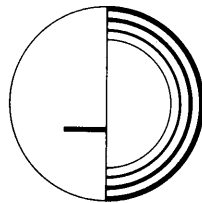


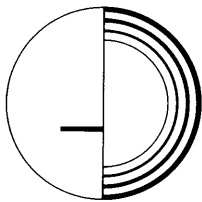
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# *Silvana*

## *Mines Inc.*



**Annual Report**  
**1978**



## SILVANA MINES INC.

Suite 1402-390 Bay Street Toronto M5H 2Y2  
(416) 361-0402 Telex 06-22016

### DIRECTORS' REPORT TO THE SHAREHOLDERS:

In our last report to you we referred to the development and exploration project that was planned for 1978. The objectives were to increase mine production capability and provide bases for major exploration, down dip and along strike of the ore zones.

Rehabilitation of the 4,000 level required more work and time than was estimated, and drifting to the west on the level began late in September. Exploration diamond drilling was begun in late October, and seven holes were drilled by the end of the year. The best intersection was a 5.2 ft. section in hole 4004 that graded 40.47 ounces silver 19.05% lead and 7.28% Zinc. The cost of the program for 1978 was \$842,795, after crediting a grant from the B.C. government under the Accelerated Mine Development Program. The original grant was for \$200,000 but late in the year we were advised an additional grant of \$100,000 would be available in 1979.

To the end of April, 1979, an additional 16 drill holes were completed from the 4,000 level, along a strike length of 800 ft., and five of these holes cut ore grade intersections at elevations from 4,240 ft. to about 4,400 ft. This drilling has indicated a substantial mineralized zone, open along strike to the east and down dip, and, to some extent, up dip as well. Further development work requiring crosscutting and drifting is necessary to provide drill bases to extend the zone.

The 4,000 #2 west lateral was advanced about 1,450 ft. and No. 1 crosscut south about 170 ft. when drifting was suspended about the middle of March, 1979, so that raising to connect the 4,000 level to the 4,625 workings could begin. Transfer and service raises were completed to required elevation on April 29, 1979 and the connection to the 4,300 east decline will be made early in May. This will allow development of the upper portion of the new zone to begin almost at once and, production through the 4,000 level should start in late May. Drifting and crosscutting on the 4,000 level resumed on May 1st, with the emphasis on further exploration of the new zone and development for production. It is now likely that by the end of 1979, production will have increased to mill capacity level, at least on a 6 day week basis, or, about 3,000 tons per month. Progress during 1979 to date, has been much better than expected.

#### 1978 Production

Tonnage milled was 17,600 tons grading 14.84 ounces silver, 5.81% lead and 4.34% zinc.

Payable production of metals was 243,675 ounces of silver, 1,948,360 pounds of lead, 1,408,500 pounds of zinc and 8,209 pounds of cadmium.

### Metal prices

The prices of silver, lead and zinc moved up steadily during the year. The lower value of the Canadian dollar in U.S. funds further increased the prices received by Silvana for the above metals. Average prices received in 1978, in Canadian funds were as follows: silver - \$6.25 per ounce, lead 37.4¢ per pound and zinc 33.3¢ per pound.

Since the end of 1978, prices for all these metals have increased substantially with silver reaching in excess of \$9.00 per ounce in Canadian funds, lead 52¢ and zinc about 43¢ per pound. It is impossible to forecast metal price levels for the balance of 1979.

### Labour Relations

A memorandum of agreement covering a new contract with the union representing the hourly paid employees, for a two year period, was signed on April 26, just before the existing contract terminated on April 27, 1979. The new contract will terminate April 27, 1981. The contract provides wage increases on April 28, 1979 and April 28, 1980, and certain other fringe benefits, including a cost of living adjustment, to be applied, if applicable, at six month intervals after April 28, 1979.

### 1979 First quarter Production

A total of 4,985 tons grading 15.76 ounces silver, 5.46% lead and 4.73% zinc per ton were milled, providing an income from mining, after depreciation and depletion, of \$314,700 as compared with \$47,000 from mining 3,649 tons grading 20.17 ounces silver, 7.95% lead and 5.60% zinc per ton in the same quarter of 1978.

Production for the second quarter of 1979 should be close to that of the first quarter and then gradually increase during the second half of the year to about 3,000 tons per month at the end of the year.

