HENRY CLAY MINES, INC.

LORDSBURG, NEW MEXICO

February 23, 1962.

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APPENDIX

(Material Under Separate Cover)

ITEM	MINE MAPS	SCALE
A	4 Prints - Mining Claims	1" = 600'
	4 Prints - Master Exploration Map	1" = 100'
	4 Prints - Long. Projection - "85", Henry Clay & Atwood Mines	1" = 300'
	4 Prints - Henry Clay - 200' Level Plan	1" = 40'
	4 Prints - Henry Clay - 600' Level Plan	1" = 40'
	4 Prints - Henry Clay - 700' Level Plan	1" = 40'
	4 Prints - Henry Clay - 800' Level Plan	1" = 40'
	4 Prints - Henry Clay Mine - Long. Proj. - Tons Mined and Grade	1" = 40'
	4 Prints - Atwood - 210' Level Plan	1" = 40'
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	4 Prints - Atwood - 625' Level Plan	1" = 40'
	4 Prints - Atwood - 750' Level Plan	1" = 40'
	4 Prints - Anita - Plan & Projection	

B SMELTER SETTLEMENT SHEETS - 4 Sets
January 1, 1958 to October 31, 1961

C DIAMOND DRILL HOLE LOGS - 4 Sets
(a) U-1 to U-57, inclusive
(b) S-1 to S-17, inclusive (S-1 & S-2 Missing)

D PROJECTION (LONG., X-SECT.) D. D. HOLES - 4 Sets
(a) U-1 to U-57, inclusive
(b) S-1 to S-17, inclusive
(c) U. S. B. M. - D.D.H. 1 to 13, inclusive

E PRODUCTION RECORDS FROM PROPERTY (Pre Werner Lake)
5 copies A. S. & R. Letter - 1922 to 1954

F (a) WAGE RATES - BRANNAN & FULLER - February, 1962 (ITEM 7B)
(b) UNIT COST - ESTIMATED FOR DRIFTING & CROSS-CUTTING - 648' - (4 copies)

G INVENTORY LIST - HENRY CLAY MINES, INC.
Estimated Replacement Cost - $60,000.00 - 4 copies

H REINHART REPORT - Dated February 12, 1956 - Please return
REINHART REPORT - Dated October 12, 1956 - Please return

I PERSONAL QUALIFICATIONS - 4 copies

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INTRODUCTION

The writer has supervised the exploration and development work at the Henry Clay Mines, Inc., since its inception by Werner Lake Nickel Mines Limited in October, 1955. In October, 1961, these properties were acquired from Werner Lake Nickel Mines Limited, a Canadian incorporated company, by Henry Clay Mines, Inc., an American incorporated company.

This report contains a review of the main phases of the mining operations since October 1955, together with some historical background of the Company's property and others in the District.

Recommendations are made for an exploration program on that part of the Company's property known as the Henry Clay Mine with this program concentrated on that portion between the present 800 foot level and the 1,400 foot elevation in the vicinity of the present Henry Clay shaft and east from the boundary with the adjoining "85" Mine, now owned by the Phelps-Dodge Copper Corporation.

Information was obtained from the following references.

1. Lasky, Samuel G., "Geology and Ore Deposits of the Lordsburg Mining District, Hidalgo County, New Mexico", 1938.

2. Poirier, C. H., "Report on Alamo Copper Company, Lordsburg, New Mexico", July 20, 1931.

3. U. S. B. M. - Drilling Results and Sampling, 1943.

4. Geological Report on Atwood and Henry Clay Mine, February 12, 1956, by J. W. Reinhart.

5. Report on Ore Reserves and Development - Atwood-Henry Clay Mines, October 12, 1956, by J. W. Reinhart.

6. Maps, Plans and Report - Records of Werner Lake Nickel Mines Limited by A. Mahalek and J. Quay - 1955 to 1961.

SUMMARY OF OBSERVATIONS

1. The Henry Clay Mine and the Atwood Mine of Henry Clay Mines, Inc., are equipped with mining plants now in operation under a leasing arrangement with Brannan and Fuller of Silver City with underground mining being carried out to the 800 foot level in the Henry Clay Mine. This leasing arrangement can be cancelled by the Company on 90 days' notice to the lessees.

