

TARA

EXPLORATION AND DEVELOPMENT COMPANY LIMITED



ANNUAL REPORT

1966

The Directors of
**TARA EXPLORATION AND DEVELOPMENT
COMPANY LIMITED**

Present the
**ANNUAL REPORT
TO THE SHAREHOLDERS**

For the Year Ended April 30th,
and Supplemental Three Month
Period Ended July 31st

1966



TARA EXPLORATION AND DEVELOPMENT COMPANY LIMITED

DIRECTORS

A. H. Atkinson	Dublin, Ireland
Charles Carvill	Warren Point, Northern Ireland
James Hanratty	Newry, Northern Ireland
P. J. Hughes	Dublin, Ireland
Michael McCarthy	Ballinasloe, Ireland
J. V. McParland	Newry, Northern Ireland
M. V. OBrien	Dublin, Ireland

OFFICERS

Michael McCarthy	<i>President</i>
M. V. OBrien	<i>Executive Vice-President and General Manager</i>
Charles Carvill	<i>Vice-President</i>
Matthew Gilroy	<i>Vice-President</i>
J. V. McParland	<i>Secretary-Treasurer</i>

AUDITOR

O. John Shore, C.A.

REGISTRAR AND TRANSFER AGENT

National Trust Company Limited
Toronto, Ontario

HEAD OFFICE

Suite 1905—Seven King Street East
Toronto 1, Ontario, Canada

EXECUTIVE OFFICE

162 Clontarf Road
Dublin 3, Ireland

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors present the Annual Report of the Company, together with the audited financial statements, for the fiscal year ended April 30, 1966, and supplemental financial statements for the three month period ended July 31, 1966.

The scope of your Company's mineral exploration activities was further expanded during this period under review. Exploration expenditures during the 1965-66 fiscal year totalled \$305,495 which compares with \$73,102 during the previous year. In the three month period ended July 31, 1966, \$73,094 was expended on exploration.

In July, 1966, the Department of Industry and Commerce, Republic of Ireland, published notice of its intention to grant your Company 30 new prospecting licences, each covering an area of approximately 10 square miles. When these are officially issued, it will bring to a total of 46 prospecting licences held by the Company in Ireland, involving a combined area of some 455.5 square miles.

In addition, varying interests are held in five other prospecting licences with associated companies. Application for further prospecting licences has been made by the Company.

Over a dozen substantial companies, based in Canada, England, France, Ireland, and the United States of America, are now actively engaged in mineral exploration throughout many parts of Ireland. As at October 10, 1966, a total of 330 prospecting licences covering a combined area of about 3,500 square miles of the total 26,000 square mile land area of the Republic of Ireland, were either issued or in the process of being issued.

The scale of mineral exploration, which is still increasing, can be attributed to a combina-

tion of circumstances: the repeated recurrence of geological conditions favourable for base metal deposition; effectiveness of modern prospecting equipment and techniques; the realistic tax structure in relation to the recapture of capital investment; and the acknowledged political stability. Other advantages are the good internal and coastal transport facilities, and proximity to European markets.

