STACK

Frobisher

LIMITED

Sixteenth Annual Report

for the year ended December 31, 1959

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
A. C. CALLOW — Secretary
J. T. McWHIRTER — Treasurer
R. G. SAUNDERS — Assistant Treasurer

Directors

J. H. AMBROSE	W. B. DIX
A. J. ANDERSON	B. G. EDWARD
B. S. W. BUFFAM	H. S. McGOWAN

G. T. N. WOODROOFFE

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 1959

Producing Companies

Classification	Company Name	Frobisher Interest	Refer To Page No.
Gold	Connemara Division	100.0%	11
Nickel - Copper - Platinoids	Falconbridge Nickel Mines Ltd.	4.0%	10
Oil and Gas	Geoil Ltd. (Alminex Limited)	31.8%	12
Gold	Giant Yellowknife Gold Mines Limited	19.6%	8
Copper - Cobalt	Kilembe Copper Cobalt Ltd. (Kilembe Mines Limited)	79.0%	6
Silver - Lead - Zinc	United Keno Hill Mines Limited	29.5%	9

Other Interests

Classification	Company Name	Frobisher Interest	Refer To Page No.
Gold	Akaitcho Yellowknife Gold Mines Limited	35.7%	16
Magnetic Iron Ores	Childs-Rankin Project	100.0%	16
Oil	El Wak Project	100.0%	15
Copper	Pilley's Island Copper-Pyrite Limited	44.1%	16
Copper	Rainville Mines Limited	21.8%	16
Magnetic Iron Ores	Quebec Metallurgical Industries Ltd.	22.7%	16
Copper - Silver - Lead - Zinc	St. Eugene Mining Corporation Limited	34.8%	17
Copper - Magnetic Iron	Wesfrob Mines Limited	100.0%	14

Statement of Consolidated Source and Application of Funds

For the year ended December 31, 1959

FUNDS PROVIDED FROM:		
Operations		$ 708,858
Consisting of:		
Net income for the year	$ 683,803	
Add depreciation, a charge to operations which in itself did not involve an outlay of cash during the year	25,055	
	$ 708,858	
Sales of investments		840,445
Repayment of advances (net) to subsidiary and associated companies		221,563
Sales of fixed assets (net)		15,821
		$ 1,786,687
FUNDS APPLIED TO:		
Purchases of investments	$3,808,968	
Exploration expenditures	339,267	4,148,235
Excess of funds applied over those provided during the year		$ 2,361,548

This excess is reflected in decreased working capital as follows:

	December 31, 1959	December 31, 1958	Increase or (decrease)
CURRENT AND SUNDRY ASSETS:			
Cash	$ 199,678	$ 287,190	$ (87,512)
Bullion in transit	49,151	40,032	9,119
Short term investments		1,338,904	(1,338,904)
Accounts receivable —			
Subsidiary and associated companies	41,044	26,204	14,840
Sundry	5,332	31,675	(26,343)
Supplies and spare parts	143,818	163,290	(19,472)
Sundry prepayments and deferred charges	11,436	10,635	801
	$ 450,459	$1,897,930	$(1,447,471)
CURRENT LIABILITIES:			
Bank loan	$ 750,000		$ 750,000
Accounts payable and accrued charges	182,810	$ 192,562	(9,752)
Amounts owing to subsidiary and associated companies	177,426	3,597	173,829
	$1,110,236	$ 196,159	$ 914,077
Working capital	$ (659,777)	$1,701,771	$(2,361,548)

Report of the Directors

To the Shareholders:

Your Directors submit herewith, for your consideration, the Company's Sixteenth Annual Report which includes a Report of Operations for the year ended December 31, 1959, the Consolidated Financial Statements setting out your Company's financial position as at the same date, and the Auditors' Report thereon.

FINANCIAL

Your Company's operations in 1959 produced a net profit of $683,803, equivalent to 10¢ per share on the 6,808,333 shares issued and outstanding, as compared with $250,814, or 3.7¢ per share, last year.

The most significant change to be noted in the Company's accounts is removal of the $3.8 million contingent liability relating to your subsidiary, Kilembe Copper Cobalt Ltd., which appeared therein last year. This burden, borne by the Company in this or larger amounts since 1955, was eliminated by the early retirement of your subsidiary's debenture issue on May 19, 1959. To subscribe for additional shares (941,214 at $3.00 each) of Kilembe Copper Cobalt Ltd. which became available to us at the time of this debenture retirement, it was necessary to call on the Company's bankers for short-term accommodation in the approximate amount of $2.8 million. Of these borrowings, only an amount of $750,000 was outstanding at year end. Your attention is directed to the fact that our beneficial ownership of Kilembe Copper Cobalt Ltd. now stands at 79%, representing an equity investment of $9,460,664. In addition thereto we have made cash advances to this company from time to time over past years which, in the aggregate, stand at $2,137,086. Since these advances now constitute the only indebtedness of Kilembe Copper Cobalt Ltd., your Company can look for their repayment if, as and when funds are received by your subsidiary. Although, as a result of the Kilembe transaction, the Company's working capital position was materially reduced, there is every expectation that, with the additional revenues now being received from your producing operations and the repayment funds to be anticipated from Kilembe Copper Cobalt Ltd., this situation should soon be improved.

During the year Geoil Limited, through which your Company holds its oil interests in Western Canada, sold all of its assets to Alminex Limited in consideration of 3,118,763 shares of the capital stock of that company. Your Company's 31.8% interest in Geoil Limited now represents 992,609 shares of Alminex Limited which, on December 31, 1959, had an indicated market value on the Toronto Stock Exchange of $2,495,013.

OPERATIONS

Producing Mines

All the producing companies in which your Company holds significant interests established production or earnings records during 1959 with the exception of your Connemara gold mining division in Southern Rhodesia, which continues to yield modest but important cash earnings. It is particularly gratifying to report that Giant Yellowknife Gold Mines Limited has finally been able to effect great improvement in metallurgical performance. Gold recovery is again at a level consistently above 80%. Coupled with a 25% increase in treatment rate, a productive combination has been evolved which will yield approximately 250,000 ounces of fine gold and net profits in the order of $2 million per annum. Kilembe Mines Limited, the operating subsidiary of Kilembe Copper Cobalt Ltd., completed in 1959 its first profitable year of operation since milling began in 1956. Output increased to 2.23 million pounds of blister copper per month. In combination with the improved average selling price for copper of 28.28¢ per lb. which prevailed in 1959, operation at this higher level yielded a net profit for Kilembe Mines Limited of $706,763.

Exploration

In East Africa the oil exploration project, centred on the El Wak Sedimentary Basin in Kenya and Somalia, was active throughout the year. Regional offices relative thereto have been established in Nairobi, Kenya, and in Mogadiscio, the capital of Somalia. Our geologists have carried out a broad reconnaissance program in both countries and a contractor, having completed the aerial photographic cover of some 20,000 square miles in Somalia contiguous to our Kenya concession, is now engaged in the preparation of topographic and geologic maps from the photographs. Late in the year your Directors approved the employment of a petroleum exploration consultant to appraise the work completed thus far and assess the area's probable petroleum potential in its light. An Italian firm of petroleum specialists was accordingly retained to carry out such a survey early in the New Year. In the last week of December, 1959, approval was given by Decree of the Government of Somalia to the assignment of 15,000 square miles (21.43%) of our Somalia acreage to a group of four major U.S. oil companies for exploration and exploitation purposes. Under the proposed agreement with the oil companies Frobisher will retain ownership to one sixteenth (6.25%) of all gas or oil that may be discovered and produced by the group on the assignment block.

