PESO SILVER MINES LTD.

006021

PROGRESS REPORT ON PESO SILVER PROPERTY

September 28, 1962

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GENERAL

Geologic reconnaissance, surveying, and other surface field work on the Peso Silver Mines Property has been concluded for the season with the exception of trenching of No. 1 vein to the west, and trenching, stripping and drilling of the Rex vein.

Work on properties of the Barker Estate has been concluded sufficiently to cover the assessment work required by the agreement. Results to date have provided geologic data, access, and some gold assays from narrow veins running up to a reported 6 oz./ton gold. Further work next year will be aimed directly toward proving the value of the property now that reconnaissance has been done, assessment requirements have been satisfied and basic data has been acquired.

NO. 1 VEIN

Trenching west of the No. 1 vein has revealed sizeable pieces of promising float assaying 14.8 oz./ton silver. Further trenching must be done to trace out this apparent western extension or echelon vein. Stripping of the unexposed parts of No. 1 vein should be concluded as soon as it is well enough exposed to give adequate surface geology for projecting down to the proposed additional drifting.

REX VEIN

Extensive stripping of the Rex vein has exposed the vein zone for over 2000 feet, showing about 700 to 1000 feet of this to be continuous and well mineralized with siderite, jamesonite, galena, sphalerite and tetrahedrite. A 250 foot long stretch of the western part of the mineralized portion show especially good widths and grade. Assays are not yet complete but the western 180 feet averages 36.0 to 40 oz./ton silver across a true width of 4.2 feet (corrected for 55° dip). Higher grade sections in the 60-ounce range occur in this shoot, and high assays of 808.4 oz./ton silver across 1.7 feet and 1533 oz./ton silver across 0.4 feet more obtained where tetrahedrite is abundant. Channel samples show characteristic irregularity of values and of silver-lead ratios caused by the presence or absence of this silver-rich tetrahedrite. Three diamond drill holes in two sections 150 feet apart under this 250-foot section, have intersected widths up to 7 feet of good mineralization to depths of 150 feet below surface.

Except for jamesonite content the ore is similar in character and grade to that of United Keno Hill Mines whose average grade of 38 oz./ton silver produced a handsome profit even at the previous 91-cent price of silver (silver is now $1.25 per ounce). Moreover, any new operation establishing in the district should be able to increase efficiency and, other things being equal, be profitable even on lower grades.

The 250-foot shoot would contain about 100 tons per vertical foot, indicated as possible ore by the drilling. The tonnage possibilities on the presently exposed vein may be in the order of 100,000 tons of ore grade, subject to confirmation by drilling and underground work.

Other Rex type vein occurrences have been found about 500 feet to the northwest and about 5000 feet to the west, suggesting good possibilities of substantially expanding the known possibilities by finding more such silver-rich veins along the general strike of the Rex vein system and its associated shears.

Trenching will be carried out across the west end of the Rex vein zone to determine if well mineralized sections occur to the west, where a portal site could be established for drifting in at a depth of 150 to 200 feet along the strike of the vein.

CONCLUSIONS

1. No. 1 vein or an associated echelon vein occurrence has been discovered west of No. 1 vein, suggesting good possibilities of continued discovery of No. 1 type veins in this direction down toward Secret Creek.

2. An important discovery of mineable length width and grade of siderite-jamesonite-galena-tetrahedrite ore has been made on the Rex vein. Partial assays show 36 to 40 ozs./ton silver across the 4.2 feet over a length of 180 feet. Diamond drilling is proving up this discovery to vertical depths up to about 150 feet. Underground exploration will definitely be warranted.

3. It can furthermore be expected that other similar rich shoots may occur elsewhere in the Rex vein system and associated structures.

RECOMMENDATIONS

1. Continue drilling out the Rex vein and trenching it to the west with a view to establishing a possible portal site on the west end of the vein itself, and stripping of such a portal site if warranted.

2. Trench the western extent of No. 1 vein as much as possible, then follow up by drilling and by continued drifting as previously recommended. This work should be concluded before deciding to move the mine plant and camp to any new portal on the Rex vein.

3. Camp accomodation and other facilities should be enlarged and improved.

Respectfully submitted,

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Consulting Geological Engineer.