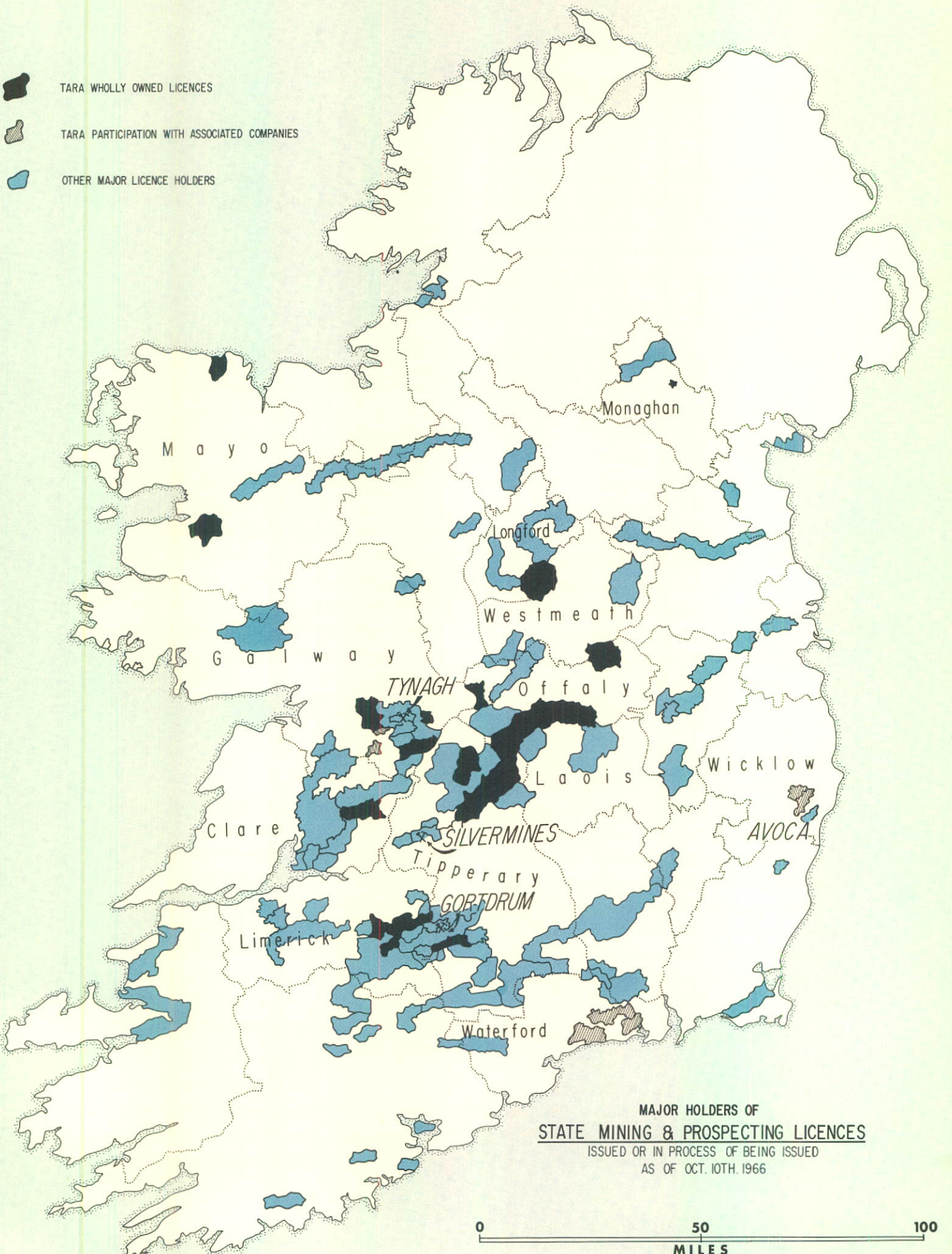
An indication of the effectiveness of these factors is the high rate of mineral discovery since 1960, and the rapidity with which new mining operations have been and are being brought into production throughout Ireland.

Prospecting Licences Held by the Company in Ireland

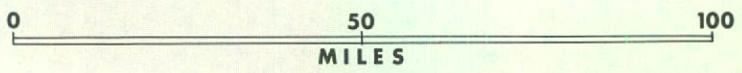
The following is a tabulation of the prospecting licences issued to the Company including the 30 licences now being issued by the Department of Industry and Commerce, together with other licences in which varying interests are held with associated companies:

	Licence Nos.	District	County	Sq. Miles
	2, 15, 16 and 18	E&W of Tynagh	Galway	34
	22-23	S of Tynagh	Galway	23
	359	Clontibret	Monaghan	0.5
(a)	405	Bonmahon	Waterford	12
(b)	415	Rathdrum	Wicklow	11
	427	Oola	Limerick	11
	449-450	Herbertstown	Limerick	23
	465-466	Slievenamuck	Tipperary	16
(c)	497	SW of Tynagh	Galway	10
	503	Hospital	Limerick	12
(d)	504	Tramore	Waterford	12
	531	Ballycastle	Mayo	12
(a)	532	Bonmahon	Waterford	12
	546-547	Knappagbeg	Mayo	24
(e)	601-630	Official issue pending		300

- TARA WHOLLY OWNED LICENCES
- TARA PARTICIPATION WITH ASSOCIATED COMPANIES
- OTHER MAJOR LICENCE HOLDERS



MAJOR HOLDERS OF
STATE MINING & PROSPECTING LICENCES
 ISSUED OR IN PROCESS OF BEING ISSUED
 AS OF OCT. 10TH. 1966



DIRECTORS' REPORT (continued)

Notes: Where applicable, licences are renewable annually on submission of satisfactory reports of work completed and programmes for additional exploration.

- (a) 50% interest, held jointly with Anglo United Development Corporation Limited.
- (b) 25% interest, held jointly with Gortdrum Mines Limited, Irish Base Metals Limited (Northgate Exploration Limited subsidiary), and Anglo United Development Corporation Limited.
- (c) 50% interest, held jointly with Irish Base Metals Limited.
- (d) 33⅓% interest, held jointly with Irish Base Metals Limited and Anglo United Development Corporation Limited.
- (e) Notice of intention to issue published July 16, 1966, and now being issued. These new licences are located in Counties Clare, Laois, Longford, Offley, Tipperary, and Westmeath.

Airborne Geophysical Survey

In order to expedite the Company's basic objectives in the investigation of the extensive areas throughout Ireland considered favourable for mineral deposits, an agreement was made with Barringer Research Limited, of Toronto, Canada, to utilize the latter's airborne geophysical survey system, known as the 'INPUT' (INduced PULse Transient) method. The areas geologically selected for the airborne geophysical survey totalled approximately 1,000 square miles.

The airborne 'INPUT' system has been used to supplement investigation by geological, geochemical and ground geophysical methods in portions of the existing licence areas. Recognizing the competitive prospecting conditions in Ireland, the 'INPUT' system has also been widely used to

facilitate reconnaissance selection of further areas for study. Concurrent with reconnaissance by airborne and other survey methods, the Company has applied for additional prospecting licences based on the survey data.

In conjunction with other exploration approaches, the airborne 'INPUT' system was also used in a further examination of the prospecting licences held to cover probable east and west extensions of, and southern parallels to the Tynagh Fault, in County Galway.

Under an agreement between your Company and Barringer Research Limited in connection with certain defined areas where Tara has not previously undertaken prospecting or reconnaissance exploration, Barringer will be entitled to receive an interest varying from 2½% to 5% of the vendor consideration in any new company or companies which may be formed to develop economic mineral deposits found as a result of the survey in the areas selected for airborne study.

General Exploration

The exploration procedure used in the investigation of the licence areas has principally been by systematic application of geochemistry, in either shallow or deep soils, stream sediments, or a combination of these, according to geological and topographical environments. The geochemical sampling has consisted of both 'hot extraction' (usually for copper, lead and zinc, except in the case of Licence 359), and 'cold extraction' methods, according to the varying conditions.

In view of the frequent heavy overburden conditions of soil and peat, with the result that significant anomalies are not necessarily immediately evident, careful appraisal, comparison and

check by a variety of methods, is required. This exploration procedure is now well advanced on most of the licence areas held by the Company. The primary objective is to select from among the most promising of these anomalous areas and other exploration targets indicated by the airborne geophysics, ground geochemical reconnaissance, etc., suitable sites for follow-up tests by diamond drilling.

