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W.J. ✓  
D.M.H. ✓  
G.M.H. ✓  
H.D.P. ✓  
H.D.B. ✓  
J.S. ✓  
G.R.  
T.W.B.  
(LA)

# DYNASTY EXPLORATIONS LIMITED

330 - 355 BURRARD STREET, VANCOUVER, B.C.

*Exchange basis  
- page 14*

Dear Shareholder:

The enclosed documents and reports outline for you our proposed amalgamation with Anvil Mining Corporation Limited.

This proposal to amalgamate was initiated by your directors and was presented to and accepted by Cyprus Mines Corporation of Los Angeles, our partners in Anvil. Your directors are of the opinion that greater advantages would accrue to our shareholders if the cash and technical resources of Anvil and of Dynasty were combined to develop a large and aggressive Canadian mining company, to be named Cyprus Anvil Mining Corporation, in which Canadians could participate directly.

We recommend your acceptance of the amalgamation proposal.

On behalf of the Board of Directors,

John Bruk,  
Chairman of the Board

R.E. Gordon Davis,  
President

February 11th, 1974

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## **DYNASTY EXPLORATIONS LIMITED**

330 - 355 Burrard Street  
Vancouver, British Columbia

### **NOTICE OF EXTRAORDINARY GENERAL MEETING OF MEMBERS**

TAKE NOTICE that an Extraordinary General Meeting of members of Dynasty Explorations Limited ("Dynasty") will be held in the Plaza West Room of the Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia, on Wednesday, the 6th day of March, 1974, at the hour of 10 o'clock in the forenoon, Vancouver time, for the following purposes:

1. To consider and, if deemed advisable, approve a special resolution adopting the Amalgamation Agreement dated December 14, 1973, copy of which is annexed to the accompanying Information Circular, providing for the amalgamation, pursuant to the Companies Act of British Columbia, of Dynasty and Anvil Mining Corporation Limited ("Anvil") and to authorize any and all action necessary to give effect to the Amalgamation Agreement.
2. To transact such other business as may properly come before the meeting.

The board of directors has fixed the close of business on March 1, 1974, as the record date for the determination of members entitled to vote at the Meeting.

Take notice that pursuant to the Companies Act, you may until the 11th day of March, 1974 give Dynasty a notice of dissent by registered mail addressed to Dynasty at Suite 330, 355 Burrard Street, Vancouver 1, British Columbia, with respect to the resolution to adopt the Amalgamation Agreement dated December 14, 1973 between Dynasty and Anvil.

Members who are unable to attend the meeting in person and who wish to ensure that their shares will be voted at the meeting are requested to complete, sign and mail the enclosed Proxy in accordance with the instructions set out in the form of Proxy and in the Information Circular accompanying this Notice. Audited financial statements for the period ended December 31, 1973 of Dynasty and of Anvil respectively, and pro forma financial statements for the amalgamated company referred to in the Amalgamation Agreement are attached as exhibits to the Information Circular.

Dated at Vancouver, British Columbia, this 11th day of February, 1974.

**BY ORDER OF THE BOARD**

Selwyn B. Jones  
Secretary

# **DYNASTY EXPLORATIONS LIMITED**

330 - 355 Burrard Street  
Vancouver, British Columbia

## **INFORMATION CIRCULAR**

DATED AS OF FEBRUARY 8, 1974, FOR THE EXTRAORDINARY GENERAL MEETING OF MEMBERS TO BE HELD ON MARCH 6, 1974.

### **Purpose of Meeting**

The purpose of the Meeting is to consider, and, if thought fit, to approve a special resolution adopting an amalgamation agreement dated December 14, 1973 (the "Amalgamation Agreement") between Dynasty Explorations Limited ("Dynasty") and Anvil Mining Corporation Limited ("Anvil"). Particulars of the Amalgamation Agreement and the effect of the amalgamation are set forth below. The name of the Amalgamated Company is to be Cyprus Anvil Mining Corporation.

### **Solicitation of Proxies**

This Information Circular is furnished in connection with the solicitation by the Management of Dynasty of proxies to be used at the Extraordinary General Meeting of the members of Dynasty to be held at the time and place and for the purpose set forth in the accompanying Notice of Meeting. The cost of this solicitation will be borne by Dynasty.

### **Appointment and Revocation of Proxies**

The persons named in the enclosed form of Proxy are the Chairman of the Board and the Secretary of Dynasty. A MEMBER DESIRING TO APPOINT SOME OTHER PERSON (WHO NEED NOT BE A MEMBER) TO REPRESENT HIM AT THE MEETING HAS THE RIGHT TO DO SO, EITHER BY INSERTING SUCH PERSON'S NAME IN THE BLANK SPACE PROVIDED IN THE FORM OF PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY. In order to be effective, any proxy (whether designating the persons named in the enclosed form of proxy or some other person) must be completed and delivered to Guaranty Trust Company of Canada, at its office at 540 Burrard Street, Vancouver, B.C., not less than 48 hours (excluding Saturdays and holidays) before commencement of the meeting.

A member who has given a Proxy may revoke it by an instrument in writing delivered either to the Registered Office of Dynasty at any time up to and including the last business day preceding the day of the meeting, or to the Chairman of the Meeting on the day of the Meeting, or if adjourned, any reconvening thereof or in any other manner provided by law. A revocation of a Proxy does not affect any matter on which a vote has been taken prior to the revocation.

### **Use of Proxies and Discretionary Powers**

THE PERSONS NAMED IN THE ACCOMPANYING FORM OF PROXY WILL VOTE THE SHARES IN RESPECT OF WHICH THEY ARE APPOINTED FOR THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING, AND IN PARTICULAR, FOR THE APPROVAL OF THE SPECIAL RESOLUTION ADOPTING THE AMALGAMATION AGREEMENT WITH ANVIL DESCRIBED IN THIS INFORMATION CIRCULAR UNLESS THE MEMBER SPECIFIES TO THE CONTRARY IN HIS PROXY.

The accompanying form of Proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the Meeting or any adjournment thereof. At the time of this solicitation, the Management of Dynasty knows of no such amendments, variations or matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

If the instructions to the nominee contained in the Proxy are certain, the shares represented by the Proxy will be voted on any poll and, where the member specifies a choice with respect to any matter to be acted upon, the shares will be voted on any poll in accordance with the specifications so made.

### Voting Shares

On February 8, 1974, 3,046,100 Ordinary Shares of the par value of \$2.00 each of Dynasty were issued and outstanding as fully paid and non-assessable, each share carrying the right to one vote at the Meeting. Any person or company registered as a member of Dynasty prior to the close of business on March 1, 1974, the record date, will be entitled to vote at the Meeting. However, a person appointed under a form of Proxy will be entitled to vote the shares represented by the form only if it is effectively deposited in the manner set out under the heading Appointment and Revocation of Proxies. To the knowledge of the Management of Dynasty no one person beneficially owns, directly or indirectly, more than 10% of the issued shares of Dynasty. However, Cyprus Mines Corporation owns 235,400 shares, or 7.73% of the outstanding shares of Dynasty.

### Interest of Management and others in Material Transactions

On April 1, 1973, Dynasty entered into an agreement with one of its directors, Dr. Aaro E. Aho, engaging him, through his company, Aaro E. Aho Ltd., a British Columbia company with registered offices at 801 - 900 West Hastings Street, Vancouver 1, British Columbia, as a geological consultant at a fee of \$20,000 per year renewable on a year to year basis by mutual agreement. Under the agreement Dr. Aho has granted to Dynasty the right of first refusal on any mineral project, except with respect to placer minerals, which he alone, or with a syndicate organized by him, may from time to time conceive and develop.

Anvil is an "associate" of Dynasty by reason of Dynasty beneficially owning more than 10% of its issued shares. The Amalgamation Agreement attached as Exhibit "A" to this Information Circular is a material transaction which, if it is implemented, will materially affect Dynasty in the manner described elsewhere in this Information Circular. On February 4, 1974, Anvil redeemed the Series C Bonds owned by Dynasty and paid to Dynasty accrued interest on the Series D Bonds of Anvil owned by Dynasty in order that Dynasty could use these funds to apply on the redemption of Dynasty's 7% Convertible Collateral Income Debentures on February 8, 1974.

### AMALGAMATION OF DYNASTY AND ANVIL

It is proposed that Dynasty amalgamate with Anvil under the provisions of the British Columbia Companies Act. The terms and conditions of the proposed amalgamation are set out in the Amalgamation Agreement, a copy of which is attached to this Information Circular as Exhibit "A" except that a copy of the proposed Articles of the Amalgamated Company and of the 1972 financial statements of Dynasty and Anvil are not attached to the copy of the Amalgamation Agreement accompanying this Information Circular. An executed copy of the Amalgamation Agreement with the proposed Articles of the Amalgamated Company attached is and will be available for inspection by any member at the head office of Dynasty at Suite 330 - 355 Burrard Street, Vancouver, British Columbia, during business hours, up to and including the date of the Meeting. A copy of the proposed Articles and the 1972 financial statements of Dynasty and Anvil will be sent by Dynasty to any member requesting copies. It is proposed that the new company formed as a result of the amalgamation, herein called the Amalgamated Company, be named Cyprus Anvil Mining Corporation. That name has been reserved with the Registrar of Companies for British Columbia.

### DYNASTY

Dynasty is incorporated in the Province of British Columbia. Dynasty has been actively involved in the exploration and development of mineral deposits since its incorporation in 1964 and has continued to engage in mineral exploration primarily in the Yukon Territory. Dynasty owns a 40% interest in Anvil Mining Corporation Limited, which investment is the most significant asset of Dynasty. Dynasty also has interests in mining claims and in other companies.

### ANVIL

#### History (Anvil)

On March 31, 1965, Dynasty entered into a joint venture agreement with Cyprus Mines Corporation (Cyprus) of Los Angeles, U.S.A., to explore Dynasty's Faro properties located in the Vangorda Creek-Ross River area in central Yukon. On December 1, 1965 Anvil was formed as a British Columbia company to take over the Faro properties and is owned 40% by Dynasty and 60% by Cyprus. Development and detailed exploration of the Faro properties was undertaken in 1966. Construction of mining facilities for the Faro properties (the Anvil Mine) started in June, 1967, and preproduction stripping for the open pit started in October of the same year. Trial milling operations commenced in October, 1969, and regular production started on February 1, 1970.

