

W.A. No.

NAME *Prospectus*

SUBJECT *(1)*

MONTEZUMA

82FNW091-05
PROPERTY FILE

002269

821 / 14 E
82F / NW - 91

REPORT

HILROY MINES LTD. (N.P.L.)

MONTEZUMA

SLOCAN MINING DIVISION

BRITISH COLUMBIA

Vancouver, B. C.
August 27, 1967

D. C. Malcolm, P. Eng.,
Consulting Geologist.

Prospectus

PROPERTY FILE
82FNW091-05

HILROY MINES LTD. (N.P.L.)

INTRODUCTION

Since April 1966, Hilroy Mines Limited has been acquiring unexplored or relatively unexplored claims in the Slocan area of British Columbia.

Much of the property acquired has been surveyed and mapped and some access roads have been built. On Keen Creek the Montezuma claims contain a lead-zinc replacement in folded limestones and offer attractive exploration possibilities for other similar deposits.

On Jackson Creek the Winona-Boon group is a large area of covered unexplored ground favorable for rich silver deposits. Some roadwork has uncovered one vein assaying 486 oz. of silver and made accessible one vein assaying 325.3 oz. of silver. Exploration should find other similar shoots on the surface.

The Sunset-Trade Dollar and Bell claims offer similar exploration possibilities for both lead-zinc deposits in brecciated porphyry and silver veins in slates. A wide stringer zone crosses the property and has some chances for a larger low grade silver deposit.

✓ The attached report describes the Montezuma and the included claims and is based on field examination of the property and of some claim posts.

An examination has been made of the other claim groups held by Hilroy Mines Limited and some of the crown granted and located claim posts thereon.

Sampling was done by Mr. Ingleby of Hilroy Mines Limited and men in his employ under my direct supervision.

D. C. Malcolm, P. Eng.,
Consulting Geologist.

Vancouver, B. C.
August 27, 1967.

During the Fall of 1966 a Company crew and a D7 Cat carried out work to enable inspection of the old Hillside drift. The portal was rebuilt, sections of the sloughed in part of the drift were mucked out and some preventative timbering was done.

Information pertaining to the Flyod claim and to the mineral claims contained in the Winona Group including the Sunset, Trade Dollar and Bell Crown Granted claims is taken from a report of D. C. Malcolm, P. Eng., dated September 2, 1967, and from the Geological Survey of Canada, Memoirs 173 and 184 by C. E. Cairnes.

The Engineering Reports of D. C. Malcolm, P. Eng., dated September 2nd, 1967, and not included in this Prospectus, can be examined by interested parties at the Company's office, #410, 470 Granville Street, Vancouver, B. C.

MONTEZUMA GROUP

By an Agreement dated June 30th, 1967, between Henry M. Giegerich of Trail, British Columbia as the Vendor and Hilroy Mines Ltd. (N. P. L.) as the Purchaser (hereinafter referred to as the "Giegerich Agreement"), Henry M. Giegerich granted to the Company an Option to Purchase the following Crown Granted Mineral Claims:

<u>CLAIM</u>	<u>LOT NUMBER</u>
Montezuma	2041
Mexico	2042

The Giegerich Agreement provides for a total purchase price of Ten Thousand (\$10,000.00) Dollars over a four year period with provision in the Agreement that if in the event of any monies being received from the sale of any ores or concentrates from the above mentioned Crown Granted Claims that five (5%) percent of such monies be paid to Henry M. Giegerich in addition to the Option Payments until termination or completion of the Option Payments as are described in the Purchase Agreement.

