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DYNASTY EXPLORATIONS LIMITED



DIRECTORS Dr. Aaro E. Aho, West Vancouver, B.C.
R. E. Gordon Davis, Vancouver, B.C.
Ronald V. Markham, Vancouver, B.C.
John Bruk, West Vancouver, B.C.
H. R. Whittall, Vancouver, B.C.

OFFICERS Dr. Aaro E. Aho, President
R. E. Gordon Davis, Executive Vice-President
John Bruk, Secretary and General Counsel
John S. Brock, Vice-President—Exploration
Selwyn B. Jones, Vice-President—Corporate
G. E. Stedman, Vice-President—Comptroller

SOLICITORS Lawrence & Shaw, Vancouver, B.C.

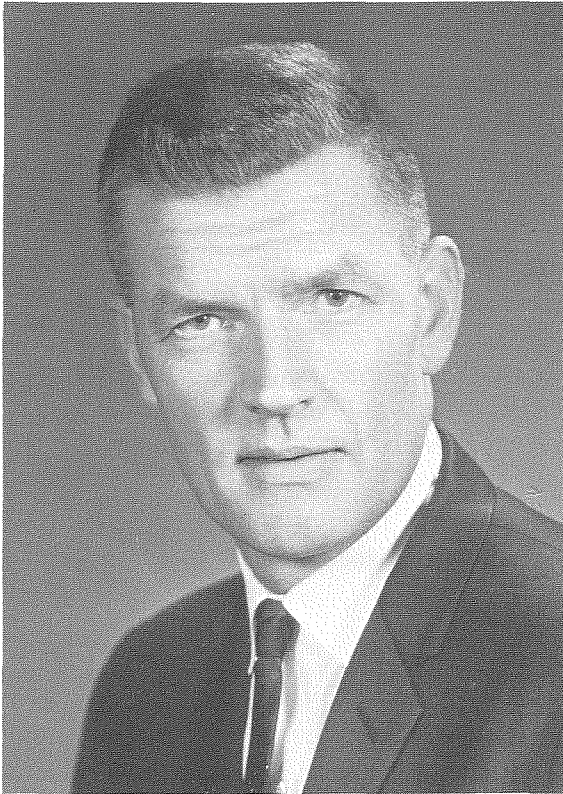
AUDITORS McDonald, Currie & Co., Vancouver, B.C.

TRANSFER AGENT The Guaranty Trust Company of Canada
Vancouver, Calgary, Winnipeg, Toronto, Montreal

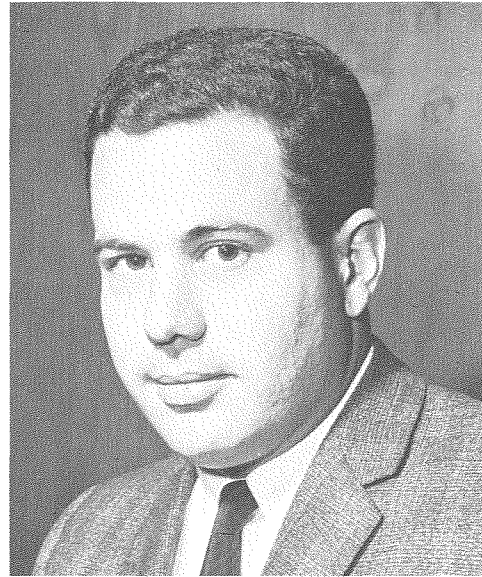
HEAD OFFICE 330 - 355 Burrard Street
Vancouver 1, B.C.

ANNUAL MEETING Thursday, April 30th, 1970, at 10:00 a.m.
Island Room, Hotel Vancouver, Vancouver 1, B.C.

