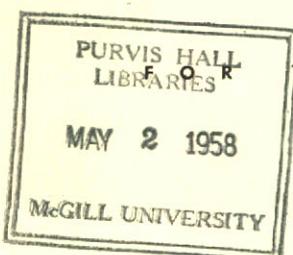




24th ANNUAL REPORT



**GUNNAR
MINES
LIMITED**



THE YEAR ENDED DECEMBER 31, 1957



AERIAL VIEW OF PROPERTY

GUNNAR MINES LIMITED

(INCORPORATED UNDER THE LAWS OF THE PROVINCE OF ONTARIO)

GUNNAR MINES LIMITED

24th annual report

1957

CAPITAL	Authorized 5,000,000	Issued 3,332,405
BOARD OF DIRECTORS	GILBERT A. LaBINE, O.B.E., LL.D. - - - - -	Toronto, Ont.
	CHARLES L. LaBINE - - - - -	Toronto, Ont.
	JULES R. TIMMINS, O.B.E., LL.D., D.Sc. - - - - -	Montreal, Que.
	MURDOCK A. MacPHERSON, Q.C. - - - - -	Regina, Sask.
	JAMES HOUSTON, P.Eng. - - - - -	Toronto, Ont.
	J. H. SHEPHERD, B.Sc., P.Eng. - - - - -	Toronto, Ont.
	JOSEPH S. LaBINE - - - - -	Toronto, Ont.
EXECUTIVE OFFICERS	GILBERT A. LaBINE - - - - -	President
	JOSEPH S. LaBINE - - - - -	Vice-President
	JOHN N. BOTSFORD, B.Sc., P.Eng. - - - - -	General Manager
	THOMAS P. O'CONNOR, Q.C. - - - - -	Secretary
	EDWARD J. DEVEREAUX - - - - -	Treasurer and Assistant Secretary
	J. S. McFADDEN, C.A. - - - - -	Chief Accountant
MINE MANAGER	ROBERT R. BASSERMANN, B.Sc., P.Eng.	
METALLURGICAL CONSULTANTS	Messrs. A. H. Ross & Associates, Toronto, Ont.	
AUDITORS	Messrs. P. S. Ross and Sons, Toronto, Ont.	
TRANSFER AGENT AND REGISTRARS	Crown Trust Company, Toronto, Ont.	
TRANSFER AGENT	Empire Trust Company, New York, N.Y.	
SOLICITORS	Messrs. Carrick, O'Connor, Coutts and Rogers, Toronto, Ont.	
BANKERS	Imperial Bank of Canada, Toronto, Ont.	
HEAD OFFICE	Suite 702, 25 Adelaide Street West, Toronto, Ont.	
MINE OFFICE	Uranium City, Sask.	

ANNUAL MEETING

May 15th, 1958, 10:30 A.M. (Toronto Time)
Tudor Room, Royal York Hotel, Toronto, Ont.

Directors' Report to the Shareholders

March 25, 1958.

Your Directors take pleasure in presenting the 24th Annual Report of your Company which includes the Mine Manager's report, the financial statements and the auditors' report for the year 1957.

Review of Operations:

We are pleased to report that 1957 was a year of record earnings for your Company. The rated capacity of the plant was raised to 1,650 tons per day on March 1, 1957. Continued adjustments and improved technique resulting from operating experience made it possible to treat 1,850 tons of open pit ore per day, and barring any unforeseen circumstances, we should not experience difficulty in fulfilling our contracts. However, eventually we may be required to apportion our production over the remaining contract period.

Revenue from the sale of uranium concentrate for the year amounted to \$19,101,932.00 equivalent to \$31.78 per ton, while the operating cost per ton which includes mining, milling, administration, Provincial royalty, and interest expense was \$10.61. The net profit after all write-offs amounted to \$8,612,846.00 which is equivalent to \$2.58 per issued share.

The basis for providing for depreciation and amortization of development expenses was changed in 1957 to allow for a complete write-off of capital expenditures by March 31, 1962. If the rate of write-offs had not been accelerated in 1957, the net profit would have been greater by \$392,714.00 or 11.8 cents per issued share. It should be appreciated that the write-off rate from January 1, 1958 to March 31, 1962 will be increased over the 1957 write-off rate due to the capital expenditures in these years plus the commencement of write-offs on underground development costs. The contract price for our uranium precipitate provides for this heavy amortization, and at March 31, 1962 all capital expenditures will have been written off. Capital expenditures for the year 1958 should not exceed \$1,000,000.00.

