

ANNUAL
REPORT
1967

Advocate Mines Limited

ANNUAL MEETING OF SHAREHOLDERS
Wednesday, May 1, 1968, 11:30 A.M. (Toronto Time)
Toronto Room, King Edward Sheraton Hotel,
Toronto, Ontario.

Advocate Mines Limited

DIRECTORS

M. J. BOYLEN
E. R. E. CARTER
D. T. COLTON
ANDRÉ EMSENS
GILBERT KERLIN
KARL V. LINDELL
ERNST SCHMIDHEINY

OFFICERS

M. J. BOYLEN - - - - - *Chairman of the Board*
E. R. E. CARTER - - - - - *President*
J. KACZKOWSKI - - - - - *Treasurer*
P. J. KEENAN - - - - - *Secretary*
F. VAN DE WATER - - - - - *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:

Earnings

Net income for 1967 was \$1,865,651, compared with \$2,506,726 in 1966. The decrease in earnings was due mainly to higher mining costs which resulted from a 23% increase in the tons of material mined. In addition, a payment of \$200,000 to the Government of Newfoundland and Labrador to assist in meeting the cost of paving the road from the Town of Baie Verte to the mine site has been written off in 1967 and included in operating costs.

Operations

The Report of the Manager, Canadian Johns-Manville Co., Limited, included herein, provides details of operations.

Exploration

An agreement is being negotiated with M. J. Boylen (1967) Prospectors to explore concession properties as outlined in the Manager's Report.

Asbestos Price Increases

The price of your Company's fibre was increased 3½% effective March 15, 1967. A further increase of about 2% will become effective on April 1, 1968.

Ore Reserves

As a result of further drilling in 1967, ore reserves at December 31, 1967 were 67 million tons. This represents a satisfactory improvement in the ore position as the reserves reported at December 31, 1966 were 55 million tons and about 1.9 million tons of ore were mined in 1967.

Dividends

A preference share dividend in the amount of \$1,143,148 was paid on October 31, 1967 to shareholders of record October 20, 1967. This paid arrears for the period August 1, 1963 to December 31, 1964.

The dividend on the preference shares was in arrears in the amount of \$2,416,500 at December 31, 1967 and further payments will be made in 1968.

Outlook

Although domestic and foreign demand for fibre has softened with decreased industrial activity, your Company's production and shipments should equal 1967's performance. The outlook is for earnings comparable to last year's.

On behalf of the Board of Directors,



President.

Toronto, Canada,
March 11, 1968.

Advocate Mines Limited

Consolidated Statement of Income

| | Year Ended December 31 | |
|---------------------------------------|------------------------|---------------------|
| | 1967 | 1966 |
| Value of fibre produced | \$10,940,799 | \$10,803,762 |
| Less — | | |
| Operating costs | 7,548,308 | 6,801,439 |
| Interest | 169,840 | 149,454 |
| Depreciation | 1,200,000 | 1,190,743 |
| Amortization of preproduction expense | 145,000 | 145,000 |
| Mining taxes | 12,000 | 10,400 |
| | <u>9,075,148</u> | <u>8,297,036</u> |
| Net Income | <u>\$ 1,865,651</u> | <u>\$ 2,506,726</u> |

Consolidated Statement of Retained Earnings

| | | |
|--------------------------------------|---------------------|---------------------|
| Balance, beginning of year | \$ 5,008,272 | \$ 3,545,850 |
| Net income | 1,865,651 | 2,506,726 |
| | <u>6,873,923</u> | <u>6,052,576</u> |
| Loss on sale of fixed assets | 77,129 | 220,900 |
| | <u>6,796,794</u> | <u>5,831,676</u> |
| Proceeds on sale of 22 mining claims | 2,798 | — |
| | <u>6,799,592</u> | <u>5,831,676</u> |
| Preference dividend paid | 1,143,148 | 823,404 |
| Balance, end of year | <u>\$ 5,656,444</u> | <u>\$ 5,008,272</u> |

Advocate Mines Limited

(Incorporated under the Laws of Ontario)

