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	G.M.H.
	R.D.S.
	B.C.B.
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	M.D.R.
	J.H.F.

820343

To..... P. M. Kavanagh

Kamad Silver Co Ltd

Subject... Kamad Silver Co.

Sub by R. S. Dionne
Kamloops area B.C.

August 31, 1971

I visited
1971, regarding
Mr. Dionne gave me a fairly complete file on the Kamad Silver property, located
55 miles northeast of Kamloops, B.C., and requested that we look it over. While
in Vancouver recently I had an opportunity to discuss the matter with W. Sirola.

Aug 31 1971

ole & Co. on August 12,
Stovel. At that time

The property is an easily accessible situation located as noted, near Kamloops, B.C. It includes a high grade silver zone (+50 oz./ton) of limited extent, and barite veins containing an estimated 7 oz. Ag/ton, and up to 2.5% Pb, and 4.4% Zn. The barite grades 27% or better over mineable widths, and is at least in part of chemical grade. An estimated 301,000 tons of vein material are present, 95% of which is basically a barite ore.

A résumé of the property is given in the attached report prepared by Mr. Dionne.

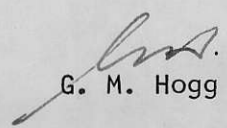
The property was first worked in the 1890's, and is well documented in the B.C. Department of Mines literature. Several companies have evaluated the property, but it is not known if the economic aspects of the barite content of the existing veins were fully appreciated. Kamad Silver are of the opinion that it is of considerable potential.

In that difficulties in financing the property to production were encountered by Kamad Silver, the property was forwarded to Mr. Dionne to see if he could arrange contact with an interested group. Mr. Dionne I believe, suggested to them that their original terms might be unreasonable, and he indicated to me that any reasonable offer for financing would be considered.

In discussion with Bill Sirola we agreed that there was little potential to the property on the basis of silver and base metal values. In terms of the barite content, there is little chance that a market arrangement could be made to produce a viable operation. As you are aware, barite marketing is a difficult situation at best, and most steady users own their own deposits.

I returned the data to Reg Dionne August 26th, and indicated to him that Kerr Addison was not interested in considering the matter further. I suggested that he contact some barite-producing companies to see if they might be interested in the property.

GMH:lfr


G. M. Hogg

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

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<input checked="" type="checkbox"/>	J.H.S.
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<input type="checkbox"/>	J.H.F.
<input type="checkbox"/>	E.C.J.

820343

To..... P. M. Kavanagh..... From..... G. M. Hogg.....

Subject..... Kamad Silver Co. Ltd., R. J. Dionne Submission..... Date..... August 31, 1971.....

I visited R.J. Dionne at the offices of Jones, Gable & Co. on August 12, 1971, regarding a property brought to the attention of Mr. Stovel. At that time Mr. Dionne gave me a fairly complete file on the Kamad Silver property, located 55 miles northeast of Kamloops, B.C., and requested that we look it over. While in Vancouver recently I had an opportunity to discuss the matter with W. Sirola.

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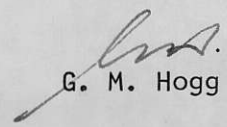
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GMH:lfr


G. M. Hogg

✓ DE: THIS IS A SUMMARY FOR TED'S GUIDANCE IN COMING TO A DECISION Roy

KAMAD HAVE GIVEN US CLEARANCE TO SHOW THEIR REPORTS TO POSSIBLY INTERESTED PEOPLE Roy

KAMAD SILVER COMPANY LIMITED

Aug. 9, 1971.

The following is a summary based on a feasibility study made by F. P. Hodgson, P. Eng., in 1970 and updated by the same author to July 12, 1971. Some additional information was supplied by Mr. Don Berry - Vice President.

LOCATION:

The property is located 55 miles north east of Kamloops, B.C. It is reached by paved highway #5 out of Kamloops to Louis Creek which is on the main C.N.R. line. And thence 18 miles east by gravel highway to the property. The property is located in relatively rugged terrain at an elevation some 700 feet above a broad flat valley leading to Adams Lake. Adams Lake, a resort area, is about 2(?) miles to the east and would be a source of mill water.

HISTORY:

High grade silver ore had been shipped to smelters in the 1890's and early 1900's. In 1935 a 50 ton per day mill treated 3000 tons of ore. In all some 6000 tons of material have been mined and treated from the property. An adit tunnel was located on the "500" level and two parallel strike drives were driven. From these two winzes were sunk and raises driven up dip to surface. This was the basis of the early work. In 1965 four diamond drill holes were drilled by previous owners. Present owners have drilled 21 holes in the mine area and 2 uncompleted holes on more remote geophysical anomalies.

VEIN SYSTEMS:

Three vein systems and one subsidiary system are presently known in the mine area. They are comparatively flat lying (dip 20 degrees to the north-east) and are parallel to the rock bedding and to one another. From the lowest to highest these beds are designated:

- 1) The Barite Drift Vein (4' to 8' in width) and separated from the vein above by 15 feet of intervening rock.
- 2) The Hanging Wall Quartz Vein (4' to 8' in width) and separated from the next higher vein by 125 feet of intervening rock.
- 3) The 300 Level Vein (4' to 30' in width).
- 4) The Subsidiary Lower 300 Level Vein lying below the 300 level vein and as shown in drill holes and in the 2236 raise to be separated from it by waste rock. Total thickness of the 300 level veins as seen in the 2236 raise is 80 feet including 20 feet of the separating waste rock.