The Company received a certificate from the Department of National Revenue granting exemption from Federal Income Tax until March 1, 1959. Due to the high

Directors' Report continued

permissive allowance for preproduction expenditures and capital costs, there will be a further tax-free period after March 1, 1959, although the extent of such period cannot be predicted at this time. Amortization recorded in our statutory three-year tax-free period will not affect the asset values subject to allowance for taxation purposes.

Source and Application of Funds:

You will observe in the following summary the source of funds during the year 1957 was provided almost solely by the revenue from the sale of uranium concentrates.

Revenue from the sale of uranium concentrates	\$ 19,101,932.00
Rental income	83,443.00
Recovered from disposal of buildings and equipment	34,109.00
Payment of demand notes by employees	27,709.00
Discounts and miscellaneous income	10,984.00
Proceeds from exercise of share warrants	10,340.00
Dividend income	5,700.00
	<u>\$ 19,274,217.00</u>

An analysis of the application of funds would show the following:—

Charge to operations	\$ 6,309,095.00
Purchase of outstanding 5% sinking fund debentures	\$ 4,449,000.00
Less: Discount thereon	32,874.00
	<u>4,416,126.00</u>
Fixed asset additions	2,634,637.00
Underground development and deferred waste removal	410,549.00
Investments	46,563.00
Inventory of supplies	352,928.00
Increase in net current assets:	
Cash on hand and in banks	\$ 2,666,574.00
Treasury bills and trust certificates	1,773,863.00
Refinery settlements outstanding	414,396.00
Other accounts receivable	45,254.00
Accounts payable and accrued charges	190,319.00
Accrued interest on debentures	56,069.00
	<u>\$ 5,146,475.00</u>
Less: Decrease in prepaid expenses	42,156.00
	<u>\$ 5,104,319.00</u>
	<u>\$ 19,274,217.00</u>

Directors' Report continued

The net current assets, as defined in the trust indenture, include the current assets as set out in our balance sheet plus the inventory of supplies and prepaid expenses as itemized in our deferred and prepaid items. It is anticipated that a dividend will be paid by mid summer.

Underground Development:

Detailed underground diamond drilling commenced following completion of development crosscuts to confirm estimates made from the original surface drilling, and to provide the information necessary to determine the proper underground mining procedure and estimated mining costs. It was felt this procedure was of greater immediate value to the operation than exploration development at depth in that the upper levels may now be prepared for full stoping operations. Increased underground mining costs will be offset by the higher grade of our underground ore. The drilling results have been gratifying as there has been an increase of 13% over the original tonnage estimates in the block of ore between the fourth and fifth levels with maintenance of original grade. Drilling on the next block between the fifth and sixth levels is not yet complete, but initial results indicate confirmation of original estimates with a possibility of a further increase in tonnage. Since our development crews only commenced operation on the eighth level within the last month, we do not expect to have the results of this work until mid summer.

Additional Contract:

Based on underground development, cost estimates applicable to the projected additional production to March 31, 1962 were submitted to Eldorado Mining and Refining Limited in accordance with the terms of the letter of intent received in June of 1956. These figures have been accepted by the Crown Company and, as a result, settlement of the contract terms is now proceeding.

Outside Properties:

During the year arrangements were made with Strategic Materials Corporation and Strategic-Udy Metallurgical and Chemical Processes Limited which resulted in the formation of Strannar Mines Limited in which your Company participated in the holdings

Directors' Report continued

of this new company to the extent of 387,500 shares of Strannar Mines Limited and 15,500 shares of Strategic Materials Corporation. For such consideration, your Company's holdings in the chrome ore claims on Bird River and Euclid Lake in Manitoba were transferred to the new company, and at the same time an exclusive and irrevocable licence to use the Udy process for the treatment of low grade chromite-bearing material was obtained by Strannar Mines Limited. There is no commitment on behalf of Gunnar Mines Limited to participate in the financing of Strannar Mines Limited, nor is any future commitment anticipated. Detailed metallurgical research work continues to be conducted on this ore in preparation for completing plans for ferro-chrome production.

