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To the Honorable
Paul E. Allard, M.L.A.

Minister of Natural Resources
Parliament Buildings
Québec

Sir:

The events which took place during the fiscal year ended March 31, 1968, were rewarding for the Québec Mining Exploration Company.

The basic reconnaissance programs conducted during the two previous years have started to show results. On nine mining properties held in whole or in part by SOQUEM, there are promising mineral occurrences of which some stand a good chance of developing into commercial operations within the ten-year mandate set by the Legislator (Act 13-14, Elizabeth II, chapter 36).

Two of these occurrences deserve a mention. In Louvicourt Township, near Val d'Or, detailed geophysical surveys completed last year for a few thousand dollars had brought to light new sulfide conductors. The first diamond hole recommended by SOQUEM's geophysicists cut across a mineralized pod of high copper content. In addition, a second mineralized zone and another mineralized section have recently been discovered as described in the main part of this report. It may be worth pointing out that the properties where these discoveries are made had already been explored by several companies. Various surveys had been completed in the last 25 years and more than 110,000 feet had been diamond drilled.

At St. André, in Argenteuil County, SOQUEM's crews discovered a columbium-bearing carbonatite body in an area which had already experienced a staking rush in 1953 and 1954.

The exploration of the other seven mineral occurrences has not reached a stage where it is possible or advisable to describe them and appraise their potential. However, it is gratifying to realize that in less than three years of exploration, starting from scratch, SOQUEM already has acquired a major interest in several promising properties.

On the whole, the Company has fulfilled the objectives set by the plans approved last year by its Board of Directors. During the second complete year of operation, the capital of \$1,500,000 subscribed by its shareholder was put to full use in exploration. In addition, the Company jointly managed approximately \$500,000 contributed by its partners. Budget estimates of the current year show that SOQUEM and its associates plan to invest over \$2,250,000 in searching for and developing mineral occurrences. This exploration effort makes the private industry more sensitive to the mining potential of several areas and thereby promotes the development of mineral resources in Québec.

In 1968-69, the Company plans to use, for the first time, some of the funds set aside during the early months of its existence. The success has been such that the exploration expenditures are expected to be about \$70,000 in excess of the capital stock issued and paid for during the year. This reflects a greater rate of growth than predicted in 1965, at the time of its inception.

Excellent relations continue to prevail between SOQUEM and the private sector of the mining industry, of which 15 high-ranking representatives share joint projects. These companies bring to Québec an important technological and financial contribution and are a good example of the cooperation that can exist between a Crown corporation and private enterprise in the exploration and the development of mineral resources.

SOQUEM is more than pleased with this kind of partnership and is honored of the confidence received. It also expresses its appreciation to all employees for their dynamic contribution to the achievements of the Company.

On behalf of the Board of Directors,



Côme Carbonneau
President

August 15, 1968

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summary	Nov. 1965 March 1966	Year 1966/67	Year 1967/68	Year 1968/69 Estimated
Exploration expenditures by SOQUEM	—	\$ 952,730	\$1,250,232	\$1,343,100
Contribution of partners	—	242,000	507,000	686,850
TOTAL	—	1,194,730	1,757,232	2,029,950
Administrative expenses	\$ 111,073	187,578	237,423	224,900
TOTAL	111,073	1,382,308	1,994,655	2,254,850
Capital stock issued and fully paid	625,000	1,500,000	1,500,000	1,500,000
Exploration and administrative expenses	111,073	1,140,308	1,487,655	1,568,000
EXCESS of capital stock over expenses	\$ 513,927	\$ 359,692	\$ 12,345	\$ (68,000)
Mining properties held	—	43	107	
Number of acres	—	120,440	258,059	
Number of claims	—	2,221	5,018	

Note: The excess is constituted by working capital, inventory, fixed assets, and investments.

exploration projects

During the year ended March 31, 1968, SOQUEM undertook 24 mineral exploration projects and eight projects on the research of new exploration techniques. Furthermore, between the end of the fiscal year and July 31, 1968, eight additional projects were started for a grand total of 74 projects initiated by the Company since its inception on November 1, 1965. Twenty-five of these projects were abandoned because of their very limited chance of success.

