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Mine reopening offers hope for local economy

Goldstream copper mine may receive brand new lease on life

Gregg Chamberlain
Times Review Staff

Revelstoke's economy could be in for a welcome shot in the arm year. A senior official with Orphan Boy Resources of Vancouver will be at next month's Chamber of Commerce general meeting to talk about the future of the Goldstream mine.

The Goldstream is located 90 kilometres north of Revelstoke and during its years of operation produced copper and zinc plus some gold, silver and other metals.

Orphan Boy has been working on an exploration program for the Goldstream and four other neighbouring mineral sites as part of its Big Bend Metals Project. The goal is to use the milling facilities at the Goldstream as the central processing location for all five mineral properties.

In a report to City Council this week, Community Economic Development Director Alan Mason stated that Orphan Boy's latest feasibility study on the project "is looking positive." He noted that the company's most recent press release "suggests that, due to increasing commodity prices, there is the possibility that operations at the

Goldstream mine could begin as soon as October 2003."

Noranda operated the mine during the early 1980s then shut it down when world metal prices dropped. In 1989 Bethlehem Resources GoldNev Resources bought the mine and began operations, selling processed copper to the Japanese market. The Goldstream closed down in 1996 due to a combination of rising operating costs and metal prices in the world market.

Imperial Metals later acquired both GoldNev's and Bethlehem's interest in the mine. During the past decade Orphan Boy became partners with Imperial Metals on the Goldstream and last year bought out Imperial's interest in the operation.

John Chapman of J.A. Chapman Mining Services is one of Orphan Boy's directors. Chapman is to be at the Chamber of Commerce 18 luncheon meeting to provide an update on the Big Bend Meta Project which may include more details on the likelihood of how the company does anticipate reopening the Goldstream.

During Mason's own talks with him, the Orphan Boy director has suggested that reopening the Goldstream could provide as many jobs over a five-year period. At least one third of those jobs could go to locals.

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QUEBECOR MEDIA

MEMORANDUM

Bethlehem Resources (1996) Corporation

VGS → WILLA
→ GOLDSTREAM
→ SPIRE


Date: October 23, 2004
To: Mark Brown, Gerry Carlson, Ron Coombes
From: John Chapman
Re: **Progress Report – Advancing Toward Production**

Following is a point form update on progress toward development on ORS and Bethlehem properties:

- (1) The Willa property has been the focus of many activities in 2004, including:
- (a) NAD83 survey control was established on surface and underground, bringing all maps to modern standards;
 - (b) A 5,284m underground infill and step-out core drill program was completed in September. The resulting data is being entered into the Willa deposit digital model (Surpac) from the NI43-101 resource report completed by Geospectrum Engineering in March 2003 (posted on Sedar). The resource prior to the 2004 drill program was: 1.83 million mt grading 4.8gpmt gold, 0.7% copper and 9.2gpmt silver at a 2.5gpmt gold cut-off or 996,600mt grading 6.3gpmt gold, 0.8% copper and 10.8gpmt silver at a 3.5gpmt gold cut-off;
 - (c) Preliminary work has been started on stope design to outline the development of the highest grade ore to be produced in the first two years of production. Final design awaits the model update and some definition drilling which is scheduled to commence in mid November;
 - (d) Hatch has completed a study for surface infrastructure and ore haulage from an underground transfer station on the 1025 Level, within the ore zone, to surface. This is considered as Plan A with modern trackless development;
 - (e) Steve Phillips, Dave Makepeace and John Chapman are developing a Plan B using the existing track and 1025 Level adit for ore transport to the same surface transfer stockpile described in Hatch's Plan A. This Plan B will have substantially lower capital costs than Plan A, but will result in higher operating costs;
 - (f) The 1100 Level portal is undergoing rehabilitation to provide underground ventilation and an emergency escape for miners. The portal work will be completed in early November;
 - (g) Two surface lots, totaling 27.38 acres have been purchased (deal closes on November 15th) on Highway 6, near Willa, for transferring underground ore onto highway trucks;
 - (h) The Rush and Margie mineral claims are presently being legally surveyed as a first step toward their conversion to mining leases. The other Willa property claims have had a CAD filing extending their expiry to 2014;
 - (i) A Notice of Work has been filed for improvement of surface access at Willa;
 - (j) Underground equipment (jeep and electrical switchgear) has been transferred from Goldstream to Willa;
 - (k) Steve Phillips and John Chapman are meeting with local Mines Inspectors on October 26, 2004 to initiate application for a 10,000mt bulk sample permit and a ~75,000mtpy small mine permit;

