

ANNUAL REPORT **1963**

**MATTAGAMI LAKE MINES LIMITED**

(NO PERSONAL LIABILITY)

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# MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

HEAD OFFICE: 100 D'YOUVILLE, QUEBEC CITY, QUEBEC

## DIRECTORS

J. M. R. CORBET.....Toronto  
G. A. GORDON.....Vancouver  
H. E. LANGFORD.....Toronto  
R. LETOURNEAU.....Quebec  
T. H. McCLELLAND.....Vancouver  
R. V. PORRITT.....Toronto  
J. B. REDPATH.....Toronto  
W. S. ROW.....Toronto  
K. J. SPRINGER.....Toronto

## OFFICERS

W. S. ROW.....President  
T. H. McCLELLAND.....Vice-President  
R. C. ASHENHURST.....Secretary and Treasurer

EXECUTIVE OFFICE 44 King St. West, Toronto, Ontario

MINE OFFICE Matagami, Quebec

MINE MANAGER M. W. AIRTH

AUDITORS PEAT, MARWICK, MITCHELL & CO., Toronto

REGISTRAR AND EASTERN & CHARTERED TRUST COMPANY,  
TRANSFER AGENT Toronto

SOLICITORS MILLER, THOMSON, HICKS, SEDGEWICK, LEWIS  
& HEALY

BANKERS CANADIAN IMPERIAL BANK OF COMMERCE  
THE BANK OF NOVA SCOTIA

## ANNUAL MEETING

The Windsor Hotel, Montreal, Quebec,  
Wednesday, April 29, 1964 at 10:00 o'clock in the fore-  
noon Montreal Time.

**MATTAGAMI LAKE MINES LIMITED**  
(NO PERSONAL LIABILITY)

**REPORT OF THE DIRECTORS**

To the Shareholders:

Your Directors are pleased to submit the Fifth Annual Report of your Company covering the year ended December 31st, 1963. This report includes the Financial Statements, the Auditors' Report thereon and the Report of the Manager.

The year 1963 was an historic one in the life of your Company. During the year construction of the Concentrator and Mining Plant at the mine and Zinc Reduction Plant at Valleyfield, P.Q., was completed and production commenced in the last quarter.

In December your Company issued under the terms of the Financing Agreement an additional \$3,000,000 principal amount 6% Secured Income Debentures, Series A, on terms more favourable than those provided for in the Financing Agreement. The aggregate principal amount of these debentures outstanding at December 31st, 1963 was \$18,000,000.

The \$14,000,000 Line of Credit Loan provided by a Canadian bank to complete the construction program may be called on December 31st, 1964, at which time the Company, under the terms of the Financing Agreement, can call on Noranda Mines, Limited and Canadian Exploration Limited to purchase sufficient 6% Secured Income Debentures, Series B, to repay the balance of the loan outstanding at that time. Of a further bank loan of \$3,000,000 authorized and available for working capital, \$1,300,000 was outstanding at the year-end.

**Mine Development**

It will be noted from the Manager's Report that underground development was largely directed towards stope preparation so that when production was started the mine was prepared to supply the concentrator at full capacity. The estimated ore reserve of 19,377,061 tons in the No. 1 Ore Body is detailed in the Manager's Report.

During the year a drift from the 750-foot level was started towards the No. 2 Ore Body in which 2,000,000 tons of ore have been indicated by diamond drilling from surface. When development work on the 750-foot, 550-foot and 350-foot levels makes access to this ore body possible, detailed diamond drilling of it will commence.

**Construction**

Construction of the concentrator and the mine plant was sufficiently complete to allow milling operations to begin on October 1st. Completion of construction proceeded simultaneously with the tune-up of the concentrator. A modern, compact and efficient concentrator and plant is now in operation.

The Quebec Hydro-Electric Commission completed the 132-mile transmission line and sub-station in September, thereafter providing the three mines and the Town of Matagami with hydro power. The Canadian National Railways completed the 61-mile branch line to Matagami in ample time to provide regular service for the first shipments of concentrates in October.

