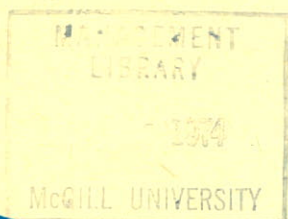


Bankeno Mines Limited

ANNUAL REPORT
FOR THE
YEAR ENDED
DECEMBER 31
1973



Directors

John C. McBean
F.G. Carrotte
R.M. Gray
E.T. Donaldson
W.A. Roliff
H.F. Zurbrigg

Officers

John C. McBean
President

F.G. Carrotte
Vice-President Finance and
Secretary-Treasurer

R.M. Gray
Vice-President

E.E. Goring
Assistant Secretary-Treasurer

Transfer Agents

Crown Trust Company
Toronto, Ontario

Auditors

Clarkson, Gordon & Co.
Toronto, Ontario

Head Office

Suite 908, 40 University Avenue
Toronto, Ontario M5J 1T1

Bankeno Mines Limited

Incorporated under the
Laws of Ontario

**Report to
Shareholders for the
year ended
December 31, 1973****President's Report
To the Shareholders:**

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

Arvik Mines Limited

Bankeno owns 25% of Arvik Mines Limited. Cominco, operator of Arvik, continues development work at the Polaris Mines at a rapid pace at no cost to Bankeno.

During 1973, an underground program consisting of a 5,300 foot inclined adit and some 600 feet of drifting, together with extensive underground diamond drilling was completed at the Polaris property. This work provided more detailed information on the grade, tonnage, and mining conditions which prevail at this 25 million ton ore body, grading 18.4% combined Zn-Pb.

Production feasibility studies still underway include a shipment of 3,600 tons of ore for large scale metallurgical testing. Preliminary results indicate no significant metallurgical difficulties.

Current attention is directed to feasibility studies on mining methods, processing plant, and transportation from this remote location.

While development efforts will be concentrated on the Polaris Mine ore body, it is anticipated that limited exploration programs will be conducted on adjacent jointly owned Cominco/Bankeno properties on Little Cornwallis and Cornwallis Islands including the original eclipse discovery.

Panarctic Oils Limited

Bankeno holds a 2.26% share interest in Panarctic Oils Ltd. Panarctic has, or may earn, in the Canadian Arctic islands, an interest in 78.4 million acres equivalent to a 100% interest in 49.1 million permit acres, including a net 3.8 million acres subject to farmout arrangements.

In addition to its equity interest in Panarctic, Bankeno has retained working or other interests, varying up to 10%, in approximately 7 million acres of oil and gas permits, 97% of which is farmed out to Panarctic.

Since 1962, industry has drilled 79 wells in the region and, currently, drilling is active on 5 wells (April 5/74). It is anticipated that an additional 8 to 10 wells, located on Banks, Cameron, and Meighan islands, and the Sabine and Bjorne peninsulas, may be drilled during the remainder of 1974.

Future activity is somewhat clouded, due to postponement of decisions by partners and prospective farmees, because of uncertainties in respect to the new government regulations, which have been in the draft stage now for over two years, and to ecological and environmental disputes which are delaying and defeating proposals in regard to future exploration. Gas has been discovered in the Drake Point and Hecla structures on the Sabine Peninsula on Melville Island, on three separate structures on King Christian Island, and on the Kristoffer Bay and Thor structures on Ellef Ringnes Island. Significant showings of oil were encountered in one well on the Thor structure, in the Romulus well on Ellesmere Island, and recently in the Bent Horn well on Cameron Island. In the latter well,

free oil occurred in rocks of Devonian age. The well penetrated 16 feet of clean oil pay over 29 feet of an oil/water transition zone and, on a production test, flowed for a period of hours at a rate of 500 barrels per day of low sulphur 44.5 API gravity oil. The well has been left suspended for future re-entry and use. The results of this well suggest that the location is on the flank of a large structure and a second well will likely be drilled to determine the potential of this feature. The gas discoveries occur in sands ranging from Triassic to Cretaceous in age.

Three of the wells drilled were located on lands in which your company has a working interest and several others were located in close proximity to such lands.

While sufficient data has not been released to permit meaningful estimates of discovered reserves, the available data suggests these may be of the order of 12 to 15 trillion cubic feet. There is a possibility that the required threshold volume of 30 trillion cubic feet may be attained before the end of 1976, and that Arctic gas may be available to midwest and eastern markets by 1983.

