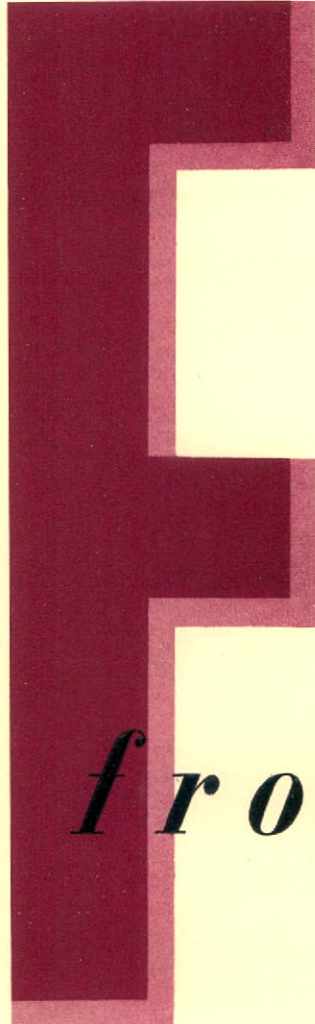


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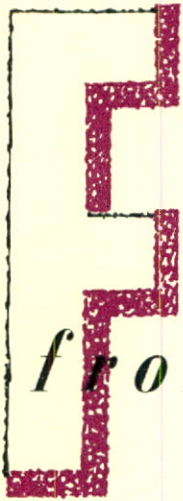
LIMITED

*Fifteenth  
Annual  
Report*

*for the year ended December 31, 1958*

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# *frobisher*

LIMITED

HEAD OFFICE: 25 KING STREET WEST, TORONTO, CANADA

## *Officers*

A. J. ANDERSON..... President  
B. G. EDWARD..... Vice-President  
A. E. PUGSLEY..... Vice-President  
G. T. N. WOODROOFFE..... Secretary and Treasurer  
A. C. KILGOUR..... Assistant Secretary  
R. G. SAUNDERS..... Assistant Secretary  
S. F. TAIT..... Assistant Treasurer

## *Directors*

J. H. AMBROSE                      H. J. CARMICHAEL  
A. J. ANDERSON                      W. B. DIX  
B. S. W. BUFFAM                      B. G. EDWARD  
P. W. ZECKHAUSEN

## *Transfer Agents and Registrars*

### NATIONAL TRUST COMPANY LIMITED

20 King Street East,  
Toronto, Ontario.

225 St. James Street West,  
Montreal, Quebec.

### REGISTRAR AND TRANSFER COMPANY

50 Church Street,  
New York 7, N.Y.

15 Exchange Place,  
Jersey City 2, N. J.

## *Bankers*

THE CANADIAN BANK OF COMMERCE, Toronto, Ontario.

## *Auditors*

CLARKSON, GORDON & CO., Toronto, Ontario,



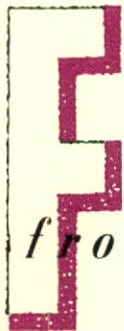
## Report of Operations — Year 1958

### *Producing Companies*

CLASSIFICATION	COMPANY NAME	FROBISHER INTEREST	REFER TO PAGE NO.
Gold.....	Connemara Division .....	100.0%	13
Nickel - Copper - Platinoids.....	Falconbridge Nickel Mines Ltd. ....	4.0%	8
Oil and Gas.....	Geoil Limited .....	31.8%	11
Gold.....	Giant Yellowknife Gold Mines Limited .....	19.6%	6
Copper - Cobalt.....	Kilembe Copper Cobalt Ltd. .... (Kilembe Mines Limited)	75.9%	9
Copper.....	Rainville Mines Limited .....	21.8%	14
Silver - Lead - Zinc.....	United Keno Hill Mines Limited	29.5%	7

### *Other Interests*

Gold.....	Akaitcho Yellowknife Gold Mines Limited .....	35.7%	19
Magnetic Iron Ores .....	Childs-Rankin Project .....	100.0%	15
Oil.....	El Wak Project .....	100.0%	19
Copper - Gold.....	Joliet-Quebec Mines Limited ....	20.1%	19
Hematite and Siderite Iron Ores....	Michipicoten Iron Mines Limited	32.6%	19
Cobalt - Nickel - Rare Metals .....	Quebec Metallurgical Industries Ltd. ....	22.7%	17
Copper - Silver - Lead - Zinc.....	St. Eugene Mining Corporation Limited .....	34.8%	20
Uranium.....	Stewart Island Prospect .....	100.0%	20
Apatite - Columbium.....	Sukulu Mines Limited .....	37.6%	18
Copper - Magnetite.....	Wesfrob Mines Limited .....	100.0%	16



*frobisher* LIMITED

## *Statement of Consolidated Source and Application of Funds*

Year ended December 31, 1958

### *We Received Funds*

From operations		
Net profit for the year .....	\$ 250,814	
Depreciation for the year, not representing cash outlay	36,371	\$ 287,185
		<hr/>
From sale of investments .....		1,752,822
		<hr/>
		\$2,040,007

### *We Applied Funds*

To advances (net) to subsidiary and associated companies	\$ 553,000	
To purchase of investments .....	151,981	
To exploration expenditures .....	478,763	
To purchase of fixed assets (net) .....	39,335	1,223,079
		<hr/>
Increase in working capital .....		\$ 816,928

### *Working Capital*

As at December 31, 1957 .....		884,843
		<hr/>
As at December 31, 1958 .....		\$1,701,771
		<hr/> <hr/>



## *Report of the Directors*

To the Shareholders:

Your Directors have pleasure in submitting herewith the Fifteenth Annual Report detailing your Company's activities for the year ended December 31, 1958. Also submitted are the Auditors' Report, Consolidated Balance Sheet and related statements showing your Company's financial position as of the same date.

### FINANCIAL

A further betterment was brought about, during the year under review, in your Company's cash position. This was largely effected through the sale of certain assets which offered little hope of bringing any early return. Timely action was taken when the opportunity offered to liquidate your investment in British Newfoundland Corporation Limited, New Calumet Mines Limited, Northern Mining Company and a number of lesser projects in the same category. The results of these several transactions are reflected in an increase in working capital to \$1,701,771.

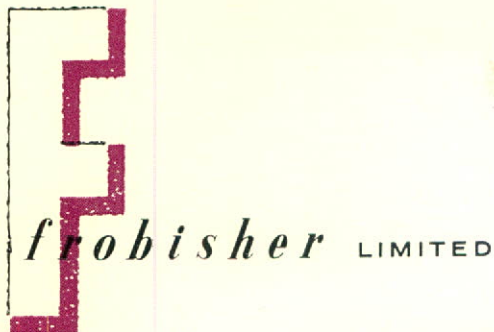
Your attention is directed to certain changes adopted this year in the preparation of your Company's financial statements. On the Balance Sheet, the previous accounts designated as "Provision for Depletion" and "Special Deficit" have been eliminated and consolidated with "Earned Surplus" into a single deficit account. The Consolidated Statement of Investments reflects, by comparison with 1957 figures, a critical revision of the policy with respect to write-offs. The decision was taken to appraise more realistically each item on the schedule and write down its value to those levels justifiable by present known circumstances. This resulted in a charge to deficit of \$3,677,604 with respect to advances and investments so treated.

A change of importance came about during the year affecting your Company's equity in Geoil Limited. As a result of a decision to eliminate that Company's bank indebtedness and liquidate the accumulated advances received from Frobisher and Ventures Limited through the issue of Treasury Shares, your Company's interest dropped from 52.1% to 31.83%. To maintain your Company's original equity would have required more funds than were readily available at the time of this transaction.

Your Company's issued capital remains unchanged at 6,808,333 shares out of an authorized total of 7,500,000 shares.

### GENERAL

There was witnessed during the year a turnabout in the economic downtrend which will now be recorded in history as the 1957-58 recession. Its shallow extent must be regarded as a fortunate circumstance by industrial endeavour of every type and, in



particular, by the base metal mining industry. By mid-year, world metal prices had reached a floor of relative stability. Copper, the most sensitive and reactionary commodity of the base metal group, has since revealed a persuasive uptrend which fosters a more optimistic outlook for 1959. No change occurred in the prices received for our precious metals and little hope can be held for any early improvement in this respect.

The operating results at your several associated producers are detailed in the body of the report which follows, and may be considered to be generally satisfactory in view of all circumstances which prevailed during the year. The developments during the year at Giant Yellowknife and Kilembe mines were particularly encouraging. The potential of your oil interests in Western Canada continued to grow through the extremely favourable developments in the Swan Hills and Virginia Hills areas of Northern Alberta.

A further programme of detailed development work was carried out during the 1958 season on the Childs-Rankin-Bessemer iron properties in Eastern Ontario to supplement the inconclusive data resulting from prior programmes. As a result of this work previous engineering data and estimates have been substantially reinforced. It is now clearly apparent that in these properties your Company has an important asset capable of early development. Active investigation is now being made of various alternative means of its accomplishment.

