

013307

Monarch Metal Mines Limited

(Non-Personal Liability)



ANNUAL REPORT

FOR THE YEAR ENDING DECEMBER 31, 1968

Monarch Metal Mines Limited

(Non-Personal Liability)

Directors	THOMAS G. WILSON, PRESIDENT AND MANAGING DIRECTOR
	H. A. BRIDEN, VICE-PRESIDENT
	S. DAVID ANFIELD, SECRETARY
	ERNEST H. BAUER, DIRECTOR
	H. K. W. KIEFER, DIRECTOR
Consultants	ALRAE ENGINEERING LTD., (RAE G. JURY, P.ENG.)
Solicitors	ANFIELD & COMPANY, 850 WEST HASTINGS STREET VANCOUVER, B.C.
Auditors	BROWN, STEELE, JOHNSTONE & COMPANY, 550 BURRARD STREET VANCOUVER, B.C.
Head Office	848 WEST HASTINGS STREET, VANCOUVER 1, B.C.
Registered Office	850 WEST HASTINGS STREET, VANCOUVER 1, B.C.
Transfer Agent	NATIONAL TRUST COMPANY, 510 BURRARD STREET, VANCOUVER, B.C.
Capitalization	AUTHORIZED CAPITAL: 5,000,000 SHARES (N.P.V.) ISSUED: 1,790,003 SHARES (710,000 SHARES ESCROWED)

Monarch Metal Mines Limited

(Non-Personal Liability)

Report of the Directors

To the Shareholders:

It is my pleasure to submit herewith on behalf of the Board of Directors the Annual Report of the Company for the year ending December 31, 1968, including my report as Managing Director covering the operations of your Company in the field during 1968, with particular reference to the Company's silver, lead, zinc, tungsten prospect north of Watson Lake in the Yukon Territory, known as its Glenna Lake Yukon property, together with the report of the Company's consulting engineer, Rae G. Jury, P.Eng., thereon. The report of your auditors, Brown, Steele, Johnstone & Company, Chartered Accountants, on the Company's financial statements, for the year ending December 31, 1968, is also included herein.

Nearly two years ago, at the request of the then management, the writer was asked to assume general management of the Company. Subsequently he was elected your President and Managing Director, and thereupon set upon the task of re-organizing the Company, raising much-needed additional capital while still a private company, and to find, if possible, a mining property or prospect of merit, a matter of utmost importance to the Company at the time.

All this was accomplished. After considering several prospects the writer finally succeeded in bringing the Glenna Lake Yukon property to your Company which, after careful examination, was subsequently optioned. This property responded so well to exploration work during 1968 that your Company then exercised its Option at the latter part of the year, and now owns the property outright. This property now may be classified as a mining prospect of exceptional merit.

Having accomplished what he set out to do, in bringing a mining prospect of high merit to your Company and in bringing the Company to its present stage of development, the writer has now decided not to stand for re-election at the Annual General Meeting on March 27, 1969, and has so informed the Board of Directors; therefore his name does not appear on the slate of directors to be put before you for your consideration at this meeting.

Your Directors now wish at this time to express their appreciation and thanks to all those who have contributed to the success of your Company to date, and look forward to continuing success in the future. With mounting evidence of the promising nature of the Company's Glenna Lake property in the Yukon, it cannot be too greatly emphasized that adequate and liberal financing, as well as a bold, vigorous and comprehensive work program on the property itself based on careful and imaginative planning, are absolute pre-requisites to such success. It is intended that this be done.

On behalf of the Board,

T. G. WILSON,
President.

Vancouver, B.C.
March 5, 1969.

Monarch Metal Mines Limited

(Non-Personal Liability)

Report of the Managing Director

To the Board of Directors:

Two prospects, one a copper prospect in the area southwest of the Cariboo Belle holdings in the Cariboo Mining Division, and the other, a silver, lead, gold prospect in the Crater Mountain area northwest of Keremeos, B.C., both owned by Monarch Metal Mines Ltd. (N.P.L.), are being kept in good standing by the Company. The Company's third property, brought to the attention of the Company by the writer and subsequently optioned by it in the Fall of 1967, is receiving major attention.

This property, a silver, lead, zinc, tungsten prospect, lies in the Yukon Territory, approximately 130 miles north of Watson Lake and 60 miles southeast of the Canada Tungsten Mine, Canada's only tungsten producer, and consists of 43 mineral claims covering an area of over 2,200 acres.

