

103 P

OCT 02 1973

825688

DOLLY VARDEN

one of the world's large SILVER reserves

copper, lead, zinc, cadmium, molybdenum, gold, barite

J.H.S.	
P.M.K.	
G.M.H.	✓
R.D.S.	
B.C.B.	
I.D.B.	
M.D.R.	
H.F.	
<i>DMH</i>	←
E.C.J.	

1973



thirteenth annual report

for the year ending march 31, 1973

DOLLY VARDEN MINES LTD. (NPL) VANCOUVER CANADA

The 1973 Annual Meeting will be held in
Room 203 of the Hotel Vancouver on
Thursday, September 27th, at 10:00 a.m.

directors

PETER E. CROMIE
President

GEORGE AALTONEN
General Manager

JOHN BRUK

HOWARD McD. MARTIN

JOHN M. ROSE

Secretary:
BRYAN REYNOLDS

Auditors:
RIDDELL, STEAD & CO.

Solicitors:
LAWRENCE & SHAW

Bankers:
THE BANK OF NOVA SCOTIA

Registrar and Transfer Agent:
GUARANTY TRUST COMPANY OF CANADA

Head Office: 1400 United Kingdom Building
409 Granville Street Vancouver 2 Canada

Mines at Alice Arm, B. C.

Shares listed on the Vancouver Stock Exchange

OUR SYMBOL: A Silver Coin



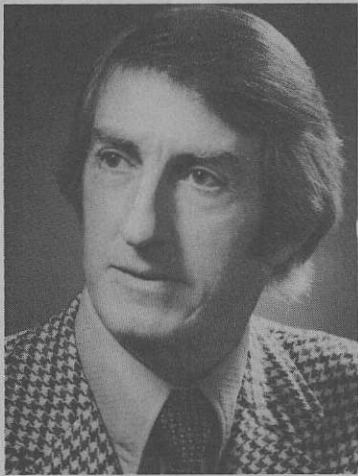
Why the girl in the hat?

In 1841 Charles Dickens in his book BARNABY RUDGE, introduced
a "charming young lady with flashing eyes" named Dolly Varden.
Her fame spread, and by the 1890's hundreds of ladies wore Dolly Varden hats.

Records show that when a prospector first discovered silver near
Alice Arm in 1907, he thought of this beautiful girl and named the strike, Dolly Varden.

DOLLY VARDEN

MINES LTD. (N.P.L.)



president's report

This has been a difficult year for your Company. Mining capital is extremely nervous about investing in British Columbia because of our new socialist government. On the other hand, the taxation policies announced so far appear to be well within our ability to live with

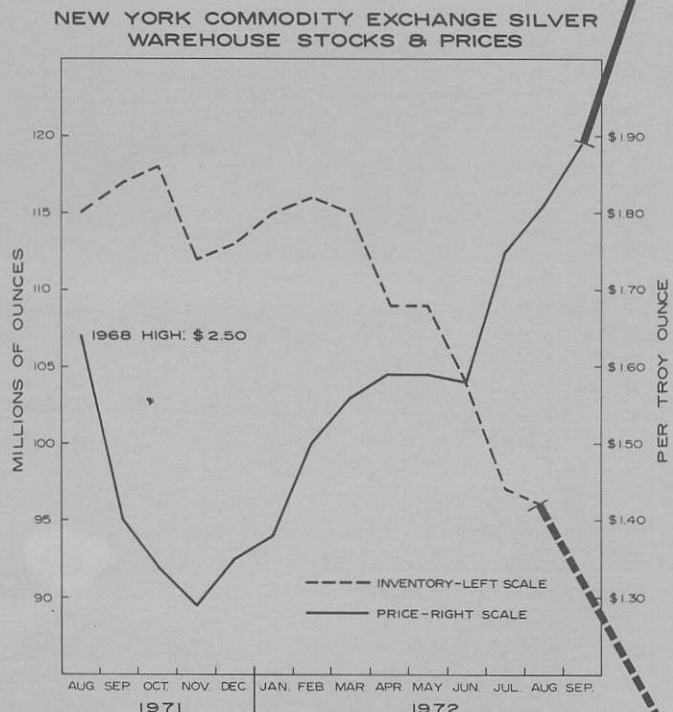
Since the beginning of 1973, we have been in contact continuously with various large mining companies and other potential sources of financing. If we can find a partner to provide \$3,000,000, our bankers have suggested that they would lend the additional \$3,000,000 required to reach production. A 1,000 tons per day underground mill is planned, which with silver at \$2.60 per ounce, should be able to generate an operating profit of \$5,500,000 per year (before taxes and financing costs). Income taxes will be almost non-existent for the first two years because of rapid write-off provisions.

