

July 20, 1959

The Directors of Craigmont Mines Limited (Non-Personal Liability) are pleased to present the interim report to June 30, 1959, of its consulting engineers, Messrs. Chapman, Wood & Griswold, of Albuquerque, New Mexico, prepared by Mr. E.P. Chapman, Jr.

Underground work, which is steadily changing the "probable" ore to "proven" ore with an average of 1.82% copper (36.4 lbs. per ton) and 17.3% iron (346 lbs. of iron) points to an expected early election by our operating team of Canadian Exploration Limited, Noranda Mines Limited and Peerless Gas & Oil Inc. to bring the property into production.

It is pointed out that conservative opinion leads to the prediction that Craigmont will enjoy a comparatively long life of economical copper production.

As Mr. Chapman points out in his progress report "Geological conditions are favourable for discovery of additional ore either as extensions of the known deposit or in the same general zone."

The Summary of Mr. Chapman's report is as follows:--

" In the agreement of June 1958 between Craigmont Mines Ltd. and an operating group composed of Canadian Exploration Limited, Noranda Mines Ltd., and Peerless Oil and Gas Co., the operators undertook to carry out a program of exploration and development work on Craigmont's properties near Merritt, B. C. The program agreed upon required the operators to execute a plan of driving an exploration adit at 3500 feet elevation to intersect a zone of copper-iron mineralization partially delineated by surface diamond drilling, drifting along the footwall of the structure and evaluating the deposit by cross-cuts and underground diamond drill holes. The plan was described in detail in the Triggs Report which was made a part of the operating agreement. This work has been very nearly completed, additional drifting and drilling accomplished and a second stage of development has been authorized by the operators under which a similar adit is being driven at 3000 feet elevation. Approximately 100,000 yards of overburden are being removed from the hanging wall portion of the top of the ore zone at the surface. One cross-cut remains to be driven on the 3500 level and the core drilling pattern at this level is being completed with two drills. The near-surface portion of the deposit will be further measured by diamond drilling from the stripped area and downward extensions of the zone explored from the 3000 adit.

Development work has been carried out steadily and efficiently in the period of over six months since our last formal report to the directors and stockholders of Craigmont Mines Ltd. Since almost all of the work has been done on and from the 3500 level adit and within the portion of the mineralized structure partially delineated by surface drilling, no important extensions of the orebody were to be expected. However, as many additional intersections of the deposit have now been measured in cross-cuts and underground drill holes, the degree of certainty of the validity of tonnage and grade calculations has been substantially increased.

Work performed included 2686 feet of advance in the main 3500 adit to a point 3446 feet from the portal where the drive was stopped, 800 feet of full sized cross-cuts, 553 feet of scraper cross-cuts and 12,244 feet of diamond drilling from 3500 level stations. The 3000 level portal site was prepared, the road to the area completed, a waste trestle erected and track installed. Water, air and electric lines to the 3000 portal were completed. A tool shed was finished and a dry 50% completed. The 3000 adit was started on June 12th and on June 30th the face was at 145 feet in loosely consolidated Kingsvale volcanics. The 3000 level will intersect the downward projection of the eastern end of the mineralized zone approximately 3000 feet from the portal and will probably reach this position late in 1959. Underground development to date in drifts and cross-cuts totals 4944 feet.

In December of 1958 we reported the following estimates of ore reserves:

Ore Classification	Tons	% Cu.	% Fe.
Qualified Probable	14,710,000	1.82	17.3
Possible	9,400,000		
Low Grade Possible	3,970,000	0.82	21.5

New information has had the effect of confirming rather than changing the figures in the "qualified probable" category. Qualifications have been largely removed. Over 50% of the 14 plus million tons previously reported in this classification can now be considered proven in our opinion. We believe that when

drilling has been completed on the 3500 level in approximately two months time new calculations will be very close to previous estimates in both tonnage and grade. The "possible" ore classification showed the tonnage which would be present if the entire ore zone continued at its apparent width and attitude to the 3000 feet elevation. Underground drilling has demonstrated that while some ore grade mineralization exists at this level, much of the deposit does not continue downward with the attitude shown from the surface to the 3500 level. Completion of the 3500 level drilling will give a reasonably accurate picture of the deposit to the 3300 feet elevation and may permit limited estimates of possible projections. However, we believe that the presence or absence of ore heretofore listed as "possible" will not be determined until drilling has been done from the 3000 level.

Within the eastern portion of the mineralized zone in the area containing the "low grade possible" classification a separate pod of ore averaging 1.03% Cu. and 40.8% Fe. has been delineated. This pod contains approximately 395,000 tons.

Approximately 4000 tons of ore from development cross-cuts have been stock-piled at the 3500 level portal. Ten tons of this ore was transported to the Canadian Exploration mill at Salmo, B. C. for pilot plant test work. The tests fully confirmed the early favourable bench scale tests. Copper recovery was approximately 98% with concentrates assaying 30% Cu. Tailings from copper flotation were treated on tables and an iron concentrate was recovered assaying 60% Fe. and containing approximately 50% of the iron present in the original heads. Samples are presently being tested in various laboratories to determine the best means of recovering iron in the form of concentrates or other iron products from the ore. It has been demonstrated that a concentrate meeting standard iron ore chemical specifications can be recovered from Craigmont ore. Realization of a profit from the iron will probably depend largely on markets.

Cost estimates and detailed plans for bringing the property into production at various daily tonnage levels are being completed. An analysis is being made of open pitting versus underground mining for the upper portion of the orebody.

In our opinion results of exploration and development work on the Craigmont deposit have been encouraging.

1. Development work on the 3500 level has confirmed the presence of a substantial copper-iron orebody.
2. When drilling from the 3500 level is completed in early autumn, ore reserve estimations should show approximately the tonnage and grade figures previously reported as qualified probable ore converted to proven ore.
3. The deposit is amenable to exploitation by large scale, low cost mining methods.
4. Metallurgical characteristics of the ore are excellent. High recoveries at good grade can be made without fine grinding.
5. It appears probable that if markets exist or can be developed a substantial portion of the iron in the ore can be economically recovered.
6. Geological conditions are favourable for discovery of additional ore either as extensions of the known deposit or in the same general zone.
7. With excellent management at both administrative and supervisory levels and aggressive implementation of well conceived and carefully planned development programs, the property is rapidly reaching the stage at which the best rate of ore extraction can be determined and the work of bringing the property into production started.

CHAPMAN, WOOD & GRISWOLD

E. P. Chapman, Jr.

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