Hand trenching and trenching done by heavy equipment in 1968 opened up and exposed silver, lead, zinc mineralization with strong indications of continuity over a distance of approximately 9,200 feet, known as the "Southeast Zone" (see attached map showing longitudinal section of the property). To the northwest, known as the "Northwest Zone", natural outcrops, plus some hand work, have indicated a further 5,700 feet over which silver, lead, zinc mineralization is found. All mineralization so far found is within a skarn zone nearly 15,000 feet in length and some 200 to 400 feet in width, adjacent to the granodiorite intrusive, limestone-quartzite sedimentary contact, and outcrops or has been exposed by trenching from the 6,000-foot level, northwest, to the 4,200-foot level at the extreme southeast corner of the property, a vertical difference of elevation totalling 1,800 feet.

Chip samples of four of these outcrops or exposures, which range from northwest to southeast for a distance of approximately 15,000 feet, assayed as follows:

Northwest End of property:

Across 25 feet—5.9 oz./T silver, 0.88% lead, 4.49% zinc, 0.15% tungsten oxide, and 0.34% copper ----- Gross value **\$29.43**

"Cliff Zone" (Central Area), 5,700 feet southeast of northwest end:

Across 60 feet (weathered rock, difficult to sample)—1.8 oz./T silver, 0.74% lead, and 1.85% zinc Gross value **\$10.53**

Mid-Southeast Zone, 4,200 feet southeast of Cliff Zone:

Across 3 foot exposure—8.9 oz./T silver, 7.45% lead, and 7.3% zinc Gross value **\$56.91**

S.E. End of Southeast Zone, 9,200 feet southeast of Cliff Zone, 14,900 feet from Northwest End:

Across 7.5 feet—5.7 oz./T silver, 3.86% lead and 7.95% zinc Gross value **\$47.08**

Hand or grab samples, taken at various points over the 9,200 foot long Southeast Zone, assayed from 4.9 oz./T silver, 7.0% lead and 6.15% zinc up to 58.15 oz./T silver, 14.55% lead and 24.08% zinc. Interesting indications of tungsten mineralization (scheelite) have also been found in places at or near the granodiorite contact.

Limited diamond drilling beneath the overburden at the extreme southeast end of the southeast zone was also done to test the geological structure and sequences there. Silver, lead, zinc mineralization was intersected over varying widths, and with varying but nevertheless significant values, thus proving the extension of the mineralized skarn zone down to the 4,200-foot level. There is also some evidence that this mineralization extends to the valley floor below, at the 4,000-foot level. This limited exploratory diamond drilling program

totalled 1,489 feet, and proved up approximately 400 feet of more or less continuous silver, lead, zinc mineralization, which is still open at both ends. The split cores assayed as follows:

Station 1

		Silver oz./T	Lead %	Zinc %
Hole 1 -	Mineralization over 9.8 ft., 15 ft. down dip, averaged	7.23	5.38	11.90
Hole 2 -	Mineralization over 12 ft., 35 ft. down dip, of which 4.5 ft. averaged	1.68	2.77	8.22
Hole 3 -	Mineralization over 7 ft., 50 ft. down dip, of which 2.0 ft. averaged	0.30	0.75	5.20
Hole 4 -	Mineralization over 8.5 ft., 80 ft. down dip, of which 4.0 ft. averaged.....	0.50	0.80	7.15

Station 2

75 ft. SE of Sta. 1

Hole 1 -	Mineralization over 11.0 ft., 20 ft. down dip, of which 3.0 ft. averaged.....	1.15	0.59	2.65
Hole 2 -	Mineralization over 14.0 ft., 35 ft. down dip, of which 8.5 ft. averaged.....	2.56	2.38	6.22
Hole 3 -	Mineralization over 17.0 ft., 90 ft. down dip, of which 5.0 ft. averaged.....	1.10	1.12	4.50

Station 3

50 ft. NW Sta. 1

Hole 1	Mineralization over 14.0 ft., 30 ft. down dip, of which 5.0 ft. averaged.....	1.05	0.69	1.80
Hole 2 -	Mineralization over 14.0 ft., 60 ft. down dip, of which 6.0 ft. averaged.....	1.20	0.74	2.90

