

**TO SHAREHOLDERS:**

Financing has now been arranged to proceed with the next phase of the ore delineation program on the Company's wholly owned silver properties near Stewart, B.C. This report together with the map and cross-section shown overleaf will help shareholders understand the current state of development and the direction being taken by management to bring the properties into production.

**HISTORY**

From 1929-31 a mine located on Crown Grant claims held by the Company was the third largest silver producer in British Columbia, yielding 2.3 million ounces of silver from 30,000 tons of ore averaging 75 oz/ton. In addition, 3,000,000 pounds of lead, an equal amount of zinc, 56,000 pounds of copper and 840 ounces of gold were extracted from the ore. Mine operations ceased in 1931 when the price of silver dropped to 28¢ per ounce.

In 1952 the properties were acquired by the Company and until 1976, the Company on its own and with others carried out sporadic exploration combined with some rehabilitation and limited sampling and drilling; however, very little new information was obtained.

In 1978, control and management of the Company was assumed by current management and Wright Engineers of Vancouver were engaged to re-evaluate available data and information, and prepare a report with respect to the merits of the properties. A multi-phase program leading to reserve delineation was recommended and the Company has, since 1980, spent about \$600,000 towards this program. This summer's program is simply a continuation of the work begun in 1980.

**RESERVES**

To date, five steeply dipping veins have been identified on the Company's properties, namely, the Prosperity, "D", Blind, Angelo, and Wake; however, only the first three have been explored. Since 1980 the Company's sampling and percussion drilling program has been limited to the "D" tunnel on the "D" vein and the 305 Dr. S. on the Prosperity vein. This work has established substantial mineralized sections on each of these veins with probable reserves estimated as follows:

	<u>Reserves (tons)</u>	<u>Grade (oz/ton)</u>	<u>Silver (oz)</u>
"D" vein	400,000	16.3*	6,520,000
Prosperity vein	200,000	31.6	6,320,000
Total	600,000	21.4**	12,840,000

\* When the 13,000 tons of material grading 12.5 oz/ton silver stockpiled at the portal to the "D" tunnel is recombined with 4,500 tons grading 76 oz/ton shipped from this level, the average grade of all material removed is an impressive **28.8 oz/ton**. Hence percussion drill results grading 16.3 oz/ton may be much too low.

\*\* Weighted Average

The **ultimate reserve potential** on each of these veins is much greater for the following reasons:

- (a) The "D" vein is known to extend vertically and laterally beyond the mineralized section described above. A mineralized outcrop **15 feet wide grading 23 oz/ton silver** was discovered on the "D" vein in 1981 at the 5,500 foot level some 1,000 feet on strike and 800 feet vertically above the tested section.
- (b) Mine plans indicate that mineralization on the Prosperity vein extends beyond the area defined in the 1981 program. The plans show a number of high grade mineralized shoots that were sampled only over narrow widths:

<u>Drift</u>	<u>Length</u> (feet)	<u>Width</u> (feet)	<u>Silver</u> (oz/ton)
101 Dr. N.	190	4.2	69.0
	64	3.5	101.0
	195	4.0	33.2
305 Dr. N.	52	1.8	28.8
	23	2.4	18.1
	81	2.6	117.4

- (c) Regionally, the Prosperity and "D" veins may extend under the ice cap to the Company's Silverado Workings on the West side of Mt. Rainey providing a strike length of 8,000 feet and a vertical range of more than 2,000 feet.

**MINING PLANT**

Engineering studies suggest that access to the mine site should be via a 5 mile road from the town of Stewart to a mine portal at the 3,000 foot level on the West side of Mt. Rainey. A 6,600 foot adit can then be driven from the portal to a point beneath the ore bodies on the "D" and Prosperity veins with a vertical shaft and incline servicing the mining horizons. Milling facilities can be located either near the portal of the adit or underground near the mine site.

If the cut and fill method of mining is used, the concentration process will result in a closed system with tailings being returned to back-fill the stoped areas. The product, based on preliminary mill tests, will be a concentrate grading in the order of 500 oz/ton silver.

**ECONOMICS**

Preliminary economic calculations indicate that a 500 ton/day mining operation is optimal for this mineral deposit, and the threshold reserves, grading 20 oz/ton silver, required to support such an operation will vary with the price of silver. Following is a summary of the various economic parameters assuming full debt financing:

	<u>Silver Price</u> <u>(\$Can/oz.)</u>		
	<u>10</u>	<u>15</u>	<u>20</u>
Threshold Reserves (000 tons)	800	350	220
Capital Costs (\$ millions)	30	30	30
Operating & Marketing Costs (\$ per ton)	110	110	110
Payout (months)	29	14	10
Annual Operating Profit (\$ millions)	12	32	52

**FUTURE PLANS**

The objective is to establish threshold reserves at the least cost so that a production decision can be made and financing arranged. Based on current information and data, there is more than sufficient reserve potential on the "D" and Prosperity veins within the confines of the mine workings to provide threshold reserves. Hence future work will be confined to these areas and will be carried out in accordance with the following schedule provided that suitable financing can be arranged from one phase to the next. Phases I and II were completed in 1980 and 1981 respectively.

- Phase III Summer 1983 Rehabilitate and percussion drill 101 Drift N. and 305 Drift N. to establish additional probable reserves.
- Phase IV Winter 1983-84 Conduct underground diamond drilling on the Prosperity and "D" veins to establish drill indicated reserves.
- Phase V Summer 1984 Continue diamond drilling underground and above ground until threshold reserves are achieved.

