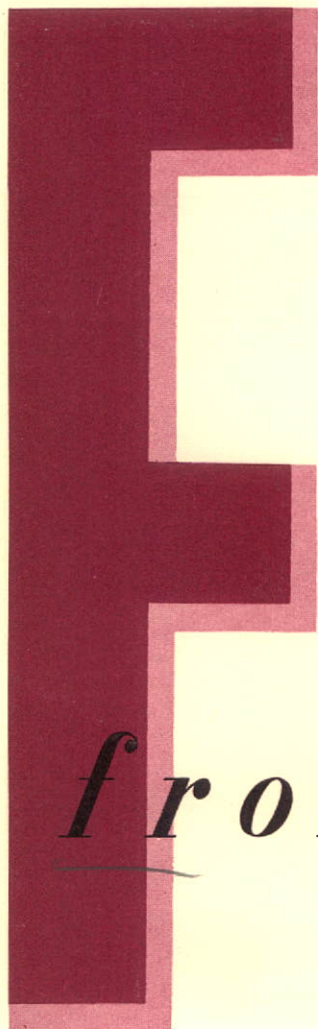


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LIMITED

*Annual
Report*

1964

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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:

Suite 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, 1964, together with financial statements as of that date.

The past year has been a busy one for your Company with mining exploration generally at a high level in Canada. Great impetus to this exploration activity was given by the sensational copper-zinc-silver discovery of Texas Gulf Sulphur Company in the Porcupine Area of Ontario. This important locality has received and will continue to receive a proportionately large share of your Company's activities.

Claims staked in the Porcupine Area and wholly owned by your Company aggregate 278. An additional 84 claims in which a one-half interest is held were staked and are owned jointly by Frobex and Area Mines Limited. A patented block of 163 acres located in Kidd Township, 3 miles northwest of the Texas Gulf discovery also was acquired by purchase.

Geophysical work so far completed on a number of the claims has revealed interesting anomalous conditions at several locations. Drilling has been carried out on the MacDiarmid Township claims throughout the winter to investigate anomalies on this 50 claim group. Sulphides carrying low values in lead, zinc and copper were intersected in all but one of the holes, but nothing of ore grade was found. Further drilling on this group is warranted at a later date. Recently, a drill was moved to the Duff Township claims northeast of Kidd Township and drilling has commenced.

The Company has incorporated Billiken Mines Limited to acquire the Kidd Township property and an active drilling program is underway there to test the claims. A wide zone of alteration and mineralization occurring in brecciated rhyolite, which is a favourable host rock in the area has been cut in the first three holes and values in zinc, lead and copper occur in short sections throughout this zone. The third hole in this anomaly, which is more than 2,500 feet long, is still drilling. It is expected that several thousand additional feet of drilling will be required here.

Your Company is participating to the extent of 20 per cent in the Ivanhoe Syndicate which is investigating areas west of Timmins and in the Twin Falls Syndicate operating east of Timmins to the extent of 25 per cent. Extensive geophysical and diamond drilling programs are being carried out by these Syndicates.

In the Ungava district of Northern Quebec, Frobex had a 25% interest in an extensive exploration program carried out with other participants. Diamond drilling was carried out on two base metal occurrences but average grades were not considered sufficiently high to continue the program.

Under syndicate agreements, optioned properties in Quebec and British Columbia were investigated by diamond drilling, but when results were unsatisfactory, the options were not exercised.

Activities in the United States during the year, in which your Company shares, included surface exploration of a prospect in Nevada and diamond drilling at a property in Jefferson County, Colorado. Interest in the former terminated when results were insufficiently encouraging.

The Colorado work is being continued and a new company named Canorado Mines Limited has been incorporated to carry on this work. Three other companies have joined Frobex in this development which is managed by your Company. To date, approximately 125,000 tons of better than 2% copper with low values in zinc, silver and gold have been indicated. Diamond drilling will be resumed shortly with a view to substantially increasing the tonnage indicated to date.

During the field season, two prospecting parties were maintained in northern British Columbia and in Northwest Territories. In addition, contributions were made to prospecting grubstakes for work in Ontario and Quebec.

Another active year is anticipated in 1965 with preliminary arrangements already completed for several new projects which will be managed by Frobex. Your Company will participate to the extent of 20% in an exploration program in Yukon Territory and British Columbia which will continue for three years. Twelve thousand acres have been acquired in Northern Saskatchewan by staking and by option agreement which will be explored for molybdenum. This project is being undertaken by four companies, each with a 25% interest. An option has been taken and additional claims have been staked on an antimony-silver-lead prospect in British Columbia. Frobex is participating to the extent of 25% in this project with three other companies. Additional work is proposed for the property in Ben Nevis Township, in Ontario, which your Company holds under option jointly with Dome Explorations (Canada) Ltd.

Extensive seismic and drilling programs by Sinclair Oil Corporation et al and Gulf Oil Corporation in the Somali Republic continued during the year but production has not as yet been achieved. It is expected that during 1965, Sinclair will drill a minimum of two deep tests and Gulf Oil one deep well on the forty-five million acres obtained from Frobex. Your Company's interests in these projects remains the same.

