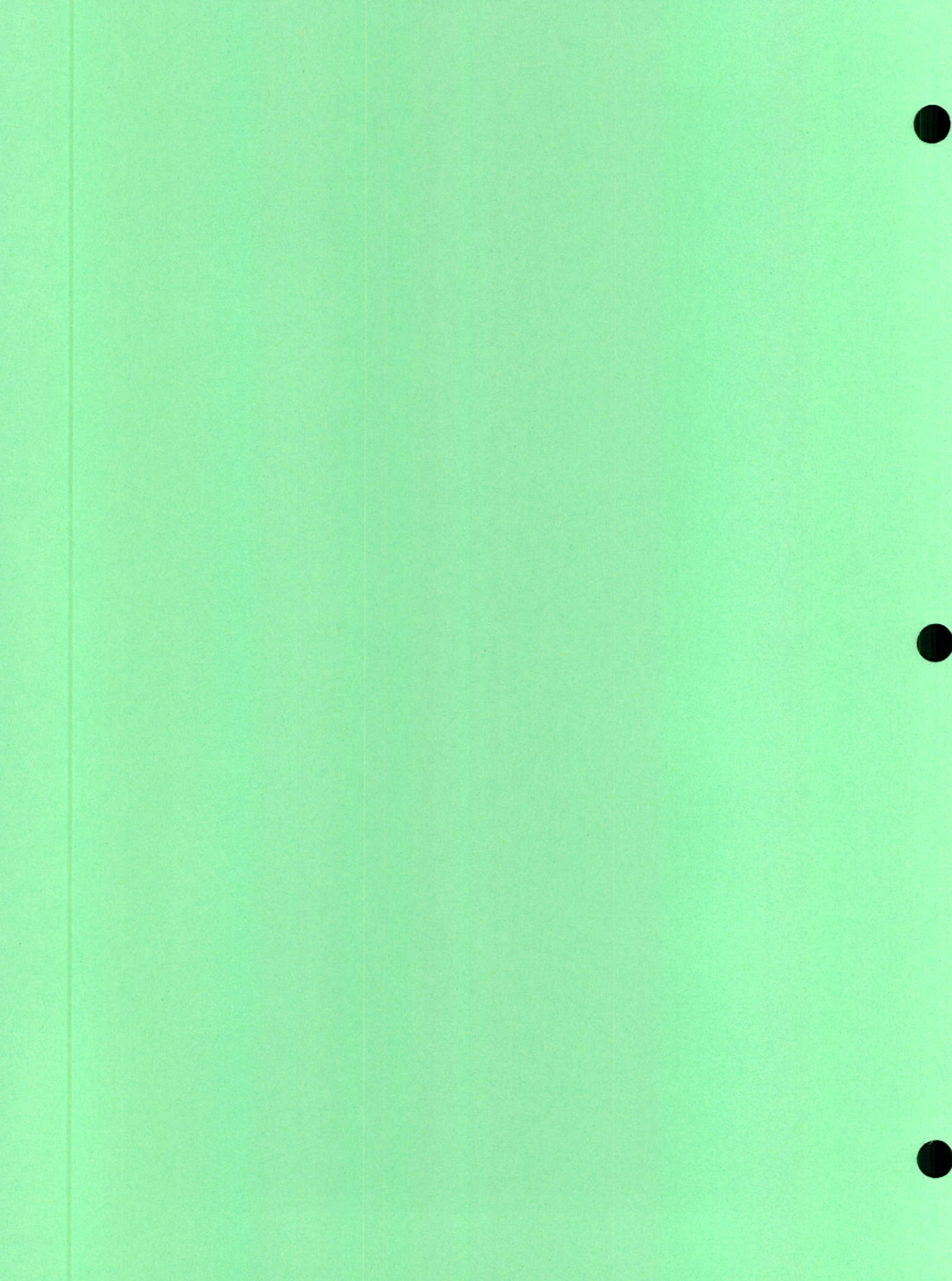


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Thirteenth Annual Report
Falconbridge Nickel Mines
Limited

