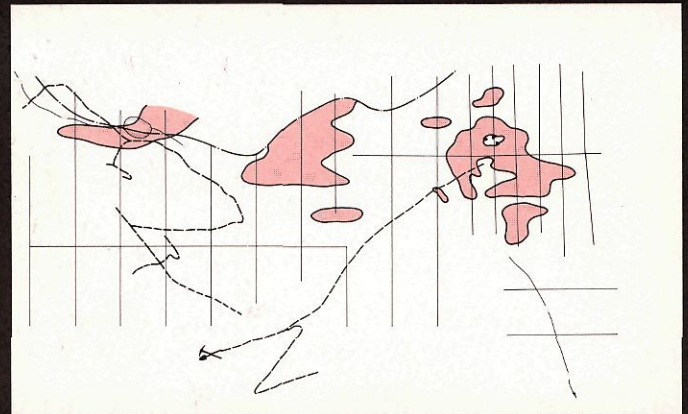
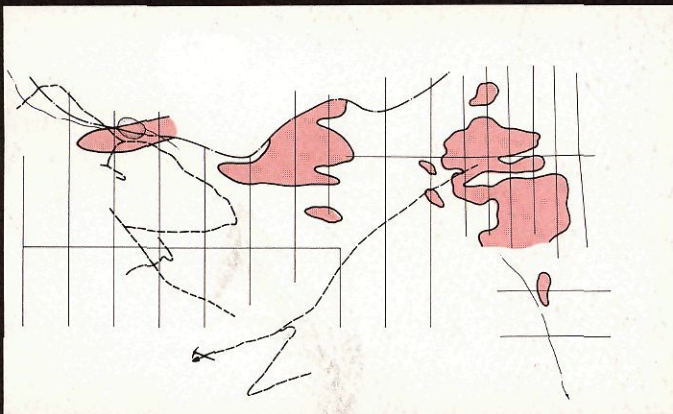
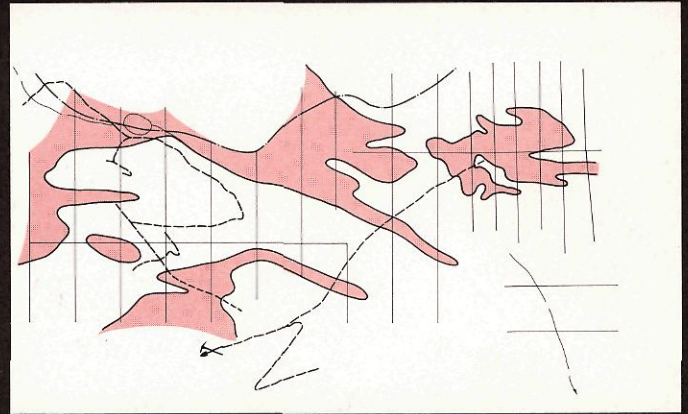
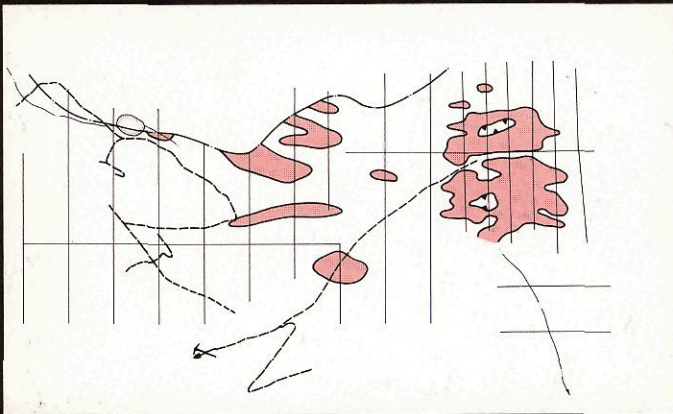
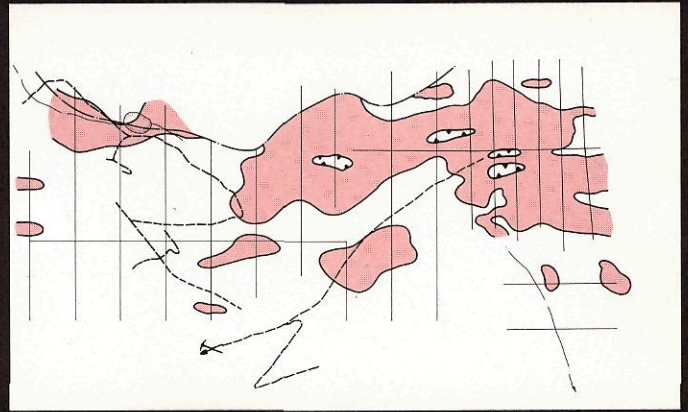
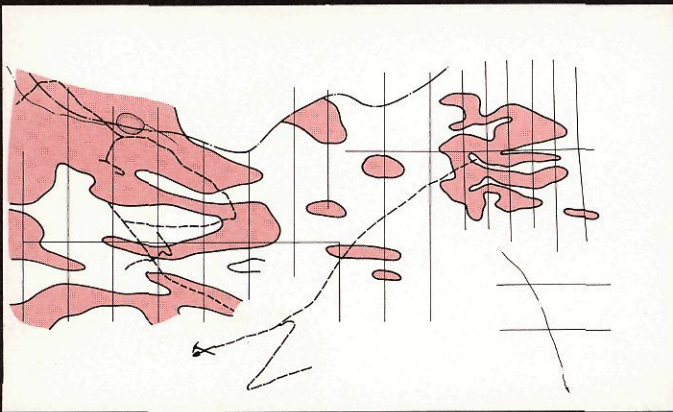


Cream Silver Mines Ltd. N.P.L.

Annual Report 1985

Cream Silver
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92F220, 224, 225



Cream Silver Mines Ltd. (N.P.L.)

**Annual Report
for the year ended
March 31, 1985**

Cover: Representation of six coincidental mineral anomalies over company's polymetallic skarn deposit at Atlin, B.C. The anomalies appear in greater detail on pages 10, 11, 12.

