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GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

Annual Report

1963

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

DIRECTORS

M. D. Banghart
D. M. Cannon
A. B. B. Carrothers
John Drybrough
E. S. W. Hunt

OFFICERS

John Drybrough, President
D. M. Cannon, Vice-President
A. B. B. Carrothers, Secretary
J. L. Mackidd, Treasurer

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver

SOLICITORS

Douglas, Symes & Brissenden, Vancouver

TRANSFER AGENT

Canada Trust Company, Vancouver and Toronto

HEAD OFFICE

744 West Hastings Street, Vancouver

The Annual Meeting of the Shareholders will be held on April 29th, 1964, at 10:00 o'clock in the forenoon in the Auditorium, Room 305 of the Vancouver Public Library, Vancouver, B.C.

DIRECTORS' REPORT

Vancouver, B.C.
April 1, 1964.

To the Shareholders,
Granduc Mines Limited (N.P.L.)

This is the Annual Report of the Company for the year ended December 31st, 1963, and consists of the Report of the Directors, the Balance Sheet and the Report of the Auditors.

The funds provided in the financing of April, 1962, amounting to \$2,506,385 were exhausted in April, 1963. Expenditures since have been met by loans from Newmont Mining Corporation to be repaid at the time of major financing for production. At December 31st, 1963, the amount owed to Newmont was \$550,231.

The 2475 level development was completed, with the following carried out in 1963 by the beginning of May:

Drifting	-	1,174 feet
Crosscutting	-	992 feet
Raising	-	175 feet
Slashing	-	6,450 cu. feet
Diamond Drilling	-	20,421 feet

Since the incorporation of the Company in 1953, development in the copper deposit totals 18,533 ft. drifting and crosscutting, 676 ft. shaft sinking and 130,810 ft. diamond drilling.

The balance of the year was spent in the compilation of data for the feasibility report. The Frankmackie and Berendon glaciers were drilled along the route of the proposed access tunnel linking the mine to the Tide Lake valley, and ample rock cover was found to exist. Accurate surveys and checks were made of the tunnel route between the Granduc mine workings and the tunnel portal at Tide Lake. In the near vicinity of the latter, a site for mill and shops was selected. The road from the mill site to the wharf at Stewart was surveyed in detail. Various sources of power, as well as of power plant sites, were studied. Tests of autogenous grinding of Granduc ore were made with encouraging results. Negotiations for the treatment and sale of copper concentrate were carried on.

There were many consultations regarding roads, power, townsite, schools and hospital with the British Columbia Government and preliminary discussions on road and wharf with the Canadian Government. Until the financing is completed, no commitments for assistance can be expected, but their interested and sympathetic response must be recorded.

A summary of the feasibility report was sent to the shareholders on November 12, 1963, and it is repeated here for reference.

SUMMARY OF PROJECT

Ore Reserves

Granduc reasonably assured ore reserves are estimated at 32,510,000 tons averaging 1.93% copper content before dilution, of which 20,670,000 tons averaging 2.08% copper content are situated above the proposed mine access tunnel at elevation 2475 above sea level. The life of the reserves at the planned rate of production is 13½ years. The probability of finding substantial additions to these present reserves is considered good.

Mine

Mine operations are planned to produce 8,100 tons per day, 6 days per week, to total 2,500,000 tons annually after the first year's production of 1,800,000 tons. It is expected that 91% of the reserve tonnage will be extracted at ore reserve grade, and wall rock dilution has been estimated at 11.9% of the extracted reserve tonnage. The entire operation is expected to employ 500 people in the Stewart-Granduc area. Total payroll at this level of employment amounts to \$3,900,000 annually.

Mill

Mill operations are planned to treat 7,000 tons per day, 7 days per week, to total 2,500,000 tons annually. Mill recovery of copper is estimated at 95%. A concentrate grade of 29% copper, with 0.09 ounces of gold per ton and 5.1 ounces of silver per ton, is considered attainable based upon the metallurgical investigations already completed. Over the life of the ore reserves as presently defined, the feed to the mill should total 33,104,000 tons averaging 1.75% copper content.

Copper Production

After deducting an estimated transit loss of 2% by weight between the mill and a custom smelter, the delivered copper concentrates and contained metal are summarized as follows:

Years	Dry Tons Concentrates	Pounds Contained Copper
1	108,000	63,000,000
2 - 8 incl.	1,067,000	619,000,000
9 - 14 incl.	687,000	399,000,000
Average 2 - 8 incl.	152,000/yr	88,000,000/yr

Access to Mine

A 29½ mile all-weather road from Stewart will serve as access to the Tide Lake mill, surface plant and east portal of an 11.6 mile long tunnel complex. This access tunnel will be driven from the Tide Lake and mine ends simultaneously. The centre of mining operations will be some 58,000 feet from the east portal. Provision will be made for housing 275 employees at the Tide Lake plant. The remaining 225 employees may reside in the village of Stewart, the site for permanent residential townsite development, including hospital, schools and other community facilities.

