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MONETA PORCUPINE MINES, LIMITED

1968

*annual
report*

MONETA PORCUPINE MINES, LIMITED**DIRECTORS**

Edward W. Blessing
F. L. Croteau
Thornton J. Donaldson
D. G. C. Menzel
G. C. Snell
Hans Willi

OFFICERS

President - Hans Willi
Vice-President - D. G. C. Menzel
Secretary-Treasurer - A. E. Proznick

ADMINISTRATIVE OFFICE

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REGISTERED OFFICE

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TRANSFER AGENTS

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AUDITORS

Thorne, Gunn, Helliwell & Christenson,
1112 West Pender Street, Vancouver, B.C.
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SOLICITORS

Barbeau, McKercher, Collingwood & Hanna,
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STOCK EXCHANGE LISTINGS

Toronto

CONSULTANTS

Dr. D. D. Campbell;
Dolmage, Campbell & Associates,
808-900 West Hastings Street, Vancouver, B.C.
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BANKERS

Canadian Imperial Bank of Commerce,
640 West Hastings Street, Vancouver, B.C.
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PLACE OF INCORPORATION

Ontario

MONETA PORCUPINE MINES, LIMITED

To the Shareholders:

The principal commitment for Moneta Porcupine Mines, Limited during the past year has been the agreement with Mount Nansen Mines Limited to invest a total of \$690,000 for which Moneta received 600,000 shares of Mount Nansen Mines Limited, bringing the total holding to 620,000 shares.

The mill on the property of Mount Nansen Mines Limited, approximately 40 miles west of Carmacks and 150 miles northwest of Whitehorse, Y.T., Northern Canada came into production as scheduled on September 1, 1968. Originally, the mill had a capacity of 200 tons per day but as surface and underground work progressed during the year and the properties' gold and silver potential substantially increased, capacity was added to permit the milling of 400 tons per day. The tune-up of the plant has proceeded on a continuous basis with the production rate of 250 tons per day expected to be reached early next year. The current rate of progress is expected to be sustained into January while the cyanide circuit is being installed at a cost of \$100,000. When completed it will provide a higher rate of recovery of gold and silver from the more oxidized ores from the Webber veins.

Over \$3,500,000 was spent during the past year on the Mount Nansen property. The mill and ancillary buildings were constructed at a cost of \$1,250,000. Purchase of new equipment, completion of the all-weather road, drilling water wells and construction of a pipeline, construction of the administration building, accommodation for personnel and a townsite for married families cost approximately \$1,000,000. A development and exploration program to ensure adequate ore for the mill was carried out at a cost of \$1,360,000. A geochemical survey, which covered approximately 45% of the total claims owned in this area was completed. Samples were taken at every 50 feet on lines located 400 feet apart; in all, 15,000 samples were collected. Forty (40) target areas for additional exploration work were established; some of these have since been covered with detailed sampling. Results justified bulldozer stripping, trenching and drill testing. This work has already yielded most encouraging values in gold and silver at several places.

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

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

Present plans call for sinking an internal shaft from the Huestis working to give access to the deeper ore indicated by drilling. As development proceeds, it is intended to establish an interconnection between the lower elevations of the Huestis and Webber veins. This will permit underground transportation of all ores, eliminate rehandling on the surface and thus result in lower costs and higher production. A steady increase in milling rate at the Mount Nansen Mines combined with higher metal recoveries due to the cyanidation process, can be expected. Additionally, the Brown-McDade property, one mile away, will supply ore to the Mount Nansen Mill during 1969 and as underground work proceeds and ore supplies increase, Mount Nansen will further adjust its milling capacity to more than 400 tons per day. Studies on how this would best be achieved are in preparation. Additional geochemical surveys on the Mount Nansen Mines Limited claims (of which 55% have not yet been surveyed) are planned. Diamond drilling on Cabin Creek has indicated the presence of a vein. The complete reconnaissance of this vein is a prime objective and further work is scheduled for the current year.

