

006015



PESO SILVER MINES LTD.
(N.P.L.)

first annual report 1962



BOARD OF DIRECTORS, PESO SILVER MINES LTD.
C. S. Walker, G. E. Lennox, W. G. Hodges, S. D. Anfield, P. L. Whittall,
S. E. Cropper, R. Verity

OFFICERS

President C. S. Walker
Vice-President P. L. Whittall
Secretary S. D. Anfield
Treasurer S. E. Cropper

DIRECTORS

C. S. Walker—South Burnaby, B.C., Pres.
S. E. Cropper—Vancouver, B.C.
R. Verity—Vancouver, B.C.
P. L. Whittall—Vancouver, B.C.
W. G. Hodges—West Vancouver, B.C.
G. E. Lennox—Vancouver, B.C.

ADMINISTRATION OFFICE

202 - 633 Hornby St., Vancouver 1, B.C.

REGISTERED OFFICE

10th Floor, 850 West Hastings St., Vancouver 1, B.C.

CONSULTING GEOLOGICAL ENGINEER

Dr. A. E. Aho—North Vancouver, B.C.

TRANSFER AGENT

National Trust Co. Ltd.—Vancouver, B.C.

AUDITORS

Reynolds, Anderson, McPherson & Co.—Vancouver, B.C.

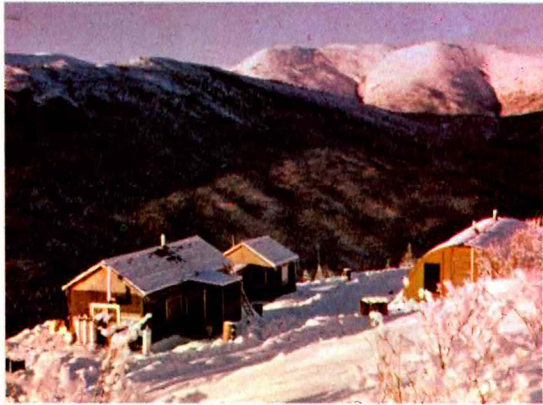
SOLICITORS

Russell & Du Moulin—Vancouver, B.C.

CAPITALIZATION

5,000,000—\$1.00 Par Value.





View of the first permanent camp
(Winter 1961).

DIRECTORS' REPORT TO THE SHAREHOLDERS

It is with pleasure that I present to you the 1st Annual Report of Peso Silver Mines Ltd. (N.P.L.), on behalf of the Board of Directors for the period ending July 31, 1962 together with the balance sheet and other Financial Statements related thereto.

Your company was incorporated in 1961 as a private company for the purpose of exploring and, if possible, developing mineral claims in the Mayo District of the Yukon. Our early exploration work proved of a favourable nature, and conversion to a public company was authorized. The Peso ground was expanded from 12 to 234 claims. These holdings now constitute a land area of approximately 18 square miles, and the work now in progress has shown the wisdom of your Directors in the acquisition of the additional ground at that time.

Work initially commenced in the form of bulldozer stripping and test shafts on indicated veins to determine values to depth. As work progressed, it became apparent that we were dealing with very wide, strong vein systems and as the late summer operation continued, 5 major veins had been located. At this point, your Directors were faced with a decision to either close down operations during the severe winter months, or alternatively proceed with an underground program. After consultation and carefully considering all possibilities, it was decided to proceed with an underground program during the winter. Costs of a program of this nature are necessarily much higher than summer work, due to the increased weather difficulties and other problems that arise from sub-zero temperatures. This decision was based on the fact that we were certain that other major veins would be located, and that no time should be wasted in the development of the properties.

On February 8, 1962 our crews crosscut a 24 foot width of the No. 1 Vein after driving a distance of 326 feet. Fresh sulfides were encountered, justifying Dr. Aho's predictions. This was excellent news for the company and the shareholders. After a rest period of two weeks and overhauling of equipment, work recommenced and drifting on the No. 1 Vein in both directions was started. 60 feet of drifting was accomplished on the southwest extension with the vein holding up to its approximate width. 202 feet of drifting was completed to the northeast with crosscuts every 30 feet. A total of 800 feet of underground work was completed. Very interesting silver values were located and the ground story began to unfold.

It became evident that we were into a much larger situation than we had supposed, and at this time it was decided to take an over all look at the property and for this reason the geological staff was enlarged to aid in this examination.

A complete geological mapping was undertaken in conjunction with topographical mapping, and it was felt that before underground work commenced, an electromagnetic survey would assist our engineers in determining where we would start an underground or drilling program. Previous reports sent out with regard to this work have now shown, in addition to the known veins, 11 major anomalies, some up to a length of 2000 feet and 10 minor ones.

It is apparent from the work already accomplished that the Peso property contains vein structures of massive proportions, and no doubt considerably more news will be forthcoming as work progresses.

