

ERRATA

We regret that due to printer's error the previous report you recently received was incorrect.

This is a corrected copy of the report.

PESO SILVER MINES LTD. (N.P.L.)

Administrative Offices,
420 - 475 HOWE STREET
VANCOUVER 1, B.C., CANADA
TELEPHONE Mutual 1-1385

Registered Office,
916 - 475 HOWE STREET
VANCOUVER 1, B.C., CANADA

August 12, 1965

To the Shareholders:

The attached report of our Consulting Geologist is forwarded as means of bringing you up to date information on the Company's progress.

Your attention is especially directed to the section of Dr. Campbell's report dealing with the Mount Nansen area where he reports that

- | | |
|---------------------------------|---|
| <i>We have now</i> | — 70,000 tons ore reasonably proven averaging \$44 per ton in Webber and Huestis development |
| | — 200,000 tons ore proven and indicated at average grade of \$30-\$35 per ton in Brown-McDade development |
| <i>We expect by end of 1965</i> | — 400,000-500,000 tons of ore proven and indicated on the Webber, Huestis and Brown-McDade |
| <i>The potential</i> | — millions of tons of ore from the Webber and Huestis as well as millions of tons from Brown-McDade |

An operating profit of \$2,700,000 per year for Mount Nansen is indicated based on the operation of a 500-ton-per-day mill and a \$15-per-ton net profit. Should the price of silver or the price of gold, or both, be increased, the full extent of such increase in price will become additional operating profit. It should be noted that the pressure for an upward revision in the prices of both these metals is increasing daily.

Very truly yours,

AVERY STONE,
Executive Vice-President.

Consulting Geologist's Report on Properties of Peso Silver Mines Limited

DOUGLAS D. CAMPBELL
CONSULTING GEOLOGIST
314 MARINE BUILDING
VANCOUVER 1, B.C.

Mr. Paul Berliz,
President,
PESO SILVER MINES LIMITED,
475 Howe Street,
Vancouver 1, B.C.

Dear Sir:

On assignment from your company the writer has for the past year acted as consulting geologist for the Peso operations in the Yukon Territory and during that time has examined all the Peso properties, either totally or wholly owned, in both the Mayo and Mt. Nansen districts of the Yukon.

The following is a summary report of the geology and potential of the Peso properties, together with recommendations for development.

DESCRIPTION OF PROPERTIES:

Peso Silver Mines Ltd. owns the Peso Rex Mine, the Rio Plata Mine and the Duncan Ladue Mine in the Mayo District, Y.T. The Rex mine has been developed on one level at two locations by several thousand feet of underground drifting, diamond drilling and by three raises. The Rio Plata mine has been developed on two levels by about one thousand feet of drifting as well as a few hundred feet of diamond drilling. The Duncan Ladue has been developed by surface stripping and limited underground work. The Rex is located 20 miles northwest of Mayo, Y.T., and Rio Plata and Duncan Ladue are located 30 miles northwest of Mayo, adjacent to United Keno Hill Mines Ltd. All are reached by all-weather roads. These three properties include a total of 147 mineral claims.

Peso Silver Mines Ltd. also has sixty per cent. interest in the Shanghai and the Mt. Haldane properties, located on all-weather roads between Rex and United Keno Hill, Y.T. The Shanghai has been explored by about 1,500 feet of drift and 2,000 feet of diamond drilling and includes 20 mineral claims. Mt. Haldane has been explored by about 700 feet of drifts on three levels and includes 30 mineral claims.

In addition, Peso Silver Mines Ltd. holds 625 other mineral claims in the Mayo district, most of which have good geological potential for exploration.

In the Mt. Nansen District, 30 miles west of Carmacks, Y.T., Peso Silver Mines Ltd. holds sixty per cent. interest in Mt. Nansen Mines Ltd. and fifty per cent. interest in Brown-McDade Mines Ltd. Mt. Nansen Mines Ltd. is presently being developed by two adit levels on two vein zones which have a total of about 2,000 feet of drifting to date. The Brown-McDade mine is developed by 1,200 feet of drift on one level. Surface stripping and drilling has been extensive on all properties. Mt. Nansen Mines includes 269 mineral claims and Brown-McDade 70. The properties are reached from the highway at Carmacks via 20 miles of all-weather road and 20 miles of winter tote road.

HISTORY:

Rio Plata, Duncan Ladue and Mt. Haldane are old properties whose underground work was begun prior to World War II and all of which was done by previous owners. All properties have been rehabilitated, re-mapped and drilled by Peso Silver Mines Ltd.

Surface stripping and drilling was begun on the Rex property in 1962 and on the Shanghai in 1963. The underground development was done in 1963-64 on both properties. All work has been done by Peso Silver Mines Ltd.

Surface cuts and prospecting by a number of earlier owners have exposed various vein systems at the Mt. Nansen property since World War I. In 1946-47 the underground work was done on the Brown-McDade. In 1962-63 a mining syndicate did comprehensive stripping and sampling of the Mt. Nansen veins. This programme was expanded by Peso Silver Mines in 1964 and that company, through Mount Nansen Mines Ltd., has done all the underground development in 1965.

GEOLOGY AND ORE RESERVES:

MAYO DISTRICT:

The Rex mine has a proven and indicated reserve of about 60,000 tons of silver-lead ore grading 20-35 oz. Ag and 5-7% Pb per ton. The potential of the deposit above the existing level appears to be about 200,000 tons while the potential below remains unexplored. The ore occurs as vein material in wide, complex shear zones. The ore minerals are galena, freibergite, sphalerite and jamesonite.

The Rio Plata mine has developed and indicated at least three ore shoots on two vein structures for a total proven and indicated reserve of about 50,000 tons grading about 30 oz. Ag/ton, plus appreciable percentages of lead and zinc. The veins are about three feet wide and are the United Keno Hill type, the principal ore minerals being galena, sphalerite and freibergite. The potential of the property could well be 100,000 tons, but this has not been explored.

The Duncan Ladue ore is identical to the United Keno Hill in type and occurrence. Analysis of the property is not yet complete, therefore the ore reserves are not yet known, but at least 10,000 tons of high grade silver ore seem assured.

Both the Shanghai and the Mt. Haldane ore is of the United Keno Hill type, i.e., high silver values in galena and freibergite in mineralized vein and shear zones. Development is still at a very early stage in both mines, but indications to date are that both show excellent potential to become good producers.

MT. NANSEN DISTRICT:

The ore in all the deposits in the Mt. Nansen area is comprised of high gold and silver values associated with arsenopyrite disseminated in cherty quartz replacement veins along complex, but persistent, fracture and/or shear zones. Three major vein systems are being developed, the Webber, the Huestis and the Brown-McDade. To date, development has reasonably proven 70,000 tons of ore on the Webber and Huestis grading about \$44/ton gross in silver and gold. The potential of these two deposits, at depth and on extensions, would appear to be in the millions of tons. At the Brown-McDade about 200,000 tons of ore are proven and indicated at an average grade of about \$30-35 per ton. The potential appears to be comparable to the Webber and Huestis.

In addition, at least three other known veins with ore values on them occur on the property, but have not been explored.

ECONOMIC AND TECHNICAL FEASIBILITY FOR DEVELOPMENT:

MAYO DISTRICT:

There is enough ore proven and indicated on the Peso properties in the Mayo area, together with encouraging geological indications on all properties, to warrant the continued exploration and development of the properties with the objective of building up sufficient reserves to justify a common custom mill in the area. The average net profit from the grades of ores from all properties would be approximately \$20-25 per ton. At 250 tons per day, the operating profit would be about \$2 million per year.

MT. NANSEN DISTRICT:

The Mt. Nansen properties are more extensively developed than those in the Mayo district. It is evident that if development continues to prove ore at the present rate, and there is no geological reason to believe it won't, then by the end of 1965 about 400,000-500,000 tons of ore grading about \$35-40 per ton (gross) will be proven and indicated on the Webber, the Huestis and the Brown-McDade. Such a reserve,

together with the undeveloped good potential of the known ore structures along strike and at depth, would justify the installation of a 250-500-ton-per-day mill.