Moneta also made arrangements to increase its holdings in Peso Silver Mines Limited by obtaining 110,350 shares of Peso Silver Mines Limited from Charter Oil Company Limited. With the completion of this transaction, Moneta Porcupine now holds 1,462,280 shares of Peso Silver Mines.

Peso Silver Mines Limited owns 3,955,386 shares of Mount Nansen Mines Limited, about

51.68% of the issued shares, and holds an option to increase this interest to 62%, and to maintain this increased interest.

In the Mayo area of the Yukon Territory, Peso Silver owns or controls a number of well situated properties on which proven, probable and possible ore reserves are estimated at 424,630 tons. Ore in the proven and probable categories totals 207,630 tons, averaging 20.9 ounces silver per ton and 3.7% lead. Existing ore reserves and the area's future potential strengthen our belief that a feasibility study for construction of a mill should be commissioned. Present indications are that a 100 ton per day mill would be justified.

Peso Silver owns 100% of the Peso Rex property located 30 miles north of Mayo, Yukon. This property was reassessed and a new road access in a more favourable location on the south side of the mountain is being considered.

Work on the Duncan Ladue Mines property located on the north side of Keno Hill, 10 miles from the producing United Keno Hill Mines and about 40 miles north and east of Mayo, was limited to the driving of a short adit level and the sinking of an exploration shaft. This work was directed to test a very high-grade silver vein exposed by surface work and indicated by five diamond drill holes. These holes intersected the vein structure and confirmed the presence of silver and lead in the vein. Further work has to be undertaken as the ore recoveries are not conclusive as to the overall mining potential of this particular vein. Peso Silver Mines Limited owns 637,500 shares (85%) of Duncan Ladue Mines Limited.

On the properties of Rio Plata Silver Mines Ltd., in which Peso Silver holds 1,000,000 shares (36.9%), work was limited to brief inspections to confirm results of previous work to aid in the planning of the next phase of exploration. The majority of the work on the most important of the Rio Plata claim groups, the Formo, located on a good road a few miles from the United Keno Hill Mines mill, was done in 1952. Subsequently, rehabilitation and re-examination has been undertaken several times. This work has indicated an ore reserve calculation of 44,000 tons of proven, probable and possible ore grading 16 ounces silver per ton, 6.9% lead and 10.7% zinc, giving a present gross value in the \$70.00 to \$80.00 per ton range. The Company's Consultant states "The immediate potential of the deposit would appear to be easily 100,000 tons, with good indications for much more. A very modest development program would be required to properly assess the Formo deposit".

Varying interests are held by Peso Silver in a number of other properties and exploration companies.

Silmonac Mines Limited, in which Moneta holds a 22.5% interest, has made a favourable operating lease agreement to develop its silver-lead-zinc property in the Slocan district of south central British Columbia. The prime object is to drive a 2,600 foot crosscut to test the area where ore grade intersections from surface and underground diamond drill holes were obtained last year. The portal area has been cleared and the crosscut collared. Work will proceed through the winter. As previously reported, the most recent diamond drilling results on Silmonac's property yielded silver values ranging between 7.8 ounces and 31.2 ounces per ton, plus lead ranging between 1.2% and 5.1% and zinc ranging between 2.2% and 11.0%.

Moneta's interest in Clinton Copper Mines Limited, which holds a copper property in Clinton and Marston Townships in the Province of Quebec, remains at 23-1/3%, with no funds advanced during the year. Hastings Mining and Development Co. Limited has control of the development of this property.

A diamond drilling program was carried out on the property during the past season, the result of which has not yet been received from Hastings.

Tofino Mines Limited, of which Moneta holds 70% of the common shares and 33.7% of the preferred shares, was inactive during the year at its formerly producing gold mine on the west coast of Vancouver Island, B.C. The gold values from this property are high-grade and the property is worthy of further exploration and development should the price of gold increase.

For the coming year, Moneta has a number of projects under consideration.

Respectfully submitted on behalf of the Board of Directors.



