

116 B

GOLD RUN MINING JOINT VENTURE

PROPOSAL, PLACER OPERATION, NR. DAWSON

CITY, Y.T.

005705


JANUARY 1982

JAN 31/82

I CAN NOT SEE ANY
MERIT IN THIS AT
COST UP TO \$550.00 C/W.

I DOUBT THE LENGTH
OF THEIR OPERATING
SEASON. PARAMETERS AT

SAME LATITUDE CAN
GET ONLY 5 MONTHS. ^{of}
THEIR COST ARE LOW ^{operating}
AND 10% ESC. ON
COSTS IS NOT ENOUGH.

NO BUCK UP EQUIPMENT
EITHER LEASE OR OWN.
FORECASTED RETURN
(ADJUSTED FOR ABOVE)
NOT WORTH THE RISK
I Agree My 

Bill James - Jan 28/82

Deal - Gold Rev

2.6 mils would get you 50% of Company

Presently - $\begin{array}{r} 1.3 \text{ mil bank debt} \\ .3 \checkmark \text{ other debt / payable} \\ \hline 1.6 \checkmark \end{array}$

- 1 mil of 2.6 mil would go into the quarter.

TO *Fish*

FROM		DATE	19
PLEASE REPLY DIRECT	<input type="checkbox"/>	PLEASE HANDLE	<input type="checkbox"/>
PLEASE SEE ME	<input type="checkbox"/>	YOUR COMMENTS	<input type="checkbox"/>
FOR YOUR INFORMATION	<input type="checkbox"/>	FOR APPROVAL	<input type="checkbox"/>
PLEASE RETAIN	<input type="checkbox"/>	PLEASE RETURN	<input type="checkbox"/>

Jan 1992

This proposal was turned down on the basis that it was not profitable at present costs and prices and would need A/c @ \$500 US /oz to make a reasonable return. D & C

Gold Run - Purak Corp

7.5 million in 5 million out

Breaks even at \$400 US / oz

Grade est is 0.0083 @ \$4.15 @ \$500
to

Train Cut = 0.0068 @ \$4.50 @ \$500
3.40 @ (500) A
1992 budget calls for 3.09 / c. y.

Put @ \$375 US = \$413 Canadian
0.0083 oz/gal
= \$3.42 / gal

10% gross royalty

Revenues Poorly outlined (500 ft line
intervals, 300 foot
drill hole
intervals)
Est = 10 to 15 million c. y.

$0.0068 \times (413.00) = 2.81 \text{ gal}$

Drilling 500' line spacing } YCS
300' stations }

1990	450,000 gal	1 thru box
1991	700,000 gal	
1992	1 million gal	

Cost

1982 cost -

3.09 / yd

$$\text{@ } \$377 \text{ US / cu yd} = 377 \times 1.19 = \$444.00 \text{ Can}$$

Estimated Price eq

$$\text{Per yd } 444 \times 0.0069 = \text{\$3.02 Can adu.}$$

As follows

Grade

Fuel cost

Weather

This project has a poor margin

TABLE I
OPERATION & CAPITAL BUDGET 1982
 (000's)

	<u>JAN.</u>	<u>FEB.</u>	<u>MAR.</u>	<u>APR.</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG.</u>	<u>SEPT.</u>	<u>OCT.</u>	<u>NOV.</u>	<u>DEC.</u>	<u>TOTAL</u>
OPERATING													
ADMINISTRATIVE	25	25	25	25	25	25	25	25	25	25	25	25	300
MTNCE. & RPRS.	-	-	50	50	100	50	30	30	50	50	40	-	450
WAGES	-	-	-	20	50	70	80	85	75	75	50	-	505
FUEL	-	-	-	-	30	70	70	100	100	150	150	-	670
EQUIP. RENTAL	-	-	-	20	40	40	50	60	50	40	-	-	300 <i>25.00</i>
GENERAL	5	10	15	20	30	30	30	30	30	30	20	10	260
TOTAL OPERATING	<u>30</u>	<u>35</u>	<u>90</u>	<u>135</u>	<u>275</u>	<u>285</u>	<u>285</u>	<u>330</u>	<u>330</u>	<u>370</u>	<u>285</u>	<u>35</u>	<u>2485</u>
LEASE													
FINNING	-	-	-	-	-	-	93	93	93	93	93	93	558
OTHER	1	1	2	2	2	2	2	2	2	2	2	1	21
	<u>1</u>	<u>1</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>95</u>	<u>95</u>	<u>95</u>	<u>95</u>	<u>95</u>	<u>94</u>	<u>579</u>
													3064
CAPITAL													
FINNING	-	-	-	-	-	-	-	-	-	-	-	436*	436
MISC.	-	-	100	-	-	100	-	-	-	-	-	-	200
													636
BANK INTEREST	25	25	25	25	25	25	25	25	25	25	25	25	300 <i>25.00</i>
MONTHLY	56	61	217	162	302	412	405	450	450	490	405	590	4000
CUMULATIVE	-	117	334	496	798	1210	1615	2065	2515	3005	3410	4000	-

