

FROBEX LIMITED

1974 ANNUAL REPORT

DIRECTORS:

Dr. Byron J. Chronic,
Professor, the University of Colorado

Mr. Samuel Rice,
Manager and Secretary-Treasurer,
Northern Timber 1971 Limited.

Mr. Lee T. Garon,
Retired, formerly Manager Canadian Imperial
Bank of Commerce, Rouyn, Quebec.

Mr. Carl T. Bischoff
Consulting Mining Engineer at Noranda, Quebec.

Mr. Melville William Rennick, P. Eng.,
Consulting Geologist at Toronto, Ontario.

OFFICERS:

Dr. Byron John Chronic, President

Mr. Samuel Rice, Vice-President.

Mr. C. S. Kennedy, Secretary-Treasurer.

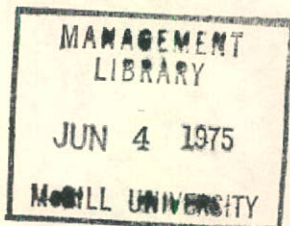
CAPITAL STOCK: Authorized: 7,500,000 shares without par value
Issued: 4,660,000 shares

EXECUTIVE AND HEAD OFFICE Secretarial Suite 11, King Edward Sheraton Hotel
37 King Street East, Toronto, Ontario, M5C 1E9.

AUDITORS: Thorne Gunn & Co., Chartered Accountants,
Toronto, Ontario.

REGISTRARS AND TRANSFER AGENTS National Trust Company Limited,
21 King Street East, Toronto, Ontario, M5C 1B3.

ANNUAL MEETING Saturday, June 28th, 1975, at 11:00 o'clock in
the forenoon (Toronto Time), in the King Edward
Sheraton Hotel, 37 King Street East, Toronto,
Ontario.



F R O B E X L I M I T E D

Secretarial Suite 11, King Edward Sheraton Hotel
37 King Street East, Toronto, Ontario, M5C 1E9

To the Shareholders:

You will find the financial statements of your Company for the year ended December 31, 1974 and your Auditors' report thereon included in this report.

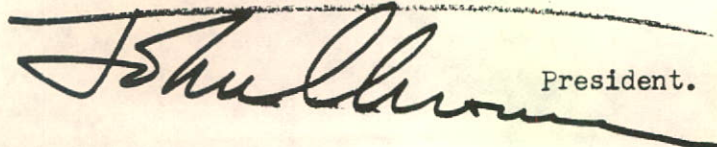
Throughout the year your management continued active in the search for a property with economic potential for development. A number of propositions were investigated, most of which were turned down for lack of sufficient merit. The properties and options held at the beginning of the year also were reviewed. It was decided that the Rouyn Township claims were not sufficiently promising to warrant the expense of retention and they have been allowed to expire since the year end. The potential of the Liard Mining Division B. C. claims was evaluated as not being sufficient to warrant the expenditures necessary to maintain them and they were allowed to lapse. The suit brought against the Company in connection with these claims was dismissed by the court. The Montbray Township claims are being retained. As we were unable to obtain the deposit in escrow of satisfactory conveyances of title to the gold property claims in New Mexico this option has been abandoned.

In December a deal in partnership with New Inesco Mines Limited for the development of a group of claims in LaPause and Bousquet Townships, Quebec, was entered into, and a program of diamond drilling was carried out in January 1975. The results were disappointing so the property was dropped.

For over a year your management has been negotiating for the purchase by your Company of certain coal properties in the State of Utah in which very large tonnages of a good grade of coal are indicated. In view of the energy crisis it is felt that the acquisition of such a property will be most advantageous and profitable. An agreement of purchase has been entered into with the owners of the properties which is subject to the approval of The Toronto Stock Exchange and the Securities Commission of the Province of Ontario. These regulatory authorities have requested certain additional information in connection with the granting of their approval, which, at this writing is being procured for them. For details of the contract your attention is directed to Note 5 (b) of your auditors' report.

You can be assured that your directors will continue to search for new and significant properties which we may explore within our financial limitations. We would welcome any suggestions or ideas which you may have concerning the operations of the Company.