Exploration activity in Canada was restricted to a low level in relation to past years. By reason of its prior expenditures and past experience in British Columbia and the Yukon, Frobisher earned a carried interest in a two-year joint exploration program initiated in 1959 by Ventures Limited in those areas. Elsewhere, the Company confined itself to occasional property examinations and participation in a limited number of specific exploration projects. One such was a re-examination and geologic study of the property of Pilley's Island Copper-Pyrite Limited in Newfoundland, which was carried out under our direction. A second was a joint program with Rio Tinto Canadian Exploration Limited, conceived and carried out by them, to make further investigation of our beryllium-columbium zones in the Seal Lake area of Labrador. This work has given sufficient encouragement to justify a more comprehensive, detailed survey of the deposits in 1960. Under the arrangement with Rio Tinto Canadian Exploration Limited your Company maintains a 30% interest in this project, but will not be under the necessity of making any proportionate financial contribution until late in the 1960 season.

Our African general exploration program, which depends for financial support on the cash resources provided by Connemara, was necessarily of limited scope. The final phases of the investigation in Northern Rhodesia being carried out by our staff for Namwala Concessions Limited, an associate company, came to an end without significant result. Inyati Gold Mining (Pvt.) Limited was formed during the year to develop and equip a small mine, locally known as the Ding Dong, for production in the Queen's Area, northeast of Bulawayo in Southern Rhodesia. Production commenced with the treatment of dump ore at the rate of 50 tons per day just before the close of the year. The entire effort of our African exploration staff is currently being devoted to the rehabilitation and sampling of old workings on the mining properties, adjacent to the Ding Dong mine, which were acquired in the Queen's Area in 1958. A number of additional properties have been secured in the same vicinity, by staking or option, during the year just passed. It is the underlying hope in making these acquisitions that an aggregate tonnage of mineable ore reserves will be proven, as a result of our investigations in the area, to justify installation of a sizeable central milling plant.

GENERAL

Your Directors contemplate the events of the past year with some satisfaction and consider that, as a result thereof, your Company has made substantial progress toward the establishment of a materially higher level of future earnings.

They recognize that this progress largely depends on the willing, co-operative effort of all employees. I have therefore been asked to record herein their sincere appreciation of the excellent work done during 1959 by each and every member of the Company's staff, both at home and overseas.

On behalf of the Board,

A. J. ANDERSON,

President.

Kilembe Copper Cobalt Ltd.

Summary of Interests

Control of Kilembe Mines Limited through ownership of 70% of the issued capital and 33⅓% of the funded debt of that company. Kilembe Mines Limited produces copper from a completely integrated operation based on a 26.4 square mile Special Mining Lease in the western part of Uganda, British East Africa.

Scale of Operations

KILEMBE MINES LIMITED

Mill Capacity: 2,000 tons per day
Treatment Rate, 1959: 1,897 tons per day

Production Record

	Tons Treated	Blister Copper Pounds
July 1, 1956 to December 31, 1958	1,199,261*	41,323,520
Year Ended December 31, 1959	703,340*	26,723,200
Total	1,902,601	68,046,720

* Includes 11,032 tons direct smelting oxide ore in 1959 and 4,330 tons in prior years.

Ore Reserves

	Tons	% Copper
Proven	3,252,000	2.43
Probable	4,119,000	2.07
Total	7,371,000	2.23

In addition, there are 1,473,000 tons of proven and probable reserves, containing 1.19% copper, and 5,107,000 tons of possible ore to which no grade can yet be assigned.

Developments in 1959

The earnings of Kilembe Mines Limited and the treatment records achieved in all phases of its 1959 operations reflect the first results of the four-year expansion program announced last year. Operating profit was $2,741,040 as compared with $1,295,609 in 1958. After provision for depreciation, write-offs, and interest on long-term debt, net profit was $706,763 as compared with a net loss of $197,798 last year.

Blister copper production averaged 994 long tons per month as compared with 903 long tons in 1958 (when an average of 195 tons per month resulted from the smelting of concentrates stockpiled during 1956 and 1957). Gross revenue from blister copper sales totalled $7,556,263, an average of 28.28¢ per pound. This figure compares with 23.82¢ received in 1958. Operating costs, including refining, freight and marketing charges but before write-offs, averaged 18.02¢ per pound of copper produced, down slightly from 18.47¢ last year.

The 692,308 tons of ore milled, compared with 521,922 tons in 1958, reflect the first year's operation of the 500-ton plant, installed in late 1958 for the treatment of open-cut oxide ore. It treated 172,573 tons of ore, averaging 3.30% copper. In addition, 11,032 tons of high grade oxide ore were direct smelted.

During the year considerable progress was made toward ultimate further increase in output. Heavy underground exploration and development programs, on the results of which expansion will depend, were initiated. By mid-year, after considerable preparatory work, tunnel drives into Bukangama Ridge, west of the main mine, were started at elevations 6,300 and 5,900 feet. At year end work in the latter had advanced almost half of the distance toward the projected downward extension of the outcrop mineralized zone. In the Eastern deposit, preparations were well advanced for commencement of shaft sinking operations from the main 4500 foot haulage level to an objective of 4,050 feet.

In the sulphide mill, treatment facilities were augmented by the installation of a rod mill and additional flotation units. These, with primary crushing and storage facilities currently being installed, will permit treatment of at least 62,000 tons of sulphide ore per month by the end of this year. Combined with the 1,500-ton capacity of the oxide plant, total milling capacity will then be at least 77,000 tons per month.

At Kasese, further drying and filtering equipment was added to provide capacity adequate to handle concentrates from the milling of 80,000 tons of ore per month. At the electric smelter at Jinja, the addition of a third, larger, converter increased capacity to a minimum of 16,000 long tons of blister copper per annum.

Ore reserves decreased during the year by approximately the tonnage mined and milled, since the exploratory development programs referred to above had not advanced into areas where new ore disclosures could be anticipated.

Earnings Record of Kilembe Mines Limited

	1959	1958	To Date
Net receipts from metal sales and other income	$6,872,485	$5,091,627	$15,609,934
Total cost of operation	6,165,722	5,240,814	16,660,484
Net Profit (or Loss)	$ 706,763	($ 149,187)	($ 1,050,550)

Management

A. E. Pugsley - - - - - - - - - - - - - - *General Manager*

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.

