

825248

"CONFIDENTIAL"

November 26th, 1971.

Memo. To: G. H. Laycraft

From: James R. Glass

Subject: DUSTY MAC

I have gone over all the information on the Dusty Mac deposit.

Cannon-Hicks figures on tonnage and grade of 67,790 tons of 0.2304 Au/ton and 4.9656 Ag/ton work out although I disagree on the distribution of this ore. Cannon was definitely wrong on his Section 13.

The Noranda figure of 76,400 tons of .20 Au/ton and 4.2 Ag/ton takes in some waste material and would be easier to mine because of this but would not be as attractive on a dollar return basis.

The ore zone is open to the north and the last three northern sections are open to the east. Noranda has drilled 100' north of the ore zone and have low grade mineralization in three holes.

These holes are 50' apart and return the following:

		<u>Au.</u>	<u>Ag.</u>	<u>Gross</u>	
Hole #35	25' - 50'	.10	2.90	\$ 8.82	13.72
Hole #36	10' - 20'	.18	3.25	12.43	20.31
Hole #37	5' - 15'	.16	0.25	6.43	12.12

One hole another 100' north of these three holes collared in the breccia and returned the following:

		<u>Au.</u>	<u>Ag.</u>	<u>Gross</u>	
Hole #40	4' - 20'	.07	1.14	\$ 5.07	7.61

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Hole #48 collared in the andesite, another 100' north of Hole #40 along strike from the breccia, returned from 110' - 130' 0.04 Au. and 0.4 Ag. for a gross of \$2.20. (~~3.79~~)

Since the Cannon "drill indicated" ore zone is only 200' long this additional Noranda information is extremely important. The values are low but I expect some sections to run to ore grade in this 200' so feel that we have a chance of increasing tonnage by a factor of from 20% to 50%.

Noranda's soil sampling has outlined the zone very well, but their pattern of sampling probably reflects the overburden thickness so they did not extend their grid too far. There is one Noranda anomaly which should be checked by further soil sampling. If results are positive, trenching should be done.

Cannon lost sight of the "target" at an early date. Twenty diamond drill holes and one hundred and one percussion holes drilled on 25 foot centres is extremely excessive when the target zone was demonstrated to be about 20' thick at an early date. The second row of diamond drill holes on section 10,125 N should not have been done. On the other hand, holes in a N-S line should have been done.

I cannot argue with Cannon's costs on mining and milling. They are well done. It should be noted that silver has dropped in price since the calculations.

Cannon's out of character strong stand i. e. "If you don't want this property I'll take it over and put it into production" is a front to justify the very large program he carried out.

The second bulk sample came from the outcrop located between the collar of the incline and the raise. Cannon knew the area contained high grade because he reports that rock from the outcrop was being stolen; the drilling does not indicate a zone as high as this sample however.

The erratic nature of this ore zone indicates a need to further ~~bulk~~ sample the zone in an effort to up-grade the ore.

If we can up-grade by bulk sampling and increase the reserves by say 30% we would have an attractive situation. Dusty Ewar's property should be investigated as well. It may provide some ore.

If gold goes up in price to \$100.00 per ounce we have a gold value of \$23.00 per ton. The silver should reach \$1.80 at the same time which would give a value of \$8.82 per ton, giving a gross of \$31.82 per ton.

J. R. G.