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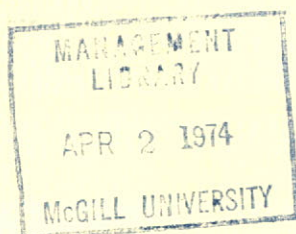
MATTAGAMI LAKE MINES

L I M I T E D

(NO PERSONAL LIABILITY)

first annual report

FOR THE PERIOD ENDED DECEMBER 31, 1959



MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

HEAD OFFICE

100 d'Youville, Quebec City, Quebec

EXECUTIVE OFFICE

11 Jordan Street, Toronto, Ont.

DIRECTORS

J. D. BARRINGTON	- - - - -	<i>Toronto</i>
J. M. R. CORBET	- - - - -	<i>Toronto</i>
G. A. GORDON	- - - - -	<i>Vancouver</i>
T. H. McCLELLAND	- - - - -	<i>Vancouver</i>
R. V. PORRITT	- - - - -	<i>Toronto</i>
J. B. REDPATH	- - - - -	<i>Toronto</i>
W. S. ROW	- - - - -	<i>Toronto</i>
K. J. SPRINGER	- - - - -	<i>Toronto</i>
M. L. URQUHART	- - - - -	<i>Toronto</i>

OFFICERS

J. D. BARRINGTON	- - - - -	<i>President</i>
J. B. REDPATH	- - - - -	<i>Vice-President</i>
P. N. PITCHER	- - - - -	<i>General Manager</i>
R. G. RUDOLF	- - - - -	<i>Treasurer</i>
D. G. C. MENZEL	- - - - -	<i>Secretary</i>

REGISTRAR AND TRANSFER AGENT

CHARTERED TRUST COMPANY - - - - - *Toronto*

BANKERS

THE BANK OF NOVA SCOTIA
THE CANADIAN BANK OF COMMERCE
IMPERIAL BANK OF CANADA

ANNUAL MEETING

The Queen Elizabeth Hotel, Montreal
Monday, 16 May 1960 at 2:30 P.M., Montreal Time

MATTAGAMI LAKE MINES LIMITED

(NO PERSONAL LIABILITY)

REPORT OF THE DIRECTORS

To the Shareholders:

On behalf of the Board of Directors of Mattagami Lake Mines Limited, I present herewith the First Annual Report on the operations of your Company, together with financial statements and auditors' report as of December 31, 1959.

History

Your Company was incorporated in October 1958 under the laws of the Province of Quebec and, for the issuance of 2,000,000 shares, acquired a group of 30 mining claims from the Mattagami Syndicate. Extensive diamond drilling on these claims had indicated a zinc-copper orebody of major proportions.

In November 1958 your Company entered into an agreement with a financing group composed of Canadian Exploration Limited, McIntyre Porcupine Mines Limited and Noranda Mines, Limited. Under the terms of this agreement the financing group received on December 1, 1959, 1,120,000 shares of your Company in consideration of expenditures of \$1,400,000 on the development of the property. Further options under the agreement and arrangements for interim financing by the same group are set out in the notes to the financial statement accompanying this report.

Location

The property is situated in Galinee Township, Abitibi East County, Province of Quebec. It is approximately 82 air miles north of Amos, Quebec and about 5 miles south of Mattagami Lake. Twenty-five of the claims are held under mining concession and the remaining five under development license. In addition to these main holdings your Company has acquired a controlling interest in

Galinee Mattagami Mines Limited to the east, and in Isle Dieu Mattagami Mines Limited, to the west.

Diamond Drilling

Diamond drilling started in June 1957, to test coincident magnetic and electromagnetic anomalies. To December 1959, 224 holes were completed for a total footage of 167,390 feet. Of the total holes drilled, 190 were in the main ore zone and the remainder were drilled to provide outlying structural information.

Ore Reserves and Occurrence

The drilling has indicated two orebodies with tonnage and grade before dilution as follows:

	<u>Tons</u>	<u>Zinc</u>	<u>Copper</u>	<u>Gold</u>	<u>Silver</u>
No. 1 Orebody	21,000,000	12.76%	0.68%	.018 oz.	1.31 oz.
No. 2 Orebody	2,000,000	12.86%	0.86%	.013 oz.	0.99 oz.

