

PROGRESS REPORT
SCRANTON MINE EXPLORATION & DEVELOPMENT
PERIOD 1 MARCH - 22 JULY 1978

David Minerals.

WALTER E. CLARKE, B.Sc., P.Eng.
25 July, 1978

To The President & Directors,
David Minerals Ltd. (N.P.L.)
315 - 850 West Hastings St.,
Vancouver, B.C. V6C 1E1

PROGRESS REPORT
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INTRODUCTION

The following report summarizes the work performed during the period at the Scranton Mine property, in general following the recommendations in the writer's "Proposed Exploration & Development Program Report" dated 25 October, 1977.

In order to utilize available funds most effectively, portions of both Phase I and Phase II have been completed, the main objective being exploration for the downward extension of the Grandview/Sunrise Basin vein structures by drifting, cross-cutting and diamond drilling on the 5700 Level.

The property has been visited by the writer on a regular basis throughout the period, the latest examination being 20-22 July, 1978.

Attached maps are 1" = 20' scale Geology Plans and a 1" = 200' Composite Plan.

SUMMARY

Drifting southwesterly was commenced 19 March 1978 from the previous south face of the 5700 Level drift, approximately 1,000 feet from the portal. The drift has been advanced 727 feet, and for the last 270 feet has been within a zone of strong multiple shearing and faulting, alteration, mineralization and narrow quartz veining, believed to be the downward extension of the Grandview/Sunrise Basin vein structures.

Diamond drill stations have been cut at approximately 150 foot intervals along the drift and the 8300 crosscut has been extended 100 feet into the west wall, near the south face of the drift, as a drill base to permit diamond drill exploration of the zone above the level. The total drifting, cross-cutting and equivalent slashing footage is 958. Diamond drilling amounts to 1520 feet, with 9 holes completed and the 10th and last hole of the current program in progress.

The present south face of the drift is about 160 feet within the projected target area of the Grandview/Sunrise Basin zone and with the exception of diamond drill holes 78-7 and 78-9, another 300 feet to the southwest remains unexplored.

Funds available for the program amounted to \$251,952.00, of which approximately \$198,000.00 were spent on property operations to 30 June 1978, and \$44,618.00 on related administrative expenses for a total of \$242,618.00. Total direct and indirect property costs for drifting and cross-cutting were \$187.00/foot of advance, and for diamond drilling \$16.96/foot.

Economic mineralization has not been encountered in the drifting, although several narrow sheared quartz veins, cutting the drift at low angles, were mineralized with pyrite, galena and sphalerite, and returned interesting values in gold, silver, lead and zinc. Investigation of these veins outside the drift section is warranted. The first 6 diamond drill holes checked for any parallelling structures up to 200 feet in the east and west walls over a distance of about 500 feet. A strong altered shear zone was intersected in the last 28 feet of hole 78-6, 136 feet east of the drift, but values were low, as were assays on lesser intersections in the

other 5 holes. Hole 78-7, drilled from 8300 crosscut encountered the main structure 130 feet south of the present face and, within the 7.0 foot true width of zone, intersected a very well mineralized 3.1 foot core length (2.2 foot true width) which assayed 0.38 ounces/ton gold, 11.20 ounces/ton silver, 15.70 $\frac{1}{2}$ /ton lead and 20.60 $\frac{1}{2}$ /ton zinc. Hole 78-8 was directed to intersect the zone about 150 feet above the level on line with the crosscut, but poor ground conditions prevented completion of the hole and the main structure was not reached. Hole 78-9 intersected the main zone approximately 90 feet above hole 78-7. The structure is strong across a comparable width, with scattered pyrite, galena and sphalerite, but all assays were low. Hole 78-10 is currently being drilled to check the structure approximately 100 feet north of the crosscut and 150 feet above the level. On completion of hole 78-10, it is planned to resume drifting southwesterly to open up the vein intersected in hole 78-7.

