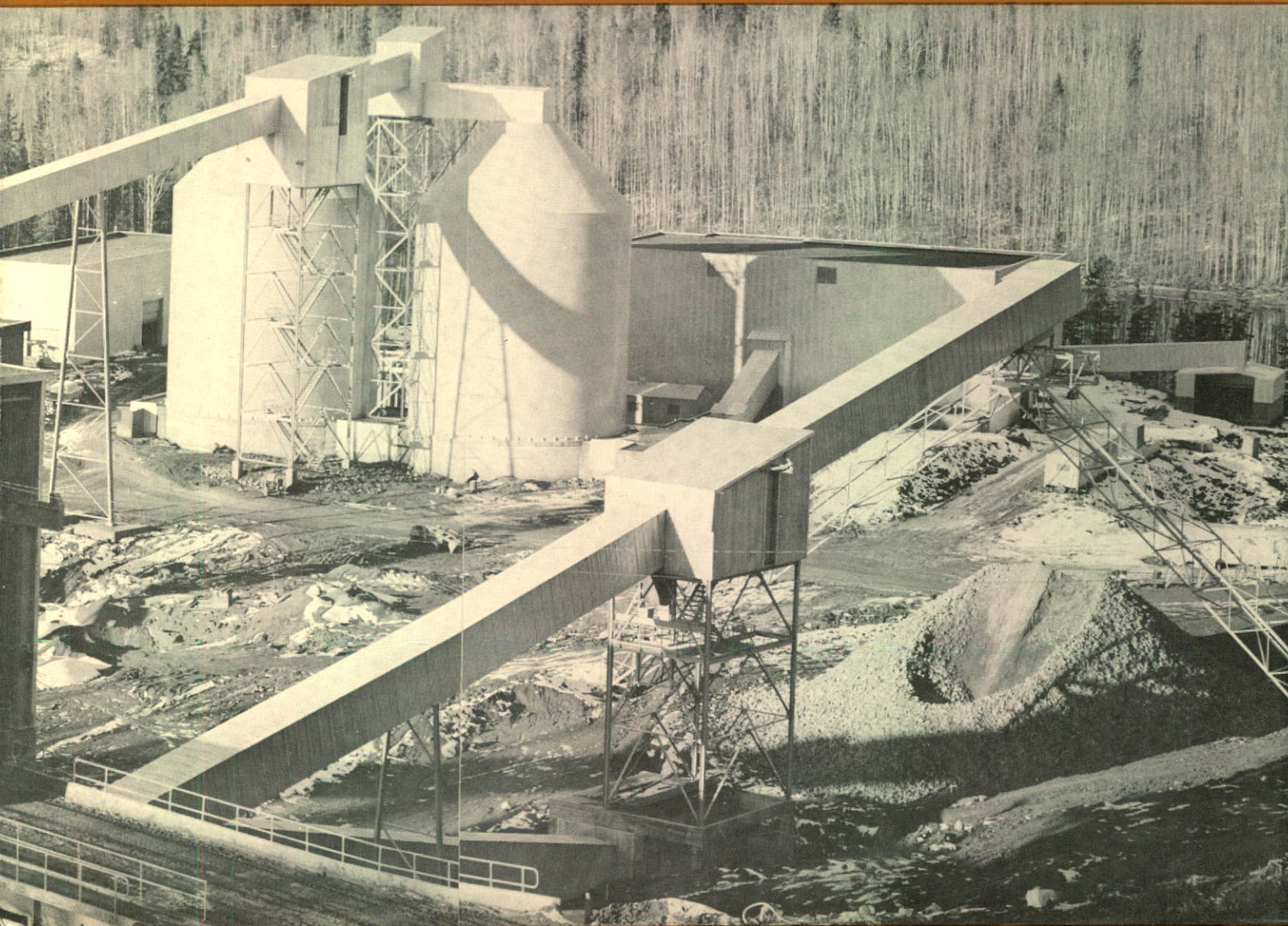


ANNUAL REPORT ■ 1966

GRANISLE COPPER LIMITED



GRANISLE COPPER LIMITED

1111 WEST GEORGIA STREET
VANCOUVER 5, B.C.

DIRECTORS

J. H. Colton, Vancouver, B.C.	W. G. Lane, Vancouver, B.C.
M. A. Cooper, Toronto, Ontario	H. R. Malkin, Vancouver, B.C.
T. G. Ewart, Calgary, Alberta	R. M. MacRae, Seattle, Washington
J. H. Hawke, Toronto, Ontario	J. H. Parliament, Vancouver, B.C.
K. Kawakami, Tokyo, Japan	L. T. Postle, Vancouver, B.C.

