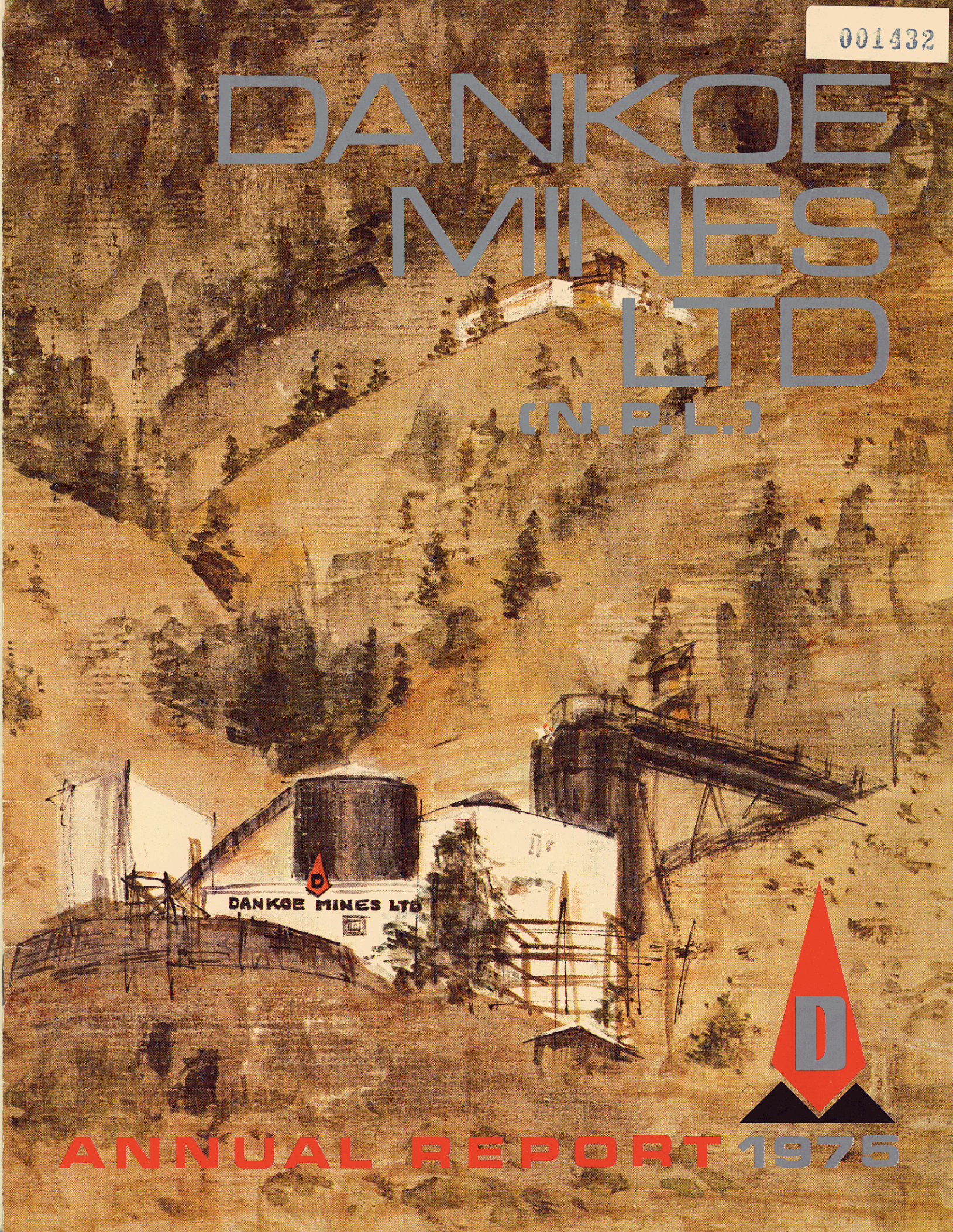
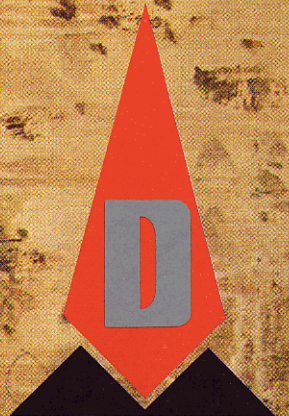


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# DANKOE MINES LTD (N.P.L.)

