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Kerr-Addison Gold Mines Limited

(No Personal Liability)

Tenth Annual Report

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*For the Year Ended
December 31st, 1945*

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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. |
| OLIVER HALL | HAROLD H. LEATHER | J. H. RATTRAY |
| | J. H. C. WAITE | |

Manager
W. S. ROW

Head Office: 80 King St. West, Toronto 1, Ont.
Mine Office: Virginiatown, Ont.

TRANSFER AGENTS AND REGISTRARS
CHARTERED TRUST & EXECUTOR COMPANY
34 King St. West, Toronto 1, Ont.

REGISTRAR & TRANSFER COMPANY
2 Rector St., New York 6, N.Y.

REGISTRAR & TRANSFER COMPANY
15 Exchange Place, Jersey City 2, N.J.

AUDITORS
FRED PAGE HIGGINS & COMPANY
36 Toronto St., Toronto, Ont.

ANNUAL MEETING
April 30th, 1946, 2.30 p.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 Tenth Annual Report for the year 1945, with Balance Sheet as at December 31st, 1945, (Auditors' Report and Certificate attached), Statement of Operations for the year ended December 31st, 1945, together with Statement of Earned Surplus and Capital Surplus as at December 31st, 1945, and report of the Mine Manager.

The mill treated during the year 430,065 tons, with a recovery of \$7.261 per ton, or a total of \$3,122,705.77 (Canadian Funds). The average daily tonnage for the year was 1,178, and this drop in tonnage was entirely due to labour shortage.

Your Company's Production and Cost Summary, as detailed in the report of the Mine Manager, shows an operating profit at the mine of \$1,841,675.38, equal to \$4.282 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 \$983,381.26, equal to \$2.287 per ton or 20.78 cents per share.

The provision for taxes amounted to \$420,530.78. During the year your Company paid out \$1,419,090.30 in dividends, amounting to 30 cents per share.

The ore reserves as of December 31st, 1945, are 8,379,951 tons of 0.1975 oz. grade, after allowing for dilution, all above the 1,450-foot level. The ore reserves were thus fully maintained in spite of continuing labour shortage.

Development on the levels between the 1,450-foot and 2,500-foot horizons, as you will see from the Mine Manager's report, is satisfactory, and justifies a considerable increase in the milling capacity of your property.

Plans are now being made to increase the total capacity of the plant, (milling, mining, townsite, shops, etc.) to 4,000 tons per day. Under present conditions of labour and supplies it is difficult to state when construction will be completed, but we hope that fifty percent. of the proposed plant increase will be in operation by the end of 1947.

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

On behalf of the Board,

JAMES Y. MURDOCH,
President.

Toronto, Ontario,
March 15th, 1946.

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 operation of the mine for the year ended December 31st, 1945, is covered by the following report.

During the first half of the year development and mining programmes were slowly declining, but that trend was sharply reversed in the last four months. The total amount of development carried out was slightly less than that for the previous year but the tonnage of ore broken in mining was increased by 12 per cent.

Mining operations and diamond drilling disclosed substantial tonnages of additional ore, above the 1,450-foot level. Most of this ore was of lower than average grade and none of these discoveries was of major importance.

The following table shows the footages of development work and diamond drilling accomplished and the tons of ore broken:

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1945

| Level | Advance in Feet— | | | | | | Total Dev. Lin. Ft. | Slashing Cu. Ft. | Station Cutting Cu. Ft. | Diamond Drilling | Tons Broken In— | | | | |
|-------------|------------------|---------|------------|---------|-----------|------------|---------------------|------------------|-------------------------|------------------|-----------------|---------|---------|---------|---------|
| | Shafts | Drifts | Gross Cuts | Raises | Box Holes | Sub Drifts | | | | | Backs | Sills | Stopes | Pillars | Total |
| Surface | | | | | | | | | | 3,983 | | | | | |
| Reddick | | | | | | | | | | | | | | | |
| 175 ft. | | | | | | | | | | | | | | | |
| 300 ft. | | | 65.2 | | | | 65.2 | 154 | | 2,071 | | | | | |
| 500 ft. | | 163.8 | 76.7 | 393.0 | 146.2 | | 779.7 | 4,616 | | 3,984 | 983 | 608 | 8,294 | 12,521 | 22,406 |
| 700 ft. | | 567.2 | 7.0 | 557.1 | 857.9 | 429.7 | 2,418.9 | 16,062 | | 2,061 | 315 | 6,012 | 134,511 | 2,469 | 143,307 |
| 850 ft. | | | | 208.5 | 510.8 | | 719.3 | 2,245 | | 6,231 | 2,839 | 6,816 | 3,732 | | 13,387 |
| 1,000 ft. | | | | 288.5 | 277.5 | | 566.0 | 1,734 | | 7,470 | 2,976 | 6,229 | 268,737 | | 277,942 |
| 1,150 ft. | | 114.2 | | | | | 114.2 | 792 | | 10,629 | | | | | |
| 1,300 ft. | | | | | | | | | | 10,086 | | | | | |
| 1,450 ft. | | | | | | | | | | 1,919 | | | | | |
| 1,600 ft. | | 960.7 | 415.9 | | | | 1,376.6 | 1,791 | | 4,692 | | | | | |
| 1,750 ft. | | | | | | | | 252 | | | | | | | |
| 1,900 ft. | | 1,306.4 | 116.8 | | | | 1,423.2 | 2,020 | | 5,723 | | | | | |
| 2,050 ft. | | | | | | | | | 1,023 | | | | | | |
| 2,200 ft. | | | 338.7 | | | | 338.7 | | 440 | | | | | | |
| 2,350 ft. | | | | | | | | | 117 | | | | | | |
| 2,500 ft. | | 601.2 | 302.2 | | | | 903.4 | 3,637 | | 6,033 | | | | | |
| 2,650 ft. | | | | | | | | | | | | | | | |
| No. 3 Shaft | | | | | | | | | | | | | | | |
| Totals | 3,713.5 | 1,322.5 | 1,447.1 | 1,792.4 | 429.7 | 8,705.2 | 33,051 | 1,832 | 64,882 | 7,113 | 19,665 | 415,274 | 14,990 | 457,042 | |

Ore Reserves:

Ore reserves, all above the 1,450-foot level, total 8,379,951 tons having a grade of 0.1975 oz. per ton after allowing for dilution. Broken ore reserves amounting to 605,643 tons, all above the 1,000-foot level, are included in the above figure. The slight reduction in grade of ore reserves is attributed to the fact that additional ore, beyond the limits formerly blocked out, discovered and mined during stopping operations, was, as usual, below average grade. Some ore above the 1,450-foot level is still not developed to a point where it can be included in ore reserves.

Lower Development:

Between the 1,450-foot and 1,600-foot levels, work to date has partially blocked out 2,002,000 tons of ore of which the indicated grade is 0.2043 oz. per ton.

The main cross cuts were completed on the 1,600-foot and 1,900-foot levels and the driving of main haulage drifts, parallel to the orebodies, was started. Periodically, diamond drilling was done from these drifts to locate orebodies and to determine their dimensions and average grades.

On the 1,600-foot level this work to date indicates carbonate type orebodies having a total length of 980 feet and a grade of 0.2665 oz. per ton over an average width of 24.8 feet. At the same level

it also shows orebodies Nos. 16 and 21 to have a combined length of 1,070 feet and an average grade of 0.1810 oz. per ton over an average width of 61.2 feet.

On the 1,900-foot level, diamond drilling so far shows orebodies Nos. 16 and 21 to have a combined length of 615 feet and an average grade of 0.3526 oz. per ton over an average width of 47 feet. On both levels No. 21 orebody is known to extend east of the area drilled.

During the year, little work was done on the 2,500-foot level where the four known orebodies have a combined length of 2,087 feet, an average width of 59.5 feet and an average grade of 0.2440 oz. per ton (\$8.54 at \$35.00 per oz.).

