

C
Stock

5
1940

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Fifth Annual Report

*For the Year Ended
December 31st, 1940*

*With Supplementary Financial Report
to March 31st, 1941*

PURVIS HALL
LIBRARIES

JUN 23 1954

MCGILL UNIVERSITY

Kerr-Addison Gold Mines Limited

(No Personal Liability)



OFFICERS

President

G. B. WEBSTER

Vice-President

J. H. COLVILLE

Secretary-Treasurer

G. A. CAVIN

DIRECTORS

A. H. COCKERAM

J. H. COLVILLE

F. M. CONNELL

A. DORFMAN

G. B. WEBSTER

H. S. MUNROE

J. H. C. WAITE

Consulting Engineers

M. F. FAIRLIE

W. H. EMENS

Manager

W. S. ROW

Head Office: 80 King St. West, Toronto, Ont.

Mine Office: Larder Lake, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY

34 King St. West, Toronto, Ont.

AUDITORS

FRED PAGE HIGGINS & COMPANY

Toronto, Ont.

ANNUAL MEETING

May 31st, 1941, 11.00 a.m. (Daylight Saving Time), King Edward Hotel

Toronto, Ont.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Directors' Report

To the Shareholders:
Kerr-Addison Gold Mines Limited
(No Personal Liability)

Your Directors submit herewith for your consideration their fifth Annual Report on the affairs of your Company, together with the Balance Sheet, the Profit and Loss Account as of December 31st, 1940, your Auditors' Report and the Mine Manager's Report, also interim Balance Sheet and Profit and Loss Account as at March 31, 1941, together with Operating Statement for three months ended March 31, 1941.

In August of 1940 your Directors authorized an increase in mill capacity from 1,200 tons daily to 1,800 tons. Owing to delays in delivery, this increase did not come into effect by the end of the year. During the year, a total of \$438,995.48 was expended on plant and equipment.

As will be seen in the Mine Manager's Report, the mill treated during the year 445,864 tons, an average of 1,288 tons daily for a recovery of \$3,544,433.40, equivalent to \$7.95 per ton. Operating costs were \$1,776,348.43 (\$3.984 per ton), leaving an operating profit of \$1,768,084.97 (\$3.966 per ton). Miscellaneous income added \$5,888.42 to, and donations reduced by \$5,108.12, the foregoing amount. Provision for taxes amounted to \$249,692.55, leaving a net profit of \$1,519,172.72, equal to \$3.407 per ton or 32.12c per share. It should be noted in this connection that on October 31st, 1941, the 3½ year tax exemption period ends and taxes will be at a much higher figure.

Dividend payments were inaugurated during the year, and three interim dividends of five cents each were paid amounting to \$709,545.15 or 15c per share, which amount will be substantially increased during the coming year.

The shareholders will be gratified to note the very considerable increase in ore reserves. The ore reserves as of December 31st, 1940, are computed at 5,140,491 tons grading 0.199 oz. against the 1939 figure of 3,691,132 tons grading 0.194 oz. per ton. Including the ore milled during the year, this represents an increase in ore reserves of 1,895,223 tons or 51%. Of the total of 5,140,491 tons, it is pointed out that there are 2,781,131 tons above the 700 foot level, the balance being between the 700 and 1,450 foot levels.

During the year a considerable tonnage of ore has been proven above the 300 foot level, in the area immediately west of the No. 1 shaft, but the management is of the opinion that above the 700 foot level the main ore zone has been intensively explored.

In January, 1939, the shaft was completed to 1,600 feet, and this year work was concentrated on the development of the intervening levels from the 700 foot down,

particularly on the 1,000 and 1,300 foot levels, and the ore zone explored from the shaft to the eastern end of the property by drifting and diamond drilling. A great amount of development remains to be done on these lower levels and it is thought that this will result in a still further increase in the tonnages given for ore reserves in this horizon.

