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W.S.R.
K.C.G.
✓ J.H.S.
✓ E.F.
✓ R.D.S. ✓
B.C.E.
✓ P.M.K. ✓
G.W.M.
R.C.M.
C.K.W.
J.E.S.
G.P.R.
K.F.L.
J.I.B.
E.C.J.

MOUNT NANSEN MINES LIMITED

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1968 *annual report*

MOUNT NANSEN MINES LIMITED

DIRECTORS

Edward W. Blessing
S. J. Dumaresq
B. S. Imrie
R. Saager
C. S. Walker
Hans Willi

OFFICERS

President - Hans Willi
Vice-President - C. S. Walker
Secretary-Treasurer - A. E. Proznick

ADMINISTRATIVE OFFICE

420-475 Howe Street, Vancouver 1, B.C.
Telephone: (604) 681-1385
Telex: 04-50647
Cable: Nigertex

REGISTERED OFFICE

c/o Holden, Murdoch & Co.,
44 King Street West, Toronto, Ontario.
Telephone: (416) EM3-9003

TRANSFER AGENTS

Crown Trust Company, Toronto, Ontario.

AUDITORS

Deloitte, Plender, Haskins & Sells,
505 B rrad Street, Vancouver, B.C.
Telephone: (604) 681-8157

SOLICITORS

Barbeau, McKercher, Collingwood & Hanna,
900 West Hastings Street, Vancouver, B.C.
Telephone: (604) 684-2561

STOCK EXCHANGE LISTINGS

Unlisted

CONSULTANTS

Dr. D. D. Campbell,
Dolmage, Campbell & Associates,
808-900 West Hastings Street, Vancouver, B.C.
Telephone: (604) 681-0241

BANKERS

Canadian Imperial Bank of Commerce,
640 West Hastings Street, Vancouver, B.C.
Telephone: (604) 666-0111

PLACE OF INCORPORATION

Ontario

MOUNT NANSEN MINES LIMITED

To the Shareholders:

The mill on the property of Mount Nansen Mines Limited, approximately 40 miles west of Carmacks and 150 miles northwest of Whitehorse, Yukon Territory, Northern Canada came into production as scheduled on September 1, 1968. Originally, the mill had a capacity of 200 tons per day but as surface and underground work progressed during the year and the properties' gold and silver potential substantially increased, capacity was added to permit the milling of 400 tons per day. The tune-up of the plant has proceeded on a continuous basis with a production rate of 250 tons per day expected to be reached early next year. The current rate of progress is expected to be sustained into January while the cyanide circuit is being installed at a cost of \$100,000. When completed it will provide a higher rate of recovery of gold and silver from the more oxidized ores from the Webber veins.

Over \$3,500,000 was spent during the past year on the Mount Nansen property. The mill and ancillary buildings were constructed at a cost of \$1,250,000. Purchase of new equipment, completion of the all-weather road, drilling water wells and construction of a pipeline, construction of the administration building, accommodation for personnel and a townsite for married families cost approximately \$1,000,000. A development and exploration program to ensure adequate ore for the mill was carried out at a cost of \$1,300,000. A geochemical survey, which covered approximately 45% of the total claims owned in this area was completed. Samples were taken at every 50 feet on lines located 40 feet apart; in all, 15,000 samples were collected. Forty (40) target areas for additional exploration work were established; some of these have since been covered with detailed sampling. Results justified bulldozer stipping, trenching and drill testing. This work has already yielded most encouraging values in gold and silver at several places.

Underground development during the year has been directed towards establishing sufficient working places to ensure continuous ore production. As part of the program, a new level, the 4100 foot elevation level, has been driven for over 3200 feet; 1700 feet of crosscutting and 1500 feet of drifting. This work has been highly successful in confirming ore indicated from the higher elevation workings and adding new ore potential to even greater depths. It opened the longest continuous length of ore on the property to date. This ore shoot is on the Huestis No. 12 vein and is over 300 feet long, across a good mining width, and grades in excess of \$60.00 per ton values in gold and silver.