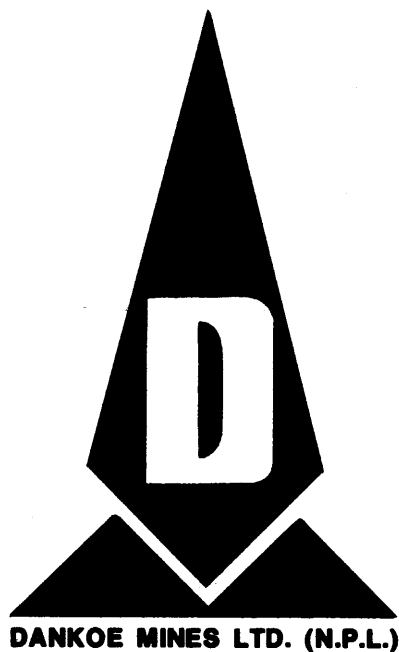


 **DANKOE MINES LTD**



**ANNUAL REPORT 1975**

*The cover etching shows Dankoe Mine's surface facilities at the silver mine in the British Columbia interior, between Keremeos and Osoyoos. The concentrator buildings and mine office are on the side of a mountain adjoining a main highway. The mine buildings at the top of the picture, situated at the 2600 foot level, provide access to the main mine underground workings.*



DANKOE 082ESWOOD  
DUSTY MAC 082ESW078

## EXCHANGE LISTING

Shares of this Company are listed on the Vancouver Stock Exchange.

## DIRECTORS

|                   |           |
|-------------------|-----------|
| John C.L. Black   | Vancouver |
| Albert A. Koffman | Winnipeg  |
| Leonard G. White  | Vancouver |
| Robert E. Wyber   | Ottawa    |

## OFFICERS

|                   |                     |
|-------------------|---------------------|
| Leonard G. White  | President           |
| John C.L. Black   | Secretary-Treasurer |
| Albert A. Koffman | Managing Director   |

## GENERAL MINE MANAGER

Willis K. Beach      Dankoe Mines Ltd., Keremeos, B.C.

## EXECUTIVE OFFICES

Suite 2002, Board of Trade Building  
1177 West Hastings Street  
Vancouver, B.C. V6E 2K3

## MINE OFFICE

Keremeos, B.C.

## AUDITORS

Coopers & Lybrand, Vancouver, B.C.

## SOLICITORS

McInnes Neumann & Co., Vancouver, B.C.

## TRANSFER AGENT AND REGISTRAR

Guaranty Trust Company  
540 Burrard Street  
Vancouver, B.C.

## BANKERS

Royal Bank of Canada  
Robson & Granville Branch  
Vancouver, B.C.

## HIGHLIGHTS

- The Company negotiated, at no cost, a three year extension on Income Debentures now due January 1st, 1980 from January 1st, 1977. The terms and conditions in all other respects, including rate of interest remain unchanged.
- In the first full year of operation, since reopening in 1974, net profit is reported at \$426,501 — equal to 21 cents a common share. This compares with a loss of \$40,753 shown for 1974.
- Financial positions improved substantially with debt reduced and working capital remaining relatively the same at \$175,430 at year end.
- Profitable custom treatment of ore from another mine permitted expansion and acceleration of underground development and exploration, and opened additional areas for mining.
- Silver markets and prices appeared to be only slightly affected by the worldwide recession and most recently have started improving.
- Drilling program to start the first week of June on Company's Endako claims.
- Company negotiated an option agreement with Kerr Addison Mines on their uranium property, Cardiff Township, Ontario.



# DIRECTORS' REPORT TO THE SHAREHOLDERS

## To the Shareholders

The enclosed annual report and financial statements for 1975 reflect a year of continued progress for Dankoe Mines in earnings, finances, mine development and exploration. This progress was achieved in the second year of resumed production despite a worldwide recession which hit particularly hard at mining.

A net profit of \$426,501 is reported, compared with a loss of \$40,753 in 1974. The profit is the equivalent of 21 cents on the 2,031,474 shares outstanding. This past year was the first full twelve month period of continued operation since 1970. The mine was reopened and resumed production in April 1974.

The financial position is considerably improved. Working capital of \$175,430 compares with \$177,957 in 1974 with the outstanding debt reduced to \$1,900,000 from \$2,136,900 at the end of 1975.

The Company has further reduced the outstanding debt interest by \$71,250 in the first three months in 1976, as well as increasing the working capital up to \$203,842.

Most important to 1975 operations was the arrangement to treat ore for Dusty Mac Mines Limited. The Dankoe mill started custom processing Dusty Mac material in mid-August 1975. This arrangement was completed recently and the mill has resumed treatment of Dankoe ore, initially at a rate of approximately 150 tons daily.

The Dusty Mac contract has been profitable. In addition, it permitted a full mining crew to be maintained and to concentrate on development of known mineralized areas underground and expansion and modernization of workings and equipment to accelerate both mining and exploration.

