

GIANT MASCOT MINES LIMITED

DEPUTY MINISTER OF MINES & PETROLEUM RESOURCES			
REC'D MAR 3 '77			
REFERRED	TO	DATE	INITIAL

NOTICE OF ANNUAL GENERAL MEETING

H. G. Mascot

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of GIANT MASCOT MINES LIMITED ('the Company') will be held in the Aspen Room of The Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, on Thursday, the 31st day of March, 1977, at the hour of 10:30 o'clock in the forenoon, for the following purposes:

- (a) to receive and approve the Report of the President on behalf of the Directors to the Members and the Consolidated Financial Statements of the Company and its subsidiaries for the fiscal year ended September 30, 1976, together with the report of the Auditors thereon;
- (b) to appoint Auditors;
- (c) to authorize the Directors to fix the remuneration to be paid to the Auditors;
- (d) to ratify, confirm and approve all acts, deeds and things done by, and the proceedings of Directors and Officers of the Company on its behalf, as referred to in the Report of the President on behalf of the Directors to the Members and in the Consolidated Financial Statements of the Company for the fiscal year ended September 30, 1976, and as set out in the Minutes of the Meetings of, and Resolutions adopted in writing by, the Board of Directors of the Company, copies of which are available for inspection during business hours at the Company's Records Office, situate at Suite 2260, Toronto-Dominion Bank Tower, 700 West Georgia Street, Vancouver, British Columbia;
- (e) by way of Special Resolutions:

RESOLUTION (1):

to consider and, if thought fit, to approve, with or without ratification, the following:

"RESOLVED, as a Special Resolution, that:

1. the authorized capital of the Company be altered in the following manner:
 - (a) by consolidating all of the Fifteen Million (15,000,000) shares without par value which the Company is authorized to issue, including both the Two Hundred and Twenty Thousand Six Hundred and Sixty-eight (220,668) of such shares presently remaining unissued and the Fourteen Million Seven Hundred and Seventy-nine Thousand Three Hundred and Thirty-two (14,779,332) of such shares heretofore issued and presently outstanding, into Three Million Seven Hundred and Fifty Thousand (3,750,000) shares without

par value, made up of Fifty-five Thousand One Hundred and Sixty-seven (55,167) of such shares unissued and Three Million Six Hundred and Ninety-four Thousand Eight Hundred and Thirty-three (3,694,833) of such shares issued, with the result that upon the date ('the Effective Date') upon which a certified copy of this resolution is accepted for filing by the Registrar of Companies of the Province of British Columbia every four (4) shares of the Company remaining unissued prior to such consolidation will have been consolidated into one (1) share and every four (4) shares of the Company issued prior to such consolidation will have been consolidated into one (1) share;

- (b) by the creation of Six Million Two Hundred and Fifty Thousand (6,250,000) new shares without par value, ranking pari passu in all respects with the Three Million Seven Hundred and Fifty Thousand (3,750,000) shares resulting from the consolidation of the issued and unissued shares of the Company effected by this resolution, with the result that upon the Effective Date the authorized capital of the Company will be Ten Million (10,000,000) shares without par value, of which there will then be Three Million Six Hundred and Ninety-four Thousand Eight Hundred and Thirty-three (3,694,833) of such shares (as consolidated by this resolution) issued and outstanding;

2. Paragraph 2 of the Memorandum of the Company be amended to read as follows:

'2. The authorized capital of the Company is Ten Million (10,000,000) shares without par value.' "

IN FAVOUR () AGAINST ()

RESOLUTION (2):

to approve, by way of a Special Resolution, the change in the name of the Company to such name as may be acceptable to the Toronto and Vancouver Stock Exchanges and the Registrar of Companies in the Province of British Columbia, the Province of Alberta and in the Northwest Territories, as well as in any other jurisdiction in which it may be presently desired that the Company be registered to carry on business (such change of name being required if the share capital of the Company is to be consolidated as contemplated in paragraph 1 of this resolution), and the amendment of the Memorandum of the Company accordingly:

IN FAVOUR () AGAINST () ;

- (f) to fix the number of Directors for the ensuing year at six (6), and to authorize the Board of Directors, in their discretion, to appoint, at any time, an additional Director to hold office until the next Annual General Meeting of the Company, unless his office be earlier vacated, and to empower the Board of Directors, if, as and when any such appointment

be made, to fix the number of Directors accordingly at seven (7) to give effect to such appointment;

- (g) to elect Directors;
- (h) to transact such other business as may properly be transacted at such meeting, or at any adjournment thereof, without notice.

Copies of the Report of the President on behalf of the Directors to the Members, the audited Consolidated Financial Statements for the fiscal year ended September 30, 1976, and of an Information Circular and Instrument of Proxy accompany this Notice.

If you are unable to attend the Annual General Meeting in person, kindly read the Notes on the reverse side of the Instrument of Proxy enclosed herewith and then complete and return the proxy within the time set out in the Notes. As set out in the Notes, the enclosed proxy is solicited by Management, but you may amend it, if you so desire, by inserting in the space provided the name of the person you wish to represent you at the meeting. If you wish, you may also appoint an alternate proxyholder to act in the place and stead of the person whose name you insert as your proxyholder, in the event that he is not in attendance at the meeting, or at any adjournment thereof.

DATED at Vancouver, British Columbia, this 17th day of February, 1977.

ON BEHALF OF THE BOARD

Allan H. Ainsworth

Secretary

GIANT MASCOT MINES LIMITED

Executive Office:
Suite 2370, Bow Valley Square Two,
Calgary, Alberta,
T2P 2W6.

Registered Office:
Suite 2260, Toronto-Dominion Bank Tower,
Pacific Centre, 700 West Georgia Street,
Vancouver, British Columbia, V7Y 1A9

INFORMATION CIRCULAR
as of February 17, 1977, issued in
connection with the solicitation of
proxies for the Twenty-Sixth Annual
General Meeting to be held on March 31.
1977.

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with solicitation by the management of GIANT MASCOT MINES LIMITED ('the Company') of proxies to be used at the Twenty-Sixth Annual General Meeting of Members of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The persons whose names appear already printed in the accompanying Instrument of Proxy are Directors of the Company. A member desiring to appoint some other person to represent him at the meeting may do so either:

- (a) by inserting such person's name in the first blank space provided in the form of proxy and, in addition, if the member elects to appoint an alternate proxyholder, by inserting the name of a second person in the second blank space provided; or
- (b) by completing another form of proxy;

and, in either case, depositing the completed proxy at the offices of Canada Permanent Trust Company, the Registrar and Transfer Agent of the Company, at 701 West Georgia Street, P.O. Box 10152, Pacific Centre North, Vancouver, British Columbia, V7Y 1E5, not less than twenty-four (24) hours (exclusive of Saturdays and holidays) before the time for holding the meeting, or any adjournment thereof.

A member who has given a proxy may revoke it either:

- (a) by signing a proxy bearing a later date and depositing it as aforesaid;
or
- (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by signing and dating a written

notice of such revocation in the same manner as the Instrument of Proxy is required to be executed (as set out in Note 3 to the Instrument of Proxy herewith), and depositing the same either at Suite 2260, The Toronto-Dominion Bank Tower, Pacific Centre, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1A9 ('the Registered Office') at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, or with the Chairman of the meeting on the day of the meeting or on the day of any adjournment thereof; or

- (c) by attending the meeting in person and registering with the scrutineers thereat as a member personally present, which shall serve as notice of revocation of any instrument of proxy previously filed but only as to matters which have not been dealt with at the meeting.

Furthermore, the Articles of the Company expressly provide that the casting of a vote on the basis of an instrument of proxy will be valid notwithstanding the previous death of the principal, or revocation of the proxy, or transfer of the share in respect of which the vote is to be cast, provided that no intimation in writing of such death, revocation or transfer shall have been received at the Registered Office not less than one (1) hour prior to the commencement of the meeting, or by 5:00 o'clock (Vancouver Time) in the afternoon on the day of the meeting, whichever shall first occur, or by the Chairman of the meeting before commencement of, or during, the meeting or any adjournment thereof. If such intimation is received during the meeting or any adjournment thereof, the consequent invalidation of such instrument of proxy shall be effective only as to those matters on which a vote shall not already have been cast.

EXERCISE OF DISCRETION BY PROXIES

The persons whose names appear already printed in the accompanying Instrument of Proxy will vote, or refrain from voting, the shares in respect of which they are appointed in accordance with the direction of the member appointing them. In the absence of such direction, it is intended that such shares will be voted:

- (a) for the approval of the Report of the President on behalf of the Directors to the Members and the Consolidated Financial Statements of the Company and its subsidiaries;
- (b) for the appointment of Auditors, as stated under that heading in this Circular;
- (c) in favour of authorizing the Directors to fix the remuneration to be paid to the Auditors;
- (d) for the ratification, confirmation and approval of all acts, deeds and things done by, and proceedings of, the Directors and Officers of the Company on its behalf, as more particularly set out in Item (d) of the accompanying Notice of Meeting;

- (e) in favour of the two Special Resolutions, by way of Special Business, as more particularly set out in Item (e) of the accompanying Notice of Meeting and as referred to in this Information Circular under the heading "OTHER MATTERS TO BE ACTED UPON";
- (f) to fix the number of Directors at six (6) and to empower the Board of Directors to appoint an additional Director, as more particularly set out in Item (f) of the accompanying Notice of Meeting;
- (g) for the election of Directors, as stated under that heading in this Circular.

The enclosed Instrument of Proxy confers discretionary authority upon a proxyholder appointed thereby with respect to amendments to, or variations in, matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. At the time of the printing of this Circular, the management of the Company knows of no such amendment or variations, or matters to come before the meeting other than those referred to in the Notice of Meeting.

VOTING SHARES

On the date of this Circular, the Company had outstanding 14,779,332 shares without par value, each carrying the right to one vote, so that the aggregate number of votes attaching to all the outstanding shares is 14,779,332.

There are no persons who, or company which, beneficially owns, directly or indirectly, more than 10% of the voting shares of the Company other than Cemp Investments Ltd., which is beneficially entitled to 8,432,474 shares, being some 56.98% of the total shares of the Company presently issued and outstanding, and has the right to vote a further 1,283,500 shares, to which others are beneficially entitled, which represent a further 8.68% of the total shares of the Company presently issued and outstanding.

Only members registered on the date on which the Notice of Meeting is mailed to the members will receive Notice of the Annual General Meeting and will be entitled to attend and vote, or be represented by proxy, thereat. The person duly appointed under an Instrument of Proxy, however, will only be entitled to vote the shares represented thereby if the Instrument of Proxy (together with any instrument which may be required as set out in Note 3 to the Instrument of Proxy) is deposited at the address and within the time hereinbefore set out in this Circular under the heading "APPOINTMENT AND REVOCATION OF PROXIES".

ELECTION OF DIRECTORS

Pursuant to s.133 of the "Companies Act" S.B.C. 1973, Chapter 18 and amendments thereto ('the Act'), Advance Notice of the intention to elect Directors at the Annual General Meeting was published on January 29, 1977, in The Province, a daily newspaper circulated in the County of Vancouver, but no nomination of any person

for election as a Director of the Company has been received from members of the Company other than Management.

The Board presently consists of seven (7) Directors, all of whom are deemed to retire at the Annual General Meeting, and one of whom is not standing for re-election. The persons whose names appear already printed in the accompanying Instrument of Proxy intend to vote in favour of the resolution to fix the number of Directors for the ensuing year at six (6), and to empower the Board of Directors, in their discretion, to appoint, at any time, an additional Director and to fix the number of Directors accordingly at seven (7) to give effect to such appointment. If such resolution is adopted, the persons intend to vote for the election of the six (6) nominees whose names are set forth below, all of whom are now members of the Board of Directors and have been since the dates indicated.

The Management does not contemplate that any of the nominees will be unable to serve as a Director but, if that should occur for any reason prior to the meeting, the persons whose names appear already printed in the accompanying Instrument of Proxy reserve the right to vote for another nominee, or nominees, in their discretion. Each Director elected, and any additional Director subsequently appointed by the Board of Directors, will hold office until his successor is elected at the next Annual General Meeting of the Company, or any adjournment thereof, unless his office is earlier vacated under any of the relevant provisions of the Articles of the Company or the Act.

The following table and the notes thereto state the names of all the persons proposed to be nominated by Management for election as Directors, all other positions and offices with the Company now held by them, their principal occupation or employment, their country of residence, the dates upon which they became Directors of the Company, and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of the date of this Circular:

<u>Name and Office</u>	<u>Principal Occupation or Employment</u>	<u>Date of Appointment as Director</u>	<u>Shares Owned</u>
Allan H. Ainsworth General Counsel, Secretary and Director	Barrister and Solicitor: Partner of Ainsworth & Company, the Company's Solicitors.	* January 24, 1977	nil
F. Peter Cundill Director	Investment Counsel: President, Vanan Financial Management Ltd., since June 30, 1976; previously, President, Capital Dynamics Ltd., until June 30, 1976, from May, 1975, and of agf Vancouver Investment Manage- ment Ltd., until May, 1975, from January, 1972.	January 29, 1975	nil
Nathan Gesser Vice-President, Finance, and Director	Corporate Executive: Vice-President, Finance, Cemp Investments Ltd.	April 30, 1971	23,640

John L. Gibson Director	Corporate Executive: previously President, now Chairman of the Board, Torwest Resources (1961) Ltd. (N.P.L.) and Highmont Mining Corp. Ltd. (N.P.L.);	January 29, 1959	4,726
John O. McCutcheon Chairman of the Board	Corporate Executive: Executive Vice-President, Cemp Investments Ltd., since 1973; President, Multiple Access Ltd., since 1970; and Chairman of the Board, Warrington Products Limited, since 1972.	January 24, 1977	100,000
Louis P. Starck President and Managing Director	Professional Engineer: President and Managing Director of the Company.	January 29, 1965	29,300

- * Mr. Ainsworth served as a Director from March 31, 1970, to March 28, 1974, and was again appointed a Director on January 24, 1977.

NOTES:

- (a) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- (b) Unless otherwise stated above, each of the above-named persons has held the principal occupation first stated opposite his name and the employment or employments next stated for at least five years.
- (c) Each of the nominees listed above is ordinarily resident in Canada.
- (d) Each of the nominees listed above is also a Director of Giant Explorations Limited (N.P.L.), which also has substantially the same Officers.