*For the Year Ended
December 31st, 1941*



Falconbridge Nickel Mines Limited



HEAD OFFICE

25 King Street West, Toronto

PRESIDENT

J. Gordon Hardy

VICE-PRESIDENTS

T. Lindsley

H. Whittingham

SECRETARY and TREASURER

Norman F. Parkinson

DIRECTORS

J. Gordon Hardy
Halstead Lindsley
T. Lindsley

W. G. Malcolm
W. S. Morlock
H. Whittingham

OPERATING STAFF

Manager at Mine and Smelter	- - - - -	Ernest Craig
Manager at Refinery*	- - - - -	S. B. Steen
Consulting Metallurgist	- - - - -	Anton Gronningsater

TRANSFER AGENTS and REGISTRARS

Toronto Share Transfer Company, Limited

302 Bay Street, Toronto

AUDITORS

Clarkson, Gordon, Dilworth & Nash

Toronto

* Refinery presently in enemy possession.

FALCONBRIDGE NICKEL MINES LIMITED

Report of Directors

Toronto, February 2nd, 1942.

To the Shareholders of
Falconbridge Nickel Mines Limited.

The Thirteenth Annual Report of your Directors, covering 1941 Operations and presenting your Auditors' Statement of Earnings and Balance Sheet, is now submitted herewith for your consideration.

Thanks to continued neighbourly assistance, your Company has been able to do its full share in trying to meet wartime demands for essential metals, and its production in the year under review surpassed all previous records.

This permitted resumption of regular dividends, though at the reduced scale of 20c per share annually. Net earnings for the year figured at 29.8c per share; certainly a considerable reduction from former full-time operation, but directly traceable to increased over-all costs and substantial decrease in realization returns.

Of the million dollar capital expenditure for increased production facilities—advised in the June Quarterly Report—about one-half has been disbursed. Delays in deliveries are still holding up completion of the full program, and its final expenditure. You will note that the cash position is being strongly maintained—that being the chief assurance we have to meet properly any future problems in this greatly disturbed period of the Company's history.

By order of the Board,

J. GORDON HARDY,

President.

FALCONBRIDGE NICKEL MINES LIMITED

THIRTEENTH ANNUAL REPORT YEAR 1941

Falconbridge, Ontario,
January 28th, 1942.

Mr. J. Gordon Hardy, President,
and the Board of Directors,
Falconbridge Nickel Mines Limited.

Dear Sirs:

Please receive herewith my report covering the operations of this Company at Falconbridge for the year ended December 31st, 1941.

The period under review commenced with operations restricted to the scale prevailing in the last eight months of the previous year. However, following the completion of arrangements early in the year for the disposal of additional matte, production was stepped up to full tempo as rapidly as possible. This was accomplished by March and from that time every effort was put forth to maintain production at the highest possible level.

By midsummer the decision had been made to enlarge our facilities for greater production, consequently a considerable program of construction had to be undertaken at this time. While some benefit has already accrued from such installations as we have been able to put in operation, the main program is by no means completed and it will be some time before the full advantage is realized.

MINE DEVELOPMENT

Recorded development footages throughout the mine are tabulated as follows:

Drifting and Cross-cutting (including Slashing)	11,816 feet
Stope Raising	5,171 feet
Fill Pass Raising	534 feet
Ore Pass Raising	325 feet
Station Cutting	31,580 cu. feet
Diamond Test Drilling	6,379 feet

Nearly 8,000 feet of the total drifting and cross-cutting was accounted for by development along the ore zone. Connections between No. 1 and No. 5 Shafts were completed on the 1400 and 1925 levels by advances of 1,406 feet and 593 feet respectively. Little change in the ore reserve blocks of the central area resulted from this work.

On the upper levels, a westerly advance of 161 feet on the 325 level was made to permit cleaning up a small stoping section. The 200 level was advanced some 317 feet easterly to serve a similar purpose in the area east of No. 5 Shaft.

That section lying east of No. 5 Shaft and above the 1200 level was further explored by easterly advances on three levels. Some 589 feet of drifting on the 650 level, within a block already carried in reserves, revealed a good ore width but slightly lower in grade than previous work would indicate. Advances of 652 feet and 492 feet, respectively, on the 825 and 1000 levels, left these easterly faces at 2,184 feet and 2,055 feet east of No. 5 Shaft. Grades and widths of ore thus disclosed were comparable to adjacent blocks in the area.

