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SUMMARY REPORT

DUNCAN PROPERTY

KENO HILL AREA

MAYO MINING DISTRICT - YUKON TERRITORY

Submitted to: **Peso Silver Mines Ltd.**
and
Silver Titan Mines Ltd.

Vancouver, B. C.
March 1, 1963

L. G. White, P. Eng.
Consulting Mining Engineer

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INTRODUCTION

This report has been prepared as a summary compilation of progress letters and reports submitted by Mr. W. Ellis, Resident Engineer in Charge of the Duncan Project from October 3rd to December 15th, 1962. Two previous reports by the writer were presented under dates of September 17th and November 13th, 1962 for consideration and discussion by your respective Boards of Directors and the representative Management Committee.

All general information pertaining to property ownership, location, facilities, etc., was detailed in the reports referred to above and will not be repeated here.

GENERAL RESUME OF PROJECT

The work programme on the Duncan property was initiated in early September 1962 following discovery of high silver values associated with an oxidized zone of siderite veining in a former bulldozed cut along the common boundary of the Lake No. 1 M.C. (U.K.H.M.) and the Ivan claim.

Following unsuccessful attempts to trace this particular mineralized zone on to Duncan ground by deepening a parallel cut, the bulldozer was employed to investigate a previously explored area by Canex Aerial Explorations Ltd. approximately 600 to 700 feet southwest of the highgrade discovery.

Close prospecting and mapping in conjunction with the stripping operation exposed frost heaved chunks of high silver-bearing galena float with subsequent discovery of a mineralized oxidized shear zone having a N.40° E strike and containing streaks and bunches of massive lead sulphide with disseminated tetrahedrite.

Geological conditions and sampling results along the surface exposure of the zone which was stripped for a strike length of 90 feet were reviewed in my report dated September 17th, 1962.

Recommendations were made at that time to proceed with open cut development of the zone to be followed by tunneling providing results justified the expanded programme.

General Résumé of Project (cont'd)

Unfortunately, camp buildings and equipment in excess of requirements for the programme as estimated were purchased by local management prior to the appointment of Mr. W. S. Ellis as Resident Engineer to organize and direct the above programme. Consequently, he was burdened with completing construction of buildings and installing extra machinery before proceeding with beneficial work on the ground.

Most of the month of October was occupied with construction of a 22' x 30' cookhouse, 22' x 43' bunkhouse, 10' x 14' powder house, 22' x 40' storage and compressor house, and a 9' x 10' water supply building.

Commencing the first week in November, the open cut along the mineralized zone was deepened and levelled for a distance of 69.0 feet. The tunnel was then collared and advanced 91.5 feet until structural complications and the erratic character of the vein as exposed, plus spotty silver values, required curtailment on November 29th.

With completion of the exploratory tunnel, the crew was then used to deepen the bulldozer cut at the northeast corner of the Ivan claim. The excavation was made on a narrow oxidized zone to a depth of 12.0 feet below the former workings.

Results from the above work were negative in establishing any high grade occurrence similar to the exposure on the

General Résumé of Project (cont'd)

neighbouring Lake No. 1 M.C.

Operations were suspended on December 7th and the bulk of the equipment and supplies moved to the Silver Titan camp in the McQuesten valley for storage.

RESULTS OF EXPLORATION AND DEVELOPMENT.

The vein as exposed by the open cut work and drifting was continuous for the entire distance of 160.5 feet.

High average silver values obtained from surface sampling ranging from 19.2 ozs. over 3.0' up to 407.4 ozs. over 4.0' as shown on the enclosed sampling plan were not duplicated in the tunnel extension.

The average width of the vein for the drifted distance of 91.5 feet was 0.6 feet with an average dip of 55 degrees to the East. Strike of the mineralized zone remained almost constant at N. 40° E.

Values as a whole were non-commercial. Three samples in the drift averaged 378 ounces silver over an average width of 1.0 feet.

Fifteen other samples on the vein along the drift averaged 21 ounces of silver over 0.6 feet.

The three higher grade samples showed a very favourable silver-lead ratio of 15 to 1.

The vein at the face of the drift was disturbed by longitudinal faulting. The exposed portion of the vein in the drift bottom showed a width of 0.5 feet containing 57.0 ounces silver and averaging 21.1% lead.

