

019691

PELLY RIVER MINES LIMITED

LAPSE OF BOB AND LAKE CLAIMS

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## Introduction:

This report outlines the events that led to the lapsing of the Bob and Lake claim groups (Figure 3) held by Pelly River Mines (PRM). The effect of this lapse in terms of assessment loss to PRM shareholders is evaluated and a method of indemnification is proposed.

## Lapse of Bob and Lake Claim Groups:

PRM claim records have been kept by a ledger system to date. The original ledger "inherited" by our department was prepared by Anvil Personnel in the period January 31, 1969 to December 21, 1970. It was assumed by us to be a correct listing of all Anvil and PRM claim data. This ledger was amended and retyped August 21, 1972 with respect to assessment work performed and filed since January, 1971. Copies of the claim data for the Bob and Lake claims (plus related fractions) from both these ledgers are included as Appendix 1. Inspection of both of these ledgers shows expiry dates for the Bob and Lake claims from July 1, 1974 to July 1, 1976 (Note that all handwritten entries on these ledger sheets were made after expiry of the Bob and Lake claims). These claims lapsed on July 1, 1972 demonstrating serious errors in both claim ledgers. Comparison of the two shows exactly the same expiry date for each claim and fraction on both ledgers. Thus, the pre-1971 ledger was at odds with assessment records held by the Mining Recorder and the 1972 revised ledger sheets covering the Bob and Lake groups were simply copies of the older document. How the expiry dates for the Bob and Lake claims in the pre-1971 ledger were determined is unknown.

Between July 9 and July 12, 1971, sufficient assessment work was filed to cover the entire Bob and Lake groups (plus fractions) to a common anniversary date of July 1, 1972 (Appendix 2). At the time of this filing, Anvil must have known that the pre-1971 claim ledger was incorrect and that the new, expected common anniversary date for the Bob and Lake claims would be July 1, 1972. This date could have been confirmed by inspection of the Certificates of Work for Bob and Lake returned by the Mining Recorder (Appendix 2). These certificates record approval of the most recent assessment work filed on the Bob and Lake claim groups.

The July 1, 1972 expiry date for the Bob and Lake claim groups was also known in November, 1971 as indicated by a preliminary report on 1971 exploration forwarded to PRM (Appendix 3). As of that date, there was adequate time to file all pertinent 1971 assessment work that had not been previously filed on the Bob and Lake groups. Since none of this work was filed, the claims lapsed on July 1, 1972. Claim names, numbers and grant numbers of the 66 full claims and 11 related fractions involved are listed in Table 1. Their geographic positions are shown in Figure 3.

PRM Assessment Loss:

Exploration on PRM claim groups in 1971 included soil geochemistry sampling, geologic mapping, overburden drilling (rotary) and diamond drilling of selected targets.

TABLE 1: Listing of Lapsed Bob and Lake Claims Plus Related Fractions

<u>Bob Claims</u>		<u>Lake Claims</u>	
<u>Claims</u>	<u>Grant No.</u>	<u>Claims</u>	<u>Grant No.</u>
BOB 1	85655	LAKE 1	85763
2	85656	2	85764
3	85657	3	85765
4	85658	4	85766
5	85659	5	85767
6	85660	6	85768
7	85661	7	85769
8	85662	8	85770
9	85663	9	85771
10	85664	10	85772
11	85665	11	85773
12	85666	12	85774
13	85667	13	85775
14	85668	14	85776
15	85669	15	85777
16	85670	16	85778
17	85671	17	85779
18	85672	18	85780
19	85673	19	85781
20	85674	20	85782
21	85675	21	85783
22	85676	22	85784
23	85677	23	85785
24	85678	24	85786

<u>Lake Claims</u>	
<u>Claims</u>	<u>Grant No.</u>
LAKE 25	85787
26	85788
27	85789
28	85790
29	85791
30	85792
31	85793
32	85794
33	85795
34	85796
35	85797
36	85798
37	85799
38	85800
39	85801
40	85802

<u>Lake Fractions</u>	
<u>Claims</u>	<u>Grant No.</u>
QUE 40 Fr.	Y 10678
43 Fr.	Y 10841
44 Fr.	Y 10842
45 Fr.	Y 10843
46 Fr.	Y 10844
49 Fr.	Y 10681
75 Fr.	Y 10682
76 Fr.	Y 10683
77 Fr.	Y 10684
78 Fr.	Y 10685
79 Fr.	Y 10686

Of these programs, only those involving physical work on the claims (i.e. drilling, trenching, roadbuilding) can be applied toward assessment as set out by Section 53, Clause 4 of the Yukon Quartz Mining Act.

