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EUREKA CORPORATION L I M I T E D

.....***annual report***

**Y E A R E N D E D
S E P T E M B E R 3 0**

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EUREKA CORPORATION LIMITED

EXECUTIVE OFFICE

2810 - 25 King Street West, Toronto

OFFICERS

A. J. Anderson, President

N. O'Donnell, Vice-President and Managing Director

A. C. Callow, Secretary

J. T. McWhirter, Treasurer

DIRECTORS

T. Lindsley

A. J. Anderson

B. S. W. Buffam

J. M. Easson

A. G. Fulton

N. O'Donnell

GENERAL SUPERINTENDENT

R. N. Breckenridge

TRANSFER AGENTS

Crown Trust Company, 302 Bay St., Toronto, Ontario

Registrar and Transfer Co., 50 Church St., New York 7

Registrar and Transfer Co.,
15 Exchange Place, Jersey City, N.J.

AUDITORS

Griffith and Company, Certified Public Accountants
New York

ORDINARY GENERAL MEETING OF MEMBERS

Private Dining Room No. 10
Royal York Hotel, Toronto
Wednesday, April 16, 1958
10:30 in the forenoon (Toronto Time)

EUREKA CORPORATION LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

The Annual Report of your Company, together with the financial statements and Auditors' report thereon for the year ended September 30, 1957 and further financial statements (subject to audit), covering the five month period to February 28, 1958 are submitted herewith.

A report on the development operations during the year ended September 30, 1957 and continuing to March 1, 1958, as submitted by Mr. R. N. Breckenridge, General Superintendent, is also enclosed.

Also submitted herewith is a report by O'Donnell and Schmidt, Mining Consultants, New York City, N.Y., who have been retained as consultants to your Company since January 1957.

The shareholders will be well aware that the Company's interest in the Nevada properties is held under lease from Richmond-Eureka Mining Company. The lease, as made in 1937, provided as its principal object, for certain work directed to discovering, developing and mining a faulted segment of ore believed to exist in the area now referred to as the "Fad shaft area." Such provision required that a minimum of 630 shifts of underground mining labour per month in that area be performed to keep the lease in good standing. At various times, and particularly subsequent to the disastrous flooding of the mine which occurred some ten years ago, other work including surface bore-hole drilling has been accepted in lieu of underground mining work, under amending agreements.

The last Annual Report dated July 2, 1957 called shareholders' attention to the risks of forfeiture of the lease and loss of properties and physical assets which might be occasioned by an interruption of work called for under the lease should efforts to renegotiate the lease be unsuccessful and a claim of default ensue. Negotiations in progress since last July have been diligently carried on but no conclusion has been reached which is satisfactory to your directors, and the negotia-

tions have broken down. The President of Richmond-Eureka Mining Company has now delivered to your Company notice dated March 6, 1958, reading in part as follows:

"The current amending agreement expires April 30, 1958. At a meeting on March 6, 1958, our directors instructed me to notify you that, beginning May 1, 1958, Richmond-Eureka Mining Company will insist that Eureka Corporation Limited thereafter comply strictly with all the requirements of the lease and the Supplemental Agreement dated June 30, 1937 as each has been amended, and that if you fail to so comply Richmond-Eureka will take steps to terminate the lease and to exercise the rights given to it under the lease and Supplemental Agreement, as amended."

Under existing conditions the working requirements referred to above are neither reasonable nor practical.

Since the date of the last Annual Meeting, drilling in the Fad area has continued under the agreement with Richmond-Eureka Mining Company, referred to in the last Annual Report, which has been extended to April 30, 1958. The results of this work have been disappointing, as shown by the General Superintendent's report. Two holes showed no mineralization and the remaining four have shown mineralization below ore grade. A seventh hole is still drilling.

In the last Annual Report it was indicated that the cost of the drilling would be borne to considerable extent by revenues derived from the T.L. Mine. Ore has been mined from the T.L. shaft at a profit but the current depression in base metal prices and difficulties of

marketing ore now make this operation uneconomic and the mine has been shut down. The stockpile of ore is being sold as rapidly as it can be handled by custom smelters. Ventures Limited and Northfield Mines Inc., the two largest shareholders of the Company, have supplied the necessary additional funds for drilling above those realized from the T.L. Mine through loans and a bank loan guaranteed by Ventures Limited.

Taking into consideration the overall circumstances, your directors requested the Company's Consulting Engineers, Messrs. O'Donnell and Schmidt, to review the economics of mining in the Fad shaft area. Their report is published herewith and your attention is particularly directed to their conclusions.

In view of the foregoing, your directors do not see any reasonable possibility of developing a profitable mine in the Fad shaft area, and do not consider that

further drilling in the hope of increasing the indicated tonnage, or other work in the Fad shaft area is justified.

Pending the annual meeting, however, drilling is being continued to comply with the agreement with Richmond-Eureka Mining Company which, as stated above, expires on April 30, 1958. Your directors wish to lay the facts before the shareholders and to have the fullest and frankest discussion thereon at the annual meeting and the benefit of all opinions or proposals that shareholders may wish to put forward.

On behalf of the Board,

A. J. ANDERSON,
President.

Toronto, Ontario,
March 21, 1958.

EUREKA CORPORATION LIMITED

Report of the General Superintendent

President and Directors,
Eureka Corporation Limited,
25 King Street West,
Toronto 1, Ontario.

Gentlemen:

The following is a progress report for the fiscal year ending September 30, 1957.

Introduction:

During the fiscal year two holes were completed prior to June 30, 1957, as required by agreement with Richmond-Eureka Mining Company. Since July 1, 1957, we have completed 60 drill shifts — or more — per month to comply with the terms of amendments of our lease. The 60 drill shifts have been accepted in lieu of 630 shifts of labor per month as a work requirement under the lease by Richmond-Eureka.

No other work has been done in the Fad area during the fiscal year.

In the T.L. Shaft exploration work was suspended in March, 1957, and extraction of known ore started.

Mining reached a peak of 6,666 tons in July. At that time smelters started to reduce purchases of oxide ores due to the poor outlook for future metal sales and we ultimately were limited to shipments of 1,200 tons of oxide ore monthly in August 1957. Aside from the view of the forward metal situation held by the smelters they also had difficulty in smelting the ores due to the presence of magnesia, arsenic and chlorine. In addition to the sales of 1,200 tons of oxide ore monthly, small lots of sulphide ore have been marketed. Sulphide ore occurs in very limited quantities in the stopes. This reduction of a market for our ores forced a curtailment of mining operations at the T.L. Shaft in September. Since then only 6 men have been in continuous employment underground. These men have maintained the pumping operation on a 24 hour per day basis, and have mined some ore.