APPOINTMENT OF AUDITORS

The persons named in the enclosed proxy, unless directed by the member completing the Instrument of Proxy to abstain from doing so, intend to vote for the reappointment of Price Waterhouse & Co., Chartered Accountants, Vancouver, British Columbia, as Auditors of the Company, to hold office until the next Annual General Meeting of the members of the Company. Price Waterhouse & Co. have been Auditors of the Company since February 4, 1971.

REMUNERATION OF MANAGEMENT AND OTHERS

1. During the twelve month period from the commencement of the last completed

fiscal year of the Company on October 1, 1975, to September 30, 1976, the total aggregate direct remuneration paid by the Company to its Directors and Senior Officers (including not only officers as such but also, by statutory definition, certain management or other personnel) was \$143,000. No direct remuneration has been paid or is payable by any of the Company's subsidiaries to any of the Directors and Senior Officers of the Company or of any of its subsidiaries.

2. No pension or retirement benefit plans have been instituted by the Company or any of its subsidiaries in which any Director or Senior Officer of the Company or any of its subsidiaries participates and none is proposed at this time.
3. Save as set out in paragraph 1 hereof, no remuneration has been paid, directly or indirectly, to any Senior Officers or Directors by the Company or its subsidiaries pursuant to any plan or arrangement, and none is intended to be paid in the ensuing year other than fees to the Directors of the Company (other than the President and Managing Director and the General Counsel and Secretary in an amount to be determined by the Board and salaries to certain of its officers and management and other personnel in the normal course of business and not pursuant to any management contract, plan or other like arrangement, all in an estimated amount of some \$175,000. It is not contemplated at this time that any remuneration will be paid by any of the Company's subsidiaries to its Directors or Senior Officers.
4. No option to purchase securities of the Company has been granted to any Senior Officer or Director since the commencement of the last completed fiscal year on October 1, 1975, and no option has been exercised during the year and none is presently outstanding. No options have ever been granted by any of the Company's subsidiaries.
5. None of the Directors or Senior Officers of the Company, nor any person associated with them, has been indebted to the Company or any of its subsidiaries since the commencement of the last completed fiscal year on October 1, 1975.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the Directors or Senior Officers of the Company, nor any shareholder owning more than 10% of the issued shares of the Company, nor any of their respective associates or affiliates, had any material interest, direct or indirect, in any transaction since the commencement on October 1, 1975, of the last completed fiscal year of the Company, which has materially affected the Company or any of its subsidiaries.

Although not material in amount or in effect, reference is made to the fact that Cemp Investments Ltd. ('Cemp'), the principal shareholder of the Company, on or about December 30, 1976, guaranteed an operating line of bank credit in the maximum amount of \$850,000, and, in consideration for such guarantee, the Company has agreed to pay Cemp a fee of 2% per annum payable monthly on the amount of such line of credit drawn down by the Company at the beginning of each calendar month.

MANAGEMENT CONTRACTS

The Company has not entered into any management contracts.

OTHER MATTERS TO BE ACTED UPON

By way of Special Business, it is proposed, as set out in Item (e) of the accompanying Notice of Meeting, to present for approval by the members at the Annual General Meeting two Special Resolutions, as follows:

RESOLUTION (1)

At the present time, of the 15,000,000 shares which the Company is authorized to issue all but 220,668 shares are issued. If, as is intended, the Company is to make a rights offering to its shareholders later this year, additional shares will be required for that purpose. In the opinion of the Board of Directors, it is in the best interest of the Company and its members to reduce by consolidation the number of shares of the Company presently issued and outstanding and to create new shares available for both future financing and possible acquisitions. The purpose of RESOLUTION (1) is to reduce the number of shares issued to 3,694,833 shares and to provide for an authorized capital of 10,000,000 shares without par value. If adopted, the resolution will become effective upon a certified copy of it being accepted for filing by the Registrar of Companies of the Province of British Columbia, and, so far as trading in the shares of the Company is concerned, upon any requirements of the Vancouver and Toronto Stock Exchanges in this regard having been satisfied. Thereafter, a Notice of Consolidation and a Letter of Transmittal will be mailed to each member of the Company of record in order that members may surrender to the Registrar and Transfer Agent of the Company the certificates which they presently hold representing shares of the Company issued prior to consolidation to be exchanged for certificates, issued by the Company in its new name, representing the number of shares as consolidated to which they will then be entitled, on the basis of one (1) such consolidated share for every four (4) shares held prior to consolidation.

RESOLUTION (2)

If the share capital of the Company is to be consolidated, it is necessary, in order to avoid confusion thereafter, to change the name of the Company in some manner acceptable to the regulatory bodies, concurrently with such consolidation. It is proposed to present for approval by the members at the Annual General Meeting an entirely new name for the Company. Any such name, however, must be one which is acceptable not only to the Registrar of Companies in the Province of British Columbia, where the Company was incorporated, and to the Registrar of Companies in the Province of Alberta and in the Northwest Territories, where the Company is registered to carry on business, but also to the Toronto and Vancouver Stock Exchanges on which the shares of the Company are listed for trading. During the time between the submission of this Circular for printing and the Annual General Meeting, such an acceptable name will be ascertained and at the Annual General Meeting a Special Resolution to adopt that new name specifically and to amend the Memorandum of the Company accordingly will be proposed for approval by the members.

INSTRUMENT OF PROXY
FOR THE TWENTY-SIXTH ANNUAL GENERAL MEETING

of
GIANT MASCOT MINES LIMITED
to be held on March 31, 1977

THIS PROXY IS SOLICITED ON BEHALF OF MANAGEMENT

The undersigned member of GIANT MASCOT MINES LIMITED (hereinafter called 'the Company') hereby appoints Louis P. Starck, the President, of West Vancouver, British Columbia; or, failing him, John O. McCutcheon, the Chairman of the Board, of Montreal, Quebec; or, failing him, John L. Gibson, a Director, of Langley, British Columbia; or, in substitution for any of the foregoing:

_____ of _____, and as an alternate proxyholder to act in the place and stead
Name Place
of the proxyholder whose name the undersigned has inserted in the place provided above:

_____ of _____, as the proxy for and on behalf of the undersigned to attend
Name Place
the Annual General Meeting of the Company to be held on the 31st day of March, 1977, and any adjournment or adjournments thereof, and thereat to act for and on behalf of the undersigned, and to vote the shares in the capital stock of the Company registered in the name of the undersigned with respect to the matters set forth in items (a) to (h), inclusive, hereof as follows:

Item (a) To approve the Report of the President on behalf of the Directors to the Members of the Company and the Consolidated Financial Statements of the Company and its subsidiaries for the fiscal year ended September 30, 1976:
IN FAVOUR [] AGAINST []

Item (b) In respect of the appointment of Auditors:
either: (i) to vote such shares for the appointment of the Auditors proposed in the accompanying Information Circular: []
or: (ii) to withhold such shares from voting for the appointment of the Auditors proposed in the accompanying Information Circular:
[]

Item (c) To authorize the Directors to fix the remuneration to be paid to the Auditors:
IN FAVOUR [] AGAINST []

Item (d) For the ratification, confirmation and approval of the acts and deeds of the Directors and Officers of the Company, as referred to in Item (d) of the accompanying Notice of Meeting:
IN FAVOUR [] AGAINST []

Item (e) Special Business:
RESOLUTION (1):

Department of Mines & Petroleum
Resources, Parliament Bldgs.
Attn: J.T. Fyles, Deputy Minister
Victoria, B.C.

To approve the alteration in the capital of the Company, as more particularly set out in Item (e) - RESOLUTION (1) of the Accompanying Notice of Meeting:

IN FAVOUR [] AGAINST []

RESOLUTION (2):

To approve the change in the name of the Company and the amendment of the Memorandum of the Company accordingly, as more particularly set out in Item (e) - RESOLUTION (2) of the accompanying Notice of Meeting:

IN FAVOUR [] AGAINST []

Item (f) To fix the number of Directors for the ensuing year at six (6) and, as set out in Item (f) of the accompanying Notice of Meeting to authorize the Board of Directors, in their discretion, to appoint at any time an additional Director to hold office until the next Annual General Meeting of the Company, unless his office be earlier vacated:

IN FAVOUR [] AGAINST []

Item (g) In respect of the election of Directors:

either: (i) to vote such shares for the election as Directors of all the persons proposed in the accompanying Information Circular: []

or: (ii) to withhold such shares from voting for the election as a Director of:

(a) Allan H. Ainsworth []
(b) F. Peter Cundill []
(c) Nathan Gesser []
(d) John L. Gibson []
(e) John O. McCutcheon []
(f) Louis P. Starck []

NOTE: If an "X" is placed in the box opposite one or more of the names listed above, the shares represented by this proxy will not be voted for that person or persons;

Item (h) With respect to all matters which may be properly transacted at such meeting, or any adjournment thereof, without notice;

OR, IF NO CHOICE IS SPECIFIED IN THE BOXES SET OUT ABOVE FOR THAT PURPOSE, AND IN THE CASE OF THAT ITEM FOR WHICH NO CHOICE CAN BE INDICATED HEREIN, AND WITH RESPECT TO ANY AMENDMENT TO OR VARIATIONS IN ANY OF THE ITEMS SET OUT ABOVE, TO VOTE THE SHARES OF THE UNDERSIGNED AS THE PROXY HEREBY APPOINTED IN HIS SOLE DISCRETION MAY SEE FIT, all in the same manner and to the same power as the undersigned could do if the undersigned were personally present at such meeting.

The undersigned hereby revokes any proxy previously given.

AS WITNESS my hand this _____ day of _____, 1977.

SEE NOTES ON REVERSE SIDE.

CANCELLED
Signature of Member

1. THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED, OR WITHHELD FROM VOTING, ON ITEMS (a) to (g), INCLUSIVE, ALL AS THE MEMBER MAY HAVE SPECIFIED BY MARKING AN "X" IN THE BOXES PROVIDED FOR THAT PURPOSE. IF NO CHOICE IS SPECIFIED, THE SHARES WILL BE VOTED AS IF THE MEMBER HAD SPECIFIED AN AFFIRMATIVE VOTE IN FAVOUR OF, OR FOR THE VOTING OF HIS SHARES WITH RESPECT TO, SUCH ITEM OR ITEMS.
2. IF THE MEMBER DOES NOT WANT TO APPOINT ANY OF THE PERSONS NAMED IN THE INSTRUMENT OF PROXY, HE SHOULD INSERT IN THE BLANK SPACE PROVIDED THE NAME OF THE PERSON HE WISHES TO ACT AS HIS PROXY. THE MEMBER MAY ALSO APPOINT AN ALTERNATE PROXYHOLDER TO ACT IN THE PLACE AND STEAD OF THE PROXYHOLDER WHOSE NAME THE MEMBER HAS INSERTED IN THE FIRST BLANK SPACE, BY INSERTING THE NAME OF SUCH ALTERNATE IN THE SECOND BLANK SPACE. NEITHER SUCH PROXYHOLDER FIRST APPOINTED NOR HIS ALTERNATE NEED BE MEMBERS OF THE COMPANY.
3. The Instrument of Proxy will not be valid unless it is dated and signed by the member, or his attorney duly authorized by him in writing, or, where the member is a corporation, by a duly authorized officer or officers or attorney for the corporation duly authorized. If the Instrument of Proxy is executed by an attorney for an individual member or joint member or by an officer or officers or attorney of a corporate member not under its corporate seal, the instrument so empowering the officer or officers or the attorney, as the case may be, or a notarial copy thereof, should accompany the Instrument of Proxy.
4. The Instrument of Proxy to be effective must be deposited at the offices of the Registrar and Transfer Agent of the Company, Canada Permanent Trust Company, P.O. Box 10152, Pacific Centre North, Vancouver, B.C. V7Y 1E5, not less than twenty-four (24) hours (exclusive of Saturdays and holidays) before the time for holding the meeting or any adjournment thereof.
5. If the instructions of the member are certain, the shares represented by the Instrument of Proxy will be voted on any poll in accordance with such instructions, and where the member whose proxy is solicited has specified a choice with respect to any matter to be acted upon, the shares will be voted on any poll in accordance with the choice so specified.

CANCELLED

MEMORANDUM

TO J.E. McMynn
Deputy Minister

FROM THE

**DEPARTMENT OF MINES
AND PETROLEUM RESOURCES**

VICTORIA, B.C., February 3rd, 1975

Re: Giant Mascot Participation

WHEN REPLYING PLEASE REFER
TO FILE NO.....

I have reviewed Mr. Stark's letter and proposals and would like to make the following comments:

1. I still consider Giant Mascot's interest in PANARCTIC to be the company's most valuable asset. The company has undertaken a recent commitment to acquire additional shares of PANARCTIC at a cost of nearly \$1 million, payable in quarterly installments (see p. 6 Supplementary Report).
2. Among the properties mentioned in the letter, the Giant Copper property appears to hold the most immediate promise of commercial production. Notwithstanding the availability of a mill of compatible size, however, it seems to me that insufficient quantities of commercial ore have been proved. Certainly the company has not considered the property "hot" enough to spend more money on it when the money was available.
3. It appears to me that the company's ownership of two mills might form the basis for government participation in a custom milling (and mill training) project, involving the movement of one of the mills to a more accessible location (Rossland?).
4. Unless my memory serves me incorrectly, the company has an interest in a silver property, in conjunction with Pacific Petroleum, which is not mentioned in the proposal.
5. I believe that Mr. Stark's closing comments should be incorporated in the current revision of the MINERAL ACT, eg. granting the Lieutenant-Governor in Council the power to establish Crown reserve areas, and to authorize the Minister to dispose of them on such terms and conditions as he sees fit.

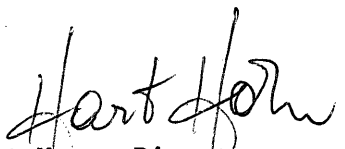
.../2

Mr. J.E. McMynn

February 3rd, 1975

6. Mr. Stark's "Formula for Participation" is of some interest in its own right. It is telling that the formula assumes that the Department would contribute "geological services", but does not appear to assume that there would be a price tag for such services.
7. Given the constraints of the 1975/76 Budget, it will not be possible for the Department to become involved in any exploration projects calling for heavy expenditures. In all fairness to Mr. Stark, this should probably be communicated to him at an early time. For purposes of the PROSPECTOR'S ASSISTANCE ACT, the Geology Division should provide a statement of the value of the services involved in any property evaluation, which value should be incorporated in any amount granted by the Mineral Development Division (Economics and Planning) from the Mineral Exploration Fund.
8. Depending on his financial expectations, Mr. Stark might make a valuable member of the Mineral Development Division, provided that he is prepared to divest himself of his mining (and petroleum) stocks.

