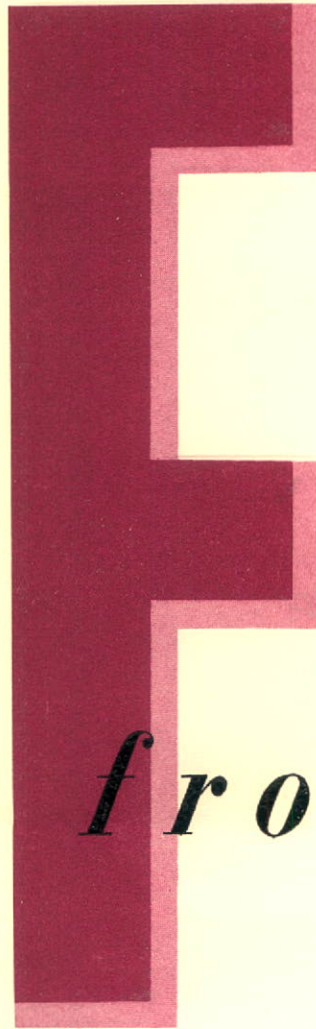


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LIMITED

*Directors' Report
and
Financial Statements*

*December 31, 1961
and
July 31, 1962*

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frobisher LIMITED

Officers:

J. J. RANKIN, President - - - - - Toronto, Ontario
R. L. SEGSWORTH, Vice-President - - - - - Toronto, Ontario
J. S. GRANT, Q.C., Secretary-Treasurer - - - - - Toronto, Ontario
W. STEUERMAN, C.A., Assistant Secretary-Treasurer Toronto, Ontario

Directors:

W. V. BUCKHANTZ - - - - - New York, N.Y.
J. J. COYLE - - - - - Dallas, Texas
N. H. C. FRASER - - - - - Toronto, Ontario
J. S. GRANT - - - - - Toronto, Ontario
J. J. RANKIN - - - - - Toronto, Ontario
R. L. SEGSWORTH - - - - - Toronto, Ontario
W. STEUERMAN - - - - - Toronto, Ontario

Transfer Agents and Registrars:

NATIONAL TRUST COMPANY LIMITED - - - Toronto, Ontario
Montreal, Quebec
REGISTRAR AND TRANSFER COMPANY - - - New York, N.Y.
- - - Jersey City, N.J.

Head Office:

Suite 911, 85 Richmond Street West, Toronto, Ontario

Bankers:

CANADIAN IMPERIAL BANK OF COMMERCE,
Toronto, Ontario

Auditors:

CLARKSON, GORDON & CO., Toronto, Ontario

frobisher LIMITED

Report of the Directors

TO THE SHAREHOLDERS

Enclosed herewith you will find notice calling the annual and a general meeting of the shareholders to be held at the York Room, Royal York Hotel, Toronto, on Tuesday, October 30, 1962 at the hour of 11 o'clock in the forenoon, Toronto time. Please also find enclosed the balance sheet of the Company as at July 31, 1962 and the statement of profit and loss and deficit for the seven month period ended on that date, together with the auditors' report thereon.

A report of the directors for the year ended December 31, 1961, together with balance sheet, statements of deferred exploration and development expenses and of profit and loss and deficit for the year then ended, together with the auditors' report thereon, was mailed to shareholders of record at the end of June last. For information of those who may have become shareholders of record since that time, we are again enclosing the said financial statements as at December 31, 1961.

Since the date of the said previous report, Gulf Oil Corporation has paid the Company \$200,000 in U.S. funds for geological and geophysical data pertaining to the Somalia concessions previously held by the Company. The Company may possibly receive a maximum total of a further \$650,000 in U.S. funds if oil is produced from the concession rights now held by Gulf.

The forthcoming meeting has been called as the annual and a general meeting, as indicated in the notice. In addition to the routine business of the annual meeting, the shareholders are being asked to consider the special business which is fully set out in the notice and enclosed documents. The Company has entered into an agreement as of August 31, 1962 with British Metal Canada Investments Limited, McIntyre Porcupine Mines Limited, Conwest Exploration Company Limited and Joseph J. Rankin, which, in brief, provides for a change of name, an extension of the Company's objects, capital re-organization on the basis of one "new" for every seven "old" shares of the Company, the provision of a total of \$750,000 in new working capital for the Company over a period of five years, the provision of management services for such period, and the granting of options to the financing parties and management on the remaining authorized and unissued shares in the Company's capital.

