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Kaslo Silver

-CREAM-

MINERALS LTD.

1998

Annual Report



CREAM MINERALS LTD.

We are committed to rewarding the confidence of our shareholders through the acquisition and economical development of world-class base and precious metal properties throughout the Americas.

CORPORATE INFORMATION

CREAM MINERALS LTD.

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Vancouver, BC, Canada V7Y 1K4
PO Box 10435
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DIRECTORS & OFFICERS

Frank A. Lang, Director & President
Arthur G. Troup, Director & VP
Exploration
Sargent H. Berner, Director
Ronald M. Lang, Director
William J. Witte, Director
Lynne Alexander, Corporate Secretary

ANNUAL GENERAL MEETING

The Annual General Meeting for Cream Minerals Ltd. will be held on September 17, 1998 at 2:00 p.m. at the Four Seasons Hotel, 791 West Georgia St. Vancouver, British Columbia.

U.S. COMPLIANCE

S.E.C. 12g3-2(b) 82-4739
U.S. Form 20-F (effective Sept.15/98)

TRANSFER AGENT

Montreal Trust Company

AUDITORS

Morgan & Company
Suite 1730 - 700 West Georgia St.
Vancouver, BC
V7Y 1A1

SOLICITORS

DuMoulin Black
Suite 1000 - 595 Howe Street
Vancouver, BC
V6C 2T5

SHARES LISTED

Vancouver Stock Exchange
Symbol: CMA

SHARE CAPITALIZATION

Outstanding: 9,122,587
Fully Diluted: 11,613,587
(07/31/98)

TABLE OF CONTENTS

LETTER TO SHAREHOLDERS	2
PROPERTY REVIEWS	4
MANAGEMENT DISCUSSION & ANALYSIS	9
AUDITORS' REPORT	9
FINANCIAL STATEMENTS	10
NOTES TO FINANCIAL STATEMENTS	13



FRANK A. LANG
PRESIDENT

On behalf of the Board of Directors, we are pleased to present the Annual Report of Cream Minerals Ltd. for the year ended March 31, 1998. The past year has been a busy and exciting year for the Company with much of its activities focused on the Kaslo Silver prospect in British Columbia and the Verdosa Gold prospect in Durango State, Mexico. Of primary importance was the very impressive silver-lead-zinc mineralization intersected on the Kaslo property during a December drill program as well as the discovery of an extensive low-grade gold zone on the Verdosa Property in Mexico.

BRITISH COLUMBIA:

British Columbia has a long history of mining that began with the Cariboo gold rush in 1861. Over the past 137 years, the province has been a major producer of gold, silver, copper, lead, zinc and molybdenum. Recently, the Provincial Government announced a series of major new mining initiatives to attract investment to the sector. These new regulations are significant in that they recognize the right to mine, assure mineral tenure, create a one-window approach for permitting and introduce a refundable mineral exploration tax credit. With its modern infrastructure, proven mining history and now government recognition of the importance of mining to the provincial economy, we believe British Columbia is once again attractive for mineral exploration.

KASLO SILVER PROPERTY, BC:

The Kaslo Silver Property encompasses ten small high-grade silver mines which operated intermittently from 1895 to 1953, during the heyday of the historic Slocan Silver Camp. In 1997, surface

prospecting and mapping demonstrated that two major shear zones control most of these former workings. A trenching and limited diamond drilling program completed in December 1997 returned extremely promising silver, lead and zinc values over three shear-controlled zones; the Cork South, Silver Bear and Gold Cure. These targets are believed by the company's geologists to have outstanding potential for important, large tonnage, silver-rich deposits.

A \$660,000 exploration program is presently underway to evaluate these targets with 3,000 metres of diamond drilling, geological mapping, geochemical sampling and geophysical surveys.

LA VERDOSA PROPERTY, DURANGO, MEXICO:

The Verdosa property overlies a number of former Spanish gold, silver and copper workings situated in the southwest corner of Durango State, Mexico. The property lies just 20 km east of the historic gold and silver mining camp of Copala and 30 km north-east of the former high-grade gold deposits at Rosario, in Sinaloa State. Outstanding preliminary gold assays obtained in 1996 were followed up with a \$700,000 prospecting and geochemical sampling program over the past year. This work has identified a number of exciting epithermal gold targets on the 75,246 hectare property.

These targets are scheduled for follow up trenching and diamond drilling in late 1998.

OTHER PROPERTIES:

The Las Pequis, San Diego and San Diego Extension exploration lots are located in Durango State, Mexico, just 25 km northeast of the Verdosa property. A prospecting program is presently under way to investigate the potential of these targets for large, low-grade, gold-silver mineralization.

In February 1996, the Company entered into an option agreement to earn a 60% interest in the MacBride Lake massive sulfide deposit in Manitoba, Canada by spending \$1,000,000 on exploration over five years. Previous drill results show an inferred reserve of 2,006,247 tons grading 8.77% zinc and 0.35% copper. Additional work is deferred at present.

The 1,286 hectare Silvia III property is a silver prospect located in the Taxco Silver Camp about 200 km southwest of Mexico City.

In 1997, Cream Minerals investigated the Silvia property with a surface prospecting and stream geochemical sampling program. Regrettably, no significant exploration targets were found and no further work is planned for the property.



(FROM LEFT TO RIGHT) ART TROUP-VP EXPLORATION, FRANK LANG-PRESIDENT AND LINDA DANDY-PROJECT MANAGER EXAMINE DRILL CORE FROM THE CORK-SOUTH ZONE ON THE KASLO SILVER PROPERTY, KASLO, B. C.

During the year, the Company terminated its joint venture agreements with Hudson Bay Exploration and Development Co. Ltd. and Sultan Minerals Ltd. on the Mansask Lake and Three Fingers Lake copper-zinc-silver-gold massive sulfide properties near Flin Flon, Manitoba. A review of the 1997 drill results indicated little potential for economic mineral deposits.

THE SILVER AND GOLD MARKET:

The ongoing shortfall between the supply and demand for silver was recently recognized when silver soared to US \$7.31 on February 4, 1998. Although silver has since corrected from this speculative high, the metal has begun a long-term price increase that can only benefit from the continuing supply shortage. An article in the June 1998 issue of Forbes Magazine reflects on silver's slide over the last 500 years. From a price of US \$806 in 1477 (1998 dollar value) to today's price of US \$6, Forbes speculates that silver is a "no lose situation".

Gold is currently trading near its eighteen-year-low price established earlier this year. This stagnation in the price of gold is the result of low interest rates, the forced sale of hoarded gold by investors in the currency ravaged Asian countries, particularly Indonesia and Korea, and the threat of central bank selling. Recently, due to the low gold price, many high cost producers have closed, contributing significantly to an existing shortfall between supply and demand. As this shortfall is recognized, we expect that gold will reassert itself later this year and provide the impetus that could ignite both the gold and silver markets.

