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HIGHMONT MINING *Corp. Ltd.* (N.P.L.)

1967 ANNUAL REPORT

PERIOD: MARCH 25, 1966 TO APRIL 30, 1967

OFFICERS and DIRECTORS

Officers

J. L. GIBSON - Chairman of the Board

R. W. FALKINS - President

A. R. HANNA - Secretary - Treasurer and Chief Executive Officer

Directors

W. P. CLARKE

R. W. FALKINS

J. L. GIBSON

A. R. HANNA

S. J. O. McCLAY

S. NOMA

drill results. This first stage would also include the installation of a temporary crushing and sampling plant to permit accurate sampling of each round mined from underground workings and sample storage and stock piling facilities would be installed. This first stage would require approximately 180 days to complete.

Stage 2 would be implemented at about the one-third to one-half way point of Stage 1 if results to that time were favorable. Stage 2 would cost a minimum of $500,000. Under Stage 2 a pilot floatation plant would be installed capable of handling at least 100 tons per day. It would also be necessary to provide an assay laboratory.

In the third stage, which would be contemporaneous with Stage 2, additional drilling and geophysical work would include preliminary mill design and detailed studies of water and power sources and surveys of tailing and waste disposal areas. An additional $350,000 is contingently allotted for this stage.

In total, $1,350,000 is recommended to be spent on the further evaluation of the Highmont property with the spending program contingent upon satisfactory results being obtained from the first stage costing $500,000.

The program will be targeted to confirm drill hole assays to date and if representative of true grade. The properties are reported by the consultants to contain sufficient amounts of copper and molybdenum to support a large scale mining and concentrating operation on a profitable basis. On percussion hole results to date the partially delineated mineral reserves are estimated by the consultants, including drill indicated and inferred categories as, potential ore 45,397,000 tons grading .300% Cu. and .098% molybdenum sulphide; low grade 12,411,000 tons grading .185% Cu. and .044% molybdenum sulphide. Ratio of waste to ore grade is reported as .47 to 1.

Statutory Information

Capitalization

Authorized 5,000,000 Shares

Issued and Fully Paid

2,037,005

Transfer Agent

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

Barristers and Solicitors

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

Registered Office

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

Administrative Office

702 - 850 West Hastings Street,
Vancouver 1, B.C.

Auditors

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

Report of the Directors

On behalf of the officers and directors of Highmont Mining Corp. Ltd. (N.P.L.), it is my privilege to present to you the First Annual Report. In addition to the required report of the Company's Auditors on the affairs of the Company, I have included a report by the Company's Senior Engineer, Mr. W. G. Hainsworth, P. Eng., on the work carried out during the past year.

The year 1966 has been an outstanding year for mining in the Province of British Columbia. During the year, there have been in excess of 80,000 mineral claims recorded. By comparing figures of production, the year 1956 contributed some $190,000,000 to the gross national product of the Province. That was the most successful year in the history of mining. The year 1966 produced some $330,000,000, which is a red letter year.

The trading of mining shares on the local Exchange for the same two years: 1956, some $20,000,000 in value was traded; in 1966, in excess of $240,000,000 in value traded and 1967 has every indication of exceeding the 1966 mark. These figures are indicative of the increase in mining activity in our Province. It is anticipated that exploration and development expenditures will reach one billion dollars during the year 1967.

A preliminary feasibility study prepared for Highmont Mining Corp. Ltd. (N.P.L.) by Chapman, Wood & Griswold Ltd., Consulting Mining Engineers and Geologists, recommends a staged program of further evaluation of the Highmont ore bodies which are located in the Highland Valley on the westerly slope of Gnawed Mountain adjacent to the Lornex and Bethlehem properties.

The total new work is suggested in three stages with a firm recommendation of a program of approximately $500,000 for the driving of 2,900 feet of adit and 625 feet in raises to provide bulk samples as a conclusive check of drill results. This first stage would also include the installation of a temporary crushing and sampling plant to permit accurate sampling of each round mined from underground workings and sample storage and stock piling facilities would be installed. This first stage would require approximately 180 days to complete.

