

Ninth Annual Report
Falconbridge Nickel Mines
Limited

*For the Year Ending
December 31st, 1937*

Falconbridge Nickel Mines Limited



HEAD OFFICE
25 King Street West, Toronto

PRESIDENT
J. Gordon Hardy

VICE-PRESIDENTS
Thayer Lindsley Halstead Lindsley

SECRETARY and TREASURER
Norman F. Parkinson

DIRECTORS
J. Gordon Hardy W. S. Morlock
Thayer Lindsley H. S. Munroe
Halstead Lindsley H. Whittingham

OPERATING STAFF
Manager at Mine and Smelter - - - Ernest Craig
Manager at Refinery - - - S. B. Steen
Consulting Metallurgist - - - Anton Gronningsater

TRANSFER AGENTS and REGISTRARS
Toronto Share Transfer Company, Limited
25 King Street West, Toronto

AUDITORS
Clarkson, Gordon, Dilworth & Nash
Toronto

FALCONBRIDGE NICKEL MINES LIMITED

Report of Directors

Toronto, January 25th, 1938.

To the Shareholders of
Falconbridge Nickel Mines, Limited.

The Annual Report on operations for the year 1937, together with the audited Statement of Earnings and Balance Sheet, as of December 31st, are herewith presented by your Board of Directors.

Their comments on this data are made with mixed feelings, for despite record production and dollar-sales that exceeded the previous year by over 13%, yet they have to submit to you a decreased net earning in amount and per share. You will note that this final net, after all charges, totals \$1,471,495.07, and is therefore at the rate of 44.1 cents per share issued.

Several factors conspired to this end, and their occurrence was partly foreshadowed in the remarks presented at the Annual Meeting last year. Labour and supply rates again increased; metal prices decreased, and a protracted strike occurred at your Refinery in Norway. Note must also be made of the lessened profits from security sales—since such sales were limited—and likewise of the heavy "book" charges for Reserves which affected the net available.

Turning to the more cheerful aspect of the picture, your Directors would report that the property is in better shape than ever; that again the Ore-Reserves have been increased by another million tons, and that a new "bottom level" 550 feet deeper than that of last year, is being opened on the 1,750 horizon, in ore that is even somewhat better than that notable 1,200 level. It is also to be borne in mind that, in spite of all drawbacks, an operating profit—after taxes but before write-offs—is being maintained at over two million dollars annually.

A detailed analysis of the year's results will be submitted to you at the approaching Annual Meeting, copies of which will be mailed to those who may not be present.

On behalf of the Board,

J. GORDON HARDY,
President.

FALCONBRIDGE NICKEL MINES LIMITED

NINTH ANNUAL REPORT

YEAR 1937

Falconbridge, Ontario,
January 19th, 1938.

Mr. J. Gordon Hardy, President,
and the Board of Directors,
Falconbridge Nickel Mines, Limited.

Dear Sirs:

Please receive herewith my report on operations at Falconbridge for the year 1937. All units of the plant, as completed in the expansion program of 1936, were in continuous operation throughout the year, with the expected increase in production being fully realized.

MINE DEVELOPMENT

Combined development footages on all levels during the year were as follows:

Drifting and Cross-Cutting (including Slashing)	5,141 feet
Raising (including Slashing)	1,666 feet
Fill Passes (including Slashing)	602 feet
Diamond Drilling	4,054 feet
Station Cutting	47,365 cu. feet
Shaft Sinking (including 30 feet of Winzes)	945 feet

Of the total of 5,141 feet of drifting and cross-cutting, 3,518 feet were along the ore zone on different levels, the greater part of this footage being accounted for on the 1,200 and 1,750 levels at No. 5 Shaft. On the latter level, where a start has been made to explore this deeper horizon, ore was exposed throughout the 1,340 feet driven, showing an average width of about 11 feet and with grade somewhat above mine average.

On the 1,200 level, a further advance of 495 feet, to a point 1,952 feet east of No. 5 Shaft, terminated in ore, but of somewhat lower than average grade for this level. This, in addition to a westerly advance of 518 feet beyond No. 1 Shaft in a high grade but narrow ore zone, served to open up a total length of 4,900 feet of practically continuous ore on this level.

The remaining footage was driven in preparation for stoping in already recorded blocks.

No. 1 Shaft was deepened 915 feet from the sump below the 1,200 level to a total depth of 2,126 feet. Stations were cut, commencing at 1,400 feet, and thereafter at 175-foot intervals to 2,100 feet. While the ore body was cross-cut only at 1,750 feet, showing there 10 feet of better than average grade ore, diamond drilling from the 2,100 level revealed a continuation of the ore zone to at least 2,275 feet.

At the end of the year, preparation was under way to resume sinking of No. 5 Shaft early in 1938.

The fill pass system at No. 1 Shaft was extended to the 1,000 level, and a start made on a system to serve the No. 5 area.

ORE PRODUCTION

Mining activities for ore production summarize as follows:

Broken Ore Reserves December 31st, 1936	336,185 tons
Ore Broken in Stopes during 1937	343,499 tons
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	679,684 tons
Less: Trammed from Stopes, 1937	427,105 tons
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Broken Ore Balance December 31st, 1937	252,579 tons

Since a portion of the ore production came from development, tonnage of ore hoisted tabulates as below:

Ore Trammed from Stopes, 1937	427,105 tons
Ore from Development, 1937	38,348 tons
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	465,453 tons
Less: Waste Rejected Underground	14,911 tons
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Total ORE HOISTED	450,542 tons

Several shrinkage stopes above the 500 level were completely drawn during the year, and these openings are being back-filled as rapidly as possible.

ORE RESERVES

The accompanying map will show those areas developed in 1937 which are now included in the ore reserves. The satisfactory development reported last year on the then bottom level at 1,200 feet, was at least equalled, if not bettered, by our experience on the present bottom level at 1,750 feet. It is noteworthy that, in addition to the new areas in the Falconbridge Mine itself, we are now able to bring into the ORE RESERVES, for the first time, tonnages from our holdings in other sections of the Sudbury District. Hence, the figures we would present are the following:

Ore Reserves as of December 31st, 1936	5,331,076 tons
New Ore added in 1937 in the Falconbridge Mine	1,217,978 tons
New Ore added from Outside Holdings	249,000 tons
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	6,798,054 tons
Less: Ore Drawn during 1937	465,453 tons
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ORE RESERVES as of December 31st, 1937	6,332,601 tons

(Averaging 1.82% Nickel and 0.89% Copper)

ORE TREATMENT

The Ore Dressing Plant, operated on a 6-day-week basis, records 309 operating days, while the Reduction Plants lost only 3% of full operating time, accounted for by periodic repair campaigns.

From the total ORE HOISTED, some 12,243 tons of waste were picked and discarded. This, together with a slight reduction for difference in above-ground storage inventory, develops the Reduction Plant performance as follows:

Total ORE TREATED	438,629	tons
Made up of: Milling Ore	195,658	tons
Smelting Ore	242,971	tons
Matte Produced	13,384.2	short tons
Nickel in Matte	7,384.4	short tons
Copper in Matte	3,522.8	short tons
Metals recovered per ton treated	Nickel	Copper
Metallurgical Losses per ton treated	33.67 lbs.	16.06 lbs.
	3.69 lbs.	2.43 lbs.
Indicated content of ORE TREATED per ton	37.36 lbs.	18.49 lbs.
or Grade after Waste Rejection of	1.87%	0.925%
Indicated Grade of ORE HOISTED (before waste rejection)	1.82%	0.91%

The trend towards the elimination of waste rock by concentration is still further emphasized this year by the reduction in tonnage of waste picked and the larger proportion of ore being milled.

CONSTRUCTION

Though the main units added in 1936 were in operation, considerable expenditure was necessary to round out that extensive program. It was found necessary to rearrange and extend the grinding facilities and add further flotation, thickening and filtering equipment, involving also an addition to the building. To improve conditions in the Sintering Plant, a third machine was installed, with such changes and additions as were necessary to the building and accessory equipment.

GENERAL

Housing facilities in the townsite were further increased by the construction of ten dwellings. Accommodation for the medical office, first aid hospital and doctor's residence was provided in a new building erected in a central location.

It is a pleasure to again record the faithful co-operation of staff and employees during the past year.

Respectfully submitted,

E. CRAIG,
Manager.

FALCONBRIDGE

and its Wholly Owned Subsidiary

FALCONBRIDGE NIKKEL

Consolidated Balance Sheet
with Comparative Figures

ASSETS		31st December 1937	31st December 1936
Current Assets:			
Cash on hand and in banks in Canada, United States and Norway		\$ 913,364.14	\$ 565,129.26
Accounts Receivable—Trade		149,238.49	89,101.65
—Sundry		21,731.00	20,788.86
Notes Receivable—Ventures Limited, a shareholder		74,106.00	
Securities at cost:			
Investments—miscellaneous (market value \$773,849)		665,782.19	696,404.74
Investment in associated companies' shares		30,300.00	50,255.50
		<u>\$1,854,521.82</u>	<u>\$1,421,680.01</u>
Inventory:			
Refined metals at cost		\$ 220,971.39	\$ 317,379.02
Matte on hand and in process at cost		887,233.33	759,944.17
		<u>\$1,108,204.72</u>	<u>\$1,077,323.19</u>
Property Account:			
Mine, smelter and refinery buildings, machinery and equipment		\$7,129,737.04	\$6,257,837.06
Less: Depreciation written off		3,046,900.95	2,230,336.67
		<u>\$4,082,836.09</u>	<u>\$4,027,500.39</u>
Mining properties and claims		2,945,521.63	2,875,110.25
		<u>\$7,028,357.72</u>	<u>\$6,902,610.64</u>
Deferred Expenditures, Supplies, etc.:			
Mine development expenditures less amounts written off to mining operations		\$ 324,977.26	\$ 370,001.17
Broken ore in stopes		99,121.05	131,989.26
Mining and refinery supplies, etc.		293,370.02	248,855.38
Prepaid expenses and deferred charges		70,900.22	71,692.36
		<u>\$ 788,368.55</u>	<u>\$ 822,538.17</u>
Raffineringsverket Aktieselskap:			
Special advance recoverable as a tonnage charge on custom metals as and when refined, less repayments		\$ 40,648.06	\$ 75,196.46
Deposit with Municipality of Kristiansand re power supply		70,001.10	75,270.00
		<u>\$10,890,101.97</u>	<u>\$10,374,618.47</u>

AUDITORS' REPORT

We have audited the accounts of Falconbridge Nickel Mines Limited for the year ended 31st December, 1937, which they have conducted of the accounts of your company's wholly owned subsidiary, Falconbridge Nikkelverk, in the above consolidated balance sheet and in the consolidated statements of earnings and surplus. Subject thereto, the surplus have been drawn up in accordance with accepted principles of accounting and on a basis consistent with the results of their operations for the year ending on that date, according to the information we have required.

Toronto, Canada, 28th January, 1938.

FALCONBRIDGE MINES LIMITED

Owned Subsidiary

RAFFINERINGSVERKET AKTIESELSKAP

Balance Sheet, 31st December, 1937

and for 31st December, 1936

LIABILITIES

	31st December 1937	31st December 1936
Capital Stock:		
Authorized 5,000,000 shares no par value		
Issued 3,337,507 shares no par value	\$7,038,395.94	\$7,038,395.94
Current Liabilities:		
Accounts payable	\$ 238,107.43	\$ 126,313.91
Wages payable	61,093.38	62,405.06
Unclaimed dividends	1,764.96	1,905.97
Reserve for taxes	240,000.00	251,000.00
	\$ 540,965.77	\$ 441,624.94
Interest on Raffineringsverket Aktieselskap advance not taken into revenue	\$ 40,648.06	\$ 94,725.72
Earned surplus	\$3,270,092.20	\$2,799,871.87

On behalf of the Board:

J. Gordon Hardy, Director.

T. Lindsley, Director.

\$10,890,101.97

\$10,374,618.47

THE SHAREHOLDERS

I have examined the report of Mr. Oscar Boman, state authorized auditor, and Mr. A. Lyng, auditor, on the audit of the assets, liabilities and operating results of Falconbridge Nikkelverk Aktieselskap have been incorporated in our report that in our opinion the above consolidated balance sheet and related consolidated statements of earnings and expenses for the year ending 1937, so as to exhibit a true and correct view of the state of the combined companies' affairs as at 31st December, 1937, and as shown by the books. We have received all the information and explanations given us and as shown by the books.

CLARKSON, GORDON, DILWORTH & NASH, Chartered Accountants.

FALCONBRIDGE NICKEL MINES LIMITED

and its Wholly Owned Subsidiary

FALCONBRIDGE NIKKELVERK AKTIESELSKAP

Consolidated Earnings Statement For the Year Ended 31st December, 1937 with Comparative Figures for the Year 1936

	1937	1936
Metal Sales (Gross)	\$6,079,569.77	\$5,366,754.14
Less: Selling and Delivery Expense and Foreign Exchange Adjustment	217,111.86	187,941.96
	<u>\$5,862,457.91</u>	<u>\$5,178,812.18</u>
Add: Increase in Metal Inventories	30,881.53	187,913.23
	<u>\$5,893,339.44</u>	<u>\$5,366,725.41</u>
Operating Costs—Mining, Smelting, Refining, etc.	\$3,439,445.05	\$2,922,641.50
Outside Exploration	21,288.75	23,953.19
Administrative and General Expense	76,951.48	100,118.68
	<u>\$3,537,685.28</u>	<u>\$3,046,713.37</u>
Operating Profit Before Providing for Taxes, Deferred Development and Depreciation	\$2,355,654.16	\$2,320,012.04
Non-Operating Revenue	54,124.43	84,676.81
	<u>\$2,409,778.59</u>	<u>\$2,404,688.85</u>
Provision for Taxes	181,671.28	242,789.52
	<u>\$2,228,107.31</u>	<u>\$2,161,899.33</u>
Profit for the Year Before Providing for Deferred Development and Depreciation	\$ 225,271.00	\$ 178,735.50
Deferred Development Written Off	816,564.28	545,292.55
Depreciation	<u>\$1,041,835.28</u>	<u>\$ 724,028.05</u>
	<u>\$1,186,272.03</u>	<u>\$1,437,871.28</u>
Profit on Sale of Securities	226,188.46	435,735.77
Interest on Raffineringsverket Aktieselskap Advance Transferred to Profit and Loss Account	59,034.58	
Net Profit Transferred to Consolidated Earned Surplus	<u>\$1,471,495.07</u>	<u>\$1,873,607.05</u>

Consolidated Earned Surplus Account For the Year Ended 31st December, 1937 with Comparative Figures for the Year 1936

Balance at Beginning of Year	\$2,799,871.87	\$1,927,499.32
Net Profit as Above	1,471,495.07	1,873,607.05
	<u>\$4,271,366.94</u>	<u>\$3,801,106.37</u>
Dividends Paid	1,001,274.74	1,001,234.50
Balance at End of Year	<u>\$3,270,092.20</u>	<u>\$2,799,871.87</u>

Toronto, Ontario,
January 4th, 1938.

Mr. J. Gordon Hardy, President,
and the Board of Directors,
Falconbridge Nickel Mines, Limited.

Dear Sirs:

I beg to submit the following report for the fiscal year ending December 31st, 1937.

Ore Dressing Plant, Mill and Smelter:

The ore dressing plant, mill and smelter operated throughout the year with only normal interruptions for repairs. Production has been forced to the utmost, with a slight loss of efficiency as usual in such cases.

The new ore dressing plant, which has now been in operation for about a year, has worked very satisfactorily.

With the usual tendency to put more and more work on the mill, it was found that the mill and the closely connected sinter plant were crowded too much for most efficient work. It was, therefore, decided to install a new ball mill and a new sinter machine. This equipment will be ready to start up early in the new year and should ease operating conditions considerably.

Refinery:

The refinery operated steadily and normally throughout the year with the exception of a five-weeks' close-down due to a strike, and the disorganization due to same.

The excess of matte which during this period was accumulated beyond what was needed to restore the depleted matte stocks at the refinery, will completely have been worked off during the next few months.

Certain remaining parts of the 1936 extension program were finished during the year. A new laboratory was built, the boiler house extended and a new boiler installed. Building of a plant for recovery of SO_2 from the roaster gases was started and should be finished in the early summer.

Custom nickel matte containing 895.76 metric tons of nickel was received. This was somewhat less than the normal amount.

For the year 1937, the amount of metals in matte received from the smelter, the refinery production, the metals in process and metals in matte on hand at the end of the year is set out in the following table:—

	Ni., Lbs.	Cu., Lbs.
Total of Custom and Falconbridge Refined Metals Produced	14,858,490	7,619,279
Metals in Falconbridge Matte Received, less Refining Losses	14,208,045	6,707,881
Produced in Marketable Form During Year—for Falconbridge	12,869,776	6,210,593
Metals in Process of Refining at End of Year—for Falconbridge	2,209,804	468,970
Metals in Matte on Hand at End of Year—for Falconbridge	1,685,530	751,194

Respectfully submitted,

Anton Gronningsater,
Consulting Metallurgist.

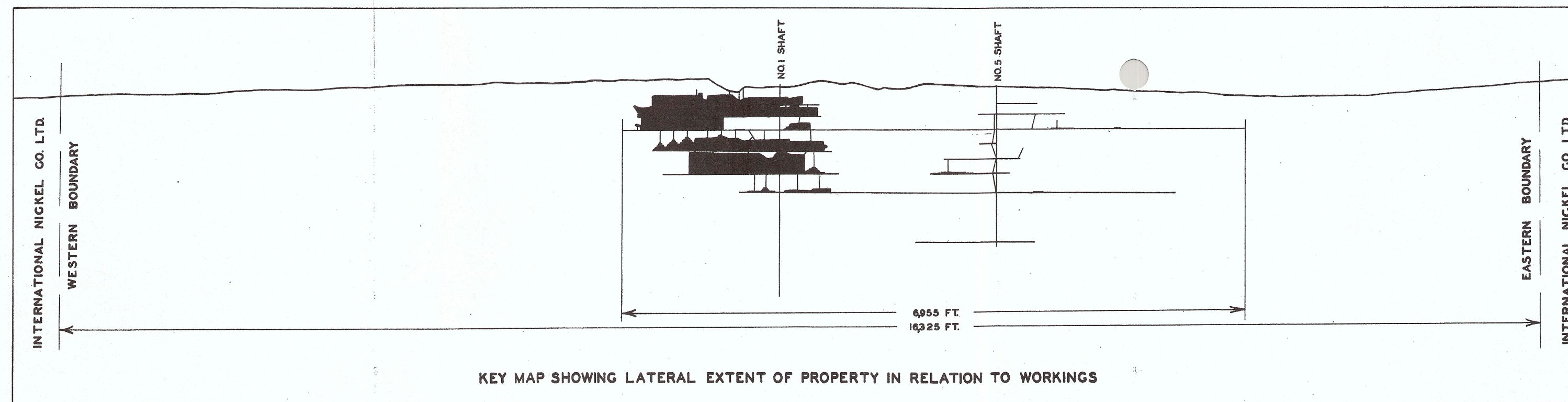
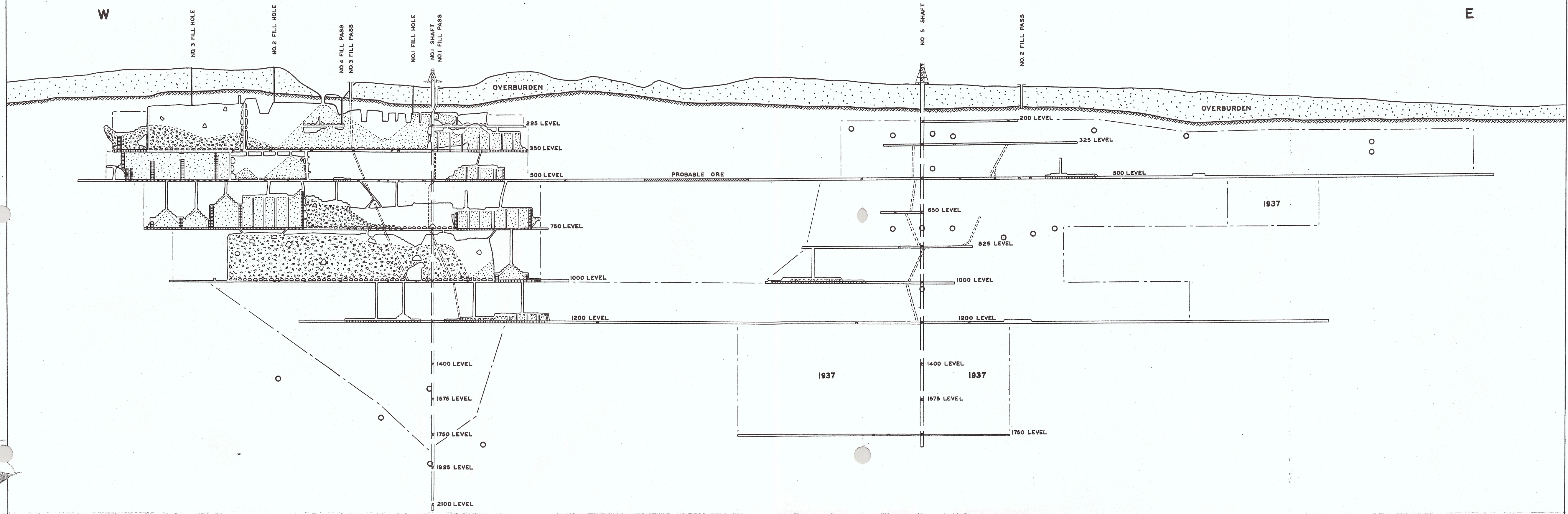
Dividends Paid by Falconbridge Nickel Mines Limited

Dividend Number	Record Date	Dividend Per Share	Amount	
1 to 3	1933	\$0.25	\$ 812,609.97	
4 to 7	1934	0.275	902,173.02	
8 to 11	1935	0.30	997,669.77	
12 to 15	1936	0.30	1,001,234.50	
				<u>\$3,713,687.26</u>
	1937			
16	March 10th	0.075	250,318.40	
17	June 3rd	0.075	250,318.63	
18	Sept. 8th	0.075	250,318.77	
19	Dec. 8th	0.075	250,318.94	1,001,274.74
				<u>1,001,274.74</u>
	Total	\$1.425		<u>\$4,714,962.00</u>

COMPARATIVE SUMMARY OF OPERATIONS AND EARNINGS

Year	Tons Treated	Net Sales	Gross Profit After Taxes
1930	71,626	\$ 68,726.89	
1931	109,520	1,211,229.95	\$ 173,652.18
1932	123,306	2,787,917.78	1,014,378.90
1933	232,661	2,808,328.92	1,505,396.93
1934	272,923	4,001,551.55	1,924,251.00
1935	302,510	4,640,372.57	2,341,489.60
1936	327,783	5,178,812.18	2,597,635.10
1937	438,629	5,862,457.91	2,513,330.35

Year	Net Profit after Taxes, Def. Development and Depreciation	Capital Expenditures	Net Current Assets, inc. Metal Inventories (at cost) excluding Broken Ore and Supplies
1930		\$ 332,823.92	\$ 858,598.15
1931	\$ 10,530.69	100,557.43	1,114,484.64
1932	762,420.54	354,496.51	1,685,891.59
1933	1,122,999.28	642,383.03	1,826,058.38
1934	1,415,886.03	205,702.27	2,417,024.75
1935	1,768,558.15	705,617.50	2,860,895.65
1936	1,873,607.05	2,140,624.14	2,057,378.26
1937	1,471,495.07	871,899.98	2,421,760.77



FALCONBRIDGE NICKEL MINES LIMITED
FALCONBRIDGE MINE
LONGITUDINAL SECTION SHOWING MINE WORKINGS

- DIAMOND DRILL HOLE INTERSECTIONS
- ORE ESTIMATE LIMITS
- BROKEN ORE IN STOPES
- FILL IN STOPES



DECEMBER 31ST 1937