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## DUSTY MAC MINES LTD. (N.P.L.)

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433 MARINE BUILDING • 355 BURRARD STREET • VANCOUVER 1, B.C.

TELEPHONE (604) 683-2568

Dear Shareholder:

August 27, 1973.

Since the Annual Meeting held on March 30, 1973 the activities of Dusty Mac Mines Ltd. (N.P.L.) have been almost exclusively concerned with the preparation for production of the Company's gold-silver property located near the village of Okanagan Falls.

In previous years 101 percussion and 76 diamond drill holes were drilled by your Company and partly by Noranda Mines and were successful in outlining an ore body. A preliminary feasibility study was done in February, 1971. Although the Consultants recommended that the property be brought to production, the Board of Directors deferred the production decision as it was felt that prospects for an increase in the price of both gold and silver were excellent. The dramatic increase in the prices of these commodities during the past year will greatly increase the profitability of the operation.

In early May this year and again in the early summer, a total of 120 percussion holes were drilled. Although the calculation of final grade and tonnage is not yet complete, a very material increase in the size of the ore body was achieved.

Possibly even more important, a number of holes were drilled outside the known ore body to establish either major extensions or new zones. Five such areas were investigated and in each, sufficient evidence of gold-silver mineralization was found to open up important potential for new ore. This is of great significance from the standpoint of extending the life of the mine. Seventy-five additional claims were staked.

The economics of the project are unusual. The property is located in gently rolling ground at valley floor elevation. It is serviced by a paved road. Hydro power and water are immediately available. No townsite need be built to house employees. The area has mild winters and very light snowfall. The ore body is shallow and flat lying and can be mined at low unit cost. Metallurgical recovery is approximately 96 percent for both gold and silver.

Your Company has been fortunate in obtaining the services of James R. Billingsley as Mine Manager. Mr. Billingsley is uniquely qualified for this position.

The Consulting Firm of Ripley, Klohn & Leonoff International Ltd. have been retained to design the tailings disposal area.

For your information our mid-year Financial Statement is reprinted on the reverse.

George H. Laycraft

On Behalf of the Board of Directors

DUSTY MAC MINES LTD. (N.P.L.)


STATEMENT OF SOURCE AND APPLICATION OF FUNDS

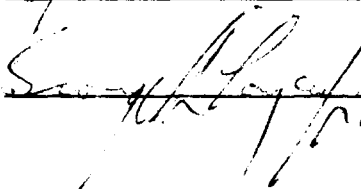
FOR THE SIX MONTHS ENDED MARCH 31, 1973

(with comparative figures for the period January 1, 1971 to September 30, 1972)

	<u>March 31</u> 1973	<u>September 30</u> 1972
SOURCE OF FUNDS		
Share capital issued for cash	\$ -	\$ 102,000
Interest and other income received	<u>2,487</u>	<u>12,071</u>
	<u>2,487</u>	<u>114,071</u>
APPLICATION OF FUNDS		
Exploration and development expenses	2,325	89,328
Less: depreciation expense	<u>-</u>	<u>1,980</u>
	2,325	87,348
Administration expenses	6,108	24,338
Purchase of mineral claims	-	10,950
Options to purchase mineral claims	-	6,000
Purchase of investment	-	5,192
Purchase of automotive equipment	<u>-</u>	<u>4,626</u>
	<u>8,433</u>	<u>138,454</u>
DECREASE IN WORKING CAPITAL	5,946	24,383
WORKING CAPITAL, beginning of period	106,792	131,175
	<u>          </u>	<u>          </u>
WORKING CAPITAL, end of period	<u>\$ 100,846</u>	<u>\$ 106,792</u>

ON BEHALF OF THE BOARD:

 Director

 Director

Prepared without audit.