Geological examinations were made during the year by the Exploration Department on several groups of mining claims which had been staked in the past two years in northern Quebec and northern Manitoba. These new acquisitions were allowed to lapse due to the lack of interesting results.

All the other properties were retained in good standing.

Additional properties are held under option for detailed examination this coming season.

General:

An important change was made in Management last August when Mr. Robert R. Bassermann was appointed Mine Manager to succeed Mr. J. N. Botsford who was promoted to the position of General Manager of your Company. Great credit is due Mr. Botsford for the outstanding success your Company has attained.

Your Directors wish to record their appreciation of the loyal and competent services of the management, staff and the employees throughout the year.

On behalf of the Board,

GILBERT A. LaBINE,
President.

Balance sheet

GUNNAR
(with comparative figures)

• ASSETS

Current assets:

		Comparative figures Dec. 31, 1956
Cash on hand and in banks	\$ 1,586,376	(\$ 1,080,198)
Treasury bills and trust certificates, at cost	1,773,863	-----
Refinery settlements outstanding on concentrates sold under contract	2,542,676	2,128,280
Other accounts receivable	136,287	91,034
	<hr/> \$ 6,039,202	<hr/> \$ 1,139,116
Demand notes from employees for purchase of capital stock, secured	147,791	\$ 175,500
Investments, at cost	494,631	\$ 296,084

Deferred and prepaid items:

Inventory of supplies, at cost	\$ 3,596,429	\$ 3,243,501
Prepaid insurance, expenses and deposits	42,655	84,811
Mine development expenses, less amortization	4,315,618	4,696,433
Debenture discount and expense, less amortization	494,934	674,934
	<hr/> 8,449,636	<hr/> \$ 8,699,679

Capital assets at cost:

Mining claims, properties and leases	\$ 1,165,865	\$ 1,175,415
Buildings, plant and equipment	\$20,500,500	
Less: Accumulated depreciation	5,498,213	15,002,287
	<hr/> 16,168,152	<hr/> 15,885,821
	<hr/> \$31,299,412	<hr/> \$17,061,236
	<hr/> <hr/> \$31,299,412	<hr/> <hr/> \$27,371,615

The attached notes are an integral part of this statement.

AUDITORS' REPORT

Gunnar Mines Limited,
Toronto, Ontario.

We have examined the balance sheet of Gunnar Mines Limited as at December 31, 1957 and the examination included a general review of the accounting procedures and such tests of accounting records.

In our opinion the accompanying balance sheet and related statements of revenue and expenditure of its operations for the year ended on that date.

Toronto, Ont., March 24, 1958.

MINES LIMITED

ive figures at December 31, 1956)

AS AT DECEMBER 31, 1957

• LIABILITIES

Current liabilities:

		Comparative figures Dec. 31, 1956
Accounts payable and accrued charges	\$ 937,498	\$ 1,127,818
Accrued interest on debentures	150,225	206,294
5% Sinking Fund Debentures, maturing October 1, 1958	\$4,250,000	3,619,000
Less: Debentures purchased	830,000	\$ 4,507,723
5% Sinking Fund Debentures, maturing October 1, 1959-60	3,420,000	\$ 4,953,112
		8,500,000
		\$12,750,000

CAPITAL AND SURPLUS:

Capital stock:

Authorized, 5,000,000 shares of \$1.00 each par value	<u>\$5,000,000</u>
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Issued and fully paid:

Balance, beginning of year	3,331,465 shares	\$ 3,331,465	\$ 3,295,115
Issued during year in consideration for cash and surrender of stock pur- chase warrants	940 shares	940	36,350
	3,332,405 shares	\$ 3,332,405	\$ 3,331,465
Less: Discount on shares, net	705,149	\$ 2,627,256	714,549
Surplus, as attached	\$ 15,664,433	\$ 15,664,433	\$ 2,616,916
			7,051,587
			\$ 9,668,503
		18,291,689	

Approved on behalf of the Board:

G. A. LaBINE, Director. \$31,299,412

JAMES HOUSTON, Director. \$27,371,615

ral part of this balance sheet.

TO THE SHAREHOLDERS

related statements of revenue and expenditure and of surplus for the year ended on that date. Our
and other supporting evidence as we considered necessary in the circumstances.
and of surplus present fairly the financial position of the company as at December 31, 1957 and the results

P. S. ROSS & SONS,
Chartered Accountants.

Notes to Balance Sheet

AS AT DECEMBER 31, 1957

1. In accordance with the provisions of the indentures under which the 5% Sinking Fund Debentures and the Stock Purchase Warrants attaching thereto have been issued, the Company has made the following covenants:
 - (a) to reserve out of its authorized capital stock a sufficient number of shares to satisfy the rights of purchase should the holders of all such Warrants exercise the same in full. On the basis of the capital structure of Company as constituted at the date of the issuance of the debentures, 780,000 shares were so reserved. Of this total 41,550 shares have been issued to December 31, 1957 on the exercising of Warrants leaving 738,450 shares reserved as at that date.
 - (b) that it will not declare or pay any dividends on its capital stock unless, after payment thereof, the Company's net current assets (as defined in the Trust Indenture) will not be less than \$6,000,000.00.
 - (c) to pay to the Trustee by way of a sinking fund for the retirement of Debentures on or before October 1 in each of the years 1958 and 1959 an amount or amounts sufficient in the aggregate to retire \$4,250,000.00 principal amount of Debentures and to pay to the Trustee the remaining balance of principal of \$4,250,000.00 by October 1, 1960. Provision is made for the redemption of Debentures through the Trustee, in whole or in part, prior to maturity at rates of premium on a descending scale varying from 3% to ½ of 1%, and in addition the company is permitted to purchase Debentures in the market or by private contract, provided that the prices at which such Debentures may be purchased shall not exceed the then current redemption price plus costs of purchase.
2. The Company has received a certificate from the Taxation Division of the Department of National Revenue confirming that the income derived from mining operations at its Lake Athabasca property is exempt from federal income tax for the three year period commencing March 1, 1956.

GUNNAR MINES LIMITED

Statement of Revenue and Expenditure

FOR THE YEAR ENDED DECEMBER 31, 1957

(with comparative figures for the ten month period ended December 31, 1956)

		Comparative figures 10 months 1956
Revenue:		
Sale of uranium concentrate	\$19,101,932	\$13,540,214
Income from investments	5,700	8,680
	<hr/>	<hr/>
	\$19,107,632	\$13,548,894
Operating expenses:		
Mining and milling	\$ 4,664,358	\$ 3,016,346
Administrative	204,247	135,260
	<hr/>	<hr/>
Operating profit before deducting the undernoted items	4,868,605	\$ 3,151,606
	<hr/>	<hr/>
Province of Saskatchewan mining royalty	\$ 905,969	\$ 621,938
Interest (net) on loan and debentures	602,286	715,343
Outside exploration	20,800	14,550
Discount on debentures purchased	(32,874)	19,169
	<hr/>	<hr/>
Profit before write-offs	1,496,181	\$ 1,371,000
	<hr/>	<hr/>
Provision for depreciation	\$ 3,200,000	\$ 1,825,000
Amortization of mine development expenses	750,000	450,000
Amortization of debenture discount expense	180,000	150,000
	<hr/>	<hr/>
	4,130,000	\$ 2,425,000
Net profit transferred to surplus account	\$ 8,612,846	\$ 6,601,288
	<hr/>	<hr/>

Statement of Surplus

FOR THE YEAR ENDED DECEMBER 31, 1957

Balance, January 1, 1957	\$ 7,051,587
Net profit for the year	8,612,846
Balance, December 31, 1957	<hr/> \$15,664,433



Mine Manager's Report

The President and Directors,
Gunnar Mines Limited,
702 - 25 Adelaide Street West,
TORONTO 1, Ontario.

January 24th, 1958.

Gentlemen:

I beg to submit a report of operations for the year ending December 31, 1957.

