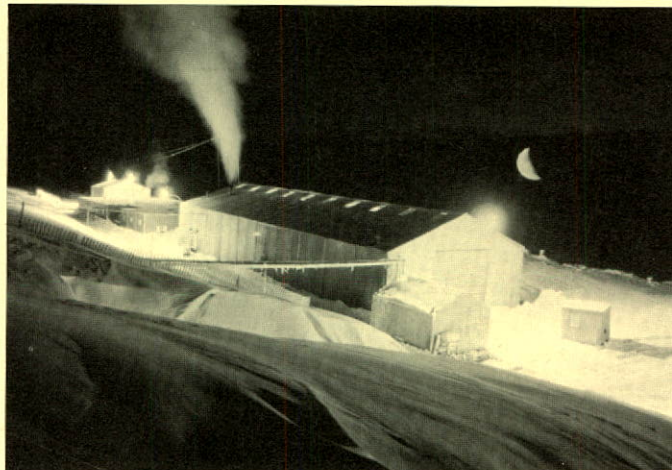


## Bankeno Mines Limited

ANNUAL REPORT  
FOR THE  
YEAR ENDED  
DECEMBER 31  
1972



Surface plant Polaris Mine, Arvik Mines, Little Cornwallis Island

**Directors** J. W. McBean  
J. C. McBean  
F. G. Carrotte  
E. T. Donaldson  
W. A. Roliff  
H. F. Zurbrigg

**Officers** J. W. McBean  
President  
  
J. C. McBean  
Executive Vice-President  
  
F. G. Carrotte  
Vice-President  
Finance and  
Secretary-Treasurer  
  
E. Goring  
Assistant Secretary-Treasurer

**Transfer Agents** Crown Trust Company  
Toronto, Ontario

**Auditors** Thorne, Gunn, Helliwell &  
Christenson  
Toronto, Ontario

**Head Office** Suite 908, 40 University Avenue  
Toronto, Ontario M5J 1T1



**Bankeno Mines  
Limited**

Incorporated under the  
law of Ontario

**Report to  
Shareholders for the  
year ended  
December 31, 1972**

**President's Report  
To the Shareholders:**

Enclosed herewith is Notice of our Annual Meeting, together with financial statements and auditors' report.

Since the last annual report, Bankeno's potential asset value, in zinc-lead mineral properties and in Arctic Island oil and gas lands, has been enhanced by significant events.

**Arvik Mines Limited**

Bankeno owns 25% of Arvik Mines. Cominco, operator of Arvik Mines, continues development work at the Polaris mine at a rapid pace, at no cost to Bankeno. By April 1973, 5200 feet of underground work, including an adit access, all in 9 foot x 15 foot dimensions, was completed. Estimates made in 1972 were for completion of this work by August 1973. This phenomenal performance is a tribute to the efficiency of the operating crews and also in part to the excellent mining conditions encountered. Underground development has confirmed surface drill indicated tonnage and grade. It is significant that Cominco, in its 1972 annual report, refers as follows to Arvik Mines: "Information obtained on mining conditions has been favorable and the program has confirmed a major deposit of at least 20 million tons with a metal content of more than 20% combined zinc and lead. The limits of the ore body are not defined and major extensions can be expected." Included in the same report is a column headed "POTENTIAL RESERVES UNDER DEVELOPMENT — Polaris (Arvik) — 20 million tons of ore containing 4 million tons zinc-lead."

The relative importance of the Arvik ore body is indicated by comparison with Cominco's reserves published for 1971:

Mine	Reserve Ore Tons	Reserve Lead Zinc Tons
Sullivan, H.B.	64,000,000	7,000,000
Pine Point	42,000,000	3,500,000
Magmont	13,000,000	1,000,000

It is noted that Arvik's zinc-lead metal reserve tonnage of 4,000,000 tons exceeds that for Pine Point; is 52% of the Sullivan-H.B. mines total and is roughly equivalent to 35% of Cominco's total lead-zinc metal reserves for 1971.

Currently, a 17,000-foot underground diamond drilling program is underway within the Polaris ore body. The object of this work is to detail ore contacts and grade for mine operation appraisal.

Resumption of mining operations is scheduled for late May 1973. This program is designed to increase present stockpile of 5,000 tons of "direct shipping ore" (35% to 40% zinc-lead) to 20,000 tons or more. It is planned that approximately 20,000 tons of "direct shipping ore" will be ocean freighted in 1973 for mill treatment purposes.