Here is a breakdown of the 49 active projects:

	SOQUEM	Joint	TOTAL
General reconnaissance	6	8	14
Field verification of anomalies and showings	9	8	17
Development of discoveries	5	4	9
Research on exploration methods	8	1	9
	28	21	49

A complete list of private companies sharing joint exploration projects with SOQUEM will be found on page 4.

activities

The most modern techniques were used in carrying out the above mentioned projects; their nature and quantitative importance are given hereunder:

Geochemistry

a) Reconnaissance	2,788 square miles
stream sediment	17,788 samples
heavy mineral	117 concentrates
soil	8,661 samples
rock	2,210 samples

b) Overburden drilling	15 holes
	702 feet
	15 samples

Geology

a) Ground reconnaissance	8,700 square miles
b) Helicopter-borne reconnaissance	9,200 square miles
c) Detailed surveys	175 square miles

Geophysics

a) airborne:	
magnetometer	513 linear miles
electromagnetometer	3,901 linear miles
scintillometer	19,979 linear miles
TOTAL	24,393 linear miles

b) ground:	
magnetometer	1,835 linear miles
electromagnetometer E.M.	1,334 linear miles
electromagnetometer TURAM	344 linear miles
induced polarization	86 linear miles
scintillometer	228 linear miles
gravity	2,966 stations

Diamond drilling	137 holes
	48,361 feet
	25 properties

Trenching	113
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joint exploration projects

The following table shows that, on July 31, the Company was engaged in 21 joint exploration projects with 15 private companies. The commitments and profits of the parties to these ventures are, in case of discovery, on an equal footing, providing the partners uphold their association to the end and maintain their respective interests.

list of joint projects on July 31, 1968

PARTNERS	Contribution of partners and sharing of interest %	Management of the project	Location of search	Type of project
Bell Asbestos Mines Ltd.	65	SOQUEM	Lower St. Lawrence	Geological reconnaissance
Bemok Ltée (Mokta (Canada) Ltée and Serem)	50	SOQUEM	Gaspé	Geochemical reconnaissance
Geophysical Engineering & Surveys Limited The New Jersey Zinc Company	85	GEOPHYSICAL ENGINEERING & SURVEYS LTD.		Development of recording helicopter E.M. lab.
Kerr Addison Mines Limited	60	KERR ADDISON	Abitibi	Verification of geophysical anomalies
Nemrod Mining Co. Ltd. Naganta Mining & Development Co. Ltd. Timrod Mining Co. Ltd.	50 app.	SOQUEM	Abitibi	Development of discovery and verification of anomalies
New Jersey Zinc Exploration Company (Canada) Ltd.	50	SOQUEM	Gaspé	Verification of mineral showings
New Jersey Zinc Exploration Company (Canada) Ltd.	50	SOQUEM	Abitibi	Verification of geophysical anomalies
Noranda Exploration Company Limited	60	SOQUEM	Abitibi	Geophysical reconnaissance
Penarroya-Canada Limitée	75	PENARROYA	Abitibi	Verification of geophysical anomalies
Penarroya-Canada Limitée	55	PENARROYA	Abitibi	Geophysical reconnaissance
Penarroya-Canada Limitée	45	SOQUEM	Gaspé	Verification of geochemical anomalies and development of discovery
Quebec Cartier Mining Company	55	SOQUEM	Laurentians	Geophysical reconnaissance
Rio Tinto Canadian Exploration Limited	60	SOQUEM	New Québec	Geological and geophysical reconnaissance
Rio Tinto Canadian Exploration Limited	60	SOQUEM	New Québec	Verification of anomalies and development of discovery
Société d'Étude, de Recherches et d'Exploitation Minières Ltée (SEREM)	55	SEREM	Mistassini	Geochemical reconnaissance and verification of anomalies
Sullico Mines Limited	53	SOQUEM	Gaspé	Verification of anomalies and mineral showings
Terra Nova Explorations Ltd.	50	SOQUEM	Lake St. John	Development of discovery and ore dressing research
Union Minière Explorations and Mining Corporation Limited (UMEX)	60	SOQUEM	Abitibi	Verification of geophysical anomalies and mineral showings
Union Minière Explorations and Mining Corporation Limited (UMEX)	60	SOQUEM	Gaspé and North of New Brunswick	Geochemical reconnaissance and verification of anomalies
Voyager Explorations Limited Silver Scepter Mines Limited	50	SOQUEM	Témiscamingue	Verification of anomalies and mineral showings

