

35,000,000

2✓

70,000,000

15.

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

Ninth Annual Report



The Annual Meeting of the Shareholders will be held on March 9th, 1962 at 10 o'clock in the forenoon in the Ballroom in the Georgia Hotel, Vancouver, B.C.

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

DIRECTORS

M. D. Banghart
D. M. Cannon
John Drybrough
E. S. W. Hunt
L. T. Postle

OFFICERS

John Drybrough, President
D. M. Cannon, Vice-President
A. B. B. Carrothers, Secretary
J. L. Mackidd, Treasurer

AUDITORS

Peat, Marwick, Mitchell & Co., Vancouver

SOLICITORS

Douglas, Symes & Brissenden, Vancouver

TRANSFER AGENT

Canada Trust Company, Vancouver and Toronto

HEAD OFFICE

744 West Hastings Street, Vancouver

DIRECTORS' REPORT

Vancouver, B.C.
February 16, 1962.

To the Shareholders,
Granduc Mines Limited (N.P.L.)

This is the Annual Report of the Company for the year ended December 31st, 1961, which includes the Report of the Directors, the Balance Sheet, Statement of Receipts and Expenditures and Report of the Auditors.

The Company last reported ore reserves at the end of 1955 as 25,600,000 tons indicated, averaging 1.62% copper. No new ore was found in 1956 and very little in 1957. By early 1958, the shaft had been sunk from the 3100 Level and the 2475* Level driven, which extended the ore zone a further 700 feet to the south, after which work in the mine was suspended. After a study of mining methods applicable to the Granduc deposits, the ore reserves were recalculated on new criteria and are now estimated at 14,000,000 tons proven, averaging 2.09% copper, and 15,900,000 tons inferred, averaging 1.97% copper.

Under ordinary conditions an ore reserve of this magnitude and grade would justify consideration of production. Granduc is barred by a 6,000-ft. mountain range from the sea, although only 25 miles distant, and is located among glaciers in a region of excessive snowfall. There are no obvious sites for plants and town near the mine. Present access is by air only. The capital expenditures to equip the property for production would consequently be high, and production must be on a large scale in order to achieve satisfactory costs. These considerations led to the suspension of development work in 1958.

In 1959 and 1960 the field seasons were spent in detailed geological investigation of the surface of the property and a reconnaissance of the district. A new concept of the geological structure led to resumption of exploration at the mine in 1961.

The 1961 program was laid out to test the extensions of the ore zone north and south of the block in which the reserves are located. Under difficult conditions of terrain, with most setups high on the mountain side or on the glacier, 15 holes totalling 16,052 ft. were completed. The locations of the holes, and also of the 500 ft. south adit driven to provide two drill sites, are shown in this Report on a plan and longitudinal section of the mine workings, together with a tabulation of the drilling results. Fifteen holes make a meagre sampling in the lengths of the zone tested but it is considered that, for at least 3,200 ft. to the south and 1,400 ft. to the north of the present block of reserves, good prospecting exists. Whether the mineralized intersections represent mineable ore will depend on future underground development and drilling.

In 1961, 2,550 ft. of diamond drilling was done on one outside prospect and 700 ft. on another of the four mentioned in the 1960 report. The results are still inconclusive and more work is planned this coming season.

It has now been decided to initiate extensive development at the mine in order to convert as much as possible of the inferred reserves to proven, to add new reserves and further to explore the mineralized structure. After study of several alternatives, it is now proposed to re-enter the shaft and 2475 Level, driving the latter some 2,000 ft. to

*Since correlation of the mine survey with the regional triangulation survey, the 2625, 3250 and 3750 Levels are now termed 2475, 3100 and 3600 Levels respectively.

the north and to drill on closely-spaced sections, testing the zone from 200 ft. above the level to 800 ft. below, with a few additional deeper holes. Some drilling will also be done at the existing south end of the 2475 Level to close gaps in the drilling done in 1957 and 1958, and at least one long hole southerly beneath the glacier.

In the upper part of the mine, the 3600 Level will be driven 1,600 ft. farther to the north into the vicinity of some of the 1961 surface drill-hole intersections, and drilled off on sections to provide information from 200 ft. above to 300 ft. below the level.

At the end of the program all results to date must be appraised in conjunction with a new study of other pertinent factors before any decision on production can be made.

Movement of freight by air to the property has begun and, if not interrupted by the spring breakup and the deterioration of the glacier airstrip, the program could be completed by the end of 1962. The cost, including contingencies, is estimated at \$1,852,000.

At the end of 1961 the Company had an excess of current liabilities over current assets amounting to \$103,731 and Newmont Mining Corporation has agreed to advance funds to meet the indebtedness and the costs of operation, to be repaid when new financing has been arranged. At this date the advances total \$261,562. All the 4,000,000 authorized shares of Granduc Mines Limited have been issued.

The Directors recommend the provision of \$2,500,000 for the above requirements, with a reasonable margin for the future. It is proposed to increase the authorized capitalization of the Company to 8,000,000 shares by the creation of 4,000,000 new \$1.00 par shares, to be approved at the Annual General Meeting on March 9th, 1962. Subject to that approval, Newmont Mining Corporation has offered to purchase 549,395 of these new shares, equivalent to one quarter of the shares it now holds, at \$2.50 per share for a total of \$1,373,487.50, while other shareholders of Granduc, of record March 12th, 1962, will be given rights to purchase one new share at \$2.50 for each four shares held. The rights will expire April 30th, 1962 and will be underwritten by James Richardson & Sons, investment dealers, Winnipeg, Manitoba. Because of the regulations of the Security Exchange Commission of the United States the new shares may not be offered to shareholders resident in that country, but they will receive subscription warrants which may be sold.

