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

606-626 WEST PENDER STREET / VANCOUVER 2, B.C. / TELEPHONE 685-1745

27 September, 1968

P R O G R E S S R E P O R T

To The Shareholders:

The following is a summary of progress made at your Silver Star Property (Scranton) near Ainsworth, B.C., since the start of work in the late summer of 1967.

Road:

A major change and improvement of the 10 miles of road from the highway at Woodbury Creek to the mine was undertaken, which cut travelling time from two hours each way to about 1¼ hours each way.

This year further improvement has cut travelling time to less than an hour, and it is estimated that when the projected work is completed that travelling time will be reduced to approximately half an hour each way - safely.

Camp: Elevation 5600 ft.

An old building was rehabilitated and is capable of providing comfortable accommodation for a crew of twelve. Propane gas provides heat, cooking and refrigeration, plus hot water for kitchen, showers, general washing facilities, etc. Electric lighting is provided throughout the camp.

Mine Site and Equipment: Elevation 5900 ft.

A new half-mile stretch of road was built to the chosen new portal site at the 5900' level, and a working area cleared at this point. The vein was stripped and traced down to this level from the old 6040' drift above.

Temporary coverage was provided for a 500' IR Compressor, 25 KVA deisel electric plant, for charging battery locomotive, miners' lights, Woods electric 16" Vent Fans, and general lighting.

Gardner-Denver Airlegs and Copco chisel bit steel are used for underground work, plus Copco drill sharpener, Eimco mucking machine, 20-lb. rail, 4" airlines, 16" Polyethelene vent pipe, side-dump ore cars and all the miscellaneous tools and equipment required have been installed.

Development : 5900 ft. Level (1967)

Due to the location of the stripped vein, the portal site was chosen at a point 114' easterly of the vein. A cross-cut was driven to intersect the vein. At 120' a vein giving the following values was encountered:

<u>Samples:</u>	<u>Gold</u> <u>Oz/ton</u>	<u>Silver</u> <u>oz/ton</u>	<u>Lead</u> <u>%</u>
1. Grab, broken material	.06	16.85	29.5
2. 12" F.W. Vein	.26	6.05	8.6
3. 12" F.W. "	.06	27.95	38.15
4. 12" F.W. "	.025	.55	0.80
5. 12" F.W. "	.005	.05	Trace

While the vein occurred far short of the projected intersection point, values were of sufficient interest to justify exploration. Eighteen feet of drift was driven south-westerly. Then weather conditions made it advisable to close down for the winter, as we had not had time to fully prepare for winter.

Development (1968):

The road was re-opened starting July 2nd. Underground development was resumed July 20th, and drifting on the F.W. vein resumed. At about 90' it feathered out and confirmed suspicions that we were on a tension fracture more or less parallel to the main vein.

We went back to the X cut and continued ahead hitting several more mineralized sections until the 204' point, where we cut 8" of solid sulphides and 18" of well-mineralized quartz with good walls and about the proper strike and dip of the vein drifted on and stripped above. However, to make certain we were on the main structure, we continued cross-cutting an additional 80'. We then slashed out our turn at the 204' point and have to date driven 320 feet on a strong, well-mineralized vein. All of this drift, except for one section about 55' long, has been in excellent grade ore as may be judged from the following results of sampling by the Company's staff.

Re Assays recorded below. Due to the nature of the deposit, the sulphide section has been sampled separately and values then calculated to a 3-foot mining width. In addition, samples have been taken from time to time of the slightly mineralized hanging wall section but these have not been included in the calculations, although they will enhance the overall values slightly.

To date the vein has shown good commercial values for the first 130', then a rather poor unsampled section to 185', then a strongly mineralized section to 270' (the last point from which assay returns have been received). From here to the 320' point the vein continues strongly and looks good. It should be noted that from the point at which the vein was cut, there is an

unexplored section of approximately 200' to the face of the slope where the vein was stripped. **Where** cut, there is 150' of backs which are increasing rapidly due to the steep slope as we drift south-westerly towards our primary objective where ore was established in an earlier diamond drilling and drift program.

Arithmetical average (not weighted) of samples taken from section 0' (X cut) to 130':

Width 3':- Gold 0.528 oz/ton, Silver 5.73 oz/ton,
Lead 6.22%, Zinc 6.34%.
(Composite of Cadmium 0.16%)

Section 130' to 185': Some mineralization but not sampled as yet.

Section 185' to 270':

Width 3':- Gold 0.62 oz/ton, Silver 10.88 oz/ton,
Lead 14.98%, Zinc 17.24% .
(Cadmium not assayed)

NOTE: To avoid lengthy detailed reading, only arithmetical averages (not weighted) are given. Any registered shareholder is welcome to examine the Company's data at the above address.

As of this writing, the face has been advanced to the 320' point showing the same general trend in widths, etc. Assay returns of section 270' to 320' not yet received.

The Company can make no statement as to dollar values indicated. To those interested in gross indicated values, it is pointed out that The Engineering & Mining Journal for September 1968, on which our contract for the sale of concentrates is based, states: (Quote)

Gold \$39.28 per ounce, Silver \$2.194 per ounce, Lead 12.5 cents per pound, Zinc 13.5 cents per pound, Cadmium \$2.65 per pound.
(All quotes are in U.S. Funds.) (Unquote)

The Company is not prepared to make any statement as to tonnages as of this writing. Suffice to say that your management is highly gratified by development results to date, and the very obvious potential being established as work progresses.

ON BEHALF OF THE BOARD,

Edward L. Borup
Managing Director

ELB/ecb