The following located Mineral Claims acquired for the costs of staking and recording only and wholly owned by the Company and the Crown Leases held by the Company lie contiguous with the Optioned Crown Granted Claims:

<u>CLAIM</u>	<u>RECORD NUMBER</u>	<u>CLAIM</u>	<u>RECORD NUMBER</u>
Monti #1	10822	Monti #14	11237
Monti #2	10823	Monti #15	11238
Monti #3	10824	Monti #16	11239
Monti #4	10825	Monti #17	11240
Monti #5	10826	Monti #18	11241
Monti #6	10827	Monti #19	11231
Monti #7	10828	Monti #20	11232
Monti #8	10829	Monti #21	11233
Monti #9	10830	Monti #22	11234
Monti #10	10831	Monti #23	11242
Monti #11	10832	Monti #24	11243
Monti #12	11235	Monti #25	11244
Monti #13	11236	Monti #26 FR.	11533
Mineral Lease	M 171	Containing Orogon	L. 11279
Mineral Lease	M 175	Containing Mastodon	L. 4902
Mineral Lease	M 208	Containing Black Bear	L. 10783

(hereinafter referred to as the "Montezuma Group")

HISTORY

The Montezuma and Mexico Crown Granted claims were located in 1891 and have extralateral rights as granted under the staking laws then in existence. The property was explored and worked in the 1890's by the Kaslo-Montezuma Mining & Milling Company of Seattle who erected a mill and constructed a tramline to bring the ore from the lower portal at elevation 5400 feet down to the Millsite on Keen Creek a distance of approximately 1.7 miles. Low metal prices and financial difficulties during 1899 culminated in closing the mine which then remained idle until about 1906 when it was acquired by Mr. H. Giegerich of Kaslo, B. C., the grandfather of the present owner, who took over the mine and mill and resumed mining operations. Production records show that the mine and mill operated for periods during 1907 and 1908 but with continuing low prices and penalties applied for the zinc content of the concentrates the operations again came to a close. A fire later destroyed the mill site and in subsequent years forest fires completely destroyed the mine buildings and all the towers of the tramline. Little now shows for the extensive work done in this area and except for some timbering done later by a lessee the property has lain dormant until the present time.

PRELIMINARY PROGRAM

During July of 1967 the Monti Claims 1 - 11 were restaked and the baseline was measured for the correlation of area geology. The Company Consultant spent several days on the property doing geological mapping of the workings and claim area. While there he also supervised the sampling program and sketched out proposed property work and access routes. (See Engineers Report for sampling results.)

A serious fire hazard in this area prevented any further work during the late summer.

During November and December of 1967 and January of 1968 a crew of three men working with Company personnel undertook the construction of approximately 2-1/2 miles of road from the South-Fork Road to the lowest adit on the Montezuma Claim. A 50 foot clear span bridge was built over Keen Creek on a route laid out by the Company and two shorter spans will be required to cross Montezuma Creek. A good truck road has been completed to Montezuma Creek where one of the required bridges is nearly finished. From there a Cat road has been built to the lower portal. At the portal 30 feet has been cut off the old drift entrance and the area has been prepared for the equipment and supplies that will be needed to complete the program as recommended by Mr. D. C. Malcolm, P. Eng. in his report on the Montezuma which is copied on the following pages.

ACCESS

The Montezuma Group is reached by road approximately 7 miles from Kaslo on the route to the Cork-Province Mine site. From this point the old mine workings at elevation 5400 feet are reached by approximately 3 miles of side road newly constructed by the Company.

Access to the Winona Group and the Flyod claim is via Retallack on the Kaslo-New Denver Highway. It is approximately 1 mile to the Flyod Claim and approximately 6 miles to the Winona Group via the Jackson Basin Mine Road leading south from Retallack. Various roads lead from the old Jackson Mine site to the workings on the Winona Group.

CONTENTS

	PAGE
SUMMARY	15
LOCATION	15
PROPERTY	15
OWNERSHIP	16
GENERAL GEOLOGY	16
TOPOGRAPHY	16
CLAIM GEOLOGY	16
ORE DEPOSITS	16
DEVELOPMENT	17
PRODUCTION	18
CONCLUSION	18
RECOMMENDATIONS	18
ESTIMATED COSTS	18

HILROY MINES LIMITED (N. P. L.)