B. S. Imrie,
General Manager

October 31, 1968

AUDITORS' REPORT

To the Shareholders of

Moneta Porcupine Mines, Limited

We have examined the balance sheet of Moneta Porcupine Mines, Limited at July 31, 1968 and the statements of income and earned surplus and source and application of funds 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 at July 31, 1968 and the results of its operations and the source and application of its funds 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.
October 10, 1968

Chartered Accountants

MONETA PORCUPINE MINES, LIMITED
(incorporated under the laws of Ontario)

BALANCE SHEET AT JULY 31, 1968
(with comparative figures at July 31, 1967)

	ASSETS			LIABILITIES	
	1968	1967		1968	1967
CURRENT ASSETS			CURRENT LIABILITIES		
Cash	\$ 48,708	\$ 1,396	Accounts payable and accrued liabilities	\$ 55,138	\$ 16,703
Short-term investment contracts	529,000	-	Amount owing to affiliated company, Canadawide		
Funds on deposit including accrued interest	213,432	-	Investments Limited	11,858	-
Accounts receivable	2,783	4,278		<u>66,996</u>	<u>16,703</u>
Prepaid expenses	770	-			
	<u>794,693</u>	<u>5,674</u>			
ADVANCES TO SHAREHOLDERS, at cost	-	1,524,077	NON-CURRENT AMOUNT OWING TO AFFILIATED COMPANY,		
	<u>-</u>	<u>1,524,077</u>	Brown-McDade Mines Limited (N.P.L.)	17,594	17,594
INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES, at cost (Note 1)	3,104,858	2,336,522		<u>17,594</u>	<u>17,594</u>
	<u>3,104,858</u>	<u>2,336,522</u>			
OTHER INVESTMENTS, at cost less amounts written off	11,378	11,376			
	<u>11,378</u>	<u>11,376</u>			
FIXED ASSETS			SHAREHOLDERS' EQUITY		
Buildings and equipment, at cost	16,221	24,309	CAPITAL STOCK (Note 3)		
Less accumulated depreciation (Note 4)	13,788	21,281	Authorized		
	<u>2,433</u>	<u>3,028</u>	3,000,000 shares with a par value of \$1 each		
Mining properties, at nominal value	1	1	Issued		
	<u>2,434</u>	<u>3,029</u>	2,703,860 shares (1967 - 2,663,860 shares)	2,703,860	2,663,860
	<u>2,434</u>	<u>3,029</u>	Subscribed	-	40,000
			40,000 shares	<u>-</u>	<u>40,000</u>
DEFERRED EXPENSES, at cost (Note 2)				2,703,860	2,703,860
Exploration and development advance to affiliated company	15,051	16,415	Less net discount thereon	888,891	888,891
	<u>15,051</u>	<u>16,415</u>		<u>1,814,969</u>	<u>1,814,969</u>
			Less		
			Share subscriptions receivable	-	32,000
			Refund of consideration for which shares were issued	32,000	-
				<u>1,782,969</u>	<u>1,782,969</u>
			EARNED SURPLUS	2,060,855	2,079,827
				<u>3,843,824</u>	<u>3,862,796</u>
	<u>\$3,928,414</u>	<u>\$3,897,093</u>		<u>\$3,928,414</u>	<u>\$3,897,093</u>

APPROVED ON BEHALF OF THE BOARD

 Director
 Director

MONETA PORCUPINE MINES, LIMITED
STATEMENT OF INCOME AND EARNED SURPLUS
YEAR ENDED JULY 31, 1968
(with comparative figures for 1967)

	1968	1967
INCOME		
Interest on advances to affiliated companies	\$ 46,942	\$ 85,438
Income from other investments	37,385	-
Miscellaneous income	2,080	3,024
	86,407	88,462
 EXPENSES		
Salaries and management fees	38,858	27,900
Office and administration	16,904	8,307
Professional fees	20,166	6,505
Settlement on termination of employment contracts	24,420	-
Interest	2,572	244
Exploration	2,459	9,495
	105,379	52,451
Net income (loss) for year (Note 4)	(18,972)	36,011
 EARNED SURPLUS AT BEGINNING OF YEAR	2,079,827	1,983,437
	2,060,855	2,019,448
 ADD		
Net gain on disposal of investments	-	43,812
Adjustment of prior year's earnings	-	16,567
 EARNED SURPLUS AT END OF YEAR	\$2,060,855	\$2,079,827

