

The President and Directors,
David Minerals Ltd. (N.P.L.),
315 - 850 West Hastings St.,
Vancouver, B.C. V6C 1E1.

PROGRESS REPORT

PERIOD 23 OCTOBER 1978 - 8 MARCH 1979

and

PROPOSED EXPLORATION AND DEVELOPMENT PROGRAM

SCRANTON MINE

INTRODUCTION

This report summarizes the work performed during the above-noted period at the Scranton Mine property as per the recommendations in the writer's report "Proposed Exploration and Development Program" dated 1 August 1978. The drifting, cross-cutting and diamond drilling on the 5700 Level, planned in Phase I, have been completed. Since the beginning of the New Year, drifting southwesterly on the 5900 Level has commenced, as proposed in Phase II.

The results of work to date indicate that changes should be made in Phase II of the program to ensure optimum utilization of exploration funds. A revised Phase II and additional Phase III are outlined in this report, maintaining a similar total expenditure as originally proposed in the 1 August 1978 report.

The property has been visited by the writer at regular intervals throughout the period, the latest examination being 7 - 8 February 1979.

Enclosed maps are:

Composite Plan - Scale 1" = 200'

Vertical Longitudinal Projection - Scale 1" = 200'

PROGRESS SUMMARY

1. Drifting and Crosscutting

Rehabilitation of the 5900 Level has been completed. The major cost items were, installation of compressed air and electric power lines on surface from the power plant at the 5700 Level portal, underground ventilation on the 5900 Level and establishment of a waste storage and transfer facility from 5900 to 5700 Level. The 5900 Level drift has been advanced 497 feet to a point approximately 1270 feet southwest of the portal. Since the middle of February heavy snow has hampered access to the property, resulting in a reduction in advance to 90 feet for the past four weeks. Conditions may be expected to improve with the approach of Spring.

For the first 350 feet of advance, numerous discontinuous quartz veins, mineralized chiefly with pyrite, were encountered. A strong altered shear zone, with quartz veining attaining widths up to 3 feet, has been drifted on for the last 147 feet, and in the present face the multi-stranded zone is 10 feet wide. This structure is similar to the sheared veining on the 5700 Level, but to date very little galena (lead) or sphalerite (zinc) mineralisation has been noted, which is reflected in the low assays returned from samples from the first 80 feet. The drift has just entered the sector where, from previous exploration above and below the Level, an improvement in mineralisation might be anticipated.

2. Diamond Drilling

The diamond drilling programs from the 5700 Level were completed with 27 holes being drilled for a total of 4518 feet. Holes 78-1 and 78-18 have been reported on previously.

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Hole 78-19 was drilled southerly from 8145 SE crosscut, the last of three holes to test the zone at approximately the 5600 Level horizon at the southern extremity of the workings. No values of interest were encountered.

Hole 78-20 was drilled southerly from 8145 N.W. crosscut to check the main zone at the 5700 Level elevation, 125 feet southwest of the drift face. A 12 foot core length of sheared quartz vein and altered granodiorite was intersected, the structure being much stronger than where encountered in hole 78-11, 70 feet to the north. Assays were low.

Hole 78-5 was deepened to investigate the northerly extension of a strong shear structure encountered 150 feet east of the drift in hole 78-6. There were no intersections of interest.

Hole 78-24 was drilled from 8300 crosscut to check the zone approximately 100 feet above the 5700 Level beside hole 78-8, which failed to penetrate the zone because of poor ground conditions. Sheared vein was encountered over a 3 foot width, but only 0.6 feet of core was recovered which returned low assays.

Three down holes were drilled from 9045 S.E. crosscut to check the downward extension of the ore shoot mined above the 5700 Level, over a strike length of approximately 150 feet at about the 5600 Level elevation. The vein zone was intersected in all three holes and the assay results are tabulated as follows:

Hole	Core Length feet	Assays			
		Gold oz/ton	Silver oz/ton	Lead %/ton	Zinc %/ton
78-21	4.5	0.15	8.13	0.33	0.31
78-22	5.5	0.19	0.67	0.87	0.23
78-23	0.5	0.24	1.70		

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Three down holes 78-25, 26 and 27 were drilled from 9520 S.E. crosscut to test the downward extension of a mineralised zone opened up on the 5700 Level near the portal. The holes covered a strike length of 175 feet at about the 5600 Level but it is doubtful that the zone was completely penetrated in either 78-26 or 78-27 due to poor ground conditions. There were no assays of economic interest.