The orebodies are umbrella-shaped in cross section and plunge gently to the north-west. No. 1 orebody is about 1,800 feet long and 600 feet wide. Maximum ore thickness is 360 feet with the flanks thinning out to 40 feet. Indicated vertical extent is from rock surface to the 800-foot level. No. 2 orebody, about 500 feet to the south of the No. 1, is approximately 400 feet in length and width, and has a maximum ore thickness of 100 feet.

Mineralization in both orebodies consists of massive sulphides of zinc and copper, with silver and gold, plus pyrite, pyrrhotite and magnetite. The mineralization occurs as a replacement of a thin-banded tuff and an underlying acid lava.

Construction

The Quebec Department of Mines completed a winter road from Amos to the property in February 1959. This road is now being improved to an all-weather road and completion date is expected to be early 1961. Your Company has assumed a share of the road building costs.

At the mine site bunkhouses, dining hall, offices, warehouses, explosives magazines, oil storage tanks and other facilities have been provided. A network of gravel roads has been built and some bush clearing done.

Mining

It was decided to develop the orebody initially from underground, and contracts have been let for the sinking of a production shaft to an approximate depth of 1,200 feet. All the required material for this work was taken in over the winter road early in 1960. The concrete shaft collar will be completed early in May and actual sinking should be finished toward the end of this year.

Metallurgical

Extensive concentrating tests on the ore indicate that no serious technical difficulties will be encountered in producing satisfactory zinc and copper concentrates. Studies have reached the stage where actual mill design can be started.

Roasting and refining tests on the zinc concentrates are still in progress and initial results indicate that high grade metal can be produced by proven methods. Alternative sites for a roaster and refinery are being investigated.

Transportation and Electrical Power

The Canadian National Railways are prepared to survey a possible railroad between the property and the Beattyville-Chibougamau line. Meanwhile access to the property is by road and air.

Discussions have been held with officials of the Quebec Hydro-Electric Commission regarding power requirements for the mine site and for the refinery.

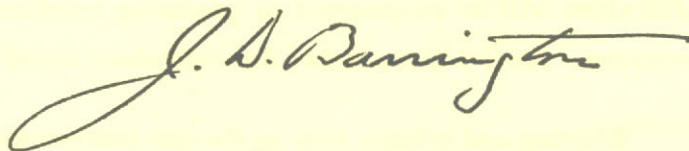
Outlook

Although no major technical difficulties are foreseen in producing high-grade zinc metal at competitive prices, the success of your Company must depend on the sale of substantial quantities of metal at prices that will return a fair profit.

The greatest part of the proposed production will be sold outside of Canada. This involves a study of world-wide markets which study is being actively pursued. Definite conclusions are difficult at this time due to world zinc surpluses and the resultant protectionist policies of the United States Government. However, increasing consumption of late is reducing the surpluses and it now appears that a balance between supply and demand will come about within the foreseeable future. Price-wise too, the outlook is reassuring.

It is a pleasure to express our appreciation to the General Manager and his staff, and to the technical personnel of Canadian Exploration Limited, McIntyre Porcupine Mines Limited and Noranda Mines, Limited for work well done.

On behalf of the Directors,

A handwritten signature in cursive script that reads "J. S. Barrington". The signature is written in dark ink and is positioned centrally on the page.

President.

Toronto, 29 April 1960.

MATTAGAMI LAKE

(NO PERSONA

(Incorporated under

BALANCE SHEET —

ASSETS

CURRENT —

Cash	\$	84,261.50	
Accounts receivable		301,010.84	\$ 385,272.34

DEFERRED —

Pre-production development expenditure per statement annexed (note 1)			1,082,534.35
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FIXED —

Mining property (note 2)		2,500,000.00	
Buildings — at cost		34,795.76	
Plant and equipment — at cost		101,672.31	2,636,468.07

OTHER —

Shares in subsidiaries — at cost		141,500.00	
Organization expense		6,950.00	148,450.00

\$ 4,252,724.76

MINES LIMITED

(LIABILITY)

(the laws of Quebec)

31 DECEMBER 1959

LIABILITIES

CURRENT —

Accounts payable	\$ 52,715.76
Income debentures (note 3)	300,000.00

CAPITAL STOCK —

Authorized —

6,000,000 shares of \$1.00 par value each

Issued and fully paid —

3,120,009 shares of \$1.00 par value each ...	\$ 3,120,009.00	
Premium on shares	780,000.00	3,900,009.00
(notes 4 and 5)	<u> </u>	

