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SILVER STAR MINES LTD. (N.P.L.)

annual general meeting 1969

head office:

704-626 WEST PENDER ST. VANCOUVER 2, B.C.

SILVER STAR MINES LTD. (N.P.L.)

NOTICE OF ANNUAL GENERAL MEETING

TAKE NOTICE that an Ordinary General Meeting of Silver Star Mines Ltd. (N.P.L.) will be held in Room 608 Marine Building, 355 Burrard Street, Vancouver, B.C., at 2:30 o'clock in the afternoon, on Monday, the 22nd day of December, 1969, for the purpose of:

- (1) Receiving and considering the Report of the Directors of the Company; the Balance Sheet as at May 31st, 1969 and for the three month period ended August 31st, 1969.
- (2) Electing the Directors of the Company for the ensuing year.
- (3) Approving the acts of the Directors and Officers of the Company.
- (4) Appointing the Auditors of the Company for the ensuing year at a remuneration to be fixed by the Directors.
- (5) Considering, and if thought fit, passing an Ordinary Resolution, authorizing the Company to take or otherwise acquire shares in any other corporation as set forth in Section 22 (1) (g) of the "Companies Act".
- (6) Transacting such other business as may properly be transacted at such Meeting, or at any adjournment thereof, without notice.

Enclosed with this Notice of Meeting is an Information Circular and Proxy Form. If you are unable to attend the Annual General Meeting in person, kindly read the notes accompanying the Instrument of Proxy enclosed herewith and then complete and return the enclosed Form of Proxy within the time set out in the notes.

As set out in the notes, the enclosed Proxy is solicited by Management, but you may amend it if you so desire, by striking out the names listed therein and inserting in the space provided the name of the person you wish to represent you at the Meeting.

DATED at Vancouver, B.C., this 10th day of December, 1969.

BY ORDER OF THE BOARD

"H.L. JESTLEY"
Secretary

SILVER STAR MINES LTD. (N.P.L.)

INFORMATION CIRCULAR

As at December 10th, 1969, for the Annual General Meeting of the Shareholders to be held on Monday, the 22nd day of December, 1969

1. REVOCABILITY OF PROXY

Any shareholder of the above Company who executes the enclosed proxy may revoke the same by instrument in writing executed by the shareholder or by his attorney authorized in writing, or if a shareholder is a corporation, under its corporate seal or by any officer or attorney thereof duly authorized, which may be deposited either at the registered office of the Company at Suite 1500, 355 Burrard Street, Vancouver, B.C., at any time up to and including the last business day preceding the day of the Meeting, or at any adjournment thereof at which the proxy is to be used, or with the chairman of such Meeting on the day of the Meeting, or adjournment thereof, and upon either of such deposits the proxy shall be revoked.

2. PERSONS OR COMPANIES MAKING THE SOLICITATION

The solicitation is made on behalf of the management of the Company and the costs of this proxy solicitation will be borne by the Company.

3. VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

(a) The Company is authorized to issue 5,000,000 shares without nominal or par value, and at the date hereof there are issued and outstanding 1,950,005 shares and each such share carries with it the right to one vote.

(b) The Share Transfer Register of the Company shall be closed at 4:00 o'clock in the afternoon, Friday, the 19th day of December, 1969, and all shareholders of the Company recorded, at the said closing, in the Company's Share Register shall be entitled to vote at the Meeting.

(c) To the knowledge of the Directors and Senior Officers of the Company, the only persons or parties who beneficially own, directly or indirectly equity shares carrying more than 10% of the outstanding shares are as follows:

<u>Name</u>	<u>Number of Common Shares Owned</u>	<u>Percentage of Outstanding Shares</u>
Scranton Mines Limited (N.P.L.) 1500 - 355 Burrard Street Vancouver, B.C.	360,000	18.45%
Blue Star Mines Limited (N.P.L.) 1500 - 355 Burrard Street Vancouver, B.C.	600,000	30.77%

4. ELECTION OF DIRECTORS

The Board presently consists of seven Directors, all of whom are elected at the Annual General Meeting of the Company to hold office until the next Annual General Meeting or until their successors are appointed. The following table sets out the information respecting all persons proposed to be nominated for election as Directors. This information has been supplied to management by such individuals.

