

KERR ADDISON MINES LIMITED  
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020703  
**COPY**  
Vangorda  
VA 20A

**Net Smelter Returns-Vangorda-Swim Lake Property**

March 27, 1973

As per your requests I have recalculated net smelter return values for the Vangorda-Swim Lakes Property. Up to date information on smelter contract prices for differential flotation products was obtained from D. Bumstead. No recent information was available for bulk flotation products. The following summary is presented based on the results of two Noranda Mines test, V-24 and V-32. Detailed calculations follow.

Test V-24

Pb Conc Grade: 37.6% Pb, 14.6oz Ag  
Zn Conc Grade: 48.1% Zn

	<u>1970 Estimate</u>	<u>1973 Estimate</u>
NSR, \$/lb, Pb	0.063	0.0321
Zn	0.0374	0.0707

\$/ton Ore

Vangorda O.P	6.48	6.98
Vangorda U/G	5.74	6.04
Swim Lakes U/G	5.90	5.70

TEST V-32

Pb Conc Grade: 54.1% Pb, 18.0oz. Ag  
Zn Conc Grade: 56.2% Zn

	<u>1970 Estimate</u>	<u>1973 Estimate</u>
NSR, \$/lb, Pb	0.081	0.0672
Zn	0.0487	0.0732

\$/ton Ore

Vangorda O.P	8.22	9.30
Vangorda U/G	7.28	8.15
Swim Lakes U/G	7.15	8.04

L.H.S.  
 P.M.K.  
 G.M.H.  
 B.D.S.  
 B.C.B.  
 E.C.B.  
 E.C.R.  
 E.H.F.  
 E.C.J.

The 1973 estimate does not indicate a sufficient NSR increase to justify further study.

J. K. Carrington  
*[Signature]*

Detailed Calculations

Test V-24

Payments:

Pb Conc:	Pb: 2000 x .80 x .376 x .16 =	\$ 96.25
	Ag: (14.6-1) x .95 x 2.00	25.85
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		\$122.10
Zn Conc:	Zn: 2000 x .85 x .481 x .205 =	\$167.60

Charges:

Transportation (to Japan) - 1970 est + 10%	\$ 30.50
Treatment Pb	67.50
Zn 0.42 x 0.205 x (2000 x .481 - 160)	69.05

Net Smelter Returns

<u>Pb Conc.</u>	122.10 - 30.50 - 67.50 =	24.10 SDT
	(752 lbs.)	\$ 0.0321/lb)
<u>Zn Conc.</u>	167.60 - 30.50 - 69.05	68.05 SDT
	(962 lbs.)	\$ 0.0707/lb)

Therefore:

	<u>\$/ton Ore</u>
Vangorda O.P. 61# Pb, 71# Zn/ton	6.98
Vangorda U/G 56# Pb, 60# Zn/ton	6.04
Swim Lake U/G 63# Pb, 52# Zn/ton	5.70

Test V-32

Payments:

Pb Conc:	Pb: 2000 x .80 x .541 x .16 =	\$138.50
	Ag: (18.0 - 1) x 0.95 x 2.00 =	32.30
		<hr/>
		\$170.80
Zn Conc:	Zn: 2000 x .85 x .562 x .205 =	\$195.85

Charges:

Transportation ( as per V-24)	\$ 30.50
Treatment - Pb ( as per V-24)	\$ 67.50
Zn 0.42 x 0.205 x (2000 x .562 - 160)	\$ 83.00

Net Smelter Returns

<u>Pb Conc</u>	170.80 - 30.50 - 67.50 =	\$ 72.80
	(1082 lbs.)	\$ 0.0672/lb)
<u>Zn Conc</u>	195.85 - 30.50 - 83.00 =	\$ 82.35
	(1124 lbs)	\$ 0.0732/lb)

Therefore:

	<u>\$/ton Ore</u>
Vangorda O. P. 61# Pb, 71# Zn/ton	\$ 9.30
Vangorda U/G 56# Pb, 60# Zn/ton	\$ 8.15
Swim Lake U/G 63# Pb, 52# Zn/ton	\$ 8.04