

PROPERTY FILE

93N 194 -05

016377

THE MT. MILLIGAN BULK TONNAGE  
GOLD-COPPER PROJECT

(Phil - Heidi)

A POTENTIAL  
LEADING CANADIAN GOLD PRODUCER

UNITED LINCOLN RESOURCES INC.

A Subsidiary of  
CONTINENTAL GOLD CORP.

OCTOBER, 1988

## INTRODUCTION

The Mt. Milligan deposit is a newly discovered bulk tonnage gold-copper deposit in central British Columbia. In order to control development of Mt. Milligan, Continental Gold Corp (VSE:CUG) has acquired a 69% controlling interest in United Lincoln Resources Inc. (VSE:ULN, NASDAQ:ULNNF) Recent drill program results indicate that the Mt. Milligan Project has excellent potential to develop into a 150,000 oz - 200,000 oz per year gold mine and in addition produce significant copper.

## LOCATION

The Mt. Milligan property is in central British Columbia, 45 km west of MacKenzie and has good road access. Topographic relief and climate are moderate and there are no identified environmental concerns. Electric power, highways and railway services are available in Mackenzie and nearby Fort St. James. (See Figure 1).

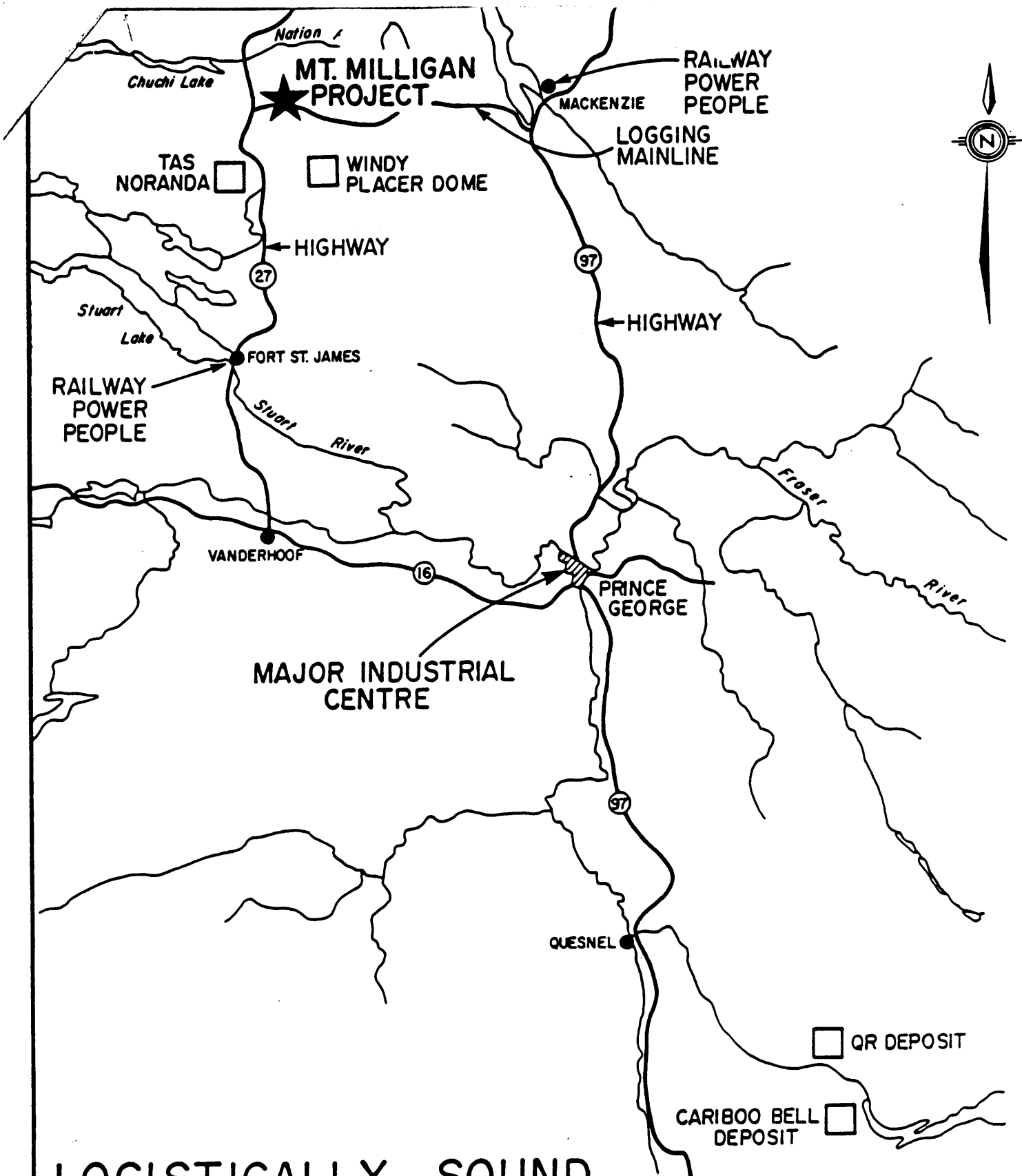
## OWNERSHIP

The Mt. Milligan Project is a joint venture between United Lincoln Resources Inc. (70%) and BP Canada Resources Limited (30%). United Lincoln is the operator.

## PROJECT SCOPE

The Mt. Milligan Property is in a regionally extensive belt where gold and copper-gold deposits are closely associated with alkaline intrusions (See Figure 2). Example deposits are:

<u>DEPOSIT</u>	<u>NUMBER OF ZONES</u>	<u>TONS (000,s)</u>	<u>%CU</u>	<u>GRADE AU oz/ton</u>	<u>STATUS</u>
Teck-Afton	3	30,000	1.00	0.014	Mine
Cassiar-Copper Mountain	2	133,000	0.42	0.005	Mine
Placer Dome-QR	3	1,000	-	0.200	Feasibility
Imperial-Caribou Bell	6	128,000	0.31	0.012	Exploration
Cominco-Fish Lake	1	201,000	0.24	0.015	Exploration



LOGISTICALLY SOUND

Km 0 10 20 30 40 50Km

UNITED LINCOLN  
RESOURCES INC.

MT. MILLIGAN  
GOLD/COPPER PROJECT  
LOCATION MAP

Drawn. J.W.

Date. Oct. 1988

FIG.