In view of the foregoing I have refrained from commenting on the specifics of Mr. Stark's participation formula, and the means of establishing property values.


Hart Horn, Director
MINERAL REVENUE DIVISION

/ma

J.E. McMynn

Deputy Minister

February 3rd

75

Re: Giant Mascot Participation

I have reviewed Mr. Stark's letter and proposals and would like to make the following comments:

1. I still consider Giant Mascot's interest in PANARCTIC to be the company's most valuable asset. The company has undertaken a recent commitment to acquire additional shares of PANARCTIC at a cost of nearly \$1 million, payable in quarterly installments (see p. 6 Supplementary Report).
2. Among the properties mentioned in the letter, the Giant Copper property appears to hold the most immediate promise of commercial production. Notwithstanding the availability of a mill of compatible size, however, it seems to me that insufficient quantities of commercial ore have been proved. Certainly the company has not considered the property "hot" enough to spend more money on it when the money was available.
3. It appears to me that the company's ownership of two mills might form the basis for government participation in a custom milling (and mill training) project, involving the movement of one of the mills to a more accessible location (Rossland?).
4. Unless my memory serves me incorrectly, the company has an interest in a silver property, in conjunction with Pacific Petroleum, which is not mentioned in the proposal.
5. I believe that Mr. Stark's closing comments should be incorporated in the current revision of the MINERAL ACT, eg. granting the Lieutenant-Governor in Council the power to establish Crown reserve areas, and to authorize the Minister to dispose of them on such terms and conditions as he sees fit.

.../2

Establish
a file
on
participation
proposals

Mr. J.E. McMynn

February 3rd, 1975

6. Mr. Stark's "Formula for Participation" is of some interest in its own right. It is telling that the formula assumes that the Department would contribute "geological services", but does not appear to assume that there would be a price tag for such services.
7. Given the constraints of the 1975/76 Budget, it will not be possible for the Department to become involved in any exploration projects calling for heavy expenditures. In all fairness to Mr. Stark, this should probably be communicated to him at an early time. For purposes of the PROSPECTOR'S ASSISTANCE ACT, the Geology Division should provide a statement of the value of the services involved in any property evaluation, which value should be incorporated in any amount granted by the Mineral Development Division (Economics and Planning) from the Mineral Exploration Fund.
8. Depending on his financial expectations, Mr. Stark might make a valuable member of the Mineral Development Division, provided that he is prepared to divest himself of his mining (and petroleum) stocks.

In view of the foregoing I have refrained from commenting on the specifics of Mr. Stark's participation formula, and the means of establishing property values.

Hart Horn, Director
MINERAL REVENUE DIVISION

/ma

October 22, 1974

Mr. L. P. Starck,
President and Managing Director,
Giant Mascot Mines Limited,
900 - 837 West Hastings Street,
Vancouver, B. C. V6C 1C2.

Dear Sir:

Re: A Formula for Participation by the
Provincial Government in Certain
Mining Ventures Owned or Controlled
by Giant Mascot Mines Limited.

This is to acknowledge your letter of October 8
and enclosures received in the absence of Mr. McFynn.
They will be brought to his attention when he returns to
the office the beginning of November.

Yours very truly,

Deputy Minister's Secretary.

DB

X Fr.

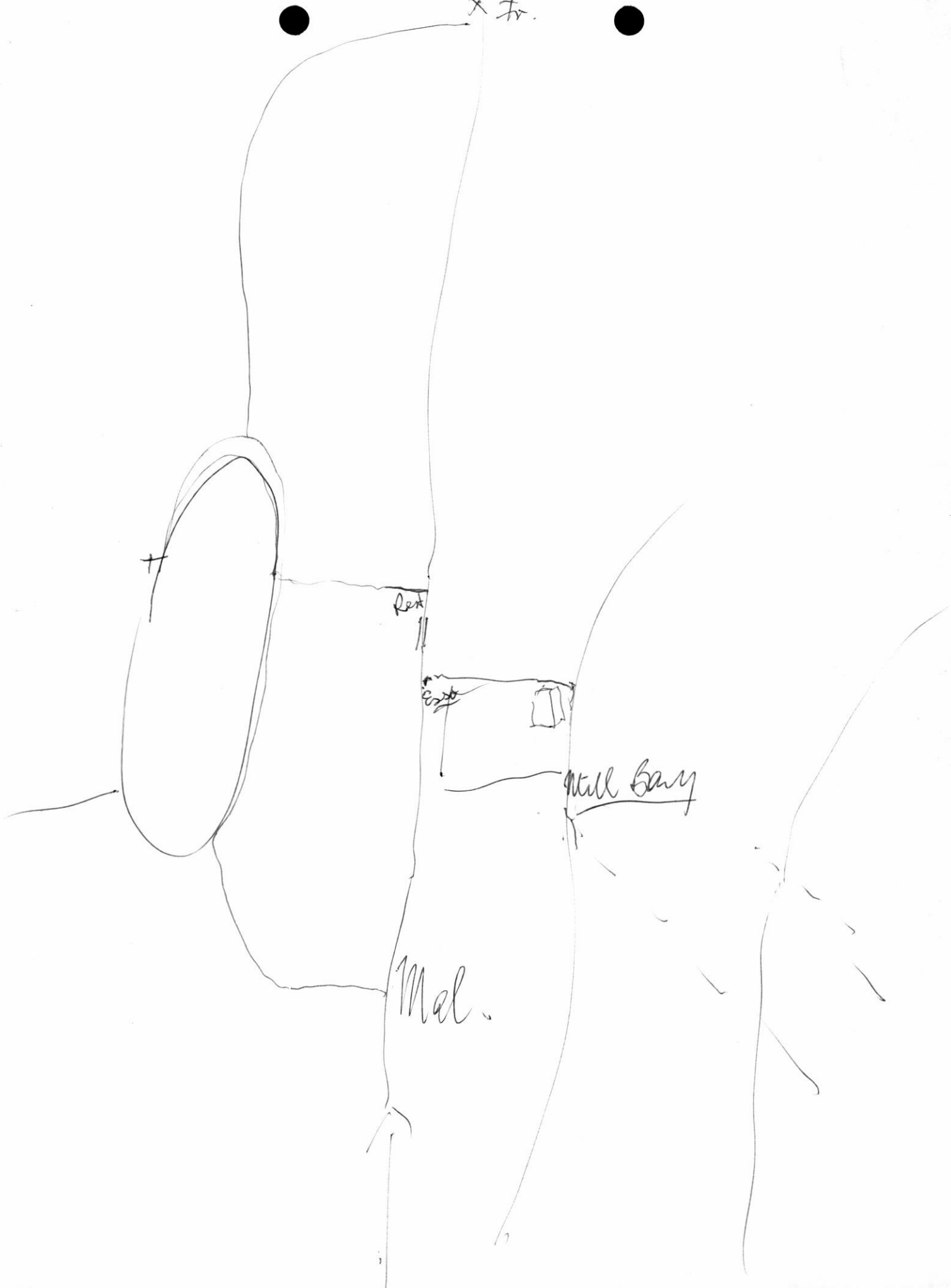


Ret



Mill Bay

Mal.





GIANT MASCOT MINES LIMITED

TELEPHONE (604) 683-8204 / SUITE 900 - 837 WEST HASTINGS STREET, VANCOUVER, B.C. V6C 1C2

MINE OFFICE:
TELEPHONE (604) 869-5016
P.O. BOX 1060, HOPE, B.C. V0X 1L0

October 8, 1974

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

REC'D OCT 11 '74

Department of Mines and Petroleum Resources
Parliament Buildings
Victoria, B.C.

Attention: Mr. J.E. McMyynn, Deputy Minister

Dear Sirs:

REFERRED	TO	DATE	BY
DEPTS			
A. D. M.			
A. D. P.			
I. R.			
M. & P.			
A. D.			

FILE

Re: A Formula for Participation by the Provincial
Government in Certain Mining Ventures Owned
or Controlled by Giant Mascot Mines Limited

The following report has been prepared in response to your request to develop a formula, for your consideration this fall when the Department's 1974 field study of the Giant Nickel Mine ultrabasics is completed, for the possible participation of the Provincial Government in joint ventures with Giant Mascot Mines Limited on the further exploration and development of certain properties which Giant Mascot owns or controls in the Hope area. These include the Giant Nickel (Pride of Emory) Mine, Choate, a former producing nickel-copper mine that closed down in August after fifteen years of production but continues to have exploration potential; the Giant Copper (Canam) property, Allison Pass, a potential copper producer which is in an intermediate stage of exploration and development; and the Nickel Syndicate property and adjoining areas of ultrabasics, lying westward from the Giant Nickel Mine to Harrison Lake, on which exploration work has disclosed interesting indications for the deposition of nickel and copper sulphides.

Generally the joint venture proposals involve the participation of the Government in the further exploration of these properties by carrying out work on them in an amount equal to the Company's expenditures in order to earn an interest in them. Once this interest had been earned then further expenditures for exploration and development of them would be shared by the Government and Giant Mascot in the same ratio as their interests. Such a venture would, we believe, be the first participation by the Provincial Government with private industry in a mining venture.



The Company approached the Government in early 1974 (see "A Memorandum on Giant Mascot Mines Limited, March 26, 1974", which is attached) to explore the possibility of some form of participation that would permit the Company to continue its extended exploration program at the Giant Nickel Mine with the objective of maintaining production, and/or to undertake a further testing program at the Giant Copper property which could offset, to some extent, the impact that the closure (then anticipated as a possibility but now a reality) of the Giant Nickel Mine might have on the community of Hope, and has the potential for the establishment of a new mine in the longer term. The closure of Giant Nickel resulted in the loss of some 200 jobs, representing an annual payroll of some 2.2 million dollars, which is the largest and possibly the only year-round payroll in the Hope area.

The Department of Mines and Petroleum Resources made a detailed examination of the Giant Nickel Mine and indicated that they would possibly consider some type of exploration participation with Giant Mascot, but unfortunately the Company cannot participate at this time on a cost sharing basis as it does not have the financial resources to continue exploration now that the Giant Nickel Mine, which was its only source of income, is shut down.

On further discussion with the Government it was indicated that the latter might possibly consider participating with Giant Mascot, on a joint venture basis, in the exploration and development of the Giant Nickel Mine and adjacent area of favourable ultrabasics (including the Nickel Syndicate) and also of the Giant Copper property, on the footing that the Government would earn an interest in these properties. Therefore, as a basis for continuing discussions, it was requested that a formula be proposed for such joint ventures which would incorporate an "earned interest" for the Government and the management of any such joint ventures by Giant Mascot.

Considerations in Regard to Public and Private Joint Ventures

The participation by the Government in any mining exploration and development venture could parallel common practice in the mining industry, with due consideration, however, for the fact that one partner would be the Government who would have a different tax and legal status than that of the industry partner. A leading example of such a government (public) and industry (private) relationship in Canada is Panarctic Oils Ltd., which is a 45/55 percent corporate joint venture of the Federal Government and 21 private partners in the exploration for petroleum and natural gas in the Canadian Arctic Islands.



In any joint venture the Government could be represented either by one of its Departments, such as the Department of Mines and Petroleum Resources, or by an agency which could well be a Crown Corporation. For the purpose of this presentation it has been assumed that the Government would be represented by a Crown Corporation. Similarly, it has been assumed that the private partner would provide the operating management, and geological services would be contributed by the Department of Mines and Petroleum Resources. Possibly if a Crown Corporation were formed it could well become involved in other similar situations and might eventually take over the geological and engineering aspect of such joint ventures and possibly the operating management, particularly in grass roots ventures, but it is believed that it would be preferable to leave the responsibility of management with the industry partner, provided such a partner had the operating expertise. ✓

In considering mining situations on which extensive sums of money have already been expended for plant and equipment, underground entries, exploration diamond drilling and development, and the assemblage of geological, geochemical and geophysical information, the following formula for a joint venture is suggested for your consideration:

1. The present value of the property would be established at the outset. This could be arrived at on the basis of the monies expended to date; the value of the work done that would be of ongoing value to the joint venture; the value of the estimated reserves of mineralization indicated to date; an acreage value; or a combination of these factors and others. No
2. An option period would be agreed upon during which time the Crown Corporation would carry out a phased exploration program, the cost of which would, at the end of the option period, earn the Crown Corporation an interest in the property. L.O.K.
3. Once the Crown Corporation had earned its interest then further expenditures for exploration and development to production would be shared by the partners in the same ratio as their respective interests. If at any time during this stage of the program either partner could not provide its share of the financing, then its interest would be decreased by a percentage that would be related to the monies which it had failed to provide. However, at no time would either partner's interest be reduced below a certain fixed percentage, which would, in effect, result in a retained interest. No



There are numerous refinements that would have to be considered in finalizing such a formula. For example, it is common practice that the optionee does not earn an interest in the property until such time as the option has been fully exercised, although in some instances a percentage is earned as each phase of the option is performed. In most instances the first arrangement reflects the desire of the optionor not to fractionize the ownership of the property, or income tax considerations on the part of the optionee. In the case of Government participation using public funds it may be preferable that either an interest be earned after a certain stage, or that monies expended during the option period be a charge against the property, repayable out of profits. This latter arrangement would more or less parallel the policy of the United States Government, who advance funds to property holders without earning any interest but are entitled to a charge against future profits. Once the optionee earns an interest in a property it is common practice to transfer the property to a private company formed for the purpose, and the partners take down all or part of the shares and further expenditures are financed by way of loans or the purchase of shares for cash, or by the performance of work. It is doubtful if such an arrangement would be satisfactory to the Government as a private corporation of this type would be subject to tax by the Federal Government if the Provincial Government's interest were less than required under the Income Tax Act of Canada. Alternatively, the property could be operated as a joint venture with each partner being entitled to an undivided interest in the property. It is understood that under such an arrangement profits would pass directly to the partners, who would be entitled to their respective tax positions. Such a partnership would have a certain liability exposure for both partners but that exposure would be limited to the assets of the Crown Corporation and the industry partner. If the Crown Corporation were to have a number of such possible exposures due to its involvement in other mining situations, then its liability could be limited by forming a separate subsidiary for each venture for the purpose of holding its interest in each specific venture. This route could also be followed by the industry partner, but this would be unlikely as, although dividends could flow tax-free from the subsidiary to the parent, the tax write-offs of the parent could not be applied against the revenue from the joint venture. In view of the use of public funds in the joint mining venture, consideration might have to be given to a provision whereby, if the Crown Corporation or industry partner failed to participate in future calls for financing, the interest of the partner which failed to put up its share would be reduced but it would receive some monetary credit out of profits if the retained interest were to fall below an agreed figure. Other factors which would have to be examined in



structuring a government/industry joint venture would be tax considerations on the purchase of supplies and equipment, both Federal and Provincial.