The shareholders will be asked to consider and if thought fit to confirm the aforesaid agreement. If the same is so confirmed, they will be asked to consider and if thought fit approve an application for supplementary letters patent to carry out the aforesaid share re-organization and change of name and to extend the objects of the Company to include those related to oil and natural gas. As a part of the said agreement, the Company is required to reduce the number of its directors from seven to five and the shareholders will also be asked to consider and if thought fit confirm a resolution of your directors in this regard.

The directors recommend that the shareholders confirm the aforesaid agreement and confirm the proposed application for supplementary letters patent and the proposed decrease in the number of the directors of the Company. It is the opinion of the directors that the agreement is advantageous to the Company as it will provide the Company with sufficient financing to embark upon exploration.

A form of instrument of proxy is enclosed for use by those unable to be present at the meeting. The persons named in the form of instrument of proxy are officers of the Company. If a shareholder wishes to appoint a proxy other than those named in the said form he may use any appropriate form of instrument of proxy or may strike out the printed names on the enclosed form and insert the name of such other proxy. A proxy need not be a shareholder.

On behalf of the Board of Directors,

JOSEPH J. RANKIN,
President.

October 15, 1962.

*Balance Sheet—July 31, 1962***ASSETS****CURRENT:**

Cash in bank	\$ 105,038
Cash in deposit account	50,000
Accounts receivable	7,294
	<u>\$ 162,332</u>

FIXED:

Equipment, at cost	\$ 4,358
Less accumulated depreciation	1,632
	<u>2,726</u>
Mining claims — at cost	8,000
Deferred exploration and development expenses in Canada	7,052
	<u>\$ 180,110</u>

LIABILITIES**CURRENT:**

Accounts payable and accrued charges	\$ 12,885
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SHAREHOLDERS' EQUITY:

Capital (notes 2 and 3) —	
Authorized: 7,500,000 shares of no par value	
Issued: 6,808,335 shares	\$ 400,000
Contributed surplus (no change during period)	264,565
	<u>\$ 664,565</u>
Deficit	497,340
	<u>167,225</u>
	<u>\$ 180,110</u>

On behalf of the Board:

J. J. RANKIN, Director.

R. L. SEGSWORTH, Director.

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
Frobisher Limited:

We have examined the balance sheet of Frobisher Limited as at July 31, 1962 and the statement of profit and loss and deficit for the seven months 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 the accompanying balance sheet and statement of profit and loss and deficit, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at July 31, 1962 and the results of its operations for the seven months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
October 9, 1962.

CLARKSON, GORDON & CO.,
Chartered Accountants.

frobisher LIMITED

Statement of Profit and Loss and Deficit

For the Seven Months Ended July 31, 1962

GENERAL AND ADMINISTRATIVE EXPENSES:

Transfer agency fees	\$	3,239
Annual reports		2,598
Legal and audit fees		3,387
Other general expenses		7,011
		<u>16,235</u>

LESS SUNDRY REVENUE:

Interest income	\$	675	
Profit on foreign exchange		1,540	2,215
		<u>2,215</u>	
Net loss for period			\$ 14,020

EXPLORATION AND DEVELOPMENT EXPENSES IN SOMALIA WRITTEN OFF: (note 1):

Balance December 31, 1961	\$	419,519	
Expenditures during seven months ended July 31, 1962		20,851	
		<u>440,370</u>	
Less recovery on sale of geological and geophysical data		216,062	224,308
		<u>224,308</u>	
Deficit, December 31, 1961			259,012
			<u>259,012</u>
Deficit, July 31, 1962 (note)			<u>\$ 497,340</u>

NOTE: The above deficit covers the period from June 28, 1960 to July 31, 1962. The accumulated deficit at June 27, 1960 (\$7,137,613) was written off against the contributed surplus created by a capital reorganization during 1960.

