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August 8, 1986

Dr. John B. Gammon
Exploration British Columbia
Ministry of Energy, Mines and
Petroleum Resources
Parliament Buildings
Victoria, B.C.
V8V 1X4

Dear Dr. Gammon:

Re: July Progress Report - Chappelle
Gold Project (10963 M-3)

Phase I diamond drilling on the B zone, Chappelle property, was completed in July. Nine inclined NQ holes were drilled for a total of 2,096 feet.

Best results include a 2 foot section at the bottom of hole M86-1 which assayed 0.309 oz/ton gold and 27.5 oz/ton silver. A burned drill bit necessitated stopping this hole which had also intersected 0.034 and 0.051 oz/ton gold over 9 and 5 ft. core lengths higher in the hole.

Drilling to date has outlined a 100 ft. wide silicified and pyritized zone over a strike length of 400 feet and a vertical range of 300 feet. Elevated gold and silver values are present within the zone which exhibits epithermal textures.

Some prospecting and sampling was conducted over other zones away from the immediate Baker mine area.

Second phase drilling is scheduled to begin August 11th. Deeper drilling will be undertaken on the B zone and at least two holes will be directed to test a possible new shoot at depth on the A vein structure previously mined by DuPont.

The drilling will be complemented by detailed rock sampling of several zones outside the mine area.

Costs of the program to date are in the order of \$85,000.

Yours truly,

N. C. Carter
Consulting Geologist

YEAR----->	1986	1986	1986		TOTAL
MONTH----->	July	August	September		
ACTIVITY	ACTUAL FORECAST	ACTUAL FORECAST	ACTUAL FORECAST	ACTUAL FORECAST	ACTUAL FORECAST
GEOLOGY					
GEOPHYSICS					
GEOCHEMISTRY					
Assays	2,683.60	2,500	2,000		
DRILLING	71,683.20	90,000			
OTHER SURVEYS					
Prospecting	2,000.00	3,000	5,000		
UNDERGROUND DEVELOPMENT					
OTHER COSTS (SPECIFY)					
Supervision	8,364.18	10,000	8,000		
Travel					
TOTAL	84,730.98	105,500	15,000		