Consolidated Stikine Silver Ltd. N.P.L. 26th ANNUAL REPORT 1989 802824

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Consolidated Stikine Silver Ltd. N.P.L. CHAIRMAN'S REPORT

The past year has been a very exciting and rewarding one for the shareholders of Consolidated Stikine Silver Ltd. (N.P.L.). The Company, with their 50% joint venture partner, (Calpine Resources Inc.) has participated in a major new gold discovery on its Eskay Creek claims in northern British Columbia.

A preliminary independent report prepared for the Company by D.J. Barker of Keewatin Engineering Inc., has outlined open pit reserves estimated at 3,000,000 tons of 0.26 oz/ton gold equivalent, allowing for 8% dilution at 0.015 oz/ton grade.

The presence of a thick, high grade core near surface would make the entire resource mineable at an approximate 6:1 strip ratio. The configuration of the mineralized zones would permit the mining of large tonnages of 0.35 to 0.40 oz/ton gold equivalent material in the early years at low strip ratios. Sufficient resources are currently indicated which could support a 1,000 tonnes per day operation over an eight year mine life.

To date, 70 drill holes have been completed at a cost of \$4,500,000 of which Consolidated Stikine's share is \$1,800,000. Much of this work was carried out throughout the winter, during extreme snow and weather conditions. Based on this experience the Company does not foresee any problems with a year round mining operation.

The Company was able to arrange funding for the project with a minimum amount of dilution to the shareholders. This was accomplished by two private placements for a total of \$2,062,500. The first placement was for 100,000 flow-through shares at \$10.00 per share. The second placement was for 100,000 common shares at \$10.625 per share with 1 warrant per share exercisable at \$11.25 in the first year or \$12.25 in the second year, leaving the Company in excellent financial condition.

The 1989 summer program is planned to commence June 15. Phase I expenditures to the end of September will be in the order of \$4,000,000 on the project. Major aspects of this program will include:

- a) Aggressive surface exploration of the entire property.
- b) Immediate stepout drilling to the northeast.
- c) Initial drill testing of other well-mineralized zones on the property.
- d) Definition drilling, bulk sampling and surface trenching of the 21 Zone.
- e) Definitive metallurgical studies on bench scale and on bulk samples to be collected from surface trenching and drill core.

The objectives of the summer program are, firstly, to aggressively explore the entire property in order to assess the overall potential of the mineral inventory. The 21 Zone discovery that has outlined a 2.8 million ton open pit reserve resulted from a very limited program completed on the property last summer. The knowledge gained from this and the subsequent winter drilling and airborne geophysical programs indicates excellent possibilities for a large tonnage reserve for the property.

The second objective of the summer program is to assess the commercial potential of the reserves currently outlined in the 21 Zone. Definition controlled drilling of the open pit reserves, surface trenching, geotechnical studies, detailed metallurgical testing, design engineering of the open pit and transportation routes will form the basis for this economic evaluation.

To fund this next phase, of which Censolidated Stikine's share is \$2,000,000, the Company has entered into another Private Placement agreement for 220,000 flow through shares at \$9.50 per share. This was accomplished despite very adverse market conditions.

During the year, the Company has expanded its land position in the area immediately surrounding the original claims. The Company has acquired an option from Calpine Resources Incorporated for a 50% interest in their 66.7% interest in the SKI 4 and GNC 1 to 3 claims. The Company has also acquired an option to earn a 25% interest in the SKI 1 to 3 claims and an option to earn a 25% interest in the SKI 1 to 3 claims and an option to earn a 25% interest in the Alpha, Beta, Espilon, Gamma, Omega and RHO claims immediately to the northwest of the property.

During the past year, the Company has added three new members to the board in the persons of George Oughtred, Ron Netolitzky and John Toffan. We very much regret the passing away of Andy Robertson, a long time member of the board who will not only be remembered by the Company but by the entire mining industry for his many contributions in the past.

The Board of Directors continue to remain optimistic for the future and eagerly await the results of this year's exploration program. It promises to be another exciting year for Cansolidated Stikine Silver Ltd. N.P.L.