Capital Requirement

The capital needs of the Granduc project have been estimated to be \$46,000,000 including working capital. This requirement includes Dominion and Provincial sales taxes, where applicable, amounting to over \$3,000,000. The extent of financial assistance by way of loans and grants by governmental bodies toward road, housing, school, hospital, harbour and dock construction is expected to be approximately \$5,000,000, which is not included in the capital requirement presently estimated. Interest costs applicable to borrowed funds for capital construction will depend on the extent of such borrowing in the financing of the project and have not been included in the above estimated capital requirement.

Project Time Schedule

Authorization of the Granduc project by its Board of Directors must await satisfactory completion of negotiations with respect to financing and the disposition of concentrates. From the date of authorization it has been estimated that it will require 42 months of construction time to bring the mine into production.

Except for some preliminary talks, negotiations for financing had to wait for the feasibility report. Delays and difficulties in the negotiations also have been caused by the uncertainties of the interest equalization tax measure, which was introduced in the United States Congress last July, has been passed by the House of Representatives, and is now pending in the Senate. Since Granduc's requirements are large and borrowing costs in the United States are usually less than in Canada, it was deemed advisable to attempt to do the major borrowing in the United States. The economics of the Granduc project are currently under study by several potential sources of funds, but no satisfactory proposal for financing has been developed yet.

A limited program of detailed development is being done between the 3100 and 3600 levels on a block of the "F" orebody, which will be the first to be mined. The information gained will be useful in finally determining the method of mining, and the work done may reduce to that extent the time required for starting operations. The program is expected to be completed in May and the cost of approximately \$250,000 is being met by further loans by Newmont Mining Corporation.

Mr. L. T. Postle resigned from the Board of Directors on November 18, 1963, due to a conflict of interest which had arisen, and the Directors regret the retirement of this experienced engineer so long associated with Granduc. Mr. A. B. B. Carrothers has been appointed to fill the vacancy for this term.

On behalf of the Directors,

John Drybrough
President

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

BALANCE SHEET DECEMBER 31, 1963

ASSETS

Cash	\$ 38,289
Mineral claims, at cost, including \$1,000,000 for shares issued in consideration for claims	1,065,000
Buildings, plant and equipment, at cost (Note)	927,350
Deferred expenditures, per accompanying schedule	7,752,806
	<u>\$ 9,783,445</u>

LIABILITIES

Current liabilities:	
Accounts payable and accrued expenses	\$ 18,605
Due to Newmont Mining Corporation	550,231
Total current liabilities	<u>568,836</u>

Capital stock:

Shares of \$1 par value. Authorized
8,000,000 shares; issued:

	<u>Number of shares</u>	<u>Par value</u>	<u>Premium on shares</u>	
For cash	4,000,000	\$4,000,000	4,214,609	
For mineral claims	1,000,000	1,000,000	-	
	<u>5,000,000</u>	<u>\$5,000,000</u>	<u>4,214,609</u>	<u>9,214,609</u>
				<u>\$ 9,783,445</u>

Note:

No provision has been made for depreciation of buildings, machinery and equipment in accordance with the practice of deferring such provision until operations have commenced.

Approved on behalf of the Board:

John Drybrough, Director

D. M. Cannon, Director

AUDITORS' REPORT

We have examined the balance sheet of Granduc Mines Limited (Non-Personal Liability) as of December 31, 1963, and the schedule of deferred expenditures for the year ended on that date and have obtained all the information and explanations we have required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the company, the above balance sheet and accompanying schedule of deferred expenditures are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1963, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.

