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**KAMAD SILVER CO. LTD.  
HEAD OFFICE**

2095 West Trans Canada Highway  
Kamloops, B.C. V1S 1A7  
Phone (604) 372-0482

**BOARD OF DIRECTORS**

E.R. Becker C.Tech  
J.M. Maris  
J.D. Miller  
R.J. Vellner

**KAMAD SILVER CO. LTD.  
ANNUAL REPORT**

**1988**

**REGISTERED OFFICE**

2200 Hong Kong Bank Building  
885 West Georgia Street  
Vancouver, B.C. V6C 3E8

**OFFICERS**

J.M. Maris, President  
E.R. Becker, Secretary, C.Tech

**REGISTRAR AND TRANSFER AGENT**

Canada Trust Company  
Four Bentall Centre  
P.O. Box 49390  
Vancouver, B.C. V7X 1P3

**AUDITOR**

Munro, Sheridan & Becker  
900 - 235 First Avenue  
Kamloops, B.C. V2C 3J6

**EXCHANGE**

Vancouver Stock Exchange  
Trading Symbol "KDS"

**SOLICITOR**

Gregg Sedun  
Rand & Edgar  
2200 Hong Kong Bank Building  
885 West Georgia Street  
Vancouver, B.C. V6C 3E8

KAMAD SILVER CO. LTD.  
2095 West Trans Canada Highway  
Kamloops, British Columbia  
Telephone Number: (604) 372-0482

Stock Symbol - KDS

PRESS RELEASE

August 26, 1988

The Board of Directors is pleased to announce the following material events.

**ESSO MINERALS CANADA A DIVISION OF ESSO RESOURCES CANADA LIMITED HAS INFORMED KAMAD SILVER CO. LTD. OF ITS WORK PERFORMED TO AUGUST 15, 1988.**

**KAMAD 3**

A 27 LINE KM GRID WAS ESTABLISHED ON WHICH SOIL SAMPLING AND GEOLOGICAL MAPPING HAVE BEEN COMPLETED. PRELIMINARY RESULTS INDICATE TWO MODERATE CONTRAST ZINC ANOMALIES.

**KAMAD 7**

RE-LOGGING OF CORE FROM PREVIOUS HOLES IN THIS AREA WAS COMPLETED TOGETHER WITH ADDITIONAL TRENCHING FOR FURTHER DRILL TARGETS THIS YEAR.

**KAMAD 7 - DIAMOND DRILLING**

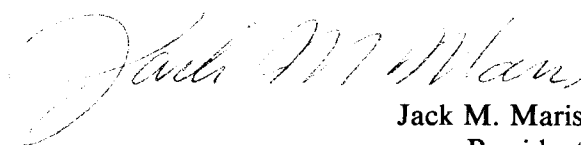
A TOTAL OF NINE HOLES HAVE BEEN DRILLED IN THIS PROGRAM: FOUR OF THESE HOLES ENCOUNTERED SIGNIFICANT MINERALIZATION RESULTS WHICH ARE SUMMARIZED BELOW.

Hole	Core Interval (m)	Est. True Width (m)	% Cu	% Pb	% Zn	Au (g/t)	Ag (g/t)
KAM 33	1.9	<u>1.33</u>	1.25	6.53	5.79	7.24	53.14
KAM 34	0.5	<u>0.47</u>	0.06	0.34	1.58	7.24	1.50
KAM 35	0.5	<u>0.47</u>	0.41	2.09	0.65	0.75	20.0
KAM 36	7.3	<u>6.8</u>	0.22	3.93	5.71	6.38	41.1
(includes	3.3	<u>3.1</u>	0.31	6.34	8.0	12.63	70.0)

BASED ON THE RESULTS OF THIS DRILLING PROGRAM, **ESSO MINERALS** HAVE ADVISED **KAMAD** THAT FUNDS ARE MADE AVAILABLE FOR A FURTHER DRILLING PROGRAM WHICH IS TO START IMMEDIATELY.

TO DATE **ESSO** HAS PAID \$200,000.00 IN OPTION PAYMENTS TO **KAMAD SILVER CO. LTD.**

ON BEHALF OF THE BOARD OF DIRECTORS



Jack M. Maris  
President

The Vancouver Stock Exchange has neither approved nor disapproved the contents of this release.

