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ANGLO CANADIAN MINING CORPORATION



1981 ANNUAL REPORT

SECOND ANNUAL REPORT 1981

Board of Directors

Ronald B. Stokes, P.Eng.
Robert L. Kemeny, P.Eng.
Herbert D. Drechsler, P.Eng., Ph.D.
Donald H. Clark, B.Comm., C.G.A.

Officers

Ronald B. Stokes, President
Robert L. Kemeny, Secretary

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Bull Housser & Tupper
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Bankers

The Royal Bank of Canada
Vancouver, British Columbia
Canada

Auditors

Bruce T. Hamilton
Vancouver, British Columbia
Canada

Registrar and Transfer Agent

National Trust Company
Vancouver, British Columbia
Canada

Stock Listing

The Vancouver Stock Exchange
Call Letters ANP

The Company

Anglo Canadian Mining Corporation was incorporated in the Province of British Columbia on March 27th, 1979.

The corporate objective of the Company is the exploration, development and production of mineral resource properties in British Columbia.

Anglo Canadian Mining Corporation is a public company whose shares are listed on the Vancouver Stock Exchange with the trading symbol ANP.

Front Cover

The diamond drill on the upper zone of Mt. Ericksen-Ashby, south of Atlin, B.C.

The Tulsequah-Taku rivers meet below and provide barge access from the Pacific. A large lens of massive sulphide mineralization was intersected with these upper holes. (See report.)

The Annual Meeting

The Annual Meeting of Shareholders will be held on October 22nd, 1981 in Salon A at the Engineers Club, 640 West Pender Street, Vancouver, British Columbia V6B 1V8.



PRESIDENT'S REPORT

Your company had an extremely active year. We were busy and successful both in the field and in raising additional funds for your company.

Following the initial underwriting, 260,700 warrants were exercised in early 1981 to place an additional \$350,610 in the treasury. More recently an agreement has been signed with Terramar Resource Corporation to place up to \$1.5 million into Anglo Canadian. The funds are to be spent on projects approved by Terramar, submitted by your company. This will provide a very healthy and solid backing for the many projects that Anglo Canadian wishes to pursue.

Terramar is a Vancouver based company, with sponsorship from England and Germany, prepared to invest heavily in the natural resources of Western Canada. Prior long-term associations with some of the principals and consultants encouraged Terramar to approach your Anglo directors to represent them technically in Western-Canadian mining exploration. We believe the association will be substantially beneficial to both companies.

In the field, the Ericksen-Ashby and other properties in the Tulsequah-Taku area, northern British Columbia, received detailed examinations following the major sub-regional 400 sq. km survey carried out during 1980. Those properties staked or optioned were then reviewed during the winter and preparations made for an early 1981 season program.

The most developed project, the Ericksen-Ashby, contains an indicated 1 million tons of mineralization grading 6.27 oz. per ton of silver, 2.23% lead, 3.79% zinc, plus recoverable gold and cadmium. This was indicated by previous drilling, trenching, surface and underground sampling. Several major companies approached Anglo Canadian with the objective of participation.

Early in the year an agreement was made with Island Mining Corporation, in which they were to carry out a 3000 ft. diamond drilling program or an expenditure of \$300,000 to earn a 60% interest. Eleven holes were drilled during 1981. Assay results, so far, from the first 3 holes show significant massive sulphide and silver values. Ten out of the eleven holes cut mineralization.

The Joly Jak and Ono Oya properties staked in 1980 were covered by vector pulse electromagnetic surveys. A series of conductors on Joly Jak are probably veins similar to the Enterprise vein on Redfern's adjacent property. These present drill targets.

In the spring of 1981 an area 40 km east of Atlin was designated by the Government for placer staking. As it is a region of historic placer exploration and placer activity, Anglo Canadian decided to acquire 15 leases. These are currently being processed by the Government Mines Department. A reconnaissance exploration program carried out during the summer indicates that we have gold, tin and tungsten values on the ground. Sample results are awaited.

Dr. John Payne, consulting geologist, was in Peru during July reviewing and examining a number of opportunities offered through Peruvian Government agencies via a New York company.

