

→ Gordon Lake Property  
N-95-1

Valuation Report  
on the  
**GORDON LAKE PROPERTY**  
N.T.S. 85-I/14  
Latitude 62°58' North  
Longitude 113°19' West  
Mackenzie Mining District  
Northwest Territories

July 31, 1995

on behalf of  
**GIANT BAY RESOURCES LTD.**  
Vancouver, B.C.

by  
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## EXECUTIVE SUMMARY

The Gordon Lake gold property is located approximately 80 km by air from Yellowknife, the administrative capital of the Northwest Territories. Access is via float- or ski-equipped fixed-wing aircraft or helicopter. The winter road to Echo Bay's Lupin Mine passes within 3 km of the property.

Giant Bay Resources Ltd. owns a 100% interest in this project, subject to a 1% royalty on production from the point of commencement of commercial production.

During the period from 1982 to 1988, approximately \$5,000,000 in exploration was expended on this property. This work consisted of geological mapping, geophysical surveying, trenching, geochemical sampling, over 13,000 m of diamond drilling, and limited underground development. This exploration and development work outlined 8,730 tons of ore in the No. 1 Zone grading 0.80 ounces gold per ton. In addition, approximately 3,000 tons of open-pittable reserves were defined in two smaller zones (T-2 and T-11) grading 0.50 ounces per ton.

The evaluation of these deposits indicates a present value of \$1,500,000. Additional reserves could be defined on these existing zones, which would greatly enhance this value. An exploration program designed to further evaluate these reserves and test several new zones is proposed at an estimated cost of \$200,000.

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## INTRODUCTION

At the request of Ms. Catherine Stauber, President of Giant Bay Resources Ltd., Taiga Consultants Ltd. was commissioned to complete a valuation of the Gordon Lake gold property (Figure 1) in the Northwest Territories. While normally such an evaluation would require an on-site visit, the amount of data available and the fact that the Gordon Lake gold deposit is so well imbedded in literature from independent sources, such a visit was unnecessary in this instance. Essentially, the exercise of evaluating the gold deposits on the Gordon Lake property is redundant since an excellent valuation report has been completed by Mr. Ross O. Glanville, B.A.Sc., P.Eng., MBA, CGA, which is appended to this report. Since no further exploration or mining has taken place since the completion of this report, the only requirement is to update this report utilizing the current value of gold and land status.

### Location and Access

The Gordon Lake property is located approximately 80 km north-northeast of Yellowknife in the Northwest Territories. Approximate geographic coordinates are 62°58' North latitude and 113°19' West longitude on NTS map-sheet 85-I/14.

