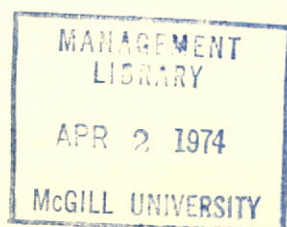


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FOURTH ANNUAL REPORT FOR THE PERIOD ENDED DECEMBER 31, 1962

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



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*
T. H. McCLELLAND *Vancouver*
R. V. PORRITT *Toronto*
J. B. REDPATH *Toronto*
W. S. ROW *Toronto*
K. J. SPRINGER *Toronto*
M. L. URQUHART *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 TRANSFER AGENT

CHARTERED TRUST COMPANY *Toronto*

BANKERS

CANADIAN IMPERIAL BANK OF COMMERCE
THE BANK OF NOVA SCOTIA

ANNUAL MEETING

Queen Elizabeth Hotel, Montreal, Quebec,
Wednesday, April 17, 1963 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 submit herewith the Fourth Annual Report of your Company covering the year ended December 31st, 1962, including the Financial Statements, Auditors Report thereon, and the Report of the Manager.

During the year the authorized share Capital of your Company was increased by 1,000,000 shares as required by the financing agreements.

The financing required to continue the development of the Mine for production, the construction of the mining plant and concentrator at the Minesite and to meet your Company's 62½% share of the cost of the zinc reduction plant at Valleyfield, Quebec was provided in the first instance by Bank loans as previously arranged and reported on last year. These Bank loans totalled in aggregate \$12,900,000. and were repaid from the proceeds of the issue of \$15,000,000. principal amount of 6% Series "A" Secured Income Debentures and 600,000 shares of the Capital Stock to the shareholders of your Company.

Bank loans of up to \$14,000,000. will be used to complete the development and construction programmes. Repayment of the loans is guaranteed by an underwriting agreement with Noranda Mines, Limited (Noranda) and Canadian Exploration Limited (Canex) whereby Noranda and Canex will purchase, upon request by the Company, sufficient Series "B" 6% Secured Income Debentures to repay the outstanding loans. If required, additional financing of up to \$15,000,000. is also provided for by an underwriting agreement with Noranda and Canex.

Mine Development

The systematic diamond drilling of the No. 1 Ore Body was completed to the 750-foot level so that it has been possible to calculate a proven ore reserve in the No. 1 Ore Body of 19,514,500 tons having an average grade of 12.0% zinc, 0.73% copper, 0.018 ounces of gold and 1.31 ounces of silver per ton. No diamond drilling from underground has been done on the No. 2 Ore Body.

Excellent progress was made in mine and stope development during the year. The mine will be prepared to supply a daily tonnage of ore to satisfy the rated mill capacity well in advance of the expected dates when the surface facilities will be ready and hydro-electric power will be available.

Construction

At December 31st, engineering design of the surface plant was 76 percent complete and firm price contracts had been let for approximately 81 percent of the facilities to be constructed. Actual building construction was 32 percent complete. Due to the depth and nature of the clay overburden all buildings and heavy equipment foundations have to be supported on steel piles driven to bed-rock.

The start of installation of ore bins is scheduled for mid-February and of concentrator equipment for mid-March. No difficulty is anticipated in completing all production facilities by mid-September.

The Hydro Electric-Power Commission of Quebec advises that a contract has been let for the construction of a transmission line to your mine, that a sub-station will be constructed adjacent to the mine and that power will be available by September 15th, 1963.

Excellent progress is being made with the design and construction of the Electrolytic Zinc Reduction Plant at Valleyfield, Quebec. Design is now complete and construction is scheduled for completion by September 1st, 1963.

Canadian National Railways advises that they expect the 60 mile branch line to Mattagami Lake Mines will be completed by early summer.

The Quebec Department of Natural Resources planned and are developing an excellent town to be called the Town of Matagami. Streets have been drained, graded and gravelled. A power distribution system is under construction. Sewer and water lines have been laid and a pumping station is being built. In 1962 your Company erected 51 houses in this townsite and these are now completed and occupied by employees.

Sales

The zinc plant will consume only about 400 tons of concentrate per day as compared to some 1100 tons which will be produced by the five owners. Sales contracts for the excess concentrate have been made on favourable terms and for several years' duration. Marketing arrangements for the zinc metal are also well advanced and, in both cases, prices will reflect those generally prevailing at time of delivery.