Properties Owned or Controlled by Giant Mascot Mines Limited
in the Hope Area

Giant Mascot owns or controls three properties in the Hope area: the Giant Nickel Mine, the Giant Copper property and the Nickel Syndicate property.

The Giant Nickel Mine, Hope, B.C., has been in virtually continuous operation from July 1959 to August 31, 1974, when it was closed down as a result of known ore reserves having been depleted and not replaced by new discoveries. During this period some 4.5 million tons of ore were mined from 26 zones discovered in the western one-third of the main ultrabasic mass between elevations 2600 and 4100. The remainder of this formation, some 1.8 miles long by 1.4 miles wide, which has hosted these economic concentrations of nickel and copper sulphides, has not been explored in detail. In view of the extent of this favourable mass of ultrabasics, the number of mineralized showings and geochemical and geophysical anomalies which have not been tested in detail, and the proven record of the mine for the discovery and development of new ore over the past fifteen years, it is generally considered that the property warrants further exploration. The recent discovery of a zone of mineralization in the bank of the new logging access road being constructed across the Company's mineral claims, which ran 3.5% nickel and 0.8% copper on seven samples taken across 40 feet, illustrates the untested exploration potential of the property. In addition to the main ultrabasic mass there are three other known zones of ultrabasics on the property which are relatively unexplored.

On the Giant Copper property, Allison Pass, situate some 40 miles east of Hope, several zones of brecciation which show copper mineralization are known. The two main zones are the A.M. and Invermay. The A.M. zone has drill-indicated reserves of some 2.8 million tons grading 1.35% copper with minor values of precious metals and an inferred geologic potential of some 10 to 20 million tons of 0.6% copper, or as much as 90 million tons of 0.3% copper. In the Invermay zone there are indications of a possible low-grade porphyry copper deposit and the potential for a narrow high-grade silver deposit.



The Nickel Syndicate holds a total of some 346 mineral claims within an area some eight miles by seven miles, lying between the Giant Nickel Mine and Harrison Lake where reconnaissance geological, geophysical and geochemical surveys have shown there are several occurrences of ultrabasics that are of a similar character to those which host the Giant Nickel Mine and in which numerous and reasonably continuous indications of nickel and copper mineralization have been noted. The Nickel Syndicate is a joint venture by one of the Company's wholly-owned subsidiaries as to 50% and by Giant Explorations Limited (N.P.L.) as to the remaining 50% interest. Giant Explorations, a public British Columbia mining company in which Giant Mascot holds a 28% interest, is effectively controlled by Giant Mascot.

More detailed information on these properties is to be found in the enclosed "Report on Giant Mascot Mines Limited and its Subsidiaries and Associate up to February 28, 1974", and "A Supplementary Report on Giant Mascot Mines Limited and its Subsidiaries to September 9, 1974".

These properties are considered to have the potential for developing economic tonnages of mineralization, but Giant Mascot is not in a financial position, at this time, to carry out the testing which is necessary to fully assess their potential. Therefore, the Company is initiating discussions with other parties who would participate in further exploration on these properties and, if it is warranted, their development to production.

Possible Formulae for Joint Ventures on the Giant Mascot Properties in the Hope Area

The following formulae for joint ventures on the Giant Mascot properties in the Hope area are submitted herewith:

Giant Copper Property

1. The value of the Giant Copper property would be established at Giant Mascot's book value, which as at September 30, 1974 was \$2,452,980, say 2.5 million dollars.
2. The option term for the expenditure of exploration monies would be four years.



3. The yearly option expenditures would be:

<u>Year</u>	<u>Amount</u>
1	\$ 250,000
2	500,000
3	750,000
4	1,000,000

Any over-expenditures in an option period would be credited against the amount required the following year.

4. The Crown Corporation would earn a 50% interest in the property as soon as it had expended 2.5 million dollars on the property.
5. Further expenditures would be shared on a 50/50 basis but if either partner failed to put up its share of future calls then its interest would be reduced by, say, 1% for each \$100,000 that it failed to put up, provided that its interest would never be reduced below 15%. The value that has been placed on each 1% interest is based on the assumption that it would cost some 9.5 million dollars (of which 2.5 million dollars would be expended during the option period) to bring the property to the feasibility stage. As both partners would receive a retained interest of 15% each, or a total of 30% in the property for the first five million dollars of expenditures (1% equals \$166,000) during the initial stages, it is not unreasonable that they would forfeit 1% per \$100,000 of expenditures not put up during the latter stages of exploration when the risk could be assumed to be somewhat less. The funds to place the property into production would possibly be put up by way of loans.
6. There would be a provision whereby any partner who declined participation at any stage could, within a set period of time, "back in" for the payment of twice or more the amount not contributed by it. This multiple could increase as the property approached the feasibility stage.
7. In the agreement there would be a definition of net profits, provisions for working capital, exploration expenditures and capital expenditures, further capital expenditures after commencement of production, a perimeter clause covering claims acquired within a certain distance of the original property boundary, representation on a management committee, etc.



8. The operating management of the property would be provided on a fee or cost plus basis by Giant Mascot or a subsidiary, for so long as it demonstrated its competency to carry out the work, with provision for appointment of another operator if it did not do so.

Giant Nickel Mine

A similar type of joint venture arrangement could be worked out for the Giant Nickel Mine. This situation, however, is somewhat different in that the Giant Nickel is a former producing property completely equipped with an 1,850 ton per day mining and concentrating plant and surface establishment, which makes it somewhat difficult to arrive at a basic valuation.

A number of different methods could be used to arrive at a value for the Giant Nickel Mine:

1. Book Value

The book value of the Giant Nickel Mine as at September 30, 1973 was \$9,387,275, made up as follows:

Mineral claims at cost less depreciation	\$ 247,707
Buildings and equipment at cost less depreciation	7,083,436
Deferred mine development and exploration costs less accumulated depreciation	2,056,432
	<hr/>
	\$9,587,275

This is not considered to be a reasonable basis for valuation as it places considerable weight on the buildings and equipment, which may not be realistic in the case of a mine without established ore reserves, and too little weight on the value of the underground entries, the exploration diamond drilling and the geological, geophysical and geochemical information that has been assembled over the years, all of which could well be the basis for new ore discoveries.



For example, the value of the plant and equipment to the joint venture would vary depending upon whether the present location of the concentrating plant was ideal or unsuitable for the processing of any new ore that was found, and whether or not it was of a size compatible for the treatment of any such discoveries, and finally, on whether any economic mineralization were found. However, the mine changehouse and office, and possibly the laboratory, compressor plant, machine shop and portable compressors, diamond drills, tractors, graders, etc., would be of value in any event to an exploration program no matter what its scope might be.

2. Capital Cost Allowance Value

The book value of the undepreciated capital cost for the Giant Nickel Mine, as recorded in respect to the Federal Income Tax returns as at September 30, 1973, was some \$4,500,000, which could provide a basis for valuation.

3. Acreage Value

An acreage valuation could be worked out similar to what is done in the case of oil and natural gas properties, but the terms of reference would be somewhat different as mineral lands are not put up for bid as are oil and natural gas lands, and there has not been any sale of comparable mineral lands in the area. One basis for developing an acreage price would be to assume that the property has the potential for the discovery of ore in a total tonnage and grade equivalent to that mined to date, assuming always that there are no apparent limiting factors. Then the potential operating profit would be calculated on the basis of such inferred tonnage using current costs and metal prices. This would give a gross value for the property, from which would be deducted the estimated exploration and development costs. The resulting amount would then be applied to the total area of known and inferred ultrabasics on the property in order to arrive at a total value.

This would be a complicated method for the valuation of the property and does not take into consideration the depth potential under the existing workings, the possibility that the favourable ultrabasics might narrow or expand on certain horizons or might be adversely affected by chemical or structural factors.



4. Valuation of Work Done on the Property
(not including equipment and surface capital structures)

As in the case of any mining venture, the prime objective of a joint venture at the Giant Nickel Mine is to find concentrations of mineralization of a grade and tonnage which could be economically mined. Therefore, it would be reasonable to assume that the value of a property to a new partner, other than for its geological setting, is the work already done on it that could potentially contribute to an earlier realization of the objectives of the joint venture. In these terms the property should be valued on the basis of the underground workings, diamond drilling and geological, geophysical and geochemical data. Therefore, in considering the Giant Nickel Mine, which is a former producer, a judgement would have to be made as to what workings and diamond drilling would be of value to an exploration joint venture. This is difficult when a number of levels, manways, orepasses, ventilation raises and diamond drill holes have been created both for exploration and production and many are in mined out areas where the potential of finding new ore is minimal, but at the same time may contain proto-ore that could be ore in the future.

Taking the above factors into consideration, an evaluation of the Giant Nickel Mine (exclusive of the value for the equipment and surface facilities, which would be estimated separately) could be made on the basis of work done as follows:

Workings and Diamond Drill Holes

The following underground workings, which are considered of value to a joint exploration venture, could be valued at the current costs of completing like work:

(a) Workings in the Vertical Plane

- (i) Two entries in the vertical plane are essential between the levels for access, safety and ventilation. These would total some 3,000 feet.
- (ii) All the entries in the vertical plane would be of value for engineering studies, exploration development and diamond drilling, but it would be



proposed that an arbitrary limit be placed on the number to be included in a valuation. Possibly only some 3,000 feet of workings in relatively untested areas of the mine should be considered.

(b) Workings in the Horizontal Plane

All of the entries in the horizontal plane would be of value in engineering studies and exploration diamond drilling and development, but to include all of them in the valuation of the property might be considered excessive. Therefore, possibly only those workings which extend into relatively untested areas of the property might be included in the valuation, such as all of the 2600, 3050 and 3275 Levels and part of the 2950, 3250 and 3550 Levels, for a total of some 20,000 feet.

(c) Diamond Drill Holes

Some arbitrary limit would have to be established on the number of diamond drill holes included in the evaluation, as, for example, including only those holes which extend outwards for more than a set number of feet beyond an agreed skeleton composite plan of the horizontal workings.

Geological, Geochemical and Geophysical Data

This data could be given a value of 50% of the valuation placed on the diamond drill holes.

Nickel Syndicate Property and Adjoining Ultrabasic Area

On the Nickel Syndicate property a joint venture arrangement is proposed which would parallel the basic formula.

Since the Syndicate was formed in 1969 some \$450,000 has been spent in the Syndicate area and as of September 30, 1974 the Syndicate holds some 346 mineral claims. During this period the Syndicate has allowed a number of claims to lapse as they were not considered to have geologic potential. However, although a



portion of the expenditures to date has been expended on ground that has lapsed, work done on them is relevant to the claims retained and therefore it is reasonable to consider the total amount spent as the value for the property. This amounts to some \$1,250 per claim.

With respect to the area of ultrabasics between the Giant Nickel Mine and Harrison Lake, it would be well for any new joint venture to stake additional claims prior to commencing work in the area, or for the Government to establish a reserve over the area or possibly amend the legislation to provide for area concessions. In both of the latter cases we appreciate that this could only be done if there were a change in Government policy. Considerations might then have to be given to the value of any Crown land contributed to the joint venture for prospecting.

We trust that this presentation will provide a basis for further discussions of a formula for possible joint ventures between the Government and Giant Mascot Mines Limited and we look forward to meeting with you at your convenience.

Yours very truly,

GIANT MASCOT MINES LIMITED

L.P. Starck
President and Managing Director

Enclosures

LPS/lw

MEMORANDUM

TO Mr. J. E. McMyrn,
DEPUTY MINISTER

FROM THE

DEPARTMENT OF MINES
AND PETROLEUM RESOURCES

VICTORIA, B.C., January 30th, 1975

WHEN REPLYING PLEASE REFER
TO FILE NO. 871(15)

*ADM
returned
for file*

Re: GIANT MASCOT PROJECT

*Report
No 110*

The drill programme described in the report by Peter Christopher dated January 23rd 1975 is valuable in the search for additional orebodies of the sort that have been mined throughout the life of this property. The geological basis for the programme is sound, the project cost of \$300,000 may not be enough, but is probably close even with the need to rehabilitate the camp and the necessary parts of the underground workings. If successful, the drilling will discover new orebodies; if unsuccessful it will write off additional favourable ground.

The programme suggested, however, almost certainly will not put the mine back on its feet - this requires a broader appraisal of the overall potential. To put this major potential in perspective the Department should consider detailed (1,000 scale) geological mapping of the Giant Mascot stock followed, if warranted, by geochemical and geophysical studies.

*Report
w/100*

Such a programme was recommended by Grove in his report of May 1974, Phase 2, and I am firmly of the opinion that we should determine the overall exploration potential of the area before embarking on the detailed programme outlined in Christopher's report. Perhaps the Giant Mascot company should be encouraged to do this drilling.

Attached are copies of both reports referred to which should be returned to my files.

James T. Fyles

JAMES T. FYLES

JTF:bg

Att: Reports as above

DEPARTMENT OF MINES AND PETROLEUM RESOURCES

Date: 5/12/74.

From: ASB.

To: JTF.

INSTRUCTIONS

- | | |
|---|--|
| <input type="checkbox"/> For your approval. | <input type="checkbox"/> Prepare reply for my signature. |
| <input type="checkbox"/> For your information. | <input type="checkbox"/> Prepare draft of reply. |
| <input type="checkbox"/> For necessary action. | <input type="checkbox"/> Return to me. |
| <input type="checkbox"/> Send me copy of reply. | <input type="checkbox"/> Return to file. |
| <input type="checkbox"/> For your comments. | <input type="checkbox"/> For signature. |
| <input type="checkbox"/> Wish to discuss. | |

REMARKS:

THIS MEMO FROM P.C. WAS
IN THE PIPELINE WHEN
YOU TALKED ABOUT A
REPORT FROM HIM. WE
HAVE SINCE DISCUSSED
THE MATTER & YOU WILL
HAVE A REVIEW IN A
WEEK OR SO.



