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

REPORT TO SHAREHOLDERS

We are pleased to report on a sequence of important events which we feel confident should result in very beneficial results for the shareholders of Takla Silver Mines Ltd. Work under the joint-venture agreement between your company and Anchor Mines Ltd., concerning the financing, exploration and ultimate development of our promising silver-lead-zinc property has been proceeding.

No time has been lost in undertaking the initial phase of the exploration program as recommended earlier by Dr. D. D. Campbell and as concurred in by Bacon & Crowhurst Ltd., who were appointed consultants for Anchor-Takla Mines Ltd., the joint holding company. Early in September, 1968, diamond drilling on surface and underground was commenced under contract to Connors Diamond Drilling Company. A fully equipped camp was constructed and a crew of 21 men was engaged in the program. The work continued until mid-November at which time the camp was closed, for the winter, pending evaluation of results and submission of recommendations regarding further exploration.

The report submitted by Bacon & Crowhurst Ltd., dated November 22, 1968, states as follows:

"The program was designed to investigate the No. 1 Zone, which on surface assayed 0.13 oz. Au and 23.4 oz. Ag across 7.0 feet for a strike length of 255 feet (based on samples taken by Bralorne Mines exploration staff). The relationship between the vein on surface and the mineral occurrences in the underground workings was not certain and had to be determined before intelligent planning could be carried out.

Systematic drilling was done on 50' sections. The principal rocks are limestone, argillaceous limestone, graphitic schists, phyllites and argillites intruded by continuous, though narrow, feldspar porphyry dykes.

Minerals present in the No. 1 Zone are sphalerite, pyrite, galena, arsenopyrite, stibnite and jamesonite, all associated with quartz and carbonate stringers. Andorite, freibergite and native silver and gold have been recognized by earlier workers.

The No. 1 Zone varies from a few inches up to about ten feet in true width. Host rocks in the vicinity of the mine workings are massive, light to medium grey, impure massive limestone with minor amounts of argillaceous material. A northwesterly-plunging anticline of graphitic schists appears to underlie the mineral area and may cause some major changes in depth to the veins.

Drilling has undoubtedly proven the continuity of the No. 1 vein in depth. As in many cases of drilling for silver-bearing veins, core recovery was a problem. Consequently, it is felt that many of the mineral intersections gave unreliable assay results. In almost all holes drill water was lost with associated loss of fine mineral. This is especially true of underground down holes which entered the expected location of the vein in a fault area."

Eighteen significant drill hole intersections are itemized which had core recovery of from 5% to 100% -- average about 70%. Of these eighteen intersections (all drilled during the present program), seven had recovery in excess of 90% core recovery. The silver content ran from 2.1 oz. to 28.6 oz. Ag per ton and widths ranged up to 14.0'. These samples in no way indicate average widths or grades.

No assays were taken for either lead or zinc.

Also listed are eleven significant drill hole intersections taken from results of Bralorne Mines Ltd. drilling done between 1952 and 1960. This drilling was done in the immediate vicinity of the 1968 drilling and the best intersection assayed 251.9 oz. across a width of 2.5'.

Six chip samples from the No. 1 vein in the underground workings were cut on November 10, 1968, by R. W. Phendler, B.Sc., P.Eng., the Consultants' resident geologist, and were assayed by Chemex Labs Ltd. These averaged 27.5 oz. Ag (cut) and 0.10 oz. Au per ton across a width of 1.75' for the forty feet of vein exposed. The report states "This grade is believed to be more realistic than the grade obtained from drill holes."

A bulk sample of mineralized vein material was taken from underground and surface exposures for metallurgical testing.

The report continues "North of the area of recent exploration are four old Bralorne Mines Ltd. holes that, though inconclusive, appear to indicate that the No. 1 vein continues for at least 500' north of the northernmost of

the principal showings. Total strike length of the zone, including surface and underground evidence, is 1200'."

Previous reports by Dr. D. D. Campbell described the limited surface work and drilling on the No. 2, No. 3 and No. 4 zones. The No. 2 zone is similar to the No. 1 zone. The No. 3 and No. 4 zones have a much larger tonnage potential of greater widths and lower grade. Dr. Campbell, in his earlier report, states, "The No. 3 and No. 4 zones comprise good potential sources of considerable tonnages of good grade zinc - (silver) ore. These zones warrant further development in order to determine if they may be able to support a concentrator or at least remain as reserve for an Imperial Smelter if and when one is built in B.C."