At 500 t/day at \$15 net per ton the operating profit for such an operation at Mt. Nansen would be \$2.7 million per year.

RECOMMENDATIONS AND COST ESTIMATE:

The writer recommends the following to Peso Silver Mines Ltd. as development warranted by existing geological results and economic conditions:

MAYO:

1. Further exploration and development of all properties for a one-year period	\$2,000,000
2. Production preparation and mill construction based on the results of #1 (250 T/d mill)	2,000,000
Total	<u>\$4,000,000</u>

MT. NANSEN:

1. Continued underground development at Huestis, Webber and Brown-McDade to December, 1965	\$ 600,000
2. Feasibility studies, mill estimates and production preparation	600,000
3. Mill construction and pre-production expenses (500 T/d)	2,000,000
4. Stope preparation and continued development	1,000,000
Total	<u>\$4,200,000</u>

AFFIDAVIT:

I, DOUGLAS D. CAMPBELL, with business and residential addresses in Vancouver, British Columbia, do hereby certify that:

1. I am a Consulting Geological Engineer.
2. I am a Graduate of the University of British Columbia (B.A. Sc., Geological Engineering, 1946), and of the California Institute of Technology, (Ph.D. Economic Geology and Geophysics, 1955).
3. I am a registered Professional Engineer of the Province of British Columbia.
4. From 1946 until 1957 I was engaged in mining and mining exploration in Canada and the U.S.A. as geologist for a number of companies. I was Chief Geologist for Eldorado Mining & Refining Co. Ltd., when I retired in 1957 to begin private practice as a Consulting Geologist.
5. I personally have examined on numerous occasions all the properties held, wholly or in part, by Peso Silver Mines Ltd. and have assessed during the past year all reports, plans and other data concerning the development of these properties.
6. I have not received, nor do I expect to receive, any interest directly or indirectly in the properties or securities of Peso Silver Mines Ltd., or any associated companies.

Respectfully submitted,

DOUGLAS D. CAMPBELL, B.A. Sc., Ph.D., P.Eng.

Vancouver, B.C.,
August 5, 1965.

Rio Plata

SILVER MINES LTD. (NPL)



SUITE 420
475 Howe Street
VANCOUVER B.C.
TELEPHONE 688-4919

May 31, 1965

To The Shareholders:

Following a programme of diamond drilling the company's properties were inspected this month by Dr. Douglas D. Campbell, Consulting Geologist. His report dated May 18, 1965 is reprinted below for your information:

Re: RIO PLATA MINE, Mayo

"Recently I reviewed the underground development of the above mine with Mr. Ross Dion who has studied the geology of the deposit with some care. This letter presents a brief resume of my conclusions concerning this mine. It will serve to provide part of the data necessary in the ultimate consideration of the company's mill reserves in the Mayo District.

GEOLOGY: It is evident from underground work that at least three oreshoots are localized on two vein zones within two bands of greenstone. Ore does not appear to extend into the adjacent schists.

RESERVE: Reasonable values, (about 30 oz Ag/ton + Pb and Zn, across 3 ft.), exist in ore shoots exceeding 100 feet in length. Dip of the zones is about 40° but the rake of the ore shoots within the greenstones is about 45°, therefore the length of ore, from 100 feet below the bottom level up the plunge to the surface, is about 500 feet.

The tonnage per zone is thus $100 (3) 500 \div 12 = 12,500$ tons

Say 3 - 4 shoots = 50,000 tons

or 1,500,000 oz Ag.

The above tonnage can be more or less confirmed by short drill holes from both levels but such a programme must be preceded by mapping of the two levels and establishment of targets.

POTENTIAL: The potential to depth of this deposit appears reasonable for a minimum of 100,000 tons, or two years ore for 200/t/day mill.

Respectfully submitted,

"DOUGLAS D. CAMPBELL"

Douglas D. Campbell,
Ph.d., P.Eng. "

DOUGLAS D. CAMPBELL
CONSULTING GEOLOGIST
314 MARINE BUILDING
VANCOUVER I. B. C.

Mr. Paul Berliz, President,
Mt. Nansen Mines Ltd.,
#420-475 Howe Street,
VANCOUVER, 1, B.C.

May 17, 1965.

Dear Sir:

Re: TARGET FOR MINE DEVELOPMENT, 1965

After spending ten days recently at the Mt. Nansen properties, presently being explored underground by your company, I have been able to make an assessment of the results and implications of the development to date. Prior to the present time exposures have not been sufficient to properly correlate the surface and the underground data, nor was the Brown-McDade geology entirely understood. Now, all these features can be sensibly integrated and they are presenting a most encouraging target for development in 1965. To facilitate your appreciation of the results to date and the implications for the future I have outlined below a target for the present development at Mt. Nansen which I consider to be reasonable and well supported by existing data.

WEBBER ZONE: Surface stripping and drilling in 1964 exposed 2200 feet of vein zone length of which 900 feet contained ore values in gold and silver. Underground development, 200 feet below surface has exposed 430 feet of vein zone length to date and has revealed 165 feet of ore length, where 100 feet was expected, and an average mining width of about 5 feet, where 3-4 feet was expected. Several diamond drill intersections underground indicate that vein zones yet to be drifted will maintain the favourable grades and widths so far encountered. The underground exposure of that portion of the Webber vein system stripped on the surface will require 1800 feet of additional drifting, this will be accomplished by Autumn, 1965.

HUESTIS ZONE: Surface trenching and sampling up to 1964 indicated the existence of two major vein zones extending for a minimum length of 1500 feet. In addition, several minor vein zones were indicated west of the main zones. Gold-silver ore values across mining widths were obtained in practically every trench, the trenches

Mr. Paul Berliz, President (Cont'd) - 2 -

being 50-100 feet apart. The present adit encountered the two main vein zones as strong, well mineralized structures and exposed good grade ore across five feet widths on both. To date only one vein zone has been drifted but already has indicated over 100 feet length of ore of 200 feet exposed. It is anticipated that the 1965 program will accomplish at least 2000 feet of drifting at the Huestis.

BROWN-McDADE: Surface trenches of the Brown-McDade zone indicated high grade gold ore in the zone for a length of 1500 feet, the total length exposed in trenches. Recent remapping and resampling of the underground workings reveals a series of en-echelon sheet-like replacement orebodies averaging 6 feet in mining width and aggregating an exposed length of at least 1500 feet. Drilling below the level has established continuity of ore structure and values to a depth of 200 feet below the outcrop. A number of short underground diamond drill holes are all that is needed at the Brown-McDade to confirm the proposed reserves.

POSSIBLE RESERVES:

As briefly outlined below, it is entirely reasonable now to expect that completion of the 1965 underground development of the three Mt. Nansen properties has an excellent chance of indicating the following tonnages:

WEBBER - Probable lengths of ore, from that already exposed plus the surface stripping, is 1100 feet, with an average width of 4 feet. The present level gives a depth of 200 feet, a further projection of 100 feet is reasonable.

$$1100 (4) 300 \div 12 = \underline{110,000 \text{ tons}}$$

HUESTIS - Of the 3000 feet of two vein zone lengths indicated on the surface it is reasonable now to assume at least 800 feet will be ore-bearing, of which 100 feet is already exposed. The average width appears to be 5 feet. As with the Webber, a 300 feet depth is reasonable.

$$800 (5) 300 \div 12 = \underline{110,000 \text{ tons}}$$

BROWN-McDADE- This ore zone is well exposed and verified.

$$1500 (6) 300 \div 12 = \underline{225,000 \text{ tons}}$$

TOTAL TONNAGE - Approximately 445,000 tons

Mr. Paul Berliz, President (Cont'd) - 3 -

GRADE - It is early yet to predict a precise grade for the above tonnages but results so far indicate that the Webber zone will return at least 0.40 oz Au per ton with an average of about 20 oz Ag per ton. The Huestis appears to grade higher in gold but lower in silver. The Brown-McDade has been well and thoroughly sampled but as yet the writer has not calculated the grade, nonetheless, it appears that it will average around 0.50 oz Au and about 6-10 oz Ag per ton.

