



GRANISLE COPPER
LIMITED

ANNUAL REPORT

1965

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 8th, 1966.

To the Shareholders:

During the past year financial arrangements for placing your property into production were completed, construction started and good progress made toward completion in late 1966.

The plant is designed to treat 5,000 tons of ore per day, the size being justified by the ore reserves of 22,700,000 tons estimated to contain .53% copper. Sales contracts were completed with the Japanese companies which are participating in financing, payment for the copper in the concentrate to be based on the export refinery price as published by the Engineering and Mining Journal.

The funds needed for this project have been secured by the sale of 600,000 shares of the Company's common stock at \$2.50 per share, yielding \$1,500,000 to the Company's treasury, and by agreements with four Japanese companies, Sumitomo Metal Mining Company, Ltd., Sumitomo Shoji Kaisha, Ltd., Mitsubishi Metal Mining Company, Ltd., and Mitsubishi Shoji Kaisha, Ltd., to lend the Company \$7,012,500 U.S. (approximately \$7,500,000 Canadian); of this amount \$2,200,000 U.S. has already been advanced by these companies. The Company's bankers have also agreed to loan \$3,000,000 U.S. after the above Japanese loans have been made, and The Granby Mining Company Limited has agreed to provide up to \$1,000,000 to ensure that additional capital will be available if required. Repayment of these loans will be made from cash flow when production commences, the bank being repaid first, the Japanese lenders second, and Granby last.

Excellent progress has been made at the property. Almost all the roads have been completed and are in use. All the building excavation is finished and most of the concrete foundations have been poured. The ancillary buildings, that is, the machine shop, change house, office and assay office, are virtually completed and are being used, as is the construction camp. The major foundations for the concentrator have been finished and the steel framework of the building has been erected. Most of the concrete for the crushing plant has been poured and the steel frame for this building is on site. The entire pit area has been cleared of timber and removal of the soil lying on top of the ore has commenced. On the mainland, clearing for a community development for the employees' residences is well advanced. Virtually all equipment has been ordered and to date expenditures have been generally in accordance with estimates.

Much interest has been aroused by the bubbler system which has been installed between the island and the mainland. Babine Lake freezes during the cold months so that boat traffic is impossible. After investigation, a perforated pipe line was installed below the surface of the water. Compressed air is blown into this pipe and the bubbles, which rise to the surface, convey the warmer water at depth to the surface, melting the ice and making a navigable channel across the lake. This system was installed in the Fall of 1965 and a channel has been kept clear across the lake at all times.

Your Company's shares have been listed on both the Toronto and Vancouver Stock Exchanges.

During the year Mr. K. Kawakami and Mr. T. G. Ewart were elected to the Board of Directors. Mr. Kawakami is President of Sumitomo Metal Mining Company, Ltd., and represents the Japanese companies which are purchasing the production of the mine and participating in financing. Mr. Ewart is a Director of The Granby Mining Company Limited.

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

GRANISLE COPPER LIMITED

BALANCE SHEET

December 31, 1965

(With comparative figures for 1964)

	ASSETS	1965	1964
Current assets:			
Cash and short-term bank deposits.....		\$ 306,416	26,821
Accounts receivable.....		11,668	—
Prepaid expenses.....		15,675	—
Total current assets.....		<u>333,759</u>	<u>26,821</u>
Property, plant and equipment, at cost (Note 1):			
Mining properties, including \$20,000 for shares issued for properties..		65,099	65,099
Buildings and equipment and construction in progress.....		2,277,660	23,167
Mine development and pre-production expenditure per accompanying statement.....		<u>1,208,619</u>	<u>382,376</u>
		<u>\$3,885,137</u>	<u>497,463</u>
	LIABILITIES		
Current liabilities:			
Accounts payable and accrued charges.....		\$ 247,202	2,481
Long-term debt (Note 2).....		1,642,953	—
Share capital (Note 2 and 3):			
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	494,982
Commitments (Note 1).		<u>\$3,885,137</u>	<u>497,463</u>
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 MINE DEVELOPMENT AND PRE-PRODUCTION EXPENDITURE

