The Unity Project's principal asset is the Yorke-Hardy molybdenum and tungsten deposit (see Mineral Resources), located within Hudson Bay Mountain, five miles northwest of Smithers, British Columbia, Canada. The Yorke-Hardy is the largest known undeveloped molybdenum deposit in Canada.

PHYSIOGRAPHY, CLIMATE AND VEGETATION

Hudson Bay Mountain (8,497 feet elevation) is the dominant topographical feature of the Hudson Bay Range, an isolated group of ridges and peaks comprising approximately two hundred square miles. The Bulkley River originates 70 miles south of Smithers and occupies a wide valley at 1,300 to 1,500 feet elevation on the east side of Hudson Bay Mountain. The retreating Kathlyn Glacier (Hudson Bay Glacier) on the east side of Hudson Bay Mountain is approximately 3,000 feet wide 400 feet thick and one mile long. The glacier occupies a cirque from which twin waterfalls plunge 200 feet to the valley below, in an area known as Glacier Gulch.

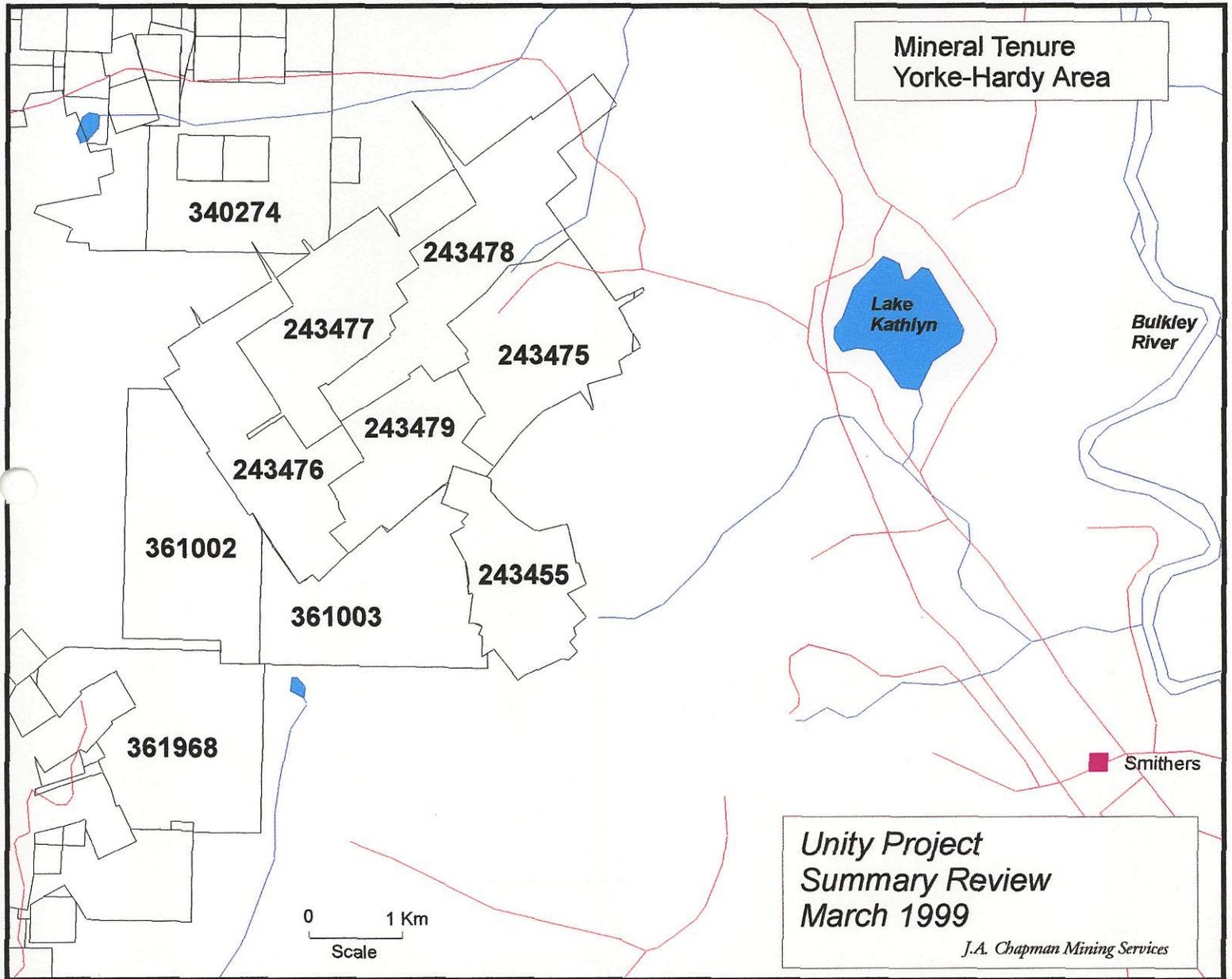
The climate in the area is typical of the 54-degree latitude, with cool summers and cold winters, and with relatively low precipitation being in the shadow of the Coast Range mountains. The Smithers airport weather records, kept since 1941 show the following: (a) average annual temperature is 30 degrees F., +99 degrees F. maximum and -48 degrees minimum, (b) average annual snowfall is 59 inches, (c) average annual rainfall is 12.7 inches, and (d) wind is modest with average velocity of 3 miles per hour, prevailing from the southeast in summer and from the northwest in the winter.

The Bulkley Valley is somewhat sparsely wooded with poplar, pine, spruce and balsam. The lower slopes of Hudson Bay Mountain are heavily wooded with conifers. Tree line is at approximately 5,200 feet elevation.

OWNERSHIP

The Property consists of six legally surveyed and recorded Mining Leases (1,631.8 hectares) covering 114 mineral claims. These leases are recorded in the name of Verdstone Gold Corporation (50%) and Molycor Gold Corporation (50%) for administrative purposes, under the terms of an Option to Purchase and Royalty Agreement dated March 19, 1997, between the foregoing companies and Donald Alexander Davidson, Smithers, B.C., the Optionor. The details of the leases are as follows:

Old Tenure Number	Mineral Claims	Date Recorded	Area in Hectares	New Tenure Number	Next Annual Lease Payment	Lease Expiry Date
M-8	16	1962/06/27	214.07	243455	1999/06/27	2023/06/27
M-81	20	1968/01/10	288.98	243475	2000/01/10	2019/01/10
M-82	19	1968/01/10	299.87	243476	2000/01/10	2019/01/10
M-83	20	1968/01/10	292.78	243477	2000/01/10	2019/01/10
M-84	20	1968/01/10	342.53	243478	2000/01/10	2019/01/10
M-85	19	1968/01/10	193.57	243479	2000/01/10	2019/01/10
Total	114		1631.80			



The above leases convey to the holder, the mineral rights and an "interest in land". Annual rental on the leases is at the statutory rate of \$10.00 per hectare, which must be paid upon the anniversary date, or the lease will forfeit to the crown after written notification and a 30 day grace period. The leases, at the end of their term, have a 20-year renewal period subject to the Gold Commissioner determining that the leases continue to be required for mining purposes.