DIAMOND DRILL SUMMARY

DDH.No.	FOOTAGE	LOCATION	BEARING	DIP
78-19	157	8145 SE crosscut	S54°33'W	-45°
78-20	198	8145 NW crosscut	S 6°55'W	0°
78-21	162	9045 SE crosscut	-	-90°
78-22	142	9045 SE crosscut	S62°12'W	-44°53'
78-23	171	9045 SE crosscut	N36°49'E	-44°
78-24	142	8300 crosscut	S52°09'E	+69°
78-25	167	9520 SE crosscut	-	-90°
78-26	142	9520 SE crosscut	N50°06'E	-46°30'
78-27	<u>127</u>	9520 SE crosscut	S63°26'W	-46°15'
TOTAL	1408			

3. Property Operating Costs

PHASE I

This portion of the proposed program was carried out on the 5700 Level during the period 1 August - 15 November 1978 and the following tabulation compares property operating costs with budgeted estimates for work items actually performed.

ITEM	BUDGET		ACTUAL		BALANCE
	Footage	\$	Footage	\$	
Drifting & Crosscutting	600	125,053.	681	107,977.	17,076.
Test Holing	210	1,500.	210	1,500.	--
Diamond Drilling	4000	<u>70,160.</u>	2641	<u>64,335.</u>	<u>5,825.</u>
		<u>196,713.</u>		<u>173,812.</u>	<u>22,901.</u>

The Company decided that surface exploration would be deferred, and the requirement for additional accommodation did not arise.

An unexpended portion of budgeted funds from PHASE I, in the amount of \$98,188.00 is available for carry-over to PHASE II, itemized as follows:-

Balance Property Operating Costs	\$22,901.
Budgeted - Surface Exploration	10,000.
- Capital Expenditures	30,000.
- Contingencies	<u>35,287.</u>
	<u>\$98,188.</u>

PHASE II

Property operating costs from 16 November 1978 to 31 January 1979 were related to work on the 5900 Level and were incurred as follows:

Rehabilitation, electric power, compressed air, ventilation installations, track, pipe, timber.	\$50,039.
Drifting - 393 feet advance	<u>70,861.</u>
	<u>\$120,900.</u>

4. Discussion and Conclusions

Exploration from the 5700 Level has established the presence of the Sunrise Basin/Grandview Zone, 800 feet below surface. Several mineralized shear strands indicate a minimum zone length of 500 feet which is open to the southwest toward the S.W. Sunrise Zone. The best mineralized shoot encountered in the drift averaged 0.27 oz./ton gold, 5.64 oz./ton silver, 7.56% ton lead and 9.17% ton zinc for a length of 69 feet and 4.2 foot average width. The presence of lesser amounts of economic minerals in the remainder of the vein strands suggests that additional shoots may be encountered at other elevations.

Six diamond drill holes tested at least two of the vein strands approximately 100 feet above the level, and three of the holes encountered values of interest. Core recoveries were poor so that the assays do not reflect the actual grade or width of mineralisation.

On the basis of these results, it was decided that PHASE II of the program should be commenced to explore this zone at the 5900 Level elevation and carry out test raising of mineralised shoots above the 5700 Level.

Recent diamond drilling at the 5600 Level elevation, below known mineralised shoots, was not sufficiently encouraging to warrant driving on this Level at the present time, as proposed in PHASE II of the 1 August 1978 report.

The Company has decided to continue, for the present, its policy of non-participation in surface exploration outside the property boundaries.

During the past few weeks, numerous enquiries have been received concerning the availability of the Company's mill at Ainsworth, B.C. for custom milling. An early start is planned for the necessary mill repair and maintenance and installation of assaying facilities, as proposed by F. E. Worthington and Associates Ltd., 14 April 1977.

PROPOSED EXPLORATION & DEVELOPMENT

Continued exploration of the Sunrise Basin/Grandview sector is proposed as PHASE II, to include

- (1) 700 feet of drifting on the 5900 Level and 100 feet of raising above the 5700 Level, being part of PHASE II of the original program.
- (11) Diamond drilling on and above the 5900 Level, chiefly in the area of projected mineralization, being a revision of the original program.