Scale. As shown

1

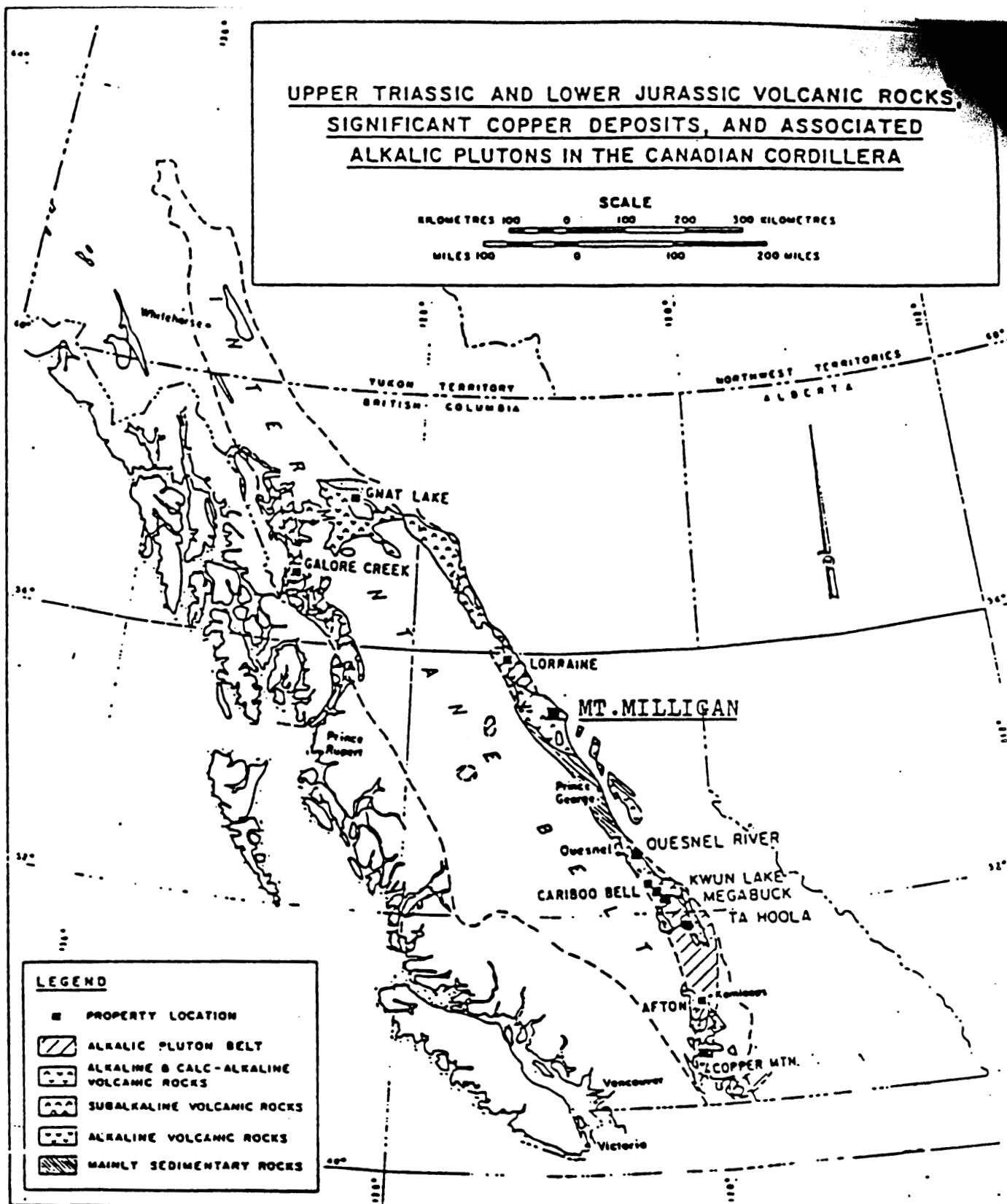


FIGURE 1 — Upper Triassic and Lower Jurassic volcanic rocks, significant copper deposits and associated alkalic plutons in the Canadian Cordillera.

UNITED LINCOLN  
RESOURCES INC.

**MT. MILLIGAN  
GOLD/COPPER PROJECT  
REGIONAL GEOLOGY**

Drawn. J.W.  
Scale. As shown

Date. Oct. 1988

FIG.

2



The Mt. Milligan property has similar geological characteristics to these deposits with an important difference; Mt. Milligan gold values are significantly higher.

World class examples of the Mt. Milligan type gold-copper deposit are:

<u>DEPOSIT</u>	<u>ZONE</u>	<u>TONS</u>	<u>GRADE</u>	
			<u>CU%</u>	<u>AU OZ/TON</u>
Ok Tedi (Papua New Guinea)	1.	30,000,000	1.86	0.026
	2.	371,000,000	0.81	0.017
Battle Mountain (Nevada)	1.	11,300,000	-	0.203
	2.	4,000,000	0.79	0.025
	3.	13,900,000	0.79	0.025

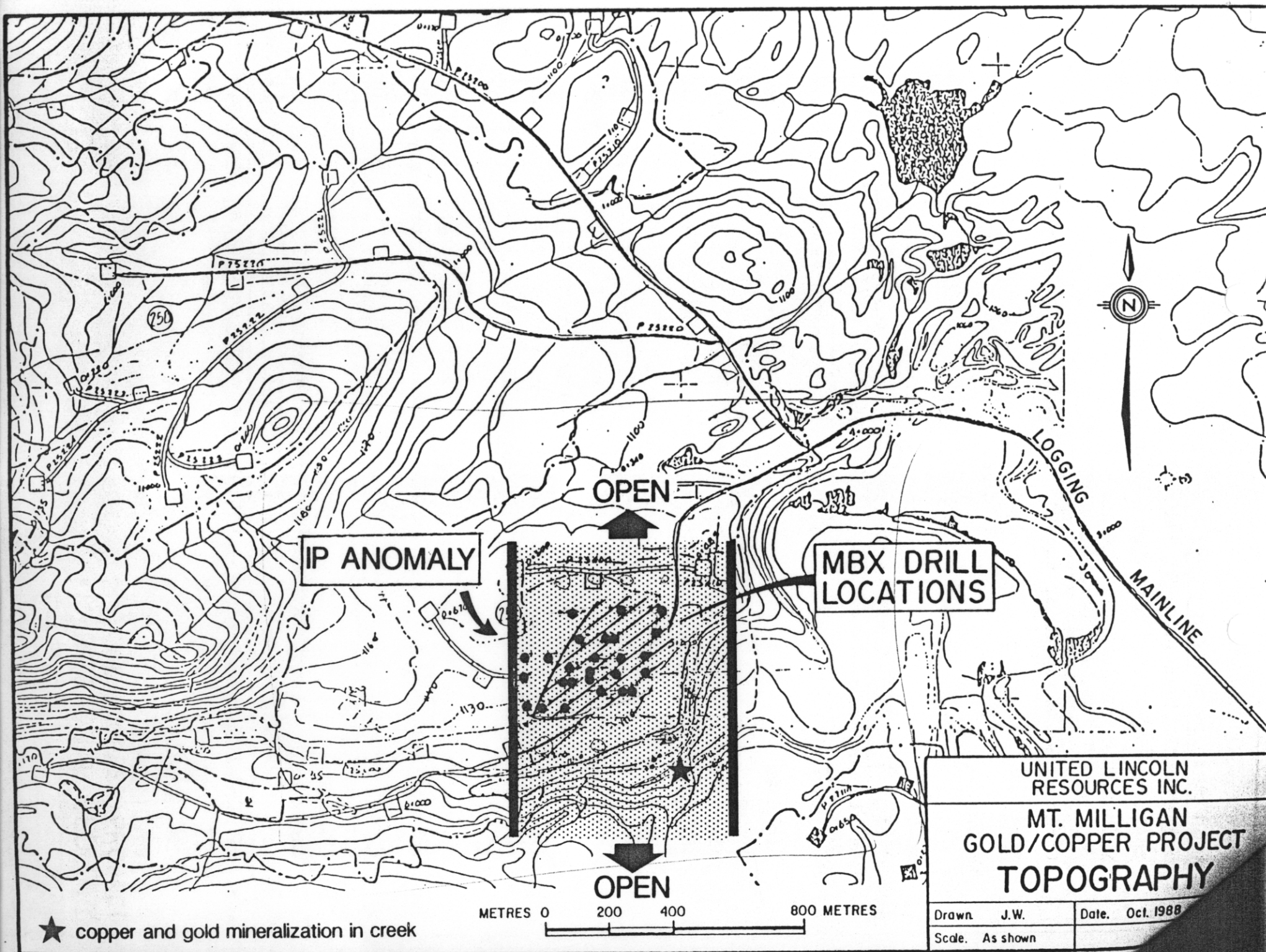
#### RESERVES

A recently completed reconnaissance drill program at Mt. Milligan discovered the MBX Bulk Tonnage Gold-Copper Deposit in altered volcanic rocks adjacent to an alkaline stock (See Figures 3,4,5,6,7,8). A preliminary geological inventory based on 31 NQ diamond drill holes indicates an initial reserve in the order of 20 million tons containing over 500,000 ounces of gold plus copper. Average gold grades are in the 0.020 - 0.040 oz/ton range with average copper grades in the 0.30 - 0.50% range. The MBX Deposit is open to extension in all directions and to depth.

