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1941

Kerr-Addison Gold Mines
Limited
(No Personal Liability)

Sixth Annual Report
For the Year Ended
December 31st, 1941

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Kerr-Addison Gold Mines Limited

(No Personal Liability)



OFFICERS

President

JAMES Y. MURDOCH, K.C.

Vice-President and Managing Director

ANDRE DORFMAN

Secretary-Treasurer

G. A. CAVIN

DIRECTORS

ANDRE DORFMAN

L. K. FLETCHER

JAMES Y. MURDOCH, K.C.

M. F. FAIRLIE

OLIVER HALL

J. H. RATTRAY

J. H. C. WAITE

Consulting Engineer

M. F. FAIRLIE

Manager

W. S. ROW

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

Mine Office: Virginiatown, Ont.

TRANSFER AGENTS AND REGISTRARS

CHARTERED TRUST & EXECUTOR COMPANY

34 King St. West, Toronto, Ont.

AUDITORS

FRED PAGE HIGGINS & COMPANY

Toronto, Ont.

ANNUAL MEETING

March 27th, 1942, 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.

Your Directors submit herewith the Sixth Annual Report for the year 1941 with Balance Sheet as at December 31st, 1941, (Auditors' Report and Certificate attached), Statement of Operations for the year ended December 31st, 1941, together with Statement of Surplus as at December 31st, 1941, and report of the Mine Manager.

The mill treated during the year 694,894 tons, or an average of 1,904 tons daily, recovering \$8.097 per ton or a total of \$5,626,388.98.

Your Company's Production and Cost Summary, as detailed in the report of the Mine Manager, shows an operating profit at the mine of \$3,568,235.01 or 75.43 cents per share.

After deducting administration costs, provision for depreciation, provision for amortization of deferred development and provision for taxes as per Statement of Operations, the net revenue amounts to \$2,454,038.99, equal to \$3.532 per ton, or 51.87 cents per share, an increase of \$934,866.27, or 19.76 cents per share above that of the preceding year.

The provision for taxes amounted to \$592,946.32, showing an increase of \$343,253.77 over the provision made for the year 1940.

Your company's three-year period of exemption from Dominion income tax expired October 31st, 1941, and from November 1st, 1941, your company's net profit will be subject to this tax, in addition to the Dominion excess profits tax.

During the year your company paid out six dividends, totalling 35 cents per share.

You will note from the Manager's Report that the ore reserves above the 1,450-foot level which, on December 31st, 1940, were 5,140,491 tons grading 0.199 oz. per ton, are now calculated at 8,151,844 tons averaging 0.185 oz. per ton. The drop in grade is due mainly to the inclusion of Orebody No. 17 which contains about 1,000,000 tons averaging 0.134 oz. per ton.

During the year an additional fifty dwellings for mine employees were completed, and are now fully occupied.

Your Directors wish to express their appreciation of the services rendered by your Consulting Engineer, and your Manager and Staff.

On Behalf of the Board,

JAMES Y. MURDOCH,
President

Dated at Toronto, Ontario,
March 10th, 1942.

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 ended December 31st, 1941.

The schedule of mining carried out during the year kept pace with the increases made in the rate of milling. All stoping was done above the 700-foot level, but stope preparation is scheduled to start early in 1942 on the 850 and 1,000-foot levels.

Large footages of development and diamond drilling, as shown in the following table, were done on the 850, 1,000, 1,150, 1,300 and 1,450-foot levels.

