

Kerr-Addison Gold Mines Limited

(No Personal Liability)

Eleventh Annual Report

*For the Year Ended
December 31st, 1946*

PURCHASED ALL
COPIES

JUN 23 1954

McGILL UNIVERSITY

Kerr-Addison Gold Mines Limited

(No Personal Liability)

OFFICERS

President
JAMES Y. MURDOCH, O.B.E., K.C., LL.D.

Vice-President and Managing Director
ANDRE DORFMAN

Secretary-Treasurer
G. A. CAVIN

DIRECTORS

JAMES Y. MURDOCH, O.B.E., K.C., LL.D.

ANDRE DORFMAN L. K. FLETCHER OLIVER HALL

HAROLD H. LEATHER, M.B.E. 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 17th, 1947, 12.00 Noon (Toronto 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 Eleventh Annual Report for the year 1946, with Balance Sheet as at December 31st, 1946, (Auditors' Report and Certificate attached), Statement of Operations for the year ended December 31st, 1946, together with Statement of Earned Surplus and Capital Surplus as at December 31st, 1946, and report of the Mine Manager.

The mill treated during the year 531,695 tons, with a recovery of \$7.247 per ton, or a total of \$3,853,253.37 (Canadian Funds). The average daily tonnage for the year was 1,456.7.

Your Company's Production and Cost Summary, as detailed in the report of the Mine Manager, shows an operating profit at the mine of \$2,100,719.18, equal to \$3.951 per ton of ore.

After deducting administration costs, provision for depreciation, and provision for taxes as per Statement of Operations, the net revenue amounts to \$1,384,691.35 equal to \$2.604 per ton or 29.27 cents per share.

The provision for taxes amounted to \$579,263.41. 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, 1946, are 8,464,950 tons of 0.1980 oz. grade, after allowing for dilution, all above the 1,450-foot level, showing a slight increase over the previous year.

We particularly draw to your attention the remarks of your Manager in his report under the heading "Lower Development" for details of the gratifying results obtained from drifting and drilling below the 1,450-foot level down to, and on, the 1,900-foot level.

In connection with plant expansion to 4,000 tons daily, as announced in our report last year, orders for practically all of the equipment have now been placed, and we expect to commence construction as soon as the weather permits in the Spring.

With a steadily increasing number of men employed, we have made some progress in catching up with underground development, and tonnage milled has now been restored to a little over 2,000 tons per day.

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

By Order of the Board,

JAMES Y. MURDOCH,

President.

Toronto, Ontario.
March 13th, 1947.

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 Dec. 31st, 1946 is covered by the following report.

The year was one of labour shortage and heavy turnover. No appreciable increase in the force was made until the last quarter and the gain for the entire year was only 96 men, approximately one-third of those required. Compared to 1945 however, progress was good — development was almost doubled, and tonnage of ore mined was increased 32 percent.

Actual mining was all done above the 1,000-foot level and again stoping operations produced ore additional to that which had been blocked out in diamond drilling and development. The physical condition of the mine was greatly improved during the year and, indicative of the improvement was an increase of 107,674 tons in the broken ore reserve. The mine is nearly ready to again supply the mill with its capacity tonnage of 2,100 tons per day.

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1946

Level	Shafts	Drifts	Advance in Feet				Total Dev. Lin. Ft.	Slashing Cu. Ft.	Station Cutting Cu. Ft.	Tons Broken In					Total
			Cross Cuts	Raises	Box Holes	Sub- Drifts				Diamond Drilling	Backs	Sills	Stopes	Pillars	
Surface										14,679					
Reddick															
175 ft.				159.0			159.0	270		2,062					95
300 ft.								349		1,413	95				
500 ft.		305.0	5.0	374.7	193.0	9.0	886.7	3,902	66	1,861		1,646	46,123		48,471
700 ft.			29.0	707.3	1,295.5	612.4	2,644.2	12,820		3,317	702	14,476	107,906		124,046
850 ft.			145.6	498.0	342.0	171.5	1,157.1	2,950		3,512	2,267	3,969	60,814		67,050
1,000 ft.		278.8		1,170.3	2,550.5	1,090.5	5,090.1	32,245		6,304	4,715	30,502	322,522		357,739
1,150 ft.		320.0	674.0	20.0		14.0	1,028.0	5,585		5,195					
1,300 ft.		493.0		389.0	151.0	265.0	1,298.0	6,482		2,613	3,720				3,720
1,450 ft.															
1,600 ft.		1,369.3					1,369.3	620		10,794					
1,750 ft.			345.0				345.0		26,466	177					
1,900 ft.		1,101.4					1,101.4	671	330	11,096					
2,050 ft.			108.0				108.0		20,957	436					
2,200 ft.									330	239					
2,350 ft.			195.9	103.0			298.9	697	30,718	180					
2,500 ft.			486.7	204.0			690.7	5,677	18,343	240					
2,650 ft.				150.0			150.0	1,232							
No. 3 Shaft															
Totals		3,867.5	1,989.2	3,775.3	4,532.0	2,162.4	16,326.4	73,500	97,210	64,118	13,163	50,593	537,365		601,121

Ore Reserves:

Ore reserves, all above the 1,450-foot level, total 8,464,950 tons having a grade of 0.1980 oz. per ton after allowing for dilution. Broken ore reserves amounting to 713,317 tons, all above the 1,000-foot level, are included in the above figure.

