

680201

- Mining - P Busca
- Geol - O Rennie  
+ Res
- Check resource  
Ecoler
- \* Narrow width
- \* Visual control?

Can 5 1/2 ft  
provide 700 tpd

ESPERANZA PROJECT

cut off  
 based on \$165 cost  
 405 Ac = .64 = 462 can  
 = .134  
 re calc reserves  
 5' / .134 with graphics

## ESPERANZA EXPLORATIONS LTD.

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## ESPERANZA EXPLORATIONS LTD.

### TILLICUM MOUNTAIN GOLD PROJECT

Esperanza Exploration Ltd. has been exploring the Tillicum property since 1981 at a total cost of approximately \$10.0 million. Work to date has focused on two main mineralized zones, the Heino Money Zone and the East Ridge Zone. Three other areas of potential have been identified but require additional exploration. The property is 100% owned by Esperanza subject to a 3% N.S.R.

Esperanza is seeking a participant to act as operator and finance the property to production.

Messrs. Drever, Busse, Rennie, Colbourne and Peatfield have made property visits and reviewed the data and results. Mr. Ken Grace of Micon was commissioned to review the data in detail and to provide an opinion on reserve calculations. Preliminary economic evaluations have been carried out by Blackdome's staff.

Summaries of the Esperanza property information, reports by Messrs. Rennie, Colbourne and Grace and preliminary economic analysis have been provided.

The usual risks and problems associated with a mining venture are applicable in varying degrees to the Tillicum project. Problems related to environment, tailings pond, plant location, power etc. do not appear to be insurmountable.

The East Ridge deposit is clearly a high grade narrow vein type mineralization. As such, the greatest risk at this point is whether the geological interpretation of continuous 7-8 footwide zones is correct or whether the mineralization occurs in discontinuous discrete lenses. This can probably only be resolved through additional underground exploration. The Heino Money zone could provide high grade ore in the initial years to effect an early pay back.

The obvious positives to the project are its accessibility and the reasonably well defined gold reserve of approximately 300,000 ounces with excellent potential to expand known reserves as well as discover additional zones on the property.

Preliminary evaluations indicate a base case after tax rate of return of 22.1% on a 500 ton per day operation. Current proven, drill indicated and 30% of drill inferred reserves are sufficient for at least 6 years of production. Cash costs could average US\$200 and total costs average US\$280 assuming \$23.0 million in capital costs.

Esperanza's proposal (see following) entails Blackdome being the operator and a controlling shareholder in Esperanza. A merge of the two companies is always a possibility. However, in the event a merger did not occur, it would be imperative for Blackdome to have a direct working interest in the property so as to be able to recover its investment and secure a portion of the cash flow. Esperanza is presently reluctant to give up a working interest.

It is recommended that Blackdome negotiate an agreement with Esperanza for the further exploration and development of the Tillicum property. Ideally, the agreement would include the following major terms:

- Acquire a maximum 1.5 million shares of Esperanza from current shareholders at an approximate cost of \$1.3 - \$1.4 million.
- Purchase a maximum of \$3.0 million of flow-thru shares from Esperanza. Such funds to be expended by Blackdome in 1989 to further develop the Tillicum project and to provide a pre-feasibility study.
- Provide up to \$10.0 million in capital required to bring the property to production to earn a minimum 50% working interest.
- If necessary, propose up to a 60/40% division of cash flow until Esperanza recaptures its share of contributed capital.
- Blackdome to be operator and to receive a management fee.
- Blackdome to have Board representation comensurate with its share ownership.
- Blackdome would have the first right to provide subsequent financing for Esperanza.

Esperanza Proposal

The following are the general terms suggested by Eserpanza for participation in the project.

1. Purchase 2.5 million issued shares at \$0.85 - \$0.90 per share from the current shareholders.

LaTeko 1.5 million  
Welcome North 1.0 million

Total cost \$2.13 million - \$2.25 million

Interest in Esperanza approximately  $\frac{2,500,000}{12,870,000} = 19.4\%$  fully diluted

2. Complete \$3.0 million prefeasibility program by August, 1989 to earn 1.5 million flow-thru shares.

Total interest  $\frac{4,000,000}{14,370,000} = 27.8\%$

#2.00

3. Earn additional interests by taking the property to production no later than end of 1990. Participant to provide 50% of capital cost through equity with remainder debt or project financed through Esperanza.

Earning schedule dependent upon production rate - i.e.

<u>Production rate</u>	<u>Shares earned</u>	<u>Total % interest</u>
200 - 300 tpd	1.8 million	35%
300 - 400 tpd	2.4 million	38%
400 - 500 tpd	3.0 million	40%

03

4. Participant to become operator upon agreement execution.
5. Esperanza to have input into prefeasibility program.
6. Participant to have full board control after prefeasibility stage. Esperanza group to retain 2 board positions.
7. Total shares outstanding at 40% level would be 17,370,000.
8. Participants cost would be approximately \$1.80 per share depending on the assumed capital costs required to put the project into production.

ESPERANZA EXPLORATIONS LTD.  
PROPOSED EXPLORATION PROGRAM - 1989

TILLICUM MOUNTAIN PROJECT

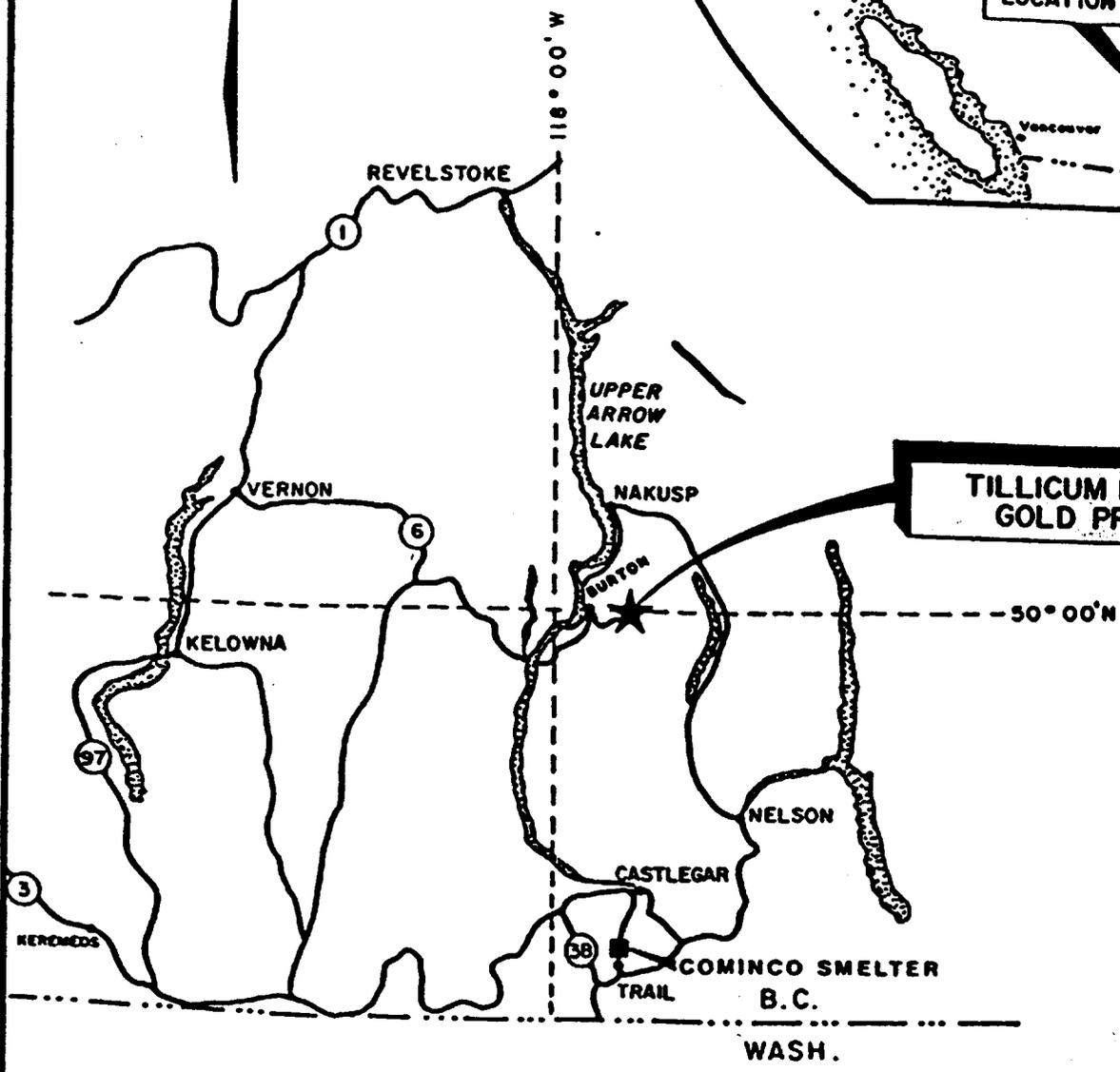
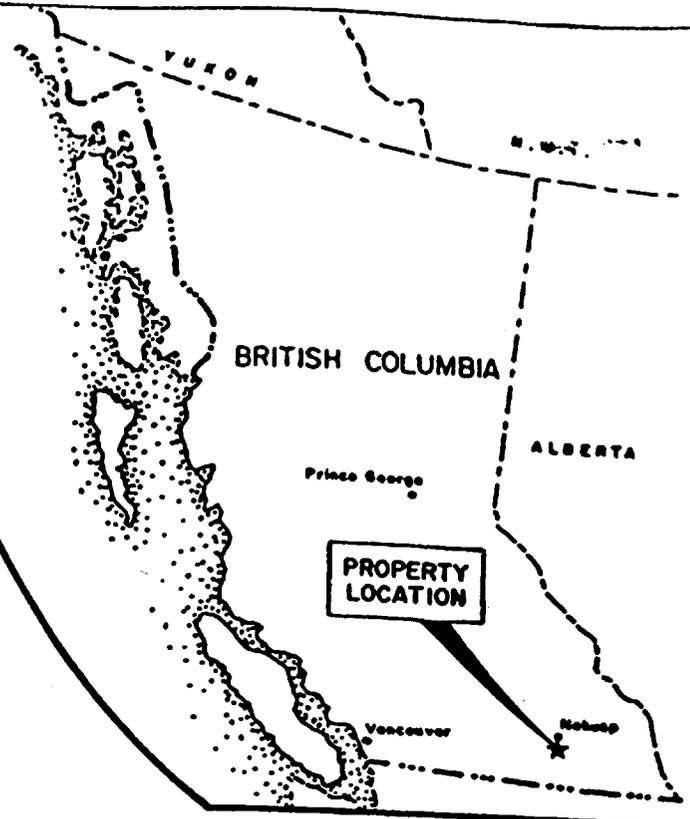
BUDGET (preliminary estimates)

Diamond drilling at \$30 per foot all inclusive

Tillicum (Heino-money - East Ridge)	40,000 feet	\$1,200,000
Strebe	10,000 "	300,000
Grizzly	3,000 "	90,000
Arnie Flats	3,000 "	<u>90,000</u>
Total drilling		<u>\$1,680,000</u>

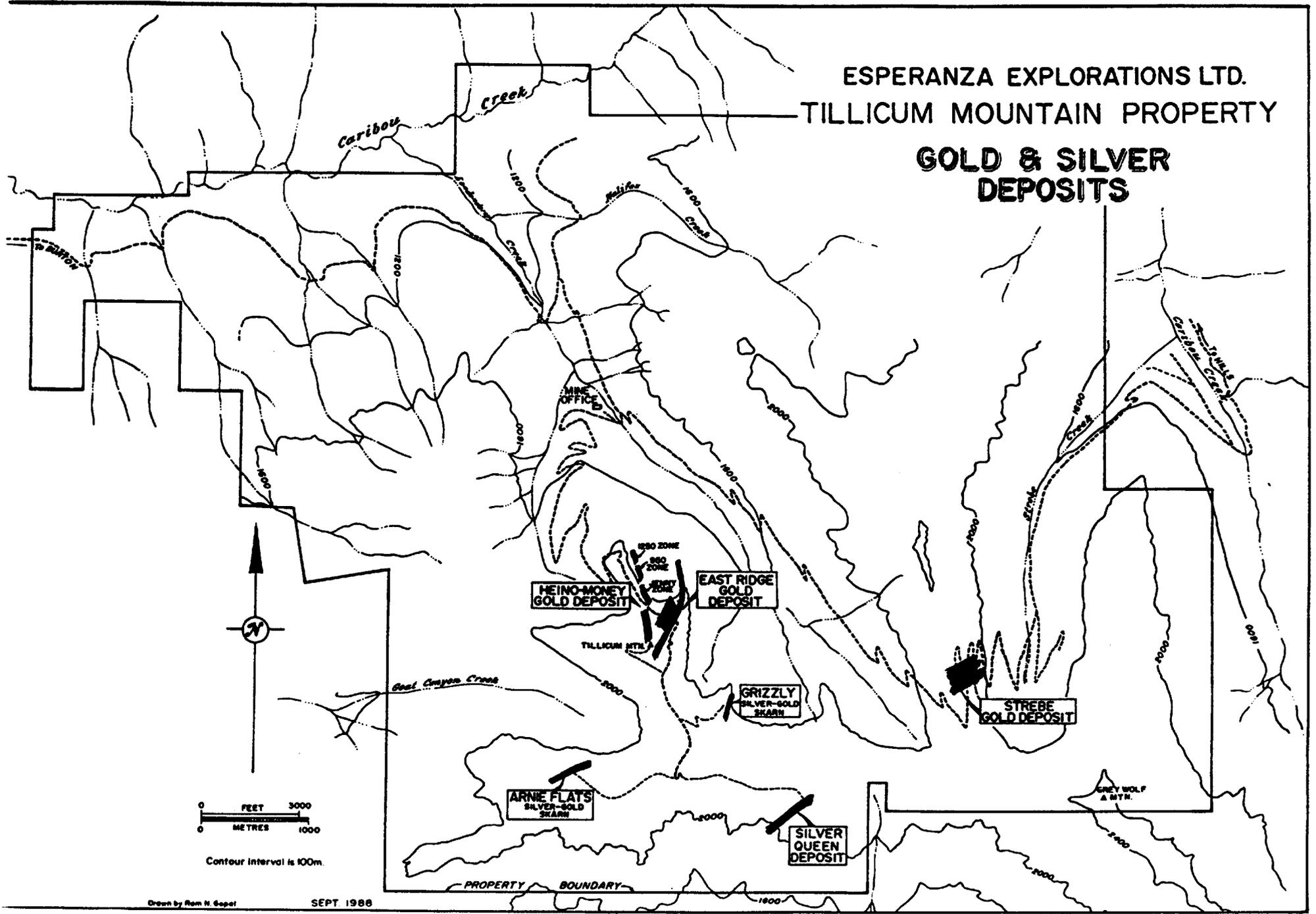
Underground exploration (bulk sampling)

2,500 feet @ \$400/ft	\$1,000,000
Metallurgical testing	200,000
Feasibility	<u>200,000</u>
Total costs	<u>\$3,080,000</u>



**ESPERANZA EXPLORATIONS LTD.**  
**ESPERANZA GOLD PROPERTY**  
**LOCATION MAP**

ESPERANZA EXPLORATIONS LTD.  
TILlicUM MOUNTAIN PROPERTY  
**GOLD & SILVER DEPOSITS**



ESPERANZA EXPLORATIONS LTD.  
EAST RIDGE GOLD ZONE

**MINERALIZATION**

Multiple gold bearing quartz-sulphide horizons occur within a sequence of sediments and volcanics containing sills of diorite porphyry. Native gold occurs as 0.2 cm flakes to 30 micron grains. Gold bearing horizons are related to quartz-sulphide alteration fronts associated with porphyry bodies.

**ZONE DIMENSIONS**

To date, 4 gold bearing horizons have been identified through surface exploration and diamond drilling. The horizons appear to be stacked at regular intervals throughout the sediment-volcanic package. The "A" horizon is drill indicated to a depth of 1000 feet. All three upper horizons are open to depth.

Drill defined to date:   Strike                   -   3,500 feet  
                                  Down dip                 -   1,200 feet  
                                  Average thickness      -   5-7 feet

**DIAMOND DRILLING**

Holes drilled prior to 1988           -   25  
Holes drilled to date in 1988       -   75 (up to E88-211)  
  
Total holes to date                   -   100

**UNDERGROUND EXPLORATION**

Crosscut (2118 Metre Level)

A 200 foot underground crosscut was established in 1984 to compare drill hole grades to drift grades. An intersection of an upper zone in hole 61 grading 0.41 oz/ton gold over 4.9 feet was increased to 1.83 oz/ton gold over 4.0 feet in drift wall samples. The "A" horizon which had anomalous gold values in the drill hole assayed 0.24 oz/ton gold over 5.7 feet in the drift.

Drift (2062 Metre Level)

The 800 foot long 2060 metre level drift is currently being driven southwards through the deposit within the "A" horizon. Raises and a crosscut to other horizons will be constructed after completion of the drift.

