

New Privateer Mine Limited

012138

PROPERTY FILE

A N N U A L R E P O R T D E C E M B E R 3 1 , 1 9 8 7



New Privateer Camp, the "Pot o' Gold" at the end of the rainbow.

- ☐ The Privateer Mine was the largest and most prolific gold producer in the Zeballos camp on Vancouver Island. By 1948, the Privateer (and wholly owned Prident Mine) produced over 168,000 ounces of gold from 166,000 tons of ore.
- ☐ The company's Zeballos area properties include the Privateer, Prident, Van Isle, Zeballos Pacific and Ubell mines.
- ☐ 5 known vein structures have been identified in the Privateer Mine and 11 veins have been identified in the adjoining Prident Mine. None of these veins have been totally mined out and some of the veins have only been located by drilling. The Ubell zone carries 161,000 tons of proven ore grading 2% copper.
- ☐ The company has now installed a 100 ton per day gravity concentrator on-site. This mill will be used to provide metallurgical information from various areas under exploration.
- ☐ Since 1985 we have encountered high-grade gold ore as we progressed along the newly discovered extension of the Number 3 vein. A three ton sample of ore taken from our stockpile assayed over 16 ounces of gold and 3 ounces of silver per ton. 45 ounces of gold and 9 ounces of silver were recovered from a pilot mill test on this sample.

The Privateer Mine closed in 1948 owing both to a shortage of manpower and a gold price of US\$35 per ounce. The company is now proceeding to bring the mine into production with cash costs anticipated at less than US\$150 per ounce. NPM is also active in exploring for other mineralized veins throughout its 1,100 acre holdings in the Zeballos area.

To Our Shareholders:

Your Directors have pleasure in presenting the 50th Annual Report and Financial Statements of the company for the period ending December 31, 1987.

We are very pleased to announce that we have completed construction of our milling facilities at the Privateer Mine and that all government permits have been obtained. We will begin operating the mill at 25 tons per day initially, followed by a gradual increase in the operating rate to 50 tons per day. Additional working faces will then be developed in order to bring the mill up to a rate of 100 tons per day.

We have developed seven stopes along the Number 3 vein from where we will be mining ore to feed the mill. This program will provide us with the metallurgical information necessary in planning for a possible larger operation.

We are also focusing our efforts on exploration within the Privateer and Prident mines. Number 4 vein has now been intersected by the underground development program and the Number 5 vein is within 70 feet of the present face. In addition, a new quartz vein structure was recently uncovered on surface approximately 500 feet from the main portal. A diamond drilling program will commence shortly on this vein in order to determine its potential.

Cash flow from the mine will also fund a new exploration decline in the vicinity of the mine which will be driven to explore an area where at least two other veins were found by drilling prior to the mine shutdown in 1948. Other planned programs in the Zeballos area include examinations of the former producing Van Isle property and "Golden Peak" group of claims, where several gold bearing veins are known to exist.

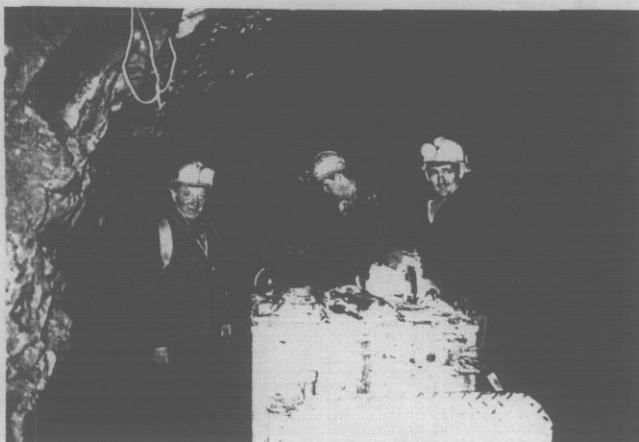
We are also pleased to announce the appointment of Mr. Hank Stolte as our Mill Superintendent. Mr. Stolte brings with him many years of experience in the mining industry.

A final thanks goes to your company's officers, directors and employees, who have spent a tremendous amount of time and sincere devotion in bringing the Privateer Mine back into operation after 40 years.

Respectfully submitted,

Harvey H. Cohen, P.Eng.
President

May 18, 1988



President/engineer Harvey Cohen with miners working in the No. 3 vein.



Mining analysts on tour of the Privateer mine.



Heavy equipment clearing site for placement of mill.