UNITED STATES REGISTRATION:

To further enhance the availability of the Company's stock in the United States, registration with the U.S. Securities and Exchange Commission on Form 20-F was filed on July 15, 1998. Registration is expected to become effective on September 15, 1998.

ACKNOWLEDGEMENTS:

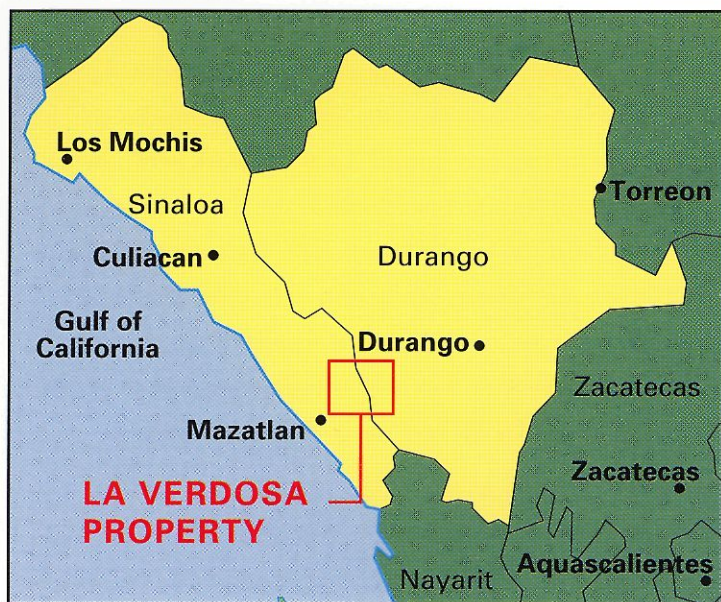
On behalf of the Board I wish to thank our many shareholders for their continued financial support and faith in our future. I would also like to extend our gratitude and appreciation to our many dedicated employees, consultants and contractors for their hard work and outstanding efforts. I am confident that over the coming year your company is poised to benefit from an exciting and promising period in the silver and gold markets.

A handwritten signature in black ink that reads "Frank A. Lang". The signature is written in a cursive, flowing style.

Frank A. Lang, BA, MA, P.Eng.
President

PROJECT REVIEW – LA VERDOSA PROPERTY

DURANGO, MEXICO



LOCATION AND ACCESS

Situated 50 kilometers east of Mazatlan, the Verdosa Gold property lies on the border between Durango state and Sinaloa state. Access to the northern part of the property is mainly by existing highway from Durango whereas access to the southern part is via gravel road from Mazatlan.

TITLE AND PROPERTY RIGHTS

The Verdosa Gold Property consists of 75,246 hectares in four claim blocks; El Sacrificio, Verdosa and Verdosa II and El Profeta and Los Pinos claim block.

In securing these claims, Cream Minerals has entered into three agreements to acquire 100% interest, subject to royalty interests, in each of the claim blocks. The El Sacrificio acquisition is subject to a 15% net profits interest while each of the remaining acquisitions are subject to a 3% net smelter royalty (NSR) on the production of gold and silver and 1% NSR on the production of other metals.

HISTORY

The district is known for its copper-gold mineralization. High grade gold veins have been mined in the area since colonial times. Mines exploited hydrothermal gold-quartz veins and breccia zones which also hosted high silver concentrations.

GEOLOGY

The property is underlain by tertiary age, caldera related volcanics that can be subdivided into an Upper and Lower Volcanic Sequence. Gold mineralization is confined to altered breccia zones and quartz veins in the Lower Volcanic Unit.

Soil sampling has established wide spread gold and silver mineralization associated with numerous breccia zones, alteration zones and vein structures throughout the property. These exposures consist of weathered, limonitic outcrops with visible pyrite along fresh breaks.

EXPLORATION PROGRAM

Over the past year, three exploration crews comprised of 24 men have carried out prospecting, geochemical soil sampling and preliminary geological mapping on the La Verdosa Gold project. This work has led to the identification of three styles of mineralization on the western, northwestern and southcentral parts of the property.

The western area of interest lies west of the Baluarte River and encompasses an area of approximately five square kilometers. This is a historical mining area known as Los Placeres which lies within altered rhyolitic tuffaceous rocks on the El Profeta option. Los Placeres has been ground sluiced by local miners for many years over an area of approximately one square kilometer. This appears to be the most important part of the Verdosa property at this time.

Field work to date has entailed prospecting, rock sampling, geological mapping and 850 soil samples taken over a 22 kilometer grid. Soil results show several strong gold and copper anomalies within a 1.5 km by 1.0 km zone with gold values up to 32,000 ppb. Locally these anomalies are accompanied by highly anomalous lead and zinc values. Geological mapping shows the area is underlain by a wide alteration zone cut by quartz veins, breccia zones and intermediate dikes. Satellite imagery suggests the area represents a caldera cut by north and east trending structures.

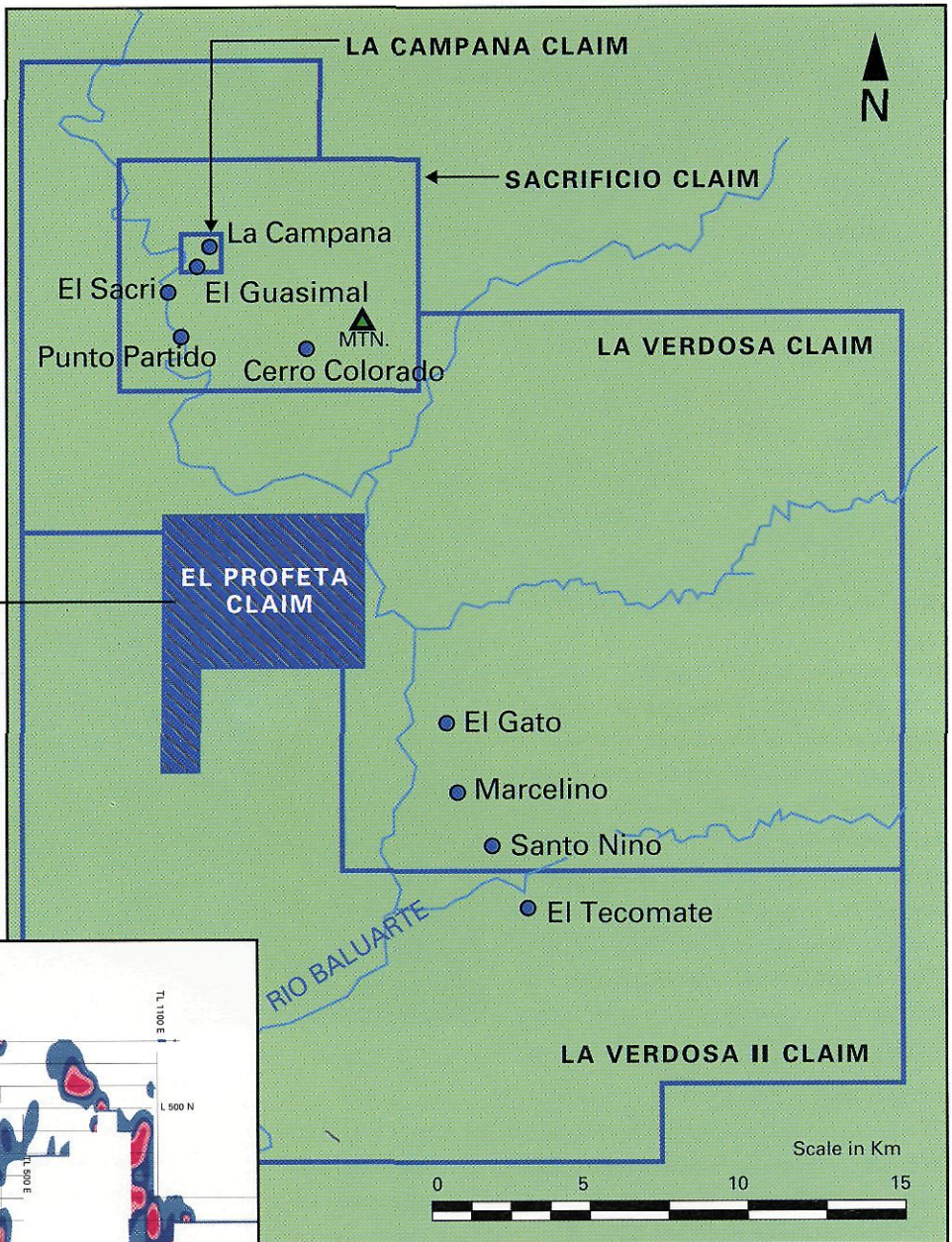
The northwestern area of interest is mineralogically different in that gold values are not associated with base metals. The best results were obtained over the El Sacra Showing where six random chip samples taken across a 40 meter by 13 meter breccia exposure averaged 5.39 g/t gold and 259.7 g/t silver. Subsequent geological mapping and soil sampling suggest that the mineral showings over this area are local and may have limited tonnage potential.