It is reasonable from results to date to predict that a total gross grade will average around 0.45 oz Au and 15 oz Ag for the proposed tonnage and could well exceed this figure.

CONCLUSIONS

It is reasonable to predict from results to date, that the present underground development program at Mt. Nansen Mines has an excellent chance of proving and indicating by autumn a reserve tonnage of about 500,000 tons grading 0.45 oz Au and 15 oz Ag per ton.

This figure does not take into consideration the many thousands of feet of strike length of each vein zone not yet exposed or explored in any way. Nor does it take into account the other known vein zones in the area, i.e. Cabin Vein etc., that have not yet received more than perfunctory surface attention. Finally, it does not embrace the obvious depth extensions of any of the vein zones. Thus the ultimate potential of the property has only been slightly considered.

The implication of the 1965 target of 500,000 tons is that this tonnage is sufficient reserve to sustain a 500 t/day mill for about 3 years or a 250 ton mill for 6 years. Considering the excellent unexplored potential of the property, particularly if the 1965 target figure is attained, then the 500 ton mill would definitely be warranted. Construction of the mill could start at the site in the late summer of 1965, as results confirm the above target, and the mill may possibly be completed by late 1966 or early 1967. One consideration as to the location of the mill is the shortage of water in the area. The best site would be on the Brown-McDade side, near Victoria Creek and the airstrip, in this case perhaps a main underground haulage from Brown-McDade to Webber should be carefully considered. Such a haulage would give at least two levels below all the deposits and all head frames and ore haulages would be underground, an important feature in the Yukon climate. Such a main haulage would be somewhat over one mile in length.

At 500 tons per day for the anticipated grade of a gross value of about \$38 per ton at present metal prices, and with an estimated mining and milling cost of about \$20, the operation should net at least \$3 million per annum. The expected increase in silver price would increase this net by \$1-2 million.

Mr. Paul Berliz, President (Cont'd)

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The foregoing estimates etc. are, of course, far from confirmed but they are intended to provide your company with some idea of the target and results to be expected from the present development so that future preparations and adjustments can be made within a reasonable framework. In the writer's opinion the estimates have been conservative, there is no doubt that a profitable mine exists at Mt. Nansen, it now remains to determine how large a mine it will be.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Douglas D. Campbell", written over a horizontal line.

Douglas D. Campbell, Ph.D. P.Eng.,

DDC:vsm

PESO SILVER MINES LTD. (N.P.L.)

475 Howe Street
Vancouver 1, B.C.

TELEPHONE: MUTUAL 1-1385

July 6, 1965

TO THE SHAREHOLDERS:

In December of last year, in our Annual Report to Shareholders, we stated that our main target during the year 1965 would be the development of the Webber and Huestis Veins on the Mount Nansen property and a re-examination of the nearby Brown-McDade Mine.

This report stated (in part) with reference to surface and overburden drilling:

"that about 30% of the vein length can be expected to make profitable ore. Other exploratory work indicated that these veins may possibly extend to over 20,000 feet in total length. On the basis of consultants' recommendations, your management determined to go underground immediately. Two portal sites for full exploration of the Webber and Huestis veins have been selected, cleared and tunnelling has commenced."

Over \$900,000.00 has been expended on the Mount Nansen property during the past year. Peso's interest in Mount Nansen has increased to approximately 60% and all Mount Nansen share options to Peso Silver Mines have been exercised. No shares of Mount Nansen have been issued to the public. Underground work has steadily progressed by drifting, raising and crosscutting and results are as follows:

Webber Vein (Mount Nansen)

Total 1500 feet of drifting and crosscutting averaging approximately 200 feet below surface has exposed 820 feet of vein zone length to date and has revealed 345 feet of gold-silver ore length over an average mining width of about 3 to 4 feet of \$56.00 per ton average grade.

Huestis Vein (Mount Nansen)

The present adit encountered two main vein zones as strong, well mineralized structures and exposed good grade gold-silver ore across 3 to 4 foot mining widths. To date, only one vein zone has been drifted but already has indicated over 285 foot length of gold-silver ore out of 475 feet exposed.

Peso's Consulting Geologist, Dr. Douglas D. Campbell of Vancouver, has given us on May 17, 1965, the following as possible reserves:

"POSSIBLE RESERVES:

As briefly outlined below, it is entirely reasonable now to expect that completion of the 1965 underground development of the three Mt. Nansen properties has an excellent chance of indicating the following tonnages:

Webber - Probable lengths of ore, from that already exposed plus the surface stripping, is 1100 feet, with an average width of 4 feet. The present level gives a depth of 200 feet, a further projection of 100 feet is reasonable.

$$1100 (4) 300 \div 12 = \underline{110,000 \text{ tons}}$$

Huestis - Of the 3000 feet of two vein zone lengths indicated on the surface it is reasonable now to assume at least 800 feet will be ore-bearing, of which 100 feet is already exposed. The average width appears to be 5 feet. As with the Webber, a 300 foot depth is reasonable.

$$800 (5) 300 \div 12 = \underline{100,000 \text{ tons}}$$

Brown-McDade - This ore zone is well exposed and verified.

$$1500 (6) 300 \div 12 = \underline{225,000 \text{ tons}}$$

TOTAL TONNAGE - Approximately - 435,000 tons"

He also concludes, we quote:

"This figure does not take into consideration the many thousands of feet of strike length of each vein zone not yet exposed or explored in any way. Nor does it take into account the other known vein zones in the area, i.e., Cabin Vein etc., that have not yet received more than perfunctory surface attention. Finally, it does not embrace the obvious depth extensions of any of the vein zones. Thus the ultimate potential of the property has only been slightly considered."

Since that date (May 17th, 1965) high grade assays averaging approximately \$70.00 over a three foot mining width of gold and silver have been encountered over 285 feet of length on the Huestis vein at the adit level. Enclosed herewith is a copy of the assay plan of this ore shoot on the Huestis vein prepared June 1965. Also enclosed is a list of assays extracted from the assay plan for better reading and showing some of the better values.

Very truly yours,

AVERY STONE,
Executive Vice President

Encl.

PESO SILVER MINES LTD. (N.P.L.)

Assay results of an ore shoot in the Huestis vein (Mount Nansen) showing some of the better gold and silver values. Also shown is the aggregate value of the ore per ton calculated at \$37.50 per oz. for gold and \$1.40 per oz. for silver.

Width Assayed (feet)	Gold per Ton (ounces)	Silver per Ton (ounces)	Value per Ton (dollars)
2.2	1.38	33.14	98.15
2.2	0.52	27.06	57.38
3.4	1.81	72.65	169.59
1.3	2.90	23.30	141.37
1.1	2.18	57.18	161.80
2.1	1.02	62.14	125.25
2.5	0.48	64.82	108.75
1.9	3.20	103.74	265.24
2.6	2.72	33.18	148.45
0.8	2.12	57.20	159.58
1.9	1.91	30.69	114.60
0.7	1.52	2.68	60.75
0.7	1.38	2.60	55.39
1.5	1.85	4.09	75.11
1.9	2.88	24.62	142.47
1.5	3.26	155.30	339.67
1.0	2.38	138.08	282.56
1.4	3.61	78.79	245.69
1.0	2.57	77.23	204.50
1.6	2.05	21.11	106.42
2.0	1.73	48.48	132.75
2.0	5.51	81.39	320.58
2.0	3.37	125.47	302.04
2.2	2.86	78.66	217.37
2.5	3.42	413.52	707.18
1.5	1.37	244.17	393.22
3.0	0.72	21.64	57.30
3.0	1.24	62.34	133.78
2.2	1.31	175.31	294.56
2.8	1.52	111.56	213.18
0.7	0.43	23.25	48.68
3.0	0.58	26.22	58.46
2.6	0.96	81.18	149.65
2.4	0.41	32.67	61.12
1.4	1.96	76.38	180.43
2.2	0.49	22.19	49.45
2.4	0.51	72.73	120.95
1.4	0.43	23.63	49.21
1.3	2.23	94.91	216.50
0.5	3.40	85.02	246.53
0.8	2.69	78.91	211.35
2.8	1.35	43.55	111.60
1.0	2.01	22.51	106.89
1.6	1.17	23.11	76.23
4.2	0.88	17.36	57.30
1.6	1.51	28.97	97.19
3.0	0.82	11.34	46.63
1.4	1.35	25.59	86.46
1.3	0.68	24.64	60.00
1.2	2.18	46.52	146.88
1.4	1.06	25.08	74.86
1.1	2.58	42.76	156.61
0.7	1.75	20.19	93.90
0.8	1.56	14.64	79.00
1.4	1.86	16.56	92.93
1.7	1.91	28.59	111.66
1.8	2.24	25.00	119.00
1.7	1.90	50.44	141.87
1.5	1.42	53.20	127.73
1.5	1.92	53.68	147.15
3.0	0.70	23.12	58.62

DOUGLAS D. CAMPBELL

CONSULTING GEOLOGIST

1119 MARINE BUILDING

VANCOUVER I. B. C.