During the period under review, five drilling programmes were carried out in four licence areas, as follows:

County Limerick, Licence 427

Diamond drilling was initiated at Carrickittle on this Licence during 1965, the preliminary results of which were discussed in the 1965 Annual Report. The program was suspended after the completion of 33 drill holes, of which 16 holes had short intersections of massive sulphide at shallow depth, with the best intersection returning 7.5% zinc and 1.24% lead over 27.5 feet of core length.

Although the mineable continuity and extent of mineralization was not determined in this drilling, a favourable geological condition appears to have been established. Extensions and recurrences of this geological setting, which are accompanied by satisfactory geochemical and geophysical indications, will be investigated.

At Oola, also on Licence 427, two deep drill holes below known weak mineralization probed geologic horizons equivalent to those which are economically mineralized at the copper property of nearby Gortdrum Mines Limited. No new mineral was found in this drilling program.

Counties Waterford and Wicklow

One area in each of licences 405, 504 and 415 was selected for drilling to seek correlation

between anomalous conditions and mineral-geological factors. Of the seven holes put down, three (in Licence 504) met zinc sulphide, although not in commercial amounts. The experience gained, together with further surface studies, is being applied to appraisal of anomalous effects encountered elsewhere.

Avoca Mines Limited

Avoca Mines Limited was incorporated in September, 1966, for the purpose of exploring and considering the feasibility of the resumption of production of the copper-pyrite mine formerly held by St. Patrick's Copper Mines Limited. Management of Avoca Mines Limited is provided by Canadian Superior Exploration Limited.

Your Company has subscribed for 20% of the initial issued shares of Avoca Mines Limited and has the right to maintain this percentage interest by further pro rata subscriptions. The group of participating companies also includes Metallgesellschaft A.G. of West Germany, Gortdrum Mines Limited, and Irish Base Metals Limited (wholly owned subsidiary of Northgate Exploration Limited).

Avoca Mines Limited has entered into option agreements, exercisable within a period of 30 months, to take up a lease of seven square miles covering the mining property, and to purchase the existing 4,000 ton per day capacity flotation mill. Avoca Mines Limited also has rights to secure prospecting licences to complete a holding approximately 13 miles along strike and three miles wide, centered on the known Avoca pyritic copper deposits.

The known deposits at Avoca have been mined almost continuously along two and a quarter miles of strike length, and, in sections, to a depth of 1,000 feet. The mining operation car-

DIRECTORS' REPORT (continued)

ried out during 1957-62 in which some 2.2 million tons were mined at shallow depth adjacent to old workings, was uneconomic due at least in part to the excessive dilution from caving, etc. The area being investigated in the present undertaking by Avoca Mines Limited is below the old stopes. Initial phases of the studies, including check drilling of previously indicated reserves, are already in progress.

Lenadele Syndicate

Your Company has entered into an agreement with Lenadele Syndicate, a joint venture of St. Adele Valley Enterprises Limited, Canadian Lencourt Mines Limited, and Watts, Griffis & McOuat Limited, in respect to rights on a prospecting licence covering nine square miles in Counties Laois and Kilkenny, Ireland, issued to the Lenadele Syndicate.

Your Company has paid \$7,500 to reimburse the Lenadele Syndicate for expenditures already made, and agreed to carry out further exploration involving an expenditure of not less than \$10,000 during the 12 month period from August 1, 1966. The agreement is renewable for additional 12 month terms. In the event that exploration indicates minerals in commercial quantity, and if Tara elects to proceed with development, it will pay to the Syndicate \$12,500 and 25% of the vendor shares received in a new company which may be formed.

Petroleum Interests in Western Canada

Under the original and additional agreements with Pinnacle Petroleums Limited, your Company has participations of up to 10% in seven wells (five in production) and has contingent rights, which it is exercising, in further wells to be drilled.

Cassils Area, Alberta: 5.5% interest in 1,045 acres; and 11% interest in an adjacent 235 acres.

The earning well, in which your Company participated, resulted in a dry hole.

