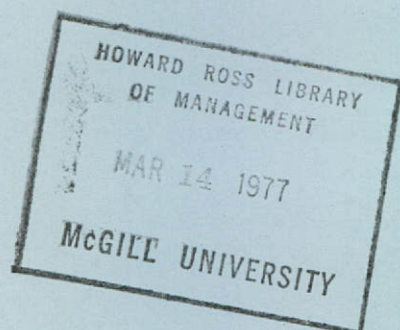


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BANKENO MINES LIMITED

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annual report
1976



BANKENO MINES LIMITED

DIRECTORS A. H. T. CROSBIE
R. M. GRAY
J. C. McBEAN
W. A. ROLIFF
H. F. ZURBRIGG

OFFICERS A. H. T. CROSBIE, *Chairman of the Board*
J. C. McBEAN, *President*
R. M. GRAY, *Vice-President*
E. E. GORING, *Secretary*
F. D. BIGNELL, *Treasurer*

TRANSFER AGENTS CROWN TRUST COMPANY, Toronto, Ontario

STOCK EXCHANGES TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

AUDITORS CLARKSON, GORDON & CO., Toronto, Ontario

HEAD OFFICE Suite 908, 40 University Avenue
Toronto, Canada
M5J 1T1

BANKENO MINES LIMITED

President's Report

TO THE SHAREHOLDERS:

The date for the Annual Meeting of Shareholders has not yet been fixed. A Notice of Meeting and related material will be sent to shareholders in the near future.

The potential of your Company remains in its 25% carried equity interest in Arvik Mines Limited, an approximate 1.90% equity interest in Panarctic Oils Ltd., and working and other interests, averaging 8.46%, in approximately 2,941,484 gross acres in the Arctic Islands. Bankeno's equity interest in Panarctic was diluted slightly due to declining participation in the 8th Financing.

Panarctic continues to conduct exploration programs on its acreage in the Arctic, with a view to increasing gas reserves to commercial levels, and developing sufficient oil reserves in the Bent Horn oil discovery area to justify early commercial development. During 1976, drilling was completed in the Bent Horn area, with limited success. Also during 1976, one gas well was completed on Ellef Ringnes Island, and two were completed on the extension of the Hecla and Drake Point gas fields.

Little progress was made in 1976 concerning plans to bring Arvik's lead-zinc deposit on Little Cornwallis Island into production. Your Company continues to be optimistic about the commercial possibilities of Arvik; however, Cominco Limited, the 75% owner and the operator of Arvik, has deferred a development decision on the project until a suitable agreement can be reached with the Federal Government regarding terms and conditions for developing the orebody.

The final payment of \$120,000 has been received by the Company from the sale in 1975 of Bankeno's interest in the Edwand gas project in North Central Alberta.

Two of your directors, Mr. H. F. Zurbrigg and Mr. A. H. T. Crosbie, will not be standing for re-election to the Board. Mr. Zurbrigg joined the Board in 1972, and Mr. Crosbie in 1976. Both have played key roles, and the Company is most appreciative of their efforts.

During the year, we were saddened by the death of Mr. Evan Donaldson, who had been an ardent supporter and a director of the Company since 1963.

On behalf of the Board of Directors,

JOHN C. McBEAN
President

March 4, 1977

BANKENO MINES LTD.

(Incorporated under the laws of the Province of Ontario)

Balance Sheet September 30, 1976

(with comparative figures for 1975)

ASSETS	1976	1975
CURRENT:		
Cash	\$ 1,889	
Accounts receivable	134,480	
	<u>136,369</u>	
INVESTMENTS, at cost:		
Panarctic Oils Ltd. (notes 2 and 5)	2,776,456	\$2,776,456
Arvik Mines Ltd. (notes 3 and 5)	25,487	25,487
Other (quoted market value 1976 — \$4,040; 1975 — \$4,100)	8,489	8,489
	<u>2,810,432</u>	<u>2,810,432</u>
OIL AND GAS PERMITS, at cost (notes 4 and 5)	36,753	36,753
MINING LEASES, at nominal value	1	1
DEFERRED EXPENDITURES, at cost (notes 1(b), 3, 5 and 8):		
Exploration and development	254,769	478,536
Administration expenditures	1,114,016	925,059
	<u>1,368,785</u>	<u>1,403,595</u>
	<u>\$4,352,340</u>	<u>\$4,250,781</u>

On behalf of the Board:

J. C. McBEAN, Director

H. F. ZURBRIGG, Director

(See accompanying notes)

AUDITORS

To the Shareholders of
Bankeno Mines Limited:

We have examined the balance sheet of Bankeno Mines Limited as at September 30, 1976 and the statements of deficit, deferred exploration and development expenditures, deferred administration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

FINANCIAL STATEMENTS *in accordance with the laws of Ontario* **Balance Sheet** **as at September 30, 1976** *(in thousands of dollars)*