Scale of Operations

Mill Capacity: 1,000 tons per day

Treatment Rate, 1959: 879 tons per day

Production Record

	Tons Milled	Gold Ounces	Silver Ounces
From 1949 to June 30, 1958	2,233,521	1,411,845	316,229
Year ended June 30, 1959	321,002	190,644	25,572
Total	2,554,523	1,602,489	341,801

Ore Reserves

	Tons	Gold Ozs. per ton
Developed above 1,250-ft. level (calculated with a 10% dilution allowance)	2,529,074	0.80

Developments in 1959

All-time highs were recorded in production and net earnings in the fiscal year ended June 30, 1959. Gold production was more than 20% above that of the previous year and the net profit of $1,552,635 was almost double the earnings of $784,350 in 1957-1958. During the fiscal year working capital increased from $1,807,480 to $2,293,178 at the year end. A total of $1,200,000 was disbursed in two dividend payments of 15¢ per share. Since the end of the fiscal year, dividend disbursements have been placed on a regular basis of 10¢ per share quarterly.

Ore milled averaged 879 tons per day compared with 792 tons per day in the 1958 year. Overall gold recovery was 75.73%, compared with 68.95% in the previous year. Marked improvement was achieved in both operations and earnings in the last six months of the year as a result of the placing in operation, in late November, 1958, of a new roasting unit. Installed as a measure to combat the low recoveries due to the refractory ore, the new roaster also allowed the milling rate to be increased from 800 to 1,000 tons per day. Better roasting performance resulted in gold recovery of 80.21% at year end compared with an average of 69.35% in the first six months of the fiscal year. At the higher production levels operating costs dropped to a record low level of $12.61 per ton milled as compared with $13.39 per ton milled in the 1958 year.

The major underground development project during the year was the deepening of the "C" Shaft from the 1250 foot to the 2000 foot level. No new ore was developed, the reserves being decreased by the tonnage milled.

Earnings Record

	1959	1958	To Date
Net receipts from metal sales and other income	$6,728,830	$5,731,367	$60,773,892
Total cost of operations	5,176,195	4,947,017	50,532,198
Net Profit	$1,552,635	$ 784,350	$10,241,694

Management

M. K. Pickard - - - - - - - - - - - - - - *General Manager*

United Keno Hill Mines Limited

Property and Interests

1. Owns or holds under option 607 mineral claims and two placer claims on Galena and Keno Hills in the northern part of the Yukon Territory. Current production comes from the Hector, Calumet and Elsa Mines, which are but three of several former producing properties lying within the company's claim group.

2. Has a 50% interest (with Cassiar Asbestos Corporation Limited) in Territorial Supply Company Limited.

Scale of Operations

Mill Capacity: 500 tons per day

Treatment Rate, 1959: 475 tons per day

Production Record

	Tons Milled	Silver Ounces	Lead Pounds	Zinc Pounds	Cadmium Pounds
1947 to Sept. 30, 1958	1,345,612	49,663,022	208,202,207	159,022,331	2,022,755
Year ended Sept. 30, 1959	173,477	7,307,815	22,865,276	17,717,019	220,281
Total	1,519,089	56,970,837	231,067,483	176,739,350	2,243,036

Ore Reserves

	Tons	Silver Ozs. per ton	% Lead	% Zinc
All mines except Onek	549,565	38.21	6.60	4.89
Onek Mine	123,491	10.27	4.40	13.00

Developments in 1959

Net profit for the fiscal year ended September 30, 1959 was \$1,324,836, or 53.6¢ per share. This was more than two and a quarter times the net profit of \$586,840, or 23.7¢ per share, earned in 1958. Four dividends, totalling 24¢ per share and aggregating \$592,800, were declared. Net working assets at the fiscal year end totalled \$4,376,087, a gain for the year of \$971,716.

Record silver production of 7.3 million ounces exceeded by 22% the previous high of 5.9 million ounces produced in 1958. The increase was due to the high grade ore produced from the Elsa Mine which totalled 28,082 tons averaging 79.05 ounces silver per ton. Lead production was slightly higher than in 1958 and there was a moderate decrease in the amount of zinc and cadmium produced.

Ore reserve tonnage was down from the previous year but the increased silver grade maintained silver in the ore reserves at around 21 million ounces.

The major portion of the ore developed in the Calumet Mine was in a new structure, the No. 18 vein zone, north of the Calumet Fault on the 650 foot level and north of any previous mine workings. Drifting on this vein developed an ore length of 653 feet averaging 43.5 ounces silver per ton over an average width of 6.3 feet. Also of importance was the development in the Elsa Mine of high grade ore below the Porcupine Fault to the 650 foot level.

Earnings Record

	1959	1958	To Date
Net receipts from metal sales and other income	$7,464,904	$6,202,002	$65,952,126
Total cost of operations	6,140,068	5,615,162	51,376,855
Net Profit	$1,324,836	$ 586,840	$14,575,271

Management

A. E. Pike - - - - - - - - - - - - - - - *Resident Manager*

Falconbridge Nickel Mines Limited

Developments in 1959

Your Company's holding of 4% of the outstanding stock of this company represents one of its major assets. In 1959 Falconbridge passed its pre-determined output objective of 55,000,000 pounds of nickel per annum. Nickel deliveries during the year exceeded 58,000,000 pounds and in the final quarter production was at a rate in excess of 60,000,000 pounds per annum. Deliveries of metals and production from the mines, treatment plants and refinery set new records for the tenth consecutive year.

Following a $90,000,000 expansion program, the scope of the operation has expanded from two mines and one concentrator in 1952 to six operating mines and three concentrators in 1959.

Net earnings of $8,447,665, or $2.25 per share, were the second highest in the company's history. They were exceeded in 1957 when $9,953,479, or $2.65 per share, was earned. Working capital increased by over $9,000,000 during the year and at year end amounted to almost $28,000,000, after providing for repayment in 1960 of $6,000,000 of the company's bonds. A comparison of 1959 operations and earnings with those of 1958 follows:

	1959	1958
Ores delivered from company mines, tons	2,232,937	2,087,180
Ores and concentrates delivered to treatment plants, tons	2,374,049	2,151,483
Ores milled, tons	2,005,374	1,721,360
Ores and concentrates smelted, tons	658,432	661,101
Nickel deliveries, pounds	58,413,000	48,509,000
Copper deliveries, pounds	32,728,000	30,896,000
Gross metal sales and other operating revenues	$64,146,854	$56,755,666
Net earnings	$ 8,447,665	$ 7,053,209
Net earnings per share	$2.25	$1.88

Connemara Division

Property and Interests

Three hundred and ninety-eight claims at Hunter's Road, Southern Rhodesia.

Scale of Operations

Mill Capacity: 600 tons per day

Treatment Rate, 1959: 450 tons per day

Production Record

	Tons Milled	Gold Ounces
1948 to December 31, 1958	1,640,025	304,723
Year ended December 31, 1959	155,750	23,855
Total	1,795,775	328,578

Ore Reserves

	Tons	Gold Oz. Per Ton
Total, proven	204,230	0.175

Developments in 1959

Net profit of your wholly-owned gold mining operation was $73,959 in 1959 as compared with $19,935 in 1958. Mill tonnage was down some 5,000 tons and gold production 136 ounces from the previous year. A reduction in total operating costs, from $34.03 per ounce of gold produced in 1958 to $31.85 per ounce in 1959, accounted for the gain in net profit. The decreased unit costs were due mainly to a reduction in the working force.