CONCLUSIONS

Work to date has demonstrated the presence of a strong multiple stranded shear and fault system on the 5700 Level, which is presumed to be part of the regional structure that has been intermittently identified on surface for over 7000 feet. In the vertical plane, mineralization is now known to extend at least 800 feet below surface, with important gold and silver values associated with lead and zinc, a prerequisite for an economic operation on a narrow vein system. The attitude and continuity of individual fault strands and their control over mineralization is not clear. No ore shoot has as yet been developed, but opening up of the strong mineralization in diamond drill hole 78-7 by drifting, initially, is of the

utmost immediate importance to help determine mineralization controls and continuity. The results of this work will have a major influence on the conduct of future exploration in this area.

DRIFTING

A line drive S55°W was commenced from the south face of the 5700 Level, designed to intersect the downward extension of the Grandview/Sunset Basin vein structures. For the first 470 feet the heading was in relatively fresh granodiorite, moderately sheared and fractured, with some of the fractures quartz filled and sparsely mineralized. A marked increase in the fracture pattern from 300 to 425 feet suggested proximity to a major structure. At the 470 foot mark, a strong zone of shearing, faulting and accompanying alteration of the granodiorite entered the drift at a low angle from the west wall, dipping 65° easterly, and remained in the drift for approximately 120 feet, at which point it was terminated at a strong east-west fault, dipping 20° to the south. The strongest shearing varied from one to four feet wide, within an overall zone width of alteration in excess of six feet. Quartz veining and sulphide mineralization were variable, but in places amounted to 30 to 40% pyrite and lesser quantities of galena and sphalerite. The best assays were obtained from samples at the junction of the shear zone with the cross-fault and 25 feet north of the junction. The former assayed 0.078 ounces/ton gold, 38.10 ounces/ton silver, 0.28%/ton lead and 0.14%/ton zinc, while the latter assayed 0.13 ounces/ton gold, 30.42 ounces/ton silver, 0.50%/ton lead and 0.23%/ton zinc. For a 30 foot length and 2.4 foot width the average assays from four chip samples were 0.079 ounces/ton gold and 18.5 ounces/ton silver with low lead and zinc.

Beyond the cross-fault relatively fresh granite was encountered for the next 50 feet, at which point a strong steeply dipping shear and fault structure entered the drift section, again from the west wall, which gradually angled across the drift so that at the present face, 100 feet from the point of entry, it has almost passed out of the drift in the east wall. Within the zone, two mineralized quartz-filled shears, dipping 60° to 65° easterly, and striking across the drift at an angle of 20° , were exposed. The best assay on the first vein was 0.22 ounces/ton gold, 3.57 ounces/ton silver, $3.90\frac{1}{2}$ /ton lead and $0.03\frac{1}{2}$ /ton zinc, over a width of 0.5 feet, and on the second vein 0.12 ounces/ton gold, 3.20 ounces/ton silver, $16.65\frac{1}{2}$ /ton lead and $0.06\frac{1}{2}$ /ton zinc. Additional exploration on these shears into both walls and in the vertical plane is warranted.

In 8300 crosscut, a prominent shear was exposed after 18 feet of advance with a mineralized quartz filled shear a further 5 feet west. The latter vein shear assayed 0.15 ounces/ton gold, 2.00 ounces/ton silver and $2.24\frac{1}{2}$ /ton lead and may be related to the intersection in diamond drill hole 78-7.

DIAMOND DRILLING

The following tabulation summarizes the diamond drilling to date.

