

KAM-KOTIA MINES LIMITED

Suite 1402-390 Bay Street, Toronto, Ontario, Canada. M5H 2Y2
(416) 361-0402 Telex 06-22016

82 K

December 4, 1980

Mr. J. G. Simpson
Vice-President, Exploration
Cyprus Anvil Mining Corp.
330-355 Burrard Street
Vancouver, British Columbia
V6C 2G8

File
Cover

Dear Glen:

I refer to our telephone conversation of the 2nd, with regard to silver deposits.

As promised, I enclose the report to shareholders for Silvana Mines Inc. for the years 1977 to 1979, inclusive. These reports may be of some help to you. This property has a long history and is in the famous Slocan mining district in the West Kootenay District of British Columbia, covering the centre third of the famous Slocan Main break.

The ore reserves require extensive exploration and development continuously and so far we have never reached the point where large positive reserves were available.

The property was placed in production with a small capital investment, but this was due to local factors. No infrastructure was required, and a milling plant was available at a low monthly rental rate.

Our experience has been that the staff operating the operations are the key and that a small operation such as Silvana is more difficult to operate than much larger operations which justify more staff specialists.

The price of silver for the past year or so has changed the parameters, but, you still have to produce silver to generate cash flow.

Obviously every deposit or possible deposit has to be considered on its own, and deposits with substantial, or potential, ore reserves might require careful study.

Mr. J. G. Simpson
Page 2
December 4, 1980

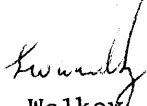
I hope the material enclosed and the comments may be of some help to you.

My own future is a bit uncertain still, but, I hope to retain an interest in specific activities, on a reduced time basis.

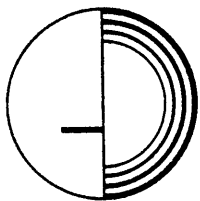
Currently I am coming into the office about two days per week, but, am not doing any travelling until early 1981.

Yours very truly,

KAM-KOTIA MINES LIMITED


G. W. Walkey
Vice-President and General Manager

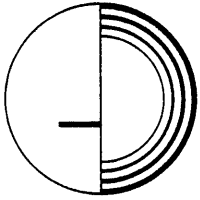
GWW:ca
Enclosures



Silvana Mines Inc.

Director's Report





SILVANA MINES INC.

Suite 1402-390 Bay Street, Toronto, Ontario, Canada. M5H 2Y2
(416) 361-0402 Telex 06-22016

DIRECTORS' REPORT TO THE MEMBERS:

Average price of all three principal metals produced increased substantially in 1979, with silver up to \$14.825 per ounce from \$6.25 per ounce, lead 63.1 cents per pound, from 37.4 cents per pound and zinc 41.3 cents per pound from 33.3 cents.

Production tonnage was 21,632 tons, up from 17,600 tons in 1978, with grades of 13.96 ounces silver per ton, 4.87% lead and 4.51% zinc as compared with 14.84 ounces silver, 5.81% lead and 4.34% zinc. Production for 1979 was valued at \$3,580,000 as compared with \$1,896,000 for 1978.

The increase in value was due mainly to higher metal prices although the production of payable silver increased to 290,000 ounces from 244,000 ounces, zinc to 1,492,000 pounds from 1,108,900 pounds and lead 2,012,000 pounds from 1,948,000 pounds.

Production rates did not increase as fast as had been anticipated due to a series of minor problems that restricted rate of development of the new ore zones. These problems were mainly - 1) equipment failures, 2) inadequate ventilation and, 3) poor ground conditions in certain areas.

By the end of the year, these problems were mainly solved and production for the first two months of 1980 averaged about 2,700 tons. Currently the mill is operating on a 7 day per week basis, and production for 1980 should be at least 35,000 tons.

The 4,000 level was equipped for main line haulage and ore, waste, and service raises were driven to connect the level to development and production levels. The necessary ore and waste rock handling facilities were completed at the portal, plus service facilities, and the road to the crushing plant was upgraded.

Lateral development on the 4,000 level was continued through the year to establish diamond drill bases, with the emphasis on exploration of the mineralized zone located by drilling late in 1978. This zone is located east of the existing mine working and down dip. Drilling conditions to test the zone were extremely difficult, and long holes were required. With this in mind, it was decided to carry out detail drilling, to define the zone and determine the extent, from workings established from the present mine openings. This work is continuing, and production development was started late in the year.

