

Treasure Mtn

883940

HULDRA SILVER INC.

PROGRESS REPORT



View of the mine area showing high and milling grade ore stockpile plus surface mine equipment

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VANCOUVER, B.C. V6C 1B6

To The Shareholders

The accompanying progress report gives a summary of work done and results obtained during the last 18 months. On the basis of the ore reserves developed and the potential indicated, the company intends, subject to a favourable feasibility study, to put the property into production. A preliminary evaluation indicates that a production rate of 200 tons per day would be optimal. The company has retained the firm of Bacon, Donaldson & Associates Ltd. to carry out further metallurgical testing, and the firm of Entech Environmental Consultants Ltd. to obtain operating permits.

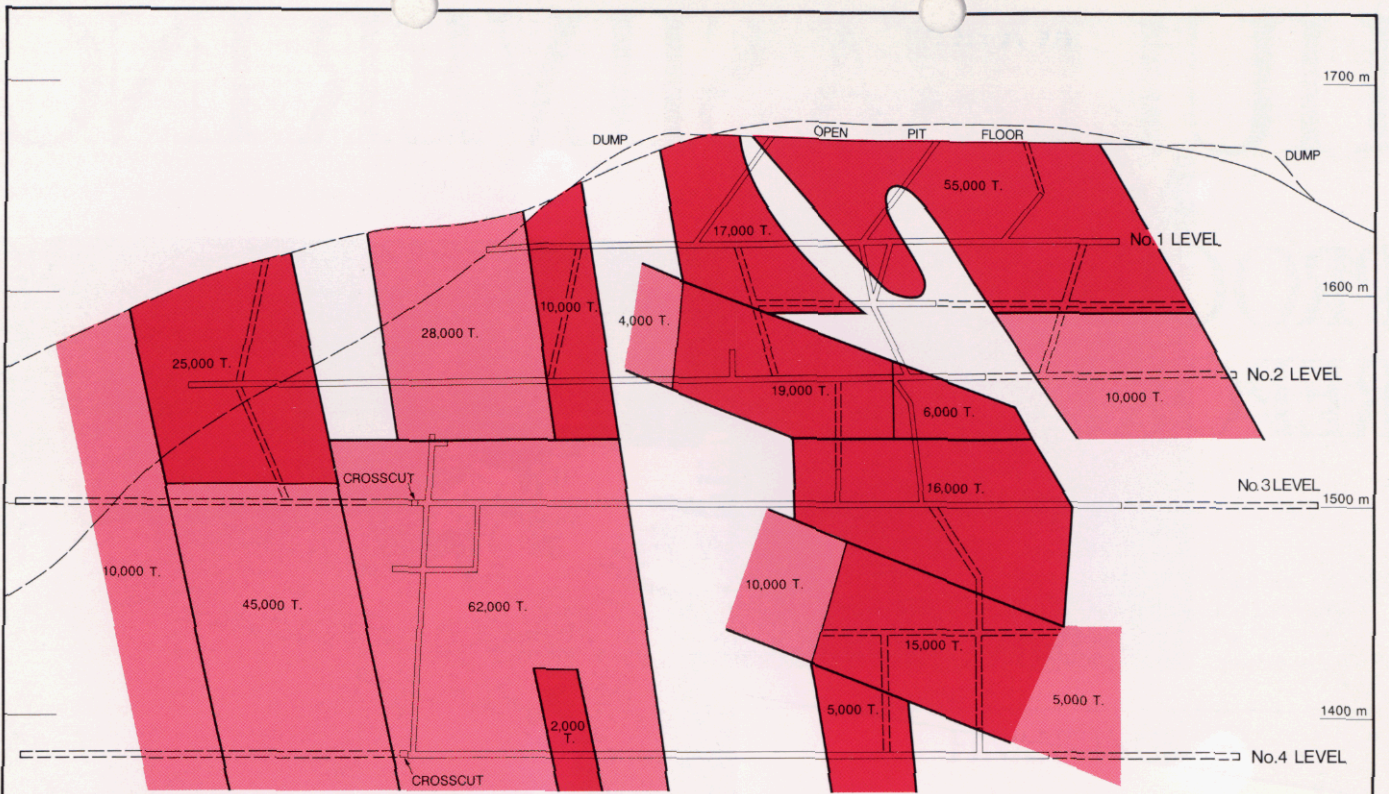
While pursuing the objective of production development, the company will also continue exploration of the Treasure Mtn. fault, which extends for about 8,000 feet on company ground. Present ore reserves have been developed entirely within a 1,500 foot section of this fault. Exploration of the larger fault zone is a priority.

