AFTON MINES LTD.

(N.P.L.)

ANNUAL REPORT 1973

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

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended March 31
(Unaudited)

	1978 $	1977 $
Source of Working Capital		
Customer loans	17,017,500	—
Term bank loan	9,419,690	30,781,300
Teck Corporation Limited	52,829	29,501
Capital stock	6	80,000
	26,490,025	30,890,801
Use of Working Capital		
Buildings and equipment	9,477,905	19,681,049
Mobile equipment	1,120,880	7,504,076
Mineral properties, land and grazing leases, deferred costs, Sugarloaf Ranches	10,566,589	673,962
	21,165,374	27,859,087
Increase in working capital	5,324,651	3,031,714
Working capital (deficiency) — beginning of period	(4,889,349)	884,237
Working Capital — end of period	435,302	3,915,951

Approved by the Directors

, Director

, Director

To EMM.

file

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

INTERIM REPORT
For the six months ended March 31, 1978

92INE023

PROPERTY FILE

Executive Offices
1199 W. Hastings St.
Vancouver, B.C.
V6E 2K5
(604) 681-1392

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

To the Shareholders:

The Afton concentrator commenced tune-up on 7 December 1977 and the smelter on 21 March 1978. The operation was officially opened on 27 April at a ceremony attended by mining people from across Canada, Europe and the United States.

Operations in the mine and mill have proceeded well with costs being below budget and mill throughput exceeding design capacity. The mill operation to date has demonstrated that projected recoveries can be achieved, and in all likelihood exceeded.

The smelter tune-up is proceeding well, with metallurgical results being up to design parameters. Some ancillary equipment has not functioned as well as could be expected but the bugs are being ironed out and routine operations should be established by June.

It is anticipated that Afton's total operating cost, including transportation and refining, and after gold and silver credits will be about 35¢ Canadian per pound of copper.

In order to reduce the carrying cost of our financing, arrangements have been made to convert $80,000,000 U.S. to income debentures. This will reduce the interest rate by slightly over four percentage points, and have the effect of saving the project about
during the period are the primary crusher,
$3,900,000 in the next year, or about 7.7¢ per pound of copper produced.

As part of this transaction Teck would acquire a 50% interest in the Afton project directly, in exchange for its currently-held 50% shareholding in Afton Mines Ltd. This is subject to the approval of Afton shareholders at a meeting to be held in June, and it is hoped that the income debentures can be in place by June 30.

