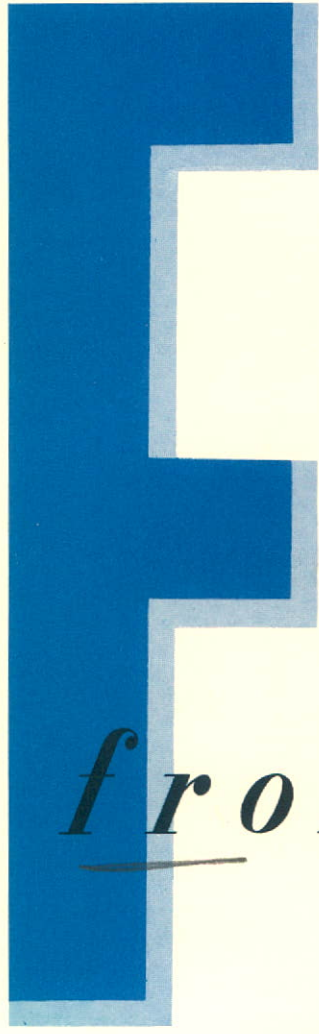


c. Stackman



f r o b e x

LIMITED

*Annual
Report*

1965

PURVIS HALL
LIBRARIES
MAY 29 1966
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 - - - - - Toronto, Ontario
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:

The directors have pleasure in submitting their report on your company's activities for the year ended December 31st, 1965, together with financial statements for the same period.

The year under review was marked by considerable exploration activity on the part of your company.

The copper discovery made by Terra Nova Explorations Limited in the Gaspé Peninsula of Quebec sparked a major staking rush and an intensive mineral search in this area. One property acquired by purchase is an important group of 99 claims on the northwest flank of Tabletop Mountain. Frobex, Area Mines Limited and the original claim owners have one-third interest each in the vendors' position in Wexford Mines Limited which holds the property. Frobex and Area Mines will arrange to finance the project on a 50-50 basis.

A limited drilling program was carried out on these claims in 1964 by the previous optionees, in the vicinity of a surface showing. Several intersections of copper mineralization were obtained, the best of these being 150 feet of 1.2% copper and 40 feet of 1.65% copper. These claims require more detailed exploration and your company's program for the current year provides for diamond drilling and further geochemical and geophysical work.

Encouraged by results of an airborne geophysical survey and a geochemical reconnaissance program, your company participated to the extent of 50% in staking a block of 290 claims in Bonnacamp and Holland townships. Follow-up work on this group, located east of the Terra Nova discovery and southwest of the Gaspé Copper Mines Property, is also planned for this year.

Your company is conducting a joint venture operation with Augustus Exploration Limited, Elgin Petroleum Corporation Limited and Pacific Petroleums Limited, in the exploration and development of Cheriton copper prospect in the Popelogan area, New Brunswick. Geophysical and geochemical surveys to be followed by diamond drilling will commence shortly. If this program is successful, a new company will be incorporated to carry on future development.

The extensive program carried out by your company in the Timmins area last year was disappointing and no further exploration is planned for the present. Significant base metal values were encountered over narrow widths in a wide mineralized zone drilled on the company's Billiken Mines property in Kidd township but no ore was indicated. Some claims were dropped in the neighbouring townships while others are being kept in good standing pending developments on nearby properties. No significant results were obtained west and east of Timmins by the

Ivanhoe and Twin Falls Syndicates in which your company participated to the extent of 20% and 25% respectively.

A silver-antimony showing optioned in the Bridge River area of British Columbia and a molybdenum prospect in the Black Lake district of Northern Saskatchewan were explored by the company, in partnership with others, but proved disappointing.

Frobex and three other corporations participated through Canorado Mines Limited, in the exploration of a copper property in Jefferson County, Colorado, U.S.A. Results of a five months drilling program did not confirm sufficient tonnage to warrant underground development work. This program has been discontinued.

Good progress is being made in western Canada where your company manages a three year exploration program in a joint venture with Canadian Nickel Company Limited, Denison Mines Limited, Dome Exploration (Canada) Limited and McIntyre Porcupine Mines Limited. Each of the participants has a 20% interest in Coranex Limited, a company incorporated to carry out a mineral search in the Yukon and in British Columbia. A modern laboratory has been installed in Vancouver to facilitate the evaluation of samples. Coranex, now in its second year of operation, continues an extensive program of surface exploration.

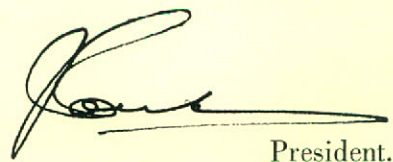
Frobex is also engaged directly in mineral ventures in other parts of British Columbia and the Yukon. In this connection Frobex has recently incorporated a new company, Bruce Lake Mines Limited, a B.C. corporation in which it is retaining approximately 50% vendor's and financing interest to carry out an exploration program in the Pelly River area in the Yukon. Augustus Exploration is participating with Frobex in this venture; diamond drilling will commence shortly.