* Equipment Purchase

4000

December 8, 1981

TABLE II A
REVENUE (\$000's)

	<u>JAN.</u>	<u>FEB.</u>	<u>MAR.</u>	<u>APR.</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG.</u>	<u>SEPT.</u>	<u>OCT.</u>	<u>NOV.</u>	<u>DEC.</u>	<u>TOTAL</u>
PRODUCTION													
GOLD PRODUCTION (OZ.)	-	-	-	-	550	700	500	700	3580	1750	-	-	7780
ROYALTY	-	-	-	-	55	70	50	70	360	175	-	-	780
NET PRODUCTION (OZ.)	-	-	-	-	495	630	450	630	3220	1575	-	-	7000
REVENUE A. \$500 C	-	-	-	-	-	248	315	225	315	1610	787	-	3500
B. \$600 C	-	-	-	-	-	297	378	270	378	1932	945	-	4200
C. \$700 C	-	-	-	-	-	347	441	315	441	2254	1102	-	4900
TOTAL EXPENSES (MONTHLY)	56	61	217	162	302	412	405	450	450	490	405	590	4000
MAXIMUM IMPAIRMENTS													
A.	(56)	(117)	(334)	(496)	(798)	(962)	(1052)	(1277)	(1412)	(292)	90	(500)	AGS/C
B.	(56)	(117)	(334)	(496)	(798)	(913)	(940)	(1120)	(1192)	250	790	200	
C.	(56)	(117)	(334)	(496)	(798)	(863)	(827)	(962)	(971)	793	1490	900	

4/3/81

December 8, 1981
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TABLE II B

REVENUE (\$000's)

	<u>JAN.</u>	<u>FEB.</u>	<u>MAR.</u>	<u>APR.</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG.</u>	<u>SEPT.</u>	<u>OCT.</u>	<u>NOV.</u>	<u>DEC.</u>	<u>TOTAL</u>
PRODUCTION													
GOLD PRODUCTION (OZ.)	-	-	-	-	550	700	500	1200	4000	2050	-	-	9000
ROYALTY	-	-	-	-	55	70	50	120	400	205	-	-	900
NET PRODUCTION (OZ.)	-	-	-	-	495	630	450	1080	3600	1845	-	-	8100
REVENUE A. \$500 C	-	-	-	-	-	248	315	225	540	1800	922	-	3600
B. \$600 C	-	-	-	-	-	297	378	270	648	2160	1107	-	4320
C. \$700 C	-	-	-	-	-	347	441	315	756	2520	1291	-	5040
TOTAL EXPENSES (MONTHLY)	56	61	217	162	302	412	405	450	450	490	405	590	4000
MAXIMUM IMPAIRMENTS													
A.	(56)	(117)	(334)	(496)	(798)	(962)	(1052)	(1277)	(1187)	123	640	50	
B.	(56)	(117)	(334)	(496)	(798)	(913)	(940)	(1120)	(922)	748	1450	860	
C.	(56)	(117)	(334)	(496)	(798)	(863)	(827)	(962)	(655)	1374	2260	1670	

December 8, 1981

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TABLE II C
REVENUE (\$000's)