New Privateer Mine Limited (NPM) is now in the process of re-opening the Privateer and Prident Mines. The company's properties are located in the heart of the famous Zeballos gold camp, on Vancouver Island, B.C. Underground exploration and development are proceeding with the intention of bringing the mine into limited production this summer.

The company's 1,100 acre holdings in the Zeballos area include the Privateer, Prident, Ubell, Van Isle, and Zeballos Pacific mines. To date we have identified 5 veins in the Privateer Mine and 11 veins in the Prident Mine. The company will be actively exploring the Zeballos holdings both through drilling and underground development.

Reserves

Proven reserves for the Privateer and Prident orebodies are 135,000 tons averaging 0.27 ounces of gold per ton. Probable reserves are 358,000 tons averaging 0.44 ounces of gold per ton.

History

Between 1934 and 1948, the Privateer Mine was mined using two methods. The first method involved careful blasting and hand sacking of the high-grade ore. Direct shipping of ore from the Privateer Mine has been recorded as early as 1934. Almost 9,900 ounces of gold were recovered from these shipments.

The funds from the direct shipments were used to construct an 85 ton per day capacity mill. The mill processed ore from 1938 through 1943 when the operation shut down due to lack of available manpower. The mill recommenced operations in 1946 but a fire forced the mine to halt operations. The mill resumed production late in 1946 until escalating costs forced the mine to close its doors in 1948.

The Privateer orebody produced over 154,000 ounces of gold from 144,000 tons of ore and the Prident orebody produced about 14,000 ounces of gold from 22,000 tons of ore. The average grade of the Privateer ore was 1.09 ounces of gold per ton while the Prident ore averaged 0.65 ounces of gold per ton. In addition to the gold,

approximately 68,000 ounces of silver were produced from the mines. It should be noted that both the Privateer and Prident mines used the same mill, and in the latter years, Prident became a wholly owned subsidiary of Privateer.

During the company's most active period, 1938 to 1943, Privateer reported revenues of \$4.4 million, earnings of \$2.0 million, and \$1.9 million in dividends.

The Reopening of The Privateer Mine

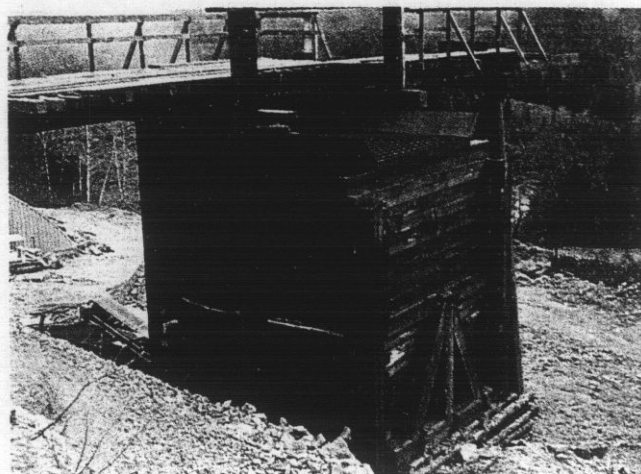
In late 1983, NPM built a new trestle across the Spud Creek canyon. The main haulageway was drained and certain timber sets were rebuilt to conform to mine regulations. In 1984 the rehabilitation program continued and additional underground and surface work was performed. This included clearing backfalls, laying track, constructing dump and storage areas, installing air and water lines and surface camp facilities for power generation.

As exploration proceeded an old stope was found containing an estimated 8,000 tons of broken ore. Two hundred tons were removed and stockpiled on surface for sampling. The average grade of the ore was determined to be 0.38 ounces of gold per ton. This is very good grade by today's standards, however, it would have been uneconomical back in the 1940's.

In 1985, our exploration program discovered a new extension of the old Number 3 vein. Remarkably, this vein intersected the main haulageway on the 1100' level, only 400 feet from the main portal. We have now followed this vein, north-eastward, into the old workings, for a total distance of 800 feet in length. At times, ore was mined and sacked by hand in order to permit direct shipping. Otherwise, the entire face was blasted and placed in the lower grade stockpile on surface.

Assays from this area include values in excess of 200 ounces of gold per ton over six inches. Further, a 3 ton shipment of ore from our high-grade stockpile assayed 16 ounces of gold and 3 ounces of silver per ton. In total we recovered over 45 ounces of gold and 9 ounces of silver from a mill test on the 3 ton shipment.

Seven 100 foot long stopes have now been developed on the new vein though we haven't added any proven tonnage from this area to the



Two views of the ore storage bins in the final stage of completion.





Beginning of construction phase of conveyor system.



Conveyor system during mid-construction.