The information given below as to Anvil and the Anvil Mine has been obtained by Dynasty from data supplied by Anvil.

### Mining Facilities (Anvil)

The Anvil Mine is equipped with a concentrator which is presently being expanded in rated capacity from about 7,000 tons per day to about 10,000 tons per day. Milling operations started at an initial rate of about 5,500 tons per day and progressively increased to 7,900 tons per day in 1972. During 1973, the concentrator throughput averaged 7,942 tons per day at a grade of 4.88% lead and 6.37% zinc. The expansion of the concentrator to a rated capacity of 10,000 tons per day was approved to compensate for a decrease in feed grade which will occur in 1974 because the grade of the then remaining ore reserves (3.19% lead and 5.55% zinc) will be lower than the ore reserves which have been mined during the prior four years. It is estimated that this expansion will be completed in 1974 at a cost of \$5,000,000 which is expected to be financed from Anvil's earnings.

Concentrates are transported 230 miles from the mine site to Whitehorse, Y.T. by truck and 110 miles from Whitehorse to the port of Skagway, Alaska, by rail. A bulk loading and storage terminal located at Skagway for transshipment of concentrates to ocean vessels is owned and operated by The White Pass and Yukon Route.

Electric power for the mine and the adjacent town of Faro, which was built by Anvil to house its employees, is provided by the Northern Canada Power Commission's generating facilities of Whitehorse.

Wein Consolidated Airlines and Canadian Pacific Airlines provide air service to Whitehorse and Northward Airlines supplies service between Whitehorse and the Anvil Mine.

### Properties and Ore Reserves (Anvil)

Anvil holds approximately 1,600 mineral claims in the Vangorda Creek-Ross River area. Mineral leases were granted in 1967 on 545 acres of the claims area. Mineral leases from the Canadian Government are for a term of 21 years and will be renewable for another 21 years prior to expiry.

A 30-year renewable surface lease of approximately 3,689 acres, covering the open pit mine, plant, and other facilities, was also granted in 1967. Ore reserves at December 31, 1973 were 52,599,325 tons averaging 3.1% lead and 5.5% zinc, with 1.1 ounces of silver per ton.

### Summary of Production and Recoveries (Anvil)

The following table summarizes mine production and recoveries for the three years ended December 31, 1973:

	1973	1972	1971
Ore milled — (dry short tons)	2,899,000	2,906,000	2,673,000
Average grade:			
Lead — (%)	4.88	4.63	4.92
Zinc — (%)	6.37	6.22	6.79
Concentrates:			
Lead — (dry short tons)	156,732	142,081	144,957
Zinc — (dry short tons)	233,049	213,344	219,782
Bulk — (combined lead zinc — dry short tons)	79,197	88,007	64,457
Concentrate Grades:			
Lead — (%)	66.49	68.5	67.1
Zinc — (%)	51.11	50.7	49.8
Bulk (combined lead-zinc %)	48.82	46.8	46.1
Recoveries:			
Lead — (%)	84.33	84.5	82.7
Zinc — (%)	77.28	73.5	70.3

### Summary of Revenue and Cash Flow (Anvil)

Over the past three years, Anvil has milled an aggregate of 8,478,000 tons of ore. Milling over the past three years has generated gross revenues of \$243,020,000 and net income of \$40,119,000. The following table summarizes revenue and cash flow for the three years ended December 31, 1973:

	1973	1972	1971
	(thousands of dollars)		
	\$	\$	\$
Net Revenue from sales of concentrates	68,520	48,083	37,315
Operating Expenses	28,334	27,646	22,856
Operating Profit (before depreciation and amortization)	40,186	20,437	14,459
Net Income (after all interest and after royalty, depreciation, amortization and taxes)	23,168	11,624	5,325
Cash Flow (after bank and shareholder interest payments but before bank and shareholder principal payments)	35,147	19,125	17,956
Long Term Debt Including Accrued Interest:			
Outstanding at Beginning of year	65,076	76,534	79,024
Outstanding at End of Year	44,754	65,076	76,534
Average Sales Price:			
	¢	¢	¢
Lead — (lb.)	22.2	14.1	11.5
Zinc — (lb.)	27.2	17.7	16.3

### Marketing (Anvil)

Anvil's concentrates are sold principally to customers in Japan and West Germany under sales agreements extending through 1977. The Japanese customers have agreed to buy their full contractual commitment of both lead and zinc concentrates in 1974, but with 10% thereof to be delivered in 1975.

Anvil originally signed identical sales contracts with the Toho Zinc Co. Ltd. and Mitsui Mining & Smelting Co. Ltd., both of Japan. Under the terms of these contracts, Anvil agreed to deliver its entire production of lead and zinc concentrates (estimated to be approximately 128,000 DST and 238,000 DST per year respectively) for a period of eight years after the commencement of regular production.

In 1969, a contract was made with Metallgesellschaft A.G. of Frankfurt, West Germany, for the sale of 88,600 DST of bulk lead-zinc concentrate per year over a 7-year period. The German firm advanced to Anvil 14,000,000 DM which provided the funds required to increase concentrator capacity for the additional production. Reference is made to the heading Long Term Debt Including Accrued Interest (Anvil).

Concentrates are sold on the basis of London Metal Exchange quotations for lead and the European producer price for zinc.

### Long Term Debt Including Accrued Interest (Anvil)

The principal amount of debt and accrued interest outstanding at December 31, 1973 was \$44,754,266. (Cdn.) Particulars of the bonds issued and other debt are as follows:

- (a) General Mortgage Bonds
- Issued as collateral for loans made by Cyprus and Dynasty and for money spent by Dynasty prior to incorporation of Anvil. The bonds and accrued interest are repayable out of a minimum of 80% of all net operating profit:
- (i) 7½% Series A — Issued and outstanding \$4,831,965 (U.S.) (interest to December 31, 1973 has been paid.) All issued to Cyprus.
  - (ii) 7½% Series B — Issued and outstanding \$10,000,000 (accrued interest to December 31, 1973 \$4,996,942.) All issued to Cyprus.

- (iii) Non-interest bearing Series C — Issued and outstanding \$250,000.<sup>1</sup> All issued to Dynasty.
- (iv) 7½% Series D — Issued and outstanding \$8,640,831 of which \$2,592,250 (accrued interest to December 31, 1973 \$1,240,768) is issued to Cyprus and \$6,048,581<sup>2</sup> (accrued interest to December 31, 1973 \$2,381,148<sup>3</sup>) is issued to Dynasty.

(b) 7.2% Subordinated Mortgage Bonds

Due December 31, 1975. Issued as collateral for loan made by Metallgesellschaft A.G. of West Germany in 1969 for plant expansion to produce bulk lead-zinc concentrates. Issued and outstanding \$5,180,000. Accrued interest to December 31, 1973 is \$1,894,650.

(c) Additional Debt

At December 31, 1973, Anvil had \$4,443,470 outstanding representing mortgages on Faro housing payable monthly, and miscellaneous indebtedness of \$894,492.

<sup>1</sup>Was redeemed on February 4, 1974.

<sup>2</sup>This General Mortgage Bond was sold to The Toronto-Dominion Bank at par value on February 4, 1974.

<sup>3</sup>The total of this accumulated interest was paid to Dynasty on February 4, 1974.

### Labour Contract (Anvil)

Late in 1972, a new three year labour contract extending to September 30, 1975 was concluded with the United Steelworkers of America, Local 1051. The contract provides an approximate 25% increase in wages and fringe benefits during its three year term.

### Background and Purpose of Amalgamation

Dynasty presently owns a 40% interest in Anvil, the Company with which it proposes to amalgamate. The directors of Dynasty are recommending the amalgamation with a view to creating an amalgamated company which will assume all of the activities presently being undertaken by Dynasty and Anvil and which will proceed with a campaign to attempt to find by exploration and acquisition economically desirable mineral properties in the Yukon, the Northwest Territories, British Columbia and elsewhere in Canada. The board of directors of Dynasty is proposing adoption of the Amalgamation Agreement with the intent that the amalgamated company will develop into a major Canadian resource company, and will combine the exploration expertise of Dynasty and the operational capabilities and cash flow of Anvil. The amalgamated company will have its head office in Vancouver, British Columbia, and upon the amalgamation becoming effective the shareholders of Dynasty will participate directly as shareholders of the amalgamated company.

### Financial Statements

Attached as Exhibit "B" to this Information Circular are audited financial statements for Dynasty as at December 31, 1973. Attached as Exhibit "C" to this Information Circular are audited financial statements for Anvil as of December 31, 1973. Attached as Exhibit "D" are audited pro forma financial statements of the Amalgamated Company as of December 31, 1973.

### Bases of Amalgamation

Under the terms of the proposed amalgamation agreement, the shareholders of Dynasty and Anvil will be entitled to receive shares of the Amalgamated Company as follows:

- (a) Shareholders of Dynasty will receive one fully-paid share without nominal or par value of the Amalgamated Company for each share of Dynasty held by them immediately prior to the amalgamation.
- (b) 900,000 issued common shares of Anvil registered in the name of Cyprus Mines Corporation shall be exchanged for that number of common shares of the Amalgamated Company which, when issued, will constitute 60% of the then issued and outstanding shares of the Amalgamated Company.

### Tax Considerations

An application has been made to the Deputy Minister of National Revenue for rulings to the effect that:

- (i) Section 87 of the Income Tax Act applies to the amalgamation so as to provide for a roll-over of the assets and liabilities of Dynasty and Anvil to the Amalgamated Company (Cyprus Anvil Mining Corporation) in the manner provided for in Section 87, and

- (ii) Subsection 87(4) of the Income Tax Act is applicable to the members of Dynasty and Anvil immediately before the amalgamation so that each such member (except Dynasty with respect to Anvil shares owned by it) will be deemed to have disposed of its shares of Dynasty and Anvil for proceeds equal to their adjusted cost base and to have acquired the shares of Cyprus Anvil Mining Corporation at the comparable cost.