Your company during the course of the year was fortunate indeed in securing the Barker Estate property, totalling 126 claims and in part contiguous to the Peso ground. Excellent gold values are known to be on these claims and considerable tin is evidenced in the area. Ground examination of these claims will, we believe, indicate well mineralized zones and work is now under way. The addition of these holdings is a major step forward in the Peso program.

The financial position of your company is a strong one as the following audited statements will show. The funds supplied by the shareholders have been used wisely and well. Your Directors have given their services without remuneration or share options since Peso became a public company. There has been no consideration given for services rendered, other than those of permanent staff. It has been the intention of your Directors from the outset, to see that the maximum amount of the funds raised was intelligently spent on exploration and development. This method of operation shall continue under the recommendations of Dr. Aaro E. Aho.

Your company's progress has been rapid and your Directors have at all times tried to keep the shareholders completely informed as to the company's activities. Shareholders have evidenced their approval and this policy will be maintained.

Looking forward to the balance of 1962 and beyond, we anticipate continued development in your company's growth, and in conjunction with the strong silver market we feel confident your company will grow in strength and stature. Your Directors wish to record their appreciation of the untiring effort and competent services of the management and staff of your company, together with the interest and dedication of the Peso shareholders.

On Behalf of the Board,
C. S. Walker,
President.



Illustration of a bulldozer trench being made across the 25 foot width of No. 3 Vein.



New G.M.C. truck being delivered to
Peso at Mayo, Y.T.



Inspection of mineralization as miners
work across the No. 1 Vein.



One of many crosscuts across the
No. 1 Vein.



Indication of the extent of Peso's underground drifting.



The first set at the portal site, preparatory to going underground.

PESO SILVER MINES LTD.

(Non-Personal Liability)

BALANCE SHEET AS AT JULY 31st, 1962

EXHIBIT "A"

ASSETS

LIABILITIES

CURRENT ASSETS

CURRENT LIABILITIES

Cash on hand and in bank	\$103,645.86	
Accounts receivable	25,412.27	
Investment in short term notes and gold (note 1).....	128,128.20	
Salaries and wages advances	242.35	
Prepaid expenses	<u>1,500.00</u>	\$ 258,928.68

Accounts payable	\$ 3,336.39	
Payable to E. H. Barker Estate for purchase of equipment	<u>8,250.00</u>	\$ 11,586.39

CAPITAL ASSETS, at cost

SHARE CAPITAL (notes 4 and 5)

Peso and Rex mineral claims (note 2)	\$897,000.00	
Less: Unpaid on option agreement	<u>138,000.00</u>	759,000.00
Barker Estate mineral claims (note 3)	112,500.00	
Less: Unpaid on option agreement	<u>112,500.00</u>	
Camp buildings, mining and camp equipment	43,464.75	
Less: Accumulated depreciation	<u>12,888.57</u>	30,576.18
Office equipment and alterations	933.69	
Less: Accumulated depreciation	<u>171.70</u>	761.99
		790,338.17

Authorized:		
<u>5,000,000</u> shares of \$1.00 par value each	<u>\$5,000,000.00</u>	
Issued and fully paid:		
1,045,505 shares for cash	\$1,045,505.00	
Less: Discount and commission	<u>468,038.50</u>	577,466.50
<u>750,000</u> shares for property		<u>750,000.00</u>
<u>1,795,505</u> shares		1,327,466.50

EXPLORATION AND GENERAL OVERHEAD EXPENSE

Exploration expense, per Schedule "1"	193,780.28	
General overhead, per Schedule "1"	<u>69,560.76</u>	263,341.04
Prepaid assessment work on claims (note 3)	25,000.00	288,341.04

INCORPORATION EXPENSE

1,445.00
\$1,339,052.89

Approved on behalf of the Board

L S Walker

Director

[Signature]
Director

\$1,339,052.89

The accompanying notes 1 to 5 form an integral part of this balance sheet.

This is the balance sheet referred to in the report of
Reynolds, Anderson, McPherson & Co., Chartered Accountants, dated August 17th, 1962.

EXHIBIT "B"

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

From the Date of Incorporation (March 17th, 1961) to July 31st, 1962

SOURCE OF FUNDS			
Received from sale of shares			\$577,466.50
APPLICATION OF FUNDS			
Exploration and development expense	\$193,780.28		
Less: Depreciation not requiring a current outlay of funds	12,888.57	\$180,891.71	
General overhead expense	69,560.76		
Less: Depreciation and amortization not requiring a current outlay of funds	171.70	69,389.06	
Purchase of capital assets		53,398.44	
Prepaid assessment work on claims		25,000.00	
Incorporation expense	1,445.00	330,124.21	
WORKING CAPITAL			<u>\$247,342.29</u>

AUDITORS' REPORT

We have examined the books and accounts of Peso Silver Mines Limited (Non-Personal Liability) from the date of incorporation (March 17th, 1961) to July 31st, 1962, and have obtained all the information and explanations which we have required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and other auditing procedures as we considered necessary in the circumstances.