### Production

The concentrator was started on October 1st. The usual adjustments to equipment and metallurgical circuits were made during the first weeks of operation. During December production was near normal except for several power interruptions and the Christmas holiday. Daily tonnages, metal recoveries and grades of concentrates continue to improve.

The first ship load of concentrates was shipped from Quebec City in December. During the winter concentrates in excess of the zinc plant requirements are being stockpiled at the dock at Quebec City, pending opening of navigation.

For purposes of the Trust Deed the completion date of the construction program has been established as December 31st, 1963. Therefore for accounting purposes, all costs up to that date have been considered as pre-production expense and revenue has been credited to that account.

### Canadian Electrolytic Zinc Limited

The electrolytic zinc reduction plant at Valleyfield, in which your Company has a 62.5% interest, was completed for more than \$2 million less than the estimated cost of \$18.5 million. Production commenced during the last week of September. The usual starting-up troubles expected with such a large and complex electro-chemical plant were encountered. However, in December daily production averaged 136 tons of zinc metal and by the end of the month approached 160 tons. The plant is now in condition to produce at full capacity.

### Townsite

During the year the streets and services in the Town of Matagami were extended, servicing new residential and business areas. By the year-end the town was also served by a hydro-electric distribution system and a water system supplying filtered and chlorinated water. Your Company built a further fifty housing units for rental to employees, making a total of 101 units. It has also provided a four-sheet curling rink with artificial ice, which was substantially completed by the year-end. This is operated by a Curling Club and is now being enjoyed by residents of the community.

Two banks, two grocery stores, a large department store and other businesses have been established in Matagami by private enterprise.

### Zinc Markets

Free world consumption of zinc reached a new high in 1963 and in the United States was the largest since 1955.

The East St. Louis price for prime western zinc increased by ½¢ per pound, twice in mid-summer and again in December to the present 13¢ per pound. An increase to 13½¢ posted in January, 1964 by a few United States custom smelters, was rescinded when other major sellers did not follow. Important producers have expressed the view that higher prices would be detrimental to expansion of use.

Current shortages of zinc in the United States reflect the restriction of imports imposed as from October, 1958 and there is now widespread support for removal of these quotas on both metal and concentrate. We hope that this will be done before serious consideration is given to any releases of zinc from the United States Government stockpiles.

European consumption was only marginally higher in 1963 but has picked up in recent months. Demand improved sharply elsewhere, with increases over 1962 of 19% in Japan, 6% in India, 8% in Australia and 11% in Canada.

The London Metal Exchange quotation increased from the equivalent of about 8.4¢ U.S. per pound in January to 12.3¢ per pound in December and has since reached even higher levels. However, it is anticipated that more moderate prices will prevail as the year goes on.

With reasonable prices, the future of zinc is bright. Continued growth is expected in zinc coatings for steel and die casting and development of new zinc alloys for wrought metal applications holds promise.

\* \* \* \* \*

We take pleasure in acknowledging the able efforts of M. W. Airth, Manager, and the staff and all other employees in the interests of your Company and the community during the year.

On behalf of the Board,

Toronto, Ontario,  
March 9th, 1964.

W. S. ROW,  
President.

**MATTAGAMI LAKE MINES LIMITED**  
(NO PERSONAL LIABILITY)

**REPORT OF THE MANAGER**

The President and Directors,  
MATTAGAMI LAKE MINES LIMITED,

Operations at the property, during the year ended December 31st, 1963, are reviewed in the following report.

During the year underground work prepared

eight stopes for production, and on surface the construction of the mining and milling plant was completed. The Mill started production on October 1st, 1963 and reached its capacity of 3,000 tons per day in December, 1963.

