

CAROLIN

FILE



**ANNUAL REPORT 1979**



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**Directors**

Orval Gillespie  
Roy G. McKay  
Edward Angus  
Joseph S. LaBine

**Auditors**

Harwood, Grayson, Chartered Accountants  
622 - 837 West Hastings Street  
Vancouver, B.C.

**Officers**

Orval Gillespie, President  
Roy G. McKay, Secretary-Treasurer

**Registered Office**

1004 - 595 Howe Street  
Vancouver, B.C. V6C 2T5

**Head Office**

1020 - 475 Howe Street  
Vancouver, B.C. V6C 2B3

**Listings**

Vancouver, B.C.  
Toronto, Ont.  
Nasdaq, U.S.A.

**Registrar and Transfer Agent**

Crown Trust Company  
Vancouver, B.C.  
Toronto, Ont.

D.F. # 4195



## To our Shareholders:

The promise of Carolin Mines Ltd. is now becoming a reality. Together we own what is potentially a major North American gold mine.

All of the engineering studies that have been conducted have given evidence of substantial, commercially mineable gold ore. Our joint-venture partners, The Aquarius Group, a consortium composed of Ocelot Industries Ltd., Great Basin Petroleum Ltd., Aquarius Resources Ltd., and Windjammer Power and Gas Ltd., have accepted these findings and have committed and are spending more than \$20 million Canadian to bring Carolin's Ladner Creek Idaho Zone gold property into production.

Barring any unforeseen problems, we should be in operation and mining gold and silver by the end of 1980 or a month or so thereafter.

Plans call for initial production of 1,500 tons per day. Based on current ore grades and a conservative recovery rate of 83%, we expect to produce approximately 175 ounces of gold a day. If the recovery rate is higher, and we believe it will be, then the mine could approach 200 ounces a day.

With gold fluctuating around \$400 Can. an ounce, and with operating costs estimated at under \$100 an ounce, it would become quite apparent that Carolin and its partners should enjoy significant profits in 1981.

As soon as the mine goes into production, 50% of the plant and equipment paid for by the Aquarius Group will be transferred to Carolin Mines and become an asset of the company. This asset will be worth several million Dollars Can. Carolin Mines will be the manager and operator of the mine, and will own 50% of the venture.

While we face an exciting future with our Idaho Zone gold mine joint venture it is important to understand that the ore that has been developed to date is on one single claim within a 90 claim block. Of this block of claims Carolin owns 32 claims which have not been committed to the joint venture with the Aquarius Group.

Although detailed exploration has been concentrated on the one claim referred to above, geological studies indicate mineralization in other areas. Some 4,000 feet north of the Idaho is the McMaster zone. Several holes drilled have indicated rock and mineralization identical to that found in the Idaho. Proceeding northerly for the next mile the company has encountered a number of mineralized areas including the Pipe Stem which was a former producer. It is anticipated that the company's exploration programme over this area will add meaningfully to the ore reserves over the coming months.

I am also pleased to announce that John R. Bogert, who for many years has been one of the most highly regarded international mining analysts serving the mining, banking, and investment communities, has agreed to stand for election to our Board of Directors. John, a United States citizen of Canadian ancestry, enjoyed a successful career as an inter-





national exploration geologist prior to becoming a senior mining analyst and Vice President of such prestigious Wall Street firms as Paine Webber, Dean Witter Reynolds, and Lehman Brothers Kuhn Loeb.

Recently, we were also approved for listing on the Toronto Stock Exchange, which has served to expand investment interest in our Company.