Management is pleased to inform the shareholders that Michael Ross, P.Eng., has joined the Board of Directors. Mr. Ross, who is a metallurgist by profession, is the president of Orocon Inc., a firm specializing in the design and construction of mills.

On behalf of the Board

Magnus Bratlien

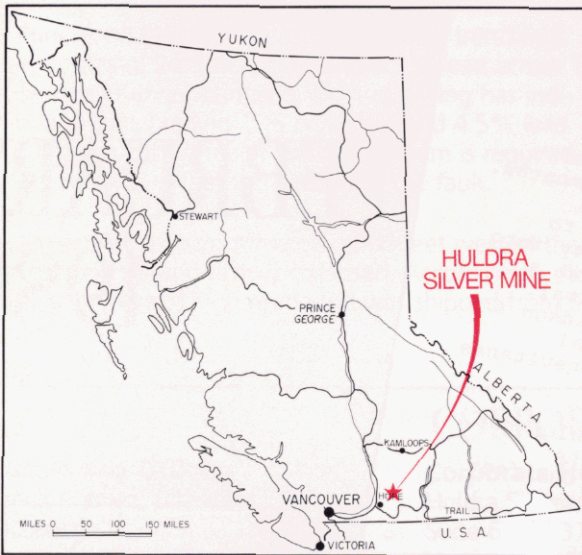
FEBRUARY 1989



LEGEND

- Proposed Development 1989
- DRILLED, DRIFTED OR PARTLY BLOCKED OUT - 164,000 TONS
Average Grade: 25.3 oz Ag, 5.94 % Pb, 4.14 % Zn per Ton
- ADDITIONAL POTENTIAL - 180,000 TONS
Based on Geology and the possible extension of known "ORE"

NOTE: Tonnages (Imperial tons) based on vein dip distances and 4 foot width, grades - content per Imperial ton



HULDRA SILVER MINE LONGITUDINAL SECTION RESERVES AND POTENTIAL RESERVES

FEET 0 50 100 200 300 400 500 FEET

THE MINE — The reserves to date are 164,000 tons grading 25.3 oz. silver per ton and 10% combined lead-zinc, and 180,000 tons potential within the partly explored mine area. Work in the last 18 months has included 7,200 feet of drift and crosscuts and 1,800 feet of raises, plus 10,000 feet of diamond drilling. The mineralization is open at both ends and at depth. Work has been concentrated on the central portion of the continuous vein system which has a known minimum length of over 2.5 km. The three top levels are ready for mining now. A 4,000 ton stock pile is stored near the proposed mill site.

PROPERTY — The 100%-owned Treasure Mountain property of 3,000 acres lies at 4,000 feet to 5,600 feet elevation in Similkameen mining division, 27 km due east of Hope, B.C. Access is by 40 km of all-weather good gravel logging road from the Coquihalla highway. The mine is close to



Backhoe trenching on the eastern extension of the Treasure Mountain fault

PROGRESS REPORT — FEBRUARY 1989

HULDRA SILVER INC.

PROPERTY — 97 claims and units located at Treasure Mountain, 27 km east of Hope, B.C.

