



Granduc Mines, Limited
(Non-Personal Liability)
17th ANNUAL REPORT 1969

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Granduc Mines, Limited (Non-Personal Liability)

DIRECTORS

G. H. Davenport
Henry Hill
J. Norman Hyland
W. H. Love
L. J. Randall

OFFICERS

L. J. Randall, President
G. H. Davenport, Vice-President
P. I. Conley, Secretary and Treasurer
L. John Creery, Assistant Secretary

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver

TRANSFER AGENT

Canada Trust Company, Vancouver and Toronto

HEAD OFFICE

Room 2009, 1177 West Hastings Street, Vancouver 1, B.C.

The Annual Meeting of the Shareholders will be held on May 8th, 1970, at 9:00 A.M. in the Board Room – Convention Floor in the Hotel Vancouver, Vancouver, British Columbia.

FRONT COVER: Aerial view of the Tide Surface Plant looking westerly — Berendon Glacier in the background. The large building with the sloping roof in the central part of the photograph houses the concentrator, general offices, engineering office, warehouse, change rooms, shops, assay laboratories and concentrate storage. Portal of the Main Haulage Tunnel is on the far side of the concentrator building, partially obscured from view. The steam power plant, flanked by water cooling towers and fuel tanks, is on the south side (left) of the concentrator building. Temporary bunkhouses are on the north side (right) of the concentrator building. Permanent bunkhouses are in the foreground.

BACK COVER: Location maps showing principal features of the Granduc Mine operation. Location of the Company's Max property and Sulphurets - Mitchell Creek property is also shown.

Granduc Mines, Limited (Non-Personal Liability)

DIRECTORS' REPORT to the Shareholders:

In accordance with the terms of the Company's Lease to Granduc Operating Company and American Smelting and Refining Company, we set out hereunder a summary of the Lessees' report to us on progress in the development of the Granduc Mine during the year 1969;

LESSEES' REPORT TO GRANDUC MINES, LIMITED

"TIDE LAKE TUNNEL:

The main access tunnel from Tide Lake to the Leduc Mine site was completed in late 1968, and refurbishing work to equip the tunnel for high-speed haulage was 60% completed by year end.

MINE DEVELOPMENT:

The major mine access between the 2600 and 3720 levels consists of a ramp system of 14 feet by 14 feet cross section, driven at a 15% slope in the footwall of the ore bodies. Of the total length of 7840 feet, all but 800 feet between the 2600 and 3100 levels have been completed.

At year end level development was started at the 3720 level and is to advance downward. Raising of ore and waste passes and ventilation raises between 3100 and 3600 levels was almost complete for pre-production requirements and major underground facilities were installed during the year.

The Leduc Mine Camp was activated in August and was in operation at year end with a small crew. The Leduc camp is now serviced from the Tide Plant Site through the tunnel.

CONSTRUCTION:

The concentrator and services facilities were 90% completed during the year. The General Offices, Engineering Offices, Warehouses, Mine and Surface Dry Change rooms, shops and assay facilities were all in use at year end.

The Stewart dock facilities were 95% completed and this facility

was ready to receive the first shipment of bunker "C" oil to be used as fuel in the power plant.

The 30 MW steam power plant has been in continuous operation since September of 1969.

STEWART – TIDE ROAD:

General upgrading of the road was continued and driving of a 6,036 foot long vehicle tunnel through the Trojan Horse mountain was a major improvement. The road has been in use on a continuous basis since completion.

LABOUR RELATIONS:

The continued progress of mine development and of construction was interrupted by a work stoppage between March 4th and August 1st. A new two-year labour contract, replacing the one expiring on January 31st, was ratified by the employees on July 25th, 1969 and plans were immediately implemented to start work in the Mine and on construction.

PERSONNEL:

With the availability of the service facilities at Tide Plant Site, all functions formerly carried out at the Stewart and Leduc Camps have been consolidated.

Personnel employed directly and by Mine Contractors reached 499, of which 313 were employed on construction.