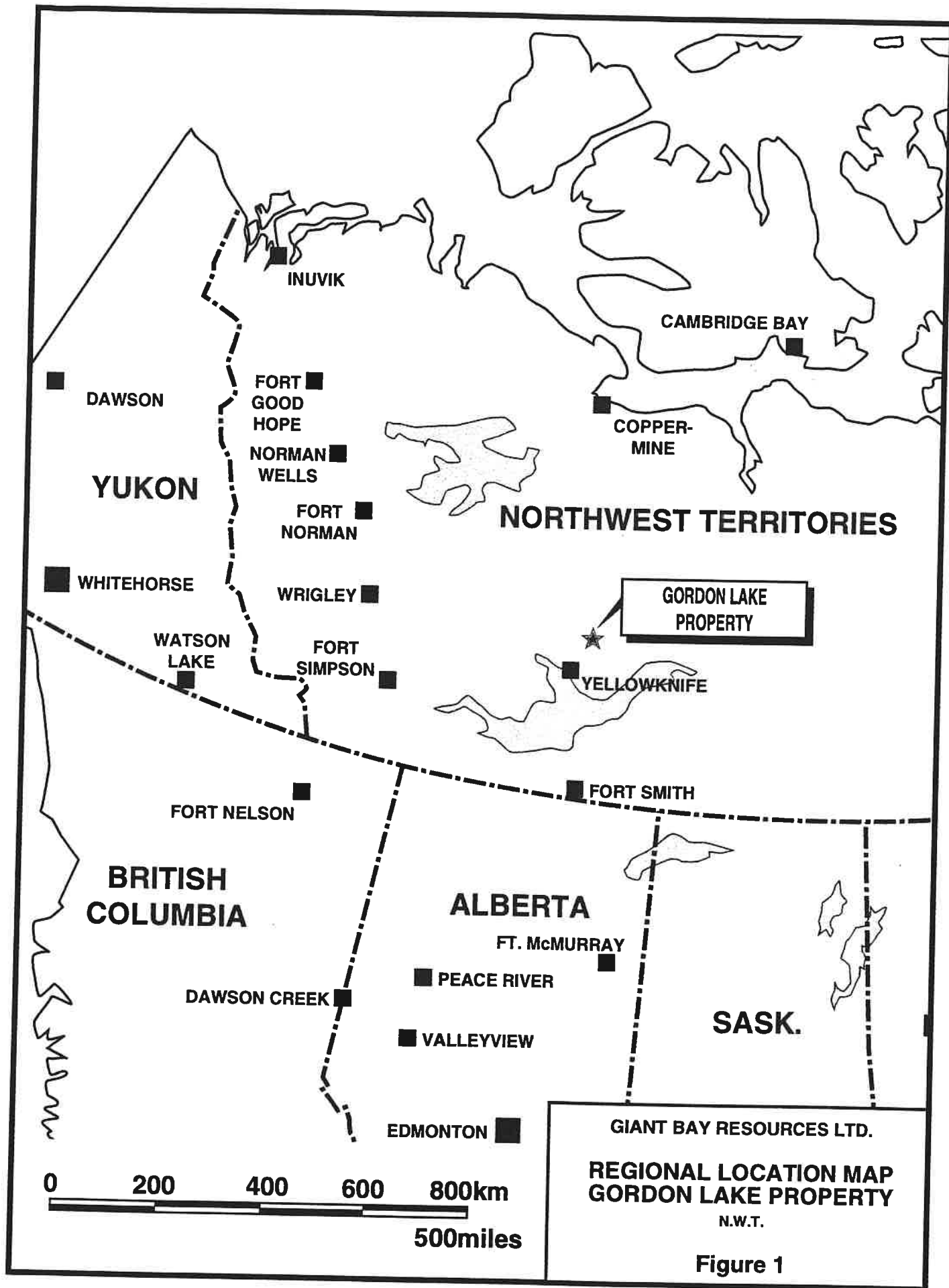
The property is accessible by float- or ski-equipped aircraft year round. During the winter months, trucks can be utilized on winter roads built across frozen lakes and taiga. The winter road to the Lupin Mine is open each winter and passes east of Yellowknife for 80 km on an all-weather gravel highway called the Ingraham Trail, then turns north and passes within 3 km of the Gordon Lake property. Such a winter road would allow for the transport of bulk fuel and supplies to any potential minesite in the Gordon Lake area.

### Property

The Gordon Lake property consists of Crown leases 3248 and 2450 which cover the area of the previous LYNK 1-4 and MAHE claims. Figure 2 illustrates the locations of the current claims which are the subject of this report. Table 1 summarizes the status of these claims. While this summary is believed to be accurate after speaking with the NWT Mining Recorder's office, no title search has been completed by Taiga. The Gordon Lake property is owned 100% by Giant Bay Resources Ltd., subject to a 1% royalty on production.

