

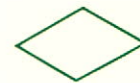
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CONSOLIDATED RAMBLER MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED
DECEMBER 31

1986



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OF MANAGEMENT

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MC GILL UNIVERSITY

CONSOLIDATED RAMBLER MINES LIMITED

Incorporated under the laws of Ontario on January 20, 1961

DIRECTORS	J. J. HOGAN, JR. New York, New York W. D. JAMIESON Saint John, New Brunswick Secretary †W. D. MACAULAY, Q.C. Saint John, New Brunswick †D. A. MACFARLANE Saint John, New Brunswick President and Treasurer †DR. A. L. MCALLISTER Fredericton, New Brunswick †Members of the Audit Committee
HEAD OFFICE	SUITE 2700, 20 QUEEN STREET WEST Toronto, Ontario
EXECUTIVE OFFICE	GOLDEN BALL BUILDING, 10 SYDNEY ST. Saint John, N.B.
EXPLORATION OFFICE	BAIE VERTE Newfoundland
AUDITORS	COOPERS & LYBRAND Saint John, N.B.
TRANSFER AGENT and REGISTRAR	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
ANNUAL MEETING	May 19, 1987, 9:00 a.m. (local time) The Allison Room, The Delta Brunswick Hotel, Saint John, New Brunswick

DIRECTORS' REPORT TO THE SHAREHOLDERS:

Net loss for the year 1986 was \$214,982 (7¢ per share) compared with a net loss of \$717,617 (25¢ per share) for 1985. Timberland operations in 1986 resulted in a loss of \$140,000 (before depletion and interest costs) compared with \$434,000 the previous year. During 1986, 31,765 cunits were harvested compared with 29,047 cunits in 1985. A modest tree planting program was carried out, during which 94,600 trees were planted for a total direct cost of \$39,310. The Corporation made the regularly scheduled payments on its outstanding note, reducing the principal amount from \$6.8 million at the beginning of the year to \$4.5 million at year end. This balance is scheduled for payment within the next two years.

No further exploration work was carried out in 1986 but consideration is being given to inviting outside participation in future work on our properties.

A decision was made in 1986 to divest the Corporation of its housing properties located in Baie Verte, Newfoundland. To December 31, 1986, eight of the thirteen properties were sold for a net realization (before taxes) of \$105,144. The balance of the properties were sold in 1987.

Shareholders have already been advised of a normal course issuer bid being undertaken by the Corporation whereby a maximum of 144,690 (5%) of its own shares may be purchased. The bid period would be for 12 months commencing February 23, 1987.

Saint John, N.B.
March 24, 1987

On behalf of the Board,
D. A. Macfarlane,
PRESIDENT

**STATEMENT OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1986**

	1986	1985
	\$	\$
REVENUE		
Interest income (including \$885,452 in 1985 from an affiliated company)	977,111	1,523,486
Timberland income (note 2)	624,678	522,377
Other income	47,925	44,317
	<u>1,649,714</u>	<u>2,090,180</u>
EXPENSES		
Timberland operations	764,409	956,598
Mine costs including exploration	164,221	262,706
Administration	129,522	126,791
Depletion	346,278	305,805
Interest on note	507,580	1,075,693
Loss on foreign exchange	208,830	590,204
	<u>2,120,840</u>	<u>3,317,797</u>
	(471,126)	(1,227,617)
GAIN ON DISPOSAL OF FIXED ASSETS	<u>105,144</u>	—
(LOSS) BEFORE INCOME TAXES	(365,982)	(1,227,617)
RECOVERY OF INCOME TAXES	<u>151,000</u>	<u>510,000</u>
NET (LOSS) FOR THE YEAR	(214,982)	(717,617)
RETAINED EARNINGS — BEGINNING OF YEAR AS RESTATED (note 5)	<u>29,486,185</u>	<u>30,351,831</u>
	29,271,203	29,634,214
Repurchase of shares	—	<u>148,029</u>
RETAINED EARNINGS — END OF YEAR AS RESTATED (note 5)	<u>29,271,203</u>	<u>29,486,185</u>
(LOSS) PER SHARE	<u>(0.07)</u>	<u>(0.25)</u>