Name and Present Office Held with Company	Present Principal Occupation	Principal Occupation for past 5 years	Periods for which Directorship held in Company	Equity Shares of Company owned, directly or indirectly as at Dec.10/69
J.D. Annand Director	Architect	Architect, Annand-Boone, Drynen & Huffstutter	Since June 15/67 to date hereof	8,000
Edward L. Borup Managing Director	Mining Executive	Mining Executive, Managing Director, Blue Star Mines Ltd. (N.P.L.)	Since June 15/67 to date hereof	110,800
Drake L. Cummings Director	Contractor	Contractor, President, High- land Develop- ment Co. Ltd.	Since June 15/67 to date hereof	53,000
H. Lyle Jestley Director & Secretary	Barrister & Solicitor	Barrister & Solicitor, Jestley, Kir- tiuk, White & Jones	Since June 15/67 to date hereof	20,001
Samuel L. Klein Director	Realtor	Realtor, Mack Realty Co. Ltd.	Since June 15/67 to date hereof	50,000
Lee E. Merklin Director	Machine Designer	Machine Designer, Wagner Mining Scoor Inc.	Since June 15/67 to date hereof	200
Robert G.P. Schmid President & Director	Contractor	Contractor, J. Schmid Construction Co. Ltd.	Since June 15/67 to date hereof	50,000

The persons named in the form of proxy enclosed herewith intend to vote for the nominees whose names are set forth above, all of whom are now members of the Board.

The Management does not expect that any nominees will be unable to serve as a Director, but in that event, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.

5. REMUNERATION OF MANAGEMENT

No remuneration has been paid by the Company since its incorporation to any of the Directors as such. During the period ended May 31st, 1969 the sum of \$9,000.00 has been paid to the Managing Director, and during the three month period ended September 30th, 1969 the sum of \$2,250.00 has been paid to him for services rendered to the Company.

6. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No material interest, direct or indirect, was held in any transaction of the Company since the incorporation of the Company by any Director or Officer of the Company or by any shareholders holding in excess of 10% of the shares of the Company, except that the Company acquired from Scranton Mines Limited (N.P.L.) and Blue Star Mines Limited (N.P.L.) six Crown granted and two recorded mineral claims, plant and equipment and development for an aggregate of 1,000,000 shares of the capital stock of the Company. As herein set forth, both Scranton Mines Limited (N.P.L.) and Blue Star Mines Limited (N.P.L.) are each the recorded and beneficial owners of greater than 10% of the Company's outstanding equity shares. All of the Directors of the Company are shareholders of Scranton Mines Limited (N.P.L.) and/or Blue Star Mines Limited (N.P.L.), both of which Companies are public companies under the "Companies Act" of the Province of British Columbia. All of the Directors of the Company have also purchased shares from the Company in the ordinary course of business at the same price and on the same terms and conditions as the other shareholders who are not insiders of the Company.

7. APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the appointment of Messrs. Harwood & Grayson, Chartered Accountants, 837 West Hastings Street, Vancouver, B.C., as Auditors of the Company to hold office until the next Annual General Meeting of Shareholders. The said Messrs. Harwood & Grayson were first appointed Auditors of the Company on June 14th, 1967, and have held such appointment up to the present date.

8. PARTICULARS OF OTHER MATTERS TO BE ACTED UPON

The Board of Directors has no knowledge of any matters to be submitted to the Meeting of Shareholders of the Company set for Monday, the 22nd day of December, 1969, other than those matters referred to in the notice calling such Meeting but if any such matters should arise and properly come before the Meeting, the proxies will be voted in accordance with the discretion of the individual proxy named.

DATED at Vancouver, B.C., this 10th day of December,
1969.

BY ORDER OF THE BOARD

"H.L. JESTLEY"
Secretary

SILVER STAR MINES LTD. (N.P.L.)

REPORT TO SHAREHOLDERS

Your Company has been very active in the development of the "Scranton Mine" near Ainsworth, where we are steadily developing high grade ore shoots containing Gold, Silver, Lead, Zinc and Cadmium.

