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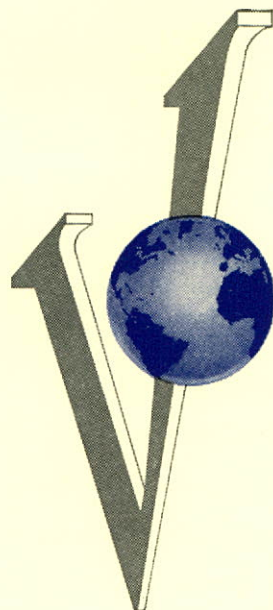


V E N T U R E S L I M I T E D

1960

A N N U A L R E P O R T

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1960

VENTURES LIMITED

32ND ANNUAL REPORT

HEAD OFFICE • 25 KING STREET WEST • TORONTO • CANADA

OFFICERS

Chairman of the Board
President and Managing Director
Vice-President and General Manager
Vice-President and Secretary
Vice-President
Treasurer
Assistant Secretary and Assistant Treasurer

J. D. BARRINGTON
H. J. FRASER
H. S. McGOWAN
G. T. N. WOODROOFFE
D. G. C. MENZEL
J. T. McWHIRTER
S. F. TAIT
J. S. D. TORY

GENERAL COUNSEL

DIRECTORS

J. D. BARRINGTON	T. LINDSLEY
H. J. CARMICHAEL	J. S. D. TORY
W. B. DIX	S. M. WEDD
H. J. FRASER	G. T. N. WOODROOFFE
A. E. GRAUER	

ANNUAL MEETING OF SHAREHOLDERS

Room A, Royal York Hotel, Toronto, Thursday, April 27, 1961, 10:00 a.m. (Toronto Time)

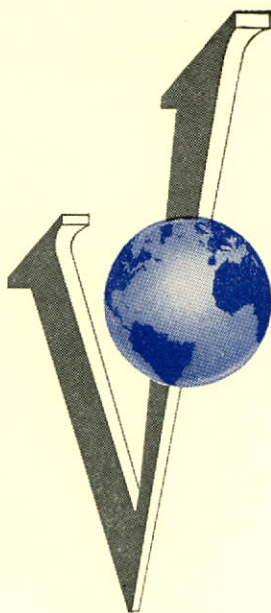
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TRANSFER AGENTS AND REGISTRARS:

Crown Trust Company,
302 Bay Street, Toronto, Ontario
393 St. James Street West, Montreal, Quebec

Registrar and Transfer Company,
50 Church Street, New York 7, N.Y.
15 Exchange Place, Jersey City 2, N.J.



VENTURES LIMITED

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors take pleasure in presenting herein the thirty-second Annual Report of your Company. In addition to the Balance Sheet and the Statements of Earnings and Retained Earnings and the Auditor's Report thereon, there is a short narrative and a financial statement with respect to each of the more important subsidiary and associated companies. There is also a list of your Company's shareholdings and other pertinent financial data.

Several important changes were made in the relationship of Ventures and some of its subsidiary or associated companies in 1960. The most important change was the merger of Frobisher Limited with Ventures whereby all of the assets of Frobisher except \$250,000 in cash and its African oil holdings were acquired in exchange for 335,995 treasury shares of Ventures and the assumption by Ventures of all obligations of Frobisher except those related to its African oil holdings. The obligations of Frobisher assumed by Ventures included the Frobisher issue of debentures of an outstanding principal amount of \$5,000,000. At the time of the merger Ventures owned

\$2,865,000 of these debentures so that one result of the merger was the increase of the Ventures funded indebtedness by \$2,135,000. Another result of the merger was that Ventures became the largest single shareholder in Giant Yellowknife Mines Limited, United Keno Hill Mines Limited and Kilembe Copper Cobalt Ltd. as well as a number of other companies of smaller financial stature.

Consolidated Sudbury Basin Mines Limited amalgamated with Giant Yellowknife Gold Mines Limited on June 30, 1960 under the name of Giant Yellowknife Mines Limited. As a result of this amalgamation, Hoyle Mining Company Limited became a substantial shareholder of Giant.

Earlier in the year Ventures, Hoyle and Coniaurum Mines Limited purchased 625,000 shares of United Keno at \$6.00 per share.

In November Ventures purchased for \$3,431,134 all of the assets of Hoyle except its shareholdings in Opemiska, United Keno and Onaping and \$360,642 in cash. Hoyle then retired its 21,333 preference shares of the par value of \$100 each all of which were then

held by Ventures, discharged its other obligations and distributed its remaining assets rateably to its shareholders as a preliminary step to the surrender of its charter. The net effect to Ventures of these transactions was that Ventures received 1,549,710 shares of Opemiska, 154,971 shares of United Keno, 89,813 shares of Giant, miscellaneous other shares and securities including shares of Onaping and \$53,089 in cash.

While the foregoing mergers and purchases constituted the main part of the programme of corporate simplification, other transactions are worthy of mention. Early in the year Latin American Mines Limited distributed pro rata to its shareholders shares of its wholly-owned subsidiary Chavin of Canada Limited and subsequent to this distribution Ventures disposed of its entire holding of Latin American. At a later date Ventures sold its entire holding of International Titanium Corporation and at the end of the year its entire holding of Frobisher Limited. Ventures received shares of Alminex Limited on a distribution of assets of Geoil Limited and on the merger with Frobisher. As a result of the mergers and purchases for cash it increased its holdings in Anyox Metals Limited which became a wholly-owned subsidiary, Quebec Metallurgical Industries Ltd., Dominion Magnesium Limited, Coniaurum Mines Limited and several other less significant companies. Pelletier Lake Gold Mines Limited sold its properties to Ventures and made a distribution of its assets preliminary to the surrender of its charter. Cheney Mines Limited sold its assets, made a distribution to shareholders and surrendered its charter. Guysborough Mines Limited sold its assets and paid off indebtedness to Ventures. More than ten further companies were financed or re-organized, or eliminated through the sale of shares or by winding up procedures.

The foregoing changes are reflected in the table of shareholdings on pages 14 and 15 and must be kept in mind when considering the financial information presented in this report and particularly when making any comparisons with that of last year.

The programme of corporate simplification is continuing into 1961. Pursuant to a re-organization of Coniaurum, Ventures purchased the mining securities held by Coniaurum other than shares of its wholly-owned subsidiary Carium Mines Limited and of United Keno which are being distributed pro rata to shareholders of Coniaurum on a reduction in capital. Ventures has agreed to sell for cash its holdings in Coniaurum subsequent to this distribution.

FINANCIAL

The following table compares some of the more important financial items for the year 1960 with those for the year 1959:

	1960	1959
Net Earnings	\$ 3,019,914	\$ 1,916,850
Per Share:		
Net income	\$1.10	\$0.80
Dividends declared	\$0.60	\$0.50
Working capital	\$ 5,108,940	\$ 9,186,052
Shareholders' equity:		
At book value	\$ 50,240,707	\$ 40,823,839
Per share	\$18.37	\$17.06
With investments (excluding those in current assets) at indicated market value and with other investments at book value	\$148,707,622	\$114,965,645
Per share	\$54.36	\$48.05
Number of shares outstanding	2,735,399	2,392,404
Number of shareholders	11,965	5,677

Dividend income increased to \$3,956,948 from \$2,731,452 in 1959. The increase was accounted for by increased dividends received from Falconbridge Nickel Mines Limited, by the receipt of the initial dividend in December from Opemiska and by dividends received on the increased holdings in Falconbridge, Giant Yellowknife and United Keno. As the increased holdings referred to were substantially acquired during the last six months, the gross dividend income does not represent a full year's dividend income on our present holdings at current rates. Other income increased to \$638,305 from \$536,273 last year due to an increase in interest and royalties received and the inclusion of net earnings of the Connemara mine for the last six months. A general reduction in administrative and other expenses was also a factor in the increased net earnings during the year. Interest paid on debentures was higher due to the assumption by Ventures of the Frobisher debentures referred to above.

Exploration expenditures were \$784,171 as compared with \$535,775 the year before but there are included expenditures made during 1960 on properties which were acquired during the year and on which the Company made no expenditures in previous years.

Despite the general reduction in business activity during 1960 several of the Ventures' group of companies showed very pleasing improvements in their earnings and financial position. Ventures' interest in the profits of those subsidiaries which made a profit during the year was \$10,037,578 and Ventures' interest in the losses including write-offs of those subsidiaries which made a loss, was \$1,493,836. The net Ventures' interest

in the profits, less losses amounted to \$8,543,742 which was \$5,158,399 in excess of the dividends received. The aforementioned profits and losses include the adjustments to surplus of the subsidiary companies (including dividends paid) as well as the net profits and net losses of the subsidiary companies. Major adjustments to surplus are the writing-down of the mining properties of Coniaurum to estimated realizable value and the loss on disposal of fixed assets and writing-off of prior years' prospecting and exploratory development expenses by Kilembe Copper Cobalt Ltd.

The amounts written-off by Ventures in 1960 and charged directly to Retained Earnings totalled \$559,949. The loss on liquidation of investment in Pelletier Lake was \$319,252. An amount of \$185,829 of the write-offs relates to the adjusting of the book value of our investments in wholly owned subsidiaries to the net worth of these companies. The remaining \$54,868 is made up of the net of various smaller write-offs and recoveries, the chief write-off being some \$63,000 in connection with the disposal of the investment in Latin American and subsequent advances to Chavin of Canada.

During 1960, Ventures' working capital declined by \$4,077,000 from \$9,186,000 to \$5,109,000; details are set forth in the statement of Source and Application of Funds. Funded debt in the hands of the public increased from \$4,365,552 to \$5,744,317 excluding \$500,000 which is included in current liabilities. The increase in funded debt was wholly due to the assumption of the liabilities of Frobisher.

OPERATING HIGHLIGHTS

SUBSIDIARY AND ASSOCIATED COMPANIES

As mentioned above this Report contains information about the more important subsidiary and associated companies including financial statements for the main operating companies. Your attention however, is directed to the following matters with respect to some of the companies:

Alminex

During the year the oil reserves of Alminex were increased by 4.3% and the gas reserves by 1.9%. There was a three-fold increase in gas production and a 15% increase in oil production. After all charges and write offs, the net loss for the year was \$718,000 as compared to \$526,236 for the year before.

Falconbridge

Falconbridge earnings were at an all time high of \$16,064,862 or \$4.26 per share. Deliveries of nickel totalled 65 million pounds as compared with 58.4 million pounds the year before. Falconbridge working capital increased to \$37,547,395 and its long-term debt was reduced to \$17,091,856. Falconbridge has started opening up the Strathcona mine. Ore reserves were maintained.

Giant Yellowknife

For the first six months of operation the new Giant company earned a net profit of \$837,596 as compared with the net profit for the predecessor company of \$1,754,433 for the year ended June 29th. A thorough review is now being made of the metallurgical reports and data on the base metal extraction of the Consolidated Sudbury ores.

Kilembe

Kilembe Mines produced a total of 14,515 long tons of copper from 898,248 tons of ore. It realized a net profit of \$1,787,111, retired \$1,046,673 of its unsecured loan stock and repaid \$154,598 of its debenture stock. The ore reserves have been re-estimated and now stand at 8,001,000 tons of 1.95% copper as compared with 8,843,000 tons of 2.05% copper at the end of 1959.

La Luz

Although the La Luz gold mine showed an operating profit of \$396,000 the consolidated net loss of La Luz and its wholly owned subsidiary, Rosita Mines Limited, was \$1,296,000 from which there has been deducted profit on the sale of securities of \$525,000 leaving a net consolidated loss for the year of \$770,000. At year end the company was still experiencing serious difficulties in its attempt to maintain the Rosita copper operation at a profitable level. The situation is currently under review.

Opemiska

During the year this company discharged its bank loan and paid its initial dividend of 10¢ per share. The expansion programme was completed and operations became stabilized during the year at just over the 2,000 tons per day basis. Exploration underground was proceeding at an accelerated rate and results were encouraging.

United Keno Hill

There was a slight decrease in ore reserves of United Keno. The decline in net profit to \$1,123,649 from \$1,324,836 was largely due to increased operating costs, slightly lower mill heads and a small drop in recovery. For the current company year, earnings have been at a sharply reduced level particularly in November and December due to low production caused primarily by transformer and other electrical troubles now corrected.

American Nepheline

In spite of a drop in the dollar value of sales, this company produced a net profit of \$125,661 being only slightly below that of the previous year. This company is selling in very competitive markets which are reflecting the reduced level of business activity in the United States. The company lost two of its senior officials by death during the year. Mr. A. L. A. Richardson had very ably served as President since 1956 and Mr. E. Craig, formerly Vice-President and General Manager had also ably served with American Nepheline and other Ventures' group companies since 1928.

Dominion Magnesium

Due to an increased demand for magnesium, the plant at Haley operated at full capacity for most of 1960 and earned a net profit of \$77,006 as compared with a net loss of \$589,591 the year before. Sales prospects for magnesium during 1961 appear promising.

Metal Hydrides

Due to the termination of the special contract with the U.S. government for the production of sodium borohydride referred to in the last annual report, the company experienced a severe drop in sales during the year. Consequently the net profit fell to \$75,000. Protracted negotiations finally resulted in completion of the contract settlement.

DIRECT OPERATIONS

Connemara Division

This mine formerly owned by Frobisher, appears as a division of your Company for the first time. Although operating on a salvage basis it earned a net profit of \$41,812 in the last six months of 1960.

Industrial Minerals Division

Exploration work and drilling on the kaolin concession in the Moose River basin area of northern Ontario proved disappointing and the concession was surrendered. Several other field investigations were carried out without encouraging results. Controlling interest was acquired in Cobo Minerals Limited, a company operating a limestone deposit near Coboconk, Ontario, and the kiln and plant renovated.

Exploration and New Developments

Exploration activities were carried on in various parts of Canada both directly by Ventures and its associated companies and through participation with several groups and syndicates. The Waddy Lake gold prospect in northern Saskatchewan gave encouraging results on preliminary drilling and a new company, Waddy Lake Mines Limited, was formed to acquire this property. Ventures holds several iron properties in western Canada in which exploration to date has been sufficiently encouraging to justify considerably more detailed work. The exploration work carried out by Canada Tungsten Mining Corporation Limited on its property near Watson Lake, N.W.T., indicated a deposit of commercial value and at the year-end, production and financing plans were under consideration. Several other discoveries of mineralization made during the year will require further tests in 1961.

The results of exploration carried on by the subsidiary and associated operating companies are set forth in the following company summaries and more fully in their annual reports.

Your Directors wish to acknowledge the co-operation and effort of the officers, staff and employees of all the companies making up the Ventures' group. They especially appreciate the co-operation and help given by the Ventures' staff towards the solution of the many problems that arose during 1960.

On Behalf of the Board,



President.

Toronto, Ontario,
March 13, 1961.

ARTHUR YOUNG, CLARKSON, GORDON & CO.
ACCOUNTANTS AND AUDITORS
OFFICES IN PRINCIPAL CITIES OF U.S.A.