Results of Exploration and Development (cont'd)

Entire advance on the vein for 91.5 feet in the drift disclosed greenstone formation on the footwall side of the vein and phyllites on the hanging wall contact.

Exploratory work completed by deepening the former bulldozer cut near the N. E. corner of the Ivan claim, exposed a break containing rusty quartz averaging 0.4 feet wide. Assays of the material returned Trace silver values.

RECOMMENDATIONS FOR FURTHER WORK.

Results from the initial exploration and development of the mineralized zone in the open cut and tunnel justified a limited work programme as follows:-

- (1) Carefully examine the particular area in the tunnel from which the higher grade samples were recovered and sink an inclined prospect winze for - say - 30 or 40 feet to test for shallow depth continuity of the values and the zone.
- (2) Prospect along the surface beyond the present end of the tunnel and map the geology in detail.
- (3) With satisfactory completion of (2) follow it up by further hand trenching or bulldozer stripping to trace for possible extension of the mineralized zone as exposed by the underground work.

After complete assessment of the results obtained by the above work, a decision could then be made to proceed with an expanded programme of extending the present drift and providing stub drill crosscuts or surface diamond drilling.

ESTIMATED COSTS.

The recommended initial programme can be done by three prospector-minor types and an Engineer in approximately six weeks.

Cost Estimate

Supervision & labour - 4 men (incl. W.C.B. & U.I.C. benefits)	\$5,200.00
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Supplies

Food (180 man days @ \$5.00)	\$ 900.00	
General camp supplies	200.00	
Fuel - diesel & gas	300.00	
Timber - winze	1200.00	
Pipe fittings, etc.	300.00	
Explosives (part on hand)	800.00	
Steel and bits	200.00	
Misc. supplies & parts	<u>500.00</u>	\$4,900.00

General Expenses

Local transportation - rentals	\$ 650.00	
Tractor rental - 50 hrs. @ \$14.	700.00	
Compressor & drill rentals	800.00	
Assay charges & freight	300.00	
Travel expenses, fares, etc.	500.00	
Misc. charges - telegrams and telephone, postage	<u>150.00</u>	\$3,100.00

Administration

Consulting fees & Reports	\$ 600.00	
Accounting	<u>150.00</u>	<u>\$ 750.00</u>

Estimated costs	\$13,950.00
Add for unforeseen contingencies	<u>1,050.00</u>

Total Estimate	<u><u>\$15,000.00</u></u>
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SUMMARY STATEMENTS AND CONCLUSIONS

While the silver-lead ratio was encouraging in the drifting, values were non-commercial; however, it was observed during the work that vein widths were wider at the bottom of the drift faces compared to the back.

Therefore, in view of the high values obtained at certain locations along the drift, it seems probable that better average values may be proven on the downward plunge of the vein.

Also, since the strike and structural characteristics of the zone still compare favourably to those described in reports on the original Friendship-Sadie-Ladue vein system; and since only 160 feet on one end of the possible 1900 foot extension on the Duncan claims were explored by the 1962 programme, further exploratory and development work as recommended appears justified.

Vancouver, B. C.
March 1, 1963



L. G. White, P. Eng.
Consulting Mining Engineer.

DUNCAN PROJECT

FINANCIAL STATEMENTS

AS AT MARCH 15th, 1963

REYNOLDS, ANDERSON, McPHERSON & Co.

TELEPHONE MUTUAL 2-5211

CHARTERED ACCOUNTANTS

P. M. REYNOLDS, B.Acc., C.A.
D. McL. ANDERSON, B.Com., C.A. J. D. McPHERSON, B.Com., C.A.
R. M. WANLESS, C.A.

SUITE 1818 MARINE BUILDING
355 BARRARD STREET
VANCOUVER 1, B. C.

March 19th, 1963

To the Management Committee,
Duncan Project.

Dear Sirs:

In accordance with your instructions we submit the following financial statements which have been prepared from the records of the Duncan Project and from information received from the management:

Exhibit "A" - Balance Sheet as
at March 15th, 1963.

Schedule "1" - Schedule of Deferred
Costs from date of
commencement to
March 15th, 1963.