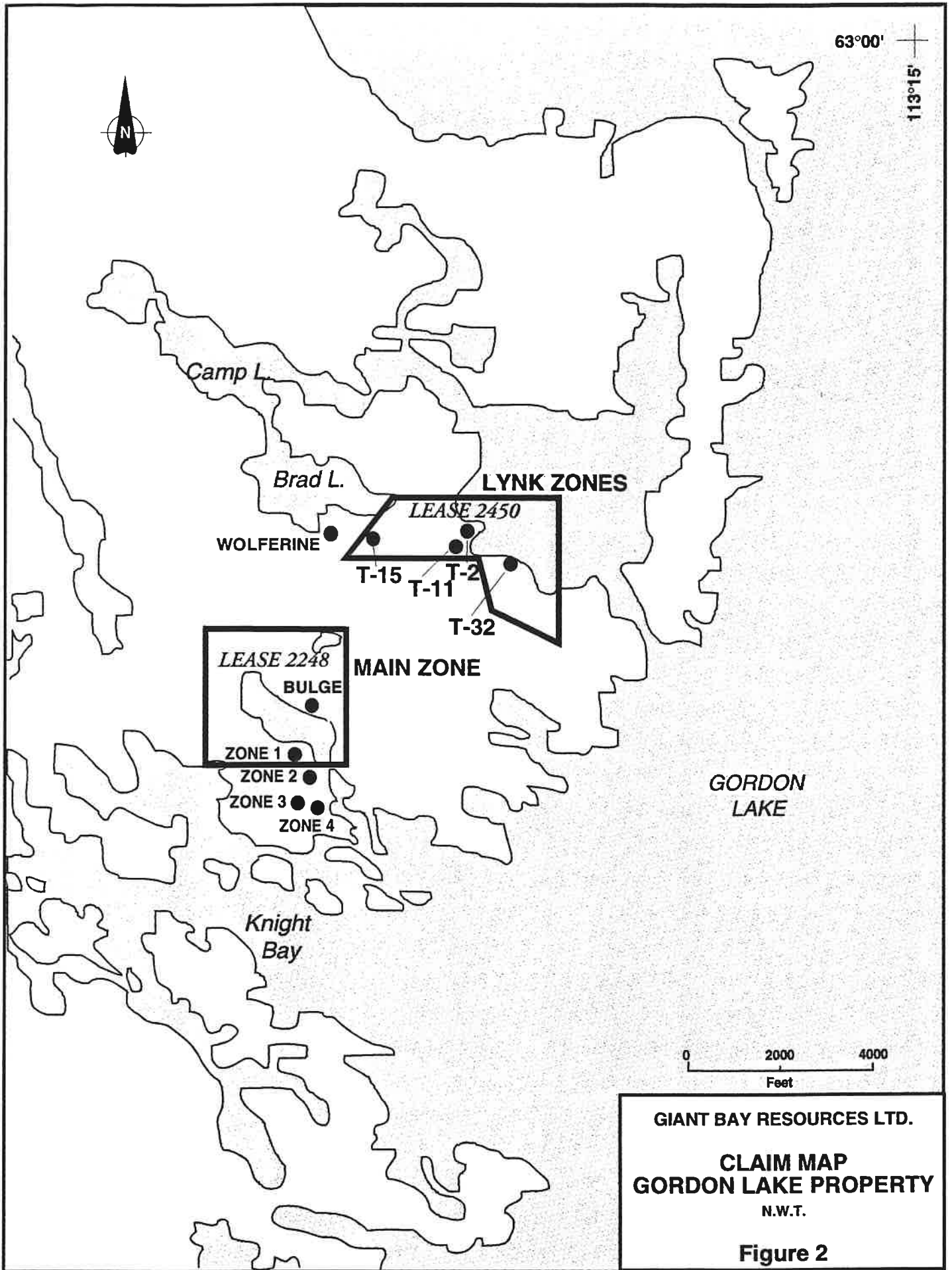
**Table 1 - Claims Status**

<u>Claim Name</u>	<u>Record No.</u>	<u>Acreage</u>	<u>Expiry Date</u>	<u>Lease</u>
MAHE	N 89416	206.6	Mar.01, 2009	] 3248
LYNK 1	46293	182.2	Aug.12, 2013	} 2450
LYNK 2	46294	182.2	Aug.12, 2013	
LYNK 3	46295	182.2	Aug.12, 2013	
LYNK 4	46296	<u>182.2</u>	Aug.12, 2013	
		935.4		



63°00'

113°15'



GIANT BAY RESOURCES LTD.