**GOLD ORE RESERVES ESTABLISHED TO DATE**

Drill Indicated Reserves

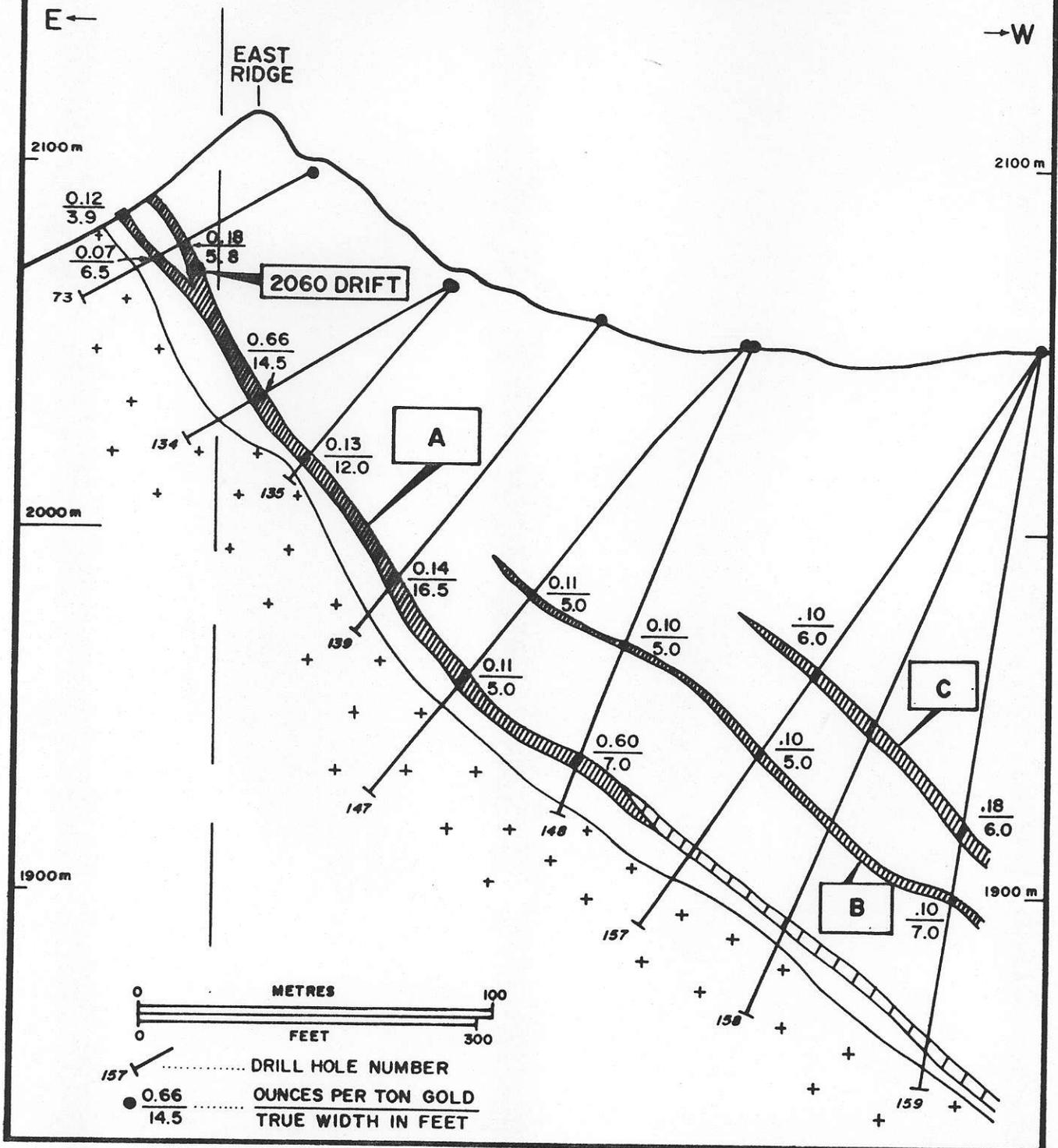
	<u>Tons</u>	<u>Grade</u> (oz/ton gold)	<u>Ounces Gold</u>
A-1 Horizon	23,640	0.59	13,903
A Horizon	275,410	0.23	51,648
B Horizon	92,510	0.35	32,716
C Horizon	<u>43,440</u>	<u>0.43</u>	<u>18,738</u>
TOTAL	<u>385,000</u>	<u>0.30</u>	<u>117,005</u>

**CURRENT PROGRAM**

The fall drilling program will evaluate potential reserves along the 2000 foot northern strike extension from presently indicated reserves. Geologic potential to the north and south of the presently indicated reserve is an additional 1,600,000 tons plus. The drifting program on the "A" Horizon is required to bulk sample and evaluate drill indicated gold grades. The underground program is expected to improve overall average grade of the deposit. Current plans call for both surface drilling and underground programs to year's end.

ESPERANZA EXPLORATIONS LTD.  
 TILlicum MOUNTAIN PROJECT—EAST RIDGE GOLD ZONE

CROSS SECTION 560 N

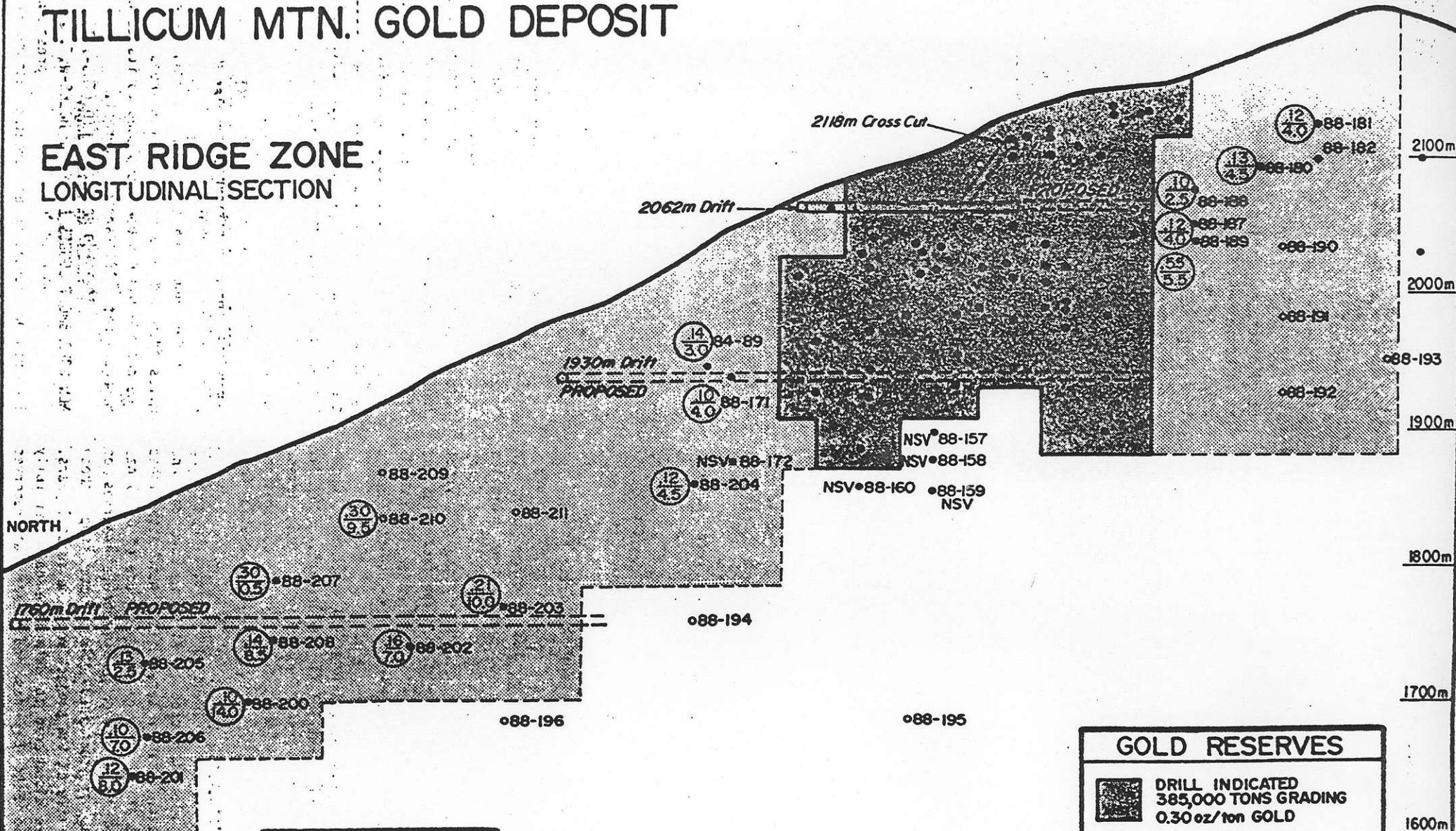


# ESPERANZA EXPLORATION LTD.

## TILlicum MTN. GOLD DEPOSIT

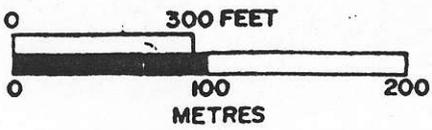
SOUTH

### EAST RIDGE ZONE LONGITUDINAL SECTION



**LEGEND**

- Completed Drill Hole
- Proposed Drill Hole
- $\frac{30}{9.5}$  Gold Assay (Oz/Ton) Interval (feet)
- NSV No Significant Values

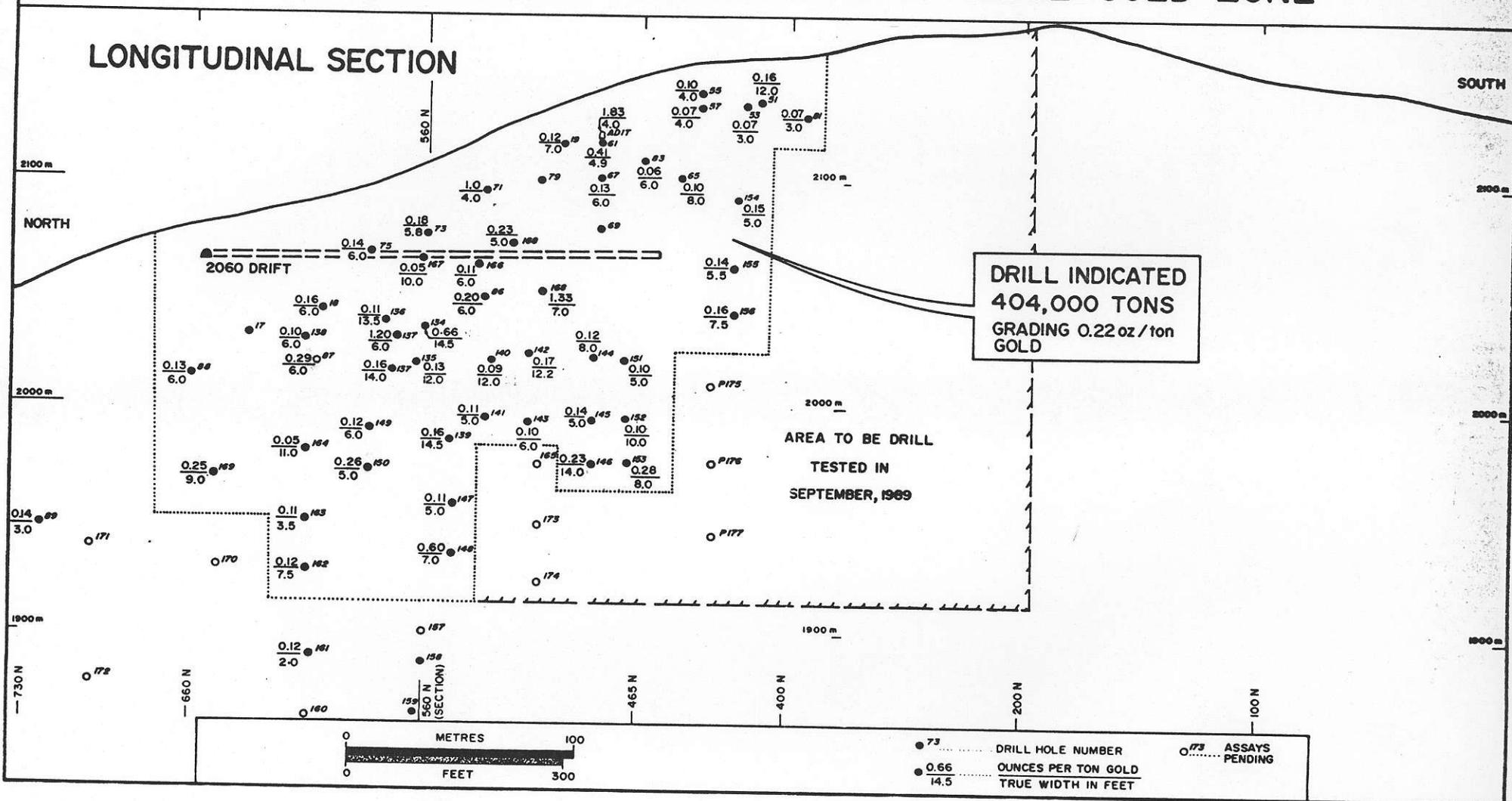


**GOLD RESERVES**

- DRILL INDICATED  
385,000 TONS GRADING  
0.30 oz/ton GOLD
- DRILL INFERRED  
1,600,000 TONS
- EXPLORATION POTENTIAL

# ESPERANZA EXPLORATIONS LTD. TILlicum MOUNTAIN PROJECT—EAST RIDGE GOLD ZONE

## LONGITUDINAL SECTION



ESPERANZA EXPLORATIONS LTD.  
HEINO-MONEY GOLD ZONE

**MINERALIZATION**

Gold-bearing siliceous skarn occurs within a north-south steeply dipping structure that follows a sedimentary-volcanic contact adjacent to a diorite sill. Within the skarn, native gold occurs as disseminated 25 micron grains to coarse 1 cm flakes.

**ZONE DIMENSIONS**

Surface drilling and underground exploration has defined a northerly plunging ore zone.

Strike - 650 feet  
Down dip - 175 feet  
Average thickness - 5.5 feet

The zone is "open" along strike for an undetermined distance to the south. To the north, the zone may be traced on surface through the Jenny, 950 and 1250 zones for a distance of approximately 2600 feet.

**DIAMOND DRILLING**

A total of 83 surface and underground diamond drill holes have been drilled to date. Drilling is continuing.

**UNDERGROUND EXPLORATION**

The following underground exploration has been completed:

<u>Level</u> (metres)	<u>Drift</u> (feet)	<u>Sub Level</u> (feet)	<u>Raise</u> (feet)	<u>Total</u> (feet)
2050	470	-	240	720
2112	490	-	310	800
2116	-	82	40	122
2130	280	-	30	310
2136	-	119	30	149
2148	-	144	-	144
2160	<u>360</u>	<u>345</u>	<u>195</u>	<u>555</u>
TOTAL	<u>1600</u>	<u>345</u>	<u>845</u>	<u>2790</u>

## GOLD ORE RESERVES ESTABLISHED TO DATE

<u>Level</u> (metres)	<u>Length of Zone</u> (feet)	<u>Average Drift Round Assays</u> (oz/ton gold)
2112	108	1.63
2116	82	0.41
2130	102	1.60
2136	119	0.38
2148	40	1.41
2160	150	1.40
Screamer Raise	35	1.45
Heino Pit & Sub	100	0.95
No.1 & No.2 Raises		
- 2160	90	1.45
2160 Riase	105	0.45
Screamer Cut	80	0.41
<hr/>		<hr/>
Total underground exploration within zone	-	1,011 feet
Mining width	-	5.5 feet
Reserve	-	55,000 tons
Average grade from drift round assays	-	1.05 oz/ton gold

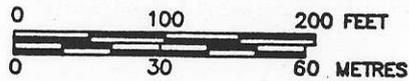
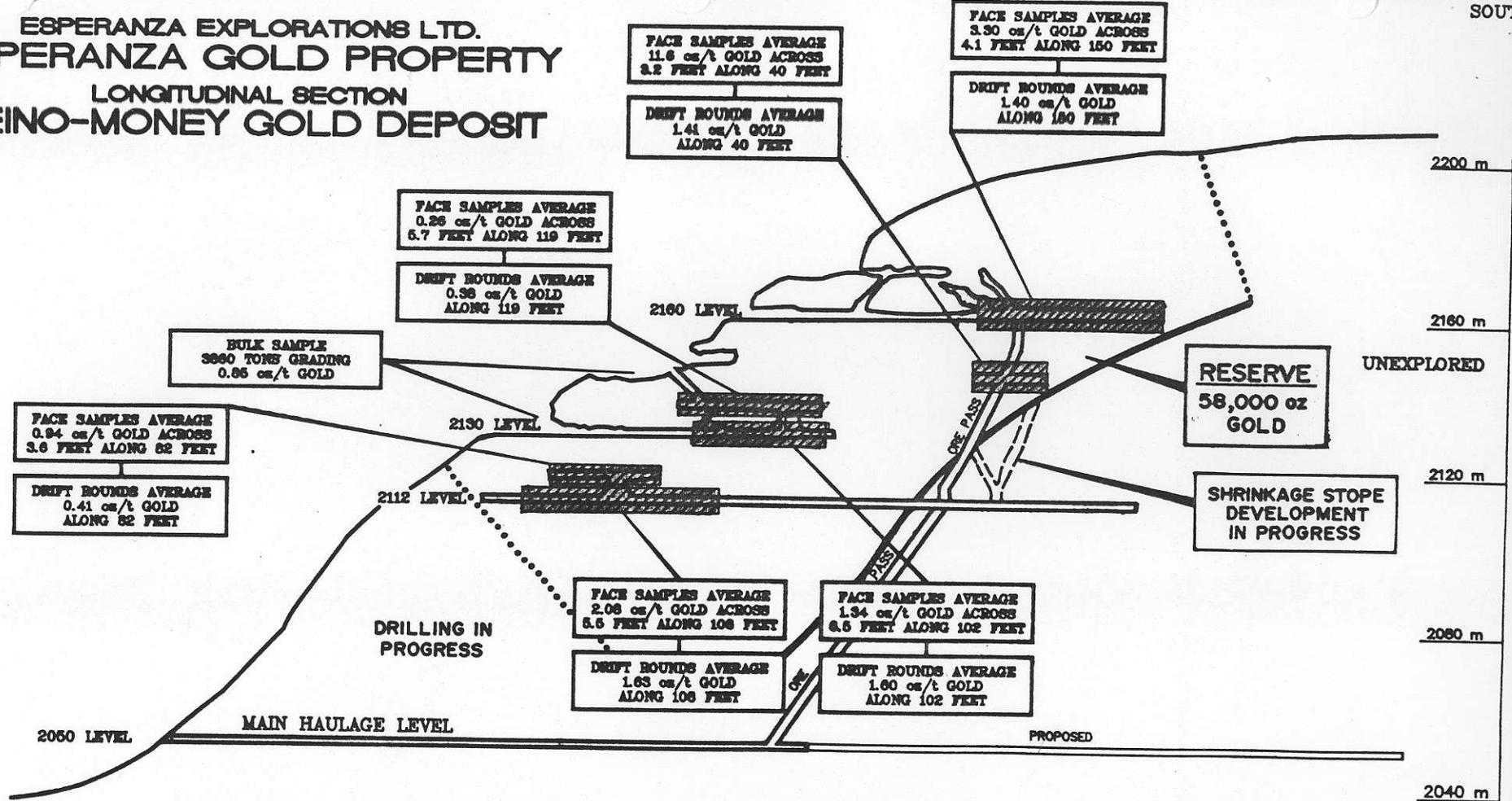
## CURRENT PROGRAM

During the month of October, a surface diamond drill will explore the Jenny Zone where geologic potential for increasing reserves is 50,000 tons plus.