OFFICERS

L. T. Postle, President
R. M. MacRae, Vice-President
J. H. Colton, Secretary and Treasurer
J. D. Balden, Assistant Treasurer

MANAGER

A. J. McDougall

TRANSFER AGENT AND REGISTRAR

National Trust Company Limited
Vancouver, Winnipeg, Toronto and Montreal

SHARES LISTED

Toronto Stock Exchange
Vancouver Stock Exchange

AUDITORS

Peat, Marwick, Mitchell and Company, Vancouver, B.C.

HEAD OFFICE

1111 West Georgia Street, Vancouver 5, B.C.

GRANISLE COPPER LIMITED

1111 WEST GEORGIA STREET
VANCOUVER 5, B.C.

Vancouver, B.C.
February 17th, 1967

To the Shareholders:

Plant construction was completed and production commenced in mid-November, 1966. An average treatment rate of 4,300 tons of ore per day was reached in December, 1966, with the planned capacity of 5,000 tons being exceeded on several days. Results of operations for the month and a half during which the mine operated are shown in the financial statements. These results are highly satisfactory for this start-up period.

The first shipment of concentrate was made to the smelter of Sumitomo Metal Mining Company Limited in January, 1967, from the port of Prince Rupert, B.C. This shipment of approximately 5,000 tons of concentrate contained over 2,800,000 pounds of saleable copper and is valued at about \$1,500,000 after provision for smelting and refining costs.

At December 31st, 1966, loans to the Company consisted of \$3,000,000 U.S. advanced by the Company's bankers, \$7,012,500 U.S. advanced by Sumitomo Metal Mining Company Limited, Sumitomo Shoji Kaisha, Ltd., Mitsubishi Metal Mining Company Limited, and Mitsubishi Shoji Kaisha, Ltd., and \$900,000 advanced by The Granby Mining Company Limited. The Granby Mining Company Limited advanced a further \$100,000 in January, 1967, thereby completing its commitment to provide up to \$1,000,000. Capital costs of the plant were higher than originally estimated and a further \$850,000 may be required. Arrangements are being made to provide these funds from cash flow.

The ore reserves at the year end are estimated to be 22,500,000 tons, containing .53% copper.

A housing development for Company employees was completed and the Burns Lake School District has a four-room school under construction.

A contract was signed with the B.C. Hydro and Power Authority to supply hydro-electric power which, it is anticipated, will be available by the end of 1967. With the availability of hydro-electric power the existing diesel power plant can be sold. Clearing for the power lines is well advanced and construction has commenced.

The Hazelton & District Mine and Mill Workers Union, Local No. 898, of the International Union of Mine, Mill and Smelter Workers was certified as bargaining agent for the employees of the Company. A contract was negotiated with this Union, commencing on the 1st day of May, 1966, and effective until December 31, 1969. The contract provides for regular, yearly increases in wages.

Your Company has achieved production during a favourable market for copper. If current prices for copper are maintained, the Company's indebtedness will be repaid faster than anticipated. Recognition is extended to the group of dedicated employees who succeeded in bringing the plant into production on schedule, and are operating it with maximum efficiency.

On behalf of the Board,
L. T. POSTLE, President.