Board of Directors and Officers

Frank A. Lang, P. Eng., President
Richard W. Hughes, Director
A. Frances Karchewski, Director
Brian Moorhouse, Director
David P. Hall, Comptroller

Solicitors

DuMoulin Black
Barristers & Solicitors

Auditor

Morgan & Company
Chartered Accountants

Transfer Agent

Yorkshire Trust Company
1100 Melville Street
Vancouver, B.C. V6E 4B6

Stock Exchange

Vancouver — Resource Section
Ticker Symbol — CEM

Capitalization

Shares Authorized: 10,000,000
Shares Issued: 5,257,846

Head Office

Suite 1500-675 West Hastings Street
Vancouver, B.C. V6B 1N2

Registered Office

Suite 1004-595 Howe Street
Vancouver, B.C. V6C 2T5

Annual Meeting

September 27, 1985
2:00 p.m. at Suite 1004
595 Howe Street
Vancouver, B.C. V6C 2T5

The Company

Cream Silver Mines Ltd. (N.P.L.) was incorporated under the laws of British Columbia in October, 1966. It was named after Cream Lake, a beautiful gem of glacial water located in the centre of Vancouver Island in southwest British Columbia where the Company's first silver-gold prospect was discovered. The prospect is geologically associated with the producing silver-gold-lead-zinc-copper mine of Westmin Resources Ltd. a few miles to the north.

Cream Silver Mines Ltd. was the first of a large number of companies later to become known as the "Hughes-Lang Group of Companies". Amongst these is its former subsidiary, Belmoral Mines Ltd., now a major gold producer in eastern Canada; and Golden Sceptre Resources Ltd. and Goliath Gold Mines Ltd., now in association with Noranda Mines Limited, producing from Canada's richest gold mine at Hemlo, Ontario. Other companies of note are D'Or Val Mines Ltd. and Perron Gold Mines Ltd., moving towards production near Val d'Or, Quebec; Gallant Gold Mines Ltd.; Lockwood Petroleum Inc.; Standard Gold Mines Ltd.; Arbor Resources Inc.; Kangel Resources Ltd.; Canadian Ferrite Corporation.

The Company is active in exploration for gold and polymetallic mineral deposits in many parts of Canada and to a limited extent in oil and gas production in the U.S.A. It retains a significant share investment in Belmoral Mines Ltd.

President's Report

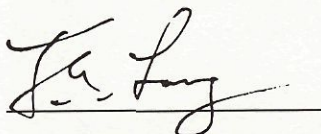
The past year has seen the continuation of the existing growth and development of your Company. Exploration in the Atlin Area has been particularly significant and may be giving rise to a giant of some sort. And the decision of the Supreme Court of Canada rendered May 9, 1985, on a case very close in point to the Cream Silver Mines Ltd. situation in Strathcona Park, Vancouver Island, may assist the return to us of one of the best base-precious metal prospects in North America.

In 1973, the Company's 166 mineral claims were placed under a moratorium by the provincial government of the time and further exploration was prohibited. However no moratorium was placed on the adjoining ground of Western Mines Ltd. (now Westmin Resources Ltd.) which at this time was actively engaged in the production of up to 950 tons of ore per day with approximately 300 employees. Subsequently further exploration at Westmin resulted in the discovery of a number of new orebodies including the large H-W orebody with reported reserves of at least 15.2 million tons grading 0.07 oz/ton gold, 1.1 oz/ton silver, 2.2% copper, 0.3% lead and 5.3% zinc. Westmin has announced the official opening on September 19, 1985, of its new 3000-ton-per-day mill and will provide employment to some 470 workers directly and many others indirectly.

With most of Cream's claims located in geologically similar ground directly "on strike" of the Westmin orebodies, it is highly probable that other orebodies may be found and further desperately-needed employment will be created for this part of Vancouver Island. The Supreme Court of Canada Decision decided that the denial of a park use permit, preventing the exploration of mineral claims in the provincial park, amounts to an expropriation for which compensation is payable.

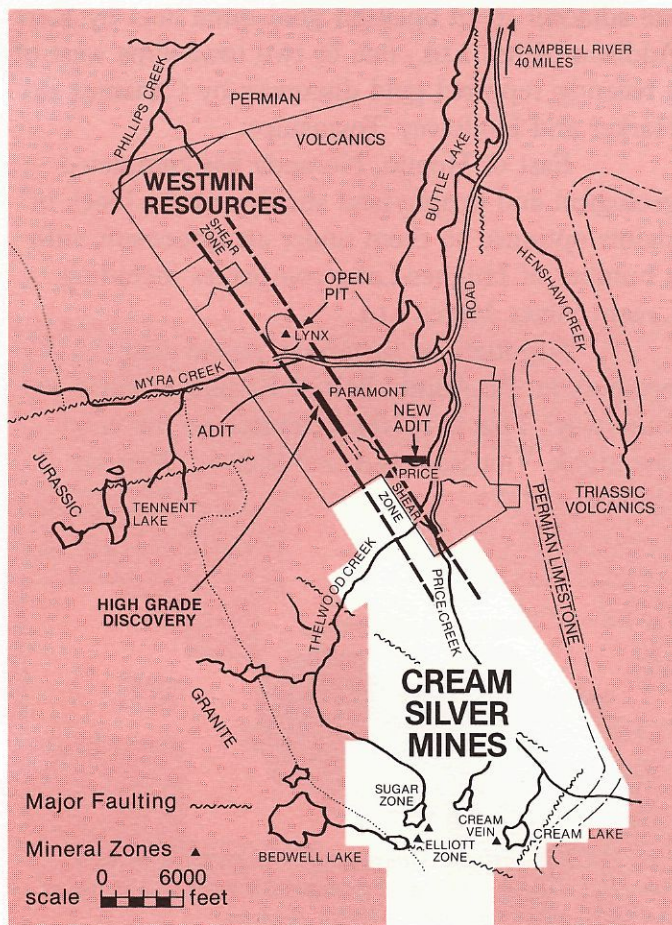
Cream Silver Mines Ltd. has renewed its writ against The Crown and is proceeding forthwith to obtain an early settlement — which is expected to include the return of its exploration and development rights in this area.