CONSOLIDATED BALANCE SHEET AS

BALANCE SHEET AS

ASSETS		
	1986 \$	1985 \$
CURRENT ASSETS		
Cash and term deposits	9,590,908	11,467,638
Interest and accounts receivable	177,969	250,636
Income taxes recoverable	83,082	540,235
Prepaid expenses	87,663	75,627
	<u>9,939,622</u>	<u>12,334,136</u>
INVESTMENT IN SUBSIDIARY — at nominal value	<u>1</u>	<u>1</u>
FIXED ASSETS		
Timber and land — at cost less accumulated depletion of \$1,185,927 (1985 — \$839,648) (note 3)	25,963,146	26,309,424
Mine plant and equipment at nominal value	1	1
	<u>25,963,147</u>	<u>26,309,425</u>
DEFERRED FOREIGN EXCHANGE LOSS	192,882	502,995
	<u>36,095,652</u>	<u>39,146,557</u>

SIGNED ON BEHALF OF THE BOARD

D. A. Macfarlane

Director

W. D. Jamieson

Director

LER MINES LIMITED

DECEMBER 31, 1986

	1986	1985
	\$	\$
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	330,902	410,175
Due to an affiliated company	34,040	437,561
Current portion of note payable (note 3)	<u>2,454,401</u>	<u>2,275,745</u>
	2,819,343	3,123,481
NOTE PAYABLE — less current portion (note 3)	<u>2,034,184</u>	<u>4,565,969</u>
	<u>4,853,527</u>	<u>7,689,450</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized — 4,913,800 shares		
Issued 2,893,806 shares	2,893,806	2,893,806
Less: Discount thereon	<u>937,086</u>	<u>937,086</u>
	1,956,720	1,956,720
CONTRIBUTED SURPLUS (note 5)	14,202	14,202
RETAINED EARNINGS (note 5)	<u>29,271,203</u>	<u>29,486,185</u>
	<u>31,242,125</u>	<u>31,457,107</u>
	<u>36,095,652</u>	<u>39,146,557</u>

STATEMENT OF CHANGES IN CASH RESOURCES
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986	1985
	\$	\$
OPERATING ACTIVITIES		
Cash provided from operations —		
Loss for the year	(214,982)	(717,617)
Add non-cash charges (net)	<u>449,938</u>	<u>1,027,885</u>
	234,956	310,268
Change in non-cash working capital	<u>34,990</u>	<u>238,876</u>
	<u>269,946</u>	<u>549,144</u>
INVESTING ACTIVITIES		
Proceeds on disposal of fixed assets	105,144	—
Purchase of timberlands	<u>—</u>	<u>(2,055)</u>
	<u>105,144</u>	<u>(2,055)</u>
FINANCING ACTIVITIES		
Note repayment	(2,251,820)	(7,164,054)
Shares of capital stock repurchased	<u>—</u>	<u>(164,920)</u>
	<u>(2,251,820)</u>	<u>(7,328,974)</u>
(DECREASE) IN CASH	(1,876,730)	(6,781,885)
CASH — BEGINNING OF YEAR	<u>11,467,638</u>	<u>18,249,523</u>
CASH — END OF YEAR	<u>9,590,908</u>	<u>11,467,638</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Consolidated Rambler Mines Limited as at December 31, 1986 and the statements of earnings and retained earnings and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1986 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Saint John, N.B.
January 22, 1987

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1986

1. SIGNIFICANT ACCOUNTING POLICIES

Wholly owned subsidiary

The corporation's wholly owned subsidiary, 464739 Ontario Limited has not been consolidated herein since it is inactive and its assets and liabilities are not material to Consolidated Rambler Mines Limited.

Depletion

Depletion of the cost of timber holdings is based on timber harvested at rates calculated to amortize these costs over the estimated volume of timber to be available.

Translation of foreign currency

Foreign currency transactions have been translated into Canadian dollars as follows:

- all assets and liabilities at year-end rates except the cost of timber and land which are at historic rates.
- revenue and expenses at average rates in effect during the year except for depletion which is at historic rates.

The deferred foreign exchange loss relates to the long term portion of the note. All other gains and losses relating to foreign currency transactions are included in income as they occur.

2. RELATED PARTY TRANSACTIONS

The corporation has a management agreement with J. D. Irving, Limited ("JDI"), an affiliated company whereby JDI manages the corporation's timberlands for an annual fee of U.S. \$130,000. Substantially all timber harvested in 1986 was sold to JDI or companies associated with it. The management agreement provides that either party may terminate it upon ninety days prior notice in writing.

The corporation's management and officers are common with certain affiliated companies which share management costs with the corporation.

3. NOTE PAYABLE

The note is payable in seven equal quarterly instalments of principal and interest amounting to U.S. \$505,357 and a final payment of U.S. \$28,332. The note is secured by a first mortgage charge on the corporation's timber and lands.

The principal amount of the note outstanding at December 31, 1986 was \$4,488,585 (U.S. \$3,251,420). Interest on the note is charged at the rate of 9 3/8% per annum.

