

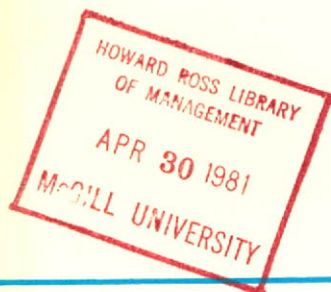
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CONSOLIDATED
RAMBLER
MINES
LIMITED

ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31

1980



CONSOLIDATED RAMBLER MINES LIMITED

Incorporated under the laws of Ontario on January 20, 1961

DIRECTORS	†W. D. JAMIESON Saint John, New Brunswick A. G. KIRKLAND Saint John, New Brunswick W. D. MACAULAY Saint John, New Brunswick †D. A. MACFARLANE Saint John, New Brunswick †G. F. PUSHIE St. John's, Newfoundland L. McC. RITCHIE Saint John, New Brunswick †Members of the Audit Committee
OFFICERS	L. McC. RITCHIE <i>President</i> A. G. KIRKLAND <i>Vice-President</i> D. A. MACFARLANE <i>Secretary and Treasurer</i> MRS. M. JONES <i>Assistant Secretary</i>
EXECUTIVE OFFICE	FIFTH FLOOR, GOLDEN BALL BLDG. Saint John, N.B.
MINE 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 15, 1981 — 2:00 p.m. (Toronto time) Nova Scotia Room, The Royal York Hotel, Toronto, Ontario

DIRECTORS' REPORT

To the Shareholders:

Operations for the year 1980 resulted in a profit of \$2,591,679 (\$0.87 per share) compared with a profit before an extraordinary item of \$4,843,276 (\$1.62 per share) in 1979. The reduction in profit was mainly attributable to lower output, higher operating costs and weaker metal prices. Cash flow from operations was similarly affected, decreasing from \$7.8 million in 1979 to \$3.4 million in 1980. The corporation's working capital at December 31, 1980 was \$19.4 million or \$6.53 per share.

Production of copper concentrate in 1980 was 24,454 tons, down from 31,731 tons produced in 1979. As set out in the mine manager's report, the reduction of tons ore milled was the result of a decrease in the thickness of the ore at lower levels and the further dependence on ore in the Ming Extension property. Only some 49,000 tons of ore (27% of the year's output) came from the Ming Mine (the upper levels) and this source of ore was virtually depleted by year end. The ore milled in 1980 was of a lower grade of copper, 3.51% vs. 3.90% in 1979, a reduction of 10%, which also affected the quantity of concentrate produced.

There were five shipments of concentrate in the 1980 shipping season totalling 27,400 short wet tons. This compared with eight shipments in the 1979 shipping season totalling 37,300 short wet tons.

Metal prices realized in 1980 were 15% or more (on average) above prices realized in 1979. Unfortunately, however, prices peaked in February and March of 1980 and were relatively weak by year end. A copper price of Can. 88c per lb. has been used to value concentrate at the 1980 year end compared with Can. 96c per lb. at the end of 1979.

At December 31, 1980, the corporation had forward sales contracts in place covering approximately one-third of the copper contained in concentrate at prices higher than year end market values. The estimated market value of these contracts has been taken into the accounts for the year 1980.

In common with other mining companies, Rambler experienced increased operating costs in 1980 compared with 1979. Direct costs at the mine increased from \$32.04 per ton ore milled in 1979 to \$45.50 in 1980. This was an increase of 42%. Metal prices have not kept pace with our costs.

During 1980, an exploration program was carried out both on surface and underground. This work, described in the mine manager's report, will be continued in 1981. A milling test was carried out on the footwall mineralization which led management to conclude that this area cannot be mined economically at the present time.

At the shareholders' meeting held on June 10, 1980, an agreement was discussed whereby Rambler would purchase all of the shares of Gullbridge Mines Limited for \$450,000 and would, on June 30, 1980, transfer its resource property to Gullbridge. The terms of the agreement were carried out and Gullbridge operated the resource property from July 1, 1980 to December 31, 1980. On December 31, 1980, Gullbridge, having sold all of its fixed assets, transferred the resource property back to Rambler, together with its remaining assets and liabilities. Gullbridge then took the corporate action necessary to wind up. To do this, it was necessary to incorporate a new company, 464739 Ontario Limited, as a wholly-owned subsidiary of Rambler to purchase the remaining few fixed assets owned by Gullbridge on December 30, 1980. It is believed this action will put in place those benefits envisaged when Gullbridge was purchased in June, 1980.

