REPORT OF THE DIRECTORS OF

The Star Mining & Milling Co.,

LIMITED LIABILITY.

Presented at the regular Annual Meeting of the Stockholders,
FEBRUARY 2ND, 1910.

GENTLEMEN:—

We herewith present a statement of the condition of the Company to date:

THE PROPERTY.

The property consists of the Mineral Claims "Rabbit Paw" and "Heber Fraction" situated near Sandon, B. C., and adjoining the Slocan Star group of claims on the west, and along the course of the largest vein in the district.

HISTORY AND LAWSUIT.

The Company was incorporated in 1896; and November 4th., 1899 after steps had been taken to secure the Crown Grant to the "Heber" it appeared there was opposition to the securing of same although there were no flaws in our title or any conflicting interests to the property. However this adverse prevented the getting of the Crown Grant until early in 1901.

Conditions at that time were convincing that the property contained valuable ore and the same was being mined by the Byron N. White Company which they denied yet refused our many entreaties for examination of mine or plans so it became necessary to resort to the Courts to stop the trespass.

In our first attempt, in August, 1901, we were defeated, but the defendants at that time acknowledged for the first time that they had crossed the line; but also claimed they had the right under their apex claim and had not mined over $500. worth of ore.

At the main trial in 1904, lasting twenty-three days, and continued to 1905 when another week was taken up with additional evidence done by order of the Court, we were again defeated.

In 1906, the Full Court refused the defendants' request to sell our property to pay the costs of these former trials, and ordered certain experimental work done, which would prove or disprove the contending theories, a thing we had claimed necessary from the beginning. Up to this time we were permitted to walk through the mine, view and survey same, but not permitted to turn a rock over, or remove a lagging. This experimental work clearly proved our contentions and we won easily in the appeal before the Full Court of British Columbia, in April, 1908, again before the Supreme Court at Ottawa, in 1908, and in the final appeal to the Privy Council, in 1909. We won many other side issue suits connected with the main suit. Our suit was bitterly contested and at very great expense, and the result leaves us with considerable indebtness as shown by the statement attached. It is to be regretted that the conditions of the law and the Courts are such that it was necessary to expend such a large sum in protecting our title, which was flawless, and that the suit could be prolonged such an extended period.

We were most economical in employing experts and witnesses, those we secured were most competent and satisfactory, and we never delayed the case a minute and did everything possible to hasten the case to conclusion.

THE SETTLEMENT.

After the final winning of the suit, it was still necessary to again resort to the law to determine the question of value of ore mined, and as it appeared that this additional suit could and would be dragged along the same as the suit for the ownership of the ore, and to the extent of perhaps more cost than we could afford; and the amount of trespass, which we were not permitted to see until after the final decision, was not as great as expected, and not having seen the ore mined, the quantity and quality would be hard to prove; consequently we accepted, in lieu of damages for ore mined in trespass, the mining rights of the Byron N. White Company to the portion of the "Heber" lying south of the "Slocan Star" which were not given us in the judgment.

This small piece of ground is no doubt quite valuable and will fully recompense our Company for all damages sustained.

DEVELOPEMENT.

The property has about 600 feet of tunnels near the surface and many open cuts, done mostly as experimental work preparatory to the suit, and which developed no pay ore.

The trespass at a depth of from 325 to 550 feet on the vein consists of one tunnel 300 feet, another 130 feet, a portion of a 160 foot shaft, and two small stopes and several raises and crosscuts.

The experimental work done by us under the order of the Court consists of 100 feet of tunnel, and three crosscuts on line of fault, and 50 feet of tunnel on No. 2 Vein in the "Rabbit Paw" ground.

ORE.

Nearly all of this trespass work shows ore and several good showings are left in sight.

The No. 1 vein averaging in width about 40 feet, contains the valuable or pay ore, and No. 2 vein about 120 feet to the north, and parallel, averaging perhaps 8 feet in width, has not developed ore that could be worked at a profit.

Both veins were faulted near our eastern line, the fault dips 45 degrees to the west, the end of the vein entering our ground at about 300 feet in depth. Thus at each 100 feet in depth we should have 100 feet more of the vein and we believe the most valuable ore shoot yet found, is at this point.

INDEBTEDNESS.

The present indebtedness of the Company, which was incurred by order of the Board on instructions by the Stockholders in meeting, will need your consideration and advise, as well as the future plans of the Company. The Stock is non-assesable, but it becomes necessary to pay off the indebtedness, and if the property is to be developed, to provide funds for the work.

Unless the indebtedness is paid, it becomes necessary to sell the property of the Company to pay the debt, and the balance, if any, to be distributed to the Stockholders.

SUMMARY ACCOUNT.

Moneys paid for experimental work done by Company	$ 8102.25
Moneys paid for experimental work done by order of the Court...	$ 2481.34
Moneys paid for Experts, witnesses, models and other expenses.....	$20583.80
Moneys paid to Attorneys on account	$ 6054.84
	$37,222.23
CR.	
By Cheque from Attorney, as balance due us from Costs collected	$2264.34
Balance, present indebtedness of Company, ...	$34,957.89

An itemized account of the above is also presented herewith.

NOTE:—This last credit item, we refused to accept as in full settlement as we did not consider his account complete, and also consider it necessary to investigate his account and charges.)

Respectfully submitted,

J. M. HARRIS, Director.
F. T. KELLY, Director.
A. H. SANDERSON, Director.

Sandon, B. C., February 2nd., 1910.

The Stockholders of The Star Mining & Milling Company, Limited Liability, representing 711,700 Shares, in meeting this 2nd day of February, 1910, adopted the following resolution;

RESOLVED;

(1) That the report of the Directors and this resolution be printed and a copy sent to all Stockholders;

(2) That it appears necessary that an amount equal to 4 cents per share be raised to pay the present indebtedness of the Company, and unless this amount be furnished by each individual Stockholder according to their holdings as a loan or as an assessment, it becomes necessary to sell the property;

(3) That it will be necessary to raise an additional amount equal to 2 cents per share for development if the property is to be put in condition to ship ore;

(4) That we believe it would not be to the advantage of the Stockholders to let the property be sold in its present undeveloped condition and at the present low price of metals;

(5) That each Stockholder express their wishes, either personally, by proxy, or by letter at the date to which this meeting be adjourned, May 2nd, 1910, on the following;

(a) Do you prefer that the property be sold and proceeds divided between Stockholders?

(b) Will you advance 4 cents per share on your holdings to pay off the present indebtedness of the Company?

(c) If you favor the development of the property; will you advance 2 cents per share the amount considered necessary to expend in development before any ore can be shipped?

F. T. KELLY, Secretary.

Sandon, B. C., February 2nd, 1910.