BOARD OF DIRECTORS



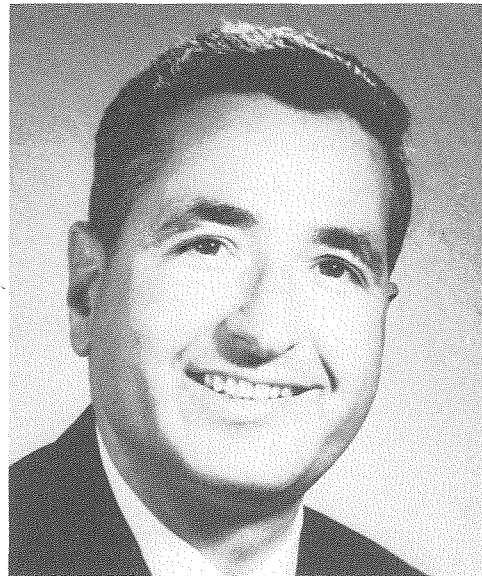
Aaro E. Aho



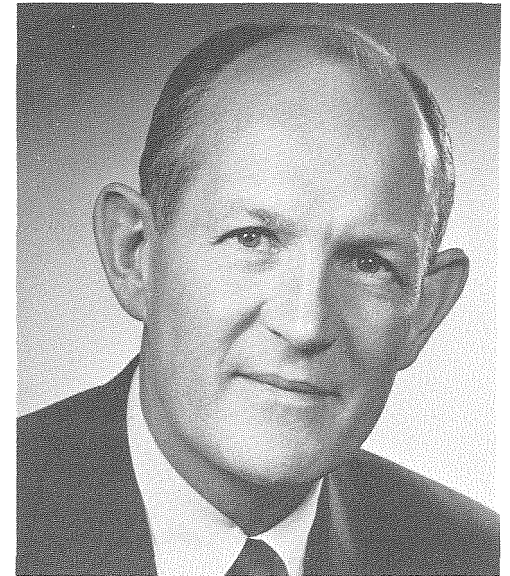
R. E. Gordon Davis



Ronald V. Markham



John Bruk



H. R. Whittall

PRESIDENT'S REPORT

As world industrial expansion in the 1970's is gathering momentum, Dynasty is contributing to its most fundamental needs—metals for technology and scientific know-how in mineral exploration. Start-up of production from the Anvil lead-zinc mine in Yukon was the culmination of years of determined and diligent efforts in exploration and development, and Dynasty is now participating in several new exploration projects designed to discover another great mine.

The story of the Anvil Mine, 40% owned by Dynasty and 60% owned by Cyprus Mines Corporation of Los Angeles has been told in the brochure "Birth of a Giant" which was recently sent to all shareholders. This \$65 million project was brought into production on schedule and the official dedication of the mine took place on January 28, 1970. The ceremonies were given worldwide publicity by closed-circuit television and satellite transmission to television networks and by separate banquets involving over 1,500 guests at Faro, Vancouver, Los Angeles, Ottawa, New York, Tokyo and Frankfurt.

After capital debt repayment by Anvil Mining Corporation, substantial dividends will be received. Continued consideration is being given to optimum investment and development use of the anticipated cash flow.

Proposed changes in taxation, if implemented in their existing form, would adversely affect the company and the mineral industry in general. It is questionable whether under the White Paper tax proposals a discovery similar to the Anvil project could have been brought to fruition and your directors have indicated their concern to the Federal Government in detailed submissions.

During development of the Anvil mine Dynasty has conserved its position in order to maintain its 40% interest but, with Anvil now in production, attention is again focussed on a major exploration program to find new mines. A treasury issue in May 1969 provided funds to increase your company's holdings in Atlas Explorations Limited to 25% of its issued shares and to participate on a 60/40 basis on all subsequent exploration projects undertaken by the two companies.

The 1970 exploration season will be the greatest yet launched by our organization. Ten new exploration projects are being pushed ahead with total expenditures of \$1.2 million. This is one of the largest primary mineral exploration programs in Canada and is indicative of the leading position attained in the industry by our organization during recent years.

Four of the projects will include diamond drilling starting in May and June 1970. With results soon to be available from these drill programs as well as continued exploration on the other projects, this promises to be a most exciting year. Probabilities of success are considered good and the timing for cash flow from Anvil will be opportune in the event of development of another producing mine.