ON BEHALF OF THE BOARD OF DIRECTORS

John A. Joff

John A. Toffan, Chairman June 1, 1989



A Share

TECHNICAL DISCUSSION

History

The history of the Eskay Creek property is closely associated with the founder of Consolidated Stikine Silver Ltd. It is a tribute to Mr. Tom Mackay's belief in the property, that the company he founded is a 50% participant in the major discovery made on this property.

It is important to note that the property is not a new prospect but has been actively explored since the 1930s when Tom Mackay first became involved. The presence of numerous mineralized occurrences on the property in geological environments considered favourable for both precious and base metal deposits has attracted the efforts of many major and junior exploration companies over the past 50 years.

1988 - 1989 Program

The 21 Zone discovery resulted from a 6-hole drill program completed in the fall of 1988 as part of a modest \$300,000 re-evaluation of the property. The success, to a large degree is related to the historical database. The



program of geological mapping and geochemistry was undertaken by Keewatin Engineering Inc. and funded by Calpine Resources Ltd.

The 21 Zone was selected as the initial drill target for the property based on historical trenching and drilling results that outlined a zone of intriguing mineralization that was open to the north. Five holes were planned to further test this mineralization. Three of these holes, (#3, #5 and #6) encountered ore grade intersections, although they did not penetrate the entire zone.

DDH #6 was the most spectacular hole, intersecting a style and intensity of mineralization hitherto unsuspected. A sixteen metre core interval returned 1.335 oz/ton gold and 1.99 oz/ton silver. Within this interval, zones of near massive stibnite, realgar and orpiment were identified.

The positive technical results led to a winter drill decision. From October to April, a further 64 holes were completed. Early in this program, it became evident that the interpreted orientation of the zone, based on surface trenching and historical drill information, was incorrect. The grid drilling was re-oriented to systematically test the zone perpendicular to strike. The results of all significant intersections are listed on Table 1 with the surface plan of drilling presented on Figure 3. Our current interpretation is that the historical 21 Zone represents a footwall feeder system which led us to the main 21 Zone mineralization.

Drill holes completed perpendicular to strike are illustrated on a longitudinal section in the plane of mineralization. A possible cross-fault has terminated the mineralization to the south. Holes to the south of the interpreted fault intersected unaltered rhyolite without significant mineralization. The deposit is currently open on strike to the north and to depth. The last fence of holes, (#67, 68, 69) appear to have encountered a new high grade ore shoot.

Figure 1



Figure 2

A cross-section (Figure 3) illustrates the general geological setting for the deposit. Mineralization is concentrated within altered rhyolites and within an overlying graphitic argillite horizon. Other precious and base metal enriched zones are present below the main zone within the rhyolite sequence and into underlying dacitic horizons. The best mineralization indentified to date is developed along the argillite-rhyolite interface.

The mineralized sequence is capped by a series of pillowed andesitic flows with thin interbedded graphitic argillite beds. It is noteworthy that no significant mineralization has been identified within the andesitic sequence.

The 21 Zone is, at least, in part, a mineralogically complex deposit. In addition to the precious metals, minerals of antimony, arsenic, zinc, lead and mercury are locally present in significant quantities.

The mineralogy is characteristic of what are commonly referred to as refractory ores. Good precious metal recoveries are being obtained from similar ores worldwide. Proper metallurgical procedures are, however, necessary to maximize the benefits from this type of deposit.

Depending on the metallurgical procedures selected, it can be anticipated that concentrates containing metals such as antimony, mercury, zinc and arsenic may be produced. The sale of such concentrates can defray, in part, the additional costs related to the treatment of refractory ores.

A preliminary geological reserve of 2.8 million tons of 0.23 oz/ton gold and 3.3 oz/ton silver has been calculated using drill holes as illustrated in Figure 5 within a possible open pit having an average of 6:1 strip ratio. The ore grade intersection in the northernmost fence of holes has not been included in the reserve estimates. A positive characteristic of the deposit is that the thickest and highest grade portions are near surface. The property is amenable to the extraction of higher grade reserves at a low strip ratio during the early years of an operation.