If these rulings are obtained and the amalgamation is consummated the tax consequences of the amalgamation will be as set forth above. The members will be advised of the results of this application as soon as the rulings are received.

**Procedure and Effect**

The British Columbia Companies Act provides that upon the amalgamation being approved by a special resolution of members of each of the amalgamating companies, the amalgamating companies may apply to the Supreme Court for an order approving the amalgamation. Upon receipt of an order of the Supreme Court of British Columbia, and upon compliance with other administrative requirements, the Registrar of Companies will issue a certificate of amalgamation. From and after the date of such certificate the amalgamation is effective and the amalgamating companies continue as one company which owns all the assets and will be subject to all the debts, liabilities and obligations of each of the amalgamating companies.

**Listing on Vancouver and Toronto Stock Exchanges**

The shares of Dynasty are listed on the Vancouver and Toronto Stock Exchanges. Upon the amalgamation becoming effective, these listings will be terminated, but it is anticipated that simultaneously therewith applications will be made for the listing of the shares of the Amalgamated Company on these Exchanges.

**Nominees for Directors of the Amalgamated Company**

The full names, residence addresses and occupations of the first directors of the Amalgamated Company will be as follows:

Name	Residence Address	Occupation
Aaro Emil Aho	106-845 Hornby Street Vancouver, B.C.	Consulting Geological Engineer
Paul Wheeler Allen	1175 Glen Oaks Bl. Pasadena, California	Business Executive
John Bruk	890 Greenwood Road West Vancouver, B.C.	Lawyer
Robert Ernest Gordon Davis	5555 Newton Wynd. Vancouver, B.C.	Business Executive
Donlin "P" Murdy	855 Old Mill Road Pasadena, California	Business Executive
Kenneth Lieber	148 Via Waziers Newport Beach, California	Business Executive
Robert Emmett Thurmond	1200 Rancheros Place Pasadena, California	Business Executive
Hubert Richard Whittall	3410 Marpole Avenue Vancouver, B.C.	Securities Broker-Dealer
Charles Henry Wills	1789 Matthews Avenue Vancouver, B.C.	Lawyer

Each director will hold office until the first Annual General Meeting of the Amalgamated Company, unless he ceases to hold office in accordance with the Articles of the Amalgamated Company or the provisions of the British Columbia Companies Act.

**Capitalization**

The following table sets forth the capitalization at February 8, 1974, of Dynasty and Anvil, and the pro forma consolidated capitalization giving the effect to the Amalgamation Agreement.

	Dynasty	Anvil	Pro Forma Consolidated
Shares			
Authorized	10,000,000	10,000,000	100,000,000
Outstanding	3,046,100	1,500,000	7,615,250
Par Value	\$2.00	No par value	No par value

**Shares of the Amalgamated Company**

The Amalgamated Company will be authorized to issue 100,000,000 Common Shares without par value. At meetings of the Shareholders of the Amalgamated Company each Shareholder will be entitled to one vote for each share held by him. The shares of the Amalgamated Company will not carry any pre-emptive rights.

**Conditions to Completion of Amalgamation**

The Amalgamation Agreement provides that the amalgamation is subject to a number of conditions precedent, which must be either complied with or waived prior to the date of the application to the Supreme Court of British Columbia, to approve the amalgamation.

DATED at Vancouver, British Columbia as at February 8, 1974.

BY ORDER OF THE BOARD

Selwyn B. Jones  
Secretary  
DYNASTY EXPLORATIONS LIMITED

Exhibit "A"

**AMALGAMATION AGREEMENT**

dated December 14, 1973

**BETWEEN**

**DYNASTY EXPLORATIONS LIMITED**

**AND**

**ANVIL MINING CORPORATION LIMITED**

Exhibit "A"

THIS AGREEMENT made the 14th day of December 1973,

BETWEEN:

DYNASTY EXPLORATIONS LIMITED, a body corporate, under the laws of the Province of British Columbia, having its registered office at 8th Floor, Bank of Canada Building, 900 West Hastings Street, Vancouver 1, British Columbia

(herein called "Dynasty")

OF THE FIRST PART

AND:

ANVIL MINING CORPORATION LIMITED, a body corporate, under the laws of the Province of British Columbia, having its registered office at 26th Floor, 700 West Georgia Street, Vancouver 1, British Columbia

(herein called "Anvil")

OF THE SECOND PART

WHEREAS:

A) Dynasty and Anvil (herein collectively called the "Constituent Companies") both incorporated under the laws of British Columbia, wish to amalgamate pursuant to the provisions of the Companies Act of British Columbia, and to continue as one company (the "Amalgamated Company") upon the terms and conditions hereinafter set out;

B) The Constituent Companies wish to form the Amalgamated Company for the purposes of:

- i) assuming all the activities presently being undertaken by Anvil and Dynasty and proceeding with a campaign to find by exploration and acquisition economically desirable mineral properties in the Yukon and Northwest Territories, British Columbia, and other provinces of Canada with the intent that the Amalgamated Company will develop into a major Canadian resource company;
- ii) combining the exploration expertise of Dynasty and the operational capabilities and cash flow of Anvil;
- iii) having the Amalgamated Company with head office in Vancouver, British Columbia; and
- iv) having the shareholders of Dynasty participate directly as shareholders of the Amalgamated Company;

C) Dynasty has an authorized capital of 10,000,000 shares of a par value of \$2 each. Dynasty has issued 3,044,020 shares, all of which are fully paid and non-assessable.

D) Anvil has an authorized capital of 10,000,000 common shares without par value. Anvil has issued 1,500,000 common shares, all of which are fully paid and non-assessable.

E) Dynasty is the registered holder of 600,000 common shares in the capital of Anvil. Anvil is not the registered holder of any shares in the capital of Dynasty;

F) Cyprus Mines Corporation, a body corporate under the laws of the State of New York (herein called "Cyprus") is the registered holder of 235,400 shares of Dynasty and 900,000 common shares of Anvil;

G) Dynasty has authorized and issued 7% Convertible Collateral Income Debentures (herein called the "Convertible Debentures") in the aggregate principal amount of \$6,500,000 of which \$5,861,000 are now outstanding. Each \$1,000 principal amount of such Debentures is convertible into 80 fully paid and non-assessable shares of Dynasty.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual agreements, covenants and conditions herein contained, the Constituent Companies mutually covenant and agree as follows:

1. In this Agreement the following expressions shall have the following meanings:
  - a) "Amalgamated Company" means the Company continuing from the amalgamation of the Constituent Companies.
  - b) "Companies Act" means the Companies Act of British Columbia (S.B.C. 1973, First Session, Chapter 18).
  - c) "Registrar of Companies" means the Registrar of Companies of British Columbia.
  - d) "Court" means the Supreme Court of British Columbia.
  - e) "Effective Date" means the date shown in the Certificate of Amalgamation to be issued by the Registrar of Companies pursuant to Section 271(d) of the Companies Act.

2. The Constituent Companies do hereby agree to amalgamate pursuant to Division (4) (a) of Part 8 of the Companies Act and to continue as one company under the terms and conditions hereinafter set out.

3. The Constituent Companies will request that the Effective Date be the last business day of the calendar month in which the documents required under Section 271 of the Companies Act are delivered to the Registrar of Companies.

4. The name of the Amalgamated Company shall be "Cyprus Anvil Mining Corporation".

5. The Memorandum and Articles of the Amalgamated Company shall be in the form set forth in Schedules "A" and "B" hereto, which forms have been approved by the Registrar of Companies pursuant to Section 269 of the Companies Act.

6. All employees of Dynasty and Anvil shall automatically become employees of the Amalgamated Company which shall adopt employee benefit plans which will equal as well as possible the plans now available to the Dynasty and Anvil employees.

7. The Amalgamated Company shall be a reporting company and its first directors shall make application for listing of its common shares on the Vancouver and Toronto Stock Exchanges.

8. The registered office and records office of the Amalgamated Company shall be located at the executive offices of the Amalgamated Company which shall be at Suite 804, 1550 Alberni Street, Vancouver, British Columbia.

9. a) The full names, resident addresses and occupations of the first directors of the Amalgamated Company shall be as follows:

Name	Residence Address	Occupation
Aaro Emil Aho	106 - 845 Hornby Street Vancouver, B.C.	Consulting Geological Engineer
Paul Wheeler Allen	1175 Glen Oaks Bl. Pasadena, Ca. 91105	Business Executive
John Bruk	890 Greenwood Road West Vancouver, B.C.	Lawyer
Robert Ernest Gordon Davis	5555 Newton Wynd Vancouver, B.C.	Business Executive
Kenneth Lieber	148 Via Waziers Newport Beach, Ca. 92660	Business Executive
Donlin "P." Murdy	855 Old Mill Road Pasadena, Ca. 91108	Business Executive

Name	Residence Address	Occupation
Robert Emmett Thurmond	1200 Rancheros Place Pasadena, Ca. 91103	Business Executive
Hubert Richard Whittall	6288 McDonald Street Vancouver, B.C.	Securities Broker-Dealer
Charles Henry Wills	1789 Matthews Avenue Vancouver, B.C.	Lawyer

- b) The directors of the Amalgamated Company shall carry on and continue the subsequent management and operations of the Amalgamated Company subject to and in accordance with the Companies Act and the Articles of the Amalgamated Company, and the provisions of this Agreement.
- c) The first Executive Committee of the Directors of the Amalgamated Company shall consist of the Chairman of the Directors, the President and one other Director.
- d) The Chief Executive officer of the Amalgamated Company shall reside in British Columbia and a majority of the directors shall reside in Canada.

10. The officers of the Amalgamated Company shall be elected by the first directors of the Amalgamated Company forthwith after the Effective Date.

11. The first Annual General Meeting of the Amalgamated Company shall be held in the month of April 1975.

12. The issued and unissued shares in the capital of each of the Constituent Companies shall be exchanged for those of the Amalgamated Company in the following manner:

- a) Each issued share of Dynasty shall be exchanged for one common share of the Amalgamated Company.
- b) The 900,000 issued common shares of Anvil registered in the name of Cyprus aforesaid and being all the issued common shares of Anvil, other than those shares registered in the name of Dynasty, shall be exchanged for that number of common shares of the Amalgamated Company which, when issued, will constitute 60% of the then issued and outstanding shares of the Amalgamated Company.
- c) The 600,000 common shares in the capital of Anvil registered in the name of Dynasty shall be cancelled without any repayment of capital in respect thereof.
- d) All shares of Dynasty now under Option will be either exercised or cancelled prior to the Amalgamation.