With the P.G.E. railway under construction to the foot of Takla Lake, development work will be more economical than at present. For this reason, I am in agreement with the recommendation to further explore the higher grade No. 1 zone.

I wish to compliment the consultants on their intelligent approach and the efficient way the work was carried out this past season in establishing the relationship between the vein on the surface and the underground workings. We look forward to the evaluation of the property upon completion of the program recommended which was to continue drifting north in the present face and make several steep raises in the No. 1 vein from the present tunnel.

According to our Takla Anchor agreement, Anchor Mines Ltd. have to spend $300,000 to gain a 55% interest. To date, they have spent $147,000. After spending the $300,000, both parties may contribute on a pro-rata basis by purchasing shares in the joint holding company at $4.00 per share. If one partner does not participate, the other may, by contributing $150,000 to the joint holding company, gain an additional 15 percent equity in the property from the non-participating partner.

Takla Silver Mines Ltd.,
Len Bellveau,
President.

January 20th, 1969.

To Extend PGE to Takla Lake

Of interest to the shareholders of Takla Silver Mines, Ltd. is the announcement by Premier W. A. C. Bennett on February 7th, 1969 that expansion of the Pacific Great Eastern Railway includes work now under construction on 73 miles between Fort St. James and Takla Lake.

The Takla Lake extension is scheduled for completion in 1970 with the extension to Fort Nelson by the end of 1971.

This new link will greatly facilitate development of the Takla Silver property. In addition the railway will add potential to the zinc zone which, it is thought, can be developed if cheap transportation is available.

New Antimony Plant

Another announcement from Spokane, Washington, also carries significance for Takla Silver shareholders, because of the antimony content of the Takla Silver area. It is contained in a news release and reads as follows:

"Sunshine Mining Company disclosed Monday in a 1969 planning report that a new antimony plant is to be built beside the company's proposed silver refinery.

'Our antimony plant is operating 24 hours a day seven days a week and we can't keep pace with the demand,' said Thomas J. McManus, president, in the report.

Antimony is the major by-product of the silver ore from Sunshine's Kellogg, Idaho, mine, and is used in alloys to harden them.

Expected in March is a feasibility study from the Colorado School of Mines for the proposed silver refinery.

To Prove Process

'We will then build a pilot plant costing $25,000 to $30,000,' McManus said. 'This will prove or disprove the suggested process'.

Economic studies by the company indicate a refinery of its own could save up to $164,000 a month. Budgeted for both the refinery and new antimony plant is an outlay of $1,750,000.