Alberta

Bankeno and associates, in March 1973, drilled Chiefco-Bankeno Edward 6-6-22-16 W4 wildcat well located 65 miles north-east of Edmonton. The well encountered gas in the Nisku formation of Devonian age between depths of 2139' and 2249'. A recent test of this discovery indicated an open flow of 3 million cubic feet per day. The well is situated 3½ miles from an existing pipeline and negotiations are underway with a



view to placing this well on production at an early date. In the area, Bankeno holds a 50% interest in 35,000 acres with principal prospects in the overlying sands of Cretaceous age.

Two wells drilled to test the potential of these sands in the Cretaceous and not in the discovery Devonian section failed to obtain commercial quantities of gas.

Further exploration of these permits will be conducted during 1974.

John Williams McBean

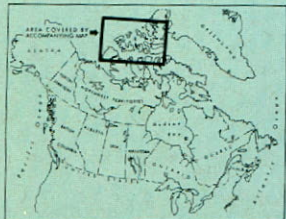
The passing of John Williams McBean on December 28, 1973 is reported with deep regret. Former President and Director of Bankeno and an Executive Officer of the company from 1957 until his untimely death, "Jack" McBean was a guiding light to formation of Bankeno assets as they now exist. It is the objective of present management to ensure continuity of direction established by him.

R.M. Gray was elected a Vice-President and Director of the company to fill the vacancy created by the death of J.W. McBean.

On behalf of the Board of Directors,

John C. McBean

President and Chief Executive Officer
Toronto, Ontario
May 10, 1974.