Clarkson, Gordon & Co.
Chartered Accountants

15 WELLINGTON STREET WEST

Toronto 1
CANADA

AUDITORS' REPORT

To the Shareholders of
Ventures Limited:

We have examined the consolidated balance sheet of Ventures Limited and its wholly-owned subsidiaries as at December 31, 1960 and the statements of consolidated earnings and retained earnings for the year then ended 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 companies, the accompanying consolidated balance sheet and statements of consolidated earnings and retained earnings, when read in conjunction with the notes appended thereto, are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the companies as at December 31, 1960 and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We also report that in our opinion the information required under section 118 of the Companies Act (Canada) is correctly stated in note (2) to the financial statements.

Clarkson, Gordon & Co.
Chartered Accountants.

Toronto, Canada,
March 20, 1961.

*
AUDITORS'
REPORT

VENTURES

(Incorporated under
and its wholly-

Consolidated Balance Sheet

(with unconsolidated

ASSETS

Current:	1960	1959
Cash	\$ 1,937,787	\$ 1,166,810
Short term investments at cost (approximate market value)	4,513,511	9,485,058
Bullion	13,066	
Accounts receivable —		
Unconsolidated subsidiary and associated companies	169,085	72,115
Sundry	204,576	121,551
	<u>\$ 6,838,025</u>	<u>\$10,845,534</u>
Investment in unconsolidated subsidiary, associated and other companies at cost, less amounts written off (Notes 4 and 5):		
Unconsolidated subsidiary companies —		
Shares and debentures	\$25,233,092	\$22,713,211
Advances	2,522,193	695,895
	<u>\$27,755,285</u>	<u>\$23,409,106</u>
Associated companies —		
Shares and debentures	\$22,282,498	\$10,434,879
Advances		1,577,518
	<u>\$22,282,498</u>	<u>\$12,012,397</u>
Other companies —		
Shares	\$ 444,999	\$ 513,837
	<u>\$50,482,782</u>	<u>\$35,935,340</u>
Other:		
Mining claims	\$ 40,005	\$ 4
Supplies	121,831	
Prepaid expenses	12,314	9,347
Buildings and equipment at cost less accumulated depreciation	120,818	58,648
Mortgages and property sales agreements	98,334	
	<u>\$ 393,302</u>	<u>\$ 67,999</u>
	<u>\$57,714,109</u>	<u>\$46,848,873</u>

See notes to consolidated

LIMITED

(the laws of Canada)

owned subsidiaries

— December 31, 1960

(figures for 1959)

LIABILITIES

Current:	1960	1959
Accounts payable and accrued charges	\$ 256,012	\$ 81,931
Due to unconsolidated subsidiary and associated companies	15,683	479,450
Dividend payable	957,390	598,101
Long-term debt payable within one year	500,000	500,000
	<u>\$ 1,729,085</u>	<u>\$ 1,659,482</u>
Commitments and contingent liabilities (Notes 9 and 10):		
Long-Term (Note 4):		
4½% Sinking Fund Debentures due October 1, 1969 — (U.S. \$4,123,000) (Canadian \$377,000)	\$4,394,317	\$ 4,865,552
Less held by wholly-owned subsidiary	285,000	
	<u>\$4,109,317</u>	<u>\$ 4,865,552</u>
Less sinking fund payment due within one year shown under current liabilities	500,000	500,000
	<u>\$ 3,609,317</u>	<u>\$ 4,365,552</u>
5% Debentures due February 15, 1970	\$5,000,000	
Less held by wholly-owned subsidiary	2,865,000	2,135,000
	<u>\$ 5,744,317</u>	<u>\$ 4,365,552</u>
Shareholders' Equity (Notes 5, 6, 7 and 8):		
Capital —		
Authorized: 4,000,000 shares of no par value		
Issued: 1960 — 2,735,399 shares (1959 — 2,392,404 shares)	\$37,828,531	\$29,413,638
Retained earnings	12,412,176	11,410,201
	<u>\$50,240,707</u>	<u>\$40,823,839</u>
On behalf of the Board:		
J. D. BARRINGTON, Director.		
H. J. FRASER, Director.		
	<u>\$57,714,109</u>	<u>\$46,848,873</u>

VENTURES LIMITED

and its wholly-owned subsidiaries

STATEMENT OF CONSOLIDATED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1960

(with unconsolidated figures for 1959)

Dividends received from:

	1960	1959
Unconsolidated subsidiary companies —		
Falconbridge Nickel Mines Limited	\$3,112,588	\$2,385,356
Other subsidiaries	272,755	82,735
	<u>\$3,385,343</u>	<u>\$2,468,091</u>
Other companies	571,605	263,361
	<u>\$3,956,948</u>	<u>\$2,731,452</u>
Interest earned	526,166	510,264
Royalty received	70,327	26,009
Net profit of Connemara Mine	41,812	
	<u>\$4,595,253</u>	<u>\$3,267,725</u>

Deduct:

Administrative and general expenses —		
Executive salaries	\$ 158,967	\$ 143,351
Directors' fees	15,500	14,700
Legal fees and expenses	20,739	4,098
Other administrative expenses less amounts recovered from unconsolidated subsidiary and associated companies	303,515	408,549
	<u>\$ 498,721</u>	<u>\$ 570,698</u>
Interest on debentures	282,340	232,570
Other interest paid	6,199	2,986
Income taxes deducted at source from dividends received	3,908	8,846
	<u>\$ 791,168</u>	<u>\$ 815,100</u>
Earnings for the year before exploration expenditures	\$3,804,085	\$2,452,625
Exploration expenditures	784,171	535,775
Net earnings for the year	<u>\$3,019,914</u>	<u>\$1,916,850</u>

Supplementary information:

1. Fees paid to directors of Ventures Limited by unconsolidated subsidiary companies amounted to \$5,400 in 1960 and \$5,300 in 1959.
2. Depreciation provided totalled \$16,662 in 1960 and \$15,288 in 1959.

See notes to consolidated financial statements.

VENTURES LIMITED

and its wholly-owned subsidiaries

STATEMENT OF CONSOLIDATED RETAINED EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1960

(with unconsolidated figures for 1959)

	1960	1959
Balance at beginning of year	\$11,410,201	\$11,228,176
Add:		
Net earnings for the year	3,019,914	1,916,850
Gain on disposal of investments (net)	326,828	413,568
	<u>\$14,756,943</u>	<u>\$13,558,594</u>
Deduct:		
Adjustment (net) arising out of the consolidation of the company's wholly-owned subsidiaries, consisting primarily of the restatement of the subsidiaries' assets to the basis of valuation employed by Ventures Limited	\$ 185,829	
Loss on liquidation of investment in Pelletier Lake Gold Mines Limited	319,252	
 Amounts written off —		
Investment in shares of unconsolidated subsidiary, associated and other companies	30,170	\$ 892,854
Advances to associated companies (net)	24,698	59,337
Costs (including legal fees of \$40,832) incurred in connection with the merger of Frobisher Limited with Ventures Limited	145,329	
	<u>\$ 705,278</u>	<u>\$ 952,191</u>
	\$14,051,665	\$12,606,403
Less dividends declared	1,639,489	1,196,202
Balance at end of year	<u>\$12,412,176</u>	<u>\$11,410,201</u>

See notes to consolidated financial statements.

VENTURES LIMITED

and its wholly-owned subsidiaries

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 1960

1. The consolidated financial statements reflect the financial position and operating results of the company and its wholly-owned subsidiaries. In 1959 and prior years the company published unconsolidated financial statements; if consolidated financial statements of the company and its wholly-owned subsidiaries had been published as at December 31, 1959 they would not have differed materially from the unconsolidated statements which were published. The partially-owned subsidiaries have not been consolidated as it is the company's view that a more intelligent appraisal of its financial position may be obtained from the attached consolidated financial statements of the company, together with the individual financial statements of the major unconsolidated subsidiary companies.
2. The earnings of the unconsolidated subsidiary companies are included in income only to the extent of dividends received; such dividends were approximately \$5,158,000 less than the company's share of the aggregate profits less losses of the unconsolidated subsidiaries for the year ended December 31, 1960. The interest of Ventures Limited in the aggregate of accumulated surpluses less deficits of unconsolidated subsidiary companies from the date of their acquisition to December 31, 1960 not taken up in the parent company's accounts amounted to approximately \$24,254,000.
3. Assets and liabilities in currencies other than Canadian dollars are converted into Canadian funds at the current quoted rates of exchange at December 31, 1960, except fixed assets (and the related accumulated depreciation) which are converted at the rates of exchange prevailing when the expenditures on the assets were made.

Revenues and expenses in currencies other than Canadian dollars are converted into Canadian funds at approximately the average monthly quoted rates of exchange, except the allowance for depreciation which is converted at the rates of exchange prevailing when the expenditures on the related assets were made.
4. The company has hypothecated the following securities owned by it as collateral for its 4½% and 5% debentures:

1,150,000 shares Falconbridge Nickel Mines Limited
500,000 shares Giant Yellowknife Mines Limited
500,000 shares United Keno Hill Mines Limited.
5. Warrants issued in connection with the sale of the company's sinking fund debentures in 1954 and still outstanding at December 31, 1960 entitled the holders to purchase 38,672 shares of Falconbridge Nickel Mines Limited from the company at U.S. \$20 per share and to purchase 43,000 shares of the company's unissued share capital at U.S. \$20 per share, all exercisable on or before October 1, 1969.
6. The company has reserved 43,000 of its unissued shares for the purpose of granting options to officers and employees of the company at \$28.36 per share (the market price less 5% at the date these shares were reserved). At December 31, 1960 there were options outstanding on 18,000 of these shares, exercisable on or before April 30, 1969. The options contain a termination of employment clause.
7. During 1960 the company issued 342,995 shares of its capital stock as follows:

7,000 shares to employees for \$198,520 cash under the options referred to in note 6 above.
335,995 shares valued at \$8,216,373, issued to the shareholders of Frobisher Limited (other than Ventures Limited) in connection with the merger of Frobisher Limited with Ventures Limited. The assets acquired and the liabilities assumed by Ventures Limited under the merger have been recorded in its books at the same amounts at which they were formerly carried in the accounts of Frobisher Limited.
8. Under the trust indenture securing the company's 4½% sinking fund debentures the maximum amount of retained earnings at December 31, 1960 available for dividends was \$9,019,596.
9. The company holds an option to purchase 122,547 shares of Kilembe Copper Cobalt Ltd. at \$2.10 per share exercisable on or before December 31, 1962 and has agreed to exercise this option upon the written demand of Kilembe Copper Cobalt Ltd.
10. Actions instituted in 1957 are still pending against the company and one of its directors relating to the acquisition of the mining properties of La Luz Mines Limited and its wholly-owned subsidiary, Rosita Mines Limited. At the present time no determination can be made as to the liability, if any, in this connection.

VENTURES LIMITED

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31, 1960

Working capital at December 31, 1959 (unconsolidated) \$9,186,052

Funds provided from:

Operations —		
Net earnings for the year	\$3,019,914	
Add charges to operations which in themselves did not require an outlay of funds during the year (including depreciation of \$16,662)	34,911	3,054,825
Sale of investments		935,324
Distribution of assets of Geoil Limited		441,093
Repayment of advances made to subsidiary, associated and other companies (net)		273,930
Issue of shares under employees' option agreement		198,520
Distribution of assets of Pelletier Lake Gold Mines Limited (net)		68,560
Net increment in cash arising out of transactions with Hoyle Mining Company Limited		53,089
		<u>\$5,025,341</u>

Funds applied:

Purchase of investments	\$3,370,001	
Purchase of Frobisher Limited 5% debentures	2,424,805	
Dividends declared	1,639,489	
Repayment of Frobisher bank loan less net current assets acquired from Frobisher pursuant to the merger of Frobisher with Ventures	635,293	
Retirement of 4½% debentures	490,840	
Purchase of 4½% debentures by wholly-owned subsidiary	265,395	
Ventures-Frobisher merger expenses	145,329	
Net increase in other assets	131,301	9,102,453
Excess of funds applied over funds provided during the year		<u>\$4,077,112</u>
Working capital at December 31, 1960		<u><u>\$5,108,940</u></u>

VENTURES LIMITED

and its wholly-owned subsidiaries

STATEMENT OF CONSOLIDATED INVESTMENT IN UNCONSOLIDATED SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES — DECEMBER 31, 1960

(with unconsolidated figures for 1959)

	1960				
	Shares and Debentures				
	Number of shares or par value	% of outstanding capital	Indicated Market value (Note A)	Cost less Amounts Written off	Advances
Unconsolidated subsidiary companies:					
American Nepheline Limited	2,070,865	50.5	\$ 766,220	\$ 986,096	
Avenue Realty Company Limited					
Chavin of Canada Limited	2,245,223	87.5		436,304	
Cobo Minerals Limited—					
Common shares	90,000	60.0		75,000	\$ 50,000
6% debentures due December 31, 1965	\$ 275,000			275,000	
Coniaurum Mines Limited	2,034,854	73.6	1,281,958	854,855	
Falconbridge Nickel Mines Limited (Note B)	2,150,866	57.1	81,732,908	4,759,804	
Geoil Limited (Note C)					
Horne Fault Mines Limited (Note D)	1,590,385	53.0	103,375	98,139	
Hoyle Mining Company Limited—					
Common shares					
5¾% cumulative redeemable preferred shares					
Kiena Gold Mines Limited	2,972,354	65.3		53,922	
Kilembe Copper Cobalt Ltd.	3,053,627	79.0	6,739,979	9,460,664	2,000,000
La Luz Mines Limited—					
Common shares	1,107,186	70.0	3,044,761	2,464,293	
6% debentures due Sept. 30, 1962	\$2,000,000			1,850,000	
7½% debentures due Oct. 30, 1964	\$ 325,000			300,625	
Latin American Mines Limited					
Pascal's Gold Mines Limited	2,099,069	52.5	335,851	240,979	
Pelletier Lake Gold Mines Limited					
* Rosita Mines Limited					472,193
St. Eugene Mining Corporation Limited (Note D)	1,970,778	81.6		124,990	
* United Keno Hill Mines Limited (Note B)	1,183,854	47.9	9,766,878	3,200,687	
Miscellaneous participations of less than \$50,000 each				51,734	
			\$103,771,930	\$25,233,092	\$2,522,193

* Controlled through unconsolidated subsidiary companies.

