

CANADA

TUNGSTEN
MINING

CORPORATION

LIMITED

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ANNUAL REPORT 1966

THE ANNUAL MEETING of the shareholders of Canada Tungsten Mining Corporation Limited will be held on Friday, April 21, at 2:30 p.m. in the York Room of the Royal York Hotel, Toronto, Ontario.

CANADA TUNGSTEN MINING CORPORATION LIMITED

Directors

Senator JOHN B. AIRD, Toronto, Ont.
J. M. RICHARD CORBET, Toronto, Ont.
F. E. HALL, Toronto, Ont.
WALLACE MACGREGOR, New York, N.Y.
P. N. PITCHER, Toronto, Ont.
JAMES B. REDPATH, Toronto, Ont.
H. A. SAWYER, JR., New York, N.Y.

Officers

F. E. HALL, *President*
J. B. REDPATH, *Vice-President*
R. ELLERMAN, *General Manager*
D. R. MCEWEN, *Secretary-Treasurer*

Transfer Agent and Registrar

EASTERN & CHARTERED TRUST COMPANY
1901 Yonge Street, Toronto, Ont.

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto and Vancouver

Auditors

DELOITTE, PLENDER, HASKINS & SELLS
55 Yonge Street, Toronto, Ont.

Executive Office

101 Richmond Street West, Toronto

Branch Office

702-1281 West Georgia Street, Vancouver, B.C.

CANADA TUNGSTEN MINING CORPORATION LIMITED

Directors' Report To the Shareholders:

THE DIRECTORS of your company are pleased to submit the seventh annual report which includes a review of operations by the general manager and financial statements for the year ended December 31, 1966.

Both operating and financial results during this first full year of operations were satisfactory. A net profit of \$827,290 was earned, after charges of approximately \$1.4 million for interest and write-offs. This compares to a net loss of \$22,095 reported a year ago covering the period from commencement of commercial production on June 1 to December 31, 1965.

From the second quarter on, sales benefitted from higher prices following the renegotiation of long-term contracts, although contract prices are still significantly below the recent unusually high spot market. A portion of 1966 production was sold on the spot market in line with the policy adopted when operations were resumed to assure sales of a substantial part of production at satisfactory prices by long term contract while reserving the balance for spot sale. Also contributing to income in the last half of the fiscal year was the sale of copper concentrate; the copper circuit was fully operational from June 22.

During the year 213,022 s.t.u.'s of WO_3 were produced and 207,793 s.t.u.'s of WO_3 were sold and shipped. Copper produced and sold in concentrate amounted to 334,087 pounds. Much credit is due to the general manager and his staff for continued success in solving metallurgical problems. This work had a direct bearing on improved recovery and higher output.

In North Vancouver, your company's leaching and roasting plant was scheduled for completion early last fall. Due to local labor difficulties, however, which affected many Vancouver area industries during 1966, the plant was not ready for operation until year-end. A limited amount of flotation material produced last year was processed through the plant early in 1967 and its operation was quite satisfactory. Your management believes the future operation of this plant will result in significant

savings in costs of labor and in costs of freight on acid and fuel.

Shareholders were promptly informed of the serious fire which occurred on December 26, and destroyed the concentrator and crusher house. Immediately after investigating the fire damage, management initiated plans for a new mill, retaining the firm of Wright Engineers of Vancouver as design and engineering consultants. Wright Engineers' preliminary estimate is a capital cost of \$2,800,000 for a new 350-tons-per-day plant of fireproof construction and incorporating process and operational improvements which should improve metallurgical recovery and reduce operating costs.

The board of directors has authorized proceeding with this plan and preparation for construction is now under way. Although the schedule is very tight, it is management's objective to resume mill operations by the end of 1967. Mining will proceed normally during the summer.

Based on negotiations with the insurance adjusters, management expects that insurance payments should amount to slightly over \$2 million. This sum, along with amounts received from outstanding accounts receivable and the sale of inventory, should suffice to cover the cost of reconstruction as well as continuing overhead expenses, although bank or other credit may be required to re-establish working capital when operations are resumed. The financing companies, American Metal Climax, Inc., Dome Mines Limited and Falconbridge Nickel Mines Limited have agreed to defer payments of debenture interest and principal otherwise payable by your company in 1967.

