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Kerr-Addison Gold Mines Limited

(No Personal Liability)

Eighth Annual Report

*For the Year Ended
December 31st, 1943*

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Kerr-Addison Gold Mines Limited

(No Personal Liability)

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OFFICERS

President	Vice-President and Managing Director
JAMES Y. MURDOCH, K.C.	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
April 17th, 1944, 11.30 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 Eighth Annual Report for the year 1943, with Balance Sheet as at December 31st, 1943 (Auditors' Report and certificate attached), Statement of Operations for the year ended December 31st, 1943, and Report of the Mine Manager.

Due to labour shortage, daily milling rate was reduced on June 1st from 2,100 tons to 1,650 tons. The mill treated during the year 674,487 tons, with a recovery of \$7.435 per ton, or a total of \$5,015,127.68 (Canadian funds).

Your Company's Production and Cost Summary, as detailed in the report of the Mine Manager, shows an operating profit at the mine of \$3,422,977.64, or \$5.075 per ton of ore.

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 \$2,015,482.94, equal to \$2.988 per ton or 42.6 cents per share.

The provision for taxes amounted to \$829,495.10. During the year your Company paid out \$1,655,605.35 in dividends, amounting to 35 cents per share.

In spite of further deterioration in the labour supply, the mine has more than maintained its ore reserves, after milling 674,487 tons. Ore Reserves at December 31st, 1943, all above the 1,450 foot level, totalled 8,244,236 tons of .2002 oz. grade.

With the completion of the sinking of the main shaft to 2,825 feet, considerable exploration took place during the fiscal year on the 2,500 foot level. The results obtained at this horizon, 1,050 feet below the previously lowest-explored level at 1,450 feet, compare very favourably in tonnage and grade with those of the upper horizons.

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

On behalf of the Board,

Dated at Toronto, Ontario,
March 28th, 1944.

JAMES Y. MURDOCH,
President.

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, 1943.

A greatly reduced but continuous development programme was carried out in a planned effort to maintain the mine in a properly developed condition for the post-war period, so that a full crew may again be employed with a minimum of delay.

A reduced diamond drilling campaign was also continued, the main object being the further probing of orebodies and zones above the 1,450-foot level previously only partially developed. As a result of this work some new blocks of ore are now included in reserves and these have a little more than made up for the tonnage milled during the year.

No. 6 Orebody, discovered late in 1942 at the 1,450-foot level, was proven by diamond drilling to have a length of 413 feet, widths up to 80 feet and, from work done so far, an indicated grade of better than mine average. Further diamond drilling in No. 16 Orebody indicates an additional 200 feet in length at and below the 1,450-foot level.

Footages of development and diamond drilling and tonnages of ore mined are shown in the following table:

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1943

Level	Advance in Feet						Slashing (Cu. ft.)	Station Cutting (Cu. ft.)	Diamond Drilling (Lin. ft.)	Tons Broken In				Total
	Drifts	X-Cuts	Raises	Box- Holes	Sub- Drifts	Total				Backs	Sills	Stopes	Pillars	
175 ft.									1,039					
300 ft.	280.9					280.9	2,278		2,401					
500 ft.	991.0	497.8	85.0		27.0	1,600.8	6,921		7,198			30,736	5,082	35,818
700 ft.	280.5	15.3	1,568.1	487.5	279.7	2,631.1	8,715		13,391	242	8,745	103,319		112,306
850 ft.	1,286.0	66.7	290.7	117.7	72.9	1,834.0	1,370		12,874	534				534
1,000 ft.	276.9		331.7	1,258.8	856.0	2,723.4	12,923		16,915	186	13,128	124,169		137,483
1,150 ft.	592.9					592.9	1,718		10,519	45				45
1,300 ft.	284.5	15.2				299.7	1,089	200	10,848	47				47
1,450 ft.	323.7	65.5	152.1		131.7	673.0	829		9,722	78				78
2,500 ft.	1,224.3	992.5				2,216.3	6,595	15,034	10,987					
2,650 ft.	191.1	573.7	56.8			821.6	20,900	4,900						
2,725 ft. Loading Pocket			124.5			124.5	249							
	5,731.8	2,226.7	2,608.9	1,864.0	1,367.3	13,798.7	63,587	20,134	95,894	1,132	21,873	258,224	5,082	286,311

Ore Reserves:

Ore reserves, all above the 1,450-foot level, total 8,244,236 tons, having a grade of 0.2002 ozs. per ton after allowing for dilution. Broken ore, all above the 1,000-foot level, amounting to 544,359 tons, is included in the above figure. Considerable tonnages of ore above the 1,450-foot level are still only partially developed and hence not included in ore reserves.