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1966

(With comparative figures for 1965)

	ASSETS	1966	1965
Current assets:			
Cash	\$	24,085	306,416
Accounts receivable		47,932	11,668
Metals in concentrates at estimated realizable values		1,202,018	—
Materials and supplies, at cost		200,650	—
Prepaid expenses		4,981	15,675
Total current assets		1,479,666	333,759
Refundable power deposit (Note 1)		300,000	—
Property, plant and equipment:			
Mining properties, at cost including \$20,000 for shares issued for properties		65,099	65,099
Real estate, buildings and equipment, at cost		11,097,686	2,277,660
Less accumulated depreciation (Note 2)		149,656	—
		10,948,030	2,277,660
Mine development and pre-productive expenditure, less amortization of \$60,033 per accompanying statement (Note 2)		2,329,350	1,208,619
		\$15,122,145	\$3,885,137

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:			
Accounts payable and accrued charges	\$	535,116	\$ 245,598
Accrued payrolls		42,379	1,604
Provision for smelting and refining		96,463	—
Total current liabilities		673,958	247,202
Deferred liabilities (Note 3)		12,137,626	1,642,953
Shareholders' equity:			
Share capital (Notes 3 and 4):			
Shares of no par value. Authorized 4,000,000 shares; issued 3,029,919 shares, of which 180,000 shares were issued for mining properties at a value of \$20,000		1,994,982	1,994,982
Earned surplus, per accompanying statement of income		315,579	—
Total shareholders' equity		2,310,561	1,994,982
Commitments (Note 1).		\$15,122,145	\$3,885,137

Approved on behalf of the Board:

L. T. Postle, Director.

R. M. MacRae, Director.

See accompanying notes to financial statements.

GRANISLE COPPER LIMITED

STATEMENT OF INCOME

Period from November 16, 1966 to December 31, 1966

Production:		
Copper (lbs.)		<u>1,993,310</u>
Gold (oz.)		<u>1,341</u>
Silver (oz.)		<u>10,711</u>
Value of production:		
Copper		\$1,063,191
Gold		55,528
Silver		<u>15,845</u>
		1,134,564
Production and marketing costs		<u>488,632</u>
		645,932
Administration and mine office expense, including directors' remuneration of \$1,500	\$ 23,570	
Fire and other insurance and property taxes	<u>9,890</u>	<u>33,460</u>
Profit before the undernoted items		612,472
Interest expense		<u>87,204</u>
Profit before depreciation and amortization		525,268
Depreciation	149,656	
Amortization of pre-productive expenditure	<u>60,033</u>	<u>209,689</u>
Net profit for the period (Note 5)		<u>\$ 315,579</u>

See accompanying notes to financial statements.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1966 and the statements of income and mine development and pre-productive expenditure for the year ended on that date. 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, the accompanying balance sheet and statements of income and mine development and pre-productive expenditure present fairly the financial position of the Company at December 31, 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 preceding year. Also, in our opinion, the accompanying statement of source and application of funds presents fairly the information shown therein.

Vancouver, British Columbia,
February 10, 1967.

PEAT, MARWICK, MITCHELL & CO.,
Chartered Accountants.

GRANISLE COPPER LIMITED

STATEMENT OF MINE DEVELOPMENT AND PRE-PRODUCTIVE EXPENDITURE

Period from January 1, 1966 to November 15, 1966
(With comparative figures for the year ended December 31, 1965)

	1966	1965
Balance at beginning of period	\$1,208,619	\$ 382,376
Additions during the period:		
Clearing and stripping pit	219,292	108,626
Road construction	25,734	247,579
Site preparation	3,029	56,261
Preparation and operation of temporary camp and transportation system	197,453	184,086
Operational and maintenance costs of plant, equipment and roads	167,866	4,002
Engineering and consulting	65,550	54,315
Miscellaneous	32,964	12,543
	711,888	667,412
Less realizable value of concentrates in pre-production period	67,454	—
	644,434	667,412
Administration:		
Management fee	52,500	60,000
Office salaries and overhead	84,502	29,944
Fire and other insurance and property taxes	45,311	7,509
Directors' remuneration	10,500	10,300
Financial expenses	29,990	56,387
Interest on deferred liabilities	336,380	30,078
	559,183	194,218
Less interest income	22,853	35,387
	536,330	158,831
Total additions during the period	1,180,764	826,243
	2,389,383	1,208,619
Less amortization	60,033	—
Balance at end of period	\$2,329,350	\$1,208,619

GRANISLE COPPER LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended December 31, 1966
(With comparative figures for 1965)

