

DENVER SILVER INC.

A Report on an Examination of the
Martin Claims, Flint Group and Liberty Group
Kaslo Area
Slocan Mining Division, B.C.

— 82 F-14E

By

T.L. Sadlier-Brown

October 22, 1979

FILE NTS
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SUMMARY

Denver Silver Inc. is the beneficial owner of 17 mineral claims and one MGS claim comprising 9 units located at Carlyle Creek in the Slocan Mining Division, Kootenay area of Southern British Columbia.

Silver has been known to occur in the area since the late 1800's and the discoveries of the three most important prospects known on the property date to that time. The three are known as the Martin, Granite King, and Flint veins. Small scale production was achieved at both the Martin and Flint. Shipments totalling 59 tons were made from the Martin and 339 tons from the Flint. The veins cut granitic rocks of the Nelson Batholith and contain galena, pyrite, siderite and sphalerite in quartz carbonate gangue material. Assays of material from the Martin, Granite King and Flint veins produced values grading from about 4 to 28 ounces of silver to the ton and 1.6 to 17% lead over narrow but potentially mineable widths. An exploration program to test the viability of mining one or more of these veins is considered warranted.

Fine disseminated scheelite has been observed in samples of both vein and wall rock material. Assays taken for the preparation of this report are low but provision for detailed exploration for tungsten is recommended.

An estimate of the expenditures necessary to carry out the recommended exploration work is to the order of \$77,400.

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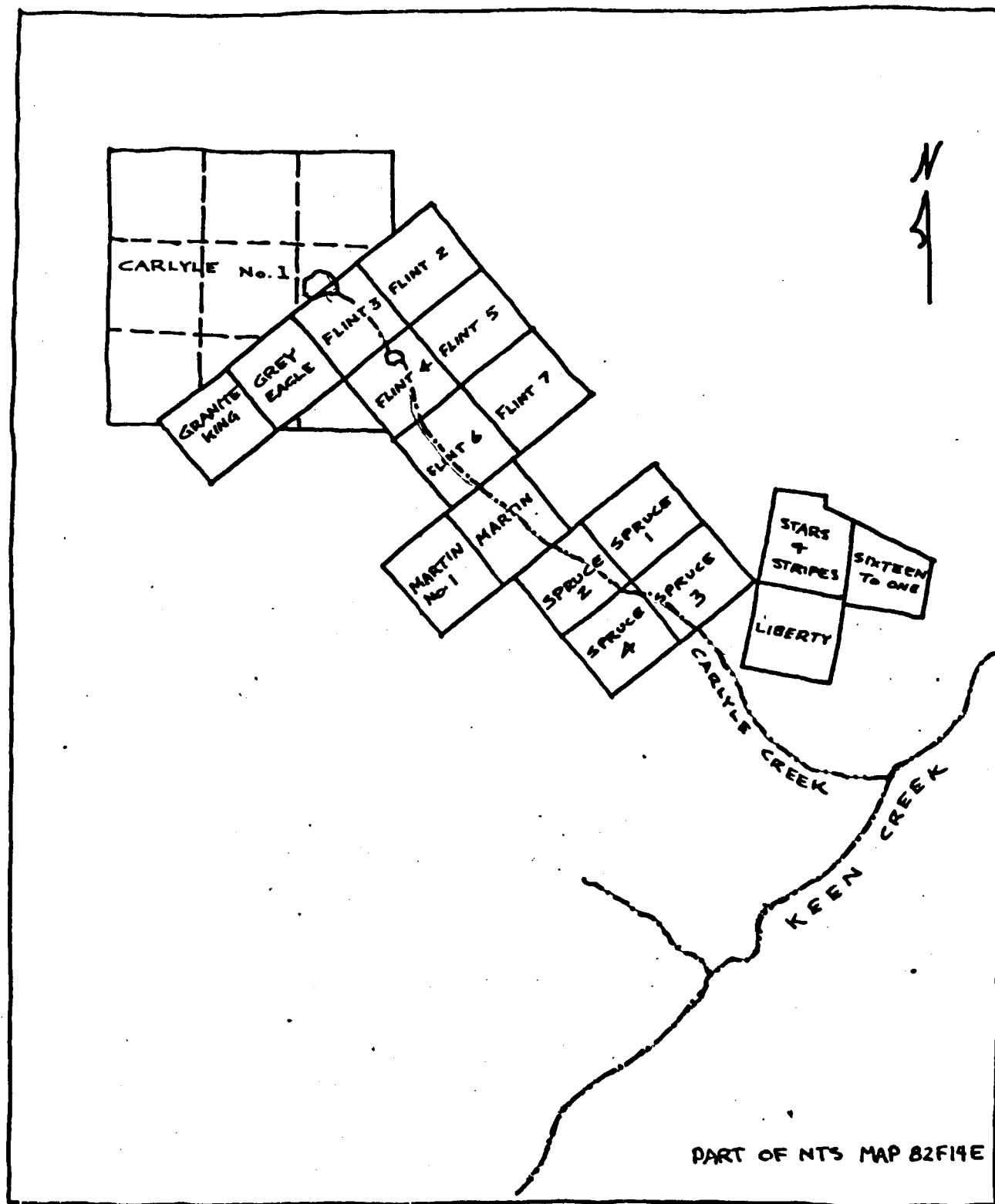
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INDEX MAP : CARLYLE CREEK AREA, B.C.