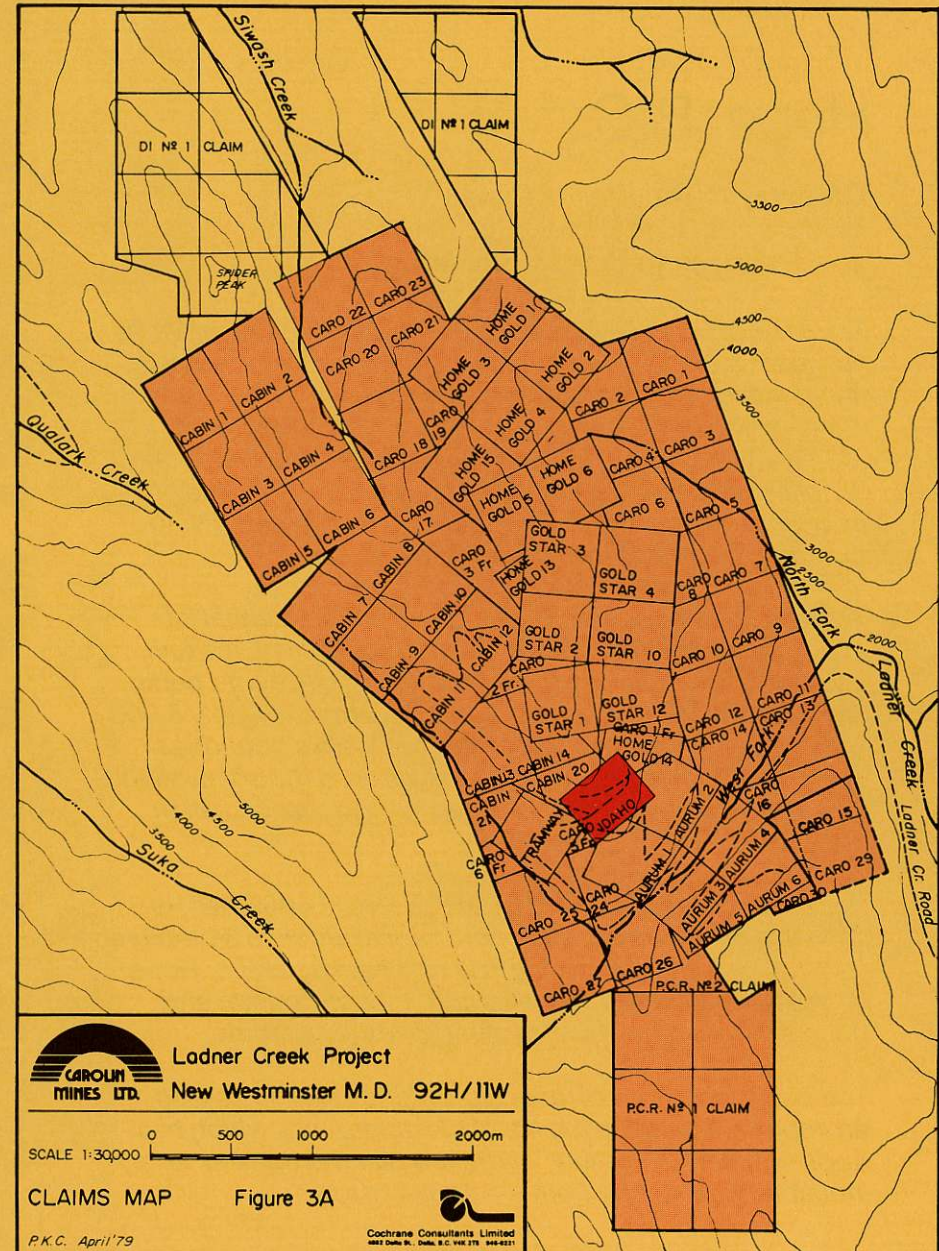
It is management's intention to keep you fully informed on developments as they occur. We expect to be doing some meaningful things in the days and months ahead.

I am most gratified that I am able to report to you these most significant events, and to thank you for your continued interest in Carolin Mines Ltd.