Fad Shaft Area:

Holes No. 7, 7A and 7B were completed during the fiscal year as listed below:

Hole No.	Completed	Total Depth
7	May 5, 1957	2,618 feet
7A	June 17, 1957	2,669 feet
7B	September 3, 1957	2,500 feet

The thickness of the mineralized zones and the metal content of each is given herewith:

Hole No.	Thickness Mineralized Zone	Gold Ounces	Silver Ounces	Lead %	Zinc %
7	81'	0.11	1.18	0.61	6.92
7A	20'	0.63	3.74	1.16	5.55
	9'	low values			
	28'	0.13	2.79	1.42	7.54
7B	65.5'	0.21	5.49	2.70	11.59
	15.5'	low values			
	25.5'	0.12	1.79	1.40	6.55

The location of these holes is shown on the map found in this report.

T.L. Shaft Area:

No surface work was performed during the year in the T.L. Shaft area.

For the primary purpose of outlining known ore shoots, 17,643 feet of drill holes were drilled. In exploration for ore 3,755 feet of drifting and 330 feet of raising were completed. This work was suspended in March when mining started, although about 90 feet of crosscutting and 60 feet of raises were completed since March to facilitate ore extraction.

In the fiscal year 1957, the tonnage mined is listed below, with its metal content.

Tons	Gold Ounces	Silver Ounces	Lead %
25,252	0.48	11.7	17.8

The ore reserves in the T.L. Shaft area were reduced by the amount mined during the year. Decrease of metal prices during the year has necessitated the removal of ores from the reserve which were formerly marginal. The reserves were estimated at 21,000 tons of the following grade on September 30, 1957.

	Tons	Gold Ounces	Silver Ounces	Lead %
Proven Ore	14,000	0.514	4.7	14.9
Possible Ore	7,000	0.232	12.4	18.0

It should be pointed out that these reserves are ore under a full scale operation but are not mineable in their entirety under the limited scale at which we are now operating.

Although these mining operations are being carried on 414 feet below the water table, water has not interfered with the operation of the mine. Water pumped from the T.L. Shaft has steadily decreased in volume as shown in the table below.

Date	Gallons per minute
October 1, 1956	2,480
October 1, 1957	1,666

This is further evidence in support of the belief that this area can be successfully dewatered by stage pumping from successively lower levels.

Ore Shipments:

The tonnage of ore shipped during the fiscal year

with the gross value at the smelter and net value at the mine is given below.

	Tons	Gross Value at Smelter	Net Value at Mine
Fiscal year 1957	6,024	\$388,981.49	\$170,703.44

We had not received settlements on 1,939 tons shipped during this period.

Stockpile:

During the year the stockpile of ore on surface increased as shown below:

	Tons	Gold Ounces	Silver Ounces	Lead %
September 30, 1956	1,667	0.48	8.5	13.5
September 30, 1957	18,956	0.48	11.6	17.5

General:

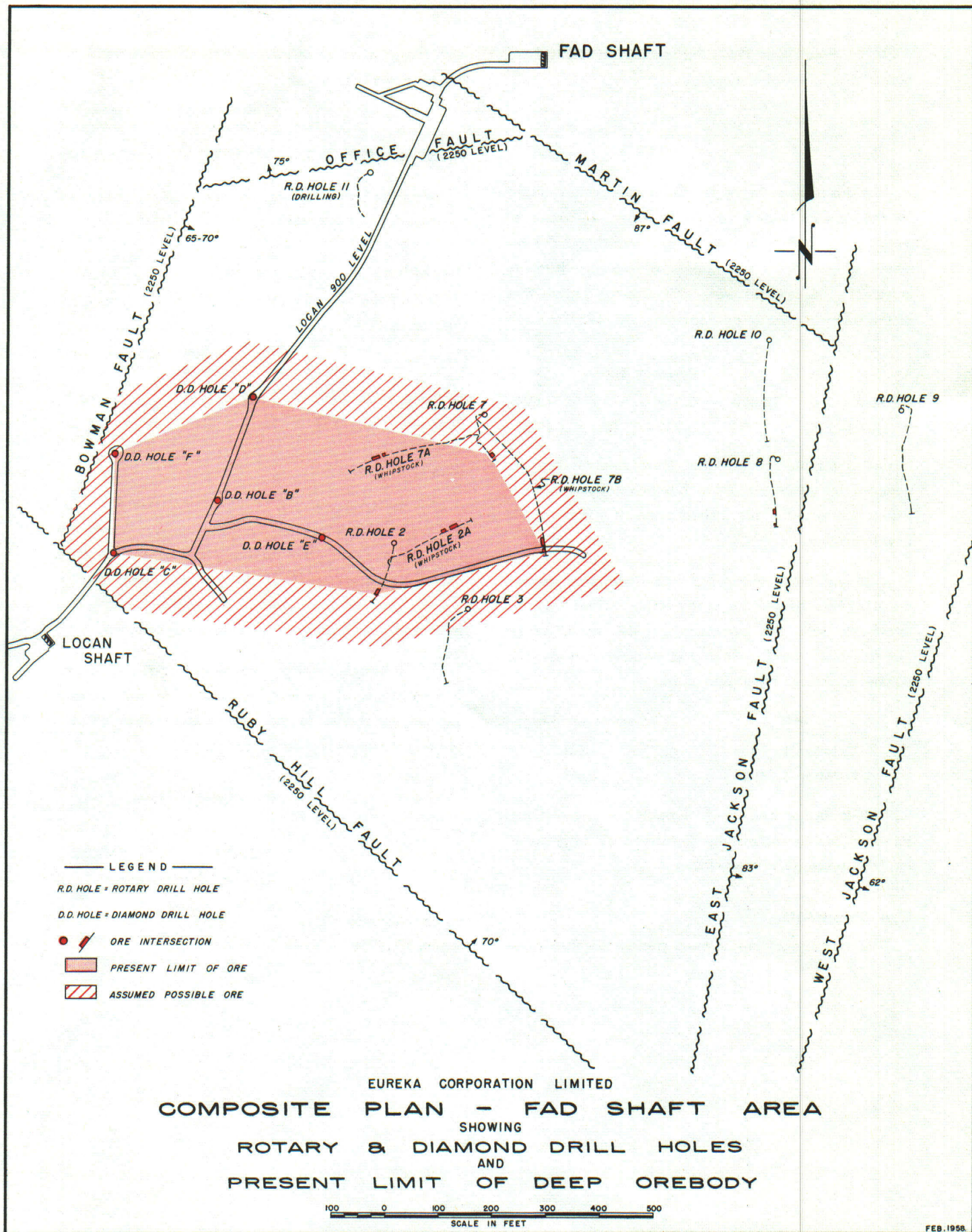
The year has not been a particularly good one for the lead-zinc industry. A steady reduction in demand for metal has resulted in an over production which gave rise to increasing stocks of metal in the hands of producers. This condition induced lower metal prices and increased the difficulty of marketing our products.

I wish to acknowledge with appreciation the support and assistance of the Directors and Consultants, and to express my thanks to the staff and general roll employees for their loyal co-operation.

Respectfully submitted,

ROBERT N. BRECKENRIDGE,
General Superintendent.

Eureka, Nevada,
March 10, 1958.



EUREKA CORPORATION LIMITED

Supplemental Report of the General Superintendent for the Five Month Period to March 1, 1958

President and Directors,
Eureka Corporation Limited,
25 King Street West,
Toronto 1, Ontario.