proposals received

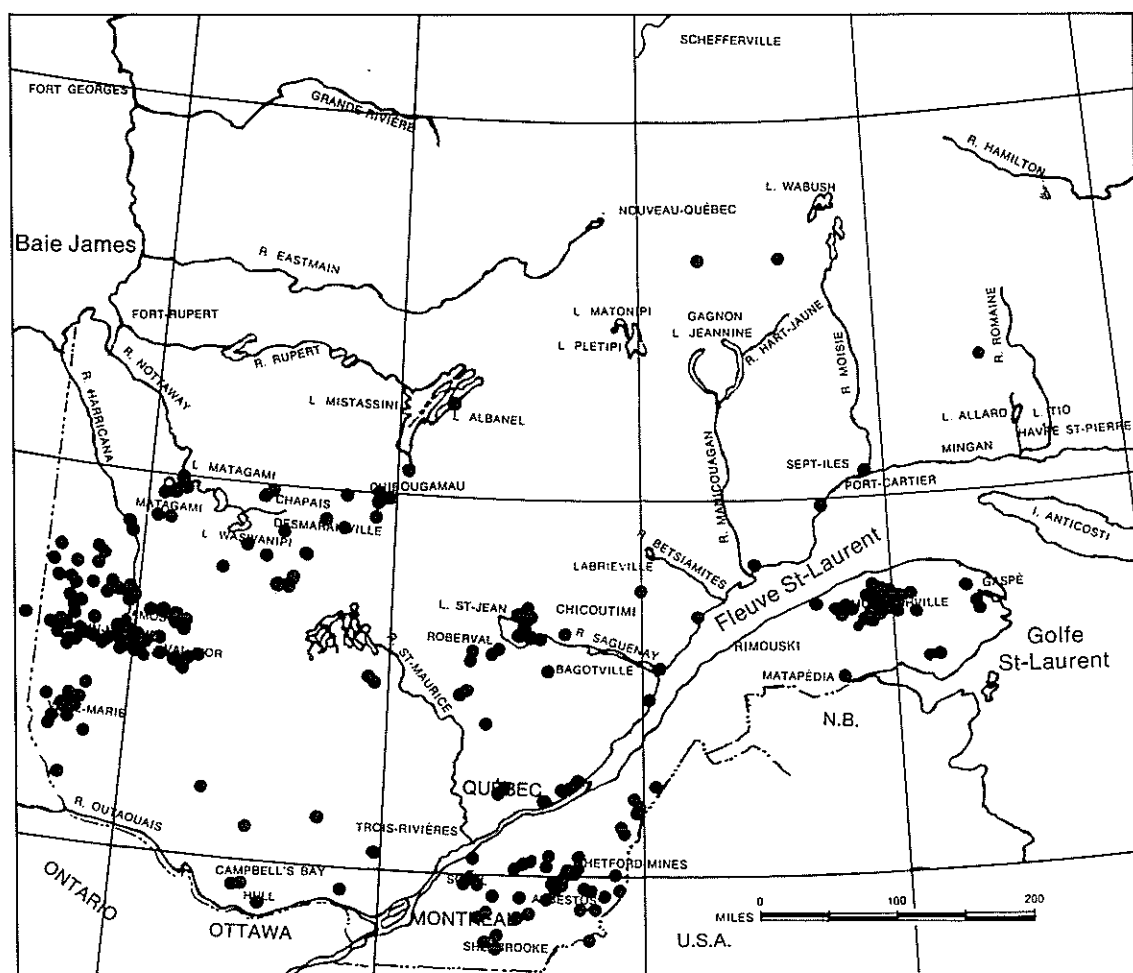
Ninety-four mining properties at different stages of development, submitted by prospectors and companies, have been evaluated during the fiscal year. The limited potential of many of these properties and also the depletion of available funds have resulted in the turning down by SOQUEM of 91 proposals. Since its inception, two and a half years ago, the Company has accepted 27 proposals out of 316 submitted. An accompanying map shows the geographical distribution of the main proposals received.

development of discoveries*

On July 31, SOQUEM held alone or in partnership nine properties in which discoveries have

been made. Seven of these discoveries are the results of the Company's own exploration work. Three in particular have reached such a development stage that a short description is at this time warranted.