Yours very truly,

Reynolds, Anderson, McPherson & Co.

Chartered Accountants

DUNCAH PROJECTBALANCE SHEET AS AT MARCH 15th, 1963

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash on hand	\$ 2,500.00
Cash in bank	2,482.82
Accounts receivable	918.93
Prepaid workmen's compensation	<u>693.00</u> \$ 6,594.80
 <u>CAPITAL ASSETS, at cost</u>	
Roads	526.95
Buildings	11,151.84
Mining equipment	<u>5,523.05</u> 17,201.44
 <u>MINERAL CLAIMS, at nominal value - note 2</u>	 1.00
 <u>DEFERRED COSTS, per Schedule "1"</u>	 <u>45,475.19</u>
	 \$ <u>69,272.43</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts payable	\$ 14,930.67
Holiday pay payable	<u>25.70</u> \$ 14,956.37
 <u>ADVANCES</u>	
Silver Titan Mines Limited (N.P.L.)	25,903.05
Poco Silver Mines Ltd. (N.P.L.)	<u>28,403.05</u> <u>54,316.05</u>
	 \$ <u>69,272.43</u>

- NOTES 1. The assets and liabilities shown on this statement are owned jointly by Poco Silver Mines Ltd. (N.P.L.) and Silver Titan Mines Limited (N.P.L.) and are recorded in the accounts of these companies.
2. Under an agreement dated August 15th, 1952 Silver Titan Mines Limited (N.P.L.) and Poco Silver Mines Ltd. (N.P.L.) obtained an option to purchase jointly six mineral claims in the Mayo area of the Yukon Territory. In order to keep the agreement in good standing the companies must expend jointly an amount of \$10,000.00 annually on the property. The companies may exercise their option by payment of a purchase price which varies depending on the date the option is exercised as set out in the agreement.

DUNCAN PROJECT

SCHEDULE OF DEFERRED COSTS

FROM DATE OF COMMENCEMENT TO MARCH 15th, 1953

PROSPECTING AND EXPLORATION

Salaries and wages	8 1,182.50	
Equipment rental	4,320.22	
Camp and cookhouse supplies and expenses	521.75	
Licenses and permits	383.00	
Travel	<u>258.33</u>	6,603.80

SURFACE DEVELOPMENT

Geological survey - consultant's fees and expenses	1,305.95	
- salaries and wages	538.10	
Clearing - equipment rental	1,180.00	
Stripping - salaries and wages	957.63	
- explosives	89.03	
Deep cut - salaries and wages	1,776.43	
- equipment rental	702.00	
Trenching - equipment rental	<u>3,507.50</u>	10,054.70

UNDERGROUND DEVELOPMENT

Salaries and wages	3,683.23	
Equipment rental	2,995.00	
Supplies and expenses	978.31	
Explosives	<u>501.87</u>	8,159.46

GENERAL LINE EXPENSE

Line management salaries	3,550.84	
Cookhouse and commissary - salaries and wages	2,231.90	
- supplies and expenses	3,847.23	
Camp maintenance - salaries and wages	469.66	
- equipment rental	750.00	
- supplies and expenses	307.89	
Equipment repairs and maintenance - salaries and wages	375.05	
- supplies and expenses	926.59	
Road maintenance - equipment rental	288.00	
- supplies and expenses	120.00	
Truck - rentals	1,433.05	
- repairs	344.03	
- gas and oil	343.68	
Gas and oil - general	1,520.34	
Freight	828.67	
Assaying	321.35	
Travel	503.53	
Telephone and telegraph	57.85	
Workmen's compensation	275.45	
Unemployment insurance	<u>112.05</u>	18,672.79
Total carried forward		43,502.75

DUNCAN PROJECT

SCHEDULE OF DEFERRED COSTS

FROM DATE OF COMMENCEMENT TO MARCH 15th, 1963

Total brought forward		\$ 43,502.75
<u>ADMINISTRATIVE EXPENSES</u>		
Accounting	\$ 1,195.00	
Bank charges and interest	8.65	
Office expense and supplies	29.50	
Travelling	676.45	
Sundry expenses	60.00	
Telephone and telegraph	<u>2.84</u>	<u>1,972.44</u>
<u>TOTAL DEFERRED COSTS, carried to Exhibit "A"</u>		<u>\$ 45,475.19</u>