NORTH

SOUTH

**ESPERANZA EXPLORATIONS LTD.**  
**ESPERANZA GOLD PROPERTY**  
 LONGITUDINAL SECTION  
**HEINO-MONEY GOLD DEPOSIT**



## MEMORANDUM - BLACKDOME MINING CORPORATION

TO: Peter C. Busse, J. Scott Drever  
FROM: Dave W. Rennie  
DATE: November 28, 1988  
SUBJECT: Tillicum Mountain

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### INTRODUCTION

The Tillicum Mountain property is a gold-silver prospect located near Burton, B.C. It is approximately 20 minutes from Burton by dirt road which, in most places is quite steep and narrow. The terrain in the area is quite rugged, and most of the exploration work done to date has been above 2000 metres above sea level. There was approximately two feet of snow on the ground at the time of our visit.

### GEOLOGY

The gold mineralization is contained in skarn zones in a roof pendant comprised of rocks thought to be part of the Rossland Volcanics. This is significant as this rock unit and the apparently equivalent Nicola Group are known to host many good deposits throughout Southern B.C. Several gold deposits in the W. Kootenay region are related spatially to the Rossland Volcanics.

Gold occurs as fine-to coarse-grained particles associated with pyrrhotite, pyrite, chalcopyrite, quartz and carbonate minerals along with minor galena and sphalerite. Significant amounts of scheelite have been reported as well. The gold occurs as discrete grains associated, but not enclosed by, the sulphide minerals. The skarns represent layers in the Rossland rocks which have been metamorphosed by Cretaceous granodiorite intrusions.

### RESERVES

Ore reserves quoted to date have been developed in two zones: the Heino-Money and the East Ridge. The Heino-Money is a small, high grade shoot comprising 55,000 tons of proven and probable ore grading 1.05 ounce/ton. This zone has been extensively explored with drilling and drifting and the reserve picture is fairly well known. There is limited extent to the zone down-dip and along strike due to flattening of the structure and faulting. Exploration potential in the immediate vicinity is low to moderate, although, there may be better potential at some distance from the main zone if the trend of it can be followed.

The East Ridge zone contains the bulk of the reserves found up to now, with the last published figures at 385,000 tons of 0.30 o.p.t. drill indicated and an all-encompassing total of 1.6 million tons of a similar grade referred to as "drill inferred". I presume that "drill inferred" is one class lower than "possible" ore. However, recent drilling has helped to confirm this larger tonnage figure and it could now be considered as being the possible category. The continuous nature of the lower grade ore suggests that a fair degree of confidence can be placed on the drilling results, which, to date, have been remarkable in their success rate. In addition, the underground work done on the zone has confirmed or upgraded the drill results.

**COMMENTS**

Overall, the work appears to have been done in a professional and competent manner. The geologists on the site have done an admirable job of sorting out the complex metamorphic stratigraphy and the drill and drift results have been handled in a conservative and logical manner. I did not notice anything that was obviously off-base in their approach to developing reserves or interpretation of the drilling. They appear to be as, or even more conservative than we are, with the possible exception of the practise of cutting of assays, which they do not do.

There is a need for some more drilling on the east Ridge Zone to test its down-dip extension to see if it continues down to the camp elevation. That should be accompanied by exploration drifts on at least one and, possibly, two more levels to confirm the grade and thickness. In addition, interpretive work is required to resolve the problem of gold-bearing structures parallel to the main zone. There are at least four horizons that carry values and the drill intercepts from all these zones were lumped together to come up with the tonnage figures quoted. These zones must be isolated and reserve calculations made accordingly. A careful look must also be taken at the distribution of gold across the zone, and that the widths quoted do not contain too much material that is very low-grade. This work will require that the drill sections, logs and assay sheets be acquired and a careful, independent study made.

It should also be noted that exploration potential for this lower grade type of ore is excellent on the property. There is a good sized land-holding with some very good prospects already discovered. In addition, there are several geo-chemical anomalies to follow up on.

This property is, in my opinion, worth pursuing, provided that the drill data can be gathered and studied to resolve the problems that I have outlined above.

*Wire cores checked*

Dave W. Rennie  
Chief Geologist/Engineer

## MEMORANDUM - BLACKDOME MINING CORPORATION

TO: Peter C. Busse, J. Scott Drever  
FROM: Tom Colbourne,  
DATE: November 29, 1988  
SUBJECT: Accompanying Report to D.W. Rennie's Report  
on Tillicum Mountain Property of Esperanza

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### MINING METHOD POSSIBILITIES

The ore bearing structures are typically narrow "vein" type bodies, with occasional areas of increased width. The structure is not a true vein in the geological sense but for mining purposes one can assume that some type of narrow vein method would be necessary. Apparently the rock quality and stability is good, as seen in the East Ridge Zone 2062 metre level at the time of our visit, and as indicated by onsite Esperanza personnel. No rockbolting or timbering has been necessary in the normal course of exploration development to date. With the dip of the structures being about 60 degrees a shrinkage method immediately comes to mind, and with strict geological control of width would be a viable method for the narrower sections of the structure. The possibility of encountering areas of poorer rock quality should not be overlooked, and a cut and fill method would then be required. Since several of the intersections in drilling have indicated widths of greater than 3 metres, a long-hole method of some kind could be considered when practical.

Ideally, the Heino-Money Zone and East Ridge Zone would be interconnected from underground, and ore would travel via a system of ore passes to a main haulage level which would be situated at the same elevation as the coarse ore bin. The topography and climate of the area would make haulage from portals via surface to a millsite inefficient. The apparent vertical extent of the orebody is from about 1500m elevation to 2200m elevation or 700m on the East Ridge Zone. If trackless equipment was chosen this would require 7km of ramps at a nominal 10% grade to interconnect the various levels. For crew and materials transport an internal shaft which would be drive as an Alimak raise would likely be necessary also. The main haulage level at the 1500m elevation or thereabouts would probably be suited to track. If a conventional track method was chosen only an internal shaft with summer access to portals would be necessary. Ventilation and winter heating requirements would be less with track haulage, and track also lends itself well to a shrinkage method of mining. Initial development could be done by portal access with trackless equipment on the various levels, with track installed later one.

Further definition of the orebody by exploration development is necessary before a mining method could be chosen to suit the character of the orebody.

### TOPOGRAPHY AND CLIMATE

Slopes in the vicinity of the property are steep and snowfall is heavy. Consequently a danger from avalanches must be addressed. In fact, a large avalanche chute exists and was seen at the time of our visit between the Heino-Money and East Ridge Zones. Roadbuilding is difficult due to persistent outcrop

and high relief. Existing roads are single lane and would not be suitable for year round access to workings. Proper roads would be expensive to build and maintain. Vegetation in the area is dense cedar, hemlock, spruce, and alpine fir. Numerous logging slashes are evident; and with probable high rainfall, a possibility of flash floods exists and would have to be considered when building roads and yards. Snow removal would be a significant expense.

#### **WORKFORCE**

The local workforce presently consists of mainly loggers and sawmill workers. However, there is an operating mine at New Denver, with a resident workforce which could contribute some employees. Historically, the area has supported several small mines in the past but these workers would be of retirement age now. A camp would be necessary during the construction phase. The present camp is sufficient for about 20 workers. An additional 60 rooms or thereabouts would be required. Ultimately the majority of the workforce would commute daily from either Naksup (40km) or Burton (20km). To attract competent employees for key positions a small camp would likely be required, with a shift rotation similar to Blackdome, particularly during the startup phase after construction. This remaining camp could be gradually phased out over the first few months of operation once a local workforce is trained. Since Canada is experiencing a coast to coast shortage of experienced miners, a workforce would need to be trained regardless of where they originated. Therefore, training local people would make the most sense.

#### **POSSIBLE MILL/PLANTSITE LOCATION**

There is very little flat ground within several kilometers of the minesite. A mill/plant built on the edge of the slope would be possible, or a considerable amount of excavation would be necessary to develop a flat site. A tram line between the haulage level at 1500 metres elevation and a possible millsite selected by Esperazana personnel some 5km away may be viable.

Location for a tailings impoundment has not been selected as of yet. Several locations are possible, all in a steep sided valley containing large creeks. Due to the steep terrain a tailings site could conceivably be several kilometers away at a lower elevation if necessary.

#### **TRANSPORTATION**

A company operated shuttle bus from Burton to the Minesite with no private vehicles allowed on the mine property would work well. Without considerable widening the existing road is unsuitable for safe private vehicle traffic. Radio control would be necessary, since the area is being actively logged at various times of the year.

#### **CONCLUSION**

Providing an economic deposit exists after further definition, start up of a 500 to 1000 ton per day operation could be realized in one to two years if environmental permitting goes smoothly, and once detailed planning is completed.

G.T. Colbourne, P.Eng.  
Mine Superintendent

**MEMORANDUM - BLACKDOME MINING CORPORATION**

**TO:** Robert J. Evans  
**FROM:** Peter C. Busse  
**DATE:** December 29, 1988  
**SUBJECT:** Esperanza Project

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I have done a conservative estimate on the capital and operating costs for this project. It appears that the \$20 million is adequate to bring this on stream. The two critical unknowns are the mill capital costs, dependent on whether new or used; and the tailings impoundment costs, dependent upon a rather expensive study required (\$200,000 approximately). Also, some attention should be given to more metallurgical testing to assure no surprises are experienced. A complete reliance on the shrink mining method should not be made as the ore appears to dip much flatter at depth - at the same time there could be an application for some sublevel longhole - the key is flexibility. I envision a combination of 2 to 3 different methods in use, dependent upon the situation.

Peter C. Busse  
Mine Manager

## ESPERANZA EXPLORATIONS LTD.

### ESTIMATED COSTS

#### Ore Reserve/Ore Value

Assume	2 million tons at 0.22 ounces per ton
Gold	US\$400.00 per ounce
Exchange rate	<u>\$1.25</u>
Mill recovery	92%
Value	$0.22 \times 400 \times 1.25 \times 0.92 = \$101.20$

#### Production Rate

500tpd	Mill on 365 days per year
	Mine on <u>250 days</u> per year
	<u>700tpd mine rate</u> required

S'w?

#### Mill

Capital cost to put up mill at 500 tpd	\$10 - \$15 million
	Say \$12 million

#### Operating Costs

Mining	\$50.00 per ton at 500 tpd
Milling	\$15.00 per ton at 500 tpd
	65.00
Annual development cost	\$4.00 per ton x \$175,000 tons per year = \$700M

#### **CAPITAL**

Total estimated expenditures to bring mine into production:

Mill	\$12.5 million
Mine	\$4 million
Surface infr.	\$2 million
Tailings	\$1 million
Total	\$19.5 million
Contingency	\$0.5 million

*Flat plan for stock pile.*

1. The mine capital costs do not take into account that a full shrink operation would require extra capital to bring 7 full stopes to completion before the mill is started. It must be noted that only 35% can be drawn from a shrink stope daily until it is completed. This would come out in the detailed engineering and would affect this number.
2. It should be noted that the overall operating cost could be reduced by up to \$10 per ton if Blackdome could handle the majority of the administrative duties at the Blackdome site. i.e. payroll, purchasing, accounts payable, personnel etc.

**CAPITAL (cont'd)**

3. Inroads could be made in the tailings area - this is a big unknown at present.

**MINE CAPITAL - RETAIL**

Development	- 3,000 meters @ \$750/m	- \$2,250,000
	- rockdrills	180,000
	- jumbos - 2	400,000
	- mucking machines - 4	240,000
	- scoops - 2	300,000
	- slushers - 10	50,000
	- motors and cars - 3 sets	250,000
	- miscellaneous pumps, fans etc	<u>150,000</u>
	Total	<u>\$3,820,000</u>
(say \$4 million)		

*23 H<sup>2</sup>*

January 4, 1989

Mr. J. Scott Drever  
President and Chief  
Executive Officer  
Blackdome Mining Corporation  
120 Adelaide Street West  
Toronto, Ontario  
M5H 1T1

Re: Tillicum Mountain Gold Property

Dear Mr. Drever:

As requested, I visited the offices of Esperanza Explorations Ltd. in Vancouver and examined the documentation related to the reported reserves for the above property.

All data were supplied by Esperanza; Mr. John Brock, President, and Mr. Wayne Roberts, Exploration Manager, were very cooperative and answered all queries and requests for additional information and amplification. Most of the information examined and reviewed was in summary form with detailed back-up data reported to be at the property site.

In general, the information made available was sufficient for the purposes of this examination, that is, to review the reported reserve numbers and the process used to produce these numbers. Inasmuch as Blackdome professional staff have visited the property to observe the geology and mineralization first hand and have set out their observations in internal company reports, the following comments and opinions are confined to the reserves only.

The mineralization is fine to coarse gold in quartz-carbonate-pyrite skarn zones. There are two separate deposits, the Heino-Money and the East Ridge, with the former possibly a faulted segment of the latter (see attached Esperanza report, "Tillicum Mountain Gold Project"). The property also contains other mineralized areas of interest.

Heino-Money Deposit

Reserves are reported by Esperanza as follow:

Proven and Probable: 55,000 tons @ 1.05 oz Au/ton

. . 2

This high grade deposit has been drilled extensively and explored by drifting and raising. Using drill hole data, both from surface and underground, plus face samples, Esperanza calculated reserves as 55,000 tons averaging 1.14 oz/ton. No cut-off criteria were applied. For dilution purposes, assay data were expanded to a minimum 8' width to obtain the average grade, while a minimum of 5.5' was utilized to determine tonnage. (This somewhat unusual procedure apparently was applied to approximate a mining reserve.) Some 3,800 tons of muck samples were assayed for an average value of 1.05 oz/ton, and this slightly lower grade was incorporated in the reported reserves.

No cutting or other adjustments were made as regards very high grade gold values and, considering the extensive work carried out to date, no such adjustment may be warranted. It must be noted, however, that on an ounces/foot basis, a single drill hole accounts for 36 per cent of the total gold found in 86 drill holes in the zone; four drill holes account for two-thirds of the total gold (see Table I).

Not all of the underground drifting is on the mineralized structure in the Heino-Money zone. Esperanza staff state that only muck and face samples from the mineralized zone were included in determining the average grade of the deposit. It may not be that easy to distinguish between mineralization and waste in mining, and the selectivity applied as to which samples should be included in the average grade determination, needs to be treated with caution. It is my opinion, however, that the extensive drill hole data provide support for the reported average muck grade.

Potential for discovering additional reserves at Heino-Money appears somewhat limited by the geology and exploratory drilling. It is not unreasonable to expect that the reserves can be increased by about 50 per cent but of lower grade than that delineated to date.

It is concluded that the proven and probable (mostly proven) recoverable reserves in the Heino-Money zone total 50,000 tons at an average grade of 1 oz/ton.

The potential exists for an additional 25,000 tons averaging about 0.5 oz/ton.

*How much  
...<sup>3</sup>  
Samples taken?*

SUMMARY OF DRILL HOLE ASSAYS IN ZONE

DATED: SEPTEMBER 9, 1988

DRILL HOLE	INTERVAL	GRADE	OZ/FT.
82-1	11.20	1.10	12.32
82-2	10.50	0.63	6.62
82-3	3.30	0.09	0.30
82-4	8.70	0.07	0.61
82-6	2.10	7.10	14.91
82-7	3.00	0.42	1.26
82-8	4.90	0.37	1.81
82-9	7.00	0.24	1.66
82-10	6.00	0.08	0.48
82-11	8.20	0.12	0.08
82-12	2.00	0.11	0.23
82-13	6.00	0.12	0.32
82-14	8.00	0.01	0.08
82-15	7.50	0.04	0.30
82-16	6.40	1.02	6.53
82-21	3.50	0.11	0.39
83-26	6.50	0.26	1.69
83-27	9.00	0.21	1.89
83-28	8.50	0.00	0.00
83-29	9.00	0.14	1.26
83-31	3.80	0.57	2.17
83-36	4.00	0.08	0.32
83-80	1.50	0.35	0.53
86-90	4.00	1.60	6.40
86-91	3.50	1.63	5.71
86-92	5.00	1.00	6.00
86-93	2.50	0.16	0.40
86-94	2.40	0.22	0.53
86-95	3.00	0.11	0.33
86-96	2.00	0.26	0.89
86-97	5.00	0.00	0.00
86-98	6.00	0.14	0.95
86-99	6.00	0.29	1.97
86-100	5.00	0.22	1.10
86-101	6.50	0.10	0.69
86-102	5.00	0.00	0.00
86-103	3.50	0.18	0.63
86-104	3.20	9.26	29.82
86-105	3.00	0.04	0.13
86-106	3.90	1.41	5.50
HAU 86-1	2.00	0.13	0.28
HAU 86-2	2.60	0.11	0.89
HAU 86-3	2.80	0.05	0.14
HAU 86-4	4.30	0.10	0.43
HAU 86-5	4.00	9.46	37.84
HAU 86-6	5.10	19.00	96.90
	6.00	2.56	15.36
HAU 86-7	5.00	0.00	0.00
HAU 86-8	3.30	59.25	195.53
88-33	3.50	0.21	0.74
88-44	4.00	0.57	2.28
88-45	6.00	0.06	9.36
88-48	5.00	0.00	0.00
88-49	5.00	0.02	0.10
88-51	5.00	0.02	0.10
88-52	7.00	0.12	0.84
88-53	5.50	0.12	0.66
88-54	5.50	0.35	1.89
88-55	5.00	0.00	0.00
88-56	5.00	0.02	0.10
88-57	6.50	0.20	1.30
88-58	3.00	0.10	0.30
88-59	6.50	0.03	0.20
88-61	5.00	0.12	1.08
88-62	8.50	1.20	10.20
88-63	4.00	0.10	0.40
88-65	6.00	0.17	1.36
88-66	6.00	3.24	19.44
88-67	9.00	0.06	0.54
88-68	12.00	0.11	1.32
88-69	8.00	0.12	0.96
88-70	5.00	0.04	0.20
88-71	8.00	0.04	0.32
88-72	4.00	1.57	6.89
88-73	7.50	0.02	0.15
88-74	5.00	0.07	0.35
88-75	5.00	0.12	0.60
88-76	4.00	0.34	1.89
88-77	4.50	0.51	2.30
88-78	9.50	0.47	4.47
	4.00	1.10	4.40
88-79	5.00	0.06	0.30
88-80	5.00	0.04	0.20
88-81	15.00	0.25	3.75
88-82	5.00	0.37	1.89
	5.00	0.27	1.89
WEIGHTED AVERAGE	475.30	1.13	535.30

TABLE I

East Ridge

Reserves for the East Ridge deposit are reported by Esperanza as follow:

Drill indicated:	385,000 tons @ 0.30 oz/ton
Drill inferred:	1,600,000 tons @ 0.17 oz/ton

The major portion of the Tillicum Mountain resource is located in the East Ridge deposit. It contains 389,000 of a total 447,000 ounces of gold identified to date by Esperanza.

