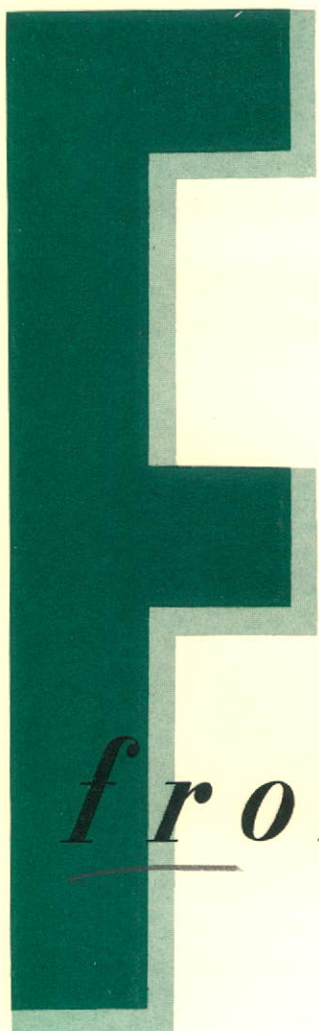


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LIMITED

Annual
Report

1963

PURVIS HALL
MAY 5 1964
MCGILL UNIVERSITY

FROBEX LIMITED

Officers:

J. J. RANKIN, President - - - - - Toronto, Ontario
R. L. SEGSWORTH, Vice-President - - - - - Toronto, Ontario
J. S. GRANT, Q.C., Secretary-Treasurer - - - - - Toronto, Ontario
W. STEUERMAN, C.A., Assistant Secretary-Treasurer - - - - - Toronto, Ontario

Directors:

J. M. CONNELL - - - - - Toronto, Ontario
J. K. GODIN - - - - - Toronto, Ontario
S. E. JAMIESON - - - - - Montreal, Quebec
J. J. RANKIN - - - - - Toronto, Ontario
R. L. SEGSWORTH - - - - - Toronto, Ontario

Transfer Agents and Registrars:

NATIONAL TRUST COMPANY LIMITED - - - - - Toronto, Ontario
Montreal, Quebec
REGISTRAR AND TRANSFER COMPANY - - - - - New York, N.Y.
Jersey City, N.J.

Head Office:

Suit 911, 85 Richmond Street West, Toronto, Ontario

Bankers:

CANADIAN IMPERIAL BANK OF COMMERCE, Toronto, Ontario

Auditors:

CLARKSON, GORDON & CO., Toronto, Ontario

FROBEX LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

Submitted herewith is a report on your Company's operations for the year ending December 31, 1963, together with financial statements as of that date.

A deep test, which was a dry hole, was completed during the year on the concession areas in the Somali Republic farmed out to Sinclair Oil Corporation et al. Further seismic work has been completed and another deep test is expected to begin in July in the coastal region. Frobex retains a 6.125% royalty in 9.4 million acres in this farmout. Gulf Oil continued their geophysical program on the approximately thirty-seven million acres in which we receive payment if production is obtained.

Exploration activities of your Company during the past year have extended across Canada and into both the Western and Eastern Arctic regions.

British Mountains Syndicate, formed to explore in northern Yukon Territory, carried out its program over an extensive area. A locality with base metal occurrences of interest was discovered.

Frobex, jointly with two other companies, has optioned a group of claims covering a large mineralized zone near Cache Creek in the southern part of British Columbia. Following a small amount of drilling done during the winter to meet assessment requirements and in which low copper-lead-silver values were obtained over substantial widths, a further program of diamond drilling will be undertaken in the Spring to explore the economic possibilities of the zone.

Activities of the Stimson Syndicate in the Mistango River area of northern Ontario were concluded at mid-season after negative results were obtained in diamond drilling anomalous conditions indicated by geophysical surveys.

