

GRANBY MINING CORPORATION

GRANISLE COPPER LIMITED

<u>YEAR ENDED SEPT. 30,</u>	<u>1977</u>	<u>1976</u>	<u>YEAR ENDED SEPT. 30,</u>	<u>1977</u>	<u>1976</u>
Net Revenues	\$23,964,942	\$23,472,583	Net Revenues	\$19,352,915	\$17,531,522
Cost of Production	22,786,600	20,892,142	Cost of Production	19,432,732	17,069,429
Dep'n, Depl'n, Amort'n.	2,763,047	2,392,061	Dep'n. & Deplet'n.	2,005,216	1,693,289
Exploration	685,482	462,188	Exploration	154,059	122,845
General, Admin. Exp.	1,212,837	1,090,446	General, Admin. Exp.	617,296	529,978
Defer'd. Expl'n. Writeoff	935,243	-	Defer'd. Expl'n. Writeoff	311,760	-
Investm. & Other Income	842,309	505,070	Investm. & Other Income	879,850	705,278
Income & Mining Taxes	(924,000)	(185,371)	Income & Mining Taxes	(801,000)	(598,586)
Minority Interest	(25,400)	(10,701)			
Net Loss	2,626,558	663,112	Net Loss	1,487,298	580,155
Loss Per Share	1.82	46¢	Loss Per Share	45¢	17¢
Shares Outstanding	1,444,371	1,444,371	Shares Outstanding	3,329,919	3,329,919
Working Capital	\$14,961,729	\$16,555,173	Working Capital	\$17,839,160	\$17,820,150
Long-Term Debt	2,516,765	1,089,860	Long-Term Debt	2,200,765	773,860
Defered Income Tax	\$3,916,397	\$4,874,397	Defered Income Tax	\$3,650,397	\$4,451,397
<u>PHOENIX OPERATIONS</u>			<u>GRANISLE OPERATIONS</u>		
Tons Ore Treated	934,600	1,067,399	Tons Ore Treated	5,002,664	4,346,002
Aver. Tons Treated P/Day	2,561	2,924	Aver. Tons Treated P/Day	13,706	11,874
Copper Content(%)	0.43	0.52	Copper Content(%)	0.44	0.42
Unit Cost of Production			Unit Cost of Production		
Per Ton Milled	\$3.53	\$3.53	Per Ton Milled	\$3.88	\$3.93
Payable Metal Produced			Payable Metal Produced		
Copper(lbs.)	6,561,224	9,195,433	Copper(lbs.)	37,780,917	30,672,124
Gold(ounces)	8,894	10,990	Gold(ounces)	16,373	13,847
Silver(ounces)	65,536	101,504	Silver(ounces)	157,197	117,611

Although combined copper production from the Phoenix mine of Granby Mining Corporation and the Granisle mine of 98.3%-owned Granisle Copper Limited was 11% higher in the year ended 30Sep77 than in the previous year, the improvement was more than offset by other factors which adversely affected financial results for fiscal 1977. The major elements, says R.P. Taylor, president of both companies, were: sub-economic copper prices and increased treatment and refining charges-the average London Metal Exchange price in fiscal 1977 averaged about 60¢ U.S. per pound vs 62¢ in 1976; higher operating costs at Granisle, due mainly to the greater tonnage of waste removed-11,063,927 vs 8,254,033 tons-expenses associated with the increased throughput of ore and continued inflation; and the write-off of the estimated unrecoverable portion of deferred exploration expenditures on the Granridge property.

As previously reported, as a result of a favourable B.C. Court of Appeal judgement in respect of mining tax re-assessments for the period ended 30Sep71, Granisle recovered from the B.C. government \$841,632. In addition, Granisle reduced its mining tax liability for the years 1972 to 1975 by \$688,000. The recovery and related mining tax adjustments have been reflected as a prior period adjustment as of 30Sep76.

Capital expenditures in fiscal 1977 totalled \$1,794,391, practically all at Granisle. One additional 100-ton haulage truck was bought at a cost of some \$520,000 to handle the increased waste tonnage. The balance was mainly to replace equipment which had reached the end of its economic life.

Capital commitments at the year end totalled about \$1,500,000, mainly to buy a 10-yard electric shovel at Granisle. The mining program at Granisle for 1978 calls for a further increase in the stripping ratio and the additional shovel will enable this waste removal target to be met.

At Granisle in fiscal 1977, the tonnage of ore milled was 15% higher than in 1976, resulting mainly from continuous plant operations and treatment of easier grinding ore. The higher throughput, better head grades and improved metallurgical performance increased copper production by 23%. As of 30Sep77, Granisle ore reserves were estimated at 52,883,000 tons grading 0.42% copper and an average stripping ratio of 1.65 tons of waste per ton of ore. At year end there was a stockpile of some 5,000,000 tons of low grade material averaging 0.27% copper.

At the Phoenix mine, the total mill feed came from the low grade ore stockpiles which at year end were estimated at 260,000 tons grading 0.37% copper. Mill throughput was 12% below 1976 due to vacation shutdown in July and difficult loading and crushing conditions during the handling of stockpile ores. The declines in tonnage milled & ore grade resulted in a 29% reduction in copper production.

The Lone Star project was suspended during the winter pending the outcome of the Environmental study requested by State of Washington. Approval was received in Feb. 1977 & mining began in May. During the year the 12-mile haul road from Phoenix at Greenwood, B.C., to Lone Star property, just across the U.S. border, was constructed & all pre-production work was completed. 55,900 tons of ore were mined & stockpiled. Milling of Lone Star ore is scheduled for 1978.

Exploration was concentrated in western Canada, directed mainly to lead, zinc & molybdenum. A total of 144 claim units were staked. Claims held in 2 joint ventures, 1 in B.C. & 1 in Y.T., were further explored without results of immediate importance. A declining number of prospect submissions were received & somewhat fewer examined in the field. No work was done on Huckleberry copper deposit optioned from Kennco Explorations(Western)Ltd. until 1989. The option on Lorraine copper deposit, also from Kennco, was surrendered. Richmond copper prospect adjacent to the road from Phoenix to Lone Star was optioned but later dropped after 3,000 ft. of percussion drilling indicated only erratic sub-economic mineralization.