Multiple deposits are suspected. Gold and copper surface geochemical anomalies are extensive throughout the property (See Figure 9).

#### PROGRAM

The United Lincoln/B.P. Canada joint venture will initiate an accelerated development program in November, 1988. The \$1,200,000 program will delineate the extent of the MBX deposit and complete preliminary metallurgical and engineering studies.



★ copper and gold mineralization in creek

METRES 0 200 400 800 METRES

UNITED LINCOLN  
RESOURCES INC.

MT. MILLIGAN  
GOLD/COPPER PROJECT  
TOPOGRAPHY

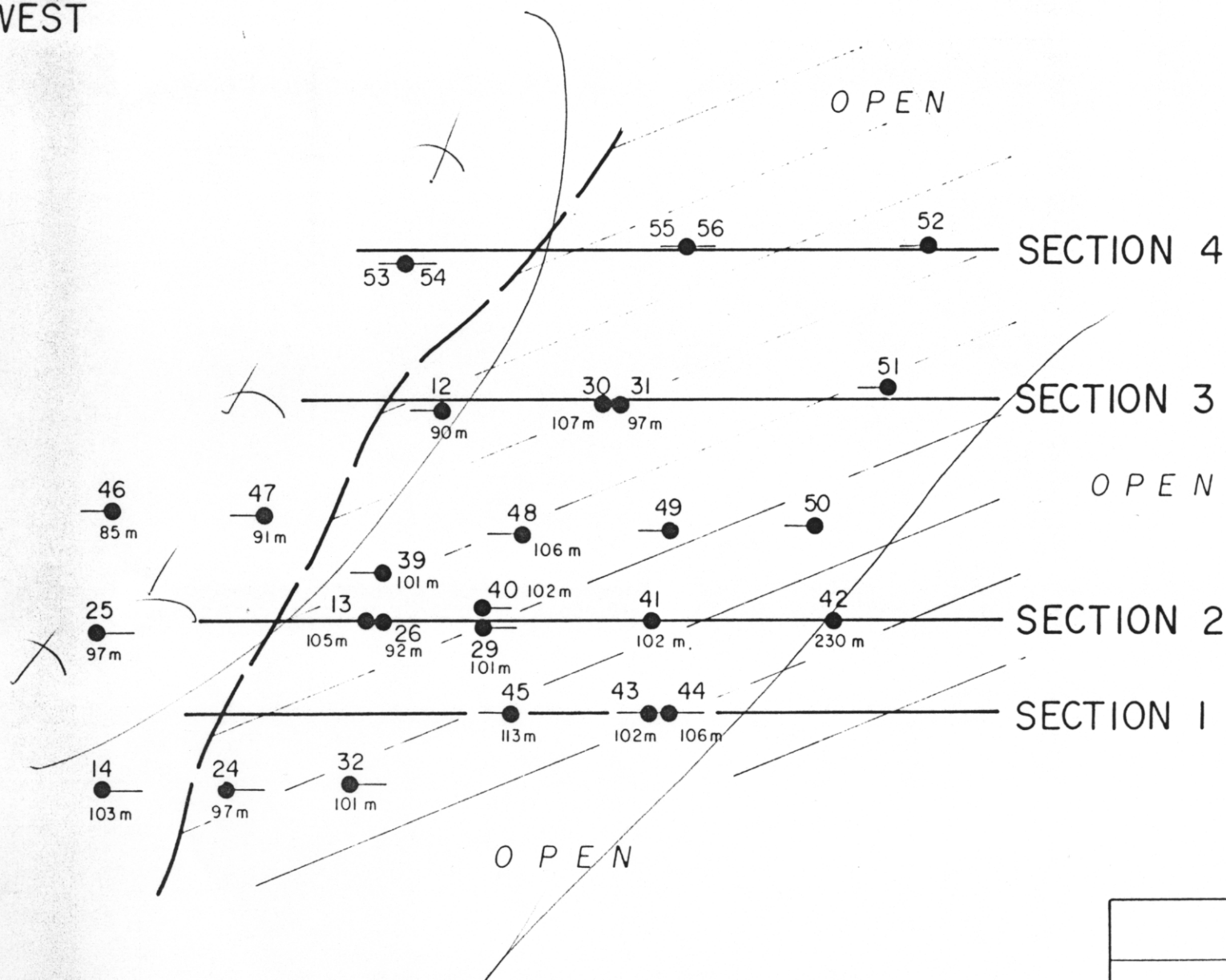
Drawn J.W.

Date Oct. 1988

Scale As shown

WEST

EAS



● COMPLETED HOLES  
TO NOV. 1, 1988



UNITED LINCOLN  
RESOURCES INC.

MT. MILLIGAN  
GOLD/COPPER PROJECT  
MBX DRILL LOCATIONS

Drawn. JW.

Date. Oct. 1988

FIG.

Scale. As shown

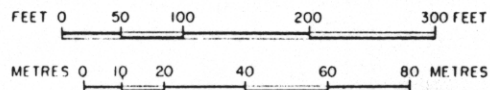
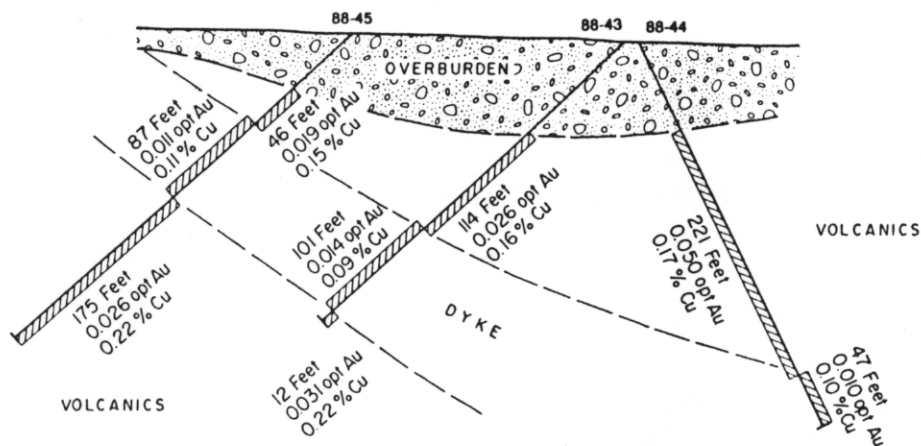
4

1100 m  
(3600')

1000 m  
(3300')

1100 m  
(3600')

1000 m  
(3300')



UNITED LINCOLN  
RESOURCES INC.