Part of NTS Map 82F

Nov 1979



LOCATION MAP: CARLYLE CREEK CLAIMS

NOV. 1979

1.0 INTRODUCTION

1.1 Claims and Ownership

Denver Silver Inc. has acquired through the terms of a sales agreement and by staking a total of 18 claims and units at Carlyle Creek in the Slocan Mining Division. A summary of the company's claim holdings in the area is as follows:

<u>Claim</u>	<u>Ownership</u>
Carlyle 1 (1406) 9 units	Denver Silver
Granite King (1549)	Denver Silver
Spruce 1-4 (1438 - 41)	K. Anderson under agreement to Denver Silver
Stars & Stripes <i>No. 17158</i>	L.H. McPherson under agreement to Denver Silver
Liberty	" "
Sixteen to One	" "
Martin No. 1 (6745)	" "
Martin (6726)	" "
Grey Eagle (18033)	" "
Flint 2 and 3 (610 & 611)	" "
Flint 4 - 7 (1399 - 1402)	" "

1.2 Location and Access

The claims lie on NTS map sheet 82F14e in the Slocan Mining Division and on the south and east slopes of Mount Carlyle some 15 km west of the town of Kaslo, B.C. The area under discussion varies from densely wooded lower slopes of the mountain to the open alpine meadow land above 2000 metres A.S.L. It is drained by Carlyle Creek (also referred to as Dago Creek) a tributary of Keen Creek. The property is accessible from Kaslo via the Kaslo-New Denver highway for about 6 km to the Keen Creek logging road then westerly about 8 km to a bulldozer road suitable only for 4-wheel drive vehicles which leads up the valley of Carlyle Creek to workings at the Martin and Flint Veins. The Granite King vein may be reached on foot using a trail from the cabin at the Flint workings.

1.3 History

Mineralization has been known in the Mount Carlyle area since the late 1890's. The Flint vein was staked in 1898; the Martin prospect was located in 1902 and the Granite King is probably contemporaneous with them.

The Flint Mine was operated discontinuously between 1905 and 1953 by several individuals. A total of 339 tons of ore is reported to have been produced. This contained 11,450 ounces of silver, 149,279 lbs. lead, and 11,672 lbs. zinc.

The Martin Mine operated between 1915 and 1924 and produced 59 tons containing 3268 ounces of silver, 62,582 lbs. lead, and 4368 lbs. zinc. No record of production from the Granite King Vein is available.

In recent years moderate amounts of work including road building and some mining have been carried out. No shipments appear to have been made, however, and little or no development or maintenance has been done, so caving has rendered some of the workings inaccessible.

1.4 Terms of Reference

This report is based upon data obtained during an examination of the prospects under discussion and on earlier information

provided both by directors and employees of Denver Silver and in government publications. It has been prepared at the request of Monte Lloyd, Vice-President of Denver Silver Inc. who accompanied the writer to the property on September 17 1979. The report is intended as a description of the mineral occurrences, the writers opinion with respect to their economic potentials, and a set of recommendations for additional exploration work. In spite of the fact that production has been won from at least two of the veins all should, and for purposes of this report, are considered as prospects. Additional and more detailed study will be required before a conclusive statement on economic viability can be made.

2.0 GEOLOGY

2.1 General Setting

Country rock in the claim area is massive hornblende granite or granodiorite porphyry which comprises the Nelson Batholith in the area. Phenocrysts are coarse euhedral crystals of pink to pale buff coloured orthoclase occasionally forming pegmatitic clusters. The mineral occurrences under discussion are situated in what is probably the upper part of the intrusive and from two to three kilometers from its contact with the sedimentary rocks of the Slocan Group. Silver, lead, and zinc mineralization occupies steeply dipping fissure veins within the granite.