**Article 3b of SOQUEM's charter says that the Company must, among other things, "participate in the development of discoveries, including those made by others, with power to purchase and to sell properties at various stages of development, and to associate itself with others for such purposes". A discovery, as opposed to a mineral deposit (article 3c), could be defined as the finding of mineral substances of a commercial grade. Developing a discovery is to determine the quality and quantity of these substances in order to establish their economic mining possibility.*



● MAIN PROPOSALS RECEIVED BY SOQUEM

November 1965 - March 1968

discovery in louvicourt township abitibi east county

In the spring of 1967, SOQUEM signed an exploration agreement covering mining properties held by Nemrod Mining Co. Ltd., Naganta Mining and Development Co. Ltd., and Timrod Mining Co. Ltd. in Louvicourt Township, 13 miles east of Val d'Or.

Some 133 line miles were surveyed during the year by Turam type electromagnetometer indicating 13 anomalies of various intensity.

On April 30, a first drill hole (no. 705) sited to explore the centre of a weak anomaly cut across a "highly mineralized pod" containing more than 6% copper in a 120-foot section,

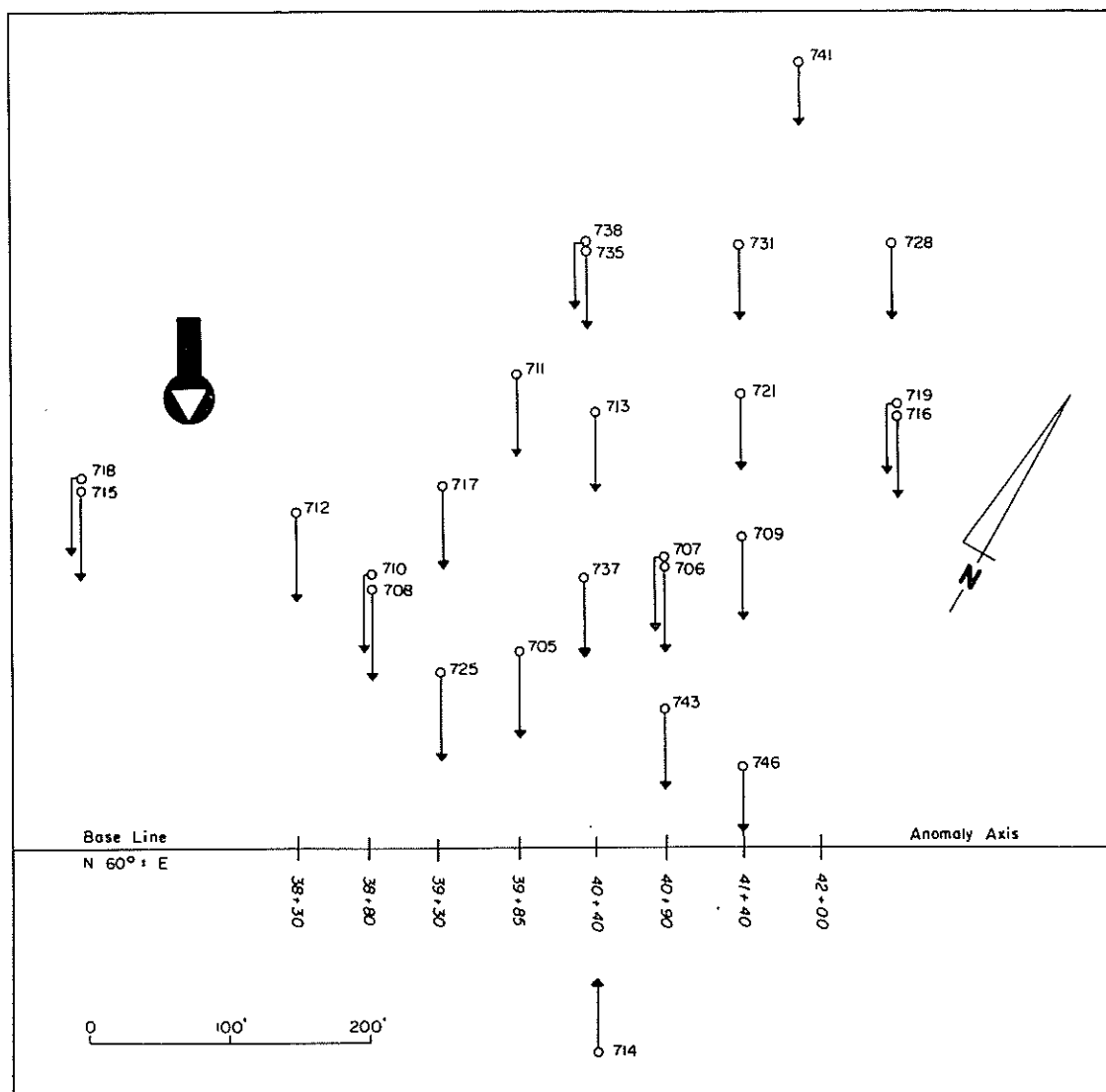
made up of 64 feet at 9.61% Cu and 55 feet at 1.81% Cu. On May 4, a second drill hole located 110 feet east of no. 705 returned a core length of 68 feet at 4.23% Cu. This mineralized pod is part of a pyritic zone which may cross the entire property and which is marked by a very weak electromagnetic conductor and an induced polarization anomaly.

