

*G. T. N.*

*Ventures Limited*

*25 King Street West  
Toronto, Canada*

November 28, 1961.

TO THE SHAREHOLDERS:

You have been informed that the directors of your company, of Falconbridge Nickel Mines Limited and of McIntyre Porcupine Mines Limited have approved in principle a plan of merger of Ventures and Falconbridge and the acquisition by McIntyre of Falconbridge treasury shares. The directors of Ventures are unanimously in favour of the Plan as set forth in detail in the attached booklet. Ventures is informed that the directors of Falconbridge and of McIntyre are likewise unanimously in favour of the Plan.

If the merger agreement is confirmed by the shareholders of both Ventures and Falconbridge, Falconbridge will acquire all the assets of Ventures, other than Ventures' existing holding of about 2,100,000 shares of Falconbridge and about \$9,700,000 in cash, in exchange for up to 793,261 shares of Falconbridge and the assumption of the relatively small residual liabilities of Ventures. Ventures will use the cash retained by it to redeem its funded indebtedness and to pay its taxes and expenses arising out of the merger. Ventures will distribute its only remaining asset, namely Falconbridge shares, to its shareholders on the basis of 104 shares of Falconbridge for each 100 shares of Ventures and will surrender its charter. At the same time as Falconbridge acquires the assets of Ventures, Falconbridge will sell 280,600 of its treasury shares to McIntyre for \$17,405,618, which will be used in the planned expansion of Falconbridge's productive facilities.

Upon completion of the merger, the total number of shares of Falconbridge then outstanding or reserved for issue under outstanding options or warrants will be 4,876,133.

The main advantage of the merger to a Ventures shareholder is that it will give him a direct rather than an indirect holding of Falconbridge shares with a consequent direct participation in Falconbridge dividends.

The main advantage of the merger to a Falconbridge shareholder is that it enables Falconbridge to expand and diversify its operations on satisfactory terms.

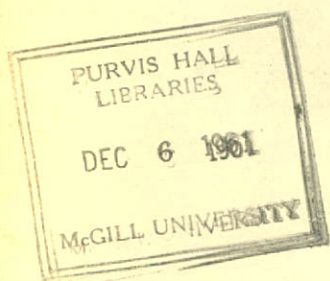
All the directors of your company are of the opinion that the merger is advantageous to Ventures shareholders and recommend that you confirm the merger agreement. Of the nine directors of your Company, Messrs. J. D. Barrington, W. B. Dix, H. J. Fraser, T. Lindsley, J. S. D. Tory and S. M. Wedd have an interest in the merger agreement since they are directors, officers or shareholders of Falconbridge or of McIntyre.

**Your attention is specifically drawn to the Notice of Special General Meeting on page 3 and to the Information About the Plan of Merger set forth on pages 5 to 12 of the attached booklet.**

There is enclosed a form of proxy. If you are unable to attend the special general meeting, would you please indicate on the proxy the manner in which you wish your shares to be voted and return it in the enclosed stamped envelope.

On behalf of the Board,

G. T. N. WOODROOFFE,  
*Secretary.*



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*Ventures Limited*  
*25 King Street West*  
*Toronto, Canada*

**NOTICE OF A SPECIAL GENERAL MEETING OF SHAREHOLDERS**

TAKE NOTICE that a Special General Meeting of the Shareholders of Ventures Limited (hereinafter called "the Company") will be held in the Tudor Room, Main Mezzanine Floor, Royal York Hotel, Toronto, Ontario, on Tuesday, the 30th day of January, 1962, at the hour of 11.00 o'clock in the forenoon (Toronto Time) for the following purposes:

- (a) to consider and if thought advisable to confirm the Agreement dated as of November 7, 1961 between Falconbridge Nickel Mines Limited ("Falconbridge"), the Company and McIntyre Porcupine Mines Limited ("McIntyre"), a copy of which Agreement accompanies this notice and forms a part hereof;
- (b) if the said Agreement referred to in (a) above is confirmed, to consider and if thought advisable to sanction By-law No. 30 passed by the directors, a copy of which By-law accompanies this notice and forms a part hereof, authorizing the Company to make an application to the Secretary of State of Canada for the surrender of its charter and to distribute its assets; and
- (c) to transact all such other business as may properly come before the meeting.

AND FURTHER TAKE NOTICE that each of the following directors of the Company hereby declares his interest in the said Agreement, that is to say: J. D. Barrington is a shareholder and director of Falconbridge and a shareholder, director and officer of McIntyre; H. J. Fraser is a shareholder, director and an officer of Falconbridge; T. Lindsley is a shareholder and director of Falconbridge; J. S. D. Tory and W. B. Dix are both shareholders, directors and officers of McIntyre; and S. M. Wedd is a shareholder and director of McIntyre and a shareholder of Falconbridge.

If you cannot be personally present, please indicate on the enclosed form of proxy the manner in which you would like your shares to be voted, sign it and return it in the enclosed return envelope.

Dated at Toronto, Ontario, this 28th day of November, 1961.

By Order of the Board

G. T. N. WOODROOFFE  
*Secretary.*

## VENTURES LIMITED

### BY-LAW No. 30

Being a by-law respecting the Surrender of the Charter of the Company.

WHEREAS the Company has entered into an agreement (herein called the "Agreement") dated November 7, 1961 to merge with Falconbridge Nickel Mines Limited (herein called "Falconbridge") whereby all the assets of the Company (other than its shares of Falconbridge and certain moneys required to redeem its funded indebtedness and to meet its taxes and expenses arising out of such merger) are to be acquired by Falconbridge in consideration of the issue to the Company of shares in the capital of Falconbridge and the assumption by Falconbridge of the remaining liabilities of the Company, all as more particularly set out in the Agreement;

AND WHEREAS such remaining liabilities include the obligations of the Company under its two outstanding issues of option stock warrants which entitle the holders thereof to purchase on or before October 1, 1969 shares in the capital stock of the Company and shares in the capital of Falconbridge, respectively, on the terms and conditions respectively set out in such warrants;

AND WHEREAS the Agreement provides that as soon as practicable after the said merger the Company is to distribute its assets rateably among its shareholders and surrender its charter;

NOW THEREFORE BE IT ENACTED THAT:

1. The Company be and is hereby authorized to make an application to the Secretary of State of Canada for the acceptance of the surrender of its charter, subject to the prior completion of the said merger.

2. For the purpose of enabling the Company to surrender its charter, the assets of the Company shall be divided and distributed rateably among the shareholders of the Company, as contemplated in the Agreement.

3. The directors and officers are hereby authorized to postpone making such application until such time as all the Company's liabilities, including its said obligations with respect to the said option stock warrants, have been discharged or duly provided for and protected and are hereby further authorized to do, sign and execute all things, deeds and documents necessary or desirable for the due carrying out of the foregoing.

ENACTED this 9th day of November, 1961.

WITNESS the Corporate Seal of the Company.

(signed) H. J. FRASER  
*President*

C.S.

(signed) G. T. N. WOODROOFFE  
*Secretary*



**INFORMATION ABOUT THE  
PLAN OF MERGER  
of  
FALCONBRIDGE NICKEL MINES LIMITED  
and  
VENTURES LIMITED**

A copy of the agreement dated as of November 7, 1961 between Falconbridge, Ventures and McIntyre Porcupine Mines Limited providing for the proposed merger is reproduced on pages 24 to 29 of this booklet.

**Description of Plan of Merger**

Falconbridge:

(a) will acquire all the assets of Ventures other than Ventures' existing holding of about 2,100,000 shares of Falconbridge and the amount of cash sufficient to enable Ventures to redeem its funded indebtedness of approximately \$6,700,000 and to pay its expenses and taxes arising out of the merger (estimated not to exceed \$3,000,000 in the aggregate); and

(b) will issue in exchange therefor up to 793,261\* shares of Falconbridge and will assume all the remaining liabilities of Ventures.

Ventures thereafter on its liquidation will distribute its only remaining asset, namely the shares of Falconbridge then owned by it, pro rata to its shareholders so that each Ventures shareholder will receive 104 shares of Falconbridge for each 100 shares of Ventures.

McIntyre will purchase for cash from Falconbridge 280,600 shares of Falconbridge for \$17,405,618, being at the rate of \$62.03 per share.