Respectfully submitted,

On Behalf of the Board of Directors

Orval E. Gillespie  
President





# Hope, B.C.

## **Gateway to the Fraser Canyon**

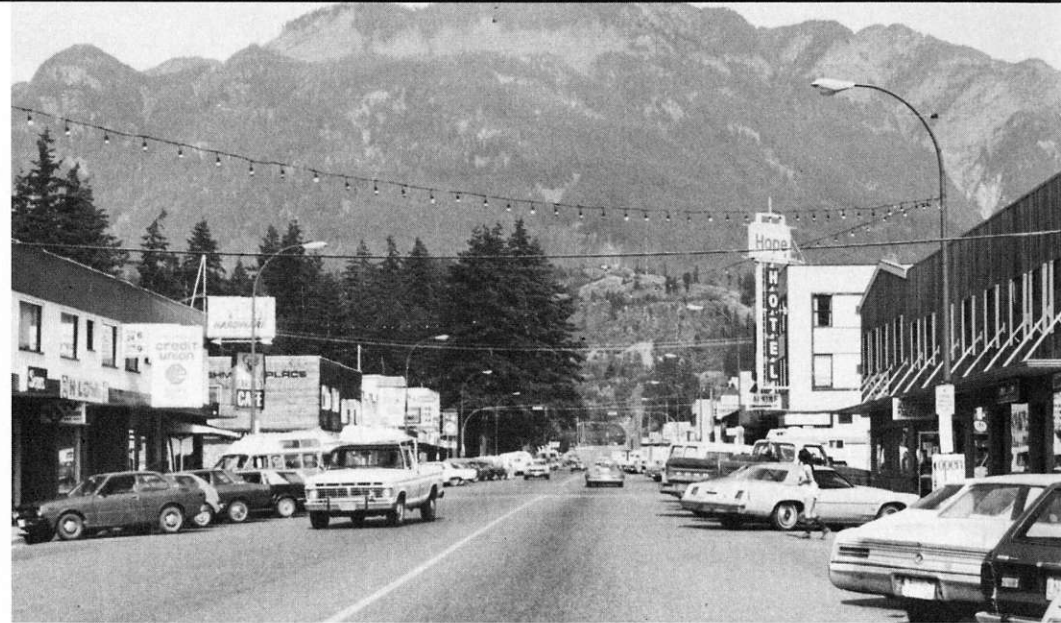
## **and Gateway to the Carolin Mine.**

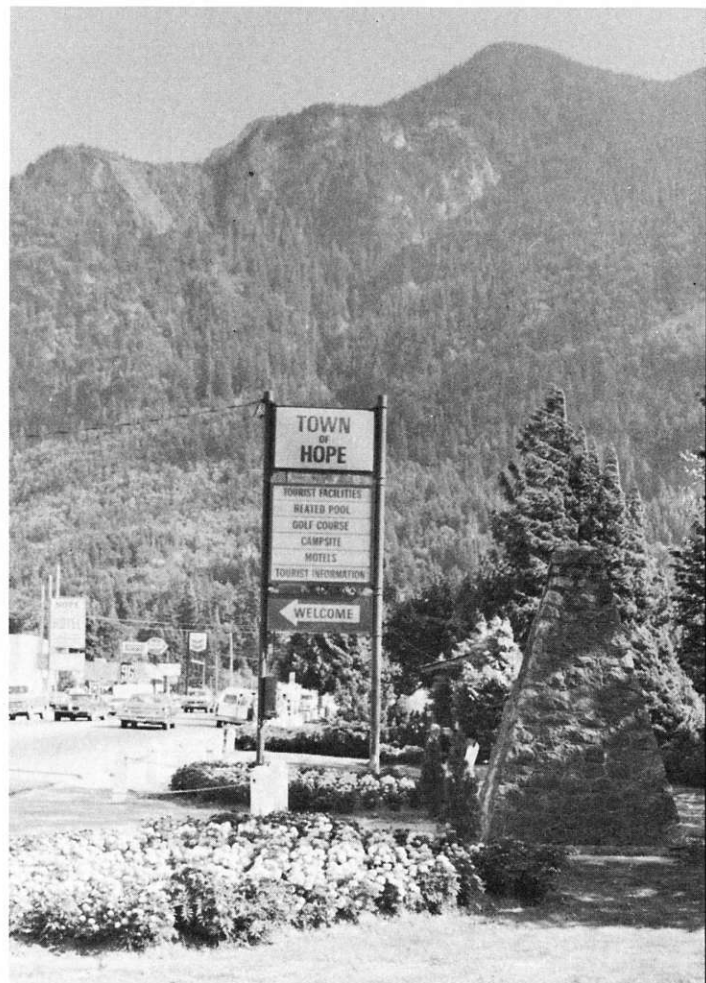
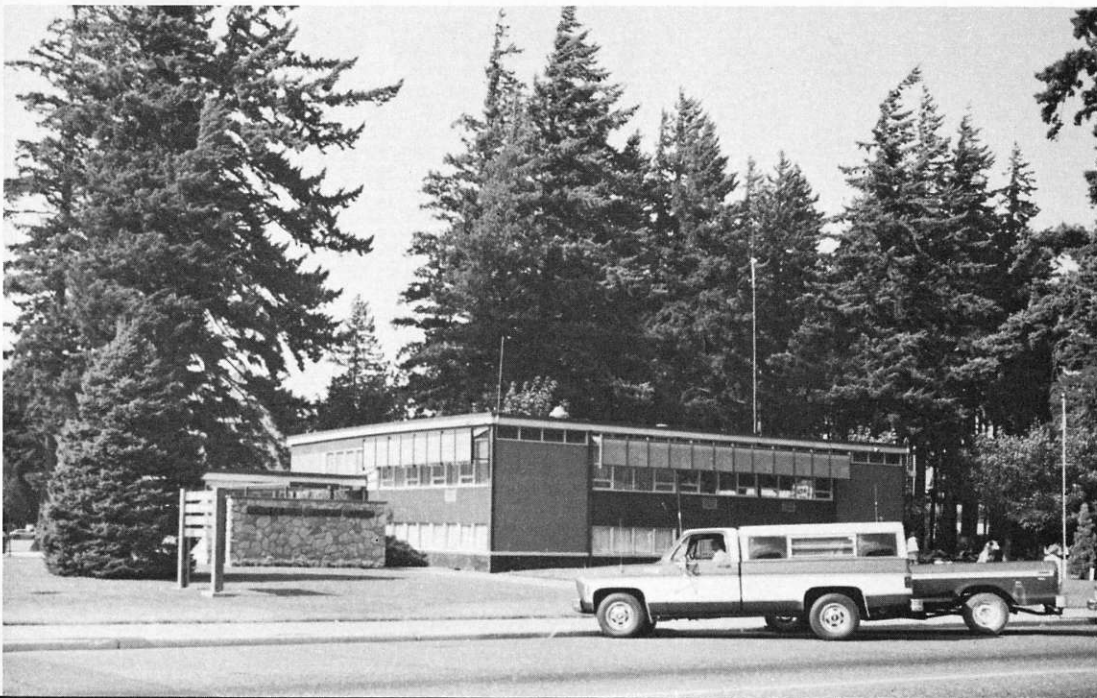
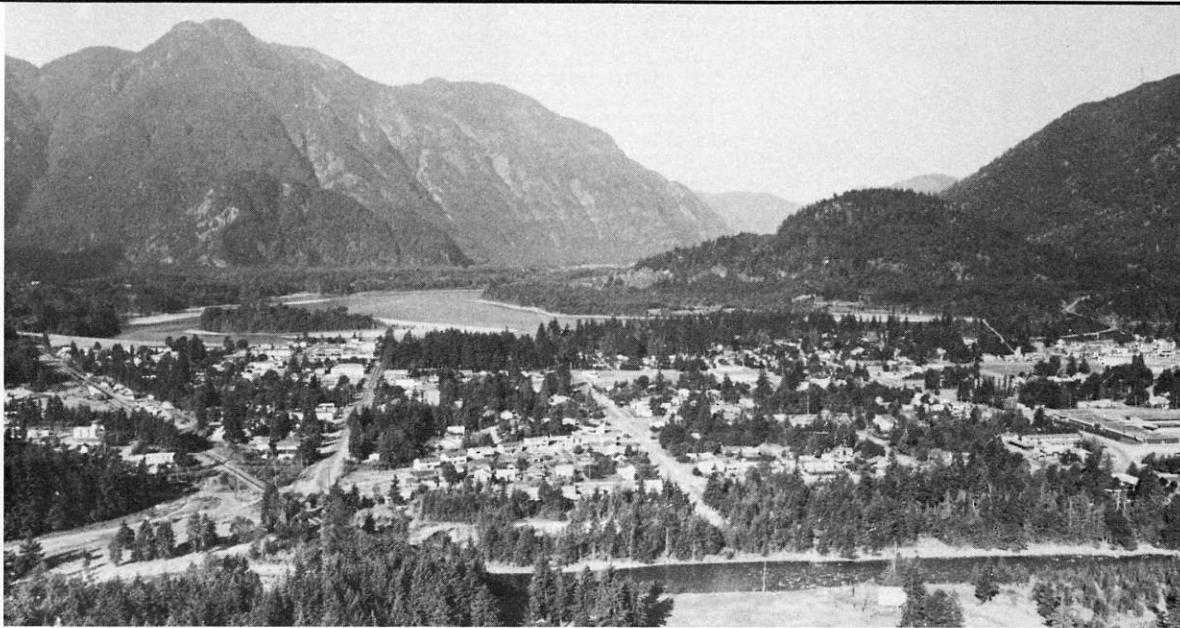
*The town of Hope is situated at the head of the Fraser Valley approximately 15 miles from the Carolin property and is at the junction of the Trans Canada highway and the Southern Trans provincial highway and soon to be connected to Merritt via the new Coquihalla highway. Vancouver is only 98 miles west along a four lane freeway. Hope is also on the main lines of both the C.P.R. and C.N.R. railways giving it excellent access to the Pacific Coast.*

*There is an abundance of good serviced residential lots available for housing. There are also condominiums and apartments available in town and two mobile home parks. The population of Hope and District is approximately 8,000 with close to 4,000 residing within the town's boundaries. There is a local radio station, cablevision is readily available and a weekly newspaper is published with a circulation of 2,250.*

