

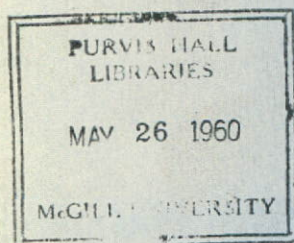
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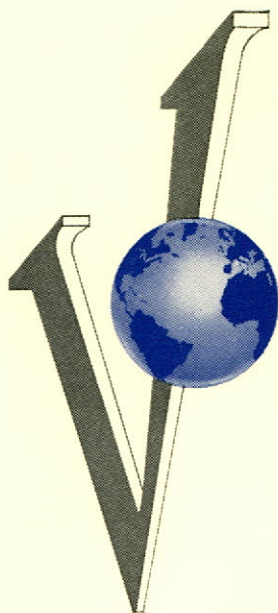


V E N T U R E S L I M I T E D

1959

A N N U A L R E P O R T





1959

VENTURES LIMITED

31ST ANNUAL REPORT

HEAD OFFICE • 25 KING STREET WEST • TORONTO • CANADA

OFFICERS

Chairman of the Board
President and Managing Director
Vice-President and General Manager
Vice-President and Secretary
Treasurer
Assistant Secretary and Assistant Treasurer

J. D. BARRINGTON
H. J. FRASER
H. S. MCGOWAN
G. T. N. WOODROOFFE
J. T. McWHIRTER
S. F. TAIT

GENERAL COUNSEL

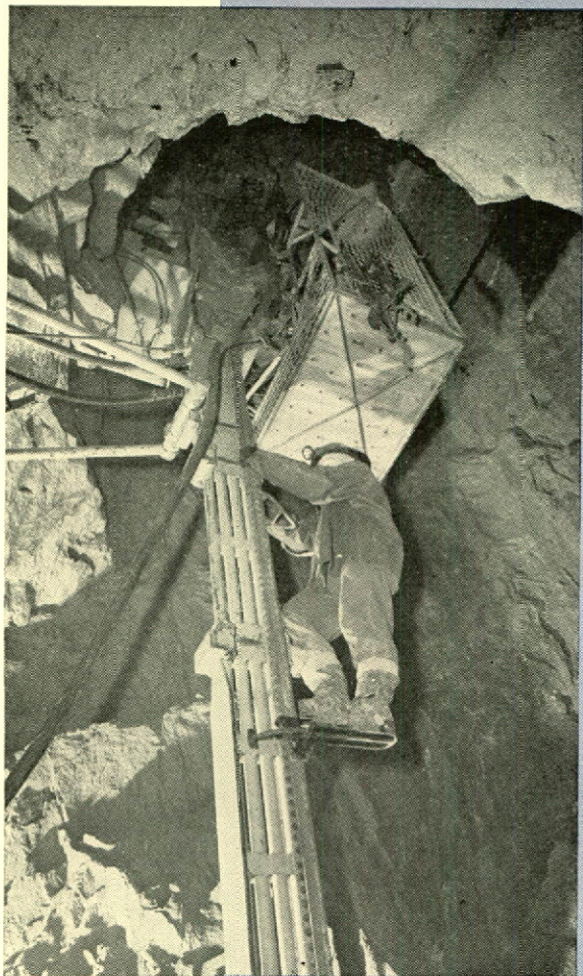
J. S. D. TORY

DIRECTORS

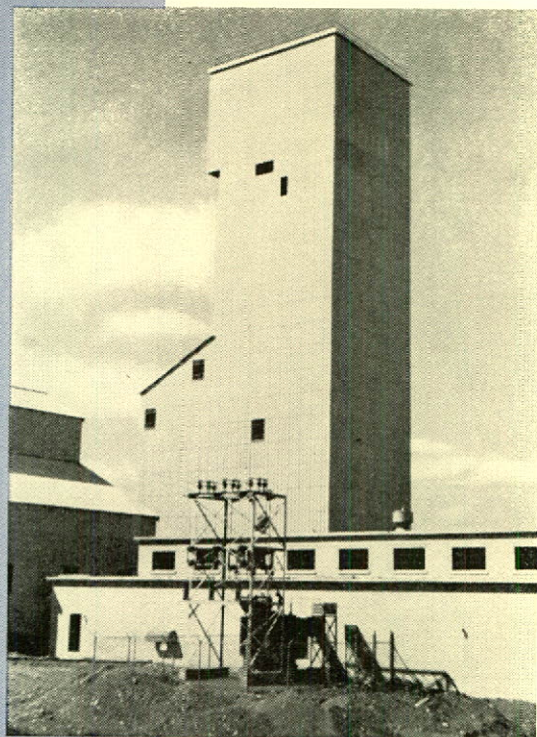
J. D. BARRINGTON	T. LINDSLEY
H. J. CARMICHAEL	J. S. D. TORY
W. B. DIX	S. M. WEDD
H. J. FRASER	G. T. N. WOODROOFFE
A. E. GRAUER	

ANNUAL MEETING OF SHAREHOLDERS

The British Columbia Room, Royal York Hotel, Toronto, Friday, May 27, 1960, 10:30 a.m. (Toronto Time)



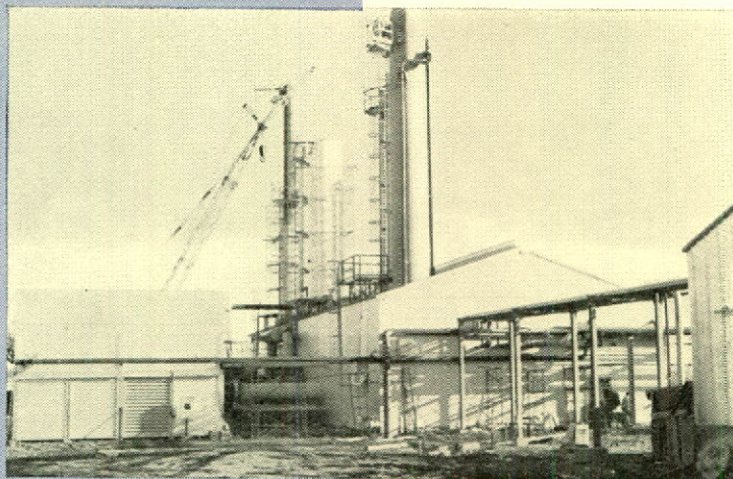
Falconbridge Nickel Mines Limited
— Raise machine introduced in
1959 to mining practice in Canada
at the Hardy Mine.



Opemiska Copper Mines (Quebec) Limited —
Headframe, Springer No. 2 shaft.



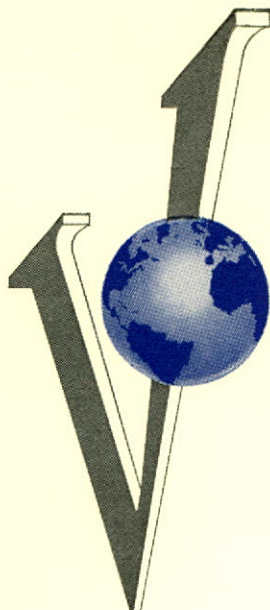
Kilembe Mines Limited — General
view of mine site and concentrator,
Kilembe, Uganda.



Alminex Limited — Gas processing plant at Carstairs, Alberta.



Rosita Mines Limited — Mine and mill buildings, Nicaragua, C.A.



VENTURES LIMITED

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors take pleasure in submitting the 31st Annual Report of your Company for the year ended December 31, 1959, which includes the audited financial statements of your Company and financial statements of some of the subsidiary and associated companies.

FINANCIAL

The following are some comparative figures of the more important financial items:

	1959	1958
Net income	\$ 1,916,850	\$ 2,186,797
Per share:		
Net income	80¢	91¢
Dividends	50¢	50¢
Working capital	\$ 9,186,052	\$ 12,922,284
Shareholders' equity:		
At book value	\$ 40,823,839	\$ 40,641,814
Per share	\$17.06	\$16.99
With investments (excluding those in current assets) at indicated market value and with other investments at book value	\$114,965,645	\$108,960,849
Per share	\$48.05	\$45.54
Number of shares outstanding	2,392,404	2,392,404
Number of shareholders	5,677	5,925

Practically all income was derived from dividends and interest. Dividend income increased to \$2,731,452 from \$2,530,150 in 1958. Interest income declined to \$510,264 in 1959 from \$912,471 in 1958 as a result

of the shifting of funds from Government Bonds and short term investments to investments in subsidiary and associated companies, some of which did not pay dividends.

The decline in net income is caused partly by the decrease in interest income but also by an increase in administrative and general expenses. The increase in these expenses was largely due to the absence of a substantial non-recurring credit which occurred in 1958, the cost of reviews of major operations referred to below, non-recurring terminal pension payments and the re-allocation of certain salaries and other expenses.

Exploration expenditures of \$538,623 were all written off against income, a practice established by Ventures in 1958 but not followed by all the associated companies. These expenditures amounted to \$613,967 in 1958.

The year saw decided financial improvements in several of the subsidiary and associated companies. Ventures interest in the profits of those subsidiaries which made a profit during the year was \$5,148,516 and Ventures interest in the losses of those subsidiaries which made a loss including write-offs was \$1,222,684. The net Ventures' interest in the profits less losses amounted to \$3,925,832 which was \$1,457,741 in excess of the dividends received. In 1958 the dividends received by Ventures from subsidiaries was about \$2,000,000 in excess of its interest in the profits less losses. It will be recalled that in 1958 the investments of Ventures and some of its subsidiaries were written down to reflect

evaluations of these assets. To a lesser extent additional write-downs were made in 1959.

Ventures increased its interest in certain subsidiary companies and reduced or eliminated its holdings in others during 1959 when the following major changes took place:

1. Holdings of Falconbridge Nickel Mines Limited were increased by 68,500 shares. Ventures now owns 53.2% of the issued shares of Falconbridge and 4.9% is held by subsidiary and associated companies.
2. The remaining outstanding preference shares and an additional 175,335 common shares of Hoyle Mining Company Limited were purchased.
3. Ventures acquired 421,250 additional shares of Coniaurum Mines Limited increasing its holdings to 1,852,050 shares or 66.9%.
4. During the year, after careful study, more than thirty companies in the Ventures' group were financed or reorganized or, through the sale of shares or by winding-up procedures, eliminated. Considerable progress was also made in the corporate simplification of the Ventures' group mainly through the elimination of cross holdings.

During the past two years some \$10,800,000 has been utilized in acquiring shares of Falconbridge, Hoyle and Coniaurum, in assisting the financing to production of Rosita Mines Limited and in providing Geoil with funds for working capital and retirement of bank loans. While the funds for these investments have been derived partly from sales of other mining investments, working capital has declined in the two year period by \$7,000,000.

RE-APPRAISAL OF MAJOR INTERESTS

The operating companies that comprise the Ventures' group are quite varied in their geological and political setting, in size, mining and metallurgical methods employed, and in the products they produce for sale. In order to understand better and evaluate these operations, it was decided to have each of the major operations examined by an engineering group and a report and evaluation prepared. In most cases the examining team was chosen from within the Ventures organization. This work was nearing completion by year-end.

PRODUCT PRICES

Because of the wide variety of its mining activities your Company is concerned with prices for many metals.

The quoted market price for nickel has not changed since it was last adjusted in 1956. At the end of 1959 the demand was firm and the prospects for continued sales at the present world price were excellent.

The price of gold in U.S. dollars remained unchanged throughout the year but the discount rate on U.S. funds averaged 4 - 3/32% for 1959 as compared with 2 - 30/32% in 1958. The discount not only affects the price received by gold producers in the group, but also by Falconbridge as nickel is quoted in U.S. funds. For the gold mines this exchange discount produced an average price of \$33.57 per ounce of gold, the lowest average price during the last twenty-five years. For Falconbridge each variation of 1% on the average discount of the U.S. dollar in terms of the Canadian dollar represents a change in gross revenues of about \$650,000 per year.

Copper prices recorded their low point during the middle of the year and strengthened during the latter part to average about 5¢ a pound higher on the London Metals Exchange in 1959 than 1958.

The Canadian price of silver opened at 87.13¢, rose to a high of 89.12¢ in February, sank to a low of 86.75¢ in November and closed at 87.38¢ an ounce. Both lead and zinc showed variations during the year. Lead opened the year at 11.75¢ per pound, dropped to 10.25¢ by March, increased to 10.75¢ in September and closed at the same price. Zinc opened at 11.5¢ per pound, advanced to 11.75¢, then dropped by April to 10.75¢, rose to 12.75¢ by October 20th and remained at that price until the year-end.

While nepheline prices remained almost constant throughout the year the prices for magnesium, rutile and zircon were weak although demand firmed for these metals by the year-end. Platinum and palladium prices moved up strongly during the year.

The price of crude oil to Alminex Limited in Western Canada was cut 15¢ per barrel or approximately 7½% early in the year and remained at that level for the balance of the year. It is hoped that the cut in crude prices for Alminex will largely be offset in 1960 by decreases in transit costs. Gas prices remained constant during the year but most gas contracts contain stipulated escalator clauses.

NOTEWORTHY ACTIVITIES AMONGST SUBSIDIARY AND ASSOCIATED COMPANIES

ALMINEX LIMITED

As mentioned at the Annual Meeting in 1959, the holdings of Geoil Limited and Alminex Limited were merged into Alminex Limited, a public company in which Geoil owns 41.7% of the issued stock. Alminex has sufficient assets to sustain a reasonable exploration and development program. During the year the proven oil reserves of Alminex increased 14% to 20.8 million barrels and proven gas reserves increased 19% to 163 billion cubic feet.

FALCONBRIDGE NICKEL MINES LIMITED

Falconbridge earnings at \$8,447,665 or \$2.25 per share were a definite improvement over 1958 and were exceeded only by those of 1957 when the company received a very substantial premium on certain commercial sales. Deliveries of nickel at 58.4 million pounds exceeded the expansion target program of 55 million pounds. Deliveries of metals and production from the mines, treatment plants and refinery set new records for the tenth consecutive year. Published ore reserves at year-end were the highest in the company's history.

GIANT YELLOWKNIFE GOLD MINES LIMITED

Giant Yellowknife net profit at \$1,552,635 was almost double that of 1958. This increase in earnings resulted in part from a higher treatment rate but of most importance was a substantial increase in overall recovery from 68.9% to 75.7% and to over 80% by the end of 1959. This metallurgical improvement is the successful evidence of much hard and intensive research and work.

