

WILLIAM M. SHARP, M.A.Sc., P.ENG.
CONSULTING GEOLOGICAL ENGINEER
171 W. ESPLANADE, NORTH VANCOUVER, B.C.

JUNE 26/74

DEAR RUDDY:

800746
Spruce Creek
Otter Creek
Wright Creek

PLEASE FIND ENCLOSED MY 'INTERIM REPORT - ATLIN - JUNE 4-12/74' PLUS A PAGE ON THE DOMINION CREEK VISIT — BOTH IN DUPLICATE. THE ATLIN SECTION OF IT HAS BEEN KEPT TO THE AGREED 2 PAGES (ACTUAL LENGTH).

IN REGARD TO PROSPECTIVE DAWSON PROPERTIES, I MUST REPORT THAT I HAVE NOT RECEIVED ANY DRILL SAMPLE PLANS ^{from Mr. Wing} PERSUANT TO OUR PHONE DISCUSSION WITH THE CHINESE FELLOW. COULD IT BE THAT HE HAS HEARD THAT WE WOULD RUN CLOSE CHECKS ON THE INFERRED OR ASSUMED LOCATIONS OF ANY OTHER 'RESERVE' AREAS?

I TALKED TO THE BEIKER DRILLING PEOPLE, AND ALSO RECEIVED SOME ADDITIONAL LITERATURE. THE LATTER MADE IT CLEAR THAT THE EQUIPMENT INCORPORATES A A DOUBLE-WALLED DRILL STRING (RODS) AND ONLY ONE DRILL BIT (SHOE). THIS WOULD BE UNSATISFACTORY, AS THE SHOE WOULD TEND TO PUNCH OR PUSH SOME BOULDERS OR COBBLES DOWNWARD (WITHOUT BREAKING) IN LOOSELY CONSOLIDATED MATERIAL — HENCE DESTROYING SAMPLE CONTINUITY. I THINK, AND McLEOD WHITE SEEMS TO AGREE, THAT THE TORCO D.D. EQUIPMENT DEFERS THE MOST FOR RAPID, CHEAP SAMPLING AND BEDROCK PROFILING.

RUDY KLIMKE PHONED TO SAY HE WAS QUITE SATISFIED WITH THE MAPS MAILED TO HIM. HE HAS SENT THEM TO GERMANY. ALSO, I MAY BE MEETING WITH HIM FOR A SHORT TIME TONIGHT, AT HIS REQUEST.

YOU WILL BE SORRY, LIKE ALL OF US, TO LEARN BILL 31 IS A FAULT. I WONDER IF YOU OR TOM COULD SEND ME A SKETCH OF THE ADDITIONAL CLAIMS STAKED ON SPRUCE CREEK?

WITH BEST REGARDS

Bill,

(W.M. Sharp P.Eng.)

WILLIAM M. SHARP, M.A.Sc., P.Eng.
CONSULTING GEOLOGICAL ENGINEER
171 W. ESPLANADE, NORTH VANCOUVER, B.C.

INCL. - Estim. Operating Costs & Profits

June 24, 1974

Mr. Rutherford Day,
Director of Companies,
1118 Southwest 8th Terrace,
Fort Lauderdale, Florida 33315,
U.S.A.

Dear Mr. Day:

INTERIM REPORT
FIELD INVESTIGATIONS, ATLIN, B.C. PROPERTIES
JUNE 4-12, 1974.

SPRUCE CREEK

Messrs. R. Klimke and E. Kullik of the Weserhutte Company, accompanied by the writer, Mr. Day, and Atlin associates, inspected operations and deposits in this area. The main purpose of this visit was to acquaint the Weserhutte personnel with the physical characteristics of the general section of the local gold-bearing placer deposits - thus enabling them to judge the feasibility of excavation by their bucket-wheel equipment. On the basis of their field observations, they concluded that while their equipment could operate efficiently in the overlying predominantly sand/silt overburden, it would be unsuited to the excavation of the typical boulder-clays/gravels comprising much of the underlying pay-zone. Also, it would be incapable of excavating the top section of gold-bearing, weathered and/or fractured bedrock.

On the basis of the existing information concerning the Spruce Creek deposits, it appears that a 2½ c.y., or larger dipper-shovel would have superior general capabilities. After the initial preparation of the pit, which would include construction of a bedrock-drain, excavation would advance in the up-stream direction. The excavated pay-material would be trucked to either a moveable washing plant or a system of sluice-boxes. A combination back-hoe/front-end loader unit might also be required for auxiliary load-haul duties, sub-grade excavation, and general pit service.

OTTER CREEK

- Subject to revision per Daily Rept data -

At Whitehorse, en-route to Atlin, the writer visited Mr. Clive Boyd of General Enterprises Ltd. to discuss stripping and mining situations relating to the Atlin deposits. At the same time a list of General Enterprises' excavating equipment was compiled.

Subsequently, Messrs. Day, Sharp, and Connolly visited Mr. Boyd for a fuller discussion of possible contract work by General Enterprises. In the course of these talks Mr. Boyd indicated that his company would probably employ '621' or '631' motor-scrappers, push-loaded by Cat. D-9 units.

