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October 15th, 1951.

SIL-VAN CONSOLIDATED MINING & MILLING CO. LTD. N.P.L.MANAGING DIRECTORS REPORT FROM COMMENCEMENTOF OPERATIONS TO OCTOBER 1, 1951.

The President and Directors,
Sil-Van Consolidated Mining & Milling Co. Ltd. N.P.L.

Dear Sirs:

Several days were spent at the property during September. Joint meetings with Mr. Gilleland, mine manager, Mr. Ritchie, Metallurgist, and Mr. L.F. Wright, of Wright Engineers Ltd., were held. Mr. Wright was requested to proceed with mill design and layout, following the plan outlined by the management. Your approval of this action is now requested.

Sufficient ore has now been proven to warrant ordering mill equipment, quoted deliveries on which are as much as ten months from receipt of order.

As yet it is impossible to calculate a proven and probable ore reserve which would reflect the true ore potential. However, from channel sampling at regular five foot intervals, factual averages of horizontal width and grade, when extended over vertical ranges indicated by diamond drilling, raising, and surface sampling, make possible an estimate showing an indicated reserve in the Canary-Hummingbird section of 95,000 tons grading \$95.50 1 ton at present metal prices. It is also estimated that this tonnage would yield an operating profit of at least \$40.00 per ton or \$3,800,000.00 under present conditions.

In the Mamie section an indicated 60,000 tons grading \$54.00 1 ton at present prices is estimated from development to date.

It must be pointed out, these indicated reserves cover only a portion of the known ore zones, both vertically and horizontally, and are computed as ball mill feed.

It is recommended that orders be placed immediately for a milling unit of 150 tons per day capacity and that provisions be made for the installation of a sink-float plant to be installed in conjunction with the mill or at a later date.

After a final study of the economics of ore transportation and in view of the probability of much greater quantities of ore than originally anticipated, or as indicated at present, a suggested placing of milling facilities at Smithers has been abandoned and it is recommended that the mill be placed near the portal of the 3300 level; if possible in the old mill building.

It is also recommended that all efforts be concentrated on the development of the Canary-Hummingbird group. Further development of the Mamie with its high gold content and the development of the Coronado, Victory and Silver Lake, Silver Creek, Home-stake groups can proceed when milling operations are thoroughly established.

From the commencement of operations last December, a total of 3090 feet of crosscuts and drifts, 365 feet of raises and 116 feet of sidswiping have been accomplished. At least an equal amount of development is required before the workings are in shape to sustain a 150 ton milling operation. This development has been planned and is now in progress.

On the Mamie 4400 level 650 lineal feet of ore, in several ore shoots, has been established, grading .348 oz. Au, 2.87 oz. Ag, 8.35% Zn and 0.7% Cu across an average width of 2.5 feet. Some sections occurring between ore shoots are marginal but may possibly develop into profitable ore. The present face of the drift shows 2 feet of massive sulphides and is 200 feet short of the next surface exposure which shows good grade and width. A raise to surface shows mine average grade and width for its entire length of 205 feet and with surface sampling this block can be classified as proven and probable ore. Average backs above the 4400 level approximate 150 feet.

Ore was encountered in the 4250 level directly below the start of ore shoots in the 4400 level. To date 200 feet of drifting has disclosed ore grading .515 oz. Au, 6.15 oz. Ag, 17.25% Zn and 1.0% Cu, widths average 1.08 feet, the face is in ore.

A raise from the 4250 level to the 4400 level has been half completed and discloses continuous and excellent grade ore from 1 foot in width to 5 feet plus (in places wider than the raise).

In the Canary-Hummingbird 4100 level 735 lineal feet of ore shoots have been sampled, and grade .149 oz. Au, 14.5 oz. Ag, 8.2% Pb and 10.5% Zn across an average width of 2.23 feet plus. The present face is in ore, being 1 foot of massive lead and zinc sulphides and the preceding 55 feet while not sampled is estimated to be of mine average grade and width.

It is estimated that this ore length will yield 190 tons per vertical foot. 750 feet of the ore zone previously drilled remains to be drifted with expected good results. This length has not been included in ore estimates.

A raise has been driven 160 feet towards a surface break-thru or half way. It discloses excellent grade with widths greater than raise width for the first 60 feet; the last 25 feet appear of good grade, while the intervening section appears marginal. Again as in the Mamie the 790 feet of ore disclosed occurs as several ore shoots and some of the intervening lengths while marginal can develop into profitable ore bodies.

The staff and employees deserve much credit for having accomplished 3572 feet of development work under unfavorable conditions, and it is a pleasure to report the results of this work.

Respectfully submitted,

R. W. Wilson, P. Eng.

(Signed): R.W. WILSON.

Managing Director.

At a meeting of the Directors held October 19th, 1951, the Managing Director's recommendations were approved, and an immediate start will be made to carry out the recommendations.