

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

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

Listed on the Vancouver and Toronto Stock Exchanges.

DIRECTORS A. J. CHILCOTT, Vancouver
J. L. GIBSON, Vancouver
W. C. GIBSON, Vancouver
H. A. McDIARMID, Vancouver
DR. W. A. McELMOYLE, Victoria
L. P. STARCK, Vancouver
P. A. WOOTTEN, Vancouver

OFFICERS W. C. GIBSON, President
P. A. WOOTTEN, Vice-President
L. P. STARCK, P.ENG., Vice-President and General Manager
A. H. AINSWORTH, Secretary
S. CLARKE, F.C.I.S., Treasurer

GENERAL MANAGER L. P. STARCK, P.ENG., Vancouver

RESIDENT MANAGER FRANK HOLLAND, Hope

REGISTERED OFFICE 625-925 West Georgia Street, Vancouver

ADMINISTRATIVE OFFICE 1825 Marine Building, Vancouver

REGISTRAR AND TRANSFER AGENTS Canada Permanent Trust Company, Vancouver and Toronto

GENERAL COUNSEL Ainsworth, Henson, Norby, Purvis & Kendall, Vancouver

AUDITORS Thorne, Gunn, Helliwell & Christenson, Vancouver

ANNUAL GENERAL MEETING JANUARY 26, 1968, 3:00 P.M., HOTEL VANCOUVER, VANCOUVER, B.C.

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)



REPORT OF THE DIRECTORS

To the Shareholders, Giant Mascot Mines Limited (N.P.L.)

The Directors are pleased to submit this, our seventeenth Annual Report of the Company, together with Financial Statements, Source and Application of Funds and an extensive report on the Company's various activities by our General Manager.

This past year's operation has been the best in the history of the Company, both from the standpoint of retained earnings and because of additional ore developments, not only at the nickel-copper property at Hope, but also at our copper property near Allison Pass where an extensive exploration and development program is in progress. Results so far have been most encouraging and a sum of some \$325,000 has been allocated for development of this property over the next year.

With the foregoing program at hand, your Directors felt that the interest of the Company and Shareholders could best be served by maintaining and improving the Company's liquidity so as to be in the strongest possible economical position should it become advisable to elect to put the Giant Copper property into production, and therefore, no dividends were paid during the past year.

To further improve your Company's position, your Directors are recommending to the Shareholders certain basic changes in the Company's structure for approval at this meeting.

The first proposal is that the Company be changed from a 'specially limited', or an 'N.P.L.' Company, into a 'Limited' Company. This will enable the Company to participate either alone, or with others, in placing properties presently owned, or future acquisitions, in production. Our present status is restrictive in this regard.

Conversion of the Company into a 'Limited' Company requires that the Company's shares be changed to 'no par' value. It is further suggested by your Directors that the authorized share capital of the Company be increased from 6 million shares to 7½ million shares with a maximum price at which the shares may be issued of \$2.00 per share.

By enacting the foregoing changes in the Company's structure, your Directors will be in a much stronger negotiating position for future development of the Company's activities.

During the year our sales contract with Sumitomo Metal Mining Company of Japan was extended for a further two years into 1970 so that with a firm market for our product at increased world prices the Company can look forward to continued improvement.

The Directors wish to thank the managers, supervisors and the various departments for their excellent performance and cooperation during the past year.

On behalf of the Board,

A handwritten signature in cursive script, appearing to read 'W. C. Gibson', written in dark ink.

W. C. GIBSON
President.

Vancouver, B.C.
December 15, 1967.

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

December 15, 1967



President and Directors,
Giant Mascot Mines Limited (N.P.L.),
1825-355 Burrard Street,
Vancouver 1, B.C.

Dear Sirs:

New records in both the tonnage of ore treated and concentrate produced, coupled with better ore grade, offset increased labour and supply costs and resulted in higher earnings from the Company's operations during the fiscal period ended September 30, 1967.

Net Smelter Returns and Income

The net increase in earnings is evident from the following:

	Net Smelter Returns		Operating Income		Net Income	
	Per Year	Per Ton	Per Year	Per Ton	Per Year	Per Ton
1967.....	\$3,453,992	\$10.36	\$1,490,432	\$4.47	\$815,767	\$2.44
1966.....	2,391,891	7.21	719,382	2.17	362,390	1.09
1965.....	2,333,352	7.06	664,401	2.01	291,190	0.88

Production

In comparison with the two preceding years, the following table reflects the 1967 increase in the tons of ore treated, tons of concentrates produced, and pounds of nickel recovered.

	1967	1966	1965
Ore treated (tons).....	333,546	331,579	330,421
Nickel-copper concentrates produced (tons).....	22,786	17,906	19,723
Nickel recovered (pounds).....	4,752,936	3,476,303	3,933,680
Copper recovered (pounds).....	1,998,577	1,838,672	2,053,617

These production figures for 1967, in the aggregate, exceed those of any previous year since the commencement of the Company's operation in 1959.

Operating Costs

Higher operating costs were experienced during the year resulting primarily from a greater than 15% increase in the charges for labour and supplies.

	1967	1966	1965
Mining.....	\$3.00	\$2.52	\$2.33
Concentrating.....	1.29	1.26	1.22
Administration.....	0.51	0.42	0.52
Development and exploration.....	1.12	0.87	0.97
Total.....	\$5.92	\$5.07	\$5.04

Capital development costs for main access workings were lower in 1967: \$0.27 per ton, as compared with \$0.66 in 1966 and \$0.37 in 1965. This was mainly due to the fact that the ore mined and developed this year had been made accessible by virtue of certain major development work undertaken last year.