**KAMAD SILVER CO. LTD.**

**NOTICE OF 1988 ANNUAL GENERAL MEETING**

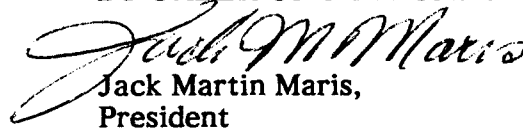
**TO THE MEMBERS:**

TAKE NOTICE that the Annual General Meeting of the members of the Company will be held at the offices of Rand & Edgar, Barristers and Solicitors, Suite 2200 - 885 West Georgia Street, Vancouver, British Columbia, on Wednesday, the 21st day of September, 1988 at the hour of 11:00 o'clock in the forenoon (Vancouver time) to transact the usual business of an Annual General Meeting and such other business as may be set out below.

Accompanying this Notice of Meeting and the Information Circular is an Instrument of Proxy. If you are unable to attend the meeting in person, kindly read the Notes accompanying the Instrument of Proxy enclosed herewith and complete and return the Proxy within the time and to the location set out in the said Notes.

DATED at Vancouver, British Columbia, this *25* day of August, 1988.

BY ORDER OF THE BOARD

  
Jack Martin Maris,  
President

**AGENDA**

1. To receive and consider the Directors' Report to Members.
2. To receive and consider the audited financial statements of the Company for the year ended March 31, 1988, and the report of the auditor thereon.
3. To elect directors to hold office until the next Annual General Meeting of the Company.
4. To appoint auditors for the ensuing year and to authorize the directors to fix their remuneration.
5. To consider and, if thought fit, to approve an ordinary resolution approving the Board of Directors of the Company granting to directors and employees of the Company, incentive stock options upon such terms and conditions as may be acceptable to the regulatory authorities, but in any case, not to exceed 5% of the issued capital from time to time for each group, i.e., 5% for directors' options and 5% for employees' options, and in the aggregate not to exceed 10% of the issued capital of the Company from time to time.
6. To transact such other business as may properly be brought before the meeting.

KAMAD SILVER CO. LTD.  
2095 West Trans Canada Highway  
Kamloops, British Columbia  
Telephone Number: (604) 372-0482

REPORT TO SHAREHOLDERS

The past year has seen a marked improvement in your Company.

The Rea Gold Property announced a major discovery and Minova Minerals continue to work on this project adjacent to your Company's property.

You will note that the cash in Kamad's treasury increased by \$230,000 over the last year's position.

ESSO MINERALS CANADA made some sulphide discoveries on the Kamad claims and have found enough encouragement from the results to carry on with a extensive program for the summer of 1988.

Kamad did not carry out the proposed drilling program on the Homestake property as per John Kerr's report. Esso elected to do considerable drilling towards the furtherance of reserves and structural information that Kamad would have done.

Kerr Addison Mines Ltd. did geological mapping, geochemical surveying and geophysical surveying on the Windpass property. Results of this work were very encouraging and led to a limited drill program at the end of the field season. Kerr's staff have planned an extensive drill program and staked a number of claims surrounding the Windpass property. These claims now become part of the Kerr-Kamad agreement.

Your company management and directors are proud of this year's achievements and look forward to the furtherance of Kamad during the ensuing year.

We take this opportunity to thank our many shareholders for their continued support.

ON BEHALF OF THE BOARD



E.R. Becker C.Tech  
Secretary

**KAMAD SILVER CO. LTD.**

**INSTRUMENT OF PROXY**

**THIS PROXY IS SOLICITED BY THE MANAGEMENT OF THE COMPANY**

**DATED AS OF THE 20TH DAY OF SEPTEMBER, 1988 UNLESS OTHERWISE DATED BELOW**

I, the undersigned, hereby appoint Jack Martin Maris, President and a Director or failing him, Edward Richard Becker, Secretary and a Director or, instead of either of the foregoing, \_\_\_\_\_ (hereinafter called the "nominee") as proxy for and on behalf of the undersigned with full power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual General Meeting of the Company to be held on Wednesday, September 21, 1988 and at any adjournment or adjournments thereof and thereat, as follows:

1. To adopt a resolution approving the audited financial statements of the Company for the fiscal year ended March 31, 1988 and the report of the auditor thereon.

