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DOLLY VARDEN

one of the world's large SILVER reserves

1969



ninth annual report

for the year ending march 31, 1969

DOLLY VARDEN MINES LTD. (NPL) VANCOUVER CANADA

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The 1969 Annual Meeting will be held in
the Social Suite East of the Hotel Vancouver on
Tuesday, September 30th, at 11:00 a.m.

OUR SYMBOL: A Silver Coin



Why the girl in the hat? In 1841 Charles Dickens in his book BARNABY RUDGE, introduced a "charming young lady with flashing eyes" named Dolly Varden. Her fame spread, and by the 1890's hundreds of ladies wore Dolly Varden hats. Records show that when a prospector first discovered silver near Alice Arm in 1907, he thought of this beautiful girl and named the strike, Dolly Varden.

DOLLY VARDEN

MINES LTD. (N.P.L.)

Head Office: 1400 United Kingdom Building 409 Granville Street Vancouver 2 Canada

Operations Office: Suite 304, 1033 West Pender Street Vancouver 1 Canada

Mines at Alice Arm, B.C.

ANNUAL REPORT

for the year ending march 31, 1969

directors

PETER E. CROMIE
President

JAMES W. ANNETT

HOWARD McD. MARTIN

D. M. M. GOLDIE

Secretary:
PETER C. G. RICHARDS

Bankers:
THE BANK OF NOVA SCOTIA

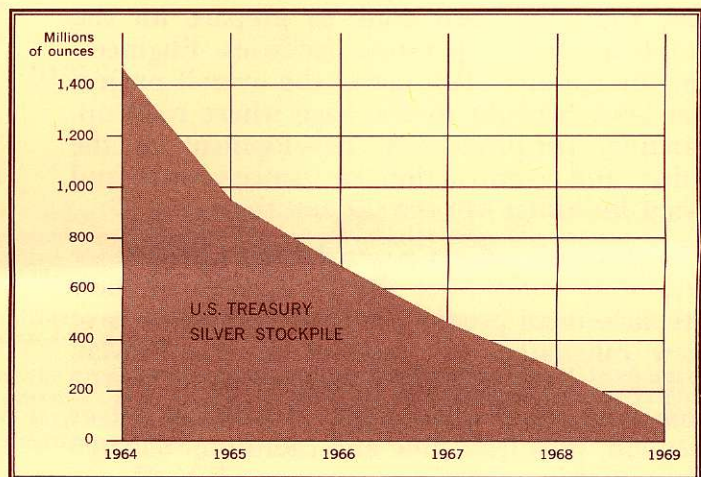
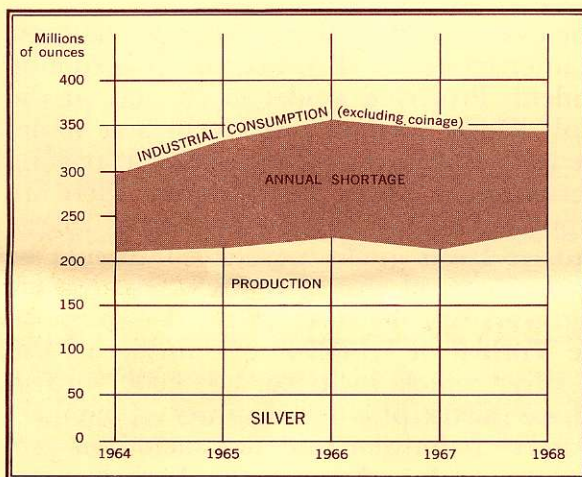
Solicitors:
FULTON, CUMMING, BIRD, RICHARDS

Auditors:
RIDDELL, STEAD & CO.

Registrar and Transfer Agent:
GUARANTY TRUST COMPANY OF CANADA

Shares listed on the Vancouver Stock Exchange

SILVER IN THE FREE WORLD



This is Dolly Varden One of the World's Large Silver Reserves

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president's report

Since our last Annual Meeting, your Company has completed the work recommended by Chapman, Wood & Griswold Ltd. in May, 1968. Mr. George Aaltonen, our General Manager, describes this work in some detail on the next page. The results were most gratifying. The Company's property can now be put into production on a profitable basis subject to satisfactory financial arrangements, which at this time are still in the discussion stage.