MONTEZUMA

SLOCAN MINING DIVISION

BRITISH COLUMBIA

Summary

The Montezuma is an old producer which has been idle since 1908. It is easy of access and favorably located in the Slocan area of the Kootenays. The deposit is a lead and zinc replacement on the crests of tight folds in limestone and is 10 to 30' wide and 100 to 150' in length.

The mine has produced 4,260 tons of lead ore assaying 23.9 oz. silver per ton and 23.7% lead. The dumps now contain 6,500 tons averaging 2.5 oz. silver and 1.81% lead and 2.27% zinc.

The workings are now inaccessible but surface mapping shows a series of tributary folds with some gossan zones in them on the east face of Mount Holmes.

Other unexplored folds are mapped adjacent to the workings in overburden covered areas.

Location

Latitude 49°55', Longitude 117°05', Elevation 5,000 to 5,750'.

The property is reached by 8 miles of road from Kaslo to the mouth of Montezuma Creek on the Keen Creek road then by 2 miles of trail to the workings.

Property

Three Crown Granted Claims:

Montezuma	Lot 2041	Optioned
Mexico	Lot 2042	Optioned
Oregon	Lot 11279	Leased

Staked Claims as follows:

Eleven Claims Monti Numbers 1 to 11 inclusive recorded August 1, 1967.

Ownership

The property is owned or optioned by Hilroy Mines Ltd. as follows:

Mexico and Montezuma--under option from H. C. Giegerich, for \$10,000 of which \$1,000 has been paid and Oregon--under lease from the Crown--by Hilroy Mines Ltd. The Monti Group is recorded in the name of Hilroy Mines Ltd.

General Geology

The area is underlain by limestones, limy argillites and quartzites of the Slocan Series of Triassic Age. The rocks are isoclinally folded in a northwest striking anticline and intruded by the Nelson batholythic rocks and by younger granodiorite bodies.

These rocks and older limestones have contained many productive replacement deposits of silver, lead and zinc in the Ainsworth area to the south and at the Whitewater and Lucky Jim Mines to the north.

Topography

The Montezuma claims are on the creek of the same name which flows southward into Keen Creek or the South Fork of Kaslo River. These valleys are narrow and steep sided with areas of thick timber and slides.

The rock outcrops are largely along the creeks and on the mountain ridges which rise above 7,500' in elevation.

General Geology

The claims lie along the east contact of an embayment in the Nelson Batholyth in andalusite schists, phyllites, quartzites, limy argillites and limestones. The sediments are folded in a vertical dipping series of isoclinal folds striking northwest and plunging steeply to the south.

The batholyth has sent numerous apophyses into the sediments and a Series of northwest striking feldspar porphyry sills and dikes intrude the sediments. A series of light colored granodiorite dikes may represent a younger intrusion in the area.

Ore Deposits

The Montezuma claims are generally overburden covered with isolated outcrops.

One of the outcrop areas is folded in a tight isoclinal fold striking northwest, dipping vertically and plunging 70° to the southeast. It contains typical limestone replacement of galena, sphalerite, pyrrhotite, pyrite mineralization in a chimney like area 50' wide and 80 to 100' in length plunging down the 35° hillside at 70°.

The limestones and limy argillites are intruded by feldspar porphyry dikes 5 to 10' thick which are brecciated and contain quartz lenses and pyrite, chalcopyrite and sphalerite in small amounts. A light colored granite rock occurs in isolated outcrops near the deposit.

On the Monti Group of staked claims a steep cliff east of Mount Holmes shows the folding plainly and the crests of the folds show inaccessible gossan areas similar to that mined on the Montezuma claim.

Surface mapping in the Montezuma Creek area shows repeated limestone bands but the fold areas connecting them are hidden. They could contain replacements by sulfides.