FOR \_\_\_\_\_ AGAINST \_\_\_\_\_

2. To elect the following persons directors of the Company for the ensuing year:

Jack Martin Maris IN FAVOUR \_\_\_\_\_  
WITHHOLD \_\_\_\_\_

Edward Richard Becker IN FAVOUR \_\_\_\_\_  
WITHHOLD \_\_\_\_\_

James Robert Vellner IN FAVOUR \_\_\_\_\_  
WITHHOLD \_\_\_\_\_

Joseph Dale Miller IN FAVOUR \_\_\_\_\_  
WITHHOLD \_\_\_\_\_

3. To appoint Munro, Sheridan & Becker, Chartered Accountants, as auditors for the Company for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors.

IN FAVOUR \_\_\_\_\_ WITHHOLD \_\_\_\_\_

4. To approve an ordinary resolution authorizing the Board of Directors of the Company to grant to directors and employees of the Company incentive stock options upon such terms and conditions as may be acceptable to the regulatory authorities, but in any case, not to exceed 5% of the issued capital from time to time for each group, i.e., 5% for directors' options and 5% for employee options, and in the aggregate not to exceed 10% of the issued capital of the Company from time to time.

FOR \_\_\_\_\_ AGAINST \_\_\_\_\_



**KAMAD SILVER CO. LTD.**

**NOTES TO INSTRUMENT OF PROXY**

1. The directors of the Company are not aware of any matters other than those set out in the Proxy to come before the meeting. Provided the instructions are certain, the shares represented by this proxy will be voted on any poll and further, will be voted on any poll as the shareholder may have specified. **IF NO CHOICE IS SPECIFIED, THE PROXY WILL BE VOTED AS IF THE SHAREHOLDER HAD SPECIFIED A VOTE IN FAVOUR. THE PERSON OR PERSONS NAMED IN THE PROXY SHALL ALSO BE ENTITLED TO VOTE THE SHARES REPRESENTED BY THE PROXY IN THEIR SOLE DISCRETION WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE NOTICE OF MEETING OR WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.**
2. **IF THE SHAREHOLDER DOES NOT WISH TO APPOINT THE PERSONS NAMED IN THE INSTRUMENT OF PROXY, HE SHOULD STRIKE OUT THEIR NAMES AND INSERT IN THE BLANK SPACE PROVIDED THE NAME OF THE PERSON HE WISHES TO ACT AS HIS PROXY. SUCH OTHER PERSON NEED NOT BE A MEMBER OF THE COMPANY.**
3. The Instrument of Proxy will not be valid unless it is **SIGNED** by the shareholder or by his attorney duly authorized by him in writing, or, in the case of a corporation, is executed under the corporate seal or by an officer or officers or attorney for the corporation duly authorized. If the Instrument of Proxy is executed by an attorney for an individual shareholder or joint shareholders or by an officer or officers or attorney of a corporate shareholder not under its corporate seal, the instrument so empowering the officer or officers or attorney, as the case may be, or a notarial copy thereof, should accompany the Instrument of Proxy. If these instructions are not followed, the Chairman of the meeting may determine not to vote the Proxy.
4. The Instrument of Proxy will not be used at the meeting or any adjournment thereof unless the same is deposited with the Company's transfer agent at least one (1) hour before the time for holding the said meeting or any adjournment thereof. Please mail or deliver your proxy to the Company's transfer agent at the following address:

The Canada Trust Company  
1055 Dunsmuir Street  
Bentall Centre IV  
P.O. Box 49390  
Vancouver, British Columbia  
V7X 1P3

**KAMAD SILVER CO. LTD.**  
2095 West Trans Canada Highway  
Kamloops, British Columbia  
VIS 1A7

**INFORMATION CIRCULAR**

(as at August 10, 1988)

**SOLICITATION OF PROXY**

This Information Circular is furnished in connection with the solicitation by the management of the Company of the proxies to be used at the Annual General Meeting of the shareholders of the Company to be held at the offices of Messrs. Rand & Edgar, Barristers and Solicitors, Suite 2200 - 825 West Georgia Street, Vancouver, British Columbia, on Wednesday, the 21st day of September, 1988.

The solicitation will be by mail and possibly supplemented by telephone or other personal contact to be made without special compensation by regular officers and employees of the Company. The Company does not reimburse shareholders, nominees or agents for the cost incurred in obtaining from their principals authorization to execute forms of proxy. No solicitation will be made by specifically engaged employees or soliciting agents. The cost of solicitation will be borne by the Company.