### Ore Reserves

The company has never reported estimates of proven ore, as by definition, the proven ore available has never exceeded a few thousand tons. Even the definition of probable ore makes it difficult to make an estimate of probable ore for Silvana. By definition, the probable ore available at Silvana is limited to areas available for mining from the 4,625 workings and will be about 10,000 tons with a grade of 15 ounces silver 5.0% lead and 5% zinc. The potential for more tonnage in this area is limited until more development work is carried out.

The diamond drilling completed to the end of April, on the 4,000 level, has indicated a substantial zone of economic mineralization with a potential or inferred tonnage of about 150,000 tons. The diamond drill holes are too widely spaced to allow an estimate of probable grade to be made. Based on experience, the grade should equal average grade of all ore mined to date, about 16 ounces silver, 5.9% lead and 5.7% zinc per ton. The zone is open to the east and both up and down dip. We are optimistic that additional exploration and development will increase the tonnage quoted above in the next few months.

### Financial Statements

Statements for the year ending December 31, 1978 are enclosed.

Of the 375,000 warrants to purchase shares at \$2.00 issued in February, 1978, 362,400 were exercised prior to the expiry date of February 9, 1979. As a result, the working capital available to the company has been substantially increased.

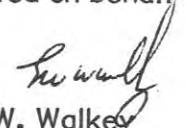
At April 30, 1979, liquid assets available, after deducting current liabilities, were \$760,000 in cash and about \$200,000 in concentrate receivables.

### Summary

The results of the past several months, to April 30, 1979 both as to the diamond drill hole results, and the performance of the staff and crews involved is very gratifying to your management.

It should be emphasized that only a small percentage of the area of potential on the property has been investigated to date. It is the intention to maintain exploration and development at the current levels until the end of 1979 at which time a complete review will be made.

Respectfully submitted on behalf of the Board,

  
G. W. Walkey  
President

April 30, 1979.



Silvana Mines Inc. — Sandon, B.C.

**SILVANA MINES INC.**  
Executive Office-Suite 1402, 390 Bay Street,  
Toronto, Ontario, M5H 2Y2.

**NOTICE OF ANNUAL GENERAL MEETING OF MEMBERS**

Notice is hereby given that the Annual General Meeting of the Members of Silvana Mines Inc. (hereinafter called the "Company") will be held in the Patricia Room, Hotel Georgia, 801 Georgia Street in the City of Vancouver, British Columbia, on

Friday, June 1, 1979

at the hour of 10:00 o'clock in the forenoon (Vancouver time) for the following purposes:

- (1) to receive and consider the Annual Report of the Company including report of the Directors, the financial statements as at December 31, 1978, and the reports of the Auditors, Thorne Riddell & Co.;
- (2) To elect directors for the ensuing year.
- (3) To appoint Auditors for the ensuing year.
- (4) To transact such other business as may properly come before the meeting.

Accompanying this Notice are copies of the Report of Directors to the members, the Financial Statements made up to December 31, 1978, together with the report of the Auditors thereon, an Information Circular and Form of Proxy.

DATED at TORONTO, this 24th day of April, 1979.

BY ORDER OF THE BOARD OF DIRECTORS

J. Geddes, Secretary-Treasurer

MEMBERS ARE ENTITLED TO VOTE AT THE MEETING EITHER IN PERSON OR BY PROXY. IF YOU ARE UNABLE TO BE PRESENT AT THE MEETING, YOU ARE REQUESTED TO READ, COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY.

NOTE: A Proxy, to be effective, must be received, by mail or otherwise at the Executive Office of the Company at Suite 1402, 390 Bay Street, Toronto, Ontario or at the Records Office of the Company, P. O. Box 189, New Denver, B.C. within 48 hours before the time for holding the said Annual General Meeting.

**SILVANA MINES INC.**  
**INFORMATION CIRCULAR**

AS AT

APRIL 24, 1979

**SOLICITATION OF PROXIES**

This Information Circular is furnished in connection with the solicitation of Proxies by the Management of SILVANA MINES INC., ("the Company") for use at the Annual General Meeting of the Members of the Company to be held on the 1st day of June, 1979, at the time and place for the purposes set forth in the Notice of Meeting. The cost of this solicitation will be borne directly by the Company.