On behalf of the Board of Directors

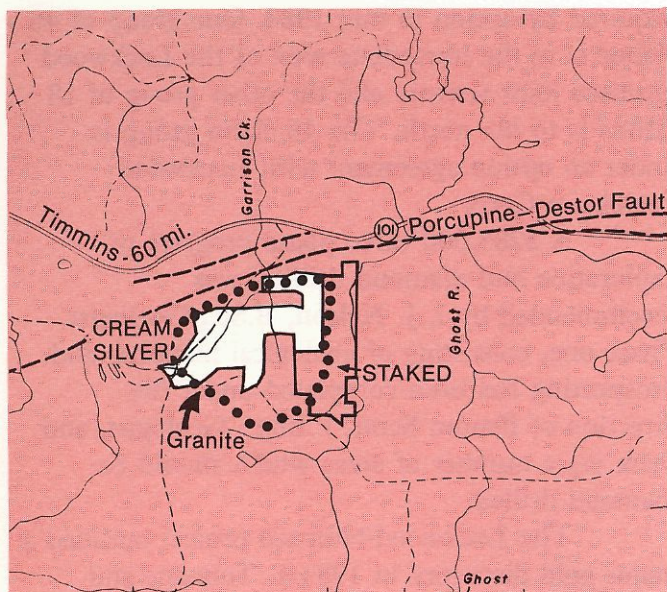


F.A. Lang, President
August 29, 1985

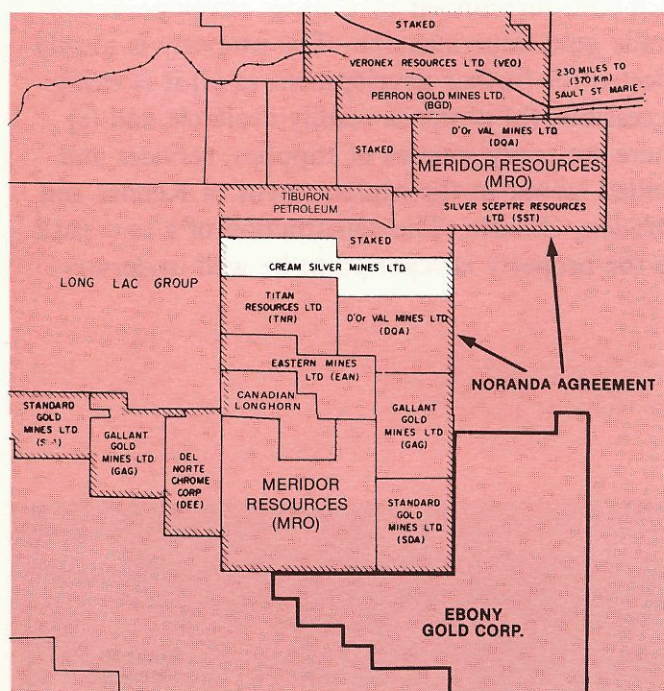
The Cream Silver property on Vancouver Island, British Columbia.



Garrison Property



Hemlo Property



Oil and Gas Interests, Oklahoma, U.S.A.

The Garrison property has acquired a new prominence due to its location due north of an open-pit gold discovery by Kerr Addison Mines Limited. (As reported by the Northern Miner, April 6, 1984.) The group of 46 mineral claims is situated in Garrison Township, 67 miles east of Timmins, northeastern Ontario and 90 road miles northwest of Kerr's big Virginiatown operation. In 1981, Kerr mined 64,000 tons of open-pit ore grading 0.138 ozs gold per ton from their Buffonta Zone, a quarter-mile from their new discovery. The property is very favourably located along the Dester-Porcupine fault which is closely associated with major gold finds.

A recently completed aerial survey has located a good number of anomalies which are to be followed up by ground survey and diamond drilling if warranted.

A sedimentary gold deposit was discovered near Hemlo, Ontario by International Corona Resources Ltd. in 1981. Since then, work by International Corona, Noranda Exploration Company, Limited, Golden Sceptre Resources Ltd., Goliath Gold Mines Ltd. and Long Lac Minerals has resulted in the location of more than 80 million drill indicated tons of ore grading close to 0.3 oz. gold/ton — making the Hemlo the most exciting new gold area in Canada. Cream Silver's ground is approximately 15 miles east of the Goliath Gold Mines claims. These claims, with others, are the subject of a joint exploration agreement with Noranda Exploration Company, Limited. Under the Agreement, Noranda will undertake surface exploration work including geochemical, I.P. (induced polarization) and geological surveys to earn a 60% interest in the claims. At the end of this initial exploration program, the Company has the right to participate to 40% of further exploration costs or retain a 20% carried interest without further cost. Reports to date have been inconclusive and it is expected that no further work will be done at this time.

During the year the following revenue was generated:

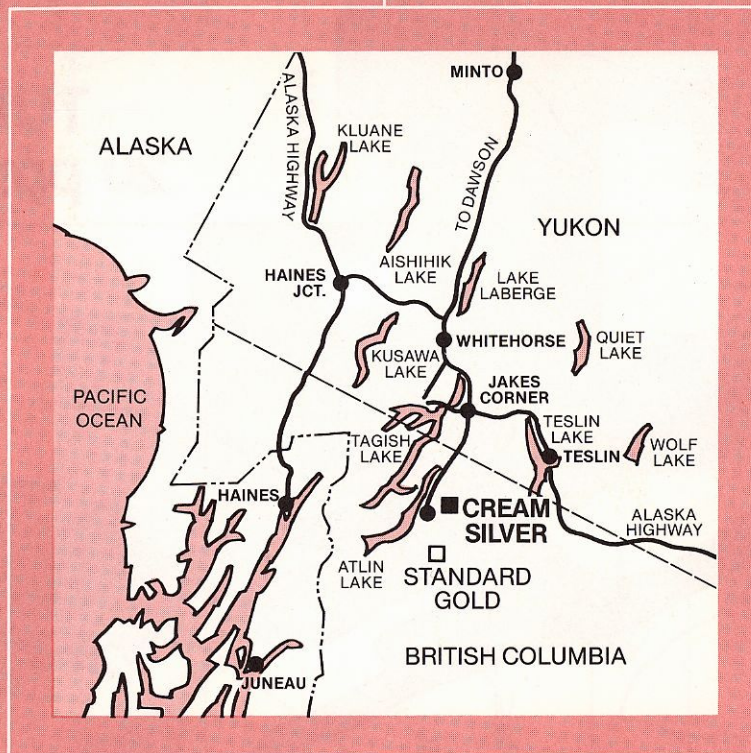
Merrick Prospect	\$ 4,500.00
FCD 79B; 80BI & II	26,100.00
	<u>\$30,600.00</u>

The FCD funds, previously held in court pending resolution of a dispute, have been released and the Company has received as of August 31, 1985, the sum of \$40,443.00.

Cream Silver Mines Ltd.