A modest programme of exploration activity was sustained through the regional offices in British Columbia, Northwestern Ontario and Central Africa. No developments of outstanding significance resulted from these programmes.

In summary, further important consolidation of your varied interests was effected during 1958. Operations continued satisfactorily at the producing mines in which your Company holds interest and the effect of additional facilities provided during the year will have a significant influence on your Company's future income. In the field of exploration, programmes are being sustained which, despite their limited scope and modest budgets, could well at any time produce results of major import. Your Directors believe that the accomplishments of recent years constitute pertinent evidence as to the efficacy of the Company's present policies and that their continuation will ensure the consistent growth of your equities.

In grateful recognition of the contribution made to the Company's varied operations by its staff and employees, the Board has asked me to record this sincere expression of its appreciation of the loyal, diligent and enthusiastic effort of each member of the organization throughout the year.

On behalf of the Board,

March 25, 1959.

A. J. ANDERSON,

President.



## Giant Yellowknife Gold Mines Limited

### Property and Interests

1. Main property, 26 claims, Yellowknife area, N.W.T.
2. 87.5% interest in Lolor Mines Limited, adjoining to east.

### Scale of Operations

Mill Capacity: 800 tons per day.  
Treatment Rate, 1958: 792 tons per day.

### Production Record

	Tons Milled	Gold Ounces	Silver Ounces
From 1949 to June 30, 1957 .....	1,944,301	1,253,394	293,470
Year Ended June 30, 1958 .....	289,220	158,451	22,759
Total Production .....	<u>2,233,521</u>	<u>1,411,845</u>	<u>316,229</u>

### Ore Reserves

	Tons	Gold Oz. per ton
Developed above 1,250 level .....	2,850,000	0.80
(calculated with a 10% dilution allowance)		

### Developments in 1958

In the 1957-1958 fiscal year which ended on June 30, 1958, an operating profit of \$1,799,328 was earned, compared with \$2,267,182 in the preceding year, and net profit was \$784,350, compared with \$1,011,072. Two dividends of 15¢ per share each, involving a total disbursement of \$1,200,000, were paid.

These figures reflect the exhaustion of reserves of non-refractory type ores leading to consequent serious worsening of metallurgical results. However, since the close of the fiscal year important measures to combat the refractoriness have been implemented and are giving satisfactory results. These measures include the commissioning, on November 21, of a second fluosolids roasting unit, designed to improve overall recovery and increase mill capacity, and the installation, also in November, of a baghouse to improve arsenic collection and to permit the recovery of gold-bearing dusts. Results since these new facilities were provided show that an improvement in overall recovery is being obtained.

No new ore was developed during the year, the reserves decreasing by the tonnage milled. In the current year, work on deepening the main shaft to 2,000 feet and the establishment of three new levels has been started. It is expected that the 10,000 feet of lateral work to be carried out on this new block of levels will make available an additional 500,000 tons of ore in the ASD and GB zones.

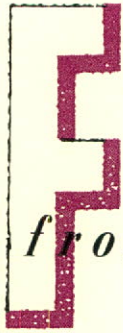
### Earnings Record

	1958	To Date
Net receipts from metal sales and other income .....	\$5,731,367	\$54,045,062
Total cost of operation .....	<u>4,947,017</u>	<u>45,356,003</u>
Net profit .....	<u>\$ 784,350</u>	<u>\$ 8,689,059</u>

### Management

M. K. PICKARD - - - - - General Manager





*frobisher* LIMITED



*Property and Interests*

- ## *United Keno Hill Mines Limited*
1. Owns or holds under option 587 mineral claims and two placer claims in the Galena-Keno Hill area, Mayo District, Yukon Territory, on which a number of former mines are situated, including the Elsa, Birmingham, Onek, Shamrock, etc. Production operations are confined to the re-opened Hector and Calumet Mines and development work is being carried out at others such as Elsa and Keno.
  2. Holds 50% ownership (with Cassiar Asbestos Corporation Limited) of Territorial Supply Company Limited which has 100% ownership of Yukon Coal Company Limited, Carmacks, Yukon.

*Scale of Operations*

Mill Capacity: 500 tons per day

Treatment Rate, 1958: 480 tons per day

*Production Record*

	Tons Milled	Silver Ounces	Lead Pounds	Zinc Pounds	Cadmium Pounds
1947 to Sept. 30, 1957 .....	1,170,554	43,678,649	185,946,706	140,411,361	1,793,447
Year ended Sept. 30, 1958 ...	175,058	5,984,373	22,255,501	18,610,970	229,308
Total .....	<u>1,345,612</u>	<u>49,663,022</u>	<u>208,202,207</u>	<u>159,022,331</u>	<u>2,022,755</u>

*Ore Reserves*

	Tons	Silver Ozs. per ton	Lead %	Zinc %
All mines except Onek .....	587,940	36.65	6.59	5.53
Onek Mine .....	123,491	10.27	4.40	13.00

*Developments in 1958*

In the fiscal year ended September 30, 1958, the tonnage treated was increased by nearly 10 per cent over that of the preceding year and the production of silver was up about 5 per cent. However, due to the lower prices received for lead and zinc production, there was a substantial decline in earnings. Net profit in 1958 was \$586,840 or 23.7¢ per share compared with \$1,001,748 or 40.5¢ per share in 1957. Four interim dividends, amounting to 32¢ per share and aggregating \$790,400, were declared.

The increase in silver production is attributable to the operation of the cyanide plant during the latter half of the year and to the higher-than-average grade ore obtained in development work at the Elsa Mine which constituted 11% of the mill feed. The cyanide plant treated 80,834 tons of flotation tailings for a recovery of 287,205 ounces of silver.

Development and mining in the Calumet Mine produced 88,527 tons of ore or 50.57% of the tonnage treated, and in the Hector Mine 60,447 tons or 34.53%. The ore reserves were satisfactorily maintained.



*frobisher* LIMITED

The exploration programme at the Keno Mine was continued with encouraging results. Development work at the Elsa Mine included deepening of the shaft and establishing levels at 650 and 775 feet.

During the year the Company purchased the mining properties and other assets of Northwest Mines and Oils Limited (formerly Galkeno Mines) including the mill and certain mineral claims formerly held by an associated company. Purchase price was \$300,000. Rehabilitation of the underground workings, preparatory to commencement of exploration work, has already been started.

*Earnings Record*

	1958	To Date
Net receipts from metal sales and other income .....	\$6,202,002	\$58,487,222
Total cost of operations .....	5,615,162	45,236,787
Net profit .....	<u>\$ 586,840</u>	<u>\$13,250,435</u>

*Management*

- A. E. PIKE - - - - - *Resident Manager*
- C. D. N. TAYLOR - - - - - *Assistant Manager*

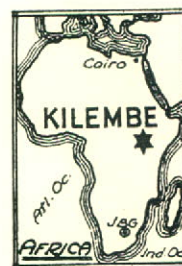
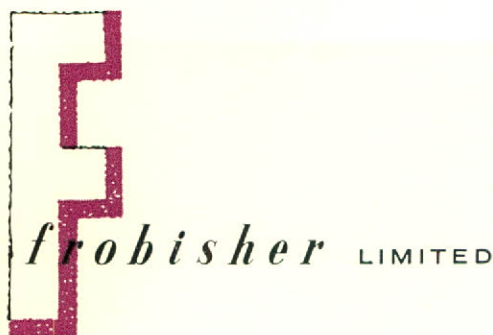
*Falconbridge Nickel Mines Limited*

*Developments  
in 1958*

Although your Company holds only 4% of the outstanding capital, your interest in Falconbridge is one of your major assets. In 1958 this Sudbury area producer completed thirty years of operation, during which time the treatment of some 24,000,000 tons of ore yielded approximately 600,000,000 pounds of nickel and 325,000,000 pounds of copper. Gross income from metal sales and other operating revenue in the thirty-year period totalled \$465,855,613.

In the year ended December 31, 1958, production from the mines, treatment plants and refinery set new records for the ninth consecutive year. However, as a result of lower metal prices, revenues obtained from metal sales and other sources and net earnings declined from their record levels of 1957. A comparison of 1958 operations and earnings with those of 1957 follows:

	1958	1957
Ore delivered from company mines, tons .....	2,087,180	2,011,322
Ores and concentrates delivered to treatment plants, tons .....	2,151,483	2,018,809
Ores milled, tons .....	1,721,360	1,597,265
Ores and concentrates smelted, tons .....	661,101	643,588
Nickel deliveries, pounds .....	48,509,000	46,880,000
Copper deliveries, pounds .....	30,896,000	25,228,000
Gross metal sales and other operating revenues .....	\$56,755,666	\$57,920,755
Net earnings .....	\$ 7,053,209	\$ 9,953,479
Net earnings per share .....	\$1.88	\$2.65



## *Kilembe Copper Cobalt Ltd.*

### *Property and Interests*

Control of Kilembe Mines Limited through ownership of 70% of the issued capital and 33 $\frac{1}{3}$ % of the funded debt of that Company. Kilembe Mines Limited operates a copper-cobalt property with extensive acreage (26.4 square miles) in the western part of Uganda, British East Africa. The following sections relate thereto:

### KILEMBE MINES LIMITED

Mill capacity: 1,335 tons per day.

