RECO SILVER MINES LTD (N.P.L.) 201-535 HOWE STREET, VANCOUVER 1, B.C. TELEPHONE 684-4206

INFORMATION ON RECO SILVER DEVELOPMENT

FORMER PRODUCTION

.... 1,298,810 ounces Silver	- produced from Reco's property
.... 7,387,000 pounds Lead	- produced from Reco's property
.... Approx. 7,000,000 pounds Zinc	- produced from Reco's property

For its tonnage Reco was the highest grade shipper from the Slocan and an early profitable operation .... Initial dividends amounted to $332,492.

NEW WORK COMPLETED

.... A full topographical survey -
.... Surface and underground surveying -
.... 3,000 feet of baseline have been cut and over 15,000 feet of crosslines and several miles of transit surveys have been completed on a mining grid -
.... Over 250 soil samples in geochemical surveying on established grids -
.... 7 mine adits have been re-opened - Nos. 2, 3, 4 and 16 of the No. 1 Mine, Nos. 11 and 15 of the No. 2 Mine and No. 8 of the Reco Goodenough Mine. This work was done for examination, sampling and preparatory for underground exploration -
.... Mineralization located in old workings -
.... A fault of major proportions has been located and new mineralization discovered -
.... All accessible mine workings and the surface of the Reco Silver holdings have been geologically mapped -
.... Over one mile of road was improved and over 6,000 feet of new roads have been constructed -
.... A considerable amount of surface stripping by bulldozer has been done, particularly in the area northwest of the No. 2 Mine. A vein structure believed to be an extension of the Deadman Vein, was disclosed in this area -
.... Co-ordination of new acquisitions - Cody-Reco and Bluebird claim groups with the Reco Silver holdings -

1969 WORK PROGRAMMED

.... Extension of present road to New Mineralized Zones -
.... Stripping and trenching on known mineralization -
.... Drifting on known mineralization and under previous productive levels -
.... Extended Geophysical and Geochemical surveys on indicated new veins and on extension of old producing veins -
.... Diamond Drilling on New Ore Zones -
.... Drifting on New Mineralization -

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

S. E. Cropper
President

February 1969

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NEWS RELEASE

Reco Silver Mines Ltd. announces it has now acquired under a long term lease the Cody-Reco ground consisting of 21 Crown Granted mineral claims and fractions. This new acquisition adjoins the Reco property to the northwest in the rich Slocan district and increases Reco Silver holdings to 68 claims of which 47 are Crown Granted.

The Cody-Reco Group had four producing mines - The American Boy, The Last Chance, The Noble Five and the Deadman. The Cody-Reco area was extensively explored in contrast to the original Reco Silver Group which previously had received comparatively little attention. At various times in the early years attempts by the owners of the Noble Five to acquire the Reco property were turned down by its principal owner. Veins run from the Cody-Reco Group into the Reco Silver property and in several cases ore-shoots cross the common boundary. The immediate benefit of the Cody-Reco Group is that ore disclosures on the Reco Silver ground will be protected in their southwest extension.

The gross Silver-Lead-Zinc production of the Cody-Reco Group would be over 5 million dollars.

An outstanding immediate benefit to Reco Silver is the special case of an ore disclosure on the Chambers claim probably extending into an isolated claim of the Cody-Reco. A second example is the Deadman vein extension into the Reco owned New Denver claim and extending back southwesterly into the Wild Goose claim now owned by Reco Silver.

Definite benefits are the various adits of Cody-Reco that approach the ore disclosures of Reco Silver at various depths. One such tunnel is 1800 feet below Reco Silver showings. A road access system serves both the Reco Silver and the adjoining Cody-Reco Group from 4,000 feet elevation at Cody to an elevation of 7,000 feet.

