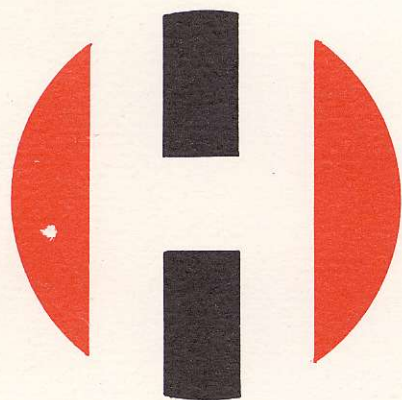


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**HIGHMONT**

**MINING CORP. LTD. (N.P.L.)**

**ANNUAL REPORT . . 1970**

HIGHMONT MINING CORP. LTD. (N.P.L.)

HIGHLAND VALLEY, B.C.

In the foreground is an  
artist's conception of the  
Highmont open-pit operation  
when in production



CONTIGUOUS PROPERTIES —

Lornex (upper left);

Valley Copper (upper centre);

Bethlehem (upper right)

**Officers**

J. L. GIBSON — Chairman of the Board  
 R. W. FALKINS — President  
 R. E. HALLBAUER — Vice-President  
 J. A. KYLES — Secretary-Treasurer

**Directors**

SIR MICHAEL BUTLER, Bt., Q.C.  
 R. W. FALKINS  
 J. L. GIBSON  
 R. E. HALLBAUER  
 Dr. N. B. KEEVIL Jr.  
 J. A. KYLES  
 G. SIMPSON

**Statutory Information**

**CAPITALIZATION**

Authorized —

1,250,000 6¾% convertible, cumulative, Class A preferred shares with a nominal or par value of \$8 each, redeemable at par.

625,000 6¾% cumulative, Class B preferred shares with a nominal or par value of \$8 each, redeemable at par.

6,000,000 common shares with a nominal or par value of 50c each.

Issued and fully paid —

3,652,671 common shares

**TRANSFER AGENT**

National Trust Company, Limited  
 510 Burrard Street  
 Vancouver 1, B.C.

**BARRISTERS AND SOLICITORS**

Andrews & Swinton  
 900 West Hastings Street  
 Vancouver 1, B.C.

**REGISTERED OFFICE**

Andrews & Swinton  
 900 West Hastings Street  
 Vancouver 1, B.C.

**ADMINISTRATIVE OFFICE**

700 - 1177 West Hastings Street  
 Vancouver 1, B.C.

**AUDITORS**

McDonald, Currie & Co.  
 900 West Hastings Street  
 Vancouver 1, B.C.

BALANCE SHEET AS AT DECEMBER 31, 1970

ASSETS

	1970 \$	1969 \$
<b>CURRENT ASSETS</b>		
Cash and short-term deposits .....	114,079	120,192
Accounts receivable .....	500	28,335
Prepaid expenses .....	1,447	1,016
	<u>116,026</u>	<u>149,543</u>
 INVESTMENT (NOTES 1 AND 2) .....	 10,000	 10,000
 DUE FROM TECK CORPORATION LIMITED (NOTE 3) .....	 2,500,000	
<b>MINERAL PROPERTIES AND RELATED COSTS</b>		
(NOTES 1, 3 AND 5) .....	1,342,325	2,741,376
 <b>FIXED ASSETS</b>		
Buildings and equipment - at cost		
less accumulated depreciation (note 4) .....	37,921	67,363
	<u>4,006,272</u>	<u>2,968,282</u>

SIGNED ON BEHALF OF THE BOARD

J. L. GIBSON                      *Director*

R. W. FALKINS                     *Director*

**LIABILITIES**

	1970 \$	1969 \$
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities .....	18,387	3,625
Torwest Resources (1962) Ltd. (N.P.L.) .....	<u>7,874</u>	<u>24,478</u>
	26,261	28,103
 <b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (NOTES 5 AND 6)</b>		
Authorized —		
1,250,000 6¾% convertible, cumulative, Class A preferred shares with a nominal or par value of \$8 each, redeemable at par		
625,000 6¾% cumulative, Class B preferred shares with a nominal or par value of \$8 each, redeemable at par		
6,000,000 common shares with a nominal or par value of 50c each		
ISSUED AND FULLY PAID —		
3,652,671 common shares (3,237,005 shares - 1969) .....	<u>3,980,011</u>	<u>2,940,179</u>
	<u>4,006,272</u>	<u>2,968,282</u>

**AUDITORS' REPORT TO  
THE SHAREHOLDERS**

We have examined the balance sheet of Highmont Mining Corp. Ltd. (N.P.L.) as at December 31, 1970 and the statements of deferred exploration, development and administrative costs 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 December 31, 1970 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.