There were other less obvious benefits arising from the custom milling contract. Dankoe ore was conserved during a period of relative weakness in silver prices. The recent price of \$4.50 an ounce is the best level in over six months. Also, a provincial election has resulted in a government which has promised tax and royalty relief to British Columbia mining.

The report of the Mine Manager sets out details of operations and contains a full discussion on the important development and exploration base built up in 1975. This has been improved on in the early months of 1976.

Ore reserves were maintained. However, the extra emphasis on development work permitted moving into the proven or measured category, reserves which had been previously classed as indicated. Known reserves are more readily accessible and continued expansion of the use of trackless equipment is resulting in improved mining techniques.

There are numerous silver occurrences on the Dankoe property which have not yet been properly examined and assessed. A start was made in 1975 through two new adits which will provide access to new areas some distance from the area where mining has been concentrated. An initial assessment of the potential of these areas should be known by the year end.

## OTHER PROPERTIES

The molybdenum prospect in the Endako area and the Cardiff Township, Ontario uranium prospect were maintained in good standing during the year.

## ENDAKO PROPERTY

During the 1975 season, a roads and trenching program was completed and a drilling program has since been outlined to commence the first week in June of 1976. The program is in the north end of the claims and will be under the direction of Endako's engineering personnel.

## CARDIFF TOWNSHIP

An option agreement has been negotiated with Kerr Addison Mines Limited of Toronto, Ontario who plan to do a reconnaissance radon gas survey to assess its uraniferous potential. The Company will hold 20% retained interest in the property throughout this agreement.

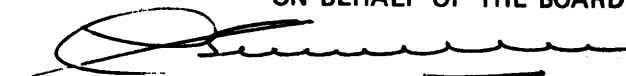
## OUTLOOK

The outlook is very much dependent on silver prices and markets. In 1975, the average settlement price received was \$4.41 (U.S.) The current price, while at about the same level, does represent a considerable improvement from a recent low of \$3.85 (U.S.) in January. With improving economic and business conditions in the United States setting the pattern for a worldwide improvement, the outlook for silver is improving rapidly. Underlying strength in silver has been evident throughout the recession. Silver outperformed most other metals during this difficult period.

Growing recognition at government levels of the crippling effect on mining of repressive legislation hopefully will lead to more realistic policies. Any improvement in the legislative and taxation areas is certain to be of benefit to your Company.

On behalf of the Shareholders, your Board of Directors expresses to all employees, appreciation for excellent performance during the year when the British Columbia mining industry was contending with difficult problems and conditions. The improvement in the affairs of Dankoe reflects the effectiveness of all.

ON BEHALF OF THE BOARD



Len G. White,  
President

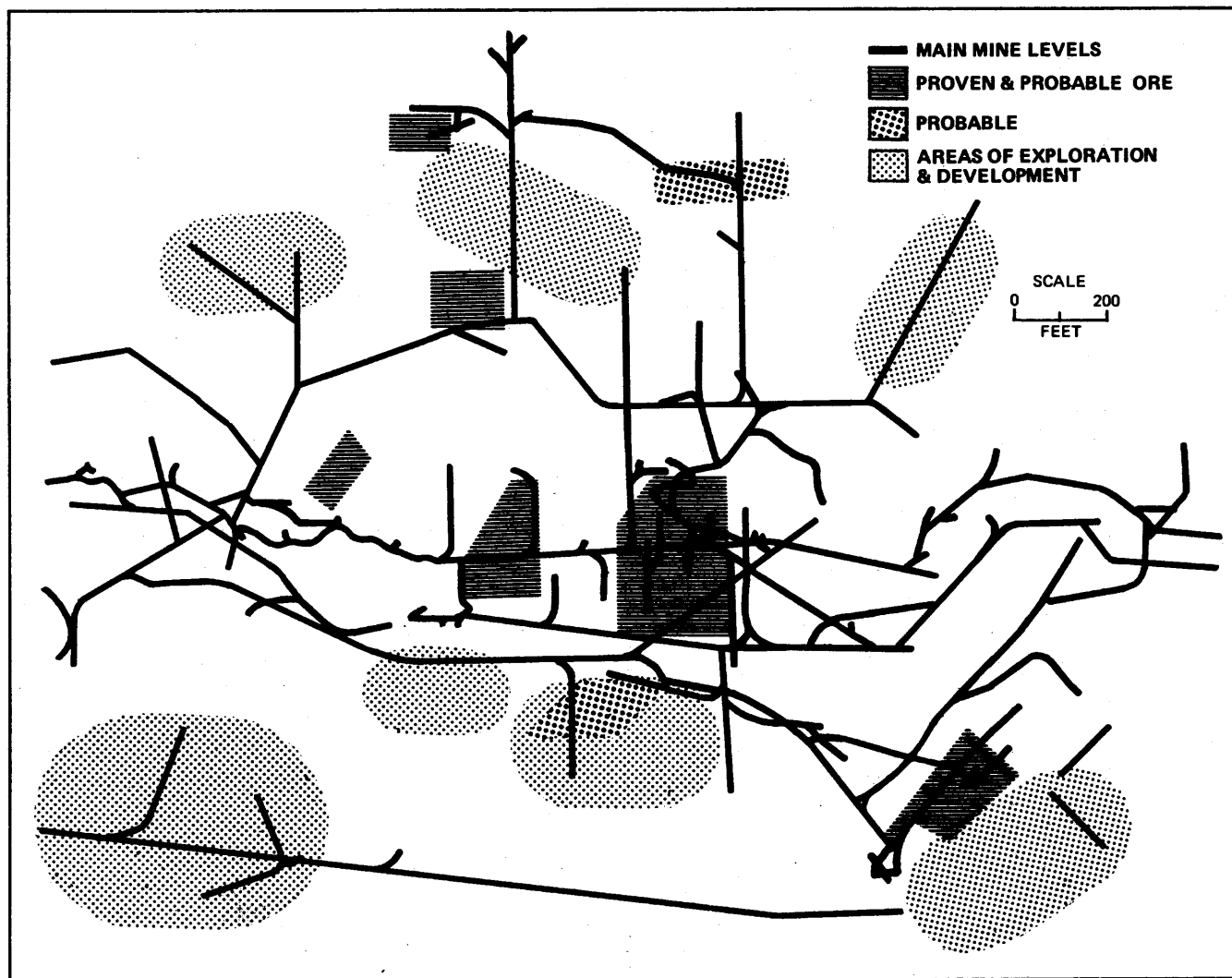
This is an illustration of the principal workings at Dankoe Mines. The mine has six main levels with the principal adit entrance at 2600 foot elevation above sea level. The black lines show some of these tunnels.