Some of the work completed by Reco Silver up to the 1968 year end consisted of re-opening and timbering several tunnels including the #8 Portal. Inspection and work on the #7 and #8 Levels disclosed a vein to the southeast. A specimen from this vein assayed 122.1 ounces Silver, 10.9% Lead and 19.4% Zinc. This is very encouraging as the Silver to Lead ratio (5.5 ounces Silver to 1% Lead) is consistant with the mine average of 226 ounces Silver to 42% Lead.

Examination of the Purcell vein on the recently acquired Bluebird Claims shows a vein which parallels the Reco-Goodenough vein 700 feet away. Other drifting on this vein showed clean Galena. Additional work on this vein is recommended by the engineers as a high priority.

Further work on the Chambers vein has disclosed excellent additional values and new assays from channel samples have indicated 38 ounces Silver, 21% Lead and 1% Zinc over 2.75 feet.

An early start is being arranged on the property now that the cold weather is abating. Co-ordinating of mapping between the newly acquired Cody-Reco and Bluebird Groups is taking place so that an overall comprehensive plan can be set up for underground development. Increased accessibility to known mineralized zones both surface and underground locations will greatly speed up the development this year. In addition excellent new mineralization has been discovered in other areas on the property not previously examined and further work is planned for these new areas.

Assays and other work will be reported as the Company compiles the additional information.

RECO SILVER MINES LTD.

S. E. Cropper
President

February 4, 1969

WESTERN MINER JUNE, 1968

By RONALD F. JEROME, B.A.,
Research Consultant

THE REBIRTH OF SILVER

In recent months under the continued pressure of world-wide monetary difficulties, people have been searching for means to protect themselves against possible threat to their financial security: witness the run on gold that mounted to fantastic proportions in the month of March. The powerful fascination of gold that has seized men for thousands of years is again commanding world-wide attention and concern. The rush to buy gold and gold stocks reflects both the fear of possible devaluation of world currencies and the hope that speculative profits can be made by those who buy gold now and sell it at higher prices later on. As long as gold is used to back the world's currencies, these two feelings will always be present.

Ronald F. Jerome

Ronald Frank Jerome was born in Glenwood Springs, Colorado, and is a graduate of the University of Michigan in Arts. He is now a resident of Vancouver, B.C., and a member of the research department of Donaldson Securities Ltd.

In the midst of this uncertain situation, there have been discerning individuals who have seen means of both protecting their interests and of making money without confronting all the uncertainties and risks which abound in the case of gold. These people have carefully examined the prospects of a commodity that has been around for a long time and which once again is showing immense rewards for those who are acting quickly. These men have rediscovered the once famous "mother-lode" — silver. But why should silver be as good as gold?

Let us compare gold and silver as prospective investments and see what the determining factors are in each case. If we consider demand and supply figures and ignore for the moment the fact that gold is used to back currencies, we come up with some rather striking facts.

Non-communist world gold production in 1966 was about 41 - 42 million ounces. Figures for 1967 are expected to be about the same. This amounts to about $1.5 billion. At the same time, gold consumption for industrial uses by the non-communist world amounted to about $700 million. This means that only about one-half of the gold produced has had any direct commercial application. The remainder was stored in various government stockpiles and was subject to the demands of speculators. Such demand has grown dramatically in recent years. Indeed, it reached approximately $1.8 billion by the end of 1967, compared with about $0.3 billion in 1950. The demand for gold in 1967 exceeded production by about $1 billion. However, with the gold reserves of the world central banks estimated at $25 billion, this means that there is currently enough gold to fill all needs for some time to come.

In the case of silver, however, the picture is quite different (Figure 1). In 1954 non-communist world production stood at 181.6 million troy ounces with consumption at 244.2 million ounces. In 1960 production was 213.3 million ounces with consumption at 328.5 million. In 1966 production reached 230 compared with a world consumption level of 463.9 million ounces to be filled from reserves. This deficit has grown appreciably in the last 14 years. While production has increased 26.8%, consumption has increased nearly 90%, and the disparity between the two has increased 372% (Figure 2). In 1965 the difference was even greater than this, but it has since declined because of the sharp decrease in the U.S. government's demand for silver for coinage. This demand decreased from 320.3 million ounces in 1965 to 53.6 million in 1966.