Proposed 1989 Program

A minimum \$7 million exploration program is planned for 1989 on the Eskay Creek project. An initial phase of \$4 million will systematically explore the entire property and will continue exploration of the 21 Zone, to



Figure 3



Figure 4

take this deposit from mineral inventory category to a drill proven category. Information necessary for mine feasibility will be obtained, including detailed metallurgical studies, environmental studies, and access route studies.

The 21 Zone is only one of many known zones of mineralization on the property. Information in the historic database indicates occurrences that could supply additional reserves through systematic drill programs.

An airborne geophysical survey conducted during the winter season has defined signatures common to the 21 Zone and other known mineralized zones. The initial thrust of the 1989 program will be to continue the step-out drilling of the 21 Zone to the northeast. The airborne geophysical results suggest that the zone could continue for at least 500 metres. The summer phase, which is anticipated to be completed by early September, should develop sufficient targets for detailed systematic diamond drilling which would be planned for the fall and winter season. Last season's program confirmed that winter drill programs can be completed in this area in a cost effective manner.



				Tab	le 1				
Hole	interval (m)	Core Length (m)	Au	Ag	Hole	interval (m)	Core Length (m)	Au	Ag
CA-88-2	77.9 - 80.9	3.0	0.012	0.90	CA-89-35	66.5 - 83.0	16.5	0.099	3.40
CA-88-3	83.9-88.4 86.5-93.0	4.5	0.058	0.83		80.0 - 92.0 102.5 - 114.5	0.0 12.0	0.003	0.71
CA-88-4	111.7 - 122.2	10.5	0.075	1.64			40.0	0.007	4.07
CA-88-5	34.2 - 39.7	5.5	0.189	0.71		225.5 - 227.0	48.0	0.108	1.87
CA-88-6	51.7 - 108.0	56.3	0.157	2.50		233.0 - 237.5	4.5	0.089	0.52
04-00-0	111.8 - 119.2	7.4	0.076	0.11	CA-89-36	14.5 - 16.0 141.0 - 142.5	1.5	0.066	0.19
CA-88-7	107.7 - 118.2	10.5	0.422	0.62		147.0 - 150.0	3.0	0.024	6.46
CA-88-8	140.7 - 155.7	15.0	0.208	0.21	CA 80.27	291.0 - 292.5	1.5	0.077	0.66
CA-00-0	124.6 - 127.6	3.0	0.330	0.30	CA-69-37	205.5 - 207.0	4.5	0.063	0.87
CA-88-9	61.4 - 79.4	18.0	0.575	2.77		210.0 - 211.5	1.5	0.050	0.12
	86.9 - 92.9 95.9 - 98.9	6.0 3.0	0.084	0.34	CA-89-38	No significant inte	ersections		
	106.4 - 113.4	7.0	0.052	2.11	CA-89-40	No significant inte	ersections		
	125.4 - 126.9 137 4 - 144 9	1.5 7.5	0.163	13.76	CA-89-41	No significant inte	ersections		
CA-88-10	87.0 - 88.5	1.5	0.062	0.44	CA-89-42	105.0 - 109.5	4.5	0.407	2.07
CA-88-11	57.0 - 64.5	7.5	0.143	0.50	CA-89-43	95.5 - 122.5	27.0	0.240	2.41
	69.0 - 72.0 75.0 - 87.0	3.0	0.098	0.02	CA-89-44	111.0 - 118.5	7.5	0.313	1.30
	148.5 - 151.5	3.0	0.058	0.66	CA-89-45	118.3 - 121.2	2.9	0.184	0.63
CA 88 42	165.0 - 169.5	4.5	0.095	0.25		162.1 - 163.6 166.6 - 168.1	2.3	0.048	0.56
incl.	86.2 - 93.7	7.5	0.265	21.93		171.8 - 175.2	3.4	0.073	12.92
incl.	117.5 - 122.0	4.5	1.143	11.56		208.1-210.9	2.8	0.074	0.34
CA-88-13 incl.	86.1 - 102.6 86.1 - 90.6	16.5 4.5	0.203	2.75	CA-89-46	No significant inte	ersections	0.101	0.02