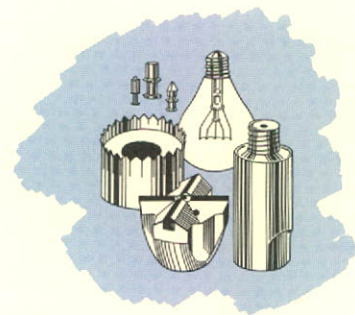
The directors acknowledge the loyal efforts of Mr. R. Ellerman, general manager, and the staff during the past year.

On behalf of the Board,

F. E. HALL,
President.

March 10, 1967.

CANADA TUNGSTEN MINING CORPORATION LIMITED



TUNGSTEN: *The Current Situation*

DEMAND for tungsten continues to rise in world markets, not only as a result of increased application of the metal in traditional uses but as a result of broadening interest in tungsten as a metal that has excellent high temperature, high hardness properties.

In the United States for example — the free world's largest user — consumption of tungsten rose from 11 million pounds of contained metal in 1961 to 14 million pounds in 1965, the latest year for which complete figures are available from the U.S. Bureau of Mines. In 1966, United States consumption surged to an estimated 16.8 million pounds. During the same period, world production of tungsten has apparently been declining, both in the free world and in Communist countries, which still supply a significant percentage of the tungsten consumed in Western Europe and Japan. Thus the U.S. Bureau of Mines estimates that world production of tungsten declined from 76,400 short tons (60% WO_3 basis) in 1961 to 59,800 short tons in 1965.

During the past two years world price levels for the metal have reflected this trend of falling output and rising use, as well as uncertainty over continuity of future supply to Western countries from China.

In 1966, the London Metal Bulletin prices for spot sales, c.i.f. Europe, averaged U.S. \$37.19, more than double the level in 1964 when Canada Tungsten resumed operations and negotiated long-term sales contracts. Prices have risen somewhat further in

early 1967, probably influenced by the withdrawal of Canada Tungsten's production from the market. The near-term outlook appears to be that spot price levels will fluctuate near the United States Government stockpile price of U.S. \$43 per s.t.u. During 1966, 7.9 million pounds were released from the United States stockpile, which at year-end contained 185.6 million pounds.

In recent years, one of the major uses for tungsten has been the production of cemented tungsten carbides, which finds applications in the cutting edges of tools, such as milling cutters, single point tools, wear resistant parts as gauges, valve seats and valve guides and, in recent years, in tire studs. Vapor depositions of tungsten carbides on other steel surfaces to increase wear life is an interesting potential for expanding the use of tungsten.

In the field of special and superalloys, tungsten in combination with cobalt, nickel, chromium and other metals is used to produce a series of hard-facing, heat and corrosion resistant alloys. Electric lamps of all types use tungsten wire either as the filament in incandescent lamps or as the electrode in fluorescent and other electric discharge type lamps.

The two principal minerals of tungsten are scheelite ($CaWO_4$) and wolframite ($Fe,MnWO_4$). Scheelite is the principal ore mineral at the Canada Tungsten mine and is of high quality with remarkably low impurities.

CANADA TUNGSTEN MINING CORPORATION LIMITED

(Incorporated under The Corporations Act, Ontario)

BALANCE SHEET as

(with 1965 figures)

ASSETS

CURRENT:	1966	1965
Cash	\$ —	\$ 76,664
Accounts receivable	1,695,758	621,040
Fire insurance claim (Note 1)	1,000,000	—
Inventory of concentrates — valued at the lower of cost or net realizable value	582,726	448,551
Inventory of ore in stockpile — at cost	366,979	312,547
Prepaid expenses	34,194	9,250
Total current assets	<u>3,679,657</u>	<u>1,468,052</u>
FIXED:		
Buildings, plant and equipment — at cost	2,374,325	3,198,025
Less accumulated depreciation (Note 2)	494,484	358,730
	<u>1,879,841</u>	<u>2,839,295</u>
Mining property — at cost	125,000	125,000
Net fixed assets	<u>2,004,841</u>	<u>2,964,295</u>
OTHER:		
Inventory of supplies — at cost	229,437	239,260
Development and preproduction expenses — at cost less amounts written off (Note 2)	3,211,529	3,649,971
Unamortized debenture discount	515,000	618,000
Deferred charges	49,949	20,540
Incorporation expense	2,835	2,835
Total other assets	<u>4,008,750</u>	<u>4,530,606</u>
TOTAL	<u>\$9,693,248</u>	<u>\$8,962,953</u>

Auditors' Report TO THE SHAREHOLDERS OF CANADA TUNGSTEN MINING CORPORATION LIMITED:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1966 and the statements of income and retained earnings and of source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and retained earnings and of source

and application of funds present fairly the financial position of the company as at December 31, 1966 and the results of its operations and the source and application of its funds 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.