Station 4

170 ft. NW of Sta. 1

Hole 1 -	Mineralization over 28.5 ft., 45 ft. down dip, of which 6.0 ft. averaged	2.00	1.57	5.82
Hole 2 -	Mineralization over 12.5 ft., 80 ft. down dip, of which 4.0 ft. averaged.....	3.50	0.93	6.12

Station 5

320 ft. NW of Sta. 1

Hole 1 -	(at —45°) approximately 30 ft. of mineralization from 45.0 ft. to 75.0 ft. of which 4.0 ft. assayed	1.15	0.34	1.85
	An increase of pyrite and chalcopyrite (copper) mineralization was also noted in this intersection.			

Extreme weather conditions and shortage of water shut the drilling down in December.

Detailed geophysical (magnetometer) work was also done over the Southeast Zone, because of the frequent association between magnetite, skarn and ore, and several important anomalies were discovered at or near and along the granodiorite-sediment contact. These, together with the extensive silver, lead, zinc mineralization discovered and exposed at numerous places over the 9,200 feet of the Southeast Zone, now provide a large number of important diamond drill targets for the 1969 season.

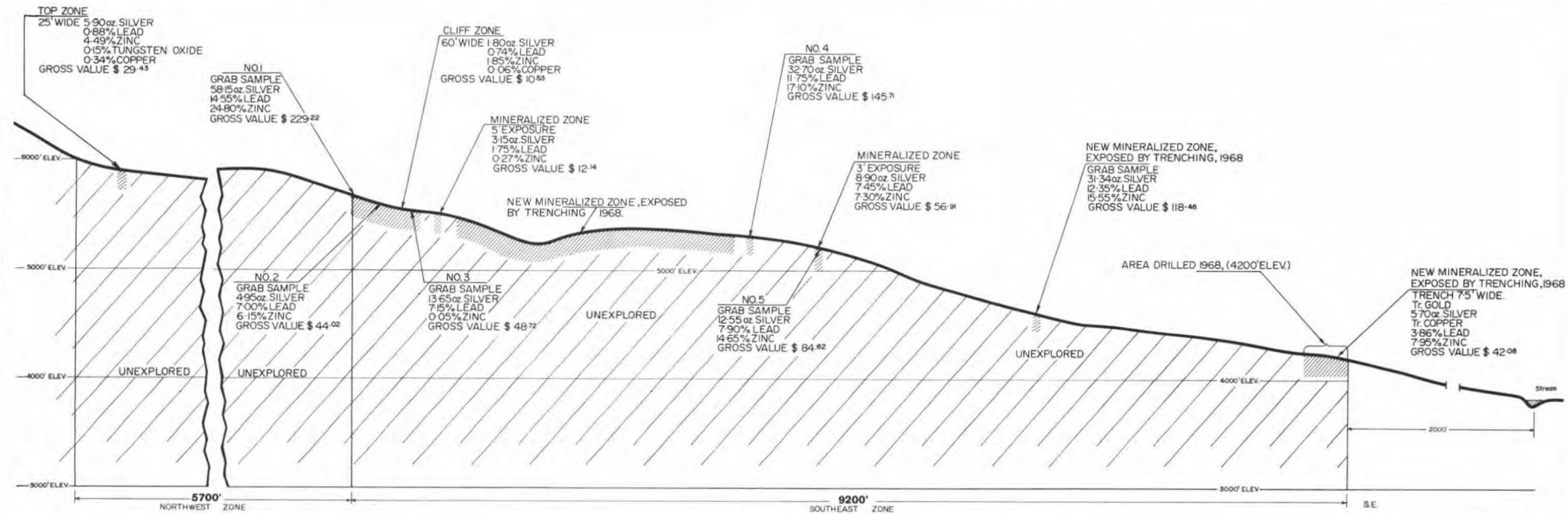
In addition to this, the Company also completed late in 1968 a 12 mile access road to the property from the Canada Tungsten road. Therefore all work during 1969 will be directly on development of the increasingly encouraging mine possibilities of this property.

The Company's consulting engineer, Rae G. Jury, P.Eng., has outlined and recommended a comprehensive work program for further development of this property which, if carried out as planned, will entail the expenditure of approximately \$408,000.00 this year. The Company has exercised its option on the property and now owns it outright.