Signed on behalf of the Board:

J. D. BARRINGTON, Director.

J. B. REDPATH, Director.

\$ 4,252,724.76

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)

**STATEMENT OF PRE-PRODUCTION DEVELOPMENT
EXPENDITURE TO 31 DECEMBER 1959**

Contract diamond drilling	\$ 528,527.16
Geological and site expense	56,875.76
Analysis, sampling, testing and research	60,811.01
Winter road to property	136,203.20
General expenses at property	79,908.16
Provisions and supplies	80,386.48
Travelling and transportation	32,597.61
Salaries and wages	67,217.34
Administrative expenses	40,007.63
	<u>\$ 1,082,534.35</u>

Auditors' Report

To the Shareholders,
MATTAGAMI LAKE MINES LIMITED.

We have examined the balance sheet of Mattagami Lake Mines Limited as at 31 December 1959, and the statement of pre-production development expenditure to that date and have obtained all the information and explanations required by us. 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 the accompanying balance sheet, when read in conjunction with the notes thereto, is drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

EDWARDS, BROWNE & CO.,
Chartered Accountants.

Toronto, Ontario,
25 March 1960.

MATTAGAMI LAKE MINES LIMITED
(NO PERSONAL LIABILITY)

NOTES TO FINANCIAL STATEMENT
31 December 1959

- (1) Pre-production development expenditure includes expenditures in the amount of \$1,015,790.33 made by Canadian Exploration Limited, McIntyre Porcupine Mines Limited and Noranda Mines, Limited as optionees pursuant to an agreement dated 22 May 1958 between the then owners of the mining property and the optionees, as superseded by an agreement dated 6 October 1958 between the company and the optionees. As the optionees are claiming the said expenditures of \$1,015,790.33 as deductions from taxable income under section 83A of the Income Tax Act, this amount will not be allowable to the company.
- (2) The mining property consists of: (a) mining concession for superior metals issued by the Minister of Mines of the Province of Quebec covering blocks numbers 1 to 25 inclusive in the projected township of Galinee, electoral district of Abitibi East, comprising an area of 935.217 acres; and (b) development licence 33448 covering mining claims numbered A-233884 to 233888 inclusive comprising an area of 201.375 acres contiguous to the area covered by the mining concession.
- (3) By agreement dated 23 December 1959 the optionees mentioned in note (1) above agreed to purchase at par \$300,000 aggregate principal amount of 5% income debentures maturing 31 December 2010, were given the right to purchase at par on or before 1 December 1960 further such income debentures in aggregate principal amount not exceeding \$1,700,000 and agreed that all funds required by the company up to 1 December 1960 would be provided through their purchase of such income debentures.

The income debentures provide in part in effect that: (a) if the optionees duly exercise the option mentioned in note (5) below to purchase 2,879,991 shares of the company at \$1.25 per share, then all income debentures issued pursuant to the said agreement are to be redeemed in full without interest out of the proceeds from the sale of such shares; (b) that the company may not pay dividends on its shares without the consent in writing of the holders of at least 60% of the aggregate principal sums of all income debentures then outstanding; and (c) that if income debentures are redeemed after 31 December 1962 and prior to maturity, then interest shall be payable to the end of the calendar year next preceding the date of redemption irrespective of the amount of operating profits.