MEMORANDUM

FROM THE

DEPARTMENT OF MINES AND PETROLEUM RESOURCES

VICTORIA, B.C., December 3rd, 1974

TO: Dr. A. Sutherland Brown,
Deputy Chief Geologist,
Mineral Resources Branch

WHEN REPLYING PLEASE REFER

TO FILE NO.

RE: Summary Report - 1974 Field Season

2942

The objectives of the 1974 field season were:

- 1) Examine underground workings and representative drill core at the Giant Mascot Mine, HOPE, B. C.
- 2) Consolidate available engineering reports and geological data on the Giant Mascot Mine.
- 3) Review past production, establish known geologic reserves and evaluate potential for further exploration.
- 4) Formulate a genetic model to aid in exploring for similar ultramafic bodies in the Hope area.

Summary of field results:

- 1) An initial visit to the mine was made between June 16th and June 19th, 1974. Mr. J. W. Robinson of the Inspection Branch arranged for the visit, expedited introduction to mine personnel and procedures, and provided a safety tour of the mine.
- 2) From June 23rd till Oct. 29th, 1974 was spent working at the Giant Mascot Mine. Robert Maguire assisted until July 13th, and Norman Berg, mine geologist at Giant Mascot, was hired after the mine closed at the end of August.
- 3) Between June 24th and June 28th, Lloyd DeRoux (chief geologist) and Neville Foran (safety supervisor) provided geological and safety tours.
- 4) July and August were spent logging core and underground mapping. About 30,000 feet of drill core was logged and sampled and workings near the "6800" mineral deposit were mapped and sampled.
- 5) September and October were spent as follows:
 - (a) Examining surface showing on the Giant Mascot Property. The Cabin Creek, Nickel Star, Molly, Dolly, Brunswick I, Pride of Emory, Camp Creek, Trail and new showings on Emory Creek were examined and sampled.

...../2

- (b) Nearby showings on Gordon Creek, Talc Creek, and Cogburn Creek were examined and sampled.
- (c) A summary of the 28 mineral deposits and several showings was compiled by N. Berg.
- (d) Company reports and maps were reviewed.
- (e) Underground mapping was checked and representative rock specimens collected.

Peter A. Christopher

P. A. CHRISTOPHER,
Geologist, Geological Division,
Mineral Resources Branch

PAC/crd

MEMORANDUM

TO Dr. J.T. Fyles,
Associate Deputy Minister.

FROM THE

**DEPARTMENT OF MINES
AND PETROLEUM RESOURCES**

VICTORIA, B.C., September 18, 1974

WHEN REPLYING PLEASE REFER
TO FILE NO.....

Grant
Re: Hedley Mascot new showing

Attached is a copy of a note and sketch map from Dr. Peter Christopher regarding the new surface showing found at ~~Hedley~~ *Grant* Mascot. It was uncovered by cat driver building a new logging road for Weldwood of Canada Ltd.

I have asked him to keep us informed on the progress of further exploration.

Stuart S. Holland

STUART S. HOLLAND,
Chief Geologist, Geological Division,
Mineral Resources Branch.

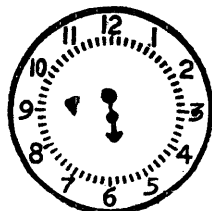
SSH/jr

Attd: Memo. and sketch

9997

cc: J.E. McMynn

SEP 19 '74 AM



**DEPT. OF MINES
AND PETROLEUM RESOURCES**

REFERRED TO	DATE	INITIAL
Division,		
ADM (M)	✓ 19/9	JTF
ADM (P)		
C.G.C.		
C.P.R.		
DCCG		
ACPR		
G.C.		
ACCTS.		
GEOL.		
INSP.		
M. REV.		
EC. & P.		
FILE NO.		
FILING CLERK		

MEMORANDUM

TO Dr. Stuart S. Holland,
Chief Geologist

FROM THE

**DEPARTMENT OF MINES
AND PETROLEUM RESOURCES**

VICTORIA, B.C., September 17, 19 74

WHEN REPLYING PLEASE REFER
TO FILE NO.

Re: Giant Mascot New Showing - September 74

Enclosed is a sketch of Giant Mascot's new showing. Locations for samples collected by Frank Holland and Lou Stark are not shown but the 3.50% Ni value reported in the Province newspaper is believed to be a reasonable value for an exposed area of 10' x 40'. The showing is at 3150' elevation, about 2000' NW of the west end of the 2600' level and mining could be carried out from the present facilities. At least 500,000 tons of better than 1% nickel is required to justify the development costs.

Giant Mascot is presently using an x-ray drill to outline the surface showing. Diamond drill hole 5167 has been completed but I have not examined the core. Magnetometer and geochemical surveys are also being carried out by Giant Mascot.

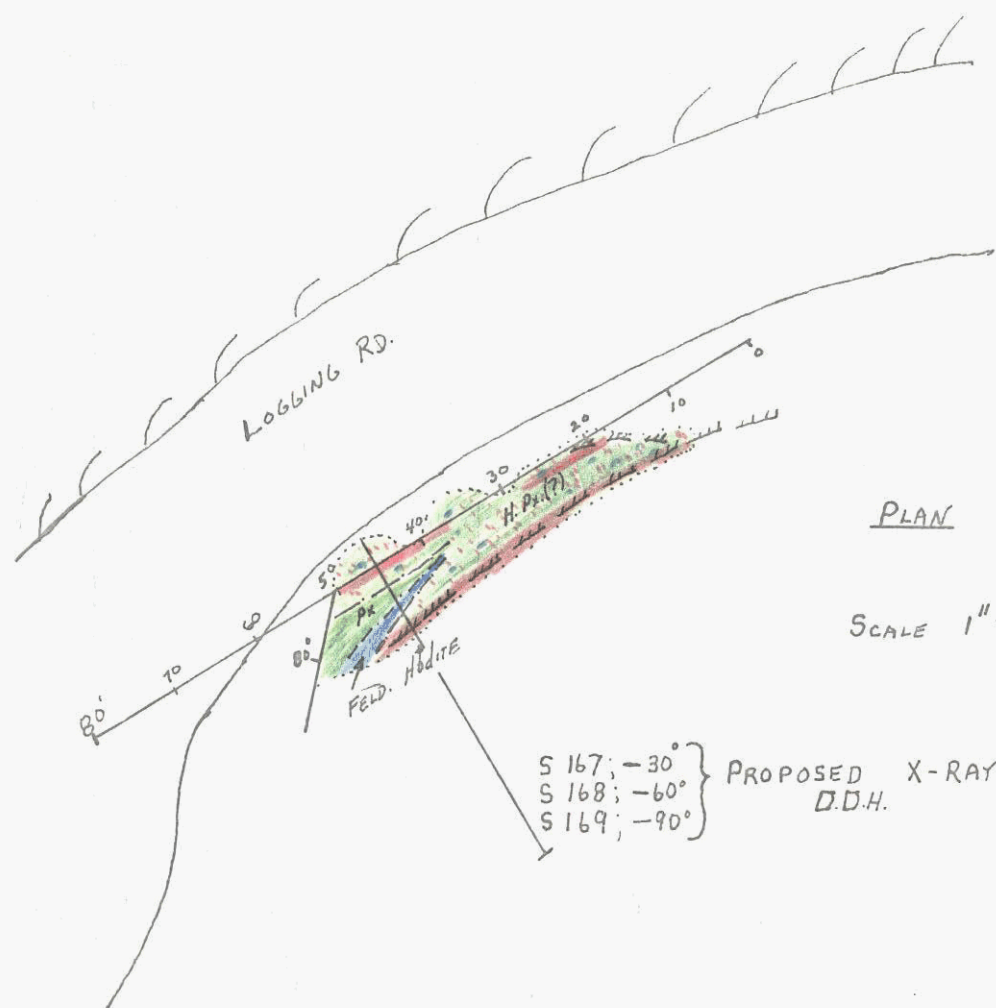
Peter A. Christopher

P. A. Christopher,
Geologist

PAC/ldm

Encl: sketch

DEPT. OF MINES AND PETROLEUM RESOURCES		
Rec'd SEP 17 1974		
<i>PA</i>		

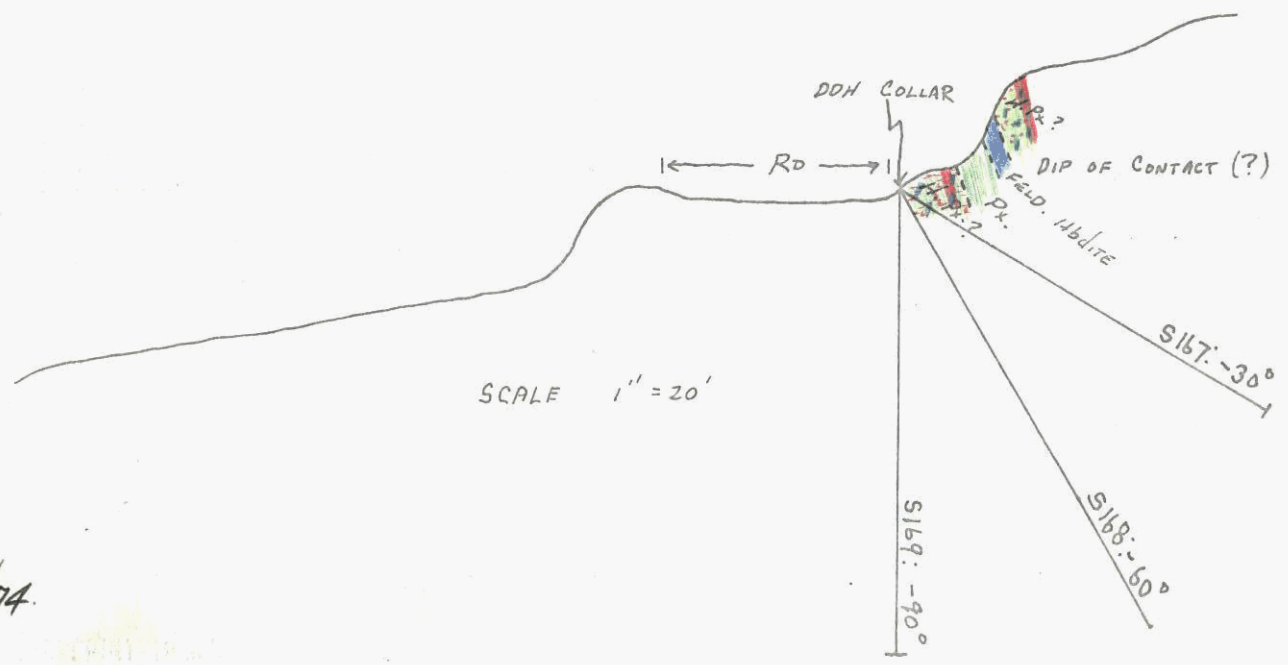


PLAN G.M. NEW SHOW
 SEPT. 74
 SCALE 1" = 20' MAPPING BY
 P.A.C.

PROPOSED X-RAY
 D.D.H.
 S 167; -30°
 S 168; -60°
 S 169; -90°

MINERALIZATION
 MASSIVE DISSEM.

X SECTION N 30° W @ DDH COLLAR



SCALE 1" = 20'

13/9/74

MEMORANDUM

FROM THE

**DEPARTMENT OF MINES
AND PETROLEUM RESOURCES**

VICTORIA, B.C., May 16, 1974

TO Dr. J. T. Fyles,
Associate Deputy Minister

WHEN REPLYING PLEASE REFER
TO FILE NO.

Re: Giant Mascot Proposal

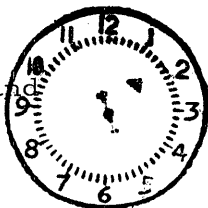
The outline for the geological project at the Giant Mascot Mine and in the ultrabasic zone has been tendered as you instructed.

If the Mapping Division is given early notice, the required topographic map can be prepared at no direct cost to the Department of Mines.

MAY 16 '74 PM

E. W. Grove
E. W. Grove,
Senior Geologist

EWG/ldm
cc: Stuart S. Holland



5737

DEPT. OF MINES
AND PETROLEUM RESOURCES

REFERRED TO	DATE	INITIAL
D.M.		
ADM (M)	✓ 16/5	JTF
ADM (P)		
C.G.C.		
C.P.R.		
CCAC		
ACPR		
G.S.		
ACCTS.		
GEOG.		
INSP.		
M. REV.		
EC. & P.		
FILE NO. 1871		

DEPARTMENT OF MINES AND PETROLEUM RESOURCES

Date:

March 4

From:

Minister

To:

J. Macmillan

INSTRUCTIONS

- For your approval.
- Prepare reply for my signature.
- For your information.
- Prepare draft of reply.
- For necessary action.
- Return to me.
- Send me copy of reply.
- Return to file.
- For your comments.
- For signature.
- Wish to discuss.

REMARKS:

File -
mining properties



GIANT MASCOT MINES LIMITED

TELEPHONE (604) 683-8204 / SUITE 2410, TORONTO-DOMINION BANK TOWER, VANCOUVER 1, B.C.

MAILING ADDRESS:

P.O. BOX 10010, PACIFIC CENTRE

700 WEST GEORGIA STREET, VANCOUVER /, B.C.

V7Y 1A1

347	
MINE OFFICE:	
TELEPHONE	(604) 869-5016
P.O. BOX	1060, HOPE, B.C.
	M. B.
	1
	0
	0
	SIS
MAILED	DATE

February 28, 1974

The Honourable S. Nimsick
Minister of Mines & Petroleum Resources
Victoria, B.C.

CD MAR 4 74

Dear Mr. Nimsick:

DEPUTY MINISTER OF MINES & PETROLEUM RESOURCES

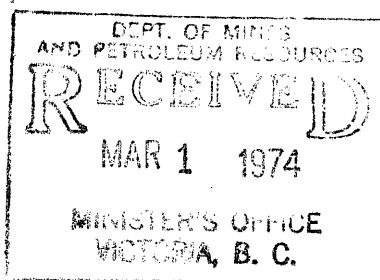
For your information we are enclosing herewith a copy of the Giant Mascot Mines Limited 1973 Annual Report. As you have undoubtedly been advised by Messers H. Horn and J. McMynn, who we met with two weeks ago, we are advising our shareholders and employees that the write-down of the estimated ore reserves at the Giant Nickel Mine, Hope, B.C., "could well result in the phasing out of the production by September 30th, 1974, unless additional ore is found in the course of exploration".

