

GIANT MASCOT MINES LIMITED
CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

for the six month period ended March 31, 1974

with comparative figures for 1973

	March 31,	
	1974	1973
Financial resources were provided by:		
Net income (loss) for period	\$(192,456)	\$ 144,914
Add: Income charges not affecting working capital in period		
— Depreciation, depletion and amortization	459,000	444,000
— Deferred income and mining taxes	(128,000)	99,011
	<u>138,544</u>	<u>687,925</u>
Indebtedness incurred relative to commitment to acquire shares of Panarctic Oils Ltd.	544,731	—
Increase in minority interest in subsidiary	2,000	—
	<u>685,275</u>	<u>687,925</u>
Financial resources were used for:		
Interest in Panarctic Oils Ltd.	1,092,340	1,132,467
Additions to mineral claims, buildings and equipment, net	149,259	197,690
Deferred exploration, development and other expenditures	407,086	197,585
Increase in advances to affiliate	12,977	10,262
Reduction in capitalized lease obligations	5,133	—
	<u>1,666,795</u>	<u>1,538,004</u>
Increase (decrease) in working capital	(981,520)	(850,079)
Working capital (deficiency), beginning of period	(875,319)	1,331,276
Working capital (deficiency), end of period	<u>\$(1,856,839)</u>	<u>\$ 481,197</u>

The above figures are subject to audit and year end adjustments.

GIANT MASCOT MINES LIMITED
CONSOLIDATED STATEMENT OF INCOME

for the six month period ended March 31, 1974

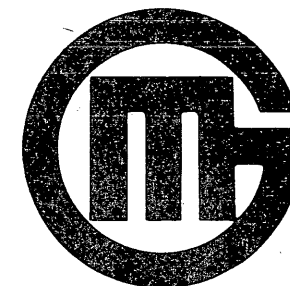
with comparative figures for 1973

	March 31,	
	1974	1973
Dry tons of ore milled	141,589	219,466
Value of mineral production	\$ 1,929,335	\$2,498,353
Cost of Production:		
Mining	766,755	804,983
Concentrating	372,364	363,523
Mine exploration and development	246,866	387,837
Mine administration	137,953	110,005
Depreciation, depletion and amortization	459,000	444,000
	<u>1,982,938</u>	<u>2,110,348</u>
Gross Profit (loss)	(53,603)	388,005
General and administrative expenses	139,455	141,804
Other general expenses:		
Investigation of exploration prospects	7,679	13,923
Interest and financing expenses	122,020	—
	<u>269,154</u>	<u>155,727</u>
Other Income:		
Interest income	882	10,277
Miscellaneous	1,419	1,370
	<u>2,301</u>	<u>11,647</u>
Income (loss) before income and mining taxes	(320,456)	243,925
Income and mining taxes:		
Deferred (recovery)	(128,000)	99,011
Net income (loss) for the period	<u>\$(192,456)</u>	<u>\$ 144,914</u>

The above figures are subject to audit and year end adjustments.

GIANT MASCOT
MINES LIMITED

SIX MONTH
INTERIM REPORT
1974



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GIANT MASCOT MINES LIMITED

PANARCTIC OILS LTD.

Panarctic Oils Ltd. has reported this week the completion of another stepout well in the Drake Point gas field on Sabine Peninsula, Melville Island, which has extended the field a substantial distance to the north and increased its reserves. The Drake Point field now has the largest areal extent of any natural gas field in the Canadian Arctic Islands. This stepout hole, Panarctic POR Homestead Drake E-78, was drilled down flank from the crest of the structure along which three wells had previously been completed over a distance of 12 miles in an east-west direction. It is anticipated that the latest well will have an absolute flow capacity at least equal to that of Drake F-16, which was 265 million cubic feet per day. The deepest well in the Arctic Islands, the Drake Point D-68 well completed in March to a depth of 17,766 feet, intercepted two commercially productive gas zones: one in the Bjerne sand at 4,585 feet and the other in the main Drake Point sand at 3,685 feet. In addition, two lower quality zones in the main Drake sand not previously tested were drill-stem tested.

Another exciting discovery in recent months was the first recovery of live crude oil from the lower Paleozoic formation in the Panarctic Tenneco et al Bent Horn N-72 well on Cameron Island. This well, which flowed 500 barrels per day of 43 degree A.P.I. crude oil, offers real encouragement for the further exploration of the large Paleozoic Basin in the Canadian Arctic Islands.