RESPECTFULLY SUBMITTED ON BEHALF OF
THE BOARD OF DIRECTORS


President.

Toronto, Ontario,
June 2, 1975.

AUDITORS' REPORT

To the Shareholders of
Frobex Limited

We have examined the balance sheet of Frobex Limited as at December 31, 1974 and the statements of deferred exploration expenditures, administrative expenses, deficit and changes in financial position 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 these financial statements present fairly the financial position of the company as at December 31, 1974 and the results of its operations and the changes in its financial position 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 15, 1975

Thorne Gunn & Co.
Chartered Accountants

FROBEX LIMITED
(Incorporated under the laws of Ontario)

BALANCE SHEET - DECEMBER 31, 1974
(with comparative figures at December 31, 1973)

ASSETS	<u>1974</u>	<u>1973</u>
CURRENT ASSETS		
Cash	\$ 3,435	\$ 9,807
Short term investment certificate, at cost	25,000	50,000
Marketable securities, at cost less allowance for decline in market value (1973 at cost) (quoted market value \$16,375; 1973, \$29,750)	16,375	38,423
Accounts receivable	<u>1,946</u>	<u>1,478</u>
	<u>46,756</u>	<u>99,708</u>
INVESTMENTS, at cost		
Shares in other mining companies (note 2)	<u>3</u>	<u>23,877</u>
INTEREST IN MINING CLAIMS (note 3)		
Township of Rouyn, Quebec - acquired for 150,000 shares of capital stock issued at 15¢ per share and \$5,932 cash	1	28,432
Township of Montbray, Quebec - acquired for 10,000 shares of capital stock issued at 25¢ per share and \$2,000 cash	4,500	4,500
Liard Mining Division, British Columbia - acquired for cash		4,000
Townships of LaPause and Bousquet, Quebec - option to purchase acquired for \$1 (note 5(a))	<u>1</u>	
	<u>4,502</u>	<u>36,932</u>
DEFERRED EXPLORATION EXPENDITURES (note 1(a))	<u>1,468</u>	<u>26,727</u>
	<u>\$ 52,729</u>	<u>\$187,244</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 8,756</u>	<u>\$ 21,413</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5(b))		
Authorized - 7,500,000 common shares without par value	462,483	462,483
Issued - 4,660,000 common shares	418,510	296,652
DEFICIT	<u>43,973</u>	<u>165,831</u>
	<u>\$ 52,729</u>	<u>\$187,244</u>

Approved by the Board

Director

Director

FROBEX LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Township of Rouyn, Quebec		
Diamond drilling		\$ 7,291
Other development work		482
Government fees	\$ 189	757
Engineering fees and expenses		<u>1,204</u>
	<u>189</u>	<u>9,734</u>
Township of Montbray, Quebec		
Government fees	150	
Development licences		45
Assays		<u>18</u>
	<u>150</u>	<u>63</u>
Liard Mining Division, British Columbia		
Development work		1,684
Engineering fees	50	812
Government and legal fees	<u>275</u>	<u>1,130</u>
	<u>325</u>	<u>3,626</u>
State of New Mexico, U.S.A. (note 1(b))		
Reese base metal project	(1,142)	24,316
Other surveys	<u>239</u>	<u>276</u>
	<u>(903)</u>	<u>24,592</u>
Other exploration expenditures	<u>2,985</u>	<u>1,500</u>
	2,746	39,515
Balance deferred at beginning of year	<u>26,727</u>	<u>13,029</u>
	<u>29,473</u>	<u>52,544</u>
Amounts written off (recovery of amounts previously written off)		
Reese base metal project	(1,142)	24,316
Township of Rouyn, Quebec	21,697	
Liard Mining Division	3,951	
Other	<u>3,499</u>	<u>1,500</u>
	<u>28,005</u>	<u>25,816</u>
	1,468	26,728
Nominal value reinstated for shares of Kapkichi Nickel Mines Limited received		<u>1</u>
Balance deferred at end of year	<u>\$ 1,468</u>	<u>\$ 26,727</u>