Participations in underwriting agreements were taken by your Company to finance Kenpat Mines Limited, Gavan Mines Limited and Peso Silver Mines Limited for work programs on their respective properties. Diamond drilling to explore gold discoveries was completed on the Kenpat property in Opapimiskan Lake area, northwestern Ontario. A conducting zone on the Gavan property in Manitouwadge area, Ontario, was indicated by a geophysical survey, but subsequent drilling disclosed sulphides with only low copper-zinc values.

An option was taken on twenty-two claims in Ben Nevis Township, Ontario and some diamond drilling was carried out this winter. Five holes drilled to date intersected silver bearing

sulphide mineralization across substantial widths with the best assay results being 9.6 oz./ton silver over ten feet. Investigations on the property will be resumed in the Spring when working conditions are favourable. Dome Exploration (Canada) Limited shares jointly with your Company in this venture and also in an option agreement on a property in Bourlamaque Township, Quebec, where geophysical work has been completed and drilling to test anomalous conditions will commence shortly.

Frobex Limited is participating to the extent of a 25 percent interest with Canadian Nickel Company Limited and Dome Mines Limited in an exploration program in Northern Quebec. Diamond drilling on claims staked last year will commence in May.

A one fifth interest is held by your Company in a Syndicate which was formed to carry on airborne and ground exploration in the Timmins area of northern Ontario.

Apart from participation in the Syndicate referred to above, Frobex has acquired a large number of claims in the Timmins area to cover areas of favourable rocks. Detailed exploration work will be performed on these.

A zinc-lead-silver prospect in Nevada, U.S.A. has been optioned in which Frobex retains a 50 percent interest. An exploration program will be carried out on this property during the Summer.

Under syndicate agreements other localities in Ontario and Quebec were investigated and also two properties in Nova Scotia, but when results were not encouraging, activities were terminated. Eighty-nine claims were staked in the Lac des Iles area west of Lake Nipigon in Ontario and fifteen claims in the Holton Lake area in Quebec on which further prospecting will be carried out this Summer.

The Company maintained its own prospecting parties in British Columbia and Ontario during the year and also contributed to several prospecting grubstakes. In view of encouraging results, your Company will continue its activities in some areas and anticipates a very active season.

On behalf of the Board,

J. J. RANKIN,
President.

April 22, 1964.

FROBEX LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet — December 31, 1963

(with comparative figures at December 31, 1962)

	1963	1962
CURRENT:		
Cash in bank	\$ 20,988	\$ 29,287
Cash in deposit accounts	206,251	326,959
Marketable securities at cost (market — 1963 — \$26,450, 1962 — \$56,250)	29,586	46,350
Accounts receivable and accrued interest	8,869	548
	<u>\$ 265,694</u>	<u>\$ 403,144</u>
Deferred exploration and development expenses	44,619	6,894
	<u>\$ 310,313</u>	<u>\$ 410,038</u>

LIABILITIES

CURRENT:		
Accounts payable and accrued charges	\$ 6,839	\$ 22,793
SHAREHOLDERS' EQUITY:		
Capital (note 1) —		
Authorized: 3,500,000 shares of no par value	\$ 700,001	\$ 700,001
Issued: 1,372,620 shares	264,565	264,565
Contributed surplus (no change during year)	\$ 964,566	\$ 964,566
Deficit	661,092	577,321
	<u>\$ 303,474</u>	<u>\$ 387,245</u>
On behalf of the Board:	<u>\$ 310,313</u>	<u>\$ 410,038</u>

J. J. RANKIN, Director.

R. L. SEGSWORTH, Director.

See accompanying notes.

AUDITORS' REPORT

To the Shareholders of
FROBEX LIMITED:

We have examined the balance sheet of Frobex Limited as at December 31, 1963 and the statement of profit and loss and deficit for the year then ended. 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.

In our opinion the accompanying balance sheet and statement of profit and loss and deficit, present fairly the financial position of the company as at December 31, 1963 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
April 14, 1964.

CLARKSON, GORDON & CO.,
Chartered Accountants.

