



HIGHMONT MINING CORP. LTD. (N.P.L.)

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To the Shareholders:-

The following informational report is to bring all shareholders up to date on the current development and exploration program being carried out on the Highmont property in the Highland Valley.

GOVERNMENT APPROVAL- Formal approval of the development-financing-production agreement between Highmont Mining Corporation Ltd. and Nippon Mining Co. Ltd. was granted by the Government of Japan on February 7th, 1967. The agreement was concluded between the two companies on October 7th, 1966.

The agreement provides for the financing of the exploration and the construction of a concentrator on a 34 claim block in the Highland Valley area of B.C. The property adjoins the Lornex property to the east and is some 10 miles southeast of the Bethlehem Copper Corporation Ltd. 12,000 ton per day operation.

If the agreement is carried to completion, Nippon Mining will provide loans to Highmont to a total of \$3,536,375 and have the right to convert these loans to 2,123,000 common shares of Highmont Mining at prices from 75¢ to \$2.25 per share. Nippon is also to provide the funds to place the property in production. When completed, there will be 3,860,005 shares of Highmont Mining issued of which Nippon will hold 55%. Torwest Resources (1962) Ltd. holds 1,000,000 shares of Highmont Mining which were received as consideration for the property and earlier work thereon.

ORE RESERVES - Since work started on what is now called the East Ore Zone last fall, a total of 126 percussion drill holes, to a depth of 250 feet, and a

number of diamond drill holes, to a vertical depth of 500 feet, have been completed. Making use of the information from assays of 60 of the percussion holes, an ore reserve calculation has been completed giving:

72,300,000 tons grading 0.250% copper and 0.064% MoS₂

Overburden has been indicated at varying between 10 and 15 feet to give an indicated stripping ratio of 0.2 to 1 at present. The company consultant has stated that the copper grade can possibly be upgraded in mining operations as blocks of waste occurring within the ore outlines were included in the ore calculations. Much of this weak material can be discarded during a pit operation.

Nothing has been taken into these calculations for the new western ore zone where drilling is currently underway.

NEW ZONE - As follow-up work on a recently completed induced survey which located an extensive anomalous area to the west of the East Ore Zone, a grid drilling program is underway with two percussion machines to cover an area 3,200 feet long by 1,800 feet wide with a minimum of 62 holes all to 250 feet. The drilling is being done on lines 400 feet apart in a north-south direction with the holes spaced at 200 feet in an east-west direction on the lines. The assay results from the first six holes on the first line, the most northerly line of the initial grid, are as follows:-

Hole No.	P-132	0.314% Copper	0.235% MoS ₂
	P-133A	0.174%	0.161%
	P-133B	0.149%	0.154%
	P-134	0.214%	0.154%
	P-135	0.102%	0.605%
	P-136	0.054%	0.128%

The averages MoS₂ assayed for these holes, which are over an east-west direction of 800 feet is 0.235%. Each of the holes is to 250 feet except P-133A and P-133B which were to 150 feet, owing to bad ground.

A total of 33 holes have been drilled in this new West Ore Zone but assays had been received for only the first six holes at the latest report from the company.

There is a 30 man crew in the Highmont Mining camp and percussion holes are being completed at the rate of 3 to 4 per day. If this pace is maintained, the 62 hole grid will be completed by the end of the month and the anticipated additional holes which will be needed on the fringe of the zone are expected to take an additional two to three weeks. If this schedule is met, then, late in March a decision will have to be made on some form of bulk sampling. Currently consideration is being given to a form of deep surface cuts making use of conventional open pit mining equipment. From the bottom of these deep cuts, short adit levels could be driven for bulk sampling and drilling. It is felt that if the deep cut method is followed, it would represent the start of open pit preparation which could be used in mining operations.

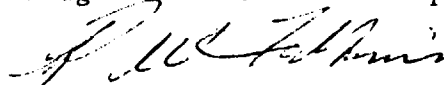
The current plans are to start metallurgical studies in mid-summer when the bulk sampling provides the material for testing.

During the past four months approximately \$353,000.00 has been expended on the development program. Monthly expenditures are now approximately \$100,000.00 per month.

On February 6th, 1967, Nippon Mining Co. Ltd. gave an irrevocable commitment to Highmont to advance a further \$200,000.00 by February 28th, 1967 which was the payment due on April 30th, 1967.

In conclusion your directors are very pleased with the results to date. The development program over the next three months will be extensive and much additional work has to be done, however, the technical assessment of the results to date indicate that your company is well on the way to achieve the objective of bringing a large tonnage economic mine into production.

February 17th, 1967


On behalf of the Board

LORNEX
ORE
ZONE



PEEL RESOURCES LTD.

LORNEX
MINING CORP.
LTD.

HIGHMONT

KENNCO
EXPLORATION
LTD.

I.P.
MINING
ANAMOLY
AREA
CORP. LTD.

EAST ZONE

B.X.
MINING CO.

MINEX DEVELOPMENT
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SCALE 1" = 2000'

FEB./67