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DYNASTY EXPLORATION LIMITED

EVALUATION REPORT

DECEMBER 10, 1965

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SUMMARY & CONCLUSIONS

Two zones of sulphide mineralization are currently being investigated by Dynasty Exploration and Cyprus Mining Corporation in the Vangorda Creek area of the Yukon. Initial drill results from nine drill holes and a geophysical survey have indicated 37 million tons of ore with a grade of 6.2% zinc, 3.1% lead and 1 oz. of silver in the No. 1 zone. These ore reserves are based on all available drill hole and geophysical information; as additional drill hole information becomes available the tonnage and grade estimate could be revised considerably.

Vertical sections drawn through the No. 1 zone reveal a gently dipping sulphide replacement deposit which can be mined by an open pit method with an average stripping ratio of 3 waste to 1 ore.

The No. 2 zone is a relatively thin flat lying layer of sulphide mineralization with a potential of 2,000,000 tons grading 8% combined lead and zinc. This zone if brought into production would require underground mining methods which would probably exclude it from economic .

exploitation at current markets.

Table A gives the present value of a share of Dynasty stock based on the No. 1 zone. Estimate A is at current metal prices, estimates B, C and D one cent above and one and two cents below the current prices per pound for lead and zinc.

TABLE A

Estimate	Annual Tonnage Milled	<u>Metal Prices</u>			Estimated Hoskold Value per share	Estimated Hoskold Value x 1.5
		Lead,	Zinc,	Silver		
A	2,000,000	15.5¢	14.5¢	\$1.39	\$9.29	\$13.94
	3,500,000				\$12.25	\$18.38
B	2,000,000	16.5¢	15.5¢	\$1.39	\$11.63	\$17.44
	3,500,000				\$15.52	\$23.48
C	2,000,000	14.5¢	13.5¢	\$1.39	\$6.58	\$9.87
	3,500,000				\$8.81	\$13.22
D	2,000,000	13.5¢	12.5¢	\$1.39	\$3.90	\$5.94
	3,500,000				\$5.38	\$8.07

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INTRODUCTION

The writer visited the Faro claim group of Dynasty Exploration Limited during the period November 24th to December 1st, 1965. The following report is based on an examination of the Faro group and a study of the engineering and geological office records.

LOCATION and ACCESS

The Faro claim group is located 125 miles northeast of Whitehorse in the Vangorda Creek area of the Yukon. An air strip has been constructed at the property, and daily flights from Whitehorse provide transportation for personnel and light equipment. Heavy equipment is transported over an all weather secondary road from Whitehorse to the base camp at Vangorda Creek.

OWNERSHIP

The Faro claim group is one of five groups acquired by Dynasty Exploration Limited in the Vangorda Creek area during 1964 and early 1965. These claims cover 20 prospective targets indicated by magnetic, ground electromagnetic and geochemical surveys carried out by Dynasty. In March of 1965 Dynasty approached Cyprus Mines

Corporation to form a joint participation program over the claim groups, to be called the Anvil project. Under an agreement dated March 31, 1965 Cyprus has the option to acquire 55% of the Anvil project; this option has been exercised. Cyprus has a further option to purchase an additional 5% of the Anvil project from Dynasty which, if exercised, would result in a 60% interest for Cyprus and 40% for Dynasty.

OREBODY

Two zones of sulphide mineralization are currently being investigated in the Faro claim group (fig. 2). The zone of major significance is the No.1 zone.

The sulphide zones appear to be lead and zinc replacement deposits localized along planes of schistosity in a sedimentary assemblage of sericite and graphitic schists. Section A-B (fig. 3) is a northwest to southeast profile through the No.1 zone and indicates a wedge shaped body apexing in the northwest and gently dipping to the southeast where it reaches a maximum thickness of 196 feet. The No.1 zone could be mined by an open pit method with an average stripping ratio of 3 waste to 1 ore.

The ore occurs as a fine grained aggregate of sulphides with sulphide content varying from 30 to 80%, probably averaging in the neighbourhood of 80% overall. The ore minerals are sphalerite and galena

in an approximate ratio of 2 zinc to 1 lead; it is likely that the silver occurs in solid solution within the galena. Gangue minerals are predominantly pyrite and pyrrhotite.