Two supply ships moved 3500 tons of equipment to the property without difficulty in August 1972, despite the heaviest icepack in years. Panarctic Oils reported considerable disruption of ship traffic in its supply operations to more northerly areas. Feasibility studies on the economics of sea transportation and mining are under active study.



A surface drilling program of approximately 15,000 feet is planned for Little Cornwallis Island properties in 1973. One drill, starting in April, will check north and south of the Polaris mine, the geological formation found favourable to zinc-lead mineralization.

A second drill will operate in the Eclipse area on Little Cornwallis Island, 18 miles east of the Polaris mine. Detailed geological and geophysical mapping have indicated a favourable environment for zinc-lead mineralization and have outlined a number of geophysical anomalies. Shallow drilling in 1965 on a surface mineral showing at Eclipse indicated 1 million tons of material grading 13% zinc and 2% lead to a depth of 50 feet. One deeper drill hole to 146 feet in the same zone encountered zinc-lead mineralization, at intervals, to the bottom of the hole. Recent surveys show that the above-mentioned drilled area forms part of a geophysical anomaly. Of seven other geophysical anomalies outlined, in the Eclipse area, two have areal dimensions of 4000 feet x 1600 feet and 5000 feet x 2000 feet respectively. One end of the latter anomaly is open. The drilling proposed for Eclipse will explore the significance of these geophysical anomalies. It appears that sufficient tonnage has been indicated in the Polaris ore body for a mining operation. Consequently, the 1972 surface drilling program outlined above is designed to explore other potential areas.

### **Panarctic Oils Limited**

Your Company holds 2.26% interest in Panarctic Oils Ltd. In addition, interests are maintained in 7,014,389 acres of oil and gas permits, an increase of 284,818 gross acres over last year. Interests in the latter permits were obtained from Panarctic Oils Ltd. under provisions of an "after acquired" clause in Bankeno's farmor agreement. 97% of Bankeno's total acreage is farmed out to Panarctic.

Panarctic Oils Ltd., in 1972, operated six rigs. Other companies also operated six rigs during the same period. Two interesting oil discoveries were made, Romulus on Ellesmere Island and Thor near Ellef Ringnes Island. In addition, at Hecla F-62, a major gas discovery in a new field was made on Drake Peninsula, Melville Island. Dome Petroleum on the west end of King Christian Island is reported to have made a significant gas discovery in the Wallis K-62 well.

With the gas discovery on Thor Island announced on May 8, 1973, Panarctic has completed 10 producing gas wells. It is significant, that five important gas fields have been indicated. These new potential gas fields will add substantially to the threshold volumes sought by Panarctic for the justification of a pipeline.

Chas. R. Hetherington, President of Panarctic Oils Ltd., referring to the gas threshold volumes in a presentation to a seminar of the New York Society of Security Analysts, February 6, 1973, stated: "Considering the drilling to be undertaken and assuming a continuation of present success ratios, these gas reserves should be established by 1974."

It is significant that a group composed of TransCanada PipeLines Limited, Panarctic Oils Ltd., Canadian Pacific Investments Limited and Tenneco Oil & Minerals, Ltd., has organized a new Arctic Islands gas pipeline project named "Polar Gas Project" for the express purpose of developing a direct route for a gas pipeline from the Arctic Islands to Montreal, Quebec or Niagara, Ontario, via the east or west sides of Hudson's Bay. This knowledgeable and well-financed group started field work in 1973 and has plans for rapid expansion of their activity. These pipeline routes proposed for Panarctic gas are shorter and consequently less expensive than by way of the Mackenzie Valley system.

Drilling activity for this 12-month period is at an all-time high. Panarctic is operating 6 rigs and plans to drill 23 wells of which 5 are for farmee account. Other companies will drill 10 wells with 7 rigs. Total well expenditures on Panarctic lands in this period are estimated at \$65.7M and on other lands \$24.5M for a record total of \$90 million.