1959				
Shares and Debentures				
Number of shares or par value	% of outstanding capital	Indicated Market value (Note A)	Cost less Amounts Written off	Advances
2,070,865	50.5	\$ 1,159,684	\$ 986,096	
70,253	100.0		85,861	
1,852,050	66.9	963,066	758,576	
1,998,651	53.2	63,956,832	4,023,338	
3,711,284	68.2	5,344,249	5,540,395	
302,500	11.6	16,637	16,800	\$ 10,780
2,285,355	76.1	7,998,742	3,632,671	
21,333	100.0		2,029,375	
2,818,978	62.7		46,253	
1,101,087	69.9	4,404,356	2,439,905	
\$2,000,000			1,850,000	
\$ 100,000			92,500	
1,811,826	70.6	471,075	488,118	
2,099,069	52.5	304,365	240,979	
2,660,562	98.1		386,337	
				685,115
1,129,593	46.8		1	
				95,006
		\$ 84,619,006	\$22,713,211	\$ 695,895

Associated companies:

Akaiicho Yellowknife Gold Mines Limited	1,165,230	35.7	\$ 541,832	\$ 380,243
Alminex Limited	3,172,713	42.4	5,076,341	9,769,703
Canada Tungsten Mining Corp. Ltd.	382,236	14.7	500,729	153,787
Canadian Malartic Gold Mines Limited	1,401,185	38.4	525,444	528,741
Consolidated Sudbury Basin Mines Limited				
Dominion Magnesium Limited	169,751	35.6	1,145,819	1,186,549
Frobisher Limited—				
Common shares				
4% convertible debentures due				
Feb. 15, 1968				
Giant Yellowknife Mines Limited (Note B)	1,288,132	29.9	15,457,584	1,672,582
Giant Yellowknife Gold Mines Limited				
Joliet-Quebec Mines Limited	1,128,800	22.0	321,708	154,972
Lake Dufault Mines Limited	1,816,733	43.9	708,526	285,818
Lakefield Research of Canada Limited				
Metal Hydrides Incorporated	162,538	47.7	1,381,573	1,683,446
Opemiska Copper Mines (Quebec) Limited	1,929,389	35.0	10,129,292	3,782,385
Quebec Metallurgical Industries Ltd.	2,139,877	42.3	1,390,920	1,687,877
Thompson-Lundmark Gold Mines Limited	655,267	13.1	419,371	341,106
Tonopah Mining Company of Nevada	252,760	32.3	631,900	521,620
Miscellaneous participations of less than				
\$50,000 each			192,335	133,669
			<u>\$ 38,423,374</u>	<u>\$22,282,498</u>

Other companies:

Empresa Minera de Mantos Blancos	8,395		\$ 83,950	
Home Oil Company Limited—Class "A"				
—Class "B"				
United North Atlantic Securities Limited	10,000			100,000
Miscellaneous participations of less than				
\$50,000 each			\$ 614,627	261,049
			<u>\$ 614,627</u>	<u>\$ 444,999</u>
			<u>\$142,809,931</u>	<u>\$47,960,589</u>
				<u>\$2,522,193</u>

35,000	.5	\$ 81,550	\$ 140,000	
290,496	14.5		39,112	
1,388,685	38.0	666,569	513,411	
191,073	2.5	82,161	76,429	
128,952	27.1	918,783	899,666	
2,317,579	34.0	4,426,576	4,408,362	\$1,577,518
\$ 296,500		242,389	242,542	
403,583	10.1	4,338,517	540,676	
1,591,771	38.5	1,114,240	202,748	
23,251	31.2		69,760	
131,540	38.5	1,841,560	1,370,402	
379,596	6.9	3,017,788	685,998	
851,854	16.8	494,075	681,483	
252,760	31.7	821,470	521,620	
		33,140	42,670	
		<u>\$ 18,078,818</u>	<u>\$10,434,879</u>	<u>\$1,577,518</u>
2,798			\$ 27,980	
9,737		\$ 114,410	192,306	
3,000		33,375	57,750	
10,000			100,000	
		99,818	135,801	
		<u>\$ 247,603</u>	<u>\$ 513,837</u>	
		<u>\$102,945,427</u>	<u>\$33,661,927</u>	<u>\$2,273,413</u>

NOTES:

- The market values shown above are based on closing market prices at December 31, 1960 and December 31, 1959. Because of the number of shares involved the amounts that would be realized if certain of these securities were to be sold may be less than the indicated market values of these securities. In those instances, however, where the securities listed above represent control of the companies concerned, the amounts that could be realized on disposal may be more than their indicated market values.
- See note (4) to financial statements as to 1,150,000 shares of Falconbridge Nickel Mines Limited, 500,000 shares of Giant Yellowknife Mines Limited and 500,000 shares of United Keno Hill Mines Limited owned by the company and hypothecated as security for the company's outstanding debentures, and note (5) as to warrants outstanding entitling the holders to purchase 38,672 shares of Falconbridge Nickel Mines Limited from the company.
- The market value shown for shares of Geoil Limited is based on the quoted market value at December 31, 1959 of the shares of Alminex Limited, the principal asset of Geoil Limited at that date.
- Horne Fault Mines Limited and St. Eugene Mining Corporation Limited, classified as associated companies in 1959, became subsidiaries in 1960. The 1959 figures for these companies have been reclassified for comparative purposes.

VENTURES

TEN YEAR

	1960	1959	1958	1957
Current assets	\$ 6,838,025	\$ 10,845,534	\$14,581,715	\$17,516,552
Investment in subsidiary, associated and other companies at cost less amounts written off:				
Shares and debentures	47,960,589	33,661,927	30,805,760	28,740,726
Advances	2,522,193	2,273,413	1,698,007	6,106,361
Other assets	393,302	67,999	57,842	204,718
Total assets	<u>\$ 57,714,109</u>	<u>\$ 46,848,873</u>	<u>\$47,143,324</u>	<u>\$52,568,357</u>
Current liabilities	\$ 1,729,085	\$ 1,659,482	\$ 1,659,431	\$ 1,289,018
Long term debt	5,744,317	4,365,552	4,842,079	5,331,563
Total liabilities	<u>\$ 7,473,402</u>	<u>\$ 6,025,034</u>	<u>\$ 6,501,510</u>	<u>\$ 6,620,581</u>
Shareholders' equity	<u>\$ 50,240,707</u>	<u>\$ 40,823,839</u>	<u>\$40,641,814</u>	<u>\$45,947,776</u>
Number of shares outstanding	2,735,399	2,392,404	2,392,404	2,392,404
Working capital	\$ 5,108,940	\$ 9,186,052	\$12,922,284	\$16,227,534
Shares and debentures at indicated market value	\$142,809,931	\$102,945,427	\$90,850,139	\$67,427,747
Gross income	\$ 4,595,253	\$ 3,267,725	\$ 3,479,641	\$ 3,066,050
Expenditures on exploration	\$ 784,171	\$ 535,775	\$ 613,967	\$ 89,353
Net income	\$ 3,019,914	\$ 1,916,850	\$ 2,186,797	\$ 2,263,759
Per share	\$1.10	80¢	91¢	95¢
Dividends declared	\$ 1,639,489	\$ 1,196,202	\$ 1,196,202	\$ 1,196,202
Per share	60¢	50¢	50¢	50¢
Total dividends declared	\$ 13,329,935	\$ 11,690,446	\$10,494,244	\$ 9,298,042

NOTES:

1. Market value of investments not reported for the years prior to 1954.
2. In 1958 the Company changed its basis of accounting for exploration expenditures by charging current year's exploration expenditures to income instead of carrying forward a portion of these expenditures each year and charging the expenditures, as written off, to earned surplus. The 1957 figures have been reclassified to reflect this change.
3. The 1960 figures are for Ventures Limited and its wholly-owned subsidiaries. If the figures for prior years had been prepared on a consolidated basis they would not be materially different than those shown.

LIMITED

REVIEW

1956	1955	1954	1953	1952	1951
\$ 832,451	\$ 1,592,597	\$ 980,509	\$ 488,666	\$ 422,105	\$ 153,538
26,725,622	21,529,309	21,598,917	18,826,149	19,776,115	19,649,909
6,254,286	11,233,931	10,806,234	8,299,491	5,009,081	2,154,006
277,978	427,002	440,441	342,694	226,283	274,050
<u>\$ 34,090,337</u>	<u>\$ 34,782,839</u>	<u>\$33,826,101</u>	<u>\$27,957,000</u>	<u>\$25,433,584</u>	<u>\$22,231,503</u>
\$ 1,872,892	\$ 938,978	\$ 1,834,057	\$ 4,044,279	\$ 1,345,367	\$ 292,835
5,831,563	6,331,563	6,831,563		1,885,522	2,113,798
<u>\$ 7,704,455</u>	<u>\$ 7,270,541</u>	<u>\$ 8,665,620</u>	<u>\$ 4,044,279</u>	<u>\$ 3,230,889</u>	<u>\$ 2,406,633</u>
<u>\$ 26,385,882</u>	<u>\$ 27,512,298</u>	<u>\$25,160,481</u>	<u>\$23,912,721</u>	<u>\$22,202,695</u>	<u>\$19,824,870</u>
1,793,432	1,791,582	1,787,416	1,787,416	1,787,416	1,787,416
\$ (1,694,060)	\$ 2,145,174	\$ (853,548)	\$ 3,555,613	\$ (923,262)	\$ (449,147)
\$121,276,928	\$112,555,849	\$77,141,662			
\$ 2,843,617	\$ 2,573,611	\$ 1,390,571	\$ 1,328,837	\$ 1,475,838	\$ 1,569,055
\$ 1,638,261	\$ 1,451,080	\$ 793,465	\$ 868,357	\$ 987,986	\$ 1,117,804
91¢	81¢	44¢	49¢	55¢	63¢
\$ 896,254	\$ 536,850	\$ 804,337	\$ 536,224	\$ 536,224	\$ 536,224
50¢	30¢	45¢	30¢	30¢	30¢
\$ 8,101,840	\$ 7,205,586	\$ 6,668,736	\$ 5,864,399	\$ 5,328,175	\$ 4,791,951

VENTURES LIMITED

DIRECT INTEREST IN THE NET PROFITS OR (LOSSES)

OF PRINCIPAL OPERATING COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 1960

SUBSIDIARY COMPANIES:	Net Profit or (Loss) for Fiscal Year	Direct Interest		Dividends Received by Ventures
		%	Amount	
American Nepheline Limited	\$ 125,661	50.5	\$ 63,459	\$ 41,417
Coniaurum Mines Limited	77,147	73.6	56,780	
Falconbridge Nickel Mines Limited	16,064,862	57.1	9,173,036	3,112,588
Kilembe Copper Cobalt Ltd.	282,812	79.0	223,421	
La Luz Mines Limited	(770,770)	70.0	(539,539)	
United Keno Hill Mines Limited	1,123,649	47.9	538,228	231,338
ASSOCIATED COMPANIES:				
Alminex Limited	(718,000)	42.4	(304,432)	
Canadian Malartic Gold Mines Limited	56,882	38.4	21,843	
Dominion Magnesium Limited	77,006	35.6	27,414	
Giant Yellowknife Mines Limited (Note)	837,596	29.9	250,441	248,222
Metal Hydrides Inc.	75,045	47.7	35,796	
Opemiska Copper Mines (Quebec) Limited	2,708,236	35.0	947,883	192,939
			<u>\$10,494,330</u>	<u>\$3,826,504</u>
Per share on 2,735,399 shares			<u>\$ 3.84</u>	<u>\$ 1.40</u>

NOTE: For the period June 30 to December 31, 1960.

ALMINEX LIMITED

CAPITALIZATION	Common shares	Outstanding		Ventures	
		7,474,161	3,172,713	42.5%	
PRODUCTION		Oil BBLs.	Condensate BBLs.	Gas MMCF	Gross Revenue
	Year ended December 31, 1960	473,536	51,101	1,824,323	\$1,621,098
	To December 31, 1959	411,106	—	615,471	1,155,684
	Total production	<u>884,642</u>	<u>51,101</u>	<u>2,439,794</u>	<u>\$2,776,782</u>

HIGHLIGHTS

A three-fold increase in gas production and a 15% increase in oil production. An increase of 4.3% in oil reserves and 1.9% in gas reserves.

Participation in the drilling of 79 development wells, one of which was a gas well and 78 completed as oil wells.

Participation in the drilling of 20 completed exploratory wells, four of which were gas discoveries and 16 dry holes.

REVIEW OF OPERATIONS

Net production income after royalties and operating expenses was \$1,185,168, compared to \$848,506 in 1959. Expenditures on exploration, including exploratory drilling costs, totalled \$931,556, depreciation, depletion and other write-offs amounted to \$725,353 and administration and general expenses and interest were \$246,259. After making these deductions, the net loss was \$718,000.

Capital expenditures on development, plant and equipment and land acquisition were \$2,148,972. Capital expansion was financed by bank loans out of an established line of bank credit. Loans outstanding at year end amounted to \$2,244,000.

At December 31, 1960, Alminex held varying interests in 263 producing oil wells and a royalty interest in 17 producing oil wells. The majority of the development wells were drilled in the Swan Hills, Virginia Hills and Crossfield fields. These wells have added materially to the productive capacity of the company.

The Carstairs Gas Processing Plant, which handles the wet gas production from the Carstairs Unit, was completed and brought into production in February. The plant capacity is 75 MMCF per day. A large expansion of the plant facilities is planned for 1961 to take care of the Unit's maximum volume obligation to Trans-Canada Pipelines, which is effective November 1, 1961 and also to handle the gas to be produced from the Crossfield field. Alminex holds an 11.473% interest in the Processing Plant and Unit.

Proven oil and gas reserves at December 31, 1960 were:

	Crude Oil BBLs.	Natural Gas Liquids BBLs.	Natural Gas MMCF
December 31, 1960	21,690,000	3,520,000	166,160
December 31, 1959	20,790,000	5,110,000	163,130

The downward revision of natural gas liquids reserves was necessary in view of the latest available analyses of solution gas and estimates of plant efficiency at Harmattan - Elkton in recovery of lighter liquids components, when recycling of gas commences.

At the productive rate of 1960, present reserves are equivalent to a 46 year life for oil and a 90 year life for gas.

LANDS

Several P. & N. G. reservation blocks were cancelled during the year due to discouraging drilling results. For this reason land holdings at year end were lower than at December 31, 1959. Varying interests were held in 3,768,511 gross acres, equivalent to 433,561 net acres. The company continues to acquire participations in worthwhile land plays.