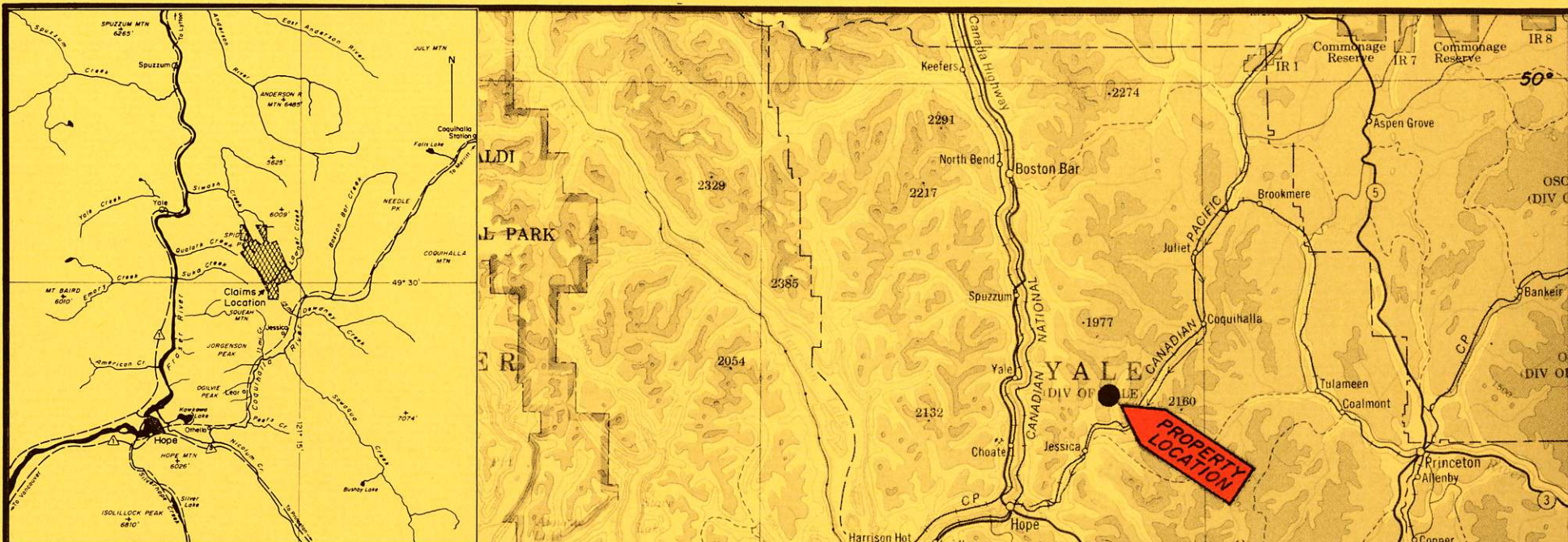
*Hope has good schools to Grade twelve, 9 churches, is serviced by the Fraser Canyon Hospital and has 3 beautiful parks, a golf course, curling rink and hockey arena. Hope is located in wonderful fishing and hunting country and good skiing is only 40 miles away in Manning Park.*

*The basic industry at present is logging. Tourism is also an important factor in the life of the community which has approximately 20 motels. There are plans proposed for an industrial park not far from the centre of town.*









LOCATION MAP Fig 1

CAROLIN MINES LTD.

Ladner Creek Project  
Coquihalla River/Ladner Creek Area  
New Westminster Mining Division, B.C.

Scale 1:250,000  
N.T.S. 92H/11 & 6



Above map is from Dept. of Energy, Mines & Resources "Vancouver NM 9/10", 1969.

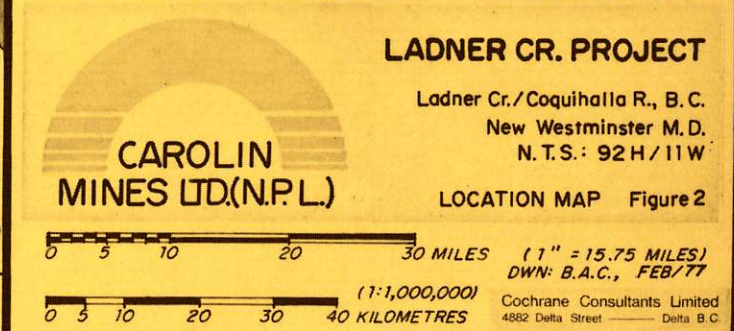
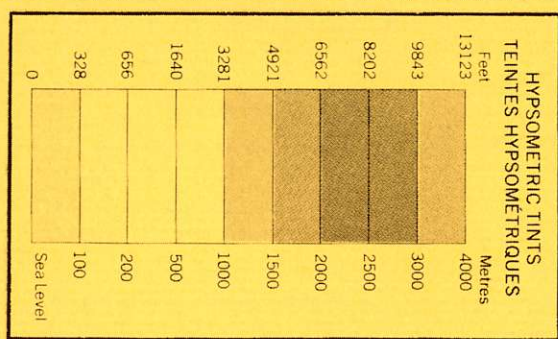