Mr. John E. McMynn, mining engineer, was appointed general manager in October 1961.

In May 1961 Mr. L. T. Postle resigned as president, Mr. W. G. Gourlay as director and secretary-treasurer and Mr. W. G. Lane as director. Messrs. D. M. Cannon and E. S. W. Hunt were appointed to fill the vacant directorships for the balance of the term, while John Drybrough was appointed president, D. M. Cannon vice-president, A. B. B. Carrothers secretary and J. L. Mackidd treasurer. While the Granby Mining Company Limited, of which Mr. L. T. Postle is president, has disposed of its interest in Granduc, Mr. Postle has remained as a director. His co-directors are pleased to have available his mining experience and past knowledge of Granduc and it is proposed to submit his name for re-election at the Annual General Meeting on March 9th, 1962.

On behalf of the Directors,

JOHN DRYBROUGH,
President.

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

BALANCE SHEET DECEMBER 31, 1961

<u>ASSETS</u>		<u>LIABILITIES</u>			
Current assets:		Accounts payable and accrued expenses		\$ 118,290	
Cash	\$ 14,229	Capital and paid-in surplus (Note 2):			
Accounts receivable	311	Shares of \$1 par value. Authorized 4,000,000 shares;			
	<u>14,540</u>	issued:			
Total current assets	14,540		Number of shares	Par value	Paid-in Surplus
Mineral claims, at cost, including \$1,000,000 for shares issued in consideration for claims	1,021,000				
Land, buildings and equipment, at cost (Note 1):					
Land	\$ 4,890	For cash	3,000,000	\$ 3,000,000	2,708,324
Buildings, machinery and equipment	602,763	For mineral claims	1,000,000	1,000,000	-
Automotive equipment	<u>130,000</u>		<u>4,000,000</u>	<u>\$ 4,000,000</u>	<u>2,708,324</u>
Deferred expenditures, per accompanying schedule	5,053,421				6,708,324
	<u>\$ 6,826,614</u>				<u>\$ 6,826,614</u>

Notes:

- (1) No provision has been made for depreciation of buildings, machinery and equipment in accordance with the practice of deferring such provisions until operations have commenced.
- (2) During the year ended December 31, 1961, 488,889 shares were issued for \$733,333.

Approved on behalf of the Board:

D. M. Cannon, Director

John Drybrough, Director

AUDITORS' REPORT

We have examined the balance sheet of Granduc Mines Limited (Non-Personal Liability) as of December 31, 1961, and the schedule of deferred expenditures for the year ended on that date and have obtained all the information and explanations we have required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the company, the above balance sheet and accompanying schedule of deferred expenditures are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1961, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Capital increased to 8,000,000 shs Mar 9/62
 Issued 1,000,000 shs @ \$2.50 via rights 1:4 Apr 30/62.
 Now raised 5,000,000 shs / In treasury 3,000,000 " / Jan 1/63. WSR.*

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants

Vancouver, B.C.
February 13, 1962

GRANDUC MINES, LIMITED

(NON-PERSONAL LIABILITY)

Schedule of Deferred Expenditures

Year ended December 31, 1961

Exploration and development (labour, supplies, contract costs, etc.):		
Balance at December 31, 1960		\$4,203,218
Year ended December 31, 1961:		
Supervision	\$ 57,027	
Diamond Drilling	161,997	
Geology and prospecting	41,757	
Glacier testing and other surveys	42,064	
Tunnel	27,753	
Engineering	11,082	
Employee food and housing, net	59,778	
Prepare and maintain camps and facilities	64,439	
Freight and Handling	19,363	
Charter plane service	73,840	
Charter helicopter service	102,078	
Claim maintenance	10,084	
Supplies inventory at December 31, 1961	19,855	
Miscellaneous expenses	17,461	
Loss on sale of equipment	10,071	718,649
		<u>4,921,867</u>
Head office and administration:		
Balance at December 31, 1960		102,190
Year ended December 31, 1961:		
Administration	14,376	
Insurance	2,281	
Property and mineral taxes	2,036	
Transfer agent and shareholders' meeting	3,186	
Legal and audit fees	3,197	
Incorporation expenses written off	4,288	29,364
		<u>131,554</u>
Total deferred expenditures at December 31, 1961		<u>\$5,053,421</u>

DIAMOND DRILL RECORD 1961
See Mine Section

North of Mine Workings

Number	Hole length (feet)	Mineralized Section		Elevation	Latitude, North
		Estimated True Width (ft.)	Grade % Copper		
240A	1038	22	1.09	3960	12550
"		37	1.16	3884	12550
241	820	33	.74	4400	12580
"		22	1.20	4135	12550
"		8	2.73	4080	12550
242	1259	5	1.31	4080	12600
"		44	1.86	3680	12600
"		15	1.01	3580	12600
"		8	.89	3545	12600
"		32	2.19	3487	12600
243	1429	6	1.86	4330	13580
"		5	1.27	4226	13570
246	1473	6	1.82	5417	14330
"		5	1.42	4782	14250
"		20	1.85	4622	14230
247	1013	3	2.02	5337	14180
248	1082	11	1.20	5062	14200
249	989	5	1.12	5027	15000

South of Glacier (South Adit)

236	998	-	-	3400	5350 Collar
237	590	-	-	"	" "
238	1188	-	-	"	" "
239	940	-	-	"	" "
250	997	20	3.85	3031	5925
"		20	3.50	2891	6050
251	1024	-	-	3400	5600 Collar

South Side of Glacier (Below Portal of South Adit)

245	1212	10	2.49	2420	6450
"		2	2.71	2393	6450
"		1	2.70	2353	6450
"		1	3.72	2328	6450

Holes No. 236, 237, 238 and 239 were drilled to test the south surface showing without success.