Exploration to the west, on the 4,000 level, will be resumed probably in the second half of the year.

Ore Reserves

The company and its predecessors, have never reported proven and probable reserves. The nature of the deposits makes it very difficult to estimate this type of reserve. Diamond drill indicated reserves are estimated at about 70,000 tons. Grades vary widely from hole to hole and dilution varies with the zone thickness and type of hanging and footwall rocks. Based on past experience, extraction grade could vary from 13 to 17 ounces silver per ton. The lead and zinc grade should be close to mine average, about 11% combined. Potential tonnage, based on limited drill holes and reasonable geological projection exceeds 100,000 tons. Substantially more development and diamond drilling is required to convert the estimate to drill indicated reserves.

Exploration and Development Expense

Totalled \$1,322,000, including deferred development, or about 45% of total production and deferred development expense, for 1979. Total expense for 1980 will exceed the 1979 figure by at least 10%.

Silver Hedging

In late June, it was decided to fix the price of a portion of future silver production by selling silver forward on the futures market. This policy is still in effect although it is constantly being monitored.

Prospects for 1980

Metal prices for 1980 will obviously have a major impact on profits. However, the impact of wide swings in silver prices will be offset by hedging. While costs continue to increase, this affect will be more than offset by much greater production. A very substantial increase in profits before taxes can be reasonably anticipated.

Respectfully submitted on behalf of the Board,

G. W. Walkey
President

May 26, 1980

SILVANA MINES INC.
Executive Office-Suite 1402, 390 Bay Street,
Toronto, Ontario, M5H 2Y2.

NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS

Notice is hereby given that the Annual General Meeting of the Members of Silvana Mines Inc. (hereinafter called the "Company") will be held in the Windsor Room, Hotel Georgia, 801 Georgia Street in the City of Vancouver, British Columbia, on

Friday, June 27, 1980

at the hour of 9:30 o'clock in the forenoon (Vancouver time) for the following purposes:

- (1) to receive and consider the Annual Report of the Company including report of the Directors, the financial statements as at December 31, 1979, and the reports of the Auditors, Thorne Riddell;
- (2) To elect directors for the ensuing year.
- (3) To appoint Auditors for the ensuing year.
- (4) To transact such other business as may properly come before the meeting.

Accompanying this Notice are copies of the Report of Directors to the members, the Financial Statements made up to December 31, 1979, together with the report of the Auditors thereon, an Information Circular and Form of Proxy.

DATED at TORONTO, this 26th day of May, 1980.

BY ORDER OF THE BOARD OF DIRECTORS

J. Geddes, Secretary-Treasurer

MEMBERS ARE ENTITLED TO VOTE AT THE MEETING EITHER IN PERSON OR BY PROXY. IF YOU ARE UNABLE TO BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO READ, COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY.

NOTE: A Proxy, to be effective, must be received, by mail or otherwise at the Executive Office of the Company at Suite 1402, 390 Bay Street, Toronto, Ontario or at the Records Office of the Company, P. O. Box 189, New Denver, B.C. within 48 hours before the time for holding the said Annual General Meeting.

SILVANA MINES INC.
INFORMATION CIRCULAR

AS AT

MAY 26, 1980

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation of Proxies by the Management of SILVANA MINES INC., ("the Company") for use at the Annual General Meeting of the Members of the Company to be held on the 27th day of June, 1980, at the time and place for the purposes set forth in the Notice of Meeting. The cost of this solicitation will be borne directly by the Company.

APPOINTMENT AND REVOCATION OF PROXY

The persons named in the accompanying Form of Proxy are Directors and Officers of the Company. A member desiring to appoint some other person to represent him at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided in the form of Proxy and depositing the completed Proxy at the Executive Office of the Company, Suite 1402, 390 Bay Street, Toronto, Ontario via the enclosed addressed envelope or at the Records Office of the Company, P. O. Box 189, New Denver, British Columbia.

A Proxy may be revoked either by (a) signing a Proxy bearing a later date and depositing it at the place and within the time aforesaid; or (b) signing and dating a written notice of revocation (in the same manner as the Proxy is required to be executed as set out in the Notes to the Proxy) and either depositing the same at the place and within the time aforesaid or with the Chairman of the Meeting on the day of the Meeting or on the day of any adjournment thereof; or (c) attending the Meeting or any adjournment thereof, and registering with the Scrutineer thereat as a member present in person, whereupon such Proxy shall be deemed to have been revoked.