There was a strong reaction in Canadian mining circles to this apparently exceptional discovery. However, additional drill holes revealed that the pod was not as extensive and heavily mineralized as first indicated. Drilling operations continue.

Drilling done between May 1 and July 31 has given the following results:

Anomalies 7-1 and 7-2

D.D.H. No.	INCLINATION	FOOTAGE	CORE LENGTH	ASSAY VALUES	
				Cu %	Ag oz./ton
705	50°S	140.7 — 205.0	64.3	9.61	0.81
		205.0 — 260.0	55.0	1.81	0.27
706	50°S	222.0 — 244.7	22.7	8.07	0.68
		218.5 — 286.5	68.0	4.23	0.39
707	67°S	236.0 — 296.0	60.0	1.71	0.22
		326.0 — 339.6	13.6	1.28	0.15
708	52°S	200.0 — 217.0	17.0	1.99	0.46
709	50°S	244.5 — 285.0	40.5	1.12	0.34
710	65°S	190.0 — 195.0	5.0	1.35	0.45
		380.0 — 385.0	5.0	2.70	1.75
711	50°S	334.0 — 340.0	6.0	2.10	0.30
		396.8 — 431.3	34.5	1.25	0.17
712	45°S	256.5 — 276.0	19.5	1.31	0.17
		310.5 — 318.0	7.5	1.00	0.10
713	45°S	302.5 — 383.0	80.5	1.98	0.20
714	50°N	147.0 — 183.8	36.8	1.94	0.26
		219.0 — 335.0	116.0	2.98	0.31
		394.8 — 405.0	10.2	1.27	0.30
715	45°S	292.7 — 310.0	17.3	3.07	0.57
716	45°S			No significant values	
717	45°S	265.0 — 270.0	5.0	1.00	0.24
718	65°S	539.0 — 543.0	4.0	1.35	0.15
719	65°S			No significant values	
721	65°S	376.2 — 410.0	33.8	2.70	0.62
722	45°S			No significant values	
724	45°S			No significant values	
725	45°S	132.0 — 216.0	84.0	2.24	0.35
726	50°S			No significant values	
727	45°S			No significant values	
728	70°S			No significant values	
729	50°S			No significant values	
730	45°S			No significant values	
731	70°S	514.5 — 635.4	120.9	1.77	0.24
732	45°S			No significant values	
733	45°S			No significant values	
735	63°S	459.5 — 464.5	5.0	1.00	0.39
737	30°S	176.6 — 240.0	65.7	3.84	0.36
738	50°S	417.0 — 503.1	86.1	4.75	0.44
743	40°S	86.2 — 136.3	50.1	2.32	0.29



Between July 12 and July 31, an additional series of holes drilled 100 feet apart, about 2,000 feet west of the discovery, has revealed the presence of another mineralized pod con-

taining mainly zinc, gold and silver. The following assay results were available at the time of writing:

Anomaly 7-3

D.D.H. No.	LOCATION	INCLINATION	FOOTAGE	CORE LENGTH	ASSAY VALUES			
					Au oz./ton	Ag oz./ton	Zn %	Pb %
734	2220 N	50°S	135.0 — 140.0	5.0	0.16	0.42	0.75	—
	19+00 E		152.0 — 166.5	14.5	0.12	0.91	2.72	0.28
736	2220 N 21+00 E	50°S	260.0 — 276.4	16.4	0.03	2.10	3.20	0.17
740	2220 N 17+00 E	50°S	185.6 — 197.7	11.9	0.024	1.75	1.34	0.32
742	2220 N 18+00 E	50°S	171.6 — 183.7	12.1	0.14	1.56	1.85	0.31
			229.3 — 243.1	13.8	0.10	1.73	7.48	0.52

In addition, assays received late July 31 show that a new mineralized section has been cut some 1,700 feet east of discovery hole no. 705 and some 200 feet south of the pyritic anomalous zone which may cross the property. From footage 424.4 to 461.5, hole no. 739 has returned 37.1 feet grading 0.023 ounce of gold

per ton, 0.66 ounce of silver, 0.15% lead and 4.29% zinc.

This discovery has introduced new hopes in the Val d'Or camp and has encouraged many mining firms to reassess the value of many of the older properties of the area.

discovery at st. andré d'argenteuil

Radiometric surveys carried out during the summer and fall of 1967 have indicated the presence of radioactive anomalies in several parts of the Province. In St. André, Argenteuil County, two drill holes put down recently in order to intersect one of these anomalies have returned columbium-bearing carbonatite of commercial grade. Additional data on the quan-

tity of the ore and on its quality remain to be obtained by further drilling and other development which will include ore dressing tests. Assay results are also being checked. Because of the special vuggy and cavernous nature of the formation, the two holes drilled along one section line (azimuth 157°) have been characterized by poor core recovery.

The available results are as follows:

HOLE No.	INCLINATION S. E.	CORE LENGTH	LENGTH RECOVERED IN FEET	% OF RECOVERY	% Cb_2O_3
1	40°	31.0 — 147.0	5.6	4.8	0.36
		147.0 — 162.0	5.5	36.7	1.00
		162.0 — 184.0	11.2	50.9	0.34
		184.0 — 206.0	6.1	27.7	0.41
		206.0 — 227.0	7.1	33.8	0.36
		147.0 — 227.0	29.9	37.4	0.49
2	40°	47.0 — 60.0	5.7	43.8	0.41
		60.0 — 80.0	7.4	37.0	0.66
		80.0 — 90.0	5.8	58.0	0.90
		90.0 — 100.0	7.5	75.0	0.47
		100.0 — 110.0	4.3	43.0	0.80
		110.0 — 120.0	5.0	50.0	0.50
		120.0 — 130.0	7.0	70.0	0.53
		130.0 — 141.5	5.0	43.5	0.81
		141.5 — 152.6	9.7	87.4	0.70
		152.6 — 169.6	13.1	77.1	0.78
		169.6 — 187.6	13.6	75.6	0.93
		187.6 — 201.9	8.4	58.7	0.82
		130.0 — 201.9	49.8	69.3	0.82
		47.0 — 201.9	92.5	59.7	0.71

The property is located some 19 miles west of the Oka mine complex which comprises a

columbium concentrating plant.

magpie deposits (awater-lapointe)

Township 1770, Duplessis County

During the year, the Company has optioned a 90% interest in huge titaniferous magnetite deposits discovered nearly 20 years ago 85 miles north of Mingan, close to the St. Jean River. These deposits contain over a billion tons of titaniferous iron averaging 44% Fe, 11% TiO₂, 1.5% Cr and traces of vanadium.

SOQUEM fully realizes the metallurgical problems posed by this kind of mineralization, but it is hoped that a medium term research program already in progress will eventually lead to a mining operation.