MT. MILLIGAN PROJECT

SECTION 1

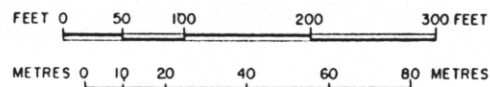
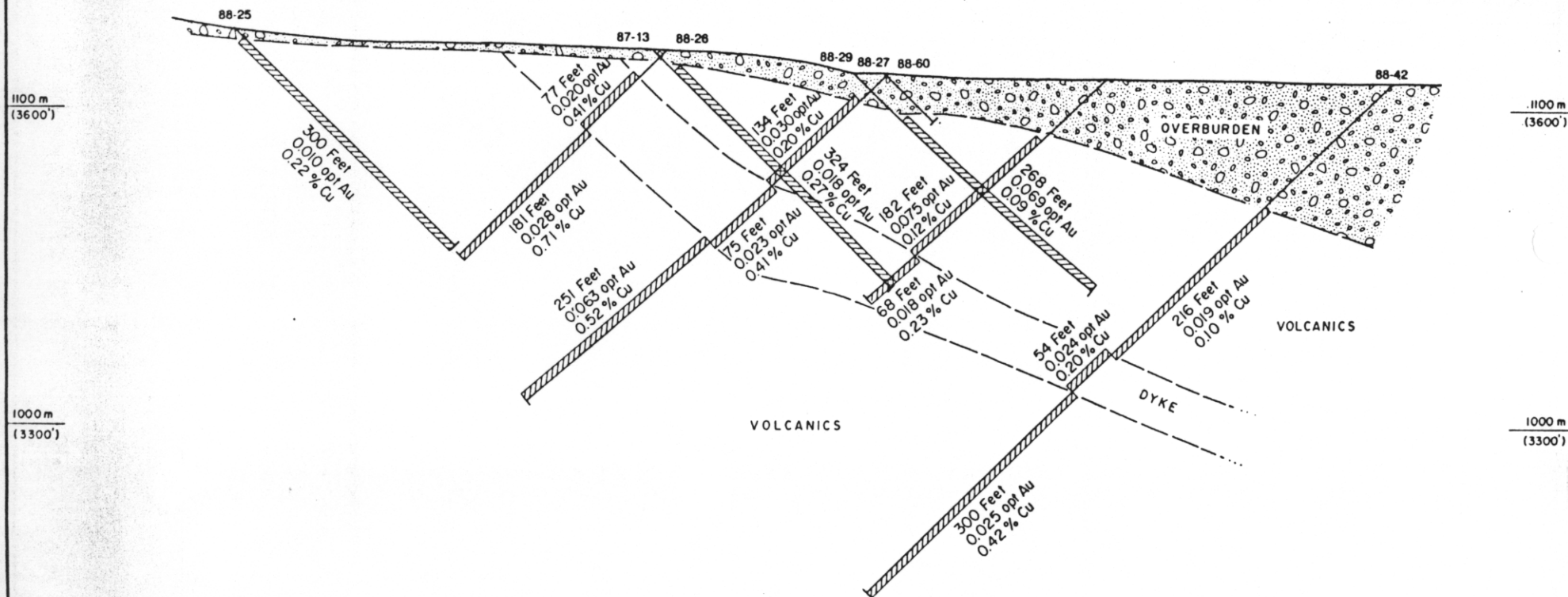
DRAWN

JW.

DATE

NOV. 1988





UNITED LINCOLN  
RESOURCES INC.

MT. MILLIGAN PROJECT

## SECTION 2

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J.W.

DATE

NOV. 1988

FIGURE

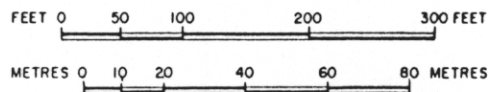
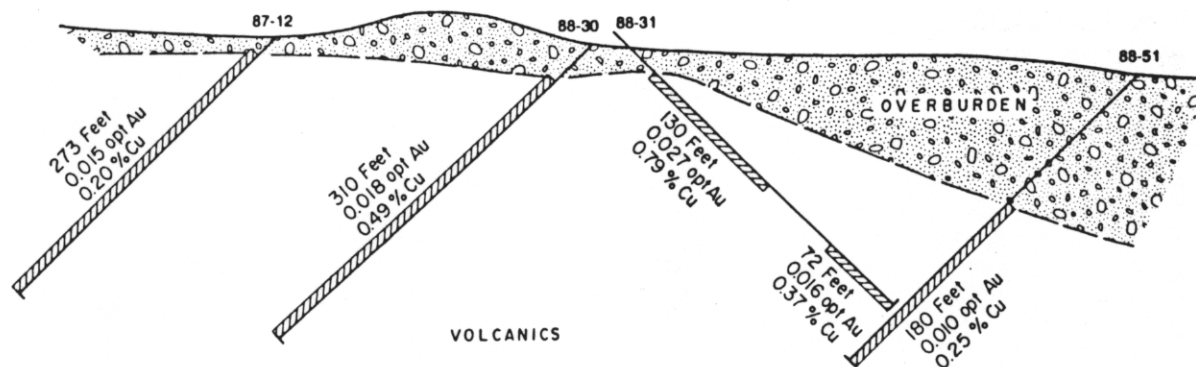
6

1100 m  
(3600')

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(3600')

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(3300')



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MT. MILLIGAN PROJECT

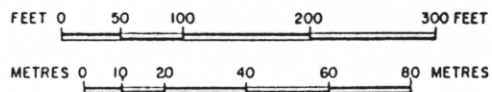
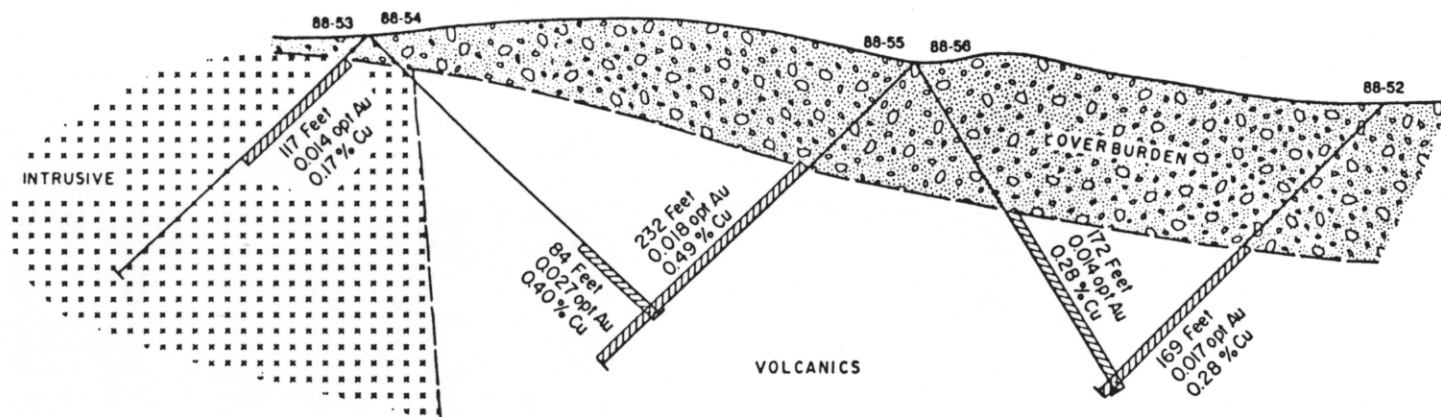
SECTION 3

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J.W.