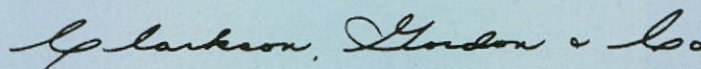
LIABILITIES

	1976	1975
CURRENT:		
Bank loan and overdraft (note 6)	\$ 750,000	\$ 785,958
Accounts payable and accrued liabilities	10,228	12,545
Due to associated companies	314,880	322,851
Payable to Panarctic Oils Ltd. (note 2)	253,357	223,487
	<u>1,328,465</u>	<u>1,344,841</u>
SHAREHOLDERS' EQUITY:		
Capital —		
Authorized:		
6,000,000 shares of \$1 par value each		
Issued and fully paid:		
4,097,004 shares	4,097,004	4,097,004
Deduct discount less premiums	34,811	34,811
	<u>4,062,193</u>	<u>4,062,193</u>
Deficit	1,038,318	1,156,253
	<u>3,023,875</u>	<u>2,905,940</u>
	<u>\$4,352,340</u>	<u>\$4,250,781</u>

REPORT

In our opinion, these financial statements present fairly the financial position of the company as at September 30, 1976 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,
 December 1, 1976.


 Chartered Accountants

BANKENO MINES LIMITED

Statement of Deferred Exploration and Development Expenditures

YEAR ENDED SEPTEMBER 30, 1976

(with comparative figures for the year ended September 30, 1975)

	1976	1975
Drilling participation		\$ 86,071
Lease payment	\$ 3,780	2,141
Miscellaneous	485	
EXPENDITURES FOR YEAR	4,265	88,212
Deduct income from gas property		21,707
NET EXPENDITURE FOR YEAR	4,265	66,505
Deduct costs related to gas property sold (note 8)	228,032	
INCREASE (DECREASE) for year	(223,767)	66,505
BALANCE, beginning of year	478,536	412,031
BALANCE, end of year	<u>\$ 254,769</u>	<u>\$ 478,536</u>

Statement of Deficit

YEAR ENDED SEPTEMBER 30, 1976

(with comparative figures for the year ended September 30, 1975)

	1976	1975
BALANCE, beginning of year	\$1,156,253	\$1,156,253
Net proceeds from sale of gas property (note 8)	117,935	
BALANCE, end of year	<u>\$1,038,318</u>	<u>\$1,156,253</u>

(See accompanying notes)

BANKENO MINES LIMITED

Statement of Deferred Administration Expenditures

YEAR ENDED SEPTEMBER 30, 1976

(with comparative figures for the year ended September 30, 1975)

	1976	1975
Administrative fees	\$ 96,000	\$ 96,000
Interest and bank charges	121,045	81,556
Legal and audit	15,546	7,080
Shareholders' reports	3,185	2,689
Transfer agent and listing fees	6,890	12,072
Travel	1,092	711
General	13,632	22,245
EXPENDITURES FOR YEAR	257,390	222,353
Add (deduct):		
Interest earned	(14,400)	
Loss on sale of securities		115
NET EXPENDITURE FOR YEAR	242,990	222,468
Deduct costs related to gas property sold (note 8)	54,033	
INCREASE FOR YEAR	188,957	222,468
BALANCE, beginning of year	925,059	702,591
BALANCE, end of year	<u>\$1,114,016</u>	<u>\$ 925,059</u>

(See accompanying notes)

BANKENO MINES LIMITED

Statement of Changes in Financial Position

YEAR ENDED SEPTEMBER 30, 1976

(with comparative figures for the year ended September 30, 1975)

	<u>1976</u>	<u>1975</u>
SOURCE OF FUNDS:		
Proceeds from sale of gas property (note 8)	<u>\$ 400,000</u>	
APPLICATION OF FUNDS:		
Deferred exploration and development expenditures	4,265	\$ 66,505
Deferred administration expenditures	<u>242,990</u>	<u>222,468</u>
	<u>247,255</u>	<u>288,973</u>
INCREASE (DECREASE) IN WORKING CAPITAL	152,745	(288,973)
WORKING CAPITAL DEFICIENCY, beginning of year	<u>1,344,841</u>	<u>1,055,868</u>
WORKING CAPITAL DEFICIENCY, end of year	<u><u>\$1,192,096</u></u>	<u><u>\$1,344,841</u></u>

(See accompanying notes)

BANKENO MINES LIMITED

Notes to the Financial Statements

SEPTEMBER 30, 1976

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) Investments —
Investments are carried in the company's accounts at cost.
- (b) Deferred expenditures —
Exploration and development and administration expenditures are deferred until such time as the company's properties are brought into production, abandoned or sold.