The drill-indicated reserves have been calculated from the data of 56 relatively close-spaced surface drill holes. Underground drifting is in progress.

The East Ridge deposit is made up of several (4?) sub-parallel to parallel mineralized skarn horizons within a broad, altered zone that dips at about 60° near surface and flattens out to about 40° at 1,200' depth.

Esperanza's reserve determination is based on drill hole data only. For the drill-indicated category, a block of reserves was calculated for each drill hole intercept based on a geological interpretation that identified the separate mineralized horizons and projected these horizons from one drill hole section to the next for continuity. Individual blocks were extended halfway to the next drill section, usually 40 to 60 feet (but ranging from 20 to 100 feet), and up- and down-dip to the next drill hole on a similar basis. Details are set out in the attached Esperanza report, "East Ridge Zone 1988 Drill-Indicated Reserve Summary".

The overall methodology applied by Esperanza is reasonable and the extent of interpolation and extrapolation of drill hole gold values is acceptable. Basic to Esperanza's reserve determination is the geological interpretation of the separate parallel mineralized zones and their continuity from one drill hole section to the next. Alternative geologic scenarios such as numerous, discontinuous parallel lenses or en echelon lenses of mineralization would invalidate Esperanza's reserve calculation. Esperanza's senior staff is confident about the identification of each mineralized zone and assures me that there is little doubt about the geological interpretation as currently used.

What is lacking at present is a graphic presentation of the reserve blocks within each of the four main mineralized horizons to show how the blocks are connected and related to form a coherent reserve. Construction of such plans/sections, I was told, is the next step.

Detailed assay logs of the drill holes, as well as assay certificates, were made available to me. Checks were carried out by me to ascertain the correctness of the values used in individual reserve block calculations as reported by Esperanza in the 1988 Reserve Summary. No significant errors were noted, but the following comments are applicable:

1. Esperanza states that no cut-off criteria were applied. The calculated reserves, therefore, include a few blocks with a grade as low as 0.06 oz/ton or a width as narrow as 3.0 feet. The minimum grade-thickness for a block included in the reserves is 3.0 feet of 0.11 oz/ton (Zone A-1 in drill hole 84-86).
2. Esperanza's staff stated that the objective of the reserve calculation was to maximize grade. This led to situations of including narrower sections of slightly higher grade from a much thicker intercept of very similar grade. For example, in drill hole 88-175, a section of 14.5 feet grading 0.17 oz/ton was utilized from a 19.0' section averaging 0.16 oz/ton; in hole 83-65, 4.0 feet at 0.12 oz/ton was used from an intercept of 8.5 feet averaging 0.10 oz/ton. (However, maximization of grade was not applied consistently, and in several instances wider, lower grade widths were used by Esperanza.)
3. The intercepts used for reserve purposes are not necessarily those plotted on sections or generally reported.
4. In several locations, the character of the mineralization appears to be that of a very narrow (1-3 feet), high grade zone with strong assay cut-offs on both sides. In a number of checks carried out, the reported intercept used for reserve calculation is made up of 1 to 3 feet of excellent grade expanded to the reported width by including essentially waste material. For example, in hole 88-148, the intercept used in the reserve calculation is 7.0 feet of 0.57 oz/ton, which is actually made up of 1.0 feet of 3.5 oz/ton and little else of value.

*see 4' @ 0.15?*

*VISUAL*

The limited underground work to date has confirmed the presence of the deposit. Grades, overall, are reported similar to that found in drill holes.

Including dilution, the mining reserve from Esperanza's drill-indicated reserves is estimated by me to be on the order of 500,000 tons averaging 0.20 to 0.25 oz/ton, or 100,000 - 125,000 ounces of contained gold.

The reported drill-inferred reserves are located mainly on a northerly extension of the drill-indicated reserves. The only difference in the classification of these reserves is the lower density of drilling. A 'general outline' method has been employed by Esperanza to estimate the drill-inferred reserves, using intercepts from 21 drill holes (see Table II). Only one horizon was used by Esperanza for this estimation.

Esperanza staff expect the average grade of the inferred reserves to increase with closer-spaced drilling. It is their contention that close-spaced drilling on the East Ridge deposit increases the average grade based on experience with the indicated reserve block. If, indeed, the mineralization is 'nuggety', as has been shown to date, this is a valid argument.

The methodology used to estimate the drill-inferred reserves is simple but valid for this category of mineralized material. Because of the drilling, these reserves almost qualify for classification as indicated (or probable). If one expands several narrow intercepts, included by Esperanza, to mining widths, the drill-inferred reserves total about 2 million tons averaging about 0.15 oz/ton, or about 300,000 ounces of contained gold.

Based on the general geology, the down-dip potential of the East Ridge deposit may be expected reasonably to be equal to the mineralization outlined so far, that is, about 2.5 million tons at about 0.20 oz/ton.

#### Other Prospective Areas

Several other areas of potential economic gold mineralization occur on the Tillicum Mountain property. The nearest is the Jenny zone, possibly an extension of the Heino-Money zone, and estimated by Esperanza to have a potential of 50,000 ounces gold. Other areas of interest include the Strebe 'deposit' where drilling is continuing (best intercept to date: 12 feet of 1.3 oz/ton); the Grizzly zone; and the Arnie Flats area.

**ESPERANZA EXPLORATIONS LTD.**  
**TILlicUM MOUNTAIN PROPERTY**  
**EAST RIDGE ZONE**

**CALCULATION OF DRILL INFERRED RESERVES**

**NORTH EXTENSION**

<u>DRILL HOLE NO.</u>	<u>INTERVAL</u> (Feet)	<u>THICKNESS</u> (Feet)	<u>ASSAY</u> (Oz/Ton Gold)	<u>WEIGHT</u> <u>AVERAGE</u>
84-89	202.0 - 205.0	3.0	0.14	0.42
88-171	116.0 - 120.0	4.0	0.10	0.40
88-172	131.0 - 135.5	4.5	0.05	-
88-187	373.0 - 377.0	4.0	0.12	0.48
88-188	540.5 - 545.5	5.0	0.05	0.25
88-189	449.0 - 454.5	5.5	0.55	3.01
88-194	815.5 - 822.0	6.5	0.15	0.98
88-195	1061.0 - 1066.0	5.0	0.04	0.20
88-196	968.0 - 977.0	9.0	0.12	1.08
88-200	1308.0 - 1322.0	14.0	0.10	1.40
88-201	1564.0 - 1572.0	8.0	0.12	0.96
88-202	1203.0 - 1207.0	7.0	0.16	1.12
88-203	1092.0 - 1102.0	10.0	0.21	2.10
88-204	472.0 - 478.5	6.5	0.15	0.98
88-205	718.0 - 722.5	4.0	0.08	0.32
88-206	717.0 - 724.0	7.0	0.10	0.70
88-207	459.5 - 470.0	10.5	0.30	3.15
88-208	525.5 - 534.0	8.5	0.14	1.19
88-209	248.0 - 256.0	8.0	0.04	0.32
88-210	263.5 - 273.0	9.5	0.30	2.90
88-211	295.0 - 301.0	<u>6.0</u>	<u>0.42</u>	<u>2.52</u>
<b>TOTAL:</b>		<u>154.5</u>	<u>0.17</u>	<u>25.56</u>

**AVERAGE THICKNESS - 7.0 Feet**

**AVERAGE GRADE - 0.17 Oz/Ton Gold**

*take high grade  
core (see long section,  
sq 1000 x 300 x 8  
= 2,400,000 tons @ 0.3  
= 600,000 oz.*

**RESERVE BLOCK**

2100 ft. x 1300 ft. x 7 ft. = 1,600,000 Tons

**TABLE II**

General Comments

The following additional comments are noted:

1. Specific gravity: No specific gravity studies have been carried out on Tillicum mineralized material. For reserve determination, Esperanza has used 12 cu.ft./ton. From specimens of the mineralization shown to me, I judge this density factor to be reasonable.
2. Plans and sections examined are metric; all reserve determinations and calculations of volume and mass are in Imperial units. Sooner or later an error will result! ✓
3. The gold is said to occur as free gold, and mill recovery of 92% is reported.
4. Limited tests of cyanide extractable gold assays versus fire assays have been carried out; fire assaying always gave the higher value.
5. Gold/silver ratios are reported as about 1:1; the gold is said to be 850 fine.

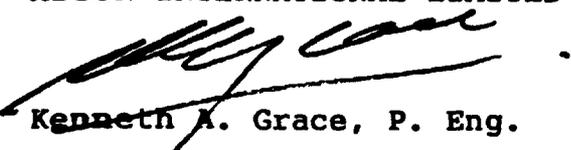
Copies of available plans and sections of the deposits were obtained from Esperanza and these will be delivered to you under separate cover.

Conclusions

Tillicum Mountain appears to be an attractive gold property where mineable reserves of 50,000 tons, averaging 1 oz/ton, plus 500,000 tons, averaging about 0.20-0.25 oz/ton have been outlined in two deposits. Inferred reserves, with a high level of confidence, total about 2 million tons at about 0.15 oz/ton. There exists a potential for almost doubling the total identified reserves at the two deposits, as well as exploration potential elsewhere on the property.

Yours sincerely,

MICON INTERNATIONAL LIMITED

  
Kenneth A. Grace, P. Eng.

Attachments

**ESPERANZA EXPLORATIONS LTD.**

**TILLICUM MOUNTAIN PROPERTY**

**EAST RIDGE ZONE**

**1988**

**DRILL INDICATED RESERVE SUMMARY**

ESPERANZA EXPLORATIONS LTD.

TILlicum MOUNTAIN PROPERTY  
EAST RIDGE DEPOSIT  
1988 DRILL INDICATED RESERVE SUMMARY

SECTION	ZONE											
	A-1			A			B			C		
	Tons	Grade (Oz/Ton)	Ozs.	Tons	Grade (Oz/Ton)	Ozs.	Tons	Grade (Oz/Ton)	Ozs.	Tons	Grade (Oz/Ton)	Ozs.
D-D	7,700	0.16	1,212	17,690	0.19	3,317	2,800	0.25	700			
E-E				45,830	0.17	7,675	45,830	0.48	22,091			
F-F				4,000	0.13	520	5,500	0.14	770	5,330	0.28	1,492
G-G				22,220	0.11	2,474	1,530	1.15	1,763	4,000	0.36	1,440
H-H	4,170	2.02	8,423	12,930	0.25	3,292	4,580	0.12	550	8,830	0.14	1,198
I-I	8,330	0.46	3,820	22,250	0.13	2,830						
J-J	3,440	0.13	447	32,130	0.56	17,855	11,170	0.11	1,277	7,330	0.17	1,253
K-K				14,850	0.26	3,803				5,000	1.29	6,428
L-L				25,500	0.12	3,162	21,100	0.26	5,565	12,950	0.53	6,927
N-N				28,000	0.24	6,720						
SUB TOTAL:	23,640	0.59	13,903	225,410	0.23	51,648	92,510	0.35	32,716	43,440	0.43	18,738
GRAND TOTAL:	385,000 TONS			AVERAGE THICKNESS 5.5 FEET								
	0.30 GRADE											
	117,005 OZ. GOLD											

NOVEMBER 14, 1988

## RESERVES

Section	Drill Hole	Interval (Feet)	Thickness (Feet)	Gold (Ozs/Ton)	Horizon	Thickness (Feet)	Length (Feet)	Width (Feet)	Tons (F=12)	Grade (Oz/Ton)	Contained Gold Oz.
D-D	83-51	46.50 - 60.90	14.40	0.14	A						
		46.50 - 58.50	12.00	0.16	A						
		56.00 - 60.90	4.90	0.30	A	4.90	110.00	70.00	3,140	0.30	942
	88-154	173.00 - 178.00	5.00	0.15	A	5.00	150.00	120.00	7,500	0.15	1,125
		174.00 - 178.00	4.00	0.18	A						
		192.50 - 197.00	4.50	0.12	A-1	4.50	100.00	120.00	4,500	0.12	540
	88-155	139.50 - 143.50	4.00	0.25	B	4.00	70.00	120.00	2,800	0.25	700
		208.00 - 213.50	5.50	0.15	A	5.50	70.00	120.00	3,850	0.15	578
	88-156	255.00 - 263.50	8.50	0.14	A						
		257.00 - 263.50	6.50	0.16	A						
		260.50 - 264.50	4.00	0.21	A	4.00	80.00	120.00	3,200	0.21	672
		277.50 - 281.50	4.00	0.21	A-1	4.00	80.00	120.00	3,200	0.21	672
E-E	83-55	17.50 - 22.30	4.80	0.09	A						
		71.00 - 79.50	8.50	0.10	A						
		71.00 - 75.00	4.00	0.12	A	4.00	100.00	70.00	2,330	0.12	280
	88-175	30.00 - 34.00	4.00	0.16	E						
		443.00 - 450.00	7.00	0.10	D						
		446.00 - 450.00	4.00	0.14	D						
		666.00 - 685.00	19.00	0.16	A						
		670.50 - 685.00	14.50	0.17	A	14.50	200.00	180.00	43,500	0.17	7,395
	678.50 - 685.00	6.50	0.23	A	or 6.5	200	150	19,500	0.23	4,485	
	88-176	530.00 - 535.00	5.00	0.04	D						
		642.50 - 648.50	6.00	0.63	B	6.00	220.00	250.00	27,500	0.63	17,325
	88-177	774.00 - 778.00	4.00	0.26	B	4.00	220.00	250.00	18,330	0.26	4,766
772.00 - 778.00		6.00	0.18	B							
F-F	83-83	103.20 - 107.20	4.00	0.07	A						
	88-151	397.00 - 401.00	4.00	0.13	A	4.00	120.00	100.00	4,000	0.13	520
	88-152	49.50 - 53.50	4.00	0.12							
		130.00 - 135.00	5.00	0.13							
		361.00 - 371.00	10.00	0.10							
		365.00 - 371.00	6.00	0.14	B	6.00	110.00	100.00	5,500	0.14	770
88-153	263.50 - 271.50	8.00	0.28	C	8.00	80.00	100.00	5,330	0.28	1,492	

## RESERVES

Section	Drill Hole	Interval (Feet)	Thickness (Feet)	Gold (Ozs/Ton)	Horizon	RESERVES					
						Thickness (Feet)	Length (Feet)	Width (Feet)	Tons (F=12)	Grade (Oz/Ton)	Contained Gold Oz.
G-G	2118	-	4.00	1.83	B	4.00	40.00	60.00	800	1.83	1,464
	Adit	-	5.70	0.25	A	5.70	40.00	60.00	1,140	0.25	285
	83-61	54.10 - 59.00	4.90	0.41	B	4.90	30.00	60.00	730	0.41	299
		107.00 - 112.50	5.50	0.07	A	5.50	30.00	60.00	830	0.07	58
	83-67	109.00 - 112.00	3.00	0.11	B						
		137.00 - 141.00	4.00	0.13	A	4.00	70.00	75.00	1,750	0.13	228
	83-69	89.00 - 93.00	4.00	0.06	B						
		164.00 - 172.00	8.00	0.06	A	8.00	120.00	75.00	6,000	0.06	360
	88-144	337.00 - 341.00	4.00	0.10	B						
		355.00 - 362.50	7.50	0.12	A	7.50	140.00	75.00	6,560	0.12	787
		358.00 - 362.50	4.50	0.14							
	88-145	282.50 - 288.00	5.50	0.08	C						
		326.50 - 332.00	5.50	0.07	B						
368.00 - 373.00		5.00	0.14	A	5.00	110.00	75.00	3,440	0.14	482	
88-146	277.50 - 291.50	14.00	0.23	C							
	277.50 - 285.50	8.00	0.36	C	8.00	80.00	75.00	4,000	0.36	1,440	
	384.00 - 388.00	4.00	0.11	A	4.00	100.00	75.00	2,500	0.11	275	
H-H	82-19	57.00 - 64.00	7.00	0.12	A	7.00	70.00	80.00	3,270	0.12	392
	88-168	115.00 - 120.50	5.50	0.27	A	5.50	120.00	100.00	5,500	0.27	1,485
		208.00 - 213.00	5.00	2.02	A-1	5.00	100.00	100.00	4,170	2.02	8,423
	88-142	283.80 - 296.00	12.20	0.17	A						
		283.80 - 289.00	5.20	0.34	A	5.20	120.00	80.00	4,160	0.34	1,414
	88-143	157.00 - 163.50	6.50	0.10	C	6.50	80.00	100.00	4,330	0.10	433
	88-165	36.00 - 42.00	6.00	0.23							
		181.00 - 187.00	6.00	0.11							
		305.00 - 311.00	6.00	0.17	C	6.00	90.00	100.00	4,500	0.17	765
	88-173	85.00 - 91.50	6.50	0.46							
		419.00 - 424.50	5.50	0.07	B						
	88-174	228.00 - 232.00	4.00	0.10							
		438.00 - 443.50	5.50	0.12	B	5.50	100.00	100.00	4,580	0.12	550