As a result of the 1968 underground work at the Huestis, the Webber-Huestis ore reserves have been increased to 330,000 tons at 0.50 ounces gold per ton and 18.4 ounces silver per ton.

Present plans call for sinking an internal shaft from the Huestis working to give access to the deeper ore indicated by drilling. As development proceeds, it is intended to establish an interconnection between the lower elevations of the Huestis and Webber veins. This will permit underground transportation of all ores, eliminate rehandling on the surface and thus result in lower costs and higher production.

Diamond drilling on Cabin Creek has indicated the presence of a vein. The complete reconnaissance of this vein is a prime objective and further work is scheduled for the current year.

For the coming year we foresee great activity. A steady increase in milling rate at the Mount Nansen Mines, combined with higher metal recoveries due to the cyanidation process, can be expected. Additional geochemical surveys on the Mount Nansen Mines Limited claims (of which 55% have not yet been surveyed) are planned.

The Brown McDade property, one mile away, will supply ore to the Mount Nansen mill during 1969. As underground work proceeds and ore supplies increase, Mount Nansen will further adjust its milling capacity to more than 400 tons per day. Studies on how this would best be achieved are in preparation.

Respectfully submitted on behalf of the Board of Directors,



B. S. Imrie,
Director and General Manager.

October 31, 1968.


MOUNT NANSEN MINES LIMITED
(Incorporated under the Corporations Act, Ontario)

BALANCE SHEET AS AT JULY 31, 1968
(with 1967 figures for comparison)

	ASSETS			
		1968	1967	
CURRENT ASSETS:				
Cash	\$	2,444	\$ 2,381	
Short term deposit (Note 3)		100,000	-	
Accounts receivable - affiliated companies		1,761	1,486	
- employee advances		5,587	1,106	
- other		5,629	491	
Prepaid expenses		72,220	12,942	
Total current assets		187,641	18,406	
INVESTMENT IN SHARES OF AFFILIATED COMPANY - at cost				
(Note 1):				
Brown-McDade Mines Limited (N.P.L.)		100,000	100,000	
PROPERTY, PLANT AND EQUIPMENT - at cost:				
Land		5,000	-	
Mining properties		90,000	90,000	
Buildings		171,991	54,820	
Equipment		850,032	228,050	
Construction in process		1,005,013	-	
		2,122,036	372,870	
Less accumulated depreciation		310,006	163,187	
Net property, plant and equipment		1,812,030	209,683	
EXPLORATION, DEVELOPMENT AND ADMINISTRATION EXPENSES:				
Exploration and development		2,848,606	1,485,822	
Administration		610,528	351,493	
		3,459,134	1,837,315	
DEFERRED FINANCE CHARGES (Note 2)				
		300,000	-	
TOTAL		\$5,858,805	\$2,165,404	

APPROVED BY THE BOARD:

 Director

 Director

TOTAL

\$5,858,805

\$2,165,404

The accompanying notes are an integral part of the financial statements.

Continued By Reso (66%)