	1966	1965
Funds provided by:		
Operations:		
Net profit for the year	\$ 315,579	—
Add charges not requiring cash expenditure:		
Depreciation and amortization	209,689	—
Deferred interest expense	87,204	—
Funds provided by operations	<u>612,472</u>	<u>—</u>
Deferred liabilities:		
Bank loan, secured	3,228,594	—
Other secured loans	5,942,495	1,612,875
Unsecured advances	900,000	—
Issue of share capital	—	1,500,000
Total funds provided	<u>10,683,561</u>	<u>3,112,875</u>
Funds applied to:		
Refundable power deposit	300,000	—
Construction of buildings and equipment	8,820,026	2,254,493
Mine development and pre-productive expenditure, less deferred interest \$336,380 (1965 — \$30,078)	844,384	796,165
Total funds applied	<u>9,964,410</u>	<u>3,050,658</u>
Increase in working capital	719,151	62,217
Working capital at beginning of year	86,557	24,340
Working capital at end of year	<u>\$ 805,708</u>	<u>\$ 86,557</u>
Working capital:		
Current assets	\$ 1,479,666	\$ 333,759
Current liabilities	<u>673,958</u>	<u>247,202</u>
Working capital at end of year	<u>\$ 805,708</u>	<u>\$ 86,557</u>

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1966

1. REFUNDABLE POWER DEPOSIT:

Under an agreement with the British Columbia Hydro and Power Authority for the supply of electricity to the mine, the company has made deposits of \$300,000 and will make further deposits of \$252,500 in 1967. These deposits bearing interest at 5% will be refundable over a period of six years commencing November 1, 1970. Charges for electricity for the first four years will be credited against a further liability of \$187,500. It is considered that as a result of these credits, no payment will have to be made on this latter liability.

2. DEPRECIATION AND AMORTIZATION:

Depreciation of the plant, buildings and equipment has been calculated on a straight-line method of 8% on cost. Depreciation of mobile equipment has been calculated on the diminishing-balance method at 30%. Amortization of pre-productive expenditure has been calculated on a straight-line method at 20% as it is intended to amortize these costs over five years. These provisions have been calculated on a pro-rata basis from November 16, 1966 to December 31, 1966.

3. DEFERRED LIABILITIES:

Particulars of the deferred liabilities are:	1966	1965
Bank loan, secured by a \$3,000,000 U.S. 5¾% First Mortgage debenture and other security	\$ 3,228,594	\$ —
Loans secured by:		
8% Series "A" bonds. Authorized and issued \$1,402,500 U.S.	1,508,184	1,508,184
6% Series "B" bonds. Authorized and issued \$5,610,000 U.S. (1965 issued \$97,500 U.S.)	6,047,186	104,691
6% Unsecured advances from The Granby Mining Company Limited	900,000	—
	<u>11,683,964</u>	<u>1,612,875</u>
Accrued interest	453,662	30,078
	<u>\$12,137,626</u>	<u>\$1,642,953</u>

The 5¾% First Mortgage debenture and the Series "A" and "B" bonds are secured by fixed mortgages and floating charges on the assets of the company with the debenture having priority. The bank loan is also secured by a general assignment on receivables and a charge on inventories.

It is estimated that a further amount of \$850,000 may be required for capital construction, power deposit and working capital. Arrangements are being made with the holders of the 5¾% First Mortgage debenture and the Series "A" and "B" bonds under which these funds will be provided out of cash flow of the company before any payments are made on the bank loan.

The bank loan secured by the 5¾% First Mortgage debenture and the loans secured by the Series "A" and "B" bonds are repayable in that order out of cash flow (as defined) of the company. The bank loan is repayable by March 31, 1969 and the other secured loans by July 1, 1974. There are minimum annual repayments required on the loans secured by the Series "A" and "B" bonds commencing not later than April 1, 1969. Interest accrues on the loans from the date of receipt of the funds and is payable out of cash flow after production commences.

The trust deeds securing the 5¾% First Mortgage debenture and the Series "A" and "B" bonds prohibit the payment of dividends by the company until the debenture and bonds and accrued interest thereon have been repaid.