HISTORY

1920's & 1930's	Discovery of molybdenum, silver, gold, lead and zinc showings in Glacier Gulch, immediately below Kathlyn Falls. A road was developed to the showings and exploration work consisted of surface trenching and minor underground development (see Minister of Mines Reports).
1944	Molybdenite reported on Hudson Bay Mountain by Geological Survey of Canada.
1957	Area staked by William Yorke-Hardy and Associates and property optioned to AMAX South West Potash Corporation.
1958	Surface exploration including bulk sampling (39 – 400 pound samples and one 3,000 pound sample), drilling (6,330 feet, including 1,991 feet of ice) in eleven core holes (DDH 1 to 11).
1959	Property option dropped by AMAX.
1961	Re-optioned by AMAX Exploration. Drilling of 10,354 feet of core in six holes (DDH 12 to 17).
1962	Reconnaissance and detailed mapping, claim staking, and drilling of 14,767 feet of core in eight holes (DDH 18 to 25). DDH 18, 20, 24, and 25 were collared on the glacier.
1963	Detailed mapping, petrographic work, photogeological work, and drilling of 14, 502 feet of core in six holes (DDH 26 to 30 and 17 extended).
1964	Surface core drilling of DDH 31 to 37 and 22 and 29 extended. Airborne magnetometer survey completed. Property transferred to Climax Molybdenum Corporation of B.C. Ltd. First economic appraisal was completed based upon the partial definition of a large deposit grading plus 0.2 percent MoS ₂ , from 1,000 to 2,000 feet below surface.
1965	Surface core drilling of DDH 38 to 41 and 16, 34, and 37 extended. By the Fall of 1965, a total of 76,934 feet of core drilling (including 3,500 feet of ice) in 41 holes was completed.
1966 to 1968	Mining of the 3500 Level adit (6,200 feet of 10' x 8') and the 15000E and 16100E crosscuts (3,000 feet). Underground core drilling of DDH 42 to 72.
1969	Second economic appraisal was completed. Joint venture formed with Penarroya Canada Limitee (wholly owned subsidiary of Societe Miniere et Metallurgique de Penarroya, Paris, France).
1970	Extended 15000E crosscut 200 feet south. Underground core drilling of DDH 73 to 92.
1971 to 1972	Underground core drilling of DDH 93 to 143. Two bulk sample raises driven on 15000E. Extended 16100E crosscut 762 feet south. Bulk sample shipped for metallurgical testing. Joint venture with Penarroya terminated.
1973	Underground core drilling of DDH 144 to 146.
1979 to 1981	Underground core drilling of DDH 147 to 164. Summary Reports on geology, geotechnical, mineral resources, metallurgy, etc. based upon 191,500 feet of core drilling and 10,000 feet of underground development. Completion of Yorke-Hardy Mine Design Study by Canadian Mine Services Ltd.
1982 to 1995	Property under care and maintenance including all core, rejects, sample pulps, and records.
1996	Property and all related assets purchased from Climax Canada Ltd. (parent: Cyprus Amax Minerals Company) by Donald A. Davidson.
1997 to 1999	Property and all related assets optioned to Verdstone Gold Corporation (50%) and Molycor Gold Corporation (50%).

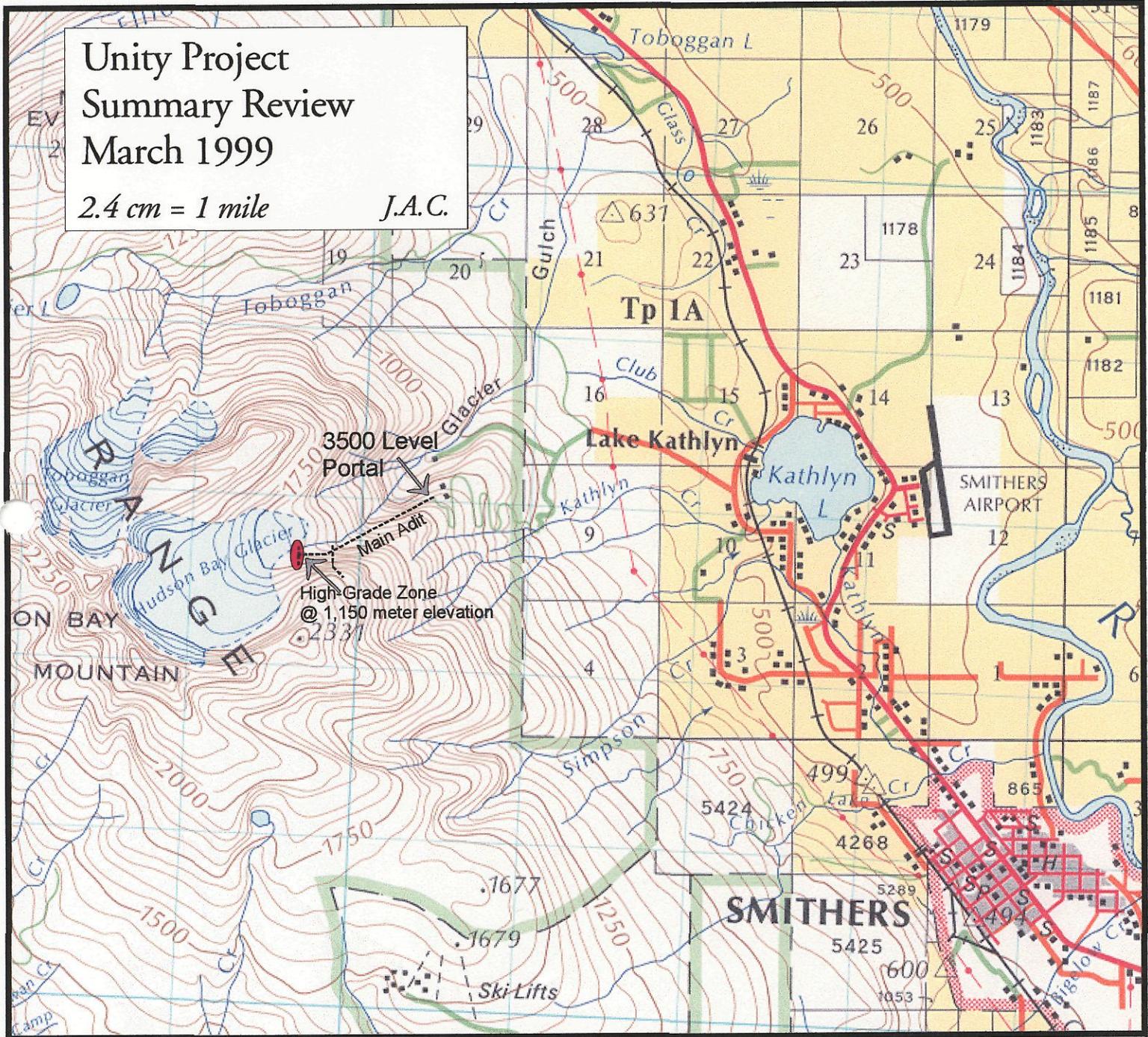
MINERAL RESOURCES

The Yorke-Hardy deposit located in Hudson Bay Mountain is one of the largest undeveloped molybdenum deposits in North America. American Metal Climax Inc. ("Amax") spent some \$20 million on the exploration of the deposit in the 1960's and 1970's, including 191,500 feet of core drilling (164 holes), 10,000 feet of underground development, surface and underground rock sampling, geological mapping, metallurgical testing, geotechnical studies, preliminary mine and

Unity Project
Summary Review
March 1999

2.4 cm = 1 mile

J.A.C.



mill design and baseline environmental sampling. Amax determined the mineral resource to consist of 138,310,000 tons grading 0.252% MoS₂ at a 0.10% MoS₂ cutoff. The deposit has a high-grade core that contains 22,701,000 tons grading 0.401% MoS₂ at a 0.20% MoS₂ cutoff or 4,016,000 tons grading 0.636% MoS₂ at a 0.30% MoS₂ cutoff (Roger Steinger, 1981). Tungsten will be a valuable by-product of molybdenum production as the WO₃ grades are 0.038%, 0.041% and 0.044% at respective MoS₂ cutoffs of 0.10%, 0.20% and 0.30% (Dorothy Atkinson, 1981).