The remainder of the development was in the nature of exploration. The 1750 level was advanced westerly some 1,190 feet to 1,293 feet west of No. 1 Shaft and easterly 1,366 feet to 1,804 feet east of No. 5 Shaft. The westerly advance disclosed the continuation of commercial ore for some 780 feet but beyond that no mineable ore was encountered though the vein structure persists. The easterly drive has been encouraging, nearly 80% of the footage advanced revealing ore grading better than had hitherto been developed in the eastern area. Results were so satisfactory that the 1925 level was driven easterly some 618 feet and preparation made for stoping.

The year's development may be considered satisfactory in that some gain was made in the Falconbridge Mine reserves although greater tonnage was mined than in any previous year.

New stopes opened during the year totalled 2,975 feet of length.

Ore and fill pass systems were further extended during the year as required by additional stoping in new areas.

The pumping station on the 2275 level at No. 5 Shaft was completed, necessary pipe lines installed, and the system put in operation.

The mechanical ventilation system was completed as far as the initial program called for and was in operation by the end of the year. Marked improvement in conditions was immediately apparent.

EXPLORATION

A considerable program of exploration by diamond drilling was undertaken this year on holdings in the district.

At Levack, 18 holes were put down for a total of 15,710 feet of drilling. Results were quite satisfactory in that the ore-reserves of this property were brought up to around 3,500,000 tons.

Drilling on other properties totalled 7,423 feet and was mainly for the purpose of delimiting areas in which favourable conditions would develop for further exploration. Though some results were negative, decidedly encouraging results were obtained in other areas.

ORE RESERVES

Anticipating the increased drafts to be made on available ore-reserves by the demands for extra production, an increased program for development and diamond-drilling exploration was initiated early in the year. Its results have been gratifying, since not only do the figures of Reserves in our main operating Falconbridge Mine show increase over extraction, but exploration has brought over-all Reserve figures to the largest in the Company's history, with the grade of this Reserve comparing favourably with recent years.

TREATMENT PLANTS

Although operation was on a reduced scale during the early part of the period under review, higher annual levels were reached in both tonnage treated and in production than for any previous year. Part of this gain can be attributed to the installation of some additional equipment in the mill but was mainly accomplished by crowding all units to the utmost limit.

This effort for maximum production is accompanied by some sacrifice, as indicated in the substantially increased metallurgical losses for the period.

Only some 1.2% of possible operating time was lost through necessary shutdowns for repairs.

CONSTRUCTION

Extensive additions were undertaken in various units of the plant to provide for increased capacity, under Governmental requests for additional production of essential metals.

At No. 5 Shaft, a 3,300 cu. ft. per min. compressor is being installed and a crusher is being added in the secondary crushing plant at the shaft head.

In the concentrator, grinding capacity is being stepped up by the installation of two ball mills and one large classifier. Flotation equipment, thickener, filter, pumps, etc., are also included to take care of the extra tonnage.

Two machines are being installed in the sintering plant and provision is made to enlarge No. 1 converter and move it to a new location.

These additions called for extensions to the concentrator, sintering plant and smelter buildings. While the buildings were well on the way to being closed in and all machinery foundations had been completed at the end of the year, very little of the equipment had been received.

A new laboratory building was erected during the year. Services, including water supply, heating facilities and transformer equipment, were extended to fit with the general scheme of plant additions.

To improve change house facilities and provide for increased force, a wing was added to the existing building at No. 5 Shaft and a new building is under construction to take care of smelter and surface employees.

GENERAL

I would again gratefully acknowledge the continued loyalty and co-operation of staff and employees throughout the year.

Respectfully submitted,

E. CRAIG,
Manager.

FALCONBRIDGE NICKEL MINES LIMITED

Toronto, January 3rd, 1942.

Mr. J. Gordon Hardy, President,
and the Board of Directors,
Falconbridge Nickel Mines Limited.

Dear Sirs:

I beg to submit the following report for the fiscal year ended December 31st, 1941.

Ore Dressing Plant, Mill and Smelter:

The ore dressing plant, mill and smelter have been operating at maximum capacity since the latter part of January, with a minimum of lost time for interruptions and repairs. All production records have been broken, but the over-crowding of mill and smelter has resulted in an appreciable increase in metallurgical losses.

