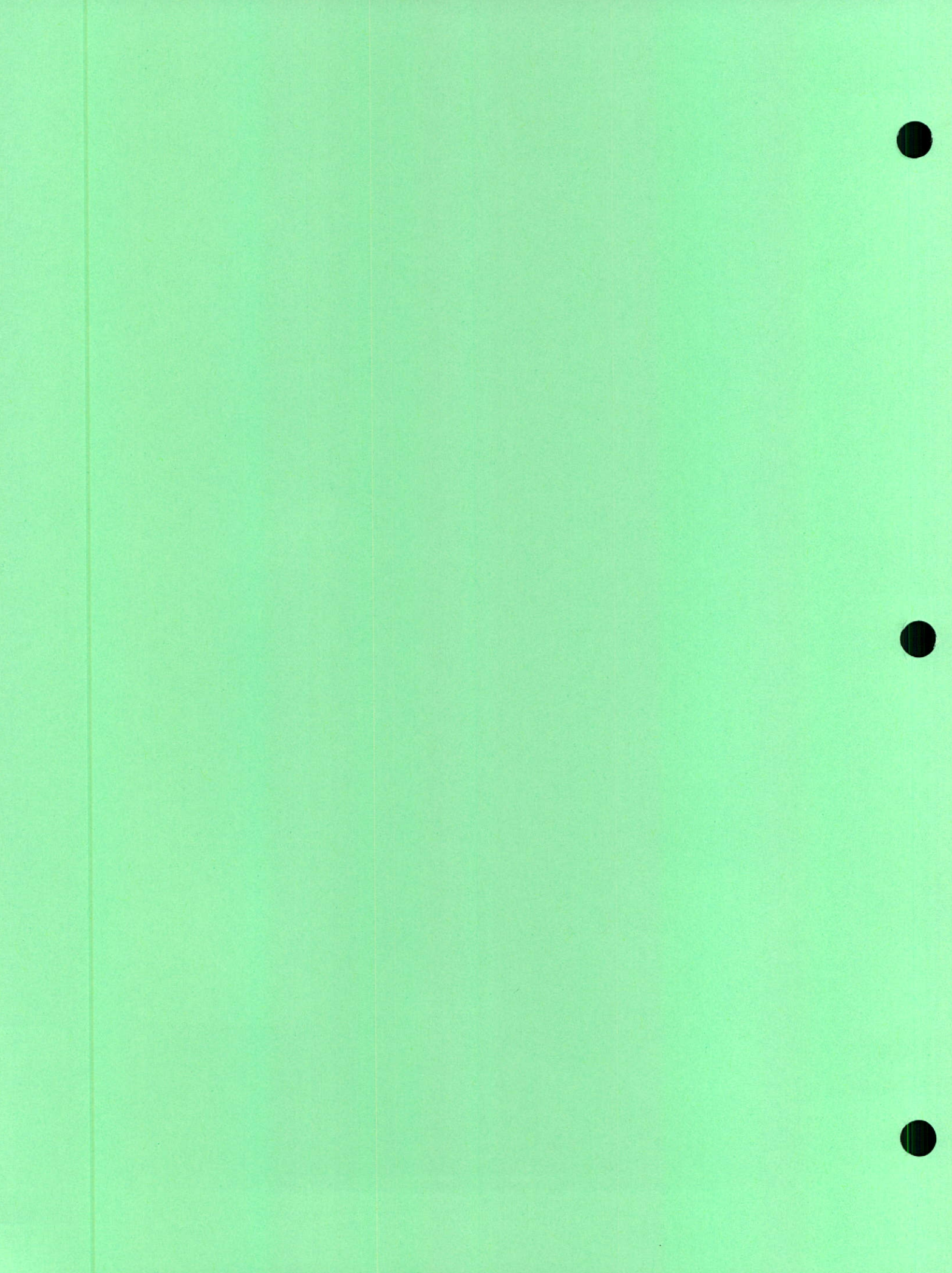


Fourteenth Annual Report
Falconbridge Nickel Mines
Limited

*For the Year Ended
December 31st, 1942*



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, March 9th, 1943.

To the Shareholders of
Falconbridge Nickel Mines Limited.

The Report of your Auditors with their Balance Sheet and Statement of Earnings covering 1942 operations has now been received and accepted by your Board. The Fourteenth Annual Report of your Directors is accordingly issued herewith for your consideration.

The outstanding feature of the year was the renewed governmental request for still more production of nickel and copper, leading to renewed capital expenditure for further plant facilities. These new facilities are still incomplete, due to slow deliveries, but should permit still further production early in 1943. Together with previous wartime construction costs, this had the effect in 1942 of greatly increasing depreciation and amortization charges, with consequent decrease in net profit.