After the severe winter of 1968-69, work was resumed early in March. Re-opening the road required about a month's work, with three Cats. By about the middle of April underground work proceeded.

The following is a brief resume of the work performed in various phases of the operation since that time.

ROAD:

A great deal of work was done on the 10 miles of road from the highway to the camp. Much remains to be done, but we now have an all-weather road from the Mine to the Highway. Road equipment owned by the Company is such as is required to keep the road open all winter.

5900' LEVEL:

This level was advanced another 200 feet to the West on the vein-structure. Attention was then turned to the vertical development of the two ore shoots so far opened up on this level. Three small raises were driven 40 feet, 60 feet and 110 feet, respectively. This work indicated a vertical continuity of the same general grade and widths as located on the 5900' level drift. The weighted average of the ore in the two shoots located to date are as follows:

- #1 Shoot - length 110 feet (ore still in face to North)
width 2.5' - Au 0.40 oz., Ag 6.0 oz., Pb 6%, Zn 6%.
- #2 Shoot - length 160 feet
width 2.68' - Au 0.52 oz., Ag 10.77 oz., Pb 13.5%,
Zn 16.6%.

To this must be added between .15% and .22% Cadmium, respectively.

No. 2 Shoot was prepared for stoping. An 8' round was blasted down and a second 6' round drilled off. The section was then timbered with ore passes at 25' intervals, plus a man-way. The second round was then blasted and the stope is now fully prepared for shrink stoping to the 6040' level.

5700' LEVEL:

This adit was driven to intersect the vein at this level. The ore was encountered after approximately 200 feet of crosscutting and has been driven on the vein about 700 feet. Several short shoots of good grade ore were encountered as the adit advanced. At a point directly below the #2 shoot on the 5900' an ore shoot 150 feet in length was encountered. The weighted average grade was as follows:

Length 150', width 3.03': Au 0.09 oz. Ag 7.88 oz. Pb 8.32%,
Zn 6.52% plus Cadmium similar to above.

A three-compartment raise was started at this point to connect with the 5900' level approximately 250' on dip above. The raise was driven at a 56° angle for the first 70'-80', the vein averaged 2.5' to 3.5' in width. The vein then steepened and gradually disappeared into the hanging wall, as we maintained our 56° angle of raise. At about 190' the vein came back to the angle of the raise and we have had solid ore 3' plus in width continuously to the break-through point on the 5900' level. As of this writing, no assays from this work are available, but we can assure you we have every reason to be satisfied.

As a side note, we can give you the results of a bulk sample taken across 2 feet in the sill or floor of the 5700' level immediately below the raise:

Au 0.02 oz., Ag 50.6 oz., Pb 51.25% and Zn 9.56%.

This indicates continuity to depth to the 5600' level and as we have reported previously, we diamond-drilled approximately 150 feet below this level and still had ore. Shrink stoping in the #2 shoot on the 5900' level will proceed. #1 ore shoot will be prepared for stoping. Ore from both shoots will be dropped through the transfer raise to the 5700' level and trammed via the snow shedded track by electric trammer train to the covered storage area at this level. From here it will be trucked via Tandem Trucks carrying 15 tons per trip to the Blue Star Mill at Ainsworth.

GENERAL 5700' LEVEL:

This will, for the foreseeable future, be our main development area insofar as a centre for power and air development. A 64' x 24' all steel, fully insulated powerhouse has been built at this point. This building contains 2 - 500 cu. ft. compressors and 1 - 600 cu. ft. compressor, 1 - 48 K.W. Diesel power plant and 1 - 25 K.W. Diesel power plant, as standby; Battery charging units for the two battery-driven Looi. One section of the building will be separated by a soundproof wall to provide ample room for truck and tractor maintenance and repairs.