Free world consumption of zinc continued to rise in 1962 and exceeded production which also increased. Consumption in the United States increased by 8½% to over 1,000,000 tons, the highest since 1956. Year-end U.S. smelter stocks of slab zinc approximated the 1961 figure but over-seas stock showed a small increase. Canadian consumption increased by about 12% to a record of some 70,000 tons.

The London Metal Exchange quotations, affected by reduced European demand, disposals of surplus U.K. stocks and uncertainties concerning future U.S. Stockpile policy, declined from the equivalent of about 9c U.S. per pound to 7.9c in August, then gradually improved to 8.3c per pound at the year-end. The East St. Louis price for prime western zinc has been 11½c per pound since last March.

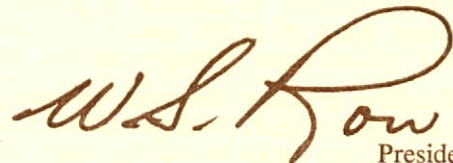
Despite its position as a large net importer of zinc, the United States retains the quotas imposed in 1958 which severely restrict Canadian deliveries to this major market.

Continued growth of world zinc consumption is expected with the impetus of research and promotion and increased use for galvanizing and die casting.

* * * *

We take pleasure in acknowledging the able efforts of M. W. Airth Manager and the Staff in the interests of the Company and the community during the year.

On behalf of the Board


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, 1962, are reviewed in the following report.

During the year underground work progressed toward the preparation of twelve stopes for production, and the construction on surface of the mining and milling plant.

Underground Operations

Underground development progressed at an even pace during the year.

SUMMARY OF DEVELOPMENT FOR 1962

Levels	LEVEL DEVELOPMENT				STOPE DEVELOP.		DIA. DRILLING	
	Drifts & X-Cuts Feet	Raises Feet	Total Lin. Feet	Slash Cu. Ft.	Adv. Feet	Slash Cu. Ft.	No. of Holes	Total Feet
150 Ft.	393	—	393	3,160	—	—	113	20,099
350 Ft.	1,328	181	1,509	2,959	908	7,430	150	26,774
550 Ft.	2,126	—	2,126	10,840	6,758	22,500	179	34,759
750 Ft.	3,715	229	3,944	14,361	9,042	46,375	98	21,519
Totals	7,562	410	7,972	31,320	16,708	76,305	540	103,151

The lateral development on the levels facilitated the complete underground diamond drilling of No. 1 Ore Body, and permitted suitable stope entries.

The stope development was confined to twelve proposed stopes and consisted of raises, scam drifts, draw points and sub levels.

All of this work has progressed satisfactorily and the mine will be well prepared to provide the ore required for the concentrator when it is ready.

During the year 78,924 tons of ore grading 16.6% Zinc and 0.71% Copper were hoisted and added to the stock pile which now contains 96,221 tons grading 16.0% Zinc and 0.71% Copper.

In addition 102,342 tons of waste were hoisted and used to make yard.

The grouting programme necessary to eliminate water flows from surface-fed fissures was continued. A total of 8,697 bags of cement were used in this work.

A start was made during the year to drill off the stopes with extension rod machines and a total of 86,376 feet of two inch diameter holes has been drilled.

The underground crusher station was completed and by year end the crusher was largely installed.

The fresh air portion of the ventilation system was completed and the exhaust air system for twelve stopes 75% completed.

A start was made on the installation of production equipment. Four arc gate chutes, two flat chutes and two 125 H.P. electric slushers have been installed so far.

Ore Reserves

No. 1 Ore Body has now been systematically drilled off from the underground workings and the proven ore reserve from surface to the 750-foot level as calculated from that drilling is as follows:

No. 1 Ore Body	Tons	Zinc	Copper	Gold	Silver
.....	19,514,500	12.0%	0.73%	.18 oz/ton	1.31 oz/ton

The 96,221 tons of broken ore, produced from development and stope preparation work, now stock piled on surface, is included in the foregoing figures.

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

	<u>Tons</u>	<u>Zinc</u>	<u>Copper</u>	<u>Gold</u>	<u>Silver</u>
No. 2 Ore Body	2,000,000	12.86%	0.86%	.013 oz/ton	0.99 oz/ton

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

Surface Construction

The year 1962 saw substantial progress in the surface construction programme.

A permanent security fence was installed around the plant area.

The installation of a 20 inch asbestos-cement pipeline from the Bell River to the mine for the delivery of mill process and fire protection water was completed. At the Bell River, construction of the pump house and water intake was 70 percent complete at the year end. Target date for completion by the contractor is April 15th, 1963, after which substation and pumping equipment will be installed.