Respectfully submitted,

T. G. WILSON,
Managing Director.

Vancouver, B.C.
March 5, 1969.



MONARCH METAL MINES LTD. (N.P.L.)
LONGITUDINAL SECTION
YUKON PROJECT



LOCATION — 130 MI. NORTH OF WATSON LAKE Y.T.

ALRAE ENGINEERING LTD.
REPORT ON
GLENNA AND LAKE CLAIMS PROJECT
Monarch Metal Mines Limited
(Non-Personal Liability)
YUKON TERRITORY

INTRODUCTION

Silver, lead and zinc mineralization was encountered on the present Monarch property by Mr. J. C. Turner in 1964. At the request of Mr. T. G. Wilson, President and Managing Director of Monarch Metal Mines Ltd., who had contacted Mr. Turner regarding the property, the writer, accompanied by Mr. Turner, examined the mineralized exposures in July 1967. The Company subsequently optioned the claims in August of 1967.

During the summer and fall season of 1968, Monarch Metal Mines Ltd. completed construction of an access road to the property, a distance of approximately 12 miles; did bulldozer trenching on the strike extension of the mineralized skarn zone, did a detailed magnetometer survey over the skarn zone, and drilled 12 short BQ diamond drill holes for a total length of 1,489 feet.

LOCATION AND ACCESS

The claims are located approximately 100 miles due north of Watson Lake and are 11.6 miles west of Canada Tungsten Mine road at Mile 48 on this road. Distance by road from Watson Lake to the claims is approximately 140 miles. The claims are now readily accessible by four wheel drive vehicle. A tent camp has been established at the southeast end of the claim group and the access road recently constructed leads past this camp and up the mountain slope to elevation approximately 4,200 feet. Bulldozer trails lead further up slope to the 5,500 foot level.

Co-ordinates of the claims are approximately 61°15'N latitude and 128°33'W longitude. The claims lie between elevation 3,800 and 6,500 feet.

Watson Lake is serviced daily by Canadian Pacific Air Lines from Vancouver and is one of the main centres along the Alaska Highway that offers complete camp and tourist services.

HISTORY

Messrs. Turner and Robinson discovered mineralization on this mountain slope during 1964 while they were employed as prospectors for the Norquest Joint Venture. Claims were located in 1965 and geological mapping and prospecting was carried out by Mr. J. M. Dawson, a geologist and two assistants. A brief magnetometer survey was conducted over the contact area in 1965.

The property was returned to the prospectors by the Norquest Joint Venture group, and was subsequently optioned by Monarch Metal Mines Ltd. in August 1967.

Rock trenching work during July 1967 exposed fresh and heavily mineralized skarn in several hand dug pits. This fresh material provided more representative surfaces for sampling and returned samples of higher grade, generally speaking, than samples taken by Mr. Dawson during his mapping for the Norquest Joint Venture.

CLAIMS

The Monarch Metal Mines Ltd. claims now extend for a total distance of 2.7 miles along the favourable geological structure and consist of the following individual claims:

Glenna	1	8
Lake	1	35

All 43 claims are within the Watson Lake Mining District and are now owned outright by the Company.

GEOLOGY

The Monarch property is located along an intrusive-sediment contact which extends the entire length of the claim group. The intrusive is Mesozoic granodiorite which has intruded the Paleozoic quartzite, argillite and limestone. Skarn has been formed from the limestone near the intrusive contact.

The sediments dip from 50° to 60° to the south and strike approximately parallel to the intrusive contact (magnetic west). The intrusive contact through much of the property length is relatively regular and generally has a vertical dip. Recent diamond drilling at the southeastern extremity of the claim group indicates that numerous small apophyses of intrusive cut the sediments in this area.

Skarn zones are mineralized in varying amounts with galena, sphalerite, pyrrhotite, magnetite, scheelite and chalcopyrite. Heaviest skarn development is within 400 feet of the intrusive contact and within limestone layers. Geological mapping by Mr. J. M. Dawson, together with information gained in the recent drilling work, has traced the skarns in some detail for approximately 14,400 feet of strike length. Magnetite is locally developed within the skarns and is occasionally associated with the silver, lead, and zinc mineralization, although sphalerite and galena have been encountered in zones containing essentially no magnetite. A new exposure of skarn mineralization encountered in bulldozer trenching during September 1968 was sampled and found to contain a trace of gold; 5.7 oz. of silver per ton; a trace of copper; 3.86% lead and 7.95% zinc across a sampling width of 7.5 feet. This grade is typical of the mineralization encountered within the skarns at various points along the length of the skarn zone; however, individual grab samples of heavier sulphide mineralization, up to 58.15 oz. of silver per ton; 14.55% lead; and 24.08% zinc have been taken on this property.