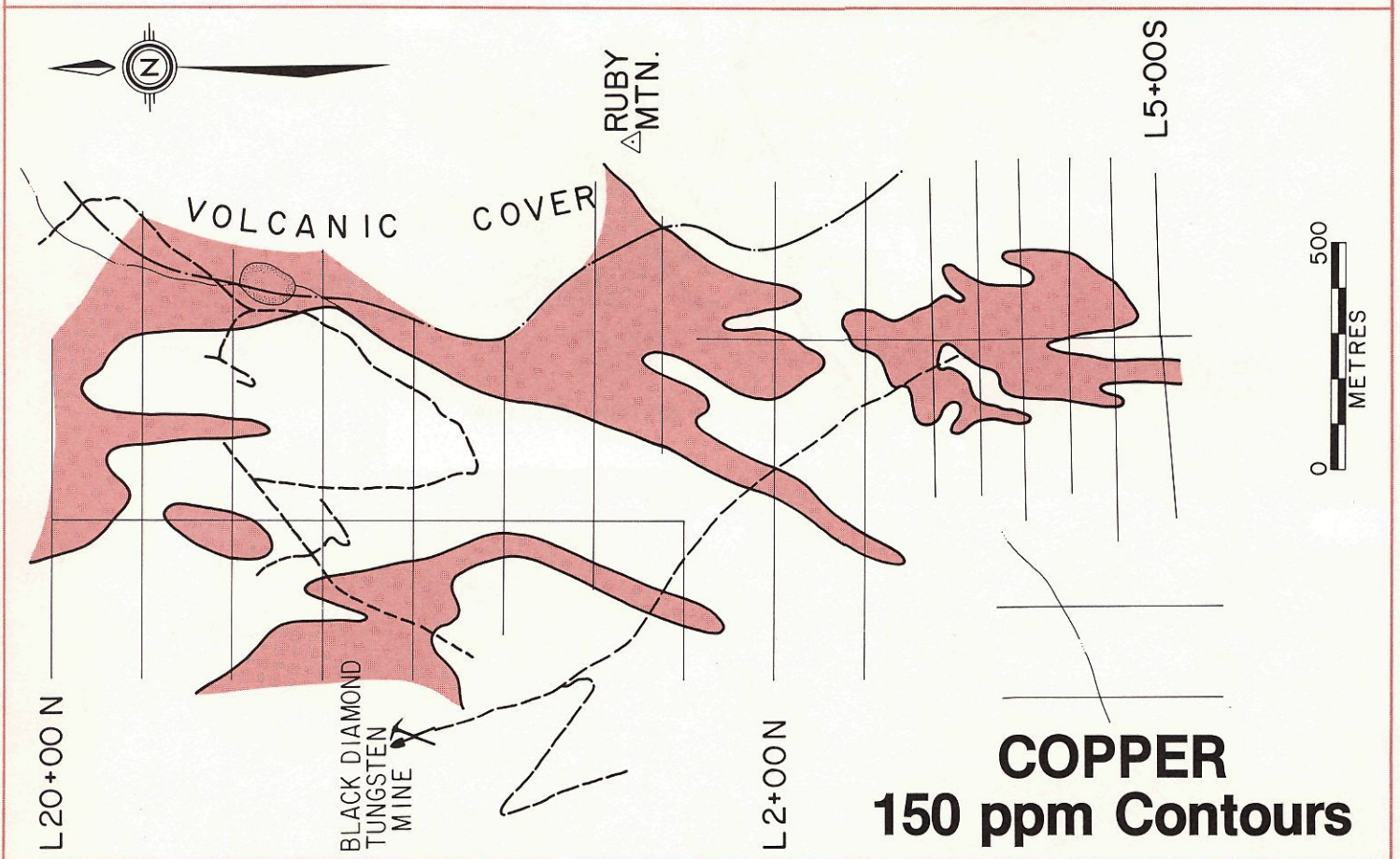
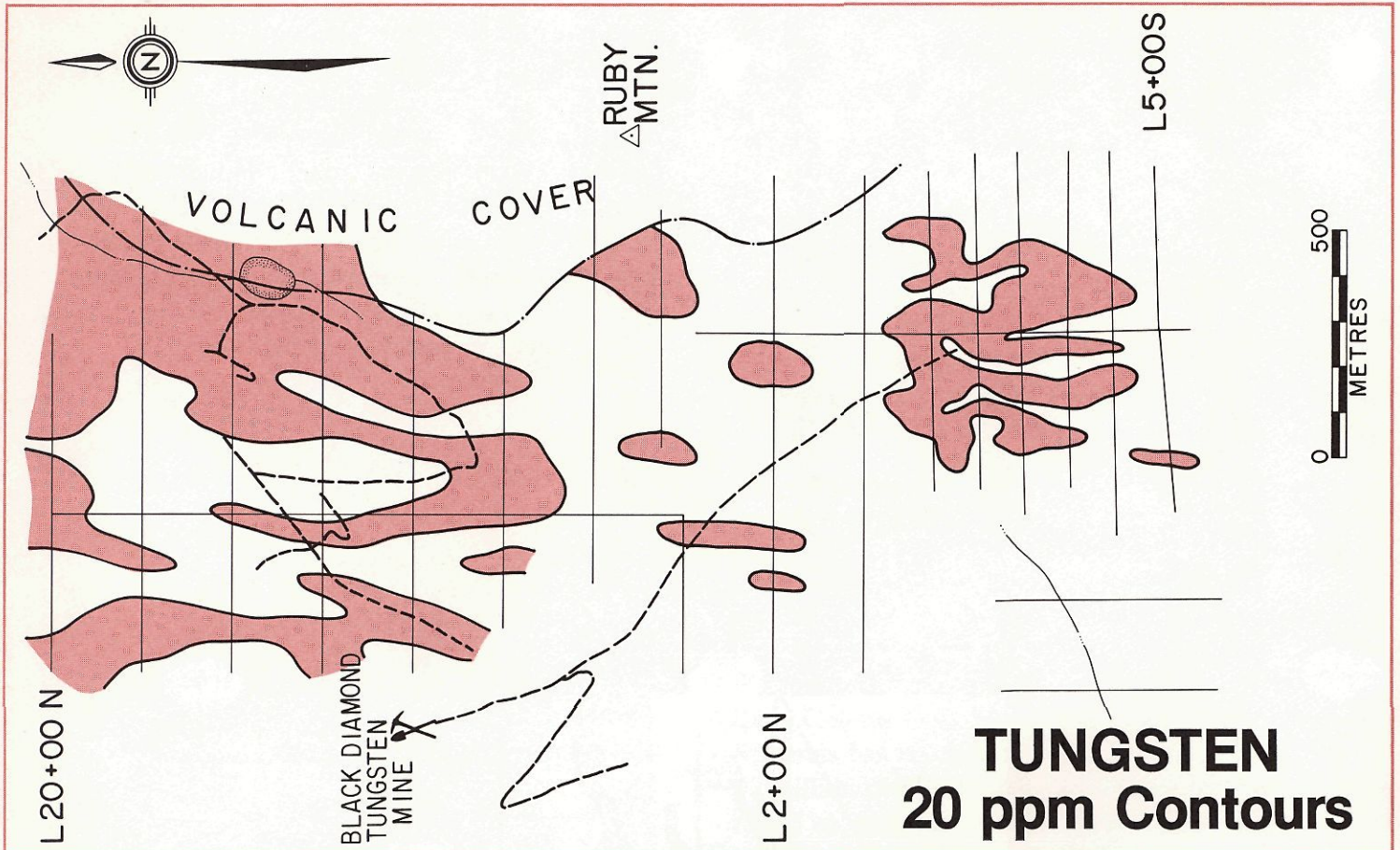
Atlin Gold Camp