NOTES TO FINANCIAL STATEMENT *(Concluded)*

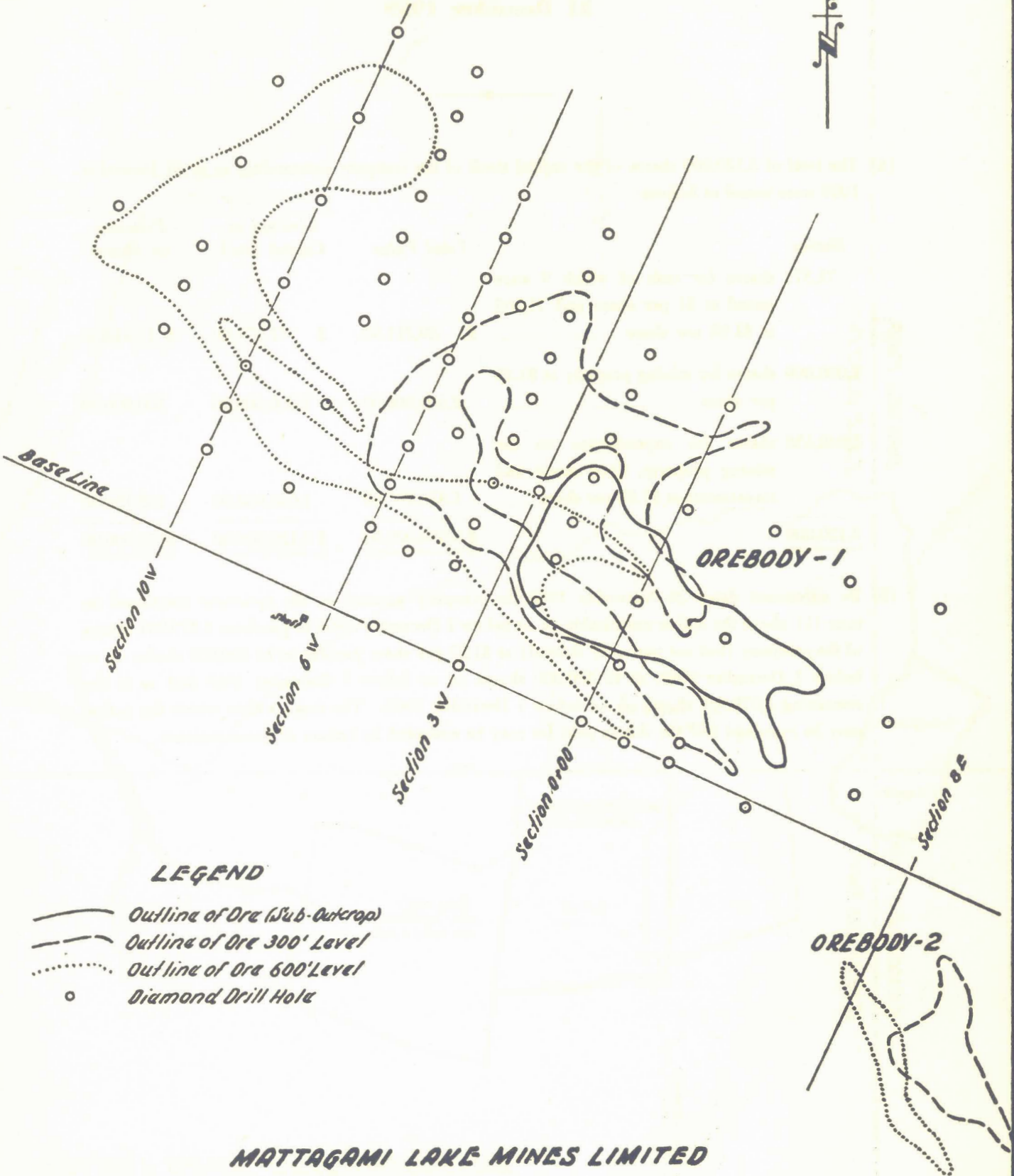
31 December 1959

- (4) The total of 3,120,009 shares of the capital stock of the company outstanding as at 31 December 1959 were issued as follows:





<i>Shares</i>	<i>Total Value</i>	<i>Credited to Capital Stock</i>	<i>Premium on Shares</i>
71,371 shares for cash of which 9 were issued at \$1 per share and 71,362 at \$1.25 per share	\$ 89,211.50	\$ 71,371.00	\$ 17,840.50
2,000,000 shares for mining property at \$1.25 per share	2,500,000.00	2,000,000.00	500,000.00
1,048,638 shares for expenditures on the mining property, fixed assets and investments at \$1.25 per share	1,310,797.50	1,048,638.00	262,159.50
<u>3,120,009</u>	<u>\$ 3,900,009.00</u>	<u>\$ 3,120,009.00</u>	<u>\$ 780,000.00</u>

- (5) By agreement dated 26 November 1958 the company granted to the optionees mentioned in note (1) above the option exercisable on or before 1 December 1960 to purchase 2,879,991 shares of the company (but not part only thereof) at \$1.25 per share payable as to 400,000 shares on or before 1 December 1960, as to 400,000 shares on or before 1 December 1961 and as to the remaining 2,079,991 shares on or before 1 December 1962. The times within which the option may be exercised and the shares paid for may be extended by reason of force majeure.