The shallow depth and massive sulphide character of the No. 1 zone enclosed in light schists provided a marked density contrast which was reflected in a high-gravity anomaly (fig. 1). The drill results show marked coincidence with the anomaly and have confirmed the presence of underlying sulphides. On the basis of the geophysical work and the drill results an inferred outline of the No. 1 ore horizon has been shown on the accompanying plans.

No definite gravity expression was obtained over the No. 2 sulphide zone in the southeast portion of the Faro claim group. Drilling in this zone has outlined a flat lying zone of lead and zinc mineralization with a potential of 2,000,000 tons grading 8% combined lead and zinc. This zone would require underground mining methods and it is unlikely that under this condition its exploitation would be economic at current metal prices

ORE RESERVES

The following table gives the ore reserve estimate:

<u>Block</u>	<u>Area x Width</u>	<u>Tonnage</u>	<u>Grade</u>	
			<u>Lead</u>	<u>Zinc</u>
A	400,000 x 35	1,700,000	3.7%	7.2%
B	320,000 x 75	2,900,000	4.5%	8.9%
C	608,000 x 85	6,300,000	2.1%	4.2%
D	960,000 x 150	17,500,000	3.5%	6.6%
E	780,000 x 150	<u>8,700,000</u>	<u>2.7%</u>	<u>5.4%</u>
	Total Tonnage	37,100,000	3.1%	6.2%
			Wted. Av. Grd.	

In addition to the lead and zinc content the sampling completed to date indicates a silver content of 1 oz.

The above estimates are based on all available drill results and geophysical data. It should be emphasized that to date only a limited amount of drilling has been done on the No.1 zone. Six drill holes spaced from 400 feet to 800 feet apart have intersected the ore horizon at depth. Assays are available for these holes. An additional two holes intersected the No.1 zone but no assay results were available at the time of the writer's visit. On visual inspection the sulphide intersection of the latter two holes appeared to be of ore grade with widths as indicated on the accompanying plans.

EVALUATION

For purposes of this evaluation the Hoskold Valuation formula has been used. The Hoskold formula assumes that the net cash flow after all charges will be assigned to two funds, one a sinking fund bearing interest at the rate of 4% compound, which at the end of the mine life will be sufficient to return the investor's equity, and a second fund which will provide a risk interest on the investor's equity during the life of the mine, of 8%.

The following assumptions have been made to estimate the present worth of the company:

1. Ore reserves of the No. 1 zone are 37,000,000 tons with a grade of 6.2% zinc, 3.1% lead and 1 oz. of silver.
2. Dynasty Exploration Ltd. will have a 40% interest in the Faro claim group.
3. Dynasty Exploration will be capitalized at 10,000,000 shares with 2,500,000 shares issued.
4. Lead and zinc recovery will be 85% (no results of mill tests were made available to the writer; depending on the metallurgy there could be considerable variation from this figure).

- 5. Production rate will be 2,000,000 tons per year (18 year life), or 3,500,000 tons per year (11 year life).
- 6. The following are the estimated capital costs to erect and equip a mining plant at 2,000,000 tons per year and 3,500,000 tons per year:

Plant capacity	<u>2,000,000 tons</u>	<u>3,500,000 tons</u>
Capital cost	\$25,000,000	\$30,000,000
Interest (during construction)	1,500,000	1,800,000
Interest (during production)	3,000,000	3,600,000
Annual Capital expenditure	<u>12,750,000</u>	<u>12,750,000</u>
Total Capital Expenditure	\$42,250,000	\$48,150,000
Dynasty's Share (40% total)	\$16,900,000	\$19,260,000

- 7. Operating costs will average \$3.25 per ton of ore.
- 8. At current metal prices the net smelter return will be 5¢ per pound of zinc and 8¢ per pound of lead after allowing for all freight, smelter and marketing charges.

The table on the following page shows the variation in the operating profit at different metal prices.

Pages 8, 9, 10 and 11 give the details and methods of calculating the Hoskold Value of Dynasty stock at various metal prices.