We wish to thank all shareholders, staff, officers, associates, joint venture partners, and the many others who have contributed toward the progress and success of Dynasty and who will continue to devote their efforts to its future. We especially extend our sincerest thanks to everyone who has contributed to the success of Anvil Mining Corporation.

Respectfully submitted on behalf of the Board of Directors.



Aaro E. Aho
President

Anvil Mining Corporation (40% owned)

The 63 million ton Faro open pit lead-zinc orebody, discovered in 1965 after 2 years of intensive exploration by Dynasty Explorations, was developed and put into production under Anvil Mining Corporation at the end of 1969.

Our joint venture partner, Cyprus Mines Corporation of Los Angeles, was responsible for development, including negotiations for long-term sales contracts, government agreements, financing, construction contracts, and transportation arrangements involving participants in Canada, the United States, Japan and West Germany. Financing for the project was provided by a \$42 million term bank loan after the two shareholders together had invested about \$19 million.

The Anvil mine and concentrator had an original design capacity of 5,500 tons per day to produce 240,000 tons of 52% zinc concentrate and 130,000 tons of 69% lead concentrate per year. The lead concentrate will contain approximately 2.4 million ounces of silver. The average grade of the orebodies is 5.7% zinc, 3.4% lead and 1.2 oz/ton silver per ton.

Mitsui Mining & Smelting Co. and Toho Zinc Co. are purchasing all of Anvil's selective lead-zinc concentrates under an eight-year sales agreement. Anvil will receive prevailing world prices for contained metal less deductions for smelting. These contracts represent total sales value of approximately \$500 million at current prices.

Expansion of the concentrator is currently under way to permit production of an additional 90,000 tons of bulk lead-zinc concentrate which will be sold to Metallgesellschaft A.G. of West Germany under a seven-year sales agreement. These shipments should start by mid-1970.

From the commencement of mine and mill tune-up to March 31, 1970, production was 50,000 tons of zinc concentrate and 30,500 tons of lead concentrate.

During the first quarter of 1970 concentrator tune-up has resulted in improved metal recoveries and concentrate tonnage and grade. It is

anticipated that planned levels of production will be attained early in the second quarter.

In the mine area and elsewhere in this important base metal district Anvil retains 1544 claims covering about 77,000 acres which have additional potential and continue to be explored.



Containerized concentrates are shipped by truck and rail to port of Skagway.