MAGNETOMETER SURVEY

During September 1968, a detailed magnetometer survey was conducted over the southeast portion of the known skarn zone in an attempt to outline the skarn mineralization by this method. Grid lines were 200 feet apart and station intervals along the lines were 50 feet apart. A fluxgate magnetometer was used for the survey. Bulldozer trenching to test some of the magnetic anomalies indicates that magnetite is present with galena and sphalerite in some zones but not in others. This survey readily outlined the skarn zones containing magnetite; however, there are probably other zones beneath overburden which have not been delineated by this survey.

Interpretation of the survey data indicates the intrusive sediment contact may be displaced southerly by radial faults from within the intrusive in the area between the larger magnetic anomalies and the small section drilled during 1968. No diamond drilling has yet tested the magnetic anomalies associated with the skarn or the interpreted fault zones. Three of the magnetic anomalies are adjacent to these faults.

DIAMOND DRILLING

During the period October 25th to November 30th, 12 BQ diamond drill holes were drilled to test the mineralized zone encountered during the bulldozer trenching work at 4,200 foot elevation. This drilling indicated the heavy mineralization within the skarn zone to be lense-like in formation, at least 65 feet in depth, and at least 100 feet long. The skarn zone was encountered in each drill hole in the 398 foot strike of the zone tested by drilling. Silver, lead and zinc mineralization was noted in each drill intersection of the skarn zone and it is significant to note that the section drilled 330 feet northwest of the higher grade lense contained an appreciable increase in pyrite and chalcopyrite. Two to three foot intervals of improved galena and sphalerite content were noted at irregular intervals through the skarn zone.

Due to the difficult winter conditions and problems of drill water supply at higher elevations the magnetic anomalies outlined by the magnetometer survey have not yet been examined by diamond drilling. These anomalies are known to be underlain by the favourable skarn zone and it is known from bulldozer trenching that galena and sphalerite are associated with the disseminated magnetite in the anomalies. It is reasonable to expect that larger and more continuous zones of sulphide mineralization will be encountered in drilling these anomalies. They remain as targets of prime importance for early testing during the 1969 season.

CONCLUSIONS AND RECOMMENDATIONS

Field work on this project has been successful in providing good access to the property, and in providing several distinct drilling targets for immediate further work. This work has also confirmed that the favourable skarn zone is at least 14,000 feet in length, some 200 to 400 feet in width, and dipping steeply to the south adjacent to the granodiorite intrusive contact. Many individual silver, lead, zinc mineralized zones are known to occur along this zone and much mineralized talus skarn occurs along the mountain side down slope of the skarn zone.

Further testing of this zone is certainly warranted and many targets are present for immediate evaluation. A minimum of preliminary work is required (for example, geological mapping and geochemical soil tests), during the first diamond drilling stage. A small program of soil sampling is suggested so that drilling may initially test portions of the skarn zone which have the most chance of containing an ore body.

To continue with this evaluation the following work is recommended:

- (1) Detailed geological mapping with particular emphasis on the skarn zone and structural controls of mineralization.
- (2) Geochemical soil sampling along contour lines below the surface exposure of the skarn zone to test for the occurrence of zinc within the soils. A second analysis of these samples for lead content may be warranted.
- (3) Completion of the ground magnetometer survey to test the remainder of the contact area and skarn zone.
- (4) Diamond drilling of the presently indicated drilling targets to be followed by a second stage of diamond drilling on targets likely to be encountered in the above methods of exploration work. This may be followed by a third stage of drilling, if warranted, to test the downward extension and grade of economically interesting zones of mineralization encountered in either of the first two drilling stages.
- (5) If an ore zone is indicated by the above work, an adit entry may be required to examine the deposit for size and grade.