Stage 2 would be implemented at about the one-third to one-half way point of Stage 1 if results to that time were favorable. Stage 2 would cost a minimum of $500,000. Under Stage 2 a pilot floatation plant would be installed capable of handling at least 100 tons per day. It would also be necessary to provide an assay laboratory.

In the third stage, which would be contemporaneous with Stage 2, additional drilling and geophysical work would include preliminary mill design and detailed studies of water and power sources and surveys of tailing and waste disposal areas. An additional $350,000 is contingently allotted for this stage.

In total, $1,350,000 is recommended to be spent on the further evaluation of the Highmont property with the spending program contingent upon satisfactory results being obtained from the first stage costing $500,000.

The program will be targeted to confirm drill hole assays to date and if representative of true grade. The properties are reported by the consultants to contain sufficient amounts of copper and molybdenum to support a large scale mining and concentrating operation on a profitable basis. On percussion hole results to date the partially delineated mineral reserves are estimated by the consultants, including drill indicated and inferred categories as, potential ore 45,397,000 tons grading .300% Cu. and .098% molybdenum sulphide; low grade 12,411,000 tons grading .185% Cu. and .044% molybdenum sulphide. Ratio of waste to ore grade is reported as .47 to 1.

REPORT OF THE DIRECTORS — Continued

The consultants using a figure of 31.6c Canadian per lb. copper and $1.73 Canadian per lb. molybdenum place a value of $3.28 per ton on the potential ore.

The deposits are open for extension both in depth and laterally and the chances of developing additional reserves at approximately the drill indicated grade ore and maintaining an acceptable waste to ore ratio, are considered good.

Preliminary floatation tests as run by Britton Research Ltd., of Vancouver have given exceptionally good results. On the basis of bench tests they estimate a minimum copper recovery of 87% resulting in a 25% copper concentrate and a minimum 80% molybdenum recovery with a concentrate grading 91.7% molybdenum sulphide. Both concentrates contain minor amounts of precious metals.

The consultants also advise that if values can be established and current tax laws continue in effect, the Highmont property can be placed in production at a minimum mill rate of 10,000 tons per day with resulting profits permitting repayment of required capital plus a minimum return of 10% per annum on investment at current and foreseeable metal prices.

The figures in the preliminary feasibility report and pit design have been calculated only to a depth of 250 ft. which was the cut off depth for the percussion drilling. Diamond drilling consisting of 15 holes confirmed that mineralization continues to below 500 ft.

Highmont Mining Corp. Ltd. (N.P.L.) has an authorized capital divided into 5,000,000 shares, of which there are currently 2,037,005 shares issued and outstanding. Of these shares, Nippon Mining Co. Ltd. holds 400,000 shares and Torwest Resources (1962) Ltd. (N.P.L.) 1,000,000 shares. At the conclusion of all share financing the company would have 3,860,005 shares outstanding; Nippon Mining Co. Ltd. would own 2,123,000, Torwest Resources (1962) Ltd. 1,000,000 and 737,005 in the hands of the public.

Nippon Mining Co. Ltd. is providing funds for the exploration and development of the property under an Agreement dated for reference October 14, 1966, approved by the Highmont shareholders by special resolution on October 28, 1966. To date $350,000 has been advanced by Nippon Mining Co. Ltd. and converted into 400,00 shares of Highmont Mining Corp. Ltd. (N.P.L.). A further $250,000 is required to be advanced by Nippon Mining Co. Ltd. on or before November 30, 1967. Nippon Mining Co. Ltd. is obligated to bring the Highmont property into commercial production by March 1, 1974 and to provide all of the necessary financing to do so. Highmont Mining Corp. Ltd. (N.P.L.) and Nippon Mining Co. Ltd. have also agreed in principle to a 15-year product sales agreement at E. & M. J. export refinery prices for electrolitic copper and E. & M. J. prices for all other products.

Nippon Mining Co. Ltd. is currently reviewing the consultants' report in detail and it is hoped that their decision to proceed with the recommendations will be made by the end of July.