DELOITTE, PLENDER, HASKINS & SELLS,
Chartered Accountants.

Toronto, Ontario,
February 17, 1967.

at December 31, 1966

(for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT:	1966	1965
Bank indebtedness (Note 3)	\$ 563,075	\$ 672,000
Accounts payable and accrued charges	434,409	293,792
6% demand notes payable and accrued interest	1,005,096	1,116,557
Total current liabilities	<u>2,002,580</u>	<u>2,082,349</u>
 LONG-TERM DEBT (Note 4):		
6% income debentures maturing December 31, 1971	2,680,000	2,680,000
Debenture interest accrued	804,000	643,200
Total long-term debt	<u>3,484,000</u>	<u>3,323,200</u>
 SHAREHOLDERS' EQUITY:		
Capital stock (Note 5):		
Authorized:		
5,000,000 shares of a par value of \$1 each		
Issued and fully paid:		
4,970,000 shares	4,970,000	4,945,000
Less discount	1,369,151	1,365,501
	<u>3,600,849</u>	<u>3,579,499</u>
Retained earnings (deficit)	605,819	(22,095)
Total shareholders' equity	<u>4,206,668</u>	<u>3,557,404</u>
 TOTAL	<u>\$9,693,248</u>	<u>\$8,962,953</u>

Approved by the Board:

F. E. HALL, Director.

J. B. REDPATH, Director.

The accompanying notes are an integral part of the financial statements.

CANADA TUNGSTEN MINING CORPORATION LIMITED

Statement of Income and Retained Earnings

For the Year Ended December 31, 1966

INCOME FROM OPERATIONS BEFORE THE FOLLOWING EXPENSES		\$2,210,213
Interest on bank loan and notes payable	\$ 104,251	
Debenture interest	160,800	265,051
NET INCOME BEFORE WRITE-OFFS		1,945,162
Depreciation (Note 2)	516,525	
Loss on sale of fixed assets	59,905	
Amortization of debenture discount	103,000	
Amortization of development and preproduction expenses (Note 2)	438,442	1,117,872
NET INCOME FOR THE YEAR (Note 6)		827,290
DEFICIT AS AT DECEMBER 31, 1965		22,095
		<u>805,195</u>
DEDUCT:		
Fire loss (Note 1)		199,376
RETAINED EARNINGS AS AT DECEMBER 31, 1966		<u>\$ 605,819</u>

Statement of Source and Application of Funds

For the Year Ended December 31, 1966

SOURCE OF FUNDS:		
Net income for the year before write-offs		\$1,945,162
Sale of fixed assets		15,856
Insurance proceeds on fixed assets destroyed by fire (Note 1)		966,523
Sale of capital stock		21,350
Debenture interest accrued but unpaid		160,800
Decrease in inventory of supplies		9,823
		<u>3,119,514</u>
APPLICATION OF FUNDS:		
Additions to fixed assets	\$ 798,731	
Increase in deferred charges	29,409	828,140
INCREASE IN WORKING CAPITAL		<u>\$2,291,374</u>

The accompanying notes are an integral part of the financial statements.

CANADA TUNGSTEN MINING CORPORATION LIMITED

Notes to the Financial Statements

December 31, 1966

1. The concentrator and crushing plant of the company were destroyed by fire on December 26, 1966. Settlement of the claim for insurance on these assets and incidental expenditures is presently being negotiated and is expected to approximate \$1,000,000. Of this amount, \$966,523 pertains to fixed assets with a book value of \$1,165,899, resulting in a loss of \$199,376.

In addition, a claim has been made under the company's business interruption insurance for approximately \$1,000,000. This claim has not been reflected in the accompanying financial statements as it relates primarily to loss of income for 1967.

The cost of the new mill, including improved facilities, is estimated to be in excess of \$2,500,000.
2. It is the company's practice to provide for depreciation of buildings, plant and equipment at 15% per annum on a straight-line basis.