BANKENO MINES LIMITED

OIL & GAS INTERESTS in the CANADIAN ARCTIC ISLANDS

0 50 100 MILES

- PANARCTIC ACREAGE
- BANKENO NET INTERESTS IN ACREAGE FARMED OUT TO PANARCTIC
- BANKENO INTERESTS NOT IN PANARCTIC

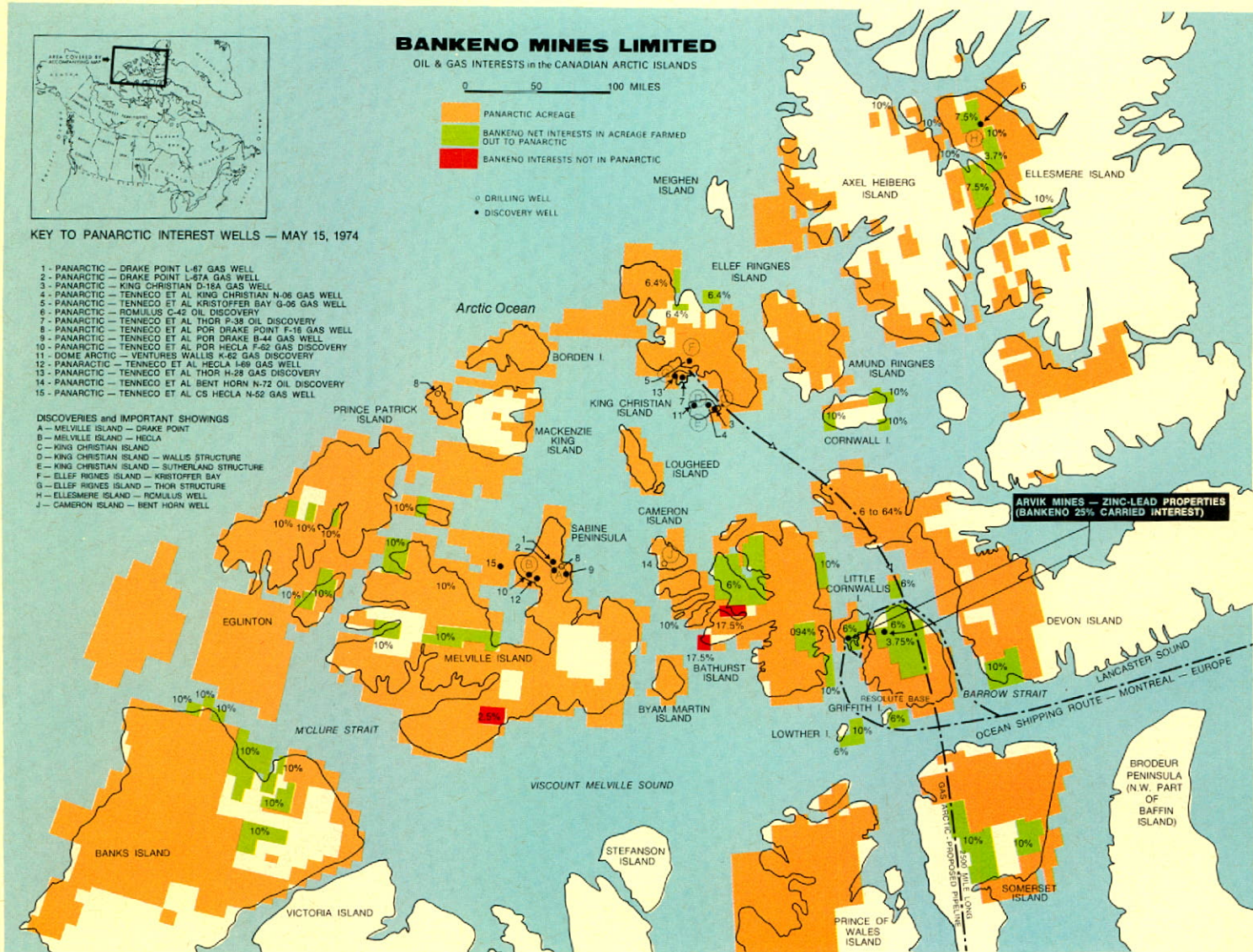
- DRILLING WELL
- DISCOVERY WELL

KEY TO PANARCTIC INTEREST WELLS — MAY 15, 1974

1. PANARCTIC — DRAKE POINT L-87 GAS WELL
2. PANARCTIC — DRAKE POINT L-87A GAS WELL
3. PANARCTIC — KING CHRISTIAN D-18A GAS WELL
4. PANARCTIC — TENNECO ET AL KING CHRISTIAN N-06 GAS WELL
5. PANARCTIC — TENNECO ET AL KRISTOFFER BAY G-06 GAS WELL
6. PANARCTIC — ROMULUS C-42 OIL DISCOVERY
7. PANARCTIC — TENNECO ET AL THOR F-36 OIL DISCOVERY
8. PANARCTIC — TENNECO ET AL POR DRAKE POINT F-16 GAS WELL
9. PANARCTIC — TENNECO ET AL POR DRAKE B-44 GAS WELL
10. PANARCTIC — TENNECO ET AL POR HECLA F-62 GAS DISCOVERY
11. PANARCTIC — VENTURES WALLIS K-62 GAS DISCOVERY
12. PANARCTIC — TENNECO ET AL HECLA L-60 GAS WELL
13. PANARCTIC — TENNECO ET AL THOR N-28 GAS DISCOVERY
14. PANARCTIC — TENNECO ET AL BENT HORN N-72 OIL DISCOVERY
15. PANARCTIC — TENNECO ET AL CS HECLA N-52 GAS WELL

DISCOVERIES AND IMPORTANT SHOWINGS

- A — MELVILLE ISLAND — DRAKE POINT
- B — MELVILLE ISLAND — HECLA
- C — KING CHRISTIAN ISLAND — WALLIS STRUCTURE
- D — KING CHRISTIAN ISLAND — SUTHERLAND STRUCTURE
- E — ELLEF RINGNES ISLAND — KRISTOFFER BAY
- F — ELLEF RINGNES ISLAND — THOR STRUCTURE
- G — ELLEF RINGNES ISLAND — ROMULUS WELL
- H — ELLEF RINGNES ISLAND — BENT HORN WELL
- J — CAMERON ISLAND — BENT HORN WELL



Bankeno Mines Limited

(Incorporated under the laws of Ontario.)

Balance Sheet

December 31, 1973

(With comparative figures
as at December 31, 1972)

Assets	1973	1972 (as restated note 6)
Current:		
Advances receivable		\$ 4,425
Marketable securities, at cost (quoted market value December 31, 1973 - \$14,000; 1972 - \$104,000)	\$ 10,489	95,686
	<u>10,489</u>	<u>100,111</u>
Investments, at cost:		
Panarctic Oils Ltd. (notes 1, 4, 7)	2,316,676	2,316,676
Arvik Mines Limited (notes 2,7)	<u>25,487</u>	<u>25,487</u>
	2,342,163	2,342,163
Oil and gas permits, at cost (notes 3, 7)	<u>36,753</u>	<u>36,753</u>
Mining leases, at nominal value	<u>1</u>	<u>1</u>
Deferred expenditures, at cost:		
Exploration and development (notes 5, 7)	368,517	250,989
Administration expenditures (notes 6, 7)	<u>536,041</u>	<u>385,456</u>
	<u>904,558</u>	<u>636,445</u>
Auditors' Report	<u>\$ 3,293,964</u>	<u>\$3,115,473</u>
To the Shareholders of Bankeno Mines Limited:		

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1973 and the statements of deficit, deferred exploration and development expenditures, deferred administration expenditures 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, 1973 and the results of its operations and the application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a consistent basis after giving retroactive effect to the change in accounting for administration expenditures as described in note 6 to the financial statements.

