

Silver King Mines, Inc.

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August 17, 1970

REPORT TO STOCKHOLDERS

Since Phillips commenced drilling in the Ward Mountain Mining District in April, 1966 (under the Phillips-Silver King Joint Venture Agreement), a total of 53 holes have been completed. They are confined to an area 4,000 feet long and 3,600 feet wide, with a depth ranging from 900 to 3,000 feet. The holes are spaced 200 to 850 feet apart and cover approximately 25 per cent of the presently established geophysical anomalous area. Of the 53 holes drilled, 40 have encountered ore, seven are mineralized and six are barren. It is estimated that 71 per cent of the drilled area is underlain by ore. A minimum intercept of 7 feet of ore, assaying \$15 or more per ton in gross metal values, was encountered in these 40 ore holes. The overall average thickness of ore in the 40 holes is over 22 feet. Calculated ore reserves within this drilled area is in excess of 11,500,000 tons, with an average gross metal value of about \$30 per ton. This calculated ore reserve does not include the very large tonnage of mineralized material assaying between \$5 and \$15 per ton in copper, zinc, lead and silver.

The limits of the ore deposits have not yet been established in any direction. Before a major development program can be started, the eastern limits of the ore bodies must be defined by additional drilling. This information is necessary in order to locate the site for a large incline shaft, which will be driven in a westerly direction into the mountain and dipping at a minus 10 per cent grade. The dimensions of this incline shaft will be of sufficient size to accomodate major production. The proposed concentrating plant will be constructed near the portal of this incline shaft. We believe sufficient ore reserves have now been established to justify going ahead with these major development and milling projects.

Underground exploration and development work is continuing in the Defiance Cross-cut area. The face of this Cross-cut is 1,100 feet west of the Paymaster Tunnel, where it started at a point 3,100 feet in from the Paymaster Portal and is being advanced westerly toward drill hole No. 35. Lateral drifts are being driven north and south along the Chainman Shale-Joana Limestone ore contact, where it was intersected at 3,660 feet from the Paymaster Portal. At 4,065 feet, a 40 foot incline raise is being driven above the Defiance Cross-cut to intersect the ore zone encountered in drill hole No. 17. Ore mined from the Defiance Cross-cut and the 3,660 lateral drifts is being stockpiled near the mine portal. Small lots, one-half ton each, taken from this ore, have been shipped to the Galigher Company in Salt Lake City and U.S. Smelting Company's concentrating plant in Midvale, Utah, for metallurgical testing. The type of milling plant best suited for treating and concentrating the ore will be determined by these tests.

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Exploration drilling is also being done this field season in the Hamilton, Shasta, East Robinson and Taylor Districts. At the present time drilling is being carried out by two core drills in Hamilton, one core drill in East Robinson, and a hammer drill in Shasta. A drill will be moved to the Taylor District within a few days.

Field work has been in progress by Silver King personnel since early this year in the Tybo Mining District, Nye County, Nevada, (approximately 120 miles southwest of Ely, Nevada; and the Seven Devils Mining District, Adams County, Idaho, (approximately 125 miles northwest of Boise). It was initially planned to commence core drilling in the Tybo District after a program involving geologic mapping and geophysical and geochemical work had been completed. After a complete study of the old mine maps and production records, it was concluded that the mine was shut down in 1937 solely because of depressed metal prices and not as a result of depleted ore reserves. It has been resolved that a more logical approach to evaluate the property would be to rehabilitate the 1,546 ft. deep Hales Shaft and gain access to the underground workings as soon as possible. Surface and underground geologic studies will be carried out concurrently with rehabilitation of the shaft. Underground and surface core drilling will be conducted after the results of these studies are compiled. Silver is the single main constituent of the Tybo ore.

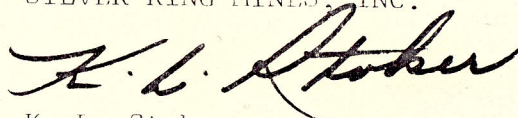
Work in the Seven Devils District has consisted of geologic mapping and geochemical sampling. As a result of this work, some claims were staked in the district and negotiations are proceeding to acquire an option on other claims which show promise. When the final agreement is signed, core drilling will commence on these claims, probably late this summer. If the initial drilling proves successful, we plan to explore the copper-silver deposit next spring by underground development work and additional core drilling.

Silver King has entered into a 50/50 joint venture agreement (separate from the Phillips joint venture) with Pacific Silver Corp. of Hawaii involving all the properties in the Tybo and Seven Devils Districts, with Silver King as the operator.

The annual stockholders' report for Silver King will be mailed in approximately sixty days.

Sincerely yours,

SILVER KING MINES, INC.



K. L. Stoker
President & General Manager

Silver King Mines board names new vice president

SALT LAKE CITY -- David C. Arnold was named executive vice president of Silver King Mines, Inc., at a directors meeting today in Salt Lake City, according to K.L. Stoker, president and general manager.

Arnold was also elected a member

of the board of directors, Stoker said.

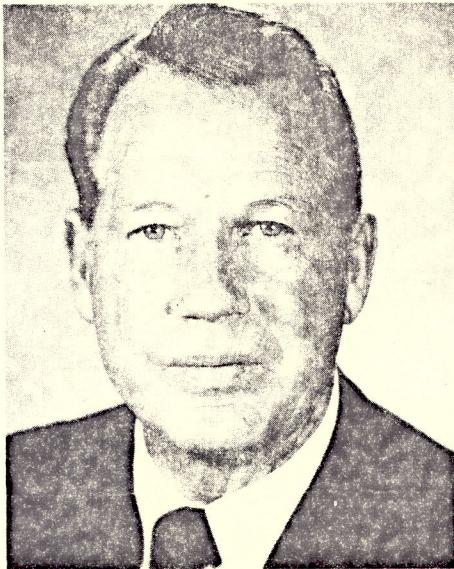
Silver King is a Salt Lake City-based firm with its principal mining properties in Eastern Nevada and Northern California. These properties contain substantial reserves of copper-silver-zinc ore.

Arnold, a native of Logan, Utah, comes to Silver King after 17 years in the Minerals Department of Phillips Petroleum Company, having served most recently as western regional manager for the Minerals Division.

He has also served as explorations manager for Phillips' Minerals Division, chief engineer and geologist for the Mining and Milling Department, and as assistant director of the Strategic Minerals Section.

The new Silver King official spent two years with the U.S. Geological Survey, specializing in mining evaluations for government participating loans under the Defense Minerals Exploration Administration.

Arnold practiced as a consulting mining geologist after taking a B.S. in geology from the University of Utah in 1950. He is a member of the American Institute of Mining and Metallurgical Engineers (AIME).



DAVID ARNOLD

Word

Bibliography

Key to notecards

orange dot = have a copy

X = not worth having

O = not available (theses)

M = mining info

Letters to Stu & Dave

Wood blocks to
replace sampled core

Silver King & Gulf annual
report

Enlarged topobase -
 $1'' = 1000'$?

B & W aerial photos of
front of range Ely 3 SE

Drill core logging forms

Post 1878?