## RESERVES

Location	Drill Hole	Interval (Feet)	Thickness (Feet)	Gold (Ozs/Ton)	Horizon	RESERVES					
						Thickness (Feet)	Length (Feet)	Width (Feet)	Tons (F=12)	Grade (Oz/Ton)	Contained Gold Oz.
I-I	83-71	152.00 - 156.00	4.00	1.00	A-1	4.00	100.00	100.00	3,330	1.00	3,330
		129.00 - 133.00	4.00	0.11	A	4.00	100.00	100.00	3,330	0.11	366
	88-166	158.00 - 164.00	6.00	0.11	A	6.00	90.00	100.00	4,500	0.11	495
		160.00 - 164.00	4.00	0.13	A						
		194.00 - 198.00	4.00	0.09	A-1	4.00	90.00	100.00	3,000	0.09	270
	84-86	215.00 - 218.00	3.00	0.09							
		227.00 - 233.00	6.00	0.19	A	6.00	80.00	100.00	4,000	0.19	760
		266.00 - 269.00	3.00	0.11	A-1	3.00	80.00	100.00	2,000	0.11	220
	88-140	292.50 - 300.00	7.50	0.12	A	7.50	100.00	100.00	6,250	0.12	750
	88-141	66.00 - 74.00	8.00	0.16							
		69.00 - 74.00	5.00	0.25							
		300.00 - 305.00	5.00	0.11	A	5.00	100.00	100.00	4,170	0.11	459
J-J	83-73	137.20 - 143.00	5.80	0.18	A	5.80	75.00	100.00	3,630	0.18	653
		137.20 - 141.50	4.30	0.19	A						
	88-167	156.00 - 160.00	4.00	0.10	B	4.00	75.00	100.00	2,500	0.10	250
		171.00 - 176.50	5.50	0.07	A						
		198.50 - 204.00	5.50	0.13	A-1	5.50	75.00	100.00	3,440	0.13	447
	88-134	202.00 - 216.50	14.50	0.66	A						
		204.00 - 213.50	9.50	0.96	A	9.50	100.00	100.00	7,920	0.96	7,603
	88-135	58.50 - 62.50	4.00	0.18							
		201.00 - 213.00	12.00	0.13	A						
		209.00 - 213.00	4.00	0.26	A	4.00	100.00	100.00	3,330	0.26	866
	88-139	299.00 - 315.50	16.50	0.14	A						
		299.00 - 314.00	15.00	0.16	A						
		310.50 - 315.50	5.00	0.35	A	5.00	120.00	100.00	5,000	0.35	1,750
	88-147	306.00 - 310.00	4.00	0.14	B	4.00	100.00	120.00	4,000	0.14	560
		410.00 - 420.00	10.00	0.23	A						
	88-148	64.00 - 70.00	6.00	0.10							
		403.50 - 413.00	9.50	0.45	A						
		406.00 - 413.00	7.00	0.57	A	7.00	140.00	150.00	12,250	0.57	6,983
		409.00 - 413.00	4.00	0.99	A						
		25.00 - 29.00	4.00	0.14							
	293.00 - 299.00	6.00	0.08	B							
	88-157	397.00 - 401.00	4.00	0.16	C	4.00	100.00	100.00	3,330	0.16	533
486.50 - 492.00		5.50	0.09	B							
88-158											
88-159	479.00 - 485.00	6.00	0.18	C	6.00	80.00	100.00	4,000	0.18	720	
	520.00 - 527.00	7.00	0.10	B	7.00	80.00	100.00	4,670	0.10	467	

						RESERVES					
Section	Drill Hole	Interval (Feet)	Thickness (Feet)	Gold (Ozs/Ton)	Horizon	Thickness (Feet)	Length (Feet)	Width (Feet)	Tons (F=12)	Grade (Oz/Ton)	Contained Gold Oz.
K-K	88-75	115.00 - 118.00	3.00	0.27	A	3.00	100.00	100.00	2,500	0.27	675
	88-136	198.00 - 211.50	13.50	0.11	A						
		198.00 - 204.00	6.00	0.22	A						
		200.00 - 204.00	4.00	0.29	A	4.00	110.00	100.00	3,670	0.29	1,064
	88-137	136.00 - 140.00	4.00	1.80	C	4.00	100.00	100.00	3,330	1.80	5,994
		213.50 - 218.00	4.50	0.44	A	4.50	85.00	100.00	3,190	0.44	1,404
	88-149	255.00 - 259.00	4.00	0.12							
		273.00 - 279.00	6.00	0.12	A	6.00	110.00	100.00	5,500	0.12	660
	88-150	84.00 - 89.00	5.00	0.26	C	5.00	40.00	100.00	1,670	0.26	434
		299.00 - 303.00	4.00	0.06	A						
L-L	82-18	120.00 - 126.00	6.00	0.16	A	6.00	100.00	120.00	6,000	0.16	960
	88-138	116.50 - 122.50	6.00	0.10	A	6.00	80.00	120.00	4,800	0.10	480
		116.50 - 120.50	4.00	0.10	A						
	84-87	122.50 - 128.50	6.00	0.29	B	6.00	120.00	120.00	7,200	0.29	2,088
		122.50 - 126.50	4.00	0.44							
	88-164	148.00 - 153.50	5.50	0.31	C	5.50	70.00	120.00	3,850	0.31	1,194
		256.00 - 265.00	9.00	0.23	B						
		261.00 - 265.00	4.00	0.44	B	4.00	120.00	120.00	4,800	0.44	2,112
		321.00 - 327.50	6.50	0.09	A						
	88-163	272.00 - 275.00	3.00	0.12	B	✓	✓	103			
		321.00 - 324.50	3.50	0.11	A	3.50	120.00	120.00	4,200	0.11	462
	88-162	155.00 - 162.00	7.00	0.63	C	7.00	130.00	120.00	9,100	0.63	5,733
		157.00 - 162.00	5.00	0.84	C						
		158.00 - 162.00	4.00	1.06	C						
		299.00 - 308.50	9.50	0.12	B						
		299.00 - 306.00	7.00	0.15	B	7.00	130.00	120.00	9,100	0.15	1,365
		302.00 - 306.00	4.00	0.16	B						
	337.50 - 345.00	7.50	0.12	A	7.50	140.00	120.00	10,500	0.12	1,260	
	337.50 - 343.00	5.50	0.13	A							
88-161	473.00 - 477.00	4.00	0.10	A							
N-N	84-88	32.00 - 35.00	3.00	0.21	A	3.00	150.00	140.00	5,250	0.21	1,103
	88-169	105.00 - 111.00	6.00	0.11							
		304.00 - 313.00	9.00	0.25	A	9.00	150.00	140.00	15,750	0.25	3,938
		304.00 - 309.00	5.00	0.33							
88-170	266.00 - 270.00	4.00	0.24	A	4.00	150.00	140.00	7,000	0.24	1,680	

# ESPERANZA EXPLORATIONS LTD.

15th Floor, 675 W. Hastings Street, Vancouver, B.C., Canada V6B 1N2  
Facsimile (604) 687-2419 • Telephone (604) 687-1658

## TILLICUM MOUNTAIN GOLD PROJECT

Diamond drill results continue to establish gold reserves now estimated at 2 million tons grading 0.22 ounces per ton gold at Esperanza's Tillicum Mountain gold deposit in southeastern British Columbia.

### 1. GOLD RESERVES

	<u>TONS</u>	<u>GRADE (GOLD)</u>	<u>OUNCES GOLD</u>
<u>Heino Money Zone</u>			
Proven/Probable	55,000	1.05 ozs/ton	57,750
<u>East Ridge Zone</u>			
Drill Indicated	385,000	0.30 ozs/ton	117,000
Drill Inferred	<u>1,600,000</u>	<u>0.17 ozs/ton</u>	<u>272,000</u>
TOTAL:	<u>2,040,000</u>	<u>0.22 ozs/ton</u>	<u>446,700</u>

Exploration Potential - Open along strike and to depth.

### 2. OTHER EXPLORATION TARGETS:

Strebe Zone - 24 holes completed  
- best intersection - 1.3 ounces/ton gold/12 feet  
- further drilling planned

Grizzly Zone - further drilling planned

Arnie Flats - further drilling planned

### 3. EXPLORATION EXPENDITURES:

Actual - 1981 to date           \$8.0 million  
Budget October-December, 1988   \$1.5 million

### 4. PROPERTY OWNERSHIP:

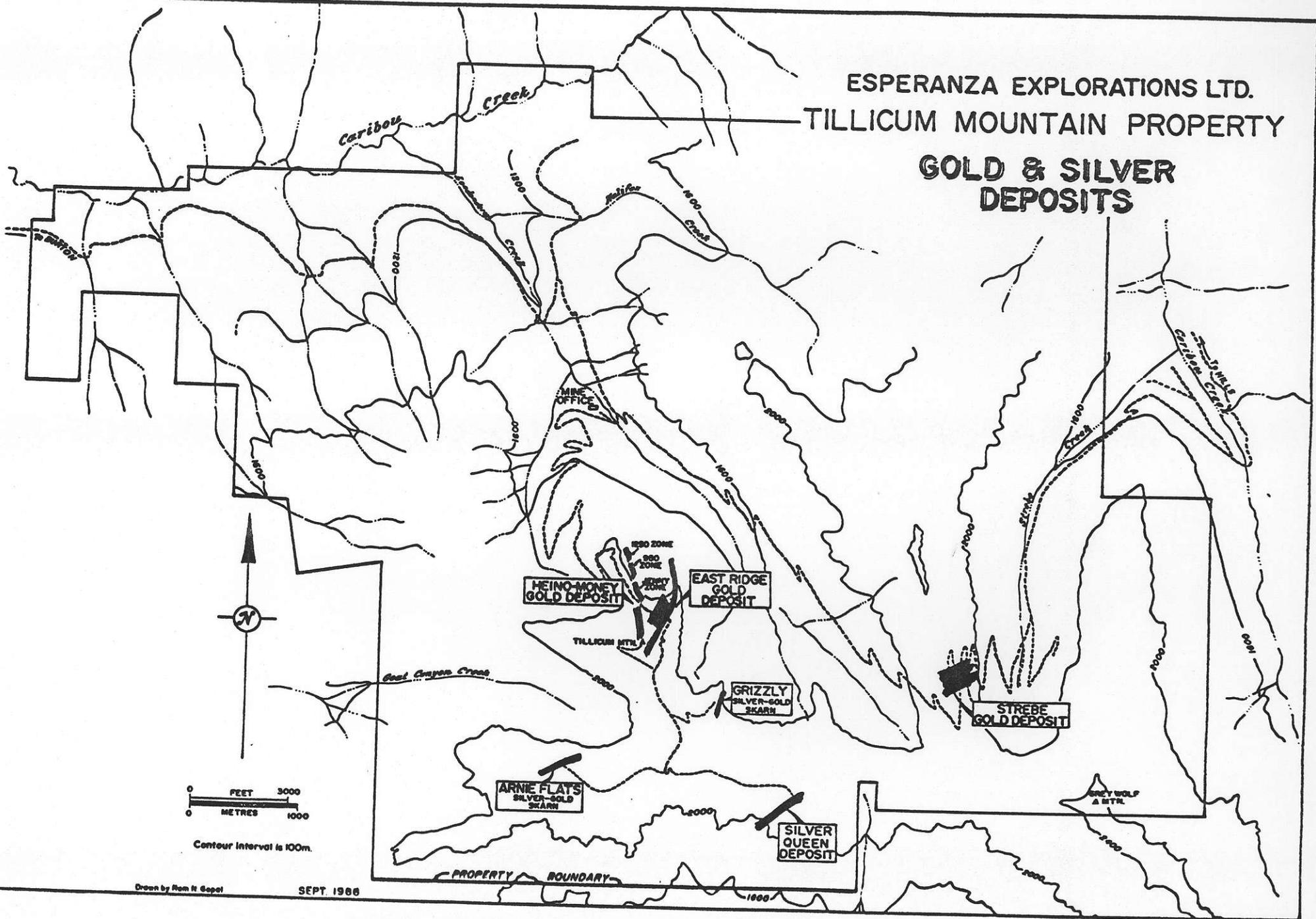
100 percent subject to 3% net Smelter Return Royalty

15/11/88

*← but only 1  
is good hole  
is limited  
potential?*

*results?*

ESPERANZA EXPLORATIONS LTD.  
TILlicUM MOUNTAIN PROPERTY  
GOLD & SILVER  
DEPOSITS



Drawn by Ron H. Gopal

SEPT. 1966

## EAST RIDGE GOLD ZONE

### MINERALIZATION

Multiple gold bearing quartz-sulphide skarn horizons occur within a sequence of sediments and volcanics containing sills of diorite porphyry. Native gold occurs as 0.2 cm flakes to 30 micron grains. Gold bearing horizons are related to quartz-sulphide alteration fronts associated with porphyry bodies.

### ZONE DIMENSIONS

To date, 4 gold bearing horizons have been identified through surface exploration and diamond drilling. The horizons appear to be stacked at regular intervals throughout the sediment-volcanic package. The "A" horizon is drill indicated to a depth of 1000 feet. All three upper horizons are open to depth.

Drill defined to date: Strike ..... 3500 feet  
Down Dip ..... 1200 feet  
Average Thickness .. 5-7 feet

### DIAMOND DRILLING

- Holes Drilled Prior to 1988 ..... 25
- Holes Drilled to Date in 1988 .... 75 (up to E88-211)

Total Holes to Date: 100

==

### UNDERGROUND EXPLORATION

#### Crosscut (2118 Metre Level)

A 200 foot underground crosscut was established in 1984 to compare drill hole grades to drift grades. An intersection of an upper zone in hole 61 grading 0.41 oz/ton gold over 4.9 feet was increased to 1.83 oz/ton gold over 4.0 feet in drift wall samples. The "A" horizon which had anomalous gold values in the drill hole assayed 0.24 oz/ton gold over 5.7 feet in the drift.

#### Drift (2062 Metre Level)

The 800 foot long 2060 metre level drift is currently being driven southwards through the deposit within the "A" horizon. Raises and a crosscut to other horizons will be constructed after completion of the drift.

15/11/88

## GOLD ORE RESERVES ESTABLISHED TO DATE

### DRILL INDICATED RESERVES

	<u>Tons</u>	<u>Grade</u> (oz/ton gold)	<u>Ounces Gold</u>
A-1 Horizon	23,640	0.59	13,903
A Horizon	275,410	0.23	51,648
B Horizon	92,510	0.35	32,716
C Horizon	<u>43,440</u>	<u>0.43</u>	<u>18,738</u>
Total	385,000	0.30	117,005
	=====	=====	=====