The Yorke-Hardy deposit has not been fully delineated. DDH#142 intersected 150 feet grading 0.474% MoS₂ on Section 16,800N some 800 feet below the 161SE Extension on 3500 Level.

GEOLOGY & MINERALIZATION (from Minfile)

Lower-Middle Jurassic Hazelton Group andesite and tuffs are overlain by Lower-Upper Cretaceous Skeena Group sediments. A large discordant and differentiated granodiorite sheet is intruded into the volcanic sequence. The Early Tertiary-Late Cretaceous (67-73 Ma) Hudson Bay Mountain stock is concealed and is estimated to be 550 metres thick. It is divided texturally from the upper to lower contacts as aplitic granodiorite, porphyritic granodiorite and granodiorite, respectively. The stock contains blocks of Hazelton volcanics traceable for hundreds of metres. Lamprophyre dikes crosscut both the granodiorite and Hazelton rocks. The metamorphism is due to the intrusion of the Hudson Bay stock and the associated intrusion of a rhyolite porphyry plug and radial quartz-feldspar porphyry dikes. The rhyolite plug is oval shaped and at its upper contact are quartz stockworks and a high silica zone that crosscuts well-defined chill and crenulate quartz band zones.

Veins hosting molybdenite and scheelite occur over 3 kilometres horizontally and are enveloped by radial base metal veins that extend beyond an 8 kilometre radius. High-grade molybdenum zones occur in the lower portion of the differentiated granodiorite sheet and is an important lithologic control on mineralization.

The molybdenite mineralization occurs over a surface area of approximately 2.5 by 1.5 kilometres and a vertical distance of 2.1 kilometres. Strands of 0.2 per cent molybdenite appear over more than 600 metres vertically.

Molybdenite occurs in three modes: 1) early fine-grained, hairline stockwork veins characterized by potassic alteration and relatively low molybdenum values; 2) domal sets of fine-grained, banded quartz-molybdenite veins associated with phyllic alteration and high-grade assays; and 3) spectacular molybdenite crystals up to centimetres in length occur in coarse-grained quartz-molybdenite veins characterized by potassic alteration envelopes with high assays.

Scheelite occurs in quartz-magnetite-potassium feldspar veins formed prior to the coarse-grained quartz-molybdenite veins. Scheelite also occurs as rare disseminations associated with andradite garnet, epidote and quartz assemblages formed prior to the fine-grained hairline stockwork veins. Minor amounts of wolframite are found down-dip from the granodiorite sheet. Late-stage vein mineralization includes pyrite, chalcopyrite, sphalerite and carbonate. The source of the mineralizing fluids is thought to be the Hudson Bay Mountain stock due to its spatial relationship. The tungsten-rich zone generally straddles the upper 0.2 per cent molybdenum boundary.

NOTE: There are some conflicting views between the Minfile (Geological Survey Branch) and former AMAX geologists regarding the geological interpretation of the Yorke-Hardy deposit exploration data. I have asked that they meet and try to resolve these differences so that the public record (Minfile #093L110) is corrected, if agreement so dictates.

METALLURGY

The Yorke-Hardy deposit is typical of porphyry-molybdenum-tungsten deposits. A molybdenite and scheelite vein zone crops out over two miles horizontally and has been located in drilling to 7,000 feet depth. This is interior to a quartz vein zone which in turn is enveloped by a pyrite and base metal vein zone that extends out to over five miles distance. The

very low concentrations of pyrite and base metals in the main molybdenite zone, explains the "clean" nature of the molybdenum concentrate and tailings from bulk metallurgical testing.

More than 95% of the molybdenite is easily recoverable at a coarse grind of approximately 45% minus 100 mesh, into a rougher concentrate. Regrinding and cleaning at finer sizes are easily achieved. Very high-grade concentrate (>90% MoS₂) containing few impurities is the norm. It is possible to make a lubricant grade MoS₂ with conventional additional processing. Tungsten minerals are very fine grained at <40 microns. Very little work has been done to recover tungsten; success in this area may have a significant effect on the overall economics of the Unity project.

The ore is basic, having a natural pH of 9. Lime is not required in the flotation stages. There is very little pyrite present and certainly not enough to overcome the basic nature of the associated host rocks in the event of complete pyrite oxidation.

The ore is strong (Work Index of 17kwh/ton) and somewhat more abrasive when compared with molybdenite ores from the world-class Climax and Urad mines in Colorado. As yet there are no reliable estimates for grinding media and liner consumption in rod and ball mills, that would be used to mill the Unity ore.

DEVELOPMENT PROPOSAL

Verdstone and Molycor have commenced a pre-feasibility review of the project based upon initial Phase One development by way of underground mining of high-grade ore and trucking, via Highway 16, to an existing milling facility at Endako. This mine development plan will take about 10 months to implement and establish a seven-year operation at 2,000 tons per day. A long-term Phase Two goal will be to develop an on-site mill, and then mine the remaining medium to low-grade portions of the deposit at about 10,000 tons per day over a 15 to 20 year period.

The Phase One operations will require an operating team of 50 for mining and 55 for trucking. The trucking terminal for dispatch and repair will probably be located at Burns Lake or Houston, which would be central to a Smithers-Endako haul. The hauling will consist of 50 to 60 loads of ore per day on modern Super B-Train trucks.

Verdstone and Molycor personnel are being assisted in the Unity project development study by Procon Mining and Tunnelling Ltd. and Kleysen Transport Ltd., both well established and well respected companies in their respective fields of mining and transportation.

We plan to have the preliminary project economics available in March and at that time we will be meeting with Endako's owners to discuss the possibility of working together to enhance the overall economics of Unity and Endako.

ENVIRONMENTAL & SOCIO-ECONOMIC

If the project proceeds we do not anticipate any significant negative impacts, either environmental or socio-economic. The mining will be by underground methods with a surface stockpile or bin near the portal (at the base of the mountain) to facilitate ore transfer to highway trucks. It is our understanding that truck traffic on Highway 16 has significantly diminished in recent years because of reduced regional activity in both the mining and forest industries. Baseline environmental work that now spans some 38 years indicates no acid rock drainage (ARD) or endangered flora or fauna within the proposed development area. There will be some minor visual impact of the portal area from the valley below. Maintaining a buffer of timber may mitigate this impact. Noise will be mitigated by muffling equipment exhaust and by keeping timber buffers in-place from the portal to the surface stockpile transfer area.

Approximately 5,000 people live in the Smithers area of Bulkley Valley. Forestry, mining, tourism, agriculture and government form the economic base, with forestry as the most dominant industry, accounting for approximately 20% of

the area's employment. Government agencies and community infrastructure are broad based and well established. Local businesses provide most of the services that will be required by Unity, including electrical, electronics, mechanical, metal fabrication, skills training, etc.

The Unity project will generate about \$6.5 million in payroll and another \$14 million in goods and services annually for seven years, with the Bulkley Valley area being the principal beneficiary. The Project will be earning foreign currency when selling the molybdenum product, as the metal is priced and sold in U.S. dollars on world markets. Later development of the lower-grade segment of the deposit, as a 10,000 ton per day operation (to achieve economy-of-scale), would add 15 to 20 years of additional life to the Project, and generate a significantly higher demand for jobs, as well as goods and services.