If exploration and development work carries on without loss of time and with favorable results we believe that the property can be placed in production during 1970 and that full tax exemption, under present laws, will be applicable in accordance with the statement of the Minister of Finance on May 11, 1967.

I wish to express my appreciation for the diligence and cooperation of my fellow officers and directors, to the geological staff, the field staff and our very efficient office staff.

Respectfully submitted,

R. W. FALKINS
President.

Highmont Campsite in Highland Valley with accommodation for 40 men.

Truck mounted percussion drill rig (specially designed by COPCO) for the Highmont property.

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

BALANCE SHEET as at April 30, 1967

ASSETS

		$
Current Assets		
Cash	29,018	
Short-term deposit	50,000	79,018
Investment (notes 1 and 2)		10,000
Mineral Properties — at value ascribed to 1,000,000 shares of capital stock issued as consideration for properties (notes 1 and 3)		334,661
Fixed Assets		
Field equipment	33,694	
Camp buildings	17,933	
Camp furniture and fixtures	2,785	
Cost	54,412	
Less: Accumulated depreciation	5,766	48,646
Deferred Costs		
Exploration, development and administrative — per schedule (note 1)	528,630	
Incorporation	1,044	529,674
		1,001,999

LIABILITIES

	$
Current Liabilities	
Accounts payable and accrued liabilities	17,653

SHAREHOLDERS' EQUITY

Capital Stock (note 4)	
Authorized - 5,000,000 shares with a nominal or par value of 50c each	
Issued and fully paid - 2,037,005 shares	984,346
	1,001,999

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Highmont Mining Corp. Ltd. (N.P.L.) as at April 30, 1967, and the statement of source and use of funds for the period March 25, 1966 (date of incorporation) to April 30, 1967. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of source and use of funds, when read in conjunction with the schedule and notes thereto, present fairly the financial position of the company as at April 30, 1967, and the results of its operations for the period March 25, 1966 (date of incorporation) to April 30, 1967 in accordance with generally accepted accounting principles.

Vancouver, B.C.
May 26, 1967.

McDONALD, CURRIE & CO.
Chartered Accountants

Signed on Behalf of the Board

R. W. FALKINS, Director

A. R. HANNA, Director

Highmont Mining Corp. Ltd. (N.P.L.)

STATEMENT OF SOURCE AND USE OF FUNDS

For the Period March 25, 1966
(Date of Incorporation)
To April 30, 1967

			$
Source of Funds			
Proceeds from sale of capital stock (note 4(a))			649,685
Use of Funds			
Investment in Minex Development Limited (N.P.L.)		10,000	
Purchase of fixed assets		54,412	
Incorporation		1,044	
Exploration, development and administrative costs—per schedule	528,630		
Less: Depreciation, a charge not requiring an outlay of funds	5,766	522,864	588,320
WORKING CAPITAL—END OF PERIOD			61,365

Analysis of Working Capital

Current assets at April 30, 1967	79,018
Less: Current liabilities at April 30, 1967	17,653
WORKING CAPITAL—END OF PERIOD	61,365

Highmont Mining Corp. Ltd. (N.P.L.)

SCHEDULE OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE COSTS

For the Period March 25, 1966
(Date of Incorporation)
To April 30, 1967

		$
Exploration and Development		
"Highmont" Group		
Assays	21,984	
Camp supplies	8,546	
Consultant geologist	22,218	
Cookhouse	9,696	
Depreciation	5,766	
Drilling	256,536	
Equipment and vehicle operation	12,712	
Equipment and vehicle rental	10,594	
Field supervision	13,755	
Geological and geophysical	11,013	
Licences and fees	167	
Management fee to Torwest Resources (1962) Ltd. (N.P.L.) (note 5)	41,865	
Road building and maintenance	7,059	
Salaries and wages (note 6)	42,040	
Stripping and trenching	2,985	
Sundry	62	
Survey and line cutting	3,634	
Telephone and telegraph	2,445	
Travelling and automobile	4,706	477,783
Administrative		
Advertising and promotion	4,529	
Audit and accounting	3,720	
Legal	9,491	
Licences and fees	1,300	
Management fee to Torwest Resources (1962) Ltd. (N.P.L.) (note 5)	11,000	
Office	2,556	
Rent	3,390	
Salary (note 6)	4,625	
Shareholders' information	4,716	
Sundry	194	
Travelling and automobile	4,299	
Trust company fees	4,243	
	54,063	
Less: Interest income	3,216	50,847
TOTAL EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE COSTS		528,630