Estimate of Dynasty's Share of Operating Profit from Faro
Orebody at Different Metal Prices

Metal Prices			2, 000, 000 tons/year		3, 500, 000 tons/year	
			Operating Profit During Tax Free Period	Operating Profit After Tax Free Period	Operating Profit During Tax Free Period	Operating Profit After Tax Free Period
Zn	Pb	Ag				
<u>Current Metal Prices</u>			\$6.84/Ton	\$4.55/Ton	\$6.84/Ton	\$4.55/Ton
14.5¢	15.5¢	\$1.39	\$5,500,000/yr	\$3,600,000/yr	\$9,600,000/yr	\$6,400,000/yr
<u>1 cent above current metal prices</u>			\$8.35/Ton	\$5.35/Ton	\$8.56/Ton	\$5.56/Ton
15.5¢	16.5¢	\$1.39	\$6,700,000/yr	\$4,400,000/yr	\$11,700,000/yr	\$7,800,000/yr
<u>1 cent below current metal prices</u>			\$5.26/Ton	\$3.50/Ton	\$5.36/Ton	\$3.50/Ton
13.5¢	14.5¢	\$1.39	\$4,200,000/yr	\$2,800,000/yr	\$7,400,000/yr	\$4,900,000/yr
<u>2 cents below current metal prices</u>			\$3.68/Ton	\$2.45/Ton	\$3.68/Ton	\$2.45/Ton
12.5¢	13.5¢	\$1.39	\$2,900,000/yr	\$2,000,000/yr	\$5,200,000/yr	\$3,400,000/yr

ESTIMATE B

Calculations of Hoskold Value of Dynasty Stock

2,000,000 tons/year and current metal prices - 18 year mine life

Zinc - 15.5¢ Lead - 16.5¢ Silver - \$1.39

Total operating profit over life of mine \$120,600,000

Deduct capital, interest and annual capital expenditures 16,900,000

103,700,000

Deduct Taxes - 30% 31,110,000

Total Cash Flow \$72,590,000

Average Annual Cash Flow (18 years) \$ 4,032,000

Hoskold Factor (with redemption of capital at 4% and interest to purchaser at 8%) for 18 years cash flow, deferred 3 years 7.21

Present value of Cash Flow \$ 4,032,000 x 7.21
= \$29,070,000

Present value per share on basis of 2,500,000 shares issued \$11.63

3,500,000 tons/year and current metal prices - 11 year mine life

Zinc - 15.5¢ Lead - 16.5¢ Silver - \$1.39

Total operating profit \$128,700,000

Deduct capital, interest and annual capital expenditures 19,260,000

109,440,000

Deduct taxes - 30% 32,832,000

Total Cash Flow \$76,608,000

Average annual cash flow (11 years) \$ 6,964,000

Hoskold Factor (with redemption of capital at 4% and interest to purchaser at 8%) for 11 years cash flow, deferred 3 years 5.57

Present value of Cash Flow \$ 6,964,000 x 5.57
= \$38,789,000

Present value per share on basis of 2,500,000 shares issued \$15.52

ESTIMATE C

Calculations of Hoskold Value of Dynasty Stock

2,000,000 tons/year and current metal prices - 18 year mine life

Zinc - 13.5¢ Lead - 14.5¢ Silver - \$1.39

Total operating profit over life of mine \$75,600,000

Deduct capital, interest and annual capital expenditures 16,900,000

58,700,000

Deduct Taxes - 30% 17,610,000

Total Cash Flow \$41,090,000

Average Annual Cash Flow (18 years) \$ 2,283,000

Hoskold Factor (with redemption of capital at 4% and interest to purchaser at 8%) for 18 years cash flow, deferred 3 years 7.21