In an effort to obtain early cash flow, Anglo Canadian participated for 7.5% working interest in an Alberta oil drilling project into the Cardium formation near Ferrier, on 2¼ sections. Oil and gas were hit in the well and it has been capped awaiting pipeline connections, permission and opportunity to sell the gas as well as the oil. Pan Continental Oil Ltd., of Calgary, are the operators.

A 12,116 ft. well, in Sundheim 2, Big Muddy Creek Field in Montana, in which your company participated for 10% of the \$1.2 million projected cost, is currently being tested following completion. It appears to be a marginal producer, although an adjacent well, 150 ft. away, produced 300 barrels a day before the casing collapsed in 1977. Further information is expected from Anador Resources Inc., of Calgary, the company carrying out the program.

A large number of property examinations and reviews have been and are currently underway for Anglo's participation.

Attention has been focused on placer mining opportunities.

FINANCING

269,700 warrants were exercised on March 9, 1981, netting the treasury \$350,610. This was an extremely pleasing figure as it demonstrated the confidence your shareholders and brokers had for the company's future.

An agreement has been signed with Terramar Resource Corporation to provide up to \$1.5 million progressively to Anglo's treasury, with particular attention paid, initially, to the placer project in the Atlin area. On spending \$500,000 Terramar will earn 30% in the placer properties; for \$1 million they will earn 60% total. Anglo can maintain its 40% interest by financing 40% of the ongoing costs or take a 10% carried interest.

Terramar, on an option basis, will obtain 750,000 shares of Anglo Canadian for the \$1.5 million expenditure. This agreement is subject to the prior approval of the Vancouver Stock Exchange and the Superintendent of Brokers of British Columbia.

PROJECTS

Ericksen-Ashby

Island Mining Corporation optioned this property from Anglo Canadian. They paid Anglo Canadian \$50,000 and committed to spend at least \$300,000 or diamond drill 3,000 ft. whichever was first. A Longyear 38 drill was set up high on the mountain in early June, while drill water was available from snow runoff.

The first three BQ diamond drill holes from the initial set up obtained the following results:

DDH #	Intersection	Length	%Pb	%Zn	Silver in oz./ton
EA 81-1	107-132 ft.	25 ft.	1.16	1.99	2.10
EA 81-2	154-162 ft.	8 ft.	1.98	7.58	5.56
EA 81-3	110-140 ft.	30 ft.	4.94	4.22	16.54
(including)	110-125 ft.	15 ft.	5.94	2.59	25.04

Results from the remaining eight holes are awaited.

It would appear that additional drilling will be warranted jointly in early 1982, on the upper zones to prove the extent of the steeply dipping lenticular bodies extending down toward the adit. Should this prove economic an underground program would be carried out by radial diamond drilling inside the adit. This tunnel of over 160 meters passed through one ore zone and should be extended to give the best drill access and provide for future mining development.

Joly Jak Claims

These 15 units staked for Anglo Canadian are on the eastern flank of Mount Lester Jones. Access is by helicopter from the Tulsequah airstrip 26 km south-west. The claims are underlain by sedimentary and volcanic rocks of the King Salmon-Stuhini group of Triassic age. A gold-silver discovery by Anglo's team in 1980 resulted in heavy staking in the area. Anglo's claims are now surrounded by the Redfern-Comaplex group who have been carrying out a major trenching and diamond drilling program on the boundaries. A team from Glen White & Associates was contracted to run a pulse E.M. survey, probing to as much as 800 ft. depth. In addition detailed geological mapping for target definition was carried out by Anglo. A series of

en-echelon conductors — almost certainly veins — were defined. Glen White has recommended that the three strongest conductors be drilled.

Ono Oya Claims

The 30 claim units staked in 1980 lie 5 km north of the Tulsequah Chief mine owned by Cominco. The claims lie in a similar belt of altered rhyolites. A massive sulphide zone found on the claims extends under glacial overburden. An additional claim block of 20 units was staked early in 1981 to protect the southerly extension.

