

low prices prevailing, the prospect of bringing additional silicon/ferrosilicon production to the marketplace is not feasible at present. However, the Company will continue to pursue avenues to develop this valuable resource.

A limited prospecting program on the Ox Lake property, a joint venture between the Company and Asarco, was successful in locating silver-bearing veins peripheral to the Ox Lake porphyry. Additional follow-up is planned for the coming field season.

The Company participated with Canamax Resources Inc. in a two-hole drill program on the Company's Hemlo claims. The results were disappointing and the option on these claims was dropped.

With the recent modest improvement in gold price, the Company is looking forward to an increase in the activities of Mutual Resources Limited and Lord River Gold Mines Limited, two associated companies. Mutual Resources Limited owns four gold properties and has \$700,000 in working capital. Lord River Gold Mines has a 50% property interest in the former Pellaire Gold Mine, located 150 miles north of Vancouver. The property has inferred geological reserves of 34,000 tons grading 0.67 ounces of gold per ton with room for expansion.

The Company completed a successful rights offering to shareholders in 1985 to net the treasury \$651,000. Financially, the Company enjoys a sound working capital position with more than sufficient funds to carry out its proposed exploration programs in 1986. Subsequent to the preparation of the financial statements which form part of this report, the Company sold 78,125 shares of Blackdome Exploration Ltd. netting \$400,000. These funds were added to working capital and a portion applied to paying down the Company's debt to Teck Corporation.

The Company continues to receive royalty payments from the lessees of three silver properties in the Smithers-Hazelton area of British Columbia. At the Duthie Mine the lessee has completed the construction of a 50-ton per day mill. The

operation is seasonal with concentrates being shipped to the smelter at Trail. A few years of ore reserves have been outlined underground, and an improvement in the price of silver could see a significant increase in the Company's royalty revenues from this operation.

On December 4, 1985 shares of Western Copper Holdings Limited were distributed as a dividend on a 1 for 1 basis to Consolidated Silver Standard shareholders of record January 4, 1985. There are currently 1,916,523 shares outstanding in Western Copper Holdings of which Teck Corporation holds 36.2 per cent. The assets of Western Copper Holdings are its interests in the Schaft Creek, Minto, and Red-Chris properties.

Mr. Ross Beaty, President of Equinox Resources Ltd. has been appointed to the Board of Directors replacing R.W. Kram. Mr. Beaty's international experience as a consulting geologist will make him a valuable member of the Board.

On behalf of the Board,



R.A. QUARTERMAIN
President

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