

KILBORN

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Kilborn Engineering (B.C.) Ltd. / 1199 W. Pender, Vancouver, Canada V6E 2R1. Telex: 04-507734, Tel: (604) 669-8811

August 10, 1982

Kamad Silver Company Ltd.
c/o D. M. Wilder
1066 West Hastings Street
Vancouver, B. C.

Attention: Mr. D. M. Wilder

Dear Sirs:

The Homestake Property has been investigated and reported on by Kilborn personnel. Based on the following assumptions it appears that an economically viable mining and processing operation can be undertaken at a production rate of 8400 tons ore per month. The assumptions include the following:

- (a) Purchase of the Dekalb Concentrator and associated mining equipment and ancillary facilities for \$1,600,000.
- (b) Production of a bulk sulfide concentrate which would be sold to Cominco based on the Cominco Open Contract for Lead Concentrates at the following metal prices in Canadian funds:

Gold	-	\$ 390.00 per Troy Ounce;
Silver	-	7.50 per Troy Ounce;
Copper	-	0.73 per Pound;
Lead	-	0.33 per Pound;
Zinc	-	0.45 per Pound.

- (c) Production of a barite concentrate which would be sold under contract for \$160.00 per ton F.O.B. Concentrator as a filtered concentrate.

Cash flow calculations indicate that operating on borrowed capital and paying 20 percent interest for these funds that by mining the 500 Zone in the initial stages the loan can be repaid in 16 months if recoveries and mine grades are as calculated.

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Plan is changed to mine 300 zone first of higher grade silver
D.M.

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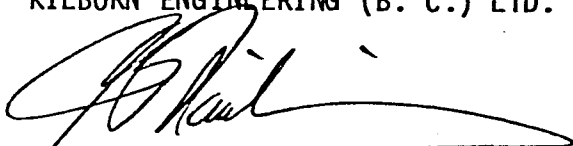
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Kamad Silver Company Ltd.

Based on the proceeding statements it is recommended that the mine be placed in production.

Yours truly,

KILBORN ENGINEERING (B. C.) LTD.



J. B. Fairbairn, P.Eng.
Manager of Mining Engineering

JBF/bj