

ADVOCATE MINES
LIMITED

ANNUAL
REPORT

1 9 6 5

ANNUAL MEETING OF SHAREHOLDERS

Monday, April 25, 1966, 11:30 A.M. (Toronto Time)
Newfoundland Room, Royal York Hotel,
Toronto, Canada.

ADVOCATE MINES LIMITED

DIRECTORS

M. J. BOYLEN
E. R. E. CARTER
ANDRÉ EMSENS
ROGER HACKNEY
GILBERT KERLIN
KARL V. LINDELL
ERNST SCHMIDHEINY

OFFICERS

M. J. BOYLEN - - - - - *Chairman of the Board*
E. R. E. CARTER - - - - - *President*
J. KACZKOWSKI - - - - - *Treasurer*
G. GUTIERREZ - - - - - *Secretary*
P. J. KEENAN - - - - - *Assistant-Secretary*

REGISTRAR AND TRANSFER AGENT

GUARANTY TRUST COMPANY OF CANADA
TORONTO AND FREDERICTON

AUDITORS

LOFTUS A. ALLEN & CO. - - - TORONTO, ONTARIO

HEAD OFFICE

7 King Street East - - - - - TORONTO, ONTARIO

MINE OFFICE

BAIE VERTE, NEWFOUNDLAND

ADVOCATE MINES LIMITED

Directors' Report

To the Shareholders:

Your Directors submit herewith the Tenth Annual Report of your Company for the year ended December 31, 1965, including Consolidated Financial Statements comprising the Balance Sheet, Statement of Income, Statement of Retained Earnings, Auditors' Report and Report of the Manager, Canadian Johns-Manville Co., Limited.

The results for 1965 (1964 figures are in brackets) were:

- (a) Net Income was \$2,059,794 (\$1,526,880) after providing for depreciation of \$1,246,697 (\$1,198,536) and the amortization of \$200,000 (\$200,000) of preproduction expense;
- (b) Cash generated from mine operations before capital expenditures was \$3,506,491 (\$2,925,416);
- (c) Net expenditures on plant and equipment were \$2,449,811 (\$1,918,872).

The Company's working capital improved by \$845,514 and bank loans were reduced from \$3,300,000 to \$2,220,000.

As pointed out in the Report of the Manager, the quality of fibre produced increased and over 98% of production was the higher grade A-25 fibre. This was mainly responsible for the improved results.

Ore reserves were 36,369,000 tons. However, additional drilling of depth and strike extensions of existing orebodies should increase reserves substantially.

It is a pleasure to record again, on behalf of the Directors, our appreciation of the loyal and efficient services received from our employees during the year. Your Directors also wish to acknowledge and express their appreciation for the continuing high degree of co-operation that exists between the Government of the Province of Newfoundland and the Company.

On behalf of the Board of Directors,



President.

Toronto, Canada,
March 29, 1966.

LOFTUS A. ALLEN & COMPANY

CHARTERED ACCOUNTANTS

SUITE 235 - 48 YONGE STREET

TORONTO 1, CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of

ADVOCATE MINES LIMITED

and its wholly owned subsidiary as at December 31, 1965 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and consolidated statements of income and retained earnings present fairly the financial position of the companies as at December 31, 1965 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Loftus A. Allen & Co.

Chartered Accountants.

Toronto, Ontario,
February 21, 1966.

ADVOCATE MINES LIMITED

(Incorporated under the Laws of Ontario)

Consolidated Balance Sheet — December 31, 1965

(with comparative figures for 1964)

ASSETS

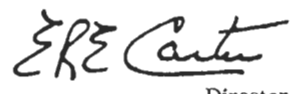
	1965	1964
Current Assets		
Cash	\$ 3,198	\$ 73,695
Accounts receivable	1,182,742	556,653
Fibre inventory — at net realizable value	982,597	1,203,427
Stores and supplies — at cost	1,098,242	930,871
Prepaid expenses	80,456	81,709
Total Current Assets	\$ 3,347,235	\$ 2,846,355
Notes Receivable — including accrued interest	\$ 663,689	\$ 469,988
Mining Properties and Rights — at cost (Note 2)	\$ 75,000	\$ 75,000
Fixed Assets		
Property, plant and equipment — at cost	\$22,624,976	\$20,175,165
Less: Accumulated depreciation	2,423,331	1,194,099
Net Fixed Assets	\$20,201,645	\$18,981,066
Deferred Preproduction Expense less amounts written off	\$ 3,428,468	\$ 3,628,468
Total Assets	\$27,716,037	\$26,000,877

LIABILITIES

	1965	1964
Current Liabilities		
Bank loan — secured	\$ 2,220,000	\$ 3,300,000
Accounts payable and accrued liabilities	1,843,182	1,132,816
Mining taxes payable	25,000	—
Total Current Liabilities	\$ 4,088,182	\$ 4,432,816
Shareholders' Equity (Notes 4 and 5)		
Capital		
Authorized, Issued and Fully Paid		
179,000 4½% Cumulative, redeemable preference shares of \$100 par value	\$17,900,000	\$17,900,000
6,000,000 Common shares of \$1 par value	6,000,000	6,000,000
Total	\$23,900,000	\$23,900,000
Less: Discount on common shares	3,817,995	3,817,995
Retained earnings	\$20,082,005	\$20,082,005
3,545,850	1,486,056	1,486,056
Total Shareholders' Equity	\$23,627,855	\$21,568,061
Total Liabilities and Equity	\$27,716,037	\$26,000,877

Approved on behalf of the Board.


Director.


Director.

The accompanying notes form an integral part of these financial statements.