Treatment rate, 1958: 1,430 tons per day.

### *Scale of Operations*

### *Production Record*

	Tons Milled	Blister Copper Pounds	Cobalt Concentrates Short Tons
July 1, 1956 to December 31, 1957 .....	673,009	17,062,080	48,113
Year ended December 31, 1958 .....	521,922	24,261,440	33,739
	1,194,931	41,323,520	81,852

### *Ore Reserves*

	Tons	% Copper	% Cobalt
Proven .....	3,816,000	2.52	0.17
Probable .....	4,372,000	2.12	0.18
Total .....	8,188,000	2.31	0.18

In addition, there are 1,573,000 tons of proven and probable reserves containing 1.23% copper and 0.22% cobalt, and 4,895,000 tons of possible ore to which no grade can yet be assigned.

### *Developments in 1958*

The 1958 operating profit of \$1,295,609, compared with \$639,301 recorded in 1957, reflects the improvement made in all phases of operation in its second full year of copper production. Tonnage milled was 9% above that for the preceding year. Overall recovery of copper was 91.91% compared with 90.43%, and blister copper production totalled 10,831 long tons compared with 7,467 long tons in 1957. It must be pointed out, however, that 1958 production included 2,338 long tons of blister produced from stockpiled copper concentrates accumulated in



*frobisher* LIMITED

1956-1957. After provision for depreciation, write-offs and interest on long term debt, there was a net loss of \$149,187 compared with a net loss of \$656,515 in 1957.

Gross sales of blister copper totalled \$5,779,137, for an average of 23.82¢ per pound. This compared with the average price of 24.80¢ received in 1957. No value is placed on the production of cobalt concentrates which were stockpiled to await a more favourable cobalt market.

At year end a complete re-assessment of ore reserves was made. In fixing the division between profitable ore and sub-economic mineralized zones, an average copper price of £220 per long ton (27.5¢ per pound) and the current cost of production were used. It may be noted that while there has been some reduction in the tonnage of proven and probable ore, there has been an offsetting increase in grade. No new ore was developed during the year as only the most urgent underground development work tributary to actual mining operations was carried out.

In November a long term expansion programme, aimed at achieving an ultimate capacity of 77,000 to 80,000 tons of ore per month by 1962, was announced. The first phase of the programme has been commenced as an accelerated underground development campaign designed to convert indicated ore into proven reserves. Also, in mid-December the new 500-ton concentrator to treat the higher grade oxide ore reserves was ready for tune-up. Operation of this plant is expected to increase current blister production to a level of 1,000 long tons per month.

*Earnings Record  
of Kilembe Mines  
Limited*

	1958	To Date
Net receipts from metal sales and other income .....	\$5,091,627	\$ 8,737,449
Total cost of operation .....	5,240,814	10,469,169
Net loss .....	<u>\$ 149,187</u>	<u>\$ 1,731,720</u>

*Management*

A. E. PUGSLEY - - - - - *General Manager*



## Geoil Limited

### Summary of Interests

1. A working interest, ranging from 3.33% to 15.38%, in a total of 127 oil wells and 7 capped gas wells.
2. A working interest, ranging from 2.04% to 25.00%, in a gross acreage of 1,560,462 acres, of which 32,233 acres are proven lands and 1,528,229 acres are unproven. The net interest of Geoil is 2,199 acres of proven lands and 83,255 acres of unproven.
3. 50% interest in Trans-Border Oils Limited.
4. 28.33% interest in Ranworth Syndicate.

### Production

	Barrels
To December 31, 1957 .....	221,491
Year ended December 31, 1958 .....	152,516
Total (exclusive of Trans-Border Oils Limited) .....	<u>374,007</u>

### Reserves (after Provision for Royalty)

	1958	1957
Crude Oil, barrels .....	8,774,373	4,590,849
Condensate, barrels .....	821,682	-----
Natural Gas Liquids, barrels .....	1,409,858	518,950
Natural Gas, billion cubic feet .....	42.6	9.6

### Developments in 1958

Development of the Swan Hills field during 1958 confirmed the presence of very substantial reserves of light gravity oil. Permanent camps were established, access roads were constructed and well sites were prepared during the summer season. In October this season's development programme commenced and by year-end eight wells had been completed. These brought the number of producing wells in this area in which Geoil has an interest to a total of fifteen. There were also eight wells either drilling or ready to commence drilling at year-end.

A pipeline was constructed from the Swan Hills field to Edmonton by Federated Pipe Lines Limited, a subsidiary of Home Oil Company Limited. Regular deliveries of oil were commenced in January, 1959.

Two oil wells were completed in the Virginia Hills field and one development well was drilling at year-end. Crude oil production from this field will be trucked to the Federated pipeline at Swan Hills. If oil reserves warrant, the pipeline may be extended to Virginia Hills, a distance of some 21 miles.

While production was maintained from the Pembina, Westward-Ho and Harmattan-Elkton wells, it was drastically curtailed because of proration. Four



*frobisher* LIMITED

producing oil wells were completed on the East Harmattan acreage bringing this land to total development.

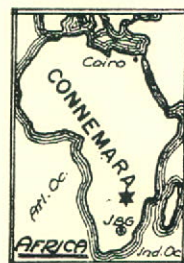
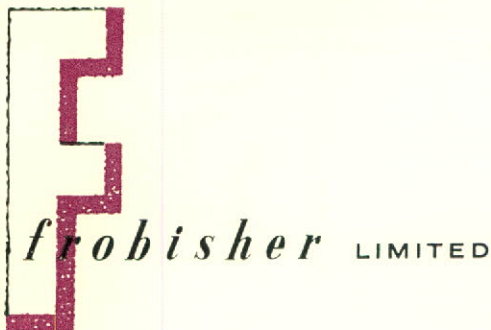
An important wet gas discovery was made in April, 1958, at Carstairs. Four gas wells were completed and one dry hole drilled. The open flow potential of the wells ranges from 40 million cubic feet to 107 million cubic feet per day. The gas carries approximately 34 barrels of condensate and liquid products per 1,000 m. c. f. The production from this field has been committed to Trans Canada Pipelines Limited and it is proposed to construct a gas processing plant in the near future to prepare the gas for marketing.

Home Oil Company Limited has scheduled an extensive exploration and development programme for 1959, in which Geoil will maintain its participation. The programme includes 33 development wells and 29 exploration wells, together with the normal geophysical and geological work.

During 1958 Geoil disposed of its interests in Seoil Limited and Lake St. Clair Gasfields Limited.

*Management*

J. D. BARRINGTON - - - - - *President*



## Connemara Division

398 claims at Hunter's Road, Southern Rhodesia.

Mill capacity: 600 tons per day.

Treatment rate, 1958: 453 tons per day.

*Property and  
Interests*

*Scale of Operations*

*Production Record*

	Tons Milled	Gold Ounces
1948 to December 31, 1957 .....	1,479,115	280,732
Year ended December 31, 1958 .....	160,910	23,991
Total .....	<u>1,640,025</u>	<u>304,723</u>

*Ore Reserves*

	Tons	Gold oz. per ton
Total, proven and possible .....	250,650	0.168

*Developments  
in 1958*

At this mine, which has been on a salvage basis since 1954, operations were continuous throughout 1958. The tonnage milled was fractionally higher than that of the preceding year and overall recovery was slightly improved. However, due to the substantial drop in grade of ore from the mine, gold production dropped 11% below that of 1957 and net profit declined from \$89,979 in 1957 to \$19,935 in 1958.

The limited development programme carried on throughout the year not only replaced the tonnage milled but brought about a small increase in ore reserves at year end. In addition to the proven reserves shown above there are 34,140 tons of possible ore and some 20,000 tons of low-grade leached oxide ore on surface dumps.

The current reserves are more than adequate to sustain the operation through 1959, but it will be apparent that there is an ever-dwindling margin of profit in the treatment of these remaining ores. However, the revenues produced, despite their modest nature, are serving the useful purpose of supporting the activities of our general exploration staff operating out of Bulawayo.

*Earnings Record*

	1958	To Date
Net receipts from metal sales and other income .....	\$ 836,417	\$11,056,610
Total cost of operation .....	816,482	11,018,837
Net Profit .....	<u>\$ 19,935</u>	<u>\$ 37,773</u>

*Management*

D. L. COULTER - - - - - Resident Manager



*frobisher* LIMITED



*Property and Interests*

1. 67 claims in Louvicourt Township, Val d'Or District, Quebec.
2. 54.85% interest in Dunterra Copper Mines Limited.

*Scale of Operations*

Mill Capacity: 500 tons per day.