Notes to Financial Statements

For the Period March 25, 1966 (Date of Incorporation)
To April 30, 1967

1. Values

The amount shown for investment, mineral properties and exploration, development and administrative costs represent costs to date and are not intended to reflect present or future values.

2. Investment

The company has purchased 100,000 shares of Minex Development Limited (N.P.L.) for a total cost of $10,000. The shares are held in escrow subject to the order of the Superintendent of Brokers. Minex shares were listed for trading on the Vancouver Stock Exchange on May 25, 1967 and had a quoted value of 32c per free share on that date. No market value is available for escrowed shares.

3. Mineral Properties

The mineral properties were acquired from Torwest Resources (1962) Ltd. (N.P.L.) in consideration for 1,000,000 shares of capital stock, having a value ascribed thereto of $334,661 determined as follows:

		$
750,000	escrowed shares for mineral properties having a recorded cost to Torwest of	65,583
250,000	escrowed shares for exploration, development and administrative expenditures made on the properties by Torwest of	269,078
1,000,000		334,661

The Superintendent of Brokers has released 150,000 of the escrowed shares prior to April 30, 1967.

4. Capital Stock

(a) Shares issued during the period, the consideration and proceeds therefrom, are classified as follows:

		$
1,037,005	Shares for cash	518,503
	Add: Premium	150,000
		668,503
	Less: Commission	18,818
1,037,005	Total shares issued for cash	649,685
1,000,000	Shares for mineral properties (note 3)	500,000
	Less: Discount	165,339
1,00,000	Total shares issued for mineral properties	334,661
2,037,005	Total shares issued during the period	984,346

(b) By an agreement dated October 14, 1966 between the Company, Nippon Mining Co. Ltd. and Torwest Resources (1962) Ltd., Nippon agreed to provide a firm advance to the Company of $150,000 for the purpose of the Company carrying out an exploration and development programme. The agreement calls for further advances from Nippon, if at the discretion of Nippon such advances are desirable. To continue with the agreement Nippon must make the following advances on or before the following times:

$		
200,000	April	30, 1967
250,000	November	30, 1967
450,000	June	30, 1968
525,000	June	30, 1969
923,000	August	31, 1969
1,038,375	March	31, 1970

Of these amounts, the firm advance of $150,000 and $200,000 due April 30, 1967 have been received by the Company as at April 30, 1967.

Nippon is given the right under the agreement to convert the advances in whole or in part into shares of the Company, but such right must be exercised within thirty days of the termination of the agreement. The advances are convertible into common shares of the Company on the following basis:

$	Conversion price $	Shares
150,000	.75	200,000
200,000	1.00	200,000
250,000	1.25	200,000
450,000	1.50	300,000
525,000	1.75	300,000
923,000	2.00	461,500
1,038,375	2.25	461,500

As at April 30, 1967, Nippon Mining Co. Ltd. had exercised the right to convert $350,000 advances into common shares of the Company according to the basis shown above.

The terms of the agreement also provide that if Nippon, in its sole discretion, decides that the property shall be brought into commercial production Nippon shall be obliged to provide the necessary major financing and the property must be brought into commercial production not later than March 1, 1974. The Company has agreed to sell exclusively to Nippon all production from the property for a period of 15 years from the date of commencement of production.