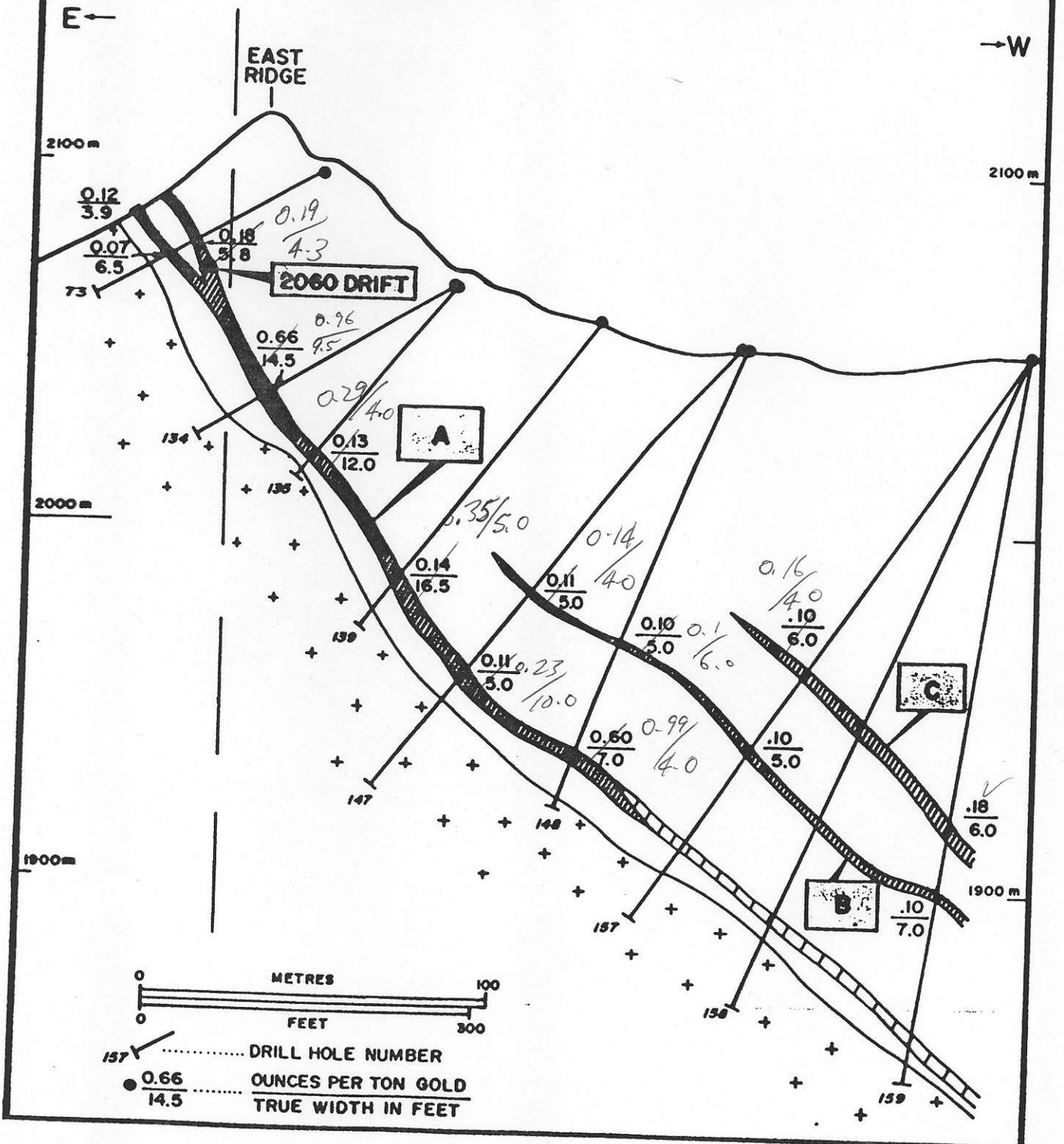
### CURRENT PROGRAM

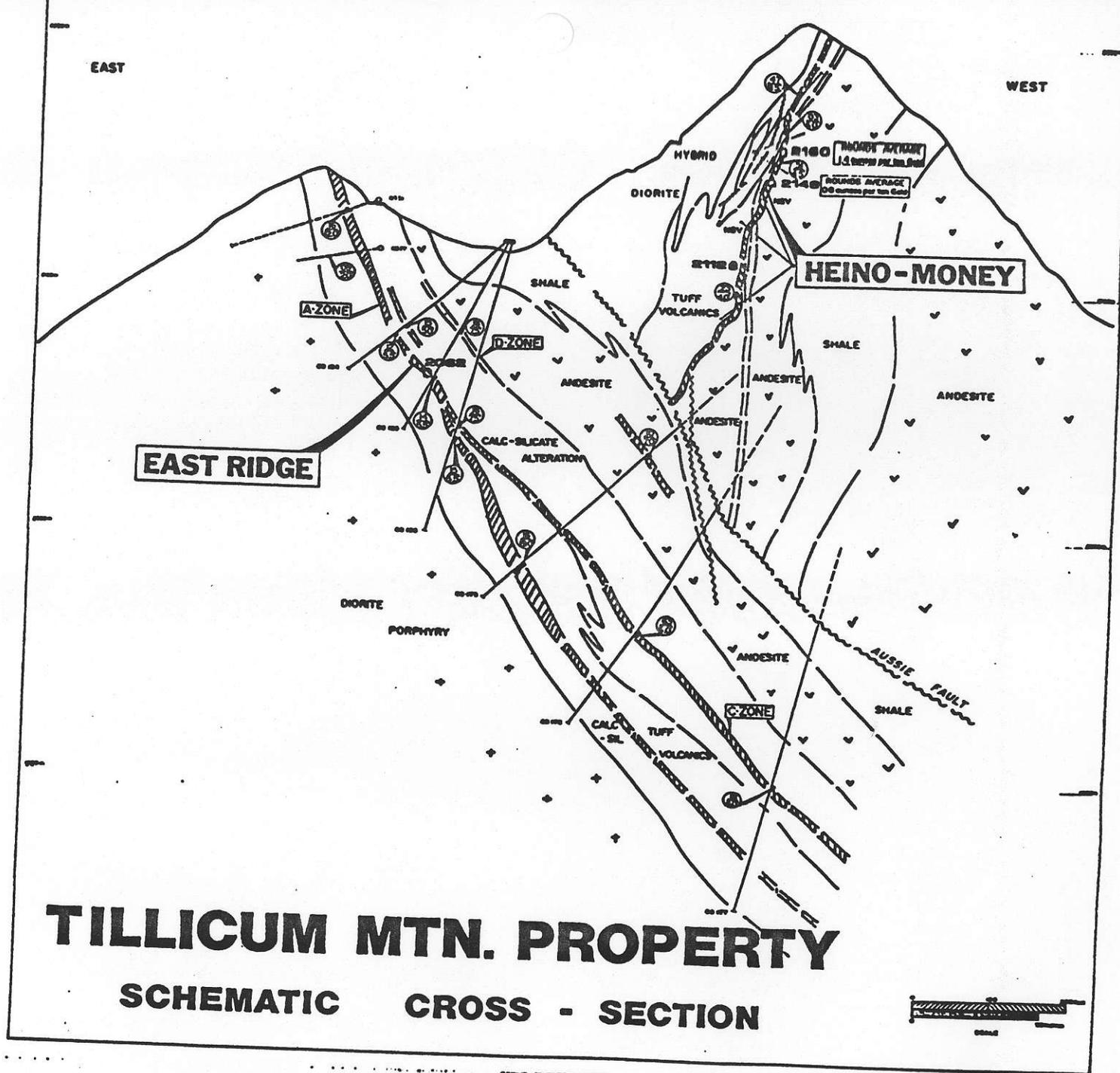
The fall drilling program will evaluate potential reserves along the 2000 foot northern strike extension from presently indicated reserves. Geologic potential to the north and south of the presently indicated reserve is an additional 1,600,000 tons plus. The drifting program on the A Horizon is required to bulk sample and evaluate drill indicated gold grades. The underground program is expected to improve overall average grade of the deposit. Current plans call for both surface drilling and underground programs to year's end.

15/11/88

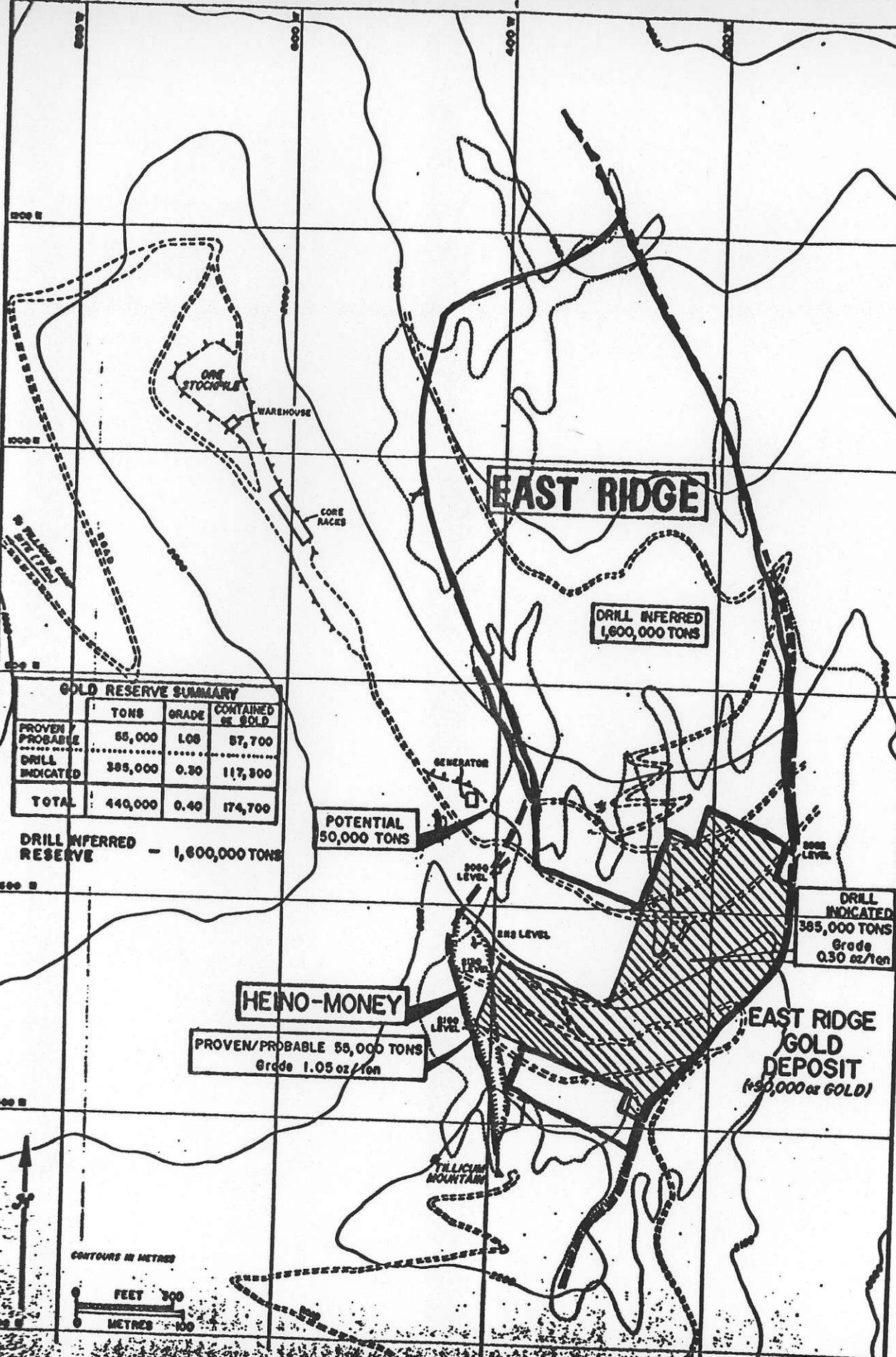
ESPERANZA EXPLORATIONS LTD.  
 TILlicum MOUNTAIN PROJECT—EAST RIDGE GOLD ZONE

CROSS SECTION 560 N





**TILLICUM MTN. PROPERTY**  
**SCHEMATIC CROSS - SECTION**



**GOLD RESERVE SUMMARY**

	TONS	GRADE	CONTAINED OR GOLD
PROVEN / PROBABLE	55,000	1.08	57,700
DRILL INDICATED	385,000	0.30	117,300
<b>TOTAL</b>	<b>440,000</b>	<b>0.40</b>	<b>174,700</b>

**DRILL INFERRED RESERVE - 1,600,000 TONS**

**POTENTIAL 50,000 TONS**

**DRILL INFERRED 1,600,000 TONS**

**DRILL INDICATED 385,000 TONS**  
Grade 0.30 oz/ton

**HEINO-MONEY**  
PROVEN/PROBABLE 55,000 TONS  
Grade 1.05 oz/ton

**EAST RIDGE GOLD DEPOSIT**  
(~20,000 oz GOLD)

CONTOURS IN METRES



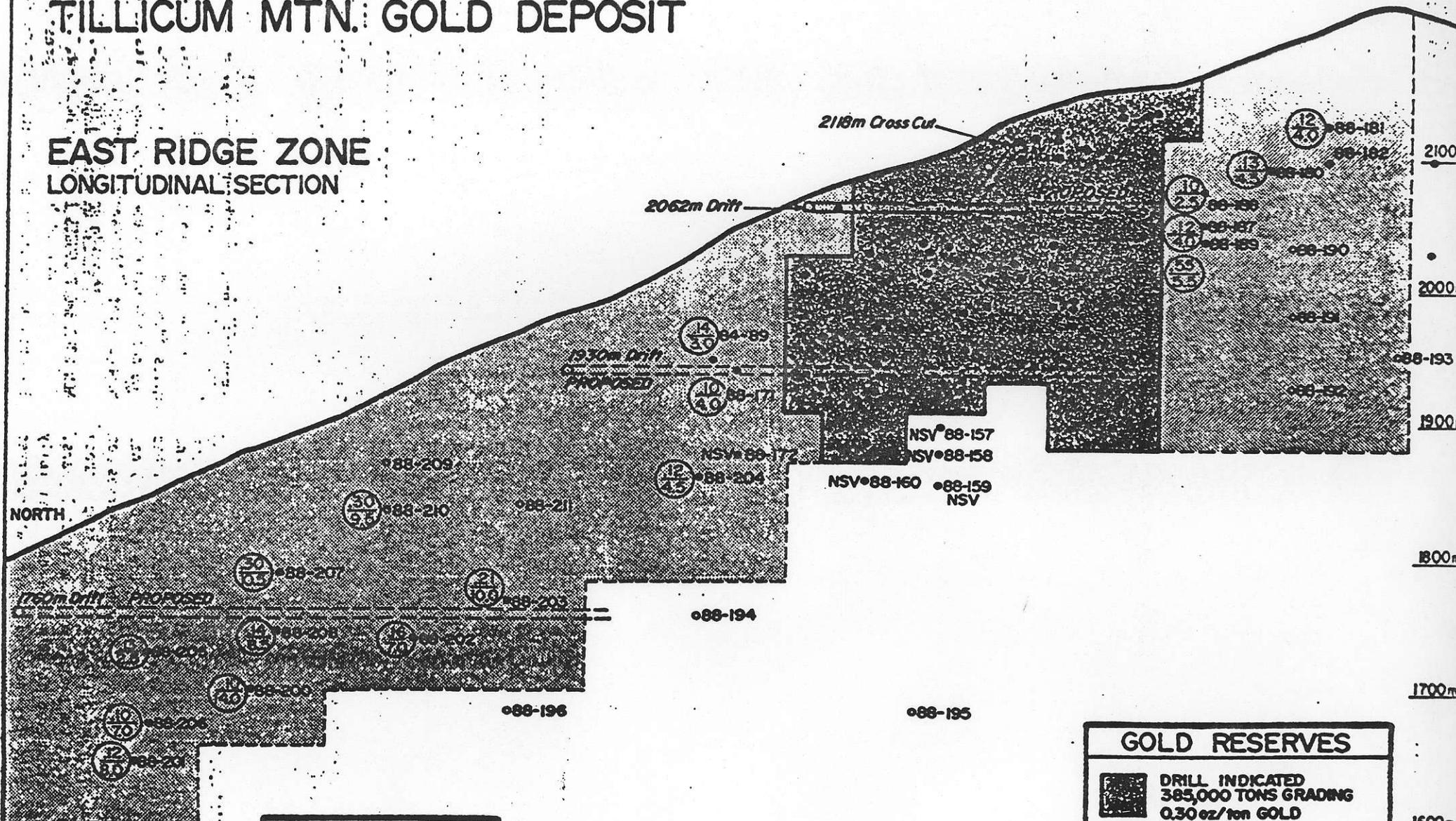
**ESPERANZA EXPLORATIONS LTD.**  
**TILlicum MOUNTAIN PROPERTY**

# ESTERANZA EXPLORATIONS LTD.

## TILlicum MTN. GOLD DEPOSIT

SOUTH

### EAST RIDGE ZONE LONGITUDINAL SECTION



NORTH

2100

2000

1900

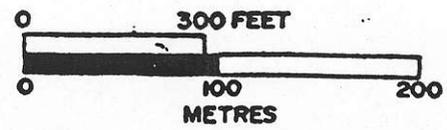
1800

1700

1600

**LEGEND**

- Completed Drill Hole
- Proposed Drill Hole
- $\frac{30}{95}$  Gold Assay (Oz/Ton)  
Interval (feet)
- NSV No Significant Values



**GOLD RESERVES**

- DRILL INDICATED  
385,000 TONS GRADING  
0.30 oz/ton GOLD
- DRILL INFERRED  
1,600,000 TONS
- EXPLORATION POTENTIAL

## HEINO-MONEY GOLD ZONE

### MINERALIZATION

Gold-bearing siliceous skarn occurs within a north-south steeply dipping structure that follows a sedimentary-volcanic contact adjacent to a diorite sill. Within the skarn, native gold occurs as disseminated 25 micron grains to coarse 1 cm flakes.

### ZONE DIMENSIONS

Surface drilling and underground exploration has defined a northerly plunging ore zone.

Strike .....	650 feet
Down Dip .....	175 feet
Average Thickness .....	5.5 feet

The zone is "open" along strike for an underterrained distance to the south. To the north, the zone may be traced on surface through the Jenny, 950 and 1250 zones for a distance of approximately 2600 feet.

### DIAMOND DRILLING

A total of 83 surface and underground diamond drill holes have been drilled to date. Drilling is continuing.