- (l) Owner operators, with tridem tractors and quad K-Line trailers will be utilized on the Willa to Goldstream ore haul. Silverton Transport Ltd. will manage the haul. Advertising for owner operators will be conducted in January;
 - (m) An open house meeting has been scheduled for November 10th in Silverton to update the public on Willa development (proposed May 1, 2005 startup). The last local meeting was held in the same location in February 2003 (see meeting results on ORS Website);
 - (n) Regular monthly reports for Willa and LH from Discovery Consultants and Steve Phillips have been circulated to Board Members and Team Members for information purposes.
- (2) During 2004 the LH property, adjoining the Willa, has been explored on surface with prospecting, soil geochemical surveys and IP surveys. Gold has been discovered in outcrops at high elevations in rugged terrain on Congo Creek but no surface drilling has been conducted due to very difficult access and approaching winter conditions. A 1,000m nearly flat core hole is currently being drilled from surface at the Willa deposit under the mountain toward Congo Creek - there are low-grade sulfides visible in the core with associated silicification, but no assays have been received to date.
- (3) Verbal reports from Ron Coombes indicate potential on the Rain property for the development of an economic resource. Given the mineralogy (zinc, lead and silver), Teck Cominco may be interested in making a private placement in ORS toward the advancement of the Property. The Trial smelter is in desperate need of local lead and zinc concentrate feed as presently almost all of the feed comes from expensive off-shore sources. Russ Babcock, Smelter Manager has made presentations to the local mining community stressing Teck Cominco's need for local concentrates. I have recommended to Ron that preliminary metallurgical work be done on the Alfie and Lynes showings to fast track interest by the public and by Teck Cominco (I have not seen the showings personally but have been told that the mineralization is coarse grained which probably indicates good separation and recovery characteristics). I have also recommended to Ron that Steve Phillips visit Rain to determine the best locations to develop the Alfie and Lynes showings by underground entry - this knowledge could be useful if a bulk sample Notice of Work is warranted. Exploration and development at Rain will be low-risk due to its proximity to the Goldstream plant. No written progress report has been received from either Ron Coombes or Gordon Gibson for several months - a report ASAP would be helpful to the Board and the Team in understanding the situation at Rain, Spire and Boutwell.
- (4) The Goldstream plant and infrastructure is undergoing continuing feasibility work (with related minor preproduction expenditures where necessary) as follows:
- (a) Merit Consultants' preliminary report (Phase One review) dated November 2002 outlined the capital cost and schedule to restart the Goldstream plant (posted on Sedar). The report set out the general plant and infrastructure condition at Goldstream. The report estimated that it would take approximately \$4.4 million in capital costs (excluding reagents, spare parts and working capital) and four months of time to bring the mill to operating condition. A Phase Two program was planned to bring capital cost estimates into the +/- 15% range;
 - (b) In April 2004, Art Winckers (former Senior Metallurgist Teck Cominco) completed a professional report on the processing of Willa ore in the Goldstream mill (posted on Sedar);
 - (c) On October 4, 2004 Klohn Crippen completed a feasibility study on the expansion of the surface tailings facility. The study concludes that the existing Goldstream Tailings facility, as permitted originally, can adequately store all the Willa tailings generated by five years operation at 500dmtpd. The existing facility can also be raised and/or extended to the west to expand the storage capacity in excess of what is needed to accommodate an additional 15 years of operations at 1,000dmtpd. Moreover, an additional potential

impoundment site located on the Old Goldstream Creek channel is identified for future consideration;