Treatment rate in 1958: 441 tons per day (80 days)

*Production Record*

	Tons Milled	Copper Pounds	Gold Ounces	Silver Ounces
May 1, 1956 to December 31, 1957 ..	245,926	7,016,203	1,314	24,851
3 months ended March 31, 1958 .....	34,842	939,563	172	3,658
	<u>280,768</u>	<u>7,955,766</u>	<u>1,486</u>	<u>28,509</u>

*Ore Reserves*

	Tons	% Copper
Probable Ore .....	227,700	1.18
Possible Ore .....	422,730	1.24
Total .....	<u>650,430</u>	<u>1.22</u>

(Estimated on basis of a 20% allowance for dilution and 90% mining recovery).

*Developments in 1958*

On March 20, 1958, because of the substantial decline in the price of copper, production was suspended at the Rainville Mine after not quite two years of operation. At the time of suspension a high degree of efficiency in operation had been achieved which was being reflected in low operating costs.

Development operations in the No. 2 Shaft area, which had as their objective the exploration of the No. 2 ore zone, had been terminated earlier in the year while still in a very preliminary stage. Since re-opening of the mine under any circumstances would, of necessity, be contingent upon substantial tonnages of ore being found in that area, a surface drilling programme on the No. 2 Zone was initiated in December. Its purpose was to assess the broad potential of some 10,000 ft. of favourable strike through 22 holes spaced at intervals of 400 feet. Two holes had been completed by the end of the year, and completion of the programme is scheduled for April, 1959.

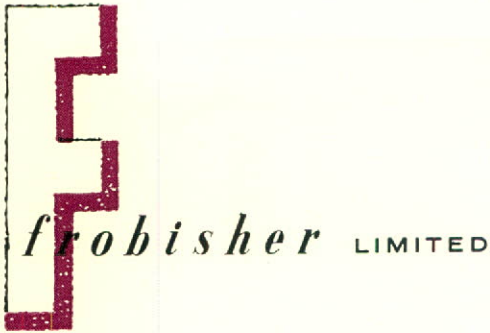
*Earnings Record*  
(subject to audit)

	1958	To Date
Net receipts from metal sales and other income .....	\$ 136,913	\$1,690,470
Total cost of operation .....	251,609	1,951,502
Net loss .....	<u>\$ 114,696</u>	<u>\$ 261,032</u>

*Management*

W. A. HUBACHEK - - - - - Mine Manager





## Childs-Rankin Project

Approximately 4,200 acres in Mayo and Dungannon Townships, Hastings County, Southeastern Ontario, on which are situated the former producing magnetic iron mines known as the Childs, Rankin and Bessemer.

### Property and Interests

### Ore Reserves

	Tons	% Recoverable Iron
Childs property .....	6,193,330	19.25
Rankin property .....	15,691,599	15.32
Bessemer property .....	2,480,819	28.62
	<u>24,365,748</u>	<u>17.67</u>

### Developments in 1958

Work during the year was devoted to making a complete re-appraisal of this project. In view of the demonstrated low-grade nature of the orebodies your Company's engineers felt that the tolerable margin for error was exceptionally low and that consequently the accuracy of engineering data relative to the project must be beyond question.

A further programme, consisting of 30,248 feet of diamond drilling in 66 holes, was therefore carried out on the three deposits to supplement previous data and provide detailed information required in planning open pit and underground operations. This brings the total drilling done on the properties, since they were acquired by your Company in 1941, to 61,240 feet in 140 holes. The reserves indicated in the Childs and Rankin deposits can be mined by open pit mining methods but the Bessemer deposit will require underground mining.

Metallurgical tests conducted on bulk and drill core samples indicate that the ore can be concentrated at a ratio of 3.94:1 to produce a concentrate grading better than 66% iron. Indicated recovery of magnetic iron is 97%. Impurities in the concentrate are all within the limits generally acceptable to the steel industry.

A schematic production plan has been evolved which envisages output of 350,000 long tons of iron concentrates per year from a mill that would handle 4,000 tons of ore per day. The overall life of the operation on this basis would be approximately 18 years, and would be capable of substantial extension thereafter by inaugurating an underground operation at the Childs-Rankin mine. The total capital cost of bringing the project to the stage of production is calculated as being in the order of \$8 million. Marketing arrangements and financing methods are currently being given detailed study by your Company.

### Financial Record

	1958	To Date
Funds expended .....	\$122,688	\$430,659



## *Wesfrob Mines Limited*

33 magnetite-copper claims on Moresby Island, the southern island of the Queen Charlotte Group in British Columbia.

### *Property and Interests*

### *Ore Reserves* (1958 Recalculation)

Section of Deposit	Tons	Iron %	Copper %
Zone 1 .....	1,622,200	56.5	—
Zone 2 .....	1,498,200	60.1	0.30
Zone 3 .....	1,878,700	55.8	1.32
Total .....	<u>4,999,100</u>	<u>57.3</u>	<u>0.59</u>

### *Developments in 1958*

No development work was carried out on the Tassoo magnetite deposits as the ore reserves indicated by the 1956-57 drilling programme were considered adequate to justify their exploitation. As explained in your Company's 1957 Annual Report, positive production plans were deferred pending development of a more favourable economic and political climate.

During 1958 there were encouraging signs that this period of enforced postponement of active development may not be of any extended duration. In a Court action in which the Government of British Columbia charged certain producing iron ore companies with non-payment of taxes, levied under their recent punitive mining legislation, the judgment held that the legislation was ultra vires. Anticipating that this decision may result in repeal of the objectionable mining laws, whether or not the Government carries an appeal to the Supreme Court of Canada, several iron and steel groups from Japan, United States and Canada have since exhibited keen interest in the Wesfrob deposits. Although several proposals have been made to your Company as a result of discussions with their representatives it would still appear to be judicious policy to reserve judgment thereon for the time being.

### *Financial Record*

	1958	To Date
Funds expended .....	\$18,109	\$333,646



*frobisher* LIMITED

*Property and  
Interests*

*Developments  
in 1958*

*Management*

*Quebec Metallurgical Industries Ltd.*

1. Metallurgical laboratory, research and manufacturing facilities at Billings Bridge, Ottawa, Ontario.
2. Patent rights on thirteen metallurgical processes and pending patent applications on six other metallurgical reduction methods.
3. Varied interests in a number of mining and metallurgical projects in various stages of development.

The policy of consolidating assets continued during the year with the result that at year-end the Company's quick assets exceeded \$1,700,000 and its liabilities were negligible.

On the magnetite placer property in Alaska of Klukwan Iron Ore Corporation development work was continued throughout the year with satisfactory results. This work was carried out by Columbia Iron Mining Company, a subsidiary of U.S. Steel, which has a four-year option on the property until March, 1960.

Mineracao de Ouro de Jacobina Limitada, a small gold mine in Brazil, made a satisfactory profit during the year while modestly increasing the daily tonnage treated. An adjoining property was acquired for prospecting.

The South West Africa tin properties, in which Q.M.I. was associated with Ventures Limited, were sold to the South African Iron and Steel Corporation at the end of the year.

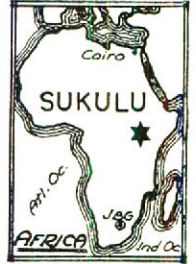
The Company's major research projects — the development of a chemical process for the recovery of metals from the New Caledonia nickel-cobalt laterite ores and the development of a process to economically produce tantalum powder of suitable quality for the production of capacitors — both reached the stage where pilot plant testing is necessary. At year-end negotiations were under way with possible buyers for both processes.

Work done during the year at the Company's Wedeene River prospect near Kitimat, B.C., suggests the occurrence of a worthwhile concentrating grade iron deposit. This will be investigated further in 1959.

NORMAN B. DAVIS - - - - - *President & General Manager*



*frobisher* LIMITED



## *Sukulu Mines Limited*

### *Property and Interests*

Extensive apatite-niobium-magnetite deposits in the Sukulu Hills near the Uganda-Kenya border in British East Africa. Frobisher Limited shares interest in this project with Uganda Development Corporation Limited and Olin Mathieson Chemical Corporation Inc.

### *Ore Reserves*

	Tonnage	P <sub>2</sub> O <sub>5</sub> as Apatite %	Nb <sub>2</sub> O <sub>5</sub> as Pyrochlore %
Proven and Indicated .....	203,000,000	13.1	0.2

### *Developments in 1958*

Small scale production of bulk sample material continued at the property until the end of the year at which time all operations were suspended. Some 1,415 tons of apatite concentrates and 1,706 lbs. of niobium concentrates were produced from the treatment of 7,241 tons of residual soil. The Uganda Development Corporation Limited, whose principal interest lies in bringing about the establishment of this new national industry, supplied loan capital throughout the year to sustain this work.

