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April 26th, 1968.

The President and Directors,
Ajax Mercury Mines Ltd.,
Vancouver, B.C.

Dear Sirs:

Pursuant to your recent request regarding your option property in the Beavertell, B.C., area I am pleased to supply you with the following information and recommendations:

PROPERTY

Ajax Mercury Mines Ltd. has an option on eight claims on Wallace Mountain in the Greenwood Mining Division. They are as follows:

Standard Fraction	Lot No. 32978
Gold Drop Fraction	3154
Gold Drop No. 2 Fraction	11968
Buster	2937
Alaska	2938
Rambler Fraction	2797
Relief Fraction	14328
Homestake	11978

GENERAL

The Beavertell camp, on the west flank of Wallace Mountain, has produced more than 30,000,000 ounces of silver during the past 67 years. Most of this amount has come from ground now mined by Highland Bell Mines Ltd.

Of the claims optioned by Ajax, three of the more northerly ones have been investigated to some extent by underground workings. These are the Standard Fraction, Buster and Rambler Fraction. From the Standard, 165 tons were mined averaging 98 oz. silver per ton; from the Rambler 117 tons averaged 180 oz. silver per ton.

The Ajax optioned claims are approximately two miles southeast of Beaverdell and are accessible by good gravel road.

GEOLOGY

The rocks of the Beaverdell camp consist of the Wallace formation of tuffs and lavas which have been intruded by a quartz diorite mass of batholithic proportions. A stock-like mass of porphyritic quartz monzonite occurs in Beaverdell and this is probably a differentiate of the larger intrusive mass.

The contact between Wallace and batholithic rocks is high on the west flank of Wallace Mountain. It dips gently eastward and has a sinuous southerly trend from Highland Bell through the Buster claim and beyond. Much of the best ore mined at Highland Bell is in the quartz diorite within a few hundred feet of the Wallace, hence the significance of the Wallace-batholith contact.

The productive lodes of Wallace Mountain are stockworks or quartz breccia veins. A pronounced wall-rock alteration generally occurs adjacent to the lodes; it is characterized by a pale but distinct greenish cast to the quartz diorite affected, and is locally called the "ore-ground". Seldom has rich ore been found in unaltered quartz diorite, hence the importance of locating areas of ore-ground within the batholithic rocks.

The lodes have been followed down dip for 2000 feet with little appreciable change in mineralogy. Pyrite, sphalerite and galena are the most common metallic minerals. The richer ore shoots are thus because of the presence of one or more of the following: argentiferous tetrahedrite, ruby silver, native silver.

The lodes in the Lass and Bell mines of Highland Bell Mines Ltd. strike northeasterly and dip southeasterly. In the Sally and Wellington, the veins strike east-west and dip steeply to the south.

An incredible number of faults displace the lodes. The faults fall into four categories with two strikes, north-south and northeasterly. The north-south faults that dip steeply eastward are the strongest, most continuous but none of the faults or fault directions is of paramount importance from an ore-making standpoint.

An adit approximately 600 feet long has been driven easterly across the Standard-Buster boundary. This working follows, intermittently, a much faulted vein structure that dips southward. Data on values as well as the extent and continuity of the structure are lacking.

On the Rambler, tunnelling was undertaken on three levels approximately 50 feet apart vertically. The lowest level is at 4250 feet; an east-west vein structure was opened up in 133 cross cut and followed by drifting for 57 feet. Incomplete data on this area suggest that former operators obtained assays of the order of 30 ounces silver per ton across widths averaging 2.5 feet, which at the former price of silver represented marginal mineralization.

The writer did not have the proper equipment to enter the underground workings during his visits to the area, but it has been recently reliably reported that no major rehabilitation would be necessary to permit exploration work.

RECOMMENDATIONS

It is recommended that work be undertaken on the known vein structures before searching for others.

The estimated cost of the work is as follows:

Mapping, sampling & assaying - preliminary examination		\$ 1,500	
Minor rehabilitation of workings, including establishing water supply			1,000
Surface diamond drilling - "E" size core			
(a) Amount - 2 holes @ 200' each or 400'			
(b) Crew - 2 men			
(c) Performance - 20'/crew shift (average)			
(d) Cost			
40 manshifts @ \$30 total per m. s.		\$1200	
Supplies incl. bits		400	
Contractor's rental fees & profit		<u>1000</u>	
TOTAL			2,600
Underground diamond drilling - "E" size core			
(a) Amount - 10 holes @ 300' each or 3000'			
(b) Crew - 4 men - (2 men x 2 shifts)			
(c) Performance - 24'/crew shift (average)			
(d) Cost			
250 manshifts @ \$30 total per m. s.		\$7500	
Supplies incl. bits		2000	
Contractor's rental fees & profit		<u>2000</u>	
TOTAL			11,500

Sampling & assaying - 100 samples @ \$6.00 average per sample	\$ 600
Board & room loss - equivalent of average of 6 men x 80 days x \$3.00/day	2,400
Engineering services - one geologist - 3 months	3,000
Camp operation - vehicles & miscellaneous	300
Consulting fees & preparation of reports	<u>1,000</u>
	\$24,100
Contingencies	<u>900</u>
	\$25,000
TOTAL.	\$25,000

Should favourable results be obtained during this phase of the work, the writer would recommend a second phase, to cost another \$25,000. This would consist largely of further diamond drilling.

Respectfully submitted,

BACON and CROWDERST

J.J. Crowderst

JJC/lc

CERTIFICATE OF QUALIFICATIONS

I, John James Croshaw, do hereby certify that:

- (1) I am a practising mining engineer with Bacon and Croshaw, Ste. 102, 1111 West Georgia Street, Vancouver, 5, B.C.
- (2) I am a graduate of the University of British Columbia and have been granted the degree of Bachelor of Applied Science.
- (3) I have been practising my profession as a mining engineer for 27 1/2 years.
- (4) I am a member of the Association of Professional Engineers of British Columbia, Registration No. 2120.
- (5) On the 12th of August 1967 and on the 11th of April 1968 I visited the property at Beaverdell optioned by Ajax Mercury Mines Ltd.
- (6) I was employed by Highland Bell Mines Ltd. as General Manager during the period 1960-1967 and as part of my duties visited the Beaverdell mine at frequent intervals.
- (7) I nor any member of my firm have directly or indirectly received or expect to receive any interest direct or indirect in the property of the Company or any affiliate nor do I nor any member of my firm beneficially own directly or indirectly any securities of the Company or any affiliate.

J.J. Croshaw, P.Eng.