A pulse E.M. survey covered a selected area of the claims. The best response was obtained on the north side of Shazah Creek close to a massive sulphide showing. The anomalies should be checked by drilling.

Munro Mountain

Yukon Revenue Mines recently announced good silver and gold values returned from some trenching both in the quartz veins and in the surrounding wall rocks of their Birch Creek property near Atlin.

Anglo Canadian was currently exploring nearby property at Munro Mountain previously worked in 1902 for a small tonnage high-grade gold in quartz veins. It has a similar geologic setting as the Yukon Revenue property.

An extensive program of underground sampling, wall rock sampling, rock-chip and magnetometer surveys was carried out.

The survey assay data is being compiled.

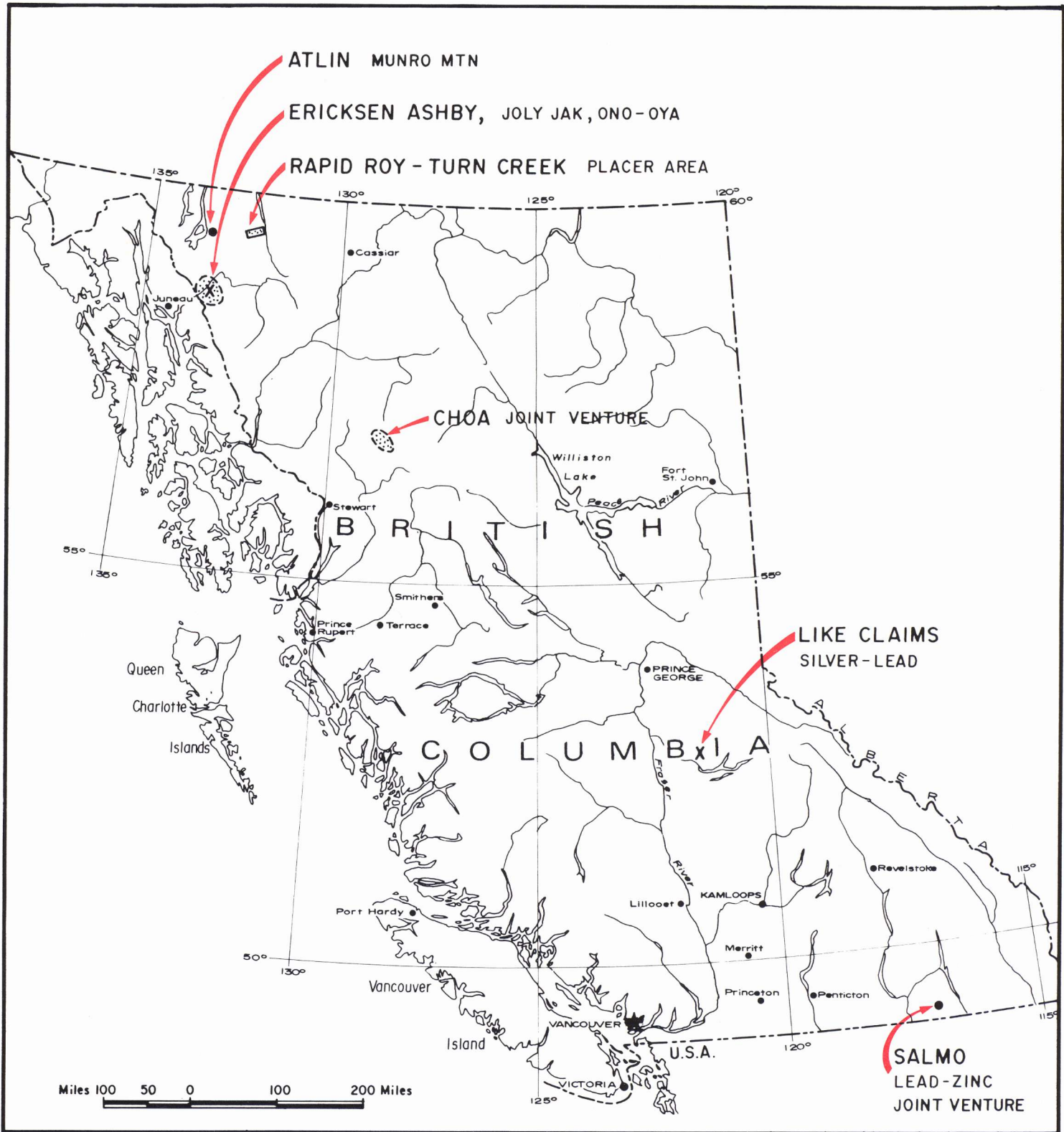
New Claims

23 claim units have been staked 1 km north-east of Atlin on Two John Creek on a possible quartz vein gold environment.