	<u>JAN.</u>	<u>FEB.</u>	<u>MAR.</u>	<u>APR.</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG.</u>	<u>SEPT.</u>	<u>OCT.</u>	<u>NOV.</u>	<u>DEC.</u>	<u>TOTAL</u>
PRODUCTION													
GOLD PRODUCTION (OZ.)	-	-	-	-	550	700	500	700	4500	3050	-	-	10000
ROYALTY	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>	<u>70</u>	<u>50</u>	<u>70</u>	<u>450</u>	<u>305</u>	<u>-</u>	<u>-</u>	1000
NET PRODUCTION (OZ.)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>495</u>	<u>630</u>	<u>450</u>	<u>630</u>	<u>4050</u>	<u>2745</u>	<u>-</u>	<u>-</u>	<u>9000</u>
REVENUE A. \$500 C	-	-	-	-	-	248	315	225	315	2025	1372	-	4500
B. \$600 C	-	-	-	-	-	297	378	270	378	2430	1647	-	5400
C. \$700 C	-	-	-	-	-	347	441	315	441	2835	1921	-	6300
TOTAL EXPENSES (MONTHLY)	56	61	217	162	302	412	405	450	450	490	405	590	<u>4000</u>
MAXIMUM IMPAIRMENTS													
A.	(56)	(117)	(334)	(496)	(798)	(962)	(1052)	(1277)	(1412)	123	1090	500	
B.	(56)	(117)	(334)	(496)	(798)	(913)	(940)	(1120)	(1192)	748	1990	1400	
C.	(56)	(117)	(334)	(496)	(798)	(863)	(827)	(962)	(971)	1374	2890	2300	

December 8, 1981

:c1

TABLE II D.
REVENUE (\$000's)

	<u>JAN.</u>	<u>FEB.</u>	<u>MAR.</u>	<u>APR.</u>	<u>MAY</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG.</u>	<u>SEPT.</u>	<u>OCT.</u>	<u>NOV.</u>	<u>DEC.</u>	<u>TOTAL</u>
PRODUCTION													
GOLD PRODUCTION (OZ.)	-	-	-	-	550	700	500	1700	5000	3550	-	-	12,000
ROYALTY	-	-	-	-	55	70	50	170	500	355	-	-	1,200
NET PRODUCTION (OZ.)	-	-	-	-	495	630	450	1530	4500	3195	-	-	10,800
REVENUE A. \$500 C	-	-	-	-	-	248	315	225	765	2250	1597	-	5,400
B. \$600 C	-	-	-	-	-	297	378	270	918	2700	1917	-	6,480
C. \$700 C	-	-	-	-	-	347	441	315	1071	3150	2236	-	7,560
TOTAL EXPENSES (MONTHLY)	56	61	217	162	302	412	405	450	450	490	405	590	4,000
MAXIMUM IMPAIRMENTS													
A.	(56)	(117)	(334)	(496)	(798)	(962)	(1052)	(1277)	(962)	798	1990	1400	
B.	(56)	(117)	(334)	(496)	(798)	(913)	(940)	(1120)	(652)	1558	3070	2480	
C.	(56)	(117)	(334)	(496)	(798)	(863)	(827)	(962)	(341)	2319	4150	3560	

December 8, 1981
:c]

GOLD RUN OPERATION
10 YEAR PRODUCTION - REVENUE PLAN
(\$ M CDN EXCEPT AS SHOWN)

TABLE III

YEAR	82	83	84	85	86	87	88	89	90	91	TOTAL	
Gold Production (Net f. oz.)	7000	9,000	10,000	10,000	12,000	12,000 ⁽⁴⁾	11,500	11,500	11,000	11,000	11,000	109,000
Price (\$ U.S.)	440	500	700	800	900	700	800	900	1,000	1,000	1,000	-
Cdn Dollar Value	0.83	0.83	0.90	0.95	1.0	1.1	1.0	0.95	0.90	0.90	0.90	-
Revenue	3500	5,420	7,780	8,420	10,800	7,600	9,200	10,900	12,200	12,200	12,200	96,720
Production Costs	3364	3,364	3,700	4,070	4,480	4,925	4,925	4,925	4,925	4,925	4,925	45,164
Operating Profit	136	2,056	4,080	4,350	6,320	2,675	4,275	5,975	7,275	7,275	7,275	51,556
Capital Expense												
Expansion		200	750	500	1,000	-	-	1,000	-	-	-	
Replacement	(2)	436	500	500	1,000	500	500	500	1,000	500	500	
Total		636	1,250	1,000	2,000	500	500	1,500	1,000	500	500	9,386
Depreciation												
Pool	(3)	750	445	1,186	1,530	2,471	2,080	1,806	2,314	2,320	1,974	
Additional		636	1,250	1,000	2,000	500	500	1,500	1,000	500	500	
Total Base		-	1,695	2,186	3,530	2,971	2,580	3,306	3,314	2,820	2,474	
Annual Depreciation		940	509	656	1,059	891	774	992	994	846	742	
Taxes												
Taxable Income		1,116	3,571	3,694	5,261	1,804	3,501	4,983	6,281	6,429	6,533	
Taxes Due (35%)		391	1,250	1,293	1,841	631	1,225	1,744	2,198	2,250	2,287	
Cash Flow		1,665	2,830	3,057	4,479	2,064	3,050	4,231	5,077	5,025	4,998	36,446
Cash Available		1,029	1,580	2,057	2,479	1,064	2,050	2,731	4,077	4,525	4,488	26,080