Comparative figures for the year ended December 31, 1972 are based upon financial statements which were reported on by other auditors.

Toronto, Canada
March 22, 1974

Clarkson, Gordon & Co.
Chartered Accountants

Liabilities

	1973	1972 (as restated note 6)
Current:		
Bank loan and overdraft (note 8)	\$ 545,260	\$ 13,077
Accounts payable and accrued liabilities	16,279	30,309
Due to associated companies	104,355	
Payable to Panarctic Oils Ltd. (note 1)	197,130	473,723
	<u>863,024</u>	<u>517,109</u>
Long-term debt:		
Payable to Panarctic Oils		141,173
Shareholders' equity (note 11):		
Capital —		
Authorized:		
6,000,000 shares of \$1 par value each		
Issued and fully paid:		
3,997,004 shares	3,997,004	3,997,004
Deduct discount less premiums	409,811	409,811
	<u>3,587,193</u>	<u>3,587,193</u>
Deficit	1,156,253	1,130,002
	<u>2,430,940</u>	<u>2,457,191</u>
	<u>\$3,293,964</u>	<u>\$3,115,473</u>

On behalf of the Board:

Director John C. McBean
Director Gary Carrotte

(See accompanying notes)

Bankeno Mines Limited

Statement of Deferred Exploration and Development Expenditures

Year Ended
December 31, 1973
(with comparative figures
for 1972)

	1973	1972
Drilling		\$ 38,451
Drilling participation	\$ 56,108	258
Clean-up expense	1,509	8,106
Field expenses		10,288
Lease payments	61,420	1,775
General		2,480
Expenditures for the year	119,037	61,358
Balance, beginning of year	250,989	250,630
	370,026	311,988
Expenditures written off to deficit	1,509	60,999
Balance, end of year	<u>\$ 368,517</u>	<u>\$ 250,989</u>

Statement of Application of Funds

Year Ended
December 31, 1973
(with comparative figures
for 1972)

	1973	1972
Application of funds:		
Exploration and development expenditures	\$ 119,037	\$ 61,358
Net administration expenditures	150,585	61,085
Additional investment in Panarctic Oils Ltd. less non-current portion payable		423,517
Reduction in non-current portion payable to Panarctic Oils Ltd.	141,173	
Proposed amalgamation expenditures	24,742	
Purchase of interest in oil and gas permits		5,928
Decrease in working capital during year	435,537	551,888
Working capital deficiency (surplus), beginning of year	416,998	(134,890)
Working capital deficiency, end of year	<u>\$ 852,535</u>	<u>\$ 416,998</u>

(See accompanying notes)

Statement of Deficit

Year Ended
December 31, 1973
(with comparative figures
for 1972)

	1973	1972
Deficit, beginning of year;		
As previously reported	\$1,515,458	\$1,393,374
Adjustment to reflect capitalization of prior years' administration expenditures (note 6)	385,456	324,371
As restated	1,130,002	1,069,003
Proposed amalgamation expenses	24,742	
Exploration and development expenditures written off (note 5b)	1,509	60,999
Deficit, end of year	<u>\$1,156,253</u>	<u>\$1,130,002</u>

Statement of Deferred Administration Expenditures

Year Ended
December 31, 1973
(with comparative figures
for 1972)

	1973	1972 (as restated note 6)
Administrative fees	\$ 87,000	\$ 47,163
Interest and bank charges	36,708	356
Legal and audit	6,597	5,425
Shareholders' reports	7,121	2,119
Transfer agent and listing fees	13,788	8,931
Travel	7,662	4,073
General	7,263	9,272
	<u>166,139</u>	<u>77,339</u>
Deduct:		
Interest earned	195	13,099
Dividends recieved	1,383	3,155
Gain on sale of marketable securities	13,976	
	<u>15,554</u>	<u>16,254</u>
Net expenditures for year	150,585	61,085
Balance, beginning of year	385,456	324,371
Balance, end of year	<u>\$536,041</u>	<u>\$385,456</u>

(See accompanying notes)