Placer Claims

In the spring of 1981, 15 placer claims were staked 40 km east of Atlin covering 15,000 meters of valley drainage.

Reconnaissance testing of the Turn Creek, Rapid Roy Creek and Goodwin Creek areas are being carried out in a helicopter supported program. Physical work is restricted to hand-panning and trenching while the leases are being processed by the Government. The first field and assay results indicate gold, tin and tungsten values in the reconnaissance testing. Air photo studies and field mapping of the Pleistocene geology have been carried out. Seismic profiling to determine the depth to bedrock, and drilling or back-hoe trenching will be the next stage, in areas selected from the compilation of field results.



ANGLO CANADIAN MINING CORPORATION
(a British Columbia company)

Balance Sheet
April 30, 1981

ASSETS

	1981	1980 (amended)
Current		
Bank	3,222	139,997
Deposits	\$ 519,220	<u>1,058</u>
	<u>522,442</u>	<u>141,055</u>
Investment in resource properties		
Claims, options, and leases — Note 3	177,466	42,140
Deferred expenditures — Statement 2	475,480	16,798
Organization cost — Note 4	65,628	—
	<u>718,574</u>	<u>58,938</u>
Fixed assets — at cost		
Office equipment	2,406	—
Less accumulated depreciation	<u>481</u>	<u>—</u>
	1,925	—
Incorporation cost — less amortization	<u>—</u>	<u>477</u>
	<u>\$1,242,941</u>	<u>200,470</u>

LIABILITIES

Current		
Accounts payable	\$ 36,894	2,759
Stokes Exploration Management Co. Ltd. — Note 7	27,726	—
Due to directors	<u>5,571</u>	<u>5,571</u>
	70,191	8,330
Contingent liability — Note 5		
Share capital		
Authorized — 10,000,000 shares, no par value		
Issued — 2,283,702 shares — Note 6	<u>1,172,750</u>	<u>192,140</u>
	<u>\$1,242,941</u>	<u>200,470</u>

Approved by the Directors:

R. B. STOKES, Director

R. L. KEMENY, Director

See Auditor's Report dated July 14, 1981



Statement 2

ANGLO CANADIAN MINING CORPORATION**Statement of Deferred Expenditures
for the year ended April 30, 1981**

	Ericksen/ Ashby	Like	Ferrier	Big Muddy	Total
Exploration					
Field Exploration					
program — note 7.....	\$241,308	9,202	—	—	
Share of drilling costs.....	—	—	68,358	119,087	
Balance — beginning					
of year.....	4,254	662	—	—	
	<u>245,562</u>	<u>9,864</u>	<u>68,358</u>	<u>119,087</u>	
Sale of part interest.....	(33,755)	—	—	—	
Operating recovery.....	—	—	(604)	—	
	<u>\$211,807</u>	<u>9,864</u>	<u>67,754</u>	<u>119,087</u>	408,512
Administration					
Audit.....			\$ 1,681		
Annual meeting expense.....			4,446		
Depreciation and amortization.....			958		
Legal.....			10,601		
Listing costs.....			4,399		
Engineering and management charges.....			30,920		
Public relations.....			5,016		
Secretarial and office fees.....			18,000		
Transfer agent.....			3,213		
Other office.....			<u>4,202</u>	83,436	
Less: interest income.....				<u>(28,351)</u>	
				55,085	
Balance — beginning of year.....				<u>11,883</u>	<u>66,968</u>
Total deferred — Statement 1.....					<u><u>\$475,480</u></u>