FROBEX LIMITED

Statement of Profit and Loss and Deficit

FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for the year ended December 31, 1962)

	1963	1962
GENERAL AND ADMINISTRATIVE EXPENSE:		
Accounting and office services	\$ 12,000	\$ 7,000
Annual reports and shareholders' meeting	3,843	6,424
Executive remuneration	18,000	9,000
Legal and audit fees	2,303	10,132
Other general expense	2,300	5,861
Transfer agency fees	7,359	23,718
	<u>\$ 45,805</u>	<u>\$ 62,135</u>
Less interest and other income	12,084	2,932
	<u>\$ 33,721</u>	<u>\$ 59,203</u>
AMOUNTS WRITTEN OFF:		
Deferred exploration costs and other assets in Somalia		\$ 451,162
Less recovery on sale of geological and geophysical data		216,063
		<u>\$ 235,099</u>
Exploration and development costs in Canada	\$ 50,050	24,007
	<u>\$ 50,050</u>	<u>\$ 259,106</u>
Net loss for year	\$ 83,771	\$ 318,309
Deficit, beginning of the year	577,321	259,012
Deficit, end of the year (note)	<u>\$ 661,092</u>	<u>\$ 577,321</u>

NOTE: The above deficit covers the period from June 28, 1960 to December 31, 1963. The accumulated deficit at June 27, 1960 (\$7,137,613) was written off against the contributed surplus created by a capital reorganization during 1960.

See accompanying notes.

FROBEX LIMITED

Statement of Deferred Exploration and Development Expenses

FOR THE YEAR ENDED DECEMBER 31, 1963

(with comparative figures for the year ended December 31, 1962)

	1963	1962
Balance deferred at beginning of the year	\$ 6,894	\$ 8,735
EXPENDITURES DURING YEAR:		
Participations in syndicates, grubstakes and options	\$ 42,699	—
Mining claims	9,717	\$ 2,400
Diamond drilling	3,600	4,676
Geophysical surveying	3,469	4,296
Engineers' and geologists' fees	3,852	4,090
Salaries and wages	17,289	3,537
Travel and transportation	4,929	1,759
Other exploration expenses	2,220	1,408
	<u>\$ 87,775</u>	<u>\$ 22,166</u>
	\$ 94,669	\$ 30,901
Less amounts written off	50,050	24,007
Balance deferred at end of the year	<u>\$ 44,619</u>	<u>\$ 6,894</u>

FROBEX LIMITED



Notes to Financial Statements

DECEMBER 31, 1963

1. At December 31, 1963, under an agreement which the company entered into during 1962 with Mr. J. J. Rankin its President, British Metal Canada Investments Limited, Conwest Exploration Company Limited and McIntyre Porcupine Mines Limited:

(1) An amount of \$450,000 for 600,000 of its unissued shares is payable to the company at any time prior to November 15, 1967 when called by the company. One-third of this amount is payable by each of British Metals, Conwest and McIntyre.

(2) There were options outstanding, exercisable prior to November 15, 1967, to purchase 1,527,380 shares of the company's unissued capital at eighty-five cents per share as follows:

(a) To each of British Metals, Conwest and McIntyre, 450,000 shares	1,350,000 shares
(b) To the company's President, Mr. J. J. Rankin, whose right to exercise his option is dependent upon his continued employment with the company	177,380

1,527,380 shares

NOTE: British Metals, Conwest and McIntyre each has the right to withdraw from any unpaid commitments incurred under paragraphs (1) and (2) above if Mr. Rankin should die or become physically incapable of performing his duties.

2. In prior years the company relinquished all its concession rights in Somalia and the relative unrecovered expenditures were written off. The company is still entitled to receive a net royalty of 6.125% on all hydrocarbon production sold from 20% of the relinquished area plus a maximum amount of U.S. \$650,000 which is dependent upon oil production sold from the remaining 80% of the relinquished area.