During the fiscal year, 700,000 common shares were issued at an average price of 59c. In April of this year, 500,000 shares were sold at 60c through a rights offering to shareholders, making a total 5,600,000 shares outstanding at the present time.

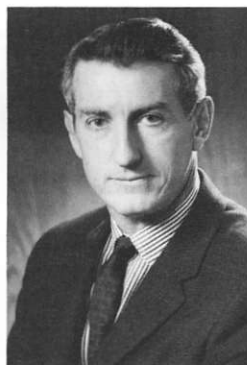
We are extremely saddened by the tragic and fatal accident of our late Managing Director, Dr. A. C. Skerl. The present members of the Board of Directors are not recommending a replacement on the Board at this time, because of the likelihood of new financial partners requiring representation on the Board.

general manager's report

Progress during the past year has been on two fronts. At the mine, the program of work recommended by Chapman, Wood & Griswold Ltd. in their preliminary feasibility report has been satisfactorily completed and other necessary work has been done to prepare for the construction of operating facilities. Engineering, design and planning of the overall project has been brought to the stage where road upgrading, pre-production development of the mine and construction of concentrator and plant buildings can start at any time.

Chapman, Wood & Griswold Ltd., in a further feasibility study after the completion of their recommended program at the Wolf mine, have now calculated our reserves in the Proven, Probable and Possible categories as 1,214,400 tons with an average grade of 9.34 ozs. silver per ton, plus lead, zinc and cadmium. 545,000 tons of this, grading an average of 10.27 ozs. silver per ton are at the Wolf mine, from where our initial production is scheduled to come.

The outlook for Dolly Varden remains encouraging in spite of a very expensive money market, and a considerable decline in the price of silver from one year ago. The price has turned around from its recent low; the graphs on the preceding page dramatically illustrate why the U.S. Treasury will stop depressing the market when its available silver runs out in less than one year. Silver production in Canada, the world's leading producer, during the first half of 1969 was actually below last year's first six months.



On Behalf
of the Board of Directors

A handwritten signature in cursive script that reads "Peter Cromie".

PETER CROMIE, *President*
September 6, 1969

Their calculations also show a further 476,000 tons of geologically inferred ore, not including the Torbrit.

Extensive studies by our engineering staff have resulted in the following:

- The existence of further substantial amounts of inferred ore at all properties is becoming evident. Projected grades of this ore at the Wolf, Dolly Varden, and North Star mines are such that it could be mined at existing metals prices. At the Torbrit mine, there are strong indications of the existence of a large tonnage lower grade ore body. It should be borne in mind that five years ago, outside engineers calculated an inferred tonnage in the Torbrit of 7,146,000 containing 3.9 ozs. of silver which included 1,348,000 tons of 9.4 ozs. silver plus other values. (Chapman, Wood's commission did not include a projection of inferred ore in the Torbrit mine, but their report did include 367,000 tons of 7.6 ozs. of Possible ore.)



This is Dolly Varden

- The most economical Milling rate has been calculated to be 700 t.p.d. on a continuous basis for 350 days per year. This will give us an annual production of 245,000 tons which will be supplied by the mine at the rate of 1,000 t.p.d., 5 days per week.
- Total operating costs including the freighting of concentrates have been estimated at \$8.52 per ton mined.
- Metallurgical test work followed by pilot plant tests at the Department of Mines, Mineral Processing Plant in Ottawa, on 20 tons of ore from the Wolf mine, have assured us of an 85% silver recovery. This pilot plant work also produced a highly saleable lead, silver concentrate, having a silver content of 400 ozs. per ton and a lead content of 11.78%.
- Using the above figures as a basis, a net smelter return of \$4,667,000 is projected for our first full year of operation. With operating costs of \$2,087,000 the operating profit should be \$2,580,000.
- Remaining capital costs to production have been detailed and are estimated to be \$4,340,000.

Mr. E. Bronson of Interior Engineering Services Ltd. has been retained as our mill design consultant. A mill flow sheet has been finalized and general design drawings of the crushing and milling plant have been completed.

M. A. Thomas & Associates Ltd. were requested to conduct a study of our power facilities.

Their estimated costs for the rehabilitation of the existing hydro-electric plant are included in the Capital Costs Estimate. During the past winter the water level of Kitsault Lake was lowered and the water storage dam was repaired.