COMMUNITY:

Twenty-five residences were completed with water and sewer facilities to service them. The family accommodations in Stewart now consist of 122 houses and 13 trailer homes, and an additional 18 trailer homes are available at the Tide Plant Site.

The District School Board has undertaken the construction of a new ten-classroom school to be completed and in use for the fall term of 1970. The added facilities will permit an expansion of the school curriculum to include grade eleven."

PRODUCTION START UP DATE

When the main haulage tunnel at the Granduc Mine was completed in December, 1968, it was estimated that the mine would reach the production stage in the latter part of 1969. Unfortunately, the total development and construction program was delayed as the result of the previously mentioned labour strike which lasted from March 4th to August 1st, 1969, and it is now anticipated that the start up date will be realized some time during the last half of 1970.

HISTORY

With the start of production now in sight, it is perhaps timely to review some of the history of your Company and to set out the more important information relative to its position as the Lessor of the Granduc copper property.

You will note that this is the 17th Annual Report of your Company and since its incorporation in 1953, its officers and directors have persisted in their efforts to bring the Granduc Mine to production. This goal is now in sight. Some key dates which may be of interest are:

1953: Granduc Mines, Limited (N.P.L.) was incorporated on March 19, 1953 to take title to a group of mining claims in northern British Columbia held by Helicopter Exploration Ltd. The original capitalization was authorized at 4,000,000 shares with a par value of \$1.00 each and 1,000,000 shares of stock were issued for the above and other claims.

1954-1962: During this nine-year period, continued diamond drilling and exploration of the ore body was carried on. The work was confined principally to the summer months of each year and was accompanied by expensive and complex problems of freighting equipment and supplies over the mountains and glaciers which are characteristic of the region. The cost of these annual programs was financed by periodic share issues to Newmont Mining Corporation and The Granby Mining Company, Limited under the terms of a share option agreement.

1963: A summary of the first feasibility report was mailed to shareholders on November 12, 1963, at which time assured ore reserves were estimated at 32,510,000 tons averaging 1.93% copper content before dilution. A mill with capacity to concentrate 7,000 tons of ore per day was recommended.

1965: During the summer of 1965, an engineering reappraisal was completed on the project. This reappraisal indicated a much higher capital requirement than the earlier estimate. As supplementary equity financing was not practicable through Granduc Mines, Limited (N.P.L.), the Granduc mineral claims and property were leased to a wholly owned subsidiary of Newmont Mining Corporation and to American Smelting and Refining Company. The Lease became effective on October 1st, 1965 and provided that the Lessees supply all funds required to bring the property to the production stage. When the property was leased, Newmont surrendered its 45% common stock interest in Granduc, thus reducing the Company's outstanding common shares from 6,000,000 to 3,253,022.

1968: Approximately three years later, the main haulage tunnel was completed and all weather access to the ore body was realized. The driving of the 10.3 miles of haulage tunnel was a major feat and will always constitute a great achievement for the engineering skills and the hundreds of workmen who were involved.

THE LEASE

As mentioned above, in 1965 the Granduc property was leased to Granduc Operating Company, a wholly owned subsidiary of Newmont Mining Corporation, and to American Smelting and Refining Company. These two companies share the Lease equally and since October 1st, 1965 (date of the Lease) the Lessee companies have paid all funds required to bring the property into production.

Under the terms of the Lease, your Company, Granduc Mines, Limited (N.P.L.) will receive a royalty of 22½% of defined net proceeds (before deducting preproduction costs incurred by the Lessees) on the first 32,500,000 tons of ore milled, and 25% of defined proceeds thereafter.

ORE RESERVES AND GRADE

The feasibility studies which preceded the initial attempts at financing estimated the commercial ore body at 32,510,000 tons with an average grade of 1.93% copper before dilution. However, ore reserves have been recalculated on the basis of a revised mine development plan, and are now estimated to be 43,343,000 tons averaging 1.73% copper before dilution.