The Unity project has the potential to have an immense positive impact upon the Region by creating employment and wealth. The spin-off effects of the high-paying jobs and multi-skill training received by workers will have a long-term positive effect on the Region's human resource skill level and thereby provide a broader economic base for enhanced "wealth" creation now and in the future.

PERMITTING

The project economics are most sensitive to capital cost and metal prices. It is important that permitting be kept to a reasonable cost level and short duration. We trust that government will take a strong stand in ensuring that only those intervenors with science and facts be allowed a voice in the public comment portion of permitting under BC's EA Act. We will be meeting shortly with government officials in the ministries of the Environment and Energy and Mines, to determine if the Unity project Phase One with its proposed underground "quarry" nature and limited scope could be approved under a Stage One environmental review in less than six months. Also, the increasing number of court challenges against British Columbia resource developers by Status Indians and by the Sierra Legal Defense Fund are troublesome and we trust that governments will work diligently to mitigate these potentially negative impacts.

The Unity Mining Leases fall within The Bulkley Land and Resource Management Plan area which was enacted April 21, 1998. More specifically the leases are within Planning Unit 10: Hudson Bay Mountain, Sub-unit 10-1: Glacier Gulch (SM2) which is classed as a Special Management Zone that does allow industrial activity. The Plan states, "Areas designated as SM2 Zones allow industrial activities. Industrial activities will be carried out sensitively to ensure that impacts on identified values such as visual quality, wildlife habitat, recreation or sensitive soils are minimized. Where impacts occur they will be mitigated through agency review and approval processes." Visual quality and water quality are high priorities in Sub-unit 10-1. Development plans must address visual quality maintenance and water quality maintenance to minimize impacts to the greatest possible extent.

NATIVE LAND CLAIMS

British Columbia is presently under siege regarding native land-claims covering almost the entire province. The Unity Mining Leases (1,632 hectares) are within the Hudson Bay Mountain area, which covers 12,758 hectares and is claimed to be within the traditional territory of the Wet'suwet'en (Wah Tah Keght and Woos houses).

MINING

Underground mining will be accessed via the 3500 Level portal. This main adit will be enlarged by slashing from its present size of 10 feet x 8 feet to accommodate large mining equipment, and a ventilation raise will be driven from the back of the main ore zone to surface.

Unity Project
Aerial Photograph, 1984
Summary Review March 1999
J.A. Chapman Mining Services

3500 Level Portal

Glacier
Gulch
Road

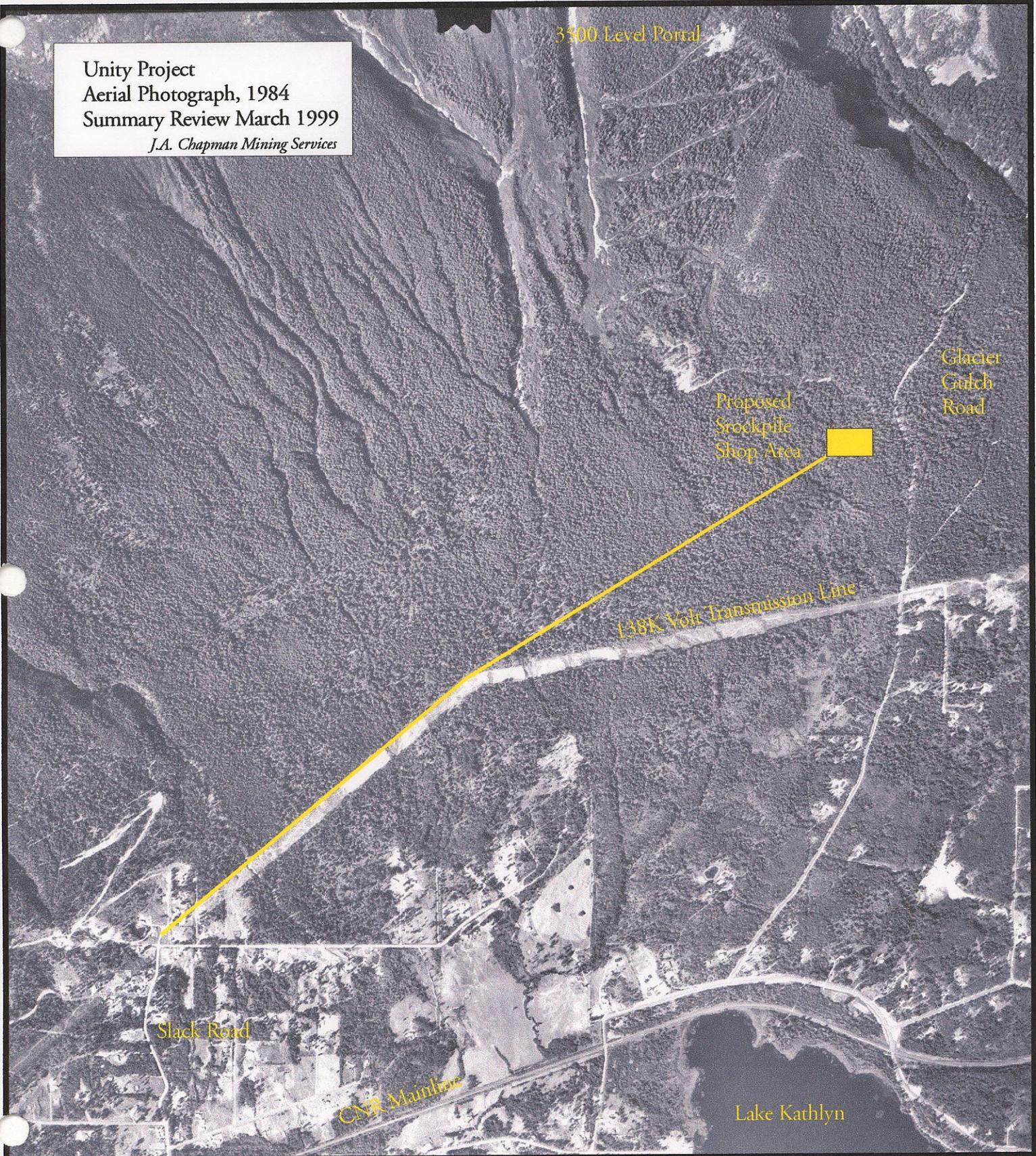
Proposed
Stockpile
Shop Area

138K Volt Transmission Line

Slack Road

CNR Mainline

Lake Kathlyn



The massive nature of the deposit, with silica-welded fractures, lends it to design of large stopes, in the order of 100 feet wide, 200 feet high and 300 feet long, with pillars of 60 foot width (Daniel H. White, 1981). The high-grade portion of the deposit (plus 0.40% MoS₂) is concentrated just above the 3500 Level between Sections 17400N and 18600N, and the "heart" of the high-grade is located at Sections 17800N and 18000N. Open stoping, at an extraction rate of 2,000 tons of ore per day, will be by Room and Pillar mining and/or by Long-hole mining, using trackless equipment.

Ore handling from the 3500 Level portal area will be via surface transport (see Ore Transport) or perhaps a lower adit will be driven from the main surface facility (700 meter level) directly under the 3500 Level portal and connected via a raise (ore-pass). These alternatives are presently under review.

INFRASTRUCTURE

Land:

Don Davidson originally owned the surface S.E. ¼ of Section 16 (160 acres). He has subdivided and sold approximately 80 acres, leaving him with residual ownership of about 80 acres at the West side of the property. Consideration should be given to purchasing Mr. Davidson's interest, as this is an important piece of land to the Project.