Development and preproduction expenses are being amortized over the estimated life of the mine.
3. The bank indebtedness is secured by accounts receivable, and is guaranteed by the holders of the company's 6% income debentures. Subsequent to the year end, an interim fire insurance payment of \$500,000 was applied against the bank indebtedness.
4. The 6% income debentures, maturing December 31, 1971, are payable before maturity out of profits as provided in the debentures. Interest thereon is payable only out of profits as defined in the debentures. The holders of the debentures have agreed to defer interest and principal otherwise payable in 1967.

As long as any of the 6% income debentures are outstanding there are certain restrictions against the payment of dividends.
5. The following options to purchase shares of the unissued capital stock of the company were outstanding at December 31, 1966:
 - (a) An option granted in 1965 to an officer of the company, to purchase 10,000 shares at 75¢ a share, expiring March 25, 1968, exercisable at the maximum cumulative rate of 5,000 shares per year.
 - (b) An option granted in 1965 to an officer of the company, to purchase 10,000 shares at 88¢ a share, expiring March 25, 1968.
During the year, options to purchase 25,000 shares of the company were exercised for a cash consideration of \$21,350.
6. For income tax purposes, the three-year tax-exempt period commenced on June 1, 1965. Accordingly, income taxes will not be exigible on the net income for the year nor will a claim for capital cost allowance be made.

CANADA TUNGSTEN MINING CORPORATION LIMITED

General Manager's Report

The President and Directors,
Canada Tungsten Mining Corporation Limited.

Dear Sirs:

The following is a report covering the operations of the company during 1966.

Continuous production of high quality scheelite concentrates was maintained throughout the year until December 26, 1966. In addition, recovery of copper concentrates began in June and was also continuous during the balance of the year. Mining by open-cut methods was confined to the summer months.

CONCENTRATOR

During 1966 the concentrator treated 115,568 tons of ore grading 2.43% tungsten trioxide and 0.45% copper. Scheelite gravity, scheelite flotation, and copper concentrates were produced and marketed. Purity of all products was high and readily acceptable in the world markets. Recovery of both scheelite and copper improved during the year, and during the latter part of 1966 they were close to the original estimates. These improvements were attributed to revisions in ore dressing processes and to a more stable and skilled work-force.

On December 26 a fire originating in the concentrate drying section completely destroyed the concentrating and crushing facilities. Careful investigation by the insurance adjustors and territorial authorities could not determine the exact cause of the fire but it probably resulted from the carbonization of a plywood wall near an electrically fired air preheater. The concentrator had been in operation for four hours after the Christmas shutdown at the time of the fire. The exceptional efforts of all personnel at the minesite prevented the loss of the main power plant, assay office, and other facilities. Housing and townsite facilities were undamaged.

MINING

The mining season extended from June 1 until the end of September. During this period, 102,877 tons of ore grading 2.40% WO_3 were mined and placed in stockpile. In addition, 404,702 tons of waste were removed from the pit area.

Mr. A. Soderberg, well-known open pit consultant, was retained to assist in the design of the pit. As a result of this study and work done during the mining season, the pit is being developed to allow for the most economical extraction of the ore body.

ORE RESERVES

As of December 31, 1966 the ore body is estimated to contain 816,000 tons having an average grade of 2.50% WO_3 and 0.45% copper.

EXPLORATION

A modest exploration program was conducted during the summer to investigate interesting "showings". The Baker showing was geologically mapped and investigated by three diamond drill holes. Results of this work indicated that additional drilling is warranted. A number of claims were staked covering another mineralized zone in the near vicinity of the minesite.

PERSONNEL

A substantially improved work force was apparent at the minesite during the latter months of 1966. Improved living conditions, availability of personnel and a more careful selection of employees all contributed to stabilizing the operation. During the last three months of the year turnover was the lowest experienced to date.

Mr. R. Lambert, mine manager, resigned in February and was replaced by Mr. E. Hoddinott, assistant manager. Mr. John Keily, B.Sc., joined our staff in April as assistant manager in charge of mining.

Key supervisory and operating personnel were retained at the minesite after the fire in anticipation of an accelerated reconstruction program during 1967.

VANCOUVER OPERATIONS

A leaching plant to process scheelite flotation concentrates was constructed in North Vancouver. The transfer of the leaching operation from the minesite was dictated by the substantial savings to be realized in the freight cost of process acid and in the lower cost of labour and fuel in the Vancouver area.

I wish to express my appreciation to Mr. E. Hoddinott, his staff, and operating personnel for their services during the past year.

Yours very truly,

R. ELLERMAN,
General Manager.

March 6, 1967.





CANADA TUNGSTEN MINING CORPORATION LIMITED