2. INVESTMENT IN PANARCTIC OILS LTD.

	1976	1975
829,111 common shares	\$2,737,623	\$2,737,623
23 common shares of Panarctic Oils Operators Ltd.	3	3
	<u>2,737,626</u>	<u>2,737,626</u>
Bankeno Mines Limited share of Panarctic Oils Ltd. capital expenditure program	6,330	6,330
Value assigned to capital stock of Bankeno Mines Limited issued to Upper Canada Resources Limited as consideration for guarantee of payments on initial investment in Panarctic Oils Ltd.	32,500	32,500
	<u>\$2,776,456</u>	<u>\$2,776,456</u>

Panarctic Oils Ltd. was formed to explore the oil and gas potential in the Arctic Islands. It is financed jointly by private enterprise and the Government of Canada.

At September 30, 1976, the company was in arrears with respect to principal and interest on unpaid cash calls for the fifth Panarctic financing in the amount of \$253,357. This liability is secured by a pledge of 36,276 of the company's shares of Panarctic Oils Ltd. The company elected not to participate in the sixth or seventh Panarctic financings, resulting in a reduction in its percentage interest in Panarctic Oils Ltd.

3. INVESTMENT IN ARVIK MINES LTD.

Little Cornwallis Island Properties —

By agreement dated October 1, 1971, Bankeno obtained 25% of the share capital (750,000 common shares) of Arvik Mines Ltd. which was incorporated by the company and Cominco Limited to acquire claims and leases on Little Cornwallis Island and two groups of claims on Cornwallis Island which Cominco had been exploring under the terms of a 1965 agreement between the companies. Cominco has undertaken to incur all expenditures it deems necessary on these claims and Bankeno is not required or entitled to contribute thereto. Under the terms of the agreement, Cominco is to assume responsibility for arranging the required financing and may receive 6% cumulative redeemable preferred shares for its expenditures. Cominco's expenditures on the Arvik Mines Ltd. properties to December 31, 1975 amounted to approximately \$7,600,000. Bankeno may similarly receive 6% cumulative redeemable preferred shares for its expenditures, aggregating \$75,000, incurred prior to June 4, 1964.

Distribution of any profits to the Arvik shareholders after repayment of production financing shall be as follows:

- (i) 80% towards payment of dividends (including arrears) on the preferred shares and the balance in pro rata redemption, at par, of the preferred shares; and
- (ii) 20% towards payment of dividends on common shares.

Cornwallis Island Properties —

Under the terms of the agreement of October 1, 1971, Cominco has a 75% interest in other Cornwallis Island properties and Bankeno has a 25% interest. As of December 31, 1975, Cominco had incurred expenditures of \$133,000 on these properties and is liable to spend a further \$67,000 up to \$200,000. If Bankeno is to retain its present percentage interest of 25% it must contribute its proportionate share of expenditures on the next \$200,000 spent on these properties, or its interest is diminished accordingly. When \$400,000 is spent on these properties, a new company shall be formed to acquire these Cornwallis Island properties for 750,000 common shares to be allocated pro rata. Additional shares may be issued for expenditures in excess of \$400,000 in the ratio of one share for each \$1 of expenditure with Bankeno retaining the right to participate in proportion to its interest.

4. OIL AND GAS PERMITS

In addition to its shareholdings in Panarctic, the company has working and other interests in oil and gas exploratory permits in the Canadian Arctic Islands.

5. VALUE OF INVESTMENTS IN ARCTIC ISLANDS

The amounts shown for investments, oil and gas permits and related deferred costs represent accumulated costs and are not intended to reflect current or future values.

6. BANK LOAN AND OVERDRAFT

The company's bank loan totals \$750,000, bears interest at 2% above the bank's prime rate, and is secured by 564,700 shares of Panarctic Oils Ltd. owned by the company.

7. INCOME TAXES

Under the provisions of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income; any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$4,221,000 of expenditures so available, most of which is reflected on the accompanying balance sheet as investments and deferred expenditures. In addition the company has losses for tax purposes of \$85,654 which may be carried forward and applied to reduce future taxable income.

The availability of these losses expires as follows:

1977	—	\$ 8,355
1978	—	24,261
1979	—	47,905
1980	—	<u>5,133</u>
		<u>\$85,654</u>

8. SALE OF GAS PROPERTY

During the year, the company sold its interest in a gas property for \$400,000. The proceeds less related exploration and development expenditures of \$228,032 and administration expenditures of \$54,033 have been applied to reduce the deficit.

9. ANTI-INFLATION PROGRAM

Under the federal government's Anti-Inflation Program (presently scheduled to be in force until December 31, 1978), the company is subject to mandatory compliance with legislation which controls shareholder dividends.

10. OTHER STATUTORY INFORMATION

The aggregate remuneration of directors and senior officers (as defined under The Business Corporations Act, Ontario) was nil in 1976 (1975 — \$5,000).

11. COMPARATIVE FIGURES

Certain of the comparative figures for 1975 have been reclassified to conform with the presentation adopted in 1976.