Year ended December 31, 1965

Balance at December 31, 1964.....		\$ 382,376
Additions during the year ended December 31, 1965:		
Clearing and stripping pit.....	108,626	
Road construction.....	247,579	
Site preparation.....	56,261	
Preparation and operation of temporary camp and transportation system.....	188,088	
Engineering and consulting.....	54,315	
Miscellaneous.....	12,543	
		<u>667,412</u>
Administration:		
Management fee.....	\$ 60,000	
Office salaries and overhead.....	37,453	
Directors' remuneration.....	10,300	
Financing expenses.....	56,387	
Interest on long-term debt.....	30,078	
	<u>194,218</u>	
Less interest income.....	35,387	158,831
Total additions for the year.....		<u>826,243</u>
Balance at December 31, 1965.....		<u>\$1,208,619</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Granisle Copper Limited as of December 31, 1965 and the statement of mine development and pre-production 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 statement of development and pre-production expenditure present fairly the financial position of the company at December 31, 1965 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.

Vancouver, B.C.
January 31, 1966.

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

GRANISLE COPPER LIMITED

NOTES TO FINANCIAL STATEMENTS

December 31, 1965

1. PROPERTY, PLANT AND EQUIPMENT:

It is intended to bring the mining property at Babine Lake, British Columbia, into production by late 1966 at an estimated cost of \$12,835,000. At December 31, 1965, total expenditure incurred on this development was \$3,052,825 and capital commitments amounted to approximately \$2,000,000.

Funds for completing the mine development will be obtained from additional loans by certain Japanese companies of \$5,512,500 U.S. and from a bank loan of \$3,000,000 U.S. In addition, The Granby Mining Company Limited has undertaken to provide any additional funds which may be necessary up to a maximum amount of \$1,000,000.

2. LONG-TERM DEBT:

8% Series "A" bonds. Authorized and issued \$1,402,500 U.S.....	\$1,508,184
6% Series "B" bonds. Authorized \$5,610,000 U.S., issued \$97,500 U.S.....	104,691
5¾% Debenture. Authorized and unissued \$3,000,000 U.S.....	—
	<hr/>
	1,612,875
Accrued interest on Series "A" and Series "B" bonds.....	30,078
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	<u>\$1,642,953</u>

The company has entered into an agreement with a Canadian chartered bank under which the bank has agreed to loan the company \$3,000,000 U.S. which will be secured by a \$3,000,000 U.S. 5¾% debenture. The loans from certain Japanese companies are secured by the Series "A" and Series "B" bonds. Both the debenture and the bonds are secured by a fixed mortgage and floating charge on the assets of the company with the debenture having priority.