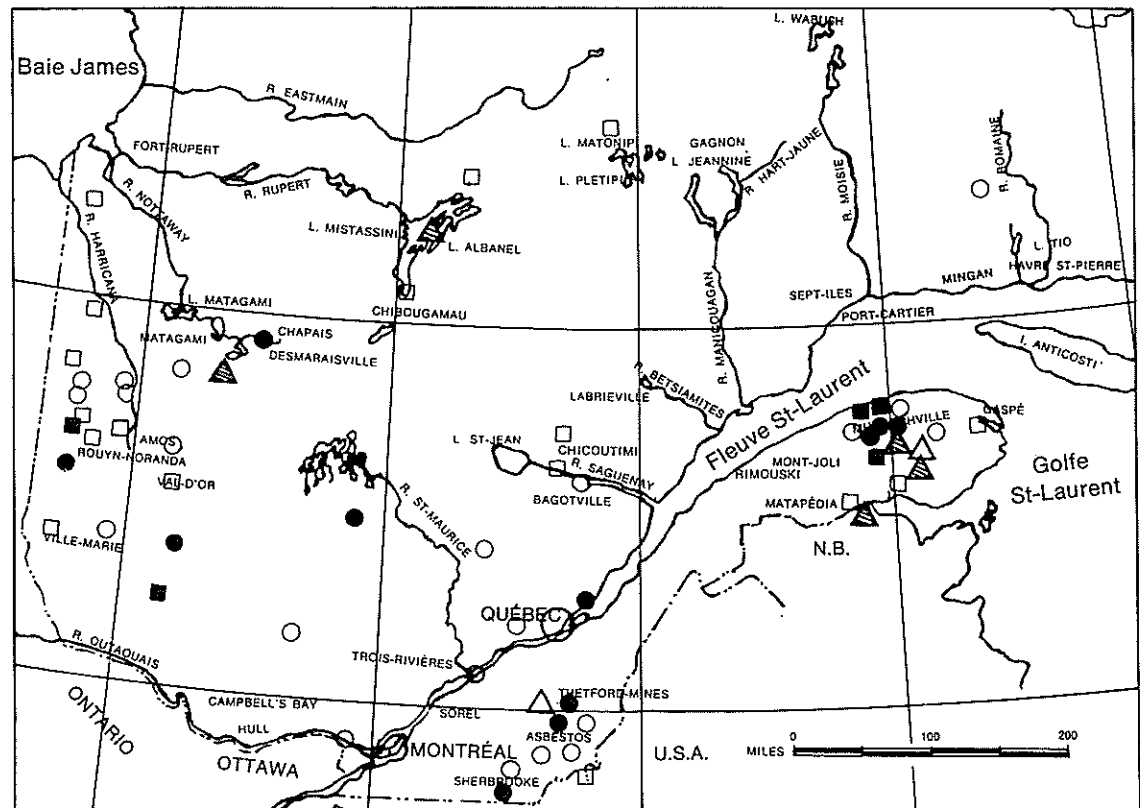
At least one hundred smaller titaniferous iron deposits in the Province present difficulties in many ways similar to those met at Magpie.

regional distribution of exploration expenditures

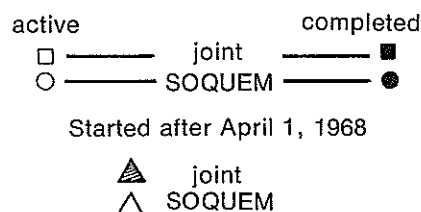
In 1967-68, SOQUEM carried alone and with partners exploration work for a total of \$1,757,232. Here follows the geographical distribution of the monies expended:

Abitibi	28%
Eastern Townships	19
Chibougamau	14
Gaspé	13
Laurentians	10
New Québec	6
Témiscamingue	4
Others	6

The location and nature of the main projects undertaken by the Company since November 1, 1965, are shown on the accompanying map.



MAJOR EXPLORATION PROJECTS november 1965 - march 1968



QUÉBEC MINING EXPLORATION COMPANY

Balance sheet as at March 31, 1968

		ASSETS	
		1968	1967
Current assets			
Cash on hand	\$ 37,402		
Short term deposits plus accrued interest	404,410		
Accounts receivable and advances	148,275		
Prepaid expenses, deposit, insurance, taxes	2,908		
		\$ 592,995	\$ 778,075
Loans receivable		—	1,510
Inventory - at cost		74,370	41,818
Deferred expenditures			
Cost of mining rights (1)	193,363		
Exploration expenditures (2)	2,088,282		
	2,281,645		
Less:			
Recovery of deferred expenditures through participation	78,683		
	2,202,962		
Administrative expenses	536,074		
		2,739,036	1,251,381
Investments (3)			
Shares — at cost	60		
Promissory note	75,000		
		75,060	—
Fixed assets - at cost			
Furniture and fixtures	62,185		
Rolling stock and equipment	181,673		
Leasehold improvements	33,881		
	277,739		
Less:			
Accumulated depreciation and write-offs	88,823		
		188,916	169,755
		<u>\$3,670,377</u>	<u>\$2,242,539</u>

(1) The purchase cost of mining rights is subdivided as follows: \$133,101 for current projects and \$60,262 for abandoned projects.