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1941

| Level | Advance In Feet | | | | | | Slashing (Cu. ft.) | Station Cutting (Cu. ft.) | Diamond Drilling (Lin. ft.) | Tons Broken In | | | | | |
|-------------|-----------------|--------|--------|--------|---------------|----------------|-----------------------|---------------------------------|-----------------------------------|--------------------------------------|--------|---------|---------|---------|---------|
| | Shafts | Drifts | X-cuts | Raises | Box- Holes | Sub- Drifts | | | | Total De- velopment (Lin. ft.) | Backs | Sills | Stopes | Pillars | Total |
| Surface | | | | | | | | | 4,786 | | | | | | |
| Reddick | | | | | | | | | 547 | | | | | | |
| 175 ft. | | 1,125 | 184 | 451 | 21 | 137 | 1,918 | 2,570 | 8,332 | 121 | 965 | 15,985 | | | 17,071 |
| 300 ft. | | 1,351 | 236 | 1,507 | 1,409 | 964 | 5,467 | 20,179 | 7,064 | 1,689 | 30,384 | 186,706 | 3,327 | | 222,106 |
| 500 ft. | | 150 | 12 | 883 | 392 | 476 | 1,913 | 1,607 | 7,127 | 3,222 | 8,160 | 151,980 | 29,099 | | 192,461 |
| 700 ft. | | 2,863 | 157 | 2,668 | 3,461 | 1,126 | 10,275 | 29,445 | 12,525 | 7,603 | 42,469 | 71,996 | | | 122,068 |
| 850 ft. | | 2,055 | 88 | 189 | | | 2,332 | 1,367 | 26,381 | 94 | | | | | 94 |
| 1,000 ft. | | 4,808 | 1,838 | 155 | 70 | | 6,871 | 6,000 | 26,543 | 179 | 95 | | | | 274 |
| 1,150 ft. | | 2,252 | 258 | 149 | | | 2,659 | 1,918 | 24,150 | 90 | | | | | 90 |
| 1,300 ft. | | 5,200 | 402 | 172 | | | 5,774 | 6,804 | 23,976 | 238 | | | | | 238 |
| 1,450 ft. | | 1,328 | 785 | 189 | | | 2,302 | 8,049 | 6,163 | 2,066 | | | | | |
| 1,600 ft. | | | | | | | | | 16,920 | | | | | | |
| 1,750 ft. | | | | | | | | | 14,949 | | | | | | |
| 1,900 ft. | | | | | | | | | 15,280 | | | | | | |
| 2,050 ft. | | | | | | | | | 14,168 | | | | | | |
| No. 3 Shaft | 519 | | | | | | 519 | | | | | | | | |
| TOTALS | 519 | 21,132 | 3,960 | 6,363 | 5,353 | 2,703 | 40,030 | 77,939 | 67,480 | 143,497 | 13,236 | 82,073 | 426,667 | 32,426 | 554,402 |

Ore Reserves:

Ore reserves, all above the 1,450-foot level, stand at 8,151,844 tons having a grade of 0.185 oz. (\$7.12 @ \$38.50 per oz.) per ton after allowing for dilution. Broken ore, all above the 700-foot level, amounting to 322,161 tons, is included in the above figure. Additional tonnages of ore between the 700 and 1,450-foot levels are still only partially indicated and therefore have not been included in ore reserves.

Lower Development:

Two deep holes drilled down from the 1,300-foot level cut values as shown below. The holes intersected the ore zones at points approximately 150 feet apart, and indicate the continuation of the orebodies to the 2,000-foot horizon.

| D.D. Hole | No. Orebody | Vert. Depth Below Surface | True Width | Assay Value |
|-----------|-------------|------------------------------|------------|-------------|
| 13—200 | 18 | 1,575 ft. | 20 ft. | 0.258 oz. |
| | 14 | 1,800 ft. | 4 ft. | 0.320 oz. |
| | 21 | 2,000 ft. | 50 ft. | 0.275 oz. |
| 13—201 | 18 | 1,600 ft. | 3 ft. | 0.550 oz. |
| | 21 | 1,950 ft. | 66 ft. | 0.276 oz. |

The actual deepening of No. 3 Shaft for the establishment of another eight levels was started in June. At the end of the year the shaft was at a depth of 2,110 feet, and stations had been cut at the 1,600, 1,750, 1,900 and 2,050-foot levels. The last of the new block of eight levels will be at 2,650 feet.

Construction:

The installation of a second ball mill, authorized in the previous year, was completed late in January and increased the mill capacity to 1,800 tons daily. The installation of a third ball mill was then authorized and it was in operation late in July. This increased mill capacity to approximately 2,100 tons daily.

A new warehouse, construction of which was started early in the summer, was in use in July.

Contracts for the erection of an office building and a 350-man addition to the change house were let late in the summer. Due to scarcity of skilled labour and building supplies these buildings were incomplete at the end of the year. The old cook-house and old staff-house were utilized in providing new quarters for the single members of the staff.