Present value of Cash Flow \$ 2,283,000 x 7.21
= \$16,460,000

Present value per share on basis of 2,500,000 shares issued \$6.58

3,500,000 tons/year and current metal prices - 11 year mine life

Zinc - 13.5¢ Lead - 14.5¢ Silver - \$1.39

Total operating profit \$81,400,000

Deduct capital, interest and annual capital expenditures \$19,260,000

62,140,000

Deduct taxes - 30% 18,642,000

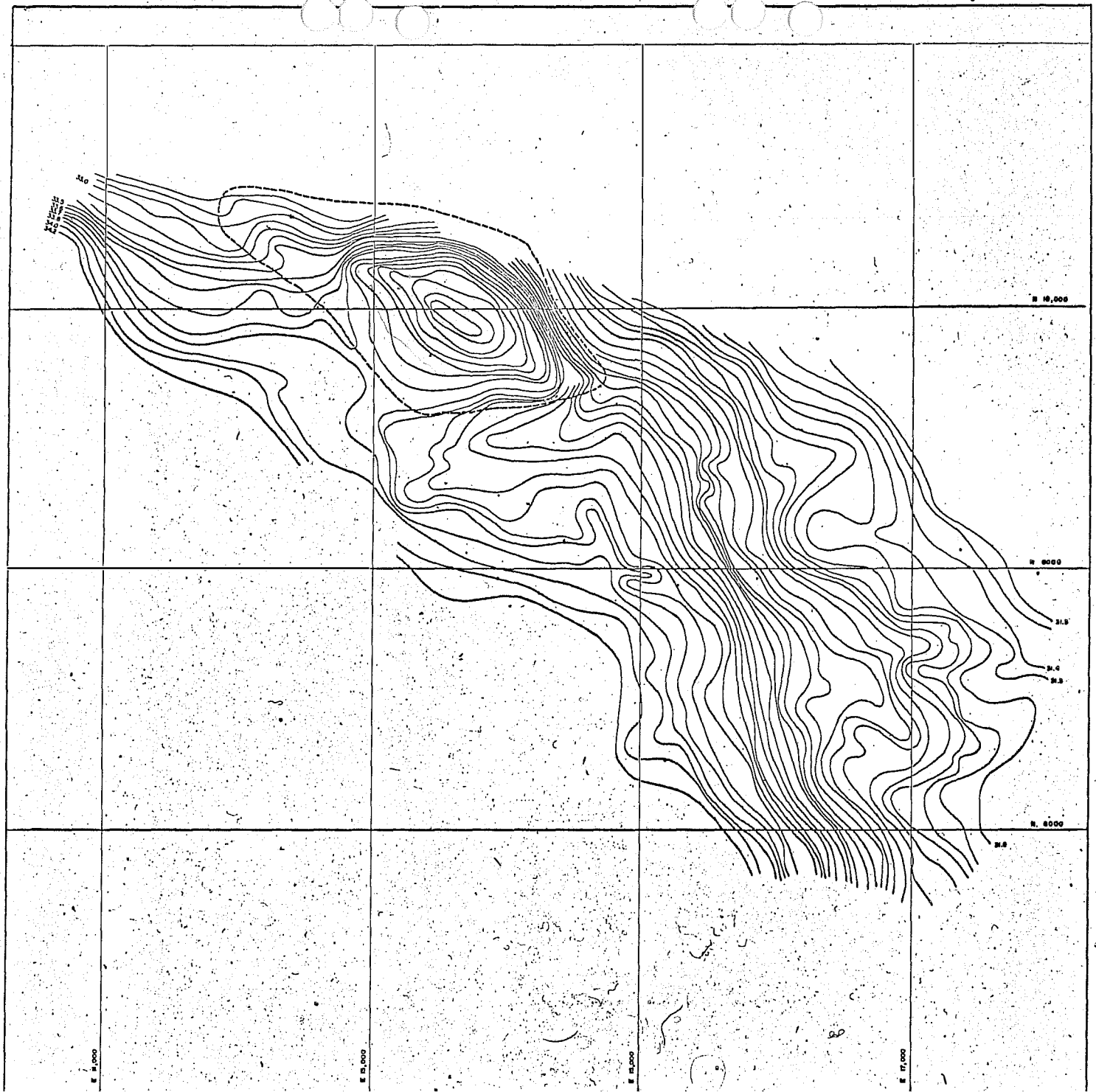
Total Cash Flow \$43,498,000

Average annual Cash Flow (11 years) \$ 3,954,000

Hoskold Factor (with redemption of capital at 4% and interest to purchaser at 8%) for 11 years cash flow, deferred 3 years. 5.57

