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November 20, 1967

The President and Directors,
New Cronin Babine Mines Limited,
Vancouver, B. C.

FILE COPY

Dear Sirs:

The following is a report on
your work this year on the
Silver King Property near
Nelson, B. C.

SUMMARY:

Drilling in 1967 has increased proven reserves by 19,300 tons to 82,400 tons of a grade permitting an estimated net operating profit of \$1.2 to \$1.5 million.

Before proceeding further, it is strongly recommended that \$30,000 be expended in examining the entire property for other near surface ore zones.

GENERAL:

Two thousand five hundred and eighty-four feet of diamond drilling on the Silver King Mine this fall has increased the mineable reserves by 19,300 tons, grading 9.2 oz. Ag., 1.7% Cu., and 0.7% Pb., in a width of 5.6 feet. This brings the total from 63,403 tons to 82,720 tons proven as shown in the following table.

	<u>Tons</u>	<u>oz./ton Silver</u>	<u>% Copper</u>	<u>% Lead</u>	<u>N.S.R.</u>		<u>Metal Price Date</u>
					<u>Total</u>	<u>per ton</u>	
Up to 1967	63,403	8.4	2.2	1.0	1,696,000	26.76	Jan. 1967
In 1967	<u>19,300</u>	<u>9.2</u>	<u>1.7</u>	<u>0.7</u>	<u>534,000</u>	<u>27.66</u>	Oct. 1967
* Total to 1967	82,400 ⁷⁰²	8.5	2.1	1.0	2,500,000	29.50	Oct. 1967
** 1968 - 69 Estimate	82,400 ⁷⁰²	8.5	2.1	1.0	2,700,000	33.06	Futures Dec. 1968, March, 1969.

GENERAL: (Continued)

This additional reserve occurs mainly in the unmined portions of the upper levels next to the open pit.

All reserves less than 4.0 feet were expanded to 4.0 feet, with no dilution. All other widths were diluted by 10% and the additional tonnage was assigned a grade equal to 10% of the average.

NET SMELTER RETURN VALUE:

* The Net Smelter Return Value has been computed using the results of a minimal metallurgical test performed in 1966 on a rather non-representative sample of ore. Recoveries obtained were Silver 85%, Copper 87% and Lead 65%. These may be expected to improve with further testing when a separate lead concentrate will be made.

Prices used were E. & M. J. quotes of the last week in October, 1967, i.e., Silver = 1.85, Copper = 48.9, and Lead = 14.00, all U.S. dollars. Using aforesaid recoveries and open smelter schedules allowing for freight from the mine and converting to Canadian dollars, these values became, Silver \$1.60 per ounce, Copper 35¢ per pound, and Lead 6¢ per pound.

** On improving operations, recoveries may be expected to be of the order of Silver = 90%, Copper 90% and Lead 75%. Using futures as reported in the E. & M.J. as a guide, the following U. S. prices may be expected.

Silver - March 1969 - \$1.98 per ounce
Copper - December, 1968 - \$0.48 per pound
Lead - No Futures quoted past 1967, therefore use 13¢

Converted to Canadian prices and allowing 95% of E. & M.J. -2¢ for Silver, 8¢ freight and Smelting on Copper, and 7¢ freight and smelting on Lead, the following prices may be realized at the mine concentrate pile:

Silver - \$1.81 per ounce
Copper - 39.5¢ per pound
Lead - 5.3¢ per pound

These prices would result in the present proven ore reserves having the following values: 82,400 tons @ \$33.06 per ton = \$2,720,000.

OPERATING COSTS AND PROFITS:

Operating costs for mining and milling all the various blocks in the mine have been estimated including the necessary moneys for the development of each block. These estimates are based on running a 200 Ton Per Day Plant.

The following table shows the estimated costs (October, 1967) of mining from the three known sources of ore.

	<u>Underground</u>	<u>Open Pit</u>	<u>Dumps</u>	
Mining	7.55	4.21	1.69	69,400
Milling	5.25	5.25	5.25	6,800
Supervision & Plant	<u>3.40</u>	<u>2.40</u>	<u>2.00</u>	6,200
Total	16.20	11.86	8.94	<u>82,900</u>
Tons	69,400	6,800	6,200	15.28
				<u>14.15</u>
				29.23

The weighted average of above operating costs are \$15.28 per ton resulting in a profit per ton of \$14.45 at October price and recovery, or at estimated future prices and recoveries, \$18.61 per ton so that operating profits on proven reserves may be expected to be from \$1.2 million to \$1.5 million.

CONCLUSIONS:

Before establishing final plant capacity and design, it is recommended that the rest of the property be tested by modern geophysical and geochemical techniques for reoccurrences of ore on strike and on other structures.

RECOMMENDATIONS:

1. That a grid be established over the entire property and that all claims be subject to reconnaissance soil sampling and magnetometer readings.
2. That vein extensions and any new areas found in No. 1 be subjected to detail deep I. P. surveys.
3. That targets from 1 & 2 be tested by diamond drilling.

ESTIMATED COSTS:

1. 16 miles of crossline and 2 miles of baseline cut and picketed	\$ 2,000
Magnetometer survey	1,000
Geochemical Survey	<u>3,000</u>
Total Phase 1	\$ 6,000
2. I. P. Surveys plus extra line cutting, etc.	5,000
3. Allow for testing targets 1,500 feet diamond drilling	15,000
Reports, Supervision & Contingencies	<u>4,000</u>
Total estimated Cost	\$30,000

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L. J. Manning, P.Eng.