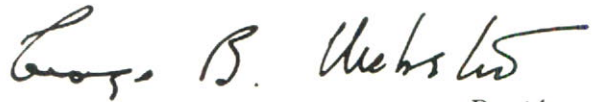
In Virginiatown, as outlined in the 1939 report, the construction of fifty houses which are rented by the Company's employees was completed, necessitating the expenditure of \$106,060.76. Further than that your Company took over, from a mortgage company, mortgages amounting to \$57,945.35 on houses owned by employees. These mortgages are now on a much lower interest basis than formerly. The Company now has a net investment in Virginiatown in improvements and houses of \$203,168.43.

It is with regret that we announce the resignations from the Board of Mr. J. H. Colville and Mr. H. S. Munroe, as of March 8th, 1941.

Messrs. A. H. Cockeram and F. M. Connell, who have been members of the Board of Directors since the inception of the Company, have advised that they will not offer their names for re-election at the forthcoming annual meeting.

Your Directors wish to express their appreciation of the services rendered by your Consulting Engineers and your Manager and staff.

On Behalf of the Board,

A handwritten signature in dark ink, appearing to read "George B. McKelvey". The signature is fluid and cursive, with a long horizontal stroke at the end.

President.

Dated at Toronto,
April 26th, 1941.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Manager's Report

The President and Directors,
Kerr-Addison Gold Mines Limited,
Toronto, Ontario.

Dear Sirs:

The following report covers the operation of your mine for the year ending December 31st, 1940:

Mining, all of which was above the 500 foot level, was carried on during the year at a rate designed to maintain but not increase the broken ore reserve. However, development work of all classes was advanced at a rate in preparation for and commensurate with the future 1,800 ton production rate, rather than with the actual production rate in 1940.

All of the stope preparation was carried out on or above the 700 foot level, as was 46 per cent of all drifting and crosscutting. Development of the five new levels, at depths of 850, 1,000, 1,150, 1,300 and 1,450 feet, is progressing rapidly. Development of the main levels at the 1,000 and 1,300 foot horizons is well advanced with work on the intermediate levels at 850, 1,150 and 1,450 following more slowly. Systems of ore and waste passes were driven from the loading pocket at 1,500 foot depth through to the 700 foot level and a jaw crusher was installed just below the 1,300 foot level. A permanent sump and pumping station were established on the 1,450 foot level.

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1940

Level	Advance In Feet			Box-Holes	Sub-Drifts	Cubic Feet of		Totals (Lin. Ft.)—		Tonnage Ore Broken—			
	Drifts	X-cuts	Raises			Slashing	Station Cutting	Develop-ment	Diamond Drilling	Backs	Sills	Stopes	Pillars Total
Surface									2,212.2				
Reddick													
175 ft.	1,715.8	16.0	688.6	215.0	20.5	4,926	300	2,655.9	4,782.2	3,902	2,499	27,926	34,327
300 ft.	1,048.7	82.5	1,400.4	300.2	829.2	8,967	1,949	3,661.0	4,564.4	7,631	6,058	31,569	114,258
500 ft.	2,223.6	209.6	1,696.3	377.6	296.5	6,608	5,824	4,803.6	9,394.2	4,796	11,750	211,802	228,348
700 ft.	3,319.6	222.2	784.5	219.1	183.0	12,485	3,965	4,728.4	15,061.7	5,199	287		5,486
850 ft.	596.0	486.3	211.1			11,742	9,306	1,293.4					
1,000 ft.	3,552.3	750.6	375.3			13,926	9,040	4,678.2	20,052.3				
1,150 ft.	541.8	508.6	369.7			6,429	9,591	1,420.1					
1,300 ft.	2,503.5	1,030.0	379.5			14,457	25,349	3,913.0	18,844.7				
1,450 ft.		236.4	380.9			9,388	9,235	617.3	794.5				
1,450 Sump	187.0					8,801		187.0					
TOTALS	15,688.3	3,542.2	6,286.3	1,111.9	1,329.2	97,729	74,559	27,957.2	75,706.2	21,528	20,594	271,297	69,000 382,419

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1940

Development work and diamond drilling as shown in detail in the foregoing table have added greatly to ore reserves. In spite of the fact that almost all of the 445,864 tons milled during the year came from above the 700 foot level, proven ore reserves in that block of ground show an increase of 144,662 tons.