2.2 The Granite King

The Granite King vein cuts Nelson granite on the east slope of Mount Carlyle and is exposed in workings between elevations of about 2000 and 2100 metres (6600 and 6900 feet A.S.L.) At the site of the Granite King adit, the vein is about .6 m (2 ft) wide, strikes at 058° , dips NW at 68° and consists of gouge and consolidated vein material including quartz siderite, pyrite, galena, and sphalerite. The vein was sampled at three localities described as follows:

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	Width	oz/ton Ag	% Pb	% Zn	% WO ₃	Ag/Pb
Face of Granite King adit; Primarily gouge with some sulphides	.6 m	28.83	4.16	1.34	0.05	6.93
Grab sample of galena bearing quartz vein material from pit 32 m SW from portal above.	n/a	5.80	17.2	11.5	-.01	0.34
Grab sample from dump at portal of adit.	n/a	9.18	3.49	8.91	-.01	2.63

The adit follows the vein for about 36 metres from portal to face. The vein appears to coincide with a shallow depression or gully which extends northeasterly down the mountainside for several hundred metres to the vicinity of the old Grey Eagle Claim and perhaps beyond to where it has been postulated to intersect the Flint Vein.

2.3 The Martin Vein

The Martin prospect is located about 2 km up the valley of Carlyle Creek at an elevation of about 1800 metres and on the southwest side of the basin. It consists of three converging fissures cutting Nelson granitic rocks and mineralized with argentiferous galena, sphalerite, chalcopyrite and pyrite in a quartz carbonate gangue. It is reported to have produced 59 tons of ore which averaged 55 ounces of silver and 53% lead (Cairnes 1935). The veins were mined from two adits both of which are now caved at or near their portals rendering the workings presently inaccessible. No samples were obtained from this prospect.

2.4 The Flint Vein

The Flint Vein strikes 010° and dips westerly into the slope at 61°. It is intersected by four crosscutting adits from which drifts have been driven on different levels. A total of 339 tons of ore is reported to have been mined and shipped from these workings. Additional ore remains on the dumps and several drums filled with concentrates were also observed on the property near the site of a small portable mill.

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The vein has been intersected by four crosscutting adits driven westerly at different elevations along the slope. They are presently referred to as levels 1, 2, 3, and 4 but are numbered differently by Cairnes (1935; p.217). As nearly as the writer can ascertain Cairnes refers to level No. 1 as adit 3, to level 2 as adit 2, and to level 4 as adit No. 1. Level 3 is not described and apparently post dates his visit.

Level 1 is at an elevation of 1945 m (6380 feet) above sea level. It is described by Cairnes as consisting of a crosscut which intersects the vein at 220 feet (67 m) and continues an additional 235 feet (72 m) to about 50 feet (15 m) from the projected intersection with the Granite King Vein. A drift from this crosscut extends south 600 feet (183 m) along the vein. A raise to surface has been driven from a point near the face.

Level 2 consists of an adit at 1976 metres (6480 feet) A.S.L. driven westerly to intersect the Flint Vein at 50 feet (15 m). A south trending drift extends 280 feet (85 m) from the intersection. The adit is caved at the portal and presently inaccessible.

Level 3 is at an elevation of 1984 metres (6506 feet) and consists of a crosscutting adit about 15 metres long with drifting both south and a short distance north. Vein material consists of well banded galena, pyrite, sphalerite and siderite in quartz mylonite gangue. Sulphides vary in width from about 5 to 10 cm. The structure is up to about 0.6 m wide and is locally comprised largely of gouge material.

Level 4 is a crosscutting adit intersecting the vein about 30 metres from the portal. Drifting along the vein extends about 45 metres south of the intersection with stoping continuing above and south of the face. The vein is about 18 to 20 cm wide and mineralized with 5 to 8 cm galena, sphalerite, pyrite, pyrrhotite, and siderite in a quartz mylonite gangue. A sample taken at the face below the stope ran 13.72 oz/ton Ag, 8.29 % Pb and 7.81% Zn. A sample of vein material from what appears to be a parallel vein 2 metres west of the drift was sampled over a width of 18 cm near the face of the adit. It gave values of 15.36 oz/ton Ag, 4.53% Pb, and 1.63% Zn, and 0.01% W₃O₈. An earlier sample taken from this locality by M. Lloyd ran 16.8 oz/ton Ag and 6.16% W₃O₈.

The source of the discrepancy between the two W03 analyses could be analytical or the result of erratic distribution. Scheelite has been observed in small amounts in both vein material and tentatively in a specimen of granitic wall rock.