Since July 1975, the Company has been able to concentrate extra attention and effort on underground development and exploration. This became possible as a result of arrangements to mill ore from Dusty Mac Mines Limited.

The principal result of the concentration of manpower on development and exploration has been to confirm indicated ore into the proven category.

The map outline shows the underground areas where development has reached the stage of permitting classification into proven and probable ore categories. There are six principal areas in the mine now in this improved situation. Two areas are classed as "probable" ore and are the result of preliminary work.

The elliptical areas indicated on the outline show the general regions underground where drilling has indicated attractive possibilities of developing additional ore and further work is currently underway.



# REPORT ON MINE OPERATIONS

## PRODUCTION

The concentrator operated in two stages during the year. The seven month period ending July 31, 1975 covered treatment of ore from our own mine. During this period the average milling rate was 142 tons per day on a single shift, five day work week basis.

Commencing on August 11, 1975, ore from the Dusty-Mac Mine at OK Falls was milled on a custom basis for the remainder of the year. During this period milling proceeded at an average rate of 349 tons per operating day. Work was scheduled for 3 shifts per day seven days per week. Mill availability was 91.3% during this period.

## ORE MILLED (Net-Dry Tons)

|                                  |              |
|----------------------------------|--------------|
| Dankoe                           | 19,749 tons  |
| Dusty Mac                        | 44,027 tons  |
| Concentrates Produced (Dankoe)   |              |
| — Jig                            | 59.7 tons    |
| — Bulk                           | 813.7 tons   |
|                                  | 873.4 tons   |
| Silver Recovered                 | 261,085 ozs. |
| Gold Recovered                   | 355 ozs.     |
| Lead Recovered                   | 39,811 lbs.  |
| Zinc Recovered                   | 55,341 lbs.  |
| Copper Recovered                 | 11,081 lbs.  |
| Calculated Heads — oz/ton Silver | 14.0 oz/ton  |
| Calculated Tails — oz/ton Silver | 0.82 oz/ton  |
| Calculated Recovery              | 94.42%       |