D.D.H. No.	FOOTAGE	LOCATION		BEARING	DIP	REMARKS
		LATITUDE	DEPARTURE			
78-1	209.0	9101 N	8781 E	S35°11'E	+1°31'	Nothing of interest.
78-2	190.0	9124 N	8770 E	N24°13'W	+0°49'	Nothing of interest.
78-3	186.0	9037 N	8547 E	N36°30'W	+0°42'	Altered zone to 30 feet. Main Zone? No values.
78-4	167.0	8946 N	8523 E	N31°41'W	+1°42'	Nothing of interest.
78-5	95.0	8924 N	8533 E	S21°01'E	+1°23'	Weak zone 68-74. No values.
78-6	164.0	8822 N	8392 E	S30°51'E	+1°10'	Shear zone at 82 and 125 feet. Alteration & fault zone 136 to 164 feet. No values.
78-7	203.0	8848 N	8249 E	S15°22'W	+0°51'	Main zone 153-166 feet. See assays below.
78-8	106.0	8851 N	8252 E	S39°49'E	+66°29'	Fault zone 94-106. Hole abandoned. Main zone not reached. No values.
78-9	200.0	8850 N	8249 E	S11°38'W	+46°09'	Main zone 111-121 feet. No values.
Total		1520.0				

D.D.H. 78-7		ASSAYS					REMARKS
Footage From	Footage To	Core Length	Gold oz/ton	Silver oz/ton	Lead %/ton	Zinc %/ton	
153.2	154.5	1.3	0.015	0.23	0.13	0.10	
154.5	157.6	3.1	0.380	11.20	15.70	20.60	True width 2.2 feet
157.6	164.3	6.7	0.036	0.41	N/A	N/A	7.5% core recovery
164.3	165.8	1.5	0.009	0.39	0.80	0.84	

12.6 - True width 7.0 feet

COSTS

PROPERTY OPERATING

Footage for period	DRIFTING & CROSS-CUTTING		DIAMOND DRILLING		TOTAL EXPENDITURE
	958		1114		\$
	EXPENDITURE \$	COST/FOOT \$	EXPENDITURE \$	COST/FOOT \$	
Direct					
Contract	87,709.00	91.55	11,247.00	10.10	98,956.00
Cost Plus					
Labor	20,205.00	21.09			20,205.00
Materials	15,069.00	15.73			15,069.00
Overhead	<u>7,471.00</u>	<u>7.80</u>			<u>7,471.00</u>
Sub Total Cost Plus	<u>42,745.00</u>	<u>44.62</u>			
Assaying	<u>643.00</u>	<u>0.67</u>	<u>592.00</u>	<u>0.53</u>	<u>1,235.00</u>
TOTAL DIRECT	131,097.00	136.84	11,839.00	10.53	142,936.00
Indirect					
Room & Board	3,300.00	3.45	484.00	0.44	3,784.00
Power & Air	17,219.00	17.97	2,528.00	2.27	19,747.00
Transportation, Equipment, Rentals	11,176.00	11.67	1,641.00	1.47	12,817.00
Repairs	4,725.00	4.93	693.00	0.62	5,418.00
Insurance, Taxes	<u>11,631.00</u>	<u>12.14</u>	<u>1,707.00</u>	<u>1.53</u>	<u>13,338.00</u>
TOTAL INDIRECT	48,051.00	50.16	7,053.00	6.33	55,104.00
TOTAL PROPERTY OPERATING	<u>179,148.00</u>	<u>187.00</u>	<u>18,892.00</u>	<u>16.96</u>	<u>198,040.00</u>

ADMINISTRATIVE
EXPENSES

44,618.00

The above property operating costs are about 40% higher than estimated in the writer's October 1977 report. The most unpredictable cost item is in the area of "cost plus" work and this was higher than anticipated due to heavy ground conditions

in the latter 250 feet of advance which required extensive back and wall support. Further cost escalation was in the negotiated contract price per foot for drifting and cross-cutting, partially as the result of inflationary pressures in labour and material costs. For similar reasons indirect costs for power and air were higher than anticipated. Breakdowns increased the equipment repair and rental items and mill insurance had to be borne by this phase of the operation.

Respectfully submitted,



WALTER E. CLARKE, B.Sc., P.Eng.