	108.6 - 114.6	6.0	0.068	0.08	CA-89-47	No significant inte	ersections		
CA 99 44	129.6 - 131.1	1.5	0.360	0.06	CA-89-48	127.5 - 130.5	3.0	0.100	0.06
04-00-14	87.0 - 90.0	3.0	0.062	0.19	CA-89-49	No significant inte	arsections	0.000	4.22
CA-88-15	52.5 - 61.5	9.0	0.047	3.81	CA-89-50	169.4 - 181.7	12.3	0.272	2.09
	72.0 - 78.0 81.0 - 82.5	0.U 1.5	0.137	24.56	CA-89-51	No significant inte	ersections		
CA-88-16	76.2 - 92.7	16.5	0.112	4.69	CA-89-52	117.3 - 123.8 230 5 - 241 7	6.5 11.2	0.086	0.98
CA 80 47	98.7 - 101.7	3.0	D.191	0.63		252.9 - 254.4	2.5	0.060	0.13
CA-09-17	108.0 - 123.0	15.0	0.256	0.27	CA-89-53	127.1 - 129.5	2.4	0.124	0.22
	171.0 - 172.5	1.5	0.053	0.17		162.7 - 164.2	1.5	0.050	0.44
	180.0 - 183.0	3.0	0.096	0.21		165.7 - 167.2	3.0	0.072	0.06
CA-88-18	46.5 - 90.0	43.5	0.218	3.35		OR 159.7 - 168.7	9.0	0.058	0.14
INCI.	54.U- 57.U 57.0- 73.5	3.0	1.000	5.55 7.07	CA 90 54	250.4 - 251.9	1.5	0.4//	0.29
Cr(b01)	81.0 - 93.0	12.0	0.167	1.59	CA-09-04	222.0 - 223.5	1.5	0.065	0.65
CA-88-20	78.0 - 81.0	3.0	0.316	0.20	CA-89-55	158.5 - 163.0	4.5	0.032	0.88
CA-88-21	107.0 - 109.0 50.6 - 92.6	1.5 //2.0	0.108	0.49 7.00	CA-89-56	267.0 - 269.0	2.0	0.126	1.37
incl.	56.6 - 74.6	18.0	0.586	10.40	CA-69-07	122.8 - 124.3	1.5	0.048	0.08
CA-88-22	60.7 - 67.7	7.0	0.093	0.12	CA-89-58	105.0 - 107.0	2.0	0.072	0.20
CA-88-23	48.0 - 66.0	18.0	0.023	1.84		136.0 - 142.0 248.0 - 249.0	6.0 1.0	0.071	0.16
	70.5 - 82.5	12.0	0.170	5.84	CA-89-59	114.0 - 120.6	6.0	0.090	4.25
	OR 48.0 - 82.5	34.5	0.436	3.01		243.0 - 244.0	1.0	0.098	0.34
	159.0 - 166.5	7.5	0.145	0.16		329.0 - 331.0	2.0	0.060	0.08
CA-88-24	65.1 - 80.1 99.6 - 101.1	15.0	0.807	0.86	CA-89-60	113.0 - 114.0	1.0	0.048	0.20
	146.1 - 147.6	1.5	0.080	0.22		136.0 - 138.0	2.0	0.054	0.05
CA-89-25	131.1 - 137.1	6.0	0.224	1.32	CA-89-61	Geochemically a	nomalous intervals		
	140.1 - 108.1	18.0	0.143	4.21	CA-89-62	162.0 - 163.0	1.0	0.089	0.04
	OR 131.1 - 158.1	27.0	0.149	3.12	CA-89-63	238.0 - 239.0	1.0	0.000	0.30
CA-89-26	1/1.0 - 1/0.1 No significant inter	4.0 rsections	0.282	0.51		284.0 - 279.0	15.0	0.070	0.44
CA-89-27	63.3 - 66.0	2.7	0.535	2.70		278.0-279.0	1.0	0.325	0.58
	132.0 - 133.5	1.5	0.072	0.14	07-07-04	148.0 - 172.0	14.0	0.261	8.50
CA-89-28	64.8 - 73.4	1.5 8.6	1.078	2.56		183.0 - 185.0	2.0	0.107	0.18
0,107 20	145.9 - 150.4	4.5	0.133	1.55		253.0 - 254.0	1.0	0.063	0.29
CA-89-29	No significant inter	sections			CA-89-65	123.0 - 126.0	3.0	0.070	0.56
CA-89-30	104.2 - 105.7 122.7 - 124.2	1.5	0.058	0.07 0.54	CA-80-66	234.0 - 235.0 84 7 85 7	1.0	U.561 0.088	1.11
CA-89-31	97.0 - 98.5	1.5	0.065	4.00	0/107-00	107.5 - 113.5	6.0	0.198	0.26
	106.0 - 113.5	7.5	0.154	0.52	CA-89-67	102.0 - 111.0	9.0	0.421	5.61
	263.5 - 269.5	3.0 6.0	0.077	1.84 0.31		118.0 - 122.0 135.0 - 147.0	4.0 12.0	0.087	2.74 2.93
CA 00 00	286.0 - 287.5	1.5	0.083	1.02	CA-89-68	105.0 - 108.3	3.0	0.208	2.74
CA-89-32	No significant inter	rsections			CA 80 40	129.0 - 134.0	5.0	0.080	3.56
CA-89-34	No significant inter	sections			CA-89-70	135.0 - 142.0 147.3 - 149.3	7.0 2.0	0.091	0.32
		····			0		2.0		0.00