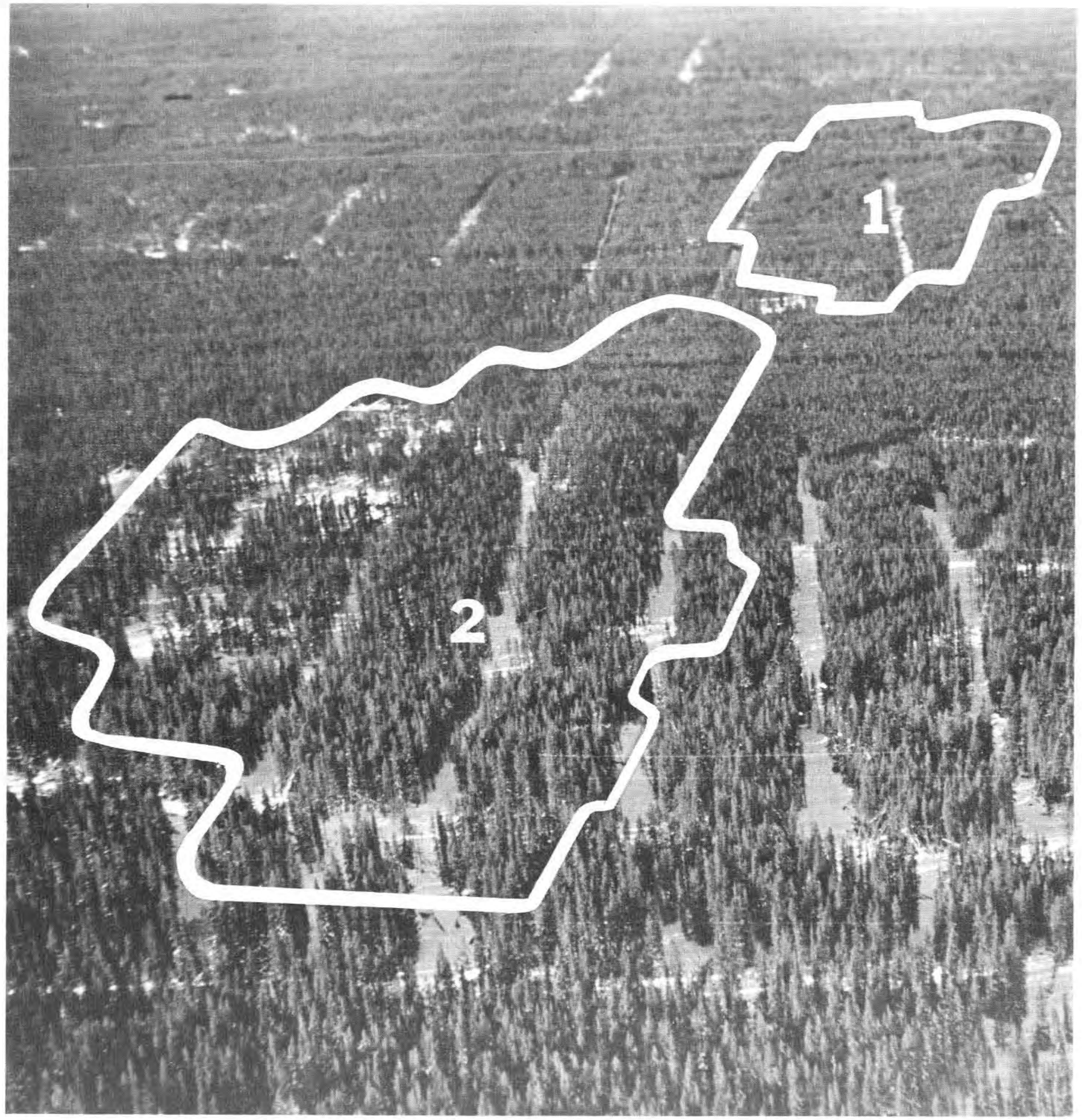
(c) By two separate agreements dated September 23, 1966, stock options, expiring in 1971, were granted to two directors to purchase up to a combined total of 100,000 shares at 75c per share. These options may be exercised to the extent of 10,000 shares to each director in any one year.