Development

The outcrop area at elevation 5,750' has been glory holed a few feet from the surface. These workings are now caved but show dumps and an oxidized area which were bulk sampled and assayed as follows:

	<u>Silver</u>	<u>Lead</u>	<u>Zinc</u>
Dump - 525 tons	13.00 oz.	12.85%	0.4%
Dump - 250 tons	1.35 oz.	0.05%	0.23%
Ore in place			
Grab sample	3.35 oz.	0.75%	13.45%
and 20.8% <u>Iron</u>			

At elevation 5,675' a tunnel, now caved, followed a limestone band intruded by feldspar porphyry towards the upper workings. The dump contains approximated 1,000 tons assaying 4.1 oz. silver, 2.4% lead and 6.5% zinc.

Brecciated mineralized porphyry outcropping near these workings assayed 1.35 oz. silver, 0.15% lead and 0.30% zinc across 5 feet. A small tonnage of high grade chalcopyrite, sphalerite and galena from this outcrop was not bulk sampled.

At elevation 5,400' a main haulage tunnel with a tramline terminal shows a 3,600 ton dump which assayed 1.9 oz. silver, 0.66% lead and 2.1% zinc. Raises are reported to connect this level with the upper levels.

The tunnel timbers at the portal are caved but air and water are coming from it and openings between the timbers show it could be relatively easily reopened.

Production

Reference: SLOCAN MINING AREA MEMOIR 184 GEOLOGICAL SURVEY OF CANADA by C.E. Cairnes

	<u>Tons</u>	<u>Silver</u>	<u>Lead</u>	<u>Zinc</u>
1898	750	75.0 oz.	60.0%	-
1899	2805	9.0 oz.	11.0%	-
1907-8	350	55.0 oz.	67.0%	-
1928	357	8.5 oz.	4.5%	22%
	<u>4262</u>	<u>23.9 oz.</u>	<u>23.7%</u>	

Conclusion

The Montezuma deposit is a typical lead-zinc replacement on the crest of a tight fold in limestone which should contain between 25,000 and 50,000 tons of 10% to 16% combined lead and zinc with 4 to 8 oz. silver per ton. About 10,000 tons of this has been mined to date and a study of the underground workings should reveal the remaining tonnage. The claims have a good potential for other chimneys adjacent to the underground workings which could be outlined by detailed geological work and drilling. They also have a potential for other deposits on the staked claims which could be located by surface trenching in conjunction with geological mapping.

The Montezuma is a good prospect for the typical small lead-zinc mine found in the West Kootenay area.

Recommendations

1. A road should be built to the lower portal.
2. The lower tunnel should be reopened, mapped and the workings sampled.
3. Underground diamond drilling should be planned to explore folds adjacent to the workings.
4. The surface should be completely mapped and folded areas outlined and trenched.

Estimated Costs

Roadwork and Bridgework	\$10,000.
Rehabilitation of Lower Level	10,000.
Surface Trenching	5,000.
Diamond Drilling	20,000.
Geological Mapping	5,000.
Supervision	5,000.
Sampling and Assaying	5,000.
Administration	10,000.
Consulting	5,000.
Transportation	<u>1,000.</u>
Estimated Total	\$76,000.

Much of the work is contingent on the success of the preceding stage of work but allowances are made to complete the exploration.

Report by

"D. C. MALCOLM"

D. C. Malcolm, P. Eng.,
Consulting Geologist.

CERTIFICATION

This is to certify that:

1. I, Douglas Cole Malcolm am a resident of Vancouver, British Columbia, and live at 2290 West 23rd Avenue.
2. I am a graduate of the University of British Columbia, with the degree of Bachelor of Applied Science in Geological Engineering (1935).
3. I am a member of the Association of Professional Engineers of British Columbia and Ontario, and have practised my profession continuously since graduation.
4. I have no interest direct or indirect in the claims or securities of HILROY MINES LTD. (N. P. L.).
5. This report is based on a personal examination of the property in June and July of 1967, and on government reports and maps of this area.

"D. C. MALCOLM"

D. C. Malcolm, P. Eng.,
Consulting Geologist.

DCM/pm
Vancouver, B. C.
August 27, 1967.