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AUDITOR'S REPORT

The Shareholders, Consolidated Stikine Silver Ltd. (N.P.L.)

We have examined the balance sheet of Consolidated Stikine Silver Ltd. (N.P.L.) as at March 31, 1989 and the statements of operations and deficit, deferred exploration and development expenditures and changes in financial position for the year then ended. Out 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 March 31, 1989 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C. May 17, 1989.

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Chauchers Phillips & C. Chartered Accountants.

BALANCE SHEET — MARCH 31, 1989		EXHIBIT A	
ASSETS	1989	1988	
CURRENT	\$ 322	s 4.147	
Term deposit and treasury bills	1,127,157		
DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES—	1,127,479	4,147	
Exhibit C	1,221,281	66,349	
INVESTMENT IN MINERAL PROPERTIES (Note 3(a))	75,000	67,500	
	\$2,423,760	\$137,996	
LIABILITIES			
CURRENT			
Accounts payable – trade	\$ 3,000	\$ 60,912	
— joint venture (Note 3(b))	1,155,316		
	1 158 316	446.800	
	1,100,510	110,090	
SHAREHOLDERS' EQUITY			
SHARE CAPITAL (Note 4)	1,770,393	474,022	
DEFICIT — Exhibit B	(504,949)	(452,916	
	1,265,444	21,106	
	\$2,423,760	\$137,996	
APPROVED BY THE DIRECTORS	"SUBSEQUENT EVENTS"		
Dr & Drackay	(No	ite 6)	
Director			
MARGUERITE J. MACKAY			

John A. Soff

JOHN A. TOFFAN

Director

See accompanying notes.

EXHIBIT	B
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STATEMENT OF OPERATIONS AND DEFICIT — YEAR ENDED MARCH 31, 1989

	1989	1988
ADMINISTRATIVE EXPENSES		
Management fees	\$ 20,500	\$ 6,000
Legal and auditing	12,828	10,762
Promotion	10,000	—
Office and miscellaneous	5,666	2,717
Stock exchange and filing fees	4,815	3,200
Office rent	4,320	4,320
Transfer agent fees	4,121	1,987
Printing	2,500	_
Travel	2,096	_
Claimextensions	2,020	2,560
Licence fees	500	_
	69,366	31,546
Less: Interest earned	17,333	-
LOSS FOR THE YEAR	52,033	31,546
DEFICIT, BEGINNING	452,916	421,370
DEFICIT, ENDING — Exhibit A	\$ 504,949	\$452,916

EXHIBIT C

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENDITURES — YEAR ENDED MARCH 31, 1989