**REVOCABILITY OF PROXY**

Any shareholder returning the enclosed form of proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the offices of the Registrar and Transfer Agent or at the head office of the Company, as set forth above, at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which such proxy is to be used, or with the Chairman of such meeting prior to the meeting, or adjournment thereof, and upon any of such deposits the proxy is revoked.

**VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

Authorized Capital:	20,000,000 common shares without par value
Issued and Outstanding:	11,189,173 shares

Only shareholders of record on the day of mailing of this Notice and Information Circular (the "Record Date") shall be entitled to vote at the meeting. Each share carries one vote.

To the knowledge of the directors and senior officers of the Company, the following are the names of all the registered shareholders of voting shares carrying more than 10% of the voting rights attached to all shares of the Company:



<u>Name and Address</u>	<u>Number of Shares</u>	<u>Percentage</u>
Vancouver Stock Exchange Service Corp.* Stock Exchange Tower 4th Floor, 609 Granville Street P. O. Box 10333 Vancouver, B.C. V7Y 1H1	5,483,034	49.00%
C.D.S. & Co.* #2 First Canadian Place Suite 840 P. O. Box 32 Toronto, Ontario M5X 1A9	2,163,117	19.33%

\* The beneficial owners of these shares are not known by the Company.

#### **EXERCISE OF DISCRETION BY PROXIES**

The persons named in the enclosed form of Proxy will, on a poll, vote or withhold from voting, or vote as instructed, the common shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction such common shares will, on a poll, be voted in favour of those matters set out in the enclosed proxy and at the discretion of the proxyholder with respect to other matters that may come before the meeting. THE ENCLOSED FORM OF PROXY CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN WITH RESPECT TO AMENDMENTS OR VARIATIONS TO MATTERS IDENTIFIED IN THE PROXY AND TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING. At the time of printing of this Information Circular, the nominees know of no such amendment, variation or other matter expected to come before the meeting other than those set out herein. If any matters which are not now known to the nominees should properly come before the meeting, the persons named in the accompanying form of Proxy will vote on such matters in accordance with their best judgment.

#### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

No director or senior officer, past, present or nominated, if such is the case, or any associate of such persons, or any person on behalf of whom this solicitation is made, has any interest, direct or indirect, in any matter to be acted upon at the meeting, except as disclosed herein, other than incentive stock options that may be granted to directors and employees of the Company. Incentive stock options granted to directors will not be exercised by directors until shareholder approval of same has been received. The abovementioned persons may also be directly involved in the normal business of the meeting or the general affairs of the Company.

**ELECTION OF DIRECTORS**

The term of office of each director will expire at the next Annual General Meeting of the Company or until successors are elected or appointed, unless otherwise sooner terminated. Pursuant to Section 135 of the Company Act, advance notice of this meeting was published in "The Vancouver Province" on July 25, 1988. By members' resolution, the number of directors has been set at seven (7) and it is proposed to nominate the following persons for election to the Board:

Name, Residence and Other Positions, if any, Held in <u>the Company</u>	Previous Service as a <u>Director</u>	Number of Shares Owned or Controlled at Present	<u>Principal Occupation in the Past Five Years</u>
Jack Martin Maris 1373 McCallum Road Rural Route Abbotsford, B.C. V2S 4N5 (Director and President)	May 24/84 to date.	209,542	President, Siram Management Ltd.
Edward Richard Becker c/o 2095 West Trans Canada Highway Kamloops, B.C. V1S 1A7 (Director and Secretary)	Aug. 9/85 to date.	196,000	Self-employed; General Manager, Versatile Self  Storage.
James Robert Vellner 435 Barrett Drive Red Deer, Alberta T4R 1M2 (Director)	Aug. 9/85 to date.	60,833*	Self-employed; President, Vellner Leisure Products Ltd.
Joseph Dale Miller Box 265 Youngstown, Alberta T0V 3P0 (Director)	Sept. 9/86 to date.	381,218**	Self-employed Rancher.

\* Northland Industrial Park (Red Deer) Ltd., a non-reporting Alberta company, 13% of which is owned by James Robert Vellner, owns approximately 281,317 shares of the Company.

\*\* Included in this amount are 366,218 shares of the Company held by 330695 B.C. Ltd., which company is controlled by Joseph Dale Miller. In addition, 247,000 shares of the Company are registered in the name of D.J. Hall & Co.