LIABILITIES AND SHAREHOLDERS' EQUITY

		1968	1967	
CURRENT LIABILITIES:				
Bank indebtedness - secured (Note 3)	\$	311,213	\$ -	
Accounts payable and accrued liabilities		565,163	100,024	
Due to affiliated companies (Note 5)		637,691	54,605	
Due to H. Willi (Note 5)		223,354	253,766	
Total current liabilities		1,737,421	408,395	
DEMAND NOTE PAYABLE 6% - Affiliated company:				
Brown-McDade Mines Limited (N.P.L.)		18,600	100,000	
DEBENTURE PAYABLE (Note 4)				
		1,500,000	-	
SHAREHOLDERS' EQUITY:				
Capital stock (Note 5)				
Authorized:				
10,000,000 shares of a par value of \$1 each				
Issued and fully paid:				
For cash - 5,296,171 shares		5,296,171	4,546,009	
For mining claims - 900,000 shares		900,000	900,000	
For development expenditures - 200,000 shares		200,000	200,000	
For financing - 300,000 shares		300,000	-	
Total - 6,696,171 shares		6,696,171	5,646,009	
Discount on shares issued:				
For mining claims and development expenditures		(990,000)	(990,000)	
For cash		(3,208,387)	(3,059,000)	
Premium on shares issued		45,000	-	
		2,542,784	1,597,009	
Contributed surplus:				
Donation of cash by shareholders		60,000	60,000	
Total shareholders' equity		2,602,784	1,657,009	
TOTAL		\$5,858,805	\$2,165,404	

The accompanying notes are an integral part of the financial statements.

MOUNT NANSEN MINES LIMITED

STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATION EXPENSE

FOR THE YEAR ENDED JULY 31, 1968

(with 1967 figures for comparison)

	1968	1967
DEVELOPMENT AND EXPLORATION EXPENSE:		
Roads - net of costs recovered from an affiliated company	\$ 59,087	\$ 127,977
Metallurgical testing	19,305	1,316
Exploration, development and preparation	999,666	45,471
Geochemical	56,502	-
Allocated from administration expense	77,208	47,475
Depreciation	145,792	50,702
Loss on disposal of fixed assets	5,224	-
	<u>1,362,784</u>	<u>272,941</u>
Balance at beginning of the year	1,485,822	1,212,881
	<u>2,848,606</u>	<u>1,485,822</u>
ADMINISTRATION EXPENSE:		
Administration charges - affiliated company	89,787	72,434
Salaries and employee benefits	95,222	19,815
Insurance	3,792	(1,590)
Rentals	7,391	17,427
Warehouse and storage	4,598	3,615
Professional fees - legal, audit and consulting	21,347	5,874
Promotion and travel	15,282	19,965
Interest and bank charges	85,575	18,842
Depreciation	1,027	280
Telephone and telegraph	8,863	1,175
Transfer fees	812	1,660
Office stationery, supplies and miscellaneous	2,547	672
Allocated to development and exploration costs	(77,208)	(47,475)
	<u>259,035</u>	<u>112,694</u>
Balance at beginning of the year	351,493	238,799
Balance at end of the year	610,528	351,493
Total development exploration and administration expense	<u>\$3,459,134</u>	<u>\$1,837,315</u>

The accompanying notes are an integral part of the financial statements.

MOUNT NANSEN MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 1968

1. INVESTMENT IN SHARES OF AFFILIATED COMPANY:

As at July 31, 1968, the company owned 500,000 shares of a par value of \$1.00 each of Brown-McDade Mines Limited (N.P.L.) which were acquired at a cost of \$100,000, representing a 12.6% investment.

On October 9, 1968, the directors resolved to accept the offer of Charter Oil Company Limited to exchange 50,000 common shares of Charter Oil Company Limited for the 500,000 common shares of Brown-McDade Mines Limited.

2. DEFERRED FINANCE CHARGES:

Pursuant to a debenture agreement dated May 23, 1967 between Mount Nansen Mines Limited and Schweizerische Gesellschaf Fur Metallwerte, 300,000 shares of Mount Nansen Mines Limited were issued during the year ended July 31, 1968 as fully paid and non-assessable at their par value of \$1.00 each.

3. BANK INDEBTEDNESS:

The bank indebtedness is secured by the short term investment deposit and a pledging of the proceeds to be received from the Department of Northern Affairs road development grant.

4. DEBENTURE PAYABLE:

Pursuant to a debenture agreement dated May 23, 1967 between Mount Nansen Mines Limited and Schweizerische Gesellschaft Fur Metallwerte the company loaned \$1,500,00 at 6 1/2% interest (net of 15% withholding tax and exchange charges.)