ANGLO CANADIAN MINING CORPORATION

**Statement of Changes in Financial Position
for the year ended April 30, 1981**

	1981	1980 (amended)
Source		
Sale of shares — for cash	\$980,610	185,000
— less commission	(75,000)	—
	<u>905,610</u>	<u>185,000</u>
— for property	—	7,140
	905,610	192,140
Interest income	28,351	—
Sale of part interest in Ericksen/Ashby	50,000	—
	<u>983,961</u>	<u>192,140</u>
Use		
Purchase of resource properties — for cash	142,200	35,000
— for shares	—	7,140
	142,200	42,140
Deferred exploration	437,351	4,915
Deferred administration, less depreciation	82,478	11,883
Office equipment and other	2,406	477
	<u>664,435</u>	<u>59,415</u>
Increase in working capital	319,526	132,725
Working capital — beginning of year	132,725	—
Working capital — end of year	<u>\$452,251</u>	<u>132,725</u>
Working capital comprises:		
Current assets — Statement 1	522,442	141,055
Current liabilities — Statement 1	(70,191)	(8,330)
	<u>\$452,251</u>	<u>132,725</u>



AUDITOR'S REPORT

To the Shareholders
Anglo Canadian Mining Corporation
Vancouver, B.C.

I have examined the balance sheet of Anglo Canadian Mining Corporation as at April 30, 1981 and the statements of deferred expenditures and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Company as at April 30, 1981, and the results of its deferred expenditures and the changes in its 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.

July 14, 1981

BRUCE T. HAMILTON
Chartered Accountant
Vancouver, B.C.

ANGLO CANADIAN MINING CORPORATION

Notes to the Financial Statements April 30, 1981

1. **Accounting policies**

In common with most mining companies in the exploration stage, the Company defers all direct expenditures on properties and related administration and organization expenditure. At such time as the Company abandons or loses its interest in any property, the accumulated direct expenditure and the attributable administration and organization expenditures are written off to deficit. If any property reaches commercial production, the applicable deferred expenditures will be amortized over the estimated production life of the property. Accordingly, amounts shown for claims and deferred expenditures represent costs to date, and do not necessarily reflect present or future values.

Fixed assets are recorded at cost, and depreciation is on the declining-balance basis using the ordinary rates permitted by the Canadian Income Tax Act.

2. **Amended 1980 comparative figures**

The 1980 figures have been amended to take into account a reduction in share capital to be issued for a resource property option as required by the regulatory authorities. (See Note 3(a).)

3. Claims, options, and leases

(a) Like claims (Cariboo Mining Division, B.C.)

These four claims were purchased from the Company's directors, originally for 750,000 shares at a deemed value of 1¢ each. \$ 7,500

The regulatory authorities required this to be reduced by 36,000 shares. (360)

7,140

(b) Ericksen/Ashby option (Atlin Mining Division, B.C.)

The Company acquired (originally through the Company's directors) an option to buy twelve units for \$35,000 cash plus \$15,000 in June 1980, \$20,000 in June 1981 and \$25,000 yearly until commercial production. Following commercial production the claims are subject to aggregate royalties of 7% net smelter returns (minimum \$25,000 yearly). In November 1980 the Company entered a joint venture. The other participant acquired 60% in return for \$50,000 cash and a commitment to the lesser of drilling 3,000 feet or spending \$350,000. Thereafter, the Company must meet its 40% share of costs or be reduced to 20%.

Costs to date. \$50,000

Joint venture proceeds allocated (6,873) 43,127

(c) Tulsequah region (Atlin Mining Division, B.C.)

The Company caused to be staked the following non-contiguous claims at its cost of staking and exploration:

Joly/Jak (15 units). 25,000

Ono/Oya/Mab (50 units) 21,161

Wy (6 units) 5,000 51,161

(d) Placer claims (Atlin Mining Division, B.C.)