FROBISHER LIMITED

Ventures holds an indirect interest, through Frobisher, in Kilembe Copper Cobalt Ltd. and United Keno Hill Mines Limited. KCCL's subsidiary, Kilembe Mines Limited, showed a substantial increase in production by milling during the year 692,000 tons and direct smelting 11,000 tons of high grade ore. A net profit of \$706,763 in 1959 compared very favorably with a loss of \$197,798 in 1958. The consolidated net profit of KCCL and its subsidiary for 1959 was \$154,278 compared with consolidated net loss of \$565,153 for 1958.

United Keno also had a successful year, due largely to an increased tonnage of higher grade silver ore from the Elsa mine. Net profits of \$1,324,836 compared with \$586,840 in 1958.

The net income of Frobisher was increased by larger dividends from Giant Yellowknife and interest on short term investments and interest received from KCCL but working capital decreased as a result of increased investment in KCCL and general exploration expenses.

METAL HYDRIDES INCORPORATED

Metal Hydrides was well launched on its program for the production of sodium borohydride for an agency of the United States Government when a sudden change in the Defense Program resulted in the unexpected cancellation of its contract. The company now faces many problems during the forthcoming period while it readjusts its production and costs to those that can be sustained in commercial markets.

OPEMISKA COPPER MINES (QUEBEC) LIMITED

Opemiska Copper Mines (Quebec) Limited made marked progress during 1959. By year-end its construction program was completed and production had reached the 2,000 tons per day level. After a thorough study of the feasibility of establishing a smelter in the Chibougamau area in association with other producers there, it was decided to continue with the present treatment arrangements but on more advantageous terms than had heretofore prevailed. Net earnings amounted to \$1,368,131 and the bank loan was reduced by \$1,318,653 during the year to \$2,008,346 at year-end.

LA LUZ MINES LIMITED

La Luz Mines Limited operated steadily during the year and made an operating profit of \$661,642 on its gold operations, but a loss of \$84,533 after write-offs. Its wholly-owned subsidiary Rosita Mines Limited commenced production of cement copper and copper concentrates in April. This production is sold to European refineries. The operation encountered a number of metallurgical difficulties which were gradually being overcome by the end of 1959 but a substantial operating loss was incurred during the period of operations in 1959.

OTHER

Amongst the other active operating companies it should be noted that Fahlralloy Canada Limited found

its business improved and showed a profit nearly double that of 1958 before a profit on the sale of securities. Coniaurum and Canadian Malartic continue to suffer with other low-grade gold producers. American Nepheline increased its business modestly but higher costs and the increased discount on U.S. funds resulted in the profit of \$561,921 being slightly reduced from 1958. During the year the ownership of Lakefield Research was consolidated and a number of technical personnel elected to the board of directors in a move intended to permit Lakefield to function more efficiently as a custom laboratory and metallurgical research centre. The Tonopah Mining Company of Nevada showed a net increase in the asset value per share from \$4.14 to \$4.32 or 4.3% for 1959; Tonopah purchased and retained 29,157 shares of its stock during the year; a comprehensive re-examination of its mining properties in Nevada was carried out during the year. Quebec Metallurgical Industries Ltd. and Hoyle Mining Company Limited were relatively inactive.

EXPLORATION AND NEW DEVELOPMENTS

CANADA TUNGSTEN MINING CORPORATION LIMITED

Ventures had a participation in the MacKenzie Syndicate which, in 1958, discovered an important tungsten deposit in the Flat River area of the Northwest Territories. During 1959 this property was transferred to a new company, Canada Tungsten, for vendor shares. Surface work and diamond drilling during 1959 indicated 1,166,351 tons of ore averaging 2.18% tungsten trioxide. The size and grade of the orebody mark it as an important deposit and there is reason to expect that further development will increase its size. A recent financing of the new company, in which your Company participated, has assured ample funds for continuation of the development program. Ventures holds 14.5% of the issued shares of Canada Tungsten. The MacKenzie Syndicate is continuing its activities in general prospecting.

GENERAL EXPLORATION

During 1959 Ventures acquired an option on property of Bracemac Mines Limited in the Mattagami area

of Quebec, covering the southeasterly extension of the favorable contact zone along which the major ore bodies of the district have been found. Drilling has commenced.

Field studies, geophysical studies and diamond drilling were also carried on in most of the Canadian provinces and the Northwest Territories and participations were taken in a number of grubstakes and syndicates.

In addition to the foregoing, geological exploration drilling was also directed on the properties of several associated companies including the Hoyle property in Levy Township, Quebec, the Dupresnoy and Norbec areas of Lake Dufault Mines Limited and in the "Highway Showing" of Pascalis Gold Mines Limited. In addition, detailed investigations were begun on the properties of Horne Fault Mines Limited, Kiena Gold Mines Limited and Pelletier Lake Mines Limited.

INDUSTRIAL MINERALS DIVISION

In the early part of 1959 an Industrial Minerals Division was formed as a joint undertaking between Ventures and American Nepheline Limited to give special attention to the non-metallic and industrial group of minerals which throughout Canada accounted for about one half a billion dollars in production last year. During 1959 a concession was obtained from the Ontario Government to explore for kaolin and other ceramic raw materials in the Moose River basin area of Northern Ontario. Other investigations are also in progress.

The Board of Ventures Limited wishes to record its appreciation for the loyal support which it received throughout the year from the Officers, Staff and Employees of the several companies comprising the Ventures group.

On behalf of the Board



President.

Toronto, Canada
April 18, 1960.

VENTURES LIMITED

OPERATING HEADS OF SUBSIDIARY AND ASSOCIATED COMPANIES

ALMINEX LIMITED

President F. R. BURTON
Vice-President and
General Manager J. B. WEBB

AMERICAN NEPHELINE LIMITED

President A. L. A. RICHARDSON
Vice-President and
General Manager JOHN J. MATHER
Vice-President and
Sales Manager HAROLD R. DEETH

CANADIAN MALARTIC GOLD MINES LIMITED

President J. P. MILLENBACH
General Manager H. C. HERZ
Mine Manager A. R. MEYERS

CONIAURUM MINES LIMITED

President H. S. MCGOWAN
Mine Manager W. O. LAFONTAINE

DOMINION MAGNESIUM LIMITED

President R. J. JOWSEY
General Manager JOHN THOMSON

FAHRALLOY CANADA LIMITED

President and
Managing Director T. G. BEAMENT
Vice-President — Sales J. A. WILSON

FALCONBRIDGE NICKEL MINES LIMITED

President and
General Manager H. J. FRASER
Executive Vice-President R. CAMPBELL
Vice-President — Sales G. S. JEWETT
Vice-President — Production R. C. MOTT

FROBISHER LIMITED

President A. J. ANDERSON
Vice-President B. G. EDWARD
Vice-President A. E. PUGSLEY

GIANT YELLOWKNIFE GOLD MINES LIMITED

President A. J. ANDERSON
General Manager M. K. PICKARD

HOYLE MINING COMPANY LIMITED

President H. J. FRASER

KILEMBE MINES LIMITED

Chairman A. J. ANDERSON
Managing Director A. E. PUGSLEY

LAKE DUFALDT MINES LIMITED

President J. P. MILLENBACH
Resident Geologist D. H. BROWN

LAKEFIELD RESEARCH OF CANADA LIMITED

President W. G. HUBLER
Vice-President and
Manager J. W. BRITTON

LA LUZ MINES LIMITED

President H. S. MCGOWAN
General Manager T. N. SLAUGHTER

METAL HYDRIDES INC.

President LEWIS W. DAVIS
Vice-President and
General Manager S. K. DERDERIAN

OPEMISKA COPPER MINES (QUEBEC) LIMITED

President J. P. MILLENBACH
General Manager H. C. HERZ
Mine Manager F. G. COOKE

QUEBEC METALLURGICAL INDUSTRIES LTD.

President and
General Manager N. B. DAVIS
Assistant General Manager W. J. TOUGH

TONOPAH MINING COMPANY OF NEVADA

President C. H. NONAMAKER
Executive
Vice-President P. W. ZECKHAUSEN

UNITED KENO HILL MINES LIMITED

President F. M. CONNELL
Resident Manager A. E. PIKE

TECHNICAL PERSONNEL

HEAD OFFICE

TORONTO

MINING ENGINEERS

G. H. MUSTARD W. H. WOODS

GEOLOGISTS

A. S. DADSON, Chief Geologist D. J. SALT, Geophysicist

METALLURGIST

J. M. MORTIMER, Chief Metallurgical Engineer

INDUSTRIAL MINERALS DIVISION

V. A. HAW M. F. GOUDGE, Consultant

CONSULTING MECHANICAL ENGINEER

W. DUNN

FIELD OFFICES

NORANDA, QUEBEC

PORT ARTHUR, ONTARIO

VANCOUVER, B. C.

W. G. ROBINSON, Geologist

J. B. GORDON, Geologist

ALEXANDER SMITH, Geologist

VENTURES

(Incorporated under

Balance Sheet as at

(with comparative figures

ASSETS

Current:	1959	1958
Cash	\$ 1,166,810	\$ 1,446,903
Short-term investments at cost (approximate market value)	9,485,058	12,882,423
Accounts receivable:		
Subsidiary and associated companies	72,115	116,928
Sundry	121,551	135,461
	<u>\$10,845,534</u>	<u>\$14,581,715</u>
Investment in subsidiary, associated and other companies at cost, less amounts written off (notes 3 and 4):		
Subsidiary companies —		
Shareholdings	\$20,753,910	\$18,102,428
Debentureholdings	1,942,500	1,850,000
Advances	685,115	113,100
	<u>\$23,381,525</u>	<u>\$20,065,528</u>
Associated companies —		
Shareholdings	\$10,209,138	\$10,281,440
Debentureholdings	242,542	
Advances	1,588,298	1,584,907
	<u>\$12,039,978</u>	<u>\$11,866,347</u>
Other companies —		
Shareholdings	\$ 513,837	\$ 571,892
	<u>\$35,935,340</u>	<u>\$32,503,767</u>
Other:		
Mining claims	\$ 4	\$ 3
Prepaid expenses and deferred charges	9,347	7,663
Equipment and furniture less accumulated depreciation	58,648	50,176
	<u>\$ 67,999</u>	<u>\$ 57,842</u>
	<u>\$46,848,873</u>	<u>\$47,143,324</u>

See accompanying notes

LIMITED

(Incorporated under the laws of Canada)

December 31, 1959

(For December 31, 1958)

LIABILITIES

Current:	1959	1958
Accounts payable and accrued charges	\$ 81,931	\$ 561,330
Due to subsidiary and associated companies	479,450	
Dividend payable	598,101	598,101
Long-term debt instalment maturing within one year	500,000	500,000
	<u>\$ 1,659,482</u>	<u>\$ 1,659,431</u>
Commitments and contingent liabilities (notes 7, 8 and 9):		
Long-term (note 3):		
4½% Sinking Fund Debentures due October 1, 1969 — (U.S. \$4,581,000) (Canadian \$419,000)	\$ 4,865,552	\$ 5,342,079
Less sinking fund payment to be made within one year shown under current liabilities	500,000	500,000
	<u>\$ 4,365,552</u>	<u>\$ 4,842,079</u>
Shareholders' equity (notes 4, 5 and 6):		
Capital —		
Authorized: 4,000,000 shares of no par value		
Issued: 2,392,404 shares	\$29,413,638	\$29,413,638
Earned surplus	11,410,201	11,228,176
	<u>\$40,823,839</u>	<u>\$40,641,814</u>
On behalf of the Board:		
J. D. BARRINGTON, Director.		
H. J. FRASER, Director.		
	<u>\$46,848,873</u>	<u>\$47,143,324</u>

to financial statements.

VENTURES LIMITED

STATEMENT OF INCOME

For The Year Ended December 31, 1959

(with comparative figures for the year 1958)

Dividends received from:		
Subsidiary companies —	1959	1958
Falconbridge Nickel Mines Limited	\$2,385,356	\$2,316,181
Other subsidiaries	82,735	82,217
	<u>\$2,468,091</u>	<u>\$2,398,398</u>
Other companies	263,361	131,752
	<u>\$2,731,452</u>	<u>\$2,530,150</u>
Interest received	510,264	912,471
Royalty received	26,009	37,020
	<u>\$3,267,725</u>	<u>\$3,479,641</u>
 Deduct:		
Administrative and general expenses —		
Executive remuneration	\$ 143,351	\$ 107,279
Remuneration of directors as such	14,700	14,400
Legal fees and expenses	4,098	20,161
Other administrative expenses less amounts recovered from associated companies	408,549	268,720
	<u>\$ 570,698</u>	<u>\$ 410,560</u>
Interest on debentures	232,570	258,405
Other interest paid	2,986	185
Income taxes deducted at source from dividends received	8,846	9,727
	<u>\$ 815,100</u>	<u>\$ 678,877</u>
Income for the year, excluding exploration expenditures and items in earned surplus	\$2,452,625	\$2,800,764
Exploration expenditures	535,775	613,967
Net income for the year, excluding items in earned surplus	<u>\$1,916,850</u>	<u>\$2,186,797</u>

Supplementary information:

1. Fees paid to directors of Ventures Limited by subsidiary companies amounted to \$5,300 in 1959 and \$7,313 in 1958.
2. Depreciation provided on equipment and furniture totalled \$15,288 in 1959 and \$12,226 in 1958.

See accompanying notes to financial statements.

VENTURES LIMITED

STATEMENT OF EARNED SURPLUS

For The Year Ended December 31, 1959

(with comparative figures for the year 1958)

	1959	1958
Balance at beginning of the year	\$11,228,176	\$16,534,138
Add net income for the year	1,916,850	2,186,797
	<u>\$13,145,026</u>	<u>\$18,720,935</u>
Deduct:		
Amounts written off —		
Investment in shareholdings of subsidiary, associated and other companies	\$ 892,854	\$ 1,287,860
Advances to associated companies	59,337	931,561
Mining claims		36,084
Exploration expenditures carried forward at January 1, 1958		105,928
Net loss on disposal of investment in Eureka Corporation Limited		3,038,343
Net loss or (gain) on sales of other investments	(413,568)	896,781
	<u>\$ 538,623</u>	<u>\$ 6,296,557</u>
Less dividends declared	\$12,606,403	\$12,424,378
	<u>1,196,202</u>	<u>1,196,202</u>
Balance at end of the year	<u>\$11,410,201</u>	<u>\$11,223,176</u>

See accompanying notes to financial statements.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For The Year Ended December 31, 1959

Working capital at December 31, 1958		\$12,922,284
Funds provided from:		
Operations —		
Net income for the year	\$ 1,916,850	
Add depreciation, a charge to operations which in itself did not involve an outlay of cash during the year	15,288	1,932,138
Sale of investments		680,146
		<u>\$ 2,612,284</u>
Funds applied to:		
Purchase of investments	\$ 4,140,248	
Dividends declared	1,196,202	
Advances made to subsidiary, associated and other companies (net)	510,094	
Equipment, furniture, prepaid expenses and deferred charges (net)	25,445	
Long-term debt maturing in 1960 (after U.S. exchange adjustment)	476,527	6,348,516
Excess of funds applied over funds provided during the year		<u>\$ 3,736,232</u>
Working capital at December 31, 1959		<u>\$ 9,186,052</u>

AUDITORS'
REPORT

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST
Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Ventures Limited:

We have examined the balance sheet of Ventures Limited as at December 31, 1959 and the statements of income and earned surplus for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us, and as shown by the books of the company, the accompanying balance sheet and statements of income and earned surplus, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1959 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We also report that in our opinion the information required under section 118 of the Companies Act (Canada) is correctly stated in note (2) to the financial statements.