Lower Development:

Early in the year the new section of No. 3 Shaft between the 1,450-foot level and the 2,650-foot level was placed in service, following which development of the 2,500-foot level was started. So far

about 1,200 feet of drifting has been done. This, with horizontal diamond drilling, to the east of the main crosscut, has indicated a body of mineralized flow-type ore for a length of 400 feet having a grade of 0.1956 oz. per ton over an average width of 49 feet. This ore is still open to the east. In the carbonate zone north of this, diamond drilling indicates a substantial area of carbonate type ore. Diamond drilling from the west drift on this level has intersected good ore in a recently discovered flow but its importance remains to be determined.

On the 2,650-foot level several hundred feet of crosscut has been driven and a sump and pumping station have been excavated.

Production:

Because of the reduction of daily tonnage, from 2,100 to 1,650 tons started June 1st, both tonnage treated and production were lower than for 1942.

SUMMARY OF PRODUCTION FOR THE YEAR 1943

Tons Milled	674,487	
Total Gold Recovered	130,192.28	ozs.
Total Silver Recovered	7,030.06	ozs.
Average Gold Recovery per ton	0.1930	oz. \$7.435—Au. @ \$38.50 per oz.
Average Tailings Loss per ton	0.0034	oz. \$0.129—Au. @ \$38.50 per oz.
Average Mill Head Value per ton (Bullion plus Tails)	0.1964	oz. \$7.56 —Au. @ \$38.50 per oz.
Total Realized Value of Bullion (Canadian Funds)	\$5,015,127.68	
Total Realized Value of Bullion per ton (Can. Funds)		\$7.435

Cost Summary:	Total	Per Ton
Mine Development	\$ 322,857.08	\$ 0.478
Stope Development	109,257.36	0.162
Mining	528,033.18	0.783
Crushing and Conveying	86,581.07	0.128
Milling	350,019.39	0.519
General Expense	138,338.67	0.205
Bullion Marketing	57,063.29	0.085
TOTAL OPERATING COSTS AT MINE	<u>\$1,592,150.04</u>	<u>\$ 2.360</u>
Net Operating Profit at Mine (Before provision for Depreciation, Amortization of Deferred Development and Taxes)	<u>\$3,422,977.64</u>	<u>\$ 5.075</u>

General:

During the year our force suffered a net loss of 112 men, 54 of whom joined the armed forces. Most of the remainder migrated to farms and war industries. At the year's end the outlook regarding men seemed somewhat brighter.

A considerable amount of prospecting was carried out in the mine workings for Scheelite. As a result 540 tons of Scheelite ore averaging better than 1% WO₃ content were shipped for treatment.

Again in 1943 a considerable quantity of war supplies, sub-contracted from other companies, was turned out in the Machine Shop.

I again extend thanks and appreciation to the Departmental Heads and other Staff members for their loyal and co-operative service during the most difficult war year. I have greatly appreciated the advice and support of the Officers, Directors and Consulting Engineer.

Respectfully submitted,

Virginiatown, Ont.,
March 27th, 1944.

W. S. ROW,
Manager.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

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

BALANCE SHEET

As at December 31, 1943

ASSETS

Current Assets:

Cash on hand and in bank		\$ 719,555.85	
Bullion:			
Certified by responsible Company officials	\$ 23,166.50		
Confirmed by Royal Canadian Mint returns	339,831.12	362,997.62	
Accounts receivable		7,533.73	\$1,090,087.20

Investments:

Dominion of Canada Bonds, cost		\$2,758,500.00	
(Par value \$2,760,000.00, market value \$2,761,300.00)			
Bonds having a par value of \$16,000.00 are deposited with the Ontario Hydro-Electric Commission and bonds having a par value of \$5,000.00 are deposited with the Ontario Department of Lands and Forests.			
Bond interest accrued		14,634.79	
Shares in other companies		2,500.00	
Mortgages receivable		22,067.72	2,797,702.51