Electrical Power:

There is a 3-phase 138K volt main transmission line that crosses through Sections 3, 9, and 16 at the base of Hudson Bay Mountain, one mile west of Lake Kathlyn. The nearest substation on this 138K volt line is in Smithers, and the nearest 3 phase low-voltage line is on the east side Highway 16 at Lake Kathlyn. There is single-phase power into the southeast quarter of Section 16, on Glacier Gulch road.

Electrical power at 4160 volts (assume 750kw installed load) will be required at the 3500 portal (1,100 meter elevation). This power will be stepped-down to 600 volts at the underground shop and work area at the main ore zone. The surface facility at the 700 meter elevation will require 600 volt power for a 200kw installed load.

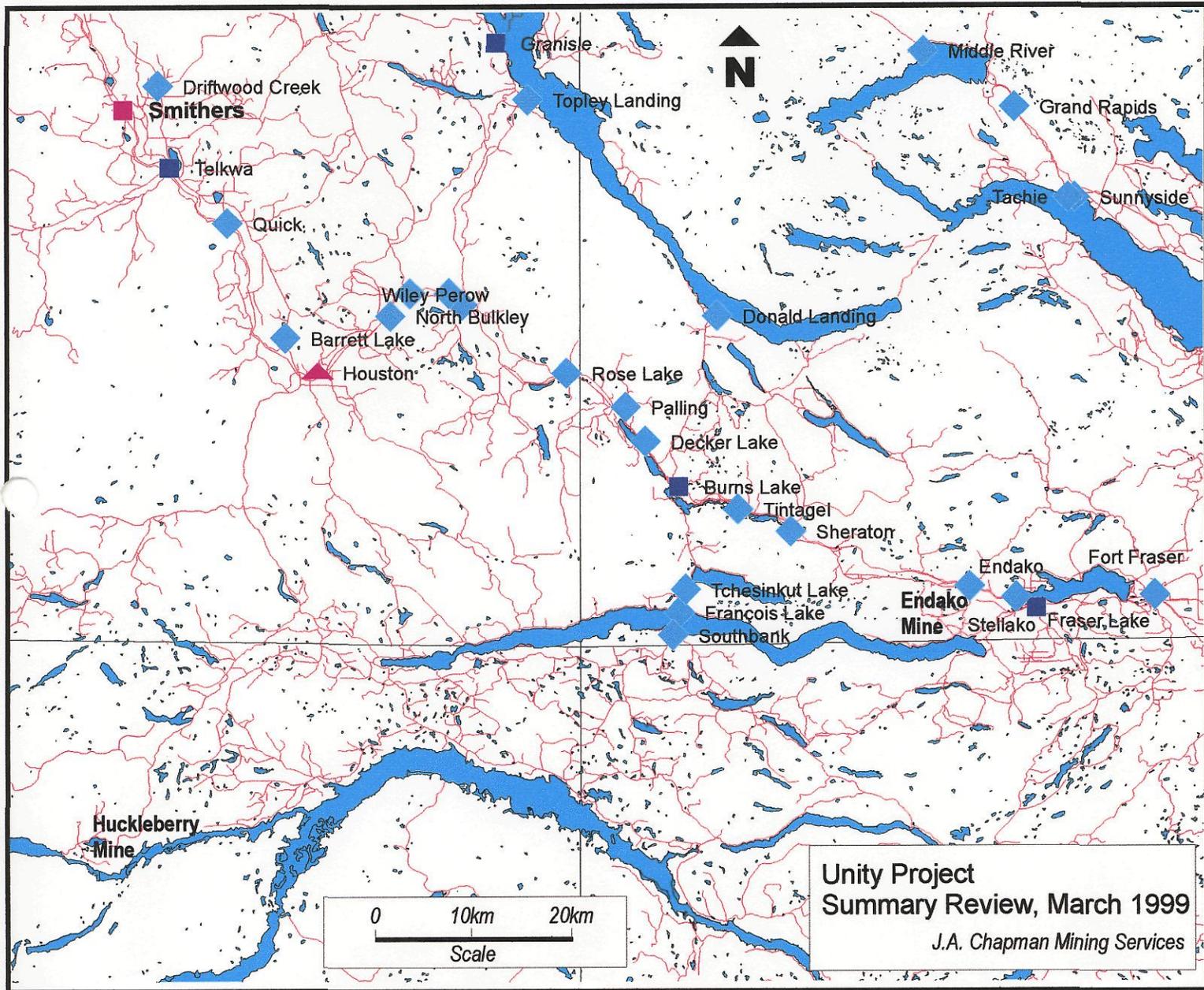
The 4160 volt line from the main shop area up to the 3500 Level portal should be concealed in some fashion to minimize visual impact on the east side of Hudson Bay mountain. The switch-back road up to the portal is already almost entirely concealed by trees. A right-of-way straight run up the hill for a power line will be visible, unless it is a buried cable "through the forest".

Natural Gas:

There is a residential natural gas line that terminates just above the intersection of Glacier Gulch road and Lake Kathlyn road. BC Gas will be contacted regarding availability of industrial gas supply for the Unity project.

Access Road:

The present access to the 3500 Level portal is via Lake Kathlyn road (from Highway 16) and then on Glacier Gulch road to the southwest junction leading to the portal, at the 675 meter elevation. This route does have a number of sharp turns and relatively poor access onto Highway 16. An alternate route has been identified that would access the ore transfer site via Slack Road and along the 138K volt transmission line to the line bend in the SE corner of Section 9, and from there to the start of the switch-backs to the portal. At this point a shop, dry and office will be constructed. This alignment will require the lease or purchase of some land along the transmission line right-of-way in Section 3 and new road construction from the top of Slack Road to the ore transfer site (2.8 kilometers). Roger Trudel (250.847.9864) owns the lot and lives in the house at the top of Slack Road. Roger works for Huckleberry Mine as a truck-driver.



Easement information will be acquired for the area along the transmission line in Section 3 from Gordon Heenan, BC Hydro, Terrace (250.638.5640).

The Slack Road access onto Highway 16 is excellent as it is flat, with two islands, with a turning lane from Highway 16, and excellent visibility in all directions. Also, there is room to place an entry lane from Slack Road on Highway 16, as there is a wide shoulder. There is one right angle bend in the road that goes around a small fenced field – this part of the road should be straightened. Slack Road will probably need to be resurfaced for heavy loads in the east-bound lane (1.6 kilometers).

The area proposed for the new road does appear to be underlain by compacted clay, which seems to have good compressive strength as long as it is well drained. There is gravel available at the base of the Hudson Bay Mountain slide chutes, with one particularly large area of gravel to the north of Glacier Gulch road. The present waste from the 1960's 3500 Level adit development and from the proposed 3500 Level adit slashing will make a good crushed rock topping for the clay on the new roadbed. There has never been any problem with ARD from the adit drainage or from any of the accumulated development waste rock near the portal.

The Glacier Gulch community water supply comes from a spring near the base of the slide chute immediately south of the existing road's switch-backs to the portal. The intake for this supply (four-foot vertical culvert with intake screen) is just above the 138K volt transmission line and will probably have to be moved up-slope from the proposed road for public safety.

Stockpile Transfer Site at Center West Side of Section 9 at 700 Meter Elevation:

This main mine site surface facility will contain a shop/warehouse/dry/office complex, a parking lot, and an ore stockpile transfer area. The shop/warehouse (16 meters x 16 meters) will be an engineered structure, with a connected 50-person dry/office trailer assembly (300 square meters). The parking lot for employees and visitors (1,000 square meters) will be immediately adjacent to the dry/office. The ore stockpile and transfer area will require approximately 15,000 square meters of flat ground. This entire surface facility area should be cleared and the soil removed, and then crushed and compacted waste rock placed from the proposed main adit slashing. This adit material will need to be tested for ARD potential before determining its use as fill (never shown any ARD problem in the past).

