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SILVER STANDARD MINES LIMITED (N.P.L.)

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To the Shareholders
Silver Standard Mines Ltd.

December 14, 1965

INTERIM REPORT

Dear Sirs:

At the time when most of the exploration work has been completed for 1965, the Board of Directors can report another active and successful field season. Diamond drill programmes were initiated this year on four of the Stikine area claim groups in which Silver Standard participates, and progress has been made in evaluating other of our numerous properties. Important new interests have been acquired. In setting out a budget for the coming year, it is apparent that careful consideration will have to be given to determining where our efforts can best be concentrated.

This year Silver Standard's heaviest expenditures were incurred in participating with American Smelting & Refining Co. in the Scud Syndicate projects. Two holes, a total of 1914 feet, were drilled on Scud Syndicate groups that border Stikine Copper Mines. The hole on the North Stikine Group, in particular, added greatly to our knowledge of the Galore Creek geology, and confirmed some of the ideas that encouraged us to undertake the drilling.

A broad prospecting programme produced results which have taken Scud Syndicate into a completely new mineralized area south of the Iskut River. Late in August, a total of 380 claims were staked in seven claim blocks. Several mineral occurrences have been noted and a strong indication of high grade silver-lead is particularly intriguing.

The second drill programme in the Stikine was conducted at Schaft Creek on the BIK Syndicate's Bird Group. Here, following an I.P. survey, 2060 feet were drilled in three widely spaced holes that were never out of the large zone of copper-molybdenum mineralization. The No. 2 hole cut a 300-foot section that assayed 0.6% copper and 0.04% molybdenite (Mo S₂). Perhaps most significant is the fact that the entire 726 feet of core averaged 0.38% copper. The No. 1 hole intersected 55 feet which assayed 0.54% copper and 0.06% molybdenite, while No. 3 hole cut 75 feet which returned a highly encouraging 0.73% copper and 0.17% molybdenite. Silver Standard engineers are convinced that the large ~~ore~~ body of mineral will be found to contain good sections of even better grade. At the end of the season a pre-fabricated camp was flown into Schaft Creek in anticipation of continuing the drilling next year.

Another BIK Syndicate Group is located south of the Iskut River. The E & L copper-nickel prospect was further explored this year by short drill holes, trenching and detailed geological mapping. Mr. W.M. Sharpe, an independent consulting geologist who supervised the work for Silver Standard, has reported favourably on the property. He estimates in excess of 3,000,000 tons of indicated and inferred ore with a grade of 0.70% nickel and 0.60% copper. The probability of lateral extensions is excellent, and Mr. Sharpe suggests there is reason to believe the mineralized gabbro host may extend to considerable depth. His recommendations for 1966 include some long drill holes to confirm the downward persistence of the mineralization. This winter metallurgical test samples have gone out to a large Japanese producer of metallic nickel and to two laboratories in eastern Canada.

Two other Stikine area properties that had been extensively explored the previous year received little attention during the past season. At Sphaler Creek, Kennco and the BIK Syndicate have teamed up to investigate a number of copper occurrences that lie approximately seven miles southeast of Stikine Copper Mines. This year's work consisted of an I.P. survey carried out over a small portion of the claim group. Work on the Racicot Syndicate property at Copper Canyon, three miles east of Stikine Copper, was confined to a survey of the claim boundaries performed by a firm of British Columbia Land Surveyors. Both Sphaler Creek Copper and Copper Canyon contain known mineralized bodies that may be of great importance. At least in the case of Copper Canyon, it has been considered prudent to defer a major programme until a road into the area has been completed.

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Silver Standard Mines Ltd.
Interim Report - cont'd.

Silver Standard has recently announced its entry into the Dynasty-Vangorda region of the Yukon Territory. This area continues to be the focus of intensive staking activity, and your company has one third of a lively syndicate that includes Copper Ridge and Utica Mines. A new private company, "Tay River Mines," has been formed. Three groups totalling 200 claims were staked adjacent to Dynasty ground. First work will be centered on a particularly well located group lying within a few thousand feet of drill sites on Dynasty's Faro Group. A winter camp will be established and line-cutting will commence after January 1st. This phase of the work will be immediately followed by geophysical surveys. A sketch plan which locates the claim group in relation to the Dynasty-Cyprus Mines operation is attached to this report.

In the Smithers area an associate company, Hudson Bay Mountain Silver Mines Ltd., is developing silver-lead-zinc orebodies and continues to get favourable results. On the Silver Lake Group, high grade ore shoots indicated by surface sampling, when projected to a depth of only 100 feet, have a possible gross value in excess of \$1,000,000. On the adjoining Silver Creek Group diamond drilling has indicated the probability of developing a large tonnage of zinc ore. A recent report by Dr. D.D. Campbell recommends a \$70,000 programme for 1966 which, if successful, could lead to a production decision.

In the light of results achieved this year it is apparent now that Silver Standard will be involved in several large scale undertakings next season. As the properties are advanced further beyond the preliminary development stage the nature of the work becomes increasingly expensive. Fortunately, there are ample funds on hand to take care of foreseeable requirements. Working Capital at November 30, 1965 was \$453,000.00

It is gratifying to note, also, that Jedway Iron Ore has now shipped in excess of 1,000,000 long tons of concentrates. At this point Silver Standard commences to receive a royalty of 25¢ per long ton shipped. Silver Standard will receive a further 10¢ per ton to apply against the interest that accrued, prior to production, on the \$750,000 owed by virtue of the sale of our Queen Charlotte Iron property. These payments, together with current interest on the principal sum, will contribute substantially to the monies required for future exploration programmes.

Respectfully submitted
on behalf of the Board.

R.W. Wilson,
President.

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