Clarkson, Gordon & Co.
Chartered Accountants.

Toronto, Canada,
April 1, 1960.

VENTURES LIMITED

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1959

1. The financial statements have not been prepared on a consolidated basis as it is the company's view that a more intelligent appraisal of its financial position may be obtained from the corporate financial statements of the company, together with the individual financial statements of the major subsidiary companies.
2. The earnings of the subsidiary companies are included in income only to the extent of dividends received; such dividends were approximately \$1,460,000 less than the company's share of the aggregate profits less losses of the subsidiaries for the year ended December 31, 1959. The interest of Ventures Limited in the aggregate of accumulated surpluses less deficits of subsidiary companies from the date of their acquisition to December 31, 1959 not taken up in the parent company's accounts amounted to approximately \$16,300,000.
3. 1,000,000 shares of the company's holdings of Falconbridge Nickel Mines Limited having a book value of \$2,013,027 and a market value of \$32,000,000 have been hypothecated as security for the payment of the principal and interest on the 4½% sinking fund debentures of Ventures Limited. The trust deed requires that additional security be provided if the market value of the hypothecated securities should fall below 200% of the principal amount of debentures outstanding at any time.
4. Warrants issued in connection with the sale of the company's sinking fund debentures in 1954 and still outstanding at December 31, 1959 entitle the holders to purchase from the company 41,847 shares of its holdings of Falconbridge Nickel Mines Limited at U.S. \$20 per share and to purchase 43,000 authorized shares of the company's share capital at U.S. \$20 per share, all exercisable on or before October 1, 1969.
5. The company has reserved 300,000 of its unissued shares as follows:
 - (a) 250,000 shares under option to McIntyre Porcupine Mines Limited at \$40 per share, exercisable on or before July 11, 1960.
 - (b) 50,000 shares for the purpose of granting options to officers and employees of the company at \$28.36 per share (the market price less 5% at the date these shares were reserved). At December 31, 1959 there were options outstanding on 25,000 of these shares, exercisable on or before April 30, 1969. The options contain a termination of employment clause.
6. Under the trust indenture authorizing the certification and issue of the company's debentures, the maximum amount of surplus available for dividends at December 31, 1959 was \$7,063,229.
7. The company has agreed to make expenditures subsequent to December 31, 1959 which it is estimated will amount to approximately \$600,000.
8. Subsequent to December 31, 1959 the company purchased 285,000 shares of United Keno Hill Mines Limited for \$1,710,000 and \$2,269,500 par value of 4% convertible debentures of Frobisher Limited for \$2,146,694.
9. Actions are pending against the company and one of its directors relating to the acquisition of the mining properties of La Luz Mines Limited and its wholly-owned subsidiary, Rosita Mines Limited. At the present time no determination can be made as to the liability, if any, in this connection.

VENTURES LIMITED

STATEMENT OF INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES AS AT DECEMBER 31, 1959 AND DECEMBER 31, 1958

	December 31, 1959				
	Shareholdings and Debentureholdings				
	Number of shares or par value	% of outstanding capital	Indicated market value (Note A)	Cost less amounts written off	Advances
Subsidiary companies:					
American Nepheline Limited	2,070,865	50.5	\$ 1,159,684	\$ 986,096	
Avenue Realty Company Limited	70,253	100.0		86,861	
Coniaurum Mines Limited	1,852,050	66.9	963,066	758,576	
Falconbridge Nickel Mines Limited (note B)	1,998,651	53.2	63,956,832	4,023,338	
Geoil Limited (note C)	3,711,284	68.2	5,344,249	5,540,395	
Hoyle Mining Company Limited—					
Common shares	2,285,355	76.1	7,998,742	3,632,671	
5¾% cumulative redeemable preferred shares	21,333	100.0		2,029,375	
La Luz Mines Limited—					
Common shares	1,101,089	69.9	4,404,356	2,439,905	
6% debentures due September 30, 1962	\$2,000,000			1,850,000	
7½% debentures due October 30, 1964	\$ 100,000			92,500	
Latin American Mines Limited	1,811,826	70.6	471,075	488,118	
Panaminas Incorporated					
Pascalis Gold Mines Limited (note D) . . .	2,099,069	52.5	304,365	240,979	
Pelletier Lake Gold Mines Limited	2,660,562	98.1		386,337	
Rosita Mines Limited *					\$ 685,115
Miscellaneous participations of less than \$50,000 each				141,259	
			\$ 84,602,369	\$22,696,410	\$ 685,115

* Controlled through a subsidiary company

Associated companies:

Alminex Limited	35,000	.5	\$ 81,550	\$ 140,000
Canada Tungsten Mining Corp. Ltd. . . .	290,496	14.5		39,112
Canadian Malartic Gold Mines Limited . .	1,388,685	38.0	666,569	513,411
Consolidated Mosher Mines Limited				

December 31, 1958				
Shareholdings and Debentureholdings				
Number of shares or par value	% of outstanding capital	Indicated market value (Note A)	Cost less amounts written off	Advances
2,055,413	50.1	\$ 1,377,127	\$ 976,736	
43,303	61.6		10,053	\$ 40,000
1,430,800	51.7	701,092	554,476	
1,930,151	51.4	55,009,303	2,154,510	
3,711,284	68.2		5,540,395	
2,110,000	70.3	8,756,500	2,913,386	
19,583	91.8	1,826,719	1,826,719	
1,101,089	69.9	3,633,594	2,439,904	
\$2,000,000			1,850,000	
1,811,826	70.6	489,193	976,236	65,000
2,600	63.9		76,451	
1,449,837	48.3	173,980	239,671	8,100
2,135,100	78.7		305,843	
			88,048	
		\$71,967,508	\$19,952,428	\$ 113,100

Consolidated Sudbury Basin Mines Limited	191,073	2.5	82,161	76,429		191,073	2.5	135,662	191,073	
Dominion Magnesium Limited	128,952	27.1	918,783	899,666		113,577	24.1	1,277,741	773,230	
Frobisher Limited—										
Common shares	2,317,579	34.0	4,426,576	4,408,362	\$1,577,518	2,317,579	34.0	4,565,631	4,408,362	\$1,577,518
4% convertible debentures due										
February 15, 1968	\$ 296,500		242,389	242,542						
Giant Yellowknife Gold Mines Limited	403,583	10.1	4,338,517	540,676		403,583	10.1	2,966,335	540,676	
Lake Dufault Mines Limited	1,591,771	38.5	1,114,240	202,748		1,591,771	38.5	955,063	202,748	
Lakefield Research of Canada Limited	23,251	31.2		69,760						
Metal Hydrides Incorporated	131,540	38.5	1,841,560	1,370,402		131,540	38.5	2,367,720	1,370,402	
Opemiska Copper Mines (Quebec) Limited	379,596	6.9	3,017,788	685,998		379,596	6.9	3,359,425	685,998	
Quebec Metallurgical Industries Ltd.	851,854	16.8	494,075	681,483		851,854	16.8	681,483	681,483	
St. Eugene Mining Corporation Limited	1,129,593	46.8		1		1,129,593	46.8		289,348	
Tonopah Mining Company of Nevada	252,760	31.7	821,470	521,620		252,760	30.6	758,280	521,620	
Miscellaneous participations of less than \$50,000 each			49,777	59,470	10,780			48,680	59,469	7,389
			<u>\$ 18,095,455</u>	<u>\$10,451,680</u>	<u>\$1,588,298</u>			<u>\$18,494,355</u>	<u>\$10,281,440</u>	<u>\$1,584,907</u>
Other Companies:										
Home Oil Company Limited—Class "A"	9,737		\$ 114,410	\$ 192,306		10,137		\$ 200,206	\$ 200,206	
—Class "B"	3,000		33,375	57,750		3,496		67,298	67,298	
R. J. Jowsey Mining Company Limited						72,240		37,565	60,572	
United North Atlantic Securities Limited	10,000			100,000		10,000			100,000	
Miscellaneous participations of less than \$50,000 each			99,818	163,781				83,207	143,816	
			<u>\$ 247,603</u>	<u>\$ 513,837</u>				<u>\$ 388,276</u>	<u>\$ 571,892</u>	
			<u>\$102,945,427</u>	<u>\$33,661,927</u>	<u>\$2,273,413</u>			<u>\$90,850,139</u>	<u>\$30,805,760</u>	<u>\$1,698,007</u>

NOTES:

- The market values shown above are based on closing market prices at December 31, 1959 and December 31, 1958. Because of the number of shares involved the indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold.
- See note (3) to final statements as to 1,000,000 shares of Falconbridge Nickel Mines Limited owned by the company and hypothecated as security for its outstanding 4½% debentures and note (4) as to warrants outstanding entitling the holders thereof to purchase from the company 41,847 shares of Falconbridge Nickel Mines Limited owned by the company.
- The market value shown above for shareholdings of Geoil Limited is based on the quoted market value at December 31, 1959 of the shares of Alminex Limited, the principal asset of Geoil Limited at that date.
- Pascalis Gold Mines Limited, classified as an associated company in 1958 (48.3%) is now classified as a subsidiary (52.5%) and the 1958 figures have been adjusted to reflect this reclassification.

VENTURES

TEN YEAR

	1959	1958	1957	1956
Current assets	\$ 10,845,534	\$14,581,715	\$17,516,552	\$ 832,451
Investment in subsidiary, associated and other companies at cost less amounts written off:				
Shareholdings and debenture- holdings	33,661,927	30,805,760	28,740,726	26,725,622
Advances	2,273,413	1,698,007	6,106,361	6,254,286
Other assets	67,999	57,842	204,718	277,978
Total assets	<u>\$ 46,848,873</u>	<u>\$47,143,324</u>	<u>\$52,568,357</u>	<u>\$ 34,090,337</u>
Current liabilities	\$ 1,659,482	\$ 1,659,431	\$ 1,289,018	\$ 1,872,892
Long term debt	4,365,552	4,842,079	5,331,563	5,831,563
Total liabilities	<u>\$ 6,025,034</u>	<u>\$ 6,501,510</u>	<u>\$ 6,620,581</u>	<u>\$ 7,704,455</u>
Shareholders' equity	<u>\$ 40,823,839</u>	<u>\$40,641,814</u>	<u>\$45,947,776</u>	<u>\$ 26,385,882</u>
Number of shares outstanding ...	2,392,404	2,392,404	2,392,404	1,793,432
Working capital	\$ 9,186,084	\$12,922,284	\$16,227,534	\$ (1,694,060)
Shareholdings and debenturehold- ings at indicated market value	\$102,945,427	\$90,850,139	\$67,427,747	\$121,276,928
Gross income	\$ 3,267,725	\$ 3,479,641	\$ 3,066,050	\$ 2,843,617
Expenditures on exploration	\$ 535,775	\$ 613,967	\$ 89,353	
Net income	\$ 1,916,850	\$ 2,186,797	\$ 2,263,759	\$ 1,638,261
Per share	80¢	91¢	95¢	91¢
Dividends declared	\$ 1,196,202	\$ 1,196,202	\$ 1,196,202	\$ 896,254
Per share	50¢	50¢	50¢	50¢
Total dividends declared	\$ 11,690,446	\$10,494,244	\$ 9,298,042	\$ 8,101,840

NOTES:

1. Market value of investments not reported for the years prior to 1954.
2. In 1958 the Company changed its basis of accounting for exploration expenditures by charging current year's exploration expenditures to income instead of carrying forward a portion of these expenditures each year and charging the expenditures, as written off, to earned surplus. The 1957 figures have been reclassified to reflect this change.

April 6, 1960.

LIMITED

REVIEW

1955	1954	1953	1952	1951	1950
\$ 1,592,597	\$ 980,509	\$ 488,666	\$ 422,105	\$ 153,538	\$ 1,285,530
21,529,309	21,598,917	18,826,149	19,776,115	19,649,909	18,905,873
11,233,931	10,806,234	8,299,491	5,009,081	2,154,006	859,049
427,002	440,441	342,694	226,283	274,050	212,589
<u>\$ 34,782,839</u>	<u>\$33,826,101</u>	<u>\$27,957,000</u>	<u>\$25,433,584</u>	<u>\$22,231,503</u>	<u>\$21,263,041</u>
\$ 938,978	\$ 1,834,057	\$ 4,044,279	\$ 1,345,367	\$ 292,835	\$ 365,799
6,331,563	6,831,563		1,885,522	2,113,798	2,381,815
<u>\$ 7,270,541</u>	<u>\$ 8,665,620</u>	<u>\$ 4,044,279</u>	<u>\$ 3,230,889</u>	<u>\$ 2,406,633</u>	<u>\$ 2,747,614</u>
<u>\$ 27,512,298</u>	<u>\$25,160,481</u>	<u>\$23,912,721</u>	<u>\$22,202,695</u>	<u>\$19,824,870</u>	<u>\$18,515,427</u>
1,791,582	1,787,416	1,787,416	1,787,416	1,787,416	1,787,416
\$ 2,145,174	\$ (853,548)	\$ 3,555,613	\$ (923,262)	\$ (449,147)	\$ 241,692
\$112,555,849	\$77,141,662				
\$ 2,573,611	\$ 1,390,571	\$ 1,328,837	\$ 1,475,838	\$ 1,569,055	\$ 1,305,538
\$ 1,451,080	\$ 793,465	\$ 868,357	\$ 987,986	\$ 1,117,804	\$ 906,313
81¢	44¢	49¢	55¢	63¢	51¢
\$ 536,850	\$ 804,337	\$ 536,224	\$ 536,224	\$ 536,224	\$ 89,371
30¢	45¢	30¢	30¢	30¢	05¢
\$ 7,205,586	\$ 6,668,736	\$ 5,864,399	\$ 5,328,175	\$ 4,791,951	\$ 4,255,727

ALMINEX LIMITED

CAPITALIZATION	Common shares	Outstanding	* Geoil	Ventures
		7,474,161	3,118,763 41.73%	35,000 0.47%

PRODUCTION	Year ended December 31, 1959	Oil bbls.	Gas MMCF
		411,106	615,471

* Owned as to 68.2% by Ventures and as to 31.8% by Frobisher.