Cream Silver Mines Ltd. has obtained, by way of staking, a potentially exciting prospect contiguous to the Ruby Mountain Property approximately 12 miles northeast of the town of Atlin in northwestern British Columbia. The staking program fills the gap between its earlier located property and the Adanac Molybdenum deposit. The newly acquired ground includes the old Black Diamond Tungsten Mine and a large area of widespread mineralization in which some rather interesting values of copper, lead, zinc, gold, and tungsten were previously reported.



Cream Silver Mines Ltd. (N.P.L.)

Atlin Geochemical Program



L20+00 N

BLACK DIAMOND
TUNGSTEN
MINE

VOLCANIC
COVER

△ RUBY
MTN.



L2+00N

**200 ppm
LEAD
Contours**

L5+00S



L20+00 N

BLACK DIAMOND
TUNGSTEN
MINE

VOLCANIC
COVER

△ RUBY
MTN.



L2+00N

**1.0 ppm
SILVER
Contours**

L5+00S



11

L20+00 N

BLACK DIAMOND
TUNGSTEN
MINE

VOLCANIC
COVER

△ RUBY
MTN.

L2+00N

**500 ppm
ZINC
Contours**

L5+00S



L20+00 N

BLACK DIAMOND
TUNGSTEN
MINE

VOLCANIC
COVER

△ RUBY
MTN.

L2+00N

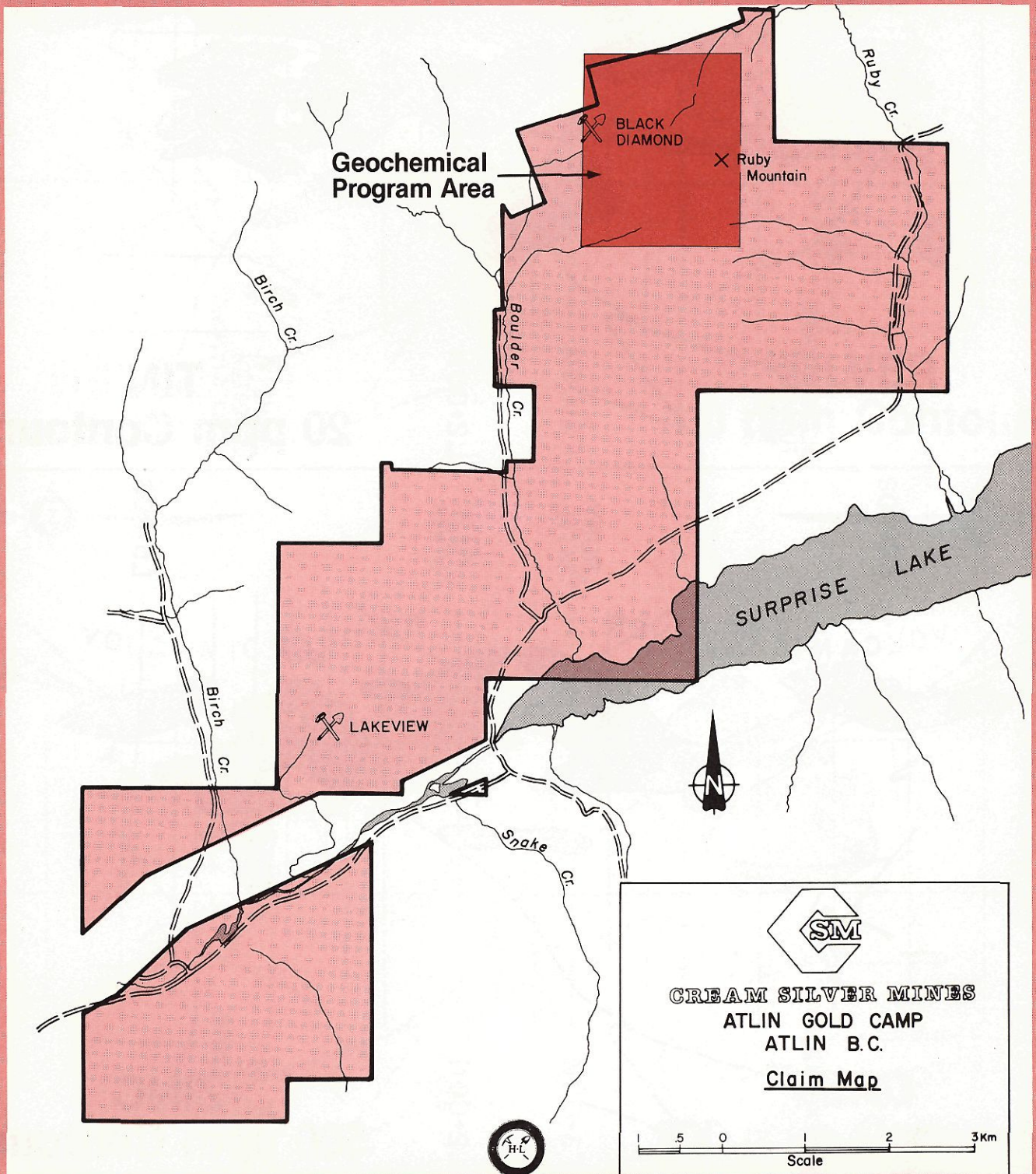
**20 ppm
TIN
Contours**

L5+00S



The area is underlain by a thick sequence of weakly metamorphosed calcareous cherts and quartzites which contain thin lens of limestone. These metasediments are intruded on the west by a batholith of alaskite composition. To the east, the metasediments are covered by what appears to be a thin layer of Pleistocene basaltic scoria.

