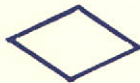

First Maritime Mining Corporation Limited

(No Personal Liability)

Annual Report

For the year ended December 31,

1979



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First Maritime Mining Corporation Limited

(No Personal Liability)

Incorporated under the laws of New Brunswick on December 30, 1955

DIRECTORS

R. J. ISAACS. Islington, Ontario
A. G. KIRKLAND. Saint John, New Brunswick
DR. A. L. McALLISTER. Fredericton, New Brunswick
G. S. McMACKIN. Saint John, New Brunswick
L. McC. RITCHIE. Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE. *President*
A. G. KIRKLAND. *Vice-President*
D. A. MACFARLANE. *Secretary and Treasurer*
MRS. M. JONES. *Asst. Secretary*

HEAD OFFICE

GOLDEN BALL BUILDING. Saint John, New Brunswick

MINE OFFICE

GULLBRIDGE MINES. Badger, Newfoundland

AUDITORS

COOPERS & LYBRAND. Saint John, New Brunswick

TRANSFER
AGENT

GUARANTY TRUST COMPANY OF CANADA. Toronto, Ontario

ANNUAL
MEETING

June 3, 1980, 2:30 P.M. (Saint John time)
Golden Ball Building, Saint John, New Brunswick

First Maritime Mining Corporation Limited

(No Personal Liability)

DIRECTORS' REPORT TO THE SHAREHOLDERS

Operations for the year 1979 resulted in a net profit of \$1,294,287 (\$.24 per share) compared with a loss of \$393,353 (.07 per share) in 1978. The major improvement in 1979 resulted from a substantial increase in dividends received from our holdings of Brunswick Mining and Smelting Corporation Limited ("Brunswick"). In 1979, Brunswick paid dividends totalling 90c per share compared with only 10c per share in 1978. Dividend income totalled \$1,589,718 for the year 1979 compared with income of \$176,635 in 1978.

Financial costs (interest on long-term debt and foreign exchange) were reduced in 1979 to about \$294,000 compared with \$565,000 in the previous year.

As previously announced, the corporation refinanced its debt in January 1979 by obtaining a loan of U.S. \$2,600,000 from a Canadian bank. During 1979, this loan bore an interest rate of 1% above the 6 month London Inter-Bank rate (12% to July 4, 1979, 12-1/4% thereafter). As the prime bank rate in Canada during 1979 ranged from 12% to 15%, it would appear the refinancing was distinctly advantageous to the corporation. A renewal date for the loan occurred on February 4, 1980 at which time the cash on hand enabled the corporation to reduce the principal of the loan to U.S. \$1,350,000. A new rate of interest of 15% p.a. was struck.

Your corporation has retained its holding of 1,766,353 shares of Brunswick. That company has reported earnings of \$70.5 million in 1979 (\$2.06 per share) compared with \$25.6 million in 1978 (\$0.75 per share). This is a significant improvement in operations resulting primarily from improved base metal and precious metal prices and higher recoveries at the company's concentrator. The company, which paid a quarterly dividend of 10c per share (plus extras) in 1979 has increased its quarterly dividend to 15c per share for 1980.

Your management is hopeful that 1980 will continue to see a high level of income which will enable both the retirement of debt and a more active role in the mining field.

On Behalf of the Board

L. McC. RITCHIE,
President.

Saint John, N.B.
March 27, 1980

COOPERS & LYBRAND

CHARTERED ACCOUNTANTS
801 BRUNSWICK HOUSE
SAINT JOHN, N. B., CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of First Maritime Mining Corporation Limited (No personal liability) as at December 31, 1979 and the consolidated statements of earnings and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Subject to the determination of realizable value of the fixed assets of Gullbridge Mines Limited, as stated in note 2, in our opinion these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND

Chartered Accountants

January 21, 1980

CONSOLIDATED BALANCE SHEET

ASSETS

| | 1979 \$ | 1978 \$ |
|---|------------------|------------------|
| Current Assets | | |
| Cash and short-term deposits. | 1,189,570 | 214,985 |
| Accounts receivable. | <u>78,787</u> | <u>3,553</u> |
| | 1,268,357 | 218,538 |
| | | |
| Investments (notes 3 and 4). | 5,154,530 | 5,154,530 |
| | | |
| Fixed Assets (note 2). | 1,505,120 | 1,599,407 |
| | | |
| Deferred Expenditures | | |
| Materials and supplies — at estimated realizable value. | <u>95,254</u> | <u>95,254</u> |
| | <u>8,023,261</u> | <u>7,067,729</u> |

Signed on behalf of the Board:
L. M.C. RITCHIE, Director
A. G. KIRKLAND, Director

g Corporation Limited

(Liability)

AS AT DECEMBER 31, 1979

LIABILITIES

| | 1979 \$ | 1978 \$ |
|---|------------------|------------------|
| Current Liabilities | | |
| Accounts payable and accrued liabilities. | 141,784 | 136,713 |
| Bank loan. | — | 100,000 |
| Demand loan from a shareholder (U.S. \$300,000). | — | 355,740 |
| Current portion of long-term debt. | — | 136,367 |
| | <u>141,784</u> | <u>728,820</u> |
| Long-term Debt (note 3) | | |
| U.S. \$2,200,000 promissory note — secured, net of current portion. | <u>2,566,520</u> | <u>2,318,239</u> |
| | <u>2,708,304</u> | <u>3,047,059</u> |

SHAREHOLDERS' EQUITY

| | | |
|---|--------------------|---------------------|
| Capital Stock | | |
| Authorized — 7,000,000 shares of \$1 par value | | |
| Issued and fully paid — 5,371,280 shares. | 5,371,280 | 5,371,280 |
| Contributed Surplus. | 8,766,794 | 8,766,794 |
| Deficit. | <u>(8,823,117)</u> | <u>(10,117,404)</u> |
| | <u>5,314,957</u> | <u>4,020,670</u> |
| | <u>\$8,023,261</u> | <u>\$7,067,729</u> |

First Maritime Mining Corporation Limited

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS AND DEFICIT

For the year ended December 31, 1979

| | 1979 | 1978 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Income | | |
| Dividends. | 1,589,718 | 176,635 |
| Interest. | 49,560 | 564 |
| Other income. | <u>20,000</u> | <u>—</u> |
| | <u>1,659,278</u> | <u>177,199</u> |
| Expenses | | |
| Mine costs. | 47,305 | 37,838 |
| Administration costs. | 23,580 | 67,270 |
| Interest on long-term debt. | 343,786 | 264,953 |
| (Gain) loss on foreign exchange. | <u>(49,680)</u> | <u>200,491</u> |
| | <u>364,991</u> | <u>570,552</u> |
| Net earnings (loss) for the year. | 1,294,287 | (393,353) |
| Deficit — Beginning of year. | <u>10,117,404</u> | <u>9,724,051</u> |
| Deficit — End of year. | <u>8,823,117</u> | <u>10,117,404</u> |
| Earnings (loss) per share. | <u>.24</u> | <u>(.07)</u> |

First Maritime Mining Corporation Limited

(No Personal Liability)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1979

| | 1979 \$ | 1978 \$ |
|--|-------------------------|-------------------------|
| Source of Working Capital | | |
| From operations..... | 1,294,534 | — |
| Increase in long-term debt..... | 3,118,180 | 53,659 |
| Proceeds on sale of fixed assets..... | 96,817 | 4,109 |
| Decrease in other assets..... | — | 1,101 |
| | <u>4,509,531</u> | <u>58,869</u> |
| Use of Working Capital | | |
| Used in operations..... | — | 392,891 |
| Repayment of long-term debt..... | 2,869,899 | — |
| Purchase of fixed assets..... | 2,777 | — |
| | <u>2,872,676</u> | <u>392,891</u> |
| Increase (decrease) in Working Capital..... | 1,636,855 | (334,022) |
| Working Capital (deficiency) — Beginning of Year..... | (510,282) | (176,260) |
| Working Capital (deficiency) — End of Year..... | <u>1,126,573</u> | <u>(510,282)</u> |

First Maritime Mining Corporation Limited

(No Personal Liability)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 1979

1. Basis of Consolidation

The consolidated financial statements include the accounts of Gullbridge Mines Limited.

2. Fixed Assets

Gullbridge Mines Limited closed its mine on December 5, 1971. At this time it is not possible to estimate the realizable value of fixed assets of Gullbridge having a book value of \$1,505,120, as follows:

| | 1979 | 1978 |
|--|------------------|------------------|
| | \$ | \$ |
| Land — at nominal value. | 4 | 4 |
| Buildings, equipment and other surface installations — at cost less proceeds on disposal. | 4,877,394 | 4,971,971 |
| Accumulated depreciation. | (3,372,278) | (3,372,568) |
| | <u>1,505,120</u> | <u>1,599,407</u> |

No annual provision for depreciation has been made since 1971, with the exception of depreciation for the year of \$833 on an automobile purchased in 1979.

In 1972, Gullbridge Mines Limited wrote off fixed assets with a cost of \$1,145,969 and a net book value of \$435,287. These represent dams and surface equipment at the site of the closed mine.

3. Long-Term Debt

- (a) The long-term debt, which matures on January 31, 1982, is payable in United States funds and has been translated at the exchange rate prevailing at December 31, 1979.

Interest is calculated on a six month basis at 1% over the then six month London Inter-Bank offer rate. For the six months ending January 31, 1980, the rate at which interest is calculated is 12-1/4%.

The long-term debt is secured by 1,000,000 shares of Brunswick Mining and Smelting Corporation Limited.

- (b) Outstanding agreement —

Falconbridge Nickel Mines Limited, under existing agreements, has the right to participate to the extent of one-third in any future financing which might be arranged by the company.

4. Investments

Investments are 1,766,353 shares (note 3) of Brunswick Mining and Smelting Corporation Limited valued at cost — quoted value \$19,430,000 (1978 — \$10,157,000).

5. Remuneration of Directors and Senior Officers

Total direct remuneration paid or payable to directors and senior officers for 1979 amounted to nil.

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