Ore Reserves

	1967	1966	1965
Tons.....	859,834	830,515	757,464
% Nickel.....	0.83	0.92	0.81
% Copper.....	0.33	0.30	0.32

Despite the increase in the tonnage of ore extracted during the year, the proven and probable ore reserves were increased by September 30, 1967, to 859,834 tons, after allowance for mine dilution and extraction factors. In addition to these established ore reserves, there were at the year-end some 400,000 tons grading in the order of 0.5% nickel which, in accordance with the Company's policy of not reporting possible figures, are not included in the category of ore reserves.

The increase in ore reserves has been achieved through an expanded exploration program, both on the surface and underground, made possible by improved earnings. Apart from the additional ore reserves which have been established during the course of this program, new targets with a good potential for making ore have been outlined for exploration in the coming year.

The most promising of these targets are the downward extensions of the 1400 and 1600 zones, the upward extension of the Brunswick 1 and 5 zones and the new 1800, portal and 2900 horizon "blind" zones. Followup geophysical work, stripping, and diamond drilling will be carried out on several geochemical anomalies which were outlined by this summer's surface exploration program to the northeast of the main mine workings. Surface exploration will be accelerated next summer and extended to other areas of the property, not previously explored by the Company.

During the 8 years of operation from July 1, 1959, to September 30, 1967, 2,503,949 tons of ore, grading 0.84% nickel and 0.33% copper have been mined, which is over three times the original reported reserves.

Mining

	1967	1966	1965
Raising (feet).....	3,303	4,771	5,447
Drifting (feet).....	1,448	3,442	3,330
Longholing (feet).....	265,905	173,499	195,909
Diamond Drilling (feet).....	56,077	41,220	41,382

The 1500 zone, between elevations 2600 and 3250, and the 2200 zone, between elevations 2600 and 2950, were brought into production during the year. The Brunswick 2G, 2200 (above elevation 2950) and Brunswick 8 zones are currently being prepared for production.

An 1800 foot crosscut is being driven on 2950 level to provide access for mining the known ore in the 1400 and 1600 zones below the 3250 level, and for ventilation and access to the 1500 zone. This drive, which is in virgin ground, will greatly facilitate the exploration for extensions to the 1400, 1500, 1600 and 1900 zones and, of particular interest, the "blind" zone which has been indicated at this horizon by 2—750-foot diamond drill holes from the 1500 zone. A total of 2000 feet of exploration drifting is planned on the 3550 and 2950 levels to test new areas of the mine.

The 1500 zone produced 26.1% of the ore treated; the Brunswick 5 zone, 11.2%; the Pride of Emory zone, 9.7%; the Brunswick 10 zone, 9.5%; the Brunswick 1 zone, 9.4%; the 1400 zone, 8.2%; and the remainder was from the Brunswick 2, 2663, 512, 600, and 1600 zones.

Concentrator

	1967	1966	1966
Ore treated (tons).....	333,546	331,579	330,421
Grade of ore treated—% nickel.....	0.855	0.66	0.76
Grade of ore treated—% copper.....	0.31	0.33	0.34
Nickel recovery—%.....	83.3	79.4	78.3
Copper recovery—%.....	93.6	92.4	92.4

New records were established for both tonnage treated and metallurgical recovery in 1967. A total of 333,546 tons was processed during the year at an average rate of 1,378 tons per operating day, as compared with 1,312 tons per day last year. The nickel recovery was increased by 3.9%, to 83.3% and the copper recovery by 1.2%, to 93.6%.

The flotation capacity of the concentrator was expanded with the addition of six flotation cells and a larger filter and vacuum pump. Major replacements were also made in the obsolete electrical system of the grinding and crushing circuits.

Capital Expenditures

In total, a sum of \$305,238 was spent on plant and equipment, made up of \$44,155 for tractors and graders, \$170,879 for concentrator equipment, \$37,175 for mine equipment, \$24,092 for automotive equipment and the balance for miscellaneous items.

Outside Exploration

A total of \$23,540 was spent on the exploration and examination of outside properties.

An interesting copper geochemical anomaly was outlined on the Likely Claim Group which is being jointly explored with Giant Explorations Limited (N.P.L.).

General

The 7½ cent per pound increase in the nickel price in November, 1966, has been most beneficial to the Company. The recent increase of 8¾ cents per pound in September, 1967, will do much to offset the higher costs which are anticipated, and to maintain earnings in the coming year.

The concentrate contract with Sumitomo Shoji Canada Limited, to whom we have been selling our production since 1960, has been extended to 1970.

There were 155 employees on the payroll at the year-end. The number of hirings and separations during the year were only 193 as compared with 512 in 1966.

Giant Copper Project

The increased earnings for 1967 have also made possible major development work and underground exploration at the Giant Copper (Canam) project near Allison Pass, B.C. This program has been undertaken to provide, not only better access to the existing working, but also to explore for additional tonnages in mineralized areas outside the previously indicated limits of the main zone of mineralization. The results of this program to date are encouraging.

The 10 and 15 levels were rehabilitated and an 800 foot raise to connect these levels for both access and ventilation, has been completed.

The exploration program is continuing with two diamond drills operating in the northwest nose of the breccia zone testing for extensions to the known tonnage over a vertical extent of 1500 feet. Also a 500 foot crosscut is being driven south from the 10 level haulageway towards the southeast nose of the breccia zone. This drive and diamond drilling from it, will test for the downward extension of the 7 level zone which has possibilities comparable to that of the northwest nose. Promising mineralization, in the order of 0.3 to 0.5% copper that has been intersected by this development work, adds strength to the possibility of developing a large tonnage of low-grade mineralization which could lend itself to low cost block caving or open pit mining.