At the campsite, obsolete buildings have been destroyed to make room for new construction. Work on upgrading the access road from Alice Arm has been started and the construction of a barge dock at the beach is well under way.

All design and planning programs are well advanced. Housing projects are at the bid stage and final plans are now being prepared for all other plant buildings. Mining plans have been finalized. Long hole blasting will be used for ore breaking and load - haul - dump units for much removal. Detailed working layouts are now being prepared for mine pre-production development which will be done concurrently with the construction program.



George Aaltonen,
General Manager
September 2, 1969

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS 505 Burrard St. Vancouver 111, B. C.

AUDITORS' REPORT

To The Shareholders,
Dolly Varden Mines Ltd. (Non-Personal Liability).

We have examined the consolidated balance sheet of Dolly Varden Mines Ltd. (Non-Personal Liability) and its subsidiaries as at March 31, 1969 and the consolidated statements of deferred development and administrative expenditure 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.

The collectibility of the judgment receivable referred to in Note 1 to the financial statements is dependent on the awards granted to the company being sustained by the Supreme Court of Canada.

Subject to the decisions reached on the matter referred to in the previous paragraph, in our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1969 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.

May 13, 1969.

Riddell, Stead & Co.
RIDDELL, STEAD & CO.



This is Dolly Varden

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dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET as at March 31, 1969

ASSETS			LIABILITIES		
	1969	1968		1969	1968
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 2,229	\$ 14,388	Accounts, payable and accrued	\$ 86,113	\$ 4,136
Accounts receivable	2,415	9,756	Loan payable	66,000	—
Judgement receivable plus costs (Note 1)	390,568	314,051	Current portion of equipment contracts	30,405	—
Inventory of supplies at lower of cost and market	17,721	—		<u>182,518</u>	<u>4,136</u>
Prepaid expenses	2,240	1,880	EQUIPMENT CONTRACTS (Note 3)		
	<u>415,173</u>	<u>340,075</u>		<u>49,830</u>	<u>—</u>
FIXED ASSETS (Note 2)	430,579	395,692	NOTE PAYABLE 12% note maturing November 1, 1973, interest payable quarterly		
MINERAL CLAIMS, LEASES AND RIGHTS at cost	211,275	211,275		<u>70,000</u>	<u>70,000</u>
DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE	1,609,532	1,030,582	MINORITY INTEREST IN SUBSIDIARY COMPANIES		
OTHER ASSETS at cost				<u>4,000</u>	<u>4,000</u>
Incorporation expense	9,773	9,773	SHAREHOLDERS' EQUITY		
Deferred finance charges (Note 3)	14,253	—	CAPITAL STOCK (Note 4)		
	<u>24,026</u>	<u>9,773</u>	Authorized 10,000,000 common shares of 50c each par value		
Signed on behalf of the Board			Issued		
HOWARD McD. MARTIN, Director			5,100,000 shares for cash		
PETER E. CROMIE, Director			Discounts and commissions - net		
	<u>\$ 2,690,585</u>	<u>\$ 1,987,397</u>		<u>2,550,000</u>	<u>2,200,000</u>
			SURPLUS (Note 1)		
				<u>578,801</u>	<u>638,801</u>
				<u>1,971,199</u>	<u>1,561,199</u>
				<u>413,038</u>	<u>348,062</u>
				<u>2,384,237</u>	<u>1,909,261</u>
				<u>\$ 2,690,585</u>	<u>\$ 1,987,397</u>

*Notes to Consolidated Financial Statements as at March 31, 1969***1. JUDGMENT RECEIVABLE**

During the year ended March 31, 1968 the company as plaintiff was awarded \$348,062 plus costs in an action against Sunshine Exploration Ltd. and Sunshine Mining Company for non-performance of work under an agreement dated in January, 1965. An appeal by the defendants to the Court of Appeal of British Columbia was dismissed and a cross appeal by the company for an additional \$64,976 was allowed together with costs.

The Sunshine companies paid \$34,011 to Dolly Varden Mines Ltd. and, having deposited surety therefor with the Court, appealed the balance of these awards to the Supreme Court of Canada. This appeal was heard in February, 1969 but judgment has not yet been delivered.