SUMMARY
OF PESO SILVER MINES LIMITED INTERESTS
IN THE YUKON

Peso Silver Mines Limited owns or controls about 2000 claims or approximately 150 square miles in two entirely different areas of the Yukon, the Mount Nansen district and the Mayo district. The program of exploration and development which was undertaken after Charter Oil Company Limited acquired control of Peso in December, 1963, had a two-fold purpose: (1) to acquire and develop properties that will be profitable to mine under existing economic conditions and metal prices, and (2) to acquire and explore silver bearing properties which may not be presently economic but which will appreciate in value with an increase in the price of silver and thus become economic.

Work to date on various properties in the Yukon has resulted in fulfillment of both of these purposes. Ore marketable under existing conditions is presently being developed on the Webber Zone at Mount Nansen. Current underground developments on the Webber Zone have been most encouraging. Marginal ore, which will be profitable on a modest rise in the price of silver, has been developed on the Rex and No. 1 zones on the Peso property in the Mayo area. Present development on the Shanghai property in the Mayo district indicates the likely existence of high grade silver ore of the Keno Hill type in very appreciable amounts. The objective of development by Peso in the Mayo district and in the Mount Nansen area is now to continue proving ore on enough properties to warrant the construction of one mill in each district.

Mount Nansen Area

The properties in this area encompass two major known parallel vein zones, the Webber and the Brown-McDade Zones, which trend northward about 4000 feet apart. Cross veins and faults have been exposed between these two structures and some appear to be economic gold-silver lodes of which the Huestis Vein is the principal. The major structures have lengths of 4-5000 feet on the properties and all of these lengths warrant exploration since they comprise potential ore zones.

The Webber Zone has been stripped and sampled on the surface for a vein length, with branches, of 2200 feet. Of this length 750 feet, in five sections, has proven to be of ore grade across average widths of 3-6 feet. The probable tonnage in these shoots to a depth of 200 feet is about 75,000 tons at an average gross grade of approximately \$30-\$50 per ton in gold and silver.

The drift on the Webber Zone has proceeded 780 feet and, with surface work, and a raise through the ore, has essentially proven the first high grade surface ore shoot to a depth of at least 200 feet. Surface exposures indicate that approximately 2000 feet of additional drifting could prove up between the surface and the level about 75,000 tons at 0.30-0.50 oz. Au and 20-30 Oz. Ag. Depth exploration will need to be done by drilling but it is reasonable to project the ore structure to 1000 feet depth, in which case the tonnage potential would be 700,000 tons containing approximately 14-20 million ounces of silver in the Webber Zone alone. Recent underground development at the Discovery Mines property on similar structures 5 miles north of the Webber has proven ore to a depth of 1000 feet. Extrapolation of the Webber ore to 1000 feet indicates a potential of 14-20 million ounces of silver and over 100,000 ounces of gold.

The cost of the Webber development to March 31, 1965 has been \$268,000. The cost of the completion of the present development will be approximately \$200,000.

The Huestis Zone has not been extensively explored but the present development is expected to prove up a minimum of 30,000 tons between the drift and the surface grading 0.5-0.7 oz. Au and 20-30 oz. Ag for about 1500 feet of underground work. The overall potential of this vein system is not established but it would appear that at least 60,000 tons is likely to a depth of 500 feet. The vein is narrower than the Webber but appears to be higher in grade. For an average mining width of 3 feet it will return a gross dollar value of about \$60 per ton, judging from surface samples. Underground development has just intersected a 15 foot vein zone 169 feet from the collar. To 1000 ft. depth it would add a potential of 3-4 million ounces of silver to the Webber.

The cost of the Huestis development to March 31, 1965 has been \$20,000. The cost to complete the present program will be approximately \$100,000.

The Brown-McDade Zone is the easternmost zone on the properties in the Mt. Nansen area. Previous owners have exposed a length of 1300 feet of vein zone at the Brown-McDade property underground at a depth of approximately

150 feet. At least 30,000 tons grading about 0.5 oz. Au and 4 oz. Ag has been proven by this work. Recent investigation has suggested that the grade and tonnage could be as high as 200,000 tons between the level and the surface at 0.6 oz. Au and 10 oz. Ag. Further investigation, sampling and drilling to prove this figure will be done this summer and will cost about \$20,000. The possible potential of this one orebody on the Brown-McDade zone to 1000 feet would be about 1,000,000 tons. A length of over 3000 ft. of the Brown-McDade zone remains to be explored, thus the ultimate potential of the zone could be over twice as great as the above figures.

Preliminary estimates suggest a potential of the Webber, Huestis and Brown-McDade zones of approximately 30 million ounces of silver to a depth of 1000 feet. There is no reason at this time to expect the ore not to extend below this depth.

It is expected that before the end of the current year (1965) the development program in the Mount Nansen area will have proven or indicated at least 200,000 tons of gold-silver ore. Such a figure would justify immediately the construction of a 200-500 ton per day mill to serve all Mount Nansen area properties. If as expected the reserve tonnage indicated is much in excess of 200,000 tons a larger mill would be warranted.

The above discussion on the Mount Nansen properties has been confined to those vein zones on which ore has been proven. Considering that outside of these explored portions of the zones there remains over 20,000 feet of length of vein zones yet to be explored, the possible ore potential of the Mount Nansen properties is excellent. With such scope for exploration on structures of known favourability, plus the fact that to date over 30 percent of the zone lengths exposed have produced ore, the potential of the Mount Nansen area can be considered as major.

Mayo Area

In the Mayo area of the Yukon, Peso Silver Mines Ltd. holds 100% interest in the Peso-Rex property and 60% in the Silver Titan holdings.

On the Peso-Rex property underground development has proven and indicated approximately 60,000 tons of silver-lead ore grading 20-35 oz. Ag and 5-7% Pb. Continued underground and surface exploration of the Rex and the No. 1 veins could reasonably double this figure without exploring deeper than the present level. The cost of such work would

be about \$200,000. The cost of the Peso work to date has been \$1,137,000. (See breakdown sheet attached.)

The Duncan Ladue and the Rio Plata properties have underground workings which prove up some tens of thousands of tons of silver-lead ore of the United Keno Hill type, ranging in grade from 20 to 100 oz. Ag per ton. Further drilling and underground work would properly assess the reserves of these properties at a cost of \$50,000.

The Shanghai property of Silver Titan is presently being explored underground. Approximately \$430,000 have been expended on this program and recent drill results have indicated the possible existence of a major silver-lead orebody of the Keno Hill type. Mining widths appear to be 5-10 feet and the grade to be 40-100 oz. Ag per ton, plus appreciable lead and zinc. The potential of this property is being enhanced with each drill intersection and expansion of the program is envisaged. Such underground expansion would consist of further drifting and raising at a cost of \$200,000.

It should be pointed out that United Keno Hill Mines Ltd., the largest silver producer in Canada, never had more than a year's reserves in sight yet they have continued to operate on a highly profitable basis for the past 20 years.