Of the \$153,716 spent on this project during the year, some \$40,000 was for the rebuilding of existing plant and equipment.

The 1968 program, based on the results obtained to date, will involve upwards of 1500 feet of development work and 15,000 feet of diamond drilling at an estimated cost of \$325,000.

Giant Soo Mines Limited (N.P.L.)

The Giant Soo property in which your Company holds a 60% interest, was profitably operated during the year. A total of 39,450 tons of ore, grading 5.4% lead, 10.4% zinc and 2.4 oz. silver, were treated during the year, and 9,148 tons of lead and zinc concentrates were produced containing 84,741 oz. silver, 3,863,428 pounds lead and 7,323,086 pounds of zinc.

The operating costs for mining, concentrating and administration were \$9.42, \$5.20 and \$1.19, respectively, for a total of \$15.81 per ton. The operating income for the year was \$171,746.

The operation was suspended in early October due to low metal prices and problems in obtaining smelter accommodation for the zinc concentrates.

The program planned for the exploration of the ore extensions to the southeast and at depth below the Purcell sill will be reviewed when marketing conditions improve.

Summary

The increases in tonnage extracted, metallurgical recovery and pounds of metal produced at the Giant Nickel operation in 1967 have added much to the financial strength of the Company. This in turn, has made it possible to undertake necessary capital improvements and to institute and carry out an expanding program for the maintenance and expansion of ore reserves as a basis for future growth. Also, it has made it possible to continue and expand the exploration work at Giant Copper and to consider capital commitments at this and other properties. Thus, the value of the Company's assets has been significantly enhanced and the foundation laid for further appreciation on its mining properties in 1968.

Sincere appreciation is accorded to the men who contributed to the excellent performance during the year, namely, the managers, superintendents and permanent employees and also to the President and Directors for their support.

Yours truly,



L. P. STARCK, P.Eng.
General Manager.

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF CONSOLIDATED FUNDS Year ended September 30, 1967

(With comparative figures for 1966)

SOURCE OF FUNDS	1967	1966
Operations		
Net income for the year.....	\$ 815,767	\$ 362,390
Add depreciation and adjustments not involving a current outlay of funds.....	184,548	126,379
	<u>1,000,315</u>	<u>488,769</u>
Sale of fixed assets.....	12,865	59,556
Issue of common shares.....	19,200	16,000
	<u>1,032,380</u>	<u>564,325</u>
APPLICATION OF FUNDS		
Additions to fixed assets.....	305,238	30,717
Exploration and development at Giant Copper and other properties	175,770	63,416
Special refundable tax	19,643	8,277
Purchase of shares and security deposit.....	—	19,183
Advances to Giant Soo Mines Limited (N.P.L.).....	—	476,786
Purchase of Giant Copper (Canam) property.....	—	252,731
Dividends paid	—	175,409
	<u>500,651</u>	<u>1,026,519</u>
Increase (decrease) in working capital.....	531,729	(462,194)
Working capital at beginning of year.....	264,553	726,747
WORKING CAPITAL AT END OF YEAR.....	<u>\$ 796,282</u>	<u>\$ 264,553</u>

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

STATEMENT OF CONSOLIDATED INCOME

Year ended September 30, 1967

(With comparative figures for 1966)

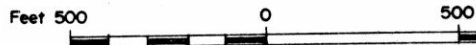
MINERAL PRODUCTION	1967	1966
Value of concentrates produced, net of transportation and handling charges	\$3,453,992	\$2,391,891
COST OF PRODUCTION AND ADMINISTRATION		
Mining.....	1,001,062	834,770
Concentrating.....	430,592	417,459
Mining development.....	372,756	288,845
General and administrative.....	169,173	141,489
	<u>1,973,583</u>	<u>1,682,563</u>
	1,480,409	709,328
ADD		
Interest.....	10,023	10,054
	<u>1,490,432</u>	<u>719,382</u>
DEDUCT		
New level access.....	90,366	226,530
Depreciation.....	180,813	126,379
Investigation of other properties.....	23,540	4,083
	<u>294,719</u>	<u>356,992</u>
INCOME, before income and mining taxes.....	1,195,713	362,390
INCOME AND MINING TAXES.....	348,389	—
INCOME for year before adjustment of prior years.....	847,324	362,390
Adjustment to prior years' income and mining taxes.....	31,557	—
NET INCOME FOR THE YEAR.....	<u>\$ 815,767</u>	<u>\$ 362,390</u>