Gentlemen:

I believe it would be of interest to have a brief resume of progress at your Eureka, Nevada operations since the end of the fiscal year, September 30, 1957 to March 1, 1958.

Drilling in Fad Shaft Area:

Holes No. 8, 9 and 10 have been completed since September 30, 1957. Hole No. 11 is nearly completed. The location of these holes is shown on the accompanying map. A record of drilling is given below:

Hole No.	Date Completed	Total Depth
8	October 17, 1957	2,404'
9	November 24, 1957	3,108'
10	December 28, 1957	2,488'
11		1,930'

The results of the drilling in holes 8, 9 and 10 are shown below.

Hole No.	Thickness Mineralized Zone	Gold Ounces	Silver Ounces	Lead %	Zinc %
8	70'	0.11	1.04	none	3.92
	9'	0.15	4.49	2.92	3.24
9	none				
10	none				

No. 9 hole was drilled, as shown on the map, east of a branch of the Jackson fault. The fault condition was not known as this was an area previously unexplored. Only scattered pyrite was found in the dolomite.

Hole No. 10 was drilled within the polygon described by the five faults. It, likewise, found no mineralized zone.

In the T.L. Shaft area activities have been confined to mining and shipping ore. The average tonnage produced with six men underground was 950 tons per month.

A recapitulation of ore extracted is as follows:

	Tons	Gold Ounces	Silver Ounces	Lead %
5 months fiscal 1958	4,753	0.28	11.7	17.3
Fiscal 1957	25,252	0.48	11.7	17.8
Fiscal 1956	1,667	0.48	8.5	13.5
Total mined to date	31,672	0.45	11.6	17.5

Shipments of ore have continued to all available markets as follows:

	Tons	Gross Value at Smelter	Net Return to Mine
5 months fiscal 1958	8,125	\$486,390.17	\$176,991.76
Fiscal 1957	6,024	388,981.49	170,703.44
Total settlements	14,149	\$875,371.66	\$347,695.20

As of March 1, 2,540 tons of ore have been shipped for which we do not as yet have settlements.

The stockpile of ore as of February 28 is as follows:

Tons	Gold Ounces	Silver Ounces	Lead %
14,983	0.45	11.6	17.5

Ore reserves have been depleted by the amount of ore which has been mined in the five-month period.

The water being pumped has decreased to 1,410 gallons per minute as of March 1, 1958.

During this period test work on the oxide ores was carried out in an effort to determine how the magnesia and arsenic content of the ores could be reduced. Reduction of magnesia by sink float was successful on coarse sizes. Tests on fine sizes by jigging were not eminently successful. Reduction of arsenic by roasting in a limited number of tests was not successful.

These tests were carried out with the idea in mind that we would ultimately resume exploration in the T.L. shaft area and that methods of preparing the ore for market would be necessary to allow us to market all that could be mined.

For some months we have been able to keep the shaft pumped out with returns from shipment of ore and

we have continued to pump and mine a very limited quantity. Shipments during the last five months have varied from 1,394 to 2,100 tons monthly. As of March 1, it appears that we will be able to market only 500 tons monthly, which will no longer give us a return equal to our expenditure. Definite word from two smelters is awaited. If the total that can be moved monthly is not equal to 1,500 tons, suspension of work at the T.L. Shaft is recommended.

Respectfully submitted,

ROBERT N. BRECKENRIDGE,
General Superintendent.

Eureka, Nevada,
March 10, 1958.

GRIFFITH AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

GIRARD TRUST BUILDING
PHILADELPHIA 2, PA.

To the Shareholders of
Eureka Corporation Limited

We have examined the balance sheet of Eureka Corporation Limited as of September 30, 1957 and the related statement of deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statement of deficit present fairly the financial position of Eureka Corporation Limited at September 30, 1957, in conformity with generally accepted accounting principles applied on a consistent basis, except that in the year ended September 30, 1955 development costs were charged to profit and loss as explained in Note 5 of the Notes to Financial Statements.

Griffith and Company
Certified Public Accountants

November 15, 1957
Philadelphia, Pa.

EUREKA CORPORATION LIMITED

Balance Sheet at September 30, 1957

(Stated in United States Dollars)

ASSETS

CURRENT ASSETS:

Cash on deposit and on hand United States funds	\$ 83,875.31	
Accounts receivable	3,153.93	
Total current assets		\$ 87,029.24

INVENTORY OF MATERIALS AND SUPPLIES, AT COST (Note 4)	187,536.41
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MISCELLANEOUS ASSETS:

22,415 shares of capital stock of Richmond-Eureka Mining Company, at cost \$	132,677.13	
Deposit with Nevada Industrial Commission	5,785.00	
Miscellaneous deposits	425.00	
Total miscellaneous assets		138,887.13

FIXED ASSETS:

Mining claims in Nevada, owned outright at cost, \$10,000 less portion represented by royalty payments \$7,340.29 charged to deferred development expenses	\$ 2,659.71	
Cost of mining claims in Nevada assigned or to be assigned to Richmond-Eureka Mining Company (Note 3)	352,503.81	
Payments made on options to purchase mining claims in Nevada (Note 3)	53,530.00	
Total mining claims	\$ 408,693.52	
Buildings (Note 4)	410,295.60	
Machinery and equipment (Note 4)	1,562,059.41	
Total fixed assets		2,381,048.53

CAPITALIZED EXPENSES AND DEFERRED CHARGES:

Deferred development expenses (Note 5)	\$ 7,178,000.35	
Deferred administrative and general expenses (Note 5)	761,307.36	
Expenditures and advances for outside exploration, Los Castros option, Costa Rica	\$14,200.47	
Expenditures and advances for outside explorations	11,067.07	25,267.54
Prepaid insurance	9,918.22	
Total capitalized expenses and deferred charges		7,974,493.47
		<u>\$10,768,994.78</u>

EUREKA CORPORATION LIMITED

Balance Sheet at September 30, 1957

(Stated in United States Dollars)

LIABILITIES AND CAPITAL

CURRENT LIABILITIES:

Notes payable, bank (Canadian funds \$203,858.92)	\$	210,993.98
Accounts payable for supplies, expenses, etc.:		
Payable in Canadian dollars (Canadian funds \$1,500.00)		1,552.50
Payable in United States dollars		9,511.87
Current loans and accounts payable to associated companies:		
Payable in United States dollars (Note 6)		73,749.56
Payable in Canadian dollars (Canadian funds \$204.31)		211.46
Workmen's compensation insurance and payroll taxes accrued or withheld		9,518.95
Total current liabilities	\$	305,538.32

NON-CURRENT LIABILITIES:

Loans payable to associated companies payable in Canadian dollars (\$263,412.16) payment deferred until December 31, 1958		272,631.59
Total liabilities	\$	578,169.91

CAPITAL:

Capital shares (all shares equal in rank as to dividends, voting rights and participation):		
Par value \$1.00 Canadian funds:		
Authorized, issued and outstanding	5,000,000 shs. \$	4,742,325.91
Par value \$0.25 Canadian funds:		
Authorized	10,000,000 shs.	
Unissued	5,044,154 shs.	
Issued and outstanding	4,955,846 shs.	1,225,402.81
Paid-in surplus:		
With respect to par value \$1.00	\$	2,129,714.19
With respect to par value \$0.25		2,718,815.52
		4,848,529.71
		\$10,816,258.43
Deficit from operations, per statement attached		625,433.56
Total capital		10,190,824.87
		<u>\$10,768,994.78</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

EUREKA CORPORATION LIMITED

Analysis of Deficit Account For the Year Ended September 30, 1957

DEFICIT, OCTOBER 1, 1956	\$625,433.56
No change during current year ended September 30, 1957 .....	.....
DEFICIT, SEPTEMBER 30, 1957	<u>\$625,433.56</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

EUREKA CORPORATION LIMITED

Analysis of Deferred Development Expenses, September 30, 1957

	Balances at September 30, 1956	Additions at Cost	Balances at September 30, 1957
MINE DEVELOPMENT EXPENSES:			
Fad Shaft:			
Shaft sinking	\$1,313,985.08	\$	\$1,313,985.08
Station cutting	784,163.85	.....	784,163.85
Drifting and crosscutting	114,040.45	.....	114,040.45
Raising	8,484.92	.....	8,484.92
Mine unwatering	687,042.62	.....	687,042.62
Mine maintenance	394,195.55	.....	394,195.55
T. L. Shaft:			
Shaft sinking	144,394.95	.....	144,394.95
Station cutting	156,939.72	1,944.32	158,884.04
Drifting and crosscutting	305,144.75	232,658.90	537,803.65
Raising	17,089.78	14,053.68	31,143.46
Mining .....	.....	228,957.82	228,957.82
Mine maintenance	53,251.36	41,284.41	94,535.77
Locan Drift:			
Drifting	12,656.81	.....	12,656.81
Mine services	10,937.43	.....	10,937.43
Mine maintenance	8,539.60	.....	8,539.60
Other developments (prior to 1943)	119,403.73	.....	119,403.73
Mining expenses (prior to 1942)	42,403.17	.....	42,403.17
Total mine development expenses	\$4,172,673.77	\$ 518,899.13	\$4,691,572.90
DRILLING EXPENSES:			
Diamond drilling	\$ 213,415.49	\$ 89,532.01	\$ 302,947.50
Rotary drilling	555,304.23	244,166.02	799,470.25
Churn drilling	33,806.59	(171.79)	33,634.80
Long hole drilling	7,126.93	3,500.19	10,627.12
Total drilling expenses	\$ 809,653.24	\$ 337,026.43	\$1,146,679.67
OFFICE AND SUPERVISION EXPENSES AT PROPERTY			
.....	\$ 656,955.61	\$ 84,289.52	\$ 741,245.13
GENERAL EXPENSES AT PROPERTY			
.....	\$ 828,746.67	\$ 58,231.36	\$ 886,978.03
.....	\$6,468,029.29	\$ 998,446.44	\$7,466,475.73
DEDUCT: Net returns from ore produced as an incident to development:			
Prior to September 30, 1943	\$ 116,794.90	\$	\$ 116,794.90
After September 30, 1955	977.04	170,703.44	171,680.48
Total net returns from ore	\$ 117,771.94	\$ 170,703.44	\$ 288,475.38
NET DEFERRED DEVELOPMENT EXPENSES	\$6,350,257.35	\$ 827,743.00	\$7,178,000.35

EUREKA CORPORATION LIMITED

Notes to Financial Statements at September 30, 1957

NOTE 1: Amounts payable in Canadian funds have been converted to United States dollars at the exchange rate at the close of business on September 30, 1957, at which time Canadian dollars were selling at a premium of approximately 3½% in the United States.

All other funds in bank, receivables and payables, are due in United States dollars. Inventories, investments, fixed assets, deferred charges and capital are stated at the United States dollar equivalent at the time of each original transaction.

NOTE 2: During the year the Company engaged actively in removing ore from areas under exploration and development and stockpiled it on the surface. Of this ore, 6,024 tons were shipped and treated at smelters, the net smelter receipts from which amounted to \$170,703.44. The balance of the ore stockpiled was estimated by management to contain 20,895 tons dry weight.

NOTE 3: The Company's principal development work has been on properties in Nevada leased from Richmond-Eureka Mining Company, an American Corporation, under a lease expiring in 1985 with a 15-year renewal privilege. The lease calls for a payment as rental and royalty of a sum equal to 15% of the net mill smelter or reduction plant returns before deduction of freight and/or transportation charges from the mine to the mill smelter or reduction plant. In addition to rental, the lease imposes an obligation on the company to carry on certain exploration and development work.

The Company also purchased certain contiguous mining claims for a total consideration of \$352,503.81 and has assigned or agreed to assign these claims to Richmond-Eureka Mining Company at cost whereupon these claims become a part of the property included in the general lease.

The Company has obtained option purchase agreements on three other groups of contiguous claims in Nevada. The total purchase price for these claims was \$104,000.00 upon which \$53,530.00 had been paid at September 30, 1957. Upon completion of payments under each of these agreements, and at the election of Richmond-Eureka Mining Company, these claims are also subject to assignment to that Company under the same terms as other claims mentioned in the preceding paragraph.

NOTE 4: Buildings, machinery and equipment are stated at cost; no depreciation has been included as an item of expense or deferred development expense. The supplementary agreement with the lessor dated June 22, 1949, expressly provided that all buildings, and all machinery and equipment attached thereto or installed therein, as well as the water supply system, power lines and all equipment below the surface of the ground shall be a part of the realty and that title thereto is and shall be vested in the lessor, Richmond-Eureka Mining Company.

During the fiscal year ended September 30, 1956, major items of equipment were sold for \$130,000.00. These funds were released to Eureka Corporation Limited under a supplementary agreement with the lessor dated July 1, 1957, which pledged the inventory of materials and supplies as collateral for the above amount until such time as the \$130,000.00 be expended for buildings, machinery or equipment or be set aside in a special fund for the lessor. To the end of the current fiscal year, \$585.04 had been so expended.

NOTE 5: Mine development costs (including administrative and general expenses applicable to development) have been deferred consistently during all years, including the current year, with the exception of the fiscal year ended September 30, 1955. In that year, the development costs (\$541,510) were charged to profit and loss account pursuant to an election made by the Company as permitted by the United States Internal Revenue Code.