ACCESS is by 40 km of all season logging road exiting the Coquihalla Hwy. 1.5 km north of the toll booth. Distance to Vancouver is 230 km, 3.5 hours by car.

EXPLORATION (JULY '87 TO DECEMBER '88)

During the last 18 months, the company carried out a 4 million dollar exploration program on its wholly owned silver, lead, zinc property at Treasure Mountain. The general target of the exploration was the Treasure Mtn. fault zone (which extends for 8,000 feet on Huldra ground) with specific emphasis on the C Vein section within this fault.



Magnus Bratlien, president, examining massive silver-lead-zinc ore in the main surface cut.

The C Vein, which had been uncovered by trenching (and was sampled) in '86, averaged 35 oz/t silver and 7% lead-zinc combined, over a vein length of 820 feet across 4 feet (diluted) widths.

In July/August '87 a bulk sample of about 2,400 tons of ore was mined from the C Vein surface showings. From this bulk sample, a test shipment of 407 tons of select high-grade was shipped to Cominco and Asarco for smelting, and returned \$344,265 net to the company.



Looking northeast to Treasure Mountain and the surface cut mine roads and underground portals

Smelter analysis proved the ore to be "clean." Further testing, of lower grade material, by Coastech Research Inc. found the ore to be free milling with a silver recovery rate of 95%.



Looking east along open cut

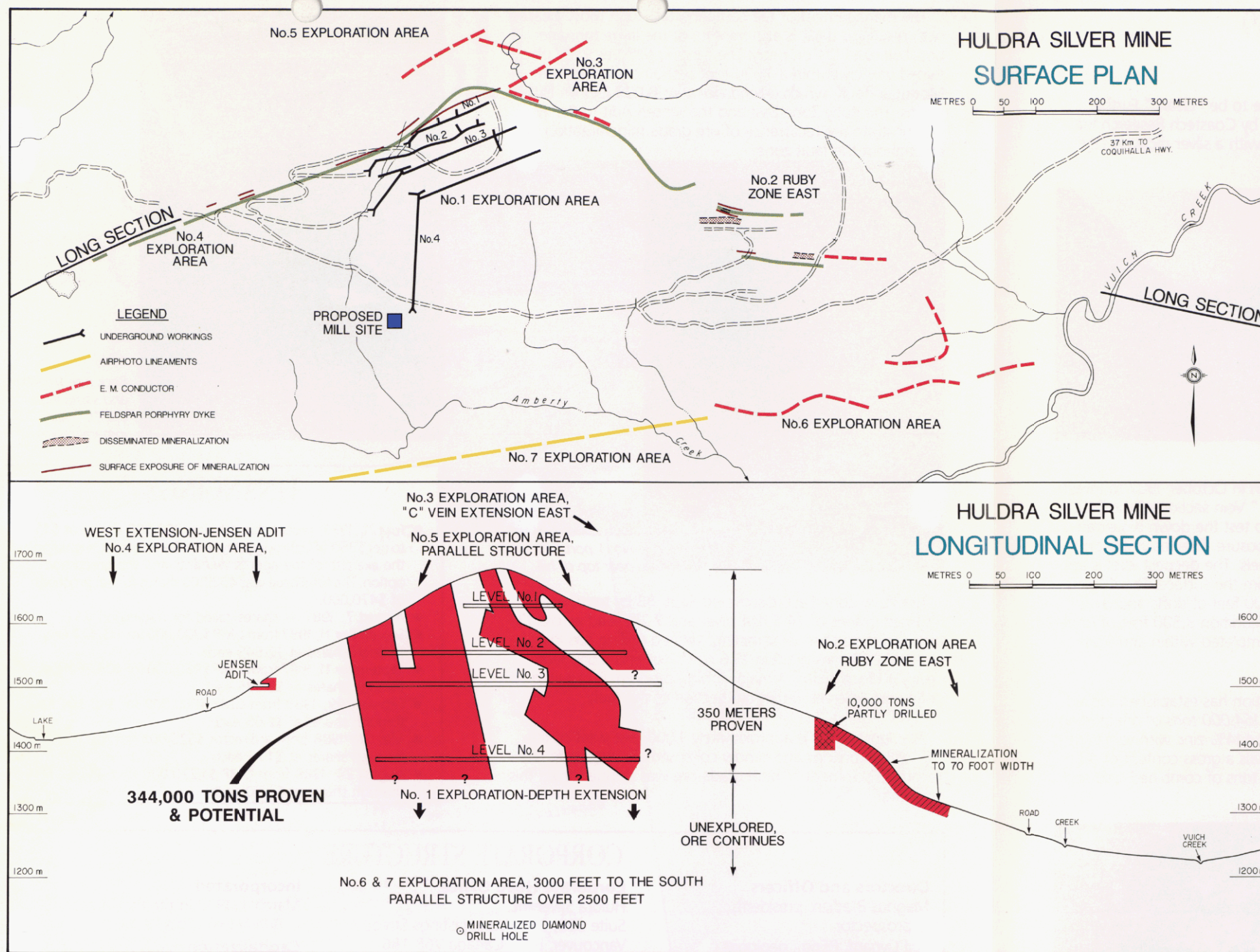
Underground work was begun in October 1987 to investigate the ore potential of the "C" Vein section of the fault. Four 8' x 8' drifts were driven to test the down dip extension of the "C" Vein surface exposure. They each are on the same section but at different levels. The deepest level is approximately 1,200' down dip from the surface. The 4 levels of underground work, total 7,200 feet of drifts and cross-cuts and 1,800 feet of raises. In addition 3,500 feet of underground diamond drilling was completed within and from within the "C" Vein zone.