Ore Reserves:

Ore reserves at December 31st, 1940, after allowing for dilution, stand at 5,140,491 tons having a grade of 0.199 ounces (\$7.66 @ \$38.50 per oz.) per ton. Of this tonnage, 2,781,131 tons are above the 700 foot level, the balance being in the horizon between 700 feet and 1,450 feet. Broken ore, included in the above, totals 344,411 tons and is all above the 500 foot level.

It should be noted that development of the horizon from 700 to 1,450 feet is only partially completed. A large tonnage, additional to that shown, is already "indicated", but not included in the above figures of ore reserves.

Construction:

In April a new 10 foot double drum ore hoist was ordered for delivery in September but delivery will actually be in February, 1941. This hoist will be in operation about the end of March.

An air compressor having a capacity of 2,800 cubic feet per minute was purchased to meet the mine's requirement of more compressed air. This machine was in operation in July.

Late in July the Directors authorized the purchase of equipment to increase milling capacity to 1,800 tons daily. It was intended to have the increase in effect by January 1st, 1941, and orders were promptly placed for all items required. Unavoidable delays in the plants of the manufacturers resulted in late delivery of some of the larger pieces of equipment.

Production:

Higher recovery, due to metallurgical improvements made at the time mill capacity was increased to 1,200 tons daily late in 1939, has been marked during 1940, with recovery for the full year at 97.20 per cent.

SUMMARY OF PRODUCTION FOR THE YEAR 1940

Tons Milled	445,864		
Average tons milled per day	1,218		
Total Gold Recovered	92,021.07	ozs.	
Total Silver Recovered	4,409.26	ozs.	
Total Marketed Value of Bullion			\$3,544,433.40
Total Marketed Value of Bullion per ton			\$ 7.950
Average Gold Recovery per ton	0.2064 oz.	\$	7.224—Au. @ \$35.00 per oz.
Average Tailing Loss per ton	0.0059 oz.	\$	0.206—Au. @ \$35.00 per oz.
Average Mill Head Value (Bullion plus Tails)	0.2123 oz.	\$	7.430—Au. @ \$35.00 per oz.

Cost Summary:

	Total	Per Ton Milled
Mine Development	\$ 370,107.56	\$ 0.830
Stope Development	166,578.85	0.374
Mining	397,972.59	0.893
Crushing and Conveying	53,516.02	0.120
Milling	227,320.36	0.510
General Expense	91,493.60	0.205
Bullion Marketing	40,111.20	0.090
Head Office Expense	25,096.37	0.056
Corporation Taxes	1,284.71	0.003
Directors' Fees	3,650.00	0.008
TOTAL	\$1,377,131.26	\$ 3.089
Provision for Depreciation of Buildings and Equipment, 15% per annum	264,723.06	0.594
Provision for Amortization of Deferred Development, 15% per annum	134,494.11	0.301
TOTAL	\$1,776,348.43	\$ 3.984
Total Production	\$3,544,433.40	\$ 7.950
Operating Profit before provision for Depreciation, Deferred Development and Taxes	2,167,302.14	4.861
*Net Operating Profit, before provision for Taxes	1,768,084.97	3.966

* Carried to Profit and Loss Account.

General:

For 1941, a heavier development program is scheduled than that executed in the past year. The Directors have authorized the sinking of No. 3 shaft 1,500 feet to permit the development of 10 more levels. Work in preparation for sinking is now going on and the actual sinking will start in May.

The purchase of another ball mill was authorized in January and it is expected that this unit will be installed and in operation by early summer. This addition will permit treatment of 2,000 tons per day and will also give a finer grind which is essential for the extraction of a high percentage of gold from the mineralized-flow type ore, of which we are milling an increasingly large proportion.