Vancouver, B.C. McDonald, Currie & Co.  
April 2, 1971 Chartered Accountants

**STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT  
AND ADMINISTRATIVE COSTS FOR THE YEAR ENDED DECEMBER 31, 1970**

	1970 \$	1969 \$
<b>BALANCE - BEGINNING OF YEAR</b> .....	<u>2,383,181</u>	<u>1,616,009</u>
<b>EXPENDITURES DURING THE YEAR</b>		
Exploration and development		
Assays .....	84,930	77,234
Consulting geologist .....	101,835	44,887
Depreciation .....	34,878	33,599
Drifting .....		34,092
Drilling .....	507,272	313,452
Equipment and vehicle operation .....	127	18,098
Equipment and vehicle rental .....		(161)
Feasibility and sample plant .....		5,397
Field supervision .....		20,250
General field, camp and cookhouse .....	19,676	16,022
Management fee (note 5) .....	78,000	65,218
Metallurgy .....	103,089	
Road building and maintenance .....		870
Salaries and wages .....	102,611	71,839
Stripping and trenching .....		168
Survey and line cutting .....		8,993
Telephone and telegraph .....		3,131
Travelling and automobile .....		4,313
	<u>1,032,418</u>	<u>717,402</u>
Administrative		
Advertising and promotion .....	5,999	3,874
Audit .....	7,099	2,585
General office .....	22,846	11,902
Legal .....	7,500	16,423
Management fee .....		19,000
Financing fee .....		10,000
Management and office salaries .....	71,581	15,996
Shareholders' information .....	6,210	2,553
Travelling and automobile .....	4,617	828
Trust company fees .....	3,648	1,791
	<u>129,500</u>	<u>84,952</u>
Less: Recovery of administrative costs (note 5) .....	78,000	19,500
Interest earned on short-term deposits .....	6,301	15,682
	<u>84,301</u>	<u>35,182</u>
	45,199	49,770
<b>TOTAL EXPENDITURES DURING THE YEAR</b> .....	<u>1,077,617</u>	<u>767,172</u>
<b>BALANCE - END OF YEAR</b> .....	<u>3,460,798</u>	<u>2,383,181</u>
<b>ALLOCATION OF COSTS TO MINERAL PROPERTIES AS FOLLOWS:</b>		
Highmont group		
Kamloops mining division .....	3,457,626	2,380,009
Stellako group		
Kamloops mining division .....	3,172	3,172
	<u>3,460,798</u>	<u>2,383,181</u>

## STATEMENT OF SOURCE AND USE OF WORKING CAPITAL FOR THE YEAR ENDED DECEMBER 31, 1970

	1970 \$	1969 \$
<b>SOURCE</b>		
Capital stock - issued for cash .....	26,500	847,500
- issued for mineral properties (note 3) .....	13,332	13,334
- issued for exploration and development costs (note 5) .....	1,000,000	
	<u>1,039,832</u>	<u>860,834</u>
<b>Use</b>		
Mineral properties and related costs .....	1,065,946	756,063
Fixed asset additions (net) .....	5,561	4,413
	<u>1,071,507</u>	<u>760,476</u>
<b>INCREASE (DECREASE) IN WORKING CAPITAL</b> .....	(31,675)	100,358
<b>WORKING CAPITAL - BEGINNING OF YEAR</b> .....	121,440	21,082
<b>WORKING CAPITAL - END OF YEAR</b> .....	<u>89,765</u>	<u>121,440</u>
<b>REPRESENTED BY:</b>		
Current assets .....	116,026	149,543
Current liabilities .....	26,261	28,103
<b>WORKING CAPITAL - END OF YEAR</b> .....	<u>89,765</u>	<u>121,440</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

1. VALUES

The amounts shown for investment and mineral properties and related costs, represent costs to date and do not necessarily reflect present or future values.