USE OF PROCEEDS TO ISSUER

The Company proposes to use the proceeds of this issue (\$112,500.00) to carry out the recommendations of Mr. D. C. Malcolm, P. Eng., in his report of August 27th, 1967, (copy of which is attached hereto and forms part of this Prospectus) on the Montezuma Group of claims in an amount of \$76,000. which is broken down as follows:

Roadwork, Bridges and reopen Lower Level	\$20,000.
Surface Trenching and Underground Drilling	25,000.
Mapping, Sampling and Transportation	11,000.
Property Supervision and Administration	15,000.
Consulting Fees	<u>5,000.</u>
Total Estimated Cost	\$76,000.

In addition to the program on the Montezuma Group it will be necessary to do follow-up exploration and assessment work on the Winona Group that will cost approximately \$7,500.00. This work is necessary to keep Mineral Leases and located claims in good standing and to continue with surface mapping of the claim group. A \$1,000.00 Option Payment will be paid from such proceeds and a further \$7,000.00 of Option Payments has been paid and is accounted for in Bank Loan Payable and Notes Payable. Further Legal and Audit fees are included in the Issue amount and contingencies for both exploration and administrative costs. It is also intended to discharge loans from noteholders in the amount of \$22,680.00, Bank Loan of \$6,000.00 and current liabilities of approximately \$17,100.00 arising out of expenditures that have developed from the continuing work program. There is no other substantial indebtedness accrued or to be assumed that is not shown on the May 31, 1968 Balance Sheet, a copy whereof is attached hereto and forms part of this Prospectus.

No part of the proceeds shall be used to invest, underwrite or trade in securities other than those that qualify as investments in which Trust Funds may be invested under the laws of the jurisdiction in which the securities offered by this Prospectus may lawfully be sold.

Should the registrant propose to use the proceeds to acquire non-trustee type securities after the initial distribution of the securities offered by this Prospectus, approval by the shareholders must be obtained and disclosure made to the regulatory securities bodies having jurisdiction over the sale of the securities offered by this Prospectus.

PLAN OF DISTRIBUTION

The Company intends to sell this Share Issue through its Directors and Licensed Salesmen without the use of Underwriters. There is no underwriting, sub-underwriting, option or sub-option agreements outstanding at the present time.

PRIOR SALES

Within the twelve months prior to June 30, 1968, the Company sold Sixty Thousand (60,000) of its Common Shares at a price of Twenty (20¢) Cents per share to net the Treasury Twelve Thousand (\$12,000.00) Dollars.

PRINCIPAL HOLDERS OF SECURITIES

The table below shows all those who own more than Ten (10%) percent of the Common Shares of the Company as of June 30th, 1968.

Name and Address	Designation of Class	Type of Ownership	Number of Shares Owned	Percentage of Class
John Edward Gilroy Randall A. Ingleby IN TRUST	Common	Record & in Trust for Company	183,000	14.9
John Edward Gilroy 224 Woodstock St., E. Vancouver 15, B.C.	Common	Record & Beneficial	174,001	14.16
Randall A. Ingleby 3570 East 24th Avenue Vancouver 12, B.C.	Common	Record & Beneficial	144,001	11.72

The percentage of equity shares of the Company owned by the Directors or Senior Officers, directly or indirectly, is shown on the table below.

<u>Designation of Class</u>	<u>Percentage of Class</u>
Common	38.4

ESCROWED SHARES

As of the 16th day of July, 1968, all Six Hundred and Twenty Five Thousand (625,000) Vendor Shares of the Common Stock of the Company, as set out in the table below, are held in Escrow by the Royal Trust Company under the terms of an Escrow Agreement and subject to release or transfer only with the written consent of the Superintendent of Brokers in the Province of British Columbia.

If the Company loses, abandons or discontinues the development of the Mineral Claims for which the Six Hundred and Twenty Five Thousand (625,000) shares were allotted, or if the said Mineral claims are subsequently found to be not as represented herein, the Superintendent of Brokers may require the surrender by way of gift to the Company for cancellation, such number of the above shares as he in his sole discretion deems fair and equitable.