2.5 Liberty Group

The Liberty Group adjoins the claims described in the foregoing to the south. It comprises the Liberty, Sixteen to One, and Stars and Stripes claims located north of Keen Creek, east of Carlyle Creek and in the vicinity of a contact between Nelson granitic rocks and Slocan Group sedimentary and metasedimentary rocks. There are several workings on the group and some good quality ore is said to have been shipped. None was seen during the course of the present visit and two samples (9 & 10 in Appendix C) of marginal looking material were found to be sub-economic. The geological setting of the prospect is nevertheless interesting and it is situated adjacent a property which is presently being mined, the Last Chance Claim.

3.0 CONCLUSIONS AND RECOMMENDATIONS

Three sets of workings in three different vein structures were examined in the Carlyle Creek area. All are old silver prospects and production has been obtained from at least two of them. While silver is of primary importance lead and zinc are also present in potentially commercial quantities. Samples were also tested for copper, gold and tungstate. Copper and gold values were in general too low to be of any commercial interest. The tungsten sample taken by the writer was found to be sub-economic but an earlier sample taken by Monte Lloyd of Denver Silver Inc. reported 6.16% W03. Small amounts of scheelite have been observed using ultraviolet light in samples obtained from the Flint Mine area.

Exploration work is considered justified on all three of the Carlyle Creek prospects. The nature of the prospects, narrow to moderate sulphide bearing fissure veins, is such that the programs outlined should provide sufficient information to permit a decision respecting production from one or more of the veins. These recommendations do not include provisions for readying the prospects for production; questions respecting mining methods, milling versus direct shipping, road construction and so on

are thus deferred.

Of the three vein systems examined one, the Martin, was not sampled. The access to the underground workings is prohibited by caving and no accessible surface exposures are known. Nevertheless early descriptions of the prospect which was a former producer suggests that a strong sulphide bearing vein structure cuts the granitic rocks on the claims. At prevailing prices the material shipped from the Martin would have a gross value of \$C 1749 per ton.¹ On the basis of this data it is the opinion of the writer that a program of detailed exploration and development on the Martin Vein is justified.

Work should consist of re-entering the old adits, mapping and sampling the veins underground and carrying out detailed geological mapping on the surface.

No production has been recorded from the Granite King prospects, but sampling indicates that there are good silver values over narrow to moderate widths in the vein. As much of the known portion of the vein system lies in gently sloping reasonably accessible country. It might effectively be explored by surface mapping. This is considered particularly important in the vicinity of the probable intersection with the Flint Vein. Underground exploration would best be carried out from the face of the Level No. 1 Flint Crosscut which is said to be about 50 feet short of the Granite King. Work should include drilling from the face with a provision for extending the existing crosscut and, if the vein is intersected, drifting.

The Flint Lode is the most highly developed of the three prospects in the upper Carlyle Creek valley. It is accessed by four cross-cutting adits, a considerable amount of drifting and at least one surface trench. A total of 339 tons of ore were shipped from the Flint Mine during the 1930's. This ore produces 11,450 oz. of silver, 149,279 lbs. of lead and 11,672 lbs. of zinc which convert to 33.8 oz/ton silver, 22.0% lead and 1.7% zinc. At prevailing prices this gives a gross value of \$C950 ton.

¹ Ag at \$C 19.09/oz
Pb at \$C 0.66/lb.
Zn at \$C0.40/lb.

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The recent assays obtained of vein material give results averaging 14.54 oz/ton Ag, 6.4% Pb and 4.7% Zn for a gross value of \$C403. Both figures hold sufficient promise of profitability to justify a program of detailed exploration work.

The workings on the Flint Vein are extensive and comprehensive data on widths and grades appears to be lacking. For this reason it is recommended that a two-phase work program be initiated. The first phase should include re-entry of the two lower levels and any presently inaccessible levels that could be accessed from the other portals; detailed mapping and sampling of the vein system in all of the drifts and stopes should then be carried out. If this work provides sufficient encouragement a contingent program of exploration drifting should be carried out on one or more levels.

The substantial amount of vein material observed on the various dumps could constitute milling ore. A program of bulk sampling is recommended to establish whether or not this is the case.

The 6.16% W03 value reported from the No. 4 adit was not duplicated by the more recent sampling. Nevertheless sparse disseminated scheelite has been observed both in samples of vein material and wall rock. Prospecting of both veins and in the adjacent granitic terrain using Ultraviolet lamps is strongly recommended.

Provision should also be made for a limited program of prospecting and sampling in the Liberty Group area.