25 July, 1978.

C E R T I F I C A T E

I, Walter Ernest Clarke, of the City of Victoria, British Columbia, do hereby certify that:

1. I am a consulting geological and mining engineer with an office at 1362 Dallas Road, Victoria, British Columbia. V8S 1A1.
2. I am a graduate of Queen's University (1939) with a B.Sc. degree in Geology and Mineralogy.
3. I have practiced my profession continuously since graduation.
4. I am a member in good standing of the Association of Professional Engineers in the Provinces of British Columbia and Ontario.
5. I have no interest, either direct or indirect, in the properties or securities of David Minerals Ltd. (N.P.L.), nor do I expect to acquire any such interest in the future.



WALTER ERNEST CLARKE, P.Eng.

July 1978

To: Dav... Minerals Ltd.

REPORT No A28 - 212

PAGE No. 1

BONDAR-CLEGG & COMPANY LTD.

DATE: June 6, 1978

315 - 850 West Hastings Street
Vancouver, B.C.
V6C 1E1Samples submitted: May 29, 1978
Results completed: June 6, 1978

CERTIFICATE OF ASSAY

I hereby certify that the following are the results of assays made by us upon the herein described ore / core sample

MARKED	GOLD		SILVER	Cu	Pb	Zn	Percent	Percent	Percent	Percent	TOTAL VALUE PER TON (2000 LBS.)
	Ounces per Ton	Value per Ton	Ounces per Ton	Percent	Percent	Percent					
10718*	0.075		0.65	-	0.05	0.02	AVERAGE 4 SAMPLES 70-100 FEET SOUTH STATION 57-23				L-30' W-2.4' GOLD - 0.6790 SILVER - 18.50
10719*	0.035		0.65	-	-	-					
10720	0.002		0.68	-	-	-					
10721*	0.078		38.10	0.04	0.28	0.14					
10722	0.010		0.98	-	-	-					
10723	0.052		0.90	<0.01	0.05	0.01					
10724	0.003		0.49	-	-	-					
10725	0.002		0.81	-	-	-					
10726*	0.13		30.42	-	0.59	0.23					
10727	0.056		1.75	-	-	-					
10728	0.011		0.47	-	-	-					
10729	0.064		0.80	<0.01	0.10	0.04					
10826	0.004		0.03	-	-	-					
10827	<0.002		0.08	-	-	-					
10828	<0.002		0.04	-	-	-					
10829	<0.002		0.05	-	-	-					
10830	<0.002		0.05	-	-	-					
10831	<0.002		0.06	-	-	-					
10832	<0.002		0.04	-	-	-					
10833	<0.002		0.04	-	-	-					
10834	<0.002		0.02	-	-	-					
10835	0.006		0.23	-	-	-					
10836	<0.002		0.02	-	-	-					
10837	0.002		0.07	-	-	-					
10838	0.003		0.07	-	-	-					
10839	<0.002		0.02	-	-	-					


 Registered Assayer, Province of British Columbia

To: David Minerals

REPORT No A28 - 224

PAGE No. 1

BONDAR-CLEGG & COMPANY LTD.

DATE: June 9, 1978

315 - 850 West Hastings Street
Vancouver, B.C.

Samples submitted: June 6, 1978
Results completed: June 9, 1978

CERTIFICATE OF ASSAY

I hereby certify that the following are the results of assays made by us upon the herein described ore / core samples.


MARKED	GOLD		SILVER	Pb	Zn						TOTAL VALUE PER TON (2000 LBS.)
	Ounces per Ton	Value per Ton	Ounces per Ton	Percent	Percent	Percent	Percent	Percent	Percent		
10730	0.026		3.32	-	-						
10731	0.16		0.47	-	-						
10732	0.086		0.55	-	-						
10733	0.030		0.32	-	-						
10734	0.22		3.57	3.90	0.03						
10847	0.003		0.38	-	-						
10848	0.006		0.18	-	-						
10849	0.002		0.06	-	-						
0 - 78 - 4	0.023		0.32	0.03	0.04						

25 FEET SOUTH STATION 57-25

35 FEET SOUTH STATION 57-25

55 72

cc Mr. W. Clarke


Registered Assayer, Province of British Columbia

To: David Minerals

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REPORT No A27 - 271PAGE No. 1

BONDAR-CLEGG & COMPANY LTD.