GIANT MASCOT MIN

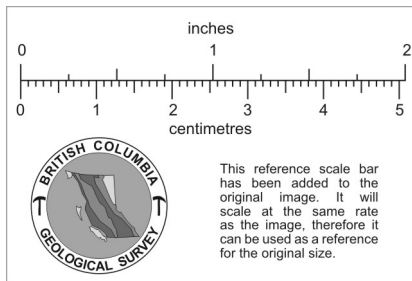
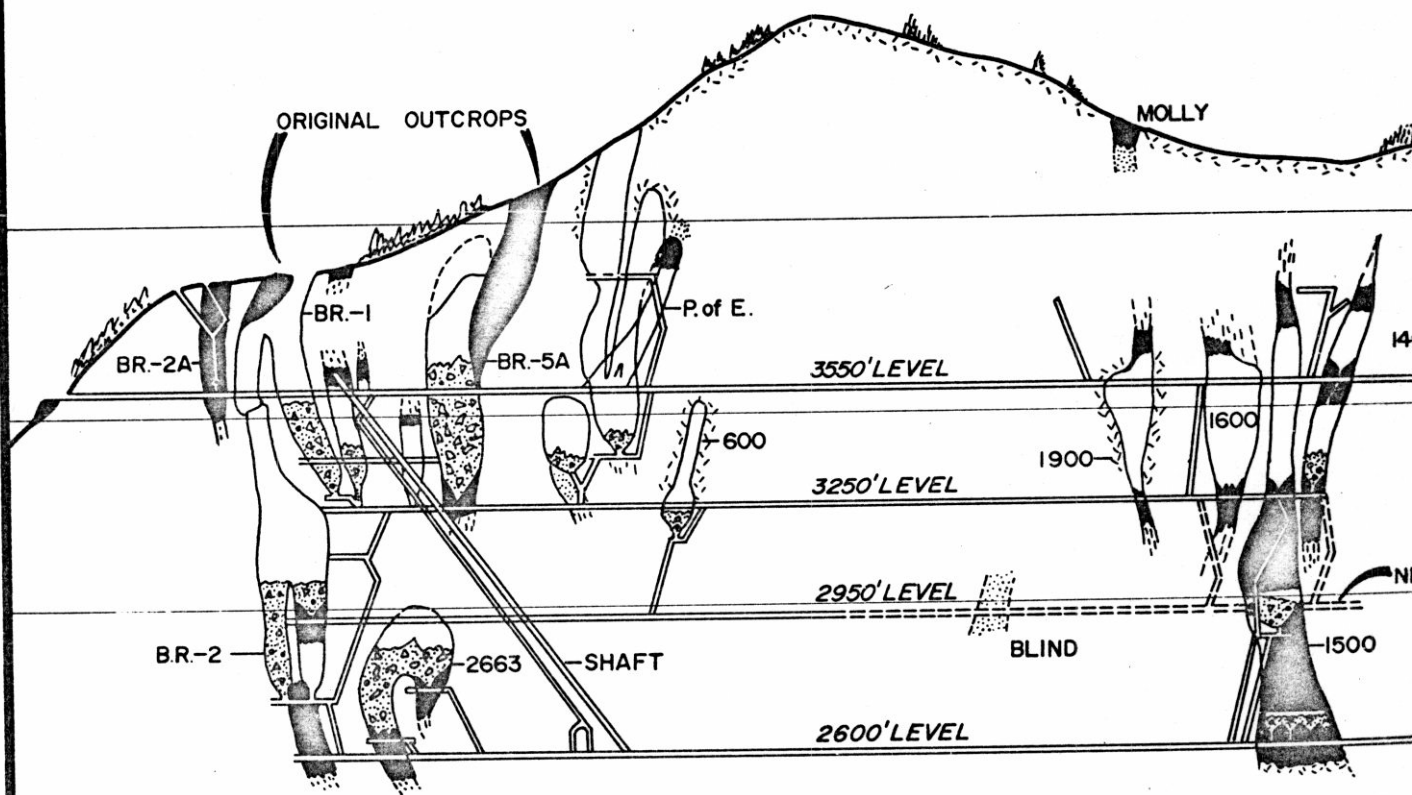
LONGITUDINAL SECTION

HOP

SCALE



← WEST



BR—Bru

P. of E.—Pri

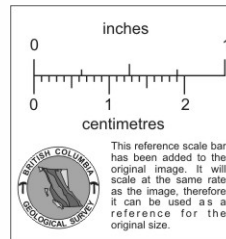
ES LIMITED (N.P.L.)

OF GIANT NICKEL MINE

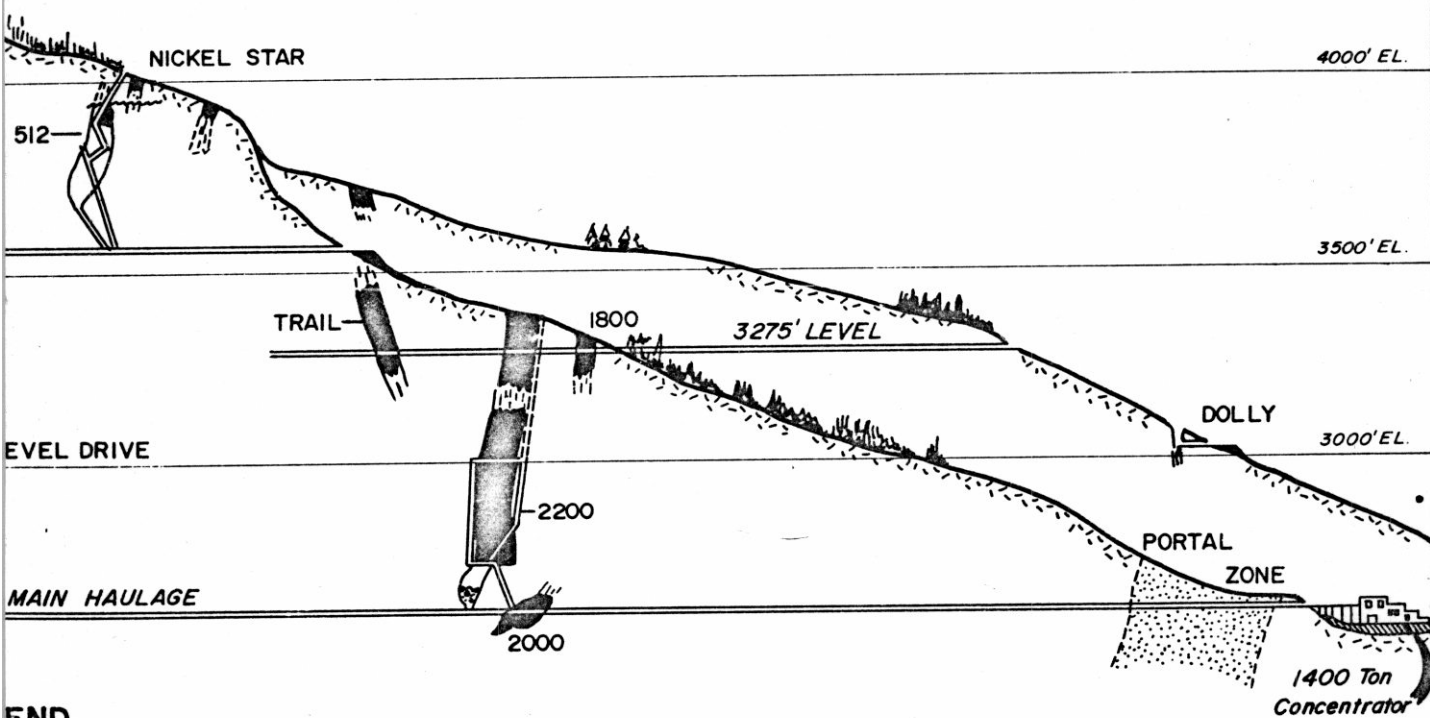
B.C.