Consolidated Balance Sheet

| ASSETS | | | LIABILITIES | | |
|---|---------------------|---------------------|--|---------------------|---------------------|
| | December 31 | | | December 31 | |
| | 1967 | 1966 | | 1967 | 1966 |
| Current Assets | | | Current Liabilities | | |
| Cash | \$ 94,306 | \$ 571,079 | Bank loan --- secured | \$ 2,280,000 | \$ 2,230,000 |
| Accounts receivable | 1,362,588 | 115,671 | Accounts payable | 1,763,170 | 1,723,596 |
| Fibre inventory — at net realizable value | 2,462,485 | 2,327,983 | Miscellaneous taxes payable | 60,893 | 45,714 |
| Stores and supplies — at cost | 848,281 | 919,006 | Total Current Liabilities | 4,104,063 | 3,999,310 |
| Special refundable tax | 147,961 | 120,000 | | | |
| Prepaid expenses | 167,392 | 34,669 | Shareholders' Equity (Notes 4 and 5) | | |
| Total Current Assets | <u>5,083,013</u> | <u>4,088,408</u> | Capital | | |
| Mining Properties and Rights — at cost (Note 2) | 75,000 | 75,000 | Authorized, Issued and Fully Paid | | |
| Fixed Assets | | | 179,000 4½% Cumulative, redeemable | | |
| Property, plant and equipment -- at cost | 24,730,859 | 24,117,396 | preference shares of \$100 par value | 17,900,000 | 17,900,000 |
| Less: Accumulated depreciation | 4,483,091 | 3,445,002 | 6,000,000 Common shares of \$1 par value | 6,000,000 | 6,000,000 |
| Net Fixed Assets | <u>20,247,768</u> | <u>20,672,394</u> | | <u>23,900,000</u> | <u>23,900,000</u> |
| Advances to School Boards | 859,136 | 696,037 | Less: Discount on common shares | 3,817,995 | 3,817,995 |
| Deferred Preproduction Expense less amounts written off | 3,577,595 | 3,557,748 | | <u>20,082,005</u> | <u>20,082,005</u> |
| Total Assets | <u>\$29,842,512</u> | <u>\$29,089,587</u> | Retained Earnings | 5,656,444 | 5,008,272 |
| | | | Total Shareholders' Equity | <u>25,738,449</u> | <u>25,090,277</u> |
| | | | Total Liabilities and Shareholders' Equity | <u>\$29,842,512</u> | <u>\$29,089,587</u> |

Approved on behalf of the Board


Director.


Director.

LOFTUS A. ALLEN & COMPANY

Toronto-Dominion Centre,
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, 1967 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. 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, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 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.

Toronto, Ontario,
March 1, 1968.

LOFTUS A. ALLEN & COMPANY,
Chartered Accountants.

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

Advocate Mines Limited

Consolidated Statement of Source and Application of Funds

| FUNDS WERE DERIVED FROM | Year Ended December 31 | |
|--|------------------------|--------------------|
| | 1967 | 1966 |
| Current Operations | | |
| Net income for the year | \$1,865,651 | \$2,506,726 |
| Items not requiring an outlay of funds — | | |
| Depreciation | 1,200,000 | 1,190,743 |
| Amortization of preproduction expense | 145,000 | 145,000 |
| Proceeds on sale of fixed assets | 56,753 | 98,613 |
| Proceeds on sale of 22 mining claims | 2,798 | — |
| | <u>\$3,270,202</u> | <u>\$3,941,082</u> |
| | | |
| FUNDS WERE APPLIED TO | | |
| Purchase of fixed assets | \$ 909,256 | \$1,981,005 |
| Preference dividend | 1,143,148 | 823,404 |
| Preproduction expenses — | | |
| expansion diamond drilling costs | 164,847 | 274,280 |
| Increase in advances to school boards | 163,099 | 32,348 |
| Increase in working capital | 889,852 | 830,045 |
| | <u>\$3,270,202</u> | <u>\$3,941,082</u> |

Advocate Mines Limited

Notes to Consolidated Financial Statements

DECEMBER 31, 1967

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 Company has exclusive prospecting and exploration rights in the Rattling Brook - White Bay Area, Newfoundland, until December 31, 1968. Subject to certain conditions, the Company may obtain a development license for a period of five years for an area not exceeding 41 square miles. Mining leases may then be obtained for any or all of the area covered by the development license. Advocate has, accordingly, been granted a mining lease in the Baie Verte area.