- (d) Hatch Limited has commenced a study related to the disposal of tailings in the Goldstream underground adjacent to the plant. If feasible, this method would substantially reduce start-up and operating cost for several years. I have personal experience with this technique that was used successfully at Keystone Gold in Manitoba;
- (e) Merit consultants are now on the job at Goldstream executing a Phase Two program. They have available reports from the 1991 restart as well as the knowledge of Red Daley former Concentrator Superintendent who was present for the 1991 plant startup. The program includes fine tuning the Phase One estimate by bringing in a small team of experts under Merit's leadership to examine and catalogue in detail the work to be done for plant restart. This detailed examination phase includes millwright, electrical, electronic, mechanical, welding, piping and process expertise as well as purchasing/inventory skills. Besides examining all mechanical, electrical and building systems Merit would catalogue (digitally) the spare parts inventory and tools which are presently spread among some five locations at the Goldstream site. The insurance underwriter will also attend to the fire water systems requirements to bring the system up to industry standards. Phase Two is scheduled to be completed by the end of November and the resulting report will contain more precise capital costs and schedule to restart the plant as well as general arrangement drawings for construction;
- (f)  Jeff Sato, Manager, Rates and Connections BC Hydro has been contacted regarding a May 2005 plant restart. Jeff has forwarded the latest Electricity Supply Agreement for the Goldstream Plant - it is dated November 10, 1999;
- (g) On September 25th Butterfield Mineral Consultants Ltd. completed a marketing study for proposed Willa concentrates as defined in work done by Winckers & PRA in 2003 as well as prior metallurgical work done by Lakefield Research for Northair in the 1980s. A digital copy of the report was distributed to Board Members and to Team Members;
- (h) The land adjacent to the west side of the Goldstream Concentrator has been cleared to facilitate surveying and geotechnical testing for design of facilities for ore transfer, ore stockpiles and ore crushing;
- (i) On October 6th, Jack Stanley, consultant, delivered his report on the proposed analytical laboratory at the Goldstream plant;
- (j) One long delivery item, a Larox pressure filter, has been identified and an option payment of US\$25,000 is being made to hold the unit at the McCoy/Cove mine (Newmont) until February 15, 2005 when a final payment of US\$175,000 will be due in order to close the purchase. At this time, there is no other long delivery item identified by the Team that could cause a delay for a May 1, 2005 commissioning;
- (k) Art Winckers and John Chapman met with MEM officials in Kamloops on October 21st to request an amendment to the Goldstream operating permit M-147 to facilitate custom mineral processing at the rate of 1,000dmtpd from various sources of ore. The meeting was positive with the government officials suggesting that they should be able to review and approve the request within 60 days of formal submission (November 15th).

If the Board can decide upon a date for a general meeting with consultants it would be wise to have a meeting in the next three weeks. A meeting would provide a forum to bring all of the management and Project Team members up to date.

We are continuing toward completing all elements of the Feasibility Study by the last week of November. Dave Makepeace and John Chapman will then combine the independent reports into one Feasibility Study

Document and add an Executive Summary, for submission to the ORS Board of Directors by December 6th.

In order to achieve a May 1, 2005 start-up of Goldstream and of Willa, construction will need to commence no later than February 1, 2005. Hence, it will be of critical importance to obtain permitting and financing before February 1, 2005.

John A. Chapman

TR → Goldstream

Bethlehem Resources (1996) Corporation

410 – 325 Howe Street, Vancouver, B.C., Canada, V6C 1Z7
tel: 604.687.3520, fax: 604.688.3392, E-mail: orphanres@aol.com

September 27, 2004

Via: Email

Mr. Joe Sequin
Inspector of Mines
Ministry of Energy & Mines
162 Oriole Road
Kamloops, B.C. V2C 4N7

Dear Sirs:

Re: Goldstream Mill & Tailings – Permit M-147 Amendment

This letter will confirm our telephone meeting today regarding the intention of Bethlehem Resources to recommence production at Goldstream by May 1, 2005, subject to permit amendment.

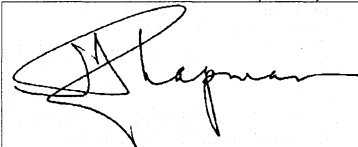
As discussed, Art Winckers, Processing Consultant and I would like to meet with you and Mr. Steve Rothman at your earliest convenience to discuss the necessary steps to amend Permit M-147 to accommodate custom milling operations at Goldstream at the existing 1,000dmtpd capacity.

Klohn Crippen is now finalizing a Goldstream Tailings Facility – Feasibility Study. It should be available for distribution by next week – at which time I will forward a copy to you. In addition, Hatch Limited is just commencing a study related to potential for disposal of tailings in the old Goldstream mine underground workings. The underground tailings disposal method worked very well in 1993 when I reopened the Sherritt Gordon mill in Lynn Lake Manitoba – it was safe, environmentally friendly and efficient.

Art and I wish to meet with you in Kamloops at your earliest convenience.