See accompanying notes.

frobisher LIMITED

Notes to Financial Statements

July 31, 1962

1. As the company has relinquished all its concession rights in Somalia, the relative deferred exploration and development expenses have been written off to deficit. The company is still entitled to receive a net royalty of 6.125% on all hydrocarbon production sold from 20% of the relinquished area plus a maximum amount of U.S.\$650,000 which is dependent upon oil production sold from the remaining 80% of the relinquished area.
2. During the seven months ended July 31, 1962 the company issued two shares of its capital for thirty cents cash and subsequent to July 31, 1962 it issued five additional shares for seventy-five cents cash.
3. Subsequent to July 31, 1962 the company entered into an agreement with Mr. J. J. Rankin, its President, British Metal Canada Investments Limited, Conwest Exploration Company Limited and McIntyre Porcupine Mines Limited which, if approved by Frobisher's shareholders and carried through to completion will result in the following:
 - (1) The issuance of supplementary letters patent –
 - (a) Changing the company's name to Frobex Limited;
 - (b) Cancelling pro rata 5,835,720 authorized and issued shares of the company;
 - (c) Increasing the company's authorized capital from 1,664,280 shares to 3,500,000 shares of no par value.
 - (2) The sale of 1,000,000 shares of the company's unissued capital at seventy-five cents per share of which \$300,000 for 400,000 shares will be payable at once and the balance of \$450,000 for 600,000 shares will be payable at any time during the next five years when called by the company. One-third of these shares are to be purchased by each of British Metals, Conwest and McIntyre.
 - (3) The granting of options exercisable within five years to purchase 1,527,380 shares of the company's unissued capital at eighty-five cents per share as follows:

(a) To each of British Metals, Conwest and McIntyre, 450,000 shares	1,350,000 shares
(b) To the company's President, Mr. J. J. Rankin, whose right to exercise his option is dependent upon his continued employment with the company	177,380
	1,527,380 shares

Note:

British Metals, Conwest and McIntyre each has the right to withdraw from any unpaid commitments incurred under paragraphs (2) and (3) above if Mr. Rankin should die or become physically incapable of performing his duties.

frobisher LIMITED

(INCORPORATED UNDER THE LAWS OF ONTARIO)

Financial Statements

December 31, 1961

Balance Sheet—December 31, 1961

ASSETS

CURRENT:			
Cash		\$	1,858
Accounts receivable			1,151
		\$	<u>3,009</u>
FIXED:			
Equipment, at cost	\$	37,180	
Less accumulated depreciation		24,375	12,805
			<u>12,805</u>
MINING CLAIMS — at cost			8,000
OTHER:			
Deferred exploration and development expenses:			
Somalia concessions (note 2)	\$	419,519	
Canada		735	
	\$	420,254	
Deposits		218	420,472
			<u>\$ 444,286</u>

LIABILITIES

CURRENT:			
Bank overdraft		\$	30,227
Accounts payable and accrued charges			8,506
SHAREHOLDERS' EQUITY:			
Capital —			
Authorized: 7,500,000 shares of no par value			
Issued: 6,808,333 shares	\$	400,000	
Contributed surplus (no change during year)		264,565	
	\$	664,565	
Deficit		259,012	405,553
			<u>\$ 444,286</u>

On behalf of the Board:

J. J. RANKIN, Director.

R. L. SEGSWORTH, Director.

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
Frobisher Limited:

We have examined the balance sheet of Frobisher Limited as at December 31, 1961 and the statement of profit and loss and deficit 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 the accompanying balance sheet and statement of profit and loss and deficit, when read in conjunction with the notes appended thereto, present fairly the financial position of the company as at December 31, 1961 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
May 3, 1962.

CLARKSON, GORDON & CO.,
Chartered Accountants.