It is again a pleasure to thank the Staff for their loyal co-operation. I have also greatly appreciated the support, co-operation and advice of the Officials, Directors and Consulting Engineers during the year.

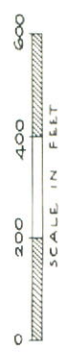
Respectfully submitted,

(Signed) "W. S. ROW"

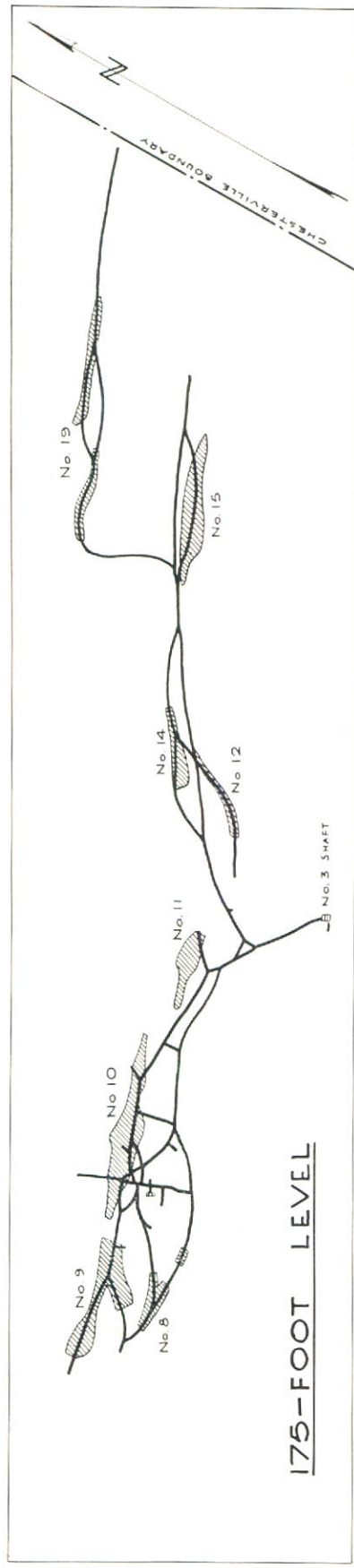
Manager.

March 29th, 1941.

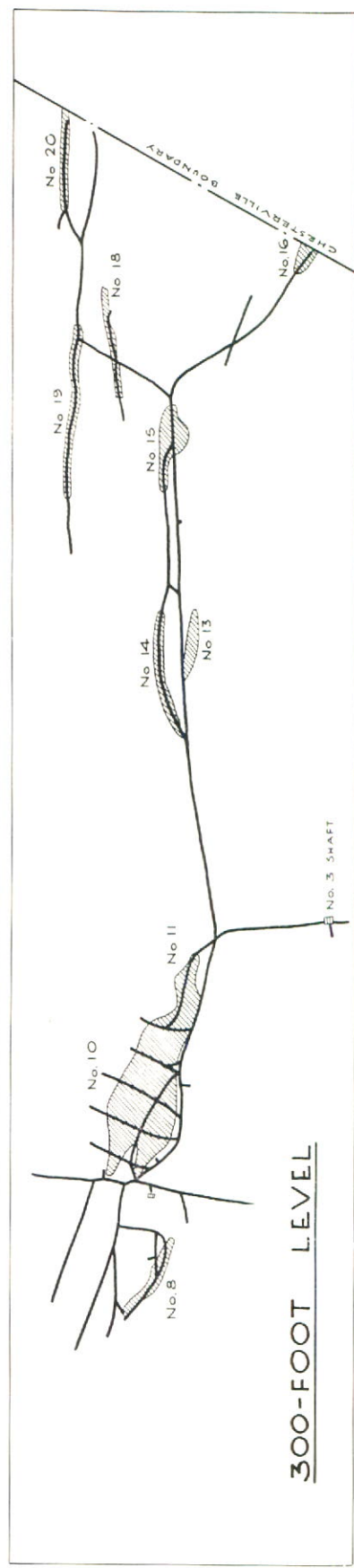
KERR-ADDISON GOLD MINES LIMITED (NO PERSONAL LIABILITY) PLANS SHOWING OREBODY NUMBERING