A considerable construction program, started last summer, is going on and will be finished gradually during the first half of the new year. This includes new equipment in mill, sintering plant and smelter, a new laboratory, new change-houses and other minor additions and improvements. This construction should make operations easier and more certain and result in further increase in production.

Refinery:

The Kristiansand plant continues to be—as you know—under control of the German forces, but in charge of our own Norwegian staff, so that its care is in good hands, unless or until a change in the German situation takes place.

Respectfully submitted,

Anton Gronningsater,
Consulting Metallurgist.

FALCONBRIDGE MINES LIMITED

Wholly-owned Subsidiary

NIKKELVERK AKTIESELSKAP

Balance Sheet, 31st December, 1941

and Statement of Assets for 31st December, 1940

LIABILITIES

	31st December 1941	31st December 1940
Capital:		
Authorized 5,000,000 shares of no par value		
Issued 3,337,507 shares of no par value	\$ 7,038,395.94	\$ 7,038,395.94
	<hr/>	<hr/>
Current Liabilities:		
Accounts payable	\$ 210,926.61	\$ 136,482.78
Wages payable	98,701.99	69,403.41
Unclaimed dividends	2,505.77	2,135.17
Reserve for income and excess profits taxes	540,000.00	195,000.00
	<hr/>	<hr/>
	\$ 852,134.37	\$ 403,021.36
	<hr/>	<hr/>
Earned Surplus	\$ 5,452,011.00	\$ 5,125,526.35

On behalf of the Board:

J. Gordon Hardy, Director.

T. Lindsley, Director.

\$13,342,541.31

\$12,566,943.65

THE SHAREHOLDERS

The assets and liabilities of your company's wholly-owned subsidiary Falconbridge Nikkelverk Aktieselskap as at 31st December 1941 are incorporated in the above consolidated balance sheet and in the consolidated statements of earnings and surplus for the year ending on that date. The net assets held in Norway which are included in the above balance sheet at \$2,230,268.22, are valued at the rate of 10% per annum, compared with a rate of 15% per annum for the year ending on that date according to the best of our information, the

opinion the above consolidated balance sheet and related consolidated statements of earnings and surplus have been prepared in accordance with the requirements of the Act of 1911, and of the results of their operations for the year ending on that date according to the best of our information, the

CLARKSON, GORDON, DILWORTH & NASH, Chartered Accountants.

FALCONBRIDGE NICKEL MINES LIMITED

and its Wholly Owned Subsidiary

FALCONBRIDGE NIKKELVERK AKTIESELSKAP

Consolidated Earnings Statement

For the Year Ended 31st December, 1941

with Comparative Figures for the Year 1940

	1941	1940
Matte and metal sales and investment income	\$7,267,821.75	\$4,672,248.37
Note: 1940 sales include \$273,855.58 insurance recovered from lost shipments.		
Less: Selling and delivery expense and foreign exchange adjustment	498,405.50	215,931.23
	<u>\$6,769,416.25</u>	<u>\$4,456,317.14</u>
Deduct: Decrease in metal inventories before writing off stock of finished metals in Norway at 31st March, 1940	393,216.99	863,600.82
	<u>\$6,376,199.26</u>	<u>\$5,319,917.96</u>
Operating costs—mining, smelting, refining, etc.	\$4,074,287.46	\$3,702,753.02
Outside exploration	1,100.44	1,233.63
Administrative and general expense	76,152.10	75,086.98
	<u>\$4,151,540.00</u>	<u>\$3,779,073.63</u>
Operating profit before providing for taxes, deferred development and depreciation	\$2,224,659.26	\$1,540,844.33
Provision for income and excess profits taxes	454,458.47	119,239.64
Profit for the year before providing for deferred development and depreciation	<u>\$1,770,200.79</u>	<u>\$1,421,604.69</u>
Deferred development expenses	\$ 145,932.13	\$ 83,584.39
Depreciation	630,282.61	826,837.86
Finished metal stocks in Norway at 31st March, 1940, written off		233,279.36
	<u>\$ 776,214.74</u>	<u>\$1,143,701.61</u>
Net profit transferred to consolidated earned surplus	<u>\$ 993,986.05</u>	<u>\$ 277,903.08</u>