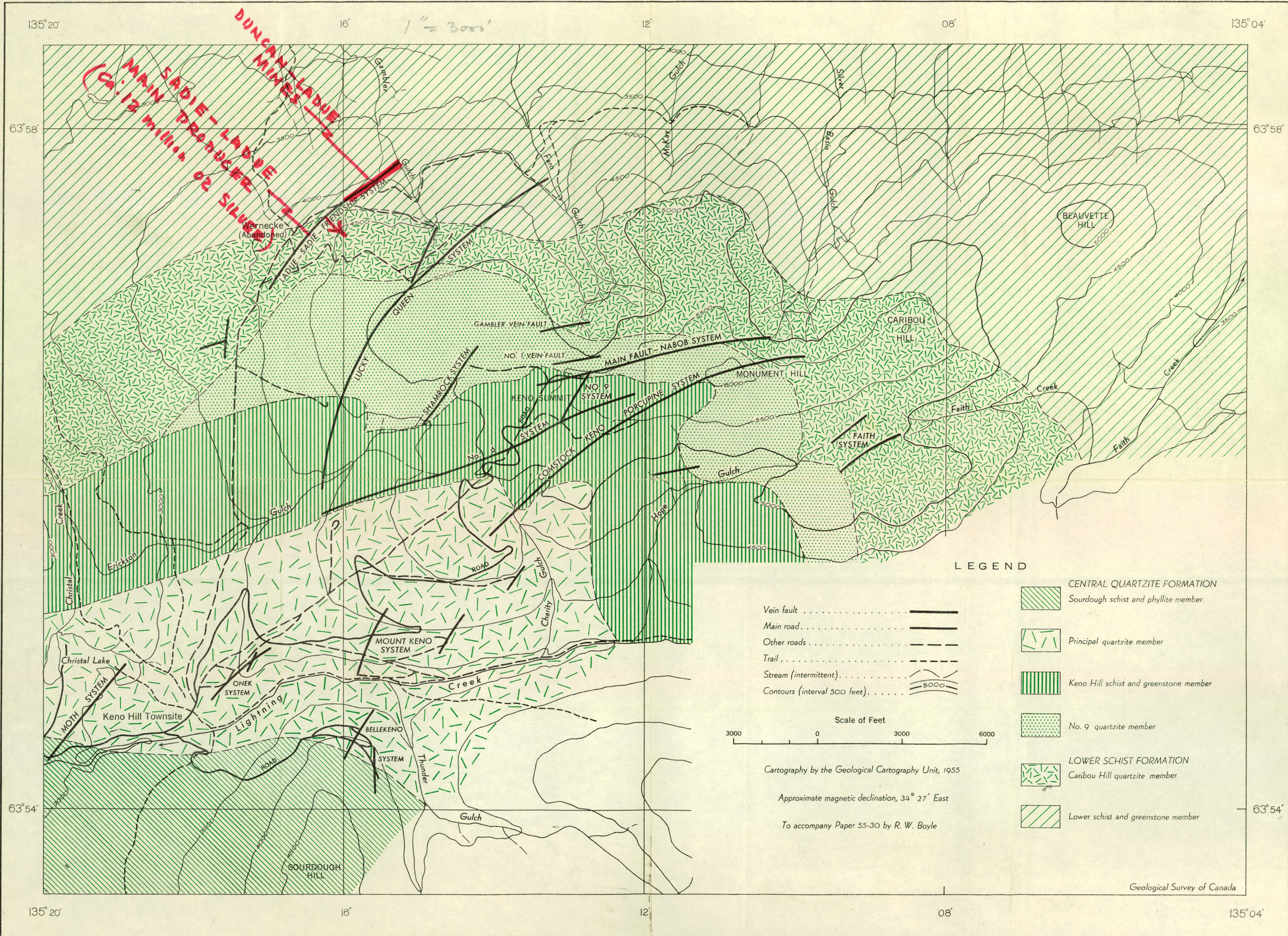


Figure 2. Index map showing stratigraphic members and principal vein fault systems, Keno Hill, Yukon Territory