Photo by Ken Oakes



# HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

F. H. HARWOOD, C.A.  
W. H. GRAYSON, B.Com., C.A.  
D. G. GUTHRIE, C.A.

TELEPHONE: 682-2805  
837 WEST HASTINGS STREET  
VANCOUVER, B.C., V6C 1B6

## AUDITORS' REPORT

To the Shareholders of Carolin Mines Ltd.

We have examined the balance sheet of Carolin Mines Ltd. as at 31st May, 1979 and the statements of 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 31st May, 1979 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 year.

HARWOOD & GRAYSON

CHARTERED ACCOUNTANTS

Vancouver, B.C.  
16th August, 1979.



CAROLIN MINES LTD.

BALANCE SHEET AS AT 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

ASSETS

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
	(Restated Note 1)	
<u>CURRENT ASSETS</u>		
Cash in bank	186,588	1,286
<u>PROPERTY, PLANT AND EQUIPMENT (Note 1)</u>		
Mineral claims	455,000	57,000
Camp	56,300	56,300
Equipment	121,975	121,975
Roads	320,000	300,000
Tunnels	626,250	461,250
Feasibility study	<u>140,000</u>	<u>-</u>
	<u>1,719,525</u>	<u>996,525</u>
<u>DEFERRED EXPENSE (Notes 1 and 6)</u>		
Exploration and administrative	3,960,531	2,810,925
	<u>\$5,866,644</u>	<u>\$3,808,736</u>
<u>LIABILITIES</u>		
<u>CURRENT LIABILITIES</u>		
Bank overdraft	-	26,122
Accounts payable	46,415	93,295
Accrued interest on debenture loan	<u>-</u>	<u>30,600</u>
	46,415	150,017
<u>DEBENTURE LOAN PAYABLE (Note 2)</u>	983,200	800,000
<u>SHAREHOLDERS' EQUITY</u>		
Share capital -		
Authorized -		
10,000,000 common shares of no par value		
Issued - (Note 3)		
4,543,535 shares (1978 - 3,868,332 shares)	4,611,708	2,631,398
Paid in surplus	1,069,254	1,069,254
Deficit - per statement	<u>(843,933)</u>	<u>(841,933)</u>
	<u>\$5,866,644</u>	<u>\$3,808,736</u>

APPROVED ON BEHALF OF THE BOARD:

Director:..... Orval Gillespie  
 Director:..... Roy McKay

This is the balance sheet referred to in the report of Harwood & Grayson, Chartered Accountants, dated 16th August, 1979.

CAROLIN MINES LTD.

STATEMENT OF DEFICIT

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
<u>BALANCE AT BEGINNING OF YEAR</u>	841,933	838,433
Add: Cost of claims and/or options abandoned	2,000	3,500
<u>BALANCE AT END OF YEAR</u>	<u>\$ 843,933</u>	<u>\$ 841,933</u>





CAROLIN MINES LTD.

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	1979	1978
	(In Canadian Dollars)	
	(Restated Note 1)	
<u>SOURCE OF WORKING CAPITAL</u>		
Sale of shares - (Note 3) 675,203 shares	1,980,310	1,854,697
Proceeds of debenture loans (Note 2)	960,000	1,200,000
Debenture loan interest accrued (Note 2D)	83,200	-
	<u>\$3,023,510</u>	<u>\$3,054,697</u>
<u>APPLICATION OF WORKING CAPITAL</u>		
Payments on mineral claims	400,000	20,000
Camp	-	29,000
Equipment	-	103,750
Roads	20,000	195,000
Tunnels	165,000	461,250
Feasibility study	140,000	-
Exploration expense	438,170	691,470
Administrative expense	290,236	169,824
Finance fees	1,161,200	1,115,897
Debenture loan		
Repaid in cash	250,000	-
Converted into shares	610,000	400,000
	3,474,606	3,186,191
Less: Expenses incurred by Aquarius Group	740,000	-
	<u>\$2,734,606</u>	<u>\$3,186,191</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	288,904	(131,494)
<u>WORKING CAPITAL DEFICIT</u> - Beginning of year	(148,731)	(17,237)
<u>WORKING CAPITAL (DEFICIT)</u> - End of year	<u>\$ 140,173</u>	<u>\$ (148,731)</u>
Represented by:		
Current assets	186,588	1,286
Current liabilities	46,415	150,017
	<u>\$ 140,173</u>	<u>\$ (148,731)</u>

CAROLIN MINES LTD.