Diesel Fuel and Explosives Storage:

A surface diesel fuel tank of approximately 5,000 litres capacity will be required at the main shop (700 meter elevation) for fueling trucks hauling from the 3500 portal to the transfer stockpile and also for the stockpile loaders. Fuel will be stored underground on the 3500 Level for the trackless equipment working on development and mining.

All explosives will be delivered directly to an underground magazine near the development and mining area.

ORE TRANSPORT

Ore from underground will be transported by large (35 to 45 ton) articulated trucks (such as Caterpillar Model D400E) to the 700 Level run-of-mine (ROM) Stockpile.

The ROM ore (minus 24 inches) will be loaded onto Super-B Trains at the 700 Level Stockpile and transported via Highway 16 to Endako Mines, some 213 kilometers to the east. Verdstone and Molycor are working with Jeff Kleysen of Kleysen Transport Ltd., one of Canada's largest, safest and most modern trucking companies. The trucks will not have any hydraulics for trailer dumping (weight saving) so there will need to be an unloading device installed at the Endako Mine primary crusher stockpile area.

An investigation on CNR rail haulage between Smithers and Endako should be undertaken, but I do consider this to be a "long-shot" based upon my past negative experience with rail haulage costs.

ORE PROCESSING

The ore will be processed by conventional milling and molybdenum disulfide flotation followed by roasting. The processing procedure is well established and described in detail in brochures supplied to the public by Endako Mines. The Unity ore may require additional flotation and/ore gravity processing to recover the tungsten minerals present.

The tailings from the Unity ore will be very compatible with Endako's as the pyrite and other base metal content is very low.

MARKETING

The long-term average molybdenum price is in the range of US\$2.50 to US\$5.00 per pound (Mo contained in MoO₃). Michael Anthony in the E&MJ March 1998 market review issue stated, "The key factors of the molybdenum market for 1998 are the level of exports coming into Western Europe from China and the effect of the Southeast Asian financial situation on the commodity. To compensate for poor copper prices, copper producers may cut their output, reducing byproduct molybdenum output. Overall, a neutral year is indicated for 1998, with prices remaining around year-end levels [US\$3.86 per pound]".

ECONOMICS

The "horseback" cash flow studies for the high-grade 2,000 tpd trucking option and the standalone 10,000 tpd option yielded the following results (see spread sheets following this page):

Option	Capital (\$)	DCF (\$) @ 10% rate	ROI (%)	Project Life (years)	Mo Produced (lbs)
2,000 tpd	24,000,000	1,650,000	12.2	7	32,000,000
10,000 tpd	126,000,000	38,700,000	17.7	10	154,000,000

UNITS OF MEASURE

The units of measure presented in this report are mixed Imperial and Metric. All of the historical work done by AMAX and its consultants on the Yorke-Hardy deposit was in Imperial measure. Surface maps were all Imperial, using a NAD 27 Geoid. Today all of the surface maps are metric and use the NAD 83 Geoid. A decision will need to be made soon, regarding a standard unit of measurement for the project.

RECOMMENDATION

Based upon the indication that the proposed Unity project has the potential to be technically and financially viable, Verdstone and Molycor should now commence a project Feasibility Study. The large amount of available technical data and completed development work should facilitate a short duration and low-cost study, and rapid permitting for a high-grade 2,000 tpd underground operation shipping molybdenum-tungsten ore for processing at Endako mine and/or Huckleberry mine.

UNITY PROJECT SCOPING REVIEW		2,000 TONS PER DAY, MILL OFF SITE (100% EQUITY)								J.A. Chapman Mining Services
PRELIMINARY PRO FORMA CASH FLOWS (C\$)										31-Mar-99
YEAR:	2000	2001	2002	2003	2004	2005	2006	2007	TOTAL	
Tons of Ore Processed (daily)		2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Tons of Ore Processed (annually)		728,000	728,000	728,000	728,000	728,000	728,000	728,000	5,096,000	
Molybdenum Disulfide Content in Ore (%)		0.600	0.600	0.600	0.550	0.500	0.500	0.500	0.550	
Molybdenum Content in Ore (lbs)		5,241,600	5,241,600	5,241,600	4,804,800	4,368,000	4,368,000	4,368,000	33,633,600	
Molybdenum Recovery (%)		95	95	95	95	95	95	95	95	
Molybdenum Produced (lbs), in concentrate		4,979,520	4,979,520	4,979,520	4,564,560	4,149,600	4,149,600	4,149,600	31,951,920	
Tungsten Trioxide Content in Ore (%)		0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	
Tungsten Content in Ore (lbs)		461,843	461,843	461,843	461,843	461,843	461,843	461,843	3,232,902	
Tungsten Recovery (%)		35	35	35	35	35	35	35	35	
Tungsten Produced (lbs), in concentrate		161,645	161,645	161,645	161,645	161,645	161,645	161,645	1,131,516	
Revenue										
Molybdenum Price (US\$/lb contained Mo)		4.00	4.00	4.00	4.00	4.00	4.00	4.00		
Tungsten Price (US\$/lb)		2.75	2.75	2.75	2.75	2.75	2.75	2.75		
Exchange Rate (US\$ to C\$)		1.50	1.50	1.50	1.50	1.50	1.50	1.50		
Net Smelter Payment Factor		1.000	1.000	1.000	1.000	1.000	1.000	1.000		
Revenue (molybdenum, tungsten)		\$30,543,906	\$30,543,906	\$30,543,906	\$28,054,146	\$25,564,386	\$25,564,386	\$25,564,386	\$196,379,023	
Revenue (\$/ton of ore milled)		\$41.96	\$41.96	\$41.96	\$38.54	\$35.12	\$35.12	\$35.12	\$38.54	
Unit Costs (\$/ton milled)										
Underground Development		2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	
Ore Mining		12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	
Trucking to Processing Plant		10.65	10.65	10.65	10.65	10.65	10.65	10.65	10.65	
Processing		3.10	3.10	3.10	2.95	2.80	2.80	2.80	2.95	
General Services		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	
Concentrate Shipping		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	
Reclamation		0.05	0.05	0.05	0.05	0.05	0.05	0.05	0.05	
Administration		0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
Royalty to Davidson		0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
Contingency		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total Operating Cost (\$/ton milled)		\$30.00	\$30.00	\$30.00	\$29.85	\$29.70	\$29.70	\$29.70	\$29.85	
Total Operating Cost (C\$/lb molybdenum)		\$4.39	\$4.39	\$4.39	\$4.76	\$5.21	\$5.21	\$5.21	\$4.76	
Total Operating Cost (US\$/lb molybdenum)		\$2.92	\$2.92	\$2.92	\$3.17	\$3.47	\$3.47	\$3.47		
Costs										
Underground Development		1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	1,820,000	12,740,000	
Ore Mining		9,100,000	9,100,000	9,100,000	9,100,000	9,100,000	9,100,000	9,100,000	63,700,000	
Trucking to Processing Plant		7,753,200	7,753,200	7,753,200	7,753,200	7,753,200	7,753,200	7,753,200	54,272,400	
Processing		2,256,800	2,256,800	2,256,800	2,147,600	2,038,400	2,038,400	2,038,400	15,033,200	
General Services		182,000	182,000	182,000	182,000	182,000	182,000	182,000	1,274,000	
Concentrate Shipping		254,800	254,800	254,800	254,800	254,800	254,800	254,800	1,783,600	
Reclamation		36,400	36,400	36,400	36,400	36,400	36,400	36,400	254,800	
Administration		218,400	218,400	218,400	218,400	218,400	218,400	218,400	1,528,800	
Royalty to Davidson		218,400	218,400	218,400	218,400	218,400	218,400	218,400	1,528,800	
Contingency		0	0	0	0	0	0	0	0	
Total Operating Cost		\$21,840,000	\$21,840,000	\$21,840,000	\$21,730,800	\$21,621,600	\$21,621,600	\$21,621,600	\$152,115,600	
Depreciation (20% DB)		4,500,000	3,600,000	2,880,000	2,304,000	2,043,200	1,634,560	1,307,648	18,269,408	
Total Cost		\$26,340,000	\$25,440,000	\$24,720,000	\$24,034,800	\$23,664,800	\$23,256,160	\$22,929,248	\$170,385,008	
Earnings before Income Tax		\$4,203,906	\$5,103,906	\$5,823,906	\$4,019,346	\$1,899,586	\$2,308,226	\$2,635,138	\$25,994,015	
Income Tax (38%)		1,597,484	1,939,484	2,213,084	1,527,352	721,843	877,126	1,001,352	9,877,726	
Net Earnings		\$2,606,422	\$3,164,422	\$3,610,822	\$2,491,995	\$1,177,743	\$1,431,100	\$1,633,786	\$16,116,289	
Operating Cash Flow										
Depreciation (add back)		4,500,000	3,600,000	2,880,000	2,304,000	2,043,200	1,634,560	1,307,648	18,269,408	
Mine Development Capital	(15,000,000)								(15,000,000)	
Mine Equipment Capital	(5,000,000)				(1,000,000)			1,000,000	(5,000,000)	
Mill & Tailings Capital	-								-	
Infrastructure Capital	(2,000,000)								(2,000,000)	
EPC	(500,000)								(500,000)	
Working Capital	(1,500,000)	(1,000,000)						2,500,000	-	
Contingency										
Net Cash Flow	(\$24,000,000)	\$6,106,422	\$6,764,422	\$6,490,822	\$3,795,995	\$3,220,943	\$3,065,660	\$6,441,434	\$11,885,697	
Cumulative Cash Flow	(\$24,000,000)	(\$17,893,578)	(\$11,129,156)	(\$4,638,335)	(\$842,340)	\$2,378,603	\$5,444,264	\$11,885,697		
Net Present Value of Project Cash Flow										
@ 5% discount rate		\$6,070,303								
@ 10% discount rate		\$1,647,001								
@ 15% discount rate		(\$1,788,679)								
Internal Rate of Return (%)		12.2								