Generally, exploration in the Mayo area of the Yukon has been undertaken on the theory that this vast unexplored area surrounding the richest silver deposit in Canada is potentially excellent hunting ground if the geological factors are otherwise equal. Thus the concentration of exploration on vein and fault structures within the Keno Hill-type quartzites is calculated to shoot for the most favourable targets. Exploration is slow and costly because of the extensive and deep overburden, the existence of permafrost and the short working season, nonetheless, the value of another Keno Hill-type deposit is such that the payoff can be 100-fold. Thus far this program has found marginal silver deposits at Rex and Mt. Haldane. The potential of these properties has not yet been determined, but further exploration work would be expected to increase the ore reserves considerably.

It is evident that the Peso holdings and interests in the Mayo area will be able to support a common mill of at least 200 tons per day, and possibly 500 tons. The mill feed will be relatively high grade silver ore ranging from 20 to 100 oz. per ton. Approximate cost of such a mill would be \$400,000.

Silver Production

If the development in the Mount Nansen and Mayo districts is pursued by Peso Silver Mines as described above, and if the results are as expected, then the two mills would produce in the neighborhood of 7-10 million ounces of silver per year. This figure could greatly be increased by increased development in 1965 of course. A potential of 15 million ounces per year may be realized depending on results of development of all the properties. The ultimate potential of the districts, and thus the life of the mills, cannot yet be estimated but several years operation appear to be assured at least, on the basis of the very limited development to date.

The potential of the other holdings of Peso in the Mayo and Mount Nansen districts has not been discussed because exploration on them has been very preliminary, but certainly many deserve further work and the possibilities of developing ore on them can be considered as being good.



Douglas D. Campbell,
Ph.D., P. Eng.
Consultant

April 7, 1965

CUMULATIVE EXPLORATION AND DEVELOPMENT
EXPENDITURES TO MARCH 31, 1965 ON PESO PROPERTIES

Peso No. 1, No. 2, and Rex	\$ 1,137,000
Shanghai	430,000
Mount Nansen	448,000
Brown-McDade	450,000
Rio Plata	500,000
Duncan Ladue and various other properties	625,000
Total	<u>\$ 3,590,000</u>

Peso carves up Yukon bushland

Huge northern holdings pressed toward production

FR report by R. C. Jones

The rapidly accelerating global clamor for silver, now reaching critical proportions, has within recent months swung the twin-beamed searchlight of international industry and finance full-glare on the Yukon Territory, where a remarkable mineralogical project seems destined to become one of the world's major silver sources.

Specific point of focus of this interest is the central sector of the Yukon, where Peso Silver Mines Ltd. is proceeding to carve a new mining empire out of the wilderness.

Largest exploration group ever to move into the Yukon, Peso Silver Mines is an unusually aggressive enterprise backed by substantial Canadian and international resources, whose overall corporate structure embraces 11 companies linked by a common determination to bring into production a mining complex whose properties stretch over 150 miles of the Mayo and Carmacks areas.

Rich area

The Mayo district, of course, already is established as a rich mining area, having yielded placer gold and silver, lead, zinc, cadmium and antimony valued at \$275 million at today's prices.

Ultimate potential of its lode deposits is conservatively estimated at more than a billion dollars.

United Keno Hill Mines, Canada's foremost silver producer, is centred in the Mayo district. Other companies also are exploring several sections of new potential there. Discovery and development of new mines is a certainty, for the area now appears to be one of the largest silver bearing zones of the world.

However, it is Peso's burgeoning program of exploration and development on its wide-spread properties in the Mayo district, and particularly in the Carmacks district some 80 miles to the south, that is attracting most of the new international interest.

Peso's properties in the Carmacks area are more extensively developed than those in the Mayo district and Mt. Nansen Mines, of which Peso holds a 60 percent interest, is the No. 1 target for production. It is located 30 miles west of Carmacks and the silver and gold reserves on its 269 mineral claims, together with undeveloped potential of the known ore structures, have warranted installation of a 250-500-ton-per-day mill.

\$44 grade

Three major vein systems are being developed in the Mt. Nansen area, the Webber, Huestis and the Brown-McDade. To date, development has reasonably proven 70,000 tons of ore in the Webber and Huestis, grading about \$44 a ton gross in silver and gold.

Potential of these two deposits appears to be in the millions of tons.

At the Brown-McDade Mine, of which Peso owns 50 percent, about 200,000 tons of ore are proven and indicated, at an average grade of \$30-\$35 per ton, with a potential that appears comparable to the Webber and Huestis.

In a report this month to the company, consulting geological engineer Douglas D. Campbell summarized development to date in the Mt. Nansen district.

"Mt. Nansen Mines Ltd. is presently being developed by two adit levels on two vein zones which have a total of about 2,000 feet of drifting to date. The Brown-McDade mine is developed by 1,200 feet of drift on one level. Surface stripping and drilling have been extensive on all properties.

Proving up ore

"It is evident that if development in the Mt. Nansen district continues to prove ore at the present rate, and there is no geological reason to believe it won't, then by the end of 1965 about 400,000 to 500,000 tons of ore grading about \$35-\$40 per ton (gross) will be proven on the Webber, the Huestis and the Brown-McDade.

"Such a reserve, together with the undeveloped good potential of the known ore structures along strike and at depth, would justify installation of a 250-500-ton-per-day mill.

"At 500 tons per day, at \$15 net per ton, the operating profit for such an operation at Mt. Nansen would be \$2.7 million per year," he stated.

During the past year in his capacity as consulting geologist for the Peso operations in the Yukon, Campbell examined all the properties in both Mt. Nansen and Mayo districts.

More holdings

In the latter district, Peso Silver Mines owns the Peso Rex Mine, Rio Plata Mine and the Duncan Ladue Mine. It also owns 60 percent of the Shanghai and Mt. Haldane properties, situated between Rex and United Keno Hill, and has the right to earn a 60 percent interest in Silver Titan Mines Ltd. properties, consisting of 243 claims.

Peso also holds 625 other mineral claims in the Mayo district, most of which have good geological potential for exploration, according to Campbell.

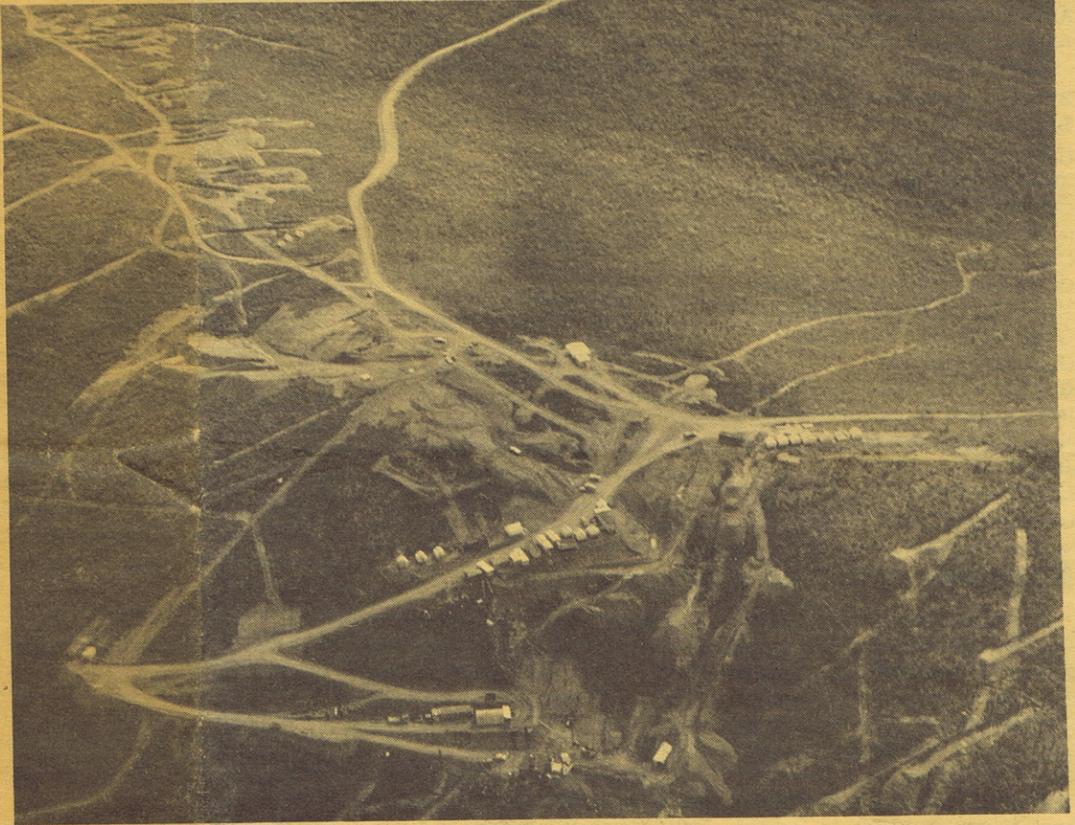
The Rex Mine, 20 miles northwest of Mayo, has been developed on one level at two locations by several thousand feet of underground drifting, diamond drilling and three raises.