= 500 ft.

1500 2000 2500 Feet



EAST →



END

Reserves

Reserves in place

Zones

Zones

Emory Zone

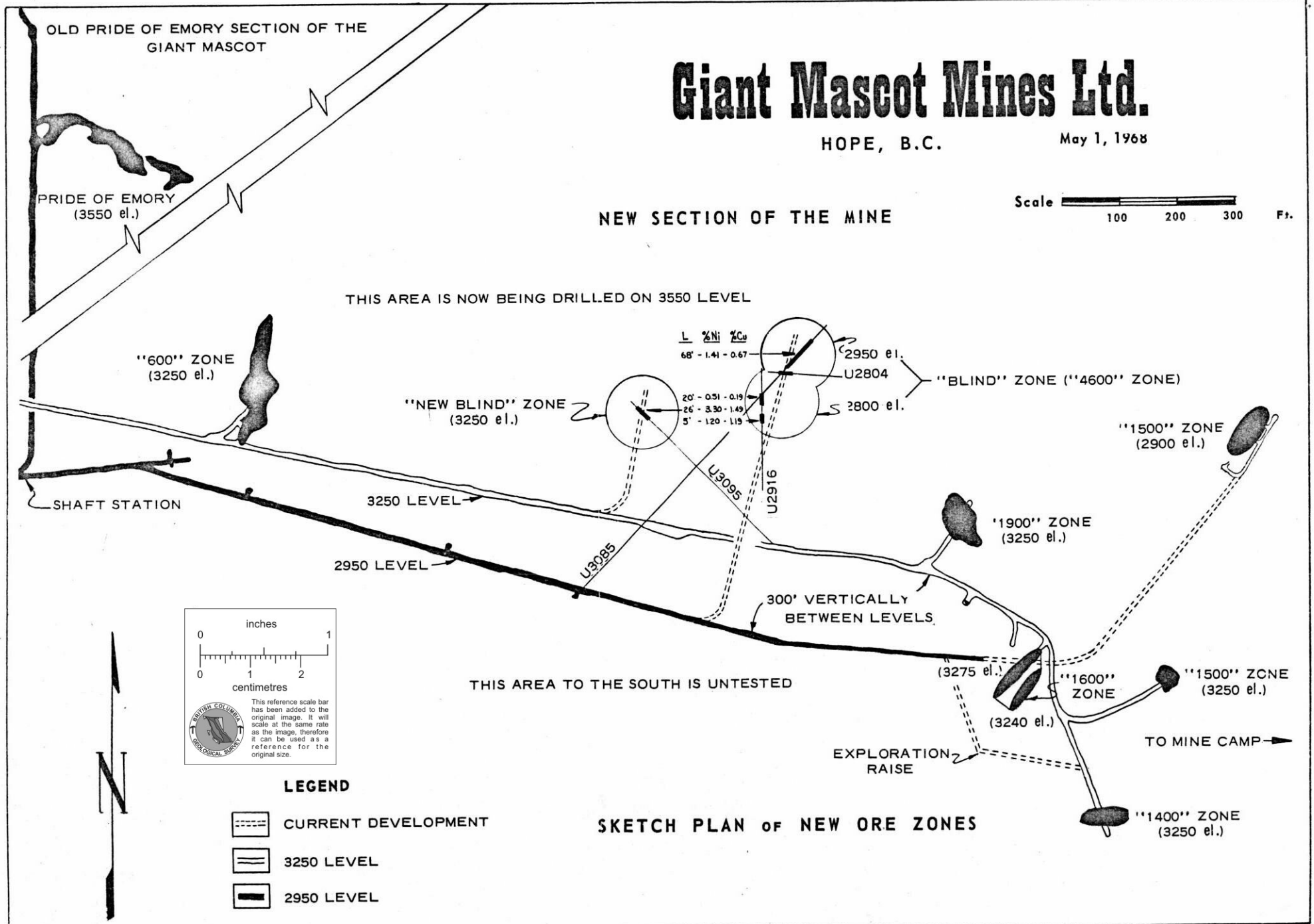
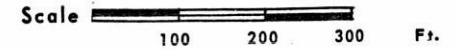
PROPERTY LOCATED 124 MILES EAST OF VANCOUVER.

Giant Mascot Mines Ltd.

HOPE, B.C.