2. The ore sources being mined by the lessees is almost entirely in the Henry Clay Mine from the Emerald Vein - it being discovered by core drilling below the 600 foot level in 1958 by Werner Lake. Ore extraction from the 700 foot to the 600 foot level

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was of sufficient grade (about $7.00 - $9.00 net) to make a small operating profit. However, ore values in mining from the 800 foot to the 700 foot level now in progress has resulted in a considerable diminution in ore grade (about $5.00 - $6.00 net) and a disappointing operating loss. Obviously the ore in this vein has entered a zone of impoverishment below the 700 foot level or actually at a depth of about 730 feet.

In this connection J. W. Reinhart in his report, dated February 12, 1956, states as follows:

> "The pinching of the South Atwood structure at the 750 foot level has its duplication near the same horizon in in the "85" and Bonney Mines. The fact is indisputable that the source was from below and that, below the compression zone, another zone must exist which was even more amenable to ore emplacement."

It is now apparent that the depth continuation of the promising ore extracted between the 600 foot - 700 foot level at the Henry Clay Mine has entered a zone of impoverishment at about 720 feet to 750 feet in depth which appears similar to earlier experiences encountered at the Bonney and "85" Mine (Emerald Vein also) and South Atwood (Atwood Mines) at about a similar elevation.

The determination of this ore to depth, as a determining factor on the Emerald and South Atwood veins, is initially the most immediate problem of exploration and future ore developments, together with the willingness and ability of the operator to accept the calculated risks.

3. Other less immediate but interesting exploration possibilities exist in the North Atwood, the Waldo and Anita veins, but as a matter of priority, present attention is directed to first the Emerald Vein at greater depth - that is between 800 foot - 1,400 foot elevations on the Henry Clay, to a limited extent on the South Atwood Vein on the Henry Clay (See Exploration Map Plans). The second important priority, but not receiving detailed consideration as yet, would be the exploration of the South Atwood Vein (Atwood Mine) well below the present bottom (750 foot) level - that is, 1,200 foot - 1,800 foot depth.

CONCLUSIONS

Therefore for present purposes all exploration is directed toward that area at depths between 800 feet - 1,400 feet on the Emerald Vein-Henry Clay Mine.

The mine is immediately accessible to the 800 foot level for this purpose including a complete mining plant in operation.

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RECOMMENDATIONS AND ESTIMATED COSTS

In order to carry out this exploration below the Henry Clay 800 foot level it is recommended as follows:

STAGE I - (8 months - ESTIMATED COST = $100,000.00)

(see Map Plan - Proposed Exploration - coloured green)

		ESTIMATED COST
1.	Complete a minimum 11,500 lineal feet core drilling @ $6.00 per foot	$69,000.00
2.	Two cross-cuts for drill stations - 350 feet @ $40.00 per ft.	14,000.00
	plus 4,000 cu. ft. @ 75¢ per cu. ft.	3,000.00
3.	Supervision and Engineering - 8 mo. @ $1,750.00 per mo.	14,000.00
	TOTAL	$100,000.00

The area tested by the proposed core drilling would involve a length of about 600 feet and a depth of about 500 feet in the plane of the vein.

STAGE II - TENTATIVE ONLY - ESTIMATED COST = $100,000.00

A decision with respect to STAGE II would depend upon the results of STAGE I and assumes that finances were made available. Exploratory core drilling from two additional cross-cuts for drilling stations would test an additional 400 feet x 600 feet of strike length and depth, on the plane of the vein, to seek additional indications of ore extensions. Consideration would also be given to testing the South Atwood vein also in the Henry Clay.

While consideration of STAGE III is premature at this time, it would obviously involve sinking the Henry Clay shaft to 1,450 feet or so in depth (after slashing to three-compartment size) together with establishment of the necessary levels at 125 foot levels for final exploration and development purposes. However, the surface plant would require enlarging for this purpose.