Belting of conveyor system.

reserve base yet (by definition). Ore from these stopes will be used to feed the new mill.

Besides the new vein that NPM is mining at present, the old workings were never mined out. For example, the main 1100 haulageway was developed along an ore grade vein but portions of it were not mined out. Vertical raises were begun at 25 foot intervals along the length, but they were not completed. We will be mining those areas when we have need for mill feed.

The Prident Mine should be one of our more promising areas of exploration. This mine used the Privateer haulage system to remove the ore from its stopes. Very little work was done on this property, since it closed its doors when the Privateer shut down.

Veins 4 and 5 now accessed through underground development

During the development of the 1100N drift heading, following No. 3 vein, a branch has now been advanced to intersect the No. 4 vein on the 1100 level. 1100N will be extended an additional 70 feet to intersect No. 5 vein. These veins represent an entirely new area with excellent potential for development of additional resources. Subsequently, a raise will be driven to connect the 1100 and 1000 levels with this opening, a new reserve block can be calculated.

Mill installation has now been completed

The milling equipment includes jaw and gyratory crushers, a ball mill, a jig, cyclone, two gravity tables and various pumps and motors. The mill will provide us with the metallurgical information necessary in the construction of a possible full scale gravity and flotation mill as well as other testwork.

All of the recently purchased equipment has been refurbished and is now on site. Foundations have been poured and the equipment has been placed inside the mill building. Electrical, piping, and conveying systems have been installed.

It is believed that the gravity concentrator will recover between 70% and 80% of the gold and silver depending on the grade of ore being fed into the mill. In future we shall consider adding a flotation circuit which would increase overall recovery to an estimated 95%.

Cash flow from mill will finance underground exploration

The geology of the mine indicates the potential for additional veins. We plan on driving a lower adit below the existing workings in order to get better information about the mine at depth. The new tunnel would begin due north of the main workings and would decline towards the lower level of the Privateer Mine. This adit would permit the company to begin numerous exploration drifts and, in addition, would drain out the two lower levels of the Privateer Mine, now flooded. The new adit would then be used to continue exploration to the south of the Privateer Mine and Prident Mine.

Diamond drilling program on new vein structure to commence

A new quartz vein structure was recently uncovered to surface west of the mill building. A diamond drilling program will commence shortly to determine the economic potential from a mining standpoint.

Additional exploration and development

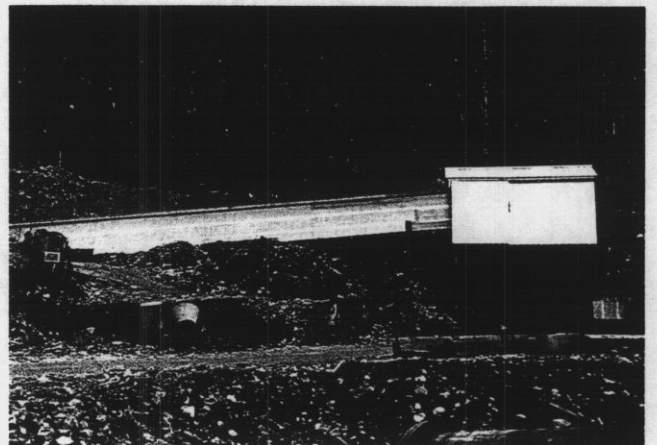
NPM will be exploring its holdings both through drilling and underground exploration. Including the Van Isle and the Zeballos Pacific claims, we have over 20 known veins to explore. We believe that the Zeballos gold camp is very exciting and all evidence continues to point out that the camp was never mined out. We believe that New Privateer Mine Limited is well situated in order to fully exploit the tremendous potential of this valuable gold area.



Construction of enclosure of conveyance system.



Belted conveyor system completed.



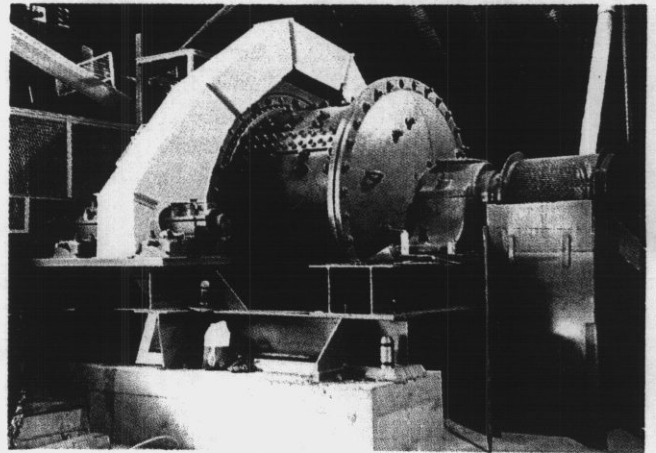
Side view of conveyor system.