On behalf of the Board,

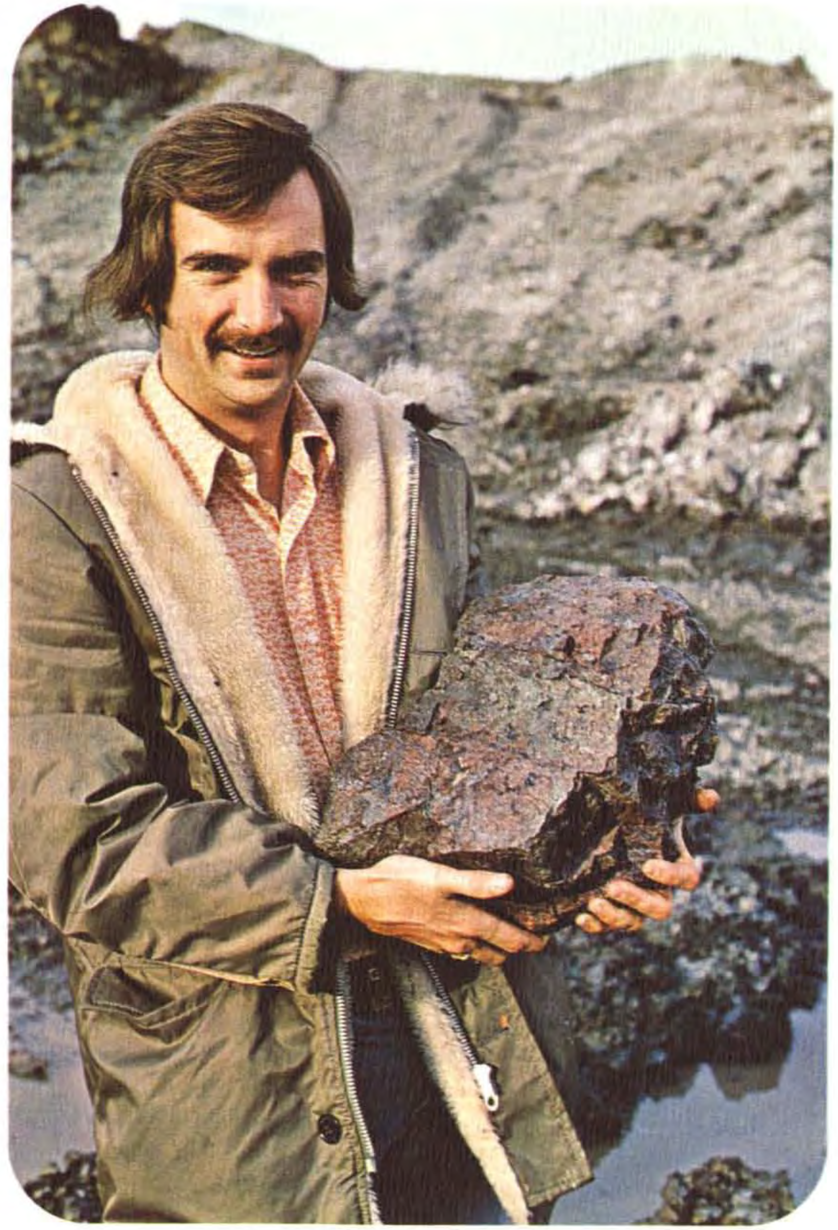
N.B. Keevil Jr.,
President.

Vancouver, B.C.
May 29, 1978.

PRODUCTION TO 31 MARCH, 1978

Tons milled	765,995
Grade (% copper)	0.91
Pounds copper recovered (concentrate)	11,400,000
Ounces gold recovered (concentrate)	11,100
Ounces silver recovered (concentrate)	64,800

Annual General Meeting of Shareholders — Kent Room, Hotel Georgia, Thursday, December 6th, 1973, 10:30 A.M. (Pacific Standard Time)



Afton geologist Rodney Blake with specimen of high grade native copper ore from west pit area

R.E. Hallbauer

N.B. Keevil Jr.

TO THE SHAREHOLDERS:

It is a pleasure to present the annual report for the fiscal year ended June 30, 1973, and to report on progress on your Company's copper project.

The Afton copper deposit, 10 miles west of the city of Kamloops, British Columbia, was discovered as a result of a percussion drilling programme carried out in late 1971 and early 1972. Subsequent diamond and rotary drilling, including 31,700 feet since the last annual report, have outlined the deposit sufficiently to permit detailed mine and mill planning.

Ore reserves within the planned open pit have been established at 34 million tons grading 1.0% copper, with a waste to ore ratio of 4.2 to 1. Data on accompanying gold and silver values are incomplete, but recoverable precious metals should be approximately $1.25 per ton.

The planned pit extends to a depth of 900 feet. Additional copper has been encountered in deep drilling below this, as shown by the cross section on page 5, but this has not been included in the ore reserve calculations.

Metallurgical investigations have included both bench scale and pilot plant tests at the Lakefield Research Laboratory. These indicated the feasibility of producing a concentrate grading approximately 62% copper with a recovery of 87%. Alternatively, it appears feasible to produce two separate concentrates grading 50% and 97% copper, with the higher grade concentrate containing 30-35% of the total copper produced.

The possibility of further processing to produce a more highly refined product is being investigated, but it is too early to reach any firm conclusions on either the economic or physical practicality of this.

Geophysical and geochemical surveys were carried out in areas considered for the plant site and for waste disposal, and drilling in these areas is in progress. In addition, some exploratory geophysics and drilling is being done elsewhere on the property.