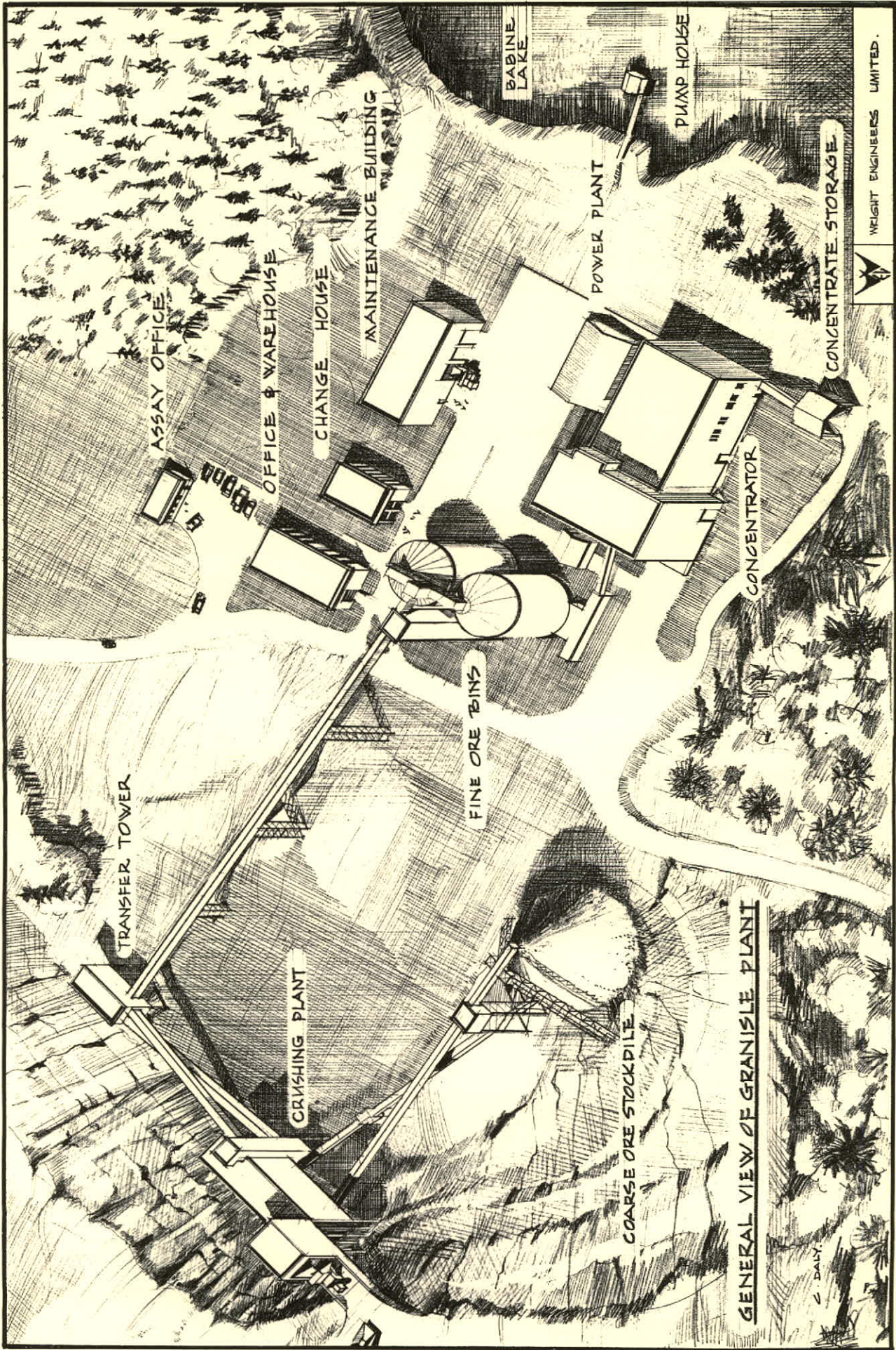
The bank loan and the loans from certain Japanese companies are repayable in that order out of the entire cash flow, as defined, of the company. The bank loan will have to be repaid by March 31, 1969 and the loans from certain Japanese companies will have to be repaid by July 1, 1974. There are minimum annual repayments required which commence for the bank loan not later than May 15, 1967 and for the other loans not later than two years and three months after the first shipment of copper concentrate. Interest accrues on the loans from the date of receipt of the funds but is not payable until after production commences.

Among other things, the trust deeds securing the debenture and the bonds prohibit the declaration or payment of dividends on the company's shares as long as any part of the debenture or bonds is outstanding.

3. SHARE CAPITAL:

During 1965, 600,000 shares of no par value were issued for \$1,500,000.

On February 1, 1965, the company 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 at any time during the period from January 1, 1966 to December 31, 1967.



GENERAL VIEW OF GRANISLE PLANT

V. DAILY



WEIGHT ENGINEERS LIMITED.