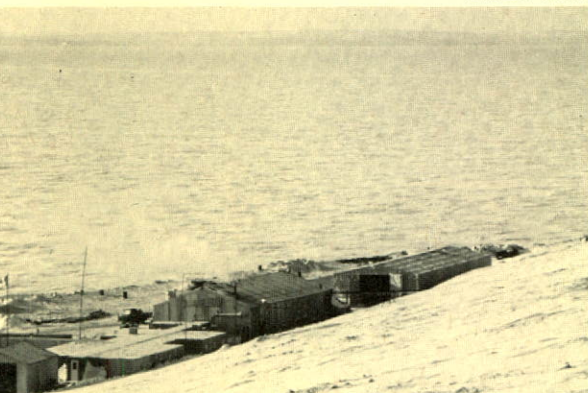
Some of the wells proposed in the above program are adjacent to or on Bankeno lands. The enclosed revised map of Bankeno and Panarctic holdings in the Arctic Island will enable shareholders to follow activities important to their interests.

Bankeno, and associates in March 1973, drilled Chiefco-Bankeno Edward wildcat well, located 65 miles north-east of Edmonton, Alberta, to earn a 50% interest in 5,760 acres. The 2240 foot well was a dual-zone discovery of gas in commercial





Polaris Mine plant at Little Cornwallis Island overlooking Crozier Strait



Panarctic gas well head, King Christian Island



Panarctic Mine adit showing air intake – March, 1973



Panarctic base camp, Rea Point, Melville Island

quantities. Subsequent to discovery additional adjoining lands were acquired to total 35,200 acres, with Bankeno associates holding a 50% interest. A multiple-shallow well evaluation program is planned to determine the extent of potential reserves in the area. The discovery well is situated 3.5 miles from an existing pipeline and subject to government approvals production could commence within 18 months.

Bankeno experienced dynamic growth in 1972. Development at Polaris Mine has indicated it to be one of the largest high-grade zinc-lead deposits in the World. Favourable results of feasibility studies on transportation are expected to lead to early production. Bankeno will

generate a cash flow from the first year of profitable operation.

The completion of 9 major gas wells and the indication of 5 important gas fields bring Panarctic closer to the threshold reserves required to justify construction of a pipeline. The discovery of a commercial gas well at Edwanda, Alberta, holds promise of a cash flow in the short term, provided evaluation reports and governmental decisions are favourable.

J. W. McBean  
President

May 9, 1973

**Bankeno Mines Limited**

(Incorporated under the laws of Ontario)

**Balance Sheet**

December 31, 1972

(With comparative figures  
as at December 31, 1971)**Assets**

	<u>1972</u>	<u>1971</u>
Current assets:		
Cash and short term deposits .....		\$ 657,860
Advances receivable .....	\$ 4,425	
Interest receivable .....	232	2,291
Marketable securities, at cost (quoted market value \$101,900) .....	93,685	
Other .....	2,001	1
	<u>100,343</u>	<u>660,152</u>
Investments, at cost (note 5)		
Panarctic Oils Ltd. (note 1) .....	2,316,676	1,751,986
Arvik Mines Limited (note 2) .....	25,487	25,487
	<u>2,342,163</u>	<u>1,777,473</u>
Oil and gas permits, at cost (notes 3, 4 and 5) .....	<u>36,753</u>	<u>30,825</u>
Mining leases, at nominal value .....	<u>1</u>	<u>1</u>
Deferred exploration and development expenditures (note 5) .....	250,989	250,630
	<u>\$2,730,249</u>	<u>\$2,719,081</u>



**Liabilities**

## Current liabilities:

Bank advances .....	\$ 13,077	
Accounts payable and accrued liabilities .....	1,700	\$ 22,049
Payable to broker on security transactions .....	28,841	
Payable to Panarctic Oils Ltd. (note 1) .....	473,723	503,213
	<u>517,341</u>	<u>525,262</u>
Payable to Panarctic Oils Ltd. (note 1) .....	141,173	

**Shareholders' Equity**

## Capital stock (note 6)

Authorized — 6,000,000 shares, par value \$1 each (1971, 4,000,000 shares) .....		
Issued — 3,997,004 shares .....	3,997,004	3,997,004
Deduct discount less premium .....	409,811	409,811
	<u>3,587,193</u>	<u>3,587,193</u>
Deficit .....	1,515,458	1,393,374
	<u>2,071,735</u>	<u>2,193,819</u>
	<u>\$2,730,249</u>	<u>\$2,719,081</u>

Approved by the Board:

Director

Director

**Bankeno Mines Limited****Statement of Deferred  
Exploration and  
Development Expenditures**

Year ended  
December 31, 1972  
(With comparative figures  
for 1971)

	<u>1972</u>	<u>1971</u>
Clean-up expense.....	\$ 8,106	
Drilling .....	38,451	
Drilling participation.....	258	\$ (368)
Engineering fees.....	100	4,800
Field expenses .....	10,288	
Lease payments .....	1,775	
Sampling and testing.....	1,524	
General .....	856	202
Expenditures for the year .....	61,358	4,634
Balance deferred at beginning of year .....	250,630	245,996
	311,988	250,630
Expenditures written off to deficit .....	60,999	
Balance deferred at end of year.....	<u>\$ 250,989</u>	<u>\$ 250,630</u>

**Statement of Source  
and Application  
of Funds**

Year ended  
December 31, 1972  
(With comparative figures  
for 1971)

	<u>1972</u>	<u>1971</u>
Source of funds		
Proceeds from issue of capital stock .....		\$1,472,400
Application of funds		
Exploration and development expenditures.....	\$ 61,358	4,634
Administrative expenses .....	61,085	80,206
Additional investment in Panarctic Oils Ltd. less non-current portion payable.....	423,517	587,283
Purchase of interest in oil and gas permits.....	5,928	
	551,888	672,123
Increase (decrease) in working capital position.....	(551,888)	800,277
Working capital (deficiency) at beginning of year.....	134,890	(665,387)
Working capital (deficiency) at end of year .....	<u>\$ (416,998)</u>	<u>\$ 134,890</u>



## Statement of Deficit

Year ended  
December 31, 1972  
(With comparative figures  
for 1971)

	<u>1972</u>	<u>1971</u>
Deficit at beginning of year.....	\$1,393,374	\$1,313,168
Administrative expenses .....	61,085	80,206
Exploration and development expenditures written off .....	60,999	
Deficit at end of year .....	<u>\$1,515,458</u>	<u>\$1,393,374</u>

## Statement of Administrative Expenses

Year ended  
December 31, 1972  
(With comparative figures  
for 1971)

	<u>1972</u>	<u>1971</u>
Administrative fees.....	\$47,163	\$28,650
Directors' fees .....	300	
Government fees, licenses and taxes .....	1,138	121
Interest and bank charges.....	356	17,809
Legal and audit.....	5,425	24,073
Office rent.....	1,200	1,250
Listing fees .....	1,410	1,500
Loss on sale of marketable securities.....	1,491	
Postage, telephone and telegraph .....	483	1,702
Printing and stationery .....	290	479
Promotion.....	2,509	
Reports to shareholders.....	2,119	3,872
Share issue expense.....	1,411	664
Transfer agent's fees and expenses.....	7,521	6,884
Travelling .....	4,073	10,350
Sundry .....	450	798
	<u>77,339</u>	<u>98,152</u>
Less		
Interest earned.....	13,099	17,946
Dividends received .....	3,155	
	<u>16,254</u>	<u>17,946</u>
Administrative expenses for the year, transferred to deficit.....	<u>\$61,085</u>	<u>\$80,206</u>

## Bankeno Mines Limited

### Notes to Financial Statements

December 31, 1972

#### 1. Investment in Panarctic Oils Ltd.

	<u>1972</u>	<u>1971</u>
Nil preferred shares, par value \$10 each (1971—171,666 shares).....		\$1,716,660
792,835 new common shares, no par value (1971—28,235 old common shares).....	\$2,284,173	2,823
23 common shares of Panarctic Oil Operators Ltd.....	3	3
	<u>2,284,176</u>	<u>1,719,486</u>
Capital stock of Bankeno Mines Limited issued to Upper Canada Resources Limited for guarantee of payments on initial investment in Panarctic .....	32,500	32,500
	<u>\$2,316,676</u>	<u>\$1,751,986</u>

By agreements commencing in 1967, the company has purchased the above shares in Panarctic Oils Ltd. a company formed to explore the oil and gas potential in the Arctic Islands, financed jointly by private enterprise and the Government of Canada.

In 1972, the common shares of Panarctic Oils Ltd. were subdivided on the basis of twenty new common shares for each common share previously held and Bankeno exercised an option to convert 171,666 preferred shares held into 171,666 new common shares.