2. FIXED ASSETS

	1969	1968
Land	\$ 1,000	\$ 1,000
Roads	20,520	11,640
Bridges and dams	63,542	18,708
Buildings	102,283	156,124
Mine equipment	228,563	206,754
Office equipment	4,468	1,466
Leasehold improvements	1,387	—
Mill (under development)	8,816	—
	<u>\$ 430,579</u>	<u>\$ 395,692</u>

No depreciation has been recorded on fixed assets.

3. EQUIPMENT CONTRACTS

During the current year, two tractors were purchased on conditional sales contracts for a total consideration of \$101,916. The finance charges of \$15,203 are being written off to expense over 36 months, the term of the contracts.

4. CAPITAL STOCK

During the past year 700,000 shares were issued for cash, netting the company \$410,000.

By a rights offering made March 6, 1969, shareholders were entitled to purchase one share at 60c for every ten shares held up to May 1, 1969. The company entered into an underwriting agreement whereby the underwriter agreed to purchase, at 60c a share, any shares not subscribed for by the rights holders at the closing of the rights offering.



dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURE**

for the year ended March 31, 1969

	1969	1968
DEVELOPMENT		
Assessment fees and taxes	\$ 3,116	\$ 1,625
Board and lodging	38,706	—
Bridge and road maintenance	3,585	—
Camp salaries and maintenance	19,174	750
Assaying and sampling	6,103	—
Drifting and raising	100,738	—
Salaries and benefits	4,621	—
Engineering and supervision	64,289	3,042
Insurance	5,289	1,110
Machinery maintenance	40,878	—
Transportation and freight	12,606	100
	<u>299,105</u>	<u>6,627</u>
ADMINISTRATIVE		
Advertising and public relations	7,779	5,745
Interest and bank charges	17,037	5,098
Legal and audit	25,956	30,035
Office	11,574	3,443
Rent	5,722	—
Salaries and benefits	28,270	9,600
Transfer and listing fees	3,137	2,350
Travelling	9,626	—
	<u>109,101</u>	<u>56,271</u>
DEMOLITION OF BUILDINGS AND WRITE DOWN OF EQUIPMENT TRANSFERRED FROM FIXED ASSETS	175,622	—
RECOVERY OF EXPENDITURE	583,828	62,898
	4,878	13,813
DEFERRED EXPENDITURE AT BEGINNING OF YEAR	578,950	49,085
DEFERRED EXPENDITURE AT END OF YEAR	1,030,582	981,497
	<u>\$ 1,609,532</u>	<u>\$ 1,030,582</u>

**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

for the year ended March 31, 1969

	1969	1968
FUNDS PROVIDED BY		
Proceeds of issue of capital stock (Note 4)	\$ 410,000	\$ —
Proceeds on disposal of fixed assets	1,123	9,256
Equipment contracts (Note 3)	35,577	—
Judgment against Sunshine Mining Company (Note 1)	64,976	348,062
Proceeds of note payable, net	—	28,000
	<u>511,676</u>	<u>385,318</u>
FUNDS APPLIED		
Development and administrative expenditure	578,950	49,085
Charges not requiring funds	175,622	—
	<u>403,328</u>	<u>49,085</u>
Acquisition of fixed assets	211,632	303
	<u>614,960</u>	<u>49,388</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(103,284)	335,930
Working capital at beginning of year	335,939	9
WORKING CAPITAL AT END OF YEAR	<u>\$ 232,655</u>	<u>\$ 335,939</u>