GENERAL 5600' LEVEL:

This is the level of the camp where we can accommodate 20 men. Thermostatically controlled heat is provided throughout by Propane, including separate dry, shower, etc., facilities. The camp is fully lighted by electric power from the main power plant, including refrigeration and deep-freeze. One small unit is propane-operated, as are the cooking and hot water facilities. There are several storage buildings for oils, greases, equipment, etc., plus a long shed-type building open on one side, which provides year-round shelter for the Company's trucks, which include 2 large 4-wheel drives for transportation of men and supplies, 1 3-ton flat deck dump truck, 1 - 3/4-ton 4-wheel drive pickup, 1 Dodge 1/2-ton pickup, 3 - 4-wheel drive Scouts, 1 - 4-wheel drive Oshkosh, 1 - TD 20 Cat and 1 - TD 9 Cat.

GENERAL:

Approximately 5000 tons of broken development ore was accumulated at the 5900' and 5700' levels. Late in October, hauling of this ore was started to the Blue Star Mines Mill at Ainsworth at a rate of 50 to 90 tons per day, depending on availability of trucks. To date approximately 2800 tons have been hauled and stockpiled at the Mill. This is straight development ore and will range widely in values, but we anticipate it will average about \$50.00 per ton. Hauling continues steadily.

We anticipate little difficulty in keeping the road open this winter.

The Blue Star Mill was prepared for operation and started crushing ore about two weeks ago. The usual adjustments of a break-in period had to be made, but we are now putting through 50 - 55 tons per 8-hour shift. Approximately 700 - 750 tons have been milled to date. Recovery is excellent and tailing loss minimal.

IN CONCLUSION:

We have ore of excellent grade - we have at least 2 to 3 years ore in sight now, and we have barely scratched the property's potential. We have contracts for hauling the ore, milling the ore, hauling the concentrates, and for the sale of the concentrates. We are starting at 50 - 55 tons per day, but will gradually increase this as development opens up working areas. The present full capacity of the Blue Star Mill is 170 tons per day.

We believe that we are the first and only mine to go into production in British Columbia this year.

I would like to express my sincere thanks and appreciation to all the employees and to my fellow directors who have given the Company tremendous support and unstinted loyalty to get this project going under very trying conditions.

It gives me great pleasure, on behalf of the Board, to be able to send you this report. Your Directors believe that this project will be an important contribution to the mining industry of this Province for a long time to come.

DATED at Vancouver, B.C., this 10th day of December, 1969.

ON BEHALF OF THE BOARD

"EDWARD L. BORUP"
Managing Director

HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

F. H. HARWOOD, C.A.
W. H. GRAYSON, B.COMM., C.A.

837 WEST HASTINGS STREET
VANCOUVER 1, B.C.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Silver Star Mines Ltd. (N.P.L.) as at 31st May, 1969 and the comparative statement of source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and comparative statement of source and use of funds when read in conjunction with the notes and schedule appended thereto, present fairly the financial position of the company as at 31st May, 1969 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Harwood & Grayson

20th August, 1969.

CHARTERED ACCOUNTANTS

SILVER STAR MINES LTD. (N.P.L.)

BALANCE SHEET AS AT 31ST MAY, 1969

WITH COMPARATIVE FIGURES FOR THE PRECEDING YEAR

<u>CURRENT ASSETS</u>	<u>ASSETS</u>	
	<u>1969</u>	<u>1968</u>
Cash	-	147.56
Deposit - (note 5)	<u>3,498.65</u>	<u>-</u>
	<u>3,498.65</u>	<u>147.56</u>
<u>MINERAL CLAIMS</u> - at cost		
(Note 1)	75,000.00	75,000.00
<u>DEFERRED EXPENSES</u>		
Development and administrative (note 1)	313,273.50	125,071.32
Incorporation	<u>4,500.00</u>	<u>4,500.00</u>
	<u>317,773.50</u>	<u>129,571.32</u>
	<u>\$396,272.15</u>	<u>\$204,718.88</u>
	=====	=====
	<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>		
Bank - outstanding cheques	3,101.99	-
Accounts payable	14,399.96	16,782.58
Equipment purchase contracts	<u>21,515.80</u>	<u>-</u>
	<u>39,017.75</u>	<u>16,782.58</u>
<u>ADVANCES</u>		
Directors' advances	40,734.90	18,796.01
Blue Star Mines Ltd. (N.P.L.)	<u>16,514.50</u>	<u>19,135.29</u>
	<u>57,249.40</u>	<u>37,931.30</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital -		
Authorized -		
5,000,000 shares without		
nominal or par value		
Issued - (note 2)		
1,750,005 shares	<u>300,005.00</u>	<u>150,005.00</u>
	<u>\$396,272.15</u>	<u>\$204,718.88</u>
	=====	=====

APPROVED ON BEHALF OF THE BOARD:

.....Director
Director

This is the balance sheet referred to in our report of this date.

