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WESTERN MINES

Development:

An adit has been driven on the 1200 elevation and has to date explored 1200 ft. of strike length on the Lynx zone. The zone of schisted and altered rocks within which ore is found has a horizontal width of close to 300 feet. Ore may occur at foot wall or hanging wall or at any intermediate position in this width. Three cross cuts have been driven. Ore backs above adit average 200 feet. Future development calls for driving the adit further north to explore more zone. In addition, a sinking program is under consideration.

Ore Picture:

Based on holes spaced at 300 foot intervals an ore continuity had been assumed on the Lynx Zone that did not prove up. To offset this, however, new orebodies were found between the surface drill holes.

Three blocks of ore have been shown, each of which exceeds 200 feet in length and 24 feet in width and which contain a somewhat better grade of ore than had been anticipated. These ore lenses appear to plunge northerly and dip at 50 to 60° to the west. The schistosity strikes N30°W with a general dip of 50° west. There is some suggestion that the ore lenses are related to cross faults that strike in a north easterly direction and dip 70° to the north. It is reasonable to expect other ore bodies will exist along the shear zone further north and also to the south towards the Paramount showing where cross faults ~~and~~ cut the zone. The ground is tight but would likely require ore fill or cut and fill mining.

Ore Reserve:

At the 1200 level approximately 1800 tons of ore per vertical foot are indicated in three lenses having widths averaging 24 feet and lengths in excess of 200 ft. After mining dilution this would be equivalent to 2000 tons per vertical foot. Assuming ore extends 200 ft. above the level and 200 feet below indicated tonnage would be 800,000 tons. Mining rate should be at about 800 tons per day to give 3 years ore reserves. Some up and down holes from the adit show vertical continuity to the ore but development on other levels is required to establish this tonnage. Grade has been improved by recent underground holes and after 10% dilution can be assumed to approximate:

			Rec'y	Net		Net Value
Gold	0.10	oz.	90%	0.09	oz.	$3.30 per ton
Silver	4.5	oz.	80%	3.6	oz.	4.50 per ton
Copper	2.1	%	80%	33.6	lbs.	6.80
Lead	1.2	%	60%	19	lbs.	.50
Zinc	10	%	70%	140	lbs.	4.20
						$19.30

It must be realized that no accurate mill recovery figures are available nor can we know what smelter contracts can be made. It is fortunate however that many of the Japanese Smelters are geared for such copper-zinc-lead ores and that they prefer to have a bulk sulphide float.

Costs:

Costs of mining, milling, overhead and transportation to the boat before write-offs are expected to be about $10 per ton of ore.

<u>Profit</u>:

A net operating profit of perhaps $9 per ton can be expected.

at 280,000 tons per year would net	$ 2,520,000
in five year's operation would earn	$12,600,000
Taxes	100,000
Net	$12,500,000
If loan of $2,000,000, shares might earn	$2.10

If we assume another 5 year's operation might earn another $9,000,000 or $1.80 per share. Net return after 13 years then $3.90 per share.

<u>Conclusion</u>:

I think that two miles of zone including the Lynx and Paramount will yield quite a bit of ore. No individually large bodies should however be expected. Development in this zone will be relatively slow and expensive. The present indications will only justify a mill rate of 800 tons per day and that only after the tonnage has been proven up by drifting on two more levels. To justify present stock prices sufficient ore to maintain at least a 50% higher milling rate than indicated would be required. A high rate of development will be required to accomplish this. I suggest we should slowly dispose of one-third of our holdings at prices between $2.50 and $3.00 per share but retain the balance for a year to watch developments. This would be an influential block. Holding this stock can only be justified by intangible factors such as the possibility further ore potential will be proven up. However, a sinking program involving some $2,000,000 expenditure will now have to be undertaken and it will be some time before more ore news is made.

The stock must be regarded as overvalued at present prices and if rights on new stock are taken up, it would seem only logical to do so if it is felt such stock can quickly be disposed of at a greater profit than by selling rights.

AMB/MJM

January 14, 1963