The obvious question to ask at this point is where the additional silver needed for world consumption has been coming from. The main source has been the United States Treasury which, until May 1967, attempted to maintain silver at $1.293 per ounce. From 1960 to 1967 the sale of U.S. Treasury reserves amounted to something over 1.6 billion ounces (Figure 3). As a result, the Treasury will no longer be able to continue to supply the excess of consumption over production. Early in March the government claimed to have about 350 million ounces of silver left in reserves. Of this, 165 million ounces are earmarked for strategic reserves and are thus not for sale. This leaves 185 million ounces of which 60 million may be what is called "contaminated" silver, also not for sale. Against the remainder of 125 million ounces, there are approximately 340 million silver certificates outstanding which may be redeemed until June of this year. They are entitled to redemption at $1.2929 per ounce. Thus, if they were all presented, they would deplete the reserves by about 263 million ounces, thereby creating a deficit of 135 million ounces. Even if none of them were redeemed, the government would still be faced with the problem of supplying enough silver to meet a single year's domestic needs — about 240 million ounces.

It came to light officially in April that the government's predicament is worse than the initial statistics would indicate. In a letter to a U.S. Congressman, Eva Adams, Director of the U.S. Mint, revealed that only 177 million ounces of the current silver reserve were of the "fine" quality (.999) required for the strategic reserve. Estimates for the first four months of 1968 on the amount of .999 fine silver sold by the Treasury range from 15 to 50 million ounces. Even taking the lowest of these means the government is unable to meet the stockpile requirement set by law. In addition there are good reasons to question the accuracy of current government silver statistics. However, if we accept the government's own arithmetic, we see that it is in serious trouble.

The U.S. Treasury's belief that it can melt silver coins to supply consumer's needs seems to be little more than a dream, for two reasons. (1) Since it was initially forced to cease using silver in coins because silver coins were being hoarded, the Treasury had to resort to minting "sandwich" coins to fill the needs of commerce and maintain a circulating money supply. If Gresham's law, which states that bad money drives out good, continues to be valid, there is no reason to believe that silver coin hoarders will part with their cache in exchange for a "sandwich" substitute. Although there are about 1.8 billion ounces of silver in the outstanding coin supply, even if one is optimistic, it is unlikely that the government will manage to get more than about 100 million ounces of silver back. (2) Although the Treasury claims to have about 200 million ounces of silver in coins in its possession, this silver is not .999 fine. Since the majority of commercial users of silver — photographic film manufacturers and electronic equipment firms

— require the highest grade silver possible, the Treasury will not be able to fill their current needs, except by further depleting its strategic reserves. In addition, it is estimated that at least six months would be required to expand current silver refining capacity enough to handle the Treasury's stock of silver coins. But the .999 fine silver is needed now, not six months from now. The U.S. government, however, appears to have enough problems filling its own needs for the remainder of this year without worrying about commercial needs.

The U.S. mines about 42 million ounces of silver annually, most of which comes from the Coeur d'Arlene district of Idaho. This area contains four of the leading U.S. silver producing mines and is crucial as a future supplier of silver. About two-thirds of all new silver production, however, comes as a by-product of copper, lead and zinc ore mining. The prolonged copper strike eliminated this important source of silver for about eight months. It was estimated that it would take at least three months after the strike was settled to bring production back up to normal levels. This means almost a year will have gone by with only a minimum amount of silver having been added to the world's supply by major U.S. producers. Prior to 1967 the search for silver deposits as such was not especially intensive. Although the pace has accelerated, no one can predict how long it will take to find new deposits or how large these might be. Reactivating old mine workings with formerly marginal silver values will require considerable time. In the meantime the U.S. will be forced to look elsewhere for silver.