SCHEDULE OF EXPLORATION AND ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31ST MAY, 1979.

(With Comparative Figures for the Preceding Year)

	1979	1978
	(In Canadian Dollars)	
	(Restated Note 1)	
<u>EXPLORATION</u>		
Assay	16,209	13,284
Camp	14,804	25,116
Drilling and sampling	232,252	167,637
Engineering	67,949	82,878
Environmental study	4,730	14,085
Equipment operating and supplies	2,915	24,854
Insurance	4,727	2,175
Mine miscellaneous	9,689	85,383
Muck handling and storage	-	94,769
Roads	-	11,758
Taxes, recording etc.	10,190	1,175
Travel and transportation	9,517	63,976
Wage costs	65,188	104,380
	<u>\$ 438,170</u>	<u>\$ 691,470</u>
<u>ADMINISTRATIVE</u>		
Accounting, audit and legal	93,604	37,805
Interest and bank charges	98,221	26,652
Office	34,108	32,518
Publicity	12,793	40,846
Salaries	15,600	9,280
Travelling	18,759	13,382
Transfer agent	8,072	4,193
Fees and assessments	1,700	5,148
Corporation capital tax	7,379	-
	<u>\$ 290,236</u>	<u>\$ 169,824</u>
<u>FINANCE COSTS</u>	<u>\$1,161,200</u>	<u>\$1,115,897</u>
<u>TOTAL</u>	1,889,606	1,977,191
Less: Expenses incurred by Aquarius Group (Note 5)	740,000	-
	1,149,606	1,977,191
<u>BALANCE AT BEGINNING OF YEAR</u>	<u>2,810,925</u>	<u>833,734</u>
<u>BALANCE AT END OF YEAR</u>	<u>\$3,960,531</u>	<u>\$2,810,925</u>



CAROLIN MINES LTD.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31ST MAY, 1979.

1. Significant Accounting Policies

The company has made a change during the current year of classifying assets in the financial statements. Assets, that have been previously capitalized as deferred expense, are now being segregated, where applicable, into their respective accounts under property, plant and equipment. The figures for the preceding period have been restated to conform to this change.

Property, plant and equipment and deferred expense are shown at cost to the company. Where assets were acquired for treasury shares the value attributed to the treasury shares was the prevailing deemed market value.

Expenditures pertaining to claims in good standing are carried as deferred expense, while expenditures pertaining to properties abandoned have been written off to deficit. Depletion of these costs is being deferred until production commences.

The costs of property, plant and equipment and deferred expense are not intended to represent present or future values.

2. Debenture Payable - Norvan Management

A. Amount outstanding - original loan		1,500,000
Less repaid - by cash	250,000	
- converted into shares	<u>1,010,000</u>	<u>1,260,000</u>
Additional loan		<u>240,000</u>
		<u>660,000</u>
		<u>900,000</u>
Accrued interest		<u>83,200</u>
		<u>\$ 983,200</u>

B. Rate of interest - 12% compounded semi-annually, anniversary date 18th September, 1978. Payment of interest may be deferred until maturity, except that should any part of the debenture be converted into shares, interest is payable on the portion so converted. Interest may be paid in cash or in shares at \$3.00 per share.

C. Security - A fixed and/or a floating charge on all of the assets and undertakings of the company less such interests as may be acquired by the Aquarius Group (see item 4F).

D. Repayment - As of September 1978 the debenture was revised so that the principal and all unpaid interest is repayable on 10th June, 1983. The debenture may be converted at any time into shares of the company at a conversion rate of \$3.00 per share.

E. Bonuses - The company has issued as bonus shares and finder's fees 620,000 shares for the original loan and 270,000 shares for the additional loan.