The Board of Directors does not have an executive committee. The following directors are members of the Company's audit committee:

Edward Richard Becker  
James Robert Vellner  
Joseph Dale Miller

### EXECUTIVE COMPENSATION

There are two executive officers of the Company, with executive officers being the President and the Secretary of the Company.

The aggregate cash compensation paid to the Company's executive officers or their personal holding companies by the Company for services rendered during the most recently completed year end was \$31,000, including all salaries, fees, commissions and bonuses.

Directors attending directors and shareholders' meetings receive reimbursement of expenses incurred for their attendance at such meetings, which also includes the two executive officers of the Company.

No executive officers of the Company have received any other compensation other than as mentioned above except for incentive stock options which have been granted to the aforementioned executive officers as set out below. There are no plans in place to which cash or non-cash compensation was paid or distributed to executive officers.

<u>Name of Optionee</u>	<u>Number of Shares Subject to Option</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Market Value of Shares of the Company when Option Granted</u>
Jack Martin Maris	150,000	\$0.23	Feb. 16/92	\$0.23
Edward Richard Becker	<u>200,000</u>	\$0.23	Feb. 16/92	\$0.23
Total	<u>350,000</u>			

During the year ended March 31, 1988, 150,000 stock options in the Company were exercised by the executive officers. The price of the shares of the Company during the thirty (30) day period immediately preceding the exercise of the 150,000 stock options ranged from a low of \$0.75 per share to a high of \$1.05 per share.

Total incentive stock options granted to executive officers 350,000.  
Total incentive stock options granted by the Company 600,000.

Directors of the Company, other than executive officers as previously disclosed, received no other compensation from the Company other than incentive stock options to purchase a total of 400,000 shares of the Company at a price of \$0.23 per share. During the year ended March 31, 1988, 350,000 of the existing options granted by the Company to directors, other than the executive officers as mentioned above, have

been exercised, with 200,000 options being exercised on June 2, 1987 and 150,000 options being exercised on August 20, 1987. The price of the shares of the Company during the thirty (30) day period immediately preceding June 2, 1987 and August 20, 1987 ranged from a low of \$0.22 per share to a high of \$0.48 per share and a low of \$0.75 per share to a high of \$1.05 per share, respectively.

Included in the 600,000 incentive stock options granted by the Company are 200,000 employee incentive stock options, exercisable at a price of \$0.29 per share until March 10, 1993. Regulatory approval to the 200,000 employee incentive stock options has not yet been received. These options do not require shareholder approval.

#### **INDEBTEDNESS OF DIRECTORS AND SENIOR OFFICERS**

None of the directors or senior officers of the Company, or associates or affiliates of said persons, are currently indebted to the Company. Since the beginning of the last completed financial year of the Company certain directors became indebted to the Company for an additional \$15,213, for total indebtedness of \$20,213, as reflected in the Company's audited financial statements, however these debts have since been repaid.

#### **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

None of the insiders of the Company nor any proposed nominee for election as director, if same are to be elected, nor any associate or affiliate of said persons, has had any material interest, direct or indirect, in any transaction since the commencement of the Company's last financial year, or in any proposed transaction, which has materially affected or would materially affect the Company or any of its subsidiaries, other than as herein disclosed.

#### **APPOINTMENT OF AUDITORS**

Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted for the re-appointment of Munro, Sheridan & Becker, Chartered Accountants, of #900 - 235 First Avenue, Kamloops, British Columbia, as auditor of the Company to hold office until the close of the next Annual General Meeting of the Company. It is proposed that the remuneration to be paid to the auditor of the Company be fixed by the Board of Directors of the Company.

Munro, Sheridan & Becker were first appointed as auditor of the Company on October 23, 1968 under their former name, Moen, Kent, Munro & Campbell.

#### **MANAGEMENT CONTRACTS**

Management functions of the Company or any subsidiaries are substantially performed by directors or senior officers of the Company or subsidiaries and not, to any substantial degree, by any other person with whom the Company has contracted.

**PARTICULARS OF OTHER MATTERS TO BE ACTED UPON**

**Approval of Director and Employee Stock Options**

It is the intention of the Company to grant to directors and employees of the Company incentive stock options to purchase shares in the capital stock of the Company, for such period, in amounts and at prices as may hereinafter be agreed upon and at the discretion of the Board of Directors and upon such terms and conditions as may be acceptable to the regulatory authorities, but in any case, not to exceed 5% of the issued capital from time to time for each group, i.e. 5% for directors' options and 5% for employees' options, and in the aggregate not to exceed 10% of the issued capital of the Company from time to time. Shareholder approval to the proposed directors' options is included in the matters to be taken up at the meeting. If such approval is not received, the director incentive stock options will not be granted.