HIGHLIGHTS

An increase of 14% in proven oil reserves and 19% in proven gas reserves.

Participated in drilling 13 completed exploratory wells resulting in a gas discovery at Enchant, Alberta and a cardium oil discovery near Carstairs, Alberta.

Participated in drilling 32 completed development wells, resulting in 28 oil wells, 3 gas wells and one dry hole. In addition 7 oil wells had been drilled but not completed and 4 wells were drilling at year end.

Participated with the Home group of companies in a farmout involving 1,224,089 acres in the Petitot River area, Northwest Territories.

Proven reserves of oil and gas at year end after deducting royalty are

	Crude Oil bbls.	Natural Gas Liquids bbls.	Natural Gas MMCF
January 1, 1959	18,190,000	5,200,000	137,150
December 31, 1959	20,790,000	5,110,000	163,130

Alminex holds an 11.36% interest in the unitized portion of the Carstairs gas field. The gas from this field has been contracted to Trans-Canada Pipe Lines Limited, initial delivery to be at 31.5 million cubic feet per day and thereafter increasing to 45 million cubic feet in the fourth year. A gas processing plant is under construction and gas deliveries are expected to commence in March, 1960.

REVIEW OF OPERATIONS

As of December 31, 1959, Alminex held varying interests in 153 producing oil wells and a royalty interest in 12 producing oil wells.

LANDS

Alminex holds an interest in 4,260,306 gross acres in Alberta, Saskatchewan and the Northwest Territories, with a net acreage of 629,392 acres.

AMERICAN NEPHELINE LIMITED

CAPITALIZATION	Common shares	Outstanding	Ventures
		4,100,000	2,070,865 50.50%

LONG TERM DEBT	6% secured loan — Industrial Development Bank ..	\$709,000
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LOCATION	Nephton, near Lakefield, Ontario.
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PRODUCTION	Year ended December 31, 1959	Production	Value (Sales)
		149,891 tons	\$ 1,894,687
		Total from 1946 to December 31, 1958	1,355,313 tons 18,608,490
	Total production	1,505,204 tons	\$20,503,177

REVIEW OF OPERATIONS

Sales in 1959 increased slightly in physical volume and to a lesser extent, in dollar value. However, higher labour and material costs, selling expenses and discount on U.S. funds more than offset other cost reductions including reduced interest charges. As a result, operating profit for 1959 declined to \$561,921 from \$608,047 for the previous year.

Net profit for 1959 after write-offs, depreciation and taxes was \$130,378 compared with \$159,672 for 1958.

Working capital at December 31, 1959 amounted to \$780,593 an improvement of \$71,535.

The processing plant produced 130,975 tons of nepheline products and 18,916 tons of by-products, an increase of 6,965 tons from 1958.

During the year, the mine delivered to the mill 185,650 tons after discarding 53,260 tons of waste material. Ore reserves amounted to 5,224,300 tons of assured ore and 1,500,000 tons of indicated ore.

AMERICAN NEPHELINE LIMITED

BALANCE SHEET — DECEMBER 31, 1959

ASSETS

Current:		
Cash	\$ 136,922	
Short term investments — at cost	635,820	
Accounts receivable	228,756	
Inventories of crude ore and finished products — valued at the lower of average costs or market	51,669	
Prepaid expenses	29,147	\$1,082,314
Inventory of Supplies:		
Mine and mill supplies — at cost		159,189
Fixed:		
Mining properties — at cost	\$ 75,499	
Land, buildings, machinery and equipment — at cost, less depreciation provided of \$2,533,191	2,184,679	
Staff dwellings — at cost, less depreciation provided of \$98,442	92,709	2,352,887
Other:		
Deferred development expenditures, less amounts written off of \$355,775	\$ 69,840	
Interest in outside mining claims	47,180	
Investment in associated and other companies — at nominal value	1	117,021
		<u>\$3,711,411</u>

LIABILITIES

Current:		
Accounts payable and accrued charges	\$ 48,148	
Estimated corporation income taxes, less payments thereon	34,522	
Principal payments due in 1960 on mortgage loans — note 1	219,051	\$ 301,721
Deferred:		
Mortgage loans payable, less amounts shown above — note 1	\$ 774,451	
Provision for future income tax payments — note 2	120,482	894,933
Capital:		
Capital stock		
Authorized 4,500,000 shares each with a par value of fifty cents		
Issued and fully paid — 4,100,000 shares	\$2,050,000	
Contributed surplus	374,964	
Earned surplus	89,793	2,514,757
		<u>\$3,711,411</u>

NOTES:

(1) The principal amounts payable on mortgage loans at 31st December, 1959 are as follows:

Loan agency	Principal due in 1960 (shown as a current liability)	Principal due after 1960 (shown as a deferred liability)	Total loans payable
Central Mortgage and Housing Corporation	\$ 7,051	\$ 65,451	\$ 72,502
Industrial Development Bank	212,000	709,000	921,000
	<u>\$ 219,051</u>	<u>\$ 774,451</u>	<u>\$ 993,502</u>

The loans from Central Mortgage and Housing Corporation are in connection with staff dwellings erected at Nepton. They bear interest at 4% to 4½%, are being amortized over fifteen years and are secured by a first mortgage on the dwellings.

The loan from Industrial Development Bank bears interest at 6% and is secured by a mortgage on the company's lands, buildings and equipment. In addition to stipulated monthly payments of \$11,000 and interest, the indenture provides for an additional principal payment based upon net cash earnings. This additional payment with respect to 1959 earnings amounts to \$80,000 and is payable on or before 15th April, 1960.

- (2) The provision for corporation income taxes — \$59,000 — carried on the statement of operations is based upon the net profit for 1959. The amount currently payable has been increased by \$12,887 and is reflected in the transfer of that amount from the provision for future income tax payments carried as a deferred liability. In 1958 and prior years the company postponed, in part, payment of corporation income taxes by claiming for tax purposes depreciation in excess of that recorded in the accounts. For 1959 the situation is reversed as the company intends to claim for tax purposes less depreciation than that recorded in the accounts. The net amount of taxes so deferred as at 31st December, 1959 is accordingly reduced to \$120,482.
- (3) The company has granted options on a total of 75,000 shares of treasury stock at \$1.47 per share to twenty-eight key employees. These options expire 29th March, 1963. In addition 25,000 shares have been reserved to permit the granting of such further options as the Board of Directors may from time to time recommend.
- (4) The remuneration to directors as such (excluding remuneration for services as officers and employees) amounted to \$2,675 in 1959.
- (5) On 7th October, 1959 the U.S. Treasury Department advised the company that a complaint had been received that nepheline syenite was being sold to the United States at less than fair value within the meaning of the Antidumping Act. Representations were made on behalf of the company but we are informed by officers of the company that, as yet, the Secretary of the U.S. Treasury has not issued a ruling on the complaint. Until this ruling is issued, the liability, if any, cannot be calculated.

CONIAURUM MINES LIMITED

CAPITALIZATION	Common shares	Outstanding 2,766,743	Ventures 1,852,050	66.94%
	LOCATION	Mine at Schumacher, Ontario.		
PRODUCTION	Year ended December 31, 1959	Tons Milled 120,345	Gold Ounces 27,595	Net Value Metals Recovered (including E.G.M.A.) 1,155,311
	By present company to December 31, 1958	4,083,157	995,057	35,540,098
	Total production	4,203,502	1,022,652	\$36,695,409

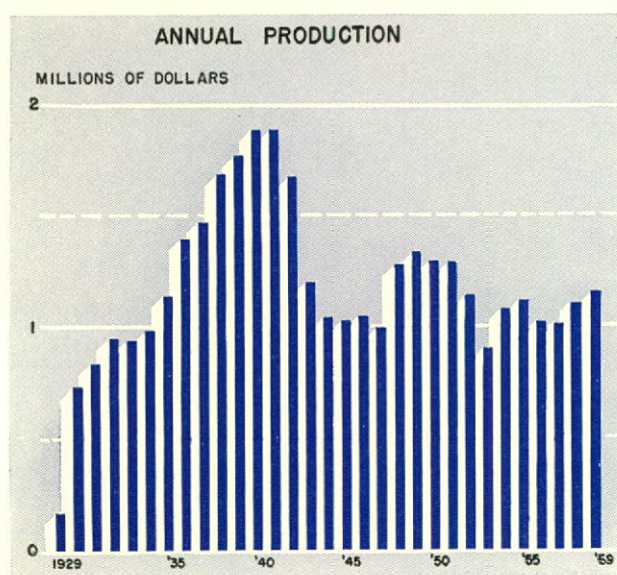
REVIEW OF OPERATIONS

An operating profit of \$8,764 was recorded compared to \$10,776 for the year 1958. After making provision for depreciation and applying other income a net profit of \$74,759 resulted compared with \$43,807 for the previous year.

Development work was confined to the area above the 4,250 foot level. Some clean-up work continued in the sub-shaft section. Drifting and cross-cutting during the year totalled 5,350 feet of which 1,385 feet of drifting was in ore.

Broken ore reserves at December 31, 1959 are estimated to be 51,094 tons grading 0.209 ounces gold and unbroken reserves to be 58,900 tons averaging 0.226 ounces gold per ton.

The recent reports of copper mineralization occurring in the Pearl Lake porphyry on the McIntyre Porcupine ground is of interest to Coniaurum. This porphyry mass enters the Coniaurum property at the 2,000 foot horizon and a diamond drilling programme has been started to explore for possible copper ore.



DOMINION MAGNESIUM LIMITED

CAPITALIZATION	Common shares	Outstanding 476,270	Ventures 128,952	27.07%
	LONG TERM DEBT			
	3¼% Mortgage	\$202,444		
	4½% Mortgage re Light Alloys Ltd. Townsite	\$144,008		
LOCATION	Dolomite deposit and plant at Haley, Ontario.			

REVIEW OF OPERATIONS

The consolidated net loss of the company and its wholly-owned subsidiaries amounted to \$598,591 compared to a consolidated net loss of \$614,605 for 1958.

World demand for magnesium increased during 1959 but due to large producer inventories the price remained depressed. By year end the inventories were disposed of and a slight firming in price was evident. Production was maintained at half capacity until October when a sixth furnace was placed in operation and all ten furnaces were in operation by the end of March 1960.

Sales of Aerometal Products and Design Limited increased 11% over 1958. The volume of shipments from Light Alloys Limited was 9% below the volume shipped in 1958. However, Light Alloys, under the Defence Production Sharing Plan is successfully competing with U.S. foundries in the missile and aircraft defence industries.

Production and sale of thorium increased in 1959 but the demand for calcium and zirconium was down.

A royalty agreement was arranged with Alabama Metallurgical Corporation on providing technical and operational assistance to that company on a fee basis.

CONIAURUM MINES LIMITED

BALANCE SHEET — DECEMBER 31, 1959

ASSETS

Current:

Cash		\$ 197,953
Bullion on hand, at net realizable value		91,365
Short term investments at cost (approximate market value)		595,046
Accounts receivable —		
Estimated amount receivable under the Emergency Gold Mining Assistance Act	\$ 88,892	
Other	776	89,668
		<u>\$ 974,032</u>

Investments — at cost or at cost less amounts written off:

Shares of companies with quoted market values —			
Affiliated companies (quoted market value \$445,306)	\$ 49,401		
Other companies (quoted market value \$403,185)	382,488	\$ 431,889	
Shares of other companies		1,000	432,889

Fixed, at cost less amount written off:

Buildings, machinery and equipment	\$1,383,195		
Less accumulated depreciation	1,378,726		
	\$ 4,469		
Mining properties (No deduction has been made for ores mined)	2,240,284		2,244,753

Other:

Supplies — at cost	\$ 111,052		
Prepaid expenses	721		
Government bonds on deposit with Hydro-Electric Power Commission of Ontario at cost (market value \$12,863)	15,038	126,811	
		<u>\$3,778,485</u>	

LIABILITIES

Current:

Wages payable	\$ 31,128
Accounts payable and accrued charges	58,622
	<u>\$ 89,750</u>

Capital:

Authorized — 3,000,000 shares of no par value			
Issued — 2,766,743 shares of no par value	\$4,456,337		
Less amount applied in 1938 in reduction of book values of deferred development, buildings, machinery, etc., taken over from predecessor company	708,842		
	<u>\$3,747,495</u>		
Deficit	58,760	3,688,735	
		<u>\$3,778,485</u>	

CANADIAN MALARTIC GOLD MINES LIMITED

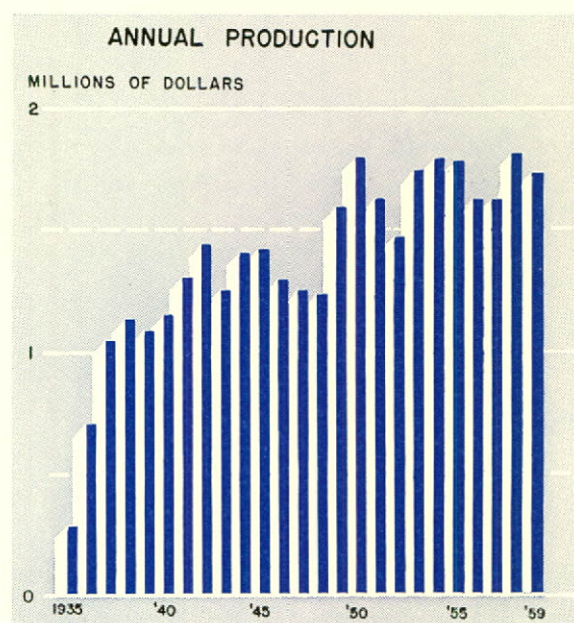
CAPITALIZATION	Common shares	<i>Outstanding</i>		<i>Ventures</i>	
		3,651,355	1,388,685	38.03%	
LOCATION	Mine at Malartic, Quebec.				
PRODUCTION		<i>Tons Milled</i>	<i>Gold Ounces</i>	<i>Silver Ounces</i>	<i>Net Value Metals Recovered (including E.G.M.A.)</i>
	Year ended December 31, 1959	467,413	41,220	13,852	\$ 1,733,973
	Total to December 31, 1958	8,469,401	862,941	515,861	32,787,992
	Total production	<u>8,936,814</u>	<u>904,161</u>	<u>529,713</u>	<u>\$34,521,965</u>

REVIEW OF OPERATIONS

Net profit after write-offs, depreciation and taxes was \$70,203 compared to \$247,303 in 1958. The drop in profits is attributable to a slightly lower grade of ore milled and to a 50% increase in exploration and development costs. There was also a small increase in direct operating costs due to higher wage rates.

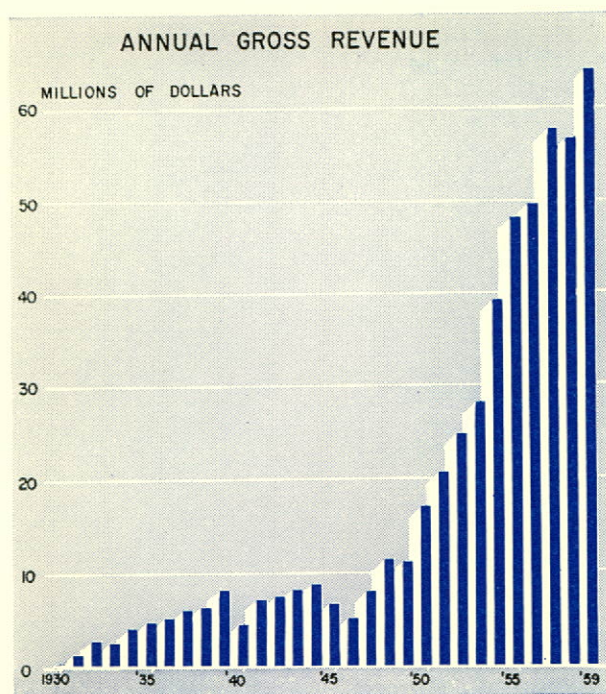
The accelerated exploration programme which commenced in 1958 was continued in 1959. A small ore body was located in the Gouldie zone but results in this area were generally disappointing. A number of gold occurrences were located along the greenstone contacts near the northeast boundary of the property adjacent to Barnat and further development is underway to determine the full potentiality of this area.

Ore reserves declined by 58,500 tons to 952,500 tons averaging 0.110 ounces gold per ton, after milling 467,413 tons.



FALCONBRIDGE NICKEL MINES LIMITED

		<i>Outstanding</i>		<i>Ventures</i>		<i>Frobisher</i>	
CAPITALIZATION	Common shares	3,756,472	1,998,651	53.21%	150,000	3.99%	
LONG TERM DEBT	5¼% First Mortgage and Collateral Trust Sinking Fund Bonds (after deducting that portion maturing within one year)			\$17,000,000			
	3% Mortgage on refinery lands and plants (after deducting that portion maturing within one year)			\$ 91,856			
LOCATION	Mines, mills and smelter in Sudbury District, Ontario.						
	Refinery at Kristiansand South, Norway.						
FINISHED PRODUCTS	Electrolytic nickel, copper and cobalt, nickel sulphate, refined platinum, palladium, gold, liquid sulphur dioxide.						
PRODUCTION		<i>Tons Treated</i>		<i>Gross Metal Sales and Other Operating Revenues</i>			
	Year ended December 31, 1959	2,374,049		\$ 64,146,854			
	Total to December 31, 1958	23,973,051		465,855,613			
	Total production	26,347,100		\$530,002,467			



HIGHLIGHTS

The expansion goal of 55,000,000 pounds of nickel per annum set in 1953, was exceeded.

Earnings of \$8,447,000 or \$2.25 per share were the second highest in the Company's history.

After providing \$6,000,000 for the repayment of bonds maturing in 1960, working capital amounted to almost \$28,000,000.

The decision to commence underground exploration and development of the important Strathcona ore body.

The setting of new records in the delivery of metals and production from the mines, treatment plants and refineries.

Ore reserves at 46,200,000 tons were the highest on record.

REVIEW OF OPERATIONS

Free world demand for nickel improved during 1959 despite a prolonged strike in the steel industry in the United States. The company's chief commercial markets are in Europe where demand for nickel was very strong during the latter part of the year. The political situation in Cuba disturbed the production of those companies operating there.

Earnings for the year were higher than those of 1958 by \$1,394,000. Write-offs were slightly less than in 1958 but the provision for taxes based on income was greater by \$2,000,000. The most important factor accounting

for the improvement in earnings was the increased delivery of metals. Nickel deliveries increased by about 20% and copper deliveries by about 6%. Unit costs of production improved and higher copper prices prevailed in 1959. On the other hand revenues from metal sales suffered from greater discount on the United States dollar.

As a result of high earnings before write-offs and low capital expenditures the company's working capital improved sharply during the year. The accumulated funds were invested in government or government guaranteed securities to provide funds for repayment of the company's bonds as they mature. The outstanding bonds were decreased during the year by \$4,000,000 leaving a balance of \$23,000,000 at the year end.

Capital and preproduction expenditures were much lower as the expansion programme neared completion. They amounted to \$2,538,000 in 1959 compared with \$5,453,000 in 1958 and \$12,140,000 in 1957.

The mines and treatment plants produced at record levels during the year and exceeded the expansion programme goal of 55,000,000 pounds of nickel per annum. About mid-year the Fecunis mine came into regular operation. This had a significant influence on the year's production.

Ore reserves of the company in the Sudbury District increased approximately 2,290,000 tons during 1959 and at the end of the year were as follows:

	Tons	Ni. %	Cu. %
Developed Ore ..	22,200,050	1.56	0.87
Indicated ore	23,982,400	1.34	0.77
Total	46,182,450	1.45	0.82

Exploration continued in the Dominican Republic on the concession area held by the company's majority-owned subsidiary and at year end the explored deposits were estimated to contain over 50,000,000 tons of ore having a grade of 1.55% nickel. However, unlike the Sudbury ores, these ores contain no copper or precious metals and, furthermore, the extraction of nickel from such ores involves much more formidable metallurgical and economic problems than arise in the case of the sulphide ores.

Fahralloy Canada Limited, a wholly owned subsidiary of Falconbridge, reported a profit for the year from its operations of \$255,845 compared to \$129,232 in 1958. A net gain on disposition of securities and fixed assets amounted to \$225,393 to make the overall profit for the year \$481,238. The debenture debt was retired during the year by the redemption of \$89,000 in bonds.

FALCONBRIDGE NICKEL MINES LIMITED
CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1959
(with comparative figures at December 31, 1958)

ASSETS		1959	1958
Current:			
Cash		\$ 405,069	\$ 1,099,521
Bank deposit receipts		2,500,000	
Government and government guaranteed securities at cost which is approximate market value		24,394,760	13,428,525
Accounts receivable —			
Trade	\$4,305,735		
Other	1,040,896	5,346,631	4,809,705
Inventories (note 4) —			
Refined metals	\$2,030,633		
Matte and metals in process	6,975,129	9,005,762	8,379,566
		<u>\$41,652,222</u>	<u>\$27,717,317</u>
Investments, at cost less amounts written off:			
Unconsolidated subsidiary at cost (note 1)	\$ 326,994		
Maritimes Mining Corporation Limited (note 5)	740,710		
Other (including investments with a quoted market value of \$306,000)	486,946	\$ 1,554,650	\$ 2,005,946
Advances to associated company			\$ 593,394
Fixed:			
Plant and equipment at cost		\$74,246,026	\$72,713,293
Less accumulated allowance for depreciation		48,833,330	39,399,307
		<u>\$25,412,696</u>	<u>\$33,313,986</u>
Mining and other property at cost		3,976,769	3,973,716
		<u>\$29,389,465</u>	<u>\$37,287,702</u>
Other:			
Supplies, at average cost		\$ 3,856,811	\$ 4,573,519
Prepaid expenses and deferred charges		213,004	266,663
Long-term accounts receivable		162,329	188,142
Guarantee deposits (cash and government guaranteed bonds at cost)		150,409	92,080
Mine development and preproduction expenditures less amounts written off		522,073	2,487,870
		<u>\$ 4,904,626</u>	<u>\$ 7,608,274</u>
		<u>\$77,500,963</u>	<u>\$75,212,633</u>
LIABILITIES			
Current:			
Accounts payable and accrued charges		\$ 3,940,631	\$ 2,834,477
Advance receipts for metals		594,865	558,203
Portion of long-term liabilities payable within one year		6,033,421	4,000,000
Income and other taxes payable (estimated)		3,124,573	1,505,671
		<u>\$13,693,490</u>	<u>\$ 8,898,351</u>
Advance Receipts for metals to be delivered in 1960			\$ 418,527
Long-Term:			
5¼% first mortgage and collateral trust sinking fund bonds, series A, due August 15, 1966		\$23,000,000	\$27,000,000
3% mortgage payable in instalments in 1960 and 1961 (secured by refinery land and plant) (N.Kr. 750,000)		125,277	125,277
		<u>\$23,125,277</u>	<u>\$27,125,277</u>
Less amount payable within one year included under current liabilities		6,033,421	4,000,000
		<u>\$17,091,856</u>	<u>\$23,125,277</u>
Shareholders' Equity:			
Capital (note 7) —			
Authorized — 5,000,000 shares of no par value			
Issued — 3,756,472 shares of no par value		\$12,219,125	\$12,214,125
Retained earnings (note 8)		34,496,492	30,556,353
		<u>\$46,715,617</u>	<u>\$42,770,478</u>
		<u>\$77,500,963</u>	<u>\$75,212,633</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) The consolidated financial statements for 1959 reflect the financial position and the results of operations of Falconbridge Nickel Mines Limited and all its subsidiary companies except Fahlralloy Canada Limited which has not been consolidated as its operations are neither similar nor related to those of the parent company. The 1959 profit of this wholly-owned subsidiary exceeded the dividend received from it by \$446,188; the parent company's interest in this subsidiary's profits from date of acquisition to December 31, 1959, not taken up in the parent company's accounts amounted to \$1,522,057.

FALCONBRIDGE NICKEL MINES LIMITED

STATEMENT OF CONSOLIDATED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1959

(with comparative figures for the year 1958)

	1959	1958
Metal sales and other operating revenues	\$64,146,854	\$56,755,666
Cost of sales and operating expenses other than the undermentioned items	\$34,457,914	\$30,367,199
Selling, general and administrative expenses (including remuneration of directors as such of \$25,500 in 1959 and \$24,750 in 1958)	1,921,120	1,672,309
	<u>\$36,379,034</u>	<u>\$32,039,508</u>
Operating profit before providing for development and preproduction expenditures and depreciation	\$27,767,820	\$24,716,158
Development and preproduction expenditures written off	\$ 4,465,874	\$ 4,175,256
Allowance for depreciation	6,037,843	6,515,589
	<u>\$10,503,717</u>	<u>\$10,690,845</u>
Operating profit	\$17,264,103	\$14,025,313
Other income:		
Dividend from Fahlralloy Canada Limited, a wholly-owned subsidiary, not consolidated (note 1)	35,050	35,050
Income from investments	697,243	334,377
Net gain on sale of securities and fixed assets	184,046	205,803
	<u>\$18,180,442</u>	<u>\$14,600,543</u>
Other deductions from income:		
Interest on long-term liabilities	\$ 1,341,775	\$ 1,519,002
Exploration expenditures	1,491,002	1,128,332
	<u>\$ 2,832,777</u>	<u>\$ 2,647,334</u>
Earnings before income taxes	\$15,347,665	\$11,953,209
Income taxes—estimated (notes 10 and 11)	3,400,000	1,400,000
Earnings for the year before special write-offs (note 9)	\$11,947,665	\$10,553,209
Special provision for depreciation	3,500,000	
Special write-off of preproduction expenditures		3,500,000
Earnings for the year (notes 10 and 11)	<u>\$ 8,447,665</u>	<u>\$ 7,053,209</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (2) Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at December 31, 1959, except as follows:
 - (a) Fixed assets and the related accumulated allowances for depreciation — converted at the rates prevailing when the expenditures on fixed assets were made;
 - (b) Long-term liabilities — converted at the rates prevailing when the debts were incurred.
 Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian dollars at the average monthly quoted rates of exchange except that allowances for depreciation have been converted at the rates prevailing when the expenditures on the related fixed assets were made.
- (3) The consolidated balance sheet at December 31, 1959, includes the following assets and liabilities in Norway:

Net current assets	\$ 6,054,605
Fixed assets less accumulated allowance for depreciation	6,357,268
Supplies and other assets	1,090,501
	<u>\$13,502,374</u>
Less long-term debt	91,856
Net assets in Norway	<u>\$13,410,518</u>
- (4) Inventories of refined metals and of matte and metals in process are stated at the lower of cost or market value. In the case of such materials derived from the company's own ores (\$8,190,453 in 1959) cost has been determined on a "last-in, first-out" basis; in the case of such materials derived from other sources (\$815,309 in 1959) cost has been determined on a "first-in, first-out" basis.
- (5) The investment in Maritimes Mining Corporation Limited represents the cost (including the cost of properties exchanged for shares) of 1,300,000 shares of that company, less the profit of \$573,750 realized on the sale of that company's shares during 1956.
- (6) There are commitments outstanding in connection with construction in progress and development and exploration amounting to approximately \$2,025,000. In addition, repayment of a loan to a power company in Norway has been guaranteed to the extent of N. Kr. 3,877,000 (\$516,000) to ensure delivery of increased power to the refinery.
- (7) An aggregate of 75,000 unissued shares in the capital stock of the Company has been reserved and set aside for the purpose of granting to its officers and employees options to purchase shares of the Company at \$25 each. The options, which may be exercised at a cumulative rate not in excess of 20% per annum, expire May 31, 1969. During the year options were granted on 41,000 shares, of which 200 were exercised.
- (8) Under the deed of trust and mortgage securing the first mortgage and collateral trust bonds of Falconbridge Nickel Mines Limited, the maximum amount of retained earnings at December 31, 1959 that could be utilized for dividends was approximately \$22,200,000.
- (9) In consideration of the company undertaking a costly expansion program commencing in 1953, designed to help relieve the then shortage of nickel, the United States government agreed to reimburse the company in part by way of an amortization allowance incorporated in the price established for nickel purchased under a term contract. Commencing with 1957 the company has been setting aside each year out of earnings, \$3,500,000 as a special charge to amortize a portion of the capital costs incurred as a result of this expansion program. The company considers these charges are properly offset against the additional revenues arising out of the amortization allowances obtained during these years. For the years ended December 31, 1957 and 1958 such provision was applied to amortize preproduction expenditures. For the year ended December 31, 1959 the provision of \$3,500,000 has been applied as depreciation against plant and equipment.
- (10) A substantial portion of the 1959 income is attributable to a new mine which has been assumed to be exempt from income tax. While certification has not yet been received, it has been assumed that the three year tax-exempt period for the income of this mine will commence in 1959. A further portion of the 1959 income is attributable to another new mine which in 1959 completed the three year period during which its income was exempt from income tax.
- (11) The amounts to be claimed for income tax purposes in 1959 in respect of depreciation and development and preproduction expenditures are approximately \$4,804,000 less than the amounts written in the company's accounts including the special provision for depreciation referred to in note 9 above. The total depreciation and development and preproduction expenditures which will have been claimed for 1959 and prior years will be less than the amounts written in the accounts in those years by approximately \$2,191,000. This amount will be deductible for tax purposes in future years.

KILEMBE COPPER COBALT LTD.

CAPITALIZATION	Common shares	Outstanding	Probisher	
		3,877,027	3,063,627	79.02%
DEBT	Promissory Note	\$2,137,085	\$2,137,085	100%

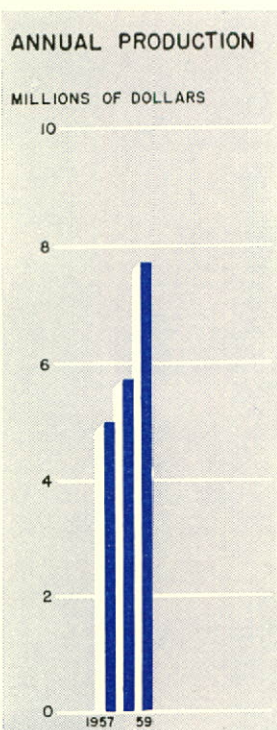
The 5½% Collateral Trust Debentures in the amount of \$3,789,000 were retired in May. This was accomplished largely by the sale of treasury shares.

The only asset of this Company is its investment in

Kilembe Mines Limited as shown below. Consolidated net profit of KCCL and its subsidiary for 1959 was \$154,278 compared with consolidated net loss in 1958 of \$565,153.

KILEMBE MINES LIMITED

CAPITALIZATION	Common shares	Outstanding	K.C.C.L.	
		5,700,000	3,990,000	70.00%
LONG TERM DEBT	6% First Mortgage Debenture stock	£1,446,832	£ 482,277	33.30%
		(\$3,964,688)	(\$1,323,055)	
	6% Unsecured loan stock	£ 380,000	£ 86,667	22.80%
		(\$1,046,674)	(\$ 238,714)	
LOCATION	Mine and Smelter in Uganda, British East Africa.			
PRODUCTION	Year ended December 31, 1959	Tons Treated	Blister Copper lbs.	
		703,340	26,723,200	
		1,199,261	41,323,520	
		<u>1,902,601</u>	<u>68,046,720</u>	



REVIEW OF OPERATIONS

Operating profit of Kilembe Mines for 1959, its third full year of operations, was \$2,741,040 compared with \$1,295,609 in 1958. The net profit was \$706,763 after provision for depreciation, write-offs and interest on long term debt. This compares with a loss of \$197,798 in 1958.

Sales of blister copper amounted to \$7,556,263 which compares with sales of \$5,779,137 in 1958. Cobalt concentrates produced totalled 43,639 short tons and these were added to the stockpile.

The tonnage milled was 692,308 tons and 11,032 tons of high grade ore were direct smelted. This is an increase of 170,386 tons of ore milled over 1958 and reflects the operation of the new 500 ton concentrator erected to handle the higher grade oxide ore, the average grade of which was 3.30% copper.

Proven and probable ore reserves at year end were estimated to contain 7,371,000 tons averaging 2.23% copper. The ore reserves have been depleted by the tonnage treated during 1959 as the exploration and development programme initiated in 1959 has not advanced into the areas in which new ore disclosures are anticipated.

QUEBEC METALLURGICAL INDUSTRIES LTD.

CAPITALIZATION	Common shares	Outstanding	Ventures	Frobisher
		5,060,100	851,854 16.83%	1,146,249 22.65%
LOCATION	Ottawa, Canada.			

REVIEW OF OPERATIONS

During 1959 the company completed a major programme of re-examination and consolidation of its assets.

Expenditures related to dormant companies and properties have been written off. Cash and short-term deposits exceed \$1,800,000 while liabilities are negligible.

Laboratory test work on a process to recover nickel and by-products from lateritic ores was discontinued with the filing of two patent applications.

Columbia Iron Mining Company continued metallurgical and ore reserve test work on the magnetite iron deposit owned by Klukwan Iron Ore Corporation a subsidiary of Q.M.I.

Geological examination and some diamond drilling was done on the Wedene River iron prospect near Kitimat, B.C. This work indicated the presence of a concentrating grade of iron ore in worthwhile quantity. Further work is planned for 1960.

During the year a number of mining prospects were examined but none was acquired.

FROBISHER LIMITED

CAPITALIZATION	Common shares	Outstanding	Ventures
		6,808,333	2,317,579 34.04%
LONG TERM DEBT	4% Convertible Debentures	\$5,000,000	\$296,500 5.93%

FINANCIAL REVIEW

Consolidated net income of Frobisher and its wholly-owned subsidiaries for the year ended December 31, 1959, before write-offs and exploration and development expenditures of \$1,263,719 which were charged directly to deficit account, was \$683,803 as compared with \$250,814 for 1958. The increase is principally attributable to increased dividends received from Giant Yellowknife Gold Mines Limited and to interest on advances made to Kilembe Copper Cobalt Ltd.

Working capital at the year end showing a deficit of \$659,777 compared to working capital of \$1,701,771 at December 31, 1958, a decrease of \$2,360,000 being the difference between funds expended of \$4,087,000 and funds received of \$1,726,000. The chief expenditures were \$3,650,000 for the purchase of 1,267,904 shares of KCCL and \$339,000 for exploration.

Frobisher's total investment in KCCL now amounts to \$11,597,750 and consists of 3,063,627 shares at a cost of \$9,460,664, 634,860 "C" warrants and advances of \$2,137,086 which are secured by a promissory note. Frobisher also has options exercisable on or before

December 31, 1962, to purchase 122,547 shares of KCCL at \$2.10 per share.

REVIEW OF OPERATIONS

The operating companies in which Frobisher holds a substantial interest are reviewed elsewhere in this report.

Exploration of the El Wak petroleum concession in East Africa and the adjacent Somalian coastal plain continued during the year. Several large U.S. oil companies have evinced interest in participating in this exploration.

In Africa the Connemara Division continued to operate on a salvage basis and earned a net profit of \$73,959 which helped to sustain the mineral exploration programme in Africa.

Work was done by Rio Tinto Canadian Exploration Limited on beryllium deposits near Seal Lake in Labrador and Frobisher will have a minimum of a 30% interest in the concession upon which the work is being done.

Field work in Canada was restricted to property examinations and specific exploration programmes.

FROBISHER LIMITED

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1959

(with comparative figures for December 31, 1958)

ASSETS		
Current:	1959	1958
Cash	\$ 199,678	\$ 287,190
Bullion in transit	49,151	40,032
Short term investments at cost		1,338,904
Accounts receivable—		
Subsidiary and associated companies	41,044	26,204
Sundry	5,332	31,675
	<u>\$ 295,205</u>	<u>\$ 1,724,005</u>
Investment in subsidiary, associated and other companies at cost less amounts written off (note 3):		
Subsidiary companies—		
Shareholdings	\$ 9,578,225	\$ 6,397,202
Advances	2,137,086	2,329,290
	<u>\$11,715,311</u>	<u>\$ 8,726,492</u>
Associated and other companies—		
Shareholdings	\$ 9,364,756	\$10,246,347
Advances	138,258	163,599
	<u>\$ 9,503,014</u>	<u>\$10,409,946</u>
	<u>\$21,218,325</u>	<u>\$19,136,438</u>
Fixed:		
Buildings, plant and equipment, at cost	\$ 1,411,540	\$ 1,470,150
Less accumulated depreciation	1,347,790	1,398,079
	<u>\$ 63,750</u>	<u>\$ 72,071</u>
Mining properties at cost	410,134	410,134
	<u>\$ 473,884</u>	<u>\$ 482,205</u>
Other:		
Exploration expenditures carried forward	\$ 1,474,020	\$ 1,335,405
Supplies and spare parts at the lower of cost or market	143,818	163,290
Sundry prepayments and deferred charges	11,436	10,635
	<u>\$ 1,629,274</u>	<u>\$ 1,509,330</u>
	<u>\$23,616,688</u>	<u>\$22,851,978</u>
LIABILITIES		
Current:		
Bank loan — (secured)	\$ 750,000	
Accounts payable and accrued charges	182,810	\$ 192,562
Amounts owing to subsidiary and associated companies	177,426	3,597
	<u>\$ 1,110,236</u>	<u>\$ 196,159</u>
Commitments and contingent liabilities (note 4)		
Advances from Ventures Limited	<u>\$ 1,577,518</u>	<u>\$ 1,577,518</u>
Long term:		
4% convertible debentures due February 15, 1968 (note 3)	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>
Shareholders' equity:		
Capital (note 5)—		
Authorized—7,500,000 shares of no par value	\$23,059,607	\$23,059,607
Issued —6,808,333 shares	7,130,673	6,981,306
Deficit	<u>\$15,928,934</u>	<u>\$16,078,301</u>
	<u>\$23,616,688</u>	<u>\$22,851,978</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) The consolidated financial statements reflect the financial position and operating results of the company and its wholly-owned subsidiaries. The company's investment in its other subsidiaries is shown as a separate item in the consolidated balance sheet; they have not been consolidated because of substantial minority interests.

No dividends were received from the unconsolidated subsidiaries during the year ended December 31, 1959. No provision has been made in the accounts of Frobisher Limited for its interest of \$1,707,997 in the aggregate of the losses less profits of these subsidiaries accumulated from the date of their acquisition to December 31, 1959, which arises primarily from the accumulated consolidated losses less

FROBISHER LIMITED

STATEMENT OF CONSOLIDATED INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES AS AT DECEMBER 31, 1959

	Number of shares or par value	% of out- standing capital	Indicated market values (note a)	Cost less amounts written off	Advances
Subsidiary companies:					
Anyox Metals Limited	1,386,895	54.3		\$ 82,931	
Kilembe Copper Cobalt Ltd. — common shares	3,053,627	79.0	\$10,109,969	9,460,664	\$2,137,086
— stock purchase "C" warrants	634,860		755,483		
Miscellaneous participations of less than \$50,000 each				34,630	
			<u>\$10,865,452</u>	<u>\$ 9,578,225</u>	<u>\$2,137,086</u>
Associated and other companies:					
Akaicho Yellowknife Gold Mines Limited	1,165,230	35.7	\$ 512,701	\$ 380,243	
Falconbridge Nickel Mines Limited (note b)	150,000	4.0	4,800,000	722,091	
Geoil Limited (note c)	1,732,648	31.8	2,495,013	4,699,750	
Giant Yellowknife Gold Mines Limited (note b)	784,977	19.6	8,438,503	164,244	
Horne Fault Mines Limited	881,634	33.8	48,490	84,900	\$ 42,471
Joliet-Quebec Mines Limited	1,031,800	20.1	237,314	134,602	
Lake Dufault Mines Limited	224,962	5.4	157,473	83,070	
Latin American Mines Limited	444,614	17.3	115,600	124,519	
Michipicoten Iron Mines Limited	874,106	32.6		304,814	90,786
Pilley's Island Copper Pyrite Limited	692,360	44.1		138,854	
Quebec Metallurgical Industries Ltd.	1,146,249	22.7	664,824	917,000	
Rainville Mines Limited					
— shares	612,143	21.8	153,036	404,894	
— 7% debentures due December 31, 1968	\$140,000			140,000	
St. Eugene Mining Corporation Limited	841,185	34.8		319,989	5,000
United Keno Hill Mines Limited (note b)	729,276	29.5	3,719,308	453,425	
Miscellaneous participations of less than \$60,000 each—					
Those with market value			229,276	190,306	
Those without market value				102,055	1
			<u>\$21,571,538</u>	<u>\$ 9,364,756</u>	<u>\$ 138,258</u>
			<u>\$32,436,990</u>	<u>\$18,942,981</u>	<u>\$2,275,344</u>

NOTES:

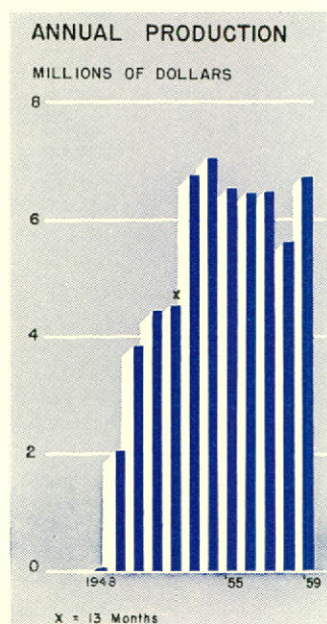
- (a) The market values shown are based on closing market prices at December 31, 1959. Because of the number of shares involved, the indicated market value for certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold.
- (b) See note 3 to consolidated financial statements as to shareholdings hypothecated as security for the company's outstanding 4% convertible debentures.
- (c) The market value shown for shareholdings of Geoil Limited is based on the quoted market value at December 31, 1959 of the shares of Alminex Limited, the principal asset of Geoil Limited at that date.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- profits of Kilembe Copper Cobalt Ltd. and its operating subsidiary. The interest of Frobisher Limited in these accumulated losses less profits includes a profit of \$32,039 for the year ended December 31, 1959.
- (2) Assets and liabilities in currencies other than Canadian dollars are converted into Canadian funds at the current quoted rates of exchange at December 31, 1959, except fixed assets (and the related accumulated depreciation) and exploration expenditures which are converted at the rates of exchange prevailing when the expenditures on the assets were made. Revenues and expenses in currencies other than Canadian dollars are converted into Canadian funds at approximately the average monthly quoted rates of exchange, except the allowance for depreciation and exploration expenditures written off, which are converted at the rates of exchange prevailing when the expenditures on the related assets were made.
 - (3) The company has pledged 500,000 shares of Giant Yellowknife Gold Mines Limited, 500,000 shares of United Keno Hill Mines Limited and 150,000 shares of Falconbridge Nickel Mines Limited under the trust indenture securing the 4% convertible debentures.
 - (4) The company holds an option to purchase 122,547 shares of Kilembe Copper Cobalt Ltd. at \$2.10 per share exercisable on or before December 31, 1962 and has agreed to exercise this option upon the written demand of Kilembe Copper Cobalt Ltd.
 - (5) The company has reserved 473,333 of its unissued shares as follows:
 - (a) 333,333 shares for possible issuance upon conversion of 4% convertible debentures; the present conversion price is \$15.00 per share, which increases to \$20.00 per share on February 16, 1962.
 - (b) 140,000 shares for the purpose of granting options to officers and employees of the company at a price of \$2.09 per share (the market price less 10% at the date these shares were reserved). At December 31, 1959 there were options outstanding on 55,000 of these shares, exercisable on or before June 15, 1969. The options contain a termination of employment clause.

GIANT YELLOWKNIFE GOLD MINES LIMITED

CAPITALIZATION	Common shares	Outstanding	Ventures		Frobisher	
		4,000,000	403,583	10.09%	784,977	19.62%
LOCATION	Mine at Yellowknife, N.W.T.					
PRODUCTION		Tons Milled	Gold Ounces	Silver Ounces	Net Value Metals Recovered (Including E.G.M.A.)	
	Year ended June 30, 1959 ..	321,002	190,644	25,572	\$ 6,677,770	
	Total to June 30, 1958	2,233,521	1,411,845	316,229	53,517,838	
	Total production	<u>2,554,523</u>	<u>1,602,489</u>	<u>341,801</u>	<u>\$60,195,608</u>	



321,002 tons as against 289,220 tons. Two dividends of 15¢ per share each or a total disbursement of \$1,200,000 were paid during the fiscal year ended June 30, 1959.

During the current fiscal year, dividends have been established at an annual rate of 40¢ per share payable 10¢ quarterly.

Ore reserves, above the 1,250 foot level, at the fiscal year end were 2,529,074 tons averaging 0.80 ounces of gold per ton, the reserves decreasing by the 321,002 tons averaging 0.784 ounces of gold per ton treated during the year. Deepening of the main shaft was completed to below the 2,000 foot level and levels were established at 1,650, 1,800 and 2,000 feet. Development of the new levels will commence in 1960 to carry out exploration of the ore zones below the 1,250 foot level.

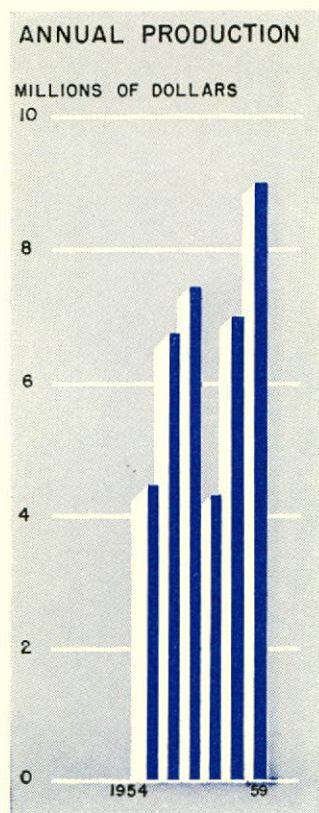
The two stage roasting equipment which was placed in operation in November 1958, permitted an increase in the treatment rate to 1,000 tons per day, the average for the year being 879 as compared with 792 tons per day for the previous fiscal year. Despite an increase in the refractory mineral, stibnite (antimony sulphide), in the roaster feed, overall recovery improved from 68.95% during the previous fiscal year to 75.73%. Current recoveries are averaging 80.21%. The installation of a bag house to improve arsenic collection and the recovery of gold bearing dusts has proven highly efficient and research is continuing on the recovery of gold from the dust collected.

REVIEW OF OPERATIONS

Operating profit for the fiscal year was \$2,629,723 compared with \$1,799,328 for the previous year and net profit was \$1,552,635 compared with \$784,350. The substantial improvement in earnings is attributed to an increase in overall recovery from 68.95% to 75.73% for the latest fiscal year and a higher treatment rate at

OPEMISKA COPPER MINES (QUEBEC) LIMITED

CAPITALIZATION	Common shares	Outstanding	Ventures		Hoyle	
		5,515,000	379,596	6.88%	1,966,913	35.66%
LOCATION	Mine in Chibougamau District, Quebec.					
PRODUCTION		Tons Milled	Copper Pounds	Gold Ounces	Silver Ounces	Gross Value Smelter Returns
	Year ended December 31, 1959	443,444	28,554,531	13,080	169,300	\$ 9,035,388
	Total to December 31, 1958	1,126,775	90,949,497	39,057	526,946	30,071,294
	Total production	<u>1,570,219</u>	<u>119,504,028</u>	<u>52,137</u>	<u>696,246</u>	<u>\$39,106,682</u>



REVIEW OF OPERATIONS

The year was marked by the completion of the expansion programme which had been under way almost continuously since commencement of production. Construction was completed late in October, following which the milling rate was gradually raised, reaching the rated capacity of 2,000 tons per day by the year end. Ore milled during the year totalled 443,444 tons at a grade of 3.36% copper, an average rate of 1,215 tons per day as compared to 967 tons per day in the previous year. Metallurgical practice was further improved, raising copper recovery to 94.58% as against 92.98% in 1958. Copper production increased to 28,554,531 pounds.

The operating profit for the year was \$3,411,599. After provincial income taxes and after providing \$1,974,783 for depreciation and write-offs, net earnings were \$1,368,131. The average price received for copper sold during the year was 27.92 cents per pound. Capital expenditures were \$1,219,557 for plant and equipment and \$501,145 for deferred development. The company's bank loan was reduced by \$1,318,653 during the year and amounted to \$2,008,346 at year end.

At the Springer mine, newly developed ore totalled 5,298 feet averaging 3.41% copper over an average width of 15 feet. Stope preparation was stepped up to provide ore for the increased scale of production. Detailed exploration of the Perry ore body was carried out on the 400 and 525 foot levels of the new Perry shaft with very satisfactory results.

Ore reserves at the year end were estimated at 5,278,700 tons having an average grade of 2.97% copper, an increase of 217,800 tons over the preceding year.

HOYLE MINING COMPANY LIMITED

CAPITALIZATION		Outstanding		Ventures	
	Common shares	3,002,740	2,285,355	76.11%	
	Preferred shares	21,333	21,333	100%	

REVIEW OF OPERATIONS

The major asset of the company is its holding of 1,966,913 shares of Opemiska Copper Mines (Quebec) Limited whose operations are described elsewhere in this report. The company's holdings in Avenue Realty Company Limited, Big Augaunico Mines Limited, Consolidated Mosher Mines Limited and Northfield Canada

Limited were disposed of during the year for the sum of \$1,262,800. The other major holdings of the company remain unchanged.

Three diamond drill holes totalling 1,884 feet were put down on the Levy Township claims adjoining Opemiska on the north. The drill results were inconclusive.

HOYLE MINING COMPANY LIMITED

BALANCE SHEET — DECEMBER 31, 1959

ASSETS

Current:

Cash	\$	50,672.71	
Accounts receivable		2,414.40	
Investment in short term notes and deposit receipts at cost		1,391,398.63	
Government securities at cost (market value \$148,114)		146,853.50	
			\$ 1,591,339.24

Investment in subsidiary, affiliated, associated and other companies at cost less amounts written off (indicated market value — \$18,107,670):

Subsidiary company (note 1)—

Shareholdings	\$	120,398.07	
Advances		7,248.50	\$ 127,646.57

Affiliated, associated and other companies—

Shareholdings		2,167,587.61	2,295,234.18
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Other:

Porcupine mining property at cost less amounts written off	\$	1.00	
Expenditures on outside properties		40,046.50	
Land and buildings at option prices	\$	21,000.00	
Less option payments received		7,500.00	13,500.00
			\$ 53,547.50
			<u>\$ 3,940,120.92</u>

LIABILITIES

Current:

Accounts payable	\$	1,658.40	
Notes payable		1,125.00	
			\$ 2,783.40

Shareholders' equity:

Capital (notes 2 and 3)—

5¾% cumulative convertible redeemable preference shares of \$100.00 par value:

Authorized and issued less purchased for cancellation	21,333 shares	\$ 2,133,300.00
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Common shares of no par value:

Authorized—3,500,000 shares

Issued —3,002,740		7,529,649.00
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\$ 9,662,949.00

Contributed surplus (unchanged during the year)		25,000.00
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\$ 9,687,949.00

Deficit		5,750,611.48	3,937,337.52
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\$ 3,940,120.92

NOTES:

- (1) The accounts of the subsidiary company have not been consolidated with those of the parent company as it is not wholly-owned and its assets and liabilities are not material in comparison with those of the parent company. The subsidiary, which is an inactive mining company, has incurred no profits or losses since its incorporation.
- (2) Preference shares may be redeemed in whole or in part by the company on 90 day's notice at par value and accumulated arrears of dividends together with a premium of \$3.00 per share if redeemed before September 8, 1960 with a reduction of \$1.00 in the premium for each year thereafter. The preference shareholders, have the option of converting their preference shares into common shares at any time prior to September 8, 1965 on the basis of thirteen and one-third common shares for each preference share. No dividends were declared on the cumulative preference shares during the year. The accumulated arrears of dividends amount to \$367,994.25.
- (3) During the year 750 common shares were issued for cash at \$3.00 per share.
- (4) Subsequent to December 31, the company purchased 200,000 shares of United Keno Hill Mines Limited for \$1,200,000.

HOYLE MINING COMPANY LIMITED

STATEMENT OF INVESTMENT IN SUBSIDIARY, AFFILIATED, ASSOCIATED, AND OTHER COMPANIES AS AT DECEMBER 31, 1959

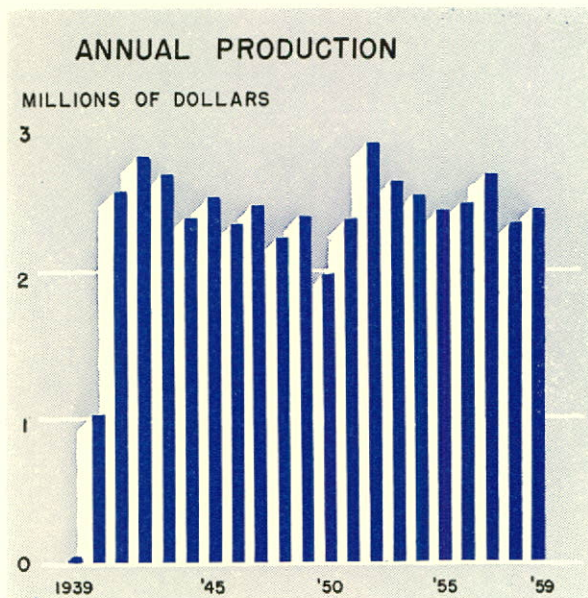
Subsidiary company:	Number of shares	Indicated market value (note)	Cost less amounts written off	Advances
Northern Kyanite Mines Limited	1,105,048		\$ 120,398.07	\$7,248.50
Affiliated, associated and other companies:				
Affiliated—				
Falconbridge Nickel Mines Limited	5,390	\$ 172,480.00	\$ 34,981.14	
Kiena Gold Mines Limited	100,000	2,000.00	5,000.00	
Latin American Mines Limited	16,190	4,209.00	9,519.72	
		<u>\$ 178,689.00</u>	<u>\$ 49,500.86</u>	
Associated—				
Anyox Metals Limited	963,052		\$ 128,348.46	
Consolidated Sudbury Basin Mines Limited	1,982,833	\$ 852,618.00	793,133.20	
Giant Yellowknife Gold Mines Limited	12,500	134,375.00	100,000.00	
Metal Hydrides Incorporated	27,554	433,976.00	283,587.40	
Opemiska Copper Mines (Quebec) Limited	1,966,913	15,636,958.00	343,116.64	
Quebec Metallurgical Industries Ltd.	33,333	19,333.00	26,666.40	
Miscellaneous participations of less than \$25,000 each		3,854.00	7,512.50	
		<u>\$ 17,081,114.00</u>	<u>\$ 1,682,364.60</u>	
Other—				
Pine Point Mines Limited	42,705	\$ 480,431.00	\$ 16,492.27	
Thompson-Lundmark Gold Mines Limited	627,349	250,940.00	340,393.26	
Miscellaneous participations of less than \$25,000 each		116,496.00	78,836.62	
		<u>\$ 847,867.00</u>	<u>\$ 435,722.15</u>	
		<u>\$ 18,107,670.00</u>	<u>\$ 2,167,587.61</u>	

NOTE:

The market values shown above are based on closing market prices at December 31, 1959. Because of the number of shares involved the indicated market value of certain securities is not necessarily indicative of the amount that could be realized if the securities were to be sold.

LA LUZ MINES LIMITED

CAPITALIZATION	Common shares	Outstanding	Ventures	
		1,574,662	1,101,089	69.92%
LONG TERM DEBT	6% Debentures (Can. \$)	\$2,000,000	\$2,000,000	100%
	7½% Debentures (Can. \$)	\$ 100,000	\$ 100,000	100%
LOCATION	Mine at Siuna, Nicaragua, C.A.			
PRODUCTION	Year ended September 30, 1959	Tons Milled	Gold Ounces	
		719,100	68,337	
		Total to September 30, 1958	10,312,420	1,237,725
		Total production	11,031,520	1,306,062



REVIEW OF OPERATIONS

An operating profit of \$661,642 was recorded for the fiscal year ended September 30, 1959 compared with \$510,917 for the previous year. Net loss for the year was \$84,533 compared to \$226,705 for 1958. These figures do not include the operations of Rosita.

The increased operating profit was the result of slightly higher tonnage treated and lower operating costs. Operating costs at the mine reached a record all time low of \$2.38 per ton, a reduction of 19¢ from the previous year. Grade of ore milled was 0.1051 ounces of gold per ton.

Ore reserves at September 30, 1959 were estimated at 5,006,000 tons averaging 0.120 ounces of gold per ton. This is an increase of approximately 400,000 tons over the estimates for the previous year.