MINERAL PROPERTY RIGHTS OF KING
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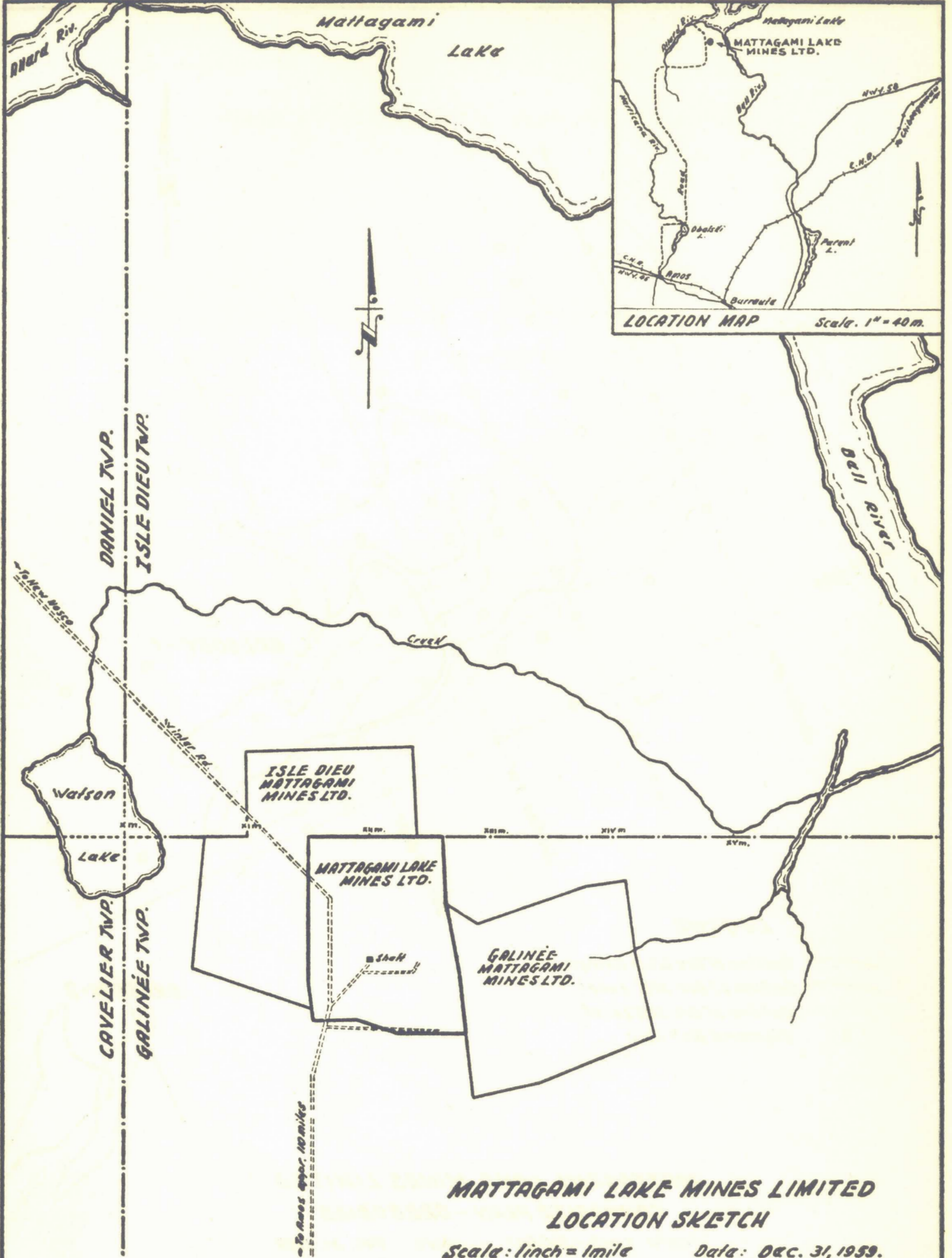


LEGEND

-  Outline of Ore (Sub-Outcrop)
-  Outline of Ore 300' Level
-  Outline of Ore 600' Level
-  Diamond Drill Hole

**MATTAGAMI LAKE MINES LIMITED
COMPOSITE PLAN - OREBODIES**

Scale: 1 inch = 300 feet Date: Dec. 31, 1959.



**MATTAGAMI LAKE MINES LIMITED
LOCATION SKETCH**

Scale: 1 inch = 1 mile Date: Dec. 31, 1959.