2. INVESTMENT

The company owns 100,000 shares of Minex Development Limited (N.P.L.) at a cost of \$10,000, 65,670 of these shares are held in escrow subject to the order of the Superintendent of Brokers and the Vancouver Stock Exchange. Minex had a quoted value of 16c per share on December 31, 1970. No market value is available for escrowed shares.

3. MINERAL PROPERTIES AND RELATED COSTS

(a) Mineral properties owned or under option, together with related costs, are all situated in British Columbia and are as follows:

	1970 \$	1969 \$
Highland Valley claims, at cost being the value ascribed to 1,000,000 shares issued as consideration therefor.....	334,661	334,661
Add: Deferred exploration, development and administrative costs - per statement .....	3,457,626	2,380,009
	<u>3,792,287</u>	<u>2,714,670</u>
Stellako claims, being acquired on an option basis, at cost to date of \$20,200 cash plus \$26,666 being the value ascribed to 13,333 shares issued as partial consideration therefor. Further payments aggregating \$10,000 and the issuance of shares aggregating 6,667 are required to complete the purchase .....	46,866	23,534
Add: Deferred exploration, development and administrative costs - per statement .....	3,172	3,172
	<u>50,038</u>	<u>26,706</u>
	<u>3,842,325</u>	<u>2,741,376</u>
Less: Proceeds on disposal of 45% interest to Teck Corporation Limited referred to in (c) below .....	2,500,000	
TOTALS .....	<u>1,342,325</u>	<u>2,741,376</u>



## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

## 3. MINERAL PROPERTIES AND RELATED COSTS (CONTINUED)

(b) Pursuant to an agreement dated June 24, 1970, the company sold an undivided 45% interest in all of its mineral properties to Teck Corporation Limited for \$2,500,000, which sum is payable on the date of commencement of production from the property or December 31, 1974 whichever is the earlier. Payment of the \$2,500,000 is secured by an interest-free mortgage of and limited to Teck's 45% interest in the said mineral properties.

(c) \$1,000,000 of the deferred exploration, development and administrative costs as incurred by Teck Corporation Limited will not be available to the company as a future deduction for income tax purposes.

## 4. FIXED ASSETS

Fixed assets and related accumulated depreciation are as follows:

	1970			1969
	Cost	Accumulated depreciation	Net	Net
	\$	\$	\$	\$
Automotive and office equipment .....	19,614	10,453	9,161	7,313
Field equipment and buildings .....	132,595	103,835	28,760	60,050
	<u>152,209</u>	<u>114,288</u>	<u>37,921</u>	<u>67,363</u>

Depreciation is recorded on a straight-line basis at a rate of 25% for automotive and mining equipment and 15% for camp buildings and office equipment.

## 5. EXPLORATION, DEVELOPMENT AND FINANCING AGREEMENTS

(a) In accordance with the terms of the exploration and development agreement dated October 1, 1969, Teck Corporation Limited has expended \$1,000,000 in carrying out an exploration and development program on the company's mineral properties and has converted such expenditures into 400,000 common shares of the company at a price of \$2.50 per share.

Teck has elected to conduct further exploration work on the said properties to the extent of expending \$1,300,000 by October 6, 1971 and will have the right to convert such expenditures into common shares of the company at a price of \$3.25 each up to a maximum of 400,000 shares. As at December 31, 1970 Teck had incurred costs of approximately \$635,000, in carrying out this further exploration.

(b) In accordance with the terms of a second exploration and development agreement dated August 31, 1970, Teck may elect, on or before December 31, 1972, to incur further exploration costs on the mineral properties amounting to not more than \$10,000,000. Teck has the right to convert such expenditures by purchasing in sequence one Class A or B preferred share of the company for each \$5.33 of expenditures, which right must be exercised within one year after the completion of such expenditures.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

EXPLORATION, DEVELOPMENT AND FINANCING AGREEMENTS (CONTINUED)