Bankeno Mines Limited

Notes to Financial Statements

December 31, 1973

1. Investment in Panarctic Oils Ltd.

	1973	1972
792,835 new common shares	\$2,284,173	\$2,284,173
23 common shares of Panarctic Oil Operators Ltd.	3	3
	<u>2,284,176</u>	<u>2,284,176</u>
Capital stock of Bankeno Mines Limited issued to Upper Canada Resources Limited for guarantee of payments on initial investment in Panarctic Oils Ltd.	32,500	32,500
	<u>\$2,316,676</u>	<u>\$2,316,676</u>

2. Investment in Arvik Mines Limited

	1973	1972
750,000 common shares	<u>\$ 25,487</u>	<u>\$ 25,487</u>

1. Investment in Panarctic Oils Ltd.

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.

As at December 31, 1973 the company was liable to pay \$197,130 to Panarctic which amount represents the final payment on the purchase of 56,469 shares. It is expected that this amount will be called by Panarctic during 1974.

In March 1974 the company agreed to participate in a \$25,000,000 further financing program planned by Panarctic Oils Ltd. for 1974-75. As a participant, Bankeno is committed to contribute a maximum of \$564,000. In addition, the farmors of Panarctic have the right to participate, pro rata, to the extent of 25% of the total \$25,000,000 financing. If Bankeno elects to participate as

a farmor it will be required to contribute an additional amount up to \$125,000. 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

(A) Little Cornwallis Island Properties — By agreement dated October 1, 1971 the company and Cominco Limited incorporated a new company, Arvik Mines 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. Bankeno received 25% of the common share capital of Arvik. Cominco has undertaken to incur all expenditures it deems necessary on the above mentioned 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 will receive 6% cumulative redeemable preferred shares for its expenditures to that date. Bankeno will similarly receive for its expenditures aggregating \$75,000 incurred prior to June 4, 1964.

Distribution of funds to the Arvik shareholders shall be as follows:

- (a) 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
- (b) 20% towards payment of dividends on common shares.

(B) Cornwallis Island Properties — Under the terms of the above agreement, Cominco has a 75% interest in other Cornwallis Island Properties and Bankeno has a 25% interest.

As of December 31, 1973 Cominco had incurred expenditures of \$200,000 on these properties; 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. 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 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 Limited, Cominco acquired a 50 percent undivided interest in Bankeno's interest in oil and gas exploratory permits, totalling 7,014,389 acres, located in the Arctic Islands. Permits for 5,719,131 of these acres have been farmed out to Panarctic Oils Ltd. Panarctic has earned an 80 percent interest in the above oil and gas exploratory permits for the 5,719,131 acres by the completion of specific drilling requirements and the expenditure of more than \$26 million on Arctic Island exploration. Panarctic is obliged to maintain these latter 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 percent of the Bankeno-Cominco interest carried by Cominco.

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. Bankeno is entitled to recover its costs prior to Upper Canada Resources receiving any proceeds from its 5 percent interest.

5. Deferred exploration and development expenditures

(a) In February 1973 Bankeno entered into an agreement whereby it acquired a 50% working interest in gas properties in Alberta in exchange for paying the costs of drilling two wells on the property. Bankeno transferred 20% of its interest in the property to Upper Canada Resources Limited in exchange for a commitment by Upper Canada Resources Limited to pay its share of the drilling costs. Bankeno's share of the cost of drilling these two wells totalled \$117,528.

(b) It is the company's policy to defer exploration and development expenditures until such time as the company's properties are brought into production or abandoned.

6. Deferred administration expenditures

In 1973 the company changed its accounting policy with respect to administration expenditures. Previously, such expenditures were charged to the deficit account in the period incurred. Under the new policy, administration expenditures are deferred until such time as the company's properties are brought into production or abandoned. This new accounting policy has

been retroactively applied in the accounts of the company. Accordingly, adjustments totalling \$385,456 have been made in the accompanying statement of deficit to reflect this capitalization of prior years' administration expenditures.

7. 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 present or future values.

8. Bank loan and overdraft

The company's bank loan totals \$410,000, bears interest at 1½% above the bank's prime rate, and is secured by 564,700 of the company's shares of Panarctic Oils Ltd.

9. Income taxes

Under the provision 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 \$3,200,000 of expenditures so available.

10. Other statutory information

The aggregate remuneration of directors and senior officers (as defined under The Business Corporations Act, Ontario) was \$1,600 in 1973; 1972 - \$300.

11. Subsequent event

Subsequent to the year-end the company made a private placement of 100,000 treasury shares at \$4.75 per share.

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

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