(1) Increase 10% per year for 5 years then constant.

(2) Assume 25% of original base plus \$500 M each 4 years.

(3) Approximate tax loss carry forward \$750 M

(4) Purchase royalty ends

GOLD RUN MINING INC.

Operations Address
P. O. Bag 2010
Dawson City, Yukon
Y0B 1G0

Mailing Address
c/o Gold Run Investment Corporation
26th Floor, Four Bentall Centre, 1055 Dunsmuir Street
P. O. Box No. 49277, Vancouver, B.C. V7X 1L3
Telephone (604) 685-0351

PROPOSAL TO
KERR ADDISON MINES LIMITED

RE

KLONDIKE PLACER OPERATION

January 1982

GOLD RUN MINING INC.

Operations Address
 P. O. Bag 2010
 Dawson City, Yukon
 Y0B 1G0

Mailing Address
 c/o Gold Run Investment Corporation
 26th Floor, Four Bentall Centre, 1055 Dunsmuir Street
 P. O. Box No. 49277, Vancouver, B.C. V7X 1L3
 Telephone (604) 685-0351

January 18, 1982

Mr. David A. Lowrie
 Vice President - Exploration
 Kerr Addison Mines Limited
 P.O. Box 91
 Commerce Court West
 Toronto, Ontario M5L 1C7

Dear Mr. Lowrie:

The enclosed report outlines the reserves, development and operating costs of the Gold Run mine near Dawson City, Yukon. The property has been developed to a processing capacity of 1.0 MM c.y. (one million cubic yards) per season and is therefore one of the largest placer operations in the Klondike district. At this level of mining the Gold Run property has 10 to 15 years of mineable reserves and the company is pursuing a considerable expansion of these reserves in the Klondike district.

Gold Run has an experienced management team and a strong group of private investors, all Canadian citizens residing in the Vancouver area. The project has been developed with the concept of large volume mining and processing while reducing the manpower requirements and unit cost to a minimum. Although further capital investments may permit additional unit cost saving, our developments to date have resulted in moderate operating costs for a remote location as shown below.

	<u>1982 Budget</u>		<u>Oz. Recovered</u>	
	<u>Sluiced</u>	<u>Mined</u>	<u>\$ Cdn.</u>	<u>\$ U.S.</u>
	Operating Costs			
Direct	2.18	1.68	218	181
Administration	<u>0.30</u>	<u>0.23</u>	<u>30</u>	<u>25</u>
Subtotal	2.48	1.91	248	206
Lease-Purchase	<u>0.58</u>	<u>0.44</u>	<u>58</u>	<u>48</u>
Total Operating	<u>3.06</u>	<u>2.35</u>	<u>\$306</u>	<u>\$254</u>

$$\begin{array}{r} 3.06 \\ - 2.35 \\ \hline 5.41 \end{array}$$
 ?

.... / 2

Mr. David A. Lowrie

-2-

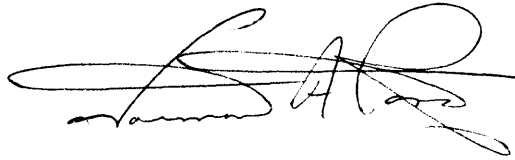
January 18, 1982

We expect that with gold prices of \$500 U.S. per oz. that Gold Run will generate an operating profit of \$2.00 - \$3.00 per cubic yard of material processed.

We would welcome an opportunity for a close association with Kerr Addison in developing a long term profitable mining business.

Yours very truly,

GOLD RUN MINING INC.

A handwritten signature in black ink, appearing to read "Norman A. Ross", written in a cursive style with a large, sweeping initial "N".