On the date of the accompanying Notice of Meeting, the Company had 3,007,150 common shares outstanding without par value. All shares in the capital of the company are of the same class and each carries the right to one vote.

Members registered prior to the time of the Meeting are entitled to attend and vote thereat. Members desiring to be represented by Proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote thereat, deposit their Proxies at the place and within the time set forth in the Notes to the Proxy.

To the knowledge of the Directors and Senior Officers of the Company, the following Members beneficially own directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>Percentage of Outstanding Shares</u>
Kam-Kotia Mines Limited Suite 1402, 390 Bay Street Toronto, Ontario	1,172,357	39%
Carnegie Mining Corporation Limited (subsidiary of Kam-Kotia Mines Limited) Suite 1402, 390 Bay Street Toronto, Ontario	600,000	20%

PROVISIONS RELATING TO VOTING

The shares represented by Proxy in the form enclosed will, on any poll, be voted by the designated holder thereof in accordance with the direction of the Member appointing him. In the absence of such direction it is intended that such shares will be voted in the affirmative for all proposals set out in the accompanying Form of Proxy and for the election of Directors and the appointment of Auditors as set out under those respective headings in this Circular.

The enclosed Form of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, the Management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

ELECTION OF DIRECTORS

The Directors of the Company are elected annually and hold office until the next Annual General Meeting of the Members or until their successors in office are duly elected. The Management of the Company proposes to nominate the persons listed below for election as Directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by the Management of the Company will be voted for on any poll by the nominees listed in this Circular. THE MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. IN THE EVENT THAT PRIOR TO THE MEETING ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES HEREIN LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY MANAGEMENT TO VOTE THE PROXY ON ANY POLL FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTOR(S).

The following table sets out the names of the persons to be nominees for election as Directors, the positions and offices which they hold with the Company, their respective principal occupation or employment, the period during which they have served as Directors of the Company, and the number of shares of the Company which each beneficially owns directly or indirectly as of the date of the accompanying Notice of Meeting:

<u>Name of Nominee</u>	<u>Principal Occupation</u>	<u>No. of Shares of Company beneficially owned, directly or indirectly</u>	<u>Date first Elected to the Board.</u>
G. W. Walkey	Mining Engineer Vice-President, Kam-Kotia Mines Limited	1	1969
H. Vance White	Mining Executive President Dickenson Mines Limited	15,300	1977
James Geddes	Chartered Accountant with Mid-North Engineering Services Limited	1	1977
William Hogg	Retired formerly Mine Manager Silvana Mines Inc.	1	1977
H. Rodney Heard	Chartered Accountant with Mid-North Engineering Services Limited	501	1978

The management has relied on information furnished by each respective nominee as to his beneficial ownership of shares in the Company at the date hereof. Each of the above named persons has held the principal occupation indicated for at least five years, except for William Hogg who was mine manager prior to his retirement in 1979.

REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Company to Directors and Senior Officers, (including the five highest paid employees) during the year ended December 31, 1979, amounted to \$139,000 of which Directors' fees as such amounted to \$1,050.

Kam-Kotia Mines Limited (Kam-Kotia) is the parent Company of Silvana and provided engineering and management services for \$50,000 in 1979. Included in the Kam-Kotia fee are the services of G. W. Walkey, President of Silvana and W. Hogg, Mine Manager of Silvana until August 31, 1979. No salary was paid to G. W. Walkey by Silvana.

Mid-North Engineering Services Limited (Mid-North), Suite 1402, 390 Bay Street, Toronto provides administrative, accounting and secretarial services including Executive Office facilities and during the year ended December 31, 1979 \$15,300 was paid to Mid-North for its services.

The insiders of Mid-North are A. W. White, H. R. Heard, J. Geddes, H. V. White, S. J. Headford, and H. S. Dolson, all with the same address as the Company.