We have not verified titles to the mineral claims directly with the Government Registry Offices. We have received a letter from the company's solicitor which states that the company has good title to the claims and that the claims are in good standing save and except that all claims are subject to the terms and conditions of the option agreements in effect.

In our opinion, subject to the foregoing, the attached balance sheet, supplemented by the accompanying notes, is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at July 31st, 1962, according to the best of our information and the explanations given to us and as shown by the books of the company.

Reynolds, Anderson, McPherson & Co.

Vancouver, B.C.
August 17th, 1962.

Chartered Accountants

SCHEDULE "1"

STATEMENT OF EXPLORATION AND GENERAL OVERHEAD EXPENSE

From the Date of Incorporation (March 17th, 1961) to July 31st, 1962

EXPLORATION EXPENSE		
Assays	\$ 5,932.99	
Cookhouse and commissary	9,457.23	
Consultant's fees	9,686.00	
Equipment rental	37,082.34	
Field supplies	13,474.50	
Fuel and oil	10,027.77	
Insurance	684.40	
Licences and taxes	3,502.75	
Maps and blueprints	4,472.90	
Medical Services Incorporated	43.84	
Miscellaneous expense	396.71	
Repairs and maintenance	6,442.74	
Salaries and wages	57,498.78	
Transportation and freight	9,476.02	
Travelling	3,770.53	
Unemployment insurance	424.94	
Workmen's compensation	592.27	
Provision for depreciation	12,888.57	
Exploration and development costs purchased with claims	12,000.00	
	<u>197,855.28</u>	
Less: Recovery of expenses for road assistance	4,075.00	\$193,780.28
GENERAL OVERHEAD EXPENSE		
Accounting	1,730.00	
Bank charges and interest	323.42	
Dues and subscriptions	486.02	
Insurance	540.42	
Legal and audit	3,890.73	
Light and telephone	3,946.35	
Management salaries	17,392.79	
Management fees	2,000.00	
Medical Services Incorporated	157.79	
Miscellaneous expense	378.48	
Office expense	4,937.30	
Printing and stationery	4,254.28	
Promotion and advertising	10,925.81	
Rent	3,520.09	
Shareholders reports and meeting expense	862.13	
Stock exchange fees	1,075.00	
Travelling	8,956.51	
Trust company fees and expenses	884.50	
Salaries and wages	4,089.08	
Provision for depreciation of office equipment	96.52	
Amortization of office alterations	75.18	
	<u>70,522.40</u>	
Less: Interest income	961.64	69,560.76
TOTAL EXPLORATION AND GENERAL OVERHEAD EXPENSE carried to Exhibit "A"		
		<u>\$263,341.04</u>



The first round being blown at the portal site, to start the underground program.



One part of the 365 foot crosscut to the No. 1 Vein.

NOTES TO THE BALANCE SHEET AS AT JULY 31st, 1962

1. The investments held by the company at July 31st, 1962 are as follows:

\$100,000.00 Government of Canada treasury notes maturing December 28th, 1962, at cost	\$ 97,510.00
805.602 ounces of gold, at cost (market value \$30,451.76)	30,618.20
	<u>\$128,128.20</u>

2. Option payments outstanding in regard to Peso and Rex claims are as follows:

\$5,000.00 on or before October 1st, 1962.	
\$133,000.00 to be paid out of 10% of smelter returns of ore removed from the property on or before April 30th, 1970 with a minimum of \$5,000.00 per year beginning April 30th, 1963.	

3. The company entered into an option agreement for \$112,500.00 dated June 5th, 1962 for the purchase of a 100% interest in 75 mineral claims and one fraction and a 50% interest in 50 mineral claims situated in the Mayo Mining District. The option payments outstanding at July 31st, 1962 are as follows:

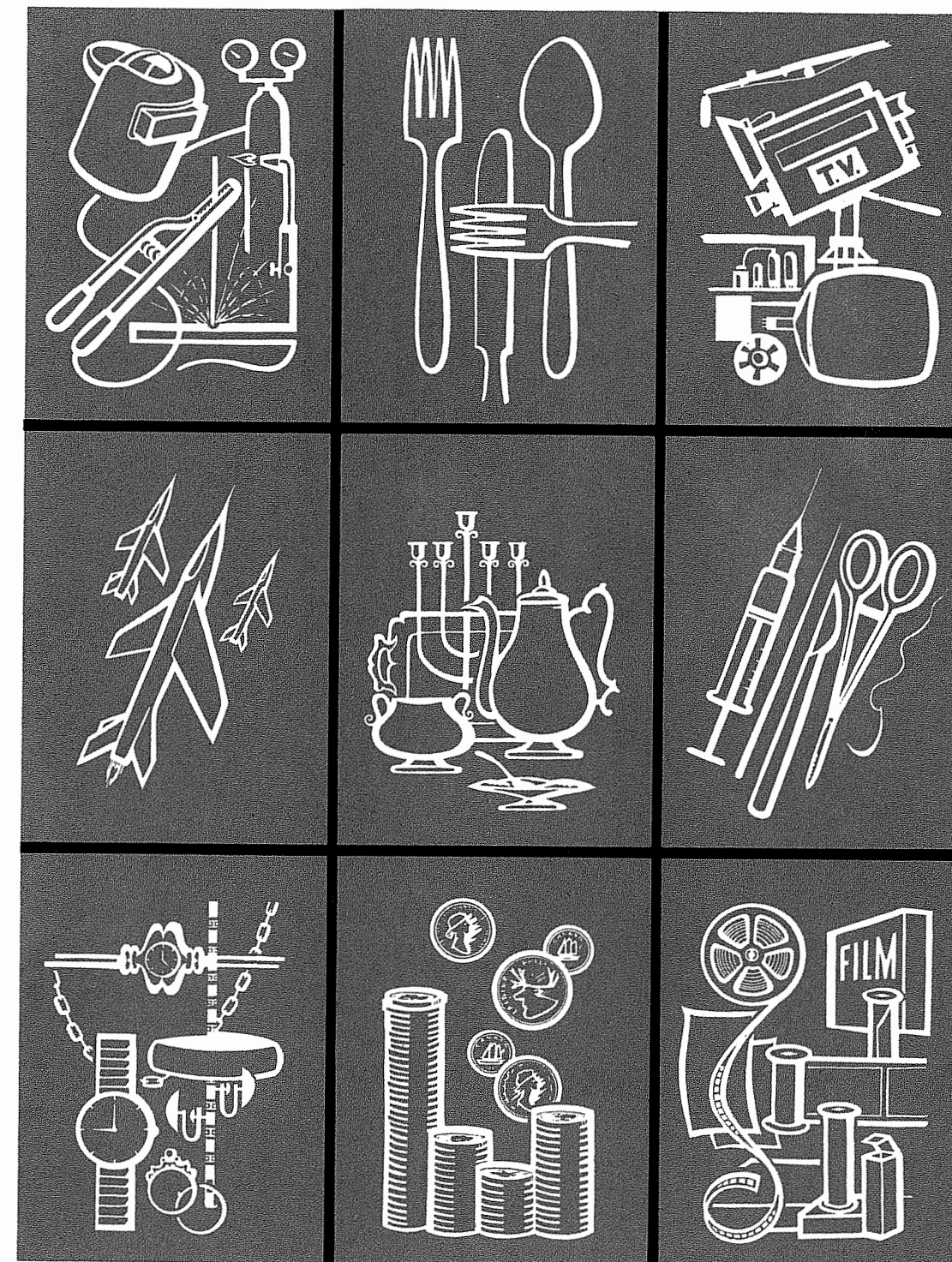
\$ 7,500.00 on or before January 1st, 1963
\$ 7,500.00 on or before January 1st, 1964
\$ 7,500.00 on or before January 1st, 1965
\$ 7,500.00 on or before January 1st, 1966
\$ 7,500.00 on or before January 1st, 1967
\$37,500.00 on or before January 1st, 1968
\$37,500.00 on or before June 30th, 1968

Under the terms of the agreement, the company has placed \$25,000.00 in trust as security that Peso will maintain assessment work on the claims to keep them in good standing until December 31st, 1964. If Peso concludes that the claims warrant production, the claims shall be transferred to a new mining company in consideration for 750,000 shares or an amount approved by the Superintendent of Brokers. Peso shall assign to the optionors 112,500 shares or an amount pro rata to the number of shares approved.

4. Under the terms of an agreement between the company and Davidson and Company Ltd. dated April 3rd, 1962, the following option to purchase treasury shares of the company was outstanding as at July 31st, 1962:

100,000 shares at \$1.50 on or before September 30th, 1962.

5. Options to purchase 100,000 shares of the company at 50 cents per share up to August 15th, 1966 have been granted to certain officers of the company. As at July 31st, 1962 the options have been exercised to the extent of 20,000 shares.



Silver is gaining increasing world interest, due in part to its scarcity and the large deficit of production as against consumption. World consumption in 1961 reached an all time high of 351 million ounces, some 140 million ounces more than production. Silver finds its greatest use in coinage and due to its excellent properties is highly suitable for silverware, jewelry, silverplate, photographic industries, soldering alloys, electronics industry, water purifications, engine bearings, catalysts and many other uses.