frobisher LIMITED

Statement of Deferred Exploration and Development Expenses

For the Year Ended December 31, 1961

	Balance December 31, 1960	Additions during the year	Written off during the year	Balance December 31, 1961
Africa:				
Somalia —				
Geological and engineering fees and expenses	\$ 111,498	\$ 37,075		\$ 148,573
Salaries, wages and allowances	95,740	29,547		125,287
Other development expenses	49,172	15,584		64,756
Travel and transportation	29,709	9,668		39,377
Legal and audit fees	18,059	6,512		24,571
Depreciation	8,393	8,562		16,955
	<u>\$ 312,571</u>	<u>\$ 106,948</u>		<u>\$ 419,519</u>
Kenya —				
Geological and engineering fees and expenses	\$ 54,252	\$ 2,918	\$ 57,170	
Salaries, wages and allowances	67,779	1,069	68,848	
Other development expenses	39,495	4,058	43,553	
Travel and transportation	16,196	688	16,884	
Legal and audit fees	10,958	1,468	12,426	
Depreciation	9,299	437	9,736	
	<u>\$ 197,979</u>	<u>\$ 10,638</u>	<u>\$ 208,617</u>	
South America		<u>\$ 1,487</u>	<u>\$ 1,487</u>	
Canada		<u>\$ 735</u>		<u>\$ 735</u>
TOTAL	<u>\$ 510,550</u>	<u>\$ 119,808</u>	<u>\$ 210,104</u>	<u>\$ 420,254</u>

See accompanying notes.

frobisher LIMITED

Statement of Profit and Loss and Deficit

For the Year Ended December 31, 1961

GENERAL AND ADMINISTRATIVE EXPENSES:

Transfer agency fees	\$ 7,619
Annual reports and shareholders' meetings	5,566
Legal and audit fees	2,475
Other general expenses	10,567
	<u>\$ 26,227</u>

LESS SUNDRY REVENUE:

Interest income	\$ 1,155
Profit on foreign exchange	231
Other	100
	<u>1,486</u>
Net loss for year	<u>\$ 24,741</u>

EXPLORATION AND DEVELOPMENT EXPENSES WRITTEN OFF:

Kenya	\$ 208,617
South America	1,487
	<u>210,104</u>
Deficit, December 31, 1960	24,167
	<u>259,012</u>
Deficit, December 31, 1961 (note)	<u>\$ 259,012</u>

NOTE: The above deficit covers the period from June 28, 1960 to December 31, 1961. The accumulated deficit at June 27, 1960 (\$7,137,613) was written off against the contributed surplus created by a capital reorganization during 1960.

See accompanying notes.

Notes to Financial Statements

As at December 31, 1961

1. Assets and liabilities in currencies other than Canadian dollars are converted into Canadian funds at the current quoted rates of exchange at December 31, 1961, except fixed assets (and the related accumulated depreciation) and exploration expenditures which are converted at the rates of exchange prevailing when the expenditures on the assets were made.

Revenues and expenses (including development expenses) in currencies other than Canadian dollars are converted into Canadian funds at approximately the average monthly quoted rates of exchange, except the allowance for depreciation and exploration expenditures written off, which are converted at the rates of exchange prevailing when the expenditures on the related assets were made.

2. During 1961 the company's oil exploration licence in Kenya was allowed to lapse. Accordingly the deferred exploration and development expenses applicable thereto have been written off to deficit.

As a result of the company having relinquished approximately 20% of its concession rights in Somalia, it holds an overriding royalty of 6¼% from Sinclair Somal Corporation and associates on all hydrocarbon production sold from the relinquished area. At December 31, 1961 the interest of the company in the remaining 80% of the Somalia concession rights was subject to an option agreement entered into with Gulf Oil Corporation in September, 1961 and approved by the company's shareholders on October 2, 1961 under which Gulf would have been entitled to acquire all of the company's interest in this area in consideration of \$200,000 cash, plus an additional maximum total amount of \$650,000, the payment of which would have been dependent upon the production of oil from this area. This option expired on March 1, 1962 without being exercised. Subsequent to such expiry date the company completed negotiations under which it expects to obtain the same monetary benefits from the sale of the geological and geophysical data it acquired in connection with its Somalia concessions as if the option referred to above had been exercised.

MEMORANDUM OF AGREEMENT made as of this 31st day of AUGUST, A.D. 1962.