Preparations were made to deepen the main production shaft some 385 feet and establish another production level at 1,450 feet. This will provide extraction facilities for the ore between the 1,000 and 1,450 foot levels.

ROSITA MINES LIMITED

CAPITALIZATION	Common shares	Outstanding	La Luz	
		500,000	500,000	100%
LONG TERM DEBT	6% Debentures (U.S. \$)	Outstanding	La Luz	
		\$6,091,461	\$6,091,461	100%
		Promissory note 5¼% (U.S. \$)	\$ 709,253	\$709,253 100%
	(Guaranteed by La Luz)			
LOCATION	Nicaragua C.A.			
PRODUCTION	Tons Milled	Gold Ounces	Silver Ounces	Copper Pounds
	37,736	331	12,423	1,771,374

REVIEW OF OPERATIONS

Production started at this property April 1, 1959 and the next six months, to the end of the fiscal year, September 30, 1959, were largely a break-in and tune-up period. Numerous technical difficulties were encountered, the main one being the lack of sufficient suitable sulphides for the production of sulphuric acid. The low rate of production of sulphuric acid was the limiting factor in both the tonnage of ore that could be treated and the production of copper. Steps were taken late in the fiscal year to install a sulphur burner to increase the supply of sulphuric acid. The sulphur burner went into operation during the latter part of December, and here again operational difficulties were encountered so that the hoped for increase in production was not obtained.

During the break-in period copper recovery was exceptionally low, at around 50%. Considerable improvement has taken place and recovery is currently running between 78-80%.

The estimated gross value of the copper concentrates

produced during the period was \$545,304. Refining and marketing costs were estimated to be \$145,665 leaving a net of \$399,639. Operating costs for the period amounted to \$661,145, leaving an operating loss of \$261,506. Adding \$110,888 accrued interest charges to these figures, the net operating loss for the period was \$372,394.

The copper production is directly related to the amount of acid produced. At the present time it is possible to produce about thirty tons of acid per day, from which a production of 600,000 pounds of copper per month can be obtained. It is expected that additions now on order for the acid plant will double the quantity of acid produced at which time the objective of 1,250,000 pounds of copper monthly will be reached.

Ore reserves are estimated to total 3,782,000 tons averaging 3.01% copper. The reserves are composed of:

Carbonate ore ----- 2,429,000 tons at 2.77% copper.
Sulphide ore ----- 1,353,000 tons at 3.46% copper.

LA LUZ MINES LIMITED

NOTES TO FINANCIAL STATEMENTS

- (1) The companies' transactions arise for the most part in United States and Nicaraguan currencies and to a limited extent in Canadian currency. The financial statements are presented in terms of U.S. dollars. The share capital and the expenditures therefrom, which are recorded in Canadian dollars, have been converted on the basis of \$1 Canadian to \$1 U.S. Conversion during the year from cordobas to U.S. dollars has been made at the official rate of 7 cordobas to \$1 U.S. Conversion from Canadian to U.S. dollars has been made at the rates prevailing when the transactions occurred.
- (2) The proceeds from the sale of concentrates produced by Rosita Mines Limited have been assigned as security against the advance to it by Ventures Limited.
- (3) Subsequent to the year end the investment in Falconbridge Nickel Mines Limited was sold for \$606,002.37 U.S. funds (at the then prevailing market value per share) and the proceeds were applied in part to retire the \$400,000 demand note payable to bankers.
- (4) During the year La Luz Mines Limited acquired the balance of the outstanding shares of Panaminas Incorporated at a nominal cost. The operations of Panaminas are unrelated to those of the company and for that reason the financial statements of Panaminas have not been consolidated with those of La Luz. The operations of Panaminas for the year ended September 30, 1959 resulted in a loss of \$2,759.02 no part of which has been provided for in the accompanying financial statements.
- (5) Production at the Rosita mine commenced in limited quantities on April 1, 1959 and continued at less than 50% of estimated capacity to September 30, 1959. Because of the limited production obtained and as plant construction continued up to the end of the year, no provision has been made for depletion of the Rosita property or for depreciation of the related fixed assets, and no amount has been written off deferred development and other preproduction expenses.
- (6) Ventures Limited purchased an additional Canadian \$300,000 of the 6% debentures due September 30, 1962 during the year for Canadian \$277,500 under an agreement dated September 30, 1958.
- (7) During the year 12,500 shares were issued to the president and 2,500 shares were issued to other employees under the option plan for \$3.25 per share. At September 30, 1959 options were outstanding on 10,000 shares of the company's capital stock allocated to company employees at the price of \$3.25 per share. These options expire on September 30, 1960.
- (8) The administrative expenses outside of Nicaragua include remuneration of the directors as such (excluding remuneration for services as officers and employees) amounting to \$669.25.
- (9) The provision for depletion of the La Luz properties is based on the average gold content of the ore milled during the year ended September 30, 1959. The rate of provision so determined was 20.6¢ per ton as compared with a rate of 21¢ per ton used in the previous year.
- (10) Actions are still pending against the company and certain of its shareholders and former directors relating to the acquisition of the mining properties of the company and its wholly-owned subsidiary, Rosita Mines Limited. At the present time no determination can be made as to the liability, if any, in this connection.

LA LUZ MINES LIMITED

CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1959

ASSETS

Current:

Cash	\$	18,628.54
Bullion in transit and at refineries at estimated realizable value		196,801.38
Concentrates on hand and in transit at estimated realizable value (note 2)		380,854.44
Accounts receivable		102,215.08
Insurance claim receivable		37,595.14

Marketable Securities — at Cost — (note 3):

Falconbridge Nickel Mines Limited, an affiliated company: 21,708 shares (quoted market value \$599,751)		80,585.88
	\$	816,681.46

Investment in Wholly-owned Subsidiary:

— Panaminas Incorporated (at nominal value) (note 4)		1.00
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Inventories of Supplies valued at the lower of average cost or market:

Mining and milling supplies, spare parts and construction materials	\$ 1,499,420.60	
Commissary merchandise	139,108.20	1,638,528.80

Fixed Assets: (note 5)

Siuna mining claims, at cost	\$ 1,550,000.00	
Potosi property, at cost	570,130.16	
	\$ 2,120,130.16	
Less accumulated depletion	2,103,222.75	
	\$ 16,907.41	
Rosita property, at cost	515,907.65	
Riscos de Oro property, at cost	113,558.04	
Mine buildings, machinery, equipment, roads, airports and Yy River power development (including Rosita assets of \$4,827,157.49) at cost	\$ 11,214,920.54	
Less accumulated depreciation	4,359,671.61	
	6,855,248.93	7,501,622.03

Deferred Expenditures:

Deferred development and other preproduction expenses on Rosita property	\$ 338,769.93	
Prepaid fire insurance, etc.	22,627.93	
Unamortized debenture discount	115,481.25	476,879.11
		\$ 10,433,712.40

LIABILITIES

Current:

Demand note payable to bankers (secured) (note 3)	\$ 400,000.00	
Accrued wages	37,202.95	
Accounts payable and accrued charges	202,791.98	
Due to Ventures Limited (parent company) — 5¼% interest-bearing advance (note 2)	\$957,115.65	
Interest on advance and debentures	137,600.61	1,094,716.26
		\$ 1,734,711.19
6% Debentures due September 30, 1962 (\$2,000,000 Canadian) (note 6)		2,053,000.00

Shareholders' Equity:

Capital Stock:		
Authorized — 2,000,000 shares of no par value		
Issued — 1,574,662 shares (note 7)	\$ 3,348,441.10	
General reserve	2,403,802.53	
Earned surplus	893,757.58	6,646,001.21
		\$ 10,433,712.40

LAKE DUFALT MINES LIMITED

		<i>Outstanding</i>	<i>Ventures</i>	<i>Frobisher</i>
CAPITALIZATION	Common shares	4,134,750	1,591,771 38.50%	224,962 5.44%

REVIEW OF OPERATIONS

Surface diamond drilling was largely confined to the Dupresnoy and Norbec areas of the property. Total footage drilled was 30,654 feet. Seven deep holes were drilled in the Dupresnoy area, southeast of the Amulet-Dufault ore body and six deep holes drilled in the Norbec area. No ore indications were secured. This drilling is part of a programme to explore the favourable

rhyolite contacts in the vicinity of projected fault and shear zones. It is under similar geological conditions that profitable ore deposits have been found on the adjoining properties. This exploration programme will be continued during 1960.

Working capital at December 31, 1959 amounted to \$1,491,768.

LAKEFIELD RESEARCH OF CANADA LIMITED

		<i>Outstanding</i>	<i>Ventures</i>	<i>Q.M.I.</i>
CAPITALIZATION	Common shares	74,498	23,251 31.21%	51,247 68.79%

LOCATION Lakefield, Ontario.

REVIEW OF OPERATIONS

The company continued to improve the laboratory and pilot plant facilities during the year including the setting up of a well equipped mineralogical section. Research programmes were carried out for customers

in Canada and the United States. Plant facilities were improved and a larger volume of work was processed during the year. Operating income exceeded expenses by \$2,309 and after write-offs and other income the company had a net loss of \$10,479.

TONOPAH MINING COMPANY OF NEVADA

		<i>Outstanding</i>	<i>Ventures</i>
CAPITALIZATION	Common shares	797,343	252,760 31.70%

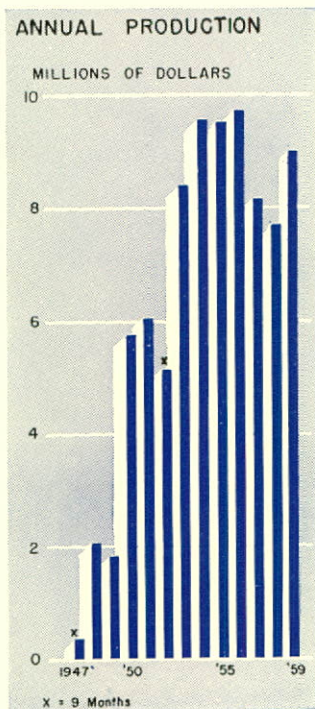
REVIEW OF OPERATIONS

As of December 31, 1959, the net asset value of the company's stock totalled \$3,444,447, or \$4.32 per

share on the 797,343 shares outstanding. At the close of the year 1958, the net asset value was approximately \$4.14 per share on the 826,500 shares outstanding.

UNITED KENO HILL MINES LIMITED

CAPITALIZATION	Common shares	Outstanding		Frobisher		
		2,470,000	729,276	29.52%		
LOCATION	Mines in Mayo District, Yukon Territory.					
PRODUCTION		Tons Milled	Silver Ounces	Lead Pounds	Zinc Pounds	Cadmium Pounds
	Year ended September 30, 1959	173,477	7,307,815	22,865,276	17,717,019	220,281
	Total to September 30, 1958	1,345,612	49,663,022	208,202,207	159,022,331	2,022,755
	Total production	1,519,089	56,970,837	231,067,483	176,739,350	2,243,036



REVIEW OF OPERATIONS

Net profit for the year ended September 30, 1959 was \$1,324,836 compared to \$586,840 for the previous fiscal period. The increase in net profit was due to slightly improved prices for lead and zinc and to the treatment of an increased tonnage of higher grade silver ore from the Elsa mine which helped to boost the silver production to 7,307,815 ounces compared to 5,984,373 ounces in 1958.

Tonnage milled was substantially the same as in 1958 being supplied principally by the Calumet mine

(90,745 tons) Hector mine (54,141 tons) and Elsa mine (28,082 tons).

Ore reserves, exclusive of the Onek mine, are 549,565 tons averaging 38.21 ounces silver, 6.60% lead and 4.89% zinc. The slight decrease in the ore reserves from the previous fiscal year end is compensated for by the increase in the silver content from 36.65 ounces to 38.21 ounces.

Development work was largely centered in the Calumet, Elsa and Keno mines. An important development at the Calumet mine was the opening up of the new No. 18 Vein north of the Calumet fault and north of any previous mine workings. At year end a length of 553 feet of ore had been opened up on the 650 foot level averaging 43.5 ounces silver over an average width of 6.3 feet. Development of the high grade ore in the Elsa mine is continuing with a length of 220 feet opened up on the 525 foot level, averaging 70.4 ounces of silver across 7.5 ft. and 164 feet averaging 51.2 ounces across 6.6 feet on the 650 foot level. The principal work at the Keno mine consisted of advancing the 700 Adit cross-cut to develop the No. 6 and No. 9 Veins.

During the first quarter of the current fiscal year, the No. 18 Vein in the Calumet mine continued under development. It has been followed by a raise 185 feet above the 650 foot level and drifting on the vein has started on the 400 level.

Rehabilitation of the Galkeno mine workings was continued during the year. The 900 level Adit was advanced 911 feet towards its objective of the downward continuation of the Sime and McLeod Veins.

METAL HYDRIDES INCORPORATED

		<i>Outstanding</i>	<i>Ventures</i>	<i>Hoyle</i>
CAPITALIZATION	Common shares	341,062	131,540 38.57%	27,554 8.08%
LOCATION	Plants at Beverley and Danvers, Massachusetts, U.S.A.			

REVIEW OF OPERATIONS

Sales volume in 1959 was \$5,921,088 and net profit was \$317,928 representing earnings of 93 cents per share. This compares with 1958 sales of \$3,268,912 and profit of \$214,757 or 63 cents per share.

The United States government contract under which the company operated a plant at Danvers, Mass., was unexpectedly cancelled in late June because of a major shift in defense planning. The company produced tonnage quantities of sodium borohydride at this plant for use in the production of boron-based liquid fuels. This plant was constructed at a cost to Metal Hydrides Incorporated of one million dollars for site development, buildings and permanent structures and at a cost of \$4.5 million to the government for engineering, equipment and installation. At the time of cancellation the plant was operating at designed capacity and 1,791,557 pounds of sodium borohydride had been delivered.

The company expects that its negotiations with the U.S. government will result in a satisfactory settlement. An agreement will be sought for use of the Danvers plant facility for manufacture of products, some of which are now being produced on a small scale at the Beverly plant. Nevertheless, the unexpected cancellation of this production contract, which was of major importance to the company, leaves it facing many problems during the period of re-adjustment to a production level that can be sustained by commercial markets.

Commercial uses for sodium borohydride have been developed in foamed plastics, petro-chemical processes, pharmaceuticals, textile, paper and dyestuff processes.

The company is currently evaluating opportunities for accelerating its rate of growth in allied product and service fields. Working capital is sufficient to finance reasonable expansion in this direction.

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