3. Capital Stock

A. As at 31st May, 1979 the shares issued, premiums and discounts related thereto were as follows:

Consideration	Shares	Par value	Premiums less (discounts)	Net
Par value shares to November 1977				
Cash	1,813,333	906,666	548,839	906,666
Mineral claims	750,000	375,000	-	375,000
Options	5,000	2,500	3,500	2,500
Services	395,666	197,833	574,415	197,833
Other	575,000	287,500	(57,500)	287,500
No par value shares after November 1977				
Cash	273,333	-	-	795,500
Services	<u>731,203</u>	<u>-</u>	<u>-</u>	<u>2,046,709</u>
	<u>4,543,535</u>	<u>\$1,769,499</u>	<u>\$1,069,254</u>	<u>\$4,611,708</u>

B. During the year ended 31st May, 1979 the company issued the following treasury shares:

	Shares	Value
Norvan Management bonus shares re balance of 1st debenture	100,000	305,000
Fore Management Ltd. finder's fee	24,000	73,200
Norvan Management bonus re second debenture	270,000	783,000
Norvan Management - conversion of debenture	203,333	610,000
Norvan Management - debenture interest	7,870	23,610
Directors' options	<u>70,000</u>	<u>185,500</u>
	<u>675,203</u>	<u>\$1,980,310</u>

C. On 10th July, 1979 the company converted \$300,000 principal and interest thereon into shares. Should the remaining principal be converted into shares an additional 200,000 shares would have to be issued.

4. Ladner Creek Joint Venture Agreement

The company entered an agreement with a group of companies collectively referred to as the Aquarius Group. Particulars of the agreement are:

- The Aquarius Group was to supply \$600,000 to carry out a further exploration program.
- The Aquarius Group could then elect to provide a further \$140,000 to carry out a feasibility study pertaining to putting the property into production.
- Should the feasibility study be favourable the Aquarius Group would have the right to finance the mine to production.





Once the mine is in production the cash flow shall be distributed:

- D. A sum sufficient to permit the participants to recover costs incurred on the Ladner Creek property, first by Carolin Mines Ltd. and then by the Aquarius Group.
- E. A sum equal to D. which is to be paid 1/3 to Carolin and 2/3 to the Aquarius Group.
- F. The balance is to be allocated 47% to the Aquarius Group and 53% to Carolin. The Aquarius Group can earn another 3% by transferring 50% of the assets back to Carolin. Each party would then have an undivided 50% interest in certain designated claims and the production facilities. The agreement further provides that all expenditures are deemed to have been incurred by the party who advanced the funds.

As at 13th August, 1979 the exploration program and the feasibility study were completed. The funds received from the Aquarius Group have been shown as a reduction of deferred expenses.

- 5. During the year ended 31st May, 1979 remuneration paid directors consisted of \$6,000 salary paid to the company's secretary. In addition certain directors were granted stock options on an aggregate of 70,000 shares at \$2.65 per share. All the options were exercised.

- 6. Additional Information for United States Shareholders  
Reconciliation to United States Accounting Principles

The company, in the preparation of its financial statements, conforms to generally accepted accounting principles prevailing in Canada.

The differences in United States and Canadian generally accepted accounting principles for a company exploring for natural resources relate to the treatment of exploration and administrative expenses. For Canadian purposes these expenses are deferred whereas for United States purposes these expenses are to be charged to an account called Deficit Accumulated During The Development Stage through an income statement.

A reconciliation of net loss and deficit is as follows:

A. Net Loss Reconciliation

	<u>1979</u>	<u>1978</u>
	(In Canadian Dollars)	
<u>NET LOSS FOR THE YEAR</u> - as determined in accordance with Canadian generally accepted accounting principles	-	-
Add exploration and administrative expenses (per schedule) - written off	<u>1,149,606</u>	<u>1,977,191</u>
<u>NET LOSS FOR THE YEAR</u> - as determined in accordance with United States generally accepted accounting principles	1,149,606	1,977,191
<u>CUMULATIVE NET LOSS AT BEGINNING OF YEAR</u>	<u>2,810,925</u>	<u>833,734</u>
<u>CUMULATIVE NET LOSS AT END OF YEAR</u>	<u>\$3,960,531</u>	<u>\$2,810,925</u>

As the company has not entered the production stage of its operations net loss per share information has not been provided as it would not be meaningful in the circumstances.

B. Deficit Reconciliation

<u>DEFICIT</u> - (per statement) as determined in accordance with Canadian generally accepted accounting principles	843,933	841,933
Add: Cumulative net loss at end of year	<u>3,960,531</u>	<u>2,810,925</u>
<u>DEFICIT ACCUMULATED DURING THE DEVELOPMENT STAGE</u> - as determined in accordance with United States generally accepted accounting principles	<u>\$4,804,464</u>	<u>\$3,652,858</u>