The concrete headframe designed to accommodate two friction hoists was built and is now ready for the hoist installations. The elevator to service the hoist operating floors of the headframe was installed. A contract for the construction of a Plant Service Building surrounding the headframe was let in July. It contains warehouse, machine and electrical shops, coarse ore and waste bins, ore crushers and screens, change house, mine offices and first aid facilities. At the year end it was 65 percent complete and full occupancy is scheduled for March 15th, 1963.

The power house was largely completed and four diesel generators, two 4100 c.f.m. air compressors, and the two high pressure steam boilers were installed and put into operation. Vacuum pumps, low-pressure air blowers and all of the main electrical switch gear are still to be installed.

A cold warehouse with power crane was constructed and put into use for handling and storage of heavy and bulky equipment.

At year end engineering design of the Concentrator was 65 percent complete. Construction of it was started in September and at the end of December was 20 percent complete. Construction of the conveyor galleries and transfer house between crushing plant and concentrator is following closely. The contractor for the concentrator is also building the zinc concentrate dryer building which is in effect a southern extension of the concentrator.

The General Office building was contracted for in September and is scheduled for occupancy by March 31st, 1963.

General

Fifty-one single family dwelling units were built under contract by your company and all were complete at the year end.

During the year a 6 mile power line to the town of Matagami was built and placed in operation on December 21st thus enabling residents of Company owned houses in the town to have power from the mine. This power line was a joint project by the Company, Quebec Hydro and the Town of Matagami and the municipal distribution system was constructed for the Town by the Department of Natural Resources of the Province of Quebec.

By year end the 60 mile branch line of the Canadian National Railway had reached mileage 40 with the steel and it was expected to reach mileage 45 at the Bell River by February 1st, 1963. Bridge steel will then be brought up for this major crossing. Recent advice is that the target date for completion to the mine is June 14, 1963.


The 8 room school, which was completed in early spring of 1962, was placed in use in September and by Christmas was being attended by 102 pupils.

The Employees Recreation Association promoted a very successful programme of sports and social functions during the year. During the summer, space for a second sheet of ice was added to the curling rink.

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

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

Respectfully submitted,



Manager.

Mattagami Lake

(NO PERSONAL)

BALANCE SHEET — (with comparative)

	<u>1962</u>	<u>1961</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 248,840	\$ 101,125
Call loans and income notes	1,900,000	—
Accounts receivable	290,852	204,546
Prepaid expense and deposits	18,891	8,047
	<hr/>	<hr/>
Total current assets	2,458,583	313,718
FIXED:		
Mining property and rights — at cost (acquired by the issue in 1958 of 2,000,000 shares of capital stock at \$1.25 each)	2,500,000	2,500,000
Buildings, plant and equipment — at cost:		
Mining (note 2)	6,360,431	1,721,885
Zinc plant (notes 2 and 5)	4,498,216	230,196
	<hr/>	<hr/>
	13,358,647	4,452,081
DEFERRED:		
Pre-production development expenditure, at cost per accompanying statement (note 2)	7,852,644	5,185,305
INVESTMENT:		
Shares of partly owned subsidiary companies (note 5)	162,750	142,750
OTHER:		
Mine stores and supplies — at cost	531,212	292,272
Organization expense	6,950	6,950
Discount on debentures (note 1)	600,000	—
	<hr/>	<hr/>
	1,138,162	299,222
	<hr/>	<hr/>
	\$24,970,786	\$10,393,076
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See accompanying notes to financial statements.

Mines Limited

LIABILITY)

DECEMBER 31, 1962

(figures for 1961)

LIABILITIES

	<u>1962</u>	<u>1961</u>
CURRENT LIABILITIES:		
Bank loan	\$ —	\$ 2,000,000
Accounts payable and accrued liabilities	1,454,786	496,903
Due to partly owned subsidiary company	403,673	396,175
	<hr/>	<hr/>
Total current liabilities	1,858,459	2,893,078
LONG-TERM DEBT (note 1):		
6% Secured Income Debentures, Series A, maturing April 30, 1975 (notes 1 and 6)	15,000,000	—
Accrued interest	12,329	—
	<hr/>	<hr/>
	15,012,329	—
CAPITAL STOCK (notes 1, 4 and 6):		
Authorized — 7,000,000 shares of a par value of \$1 each		
Issued — 6,600,000 shares	6,600,000	6,000,000
Premium on shares	1,499,998	1,499,998
	<hr/>	<hr/>
Total capital stock	8,099,998	7,499,998
Approved on behalf of the Board:		
W. S. ROW, Director.		
T. H. McCLELLAND, Director.		
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	\$24,970,786	\$10,393,076