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GENERAL HISTORY OF THE AREA AND OTHER PROPERTIES

The first mining effort of the Lordsburg District was reported in April 1870 when one mining claim was recorded.

A false diamond stampede due to salting brought many people to the area about 1873.

In 1882 a smelter was erected but failed for lack of ore.

"85" MINE

In 1920, the "85" Mine began development under the Calumet and Arizona Mining Company to provide siliceous fluxing ore to the Douglas Smelter which continued to 1932 when it was shut-down permanently. It was the largest producer and most important mine of the district - which workings border the Henry Clay to the south and southeast. The Emerald Vein on this property was developed to a depth of 2,250 feet and for 4,350 feet along the strike. Ore stoping was carried out to about 1,600 feet in depth.

The ore shoots had a rake of about 60° - 70° southwest in the vein and a strike of N 33° E in its southwest parts and N 65° E in the northeast portion. The vein dips 80° southeast to nearly vertical. The most favourable zone for ore shoots occurred where both walls were grano-diorite, but some ore did extend into the basalt.

From 1907 to 1930 it is reported that about 1,757,000 tons of siliceous gold, silver, and copper ore was produced which was valued at over $17,000,000.00 of which the net totalled $12,000,000.00.

BONNEY MINE

To 1931 it produced about 110,000 tons of ore valued at $890,000.00. While under the Banner Mining Company during the past decade it has produced a large additional quantity of ore including that from the Miser's Chest claim.

Of depth significance, the Banner encountered weak mineralization about their 600 foot depth but developed excellent grade below that. Also "blind" veins, either parallel or branching, were discovered which yielded much additional ore by lateral exploration - particularly below their 1,200 foot level.

Average ore grade is reported to be about 3.3% copper, 3.1 oz. silver and 0.09 oz. gold - very close to the average in the Emerald Vein on the "85" Mine.

HENRY CLAY MINES, INC., PROPERTIES

In 1881 Burchard states that the Atwood Mine was developed to 115 feet in depth and deepened to 220 feet in 1882.

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In 1930 the Almo Copper Company developed the mine to the 750 foot level but the results were not up to expectations. No mining had been done to this time except for a small amount extracted from the 210 foot level to the surface.

The Almo Company also sunk a small two-compartment shaft in the Henry Clay Mine to the 600 foot level but extracted no ore.

In 1943, the United States Bureau of Mines discovered new ore in the South Atwood vein by successfully diamond drilling from surface completing 10 core drilled "AX" sized holes for a total 5,310 lineal feet with a 88.5% in the vein. (core recovery)

Beginning the same year Mr. C. H. McIntosh, the lessee, mined this ore plus some other that had been previously developed to the 750 foot level, where it became much weaker and too lean in grade to be profitable.

Later, this lease was acquired by Mr. Mosely, who, under a D.M.E.A. loan extended the 500 foot level drift to connect with the 400 foot level Henry Clay Mine, though the mine grade was too low for profitable extraction.

The Atwood production was shipped as fluxing copper-gold-silver ore to El Paso from the start of production in 1943 to the first 11 months of 1947 and was as follows:

ORE SHIPPED dry tons	GOLD oz./ton	SILVER oz./ton	COPPER %/ton	LEAD %/ton
60,579.73	0.058	5.64	2.29	1.12

NOTE: Some zinc was also produced.

The Henry Clay, Atwood and Waldo groups totalling 14 patented claims and 19 unpatented claims were taken over on a lease-option basis in 1955 by Werner Lake Nickel Mines Limited who completed the purchase of the Henry Clay-Atwood Mines in 1961. All the claims were acquired by Henry Clay Mines, Inc., the present owner, including the Anita property from Werner Lake Nickel Mines Limited in October, 1961.

From 1955 to November 1957 Werner Lake Nickel Mines Limited on its own completed 4,067 feet of surface diamond drilling in 17 holes, 14,832 feet of underground diamond drilling in 58 holes, plus 1,488 feet of lateral development in drifts and cross-cuts on the Henry Clay-Atwood properties.