NOTE 6: By agreement dated September 25, 1957, as amended on October 7, 1957, Ventures Limited and Northfield Mines, Inc. agreed to lend Eureka Corporation Limited up to \$280,000 and \$220,000 respectively, the proceeds of such loans to be used solely to carry on a program of deep drilling in the Fad Shaft area of the property in Nevada held by Eureka Corporation Limited under lease. If for any reason the program of deep drilling is discontinued there is no obligation on the part of Ventures or Northfield to provide funds in excess of those already advanced to the date the program is discontinued. Such loans are repayable with interest at 3% per annum on or before September 30, 1958. Ventures Limited and Northfield Mines, Inc. have the option, when the loans total \$280,000 and \$220,000 respectively, or in any event on or before September 30, 1958, to have principal and interest repaid by the issuance to each respectively of Eureka Corporation Limited capital shares, fully paid and non-assessable at forty cents (\$0.40) per share U.S. In addition Ventures Limited and Northfield Mines, Inc. were severally given an option to purchase 700,000 and 550,000 capital shares, respectively, of Eureka Corporation Limited at any time prior to September 30, 1958 at a price of sixty cents (\$0.60) per share U.S. At September 30, 1957, Northfield Mines, Inc. had advanced \$50,000 U.S. under the above agreement.

NOTE 7: Under a Stock Ownership Plan approved by the Board of Directors in 1955, the company is authorized to grant to key employees options to purchase up to 125,000 shares of the Company's common stock. Under the Plan the price to be paid for the common stock is to be not less than 95% of the fair market value of the common shares on the date upon which the option is granted and must be exercised while in the employ of the company and within a period of not more than ten years. At September 30, 1957, there were no options outstanding.

NOTE 8: The Company has an agreement with a stockholder which provides that \$50,000 (Canadian) shall be paid to such stockholder at the expiration of one year, following the initiation of dividends on the Company's capital stock, in consideration of options and leases turned over to the Company and for services in organizing the Company and securing subscriptions to Capital Stock.

EUREKA CORPORATION LIMITED

Balance Sheet — February 28, 1958

(Stated in United States Dollars)

ASSETS

CURRENT:

Cash in bank	\$ 28,908.70	
Accounts receivable	10,746.24	\$ 39,654.94

INVENTORY OF SUPPLIES — at cost		192,970.63
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MISCELLANEOUS ASSETS:

22,415 shares of Richmond-Eureka Mining Company stock at cost	\$ 132,677.13	
Miscellaneous deposits	2,425.00	135,102.13

FIXED:

Mining claims in Nevada	\$ 412,701.02	
Buildings, machinery and equipment	1,972,201.99	2,384,903.01

CAPITALIZED EXPENSES AND DEFERRED CHARGES:

Deferred development expenses (Schedule 2)	\$ 7,288,737.66	
Deferred administrative and general expenses	783,318.58	
Expenditures and advances for outside exploration:		
Los Castros (Costa Rica)	\$ 14,200.47	
Other	11,067.07	25,267.54
Prepaid insurance	6,330.71	8,103,654.49

\$10,856,285.20

LIABILITIES

CURRENT:

Bank loan	\$ 152,250.00	
Accounts payable and accrued payroll	24,643.66	
Accrued taxes	5,621.37	
Loans from associated companies @ 3% (see note)		
Ventures Limited (Can. \$119,636.00)	\$ 121,581.97	
Northfield Mines, Inc.	94,000.00	215,581.97
		\$ 398,097.00

NON-CURRENT: Advances from Associated Companies

Ventures Limited (Can. \$200,244.53)	\$ 203,248.19	
Frobisher Limited (Can. \$63,167.63)	64,115.14	267,363.33

CAPITAL:

(See Note)	Par \$1.00 Can.		Par 25¢ Can.	
Authorized	5,000,000		10,000,000	
Issued	5,000,000	\$5,000,000.00	4,955,846	\$1,238,961.50
Paid in surplus (including exchange adjustment) ..	1,872,040.10		2,705,256.83	
	<u>\$6,872,040.10</u>		<u>\$3,944,218.33</u>	\$10,816,258.43
Less: Deficit to September 30, 1957			625,433.56	10,190,824.87
				<u>\$10,856,285.20</u>

(The above statement is subject to audit.)

EUREKA CORPORATION LIMITED

Deferred Development Expense, February 28, 1958

	Balance at Sept. 30/57	Additions February, 1958	Additions Year to Date	Balance at Feb. 28/58
MINE DEVELOPMENT EXPENSE:				
T.L. Shaft				
Shaft Sinking	\$ 144,394.95			\$ 144,394.95
Station Cutting	158,884.04			158,884.04
Drifting	537,803.65			537,803.65
Raising	31,143.46			31,143.46
Stoping	228,957.82	\$ 10,736.26	\$ 51,724.08	280,681.90
Mine Maintenance	94,535.77	6,823.71	40,708.55	135,244.32
	<u>\$1,195,719.69</u>	<u>\$ 17,559.97</u>	<u>\$ 92,432.63</u>	<u>\$1,288,152.32</u>
Fad Shaft	3,301,912.47			3,301,912.47
Locan Shaft	32,133.84			32,133.84
Other Development prior to 1943	119,403.73			119,403.73
Mine Expense prior to 1942	42,403.17			42,403.17
	<u>\$4,691,572.90</u>	<u>\$ 17,559.97</u>	<u>\$ 92,432.63</u>	<u>\$4,784,005.53</u>
DIAMOND, CHURN, ROTARY AND LONG HOLE DRILLING	1,146,679.67	22,941.80	157,797.34	1,304,477.01
ADMINISTRATIVE AND GENERAL EXPENSE AT PROPERTY	1,628,223.16	5,161.62	27,591.67	1,655,814.83
MOVING AND MAINTENANCE OF STOCKPILE AT PALISADE		9,907.43	9,907.43	9,907.43
	<u>\$7,466,475.73</u>	<u>\$ 55,570.82</u>	<u>\$287,729.07</u>	<u>\$7,754,204.80</u>
LESS:				
Return from ore — prior to 1953 (net)	116,794.90			116,794.90
Return from ore — current (net)	171,680.48	24,898.31	176,991.76	348,672.24
	<u>\$ 288,475.38</u>	<u>\$ 24,898.31</u>	<u>\$176,991.76</u>	<u>\$ 465,467.14</u>
NET DEFERRED DEVELOPMENT EXPENSES	<u>\$7,178,000.35</u>	<u>\$ 30,672.51</u>	<u>\$110,737.31</u>	<u>\$7,288,737.66</u>

(The above statement is subject to audit.)

Notes to Balance Sheet — February 28, 1958

Under terms of an agreement dated September 25, 1957, Ventures Limited and Northfield Mines, Inc. agree to loan Eureka Corporation Limited \$500,000 on or before March 15, 1958, in the following proportions:

Ventures	\$280,000
Northfield	\$220,000

These loans are to be repaid on or before September 30, 1958, with interest at 3% per annum.

Ventures and Northfield have the right to have their loans repaid by the issuance to them of Eureka shares at 40¢ U.S. per share.

In addition, Eureka has granted Ventures and Northfield options to purchase treasury shares at 60¢ U.S. per share on or before September 30, 1958, as follows:

Ventures	700,000 shares
Northfield	550,000 shares

O'DONNELL & SCHMIDT
MINING CONSULTANTS
165 BROADWAY
NEW YORK 6, N. Y.

TEL: BARCLAY 7-6960
CABLE: EXAMIMINES

NEIL A. O'DONNELL
WILLIAM C. SCHMIDT

March 10, 1958

The President and Directors,
Eureka Corporation Limited,
25 King Street West,
Toronto, Ontario, Canada.