Benson Area, Saskatchewan: 10% interest in 320 acres on which two wells were drilled, one of which is considered a fairly satisfactory oil producer; 10% interest in 160 acres on which one producing oil well has been drilled; and 7.5% interest in another adjacent block of 320 acres. Two additional wells are planned to be drilled on the latter block.

Parkman Area, Saskatchewan: 9% interest in 400 acres with two successful oil producers; and 4.5% interest in 400 acres with one successful producer completed. Seven additional wells are planned to be drilled on this acreage.

The estimated cost for your Company in respect to the foregoing participations, including the wells completed and the nine planned to be drilled, is \$60,700. The calculated payout period, for the recovery of these costs less \$2,002 in income received to date, is approximately 27 months. The estimated portion of the recoverable oil reserves attributable to your Company for the Benson and Parkman projects, assuming the successful completion of the additional wells, is the equivalent of 157,000 barrels.

Summary

The Board wishes to record its appreciation of the diligent work of the Company's five geologists and supporting staff and contractors in connection with the various exploration projects in Ireland, and also that of the companies associated in the Western Canada oil participations.

On behalf of the Board of Directors,

MICHAEL McCARTHY,
President.

1 November 1966

TARA EXPLORATION AND DEVELOPMENT

Comparative Balance Sheet (Expressed in Canadian dollars)

ASSETS

CURRENT ASSETS

Cash funds	
Short term investments at cost and accrued interest (approximates market value)	
Shares of a mining company at value realized in subsequent period	
Accounts receivable	
Prepaid expenses	

FIXED ASSETS IN IRELAND — AT COST

Office furniture and fixtures	
Buildings	
General and prospecting equipment	
Motor vehicles	

OTHER ASSETS AND DEFERRED EXPENDITURE

Prospecting licences and rights in Ireland	
Incorporation expenses deferred	
Exploration and administrative expenses deferred	

LIABILITIES

CURRENT LIABILITIES

Accounts payable	
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SHAREHOLDERS' EQUITY

Capital stock (Refer to notes):

Authorized — 6,000,000 shares of \$1 each	
Issued — 3,635,005 shares — 1966	
— 3,520,005 shares — 1965	
Discount thereon (net)	

Surplus	
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T COMPANY LIMITED

April 30 1965	April 30 1966
\$ 711,747	\$ 920,426
252,965	153,986
294,000	
34,550	23,238
125	
<u>\$1,293,387</u>	<u>\$1,097,650</u>
1,230	4,852
8,534	8,534
1,016	2,881
2,399	8,853
<u>\$ 13,179</u>	<u>\$ 25,120</u>
470	1,479
3,885	3,885
173,394	499,562
<u>\$ 177,749</u>	<u>\$ 504,926</u>
<u>\$1,484,315</u>	<u>\$1,627,696</u>
<u>\$ 1,760</u>	<u>\$ 10,641</u>
3,520,005	3,635,005
2,381,500	2,362,000
<u>1,138,505</u>	<u>1,273,005</u>
344,050	344,050
<u>\$1,482,555</u>	<u>\$1,617,055</u>
<u>\$1,484,315</u>	<u>\$1,627,696</u>

AUDITOR'S REPORT TO THE SHAREHOLDERS

I have examined the balance sheet of Tara Exploration and Development Company Limited as at April 30, 1966 and the statements of deferred exploration and administrative expenses and surplus for the year ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statements of deferred exploration and administrative expenses and surplus, when read in conjunction with the notes appended thereto, present fairly the financial position of the Company as at April 30, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the previous year.

O. JOHN SHORE,
Chartered Accountant.

Toronto, Canada,
30th September, 1966.

Approved on behalf of the Board:

"MICHAEL McCARTHY", Director.

"M. V. OBRIEN", Director.