Although every possible source of new ore in the mine has now been fully explored, the reserves available are sufficient to sustain this operation until early 1961. As in former years, the revenues produced by the Connemara operation were expended on your Company's general exploration program in Africa.

Earnings Record

	1959	1958	To Date
Net receipts from metal sales and other income	$ 833,646	$ 836,417	$11,890,256
Total cost of production	759,687	816,482	11,778,524
Net Profit	$ 73,959	$ 19,935	$ 111,732

Management

D. L. Coulter - - - - - - - - - - - - - - *Resident Manager*

Geoil Limited

Summary of Interests

1. 3,118,763 shares (42.66% of outstanding stock) of Alminex Limited, received from the sale, effective January 1, 1959, of all of Geoil Limited assets other than cash.

2. Cash and accounts receivable amounting to $658,352.

Developments in 1959

Early in the year, Alminex Limited acquired, effective January 1, 1959, all of Geoil's assets except cash and holdings in certain subsidiary companies. In payment for the assets transferred, Geoil received 3,118,763 shares of Alminex Limited.

Property and Interests

ALMINEX LIMITED

1. Varying working interests in 153 producing oil wells and royalty interests in 12 other producing oil wells.

2. Varying working interests in five producing gas fields.

3. Varying working interests in land holdings in Alberta, Saskatchewan, Northwest Territories and the Yukon, as follows:

	Gross Acreage	Alminex Net Acreage
Reservations	2,996,267	449,483
Leases	1,264,039	179,909
Total	4,260,306	629,392

In addition, varying royalty interests in 13,660 acres in Alberta and Saskatchewan.

Production

	Oil Barrels	Gas Million Cubic Feet
Year ended December 31, 1959	411,106	615.47

Reserves (after Provision for Royalty)

	December 31, 1959	January 1, 1959
Crude Oil, barrels	20,790,000	18,190,000
Natural Gas Liquids, barrels	5,110,000	5,200,000
Natural Gas, billions of cubic feet	163.13	137.15

The above reserves indicate a 14% increase in proven oil reserves and 19% increase in gas reserves during the year 1959.

Developments in 1959

Exploration

During 1959, Alminex participated in the drilling of 13 exploration wells. At Enchant in Southern Alberta a productive gas well was completed and a productive oil well was completed in the area west of Carstairs, Alberta. Eleven of the exploration wells were abandoned as dry holes. Alminex holds an 18.75% interest in the discovery oil well.

Following discovery of gas at Enchant, four other wells were drilled. Three of these were completed as potential gas wells and the fourth was abandoned as a dry hole.

Alminex is participating with Home Oil and three other companies in a major exploration venture on a 1,224,089 acre farmout in the Northwest Territories. This acreage lies immediately north of the British Columbia boundary. Drilling of two exploratory wells was commenced in December.

Development

Alminex participated with Home Oil in the drilling of 32 development wells completed during 1959, of which 28 were oil wells, 3 gas wells, and 1 a dry hole.

In the Swan Hills field, 120 miles northwest of Edmonton, 24 oil wells were completed. Alminex now has an interest in a total of 38 wells in this field. At the year end five additional wells were awaiting completion and four others were drilling.

At Virginia Hills, northwestern Alberta, two development wells were completed during 1959, bringing to four the productive wells in this field in which Alminex holds an interest. Two additional productive wells were being completed at the year end.

Alminex participated in the drilling of two development wells in the Harmattan-Elkton field in central Alberta. The company now holds interests in 35 oil wells and 3 gas wells in this field.

Carstairs Gas Field

In 1959 the Carstairs gas field was unitized with Alminex holding an 11.36% interest in the unit. A gas processing plant, to be completed in March 1960, was under construction at the year end. Gas from this plant has been contracted to Trans-Canada Pipe Lines Limited with deliveries starting at 31.5 million cubic feet per day during the first year.

Financial Record

	1959
Gross Production Income	$1,155,684
Total Cost of Operations	1,681,920
Net Loss	$ 526,236

Management

J. B. Webb - - - - - - - - - - - - - - *General Manager*

Wesfrob Mines Limited

Property and Interests

Thirty-three claims at Tassoo Inlet on Moresby Island of the Queen Charlotte Island Group, British Columbia.

Ore Reserves

Section of Deposit	Tons Indicated	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	4,999,100	57.3	0.59

Developments in 1959

For the third year in succession, plans to bring the Tassoo ore deposits into production have had to be deferred. This is due to the continued existence of British Columbia legislation which mitigates against the economic exploitation of iron ores. Since early 1958 this legislation has been the subject of litigation. An appeal by certain iron ore producing companies, being prosecuted by the Government for failure to pay mineral property taxes pursuant to such legislation, is currently before the Supreme Court of Canada. In the best interests of the mining industry in the province it is to be hoped that, regardless of the Supreme Court decision, the Government of British Columbia will see fit to amend the present legislation pertaining to the iron mining industry.

During 1959 a number of Japanese companies interested in promoting the development of the Tassoo deposits as a source of raw material for their steel industry have had discussions with your Company. Representatives of Japanese mining and ore trading companies have examined the property. During the latter part of the year members of a survey team, representing the Japanese iron and steel industry, visited Tassoo.

Satisfactory progress has been made in the negotiations for iron ore markets in Japan and it will be possible to proceed with further developments at Tassoo just as soon as the existing legislative barriers are removed.

Financial Record

	1959	To Date
Funds expended	$12,846	$341,320

Property and Interests

Developments in 1959

El Wak Oil Project

Concession areas, totalling approximately 52 million acres in central East Africa, covering the major portion of the El Wak sedimentary basin. Five million acres are located in the northeastern frontier district of Kenya and 47 million acres cover an adjacent contiguous block in Somalia. The latter includes a 12-mile offshore strip. For the project, the Company maintains office and storage facilities in Nairobi, Kenya, and a subsidiary office in Mogadiscio, Somalia.

Field work, designed to investigate the El Wak basin proper, was initiated in Kenya in September, 1958, and extended into Somalian territory in early 1959. This work was undertaken by a small Company field staff, supplemented by the services of contractors and consultants specializing in certain phases of petroleum exploration.

Hunting Surveys Limited, under contract, prepared airphoto mosaics of the Kenya concession and completed a photo-geological study of the area. This survey was supported by field work and research undertaken jointly by Frobisher and Hunting staff. Spartan Air Services (Eastern) Limited took air photographs of a 20,000-square mile area of the Somalian concession adjacent to the Kenya border and is currently preparing air photo mosaics. This material will be used to extend the geological investigation over the area covered by the survey. Throughout 1959 the Frobisher field staff carried out extensive geological field work in both concessions. The field work was supported by research undertaken by European consultants. In December, 1959, a firm of petroleum exploration consultants in Rome was retained to appraise the work completed and to make an independent assessment of the petroleum potential. The report of this firm is currently being awaited.