The company has been granted 18 prospecting licences in Nova Scotia subsequent to the discovery of elemental sulphur in a drill hole in March of this year.

The financial position of the company is reflected in the enclosed statements. During the year under review \$150,000 was placed in the treasury through a further underwriting of 200,000 shares by British Metal Canada Investments Limited, Conwest Exploration Company Limited and McIntyre Porcupine Mines Limited.

Your directors intend to continue the present program of exploration and the search for new and promising mineral properties.

On behalf of the Board,



President.

May 19th, 1966.

FROBEX LIMITED

(Incorporated under the laws of Ontario)

Balance Sheet — December 31, 1965

(with comparative figures at December 31, 1964)

	ASSETS	
	1965	1964
CURRENT:		
Cash in bank	\$ 38,392	\$ 51,769
Cash in deposit accounts	25,000	100,000
Accounts receivable and accrued interest	6,148	11,932
Total current assets	<u>69,540</u>	<u>163,701</u>
OTHER:		
Deferred exploration and development expenses	209,120	120,184
Mining property		23,096
Investment in subsidiary company (note 3)	65,745	
Investment in associated and other mining companies, at cost	10,019	
	<u>284,884</u>	<u>143,280</u>
	<u>\$ 354,424</u>	<u>\$ 306,981</u>

LIABILITIES

CURRENT:		
Accounts payable and accrued charges	\$ 16,025	\$ 16,191
SHAREHOLDERS' EQUITY:		
Capital (note 1) —		
Authorized: 3,500,000 shares of no par value		
Issued: 1,772,620 shares (including 200,000 shares issued for \$150,000 cash during 1965)	1,000,001	850,001
Contributed surplus (no change during year)	264,565	264,565
	<u>1,264,566</u>	<u>1,114,566</u>
Deficit	926,167	823,776
	<u>338,399</u>	<u>290,790</u>
	<u>\$ 354,424</u>	<u>\$ 306,981</u>

On behalf of the Board:

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, 1965 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, 1965 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 20, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

FROBEX LIMITED

Statement of Profit and Loss and Deficit

FOR THE YEAR ENDED DECEMBER 31, 1965
(with comparative figures for the year ended December 31, 1964)

	<u>1965</u>	<u>1964</u>
GENERAL AND ADMINISTRATIVE EXPENSE:		
Accounting and office services	\$ 12,000	\$ 12,000
Annual reports and shareholders' meeting	3,427	3,788
Executive remuneration	18,000	18,000
Legal and audit fees	2,640	2,348
Other general expense	3,476	3,874
Transfer agency fees	5,152	4,704
	<u>44,695</u>	<u>44,714</u>
Less interest and other income	2,971	4,444
	<u>41,724</u>	<u>40,270</u>
Exploration and development costs written off	60,667	122,414
Net loss for year	102,391	162,684
Deficit, beginning of the year	823,776	661,092
Deficit, end of the year (note)	<u>\$ 926,167</u>	<u>\$ 823,776</u>

NOTE: The above deficit covers the period from June 28, 1960 to December 31, 1965. 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, 1965

	<u>Balance December 31, 1964</u>	<u>Expendi- tures in 1965</u>	<u>Amounts written off in 1965</u>	<u>Balance December 31, 1965</u>
GENERAL EXPLORATION, STAKING COSTS AND PROPERTY EXAMINATIONS:				
Porcupine Mining Division — Ontario	\$ 51,180	\$ 57,452	\$ 3,180	\$ 105,452
Gaspe area — Quebec		10,540		10,540
Porcupine Creek claims — Quebec		5,000		5,000
Matapedia area claims — Quebec and New Brunswick		1,200		1,200
Bruce Lake claims — Yukon		1,268		1,268
Other exploratory expenses, grubstakes, etc.	7,359	8,383	13,305	2,437
	<u>58,539</u>	<u>83,843</u>	<u>16,485</u>	<u>125,897</u>
PARTICIPATIONS IN SYNDICATES:				
Ivanhoe Syndicate — Ontario	31,640	6,757		38,397
Twin Falls Syndicate — Ontario	4,600	10,226		14,826
Coranex Project — British Columbia and Yukon (note 4)		30,000		30,000
Ben Nevis Township option — Ontario	9,320	4,936	14,256	
Canorado Project — Colorado, U.S.A.	7,399	7,979	15,378	
Saskatchewan Project — Saskatchewan	908	4,763	5,671	
Retano Project — British Columbia	7,778	1,099	8,877	
	<u>61,645</u>	<u>65,760</u>	<u>44,182</u>	<u>83,223</u>
	<u>\$ 120,184</u>	<u>\$ 149,603</u>	<u>\$ 60,667</u>	<u>\$ 209,120</u>

See accompanying notes

FROBEX LIMITED

Notes to Financial Statements

DECEMBER 31, 1965

1. At December 31, 1965, 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 \$150,000 for 200,000 of its unissued shares was payable to the company at any time prior to November 15, 1967 when called by the company. One-third of this amount was payable by each of British Metals, Conwest and McIntyre. The amount of \$150,000 was called and received by the company, and the 200,000 shares issued, subsequent to December 31, 1965.