Norman A. Ross
President

NAR:dc
Enclosures

Summary & Conclusions

The Gold Run operation is a large volume placer operation near Dawson City, Yukon. The property is developed with an annual processing capacity of 1.0 MM c.y. Total reserves are estimated to be 10-15 MM c.y. containing between 90,000 and 130,000 fine ounces of recoverable gold. All reserves have been drilled but ore grades are still subject to further production and drilling results in our opinion.

009 = 4.5

01 12 = 155.02
0083 945/100

The Gold Run deposit is mined by mobile construction type equipment that is utilized for both mining and stripping operations. A normal production season permits 110-115 days sluicing and about 6.5 to 7 months operation.

Total development, capital and operating cost to bring the Gold Run property to full production has been \$7,455 M or \$4.38/c.y. of material mined. It is expected that the operation can achieve full capacity (1.0 MM c.y.) in 1982 with a budget of \$4.0 MM or \$3.08/c.y. of mined material.

With gold prices in the \$500 to \$600 U.S. range the Gold Run operation will generate a production profit of \$1.5 to 2.0 MM. During the next ten years of operation the project is expected to generate approximately \$30 MM in after-tax profits.

per year ?

Due to seasonal conditions and lower gold prices, a cash flow shortfall of \$1.7 MM was experienced in 1981. To offset this position and to take advantage of other opportunities the company plans to sell an equity participation in Gold Run Mining Inc. Our strategic location and experienced management will allow us to efficiently develop other reserves and benefit from a centralized operation and rising gold prices.

Introduction

The Gold Run property is located about 50 miles southeast of Dawson City. Access is by a government maintained gravel road. The property includes the junction of Gold Run and Dominion Creeks and is near the former mining Town of Granville.

Gold was first discovered in the Dawson area August 17, 1896 with a subsequent discovery on Gold Run Creek in 1898. Gold Run and Dominion Creeks were extensively worked by hand methods (shafts and drifts) until about 1911 when dredging was initiated by the Yukon Gold Company. Operations from 1913 to 1922 mined about 6.0 MM c.y. (million cubic yards) on Gold Run.

Gold Run Mining Inc. is a private limited company incorporated March 31, 1981 to take over the assets of the Gold Run Investors Limited Partnership that sponsored the operation for the first year. Ross Mining Services Limited is a private management company owned 100% by N.A. Ross, which was established to provide management services for the Gold Run operation as well as consulting services to the mining industry.

An option to purchase the Gold Run property on a royalty buyout basis was negotiated in 1979 and mining development began in the Spring 1980. Initial production was achieved in the same season subsequent to the development of a 12,000-foot bedrock drain to the initial box cut. In 1981 the operation was expanded to a large volume capacity with the ability to process 1,000 c.y./hour (cubic yards per hour) or a seasonal objective of 1,000 M b.c.y. (thousand bank cubic yards) of sluiced ore reserves.

Property and Location

The Gold Run property consists of 50 mining claims on about 740 acres located at the mouth of Gold Run Creek in the Dominion Creek Valley. These reserves were part of the original Y.C.G.C. (Yukon Consolidated Gold Corporation) dredging reserves and although an internal proposal was put forward to develop the entire Gold Run block in 1942 the plan was not adapted and eventually the ground was allowed to come open in 1974.

The lower Gold Run reserves in the Dominion Creek valley were then staked by Consolidated Mines (Yukon) Ltd. (Consolidated) and optioned by Territorial Gold Placers (Territorial).

A limited partnership group was assembled in 1979 and the Territorial option was purchased outright with no overriding royalties.

Consolidated retains the original position as property owner and Gold Run Mining Inc. maintains the right to mine and purchase the property for 7000 fine ounces of gold payable from 10% of the gross production. A minimum annual maintenance royalty of \$40M payable semi-annually is required to hold the property in good standing.

The Gold Run camp is located approximately 50 miles southeast of Dawson City, Yukon, which has scheduled airline service daily and scheduled truck service three times weekly during the summer months.

An abundant water supply bisects the property and is essential to a large volume operation. Sluicing operations during 1981 consumed

approximately 16,000 gpm without recycling from a reservoir - open flow - settling system.