**OTHER MATTERS**

Management of the Company knows of no other matters to come before the meeting of shareholders other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the meeting, the shares represented by the proxy solicited hereby will be voted on such matters in accord with the best judgment of the person voting the proxy.

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KAMAD SILVER CO. LTD.

FINANCIAL STATEMENTS

March 31, 1988

AUDITORS' REPORT

BALANCE SHEET

STATEMENT OF CHANGES IN FINANCIAL POSITION

NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF MINERAL PROPERTIES                      SCHEDULE 1

SCHEDULE OF DEFERRED COSTS                              SCHEDULE 2

Munro, Sheridan & Becker  
Chartered Accountants

Marvin L. Munro, C.A.  
Darrel J. Sheridan, C.A.  
Wayne C. Becker, B.A., C.A.

900 - 235 First Avenue  
Kamloops, B.C. V2C 3J4  
Telephone (604) 374-5577  
Facsimile (604) 374-5573

AUDITORS' REPORT

To the Shareholders,  
Kamad Silver Co. Ltd.

We have examined the accompanying balance sheet of Kamad Silver Co. Ltd. as at March 31, 1988 and the statement of changes in financial position for the year then ended. 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 March 31, 1988 and the results of its operations and the 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.

*Munro, Sheridan & Becker*

Chartered Accountants

August 5, 1988

KAMAD SILVER CO., LTD.

BALANCE SHEET

March 31, 1988

ASSETS

	<u>1988</u>	<u>1987</u>
CURRENT ASSETS:		
Cash	\$ 318,726	\$ 101,130
Accrued interest receivable	4,900	1,000
Loan receivable	7,000	-
Loans receivable - directors	20,213	5,000
Option payment receivable	-	<u>10,000</u>
	<u>350,839</u>	<u>117,130</u>
MINERAL PROPERTIES AND DEFERRED COSTS (Note 2) (Schedules 1 and 2)	<u>6,512,986</u>	<u>6,525,668</u>
	<u>\$6,863,825</u>	<u>\$6,642,798</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable, secured	\$ -	\$ 16,974
Accounts payable and accruals	13,524	18,523
Advances from shareholders	<u>98,794</u>	<u>98,794</u>
TOTAL LIABILITIES	<u>112,318</u>	<u>134,291</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 3)	8,405,087	8,162,087
DEFICIT	<u>1,653,580</u>	<u>1,653,580</u>
SHAREHOLDERS' EQUITY	<u>6,751,507</u>	<u>6,508,507</u>
	<u>\$6,863,825</u>	<u>\$6,642,798</u>

APPROVED BY THE DIRECTORS:

"E.R. Becker" Director

"J.M. Maris" Director



KAMAD SILVER CO., LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended March 31, 1988

	<u>1988</u>	<u>1987</u>
<b>OPERATING ACTIVITIES:</b>		
Deferred administrative costs	(\$104,754)	\$(34,383)
Deferred exploration and development costs	<u>117,436</u>	<u>76,274</u>
Cash generated from operations	<u>12,682</u>	<u>41,891</u>
<b>FINANCING ACTIVITIES:</b>		
Issue or allotment of share capital for cash	243,000	236,500
Reduction in advances from shareholders	-	(19,308)
Reduction in accounts payable	(21,973)	(154,383)
Increase in receivables	<u>(16,113)</u>	<u>(16,000)</u>
Cash generated from financing	<u>204,914</u>	<u>46,809</u>
<b>INVESTING ACTIVITIES:</b>		
Marketable securities	<u>-</u>	<u>11,000</u>
<b>INCREASE IN CASH</b>	217,596	99,700
<b>CASH, beginning of year</b>	<u>101,130</u>	<u>1,430</u>
<b>CASH, end of year</b>	<u>\$318,726</u>	<u>\$101,130</u>

SCHEDULE 1

KAMAD SILVER CO., LTD.