During the past year, \$150,000 for 200,000 shares was placed in the Treasury by the underwriters, British Metal Canada Investments Limited, Conwest Exploration Company Limited and McIntyre Porcupine Mines Limited and sufficient funds are on hand or are firmly committed to carry out the present program.

On behalf of the Board,

J. J. RANKIN,

President.

May 4, 1965.

FROBEX LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet—December 31, 1964

(with comparative figures at December 31, 1963)

	1964	1963
ASSETS		
CURRENT:		
Cash in bank	\$ 51,769	\$ 20,988
Cash in deposit accounts	100,000	206,251
Marketable securities at cost (market — 1963 — \$26,450)	11,932	29,586
Accounts receivable and accrued interest	163,701	8,869
	<u>163,701</u>	<u>265,694</u>
OTHER:		
Deferred exploration and development expenses	\$ 120,184	44,619
Mining property (note 3)	23,096	143,280
	<u>\$ 306,981</u>	<u>\$ 310,313</u>
LIABILITIES		
CURRENT:		
Accounts payable and accrued charges	\$ 16,191	\$ 6,839
SHAREHOLDERS' EQUITY:		
Capital (note 1) —		
Authorized: 3,500,000 shares of no par value		
Issued: 1,572,620 shares (including 200,000 shares issued for \$150,000 cash during the year)	850,001	700,001
Contributed surplus (no change during year)	264,565	264,565
	<u>1,114,566</u>	<u>964,566</u>
Deficit	823,776	661,092
	<u>290,790</u>	<u>303,474</u>
On behalf of the Board:	<u>\$ 306,981</u>	<u>\$ 310,313</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, 1964 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, 1964 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 12, 1965.

CLARKSON, GORDON & CO.,
Chartered Accountants.

FROBEX LIMITED

Statement of Profit and Loss and Deficit

FOR THE YEAR ENDED DECEMBER 31, 1964

(with comparative figures for the year ended December 31, 1963)

	1964	1963
GENERAL AND ADMINISTRATIVE EXPENSE:		
Accounting and office services	\$ 12,000	\$ 12,000
Annual reports and shareholders' meeting	3,788	3,843
Executive remuneration	18,000	18,000
Legal and audit fees	2,348	2,303
Other general expense	3,874	2,300
Transfer agency fees	4,704	7,359
	<u>44,714</u>	<u>45,805</u>
Less interest and other income	4,444	12,084
	<u>40,270</u>	<u>33,721</u>
Exploration and development costs written off	122,414	50,050
Net loss for year	162,684	83,771
Deficit, beginning of the year	661,092	577,321
Deficit, end of the year (note)	<u>\$ 823,776</u>	<u>\$ 661,092</u>

NOTE: The above deficit covers the period from June 28, 1960 to December 31, 1964. 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 Expense

FOR THE YEAR ENDED DECEMBER 31, 1964

	Balance December 31, 1963	Expendi- tures in 1964	Amounts written off in 1964	Balance December 31, 1964
GENERAL EXPLORATION, STAKING COSTS AND PROPERTY EXAMINATIONS:				
Thunder Bay Mining Division — Ontario	\$ 15,329	\$ 5	\$ 15,334	
Porcupine Mining Division — Ontario	4,994	51,180	4,994	\$ 51,180
Fort Chimo Area — Quebec	15,250	38,117	53,367	
British Columbia, Yukon and Northwest Territories	3,826	20,472	14,073	10,225
	39,399	109,774	87,768	61,405
PARTICIPATIONS IN SYNDICATES:				
Ivanhoe Syndicate — Ontario		31,640		31,640
Twin Falls Syndicate — Ontario		4,600		4,600
Ben Nevis Township Option — Ontario	1,591	7,729		9,320
Sabourin Creek Option — Quebec	472	4,896	5,368	
Maggie Option — British Columbia		6,752	6,752	
Weiler Option — Nevada, U.S.A.		4,131	4,131	
Canorado Project — Colorado, U.S.A.		7,399		7,399
	2,063	67,147	16,251	52,959
Other exploratory expenses, grubstakes, etc.	3,157	21,058	18,395	5,820
	\$ 44,619	\$ 197,979	\$ 122,414	\$ 120,184

FROBEX LIMITED

Notes to Financial Statements

DECEMBER 31, 1964

1. At December 31, 1964, 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 \$300,000 for 400,000 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.
3. In accordance with an agreement under which a mining property in Kidd Township was acquired, a company was incorporated in 1964 to which the property is to be transferred. Shares are to be issued to Frobex Limited for the property and the related exploration expenses.
4. Under an agreement dated January 19, 1965, Frobex Limited and four other companies have agreed to incur expenses in equal amounts aggregating \$400,000 in a prospecting, exploration and development programme in Canada for the years 1965 to 1967 inclusive. A company is to be incorporated in which the participants will receive shares pro rata for expenditures incurred.