Over the southcentral area, a multitude of narrow, sub-parallel, gold bearing, quartz veins occupy northwest trending faults and fractures. Extensive prospecting over the past year has revealed a number of showings carrying good gold and silver values. Mineralization is associated with hematized and argillic-altered rhyolite tuff. Preliminary geological evaluation suggests that the zones are narrow and grades are intermittent but additional mapping and sampling is warranted.

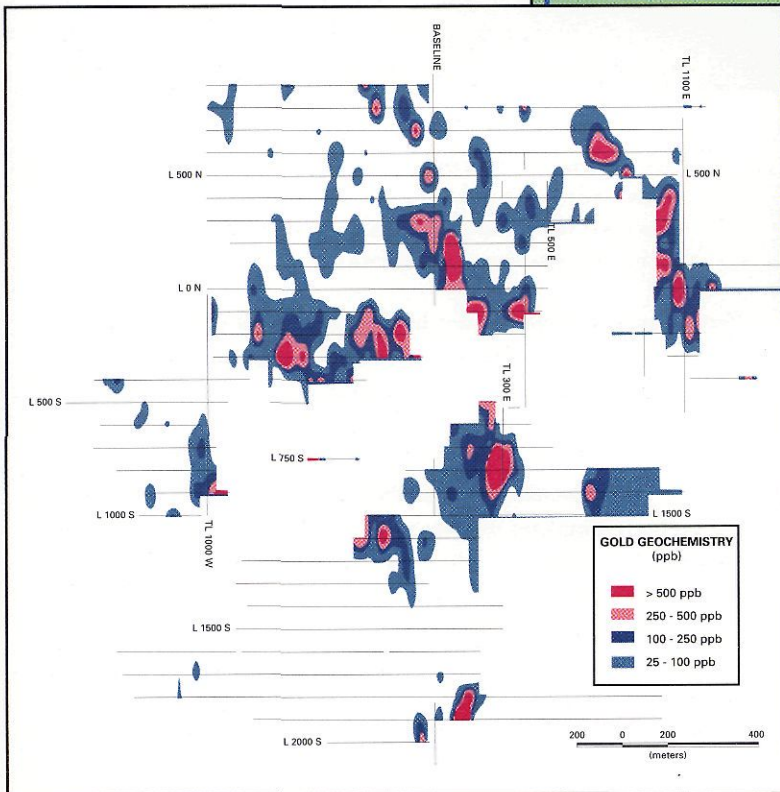
ONGOING AND FUTURE WORK

The ongoing exploration program is currently focusing on the Los Placeres target within the El Profeta option over the western area of interest. Geological mapping, prospecting, soil sampling and rock geochemistry is currently under way in order to prepare this target for a planned diamond drill program. Future work over the northwestern and south-central areas will be guided by the results obtained over the Los Placeres area.

PROPERTY MAP
LA VERDOSA



PROPERTY BORDERS ARE APPROXIMATE



GOLD GEOCHEMISTRY

EL PROFETA CLAIM

GEOCHEMICAL RESULTS SHOW SEVERAL EXTENSIVE GOLD SOIL ANOMALIES ACROSS THE LOS PLACERES TARGET. GOLD VALUES UP TO 32,000 PPB OCCUR OVER THE CENTRAL ANOMALY WHERE FUTURE DRILLING IS PLANNED.

PROJECT REVIEW – KASLO SILVER PROPERTY

KASLO, BRITISH COLUMBIA



LOCATION AND ACCESS:

The Kaslo Silver Property is located approximately 12 kilometers west of the community of Kaslo in southeastern British Columbia. The property consists of 3,500 hectares of land in 137 mineral units, 16 crown grants, 11 reverted crown grants and a 3 claim mineral lease. Access to the property from Kaslo is via Highway 31A. New logging roads and numerous old mining roads and trails provide access across the property.