It has a proven and indicated reserve of about 60,000 tons of silver-lead ore grading 20-35 oz. silver and 5-7 percent lead per ton, according to Campbell's report. The potential of the deposit above the existing level appears to be about 200,000 tons while the potential below remains unexplored. The ore occurs as vein material in wide, complex shear zones. The ore minerals are galena, freibergite, sphalerite and jamesonite.

Rio Plata

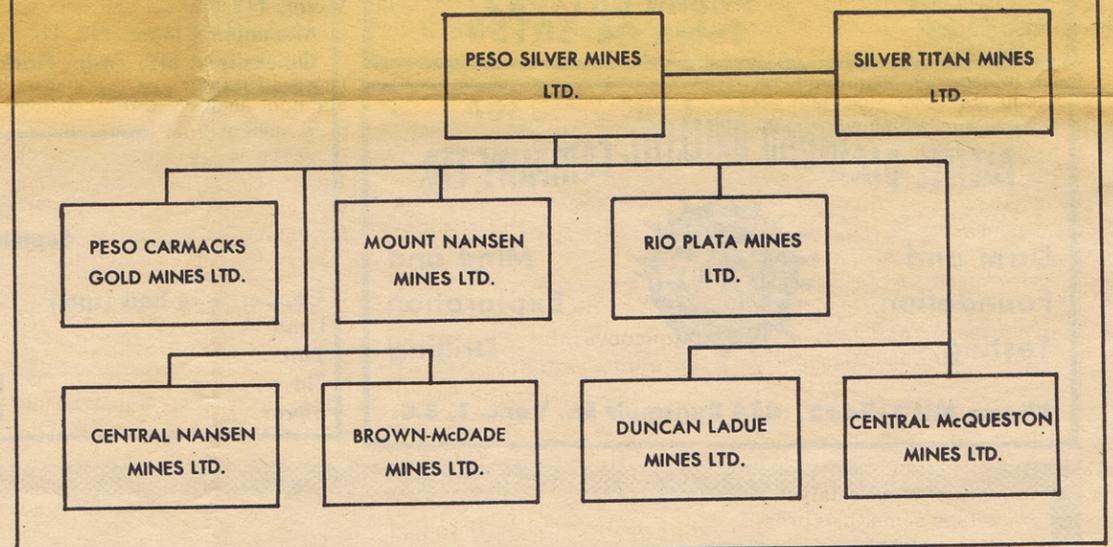
The Rio Plata, 10 miles further northwest, has been developed on two levels by about 1,000 feet of drifting as well as a few hundred feet of diamond drilling.

It has developed and indicated at least three ore shoots on two vein structures for a total proven and indicated reserve of about



A huge swath in the Yukon wilderness is being cut by Peso Silver Mines Ltd. as they develop the largest area ever attempted in the Territory. Peso's various properties stretch over 150 miles of the Mayo and Carmacks areas. Shown above is the large camp set-up and some of the extensive stripping which has been done by the company. A large corporate structure totalling 11 companies is carving a new mining empire out of virgin wilderness.

Peso Silver Mines corporate structure



50,000 tons grading about 30 oz. silver per ton, plus appreciable percentages of lead and zinc. The veins are about three feet wide and are of the United Keno Hill type, the principal ore minerals being galena, sphalerite and freibergite. The potential of the property could well be 100,000 tons, but this has not been explored.

Duncan Ladue

Duncan Ladue has had surface stripping and underground work. The ore is identical to United Keno Hill in type and occurrence. Analysis of the property is not yet complete, therefore the ore reserves are not known, but at least 10,000 tons of high-grade silver ore seems assured.

Both Rio Plata and Duncan Ladue are adjacent to United Keno, and are reached by all-weather roads.

Shanghai property

The 20-claim Shanghai property has been explored by about 1,500 feet of drift and 2,000 feet of diamond drilling.

Mt. Haldane 30-claims have 700 feet of drifts on three levels. Both the Shanghai and the Mt. Haldane ore is of the United Keno

Hill type, high silver values in galena and freibergite in mineralized vein and shear zones. Development is still at a very early stage in both mines, but indications to date are that both show excellent potential to become good producers, states Campbell.

Continued exploration

There is enough ore proven and indicated on the Peso properties in the Mayo area, together with encouraging geological indications on all properties, to warrant the continued exploration and development of the properties with the objective of building up sufficient reserves to justify a common custom mill in the area," Campbell concluded in his report.

"The average net profit from the grades of ores from all properties would be approximately \$20-\$25 per ton. At 250 tons per day, the operating profit would be about \$2 million per year."

Dynamic president

Fountain-head for all Peso operations is Charter Oil, whose president, Paul O. Berliz of Calgary, moved his company into control in 1963, after Food

Machinery and Chemical discontinued its exploration of the Peso properties because of large financial commitments in other divisions of its business.

With the dynamic Berliz as chairman of the Peso board, the present over-all Yukon complex took shape and moved rapidly toward fulfillment of its objective. Within the two years since then, Peso expanded its claims in the area from 230 to 2,000 and spent nearly four million dollars on exploration and development above and below ground.

Short silver supply

Then, the one thing that all mine developers hope for happened. Silver started to move noticeably into short world supply. The price began climbing on the world market, placing Peso in an enviable investment position.

"We were aware of the impending crisis in the silver market," says Berliz, "and we anticipated a major price breakthrough this year."

As a consequence, Peso's astute executive team, which includes president C. S. Walker,

(Cont'd. on page 16)

Mining firms mentioned in this week's issue

- | | |
|---|--------------------------------|
| Amalgamated Resources Ltd. | McIntyre Porcupine Mines |
| Anglo American Molybdenite Mining Corp. | Magnum Consolidated Mining Co. |
| Bewco Explorations Ltd. | Marshall Creek Copper Co. Ltd. |
| Buchanan Mines Ltd. | Midrim Mining Co. |
| Cariboo Hudson Gold Mines Ltd. | National Exploration Ltd. |
| Cassiar Asbestos Corp. Ltd. | New Far North Exploration Ltd. |
| Chataway Exploration Co. Ltd. | New Hoscoe Mines Ltd. |
| Cheskirk Mines Ltd. | Northern Coal Mines Ltd. |
| Chimo Gold Mines Ltd. | Northwest Ventures Ltd. |
| Continental Consolidated Mines | San Doh Mines Ltd. |
| Crown Silver Development Ltd. | Sileurian Chieftain Mining Co. |
| Giant Metallics Mines Ltd. | Stump Mines Ltd. |
| Granduc Mines Ltd. | Tache Lake Mines |
| Gunnar Mining Ltd. | Texmont Mines Ltd. |
| International Mine Services Ltd. | Torwest Resources (1962) Ltd. |
| Jaye Explorations Ltd. | Tundra Gold Mines Ltd. |
| Jericho Mines Ltd. | Utica Mines Ltd. |
| Lake Shore Mines Ltd. | Vananda Explorations Ltd. |
| Lornex Mining Ltd. | Victoria Algoma Minerals |
| | Vimy Explorations Ltd. |
| | Wesfrob Mines Ltd. |

Magnum explores Stewart claims

Magnum Consolidated Mining Co. is currently carrying out geological mapping and diamond drilling on a six-claim group on Glacier Cree in the Stewart area. A number of mineral showings occur on the optioned property, shareholders have been told, the best known of which is located along a creek bed which is underlain by strong faulting.