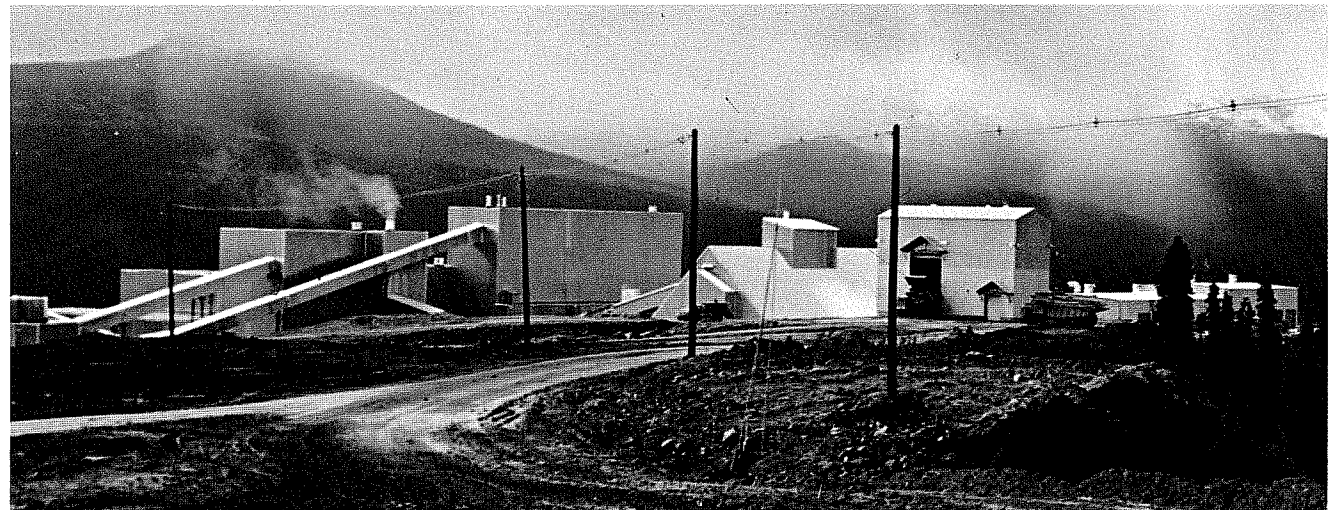
Before



After

Top right:

By fall 1969, the classic outline of the open pit mine emerged from the sub-arctic wilderness of Yukon. The ore body extends left under the drill grid beyond the edge of the photo. The concentrator with airstrip beyond is visible on the left.



Anvil concentrator



*The new town of Faro
carved out of the wilderness,
a joint effort of Anvil
and the Yukon Territorial
Government.*

DEDICATION CEREMONIES



Photo by Sourdough Photographers

Following six years of exploration and development, the Anvil Mine was officially dedicated at Faro, Y.T., on January 28th, 1970 by the Honourable Jean Chretien, Minister of Indian Affairs and Northern Development.

The ceremonies at Faro, the newest and second largest community in Yukon Territory, were video taped and immediately flown by chartered aircraft to Vancouver. Overnight editing and preparation enabled transmission of the film the next morning to simultaneous celebrations held in Tokyo, Japan; Frankfurt, Germany; Los Angeles and New York, U.S.A.; and Ottawa, via communications satellite and closed circuit television.



Photo by Elaine Briere

In Vancouver, a banquet held at the Hotel Vancouver, at which Dr. A. E. Aho presided, was attended by three hundred guests, including senior representatives of government, the mining and related industries, the financial community, and other major industries.

The guest speaker at the Vancouver banquet was the Honourable Arthur Laing, P.C., Minister of Public Works, who together with Dr. Aho, flew from Faro to Vancouver, and was thus able to attend the official dedication ceremony and the Vancouver banquet on successive days.

Exploration (60% Dynasty 40% Atlas)

YUKON PROJECTS

Victor Project

In 1969 the 120-mile long Dawson Range of Yukon was revealed to be a major new porphyry copper-molybdenum belt, mainly as a result of drilling of the large Casino deposit.

The porphyry copper environment was recognized only in 1968 and with other indications now known, it is certain that this first discovery is by no means the only sizeable deposit of this type in the region. Since such mineralization is most apt to be weathered down or concealed by overburden, further exploration of this virgin unglaciated region with its extensive overburden cover can be expected to yield other new discoveries of great value.

Dynasty and Atlas organized the Victor Project in 1969 as their main effort, to explore for such major deposits in the Dawson Range and its vicinity. This program led to staking of five properties, Viña, Bid, Vegas, Royale and Crown, totalling 723 claims which cover geochemical anomalies coincident with favourable intrusive rocks, alteration, and aeromagnetic anomalies. During 1970, each property will be explored and evaluated by detailed geochemistry, geologic mapping, rock geochemistry and magnetic and induced polarization surveys where warranted. A \$203,000 program of exploration will begin in the latter part of April, 1970 to test these properties on which it is anticipated that at least one target can be developed for diamond drilling before the end of the field season.

The Victor project will also continue to use the same regional exploration methods which successfully defined the properties staked in 1969. An expenditure of \$186,000 has been allocated for continued saturation prospecting which will subsequently lead to acquisition of more prospects in the Dawson Range. Moreover, submission of further properties by individuals or other organizations is being actively encouraged.

Within the Victor project area, Dynasty and Atlas together with Canadian Industrial Gas and Oil are joint venturing exploration on

three other claim groups in the southeast Dawson Range, two optioned from third parties and one acquired by staking.