Grade of Ore Treated—that is, its metal content—has also suffered from the drastic tonnage demands imposed; produced under labour conditions decidedly below normal, since we have lost so many of our trained men to the Active Services. Hence 1942 costs have gone up, and in spite of the greatest metal production in the Company's history, net earnings came down to 21.9c per share and dividend distributions were held at 15c per share for the year.

The vitally important maintenance of ample Working Capital, in view of post-war problems, has continued to receive full attention.

By order of the Board,

J. GORDON HARDY,
President.

FALCONBRIDGE NICKEL MINES LIMITED

FOURTEENTH ANNUAL REPORT YEAR 1942

Falconbridge, Ontario,
January 26th, 1943.

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

Gentlemen:

Please receive herewith my report covering the operations of this Company at Falconbridge for the year ended December 31, 1942.

Full effect of the expansion program commenced in 1941 was not realized until nearly the end of the second quarter when it was finally completed. However, full advantage was taken of all units as they became available and the substantial increase shown in ore treated and metals produced records the greatest production effort of any year in the history of the Company.

Early in the year, after fully exploring the possibilities, it was decided to further increase the production capacity by additions to the smelting plant. It was hoped that this second project could be completed by the end of the year but unexpected delays have upset the schedule to such an extent that little gain can be expected from it before the end of the first quarter of 1943.

MINE DEVELOPMENT

Recorded development footages throughout the mine are tabulated as follows:

Drifting and Cross-cutting (including slashing)	10,466 feet
Stope Raising	5,322 feet
Fill Pass Raising	487 feet
Ore Pass Raising	381 feet
Ventilation Raise	341 feet
Shaft Sinking	625 feet
Station Cutting	44,543 cu. feet
Diamond Test Drilling	7,746 feet

Of the total drifting and cross-cutting some 7,800 feet were for the purpose of development and exploration along the ore zone.

Nearly 3,500 feet of the ore zone drifting was accounted for by the easterly extensions of several levels through ore blocks lying east of No. 5 shaft. While serving to provide more complete data on these blocks and advance the preparation for stoping, practically no new ground was opened up by this work. Likewise, the completion of the connection on the 1,575-ft. level between No. 1 and No. 5 shafts rounded out the development of the central section of the mine.

Exploratory advances both easterly and westerly on the 1,750-ft. level were aimed at the investigation of ore possibilities along the norite-greenstone contact beyond the present developed limits of the mine. This program has not yet reached the point where conclusive results can be expected.

Some drifting was carried out in upper levels of the mine preparatory to stoping out restricted ore blocks left in these areas.

Considering that new areas added through the year's development program were small indeed, it is gratifying to note that recalculation of the ore blocks, incorporating the additional data obtained, develops a reserve of metals equal to that of the previous year.

The new stopes opened during the year totalled 3,304 feet of length distributed as follows:—
500-ft. level, 248 feet; 825-ft. level, 735 feet; 1,400-ft. level, 880 feet and 1,925-ft. level, 1,441 feet.

Further extensions were made to the ore and fill pass systems during the year so that these are practically completed to the present developed limits of the mine.

No. 5 shaft was deepened to 3,150 feet where a station was being cut at the year end.

Work was continued throughout the year on the extension of the mine ventilation system.

EXPLORATION

Exploration on outside holdings in the district was restricted to the investigation, at deeper horizons, of known ore occurrences. Some 750,000 tons of ore were added to the reserves of these properties by 21,000 feet of diamond drilling.

ORE RESERVES

Through the maintenance of Falconbridge Mine reserves, in spite of the increased rate of extraction, and the favourable results presented by the exploration program at other properties, the total ore reserves again show a moderate gain.

TREATMENT PLANTS

All treatment plants were operated at maximum capacity throughout the year, though with considerable difficulty at times due to the construction programs which were being carried out. On the whole the result achieved may be viewed with satisfaction since a substantial increase both in tonnage treated and in production is again recorded.

A loss of 3.65% of possible full operating time was chargeable to one major repair job in the smelter, in addition to routine shutdowns and a number of minor interruptions occasioned by construction work.

CONSTRUCTION

The program to expand capacity begun in 1941 was completed by the middle of the year. As noted in the report for last year, this project included additional crushing equipment at the shaft head; some increase in storage bin capacity and handling equipment; grinding mills, flotation equipment and additions to thickening and filtering capacity in the mill; additional sintering capacity and changes in the smelting plant, together with the provision of added and improved change house facilities both at mine and smelter.