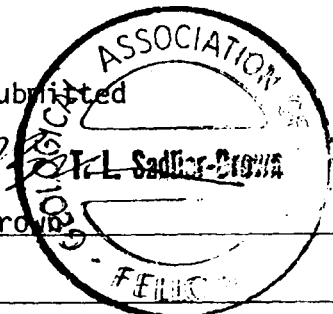
4.0 ESTIMATE OF COSTS

A summary of the foregoing recommendations and an estimate of the expenditures necessary to carry them out is as follows:

1.	Martin Claims		
	Rehabilitation of Old Workings	\$ 6,000	
	Underground Sampling and Mapping	3,200	
	Surface Geology	1,100	
	Assays	350	
			\$ 10,650
2.	Granite King (Phase I)		
	Surface Mapping	\$ 1,800	
	Underground drilling	4,500	
	Assays	200	
			\$ 6,500
3.	Flint (Phase I)		
	Re-access of Old Workings	\$10,000	
	Underground Mapping and Sampling	3,600	
	Bulk sampling of dump material	2,000	
	Assays	450	
			\$ 16,050
4.	Liberty Group		
	Prospecting and Sampling		\$ 1,200
5.	Tungsten Prospecting		\$ 1,000
6.	Flint & Granite King (Phase II)		
	Exploration Crosscut	\$ 7,000	
	Allowance for limited underground expl.	20,000	
			\$ 27,000
7.	Engineering and Reporting		\$ 8,000
8.	Contingency (allow 10%)		\$ 7,000
	TOTAL		\$ 77,400

Respectfully submitted


T.L. Sadlier-Brown

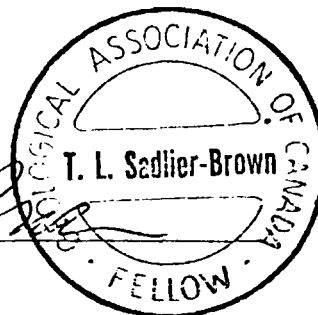


STATEMENT OF QUALIFICATIONS

I, Timothy L. Sadlier-Brown hereby certify that:

1. I am a consulting geologist and partner in the firm of Nevin Sadlier-Brown Goodbrand Ltd. with offices at 401-134 Abbott Street, Vancouver, B.C. V6B 2K4
2. I was educated at Carleton University in Ottawa, Ontario and am a Fellow of the Geological Association of Canada.
3. Since 1965 I have acted in the field of exploration geology in positions of responsibility and have been a principal in the firm of Nevin Sadlier-Brown Goodbrand Ltd. since 1972.
4. I personally carried out the geological examinations and sampling on the Carlyle Creek prospects as described in this report.
5. I hold no interest, direct or indirect, in the property described herein nor in the securities of Denver Silver Inc. nor do I expect to receive such interest.


T. L. Sadlier-Brown



The seal is circular with the text "GEOLOGICAL ASSOCIATION OF CANADA" around the top and "FELLOW" at the bottom. In the center, it reads "T. L. Sadlier-Brown".

October 22, 1979

JARRETT, GOULD & ELLIOTT

CHARTERED ACCOUNTANTS
VANCOUVER KAMLOOPS CALGARY
EDMONTON LETHBRIDGE
MONTREAL TORONTO
INTERNATIONAL FIRM
ALEXANDER GRANT TANSLEY WITT

P O BOX 10063 PACIFIC CENTRE
700 WEST GEORGIA STREET
VANCOUVER, B.C. V7Y 1C5
TELEPHONE (604) 685-8411

AUDITORS' REPORT

To the Shareholders,
Denver Silver Inc.

We have examined the balance sheet of Denver Silver Inc. as at May 31, 1979 and the statement of changes in financial position for the period from September 18, 1978 (date of incorporation) to May 31, 1979. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at May 31, 1979 and the results of its operations and the changes in its financial position for the period then ended in accordance with generally accepted accounting principles.

Vancouver, B.C.
June 14, 1979

Jarrett, Gould & Elliott

Chartered Accountants

DENVER SILVER INC.

BALANCE SHEET

MAY 31, 1979

ASSETS

CURRENT ASSET	
Cash	\$ 17,014
MINERAL CLAIMS at cost - note 2	75,000
DEFERRED EXPLORATION AND ADMINISTRATION EXPENDITURES - note 3	9,732
INCORPORATION COSTS	548
	<hr/>
	\$102,294
	<hr/> <hr/>

LIABILITIES

CURRENT LIABILITIES	
Accounts payable	\$4,793
Current portion of agreement payable	<u>7,500</u>
	\$ 12,293
AGREEMENT PAYABLE - note 2	<hr/>
	60,000
	72,293

SHAREHOLDERS' EQUITY

SHARE CAPITAL	
Authorized	
5,000,000 Common shares without par value	
Issued and fully paid	
300,001 Common shares - note 4	<hr/>
	30,001
	\$102,294
	<hr/> <hr/>

APPROVED BY THE DIRECTORS

.....