As of the 16th day of July 1968, Five Hundred and Seventy Thousand Seven Hundred and Fifty Two (570,752) cash shares of the Common Stock of the Company, as set out in the table below, are held by a Pooling Agreement by The Royal Trust Company under the terms of such Pooling Agreement the Shares are held until thirty (30) days following the final disposition of all shares offered by the current Prospectus of the Company in its primary distribution.

Designation of Class	Number of Shares held in Escrow	Number of Shares held in Pooling Agreement	Percentage of Class
Common Shares	625,000		50.8
Common Shares		570,752	46.4

RIGHTS OF RESCISSION

Section 61 and 62 of the Securities Act, 1967 (British Columbia) provides in effect, that where a security is offered to the Public in the course of primary distribution, a purchaser has a right to rescind a contract for the purchase of a security, while still the owner thereof, if a copy of the last prospectus, together with financial statements and reports and summaries of reports relating to the securities as filed with the British Columbia Securities Commission, was not delivered to him or his agent prior to delivery to either of them of the written confirmation of the sale of the securities. Written notice of intention to commence an action for rescission must be served on the person who contracted to sell within 60 days of the date of delivery of the written confirmation, but no action shall be commenced after the expiration of three months from the date of service of such notice.

A purchaser has the right to rescind a contract for the purchase of such security, while still the owner thereof, if the prospectus or any amended prospectus offering such security contains an untrue statement of a material fact or omits to state a material fact necessary in order to make any statement therein not misleading in the light of the circumstances in which it was made, but no action to enforce this right can be commenced by a purchaser after expiration of 90 days from the later of the date of such contract or the date on which such prospectus or amended prospectus is received or is deemed to be received by him or his agent.

OTHER MATERIAL FACTS

There are no other material facts relating to the securities proposed to be offered and not declared under any other provision of this Prospectus.

CERTIFICATE

The foregoing constitutes full, true, and plain disclosure of all material fact relating to the securities offered by this Prospectus as required by Part VII of the Securities Act, 1967 and the Regulations thereunder.

DATED at Vancouver, British Columbia this 16th day of July, A. D., 1968.

"R. INGLEBY"

"J. GILROY"

Randall A. Ingleby, Director/Promoter

John E. Gilroy, Promoter

"L. N. CORMICK"

"R. RUTLEDGE"

Leagh Cormick, Director

Russell J. Rutledge, Director

GOODMAN & CO.

CERTIFIED GENERAL ACCOUNTANTS

222 ROGERS BUILDING - 470 GRANVILLE STREET - VANCOUVER 2, B. C. - TELEPHONE 681-9395

AUDITOR'S REPORT

The Shareholders,
Hilroy Mines Ltd., (N.P.L.)

We have examined the Balance Sheet of Hilroy Mines Ltd., (N.P.L.) as at May 31, 1968, and the Statement of Source and Application of Funds and Schedules of Deferred Exploration, Development and Administration Expenditures for the period ended May 31, 1968. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet, Statement of Source and Application of Funds and Schedules of Deferred Exploration, Development and Administration Expenditures present fairly the financial position of Hilroy Mines Ltd., (N.P.L.) as at May 31, 1968, and cost of its deferred expenditures for the period ended May 31, 1968, in accordance with generally accepted accounting principles.

GOODMAN & CO.



Certified General Accountants.

Vancouver, B. C.
June 27, 1968.

ILROY MINES LTD. (N. P. L.)