Of priority interest is the 130-claim Klazan group. Drill targets have been developed in a porphyry copper environment and an initial program of a minimum of 3000 feet of diamond drilling is to commence late in April accompanied by further surveys to define extent of mineralization.

The 88, Cash and Johnny claims will be investigated by follow-up geochemical surveys of heavy metal geochemical anomalies found in stream sediments.

The joint venture will also explore the Oats group of 78 claims which was acquired by staking copper and molybdenum geochemical anomalies together with an associated exposure of heavily pyritized and altered intrusive rock.

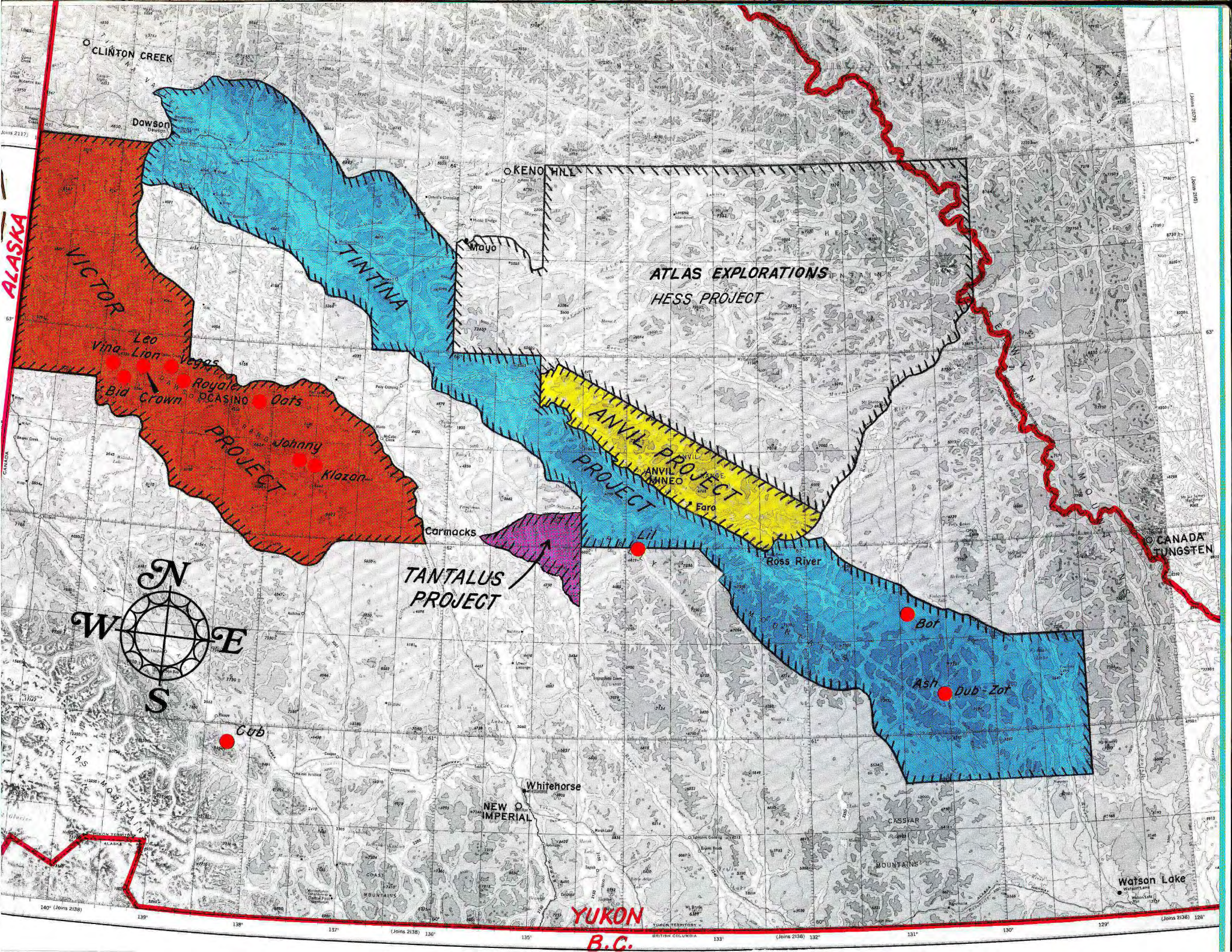
Investigation of these properties is budgetted at \$171,000 of which Canadian Industrial Gas and Oil is to contribute \$68,000.