DATE

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MT. MILLIGAN PROJECT

## SECTION 4

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DATE

NOV. 1988

FIGURE

8



### LEGEND

#### UPPER TRIASSIC INTRUSIVES

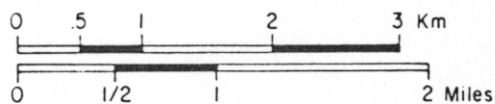
- 7 Quartz Monzonite porphyry Complex
- 6 Diorite Porphyry
- 5 Monzonite
- 4 Diorite

#### TAKLA VOLCANICS

- 3 Augite Porphyry Flows
- 2 Tuffs
- 1 Coarse Breccia

#### SOIL ANOMALIES

- $\geq 50$  ppb Au
- $\geq 100$  ppm Cu
- $\geq 25$  ppm As



PROPERTY  
BOUNDARY

MBX DRILL  
LOCATIONS

TUFFS

BRECCIA

**EXTENSIVE GOLD/COPPER  
GEOCHEMICAL ANOMALIES**

UNITED LINCOLN  
RESOURCES INC.

## MT. MILLIGAN GOLD/COPPER PROJECT COMPILATION MAP

Drawn. J.W.

Date. Oct. 1988

FIG.

Scale. As shown

9



A fast-track program involving infill drilling, bulk sampling, and advanced metallurgical, engineering and environmental studies providing the technical base for a bankable feasibility study is envisioned to follow.

#### ECONOMIC MODELS

Continued comparable drill results will lead to the development of a leading Canadian gold producer. The preliminary economic models below and the Bulk Tonnage Case History attached provide the reader with a conceptual economic framework for the Mt. Milligan Project.

#### MODEL 1 - QUICK CAPITAL AND OPERATING COST ESTIMATE

##### TARGET

SIZE	60,000,000 tons
GRADE	0.035 ounces Au/ton 0.35% Cu

##### MINE MODEL

OPEN PIT	w/o = 2.5/1
MILLING	Flotation - Cu Concentrate.
MILLING RATE	15000 TPD 5,000,000 TPY
MINE LIFE	12 years
CAPITAL COST	\$9,000 per daily ton milled \$135,000,000
OPERATING COST	\$9.00/ton - cash site
Cu RECOVERY	85%
Au RECOVERY	75%
Cu CONCENTRATE	25% Cu

### METAL PRICES

Cu	\$C 1.00/lb
Au	\$C 520/ounce

### ANNUAL OPERATIONS

Cu in concentrate	29,750,000 lbs
Cu concentrate	59,500 tons
Au in concentrate	131,250 ounces
Concentrate Au Grade	2.21 ounces/ton

### REVENUE PER TON Cu CONCENTRATE

Total revenue from concentrate = \$1,540/ton

### COSTS PER TON Cu CONCENTRATE

Total on and off site costs = \$906/ton

### PAYBACK PERIOD

(Assume project not taxable until  
capital costs recovered)

Operating Profit/ton concentrate = \$634/ton

Project Annual Operating Profit = \$37,723,000

Project Payback Period =  $\frac{\text{Capital Cost}}{\text{Annual Operating Profit}}$   
=  $\frac{\$135,000,000}{\$37,723,000}$

Payback = 3.6 years

### **MODEL 2 - OPERATING SCENARIOS WHERE MINE REVENUE EQUALS TWO TIMES CASH OPERATING COSTS**

Deposits where projected mine revenue is twice the cash operating cost commonly get the green light for a production decision.

The following table lists varying gold and copper grades that meet this hurdle.

**15,000 TPD OPEN PIT AND FLOTATION CONCENTRATOR**

<u>CU%</u>	<u>GRADE AU OPT</u>	<u>REVENUE = 2 x COSTS</u>		<u>PAYBACK YEARS</u>
		<u>ANNUAL OUNCES MINED</u>	<u>GOLD RECOVERED</u>	
0.80	0.036	180,000	135,000	2.1
0.60	0.040	200,000	150,000	2.2
0.40	0.043	215,000	161,000	2.5
0.20	0.047	235,000	176,000	2.7

On Figure 10 this 15,000 TPD economic model is graphically depicted and compared with the average grade from top to bottom of all holes drilled at the MBX Deposit.

**MODEL 3 - BULK TONNAGE OPERATING SCENARIOS**

Bulk tonnage gold mineralization at Mt. Milligan, if mined on a large-scale, would make the deposit one of Canada's largest gold mines. The table below shows the dramatic economic effects of bulk mining:

**BULK TONNAGE - MINE OPERATIONS SUMMARY**

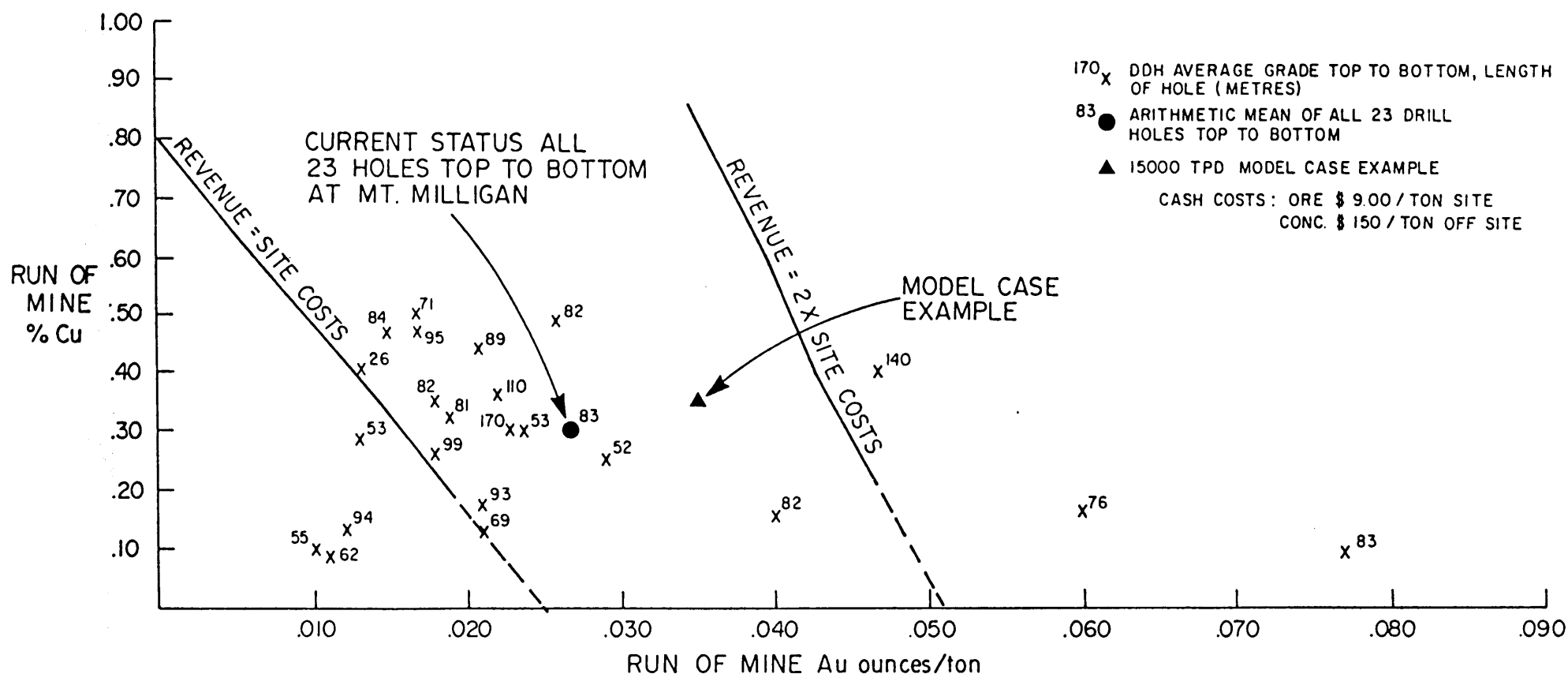
<u>TONS MILLED/DAY</u>	<u>MINE GRADE</u>		<u>ANNUAL OUNCES GOLD</u>		<u>PAYBACK YEARS</u>
	<u>% CU</u>	<u>AU OPT</u>	<u>MINED</u>	<u>RECOVERED</u>	
15,000	0.80	0.036	180,000	135,000	2.1
	0.60	0.040	200,000	150,000	2.2
	0.40	0.043	215,000	161,000	2.5
	0.20	0.047	235,000	176,000	2.7
25,000	0.80	0.021	189,000	142,000	2.2
	0.60	0.024	216,000	162,000	2.5
	0.40	0.027	243,000	183,000	2.8
	0.20	0.030	270,000	203,000	3.2
35,000	0.60	0.010	130,000	98,000	2.9
	0.40	0.013	169,000	127,000	3.5
	0.20	0.016	208,000	156,000	4.3
	0.10	0.018	234,000	176,000	4.8