May 1, 1968

NEW SECTION OF THE MINE

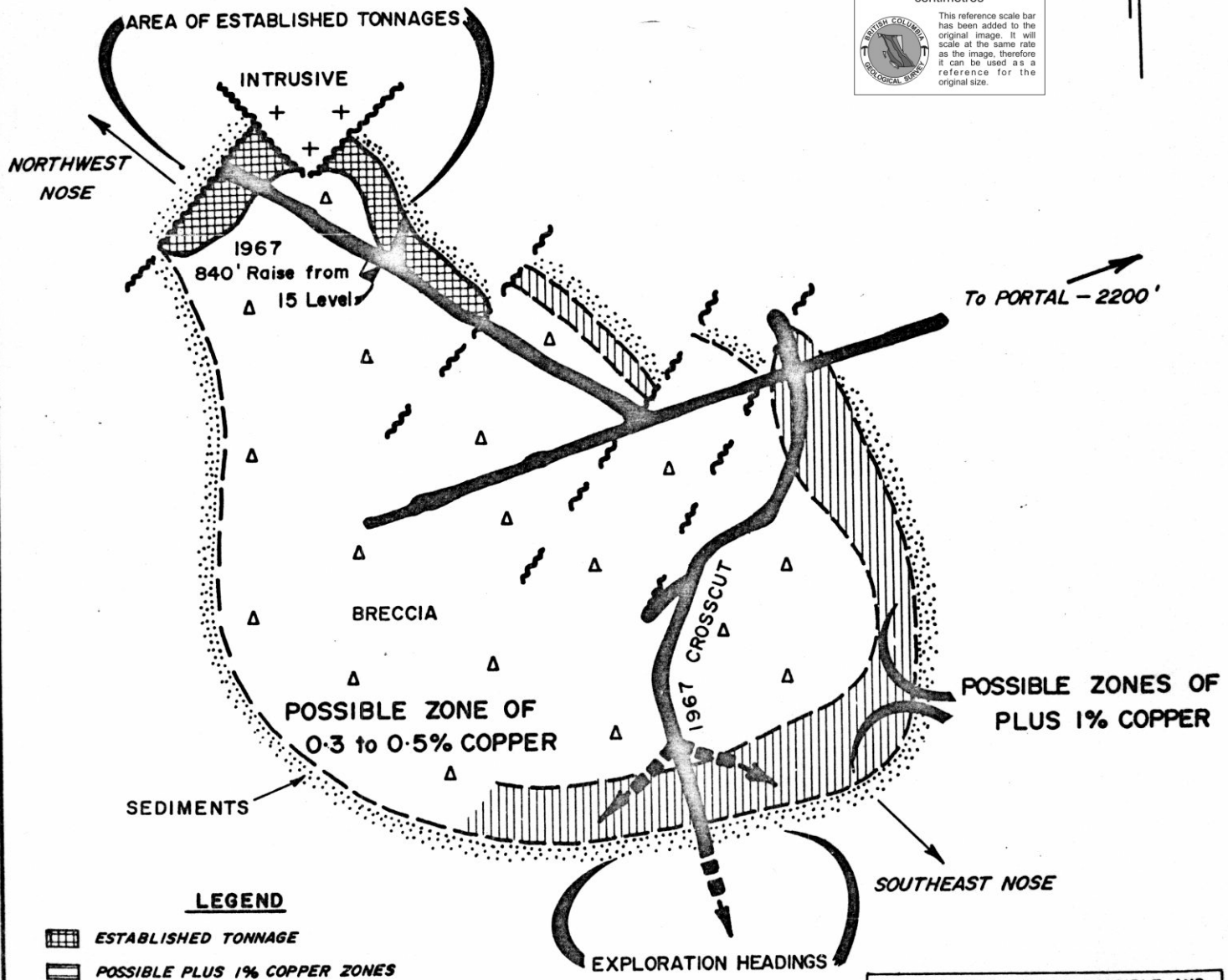
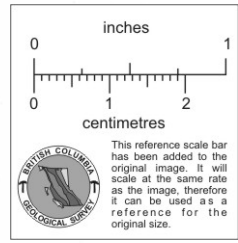


GIANT MASCOT MINES LIMITED (N.P.L.)

GIANT COPPER PROJECT PLAN OF 10 LEVEL GEOLOGY

ALLISON PASS, B.C.

SCALE : 1" = 200' (Approx.)



LEGEND

- ESTABLISHED TONNAGE
- POSSIBLE PLUS 1% COPPER ZONES
- DRIFT & CROSSCUTS
- INTRUSIVE
- BRECCIA
- SEDIMENTS

ESTABLISHED PROVEN, POSSIBLE AND PROBABLE TONNAGE AFTER DILUTION

- 2,600,000 TONS
- 1.28% COPPER
- 0.65oz. SILVER
- 0.015oz. GOLD

DECEMBER, 1967

GIANT MASCOT MINES LIMITED

(Non-Personal Liability)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1967

1. The consolidated financial statements include the accounts of G.M. Explorations Limited (N.P.L.) and Mascot Copper Mines Limited (N.P.L.) (formerly Mascot Mineral Limited), the company's wholly-owned subsidiaries.

Giant Soo Mines Limited (N.P.L.), which is 60% owned by the company, has not been consolidated because of the large minority interest. The audited financial statements of Giant Soo Mines Limited (N.P.L.), which are appended as a supplement to these financial statements, show that Giant Soo Mines Limited (N.P.L.) has not recorded any earnings to September 30, 1967; accordingly, Giant Mascot Mines Limited (N.P.L.) has no equity in recorded profits or losses of that subsidiary.

2. Giant Soo Mines Limited (N.P.L.) (a private company)

1,800,000 shares, a 60% interest.....\$ 3,498

Amounts to be secured by income debentures 486,786

These amounts are to be secured by the issue of 6% income debentures to be a first charge against the assets and undertaking of the company. Principal and interest are payable out of distributable profits.

\$490,284

In October, 1967 Giant Soo Mines Limited (N.P.L.) suspended its operation and consequently, the value of the total investment in and advances to that company cannot presently be determined.