In order to make the underground workings accessible on the Henry Clay, its small two-compartment shaft was cleaned out and re-timbered to the 600 foot level, after installing and constructing a complete mining plant with a 55 foot headframe, ore bin, hoist and compressors, mine dry and necessary shops.

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At the suspension of operations in November 1957 by Werner Lake Nickel Mines Limited, Mr. A. Mahalek estimated the possible ore from core drilling, chiefly in the Emerald Vein below the 600 foot level Henry Clay Mine, to total about 200,000 tons grading 0.04 oz. gold, 3.0 oz. silver, 2.3% copper and 1% lead without allowing for dilution.

In late November 1957 the contracting firm of Brannan and Fuller of Silver City sub-leased the property from Werner Lake Mines Limited which firm have worked it continuously since that time shipping siliceous gold, silver, copper fluxing ore to the American Smelting and Refining smelter at El Paso, with results as follows:

YEAR	DRY TONS	OZ. GOLD	OZ. SILVER	LBS. COPPER	LBS. LEAD	LBS. ZINC
1958	17,278.72	1,111.06	80,981.26	550,743.6	128,269.7	300,711
*1959	20,175.57	1,133.46	69,197.14	718,094.4	62,400.3	219,625
1960	16,847.65	661.51	47,062.28	446,886.7	137,726.5	not reported
TOTAL	54,301.94	2,906.03	197,240.68	1715,727.7	328,396.5	
AVERAGE PER TON		0.05 oz.	3.6 oz.	1.6%		
1961 AVERAGE PER TON		0.02 oz.	1.5 oz.	1.29%	(37,705 Dry Tons)	

* September-December 1959 - no shipments due to strike at Smelter.

The various vein sources of ore shipments to the end of 1960 in the Henry Clay and Atwood Mines could not be separated in the contractor's reports but the main source, or say about 75%, was obviously extracted from the Emerald Vein between elevations 700 foot - 600 foot levels and graded at least 0.05 oz. gold, 3.6 oz. silver and 1.6% copper for a length of over 600 feet and at least 8.0 feet in width.

As of the last few months with the major part of the ore source from the 800 foot level the grade being shipped to the Smelter is about as follows:

Gold	-	0.02 oz. per ton
Silver	-	1.50 oz. per ton
Copper	-	1.2% per ton

There has been therefore a disappointing drop in grade on that mined from above the 800 foot level, averaging in grade below that which can be mined profitably by the contractors (lessors).

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MINE DEVELOPMENTS

When Werner Lake took over the Henry Clay-Atwood groups in October 1955, there was then 11,812 feet of usable drifts and cross-cuts, not counting those on the upper levels considered inaccessible.

Werner Lake completed 1,488 feet of drifts and cross-cuts to make a total of 13,300 feet of accessible lateral drifts and cross-cuts to December 1, 1957.

Since that date, the contractors have on 50-50 cost basis deepened the Henry Clay shaft from 625 feet - 825 feet in depth and carried drifting and cross-cutting on the 600 foot, 700 foot and 800 foot levels as indicated on the attached survey plans.

HENRY CLAY MINE

The shaft which is a small two compartment one in size, is now 825 feet deep with levels at 200 foot, 400 foot, 600 foot, 700 foot and 800 foot respectively.

It has a 55 foot headframe with ore bin, electric hoist, skip, compressor, mine dry and necessary shops suitable to the operation. The shaft has been completely re-timbered to the 700 foot level.

ATWOOD MINE

The shaft is 750 feet deep plus a 35 foot sump with levels at: Adit, 210 feet, 350 feet, 500 feet, 625 feet and 750 feet.

The surface and shaft installations were re-habilitated and put into operation. This shaft is a standard three-compartment in size.

WALDO SHAFT

It is three-compartment in size and reported to be 500 feet deep with 2,390 feet of drifts and cross-cuts.

ANITA SHAFT

It is a three-compartment shaft 800 feet deep with considerable lateral development.