Preparation of the feasibility study is well underway, including ore reserve calculations, mining schedules, plant design, equipment and construction cost, and reclamation and environmental studies. The technical aspects of the study should be finished this year. However, the complete feasibility study may be delayed for several months, pending clarification of the new taxes proposed by the provincial government. In the meantime, we will proceed with further detailed engineering work which will be necessary in any event, and it is hoped that the ultimate production date will not be delayed materially.

The feasibility study is being financed and managed by Teck Corporation and Iso Mines under their agreement with Afton Mines Ltd. As an interim measure the Company's line of credit with its bankers has been increased from $300,000 to $500,000.

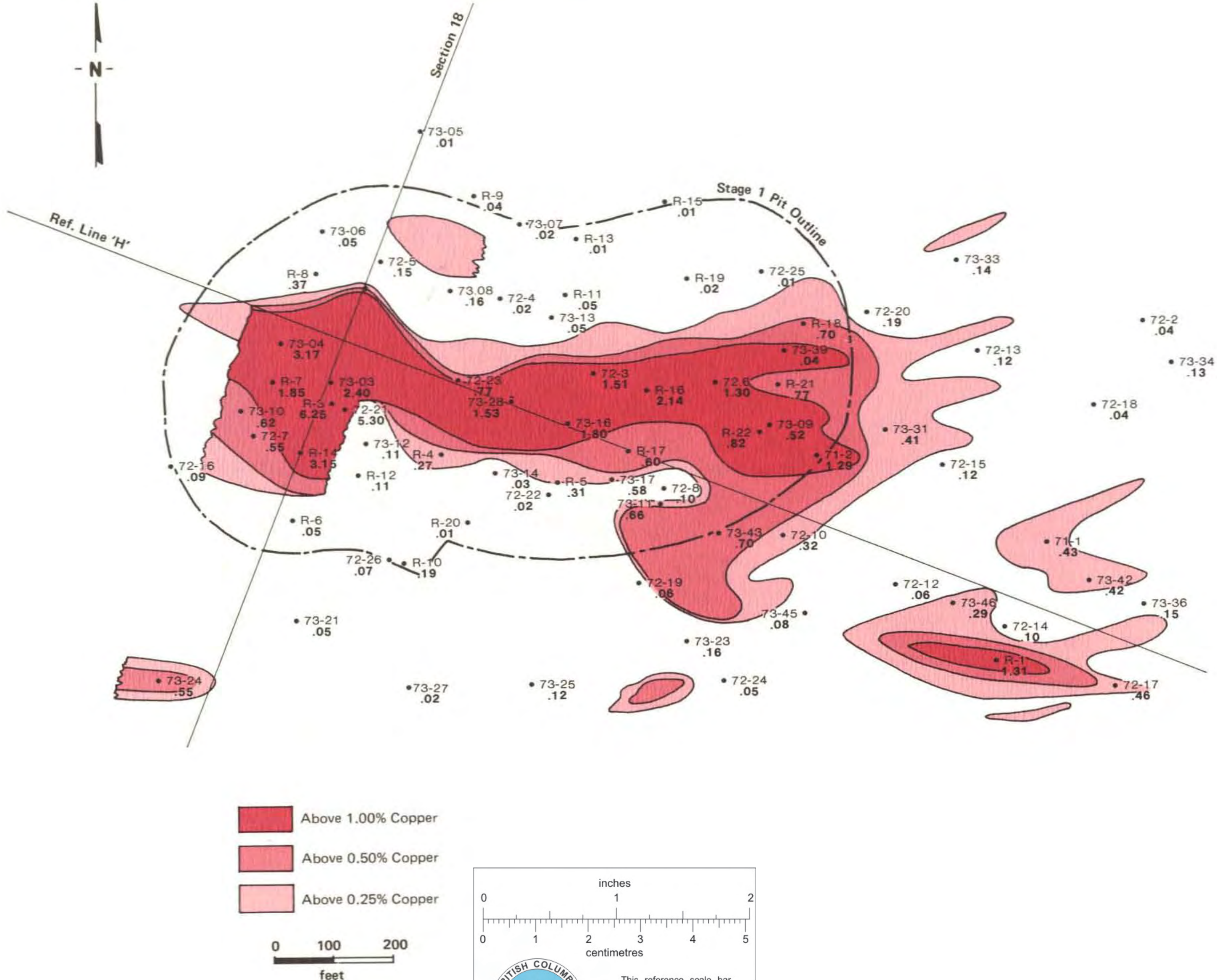
On behalf of the Board

R.E. Hallbauer,
Managing Director.

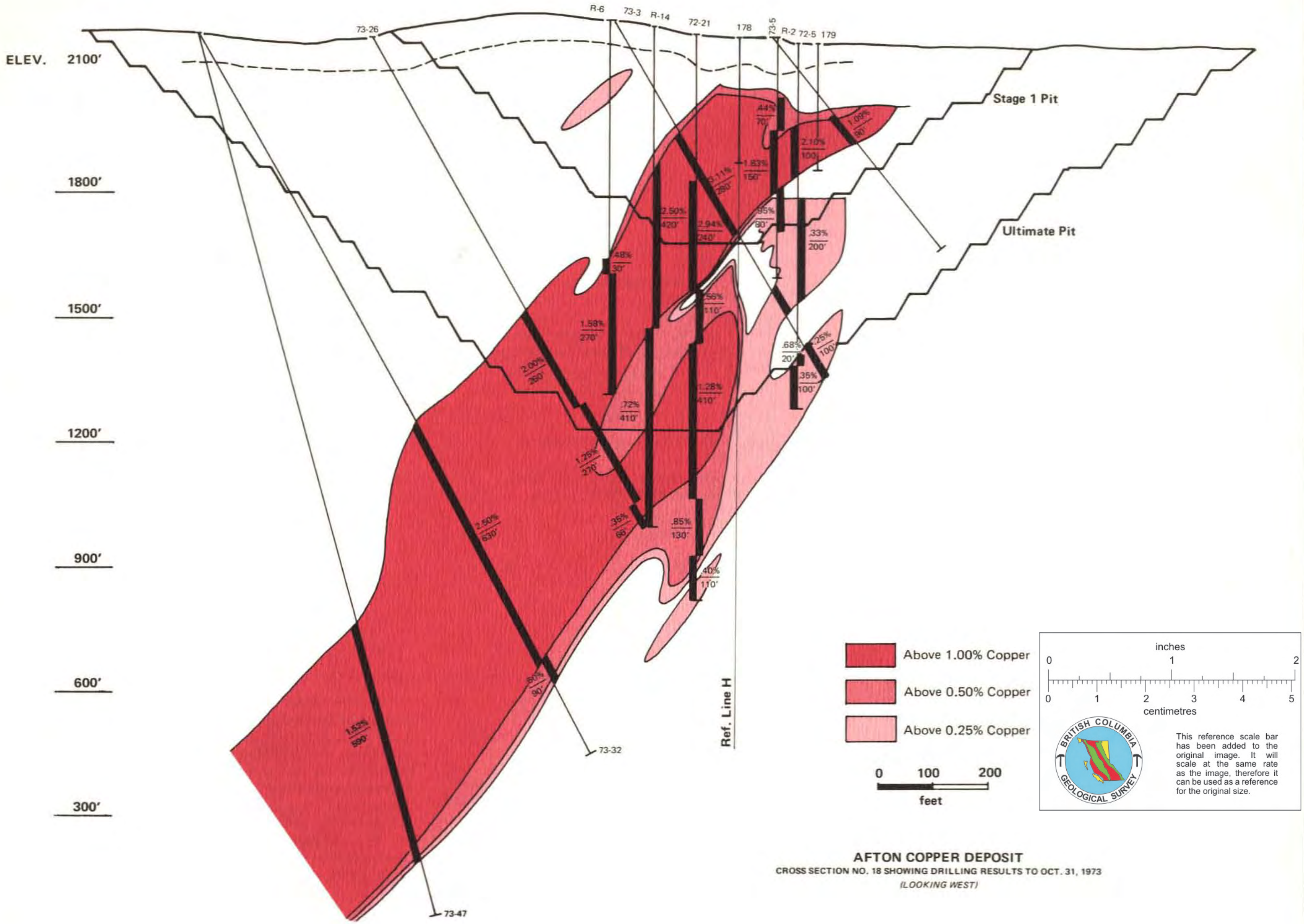
N.B. Keevil Jr.,
President.