Summary

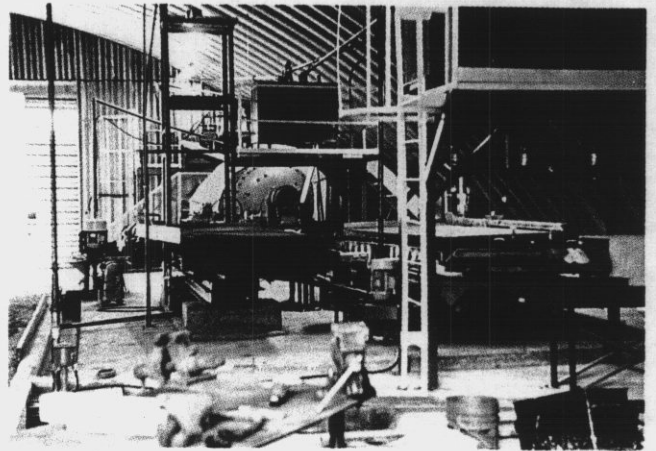
New Privateer Mine Limited now has a developed mine in the heart of the famous Zeballos gold camp on Vancouver Island, B.C. We have now developed 7 new working areas which will supply ore to our gravity concentrator

The mines were never "mined out". Proof of this is the discovery of a major new vein system which is independent of the veins included in the proven and probable reserves. The new veining exhibits similar characteristics to the incredibly high grade veins that were mined back in the 1930's and 1940's. Furthermore, some mineralization that was not profitable to mine back when gold was \$35 an ounce, is now profitable to mine and mill at today's gold prices.

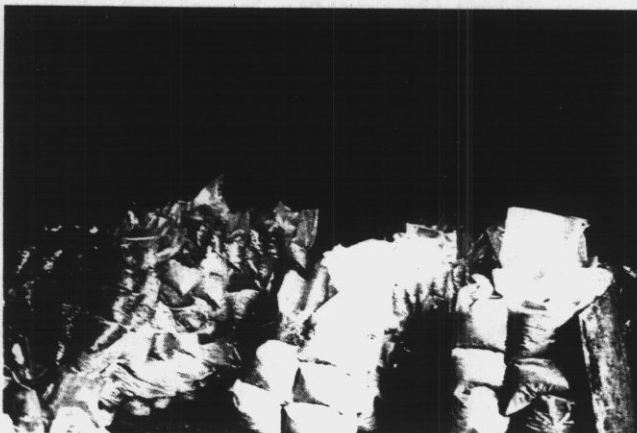
We are very excited about your company's prospects and we are especially proud of the new mill. We are now tuning up the circuit and we anxiously await our first gold pour.



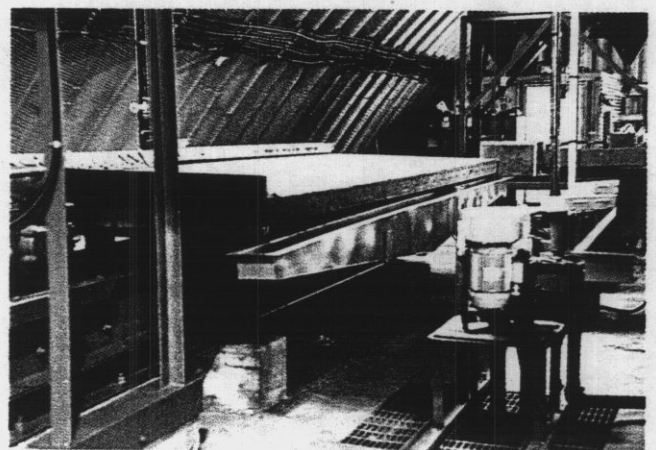
Ball mill installation



Interior of gold processing area with flotation tables



Sacked hi-grade ore ready for processing.



One of two flotation tables for gold separation.