.....

DENVER SILVER INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE PERIOD FROM SEPTEMBER 18, 1978 (date of incorporation)

TO MAY 31, 1979

SOURCE OF WORKING CAPITAL			
Shares issued for cash			\$30,001
USE OF WORKING CAPITAL			
Purchase of mineral claims	\$75,000		
Less long-term portion of agreement payable	<u>60,000</u>	\$15,000	
Deferred exploration and administration expenditures		9,732	
Incorporation costs		<u>548</u>	<u>25,280</u>
WORKING CAPITAL			\$ 4,721
REPRESENTED BY			
Current assets			\$17,014
Current liabilities			<u>12,293</u>
Working capital			\$ 4,721

DENVER SILVER INC.

NOTES TO FINANCIAL STATEMENTS

MAY 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

- (a) The company was incorporated on September 18, 1978 as Denver Silver Molly Hughes Inc. On May 31, 1979, the company changed its name to Denver Silver Inc.
- (b) All expenses are currently being set up as deferred expenditures. These expenses will be amortized over the life of the mine if it becomes operational or will be written-off if efforts are abandoned.

2. MINERAL CLAIMS

- (a) Under an agreement dated February 23, 1979, the company acquired five mineral claims in the Slocan Mining Division, Kootenay District, at a cost of \$75,000, of which amount \$7,500 was paid on execution of the agreement and the balance of \$67,500 is payable without interest as follows:

Agreement payable		Due date
Current	\$ 7,500	August 23, 1979
Long-term debt	\$30,000	August 23, 1980
	<u>30,000</u>	August 23, 1981
	\$60,000	
	<u>=====</u>	

The agreement provides for the payment to Vendors of 7.5% of the net smelter returns, which shall be applied against the final payment of \$30,000.

- (b) Four located mineral claims acquired from a director at no cost.

3. DEFERRED EXPLORATION AND ADMINISTRATION EXPENDITURES

Exploration			
Freeminers' certificate	\$ 400		
Mineral land tax	48		
Geological surveys	2,155		
Consulting fees	<u>100</u>		\$2,703
Administration			
Legal fees	6,231		
Accounting	750		
Office	<u>48</u>		<u>7,029</u>
			<u>=====</u>
			\$9,732
			<u>=====</u>

DENVER SILVER INC.
NOTES TO FINANCIAL STATEMENTS
MAY 31, 1979

4 SHARE CAPITAL

	Number of Shares	Value
Shares issued for cash	\$300,001	\$30,001
	<u> </u>	<u> </u>

5. STOCK OPTION

The company has granted an option to each of the five directors to purchase up to 7,000 additional common shares of the company at a price of \$0.85 per share.

These options are non-transferable and must be exercised no later than June 30, 1980.

JARRETT, GOULD & ELLIOTT

CHARTERED ACCOUNTANTS
VANCOUVER KAMLOOPS CALGARY
EDMONTON LETHBRIDGE
MONTREAL TORONTO
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700 WEST GEORGIA STREET
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TELEPHONE (604) 685-8411

COMMENTS ON UNAUDITED INTERIM FINANCIAL INFORMATION

To the Directors,
Denver Silver Inc.

We have prepared the accompanying unaudited financial information comprising the balance sheet as at November 30, 1979 and the statements of deferred exploration costs, deferred administration costs and changes in financial statements for the six months then ended from the records of Denver Silver Inc. and from other information supplied to us by the company and we have reviewed such interim financial information. Our review, which was made in accordance with standards established for such reviews, consisted primarily of enquiry, comparison and discussion.

We have not performed an audit and consequently do not express an opinion on the interim financial information. The most recent audited financial statements issued to shareholders on which we have expressed an opinion were for the period ended May 31, 1979.

Vancouver, B.C.
January 8, 1980


Chartered Accountants

DENVER SILVER INC.

BALANCE SHEET

NOVEMBER 30, 1979
(unaudited)

ASSETS

CURRENT ASSETS

Cash	\$ 1,033
Term deposits	120,000
Prepaid expenses	<u>1,110</u>
	122,143

MINERAL CLAIMS - note 2 155,000

FIXED ASSETS - note 3 184,265

DEFERRED COSTS

Exploration	\$35,255	
Administration	<u>38,604</u>	73,859

INCORPORATION COSTS 548

\$535,815

LIABILITIES

CURRENT LIABILITIES

Bank indebtedness, secured	\$ 20,690
Accounts payable and accrued interest	22,683
Current portion of long-term debt	<u>64,143</u>
	107,516

LONG-TERM DEBT - note 4 177,298

284,814

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized
5,000,000 Common shares without par value

Issued and fully paid
700,001 Common shares - note 5 251,001

APPROVED ON BEHALF OF THE BOARD:

Per: *[Signature]*
Director

\$535,815

Per: *[Signature]*
Director

DENVER SILVER INC.