Production:

Lack of men forced tonnage milled below that for the previous year, but to compensate, the average grade of mill feed was higher, with the result that total production was slightly greater than for 1944.

SUMMARY OF PRODUCTION FOR THE YEAR 1945

| | | |
|--|-----------------------|-----------------------------------|
| Tons Milled | 430,065 | |
| Total Gold Recovered | 81,065.07 | ozs. |
| Total Silver Recovered | 4,650.37 | ozs. |
| Average Gold Recovery per ton | 0.1885 | oz. \$7.257—Au. @ \$38.50 per oz. |
| Average Tailings Loss per ton | 0.0031 | oz. \$0.120—Au. @ \$38.50 per oz. |
| Average Mill Head Value per ton (Bullion plus tails) | 0.1916 | oz. \$7.377—Au. @ \$38.50 per oz. |
| Total Realized Value of Bullion (Canadian Funds) | \$3,122,705.77 | |
| Total Realized Value of Bullion per ton (Can. Funds) | | \$7.261 |
| Cost Summary: | Total | Per Ton |
| Mine Development | \$ 203,927.68 | \$0.474 |
| Stope Development | 78,782.31 | 0.183 |
| Mining | 518,982.05 | 1.207 |
| Crushing and Conveying | 49,924.79 | 0.116 |
| Milling | 266,433.52 | 0.620 |
| General Expense | 123,823.71 | 0.288 |
| Bullion Marketing | 39,155.88 | 0.091 |
| TOTAL OPERATING COSTS AT MINE | \$1,281,029.94 | \$2.979 |
| Net Operating Profit at Mine (Before provision for Depreciation, Amortization of Deferred Development and Taxes) | \$1,841,675.83 | \$4.282 |

General:

The most difficult period in the history of the operation was experienced during the first eight months of the year. Daily tonnage dropped to a low point of 1,105 but by the year-end had recovered to 1,280. The force shrank to 278 but at the year-end was up to 409. The present condition preventing a more rapid increase of force is the lack of housing. It is planned to build a number of houses during 1946, as rapidly as conditions will permit. The rate of force increase from now on will be slow until more houses are available.

The tonnage of broken ore reserve is increasing and a step-up in milling rate is anticipated within a few months.

The Company takes this opportunity to welcome home again its employees who have served in the armed forces, and to express its appreciation of the sacrifices they have made. To date 120 men from the forces have returned to the mine.

Once again I take pleasure in extending my thanks and appreciation to the Heads of Departments and their staffs for their loyalty and co-operation throughout the past year. I have also greatly appreciated the generous support and assistance of the Officers and Directors.

Respectfully submitted,

Virginiatown, Ontario,
March 8th, 1946.

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 31st, 1945

ASSETS

Current Assets:

| | | | |
|---|----|--------------|----------------|
| Cash on hand and in bank | \$ | 386,984.36 | |
| Dominion of Canada bonds at cost (market value \$3,026,187.50) | | 3,004,468.75 | |
| Bullion: | | | |
| Certified by responsible company officials | \$ | 80,051.21 | |
| Confirmed by Royal Canadian Mint returns | | 291,770.91 | 371,822.12 |
| Accounts receivable | | 53,363.51 | |
| Interest accrued | | 25,420.78 | \$3,842,059.52 |

Sundry Investments:

| | | | |
|---|----|----------|-----------|
| Shares in other companies at cost | \$ | 2,500.00 | |
| Mortgages receivable | | 7,611.63 | 10,111.63 |

Deferred Charges:

| | | | |
|--|----|------------|------------|
| Supplies and materials taken at book value | \$ | 293,099.65 | |
| Unexpired portion of insurance premiums | | 35,426.97 | 328,526.62 |

Capital Assets:

| | | | |
|--|----------------|----------------|-----------------------|
| Mining claims at cost | | \$1,245,993.12 | |
| Lands (surface rights only) | | 41,149.00 | |
| Buildings, plant and equipment at cost | \$3,036,928.82 | | |
| Less: Reserve for depreciation | 2,532,843.50 | 504,085.32 | 1,791,227.44 |
| | | | <u>\$5,971,925.21</u> |