EXPLORATION PROGRAM

Evaluation of Company-owned properties not under lease and of other properties in the Stewart-Unuk River area continued through the 1969 field season. Exploration expenditures in 1969 amounted to \$67,719. You will recall that funds for a four-year program of exploration and development and for usual and ordinary administrative expenses of the Company during the same four-year period were provided in July, 1967 by sale of 110,000 common treasury shares of the Company to Hecla Mining Company for a total purchase price of \$515,900. Exploration expenditures in 1968 totalled \$128,954 and in 1967, totalled \$19,739.

The Max iron-copper property, which is Company-owned, was enlarged in 1969 to include several nearby areas that, on the basis of airborne and ground surveys, appear to have geological and geophysical characteristics similar to those of the main deposit. Further magnetic and geological surveys during 1969 eliminated some of the exploration targets. The Max property is presently comprised of 130 claims, of which 44 claims were located during 1969.

The Sulphurets-Mitchell Creek copper-molybdenum property, comprised of 63 Company-owned and optioned claims, was idle during 1969 but drilling in 1968 indicated possibilities of a low grade copper deposit and some additional work is planned in 1970.

An optioned prospect with porphyry copper-type characteristics, located five miles west of the Max deposit, was investigated by trenching. Results were not encouraging and the option was relinquished.

Of ten prospects that were examined in the Stewart area, one received a substantial amount of work, including the slashing of 120,000 lineal feet of survey grid, followed by magnetic and geochemical surveys, trenching, sampling and mapping. The Company was unable to conclude an option agreement with the property owners and the work was therefore discontinued.

General exploration activities and the search for new mineral prospects of interest will be continued during 1970.

FINANCIAL STATEMENTS

The audited financial statements for the year ended December 31st, 1969

are submitted with this report. These comprise the Balance Sheet, a Statement of Mine Development and Preproduction Expenditures to December 31st, 1969 and a Statement of Source and Application of Funds.

Since July 1967, administrative expenses of the Company and costs of an exploration program have been met from the proceeds of the sale of 110,000 common shares of the Company which was negotiated at that date. It is anticipated that the Company's working capital position at December 31st, 1969 in the amount of \$255,247 will be adequate for its requirements until royalty payments commence from the Lessees of the Granduc Mine. This should be at some date in the latter half of 1970.

The Balance Sheet reflects the fact that in addition to the common shareholders' equity, your Company has received financing from two additional sources. These are:

- (a) Advances from mining companies (1964 and 1965) – \$5,427,589. This amount is payable to Newmont Mining Corporation and American Smelting and Refining Company who have waived interest on this advance until the commencement of production at which time interest will commence accruing at the rate of 5½% per annum.
- (b) 1,050,000 5½% cumulative redeemable preferred shares of \$5.00 par value, issued March 1965 – \$5,250,000. Hecla Mining Company is the sole owner of this preferred share issue and has waived dividends and the cumulative rights thereto, until commencement of production.

The first commitment on the use of the royalties received from the Company's Lease is to direct 80% of such royalty income to repay the advances of \$5,427,589 with interest from start up date and, concurrently, to redeem the preferred shares and pay dividends accumulated thereon from start up date.

The Annual Meeting of the Company will be held on May 8th, 1970 at 9:00 A.M. in the Hotel Vancouver, Vancouver, B.C., and we hope that as many shareholders as possible will find it convenient to attend.

On behalf of the Directors,

Vancouver, B.C.
March 16th, 1970

L. J. RANDALL
President

Granduc Mines, Limited (Non-Personal Liability)

BALANCE SHEET

December 31, 1969 (With comparative figures for 1968)

Assets	1969	1968
Current assets:		
Cash	\$ 55,101	\$ 66,188
Short-term investments at cost	203,143	306,973
Total current assets	<u>258,244</u>	<u>373,161</u>
 Mining properties at cost, including \$1,000,000 for common shares issued in consideration for claims (Note 1)	 1,065,000	 1,065,000
 Mine development and pre-production expenditure, per accompanying statement	 23,837,851	 23,740,502

\$25,161,095 \$25,178,663

See accompanying notes to financial statements.