Consolidated Earned Surplus Account

For the Year Ended 31st December, 1941

with Comparative Figures for the Year 1940

	1941	1940
Balance at beginning of year	\$5,125,526.35	\$5,054,801.77
Net profit as above	993,986.05	277,903.08
Adjustments relating to prior years		43,140.46
	<u>\$6,119,512.40</u>	<u>\$5,375,845.31</u>
Deduct dividends paid	667,501.40	250,318.96
Balance at end of year	<u>\$5,452,011.00</u>	<u>\$5,125,526.35</u>

Statement of Assets and Liabilities in Norway
Included in the
CONSOLIDATED BALANCE SHEET
of
FALCONBRIDGE NICKEL MINES LIMITED
and
FALCONBRIDGE NIKKELVERK AKTIESELSKAP
as at 31st December, 1941

ASSETS

Current Assets:		
Cash on hand and in banks	\$ 153,076.36	
Accounts receivable—sundry	59,558.75	\$ 212,635.11
Inventories of matte on hand and in process		1,009,068.33
Property account—refinery buildings, machinery and equip- ment less depreciation written off		940,633.33
Deferred expenditures, supplies, etc.:		
Refinery supplies, etc.	\$ 98,852.01	
Prepaid expenses and deferred charges	19,875.94	118,727.95
Deposit with Municipality of Kristiansand re power supply		74,958.67
		\$2,356,023.39

LIABILITIES

Current Liabilities:		
Accounts payable		\$ 35,168.91
Wages payable		20,586.26
Reserve for taxes		70,000.00
		\$ 125,755.17
Net assets in Norway included in the consolidated balance sheet of Falconbridge Nickel Mines Limited and Falconbridge Nikkelverk Aktieselskap as at 31st December, 1941		
		\$2,230,268.22

- Notes: (1) The refinery is at present in enemy possession.
(2) The above figures are as at 31st March, 1940 with the following exceptions:
- (a) Refined metals on hand in Norway at 31st March, 1940, \$233,279.36 were written off in 1940;
 - (b) Provision has been made for depreciation of buildings, machinery and equipment from 1st April, 1940 to 31st December, 1941 on the same basis as in previous years.

Dividends Paid by Falconbridge Nickel Mines Limited

Dividend Number	Record Date	Dividend Per Share	Amount	
1 to 3	1933	\$0.25	\$ 812,609.97	
4 to 7	1934	0.275	902,173.02	
8 to 11	1935	0.30	997,669.77	
12 to 15	1936	0.30	1,001,234.50	
16 to 19	1937	0.30	1,001,274.74	
20 to 23	1938	0.30	1,001,276.09	
24 to 27	1939	0.30	1,001,275.96	
28	1940	0.075	250,318.96	
				\$6,967,833.01
	1941			
29	March 6th	0.05	166,875.35	
30	June 2nd	0.05	166,875.35	
31	Sept. 9th	0.05	166,875.35	
32	Nov. 14th	0.05	166,875.35	
				667,501.40
	Total	\$2.30		\$7,635,334.41

COMPARATIVE SUMMARY OF OPERATIONS AND EARNINGS

Year	Gross Profits After Taxes	Net Profit After Taxes, Def. Development and Depreciation	Net Current Assets inc. Metal Inventories (at cost) excluding Broken Ore and Supplies
1930			\$ 858,598.15
1931	\$ 173,652.18	\$ 10,530.69	1,114,484.64
1932	1,014,378.90	762,420.54	1,685,891.59
1933	1,505,396.93	1,122,999.28	1,826,058.38
1934	1,924,251.00	1,415,886.03	2,417,024.75
1935	2,341,489.60	1,768,558.15	2,860,895.65
1936	2,597,635.10	1,873,607.05	2,057,378.26
1937	2,513,330.35	1,471,495.07	2,421,760.77
1938	2,712,532.78	1,777,858.02	3,375,953.37
1939	3,134,181.90	2,009,403.60	4,996,921.27
1940	1,421,604.69	277,903.08	*5,797,083.94
1941	1,770,200.79	993,986.05	*5,838,910.16

*\$1,221,703.44 of this amount is made up of assets in Norway.