Chairman of the Board

Tykye G. Camaras

Directors

Harvey H. Cohen

President

Archie R. Yurick

Secretary

Byron J. Mechalias

Solicitors

George R. Brazier

DuMoulin Black

10th Floor, 595 Howe Street

Vancouver, B.C. V6C 2T5

Registered Office

10th Floor, 595 Howe Street

Vancouver, B.C. V6C 2T5

Registrar and Transfer Agent

Montreal Trust Company

510 Burrard Street

Vancouver, B.C. V6C 3B9

Auditors

Topping, Eyton and Partners

9th Floor, 1190 Hornby Street

Vancouver, B.C. V6Z 2K5

Bank

Royal Bank of Canada

1205 West Pender Street

Vancouver, B.C. V6E 2V5

Authorized Capital

10,000,000 common shares

Shares Issued

6,620,402 as at December 31, 1987

Exchange Listing

Vancouver Stock Exchange

Trading symbol "NPM"

NEW PRIVATEER MINE LIMITED.

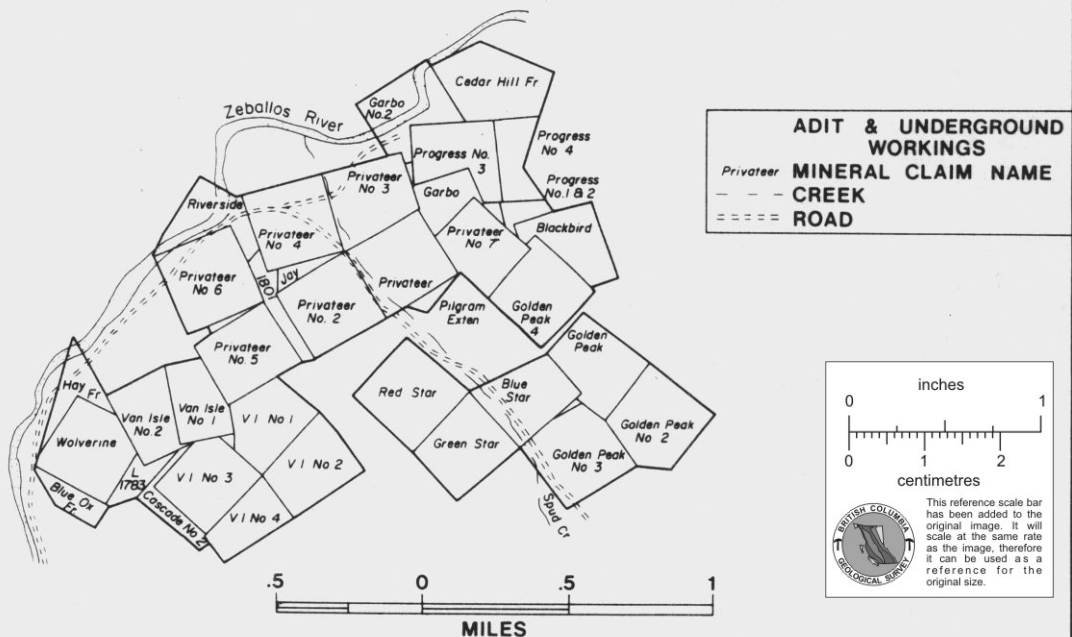
PRIVATEER GOLD MINE

VANCOUVER ISLAND

BRITISH COLUMBIA

CANADA

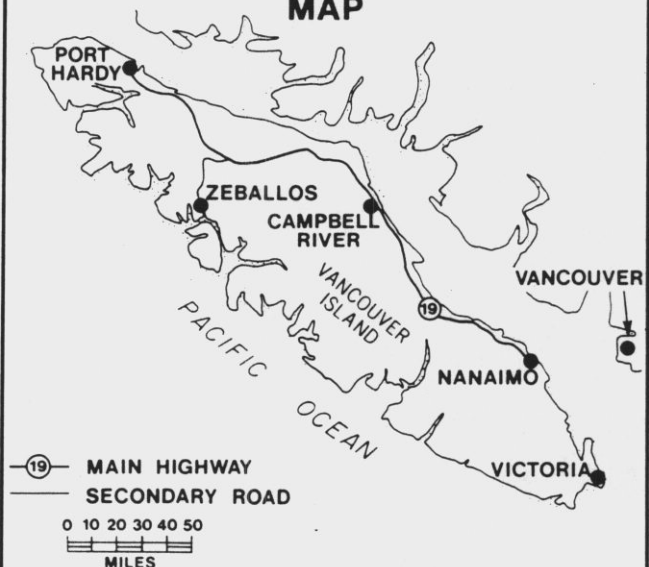
PRIVATEER MINE CLAIM GROUP



PROPERTY LOCATION MAP



PROPERTY LOCATION MAP



COMPOSITE PLAN SHOWING DRIFTS ON No. 1, 2 AND 3 VEINS

PROPOSED ACCESS TO No. 4 AND No. 5 VEINS