COST ESTIMATE

Costs of the above recommended work would be approximately as follows:

Geological mapping	\$ 5,000.00
Geochemical soil sampling and analysis	3,000.00
Completion of the magnetometer survey	3,000.00
Initial diamond drilling—4,000 feet @ \$15.00/foot	60,000.00
Second stage of drilling—5,000 feet @ \$15.00/foot	75,000.00
Third stage of drilling, if warranted—10,000 feet @ \$15.00/foot.....	150,000.00
Underground entry, if required—1,500 feet of adit @ \$75.00/foot	112,500.00
TOTAL	\$408,500.00

Should this work indicate the presence of an economically viable ore body, much more work may be required to develop and prove the ore reserves.

Respectfully submitted,
RAE G. JURY, P.Eng.

CERTIFICATE

I, Rae G. Jury, of the City of Vancouver, British Columbia, do hereby certify that:

1. I am a consulting geological engineer.
2. I am a graduate of Queen's University in Kingston (B.Sc. in Geological Sciences 1957).
3. I am a registered Professional Engineer of the Provinces of British Columbia and Ontario and also a member of the Canadian Institute of Mining and Metallurgy.
4. I have practiced my profession since 1957 with Labrador Mining and Exploration Company, Quemont Mining Corporation, Canadian Johns-Manville Co. Ltd., and Alrae Engineering Ltd.
5. I have examined claim posts in the vicinity of the mineralized zone and have found the claims to be located in accordance with the Yukon Quartz Mining Act.
6. I have personally examined the Glenna and Lake claims, Watson Lake Mining District, Yukon in July 1967 and October 1968.
7. I have not received, nor do I expect to receive, any interest, either directly or indirectly, in the properties or securities of Monarch Metal Mines Ltd. (N.P.L.)

DATED AT VANCOUVER, this 11th day of February, A.D. 1969.

RAE G. JURY, P.Eng.

BROWN, STEELE, JOHNSTONE & COMPANY

CHARTERED ACCOUNTANTS

J. J. BROWN, B.Com., C.A.

D. G. STEELE, B.A., C.A.

K. S. JOHNSTONE, C.A.

J. D. CRAIG, C.A.

THIRD FLOOR

550 BARRARD STREET

VANCOUVER 1, CANADA

MONARCH METAL MINES LIMITED

(Non-Personal Liability)

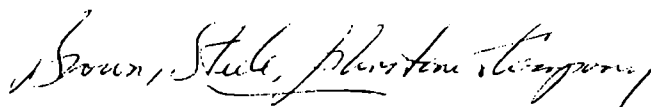
Vancouver, B. C.

AUDITORS' REPORT TO SHAREHOLDERS

We have examined the Balance Sheet of Monarch Metal Mines Limited (N.P.L.) as at December 31st, 1968 and the Statement of Source and Application of Funds for the period then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

We have not verified titles to the mineral claims directly with the Government Registry Office. We have received confirmation from the solicitor of the Company stating that the Company is the recorded owner of all claims recorded in the books of the Company. The solicitor has further certified that all such mineral claims are in good standing.

In our opinion, subject to the foregoing, the statements mentioned above, when read in conjunction with the schedules and notes appended thereto, present fairly the financial position of the Company as at December 31st, 1968 and the source and use of its funds for the period then ended in accordance with generally accepted accounting principles.



CHARTERED ACCOUNTANTS

Vancouver, B. C.
March 7th, 1969

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

BALANCE SHEET AS AT DECEMBER 31st, 1968

(with comparative figures for 1967)