Magnum reports the main fault is 150 feet long and seven feet wide. Two adits, each 75 feet long and 50 feet apart vertically, explore the vein in a northerly direction. In the upper adit, says Magnum, one assay of a body of solid sulphide assayed 31.6 ounces silver, 15 percent lead and 8.3 percent antimony.

Vananda plans drill program

Diamond drilling is expected to start in two weeks on Vananda Exploration Ltd.'s newly-optioned Thistle mine, 20 miles from Port Alberni, says Vananda president T.E. Blossom. (Option terms are mentioned in FR's "options exercised, dividends declared" column elsewhere in this week's issue.) Blossom says a crew is now on the 11-claim copper-gold property on the Franklin River. Engineer Fred Hemsworth has recommended spending \$50,000 for geological mapping, geophysical surveys and diamond drilling on the "very promising property."

Hemsworth believes no diamond drilling or geophysical work has been done on the ground. The mineralization consists of a chalcopyrite, pyrite replacement in altered limestone and he says there has been considerable faulting and the structural geology is "complex." After the surveys are finished, Hemsworth considers 5,000 feet of preliminary diamond drilling should be done to test ore potential.

Peso Silver Mines . . .

(Cont'd. from page 15) executive vice-president Avery Stone and secretary-treasurer D. M. Clark, turned the heat on, accelerating the company's property acquisitions and its multi-million dollar exploration and development program. The land holdings were increased from 19 to 150 square miles, or about 100,000 acres, making Peso the largest holder of silver and gold prospects in the Yukon.

Now a princess

And the world shortage that has turned silver from a 70-cents-an-ounce Cinderella into a fairly certain \$2.00 (and perhaps even \$2.50)-an-ounce princess, continues to accelerate at such an alarming pace that international money-managers are advising their clients to raise their shares in silver and gold shares to at least 30 percent of their total investments.

Last year, free world production of silver was 210.5 million ounces compared with a consumption of 419.2 million.

Silver used for industrial and art purposes exceeded total production by 37 million ounces. Eastman Kodak alone is using

10 percent of the world production.

Coinage needs

Coinage needs of Canadian and foreign countries were 60.9 million ounces last year, and the U.S. mint used 111.3 million ounces. Thus, the free world is using about twice as much silver as it produces.

Due to the mounting global production deficiency, the silver stock of the U.S. Treasury, presumed to be the largest in the world, last year shrank to 1.4 billion ounces from 2.106 billion in 1958.

Another dramatic change in the international gold-silver trend is resulting from the Viet Nam situation, and confirmation of Communist China's switch from English pounds to gold.

On the threshold

And as far as Peso Mines, now on the threshold of production, is concerned, all this adds up to a successful and imminent climax to the story of a bold and imaginative venture, truly a saga of modern mining.

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Daily metal prices

U.S. METAL PRICES

For Week Aug. 13 to Aug. 19

Supplied by Merrill, Lynch, Pierce, Fenner & Smith Inc.

	Fri.	Mon.	Tue.	Wed.	Thur.
Steel scrap, 1 hvy. melt. Chgo. ton	35.00	35.00	35.00	35.00	35.00
Copper Conn. Valley, lb.	.36	.36	.36	.36	.36
Copper scrap, No. 2 wire, NY, lb.	—	—	—	—	—
Lead, NY, lb.	.16	.16	.16	.16	.16
Tin, NY, lb.	1.89¾	1.92	1.87½	1.90½	1.85¾
Aluminum, Ingot, NY, lb.	.24½	.24½	.24½	.24½	.24½
Quicksilver, NY, 76-lb. Flask	605.00	605.00	605.00	600.00	615.00
Silver (H&H) NY, oz.	1.293	1.293	1.293	1.293	1.293

a-asked b-bid n-normal

LONDON METAL EXCHANGE

(Bid Prices)

For Week Aug. 13 to Aug. 19

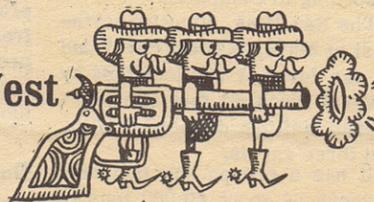
Supplied by Doherty Roadhouse & McCuaig Bros.

	Fri.	Mon.	Tue.	Wed.	Thur.
Copper, wire bars (spot)	433	440	440	443	444
Lead	98¾	97½	98¼	98¼	99¼
Zinc	110	110	110	110¼	110¼
Tin	1510	1510	1480	1505	1510
Silver	1.29 8/10	1.29 7/10	1.29 8/10	1.29 7/10	1.29 8/10

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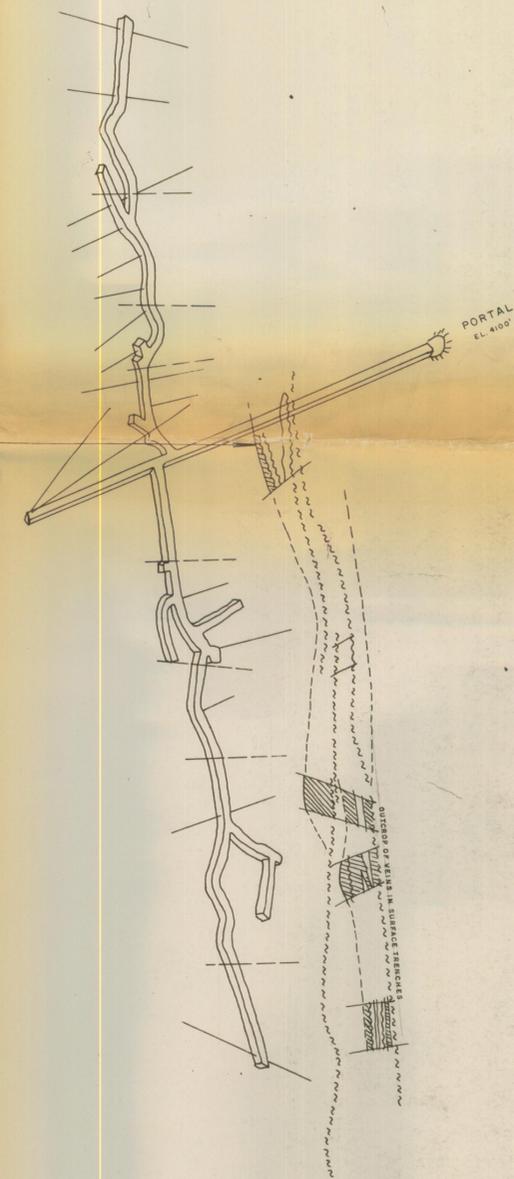
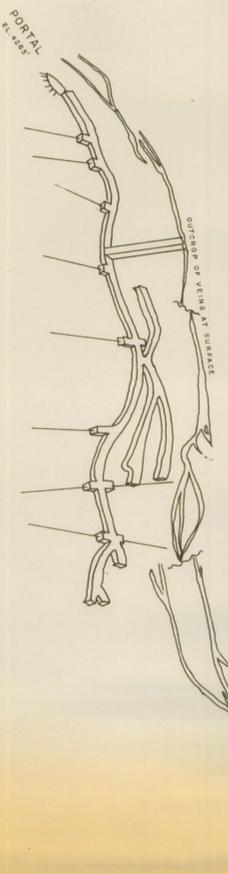
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WEBBER VEINS