Arising out of negotiations which your Company has been carrying on for more than a year, the formal consent of the Government of Somalia was given, late in December, 1959, to an assignment of our rights to a 9.4 million acre block along the Indian Ocean coast, to a group of four major U.S. oil companies. Under the relative pending agreement with the oil companies, which provides for annual work commitments, your Company will retain a royalty interest equal to one-sixteenth part of any commercial production that may result from the exploration program proposed by the group.

Financial Record

	To Date
Funds expended	$250,785

Management

N. B. H. Stevens - - - - - - - - - - - - - - *Field Manager*

Brief Notes on Other Projects of Importance

Akaitcho Yellowknife

Akaitcho Yellowknife Gold Mines Limited. This company's 24-claim property which adjoins Giant Yellowknife to the north is bisected by a fault into north and south halves. In the south half there are ore reserves indicated by diamond drilling of 375,000 tons grading 0.75 oz. gold per ton. A reconnaissance diamond drilling program in the north half was carried out in the 1958-59 fiscal year. All holes intersected chlorite-sericite schist containing pyrite. Although no gold assays of significance were obtained, there was little doubt that the intersections represent the northern extension of the main schist zone system which has proved so productive on the Giant Yellowknife property. Current investigations are confined to geological studies, in an attempt to find clues which will point to the localization of ore within the schist zone structures.

Childs-Rankin

Childs-Rankin Project. The properties embraced by this project are wholly-owned by your Company, comprise approximately 4,200 acres in Hastings County, Ontario, and contain the former producing iron mines known as Childs, Rankin and Bessemer. A diamond drilling program, completed in 1958, indicated total ore reserves of 24.4 million tons averaging 17.67% of recoverable iron as magnetite. Metallurgical test work indicated that the ore could be readily beneficiated to produce a concentrate grading better than 66% iron. Engineering and economic studies have shown that the reserves can be profitably exploited if concentrates can be sold at Lake Erie prices to a nearby consumer. Discussions held by your Company to the end of negotiating a sales contract have thus far proven unsuccessful.

Pilley's Island

Pilley's Island Copper-Pyrite Limited holds a lease on a 1,375-acre property on Pilley's Island, Notre Dame Bay, Newfoundland. Diamond drilling in 1951 and 1952 indicated reserves of 390,000 tons averaging 1.93% copper. During 1959 a geological survey was made of the property as well as of a surrounding concession optioned from Anacon Lead Mines Limited. Cores from diamond drilling undertaken between 1951 and 1956 were re-logged and a limited geophysical survey was completed. This work was undertaken in order to re-evaluate the economic potential of the company's holdings.

Q.M.I.

Quebec Metallurgical Industries Ltd. made further progress in 1959 toward consolidation of its assets. At year end, quick assets totalled $1,800,000, while liabilities were negligible. Its subsidiary, Klukwan Iron Ore Corporation, extended the four year option granted to Columbia Iron Mining Company, for another year, until March, 1961. Columbia, a subsidiary of U.S. Steel, has been carrying out test work on Klukwan's extensive magnetic placer deposits in Alaska since 1956. An exploration program was carried out on Q.M.I.'s Wedeene iron prospect, near Kitimat, B.C., and further investigation is planned in 1960. Laboratory test work and research were discontinued at year end. Equipment in the company's Ottawa laboratory was leased or sold and sale of the Cobalt Chemicals Division plant was negotiated early in 1960.

Rainville

Rainville Mines Limited. The principal 1959 activity of this former copper producer, which suspended production operations in March, 1958, was a surface drilling campaign. Some 15,000 feet of diamond drilling was undertaken to explore at greater depths the eastern extension of the No. 2 mineralized zone. Values obtained showed no improvement over the marginal material indicated in previous shallow drilling. Another possibility for the development of ore at depth lies in the area west of No. 2 shaft, but its investigation would necessitate resumption of underground operations. Dewatering of the workings as a step preliminary to such operations was completed early in 1960.

St. Eugene

St. Eugene Mining Corporation Limited. The assets of this company include a number of promising properties located in British Columbia and Alaska, including among them several copper prospects, magnetite and non-metallic mineral deposits. A transaction of major importance to St. Eugene was the sale in February of the current year, by Inland Resources Limited, a company in which it holds 30.8% interest, of its Hat Creek lignite properties. The purchaser was Western Power and Development Company, a subsidiary of B.C. Electric Co. Ltd., which will pay Inland, by May 31, 1960, $1,570,000 cash plus shares in a subsidiary of B.C. Electric having a market value of $160,000. When the full purchase price has been received, Inland will be wound up and distribution made of its assets. In June, 1959, St. Eugene granted a one-year option to a Seattle chemical company to purchase its Kyuquot Alunite property on the west coast of Vancouver Island.

frobisher LIMITED (INCORPORATED UNDER THE LAWS OF ONTARIO)

Consolidated Balance Sheet

(with comparative figures

ASSETS

	1959	1958
Current:		
Cash	$ 199,678	$ 287,190
Bullion in transit	49,151	40,032
Short term investments at cost		1,338,904
Accounts receivable —		
Subsidiary and associated companies	41,044	26,204
Sundry	5,332	31,675
	$ 295,205	$ 1,724,005
Investment in Subsidiary, Associated and Other Companies at cost less amounts written off (note 3):		
Subsidiary companies —		
Shareholdings	$ 9,578,225	$ 6,397,202
Advances	2,137,086	2,329,290
	$11,715,311	$ 8,726,492
Associated and other companies —		
Shareholdings	$ 9,364,756	$10,246,347
Advances	138,258	163,599
	$ 9,503,014	$10,409,946
	$21,218,325	$19,136,438
Fixed:		
Buildings, plant and equipment, at cost	$ 1,411,540	$ 1,470,150
Less accumulated depreciation	1,347,790	1,398,079
	$ 63,750	$ 72,071
Mining properties at cost	410,134	410,134
	$ 473,884	$ 482,205
Other:		
Exploration expenditures carried forward	$ 1,474,020	$ 1,335,405
Supplies and spare parts at the lower of cost or market	143,818	163,290
Sundry prepayments and deferred charges	11,436	10,635
	$ 1,629,274	$ 1,509,330
	$23,616,688	$22,851,978

See accompanying notes to

as at December 31, 1959

r December 31, 1958)

LIABILITIES

	1959	1958
CURRENT:		
Bank loan — (secured)	$ 750,000	
Accounts payable and accrued charges	182,810	$ 192,562
Amounts owing to subsidiary and associated companies	177,426	3,597
	$ 1,110,236	$ 196,159
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	7,130,673	6,981,306
	$15,928,934	$16,078,301

Approved on behalf of the Board:

A. J. ANDERSON, Director.

B. S. W. BUFFAM, Director.

	$23,616,688	$22,851,978

nsolidated financial statements

STATEMENT OF CONSOLIDATED DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1959
(with comparative figures for the year 1958)

	1959	1958
Balance at beginning of the year	$6,981,306	$3,307,092
Deduct:		
Net income for the year	$ 683,803	$ 250,814
Net gain on sales of investments	391,522	573,680
Net gain on sales of fixed assets	32,555	
Profit on conversion of the net foreign currency assets of exploration subsidiaries	2,005	4,121
	$1,109,885	$ 828,615
	$5,871,421	$2,478,477
Add:		
Amounts written off —		
Shareholdings of associated and other companies	$1,060,613	$2,371,025
Advances to associated companies	(4,467)	1,306,579
Exploration expenditures	200,652	794,575
Net loss of exploration subsidiaries	2,454	30,650
	$1,259,252	$4,502,829
Balance at end of the year	$7,130,673	$6,981,306

See accompanying notes to consolidated financial statements.