The work in the "C" Vein section has established (drilled, drifted or partially blocked out) 164,000 tons of ore grading 25.3 oz/t silver, 5.94% lead and 4.14% zinc with vein widths diluted to 4 feet. The above equals a gross content of 4.1 million ozs. of silver and 16,400 tons of combined lead and zinc.



Open cut showing high grade silver-lead-zinc ore in the "C" vein

There are also potential reserves within the "C" Vein zone. The footwall zones, the zones adjacent to known ore shoots and the possible extension of known ore shoots could host up to 180,000 additional tons of reserves. Diamond drilling and sludge drilling from the drifts which were mainly on the hanging wall of the fault, cut ore grade intersections in the footwall of the fault. A program to fully test the footwall and the extensions to the known ore shoots will be undertaken as soon as possible.



EXPLORATION TARGETS WITH MAJOR TONNAGE POTENTIAL

The Company has defined 7 exploration targets, success with any of which would profoundly enhance the profitability and magnitude of the mine. They are depicted on the accompanying map.

1. The C Vein Fault Section
Down dip and strike extensions of the C vein ore shoots. Ore shoots, both east and west, have not yet been explored to their extremities.

2. The Ruby Zone East
is located within the Treasure Mountain fault 2,500 feet east of the C Vein section. Surface samples averaged 24.5 oz. silver and 7.2% lead over a 13 ft. width. Limited drilling has indicated about 10,000 tons grading 15.6 oz. silver and 4.45% lead over a 10 ft. width. A major drill program is required to define and expand the ore reserves within this section of the fault zone. Low grade disseminated mineralization of 25 to 70 feet has also been encountered.

3. Probable Branch of the Treasure Mountain Fault
Co-incident soil and Electro-Magnetic (EM) anomalies. Select grab sample ran 318 oz/t silver. These anomalies are planned to be drill tested in the next phase of exploration.

4. The Treasure Mtn. Fault Zone West of C Vein Section
This western extension of the Treasure Mountain mineralized fault system extends for more than 1,000 ft. and includes the Jensen Adit (now collapsed) from which, according to records, a small shipment of high grade was made.