HUESTIS VEINS

LEGEND

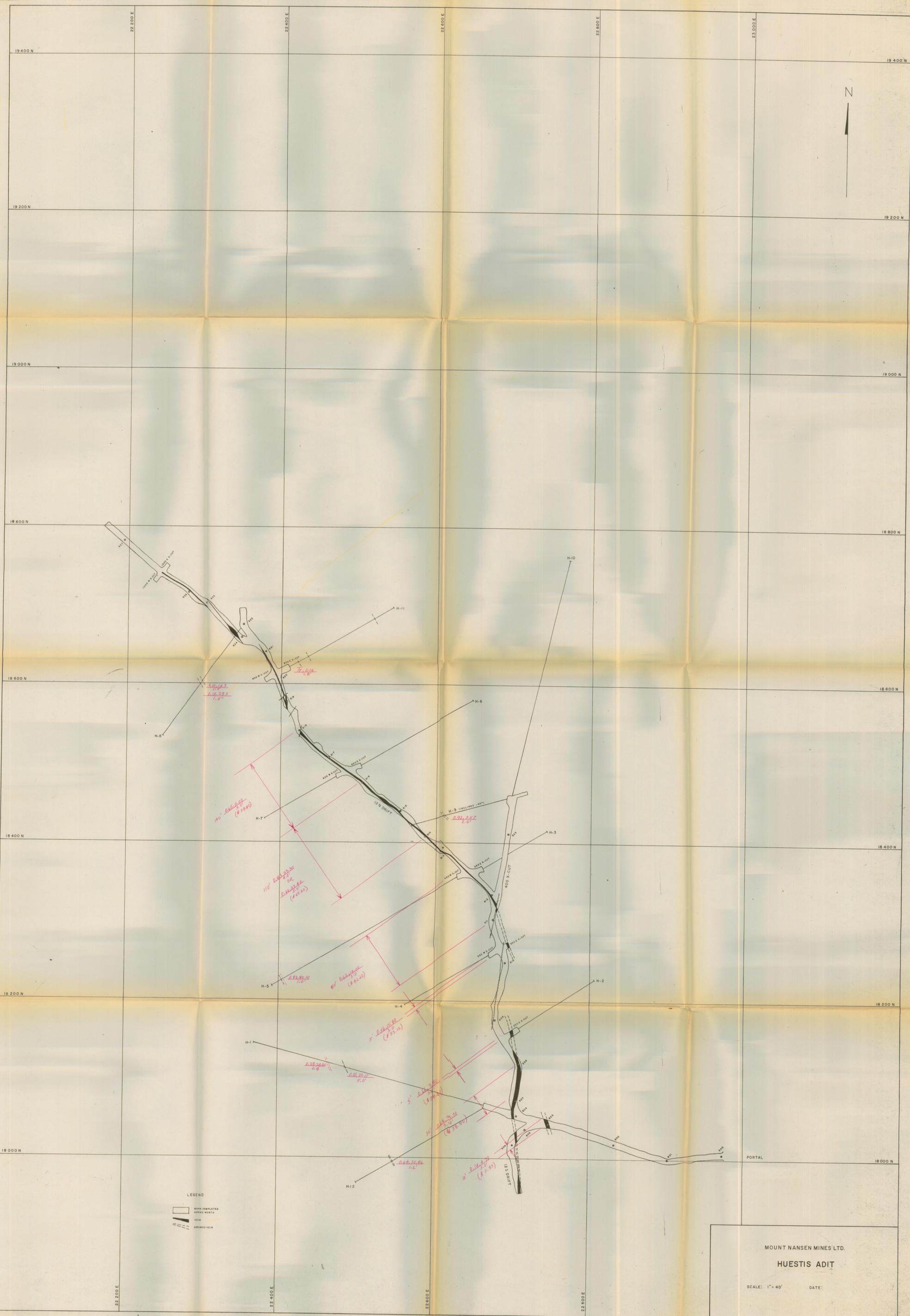
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SKETCH SHOWING PROPERTIES IN

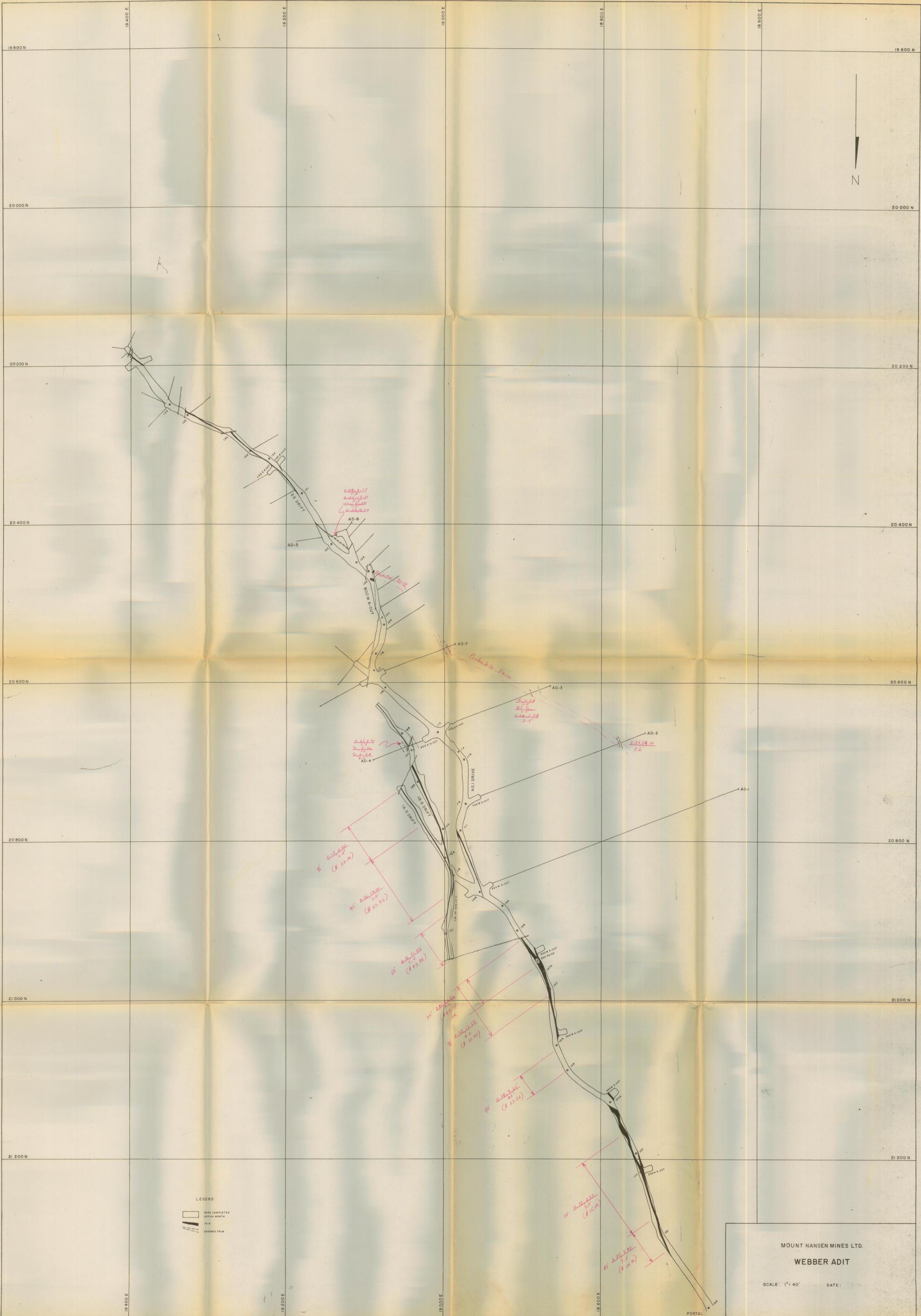
CARMACKS DISTRICT, Y.T.

SCALE : 1" = 150'



LEGEND
 WORK COMPLETED DURING MONTH
 VEIN
 ASSUMED VEIN

MOUNT NANSEN MINES LTD.
HUESTIS ADIT
 SCALE: 1" = 40' DATE:



LEGEND

- WORK COMPLETED
- DRIFT
- VEIN
- ASSUMED VEIN

MOUNT NANSEN MINES LTD.
WEBBER ADIT
 SCALE: 1" = 40' DATE: