

Twelfth Annual Report
Falconbridge Nickel Mines
Limited

*For the Year Ended
December 31st, 1940*

Falconbridge Nickel Mines Limited



HEAD OFFICE

25 King Street West, Toronto

PRESIDENT

J. Gordon Hardy

VICE-PRESIDENTS

T. Lindsley

H. Whittingham

SECRETARY and TREASURER

Norman F. Parkinson

DIRECTORS

J. Gordon Hardy
Halstead Lindsley
T. Lindsley

W. G. Malcolm
W. S. Morlock
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
302 Bay Street, Toronto

AUDITORS

Clarkson, Gordon, Dilworth & Nash
Toronto

FALCONBRIDGE NICKEL MINES LIMITED

Report of Directors

Toronto, 10th February, 1941.

To the Shareholders of
Falconbridge Nickel Mines Limited.

The 1940 Annual Report on operations, together with the audited Balance Sheet and Earnings Statement, are herewith presented for your information and consideration.

It has been a difficult year for your company, due to the loss—we hope temporary—of your Refinery in Norway by the German occupation of that country. You have been advised currently of the steps taken to stop at least part of the gap caused in your operations by this loss. The means available entailed not only reduction in output but also increase in costs.

Earnings, after all charges, therefore fell off disastrously in comparison with former years of routine operation and worked out at \$277,903.08 or 8.3c per share. In arriving at these figures, note must be taken of the heavy write-offs, which include provision at cost for stocks of refined metals seized by the Germans, in addition to the usual depreciation charges.

One dividend of 7½c per share, a total of \$250,318.96, was declared and paid from First Quarter earnings, prior to the Norwegian debacle, and since then the reduced net income has been conserved for the proper protection of your property.

In the National interest under present War conditions, no details are given in the operational reports as to tonnages or metal production. In January, 1941, Mine and Smelter output was restored to full capacity by additional arrangements for its disposal and this gives some greater brightness to the present picture.

By order of the Board,

J. GORDON HARDY,
President.

FALCONBRIDGE NICKEL MINES LIMITED

TWELFTH ANNUAL REPORT YEAR 1940

Falconbridge, Ontario,
January 20th, 1941.

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

Dear Sirs:

Please receive herewith my report covering the operation of this Company at Falconbridge for the year ended December 31st, 1940.

Serious disarrangement resulted from the loss of our Refinery through enemy occupation of Norway in April. Matte was stock piled for a period, pending the completion of new refining arrangements, and the consequent necessity of curtailing the scale of production destroyed the smooth functioning that had hitherto been maintained throughout the whole operation.

MINE DEVELOPMENT

Recorded development footages throughout the mine are tabulated as follows:

Drifting and Cross-cutting (including Slashing)	10,792 feet
Stope Raising	4,090 feet
Fill Pass Raising	312 feet
Ore Pass Raising	229 feet
Ventilation Raise	226 feet
Station Cutting	63,902 cu. feet
Diamond Test Drilling	4,535 feet

Some 8,573 feet of drifting and cross-cutting is accounted for by development along the ore zone. However, since a great portion of this work served to prepare for stoping in areas already known to be ore bearing, little new ground was opened up.

On the 650 level, 1,521 feet of drifting, most of which was west of No. 5 Shaft, checked and somewhat extended the previously known ore occurrences in this area.

Apart from a westerly advance of 30 feet for stope preparation, driving on the 825 level was confined to the section lying east of No. 5 Shaft. An advance of 1,235 feet carried this drift to a point 1,567 feet east of the shaft. On the 1000 level, 90 feet completed the westerly connection through to No. 1 Shaft, and 905 feet in an easterly direction opened the ore zone for 1,586 feet east of No. 5 Shaft. Development on these two levels, as well as providing for new stopes, revealed additional information as to grade and extent of the ore body at these horizons.

In the area west of No. 1 Shaft, while advances on three levels were primarily for the purpose of opening new stopes, the continuation of the ore body to at least the limits of this development has been established. On the 1200 level an advance of 107 feet left the face 1,067 feet west of No. 1 Shaft, the 1400 level was advanced 538 feet to 1,022 feet from the shaft, and the 1575 level, with an advance of 121 feet, is now out 1,008 feet.

Considerable effort was directed toward the development of the area lying between No. 1 and No. 5 Shafts below the 1200 level. Some 661 feet of drifting on the 1750 level served to complete the

connection between the two shafts. Easterly advances of 441 feet on the 1400 level and 378 feet on the 1575 level carried these drifts to points 913 feet and 1,255 feet, respectively, from No. 1 Shaft. The 1925 level was driven westerly from No. 5 Shaft. Here an advance of 1,762 feet for the year leaves some 600 feet yet to be driven to establish the connection to No. 1 Shaft.

This work has shown that, in a general way, tonnage and grade in the area will measure up to expectations as derived from indications by previous exploration.

About 3,000 feet of new stopes were prepared for mining during the year.

The extension of the ore pass system at No. 1 Shaft to the 2100 level was completed during the year, and the fill pass system in the same area extended to serve stoping operations on the 1575 level.

At No. 5 Shaft, the ore pass system, from the 1925 level to the loading pocket at 2450 feet, was completed. The crusher installation on the 2275 level was in operation in July, at which time the main haulage equipment was transferred from the 1200 to the 2100 level.

Excavation for the sump and pump station for water control on the 2275 level is progressing satisfactorily. Equipment is on hand to complete the installation.

A start was made during the year on a ventilation project for the mine. A raise, driven to surface from the end of a 700-foot cross-cut on the 325 level, will serve as the outlet through which to exhaust foul air. It is proposed, in 1941, by the installation of a moderate amount of equipment, to put the system in operation so that benefit can be derived and experience gained while the project is being carried to completion.

EXPLORATION

Surface diamond drilling totalling 5,925 feet was completed during the year 1940. A possible ore occurrence toward the westerly limit of our property, in Garson Township, was checked by two drill holes which gave negative results. The remainder of this drilling served to explore the easternmost portion of the ore zone in Falconbridge Township. Though the lateral persistence of the ore zone was established and one intersection was obtained at a depth of 1,250 feet, this drilling failed to disclose any ore body of sufficient grade and tonnage to be reasonably included in the Ore Reserve figures. While no commercial ore was encountered at the various horizons intersected, the continuity of the ore zone, together with the general structural features, points to the strong possibility of further ore being developed in this area.

As in 1939, no exploration was undertaken on any of the outside holdings of the Company.

ORE RESERVES

Ore reserves, as compared with 1939 figures, remain substantially unchanged as to quantity and grade.

ORE TREATMENT

For eight months of the year, the Ore Dressing and Reduction plants were operated at approximately two-thirds of capacity. In the readjustment of the operation to these conditions, it was not possible to effect sufficient saving to compensate for the loss of production. The profitable efficiency previously maintained was therefore in some measure destroyed.

Some 2.6% of possible operating time was consumed by necessary repairs to equipment.

GENERAL

It gives me pleasure to record the whole-hearted co-operation of staff and employees during a period when many adjustments have been necessary.

Respectfully submitted,

E. CRAIG,
Manager.

Toronto, Ontario,
February 3rd, 1941.

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 ended December 31st, 1940.

Ore Dressing Plant, Mill and Smelter:

The ore dressing plant, mill and smelter operated throughout the year with a minimum of lost time for interruptions and repairs.

After the occupation of Norway, facilities for refining could only be arranged for about two-thirds of normal production and operations at mine, mill and smelter, therefore, had to be reduced in the same proportion, something which unavoidably caused some inconvenience and increased costs.

No changes or additions of any importance were made to plants or equipment during the year. The mode of operations and technical results were substantially unchanged.

Refinery:

The refinery operated steadily and normally until the German occupation of Norway, April 9th, although slightly handicapped for a few weeks by power shortage.

Respectfully submitted,

Anton Gronningsater,
Consulting Metallurgist.

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Consolidated Balance S
with Comparative Figur

ASSETS

	31st December 1940	31st December 1939
Current Assets:		
Cash on hand and in banks in Canada, United States and Norway	\$ 2,972,570.97	\$ 3,356,164.45
Accounts Receivable—Trade	397,960.75	424,964.75
—Sundry	74,660.42	26,435.62
Notes receivable—Metal Hydrides Inc., an associated company		10,000.00
Securities at cost:		
Investments—Miscellaneous (quoted market price \$354,415)	428,654.82	191,654.82
Investment in associated companies' shares	33,100.00	33,400.00
	<u>\$ 3,906,946.96</u>	<u>\$ 4,042,619.64</u>
Inventory determined from book records and certified by responsible officials:		
Refined metals at cost	\$ 933,511.49	\$ 509,736.08
Matte on hand and in process at cost	1,359,646.85	1,116,575.00
	<u>\$ 2,293,158.34</u>	<u>\$ 1,626,311.08</u>
Property Account:		
Mine, smelter and refinery buildings, machinery and equipment less depreciation written off	\$ 2,790,452.59	\$ 3,558,611.55
Mining properties and claims at cost	3,073,507.19	3,054,882.33
	<u>\$ 5,863,959.78</u>	<u>\$ 6,613,493.88</u>
Deferred Expenditures, Supplies, etc.:		
Mine development expenditures less amounts written off to mining operations		\$ 3,550.58
Mining and refinery supplies, etc.	373,196.09	356,309.20
Prepaid expenses and deferred charges	54,723.81	47,964.11
	<u>\$ 427,919.90</u>	<u>\$ 407,823.89</u>
Deposit with Municipality of Kristiansand re Power Supply	\$ 74,958.67	\$ 74,958.67
	<u>\$12,566,943.65</u>	<u>\$12,765,207.16</u>

AUDITORS' REPORT

We have audited the accounts of Falconbridge Nickel Mines Limited for the year ended 31st December, 1940, together with its operating results for the three months ended on that date have been incorporated in your Toronto office. We are not in a position to estimate what amount ultimately will be realized by your company shown in an attached statement.

Subject to the above and to the adequacy of the reserve for income and excess profits taxes we report up so as to exhibit a true and correct view of the state of the combined companies' affairs as at 31st December, 1940, and as shown by the books. All our requirements as auditors have been complied with.
Toronto, Canada, 8th February, 1941.

FALCONBRIDGE MINES LIMITED

Wholly-owned Subsidiary

NIKKELVERK AKTIESELSKAP

Balance Sheet as at 31st December, 1940

and as at 31st December, 1939

LIABILITIES

	31st December 1940	31st December 1939
Capital:		
Authorized 5,000,000 shares of no par value		
Issued 3,337,507 shares of no par value	\$ 7,038,395.94	\$ 7,038,395.94
Current Liabilities:		
Accounts payable	\$ 136,482.78	\$ 163,725.63
Wages payable	69,403.41	76,132.70
Unclaimed dividends	2,135.17	2,151.12
Reserve for income and excess profits taxes	195,000.00	430,000.00
	<u>\$ 403,021.36</u>	<u>\$ 672,009.45</u>
Earned Surplus	\$ 5,125,526.35	\$ 5,054,801.77

On behalf of the Board:

J. Gordon Hardy, Director.

T. Lindsley, Director.

\$12,566,943.65

\$12,765,207.16

STATEMENT OF SHAREHOLDERS

The assets and liabilities of your company's wholly-owned subsidiary Falconbridge Nikkelverk Aktieselskap as at 31st December 1940 are set out in the consolidated balance sheet and in the consolidated statements of earnings and surplus from figures supplied to us by the company. The net assets held in Norway which are included in the above balance sheet at \$2,513,720.72, the details of which are

set out in the above consolidated balance sheet and related consolidated statements of earnings and surplus have been drawn up by the company and the results of their operations for the year ending on that date according to the best of our information, the

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, 1940

with Comparative Figures for the Year 1939

	1940	1939
Matte and metal sales and investment income	\$4,672,248.37	\$8,296,068.63
Note: 1940 sales include \$273,855.58 insurance recovered from lost shipments.		
Less: Selling and delivery expense and foreign exchange adjustment	215,931.23	328,289.52
	<u>\$4,456,317.14</u>	<u>\$7,967,779.11</u>
Add: Increase in metal inventories before writing off stock of finished metals in Norway at 31st March, 1940	863,600.82	30,097.65
	<u>\$5,319,917.96</u>	<u>\$7,997,876.76</u>
Operating costs—mining, smelting, refining, etc.	\$3,702,753.02	\$4,389,410.31
Outside exploration	1,233.63	3,770.87
Administrative and general expense	75,086.98	89,368.43
	<u>\$3,779,073.63</u>	<u>\$4,482,549.61</u>
Operating profit before providing for taxes, deferred development and depreciation	\$1,540,844.33	\$3,515,327.15
Provision for income and excess profits taxes	119,239.64	381,145.25
Profit for the year before providing for deferred development and depreciation	<u>\$1,421,604.69</u>	<u>\$3,134,181.90</u>
Deferred development written off	\$ 83,584.39	\$ 292,830.50
Depreciation	826,837.86	831,947.80
Finished metal stocks in Norway at 31st March, 1940, written off	233,279.36	
	<u>\$1,143,701.61</u>	<u>\$1,124,778.30</u>
Net profit transferred to consolidated earned surplus	<u>\$ 277,903.08</u>	<u>\$2,009,403.60</u>

Consolidated Earned Surplus Account

For the Year Ended 31st December, 1940

with Comparative Figures for the Year 1939

	1940	1939
Balance at beginning of year	\$5,054,801.77	\$4,046,674.13
Net profit as above	277,903.08	2,009,403.60
Adjustments relating to prior years	43,140.46	
	<u>\$5,375,845.31</u>	<u>\$6,056,077.73</u>
Deduct dividends paid	250,318.96	1,001,275.96
Balance at end of year	<u>\$5,125,526.35</u>	<u>\$5,054,801.77</u>

Statement of Assets and Liabilities in Norway
Included in the
CONSOLIDATED BALANCE SHEET
of
FALCONBRIDGE NICKEL MINES LIMITED
and
FALCONBRIDGE NIKKELVERK AKTIESELSKAP
as at 31st December, 1940

ASSETS

Current Assets:

Cash on hand and in banks	\$ 153,076.36	
Accounts receivable—sundry	59,558.75	\$ 212,635.11
Inventories of matte on hand and in process		1,009,068.33
Note: As shown in the earnings statement, the refined metals on hand in Norway at 31st March, 1940, \$233,279.36, have been written off.		
Property account—refinery buildings, machinery and equipment less depreciation written off		1,224,085.83
Deferred expenditures, supplies, etc.:		
Refinery supplies, etc.	\$ 98,852.01	
Prepaid expenses and deferred charges	19,875.94	118,727.95
Deposit with Municipality of Kristiansand re power supply		74,958.67
		<u>\$2,639,475.89</u>

LIABILITIES

Current Liabilities:

Accounts payable	\$ 35,168.91
Wages payable	20,586.26
Reserve for taxes	70,000.00
	<u>\$ 125,755.17</u>
Net assets in Norway included in the consolidated balance sheet of Falconbridge Nickel Mines Limited and Falconbridge Nikkelverk Aktieselskap as at 31st December, 1940	
	<u>\$2,513,720.72</u>

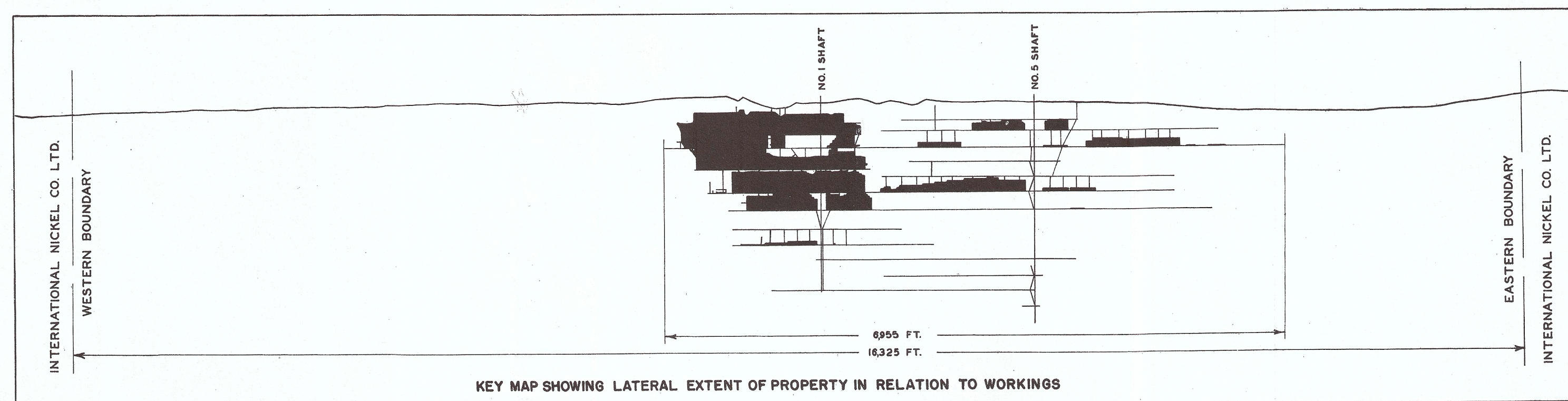
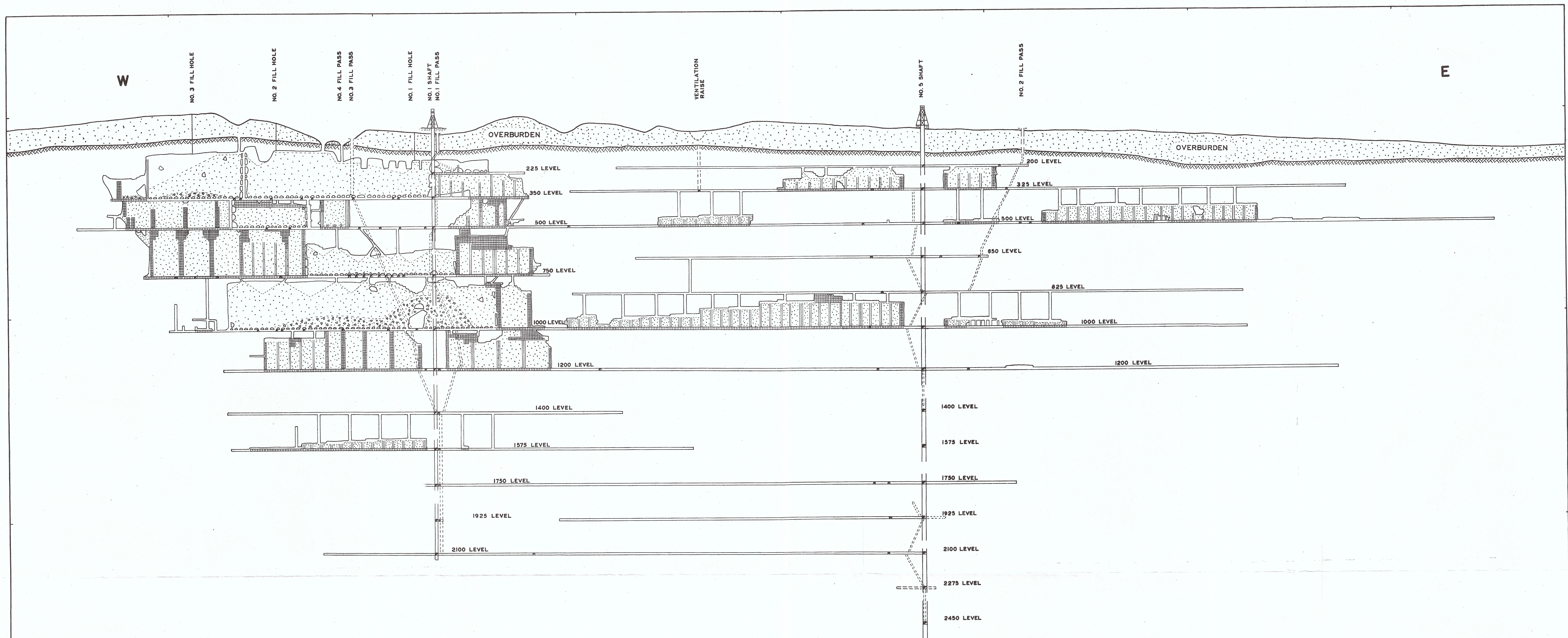
Dividends Paid by Falconbridge Nickel Mines Limited

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	
16 to 19	1937	0.30	1,001,274.74	
20 to 23	1938	0.30	1,001,276.09	
24 to 27	1939	0.30	1,001,275.96	
				<hr/>
				\$6,717,514.05
	1940			
28	March 7th	0.075	250,318.96	
		<hr/>	<hr/>	
	Total	\$2.10		<hr/> \$6,967,833.01




COMPARATIVE SUMMARY OF OPERATIONS AND EARNINGS

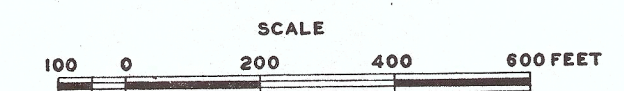
Year	Gross Profits After Taxes	Net Profit After Taxes, Def. Development and Depreciation	Net Current Assets inc. Metal Inventories (at cost) excluding Broken Ore and Supplies
1930			\$ 858,598.15
1931	\$ 173,652.18	\$ 10,530.69	1,114,484.64
1932	1,014,378.90	762,420.54	1,685,891.59
1933	1,505,396.93	1,122,999.28	1,826,058.38
1934	1,924,251.00	1,415,886.03	2,417,024.75
1935	2,341,489.60	1,768,558.15	2,860,895.65
1936	2,597,635.10	1,873,607.05	2,057,378.26
1937	2,513,330.35	1,471,495.07	2,421,760.77
1938	2,712,532.78	1,777,858.02	3,375,953.37
1939	3,134,181.90	2,009,403.60	4,996,921.27
1940	1,421,604.69	277,903.08	*5,797,083.94

*\$1,009,068.33 of this amount is made up of assets in Norway.



FALCONBRIDGE NICKEL MINES LIMITED
LONGITUDINAL SECTION SHOWING MINE WORKINGS
FALCONBRIDGE MINE

-  **FILL IN STOPES**
-  **BROKEN ORE IN STOPES**
-  **SQUARE SET TIMBER IN STOPES**



DECEMBER 31ST. 1940