3. The 500,255 shares in Giant Explorations Limited (N.P.L.) represent approximately 32% of the issued stock thereof. 125,000 of these shares are held in escrow.

4. 54,000 shares have been reserved for issue under options to certain officers and employees until March 31, 1969 as follows:

38,000 at \$0.80

16,000 at \$1.07

During the year the company issued 24,000 shares for cash under the option plan.

5. The accompanying accounts do not reflect any write-offs for depreciation or exploration and development expenses relating to the Giant Copper (Canam) property as the property is not in production. However, for income tax purposes maximum amounts of capital cost allowances and exploration expenses will be utilized. There appears to be no liability for deferred income taxes resulting from this practice as other amounts not carried in the accounts are available to reduce taxable income when the property comes into production.

Depreciation on the operating mine assets is recorded in the accounts at the maximum rates allowable for income tax purposes

6. The total direct aggregate remuneration paid by the company to its directors and senior officers (including not only officers as such but also, by definition, certain management personnel) was \$79,200. No such remuneration was paid or is payable by the company's unconsolidated subsidiary.

GIANT MASCOT

(Non-Personal)

(Incorporated under the laws of)

CONSOLIDATED
At September

(With comparative figures)

ASSETS		1967	1966
CURRENT ASSETS			
Cash.....	\$	132,151	\$ 23,232
Short term deposits.....		650,000	—
Accounts receivable			
Affiliated companies		10,919	11,084
Others.....		12,554	7,659
Concentrate settlements receivable		388,929	249,872
Concentrates on hand, at estimated realizable value.....		124,248	273,641
Supplies on hand, at cost.....		93,489	102,063
Equipment held for future use or sale, at cost.....		—	86,949
Prepaid expenses		26,228	27,839
		<u>1,438,518</u>	<u>782,339</u>
SPECIAL REFUNDABLE TAX		<u>27,920</u>	<u>8,277</u>
INVESTMENT IN SUBSIDIARY COMPANY (Note 2)		<u>490,284</u>	<u>490,284</u>
INVESTMENT IN GIANT EXPLORATIONS LIMITED (N.P.L.) 500,255 shares, at cost (Note 3).....		<u>10,775</u>	<u>10,775</u>
MINING PROPERTIES AND DEVELOPMENT			
Operating nickel mine at Hope and sundry properties			
Mining properties, at cost.....		291,113	272,084
Buildings, plant and equipment, at cost less proceeds from assets sold		1,613,445	1,330,329
Less accumulated depreciation		(972,168)	(792,343)
Giant Copper (Canam) property under development			
Mining properties, plant and equipment, at the value ascribed by the Directors to 1,084,997 shares of the capital stock issued therefor plus liabilities assumed.....		1,345,226	1,337,728
Exploration and development expenses, at cost.....		454,488	300,711
Security deposit.....		4,910	4,910
		<u>2,737,014</u>	<u>2,453,419</u>
		<u><u>\$4,704,511</u></u>	<u><u>\$3,745,094</u></u>

APPROVED ON BEHALF OF THE BOARD:

"W. C. GIBSON," Director

"P. A. WOOTTEN," Director

MINES LIMITED

(Incorporated in the Province of British Columbia)

BALANCE SHEET

at September 30, 1967

(September 30, 1966)

LIABILITIES

CURRENT LIABILITIES

	1967	1966
Accounts payable and accrued liabilities.....	\$ 311,070	\$ 369,702
Notes payable—6%	—	148,084
Income and mining taxes payable.....	331,166	—
	<u>642,236</u>	<u>517,786</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 4)

Authorized

6,000,000 shares of \$1 par value each

Issued and fully paid

4,639,728 shares

	4,639,728	4,615,728
--	-----------	-----------

SHARE DISCOUNT

	413,400	408,600
--	---------	---------

	<u>4,226,328</u>	<u>4,207,128</u>
--	------------------	------------------

CAPITAL DEFICIT	2,040,819	2,040,819
-----------------------	-----------	-----------

	<u>2,185,509</u>	<u>2,166,309</u>
--	------------------	------------------

RETAINED EARNINGS

Balance at beginning of year.....	1,060,999	874,018
-----------------------------------	-----------	---------

Net income for the year.....	815,767	362,390
------------------------------	---------	---------

Less dividends paid.....	—	(175,409)
--------------------------	---	-----------

	<u>1,876,766</u>	<u>1,060,999</u>
--	------------------	------------------

The attached notes are an integral part of
the financial statements.

	<u>4,062,275</u>	<u>3,227,308</u>
--	------------------	------------------

	<u>\$4,704,511</u>	<u>\$3,745,094</u>
--	--------------------	--------------------

AUDITORS' REPORT

TO THE SHAREHOLDERS OF

GIANT MASCOT MINES LIMITED (N.P.L.)

We have examined the consolidated balance sheet of Giant Mascot Mines Limited (N.P.L.) and its subsidiary companies as at September 30, 1967 and the consolidated statements of income and source and application of funds 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.

In our opinion the consolidated financial statements referred to above present fairly the financial position of the companies as at September 30, 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
December 1, 1967

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.