STATEMENT OF DEFERRED EXPLORATION COSTS
 FOR THE SIX MONTHS ENDED NOVEMBER 30, 1979
 (unaudited)

EXPENDITURES	
Assay	\$ 280
Automobile - lease, operating and insurance	1,842
Depreciation	7,296
Equipment lease and rental	3,342
Fuel	389
Geological surveys	2,269
Interest	2,276
Mine supplies and explosives	4,009
Miscellaneous	490
Taxes and assessments	2,005
Wages and employee benefits	<u>13,494</u>
DEFERRED EXPLORATION AND DEVELOPMENT COSTS INCURRED DURING THE PERIOD	37,692
Deduct interest earned	<u>5,140</u>
	32,552
DEFERRED COSTS at beginning of period	<u>2,703</u>
DEFERRED COSTS at end of period	<u><u>\$35,255</u></u>

DENVER SILVER INC.

STATEMENT OF ADMINISTRATION COSTS

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1979
(unaudited)

EXPENDITURES

Accounting and audit	\$ 1,250
Bank charges and overdraft interest	247
Depreciation	70
Legal	9,351
Office, printing and sundry	2,804
Rent and secretarial	3,600
Salaries and employee benefits	4,585
Securities listing fees	3,000
Telephone	2,408
Travel, entertainment and promotion	3,899
Transfer agent	<u>361</u>

DEFERRED ADMINISTRATION COSTS INCURING
DURING THE PERIOD

31,575

DEFERRED COSTS at beginning of period

7,029

DEFERRED COSTS at end of period

\$38,604

DENVER SILVER INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE SIX MONTHS ENDED NOVEMBER 30, 1979
(unaudited)

SOURCE OF WORKING CAPITAL			
Issue of shares, net		\$221,000	
Increase of long-term debt		<u>117,298</u>	\$338,298
USE OF WORKING CAPITAL			
Purchase of fixed assets		191,631	
Purchase of mineral claims		80,000	
Deferred costs			
Exploration	\$32,552		
Administration	<u>31,575</u>		
	64,127		
Less item not requiring an outlay of funds - depreciation	<u>7,366</u>	<u>56,761</u>	<u>328,392</u>
INCREASE IN WORKING CAPITAL			9,906
WORKING CAPITAL at beginning of period			<u>4,721</u>
WORKING CAPITAL at end of period			<u>\$ 14,627</u>
REPRESENTED BY			
Current assets			\$122,143
Current liabilities			<u>107,516</u>
Working capital			<u>\$ 14,627</u>

DENVER SILVER INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1979
(unaudited)

1. SUMMARY OF ACCOUNTING POLICIES

- (a) All expenses are currently being set up as deferred expenditures. These expenses will be amortized over the life of the mine if it becomes operational or will be written-off if efforts are abandoned.
- (b) The company follows a policy of depreciating its fixed assets at a rate of 20% per annum on a straight-line basis.

2. MINERAL CLAIMS

- (a) The company has acquired under agreements, fourteen mineral claims and one mineral lease at total cost of \$155,000.
- (b) Four located mineral claims were acquired from a director at no cost.

3. FIXED ASSETS

	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 98,819		\$ 98,819
Furniture and fixtures	695	\$ 70	625
Mining equipment	92,117	7,296	84,821
	<u>\$191,631</u>	<u>\$ 7,366</u>	<u>\$184,265</u>

4. LONG-TERM DEBT

	Current Portion	Long-term Portion	Total
Conditional sales contract - John Deere Limited, payable in monthly instalments of \$430 per month, followed by \$377.74 per month over the remaining 30 months, maturing September 30, 1982 (net of finance charges of \$2,070)	\$ 3,990	\$ 6,992	\$ 10,982
Mortgage payable to J.W. Chatburn, A.L. Shaw, D. French and M.P. Whitehill with an effective interest rate of 12.36%, secured by a specific charge on real property, maturing October 1, 1982	25,153	50,306	75,459
Agreement payable to L.H. and E.J. MacPherson, without interest, secured by located mineral claims, maturing September 12, 1984	5,000	90,000	95,000
Agreement payable to G.W. Palmer, W.H. Palm and J. Heichert, without interest, secured by located mineral claims, maturing August 23, 1981	30,000	30,000	60,000
	<u>\$ 64,143</u>	<u>\$177,298</u>	<u>\$241,441</u>

DENVER SILVER INC.