ALMINEX LIMITED

BALANCE SHEET — DECEMBER 31, 1960

(with comparative figures at December 31, 1959)

ASSETS		1960	1959
Current Assets:			
Cash		\$ 129,232	\$ 201,800
Accounts receivable		136,261	103,393
Marketable securities, at cost (market value 1960, \$12,250, 1959, \$14,125)		2,625	2,625
Inventory of pipe, at lower of cost or market		11,304	12,711
		<u>\$ 279,422</u>	<u>\$ 320,529</u>
Refundable Deposits		\$ 21,001	\$ 30,764
Investments (see note 2)		<u>\$ 132,799</u>	<u>\$ 131,123</u>
Property, Plant and Equipment (see notes 1 and 2):			
Land, leases and development costs thereon			
Proven properties		\$28,217,348	\$26,660,002
Less Accumulated depletion		954,000	471,000
		<u>\$27,263,348</u>	<u>\$26,189,002</u>
Unproven properties		6,876,042	6,886,133
		<u>\$34,139,390</u>	<u>\$33,075,135</u>
Plant and equipment		\$ 1,584,409	\$ 1,023,835
Less Accumulated depreciation		366,406	165,462
		<u>\$ 1,218,003</u>	<u>\$ 858,373</u>
		<u>\$35,357,393</u>	<u>\$33,933,508</u>
		<u>\$35,790,615</u>	<u>\$34,415,924</u>
LIABILITIES			
Current Liabilities:			
Bank loans due within one year, secured (see note 3)		\$ 408,000	
Demand notes payable (see note 3)		470,000	
Accounts payable and accrued charges		305,839	\$ 457,148
		<u>\$ 1,183,839</u>	<u>\$ 457,148</u>
Long-Term Liabilities:			
Bank loans, secured (see note 3)		\$ 1,774,000	
Less Principal instalments due within one year included under current liabilities		408,000	
		<u>\$ 1,366,000</u>	
Shareholders' Equity:			
Capital stock (see note 4):			
Authorized — 10,000,000 shares without par value			
Issued — 7,474,161 shares		\$34,648,357	\$34,648,357
Contributed surplus		70,091	70,091
		<u>\$34,718,448</u>	<u>\$34,718,448</u>
Deficit		1,477,672	759,672
		<u>\$33,240,776</u>	<u>\$33,958,776</u>
		<u>\$35,790,615</u>	<u>\$34,415,924</u>

ALMINEX LIMITED

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 1960 (with comparative figures for 1959)

	1960	1959
Gross production	\$1,619,353	\$1,155,684
Deduct:		
Royalties	\$ 217,314	\$ 168,289
Operating expenses	218,616	140,847
	<u>\$ 435,930</u>	<u>\$ 309,136</u>
Net production income	\$1,183,423	\$ 846,548
Royalty income	1,745	1,958
	<u>\$1,185,168</u>	<u>\$ 848,506</u>
Administrative and general expenses (see note 5)	\$ 153,551	\$ 110,976
Interest	92,708	
	<u>\$ 246,259</u>	<u>\$ 110,976</u>
Profit before the following	\$ 938,909	\$ 737,530
Exploratory drilling and dry hole costs	\$ 559,743	\$ 220,283
Geological expense	2,174	18,044
Geophysical expense	144,800	132,508
Unproven property expense	224,839	156,927
Reorganization expense		67,004
	<u>\$ 931,556</u>	<u>\$ 594,766</u>
Profit before the following write-offs	\$ 7,353	\$ 142,764
Property surrendered	\$ 41,409	\$ 32,538
Depreciation	200,944	165,462
Depletion	483,000	471,000
	<u>\$ 725,353</u>	<u>\$ 669,000</u>
Net Loss for Year	<u>\$ 718,000</u>	<u>\$ 526,236</u>

NOTES TO FINANCIAL STATEMENT

- (1) The Company's accounting practice is to capitalize property costs and development expenditures on proven properties and to deplete such costs on a unit of production method based on estimated reserves of oil and natural gas. Property carrying charges, cost of dry holes drilled and exploration expenses are charged against income as incurred. Depreciation is provided at the maximum rates permissible under the Income Tax Act.
- (2) An investment and certain property, plant and equipment were acquired in consideration of the issue of shares of the company at values placed upon them by the Board of Directors of the company. Other acquisitions, for cash, are valued at cost.
- (3) Under credit agreements with two Canadian chartered banks the company became entitled to borrow up to \$5,000,000 of which \$2,040,000 has been borrowed and the balance of \$2,960,000 is available for additional borrowing up to December 31, 1962. All amounts borrowed must be repaid in 60 equal consecutive monthly instalments. The \$470,000 represented by demand notes payable could be refunded by the company, utilizing its bank credit, in which case only \$94,000 would be included under current liabilities.
- (4) As at December 31, 1960 there were outstanding options to three officers of the company, two of whom are also directors, to purchase a total of 125,000 shares of the company's capital stock on or before April 30, 1964 as follows:

50,000 shares at \$1.50 per share
75,000 shares at \$3.60 per share
- (5) The following charges are included in administrative and general expenses:

	1960	1959
Executive remuneration	\$55,000	\$43,625
Directors' fees	1,650	1,250
Legal fees	7,685	1,640

FALCONBRIDGE NICKEL MINES LIMITED

and its consolidated subsidiaries

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1960

(with comparative figures at December 31, 1959)

ASSETS		1960	1959
Current:			
Cash		\$ 731,990	\$ 405,069
Bank deposit receipts			2,500,000
Government and other marketable securities at cost (market value, 1960 — \$34,300,000; 1959 — \$24,700,000)		33,343,717	24,394,760
Accounts receivable —			
Trade	\$4,397,547		
Other	1,015,499	5,413,046	5,346,631
Inventories at the lower of cost or market (note 4) —			
Refined metals	\$3,532,258		
Matte and metals in process	8,358,182	11,890,440	9,005,762
		<u>\$51,379,193</u>	<u>\$41,652,222</u>
Investments:			
Unconsolidated subsidiary at cost (note 1)	\$ 326,994		
Maritimes Mining Corporation Limited — 1,300,000 shares at cost less amount written off	740,710		
Other at cost less amounts written off (including investments with a quoted market value of \$161,800)	424,009	\$ 1,491,713	\$ 1,554,650
Advances to associated company		<u>\$ 450,745</u>	
Fixed:			
Plant and equipment at cost		\$78,642,511	\$74,246,026
Less accumulated depreciation		58,461,489	48,833,330
		\$20,181,022	\$25,412,696
Mining and other property at cost		3,986,105	3,976,769
		<u>\$24,167,127</u>	<u>\$29,389,465</u>
Other:			
Supplies at average cost		\$ 4,180,525	\$ 3,856,811
Prepaid expenses and deferred charges		248,293	213,004
Long-term accounts receivable		135,846	162,329
Guarantee deposits (government guaranteed bonds at cost)		177,688	150,409
Mine development and preproduction expenditures less amounts written off		1	522,073
		<u>\$ 4,742,353</u>	<u>\$ 4,904,626</u>
		<u>\$82,231,131</u>	<u>\$77,500,963</u>
LIABILITIES			
Current:			
Accounts payable and accrued charges		\$ 5,371,369	\$ 3,940,631
Advance receipts for metals			594,865
Portion of long-term liabilities payable within one year		6,091,856	6,033,421
Income and other taxes payable (estimated)		2,368,573	3,124,573
		<u>\$13,831,798</u>	<u>\$13,693,490</u>
Long-Term:			
5¼% first mortgage and collateral trust sinking fund bonds, series A, due August 15, 1966		\$17,000,000	\$23,000,000
3% mortgage payable in instalments to December 30, 1961 (secured by refinery land and plant) (N.Kr. 550,000)		91,856	125,277
		\$17,091,856	\$23,125,277
Less amount payable within one year included under current liabilities		6,091,856	6,033,421
		<u>\$11,000,000</u>	<u>\$17,091,856</u>
Shareholders' Equity:			
Capital (note 6) —			
Authorized — 5,000,000 shares of no par value		\$12,480,375	\$12,219,125
Issued — 3,766,922 shares of no par value		44,918,958	34,496,492
Retained earnings (note 7)		\$57,399,333	\$46,715,617
		<u>\$82,231,131</u>	<u>\$77,500,963</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) The consolidated financial statements for 1960 reflect the financial position and the results of operations of Falconbridge Nickel Mines Limited and all its subsidiary companies except Fahlralloy Canada Limited which has not been consolidated as its operations are neither similar nor related to those of the parent company. The 1960 profit of this wholly-owned subsidiary exceeded the dividend received from it by \$284,986; the parent company's interest in this subsidiary's profits from date of acquisition to December 31, 1960 not taken up in the parent company's accounts amounted to \$1,807,043.

FALCONBRIDGE NICKEL MINES LIMITED

and its consolidated subsidiaries

STATEMENT OF CONSOLIDATED EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

	1960	1959
Metal sales and other operating revenues	\$70,561,590	\$64,146,854
Cost of sales and operating expenses other than the undermentioned items	\$36,848,651	\$34,457,914
Selling, general and administrative expenses (including remuneration of directors as such of \$32,250 in 1960 and \$25,500 in 1959)	1,968,461	1,921,120
	\$38,817,112	\$36,379,034
Operating profit before providing for development and preproduction expenditures and depreciation	\$31,744,478	\$27,767,820
Development and preproduction expenditures written off	\$ 2,861,515	\$ 4,465,874
Depreciation	6,222,312	6,037,843
	\$ 9,083,827	\$10,503,717
Operating profit	\$22,660,651	\$17,264,103
Other income:		
Dividend from Fahlralloy Canada Limited, a wholly-owned subsidiary, not consolidated (note 1)	70,100	35,050
Income from investments	1,122,141	697,243
Net gain on sale of securities and fixed assets	527,330	184,046
	\$24,380,222	\$18,180,442
Other deductions from income:		
Interest on long-term liabilities	\$ 1,092,429	\$ 1,341,775
Expenditures on exploration and process development	1,472,931	1,491,002
	\$ 2,565,360	\$ 2,832,777
Earnings before taxes based on income	\$21,814,862	\$15,347,665
Taxes based on income—estimated (notes 9 and 10)	2,250,000	3,400,000
Earnings for the year before special depreciation	\$19,564,862	\$11,947,665
Special depreciation (note 8)	3,500,000	3,500,000
Earnings for the year (notes 9 and 10)	\$16,064,862	\$ 8,447,665

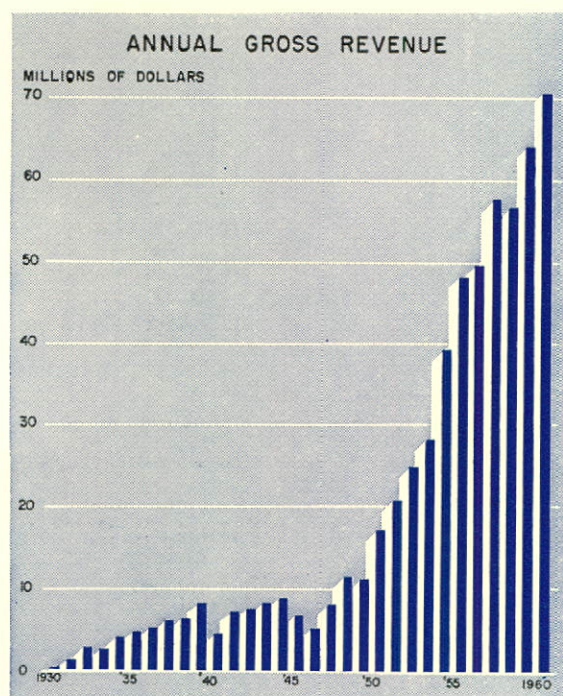
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (2) Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at December 31, 1960, except as follows:
 - (a) Fixed assets and the related accumulated depreciation — converted at the rates prevailing when the expenditures on fixed assets were made;
 - (b) Long-term liabilities — converted at the rates prevailing when the debts were incurred.
 Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation have been converted at the rates prevailing when the expenditures on the related fixed assets were made.
- (3) The consolidated balance sheet at December 31, 1960 includes the following assets and liabilities in Norway:

Net current assets	\$ 8,345,114
Fixed assets less accumulated depreciation	6,346,558
Supplies and other assets	1,171,368
Net assets in Norway	\$15,863,040
- (4) The cost of inventories derived from the company's own ores (\$9,979,243 in 1960) has been determined on a "last-in, first-out" basis; the cost of inventories derived from other sources (\$1,911,197 in 1960) has been determined on a "first-in, first-out" basis.
- (5) There are commitments outstanding in connection with construction in progress and development and exploration amounting to approximately \$2,600,000. In addition, repayment of a loan to a power company in Norway has been guaranteed to the extent of N. Kr. 3,554,000 (\$496,000) to ensure delivery of increased power to the refinery.
- (6) In 1959 the company reserved 75,000 of its unissued shares for the purpose of granting to officers and employees of the company and its subsidiaries options to purchase shares of the company at \$25 each (the approximate market price at the date these shares were reserved). The options which contain a termination of employment clause may be exercised at a cumulative rate not in excess of 20% per annum and expire on May 31, 1969. During 1959 options were granted on 41,000 of these shares of which 10,650 shares had been exercised by December 31, 1960 (including 10,450 shares in 1960).
- (7) The deed of trust and mortgage securing the first mortgage and collateral trust bonds of Falconbridge Nickel Mines Limited places restrictions on the maximum amount of retained earnings which could be utilized for dividends.
- (8) In consideration of the company undertaking a costly expansion program commencing in 1953, designed to help relieve the then shortage of nickel, the United States government agreed to reimburse the company in part by way of an amortization allowance incorporated in the price established for nickel purchased under a term contract. Commencing with 1957 the company has been providing each year out of earnings \$3,500,000 as a special charge to amortize a portion of the capital costs incurred as a result of this expansion program. The company considers these charges are properly offset against the additional revenues arising out of the amortization allowances obtained during these years. For the years ended December 31, 1957 and 1958 such provisions were applied to amortize preproduction expenditures. For the years ended December 31, 1959 and 1960 the provisions of \$3,500,000 have been applied as depreciation against plant and equipment.
- (9) A substantial portion of the income in both 1960 and 1959 was derived from the operation of new mines which were in their three year tax exempt period.
- (10) The amounts to be claimed for income tax purposes in 1960 in respect of depreciation and development and preproduction expenditures are less than the amounts written in the companies' accounts by approximately \$4,869,000 (1959 — \$4,804,000). The accumulated depreciation and development and preproduction expenditures that will have been claimed for 1960 and prior years will be less than the amount written in the accounts to December 31, 1960 by approximately \$7,063,000. This amount will be deductible for tax purposes in future years.

FALCONBRIDGE NICKEL MINES LIMITED

		Outstanding	Ventures	
CAPITALIZATION	Common shares	3,766,922	2,150,866	57.10%
LONG TERM DEBT	5¼% First Mortgage and Collateral Trust Sinking Fund Bonds (after deducting \$6,000,000 maturing within one year)		\$11,000,000	
LOCATION	Mines, mills and smelter in Sudbury District, Ontario. Refinery at Kristiansand South, Norway.			
FINISHED PRODUCTS	Electrolytic nickel, copper and cobalt, nickel sulphate, refined platinum, palladium, gold, liquid sulphur dioxide.			
PRODUCTION		Tons Treated	Gross Metal Sales and Other Operating Revenues	
	Year ended December 31, 1960	2,579,419	\$ 70,561,590	
	Total to December 31, 1959	26,347,100	530,002,467	
	Total production	26,926,519	\$600,564,057	



HIGHLIGHTS

Previous tonnage records in mines and plants were exceeded, and nickel deliveries at 65,002,000 pounds were 11% above the record established in 1959. Copper and cobalt deliveries were also at record levels.

Earnings of \$16,065,000 or \$4.26 per share were the highest in the Company's history. Dividends totaling \$1.50 per share were also the highest paid to date.

Working capital at year end amounted to \$37,547,000 after repayment of \$6,000,000 for bonds maturing in 1960.

A shaft was collared at Strathcona mine (and the necessary plant erected) to explore the orebody down to 3,000 feet.

REVIEW OF OPERATIONS

Market requirements for nickel weakened considerably in the United States, but this was more than offset by the increased demand from European customers. Curtailment of Cuban production, together with the higher European consumption, removed the threat of surplus nickel overhanging the market.

Earnings for the year were higher than those of 1959 by over \$7,500,000. Write-offs were \$1,420,000 lower due chiefly to a reduction in available charges for development and preproduction. The increased earnings resulted from a number of factors, the most important of which was the increase in metal deliveries. Cost reductions, a more favourable exchange rate, higher investment income, lower interest payments and lower income taxes because of increased production from the Fecunis Mine which is in its first year of the tax exempt period, all contributed to the record earnings.

Working capital increased by \$9,588,000 to \$37,547,000. Bond payments amounted to \$6,000,000 leaving a balance of \$17,000,000 outstanding at year end.

Records were again established in tonnages at mines and treatment plants and in production of nickel, copper and cobalt.

Ore reserves in the Sudbury District remained almost the same in total at the end as at the beginning of the year. The year's production was replaced largely by additions to reserves at Strathcona Mine as a result of further drilling in that area. The year end summary is as follows:

	Tons	Ni. %	Cu. %
Developed ore ..	20,946,800	1.61	0.86
Indicated ore	25,142,300	1.33	0.77
Total	46,089,100	1.46	0.81

Following further diamond drilling on the Marchant property in La Motte Township, Quebec, a new company was formed known as Marbridge Mines Limited in which Falconbridge has a 50% interest. Geological and metallurgical test work continued in the holdings in the Dominican Republic.

Falconbridge Canada Limited, wholly owned by Falconbridge, reported a profit for the year from its operations of \$314,480 compared to \$255,845 in 1959. A net gain on disposition of securities and fixed assets amounted to \$40,606 to make the overall profit for the year \$355,086.

GIANT YELLOWKNIFE MINES LIMITED

CAPITALIZATION	Common shares _____	Outstanding		Ventures	
		4,303,050		1,286,015	29.88%
LOCATION	Mine at Yellowknife, N.W.T.				
PRODUCTION		Tons Milled	Gold Ounces	Silver Ounces	Net Value Metals Recovered (including E.G.M.A.)
	6 months ended December 31, 1960	181,101	117,992	15,561	\$ 4,080,679
	Total to June 30, 1960 _____	2,918,019	1,832,876	367,598	67,957,278
	Total production _____	3,099,120	1,950,868	383,159	\$72,037,957

REVIEW OF OPERATIONS

The amalgamation of Giant and Consolidated Sudbury Basin Mines Limited became effective on June 30, 1960 and the fiscal year of the amalgamated company ends on December 31.

Operating profit for the six months ended December 31, 1960 was \$1,550,719 compared to an operating profit of \$3,323,945 for the fiscal year ended June 30, 1960. Net income for the period ended December 31, 1960 was \$837,596, compared to net income of \$1,754,473 for the twelve months ended June 30, 1960.

The treatment rate has increased to 976 tons per day and the overall recovery of gold has improved to 81.92%.

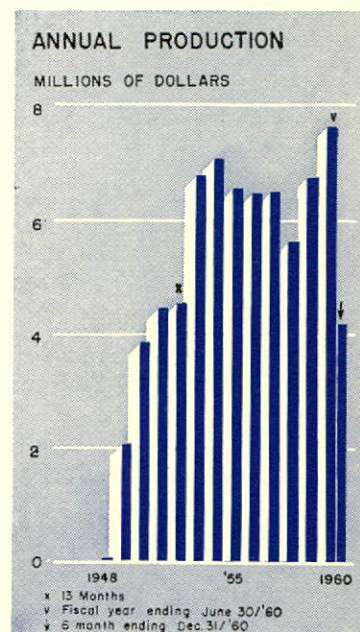
Dividends were distributed at an annual rate of 40¢ per share payable 10¢ quarterly.

Ore reserves have been well maintained at 2,550,000 tons with an average of 0.79 ounces gold per ton. This compares with 2,529,074 tons averaging 0.80 ounces gold per ton at June 30, 1959.

Mine development has been carried out on the 1,500, 1,650 and 2,000 foot levels. A substantial tonnage of ore is being developed on the 1,500 level. Haulage drifts have been driven parallel to the ore structure on the 1,600 and 2,000 foot levels and the ore zone is being explored by diamond drilling. Mineralized material has been indicated on both levels by the drilling but no ore has been found.

The overall recovery of gold is now averaging 81.92%, a substantial improvement from the 75.73% for the year ended June 30, 1959.

An extensive exploration program was carried on in the Northwest Territories during the 1960 field season.



Sufficient encouragement was secured to warrant continuance of the program in 1961.

The plant and equipment at the Sudbury mine remains on a care and maintenance basis. All data on the metallurgy of the Sudbury ores is being assessed by the Giant metallurgical staff.

GIANT YELLOWKNIFE MINES LIMITED

BALANCE SHEET — DECEMBER 31, 1960

ASSETS

Current Assets:			
Cash and short-term deposits	\$ 1,523,137		
Bullion at net realizable value	779,956		
Short-term securities at cost	1,684,555		
Accounts and accrued interest receivable	54,239	\$ 4,041,887	
Supplies on Hand and in Transit:			
at average cost		1,272,798	
Fixed Assets:			
Buildings, machinery and equipment (note 1)	\$12,924,119		
Less accumulated depreciation	10,297,690		
	\$ 2,626,429		
Mining claims and properties at cost	1,690,685	4,317,114	
Other Assets:			
Interest in subsidiary companies			
Shares at cost	\$ 116,505		
Advances	89,442		
	\$ 205,947		
Shares of other mining companies at cost	295,288		
Prepaid expenses, deposits and other assets	166,327	667,562	
Deferred Charges:			
Shaft sinking and other development expenditures less amount written off	\$ 429,609		
Other expenditures	215,471	645,080	
		<u>\$10,944,441</u>	

LIABILITIES

Current Liabilities:			
Payrolls payable	\$ 74,676		
Accounts payable and accrued liabilities	429,057		
Income tax payable	17,070	\$ 520,803	
Shareholders' Equity:			
Capital stock			
Authorized — 4,500,000 shares without par value			
Issued — 4,303,050 shares	\$ 5,700,000		
Contributed surplus (note 2)	2,637,276		
Retained earnings	2,086,362	10,423,638	
		<u>\$10,944,441</u>	

NOTES:

- (1) Buildings, machinery and equipment are valued as follows:
Giant plant — cost to Giant Yellowknife Gold Mines Limited to June 27, 1960 with subsequent additions at cost;
Sudbury plant — as written down by Consolidated Sudbury Basin Mines Limited as at April 30, 1960 less proceeds from disposals subsequent to that date.
- (2) Contributed surplus consists of premium less discount on par value shares issued by Giant Yellowknife Gold Mines Limited prior to amalgamation with Consolidated Sudbury Basin Mines Limited on June 30, 1960.
- (3) Consolidated financial statements have not been prepared as the assets and the operations of the subsidiary companies are not material in relation to those of the company. The accounts of the subsidiary companies show neither profit nor loss since incorporation; one subsidiary company is developing mining claims and its net expenditures have been deferred to future operations.

GIANT YELLOWKNIFE MINES LIMITED

STATEMENT OF INCOME FOR THE PERIOD JUNE 30, 1960 TO DECEMBER 31, 1960

Metal Production:

Gold and silver	\$4,099,876	
Deduct marketing expenses	19,197	\$4,080,679

Operating Expenses:

Current mine development	\$ 364,216	
Mining	725,542	
Milling and roasting	816,591	
Engineering, geological, warehousing, supervision and mine office expenses	150,359	
General expenses at the property	221,917	
Administrative and corporate expenses	129,939	
Sudbury Division, general and metallurgical expenses	72,396	
Government of Canada royalty	49,000	2,529,960
		<u>\$1,550,719</u>
Depreciation	\$ 429,558	
Amortization of shaft sinking and other deferred development expenditures	77,850	
Outside exploration	186,507	
Amalgamation expenses written off	105,366	799,281
		<u>\$ 751,438</u>
Profit on sales of securities		36,190
Interest earned		49,968
Net Income for the period		<u>\$ 837,596</u>

NOTES:

- (1) No provision for income taxes is required as expenditures which were written off in the accounts of an amalgamating company prior to amalgamation may be deducted from income for income tax purposes. Otherwise income tax for the period would amount to \$230,000 and there would be a reduction in net income of that amount.
The cumulative depreciation and other amounts written off in the accounts in respect of depreciable assets and development expenditures exceed the amounts claimed for income tax purposes by \$14,150,000.
- (2) The remuneration of directors, as such, was \$6,477.

KILEMBE COPPER COBALT LTD.

and its subsidiary

KILEMBE MINES LIMITED

CONSOLIDATED BALANCE SHEET — DECEMBER 31, 1960

(with comparative figures at December 31, 1959)

ASSETS		1960	1959
Current:			
Cash		\$ 132,319	\$ 136,105
Metal settlements receivable		767,230	219,219
Other accounts receivable		60,771	74,178
Copper on hand and in process (note 2)		182,164	261,531
Inventory of materials and supplies, at cost on a "first-in, first-out" basis		1,847,642	2,182,659
		<u>\$ 2,990,126</u>	<u>\$ 2,873,692</u>
Fixed and intangible assets:			
Mining concessions, at cost		\$ 479,778	\$ 479,778
Less accumulated amortization		144,788	96,378
		<u>\$ 334,990</u>	<u>\$ 383,400</u>
Plant and equipment, at cost		\$15,103,253	\$14,375,394
Less accumulated depreciation		4,342,586	3,031,023
		<u>\$10,760,667</u>	<u>\$11,344,371</u>
Development and preproduction expenses		\$ 7,504,168	\$ 7,808,592
Less accumulated amortization		2,314,921	1,542,845
		<u>\$ 5,189,247</u>	<u>\$ 6,265,747</u>
		<u>\$16,284,904</u>	<u>\$17,993,518</u>
Deferred prospecting expenses			\$ 134,124
		<u>\$19,275,030</u>	<u>\$21,001,334</u>
LIABILITIES			
Current:			
Accounts payable and accrued charges		\$ 768,190	\$ 967,428
Provision for leave pay and passages		121,726	114,991
Current account with parent company		15,563	18,245
Accrued interest		55,000	78,481
5½% promissory notes payable on demand to parent company		2,000,000	2,137,085
Unsecured loan stock			807,959
Long-term debt payable within one year		111,014	100,242
		<u>\$ 3,071,493</u>	<u>\$ 4,224,431</u>
Long-term debt:			
Kilembe Mines Limited—			
First mortgage 6% redeemable debenture stock 1961-75		\$ 2,538,571	\$ 2,641,633
Less amount payable within one year included under current liabilities		111,014	100,242
		<u>\$ 2,427,557</u>	<u>\$ 2,541,391</u>
Minority shareholders' interest in subsidiary company (30%):			
Capital		\$ 4,681,789	\$ 4,681,789
Less deficit		472,660	366,875
		<u>\$ 4,209,129</u>	<u>\$ 4,314,914</u>
Shareholders' equity:			
Capital (note 3)—			
Authorized: 5,000,000 shares of par value of \$1 each			
Issued: 3,877,027 shares		\$ 3,877,027	\$ 3,877,027
Contributed surplus		8,193,887	8,193,887
		<u>\$12,070,914</u>	<u>\$12,070,914</u>
Less deficit		2,504,063	2,150,316
		<u>\$ 9,566,851</u>	<u>\$ 9,920,598</u>
		<u>\$19,275,030</u>	<u>\$21,001,334</u>

KILEMBE COPPER COBALT LTD.

and its subsidiary

KILEMBE MINES LIMITED

STATEMENT OF CONSOLIDATED OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

	1960	1959
Metal sales	\$9,508,859	\$7,556,263
Deduct transportation, refining and selling expenses	858,996	683,778
Net proceeds from metal sales	\$8,649,863	\$6,872,485
Operating and administration costs:		
Development	\$ 978,810	\$ 666,520
Mining	1,517,054	1,181,921
Milling	947,443	782,408
Freight on concentrates	332,196	313,966
Smelting	959,806	870,786
Mine office administration	497,795	450,290
Parent company administration including legal fees of \$5,026 and executive salaries of \$7,814	37,438	67,380
Decrease (increase) in copper on hand and in process	79,367	(134,446)
	\$5,349,909	\$4,198,825
Operating profit before the undernoted items	\$3,299,954	\$2,673,660
Amortization of mining concessions (note 5(a))	\$ 48,410	\$ 36,406
Amortization of development and preproduction expenses (note 5(a))	772,076	589,382
Depreciation (note 5(a))	1,488,528	1,100,086
Prospecting and exploration expenses (note 5(b))	301,865	
	\$2,610,879	\$1,725,874
Operating profit	\$ 689,075	\$ 947,786
Amortization of debenture discount and expenses		\$ 156,658
Interest on long-term debt	\$ 183,187	280,675
Interest on advances from parent company	113,770	129,151
Foreign withholding taxes on intercompany interest	23,926	29,429
Profit on redemption of 5½% collateral trust debentures		(29,135)
(Profit) or loss on conversion to Canadian dollars	(81,646)	18,822
Interest on funds deposited with the trustee for the debenture holders		(981)
	\$ 239,237	\$ 584,619
Profit before minority interest	\$ 449,838	\$ 363,167
Less minority shareholders' interest in profit of subsidiary	167,026	208,889
Net profit for the year	\$ 282,812	\$ 154,278

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- Principles of consolidation**
 The consolidated financial statements include the accounts of Kilembe Mines Limited (incorporated under the laws of the Uganda Protectorate) which is 70% owned and is the only company in which Kilembe Copper Cobalt Ltd. has any direct or indirect interest. Most of the expenditures and liabilities of Kilembe Mines Limited have been incurred in pounds sterling (or in British East African currency which is freely convertible to sterling). Assets and liabilities and revenues and expenses in currencies other than Canadian dollars are converted into Canadian funds on the following basis:
 Fixed and intangible assets, long-term debt and share capital. At the rates of exchange prevailing when the transactions giving rise to such items occurred.
 Accumulated provisions for depreciation and amortization. At rates of exchange based on those prevailing when the expenditures on the related fixed and intangible assets were made.
 Other assets and liabilities. At the closing rates of exchange prevailing at the end of the year.
 Revenues and expenses other than depreciation and amortization. At the average monthly rates of exchange in effect during the year.
 Provisions for depreciation and amortization. At the rates of exchange prevailing when the expenditures on the related fixed and intangible assets were made.
- Inventory of copper**
 Copper on hand and in process consists of copper concentrates in process of production between the mill and the completion of the smelter operation and blister copper awaiting shipment. Inventories of copper concentrates are priced at the lower of "first-in, first-out" cost or estimated realizable value, the latter based on the delivered price of refined copper less transportation, refining, selling and smelting costs. "Blister copper" produced by the smelter is sold under contract, and is transferred to "metal settlements receivable" as shipped. Prior to shipment it is included in copper inventory and priced at estimated realizable value; at December 31, 1960 blister copper in the inventory amounted to \$40,931.
- Share options**
 Ventures Limited, the company's parent company, holds an option to purchase 122,547 shares of the capital stock of the company at \$2.10 per share, exercisable on or before December 31, 1962. Ventures Limited has agreed that it will exercise this option upon the written demand of Kilembe Copper Cobalt Ltd.
- Income taxes**
 Kilembe Copper Cobalt Ltd. is exempt from payment of Canadian income tax while it maintains its status as a "foreign business corporation" under the provisions of the Income Tax Act (Canada). The Government of the Uganda Protectorate has agreed that no income tax shall be payable by Kilembe Mines Limited until the whole of the capital invested, or to be invested, in the company shall have been repaid out of the profits.
- Changes in basis of accounting**
 (a) The company has modified its general policy of providing for depreciation and amortization of fixed and intangible assets on a per ton of ore milled basis calculated to amortize these costs over the estimated productive life of the mine by adopting as a minimum provision in any one year 10% of the total cost of the related expenditures. As the percentage determined under the general policy exceeded 10% in 1960 the modification had no effect on the 1960 earnings.
 (b) At December 31, 1959 the subsidiary company deferred prospecting expenses of \$134,124 on non-producing properties together with exploratory development expenses of \$305,368 on such properties. In 1960 the subsidiary adopted a policy of writing off all such expenditures in the year incurred and as a result \$301,865 was charged to the operations of 1960 and the accumulated balance of \$439,492 at December 31, 1959 was charged to the deficit account.