- (c) The company also entered into a financing agreement with Teck Corporation Limited on August 31, 1970 which provides that the company and Teck become joint venturers in respect of the mineral properties referred to in note 3(a), having respective interests therein of 55% for the company and 45% for Teck. Teck is obligated to cause a feasibility study to be made on the mineral properties and be submitted by not later than December 31, 1972, and has the right, until December 31, 1973, to arrange and obtain all financing as is deemed necessary to complete the exploration and development and place the property in production. The portion of such financing attributable to the company's 55% interest in the mineral properties may be required to be repayable out of the entire net proceeds of production due to the company until the full amount, plus interest, is repaid, subject to Teck being permitted to allow payment of dividends on the preferred shares. The company may be required to provide its interest in the mineral properties, plant and equipment as security for such financing. Upon the commencement of commercial production from the mining properties, the company is committed to make available all such working capital as may be required up to a maximum of \$2,500,000. Of this amount, 45% shall constitute payment by the company on behalf of Teck to the joint venture and such loan shall be secured by a subordinated mortgage on Teck's 45% interest in the mineral properties. The \$2,500,000 is repayable by the joint venture only after repayment of all other debt financing.
- (d) During the term of the Teck agreements, the company has covenanted to make available to Teck its management, employees and facilities. The company has also agreed to limit its outside exploration and development activities to that agreed upon by Teck and to restrict further issuances of common and preferred shares to that required under the option agreement referred to in note 3(a) and as provided by the Teck agreements.
- (e) Teck also has the exclusive right of first refusal up to 1990, to negotiate and obtain all financing for any projects which are controlled by the company.

6. CAPITAL STOCK

(a) At December 31, 1970 the total common shares issued and the consideration received were as follows:

	1970				1969	
	Shares	Par value \$	Premium (discount) \$	Commission \$	Net \$	Net \$
For cash .....	2,239,338	1,119,669	1,517,833	18,818	2,618,684	2,592,184
For mineral properties .....	1,013,333	506,667	(145,340)		361,327	347,995
For exploration, development and administrative costs .....	400,000	200,000	800,000		1,000,000	
	<u>3,652,671</u>	<u>1,826,336</u>	<u>2,172,493</u>	<u>18,818</u>	<u>3,980,011</u>	<u>2,940,179</u>

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1970

### 6. CAPITAL STOCK (CONTINUED)

- (b) During the year ended December 31, 1970, the company issued 9,000 common shares for \$26,500 cash; 6,666 common shares for mineral properties at a deemed price of \$2 a share (\$13,332) and 400,000 common shares which were converted for exploration and development costs at \$2.50 a share (\$1,000,000).
- (c) If the company is to complete the purchase on the Stellako property referred to in note 3(a), the company must issue a further 6,667 common shares by December 15, 1971.
- (d) The company may be required to issue a further 400,000 common shares at \$3.25 a share if certain conditions are fulfilled by Teck Corporation Limited in conformance with the exploration and development agreement referred to in note 5(a).
- (e) There are outstanding options to purchase a total of 36,000 shares at prices from \$2.50 to \$3.30 per share exercisable in equal annual amounts to 1974.
- (f) During the year ended December 31, 1970, the company changed its authorized capital from \$2,500,000, divided into 5,000,000 shares having a par value of 50c each, to \$18,000,000 by:
  - (i) Increasing the number of authorized common shares from 5,000,000 to 6,000,000 shares leaving a par value of 50c each.
  - (ii) Creating 1,250,000 6¾% convertible, cumulative, redeemable Class A preferred shares having a par value of \$8 each.
  - (iii) Creating 625,000 6¾% cumulative, redeemable Class B preferred shares having a par value of \$8 each.
 None of the preferred shares were issued during the year.
- (g) The Class A preferred shares may be exchanged for fully paid common shares on a one-for-one basis until five years subsequent to the commencement of production.