### UNDERGROUND EXPLORATION

The following underground exploration has been completed:

<u>Level</u> (metres)	<u>Drift</u> (feet)	<u>Sub Level</u> (feet)	<u>Raise</u> (feet)	<u>Total</u> (feet)
2050	470	-	240	720
2112	490	-	310	800
2116	-	82	40	122
2130	280	-	30	310
2136	-	119	30	149
2148	-	144	-	144
2160	<u>360</u>	<u>-</u>	<u>195</u>	<u>555</u>
Total:	1600	345	845	2790
	====	====	====	====

15/11/88

**SOLD ORE RESERVES ESTABLISHED TO DATE:**

<u>LEVEL</u> (metres)	<u>LENGTH OF</u> <u>ZONE</u> (feet)	<u>AVERAGE</u> <u>DRIFT ROUND</u> <u>ASSAYS</u> (oz/ton gold)
2112	108'	1.63
2116	82'	0.41
2130	102'	1.60
2136	119'	0.38
2148	40'	1.41
2160	150'	1.40
Screamer Raise	35'	1.45
Heino Pit & Sub	100'	0.95
No. 1 & No. 2 Raises - 2160	90'	1.45
2160 Raise	105'	0.45
Screamer Cut	80'	0.41

Total underground exploration within zone .. 1011 feet

Mining Width ..... 5.5 feet

Reserve ..... 55,000 tons

Average grade from drift round assays ..... 1.05 oz/ton gold

**CURRENT PROGRAM**

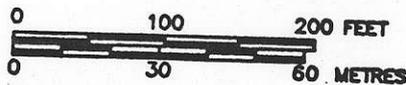
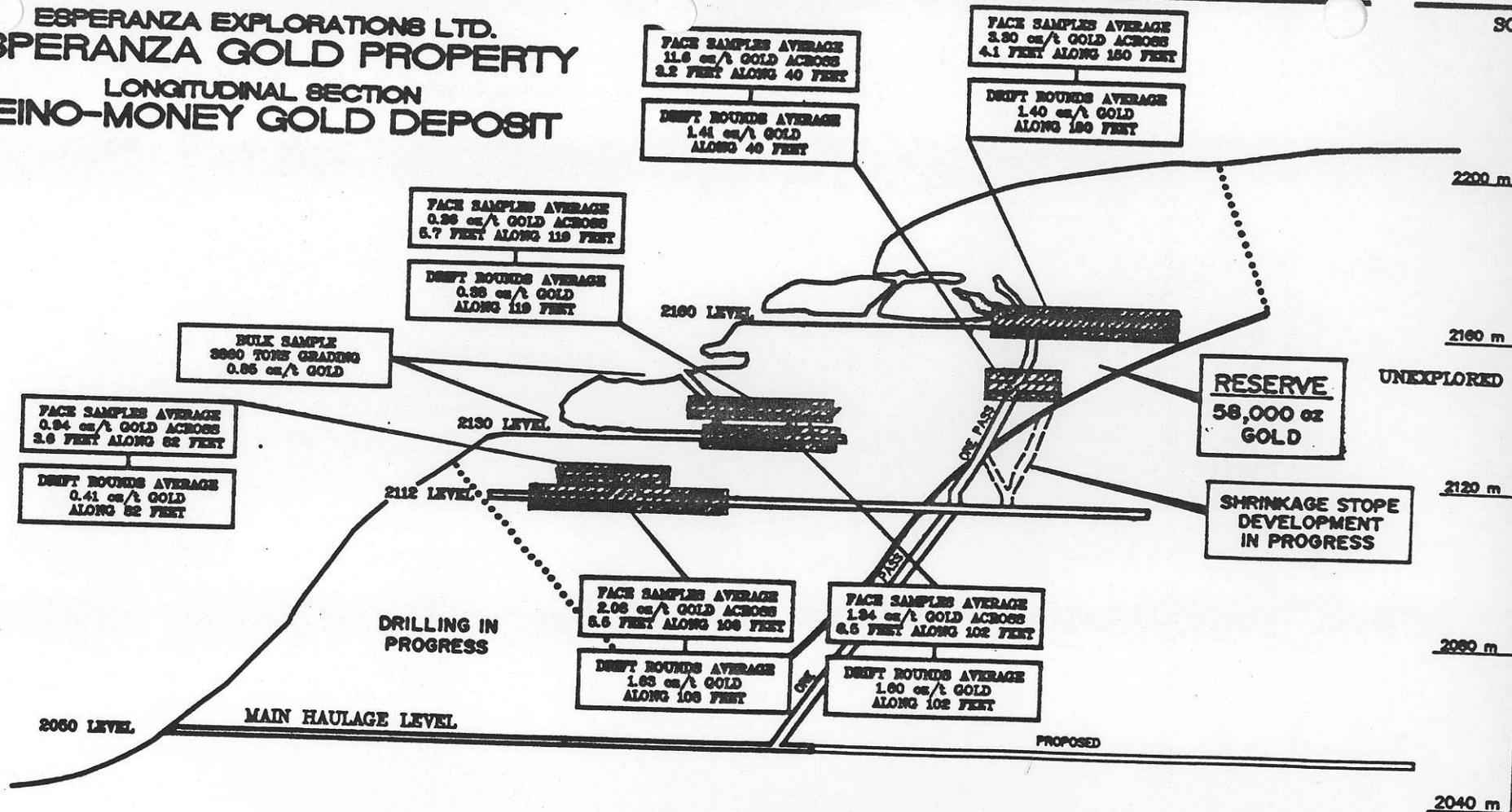
During the month of October a surface diamond drill will explore the Jenny Zone where geologic potential for increasing reserves is 50,000 tons plus.

15/11/88

NORTH

SOUTH

**ESPERANZA EXPLORATIONS LTD.**  
**ESPERANZA GOLD PROPERTY**  
 LONGITUDINAL SECTION  
**HEINO-MONEY GOLD DEPOSIT**



ESPERANZA EXPLORATIONS LTD.

EVALUATION ASSUMPTIONS

Reserves

Heino-Money Zone

	<u>Tons</u>	<u>Gold Grade</u>
Proven	50,000	1.50
Inferred	25,000	0.50

East Ridge Zone

Drill indicated	500,000	0.25
Drill inferred	<u>425,000</u>	<u>0.25</u>
TOTAL	1,000,000	0.29

Production Rate

- 500 tons per day with 75% production rate in first year
- Heino-Money is mined in the first two years.

Recovery	94%
Gold price	US\$400.00
Exchange rate	(Cdn/US\$) 1.20

Sensitivities

	<u>Low</u>	<u>Base</u>	<u>High</u>
	(ounces per ton)		
East Ridge gold grades	0.20	0.25	<del>0.28</del> 0.30

Discount Factor

15%

Base Case

Average cost per ounce	Cdn\$240.00 US\$ 200.00
Average total cost per ounce	Cdn\$335.00 US\$ 280.00

PRODUCTION STATS	1989	1990	1991	1992	1993	1994	1995	1996	TOTAL
<b>Tons Mined(000's):</b>									
Heino	0	0	50	25	0	0	0	0	75
East Ridge	0	0	80	150	175	175	175	170	925
	0	0	130	175	175	175	175	170	1,000
<b>Mill Grade(oz/ton):-</b>									
Heino	0	0	1.00	0.50	0	0	0	0	
East Ridge	0	0	0.25	0.25	0.25	0.25	0.25	0.25	
<b>Recovery Rate:</b>	0	0	94%	94%	94%	94%	94%	94%	
<b>Gold Production(oz):</b>									
Heino	0	0	47,000	11,750	0	0	0	0	58,750
East Ridge	0	0	18,800	35,250	41,125	41,125	41,125	39,950	217,375
	0	0	65,800	47,000	41,125	41,125	41,125	39,950	276,125
<b>Gold Price-\$CDN</b>	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	
-\$ US	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	
<b>Exchange Rate (\$CDN/US)</b>	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	

CASH FLOW PROJECTION

(000's \$CDN)

Revenues	0	0	31,584	22,560	19,740	19,740	19,740	19,176	132,540
less 3% NSR	0	0	948	677	592	592	592	575	3,976
	0	0	30,636	21,883	19,148	19,148	19,148	18,601	128,564
<b>Less:</b>									
Operating costs	0	0	9,750	11,375	11,375	11,375	11,375	11,050	
Preproduction capital	3,000	20,000	0	0	0	0	0	0	
Ongoing capital	0	0	520	700	700	700	700	0	
Taxes	0	0	8,255	2,987	1,620	1,620	1,620	1,859	
Other	0	0	0	0	0	0	0	0	
	3,000	20,000	18,525	15,062	13,695	13,695	13,695	12,909	110,581
<b>Net cash flow</b>	(3,000)	(20,000)	12,111	6,821	5,453	5,453	5,453	5,692	17,983
<b>Discount factor (15%)</b>	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	
<b>DCF</b>	(3,000)	(17,392)	9,157	4,485	3,118	2,711	2,357	2,140	3,576
<b>NPV</b>	3,576								
<b>IRR</b>	22.1%								
<b>Cash Cost/oz-\$CDN</b>	0	0	\$148.18	\$242.02	\$276.60	\$276.60	\$276.60	\$276.60	\$240.11
-\$ US	0	0	\$123.48	\$201.68	\$230.50	\$230.50	\$230.50	\$230.50	\$200.09
<b>Full Cost/oz-\$CDN</b>	0	0	\$214.33	\$338.47	\$386.47	\$386.47	\$386.47	\$372.54	\$335.43
-\$ US	0	0	\$178.61	\$282.06	\$322.06	\$322.06	\$322.06	\$310.45	\$279.53

PRODUCTION STATS	1989	1990	1991	1992	1993	1994	1995	1996	TOTAL
<b>Tons Mined(000's):</b>									
Heino	0	0	50	25	0	0	0	0	75
East Ridge	0	0	80	150	175	175	175	170	925
	0	0	130	175	175	175	175	170	1,000
<b>Mill Grade(oz/ton):</b>									
Heino	0	0	1.00	0.50	0	0	0	0	
East Ridge	0	0	0.30	0.30	0.30	0.30	0.30	0.30	
<b>Recovery Rate:</b>	0	0	94%	94%	94%	94%	94%	94%	
<b>Gold Production(oz):</b>									
Heino	0	0	47,000	11,750	0	0	0	0	58,750
East Ridge	0	0	22,560	42,300	49,350	49,350	49,350	47,940	260,850
	0	0	69,560	54,050	49,350	49,350	49,350	47,940	319,600
<b>Gold Price-\$CDN</b>	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	
<b>- \$ US</b>	\$480	\$400	\$400	\$400	\$400	\$400	\$400	\$400	
<b>Exchange Rate (\$CDN/US)</b>	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	

CASH FLOW PROJECTION

(000's \$CDN)

Revenues	0	0	33,389	25,944	23,688	23,688	23,688	23,011	153,408
less 3% MSR	0	0	1,002	.778	711	711	711	690	4,602
	0	0	32,387	25,166	22,977	22,977	22,977	22,321	148,806
<b>Less:</b>									
Operating costs	0	0	9,750	11,375	11,375	11,375	11,375	11,050	
Preproduction capital	3,000	20,000	0	0	0	0	0	0	
Ongoing capital	0	0	520	700	700	700	700	0	
Taxes	0	0	9,142	4,629	3,535	3,535	3,535	3,719	
Other	0	0	0	0	0	0	0	0	
	3,000	20,000	19,412	16,704	15,610	15,610	15,610	14,769	120,715
<b>Net cash flow</b>	(3,000)	(20,000)	12,975	8,462	7,367	7,367	7,367	7,552	28,091
<b>Discount factor (15%)</b>	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	
<b>DCF</b>	(3,000)	(17,392)	9,811	5,564	4,213	3,663	3,185	2,839	8,881
<b>NPV</b>	8,881								
<b>IRR</b>	31.2%								
<b>Cash Cost/oz-\$CDN</b>	0	0	\$140.17	\$210.45	\$230.50	\$230.50	\$230.50	\$230.50	\$207.45
<b>- \$ US</b>	0	0	\$116.81	\$175.38	\$192.00	\$192.00	\$192.00	\$192.00	\$172.88
<b>Full Cost/oz-\$CDN</b>	0	0	\$202.75	\$294.32	\$322.35	\$322.35	\$322.35	\$310.45	\$289.80
<b>- \$ US</b>	0	0	\$168.96	\$245.27	\$268.63	\$268.63	\$268.63	\$258.71	\$241.50

PRODUCTION STATS	1989	1990	1991	1992	1993	1994	1995	1996	TOTAL
<b>Tons Mined(000's):</b>									
Neino	0	0	50	25	0	0	0	0	75
East Ridge	0	0	80	150	175	175	175	170	925
	0	0	130	175	175	175	175	170	1,000
<b>Mill Grade(oz/ton):</b>									
Neino	0	0	1.00	0.50	0	0	0	0	
East Ridge	0	0	0.20	0.20	0.20	0.20	0.20	0.20	
<b>Recovery Rate:</b>	0	0	94%	94%	94%	94%	94%	94%	
<b>Gold Production(oz):</b>									
Neino	0	0	47,000	11,750	0	0	0	0	58,750
East Ridge	0	0	15,040	28,200	32,900	32,900	32,900	31,960	173,900
	0	0	62,040	39,950	32,900	32,900	32,900	31,960	232,650
<b>Gold Price-\$CDN</b>	\$480	\$480	\$480	\$480	\$480	\$480	\$480	\$480	
<b>-\$ US</b>	\$400	\$400	\$400	\$400	\$400	\$400	\$400	\$400	
<b>Exchange Rate (\$CDN/US)</b>	1.20	1.20	1.20	1.20	1.20	1.20	1.20	1.20	

CASH FLOW PROJECTION

(000's \$CDN)

Revenues	0	0	29,779	19,176	15,792	15,792	15,792	15,341	111,672
less 3% HSR	0	0	893	575	474	474	474	460	3,350
	0	0	28,886	18,601	15,318	15,318	15,318	14,881	108,322
<b>Less:</b>									
Operating costs	0	0	9,750	11,375	11,375	11,375	11,375	11,050	
Preproduction capital	3,000	20,000	0	0	0	0	0	0	
Ongoing capital	0	0	520	700	700	700	700	0	
Taxes	0	0	7,391	1,346	0	0	0	0	
Other	0	0	0	0	0	0	0	0	
	3,000	20,000	17,661	13,421	12,075	12,075	12,075	11,050	101,357
<b>Net cash flow</b>	(3,000)	(20,000)	11,225	5,180	3,243	3,243	3,243	3,831	6,965
<b>Discount factor (15%)</b>	1.0000	0.8696	0.7561	0.6575	0.5718	0.4972	0.4323	0.3759	
<b>DCF</b>	(3,000)	(17,392)	8,487	3,406	1,854	1,613	1,402	1,440	(2,190)
<b>NPV</b>	(2,190)								
<b>IRR</b>	10.0%								
<b>Cash Cost/oz-\$CDN</b>	0	0	\$157.16	\$284.73	\$345.74	\$345.74	\$345.74	\$345.74	\$284.98
<b>-\$ US</b>	0	0	\$130.96	\$237.20	\$288.12	\$288.12	\$288.12	\$288.12	\$237.48
<b>Full Cost/oz-\$CDN</b>	0	0	\$227.32	\$398.20	\$483.53	\$483.53	\$483.53	\$452.37	\$398.11
<b>-\$ US</b>	0	0	\$189.43	\$331.83	\$402.94	\$402.94	\$402.94	\$376.98	\$331.76

**CORPORATE PROFILE**  
**ESPERANZA EXPLORATIONS LTD.**

Listed:	VSE
Shares authorized:	100 Million Common
Shares issued:	11,026,776
Flow-thru's to be issued:	740,740
Options:	1,102,670
Fully diluted:	12,870,126
Warrants (\$1.25 expire Jan.09/89):	2,500,000
Major Shareholders (total 55%):	Welcome North (3.9 million) LaTeko (1.8 million) Bain & Co. (1.4 million)
Current share price:	\$0.85
Market capitalization:	\$10.9 million
Book value per share (Dec.31/87):	\$0.72
Working capital (Oct.31/88):	\$138,140
Cash (Oct.31/88):	\$505,815

# **ESPERANZA EXPLORATIONS LTD.**

15th Floor, 675 W. Hastings Street, Vancouver, B.C., Canada V6B 1N2  
Facsimile (604) 687-2419 • Telephone (604) 687-1658

## **SEMI ANNUAL FINANCIAL REPORT**

**FOR THE SIX MONTHS ENDED JUNE 30, 1988**

**(With comparative figures for the six months ended June 30, 1987)**

**(Prepared By Management Without Audit)**

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTHS ENDED JUNE 30, 1988

(With comparative figures for the six months ended June 30, 1987)

(Prepared By Management Without Audit)

	1988 <u>\$</u>	1987 <u>\$</u>
CASH PROVIDED FROM (USED FOR)		
FINANCING ACTIVITIES		
Issue of share capital	3,750,000	1,182,400
	<u>3,750,000</u>	<u>1,182,400</u>
INVESTING ACTIVITIES		
Exploration Development and Admin. Expenses (Net of depreciation of \$24,455; 1987-\$1,000)	(1,047,735)	(408,652)
Interest in mineral properties	(89,654)	(20,478)
Purchase of fixed assets	(254,201)	(1,541)
Property option payments received		5,000
F.A.M.E. Grant		50,000
Proceeds on sale of Ore		198,129
Proceeds on sale of investments	61,512	
Purchase of investments	(600,000)	
Net change in non-cash working capital items	(51,056)	2,559
	<u>(1,981,134)</u>	<u>(174,983)</u>
INCREASE IN CASH	1,768,866	1,007,417
CASH - BEGINNING OF PERIOD	<u>27,768</u>	<u>120,422</u>
CASH - END OF PERIOD	<u><u>1,796,634</u></u>	<u><u>1,127,839</u></u>

APPROVED BY THE DIRECTORS:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF DEFERRED COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 1988

(With comparative figures for the six months ended June 30, 1987)

(Prepared By Management Without Audit)

	1988	1987
	<u>\$</u>	<u>\$</u>
<b>EXPENDITURES DURING THE PERIOD</b>		
Analyses and geochemical analysis	5,649	10,781
Camp Maintenance	75,316	30,810
Consulting - Environmental and metallurgical	45,784	9,486
Expediting	6,336	814
Depreciation	24,455	1,000
Drilling	54,870	67,871
Field supplies	19,428	5,200
Maps, Prints & Drafting	17,134	2,483
Milling		3,000
Miscellaneous	1,668	1,252
Project management fee	182,294	
Project technical fees	50,000	
Salaries	202,247	60,354
Surveys	4,263	
Transportation	36,962	19,241
Trenching & Roads	54,697	12,239
Underground - drifting	281,676	66,037
	<u>1,062,779</u>	<u>290,568</u>
<b>ADD: Net administration costs</b>	<u>102,272</u>	<u>136,947</u>
	1,165,051	427,515
<b>LESS: Expenses Recovered</b>	<u>92,861</u>	<u>17,863</u>
<b>NET EXPENDITURES DURING THE PERIOD</b>	<u><u>1,072,190</u></u>	<u><u>409,652</u></u>

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF ADMINISTRATION COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 1988

(With comparative figures for the six months ended June 30, 1987)

(Prepared By Management Without Audit)

	1988	1987
	<u>\$</u>	<u>\$</u>
Accounting & audit	1,000	875
Advertising & promotion	353	687
Bank charges & interest	1,931	324
Commission		60,000
Dues & subscriptions	1,267	75
Insurance	2,745	2,750
Legal fees	10,459	11,936
Licenses & taxes	25	
Miscellaneous	521	1,362
Office rent, heat & light	11,746	11,842
Printing & reproduction	7,948	1,158
Salaries	57,024	38,443
Stationery & office supplies	289	
Stock exchange	1,430	2,235
Telephone & telegraph	2,340	1,283
Transfer agent fees	1,926	3,762
Travel & accommodation	1,268	215
	<u>102,272</u>	<u>136,947</u>
<b>NET ADMINISTRATION COSTS FOR THE PERIOD</b>	<u>102,272</u>	<u>136,947</u>

**ESPERANZA EXPLORATIONS LTD.**

**CONSOLIDATED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 1987**

**Coopers  
& Lybrand**

**Coopers  
& Lybrand**

chartered accountants

a member firm of  
Coopers & Lybrand (International)