BETWEEN:

FROBISHER LIMITED, a company incorporated under the laws of the Province of Ontario, with head office at the City of Toronto, hereinafter called the "Company" OF THE FIRST PART, and

BRITISH METAL CANADA INVESTMENTS LIMITED, a company incorporated under the laws of Canada, with an office at Montreal, in the Province of Quebec, hereinafter called "British" OF THE SECOND PART, and

McINTYRE PORCUPINE MINES LIMITED, a company incorporated under the laws of the Province of Ontario, with an office at the City of Toronto, hereinafter called "McIntyre" OF THE THIRD PART, and

CONWEST EXPLORATION COMPANY LIMITED, a company incorporated under the laws of Canada, with head office at Spencerville, Ontario, hereinafter called "Conwest" OF THE FOURTH PART, and

JOSEPH JOHN RANKIN, of the City of Toronto, in the County of York, Mining Executive, hereinafter called "Rankin" OF THE FIFTH PART.

WHEREAS the Company is incorporated under the laws of the Province of Ontario with an authorized capital of 7,500,000 shares without par value of which 6,808,340 shares are presently outstanding as fully paid and non-assessable;

AND WHEREAS there are no outstanding option or purchase rights respecting the authorized and unissued 691,660 shares without par value of the capital stock of the Company;

AND WHEREAS the Company holds an overriding royalty of approximately six and one-quarter per cent (6¼%) of production from 9,400,000 acres in the Somali Republic held under concession by Sinclair Somal Corporation and its associates;

AND WHEREAS the financial affairs of the Company at the date hereof are represented to be correctly set out in the financial statement of the Company prepared by the Company and annexed hereto as Schedule "A".

NOW THEREFORE THIS INDENTURE WITNESSETH that in consideration of the terms and of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:—

1. The Company covenants and agrees with British, McIntyre, and Conwest as follows:—
 - (a) that its present financial affairs are correctly set forth in the financial statement annexed hereto as Schedule "A";
 - (b) that forthwith upon the execution of this agreement by all the parties hereto, it will call a meeting of its board of directors, and will
 - (i) pass a special resolution authorizing an application to the Lieutenant-Governor of the Province of Ontario for supplementary letters patent providing for, Firstly, the pro rata cancellation of 5,835,720 presently issued shares without par value; Secondly, the increased of the authorized capital to 3,500,000 shares without par value by the creation of an additional 1,835,720 shares without par value ranking on a parity with the then existing shares; Thirdly, the change of the name of the Company to "Frobex Limited" or such other name as is acceptable to the Provincial Secretary of Ontario, and Fourthly, varying the objects of the Company to include the right to explore, acquire, hold, develop and dispose of oil and gas deposits and as may be further mutually agreed;
 - (ii) pass a special resolution decreasing the number of its directors from seven (7) to five (5) and fixing the quorum at three (3);
 - (c) that it will forthwith prepare and submit to the Toronto Stock Exchange a filing statement under Ruling 49 of the said Exchange disclosing the terms of this agreement;
 - (d) that upon the special resolution being passed as aforesaid, it will call a special general meeting of its shareholders as expeditiously as possible to consider and if deemed advisable to confirm the special resolutions mentioned in paragraph (b) hereof, and to consider and if deemed advisable to confirm this agreement;
 - (e) that forthwith upon confirmation by the shareholders as aforesaid, it will apply for supplementary letters patent giving effect to the capital re-organization of the Company, the change of name and the varying of its objects, and in addition will comply with Section 296 (2) of The Corporations Act (Ontario) with respect to the decrease in the number of the directors of the Company;
 - (f) that upon supplementary letters patent being issued as aforesaid, it will forthwith apply for listing on the Toronto Stock Exchange of the shares of the Company created by supplementary letters patent.
2. Subject to:—
 - (a) the acceptance by the Toronto Stock Exchange of a filing statement of the Company under Ruling 49 of the said Exchange;
 - (b) confirmation of this agreement by the shareholders of the Company;
 - (c) the issuance of supplementary letters patent as aforesaid;
 - (d) the listing on the Toronto Stock Exchange of the shares of the Company created by the supplementary letters patent;
 - (e) the special resolution decreasing the number of the directors from seven (7) to five (5) being duly confirmed;

British covenants and agrees with the Company to subscribe for 333,334 shares in the capital of the Company as then constituted at the price of 75 cents per share for a total consideration of \$250,000.50. British agrees to pay \$100,000.50 for 133,334 of the said shares on the closing date hereinafter defined. British agrees to pay for the balance of the said 333,334 shares, namely 200,000 shares at 75 cents per share, as and when it shall receive a call or calls from the directors of the Company at any time and from time to time for the whole amount due or for any part or parts thereof.