Harwood & Grayson

VANCOUVER, 20th August, 1969.

CHARTERED ACCOUNTANTS

SILVER STAR MINES LTD. (N.P.L.)

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED 31ST MAY, 1969

WITH COMPARATIVE FIGURES FOR THE PRECEDING YEAR

	<u>1969</u>	<u>1968</u>
<u>SOURCE OF FUNDS</u>		
Proceeds from sale of shares -		
Cash	150,000.00	50,005.00
Mineral claims	-	75,000.00
Development expenses	-	25,000.00
Net increase in advances	<u>19,318.10</u>	<u>37,931.30</u>
	<u>\$169,318.10</u>	<u>\$187,936.30</u>
<u>USE OF FUNDS</u>		
Mineral claims	-	75,000.00
Incorporation	-	4,500.00
Development expense	169,786.45	115,073.58
Administrative expense	<u>18,415.73</u>	<u>9,997.74</u>
	<u>\$188,202.18</u>	<u>\$204,571.32</u>
<u>DECREASE IN WORKING CAPITAL</u>	18,884.08	16,635.02
<u>WORKING CAPITAL DEFICIT BEGINNING OF PERIOD</u>	<u>16,635.02</u>	<u>-</u>
<u>WORKING CAPITAL DEFICIT END OF PERIOD</u>	<u>\$ 35,519.10</u>	<u>\$ 16,635.02</u>

SILVER STAR MINES LTD. (N.P.L.)

SCHEDULE OF DEVELOPMENT AND

ADMINISTRATIVE EXPENSE

FOR THE YEAR ENDED 31ST MAY, 1969

WITH COMPARATIVE FIGURES FOR THE PRECEDING YEAR

	<u>1969</u>	<u>1968</u>
<u>DEVELOPMENT</u>		
Development - Blue Star Mines Ltd. (N.P.L.)	-	10,000.00
Assay	374.38	36.22
Equipment purchases	39,388.15	33,406.18
Equipment operating	31,774.23	20,362.29
General supplies	23,986.28	14,601.68
Road construction and maintenance	9,218.06	17,876.50
Engineering	1,834.47	1,501.64
Insurance	1,199.12	1,100.20
Travel	3,004.46	-
Fees, taxes, licences, etc.	582.18	86.00
Wages	60,368.72	30,006.90
Other labour costs	<u>3,090.00</u>	<u>2,105.55</u>
	174,820.05	131,083.16
Less: Government grant in aid of road construction	<u>5,033.60</u>	<u>16,009.58</u>
	<u>\$169,786.45</u>	<u>\$115,073.58</u>
<u>ADMINISTRATIVE</u>		
Salaries	1,950.00	3,056.25
Legal and audit	9,175.63	-
Office expense	6,153.13	4,355.26
Travel	468.50	2,186.65
Interest and bank charges	<u>668.47</u>	<u>399.58</u>
	<u>\$ 18,415.73</u>	<u>\$ 9,997.74</u>
<u>TOTAL</u>	188,202.18	125,071.32
<u>BALANCE</u> - beginning of period	<u>125,071.32</u>	<u>-</u>
<u>BALANCE</u> - end of period	<u>\$313,273.50</u>	<u>\$125,071.32</u>

SILVER STAR MINES LTD. (N.P.L.)

NOTES TO THE FINANCIAL STATEMENTS

31ST MAY, 1969.

Note 1 - Values

- A. Mineral claims - value ascribed to 750,000 of the company's shares.
- B. Development - \$25,000.00 being value ascribed to 250,000 of the company's shares with subsequent additions at cost.
- C. Other deferred expenses are shown at cost.

The amounts are not intended to represent present or future values.