5. Management Contract

The Company has entered into a management contract with Torwest Resources (1962) Ltd. (N.P.L.) which provides for a fee of $1,000 per month plus ten per cent of all field exploration costs. The management services provided include accounting and stenographic services, office accommodation, administration and supervision.

6. Remuneration of Directors

During the period ended April 30, 1967, the Company paid remuneration to its two executive directors totalling $9,250.



Aerial photo showing grid pattern and two main ore zones of Highmont property.
1. West Ore Zone 2. East Ore Zone

W. G. HAINSWORTH

CONSULTING GEOLOGIST

July 24, 1967

The President and Directors,
Highmont Mining Corp. Ltd.,
702 - 850 W. Hastings St.,
Vancouver 1, B.C.

Dear Sirs:

In reference to my recommended program of June 22, 1966, may I state that all of the recommendations were carried to completion. In addition, several recommendations were greatly expanded.

The Chapman, Wood & Griswold Ltd. report of July 6, 1967 summarizes the results of the program. However, some interesting figures not contained in their account are herewith reported.

The total number of percussion holes was 262 for a combined footage of 61,116 feet. Diamond-drillingwise, we put down 16 holes for an aggregate 8,278 feet. Four of these holes were drilled for metallurgical purposes only.

From the above figures, we have resolved the average depth of overburden across the Highmont property as 12.6 feet. Over the east pit, the average depth is 12.2 feet, whereas the west pit overburden is slightly thicker - 13.6 feet.

To assist our exploration program, an Induced Polarization geophysical survey was carried out by McPhar Geophysics of Toronto over 15.4 miles of cut line. Spacing of these lines was 400 feet, with readings along the lines at 200 foot intervals.

Very few rock exposures are evident on the property. To further aid our geological evaluation, seven trenches covering a linear distance of 8,160 feet were cut at various localities.

The road to the camp from the Highland Valley cut-off is well-graded and more than adequate for personnel and supply vehicles. During the winter, some eight miles of road work were initiated, resulting in the present good state of the road.