## OPERATING COSTS

|                            | Total<br>to July 31 | Cost/Ton<br>Milled |
|----------------------------|---------------------|--------------------|
| Exploration & Development  | 206,653.11          | 10.46              |
| Stoping                    | 169,254.50          | 8.57               |
| Milling (Dankoe Ore)       | 69,105.55           | 3.50               |
| Plant                      | 18,806.19           | 0.95               |
| General Expense & Overhead | 66,222.70           | 3.35               |
| Ore Handling & Marketing   | 11,140.34           | 0.56               |
| Head Office                | 105,000.00          | 5.32               |
| Capital                    | 22,470.35           | 1.14               |
| Total                      | 668,652.74          | 33.85              |

|  | Total<br>Aug. 1 thru Dec. 31 |            |
|--|------------------------------|------------|
| Exploration & Development                    | 199,543.09                   | (Differed) |
| Milling (Dusty Mac)                          | 156,693.70                   | 3.56       |
| Plant  | 14,337.89                    | (Differed) |
| Gen. Expense & Overhead<br>(Dankoe)          | 46,025.87                    |            |
| Gen. Expense & Overhead<br>(Dusty Mac)       | 14,781.91                    | 0.34       |
| Head Office (includes debenture<br>interest) | 75,000.00                    |            |
| Capital                                      | 43,257.32                    |            |
| Total  | 549,639.78                   |            |
| Grand Total                                  | 1,218,292.52                 |            |

## EXPLORATION & DEVELOPMENT

The exploration and development program was focused on expansion of the ore search area and increasing ore reserves in areas beyond existing stope blocks. Principal areas of emphasis were as follows:

- 1) Down dip extension of B vein below, 2350 level (2300 and extension of 2200 levels)
- 2) Down dip extension of A vein to 2200 level
- 3) Down dip extension of N vein south of 2570 level
- 4) Northwest extension of N vein above 2600 level
- 5) L vein potential at north end of 2600 level
- 6) A and N vein areas between 2600 and 2570 levels
- 7) Access to two areas of outcropping veins south and west of main mine area

- 1) Exposures on the B vein continue to be encouraging to the 2300' level. Dike and faulting complications obscure the vein at present on 2200 level. The 2300 sublevel proves continuity of the vein for approximately 100 feet of dip length below 2350 level. Indicated strike length is in excess of 220 feet. Mined grade to date from this area is 24 ozs. of silver per ton.
- 2) Drifting on the A (?) vein located by diamond drilling on 2200 level was disappointing. Values are extremely erratic and faulting complications are extensive.

- 3) Exploration of the southern extension of the N vein down dip below 2570 level has had mixed success. An ore shoot has been intersected but total definition of a stope block has not been completed.
- 4) Access drift has been initiated to provide a drilling platform in the large unexplored northwest corner of 2600 level.
- 5) Subdrifting on the L vein in the north end of 2600 level was initiated to assess diamond drill data. Initial results were disappointing but reassessment of information showed justification for renewed efforts in this area. Results of the second thrust were not compiled by year end.
- 6) Intermittent ore grade mineralization was encountered on the A and N veins between 2600 and 2570 levels on the west end of the mine. In the 26-90 cross-cut south an ore shoot has been defined in the 2600-2570 level interval.
- 7) Long range exploration was initiated at two new adit locations during the year.
  - a) The 2540 adit was driven southeast on the south side of the main gully to explore, and provide drilling platform for evaluation of, vein exposures south of the main mine block.
  - b) Access was gained to the west side of the western gully. Development drifting was initiated to explore the potential of the numerous veins outcropping on the ridge west of the mine area. Drilling is scheduled from the extension of this drift in 1976.

#### SUMMARY

| Level  | Drifts<br>x-cuts | Raises | Sub-<br>drifts | Expl.<br>Drilling |
|--------|------------------|--------|----------------|-------------------|
| 2600   | 167              | 128    | 1817           | 11,569            |
| 2570 & |                  |        |                |                   |
| 2540   | 497              | nil    | 568            | 2,132             |
| 2400   | 240              | nil    | 531            | 3,219             |
| 2350 & |                  |        |                |                   |
| 2300   | 503              | 245    | 1496           | 3,075             |
| 2200   | 1077             | 241    | 90             | 5,989             |
| Total  | 2484             | 614    | 4502           | 25,984            |

#### ORE RESERVES

Due to the complexity of the vein system and the irregularity of the metal distribution, it is difficult to project ore occurrences far beyond current working faces.

Allowing for tonnage milled and material defined ore reserves remain substantially the same as stated in the previous year.

#### GENERAL EXPENDITURES

During the year capital expenditures totalled 65,727.67.

Expenditures were concentrated in two principal areas:

- a) Trackless mining equipment, including a second 911 LHD machine, two 1.5 ton scootcrete dump trucks, and support fans; b) Replacement of mine shop facilities that burned on August 20, 1975.

#### GENERAL

The use of rubber tired mining equipment expanded during the year.

Both productivity and ore grade increased in 1975. Custom milling of ore from the Dusty-Mac mine in OK Falls allowed the expansion of exploration/development activities to examine new potential areas while not depleting known ore reserves.

The writer wishes to express his appreciation to the President and Board of Directors for their support and thanks to the operations staff for their excellent assistance.