<u>ASSETS</u>		<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>			
<u>CURRENT ASSETS</u>	1968	1967	<u>CURRENT LIABILITIES</u>	1968	1967
Cash	\$ 19,997.85	\$ 10,299.02	Accounts payable	\$ 37,465.98	\$ 5,595.27
Term deposit due January 13th, 1969 at 6 $\frac{1}{4}$ %	40,000.00				
Accounts receivable	4,491.68	-			
	<u>64,489.53</u>	<u>10,299.02</u>			
<u>MINERAL CLAIMS</u> , at cost (Note 1)	86,850.00	86,850.00	<u>SHAREHOLDERS' EQUITY</u>		
Less: Agreement payable	-	6,000.00	Share Capital (Note 2)		
	<u>86,850.00</u>	<u>80,850.00</u>	Authorized:		
			5,000,000 shares without nominal or par value		
<u>PREPAID AND DEFERRED EXPENSES</u>			Issued:		
Administration, corporate and other expenses, per Schedule "1"	70,328.10	36,993.28	1,080,003 shares for cash (1967 - 702,503)	232,245.03	80,500.03
Exploration and development expenses, per Schedule "2"	110,471.62	23,363.82	710,000 shares for mineral claims	71,000.00	71,000.00
Incorporation costs	1,209.18	1,209.18	<u>1,790,003</u>	<u>303,245.03</u>	<u>151,500.03</u>
	<u>182,008.90</u>	<u>61,566.28</u>	Deficit		
			Balance at beginning of year	4,380.00	-
			Loss on sale of investments		3,880.00
			Option payment forfeited	-	500.00
			Expenses on mineral claims not acquired	2,982.58	-
			Balance at end of year	<u>7,362.58</u>	<u>4,380.00</u>
				295,882.45	147,120.03
	<u>\$ 333,348.43</u>	<u>\$ 152,715.30</u>		<u>\$ 333,348.43</u>	<u>\$ 152,715.30</u>

APPROVED ON BEHALF OF THE BOARD

"T. G. Wilson"

Director

"S. D. Anfield"

Director

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

This is the Balance Sheet referred to in the report of Brown, Steele, Johnstone & Company, Chartered Accountants, dated March 7th, 1969.

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31st, 1968

1. ACQUISITION OF MINERAL CLAIMS

The Company retained Rayfield Mining Company Ltd. (N.P.L.) to stake mineral claims for a cash consideration of \$1,200.00 and reserved for Rayfield Mining Company Ltd. (N.P.L.) 10% interest in such claims. All mineral claims are situated in the Clinton Mining Division of the Province of British Columbia.

The Company acquired mineral claims in the Osoyoos Mining Division of British Columbia for a non-cash consideration of 10,000 shares of capital stock.

In addition, the Company acquired mineral claims in the Cariboo Mining Division of the Province of British Columbia for a consideration of \$2,650.00 and the issuance of 700,000 shares of capital stock.

By an option agreement dated July 27th, 1967, the Company acquired mineral claims in the Watson Lake Mining District of the Yukon Territory for \$12,000.00. As additional consideration the Company caused the transfer of 120,000 shares of previously issued vendor (escrowed) capital stock of the Company to the optionors. (see Note 2 B)

2. SHARE CAPITAL

A. During the year ended December 31st, 1968, the Company issued 377,500 shares for a net cash consideration of \$151,745.00. The total shares issued as at December 31st, 1968 is as follows:

	<u>Number of Shares</u>	<u>Value</u>	<u>Commission</u>	<u>Net to Treasury</u>
For cash	1,080,003	\$ 276,000.03	\$ 43,755.00	\$ 232,245.03
For properties	<u>710,000</u>	<u>71,000.00</u>	<u>-</u>	<u>-</u>
	<u>1,790,003</u>	<u>\$ 347,000.03</u>	<u>\$ 43,755.00</u>	<u>\$ 232,245.03</u>

B. During 1968, 337,500 shares of the 710,000 shares issued for properties were transferred to National Trust Company Limited to be held in trust for the benefit of the Company, to be dealt with as the Board of Directors of the Company determined from time to time. 120,000 shares of the said 337,500 shares have been transferred to the optionors of the Glenna Lake Group leaving 217,500 shares held in trust by National Trust Company Limited at December 31st, 1968.

3. DIRECTORS' REMUNERATION

During the year ended December 31st, 1968, no remuneration was paid to directors of the Company.

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FROM FEBRUARY 18th, 1966 (DATE OF INCORPORATION)