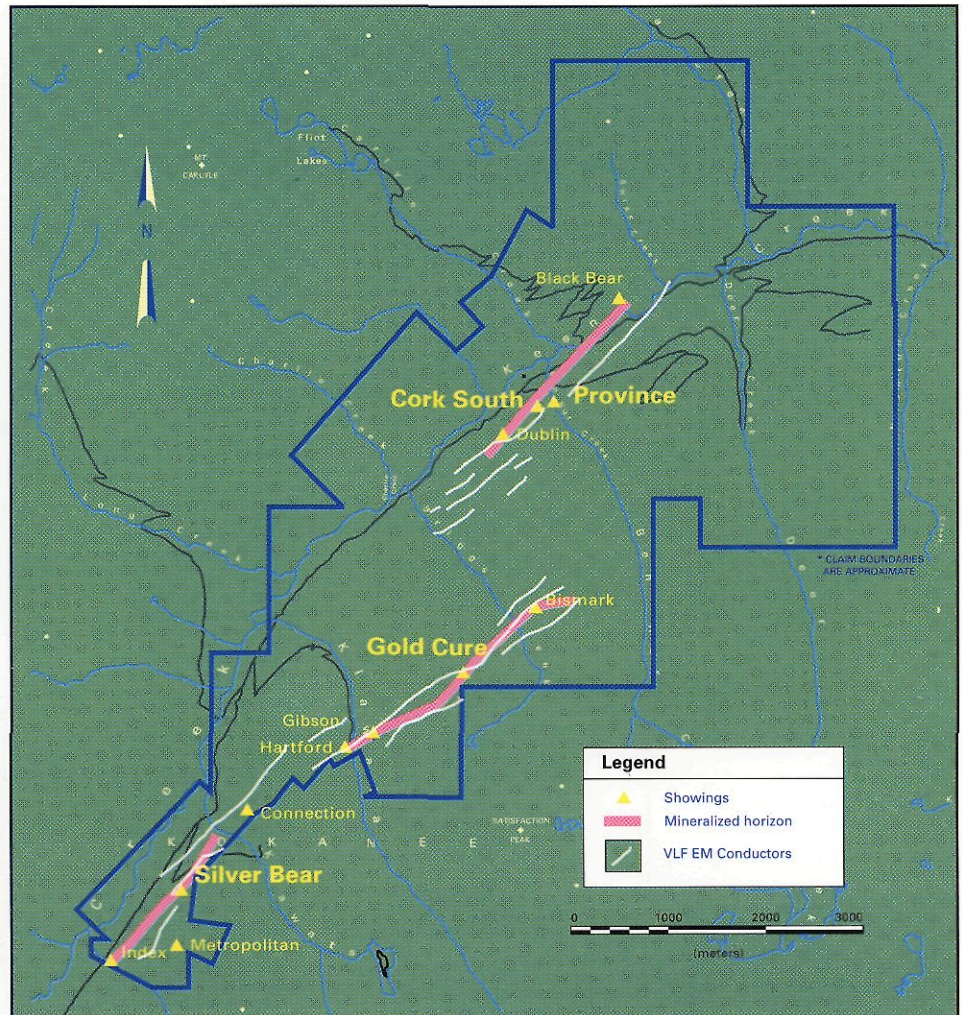
HISTORY:

The Kaslo Silver Property lies within the historic Keen Creek Silver Belt. The property includes ten former high-grade silver mines that operated on the property from 1895 to 1953. Historical records show that silver grades ranged from 100 to 5,000 g/t silver and the largest producer in the camp, the Cork-Province mine, reported 210,000 tons of production.

GEOLOGY:

Silver, lead and zinc mineralization is controlled by a series of parallel, steeply-dipping shear zones with widths up to 25 meters over a nine kilometer strike length. Along these structures, argentiferous galena, sphalerite, chalcopyrite and pyrite mineralization occurs as fissure fillings and as massive aggregations and fracture fillings within adjacent limestone bands.

Disseminated mineralization is present within the wallrocks up to 30 meters away from the main mineralized fractures. Associated ankerite, siderite, quartz and calcite are commonly present.



PROPERTY MAP

THE GEOPHYSICAL SURVEYS CLEARLY DEFINE THE EXTENT OF THE ORE-CONTROLLING SHEARS. SOIL GEOCHEMICAL SAMPLING SHOWS ANOMALOUS SILVER, LEAD AND ZINC VALUES ALONG THESE STRUCTURES.

Vertical mineral zoning occurs through a minimum 1,000 meters of elevation with greater silver concentrations at high elevations and greater zinc concentrations at lower elevations.

EXPLORATION PROGRAM:

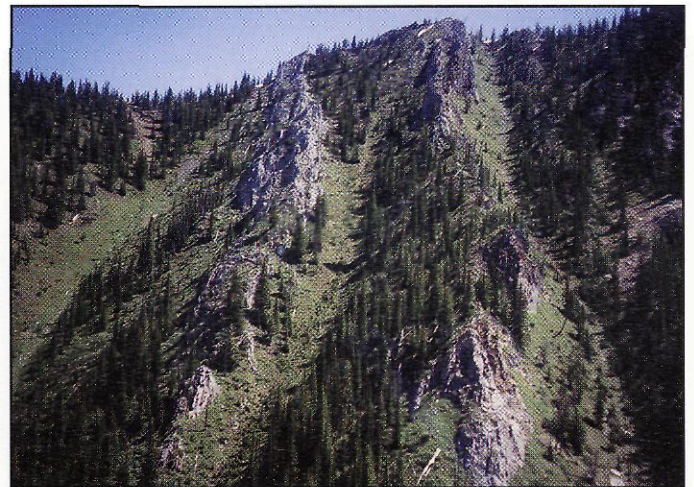
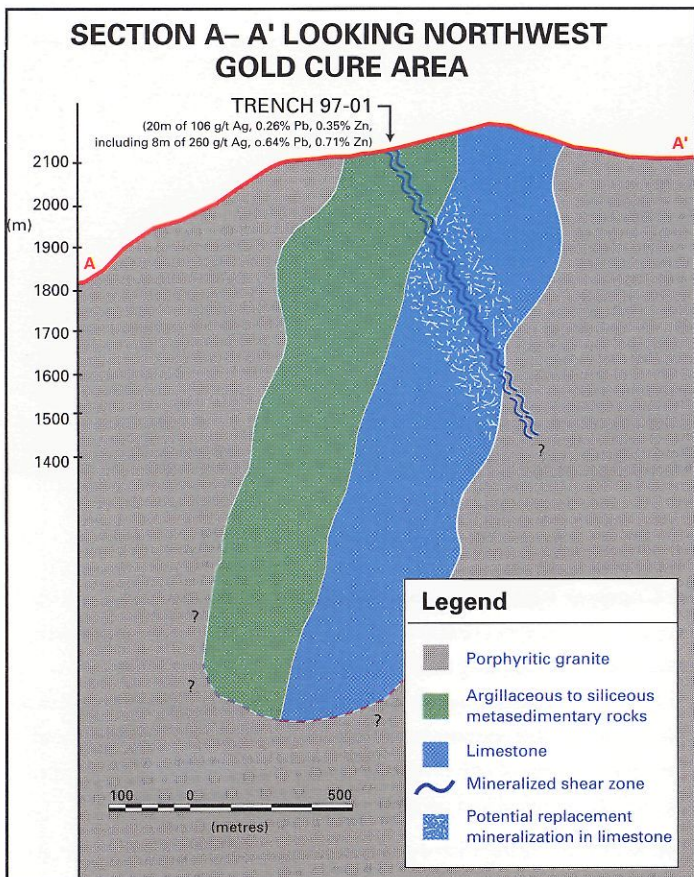
To date, 51.7 kilometers (32.1 miles) of VLF-EM geophysical coverage has been completed over the property. In addition, 1,459 soil samples have been taken over the mineralized shear trends on the Cork, Silver Bear and Gold Cure zones.