Mattagami Lake Mines Limited

(NO PERSONAL LIABILITY)

STATEMENT OF PRE-PRODUCTION DEVELOPMENT EXPENDITURE TO DECEMBER 31, 1962

	To December 31, 1961	For 1962	Total to December 31, 1962
Contract diamond drilling	\$ 539,725	\$ —	\$ 539,725
Geological and site expense	82,889	812	83,701
Analysis sampling, testing and research	228,027	64,354	292,381
Road to property	567,613	—	567,613
General expenses at property	1,015,883	845,825	1,861,708
Engineering and professional fees	84,693	—	84,693
Underground development	2,285,754	1,133,606	3,419,360
Administrative expense	380,409	591,788	972,197
Sales development expense	16,695	31,896	48,591
	<hr/>	<hr/>	<hr/>
	5,201,688	2,668,281	7,869,969
Less interest earned	16,383	942	17,325
	<hr/>	<hr/>	<hr/>
	<u>\$5,185,305</u>	<u>\$2,667,339</u>	<u>\$7,852,644</u>

Mattagami Lake Mines Limited

(NO PERSONAL LIABILITY)

Auditors' Report to the Shareholders

We have examined the balance sheet of Mattagami Lake Mines Limited as of December 31, 1962 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, 1962 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
February 8, 1963.