MONETA PORCUPINE MINES, LIMITED
STATEMENT OF SOURCE AND APPLICATION OF FUNDS
YEAR ENDED JULY 31, 1968
(with comparative figures for 1967)

	1968	1967
SOURCE OF FUNDS		
From operations		
Net income for the year	-	\$ 36,011
Adjustment of prior year's earnings	-	16,567
	-	52,578
Repayment of advances to shareholder	\$1,208,575	60,957
Repayment of advances to affiliated company	25,490	-
Issue of shares	32,000	-
Proceeds on disposal of fixed assets	200	-
Proceeds from sale of shares in affiliated company	-	2,462
Advance from affiliated company	-	17,594
Proceeds from sale of other investments	-	70,303
	1,266,265	203,894
 APPLICATION OF FUNDS		
To operations		
Net loss for the year	18,972	-
Deduct loss on disposal of fixed assets which does not involve a current outlay of funds	394	-
	18,578	-
Advances to shareholders	22,170	161,050
Purchase of shares in affiliated companies (1968 - \$485,145; 1967 - \$20,690) less advances to shareholders applied to cost of shares (1968 - \$337,672; 1967 - Nil)	147,473	20,690
Advances to affiliated company	308,681	-
Refund of consideration for which shares were issued	32,000	-
Purchase of other investments	2	1,630
Exploration and development advances to affiliated company	(1,365)	6,340
	527,539	189,710
 INCREASE IN WORKING CAPITAL	738,726	14,184
 WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF YEAR	(11,029)	(25,213)
 WORKING CAPITAL (DEFICIENCY) AT END OF YEAR	\$ 727,697	\$ (11,029)

MONETA PORCUPINE MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JULY 31, 1968

1. INVESTMENTS IN AND ADVANCES TO AFFILIATED COMPANIES

These consist of the following:

	1968	1967
Peso Silver Mines Limited (Non-Personal Liability)		
1,462,280 shares, quoted market value		
\$5,264,208 (1967 - 1,292,150 shares, quoted market value \$1,873,617)	\$2,772,675	\$2,287,530
Advances	-	21,984
Accrued interest	-	3,506
Brown-McDade Mines Limited (N.P.L.), 36,240 shares	8,502	8,502
Mount Nansen Mines Limited, 20,000 shares	15,000	15,000
Advances	300,000	-
Accrued interest	8,681	-
	\$3,104,858	\$2,336,522

Subsequent to July 31, 1968 the company advanced a further \$390,000 to Mount Nansen Mines limited and received 600,000 shares of that company in settlement of the total advances of \$690,000.

The amounts shown above represent cost to the company of these investments and advances and are not intended to reflect present or future values.

2. DEFERRED EXPENSES

At July 31, 1967 and July 31, 1968 these consisted of advances to a subsidiary company, Moneta Quebec Mines Ltd.

3. CAPITAL STOCK

During the year, the company issued 40,000 shares to an officer under a stock option agreement for a cash consideration of \$32,000. On instructions from the Toronto Stock Exchange the amount of \$32,000 was refunded and the shares returned to the company. These shares have been deposited with the Canada Permanent Trust Company to be held in trust for the company.

4. STATEMENT OF INCOME AND EARNED SURPLUS

No provision for depreciation has been made for the years ended July 31, 1967 and July 31, 1968.

5. DIRECTORS' REMUNERATION

The directors did not receive any remuneration as directors during the year ended July 31, 1968. Salary payments during the year to officers who were also directors amounted to \$14,556. Payment during the year to directors in settlement of employment contracts amounted to \$24,420.

6. CONTINGENT LIABILITY

There is legal action outstanding as a result of a subsidence in land formerly worked by the company. A partial settlement has been made by the company's insurers who have now withdrawn from the action. In the opinion of the company's legal counsel the maximum liability to the company, if any, will not exceed \$30,000.