The second expansion program, authorized and undertaken this year, is chiefly confined to improvement of the smelting plant. This involves the installation of a 15-ft. blast furnace with settler, trackage, flues, air mains, etc., to complete the unit. A second smelter crane and additional direct current generating capacity is included. An 18,000 cubic ft. per minute converter blower has been installed. Additions to the smelter building and the power house were necessary to house these new units. Some rearrangement was required which entailed the erection of a locomotive shed and shops building and the conversion of the former shops building to house the jacket water circulating pumps and provide a lunch room for workmen.

All of the work is well under way and some installations are completed but delayed deliveries and other difficulties have set back the scheduled date of full completion.

Increasing transportation difficulties of the workmen brought about the erection of a new club house to house an additional 100 men on the property and also the erection of a girls' dormitory. One new dwelling was built in the townsite and one room was added to the school building.

Through arrangement with Hydro-Electric Power Commission, a new transmission line is being built from the Stinson Generating Plant to Falconbridge to take care of the added power demand resulting from the step-up in the treatment plants.

Arrangements have been completed and a start made on the erection of a six-lane bowling alley to provide a recreational outlet for employees.

GENERAL

It is gratifying to record the continued whole-hearted loyalty and co-operation of staff and employees so necessary under conditions prevailing at the present time.

Respectfully submitted,

E. CRAIG,
Manager.

FALCONBRIDGE NICKEL MINES LIMITED

Toronto, February 2nd, 1943.

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, 1942.

Ore Dressing Plant, Mill and Smelter:

The construction program mentioned in the last Annual Report was gradually finished during the first half of the year. The new equipment has eased operations, permitted some increase in production (about 8% for the year) and slightly lowered metallurgical losses which, however, still are high.

At the further request of Government another blast furnace was ordered during the year, and will be in operation some time during the first quarter of 1943. We should then be able to both increase production somewhat, and to again establish normal metallurgical losses.

Refinery:

The Kristiansand plant is intact according to fairly recent information.
The previous arrangement for refining continues.

Respectfully submitted,

Anton Gronningsater,
Consulting Metallurgist.

FALCONBRIDGE NICKEL

and its Wholly-owned Subsidiary

FALCONBRIDGE NIKKEL

Consolidated Balance Sheet with Comparative Figures

ASSETS	31st December 1942	31st December 1941
Current Assets:		
Cash on hand and in banks in Canada, United States and Norway	\$ 2,894,317.00	\$ 4,436,310.66
Investment in Dominion of Canada bonds at cost (quoted market value \$1,243,750)	1,250,000.00	
Accounts receivable—Trade	482,852.09	172,756.94
—Sundry	82,953.03	70,505.56
Miscellaneous securities at cost:		
Investment in mining shares (quoted market price \$92,537)	157,754.82	191,654.82
Investment in associated companies' shares	35,100.00	35,100.00
	<u>\$ 4,902,976.94</u>	<u>\$ 4,906,327.98</u>
Inventory determined from book records and certified by responsible officials:		
Refined metals at cost	\$ 891,683.62	\$ 864,816.46
Matte on hand and in process at cost	1,034,888.93	1,029,098.71
	<u>\$ 1,926,572.55</u>	<u>\$ 1,893,915.17</u>
Property Account:		
Mine, smelter and refinery buildings, machinery and equipment less depreciation written off	\$ 2,584,436.15	\$ 2,831,905.69
Mining properties and claims at cost	3,149,775.67	3,106,696.72
	<u>\$ 5,734,211.82</u>	<u>\$ 5,938,602.41</u>
Deferred Expenditures, Supplies, etc.:		
Mining and refinery supplies, etc.	\$ 664,979.26	\$ 490,501.28
Prepaid expenses and deferred charges	58,935.70	38,235.80
	<u>\$ 723,914.96</u>	<u>\$ 528,737.08</u>
Deposit with Municipality of Kristiansand re Power Supply	\$ 74,958.67	\$ 74,958.67
	<u>\$13,362,634.94</u>	<u>\$13,342,541.31</u>

AUDITORS' REPORT TO

We have examined the above consolidated balance sheet of Falconbridge Nickel Mines Limited and its wholly-owned subsidiary, Falconbridge Nikkelverk Aktieselskap, and its consolidated earnings and earned surplus for the year ended on that date. In connection therewith we reviewed the system of accounting and the assets and liabilities of your company's wholly-owned subsidiary, Falconbridge Nikkelverk Aktieselskap, as shown in the above consolidated balance sheet and in the consolidated statements of earnings and earned surplus for the year ended on that date. The assets and liabilities of your company's wholly-owned subsidiary, Falconbridge Nikkelverk Aktieselskap, as shown in the above consolidated balance sheet and in the consolidated statements of earnings and earned surplus have been incorporated in the above consolidated balance sheet and in the consolidated statements of earnings and earned surplus of your company from the net assets held in Norway, which are included in the above balance sheet at \$1,945,000.00.