Note 2 - Share capital issued

	<u>No. of shares</u>	<u>Proceeds</u>
Cash	750,005	200,005.00
Mineral claims	750,000	75,000.00
Development expense	<u>250,000</u>	<u>25,000.00</u>
	<u>1,750,005</u>	<u>\$300,005.00</u>

During the year ended 31st May, 1969 the company issued 200,000 shares @ 37-1/2¢ and 150,000 shares @ 50¢.

Note 3 - Options

The company has entered the following agreements pertaining to the sale of treasury stock -

- A. On 20th November, 1968 the company granted an employee an option to purchase 25,000 shares @ 50¢ per share to be exercised at the rate of 5,000 shares per year for each of the first three years and the remaining 10,000 shares to be purchased during the final two years of the agreement.
- B. On 5th May, 1969 Hemsworth, Turton & Co. Ltd. agreed to underwrite 200,000 shares @ \$1.00 and was granted options to purchase 200,000 shares @ \$1.25 exercisable in 90 days and 150,000 shares @ \$1.50 exercisable in 180 days.

Both of the above options have been approved by securities commission.

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Note 4 - Remuneration of directors

Remuneration to a director for services rendered in managing the company's operations totalled \$9,000.00 for the year ended 31st May, 1969.

Note 5

A contractor has garnisheed the sum of \$3,498.65 of the company's funds. The company is disputing the contractor's claim and expects to recover the amount garnisheed.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Silver Star Mines Ltd. (N.P.L.) as at 31st August, 1969 and the comparative statement of source and use of funds for the period ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and comparative statement of source and use of funds when read in conjunction with the notes and schedule appended thereto, present fairly the financial position of the company as at 31st August, 1969 and the results of its operations for the period ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Howard Chapman

VANCOUVER, 4th December, 1969.

CHARTERED ACCOUNTANTS

SILVER STAR MINES LTD. (N.P.L.)

BALANCE SHEET AS AT 31ST AUGUST, 1969

WITH COMPARATIVE FIGURES AS AT 31ST MAY, 1969.

	<u>ASSETS</u>	
	31st August 1969	31st May 1969
<u>CURRENT ASSETS</u>		
Cash	64,082.30	-
Deposit (note 5)	<u>3,498.65</u>	<u>3,498.65</u>
	67,580.95	3,498.65
<u>MINERAL CLAIMS - at cost</u>		
(Note 1)	75,000.00	75,000.00
<u>DEFERRED EXPENSES</u>		
Development and administrative (Note 1)	418,053.27	313,273.50
Incorporation	<u>4,500.00</u>	<u>4,500.00</u>
	422,553.27	317,773.50
	<u>\$565,134.22</u>	<u>\$396,272.15</u>
	<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>		
Bank - outstanding cheques	-	3,101.99
Accounts payable	27,000.27	14,399.96
Equipment purchase contracts	<u>20,915.60</u>	<u>21,515.80</u>
	47,915.87	39,017.75
<u>ADVANCES</u>		
Directors' advances	10,506.70	40,734.90
Blue Star Mines Ltd. (N.P.L.)	<u>6,706.65</u>	<u>16,514.50</u>
	17,213.35	57,249.40
<u>SHAREHOLDERS' EQUITY</u>		
Share capital -		
Authorized -		
5,000,000 shares without nominal or par value		
Issued (note 2)		
1,950,005 shares	<u>500,005.00</u>	<u>300,005.00</u>
	<u>\$565,134.22</u>	<u>\$396,272.15</u>

APPROVED ON BEHALF OF THE BOARD:

..... *[Signature]* Director

..... *[Signature]* Director

This is the balance sheet referred to in our report of this date.

[Signature]

VANCOUVER, 4th December, 1969.

CHARTERED ACCOUNTANTS

SILVER STAR MINES LTD. (N.P.L.)

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE THREE MONTH PERIOD ENDED 31ST AUGUST, 1969

WITH COMPARATIVE FIGURES FOR THE PRECEDING YEAR.