(Note: The Mine Equipment could be all Caterpillar and financed on a lease to purchase)

UNITY PROJECT SCOPING REVIEW		10,000 TONS PER DAY, MILL AT SITE, HYDROMET OXIDATION AT SITE (100% EQUITY)										J.A. Chapman Mining Services
PRELIMINARY PRO FORMA CASH FLOWS (C\$)												31-Mar-99
YEAR:	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	03:32:45 PM TOTAL
Tons of Ore Processed (daily)		10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	
Tons of Ore Processed (annually)		3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	3,640,000	36,400,000
Molybdenum Disulfide Content in Ore (%)		0.450	0.450	0.400	0.400	0.350	0.350	0.350	0.350	0.350	0.350	0.380
Molybdenum Content in Ore (lbs)		19,656,000	19,656,000	17,472,000	17,472,000	15,288,000	15,288,000	15,288,000	15,288,000	15,288,000	15,288,000	165,984,000
Molybdenum Recovery (%)		94	94	93	93	92	92	92	92	92	92	93
Molybdenum Produced (lbs), in concentrate		18,476,640	18,476,640	16,248,960	16,248,960	14,064,960	14,064,960	14,064,960	14,064,960	14,064,960	14,064,960	153,840,960
Tungsten Trioxide Content in Ore (%)		0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040	0.040
Tungsten Content in Ore (lbs)		2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	2,309,216	23,092,160
Tungsten Recovery (%)		35	35	35	35	35	35	35	35	35	35	35
Tungsten Produced (lbs), in concentrate		808,226	808,226	808,226	808,226	808,226	808,226	808,226	808,226	808,226	808,226	8,082,256
Revenue												
Molybdenum Price (US\$/lb contained Mo)		4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	
Tungsten Price (US\$/lb)		2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75	
Exchange Rate (US\$ to C\$)		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	
Net Smelter Payment Factor		1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Revenue (molybdenum, tungsten)		\$114,193,771	\$114,193,771	\$100,827,691	\$100,827,691	\$87,723,691	\$87,723,691	\$87,723,691	\$87,723,691	\$87,723,691	\$87,723,691	\$956,385,066
Revenue (\$/ton of ore milled)		\$31.37	\$31.37	\$27.70	\$27.70	\$24.10	\$24.10	\$24.10	\$24.10	\$24.10	\$24.10	\$26.27
Unit Costs (\$/ton milled)												
Underground Development		1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Ore Mining		10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50	10.50
Processing (incl. Hydromet Oxidation)		4.73	4.73	4.20	4.20	3.68	3.68	3.68	3.68	3.68	3.68	3.99
General Services		0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Concentrate Shipping		0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Reclamation		0.02	0.02	0.03	0.03	0.04	0.04	0.05	0.05	0.05	0.15	0.05
Administration		0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30
Royalty to Davidson		0.30	0.30	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.00
Contingency		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Operating Cost (\$/ton milled)		\$17.95	\$17.95	\$17.28	\$17.28	\$16.77	\$16.77	\$16.78	\$16.78	\$16.78	\$16.88	\$17.12
Total Operating Cost (C\$/lb molybdenum)		\$3.54	\$3.54	\$3.87	\$3.87	\$4.34	\$4.34	\$4.34	\$4.34	\$4.34	\$4.37	\$4.05
Total Operating Cost (US\$/lb molybdenum)		\$2.36	\$2.36	\$2.58	\$2.58	\$2.89	\$2.89	\$2.89	\$2.89	\$2.89	\$2.91	
Costs												
Underground Development		5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	5,460,000	54,600,000
Ore Mining		38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	38,220,000	382,200,000
Processing (incl. Roasting)		17,199,000	17,199,000	15,288,000	15,288,000	13,377,000	13,377,000	13,377,000	13,377,000	13,377,000	13,377,000	145,236,000
General Services		910,000	910,000	910,000	910,000	910,000	910,000	910,000	910,000	910,000	910,000	9,100,000
Concentrate Shipping		1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	1,274,000	12,740,000
Reclamation		72,800	72,800	109,200	109,200	145,600	145,600	182,000	182,000	182,000	546,000	1,747,200
Administration		1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	1,092,000	10,920,000
Royalty to Davidson		1,092,000	1,092,000	546,000	546,000	546,000	546,000	546,000	546,000	546,000	546,000	6,552,000
Contingency		0	0	0	0	0	0	0	0	0	0	0
Total Operating Cost		\$65,319,800	\$65,319,800	\$62,899,200	\$62,899,200	\$61,024,600	\$61,024,600	\$61,061,000	\$61,061,000	\$61,061,000	\$61,425,000	\$623,095,200
Depreciation (20% DB)		24,200,000	19,360,000	15,488,000	12,390,400	9,912,320	8,929,856	7,143,885	5,715,108	4,572,086	8,929,856	116,641,511
Total Cost		\$89,519,800	\$84,679,800	\$78,387,200	\$75,289,600	\$70,936,920	\$69,954,456	\$68,204,885	\$66,776,108	\$65,633,086	\$70,354,856	\$739,736,711
Earnings before Income Tax		\$24,673,971	\$29,513,971	\$22,440,491	\$25,538,091	\$16,786,771	\$17,769,235	\$19,518,806	\$20,947,583	\$22,090,604	\$17,368,835	\$216,648,355
Income Tax (38%)		9,376,109	11,215,309	8,527,386	9,704,474	6,378,973	6,752,309	7,417,146	7,960,081	8,394,430	6,600,157	82,326,375
Net Earnings		\$15,297,862	\$18,298,662	\$13,913,104	\$15,833,616	\$10,407,798	\$11,016,925	\$12,101,660	\$12,987,501	\$13,696,175	\$10,768,677	\$134,321,980
Operating Cash Flow												
Depreciation (add back)		24,200,000	19,360,000	15,488,000	12,390,400	9,912,320	8,929,856	7,143,885	5,715,108	4,572,086	8,929,856	116,641,511
Mine Development Capital	(15,000,000)											(15,000,000)
Mine Equipment Capital	(15,000,000)					(5,000,000)					2,000,000	(18,000,000)
Mill, Hydromet & Tailings Capital	(85,000,000)										4,000,000	(81,000,000)
Infrastructure Capital	(5,000,000)											(5,000,000)
EPC	(1,000,000)											(1,000,000)
Working Capital	(5,000,000)	(5,000,000)									10,000,000	-
Contingency												
Net Cash Flow	(\$126,000,000)	\$34,497,862	\$37,658,662	\$29,401,104	\$28,224,016	\$15,320,118	\$19,946,781	\$19,245,544	\$18,702,609	\$18,268,261	\$35,698,533	\$130,963,491
Cumulative Cash Flow	(\$126,000,000)	(\$91,502,138)	(\$53,843,476)	(\$24,442,372)	\$3,781,644	\$19,101,762	(\$33,896,695)	(\$5,196,828)	\$22,484,253	\$37,370,023	\$73,068,556	
Net Present Value of Project Cash Flow												
@ 5% discount rate		\$76,546,476										
@ 10% discount rate		\$38,735,215										
@ 15% discount rate		\$11,548,866										
Internal Rate of Return (%)		17.7										