Gentlemen:

Herewith we present a report on economics of possible operation in the Fad Shaft area only at Eureka, Nevada, based upon the results of drilling the Fad mineralized zone to date.

We have included also an estimate of the cost of dewatering the mine and the cost of a 2,000 ton per day plant to mine and treat this material.

Estimates of value of products, cost of production and expectable net results are included in their places together with a yardstick for determining the value of mineralization in any hole in terms of realizable value.

In this report "realizable value" means the value to be derived from the sale of products after deduction of transportation and smelting charges.

This report has been difficult to write because of lack of some of the usual facilities as, for example, an opportunity for an underground examination of the deposit and the ground that contains it. However, we have attempted to arrive at figures which seemed to us fair and equitable.

We trust that the information contained herein is complete enough to meet your requirements.

Respectfully submitted,

O'DONNELL & SCHMIDT

by Neil O'Donnell
Neil O'Donnell

**REPORT COVERING FAD SHAFT AREA
EUREKA CORPORATION LIMITED
EUREKA, NEVADA
by O'DONNELL & SCHMIDT, New York**

**Estimate of Cost of Draining
the Fad Shaft Area:**

In order to determine how much it would cost to drain the Fad Shaft area, an estimate of the water to be removed had to be made. Obviously, this is a difficult estimate to make with any degree of certainty. However, your Company did try to determine the amount of water that would have to be removed by engaging Mr. Wilbur T. Stuart, Hydraulic Engineer, of the Ground Water Branch of the United States Geological Survey to conduct a drawdown test. This test was conducted in December 1952 and January 1953 by Mr. Stuart and the results published in MINING ENGINEERING in February, 1955. Mr. Stuart gave estimates for rate of pumping and days required which add up to 14,226,624,000 gallons of water which would have to be removed in order to drain an inverted truncated cone which truncation was equal in area to the area enclosed within the first five drill holes and down to the 2,250 level of the mine. Since then the known area of interesting mineralization has been extended horizontally, as well as vertically below the 2,250 level.

Our estimate here is based on dewatering the volume described by Mr. Stuart, by pumping a controlled flow of 15,000 gallons per minute for a period of 2 years. Thereafter the pumping becomes a part of mining cost.

The figures for the dewatering are given below:

Diesel Plant 12,000 kw. installed	\$2,400,000
Pumping Equipment	600,000
Power — 2 years	2,140,000
Pumping Labor	128,000
3,800' of cross-cuts	152,000
Drilling drain holes	216,000
Additional pump sumps	50,000
Driving drain tunnel — 6,400'	256,000
Supervision	50,000
General Expense	50,000
	<hr/>
	\$6,042,000

The costs of the pumping program are made up of four major elements: Diesel engines, power, pumps and labor. In the event the quantity of water is not as high as estimated, there will be expended for power and labor only the sums needed to achieve the end. Pumps and Diesels will be needed as long as the mine is active.

In the event power is brought in by transmission line from outside sources, the Diesels will be necessary as standby protection against flooding due to power plant or power line failure. Even then they would only furnish enough power for the pumps operating at capacity. Once pumping starts it can never again stop as long as the mine is in operation.

**Estimate of Cost of Plant to
Mine and Treat Ores:**

We first estimated the cost of a plant capable of treating 1,000 tons per day but after reviewing the costs per ton for pumping 15,000 gallons per minute it was imperative that we accept a 2,000-ton plant as a minimum in order to reduce the fixed charges per ton for pumping. The figures for both are included herewith:

	1,000 ton per day Plant	2,000 ton per day Plant
Mine Plant and Equipment	\$3,400,000	\$3,500,000
Milling Plant	3,000,000	6,000,000
Townsite	2,000,000	3,000,000
Warehouse Inventory	500,000	500,000
Contingencies over-all program	1,000,000	1,000,000
	<hr/>	<hr/>
	\$9,900,000	\$14,000,000

The largest item here, that of the milling plant, is one which covers a flotation plant to make lead, zinc and copper concentrates and to roast and cyanide all the zinc tailings for recovery of gold and silver.

**Tonnage of Ore Outlined
by Drilling to Date:**

Mr. Schmidt and I have refigured the probable and possible ore in the Fad mineralized zone as outlined by drilling to date. We are using the term "probable" to include all material within the polygon whose corners are drill holes F, D, 7, 7B, 2 and C. We have included the area outlined by drill holes D, 7, 7B, 2, 2A, 7A and back to D, which was not included in previous calculations. The "possible" ore is found in a strip 100 feet wide completely around the "probable" ore polygon except where distances from the polygon to projected locations of the Ruby Hill and/or Bowman faults are less than 100 feet. In such cases the actual distances have

been taken. The results of these calculations, in which the values and thicknesses of the mineralized zone has been weighted in accordance with figures submitted by the mine engineers, are shown below:

	Tons	Gold Ounces	Silver Ounces	Zinc %	Lead %
Probable Ore	1,277,217	0.24	7.27	4.40	9.25
Possible Ore	1,290,323	assumed	same	grade	
Total	2,567,540	0.24	7.27	4.40	9.25

This calculation is based on the assumption that the zone is a flat one, or in other words, it is projected to a horizontal plane. The orebody actually dips gently easterly and is not a plane surface but an undulating one. The diamond drill holes B, C, D, E and F were not surveyed at the time they were drilled nor is it possible to survey them now. We are forced to assume they are vertical, which is probably not true, and the area encompassed between these holes at the ore horizon may be greater or smaller than we have indicated. The thickness of the mineral horizon as indicated in the holes has been taken as a true thickness, which in some cases is not true but tends to compensate for projection of the zone to a horizontal plane, so that a very detailed calculation of the tonnage should not vary greatly from the figures we have given.

Metallurgy:

To determine the metal content of concentrates we have taken Lakefield Research Laboratories' figures for recoveries and expectable grades of concentrates from their letter of October 31, 1957. From these two sets of figures we have computed the resultant grade of lead and zinc concentrates as given in table below.

Lakefield has stated that testing done at their laboratory has indicated that 89.56% of the total gold content and 14.59% of the total silver content would appear in the zinc tailings and that these tailings would have to be treated separately to recover the two metals.

Lakefield further estimated that 80% of the gold and 78% of the silver found in the tailings could be recovered. We have used these figures although it should be noted that Lakefield has stated that it has not obtained a recovery of 80% of this gold in tests so far. The test-work which has been carried out on sulphide ores from the Fad zone has been on sludges from the diamond drill holes — no cores were recovered — and a limited amount of work has been done on cores from rotary drill holes. The recovery results given by Lakefield are believed to be fairly representative of expectable results even though based on limited experimental work.

Realizable Returns from Sale of Concentrates and Bullion:

We have open schedules for sale of lead and/or zinc concentrates from United States Smelting Refining and Mining Co., International Smelting and Refining Co., American Zinc and Refining Co., and from National Zinc Co. For the purposes of these calculations we have used the terms for both lead and zinc by one of the above group.