EXPLORATION AND DEVELOPMENT EXPENDITURES	1989	1988	
Engineering	\$ 378,193	\$14,266 	
Drilling Site preparation	299,143 268,701		
Helicopter Management fees Miscellaneous	132,345 31 812		
	23,538		
Equipment lease	21,200		
TOTAL FOR THE YEAR	1,154,932	66,349	
BALANCE, BEGINNING	66,349		
BALANCE, ENDING — Exhibit A	\$1,221,281	\$66,349	

		EXHIBIT D
STATEMENT OF CHANGES IN FINANCIAL POSITI	UN — TEAK ENDED MAKUN 1989	31, 1707 1988
OPERATING ACTIVITIES		
Loss for the year — Exhibit B Deferred expenditures — Exhibit C	\$(52,033) (1,154,932)	\$(31,546 (66,349
Changes in non-cash working capital items Accounts payable	1,097,404	56,048
Cash used in operating activities	(109,561)	(41,847
FINANCING ACTIVITIES		
Due to related parties, net of shares (Note 4(a)) Shares issued for cash	(25,978) 1,258,871	37,978 —
Cash provided by financing activities	1,232,893	37,978
INVESTING ACTIVITIES		
Mineral properties	(7,500)	_
Less: Shares issued for mineral properties	7,500	
Cash provided by investing activities	_	
NET INCREASE (DECREASE) IN CASH	1,123,332	(3,869
CASH, BEGINNING	4,147	8,016
CASH, ENDING	\$ 1,127,479	\$ 4,147
CASH REPRESENTED BY		
Cash	\$ 322	\$ 4,147
Term deposit and treasury bills	1,127,157	
	\$ 1,127,479	\$ 4,147

See accompanying notes

NOTES TO FINANCIAL STATEMENTS — MARCH 31,1989

1. NATURE OF OPERATIONS

The company is in the process of exploring certain mineral properties and, on the basis of information to date, may not have economically recoverable reserves. The underlying value of the mineral properties and related deferred costs is entirely dependent on the existence and economic recovery of such reserves in the future and confirmation of the company's interest in those properties.

EXHIBIT E

SIGNIFICANT ACCOUNTING POLICIES 2.

- a) Financial Statement Presentation
 - These financial statements are prepared on a going concern basis. The company's continued existence is dependent upon the successful discovery and development of mineral properties and/or additional share capital financing.
- Resources Properties and Related Deferred Exploration and Development Expenditures b)

The company capitalizes the cost of resource properties and related exploration and development expenditures. These costs will be written off against subsequent proceeds of production or sale, or to operations at such time that the properties are determined to have no commercial value. Recorded costs of resource properties and related deferred exploration and development expenditures are not intended to reflect present or future values of mineral properties.

Loss Per Share C)

- Loss per share has not been included in these financial statements as management does not consider it meaningful in the circumstances. Cost of Issuing Shares d)
 - All direct costs with respect to issuing the company's shares are deducted from the share issue proceeds.

INVESTMENT IN MINERAL PROPERTIES 3

a) Claims	1989	1988	
i) Kay/T.O.K. Claims (3b)) ii) Royal Claims (3(c)) Cost	\$ — 55,000	\$ — 55,000	
iii) D.V./Silver Bell Claims (3(d)) Cost	20,000	12,500 \$67,500	
IOTAI — EXNIDIT A	\$75,000	\$07,5	

Kay/T.O.K. Claims bì

The company had a 100% interest in 30 mineral claims located in the Skeena Mining Division of British Columbia. These claims were purchased from former directors by way of issuring 258,333 escrow shares of the company at a deemed issue price of \$0.30 per share (total deemed value \$77,500). In prior years, the company entered into various option agreements (all since cancelled) and received total proceeds of \$84,500. The proceeds were first applied against the cost of these claims and any excess was written off to income.

During the year, the company entered into an option agreement whereby the optionee earned a 50% interest in the claims by incurring exploration and development expenditures of \$900,000. Under the terms of the option agreement, after the \$900,000 was incurred and the interest earned, the two parties were to form a joint venture, each as to 50%, for further exploration and development of the property. As of the date of the auditor's report herein, a total of approximately \$3,400,000 in expenditures has been incurred (the company's proportionate share is approximately \$1,700,000). As of March 31, 1989, 50% of the total expenditure incurred was \$1,155,316 and has been recorded by the company. The company and the optionee are presently negotiating a formal joint venture agreement for the sharing of expenditures incurred to date and for the continued exploration and development of the claims.