Lower Development:

Additional work has increased the indicated tonnage of partially developed ore between the 1,450-foot and 1,600-foot levels to 2,220,000 tons having an indicated grade of 0.2318 oz. per ton.

Drifting and diamond drilling were continued on both the 1,600-foot and 1,900-foot levels with satisfying results.

On the 1,600-foot level carbonate-type orebodies are indicated for total lengths of 1,400 feet, having an average grade of 0.2690 oz. per ton over an average width of 20 feet. In addition, flow-type orebodies are indicated for total lengths of 2,845 feet, having an average grade of 0.2259 oz. per ton over an average width of 51.1 feet.

On the 1,900-foot level there are so far indicated carbonate-type orebodies having combined lengths of 545 feet and an average grade of 0.2222 oz. per ton over an average width of 18.9 feet. Flow-type ore indicated on this level totals 2,450 feet in length and has an average grade of 0.3055 oz. per ton over an average width of 42.2 feet.

Production:

The milling rate was increased from 1,300 to 1,650 tons per day in August and the 1,650 ton rate was maintained through to the year end. Total gold production was increased compared to 1945 through the greater tonnage milled, as well as by the grade of mill feed having been slightly higher than mine average. The dollar value of production was seriously reduced by the reduction in the price of gold to \$35.00 per oz. in July. Increased costs of supplies, the December wage increase, and expanded underground operations, which increased broken ore reserves by 107,674 tons, all contributed to higher operating costs.

SUMMARY OF PRODUCTION FOR THE YEAR 1946

Tons Milled	531,695	Average per Day — 1,456.7
Total Gold Recovered	105,483.35	ozs.
Total Silver Recovered	5,975.42	ozs.
Average Gold Recovery per ton	0.1984	oz. \$6.944—Au. @ \$35.00 per oz.
Average Tailings Loss per ton	0.0044	oz. \$0.154—Au. @ \$35.00 per oz.
Average Mill Head Value per ton (Bullion plus tails)	0.2028	oz. \$7.098—Au. @ \$35.00 per oz.
Total Realized Value of Bullion (Canadian Funds)	\$3,853,253.37	
Total Realized Value of Bullion per ton (Can. Funds)		\$7.247

Cost Summary:

	Total	Per Ton
Development	\$ 279,979.92	\$.527
Stope Development	198,060.13	.373
Mining	359,972.51	.677
Haulage	213,839.51	.402
Hoisting	101,404.99	.190
Crushing and Conveying	70,057.51	.132
Milling	331,867.82	.624
General Expense	159,248.26	.300
Bullion Marketing	38,103.54	.071
TOTAL OPERATING COSTS AT MINE	<u>\$ 1,752,534.19</u>	<u>\$3.296</u>
Net Operating Profit at Mine (before provision for Depreciation and Taxes)	<u>\$ 2,100,719.18</u>	<u>\$3.951</u>

Plant Expansion:

Early in the year the decision was made to expand mine, mill and plant to 4,000 tons daily production rate as rapidly as possible. The past year was one of planning, purchasing and preliminary construction in preparation for the main construction programme to start in the Spring of 1947.

Excellent progress has been made in planning and design of the additional facilities required, and in the placing of orders for equipment.

The key to rapid progress was more men and to accommodate them we required housing. Thirteen wartime houses were moved from Nobel and forty others were constructed under contract. By the end of the year most of these were occupied. In addition, the construction of four 48-man dormitories and a cafeteria was contracted for, and these will be ready for use early in 1947.

The main excavation for the mill addition was completed late in the year. Other excavation and foundation work for all plant buildings will be rushed next Spring. Our schedule called for all buildings to be closed-in before the Winter of 1947, but the entire construction programme has been delayed six months because of the long steel, coal and electrical industry strikes of 1946.

General:

In a year marked by widespread labour unrest and acute shortages of many essential supplies, satisfactory progress was made toward a resumption of the former milling rate of 2,100 tons daily and also in all phases of preparation for a 4,000 ton milling rate. Tonnage of broken-ore reserve will be more than 800,000, and the milling rate will be at 2,100 tons per day early in 1947.

A large number of veterans who were employees before enlisting returned during the past year, and we take this opportunity to welcome them home again. In addition, many veterans new to Kerr-Addison have joined our force, until now the number of veterans employed is 44% of the total payroll. There would seem to be something more than coincidence in the combination of the high percentage of veterans in the force and the cordial relations that have always existed between this Company and its employees.

I again take pleasure in extending to the Heads of Departments and their staffs, my thanks for another year of loyal cooperation. I also acknowledge with appreciation and thanks the generous support and assistance of the Officers and Directors.

Respectfully submitted,

W. S. ROW,
Manager.

Virginiatown, Ontario,
February 26th, 1947.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

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

BALANCE SHEET

As at December 31st, 1946

ASSETS

Current Assets:

Cash on hand and in bank	\$	397,782.37	
Dominion of Canada bonds at cost (Market value \$2,606,937.50)		2,504,468.75	
Bullion:			
Certified by responsible Company officials		213,321.92	
Accounts receivable		10,226.63	
Interest accrued		19,218.92	\$ 3,145,018.59

Sundry Investments:

Shares in other companies at cost	\$	2,500.00	
Mortgages receivable		3,920.00	6,420.00

Deferred Charges:

Supplies and materials taken at book value	\$	618,792.62	
Unexpired portion of insurance premiums and other prepaid expenses		37,407.73	656,200.35

Capital Assets:

Mining claims at cost	\$	1,245,993.12	
Lands (surface rights only)		41,149.00	
Buildings, plant and equipment at cost	\$ 3,506,693.62		
Less: Reserve for depreciation	2,726,930.45	779,763.17	
Payments on account of commitments re buildings, plant and equipment under construction		210,099.02	2,277,004.31
			<u>\$ 6,084,643.25</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

BALANCE SHEET As at December 31st, 1946

LIABILITIES

Current Liabilities:

Accounts and wages payable and accrued charges	\$ 184,245.34	
Unclaimed dividends	5,364.26	
Portion of dividend paid December 28, 1946 outstanding	90,850.33	
Income and excess profits taxes	234,320.33	
Province of Ontario mining tax	38,000.00	\$ 552,780.26

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
	<u>\$ 2,931,922.20</u>

Surplus:

Earned surplus as per statement attached	2,543,828.40	
Capital surplus as per statement attached	56,112.39	5,531,862.99

\$ 6,084,643.25

Commitments for buildings, plant and equipment in course of construction but uncompleted amount to approximately \$1,296,944.20.

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, 1946 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, Feb. 12, 1947.

Kerr-Addison Gold Mines Limited

(No Personal Liability)

STATEMENT OF OPERATIONS

For the Year Ended December 31st, 1946

Revenue:

Bullion recovered	\$ 3,853,253.37	
Miscellaneous income	123,483.41	\$ 3,976,736.78

Expenditure:

Cost of metal production including mining, milling, delivery and mint charges	\$ 1,737,051.78	
Administration and general expense	59,235.86	
Municipal and sundry taxes	8,763.06	
Contributions to employees' group insurance and medical aid plan	11,509.22	1,816,559.92
		<u>\$ 2,160,176.86</u>
Provision for depreciation of buildings, plant and equipment owned at the commencement of the period	\$ 196,222.10	
Provision for income and excess profits taxes and Ontario mining tax	579,263.41	775,485.51
Net revenue transferred to Earned Surplus Account		<u>\$ 1,384,691.35</u>

Kerr-Addison Gold Mines Limited

(No Personal Liability)

EARNED SURPLUS ACCOUNT

As at December 31st, 1946

Balance at credit, January 1, 1946 \$ 2,578,227.35

Add:

Net revenue brought forward from Statement of Operations for the year
ended December 31, 1946 1,384,691.35

\$ 3,962,918.70

Deduct:

Dividends paid:

No. 34—.05 per share February 28, 1946	\$236,515.05	
No. 35—.05 per share April 26, 1946	236,515.05	
No. 36—.05 per share June 28, 1946	236,515.05	
No. 37—.05 per share August 28, 1946	236,515.05	
No. 38—.05 per share October 29, 1946	236,515.05	
No. 39—.05 per share December 28, 1946	236,515.05	1,419,090.30

Balance at credit, December 31, 1946 \$ 2,543,828.40

CAPITAL SURPLUS ACCOUNT

As at December 31st, 1946

Balance at credit, January 1, 1946 \$30,779.79

Add:

Profit on disposal of fixed assets	\$ 2,207.60	
Profit on sale of bonds	23,125.00	25,332.60

Balance at credit, December 31, 1946 \$56,112.39