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEAR ENDED DECEMBER 31, 1959

(with comparative figures for the year 1958)

	1959	1958
HEAD OFFICE DIVISION:		
Dividends received from associated companies —		
Falconbridge Nickel Mines Limited	$ 180,000	$ 180,000
Giant Yellowknife Gold Mines Limited	392,488	117,747
United Keno Hill Mines Limited	175,026	233,368
Other	63,013	
	$ 810,527	$ 531,115
Interest earned —		
Subsidiary company	216,873	21,326
Other	8,545	60,845
	$1,035,945	$ 613,286
Deduct:		
Administrative and general expenses	$ 77,502	$ 96,281
Remuneration of directors as such	7,950	7,250
Interest on debentures	200,000	200,000
Interest on advances from Ventures Limited	78,876	78,876
Other interest paid	61,773	
	$ 426,101	$ 382,407
Net income of Head Office Division	$ 609,844	$ 230,879
CONNEMARA DIVISION (Southern Rhodesia):		
Net proceeds from production	$ 798,250	$ 816,533
Sundry income	35,396	19,884
	$ 833,646	$ 836,417
Deduct:		
Operating expenses (excluding allowance for depreciation)	$ 741,353	$ 772,683
Allowance for depreciation	12,509	33,290
Loss on conversion of foreign currencies	5,825	10,509
	$ 759,687	$ 816,482
Net income of Connemara Division	$ 73,959	$ 19,935
NET INCOME FOR THE YEAR (excluding items in consolidated deficit)	$ 683,803	$ 250,814

See accompanying notes to consolidated financial statements.

FROBISHER LIMITED

STATEMENT OF CONSOLIDATED INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES
AS AT DECEMBER 31, 1959 AND DECEMBER 31, 1958

	December 31, 1959					December 31, 1958				
	Share and bondholdings					Share and bondholdings				
	Number of shares or par value	% of outstanding capital	Indicated market values (note a)	Cost less amounts written off	Advances	Number of shares or par value	% of outstanding capital	Indicated market values (note a)	Cost less amounts written off	Advances
Subsidiary companies:										
Anyox Metals Limited (note b)	1,386,895	54.3		$ 82,931		200,000	40.0			$ 82,592
Kilembo Copper Cobalt Ltd.										
— common shares	3,063,627	79.0	$10,109,969	9,460,664	$2,137,086	1,900,723	75.9	$ 4,941,880	$ 6,124,791	2,246,698
— stock purchase "C" warrants	634,860		755,483							
Supercrest Copper Mines Limited	1,590,005	56.0		1		1,590,005	56.0		272,411	
Miscellaneous participations of less than $50,000 each				34,629						
			$10,865,452	$ 9,578,225	$2,137,086			$ 4,941,880	$ 6,397,202	$2,329,290
Associated and other companies:										
Akaitcho Yellowknife Gold Mines Limited	1,165,230	35.7	$ 512,701	$ 380,243		1,165,230	35.7	$ 617,572	$ 380,243	
Consolidated Pershcourt Mines Limited	36,000		3,600	3,600		36,000		5,580	65,150	
Falconbridge Nickel Mines Limited (note c)	150,000	4.0	4,800,000	722,091		150,000	4.0	4,275,000	722,091	
Geoil Limited (note d)	1,732,648	31.8	2,495,013	4,699,750		1,732,648	31.8		4,699,750	
Giant Yellowknife Gold Mines Limited (note c)	784,977	19.6	8,438,503	164,244		784,977	19.6	5,769,581	164,244	
Horne Fault Mines Limited	881,634	33.8	48,490	84,900	$ 42,471	881,634	33.8		84,900	$ 31,971
Joliet-Quebec Mines Limited	1,031,800	20.1	237,314	134,602		1,031,800	20.1	299,222	134,602	
Lake Dufault Mines Limited	224,962	5.4	157,473	83,070		224,962	5.4	130,480	83,070	
Latin American Mines Limited	444,614	17.3	115,600	124,519		444,614	17.3	120,046	296,290	

Michipicoten Iron Mines Limited	874,106	32.6		304,814	90,786	874,106	32.6		304,814	90,786
Namwala Concessions Limited — ordinary shares of 10 shillings each, 9/6d paid (7/3d paid in 1958)	80,000	40.0		1		80,000	40.0		78,227	
Northfield Canada Limited						20,004	17.4		90,004	
Pilley's Island Copper-Pyrite Limited	692,360	44.1		138,854		600,000	41.3		125,000	
Quebec Metallurgical Industries Ltd.	1,146,249	22.7	664,824	917,000		1,146,249	22.7	917,000	917,000	
Rainville Mines Limited										
— shares	612,143	21.8	153,036	404,894		612,143	21.8	281,586	404,894	17,500
— 7% debentures due December 31, 1968	$140,000			140,000		$140,000			140,000	
St. Eugene Mining Corporation Limited	841,185	34.8		319,989	5,000	841,185	34.8		319,989	22,000
Sukulu Mines Limited										
— common shares	54,321	37.6		2		54,321	37.6		146,002	548
— 5% preference shares	81,900	35.6		1		81,900	35.6		204,000	
United Keno Hill Mines Limited (note c)	729,276	29.5	3,719,308	453,425		729,276	29.5	2,917,104	453,425	
Miscellaneous participations of less than $60,000 each —										
Those with market value			225,676	186,706				277,661	227,764	
Those without market value				102,051	1				204,888	794
			$21,571,538	$ 9,364,756	$ 138,258			$15,610,832	$10,246,347	$ 163,599
			$32,436,990	$18,942,981	$2,275,344			$20,552,712	$16,643,549	$2,492,889

NOTES:

(a) The market values shown are based on closing market prices at December 31, 1959 and December 31, 1958. 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.

(b) Anyox Metals Limited, classified as an associated company in 1958 (40.0%), is now classified as a subsidiary (54.3%) and the 1958 figures have been adjusted to reflect this reclassification.

(c) See note 3 to consolidated financial statements as to shareholdings hypothecated as security for the company's outstanding 4% convertible debentures.

(d) The market value shown for shareholdings of Geoil Limited is based on the quoted market value at December 31, 1959 of the shares of Alminex Limited, the principal asset of Geoil Limited at that date.

Notes to Consolidated Financial Statements

AS AT DECEMBER 31, 1959

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 consolidated 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, 1959. No provision has been made in the accounts of Frobisher Limited for its interest of $1,707,997 in the aggregate of the losses less profits of these subsidiaries accumulated from the date of their acquisition to December 31, 1959, which arises primarily from the accumulated consolidated losses less profits of Kilembe Copper Cobalt Ltd. and its operating subsidiary. The interest of Frobisher Limited in these accumulated losses less profits includes a profit of $32,039 for the year ended December 31, 1959.