GEOLOGY AND MINERALIZATION

The metallization of the Lordsburg siliceous gold, silver, copper vein structures appears related and has its source in a grano-diorite intrusive of botholithic size outcropping on the Phelps-Dodge group of properties which includes the "85" Mine.

The district contains many veins - certain ones being regarded as the "major" types such as the Bonney, Miser's Chest, Emerald, South Atwood, North Atwood, Waldo and Anita. From these are many branching and parallel fractures - mostly of a "blind" nature, but can be important ore producers. The major ones strike in two predominant directions, that is, northeast - southwest, and east - west.

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The veins on the Henry Clay, Inc., group, occur in basalt, classified as Cretaceous in age. They are typically siliceous and quartz filled fractures containing chalcopyrite, galena and zinc blende and pyrite as primary minerals but varying and decreasing amounts of secondary minerals with depth, such as azurite, malachite and cuprite with the greatest proportion within the first 200 feet - 600 feet from surface but occasional small isolated patches occurring well below that depth. The present water table is 550 feet below surface at the Henry Clay.

The veins are brecciated to varying degrees, with amount of pre-ore vein opening to act as channel ways for ore solutions apparently controlled as to their amenability in "compression" or "tension". The ore shoots appear associated with the latter. Areas of "compression" therefore form zones of "impoverishment" such as has occurred in former times on the Bonney, Emerald, "85" Vein, South Atwood veins (Atwood Mine), and now appears to have been repeated on the Emerald Vein of the Henry Clay Mine below the 700 foot level.

The interpretation of core drill results will always remain conjectural. Only actual underground development by drifting and raising combined with orthodox systematic channel and muck sampling will provide sufficient accuracy for estimates for final ore reserves purposes.

Experience at this stage suggests minimum ore reserves required for production and local milling purposes would be at least 250,000 - 300,000 tons with a net value of not less than $9.00 - $10.00 per ton utilizing the economic savings open to the small efficient operator.

LOCATION

The property is located 3 miles southeast of Lordsburg, New Mexico, this town being serviced by a main motor highway, electric power, a railroad with a branch line to the property.

LABOUR

There is sufficient experienced mining labour in the Lordsburg area and its environs for all mining purposes. (see labour rates in appendix)

TIMBER

There is no local timber suitable for mining needs and it must be imported.

CLIMATE AND POWER

The climate is semi-arid with land elevation about 5,000 feet above sea level. There is sufficient water available in the mine workings for any local milling needs. The water table is at 550 feet in the Henry Clay Mine. Fresh water is available at Lordsburg.

A power line with transformer capacity for all development needs is in operation on the property.

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ORE RESERVES

No ore reserves are calculated as none appear justified on the basis of the relatively few drill holes containing metal values in the present undeveloped vein extensions of the Emerald and South Atwood (Henry Clay), and the South Atwood Vein (Atwood). These core intersections are as follows, as may be noted on the mine plans.

Hole No.	Core Length - Ft.	True Width - Ft.	ASSAY Au. Oz./T	Ag. Oz./T	Cu. %/T
	EMERALD VEIN				
U-13	11.4	7.0	0.14	1.0	1.2
U-16	20.8	7.0	0.01	1.5	3.5
	SOUTH ATWOOD (HENRY CLAY)				
U-19	13.0	-	0.01	1.5	2.1
U-17A	12.5	-	0.01	0.6	2.1
	SOUTH ATWOOD (ATWOOD)				
U-12	2.4	-	0.06	4.0	1.83
U- 3	5.0	-	0.04	2.4	1.63
U-23	8.0	-	0.04	5.1	2.98
U-31	7.0	-	0.01	1.9	1.74
U-34	9.3	-	0.01	0.8	1.18
U-48	9.0	-	0.02	1.2	2.65

EXPENDITURES

While under the management of Werner Lake Nickel Mines Limited, over $500,000.00 has been spent in the property for underground exploration, development, surface diamond drilling, the surface mine plant, together with underground machinery and equipment. The surface plant, machinery and equipment cost about $60,000.00.

Respectfully submitted,

Murray Watts

Murray Watts, P. Eng.

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February 23, 1962.