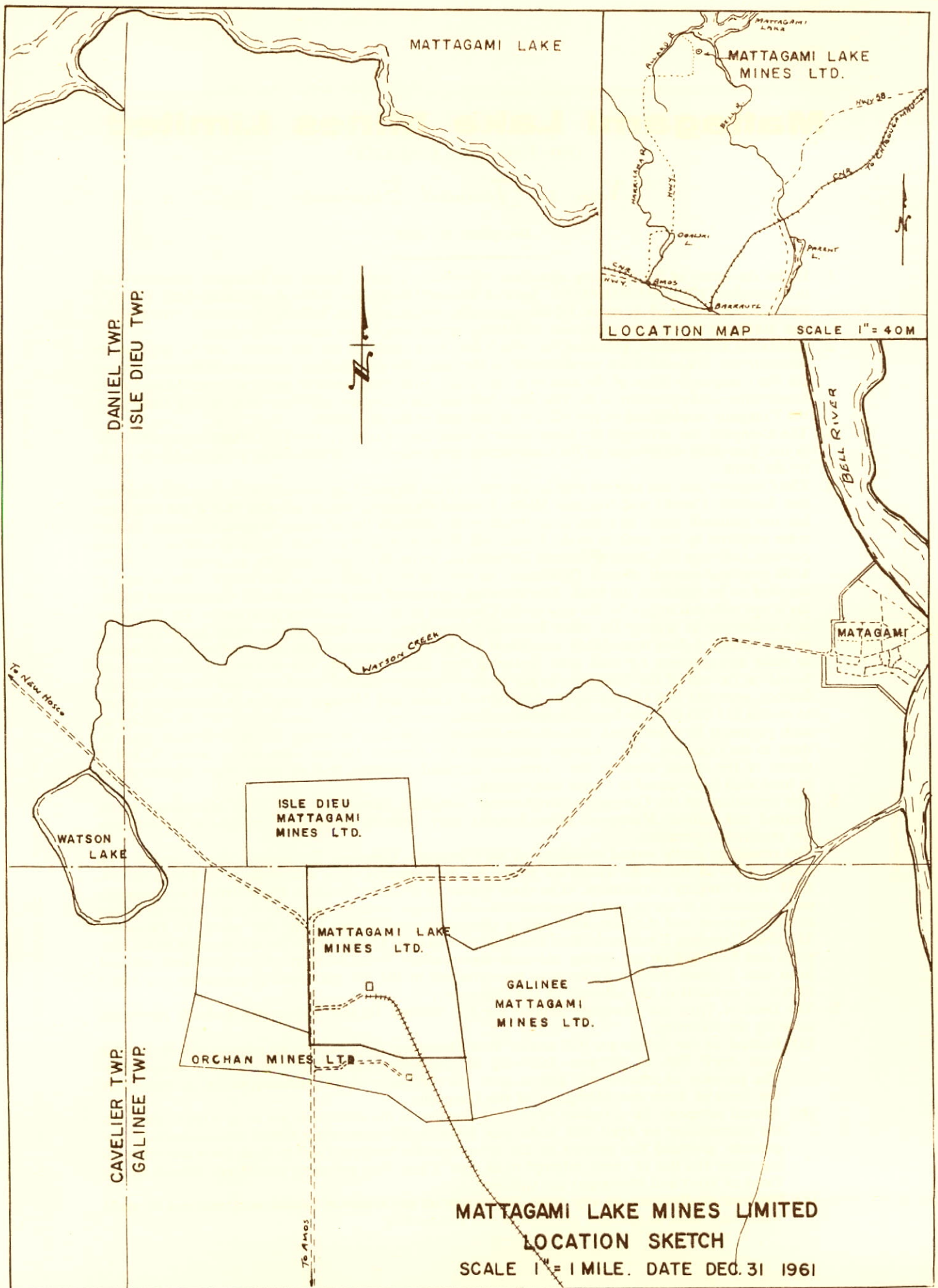
Mattagami Lake Mines Limited

(NO PERSONAL LIABILITY)

Notes to Financial Statements

December 31, 1962

1. Under the terms of the financing agreement referred to in note 4 below, the Company issued for cash in December, 1962, \$15,000,000 6% Secured Income Debentures, Series A, maturing April 30, 1975 and 600,000 shares of its stock. Of the aggregate consideration of \$15,000,000 received, \$14,400,000 was attributed to the debentures and \$600,000, representing \$1 per share, to the shares.
2. Additional expenditures, provision for which has been made as set out below, will be required to complete the pre-production development of the mine, the construction of a concentrator and to pay for the Company's share of the cost of a zinc plant. Under the terms of agreements providing for the construction and operation of the zinc plant between the Company and four other mining companies, the Company is obligated to pay 62½% of the cost of the zinc plant.
3. The Company has arranged for loans under a bank line of credit up to \$14,000,000 repayable within one year after completion of the construction programme if such repayment is required to be made by the bank.
4. The Company has also entered into an agreement (the financing 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 the bank line of credit referred to in note 3 above 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 so required to be repaid to the bank. The financing agreement also provides that if the aforesaid financing is not sufficient to pay for the cost to the Company of the construction programme, the Company will endeavour to arrange for other financing to cover any such deficiency on terms more favourable to the Company than those below mentioned but that if and to the extent that the Company is unable to make arrangements for such other financing then each of Canex and Noranda will be severally bound, at the call of the Company, to pay to the Company one-half of the amount of any such deficiency, provided that the aggregate obligation of Canex and Noranda together in this regard is not to exceed \$15,000,000; the financing agreement also provides that, in consideration of the making of such payments by Canex and Noranda, the Company will issue to them, for each \$100 so paid by them to the Company, \$100 principal amount of 6% Secured Income Debentures, Series A and 5 shares of the capital stock of the Company, provided, however, that no more than 150,000 shares in total shall be so issued to Canex and Noranda.
5. 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 remaining partly owned subsidiary of the Company, Canadian Electrolytic Zinc Limited, (of which 62.5% of the issued shares are owned by the Company) was incorporated on December 14, 1961; the Company's investment in its share capital is \$1,250; Canadian Electrolytic Zinc Limited's only function is to act as agent in connection with various matters relating to the zinc plant on behalf of the Company and the four other mining companies participating in the zinc plant. To December 31, 1962 Canadian Electrolytic Zinc Limited has expended \$7,060,745 in the construction of the zinc plant and \$348,412 on ore testing and sales development. Under the terms of the agreements referred to in note 2 above, these amounts have been charged to the five participating companies, of which 62½% is included in the accounts of the Company.
6. The Deed of Trust and Mortgage securing the 6% Secured Income Debentures includes provisions covering the following:
 - (a) Interest on the debentures will accrue from December 27, 1962 but no amount will be payable until April 30th in the year following the completion date of the construction programme. 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 30th in the year following the completion date of the construction programme, provided that interest on the debentures has been paid and no bank loans are outstanding under the line of credit referred to in note 3 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.



MATTAGAMI LAKE

DANIEL TWP.
ISLE DIEU TWP.

LOCATION MAP SCALE 1" = 40M

MATTAGAMI

WATSON CREEK

BELL RIVER

WATSON LAKE

ISLE DIEU
MATTAGAMI
MINES LTD.

MATTAGAMI LAKE
MINES LTD.

GALINEE
MATTAGAMI
MINES LTD.

ORCHAN MINES LTD.

CAVELIER TWP.
GALINEE TWP.

To Amos

MATTAGAMI LAKE MINES LIMITED
LOCATION SKETCH

SCALE 1" = 1 MILE. DATE DEC. 31 1961