5. C Vein Parallel Structure
EM conductors and soil anomalies are located 1,000 feet north and parallel to the C Vein. The EM conductors extend for 1,200+ feet.

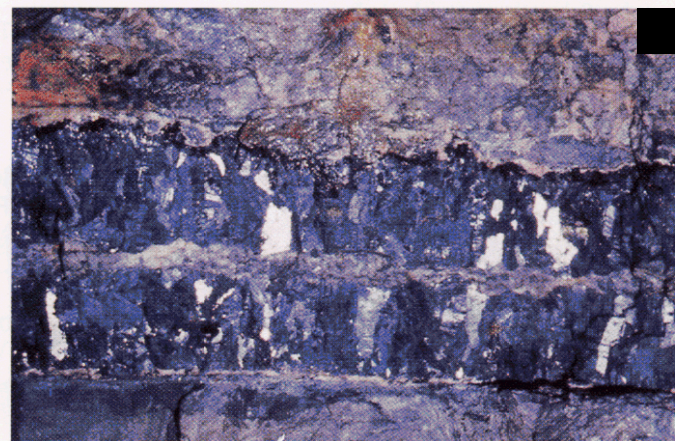
6. & 7. Major Structure indicated, parallel to Treasure Mtn. fault. Structural lineaments, mapped from aerial photos, extend from target 7 easterly to target 6 where EM conductors indicate structural continuity of 2.5 km.

*NOTE — The target numbers used above correspond to target numbers used on the surface plan map printed in the middle of this report.

highway, railroad, manpower and supply centres at Princeton, Merritt, Hedley and Hope, B.C.

GEOLOGY — The Epi-mesothermal silver-lead-zinc vein systems in the Treasure Mountain area have been tested to a depth of over 2,000 feet, demonstrating substantial depth potential. The mineralogy suggests that several pulses of mineralization have taken place. The footwall Ruby silver zone is least understood and holds the most promise. The enclosing wall rock has in places been extensively altered suggesting strong hydrothermal activity. Preliminary mineralogical study indicates that perhaps the top of the mineralizing system plunges to the east and therefore holds out the possibility that epithermal bonanza-type ore shoots may be found in this direction.

METALLURGICAL — Preliminary metallurgical test work by Coastech Research Inc. showed that the ore is free of conta-

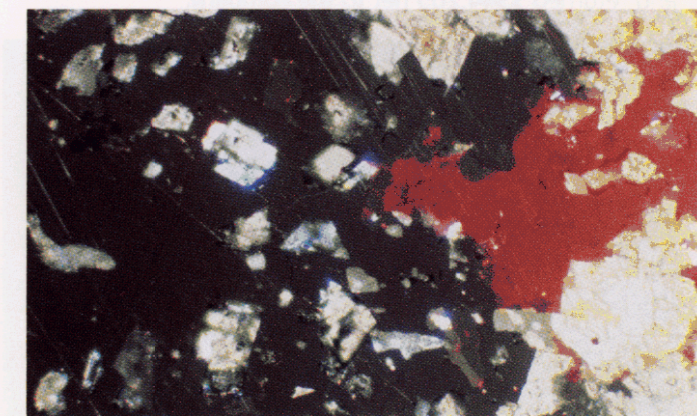


High grade underground section of the "C" Vein ore shoot

minants and that a 95% silver recovery can be achieved through conventional concentrating. A preliminary design for a 300 ton per day concentrating plant has been prepared.

SURFACE CUT — Bulk sampling of the C vein in 1987 by open cut produced 407 short tons of high grade averaging 100.3 oz. silver/t, 32.7% lead, 6.8% zinc for a net smelter return of \$344,265. The C vein was discovered in 1985.