Current silver prices are reflecting in a dramatic way the world-wide silver shortage. From $1.293 per ounce in May 1967, the New York spot silver price has risen to $2.45 per ounce as of May 16, 1968, and gives every indication of continuing to rise to at least $3.00 before the end of the year. This is best reflected in the New York Metal Market futures prices which are as high as $2.84 per ounce for silver deliverable in September 1969. Since the silver price was freed, it has been in a strong uptrending pattern (Figures 4a & 4b).

In addition to the economic consideration in comparing gold and silver as possible investments, we have political factors to examine. If the world monetary system is to remain stable, governments will have to take steps to prevent a repetition of the run on currency such as we witnessed during March in the case of the United States. To do this there are two basic alternatives. (1) If gold is retained as a backing for currencies, it must be stabilized and insulated from speculative attacks. This means putting restrictions on the ease of convertibility from paper currencies to gold. Steps in that direction were taken when the international gold pool was abandoned. Gold held by the various central banks is now supposed to be used only among these banks and will no longer be accessible to speculators. In addition, no further purchases of gold may be made to add to the supply in the central banks. Such a move limits the availability of gold, for now it can only be bought in a free market where the supply is currently quite limited. (This is due mainly to the temporary suspension of gold sales by South Africa.) (2) The second possibility would be to cease using gold as a backing for currency. The U.S. took steps in this direction when it passed its gold cover removal bill. At various times the International Monetary fund had considered such proposals. This would release gold to become a free commodity as silver. But unlike silver, the commercial supply of gold exceeds the demand. The gold price would undoubtedly seek a new equilibrium level. In the meantime, however, the creation of a speculative gold market has brought a rise in the price of gold in that market. This rise will make increased gold production attractive, at least on a short term basis.

There are no such political considerations affecting silver. Consumption continues to outstrip production at a growing rate. Large reserve stocks are being depleted at alarming rates. The problem facing the world at large is the source of new supplies. Regardless of what happens to gold, the price of silver must rise.

As its price continues to rise, many small and/or low grade silver deposits or presently uneconomic deposits of other metals, with silver as a by-product, will become more attractive. Canada has many small silver properties, and even some large ones, which are now coming into their own as the silver supply dwindles. Since the story apparently has not been fully understood by the public, such mining properties still offer alert individuals and companies an opportunity to benefit from the increasing silver price on the one hand and the increasing demand on the other.

The February 1968 issue of the Canadian Mining Journal gives Canada's estimated silver production for 1967 as 34.4 million troy ounces, compared with 33.4 million the year before. Exports of silver ores, concentrates and refined metal for the first nine months were about 17.5 million ounces. Of these the United States took 85%. Canada is one of the top four silver producers in the world and as such should gain tremendous benefit from the silver shortage (Figure 5).

The same issue of the Mining Journal mentions the few restrictions on silver exports, namely on silver coins, alloys, chemicals, and scrap, established in order to reduce the unusually large movement of such silver bearing materials. But ores and concentrates are exempt from the new measures.

The Canadian mineral industry continues to be among the most dynamic features of the economy as a whole. In periods where growth rates in most other areas were declining, the mineral industry acted as a support for the overall growth rate. In view of the above facts, silver production will be an important part of continued growth. Although exploration is being conducted across Canada, some of the best opportunities are to be found in the northern and western parts of the country. These parts have yet to be examined in as great detail as the eastern provinces. In many respects these areas are still virgin.

All things considered then, silver equities, whether in the form of mines, silver bars, or stock in silver producers or potential producers, are an excellent investment. While there are a number of large silver producers in Canada which are well known, there are a number of lesser known ones with excellent potential yet to be "discovered" by investors. These situations offer opportunity to get in early and to realize rapid capital gains. Such opportunities are normally scarce, but when they do occur, those on top of the situation benefit the most. Opportunities are here, and the time to act is now.

Courtesy of:
RECO SILVER MINES LTD.