The insiders of Kam-Kotia Mines Limited are Dickenson Mines Limited, A. W. White, G. W. Walkey, H. R. Heard, H. V. White, H. I. Miller, H. S. Dolson and J. Geddes, all of Suite 1402, 390 Bay Street, Toronto, Ontario; R. P. Tapper, H. Hessner, O. Kwasnycia, C. Mark, and D. Molloy, all of Balmertown, Ontario; W. Hogg, K. Gordon, W. W. Cummings, R. Leftrock, J. Heichert, S. L. Phillips, all of New Denver, British Columbia; D. F. Burt of Burt, Burt, Wolfe & Bowman, Suite 315, 85 Richmond Street West, Toronto, Ontario; C. R. Diebold, Diebold & Millonzi, Suite 600, 15 Court Street, Buffalo, N. Y., 14202; F. R. Graham, Graymont Limited, Suite 1414, 401 Bay Street, Toronto, Ontario; R. A. Halet, R. R. #1, Campbellville, Ontario; G. H. Scott, 66 Arjay Crescent, Willowdale, Ontario; David Johnston, 93 Salisbury Ave., Galt/Cambridge, Ontario; W. F. White, Burns Fry Limited, Box 39, Toronto-Dominion Centre, Toronto, Ontario; F. A. Fell, 35 The Kingsway, Toronto, Ontario.

INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

No Director, Senior Officer or proposed nominee for election as a Director of the Company herein named, no shareholder holding greater than 10% of the issued capital of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year, or in any proposed transaction which in either such case, has materially affected or will materially affect the Company.

APPOINTMENT OF AUDITORS

It is proposed that Messrs. Thorne Riddell, will be nominated as auditors of the Company until the next Annual Meeting of Members. Forms of Proxy given pursuant to the solicitation of the management of the Company, will, on any poll, be voted as directed and in the event of no direction, for the re-appointment of the said firm, at a remuneration to be fixed by the Directors. Thorne Riddell were first appointed by Directors October 6, 1977.

ADVANCE NOTICE OF THE MEETING

The advance notice of the Meeting required by Section 133 of the Companies Act was published in the Vancouver press May 9, 1980.

PARTICULARS OF ANY OTHER MATTERS TO BE ACTED UPON

The Management of the Company knows of no matters to come before the said Meeting other than the matters referred to in the Notice of the said Meeting. However, if any other matters which are not known to the Management of the Company shall properly come before the said Meeting the Forms of Proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgement of the person voting the proxy.

The contents and the sending of this circular have been approved by the Directors.



James Geddes
Secretary-Treasurer

DATED at Toronto, Ontario, this 26th day of May, 1980.

SILVANA MINES INC.
STATEMENT OF INCOME
THREE MONTHS ENDED MARCH 31, 1980
(Unaudited)

	<u>1980</u>	<u>1979</u>
REVENUE		
Metal recovery, gross value	\$ 1,294,596	\$ 1,119,319
Less transportation and treatment costs	<u>536,702</u>	<u>317,482</u>
	<u>757,894</u>	<u>801,837</u>
EXPENSES		
Exploration	403,825	147,640
Mining	329,324	163,869
Milling	178,721	86,894
Mine management and general expenses	<u>124,235</u>	<u>61,529</u>
	<u>1,036,105</u>	<u>459,932</u>
Operating income (loss) before undernoted items	(278,211)	341,905
Depreciation and depletion	<u>111,004</u>	<u>29,410</u>
Income (loss) from mining operations	(389,215)	312,495
Head office, administrative and general expenses	<u>29,618</u>	<u>29,452</u>
	(418,833)	283,043
Interest and miscellaneous income	<u>7,090</u>	<u>14,263</u>
Income before income taxes	(411,743)	297,306
Income tax (recovery)	<u>(144,110)</u>	<u>100,000</u>
NET INCOME (LOSS)	<u>\$ (267,633)</u>	<u>\$ 197,306</u>
Net income (loss) per share	(5.84¢)	6.6¢

The loss experienced in the first quarter of operations in 1980 is attributable to lower than anticipated grades of production, low prices from future sales of silver and increased costs.

SILVANA MINES INC.
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE THREE MONTHS ENDED MARCH 31, 1980
(Unaudited)

SOURCE OF FUNDS

Charges (credits) not affecting the use of funds:

Recovery of deferred income taxes

\$(144,110)

Depreciation, depletion and amortization

111,004

(33,106)

USE OF FUNDS

Loss for the period

267,633

Oil and gas interests

7,691

Fixed asset acquisitions

80,952

Deferred development expenditures

98,687

Increase in supplies

63,999

518,962

Decrease in funds during the period

552,068

Funds at beginning of the period

994,100

FUNDS AT END OF THE PERIOD

\$ 442,032

Represented by working capital

Current assets

\$ 1,039,012

Less: current liabilities

596,980

\$ 442,032