RUBY SILVER — Ruby silver (prousite, pyrargyrite) has been encountered in underground diamond drilling from the No. 3 level and in the No. 4 level drift on the footwall of the Dyke. These Ruby silver discoveries show potential for spectacular bonanza ore shoots. Ruby silver contains 60-68% silver (14,400 oz. silver per ton). This footwall Ruby zone was recognized late in the program and its exploration is incomplete.



Microscope photo showing very high grade "ruby" silver mineralization

The management of the company, although most pleased with results to date, is also mindful of the large tonnage possibilities of the property. The existing reserves were obtained entirely within a 1,500 foot section of the Treasure Mountain fault, which extends for over 8,000 feet on Huldra claims. The Ruby Zone East and the Jensen Adit to the west demonstrate the recurrence of ore grade mineralization throughout the fault zone.



No. 3 level portal with mine road to No. 1 portal shown near top of hill

The Ruby Zone East (discovered Sept. 88 by trenching) returned grades of 24.5 oz/t silver and 7.2% lead across 13 feet in surface channel sampling. Limited drilling has indicated 10,000 tons grading 15.6 oz/t silver and 4.5% lead over a 10 foot width. A major drilling program is required to define ore reserves within this section of the fault.

The Jensen Adit is approximately 1,000 feet west of the "C" Vein workings and is now collapsed. According to old records a shipment of high grade ore was shipped from this showing.



Back hoe trenching and sampling of the "C" vein mineralization

FINANCINGS

- July 21, 1987, prospectus offering 350,000 shares at \$1.10 to net \$350,000 through Haywood Securities Inc. including the exercise of the agents warrants and the greenshoe option. The total issue was 452,500 shares for net proceeds of \$470,000.
- August 7, 1987 — shares called for trading on V.S.E.
- September 11, 1987 from CMP \$300,000 for 113,422 flow through shares at \$2.645 each.
- September 11, 1987 from CMP \$950,000 for 406,853 flow through shares at \$2.335 each.
- February 29, 1988 from CMP \$800,000 for 390,244 flow through shares at \$2.05 each.
- May 26, 1988 from a director \$525,000 for 300,000 flow through shares at \$1.75 each.
- August 24, 1988 from CMP \$1,270,000 for 635,000 flow through shares at \$2.00 each.

CORPORATE STRUCTURE

Directors and Officers

Magnus Bratlien, president, prospector
 Egil Livgard, P.Eng., geologist
 William Grayson, C.A., secretary
 John Schussler, president, D.J. Diamond Drilling Co. Ltd.
 David Chong, lawyer
 Michael Ross, P.Eng., president of Orocon Incorporated

Consultant

James J. McDougall, P.Eng., J.J. McDougall & Associates
 Coastech Research Inc.
 Orocon Incorporated
 Archie McCutcheon, P.Eng.
 Peter G. Dasler, M.Sc., Daiwan Engineering Ltd.
 Bacon, Donaldson and Associates Ltd.
 Entech Environmental Consultants Ltd.

Corporate Head Office

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 Telephone: (604) 682-2805

Registrar and Transfer Agent

Pacific Corporate Services Limited
 Suite 830, 625 Howe Street
 Vancouver, B.C., Canada V6C 3B8

Registered & Records Office

400-1140 West Pender Street
 Vancouver, B.C., Canada V6E 4G1

Auditors:

Cameron Pietrobon & Wong
 Suite 500-1050 West Pender Street
 Vancouver, B.C., Canada V6E 3S7
 Telephone: (604) 669-9631

Incorporated

March 1, 1980 in the Province of British Columbia

Capitalization

Authorized 10,000,000 No Par Value Shares
 Issued 4,583,519 at December 31, 1988 including 375,000 shares in escrow

Stock Exchange Listed

Vancouver Stock Exchange

Trading Symbol HDA

Bankers

Canadian Imperial Bank of Commerce
 501 Main Street, Vancouver, B.C.

Solicitors

Mawhinney & Kellough
 1040 West Georgia St., Vancouver, B.C.
 Telephone: (604) 687-4460