Fifteen placer claims were staked at cost. 5,003

(e) Ferrier area (Alberta)

The Company acquired a 5.625% working interest in the 1,440 acres in return for 5.625% of the lease acquisition costs, a commitment of 7.5% of drilling costs of two wells to casing point, and 5.625% of subsequent costs. 71,035

(f) Big Muddy prospect (Roosevelt County, Montana)

A 10% working interest (5.5% after payout) in 320 acres was acquired in return for 10% participation in drilling costs —

Total — Statement 1 \$177,466



4. **Organization cost**

Commission on sale of shares has been allocated in accordance with the work program set out in the prospectus of April 24, 1980.

	Total	Like	Ericksen/ Ashby
Sale of part interest	\$75,000	6,818	68,182
	<u>(9,372)</u>	<u>—</u>	<u>(9,372)</u>
Total — Statement 1	<u>\$65,628</u>	<u>6,818</u>	<u>58,810</u>

5. **Contingent liability**

A legal action was begun against the Company by the sub-contractor responsible for some of the 1980 drilling program on the Ericksen/Ashby property. The drilling company is claiming \$75,709, which is being contested on the grounds of late and inadequate performance.

6. **Issued share capital**

During the year the following shares were issued:

	No.	\$
Balance — beginning of year	1,550,002	192,500
Shares cancelled (Note 2)	<u>(36,000)</u>	<u>(360)</u>
	1,514,002	192,140
Issued for cash	<u>769,700</u>	<u>980,610</u>
Total — Statement 1	<u>2,283,702</u>	<u>1,172,750</u>

Of the above total 714,000 shares are held in escrow subject to restrictions established by the regulatory authorities. In March 1981 the directors approved directors' incentive options on 110,000 shares at 90¢ exercisable before March 24, 1982. After the year end, the directors approved an allocation of 93,000 shares under previously approved employees stock purchase plan.

7. **Related party transactions**

As approved by the shareholders, the Company conducted the following business, mostly through Stokes Exploration Management Co. Ltd., with which two of the Company's directors are associated:

Field exploration program — Statement 2	\$241,308
Claims staked — Notes 3(c) & (d)	56,164
Secrefarial and office fees	18,000
Engineering and management charges — Note 8	30,920

8. **Directors' remuneration**

While the directors received no remuneration as such, certain of the directors charged amounts on a fee-for-service basis (in accordance with their practice as professional engineers):

Included in field exploration program through Stokes Exploration management Co. Ltd.	\$15,925
Engineering and management charges	<u>30,920</u>
	<u>\$46,845</u>

9. **Commitments**

The Company has signed commitments for secretarial and office services until April 1982 at \$1,500 a month, to use the mining engineering services of Stokes Exploration Management Co. Ltd. at market rates for the ensuing year, and to meet its share of drilling costs in the Big Muddy Prospect.

10. **Subsequent events**

After the year end, the Company entered the following agreements on mineral properties:

- (a) Choa joint venture — a 10% interest in 31 claims in the Liard Mining Division, B.C., in return for a payment of \$35,000 towards a work program estimated to cost \$245,631, plus 10% of any subsequent programs.
- (b) Starscope agreement — a 49% interest in 8 claims in the Kootenay Mining Division, B.C., in return for \$15,000 cash, the issue of up to 100,000 shares, and its share of both the work program (estimated to cost \$65,000) and options payments of up to \$485,000, plus 49% of any subsequent programs.

Back Cover Photographs

- 1 A primitive sluice box found near old workings on the Turn Creek placer property. Previous access by early prospectors was by horse trail or dog team.
- 2 Helicopter placement of the teams provided rapid exploration coverage in the Atlin area of Northern British Columbia. The placer leases cover 15,000 meters of river valley.
- 3 Ronald B. Stokes, P.Eng., President, scans the broad valley of upper Rapid Roy Creek. Ample water is available for all possible operations.
- 4 A higher grade section of the upper zone on Mt. Ericksen-Ashby contains at least 25 oz. silver per ton plus the grey lead and zinc visible in the core.
- 5 The Joly-Jak veins carry high-grade gold and silver. These claims were prospected, mapped and surveyed by Pulse E.M. geophysics.
- 6 The Pulse Electro Magnetic instrument defined drill targets on the Joly-Jak. The same vein system was tested extensively on adjacent properties. It has been found over several km.