The westward extension of the Hecla gas field has recently been confirmed by the Panarctic Tenneco et al W. Hecla N-52 well, which was drilled off the coast of the Sabine Peninsula, Melville Island, about eight miles west of the original discovery. Hecla N-52, collared 425 feet above the ocean floor, is the first well ever to be drilled from a floating ice platform and has demonstrated the practicability of using such platforms for exploratory drilling. On testing, it flowed 7.1 million cubic feet of natural gas per day on a restricted choke from the Borden Island formation.

At present there are four drilling rigs operating on lands in which Panarctic holds an interest.

The fifth expansion financing of Panarctic Oils Ltd. to raise \$25,000,000 for the 1975 exploration program by the issue of 2,000,000 common shares at \$12.50 per share has been fully committed by the industry participants and the Federal Government. Under an agreement made in 1966 with certain of the farmers to Panarctic of petroleum and natural gas rights, however, 25 percent of these shares are being offered to the farmers, thereby affording them an opportunity to participate as Panarctic shareholders in its overall holdings. In the result, Giant Mascot will acquire not less than 70,967 of the 2,000,000 common shares of Panarctic comprised in the fifth expansion financing and up to a further 16,190 of such shares, depending on the extent to which the farmers participate.

MASCOT MINES & PETROLEUMS LIMITED

A percussion drilling program to test known exposures of copper mineralization and geophysical anomalies is currently underway on the Motherlode-Greyhound and certain optioned properties at Greenwood, B.C., held by Mascot Mines & Petroleum Limited, a wholly-owned subsidiary of Giant Mascot. It is anticipated that this program, which also involves geological and geophysical surveys, will be expanded shortly to include diamond drilling.

BIG MISSOURI PROPERTY

Surface exploration is scheduled to start on the Big Missouri zinc-lead-copper-silver property near Stewart, B.C. in June. This property, which is also believed to have substantial tonnages of low grade gold mineralization underground, is under option from Consolidated Silver Butte Mines Ltd. (N.P.L.). The first phase of this season's work will include both a geological survey and a diamond drilling sampling program.

FINANCIAL

Forming part of this semi-annual report are the unaudited Consolidated Statements of Income and Changes in Financial Position for the six months ended March 31, 1974, with comparative figures at March 31, 1973. The Company experienced a loss in the first half of the 1974 fiscal year. Although production costs were lower, the value of mineral production was also lower due to a reduction in the tonnage treated as a result of the current ore reserve position. The Company's bank indebtedness in respect of its capital bank loan, which is guaranteed

by Cemp Investments Ltd., has increased from \$1,400,000 as at December 31, 1973 to \$1,750,000 as at March 31, 1974.

An announcement with respect to the timing of the proposed rights offering will be made shortly.

GIANT COPPER PROPERTY

The mining group which had been negotiating to undertake an exploration program at the Giant Copper property, Allison Pass, B.C., has advised that although they continue to be very interested in its potential, they wished to defer proceeding with exploration at this time.

GIANT NICKEL MINE

Since the publication of the Twenty-third Annual Report, in which it was stated that it was doubtful whether the mineable ore reserves at the Giant Nickel Mine would sustain production after September 30, 1974, no discoveries of ore grade mineralization have been made. Following a comprehensive review of the mineable ore reserves it has been decided to phase down the operation and to schedule suspension of production by August 31, 1974. Exploration diamond drilling will be continued up to that date, but it is unlikely that the results of this work will affect the scheduled cessation of production as even if a major new discovery is made there would be very little time to develop it for production prior to August 31, 1974. On the other hand, any such discovery could result in the resumption of production in the future. Diamond drilling is presently being carried out to test several induced polarization anomalies delineated last fall and to explore to depths of 1,200 feet the virtually virgin ground below certain former producing areas on the 2600 main haulage level to determine the downward extent of the ultrabasic formation favourable to the deposition of ore grade mineralization. This is an important and essential preliminary phase of any major capital exploration program that may be undertaken in the future to assess the further production potential of this property.

ON BEHALF OF THE BOARD

"L.P. STARCK"

President and
Managing Director

May 28, 1974.