Ore reserves total 1,712,444 tons with an average grade of 9.52 oz. silver, 0.53% lead, 0.82% zinc plus recoverable cadmium and barite. Categories are: 193,490 tons proven, 1,250,518 tons probable, and 268,436 tons possible. These figures do not include inferred ore, which could be substantial because extending known mineralized vein structures to reasonable limits indicates several million tons of potential. In addition, the largely unexplored "copper belt" contains a square mile of geochem copper and molybdenum anomalies, as well as outcrops of copper and silver and traces of gold.

Silver has been a very active performer in world commodity markets during recent months. We have reproduced the graph from last year's Annual Report, and dramatically extended it to the present time. World consumption continues to outpace production by about 51% or 120,000,000 ozs. per year. There is no end to the shortage in sight, other than the increasing price eventually bringing the demand and the supply into balance. Canada is still the world's leading producer.

On Behalf
of the Board of Directors

Peter Cromie, President
August 31, 1973



This is Dolly Varden



52,000,000 OZ.

general manager's report

The past season's exploration program showed the existence of ore type mineralization in several outlying areas and also supplied a large amount of important geological information over the entire property.

— On the Kitsol Vein, ore grade mineralization was intersected 350 feet below the surface outcrop. Further fill-in drilling should indicate a new ore body here.

— The Musketeer area drilling located similar material in one hole. This area is covered with high geo-chemical anomalies and warrants additional work in the future.

— The drilling on the Surprise located an area of disseminated copper mineralization with values of up to 1.5%. Surface trenching found a new vein which assays up to 62% barite and includes pods of high grade silver and copper mineralization within the barite. Both of these areas will be looked at in detail in the future.

— At the Dolly Varden, no ore was located in the westward horizontal extension of the vein structure. Underground mapping and sampling showed the existence of high grade ore remnants in the old mine. These will be eventually traced to depth by further drilling.

— Several hundred representative rock samples were taken from the diamond drilling and from surface outcrops throughout the property. A detailed study of these along with a complete summary of all known regional geological information was done by Mr. M. Mitchell our Chief Geologist. This has resulted in a new theory of structural formation and ore controls on the property. As the new concepts differ from the previously accepted theories they are being checked out in the field at the present time. If proven out, the new concepts will make the location of further vein structures much easier as they include an easily recognizable stratigraphic marker horizon.

In the continuing study and refining of production methods several new concepts were evaluated. Among these was the economic evaluation of building an underground milling plant. With the aid of our Metallurgical Consultant, an underground mill was designed. Costs for all required excavations, the mill construction and its operation were calculated. These indicated that the obvious ecological and aesthetic advantages of an underground

mill and crusher could be achieved with no appreciable difference in capital costs. The location of the crusher at the bottom of the existing Torbrit shaft, with the shaft used as the main ore pass, will result in a substantial reduction of Wolf Mine haulage costs and the elimination of secondary haulage, at the other mines. To complete the site planning, drawings were prepared for a common surface plant building utilizing the foundations of the old Torbrit Mill. Except from living accommodations, this will be the only visible building on the plant site. All capital and operating cost estimates were then recalculated using up to date cost factors. These resulted in operating costs of \$9.07 per ton mined and, capital and pre-production costs of \$6,063,000.

The recent rise in the price of silver has indicated that the Torbrit Mine, where substantial tonnages of lower grade mineralization exist, should be completely re-evaluated. Part of this study, encompassing an area enclosing approximately 50% of the Torbrit reserves, is now complete. In this area alone, an additional 564,000 ounces of silver can be economically recovered at the higher prices. The new approach will also allow the use of the economical sub-level caving type of extraction which will result in reduced operating costs at that time. As this study is not yet complete, none of the above tons have been calculated into the ore reserves at this time.

At the end of the last exploration season preliminary geochemical sampling was carried out on the possible horizontal extension of the high grade "V" vein outcrop. This resulted in remarkably high silver values in the soil tested. This program has now been extended with an additional 59 samples, which suggest the existence of another silver-lead-zinc vein structure.