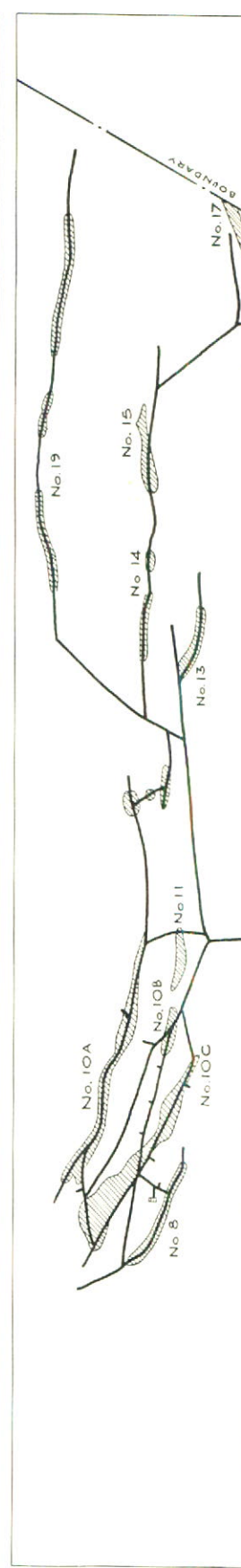
WORKINGS
 OREBODIES



175-FOOT LEVEL



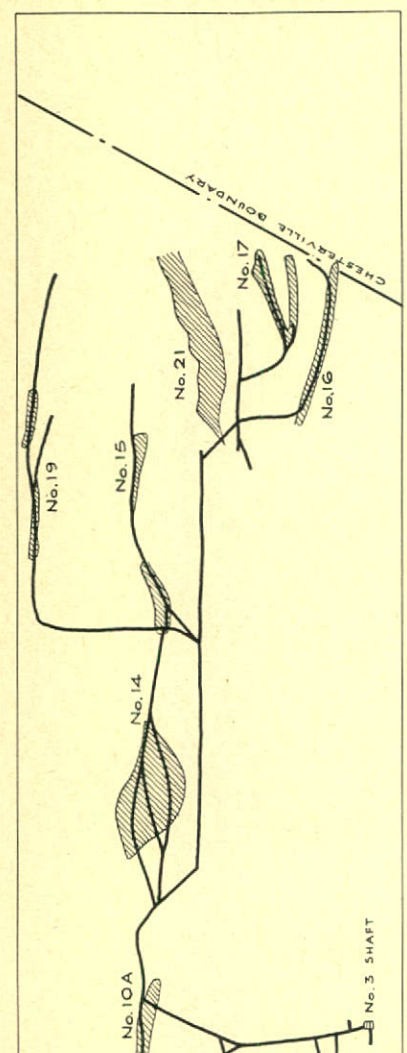
300-FOOT LEVEL



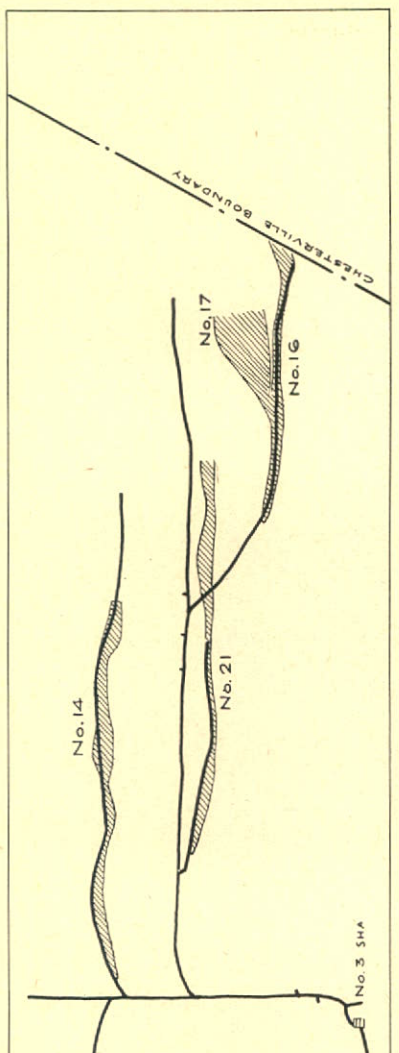
500-FOOT LEVEL



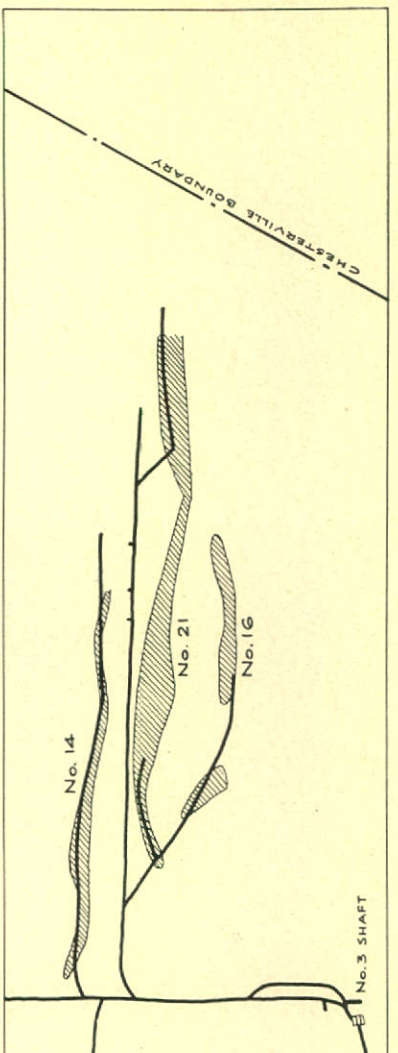
700-FOOT LEVEL



1000-FOOT LEVEL



1300-FOOT LEVEL



Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1940

ASSETS

Current Assets:

Cash on Hand and in Bank	\$	501,216.33	
Cash in Bank, unclaimed dividends contra		20,377.76	
Bullion:			
On Hand—certified by responsible company officials	\$	158,474.85	
Royal Canadian Mint—As per Mint returns		109,037.59	267,512.44
Accounts Receivable		2,713.41	
Guarantee Deposit		50.00	\$ 791,869.94

Investments:

Dominion of Canada Bonds, cost	\$	158,500.00	
(Par value \$160,000.00, market value \$158,600.00)			
Bonds having a par value of \$16,000.00 are deposited with the Ontario Hydro-Electric Commission.			
Kerr-Addison Properties Limited:			
993 No par value shares, at cost	\$	99,300.00	
Demand Loans, unsecured		203,168.43	\$ 302,468.43
			460,968.43

Deferred Charges:

Supplies and Materials, taken at book value:			
Mine	\$	109,774.82	
Mill		86,096.53	\$ 195,871.35
Unexpired portions of Insurance Premiums			15,856.66
Pre-production and Deferred Development Expendi- ture to January 1, 1940	\$	896,627.44	
Net Additions during year		143,275.33	
		\$1,039,902.77	
Less: Proportion written off		320,575.91	719,326.86
			931,054.87

Fixed Assets at Cost:

Buildings, Plant and Equipment:			
	Balance Jan. 1, 1940	Net additions during year	Balance Dec. 31, 1940
Mine	\$ 766,740.68	\$ 240,614.44	\$1,007,355.12
Mill	995,594.34	198,381.04	1,193,975.38
Head Office	2,485.43	1,225.39	3,710.82
	\$1,764,820.45	\$ 440,220.87	\$2,205,041.32
Less: Reserve for Depreciation	286,757.75	264,610.06	551,367.81
	\$1,478,062.70	\$ 175,610.81	1,653,673.51

