

CHAPPELLE PROPERTY (BAKER MINE) - HISTORY

- 1968 - Initial claims located on basis of Cu-Mo geochemistry during a porphyry exploration program conducted by Kennco Explorations (Western) Ltd.
- 1969 - Kennco prospector identifies and samples quartz float; one sample of 6 collected assayed 2.5 oz/ton Au and 65 oz/ton Ag
- 1970 - 1972 - Kennco crews discover several quartz veins, one of which, A Vein, is stripped and subjected to detailed surface sampling over a strike length of 230 metres and an average width of 3 metres. Grades of surface samples range from less than 0.008 oz/ton Au, 0.35 oz/ton Ag to 7.1 oz/ton Au and 86.0 oz/ton Ag. Kennco assessment is 400 tons per vertical foot grading 1 oz/ton Au and 18 oz/ton Ag. Two short packsack holes demonstrate continuity of mineralization to at least 20 metres or 65 feet. Potential tonnage to this point is $400 \times 65 = 26,000$ tons. Decision made to farm property out - Kennco's expenditures to this point are about \$100,000.
- 1973 - Conwest Exploration options property and proceeds to collar a crosscut adit 55 metres below surface outcrop. 230 metres of underground work is completed, including 55 metres of drifting on the quartz vein. No values of significance are indicated during drifting - average of 46 face chip samples collected during the program is 0.024 oz/ton gold. One of 11 underground holes (drilled upward) hits some good grade mineralization. Potential tonnage is not altered appreciably from initial Kennco estimate. Option is dropped - Conwest's expenditures are \$410,000.
- 1974 - DuPont of Canada Exploration Ltd., headed up by D.A. Barr, formerly of Kennco, negotiates an agreement to earn a 50.1% interest in the Chappelle property by incurring exploration expenditures totalling \$700,000 by March, 1977 and placing the property in production by the end of 1981. The original agreement allows DuPont to recover pre-production expenses (less \$700,000) prior to splitting net proceeds with Kennco. Main point of interest here is that the original Kennco tonnage estimate remains the same in view of the negative results obtained by Conwest the previous year.

- 1974 (cont'd) - DuPont drills 20 surface holes and incurs exploration expenditures of \$155,000. Based on Kennco detailed surface sampling and 7 drill holes in A Vein a "possible reserve" of 68,620 tons grading 1.13 oz/ton Au and 18.99 oz/ton Ag is reported. The 7 drill hole intersections range in grade from 0.16 oz/ton Au, 2.82 oz/ton Ag to 2.57 oz/ton Au and 47.64 oz/ton Ag. *There is no cutting of grades.*
- 1975 - An additional 20 surface holes are drilled - expenditures are \$240,000. Only two of these holes yielded gold grades in the A Vein with one of these in the main zone adding an additional 10,000 tons. An "indicated tonnage" of 71,966 tons grading 0.98 oz/ton Au and 18.43 oz/ton Ag is reported. *Again, no cutting of grades is evident.*
- 1976 - Program consists of several hundred feet of underground drifting and raising off the original Conwest adit in addition to additional surface drilling. Total exploration expenditures to the end of 1976 are about \$1 million. 53 surface samples and 18 drill hole intercepts are used to calculate a "mineable reserve" of 53,566 tons grading 0.952 oz/ton Au and 21.70 oz/ton Ag. This figure uses a \$75/ton cut-off (Au-\$100/oz; Ag-\$4.50/oz), 20% dilution and anticipated 90% mill recovery.
- Report states that "*no high values were cut*" although narrow intersections were adjusted to minimum mining width of 5 ft.
- 1977 - DuPont files a preliminary prospectus with Ministry of Mines which includes a revised reserve estimate (prepared by Kilborn) of 57,430 tons grading 1.07 oz/ton Au and 23.20 oz/ton Ag at a \$75/ton cut-off.
- 1978-1979 - Additional drilling is done to refine reserve figures. Kennco surface sampling and 28 drill intercepts are used by Martin Kierans to estimate 70,884 tons grading 0.969 oz/ton Au and 20.14 oz/ton Ag at a \$145/ton cut-off (Au-\$280/oz; Ag-\$8.35/oz) and 10% grade dilution. This figure is later revised (at \$125/ton) cut-off to 104,766 tons grading 0.99 oz/ton Au and 19.84 oz/ton Ag.

There is no reference to any cut factors being used in estimating average grades - in fact, D.A. Barr et al (1986) report (p.67) "*no cut factor was applied to the assays when calculating the mineable reserve*".

DuPont's expenditures through 1979 totalled \$2.2 million.

1980 - Decision is made to proceed with production. Capital costs over the next year total \$18.6 million; production commences April, 1981.

1983 - A Vein reserves exhausted in December - mine production over 2.5 years:

87,740 tons - 37,558 oz Au (0.428 oz/ton)
742,198 oz Ag (8.46 oz/ton)

Recovered grades were 43% of initial estimates - due in part to higher than anticipated dilution and to what I believe was an over weighting of higher grade surface samples.

Baker mine at times enjoyed an operating profit but there is no evidence that there was any recovery of capital costs. The property (less surface installations) was sold to Multinational Resources Inc. in 1985.

Salient points are these:

- (1) The Conwest adit level, used to good advantage by DuPont in later exploration and development, was driven between 6 and 18 metres below the base of the A Vein "ore shoot". Chip samples collected during the driving of this adit in 1973 yielded generally low values - overall average was 0.024 oz/ton Au or in the same range as Access samples for Level 7 at Sherwood.
- (2) Conwest's program seriously limited the size potential of the A Vein and did not change Kennco's estimate of 400 tons per vertical foot and an indicated depth of 20 metres or 65 ft. - ie - 26,000 tons or about the same tonnage as calculated by D.A. Barr for Sherwood. Still, DuPont was sufficiently encouraged to enter into an agreement to earn a 50.1% interest by incurring exploration expenditures of \$700,000 and all costs to place the property in production.
- (3) No cut factors were employed in calculating average gold and silver grades.