GIANT SOO MINES LIMITED

(Non-Personal Liability)

STATEMENT OF INCOME Year ended September 30, 1967

(Production commenced October 1, 1966)

MINERAL PRODUCTION

Value of concentrates produced, net of transportation and handling charges		\$ 796,058
--	--	------------

COST OF PRODUCTION AND ADMINISTRATION

Mining.....	\$ 372,005	
Concentrating.....	205,268	
General and administrative.....	47,039	
	<hr/>	<hr/>
		624,312

Operating income before amortization and depreciation.....		171,746
--	--	---------

DEDUCT

Amortization of development and other expenditures previously deferred	98,962	
Depreciation (Note 1).....	72,784	
	<hr/>	<hr/>
		171,746

Net income for the year.....		<hr/>
------------------------------	--	-------

STATEMENT OF SOURCE AND APPLICATION OF FUNDS Year ended September 30, 1967

SOURCE OF FUNDS

Operations

Income for the year before depreciation and amortization charges not requiring an outlay of funds.....		\$ 171,746
--	--	------------

APPLICATION OF FUNDS

Additions to buildings, plant and equipment.....		21,774
		<hr/>

Increase in working capital.....		\$ 149,972
		<hr/>

Working capital deficiency at beginning of year.....		(10,851)
--	--	----------

Increase in working capital during year.....		149,972
		<hr/>

WORKING CAPITAL AT END OF YEAR.....		<hr/> <hr/>
-------------------------------------	--	-------------

GIANT SOO MINES LIMITED

(Non-Personal Liability)

NOTES TO THE FINANCIAL STATEMENTS

September 30, 1967

1. Provision for the depreciation of buildings, plant and equipment has been recorded in the accounts at an amount sufficient to eliminate income for income tax purposes.
2. The mining operation was suspended on October 6, 1967.
3. 6% income debentures payable as to principal and interest out of distributable profits and charging the assets and undertaking of the company are to be issued to Giant Mascot Mines Limited (N.P.L.) as a first charge to secure the repayment of the advances made by that company and to Copper Soo Mining Company Limited (N.P.L.) as a second charge to secure the sum of \$90,000 which is payable to that company as part of the acquisition cost of the company's property and equipment.
4. During the year ended September 30, 1967, production from the Giant Soo Mine resulted in operating income of \$171,746, before depreciation and amortization of development and other expenditures previously deferred. In view of the suspension of operations, the Directors have considered it appropriate to defer the determination of distributable profits for the time being and accordingly the interest on the two classes of income debentures, which is payable out of distributable profits, has not yet been recorded for the first year of operation.

"By letter of agreement dated Mch 26 '68, Copper Soo sold to Giant Mascot all its shares in Giant Soo M.L. (1,200,000 shares) & its right to receive class B income debentures in consideration of \$25,000, a first registered charge on the Estella mine by way of a right to receive 2 1/2% of net smelter returns - - - & Giant Mascot forgiving the indebtedness of Giant Soo in the aggregate of \$225,000."

- GCNL 68-14B

GIANT SOO M

(Non-Personal)

(Incorporated under the laws of the State of Michigan)

CONSOLIDATED BALANCE SHEET

At September 30, 1967

(With comparative figures for 1966)

ASSETS		
CURRENT ASSETS	1967	1966
Cash.....	\$ 26,529	\$ 19,227
Accounts receivable from affiliated companies.....	1,303	1,982
Concentrate settlements receivable.....	138,236	47,768
Concentrates on hand, at estimated realizable value.....	6,570	5,594
Supplies on hand, at cost.....	5,620	6,148
Prepaid expense.....	9,906	8,670
	<u>188,164</u>	<u>89,389</u>
 SPECIAL REFUNDABLE TAX	 4,282	 —
 MINING PROPERTIES AND DEVELOPMENT		
Mining properties, at the value ascribed by the directors to 2,000,000 shares of the capital stock issued therefor, with additions (\$91,004), at cost.....	291,004	291,004
Buildings, plant and equipment, at the value ascribed by the directors to 1,000,000 shares of the capital stock issued therefor, with total additions (\$419,447; 1966—\$397,673), at cost.....	519,447	497,673
Less accumulated depreciation (Note 1).....	(72,784)	—
	<u>\$ 737,667</u>	<u>788,677</u>
 DEVELOPMENT AND OTHER EXPENDITURES DEFERRED.....	 —	 \$ 98,962
	<u>\$ 930,113</u>	<u>\$ 977,028</u>

APPROVED ON BEHALF OF THE BOARD:

“W. C. GIBSON,” Director

“T. G. WILSON,” Director

MINES LIMITED

(Incorporated in the Province of British Columbia)

BALANCE SHEET AS AT SEPTEMBER 30, 1967

(As at September 30, 1966)

LIABILITIES

CURRENT LIABILITIES	1967	1966
Accounts payable and accrued liabilities.....	\$ 43,401	\$ 100,240
Advances from Giant Mascot Mines Limited (N.P.L.).....	5,642	—
Special refundable tax payable.....	4,282	—
	<u>53,325</u>	<u>100,240</u>
AMOUNTS TO BE SECURED BY INCOME DEBENTURES (Note 3)		
Giant Mascot Mines Limited (N.P.L.).....	486,786	486,786
Copper Soo Mining Company Limited (N.P.L.).....	90,000	90,000
	<u>576,786</u>	<u>576,786</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL

Authorized, issued and fully paid

3,000,000 shares without nominal or par value, issued for mining properties, buildings, plant and equipment..... \$ 300,002 \$ 300,002

The attached notes are an integral part of the financial statements.

\$ 930,113 \$ 977,028

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
GIANT SOO MINES LIMITED (N.P.L.)

We have examined the balance sheet of Giant Soo Mines Limited (N.P.L.) at September 30, 1967 and the statements of income and source and application of funds 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.

Since the mining operations have been suspended it is not possible for us to form an opinion as to the adequacy of the provision for depreciation. In our opinion, with this qualification, the financial statements referred to above present fairly the financial position of the company at September 30, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Vancouver, B.C.
December 1, 1967

THORNE, GUNN, HELLIWELL & CHRISTENSON,
Chartered Accountants.