While Rambler has a strong working capital position, it has not been able to maintain an ore reserve equivalent to earlier years. There is a real possibility that the available ore in the Ming Extension may not continue at deeper levels in quantities and of a grade which can stand the current relatively high level of costs of removal and processing. Should this be the case, then a decision to terminate mining will be inevitable.

On behalf of the Board,
L. McC. RITCHIE, President

Saint John, N.B.
March 30, 1981

MINE MANAGER'S REPORT

To: — Mr. A. G. Kirkland, Vice-President

Operations for the year ended December 31, 1980, are reported as follows:

PRODUCTION	1980	1979
Ore Milled — D.S.T.	181,089	217,065
Average Per Operating Day	761	981
Grade % Copper	3.51	3.90
Operating Time %	85.54	89.4
Copper Recovery %	95.96	95.39
Concentrate Produced — D.S.T.	24,454	31,731
Contained Metals — Copper — Pounds (Net)	11,691,232	15,503,143
Gold — Ounces (Net)	7,497	10,507
Silver — Ounces (Net)	61,261	82,674

MINE OPERATING COSTS PER TON MILLED

Mining	\$22.98	\$15.34
Development	4.64	2.99
Milling	11.67	9.17
General	6.21	4.54
	<u>\$45.50</u>	<u>\$32.04</u>

ORE RESERVES

As at December 31	MING		MING X		TOTAL ORE	
	1980	1979	1980	1979	1980	1979
Vertical Depth — Ft.	1,700	1,700	2,500	2,400	2,500	2,400
Reserves — Tons	3,000	30,000	170,000	191,000	173,000	221,000
Grade % Cu.	3.30	3.19	3.28	3.74	3.28	3.67
Grade Oz Au/Ton	0.05	0.08	0.05	0.08	0.05	0.07
Grade Oz Ag/Ton	0.47	0.68	0.45	0.69	0.45	0.61

Ore reserves for the Ming Mine are calculated from surface to the boundary of the property, nominally 1,700 ft. For the Ming Extension property in 1980, they are calculated from the boundary to the 2500 ft. level.

MING MINE DEVELOPMENT

	1980	1979
Drifting — Ft.	173	543
Diamond Drilling — Ft.	738	807
Diamond Drilling — Ft. (F.W.)	8,666	7,286

MING EXTENSION DEVELOPMENT

Main Ramp Advance — Ft.	1,101	1,472
Drifting — Ft.	1,462	587
Raising — Ft.	204	—
Diamond Drilling — Ft.	7,178	7,035

MILLING

Tonnage milled and copper produced were above plan for the year. Silver and gold production were below plan due to lower feed grade. Copper recovery was slightly improved over 1979, but production of all metals was lower as a result of lower feed tonnage and grade.

A decline in gold and silver content over the last quarter resulted in a lower recovery rate for these metals.

Major mechanical work completed during the year included rebuilding two banks of flotation cells, installation of a second dust collector system in the crusher area, and improvements made to the grinding mills and jaw crusher. To accommodate the lower production rate, the grinding circuit was modified in April by idling one of the larger ball mills and reactivating a smaller mill. One benefit derived was a reduction in grinding ball consumption of approximately 1 lb./ton ore.

A reduction in lime addition by 1.0 lbs/ton and elimination of zinc sulphate addition to the flotation circuit have had no effect on overall metallurgical performance, but have contributed to reducing reagent costs.

MINING

A decrease in the ore thickness on the lower levels plus the longer ore haul to the shaft resulted in a drop in the average tons milled per operating day from 981 in 1979 to 761.

Further diamond drilling and development in the low grade mineralization in the footwall of the main zone in the Ming property was carried out during the year. A 2300 ton bulk sample was produced for metallurgical testing which was milled separately over a 3 day period. The grade averaged 1% copper with negligible gold and silver with a recovery of only 86%.

A long cross-cut was driven into the hanging wall on the bottom 2500 level to establish diamond drill stations to test the ore extension below that level. The holes completed as at year end indicated that the ore structure and mineralization is diminishing both in strike length, thickness and grade. Drilling is continuing.

The decline will be extended to the 2600 level.