After the issue of the Certificate of Amalgamation by the Registrar of Companies, the Amalgamated Company shall request the shareholders of the Constituent Companies to surrender their certificates representing shares of the Constituent Companies held by them and in return shall be entitled to receive certificates for shares of the Amalgamated Company on the aforesaid basis, which shares shall be issued as fully paid and non-assessable.

13. The pooling of interests method of accounting shall be adopted in this amalgamation.

14. Forthwith upon satisfactory financing having been arranged not later than January 31, 1974 by Dynasty with the assistance of Anvil for the redemption of Dynasty's Convertible Debentures, Dynasty shall give due notice of redemption of its Convertible Debentures and shall duly redeem those Convertible Debentures which are not converted into shares of Dynasty within the 30-day period following such notice as provided in the Trust Deed under which the Convertible Debentures were issued.

15. a) Each of the Constituent Companies must adopt this Agreement in accordance with Section 269 of the Companies Act and if either one fails to do so, this Agreement shall be null and void.

b) If the Effective Date has not occurred by March 31, 1974, either one of the Constituent Companies may, within seven days after said date, terminate this Agreement by written notice to the other.

16. From the Effective Date the Amalgamated Company shall be seized of and hold and possess all the property, rights and interests and be subject to all the debts, liabilities and obligations of each Constituent Company and all members of each of the Constituent Companies shall be bound by the terms of this Agreement.

17. The rights of creditors against the property, rights and interests of the Constituent Companies and all liens upon their respective properties, rights and interests shall be unimpaired by the amalgamation and all debts, contracts, liabilities and duties of the Constituent Companies shall from then forward attach to the Amalgamated Company and may be enforced by and against it.

18. No action or proceedings by or against the Constituent Companies or either of them shall abate or be affected by the amalgamation, but for all purposes of such action or proceedings the Amalgamated Company shall be deemed substituted for the Constituent Company involved.

19. Forthwith upon the execution hereof:

- a) Subject to Dynasty passing the special resolution referred to in subclause (b), Anvil shall submit to its shareholders for their consent in writing a special resolution approving the Amalgamation Agreement and Dynasty shall duly consent thereto.
- b) Dynasty shall duly convene an extraordinary general meeting of its members for the purpose of passing a special resolution approving this Amalgamation Agreement; and
- c) Anvil and Dynasty will request all their secured creditors to consent to the amalgamation.

20. Subject to clause 25 hereof, on such date as the parties hereto mutually agree but in any event within the time period stipulated in Section 270 of the Companies Act the Constituent Companies shall apply to the Court for an order approving this amalgamation.

21. Following the passing of the special resolutions referred to in clause 19 hereof, the Constituent Companies may, by resolution of their respective directors, assent to any alteration or modification of this Agreement which the Registrar of Companies or the Court may require, and all alterations and modifications so effected shall be binding upon the parties hereto.

22. The amalgamation of the Constituent Companies pursuant to this Agreement shall be subject to the following conditions precedent which may not be waived by Dynasty or Anvil, namely:

- a) That the Court shall approve the amalgamation pursuant to Section 270 of the Companies Act.
- b) That prior to the date of the application referred to in clause 20 hereof there shall have been obtained from all appropriate governmental or administrative bodies the approvals or consents required to permit the amalgamation.
- c) That the written approvals of counsel for the Constituent Companies shall have been exchanged.
- d) That an opinion shall have been received from Canadian counsel in form satisfactory to counsel for the parties hereto to the effect that the exchange of shares pursuant to this Agreement, if consummated, will not result in a taxable gain or loss and that no taxable income or appropriation of property will be deemed to have been received for Canadian Income Tax purposes by any shareholder of Dynasty who is a taxpayer of Canada except for gains or losses on the sale of fractional share interests by shareholders of Dynasty or except with respect to amounts received by any such shareholder upon the election of such shareholder to receive cash in lieu of shares in the Amalgamated Company; or in respect of the purchase of his shares received by a dissenting shareholder of Dynasty which such shareholder requires to be purchased pursuant to Sections 228 and 270 of the Companies Act.
- e) Approval to list the common shares of the Amalgamated Company forthwith after the Effective Date shall have been received from the Vancouver and Toronto Stock Exchanges.

23. The amalgamation of the Constituent Companies pursuant to this Agreement shall be subject to the following conditions precedent which conditions are inserted for the exclusive benefit of Dynasty and may be waived in whole or in part by it at any time, namely:

- a) The audited Financial Statements of Anvil for the fiscal period ended December 31, 1972, attached hereto as Schedule "D" fairly set forth the financial condition of Anvil as of December 31, 1972, and the financial results of its operations for the fiscal period ended December 31, 1972. Dynasty shall have the right at any time after December 31, 1973 to require of Anvil audited financial statements made up to December 31, 1973 prepared by Coopers & Lybrand.
- b) Anvil shall have filed all tax returns required to be filed, and have paid, or have set up an adequate reserve for the payment of, all taxes required to be paid in respect of the periods covered by such returns.
- c) Anvil shall have set up adequate reserves for the payment of all taxes in respect of the tax periods subsequent to the periods referred to in clause 23 (b) hereof and for the payment of all other taxes (including, without limitation, all income, capital, property, employment, sales and use taxes).
- d) No substantial damage by fire or other hazards to the physical assets of Anvil shall have occurred.
- e) Since December 31, 1972 Anvil shall not have experienced any event or condition of any character materially and adversely affecting its assets, liabilities, business or issued capital.
- f) Since December 31, 1972 Anvil shall not have declared any dividends or made any capital distributions.
- g) Anvil shall conduct its business only in the ordinary course (except as required to implement this Agreement), will repair and maintain in good operating condition all its presently operating, tangible property and assets in accordance with generally accepted repair and maintenance standards, will use and cause its directors, officers and agents to use its and their best efforts to preserve and protect the business and goodwill of Anvil and will continue in force its existing liability, property damage, fire and other casualty or hazard insurance.
- h) Anvil shall not declare or pay any dividends (whether in cash, property or shares of Anvil) upon or make any other distribution with respect to, or purchase, redeem or otherwise beneficially acquire any of the outstanding shares of Anvil or subdivide, consolidate or reclassify the outstanding shares of Anvil or issue any additional shares of any class whatsoever.
- i) Anvil shall not enter into any contracts or other commitments except in the ordinary course of its business as now conducted.
- j) Anvil shall not make any investment in, or acquire any securities of, make any loan or advance to, or enter into any partnership or joint venture with, any other person, firm, corporation, trust or other entity or become committed to do so except in the ordinary course of its business and for the purpose of expanding or extending the same.
- k) That a ruling shall have been obtained from the Internal Revenue Service of the United States in form satisfactory to such counsel to the effect that the contemplated exchange of shares will not result in a taxable gain or loss for United States Federal income tax purposes to any shareholder of Dynasty or Anvil who is a taxpayer of the United States of America (except with respect to amounts received by any such shareholder upon the election of such shareholder to receive cash in lieu of shares in the Amalgamated Company); or in respect of the purchase price of his shares received by a dissenting shareholder of Dynasty or Anvil in respect of any shares of Dynasty which such shareholder requires to be purchased pursuant to Section 228 and 270 of the Companies Act.
- l) That an opinion shall have been received from United States counsel, subject to the rulings of the United States Internal Revenue Service referred to in (k) above being obtained, to the effect that no United States interest equalization tax will be payable by any holder of shares of Dynasty or Anvil upon the exchange of such shares for shares of the Amalgamated Company.

- m) On the date of the application to the Court referred to in clause 20 hereof, Dynasty shall be furnished with a certificate, dated at 9:00 a.m. on that date made by the President and the Treasurer of Anvil, satisfactory to Dynasty that save to the extent that the foregoing conditions in this clause 23 have been waived by Dynasty those conditions have been fulfilled.

24. The amalgamation of the Constituent Companies pursuant to this Agreement shall be subject to the following conditions precedent which conditions are inserted for the exclusive benefit of Anvil and may be waived in whole or in part by it at any time, namely:

- a) The audited Financial Statements of Dynasty for the fiscal period ended December 31, 1972 attached hereto as Schedule "E" fairly set forth the financial condition of Dynasty as of December 31, 1972 and the financial results of its operations for the fiscal period ended December 31, 1972. Anvil shall have the right at any time after December 31, 1973 to require of Dynasty audited financial statements made up to December 31, 1973 prepared by Coopers & Lybrand.
- b) Dynasty shall have filed all tax returns required to be filed, and has paid, or has set up an adequate reserve for the payment of, all taxes required to be paid in respect of the periods covered by such returns.
- c) Dynasty shall have set up adequate reserves for the payment of all taxes in respect of the tax periods subsequent to the periods referred to in clause 24(b) hereof and for the payment of all other taxes (including, without limitation, all income, capital, property, employment, sales and use taxes).
- d) No substantial damage by fire or other hazards to the physical assets of Dynasty shall have occurred prior to the date of the amalgamation.
- e) Dynasty shall not have experienced any event or condition of any character materially and adversely affecting its assets, liabilities, business or issued capital.
- f) Dynasty shall not have declared any dividends or made any capital distributions.
- g) Prior to the date of the application to the Court referred to in clause 20 hereof Dynasty shall have terminated its joint exploration agreement dated January 1, 1969, with Atlas Explorations Limited.
- h) At the date of the application to Court all currently outstanding share options for shares of Dynasty shall have been exercised or terminated.
- i) Dynasty shall conduct its business only in the ordinary course (except as required to implement this Agreement), will repair and maintain in good operating condition all of its presently operating tangible property and assets in accordance with generally accepted repair and maintenance standards, will use and cause its directors, officers and agents to use its and their best efforts to preserve and protect the business and goodwill of Dynasty, to retain all present key employees of Dynasty and will continue in force its existing liability, property damage, fire and other casualty or hazard insurance.
- j) Except as specified herein Dynasty shall not declare or pay any dividends (whether in cash, property or shares of Dynasty) upon or make any other distribution with respect to, or purchase, redeem or otherwise beneficially acquire any of the outstanding shares of Dynasty or subdivide, consolidate or reclassify the outstanding shares of Dynasty or issue any additional shares of any class whatsoever.
- k) Dynasty shall not enter into any contracts or other commitments except in the ordinary course of its business as now conducted.
- l) Dynasty shall not make any investment in, or acquire any securities of, make any loan or advance to, or enter into any partnership or joint venture with, any other person, firm, corporation, trust or other entity or become committed to do so except in the ordinary course of its business and for the purpose of expanding or extending the same.
- m) That a ruling shall have been obtained from the Internal Revenue Service of the United States in form satisfactory to such counsel to the effect that the contemplated exchange of shares will not result in a taxable gain or loss for United States Federal income tax purposes

to any shareholder of Dynasty or Anvil who is a taxpayer of the United States of America (except with respect to amounts received by any such shareholder upon the election of such shareholder to receive cash in lieu of shares in the Amalgamated Company); or in respect of the purchase price of his shares received by a dissenting shareholder of Dynasty in respect of any shares of Dynasty which such shareholder requires to be purchased pursuant to Section 228 and 270 of the Companies Act.