Vancouver, B.C.
November 6, 1973.

Teck Group geologist Alan Reed studies Afton diamond drill core as part of the feasibility study



AFTON COPPER DEPOSIT
LEVEL 1800



AFTON COPPER DEPOSIT

CROSS SECTION NO. 18 SHOWING DRILLING RESULTS TO OCT. 31, 1973

(LOOKING WEST)

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

BALANCE SHEET AS AT JUNE 30, 1973

ASSETS

	1973	1972
	$	$
CURRENT ASSETS		
Cash and short-term deposits	6,654	110,783
FIXED ASSETS		
Land and grazing leases — at cost (notes 1 and 2)	137,500	100,000
Truck — at cost less accumulated depreciation of $1,473	3,437	
	140,937	100,000
MINERAL PROPERTIES (notes 1, 3 and 4)	91,300	91,300
DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES (note 1)	768,539	644,571
	1,007,430	946,654

LIABILITIES

	1973	1972
	$	$
CURRENT LIABILITIES		
Bank demand loan	220,000	
Accounts payable and accrued liabilities	6,056	86,227
	226,056	86,227

SHAREHOLDERS' EQUITY

	1973	1972
CAPITAL STOCK (note 4)		
Authorized —		
5,000,000 shares of no par value — maximum issue price of $4 per share		
Issued and fully paid —		
1,926,520 shares — for cash	818,927	818,927
697,500 shares for mineral properties	41,500	41,500
	860,427	860,427
DEFICIT	79,053	
	781,374	860,427
	1,007,430	946,654

SIGNED ON BEHALF OF THE BOARD

Director

Director

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Afton Mines Ltd. (N.P.L.) as at June 30, 1973 and the statements of deficit, deferred exploration, development and other expenditures and source and use of working capital 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 these financial statements present fairly the financial position of the company as at June 30, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The comparative figures for 1972 are based upon financial statements which were reported on by other auditors.

Coopers & Lybrand
Chartered Accountants

Vancouver,
August 6, 1973

STATEMENT OF DEFERRED EXPLORATION DEVELOPMENT AND OTHER EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1973

	Balance beginning of year $	Expenditures during year $	Balance end of year $
EXPLORATION AND DEVELOPMENT			
Assaying	34,315	19,458	53,773
Engineering	43,891	34,436	78,327
Drilling	412,923	29,967	442,890
Induced polarization	6,344		6,344
Licences, assessments and sundry	19,250	1,907	21,157
Staking and surveying	18,583	3,636	22,219
	535,306	89,404	624,710
ADMINISTRATION			
Depreciation		1,473	1,473
Loan interest		7,344	7,344
Legal, audit and accounting	55,150	37,528	92,678
Office and management	18,961	53,959	72,920
Transfer agency fees	6,804	4,111	10,915
Rent and services	11,039		11,039
Other	26,642	10,940	37,582
	118,596	115,355	233,951
Less: Interest earned	10,725	1,738	12,463
	107,871	113,617	221,488
	643,177	203,021	846,198
Less: Costs relating to abandoned project		79,053	79,053
	643,177	123,968	767,145
INCORPORATION COSTS	1,394		1,394
TOTAL DEFERRED EXPENDITURES	644,571	123,968	768,539