<u>SOURCE OF FUNDS</u>	<u>31st August 1969</u>	<u>31st May 1969</u>
Proceeds from sale of shares - Cash	200,000.00	150,000.00
Net increase in advances	<u>-</u>	<u>19,318.10</u>
	<u>\$200,000.00</u>	<u>\$169,318.10</u>
<u>USE OF FUNDS</u>		
Development expense	96,830.12	169,786.45
Administrative expense	7,949.65	18,415.73
Advances repaid	<u>40,036.05</u>	<u>-</u>
	<u>\$144,815.82</u>	<u>\$188,202.18</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	55,184.18	(18,884.08)
<u>WORKING CAPITAL DEFICIT - beginning of period</u>	<u>35,519.10</u>	<u>16,635.02</u>
<u>WORKING CAPITAL (DEFICIT) - end of period</u>	<u>\$19,665.08</u>	<u>(\$35,519.10)</u>

SILVER STAR MINES LTD. (N.P.L.)

SCHEDULE OF DEVELOPMENT AND

ADMINISTRATIVE EXPENSE

FOR THE THREE MONTH PERIOD ENDED 31ST AUGUST, 1969

WITH COMPARATIVE FIGURES FOR THE PRECEDING YEAR.

	<u>31st August</u> <u>1969</u>	<u>31st May</u> <u>1969</u>
<u>DEVELOPMENT</u>		
Assay	1,167.87	374.38
Equipment purchases	17,618.75	39,388.15
Equipment operating	13,778.52	31,774.23
General supplies	17,758.57	23,986.28
Road construction and maintenance	4,672.00	9,218.06
Power	231.00	-
Engineering	35.00	1,834.47
Insurance	125.00	1,199.12
Travel	127.70	3,004.46
Fees, taxes, licences, etc.	-	582.18
Wages	40,255.40	60,368.72
Other labour costs	<u>1,060.31</u>	<u>3,090.00</u>
	96,830.12	174,820.05
Less: Government grant in aid of road construction	<u>-</u>	<u>5,033.60</u>
	<u>\$ 96,830.12</u>	<u>\$169,786.45</u>
<u>ADMINISTRATIVE</u>		
Salaries	487.50	1,950.00
Legal and audit	5,794.03	9,175.63
Office expense	1,846.38	6,153.13
Travel	-	468.50
Interest and bank charges	<u>397.08</u>	<u>668.47</u>
	8,524.99	18,415.73
Less: Interest earned	<u>575.34</u>	<u>-</u>
	<u>\$ 7,949.65</u>	<u>\$ 18,415.73</u>
<u>TOTAL</u>	104,779.77	188,202.18
<u>BALANCE</u> - beginning of period	<u>313,273.50</u>	<u>125,071.32</u>
<u>BALANCE</u> - end of period	<u>\$418,053.27</u>	<u>\$313,273.50</u>

SILVER STAR MINES LTD. (N.P.L.)

NOTES TO THE FINANCIAL STATEMENTS

31ST AUGUST, 1969.

Note 1 - Values

- A. Mineral claims - value ascribed to 750,000 of the company's shares.
- B. Development - \$25,000.00 being value ascribed to 250,000 of the company's shares with subsequent additions at cost.
- C. Other deferred expenses are shown at cost.

Note 2 - Share capital issued

	<u>No. of shares</u>	<u>Proceeds</u>
Cash	950,005	400,005.00
Mineral claims	750,000	75,000.00
Development expense	<u>250,000</u>	<u>25,000.00</u>
	<u>1,950,005</u>	<u>\$500,005.00</u>

Note 3 - Options

During the three month period ended 31st August, 1969 the company sold 200,000 shares @ \$1.00. The underwriter of these shares was granted options to purchase additional shares as follows -

- (a) 200,000 shares @ \$1.25 on or before 30th November, 1969.
- (b) 150,000 shares @ \$1.50 on or before 28th February, 1970.

The underwriter failed to exercise the option on 30th November, 1969 and all rights under the agreement have been cancelled. The agreement dated 20th November, 1968 granting an employee an option to purchase shares has been cancelled.

Note 4 - Remuneration of directors

Remuneration to a director for services rendered in managing the company's operations totalled \$2,250.00 for the three months ended 31st August, 1969.

Note 5 - A contractor has garnisheed the sum of \$3,498.65 of the company's funds. The company is disputing the contractor's claim and expects to recover the amount garnisheed.