**CLAIM MAP**  
**GORDON LAKE PROPERTY**  
N.W.T.

**Figure 2**

## Physiography

The topography of the property is typical of the Canadian Shield, with low rolling hills and numerous lakes and a poorly integrated drainage system. Elevations range from 294 m at Gordon Lake to about 320 m, making a total relief of 26 m.

## ECONOMIC GEOLOGY

The Gordon Lake property lies within the Archean Slave structural province which is the premiere exploration area for gold deposits which have been productive in the Northwest Territories. Gordon Lake lies wholly within Yellowknife Supergroup turbidites which have been metamorphosed to greenschist facies. This turbidite succession has undergone several phases of intense folding and faulting. The turbidites host all of the quartz vein gold deposits and occurrences on the property.

There are approximately 135 known quartz vein gold showings hosted by turbidites within the Slave province. Historically, a total of 16 mines have produced gold from this geological environment. Four mines (Thompson Lundmark, Bullmoose, Camlaren, and Ptarmigan) recorded past gold production from turbidites and account for over 85% of production from this geological setting. According to Padgham (1986): "At the Gordon Lake deposit, auriferous quartz veins are sufficiently concentrated that open pit is being envisaged."






These gold deposits have a simple mineralogy consisting mainly of quartz and free gold with local concentrations of carbonate minerals and less than 1% sulphides. Veins either cross-cut bedding or are conformable. Gold mineralization is epigenetic and occasionally deformed. Gold mineralization tends to concentrate near the axes of major faults in open fractures or shears. Figure 3 illustrates the general geology of the Gordon Lake area and gold occurrences.






While there are a large number of gold occurrences in turbidites within this area, few have been of sufficient size and tonnage to be mined successfully. Nevertheless, based on the analysis completed by Glanville (1988), some of the Gordon Lake deposits would appear to be economically viable.

## VALUATION

The economic valuation of this property is based on the reserves and grade established by Glanville (1988) on the zones encompassed by the current claims/leases. The No.1 Zone on the MAHE claim, above the 200-foot level, has an estimate of 8,730 tons grading 0.80 ounces per ton. Potentially, this reserve could be expanded by future exploration and drilling. The No.1 Zone is the core asset within the Gordon Lake property. Other zones, including T-2 and T-11, would consist of 3,000 tons grading 0.5 ounces per ton which could be mined by open-pit methods. With an adjustment for the current price of gold in the range of \$380-\$390 US per ounce, a value of \$385 US per ounce was used for this evaluation. By substituting the current gold price and exchange rate, and utilizing the same methodology as Glanville (1988), the value of the gold reserves in the current zones held by the company are calculated by Glanville as follows:

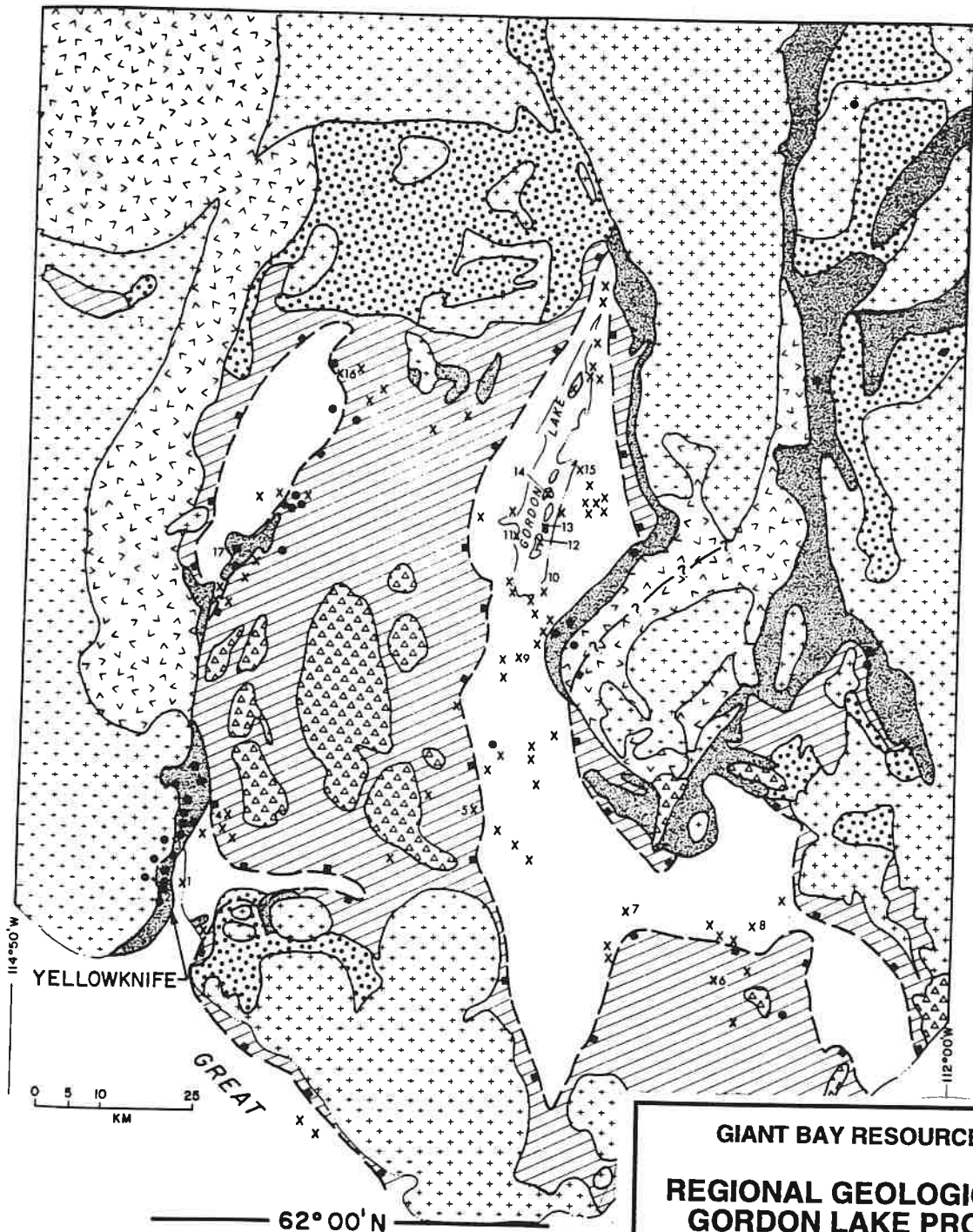
# TABLE OF FORMATIONS

-  late tectonic granitoids  
mainly two-mica granite  
and adamellite
-  syntectonic granitoids  
mainly granodiorite
-  early granitoids may  
include pre-Yellowknife  
Supergroup basement
-  highly metamorphosed  
and migmatized  
supracrustal rocks
-  Yellowknife Supergroup  
turbidites; lined, rocks  
above cordierite isograd

-  Volcanic belts
-  lakeshores
-  cordierite  
isograd
- Gold deposits/showings**
-  ● in volcanics  
and granitoids
-  X in turbidites

# GOLD OCCURRENCES

- |                       |                    |
|-----------------------|--------------------|
| 1: Fish               | 10: Blackridge     |
| *2: Con               | *11: Giant Bay     |
| *3: Giant             | *12: Carlsden      |
| *4: Plover            | 13: Zarrith Island |
| *5: Thompson Landmark | 14: Burrit Island  |
| *6: Bullmoose         | 15: Van            |
| 7: Beauveau YK        | 16: Discovery Mine |
| 8: Ruth               | 17: Nose Lake      |
| 9: WT                 |                    |



**GIANT BAY RESOURCES LTD.**  
**REGIONAL GEOLOGICAL MAP**  
**GORDON LAKE PROPERTY**  
 N.W.T.

Geology after W.A. Padgham; 1986

**Figure 3**



1. Reserves

No.1 Zone	5,820 tons grading 0.81 oz/ton	underground
T-2/T-11 Zone	3,000 tons grading 0.50 oz/ton	open-pit