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A further revision of PHASE II of the original program, now termed PHASE III in this proposal, is to continue drifting southwesterly on the 5900 Level for approximately 800 feet, to explore, along with about 2600 feet of diamond drilling, the downward extension of the S.W. Sunrise zone. It is increasingly apparent that Sunrise Basin and S.W. Sunrise may be directly related to the same mineralizing structure. The S.W. Sunrise 6467 Level encountered a 190 foot mineralized shoot which averaged 0.092 oz./ton gold, 3.27 oz./ton silver, 9.1%/ton lead and 5.1%/ton zinc over a width of 2.3 feet.

Completion of a raise between 5700 and 5900 Levels will be necessary for second access and ventilation.

Total expenditures for this work, exclusive of Administrative Expenses, are estimated to be approximately the same as the funds to be allocated to PHASE II of the original program, which totalled \$643,000. for capital and property operating costs.

The proposed program is detailed by phases as follows:

PHASE II Estimated time to completion - 5 months

A. Grandview/Sunrise Basin Area

5900 LEVEL

1. Work performed to date - actual cost	
Rehabilitation - Installation	\$ 50,039.
Drifting - 393 feet	<u>70,861.</u>
	\$120,900.
Credit Carry-over Budgeted	
Funds from PHASE I	<u>98,188.</u>
Balance Funds required PHASE II	\$ 22,712.

2. Drifting - 300 feet @ \$210./foot	\$ 63,000.
3. Crosscutting into footwall at southwest face for diamond drill base 150 feet @ \$210./foot	31,500.
4. Diamond Drilling	
(i) Two - 200 foot flat holes to test drift walls. 400 feet @ \$24./foot	\$ 9,600.
(ii) From drill crosscut to intersect zone 100 and 200 feet above level 720 feet - 3 holes @ +80° <u>475</u> feet - 3 holes @ +45°	
1195 feet @ \$24./foot	<u>28,680.</u>
1595 feet total diamond drilling	38,280.
5700 LEVEL	
Raising 100 feet @ \$170./foot	17,000.
B. Road Maintenance - Snow Removal	20,000.
C. Mill Repair & Maintenance	50,000.
D. Assay Laboratory Installation	30,000.
F. Engineering	<u>6,000.</u>
	\$278,492.
F. Contingencies	<u>36,508.</u>
TOTAL ESTIMATED PROPERTY COSTS to complete PHASE II	\$315,000.

PHASE III Estimated time to completion - 5 months

5900 LEVEL - to S.W. Sunrise Target Area.

1. Drifting - 800 feet @ \$210./foot	\$168,000.
2. Crosscutting into footwall at southwest face for diamond drill base 150 feet @ \$210./foot	31,500.

3. Diamond Drilling

(i)	Five - 200 foot flat holes to test drift walls at 200 foot intervals 1000 feet @ \$24./foot	\$24,000.
(ii)	From drill crosscut to intersect zone 100 & 200 feet above level. 720 feet - 3 holes @ +80° <u>475 feet - 3 holes @ +45°</u>	28,680.
(iii)	One hole to test 150 feet ahead of drift face. 200 feet @ \$24./foot	<u>4,800.</u>
	2395 feet total diamond drilling	\$ 57,480.
	5700 LEVEL	
	Raising - Complete raise 5700 to 5900 Level. 120 feet @ \$170./foot	20,400.
	Engineering	<u>7,500.</u>
		\$284,880.
	Contingencies	<u>40,120.</u>
	TOTAL ESTIMATED PROPERTY COSTS to complete PHASE III	<u>\$325,000.</u>
	TOTAL ESTIMATED PROPERTY COSTS PROPOSED PROGRAM	<u>\$640,000.</u>

Respectfully submitted.

WALTER E. CLARKE, B.Sc., P.Eng.

15 March 1979.

C E R T I F I C A T E

I, Walter Ernest Clarke, of the City of Victoria, British Columbia, do hereby certify that:

1. I am a consulting geological and mining engineer with an office at 1362 Dallas Road, Victoria, British Columbia. V8S 1A1.
2. I am a graduate of Queen's University (1939) with a B.Sc. degree in Geology and Mineralogy.
3. I have practiced my profession continuously since graduation.
4. I am a member in good standing of the Association of Professional Engineers in the Provinces of British Columbia and Ontario.
5. I have no interest, either direct or indirect, in the properties or securities of David Minerals Ltd. (N.P.L.), nor do I expect to acquire any such interest in the future.

WALTER ERNEST CLARKE, P.Eng.

15 March, 1979.