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30, 1979
(unaudited)

4. LONG-TERM DEBT continued

The following represents the principal payments required over the next five years.

	Mortgage - Agreements Payable				Total Payments Required
	Sales Contract	Chatburn et al	MacPherson	Palmer et al	
1980	\$ 3,990	\$25,153	\$ 5,000	\$ 30,000	\$ 64,143
1981	3,814	25,153	10,000	30,000	68,967
1982	3,178	25,153	20,000		48,331
1983			30,000		30,000
1984			30,000		30,000
	<u>\$10,982</u>	<u>\$75,459</u>	<u>\$95,000</u>	<u>\$60,000</u>	<u>\$241,441</u>

5. SHARE CAPITAL

	Number of Shares	Value
Balance May 1, 1979	300,001	\$ 30,001
Shares issued by public offering Less underwriting commission	400,000	260,000 <u>39,000</u>
		<u>221,000</u>
	<u>700,001</u>	<u>\$251,001</u>

6. STOCK OPTION

The company has granted an option to each of the five directors to purchase up to 7,000 additional common shares of the company at a price of \$0.85 per share.

These options are non-transferable and must be exercised no later than June 30, 1980.

DENVER SILVER INC.

STATEMENT OF CHANGES IN FINANCIAL POSITION

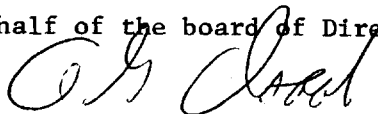
FOR THE TWO MONTHS ENDED JANUARY 31, 1980

(unaudited)

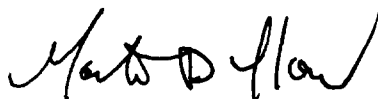
SOURCE OF WORKING CAPITAL		
Interest earned	2219	
Smelter Returns	<u>990</u>	3209
USE OF WORKING CAPITAL		
Purchase of fixed assets	25706	
Purchase of mineral claims		
Deferred costs: Exploration	33613	
Administration	<u>7814</u>	<u>67133</u>
Less item not requiring an outlay of funds - depreciation		
INCREASE IN WORKING CAPITAL		(63924)
WORKING CAPITAL at beginning of period		14627
WORKING CAPITAL at end of period		<u>(49297)</u>
REPRESENTED BY		
Current assets		54,529
Current liabilities		103,826
Working capital		<u>(49,297)</u>

On behalf of the board of Directors.

per:



per:



PREPARED BY MANAGEMENT OF THE COMPANY.

20. STATUTORY RIGHTS OF RESCISSION

Sections 61 and 62 of the Securities Act (British Columbia) provides in effect, that where a security is offered to the public in the course of primary distribution:

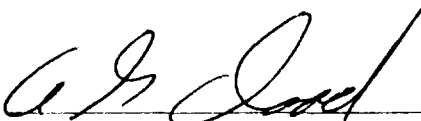
- (a) A purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last Statement of Material Facts, together with financial statements and a summary of engineering reports as filed with the Vancouver Stock Exchange, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.
- (b) A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the Statement of Material Facts or any amended Statement of Material Facts offering such security contains an untrue statement of material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such Statement of Material Facts or amended Statement of Material Facts is received or is deemed to be received by him or his agent.


Reference is made to the said Act for the complete text of the provisions under which the foregoing rights are conferred.

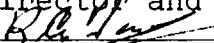
21. CERTIFICATE OF THE DIRECTORS AND PROMOTERS OF THE ISSUER:


The foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.


January 31, 1980
(Date)


ALAN GERALD ISAAK
Director and Promoter


WILLIAM ELSWORTH VANCE
Director and Promoter


RICHARD ALBERT FOWLER
Director and Promoter


MONTE DENNIS LLOYD
Director and Promoter


ARTHUR JOHN VERNE ORICE HIGGS
Director and Promoter
By Alan Isaak, His Attorney

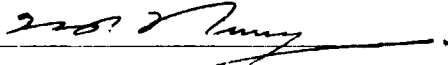
CERTIFICATE OF THE UNDERWRITER(S):

To the best of our knowledge, information, and belief, the foregoing constitutes full, true, and plain disclosure of all material facts relating to the securities offered by this Statement of Material Facts.

January 31, 1980
(Date)

C.M. OLIVER & COMPANY LIMITED

CANARIM INVESTMENT CORPORATION LTD.

PER: 

PER: 