FIGURE 10

# MT. MILLIGAN GOLD-COPPER PROJECT

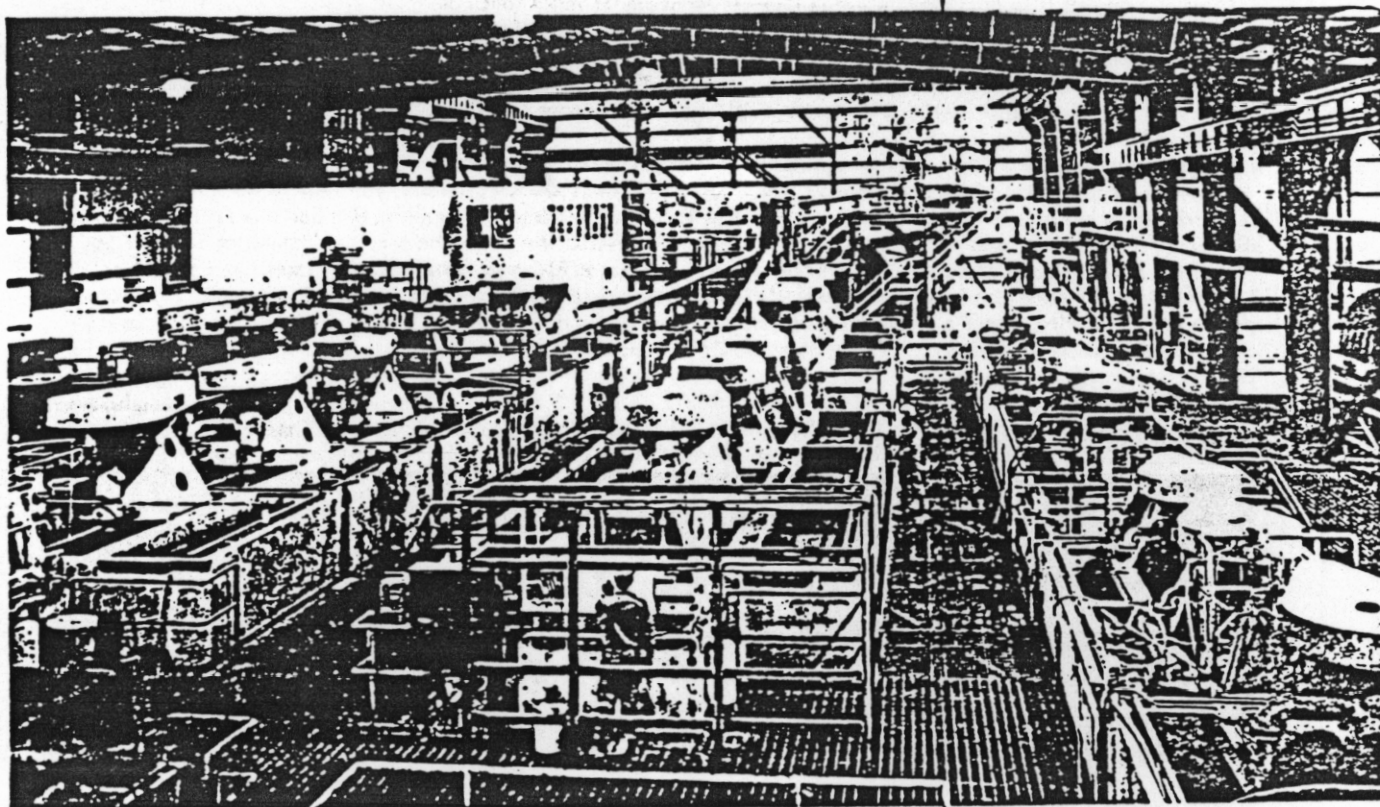
## RUN OF MINE GRADE - REVENUE SUMMARY

### 15000 TPD-FLOTATION CONCENTRATE



# BULK TONNAGE CASE HISTORY

## MONTANA TUNNELS



*Flotation area - Montana Tunnels Concentrator*

Milling operations at Montana Tunnels commenced in March, 1987, just thirteen months after receipt of the operating permit, when initial site work, mine development and facilities construction began. The mill reached steady-state operations in September, 1987. The start-up was achieved three months ahead of schedule and \$6 million under the original capital budget of \$57.5 million.

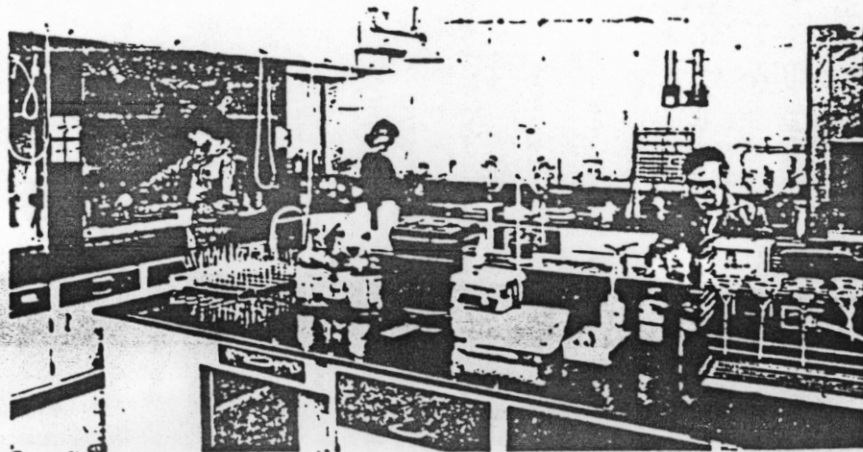
In 1988, the mine is projected to produce 85,000 ounces of gold, 1,350,000 ounces of silver, 7,500 tons of lead in lead and zinc concentrates and 26,000 tons of zinc in zinc concentrates.

In 1987, the ore reserves were audited by Pincock, Allen & Holt, Inc. and based on a \$400 per ounce gold price, the mineable ore reserve is 52.5 million tons, grading 0.025 ounces gold, 0.496 ounces silver, 0.247% lead and 0.654% zinc. The ratio of waste to ore is 2.77 to 1. In addition to the mineable reserve, approximately 20 million tons of low grade material will be stockpiled during mining for processing at the end of the mine life. At the rate of 12,500 tons of ore per day, mineable reserves are sufficient for a 12-year mine life, and with the low grade ore a 15-year project life.