George Aaltonen,
General Manager
August 23, 1972

dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE

for the year ended March 31, 1973

	1973	1972
DEVELOPMENT		
Assaying, sampling and drilling.....	\$ 54,218	\$ 2,222
Assessment fees and taxes.....	8,663	6,040
Camp salaries and maintenance.....	21,778	15,185
Depreciation.....	35,698	—
Employee benefits.....	2,488	2,176
Engineering and supervision.....	44,227	39,360
Equipment rental.....	10,982	1,057
Insurance.....	2,093	2,601
Machinery maintenance.....	3,834	1,031
Transportation and freight.....	5,614	2,739
	<u>189,595</u>	<u>72,411</u>
ADMINISTRATIVE		
Advertising and public relations.....	6,719	3,721
Depreciation.....	681	—
Interest, discount and bank charges.....	17,122	12,779
Legal and audit.....	3,691	6,771
Office.....	3,253	4,235
Rent.....	6,242	2,917
Salaries and management fees.....	23,732	21,517
Transfer and listing fees.....	4,204	2,756
Travelling.....	970	—
	<u>66,614</u>	<u>54,696</u>
	256,209	127,107
Interest earned.....	1,889	2,380
	<u>254,320</u>	<u>124,727</u>
Demolition of buildings.....	—	8,000
Deferred expenditure at beginning of year.....	2,335,837	2,203,110
DEFERRED EXPENDITURE AT END OF YEAR.....	<u>\$2,590,157</u>	<u>\$2,335,837</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended March 31, 1973

	1973	1972
SOURCE OF FUNDS		
Proceeds of issue of capital stock.....	\$170,000	\$ —
Debenture payable.....	—	105,000
	<u>170,000</u>	<u>105,000</u>
APPLICATION OF FUNDS		
Development and administrative expenditures.....	254,320	124,727
Non-cash outlay — depreciation.....	36,379	—
	<u>217,941</u>	<u>124,727</u>
Purchase of fixed assets.....	448	—
Royalty and sundry payments on mineral claims.....	6,900	5,042
Reclamation deposit — Parity Bond.....	—	6,140
	<u>225,289</u>	<u>135,909</u>
DECREASE IN WORKING CAPITAL.....	55,289	30,909
Working capital at beginning of year.....	38,043	68,952
WORKING CAPITAL (DEFICIENCY) AT END OF YEAR.....	<u>\$ (17,246)</u>	<u>\$ 38,043</u>

dolly varden mines ltd. (Non-Personal Liability)

AND SUBSIDIARY COMPANIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS as at March 31, 1973

1. SUBSIDIARY COMPANIES

The accounts of the following subsidiary companies have been consolidated with those of the parent.

	Percentage of Ownership
Copper Cliff Mines Ltd. (N.P.L.)	100%
Kitsault Silver Mines Ltd. (N.P.L.)	83%

The excess of cost over the book value of the shares acquired has been allocated to cost of mineral claims, leases and rights.

2. MINERAL CLAIMS, LEASES AND RIGHTS

The Company has the right to mine the six "Musketeer" claims for the payment of advance royalties on which \$18,000 has been paid to date, and \$7,000 is due within the next year.

3. MINE BUILDINGS, EQUIPMENT AND OTHER ASSETS at cost

	1973	1972
Land	\$ 1,000	\$ 1,000
Roads	57,554	57,554
Bridges and dams	64,034	64,034
Buildings	91,471	91,471
Mine equipment	158,794	158,794
Office equipment	6,815	6,367
Mill	30,785	30,785
Barge grid	11,892	11,892
	<u>422,345</u>	<u>421,897</u>
Less — Accumulated depreciation	<u>36,379</u>	—
	<u>\$385,966</u>	<u>\$421,897</u>

In prior years the Company has not provided for depreciation on the above assets. Commencing this year an amount equal to 10% of the cost of all assets other than land and roads has been reflected in these financial statements.

4. DEBENTURE PAYABLE

The Company's debenture, in the amount of \$105,000, bears interest at the rate of 14% per annum payable quarterly and is secured by a first floating charge on all the Company's assets and undertakings. The full balance of principal and interest is due and payable on August 1, 1975.

5. CAPITAL STOCK

On March 15, 1972 the Company and New Jersey Zinc Exploration Company (Canada) Ltd. (hereinafter referred to as Zinc) entered into an agreement whereby Zinc would acquire shares in the capital stock of the Company and assist the Company in further exploring and developing its property. Since that time Zinc has:

- (a) Purchased 133,333 treasury shares of the Company at 75¢ per share.
- (b) Purchased 25,000 of an option on 300,000 treasury shares at \$1 per share.

As the option referred to in (b) had not been exercised in its entirety, the agreement was terminated on December 31, 1972.

During the year an additional 150,000 shares were sold through the facilities of an underwriter, netting the Company 30¢ per share.

6. STATUTORY INFORMATION

Aggregate remuneration paid to directors as officers, including amounts paid to an affiliated company controlled by a director, during the year amounted to \$39,563.

This is Dolly Varden