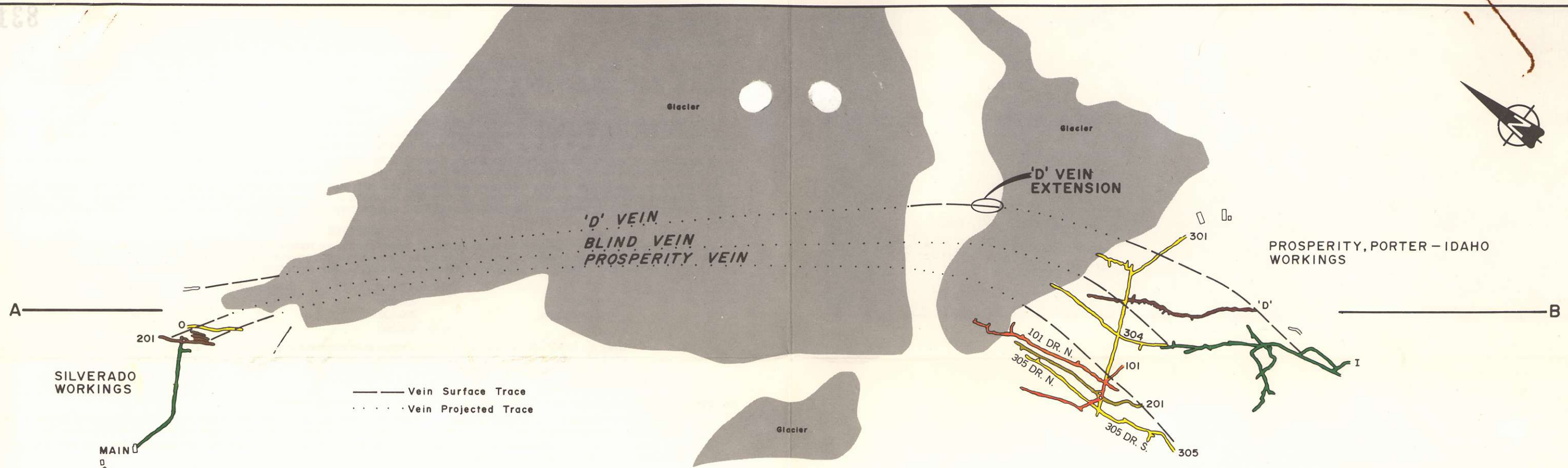
ON BEHALF OF THE BOARD



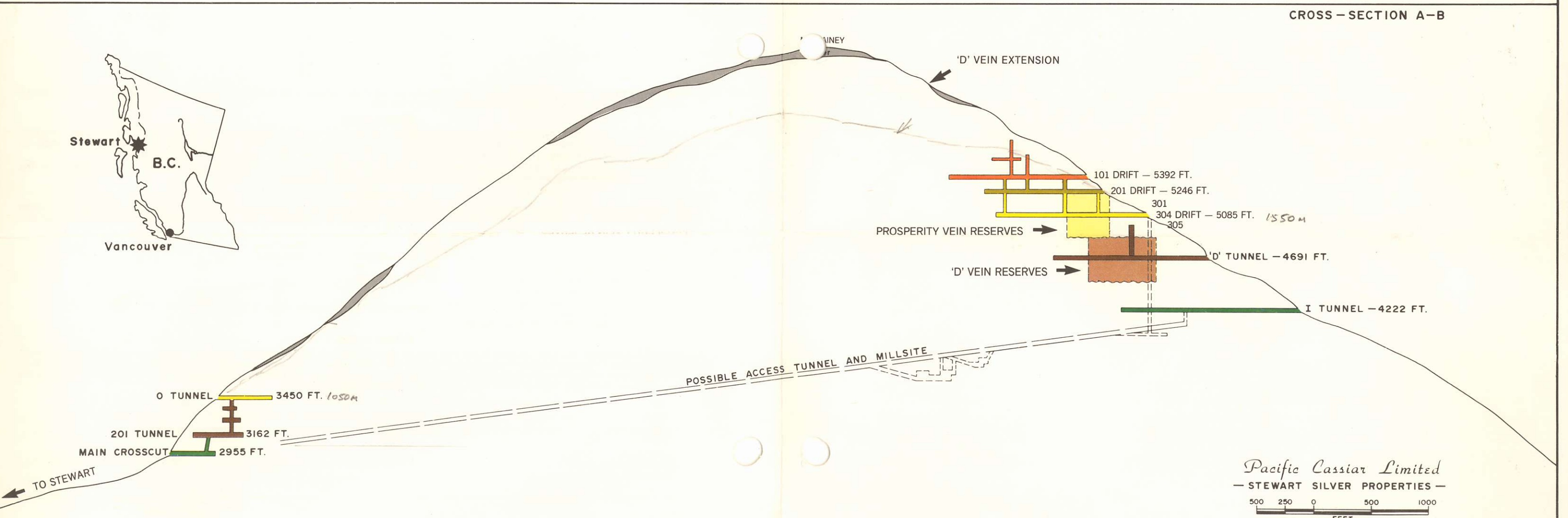
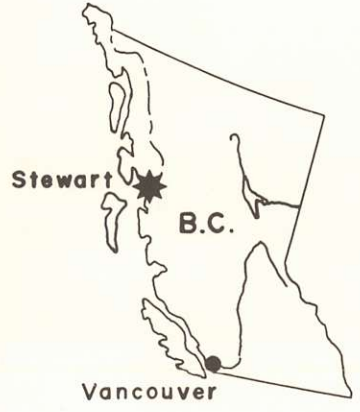
S. VAVRA  
President

August 22, 1983

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PLAN VIEW  
CROSS-SECTION A-B



Pacific Cassiar Limited  
— STEWART SILVER PROPERTIES —

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FEET  
HORIZONTAL & VERTICAL

AUG. 1983

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**SPECIAL REPORT TO SHAREHOLDERS**  
August 22, 1983

*Pacific Cassiar Limited*