4. SHARE CAPITAL:

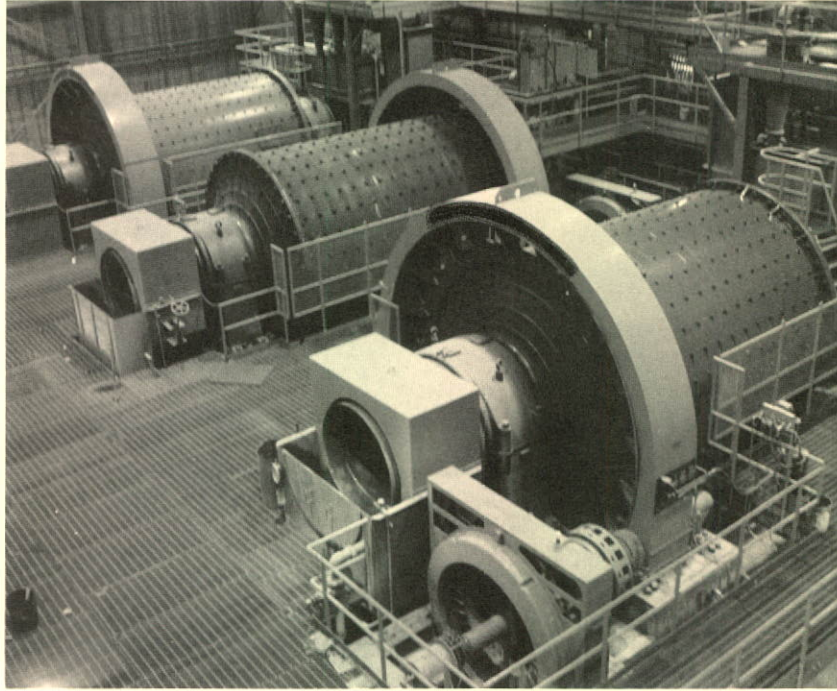
The company has granted an option to certain Japanese companies to acquire 300,000 shares of no par value at \$2 per share; the option to be exercisable on or before December 31, 1967.

5. NET PROFIT FOR THE YEAR:

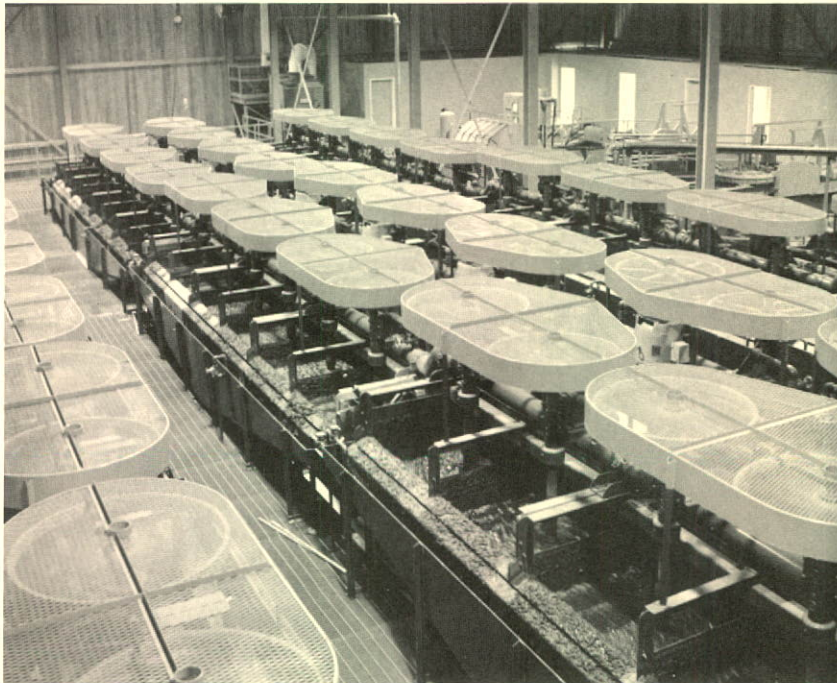
The company's mining property at Babine Lake, British Columbia commenced production in the middle of November 1966. An application has been made for a three year income tax exemption on the profits from the mine.

6. Current assets and current liabilities in United States dollars have been converted at the approximate rate of exchange prevailing at December 31, 1966. Deferred liabilities in United States dollars have been converted at rates prevailing when the funds were received.

Grinding mills.



Flotation cells.



COVER PHOTO:

Granisle plant showing left to right, crusher building, fine ore bins and concentrator.