Principal payments required to maturity are as follows:

	U.S. \$
1987	1,777,907
1988	1,473,513

4. PARTICIPATION AGREEMENT

Should the corporation reopen the Ming Extension property, 55% of any profits therefrom would be payable to third parties under an existing participation agreement.

5. RESTATEMENT OF PRIOR YEARS' FINANCIAL STATEMENTS

During 1984 and 1985, as a result of its normal course issuer bid for its own shares, the corporation had repurchased 86,200 shares for \$573,509. Based on an interpretation of regulations of the Ontario Business Corporations Act at that time, these shares were not considered to have been cancelled and accordingly were reflected as a separate item under shareholders' equity.

Due to a change in the interpretation of regulations these shares are now considered to have been cancelled on purchase. Accordingly, the authorized and issued share capital of the corporation, together with retained earnings as at December 31, 1984 and 1985, have been restated to account for the cancellation of the shares.

Capital stock has been reduced by \$86,200, discount on shares by \$27,914, contributed surplus by \$423 and the balance of \$514,800 has been charged against retained earnings (\$148,029 in 1985 and \$366,771 in 1984).

	1986 \$	1985 \$
RETAINED EARNINGS — BEGINNING OF YEAR AS PREVIOUSLY REPORTED	30,000,985	30,718,602
Adjustment for repurchased shares	<u>(514,800)</u>	<u>(366,771)</u>
RETAINED EARNINGS — BEGINNING OF YEAR AS RESTATED	<u>29,486,185</u>	<u>30,351,831</u>

First Maritime Mining Corporation Limited

(No Personal Liability)

Annual Report

For the year ended
December 31,

1986



First Maritime Mining Corporation Limited

(No Personal Liability)

Incorporated under the laws of New Brunswick on December 30, 1955

DIRECTORS	J. J. HOGAN, JR. New York, New York R. J. ISAACS Islington, Ontario W. D. JAMIESON Saint John, New Brunswick Secretary D. A. MACFARLANE Saint John, New Brunswick President and Treasurer DR. A. L. MCALLISTER Fredericton, New Brunswick
HEAD OFFICE	GOLDEN BALL BUILDING, 10 SYDNEY ST. Saint John, N.B.
AUDITORS	COOPERS & LYBRAND Saint John, N.B.
TRANSFER AGENT	GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario
ANNUAL MEETING	May 19, 1987, 2:30 P.M. (local time) The Allison Room, The Delta Brunswick Hotel, Saint John, New Brunswick

DIRECTORS' REPORT TO THE SHAREHOLDERS:

Net earnings for the year 1986 were \$149,624 (3¢ per share) compared with \$552,246 (10¢ per share) in 1985. Earnings for 1986 were reduced because there were no dividends received from the Corporation's major investment, its shareholdings in Brunswick Mining and Smelting Corporation Limited ("Brunswick").

Brunswick has reported a net loss of \$6.9 million for 1986 (20¢ per share) compared with a net loss of \$5.6 million (16¢ per share) a year earlier. Although the loss for 1986 was greater than that of the previous year, Brunswick operated profitably in the fourth quarter of 1986, reporting net earnings for that quarter of \$1.2 million (3¢ per share). Whether Brunswick will operate profitably in 1987 will depend on economic and other conditions during the current year. In any event, an early resumption of dividend payments by Brunswick is not anticipated.

There has been no change in the Corporation's investments during the year. These investments and their quoted value at year end are set out in Note 1 to the financial statements.

Saint John, N.B.
March 24, 1987

On behalf of the Board,
D. A. Macfarlane,
PRESIDENT

First Maritime Mining Corporation Limited

(No Personal Liability)

BALANCE SHEET AS AT DECEMBER 31, 1986

ASSETS

	1986	1985
	\$	\$
CURRENT ASSETS		
Cash and short-term deposits	2,879,115	2,666,520
Interest receivable	43,002	52,525
Prepaid expenses	1,200	1,200
	<u>2,923,317</u>	<u>2,720,245</u>
INVESTMENTS (note 1)	7,849,319	7,849,319
LAND — AT NOMINAL VALUE	2	2
	<u>10,772,638</u>	<u>10,569,566</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	4,600	3,102
Income taxes payable	44,950	23,000
Due to affiliated companies (note 2)	250,000	220,000
	<u>299,550</u>	<u>246,102</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK		
Authorized — 7,000,000 shares of \$1 par value		
Issued and fully paid — 5,371,280 shares	5,371,280	5,371,280
CONTRIBUTED SURPLUS	8,766,794	8,766,794
DEFICIT	(3,664,986)	(3,814,610)
	<u>10,473,088</u>	<u>10,323,464</u>
	<u>10,772,638</u>	<u>10,569,566</u>