KILEMBE COPPER COBALT LTD.

CAPITALIZATION		Outstanding	Ventures	
	Common shares	3,877,027	3,063,027	79.02%
	Promissory notes	\$2,000,000	\$2,000,000	100%

REVIEW OF OPERATIONS

The assets of this company consist of its holding of 3,990,000 shares and \$1,271,519 of 6% First Mortgage Debentures of Kilembe Mines Limited.

The Statement of Consolidated Operations for the Company and its wholly owned subsidiary shows an operating profit before amortization, depreciation and other charges of \$3,299,954 as compared to \$2,673,660 for 1959. The consolidated net profit for 1960 was \$282,812 as compared with \$154,278 for 1959.

In 1960, Kilembe Mines Limited adopted the policy of charging to operations prospecting and exploratory development expenses incurred on non-producing properties. In addition it discontinued writing depreciation and amortization on its assets and adopted in lieu thereof the policy of charging to operations capital and exploration expenses incurred during the year. This

practice is similar to that followed by most South African and Rhodesian mining companies. The parent company, however, continues the practice followed by most Canadian mining companies of providing depreciation and amortization on an annual basis. This to a large extent accounts for the difference between net profit of Kilembe Mines Limited and the consolidated net profit of Kilembe Copper Cobalt Ltd. and its subsidiary.

Due to a reduction in ore reserves during the year and to the increased rate of production the depreciation and amortization charges for 1960 are greater than those for 1959 by \$583,141.

For further information regarding this company's subsidiary, reference should be made to the section on Kilembe Mines Limited which follows.

KILEMBE MINES LIMITED

CAPITALIZATION		Outstanding	K.C.C.L.	
	Common shares	5,700,000	3,990,000	70.00%
LONG TERM DEBT	6% First Mortgage Debenture Stock	£1,390,475 (\$3,810,090)	£ 463,492 (\$1,271,519)	33.30%

LOCATION Mine and smelter in Uganda, British East Africa.

PRODUCTION		Tons Treated	Blister Copper lbs.	Gross Metal Value
	Year ended December 31, 1960	898,248	32,513,600	\$ 9,508,859
	Total to December 31, 1959	1,902,601	68,046,720	17,483,306
	Total production	2,800,849	100,560,320	\$26,992,165

REVIEW OF OPERATIONS

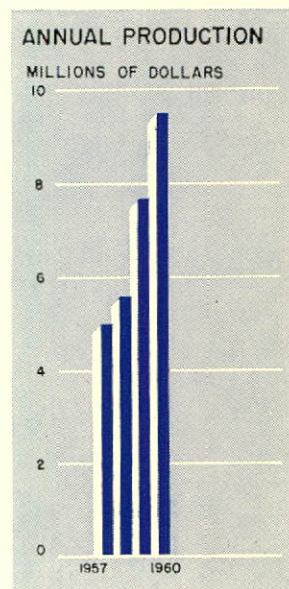
Kilembe Mines made an operating profit of \$3,035,527 in 1960 compared to \$2,741,040 in 1959. The company changed its accounting policy during the year as regards depreciation and amortization of assets and as a result the net profit of \$1,787,111 for 1960 is not comparable with that of the previous year.

The funded debt was substantially reduced by the retirement of the balance of £380,000 (\$1,046,674) of 6% unsecured loan stock and £56,357 (\$154,598) of the 6% First Mortgage Debenture Stock.

The return from sale of copper was \$9,508,859, an increase in dollar value of \$1,952,596 in relation to 1959.

The mines delivered 910,156 tons of ore, of which 4,781 tons was direct smelting ore, 893,467 tons was treated in the concentrator and 11,908 tons was added to the surface stockpile. Blister copper produced totalled 14,515 long tons.

Mine development was accelerated during the year



and totalled 40,103 feet in drifts, raises, winzes, etc. Development work on the Stream Ore Deposit was advanced sufficiently to confirm the ore reserve estimate of grade. Results of the work in the Bukangama area were disappointing, 2,037 feet of drifting yielding only one ore shoot 230 feet long.

Ore reserves at December 31, 1960, were estimated to be 8,001,000 tons averaging 1.95% copper.

No new ore was developed and the reserves as previously estimated were depleted by approximately the tonnage treated. With increased mill capacity it is

considered possible to treat lower grade ores and certain of these ores have been included in reserves for the first time. As a result, the average grade of the present ore reserves is 1.95% copper compared to 2.05% copper in 1959.

The area held under Special Exclusive Prospecting License was reduced from 303 to 209 square miles. Exploration of S.E.P.L. lands has indicated two areas in which the possibilities of finding new copper deposits are considered encouraging. Work will be intensified at these locations in 1961.

LA LUZ MINES LIMITED

		Outstanding	Ventures	
CAPITALIZATION	Common shares	1,580,759	1,107,186	70.04%
LONG TERM DEBT	6% Debentures (Can. \$)	\$2,000,000	\$2,000,000	100%
	7½% Debentures (Can. \$)	\$ 325,000	\$ 325,000	100%
LOCATION	Mine at Siuna, Nicaragua, C.A.			
		Tons Milled	Gold Ounces	Value of Metals Recovered
PRODUCTION	Year ended September 30, 1960	730,107	63,275	\$ 2,204,823
	Total to September 30, 1959	11,031,520	1,306,062	47,269,142
	Total production	11,761,627	1,370,337	\$49,473,965

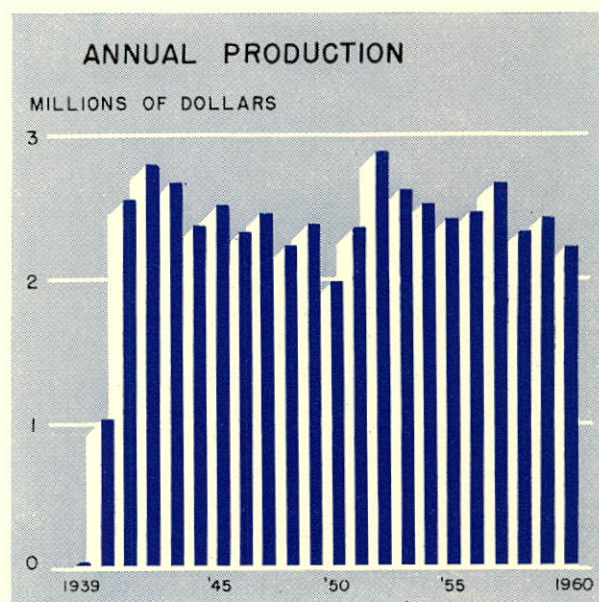
REVIEW OF OPERATIONS

The operating profit after taxes but before depreciation was \$396,539 compared to \$661,642 for the previous year. The decrease in operating profit is accounted for by the lower grade of ore treated during the year and a small increase in operating costs due to shaft sinking expenditures. The grade of ore milled averaged 0.0966 ounces of gold per ton.

Ore reserves at September 30, 1960 were estimated to be 4,495,000 tons averaging 0.120 ounces of gold.

The main shaft was deepened and two new production levels established at 1,450 feet and 1,650 feet.

The consolidated net loss of La Luz and its wholly owned subsidiary, Rosita Mines Limited, for the fiscal year ending September 30, 1960, was \$1,296,186, after provision for depreciation and amortization of deferred development. This compares with a consolidated net loss of \$456,927 during the previous year. A special credit of \$525,415, being the profit on sale of securities, reduced the consolidated net loss to \$770,770.



ROSITA MINES LIMITED

CAPITALIZATION	Common shares	Outstanding 500,000	La Luz 500,000	100%
	LONG TERM DEBT 6% Debentures (U.S.\$)	\$6,740,119	\$6,740,119	100%
	Promissory Note 5¼% (U.S. \$) (Guaranteed by La Luz)	\$ 423,437	Ventures \$ 423,437	100%

LOCATION Nicaragua, C.A.

		Tons Milled	Gold Ounces	Silver Ounces	Copper Pounds	Gross Value Smelter Returns
PRODUCTION	Year ended Sept. 30, 1960	105,508	1,671	102,137	9,195,672	\$2,607,110
	Total to Sept. 30, 1959	37,736	331	12,423	1,771,374	545,304
	Total production	<u>143,244</u>	<u>2,022</u>	<u>114,560</u>	<u>10,967,046</u>	<u>\$3,152,414</u>

REVIEW OF OPERATIONS

The net value of metals produced after deducting treatment and refining charges was \$1,898,175. Operating costs before write-offs but after provision for taxes and interest were \$2,528,741 resulting in an operating loss for the year of \$630,566.

The mill treated 105,508 dry tons averaging 6.4% copper. Copper production was at a low rate during the early part of the year due to a shortage of sulphuric acid. A sulphur burner, which commenced operation

in March 1960, helped to relieve the acid shortage. Although constant attention is being directed to overcome the metallurgical troubles facing the company many serious problems remained unsolved at year end.

Ore reserves at September 30, 1960 are estimated to be 3,563,000 tons averaging 3.02% copper. The reserves are classified as:

Carbonate ore	2,210,000 tons	2.75% copper
Sulphide ore	1,353,000 tons	3.46% copper

LA LUZ MINES LIMITED

and its wholly-owned subsidiary

ROSITA MINES LIMITED

CONSOLIDATED BALANCE SHEET — SEPTEMBER 30, 1960

(Expressed in U.S. dollars — note 1)

ASSETS

Current Assets:

Cash		\$	10,693.37
Bullion in transit and at refineries at estimated realizable value less advances thereon			99,100.10
Concentrates on hand and in transit at estimated realizable value less advances thereon (note 2)			411,730.34
Accounts receivable			77,338.99

\$ 598,862.80
113,493.27

Loan Receivable in monthly instalments to October 31, 1964

Investment in Wholly-owned Subsidiary:

Panaminas Incorporated (at nominal value) (note 3)			1.00
--	--	--	------

Inventories of Supplies valued at the lower of average cost or market:

Mining and milling supplies, spare parts and construction materials	\$ 1,682,157.77		
Commissary merchandise	157,453.11	1,839,610.88	

Fixed Assets:

Mining claims and properties in production, at cost	\$ 2,636,037.81		
Less accumulated depletion	2,171,720.93		
	\$ 464,316.88		
Riscos de Oro property, at cost	113,558.04		
Plant, buildings, equipment, roads, airports and power development, at cost	\$ 11,296,833.49		
Less accumulated depreciation	5,468,698.84	5,828,134.65	6,406,009.57

Deferred Expenditures:

Unamortized development and other preproduction expenses on Rosita property	\$ 304,892.94		
Prepaid fire insurance, etc.	33,043.54		
Unamortized debenture discount	99,211.76	437,148.24	
		\$ 9,395,125.76	

LIABILITIES

Current Liabilities:

Bank overdraft	\$ 6,176.75		
Accrued wages	17,110.93		
Accounts payable and accrued charges	399,282.72		
Due to Ventures Limited (parent company) —			
5¼% interest-bearing advance (note 2)	\$ 359,327.43		
Interest on advance and debentures	324,358.97	683,686.40	\$ 1,106,256.80

6% Debentures due September 30, 1962 — held by parent company (Canadian \$2,000,000) 2,053,000.00
7½% Debentures due October 31, 1964 — held by parent company (Canadian \$325,000) (note 4) 336,250.00

Shareholders' Equity:

Capital stock —			
Authorized: 2,000,000 shares of no par value			
Issued: 1,580,759 shares (note 4)	\$ 3,372,829.10		
General reserve	2,403,802.53		
Earned surplus	122,987.33	5,899,618.96	
		\$ 9,395,125.76	

LA LUZ MINES LIMITED

and its wholly-owned subsidiary

ROSITA MINES LIMITED

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED SEPTEMBER 30, 1960

(Expressed in U.S. dollars — note 1)

	The La Luz Mine	The Rosita Mine	Combined
Operating profit or (loss) before write-offs	\$396,538.75	\$(259,160.55)	\$ 137,378.20
Add:			
Interest on debentures of Rosita Mines Limited	\$322,831.88	\$(322,831.88)	
Interest and amortization of discount re debentures of La Luz Mines Limited	(179,672.41)		\$ (179,672.41)
Interest on other borrowed funds (net)	5,631.35	(48,573.44)	(42,942.09)
Profit on sale of fixed assets	21,109.07		21,109.07
	\$169,899.89	\$(371,405.32)	\$ (201,505.43)
Net profit or (loss) before write-offs	\$566,438.64	\$(630,565.87)	\$ (64,127.23)
Deduct write-offs:			
Provision for depreciation of buildings, machinery and equipment, etc. at 10% per annum on total cost			\$ 1,129,683.34
Provision for depletion and amortization of deferred development and other preproduction expenses			102,375.17
			\$ 1,232,058.51
Net loss for the year			\$ 1,296,185.74
Less special credit — profit on sale of securities			525,415.49
Consolidated net loss for the year less special credit			\$ 770,770.25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) The companies' transactions arise for the most part in United States and Nicaraguan currencies and to a limited extent in Canadian currency. The financial statements are presented in terms of U.S. dollars. The share capital and the expenditures therefrom, which are recorded in Canadian dollars, have been converted on the basis of \$1 Canadian to \$1 U.S. Conversion during the year from cordobas to U.S. dollars has been made at the official rate of 7 cordobas to \$1 U.S. Conversion from Canadian to U.S. dollars has been made at the rates prevailing when the transactions occurred.
- (2) The proceeds from the sale of concentrates produced by Rosita Mines Limited have been assigned as security against the advance to it by Ventures Limited.
- (3) The operation of Panaminas Incorporated (a wholly-owned subsidiary carried on the balance sheet at nominal value) resulted in a loss of \$399.52 for the year ended September 30, 1960. No provision has been made for this amount in the accompanying financial statements.
- (4) Under an agreement dated October 26, 1959 with Ventures Limited (the parent company) that company agreed to purchase up to Canadian \$425,000 par value of the 7½% debentures due October 31, 1964 and to subscribe for 7,970 shares of La Luz at \$4.00 per share. As at September 30, 1960 Ventures had purchased Canadian \$325,000 of these debentures for Canadian \$300,625 and 6,097 shares of La Luz were issued to Ventures at \$4.00 per share under the terms of this agreement.
- (5) The administrative expenses outside of Nicaragua include remuneration of the directors as such (excluding remuneration for services as officers and employees) amounting to \$810.00.
- (6) Actions are still pending against the company and certain of its shareholders and former directors relating to the acquisition of the mining properties of the company and its wholly-owned subsidiary, Rosita Mines Limited. At the present time no determination can be made as to the liability, if any, in this connection.