After the staking, a geochemical program of soil sampling was initiated to determine if the silver-lead-zinc-tin and tungsten soil anomaly discovered in the original program of 1983-84



Cream Silver Mines Ltd. (N.P.L.)

extended to the north. A grid 2000 metres by up to 3000 metres was established and soil samples collected at 50 metre intervals along grid lines 200 metres apart. The results of this program extended the 1984 soil anomaly northward and now outlines an anomalous area approximately 2500 metres (8200 feet) long and up to 600 metres (2000 feet) wide. Present indications suggest that this anomalous zone is open both northward and eastward where it is masked by an apparently thin layer of volcanic rocks. Some of the high soil sample values include 3750 ppm Copper (Cu), 2460 ppm Lead (Pb), 4750 ppm Zinc (Zn), 200 ppm Silver (Ag), 1000 ppm Tin (Sn) and 1100 ppm Tungsten (W). A statistical treatment of soil samples collected since 1983 suggest that the anomalous threshold for the background population is: 150 ppm Cu, 200 ppm Pb, 500 ppm Zn, 1.0 ppm Ag, and 20 ppm for Sn and W.

Rock chip sampling of some of the mineralized rock returned metal values in excess of 1.0% lead and zinc, 4.5 oz/t silver, 0.6% copper, 0.18% tungsten, and 0.1% tin. Previously reported selected grab samples returned values of nearly 10% zinc, 1.24% lead, 0.448% oz/t gold, and 0.23% tungsten. Silver was not reported. Subsequently, as gold was not expected, some of the higher soil and rock samples are presently being assayed for their gold content.

A program of detailed geological mapping and sampling in conjunction with an Induced Polarization survey has been recommended to outline the extent of the mineralization and to test its potential in areas presently covered by Pleistocene volcanic rocks. If these test programs are successful, a diamond drilling program will be considered.

R.A. Gonzalez, M.Sc., F.G.A.C.

Cream Silver Mines Ltd. (N.P.L.)

Consolidated Balance Sheet as at March 31, 1985

ASSETS

	1985	1984
	\$	\$
Current Assets		
Cash and term deposits	71,205	215,457
Accounts receivable	138,608	128,454
Exploration advances	—	500
Marketable securities (Note 2)	18,851	18,851
	<u>228,664</u>	<u>363,262</u>
Petroleum Interests (Note 3)	17,636	398,443
Mineral Properties (Note 4)	373,732	371,738
Deferred Exploration and Administrative Expenditures	817,440	660,004
	<u>1,437,472</u>	<u>1,793,447</u>

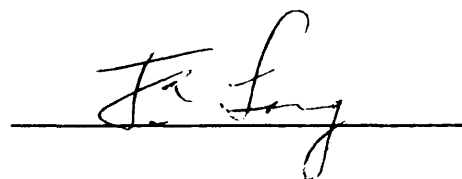
LIABILITIES

Current Liabilities		
Accounts payable	217,753	178,751

SHAREHOLDERS' EQUITY

Share Capital (Note 5)		
Authorized: 10,000,000 shares of \$0.50 par value		
Issued: 5,257,846 shares (1984 — 5,179,603)	2,089,690	2,052,890
Contributed Surplus		
Proceeds from sale of donated shares	2,340	2,340
Deficit	(872,311)	(440,534)
	<u>1,219,719</u>	<u>1,614,696</u>
	<u>1,437,472</u>	<u>1,793,447</u>

APPROVED BY THE DIRECTORS



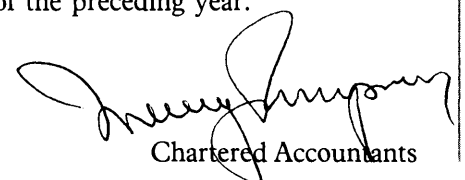
Auditors' Report

To the Shareholders of Cream Silver Mines Ltd. (N.P.L.)

We have examined the consolidated balance sheet of Cream Silver Mines Ltd. (N.P.L.) as at March 31, 1985 and the consolidated statements of deferred exploration and administrative expenditures, loss and deficit, and 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 consolidated financial statements present fairly the financial position of the company as at March 31, 1985 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.

Vancouver, Canada
September 3, 1985



Chartered Accountants

Cream Silver Mines Ltd. (N.P.L.)

Consolidated Statement of Deferred Exploration and Administrative Expenditures for the year ended March 31, 1985

	1985	1984
	\$	\$
Exploration		
Atlin claims, B.C.	88,283	12,595
Barraute claims, Quebec	—	288
Cameron Lake claims, Ontario	20,897	9,595
Garrison claims, Ontario	121	—
Pascalis Tiblemont claims, Quebec	1,548	2,090
Sundry	408	1,551
	<u>111,257</u>	<u>26,119</u>
Deferred expenditures — Beginning of year	309,822	285,254
Charged to Statement of Loss and Deficit	<u>(19,424)</u>	<u>(1,551)</u>
Deferred expenditures — End of year	<u>401,655</u>	<u>309,822</u>
Administration		
Costs deferred per Statement of Loss and Deficit	85,347	84,308
Deferred expenditures — Beginning of year	350,182	270,880
Charged to Statement of Loss and Deficit	<u>(19,744)</u>	<u>(5,006)</u>
Deferred expenditures — End of year	<u>415,785</u>	<u>350,182</u>
Deferred Exploration and Administrative Expenditures	<u>817,440</u>	<u>660,004</u>

Cream Silver Mines Ltd. (N.P.L.)

Consolidated Statement of Loss and Deficit for the year ended March 31, 1985

	1985	1984
	\$	\$
Revenue		
Petroleum and natural gas sales	<u>29,368</u>	<u>39,885</u>
Direct Costs		
Direct operating costs	5,545	2,827
Depletion	11,432	21,788
Bad debt expense	3,146	—
	<u>20,123</u>	<u>24,615</u>
Net Production Revenue	9,245	15,270
Interest Income	<u>13,830</u>	<u>2,123</u>
	<u>23,075</u>	<u>17,393</u>
Administrative Costs		
Audit	5,128	8,725
Consulting	500	—
Foreign exchange	1,032	630
Interest and bank charges	2,896	10,897
Legal	9,162	33,494
Management fees	17,730	17,080
Printing	3,561	11,309
Office and administration	33,078	33,851
Regulatory authorities	2,405	7,845
Stock transfer fees	8,660	5,432
Travel and promotion	5,163	5,414
	<u>89,315</u>	<u>134,677</u>
Less: Allocated to mineral properties	<u>(85,347)</u>	<u>(84,308)</u>
	<u>3,968</u>	<u>50,369</u>
Income (Loss) before the following	19,107	(32,976)
Petroleum interests abandoned	378,582	—
Abandoned mineral property and related costs	67,968	6,557
Write-down of investment in exploration syndicate	<u>4,334</u>	<u>1,665</u>
Loss for the year	431,777	41,198
Deficit — Beginning of year	<u>440,534</u>	<u>399,336</u>
Deficit — End of year	<u>872,311</u>	<u>440,534</u>

Cream Silver Mines Ltd. (N.P.L.)