A curling rink, housing two sheets of ice, was built at the edge of the townsite. Over 200 persons, the majority of whom are Kerr-Addison employees, now enjoy curling club facilities.

Production:

With the addition of the two ball mills to the mill circuit, recovery was again improved and was 97.5% for the year.

SUMMARY OF PRODUCTION FOR THE YEAR 1941

| | | |
|--|------------|------------------------------------|
| Tons Milled | 694,894 | |
| Average tons milled per day | 1,904 | |
| Total Gold Recovered | 146,071.62 | ozs. |
| Total Silver Recovered | 7,100.92 | ozs. |
| Average Gold Recovery per ton | 0.2102 | ozs. \$8.097—Au. @ \$38.50 per oz. |
| Average Tailing Loss per ton | 0.0054 | ozs. \$0.207—Au. @ \$38.50 per oz. |
| Average Mill Head Value (Bullion plus tails) | 0.2156 | ozs. \$8.304—Au. @ \$38.50 per oz. |

Total Realized Value of Bullion (Canadian Funds) \$5,626,388.98

Total Realized Value of Bullion per ton (Can. Funds) \$ 8.097

Cost Summary:

| | Total | Per ton milled |
|-------------------------------------|-----------------------|-------------------|
| Mine Development | \$ 603,958.32 | \$ 0.869 |
| Stope Development | 198,357.15 | 0.285 |
| Mining | 612,782.09 | 0.882 |
| Crushing and Conveying | 75,595.58 | 0.109 |
| Milling | 362,409.00 | 0.522 |
| General Expense | 140,791.33 | 0.203 |
| Bullion Marketing | 64,260.50 | 0.092 |
| Total Operating Costs at Mine | <u>\$2,058,153.97</u> | <u>\$ 2.962</u> |
| Net Operating Profit at Mine | <u>\$3,568,235.01</u> | <u>\$ 5.135</u> |

General:

The establishment of our own diamond drilling department effected a substantial reduction in the drilling cost.

The purchase of a second cone crusher, delivery of which is expected in mid-summer, has been authorized. The installation of this machine will reduce the possibility of production being interrupted by any break-down in the crushing plant.

I wish to thank the Departmental Heads and other Staff members for their co-operation and loyal service during a year of rapid expansion under war-time conditions. I have also appreciated the continued support and co-operation of the Officials, Directors and Consulting Engineer during the year.

Respectfully submitted,

(Signed) "W. S. ROW"

Manager.

• Virginiatown, Ont.,
March 6th, 1942.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

(Incorporated under the Laws of the Province of Ontario, Canada)

BALANCE SHEET As at December 31, 1941

ASSETS

Current Assets:

| | | | |
|--|---------------|----------------|----------------|
| Cash on Hand and in Bank | | \$1,034,346.98 | |
| Bullion: | | | |
| On Hand—certified by responsible company officials | \$ 244,632.75 | | |
| Royal Canadian Mint—Confirmed by Mint returns | 255,523.06 | 500,155.81 | |
| Accounts Receivable | | 3,851.64 | \$1,538,354.43 |

Investments:

| | | | |
|---|--------------|---------------|------------|
| Dominion of Canada Bonds, cost | | \$ 358,500.00 | |
| (Par value \$360,000.00, market value \$357,500.00) | | | |
| 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 | | |
| Cash Advances, unsecured | 325,000.00 | 424,300.00 | |
| Shares in Other Companies | | 2,500.00 | 785,300.00 |

Deferred Charges:

| | | | |
|--|----------------|---------------|--------------|
| Supplies and Materials taken at book value | | \$ 370,534.28 | |
| Unexpired portions of Insurance Premiums | | 39,255.12 | |
| Pre-production and Deferred Development Expenditure to January 1, 1941 | \$1,039,902.77 | | |
| Net Additions during year | 90,405.81 | | |
| | \$1,130,308.58 | | |
| Less: Proportion written off | 475,931.33 | 654,377.25 | 1,064,166.65 |