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, 1959, 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. The company holds an option to purchase 122,547 shares of Kilembe Copper Cobalt Ltd. at $2.10 per share exercisable on or before December 31, 1962 and has agreed to exercise this option upon the written demand of Kilembe Copper Cobalt Ltd.

5. The company has reserved 473,333 of its unissued shares as follows:

   (a) 333,333 shares for possible issuance upon conversion of 4% convertible debentures; the present conversion price is $15.00 per share, which increases to $20.00 per share on February 16, 1962.

   (b) 140,000 shares for the purpose of granting options to officers and employees of the company at a price of $2.09 per share (the market price less 10% at the date these shares were reserved). At December 31, 1959 there were options outstanding on 55,000 of these shares, exercisable on or before June 15, 1969. The options contain a termination of employment clause.

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, 1959 and the statements of consolidated income 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 $1,707,997 in the aggregate of the losses less profits of the unconsolidated subsidiaries from the date of their acquisition to December 31, 1959 (including a profit of $32,039 for the year ended on that date). With this exception, in our opinion the accompanying consolidated balance sheet and statements of consolidated income 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, 1959 and the results of their operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CLARKSON, GORDON & CO.,
Chartered Accountants.

Toronto, Canada,
April 4, 1960.

KILEMBE COPPER COBALT LTD.

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1959

(with comparative figures for the year ended December 31, 1958)

ASSETS	1959	1958
Current:		
Cash	$ 136,105	$ 153,417
Metal settlements receivable	219,219	504,531
Other accounts receivable	74,178	59,361
Copper on hand and in process (note 2)	261,531	127,085
Inventory of materials and supplies, at cost on a "first-in, first-out" basis	2,182,659	1,890,753
Total current assets	$ 2,873,692	$ 2,735,147
Funds on deposit with the trustee for the debenture holders		$ 132,871
Fixed and intangible assets:		
Mining concessions, at cost	$ 479,778	$ 479,778
Less accumulated amortization	96,378	59,972
	$ 383,400	$ 419,806
Plant and equipment at cost	$14,375,394	$12,728,503
Less accumulated depreciation	3,031,023	1,896,478
	$11,344,371	$10,832,025
Development and preproduction expenses	$ 7,808,592	$ 7,526,984
Less accumulated amortization	1,542,845	953,464
	$ 6,265,747	$ 6,573,520
	$17,993,518	$17,825,351
Other assets:		
Debenture discount and expenses less amounts written off		$ 156,658
Deferred prospecting expenses	$ 134,124	86,159
	$ 134,124	$ 242,817
	$21,001,334	$20,936,185

LIABILITIES	1959	1958
Current:		
Accounts payable and accrued charges	$ 967,428	$ 833,949
Provision for leave pay and passages	114,991	121,656
Current account with Frobisher Limited	18,245	84,038
Accrued interest	78,481	228,185
5½% promissory notes payable to Frobisher Limited, parent company, on or after December 1, 1960	2,137,085	
Unsecured loan stock (£380,000) less held by Kilembe Copper Cobalt Ltd. (£86,667)	807,959	
Long-term debt payable within one year	100,242	894,178
Total current liabilities	$ 4,224,431	$ 2,162,006
Long-term debt:		
Kilembe Copper Cobalt Ltd. —		
5½% 10-year collateral trust debentures		$ 3,789,000
Less amount payable within one year included under current liabilities		800,000
		$ 2,989,000
Promissory notes payable to Frobisher Limited, parent company, subject to prior payment of all the collateral trust debentures		2,184,637
		$ 5,173,637
Kilembe Mines Limited —		
6% unsecured loan stock 1960 (£500,000) less held by Kilembe Copper Cobalt Ltd. (£166,667)		$ 918,135
First mortgage 6% redeemable debenture stock 1960-75	$ 2,641,633	$ 2,738,870
Less amount payable within one year included under current liabilities	100,242	94,178
	$ 2,541,391	$ 2,644,692
	$ 2,541,391	$ 3,562,827
Total long-term debt	$ 2,541,391	$ 8,736,464
Minority interest in subsidiary company consolidated (30%):		
Capital	$ 4,681,789	$ 4,681,789
Less deficit	366,875	575,764
	$ 4,314,914	$ 4,106,025
Commitments (note 5):		
Shareholders' equity:		
Capital (notes 3 and 4) —		
Authorized: 5,000,000 shares of par value of $1 each		
Issued: 3,877,027 shares (1958 — 2,504,810 shares)	$ 3,877,027	$ 2,504,810
Contributed surplus (note 4)	8,193,887	5,631,865
Redeemable stock purchase warrants —		
Issued: warrants for the purchase of 996,100 shares		99,610
	$12,070,914	$ 8,236,285
Less deficit (note 7)	2,150,316	2,304,594
	$ 9,920,598	$ 5,931,691
	$21,001,334	$20,936,185

(See accompanying notes to consolidated financial statements)

KILEMBE COPPER COBALT LTD.

STATEMENT OF CONSOLIDATED OPERATIONS AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1959

(with comparative figures for the year ended December 31, 1958)

	1959	1958
Metal sales	$7,556,263	$5,779,137
Deduct:		
Transportation costs	$ 359,490	$ 305,052
Refining charges	286,771	350,218
Selling and sampling expenses	37,517	31,240
	$ 683,778	$ 687,510
Net proceeds from metal sales	$6,872,485	$5,091,627
Operating and administration costs:		
Development	$ 666,520	$ 179,057
Rock breaking	1,181,921	987,762
Milling	782,408	542,034
Freight on concentrates	313,966	188,763
Smelting	870,785	848,873
Amortization of mining concessions	36,405	23,989
Amortization of development and preproduction expenses	589,382	419,931
Depreciation	1,100,086	716,796
Mine office administration	450,290	391,820
Parent company administration including legal fees of $2,420 (1958 — $10,003) and executive salaries of $16,637 (1958 — $13,587)	67,380	50,494
Decrease (increase) in inventory of copper on hand and in process	(134,446)	657,709
	$5,924,699	$5,007,228
Operating profit before the undernoted items	$ 947,786	$ 84,399
Amortization of debenture discount and expenses	$ 156,658	$ 91,329
Interest on long-term debt	280,675	470,947
Interest on advances from Frobisher Limited, parent company	129,151	83,193
Foreign withholding taxes on inter company interest	29,429	41,440
Premium on redemption of 6% unsecured loan stock 1960		5,408
Profit on redemption of 5½% collateral trust debentures	(29,135)	
Loss on conversion to Canadian dollars	18,822	30,763
Interest on funds deposited with the trustee for debenture holders	(981)	(2,526)
	$ 584,619	$ 720,554
Profit (loss) before minority interest in subsidiary	$ 363,167	$ (636,155)
Deduct minority shareholders' interest	208,889	(71,002)
Profit (loss) for the year (note 7)	$ 154,278	$ (565,153)
Deficit at beginning of the year (note 7)	2,304,594	1,739,441
Deficit at end of the year (note 7)	$2,150,316	$2,304,594

(See accompanying notes to consolidated financial statements)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 1959

1. Principles of Consolidation.

The consolidated financial statements include the accounts of Kilembe Mines Limited (incorporated under the laws of the Uganda Protectorate) which is 70% owned and is the only company in which Kilembe Copper Cobalt Ltd. has any direct or indirect interest.