Consolidated Statement of Changes in Financial Position for the year ended March 31, 1985

	1985 \$	1984 \$
Source of Working Capital		
Loss for the year	(431,777)	—
Add: Items not requiring an outlay of funds		
Depletion	11,432	—
Petroleum interests abandoned	378,582	—
Abandoned mineral property and related costs	67,968	—
Write-down of investment in exploration syndicate	4,334	—
	<u>30,539</u>	<u>—</u>
Issue of shares in settlement of debt	—	50,000
Issue of shares for mineral properties	32,000	118,800
Issue of shares for cash	4,800	414,580
	<u>67,339</u>	<u>583,380</u>
Use of Working Capital		
Loss for the year	—	41,198
Deduct: Items not requiring an outlay of funds		
Depletion	—	(21,788)
Write-down of investment in exploration syndicate	—	(1,665)
Sundry exploration and related administrative costs	—	(6,557)
	<u>—</u>	<u>11,188</u>
Investment in petroleum interests	9,207	16,656
Investment in mineral properties	35,128	144,946
Exploration expenditures	111,257	26,119
Administrative expenditures deferred	85,347	84,308
	<u>240,939</u>	<u>283,217</u>
Increase (Decrease) in Working Capital	(173,600)	300,163
Working Capital — Beginning of year	<u>184,511</u>	<u>115,652</u>
Working Capital — End of year	<u>10,911</u>	<u>184,511</u>
Represented by:		
Current assets	228,664	363,262
Less: Current liabilities	<u>217,753</u>	<u>178,751</u>
	<u>10,911</u>	<u>184,511</u>

Cream Silver Mines Ltd. (N.P.L.)

Notes to the Consolidated Financial Statements March 31, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

a) Principles of Consolidation

These consolidated financial statements include the accounts of Cream Silver Mines Ltd. (N.P.L.) and its wholly-owned subsidiary, Cream Silver Mines Inc.

b) Foreign Currency

Transactions recorded in United States dollars have been translated into Canadian dollars as follows:

- (i) Monetary items at rate prevailing at the balance sheet date;
- (ii) Non-monetary items at the historical exchange rate;
- (iii) Revenue and expenses at the average rate in effect during the applicable accounting period except for depletion and depreciation.

Gains and losses arising on foreign currency translation are credited or charged to earnings.

c) Petroleum Interests

The Company accounts for petroleum interests by deferring all costs relating to exploration and development. Such costs include lease acquisition costs, geological and geophysical costs and costs of drilling both productive and non-productive wells. Separate full cost centres are maintained for each field or program in which the Company has an interest. Costs applicable to any field or program which is abandoned are charged to earnings. Costs accumulated in these centres for successful programs are amortized by the unit of production method based on estimated proven reserves. When the carrying value of the petroleum interests exceed the estimated net realizable value, the value is written down to that estimated net realizable value in the period that such determinations are made. Substantially all of the Company's exploration, development and production activities are conducted with others and the accounts reflect only the Company's proportionate interest in such activities.

d) Mineral Properties and Related Exploration and Administrative Expenditures

Property acquisition costs and related exploration, development and administrative costs are deferred either until the properties are brought into production, at which time they are amortized against production, or until the properties are sold, allowed to lapse or abandoned, at which time the deferred expenditures are charged to earnings.

e) Administrative Costs

Administrative costs are allocated each year on the basis of the ratio of invested capital in mineral properties to the invested capital in petroleum interests. Administrative costs allocated to petroleum interests are charged to earnings in the fiscal year incurred.

f) Earnings per Share

Basic earnings per share have not been calculated as it would not be meaningful at this stage of the Company's operations.

2. MARKETABLE SECURITIES

The Company has the following investments:

	Market	Cost
	\$	\$
48,200 shares of Belmoral Mines Ltd.	65,070	3,022
7,500 shares of Dora Explorations Ltd.	1,875	5,000
8,333 shares of Sequoia Resources Ltd.	6,666	4,625
688 shares of Samson Gold Corporation	138	4,520
13,516 shares of Trident Resources Inc.	5,136	1,684
	<u>78,885</u>	<u>18,851</u>

3. PETROLEUM INTERESTS

The Company holds fractional interests in the following petroleum interests situated in Oklahoma, U.S.A.:

Program	Cost
	\$
FCD 1979 B	39,050
FCD 1980 B I & BII	19,341
	58,391
Less: Accumulated depletion	(40,755)
	<u>17,636</u>

Cream Silver Mines Ltd. (N.P.L.)

Notes Continued

4. INTEREST IN MINERAL PROPERTIES

a) Barraute Area, Province of Quebec

The Company has entered into two Option Agreements to acquire 25 contiguous mineral claims for cash option payments totalling \$92,500 and the issuance of 115,000 shares.

The Company has paid or issued the following consideration:

Cash payments totalling \$42,500 of which \$20,000 has been satisfied through the issuance of 46,309 shares	\$ 42,500
Cash payments recoverable from Eastern Mines Ltd.	(10,000)
Issuance of 95,000 shares	<u>46,750</u>
	\$79,250

Of the 20,000 shares remaining to be issued under the Agreements, 10,000 were issued subsequent to March, 1985 while the final instalment of 10,000 shares is payable upon the property being placed into commercial production.

The Company has entered into an Option Agreement under which Eastern Mines Ltd. has been granted the right to earn up to a 50% interest in the property in consideration for assuming the remaining cash option payments of \$50,000 and carrying out exploration work on the property. Eastern may earn a 10% interest for every \$150,000 expended on the property to a maximum of 50% (\$750,000). Once Eastern has earned a 50% interest, costs are to be shared on a 50/50 basis with neither party's interest being reduced to less than a 30% interest.

b) Garrison Claims, Garrison Township, Province of Ontario

The Company has entered into an Option Agreement to acquire this property comprised of 46 mineral claims for cash option payments totalling \$50,000 and the issuance of 30,000 shares.

The Company has paid or issued the following consideration:

Cash payments totalling \$30,000 of which \$24,000 has been satisfied through the issuance of 78,000 shares	\$30,000
Cash payment currently payable	20,000
Issuance of 10,000 shares	<u>4,000</u>
	54,000
Costs of restaking the claim block	<u>6,920</u>
	\$ 60,920

The remaining two instalments of 10,000 shares are subject to the filing of satisfactory engineering reports with regulatory authorities.