Balance Sheet

May 31, 1968

ASSETS

Current Assets:

Cash on hand and in bank	\$ 745.06	
Accounts Receivable	7,245.92	
Prepaid Expenses	416.69	\$ 8,407.67
	<u> </u>	

Fixed Assets:

Mineral claims - (Note 1)		
Claims being acquired under options at cost	\$ 95,464.50	
Mining Equipment	16,037.65	
Office Equipment	1,641.20	113,143.35
	<u> </u>	

Deferred Charges:

Exploration and Development - Schedule 1	\$ 75,892.57	
Administration - Schedule 1	43,028.49	
Incorporation	2,173.53	121,094.59
	<u> </u>	

Total

\$242,645.61

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 7,924.83	
Bank Loan	6,000.00	
Salaries and Wages Payable	9,138.78	
Notes Payable	22,680.00	45,743.61
	<u> </u>	

Shareholders Loans

1,200.00

Capital: Schedule 2

Authorized: 6,000,000 shares, par value \$1.00

<u>Issued:</u>	720,000 shares for properties	\$ 72,000.00
	603,502 shares for cash	120,702.00
	<u> </u>	<u> </u>
	1,323,502 shares	\$192,702.00
	<u> </u>	<u> </u>

Surplus arising from 30,000 shares gifted to company	3,000.00	195,702.00
	<u> </u>	<u> </u>

Total

\$242,645.61

Signed on behalf of the
Board of Directors.

"R. Ingleby"

Director

"L. N. Cormick"

Director

This is the Balance Sheet referred to
in our report dated June 27, 1968.
GOODMAN & CO.

"Goodman & Co."

Certified General Accountants

HILROY MINES LTD. (N. P. L.)

Notes to Financial Statements of May 31, 1968

Note 1 - Mineral Claims:

- (A) The Company has entered into an option to purchase Crown Granted Mineral Claims known as (1) "Sunset" (2) "Bell" (3) "Trade Dollar" (4) "#3 Fraction" (5) "Nabob", and (6) "Cashier" described below as the Royal Trust Co. Agreement.
- (B) The Company has entered into a vendors agreement to purchase mineral claims known as Crown Grants (1) "Winona Fraction" and (2) "Boon Fraction"; Crown leases (1) M122 (2) M103, and (3) M67; also mineral claims (1) "Silver Fraction" (2) "Lead Fraction" (3) "Zinc Fraction" (4) "Copper Fraction" (5) "Custer Fraction" and (6) "Craigie Fraction" described below as the Garland Agreement.
- ✓ (C) The Company has entered into an option to purchase Crown Granted Mineral Claims known as (1) "Montezuma", and (2) "Mexico" described below as the Giegerich Agreement.
- (D) The Company has purchased Mineral Claim known as the "Flyod Mineral Claim" record number 7894.

The recorded cost and financial interest of all Mineral Claims at May 31, 1968, is as follows:

	Property	Shares	Share Value	Cash Required	Total Cost
(A)	"The Royal Trust Co. Agreement"	--	\$ --	\$50,000.00	\$ 50,000.00
(B)	"Garland Agreement"	750,000	75,000.00	14,464.50	89,464.50
(C)	"Giegerich Agreement"	--	--	10,000.00	10,000.00
(D)	"Flyod Mineral Claim"	--	--	1,500.00	1,500.00
	Cost of Properties and Liabilities thereon	750,000	\$75,000.00	\$75,964.50	\$150,964.50

	Property	Paid Shares	Paid Cash	Total Paid	Balance Unpaid
(A)	"The Royal Trust Co. Agreement"	\$ --	\$ 3,500.00	\$ 3,500.00	\$ 46,500.00
(B)	"Garland Agreement"	75,000.00	14,464.50	89,464.50	--
(C)	"Giegerich Agreement"	--	1,000.00	1,000.00	9,000.00
(D)	"Flyod Mineral Claim"	--	1,500.00	1,500.00	--
	Cost of Properties and Liabilities thereon	\$75,000.00	\$20,464.50	\$95,464.50	\$ 55,500.00

- (E) Subsequent to May 31, 1968 an additional 95,000 shares were gifted back to the Company. These were part of the original 750,000 shares issued relating to the Garland Agreement. After giving effect to this gift the share capital issued is:

	625,000	for properties
	603,502	for cash
Total	<u>1,228,502</u>	shares issued

HILROY MINES LTD. (N. P. L.)Deferred Exploration, Development and Administration Expenses