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

Year Ended April 30, 1966

(Expressed in Canadian dollars)

DEFERRED EXPENSES — BEGINNING OF YEAR		\$ 173,394
EXPLORATION — IRELAND		
Salaries and wages	\$ 55,890	
Aerial and field surveys	111,471	
Diamond drilling	70,799	
Field expenses and supplies	31,061	
Assays	16,860	
Travel	9,830	
Maps, prints, etc.	5,455	
Field transport and expenses	4,129	305,495
		<hr/>
OIL PARTICIPATION EXPENDITURES (NET) IN CANADA		25,178
		<hr/>
ADMINISTRATION		
General office, telephone, supplies, stationery and sundry	8,782	
Legal and audit	6,750	
Insurance	1,540	
Government filing fees	60	
Bank charges	236	
Rent	8,092	
Reports, consultants	2,731	
Shareholders' information	4,585	
Transfer agent	867	
Less interest income	(38,148)	(4,505)
DEFERRED EXPENSES — END OF YEAR		<hr/> <hr/> \$ 499,562

SOURCE AND APPLICATION OF FUNDS

Year Ended April 30, 1966

SOURCE OF FUNDS		
Proceeds from sale of capital stock		\$ 134,500
APPLICATION OF FUNDS		
Purchase of fixed assets	\$ 11,941	
Additional prospecting licences and rights	1,009	
Exploration and administrative expenditures	326,168	339,118
DECREASE IN WORKING CAPITAL DURING THE YEAR		<hr/> <hr/> \$ 204,618

NOTES TO FINANCIAL STATEMENTS

April 30, 1966

CAPITAL STOCK

In accordance with the provisions of an underwriting and option agreement dated October 1, 1964, the outstanding option on 100,000 shares of the capital stock of the Company was exercised in June 1965 and the Company received the sum of \$130,000 in payment for the shares so issued.

Pursuant to a stock option granted in March 1964 to the Company's Executive Vice-President and General Manager, 15,000 shares of the Company's capital stock remain under option, exercisable at a price of 30¢ per share on or before March 2, 1967.

Subject to approval by the Ontario Securities Commission, the Company entered into Employee Stock Option agreements on May 31, 1965 with its three field geologists providing for options on a total of 15,000 shares of the capital stock of the Company exercisable at a price of \$1.50 per share so long as employment continues with the Company during the period June 1, 1965 to May 31, 1970.

PURCHASE OF SHARES IN AVOCA MINES LIMITED

Subsequent to the date of the balance sheet the Company subscribed for shares of Avoca Mines Limited at a cost of £10,000 (approximates \$30,000 Canadian), which Company was incorporated under the laws of the Republic of Ireland for the purpose of exploring and developing the property of a former producing mine in County Wicklow, Republic of Ireland.

TARA EXPLORATION AND DEVELOPMENT

Comparative Balance Sheet (Expressed in Canadian dollars)

ASSETS

CURRENT ASSETS

Cash funds
Short term securities at cost and accrued interest (approximates market value)
Accounts receivable

FIXED ASSETS IN IRELAND — AT COST

Office furniture and fixtures
Buildings
General and prospecting equipment
Motor vehicles

OTHER ASSETS AND DEFERRED EXPENDITURE

Prospecting licences and rights in Ireland
Incorporation expenses deferred
Exploration and administrative expenses deferred

LIABILITIES

CURRENT LIABILITIES

Accounts payable

SHAREHOLDERS' EQUITY

Capital stock (Refer to notes)

Authorized — 6,000,000 shares of \$1 each
Issued — 3,635,005 shares — 1966
 3,620,005 shares — 1965
 Discount thereon

Surplus

T COMPANY LIMITED

AUDITOR'S REPORT TO THE SHAREHOLDERS

July 31 1965	July 31 1966
\$1,216,733	\$1,021,963
153,986	
1,560	31,151
<u>\$1,372,279</u>	<u>\$1,053,114</u>
2,423	5,006
8,534	8,534
1,016	2,881
8,648	8,853
<u>\$ 20,621</u>	<u>\$ 25,274</u>
470	4,368
3,885	3,885
222,990	556,279
<u>\$ 227,345</u>	<u>\$ 564,532</u>
<u>\$1,620,245</u>	<u>\$1,642,920</u>
<u>\$ 7,690</u>	<u>\$ 25,865</u>
3,620,005	3,635,005
2,351,500	2,362,000
1,268,505	1,273,005
344,050	344,050
<u>\$1,612,555</u>	<u>\$1,617,055</u>
<u>\$1,620,245</u>	<u>\$1,642,920</u>