*Montana Tunnels - Concentrator Control Room.*



*Wet assay laboratory - Montana Tunnels.*





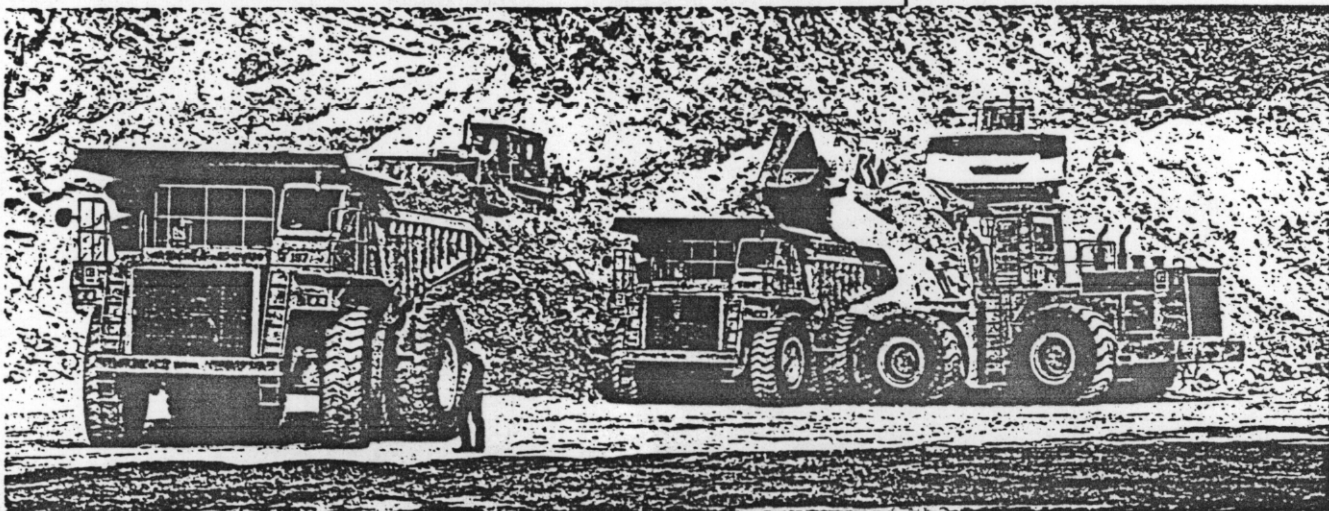
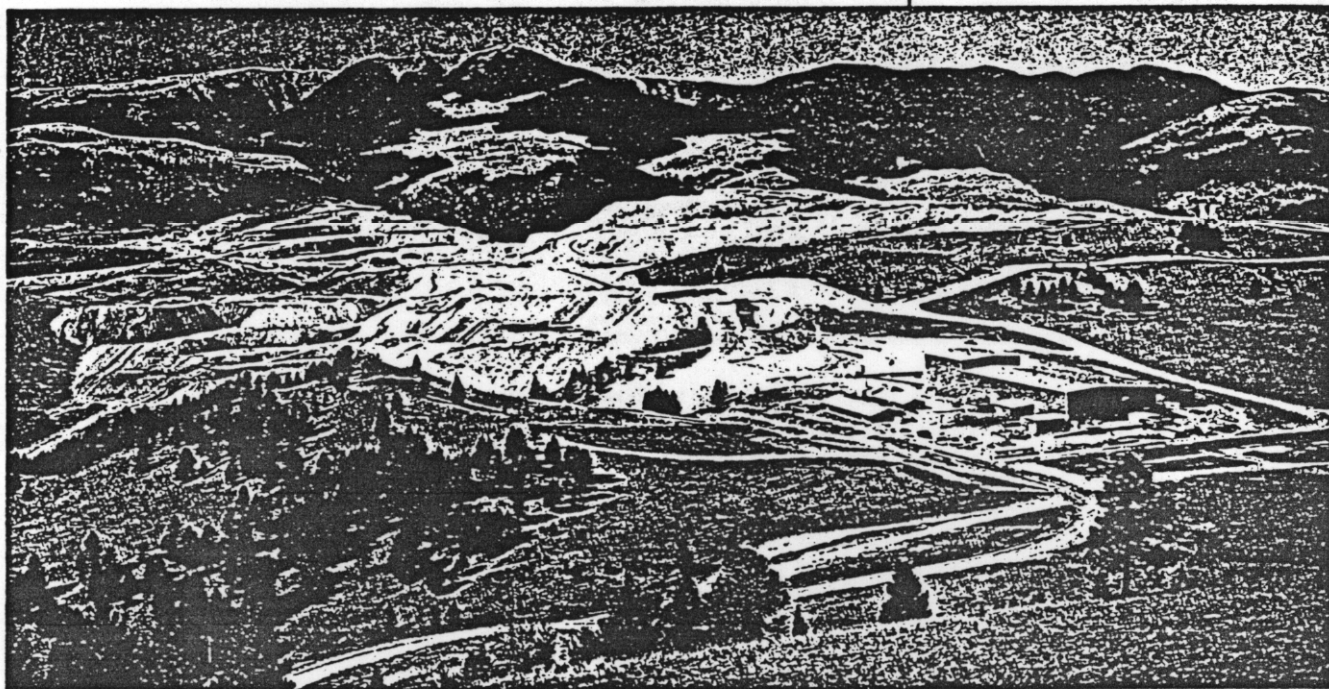
# MONTANA TUNNELS

Montana Tunnels is located near Jefferson County, Montana, 15 miles south of Helena, at an elevation of 6,000 feet. Initial mining activity began in 1884 when placer gold was found in the general vicinity of the Montana Tunnels property. Since that time, the area has experienced extensive mining. The majority of the lode mining took place prior to the 20th century, although some mining continued until the 1950's.

The bulk-mineable gold-silver-zinc-lead deposit is located in the central part of a diatreme, a volcanic vent which has intruded older rocks. The principal rock type in the diatreme is a matrix-rich breccia. Economic sulfide mineralization in the diatreme occurs in veins and as disseminations in the breccia matrix.

Early in 1987, Pegasus acquired a 100 percent working interest in Montana Tunnels from U.S. Minerals Exploration Company (USMX), subject to a 5 percent net profits interest during payback of capital costs and a 50 percent net profits interest payable to USMX thereafter. Pegasus owns a 27 percent equity interest in USMX, which may be increased to 35 percent pursuant to agreements in place with USMX.

*Top: Plant site and open pit at Montana Tunnels.  
Bottom: Mining operations at Montana Tunnels.*

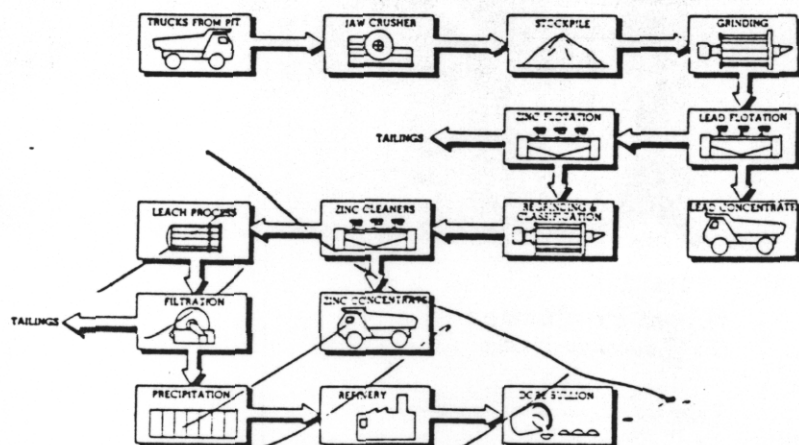


# MONTANA TUNNELS

Montana Tunnels is a conventional open-pit mining operation consisting of drilling, blasting, loading and truck haulage to carry the ore to the crusher and waste to the dump. Mining is contracted to N.A. Degerstrom, Inc. of Spokane, who employs a staff of 60. Including the 100 employees of Pegasus, total manpower at the site is 160.