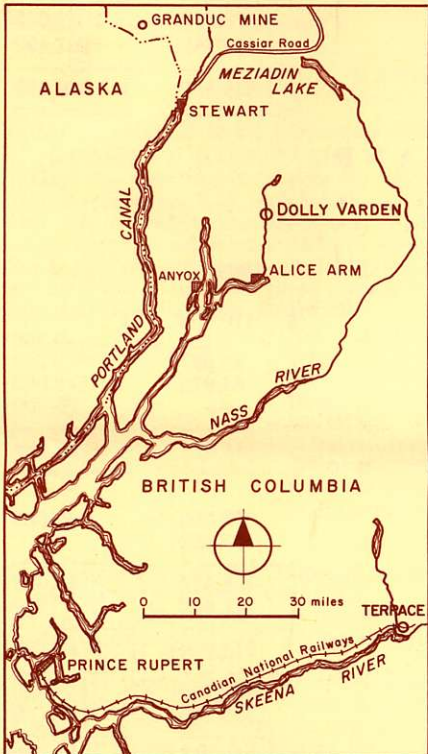
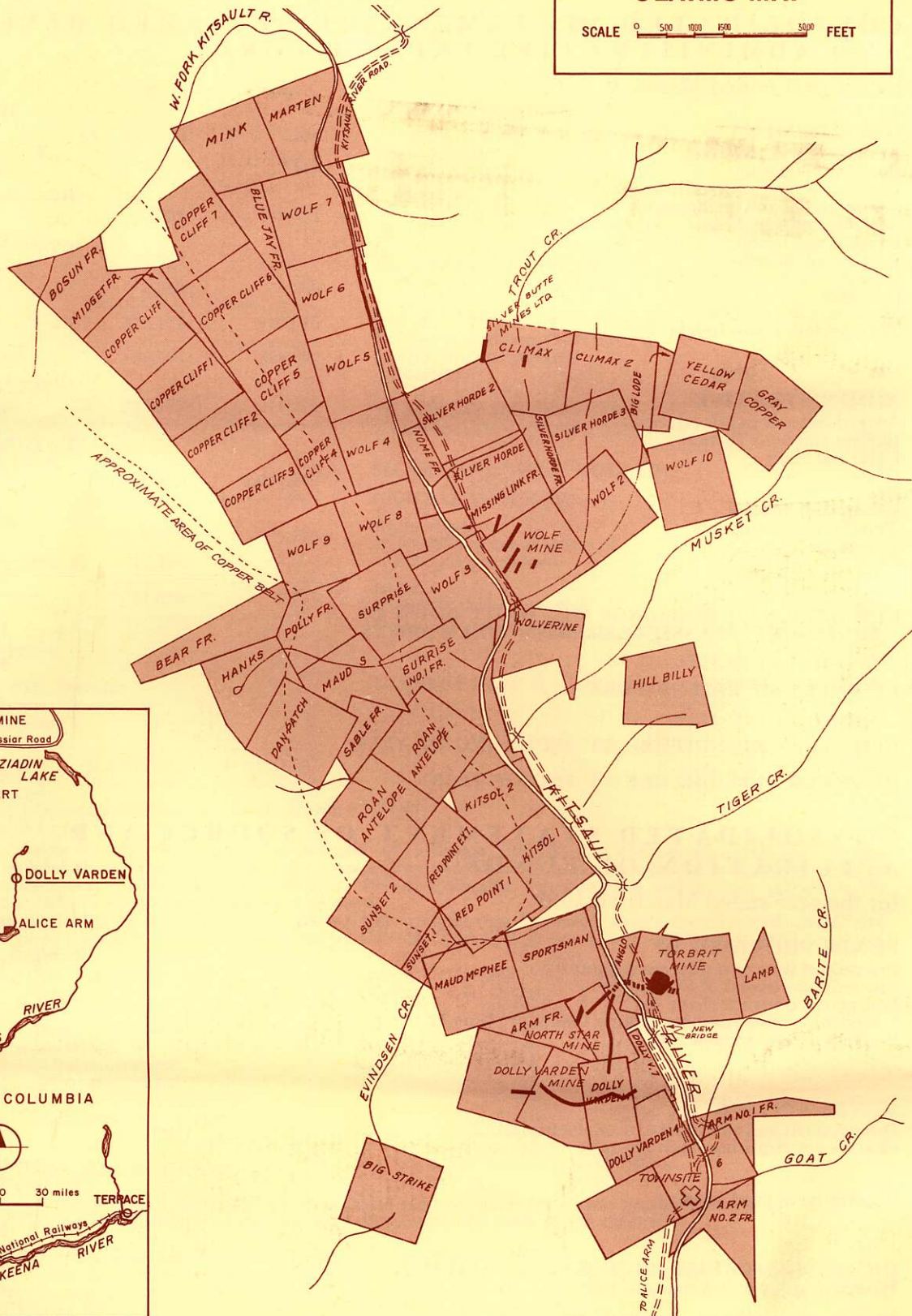
**This is Dolly Varden**

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dolly varden mines ltd.

CLAIMS MAP

SCALE 0 500 1000 1500 2000 FEET



This is Dolly Varden