STATEMENT OF DEFICIT

FOR THE YEAR ENDED JUNE 30, 1973

	1973 $	1972 $
BALANCE — BEGINNING OF YEAR	Nil	Nil
Exploration, development and other expenditures relating to abandoned project	79,053	Nil
BALANCE — END OF YEAR	79,053	Nil

STATEMENT OF SOURCE AND USE OF WORKING CAPITAL

FOR THE YEAR ENDED JUNE 30, 1973

	1973 $	1972 $
SOURCE		
Capital stock		570,000
USE		
Exploration, development and other expenditures less depreciation included therein	201,548	532,285
Option payment (note 2)	37,500	100,000
Truck	4,910	
	243,958	632,285
DECREASE IN WORKING CAPITAL	243,958	62,285
WORKING CAPITAL — BEGINNING OF YEAR	24,556	86,841
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	(219,402)	24,556
REPRESENTED BY:		
Current assets	6,654	110,783
Current liabilities	226,056	86,227
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	(219,402)	24,556

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1973

1. VALUES

The amounts shown for land and grazing leases, mineral properties and deferred exploration, development and other expenditures represent costs to date and do not necessarily reflect present or future values.

2. LAND AND GRAZING LEASES

In April, 1972, the company entered into an option agreement to purchase land and grazing leases covering Crown lands on which a number of the company's mineral claims are located. The total consideration under the terms of this option agreement is $250,000 of which $137,500 has been paid. To fully exercise the option, the balance of $112,500 is payable in instalments of $37,500 due April 19, 1974, 1975 and 1976.

The company also holds an option to purchase additional land and grazing leases on which certain other mineral claims are located. To fully exercise this option, the full purchase price of approximately $150,000 must be paid on or before May 20, 1974.

3. MINERAL PROPERTIES

The company's mineral properties are all located in the Kamloops Mining District and were acquired for 697,500 shares (issued at an ascribed amount of $41,500) and for cash of $49,800.

4. CAPITAL STOCK

(a) In January, 1972 the company increased the maximum issue price per share from 50c to $4.

(b) Under the terms of an agreement dated May 30, 1972, Canadian Exploration Limited was granted exclusive possession, management and control of the property of the company and the right to proceed with exploration and development at its own expense with a view to placing the property in production. On May 9, 1973 this agreement was assigned to Teck Corporation Limited and Iso Mines Limited (Teck-Iso). The agreement provides that on receipt of notice by the company of the intention of Teck-Iso to place the property in production, the company will issue to Teck-Iso a number of shares equal to thirty percent of the shares outstanding immediately following such issue.

5. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Number of directors	5
Aggregate remuneration of directors as directors	Nil
Number of officers	5
Aggregate remuneration of officers as officers	$22,500
Number of officers who are also directors	4

DIRECTORS

R. E. Hallbauer
D. L. Hiebert
N. B. Keevil
N. B. Keevil, Jr.
J. D. Leishman

OFFICERS

N. B. Keevil, Chairman of the Board
R. E. Hallbauer, Managing Director
N. B. Keevil, Jr., President
D. L. Hiebert, Vice-President and Treasurer
J. D. Munroe, Secretary
G. R. Shipley, Assistant Secretary

Head Office

700 - 1177 West Hastings Street, Vancouver, B.C. V6E 2K5

Registrar and Transfer Agent

The Canada Trust Company, Vancouver, B.C., and Toronto, Ontario

Auditors

Coopers & Lybrand, Vancouver, B.C.

Records Office

26th Floor, Pacific Centre,
700 West Georgia Street,
Vancouver, B.C.

The Afton camp during the early stages of the feasibility study. The rolling sagebrush country is typical of this part of central British Columbia

Native copper from a typical rotary drill hole. The fragments were concentrated in this gold pan to demonstrate some characteristics of the mineralization

Diamond drill core containing high grade native copper in fractures and disseminated throughout the rock

WESTERN MINER PRESS LTD.
SUITE NO. 1200 WEST PENDER ST. VANCOUVER 1, B.C.