- n) That an opinion shall have been received from United States counsel, subject to the rulings of the United States Internal Revenue Service referred to in (m) above being obtained, to the effect that no United States interest equalization tax will be payable by any holder of shares of Dynasty or Anvil upon the exchange of such shares for shares of the Amalgamated Company.
- o) On the date of the application to Court referred to in clause 20 hereof Anvil shall be furnished with a certificate, dated at 9:00 a.m. on that date made by the President and the Secretary of Dynasty, satisfactory to Anvil that save to the extent that the foregoing conditions in this clause 24 have been waived by Anvil those conditions have been fulfilled.
- p) Dynasty shall have complied with the provisions of Clause 14 hereof.

25. Application to the Court for an order approving this amalgamation shall not be made if:
- a) any of the conditions set forth in clause 22 hereof have not been fulfilled at the date of the application; or
  - b) any of the conditions set forth in clause 23 hereof have not been fulfilled or waived by Dynasty as at the date of the application; or
  - c) any of the conditions set forth in clause 24 hereof have not been fulfilled or waived by Anvil as of the date of the application.

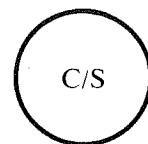
26. No certificates for fractions of shares of the Amalgamated Company shall be issued. In lieu thereof if any fraction of a share of the Amalgamated Company would be issuable to any holder of outstanding capital stock of Dynasty, such fraction shall be purchased upon surrender of the Dynasty shares for an amount in cash equal to the value of such fraction on the basis of the median between the high and low prices for Dynasty shares on the Vancouver Stock Exchange at the close of business on the Effective Date of the amalgamation.

IN WITNESS WHEREOF the parties hereto have duly executed these Presents the day and year first above written.

The Common Seal of DYNASTY EXPLORATIONS LIMITED was hereunto affixed in the presence of:

JOHN BRUK Chairman

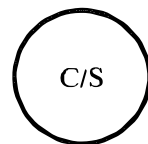
R.E. GORDON DAVIS President



The Common Seal of ANVIL MINING CORPORATION LIMITED was hereunto affixed in the presence of:

D. P. MURDY

GERALD M. KELLY



MEMORANDUM

of

CYPRUS ANVIL MINING CORPORATION

- 1. The name of the Company is “CYPRUS ANVIL MINING CORPORATION”.
- 2. The authorized capital of the Company consists of 100,000,000 common shares without par value.

THIS IS SCHEDULE “A” TO THE AMALGAMATION AGREEMENT BETWEEN DYNASTY EXPLORATIONS LIMITED AND ANVIL MINING CORPORATION LIMITED DATED THE 14th DAY OF DECEMBER, 1973.

Exhibit "B"

**FINANCIAL STATEMENTS**  
for the year ended December 31, 1973

**DYNASTY EXPLORATIONS LIMITED**

**AUDITORS' REPORT TO THE SHAREHOLDERS**

We have examined the balance sheet of Dynasty Explorations Limited as at December 31, 1973 and the statements of earnings, retained earnings, contributed surplus and source and use of working capital 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 December 31, 1973 and the results of its operations and the source and use of its working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.  
January 15, 1974

Coopers & Lybrand  
Chartered Accountants

**DYNASTY EXPLORATIONS LIMITED**

**BALANCE SHEET AS AT DECEMBER 31, 1973**

ASSETS	1973 \$	1972 \$	LIABILITIES	1973 \$	1972 \$
<b>CURRENT ASSETS</b> (note 2)			<b>CURRENT LIABILITIES</b> (note 2)		
Cash and short-term deposits	30,830	147,757	Bank loan	500,000	
Accounts receivable	139,674	89,451	Accounts payable and accrued liabilities	48,128	43,243
Amounts due from Anvil Mining Corporation Limited	8,287,429		Current portion of long-term debt	<u>8,186,959</u>	
	<u>8,457,933</u>	<u>237,208</u>		8,735,087	43,243
			<b>LONG-TERM DEBT</b> (note 6)		<u>7,776,689</u>
				<u>8,735,087</u>	<u>7,819,932</u>
<b>INVESTMENTS</b> , at equity (note 3)	16,429,838	18,168,469	<b>SHAREHOLDERS' EQUITY</b>		
<b>OTHER INVESTMENTS</b> (note 4)	393,474	51,414	<b>CAPITAL STOCK</b> (note 7)		
<b>MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST</b> , at cost (notes 1 and 5)	1,303,670	973,816	Authorized —		
<b>FIXED ASSETS</b> , at cost less accumulated depreciation and amortization (1973 - \$127,973; 1972 - \$106,235)	55,884	54,502	10,000,000 shares of the par value of \$2 each		
<b>ORGANIZATION COSTS</b>		6,629	Issued and fully paid —		
			3,046,020 shares (1972 - 3,042,120 shares)	2,310,590	2,302,790
			<b>CONTRIBUTED SURPLUS</b>	4,229,899	4,222,450
	<u>26,640,799</u>	<u>19,492,038</u>	<b>RETAINED EARNINGS</b>	<u>11,365,223</u>	<u>5,146,866</u>
				<u>17,905,712</u>	<u>11,672,106</u>
				<u>26,640,799</u>	<u>19,492,038</u>

SIGNED ON BEHALF OF THE BOARD

\_\_\_\_\_  
'J. Bruk'

Director

\_\_\_\_\_  
'R.E.G. Davis'

Director

**DYNASTY EXPLORATIONS LIMITED**

**STATEMENT OF RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973 \$	1972 \$
BALANCE — BEGINNING OF YEAR	5,146,866	738,979
Expenses incurred for purposes of effecting the proposed amalgamation (note 11)	<u>36,264</u>	—
	5,110,602	
Net earnings for the year	<u>6,254,621</u>	4,407,887
BALANCE — END OF YEAR	<u>11,365,223</u>	<u>5,146,866</u>

**STATEMENT OF CONTRIBUTED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973 \$	1972 \$
BALANCE — BEGINNING OF YEAR	4,222,450	3,927,806
Premium arising from sale or issue of shares (1973 - 3,900 shares; 1972 - 51,100 shares)	<u>7,449</u>	<u>294,644</u>
BALANCE — END OF YEAR	<u>4,229,899</u>	<u>4,222,450</u>

**DYNASTY EXPLORATIONS LIMITED**

**STATEMENT OF EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973 \$	1972 \$
<b>INCOME</b>		
Equity in net earnings (loss) of affiliated companies before extraordinary items (note 3)		
Anvil Mining Corporation Limited	9,434,043	4,816,000
Atlas Explorations Limited	<u>(8,745)</u>	<u>(8,745)</u>
	9,434,043	4,807,255
Interest	<u>257,013</u>	<u>251,326</u>
	<u>9,691,056</u>	<u>5,058,581</u>
<b>EXPENSES</b>		
Administration	147,249	124,878
Audit	9,185	7,180
Depreciation and amortization	23,204	21,486
Debenture and bank interest	422,599	411,615
Legal	49,670	12,225
Rent	26,755	26,490
Shareholders' reports	20,120	13,337
Travel	3,354	1,767
Trust company fees	<u>10,531</u>	<u>10,559</u>
	712,667	629,537
Less: Expenses capitalized (note 5)	<u>132,961</u>	<u>67,257</u>
	<u>579,706</u>	<u>562,280</u>
<b>EARNINGS BEFORE OTHER EXPENSES AND EXTRAORDINARY ITEMS</b>	<u>9,111,350</u>	<u>4,496,301</u>
<b>OTHER EXPENSES</b>		
Write-off of costs of mineral properties and areas of geological interest (note 5)	159,914	109,840
Recovery of Anvil Mine opening costs		(21,850)
Loss on sale of marketable securities		424
	<u>159,914</u>	<u>88,414</u>
<b>EARNINGS BEFORE EXTRAORDINARY ITEMS</b>	<u>8,951,436</u>	4,407,887
<b>EXTRAORDINARY ITEMS</b>		
Loss on disposal of shares of Atlas Explorations Limited	429,650	
Write-down of shares of Atlas Explorations Limited from carrying amount to quoted market value (note 4)	1,690,004	
Write-off of organization costs	6,629	
Foreign exchange loss (note 2)	<u>570,532</u>	
	<u>2,696,815</u>	
<b>NET EARNINGS FOR THE YEAR (note 10)</b>	<u>6,254,621</u>	<u>4,407,887</u>
<b>EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS</b>	<u>\$2.94</u>	<u>\$1.47</u>
<b>EARNINGS PER SHARE</b>	<u>\$2.05</u>	<u>\$1.47</u>

**DYNASTY EXPLORATIONS LIMITED**

**STATEMENT OF SOURCE AND USE OF WORKING CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973	1972
	\$	\$
<b>SOURCE</b>		
Capital stock issued	15,249	396,844
Proceeds on disposal of shares of Atlas Explorations Limited	105,000	
Reclassification of amounts due from Anvil Mining Corporation Limited	<u>7,868,465</u>	
	<u>7,988,714</u>	<u>396,844</u>
<b>USE</b>		
Current operations	132,526	106,727
Exploration (note 5)	489,768	303,875
Fixed assets — net	24,586	545
Expenses re proposed amalgamation	36,264	
Reclassification of long-term debt (note 6)	<u>7,776,689</u>	
	<u>8,459,833</u>	<u>411,147</u>
<b>DECREASE IN WORKING CAPITAL</b>	471,119	14,303
<b>WORKING CAPITAL — BEGINNING OF YEAR</b>	<u>193,965</u>	<u>208,268</u>
<b>WORKING CAPITAL (DEFICIENCY) — END OF YEAR</b>	<u>(277,154)</u>	<u>193,965</u>
<b>REPRESENTED BY:</b>		
Current assets	8,457,933	237,208
Current liabilities	<u>8,735,087</u>	<u>43,243</u>
<b>WORKING CAPITAL (DEFICIENCY) — END OF YEAR</b>	<u>(277,154)</u>	<u>193,965</u>

**DYNASTY EXPLORATIONS LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

**1. VALUE**

The amount shown for Mineral Properties and Areas of Geological Interest represents costs incurred to date and is not intended to reflect present or future value.

