→ SILVANA

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trated on selective extraction of the better-grade ore blocks with a substantially reduced work force. The strategy resulted in a decrease in cash costs to Cdn. $271 per ounce of gold in 1992 from Cdn. $383 in 1991.

Ore from the C Vein was a key source of mill feed during the past year. Approximately 15,000 tons of ore from the C Vein grading over 0.4 oz. gold per ton were milled in 1992. The Company is now in the process of developing another block of lower grade ore to the west of the main C Vein zone. A decision will be made later this year whether the ramp will be extended to access inferred reserves on the next level.

Mining recommenced on the Tom Vein in the latter half of 1992, providing a third source of mill feed. Initial assay results from the first block mined from the 230 Level on the Tom Vein averaged 0.30 oz. gold per ton. The Company is currently drifting to the west on the 230 Level in an attempt to prove up additional tonnage.

Surface exploration on the #2 Vein, outcropping 1100 feet north east of the Tom Vein, provided encouraging initial results. Follow-up work is planned on this target this fall. Exploration work is also planned on the newly-discovered "R.T." vein outcropping south of the main Ptarmigan workings.

In June, 1992 an underground drilling program consisting of six short holes was undertaken to test for ore below the 750 Level at the Ptarmigan Mine. The results were disappointing in that none of the holes intersected ore grade mineralization. More testing is required before the Company is able to determine whether this apparent barren zone is a localized phenomenon or the bottoming of the ore within the Ptarmigan vein.

At July 31, 1992, measured and drilled-indicated ore reserves at the Ptarmigan and Tom Mines totalled 55,100 tons at an average grade of 0.25 oz. gold per ton. The comparable ore reserves as of July 31, 1991 were 134,100 tons at a grade of 0.32 oz. per ton. The drop in reserves is reflective of the lack of exploration and development expenditures incurred during 1992 and the disappointing results encountered in the underground drill program at the Ptarmigan mine.

To date, Treminco has adequately tested only three of the seven quartz veins which appear on surface at the Ptarmigan and Tom properties. The three veins tested – Ptarmigan, Tom and C Veins – have all become significant sources of ore for the Ptarmigan mill. Management is confident that, if the exploration work proceeds as planned, additional ore will be found on one or more of the untested veins, as well as in untested areas of the three fore-mentioned producing veins. Over the next year, the main thrust of the Company's activity at its Yellowknife Division will be centred on identifying and developing additional ore sources near the Ptarmigan mill.

Slocan Division

Since acquiring the Silvana Mine in late 1989, the Company has worked hard to improve the operating efficiencies and cost effectiveness of the mine. The efforts have been successful and, as a result, the Silvana mine was one of only a few underground mines in British Columbia to operate continuously during 1992. Extremely poor prices for lead, zinc and silver in the first half of fiscal 1992 resulted in significantly lower revenues for the mine. Despite the depressed metals markets, the Silvana Mine was able to generate an operating profit, before depletion and depreciation, of $600,000 in 1992 (nil in 1991). Gross mining revenues in 1992 were $3.1 million, a 40% decrease from 1991 ($5.2 million). The decrease was due to lower metal output and reduced prices. Offsetting the reduced revenues, operating and marketing costs in 1992 were slashed to $2.5 million from $5.2 million in 1991. This reduction reflects a reduced workforce, reduced exploration activities and lower marketing charges.

In spite of continuing high worldwide inventories of both lead and zinc, the price of both metals showed some encouraging signs of improvement in the latter months of fiscal 1992. Zinc prices traded above US 60¢, up from a low of US 46¢ earlier in the year, and lead prices moved above US 30¢, up from a low of US 21¢. Silver prices, however, remained depressed throughout the fiscal year, closing below $4.00 US.

Due to the poor markets for silver and base metals in the first half of 1992, production was restricted to only three stopes at the Silvana Mine. The mill operated on an intermittent schedule depending on ore supply. Mining resumed at the Hinckley Property towards the end of the fiscal year to supplement the limited ore supply available from the Silvana; however, no Hinckley ore was milled until after the fiscal year end. The Company expects to produce 3,000 to 5,000 tons of zinc-rich ore during the first half of fiscal 1993 from the Hinckley. This ore will help offset any production shortfalls at the Silvana while the Company continues its search for additional reserves.

Metal production at the Silvana for 1992 totalled 269,000 ounces of silver, 2.26 million pounds of lead and 2.17 million pounds of zinc. The mill processed 18,000 tons of ore at a grade of 15.73 oz. silver, 6.54% lead and 6.28% zinc. This compares to 33,000 at a grade of 11.57 ounces silver, 5.18% lead and 6.23% zinc to produce 367,000 ounces of silver, 3.16 million pounds of lead and 3.82 million pounds of zinc for the corresponding period in 1991. PROD. '92

The measured and drill-indicated ore reserves at the Silvana and Hinckley mines as of July 31, 1992 were 30,300 tons at an average grade of 8.43 oz. silver per ton, 3.47% lead and 4.74% zinc. Comparative figures for July 31, 1991 were 36,100 tons at an average grade of 8.89 oz. silver per ton, 3.89% lead and 5.08% zinc. RES. @ July 31/92

The Silvana property is considered to have excellent exploration potential. While the Company is currently undertaking a modest exploration program designed to test the ground between the 4600 Level of the Silvana workings and the Ruth-Hope Mine, a former producing mine, the Company will likely wait for a significant increase in the price of silver before committing to a major exploration program.

The Willa gold-copper project remained idle during the year as the Company continued to conserve cash. Although the Company is in no hurry to produce gold at the current low prices, it is presently evaluating a test-mining-and-milling proposal which would see the ore processed at a concentrator located north of Revelstoke, B.C. This program would enable the Company to gain more information on the ore controls and grade of the ore deposit prior to making a production decision.