(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. The investment in the subsidiary company, Billiken Mines Limited (81% owned) is comprised of:

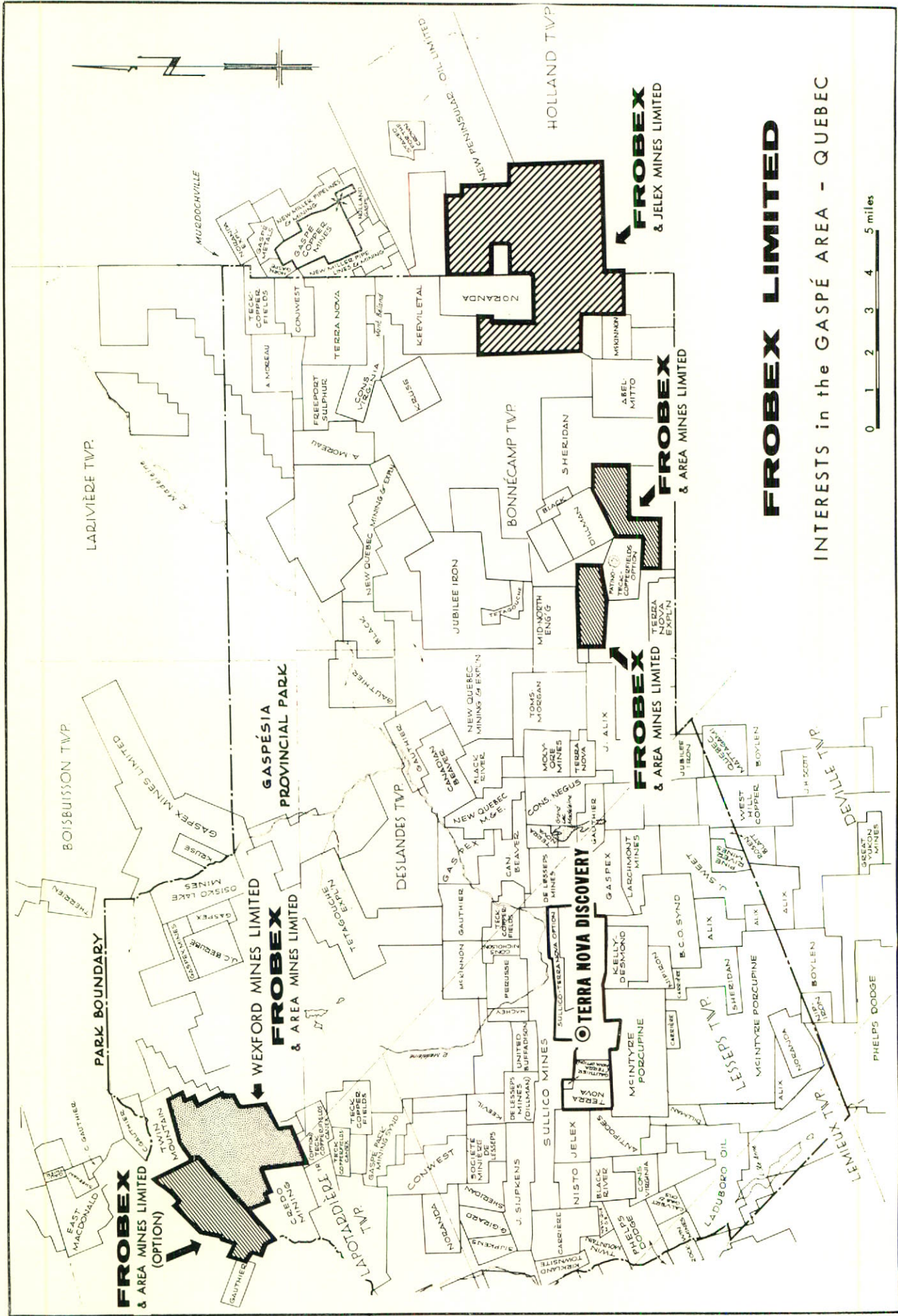
650,000 common shares at cost \$ 25,000

Advances (for which the company has agreed to accept 365,961 shares of the subsidiary in full payment) 40,745

\$ 65,745

The subsidiary company's accounts have not been consolidated with the company's financial statements as the subsidiary company's assets consist entirely of a mining property in Kidd Township in the exploratory stage of development.

4. At December 31, 1965, Frobex Limited and four other companies were committed to incur expenses in equal amounts aggregating \$250,000 as participants in the Coranex Project for the years 1966 and 1967. A company has been incorporated in which the participants will receive shares pro rata for expenditures incurred.



FROBEX
& JELEX MINES LIMITED

FROBEX
& AREA MINES LIMITED

FROBEX
& AREA MINES LIMITED

FROBEX
& AREA MINES LIMITED
(OPTION)

FROBEX LIMITED

INTERESTS in the GASPÉ AREA - QUEBEC



