

Richard E. Amdt

INTER-DEPARTMENT MEMORANDUM

003570

To: Kurt A. FORGAARD

October 11, 1996

From: Richard E. Amdt

FILE COPY

Subject: **EXPLORATION UPDATE on MM/JJ, GRUM PIT EXTENSION, FARO N.W. and GRIZZLY S.E. DIAMOND DRILLING**

MM/JJ Claims

- The project finished on September 28, 1996, after we drilled four (4) holes totalling 1,889 metres (6,198 feet). We also installed a PVC pipe in one of the holes so we can return next year and run a "down-the-hole" EM probe to check for lateral expression of any mineralization (time and availability of an instrument precluded work being done this fall).
- Preliminary assays and data from the geologist who logged the core at the drill, indicate mineralization continuity between the holes drilled in the 1970s.
- When we receive the final assays we will reinterpret the geology and look carefully into the economics of the project. As far as assessment work is concerned, we do not have to spend money on this project for several years.
- We feel that this program was successful.
- Accompanying this memo is a plan and sections of the locations of the holes and tentative visual results.

Grizzly Southeast Drilling Programmes

- At the present time we have gone out for drilling bids on this project, and have prepared plans of the proposed area to drill holes based on geology, past geophysics, and the 1996 Aero Mag. and Aero EM results (see accompanying plans). We hope to start drilling in the next month or so.
- This project is currently our most attractive exploration target.

Grum North Extension Drilling

- To date five (5) holes have been drilled at the northwest end of the Grum open pit in Stages II and III, for a total meterage of 1,096 metres, out of a planned 2,660 metres. The results so far have been very encouraging, with good intersections of high grade mineralization, many of them over 15% combined lead and zinc.
- Aside from the good possibility of extending the open pit, there have been ore intersections found that could be potential underground reserves. While the five holes (5) drilled to date were targeted for the open pit extension, two (2) of the next six (6) holes planned could indicate underground reserves to add to the present underground potential. There is a good chance of adding one (1) million tonnes of mineable ore to the Grum open pit reserve base, with additional mineable ore a distinct possibility.

Memo to Kurt A. Forgaard

October 11, 1996

Re: **Exploration Update on MM/JJ, Grum Pit Extension, Faro N.W., and Grizzly S.E. Diamond Drilling**

- By the end of 1996 there should be an updated pit design to incorporate these new reserves and to add them to our year end 1996 ore reserves.
- An accompanying plan shows where the completed and proposed drill holes are located.
- Time will be taken shortly to evaluate the drilling results to date.
- The AFE from the Grum North Extension programme was for \$350,000, however the MPR was only for \$225,000, and this amount will be reached upon completion of the sixth hole. Should the additional drilling be required, the MPR will have to be amended at this time.

Faro Northwest

- The planning for the drilling programme for this project, and the choosing of the contractor, is complete. The logistics of getting to the site are being addressed by upgrading the road to the drilling areas. Two (2) to three (3) holes are planned to be drilled within the next month.
- A plan of the two areas considered for the diamond drilling are indicated on the accompanying plans.
- Based on previous drilling results, this area is attractive for deep mineralization.

Brief Summary of 1996 Exploration

- Considering the late start of the exploration programme this year, all of the objectives have been met, and by year end we could have encouraging results.
- Aside from the Grizzly Southeast drilling, the next most exciting project will be to conduct exploration early next year on some of the geophysical anomalies found during the 1996 airborne project, especially in the Swim Lake area. Other targets await the final geophysical results and their interpretation.
- An aggressive exploration programme in the Faro area is contemplated for 1997, based on the 1996 work.

Richard E. Arndt

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