Tintina

Inspired by possibilities of finding other mineral deposits similar to Anvil, Dynasty and Atlas explored four selected areas adjacent to the Tintina Trench between Dawson City and Watson Lake in Yukon. In 1969 \$215,000 was spent on this project and several areas were outlined for detailed follow-up under a planned budget of \$146,000 for 1970.

In the Fyre Lake vicinity where Atlas has held a copper property (Dub) since 1966, \$124,000 is budgetted for intensified work on new areas. One target consists of a discovery of high copper and molybdenum anomalies coincident with an extensive gossan in a favourable geologic setting.

Exploration will also continue in the Magundy River area, where lead, zinc, tungsten and molybdenum mineralization was found. In addition,



ALASKA

CLINTON CREEK

Dawson

KENO HILL

Mayo

ATLAS EXPLORATIONS
HESS PROJECT

TINTINA

VICTOR

Leo
Vina Lion
Vegas

Royalton
CASINO
Oats

PROJECT

Johann

Klaxon

Carmacks
TANTALUS
PROJECT

ANVIL PROJECT
ANVIL
MINES
PROJECT

Faro

Ross River

Bot

Ash

Dub-Zot

GUB

Whitehorse

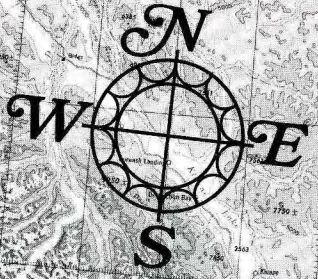
NEW
IMPERIAL

CASSIAR
MOUNTAINS

Watson Lake

YUKON

B.C.



140° (Joins 2138) 139° 138° 137° (Joins 2138) 136° 135° 134° (Joins 2138) 133° 132° 131° 130° 129° (Joins 2138) 128°

DYNASTY EXPLORATIONS LIMITED

BALANCE SHEET

as at December 31, 1969

ASSETS

CURRENT ASSETS

Cash and short term deposits	1,143,687	
Accounts receivable	5,416	22,256
	<u>1,149,103</u>	<u>22,256</u>

INVESTMENTS (notes 1 and 2)	11,125,481	9,110,831
PARTICIPATION IN EXPLORATION JOINT VENTURES, at cost (notes 1 and 3)	254,913	

FIXED ASSETS, at cost less accumulated depreciation and amortization (1969, \$50,516; 1968, \$37,310)	47,887	61,820
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ORGANIZATION COSTS	6,629	6,629
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	<u>12,584,013</u>	<u>9,201,536</u>
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LIABILITIES

CURRENT LIABILITIES

Bank advances		24,800
Accounts payable and accrued liabilities	3,501	16,784
	<u>3,501</u>	<u>41,584</u>

LONG-TERM DEBT (note 4)	6,768,257	6,804,577
	<u>6,771,758</u>	<u>6,846,161</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 5)		
Authorized —		
10,000,000 shares of the par value of \$2 each		
Issued and fully paid —		
2,973,100 shares (1968 - 2,737,900 shares)	2,164,750	1,694,350
SURPLUS	3,647,505	661,025