During 1967 the Company sold 22 mining claims in the Concession Area for \$2,798.

3. Depreciation and amortization provided in the financial statements of prior years exceeded the amounts claimed for tax purposes. The excess allowance has been claimed to the full extent of taxable income from the close of the tax exempt period on August 31, 1966 to December 31, 1967.

Accordingly, no liability for income taxes is required for 1967 or 1966. Had income taxes been payable, the tax provision would have been \$612,000 in 1967 and \$825,500 in 1966.

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 has been paid to December 31, 1964 and the amount presently in arrears is \$2,416,500.
6. The aggregate remuneration paid to the directors and the five highest paid employees of the company for 1967 and 1966 was \$87,522 and \$94,878 respectively.

Advocate Mines Limited

Report of the Manager

February 15, 1968

To the President and Directors of
ADVOCATE MINES LIMITED.

Production

During 1967, the mill operated 303 days and produced 63,664 tons of A-25 fibre. To produce this fibre, 1,894,948 tons of ore were delivered to the crushing and drying plant giving a recovery of 3.36%. It should be noted that not only was the fibre recovery of 3.36% higher than the 1966 figure of 3.25% but that the quality of fibre produced again showed a marked improvement.

Mining

During the year, 1,904,394 tons of ore and 8,211,069 tons of waste and overburden were mined for a total of 10,115,463 tons, an increase of 23% over the 1966 figure. The waste to ore ratio in 1967 was 4.10:1 compared to 3.10:1 in 1966. The second rotary drill was received early in the year and the remaining 27 ton trucks were replaced by three 50 ton trucks.

Ore Reserves

At December 31, 1967, reserves were 67,000,000 tons. The program of shallow diamond drilling ahead of the mining faces which was carried out in 1965 and 1966, combined with an intensive program of pit geological mapping and sampling and the correlation obtained with milling results were to a large extent responsible for the increase in both fibre recovery and quality of fibre produced.

Facilities

A new garage was constructed and put into service in July. This has greatly facilitated the maintenance of haulage trucks and other pit equipment.

Net additions to plant and equipment in 1967 amounted to \$613,463.

Shipping

Due to heavy ice conditions the last boat was cleared on February 20 — five weeks earlier than in the previous year.

There were 63,725 tons of A-25 fibre shipped during the year.

Personnel

Personnel at year end totalled 397 employees of which 57 were staff and 340 were hourly. As in 1966, labour turnover was well below normal and the Provincial Government sponsored apprenticeship training program continued to show favourable results. This

apprenticeship program was further enhanced by increased living allowances from the Federal Department of Manpower and Immigration.

Again in 1967 the Company had an accident free year and worked 957,530 hours without loss of time. On December 16 the 2,000,000 safe man hour mark was passed.

Government Relations

Excellent co-operation between the Company and the Government of the Province of Newfoundland and Labrador prevailed during 1967. Various government departments assisted the Company in obtaining additional areas for waste disposal.

General

As in previous years, relations between the Company and the local Asbestos Workers Union remained highly satisfactory.

To alleviate the housing shortage in Baie Verte and to provide low cost housing for Company employees, the Company embarked on an ambitious housing program in 1967. At year end eight town housing units were being constructed and will be ready for occupancy in early 1968. The total cost is being borne by Central Mortgage and Housing Corporation with the mortgages being accepted by the tenants.

Owing to a prolonged drought over the past few years and consequent lowering of water levels, the Company faced a severe power shortage this past Spring and six production days were lost. Despite this loss of time all production schedules were exceeded. In May the new Baie d'Espoir generating station became operational and there should be no further power shortages in the foreseeable future.

Concession Exploration

Expenditures on Concession Exploration totalled \$64,851 in 1967.

An agreement is being negotiated with M. J. Boylen (1967) Prospectors Limited (Prospectors) to explore concession properties selected by the Manager, Canadian Johns-Manville Co., Limited. Under the terms of the agreement the Company would obtain a 20% non-assessable carried interest in mineral discoveries of other than asbestos with Prospectors having an 80% working interest. Should a commercial asbestos deposit be discovered, Prospectors would obtain a 20% non-assessable carried interest in such discovery and the Company would have an 80% working interest.

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

CANADIAN JOHNS-MANVILLE COMPANY, LIMITED



Chairman of the Board.