Surface exploration conducted throughout the property from July to October 1997 resulted in discovery of significant silver-lead-zinc results over three new occurrences of bedrock mineralization: the Cork-South zone, the Silver-Bear zone and the Gold Cure zone.



PLAN VIEW OF GEOLOGY
GOLD CURE ZONE

▼ EXPOSURES OF THE
FAVORABLE LIMESTONE
HOST AT GOLD CURE



Gold Cure Zone: The Gold Cure zone has presently been traced for 3.0 kilometers by VLF-EM surveys and remains open to the north. Geological mapping shows the structure is a single 25 to 80 meter wide northeast trending shear zone that controls four former high grade silver producers, namely the Hartford, Gibson, Gold Cure and Bismark (historical production figures show an average grade of 1,948.0 g/t silver, 16.0% lead and 8.0% zinc).

Geochemical results reveal that this zone contains anomalous silver, lead and zinc values throughout its length. On the Bismark working, the shear runs parallel to and intersects a 100 meter wide, steeply-dipping limestone band that carries both shear-hosted and replacement-style silver, lead and zinc mineralization near the shear-limestone contact. Geological interpretation indicates that this favorable shear-limestone contact may exist at depth along the entire length of this structure. The area will be drill tested in Early Fall 1998.

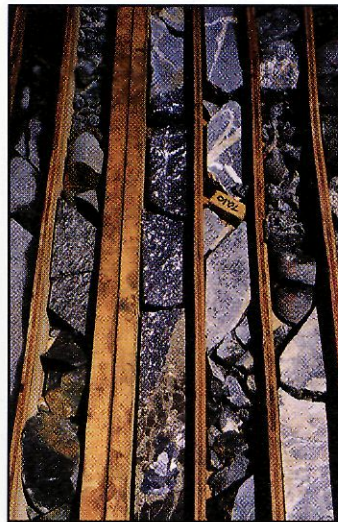
SCHEMATIC CROSS SECTION OF SHEAR-LIMESTONE CONTACT
AT GOLD CURE

PROJECT REVIEW – KASLO SILVER PROPERTY

KASLO, BRITISH COLUMBIA

Cork-South Zone:

In December 1997 diamond drilling undertaken over the Cork south zone resulted in the discovery of a 6.5 meter wide zone that assayed 179.52 g/t silver, 5.12% lead and 7.33% zinc. In May 1998, the company completed an additional 381 meters of diamond drilling over the Cork-South zone. Drill results confirmed bedrock mineralization in 4 out of 5 drill holes and demonstrated that important silver grades may extend to depth. Significant intersections are as follows:



DRILL CORE FROM MINERALIZED SHEAR ZONE

Cork South Drill Results

HOLE	From (m)	To (m)	Length (m)	Silver (g/t)	Lead %	Zinc %
Dec 1997						
97CP-3	4.00	11.60	7.60	93.83	2.58	5.28
97CP-4	3.90	25.00	21.10	209.27	6.02	8.09
May 1998						
98CP-2	39.57	44.85	5.28	129.53	3.56	4.52
Including	42.00	44.85	2.85	199.20	5.74	6.26
98CP-3	37.96	39.17	1.21	122.41	3.66	2.55
And	47.01	51.65	4.64	129.02	2.51	4.38
98CP-4	55.76	56.66	0.90	121.90	3.33	1.36
98CP-5	57.45	72.24	14.79	211.10	5.06	2.50
Including	70.80	72.24	1.44	1,980.50	47.90	10.53

In the Cork-South zone, geological mapping together with geophysical and geochemical surveys, have traced the mineralized shear for 1.6 kilometers northeast and 1.5 kilometers southwest from the drill tested area. Along this structure geological mapping has delineated numerous favorable host-limestone horizons which intersect the shear suggesting potential for significant deposits of replacement-style mineralization.

Silver Bear Zone:

Located in the southern portion of the property, the Silver Bear zone was trenched in November 1997 and intersected a 7.5 meter wide shear zone that carried 371.6 g/t silver, 3.26% lead and 4.94% zinc.

In June 1998, 411 meters of diamond drilling was carried out over the Silver Bear zone. Consistent with the Cork-South assays, results confirmed bedrock mineralization and verified that important silver grades may extend to depth. Significant intersections are as follows:

Silver Bear Drill Results

HOLE	From (m)	To (m)	Length (m)	Silver (g/t)	Lead %	Zinc %
June 1998						
SB-02	46.63	48.11	1.48	33.61	1.02	1.94
And	62.05	64.01	1.96	124.17	0.79	1.21
And	71.56	73.05	1.49	137.89	0.05	0.78
SB-05	5.89	9.14	3.25	390.05	3.76	1.07
Including	5.89	6.40	0.51	2,271.00	22.60	5.34
SB-06	9.82	15.32	5.50	68.54	0.37	1.43
Including	9.82	10.36	0.54	574.50	1.11	5.22

The Silver Bear shear zone has now been traced by geophysics and geochemistry for a total length of 1.2 kilometers. The shear averages 25 meters in width and hosts three sub-parallel mineralized bands. It is believed to be the southern extension of the Gold Cure shear zone. The geophysical survey indicates that the area tested by recent drilling represents a cross structure to the main shear zone and is located 100 meters north of the principal mineralizing structure. The primary structure will be drill tested in August 1998 as part of the phase II drill program.



DIAMOND DRILLING OVER THE SILVER BEAR ZONE

FUTURE WORK:

The Company is proceeding with a \$660,000 exploration program that involves 3,050 meters (10,000 ft) of diamond drilling in conjunction with geological mapping, excavator trenching, geophysical surveys and geochemical sampling. Phase II of the diamond drilling program is under way and will continue to target the Silver Bear, Gold Cure and Cork-South zones where favorable structural geology is accompanied by good geochemical and geophysical response.

In view of the mining history of this camp, the encouraging results obtained to date and the excellent width and length of the Gold Cure, Silver Bear and Cork structures, this property is considered to have outstanding potential for important silver mineralization. The Company's goal for the 1998 season is to demonstrate the property's potential for a minimum 5,000,000 tonne resource.

The following discussion and analysis should be read in conjunction with the Financial Statements and related notes thereto which appear in this annual report.

OVERVIEW

The Company is a mining exploration company with no producing properties and consequently, has no current operating income or cash flow.

The Company's policy is to capitalize all costs relating to the exploration of the Company's mineral properties until such time as projects are deemed to be economically unfeasible, at which time the capitalized costs are written-down or written-off to the current period. As at March 31, 1998, the Company has capitalized \$1,466,882 (1997 - \$471,757) on the acquisition and exploration of several properties in Canada and Mexico, with the largest costs attributed to the various Mexican properties.

The Company receives administrative services from Lang Mining Corporation ("LMC") and reimburses LMC on a cost plus 15% basis. The Company also pays to LMC a monthly management fee of \$2,500.

The Company has financed its activities by the issue of Common Shares, with total net proceeds to March 31, 1998, of \$11,045,543.