Vancouver, B.C.
February 10, 1964

Chartered Accountants

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

Schedule of Deferred Expenditures

Year ended December 31, 1963

Exploration and development (labour, supplies,
contract costs, etc.):

Balance at December 31, 1962 \$ 6,609,519

Year ended December 31, 1963:

Supervision and planning \$ 72,732

Underground development including drifting
and pumping 195,509

Diamond drilling 123,218

Geology, engineering and prospecting 71,367

Glacier testing and other surveys 227,349

Employee food and housing, net 32,685

Prepare and maintain camps and facilities 55,810

Freight and handling 24,574

Charter aircraft service 81,186

Miscellaneous expenses 33,602

918,032

Less decrease in supplies inventory:

Balance at December 31, 1962 61,417

Less Balance at December 31, 1963 29,090

32,327

885,705

7,495,224

Head office and administration:

Balance at December 31, 1962 204,923

Year ended December 31, 1963:

Administration 32,327

Interest 9,762

Insurance and property taxes 5,089

Transfer agent and shareholders' meeting 4,096

Legal and audit fees 3,088

Director's fees 700

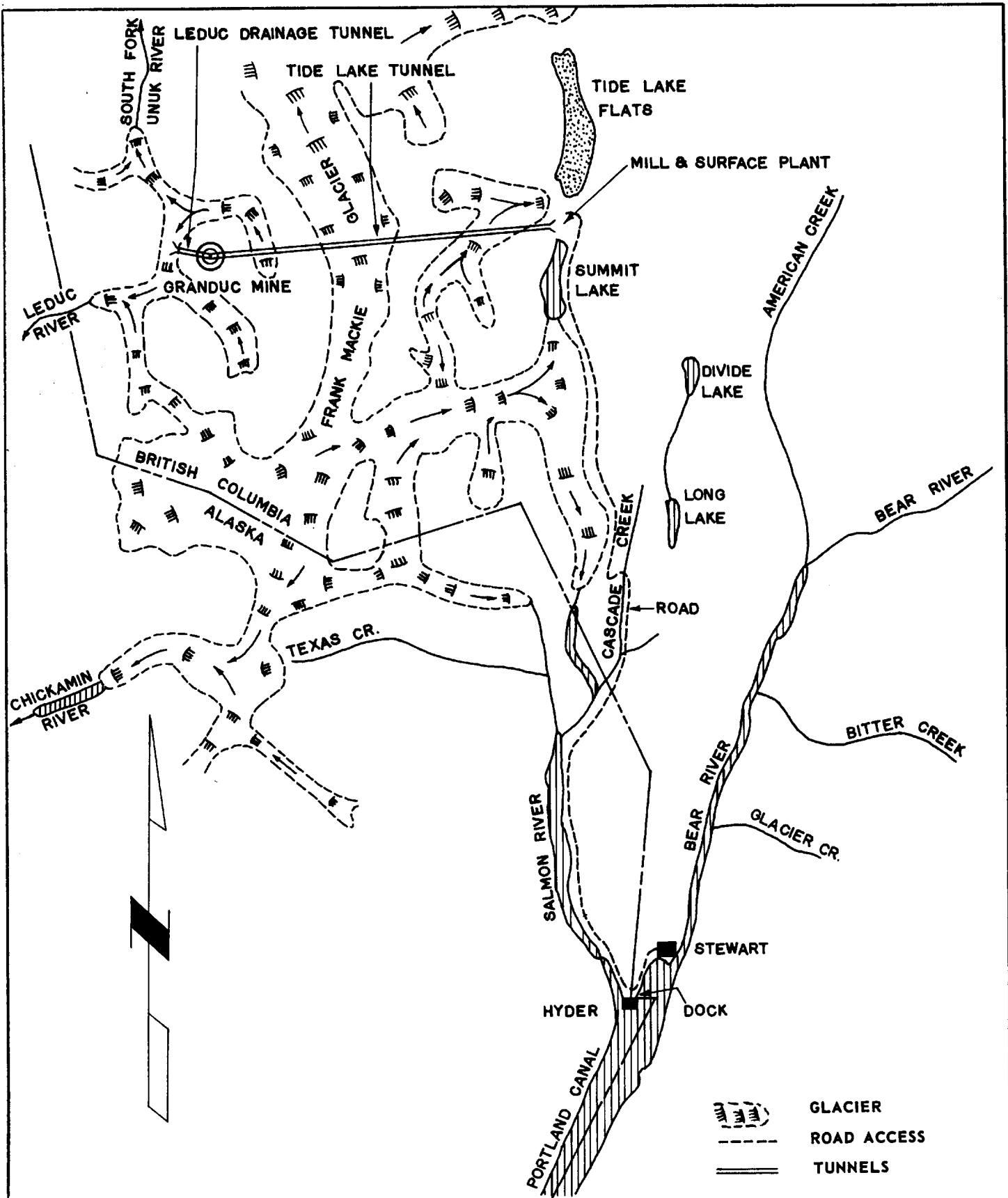
55,062

Less interest income 2,403 52,659

257,582

Total deferred expenditures at December 31, 1963

\$ 7,752,806



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

LOCATION MAP

SCALE 1 INCH = 4 MILES