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the consolidated balance sheet of Esperanza Explorations Ltd. as at December 31, 1987 and the consolidated statements of deficit, deferred exploration, development and administration costs and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1987 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Coopers & Lybrand*

Vancouver, B.C.  
March 4, 1988



ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	\$	\$
BALANCE - BEGINNING OF YEAR	544,285	508,959
Deferred costs written off (net of related option payments received of \$14,060; 1986 - \$7,500)	16,708	22,780
Cost of mineral properties abandoned	8,645	10,329
Loss on sale of investments		12,217
Property option payments received in excess of costs incurred on related properties	<u>(5,000)</u>	<u>(10,000)</u>
BALANCE - END OF YEAR	<u>564,638</u>	<u>544,285</u>

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	\$	\$
<b>CASH PROVIDED FROM (USED FOR)</b>		
<b>FINANCING ACTIVITIES</b>		
Issue of share capital	<u>1,880,217</u>	<u>221,400</u>
<b>INVESTING ACTIVITIES</b>		
Exploration and administration costs (net of depreciation of \$7,518; 1986 - \$2,859)	(1,761,044)	(359,950)
Mineral properties	(230,527)	(64,660)
Purchase of fixed assets	(36,782)	
Proceeds on sale of investments		16,200
Property option payments received	5,000	10,000
Decrease in accounts receivable		19,771
Increase in accounts payable and due to affiliated company	<u>50,483</u>	<u>16,000</u>
	<u>(1,972,870)</u>	<u>(362,639)</u>
<b>DECREASE IN CASH</b>	(92,653)	(141,239)
<b>CASH AND SHORT-TERM INVESTMENTS - BEGINNING OF YEAR</b>	<u>120,421</u>	<u>261,660</u>
<b>CASH AND SHORT-TERM INVESTMENTS - END OF YEAR</b>	<u>27,768</u>	<u>120,421</u>

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT

AND ADMINISTRATION COSTS

FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	\$	\$
<b>EXPENDITURES DURING THE YEAR</b>		
Assays and geochemical analysis	62,340	44,524
Camp maintenance	142,770	33,326
Consulting - geological and metallurgical	92,615	53,948
Depreciation	7,241	2,859
Drilling	326,339	44,909
Expediting	5,073	5,769
Field equipment and supplies	14,439	18,572
Maps, printing and drafting	7,228	12,834
Miscellaneous	16,588	2,818
Salaries and wages	210,059	192,338
Survey	4,049	3,345
Transportation	144,425	116,279
Trenching and roadwork	42,452	33,018
Underground - drifting	<u>810,998</u>	<u>191,049</u>
	1,886,616	755,588
Administration - per Schedule	<u>182,390</u>	<u>125,681</u>
	2,069,006	881,269
Less: Bulk sample proceeds	198,129	504,909
Interest income	52,315	13,551
Government grant received	<u>50,000</u>	<u>          </u>
<b>NET EXPENDITURES DURING THE YEAR</b>	1,768,562	362,809
<b>BALANCE - BEGINNING OF YEAR</b>	2,463,838	2,131,309
	4,232,400	2,494,118
Less: Costs written off to deficit	<u>30,768</u>	<u>30,280</u>
<b>BALANCE - END OF YEAR (carry forward to note 4)</b>	<u>4,201,632</u>	<u>2,463,838</u>

ESPERANZA EXPLORATIONS LTD.

CONSOLIDATED SCHEDULE OF ADMINISTRATION COSTS

FOR THE YEAR ENDED DECEMBER 31, 1987

	1987	1986
	\$	\$
Accounting and audit	11,787	3,492
Advertising and promotion	13,273	40
Bank charges and interest	1,089	5,693
Depreciation	277	
Insurance	2,750	1,853
Legal	17,763	5,269
Licences and taxes		1,452
Miscellaneous	5,123	3,202
Office rent, heat and light	25,260	18,688
Printing and reproduction	4,037	908
Salaries	81,843	72,296
Stationery and supplies	217	4,338
Stock exchange	3,935	1,805
Subscriptions and memberships	87	1,244
Telephone and telegraph	8,271	2,972
Transfer agent	<u>6,678</u>	<u>2,429</u>
<b>ADMINISTRATION COSTS FOR THE YEAR</b>	<b><u>182,390</u></b>	<b><u>125,681</u></b>

**ESPERANZA EXPLORATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 1987**

**1. NATURE OF OPERATIONS**

**Mineral Properties**

The company is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete the development, and upon future profitable production.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation**

The consolidated financial statements include the accounts of No. 291 Dynamic Endeavours Inc., a wholly owned subsidiary, incorporated during the year (inactive).

**Interest in Mineral Properties and Related Deferred Costs**

The company records its interests in mineral properties and areas of geological interest at cost less option payments received and other recoveries. Exploration and administration costs relating to these interests and projects are capitalized on the basis of specific claim blocks or areas of geological interest until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated useful life of the property following commencement of production or written off if the mineral properties or projects are sold or allowed to lapse.

The company allocates administration costs to mineral properties and areas of geological interest in proportion to the exploration and development costs.

**Fixed Assets**

The equipment is depreciated on the declining balance basis at the following annual rates:

Office and field equipment	- 30%
Vehicles	- 30%

One-half year's depreciation is charged in the year of acquisition.

ESPERANZA EXPLORATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Option Payments

Option payments are made at the discretion of the optionee and, accordingly, are accounted for on a cash basis.

Option payments received are treated as a reduction of the carrying value of the related mineral property and deferred costs until the company's costs on the related property are recovered. Option payments received in excess of costs incurred are credited to deficit.

3. INVESTMENTS - in public companies

	1987	1986
	\$	\$
Arctic Red Resources Corp., at nominal value 385,000 escrowed shares 128,800 free shares (market value of free shares - \$32,200; 1986 - \$48,944)	1	1
Welcome North Mines Ltd. 284,676 free shares at cost (market value - \$216,354; 1986 - \$227,741)	170,806	170,806
Western Canadian Land Corp. 100,000 free shares, at cost (market value - \$60,000; 1986 - \$40,000)	<u>6,660</u>	<u>6,660</u>
	<u>177,467</u>	<u>177,467</u>

4. RESOURCE ASSETS

	1987	1986
	\$	\$
Cost of mineral properties and areas of geological interest	1,065,195	843,311
Deferred exploration, development and administration costs, net of proceeds on sale of bulk samples of \$1,333,403 (1986 - \$1,135,274)	4,201,632	2,463,838
	5,266,827	3,307,149
Deduct: Property option payments received	<u>46,310</u>	<u>60,369</u>
	<u>5,220,517</u>	<u>3,246,780</u>

ESPERANZA EXPLORATIONS LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1987

4. RESOURCE ASSETS (continued)

The company has made all option payments required to earn its 100% interest in the Tillicum property subject only to a minimum annual net smelter return of the greater of \$80,000 or 3% of net smelter returns.

5. FIXED ASSETS

	1987		1986
	Cost	Accumulated depreciation and amortization	Net book value
	\$	\$	\$
Office equipment	1,846	277	1,569
Field equipment	46,587	14,531	32,056
Vehicles	11,528	9,220	2,308
	<u>59,961</u>	<u>24,028</u>	<u>35,933</u>
			<u>6,670</u>

6. CAPITAL STOCK

	Number of shares	\$
Authorized -		
20,000,000 common shares without par value		
Issued or allotted and fully paid -		
Balance - beginning of year		
For cash	4,413,000	3,052,840
For exploration expenditures incurred	1,691,070	1,024,488
	6,104,070	4,077,328
Issued during the year -		
For cash	1,176,470	940,000
For cash pursuant to options	390,000	189,700
For cash pursuant to warrants	531,176	690,517
For mineral property	75,000	60,000
	<u>8,276,716</u>	<u>5,957,545</u>

**ESPERANZA EXPLORATIONS LTD.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 1987**

**6. CAPITAL STOCK (continued)**

- (a) Options previously granted to directors and employees to purchase 70,000 shares at the price of \$0.48 per share on or before November 25, 1989 were outstanding at year end.
- (b) During the year, the company granted an employee a stock option to purchase 50,000 shares, at the price of \$0.73 per share on or before December 31, 1991. The option to purchase 10,000 shares was exercised and the remaining option to purchase 40,000 shares lapsed due to cessation of employment.

**7. SUBSEQUENT EVENTS**

Subsequent to year end:

- (a) The authorized capital of the company was increased from 20,000,000 common shares without par value to 100,000,000 common shares without par value.
- (b) The company issued to a shareholder, Welcome North Mines Ltd., 2,500,000 shares with non-transferable warrants attached at a price of \$1 per share. The warrants entitle the holder to purchase up to 2,500,000 shares at a price of \$1.25 per share prior to January 7, 1989.
- (c) The company issued to Knight's (1987) Mineral Exploration and Company Limited Partnership 250,000 shares and renounced \$1,250,000 of exploration expenditures in consideration for \$650,000 cash, pursuant to an agreement dated June 1, 1987. An ancillary agreement provides that the company may receive a further \$600,000 after the shares of the company have traded on a stock exchange for not less than 30 consecutive days at a price not less than \$6 per share; or, if the stock has not so traded, on February 29, 1993, may receive 120,000 shares of the company for return to treasury or re-issuance.
- (d) The company granted to a director a stock option to purchase 125,000 shares at the price of \$1.08 per share, prior to February 11, 1990.

**8. INCOME TAX INFORMATION**

Deferred exploration costs include \$581,000 of Canadian Exploration Expenditures which the company has renounced and which are not deductible by the company for income tax purposes.

**ESPERANZA EXPLORATIONS LTD.**

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**CAPITAL STRUCTURE**

	<b>PUBLIC</b>	<b>INSIDERS</b>	<b>LATEKO</b>	<b>BAIN</b>	<b>WELCOME</b>	<b>TOTAL</b>
<b>1. SHARES PRESENTLY ISSUED:</b>						
Insiders (estimated)		660,000				
Fisher Group		100,000				
Lateko			1,755,000			
Welcome North					3,857,836	
Bain & Co.				1,422,351		
CEE Funds	250,000					
- To be Issued	740,740					
Publicly Held	2,981,529					
	3,972,269	760,000	1,755,000	1,422,351	3,857,836	11,767,456
	34%	6%	15%	12%	33%	100%
<b>2. OPTIONS AND WARRANTS</b>						
<b>A. Warrants held by Welcome</b>						
- Jan 09/89 2,500,000 @ \$1.25					2,500,000	
<b>B. Allotted for Issue:</b>						
Directors Stock Options		551,335				
Employees Stock Options		551,336				
<b>FULLY DILUTED:</b>	3,972,269	1,862,671	1,755,000	1,422,351	6,357,836	15,370,127
	26%	12%	11%	9%	41%	100%

August 11, 198

Esperanza Explorations Ltd  
 Budget Of Source & Application Of Funds For 1988  
 Dated: AUGUST 9, 1988 (REVISED)

	TOTAL	JUN	JUL	AUG	SEPT	OCT	NOV	DEC
<b>SOURCE OF FUNDS</b>								
Share Capital:								
Private Placement -Welcome North	2,500,000	2,500,000						
CEE Funds - 1987	1,250,000	1,250,000						
CEE Funding Proposed	2,400,000			1,200,000	1,200,000			
Private Placement Proposed	1,000,000					1,000,000		
Interest Income	141,300	52,900	14,000	6,400	7,000	7,000	7,000	7,000
Disposal of investments	245,700	61,500		28,800	28,800	28,800	28,800	69,000
Sale Of Mineral Product								
Misc. Expenses Recovered (Mill Equipment)	80,000				80,000			
	<u>7,617,000</u>	<u>3,904,400</u>	<u>14,000</u>	<u>1,235,200</u>	<u>1,315,800</u>	<u>1,035,800</u>	<u>35,800</u>	<u>76,000</u>
<b>USE OF FUNDS</b>								
Administrative Expenses	256,800	102,300	18,900	31,300	19,400	25,800	16,600	42,500
Project technical fees	50,000	50,000						
Purchase Of Investments	500,000	500,000						
Purchase Of Fixed Assets	21,000	21,000						
	<u>927,800</u>	<u>773,300</u>	<u>18,900</u>	<u>31,300</u>	<u>19,400</u>	<u>25,800</u>	<u>16,600</u>	<u>42,500</u>
GENERAL OPERATING COSTS	1,148,400	276,300	124,900	166,000	185,800	142,200	125,300	125,900
CAPITAL COSTS	355,700	165,900	117,300	52,500	10,000	10,000		
PROPERTY COSTS	49,600	9,600			25,000		15,000	
MEIND - MONEY EXPLORATION	401,200	214,700	96,500	90,000				
MEIND - MONEY DEVELOPMENT	635,200	476,800	200,700	101,200	30,500	12,000	7,000	7,000
EAST RIDGE EXPLORATION	1,354,900	7,200	179,000	278,500	321,700	298,600	134,900	135,000
STREBE PROJECT - EXPLORATION	398,200	40,200	14,900	136,000	129,000	3,000		75,000
ROYALTY	80,000	40,000			20,000			20,000
HILL - GENERAL	59,600	23,800	35,000		800			
- CAPITAL COSTS	199,800	128,100	71,700					
	<u>4,882,600</u>	<u>1,382,700</u>	<u>840,000</u>	<u>826,200</u>	<u>722,800</u>	<u>465,800</u>	<u>282,200</u>	<u>362,900</u>
	<u>5,810,400</u>	<u>2,156,000</u>	<u>858,900</u>	<u>857,500</u>	<u>742,200</u>	<u>491,600</u>	<u>298,800</u>	<u>405,400</u>
INCREASE IN WORKING CAPITAL	1,806,600	1,748,400	(844,900)	377,700	573,600	544,200	(263,000)	(329,400)
WORKING CAPITAL - BEGINNING OF YEAR	(41,000)	(41,000)	1,707,400	862,500	1,240,200	1,813,800	2,358,000	2,095,000
WORKING CAPITAL - END OF YEAR	<u>1,765,600</u>	<u>1,707,400</u>	<u>862,500</u>	<u>1,240,200</u>	<u>1,813,800</u>	<u>2,358,000</u>	<u>2,095,000</u>	<u>1,765,600</u>
* NON CEE CEE Expenditures	<u>2,476,000</u>			<u>635,100</u>	<u>698,000</u>	<u>472,700</u>	<u>337,700</u>	<u>332,500</u>

JULY 9, 1968

ACTUAL

	TOTAL	JAN-JUNE	JULY	AUG.	SEPT.	OCT.	NOV.	DEC.
<b>GENERAL OPERATING (DISTRIBUTABLE)</b>								
ASSAY LAB	88,200	0	15,400	17,300	16,800	12,900	12,900	12,900
ENGINEERING & ADMINISTRATION	240,800	16,500	46,800	49,300	44,300	29,700	27,100	27,100
CAMP	239,800	73,000	27,800	27,800	27,800	27,800	27,800	27,800
TRANSPORTATION - AIRLINES	14,400	1,600	2,000	2,000	3,400	3,400	2,000	0
- HELICOPTER	19,200	1,200	3,600	4,200	4,200	3,600	2,400	0
VEHICLES - OPERATIONAL COST - MINE	8,800	0	6,300	500	500	500	500	500
- EXPLORATION	4,000	0	2,100	500	500	500	200	200
FUEL	107,400	0	17,900	17,900	17,900	17,900	17,900	17,000
FREIGHT	15,000	2,000	3,000	2,000	2,000	2,000	2,000	2,000
PROJECT MANAGEMENT FEE	410,800	182,000	0	46,500	68,400	43,900	32,500	37,500
<b>TOTAL GENERAL OPERATING</b>	<b>1,148,400</b>	<b>276,300</b>	<b>124,900</b>	<b>168,000</b>	<b>185,800</b>	<b>142,200</b>	<b>125,300</b>	<b>125,000</b>
<b>CAPITAL COSTS</b>								
ASSAY LAB	110,000	54,000	56,000	0	0	0	0	0
ENGINEERING & ADMINISTRATION	1,800	0	1,800	0	0	0	0	0
CAMP	35,600	0	23,100	12,500	0	0	0	0
MINING	208,300	111,900	36,400	40,000	10,000	10,000	0	0
	0	0	0	0	0	0	0	0
<b>TOTAL CAPITAL COSTS</b>	<b>355,700</b>	<b>165,900</b>	<b>117,300</b>	<b>52,500</b>	<b>10,000</b>	<b>10,000</b>	<b>0</b>	<b>0</b>
<b>PROPERTY COSTS</b>								
	49,600	9,600	0	0	25,000	0	15,000	0
<b>MINE - MONEY EXPLORATION</b>								
	401,200	214,700	96,500	90,000	0	0	0	0
<b>MINE - MONEY DEVELOPMENT</b>								
	835,200	476,800	200,700	101,200	30,500	12,000	7,900	7,000
<b>EAST RIDGE - EXPLORATION</b>								
	1,354,900	7,200	179,000	278,500	321,700	298,600	134,900	135,000
<b>STREBE PROJECT - EXPLORATION</b>								
	398,200	40,300	14,900	136,000	129,000	3,000	0	75,000
<b>ROYALTY</b>								
	80,000	40,000	0	0	20,000	0	0	20,000
<b>MILL - GENERAL</b>								
- CAPITAL COSTS	59,600	23,800	35,000	0	800	0	0	0
	199,800	128,100	71,700	0	0	0	0	0
<b>TOTAL TILlicum MOUNTAIN COSTS</b>	<b>4,882,600</b>	<b>1,382,700</b>	<b>840,000</b>	<b>826,200</b>	<b>722,800</b>	<b>465,800</b>	<b>282,200</b>	<b>362,900</b>
<b>CUMULATIVE TOTALS</b>	<b>4,882,600</b>	<b>1,382,700</b>	<b>2,222,700</b>	<b>3,048,900</b>	<b>3,771,700</b>	<b>4,237,500</b>	<b>4,519,700</b>	<b>4,882,600</b>