Capital Assets:

| | | | |
|--|----------------|----------------|-----------------------|
| Mining Claims at Cost: | | | |
| Twenty-eight Crown Patented Claims and four Unpatented Claims with Lease of Occupancy, situated in the Township of McGarry, District of Temiskaming, Province of Ontario, acquired at a consideration therefor of \$44,393.12 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 | \$1,345,293.12 | | |
| Less: Received in shares of Kerr-Addison Properties Limited for certain surface rights | 99,300.00 | \$1,245,993.12 | |
| Buildings, Plant and Equipment at cost: | | | |
| Balance, January 1, 1941 | \$2,205,041.32 | | |
| Net Additions during year | 332,470.53 | | |
| Balance, December 31, 1941 | \$2,537,511.85 | | |
| Less: Reserve for Depreciation | 871,845.92 | 1,665,665.93 | 2,911,659.05 |
| | | | <u>\$6,299,480.13</u> |

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1941

LIABILITIES

Current Liabilities:

| | | |
|--|---------------|---------------|
| Accounts and Wages Payable and Accrued Charges | \$ 225,554.41 | |
| Unclaimed Dividends | 96,649.11 | \$ 322,203.52 |

| | | |
|--|--|------------|
| Reserve for Federal and Provincial Taxes | | 622,000.00 |
|--|--|------------|

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

Surplus:

| | | |
|---------------------------------|--------------|--------------|
| As per Statement Attached | 2,423,354.41 | 5,355,276.61 |
|---------------------------------|--------------|--------------|

Contingent Liabilities:

| | | |
|--|---------------|--|
| Ontario Corporation Taxes for 1941, estimated at | \$ 103,000.00 | |
| Commitments for Buildings, Plant and Equipment in course of installation | 32,157.00 | |

REPORT AND CERTIFICATE

We have examined the accounts and the Balance Sheet of Kerr-Addison Gold Mines Limited (No Personal Liability) for the year ended December 31, 1941, and report, subject to the comments above, that, in our opinion, the Balance Sheet is 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 certify that our requirements as auditors have been complied with.

FRED PAGE HIGGINS & COMPANY,
Toronto, March 9th, 1942. Chartered Accountants.

\$6,299,480.13

Kerr-Addison Gold Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 1941

Revenue:

| | | |
|----------------------------|----------------|----------------|
| Bullion Recovered | \$5,626,388.98 | |
| Miscellaneous Income | 21,178.35 | \$5,647,567.33 |

Expenditure:

| | | |
|---|----------------|-----------------------|
| Cost of metal production including Mining, Milling, Delivery and Mint Charges | \$2,051,173.86 | |
| Administrative and General Expenses | 55,471.68 | |
| Municipal and Sundry Taxes | 3,765.19 | |
| Contribution to Employees' Group Insurance | 3,429.68 | 2,113,840.41 |
| | | <u>\$3,533,726.92</u> |
| Provision for Depreciation of Buildings, Plant and Equipment owned at the commencement of the year—15% per annum | \$ 330,756.19 | |
| Provision for Amortization of Pre-production and Deferred Development Expenditure incurred up to the commencement of the year—15% per annum | 155,985.42 | |
| Provision for Taxes other than Ontario Corporations Tax | 592,946.32 | 1,079,687.93 |
| Net Revenue transferred to Surplus Account | | <u>\$2,454,038.99</u> |

SURPLUS

| | | |
|---|---------------|-----------------------|
| Balance at Credit, December 31, 1940 | | \$1,623,806.84 |
| Add: Profit on realization of assets | \$ 1,113.93 | |
| Balance from Statement of Operations for year ended December 31, 1941 | 2,454,038.99 | 2,455,152.92 |
| | | <u>\$4,078,959.76</u> |
| Deduct: Dividends Paid: | | |
| No. 4—.05 per share 28th February, 1941 | \$ 236,515.05 | |
| No. 5—.05 per share 28th April, 1941 | 236,515.05 | |
| No. 6—.07 per share 28th June, 1941 | 331,121.07 | |
| No. 7—.05 per share 28th August, 1941 | 236,515.05 | |
| No. 8—.05 per share 28th October, 1941 | 236,515.05 | |
| No. 9—.08 per share 29th December, 1941 | 378,424.08 | 1,655,605.35 |
| Balance at Credit, December 31, 1941, as per Balance Sheet | | <u>\$2,423,354.41</u> |

