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AMERICAN RESERVE MINING CORPORATION (AMI-V)

U/G MINING REPORT - Carl F. Zuber, president, reports American Reserve Mining Corp. has received the underground mining report prepared by Laxey Mining Services Inc. for the Kutcho Creek copper/zinc massive sulphide deposits located 100km east of Dease Lake, northwestern B.C. American Reserve has a 66% interest with operator and joint venture partner Homestake Mining (Canada) Ltd. holding the remaining 34%. The report was commissioned to compare open pit versus underground mining methods. The study concluded:

Underground mining at Kutcho will reduce environmental concerns and potentially offer lower operating and capital costs from the previously envisioned 4,000 tonne per day open pit mine. Inclusion of the Esso West zone in the economic model, has a significant positive impact. The report is based on new

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geological ore reserve estimates for:

1) the Kutcho lens, prepared by Homestake Canada Ltd. and audited by the Coopers & Lybrand Consulting Group, and;

2) the Esso West lens, prepared by Laxey.

Estimation of the geological reserves is based on 173 diamond drill hole intercepts and an adit driven through the Kutcho orebody. The geological reserve estimates are designated probable for the Kutcho lens and possible for the Esso West lens. From the geological reserve estimates Laxey has calculated mineable reserves based on a cutoff grade of 1.8% copper equivalent and incorporating 23% external dilution.

Sumac

Underground Mineable Reserves

	MILLION TONNES	COPPER %	ZINC %	SILVER GR/TNE	GOLD GR/T	% COPPER EQUIVALENT
Kutcho lens	11.6	1.67	2.30	32.7	0.36	2.87
Esso west lens	2.7	2.14	3.61	44.9	0.40	3.92
Total	14.3	1.76	2.54	35.0	0.37	3.07

The Kutcho lens mineable ore reserves correspond closely with the mineable ore reserves calculated in 1985 by Sumitomo Metal Mining Canada Ltd. However, with the addition of the Esso West lens and an underground mining approach, project economics are significantly improved. In addition to the slightly higher tonnage and grades, there are benefits to economical and environmental aspects of the project:

	4000 TPD	4400 TPD	Change
Capital costs	\$145,000,000	\$120,000,000	-25,000,000
Operating costs	\$29.20 tonne	\$23.20 tonne	-6.00 tonne
Mine waste rock	+90,000,000mt	-1,000,000mt	-89,000,000mt

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The report indicates that at a mining and milling rate of 4,400 tonnes per day the mine life is 9.3 years. Capital costs are estimated at C\$120,000,000. Working capital required is an additional \$10,500,000. Further cost reductions may be achieved by improved mining and metallurgical techniques; work programs to investigate these areas are recommended. The possibility of identifying additional new ore reserves during the mine life is considered excellent.

American Reserve has also been rehabilitating the Paymaster gold mine located adjacent to the Dome mine near Timmins, Ontario. (SEE GCML No.15, 22Jan91, P.1 FOR MORE PAYMASTER PROJECT INFORMATION)