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**CONTINENTAL GOLD CORP.**

**A Subsidiary of Placer Dome Inc.**

**MT. MILLIGAN PROJECT**

**STAGE I REPORT**

**VOLUME 1 - DEVELOPMENT PLAN**

**APRIL, 1991**

*Pit Feasibility  
Volume 1  
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**Submitted to the**

**British Columbia Mine Development Steering Committee**

**under the**

**British Columbia Mine Development Review Process**

**Prepared By:**

**Placer Dome Inc.**

*Collin Spencer  
688-3646*

*Peter Martin*

*Bill Tipton*

13,400,000.00

**Reserves:** The mineral occurrence is a disseminated deposit of gold and copper minerals. The preliminary geological resources total approximately 380 million tonnes grading 0.227% copper and 0.514 g/t gold. The preliminary ore reserves total approximately 300 million tonnes grading 0.23% copper and 0.56 g/t gold.

**Production Plan:** The mine will produce 60 000 t/d of ore, which when milled will produce an average of 200 000 t/a of copper concentrate grading approximately 18% copper and 37 g/t gold.

**Concentrate Transportation:** Concentrate will be loaded into containers and transported by truck to railcar loading facilities on the Canadian National Railway at Engen, near Vanderhoof, for transport to bulk terminals at the Port of Prince Rupert. Unloading facilities will empty the containers into bulk concentrate storage for subsequent loading into deep-sea carriers. The use of facilities at Engen and Prince Rupert is subject to final contract negotiations.

**Mineral Claims:** Mineral rights are secured by 92 mineral claims and two fractional claims totalling 1181 units. The claims cover approximately 24 700 ha of land.

**Land Uses:** The mineral claims, the electric power and natural gas right-of-way, and the access roads are on Crown land. The area contains no federal, provincial, or regional parks, wilderness or conservation areas, ecological reserves, recreational areas, flooding reserves or other crown reserves. Land use is primarily for forestry, wildlife habitat, trapping, hunting and recreation. The property has been partially clear-cut logged by Fletcher Challenge of Canada. Several traplines licensed to members of the Nak'Azdli and McLeod Lake Indian Bands and others cross the area.

**Existing Road Access to the Property:** At present, access to the Mt. Milligan property is from Windy Point, 155 km north of Prince George on Highway 97. The Philip Mainline or Philip Road connects Windy Point and the property, 90 km to the west.

**Planned Road Access to the Property:** A new road will provide a western access to the Mt. Milligan property from Highway 27 which connects Vanderhoof, Fort St. James, and Germansen Landing. Twenty kilometres of new road will join up existing logging roads and provide a 28 km connection to Highway 27.

**Hydroelectric and Gas Transmission Lines:** Hydroelectric and gas transmission lines will be installed along a right-of-way running approximately parallel to Philip Road. The 75 km hydroelectric line will connect the B.C. Hydro substation at Kennedy with the mine site. The 65 km gas line will be buried and connect with the Westcoast Energy pipeline near Highway 97.

**Mining Operation:** The mining operation will use conventional open-pit mining technology. Pre-production mining of overburden will expose the first of a series of benches from which ore and waste will be extracted. The open pit will be developed in 5 stages extending over the 14-year mine life.

Table 3.5

Geological Resource			
	Ore kt	Gold g/t	Copper %
MBX Cu-Au	148 446	0.56	0.28
MBX Au	49 185	0.83	0.05
MBX Oxide	5 131	0.44	0.30
SS Cu-Au	89 388	0.39	0.27
SS Au	8 649	0.75	0.06
Total	300 799	0.56	0.23

320,000,000

An unsmoothed ultimate pit envelope was determined using the Lerchs Grossman pit design algorithm and a block profit matrix. The profit matrix was determined using the same parameters that were used in generating the profit model, with one exception; waste material carried a negative cost value equal to the waste mining cost. Table 3.6 summarizes reserve data for an unsmoothed ultimate pit.

Table 3.6

Unsmoothed Ore Reserves			
	Ore kt	Gold g/t	Copper %
MBX Cu-Au	148 446	0.56	0.28
MBX Au	49 185	0.83	0.05
MBX Oxide	5 131	0.44	0.30
SS Cu-Au	89 388	0.39	0.27
SS Au	8 649	0.75	0.06
Total	300 799	0.56	0.23

### 3.4 Sampling, Analysis, and Check Assays

The Mt. Milligan diamond drillhole database is based on 192 500 m of drilling in 862 drillholes (ddh 87-1 through 91-862 inclusive). This includes all drilling on the property by Lincoln Resources Inc., United Lincoln Resources Inc., Continental Gold Corp. and Placer Dome Inc. over a 4 year period. A total of 76 800 original samples were prepared for analysis, giving 153 600 gold and copper determinations. Of the total drilling, 24 500 m was in overburden and not cored. A further 6000 m of core was used for metallurgical purposes and not assayed. Core outside of the mineralized zones that was not assayed or only

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**Resource Reporting**

A resource report strategy was developed that would present the total tonnes and the average gold and copper grades at an economic cut-off. This strategy required that a profit per tonne block model, similar to the gold and copper block models, be calculated.

The kriged block grades were first reclassified according to location as either MBX/66 or Southern Star (SS) and divided into gold-copper or gold-only mineralization, based on a copper cut-off of 0.1% copper. Oxide mineralization was categorized as a separate ore type. Grades were adjusted for metallurgical recovery and a block revenue value was calculated using the Net Smelter Return (NSR) values of \$15.48 per gram for gold and \$13.98 per percent for copper. Profit per tonne was calculated by subtracting the estimated mining, milling, and administrative costs per tonne from the revenue per tonne. Tonnages were calculated on a fixed volume per block, with all rocks assigned a specific gravity of 2.8. Overburden was assigned a specific gravity of 2.35.

The geological resource tonnage and grade are reported as follows:

- all mineralized blocks regardless of profit (Table 3.4)
- mineralized blocks above the break even cut-off (Table 3.5).

**Table 3.4**

**Total Interpolated Geological Resource**

	Tonnage kt	Gold g/t	Copper %
MBX Cu-Au	255 079	0.403	0.230
MBX Au Only	356 169	0.249	0.038
MBX Oxide	8 797	0.313	0.222
SS Cu-Au	280 819	0.242	0.204
SS Au Only	252 244	0.123	0.054
<b>Total</b>	<b>1 153 135</b>	<b>0.254</b>	<b>0.126</b>

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4. NINE PLAN

6. SUMMARY TABLES