SIGNED ON BEHALF OF THE BOARD

D. A. Macfarlane
Director

W. D. Jamieson
Director

STATEMENT OF EARNINGS AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1986

	1986	1985
	\$	\$
REVENUE		
Interest income (including \$175,222 in 1985 from affiliated companies)	241,513	232,043
Dividend income	<u>—</u>	<u>365,959</u>
	241,513	598,002
EXPENSES		
Administration	<u>46,937</u>	<u>45,756</u>
	194,576	552,246
PROVISION FOR INCOME TAXES (note 4)	<u>44,952</u>	<u>96,700</u>
EARNINGS BEFORE EXTRAORDINARY ITEM	149,624	455,546
EXTRAORDINARY ITEM		
Recovery of income taxes on application of prior years' losses and exploration expenditures	<u>—</u>	<u>96,700</u>
NET EARNINGS FOR THE YEAR	149,624	552,246
DEFICIT — BEGINNING OF YEAR	<u>3,814,610</u>	<u>4,343,856</u>
	3,664,986	3,791,610
REFUNDABLE DIVIDEND TAX (note 5)	<u>—</u>	<u>23,000</u>
DEFICIT — END OF YEAR	<u>3,664,986</u>	<u>3,814,610</u>
EARNINGS PER SHARE		
Before extraordinary item	<u>.03</u>	<u>.08</u>
For the year	<u>.03</u>	<u>.10</u>

STATEMENT OF CHANGES IN CASH RESOURCES

FOR THE YEAR ENDED DECEMBER 31, 1986

	1986 \$	1985 \$
OPERATING ACTIVITIES		
Cash provided from operations —		
Net earnings for the year	149,624	552,246
(Deduct) non-cash credits	—	(365,959)
(Deduct) refundable dividend tax	—	(23,000)
	<u>149,624</u>	<u>163,287</u>
Change in non-cash working capital	<u>32,971</u>	<u>(40,313)</u>
	<u>182,595</u>	<u>122,974</u>
INVESTING ACTIVITIES		
Purchase of investment	—	(46)
INCREASE IN CASH *	<u>182,595</u>	<u>122,928</u>
CASH — BEGINNING OF YEAR	<u>2,446,520</u>	<u>2,323,592</u>
CASH — END OF YEAR	<u>2,629,115</u>	<u>2,446,520</u>

* For the purposes of this statement, cash is defined as cash and short-term deposits less amounts due to affiliated companies.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of First Maritime Mining Corporation Limited (No personal liability) as at December 31, 1986 and the statements of earnings and deficit and changes in cash resources for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1986 and the results of its operations and the changes in its cash resources for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Saint John, N.B.

January 22, 1987

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1986

1. INVESTMENTS

The corporation's investments comprise:

	Cost		Quoted Value	
	1986 \$	1985 \$	1986 \$	1985 \$
Brunswick Mining and Smelting Corporation Limited, 1,846,959 shares	6,430,242	6,430,242	21,932,638	24,010,467
Atlantic Coast Copper Corporation Limited, an affiliated company, 140,631 shares	299,737	299,737	182,820	187,039
Consolidated Rambler Mines Limited, an affiliated company, 186,400 shares	<u>1,119,340</u>	<u>1,119,340</u>	<u>1,211,600</u>	<u>1,211,600</u>
	<u>7,849,319</u>	<u>7,849,319</u>	<u>23,327,058</u>	<u>25,409,106</u>

The quoted values referred to above do not necessarily reflect the realizable value of these investments which may be more or less than that indicated by market quotations.

2. RELATED PARTY TRANSACTIONS

Corporation management

The corporation's management and officers are common with certain affiliated companies which share management costs with the corporation.

Due to affiliated companies

During the year, the corporation invested its own surplus funds and funds received for that purpose from affiliated companies.

3. LONG-TERM DEBT

Outstanding agreement

Falconbridge Limited, under existing agreements, has the right to participate to the extent of one-third in any future financing which might be arranged by the corporation.

4. PROVISION FOR INCOME TAXES

The corporation claimed all of its outstanding Canadian exploration expense reserves thereby reducing income subject to Part I tax.

5. REFUNDABLE PART IV TAX

Taxes paid by the corporation on dividend income are refundable to the corporation in the event that the corporation pays taxable dividends to its shareholders. The cumulative refundable amount at December 31, 1986 was \$56,236. Such tax and its recovery is charged and credited to the deficit.