OPEMISKA COPPER MINES (QUEBEC) LIMITED

		Outstanding	Ventures
CAPITALIZATION	Common shares	5,515,000	1,929,389 34.98%

LOCATION Mine in Chibougamau District, Quebec.

		Tons Milled	Copper Pounds	Gold Ounces	Silver Ounces	Gross Value Smelter Returns
PRODUCTION	Year ended December 31, 1960	751,453	41,137,094	17,813	242,646	\$12,536,782
	Total to December 31, 1959	1,570,219	119,504,028	52,137	696,246	39,106,682
	Total production	<u>2,321,672</u>	<u>160,641,122</u>	<u>69,950</u>	<u>938,892</u>	<u>\$51,643,464</u>

REVIEW OF OPERATIONS

The operating profit for the year ending December 31, 1960, was \$5,164,406. The net earnings were \$2,708,236, after providing \$2,030,725 for depreciation and write-offs and \$425,000 for provincial and federal income taxes. The net earnings are equivalent to \$0.49 per share. Expenditures for plant, equipment and housing amounted to \$495,926 and for deferred development \$480,700.

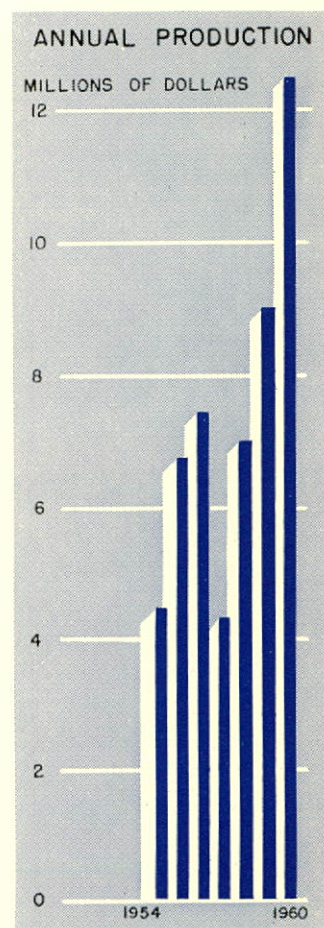
The Company's bank loan of \$2,008,347 was retired during the year and the initial dividend of 10¢ per share was paid on December 30, 1960. At December 31 working capital amounted to \$3,566,729.

The mill operated at rated capacity throughout the year, averaging 2,053 tons per day as compared to 1,215 tons per day the previous year. Mill heads averaged 2.89% copper. Recovery improved slightly to 94.61% and the grade of concentrates shipped improved significantly.

Development of the Perry mine was accelerated during the year, with the definition of the "B" and "D" orebodies above the 1,125-foot level as the main objective. These orebodies were developed on five levels and show an average grade of 4.12% copper for a total length of 3,402 feet and over an average width of 18.2 feet. Ore developed in the Springer mine totalled 3,777 feet averaging 5.03% copper over an average width of 6.7 feet.

Underground diamond drilling at the Perry and the Springer mines totalled 93,388 feet. This work is largely directed to exploring the extensions of known ore zones both laterally and at depth. The results of this program were satisfactory in that the known vein structures were located and traced on new levels being opened up and new orebodies indicated.

Ore reserves at December 31, 1960 were estimated at 5,805,300 tons, having an average grade of 3.03% copper. This is an increase of 526,600 tons over the previous year and an increase in grade from 2.97% copper.



OPEMISKA COPPER MINES (QUEBEC) LIMITED

BALANCE SHEET — DECEMBER 31, 1960

(with comparative figures at December 31, 1959)

ASSETS		
Current:	1960	1959
Cash	\$ 251,707	
Short term investments at cost	895,594	
Accounts receivable	53,989	\$ 37,894
Metal settlements receivable at estimated realizable value	3,260,795	2,914,310
Total current assets	<u>\$ 4,462,085</u>	<u>\$ 2,952,204</u>
Fixed:		
Buildings, machinery and equipment at cost	\$ 9,865,826	\$ 9,453,749
Less accumulated depreciation	5,205,135	3,928,190
	<u>\$ 4,660,691</u>	<u>\$ 5,525,559</u>
Mining claims at cost	2,941,268	2,941,268
	<u>\$ 7,601,959</u>	<u>\$ 8,466,827</u>
Other:		
Preproduction and development expenditures at cost less amounts written off	\$ 2,753,984	\$ 2,943,215
Inventory of supplies at cost	507,442	453,767
Mortgages receivable from employees	247,238	242,365
Town of Chapais bonds at cost	136,500	142,500
Deposit recoverable	126,934	160,034
Prepaid expenses	52,481	36,432
	<u>\$ 3,824,579</u>	<u>\$ 3,978,313</u>
	<u>\$15,888,623</u>	<u>\$15,397,344</u>
LIABILITIES		
Current:		
Bank indebtedness (secured)		\$ 2,008,347
Accounts payable and accrued charges	\$ 445,573	448,681
Income and other taxes payable	449,783	103,785
Total current liabilities	<u>\$ 895,356</u>	<u>\$ 2,560,813</u>
Shareholders' equity:		
Capital —		
Authorized: 6,000,000 shares of \$1 par value		
Issued: 5,515,000 shares	\$ 5,515,000	\$ 5,515,000
Less discount on shares issued for cash	301,374	301,374
	<u>\$ 5,213,626</u>	<u>\$ 5,213,626</u>
Earned surplus	9,779,641	7,622,905
	<u>\$14,993,267</u>	<u>\$12,836,531</u>
	<u>\$15,888,623</u>	<u>\$15,397,344</u>

OPEMISKA COPPER MINES (QUEBEC) LIMITED

STATEMENT OF EARNINGS FOR THE YEAR ENDED DECEMBER 31, 1960

(with comparative figures for 1959)

	1960	1959
Tons ore milled	751,453	443,444
Revenue from metal shipments:		
Copper	\$11,702,013	\$8,448,175
Gold	617,869	439,130
Silver	216,900	148,083
	<u>\$12,536,782</u>	<u>\$9,035,388</u>
Deduct:		
Freight	\$ 356,385	\$ 411,253
Treatment and refining charges	2,632,646	1,907,049
	<u>\$ 2,989,031</u>	<u>\$2,318,302</u>
Net revenue from metal shipments	<u>\$ 9,547,751</u>	<u>\$6,717,086</u>
Operating and administrative costs:		
Mine exploration and development	\$ 561,572	\$ 495,495
Mining	2,531,435	1,671,903
Milling	607,743	513,700
Mine office and supervision	224,842	199,979
General expense at property	291,963	174,837
Administrative and general expense	117,280	96,229
Interest on bank indebtedness	48,510	153,344
	<u>\$ 4,383,345</u>	<u>\$3,305,487</u>
Operating profit before the undernoted items	<u>\$ 5,164,406</u>	<u>\$3,411,599</u>
Preproduction and development expenditures written off	\$ 669,931	\$ 664,442
Allowance for depreciation	1,360,794	1,303,697
Outside exploration expenditures	10,483	6,644
	<u>\$ 2,041,208</u>	<u>\$1,974,783</u>
Operating profit	<u>\$ 3,123,198</u>	<u>\$1,436,816</u>
Income from investments	10,038	6,315
Profit before income taxes	<u>\$ 3,133,236</u>	<u>\$1,443,131</u>
Income taxes (see note)	425,000	75,000
Profit for the year	<u>\$ 2,708,236</u>	<u>\$1,368,131</u>

NOTE:

The amounts to be claimed for tax purposes in 1960 in respect of depreciation and development and preproduction expenditures are approximately \$2,300,000 greater than the amounts written in the company's accounts. Total depreciation and development and preproduction expenditures which will have been claimed for 1960 and prior years will be more than the amounts written in the accounts in those years by approximately \$1,200,000.

UNITED KENO HILL MINES LIMITED

CAPITALIZATION	Common shares	Outstanding 2,470,000	Ventures 1,183,866	47.93%
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LOCATION Mines in Mayo District, Yukon Territory.

PRODUCTION	<i>Tons Milled</i>	<i>Silver Ounces</i>	<i>Lead Pounds</i>	<i>Zinc Pounds</i>	<i>Cadmium Pounds</i>	<i>Gross Value of Production</i>
Year ended September 30, 1960....	176,745	7,249,101	21,986,887	14,440,774	181,132	\$ 8,793,284
Total to September 30, 1959	1,519,089	56,970,837	231,067,483	176,739,350	2,243,036	83,303,946
Total production	1,695,834	64,219,938	253,054,370	191,180,124	2,424,168	\$92,097,230

REVIEW OF OPERATIONS

The year ended September 30, 1960, yielded a net profit of \$1,123,649 compared to \$1,324,836 for the previous fiscal period. Earnings per share were 46¢ compared to 54¢ the previous year. The drop in earnings is attributed to increased operating costs, slightly lower mill heads and a small drop in the recovery of metals due to increased amounts of oxidized ore processed.

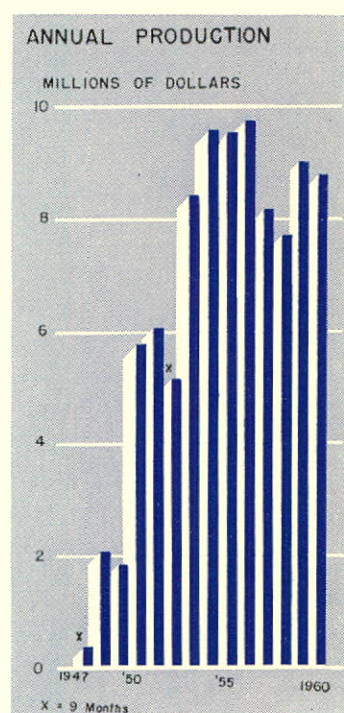
The daily milling rate averaged 482.9 tons or a total of 176,745 tons for the year. The ore was drawn principally from the Calumet Mine (103,807 tons), the Hector Mine (37,008 tons) and the Elsa Mine (34,150 tons).

Ore reserves exclusive of the Onek Mine were 512,577 tons averaging 38.39 ozs. silver, 6.35% lead, 4.84% zinc. A re-assessment of the reserves in the Galkeno Mine eliminated certain blocks and reduced the tonnage in other blocks. This accounts largely for the reduction in reserves of 36,988 tons from the previous year.

Development work at the Calumet Mine opened up 1,102 feet of ore averaging 44.0 ounces of silver per ton across an average width of 5.9 feet. The major portion of this footage (889 feet) was in the 18-19 vein system on the 400, 525 and 775 levels. Recent work has extended the ore to the 300 level and also opened up a length of 120 feet of good ore in the 900 level.

At the Elsa Mine development work was directed to outlining the ore occurring at the junction of No. 5 and No. 15 veins, which structure terminates against the Porcupine fault, 50 feet below the 650 level. Continuous ore has been opened up from the Porcupine fault to the 400 level. Development on strong vein structures below the Porcupine fault on the upper levels opened up 119 feet of ore, averaging 62.2 ounces of silver across 5.8 feet. This ore occurs in short lenses.

The 900 Adit at the Galkeno Mine was advanced



1,703 feet to a total distance of 3,650 feet from the portal.

Development work continued in the old workings of the Galkeno and Keno mines.

An exploration program is planned for the area south of the Elsa Mine, extending to the Silver King Mine and includes dewatering and rehabilitation of the Silver King workings, which work is under way now.

The company now holds 605 mineral claims in the Keno district and has an interest in 15 claims and 2 placer claims.

UNITED KENO HILL MINES LIMITED

BALANCE SHEET — SEPTEMBER 30, 1960

(with comparative figures at September 30, 1959)

ASSETS		1960	1959
Current:			
Cash		\$ 754,448	\$ 715,977
Short term securities, at cost (market value 1960 — \$1,938,817)		1,937,137	987,537
Concentrates at smelter and in transit, valued at estimated net amount receivable under sales contracts		1,783,561	2,235,002
Accounts receivable		60,447	104,601
Prepaid insurance and other charges		51,706	112,152
Total current assets		<u>\$ 4,587,299</u>	<u>\$ 4,155,269</u>
Investment in Territorial Supply Company Limited:			
Shares (one-half the issued capital), at cost		\$ 25,000	\$ 25,000
Notes receivable		325,000	325,000
		<u>\$ 350,000</u>	<u>\$ 350,000</u>
Fixed:			
Plant and equipment, at cost		\$ 8,876,361	\$ 9,053,050
Less accumulated depreciation		6,646,267	6,533,411
		<u>\$ 2,230,094</u>	<u>\$ 2,519,639</u>
Mineral claims and properties, at cost		1,671,805	1,651,705
		<u>\$ 3,901,899</u>	<u>\$ 4,171,344</u>
Deferred and other:			
Government guaranteed bonds deposited with the Northern Canada Power Commission, at cost (market value 1960 — \$22,000)		\$ 24,969	\$ 24,969
Inventory of supplies, valued at laid-down cost (note 2)		1,015,207	1,153,377
Exploration and development expenditures prior to 1953 less amounts written off		457,901	498,686
		<u>\$ 1,498,077</u>	<u>\$ 1,677,032</u>
		<u>\$10,337,275</u>	<u>\$10,353,645</u>
LIABILITIES			
Current:			
Accounts payable and accrued charges		\$ 420,183	\$ 651,332
Dividend payable		247,000	148,200
Taxes payable (note 1)		78,357	133,027
Total current liabilities		<u>\$ 745,540</u>	<u>\$ 932,559</u>
Accumulated tax reductions applicable to future years (note 1)		<u>\$ 285,000</u>	<u>\$ 250,000</u>
Shareholders' equity:			
Capital—			
Authorized: 2,500,000 shares of no par value			
Issued: 2,470,000 shares		\$ 1,950,006	\$ 1,950,006
Earned surplus		7,356,729	7,221,080
		<u>\$ 9,306,735</u>	<u>\$ 9,171,086</u>
		<u>\$10,337,275</u>	<u>\$10,353,645</u>

UNITED KENO HILL MINES LIMITED

STATEMENT OF OPERATIONS FOR YEAR ENDED SEPTEMBER 30, 1960

(with comparative figures for 1959)

	1960	1959
Sales of concentrates	\$8,793,284	\$9,058,292
Less smelter charges, freight and marketing expenses	1,512,320	1,641,702
	<u>\$7,280,964</u>	<u>\$7,416,590</u>
Operating and administrative costs:		
Development, mining, milling and general mine expense	\$5,142,587	\$4,869,052
Administrative expense	91,942	81,928
Directors' fees	4,200	3,500
Legal fees	2,205	904
Provision for royalty under The Yukon Quartz Mining Act	66,000	25,000
	<u>\$5,306,934</u>	<u>\$4,980,384</u>
Operating profit before the undermentioned items	\$1,974,030	\$2,436,206
Depreciation on plant and equipment	\$ 481,346	\$ 474,641
Expenditures on exploration and development of properties not in production	412,623	426,258
Amortization of exploration and development expenditures prior to 1953	40,785	40,785
	<u>\$ 934,754</u>	<u>\$ 941,684</u>
Operating profit	\$1,039,276	\$1,494,522
Interest and investment income	116,889	48,314
Net gain on sale of fixed assets	27,484	
Profit before income taxes	\$1,183,649	\$1,542,836
Income taxes (note 1)	60,000	218,000
Profit for the year	<u>\$1,123,649</u>	<u>\$1,324,836</u>

NOTES TO FINANCIAL STATEMENTS

(1) Income taxes

- (a) The company filed an application in 1959 for tax exemption on its income from the Elsa Mine for the three-year period commencing October 1, 1958.

