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**Sent:** Monday, July 27, 1998 8:33 AM  
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**Subject:** Weekly report, July 31

Visited Eskay Creek on July 28-29; mine with Jim Rogers, mill with Peter Nilega, mine-area exploration with Ian Dunlop (\$1.8 million budget), and Corey (\$910,000 budget) with James Moors. Gold-silver production was up in the second quarter and costs were decreased. The DOWA smelter contract was extended by 8 years. DOWA takes 40,000 tonnes and Noranda takes 50,000 tonnes of the mines annual direct-shipping production. Due to the Homestake-Prime merger, there is a lot of concern about full disclosure of exploration results and mine potential. As a result the possible bulk mining of the 21C zone within the footwall rhyolite is being assessed. This would require a new mine (ie 4 yd scoops), new mill (1000-1500 tpd??) and new tailings disposal. NB: Sufficient tonnage to make this feasible is NOT DEFINED YET. The threshold appears to be 3 million tonnes at 10 g/t Au. Drilling is on hold while a resource estimate is done (I CRUDELY ESTIMATE it to be about 1 million tonnes, look for a press release soon). Exploration drilling defined a faulted wedge below No.4 stope that amounted to 33,000 tonnes of very high grade ore that adds at least 100,000 ounces of gold and 4 million ounces of silver to existing reserves. Mine cut-off grades are:

Smelter ore- 30 g/t Au eq  
 Mill ore (21B zone)- 15 g/t Au eq  
 Mill ore (109 zone)- 12 g/t Au eq  
 Mill ore (NEX zone)- 15 g/t Au eq

The mill is operating at 150 tpd. The process-limiting step is tailings filtration (required by MoE for disposal in Albino Lake). Recoveries are: 109 Zone- Au=90%, Ag=89%  
 NEX Zone- Au=94%, Ag=95%

High grade NEX ore was being run on the day of our visit. The feed was 100 g/t Au (not Au eq!) and tails were 5-6 g/t Au!

Four drills have been on the go at Eskay (19000 m program). Targets are:

21C zone- 6000 m. This rig has been moved to the Corey for 1200-1500 m of drilling there.

Mack- 7000 m. Deep stratigraphic holes to follow the trough of contact mudstone beneath Bowser cover. Holes are up to 4500 ft deep. Utilizes structural mapping to identify basement highs.

"Near mine"- 6000 m. Specific targets:

the 100 meter gap between 21A and 21B deposits (no success), fringes of 21A (excellent gold intercepts but very high As-Sb-Hg, 22 to 28 zone (where no drilling has been done since 1970's).

Gin exploration (Homestake's Eskay target near Todagin/Red Chris) has been disappointing. No geophysics or drilling will be done. Work on the PBR (Pillow Basalt Ridge) and Club properties is just beginning.

Telkwa Gold propose to drill 3-4 holes on the Del Santo VMS prospect near Smithers.

Consolidated Magna Ventures are doing IP over the southwest faulted extension of the Big Onion porphyry prospect near Smithers. They expect to follow up with 1000 metres of drilling. Current "reserves" at Big Onion comprise significant supergene