You will appreciate that this has been a very difficult decision to make and has only been made after a very careful analysis of the situation. We are however, optimistic that, if finances were available for further exploration, then the possibilities of discovering new ore are good and it may be possible to reopen the property in the future. The closure of the operation as you will appreciate will have a definite economic effect on the village of Hope as it has been a major year round payroll of some two million dollars for the last fifteen years.

Yours very truly,

GIANT MASCOT MINES LIMITED

L.P. Starck
President and Managing Director



Encl.
LPS/mm



File
DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES
V8V 452

534
REC'D APR 17 '74

April 17th, 1974.

Mr. Jack Diamond,
Staff Representative,
United Steelworkers of America,
624 A Tranquille Road,
KAMLOOPS, B.C.

REFERRED TO	DATE	INITIAL
COCTS		
G. C.		
G. G. C.		
C. I.		
C. M. B.		
C. P. E.		
FILE		

Dear Jack:

I am writing this letter to acknowledge with thanks receipt of your letter of April 8th and the attached information from Giant Mascot Mines.

This mine has given us some concern but I am a little amazed at some of the money from the mine being put into the oil industry rather than used for exploration purposes. In any case, we are having someone check into the situation at the present time and as yet I have not had a report.

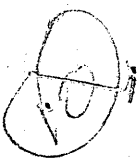
I have no comment to make about this mine being turned into a mining school, because this matter comes under the jurisdiction of the Department of Education. But it does sound somewhat interesting.

Fraternally yours,

Leo T. Nimsick,
MINISTER.

cc: J.E. McMynn

P.S. I am having a copy of the information you provided with your letter sent to my Deputy for his consideration.



FILE:

United Steelworkers of America

624 A TRANQUILLE ROAD, KAMLOOPS, B.C.



PHONE 376-2246

W. MAHONEY
National Director
L. SEFTON
Director, District 6

REPLY TO:

April 8, 1974

Honourable Leo T. Nimsick,
Minister of Mines and Petroleum Resources,
Parliament Buildings,
Victoria, B.C.

Dear Sir:

Re: Giant Mascot Mines

Enclosed for your information please find a copy of the Annual Report 1973 for Giant Mascot Mines and a copy of the letter issued to all employees outlining the possibility of the mine closure September 30, 1974.


This nickel and copper underground mining operation located in Hope employs approximately 140 men. The U.S.W.A. Local 946 at a recent meeting have agreed to request the provincial government conduct a feasibility study of the possibility of purchasing Giant Mascot Mines should this company cease operations.

U.S.W.A. Local 946 recommends the following:

1. with proper management and the present ore reserves this mining operation could remain open and continue to employ the present work force in conjunction with an exploration diamond drill program for future ore reserves.
2. Giant Mascot Mines is in an ideal location for instituting a mining school which could accommodate the interior of B.C. and the lower mainland.
3. this mine maintains the standard underground mining procedures for production as well as trackless mining.
4. the present mining schools located at Rossland, B.C. and the Yukon are not able to cope with the regular training programs that are necessary in order to accommodate the young work force that is vital in continuing and maintaining employment in the B.C. mining industry.

Therefore the U.S.W.A. strongly urge your department give serious consideration in implementing the above. Your reply and co-operation in this matter would be greatly appreciated.

Yours truly,
UNITED STEELWORKERS OF AMERICA


Jack Diamond
Staff Representative

JD/cb
Encl.

cc: Monty Alton, Area Supervisor
Bill Hartley, M.L.A.



GIANT MASCOT MINES LIMITED

TELEPHONE (604) 693 8204 / SUITE 2410, TORONTO-DOMINION BANK TOWER, VANCOUVER 1, B.C.

MAILING ADDRESS:

P.O. BOX 10010, PACIFIC CENTRE

700 WEST GEORGIA STREET, VANCOUVER / B.C.

V7Y 1A1

MINE OFFICE

TELEPHONE (604) 869 5016

P.O. BOX 1060, HOPE, B.C.

February 28, 1974

Local 946
U.S.W.A.
P.O. Box 1001
Hope, B.C.

Attention: Mr. A. McKinnon,
President

Dear Sirs:

We are enclosing herewith, for your information, a copy of a letter dated February 28th, 1974, that has been mailed to all of the employees at the Giant Nickel Mine as of this date.

Also enclosed is a copy of the Company's 23rd Annual Report which has been mailed to all employees, as an accompaniment to the letter.

The purpose of these mailings, is to draw to the attention of all employees, and yourselves, certain important statements contained in the Annual Report.

The gist of these being, that due to declining ore reserves, and certain other factors, it may not be possible to continue operations beyond September 30th, 1974, however, exploration will be continuing, and any significant ore discovery could well result in a change in this judgement.

Yours very truly,

GIANT MASCOT MINES LIMITED


Frank Holland
General Manager

Encls.
FH/mm



GIANT MASCOT MINES LIMITED

TELEPHONE (604) 683-8204 / SUITE 2410, TORONTO-DOMINION BANK TOWER, VANCOUVER 1, B.C.

MAILING ADDRESS:

P.O. BOX 10010, PACIFIC CENTRE
700 WEST GEORGIA STREET, VANCOUVER 1, B.C.

MINE OFFICE:

TELEPHONE (604) 869-5016
P.O. BOX 1069, HOPE, B.C.

February 28, 1974

This letter is to draw to your attention several important statements contained in the President's letter to the Shareholder's that forms part of the Company's Annual Report. A copy of the Company's annual report in its entirety, is enclosed with this letter.

The statements in question are as follows:

"Based on present estimates it is doubtful whether the mineable ore reserves will sustain production after September 30th, 1974, but production would certainly be continued if the present exploration program results in the discovery of additional ore grade mineralization, and provided always that operating costs do not escalate faster than metal prices".

"However, there would have to be a pause in, or scaling down in, the rate of production, because of the lead time required to prepare new discoveries for production".

"The Giant Nickel Mine operated at a profit during the first half of 1973 but during the latter part of the year certain conditions, which had already caused difficulty, resulted in a loss for the year. The main reason was the lower grade of ore available for treatment, which, for the 1973 fiscal year, averaged 0.58% nickel and 0.27% copper, as compared with the historic average grades of 0.77% and 0.33% respectively".

It is therefore, probable, in our considered judgement, that production operations at the Giant Nickel Mine will terminate on or about September 30th, 1974, or that if continued after that date would be significantly reduced in scale for some period of time. In the mean time, the expanded exploration program, intended to locate additional sources of ore, will be continued and if possible, increased.


The downward trend in production that became significant during the latter half of the 1973 fiscal year continued throughout the quarter ended December 31st, 1973, and in that connection the President's report contains the following statement:

"The report for the first quarter of the fiscal year 1974 is included at the end of the annual report, the tonnage for the quarter is down as a result of a reduction in the number of stoping areas and a "Wildcat" work stoppage that caused a substantial loss of production in October. Although total production costs were lower, the reduction in the value of mineral production was such that a loss was sustained for the quarter".

As indicated in the annual report, however, the Company continues to be optimistic with respect to the long term potential of the Giant Nickel Mine.

Yours very truly,

GIANT MASCOT MINES LIMITED



Frank Holland
General Manager

FH/mm

**Twenty-third
Annual Report
1973**

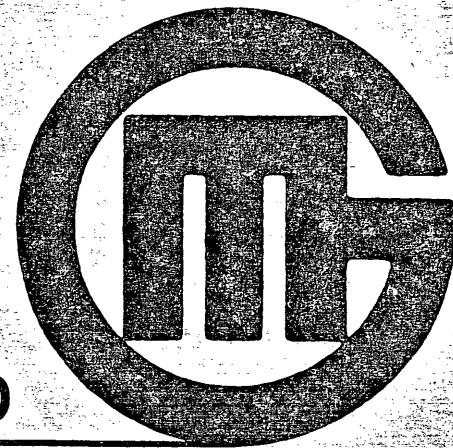
for the year ended
September 30, 1973

and

**Interim
Report**

for the three month period
ending December 31, 1973

GIANT MASCOT MINES LIMITED



GIANT MASCOT MINES LIMITED

(Incorporated under the Laws of the Province of British Columbia)

TWENTY-THIRD ANNUAL REPORT

DIRECTORS

A. H. Ainsworth, *Vancouver*

N. Gesser, *Montreal*

H. A. McDiarmid, *Vancouver*

K. G. Bream, *Toronto*

J. L. Gibson, *Vancouver*

L. P. Starck, *Vancouver*

R. B. Carleton, *Montreal*

OFFICERS

R. B. Carleton, *Chairman of the Board*

L. P. Starck, *President and Managing Director*

N. Gesser, *Vice-President Finance*

A. H. Ainsworth, *Secretary and General Counsel*

REGISTERED AND RECORDS OFFICE

Suite 2260, Toronto-Dominion Bank Tower,
Pacific Centre, 700 West Georgia Street, Vancouver V7Y 1A9

ADMINISTRATIVE OFFICE

Suite 2410, Toronto-Dominion Bank Tower,
Pacific Centre, 700 West Georgia Street, Vancouver V7Y 1A1

REGISTRAR AND TRANSFER AGENTS

Canada Permanent Trust Company,
Calgary, Montreal, Toronto, Vancouver

SOLICITORS

Ainsworth & Company, Vancouver

AUDITORS

Price Waterhouse & Co., Vancouver

Listed on the Toronto and Vancouver Stock Exchanges

ANNUAL REPORT OF THE PRESIDENT ON BEHALF OF THE DIRECTORS TO THE MEMBERS

Giant Mascot Mines Limited is optimistic about the future in view of its significant interest in Panarctic Oils Ltd., its planned exploration programs at the Motherlode-Greyhound and Big Missouri properties, its continuing exploration programs elsewhere, and the proposed rights offering to provide funds for these activities. However, 1973 was generally a disappointing year so far as operations at the Giant Nickel Mine were concerned.

Panarctic Oils Ltd., in which the Company has a 4.484% interest, made its fifth natural gas discovery during the year. Thus, there are now a total of six potential gas fields in the Canadian Arctic Islands having about half the estimated threshold reserves required for a gas pipeline down Hudson Bay to Eastern Canada.

In the latter part of 1973 the Motherlode-Greyhound copper-gold prospect at Greenwood, B.C., was purchased and the results of the initial phase of the exploration program on it have been encouraging and further work is planned for 1974.

The Company has recently optioned the Big Missouri prospect at Stewart, B.C., which is a former gold producer with a reported tonnage of gold-bearing reserves underground, and promising surface showings of lead, zinc, copper, silver and gold having an open pit potential.

At the Giant Nickel Mine, a number of factors have resulted in a substantial write-down of the estimated ore reserves, which could well result in the phasing out of production by September 30, 1974, unless additional ore is found in the course of exploration.

Financial Highlights

The lower gross value of mineral production in 1973 was due to the reduction in the grade of ore treated and less favourable marketing arrangements. These factors, in conjunction with increased operating costs, particularly in mining and mine exploration and development, resulted in an operating loss of \$79,490, which was increased by writing off, as an extraordinary item, the expenses related to the proposed underwriting in the United States.

At the Annual General Meeting the members will be asked to approve a rights offering to raise some \$3,675,000. Although planned for the fall of 1973, this offering was later deferred to the spring of this year. In the result, it has been necessary for the Company to obtain a capital bank loan to carry out its exploration and acquisition programs, to meet its Panarctic commitment and to provide working capital. This loan, which is fully guaranteed by Cemp Investments Ltd., the Company's major shareholder, will be repaid out of the proceeds of the rights offering.

The report for the first quarter of the fiscal year 1974 is included at the end of the annual report. The tonnage for the quarter is down as a result of a reduction in the number of stoping areas and a "wildcat" work stoppage that caused a substantial loss of production in October. Although total production costs were lower, the reduction in the value of mineral production was such that a loss was sustained for the quarter. The recent increase in the "posted" price of nickel should be of benefit during the balance of the 1974 fiscal year.

During the fiscal year ended September 30, 1973, the total wages, salaries and benefits paid to employees by the Company and its subsidiaries amounted to \$2,400,979, as compared with \$2,055,647 for the previous year. At the 1973 year-end the employees of the Company and its subsidiaries totalled 224.

On a consolidated basis, \$954,062 was spent during the year on capital expenditures, including amounts for mineral claims, buildings and equipment. Of this total, \$654,448 was paid for the acquisition of the Motherlode-Greyhound property, plant and equipment by the Company's wholly-owned subsidiary, Mascot Mines & Petroleum Limited; \$272,576 for the purchase of new equipment in addition to the buildings and services at the Giant Nickel Mine; and the balance was incurred in minor miscellaneous capital acquisitions. At September 30, 1973, the Company was committed to a capital expenditure of some \$75,000 for the replacement of the machine shop at the Giant Nickel Mine, which has since been completed.

✓ Giant Nickel Mine

The Giant Nickel Mine operated at a profit during the first half of 1973 but during the latter part of the year certain conditions, which had already caused difficulty, resulted in a loss for the year. The main reason was the lower grade of ore available for treatment, which, for the 1973 fiscal year, averaged 0.58% nickel and 0.27% copper, as compared with the historic average grades of 0.77% and 0.33% respectively.

✓ On the other hand the metallurgical efficiency and recoveries of the differential flotation circuits for the production of separate nickel and copper concentrates was better than indicated in initial tests.

The lower than anticipated grade of feed was caused by unexpected wall rock dilution in certain stoping areas and by unusual occurrences of barren and low grade material in the new stoping areas. This latter condition, which had not been apparent in the initial diamond drilling patterns on which the ore reserve estimates were based, was also disclosed by detail drilling in several of the reserve blocks that had been scheduled for production. These factors, together with changes in mining techniques adopted to offset them, and to meet changes in regulations, increased the cut-off grade of the ore, which, in turn, necessitated writing down previously estimated ore reserves by deleting tonnages which must presently be considered uneconomic. As a result, the number of working areas has recently been reduced and the plant is now operating at a daily rate of 1,500 tons. As ore reserve calculations now have to be revised on an increasingly more frequent basis to give effect to changing conditions, including new Provincial mineral lands taxation and accelerating inflation, no estimate of ore reserves is being published at this time.

Based on present estimates it is doubtful whether the mineable ore reserves will sustain production after September 30, 1974, but production would certainly be continued if the present exploration program results in the discovery of additional ore grade mineralization, and provided always that operating costs

GIANT MASCOT MINES LIMITED

do not escalate faster than metal prices. In this connection, it should be recalled that the property was considered uneconomic before it came under the Company's management in 1959 and since that date 4,391,704 tons of ore have been discovered and mined profitably. However, there would have to be a pause in, or scaling down in the rate of production, because of the lead time required to prepare new discoveries for production.