FROBEX LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Accounting and office services	\$ 2,998	\$ 4,170
Annual reports and shareholders' meeting	3,287	3,086
Directors' fees	350	450
Legal and audit fees	1,780	12,678
Transfer agency fees	5,783	4,340
Interest expense	539	356
Other general expenses		
Directors' meetings	\$ 473	
Executive travel - directors	971	
Office rent	464	
Telephone and telegraph	2,513	
Printing and stationery	42	
General and office expense	219	
Stock exchange fees	200	
Insurance	300	
	<u>5,182</u>	<u>7,637</u>
	19,919	32,717
Deduct interest and dividends	<u>4,419</u>	<u>5,396</u>
Administrative expenses for the year, written off to deficit	<u>\$ 15,500</u>	<u>\$ 27,321</u>

STATEMENT OF DEFICIT

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Deficit at beginning of year	\$296,652	\$248,802
Deduct gain on sale of investments		5,287
	<u>296,652</u>	<u>243,515</u>
Amounts written off		
Administrative expenses	15,500	27,321
Exploration expenditures	28,005	25,816
Shares in other mining companies	23,874	
Mining claims	32,431	
Provision for decline in market value of marketable securities	<u>22,048</u>	
Deficit at end of year	<u>\$418,510</u>	<u>\$296,652</u>

FROBEX LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1974
(with comparative figures for 1973)

	<u>1974</u>	<u>1973</u>
Working capital derived from		
Proceeds from sale of investments, less purchases		<u>\$ 5,287</u>
Working capital applied to		
Purchase of mining claims and option	\$ 1	4,000
Exploration expenditures	2,746	39,515
Administrative expenses (net)	15,500	27,321
Provision for decline in market value of marketable securities	<u>22,048</u>	<u>70,836</u>
	<u>40,295</u>	<u>70,836</u>
Decrease in working capital	40,295	65,549
Working capital at beginning of year	<u>78,295</u>	<u>143,844</u>
Working capital at end of year	<u>\$ 38,000</u>	<u>\$ 78,295</u>

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1974

1. DEFERRED EXPLORATION EXPENDITURES

(a) The company's policy is to defer exploration projects until such time as the projects are abandoned.

(b) Mining claims obtained pursuant to an option agreement with Oliver Reese in the State of New Mexico, U.S.A. were not pursued and the option has been allowed to lapse.

2. SHARES IN OTHER MINING COMPANIES

Shares in other mining companies have no quoted market value and at December 31 consist of:

	<u>Number of</u> <u>shares</u>	<u>Amount</u>	
		<u>1974</u>	<u>1973</u>
Bernack Coppermine Explorations Ltd., at nominal value	520,349	\$ 1	\$ 1
Coranex Limited, at nominal value (at cost in 1973)	23,000	1	23,875
Kapkichi Nickel Mines Limited, at nominal value	1,125	<u>1</u>	<u>1</u>
		<u>\$ 3</u>	<u>\$23,877</u>

3. INTEREST IN MINING CLAIMS

(a) Township of Rouyn, Quebec

Mining claims held on property in this region in 1974 were allowed to lapse in 1975.

(b) Liard Mining Division, British Columbia

Jade claims held on property in this region in 1974 were allowed to lapse in 1975.

FROBEX LIMITED

NOTES TO FINANCIAL STATEMENTS (Continued)

DECEMBER 31, 1974

4. SETTLEMENT OF LITIGATION

The litigation commenced against the company in October 1973 with respect to title of the company's interest in Liard Mining Division, British Columbia was dismissed without cost to the company in May 1975.

5. SUBSEQUENT EVENTS

(a) Townships of LaPause and Bousquet

Under an agreement dated December 16, 1974, the company purchased for \$1 an option to acquire mining claims in the Townships of LaPause and Bousquet in the Province of Quebec. Subsequent to the year end the company exercised its option and purchased the claims, consideration for which was 20,000 common shares of the company purchased on the open market by a third party at a cost of \$2,700 and paid for by the company. In January 1975, the claims were abandoned. Total cost of the exploration was approximately \$2,800.