Based on the 1971 PRM contribution to exploration in the Anvil Range (Table 2), \$102,405 of a total of \$109,802 are applicable to assessment work on PRM ground (i.e. costs of soil sampling, consulting and geologic mapping deleted from total). This entire amount (\$102,405) was apportioned to overburden and diamond drilling as set out in Table 3; as such, it constitutes physical work expenditures and is applicable to assessment. From the summary of Table 3, the cost of drilling on the Bob and Lake claims was \$43,394<sup>1</sup>. Of this amount, \$10,807 was filed and approved for assessment per Appendix 2.

<sup>1</sup> Note that the use of average footage costs is warranted in the calculation of these total cost figures because no abnormal logistical or mechanical problems were encountered in any specific area.

TABLE 2  
1971 EXPLORATION BUDGET  
PELLEY RIVER MINES PORTION  
AS AT DECEMBER 31, 1971

		<u>Actual to Date</u>
Airborne Survey		
Contract Gravity Survey		
Drilling - Contract Work		\$ 72,665
- Supplies	\$ 471	
- Sample Analysis	<u>635</u>	
		1,106
Consulting - Geochemical		987
Outside Services		2,140
Soil Sampling - Labour	866	
- Material	<u>376</u>	
		1,242
- Analysis		2,505
Equipment Costs - Operating Labour	1,913	
- Repair Labour	1,578	
- Operating Supplies	1,362	
- Repair Supplies	<u>1,299</u>	
		6,152
- Fuel		3,057
Camp Costs - Labour	3,953	
- Supplies	<u>3,978</u>	
		7,931
Geology - Labour		2,663
Supervision - Labour	3,510	
- Supplies	<u>925</u>	
		4,435
Diamond Drilling		<u>4,919</u>
		<u>\$109,802</u>

TABLE 3: Summary of 1971 Drilling on PRM Claims

<u>Claim Group</u>	<u>Drill Hole</u>	<u>Depth</u>
BILL	RH 71-075	258
	-086	30
	-104	20
	-106	30
	-107	30
	-108	60
	DDH 71-212	<u>500</u>
	928	
JOE	RH 71-084	30
	-085	30
	-094	30
	-095	90
	-100	30
	-101	20
	-105	120
	-206	<u>50</u>
	400	
LO	RH 71-076	150
	-090	100
	-091	30
	-092	30
	-093	30
	-096	45
	-097	20
	-098	30
	-099	45
	-102	<u>25</u>
	505	
TIE	RH 71-034	64
	-035	88
	-036	53
	-040	43
	-185	45
	-186	40
	-187	45
	-188	30
	-191	105
	-192	<u>60</u>
	573	

TABLE 3: Continued

<u>Claim Group</u>	<u>Drill Hole</u>	<u>Depth</u>
	RH 71-028	185
	-029	77
	-030	78
	-031	89
	-032	61
	-033	54
	-131	30
BOB/LAKE	-132	30
	-133	30
	-134	30
	-135	45
	-138	30
	-141	60
	-142	45
	-143	60
	-150	30
	-151	60
	-152	45
	-197	370
	-198	<u>360</u>
		1769

Summary

Bill-Lo-Joe-Tie Footage	2406
Bob-Lake Footage	1769
Total Footage	4175
Cost/Foot (\$102,405/4175)	\$ 24.53
Cost for Bill-Lo-Joe-Tie Drilling (\$24.53 x 2406)	\$ 59,019
Cost for Bob-Lake Drilling (\$24.53 x 1769)	\$ 43,394

Thus, the net assessment dollar loss to PRM is \$32,587.