At Atlin, Messrs. Klimke and Kullik inspected the deposits exposed in the banks of Otter Creek (vic. of 1973 sta. 35+00) and in the walls of the old hydraulic pit on the Drain Lease. From this, they concluded that the exposed material could be rapidly excavated and moved by bucket-wheel, and that it might handle pay-material in the floor of the pit unless the latter contained a significantly larger proportion of boulders or unusual water problems arose. In any event, it was agreed that any specific mining plan should be based on evidence obtained by systematic drill-testing and sampling.

The following is a preliminary mining estimate based on Composite Cross-Section A-B (old print #4), and applying to a currently-developed section of Lower Otter pit between old base-line stations '15' and '30' (old print #1), and including the previously-mined volumes (drifts).

note ups end of plan lease @ old base line sta 25+00

Gross pay-vol. = 500 yds. x avg. 1800 c.y. per lin.-yd. = 900,000 c.y.
 Strip-Vol. = 500 yds. x avg. 3000 c.y. " " " = 1,500,000 c.y.
 Pay-value, per column value, @ \$150/oz. = \$10.30 per c.y.
per Daily converted to \$160/oz - \$4.35 " " ①

Estimated stripping cost (1975) = \$ 0.75 per c.y.
 " mining cost (") = \$ 1.50 per c.y.

Unit costs:

Direct Stripping	3000 x \$0.75 = \$2250	<i>\$ 0.60</i>	<i>1800.00</i>
Direct Mining	1800 x \$1.50 = \$2700		<i>2160.00</i>
Total	\$4950	<i>1.20</i>	<i>3960.00</i>
Gross mining cost =	$\frac{\$4950}{1800} = \2.75 per c.y.	<i>3960</i>	<i>2.20</i> " c.y.
(if all 'till' sent to waste)		<i>1800</i>	
Washing & miscell.	= 0.50 " " = \$3.25 per c.y.		

For above 500-yard length only, gross profit before royalties & taxes $\frac{\$ (4.35 - 2.20)}{1} = \2.15 per c.y. \rightarrow **\$7.05 per c.y.**

Gross Op. Profit = 900,000 x 2.15 = \$1,935,000 (2)

Following discussions with McLeod White, who had personal experience with the former mining operations, the writer re-established his 1973 base-line stations, and made a detailed magnetometer survey of the upper half of the Drain Lease pit-floor. Some anomalous areas were delineated; however, these showed no correspondence with the assumed bedrock channel. The results probably reflect erratic runs of black-sand at relatively shallow depths within the total pay-section, and also the possible removal of deep-channel black sands during the period of drift-mining.

① - Estm. on not conservative bases. - check by new rotary drill program.
 (2) For Drain Lease Section of property only.

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WRIGHT CREEK

Wash-outs at the Otter Creek bridge precluded an actual visit to Wright Creek exploration sites. However, Mr. A. Mattson provided extra information concerning the old churn-drill and drift exploration. Also, future work was discussed on the basis of the total results to date. Mr. Mattson advised that the main shaft was sunk at a point closely down-stream of a steeply dipping bedrock-rim (or step) - which fact suggests that the principal Wright Creek channel is cut, or joined by a deeper transverse channel. The latter may actually be the principal bedrock structure (gold trap) within this interval of the creek. This possibility could be readily tested via additional drill holes.

Respectfully submitted,

W. M. Sharp, P.Eng.

SUPPLEMENT TO INTERIM REPORT, JUNE 24, 1974

APPRAISAL OF DOMINION CREEK PROPERTY

Prior to his June 10th field inspection, the writer traced the plan Y.C.G.C. Ltd. "Reserves Data, Middle Dominion Creek" dated Feb., 1959, and completed the following calculations and estimates. (A claim map was not available until the start of the field appraisals):

- (a) On all drill-holes, convert 1959 gold values to current scale.
- (b) Compute weighted-average quantities re. depth of muck, depth of dredge-section (D.S.), and current gold values for each line of drill-holes.
- (c) Calculate over-all weighted-average values applicable to sub-areas and gross area of gravel reserves.
- (d) Convert all lengths to yards, and compute gross volume of gravel reserves.

Results:

Vol. of pay (dredge) section	1,809,800 cu.yds.
Avg. depth of frozen muck	5.02 yds.
" " of pay-section	2.3 yds.
" June 10/74 value	\$2.51 per cu.yd.

A trial mining estimate indicated that a mining operation would be profitable, using standard excavating and loading equipment, with "washing" at an estimated rate of 4600 c.y. per day - pending solution of the problems of thawing muck and gravel.

On field-checking map reference points and bearings shown or indicated on the Y.C.G.C. and claim maps, the writer concluded that the placer reserves actually lay within property held by Leisure Developments Ltd.

G.C.H.L. # 151, 1974. - Leisure Developments (corp. home base)

118.75 oz. from 6040 c.y. = approx 0.02 oz/c.y. w gold @ 150/oz = 3.00/c.y.

W. M. Sharp, P.Eng.