

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

SUITE 2002 • 1177 WEST HASTINGS ST., VANCOUVER, B.C. CANADA V6E 2K3
 TELEPHONE: 683-3326

Dr. William Bacon
 c/o Ministry of Mines and Petroleum Resources
 Victoria, B.C.

Dear Bill

RE: Accelerated Mineral Development

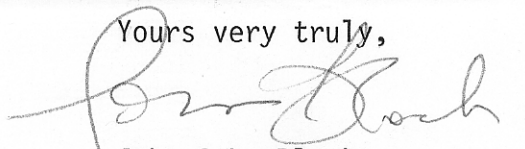
Further to our telephone conversation of last week please find enclosed a copy of the Mine Manager's Report on exploration and development plus up to date financial reports for the first six months of 1978.

As stated before we had not applied under the program because we were using our own employees, but now things have changed. As stated in Mr. Forman's report this exploration program would increase our manpower by 10 men permanently.

Dankoe still owes \$ 1,900,000 to the debenture holders. Dankoe is not considered an exploration or prospect as have many others who have applied under this program. Finally we will be putting men on the payroll permanently not contracting such as some of those who have been granted monies under this or similar programs.

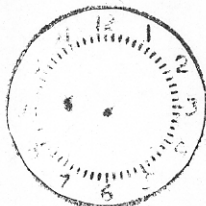
Dankoe desperately needs help at this time if it is to continue to be a viable operation and if it is to continue to be one of British Columbia's producers and continuing taxpayers.

Yours very truly,



John C.L. Black
 Secretary Treasurer

AUG 11 '78 AM



DEPT. OF MINES
 AND PETROLEUM RESOURCES

STATEMENT OF EARNINGS
 FOR THE HALF YEAR ENDED JUNE 30, 1978
 (With comparative amounts for June 30, 1977)

	June 30 1978 \$	June 30 1977 \$
NET REVENUE FROM CONCENTRATES PRODUCED	704,029	683,907
Less: Marketing costs	<u>10,249</u>	<u>10,211</u>
	<u>693,782</u>	<u>673,696</u>
 OPERATING EXPENSES		
Exploration and Development	213,917	
Mining and Milling	501,478	508,635
Administrative	<u>26,053</u>	<u>35,640</u>
	<u>741,448</u>	<u>544,275</u>
 OPERATING INCOME (LOSS)	(47,666)	129,421
 INVESTMENT AND SUNDRY INCOME	<u>13,097</u>	<u>27,537</u>
	(34,569)	156,958
 OTHER EXPENSES		
Interest on 7½ income debenture	71,250	71,250
Depreciation	<u>30,700</u>	<u>35,450</u>
	101,950	106,700
 EARNINGS (LOSS) BEFORE PROVISION FOR INCOME TAXES AND EXTRAORDINARY ITEM	(136,519)	50,258
 PROVISION FOR INCOME TAXES	<u>-----</u>	<u>21,200</u>
 NET EARNINGS (LOSS) FOR THE PERIOD BEFORE EXTRAORDINARY ITEM	(136,519)	29,058
 EXTRAORDINARY ITEM		
Recovery of current year's income taxes on application of prior year's losses	<u>-----</u>	<u>21,200</u>
 NET EARNING (LOSS) FOR THE PERIOD	<u>(136,519)</u>	<u>50,258</u>
 NET EARNINGS (LOSS) PER SHARE (2,021,125)	<u>(.06¢)</u>	<u>.03¢</u>

Prepared from the company's records without verification by Audit.

DANKOE MINES LTD.(N.P.L.)
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE PERIOD ENDED JUNE 30, 1978
(With comparative figures as at December 31,1977)

	<u>JUNE 30</u> <u>1978</u>	<u>1977</u>
SOURCE OF WORKING CAPITAL		
Current operations		27,638
Proceeds from disposal of fixed assets	5,985	900
Recovery of current year's income taxes on application of prior years' losses		<u>87,000</u>
	<u>5,985</u>	<u>115,538</u>
USE OF WORKING CAPITAL		
Current operations	136,519	
Item not affecting working capital,depreciation	(30,700)	
Deferred development costs		49
Fixed asset additions	20,881	8,408
Acquisition of capitalstock		<u>12,195</u>
	<u>126,700</u>	<u>20,652</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(120,715)	94,886
WORKING CAPITAL - BEGINNING OF PERIOD	<u>559,383</u>	<u>464,497</u>
WORKING CAPITAL - END OF PERIOD	<u>438,668</u>	<u>559,383</u>
 REPRESENTED BY:		
Current assets	772,371	960,168
Current liabilities	333,703	400,785
WORKING CAPITAL - END OF PERIOD	<u>438,668</u>	<u>559,383</u>

SIGNED ON BEHALF OF THE BOARD

JOHN C.L.BLACK
DIRECTOR

MIKE MUZYLOWSKI
DIRECTOR



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

P.O. BOX 190 - KEREMEOS, B.C. - VOX 1N0
PHONE (604) 499-5315

July 19, 1978

DANKOE MINES 1978 DEVELOPMENT PROGRAM
JANUARY 1st TO JUNE 30th 1978
1700 LEVEL
ESTIMATED JANUARY 1st 1978

3500' of 8' x 9' x-cut at \$75.00 per foot
600' of 8' x 9' of additional x-cut to access raise at \$75.00

Total drifts and x-cuts 4100 at \$75.00 = \$307,500.00

Raising 980 feet of 6' x 8' at \$75.00 = \$ 68,500.00

Total expenditure planned \$376,000.00

Completed to June 30th 3500 of main x-cut
Direct costs including labour, supplies and equipment \$60.29
Indirect costs including power, supervision,
engineering and office \$11.00

Total cost per foot \$71.29

Expected to complete program by September 30, 1978 at which time seven men will be laid off.

ACCELERATED DEVELOPMENT PROGRAM STAGE 1
OCTOBER 1st TO DECEMBER 31st

Additional development on the 1700 level to the southeast between faults
500 feet of drifting at \$29.00 labour cost
400 feet of raising at \$29.00 labour cost

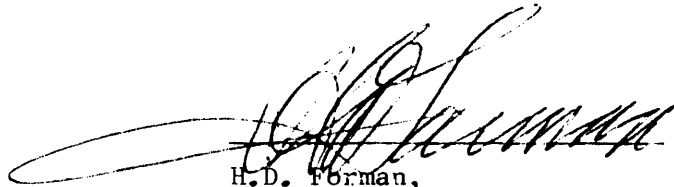
2500 feet of diamond drilling to the east of the fault on 1700 foot level.
If vein is located beyond the fault by drilling then a further 1200 feet of x-cutting and drifting would follow.

Total labour cost to December 31st 1978
500' drifting at \$29.00 = \$ 14,500.00
400' raising at \$29.00 = \$ 11,600.00
2500' diamond drilling \$4.20 = \$ 10,500.00

Total \$ 36,600.00

If diamond drilling east of fault located vein then a further 1100 feet of x-cutting and drifting to explore and develop the vein on the 1700 level will be needed, stage 2.

Stage one accelerated development would offer continued work for seven men and if successful in proving the extension of the ore body could increase tonnage milled per day and add 10 men permanently.

A handwritten signature in black ink, appearing to read 'H.D. Forman', written in a cursive style with a large loop at the end.

H.D. Forman,
Mine Manager