One hundred dollars worth of work is required per claim per annum to maintain said claim in good stead (Section 53, Clause 1, Yukon Quartz Mining Act). This can be apportioned to the Bob and Lake claims as follows:

66 full claims lapsed @ \$100/claim year	\$ 6,600
11 fractions lapsed @ \$50/claim year	<u>550</u>
	\$ 7,150

Thus, \$7,150 would have had to have been approved as assessment work per annum to maintain the entire Bob-Lake block. The loss in claim years for the block is therefore 4.6 years or 4 years, 7 months ( $\$32,587/\$7,150 = 4.6$  years). In terms of individual claim years, the entire Bob-Lake block would have been carried to July 1, 1976 for \$28,600 ( $\$7,150 \times 4$  years = \$28,000). The remaining \$3,987 of the \$32,587 total would have carried 40 of the Bob-Lake claims to July 1, 1977 ( $\$3,987/\$100/\text{claim year} = 40$  claim years).

As of September 30, 1972, Anvil restaked the lapsed Bob and Lake claims as the Gale group (Appendix 4) (Figure 4). This staking was funded entirely by Anvil and carries the Gale expiry date to a common date of September 30, 1973. In effect, this reduces the PRM assessment loss of 4.6 years on Bob-Lake to 3.6 years upon transferral of the Gale block to PRM. If \$7,150 worth of assessment work was required each year to keep the entire Bob-Lake block in good standing, a total of \$25,740 ( $\$7,150 \times 3.6$  yrs.) must be applied to the Gale claims to restore them to the anniversary dates that would have been held by the Bob and Lake claims had proper filing been done.

In summary, application of \$25,740 worth of assessment work to the Gale claims will restore the anniversary dates to those that would have been held by the Bob-Lake claims. This figure, or its equivalent, 3.6 claim block years, represents Anvil's assessment obligation to PRM. A proposal for indemnification follows.

Proposal for Indemnification of PRM Assessment Loss:

Insufficient assessment funds remain from all 1972 exploration programs in this area to cover the loss of \$25,740. It is proposed that \$25,740 of 1973 Anvil expenditures (totalling \$52,150) for geophysical surveys on the Dy-Gale - Sun grid (Figure 3) be applied to the Gale claims to reimburse PRM's losses.

In order to evaluate the base metal potential of various phyllite units extending from the Swim claim group through the Dy (Anvil) and Gale (PRM) claim groups, a large grid (see Figure 3) will be investigated by Turam and gravity methods. A similar investigation will be completed on the Sun claims. The total cost of these projects is estimated to be \$52,150 including linecutting, Turam and gravity surveys, supervision and transportation. Since the Dy, Gale and Sun claims are contiguous and within claim grouping distance of each other, \$25,750 of this program will be applied to the Gale claims thereby indemnifying PRM's assessment losses. Since the Gale claims have only been held for one year, geophysical investigations can be applied as assessment work per Section 53, Clause 4 of the Yukon Quartz Mining Act. Section 52, Clauses 1 and 2 of that act permit application of work from one claim group to another regardless of ownership provided the groups are within grouping distance. This point has been checked with the Mining Recorder. A summary of this proposal is depicted graphically in Figure 5.

Effect of Indemnification on 1973 PRM Exploration Program:

The proposed indemnification will have no effect on 1973 exploration of PRM ground. In a separate proposal to PRM, gravity surveys are recommended over selected portions of the Gale and Tie claim groups. Pelly River will be approached to fund this program. Application of the \$25,740 to the Gale group is in addition to the proposed surveys.

Preventative Measures:

A revised ledger system of claim record keeping is being instituted within the Exploration and Engineering Departments. Two ledgers will be maintained. One will record all data relevant to application for work certificates (Ledger 1) the other will record claim data for claims in receipt of work certificates (Ledger 2). The latter ledger is equivalent to those used in the past recording claim name, number, grant number and expiry date as specified by the Mining Recorder (see Appendix 1 for example). This ledger will only be updated as certificates of work bearing legal expiry dates are received. All records of application of assessment work for work certificates will be maintained in the other ledger. This system will provide a detailed accounting of assessment work applied for and assessment work approved for renewal purposes. A duplicate copy of Ledger 2 will be maintained in the Engineering department files. On a monthly basis Engineering will consult with Exploration on their mutual findings regarding pending claim renewals. This cross checking and separation of records should preclude future unexpected claim lapses.

Transfer of Gale Claims to Pelly River Mines:

Appropriate transfer forms are maintained by the Exploration department. Transfer proceedings can be initiated upon mutual agreement between Anvil and PRM.

FIGURE 5: Indemnification Proposal