(b) State of Utah

On April 14, 1975, the company agreed to purchase options to acquire coal prospecting permits and a coal lease in the Dixie National Forest in the State of Utah, U.S.A. The consideration for the purchase is to be the allotment of an aggregate of 4,750,000 fully paid and non-assessable shares of the capital stock of the company, to be issued as follows:

250,000 at closing of the transaction
250,000 on or before January 1, 1976
250,000 on or before June 30, 1976
4,000,000 on or before January 1, 1977

In order for these shares to be allotted and issued, the company must, by January 1, 1977, obtain articles of amendment to increase its authorized share capital to at least 9,410,000 common shares.

Closing of the transaction is expressed to be subject to the approval by The Toronto Stock Exchange and the Ontario Securities Commission of the agreement and of the initial allotment and issuance of 250,000 shares. Subsequent allotments and issuances of shares are also expressed to be subject to such approval.

FROBEX LIMITED

Secretarial Suite 11, King Edward Sheraton Hotel
37 King Street East
Toronto, Ontario,
M5C 1E9

INFORMATION CIRCULAR

This information circular is furnished in connection with solicitation by the management of Frobex Limited (the "Corporation") of proxies to be used at the Annual and General Meeting of Shareholders of the Corporation to be held at the time and place and for the purposes set forth in the accompanying notice of meeting. It is expected that solicitation will be primarily by mail, but proxies may also be solicited personally by directors and regular employees of the Corporation at nominal cost. The cost of solicitation by management will be borne by the Corporation.

RIGHT OF REVOCATION

A shareholder executing the enclosed instrument of proxy, or any form of proxy, has the power to revoke it at any time before it is exercised. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing executed by the shareholder or by his attorney, authorized in writing or, if the shareholder is a body corporate, under its corporate seal or by an officer or attorney thereby duly authorized and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of such meeting on the day of the meeting or adjournment thereof and upon either of such deposits, the proxy is revoked.

EXERCISE OF DISCRETION BY PROXIES

The persons named in the enclosed form of proxy will vote the shares in respect of which they are appointed in accordance with the direction of the shareholders appointing them. In the absence of such direction such shares will be voted in favour of the items of business indicated in the accompanying notice and proxy, and for the election of directors and the appointment of auditors as stated under those headings in this circular. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the notice of meeting, and with respect to other matters which may properly come before the meeting. At the time of printing this circular the management of the Corporation knows of no such amendments, variations or other matters to come before the meeting other than the matters referred to in the notice of meeting.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

Only shareholders of record at the time of the said meeting will be entitled to vote at the meeting on the basis of one vote per share. The Corporation had outstanding on May 31, 1975, 4,660,000 shares.

So far as the directors and officers of the Corporation are aware, there are no shareholders beneficially owning more than 10% of the Corporation's shares.

A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO ATTEND AND ACT FOR HIM AND ON HIS BEHALF AT THE MEETING OTHER THAN THE PERSONS DESIGNATED IN THE FORM OF PROXY AND MAY DO SO BY FILLING IN THE NAME OF THE APPOINTEE IN THE SPACE PROVIDED ON THE PROXY AND CAUSING IT TO BE FILED AT THE HEAD OFFICE OF THE CORPORATION AT ANY TIME UP TO AND INCLUDING THE LAST BUSINESS DAY PRECEDING THE DAY OF THE MEETING, OR ANY ADJOURNMENT THEREOF, AT WHICH THE PROXY IS TO BE USED, OR WITH THE CHAIRMAN OF THE MEETING ON THE DAY OF THE MEETING OR ADJOURNMENT THEREOF.

ELECTION OF DIRECTORS

The board consists of five directors to be elected annually. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below. Those named have served as directors since the dates indicated. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the meeting, the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion. Each director elected will hold office until the next annual meeting and until his successor is elected or appointed, unless his office is earlier vacated in accordance with the by-laws.

The following table and note thereto state the names of all persons proposed to be nominated for election as directors, all other positions and offices with the corporation now held by them, their principal occupations or employments, the year in which each became a director and the approximate number of shares of the Corporation beneficially owned, directly or indirectly, by each of them as of May 31, 1975.