Yours very truly,

W. G. HAINSWORTH, P. Eng.
Consulting Geologist

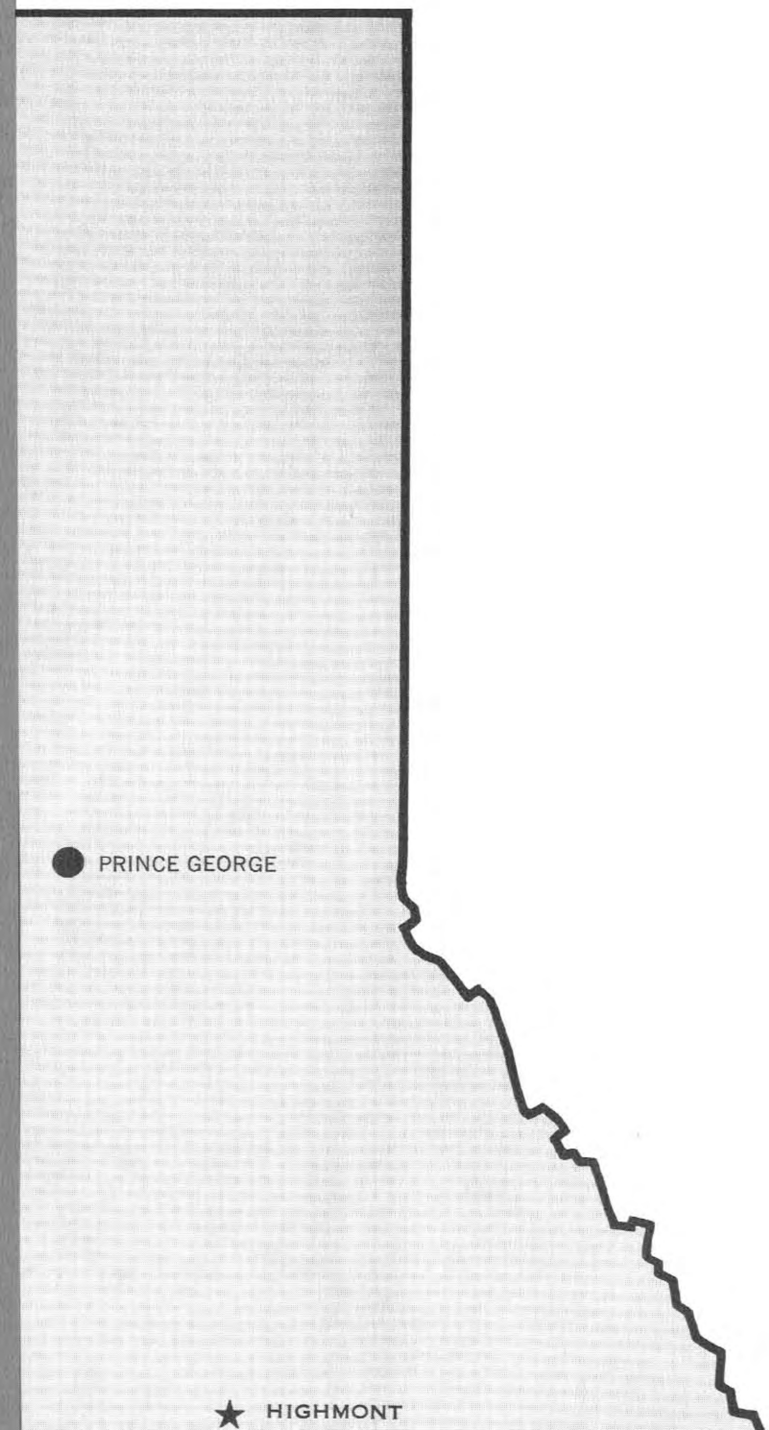
WGH:mw

The Outlook for Copper

Mr. Alfred Petrick Jr., an economist with the United States Business Management, at the 1967 meeting of the American Institute of Mining Engineers; predicted that the copper consumption of 7.4 million tons in 1965 would reach approximately 29 million tons by 1980. This would be a 6% annual increase, which is in keeping with the 1960-65 period of 6.4% annual increase.

A recent study by the Commerce Department's Business and Defense Services Administration indicates an increase in aluminum consumption in some areas, replacing copper. Mr. Rodney L. Borum, the BDSA administrator, stated that copper has for many years shown considerable stability and he expressed the belief that it will return to that state in manufacturing consumption.

Borum further indicated "copper will not necessarily lose markets, nor aluminum gain them, but ability of consumers to convert to different raw materials will be increased in the coming years."



Open Pit versus Underground

It is a well established fact that open pit mining will eventually become the "modus operandi" of tomorrow in the mining industry. The costs of underground mining must be balanced by a higher dollar return of the mined product. In todays world with the mining demand on the base metals, the emphasis has switched to the large tonnage-low grade deposits. The return on this operation more than offsets the low dollar yield per ton. In addition these operations can be put into production normally in a faster period of time. Mechanization cuts the heavy labour costs down.

As examples, a uranium producer in eastern Canada was producing 1,500 tons per day with a 400 man working force a few years ago. Their operating costs were in the vicinity of $3.50 - per ton. With a net return of $4.00, each man then was theoretically producing $15.00 profit per day for the company. Balance this against an open pit operation north of Merritt where 5,500 tons per day of copper concentrates are produced. A working force of roughly 180 men extract an approximate $3.00 net profit per ton from the pit, Each man theoretically returns a $100.00 profit per day for the company.

As production expands, man-hour earnings for the company increases with the figure. A large sized open-pit molybdenum operation in northern B.C. mills 15,000 tons per day with operating expenses below the $2.00 mark. Its 350 man working force theoretically brings a profit of $125.00 per man per day to the company.

Mine management of today looks at mining of tomorrow by considering all the economic and labor factors, as they think it will apply ten years hence. It therefore follows that large tonnage and open pit mining (as long as the grade is economical) will be the pattern of future mines.