Present value of Cash Flow \$ 3,954,000 x 5.57
= \$22,024,000

Present value per share on basis of 2,500,000 shares issued \$8.81



DYNASTY EXPLORATION LIMITED
PRELIMINARY GRAVIMETER PLAN OVER THE No's 1 & 2 ZONES
FARO CLAIM-GROUP

LEGEND

- 30.5 GRAVITY CONTOUR IN MILLIGALS
- - - OUTLINE OF GRAVITY ANOMALY No. 1 ZONE

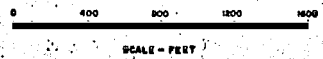
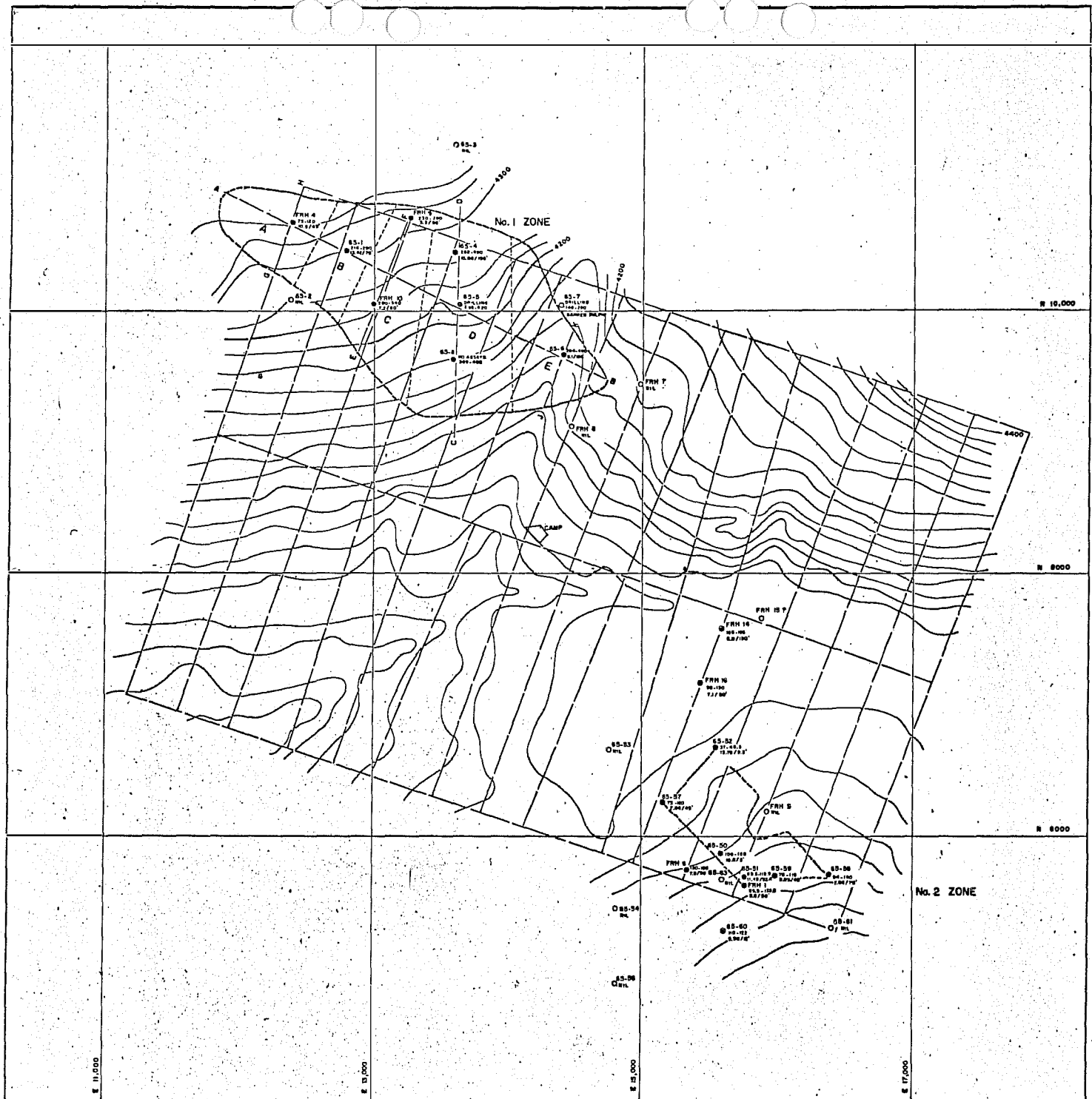


Fig. 1



LEGEND

- — DIAMOND DRILL HOLES
- — DIAMOND DRILL HOLES
- — DIAMOND DRILL HOLES
- INFERRED OUTLINE OF ORE HORIZON
- 4300 TOPOGRAPHIC CONTOUR WITH ELEVATIONS
- SECTION LINE
- — ORE WITH ASSAYS
- — ORE NO ASSAYS
- — NO ASSAYS