<u>Name and Principal Occupation</u>	<u>Position Previously Held</u>	<u>Period as Director</u>	<u>Shares Beneficially owned as at May 31, 1975</u>
Dr. Byron John Chronic, Professor, the University of Colorado for more than the last five years	President and Director	Since Aug. 31, 1971	22,500
Mr. Samuel Rice, Manager and Secretary-Treasurer of Northern Timber 1971 Limited for more than the last five years	Secretary and Director	Since May 29, 1972	31,500
Mr. Lee T. Garon, Retired for the past five years, formerly Manager of the Canadian Imperial Bank of Commerce, Rouyn, Quebec.	Director	Since May 29, 1972	7,000
Mr. Carl T. Bischoff, Consulting Mining Engineer, Noranda, Quebec, for more than the last five years.	Director	Since June 29, 1973	
Mr. Melville William Rennick, P. Eng., Consulting Geologist for more than the last five years.	Director	Since June 28, 1974.	2,000

Note: The information as to shares beneficially owned by each of the persons proposed to be nominated for election as directors, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually.

REMUNERATION OF MANAGEMENT

Each director is entitled to a fee of \$50.00 for each meeting of directors which he attends. For the fiscal year ended December 31, 1974 the Corporation paid to its directors as directors, the sum of \$350.00.

APPOINTMENT OF AUDITORS

The persons named in the enclosed form of proxy intend to vote for the re-appointment of Thorne Gunn & Co., Chartered Accountants, Toronto, the current auditors, as auditors of the Corporation, to hold office until the next annual meeting of shareholders.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as reported in previous years the Management knows of no Material Transactions affecting the Corporation in which any of its Directors or Officers are interested.

GENERAL

Information contained herein is given as of May 31, 1975. The Management knows of no matters to come before the annual meeting of the shareholders other than the matters referred to in the notice of meeting. Receipt at such meeting of reports of the directors and auditors and the Corporations financial statements for the last complete fiscal year will not constitute approval or disapproval of any matters referred to therein. If any matters which are not known should properly come before the meeting, the accompanying proxy instrument will be voted on such matters in accordance with the best judgement of the person voting it.

Toronto, Ontario,
June 2, 1975.

F R O B E X L I M I T E D

Secretarial Suite 11, King Edward Sheraton Hotel
37 King Street East
Toronto, Ontario
M5C 1E9

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an annual general meeting of shareholders of FROBEX LIMITED will be held in the King Edward Sheraton Hotel, 37 King Street East, Toronto, Ontario, on Friday, the 28th day of June, 1974, at the hour of 1:00 o'clock in the afternoon (Toronto Time), for the following purposes:

- (a) to receive and consider the Annual Report, including financial statements for the fiscal year ended December 31, 1973, and the auditor's report thereon;
- (b) to elect directors;
- (c) to appoint auditors for the ensuing year and to authorize the directors to fix their remuneration;
- (d) to transact such further and other business as may properly come before the meeting or any adjournment thereof.

DATED at Toronto, Ontario, this 6th day of June, 1974.

By Order of the Board,

"C. S. KENNEDY"
Secretary.

- NOTES: 1. Shareholders are entitled to vote at the meeting either in person or by proxy. A proxy must be dated and signed by the shareholder or his attorney duly authorized in writing, or if the shareholder is a corporation under its corporate seal and by an officer or attorney thereof duly authorized.
2. The shareholder has the right to appoint a person, who need not be a shareholder, other than the persons designated, as his nominee to attend and act at the annual general meeting of the shareholders and such right may be exercised by inserting the name of such person in the blank space in the proxy form.
3. If it is not your intention to be present at the meeting, please exercise your right to vote by promptly signing, dating and returning the proxy to the Company at the above address.

McGILL UNIVERSITY,
MANAGEMENT LIBRARY,
1001 SHERBROOKE STREET WEST, 2nd Floor,
MONTREAL, QUEBEC.

McGILL UNIVERSITY
JUN 13 1974
MANAGEMENT
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