Although the rate of discovery of new ore zones has been disappointing, the discovery of a number of new areas of interesting, but sub-commercial, mineralization is encouraging, particularly in view of the extensive area of favourable host rock yet to be tested.

Last season's surface exploration program included detailed geological and magnetometer resurveys of a portion of the property, supplemented by induced polarization surveys. The information obtained has delineated exploration targets of promising potential and has contributed to a greater understanding of the factors which controlled ore deposition.

Panarctic Oils Ltd.

Exploration for hydrocarbons in the Canadian Arctic Islands north of the 71st Parallel is gaining momentum as further natural gas fields are discovered and reserves approach the threshold volumes considered necessary to support marketing facilities. Giant Mascot, through its commitments to Panarctic Oils Ltd., is participating in this vital search for oil and natural gas.

Panarctic is a consortium of major mining and oil companies, which, with the Canadian Government as a 45% partner, is engaged in the largest exploration program in the Arctic Islands. Of the 19 participants from the private sector, Giant Mascot is one of five, each of whom hold a 4.484% interest. The only participants in the consortium which have a larger interest are two, who each hold 9.68%.

Six significant gas fields have been discovered in the Arctic Islands since 1969. Of these, five, namely Drake Point, King Christian, Kristoffer Bay, Hecla and Thor, were found on lands in which Panarctic holds an interest.

In addition, crude oil has been disclosed in drill stem tests at three Panarctic locations. The most recent of these was made early in February 1974 at Bent Horn on Cameron Island. Although on the basis of current information this last discovery does not appear to be commercial, Panarctic is continuing to drill the Bent Horn well to see if there are other oil-bearing strata at depth. In any event, this discovery is important as it is the first recovery of live crude oil from the older Paleozoic formations in the Canadian Arctic Islands. This oil interception, when considered in relation to known oil seeps, bitumen occurrences, and data from geochemical studies, offers real encouragement for the further exploration of the large Paleozoic Basin in the Arctic Islands.

The rate at which Panarctic has discovered gas fields and the deliverability of the wells lend strength to the estimates by the Canadian Petroleum Association as to the potential for the discovery of major quantities of hydrocarbons in the high Arctic, and underlines the importance of exploration activities in the area in terms of the present energy crisis.

During 1973 some 26 wells were drilled or were being drilled on lands in which Panarctic holds an interest. Six of these wells were drilled at no cost to Panarctic and the costs of a further sixteen were partially paid for by others. Five drilling rigs are presently under contract to Panarctic for locations included in the exploration program under the Fourth Expansion Agreement.

The participants will shortly be called upon to enter into a Fifth Expansion Agreement involving a total commitment of 25 million dollars. These funds will be used for geological and geophysical studies, land acquisitions and payments, and the drilling of some 22 wells, if supplemented by substantial expenditures which are expected to be made by other parties. The budget for the Fourth Expansion program, to which in 1972 the participants committed a like sum of 25 million dollars, amounted to 43 million dollars, and the budget for the Fifth Expansion program is in even a larger amount.

A group of four partners, consisting of a large Canadian gas transmission company, a major Canadian transportation company, a group of American gas companies and Panarctic, have formed the "Polar Gas Project" to undertake research for a means to deliver Arctic Island gas to markets in Eastern Canada. Presently under study is the possibility of a 48 inch diameter pipeline extending 3,200 miles from the Sverdrup Basin down the east or west side of Hudson Bay to Eastern Canada, capable of carrying up to 4.5 billion cubic feet of gas per day. The economics of these facilities are estimated to be dependent on the establishment of threshold reserves of some 25 to 30 trillion cubic feet.

Exploration

It presently appears that the determination as to the feasibility of production at the Motherlode-Greyhound and Big Missouri properties can be made at an earlier date and at a lower cost than might apply in the case of the Company's other properties. The Company is, therefore, entertaining the possibility of arranging with others for further work at the Giant Copper and Mascot Nickel Plate properties, both of which have major potential at present metal prices, but in the longer term.

Giant Copper Property

Discussions are proceeding with a world-wide mining group which is interested in undertaking a phased exploration program at the Giant Copper property, Allison Pass, B.C. It is proposed that this group would have the right, over a period of time, to earn a major interest in the property by expending an amount of money proportionately in excess of the \$2,452,980 which Giant Mascot has incurred to date in respect to it, and, that once their interest has been earned, Giant Mascot could maintain a substantial interest by sharing in expenditures on a pro rata basis.

The A.M. Breccia sector of the Giant Copper property has drill-indicated reserves of some 2.8 million tons grading in the order of 1.35% copper, with \$3 to \$4 per ton in precious

metals and an inferred geologic potential of some 10 to 20 million tons of 0.8% copper, or even 90 million tons of 0.3% to 0.4% copper, which might possibly be mined by underground block caving. In the Invermay sector of the property it is possible that there may exist a low grade porphyry copper deposit capable of being mined by open pit methods.

Mascot Nickel Plate Mines Limited

A limited exploration program was undertaken during 1973 on the property near Hedley, B.C., which is owned by Mascot Nickel Plate Mines Limited, a private company in which Giant Mascot has an equity of some 75%. This former gold producing property, from which some 2,800,000 tons of ore grading in the order of 0.4 ounce gold were mined, is one of the more promising gold prospects in British Columbia at present gold prices. It is particularly attractive as the gold-bearing formations, as evidenced by previous operations, could be adapted to modern mechanized underground mining methods more easily than other well known gold properties which are generally of the narrow vein type. In 1973 a 1,500 foot "wildcat" hole was drilled in the Sunnyside area to gain geologic information on the structure at depth, and three holes were drilled in the South Rim to test the continuity of four intersections of mineralization discovered in 1964. The recent drilling confirmed the existence of, and gave greater depth to, this mineralization, although only 0.25 ounces of gold over four feet were intersected. Assays obtained in 1964 were as follows:

Diamond Drill Hole	Feet of Intersection	Ounces Gold
S-1	13	0.35
S-1	18	0.45
S-5	5	0.64
S-6	9.5	0.84

Further work is required to test this zone of mineralization in the South Rim and to follow up the results of earlier drilling in the Windfall Canyon and on the 3750 level of the main Nickel Plate workings where there are also interesting areas of mineralization.

A detailed geologic study and sampling program on the property must also be completed, as, generally speaking, former producing properties frequently offer extremely interesting possibili-

ties for new discoveries. This is all the more likely in the case of the Nickel Plate Mine in view of the fact that the price of gold has increased four-fold since production at the property was phased out in 1955.

Consideration is presently being given to various alternatives for financing this major exploration program at the Nickel Plate in a manner that would ensure the Company retaining a major equity in the property.

Mascot Mines & Petroleum Limited

This wholly-owned subsidiary of Giant Mascot, which was formerly known as Eagle Ridge Petroleum Ltd., purchased the Motherlode-Greyhound property and plant in August, 1973. These extensive mining properties constitute a promising copper-gold prospect which has the further advantage of being equipped with a 2,000-ton concentrating and open pit mining plant which cost the original operators some \$6,000,000 in 1970 and was only operated for some six months.

The property and plant were acquired outright for some \$650,000 as an exploration venture but with the knowledge that if the exploration program on the property itself proved unsuccessful then there was the possibility of processing not only whatever ore was proven on the property itself, but also any available in the general area where there are many properties with known mineralization. Furthermore, the plant is one which eventually might be used either on other properties presently controlled by the Company or on others which it might acquire, or in which it might earn an interest on a joint venture basis.

In the initial phase of the exploration program some 200,000 tons of 0.6% copper have been estimated by diamond and percussion drilling in the Greyhound pit. Encouraging results were also obtained in the Sunset area where some 200,000 tons can be inferred. Furthermore, percussion, rotary and diamond drilling in the former Motherlode pit and the Sulfide area have indicated substantial tonnages of mineralization that may be economic, if grade and tonnage can be increased and the waste to ore ratio improved. Percussion and diamond drilling have been carried out in several outlying areas of geologic and geophysical interest on the property and its extensions. Although no economic mineralization has been discovered in

these interesting areas to date, only a limited number of them have been tested. An ongoing exploration program will be carried out on the Motherlode-Greyhound property and extensions in the coming season, and outside properties in the general Greenwood area will be investigated, with the objective of developing mill feed for the plant.

Big Missouri Property

The Company has recently optioned the Big Missouri property in the Stewart area from Consolidated Silver Butte Mines Ltd. (N.P.L.). In the 1930's this property was operated at a grade of 0.1 ounces of gold by a major B.C. mining company, and could have tonnages of low grade gold reserves remaining underground. It is considered of particular interest because of the open pit potential of surface showings of lead, zinc and copper with precious metal values. Samples by others in an apparently shallow-dipping surface zone have indicated ore grades at present prices, and the possibility of substantial tonnages. Giant Mascot proposes to sample the property by diamond drilling as soon as it is free of snow. If the results are as anticipated, the Company will follow up with a more extensive exploration program. Giant Mascot can earn a 70% interest in this property by committing to place it in production. Equipment for this property could be available from the Company's other plants.

General

In addition to carrying out exploration on its various properties, Giant Mascot is also investigating situations where any excess plant and equipment could be profitably employed, and is continuing to investigate new properties and ventures, both in the industrial and in the natural resource fields, which could contribute to the growth of the Company.

On behalf of the Board



President and Managing Director

February 20, 1974

GIANT MASCOT MINES LIMITED

OPERATING DATA FIVE YEAR REVIEW

	1973	1972	1971	1970	1969
Tons of Ore	387,593	386,205	157,175	301,693	316,749
Grade of Ore:					
Average % Nickel	0.58	0.68	0.74	0.83	0.72
Average % Copper	0.27	0.38	0.40	0.43	0.34
Concentrates:					
Tons Produced	13,908	20,427	9,217	20,595	17,527
Pounds of Contained Nickel	2,611,301	3,964,543	1,861,492	4,037,291	3,496,000
Pounds of Contained Copper	1,786,599	2,686,608	1,155,859	2,277,994	1,930,339
Raising (feet)	3,916	4,112	1,309	3,908	4,962
Drifting (feet)	2,702	3,233	5,028	3,596	3,451
Percussion Longhole Drilling (feet)	181,852	138,870	117,470	215,282	191,990
Diamond Drilling (feet)	70,578	46,990	59,789	70,120	55,077

FINANCIAL DATA

FIVE YEAR REVIEW

	1973	1972	1971	1970	1969
Net Value per Ton of Ore	\$ 10.84	\$ 12.50	\$ 13.55	\$ 17.15	\$ 10.95
Total Production Costs per Ton of Ore (excluding taxes):					
Mine Exploration and Development	\$ 1.79	\$ 1.50	\$ 1.39	\$ 2.03	\$ 2.12
Mining	3.93	3.06	2.72	2.66	2.82
Concentrating	1.86	1.53	1.19	1.51	1.48
Mine Administration	.59	.56	.42	.38	.30
Depreciation, Depletion and Amortization	2.16	1.98	2.01	1.12	.86
Total	<u>\$ 10.33</u>	<u>\$ 8.63</u>	<u>\$ 7.73</u>	<u>\$ 7.70</u>	<u>\$ 7.58</u>
Gross Profit per Ton of Ore	\$.51	\$ 3.87	\$ 5.82	\$ 9.45	\$ 3.37
Average Common Shares outstanding	8,693,728	8,693,728	8,693,728	5,726,605	4,684,698
Earnings per Common Share:					
Income before extraordinary items	(\$.01)	\$.08	\$.06	\$.27	\$.12
Extraordinary items	(.02)		.35		
Net Income	<u>(\$.03)</u>	<u>\$.08</u>	<u>\$.41</u>	<u>\$.27</u>	<u>\$.12</u>

GIANT MASCOT MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION YEAR ENDED SEPTEMBER 30, 1973

	1973	1972
Financial resources were provided by:		
Net income (loss) for the year	\$ (279,385)	\$ 704,299
Add: Income charges (credits) not affecting working capital in the year -		
Depreciation, depletion and amortization	835,641	766,645
Deferred income and mining taxes	(107,000)	321,000
(Gain) loss on disposal of fixed assets	(30,161)	13,456
Equity in expired costs of affiliate	5,150	34,195
	424,245	1,839,595
Proceeds of disposals of fixed assets	37,700	4,356
Investment in affiliate	5,150	45,484
Minority interests in subsidiary at acquisition	—	72,620
Other	14,562	—
	481,657	1,962,055
Financial resources were used for:		
Interest in Panarctic Oils Ltd.	1,141,690	9,760
Reduction in indebtedness relative to commitment to acquire shares of Panarctic Oils Ltd.	—	404,025
Additions to mineral claims, buildings and equipment	954,062	661,414
Deferred exploration, development and other expenditures	565,067	468,650
Investment in affiliate	5,150	125,484
Increase (decrease) in advances to affiliate	22,283	(44,929)
	2,688,252	1,624,404
Increase (decrease) in working capital	(2,206,595)	337,651
Working capital, beginning of year	1,331,276	993,625
Working capital (deficiency), end of year	\$ (875,319)	\$ 1,331,276

CONSOLIDATED BALANCE SHEET
YEAR ENDED SEPTEMBER 30, 1973

ASSETS	1973	1972
Current assets:		
Cash	\$ 7,757	\$ 415,252
Receivables —		
Concentrate settlements	591,713	848,405
Other	2,712	7,944
Concentrate inventories, at estimated net realizable value <i>(Note 1)</i>	761,969	734,487
Supplies, at cost	194,071	171,564
Prepaid expenses	170,379	291,903
Total current assets	<u>1,728,601</u>	<u>2,469,555</u>
Investment in and advances to affiliated company Giant Explorations Limited (N.P.L.) <i>(Note 1)</i> :		
Investment	183,304	188,454
Advances	17,939	(4,344)
	<u>201,243</u>	<u>184,110</u>
Mining properties and petroleum and natural gas holdings <i>(Note 2)</i>	13,218,405	12,542,456
Interest in Panarctic Oils Ltd. <i>(Note 3)</i>	13,248,215	12,106,525
	<u>\$28,396,464</u>	<u>\$27,302,646</u>