Deferred Charges:

Supplies and materials taken at book value		\$ 367,001.60	
Unexpired portion of insurance premiums		28,215.89	
Pre-production and Deferred Development Expenditure	\$1,130,308.58		
Less: Proportion written off	815,023.91	315,284.67	710,502.16

Capital Assets:

Mining claims at cost:			
Twenty-eight Crown Patented Claims, portion of three extending under water for which Licenses of Occupation are held, and four claims entirely located under Larder Lake for which Licenses of Occupation are held, 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 for certain surface rights now disposed of	99,300.00	\$1,245,993.12	
Lands (surface rights only):			
Improved and partly improved lots	\$ 40,898.00		
Unimproved lots	1.00	40,899.00	
Buildings, Plant and Equipment at cost:			
Balance, January 1, 1943	\$3,015,547.83		
Net additions during year	5,502.02		
Balance, December 31, 1943	\$3,021,049.85		
Less: Reserve for depreciation	1,746,477.93	1,274,571.92	2,561,464.04
			<u>\$7,159,755.91</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31, 1943

LIABILITIES

Current Liabilities:

Accounts and wages payable and accrued charges	\$ 98,012.67	
Unclaimed dividends	188,331.75	
Dominion Income and Excess Profits Taxes—Estimated	359,000.00	\$ 645,344.42
Reserve for Ontario Mining Tax		66,000.00

Capital:

Capital Stock:

Authorized—

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

Issued and fully paid—

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

Less: Discount on shares sold 1,798,378.80

\$2,931,922.20

Surplus:

Earned Surplus—

As per statement attached \$3,523,087.14

Capital Surplus—

Deficit as per statement attached 6,597.85 3,516,489.29 6,448,411.49

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, 1943, and report, 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 14th, 1944.

Chartered Accountants.

\$7,159,755.91

Kerr-Addison Gold Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 1943

Revenue:

Bullion recovered	\$5,015,127.68	
Miscellaneous income	99,577.42	\$5,114,705.10

Expenditure:

Cost of metal production including mining, milling, delivery and mint charges	\$1,574,972.70	
Administrative and general expenses	49,548.53	
Municipal and sundry taxes	11,380.12	
Contributions to employees' group insurance and medical aid plan	11,947.25	1,647,848.60
		<u>\$3,466,856.50</u>
Provision for depreciation of buildings, plant and equipment owned at the commencement of the year—15% per annum	\$ 452,332.17	
Provision for amortization of pre-production and deferred development expenditure—15% per annum	169,546.29	
Provision for federal income and excess profits taxes and Ontario mining tax	829,495.10	1,451,373.56
Net revenue transferred to Earned Surplus Account		<u><u>\$2,015,482.94</u></u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

EARNED SURPLUS ACCOUNT

As at December 31, 1943

Balance at credit, December 31, 1942		\$3,163,209.55
Add: Balance from Statement of Operations for year ended December 31, 1943		2,015,482.94
		<u>\$5,178,692.49</u>
Deduct: Dividends paid:		
No. 16—.05 per share 26th February, 1943	\$ 236,515.05	
No. 17—.05 per share 28th April, 1943	236,515.05	
No. 18—.07 per share 29th June, 1943	331,121.07	
No. 19—.05 per share 28th August, 1943	236,515.05	
No. 20—.05 per share 28th October, 1943	236,515.05	
No. 21—.08 per share 30th December, 1943	378,424.08	1,655,605.35
		<u>1,655,605.35</u>
Balance at credit, December 31, 1943, as per Balance Sheet		<u>\$3,523,087.14</u>

CAPITAL SURPLUS ACCOUNT

As at December 31, 1943

Balance at debit, December 31, 1942		\$ 17,509.47
Deduct:		
Profit from realization of fixed assets	\$ 2,786.62	
Profit on disposal of investments	8,125.00	10,911.62
		<u>10,911.62</u>
Balance at debit, December 31, 1943		<u>\$ 6,597.85</u>