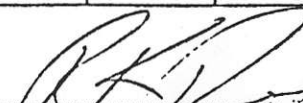
DATE: June 22, 1978315 - 850 West Hasings Street
Vancouver, B.C.
V6C 1E1

CERTIFICATE OF ASSAY

Samples submitted: June 16, 1978
Results completed: June 22, 1978I hereby certify that the following are the results of assays made by us upon the herein described ore/core sample.

MARKED	GOLD		SILVER	Cu	Pb	Zn					TOTAL VALUE PER TON (2000 LBS.)
	Ounces per Ton	Value per Ton	Ounces per Ton	Percent	Percent	Percent	Percent	Percent	Percent		
10735 ✓	0.004		0.14	-	-	-					
10736 ✓	0.002		0.24	<0.01	0.02	0.04					
10737 ✓	0.010		0.34	-	0.14	-					
10738 ✓	0.009		0.45	<0.01	0.32	0.08					
10739 ✓	0.12		3.20	-	16.65	0.06	62 FEET SOUTH STATION 57-25				
10740 ✓	0.058		0.39	-	0.72	0.30					
10741 ✓	0.004		0.03	<0.01	0.07	-					
10742 ✓	0.010		0.19	-	-	-					
10743 ✓	0.21		0.53	-	-	-	41 FEET SOUTH STATION 57-25				
10744 ✓	0.014		0.08	-	-	-					
10851 ✓	<0.002		0.02	-	-	-					
10852 ✓	<0.002		0.02	-	-	-					
10853 ✓	<0.002		0.05	-	-	-					
10854 ✓	<0.002		0.02	-	-	-					
10855 ✓	0.002		0.12	-	-	-					
10856 ✓	0.004		0.26	-	-	-					
10857 ✓	<0.002		0.05	<0.01	-	-					
10858 ✓	0.002		0.05	-	-	-					

cc Mr. W. Clarke



Registered Assayer, Province of British Columbia

To: David Minerals Ltd.

REPORT No A28 - 3..

PAGE No. 1

BONDAR-CLEGG & COMPANY LTD.

DATE: July 14, 1973

315 - 850 West Hastings Street
Vancouver, B. C.
V6C 1L1

Samples submitted: July 11, 1973
Results completed: July 14, 1973

CERTIFICATE OF ASSAY

I hereby certify that the following are the results of assays made by us upon the herein described ore / core samples.

MARKED	GOLD		SILVER	Pb	Zn						TOTAL VALUE PER TON (2000 LBS.)
	Ounces per Ton	Value per Ton	Ounces per Ton	Percent	Percent	Percent	Percent	Percent	Percent		
10760	0.15		2.00	2.24	-	8300 X-CUT	2.0 FEET EAST STATION 57-27.				
10761	0.005		0.06	-	-						
10762	<0.002		0.09	-	0.01						
10763	<0.002		0.02	-	-						
10764	0.002		0.02	-	0.04						
10765	<0.002		<0.02	-	0.01						
10766	0.045		0.14	-	-						
10767	0.003		0.10	0.01	-						
10768	<0.002		0.04	-	0.01						
10769	0.002		0.17	-	0.01						
10866	<0.002		0.04	-	-						
10867	0.002		0.12	-	-						
10868	<0.002		0.02	-	-						
10869	<0.002		0.02	-	-						
10870	<0.002		0.03	-	-						
10871	<0.002		0.02	-	-						
10872	<0.002		0.02	-	-						
10873	0.015		0.23	0.13	0.10	VEIN ZONE	P.D.H. 78-7				
10874	0.38		11.20	15.70	20.60						
10875	0.036		0.41	-	-						
10876	0.009		0.39	0.60	0.84						
10877	0.003		0.03	0.12	-						
10878	0.020		0.85	0.96	1.38						

cc Mr. W. Clarke