2. Mine Dilution

Underground	15% at a grade of 0.30 oz/ton
Open Pit	10% at a grade of 0.25 oz/ton

3. Mineable Reserves

Underground	10,040 tons grading 0.74 oz/ton
Open Pit	3,300 tons grading 0.45 oz/ton

4. Metallurgical Recovery

Gold 95%  
Silver not included in the calculation

5. Gold Price \$385 US

6. Exchange Rate \$1.00 CDN = \$0.74 US

7. Cash Flow

Underground	$10042 \times 0.74 \times 95\% \times (385 \div 0.74) =$	\$3,672,878
Open Pit	$3300 \times 0.45 \times 95\% \times (385 \div 0.74) =$	<u>733,971</u>
Total Revenue =		\$4,406,849

Operating Costs

	Mining	Transport	Milling	Total / Ton	
Underground	\$100	40	40	\$180 x 10042 tons =	1,807,000
Open Pit	\$50	40	40	\$130 x 3300 tons =	<u>429,000</u>
Total Operating Costs =					\$2,236,000

Operating Margin = 2,170,849

Development Costs = 525,000

Pre-Tax Cash Flow = \$1,645,849

Thus, the present value, at a 10% discount rate, would be approximately \$1,500,000 for the deposits outlined to date. No deduction for income tax has been made, since approximately \$5,000,000 of exploration on development write-offs are available to shelter cash-flow from income tax. There is a 1% royalty on the proceeds from production on these leases. The annual rental payment on Lease 2450 is \$364.34 and \$203.00 for Lease 3248.

## EXPLORATION POTENTIAL

In addition to the known deposits, there are other gold occurrences yet to be evaluated on the property, and additional reserves could be added to the known deposits with additional drilling. Such exploration could potentially add to the mineral inventory of this property.

The general area has been the subject of intense land speculation for diamond. However, a review of the available magnetic data for the Gordon Lake property has not revealed any obvious kimberlite targets. However, since the magnetic data does not totally cover the property area, some modest potential may exist from an exploration viewpoint.

## CONCLUSIONS

The Gordon Lake property of Giant Bay Resources Ltd. has a current value of approximately \$1,500,000 based on the mineable gold reserves identified to date. Thus, it is considered a property of merit. Future exploration should concentrate on increasing this reserve estimate by drilling these zones to depth at an estimated cost of \$200,000. A breakdown of these exploration costs is tabulated in the following Schedule:

### Schedule : Proposed 1995 Drilling Program

Pre-field preparation including land-use, contracting, etc.	\$ 3,000
Drilling (1000 metres)	125,000
Mobilization and demobilization	12,000
Geological supervision	37,000
Camp costs	5,000
Fuel	4,000
Geochemical analyses	6,000
Expediting	2,000
Report writing and drafting	<u>6,000</u>
	<u>\$200,000</u>

## CERTIFICATE

I, James Wilson Davis, of 98 Hidden Circle N.W. in the City of Calgary in the Province of Alberta, do hereby certify that:

1. I am a Consulting Geologist with the firm of Taiga Consultants Ltd. with offices at Suite 301, 1000 - 8<sup>th</sup> Avenue S.W., Calgary, Alberta.
2. I am a graduate of St.Louis University, B.Sc. Geology (1967) and M.Sc. Geology (1969), and I have practised my profession continuously since graduation.
3. I am a member in good standing of the Association of Professional Engineers, Geologists and Geophysicists of Alberta; and I am a Fellow of the Geological Association of Canada; and I am a member in good standing of the Association of Professional Engineers and Geoscientists of B.C.
4. I am the author of the report entitled "Valuation of the Gordon Lake Property, NWT", dated July 31, 1995.
5. I do not own or expect to receive any interest (direct, indirect, or contingent) in the property described herein nor in the securities of **Giant Bay Resources Ltd.** in respect of services rendered in the preparation of this report.

DATED at Calgary, Alberta, this 31<sup>st</sup> day of July, A.D. 1995.

Respectfully submitted,

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James W. Davis, M.Sc., P.Geol., F.GAC, P.Geo.

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APPENDIX I

Ross Glanville Report