Ore Reserves

We currently estimate that the Gold Run property contains 10 to 15 MM b.c.y. of mineable ore reserves subject to price fluctuations and further delineation of the deposit. //

The evaluation of placer deposits has been the subject of considerable discussions over the years in an attempt to establish a "representative" testing procedure rather than an "exact evaluation". Cable tool drills (churn drills) were utilized for all of the drilling on the Gold Run Property. These drills bored a 6-inch hole and samples were taken every two feet until no further values were determined by panning.

Down-the-hole or rotary drills as well as Calix drills (holes to three ft. in diameter) have been used in more recent years in placer deposit evaluations but correlation with churn drill values or recovered values are not known.

The Gold Run property was drilled by the Yukon Gold Co., New Northwest Company and YCGC. The results of this drilling were extensively reviewed by YCGC between about 1925 and 1935, prior to a recommendation for dredging in 1942.

Two professional engineers also reviewed these drilling results and a comparison of the three evaluations is shown below:

GOLD RUN MINEABLE RESERVES

	<u>TOTAL RESERVES</u> (M bcy)	<u>GRADE</u> \$C/bcy (1)	<u>f.oz/M bcy</u>
Superintendent	10,494	1.39 ^{p2} 2.78	<u>6.95</u> (2) \$ 3.47 @ 500
P. Eng No. 1	9,491	3.12 6.24	15.30
P. Eng No. 2	14,011	2.46 4.92	12.30

(1) At \$200 C/oz

(2) Drill data only

Both professional engineers used upgrading factors evaluating the reserves based on their experience in the placer industry and a statistical study of intensive Klondike drilling that indicated actual dredge recoveries of 1.5 to 3.0 times drill results for low grade deposits. The YCGC evaluation prompted the following comment by the superintendent:

"It is confidentially believed that much of this ground will overrun the prospecting results".

We plan to continue a drilling production correlation program that will permit annual step-out drilling and mine planning based on a much higher degree of accuracy than is currently available in the industry.

A drilling program was initiated in 1981 to develop production correlations but unfortunately the 1981 main pit was not completely mined and therefore results of these tests are delayed until 1982.

Although large volume operations such as Gold Run do not permit the isolation of small quantities of testing material within the main production facility, we have been able to allocate our production to specific areas and total volumes. The lack of completion of the 1981 cut has required estimating quantities of remaining gold but provides a guideline for reserve calculations. Ore grades experienced to date and estimates for the completed 1981 cut are shown below:

ORE RESERVE GRADES

	<u>f.oz/M bcy)</u>	
Development Material	9.9	.0099 * 4.95 @ 500
<u>Main Cut (Unfinished)</u>	6.8	3.40 @ 500
Estimate Remaining (Total cut)		
- partially completed (1750 oz)	9.5	?
- ramp material (700 oz)	9.2	?

* fine ounces per thousand bank cubic yards

We have utilized the production results and previous evaluations to develop a reserve scenario for Gold Run although we recognize that additional processing and drilling will be required to define production limits. It is of course recognized that placer deposits usually have fluctuating ore grades within the deposits and average grades are used for planning purposes subject to further delineation.

mines stopped on high grade level

GOLD RUN ORE RESERVES

Too high??

Reserves		Grade (f.oz/M bcy)			
		7.0	10	12	15
Primary	4.0 MM c.y. (oz)	28,000	40,000	48,000	60,000
Secondary	<u>7.0</u> MM c.y. (oz)	<u>49,000</u>	<u>70,000</u>	<u>84,000</u>	<u>105,000</u>
	<u>11.0</u> MM c.y. (oz)	<u>77,000</u>	<u>110,000</u>	<u>132,000</u>	<u>165,000</u>

From our experience to date we expect the primary reserves to have an ore grade range of 10.0-15.0 f.oz/M b.c.y. and the secondary reserves to range between 7.0 and 10.0 f.oz/M b.c.y. The primary reserves have been defined by shaft mining during the early 1900's while the secondary reserves are defined only by churn drilling. Utilizing this scenario we expect that the Gold Run deposit contains 90,000 to 130,000 fine ounces of recoverable gold that can be mined within the next 10 to 15 years with current facilities.