Roval Claims C)

> The company has a 100% interest in 7 Crown Mineral Leases located in the Skeena Mining Division of British Columbia. The company purchased its interest for 50,000 shares and \$10,000 cash.

D.V./Silver Bell Claims d)

The company has a 100% interest in 9 mineral claims located in the Skeena Mining Division of British Columbia. The company purchased its interest for 16,666 (1988 - 8,333) shares and \$5,000 cash.

4 SHARE CAPITAL

Authorized

10,000,000 common shares with no par value

Issued	19	789	19	88
	Shares	Amount	Shares	Amount
For cash	1,476,805	\$1,529,146	674,415	\$270,275
For mineral properties	324,999	137,500	316,666	130,000
For debt settlements	136,363	30,000	-	—
For exploration and administrative expenditures	174,157	73,747	174,157	73,747
Total — Exhibit A	2,112,324	\$1,770,393	1,165,238	\$474,022

- a) During the year, the company issued 136,363 shares to repay \$30,000 owing to a director of the company.
- b) During the year, the company agreed to a private placement of 500,000 common shares for proceeds of \$175,000. Pursuant to the terms of the private placement, non-transferable share purchase warrants were attached, entitling the holders to purchase an additional 500,000 shares at \$0.45 per share up to May 9, 1989. During the year, 100,000 of the warrants were exercised. As at March 31, 1989, 400,000 were outstanding and were subsequently exercised.

- c) 133,347 shares are held in escrow (see Note 3(b)). The company has been required by the regulatory authorities to cancel 8,333 of these shares which have a carrying value of \$2,500. To date, these shares have not been cancelled by the company.
- d) During the year, directors and employee stock options for 10,500 shares at \$0.46 and 91,890 shares at \$0.60 per share were exercised. Subject to shareholder approval, the company has authorized directors' stock options totalling 150,000 shares at \$12 per share up to January 9, 1991.
- e) Pursuant to an agreement, the company issued 8,333 shares with respect to its interest in the D.V./Silver Bell claims at an agreed value of \$0.90 per share.
- f) During the year, the company agreed to a private placement of 100,000 common shares for proceeds of \$1,000,000. These shares have been issued pursuant to a flow-through agreement whereby the funds are to be spent on Canadian Exploration Expenses and the related deductions for tax purposes will be claimed by the investors rather than by the company.

5. RELATED PARTY TRANSACTIONS

- a) Management fees of \$20,500 (1988: \$6,000) were paid to a private company controlled by a director.
- b) During the year, the company issued 136,363 shares to repay \$30,000 owing to a director of the company.

6. SUBSEQUENT EVENTS

- a) Subsequent to March 31, 1989, the company has agreed to a private placement of 100,000 units for proceeds of \$1,062,500. Each unit consists of one common share and one non-transferable share purchase warrant to purchase a further share at \$11.25 per share up to March 31, 1990 or at \$12.25 per share after March 31, 1990 and before March 31, 1991.
- b) Subsequent to March 31, 1989 and subject to regulatory approval, the company granted stock options to directors and employees for the purchase of 110,000 shares at \$8.8125 per share exercisable up to May 17, 1994.
- c) Subsequent to March 31, 1989, 400,000 shares were issued on the exercise of warrants as disclosed in Note 4(b)).

CORPORATE INFORMATION

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John A. Toffan Vancouver, B.C.

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George W. Oughtred * Calgary, Alberta

Ronald K. Netolitzky * Victoria, B.C.

Robert A. Evans * Vancouver, B.C.

Officers

John A. Toffan Chairman

Marguerite J. Mackay President

Robert A. Evans Secretary

Head Office

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Bankers

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Transfer Agent

National Trust Company Vancouver, B.C.

Auditors

Chambers Phillips & Co. Vancouver, B.C.

Solicitors

O'Neill & Bence Vancouver, B.C.

Stock Exchange

Vancouver Symbol: **CKI**

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*Proposed Audit Committee Members