On behalf of the Board:

L. J. RANDALL, Director W. H. LOVE, Director

Liabilities and Shareholders' Equity

	1969	1968
Accounts payable and accrued expenses	\$ 2,997	\$ 20,565
Advances from mining companies (Notes 1 and 2)	5,427,589	5,427,589
Shareholders' equity (Notes 1 and 3):		
Share capital:		
5½% cumulative redeemable preferred shares of \$5 par value per share. Authorized and issued 1,050,000 shares	5,250,000	5,250,000
Common shares of \$1 par value per share. Authorized 8,000,000 shares; issued:		
	Number of shares	Par value
For cash	2,363,022	\$2,363,022
For mineral claims	1,000,000	1,000,000
	<u>3,363,022</u>	<u>\$3,363,022</u>
		3,363,022
		3,363,022
		8,613,022
		8,613,022
Contributed surplus		11,117,487
		11,117,487
Total shareholders' equity		19,730,509
		19,730,509
		\$25,161,095
		<u>\$25,178,663</u>

Granduc Mines, Limited (Non-Personal Liability)

NOTES TO FINANCIAL STATEMENTS

December 31, 1969

1. Mining properties:

Under the terms of a lease entered into on October 1, 1965, the lessees will develop and equip the Granduc mine property of the company and from the date mining operations commence will pay a royalty of 22½% of the net proceeds from the mine, as defined. After 32,500,000 short tons of ore have been milled the royalty is increased from 22½% to 25%. An amount of not less than 80% of all royalties received must be applied against the repayment of the advances from mining companies, the redemption of the preferred shares, and accrued interest and dividends respectively on these obligations accruing after the date of beginning of mining operations.

2. Advances from mining companies:

Interest on the advances of \$5,427,589 has been waived until the date of beginning of mining operations.

3. Share capital:

The holder of the 1,050,000 5½% cumulative redeemable preferred shares has waived dividends, and the cumulative rights thereto, until the date of beginning of mining operations.

4. Directors' remuneration in 1969 amounted to \$1,200.

Granduc Mines, Limited (Non-Personal Liability)**STATEMENT OF MINE DEVELOPMENT AND PRE-PRODUCTION EXPENDITURE**

Year ended December 31, 1969 (With comparative figures for 1968)

	1969	1968
Balance at beginning of year	\$23,740,502	\$23,592,594
Expenditure incurred during the year:		
Exploration:		
Buildings and real property	—	14,000
Village of Stewart expenses	560	500
Professional and technical services	37,556	36,109
Transportation and travel	4,368	6,784
Shipping and freighting	8,561	21,140
Camp operations	6,667	3,527
Drilling	—	39,960
Sampling and analysis	2,967	2,758
Equipment	7,040	4,176
	<u>67,719</u>	<u>128,954</u>
Administration:		
Management salaries	5,227	5,127
Office salaries	2,695	2,803
Directors' remuneration	1,200	1,200
Directors' expenses	523	641
Communication	1,410	1,628
Office expenses	6,875	5,529
General expenses	18,062	10,835
Legal and audit	9,991	16,095
	<u>45,983</u>	<u>43,858</u>
	<u>113,702</u>	<u>172,812</u>
Deduct:		
Interest income	16,353	23,667
Other income	—	1,237
	<u>16,353</u>	<u>24,904</u>
Net expenditure for the year	97,349	147,908
Balance at end of year	<u>\$23,837,851</u>	<u>\$23,740,502</u>

See accompanying notes to financial statements.

Granduc Mines, Limited (Non-Personal Liability)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1969 (With comparative figures for 1968)

	1969	1968
Working capital at beginning of year	\$ 352,596	\$ 500,504
Deduct funds used for mine development and pre-production expenditure	97,349	147,908
Working capital at end of year	<u>\$ 255,247</u>	<u>\$ 352,596</u>
Working capital:		
Current assets	\$ 258,244	\$ 373,161
Current liabilities	2,997	20,565
Working capital at end of year	<u>\$ 255,247</u>	<u>\$ 352,596</u>

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granduc Mines, Limited (Non-Personal Liability) as of December 31, 1969 and the statements of mine development and pre-production 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.

In our opinion, these financial statements present fairly the financial position of the company at December 31, 1969 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, British Columbia
February 16, 1970

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