	<u>5,812,255</u>	<u>2,355,375</u>
	<u>12,584,013</u>	<u>9,201,536</u>

SIGNED ON BEHALF OF THE BOARD

 Director

 Director

**STATEMENT OF SOURCE AND
USE OF WORKING CAPITAL
for the year ended December 31, 1969**

	1969 \$	1968 \$
SOURCE		
Capital stock issued	3,000,000	520,000
7% convertible collateral income debentures		5,980,000
	<u>3,000,000</u>	<u>6,500,000</u>
USE		
In operations (<i>note 7</i>)	9,184	54,612
Investments:		
Atlas Explorations Limited - 600,000 shares	1,560,000	
Anvil Mining Corporation Limited 7½% Income Bonds - Series D		6,062,000
Other - net		31,138
Participation in exploration joint ventures	254,913	
Financing costs	11,698	398,431
Fixed Assets - net	(725)	2,265
	<u>1,835,070</u>	<u>6,548,446</u>
INCREASE (DECREASE) IN WORKING CAPITAL	1,164,930	(48,446)
WORKING CAPITAL (DEFICIENCY) - beginning of year	(19,328)	29,118
WORKING CAPITAL (DEFICIENCY) - end of year	<u>1,145,602</u>	<u>(19,328)</u>
REPRESENTED BY:		
Current assets	1,149,329	22,256
Less: Current liabilities	3,727	41,584
WORKING CAPITAL (DEFICIENCY)	<u>1,145,602</u>	<u>(19,328)</u>

**STATEMENT OF EARNINGS
for the year ended December 31, 1969**

	1969 \$	1968 \$
INCOME		
Bond and short-term deposit interest	519,577	341,139
EXPENSES		
Administration	35,023	23,954
Audit	3,965	1,356
Depreciation and amortization	13,208	13,209
Debenture and bank interest	445,385	309,814
Legal	22,446	9,435
Miscellaneous	4,182	7,298
Shareholders' reports	6,912	3,942
Stock Exchange	225	8,871
Travel	873	3,879
Trust Company	12,451	8,340
	<u>544,670</u>	<u>390,098</u>
Less: Expenses recovered	13,208	17,700
	<u>531,462</u>	<u>372,398</u>
LOSS FOR THE YEAR	<u>11,885</u>	<u>31,259</u>



Anvil Mining Corporation's open pit lead-zinc mine in Yukon.

STATEMENT OF SURPLUS for the year ended December 31, 1969

	1969 \$	1968 \$
CONTRIBUTED SURPLUS		
Balance - beginning of year	733,144	1,651,575
Add: Premium arising from sale of 200,000 shares	2,600,000	
Premium arising from issue of 35,200 shares on conversion of debentures (note 4)	410,063	
	<u>3,743,207</u>	<u>1,651,575</u>
Less: Cost of financing		
Discount on issue of debentures		520,000
Underwriting commission		325,000
Other expenses	11,698	73,431
	<u>11,698</u>	<u>918,431</u>
Balance - end of year	<u>3,731,509</u>	<u>733,144</u>
DEFICIT		
Balance - beginning of year	72,119	40,406
Add: Loss for the year	11,885	31,259
Loss on sale of fixed assets		454
	<u>84,004</u>	<u>72,119</u>
TOTAL SURPLUS	<u>3,647,505</u>	<u>661,025</u>

NOTES TO FINANCIAL STATEMENTS for the year ended December 31, 1969

1. VALUES

The amounts shown for investments and participation in exploration joint ventures represent costs incurred to date and do not reflect present or future values.

2. INVESTMENTS

(a) Public Companies

	Number	Shares		Carrying Value \$
		Quoted Value \$	Cost \$	
Atlas Explorations Limited	1,200,166	2,148,297	3,573,396	3,573,396
Paramount Mining Ltd. (N.P.L.)	72,300	50,610	61,124	61,124
		<u>2,198,907</u>	<u>3,634,520</u>	<u>3,634,520</u>

(b) Private Companies

	Shares		Bonds	
	Number	Cost \$		
Anvil Mining Corporation Limited	600,000	375,958	6,312,000	6,687,958
Pelly River Mines Limited (N.P.L.)	100,000	25,714		25,714
Westrim Mining Corp. Ltd. (N.P.L.)	135,000	19,000		19,000
		<u>420,672</u>	<u>6,312,000</u>	<u>6,732,672</u>
Accrued interest on bonds, (\$702,119 U.S.)				758,289
				<u>7,490,961</u>
TOTAL				<u>11,125,481</u>