**2. CURRENT ASSETS AND CURRENT LIABILITIES**

(i) Amounts due from Anvil Mining Corporation Limited

	\$
7½% income bonds Series D	5,575,920
Accrued interest thereon	2,370,909
General Mortgage bonds Series C without interest	250,000
Advance without interest	<u>90,600</u>
	<u>8,287,429</u>

Anvil is owned 40% by the Company and 60% by Cyprus Mines Corporation of Los Angeles, California. Under the terms of a financing agreement dated September 27, 1967 for the purpose of development of the Anvil Mine, the Company loaned to Anvil \$5,600,000 (U.S.) at the date of financing (\$6,062,000 Cdn.) to maintain its 40% interest, which is \$5,575,920 Cdn. at exchange rates prevailing at December 31, 1973.

The Company has arranged to sell on February 4, 1974 the 7½% income bonds Series D at par to a Canadian Chartered Bank and Anvil has agreed to pay the accrued interest to that date to the Company. These transactions give rise to a foreign exchange loss of \$570,532. Anvil has also agreed to redeem the Series C bonds and to repay the advance on that date. All of the foregoing arrangements have been made to enable the Company to redeem its Convertible Collateral Income Debentures on February 8, 1974.

(ii) The substantial change in current liabilities from the previous year arises mainly from the decision of the Company to redeem its outstanding 7% Convertible Collateral Income Debentures on February 8, 1974. This debt had previously been classified as Long-Term Debt but the imminent repayment dictates that it be reclassified as a current liability. (note 6)

**3. INVESTMENTS**

The Company's investments consist solely of the shares and other securities in Anvil Mining Corporation Limited.

During the year the Company reduced its percentage shareholding in Atlas Explorations Limited from 23% to 18%. Atlas is no longer considered to be an effectively controlled corporation and is no longer accounted for on the equity basis and has been transferred to Other Investments (note 4).

(i)

	Shares at cost \$	Bonds, advances and accrued interest \$	Equity in earnings \$	Total carrying amount \$
Investments — beginning of year	375,958	8,438,997	6,786,800	15,601,755
Add: Accrued interest during year		418,964		418,964
Equity in earnings during the year			<u>9,267,080</u>	<u>9,267,080</u>
	<u>375,958</u>	<u>8,857,961</u>	<u>16,053,880</u>	<u>25,287,799</u>
Deduct:				
Bonds, advances and accrued interest reclassified as current assets		8,287,429		
Foreign exchange loss		<u>570,532</u>		
		<u>8,857,961</u>		<u>8,857,961</u>
Investments — end of year	<u>375,958</u>	<u>—</u>	<u>16,053,880</u>	<u>16,429,838</u>

(ii) Income taxes and contingency

With respect to the Company's 40% equity in the earnings of Anvil Mining Corporation Limited, there is a decision (presently under appeal in the Supreme Court of Canada) of the Federal Court of Appeal in the case of Bethlehem Copper Corporation Ltd., delivered on May 9, 1973, which raises a possibility that a portion of Anvil's income which Anvil previously reported as being exempt under the provisions of the Income Tax Act may be subjected to tax. There is no satisfactory precedent on which to base an estimate of the amount of tax, if any, which might be involved. It is the Company's understanding that, to date, Anvil has calculated its income tax provision strictly in accordance with established and recognized practice for Canadian mining companies.

#### 4. OTHER INVESTMENTS

	\$
Unquoted investments — at cost	51,414
Quoted investments — at market; Atlas Explorations Limited 950,166 shares (36¢ per share)	<u>342,060</u>
	<u>393,474</u>

#### 5. MINERAL PROPERTIES AND AREAS OF GEOLOGICAL INTEREST

Exploration and administration costs relating to mineral properties and areas of geological interest are capitalized on the basis of specific claim blocks and/or areas of geological interest. If the property or area of interest is abandoned, related costs are written off.

#### 6. LONG-TERM DEBT

	1973 \$	1972 \$
Convertible Collateral Income Debentures	5,861,000	5,861,000
Accrued interest	<u>2,325,959</u>	<u>1,915,689</u>
	8,186,959	7,776,689
Less: Current portion (note 2(ii))	<u>8,186,959</u>	<u>—</u>
	<u>—</u>	<u>7,776,689</u>

The holder of any such debenture shall be entitled to exercise the conversion right at any time prior to the close of business on the last full business day next preceding the date fixed for redemption (February 8, 1974), of any such debenture at the rate of conversion which shall be at the rate of 80 shares of the Company for each \$1,000 principal amount of such debentures. No adjustment or payment shall be made for any interest accrued on any debenture that shall be converted.

#### 7. CAPITAL STOCK

At December 31, 1973 capital stock outstanding was as follows:

	Number of shares	Par value \$
Balance — beginning of year	3,042,120	2,302,790
Issued during the year	<u>3,900</u>	<u>7,800</u>
Balance — end of year	<u>3,046,020</u>	<u>2,310,590</u>

Subject to the terms of the Convertible Collateral Income Debenture issue the Company has reserved 468,880 shares for conversions as provided for under the terms of the Trust Deed.

The Company has agreed to offer to Cyprus Mines Corporation, on the occasion of each new issue of the Company's equity securities, 20% of the total of such new issues on the same terms as such issues are offered to others.

The Company has reserved 100,000 shares for an employees' stock option plan. Under this plan, options on 10,000 shares have been granted at the price of \$3.91 per share expiring at various dates to 1981. As at December 31, 1973, 7,000 shares under option had been purchased and stock options on the remaining shares were terminated.

#### 8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Remuneration which was paid to senior officers including directors directly, or to consulting companies controlled by them amounted to \$107,200.

#### 9. CONTINGENT LIABILITIES

At December 31, 1973, \$110,091 has been received and \$50,000 has been set up as receivable as grants under Northern Mineral Exploration Assistance Regulations. The grants are repayable with interest, over ten years, if the property for which the grants were received should come into production.

The Company has pledged a \$100,000 donation to the University of British Columbia Geological Sciences Centre Fund. The amount is to be paid in five equal instalments over a five year period commencing at the time dividends are received from Anvil Mining Corporation Limited.

## 10. EARNINGS PER SHARE

	1973	1972
	\$	\$
Earnings per share before extraordinary items	2.94	1.47
Earnings per share	2.05	1.47
Fully diluted earnings per share before extraordinary items	2.67	1.39
Fully diluted earnings per share	1.90	1.39

The earnings per share figures are calculated using the weighted monthly average number of shares outstanding during the respective fiscal years.

The fully diluted earnings per share figures are calculated on the assumption that all of the 7% Convertible Collateral Income Debentures outstanding at December 31, 1973 had been converted into common shares as of January 1, 1973.

For purposes of calculating the fully diluted earnings per share figures, the earnings applicable to the common shares were increased by the interest on the 7% Convertible Collateral Income Debentures (\$410,271) and the number of common shares was adjusted to reflect the additional shares that would have resulted on conversion (468,880 shares).

## 11. PROPOSED AMALGAMATION

By agreement dated December 14, 1973 Anvil Mining Corporation Limited and Dynasty Explorations Limited propose to amalgamate. The amalgamated company will be named Cyprus Anvil Mining Corporation and will have its head office in Vancouver, B.C.

The shareholders of Dynasty, which currently owns 40 per cent of Anvil, will receive one share of Cyprus Anvil Mining Corporation for each share of Dynasty which will total 40 per cent of the new Company. Cyprus Mines Corporation will exchange its current 60 per cent shareholding in Anvil for 60 per cent of Cyprus Anvil Mining Corporation.

The amalgamation agreement is subject to the approval of the shareholders and the regulatory bodies, listing of Cyprus Anvil Mining Corporation on the Toronto and Vancouver Stock Exchanges and tax rulings to ensure that there will be no adverse tax consequences. Dynasty will present the agreement to its shareholders for approval at an extraordinary meeting which will be held early in 1974.

Exhibit "C"

**FINANCIAL STATEMENTS**  
for the year ended December 31, 1973  
(Canadian Funds)

**ANVIL MINING CORPORATION LIMITED**

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Anvil Mining Corporation Limited as at December 31, 1973 and the statements of earnings and retained earnings and source and use of working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination for the year ended December 31, 1972.

In our opinion the accompanying financial statements present fairly the financial position of the company as at December 31, 1973 and the results of its operations for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis.

