

Pinnacle Mines Ltd. options granted on 200,000 shares at 22 $\frac{1}{2}$ ¢ each due 17Jun72 and on 200,000 shares at 27 $\frac{1}{2}$ ¢ each due 16Aug72 have been exercised by Carlisle, Douglas & Co. pursuant to a 6Apr72 agt. There are no further options outstanding. The shares are no longer in primary distribution. *April 20, 1972*

Pinnacle Mines Ltd. share trading suspension order of B.C. Securities Commission was rescinded on 12Apr72. The shares resumed trading on Vancouver Stock Exchange on 17Apr72.

Pinnacle by 6Apr72 agt., has received an underwriting of 200,000 shs. at 22 $\frac{1}{2}$ ¢ each from Carlisle, Douglas & Co. and has granted them options on 200,000 shs. at 22 $\frac{1}{2}$ ¢ each due 17Jun72 and on 200,000 shs. at 27 $\frac{1}{2}$ ¢ each due 16Aug72.

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MARCH 3, 1972

PINNACLE MINES LTD.

ANNUAL REPORT AND MEETING REVIEWED - After protracted and somewhat inconclusive discussion of the affairs of Pinnacle Mines Ltd., the annual meeting elected management's nominees as directors: Clarence C. Rollins, president (owning 3,001 shares); Archibald B. Whitelaw, sec. (1 sh.); Geo. T. Gardham (nil sh.); Wm. Douglas Stephenson (nil sh.), all of Toronto and Carol A. Kirk (nil sh.) of Vancouver.

The election of directors who are not shareholders was discussed.

Referring to the B.C. Companies Act requirement that a B.C. company should have a B.C. resident as a director; Mr. Rollins said Miss Kirk, who is secretary in the company's Vancouver office, was nominated because he had been unable to get any other B.C. resident to join the Board. Previously, the Board comprised three directors. It was brought out that the Ontario Securities Commission had suggested that the Board be increased to five to provide broader representation.

Trading in Pinnacle's shares remains suspended by B.C. and Ontario Securities Commission. (GCNL 32, 16Feb72 and subsequent letters refer) the annual audit having disclosed transactions by management with affiliated corporations resulting in substantial depletion of the company's working capital. The audit shows \$8,790 received in the 17 months to 30Sep71 (being \$7,325 refund of cash on deposit and \$1,465 from sale of 2% carried interest in petroleum and natural gas permits). Applied were \$76,874 (being \$37,189 advances to other companies, \$27,760 administration, and \$11,925 exploration which included \$11,325 spent on P & NG permits). The \$68,084 excess applied, reduced working capital from \$40,499 at 30Apr70 to a deficit of \$27,585 at 30Sep71. At that time, 1,775,007 shs. were issued of the 5,000,000 authorized, unchanged at 10Feb72 when major holders were Standard Securities (of Toronto) owning 201,200 and Ava Securities (of Toronto) owning 250,000. (Pinnacle's Oct. 26/68 prospectus shows: Ava had acquired from G. Fred. Sanft, 450,000 of the 700,000 shs. Pinnacle paid him in respect of 44 mineral claims) in Kamloops mining division, B.C.).

The 30Sep71 balance sheet shows current assets of \$5,834 of which \$5,447 was an advance to a director. Current liabilities were \$33,419, being \$28,419 accounts payable and accrued charges and \$5,000 bank loan secured by a director's personal guarantee. Since then, the director assumed directly the bank loan liability and the advance to him has been reduced accordingly. Separately from current assets, advances to other companies are carried in the balance sheet at \$1 after a provision for loss of \$54,678 had been made. Auditors note four such advances. Fidelity Mining Investments Limited received \$38,241. It has working capital deficiency of some \$91,500. Nor-West Kim Resources Ltd., which received \$11,799 from Pinnacle, has working capital deficit exceeding \$100,000. Ava Securities (a private firm) has insufficient working capital to repay Pinnacle the \$3,639 balance of a \$24,000 loan made during the prior fiscal period at a 10% rate of interest of which none has been received or accrued in Pinnacle's accounts. Intercorp Securities Limited (a private firm) does not appear to have sufficient assets to repay Pinnacle a loan of \$1000. Pinnacle's directors Rollins and Whitelaw are directors of Fidelity and Nor-West Kim. Mr. Rollins does not deal at arm's length with the persons who control Ava. He is manager and a major shareholder of Intercorp.

Auditors note that at 30Sep71, Pinnacle owned 62 claims in Kamloops M.D., B.C., comprising 44 acquired for 750,000 shares and 18 by staking. Subsequently 38 were dropped so that Pinnacle retains 24.

Berton Gold Mines Ltd. and 4-F Foods Limited and Pinnacle Mines Ltd. share trading suspension have been extended by B.C. Securities Commission. For reasons for the suspensions see GCNL 31, 15Feb72 regarding Berton and 4-F and GCNL 32, 16Feb72 for Pinnacle.

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In January 1972, Flagstone staked 70-full and fractional claims, the JD group, extending 3 and SW from Separation Lake at Highway No.5 about $6\frac{1}{2}$ miles SE of Kamloops. The claims cover most of the ground formerly held by Pinnacle Mines Ltd. which allowed most of its claims to expire in December 1971. Union Miniere conducted over \$100,000 worth of work on the property in 1969 and 1970. As some of Pinnacle's claims have not expired, some overstaking has occurred. Because of the extent and grade of mineralization found in the past in this area, Dr. Quin recommended, 8Feb72, a \$20,000 program that includes surveys to set the claim borders, geological mapping and geochemical and magnetic surveys.

Of the \$42,000 proceeds of the firm portion of the underwriting option agt. reported in CNL No. 33, page three, 17Feb72. Flagstone plans to allot \$15,000 as its half of Stage I costs on the Ella claims; \$20,000 for the program on the JD claims; and the \$7,000 balance for general purposes. Proceeds from options, if exercised, would be used to conduct Stage 2 and 3 work on the Ella claims as may be recommended by the firm's consultant. Proceeds of the first option would be \$52,000 and of the second, \$62,000.

* Pinnacle Mines Ltd. securities trading has been suspended for 15 days from 11Feb72 by B.C. Securities Commission, the company's directors having reported that the annual audit discloses transactions by management with affiliated corporations resulting in substantial depletion of the company's working capital. Also, the Ontario Securities Commission suspended such trading and Pinnacle's directors requested the suspension remain effective pending clarification of company affairs.

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