DYNASTY EXPLORATION LIMITED
TOPOGRAPHIC PLAN WITH OUTLINE OF No. 1 & 2 ZONES
AND DRILL HOLE LOCATIONS
FARO CLAIM GROUP

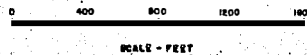
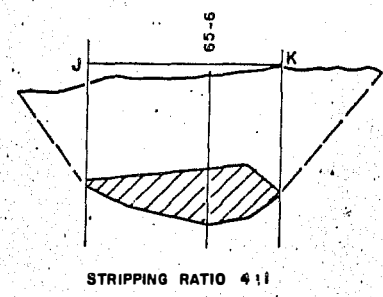
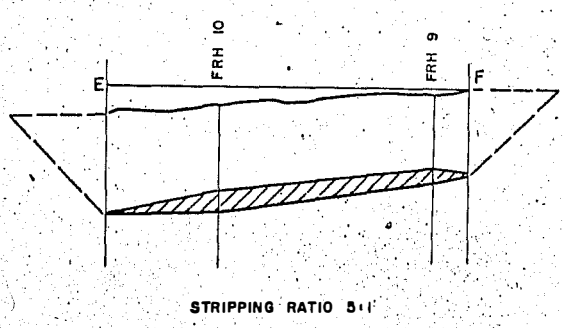
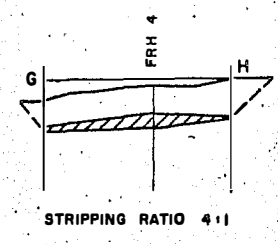
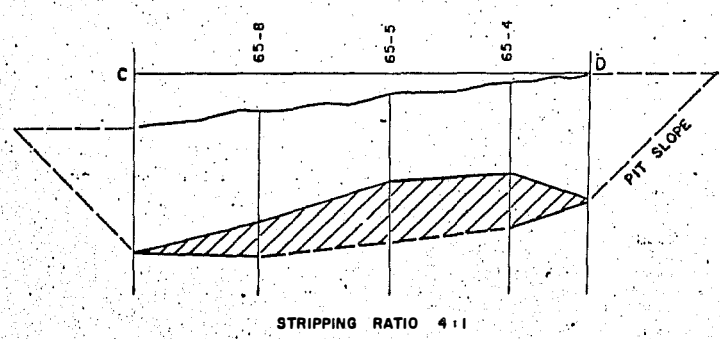
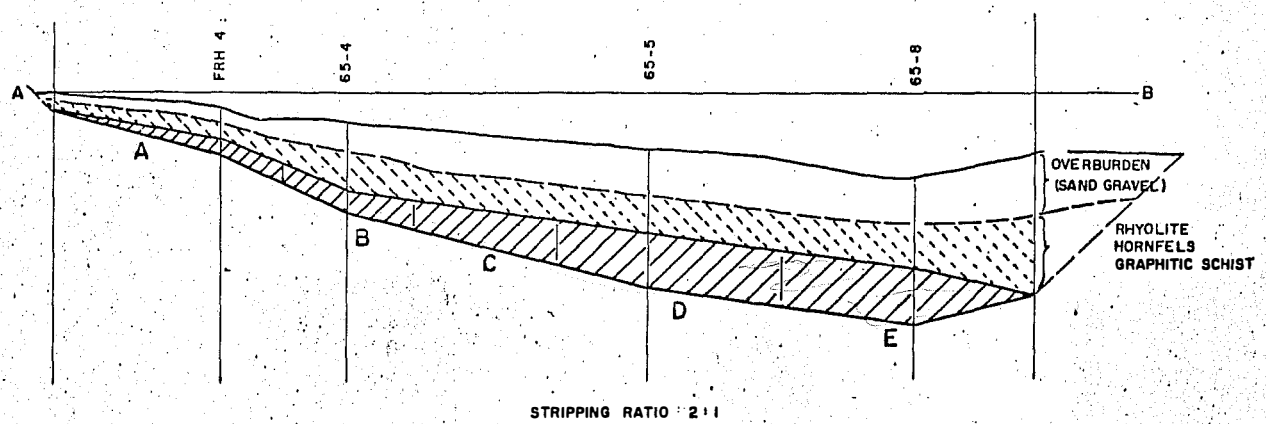


Fig. 2



AVERAGE STRIPPING RATIO 3:1

LEGEND

- FRH 4 ROTARY DRILL HOLE
- 64-4 DIAMOND DRILL HOLE
- ORE ZONE

DYNASTY EXPLORATION LIMITED
VERTICAL SECTIONS No. 1 ZONE

FARO CLAIM GROUP



Fig. 3