Extensive negotiations throughout the year, conducted to the end of securing the major funds required to initiate large-scale production, were not successful. However, the interest of a group concerned with the manufacture of fertilizer was stimulated. The feasibility of establishing a relatively small integrated production unit to supply the local fertilizer requirements of East Africa is now under serious study by that group and the U.D.C. If their current plans can be brought to fruition it would be the hope that these proposed facilities might prove, in due course, to be merely the first phase of the more comprehensive scheme which this very large deposit would seem to warrant.

### *Financial Record*

	1958	To Date
Funds expended (by all partners) .....	\$ 266,881	\$1,714,859

### *Management*

A. E. PUGSLEY - - - - - *Managing Director*



*frobisher* LIMITED

## *Brief Notes on Other Projects of Importance*

### *Akaitcho Yellowknife*

*Akaitcho Yellowknife Gold Mines Limited.* During the field season a programme of exploratory diamond drilling was carried out on the Akaitcho property, which adjoins Giant Yellowknife to the north, to investigate ore making possibilities to the north of the Akaitcho fault. The Company's present ore reserves all lie south of the fault which bisects the property roughly into north and south halves. A total of 10,216 feet in 12 vertical holes was drilled at 400-500-ft. intervals along two 2,000-ft. east-west traverse lines. All of the holes encountered a zone of sericite-chlorite schist (the formation with which Giant ore is associated) which appears to occur as a distinct horizon with fold-like undulations below the surface. Although the values encountered therein were low (the best being a 1.5 ft. section grading 0.09 ounce gold per ton) the drilling results may be considered encouraging in that they indicate that potentially favourable conditions persist in the large property area north of the fault. Consideration is being given to a further programme of exploratory drilling in 1959.

### *El Wak*

*El Wak Oil Project.* As previously announced, your Company has been successful in acquiring from the Governments of Somalia and Kenya exclusive rights to explore and exploit the petroleum potential of one of the few large unexplored sedimentary basins remaining in the world. The 50-million acre area (70,000 square miles in Somalia and 7,900 square miles in adjoining Kenya) covers the entire El Wak Mesozoic sedimentary basin and a portion of the contemporary sedimentary area which constitutes the Somalian coastal plain. In September field work, designed to investigate the El Wak basin proper, was initiated in Kenya by a small field staff with headquarters in Nairobi. Since then our exploration programme has been extended into Somalian territory and has been supplemented by the employment of specialized contractors. Hunting Technical Services are compiling geologic maps covering the Kenya concession where air photo cover was already available. Spartan Air Services (Eastern) Limited are photographing 20,000 square miles of the Somalian concession area, adjacent to the Kenya border, and will subsequently carry out similar photogeologic interpretation when their photography has been completed.

### *Joliet-Quebec*

*Joliet-Quebec Mines Limited.* Modest royalty revenues were received from Noranda Mines Limited on the ore mined in its 25-acre leased block. The Company was otherwise inactive.

### *Michipicoten*

*Michipicoten Iron Mines Limited.* Your Company's interest in the Josephine Mine of Michipicoten Iron Mines Limited and the nearby Ruth and Lucy properties is regarded as an important asset. Aggregate ore reserves in which Frobisher has equity stand at 4,000,000 tons of hematite (iron oxide) and 45,000,000 tons of siderite (iron carbonate) to vertical depths of less than 1,000



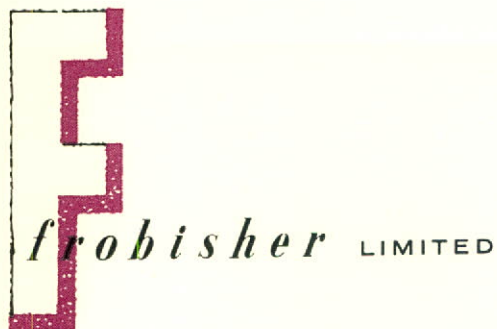
### *St. Eugene*

feet. These geographically well-located deposits will undoubtedly warrant ultimate development.

*St. Eugene Mining Corporation Limited.* The St. Eugene west coast assets include several copper prospects, two magnetite deposits, a major interest in large reserves of lignite coal, limestone and other non-metallic mineral deposits. During the past year sufficient exploration work was done to keep all the properties in good standing. However, the long term lease from Consolidated Mining and Smelting Company Limited with respect to its property at Moyie, B.C. was allowed to lapse at the end of the year. The most important activity was the exploration work carried out by the optionee of the lignite properties of Inland Resources Limited, a substantial interest in which is held by St. Eugene. In July, 1957, Inland Resources granted a one-year purchase option on this property, located near Pavilion, B.C., to Western Power and Development Company, a subsidiary of B.C. Electric Co. Ltd. During that year the drilling programme carried out by Western Power indicated reserves of 144 million tons. An extension of the option, to February 8, 1960, on terms most satisfactory to Inland Resources, has since been granted.

### *Stewart Island*

*Stewart Island Uranium Prospect.* In June, 1955, Frobisher Limited entered into an option agreement with respect to 37 uranium claims on Stewart Island in Lake Athabaska. A challenge by another company as to the validity of the agreement has led to prolonged litigation in the Queen's Bench Court and the Saskatchewan Court of Appeal. The matter has now reached the Supreme Court of Canada, where the case has been heard. No judgment has yet been delivered by that Court.



## *Auditors' Report*

To the Shareholders of  
Frobisher Limited:

We have examined the consolidated balance sheet of Frobisher Limited and its wholly-owned subsidiary companies as at December 31, 1958 and the statements of consolidated profit and loss and deficit 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.

As stated in note 1 to the consolidated financial statements, no provision has been made in the accounts of Frobisher Limited for its interest of \$1,670,892 in the aggregate of the losses less profits of the unconsolidated subsidiaries from the date of their acquisition to December 31, 1958, including \$440,269 for the year ended on that date. With this exception, in our opinion the accompanying consolidated balance sheet and statements of consolidated profit and loss and deficit, when read in conjunction with the notes appended thereto, present fairly the financial position of the companies consolidated therein as at December 31, 1958 and the results of their operations for the year ended on that date.

CLARKSON, GORDON & CO.,  
Chartered Accountants.

Toronto, Canada,  
March 24, 1959.



*frobisher*

LIMITED

INCORPORATED UNDER THE LAWS OF ONTARIO

## Consolidated Balance Sheet

(with comparative figures)

### ASSETS

	1958	1957
<b>CURRENT:</b>		
Cash .....	\$ 287,190	\$ 800,486
Bullion in transit .....	40,032	42,238
Short term investments at cost .....	1,338,904	
Accounts receivable —		
Subsidiary and associated companies .....	26,204	17,709
Sundry .....	31,675	52,492
	<u>\$ 1,724,005</u>	<u>\$ 912,925</u>
<b>INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES AT COST LESS AMOUNTS WRITTEN OFF (note 3):</b>		
Subsidiary companies —		
Shareholdings .....	\$ 6,397,202	\$ 6,621,178
Advances .....	2,246,698	1,906,549
	<u>\$ 8,643,900</u>	<u>\$ 8,527,727</u>
Associated and other companies —		
Shareholdings .....	\$10,246,347	\$13,210,329
Advances .....	246,191	1,753,157
	<u>\$10,492,538</u>	<u>\$14,963,486</u>
	<u>\$19,136,438</u>	<u>\$23,491,213</u>
<b>FIXED:</b>		
Buildings, plant and equipment, at cost .....	\$ 1,470,150	\$ 1,439,890
Less accumulated depreciation .....	1,398,079	1,364,873
	<u>\$ 72,071</u>	<u>\$ 75,017</u>
Mining properties at cost .....	410,134	395,606
	<u>\$ 482,205</u>	<u>\$ 470,623</u>
<b>OTHER:</b>		
Exploration expenditures carried forward .....	\$ 1,335,405	\$ 1,483,354
Supplies and spare parts at the lower of cost or market .....	163,290	180,462
Sundry prepayments and deferred charges .....	10,635	14,835
	<u>\$ 1,509,330</u>	<u>\$ 1,678,651</u>
	<u>\$22,851,978</u>	<u>\$26,553,412</u>

The notes to consolidated financial statements are an integral part of the above



# as at December 31, 1958

(for December 31, 1957)

## LIABILITIES

	1958	1957
CURRENT:		
Accounts payable and accrued charges .....	\$ 192,562	\$ 221,193
Amounts owing to subsidiary and associated companies .....	3,597	2,186
	<u>\$ 196,159</u>	<u>\$ 223,379</u>
COMMITMENTS AND CONTINGENT LIABILITIES (note 4)		
ADVANCES FROM VENTURES LIMITED .....	\$ 1,577,518	\$ 1,577,518
LONG TERM:		
4% convertible debentures due February 15, 1968 (note 3) .....	\$ 5,000,000	\$ 5,000,000
SHAREHOLDERS' EQUITY:		
Capital (note 5) —		
Authorized — 7,500,000 shares of no par value		
Issued — 6,808,333 shares .....	\$23,059,607	\$23,059,607
Deficit (note 6) .....	6,981,306	3,307,092
	<u>\$16,078,301</u>	<u>\$19,752,515</u>

Approved on behalf of the Board:

A. J. ANDERSON, Director.

B. S. W. BUFFAM, Director.

<u>\$22,851,978</u>	<u>\$26,553,412</u>
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consolidated balance sheet and should be read in conjunction therewith.

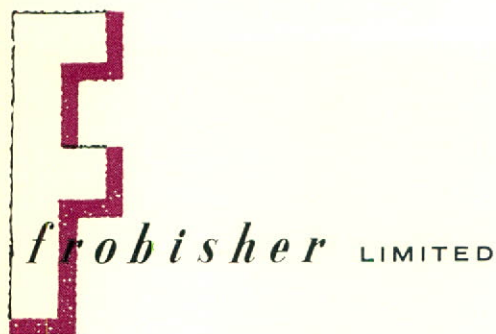


**STATEMENT OF CONSOLIDATED DEFICIT  
FOR THE YEAR ENDED DECEMBER 31, 1958**

*(with comparative figures for the year 1957)*

	1958	1957
Balance at beginning of the year, consisting of (note 6):		
Earned surplus .....	\$ (336,334)	\$ (76,134)
Special deficit .....	4,488,426	3,526,924
Provision for depletion on shares of associated companies .....	(845,000)	(690,000)
	\$3,307,092	\$2,760,790
Deduct net profit for the year .....	250,814	415,200
	\$3,056,278	\$2,345,590
Add:		
Amounts written off—		
Shareholdings of associated and other companies .....	\$2,371,025	\$1,624,291
Advances to associated companies .....	1,306,579	(3,075)
Exploration expenditures .....	794,575	207,708
Net loss of exploration subsidiaries .....	30,650	6
Net (gain) on sales of investments .....	(573,680)	(872,255)
Loss or (profit) on conversion of the net foreign currency assets of exploration subsidiaries .....	(4,121)	4,827
	\$3,925,028	\$ 961,502
Balance at end of the year .....	\$6,981,306	\$3,307,092

The notes to consolidated financial statements are an integral part of the above statement of consolidated deficit and should be read in conjunction therewith.



**STATEMENT OF CONSOLIDATED PROFIT AND LOSS  
FOR THE YEAR ENDED DECEMBER 31, 1958**

*(with comparative figures for the year 1957)*

	1958	1957
<b>HEAD OFFICE DIVISION :</b>		
Interest earned and dividends received from associated companies —		
Falconbridge Nickel Mines Limited .....	\$ 180,000	\$ 180,000
Giant Yellowknife Gold Mines Limited .....	117,747	235,493
United Keno Hill Mines Limited .....	233,368	364,638
Other .....	32,029	1,808
	\$ 563,144	\$ 781,939
Interest earned and dividends received from other companies .....	50,142	824
	\$ 613,286	\$ 782,763
<b>Deduct :</b>		
Administrative and general expenses .....	\$ 96,281	\$ 158,151
Remuneration of directors as such .....	7,250	5,921
Interest on debentures .....	200,000	200,000
Interest on advances from Ventures Limited .....	78,876	78,876
Other interest paid .....		14,594
	\$ 382,407	\$ 457,542
Net profit of Head Office Division .....	\$ 230,879	\$ 325,221
<b>CONNEMARA DIVISION (Southern Rhodesia) :</b>		
Net proceeds from production .....	\$ 816,533	\$ 895,195
Sundry income .....	19,884	13,107
	\$ 836,417	\$ 908,302
<b>Deduct :</b>		
Operating expenses (excluding allowance for depreciation) .....	\$ 772,683	\$ 775,297
Allowance for depreciation .....	33,290	55,620
Loss or (profit) on conversion of foreign currencies .....	10,509	(12,594)
	\$ 816,482	\$ 818,323
Net profit of Connemara Division .....	\$ 19,935	\$ 89,979
<b>NET PROFIT FOR THE YEAR (excluding items in consolidated deficit) .....</b>	<b>\$ 250,814</b>	<b>\$ 415,200</b>

The notes to consolidated financial statements are an integral part of the above statement of consolidated profit and loss and should be read in conjunction therewith.



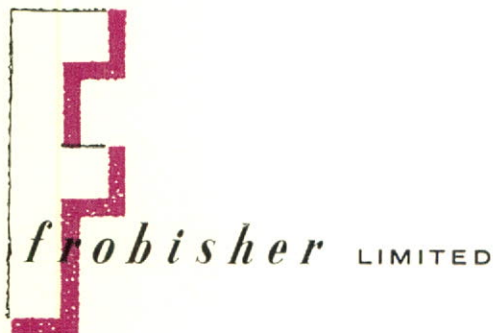
**FROBISHER LIMITED**  
**STATEMENT OF CONSOLIDATED INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES**  
**AS AT DECEMBER 31, 1958 AND DECEMBER 31, 1957**

	December 31, 1958				December 31, 1957					
	Share and bondholdings				Share and bondholdings					
	Number of shares or par value	% of out-standing capital	Indicated market values (note 1)	Cost less amounts written off	Advances	Number of shares or par value	% of out-standing capital	Indicated market values (note 1)	Cost less amounts written off	Advances
<b>Subsidiary companies:</b>										
Kilembe Copper Cobalt Ltd. ....	1,900,723	75.9	\$ 4,941,880	\$ 6,124,791	\$2,246,698	1,928,823	77.0	\$ 1,928,823	\$ 6,252,295	\$1,604,137
Supercrest Copper Mines Limited .....	1,590,005	56.0		272,411		1,590,005	56.0		272,411	40,000
Wesfrob Mines Limited .....						950,005	95.0		54,032	262,412
Miscellaneous participations of less than \$50,000 each .....									42,440	
			<u>\$ 4,941,880</u>	<u>\$ 6,397,202</u>	<u>\$2,246,698</u>			<u>\$ 1,928,823</u>	<u>\$ 6,621,178</u>	<u>\$1,906,549</u>
<b>Associated and other companies:</b>										
Akaitcho Yellowknife Gold Mines Limited	1,165,230	35.7	\$ 617,572	\$ 380,243		1,165,230	35.7	\$ 384,526	\$ 380,243	
Anyox Metals Limited .....	200,000	40.0			\$ 82,592	200,000	40.0			\$ 78,327
Beaver Lodge Uranium Mines Limited .....						48,000	1.8	4,800	60,000	
British Newfoundland Corporation										
— common shares .....										
— founders shares .....										
Consolidated Pershcourt Mines Limited .....	36,000		5,580	65,150		36,000		2,700	65,150	
Empresa Minera de Mantos Blancos S.A.										
Eureka Corporation Limited .....						88,850	2.5		123,450	
Falconbridge Nickel Mines Limited (note 2)	150,000	4.0	4,275,000	722,091		173,101	5.4		173,101	63,168
Geoil Limited (note 3) .....	1,732,648	31.8		4,699,750		1,575,685	52.1		4,487,850	211,900
Giant Yellowknife Gold Mines Limited (note 2) .....	784,977	19.6	5,769,581	164,244		784,977	19.6	3,336,152	164,244	

Horne Fault Mines Limited	881,634	33.8	84,900	31,971	881,634	33.8	44,082	84,900	23,072
International Ronwick Limited					315,825	10.9	23,687	23,687	
Joliet-Quebec Mines Limited	1,031,800	20.1	134,602	299,222	1,031,800	20.1	196,042	134,602	
Lake Dufault Mines Limited	224,962	5.4	83,070	130,480	224,962	5.4	80,986	83,070	
Latin American Mines Limited	444,614	16.8	296,290	120,045	444,614	16.8	115,600	296,290	
Michipicoten Iron Mines Limited	874,106	32.6	304,814		874,106	32.6		304,814	90,786
Namwala Concessions Limited — ordinary shares of 10 shillings each, 7/3d paid	80,000		78,227						
New Calumet Mines Limited					1,282,639	27.7	230,875	348,767	
Northern Mining Company					2,250	15.0		317,873	6,782
Northfield Canada Limited	20,004	17.4	90,004		20,004	17.4		90,004	
Northwest Power Industries Limited									658,134
Pitiley's Island Copper Pyrite Limited	600,000	41.3	125,000		600,000	41.3		125,000	
Quebec Metallurgical Industries Ltd.	1,146,249	22.7	917,000	917,000	1,146,249	22.7	779,449	2,503,897	
Rainville Mines Limited									
— shares	612,143	21.8	404,894	17,500	612,143	21.8	183,643	404,894	
— 7% debentures due December 31, 1968	\$140,000		140,000						
St. Eugene Mining Corporation Limited	841,185	34.8	319,989	22,000	841,185	34.8		319,989	564,598
Sukulu Mines Limited									
— common shares	54,321	37.6	146,002	548	48,160	40.0		128,849	15,722
— 5% preference shares	81,900	35.6	204,000		81,900	35.6		221,252	
United Keno Hill Mines Limited (note 2)	729,276	29.5	453,425	2,917,104	729,276	29.5	2,734,785	453,425	
Miscellaneous participations of less than \$60,000 each —									
Those with market value			204,888	277,661			158,798	358,220	
Those without market value			227,764	794				505,233	40,668
			\$15,610,832	\$ 246,191			\$11,586,063	\$13,210,329	\$1,753,157
			\$20,552,712	\$2,492,889			\$13,514,886	\$19,831,507	\$3,659,706

NOTES:

- The market values shown are based on closing market prices at December 31, 1958 and December 31, 1957. Because of the number of shares involved, the indicated market value for certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold.
- See note (3) to consolidated financial statements as to shareholdings hypothecated as security for the company's outstanding 4% convertible debentures.
- Geoil Limited classified as a subsidiary in 1957 (52.1%) is now classified as an associated company (31.8%) and the 1957 figures have been adjusted to reflect this reclassification.



## Notes to Consolidated Financial Statements

AS AT DECEMBER 31, 1958

1. The consolidated financial statements reflect the financial position and operating results of the company and its wholly-owned subsidiaries. The company's investment in its other subsidiaries is shown as a separate item in the balance sheet; they have not been consolidated because of substantial minority interests.

No dividends were received from the unconsolidated subsidiaries during the year ended December 31, 1958. No provision has been made in the accounts of Frobisher Limited for its interest of \$1,670,892 in the aggregate of the losses less profits of these subsidiaries accumulated from the date of their acquisition to December 31, 1958, including \$440,269 for the year ended on that date which arises from the consolidated loss of Kilembe Copper Cobalt Ltd. and its operating subsidiary.

2. Assets and liabilities in currencies other than Canadian dollars are converted into Canadian funds at the current quoted rates of exchange at December 31, 1958, except fixed assets (and the related accumulated depreciation) and exploration expenditures which are converted at the rates of exchange prevailing when the expenditures on the assets were made.

Revenues and expenses in currencies other than Canadian dollars are converted into Canadian funds at approximately the average monthly quoted rates of exchange, except the allowance for depreciation and exploration expenditures written off, which are converted at the rates of exchange prevailing when the expenditures on the related assets were made.

3. The company has pledged 500,000 shares of Giant Yellowknife Gold Mines Limited, 500,000 shares of United Keno Hill Mines Limited and 150,000 shares of Falconbridge Nickel Mines Limited under the trust indenture securing the 4% convertible debentures.
4. Subsequent to December 31, 1958 the company paid \$723,722 for an additional 289,489 shares of Kilembe Copper Cobalt Ltd. in connection with rights issued by that company.

On March 17, 1959 Kilembe Copper Cobalt Ltd. called all its outstanding collateral trust debentures totalling \$2,989,000 for redemption on May 18, 1959 at par and accrued interest. On the same date it called all of its outstanding redeemable stock purchase warrants for redemption on May 19, 1959. Prior to the redemption date the holders of these warrants are entitled to purchase one share of Kilembe Copper Cobalt Ltd. stock for \$3.00 per share for each warrant. If the funds made available by May 18, 1959 through the exercise of these stock purchase warrants should be insufficient to redeem all of the company's outstanding debentures, Frobisher Limited has agreed to advance the balance of the funds required (maximum \$3,000,000) to Kilembe Copper Cobalt Ltd. on terms no less favourable than those provided in the trust deed securing the present debentures.

As part of the consideration for the agreement referred to in the previous paragraph, Frobisher Limited received an option to purchase 122,547 shares of Kilembe Copper Cobalt Ltd. at \$2.10 per share on or before December 31, 1962; Frobisher Limited has agreed that it will exercise this option upon the written demand of Kilembe Copper Cobalt Ltd.

5. 500,000 unissued shares are reserved for possible issuance upon conversion of 4% convertible debentures.
6. As at January 1, 1958 the company's earned surplus and special deficit accounts were combined and the provision for depletion on shares of associated companies was transferred to deficit. The 1957 figures shown in the statements of consolidated profit and loss and deficit have been adjusted to give effect to this consolidation of accounts including the elimination of the transfer of \$155,000 from 1957 income to the provision for depletion on shares of associated companies.

# KILEMBE COPPER COBALT LTD.

## CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1958

(with comparative figures for December 31, 1957)

	1958	1957
<b>ASSETS</b>		
Current:		
Cash .....	\$ 153,417	\$ 24,158
Accounts receivable .....	59,361	51,005
Metal settlements receivable .....	504,531	651,932
Copper on hand and in process at estimated realizable value .....	127,085	784,794
Inventory of materials and supplies at cost .....	1,890,753	1,556,522
Total current assets .....	<u>\$ 2,735,147</u>	<u>\$ 3,068,411</u>
Funds on deposit with the trustee for the debenture holders (note 2) .....	\$ 132,871	\$ 197,919
Fixed assets (including preproduction expenses):		
Mining concessions at cost .....	\$ 479,778	\$ 479,778
Less accumulated amortization .....	59,972	35,983
	<u>\$ 419,806</u>	<u>\$ 443,795</u>
Land, buildings, machinery, plant and equipment at cost .....	\$12,728,503	\$11,850,792
Less accumulated depreciation .....	1,896,478	1,147,346
	<u>\$10,832,025</u>	<u>\$10,703,446</u>
Development and preproduction administration expenses .....	\$ 7,656,635	\$ 7,565,716
Less accumulated amortization .....	1,002,186	592,162
	<u>\$ 6,654,449</u>	<u>\$ 6,973,554</u>
	<u>\$17,906,280</u>	<u>\$18,120,795</u>
Deferred charges:		
Debenture discount and expenses less amounts written off .....	\$ 156,658	\$ 247,988
Prospecting .....	104,409	51,145
	<u>\$ 261,067</u>	<u>\$ 299,133</u>
	<u>\$21,035,365</u>	<u>\$21,686,258</u>
<b>LIABILITIES</b>		
Current:		
Accounts payable and accrued charges .....	\$ 833,949	\$ 733,597
Portion of long-term debt payable within one year .....	800,000	600,000
Provision for leave pay and passages .....	121,656	139,633
Due on current account to Frobisher Limited, parent company .....	21,978	76,085
Accrued interest on long-term debt .....	78,962	93,504
Total current liabilities .....	<u>\$ 1,856,545</u>	<u>\$ 1,642,819</u>
Long-term debt:		
Kilembe Copper Cobalt Ltd. (note 3) —		
5½% 10-year collateral trust debentures .....	\$ 3,789,000	\$ 4,389,000
Less amount payable within one year included under current liabilities .....	800,000	600,000
	<u>\$ 2,989,000</u>	<u>\$ 3,789,000</u>
Promissory notes and accrued interest thereon payable to Frobisher Limited, parent company, subject to prior payment of all the collateral trust debentures .....	2,395,920	1,650,668
	<u>\$ 5,384,920</u>	<u>\$ 5,439,668</u>
Kilembe Mines Limited —		
6% first mortgage debenture stock redeemable by a sinking fund commencing in the year ending December 31, 1959 calculated to redeem the stock by December 31, 1975 — issued (£1,500,000) less held by Kilembe Copper Cobalt Ltd. (£500,000) .....	2,738,870	2,738,870
6% unsecured loan stock 1960 (£500,000; £600,000 in 1957) less held by Kilembe Copper Cobalt Ltd. (£166,667; £200,000 in 1957) .....	918,135	1,101,758
	<u>\$ 9,041,925</u>	<u>\$ 9,280,296</u>
Minority interest in subsidiary (30%) .....	\$ 4,102,629	\$ 4,148,660
Shareholders' equity:		
Capital (notes 4, 5 and 6) —		
Authorized — 5,000,000 shares of a par value of \$1 each		
Issued — 2,504,810 shares .....	\$ 2,504,810	\$ 2,504,810
Contributed surplus .....	5,631,865	5,631,865
Redeemable stock purchase warrants —		
Issued — warrants for the purchase of 996,100 shares .....	99,610	99,610
	<u>\$ 8,236,285</u>	<u>\$ 8,236,285</u>
Less deficit .....	2,202,019	1,621,802
	<u>\$ 6,034,266</u>	<u>\$ 6,614,483</u>
	<u>\$21,035,365</u>	<u>\$21,686,258</u>

# KILEMBE COPPER COBALT LTD.

## STATEMENTS OF CONSOLIDATED OPERATIONS AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1958

(with comparative figures for the year ended December 31, 1957)

OPERATIONS	1958	1957
Metal sales .....	\$5,779,137	\$4,147,906
Deduct:		
Transportation costs .....	\$ 306,052	\$ 243,727
Refining charges .....	350,218	237,309
Selling and sampling expense .....	31,240	21,048
	\$ 687,510	\$ 502,084
Net proceeds from metal sales .....	\$5,091,627	\$3,645,822
Operating and administration costs:		
Development .....	\$ 179,057	\$ 67,593
Rock breaking .....	987,762	921,561
Milling .....	542,034	544,844
Roasting copper concentrates .....	188,763	115,452
Freight on concentrates .....	848,873	153,447
Smelting .....	391,820	801,809
Mine office administration .....	50,494	491,046
Parent company administration (including legal fees of \$10,003 (\$7,443 in 1957) and executive salaries of \$13,587 (\$12,424 in 1957)) .....	50,494	43,440
Insurance recovery in connection with explosion damage .....	657,709	(82,229)
Decrease in inventory of copper on hand and in process .....	657,709	27,625
	\$3,846,512	\$3,084,588
Operating profit before the undernoted items .....	\$1,245,115	\$ 561,234
Mining concession costs written off .....	\$ 23,989	\$ 23,989
Development and preproduction administration expenses written off .....	410,024	411,886
Depreciation .....	716,796	684,321
Amortization of debenture discount and expenses .....	91,329	137,698
Interest on long-term debt .....	554,140	551,104
Foreign withholding taxes .....	41,440	22,558
Premium on redemption of 6% unsecured loan stock 1960 .....	5,408	5,408
Loss (gain) on conversion to Canadian dollars .....	30,763	(34,627)
Interest received on deposit with the trustee for the debenture holders .....	(2,526)	(6,782)
	\$1,871,363	\$1,790,147
Loss for the year .....	\$ 626,248	\$1,228,913
Deduct minority shareholders' interest .....	46,031	241,180
Loss transferred to deficit .....	\$ 580,217	\$ 987,733
Deficit balance at beginning of the year .....	1,621,802	634,069
Deficit balance at end of the year .....	\$2,202,019	\$1,621,802

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1958

1. Most of the expenditures and liabilities of Kilembe Mines Limited have been incurred in pounds sterling (or in British East African currency which is freely convertible to sterling). Fixed assets and related depreciation and amortization have been converted to Canadian dollars at the rates of exchange prevailing at the time of acquisition of the assets; share capital, debentures and unsecured loan stock have been converted to Canadian dollars at the rates of exchange in effect at the dates on which payments for such shares, debentures or loan stock were made; other assets and liabilities have been converted at \$2.704 = £1, being the approximate rate of exchange in effect at December 31, 1958. Revenues and expenses have been converted to Canadian dollars at the average monthly rates of exchange in effect during the year except that depreciation and amortization have been converted at the rates prevailing when the expenditures on the related fixed assets were made.

2. Funds on deposit with the trustee for the debenture holders are held to pay a portion of the 1959 interest on the company's 5½% 10-year collateral trust debentures.

3. Under a supplemental trust deed dated March 1, 1957, the company agreed to redeem all of its collateral trust debentures (having an original maturity date of October 1, 1965) at the rate of \$600,000 in each of the years 1957 and 1958; \$800,000 in 1959 and \$1,000,000 in each of the years 1960, 1961 and 1962. At the same time Frobisher Limited agreed that if Kilembe Copper Cobalt Ltd. should not make sufficient funds available to redeem the debentures as aforesaid it would furnish to the trustee for the debenture holders the remainder of the funds and/or debentures required. In each of the years 1957 and 1958 Frobisher Limited furnished the trustee with \$600,000 principal amount of the Company's collateral trust debentures. Subsequent to the year-end the company called all of its outstanding



collateral trust debentures for redemption on May 18, 1959 at par and accrued interest. If the funds made available to that date through the exercise of the stock purchase warrants referred to in note 4(c) below should be insufficient to redeem all these debentures Frobisher has agreed to advance the balance of funds required to Kilembe Copper Cobalt Ltd. on terms no less favourable than those provided in the trust deed securing the present debentures.

4. At December 31, 1958 unissued shares of Kilembe Copper Cobalt Ltd. were subject to the following options or warrants outstanding:

Option to employees of the company and employees of Kilembe Mines Limited .....	99,090 shares
Option to Frobisher Limited .....	122,547 shares
Redeemable warrants .....	996,100 shares
	<u>1,217,737 shares</u>

(a) The company has granted to the President, in trust for the employees of the company and its subsidiary, an option on an aggregate of 99,090 shares of its capital stock, which option may, at the discretion of the President, be assigned in part or parts to certain employees of the company or its subsidiary at \$3 per share, exercisable until September 1, 1960.

(b) The company has granted to Frobisher Limited an option to purchase 122,547 shares at \$2.10 per share on or before December 31, 1962. Frobisher Limited has agreed that it will exercise this option upon the written demand of Kilembe Copper Cobalt Ltd. This option and the option referred to in note 5(b) below were granted in consideration of Frobisher Limited agreeing to take up and pay for all shares not purchased pursuant to the "B" warrants referred to in note 5(a) below.

(c) The redeemable stock purchase warrants entitle the holders to purchase one share of stock for \$3 per share up to October 1, 1960. The warrants can be called for redemption by the company on 60 days' notice at 10¢ per warrant as soon as the proceeds from the sale of the shares which would be received if all stock purchase warrants then outstanding were exercised would be sufficient to redeem the then outstanding 5½% 10-year collateral trust debentures and such debentures have been called for redemption. Frobisher Limited has the right within 30 days after the redemption or expiry date of any stock purchase warrants to take up stock at \$3 per share to the extent of unexercised warrants.

On March 17, 1959 the company called all of the outstanding redeemable stock purchase warrants for redemption on May 19, 1959.

5. Subsequent to December 31, 1958 Kilembe Copper Cobalt Ltd. issued warrants and granted options on its unissued shares as follows:

"B" warrants .....	375,721 shares
"C" warrants .....	901,728 shares
	<u>1,277,449 shares</u>

(a) "B" warrants issued to shareholders granted them the right, exercisable until February 26, 1959, to subscribe for three shares at \$2.50 per share for each 20 shares held at January 9, 1959. Frobisher Limited agreed that within 15 days after the expiry date of the rights it would take up stock at \$2.50 per share to the extent of unexercised rights.

375,721 shares were issued for \$939,303 cash when these rights were exercised in 1959.

(b) "C" warrants issued to shareholders granted them the right, exercisable until November 30, 1960, to subscribe for twelve shares at \$2.90 per share for each 5 shares purchased upon the exercise of the rights issued under the "B" warrants.

Frobisher Limited has an option to purchase at \$2.90 per share on or before December 31, 1960 all or part of the shares not purchased at the expiry date of the rights issued under the "C" warrants.

6. Dividends and reduction of capital stock:

As long as the 5½% 10-year collateral trust debentures are outstanding the company may not pay any dividends on any shares of its capital stock or make any distribution to its shareholders in reduction of its paid-up capital.

7. Income taxes:

The Government of the Uganda Protectorate has agreed that no tax shall be payable by Kilembe Mines Limited until the whole of the capital invested or to be invested in the company shall have been repaid out of profits.

## KILEMBE MINES LIMITED

### STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1958

	Sterling	Canadian Dollars	Cents per lb. of Copper Produced
Metal sales .....	£2,120,395	\$5,779,137	23.82¢
Deduct:			
Transportation costs .....	£ 112,292	\$ 306,052	1.26¢
Refining charges .....	128,497	350,218	1.44
Selling and sampling expenses .....	11,462	31,240	.13
	£ 252,251	\$ 687,510	2.83¢
Net proceeds from metal sales .....	£1,868,144	\$5,091,627	20.99¢
Operating and administration costs:			
Development .....	£ 65,697	\$ 179,057	.74
Rock breaking .....	362,415	987,762	4.07
Milling .....	198,875	542,034	2.23
Freight on concentrates .....	69,258	188,763	.78
Smelting .....	311,456	848,873	3.50
Mine office administration .....	143,761	391,820	1.61
Decrease in inventory of copper on hand and in process .....	236,730	657,709	2.71
	£1,388,192	\$3,796,018	15.64¢
Operating profit before the undernoted items .....	£ 479,952	\$1,295,609	5.35¢
Mining concession costs written off .....	£ 7,789	\$ 23,989	.10¢
Development and preproduction administration expenses written off .....	127,734	360,628	1.49
Depreciation .....	259,314	716,796	2.95
Interest on long-term debt .....	125,989	343,383	1.42
	£ 520,826	\$1,444,796	5.96¢
Net loss for the year .....	£ 40,874	\$ 149,187	.61¢

NOTE: The above statement is included for information purposes only. The operating results reflected therein are incorporated in the statement of consolidated operations on the preceding page.

## *Technical Personnel*

### *Mining Engineers*

A. J. ANDERSON

B. G. EDWARD

A. E. PUGSLEY

### *Geologists*

J. B. GORDON

ALEXANDER SMITH

W. B. G. WALKER

### *Consultants*

#### Geological:

A. S. DADSON

A. G. DARLING

W. H. GROSS

W. G. ROBINSON

#### Metallurgical:

W. G. HUBLER

J. M. MACKAY

J. M. MORTIMER

#### Economic Research:

I. J. MARTENS

## **MINING**

*The spearhead of national development*

## **METALS**

*The backbone of civilization*

