

NEWCOAST SILVER MINES LTD. (NWV-V)

GIBRALTAR MINES LTD. ((GBM-T,V)

FURTHER STUDY RECOMMENDED FOR GIB NORTH COPPER RESERVES

John A. Chapman, mining consultant and a director has up dated results and reserves in the Gib-North deposit in the Jan Summit claim group in which Newcoast Silver Mines holds a 30% net profits interest. The claim group adjoins the Gibraltar Mine East Zone pit to the west and is 5,000 feet south of the Gibraltar Mines 40,000 ton per day concentrating plant. The property is 45 km east of William Lake, central B.C.

On the basis of the assay results from 90 NQ drill holes each to 850 feet deep he has calculated a reserve of 50,000,000 tons grading 0.4% copper, using a 0.18% copper cutoff, available to a 3 tons of waste to one ton of ore stripping ratio. The geological reserves are estimated at 80,000,000 tons of the same grade. The mineralization is open down a gentle plunge to the north, rising closer to surface to the south and east. (SEE ADDITIONAL COST ESTIMATES AND DATA ASSUMPTIONS IN THE TABLE OVERLEAF P.2 AND DRILL SECTION OVERLEAF P.1) At US \$1.00, or Can. \$1.25 per pound for copper this material has a gross recoverable value of \$8.50 per ton, against mining, milling and smelting costs of \$7.22 per ton or a cost per pound of US 85¢ or Can. \$1.06.

The calculations show at a price of US \$1.25 per pound the Gibraltar North deposit would generate Can \$171,000,000 operating cash flow before capital estimated at between \$10,000,000 and \$20,000,000 and taxes. This compares with 50,000,000 tons mined at the Gibraltar mine average operating parameters would generate Can. \$111,000,000. The Gib North deposit may also yield material silver, gold and zinc credits. With higher copper prices the operating profits from the Gib North increases faster than mining from the Gibraltar mine since the Gib North is higher grade.

In recent reports Placer Dome/ Gibraltar has indicated the companies are emphasising expansion of both gold and copper production with increased exploration within and near existing mines. With recent equipment purchases Gibraltar is using the largest mining and haul equipment in Canada, 42 yard shovel, 240 ton trucks and has an efficient SXEW plant.

Newcoast Silver Mines currently has 4,548,514 shares issued and some \$175,000 in free working capital.

Gibraltar Mines has stated the Gib North deposit is uneconomic at the present copper price and the present level of knowledge of the deposit. Newcoast management is confident more development drilling, further study and improved metal prices have the potential to enhance the economics of the deposit. Gibraltar will continue to study the deposit for possible development in the future. (SEE GCNL No.12, 19Jan93, P.1 FOR MORE RESULTS AND NO.171, SEPT. 3/92 FOR A PREVIOUS REVIEW)

93B 12

p. 1 of 3

**NEWCOAST SILVER MINES LTD.  
 GIBRALTAR NORTH DEPOSIT**

NEWCOAST SILVER MINES LTD.  
 GIBRALTAR NORTH DEPOSIT  
 "HORSEBACK" ESTIMATE, JANUARY 1993  
 (PREPARED BY NEWCOAST MANAGEMENT)

	GIBRALTAR NORTH DEPOSIT	GIBRALTAR
Geological Reserves (tons)	80,000,000 (2)	
Reserves (tons) @ 0.18% copper cutoff	50,000,000 (2)	166,000,000 (1)
Copper Grade (%)	0.40	0.31
Strip Ratio (waste:ore)	3:1	1.4:1
Copper Recovery (%)	85	82
Recoverable Copper per ton of ore (pounds)	6.80	5.08
Gross Recoverable Value per ton of ore (C\$)		
@ U.S.\$1.00/lb copper	8.50 (3)	6.36 (3)
@ U.S.\$1.25/lb copper	10.63	7.94
@ U.S.\$1.50/lb copper	12.75	9.53
Mining Cost per ton milled (@ \$0.50/ton mined)	2.00	1.20
Other Site Costs per ton milled	2.50	2.50
Concentrate Cost per ton milled (@ \$0.40/lb cu)	2.72 (4)	2.03 (4)
Total Cost per ton milled	7.22	5.73
Total Cost per pound of copper produced	1.06	1.13
Operating Proceeds per ton milled (C\$)		
@ U.S.\$1.00/lb copper	1.28	0.62
@ U.S.\$1.25/lb copper	3.41	2.21
@ U.S.\$1.50/lb copper	5.53	3.80

**NOTES:**

- (1) As reported by Gibraltar Mines Limited in their 1991 Annual Report.
- (2) As estimated by Newcoast from raw drilling data (90 NQ drill holes @ 850 feet each).
- (3) U.S.\$ exchange rate: 1.25.
- (4) Approximate industry standard cost for copper concentrate handling & treatment.
- (5) Estimated capital cost for Gib. North deposit development: 10 to 20 million dollars (Newcoast estimate).
- (6) Newcoast has a 30% net profits interest in mineral claims at the Gibraltar North deposit.
- (7) Approximately 95% of the Gibraltar North deposit, as presently defined, is on Newcoast's 30% NPI lands.

The above table presents the economic advantage of the Gibraltar North deposit. For example, at U.S. \$1.25/lb copper the Gibraltar North deposit would generate C\$171 million operating cash flow before capital and taxes; in turn 50 million tons mined at the Gibraltar mine average operating parameters would generate C\$111 million. The Gibraltar North deposit may also yield material silver, gold and zinc credits, in addition to the stated copper credits. Further economic analysis, which could include these other metals, awaits metallurgical test results, by Gibraltar Mines, on core composites.

This preliminary estimate has been prepared on behalf of Newcoast management by John A. Chapman, and he accepts responsibility for its contents.

93B 12

p. 2 of 3

93B 12  
 p. 3 of 3