The veins consist of alternating bands of barite and sulphides consisting of galena (lead ore), sphalerite (zinc ore), minor chalcopryrite (copper ore) and pyrite. The economic products in decending order of importance are: silver, barite, lead, zinc and copper. There is also minor recoverable gold. Barite (barium sulphate), a heavy mineral (specific gravity 4.5), is used as drill mud in oil well drilling to control gas pressure. It is also used in the chemical industry where it commands premium prices (up to \$55 per ton chemical grade, 95% pure, as opposed to \$20-\$25 per ton as drill mud) (negotiations suggest a price of about \$40 per ton, chemical category, F.O.B. the mine).

Early production came from the Hanging Wall Quartz Vein.

ORE RESERVES:

The ore structures are cut off to the southeast by a fault. To the southwest they outcrop to surface. To the northwest the structures narrow down and values decrease. All three vein systems may continue to the northeast. Rugged mountain terrain inhibits surface diamond drilling so that extensions must be developed from underground. Known ore deposition is contained in an area of 300 feet by 500 feet. The 500 foot dimension is open to expansion.

- | | |
|--|---|
| 1) <u>Barite Drift Vein</u>
59,220 tons | 7.07 ounces per ton silver
69% barite
no mention of sulphides |
| 2) <u>Quartz Hanging Wall Vein</u>
12,686 tons | 53.8 ounces per ton silver
no mention of barite nor
sulphides |
| 3) <u>300 Level Vein</u>
205,212 tons | 0.04 ounces per ton gold
7.83 ounces per ton silver
0.45% copper
2.57% lead
4.42% zinc
27.2 % barite |
| 4) <u>300 Level Vein Lower Zone</u>
24,300 tons | somewhat similar to #3 |

TOTAL = 301,421 tons - There might be an additional 475,000 tons within the confines of the known ore structures.

ECONOMICS:

Mr. Hodgson in his updated report of July 12, 1971 states:

"In a feasibility study made in 1970, it was established that capital and operating costs including costs of sales and freight, would amount to \$28.00 per ton."

"Based on guesstimated net smelter returns at today's prices the ore value would be \$35.00 per ton---"

Thus a total profit of \$7 per ton could be realized after return of capital. A profit of \$2,100,000 might be realized on the 301,421 tons projected. Capital costs were estimated at \$1,600,000 including mine development and construction of a 200 ton per day concentrator.

LATEST THINKING:

- 1) Production would be at the rate of 300 tons per day.
 - 2) Mine production would be on a contract basis of delivered ore. The contracting might be by the firm, Versatile Mining Co. of Kamloops. The contract rates have not yet been established.
 - 3) A 300 ton per day capacity concentrator will be erected by M and S Portable Mills. Cost of the mill erected and satisfactorily operating will be \$440,000.
 - 4) \$350,000 of debt capital will be required to finance the deal including working capital requirements. (M&S will put up the balance).
 - 5) We are being asked to raise the \$350,000 and will be offered 200,000 shares at 15 cents per share as a bonus. (Present price 18 to 22 cents).
 - 6) Three products will be made and sold.
 - a) A barite concentrate (95% pure) for which negotiations are under way with a chemical plant in Lethbridge, Alberta. Price about \$40 per ton F.O.B. the mine.
 - b) A lead-copper concentrate containing the silver and gold to be sold to Japanese interests at current market prices (negotiations under way).
 - c) A zinc concentrate containing some silver also to be sold to Japanese interests at current market prices (Negotiations under way). *THE COMPANY SPEAKS OF 170/TON NET*
- Recoveries are said to be 90% for all products.

CORPORATE STRUCTURE:

5,000,000 shares authorized

2,446,000 shares issued

Accounts payable \$25,000.

Present owners say they have spent about \$1,000,000.

MY COMMENTS:

1) The importance of the 300 Level Ore was first established in hole #10 and subsequent holes #11, 13, 14, and 16 and the 2236 raise. Holes #12, 15, 17, 18, 20 and 21 established outer limitations on the ore but it is still open to the northeast and additional tonnage could be outlined between the present drill hole intersections and the confining fault. Total net values of commercial minerals in the ore would range between \$30 and \$35 per ton. A possible 1,000,000 tons plus could be contained in the area of interest. Widths up to 30 feet or more might indicate comparatively cheap mining - say in the nature of \$15 per ton. There is no known feature which would limit the extension of this ore to the northeast nor that would limit the extension of the Barite Vein and the Hanging Wall Quartz Vein down dip. In view of this a program from underground would be justified in an endeavor to increase the known ore quantities.

2) The start up of mining by contractor before the outline of the ore is known seems to me to be the height of folly. A reasonable mining method can not be projected without knowing the outlines of the ore, its thickness and where and how to establish points of attack and entry to stopes. (There might be an 80 foot thickness of ore to be removed in the area of the 2236 raise).

3) The M and S Portable Mill may or may not be adequate for the job. ~~_____~~
~~_____~~

I HAVE
CENSORED MY
PERSONAL
REMARKS
RJC

4) The mill test work is said to have been performed by Bethlehem Copper and as such could be accepted. However the mill is being contracted for and will be erected without either a metallurgical consultant nor a mill manager. This could be fatal.

5) It has been intimated that one or more major mining companies have expressed an interest in taking over and exploring the property. The present owners say that after spending \$1,000,000 on the enterprise there is no way that they will give away 70% of the profits. (Terms suggested by the majors). This sounds like famous last words to me. I would think that a proper underground exploration program might cost \$1,000,000 to establish levels and to complete diamond drilling. This would cost \$1 per ton if 1,000,000 tons could be established - not excessively high in view of \$35 ore.

(I BELIEVE THEY
MIGHT WEAKEN
RE THIS)