ADVOCATE MINES LIMITED

Consolidated Statement of Income

For the Year Ended December 31, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Net income from operations before the following items	\$3,798,505	\$3,123,590
Interest on bank loans	\$ 241,159	\$ 198,174
Provision for depreciation	1,246,697	1,198,536
Loss on disposal of fixed assets	22,543	—
Amortization of preproduction expense	200,000	200,000
Mining taxes	28,312	—
	<u>\$1,738,711</u>	<u>\$1,596,710</u>
Net Income	<u>\$2,059,794</u>	<u>\$1,526,880</u>

Consolidated Statement of Retained Earnings

For the Year Ended December 31, 1965

(with comparative figures for 1964)

	<u>1965</u>	<u>1964</u>
Retained earnings at beginning of year	\$1,486,056	\$ (40,824)
Net income for the year	2,059,794	1,526,880
Retained earnings at the end of year	<u>\$3,545,850</u>	<u>\$1,486,056</u>

Notes to Consolidated Financial Statements

As at December 31, 1965

1. The consolidated financial statements combine the accounts of the Company with those of its wholly owned subsidiary, Advocate Concessions Exploration Company Limited.
2. The Concession Agreement with the Province of Newfoundland extends to December 31, 1968. The Company holds mining leases and a development license in certain areas within the concession.
3. The three-year tax exempt period under the provisions of the Income Tax Act, Canada, ends on August 31, 1966. No provision for income taxes is required in the current year.
4. Pursuant to the Financing Agreement dated September 29, 1958, the Company has agreed to redeem the preference shares from 75% of the annual cash flow after provision for working capital, additions to plant and equipment, retirement of loans and payment of preference dividends. The balance is available for the declaration and payment of dividends on common shares.
5. The dividend on the cumulative preference shares is in arrears in the amount of \$2,772,053.

ADVOCATE MINES LIMITED

Report of the Manager

February 17, 1966

To the President and Directors of
ADVOCATE MINES LIMITED.

We, as Manager of your operations at Baie Verte, Newfoundland, report hereunder for the year 1965.

Production

During 1965, the mill operated 323 days and produced 61,641 tons of fibre consisting of 60,646 tons of A-25 and 995 tons of A-35. To produce this fibre, 2,098,630 tons of ore were delivered to the crushing and drying plant giving a recovery of 2.94%. It is significant to note that not only was the total fibre recovery higher than in 1964, but also the production of A-25 fibre was up 20% with a marked improvement in quality.

Mining

During the year, 2,144,835 tons of ore and 4,480,374 tons of waste and overburden were mined for a total of 6,625,209 tons, an increase of 43% over the 1964 figure. The waste to ore ratio in 1965 was 2.09:1 compared to 1.21:1 in 1964. The fourth production unit, consisting of a 6 cu. yard shovel and 50 ton trucks, was placed in operation in June. These larger units have operated satisfactorily to date and have had a favourable influence on pit mining costs. A fifth shovel was added late in December.

Ore Reserves

At December 31, 1965, ore reserves were 36,369,000 tons. Early in the year, a program of shallow diamond drilling was begun. This drilling, combined with an increased emphasis on pit geological mapping, has effected a marked improvement in the control of the grade of ore to be mined.

Facilities

During the year, plans were completed and construction started on an improved ore concentration system. This will permit a larger percentage of barren mine rock to be discarded before milling, which will permit the mining of lower grade ore, yet maintain the milling operation at maximum capacity.

In order to meet the continuing demand for housing which is required to obtain skilled tradesmen and staff, four additional employee houses were built. The recreation centre was completed and opened in April. The facilities include bowling alleys, curling rink, library, meeting rooms for both youth and adult groups, and a large community hall.

Expenditures on plant and equipment during 1965 amounted to \$2,449,811, bringing total expenditures to \$22,624,976. In addition, the completion of the loan to the Roman Catholic School Board of Baie Verte, in the amount of \$307,716, and a further loan of \$130,000 to the Amalgamated School Board for the construction of a \$300,000 Central High School ensured adequate educational facilities for children of employees.

Shipping

In view of the late opening of summer shipping in 1964, and the attendant storage problems, the 1965 winter shipping season was scheduled to mid-February. The last two vessels required ice-breaker assistance, which was supplied by the Federal Department of Transport. A total of 25 shipments were made, ranging in size from 300 tons to 7,603 tons. These totalled 65,626 tons made up of 60,809 tons of A-25 fibre and 4,817 tons of A-35.

Personnel

Advocate personnel at year-end totalled 376 employees, of which 51 were staff and 325 were hourly. As in 1964, labour turn-over was well below normal. However, due to the country-wide shortage, it was difficult to secure and retain engineering staff and skilled tradesmen. To help alleviate this problem, your company has embarked on a provincial government sponsored apprenticeship training program.

Government Relations

The high degree of co-operation developed during previous years between Advocate Mines Limited and the Government of the Province of Newfoundland continued through 1965. The Lieutenant-Governor of Newfoundland visited Baie Verte and a plant tour and civic reception were held in his honour. The Honourable Dr. F. W. Rowe, acting on behalf of the provincial government, officially opened the recreation centre on October 16.

General

During 1965, a municipal works program was initiated in the Town of Baie Verte. Approximately 70% of the town roads were paved, complete with storm sewers and sidewalks. The program is planned for completion in 1966.

Concession Exploration

Advocate Concessions Exploration Company Limited, a wholly owned subsidiary, continued exploration programs in both the Green Cove and Flatwater Pond areas where a total of 3,465 feet of diamond drilling was completed during the year. Prospecting in other areas of the concession continued. An area of significant copper, gold, and silver mineralization was uncovered in the vicinity of Nipper's Harbour. Expenditures on concession exploration during 1965 totalled \$31,840.

We wish to extend to management and all employees, our sincere appreciation for their loyal and efficient service throughout the year.

CANADIAN JOHNS-MANVILLE CO., LIMITED



Chairman of the Board.