TO DECEMBER 31st, 1968

	February 18th to December 31st, 1966	January 1st to December 31st, 1967	January 1st to December 31st, 1968
<u>SOURCE OF FUNDS</u>			
Sale of shares, net	\$ <u>60,000.03</u>	\$ <u>20,500.00</u>	\$ <u>151,745.00</u>
<u>APPLICATION OF FUNDS</u>			
Acquisition of mineral claims	3,850.00	6,000.00	6,000.00
Administration, corporate and other expenses	16,617.60	20,375.68	33,334.82
Exploration and development expenses	2,605.80	20,758.02	89,429.83
Incorporation costs	1,209.18	-	-
Purchase and sale of investments	11,780.00	(7,900.00)	-
Forfeited option payment	-	500.00	-
Expenses on mineral claims not acquired	-	-	2,982.58
Less: Transferred from deferred expenses	-	-	(2,820.03)
	<u>36,062.58</u>	<u>39,733.70</u>	<u>129,425.20</u>
<u>INCREASE (DECREASE) IN WORKING CAPITAL</u>	23,937.45	(19,233.70)	22,319.80
<u>WORKING CAPITAL, at beginning of year</u>	-	<u>23,937.45</u>	<u>4,703.75</u>
<u>WORKING CAPITAL, at end of year</u>	\$ <u>23,937.45</u>	\$ <u>4,703.75</u>	\$ <u>27,023.55</u>

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

ADMINISTRATION, CORPORATE AND OTHER EXPENSES

FROM FEBRUARY 18th, 1966 (DATE OF INCORPORATION)

TO DECEMBER 31st, 1968

Total Expenses from February 18th, 1966 to
December 31st, 1967

\$ 36,993.28

Expenses for the year ended December 31st, 1968:

Audit	\$ 1,195.00	
Bank charges	10.05	
Dues, subscriptions and donations	271.05	
Employee benefits	27.78	
General management	7,150.00	
Insurance	204.40	
Legal	4,038.60	
Library and information	281.50	
Licenses and taxes	791.64	
Meetings	503.55	
Office expense	637.36	
Office personnel	2,049.99	
Office rent and accommodation	8,027.64	
Public relations and financing	7,496.51	
Registrar and transfer agent	360.14	
Share certificates	292.73	
Telephone and telegraph	771.50	
Travel	177.15	
	<u>34,286.59</u>	
Less: Interest earned on investment	<u>951.77</u>	<u>33,334.82</u>

TOTAL, to Exhibit "A"

\$ 70,328.10

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

EXPLORATION AND DEVELOPMENT EXPENSES FROM
FEBRUARY 18th, 1966 (DATE OF INCORPORATION)
TO DECEMBER 31st, 1968

ASHNOLA GROUP - Osoyoos Mining Division

Total expenses to December 31st, 1967	\$ 5,835.21
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Expenses for the year ended December 31st, 1968:

Project management and direction	\$ 400.00			
Recording fees	217.00			
Trenching	<u>650.00</u>	<u>1,267.00</u>	\$	7,102.21

BARS GROUP - Cariboo Mining Division

Total expenses to December 31st, 1967	5,717.02
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Expenses for the year ended December 31st, 1968:

Assessment work	1,000.00			
Consulting engineer	<u>100.00</u>	<u>1,100.00</u>		6,817.02

RAYFIELD GROUP - Clinton Mining Division

Total expenses to December 31st, 1967	2,626.00
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Expenses for the year ended December 31st, 1968:

Consulting engineer	102.33			
Geophysical survey	868.66			
Project management and direction	<u>250.00</u>	<u>1,220.99</u>	<u>3,846.99</u>	

TOTAL, carried forward

17,766.22

Monarch Metal Mines Limited

(Non-Personal Liability)

Vancouver, B. C.

EXPLORATION AND DEVELOPMENT EXPENSES FROM FEBRUARY 18th, 1966

(DATE OF INCORPORATION) TO DECEMBER 31st, 1968

<u>TOTAL</u> , Brought forward			\$ 17,766.22
<u>GLENNA LAKE GROUP</u> - Watson Lake Mining District			
Total expenses to December 31st, 1967		\$ 6,365.56	
Expenses for the year ended December 31st, 1968:			
Aerial Surveys and reconnaissance	\$ 571.66		
Assessment work	1,590.25		
Consulting engineering	5,413.66		
Diamond drilling	29,890.87		
Equipment rental	3,430.30		
Field engineering and supervision	4,059.21		
Fuel	286.66		
Line cutting	1,664.65		
Project management and direction	6,900.00		
Road building and maintenance	22,133.98		
Sampling and assays	554.90		
Staking and recording	1,253.50		
Telephone and telegraph	1,043.77		
Travel	2,491.40		
Trenching, stripping and open cutting	<u>5,055.03</u>	<u>86,339.84</u>	<u>92,705.40</u>
<u>TOTAL</u> , to Exhibit "A"			\$ <u>110,471.62</u>