

ADVOCATE MINES
LIMITED

ANNUAL
REPORT

1 9 6 6

ANNUAL MEETING OF SHAREHOLDERS

Friday, April 14, 1967, 11:30 A.M. (Toronto Time)
Confederation Room, Royal York Hotel,
Toronto, Canada.

ADVOCATE MINES LIMITED

DIRECTORS

M. J. BOYLEN
E. R. E. CARTER
ANDRÉ EMSENS
ROGER HACKNEY
GILBERT KERLIN
KARL V. LINDELL
ERNST SCHMIDHEINY

OFFICERS

M. J. BOYLEN - - - - - *Chairman of the Board*
E. R. E. CARTER - - - - - *President*
J. KACZKOWSKI - - - - - *Treasurer*
G. GUTIERREZ - - - - - *Secretary*
P. J. KEENAN - - - - - *Assistant-Secretary*

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA
TORONTO AND FREDERICTON

AUDITORS

LOFTUS A. ALLEN & CO. - - - TORONTO, ONTARIO

HEAD OFFICE

7 King Street East - - - - - TORONTO, ONTARIO

MINE OFFICE

BAIE VERTE, NEWFOUNDLAND

ADVOCATE MINES LIMITED

Directors' Report

To the Shareholders:

Your Directors submit herewith the Eleventh Annual Report of your Company for the year ended December 31, 1966, including Consolidated Financial Statements comprising the Balance Sheet, Statement of Income, Statement of Retained Earnings, Auditors' Report and Report of the Manager, Canadian Johns-Manville Co., Limited.

The results for 1966 (1965 figures are in brackets) were:

- (a) Net Income was \$2,506,726 (\$2,082,337) after providing for depreciation of \$1,190,743 (\$1,246,697) and the amortization of \$145,000 (\$200,000) of preproduction expense;
- (b) Cash generated from mine operations before capital expenditures was \$3,842,469 (\$3,529,034);
- (c) Net additions to plant and equipment were \$1,492,420 (\$2,449,811).

The Company's working capital increased by \$830,045.

There was a further improvement in production in 1966. Fibre recovery was 3.25% (2.94%) and 65,201 tons (60,646 tons) of A-25 were produced. The increase in Net Income was due to the improved results realized in this area.

Ore reserves were 55,000,000 tons at December 31, 1966 — a major increase from the 36,369,000 tons reported last year. It is expected that drilling currently in progress will add to these reserves.

A first payment of dividends of \$823,404 was made to preference shareholders of the Company. This amount is equivalent approximately to one year's arrears of dividends and pays all arrears on preference shares up to and including July 31, 1963. The dividend was payable on September 29, 1966 to shareholders of record September 27, 1966.

On behalf of the Board of Directors,



President.

Toronto, Canada,
March 14, 1967.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 235 - 48 YONGE STREET

TORONTO 1, CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of
ADVOCATE MINES LIMITED

and its wholly owned subsidiary as at December 31, 1966 and the consolidated statements of income and retained earnings for the year ended on that date. 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, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings present fairly the financial position of the companies as at December 31, 1966 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


Chartered Accountants.

Toronto, Ontario,
February 21, 1967.

ADVOCATE MINES LIMITED

(Incorporated under the Laws of Ontario)

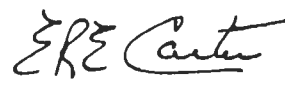
Consolidated Balance Sheet — December 31, 1966

(with comparative figures for 1965)

	ASSETS		LIABILITIES	
	1966	1965	1966	1965
Current Assets			Current Liabilities	
Cash	\$ 571,079	\$ 3,198	Bank loan — secured	\$ 2,230,000
Accounts receivable	115,671	1,182,742	Accounts payable	1,723,596
Fibre inventory — at net realizable value	2,327,983	982,597	Taxes payable	45,714
Stores and supplies — at cost	919,006	1,098,242	Total Current Liabilities	3,999,310
Special refundable tax	120,000	—	Shareholders' Equity (Notes 4 and 5)	
Prepaid expenses	34,669	80,456	Capital	
Total Current Assets	4,088,408	3,347,235	Authorized, Issued and Fully Paid	
Notes Receivable — including accrued interest	696,037	663,689	179,000 4½% Cumulative, redeemable	
Mining Properties and Rights — at cost (Note 2)	75,000	75,000	preference shares of \$100 par value	17,900,000
Fixed Assets			6,000,000 Common shares of \$1 par value	6,000,000
Property, plant and equipment — at cost	24,117,396	22,624,976	Total	23,900,000
Less: Accumulated depreciation	3,445,002	2,423,331	Less: Discount on common shares	3,817,995
Net Fixed Assets	20,672,394	20,201,645	Total	20,082,005
Deferred Preproduction Expense less amounts written off	3,557,748	3,428,468	Retained earnings	5,008,272
Total Assets	\$29,089,587	\$27,716,037	Total Shareholders' Equity	25,090,277
			Total Liabilities and Shareholders' Equity	\$29,089,587

Approved on behalf of the Board


Director.


Director.

The accompanying notes form an integral part of these financial statements.