OPERATING RESULTS

The Company had a net loss of \$546,506, or a loss per share of \$.07 and \$343,502, or a loss per share of \$.05, for the financial years ended March 31, 1998 and 1997, respectively.

The increase in the Company's general and administrative expenditures for the financial year ended March 31, 1998, reflect an overall increase in activity over the prior year. Some additional staff and consultants were hired over the past year to meet the ongoing needs of the Company. Salaries have been reallocated to more accurately reflect time and duties directly attributable to the Company.

Professional fees increased due to the Company's application to file a registration statement on Form 20F under the United States Securities Exchange Act 1934 ("Form 20F"). This will make the Company's shares accessible to the U.S. brokerage community and could increase our shareholder base substantially. In conjunction with the Form 20F, the Company has engaged several public relations consultants to develop and instigate an awareness program in North America and Europe. Increased expenses have resulted for travel and promotions.

Printing and investor relations' expense increased reflecting the ongoing demand for Company information by investors and attendance by the Company at various gold shows and investor conferences throughout the year.

During the fiscal year, management decided not to continue with ongoing exploration of its Mansask Lake and Three Finger Lake mineral claims in Manitoba. Accordingly, \$136,955 of deferred exploration costs were written-off.

FINANCING ACTIVITIES AND CAPITAL EXPENDITURES

For the fiscal year ending March 31, 1998, the Company raised \$467,350 through private placements and the exercise of warrants and options. Funds were used primarily for exploration activities. Capital expenditures amounted to \$1,132,080 most of which was spent on the Company's group of Mexican gold-silver properties.

YEAR 2000 DISCLOSURE

The Company is not anticipating any significant computer malfunctions at the turn of the millennium and will continue to review and if necessary modify our systems accordingly.

RISKS AND UNCERTAINTIES

The Company's principal areas of activity are Canada and Mexico where currencies are relatively stable. The Kaslo silver project in British Columbia has become the Company's principal exploration asset, and is in the secondary stages of exploration. Ongoing exploration on the Mexican properties remains in the initial stages. No definitive ore reserves have yet been identified.

The Company has no revenue other than minor interest income. A mining project can typically require five years or more between discovery, definition, development and construction and as a result, no production revenue is expected from any of the Company's exploration properties in that time frame.

All of the Company's short to medium-term operating and exploration cash flow must be derived from external financing; however, the Company believes it will be able to raise sufficient capital to fund ongoing operations for at least the next year. Actual funding may vary from that planned due to a number of factors the most significant of which would be the progress of exploration and development. In the event that changes in market conditions prevent the Company from receiving additional external financing as required, the Company will need to review its property holdings and prioritize project exploration to fit within cash availability.

OUTLOOK

In 1998, the Company has shifted its focus to the Kaslo high-grade silver project in British Columbia. The Company will also continue initial stages of exploration on the silver-gold properties located in the states of Durango and Sinaloa, Mexico. Funds required to finance operations in the attempt to define economic orebodies, will be obtained through private placements with private investors locally, nationally and internationally. If an economic orebody is defined, the Company will make every attempt to secure public funding to take the project to production, and/or will form a joint venture with a senior mining company.

AUDITORS' REPORT

To the Shareholders of Cream Minerals Ltd.

We have audited the balance sheets of Cream Minerals Ltd. as at March 31, 1998 and 1997 and the statements of loss and deficit, mineral properties and deferred exploration expenditures and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1998 and 1997 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.



Morgan and Company July 10, 1998 Vancouver, B.C.

BALANCE SHEETS

AS AT MARCH 31, 1998 AND 1997

	1998	1997
ASSETS		
CURRENT		
Cash and short-term deposits	\$ 418,978	\$ 1,399,037
Accounts receivable	27,782	22,151
Prepays expenses	1,312	1,312
	<hr/> 448,072	<hr/> 1,422,500
Mineral properties (Note 4)	1,466,882	471,757
Investments (Note 5)	43,894	43,894
	<hr/> \$ 1,958,848	<hr/> \$ 1,938,151
LIABILITIES		
CURRENT		
Accounts payable	\$ 75,775	\$ 93,793
Due to related parties (Note 6)	96,190	124,719
	<hr/> 171,965	<hr/> 218,512
SHAREHOLDERS' EQUITY		
Share capital (Note 7)		
Authorized: 50,000,000 common shares without par value		
Issued: 7,959,087 (1997: 6,831,087)	11,045,543	10,431,793
Deficit	(9,258,660)	(8,712,154)
	<hr/> 1,786,883	<hr/> 1,719,639
	<hr/> \$ 1,958,848	<hr/> \$ 1,938,151

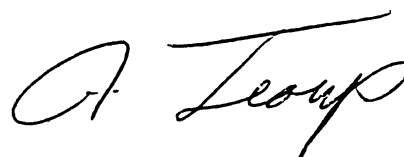
SUBSEQUENT EVENTS (Note 9)

See accompanying notes.

Approved by the Directors:



FRANK A. LANG President



ARTHUR G. TROUP Director

STATEMENTS OF LOSS AND DEFICIT
FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	1998	1997
REVENUE		
Interest and miscellaneous	\$ 21,168	\$ 39,038
EXPENSES		
Investor relations	20,357	-
Management fees	30,000	30,000
Office and administration	83,580	66,585
Printing	35,830	24,549
Professional fees	61,289	36,602
Property investigation costs	15,308	1,420
Regulatory fees	12,505	10,932
Stock transfer fees	11,077	13,124
Travel and promotion	56,000	13,748
Wages and benefits	104,773	62,748
	430,719	259,708
LOSS BEFORE UNDER-NOTED ITEM	409,551	220,670
Write-down of mineral properties (<i>Note 4c</i>)	136,955	122,832
LOSS FOR THE YEAR	546,506	343,502
DEFICIT, BEGINNING OF YEAR	8,712,154	8,368,652
DEFICIT, END OF YEAR	\$ 9,258,660	\$ 8,712,154
LOSS PER COMMON SHARE	\$ 0.07	\$ 0.05

See accompanying notes.