RESPECTFULLY SUBMITTED



Willis K. Beach,  
General Mine Manager

# STATEMENT OF EARNINGS AND DEFICIT

for the Year Ended December 31, 1975

Dankoe Mines Ltd. (N.P.L.)

|  | 1975               | 1974               |
|--|--------------------|--------------------|
| Net Revenue from Concentrates Produced .....   | \$1,112,819        | \$ 927,129         |
| Less: Marketing costs .....  | 12,578             | 23,740             |
|  | <u>1,100,241</u>   | <u>903,389</u>     |
| Revenue from Custom Milling .....  | 460,573            |                    |
|  | <u>1,560,814</u>   | <u>903,389</u>     |
| Operating Expenses   |                    |                    |
| Mining and milling .....   | 748,327            | 602,912            |
| Administrative .....   | 97,291             | 76,738             |
|  | <u>845,618</u>     | <u>679,650</u>     |
| Operating Income .....   | 715,196            | 223,739            |
| Investment and Sundry Income .....   | 11,760             | 3,592              |
|  | <u>726,956</u>     | <u>227,331</u>     |
| Other Expenses   |                    |                    |
| Interest on 7½% income debenture .....   | 142,500            | 142,500            |
| Depreciation .....   | 75,903             | 79,483             |
| Amortization of deferred development costs .....                                       | 39,702             | 27,838             |
| Mineral land tax .....   | 42,350             | 18,263             |
|  | <u>300,455</u>     | <u>268,084</u>     |
| Earnings (Loss) before Provision for Income Taxes<br>and Extraordinary Item .....      | 426,501            | (40,753)           |
| Provision for Income Taxes .....   | <u>200,500</u>     |                    |
| Net Earnings (Loss) for the Year before<br>Extraordinary Item .....                    | 226,001            | (40,753)           |
| Extraordinary Item   |                    |                    |
| Recovery of current year's income taxes on application<br>of prior years' losses ..... | <u>200,500</u>     |                    |
| Net Earnings (Loss) for the Year .....   | 426,501            | (40,753)           |
| Deficit — Beginning of Year .....  | <u>3,739,211</u>   | <u>3,698,458</u>   |
| Deficit — End of Year .....  | <u>\$3,312,710</u> | <u>\$3,739,211</u> |
| Earnings (Loss) per share before Extraordinary Item .....                              | <u>11¢</u>         | <u>(2¢)</u>        |
| Net Earnings (Loss) per share .....  | <u>21¢</u>         | <u>(2¢)</u>        |

## BALANCE SHEET

as at December 31, 1975

Dankoe Mines Ltd. (N.P.L.)

### Assets

| Current Assets  | 1975               | 1974               |
|---|--------------------|--------------------|
| Cash and short-term deposits .....  | \$ 240,562         | \$ 344,454         |
| Smelter settlements receivable .....  |                    | 24,101             |
| Accounts receivable .....   | 145,949            |                    |
| Marketable securities — at cost (quoted value 1975 — \$166,595;<br>1974 — \$45,015) ..... | 147,885            | 47,885             |
| Concentrate inventory — at net realizable value .....                                     | 6,850              | 20,000             |
| Mine and mill supplies — at the lower of cost and net realizable value .....              | 180,601            | 100,385            |
| Prepaid expenses .....  | 23,772             | 14,257             |
|   | <u>745,619</u>     | <u>551,082</u>     |
| Fixed Assets and Mineral Properties (notes 2 and 3) .....                                 | <u>1,024,254</u>   | <u>1,050,885</u>   |
| Other Assets  |                    |                    |
| Deferred exploration and development costs, less amortization<br>of \$67,540 .....        | 251,725            | 82,966             |
| Deferred exploration — Endako property .....  | 58,647             | 58,647             |
| Organization .....  | 12,602             | 12,602             |
|   | <u>322,974</u>     | <u>154,215</u>     |
|   | <u>\$2,092,847</u> | <u>\$1,756,182</u> |

### Auditors' Report to the Shareholders

We have examined the balance sheet of Dankoe Mines Ltd. (N.P.L.) as at December 31, 1975 and the statements of earnings and deficit and changes in financial position for the year then ended. 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

Vancouver, B.C.