I have examined the balance sheet of Tara Exploration and Development Company Limited as at July 31, 1966 and the statements of deferred exploration and administrative expenses and surplus for the three months ended on that date. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion, the accompanying balance sheet and statements of deferred exploration and administrative expenses and surplus, when read in conjunction with the notes appended thereto, present fairly the financial position of the Company as at July 31, 1966 and the results of its operations for the three months ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Toronto, Canada,
30th September, 1966.

O. JOHN SHORE,
Chartered Accountant.

Approved on behalf of the Board:

"MICHAEL McCARTHY", Director.

"M. V. OBRIEN", Director.

STATEMENT OF DEFERRED EXPLORATION AND ADMINISTRATIVE EXPENSES

Three Months Ended July 31, 1966

(Expressed in Canadian dollars)

DEFERRED EXPENSES — BEGINNING OF PERIOD		\$ 499,562
EXPLORATION — IRELAND		
Salaries and wages	\$ 11,680	
Aerial and field surveys	9,754	
General exploration	1,283	
Geological examinations	523	
Geochemical examinations	18,727	
Geophysical examinations	1,528	
Diamond drilling	29,394	
Travel	1,679	
Trenching and pitting	91	
Maps, drafting	1,096	
Less expense recoveries	(2,661)	\$ 73,094
OIL PARTICIPATION EXPENDITURES (NET) IN CANADA		2,963
ADMINISTRATION		
Rent and office	2,545	
Repairs	448	
General office expenses	1,952	
Insurance	139	
Bank charges	110	
Shareholders' information	1,107	
Transfer agent	215	
Less expense recoveries	(528)	5,988
INTEREST INCOME	(25,328)	56,717
DEFERRED EXPENSES — END OF PERIOD		<u>\$ 556,279</u>

SOURCE AND APPLICATION OF FUNDS

Three Months Ended July 31, 1966

SOURCE OF FUNDS		NIL
APPLICATION OF FUNDS		
Purchase of fixed assets	\$ 154	
Additional prospecting licences and rights	2,889	
Exploration and administrative expenditure	56,717	\$ 59,760
DECREASE IN WORKING CAPITAL DURING THE PERIOD		<u>\$ 59,760</u>

WORKING CAPITAL ANALYSIS

	April 30, 1966	July 31, 1966
Current assets	\$1,097,650	\$1,053,114
Less current liabilities	10,641	25,865
Working capital	\$1,087,009	\$1,027,249
Decrease in working capital during the three months, as above	59,760	
	<u>\$1,027,249</u>	<u>\$1,027,249</u>

NOTES TO FINANCIAL STATEMENTS

July 31, 1966

CAPITAL STOCK

Pursuant to a stock option granted in March 1964 to the Company's Executive Vice-President and General Manager, 15,000 shares of the Company's capital stock remain under option, exercisable at a price of 30¢ per share on or before March 2, 1967.

Subject to approval by the Ontario Securities Commission, the Company entered into Employee Stock Option agreements on May 31, 1965 with its three field geologists providing for options on a total of 15,000 shares of the capital stock of the Company exercisable at a price of \$1.50 per share so long as employment continues with the Company during the period June 1, 1965 to May 31, 1970.

PURCHASE OF SHARES IN AVOCA MINES LIMITED

Subsequent to the date of the balance sheet the Company subscribed for shares of Avoca Mines Limited at a cost of £10,000 (approximates \$30,000 Canadian), which Company was incorporated under the laws of the Republic of Ireland for the purpose of exploring and developing the property of a former producing mine in County Wicklow, Republic of Ireland.

