

KENDAL MINING & EXPLORATION CO. LTD. [N.P.L.]  
P. O. Box 580, Terrace, B. C.

July 6, 1972

801369

ANNUAL REPORT TO SHAREHOLDERS

It is my pleasure to report on your company's progress since our last Annual General Meeting.

A major change has been effected in the share capital of your company.

Following approval of shareholders at an Extraordinary General Meeting held November 6th, 1971 at Terrace, B.C., issued shares of your company have been consolidated and the company name has been changed to KENDAL MINING AND EXPLORATION COMPANY LIMITED [N.P.L.], in accordance with the British Columbia Companies Act.

Your Letter of Transmittal, through which you may exchange your share certificates is enclosed herewith, along with your company's Audited Financial Statement and Balance Sheet to March 31st, 1972. Also enclosed herewith is a Notice of the 6th Annual General Meeting, Information Circular, and Instruction Sheet for exchanging "Kleanza" Certificates for "Kendal" certificates. It is important to efficient operation of your company's financing that you complete the Letter of Transmittal and forward it together with your "Kleanza" certificates by Registered Mail to the Montreal Trust Company, 466 Howe Street, Vancouver, B.C.

Please note that a Proxy form for solicitation of your vote is also enclosed. The resolution regarding a further change in share capital is necessitated by the current existence of two classes of shares. This situation does not allow "Kendal" shares to be listed on the Vancouver Stock Exchange Interim Board. You are urged to approve this resolution. Your company's "Croesus" and "Hope Silver" properties are maintained in good standing.

On the "Croesus", and more particularly, the "Gem" zone, a current report by Mr. W.M. Sharp, P. Eng., Consulting Geological Engineer, recommends advancement of one of two existing adits by 200 feet. The purpose of this work is to prove additional ore and investigate values in the gold-silver bearing structure, ahead.

On the "Hope Silver", the report recommends a geochemical program, and diamond drilling, followed by the sinking of an inclined shaft to a depth of 50 feet, on a 20 ft. wide mineralized structure - carrying silver, copper, lead and zinc.

With Gold prices having greatly increased from the previous \$35 per ounce to the current \$65 per ounce, the "Gem" carrying mainly Gold values, is of immediate interest in your company's work program.

Discussions have taken place concerning the acquisition of a new and important mining property. With this and plans for financing well underway, we look forward to much improved conditions in the near future.

Respectfully submitted,

on behalf of the BOARD OF DIRECTORS  
of KENDAL MINING & EXPLORATION  
COMPANY LIMITED [N.P.L.]

Richard H. Bates, President

*Richard H. Bates*