April 2, 1976, except for note 3 which  
is as of May 12, 1976

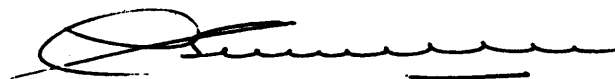
In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand  
Chartered Accountants

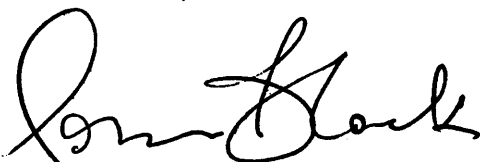
**Liabilities**

| <b>Current Liabilities</b>  | <b>1975</b>        | <b>1974</b> |
|---|--------------------|-------------|
| Bank Loan .....   | \$                 | \$ 40,000   |
| Bank overdraft .....  |                    | 5,213       |
| Accounts payable and accrued liabilities (note 7) .....                                       | <b>206,830</b>     | 124,659     |
| Other taxes payable .....   | <b>57,109</b>      | 62,653      |
| Current portion of debenture interest (note 3) .....  | <b>306,250</b>     | 140,600     |
|   | <b>570,189</b>     | 373,125     |
| <br>Share Purchase Agreement (note 4) .....   |                    | 300,000     |
| <br>7½% Income Debentures (including accrued interest of<br>\$286,900 in 1974) (note 3) ..... | <b>1,900,000</b>   | 2,186,900   |
|   | <b>2,470,189</b>   | 2,860,025   |
| <br><b>Deficit Less Capital Stock</b>   |                    |             |
| Deficit .....   | <b>3,312,710</b>   | 3,739,211   |
| <br>Capital Stock (note 4) .....  | <b>2,935,368</b>   | 2,635,368   |
|   | <b>377,342</b>     | 1,103,843   |
|   | <b>\$2,092,847</b> | \$1,756,182 |

SIGNED ON BEHALF OF THE BOARD



LEN G. WHITE, Director



JOHN C.L. BLACK, Director

**STATEMENT OF CHANGES IN FINANCIAL POSITION**

for the Year Ended December 31, 1975

Dankoe Mines Ltd. (N.P.L.)

| <b>Source of Working Capital</b>   | <b>1975</b>              | <b>1974</b>              |
|--|--------------------------|--------------------------|
| Current operations .....   | \$ 349,642               | \$ 67,439                |
| Proceeds from issue of capital stock .....   |                          | 18,000                   |
| Accrued debenture interest not currently payable .....                                 |                          | 1,900                    |
| Share purchase agreement .....   |                          | 275,000                  |
| Proceeds from disposal of fixed assets .....   | 16,650                   | 3,210                    |
| Recovery of current year's income taxes on application of<br>prior years' losses ..... | 200,500                  |                          |
|  | <u>566,792</u>           | <u>365,549</u>           |
| <b>Use of Working Capital</b>  |                          |                          |
| Payment of and current portion of debenture interest .....                             | 286,900                  |                          |
| Deferred development costs .....   | 208,461                  | 110,804                  |
| Fixed asset additions .....  | 73,958                   | 73,785                   |
|  | <u>569,319</u>           | <u>184,589</u>           |
| <b>Increase (Decrease) in Working Capital .....</b>                                    | <b>(2,527)</b>           | <b>180,960</b>           |
| <b>Working Capital (Deficiency) — Beginning of Year .....</b>                          | <b>177,957</b>           | <b>(3,003)</b>           |
| <b>Working Capital — End of Year .....</b>   | <b><u>175,430</u></b>    | <b><u>177,957</u></b>    |
| <b>Represented by:</b>   |                          |                          |
| Current assets .....   | 745,619                  | 551,082                  |
| Current liabilities .....  | <u>570,189</u>           | <u>373,125</u>           |
| <b>Working Capital — End of Year .....</b>   | <b><u>\$ 175,430</u></b> | <b><u>\$ 177,957</u></b> |

# NOTES TO FINANCIAL STATEMENTS

for the Year Ended December 31, 1975

Dankoe Mines Ltd. (N.P.L.)

## 1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

### a) Operations and deferred development costs

In August 1975, the company ceased mining operations at its mine located near Keremeos, B.C., and commenced custom milling of ore from another mine. The term of the custom milling contract is for one year. Management of the company anticipates that the company will recommence mining operations when the contract has been fulfilled.

Since the mine has been shut down all direct exploration and development costs have been recorded as deferred costs.

Deferred development costs are amortized, using the unit of production method over the estimated life of the company's orebody.

### b) Revenue recognition and smelter settlements receivable

The company recognizes revenue when concentrate is produced. Smelter settlements receivable are valued at the net realizable value of concentrates shipped to the smelter.

### c) Depreciation and amortization

Depreciation and amortization of fixed assets is based on the estimated useful life of the asset or the estimated life of the mine using the unit of production method, whichever is shorter.

### d) Values

The amounts shown for mineral properties and other assets represent costs to date less amounts written off and do not necessarily reflect present or future values.