The debenture is secured by a first fixed and specific lien on the mining properties and fixed assets and a first floating charge over all the assets and undertakings of the company.

The loan is to be repaid by quarterly instalments commencing on either February 28, 1969 or 120 days from the date of production of the mine as determined by the Income Tax authorities. Each instalment shall be equal to a minimum of 75% of the net operating profit of the company for the relevant quarterly period. The debenture agreement further stipulates that both the principal and interest thereon shall be repaid within 36 months from the date the monies were advanced.

The debenture agreement contains certain restrictive covenants including dividends, capital, future agreements and guarantees.

5. CAPITAL STOCK:

	Par Value	Discount	Premium	Net
Balance, July 31, 1967	\$5,646,009	\$4,049,000	-	\$1,597,009
Issued During year for cash	750,162	149,387	(45,000)	645,775
Issued during year for financing	300,000	-	-	300,000
Balance, July 31, 1968	<u>\$6,696,171</u>	<u>\$4,198,387</u>	<u>\$ (45,000)</u>	<u>\$2,542,784</u>

On November 29, 1967, a resolution was passed at a directors' meeting to the effect that the company is to repay past and future advances from Peso Silver Mines Limited (N.P.L.) by the issuance of Mount Nansen Mines Limited shares at 65¢ per share in full satisfaction thereof. As at July 31, 1968 the company was indebted to Peso Silver Mines Limited (N.P.L.) in the amount of \$15,449. This liability is included in the caption "Amounts due to Affiliated Companies" in the attached balance sheet.

On May 3, 1968, a resolution was passed at a directors' meeting to grant Peso Silver Mines Limited (N.P.L.) an option indefinitely to maintain its percentage position in Mount Nansen Mines Limited by purchasing a sufficient number of shares at the lesser of

- (a) the price paid by others, or
- (b) market price.

On May 3, 1968, a resolution was passed at a directors' meeting accepting an offer of Moneta Porcupine Mines Ltd. to purchase 600,000 treasury shares of the company at \$1.15 per share, subject to stock exchange approval.

On October 9, 1968, a resolution was passed at a directors' meeting to grant an option to convert loans to Charter Oil Company Limited of \$700,000, together with interest at 8 1/2% per annum into treasury shares at \$1.25 per share, such option exercisable up to five years from the date of advance. As at July 31, 1968 the company was indebted to Charter Oil Company Limited in the form of loans outstanding in the amount of \$300,000 (plus interest of \$3,316). This liability is included in the caption "Amounts due to Affiliated Companies" in the attached balance sheet.

On October 9, 1968 a resolution was passed at a directors' meeting to issue to Mr. Willi 148,902 shares at \$1.50 per share in satisfaction of the debt of \$223,354 with Mr. Willi waiving the accumulated accrued interest thereon.

6. CONTINGENT ASSET:

The company and an affiliate have expended approximately \$310,000 on a road program for access to mining properties. The officers of the company anticipate a grant will be received from the Department of Northern Affairs to defray these road costs. The amount of this grant has not been determined as at July 31, 1968. The grant will be shared with the affiliated company.

7. CONTINGENT LIABILITIES:

As at July 31, 1968, the company was contingently liable for fuel tanks which were on loan in the amount of \$21,000.

During the year, the company assumed a mortgage on a personal dwelling. An employee of the company is paying the mortgage and has an option agreement (exercisable anytime to December 18, 1977) to assume title to the house. As at July 31, 1968 the outstanding mortgage amounted to approximately \$18,000.

AUDITORS' REPORT

To the Shareholders of

Mount Nansen Mines Limited:

We have examined the balance sheet of Mount Nansen Mines Limited as at July 31, 1968 and the statement of exploration, development and administration expense for the year then ended. 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 these financial statements present fairly the financial position of the company as at July 31, 1968 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



October 11, 1968

Auditors