	Five months ended May 31, 1968	Year ended December 31, 1967
<u>Development Work:</u>		
Engineering and Geological	\$ 150.00	\$ 2,401.57
Equipment Rentals and Expense	1,958.25	5,503.52
Insurance	263.10	511.34
Licences and Taxes	529.28	686.27
Materials and Supplies	37.38	353.42
Miscellaneous	30.26	705.10
Rent, Power and Fuel	447.48	1,214.10
Repairs and Maintenance	189.69	442.30
Telephone	58.91	245.37
Travel	189.89	1,346.22
Wages and Benefits	968.87	10,726.22
Workmen's Compensation	63.77	1,262.88
	<u>\$ 4,886.88</u>	<u>\$25,398.31</u>
Total for the periods	\$ 4,886.88	\$25,398.31
Total expense to December 31, 1967	<u>71,005.69</u>	<u><u>71,005.69</u></u>
Total expense to May 31, 1968	<u>\$75,892.57</u>	
<u>Administration Expenses:</u>		
Automotive and Travel	\$ 501.19	\$ 702.59
Insurance	170.84	306.66
Interest and Bank Charges	2,293.18	1,691.35
Legal and Audit	2,100.00	1,523.88
Licences and Taxes	524.10	173.78
Miscellaneous	--	19.96
Office Rent	735.37	2,256.75
Office Repairs and Maintenance	4.83	127.05
Office Supplies	133.50	121.37
Promotion	52.42	179.03
Salaries and Benefits	2,947.92	16,303.12
Telephone	473.73	1,523.39
	<u>\$ 9,937.08</u>	<u>\$24,928.93</u>
<u>Deduct Income:</u>		
Development ore		\$ 385.06
Equipment Rental		1,115.00
Property Management		150.00
		<u>\$ 1,650.06</u>
Net expense for the periods	\$ 9,937.08	\$23,278.87
Total net expense to December 31, 1967	<u>33,091.41</u>	<u><u>33,091.41</u></u>
Total expense to May 31, 1968	<u>\$43,028.49</u>	

HILROY MINES LTD. (N. P. L.)Schedule of Share Capitalas at May 31, 1968

	Shares	Par Value	Discount	Net Consideration
Shares for properties	750,000	\$ 750,000.00	\$ 675,000.00	\$ 75,000.00
<u>Less:</u>				
shares gifted to company	30,000	30,000.00	27,000.00	3,000.00
Net shares for properties	720,000	\$ 720,000.00	\$ 648,000.00	\$ 72,000.00
Shares for cash	603,502	603,502.00	482,800.00	120,702.00
	<u>1,323,502</u>	<u>\$1,323,502.00</u>	<u>\$1,130,800.00</u>	<u>\$192,702.00</u>

HILROY MINES LTD. (N. P. L.)

Source and Application of Funds Statement

	January 1, 1968 to May 31, 1968	January 1, 1967 to December 31, 1967
<u>Funds were derived from:</u>		
Working capital at beginning of year		\$ 6,358.15
Sale of shares		35,952.00
Income from operations		1,650.06
Shareholders loan	\$ 1,200.00	
	<u>\$ 1,200.00</u>	<u>\$43,960.21</u>
<u>Funds were applied to:</u>		
Working capital deficiency at beginning of year	\$14,292.28	\$ --
Payments on Mining Properties	8,500.00	7,500.00
Purchase of equipment	919.70	425.25
Exploration and development	4,886.88	25,398.33
Administration	9,937.08	24,928.91
	<u>\$38,535.94</u>	<u>\$58,252.49</u>
<u>Deficiency of Working Capital</u>	<u>\$37,335.94</u>	<u>\$14,292.28</u>
 <u>Working Capital:</u>		
Total current assets	\$ 8,407.67	\$ 9,543.12
Total current liabilities	45,743.61	23,835.40
<u>Deficiency of Working Capital</u>	<u>\$37,335.94</u>	<u>\$14,292.28</u>