SCHEDULE OF MINERAL PROPERTIES

Year ended March 31, 1988

	1988		1987	
	%	\$	%	\$
	owned		owned	
HOMESTAKE CLAIMS, at cost (Note 2)	100	\$ 766,500	100	\$ 766,500
WINDPASS LEASES, at nominal value (Note 2)	100	<u>1</u>	100	<u>1</u>
		766,501		766,501
DEFERRED COSTS (Schedule 2)		<u>5,746,485</u>		<u>5,759,167</u>
		<u>\$6,512,986</u>		<u>\$6,525,668</u>

KAMAD SILVER CO. LTD.SCHEDULE OF DEFERRED COSTSYear ended March 31, 1988

	<u>1988</u>	<u>1987</u>
<b>EXPLORATION AND DEVELOPMENT:</b>		
Engineering and consulting fees	\$ 1,200	\$ 728
Licenses, leases and taxes	500	(17,002)
Mine site preparation	(13,136)	-
Option payments	<u>(106,000)</u>	<u>(60,000)</u>
	<u>(117,436)</u>	<u>(76,274)</u>
<b>ADMINISTRATIVE:</b>		
Accounting and audit	10,177	9,748
Administration	31,000	30,000
Advertising	1,710	-
Commissions	6,250	-
Interest and bank charges	(12,356)	(929)
Listing fees	1,640	1,825
Legal fees	21,686	30,890
Office, printing and postage	18,645	13,622
Transfer agency fees	4,293	5,610
Travel	<u>21,709</u>	<u>23,517</u>
	104,754	114,283
Recovery of prior years costs	<u>-</u>	<u>(79,900)</u>
	<u>104,754</u>	<u>34,383</u>
<b>TOTAL DEFERRED COSTS (RECOVERED) FOR THE YEAR</b>	<b>(12,682)</b>	<b>(41,891)</b>
<b>DEFERRED COSTS, beginning of year</b>	<u><b>5,759,167</b></u>	<u><b>5,801,058</b></u>
<b>DEFERRED COSTS, end of year</b>	<u><b>\$5,746,485</b></u>	<u><b>\$5,759,167</b></u>

KAMAD SILVER CO. LTD.

NOTES TO FINANCIAL STATEMENTS

March 31, 1988

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES:

- a) These financial statements has been prepared on the basis of accounting principles applicable to a going concern. The Company has corrected a serious working capital deficiency. The ability of the Company to continue as a going concern and realize its assets and discharges its liabilities in the normal course of business is dependent upon its management and on its ability to obtain adequate financing and achieve and maintain profitable operations.
- b) The Company is in the process of developing its Homestake mineral property and is of the opinion that this property contains economically recoverable ore reserves. The Company's Windpass leases are in the exploration stage and based on the information available to date, the Company has not yet determined whether this property contains economically recoverable ore reserves. The recoverability of the amounts shown for mineral properties and related deferred costs is dependent upon the ability of the Company to obtain the necessary financing to complete the development, and upon future profitable operations.
- c) Exploration, development and administrative costs relating to mineral properties are deferred on the basis of specific claim blocks until the properties to which they relate are placed into production, sold or allowed to lapse. These costs will be amortized over the estimated life of the properties following commencement of production or written off if the claims to which they relate are sold or allowed to lapse.

NOTE 2: MINERAL PROPERTIES:

- a) In 1981 the Company purchased from Canadian Reserve Oil & Gas Ltd. (Reserve) an undivided 50% interest in the Homestake mining property. Amendments to the agreement have resulted in the present consideration for this purchase being a 3% net smelter royalty as defined, payable only out of production revenue. The maximum royalty paid was to be \$2,500,000 provided the Company paid Reserve \$300,000 cash by October 1, 1985. This payment was not made and the maximum royalty payable increases by \$100,000 per month until the cash payment is made or the total royalty payable reaches \$5,000,000.

The royalty payable is presently \$4,800,000.

The Company has granted Reserve the option to purchase the greater of 600,000 shares or approximately 8% of its issued share capital, at various prices, expiring November 1, 1989 (see Note 3).

This agreement has now been assigned to Texaco Canada Resources.

KAMAD SILVER CO. LTD.

NOTES TO FINANCIAL STATEMENTS

March 31, 1988

NOTE 2: MINERAL PROPERTIES (cont'd):

- b) The Company has entered into an agreement, dated December 23, 1985, with Esso Resources Canada Ltd. (Esso) whereby Esso has been granted an option to acquire 51% of the Company's interest in the Homestake claims except a portion of Lot 827. Esso has paid the Company \$196,000 to date and has agreed to the following schedule of payments to maintain the option:

\$ 50,000 by December 31, 1989

In addition, Esso is committed to incur expenditures on the property not less than \$3,000,000 by December 31, 1990 if it maintains the above noted schedule of option payments.

