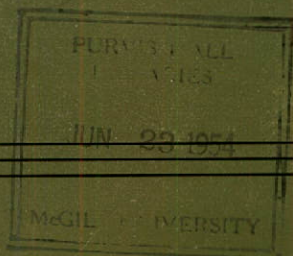




13
1948

KERR-ADDISON GOLD MINES LIMITED

(NO PERSONAL LIABILITY)



*Thirteenth Annual Report
For the year ended Dec. 31st, 1948*



The Mill

The building covers an area in excess of two-and-a-half acres. The dark portion in the middle is the new refinery, since completed. To the right of the refinery, the darker portion of the building was the original mill.

Kerr-Addison Gold Mines Limited
(No Personal Liability)

OFFICERS

President	Vice-President and Managing Director
JAMES Y. MURDOCH, O.B.E., K.C., LL.D.	ANDRÉ DORFMAN
Secretary	Treasurer
G. A. CAVIN	JAS. INGRAM

DIRECTORS

JAMES Y. MURDOCH, O.B.E., K.C., LL.D.		
ANDRÉ 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 20th, 1949, 12.00 Noon (Toronto Time), King Edward Hotel
Toronto, Ont.

Kerr-Addison

Directors' Report

To the Shareholders:

Your Directors submit herewith the Thirteenth Annual Report of your Company with a copy of the Balance Sheet as at December 31st, 1948, as audited and certified by the Company's auditors, together with the related Statement of Operations, Earned Surplus and Capital Surplus for the fiscal year, and report of the Mine Manager.

During 1948 the mill treated 889,711 tons of ore and produced gold bullion to the value of \$5,838,584.42, or an average value of \$6.56 per ton, as against 780,153 tons having a value of \$5,257,178.76 or \$6.73 per ton during the previous year. Operating costs at the mine totalled \$3,325,163.87 or \$3.74 per ton milled, but after adding depreciation, taxes and all other charges, and deducting therefrom miscellaneous income and the estimated amount receivable under the Emergency Gold Mining Assistance Act, the total costs amounted to \$4,198,226.49 or \$4.72 per ton milled.

Net earnings for 1948 were 34.68 cents per share, compared with 41.23 cents per share in 1947. Any attempt, however, to make a detailed comparison of last year's earnings with those of previous years would not be a fair criterion as to the future possibilities and performance of your mine. Costs for 1948 were naturally higher than the previous year, as the preparation of the mine to handle double the previous milling tonnage entailed much additional work and expense. In addition, underground work had to be completely discontinued for eight days, while the changeover to the new hoist and headframe was taking place.

Curtailement of hydro-electric power in the Spring and Fall also added to the difficulty and cost of operation and necessitated the use of the auxiliary diesel electric generating unit, which supplied in excess of 1,000 horsepower during the power shortage, and amply demonstrated its value in an emergency of this nature.

The past year has been an important one in the history of your Company as the majority of shareholders will realize. The expansion of the mill capacity from 2,000 to 4,000 tons per day was completed ahead of schedule, and the final milling unit went into operation on December 6th, 1948, thus bringing three years of extensive planning and construction, under extremely difficult conditions, to a successful conclusion.

Up to the end of 1948, a total of \$5,623,452.00 had been expended on the additional plant and equipment necessary to increase the mill to its rated capacity of 4,000 tons per day and your Company can justifiably point with pride to one of the most up-to-date and efficient mining plants on the American Continent.

At the year end, the net current assets amounted to some \$106,000, and it is gratifying to note that the very heavy capital expenditures involved in your Company's extensive expansion programme were completely paid for out of accumulated earnings, with no increase in the issued share capital.

Ore reserves at the end of the fiscal year, as shown in the Manager's Report, were estimated at 8,189,020 tons having a grade of 0.2041 oz. per ton, all above the 1,600-foot level. In addition, there is approximately 1,921,000 tons of partially developed ore also above the 1,600-foot level.

Lengths, widths and grade of ore on the 1,750 and 1,900-foot levels are also shown in the Manager's Report but insufficient development work has been carried out on these orebodies to permit them being included as proven ore reserves.

Naturally, in an operation of this size, a certain time element is required to demonstrate what average performance may be expected in regard to earnings, and operations during the next twelve months should enable your Directors to define future policy with a reasonable degree of accuracy.