**APPOINTMENT AND REVOCATION OF PROXY**

The persons named in the accompanying Form of Proxy are Directors and Officers of the Company. A member desiring to appoint some other person to represent him at the Meeting may do so by striking out the printed names and inserting the desired person's name in the blank space provided in the form of Proxy and depositing the completed Proxy at the Executive Office of the Company, Suite 1402, 390 Bay Street, Toronto, Ontario via the enclosed addressed envelope or at the Records Office of the Company, P. O. Box 189, New Denver, British Columbia.

A Proxy may be revoked either by (a) signing a Proxy bearing a later date and depositing it at the place and within the time aforesaid; or (b) signing and dating a written notice of revocation (in the same manner as the Proxy is required to be executed as set out in the Notes to the Proxy) and either depositing the same at the place and within the time aforesaid or with the Chairman of the Meeting on the day of the Meeting or on the day of any adjournment thereof; or (c) attending the Meeting or any adjournment thereof, and registering with the Scrutineer thereat as a member present in person, whereupon such Proxy shall be deemed to have been revoked.

On the date of the accompanying Notice of Meeting, the Company had 3,007,150 common shares outstanding without par value. All shares in the capital of the company are of the same class and each carries the right to one vote.

Members registered prior to the time of the Meeting are entitled to attend and vote thereat. Members desiring to be represented by Proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote thereat, deposit their Proxies at the place and within the time set forth in the Notes to the Proxy.

To the knowledge of the Directors and Senior Officers of the Company, the following Members beneficially own directly or indirectly, shares carrying more than 10% of the voting rights attached to all shares of the Company:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>Percentage of Outstanding Shares</u>
Kam-Kotia Mines Limited Suite 1402, 390 Bay Street Toronto, Ontario	1,172,357	39%
Carnegie Mining Corporation Limited (subsidiary of Kam-Kotia Mines Limited) Suite 1402, 390 Bay Street Toronto, Ontario	600,000	20%

## PROVISIONS RELATING TO VOTING

The shares represented by Proxy in the form enclosed will, on any poll, be voted by the designated holder thereof in accordance with the direction of the Member appointing him. In the absence of such direction it is intended that such shares will be voted in the affirmative for all proposals set out in the accompanying Form of Proxy and for the election of Directors and the appointment of Auditors as set out under those respective headings in this Circular.

The enclosed Form of Proxy confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting. At the time of printing this Circular, the Management of the Company knows of no such amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

## ELECTION OF DIRECTORS

The Directors of the Company are elected annually and hold office until the next Annual General Meeting of the Members or until their successors in office are duly elected. The Management of the Company proposes to nominate the persons listed below for election as Directors of the Company to serve until their successors are elected or appointed. In the absence of instructions to the contrary, Proxies given pursuant to the solicitation by the Management of the Company will be voted for on any poll by the nominees listed in this Circular. THE MANAGEMENT DOES NOT CONTEMPLATE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR. IN THE EVENT THAT PRIOR TO THE MEETING ANY VACANCIES OCCUR IN THE SLATE OF NOMINEES HEREIN LISTED, IT IS INTENDED THAT DISCRETIONARY AUTHORITY SHALL BE EXERCISED BY MANAGEMENT TO VOTE THE PROXY ON ANY POLL FOR THE ELECTION OF ANY OTHER PERSON OR PERSONS AS DIRECTOR(S).

The following table sets out the names of the persons to be nominees for election as Directors, the positions and offices which they hold with the Company, their respective principal occupation or employments, the period during which they have served as Directors of the Company, and the number of shares of the Company and its subsidiaries which each beneficially owns directly or indirectly as of the date of the accompanying Notice of Meeting:

<u>Name of Nominee</u>	<u>Principal Occupation</u>	<u>No. of Shares of Company beneficially owned, directly or indirectly</u>	<u>Date first Elected to the Board</u>
G. W. Walkey	Mining Engineer Vice-President, Kam-Kotia Mines Limited	1	1969
H. Vance White	Mining Executive Vice-President Dickenson Mines Limited	1,501	1977
James Geddes	Chartered Accountant with Mid-North Engineering Services Limited	1	1977
William Hogg	Mine Manager Silvana Mines Inc. formerly Mine Manager Kam-Kotia Mines Limited (New Denver Division)	1	1977
H. Rodney Heard	Chartered Accountant with Mid-North Engineering Services Limited	1	1978

The management has relied on information furnished by each respective nominee as to his beneficial ownership of shares in the Company at the date hereof. Each of the above named persons has held the principal occupation indicated for at least five years.