On the exercise of the option by Esso, a joint venture will be established for development of the property. The Company's interest may be diluted from 49% to 24% by failure to contribute its share of the exploration budget at a rate of 1% for each \$100,000 required. If the Company is reduced to the 24% interest, it must exchange its share of ownership for a royalty of 15% of the net proceeds of production.

- c) The Company has acquired the remaining 38% interest in the Windpass leases and now owns 100%. In October 1986, the Company optioned a 60% interest in the property to Kerr Addison Mines Limited on the following terms, subject to a net smelter return royalty payable to Texaco Canada Resources commencing at .75% increasing to 3% until Texaco has received \$1,000,000 plus a price adjustment factor:

1. Cumulative expenditures required by the following dates to maintain the option:

October 31, 1988	\$ 400,000
October 31, 1989	750,000
October 31, 1990	1,200,000

2. The Company is entitled to the following payments to maintain the option:

October 31, 1988	\$ 25,000
October 31, 1989	<u>30,000</u>
	<u>\$ 55,000</u>

KAMAD SILVER CO. LTD.

NOTES TO FINANCIAL STATEMENTS

March 31, 1988

NOTE 3: CAPITAL STOCK:

AUTHORIZED:

20,000,000 Common shares, no par value

	1988		1987	
	Number of Shares	\$	Number of Shares	\$
<b>ISSUED AND FULLY PAID:</b>				
Balance, beginning of year	10,489,173	\$7,912,087	8,531,973	\$7,443,981
Issued during year:				
For cash	700,000	243,000	1,642,878	279,000
For debt	-	-	314,322	189,106
Balance, end of year	<u>11,189,173</u>	<u>8,155,087</u>	<u>10,489,173</u>	<u>7,912,087</u>
<b>ALLOTTED AND FULLY PAID BUT NOT ISSUED:</b>				
For mineral properties	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
	<u>11,439,173</u>	<u>\$8,405,087</u>	<u>10,739,173</u>	<u>\$8,162,087</u>

- a) Under the terms of a 1981 agreement, the Company acquired a 10% interest in the Homestake property and allotted 600,000 shares at \$1 each for the purchase. At March 31, 1988, 350,000 shares had been issued and the Company is obligated to issue 250,000 shares upon commencement of commercial production from the property.
- b) During the year, directors and officers exercised stock options on 500,000 shares at \$.23.
- c) During the year, the Company completed a private placement of 200,000 shares together with 200,000 warrants exercisable at \$.85 until August 7, 1988 which netted the treasury \$121,750 after commission.
- d) At March 31, 1988, 150,000 shares remained in escrow subject to release after approval of regulatory authorities.
- e) The Company has outstanding stock options expiring in 1992 to directors and executive officers on 400,000 shares at \$.23.
- f) Pursuant to a property acquisition agreement (Note 2), the Company granted Canadian Reserve Oil & Gas Ltd. stock options to purchase the greater of 600,000 shares or approximately 8% of the issued share capital of the Company at prices ranging from \$2.25 to \$3.50 per share, expiring November 1, 1989.
- g) During the year, the Company granted employee stock options in addition to Item 3(e), to two employees for 200,000 shares at \$.29 expiring in 1993 subject to regulatory approval.

KAMAD SILVER CO. LTD.

NOTES TO FINANCIAL STATEMENTS

March 31, 1988

NOTE 4: INCOME TAXES:

Deficit, mineral properties and deferred costs have not been analyzed to determine what portion may be available to reduce future income for tax purposes.

NOTE 5: CONTINGENT LIABILITIES:

The Company has provided for all recognized liabilities in its accounts and is not aware of any further claims, having merit, which have not been recorded.

NOTE 6: RELATED PARTY TRANSACTIONS:

- a) During the year, the Company paid \$15,500 in management fees and rent of \$3,560 to a company controlled by a director. It further paid \$15,500 in management fees to a company controlled by a second director.
- b) Funds advanced to a director remained outstanding during the year, with \$3,000 repaid subsequent to the year-end. During the year, the Company advanced \$15,213 to directors. These amounts do not bear interest and are repayable on demand.