(Note: The Mine Equipment could be all Caterpillar and financed on a lease to purchase)

UNITY PROJECT, REFERENCE REPORTS, DATA AND MATERIALS

Reports & Data	Location
Geology of the Hudson Bay Mountain Molybdenum Deposit, D.A. Jonson, D.A. Davidson, K.L. Daughtry, April 1968, CIMM AGM	White Rock, J.A.C.
Check Sample Study Yorke-Hardy Project, D.A. Davidson, March 1969	White Rock, J.A.C.
Yorke-Hardy Data Evaluation (metallurgical), R.C. Enochs, December 1980	White Rock, J.A.C.
Yorke-Hardy Geotechnical Evaluation, Daniel H. White, June 1981	White Rock, J.A.C.
Environmental Investigation of Potential Yorke-Hardy Tailings Disposal System, Sigma Resource Consultants Ltd., November 1981	White Rock, J.A.C.
Yorke-Hardy Porphyry Molybdenum-Tungsten Deposit, D. Atkinson, December 1981	White Rock, J.A.C.
Yorke-Hardy Mine Design, Canadian Mine Services Ltd., December 1981 (4 volumes)	White Rock, J.A.C.
Aerial photographs of Yorke-Hardy area (BW-84, Color-73)	White Rock, J.A.C.
Drill Logs for all drilling at Yorke-Hardy	Smithers, D.A.D.
Large topographic and sectional model	Smithers, D.A.D.
Miscellaneous reports and maps	Smithers, D.A.D.

Materials	Location
Drill core (approximately 191,500 feet)	Smithers, D.A.D.
Rejects from drill core samples and other rock samples	Smithers, D.A.D.
Pulps from historical assay analyses	Smithers, D.A.D.
Numerous specimen rock samples from Yorke-Hardy and area	Smithers, D.A.D.

CERTIFICATE OF QUALIFICATION

I, John Arthur Chapman of the City of Surrey, Province of British Columbia, Canada, do hereby certify as follows:

- (1) I am a mining engineer residing at #30 1725 Southmere Cr., Surrey, British Columbia, V4A 7A7;
- (2) I graduated with honours in Mining Technology from the British Columbia Institute of Technology, June 1967;
- (3) I graduated with honours in Mining Engineering (B.Sc.) from the Colorado School of Mines, January 1971;
- (4) I am a Professional Engineer registered in the Province of British Columbia, Canada, since 1973;
- (5) I am a Fellow of the Canadian Institute of Mining and Metallurgy (Member since 1971), and a Member of the AIME since 1969;
- (6) I have practised by profession continuously since 1973 in Canada, United States and Philippines;
- (7) I am the Principal of J.A. Chapman Mining Services;
- (8) In the past two years I have played a pivotal roll in: (a) the "Arrangement" between La Teko Resources Ltd. and Kinross Gold Corporation, involving the open-pit mining and trucking of gold ore from the Ryan Lode and True North deposits to the Fort Knox mill near Fairbanks, Alaska, and (b) the operating and economic turn-around of North American Palladium Ltd.'s PGM open-pit Lac des Iles mine near Thunder Bay, Ontario;
- (9) In the early to mid 1990's I was the principal founder as well as President & CEO of Granduc Mining Corporation, and was in charge of the Company's acquisition, feasibility, development and operations of its very successful Keystone gold mine in Northern Manitoba, based upon long-distance trucking of low-grade gold ore;
- (10) From 1978 to 1983 I served with Manalta Coal Ltd., Canada's largest coal company, as Operations Manager then as Vice-President and General Manager. Prior to that I served eleven years with Placer Dome Inc. in engineering, supervision and management;
- (11) I am a director of Verdstone Gold Corporation and of Molycor Gold Corporation, and I hold a significant number of incentive stock options in both companies. Therefor, **this Unity Summary Review is not an "independent arms-length" Report.**

Dated at White Rock, British Columbia this 24th day of March 1999.



John Arthur Chapman, B.Sc., P.Eng., FCIM

UNITY PROJECT, 3500 PORTAL ACCESS ROAD PROFILE
Switch-Back Segments from Portal down to Glacier Gulch Road

J.A. Chapman Mining Services
 99/03/31 14:40

Segment	Direction (Down)	Map Distance (Inches)	Horizontal Dist. (1" = 500')	Segment Elevation (feet)		Vertical Dist. (feet)	Slope (%)
				Top	Bottom		
1	South	3.15	1,575	3,470	3,380	90	5.7
2	North	4.20	2,100	3,380	3,225	155	7.4
3	South	4.35	2,175	3,225	3,100	125	5.7
4	North	3.10	1,550	3,100	3,065	35	2.3
5	South	3.40	1,700	3,065	2,820	245	14.4
6	North	2.80	1,400	2,820	2,740	80	5.7
7	South	2.60	1,300	2,740	2,585	155	11.9
8	North	1.75	875	2,585	2,490	95	10.9
9	South	2.15	1,075	2,490	2,445	45	4.2
10	North	1.90	950	2,445	2,360	85	8.9
11	East	1.10	550	2,360	2,290	70	12.7
12	Northeast	6.00	3,000	2,290	2,060	230	7.7
Total			18,250			1,410	7.7