EXPLORATION

Surface exploration during the 1980 field season was conducted mainly on three coterminous properties located approximately 1.6 kilometres northeast of the Ming Mine Boundary Shaft.

Diamond drilling in this area intersected minor quantities of sulphides. Further exploration on these claims is planned for 1981.

GENERAL

New contracts were negotiated with Locals 7190 and 8484 of the United Steelworkers of America during the months of October and November.

Once again it is a pleasure to acknowledge the support of the Officers and Directors of the Corporation, together with the mine staff and employees for a successful year.

Respectfully submitted,

J. E. GRAINGER, B.Sc., P.Eng.
Mine Manager

February 23, 1981

Balance Sheet

A S S E T S	1980 \$	1979 \$
CURRENT ASSETS		
Cash	17,318,275	9,527,965
Settlements receivable	8,084,357	18,617,688
Accounts receivable	574,957	207,872
Inventory of concentrate	1,877,049	—
Prepaid expenses	52,123	215,743
	27,906,761	28,569,268
FIXED ASSETS		
Buildings, surface structures and equipment — at cost	9,011,130	8,740,873
Less: Accumulated depreciation	8,696,318	8,117,358
	314,812	623,515
Mining property — at cost less accumulated amortization of \$5,377,716 (1979 - \$5,260,300)	—	117,416
	314,812	740,931
DEFERRED EXPENDITURES		
Mine development expenses — at cost less accumulated amortization of \$2,171,050 (1979 - \$2,010,051)	153,289	314,288
Materials and supplies	1,096,116	893,029
	1,249,405	1,207,317
Excess of cost of investment in subsidiary over the book value of net assets at date of acquisition (note 1)	315,913	—
	29,786,891	30,517,516

BLER MINES LIMITED

December 31, 1980

LIABILITIES

CURRENT LIABILITIES	1980 \$	1979 \$
Accounts payable and accrued liabilities	680,594	548,556
Income taxes payable	1,379,274	1,960,000
Mining tax payable	682,093	2,682,812
Accrual under participation agreement (note 4)	5,713,103	6,586,000
	<u>8,455,064</u>	<u>11,777,368</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 5,000,000 shares of \$1 par value		
Issued —		
2,980,006 shares	2,980,006	2,980,006
Less: Discount thereon	965,000	965,000
	<u>2,015,006</u>	<u>2,015,006</u>
CONTRIBUTED SURPLUS	14,625	14,625
RETAINED EARNINGS	19,302,196	16,710,517
	<u>21,331,827</u>	<u>18,740,148</u>
	<u>29,786,891</u>	<u>30,517,516</u>

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Year Ended December 31, 1980

	1980 \$	1979 \$
REVENUE FROM CONCENTRATE PRODUCTION	15,447,124	25,183,451
Less: Marketing expenses	497,159	689,566
	14,949,965	24,493,885
INTEREST INCOME	1,705,155	374,309
OTHER INCOME	509,849	—
	17,164,969	24,868,194
 EXPENSES		
Operating	8,655,296	7,146,818
Exploration	237,627	259,847
Depreciation and amortization	883,416	1,358,500
Interest (including interest on long-term debt of 1979 - \$24,299)	—	124,753
Allocation under participation agreement (note 4)	2,174,000	4,950,000
	11,950,339	13,839,918
Less: Inventory, end of year	1,877,049	—
	10,073,290	13,839,918
EARNINGS BEFORE TAXES AND EXTRAORDINARY ITEM	7,091,679	11,028,276
 PROVISION FOR TAXES		
Income taxes	3,200,000	3,600,000
Mining taxes	1,300,000	2,585,000
	4,500,000	6,185,000
EARNINGS BEFORE EXTRAORDINARY ITEM	2,591,679	4,843,276
 EXTRAORDINARY ITEM		
Reduction of current year's income taxes on application of prior years' costs (note 5)	—	1,640,000
NET EARNINGS FOR THE YEAR	2,591,679	6,483,276
RETAINED EARNINGS — BEGINNING OF YEAR	16,710,517	10,227,241
RETAINED EARNINGS — END OF YEAR	19,302,196	16,710,517
 EARNINGS PER SHARE:		
Before extraordinary item	0.87	1.62
For the year	0.87	2.17

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Year Ended December 31, 1980