## REMUNERATION OF MANAGEMENT AND OTHERS

The aggregate direct remuneration paid by the Company to Directors and Senior Officers, (including the five highest paid employees) during the year ended December 31, 1978, amounted to \$106,703 of which Directors' fees as such amounted to \$1,208.

Kam-Kotia Mines Limited (Kam-Kotia) is the parent Company of Silvana and provided engineering and management services for \$122,243 for the 12 month period. Included in the Kam-Kotia fee are the services of G. W. Walkey, President of Silvana, W. Hogg, Mine Manager of Silvana, and certain senior staff personnel at the mine. No salaries were paid to the above persons by Silvana.

Mid-North Engineering Services Limited (Mid-North), Suite 1402, 390 Bay Street, Toronto provides administrative, accounting and secretarial services including Executive Office facilities and during the year ended December 31, 1978 \$12,000 was paid to Mid-North for its services.

The insiders of Mid-North are: A. W. White, H. R. Heard, J. Geddes, H. I. Miller, H. V. White, D. L. Sannes, and H. S. Dolson, all with the same address as the Company.

The insiders of Kam-Kotia Mines Limited are Dickenson Mines Limited, A. W. White, G. W. Walkey, H. R. Heard, H. V. White, H. I. Miller, H. S. Dolson, J. Geddes and F. A. Fell, all of Suite 1402, 390 Bay Street, Toronto, Ontario; R. P. Tapper, J. W. Nichol, J. Bowerman, H. Hessner, O. Kwasnycia and D. Molloy, all of Balmertown, Ontario; W. Hogg, K. Gordon, W. W. Cummings, M. Quick, M. F. Vladetich, all of New Denver, British Columbia; D. F. Burt of Burt, Burt, Wolfe & Bowman, Suite 315, 85 Richmond Street West, Toronto, Ontario; C. R. Diebold, Diebold & Millonzi, Suite 600, 15 Court Street, Buffalo, N. Y., 14202; F. R. Graham, Graymont Limited, 2nd Floor, 360 St. James St. W., Montreal, P.Q.; R. A. Halet, R. R. #1, Campbellville, Ontario; G. H. Scott, 66 Arjay Crescent, Willowdale, Ontario; David Johnston, 93 Salisbury Ave., Galt/Cambridge, Ontario.

## INTEREST OF MANAGEMENT & OTHERS IN MATERIAL TRANSACTIONS

No Director, Senior Officer or proposed nominee for election as a Director of the Company herein named, no shareholder holding greater than 10% of the issued capital of the Company and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction since the commencement of the Company's last completed financial year, or in any proposed transaction which in either such case, has materially affected or will materially affect the Company.

## APPOINTMENT OF AUDITORS

It is proposed that Messrs. Thorne Riddell & Co., will be nominated as auditors of the Company until the next Annual Meeting of Members. Forms of Proxy given pursuant to the solicitation of the management of the Company, will, on any poll, be voted as directed and in the event of no direction, for the re-appointment of the said firm, at a remuneration to be fixed by the Directors. Thorne Riddell & Co. were first appointed by Directors October 6, 1977.

## ADVANCE NOTICE OF THE MEETING

The advance notice of the Meeting required by Section 133 of the Companies Act was not published in the Vancouver press due to the continued printers' strike.

**PARTICULARS OF ANY OTHER MATTERS TO BE ACTED UPON**

The Management of the Company knows of no matters to come before the said Meeting other than the matters referred to in the Notice of the said Meeting. However, if any other matters which are not known to the Management of the Company shall properly come before the said Meeting the Forms of Proxy given pursuant to this solicitation by the management of the Company will be voted on such matters in accordance with the best judgement of the person voting the proxy.

DATED at Toronto, Ontario, this 24th day of April, 1979.