OPEN PIT MINE

During the year the open pit was developed to the 580 bench. As a result of this development, the waste to ore ratio is now 1:1 on the open pit ore reserves. The following is a summary of open pit operations for 1957:

	Ore (Tons)	Waste (Tons)
Initial Pit Preparation		1,178
700 Bench		1,650
670 Bench		22,698
640 Bench	229,474	227,612
610 Bench	283,794	645,174
580 Bench	84,706	446,136
	597,974	1,344,448

UNDERGROUND MINE DEVELOPMENT

Underground mine development commenced in June following the completion of the headframe, hoist and associated electrical equipment installations. Shaft stations were enlarged to their designed size on the six lower levels, and sumps, pumping and electrical stations were excavated. This work involved the removal of 380,190 cubic feet of rock. Crosscuts and haulageway development took place on the third to seventh levels inclusive, with the orebody being bisected on the 560- and 710-foot levels for test purposes. The haulageways were driven in the footwall on other levels in anticipation of future mining methods. This lateral development involved 3,154 lineal feet of advance from which 3,254 tons of ore were recovered. Loading pocket equipment was installed below the 7th level, and the ore and waste pass raises were commenced at year end. Detailed diamond drilling from the development headings commenced in September, and at year end had amounted to 16,371 feet of "A" core.

Mine Manager's Report continued

ORE RESERVES

As at December 31, 1957 the ore reserves that will be recovered by open pit mining methods to the 400-foot bench are estimated at 1,375,810 tons with an average grade of 3.48 pounds U_3O_8 per ton. In addition, the underground ore reserves, as indicated by surface diamond drilling, stand at some 1,800,000 tons to the seventh level horizon with an average grade of approximately four pounds U_3O_8 per ton.

Underground diamond drilling in detail from the fourth and fifth level crosscuts was carried out in the latter three months of 1957. This drilling on the block of ground lying between these levels outlined 567,000 tons of ore, which is equivalent to 3,780 tons per vertical foot, with an average grade before dilution of 3.94 pounds U_3O_8 per ton. These results exceed the former tonnage estimate at this horizon based on original surface diamond drilling. Detailed drilling from development headings on lower levels is continuing.

TREATMENT PLANT

During the year 601,262 tons of ore with an average grade of 3.56 pounds U_3O_8 per ton were processed in the treatment plant at an average rate of 1,647 dry tons per day with a calculated overall recovery of 92%.

The gyratory crusher was put into operation early in 1957 and greatly relieved the congestion and delay in the delivery of ore from the pit. Other refinements in the crushing plant resulted in a finer sized product to the grinding section and expanded its capacity.

Additions to the leaching, acid filtration and precipitation sections have amply handled the increased tonnage.

Small, but significant, changes in the ion exchange have increased the general efficiency.

The No. 2 sulphuric acid plant was put on stream without any undue difficulties. The nominal rated acid capacity is now 165 tons per day.

TRANSPORTATION

Gunnar-Nesbitt Aviation Limited transported 3,139 passengers and 4,108,153 pounds of freight during the year, of which uranium precipitate amounted to 1,141,655

Mine Manager's Report continued

pounds. The balance of our uranium production was transported by Eldorado Aviation Limited.

Three steel barges were added to the fleet of the Water Transport Division. A warehouse was erected, loading ramps and dock improved, and equipment added to facilitate the handling of freight at Waterways, Alberta. There were a total of 38,882 tons of freight transported to the Gunnar dock during the summer season of 1957 of which 19,124 tons were handled by our Water Transport Division in twenty-two round trips from Gunnar to Waterways.

POWER PLANT

The sixth diesel electric generating unit was put into service, and this brought the installed capacity of the power plant to 6,336 K.V.A. A second high pressure air compressor was installed.

COMMUNITY

A shopping and community centre building was officially opened in August. This building houses under one roof the Hudson's Bay store, the Imperial Bank of Canada, meat, bakery and barber shops, coffee bar and dining room. Recreational facilities are under the supervision of the Gunnar Community Y.M.C.A., and include an auditorium capable of seating 700 persons which is used as a gymnasium, dance hall and theatre. In addition, there are handicraft, camera club, library, bowling, and billiard rooms.

An additional sixty-four man dormitory was erected, and the former coffee shop building was converted to a female staff residence. Twenty employees' houses and two staff dwellings were also erected.

The average number of employees during the year was 414, and the population residing at the mine totalled 750 persons.

Relations with the Joint Council of Unions were very satisfactory.

APPRECIATION

I wish to express my appreciation to the staff and employees for their efficient and loyal services during the year.

Respectfully submitted,

ROBERT R. BASSERMANN,
Mine Manager.

Photography by George Hunter