Mining Claims at Cost:

Twenty-two Crown Patented Claims and twelve Unpatented Claims, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, acquired at a consideration given therefor of \$46,649.61 in cash and 1,300,900 shares of the Capital Stock of the Company, issued as fully paid and non- assessable and carried on the Company's books at a value of	\$1,347,549.61		
Less: Received in shares of Kerr-Addison Properties Limited for certain surface rights		99,300.00	1,248,249.61
			\$5,085,816.36

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1940

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Charges	\$ 238,294.83	
Unclaimed Dividends	20,377.76	\$ 258,672.59
Reserve for Workmen's Compensation and Silicosis Assessments		11,914.73
Reserve for Federal and Provincial Taxes		259,500.00

Capital:

Capital Stock:

Authorized—

5,000,000 shares of \$1.00 each \$5,000,000.00

Issued and fully paid—

4,730,301 shares of \$1.00 each \$4,730,301.00

Less: Discount on shares sold 1,798,378.80

\$2,931,922.20

Earned Surplus:

Profit and Loss Account as per Statement Attached 1,623,806.84 4,555,729.04

Commitments for Plant and Equipment in course of installation but
uncompleted amount to approximately \$79,718.13.

\$5,085,816.36

CERTIFICATE

We hereby certify, subject to the comments above, that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a true and correct view of the Company's affairs according to the best of our information and the explanations given to us and as shown by its books. We further certify that all our requirements as auditors have been complied with.

Toronto, March 5th, 1941.

FRED PAGE HIGGINS & COMPANY,
Chartered Accountants.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

PROFIT AND LOSS ACCOUNT For the Year Ended December 31, 1940

Balance at Credit, January 1, 1940		\$ 814,179.27
Net Operating Profit, brought forward *	\$1,768,084.97	
Miscellaneous Income:		
Interest Received	\$ 2,314.14	
Rentals Received	3,523.50	
Sundry	12.52	
Profit on Disposal of Sundry Equipment	38.26	5,888.42
		<u>\$1,773,973.39</u>
Less: Donations to Charitable and Patriotic Organizations	5,108.12	
		<u>\$1,768,865.27</u>
Net Earnings before Provision for Taxes	249,692.55	
Provision for Federal, Provincial and Municipal Taxes		<u>1,519,172.72</u>
Net Earnings		<u>\$2,333,351.99</u>
Deduct: Dividends Declared and Paid as follows—		
No. 1 paid August 1, 1940	\$ 236,515.05	
No. 2 paid October 15, 1940	236,515.05	
No. 3 paid December 20, 1940	236,515.05	709,545.15
		<u>\$1,623,806.84</u>
Balance at Credit, December 31, 1940		<u><u>\$1,623,806.84</u></u>

* See Manager's Report for Operating Statement.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

•

Interim Balance Sheet
and
Profit and Loss Account
As at March 31st, 1941
and
Operating Statement

for Three Months Ended March 31st, 1941

Kerr-Addison Gold Mines Limited

(No Personal Liability)

INTERIM BALANCE SHEET

As at March 31st, 1941

ASSETS

Current Assets:

Cash on Hand and in Bank	\$	488,591.99	
Cash in Bank, unclaimed dividends contra		5,234.56	
Bullion:			
On Hand	\$	102,649.97	
In Transit (Mint)		211,292.01	313,941.98
Accounts Receivable		2,162.11	
Guarantee Deposit		50.00	\$ 809,980.64

Investments:

Dominion of Canada Bonds (Cost)	\$	158,500.00	
(Par value \$160,000.00. Bonds having a par value of \$16,000.00 are deposited with Hydro-Electric Power Commission.)			
Kerr-Addison Properties Limited:			
993 No par value shares, at cost	\$	99,300.00	
Demand Loans, unsecured		203,168.43	302,468.43
			460,968.43