Mining

The Gold Run deposit is a large, low grade deposit that is relatively deep in comparison to most creek deposits in the Klondike district. All overburden and mineable gravels are permanently frozen to depths of 100 to 300 feet which require special consideration during mine planning. Equipment has been selected to meet three specific criteria:

1. Maximum flexibility
2. Large volume production
3. Availability of parts' suppliers and maintenance facilities.

The equipment selected to accommodate these criteria was Caterpillar equipment, either rented or purchased by lease-purchase agreements. Our current fleet consists of the following mobile mining equipment:

- 3 scrapers
 - 637 twin engine
 - 30 c.y. capacity
- 3 Dozers
 - 2 - D9H
 - 1 - D8H
- 1 Front end loader
 - 992B - 10 c.y.
- 1 Backhoe
 - 245, 3 & 4.5 c.y. capacity
- 1 Grader
 - 14D

The mining plan for Gold Run requires the removal of 10-12 feet of muck (silt & loess material) during the late fall and early spring utilizing the dozers, scrapers and the backhoe. Large cuts about 650 ft x 1200 ft are stripped each year to facilitate thawing of the permafrost during the mining season. All stripping and spring maintenance must be completed by early June to facilitate sluicing which begins by the 15th - 20th of May depending on weather conditions.

Subsequent to the stripping of 300M c.y. of muck, 1.0 MM c.y. of gold bearing gravel and bedrock material are processed through a Ross 1000 sluice box. Sluicing is normally terminated by Oct 10th - 15th depending on weather conditions, resulting in a net 110-115 day processing season.

Late fall activities include stripping, maintenance, and equipment component disassembly in preparation for winter rebuild programs.

Approximately 1150 M c.y. of ore has been processed during the past two seasons while an additional 550 M c.y. of muck and gravel has been stripped for a total production of 1700 M c.y.

Operating Costs

The use of mobile construction equipment to mine deep gravels provides maximum flexibility during development phases but some sacrifice in higher cost is a penalty for flexibility. The cost history for Gold Run is expected to be high since it includes all development as well as direct mining costs. Our budget for 1982 is based on a production level of 1.0 MM c.y. of ore sluiced and 300 M c.y. of stripping.

	PRODUCTION COSTS (\$ / c.y.)			
	<u>To Date</u>		<u>1982 Budget</u>	
	<u>Sluiced</u>	<u>Mined</u>	<u>Sluiced</u>	<u>Mined</u>
Operating				
Direct	2.80	1.89	2.18	1.68
Lease	1.19	0.80	0.58	0.44
Administrative	0.36	0.25	0.30	0.23
Debt Service	<u>0.19</u>	<u>0.13</u>	<u>0.30</u>	<u>0.23</u>
TOTAL	4.54	3.07	3.36	2.58
Capital				
Fixed Assets, Property & Royalty	<u>1.94</u>	<u>1.31</u>	<u>0.64</u>	<u>0.50</u>
TOTAL PRODUCTION COSTS	<u>6.48</u>	<u>4.38</u>	<u>4.00</u>	<u>3.08</u>

↑

We expect the operating costs to be lower on a per unit basis in 1982 as a result of high development costs in 1980 and 1981 as well as higher unit production capacity in 1982. A detailed budget for the 1982 season is illustrated in Table I. This budget anticipates exercising our lease-purchase option in December 1982, but otherwise includes minimal (\$200M) funds for capital expenditures. The total production budget for 1982 is \$4.0MM.

Gold Production and Revenues

Our production target for 1982 is 10,000 fine ounces based on 1.0MM c.y. of gravel sluiced at an average grade of 10 f.oz/M c.y. Due to the favourable location of the 1982 production pit we could realize a higher grade but we have developed scenarios for gold production varying from 7000 ounces (6300 oz net after royalty) to 12000 ounces (10,800 oz net) to compensate for variations in grades and production levels. The impact of fluctuating gold prices is illustrated below assuming a Canadian dollar value of \$0.83 per U.S. dollar and illustrating revenues in Canadian dollars.

REVENUES FOR 1982

Gold Production (net oz)	Gold Price (\$US)	Revenues (\$M Cdn)			
		400	500	600	700
6300		3036	3795	4554	5313
7200		3470	4337	5205	6072
8100		3904	4880	5855	6831
9000		* 4337	5422	6506	7590
10800		5205	6506	7807	9109

* break even line
 - budget 1982 \$400M

*But this
 maybe only
 6.8 for May*

*812
 Together!*

But @ \$413/oz Car
 = \$3,717,000

The above scenario illustrates that profit levels for 1982 will be derived from gold production of 9000 net fine ounces at \$400 US gold or from gold prices in the \$500 to \$600 US per ounce range for lower levels of production.