**Thorne  
Riddell  
& Co.**

CHARTERED ACCOUNTANTS

**AUDITORS' REPORT**

To the Shareholders of  
Silvana Mines Inc.

We have examined the balance sheet of Silvana Mines Inc. as at December 31, 1978 and the statements of income, deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures 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, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada  
March 1, 1979

*Thorne Riddell & Co.*  
Chartered Accountants

SILVANA MINES INC.  
(Incorporated under the laws of British Columbia)

BALANCE SHEET AS AT DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 59,000	\$ 103,000
Accounts receivable	189,000	27,000
Concentrates on hand and in transit	392,000	509,000
Prepaid expenses	18,000	14,000
	<u>658,000</u>	<u>653,000</u>
<b>OIL AND GAS INTEREST, at cost</b>	<u>35,000</u>	
<b>FIXED ASSETS (note 2)</b>		
Buildings, machinery and equipment, at cost	1,213,000	919,000
Less accumulated depreciation	70,000	17,000
	<u>1,143,000</u>	<u>902,000</u>
Mining claims and properties, at cost less depletion (note 3)	822,000	873,000
	<u>1,965,000</u>	<u>1,775,000</u>
<b>OTHER ASSETS</b>		
Supplies, at average cost	57,000	46,000
Deferred development costs (note 2)	686,000	36,000
	<u>743,000</u>	<u>82,000</u>
	<u>\$3,401,000</u>	<u>\$2,510,000</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 288,000	\$ 190,000
Payable to parent company, Kam-Kotia Mines Limited	55,000	237,000
	<u>343,000</u>	<u>427,000</u>
<b>DEFERRED INCOME TAXES (note 4)</b>	<u>118,000</u>	<u>89,000</u>
<b>SHAREHOLDERS' EQUITY</b>		
<b>CAPITAL STOCK (note 5)</b>		
Authorized		
5,000,000 Shares without par value		
Issued		
2,644,750 Shares (1977, 2,191,250 shares)	2,945,000	2,123,000
<b>CONTRIBUTED SURPLUS (note 5)</b>	<u>30,000</u>	
	<u>2,975,000</u>	<u>2,123,000</u>
<b>DEFICIT</b>	<u>35,000</u>	<u>129,000</u>
	<u>2,940,000</u>	<u>1,994,000</u>
	<u>\$3,401,000</u>	<u>\$2,510,000</u>

Subsequent event (note 5)

Approved by the Board

H. R. HEARD      Director  
J. GEDDES        Director



## SILVANA MINES INC.

## STATEMENT OF INCOME

	Year ended December 31, 1978	Three months ended December 31, 1977
Revenue		
Metal recovery, gross value	\$2,793,000	\$660,000
Transportation and treatment costs	<u>897,000</u>	<u>213,000</u>
	<u>1,896,000</u>	<u>447,000</u>
Expenses		
Exploration	608,000	177,000
Mining	545,000	64,000
Milling	304,000	61,000
Mine management	<u>193,000</u>	<u>79,000</u>
	<u>1,650,000</u>	<u>381,000</u>
Operating income before undernoted items	246,000	66,000
Depreciation and depletion	<u>104,000</u>	<u>19,000</u>
Income from mining operations	142,000	47,000
Head office, administration and general expenses	<u>52,000</u>	<u>35,000</u>
	90,000	12,000
Interest income	<u>33,000</u>	<u>3,000</u>
Income before income taxes	123,000	15,000
Deferred income taxes	<u>29,000</u>	<u>2,000</u>
NET INCOME	<u>\$ 94,000</u>	<u>\$ 13,000</u>
Earnings per share	\$.04	\$.01
Fully diluted earnings per share	\$.03	\$.01

## STATEMENT OF DEFICIT

	Year ended December 31, 1978	Three months ended December 31, 1977
DEFICIT AT BEGINNING OF PERIOD		
As previously reported	\$ 40,000	\$ 55,000
Prior period adjustment (note 4)	<u>89,000</u>	<u>87,000</u>
As restated	129,000	142,000
Net income	<u>94,000</u>	<u>13,000</u>
DEFICIT AT END OF PERIOD	<u>\$ 35,000</u>	<u>\$129,000</u>