Subject to the above, we report that in our opinion the above consolidated balance sheet and related consolidated statements of earnings and earned surplus of the combined companies' affairs as at 31st December, 1942, and of the results of their operations for the year ended on that date are fairly presented in all material respects in accordance with the requirements as auditors have been complied with.

Toronto, Canada, 26th February, 1943.

NICKEL MINES LIMITED

Owned Subsidiary

NICKELVERK AKTIESELSKAP

Statement, 31st December, 1942

Comparison for 31st December, 1941

LIABILITIES

	31st December 1942	31st December 1941
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
Current Liabilities:		
Accounts payable	\$ 218,014.73	\$ 210,926.61
Wages payable	101,429.75	98,701.99
Unclaimed dividends	2,706.11	2,505.77
Reserve for income and excess profits taxes less instalments paid	268,800.00	540,000.00
	\$ 590,950.59	\$ 852,134.37
Earned Surplus	\$ 5,733,288.41	\$ 5,452,011.00

On behalf of the Board:

J. Gordon Hardy, Director.

T. Lindsley, Director.

\$13,362,634.94

\$13,342,541.31

TO THE SHAREHOLDERS

Owned subsidiary, Falconbridge Nikkelverk Aktieselskap, as at 31st December, 1942, and the attached statements of internal control and the accounting procedures of the companies and examined or tested their accounting records. At 31st March, 1940, together with the provision for depreciation of refinery from that date to 31st December, 1942, have plus from figures supplied to us by your Toronto office. We are not in a position to estimate what amount ultimately will be, \$815.72, the details of which are shown in an attached statement.

Statements of earnings and earned surplus have been drawn up so as to exhibit a true and correct view of the state of affairs on that date, according to the best of our information, the explanations given us and as shown by the books. All our

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, 1942
with Comparative Figures for the year 1941

	1942	1941
Matte and metal sales and investment income	\$7,674,288.83	\$7,267,821.75
Less: Selling and delivery expense	504,066.69	498,405.50
	<u>\$7,170,222.14</u>	<u>\$6,769,416.25</u>
Add: increase or decrease in metal inventories	37,644.28	393,216.99
	<u>\$7,207,866.42</u>	<u>\$6,376,199.26</u>
Operating costs—mining, smelting, refining, etc.	\$4,872,282.89	\$4,074,287.46
Outside exploration	4,252.94	1,100.44
Administrative and general expense	79,491.77	76,152.10
	<u>\$4,956,027.60</u>	<u>\$4,151,540.00</u>
Operating profit before providing for taxes, deferred development and depreciation	\$2,251,838.82	\$2,224,659.26
Provision for income and excess profits taxes	320,000.00	454,458.47
	<u>\$1,931,838.82</u>	<u>\$1,770,200.79</u>
Profit for the year before providing for deferred development and depreciation	\$1,931,838.82	\$1,770,200.79
Deferred development expenses	\$ 224,586.83	\$ 145,932.13
Depreciation	634,005.44	630,282.61
Amortization of assets acquired in connection with war expansion programme	341,345.00	
	<u>\$1,199,937.27</u>	<u>\$ 776,214.74</u>
Net profit transferred to consolidated earned surplus	<u>\$ 731,901.55</u>	<u>\$ 993,986.05</u>

Consolidated Earned Surplus Account

For the Year Ended 31st December, 1942
with Comparative Figures for the year 1941

	1942	1941
Balance at beginning of year	\$5,452,011.00	\$5,125,526.35
Net profit as above	731,901.55	993,986.05
Overprovision for prior year's taxes	50,001.91	
	<u>\$6,233,914.46</u>	<u>\$6,119,512.40</u>
Deduct dividends paid	500,626.05	667,501.40
	<u>\$5,733,288.41</u>	<u>\$5,452,011.00</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, 1942

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 equipment less depreciation written off		657,180.83
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
		\$2,072,570.89

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, 1942		
		\$1,946,815.72

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, 1942, 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	
29 to 32	1941	0.20	667,501.40	
				\$7,635,334.41
	1942			
33	Feb. 26th	0.05	166,875.35	
34	Nov. 25th	0.10	333,750.70	500,626.05
	Total	\$2.45		\$8,135,960.46

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
1942	1,931,838.82	731,901.55	*6,134,387.18

*\$1,095,948.27 of this amount is made up of net assets in Norway.