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). Assets and liabilities and revenues and expenses in currencies other than Canadian dollars are converted into Canadian funds on the following bases:

Fixed and intangible assets, deferred prospecting expenses, share capital and long term debt.	At the rates of exchange prevailing when the transactions giving rise to such items occurred.
Accumulated provisions for depreciation and amortization.	At rates of exchange based on those prevailing when the expenditures on the related fixed and intangible assets were made.
Other assets and liabilities.	At the closing rates of exchange prevailing at the end of the year.
Revenues and expenses other than depreciation and amortization.	At the average monthly rates of exchange in effect during the year.
Provisions for depreciation and amortization.	At the rates of exchange prevailing when the expenditures on the related fixed and intangible assets were made.

2. Inventory of Copper.

Copper on hand and in process consists of copper concentrates in process of production between the mill and the completion of the smelter operation and blister copper awaiting shipment. Inventories of copper concentrates are priced at the lower of "first-in, first-out" cost or estimated realizable value, the latter based on the delivered price of refined copper less transportation, refining, selling and smelting costs. "Blister copper" produced by the smelter is sold under contract, and is transferred to "metal settlements receivable" as shipped. Prior to shipment it is included in copper inventory and priced at estimated realizable value; at December 31, 1959 blister copper in the inventory amounted to $174,261.

3. Share Options and Stock Purchase "C" Warrants.

At December 31, 1959, the presently unissued shares of Kilembe Copper Cobalt Ltd. were subject to the following options, warrants or rights outstanding:

(a) Rights evidenced by stock purchase "C" warrants	901,332 shares
(b) Options to employees of the company and employees of Kilembe Mines Limited	99,090 shares
(c) Options to Frobisher Limited, parent company	122,547 shares
	1,122,969 shares

(a) The rights evidenced by stock purchase "C" warrants entitle the holder to subscribe for one share in the capital stock of the company at a price of $2.90 per share on or before November 30, 1960. Frobisher Limited has an option exercisable on or before December 31, 1960, to purchase at $2.90 per share all or any part of the shares not purchased at the expiry date of these rights.

(b) The company on August 19, 1955 granted to the President, in trust for the employees of the company and its subsidiary, an option on an aggregate of 100,000 shares of its capital stock at $3 per share, exercisable on or before September 1, 1960, which option as extended, may be assigned in part or parts to certain employees of the company or its subsidiary at the discretion of the President. At December 31, 1959, 86,640 shares had been assigned under this option agreement.

(c) The company has granted to Frobisher Limited an option to purchase 122,547 shares at $2.10 per share, exercisable 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.

4. Consideration for Shares Issued.

Changes in share capital and contributed surplus during the year 1959 may be summarized as follows:

	Number of shares	Capital	Contributed surplus
Balance December 31, 1958	2,504,810	$2,504,810	$5,631,865
Add shares issued for cash during 1959:			
For "A" warrants exercised including the amounts received on the issue of such warrants	996,100	996,100	1,997,688
For "B" warrants exercised	375,721	375,721	563,582
For "C" warrants exercised	396	396	752
Balance December 31, 1959	3,877,027	$3,877,027	$8,193,887

5. Commitments.

There are commitments outstanding in connection with construction in progress amounting to approximately $587,000 (£220,000).

6. Income Taxes.

Kilembe Copper Cobalt Ltd. is exempt from payment of Canadian income tax while it maintains its status as a "foreign business corporation" under the provisions of the Income Tax Act (Canada).

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 the profits.

7. Adjustment of Consolidated Loss Previously Reported.

The consolidated deficit as at December 31, 1958 reflects retroactive adjustments made in 1959 as follows:

	1956	1957	1958
Loss previously reported:			
Consolidated loss	$ 634,069	$ 987,733	$ 580,217
Minority shareholders' interest	291,949	241,180	46,031
	$ 926,018	$1,228,913	$ 626,248
Add (deduct):			
Net expenses of Kilembe Copper Cobalt Ltd. for the six months ended December 31, 1956, previously deferred	141,633		
Adjustment to record amortization of development and preproduction expenses on a per ton of ore milled basis	(30,725)	(31,871)	9,907
Adjustments (net) on consolidation, now eliminated	10,235		
	$1,047,161	$1,197,042	$ 636,155
Deduct minority shareholders' interest	271,658	233,104	71,002
Consolidated loss as adjusted	$ 775,503	$ 963,938	$ 565,153
Consolidated deficit at beginning of year		775,503	1,739,441
Consolidated deficit at end of year	$ 775,503	$1,739,441	$2,304,594

Kilembe Mines Limited

STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1959

(with comparative figures for the year ended December 31, 1958)

	1959		1958	
Blister copper produced (pounds)	26,723,200		24,261,400	
		Cents per lb. of copper produced		Cents per lb. of copper produced
Metal sales	$7,556,263	28.28¢	$5,779,137	23.82¢
Deduct:				
Transportation costs	$ 359,490	1.35¢	$ 306,052	1.26¢
Refining charge	286,771	1.07	350,218	1.44
Selling and sampling expenses	37,517	.14	31,240	.13
	$ 683,778	2.56¢	$ 687,510	2.83¢
Net proceeds from metal sales	$6,872,485	25.72¢	$5,091,627	20.99¢
Operating and administration costs:				
Development	$ 666,520	2.50¢	$ 179,057	.74¢
Rock breaking	1,181,921	4.42	987,762	4.07
Milling and filtering	782,408	2.93	542,034	2.23
Freight on concentrates	313,966	1.17	188,763	.78
Smelting	870,786	3.26	848,873	3.50
Mine office administration	450,290	1.68	391,820	1.61
Decrease (increase) in inventory of copper on hand and in process	(134,446)	(.50)	657,709	2.71
	$4,131,445	15.46¢	$3,796,018	15.64¢
Operating profit before the undernoted items	$2,741,040	10.26¢	$1,295,609	5.35¢
Amortization of mining concessions	$ 36,406	.14¢	$ 23,989	.10¢
Amortization of development and preproduction expenses	574,840	2.15	409,239	1.69
Depreciation	1,100,086	4.12	716,796	2.95
Interest on long-term debt	322,945	1.21	343,383	1.42
	$2,034,277	7.62¢	$1,493,407	6.16¢
Net profit (loss) for the year	$ 706,763	2.64¢	$ (197,798)	(.81)¢

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

Technical Personnel

Mining Engineers

A. J. ANDERSON

B. G. EDWARD

A. E. PUGSLEY

Geologists

G. R. DAVIS

J. B. GORDON

A. J. KAPEL

ALEXANDER SMITH

N. B. H. STEVENS

W. B. G. WALKER

Consultants

Geological:

B. S. W. BUFFAM

A. S. DADSON

D. C. SHARPSTONE

Metallurgical:

J. M. MACKAY

J. M. MORTIMER

Economic Research:

I. J. MARTENS

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METALS

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