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31st, 1945

LIABILITIES

Current Liabilities:

| | | |
|--|---------------|---------------|
| Accounts and wages payable and accrued charges | \$ 119,843.38 | |
| Unclaimed dividends | 5,578.42 | |
| Portion of dividend paid December 28th, 1945 outstanding | 85,421.94 | |
| Income and excess profits taxes | 193,152.13 | |
| Province of Ontario—mining tax | 27,000.00 | \$ 430,995.87 |
| | | <hr/> |

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 |
|-------------------------------------|--------------|

| | | |
|--|-------|----------------|
| | <hr/> | \$2,931,922.20 |
|--|-------|----------------|

Surplus:

| | | |
|--|--------------|--|
| Earned surplus as per statement attached | 2,578,227.35 | |
|--|--------------|--|

| | | |
|---|-----------|--------------|
| Capital surplus as per statement attached | 30,779.79 | 5,540,929.34 |
| | <hr/> | |

| | | | | |
|--|--|-------|----------------|-------|
| | | <hr/> | \$5,971,925.21 | <hr/> |
|--|--|-------|----------------|-------|

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, 1945 and report, that in our opinion, the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state 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,

Chartered Accountants.

Toronto, March 12, 1946.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS

For the Year Ended December 31st, 1945

Revenue:

| | | |
|----------------------------|----------------|----------------|
| Bullion recovered | \$3,122,705.77 | |
| Miscellaneous income | 120,460.95 | \$3,243,166.72 |

Expenditure:

| | | |
|--|----------------|----------------------|
| Cost of metal production including mining, milling, delivery and mint charges | \$1,265,582.60 | |
| Administration and general expense | 64,054.88 | |
| Municipal and sundry taxes | 10,567.62 | |
| Contributions to employees' group insurance and medical aid plan | 10,386.06 | 1,350,591.16 |
| | | <hr/> |
| | | \$1,892,575.56 |
| Provision for depreciation of buildings, plant and equipment owned at the commencement of the year | \$ 342,925.14 | |
| Provision for amortization of pre-production and deferred development expenditure | 145,738.38 | |
| Provision for income and excess profits taxes and Ontario mining tax | 420,530.78 | 909,194.30 |
| | | <hr/> |
| Net revenue transferred to Earned Surplus Account | | <u>\$ 983,381.26</u> |

Kerr-Addison Gold Mines Limited

(No Personal Liability)

EARNED SURPLUS ACCOUNT

As at December 31st, 1945

| | | |
|--|---------------|-----------------------|
| Balance at credit, January 1, 1945 | | \$3,013,936.39 |
| Add: | | |
| Net revenue brought forward from statement of operations for the year ended December 31, 1945 | | 983,381.26 |
| | | <u>\$3,997,317.65</u> |
| Deduct: | | |
| Dividends paid: | | |
| No. 28—.05 per share 28th February, 1945 | \$ 236,515.05 | |
| No. 29—.05 per share 28th April, 1945 | 236,515.05 | |
| No. 30—.05 per share 28th June, 1945 | 236,515.05 | |
| No. 31—.05 per share 28th August, 1945 | 236,515.05 | |
| No. 32—.05 per share 30th October, 1945 | 236,515.05 | |
| No. 33—.05 per share 28th December, 1945 | 236,515.05 | 1,419,090.30 |
| | | <u>\$2,578,227.35</u> |
| Balance at credit, December 31, 1945 | | |

CAPITAL SURPLUS ACCOUNT

As at December 31st, 1945

| | |
|--|---------------------|
| Balance at credit, January 1, 1945 | \$ 4,662.74 |
| Add: | |
| Profit on disposal of fixed assets | 10.80 |
| Profit on sale of bonds | 26,106.25 |
| | <u>\$ 30,779.79</u> |
| Balance at credit, December 31, 1945 | |