Yours truly,

Bethlehem Resources (1996) Corporation



John A. Chapman
Project Manager & Director

- cc. Mr. Red Daley, Goldstream Mine Manager
Mr. Steve Phillips, Willa Mine Manager
Mr. Bruce Reid, Inspector of Mines, Cranbrook
Mr. Steve Rothman, Inspector of Mines, Thompson-Okanagan
Mr. Art Winckers, Mineral Process Consultant
Mr. Steve Wuschke, Inspector of Mines – Permitting and Reclamation

JB → Goldstream

Bethlehem Resources (1996) Corporation

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tel: 604.687.3520, fax: 604.688.3392, E-mail: orphanres@telus.net

Ministry of Energy and Mines
162 Oriole Road
Kamloops, BC V2C 4N7

December 29, 2004
via email
original via courier

Attention: Mr. H.P. Joe Sequin, Inspector of Mines

Dear Sirs:

Re: Letter of Transmittal - Application to the BC Ministry of Energy and Mines for the Amendment of Permit M-147 to Facilitate Operation of the Goldstream Mill as a Custom Mineral Processing Plant at up to 1,360 dry metric tons per day

I am pleased to submit, on behalf of Bethlehem Resources (1996) Corporation, an application to amend Permit M-147 to facilitate operation of the Goldstream Mill as a Custom Mineral Processing Plant.

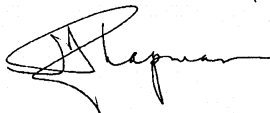
The Revelstoke region is one of the most highly mineralized terranes in British Columbia and is host to several known mineral deposits such as the Willa, Copper Belt, Ruddock Creek, J&L and Trout Lake. The region is also close to Teck Cominco Limited's World Class Trail smelting and refining facility. Teck Cominco has been canvassing local prospectors and companies to work in the area in order to improve ore discovery odds for potential Trail smelter feed. Operating the Goldstream facility as a Custom Mineral Processing Plant would, in the long-term, be supportive of the Trail smelter efforts to remain viable.

Subject to approval of this Permit M-147 amendment application, Bethlehem intends to commence processing of ore from its Willa Gold Mine in May 2005 and in lock-step actively seek other sources of feed for the Goldstream Custom Mineral Processing Plant.

I have sent to you today, via Xpresspost, a 50 page supporting report for this Amendment Application with the same title as the subject line above. Included in the package are current reports on Goldstream from Merit Consultants International Inc. (Start-Up Report, Goldstream Plant), Klohn Crippen (Goldstream Tailings Facility, Feasibility Study), Hatch Limited (Goldstream Plant Underground Tailings Disposal, Pre-Feasibility Study) and Art Winckers & Associates (Willa Metallurgy & Ore Processing).

If you have any questions regarding this application do not hesitate to contact John Chapman, Project Manager (604.536.8356), Red Daley, Mine Manager (250.837.9312) or Art Winckers, Principal Goldstream Plant Consultant (604.929.6512).

Yours truly,
Bethlehem Resources (1996) Corporation



John A. Chapman
Project Manager, Director

cc. Mr. Bruce Reid, Inspector of Mines, Kootenay Office
Mr. Steve Wuschke, Manager Permitting, Exploration & Small Mines

Schroeter, Tom EM:EX

From: Schroeter, Tom EM:EX
Sent: Wednesday, December 29, 2004 10:37 AM
To: XT:Chapman, John Leader Mining International Inc EAO:IN
Subject: RE: Letter of Transmittal - Application to the BC Ministry of Energy and Mines for the Amendment of Permit M-147 to Facilitate Operation of the Goldstream Mill as a Custom Mineral Processing Plant at up to 1,360dmtpd

Right on! All the best in 2005!

Tom

Tom Schroeter, P.Eng./P.Geo.
Senior Regional Geologist
Geological Survey and Development Branch
Mining and Minerals Division
Ministry of Energy and Mines

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Autotel 604 662-9091

-----Original Message-----

From: John A. Chapman [mailto:jacms1@sprynet.com]
Sent: Wednesday, December 29, 2004 10:20 AM
To: Seguin, Joe EM:EX; Rothman, Stephen EM:EX
Cc: Cathro, Mike EM:EX; Errington, John EM:EX; Howe, Diane J EM:EX; Carr, Chris EM:EX; Reid, Bruce EM:EX; Grieve, Dave A EM:EX; Art Winckers; Roy Lammle
Subject: Letter of Transmittal - Application to the BC Ministry of Energy and Mines for the Amendment of Permit M-147 to Facilitate Operation of the Goldstream Mill as a Custom Mineral Processing Plant at up to 1,360dmtpd

Gentlemen,

Attached is a Letter of Transmittal regarding the subject Application to Amend Permit M-147. I am sending to you today via Xpresspost one printed copy of the Cover Letter and the supporting Report and 5 copies of the CD containing all reports (including backup reports).

I have sent, via regular mail, CDs containing all of the reports, mentioned in the Letter, to Bruce Reid (2 copies of CD) and to Steve Wuschke (3 copies of CD).

Best regards,
John Chapman
604.536.8356