ADVOCATE MINES LIMITED

Consolidated Statement of Income

For the Year Ended December 31, 1966
(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Net income from operations before the following items	\$4,008,323	\$3,798,505
Interest	149,454	241,159
Depreciation	1,190,743	1,246,697
Amortization of preproduction expense	145,000	200,000
Mining taxes	10,400	28,312
Directors' fees	6,000	—
	<u>1,501,597</u>	<u>1,716,168</u>
Net income	<u>\$2,506,726</u>	<u>\$2,082,337</u>

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1966
(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Balance, beginning of year	\$3,545,850	\$1,486,056
Net income	2,506,726	2,082,337
	<u>6,052,576</u>	<u>3,568,393</u>
Loss on sale of fixed assets	220,900	22,543
	<u>5,831,676</u>	<u>3,545,850</u>
Preference dividend paid	823,404	—
Balance, end of year	<u>\$5,008,272</u>	<u>\$3,545,850</u>

Notes to Consolidated Financial Statements

As at December 31, 1966

1. The consolidated financial statements combine the accounts of the Company with those of its wholly owned subsidiary, Advocate Concessions Exploration Company Limited.
2. The Concession Agreement with the Province of Newfoundland extends to December 31, 1968. The Company holds mining leases and a development license in certain areas within the concession.
3. The three-year tax exempt period under the provisions of the Income Tax Act, Canada, ended on August 31, 1966. Depreciation and amortization allowances provided during the tax exempt period may be claimed, for tax purposes, subsequent to August 31, 1966. These allowances exceed the net income for the four months ended December 31, 1966. Accordingly, no provision for income taxes is required in the current year.
4. Pursuant to the Financing Agreement dated September 29, 1958, the Company has agreed to redeem the preference shares from 75% of the annual cash flow after provision for working capital, additions to plant and equipment, retirement of loans and payment of preference dividends. The balance is available for the declaration and payment of dividends on common shares.
5. The dividend on the cumulative preference shares is in arrears in the amount of \$2,754,149.

ADVOCATE MINES LIMITED

Report of the Manager

February 17, 1967

To the President and Directors of
ADVOCATE MINES LIMITED.

We, as Manager of your operations at Baie Verte, Newfoundland, report hereunder for the year 1966.

Production

During 1966, the mill operated 329 days and produced 65,201 tons of A-25 fibre. To produce this fibre, 2,006,738 tons of ore were delivered to the crushing and drying plant giving a recovery of 3.25%. It is significant to note that not only was the total fibre recovery of 3.25% considerably higher than the 1965 figure of 2.94%, but that production of A-25 fibre was up 8%, again with a marked improvement in quality.

Mining

During the year, 2,013,595 tons of ore and 6,235,729 tons of waste and overburden were mined for a total of 8,249,324 tons, an increase of 25% over the 1965 figure. The waste to ore ratio in 1966 was 3.10:1 compared to 2.09:1 in 1965. In January a rotary drill was placed in operation and proved so successful that a second unit was ordered for delivery in early 1967. During the year, six of the original 27 ton trucks were retired and replaced by 50 ton trucks. These larger units have operated satisfactorily to date and have had a favorable influence on mining costs.

Ore Reserves

At December 31, 1966, ore reserves were 55,000,000 tons. The program of shallow diamond drilling ahead of the mining faces which was initiated in 1965 was continued. This drilling, combined with pit geological mapping, permitted more selective mining and was to a large extent responsible for the marked increase in fibre recovery.

Facilities

The improved ore concentration system was completed and the changeover made at the end of March. This system has worked well and has not only permitted operating the mill at capacity when mining lower grade ore but has also improved the quality of A-25 fibre produced.

Net additions to plant and equipment in 1966 amounted to \$1,492,420.

Shipping

The 1966 winter shipping season was extended well past the year end and the last vessel cleared Baie Verte March 25. This was possible because of the excellent ice-breaker assistance provided by the Federal Department of Transport.

57,102 tons of A-25 fibre and 500 tons of A-35 fibre were shipped during the year.

Personnel

Advocate personnel at year end totalled 395 employees of which 56 were staff and 339 were hourly. As in 1965, labor turnover was well below normal and the Provincial Government sponsored apprenticeship training program is already showing excellent results.

During 1966, your Company had an accident free year and worked 1,077,426 man hours without loss of time.

Government Relations

The high degree of co-operation developed during previous years between Advocate Mines Limited and the Government of the Province of Newfoundland continued through 1966.

General

Relations between the Company and the local Asbestos Workers Union remained excellent all year and the Labor Agreement which expired November 30 was successfully renegotiated for an additional 2 years to November 30, 1968.

CONCESSION EXPLORATION

General

Localized programs covered prospects and mineralized zones near the Town of Baie Verte, Butler's Pond, Flatwater Pond, Fleur de Lys, Coachman's Cove, Mud Pond, Rambler Mine area, Gull Pond, Yak Lake and Armchair Pond. Exploration consisted of prospecting, mapping, sampling and reconnaissance geophysical surveying.

Nipper's Harbor Area

A comprehensive exploration program covering several square miles was commenced on old base metal prospects and new discoveries of small gold and base metal occurrences. Forty line miles were cut for control. Detailed geological mapping, magnetic and electromagnetic surveys and extensive geochemical soil surveys covered most of the area. Several promising zones have been indicated and will be drilled.

We wish to extend to management and all employees, our sincere appreciation for their loyal and efficient service throughout the year.

CANADIAN JOHNS-MANVILLE CO., LIMITED



Chairman of the Board.