Vancouver, B.C.  
January 16, 1974

Coopers & Lybrand  
Chartered Accountants

**ANVIL MINING CORPORATION LIMITED**  
**BALANCE SHEET AS AT DECEMBER 31, 1973**

**ASSETS**

	1973	1972
	\$	\$
<b>CURRENT ASSETS</b>		
Cash	4,659,852	1,232,708
Accounts receivable	210,051	221,764
Concentrate settlements receivable (note 1)	11,773,408	8,702,668
Concentrate inventory (note 1)	3,212,000	2,030,000
Supplies, at cost	1,971,780	1,848,483
Prepaid expenses	<u>39,440</u>	<u>34,925</u>
	21,866,531	14,070,548
<b>INVESTMENT IN PELLY RIVER MINES LIMITED (N.P.L.) - at cost (note 2)</b>	200,081	177,395
<b>FIXED ASSETS (notes 1, 3, 4 and 6)</b>	48,325,340	43,101,263
<b>DEFERRED COSTS (notes 1 and 3)</b>	<u>29,363,818</u>	<u>30,986,982</u>
	<u>99,755,770</u>	<u>88,336,188</u>

**LIABILITIES**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	4,970,777	3,997,752
Yukon mining royalty payable	3,400,000	933,842
Current portion of long-term debt (notes 1 and 4)	<u>15,512,255</u>	<u>9,068,880</u>
	23,883,032	14,000,474
<b>LONG-TERM DEBT (notes 1 and 4)</b>	29,242,011	56,007,688
<b>DEFERRED INCOME TAXES (note 7)</b>	<u>5,135,000</u>	—
	<u>58,260,043</u>	<u>70,008,162</u>

**SHAREHOLDERS' EQUITY**

<b>CAPITAL STOCK (note 5)</b>	1,300,000	1,300,000
<b>CONTRIBUTED SURPLUS</b>	61,372	61,372
<b>RETAINED EARNINGS</b>	<u>40,134,355</u>	<u>16,966,654</u>
	<u>41,495,727</u>	<u>18,328,026</u>
	<u>99,755,770</u>	<u>88,336,188</u>

SIGNED ON BEHALF OF THE BOARD

\_\_\_\_\_  
 'Robert T. Thurmond'

Director

\_\_\_\_\_  
 'Paul W. Allen'

Director

**ANVIL MINING CORPORATION LIMITED**

**STATEMENT OF EARNINGS AND RETAINED EARNINGS  
 FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973	1972
	\$	\$
<b>REVENUE</b>		
Concentrate sales (note 1)	112,908,307	74,078,386
Deduct: Ocean freight, treatment and related charges	<u>44,388,511</u>	<u>25,995,037</u>
	<u>68,519,796</u>	<u>48,083,349</u>
<b>OPERATING EXPENSES</b>		
Production costs	24,863,470	25,090,015
Administrative and general	<u>3,470,396</u>	<u>2,555,527</u>
	<u>28,333,866</u>	<u>27,645,542</u>
<b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>40,185,930</u>	<u>20,437,807</u>
Depreciation (note 1)	2,727,330	2,694,079
Amortization (note 1)	<u>1,622,788</u>	<u>1,641,216</u>
	<u>4,350,118</u>	<u>4,335,295</u>
	<u>35,835,812</u>	<u>16,102,512</u>
<b>OTHER EXPENSES (INCOME)</b>		
Interest on long-term debt	3,725,632	4,843,221
Gain on disposal of fixed assets	(18,493)	—
Net loss (gain) on foreign exchange (note 1)	446,673	(1,192,930)
Yukon mining royalty	3,234,629	828,000
Exploration	<u>144,670</u>	<u>—</u>
	<u>7,533,111</u>	<u>4,478,291</u>
	28,302,701	11,624,221
<b>PROVISION FOR DEFERRED INCOME TAXES (note 7)</b>	<u>5,135,000</u>	—
<b>NET EARNINGS FOR THE YEAR</b>	23,167,701	11,624,221
<b>RETAINED EARNINGS — BEGINNING OF YEAR</b>	<u>16,966,654</u>	<u>5,342,433</u>
<b>RETAINED EARNINGS — END OF YEAR</b>	<u>40,134,355</u>	<u>16,966,654</u>

**ANVIL MINING CORPORATION LIMITED**

**STATEMENT OF SOURCE AND USE OF WORKING CAPITAL  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	1973 \$	1972 \$
<b>SOURCE</b>		
Net earnings for the year	23,167,701	11,624,221
Items not affecting working capital —		
Depreciation	2,727,330	2,694,079
Amortization	1,622,788	1,641,216
Deferred income tax	5,135,000	
Deferred waste removal	469,000	825,000
Shareholder interest	1,532,927	1,964,205
Other interest	492,599	376,527
	<u>35,147,345</u>	<u>19,125,248</u>
<b>USE</b>		
Fixed asset additions — net	7,951,408	550,288
Deferred cost additions	468,624	710,670
Advances to Pelly River Mines Limited (N.P.L.)	22,686	519
	<u>8,442,718</u>	<u>1,261,477</u>
Long-term debt reduction		
Bank	21,503,640	13,439,710
Shareholders	2,756,405	
Other	120,265	313,682
Increase (decrease) in current portion of long-term debt including unrealized gain on foreign exchange	4,410,892	(142,125)
	<u>28,791,202</u>	<u>13,611,267</u>
	<u>37,233,920</u>	<u>14,872,744</u>
(DECREASE) INCREASE IN WORKING CAPITAL	(2,086,575)	4,252,504
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	70,074	(4,182,430)
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	<u>(2,016,501)</u>	<u>70,074</u>
<b>REPRESENTED BY:</b>		
Current assets	21,866,531	14,070,548
Current liabilities	23,883,032	14,000,474
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	<u>(2,016,501)</u>	<u>70,074</u>

**ANVIL MINING CORPORATION LIMITED**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

**1. SIGNIFICANT ACCOUNTING POLICIES**

(a) Concentrate Sales and Settlements Receivable

Concentrate sales and settlements receivable are recorded at the metal prices, weights and assays available at the year-end. Final prices, weights and assays are not known on a portion of the sales until some time after the year-end and accordingly may vary from those recorded.

(b) Concentrate Inventory

Concentrate inventory is valued at the lower of average cost, on an annual FIFO basis, or estimated net realizable value. Average cost for each type of concentrate is determined on the joint product costing basis using relative sales values for proration of all production costs which exclude depreciation and amortization.

(c) Depreciation, Amortization and Deferred Waste Removal

Depreciation and amortization are calculated on the basis of the shorter of estimated useful life or pounds of metal sold in relation to total estimated marketable pounds of metal available from the ore body.

Deferred waste removal costs arise when the waste-to-ore ratio exceeds the estimated average for the life of the mine; these deferred costs are charged to production costs in years when the waste-to-ore ratio is lower than the estimated average.

(d) Foreign Currency

Long-term debt payable in foreign currencies is recorded in Canadian dollars at historical rates of exchange. Long-term debt would decrease by \$680,000 (1972 \$1,490,000) if translated at year-end exchange rates.

Current assets and liabilities receivable and payable in foreign currencies, including the current portion of long-term debt, have been converted to Canadian dollars at the year-end exchange rate as follows:

	1973	1972
\$1 Cdn. =	\$1.00 US	\$1.005 US
\$1 Cdn. =	2.70 DM	3.22 DM

Earnings for the year include all realized foreign exchange gains and losses as well as unrealized gains and losses related to current assets and liabilities.

Revenues and expenses in currencies other than Canadian dollars have been translated into Canadian dollars at the rate prevailing on the date the transaction was initiated.

**2. INVESTMENT IN AND ADVANCES TO PELLY RIVER MINES LIMITED (N.P.L.)**

The company owns 1 million shares, without quoted market value, representing 57% of the issued common stock of Pelly River Mines Limited (N.P.L.), which is in the business of exploration and development of mineral properties. It has not had any profits or losses since its inception and its assets and liabilities are immaterial in relation to those of the company. Accordingly, consolidated financial statements have not been prepared.

### 3. FIXED ASSETS AND DEFERRED COSTS

(a) Fixed assets and related accumulated depreciation are:

	1973			1972
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Mine buildings machinery and equipment	46,071,926	8,695,849	37,376,077	36,909,352
Construction in progress	5,121,677		5,121,677	
Townsite buildings and equipment	<u>7,017,566</u>	<u>1,189,980</u>	<u>5,827,586</u>	<u>6,191,911</u>
	<u>58,211,169</u>	<u>9,885,829</u>	<u>48,325,340</u>	<u>43,101,263</u>

(b) Deferred costs and related amortization are:

	1973			1972
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Exploration and development	33,899,804	5,628,986	28,270,818	29,424,982
Waste removal	<u>2,387,000</u>	<u>1,294,000</u>	<u>1,093,000</u>	<u>1,562,000</u>
	<u>36,286,804</u>	<u>6,922,986</u>	<u>29,363,818</u>	<u>30,986,982</u>

### 4. LONG-TERM DEBT

Long-term debt is summarized as follows:

	1973 \$	1972 \$
Bank loans		21,503,640
Shareholders' loans, including accrued interest	33,258,057	34,483,149
Metallgesellschaft A.G., including accrued interest	5,699,583	5,205,371
Coal agreement	42,332	81,024
Mortgages	<u>4,443,470</u>	<u>4,525,043</u>
	<u>43,443,442</u>	<u>65,798,227</u>
Less:		
Current portion - at current exchange rates	15,512,255	9,068,880
Unrealized gain (loss) on foreign exchange included in earnings for the year (note 1)	<u>(1,310,824)</u>	<u>721,659</u>
Current portion - at historical exchange rates	<u>14,201,431</u>	<u>9,790,539</u>
	<u>29,242,011</u>	<u>56,007,688</u>

(a) Shareholders' loans, secured by General Mortgage Bonds, rank first in security and priority for repayment out of 80% of net operating profits as defined, and are repayable, in the following order of priority:

	1973			1972
	Cyprus Mines Corporation \$	Dynasty Explorations Limited \$	Total \$	Total \$
(i) 7½% General Mortgage Bonds, Series A, due September 30, 1981 \$4,831,965 U.S.	4,915,890		4,915,890	6,696,200
(ii) 7½% General Mortgage Bonds, Series B, due September 30, 1981	10,000,000		10,000,000	10,000,000
(iii) Non-interest bearing General Mortgage Bonds Series C, due September 30, 1981		250,000	250,000	250,000
(iv) 7½% General Mortgage Bonds, Series D, due September 30, 1981 \$2,400,000 U.S.	2,592,250		2,592,250	2,592,250
and				
(v) 7½% Income Bonds, Series D, due September 30, 1981 \$5,600,000 U.S., which rank equal in priority with the 7½% General Mortgage Bonds, Series D		6,048,581	6,048,581	6,048,581
(vi) Non-interest bearing advance	<u>136,413</u>	<u>90,942</u>	<u>227,355</u>	<u>227,355</u>
Accrued interest	<u>17,644,553</u>	<u>6,389,523</u>	<u>24,034,076</u>	<u>25,814,386</u>
	<u>6,778,208</u>	<u>2,445,773</u>	<u>9,223,981</u>	<u>8,668,763</u>
	<u>24,422,761</u>	<u>8,835,296</u>	<u>33,258,057</u>	<u>34,483,149</u>

In 1974 the company intends to repay, out of cash flow, the Series C bonds, the accrued interest on the Series D Income bonds and the balance of the Series A bonds. Cyprus Mines Corporation has consented to the repayment of the debt to which their loans rank in priority.

