

October 10, 1967.

REPORT TO SHAREHOLDERS

This report, together with the enclosed copy of the Consulting Engineer's Report, will bring you up-to-date on the operations at the Windy Arm gold/silver property. You will concur with your Directors that the results are very encouraging, and would seem to indicate that with a minimum of additional work we are nearing a production decision. It should be pointed out that the location of the property on Windy Arm is advantageous with respect to transportation, climate, and ancillary services. The property is sixteen miles from Carcross (a station on the White Pass and Yukon Railway) and is at an elevation of 2500 ft. Access to Carcross is either by road, which your Company has constructed, or by water. Carcross is sixty-seven miles by rail from tide-water at the ice-free port of Skagway. Climatic conditions in Carcross, and at the property, compare favorably to Edmonton, and should not be compared to the Barren Lands or northern Yukon (i.e., there is no permafrost at this elevation in and around this area). There will be no difficulty in obtaining water, electricity, etc.

Operations

1. Information received from the property subsequent to Mr. MacDonald's report:

- (a) The north raise, ore zone #10 on the enclosed map, has now been advanced 134' upwards along the vein. The last 107' has been estimated visually to be as good or better than the first 27', which had gross metal values of \$38.17 per ton over 4.5'.
- (b) The ore shoot in the west drift, ore zone #14 on the enclosed map, has been extended in length on the basis of assays received subsequent to Mr. MacDonald's report.

2. Conclusions to be drawn from Mr. MacDonald's report:

It must be remembered that with the vein dipping approximately 30° , for every 100' of vertical distance, the slope distance along the vein is 200'. The proposed lower adit, which will be 140' lower in vertical elevation will, if successful, prove up 280' of vein along the slope. Based only on the downward extension of the present ore shoots and the information already gained by the raising upward from the 2700' level, Mr. MacDonald estimates a producing property.

However, it will be remembered that from the very first our target area has been to prove up the downward extension of the old Venus mine workings. We are now on the 2700' level, less than 500' away from the down dip projection of the old Venus workings. The proving up of this downward extension would increase the ore reserves and the production potential to a great extent. In addition to the downward extension of the Venus workings, which cover a horizontal distance of over 1,000', there are the downward projection of workings underneath the old Venus #1 claim, approximately 2,000' to the north and the downward projection of the workings on the Vault claim, which is approximately 3,000' to the north. There is no reason, judging from our experience so far at the present elevation, to suppose that the old Venus workings, the Venus #1, and the Vault should not extend downwards to our present 2700' level. The proposed new adit, 140' vertically below the present working level and whose portal will be approximately 1500' north of the present portal and approximately due east of ore zone #7, will also facilitate the exploration of the extension at this new elevation of the downward extension of the old Venus,

Venus #1 and Vault workings as well as the downward extension of our present ore shoots. In the event that we are successful at the new level, there would be 280' on the slope distance between this new level and the 2700' level, and from the 2700' level to the surface the slope distance will vary from approximately 250' at ore zone #1 up to 500' to the old workings as we go northwards. So, from the new adit level to the Venus workings there will be 780' of slope distance along the vein.

* Addition to map: Silver grade #1 ore zone omitted - should read
Ag - 7.20 oz.

Financing:

The prospectus concerning the underwriting agreement with T.A. Richardson & Co. Ltd. (as to 75%) and Yorkshire Securities Ltd. (as to 25%) for 100,000 shares at \$1.00 per share net to the treasury has now been approved by the Ontario Securities Commission and the British Columbia Securities Commission, and the monies have been received.

This underwriting agreement was negotiated in early June and the related prospectus was submitted for approval to the Ontario Securities Commission in July. Due to the unavoidable delay in approval by the Ontario Securities Commission, the monies raised from this underwriting have been, to all intents and purposes, fully committed as of the end of the month.

The underwriting agreement gives to the Underwriters a three month option from the 28th day of September to purchase an additional 100,000 shares at \$1.25 per share net to the treasury.

We are presently engaged in acquiring financing for the Fall and Winter program to carry out the recommendations included in the Engineer's Report, with priority directed to the driving of the lower adit and the extending of the present drift northward.

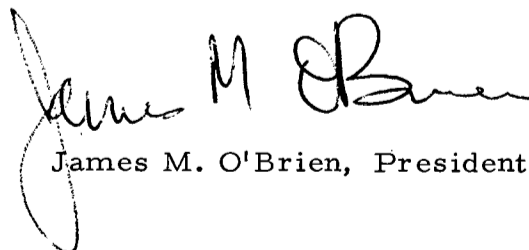
Summary:

A comprehensive report on our gold/silver workings is now being prepared by your Company's Consulting Engineer for inclusion in your Company's Annual Report. The Annual Report will give a complete report of all of your Company's activities since the date of incorporation and will be published within the next six weeks.

Conclusion:

The Directors of your Company are extremely pleased with the developments on the property.

Submitted on behalf of the Board of Directors,



James M. O'Brien, President.

Note: Shareholders can obtain a copy of the recently approved prospectus by writing to the Company's Underwriters, Yorkshire Securities Limited, 900 West Pender Street, Vancouver 1, B.C., or T.A. Richardson & Co. Ltd., 4 King Street West, Toronto, Ontario.