

C file (Kerr)



ANNUAL
REPORT

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KERR ADDISON MINES
LIMITED

THE YEAR ENDED DECEMBER 31ST.



MAR 4 1966

KERR ADDISON MINES LIMITED

DIRECTORS

JOHN R. BRADFIELD, LL.D.	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
M. S. FOTHERINGHAM	-	-	-	-	-	-	-	-	-	-	-	Steep Rock Lake, Ont.
K. C. GRAY	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
H. E. LANGFORD	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
HAROLD H. LEATHER, M.B.E.	-	-	-	-	-	-	-	-	-	-	-	Hamilton, Ont.
R. V. PORRITT	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. H. REA	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
W. DENT SMITH	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	-	Toronto, Ont.

OFFICERS

W. S. ROW	-	-	-	-	-	-	-	-	-	-	-	<i>President</i>
J. H. STOVEL	-	-	-	-	-	-	-	-	-	-	-	<i>Executive Vice-President</i>
R. D. STEWART	-	-	-	-	-	-	-	-	-	-	-	<i>Secretary</i>
B. C. BONE	-	-	-	-	-	-	-	-	-	-	-	<i>Treasurer</i>
J. B. SAGE	-	-	-	-	-	-	-	-	-	-	-	<i>Assistant Secretary</i>
S. C. YULE, Virginiatown, Ont.	-	-	-	-	-	-	-	-	-	-	-	<i>Manager</i>

HEAD OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

MINE OFFICE: Virginiatown, Ont.

EXPLORATION OFFICE: Suite 1600 - 44 King St. West, Toronto 1, Ont.

TRANSFER AGENTS AND REGISTRARS

EASTERN & CHARTERED TRUST COMPANY	-	-	1901 Yonge Street, Toronto 7, Ont.
REGISTRAR & TRANSFER COMPANY	-	-	140 Cedar Street, New York, N.Y.
REGISTRAR & TRANSFER COMPANY	-	-	15 Exchange Place, Jersey City 2, N.J.

AUDITORS

CLARKSON, GORDON & Co.	-	-	-	15 Wellington Street West, Toronto, Ont.
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ANNUAL MEETING

April 21st, 1966, 12:00 Noon (Toronto Time) Hampton Court
King Edward Sheraton Hotel, Toronto, Ont.

Directors' Report

TO THE SHAREHOLDERS:

Your Directors submit herewith the Annual Report of your Company covering the year ended December 31, 1965.

Financial

Net profit for the year was 41 cents per share and four dividends of 10 cents each were paid. No provision was made for income taxes due to the availability of write-offs of deferred exploration expenditures, some of which will still be available in 1966.

The year-end value of net liquid assets, including shares and bonds totalling \$49,244,585 at quoted market prices and supplies and prepaid items at cost, was \$52,387,066 equivalent to \$7.44 per share outstanding, which compares with \$7.32 per share at the end of 1964.

The Kerr Addison Mine

The Manager's Report contained herein gives details of production and operations.

The output of gold was 223,252 ounces, the decrease of 43,718 ounces from the previous year reflecting the lower tonnage milled. This drop in tonnage treated was partially due to unusually high labour turnover, a complete lack of skilled miners as replacements and a severe shortage of unskilled men suitable for training. An attempt to recruit unskilled immigrants from Europe to alleviate the latter shortage was unsuccessful due to the policy established by the Department of Citizenship and Immigration which denies entry to such immigrants lacking the equivalent of a Grade 10 education. While the labour problem has eased slightly during the severe winter weather, a shortage is expected to develop this spring when the tempo of construction projects

is accelerated. The grade of ore milled was virtually unchanged from the previous year. Bullion sales to the Royal Canadian Mint realized \$37.83 per ounce, the same as in 1964.

The operating costs increased 16 cents per ton due to lower tonnage treated and increased cost of labour and supplies. Part of this increased cost will be compensated for by benefits accruing under the Emergency Gold Mining Assistance Act.

After extracting 653,757 tons, ore reserves at year-end declined 570,676 tons to 4,825,543 tons containing 0.4326 ounces per ton compared to 5,396,219 tons containing 0.4283 ounces per ton a year earlier. This reserve will probably be mined out in seven or eight years.

It is with pleasure that your Directors record their sincere appreciation of the excellent work of the Manager, staff and employees throughout the year.

Joutel Copper Mines Limited

Although the 1965 program of surface and underground diamond drilling failed to significantly extend ore reserves, a decision was made to prepare this property for production at a rate of 700 tons per calendar day. A contract has been executed whereby Joutel ore will be milled on a toll basis in the concentrator of Mines de Poirier Inc. located about three miles distant by road.

In order to finance the Company to production, it was estimated that additional funds of about \$3,000,000 would be required. In November, 1965, the shareholders of Joutel Copper Mines Limited were offered units each consisting of a \$100 principal amount of

6% redeemable income debentures maturing December 31, 1975 and 20 shares of common stock. The units were offered at \$90 each and the total offering consisted of \$2,876,000 principal amount of debentures and 575,200 shares of common stock. The balance of approximately \$400,000, representing working capital, will be borrowed.

Through its holdings of Joutel, Kerr Addison subscribed for \$1,920,700 debentures and 384,140 shares of common stock. In addition Kerr Addison purchased \$31,100 debentures and 6,220 common shares being the balance not subscribed for under the offering. Kerr Addison holds approximately two-thirds of the issued shares.

Preproduction development underground commenced in the second half of the year. The shaft was deepened 153 feet to provide for a loading pocket, spill pocket and crusher station. About 82,000 cubic feet of station excavation, 101 feet of drifting and 182 feet of raising was completed. Ore reserves all above the 1025-foot level and before allowance for dilution are estimated at 1,370,000 tons of copper ore, grading 2.35% copper and 225,000 tons of zinc ore, grading 9.5% zinc and 0.26% copper. Some 209,000 tons below this horizon, previously included in reserves, have been deleted for economic reasons.

A new cafeteria and dormitory have been completed and foundations for the production headframe, ore bin and service building were in the construction phase at the year-end.

The property is now serviced by a gravel road from the Matagami highway, the two sections of which are linked by a new bridge across the Harricana River. The road and bridge were financed jointly by the Province of Quebec and the mining companies.

It is expected that ore shipments will commence late in 1966.

The Bouzan Mine

A payment of \$300,000 was received from The Patino Mining Corporation for that portion of the Company's property that they purchased in 1962. There are still three similar annual payments due over the next three years.

There were no developments at the Bouzan property during the year. It is proposed to arrange with Patino for some further exploration work from their underground workings when conditions are advantageous.

Vangorda Mines Limited

Kerr Addison owns approximately two-thirds of the issued shares of this company, which holds a property consisting of 51 claims or some 2,300 acres located in the Yukon Territory about 125 miles northeast of Whitehorse. No further exploration work was done and the estimated tonnage of some 9,400,000 tons averaging 3.18% lead, 4.96% zinc, 0.27% copper, 1.76 ounces of silver and 0.02 ounces of gold remains unchanged.

Metallurgical test work on fresh ore samples obtained in 1964 indicated that reasonable recoveries could be obtained in producing a satisfactory bulk concentrate.

Due to lack of adequate transportation, lack of power and distance to a smelter, it is not considered feasible to bring this property into production at the present time.

Recent developments by others in this same general area are reported to indicate substantial tonnage of somewhat similar mineralization and focused attention on the district. The problems of transportation and the development of an adequate power source are being studied by officials of the appropriate departments in Ottawa.

Directors' Report continued

Exploration

An expanded program of exploration was aggressively pursued across Canada and, in a few instances, outside the country.

At the year-end 1,617 claims were held in five provinces and the Yukon and Northwest Territories. Diamond drilling is under-way on three properties and is scheduled for eleven others. In addition Kerr Addison participates in two major syndicates and is testing other mineral occurrences jointly with others.

Diamond drilling late last summer indicated a zone of sulphide mineralization near Swim Lakes in the Yukon, some six miles southeast of the Kerr Addison controlled Vangorda property. An airborne geophysical survey in 1963 followed by groundwork in 1964 disclosed an extensive gravity anomaly, which has been tested by five diamond drill holes. Due to mechanical breakdowns, caving problems, and a shortage of diamond drillers, only three of these holes reached the sulphide zones with the following intersections being obtained:

	Footage	Core Length	Pb %	Zn %	Ag oz./ton
Hole A4 — 60°	193-237	44	3.5	4.2	1.1
	279-314	35	1.0	5.2	1.5
	375-472	97	3.1	3.5	1.2
Hole A5 — 60°	200 feet east of and parallel to A4				
	276-320	44	5.6	4.6	2.1
	357-368	11	5.1	4.1	1.4
	393-400	7	3.3	6.0	1.7
	415-423	8	1.5	5.3	1.9
Hole A6 — 60°	200 feet west of and parallel to A4				
	160-252.5	92.5	3.9	5.8	2.0

Hole A6 was still in similar mineralization when it was stopped at 252.5 feet due to a mechanical failure.

The sulphide zone is continuous in each hole between the intersections reported above, carrying low values in lead, zinc and silver.

On the basis of results to date, the grade appears to be similar to that at Vangorda. A great deal of work will be required before the economic significance of these sulphide zones at Swim Lakes can be assessed. It is planned to continue diamond drilling in the spring.

* * *

It was with sincere regret that your directors accepted the resignation, effective July 31, 1965, of Mr. K. C. Gray as Vice-President. Mr. Gray, who continues as a director, had served your Company as Vice-President since 1961. During his term of office he made a noteworthy contribution to the affairs of your Company. Mr. J. H. Stovel, former General Manager of Noranda Mines Limited was appointed Executive Vice-President on April 21, 1965.

On behalf of the Board,

W. S. ROW,
President.

February 4, 1966.

Manager's Report

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

Dear Sirs:

A report on the operations of the mine for the year ended December 31, 1965 is submitted herewith.

Production

During 1965, 653,757 tons of ore were milled at an average rate of 1,791 tons per day. The grade was 0.3500 ounces of gold per ton, virtually unchanged from 1964, and the realized value per ounce of gold recovered remained unchanged at \$37.83. The total value of production dropped from \$10.1 million in 1964 to \$8.45 million in 1965 due to the decline in tonnage milled.

The overall recovery of gold in the milling operation was 97.6%. The retreatment of the cyanidation tailing by flotation and roasting increased the recovery by 6.31% and the operating profit by \$428,968 or 67 cents per ton milled.

Summary of Operating Results

Production	1965	1964
Tons milled	653,757	779,174
Average Tons Milled Per Day	1,791.1	2,128.9
Total Gold Recovered	223,252.31 oz.	266,970.40 oz.
Total Silver Recovered	13,755.38 oz.	16,361.80 oz.
Average Mill-Head Value Per Ton (Bullion Plus Tails)3500 oz.	.3502 oz.
(Au @ \$35.00)	\$12.2483	\$12.2579
Percentage Recovery	97.6	97.8
Total Realized Value of Bullion (Canadian Funds)	\$8,444,944.94	\$10,099,818.65
Total Realized Value of Bullion Per Ounce of Gold	\$37.83	\$37.83
Total Realized Value of Bullion Per Ton Milled	\$12.918	\$12.962

Manager's Report continued

Cost of Production	1965		1964	
	Total	Per Ton	Total	Per Ton
Development	\$ 53,651.94	\$.082	\$ 123,545.06	\$.159
Stope Development	43,460.56	.066	130,809.77	.168
Mining	2,414,735.86	3.694	2,745,273.02	3.523
Haulage	297,176.73	.455	325,302.70	.418
Hoisting	269,143.44	.412	294,556.87	.378
General Mine Charges	1,335,287.75	2.042	1,690,422.35	2.169
Crushing and Conveying	138,916.66	.212	172,636.77	.221
Milling	858,167.76	1.313	934,329.00	1.199
General Expense	606,943.00	.929	625,780.38	.803
Bullion Marketing	56,908.44	.087	70,797.71	.091
Total Operating Cost at Mine	<u>\$ 6,074,392.14</u>	<u>\$ 9.292</u>	<u>\$ 7,113,453.63</u>	<u>\$ 9.129</u>
Operating Profit				
Net Operating Profit at Mine (before provision for Depreciation, Taxes and Head Office Expense)	<u>\$ 2,370,552.80</u>	<u>\$ 3.626</u>	<u>\$ 2,986,365.02</u>	<u>\$ 3.833</u>

The total operating cost per ton of ore mined and milled increased by 16¢ despite a reduction of 18¢ per ton in development costs. This was due largely to a 4.2% increase in hourly wage rates which became effective April 1, 1965, and a 10% increase on October 3, 1965. Although the prices of timber, explosives, cyanide, fuel oil and lubricants remained steady, there was an increase of from 5 to 15% in the price of some chemicals, crusher liners, rock drill parts, cement and general hardware.

Mine Development and Mining

No major development was carried out in 1965. Lateral drives and raising was confined to known ore zones above the 4400-foot level.

Stoping continued in the No. 6, 14, 16 and 21 Orebodies with stoping operations extending from the 300-foot level to the 4400-foot level, due regard being had for the mining sequence. Work above the 1750-foot level was confined to small ore zones. Ore mined by square-set methods accounted for 66.2% of all ore broken as compared with 67.7% in 1964.

Pillar recovery continued largely between the 3700-foot level and the 1300-foot level and accounted for 23.7% of all ore broken in 1965.

SUMMARY OF DEVELOPMENT AND MINING FOR 1965

Level	ADVANCE IN FEET							CUBIC FEET		FEET	TONS OF ORE BROKEN IN				
	Shafts	Drifts	X-Cuts	Raises	Box-holes	Sub-Drifts	Total Lin. Feet	Slashing	Station Cutting	Diamond Drilling	Dev.	St. Dev.	Stopes	Pillars	Total
300	—	—	—	62	8	—	70	—	—	—	255	—	4,250	—	4,505
700	—	—	—	—	—	—	—	480	—	—	44	—	—	—	44
850	—	—	—	4	—	—	4	—	—	—	15	—	6,175	—	6,190
1000	—	—	—	—	—	—	—	—	—	—	56	—	230	315	601
1150	—	—	—	—	—	—	—	—	—	75	—	—	—	—	—
1300	—	—	13	—	—	—	13	1,057	—	—	—	—	376	11,183	11,559
1450	—	—	—	106	—	—	106	—	—	—	680	—	5,076	11,049	16,805
1600	—	—	—	—	—	—	—	1,316	—	—	120	—	—	—	120
1750	—	30	—	228	—	—	258	1,003	—	165	1,216	—	99,640	12,107	112,963
1900	—	—	—	241	—	21	262	540	—	578	1,551	88	1,750	27,945	31,334
2050	—	—	—	7	—	—	7	—	—	—	50	—	44,059	12,062	56,171
2200	—	—	—	—	—	—	—	—	—	—	—	—	14,697	11,090	25,787
2350	—	—	—	67	43	—	110	891	—	25	426	222	41,040	54	41,742
2500	—	—	—	—	—	—	—	—	—	—	—	—	5,709	7,975	13,684
2650	—	—	—	—	—	—	—	—	—	—	—	—	25,048	12,511	37,559
2800	—	—	—	—	—	—	—	—	—	—	—	—	50,075	9,214	59,289
2950	—	42	—	107	—	—	149	418	—	25	415	—	34,185	1,228	35,828
3100	—	—	—	206	—	—	206	—	—	188	746	—	4,333	—	5,079
3250	—	—	—	—	—	—	—	—	—	658	—	—	31,027	6,772	37,799
3400	—	—	—	—	—	—	—	—	—	—	—	—	—	5,879	5,879
3550	—	—	—	—	—	—	—	—	—	—	—	—	—	2,943	2,943
3700	—	—	—	—	—	—	—	360	—	150	33	—	18,348	7,601	25,982
3850	—	—	—	237	—	—	237	—	—	—	1,374	—	45,731	—	47,105
4000	—	—	—	—	—	—	—	—	—	—	—	—	6,150	—	6,150
4200	—	—	—	27	20	—	47	—	—	597	—	—	19,077	—	19,077
4400	—	—	—	58	—	—	58	—	—	—	—	—	11,070	7,806	18,876
TOTALS 1965	—	72	13	1,350	71	21	1,527	6,065	—	2,461	6,981	310	468,046	147,734	623,071
TOTALS 1964	—	394	775	2,532	168	—	3,869	12,148	1,070	10,379	14,168	553	573,738	165,914	754,373

The distribution of ore production from the mine is shown in the following table:

Source of Ore	1965		1964	
	Tons	%	Tons	%
Surface to 1900-foot level	190,572	29.2	176,560	22.6
1900-foot to 2500-foot level	147,888	22.6	190,662	24.5
2500-foot to 3100-foot level	144,262	22.1	179,352	23.0
3100-foot to 3700-foot level	78,362	12.0	135,298	17.4
Below 3700-foot level	92,413	14.1	97,288	12.5
Total Ore Produced	653,497	100.0	779,160	100.0

Manager's Report continued

A summary of the tonnages of ore broken by the different mining methods follows:

Mining Method	1965		1964	
	<i>Tons Broken</i>	<i>%</i>	<i>Tons Broken</i>	<i>%</i>
Cut-and-Fill Stopping	201,901	32.4	225,079	29.8
Cut-and-Fill Pillar Recovery	—	—	3,258	0.4
Total Cut-and-Fill Mining	201,901	32.4	228,337	30.2
Square-Set Stopping	264,817	42.5	348,017	46.1
Square-Set Pillar Recovery	147,734	23.7	162,656	21.6
Total Square-Set Mining	412,551	66.2	510,673	67.7
Total Cut-and-Fill and Square-Set Mining	614,452	98.6	739,010	97.9
Shrinkage Stopping	1,328	0.2	642	0.1
Total Mining	615,780	98.8	739,652	98.0
Development Ore	7,291	1.2	14,721	2.0
Total Ore Broken	623,071	100.0	754,373	100.0
Percentage of Tons Milled		95.3		96.8

A total of 313,159 cubic yards of backfill was placed in the mine. Of this, 284,087 cubic yards or 90.7% was obtained from mill tailings.

Ore Reserves

At the end of 1965, proven ore reserves including allowances for dilution were as follows:

	<i>Tons</i>	<i>Ounces of Gold Per Ton</i>
Surface to 1600-foot level	341,570	0.2942
1600-foot to 2500-foot level	1,074,694	0.3201
2500-foot to 3700-foot level	1,099,254	0.4009
3700-foot to 4550-foot horizon	2,310,025	0.5205
Total Reserve at the end of 1965	4,825,543	0.4326
Total Reserve at the end of 1964	5,396,219	0.4283

The total ore reserves at the end of 1965 includes 6,108 tons of broken ore reserves with an average grade of 0.3946 ounces per ton. During the year, in addition to the 653,757 tons milled, 34,975 tons were removed from the reserves for economic reasons, for a total reduction in ore reserves of 688,732 tons. The difference between this and the actual reduction represents a gain of 118,056 tons through slashing and sub-drifting in stopes.

General

The total work force decreased from 915 to 757 and the underground force decreased from 590 to 483. The scarcity of suitable labour during the last Quarter resulted in a drop in production from an average of 1,903 tons per day for the first nine months to 1,460 tons per day during the last Quarter.

A three-year collective agreement with the Employees' Association was negotiated and became effective April 1, 1965. This provided for an immediate increase in the hourly wage rates of 4.2%. On October 3, the work week was reduced from 44 to 40 hours and hourly wage rates were increased to provide the same weekly take home pay.

During the year 6.25 million board feet of lumber were consumed as compared with 9.1 million board feet in 1964. Square-set timber consumption amounted to 43,539 pieces as compared with 55,037 pieces in 1964.

In the field of safety, the cooperation of the supervisory staff and the employees is reflected in a significant decrease in the frequency of compensable injuries during 1965.

I wish to express to all Heads of Departments and their staffs my sincere appreciation for their loyal and able efforts through the year. I also acknowledge with gratitude the support and assistance of the Officers and Directors.

Respectfully submitted,

S. C. YULE,
Manager.

Virginiatown, Ontario,
January 31, 1966.

KERR ADDISON

(Incorporated under

BALANCE

DECEMBER

(with comparative figures

ASSETS

	1965	1964
CURRENT:		
Cash and short-term notes	\$ 493,334	\$ 314,236
Marketable investments, at cost less amounts written off (quoted market value \$13,698,240)	9,757,675	11,227,315
Bullion at realizable value	604,623	670,517
Accounts and interest receivable	1,078,626	682,887
	<u>\$11,934,258</u>	<u>12,894,955</u>
INVESTMENTS IN SHARES AND BONDS OF MINING COMPANIES, at cost (note 1)	15,384,736	15,257,914
INVESTMENTS IN SUBSIDIARY COMPANIES (note 2) :		
Joutel Copper Mines Limited — at cost —		
Shares	1,615,354	1,631,594
Income debentures	1,756,620	
Other at nominal value	1	1
	<u>3,371,975</u>	<u>1,631,595</u>
DEFERRED:		
Supplies and materials at cost	1,052,429	1,168,219
Prepaid expenses	179,711	135,513
	<u>1,232,140</u>	<u>1,303,732</u>
FIXED, at cost:		
Buildings, plant and equipment	14,046,459	14,231,991
Less accumulated depreciation	13,716,478	13,733,235
	<u>329,981</u>	<u>498,756</u>
Land	72,995	72,770
Mining claims and properties	1,245,993	1,245,993
	<u>1,648,969</u>	<u>1,817,519</u>
OTHER:		
Receivable under agreement of sale (note 3)	600,000	900,000
Mortgages receivable	7,290	10,575
Shares of inactive mining companies at nominal value	1	1
	<u>607,291</u>	<u>910,576</u>
	<u>\$34,179,369</u>	<u>\$33,816,291</u>

(See accompanying notes

MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET

As at December 31, 1965

(Audited by the Chartered Accountants)

LIABILITIES

	1965	1964
CURRENT:		
Accounts payable and accrued charges	\$ 558,242	\$ 618,160
Income and mining taxes payable	135,000	245,598
Dividends payable	173,000	150,000
	<u>\$ 866,242</u>	<u>1,013,758</u>
CAPITAL AND SURPLUS:		
Capital stock (note 4) —		
Authorized:		
10,000,000 shares of no par value		
Issued:		
7,041,419 shares	13,084,475	12,996,104
Earned surplus	<u>20,228,652</u>	<u>19,806,429</u>
	33,313,127	32,802,533
	<u>\$34,179,369</u>	<u>\$33,816,291</u>

On behalf of the Board:

W. S. ROW, Director.

J. H. STOVEL, Director.

AUDITORS' REPORT

To the Shareholders of
Kerr Addison Mines Limited:

We have examined the balance sheet of Kerr Addison Mines Limited as at December 31, 1965 and the statements of operations and earned surplus for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and the statements of operations and earned surplus present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying statement of source and application of funds which, in our opinion, presents fairly the sources and applications of funds of the company for the year ended December 31, 1965.

Toronto, Canada,
February 9, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

(See notes to financial statements)

Statement of Operations

For the year ended December 31, 1965
(with comparative figures for the year 1964)

	1965	1964
REVENUE:		
Bullion produced	\$8,444,945	\$10,099,819
Investment income	1,620,918	1,219,861
Other	73,105	39,158
	<u>\$10,138,968</u>	<u>11,358,838</u>
EXPENSE:		
Cost of metal production	6,074,392	7,113,454
Less recoverable under the Emergency Gold Mining Assistance Act	410,000	635,000
	<u>5,664,392</u>	<u>6,478,454</u>
Administration and general expenses	251,659	237,424
Directors' fees	22,100	22,625
Outside exploration	1,055,694	682,554
	<u>6,993,845</u>	<u>7,421,057</u>
Net income before provisions for depreciation and taxes	3,145,123	3,937,781
Provision for depreciation	139,780	202,922
Net income before provision for mining tax (note 5)	3,005,343	3,734,859
Provision for mining tax	119,313	218,307
Net income for the year	<u>\$ 2,886,030</u>	<u>\$ 3,516,552</u>

(See accompanying notes to financial statements)

Statement of Earned Surplus

For the year ended December 31, 1965
(with comparative figures for the year 1964)

	1965	1964
Balance beginning of year	\$19,806,429	\$19,027,258
ADD:		
Net income for the year	\$2,886,030	3,516,552
Profit on sale of investments	314,931	189,036
Profit on sale of fixed assets	35,141	18,655
	<u>3,236,102</u>	<u>3,724,243</u>
	<u>23,042,531</u>	<u>22,751,501</u>
DEDUCT:		
Dividends paid	2,813,879	2,808,008
Investments written off		88,773
Sales tax adjustment re prior years		48,291
	<u>2,813,879</u>	<u>2,945,072</u>
Balance end of year	<u>\$20,228,652</u>	<u>\$19,806,429</u>

(See accompanying notes to financial statements)

Statement of Source and Application of Funds

For the year ended December 31, 1965

Working capital, January 1, 1965 \$11,881,197

SOURCE OF FUNDS:

Net income for the year	\$2,886,030
Depreciation	139,780
Profit on sale of investments	314,931
Proceeds on disposals of fixed assets (net)	63,911
Issue of capital stock under share options	88,371
Decrease in supplies and materials and prepaid expenses	71,592
Received under agreement of sale	300,000
Mortgage payments received	3,285
	<u>3,867,900</u>

APPLICATION OF FUNDS:

Payment of dividends	2,813,879
Investment in shares and debentures of Joutel Copper Mines Limited	1,740,380
Purchases of other non-current investments	126,822
	<u>4,681,081</u>

Net decrease 813,181

Working capital, December 31, 1965 \$11,068,016

NOTES TO FINANCIAL STATEMENTS

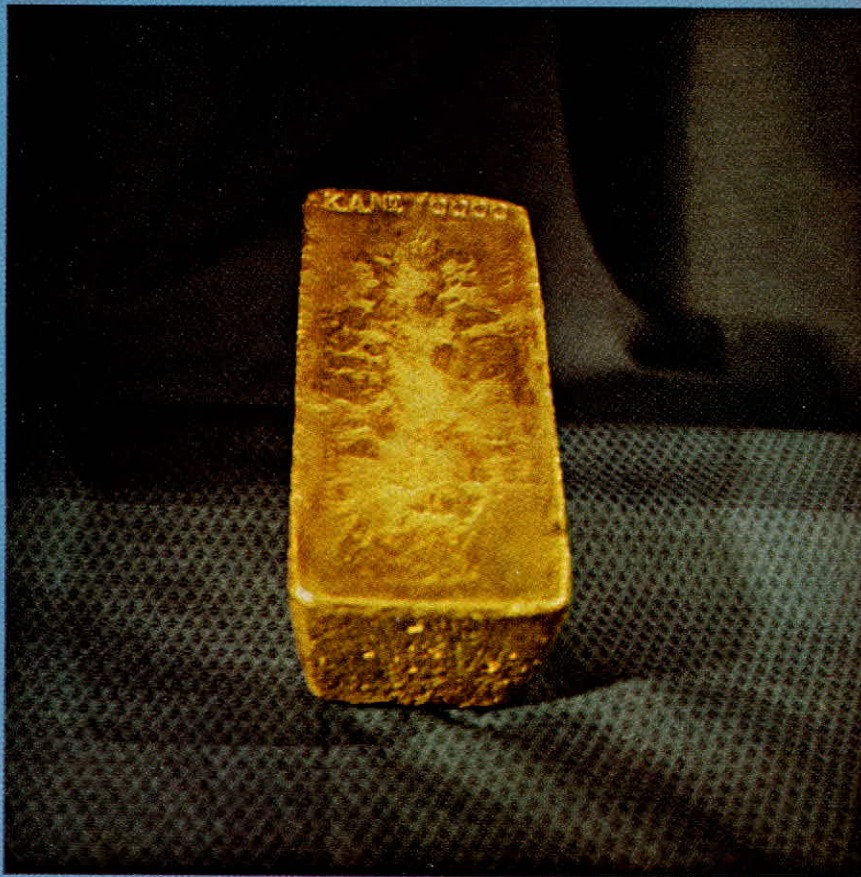
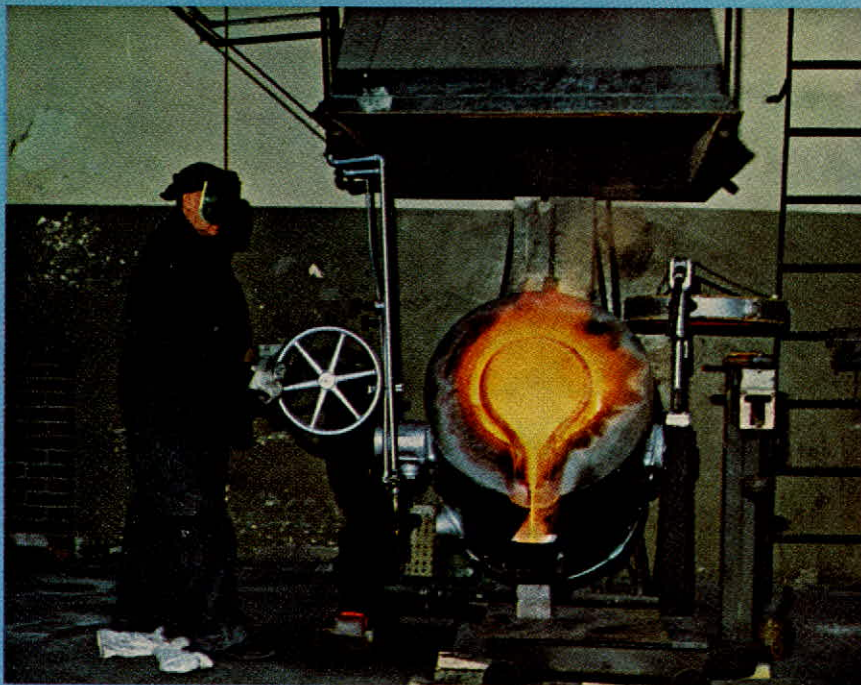
DECEMBER 31, 1965

1. Shares and bonds of mining companies consist of holdings which are not in the nature of temporary investments. Included are shares and bonds carried at a cost of \$15,099,956 which have a quoted market value of \$30,619,643 computed by pricing the individual holdings at the closing market quotations on December 31, 1965. The latter amount does not necessarily represent the value of these holdings which may be more or less than that indicated by market quotations. Also included are investments carried at a cost of \$284,780 consisting of holdings for which no regular market quotations are available.
2. Joutel Copper Mines Limited has shown neither profits or losses to December 31, 1965. The investments in other subsidiary companies are carried at nominal value.
3. The amount shown as "Receivable under agreement of sale" represents amounts due from The Patino Mining Corporation on sale of mining property and is due in annual instalments of \$300,000 on December 31 of each year. The instalment due in 1966 has been included in "Accounts and interest receivable" in the balance sheet.
4. During the year options were exercised on 13,684 shares for a total consideration of \$88,371. At December 31, 1965 employees' options on 82,983 shares were outstanding.
5. No income taxes appear to be payable on the income for the year because of the deduction for income tax purposes of exploration expenditures incurred by predecessor companies.

PRODUCTION RECORD

FOR THE YEARS 1938 TO 1965

	<i>Tons Milled</i>	<i>Average Tons Per Day</i>	<i>Recovery Per Ton Ozs.</i>	<i>Total Ounces Produced</i>	<i>Total Value</i>
1938	148,642	609	0.1880	27,946.54	\$ 985,641
1939	268,409	735	0.2030	54,480.03	1,984,858
1940	445,864	1,218	0.2064	92,021.07	3,544,433
1941	694,894	1,904	0.2102	146,071.62	5,626,389
1942	756,453	2,072	0.2139	161,811.43	6,232,794
1943	674,487	1,848	0.1930	130,192.28	5,015,128
1944	484,583	1,324	0.1666	80,722.23	3,109,598
1945	430,065	1,178	0.1885	81,065.07	3,122,706
1946	531,695	1,457	0.1984	105,483.35	3,853,253
1947	780,153	2,137	0.1923	150,039.56	5,257,179
1948	889,711	2,431	0.1873	166,617.10	5,838,584
1949	1,560,195	4,275	0.1837	286,573.92	10,379,402
1950	1,582,974	4,337	0.2027	320,808.50	12,211,154
1951	1,612,707	4,418	0.2052	330,936.99	12,432,366
1952	1,649,836	4,508	0.2110	348,113.58	12,566,611
1953	1,643,298	4,502	0.2081	341,912.99	11,969,639
1954	1,659,298	4,546	0.2142	355,473.24	12,146,148
1955	1,660,533	4,549	0.2573	427,193.24	14,797,154
1956	1,665,045	4,549	0.2842	473,235.67	16,277,717
1957	1,652,132	4,526	0.3143	519,336.89	17,474,450
1958	1,661,980	4,553	0.3263	542,268.88	18,423,484
1959	1,662,534	4,555	0.3412	567,304.80	19,125,030
1960	1,667,638	4,556	0.3552	592,244.59	20,420,106
1961	1,490,319	4,083	0.3495	520,867.17	18,615,842
1962	1,242,933	3,405	0.3364	418,150.29	15,742,590
1963	956,217	2,620	0.3399	324,986.31	12,299,154
1964	779,174	2,129	0.3426	266,970.40	10,099,818
1965	653,757	1,791	0.3415	223,252.31	8,444,945
	30,905,526	—	0.2607	8,056,080.05	\$287,996,173



THE 10,000th GOLD BAR

Pointing up its position as one of Canada's major producers of gold, Kerr Addison Mines in the year 1965 reached and passed the unique position of having poured its 10,000th bar since starting operations in 1938.

Graphically illustrating this important event, the accompanying photographs depict (top) the historic pouring, and below the actual bar which, valued at current gold prices, has a value of \$36,937.

Since milling commenced over 8 million ounces of gold and more than 440,000 ounces of silver, valued at about \$288 million, have been produced from the treatment of 30,905,000 tons of ore with an average value of \$9.32 per ton.

Breakdown of Supplies and Services

PURCHASED BY THE KERR ADDISON MINE FOR THE YEAR 1965

Iron and Steel Products	\$ 150,277
Tools and Machinery (Mine, Mill, Shops)	126,592
Reagents and Chemicals	195,920
Coal and Coke	5,120
Petroleum Products	21,662
Rubber Products	20,438
Lumber and Timber	714,341
Building Products (Miscellaneous)	101,583
Electrical Equipment	19,874
Air-Operated Equipment and Parts	27,991
Explosives	113,160
Refractories	1,514
Foodstuffs	6,925
Insurance	111,270
Miscellaneous	118,634
Sub-Total	<u>\$1,735,301</u>
Hydro-Electric Power	320,612
Freight and Express	51,376
TOTAL	<u><u>\$2,107,289</u></u>
Total Paid in Wages and Salaries	\$4,200,873
Provincial Mining Tax	119,313
Municipal and Sundry Taxes	50,148

Principal Canadian Cities and Towns Which Benefit:

Beachville, Ontario.	Fredericton, N.B.	Newmarket, Ontario.	Sarnia, Ontario.
Belleville, Ontario.	Galt, Ontario.	Niagara Falls, Ontario.	Sault Ste. Marie, Ont.
Bowmanville, Ontario.	Guelph, Ontario.	Nobel, Ontario.	Scarborough, Ontario.
Brampton, Ontario.	Hamilton, Ontario.	Noranda, Quebec.	Sherbrooke, Quebec.
Brantford, Ontario.	Haileybury, Ontario.	North Bay, Ontario.	Sorel, Quebec.
Burlington, Ontario.	Hespeler, Ontario.	Oakville, Ontario.	Staynerville, Quebec.
Clarkson, Ontario.	Huttonsville, Ontario.	Orillia, Ontario.	Sudbury, Ontario.
Cobalt, Ontario.	Joliette, Quebec.	Oshawa, Ontario.	Thornbury, Ontario.
Cobourg, Ontario.	Kirkland Lake, Ontario.	Ottawa, Ontario.	Timmins, Ontario.
Cooksville, Ontario.	Kitchener, Ontario.	Owen Sound, Ontario.	Toronto, Ontario.
Cowansville, Quebec.	Larder Lake, Ontario.	Port Hope, Ontario.	Val d'Or, Quebec.
Don Mills, Ontario.	Leaside, Ontario.	Preston, Ontario.	Welland, Ontario.
Downsview, Ontario.	London, Ontario.	Rexdale, Ontario.	Weston, Ontario.
Elliot Lake, Ontario.	Monetville, Ontario.	Rouyn, Quebec.	Windsor, Ontario.
Englehart, Ontario.	Montreal, Quebec.	St. Catharines, Ontario.	Winnipeg, Manitoba.
Evain, Quebec.	New Liskeard, Ontario.	St. Mary's, Ontario.	

NUMBER OF COMPANIES AND INDIVIDUALS (With Geographical Location)
THROUGH WHICH SUPPLIES OR SERVICES PURCHASED:

200 — Ontario; 35 — Quebec; 1 — New Brunswick; 1 — Manitoba; 8 — U.S.A.; 2 — England.