(b) Metallgesellschaft A.G., Fourth Mortgage Bonds, rank second in security and are repayable 14,000,000 Deutsche Marks, plus accrued interest at 7.2% compounded semi-annually. The loan agreement provides for repayment of the debt by December 31, 1974 with Anvil having the right and option to extend the due date to December 31, 1975. In prior years the company had anticipated exercising their option and therefore considered the debt due December 31, 1975. It is now the company's intention to repay the loan by the original due date, December 31, 1974, out of cash flow or U.S. dollar bank borrowings if cash flow is insufficient. Bank borrowings, if required, will rank after shareholders' loans in security and priority for repayment.

(c) The coal agreement is repayable with interest at 3½% at the rate of \$2 per ton of coal shipped (minimum \$24,000 per annum).

(d) Mortgages on townsite housing units are payable over periods up to 1995 and bear interest at rates of 8½% and 9¼%.

5. CAPITAL STOCK	1973	1972
	\$	\$
Authorized — 10,000,000 common shares, without nominal or par value, maximum price or consideration of \$1 per share		
Issued and fully paid — 1,500,000 shares	<u>1,300,000</u>	<u>1,300,000</u>

Long-term financing agreements provide restrictions relative to the payment of dividends and the reduction of outstanding capital stock.

6. COMMITMENTS

- (a) The company has agreed that during the five years beginning on the date of commencement of commercial production, it will carry out studies to determine the economic feasibility of constructing a smelter to process its lead and zinc concentrates.
- (b) It is anticipated that costs of approximately \$800,000 will be incurred in completing the construction in progress at December 31, 1973.

7. INCOME TAXES

The company's income from mining operations was exempt from income taxes for the three year period which ended January 31, 1973.

Income for the year otherwise taxable has been eliminated by claiming for income tax purposes charges in excess of those recorded in the accounts to date. The deferred income taxes recorded for the year 1973 include a deferred tax debit of approximately \$4,000,000 relating to prior years which, in accordance with generally accepted accounting principles, was not previously recorded in the accounts.

The decision (presently under appeal in the Supreme Court of Canada) of the Federal Court of Appeal in the case of Bethlehem Copper Corporation Ltd., delivered on May 9, 1973, raises a possibility that a portion of the income which the company previously reported as being exempt under the provisions of the Income Tax Act may be subjected to tax. There is no satisfactory precedent on which to base an estimate of the amount of tax, if any, which might be involved.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid or payable by the company during the year to its directors and senior officers, as defined by the British Columbia Companies Act, amounted to \$196,473.

Exhibit "D"

**PRO FORMA FINANCIAL STATEMENTS**  
for the year ended December 31, 1973

**CYPRUS ANVIL MINING CORPORATION**

**AUDITORS' REPORT TO THE DIRECTORS**  
**OF**  
**ANVIL MINING CORPORATION LIMITED**  
**AND**  
**DYNASTY EXPLORATIONS LIMITED**

We have examined the pro forma balance sheet of Cyprus Anvil Mining Corporation (note 1) as at December 31, 1973 and the pro forma statements of contributed surplus, retained earnings and earnings 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 pro forma financial statements, when read in conjunction with the audited financial statements of Anvil Mining Corporation Limited and Dynasty Explorations Limited (the amalgamating companies) as at December 31, 1973 and the notes thereto, present fairly the financial position of the proposed amalgamated company as at December 31, 1973 and the results of its operations for the year then ended, on a pooling of interests basis and after giving effect to the transactions set out in the notes thereto, in accordance with generally accepted accounting principles.

Vancouver, B.C.  
January 16, 1974

Coopers & Lybrand  
Chartered Accountants

**CYPRUS ANVIL MINING CORPORATION**

**PRO FORMA BALANCE SHEET AS AT DECEMBER 31, 1973**

(After giving effect to the proposed amalgamation of Anvil Mining Corporation Limited and Dynasty Explorations Limited as at December 31, 1973 on the basis set out in the notes hereto)

<b>ASSETS</b>		\$
<b>CURRENT ASSETS</b>		
Cash and short-term deposits		2,103,723
Accounts receivable		349,725
Concentrate settlements receivable		11,773,408
Concentrate inventory		3,212,000
Supplies, at cost		1,971,780
Prepaid expenses		39,440
		<u>19,450,076</u>
INVESTMENTS, at cost		593,555
FIXED ASSETS, at cost less accumulated depreciation		48,381,224
DEFERRED COSTS, at cost less amortization		30,667,488
		<u>99,092,343</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Bank loan		500,000
Accounts payable and accrued liabilities		5,018,905
Yukon mining royalty payable		3,400,000
Current portion of long-term debt		12,790,165
		<u>21,709,070</u>
LONG-TERM DEBT		29,242,011
DEFERRED INCOME TAXES		5,135,000
		<u>56,086,081</u>
<b>SHAREHOLDERS' EQUITY</b>		
CAPITAL STOCK		3,460,590
CONTRIBUTED SURPLUS		4,065,313
RETAINED EARNINGS		35,480,359
		<u>43,006,262</u>
		<u>99,092,343</u>

**CYPRUS ANVIL MINING CORPORATION**

**PRO FORMA STATEMENT OF CONTRIBUTED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	\$
BALANCE — BEGINNING OF YEAR	4,283,822
Premium arising from issue of Dynasty Explorations Limited shares	7,449
	<u>4,291,271</u>
Excess of carrying cost of investment in Anvil on books of Dynasty over cash contribution	225,958
BALANCE — END OF YEAR	<u>4,065,313</u>

**PRO FORMA STATEMENT OF RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	\$
BALANCE — BEGINNING OF YEAR	15,303,019
Expense incurred to December 31, 1973 for purposes of effecting amalgamation	36,264
	<u>15,266,755</u>
Net earnings for the year	20,213,604
BALANCE — END OF YEAR	<u>35,480,359</u>

**CYPRUS ANVIL MINING CORPORATION**

**PRO FORMA STATEMENT OF EARNINGS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

	\$
<b>REVENUE</b>	
Concentrate sales	112,908,307
Deduct: Ocean freight, treatment and related charges	<u>44,388,511</u>
	68,519,796
 <b>OPERATING EXPENSES</b>	
Production costs	24,863,470
Administrative and general	<u>3,604,299</u>
	28,467,769
 <b>OPERATING INCOME BEFORE DEPRECIATION AND AMORTIZATION</b>	<u>40,052,027</u>
Depreciation	2,757,163
Amortization	<u>1,622,788</u>
	4,379,951
	<u>35,672,076</u>
 <b>OTHER EXPENSES (INCOME)</b>	
Interest on long-term debt	3,723,218
Gain on disposal of fixed assets	(18,493)
Net loss on foreign exchange	959,879
Yukon mining royalty	3,234,629
Exploration	304,585
	<u>8,203,818</u>
	27,468,258
 <b>PROVISION FOR DEFERRED INCOME TAXES</b>	<u>5,135,000</u>
 <b>EARNINGS BEFORE EXTRAORDINARY ITEMS</b>	<u>22,333,258</u>
 <b>EXTRAORDINARY ITEMS</b>	
Loss on disposal of shares of Atlas Explorations Limited	429,650
Write-down of shares of Atlas Explorations Limited from carrying amount to quoted market value	<u>1,690,004</u>
	2,119,654
 <b>NET EARNINGS FOR THE YEAR</b>	<u>20,213,604</u>
 <b>EARNINGS PER SHARE BEFORE EXTRAORDINARY ITEMS</b>	<u>\$2.93</u>
 <b>EARNINGS PER SHARE</b>	<u>\$2.65</u>

**CYPRUS ANVIL MINING CORPORATION**

**NOTES TO PRO FORMA FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 1973**

- The pro forma financial statements of Cyprus Anvil Mining Corporation (the proposed name of the amalgamated company) gives effect, on a pooling of interests basis, to the proposed amalgamation of Anvil Mining Corporation Limited and Dynasty Explorations Limited as at December 31, 1973. These pro forma financial statements should only be read in conjunction with the audited financial statements of Anvil and Dynasty for the year ended December 31, 1973, and the notes thereto which are not repeated herein.
- The following transactions, as contemplated by the amalgamation agreement dated December 14, 1973, have been given effect as at December 31, 1973 in the preparation of these pro forma financial statements:
  - the sale of Dynasty of its Anvil Series D Income Bonds to a chartered bank for \$5,600,000 U.S., at par, and the realization of a loss of \$448,581 on disposal (arising because of changes in the exchange rates between the time the funds were loaned and the time the Series D Income Bonds were sold). If the Canadian and U.S. dollars remain at par, this loss will be recovered when Cyprus Anvil Mining Corporation redeems the Series D Income Bonds.
  - the payment by Anvil to Dynasty of:
 

	\$
(i) the Series C non-interest bearing Bonds	250,000
(ii) the accrued interest on the 7½% Series D Income Bonds	2,381,148
(iii) the non-interest bearing advance	<u>90,942</u>
	<u>2,722,090</u>
  - the redemption, for cash, of all of the 7% Convertible Collateral Income Debentures issued by Dynasty plus accrued interest to December 31, 1973, totalling \$8,186,959, assuming none were converted to shares.
  - the amount attributed to capital stock represents the combined capital stock of the amalgamating companies after elimination of amounts paid to Anvil by Dynasty for its shares of Anvil.
  - the issued capital of Cyprus Anvil Mining Corporation is 7,615,050 shares.