**UNDERGROUND OPERATIONS:**

**SUMMARY OF DEVELOPMENT FOR 1963**

Levels	Level Development				Stope Development		Diamond Drilling	
	Drifts & X-Cuts Feet	Raises Feet	Total Lineal Feet	Slash Cu. Ft.	Adv. Feet	Slash Cu. Ft.	No. of Holes	Total Feet
150	583	—	583	1,591	599	—	6	1,503
350	1,712	—	1,712	3,403	2,849	7,539	15	2,051
550	1,637	—	1,637	3,122	11,664	40,749	8	1,385
750	1,879	111	1,990	6,088	11,579	64,625	8	1,379
<b>Totals</b>	<b>5,811</b>	<b>111</b>	<b>5,922</b>	<b>14,204</b>	<b>26,691</b>	<b>112,913</b>	<b>37</b>	<b>6,318</b>

Underground development was directed toward stope preparation except for one drift on the 750 foot level which was started out to No. 2 Ore Body.

During the year 245,236 tons of ore were hoisted grading 14.6% Zn and 0.72% Cu.

In addition 81,608 tons of waste were hoisted and used to make yard.

Some grouting was done in the stoping areas to eliminate water and 1,452 bags of cement were used in this work.

Extension rod drilling amounted to 374,964 feet of two inch diameter hole, and at year end there was a drilled-off tonnage in the stopes of 1,185,765 tons.

During the year the permanent skips, cage, and hoisting facilities were installed and are working satisfactorily.

**SUMMARY OF PRODUCTION FOR 1963:**

Mill feed was obtained from the following places:

Working Place	Tons	% Zn	% Cu
Stockpile	9,899	13.6	0.79
550-F-38	48,515	15.3	0.67
750-F-36	32,467	11.2	0.59
750-F-34	20,344	11.5	0.88
750-P-34	4,358	9.4	0.44
750-P-31	14,009	15.0	0.72
750-H-41	14,512	13.1	0.77
<b>Total Stopes</b>	<b>144,104</b>	<b>13.3</b>	<b>0.70</b>
Development Ore	24,961	13.0	0.56
<b>Grand Total</b>	<b>169,065</b>	<b>13.2</b>	<b>0.68</b>

There were no difficulties in the stope production and high productivity enabled six operating stopes to supply the mill feed.

## ORE RESERVES:

Proven ore reserves in No. 1 Orebody as calculated from surface to the 750-foot level at the end of 1963 were as follows:

### NO. 1 OREBODY:

<u>Tons</u>	<u>Zinc</u>	<u>Copper</u>	<u>Gold oz./ton</u>	<u>Silver oz./ton</u>
19,377,061	12.0%	0.72%	0.018	1.31

The 175,123 tons of broken ore produced from development and stope preparation work, now stock-piled on surface, is included in the foregoing figures. It will be milled during the current year.

Since the completion in 1959 of the diamond drilling of No. 2 Orebody from surface, no further work has been done on it and hence its indicated ore reserve remains unchanged as follows:

### NO. 2 OREBODY:

<u>Tons</u>	<u>Zinc</u>	<u>Copper</u>	<u>Gold oz./ton</u>	<u>Silver oz./ton</u>
2,000,000	12.86%	0.86%	0.013	0.99

No allowance has been made for dilution in any of the ore reserve figures.

## MILLING:

Production commenced on October 1, 1963 and the mill operated at partial capacity during October and November while making necessary mechanical and metallurgical adjustments. Throughout December operations were at full tonnage with only minor operating difficulties.

During this 3 month period 166,725 tons were treated to produce 31,444 tons of zinc concentrate grading 52.7% Zn and 4,623 tons of copper concentrate grading 17.7% Cu.

The zinc concentrate is being shipped to the Canadian Electrolytic Zinc Plant at Valleyfield, and to Quebec City for export. The copper concentrate is being shipped to the Noranda Mines Smelter.

## SURFACE CONSTRUCTION:

The year 1963 saw the completion of the construction of the surface mining and milling plant with a few minor exceptions.

The plant Service Building, General Office Building and Assay Office were completed early in the year and temporary facilities dismantled.

The plant and yard drainage, the tailings line to Watson Lake and the yard track were all installed and are completely satisfactory.

The process water pumping plants at the Bell River and at the plant site were placed in operation and the entire system is working well.

## GENERAL:

Fifty additional housing units were built under contract by the Company and all were occupied by the year end. The Company now owns 101 housing units in the Village of Matagami.

Hydro Quebec completed the construction of its sub station and the installation of its 110 K.V. transmission line from the generating plant at Rapid Seven on the Ottawa River a distance of 132.2 miles. Power from this source became available on September 16 and the mine was able to shut down its diesel generators.

The C.N.R. completed its 60-mile branch line into the property during the summer and regular service was instituted in time for the start of operations on October 1.

A temporary addition was added to the Matagami School prior to School opening to take care of the influx of children. By year end 315 children were attending school.

In August, the Directors of the Company authorized the construction of a 4 sheet artificial ice curling rink to take the place of the original temporary rink. By year end construction was largely completed with curling expected to commence early in 1964.

The employees Recreation Association enjoyed another year of successful sports and social functions.

Once again I wish to acknowledge with thanks the assistance and support of the Officers and Directors of the Company.

And in conclusion I take great pleasure in acknowledging the hard work, loyalty, and full co-operation of the staff and employees throughout the year.

M. W. AIRTH,  
Mine Manager.

**MATTAGAMI LAKE MINES LIMITED**  
(NO PERSONAL LIABILITY)

**BALANCE SHEET -**  
(with comparative)

	<b>ASSETS</b>	
<b>Current assets:</b>	1963	1962
Cash .....	\$ 244,608	\$ 248,840
Call loans and income notes .....	—	1,900,000
Settlements receivable .....	791,395	—
Other accounts receivable .....	588,666	290,852
Concentrates and metal at reduction plants and in transit at estimated net realizable value .....	2,185,105	—
Prepaid expense and deposits .....	14,962	18,891
Total current assets .....	3,824,736	2,458,583
<b>Fixed assets, at cost:</b>		
Mining property and rights .....	2,500,000	2,500,000
Buildings, plant and equipment:		
Mine site .....	15,659,331	6,360,431
Zinc plant (note 3) .....	9,627,108	4,498,216
Total fixed assets .....	27,786,439	13,358,647
<b>Investment in shares of partly owned subsidiary companies, at cost (note 3)</b>	162,750	162,750
<b>Other assets:</b>		
Pre-production development expenditure per accompanying statement (note 1) .....	11,049,966	7,852,644
Mine stores and supplies, at cost .....	699,886	531,212
Organization expense .....	6,950	6,950
Discount on debentures less amount amortized .....	655,000	600,000
Total other assets .....	12,411,802	8,990,806
	<b>\$44,185,727</b>	<b>\$24,970,786</b>

See accompanying notes to financial statements.



DECEMBER 31, 1963

(figures for 1962)

LIABILITIES

Current liabilities:	1963	1962
Bank loans (note 2) .....	\$15,300,000	\$ —
Accounts payable and accrued liabilities .....	1,872,907	1,858,459
Total current liabilities .....	<u>17,172,907</u>	<u>1,858,459</u>
Long-term debt:		
6% Secured income debentures, Series A, maturing April 30, 1975 (notes 2 and 4) .....	18,000,000	15,000,000
Accrued interest (note 4) .....	912,822	12,329
Total long-term debt .....	<u>18,912,822</u>	<u>15,012,329</u>
Capital stock (note 4):		
Shares of a par value of \$1 each. Authorized 7,000,000 shares; issued 6,600,000 shares .....	6,600,000	6,600,000
Premium on shares .....	1,499,998	1,499,998
Total capital stock .....	<u>8,099,998</u>	<u>8,099,998</u>

Approved on behalf of the Board:

W. S. ROW, Director

J. B. REDPATH, Director

\$44,185,727      \$24,970,786

**MATTAGAMI LAKE MINES LIMITED**  
(NO PERSONAL LIABILITY)

**STATEMENT OF PRE-PRODUCTION DEVELOPMENT EXPENDITURE**

To December 31, 1963

	Total to December 31, 1962	For 1963	Total to December 31, 1963
Contract diamond drilling .....	\$ 539,725	\$ —	\$ 539,725
Geological and site expense .....	83,701	—	83,701
Analysis sampling, testing and research .....	292,381	26,003	318,384
Road to property .....	567,613	—	567,613
General expenses at property .....	1,861,708	1,490,892	3,352,600
Engineering and professional fees .....	84,693	—	84,693
Underground development .....	3,419,360	1,460,582	4,879,942
Administrative expense .....	532,193	150,030	682,223
Sales development expense .....	48,591	84,934	133,525
Zinc plant expense .....	—	713,065	713,065
Interest on bank loans .....	427,675	466,850	894,525
Interest on debentures .....	12,329	900,493	912,822
Discount on debentures amortized .....	—	50,000	50,000
	<u>7,869,969</u>	<u>5,342,849</u>	<u>13,212,818</u>
<b>Less:</b>			
Revenue from production during pre-production period — estimated (note 1) .....	—	2,127,779	2,127,779
Interest earned .....	17,325	17,748	35,073
	<u>17,325</u>	<u>2,145,527</u>	<u>2,162,852</u>
	<u>\$7,852,644</u>	<u>\$3,197,322</u>	<u>\$11,049,966</u>

See accompanying notes to financial statements.

# AUDITORS' REPORT

## TO THE SHAREHOLDERS

We have examined the balance sheet of Mattagami Lake Mines Limited as of December 31, 1963 and the statement of pre-production development expenditure to that date 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 statement of pre-production development expenditure are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at December 31, 1963 and its pre-production development expenditure for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,  
Chartered Accountants.

Toronto, Ontario  
March 9, 1964

**MATTAGAMI LAKE MINES LIMITED**  
(NO PERSONAL LIABILITY)

**NOTES TO FINANCIAL STATEMENTS**

December 31, 1963

1. The Company completed its construction programme on December 31, 1963. The revenue from production obtained during the last quarter of the year has been deducted from pre-production expenses which will be amortized during the production period commencing January 1, 1964.
  2. The Company has received loans under a bank line of credit of \$14,000,000 (included in the amount of \$15,300,000 at December 31, 1963) repayable by December 31, 1964 if such repayment is required to be made by the bank. The Company has entered into an agreement with Canadian Exploration Limited (Canex) and Noranda Mines, Limited (Noranda) which provides that if the Company has not sufficient funds to repay loans made under this bank line of credit when required by the bank so to do, Canex and Noranda will be severally bound to purchase in equal portions sufficient 6% Secured Income Debentures, Series B of the Company, at a price of \$90 per \$100 principal amount of such Debentures, to provide in the aggregate a sum equal to the amount required to be repaid to the bank.
  3. The operations of the Company's partly owned subsidiary companies, Isle Dieu Mattagami Mines Limited and Galinee Mattagami Mines Limited have, since inception, been confined to expenditures for exploration purposes.  
  
The Company owns 62.5% of the issued shares of the remaining partly owned subsidiary, Canadian Electrolytic Zinc Limited;
- the Company's investment in share capital is \$1,250, and the Company's share of retained earnings to December 31, 1963 is \$269 which is not included in the accompanying statements; Canadian Electrolytic Zinc Limited's only function is to act as agent in connection with the zinc plant on behalf of the Company and the four other mining companies participating in the zinc plant.
4. The Deed of Trust and Mortgage securing the 6% Secured Income Debentures includes provisions covering the following:
    - (a) Interest on the debentures accrues from the dates thereof but no amount will be payable until April 30, 1965. The payment of interest will depend upon the sufficiency of the operating profits (as defined by the Deed of Trust and Mortgage) of the Company.
    - (b) Annual payments for a sinking fund for retirement of the debentures are to be made to the Trustee commencing on April 30, 1965, provided that interest on the debentures has been paid and no bank loans are outstanding under the line of credit referred to in note 2 and that operating profits (as defined by the Deed of Trust and Mortgage) are sufficient.
    - (c) Payment of dividends or any other distribution on any shares of capital stock may not be made while any Secured Income Debentures are outstanding.



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