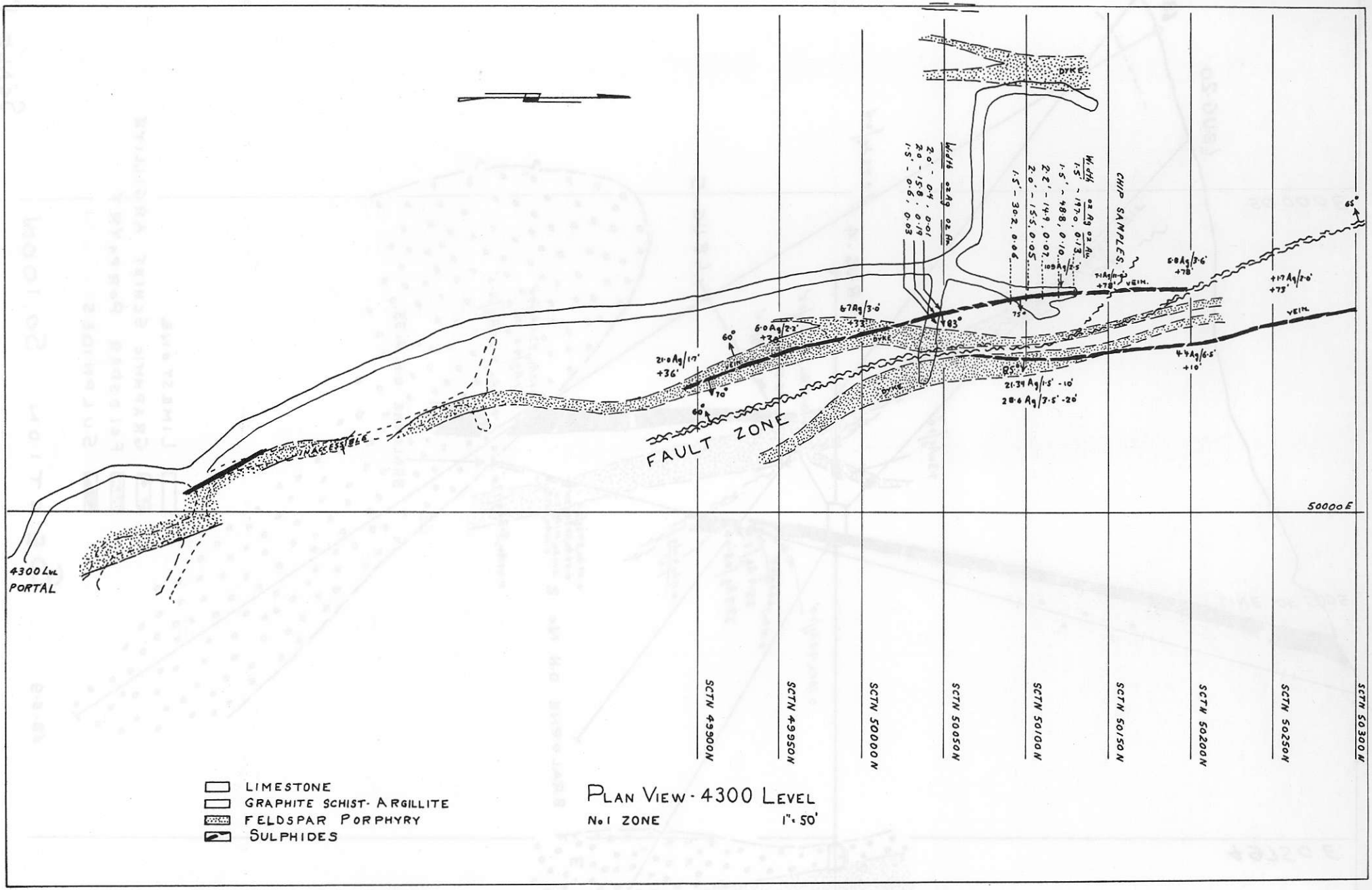
The report also showed that silver ore reserves were 1.1 million tons at the end of the year, an increase of 253,000 tons in the year.

Ore reserves will climb to 1.5 million tons at the end of this year, the report estimates, providing ore for "accelerated mining operations over the next five or six years.'