## SILVANA MINES INC.

## STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended December 31, 1978	Three months ended December 31, 1977
WORKING CAPITAL DERIVED FROM		
Operations (note 6)	\$ 227,000	\$ 34,000
Reduction in funds held by third party		33,000
Issue of capital stock	822,000	
Issue of warrants	<u>30,000</u>	
	<u>1,079,000</u>	<u>67,000</u>
WORKING CAPITAL APPLIED TO		
Acquisition of fixed assets	294,000	19,000
Oil and gas interest	35,000	
Additions to mining claims and properties		33,000
Increase in supplies	11,000	18,000
Deferred development costs	<u>650,000</u>	<u>35,000</u>
	<u>990,000</u>	<u>105,000</u>
INCREASE (DECREASE) IN WORKING CAPITAL	89,000	(38,000)
WORKING CAPITAL AT BEGINNING OF PERIOD	<u>226,000</u>	<u>264,000</u>
WORKING CAPITAL AT END OF PERIOD	<u>\$ 315,000</u>	<u>\$226,000</u>

SILVANA MINES INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. ACCOUNTING POLICIES

(a) Concentrates on hand and in transit

Shipments for which final settlements have not been received are included as concentrates on hand and in transit and are valued at net realizable value of \$658,000 (1977, \$785,000). Payments received in advance of final settlement are deducted from concentrates on hand and in transit and amount to \$266,000 (1977, \$276,000).

(b) Depreciation and depletion

Depreciation of buildings, machinery and equipment and depletion of mining claims and properties are provided on the unit of production method based on estimated ore reserves.

(c) Deferred development costs

Development costs have been deferred with the intention that they should be amortized by charges against income from future mining operations. The recovery of these costs is dependent, therefore, upon the development of an economic mining operation and the marketing of concentrate production (see note 2).

2. FIXED ASSETS AND DEFERRED DEVELOPMENT COSTS

The company is reactivating the 4,000 foot level which has been inactive since 1967. Expenditures for buildings, machinery and equipment of \$158,000 at this mine site have been included with fixed assets. Depreciation will be taken on these fixed assets when commercial production commences from the 4,000 foot level. All other expenditures for this project have been included as deferred development costs.

3. MINING CLAIMS AND PROPERTIES

The company's mineral claims in the Kootenay District of British Columbia are subject to a royalty of \$500,000 payable to Kam-Kotia Mines Limited and to a third party. The royalty is secured by a mortgage on those mineral claims and is payable out of production at .25 times the net smelter return per ton of ore, expressed in dollars up to but not exceeding \$3 per ton until the full \$500,000 has been paid.

As of December 31, 1978, the balance remaining under the royalty agreement was \$303,000 (1977, \$355,000).

4. DEFERRED INCOME TAXES

The company follows the tax allocation method of providing for income taxes resulting from timing differences between financial and taxable income. Revised calculations of timing differences have resulted in a retroactive adjustment to retained earnings of \$89,000 (1977, \$87,000) for deferred income taxes.

SILVANA MINES INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1978

5. CAPITAL STOCK

During 1978 the company issued 453,500 treasury shares and 375,000 warrants for total proceeds of \$852,000. Shares were offered in units of four shares and one warrant. Net proceeds to the company from these 112,500 units amounted to \$815,000. Net proceeds from the remaining 262,500 warrants amounted to \$30,000 which is shown as contributed surplus. Included in the above are 3,500 warrants which were exercised for proceeds to the company of \$7,000. As at December 31, 1978, 371,500 warrants were outstanding.

Subsequent to the year end 362,400 warrants were exercised for proceeds to the company of \$724,800. All other warrants expired as of February 9, 1979.

6. WORKING CAPITAL DERIVED FROM OPERATIONS

	Year ended December 31, 1978	Three months ended December 31, 1977
Net income	\$ 94,000	\$13,000
Items not requiring use of working capital		
Depreciation and depletion	104,000	19,000
Deferred income taxes	<u>29,000</u>	<u>2,000</u>
Working capital derived from operations	<u>\$227,000</u>	<u>\$34,000</u>

7. COMPARATIVE FIGURES

The company changed its year end from September 30 to December 31, commencing in 1977 in order to coincide with the year end of its parent, Kam-Kotia Mines Limited.

8. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers amounted to \$106,703.