(2) The exploration expenditures are apportioned as follows: \$1,654,451 current projects and \$433,831 abandoned projects.

(3) Investments represent an interest of 15% in the capital stock of a company established for the development and operation of a geophysical instrument mounted in an helicopter, together with a portion of the debt financing of the project. The non-negotiable promissory note bearing interest at 6% per annum and resulting from this debt is payable with interest out of the first profits of such company and will be guaranteed up to \$35,000 by a chattel mortgage. At balance sheet date no accrued interest was accounted for.

LIABILITIES

		1968	1967
Current liabilities			
Accounts payable and accrued expenses	\$ 44,777		
Directors' fees payable	600		
	<u> </u>	\$ 45,377	\$ 117,539
 Capital stock			
Authorized 1,500,000 shares of \$10 par value	15,000,000		
Issued and fully paid 362,500 shares	<u> </u>	3,625,000	2,125,000
		<u>\$3,670,377</u>	<u>\$2,242,539</u>

Signed on behalf of the Board:

Georges Gauvreau
Director

Jacques Lapierre
Director

auditor's report

In accordance with the act 13-14 Elizabeth II, c. 36, s. 17, I have examined the balance sheet of the Québec Mining Exploration Company as at March 31, 1968, and the statement of deferred expenditures at that date. My examination included a general review of the accounting procedures and such tests of accounting records, vouchers and other relevant documents as deemed necessary.

In my opinion, the accompanying balance sheet and statement of deferred expenditures present fairly the financial position of the Company as of March 31, 1968, and the administration expenses incurred during the fiscal year then ended, in accordance with generally accepted accounting principles on a basis consistent with that of the preceding year.

Gustave-E. Tremblay, C.A.,
Provincial Auditor.

Québec City, August 13, 1968.

statement of deferred expenditures as at march 31, 1968

	As at March 1967	April 1967 to March 1968	As at March 1968
<i>Cost of mining rights</i>			
Option	\$ 69,541	\$ 38,878	\$ 108,419
Claim staking	22,438	62,506	84,944
	91,979	101,384	193,363
<i>Exploration expenditures</i>			
Lines	56,046	73,268	129,314
Geology	89,250	154,834	244,084
Geophysics	255,100	277,928	533,028
Geochemistry	141,694	101,881	243,575
Drilling	73,592	232,559	306,151
Aircraft	51,360	86,025	137,385
Vehicles	46,053	29,364	75,417
Development licenses and renewals	—	18,110	18,110
Field parties supplies, camp and travel	144,102	170,538	314,640
Research fellowships	—	19,020	19,020
Miscellaneous research expenditures on exploration methods	24,347	43,211	67,558
	881,544	1,206,738	2,088,282
	973,523	1,308,122	2,281,645
Less:			
Recovery of expenditures through participation	20,793	57,890	78,683
	952,730	1,250,232	2,202,962
<i>Administrative expenses</i>			
Salaries	177,742	151,266	329,008
Directors' fees	5,100	3,600	8,700
Social security and fringe benefits	11,555	7,298	18,853
Travelling and entertaining expenses	12,534	6,742	19,276
Convention and staff development	2,182	5,453	7,635
Regional representation expenses	1,234	1,783	3,017
Rent and maintenance	18,569	12,967	31,536
Insurances and taxes	1,657	2,436	4,093
Supplies and printing	17,448	18,177	35,625
Telephone and telegraph	8,454	6,248	14,702
Automobile expenses	609	629	1,238
Depreciation and write-offs	4,807	7,595	12,402
Legal expenses	10,543	6,015	16,558
Maps and documentation	8,637	2,011	10,648
Personnel transfer	7,735	4,145	11,880
Consultants' fees	7,174	8,787	15,961
Advertising	22,715	8,514	31,229
Sundry	13,606	9,683	23,289
	332,301	263,349	595,650
Less: interest on deposits and sundry revenue	33,650	25,926	59,576
	298,651	237,423	536,074
TOTAL	\$1,251,381	\$1,487,655	\$2,739,036