Deferred Charges:

Supplies and Materials Taken at Book Value	\$	218,703.51	
Unexpired Insurance Premiums		20,747.46	
Pre-production and Deferred Development Expenditure to January 1, 1941	\$1,039,902.77		
Net Additions to March 31, 1941	6,084.52		
	\$1,045,987.29		
Less: Proportion written off	359,572.26	686,415.03	925,866.00

Fixed Assets at Cost:

Buildings, Plant and Equipment, January 1, 1941	\$2,205,041.32		
Additions to March 31, 1941	112,926.09		
	\$2,317,967.41		
Less: Reserve for Depreciation	634,056.86		1,683,910.55

Mining Claims at Cost			1,248,249.61
			<u>\$5,128,975.23</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

INTERIM BALANCE SHEET

As at March 31st, 1941

LIABILITIES

Current Liabilities:

Accounts Payable and Accrued Charges	\$ 154,813.87
Unclaimed Dividends	5,234.56
Dividend No. 5 Declared (Payable April 28, 1941)	236,515.05
Reserve for Workmen's Compensation and Silicosis Assessments	12,935.52
Reserve for Federal and Provincial Taxes	216,830.86

Capital:

Capital Stock:

Authorized—

5,000,000 shares of \$1.00 each	<u>\$5,000,000.00</u>
---------------------------------------	-----------------------

Issued and Fully Paid—

4,730,301 shares of \$1.00 each	4,730,301.00
---------------------------------------	--------------

Less: Discount on shares sold	1,798,378.80	2,931,922.20
-------------------------------------	--------------	--------------

Earned Surplus:

Profit and Loss Account as per Statement Attached	1,570,723.17
---	--------------

\$5,128,975.23

Kerr-Addison Gold Mines Limited

(No Personal Liability)

PROFIT AND LOSS ACCOUNT

As at March 31st, 1941

Balance at Credit, January 1, 1941		\$1,623,806.84
Net Operating Profit, brought forward	\$ 491,974.93	
Miscellaneous Income:		
Interest Received	\$ 650.00	
Miscellaneous Income	6,744.00	
Rentals Received	582.50	7,976.50
		<hr/>
	\$ 499,951.43	
Less: Donations to Charitable and Patriotic Organizations	10,005.00	
Net Earnings before Provision for Taxes	\$ 489,946.43	
Provision for Federal, Provincial and Municipal Taxes	70,000.00	
	<hr/>	
Net Earnings	\$ 419,946.43	
Deduct: Dividends Declared—		
Payable February 28th and April 28th	\$ 473,030.10	— 53,083.67
	<hr/>	
Balance at Credit, March 31, 1941		<u>\$1,570,723.17</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

OPERATING STATEMENT For 3 Months Ended March 31st, 1941

		Average Per Ton 145,248 Tons
Revenue:		
Bullion Produced	\$1,077,641.89	7.419
Expenditure:		
Mine Development	\$ 142,100.84	.978
Stope Development	76,415.07	.526
Stoping	112,705.85	.776
Crushing, Screening and Conveying	15,976.29	.110
Milling	70,894.86	.488
Plant Overhead	19,153.45	.132
Indirect Expense	6,059.20	.042
Bullion Marketing Expense	11,992.27	.083
Head Office	7,083.73	.048
Directors' Fees	1,400.00	.010
Corporation Taxes	200.00	.001
	<u>463,981.56</u>	<u>3.194</u>
Operating Profit before Provision for Depreciation, Deferred Development and Taxes	\$ 613,660.33	4.225
Deduct:		
Provision for Depreciation of Buildings and Equipment at 15% per annum	\$ 82,689.05	.569
Provision for Amortization of Deferred Development at 15% per annum	38,996.35	.268
	<u>121,685.40</u>	<u>.837</u>
Net Operating Profit before Provision for Taxes	<u>\$ 491,974.93</u>	<u>3.388</u>