### 7. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

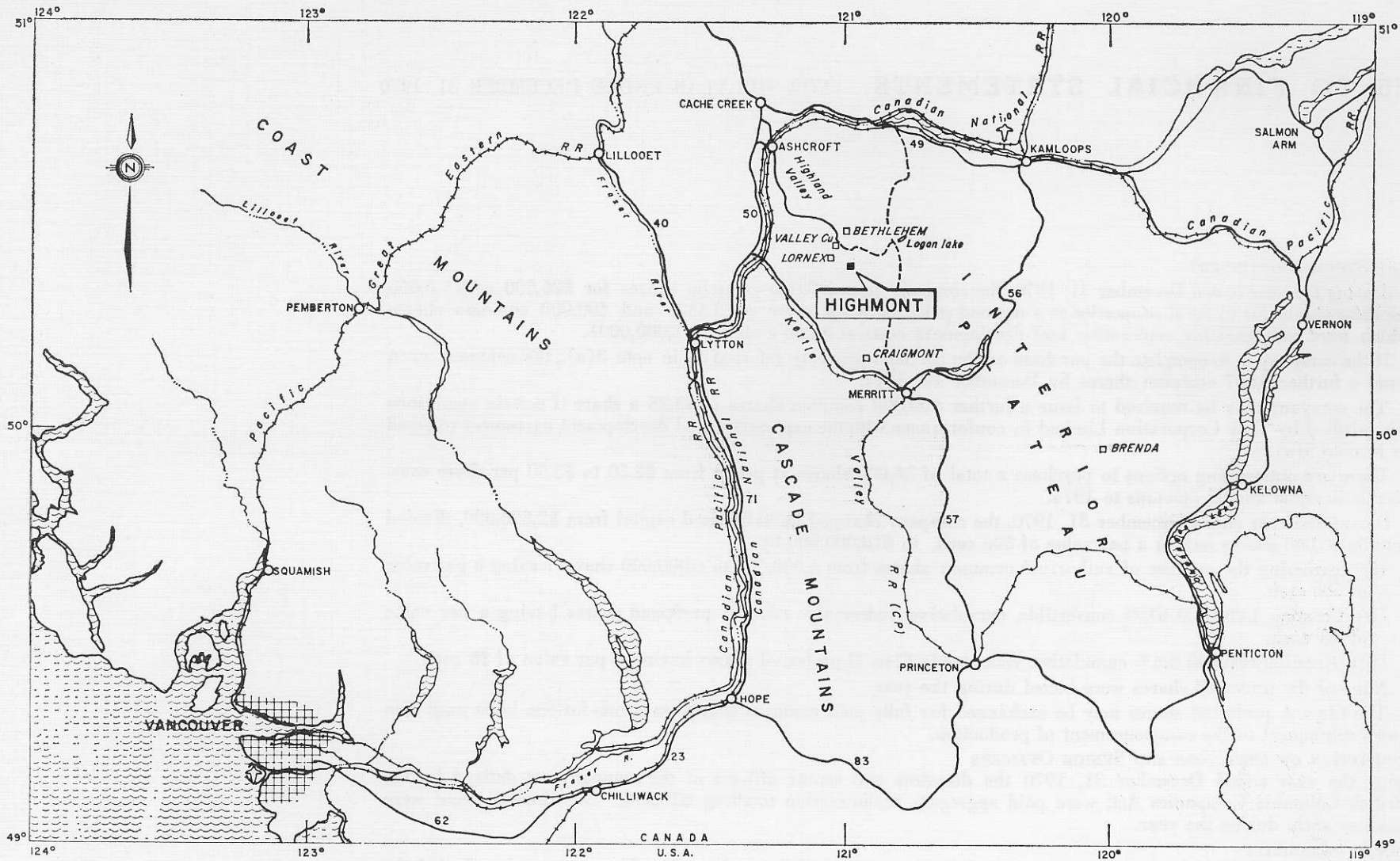
During the year ended December 31, 1970 the directors and senior officers of the company, as defined by the British Columbia Companies Act, were paid aggregate remuneration totalling \$39,094. No directors' fees were paid, as such, during the year.

### 8. CONTINGENT LIABILITY

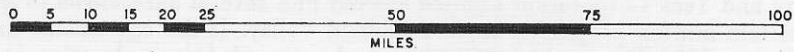
At December 31, 1970 the company was the defendant in an action claiming \$11,208. The company has denied the claim in total and is defending the action.

### 9. SUBSEQUENT EVENTS

Subsequent to December 31, 1970 the company and Teck Corporation Limited entered into several agreements to acquire interests of from 70% to 100% in certain mining properties in the Highland Valley. If the agreements are fully exercised, the mineral properties will cost \$200,000 of which \$50,000 is to be expended on exploration and development work.