During the year the taxation authorities have stated that in their opinion this income is not eligible for tax exemption. Additional information is being submitted by the company in order that the case may be further considered.

In the expectation that the application will eventually be approved, the company has made no provision for taxes on this income for the two-year period ended September 30, 1960. If the application should fail, taxes of approximately \$645,000 will be payable by the company (of which approximately \$330,000 applies to the current year's income) and earned surplus will be reduced accordingly.

- (b) The income taxes payable in respect of the year amount to \$25,000. The difference of \$35,000 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated tax reductions applicable to future years."

(2) Inventory of supplies

In accordance with the parent company's accounting treatment of inventory of supplies, this item has been re-classified as a non-current asset (previously included in current assets).

AMERICAN NEPHELINE LIMITED

CAPITALIZATION	Common shares	<i>Outstanding</i> 4,100,000	<i>Ventures</i> 2,070,865 50.50%
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LONG TERM DEBT 6% Secured Loan — Industrial Development Bank — \$ 500,000

LOCATION Nephton, near Lakefield, Ontario.

PRODUCTION	Year ended December 31, 1960	<i>Production Tons</i> 147,702	<i>Value Sales</i> \$ 1,828,459
	Total from 1946 to December 31, 1959	1,505,204	20,503,177
	Total production	<u>1,652,906</u>	<u>\$22,331,636</u>

REVIEW OF OPERATIONS

Net profit after all charges was \$125,661 compared to \$130,378 the previous year, representing a profit of 7% on each sales dollar.

Dollar value of sales in 1960 was some 3.5% below the previous year. The drop in dollar value was accounted for by lower prices for "glass grade" products. As a result, operating profit was \$490,586 compared to \$561,921 in 1959.

Working capital at December 31, 1960 amounted to \$887,495, an improvement of \$96,902.

The mine delivered 180,867 tons to the mill after discarding 62,303 tons as waste. The mill produced 129,969 tons of grade "A" nepheline products and 17,733 tons of by-products.

Ore reserves are estimated to be 8,097,556 tons, an increase of 1,373,256 tons from the 1959 estimate.

CANADIAN MALARTIC GOLD MINES LIMITED

CAPITALIZATION	Common shares	<i>Outstanding</i> 3,651,355	<i>Ventures</i> 1,388,685 38.03%
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LOCATION Mine at Malartic, Quebec.

PRODUCTION	Year ended December 31, 1960	<i>Tons Milled</i> 468,694	<i>Gold Ounces</i> 40,497	<i>Silver Ounces</i> 17,540	<i>Net Values Metals Recovered (including E.G.M.A.)</i> \$ 1,719,008
	Total to December 31, 1959	8,936,814	904,161	529,713	34,521,965
	Total production	<u>9,405,508</u>	<u>944,658</u>	<u>547,253</u>	<u>\$36,240,973</u>

REVIEW OF OPERATIONS

The net profit for the year was \$56,882 after provision for write offs, depreciation and taxes. This compares to a net profit of \$70,203 in 1959. Operating costs at \$3.49 per ton milled were slightly lower than in the previous year.

Ore reserves are 809,900 tons averaging 0.120

ounces of gold per ton. This is a drop of 142,100 tons from the previous year.

An extensive underground exploration program was carried on throughout the year. Several minor orebodies were found and small extensions of known orebodies indicated.

CONIAURUM MINES LIMITED

CAPITALIZATION	Common shares	Outstanding 2,766,743	Ventures 2,034,854	73.55%
	LOCATION	Mine at Schumacher, Ontario.		
PRODUCTION		Tons Milled	Gold Ounces	Net Value Metals Recovered (including E.G.M.A.)
	Year ended December 31, 1960	126,125	25,808	\$ 1,107,054
	By present company to December 31, 1959	4,203,502	1,022,652	35,695,409
	Total production	<u>4,329,627</u>	<u>1,048,460</u>	<u>\$36,802,463</u>

REVIEW OF OPERATIONS

An operating loss of \$2,688 was recorded compared to an operating profit of \$8,764 in 1959. After provision for depreciation and applying other income, a net profit of \$77,147 was made in 1960 compared to a net profit of \$74,759 in 1959.

Operations at the mine were placed on a salvage basis on July 1, 1960. Exploratory development work was terminated and development projects confined to recovering the ore in the unbroken ore reserves. Drifting and cross-cutting totalled 3,042 feet of which 1,130 feet was in ore.

The ore reserves at December 31, 1960 are estimated to be 29,676 tons averaging 0.231 ounces gold. This compares to a total ore reserve figure of 109,994 tons on December 31, 1959.

The Pearl Lake porphyry mass, in which McIntyre Porcupine has indicated substantial tonnages of copper-gold ore, enters Coniaurum ground at the 2,000-foot level. The porphyry was explored between the 3,000-foot and 5,500-foot horizons by 29 diamond drill holes totalling 21,077 feet. Copper mineralization was widespread in the porphyry but no concentrations of mineralization were located which could be classed as ore.

CONNEMARA DIVISION

LOCATION	Mine at Hunter's Road, Southern Rhodesia.			
		Tons Milled	Gold Ounces	Net Value of Production
PRODUCTION	Six months ended December 31, 1960	75,878	10,336	\$ 370,442
	Total to June 27, 1960	1,878,753	338,732	12,252,743
	Total production	<u>1,954,631</u>	<u>349,068</u>	<u>\$12,623,185</u>

REVIEW OF OPERATIONS

The Connemara Division was acquired from Frobisher Limited as of June 28, 1960. Operations from the date of acquisition of the Division to December 31, 1960 resulted in a net profit of \$61,454.

This mine has been on a salvage basis since 1954. During 1960 the remaining ore in the Connemara and Enmore sections of the mine was depleted and these workings abandoned. Development work was concentrated on the 2nd to 6th levels in the Zabonkwe section. Drifting to the south on these levels has proved considerable new ore and at year end all drift faces were in ore. Further development is necessary in the

Upper South Section of the Pencil Shaft workings where the oxide ore has been found to extend further south than anticipated.

The estimated ore reserves at December 31, 1960 were 167,440 tons averaging 3.4 dwts (0.17 oz.) per ton, of which 54,420 tons is possible ore. The surface dump contains 7,465 tons of leached oxide ore which averages 1.8 dwts (.09 oz.) per ton.

The present ore reserves are more than ample to provide for the projected milling rate in 1961. It is expected that additional ore will be developed in the Zabonkwe section as drifting is continued to the south.

DOMINION MAGNESIUM LIMITED

		<i>Outstanding</i>	<i>Ventures</i>	
CAPITALIZATION	Common shares	476,270	169,751	35.64%
LONG TERM DEBT	3¼% Mortgage	\$ 68,035		
	4½% Mortgage re Light Alloys Ltd., Toronto	\$ 140,311		
LOCATION	Dolomite deposit and plant at Haley, Ontario.			

REVIEW OF OPERATIONS

The consolidated net profit of the company and its wholly-owned subsidiaries amounted to \$77,006 for 1960 compared to a net loss of \$589,591 in the previous year.

The increasing world demand for magnesium, noted in 1959, was more pronounced in 1960. As a result the plant operated at its capacity of ten furnaces from March to year end, and it is anticipated that full production will continue through 1961. Metal prices have improved slightly with the increased demand.

Shipments of calcium increased 31% compared to 1959 but shipments of thorium declined 59%.

WHOLLY-OWNED SUBSIDIARIES

Aerometal Products and Design increased its sales by 17% over 1959.

The ferrosilicon plant of Electro-Reagents (Que.) Ltd., which was under lease to Chromium Mining & Smelting Corporation, operated at capacity. As of December 31, 1960, all the assets and liabilities of this subsidiary have been acquired by Aerometal Products & Design Limited and the charter is being surrendered.

The weight of castings shipped by Light Alloys Limited was comparable to 1959. Foundry techniques necessary to produce the intricate and high quality castings for certain Defence Production Sharing orders have reached the stage where profitable operations should result during the coming year.

LAKE DUFALT MINES LIMITED

		<i>Outstanding</i>	<i>Ventures</i>	
CAPITALIZATION	Common shares	4,134,750	1,816,733	43.94%

REVIEW OF OPERATIONS

Surface diamond drilling was done in the Norbec and Dufresnoy sections of the property. Sulphide mineralization was located but no economic mineral

deposits were found. Footage drilled during the year was approximately 34,300 feet.

Working capital at December 31, 1960, was \$1,486,000.

METAL HYDRIDES INCORPORATED

		<i>Outstanding</i>	<i>Ventures</i>	
CAPITALIZATION	Common shares	341,062	162,538	47.65%

LOCATION Plants at Beverley and Danvers, Massachusetts, U.S.A.

REVIEW OF OPERATIONS

Sales volume in 1960 was \$1,874,000 and earnings after all charges were \$75,000 or 22¢ per share. This compares with sales of \$5,921,000 and net profit of \$318,000 or 93¢ per share the previous year. The decrease in sales resulted from the United States Government termination of operations at the Danvers plant. Sales from the Beverley operation increased 13% over the previous year.

Negotiations to acquire the Danvers plant from the Government are continuing. If the negotiations are

successful the company will be in a position to mass produce sodium borohydride for commercial applications. Market investigations are continuing as to the size of the markets available for this product.

Research expenditures in 1960 amounted to 13% of sales income. It is interesting to note that 50% of the 1960 income was derived from products developed through research since 1954.

With working capital of \$2,371,000 the company is in excellent financial condition to develop new commercial markets for its products.

QUEBEC METALLURGICAL INDUSTRIES LTD.

CAPITALIZATION	Common shares	Outstanding	Ventures	
		5,060,100	2,139,877	42.29%

REVIEW OF OPERATIONS

The financial position of the company was improved by certain security and property transactions during the year and at the year end cash and short term deposits were \$2,466,239 while liabilities amounted to \$25,385. These figures represent the consolidation of the financial statements of Q.M.I. and Lakefield Research, which is now a wholly owned subsidiary, the balance of the outstanding stock having been acquired in 1960.

A substantial increase in business at the Lakefield

laboratories resulted in a net profit of \$30,747 in 1960 compared to a net loss of \$10,479 the previous year.

Klukwan Iron Ore Corporation, a Q.M.I. subsidiary, has been advised by Columbia Iron Mining Company that Columbia intends to exercise its option and that it will take a lease on the mining properties.

Limited diamond drilling was done on the Wedeene iron claims. Further work will be required to delineate the magnetite orebodies.

THE TONOPAH MINING COMPANY OF NEVADA

CAPITALIZATION	Common shares	Outstanding	Ventures	
		781,718	252,760	32.33%

REVIEW OF OPERATIONS

The net asset value of the company's stock as of December 31, 1960 was \$4.05 per share compared to a net asset value of \$4.32 per share on 797,343 shares outstanding on December 31, 1959.

The worked out mine property in Tonopah, Nevada, was sold, after careful investigation had shown that retention of the property was not in the company's best interest.

VENTURES LIMITED

OPERATING HEADS OF SUBSIDIARY AND ASSOCIATED COMPANIES

ALMINEX LIMITED

President F. R. BURTON
Vice-President and
General Manager J. B. WEBB

AMERICAN NEPHELINE LIMITED

President W. H. WOODS
Vice-President and
General Manager .. JOHN J. MATHER

CANADIAN MALARTIC GOLD MINES LIMITED

President J. P. MILLENBACH
General Manager H. C. HERZ
Mine Manager A. R. MEYERS

CONIAURUM MINES LIMITED

President H. S. MCGOWAN
Mine Manager W. O. LAFONTAINE

DOMINION MAGNESIUM LIMITED

President R. J. JOWSEY
General Manager JOHN THOMSON

FAHRALLOY CANADA LIMITED

President and
Managing Director .. T. G. BEAMENT
Vice-President — Sales J. A. WILSON

FALCONBRIDGE NICKEL MINES LIMITED

President and
General Manager H. J. FRASER
Executive Vice-
President R. CAMPBELL
Vice-President — Sales G. S. JEWETT
Vice-President — Production . R. C. MOTT

GIANT YELLOWKNIFE MINES LIMITED

President A. J. ANDERSON
General Manager M. K. PICKARD

KILEMBE MINES LIMITED

Chairman H. S. MCGOWAN
Managing Director A. E. PUGSLEY

LAKE DUFALUT MINES LIMITED

President J. P. MILLENBACH
Resident Geologist D. H. BROWN

LAKEFIELD RESEARCH OF CANADA LIMITED

President W. G. HUBLER
Vice-President and
Manager J. W. BRITTON

LA LUZ MINES LIMITED

President H. S. MCGOWAN
General Manager T. N. SLAUGHTER

METAL HYDRIDES INC.

President LEWIS W. DAVIS
Vice-President and
General Manager .. S. K. DERDERIAN

OPEMISKA COPPER MINES (QUEBEC) LIMITED

President J. P. MILLENBACH
General Manager H. C. HERZ
Mine Manager F. G. COOKE

QUEBEC METALLURGICAL INDUSTRIES LTD.

President N. B. DAVIS
Vice-President W. J. TOUGH

TONOPAH MINING COMPANY OF NEVADA

President C. H. NONAMAKER
Executive
Vice-President .. P. W. ZECKHAUSEN

UNITED KENO HILL MINES LIMITED

President A. J. ANDERSON
Resident Manager A. E. PIKE

TECHNICAL PERSONNEL

HEAD OFFICE

TORONTO

FIELD OFFICES

NORANDA, QUEBEC

PORT ARTHUR, ONTARIO

VANCOUVER, B.C.

MINING ENGINEERS

G. H. MUSTARD W.J. TOUGH

GEOLOGISTS

A. S. DADSON, Chief Geologist D. J. SALT, Geophysicist

METALLURGIST

J. M. MORTIMER, Chief Metallurgical Engineer

INDUSTRIAL MINERALS

M. F. GOUDGE, Consultant

CONSULTING MECHANICAL ENGINEER

W. DUNN

W. G. ROBINSON, Geologist

J. B. GORDON, Geologist

ALEXANDER SMITH, Geologist