STATEMENTS OF MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	1998	1997
PROPERTY COSTS		
Option payments	\$ 161,875	\$ 131,946
Staking	6,379	-
Deemed value of shares issued	146,400	36,250
Total property costs	314,654	168,196
EXPLORATION COSTS		
Administration	\$ 69,294	\$ -
Airborne survey	-	23,180
Assaying	62,956	18,869
Assessments	12,385	-
Bulldozing	4,500	1,756
Camp costs	51,655	-
Drilling	72,529	39,500
Field personnel	137,106	3,223
Field supervision	132,213	-
Geological consulting	104,006	26,744
Geological mapping	29,140	14,857
Geophysics	26,165	119,965
Supplies	46,934	-
Taxes	17,451	-
Transportation	63,992	11,426
Trenching and line cutting	11,120	24,041
	841,446	283,561
Less exploration grant	(24,020)	-
Total exploration costs (Note 4)	817,426	283,561
EXPENDED DURING THE YEAR	1,132,080	451,757
COSTS, BEGINNING OF YEAR	471,757	142,832
	1,603,837	594,589
Less: Write-down of mineral properties (Note 4c)	(136,955)	(122,832)
COSTS, END OF YEAR (Note 4)	\$ 1,466,882	\$ 471,757

See accompanying notes.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

	1998	1997
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Cash from operations:		
Loss for the year	\$ (546,506)	\$ (343,502)
Add items not affecting cash:		
Write-down of mineral properties	136,955	122,832
	(409,551)	(220,670)
Changes in non-cash working capital	(52,178)	(40,637)
	(461,729)	(261,307)
CASH USED IN INVESTING ACTIVITIES:		
Mineral properties	(1,132,080)	(339,727)
CASH PROVIDED BY FINANCING ACTIVITIES:		
Issuance of shares for cash	467,350	1,827,725
Issuance of shares for mineral properties	146,400	36,250
	613,750	1,863,975
INCREASE (DECREASE) IN CASH	(980,059)	1,262,941
CASH AND SHORT-TERM DEPOSITS, BEGINNING OF YEAR	1,399,037	136,096
CASH AND SHORT-TERM DEPOSITS, END OF YEAR	\$ 418,978	\$ 1,399,037

See accompanying notes.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

1 NATURE OF OPERATIONS

Cream Minerals Ltd. (the "Company") is incorporated under the British Columbia Company Act. The Company is in the business of exploring and developing mineral properties. The Company's focus is in Canada and Mexico.

2 ACCOUNTING POLICIES

(a) Mineral properties

Property acquisition costs and related exploration and development costs are deferred until the properties are brought into production, at which time they are amortized on a unit of production basis, or until the properties are abandoned, sold or considered to be impaired in value, at which time an appropriate charge is made to operations for the year. The amounts shown for mineral properties and deferred exploration expenditures represent costs incurred to date and do not necessarily reflect current or future values. The recovery of costs is dependent upon the discovery of reserves and the ability of the Company to obtain financing to complete development.

(b) Investments

The Company accounts for its portfolio investments as long term investments. They are recorded at cost unless a permanent impairment in value has been determined, at which time they are written down to market value.

(c) Loss per share

Loss per share has been calculated using the weighted-average number of common shares outstanding for the year.

3 FINANCIAL INSTRUMENTS

As at March 31, 1998 and 1997 the fair value of cash, accounts receivable and accounts payable, including amounts due to related parties, approximates carrying value because of the short-term maturity of these instruments.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

4 MINERAL PROPERTIES

	Acquisition Cost	Deferred Exploration	Total 1998	Total 1997
MacBride Lake Property	\$ 20,000	\$ 98,357	\$ 118,357	\$ 118,357
Kaslo Silver Property	92,572	214,334	306,906	38,693
Mansask Properties	—	—	—	116,345
Mexican Properties	385,277	656,342	1,041,619	198,362
	\$ 497,849	\$ 969,033	\$ 1,466,882	\$ 471,757

During the year, the Company expended \$817,426 (1997: \$283,561) on exploration costs on the following properties:

	1998	1997
MacBride Lake Property	\$ —	\$ 98,357
Kaslo Silver Property	213,036	1,297
Mansask Properties	20,610	111,345
Mexican Properties	583,780	72,562
	\$ 817,426	\$ 283,561

(a) MacBride Lake Property, Manitoba

Pursuant to an agreement dated February 6, 1996, the Company acquired an option to earn a 60% interest in the property for cash consideration of \$20,000. In order to exercise the option, the Company is required to expend \$1,000,000 in exploration work on the property over five years. The property is subject to a net smelter royalty of 1.5%.

(b) Kaslo Silver Property, British Columbia

(i) Bismark Silver Property | Pursuant to the terms of an agreement dated October 8, 1996, the Company was granted an option to earn a 100% interest in the property in consideration for 100,000 shares of the Company of which 50,000 shares have been issued. In order to maintain the option, the Company is required to issue 25,000 shares on October 8, 1998 and 1999. The agreement is subject to a net smelter royalty of 1.5% of which 50% can be purchased for the sum of \$500,000.

(ii) Black Bear Group of Claims | Pursuant to an option agreement dated December 11, 1997 the Company was granted an option to earn a 100% interest in the property for \$8,000 and 80,000 shares of the Company to be paid and issued as follows:

(i) \$4,000 was paid upon regulatory approval and a further \$4,000 is to be paid December 15, 1998.

(ii) 40,000 shares were issued upon regulatory approval; further issuances of 20,000 shares each are to be made December 15, 1998 and December 15, 1999.

The property is subject to a royalty equal to 3% of net smelter returns from the production of gold and silver and 1.5% net smelter returns from the production of other metals from the property. The Company has the right to purchase 50% of the royalty interest for \$500,000 upon completion of a positive feasibility report.

(c) Mansask Lake North and Three Finger Lake Properties, Manitoba

The Company terminated its option to acquire the above properties. The related acquisition and exploration costs amounting to \$136,955 were written off.

(d) Mexican Properties

(i) Silvia #3, State of Guerrero, Mexico | The Company acquired an option to purchase a 100% interest in the Silvia #3 mineral claim for consideration of U.S. \$5,149. In order to maintain the agreement in good standing, the Company is required to spend U.S. \$30,000 on the property by April 10, 1999. The agreement is subject to a royalty of 3% net smelter returns from production of gold and silver and 1.5% net smelter returns from the production of other metals from the property. The option agreement is with a Mexican company which is a subsidiary of Valerie Gold Resources Ltd., a company sharing common management with the Company.

(ii) Las Pequis and San Diego Properties, Durango, Mexico | The Company acquired an option to purchase a 100% interest in the properties for consideration of U.S. \$36,218. In order to maintain the option in good standing, the Company is required to spend U.S. \$30,000 on the properties by April 10, 1999. The agreement is subject to a royalty of 3% net smelter returns from production of gold and silver and 1.5% net smelter returns from the production of other metals from the properties.

Pursuant to an underlying agreement, the Company is to issue a total of 20,000 shares from its treasury as a finder's fee. During the year, 15,000 shares were issued. The remaining 5,000 shares are to be issued upon regulatory approval.

San Diego Extension | On June 20, 1997 the Company entered into an agreement to acquire a 100% interest in 101,203 hectares adjacent to the Las Pequis and San Diego properties for total consideration of U.S. \$14,414. The agreement is subject to a royalty of 3% net smelter returns from production of gold and silver and 1% net smelter returns from the production of other metals.