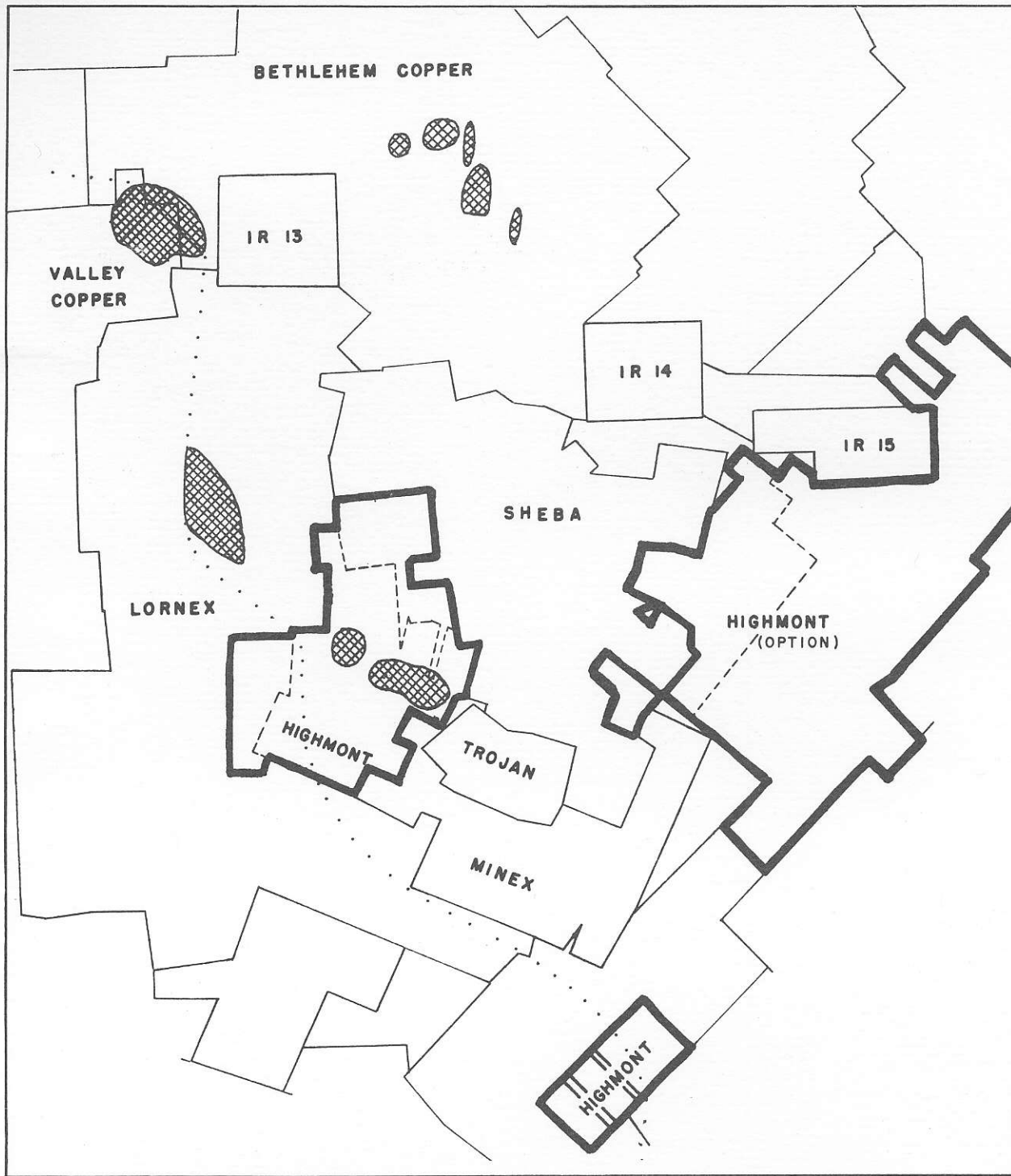




**LOCATION MAP**



C.W. & G. LTD

DRWG. NO. 319-2-65



<b>LEGEND</b>	
	Copper - molybdenum deposits
HIGHMONT MINING CORP LTD HIGHLAND VALLEY, KAMLOOPS MD	
<b>ORE ZONES &amp; PROPERTY LOCATION MAP</b>	
Scale in miles	
	
bt	feb '71