In addition, 56,469 new common shares were purchased for a consideration of \$564,690, of which amount it is anticipated that \$423,517 will be payable by cash calls during 1973. At December 31, 1972, a cash call in the amount of \$50,206 was payable in respect of shares purchased in 1971.

To maintain its present percentage interest in Panarctic Oils Ltd., the company must continue to participate in the planned exploration activities.

#### 2. Investment in Arvik Mines Limited

Little Cornwallis Island Properties

By agreement dated October 1, 1971 the company and Cominco Limited have incorporated a new company, Arvik Mines Limited, to acquire material claims and leases on Little Cornwallis Island (including two groups of claims on Cornwallis Island) which Cominco has been exploring under the terms of a 1965 agreement between the companies. Bankeno received 25% of the common share capital of Arvik. Cominco has undertaken to incur all expenditures it deems necessary and Bankeno is not required or entitled to contribute thereto. If, at Cominco's discretion, the property is brought to production then Cominco will assume responsibility for arranging the required financing and will receive

6% redeemable preferred shares for its expenditures to that date. Bankeno will similarly receive preferred shares aggregating \$75,000 for its expenditures incurred prior to June 4, 1964.

Cornwallis Island Properties

Initially under the terms of the above agreement Cominco is to have a 75% interest and Bankeno a 25% interest in these properties. Cominco has undertaken to expend up to \$200,000 from the date of the agreement of which Bankeno will be deemed to have contributed 25%. After Cominco has incurred expenditures of \$200,000 then Bankeno may participate in further expenditures in proportion to its interest in the properties until a total of \$400,000 has been expended. At that time a new company shall be formed to acquire the 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 expenditures with Bankeno retaining the right to participate in proportion to its interest.

### **3. Oil and Gas Permits**

#### **Exploratory Permits — Arctic Islands**

By agreements dated May 17, 1966, between Bankeno Mines Limited and Cominco Ltd., Cominco acquired a 50% undivided interest in Bankeno's interest in oil and gas exploratory permits located in the Arctic Islands. Permits totalling 5,719,131 acres of a total of 7,114,389 acres have been farmed out to Panarctic Oils Ltd. Panarctic has earned an 80% interest in the above oil and gas exploratory permits by the completion of specific drilling requirements and the expenditure of more than \$26 million on Arctic Island exploration. Panarctic is obliged to maintain all Bankeno's oil and gas exploratory permits until June, 1974 after which date Cominco will re-assume liability therefor. For the drilling of development production wells on its permits, Bankeno by the terms of the Cominco agreement may elect, on a well to well basis without penalty, to participate equally with Cominco or retain 25% of the Bankeno-Cominco interest carried by Cominco.

In 1972 Bankeno acquired an interest of 18,984.8 net acres (of 284,818 gross acres) from

Panarctic, pursuant to after acquired properties provisions of farmout agreements referred to above, for a cash consideration of \$5,928.

### **4. Arctic Island Holdings**

Upper Canada Resources Limited has a 5% carried interest in Bankeno's interest in 6,176,260 land acres farmed out directly or indirectly to Panarctic Oils Ltd.

### **5. Value of Interests 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 present or future values.

### **6. Capital Stock**

By Articles of Amendment dated September 11, 1972, the company's authorized capital was increased by the creation of an additional 2,000,000 shares with a par value of \$1 each.

### **7. Income Taxes**

Under the provision of the Income Tax Act, exploration and development expenditures are deductible in arriving at taxable income and any expenditures not deducted in one year may be carried forward to be applied against future income. The company has approximately \$2,100,000 of expenditures so available.

### **8. Other Statutory Information**

Direct remuneration of directors and senior officers (as defined by The Business Corporations Act) amounts to \$300 for 1972 (Nil in 1971).

### **Auditors' Report**

#### **To the Shareholders of Bankeno Mines Limited:**

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1972 and the statements of deferred exploration and development expenditures, deficit, administrative expenses and source and application of funds 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, 1972 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

### **Chartered Accountants**

Toronto, Canada  
February 7, 1973

**Bankeno Mines Limited** An Affiliate of **UCR** Upper Canada Resources Limited

Suite 908—40 University Avenue, Toronto, Ontario M5J 1T1  
Phone: 416-364-7301 TX-06-22627