Anvil Mining Corporation Limited

The Company holds 40% of the issued shares of Anvil, Cyprus Mining Corporation of Los Angeles, California holds the remaining 60% of the issued shares. Under the terms of a financing agreement the Company loaned \$5,600,000 U.S. to maintain this 40% interest. The bonds are:

(i) General Mortgage Bonds, Series C, without interest	\$ 250,000
(ii) 7½% Income Bonds, Series D, (\$5,600,000 U.S.)	6,062,000
	<u>6,312,000</u>

These bonds constitute a second fixed and floating charge on the assets and undertakings of Anvil. All principal and interest accruing is to be repaid out of production of Anvil as defined in the Second Trust Deed of Anvil.

Atlas Explorations Limited

The company holds 25% of the issued shares of Atlas, and has the right on the occasion of each new issue of Atlas treasury shares, to acquire sufficient shares to maintain its percentage interest.

Pelly River Mines Limited (N.P.L.) is a Company controlled by Anvil.

Westrim Mining Corporation Ltd. (N.P.L.) is a Company involved in mineral exploration.

3. PARTICIPATION IN EXPLORATION JOINT VENTURES

The Company entered into an agreement with Atlas Explorations Limited whereby the companies could participate in all new projects initiated by either company with share interest and cost of each project to be sixty per cent (60%) for Dynasty and forty per cent (40%) for Atlas. In addition Dynasty and Atlas gave each other the right of first refusal to participate in their existing projects. Under the terms of the agreement Atlas is to perform administrative, exploration and technical work in connection with the joint projects.

4. LONG TERM DEBT

Under a Trust Deed of March 1, 1968, the Company has issued the principal amount of \$6,500,000 of 7% Convertible Collateral Income Debentures, to mature April 1, 1982. Each \$1,000 principal amount of debentures is convertible into 80 fully paid and non-assessable shares of the Company at any time until April 1, 1975 or until such later date at which at least one full year's interest on the debentures has been paid.

As at December 31, 1969 the outstanding principal and interest is as follows:

	Principal \$	Interest \$	Total \$
Balance—beginning of year	6,500,000	304,577	6,804,577
Add: accrued interest		444,143	444,143
	<u>6,500,000</u>	<u>748,720</u>	<u>7,248,720</u>
Less: converted to shares during the year	440,000	40,463	480,463
Balance—end of year	<u>6,060,000</u>	<u>708,257</u>	<u>6,768,257</u>

Interest accrues on these debentures from date of issue, but payment of interest is subject to the availability of Net Cash Income of the Company as defined in the Trust Deed.

All funds to be received from Anvil must be paid to the Trustee for the retirement of the debentures and for payment of interest (except for an amount of up to \$50,000 per year for corporate and administrative costs of the Company).

5. CAPITAL STOCK

As at December 31, 1969 capital stock outstanding was as follows:

	Number of Shares	\$
Balance—beginning of year	2,737,900	1,694,350
Issued during the year		
For cash	200,000	400,000
For Debentures converted	35,200	70,400
Balance—end of year	<u>2,973,100</u>	<u>2,164,750</u>

Subject to the terms of the debenture issue (note 4) the Company has reserved 484,800 shares for future conversions. 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.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

During the year no directors' fees were paid. Atlas and Dynasty share management, employees, premises and overhead expenses on the basis that Atlas incurs these expenses and charges to Dynasty its pro-rata share, which is shown herein as Administration. A retainer was paid to a legal firm of which a director and officer is a member, and accordingly no direct remuneration was paid to directors in their capacity as officers of the company, nor to its senior officers.

7. WORKING CAPITAL

Working capital used in operations:

	1969 \$	1968 \$
Loss for the year	11,885	31,259
Items included in loss for the year which are not a source or (use) of working capital:		
Interest income—7½% income Bond	454,650	303,639
Interest expense—7% Debenture	(444,143)	(304,577)
Interest earned, prior to conversion, on loan converted to shares of Atlas Explorations Limited ..		37,500
Depreciation and amortization	(13,208)	(13,209)
Working capital used	<u>9,184</u>	<u>54,612</u>