## 2. FIXED ASSETS AND MINERAL PROPERTIES

| a) Fixed assets                            | 1975   |                                   |   | 1974             |
|--|--|-----------------------------------|---|------------------|
|  | Cost<br>\$                                     | Accumulated<br>depreciation<br>\$ | Net<br>\$                                       | Net<br>\$        |
| Land                                       | 41,760   |                                   | 41,760  | 41,760           |
| Buildings                                  | 345,084  | 281,392                           | 63,692  | 77,135           |
| Machinery and<br>equipment                 | 1,023,850                                      | 437,316                           | 586,534   | 597,692          |
| Automotive<br>equipment                    | 60,789   | 60,789                            |   |                  |
| Tailings dam                               | 20,301   | 4,060                             | 16,241  | 18,271           |
|  | <u>1,491,784</u>                               | <u>783,557</u>                    | <u>708,227</u>                                  | <u>734,858</u>   |
| b) Mineral properties                      |  |                                   |   |                  |
|  | Value<br>ascribed<br>to 60,000<br>Shares<br>\$ | Cash<br>\$                        | Value<br>assumed<br>from Santos<br>Silver<br>\$ |                  |
| Horn Silver<br>property,<br>Keremeos, B.C. |  | 73,043                            | 86,500  | 159,543          |
| Endako, B.C.<br>claims                     | 150,000  | 6,000                             |   | 156,000          |
| Cardiff County,<br>Ont. claims             |  |                                   | 484   | 484              |
|  | <u>150,000</u>                                 | <u>79,043</u>                     | <u>86,984</u>                                   | <u>316,027</u>   |
|  |  |                                   | <u>1,024,254</u>                                | <u>1,050,885</u> |

## 3. 7½% INCOME DEBENTURES

The 7½% income debentures, amounting to \$1,900,000, were originally due January 1, 1977. On May 12, 1976 the due date of the debentures was extended to January 1, 1980. The debentures are non-transferable until after due date and provide that no principal payment be made until due date except under certain conditions as provided by the debentures. The company has pledged all of its property and assets both present and future, as security therefore. Interest is payable on the first days of January and July of each year but only to the extent of the net income, as defined. Accrued interest to December 31, 1975 amounts to \$306,250, all of which is payable out of net income, as defined, of the current year.

## 4. CAPITAL STOCK

|  | Shares           | \$               |
|--|------------------|------------------|
| a) Authorized —                                  |                  |                  |
| 5,000,000 shares without nominal<br>or par value |                  |                  |
| Issued and fully paid for —                      |                  |                  |
| Cash   | 1,064,204        | 2,208,000        |
| Accrued interest on 7½%<br>income debentures     | 855,000          | 427,500          |
| Mineral properties                               | 60,000           | 150,000          |
| Mineral properties since<br>abandoned or sold    | 33,156           | 15,000           |
| Net assets of Santos Silver<br>Mines Limited     | 18,514           | 124,968          |
| Services   | 600              | 9,900            |
|  | <u>2,031,474</u> | <u>2,935,368</u> |

b) During 1973 the company entered into an agreement to issue 200,000 shares of its capital stock to Key Trading Ltd. for \$1.50 per share. Under the terms of the agreement, Key Trading Ltd. was to pay the total consideration of \$300,000 in monthly instalments and no shares were to be issued until the full amount was received. The full amount had been received by the company on June 17, 1974, but the 200,000 shares were not issued until January 8, 1975.

c) Four directors of the company have each been granted options to purchase 7,000 shares of the company's capital stock at \$2.50 per share on or before December 31, 1976.

## 5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year ended December 31, 1975, the directors and senior officers of the company, which by definition of the British Columbia Companies Act includes the five highest paid employees, received aggregate remuneration of \$98,830 (1974 — \$73,955).

## 6. INCOME AND MINING TAXES

Income debenture interest and mineral land tax are not deductible in computing income for tax purposes. Mining taxes otherwise payable for the year have been eliminated by claiming for tax purposes preproduction and development costs written off to deficit in prior years.

The company has written off to deficit, preproduction and development costs, which can be carried forward to reduce income for tax purposes, of approximately:

|                                    |                  |
|------------------------------------|------------------|
|                                    | \$               |
| For federal income tax purposes    | <u>1,437,000</u> |
| For provincial mining tax purposes | <u>783,000</u>   |

## 7. LIABILITY FOR POWER

Included in accounts payable is an amount of approximately \$30,000 due to West Kootenay Power in respect of charges for power incurred by the company prior to cessation of operations in 1970. The company is disputing this liability as the power company is holding a deposit of approximately \$63,000 which they contend was forfeited by Dankoe when operations ceased. This deposit was written off by the company in 1972.

## 8. ANTI-INFLATION ACT

Under the provision of the Anti-Inflation Act and Regulations which became effective as at October 14, 1975 the company is restricted in the amount of dividends it is allowed to declare. No dividends can be declared during the period up to October 13, 1976.