The entire expansion programme was carried out during a trying period of high costs, labour shortage and scarcity of materials and great credit is due to your Mine Manager and his efficient staff for an excellent performance in completing the operation ahead of schedule.

By Order of the Board,

JAMES Y. MURDOCH,

President.

Toronto, Ontario,
March 23rd, 1949.

Kerr-Addison

Manager's Report



Headframe—1937

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

Dear Sirs:

A report of the operation of the mine for the year ended December 31st, 1948, is submitted herewith.

The amount of mine development increased but little over the previous year. More men were occupied in actual stoping operations and tonnage mined exceeded that of the previous year by 246,000. This resulted in an increase of 314,937 tons in the broken ore reserve in preparation for the increased milling rate. There are still insufficient miners to permit the development and mining of the smaller orebodies.

A large ventilation raise was driven from the 1,600 foot level through to the 500 foot level and the main ventilation fan was moved from surface to the 500 foot level.

Ore-pass and waste-pass systems were completed from the 1,300 foot level to the 2,725 foot skip-loading station. The crushing station at the 2,500 foot level was completed and new skip-loading pockets were installed at the 1,500 foot and 2,725 foot horizons. A transformer station was established at the 2,500 foot level.

Kerr-Addison

SUMMARY OF DEVELOPMENT AND MINING FOR THE YEAR 1948

Level	ADVANCE IN FEET					Total Dev. Lin. Ft.	Slashing Cu. Ft.	Station Cutting Cu. Ft.	Diamond Drilling	TONS ORE BROKEN IN				
	Drifts	Cross Cuts	Raises	Box- holes	Sub- Drifts					Backs	Sills	Stopes	Pillars	Total
175		9				9	297		2,019					
300		175	154	30	30	389	7,791	4,620	514		823	18,256		19,079
500		53	636	292	117	1,112	13,071				5,008	74,298		79,306
700	14	121	400	714	124	1,374	6,453	1,969	120	131	11,494	94,919	3,948	110,492
850	15	130	485	855	384	1,854	10,201	7,146	1,447	660	14,554	478,609		493,823
1000		691	159	1,134	359	742	3,085	26,843	1,595	1,224	3,424	1,461	552	5,437
1150		464		1,338	1,012	1,380	4,194	42,333	6,075	7,558	252	36,398	366,192	402,842
1300		832	1,157	615	30	367	3,001	33,538	6,393	5,385				
1450		1,546	1,289	1,248	566	848	5,497	53,957	15,642	8,991	455	3,630		4,085
1600		938	1,393	455		39	2,825	15,857	9,572	37,631	675			675
1750									12,997	39,709				
1900									6,492	1,065				
2050	281					281	2,580		8,116	558				
2200									2,500					
2350		67				67	66		13,432	1,388				
2500			110			110			3,253					
2650														
TOTALS	4,781	4,553	6,575	3,858	4,031	23,798	212,987	99,802	107,906	5,597	73,368	1,032,826	3,948	1,115,739

Ore Reserves:

Ore reserves, all above the 1,600 foot level, total 8,189,020 tons having a grade of 0.2041 oz. per ton after allowing for dilution. Broken ore amounting to 1,189,763 tons is included in the above figure. In addition there are approximately 1,921,000 tons of partially developed ore above the 1,600 foot level.

Lower Ore Development:

From the 1,750 foot level much diamond drilling was done and the flow type orebodies at this horizon now have an indicated length of 2,521 feet, average width of 45.4 feet and grade of 0.2852 oz. per ton. So far the carbonate orebodies at this level appear to have a combined length of 1,637 feet, average width of 22.9 feet and grade of 0.2858 oz. per ton.

At the 1,900 foot level, continued diamond drilling changed the ore picture a little. The flow type orebodies now have a combined length of 2,488 feet, an average width of 38.6 feet and an indicated grade of 0.3444 oz. per ton. To date the carbonate orebodies have a combined length of 1,860 feet, an average width of 19.1 feet and an indicated grade of 0.2196 oz. per ton.

No allowance for dilution is included in the above figures for the 1,750 and 1,900 foot levels.

Plant Expansion:

Construction and installation work for the completion of the expansion programme proceeded as scheduled a year ago. Operation of the No. 2 Mill Section was commenced on September 28th and of the No. 3 Section on December 6th. The new refinery was ready to operate at the year's end.

Production:

The changing over to the new ore hoist and new headframe caused a mill shut down of eight days in July. Daily tonnage milled was 2,113 from January 1st to September 30th, 3,095 from October 1st to December 6th and 4,133 from December 7th to December 31st.

The figures for tonnage milled and ounces of gold produced for 1948 are new records for the Company but the dollar value of production was lower than in 1942 because of the higher price of gold in that year.

Operating costs continued to rise, being increased by a cost-of-living bonus, which amounted to 22.2 cents per ton milled, and by sharply increased prices of most operating supplies.

Kerr-Addison

SUMMARY OF PRODUCTION FOR THE YEAR 1948

Tons Milled	889,711	Average per day—2,430.9
Total Gold Recovered	166,617.10	ozs.
Total Silver Recovered	9,480.82	ozs.
Average Gold Recovery per ton	0.1873	oz. \$6.5555—Au. at \$35/oz.
Average Tailings Loss per ton	0.0061	oz. \$0.2135—Au. at \$35/oz.
Average Mill Head Value per ton (Bullion plus tails)	0.1934	oz. \$6.7690—Au. at \$35/oz.
Total Realized Value of Bullion (Canadian Funds)	\$ 5,838,584.42	
Total Realized Value of Bullion per ton (Can. Funds)	\$6.562	

Cost Summary:	Total	Per Ton
Development	\$ 819,944.93	\$.922
Stope Development	276,378.24	.311
Mining	594,686.24	.668
Haulage	389,056.34	.437
Hoisting	160,469.92	.180
Crushing and Conveying	133,536.55	.150
Milling	587,686.67	.661
General Expense	315,670.85	.355
Bullion Marketing	47,734.13	.053
TOTAL OPERATING COSTS AT MINE	\$ 3,325,163.87	\$ 3.737
Net Operating Profit at Mine (Before provision for Depreciation and Taxes)	<u>\$ 2,513,420.55</u>	<u>\$ 2.825</u>

GENERAL:

Deliveries of construction materials and operating supplies were easier to obtain than during the previous year, but at higher prices. Numbers of experienced miners and members of the other skilled trades available were inadequate.

I wish to express my thanks to all Departmental Heads and their staffs for their able work and loyal co-operation through the past year of construction and production operations. I also acknowledge with appreciation the continued support and assistance of the Officers and Directors.

Respectfully submitted,

W. S. ROW,

Manager.

Virginiatown, Ontario,
March 7, 1949.

Kerr-Addison



Main Plant Area

Showing the new headframe during the construction period.

Kerr-Addison Co.

(No Person)

(Incorporated under the laws of)

BALANCE SHEET as at

ASSETS

Current Assets:

Cash on hand and in bank	\$ 139,441.86	
Investments:		
Dominion of Canada and Municipal bonds at cost	125,408.75	
Bullion:		
Certified by a responsible company official	242,996.51	
Accounts receivable	413,199.36	
Interest accrued	1,212.84	
Estimated amount receivable under The Emergency Gold Mining Assistance Act	152,800.00	\$ 1,075,059.32

Sundry Investments:

Shares in other companies at cost	\$ 2,500.00	
Mortgages receivable	3,963.55	6,463.55

Deferred Charges:

Supplies and materials on hand taken at book value	\$ 810,600.40	
Unexpired portion of insurance premium and other prepaid expenses	76,201.08	886,801.48

Capital Assets:

Mining claims at cost	\$ 1,245,993.12	
Lands (surface rights only)	40,649.00	
Buildings, plant and equipment at cost	\$ 8,660,381.30	
Less: Reserve for depreciation	3,376,156.88	5,284,224.42
		6,570,866.54
		<u>\$ 8,539,190.89</u>

CERTIFICATE

We have examined the accounts and the Balance Sheet for the year ended December 31, 1948, and report, that in our opinion they exhibit a true and correct view of the state of the Company's affairs and the explanations given to us and as shown by its books.

We certify that our requirements as auditors have been complied with.

Toronto, February 23, 1949.

Mines Limited

ability)

Province of Ontario, Canada)

December 31, 1948

LIABILITIES

Current Liabilities:

Accounts and wages payable and accrued charges	\$ 532,347.17	
Unclaimed dividends	4,717.62	
Portion of dividend paid December 30, 1948, outstanding	60,428.43	
Dominion income and Ontario Corporation taxes	240,101.72	
Province of Ontario mining tax	130,592.58	\$ 968,187.52

Capital Stock and Surplus:

Capital:

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

Surplus:

Earned surplus as per statement attached 4,431,756.34

Capital surplus as per statement attached 207,324.83 7,571,003.37

\$ 8,539,190.89

TE

Ferr-Addison Gold Mines Limited (No Personal Liability)
opinion, the balance sheet is properly drawn up so as to
airs, according to the best of our information and the

omplied with.

FRED PAGE HIGGINS & CO.,
Chartered Accountants.

Statement of Operations

for the year ended December 31, 1948

Revenue:

Bullion recovered	\$ 5,838,584.42	
Miscellaneous income	69,856.37	\$ 5,908,440.79

Expenditures:

Cost of metal production including mining, milling, delivery and mint charges	\$ 3,297,849.40	
Administration and general expenses	62,625.12	
Municipal and sundry taxes	24,177.85	
Contributions to employees' group insurance and medical aid plan	15,472.71	
	<u>\$ 3,400,125.08</u>	

Less:

Estimated amount receivable under The Emergency Gold Mining Assistance Act	152,800.00	3,247,325.08
		<u>\$ 2,661,115.71</u>
Provision for depreciation of buildings, plant and equipment owned at the commencement of the period	\$ 500,922.80	
Provision for Dominion income and Ontario Mining and Corporation taxes	519,834.98	1,020,757.78
Net revenue transferred to Earned Surplus Account		<u>\$ 1,640,357.93</u>

Kerr-Addison

Earned Surplus Account

as at December 31, 1948

Balance at credit, January 1, 1948	\$ 3,642,852.59
Add:	
Net revenue brought forward from Statement of Operations for the year ended December 31, 1948	1,640,357.93
	<u>\$ 5,283,210.52</u>
Deduct:	
Dividends paid:	
No. 46—.03 per share, February 27, 1948	\$141,909.03
47—.03 per share, April 28, 1948	141,909.03
48—.03 per share, June 29, 1948	141,909.03
49—.03 per share, August 27, 1948	141,909.03
50—.03 per share, October 29, 1948	141,909.03
51—.03 per share, December 30, 1948	141,909.03
	<u>851,454.18</u>
Balance at credit, December 31, 1948	<u>\$ 4,431,756.34</u>

Capital Surplus Account

as at December 31, 1948

Balance at credit, January 1, 1948	\$164,842.39
Add:	
Profit on disposal of fixed assets	48,777.44
	<u>\$213,619.83</u>
Less:	
Loss on sale of bonds	6,295.00
Balance at credit, December 31, 1948	<u>\$207,324.83</u>

Kerr-Addison

*Purchases of Equipment and Supplies during
the year ended December 31, 1948*

Iron and Steel Products	\$ 603,077.00
Mine Cars and Locomotives and Batteries	104,460.00
Trucks, Vehicles, Power Shovels, etc.	11,570.00
Tools and Machinery (mine, mill, shops)	1,184,450.00
Reagents and Chemicals	142,542.00
Coal and Coke	49,966.00
Petroleum Products	51,424.00
Rubber Products	56,969.00
Lumber and Timber	186,736.00
Building Products (Miscellaneous)	37,356.00
Electrical Equipment	820,838.00
Air-operated Equipment and Parts	161,800.00
Explosives	172,350.00
Refractories	14,128.00
Foodstuffs	6,260.00
Insurance	51,663.00
Miscellaneous	119,012.00
Sub-Total	\$ 3,774,601.00
Hydro-Electric Power	165,105.00
Freight and Express	138,898.00
	<u>\$ 4,078,604.00</u>

Principal Canadian Cities and Towns which Benefit from above purchases:

Beachville, Ontario	Niagara Falls, Ontario	Welland, Ontario
Brampton, "	Nobel, "	Beloeil, Quebec
Brantford, "	North Bay, "	Montreal, "
Cobalt, "	Orillia, "	Sherbrooke, "
Galt, "	Owen Sound, "	Sorel, "
Hamilton, "	St. Catharines, "	Staynerville, "
Kirkland Lake, "	Sault Ste. Marie, "	Port Alberni, British Columbia
London, "	Toronto, "	Vancouver, " "
New Liskeard, "	Walkerville, "	

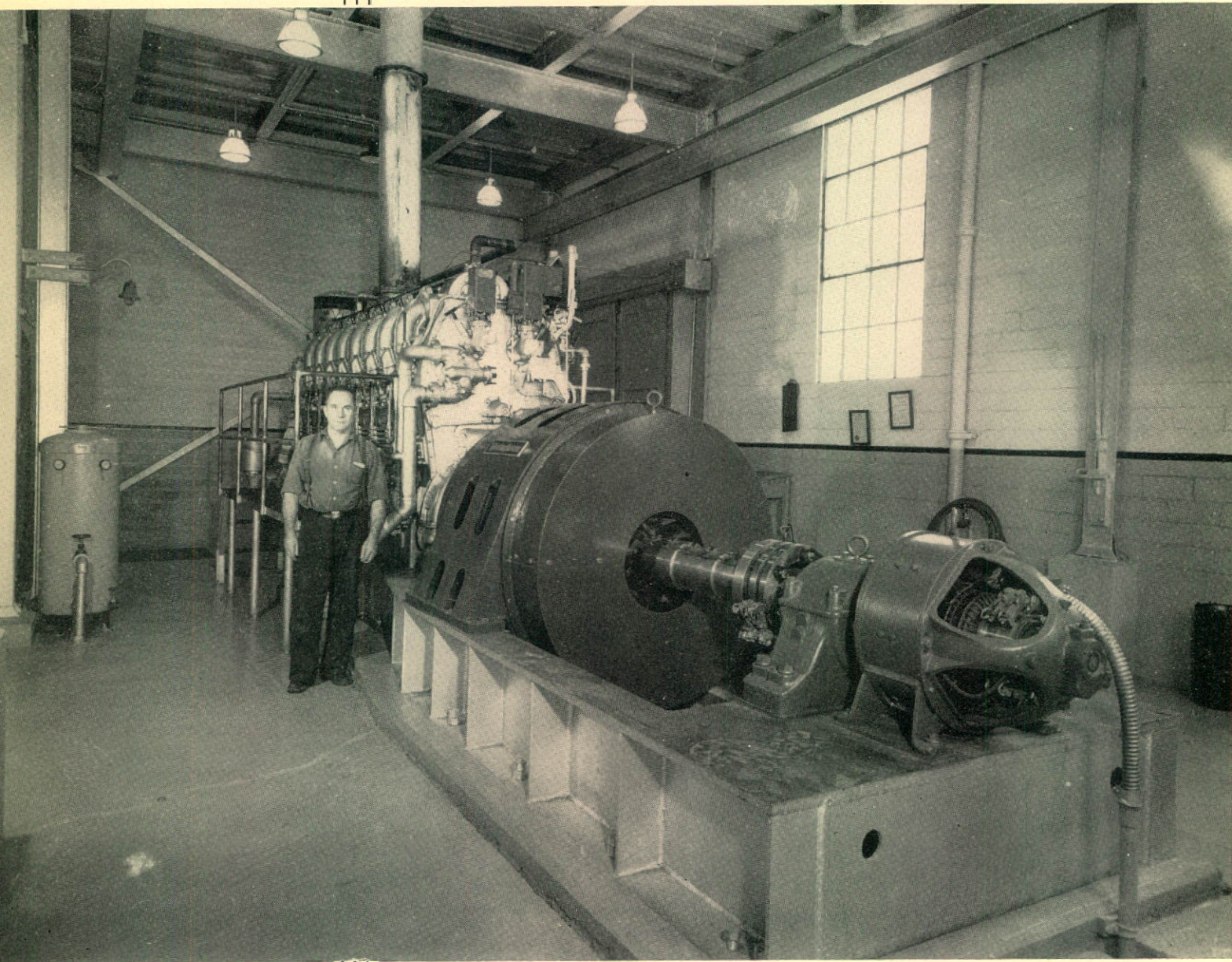
Number of Companies and Individuals through whom above materials purchased:

289 — Ontario.

30 — Quebec.

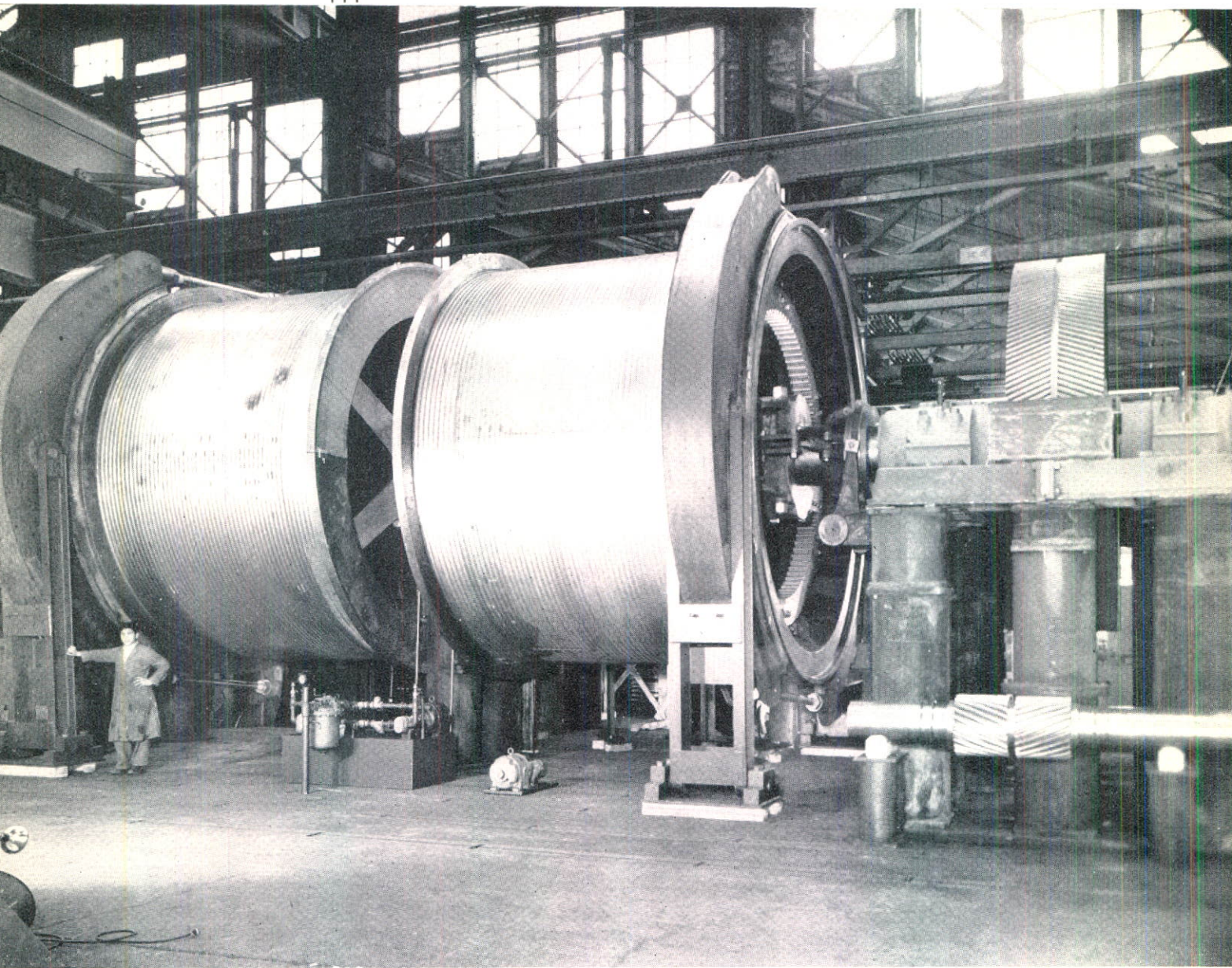
2 — British Columbia.

Kerr-Addison



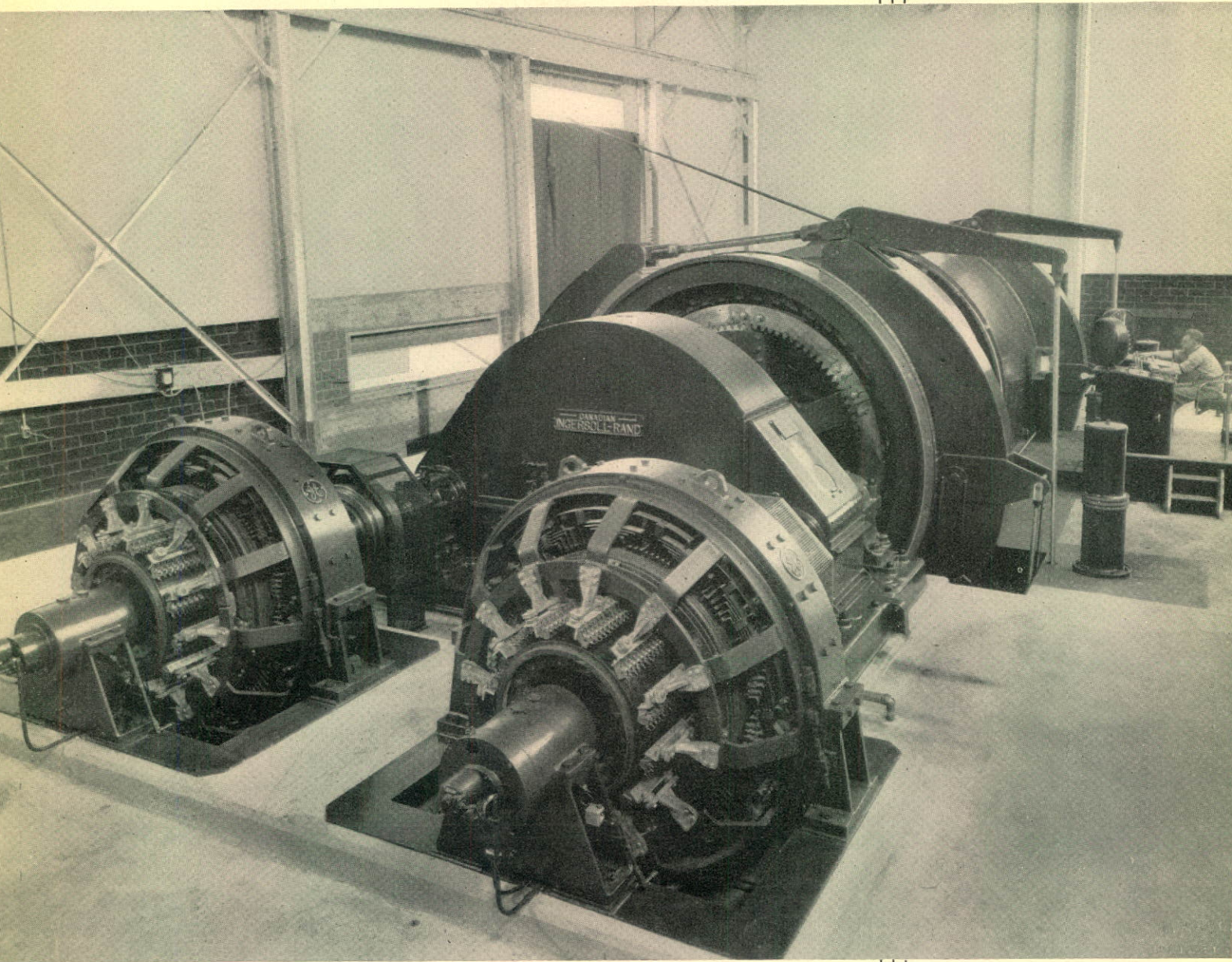
Stand-by Unit

This diesel engine connected to an electric generator is capable of developing 1,000 horsepower in the event of electric power failures or shortages.



New Hoist

in course of construction.



New Hoist — Installed

This is one of the largest and most powerful electric hoists in the Western Hemisphere. It is capable of hoisting 35,000 tons of ore a week from a depth of 4,000 feet (present hoisting depth 2,725 feet). The hoist is driven by two direct-current 2,250 horsepower motors, each having a peak load of 4,500 horsepower.



View taken from the roof of the mill shows electrical substation in the foreground, the assay office, elevated water tank, part of Virginiatown and Larder Lake beyond.



Virginiatown looking East on Waite Avenue showing
typical homes of employees.