GIANT MASCOT MINES LIMITED

LIABILITIES AND SHAREHOLDERS' EQUITY	1973	1972
Current liabilities:		
Bank loan	\$ 1,500,000	\$ —
Accounts payable	268,176	303,342
Accrued liabilities	261,915	330,580
Liability relating to the acquisition of shares of Panarctic Oils Ltd. (Note 3)	562,628	504,357
Current portion of capitalized lease obligations	11,201	—
Total current liabilities	2,603,920	1,138,279
Capitalized lease obligations	14,562	—
Deferred income and mining taxes (Note 1)	3,154,500	3,261,500
	3,169,062	3,261,500
Minority interest in subsidiary	72,620	72,620
	72,620	72,620
Shareholders' equity:		
Capital stock —		
Authorized:		
15,000,000 common shares of no par value		
Issued:		
8,693,728 common shares	16,273,848	16,273,848
Contributed surplus	237,494	237,494
Retained earnings	6,039,520	6,318,905
	22,550,862	22,830,247
Commitments and contingent liabilities (Notes 3, 4 and 7)		
	\$28,396,464	\$27,302,646

THESE CONSOLIDATED FINANCIAL STATEMENTS
HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS

 Director

 Director

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS YEAR ENDED SEPTEMBER 30, 1973

	1973	1972
Value of mineral production (<i>Note 1</i>)	\$4,202,988	\$4,828,738
Cost of production:		
Mining	1,524,577	1,182,915
Concentrating	719,600	590,943
Mine exploration and development	692,923	578,845
Mine administration	227,347	215,308
Depreciation	556,966	528,315
Amortization	266,930	226,639
Depletion	11,745	11,691
	4,000,088	3,334,656
Gross profit	202,900	1,494,082
General and administrative expenses (<i>Note 5</i>)	309,142	284,965
Other general expenses:		
Investigation of exploration prospects	45,107	42,832
Interest expense	24,239	127,523
Loss arising on disposal of building at Giant Copper Property	—	13,456
	378,488	468,776
	(175,588)	1,025,306
Other income:		
Gain on disposal of fixed assets	30,161	—
Interest income	12,869	33,019
Miscellaneous	5,218	1,169
	48,248	34,188
Income (loss) before income and mining taxes, equity in expired costs of affiliate and extra- ordinary item	(127,340)	1,059,494
Deferred income and mining taxes (recoverable)	(53,000)	321,000
Income (loss) before equity in expired costs of affiliate and extraordinary item	(74,340)	738,494
Equity in expired costs of affiliate (<i>Note 1</i>)	5,150	34,195
Income (loss) before extraordinary item	(79,490)	704,299
Extraordinary item:		
Financing expenses, net of deferred tax of \$54,000 (<i>Note 6</i>)	(199,895)	—
Net income (loss)	(279,385)	704,299
Retained earnings, beginning of year	6,318,905	5,614,606
Retained earnings, end of year	\$6,039,520	\$6,318,905
Earnings per common share (<i>Note 8</i>)		

GIANT MASCOT MINES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 1973

1. Accounting policies:

The following significant accounting policies practiced by the company are set forth to facilitate an understanding of the accompanying consolidated financial statements.

a) Principles of consolidation:

The consolidated financial statements include the accounts of the company and all of its subsidiaries, namely: G.M. Explorations Limited (N.P.L.), Mascot Copper Mines Limited (N.P.L.), Mascot Mines & Petroleum Limited (formerly Eagle Ridge Petroleum Ltd.), Mascot Nickel Plate Mines Limited, (in which the company owns a 75% interest) and Giant Soo Mines Limited (N.P.L.). The latter, having disposed of its assets to the parent company, is presently being wound-up voluntarily.

b) Valuation of concentrate inventories:

The company operated under firm sales contracts covering all mineral production for the year ended September 30, 1973, therefore, mineral production is valued at estimated net realizable value and revenues have been recorded as concentrate was produced.

c) Accounting for investment in affiliate - Giant Explorations Limited (N.P.L.):

The company carries its 28% investment in this affiliate by the equity method of accounting. The company's share in the affiliate's expired costs for the year ended September 30, 1973 has been determined on the basis of unaudited financial statements of that company as at September 30, 1973.

The company recorded as contributed surplus its equity in the increased share capital of this affiliate derived from capital stock issuances to underwriters at prevailing prices. The difference as of September 30, 1973 between the carrying amount of the investment accounted for under the equity method and the underlying equity in net assets, in the amount of \$29,918, has been allocated to mineral claims and exploration and development expenditures thereon.

d) Capitalization of exploration and development expenditures:

Mine development costs which could contribute significantly to the life of the Giant Nickel Mine are deferred as incurred and amortized on a straight-line basis at the rate of 10% annually.

Exploration and development expenditures are capitalized on the other properties which are held for development and are not operating, and accordingly no depreciation or amortization is being provided.

e) Depreciation:

The company provides for depreciation on buildings and equipment at the Giant Nickel Mine on a straight-line basis at the rate of 5% annually for buildings and other surface assets and 10% annually for underground machinery and facilities. Mobile equipment is depreciated on the declining balance method at a rate of 30% per year.

f) Repairs and maintenance:

Repairs and maintenance and minor expenditures for renewals and betterments, not calculated to extend the original life of the assets, are charged to income as incurred. Other renewals and betterments which are considered to extend materially the original life of the assets are capitalized, and these amounts are written off over the remaining depreciable life of the assets.

GIANT MASCOT MINES LIMITED

g) Income taxes:

The company records income taxes on the tax allocation basis recommended by the Canadian Institute of Chartered Accountants. Provision is made for deferred income and mining taxes arising from principally depreciation and exploration and development expenditures claimed for income and mining tax purposes in excess of the amounts charged against earnings in the accounts.

h) Mineral claims:

The costs of mineral claims at the Giant Nickel Mine are being amortized against earnings over a 25 year period.

2. Mining properties and petroleum and natural gas holdings:

	<u>YEAR ENDED SEPTEMBER 30</u>	
	<u>1973</u>	<u>1972</u>
Mining properties:		
Giant Nickel Mine:		
Mineral claims, at cost less accumulated depletion of \$46,218 (1972 — \$34,473)	\$ 247,407	\$ 257,816
Buildings and equipment, at cost less accumulated depreciation of \$2,298,471 (1972 — \$1,757,062)	7,083,436	7,352,269
Deferred mine development and exploration costs less accumulated amortization of \$612,867 (1972 — \$345,937)	<u>2,056,432</u>	<u>1,920,453</u>
	<u>9,387,275</u>	<u>9,530,538</u>
Giant Copper property:		
Mineral claims, at cost*	1,011,008	1,011,008
Buildings and equipment, at cost* *(including \$1,084,997 ascribed to 1,084,997 shares issued therefor)	357,402	357,402
Deferred exploration and development expenditures	1,084,570	1,050,906
	<u>2,452,980</u>	<u>2,419,316</u>
Motherlode-Greyhound property:		
Mineral claims and options, at cost	203,091	—
Buildings and equipment, at cost	451,357	—
Deferred exploration and development expenditures	74,327	—
	<u>728,775</u>	<u>—</u>
Mascot Nickel Plate property:		
Mineral claims, at cost	79,126	78,161
Deferred exploration and development expenditures	263,489	224,143
	<u>342,615</u>	<u>302,304</u>

GIANT MASCOT MINES LIMITED

	1973	1972
Nickel Syndicate property, (50% interest):		
Mineral claims and options, at cost	22,643	21,002
Deferred exploration and development expenditures	199,375	185,633
	<u>222,018</u>	<u>206,635</u>
Giant Soo property:		
Mineral claims, at cost	21,202	21,202
Deferred exploration and development expenditures	52,340	51,261
	<u>73,542</u>	<u>72,463</u>
Interest in petroleum and natural gas holdings:		
Pembina Cardium Unit No. 8, at cost	11,200	11,200
	<u>\$13,218,405</u>	<u>\$12,542,456</u>

The amounts shown for mining properties and petroleum and natural gas holdings are not intended to represent present or future values.

3. Interest in Panarctic Oils Ltd. (1,585,622 common shares):

Under an agreement dated November 2, 1972, the company acquired additional common shares of Panarctic Oils Ltd. at a cost of \$1,129,360, thereby maintaining its 4.484% interest. The company expects to be called upon to pay the balance of this obligation within the next fiscal year.

The company proposes to enter into an agreement for the acquisition of additional common shares of Panarctic Oils Ltd. at a proposed price of \$12.50 per share for a total amount which is contingent upon subscription by others, but is not expected to exceed some \$1,129,350, which the company may be called upon to pay by instalments.

4. Commitment:

The company is committed under a lease agreement to pay annually \$35,888 as rental for its head office premises until May 30, 1977.

5. Remuneration of directors and senior officers:

Total direct remuneration paid by the company and its subsidiaries to the directors and senior officers (including not only officers, as such, but also by definition, certain management personnel) was \$158,709 (1972 — \$149,558). No such remuneration was paid by the company's subsidiaries.

6. Financing expenses:

During April 1973, the company decided not to proceed with the proposed underwriting in the United States and to withdraw its October 6, 1972 application for registration with the United States Securities and Exchange Commission. Accordingly the expenses related to the proposed underwriting have been recorded as an extraordinary item in the attached statement of earnings.

7. Contingent liabilities:

The Motherlode-Greyhound property and adjoining option properties are subject to payment of royalties, the ultimate aggregate amounts of which are fixed, and to a 5% interest in net profits.

8. Earnings per common share:

	<u>YEAR ENDED SEPTEMBER 30</u>	
	<u>1973</u>	<u>1972</u>
Income (loss) before extraordinary item	\$ (.01)	\$.08
Extraordinary item	(.02)	—
Net income (loss)	<u>\$ (.03)</u>	<u>\$.08</u>

9. Subsequent event:

The company on the 15th day of February, 1974, entered into an agreement (subject to ratification by shareholders, and acceptance by provincial securities commissions and the Toronto and Vancouver stock exchanges of the material relating to the rights offering contemplated therein) with the company's major shareholder, Cemp Investments Ltd. (Cemp), whereby Cemp guarantees:

- a) that the company shall receive not less than \$2,000,000 from a \$3,675,000 rights offering made pro rata by the company to its shareholders, Cemp undertaking to exercise its own rights and, to the extent that the total subscriptions received, including Cemp's, are less than \$2,000,000, to subscribe for such additional common shares at the rights offering price, forthwith after the closing of the rights offering, as may be required to bring the aggregate to \$2,000,000;
- b) that Cemp, when called upon by the company, shall subscribe, from time to time, for additional common shares at the rights offering price in an aggregate amount up to the difference between \$3,675,000 and the amount raised under (a) above, but only to the extent such monies represent reimbursement of payments made by the company from October 1, 1973 to the date of the closing of the rights offering under the Fourth and Fifth Expansion Agreements with Panarctic Oils Ltd., or are required by the company to make such payments after the closing of the rights offering.

GIANT MASCOT MINES LIMITED

AUDITORS' REPORT

To the Shareholders of
Giant Mascot Mines Limited:

We have examined the consolidated balance sheet of Giant Mascot Mines Limited and its subsidiaries as at September 30, 1973 and the consolidated statements of income and retained earnings 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.

The ultimate realization of the companies' investment in mineral claims, buildings and equipment, deferred mine development costs and deferred exploration and development expenditures is dependent on the results of future exploration and development work.

Vancouver, B.C.
February 15, 1974

In our opinion, subject to the outcome of the companies' exploration and development efforts, these consolidated financial statements present fairly the financial position of the companies as at September 30, 1973 and the results of their operations and the changes in 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. In accordance with Section 212 of the British Columbia Companies Act we report that, in our opinion, due provision has been made for minority interests.



Chartered Accountants

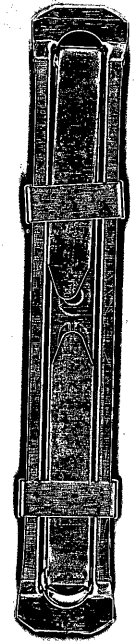
THREE MONTH INTERIM REPORT – 1974 FISCAL PERIOD

For the three month period ended December 31, 1973 with comparative figures for 1972

Consolidated Statement of Income	1973	1972	Consolidated Statement of Changes in Financial Position	1973	1972
Dry tons of ore milled	<u>71,720</u>	<u>106,755</u>	Financial resources were provided by:	\$	\$
Value of mineral production	<u>\$997,298</u>	<u>\$1,366,954</u>	Net income (loss) for the period	(74,465)	137,826
Cost of production:			Add: Income charges not affecting working capital in the period:		
Mining	366,319	395,529	Depreciation, depletion and amortization	229,000	222,000
Concentrating	179,343	175,305	Deferred income and mining taxes	(49,000)	95,500
Mine exploration and development	150,346	220,632		<u>105,535</u>	<u>455,326</u>
Mine administration	66,470	53,280			
Depreciation, depletion and amortization	229,000	222,000	Indebtedness incurred relative to commitment to acquire shares of Panarctic Oils Ltd.	—	376,453
	<u>991,478</u>	<u>1,066,746</u>	Increase in minority interest in subsidiary	2,000	—
Gross profit	<u>5,820</u>	<u>300,208</u>		<u>107,535</u>	<u>831,779</u>
General and administrative expenses	73,411	69,542	Financial resources were used for:		
Other general expenses:			Interest in Panarctic Oils Ltd.	2,121	1,131,168
Investigation of exploration prospects	3,782	3,555	Additions to mineral claims, buildings and equipment, net	87,631	91,220
Interest expense	53,274	—	Deferred exploration, development and other expenditures	256,731	101,137
	<u>130,467</u>	<u>73,097</u>	Increase in advances to affiliate	7,901	8,546
Other income:			Reduction in capitalized lease obligations	2,333	—
Interest income	449	5,637		<u>356,717</u>	<u>1,332,071</u>
Miscellaneous	733	578	Increase (decrease) in working capital	(249,182)	(500,292)
	<u>1,182</u>	<u>6,215</u>	Working capital (deficiency), beginning of period	(875,319)	1,331,276
Income (loss) before income and mining taxes	(123,465)	233,326	Working capital (deficiency), end of period	<u>\$ (1,124,501)</u>	<u>\$ 830,984</u>
Income and mining taxes:					
Deferred (recovery)	(49,000)	95,500			
Net Income (loss) for the period	<u>\$(74,465)</u>	<u>\$ 137,826</u>			

THE ABOVE FIGURES ARE SUBJECT TO AUDIT AND YEAR END ADJUSTMENTS.

GIANT MASCOT



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