(iii) Verdosa Property, Durango & Sinaloa, Mexico

La Verdosa (Sacrificio Lote) | The Company acquired an option to purchase a 100% interest in 6,220 hectares of the property for consideration of U.S. \$50,113. In order to exercise the option, the Company is to assume option payments of U.S. \$175,000 and issue 50,000 shares of the Company pursuant to the underlying agreement with the original optionor. During the year, the Company paid U.S. \$50,000 in option payments and issued 50,000 shares of the Company. The agreement is subject to a 15% net profits royalty.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

Verdosa and Verdosa 2 | On June 20, 1997 the Company entered into an agreement to acquire mineral properties comprising 64,537 hectares adjacent to La Verdosa in the States of Durango and Sinaloa, Mexico for total consideration of U.S. \$17,722. The property is in the same area as the La Verdosa mineral property referred to above. The agreement is subject to a royalty of 3% net smelter returns from the production of gold and silver and 1% net smelter returns from the production of other metals.

El Profeta and Los Pinos | By an agreement dated October 14, 1997 the Company acquired an option to purchase a 100% interest in the property for consideration of U.S. \$14,000. In order to exercise the option, the Company is to assume and pay all remaining option payments totalling U.S. \$986,000 (U.S. \$16,000 was paid) pursuant to the underlying agreement with the original optionor. A summary of payments due during the next six fiscal years is as follows:

1999	\$ 50,000	2002	\$ 200,000
2000	\$ 110,000	2003	\$ 270,000
2001	\$ 140,000	2004	\$ 200,000

The property is subject to a royalty equal to 3% net smelter returns from the production of gold and silver and 1% net smelter returns from the production of other metals.

The property agreements referred to in notes 4 d(ii) and (iii) are with a company controlled by the President of the Company.

5 INVESTMENTS

The Company has the following investments:

	Number of Shares	Book Value 1998	Book Value 1997
Valerie Gold Resources Ltd.	100,000	\$ 41,000	\$ 41,000
Emgold Mining Corporation	2,000	480	480
Abitibi Mining Corp.	7,000	1,400	1,400
Sultan Minerals Inc.	2,630	316	316
Poseidon Minerals Ltd.	4,032	698	698
		\$ 43,894	\$ 43,894

The quoted market value of the above securities as at March 31, 1998 and 1997 was \$108,307 and \$383,721 respectively.

6 RELATED PARTY TRANSACTIONS

(a) The Company has entered into a services agreement with a company controlled by a director of the Company, to provide management services at the rate of \$2,500 per month, and to provide accounting, administration and secretarial services at cost plus 15%. The term of the agreement is 65 months from February 1, 1996.

During the year, the Company was charged an amount of \$270,365 (1997: \$97,407) for office administrative services and management fees. At March 31, 1998 the Company owed \$96,190 (1997: \$38,571) to this company.

(b) The Company's investments include shares of companies with which some directors of the Company are associated.

(c) Certain of the Company's mineral properties (Note 4) have been acquired from or involve participation by companies with which one or more directors are associated.

(d) Legal fees of \$17,685 (1997: \$9,955) were paid to a law firm, a partner of which is a director of the Company.

7. SHARE CAPITAL

(a) Authorized: 50,000,000 common shares without par value

(b) Issued and fully paid:

	Number of Shares	Amount
Balance March 31, 1996	4,411,587	\$ 8,474,668
Shares issued for cash:		
Private placements	1,340,000	1,601,750
Exercise of warrants	555,000	222,000
Exercise of stock options	124,500	93,375
Escrow shares	375,000	3,750
Shares issued for mineral property	25,000	36,250
Balance March 31, 1997	6,831,087	10,431,793
Shares issued for cash:		
Private placements	600,000	14,850
Exercise of warrants	365,000	182,500
Exercise of stock options	33,000	270,000
Shares issued for mineral properties:		
Bismark Silver Property (Note 4b(i))	25,000	14,000
Las Pequis and San Diego properties, Mexico (Note 4d(ii))	15,000	6,600
La Verdosa, Mexico (Note 4d(iii))	50,000	95,000
Black Bear Group Claims (Note 4b(ii))	40,000	30,800
Balance March 31, 1998	7,959,087	\$ 11,045,543

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED MARCH 31, 1998 AND 1997

(c) As at March 31, 1998, the following incentive share purchase options were outstanding:

Number of Shares	Exercise Price	Expiry date
359,000	\$0.45	April 15, 2001
60,000	\$0.45	June 4, 2001
13,000	\$0.45	February 21, 2002
212,500	\$0.45	April 22, 2002
87,600	\$0.45	November 20, 2002
61,400	\$1.08	March 6, 2003
793,500		

During the year ended March 31, 1998, options were granted to directors and employees to acquire 376,000 (1997: 590,000) shares of the Company at prices ranging from \$0.45 to \$1.45 with expiry dates up to March 6, 2003. Options to acquire 15,000 (1997: 236,900) shares of the Company were cancelled.

During the year ended March 31, 1998 options to acquire 682,500 common shares of the Company at prices ranging from \$0.75 to \$5.95 were re-priced to \$0.45.

(d) At March 31, 1998, share purchase warrants issued in connection with private placements were outstanding:

Number of Shares	Exercise Price	Expiry date
315,000	\$1.10	May 2, 1998 (Note 9a)
325,000	\$3.50	May 22, 1998 (Note 9b)
50,000	\$1.65	December 6, 1998
600,000	\$0.50	September 30, 1998
	or at \$0.60 if exercised by September 30, 1999	
1,290,000		

(e) At March 31, 1998, 281,250 (1997: 375,000) common shares were held in escrow. These shares may only be released with the consent of regulatory authorities.

8. INCOME TAXES

The Company has non-capital losses of approximately \$1,072,000 available to offset future taxable income in Canada. These losses expire between 1999 and 2005. The benefit of these losses has not been recognized in the financial statements.

In addition, there are resource-related expenditures totalling \$5,269,000 which can be used to offset future Canadian taxable income.

9. SUBSEQUENT EVENTS

Subsequent to March 31, 1998:

- Warrants were exercised to purchase 91,000 shares at \$1.10 per share. The remaining warrants to purchase 224,000 shares expired on May 2, 1998.
- The price of warrants to purchase 325,000 shares at \$3.50 per share was reduced to \$1.01 per share. Warrants were exercised to purchase 8,000 shares at \$1.01 per share. The remaining warrants to purchase 317,000 shares expired on May 22, 1998.
- Stock options were exercised to purchase 8,500 shares at \$0.45 per share.
- The Company received share subscriptions of \$365,000 towards a private placement of 500,000 shares at a price of \$0.73 per share with non-transferable warrants to purchase 500,000 shares at a price of \$0.73 per share if exercised within the first year and at a price of \$0.83 per share if exercised within the second year. The placement is subject to regulatory approval.
- The Company announced a private placement of 556,000 shares, of which 136,000 are flow-through shares, at a price of \$0.90 per share with 556,000 non-transferable warrants to purchase 556,000 shares at a price of \$1.00 per share for a one-year period. The placement is subject to regulatory approval.
- The Company purchased 100% interest in the Black Fox Silver Property located near Kaslo, B.C. for the sum of \$25,500.



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