McIntyre covenants and agrees with the Company to subscribe for 333,333 shares in the capital of the Company as then constituted at the price of 75 cents per share for a total consideration of \$249,999.75. McIntyre agrees to pay \$99,999.75 for 133,333 of the said shares on the closing date hereinafter defined. McIntyre agrees to pay for the balance of the said 333,333 shares, namely 200,000 shares at 75 cents per share, as and when it shall receive a call or calls from the directors of the Company at any time and from time to time for the whole amount due or for any part or parts thereof.

Conwest covenants and agrees with the Company to subscribe for 333,333 shares in the capital of the Company as then constituted at the price of 75 cents per share for a total consideration of \$249,999.75. Conwest agrees to pay \$99,999.75 for 133,333 of the said shares on the closing date hereinafter defined. Conwest agrees to pay for the balance of the said 333,333 shares, namely 200,000 shares at 75 cents per share, as and when it shall receive a call or calls from the directors of the Company at any time and from time to time for the whole amount due or for any part or parts thereof.

3. It is agreed between the Company and each of British, McIntyre and Conwest and agreed between the said British, McIntyre and Conwest that the subscriptions referred to in paragraph 2 hereof are several only and are made individually by each of the said subscribers, and that there is no joint liability on the part of any one or more of the subscribers for the subscription of any other of the subscribers. It is further agreed by the Company with the said subscribers, and agreed between the said subscribers that all calls to be made by the directors of the Company for payment of the whole or any amount due on any of the said subscriptions shall be made by the Company among the said subscribers pro rata to their respective subscriptions. In any event, payment in full for each of the respective subscriptions shall be made within five (5) years from the closing date. The Company agrees to accept the aforesaid individual subscriptions for the said total of 1,000,000 shares at 75 cents per share from the said subscribers and agrees with each of them to receive payment therefor in the manner and at the times above set forth.

The Company shall allot as fully paid and non assessable the shares so paid for and shall deliver forthwith against each such payment certificates for the shares paid for as directed by the subscribers.

In the event that any one or more of the subscribers shall fail to meet its subscription on the closing date, then in addition to any recourse at law which the Company may have against the defaulting subscriber or subscribers, and which the other subscribers who have met their said subscriptions may have, the subscribers who have duly met their respective subscriptions may thereupon elect to consider this agreement and everything herein contained null and void and of no further force or effect and may require to have returned to them the full amount of their initial subscription, without interest, and to be relieved of their commitment for the balance of their respective subscriptions.

Notice of such election by any one or more of the said subscribers shall be well and sufficiently given, if given in writing to all of the other parties hereto, within four (4) days of the closing date. Any notice required to be given hereunder shall be deemed well given and to have been received by the party to whom it is given two (2) days following the day of its mailing, postage prepaid, to the parties, at their respective addresses:

To the Company: Suite 911, 85 Richmond Street West, Toronto, Ontario.
To British: 635 Dorchester Boulevard West, Montreal, Quebec.
To McIntyre: Suite 1500, 25 King Street West, Toronto, Ontario.
To Conwest: Suite 1001, 85 Richmond Street West, Toronto, Ontario.
To Rankin: Suite 911, 85 Richmond Street West, Toronto, Ontario.

4. The closing date referred to in this agreement shall be a date mutually agreed upon by all of the parties to be within one week from the latest of the happenings of the five events referred to in paragraph 2 hereof. In the event that a date mutually agreeable is not set as aforesaid, the closing date shall be the seventh (7th) day from the latest of the happenings of the said five events which is a business day.

5. At the meeting of the board of directors of the Company at which the subscriptions referred to in paragraph 2 hereof are accepted, Rankin covenants and agrees with the parties of the Second, Third and Fourth Parts that he will cause the resignation of three of the present directors of the Company and will cause the election to the board of directors of the Company of a nominee of each of the parties of the Second, Third and Fourth Parts. Until default occurs on the part of any one of the said Parties of the Second, Third and Fourth Parts in making payment or payments under the subscriptions referred to in paragraph 2 hereof, Rankin shall at all times vote the shares (of the Company) which he owns and controls to maintain the said nominees in office as directors of the Company.