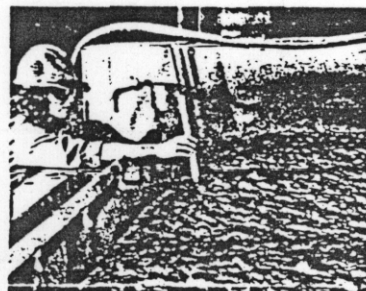
The processing plant has been designed to treat in excess of 4 million tons of ore per year for the life of the mine. The ore is treated by conventional crushing, then semi-autogenous and ball mill grinding followed by sequential lead-zinc flotation. Lead and zinc concentrates, containing the precious metals, are cleaned in further flotation steps and shipped by truck and/or rail. The lead concentrate is delivered to ASARCO'S East Helena Smelter, 20 road miles away; the zinc concentrate is shipped to Cominco's Trail Smelter in British Columbia, Canada. The concentrator also has the flexibility to leach concentrates when there is an economic advantage to do so. The concentrates or zinc cleaner flotation tailing can be leached with cyanide and the precious metals precipitated in the Merrill Crowe process to recover gold and silver for the production of dore bullion in the Montana Tunnels refinery. The dore bullion is then shipped to commercial refiners for separation of the gold and silver.

Cost efficiency is achieved at Montana Tunnels through the economies of scale of the operation. At 12,500 tons of ore per day, the concentrator is one of the largest in the North American gold mining industry, resulting in low cost per ton and a highly competitive cost per ounce.



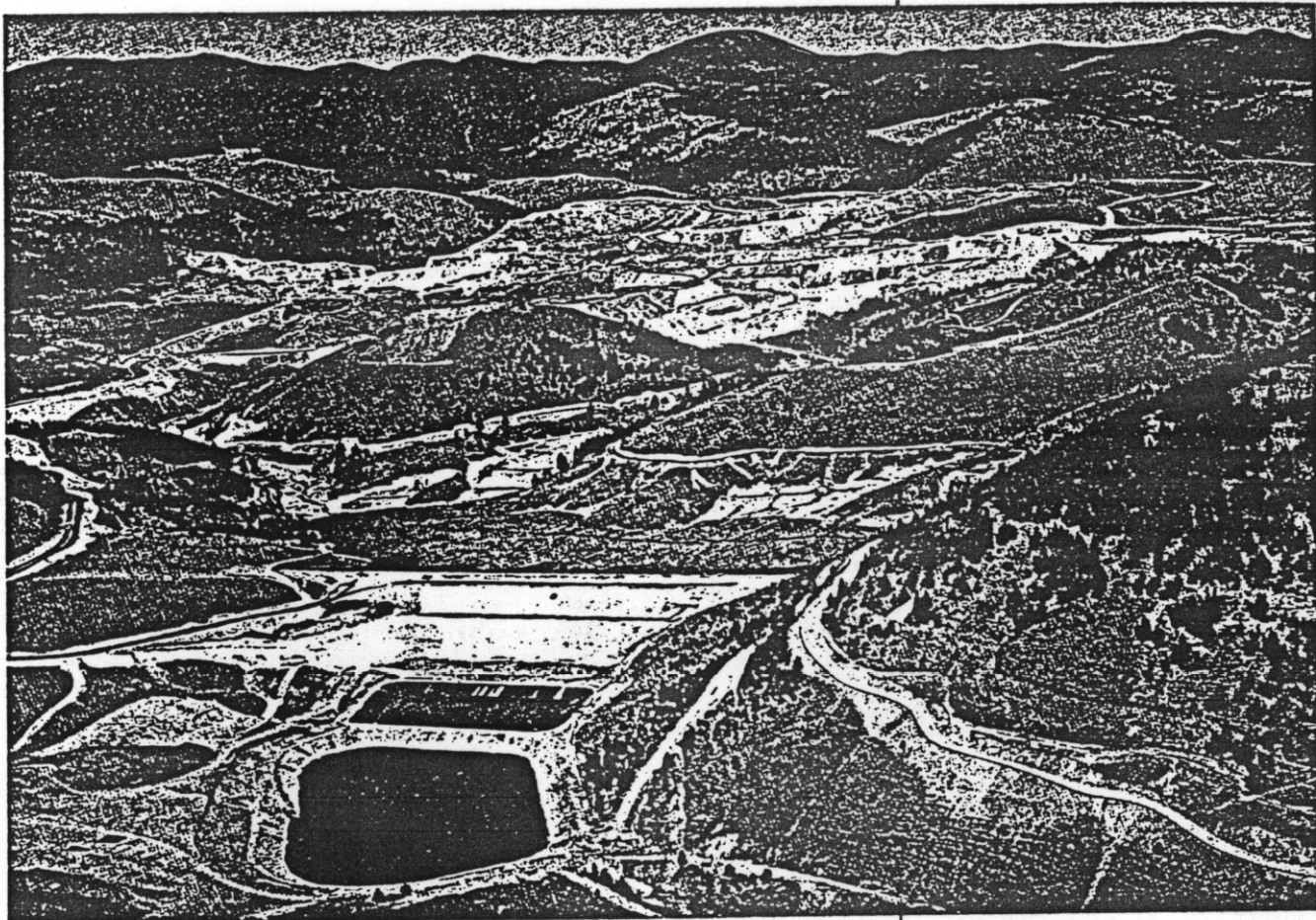
Montana Tunnels - Ore processing flow chart.

Top: Measuring the froth depth in the flotation cells.  
Bottom: Mine Engineering computer for pit design and ore reserve calculations.



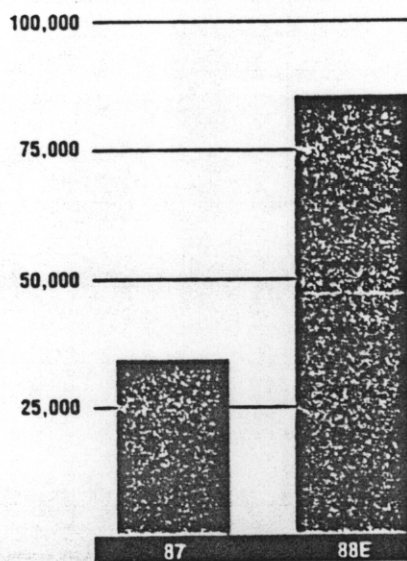


# MONTANA TUNNELS

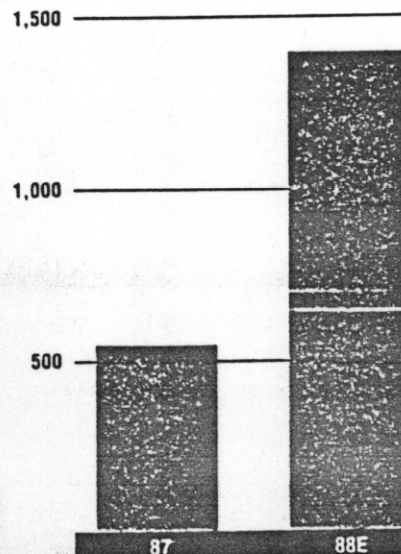


*Aerial view of Montana Tunnels viewed North.*

## Gold Production (In Ounces)



## Silver Production (In Thousands of Ounces)



*Actual and estimated production at Montana Tunnels Mine.*