We have figured the values on the basis of current prices; viz., Gold \$35 per oz., Silver at 90.5¢ per oz., Lead at 13¢ per lb. and Zinc at 10¢ per lb. The figures are given below, and they are the realizable value of products at the mill bin, after transportation and smelting charges but before royalty charge.

	Ratio of Concentration	Per ton of Concentrates	Per ton of Ore
Lead Conc.	15.909	\$172.78	\$10.86
Zinc Conc.	7.484	11.27	1.51
Gold in pyrite			5.96
Silver in pyrite			.75
Realizable value before royalty			\$19.08
Less royalty at 15% of net smelter return			3.18
Net realizable value per ton			\$15.90

We have deducted \$1.25 per ton for cost of recovery of gold and silver from pyrite for determining Net Smelter return for these items.

	Ore Grade	Lead Concentrates Grade	Recovery in Lead Concentrates	Ratio of Concentration	Zinc Concentrates Grade	Recovery in Zinc Concentration	Ratio of Concentration
Gold oz.	0.24	0.38	10%		0.01		
Silver oz.	7.27	92.53	80%		3.30		
Lead %	4.40	63.00	90%	15.909	0.83		
Zinc %	9.25	2.50			54.00	78%	7.484
Iron %		11.00			10.00		
Sulphur %		22.18			33.48		
Arsenic %		2.0			0.40		
Insol %		0.26			?		

We have also computed the value of metals in ore on the basis of \$35 per ounce for gold, 90.5¢ per ounce for silver, 16¢ per lb. for lead and 13¢ per lb. for zinc. These prices have been current before recent price reductions and they are believed to approximate long-term averages for these metals provided current proposals to increase tariffs on lead and zinc become effective. As is known most of the domestic lead-zinc mines are closed because of present metal prices. We also have assumed that present labor and supply costs will apply as against prices of 16¢ for lead and 13¢ for zinc. Any long-term changes in metal prices are assumed to have accompanying long-term changes in labor and supply costs.

The figures are given below:

	Ratio of Concentration	Per Ton of Concentrates	Per Ton Ore
Lead Conc.	15.909	\$205.99	\$12.95
Zinc Conc.	7.484	30.59	4.09
Gold in Pyrite			5.96
Silver in Pyrite			.75
Realizable value before royalty			\$23.75
Less Royalty at 15% of Net Smelter Return			3.87
Net Realizable Value per ton			\$19.88

Cost of Production:

Estimated costs for extracting and treating ores are given below:

	1,000 tons per day Cost per ton	2,000 tons per day Cost per ton
Mining	\$12.00	\$12.00
Pumping		
\$129,073 ÷ 30,000	4.30	
\$129,073 ÷ 60,000		2.15
Milling including roasting and cyanidation	2.50	2.50
General Expense	1.00	.50
Amortization		
\$16,000,000 ÷ 6,000,000	2.66	
\$20,000,000 ÷ 6,000,000		3.33
	\$22.46	\$20.48

A mining cost of \$12 per ton has been taken here. It is probably lower than that of an average of lead-zinc mines in the West. However, the orebody differs materially from the usual lead-zinc deposit, judging entirely from results of drilling. It appears that this is a thick deposit, varying from 27' to 108' in hole length and probably averaging about 55' in actual thickness, that it is very loose material composed almost entirely of granular pyrite and ore minerals and that it is saturated with water. Whether the \$12 cost figure can be improved upon can be determined, finally, only after the zone is opened for actual physical inspection.

Pumping figures are from detailed estimates made by Mr. Romig who estimated costs of \$129,073 per month to pump 15,000 gallons per minute from the 2,250 level to surface. We believe that the flow will decrease in the course of years for any given area but we have no way to estimate either the amount or rate of decline and it is possible that exploration for ores other than those in the Fad Zone would expand the area to be drained and a large part of the Fad Zone is below the 2,250 level. The figure should, in our estimation, apply to all of 6,000,000 tons.

The figures for milling, roasting and cyaniding are believed to be reasonable for this type of operation.

General expense is also believed to be reasonable in view of the necessity of maintaining a townsite.

Amortization figure is derived from dividing the estimated minimum ore volume into the estimated cost of draining the mine and building the necessary plant. There is no provision in these calculations for amortizing the investment made to date. On attached curves we show the effect of ore volumes greater or less than 6,000,000 tons for both plants; the 1,000 ton per day plant and facilities is estimated to cost \$16,000,000; the 2,000 ton per day plant \$20,000,000. The \$16,000,000 curve indicates that for a \$16,000,000 investment and an orebody of 1,270,000 tons the amortization figure is \$12.60 per ton, a prohibitive one. For 2,500,000 tons the figure is \$6.40 per ton, also a very high figure. It appears that 6,000,000 tons is the smallest tonnage which would provide an acceptable amortization charge.

A study of these figures yields the following:

	Milling Rate 1,000 tons per day	Milling Rate 2,000 tons per day
Realizable value per ton		
before taxes and royalty	\$23.75	\$23.75
Estimated Operating Cost	22.46	20.48
Operating Profit	\$ 1.29	\$ 3.27
Less Royalty	3.87	3.87
Loss before taxes	\$ 2.58	\$.60

The above figures indicate a loss, and it should be noted that the operation would have to show a substantial profit to attract financing of the magnitude required and to take care of corporate income taxes, presently levied in the United States, at 52% of earnings.

It may be argued that metal price changes may affect the economics of this operation but over the long term metal prices and costs remain in balance. To

illustrate this point the average prices for lead and zinc are given below back to 1895, in cents per pound.

		Lead	Zinc
	1957	14.66¢	11.40¢
	1956	16.01	13.99
	1955	15.41	12.80
10 yr. average	1945 - 1955	14.61	13.41
" "	1935 - 1945	5.75	7.19
" "	1925 - 1935	5.30	5.33
" "	1915 - 1925	7.15	7.96
" "	1905 - 1915	4.59	6.69
" "	1895 - 1905	4.10	4.25

Despite the relatively high prices of 13¢ for lead and 10¢ for zinc today, the lead-zinc industry is largely closed because of high relative costs. Costs do keep pace with metal prices.

There are periods, such as wartime, when metal prices may run ahead of costs but these periods are relatively short in comparison with the life of a 6,000,000 ton mine. There are also periods when costs run ahead of metal prices such as occurs today.

Values per unit of Metal

For use in estimating the value of drill cores from their assays we have computed a yardstick of values per unit for gold, silver, lead and zinc from concentrate contents and smelter schedules.