6. Each of the parties hereto other than the Company covenants and agrees with Rankin, and each of the said parties covenants and agrees with each of the other of them and all of them, that it and he will so vote the shares (of the Company) that it or he owns or controls to cause the election of Rankin and one nominee of his to the board of directors of the Company and to maintain both of these persons in office, so long as Rankin continues to be the President and a Managing Director.

7. In consideration of each of British, McIntyre and Conwest making the respective subscriptions referred to in paragraph 2 hereof, and making the respective initial payments on account thereof as provided in said paragraph 2 hereof, the Company hereby gives and grants to each of the said subscribers respectively, the exclusive right or option, good for a period of five years from the closing date, to purchase, at a price of 85 cents per share, all or any part of the following additional numbers of treasury shares in the capital of the Company, namely:

to British — all or any part of 450,000 shares;
to McIntyre — all or any part of 450,000 shares;
to Conwest — all or any part of 450,000 shares.

The said options shall be exercisable in whole or in part from time to time and any time within the said five (5) year period, provided however that the unexercised option rights of any such optionee shall automatically cease and determine forthwith upon such optionee making default in its or his commitment referred to in paragraph 2 hereof, or withdrawing under paragraph 12.

8. In the event that any optionee does not desire to exercise the said option it holds, or any part thereof, then the other optionees (or any of them if all do not wish to participate) if their options are in good standing and if they are not in default under their said respective commitments shall have the right to exercise among them the option about to be dropped or such part of same as has not then been exercised.

Such exercising parties shall be entitled to exercise such additional option rights pro rata among them as nearly as possible in the ratio in which they have made their commitments in paragraph 2, after giving effect to the non-participation of any of the optionees.

9. The Parties of the Second, Third and Fourth Parts covenant and agree with Rankin that at the first meeting of the board of directors at which their nominees are placed on the board, that:

- (a) they will cause Rankin to be elected President of the Company and its Managing Director;
- (b) they will cause the Company to enter into an employment contract with Rankin for a period of five years on such terms as may be agreed to by all parties hereto;
- (c) they will cause the Company to give and grant to Rankin a non-assignable management option to purchase 177,380 shares in the capital stock of the Company as then constituted at 85 cents per share exercisable during his employment with the Company from time to time in whole or in part during the five (5) year period following the closing date.

10. Rankin covenants and agrees with the other parties to this agreement that upon being appointed Managing Director of the Company he will not do any mineral exploration work in Canada while this agreement is in force, for any person, firm or corporation other than the Company, with the proviso that such covenant will not preclude him from continuing his association with Marchant Mining Company Limited and Peruvian Oils and Minerals Limited, of which companies he is respectively President and Vice-President and Managing Director.

11. Notwithstanding anything herein contained, it is expressly understood and agreed that if the Toronto Stock Exchange will not accept under its Ruling 49 a filing statement of the Company giving effect to this agreement, this agreement and everything herein contained shall be null and void and of no effect.

12. Notwithstanding anything to the contrary hereinbefore contained, it is agreed by the Company with each of British, McIntyre and Conwest and it is agreed between British, McIntyre and Conwest that in the event that at any time prior to the expiration of the period of five (5) years following the closing date, Rankin shall die, or by reason of physical incapacity, shall be permanently incapable of satisfactorily discharging his duties as Managing Director of the Company and of performing under his employment contract, then in either of such event any or all of the said subscribers, British, McIntyre and Conwest may elect, upon notice duly given to all of the other parties hereto, to withdraw from such portion of its or their commitment(s) which has not then been paid, and upon such notice of such election being so given such subscriber(s) shall be relieved of any call for payment of the balance of such commitment(s) and shall not be liable to the Company or to any of the other subscribers for same. Notice of such election to withdraw shall be well and sufficiently given, if given in writing to all of the other parties hereto at any time during the said period of five years, at the respective addresses shown in paragraph 3 hereof and shall be deemed to have been received by the party to whom it is given within two (2) days following the date of its mailing, postage prepaid.

13. Any assignment of a part or the whole of any interest of any party hereto shall be made only with the consent of all of the other parties hereto, provided however that such consent may not be withheld if the assigning party shall at the time of such assignment guarantee the due performance by its assignee of any covenants and commitments then outstanding and being assumed by such assignee.