Upon the property being placed into commercial production the Company is required to make royalty payments equal to 1% of net smelter returns.

c) Atlin Claims, Atlin Mining Division, Province of British Columbia

The Company has entered into an Option Agreement to acquire 73 mineral claims for the following consideration:

Reimbursing the Optionor for its cost of staking the claims.	\$ 7,502
Preparing a feasibility report of the property by March 7, 1987	
Placing the property into production by March 7, 1989	
The Optionor retains a 10% carried interest in the mineral claims	
During the year the Company staked an additional 92 mineral claims in the area.	<u>1,209</u>
	\$ 8,711

Carried forward \$148,881

Cream Silver Mines Ltd. (N.P.L.)

Notes Continued

d) Cameron Lake Claims, Kenora Mining Division, Province of Ontario

The Company has entered into two Option Agreements to acquire 64 claims for cash option payments totalling \$60,000 and the issuance of 80,000 shares.

The Company has paid or issued the following consideration:

Cash payments	\$30,000	
Issuance of 30,000 shares	<u>22,800</u>	
		\$ 52,800

During the year the company granted Lockwood Petroleum Inc. the right to earn a 49% interest in the property by assuming the remaining cash option payments of \$30,000 and performing \$250,000 of exploration and/or development work on or before February 28, 1990. The remaining share consideration due by the Company is payable as follows:

20,000 shares by August 31, 1985

10,000 shares by March 7, 1986

20,000 shares by March 7, 1987.

Certain of the claims are subject to the greater of a 10% net profits royalty or a 2% net smelter royalty.

e) East Hemlo Claims, Sault Ste. Marie Mining Division, Province of Ontario

The Company has entered into an Option Agreement to acquire this property for the following consideration:

Cash payment	\$ 8,400	
Issuance of 200,000 shares of which 50,000 have been issued	<u>38,000</u>	
		\$ 46,400

The remaining 150,000 shares will be issued as certain phases of the development program are completed and approved by regulatory authorities.

This property, along with contiguous mineral claims held by others, has been optioned to Noranda Exploration Company, Limited (Noranda) whereby Noranda may earn a 60% interest in the claims by spending \$500,000 on the property (comprising the Company's claims and certain contiguous claims). Upon Noranda earning its 60% interest, the Company has the option to participate on a joint-venture basis by contributing its proportionate share of the expenditures subject to a dilution clause whereby, if the Company does

not contribute to its 40% interest, its interest may ultimately be reduced to a 20% net profits royalty.

f) Vancouver Island Claims, Alberni Mining Division, Province of British Columbia

Cost — attributed value of		
690,000 shares issued	\$86,250	
— cash	<u>15,000</u>	
		\$101,250

The Province of British Columbia placed a moratorium on further exploration and development of these claims. The Company is attempting to recover costs and lost potential revenue from the Province.

g) Faro Area — Whitehorse Mining District, Yukon Territory (K O Group)

Cost of 50% interest	15,400
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These claims are the subject of an agreement with other companies under which, based on work performed by the other companies, Cream's interest will be reduced to 10%.

h) Mt. Nye Area, Whitehorse Mining Division, Yukon Territory (MING and CIVI Groups)

The Company has recovered its cost on these claims and by agreements with other companies under which the other companies will perform exploration, Cream's interest will be reduced to 7½% and 8% carried interests.

i) Exploration Syndicates

A.T. Syndicate

The Company holds 3 units of this exploration syndicate at a cost of	\$ 9,000
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Kirkland Syndicate

The Company holds 6 units of this exploration syndicate which has been written down to a nominal value of	<u>1</u>
	<u>\$373,732</u>

Cream Silver Mines Ltd. (N.P.L.)

Notes Continued

5. SHARE CAPITAL

- a) Share capital has been issued for the following consideration:

	1985	1984
	\$	\$
3,943,787 shares for cash (1984-3,925,787)	1,971,894	1,962,894
Less: Discounts and commissions net of premiums	<u>(256,119)</u>	<u>(251,919)</u>
	<u>1,715,775</u>	<u>1,710,975</u>
1,214,059 shares for mineral properties (1984- 1,153,816)	607,029	576,907
Less: Discounts and commissions net of premiums	<u>(283,114)</u>	<u>284,992</u>
	<u>323,915</u>	<u>291,915</u>
100,000 shares in settlement of debt (1984- 100,000)	50,000	50,000
<u>5,257,846</u> (1984-5,179,603)	<u>2,089,690</u>	<u>2,052,890</u>

- b) During the year, the following shares were issued:

	Number of Shares	Proceeds \$
For cash	18,000	4,800
For mineral properties	<u>60,243</u>	<u>32,000</u>
	<u>78,243</u>	<u>36,800</u>

- c) As at March 31, 1985 the following incentive share purchase options were outstanding:

	Number of Shares	Exercise Price	Expiry Date
Employees	40,000	\$0.68	March 15, 1989
Directors	194,490	\$0.55	January 24, 1988
Director	25,000	\$0.26	January 13, 1990

- d) Subject to regulatory approval, the Company arranged a private placement of 1,000,000 common shares at a price of \$0.15 per share. Attached to each share is a non-transferable share purchase warrant exercisable for a period of one year at a price of \$0.20 per share. Directors and senior officers subscribed for 800,000 of these shares. Subsequent to March 31, 1985 the Company received regulatory approval for the private placement.

6. DIRECTORS' REMUNERATION

The Company did not directly remunerate its senior officers or directors during the year.

7. RELATED PARTY TRANSACTIONS

- a) A private company, controlled by two directors, was reimbursed for office, accounting and administrative services provided to the Company. These costs totalled \$33,997 and were billed at cost plus a management fee of \$17,730.
- b) Certain of the Company's directors are also directors of the corporations referred to in Notes 4 (a) and (d).

8. SEGMENTED INFORMATION

Substantially all of the Company's activities are in mineral exploration and development in Canada apart from its petroleum interests located in the United States (Note 3).

9. SUBSEQUENT EVENTS

Subsequent to March 31, 1985:

- a) Subject to regulatory approval, the Company has granted the following incentive share purchase options:

	Number of Shares	Exercise Price	Expiry Date
Director	40,000	\$0.76	August 5, 1990
Employees	100,000	\$0.76	August 5, 1990

- b) Subject to regulatory approval, the Company has arranged a private placement of 100 exploration units at a price of \$1,000 per unit entitling the unit holder to receive 2,080 tax "flow-through" shares. Attached to each unit is a non-transferable share purchase warrant entitling the holder to purchase a further 2,080 common shares within one year at a price of \$0.53 per share. The proceeds of the private placement will be used to fund exploration work on the Company's Canadian mineral properties.