Eye Another Mill

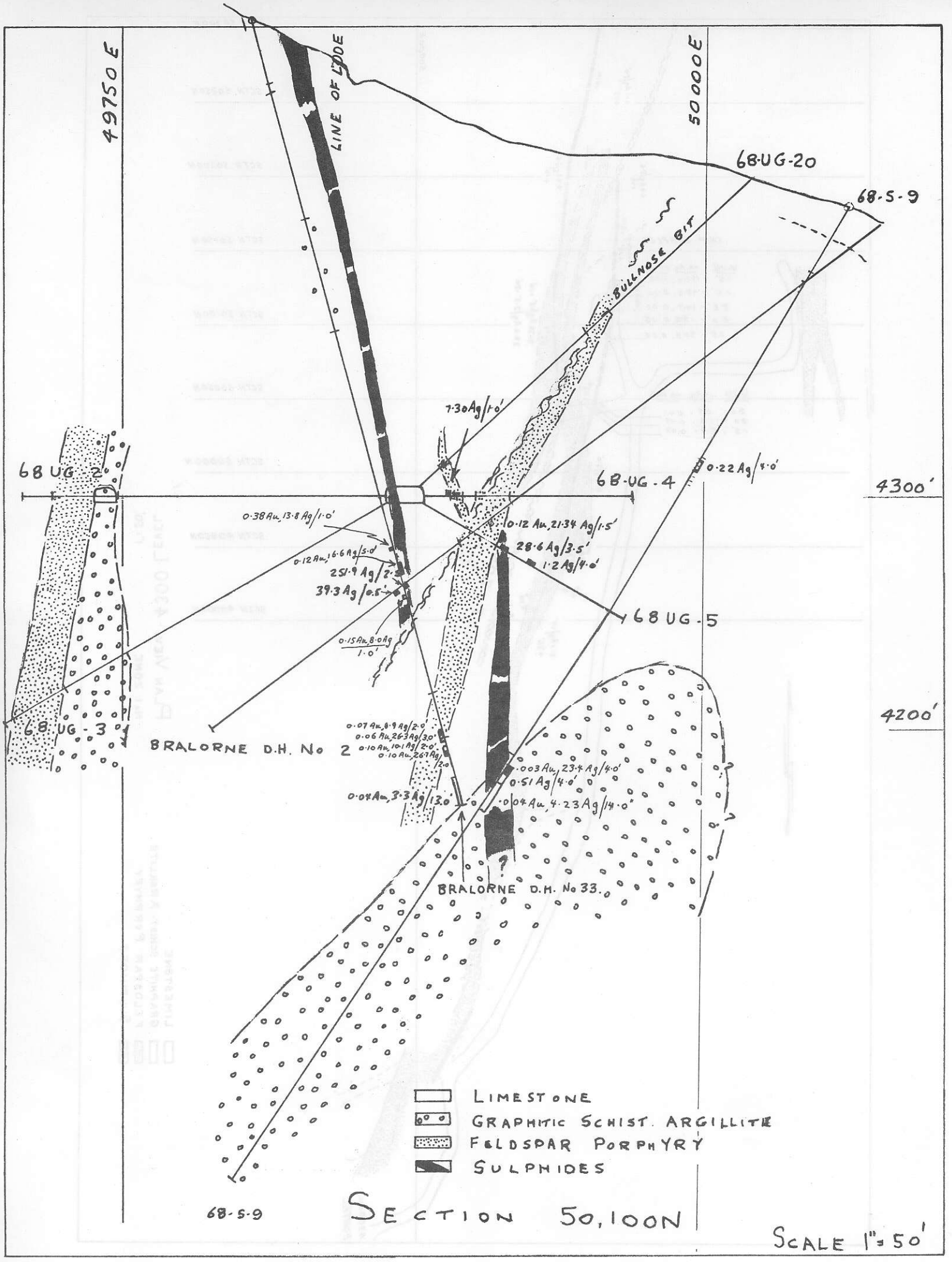
These reserves are exclusive of the ore Sunshine hopes to develop under 50-50 exploration agreements with several other mining firms in the Coeur d'Alenes.

Discussions have begun on proposals for a new mill for Idaho Abrasives Company, a wholly-owned Sunshine Subsidiary. The report said that with a new mill, garnet production may be increased from 2.5 tons to about five tons an hour."



PLAN VIEW - 4300 LEVEL

No 1 ZONE 1" = 50'


49750 E
50000E
LINE OF LODE
68-UG-20
68-5-9
BULLNOSE CUT
7·30Ag/1·0'
68 UG 2
68-UG-4
0·22Ag/4·0'
4300'
0·38Au, 13·8Ag/1·0'
0·12Au, 21·34Ag/1·5'
28·6Ag/3·5'
0·12Au, 16·6Ag/5·0'
251·9Ag/2·5'
1·2Ag/4·0'
39·3Ag/0·5'
68 UG-5
0·15Au, 8·0Ag
1·0'
4200'
6-8-UG-3
BRALORNE D.H. No 2
0·07Au, 8·9Ag/2·0'
0·06Au, 26·3Ag/3·0'
0·10Au, 10·1Ag/2·0'
0·10Au, 26·7Ag/2·0
0·003Au, 23·4Ag/4·0'
0·51Ag/4·0'
0·07Au, 3·3Ag/13·0'
0·04Au, 4·23Ag/14·0'
?
BRALORNE D.H. No 33.
LIMESTONE
GRAPHITIC SCHIST. ARGILLITE
FELDSPAR PORPHYRY
SULPHIDES
68-5-9
SECTION 50,100N
SCALE 1"=50'