The impact of different gold production levels and varying prices in relation to expenditures is illustrated in Tables II A to II D attached. Monthly expenses are derived from Table I and the maximum impairments indicate the working capital required to offset limited revenues and higher costs during the early part of the season. The maximum impairment occurs in September for most cases since the permafrost conditions dictate processing of large volumes of leaner overburden gravels before reaching the richer lower gravels and upper bedrock formations.

A one-month delay is allowed for cleaning, shipping and processing of all gold production in the revenue Tables II A to II D. All revenues are given in Canadian dollars dependent on Canadian gold prices in the range of \$500 to \$700. The wide range of scenarios illustrates possibilities from \$500 M cash shortfall to a production profit of \$3.5 MM for 1982. We expect a combination of price and production levels that will generate a profit of \$1.5 to \$2.0 MM for the 1982 season with significant increases possible for 1983 as gold prices rise.

Grade??

Development Expenditures

The Gold Run property has been developed over the past seven years with the main activities concentrated in 1980 and 1981. During this period expenditures have totalled approximately \$7.5MM. It was expected that Gold Run could be brought to full production levels (1.0MM c.y./yr.) with a minimal capital base (\$1.4MM), a lease-purchase plan for the major equipment and bank financing for working capital purposes. This plan was successful in 1980 when gold prices average \$757 C/oz but a reduction in the average gold price to \$504 C in 1981 as well as an early seasonal freeze-up resulted in a cash flow shortfall of \$1.7MM. This shortfall was in part the result of a \$900M fixed capital expansion program and the ongoing equipment purchase plan of \$550M, as well as the inability to finish sluicing prepared enriched reserves near the bedrock level of the main cut.

Total expenditures for the development of Gold Run have been distributed as follows:

	<u>\$ M</u>
Option, purchase & fixed assets	1,925
Lease-purchase equipment	1,369
Bedrock drain development	1,663
Direct operating & construction	1,557
Administration, debt service & royalties	941
	<hr/>
Total Expenditures	<u>7,455</u>

Although Gold Run has been developed to a large volume processing capacity, additional efficiencies could be achieved in operating costs by the installation of a sectional stacking conveyor system for tailings. Future consideration may also be given to conveyor

feed systems in conjunction with a conversion from high cost scraper units to large volume dozers. These developments will depend on the future production range capacities desired for the Gold Run operations as well as the acquisition and development of future reserve packages.

Financial Position

At October 31, 1981, Gold Run Mining had outstanding bank loans of \$1,300M and payables of \$592M, against cash and receivables of \$607M. Projected expenditures to December 31/81 indicate a cash short fall of \$200M plus loan repayment commitments of \$700M. Negotiations are proceeding with the Bank to defer loan repayment to February 28, 1982 as well as to supplement the cash shortfall.

Working capital requirements for 1982 are projected to be \$1.5MM and loan repayments are planned to be \$600M. To meet current commitments and strengthen the capital base of the company, Gold Run Mining plans to sell an equity position in a format acceptable to a senior investment company or group. The long term future of the company is dependent on the continual development of the Gold Run property as well as the acquisition and development of new reserves. An investment entity wishing to take advantage of the experienced placer mining management in Gold Run as well as the ability to acquire viable regional and international reserves could readily strengthen the capital base of the organization and share in the profits derived from increased production and rising gold prices.

Long Term Production Schedule

Gold Run has an estimated 10-15 years mineable reserves within the current claim block and reserve boundaries. In Table III, we illustrate the potential revenue and after tax cash flow to be derived from the next 10 years of mining. Cyclical gold prices and a strengthening Canadian dollar were superimposed on a gold production scenario that reflects the current long term plan for mining the deposit. Operating costs were assumed to escalate at 10% per year for five years and then remain constant relative to gold prices. The property purchase royalty is paid out in 1986 and the drop in gold production beyond this point takes into account a decrease in ore grade which offsets the increased revenue.

Capital costs include replacement costs and expansion costs to allow for changes in equipment types as well as operational improvements. We expect that the Gold Run operation will generate a positive cash flow for each of the next ten years for a total \$26,080 M cash available. By carefully controlling operating costs and planning to reduce mobile equipment application, we believe the profitability of Gold Run can be further enhanced.