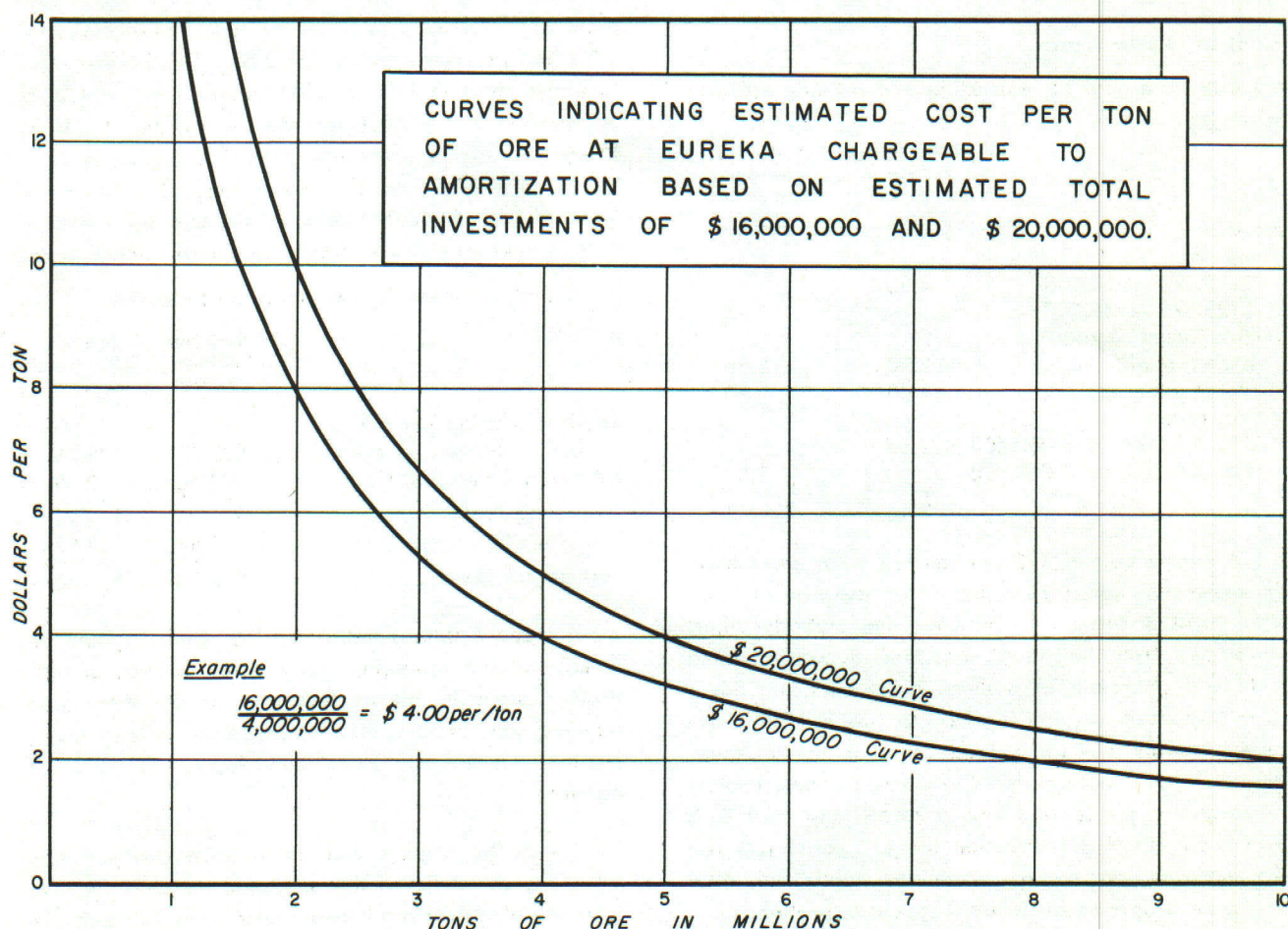
These figures are the realizable values for the recovered metals in the form of concentrate or bullion at the mill, before charges for mining, milling, general expense, amortization or taxes.

The estimated values are given below:

	Per Unit	Per Pound
1 oz. Gold	\$23.88	
1 oz. Silver .....	.68	
1% Lead	1.82	9.11¢
1% Zinc .....	.43	2.16¢

Realizable Values per ton of Ore in Diamond Drill and Rotary Drill Holes Drilled to Date

Based on the realizable value per unit given above we have listed the values per ton for the material found in all holes found within the polygon described above



and also No. 8 hole which was not included in the polygon. The figures are given below:

Hole	Thickness (Feet)	Upper Zone	Lower Zone
DDH-B	40.0	\$16.31	
	15.0		\$11.79
DDH-C	40.0	20.46	
	18.0		14.02
DDH-D	53.0	9.29	
DDH-E	65.0	34.14	
DDH-F	27.4	12.73	
RH-2	36.5	48.64	
RH-2A	41.5	42.36	
	66.0		29.22
RH-7	81.0	7.48	
RH-7A	50.0	15.03	
RH-7B	65.5	18.54	
	25.5		9.51
RH-8	70.0	4.92	
	9.0		13.36
RH-9	no mineralized zone		
RH-10	no mineralized zone		

In our calculations we have not included any tonnage for mineralization found in the lower zone of any hole, largely because the mineralization does not appear to have continuity. With an estimated cost of production of \$20.42 per ton, none of this material is ore except the lower zone in hole No. 2A. By the same token the material in holes B, D, F, 7, 7A, 7B and in 8 is not ore.

Conclusions:

1. Our estimate of cost of dewatering the Fad mineralized zone and opening up the zone on the 2,250 level is \$6,042,000.

2. Our estimate of a complete plant to mine and concentrate 2,000 tons per day is \$14,000,000 or a total estimated expenditure of \$20,042,000 to drain and equip this mine.

3. A minimum of 6,000,000 tons of ore with an average realizable value substantially higher than presently estimated should be reasonably assured before attempting to dewater the mine.

4. On the basis of costs which include a royalty of 15% and amortization charges, for future expenditures only, the average value of the mineralized zone outlined to date is such that it could only be mined at a loss, even if 6,000,000 tons of this material was assured.

5. Any attempt at selective mining of higher grade ores will result in a prohibitively high charge for amortization on the smaller tonnage, due to the high initial investment required.

Respectfully submitted,
O'DONNELL & SCHMIDT.
By: NEIL O'DONNELL.

New York, N.Y.
March 10, 1958.

EUREKA CORPORATION LIMITED

2810 - 25 KING STREET WEST

TORONTO, ONTARIO

Notice of Ordinary General Meeting of Members

TAKE NOTICE that the Ordinary General Meeting of the Members of Eureka Corporation Limited will be held in Private Dining Room No. 10, Royal York Hotel, Toronto, Ontario, on

WEDNESDAY, APRIL 16, 1958

at the hour of ten-thirty o'clock in the forenoon (Toronto time), for the purpose of:

- (1) Considering and approving the Report of the Directors dated March 21, 1958, the Reports of the General Superintendent, the Financial Statements and Auditors' Report thereon, for the year ended September 30, 1957.
- (2) Electing directors for the ensuing year.
- (3) Appointing Auditors.
- (4) Transacting such other business as may properly come before the meeting.

Enclosed herewith is a copy of the Annual Report of the Company and the shareholders' attention is particularly directed to the important matters dealt with in this Report.

DATED at Toronto, this 21st day of March, 1958.

By order of the Board,

A. C. CALLOW,

Secretary.

NOTE: Any member not able to be present in person is entitled to be represented at the meeting by proxy.