14. Time shall be of the essence of this agreement.

IN WITNESS WHEREOF the Parties of the First, Second, Third and Fourth Parts have hereunto caused their respective corporate seals to be affixed duly attested by the hands of their proper officers in that behalf, and the Party of the Fifth Part has hereunto set his hand and seal, the day and year first above written,

SIGNED, SEALED AND DELIVERED

In the presence of:

"W. Steuerman"

FROBISHER LIMITED

"R. L. Segsworth", Vice-President

(C.S.)

"John S. Grant", Secretary

BRITISH METAL CANADA INVESTMENTS LIMITED

"S. E. Jamieson", President

(C.S.)

"C. E. N. Kaulbach", Secretary

McINTYRE PORCUPINE MINES LIMITED

"J. D. Barrington", President

(C.S.)

"F. T. McKinney", Secretary

CONWEST EXPLORATION COMPANY LIMITED

"F. M. Connell", President

"C. S. M. Mortimer", Secretary

(C.S.)

"Joseph J. Rankin"

FROBISHER LIMITED

SCHEDULE "A"

Balance Sheet as at July 31, 1962

ASSETS

Current:			
Cash			\$105,038.54
Investments — short term			50,000.00
Accounts receivable			7,294.41
			\$162,332.95
Fixed:			
Equipment — at cost	\$ 4,358.23		
Less accumulated depreciation	1,632.28	2,725.95	
Mining Claims — at cost			8,000.00
Deferred exploration expenses — Canada			7,051.58
			\$180,110.48

LIABILITIES

Current:			
Accounts payable and accrued charges			\$ 12,884.90
Shareholders' Equity			
Capital —			
Authorized: 7,500,000 shares of no par value			
Issued: 6,808,335 shares (including 2 shares issued for cash during the period)	\$400,000.30		
Contributed surplus (no change during period)	264,564.95		
		\$664,565.25	
Deficit	497,339.67	167,225.58	
			\$180,110.48

Statement of Profit and Loss and Deficit for the Seven Months Ended July 31, 1962

General and Administrative Expenses:			
Transfer agency fees		\$ 3,238.53	
Legal and audit fees		3,387.40	
Annual reports		2,597.65	
Other general expenses		7,011.21	
			\$ 16,234.79
Less Sundry Revenue:			
Interest income	\$ 675.40		
Profit on foreign exchange	1,539.61	2,215.01	
Net loss for the period			\$ 14,019.78
Exploration and Development Expenses written off:			
Somalia			
Deficit — December 31, 1961		224,307.94	
Deficit — July 31, 1962 (note)		259,011.95	
			\$497,339.67

Note: The above deficit covers the period from June 28, 1960 to July 31, 1962. The accumulated deficit at June 27, 1960 (\$7,137,613) was written off against the contributed surplus created by a capital reorganization during 1960.

Notes to Financial Statements as at July 31, 1962

- (1) The company is in the process of winding up its branch office in the Republic of Somalia. The amounts included in the financial statements, insofar as they relate to the African operations, cover the period to May 31, 1962 only. No substantial additional liabilities in respect of the African operations, other than those included in this financial statement, are anticipated.
- (2) Assets and liabilities in currencies other than Canadian dollars are converted into Canadian funds at the current quoted rates of exchange at July 31, 1962, except fixed assets (and the related accumulated depreciation) and exploration expenditures written off, which are converted at the rates of exchange prevailing when the expenditures on the assets were made.
- (3) During the period under review, the company's Somalia concessions were relinquished. Accordingly the deferred exploration and development expenses, less the amount received from the sale of geological and geophysical data applicable thereto, were written off to deficit.
- (4) The company holds the following interests in its former concessions in the Republic of Somalia.
 - (a) Dependent upon the production of oil in approximately 80% of its former concessions, the company is entitled to receive payments up to a maximum of \$650,000 from Gulf Oil Corporation under an agreement similar to that approved by the shareholders on October 2, 1961.
 - (b) The company holds an overriding royalty of 6¼% from Sinclair Somal Corporation and Associates on all hydrocarbon production sold from approximately 20% of its former concession.

August 29, 1962.