	1980 \$	1979 \$
SOURCE OF WORKING CAPITAL		
From operations	3,398,903	7,831,173
 USE OF WORKING CAPITAL		
Acquisition of subsidiary —		
Fixed assets of subsidiary at date of acquisition	132,032	—
Excess of cost of investment in subsidiary over the book value of net assets at date of acquisition	315,913	—
Purchase of fixed assets	88,074	273,904
Increase in materials and supplies	203,087	275,183
	739,106	549,087
INCREASE IN WORKING CAPITAL	2,659,797	7,282,086
WORKING CAPITAL — BEGINNING OF YEAR	16,791,900	9,509,814
WORKING CAPITAL — END OF YEAR	19,451,697	16,791,900

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended December 31, 1980

1. ACQUISITION AND WIND UP OF SUBSIDIARY

As discussed at the shareholders' meeting on June 17, 1980, the corporation acquired all the capital stock of Gullbridge Mines Limited ("Gullbridge") from First Maritime Mining Corporation Limited, an affiliated corporation, on June 30, 1980 for \$450,000 cash. The excess of cost of this investment over the book value of Gullbridge's net assets at the date of acquisition is carried as an asset on the balance sheet.

On December 31, 1980, Gullbridge was wound up into Consolidated Rambler Mines Limited.

2. INCORPORATION OF SUBSIDIARY

464739 Ontario Limited was incorporated on December 17, 1980 under the laws of the Province of Ontario and acquired certain fixed assets of Gullbridge prior to that corporation's wind-up.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation —

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, 464739 Ontario Limited and Gullbridge Mines Limited.

Sale and Inventory of Concentrate —

As of January 1, 1980, the corporation entered into a new sales agreement under which title to the corporation's concentrate passes when it is loaded aboard ship.

Accordingly, copper concentrate awaiting shipment is treated as inventory and valued at the lower of cost, determined on an average cost basis, and estimated net realizable value.

Depreciation and Amortization —

Depreciation and amortization of fixed assets are on the unit of production method on a basis of the estimated ore reserves.

Mine development expenses are being amortized on the unit of production method on a basis of the estimated ore reserves.

Materials and Supplies —

Materials and supplies inventory are valued at the lower of cost and estimated realizable value.

Settlements Receivable —

Settlements receivable are shown at estimated realizable value. In accordance with terms of the sales contract, final settlements are made at prices prevailing at a future date and the amounts eventually received may vary from the amounts shown as settlements receivable at December 31, 1980. Payable copper contained in concentrate has been valued at \$.88 per pound; 1979 - \$.96.

Forward Sales Contracts —

Forward sales contracts have been valued based on the difference between the forward sales price and the quoted price on the commodity exchange market at December 31, 1980.

Excess of Cost of Investment in Subsidiary —

The excess of cost of investment in subsidiary over the book value of its net assets at the date of acquisition will be amortized over the period that the tax losses of Gullbridge are utilized by the corporation.

4. PARTICIPATION AGREEMENT

Under a participation agreement between the Corporation, the Carroll Prospector Group ("Carroll") and Advocate Mines Limited ("Advocate"), the Corporation is extracting ore from a property known as the Ming Extension which adjoins the Corporation's Ming Mine. The agreement provides for the Corporation to pay to Carroll and Advocate 10% of the profits therefrom until its exploration and preproduction costs have been recovered and thereafter 55% of the profits.

5. FUTURE INCOME TAXES

The corporation now has available the accumulated losses for tax purposes of approximately \$6,135,000 of Gullbridge Mines Limited which may be carried forward and used to reduce taxable income in future years. These losses are not available until year ending December 31, 1981 and must be claimed no later than December 31, 1985.

The corporation also has available to reduce future taxable income approximately \$5,000,000 of expenses, principally exploration and development expenses. No future tax benefit has been recognized in the accounts for the above items.

6. ORE RESERVES

The Corporation calculated its ore reserves at December 31, 1980 to be 173,000 tons grading 3.28% copper to the 2,500 foot level of the mine compared with 220,000 tons grading 3.67% copper to the 2,400 foot level at the preceding year. Approximately 181,000 tons of ore were mined and milled in 1980. Exploration of levels below the 2,500 foot mark level is continuing.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Consolidated Rambler Mines Limited as at December 31, 1980 and the consolidated statements of earnings and retained earnings and changes in financial position 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 consolidated financial statements present fairly the financial position of the corporation as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Saint John, N.B.

March 13, 1981

COOPERS & LYBRAND

Chartered Accountants