The merger will not be effected unless the agreement is confirmed by shareholders of both Falconbridge and Ventures and the shareholders of Ventures authorize the liquidation of Ventures by surrender of charter proceedings.

**Nature and Value of Assets to be Acquired by Falconbridge from Ventures**

The assets to be acquired by Falconbridge from Ventures on the merger include effective controlling interests in Alminex Limited (oil and gas), Anyox Metals Limited (iron), Dominion Magnesium Limited (magnesium), Giant Yellowknife Mines Limited (gold), Kilembe Mines Limited (copper), Industrial Minerals of Canada Limited (nepheline syenite), Lake Dufault Mines Limited (copper-zinc prospect), La Luz Mines Limited (gold and copper), Metal Hydrides Incorporated (metal and chemical hydrides), Opemiska Copper Mines (Quebec) Limited (copper) and United Keno Hill Mines Limited (silver, lead and zinc), which companies, and others, are briefly described on pages 8 to 12 of this booklet under the caption: *Description of Certain Assets to be Acquired by Falconbridge from Ventures*. A more complete, but not exhaustive, list is set forth on pages 22 and 23 of this booklet.

On July 31, 1961, the date of the announcement of the Plan of Merger, the value based on market quotations of such of these assets which had a quoted market price was \$74,617,817. In addition, Falconbridge will acquire debentures of and advances to subsidiary and associated companies of Ventures having a book value aggregating \$2,748,874 and the right to receive up to \$1,554,260 in cash upon the exercise of option warrants and employees' stock options issued or granted by Ventures and outstanding on July 31, 1961. These three amounts aggregate \$78,920,951. The assets to be acquired also include properties and shares of companies which cannot be readily valued.

The 793,261 shares of Falconbridge mentioned above had an indicated market price on July 31, 1961 of \$49,777,127. If the merger had taken place on July 31, 1961, the liabilities of Ventures to be assumed

\*793,261 is the maximum number of shares of Falconbridge which will be issued for the assets to be acquired from Ventures and is computed on the basis that the presently outstanding (a) option warrants issued by Ventures for the purchase of shares of Ventures and of Falconbridge and (b) Ventures employees' stock options will all be duly exercised. If the merger had been completed on July 31, 1961, 719,964 shares of Falconbridge would have been issued on that date leaving a further 73,297 shares of Falconbridge to be issued on the exercise of such option warrants and employees' stock options.



by Falconbridge would have been \$196,160. The sum of these two figures is \$49,973,287. On this basis and without taking into account the properties and shares of companies to be acquired by Falconbridge which cannot be readily valued, Falconbridge will acquire from Ventures assets having a quoted market price (or the equivalent thereof) of \$78,920,951 for \$49,973,287 or at a discount of approximately 36.7%.

The comparable figures as at November 27, 1961 were \$96,210,963 and \$56,121,061 representing a discount of 41.7%. The increase from \$78,920,951 to \$96,210,963 in quoted market price of Ventures' assets is more than accounted for by the current speculative market price for the shares of Lake Dufault.

In order to arrive at the value of Ventures' assets being acquired by Falconbridge, competent technical personnel of Falconbridge made a study of such assets. In making this study, consideration was given to a similar study made by competent technical personnel of Ventures and certain reports which had been prepared at earlier dates for the directors of Ventures. It was the unanimous opinion of such technical personnel of Falconbridge that a reasonable price to pay for such assets, after deducting the liabilities of Ventures to be assumed by Falconbridge, would be an amount which worked out to be the value of about 800,000 shares of Falconbridge at the then approximate current market price of \$62.50 per share. In the light of this opinion, the directors of Falconbridge approved the merger on that basis. The number of shares referred to above, together with the shares of Falconbridge already owned by Ventures, would enable Ventures to distribute to its shareholders 104 shares of Falconbridge for each 100 shares of Ventures.

Ventures presently owns approximately 57% of the Falconbridge shares and upon the completion of the merger Ventures shareholders as a whole will own approximately 60% of the Falconbridge shares. As, therefore, the shareholders of Ventures will continue to have a very large interest in the Ventures' assets to be acquired by Falconbridge on the merger, Ventures agreed to values more advantageous to Falconbridge than it would have agreed to if it had been dealing with some other corporation in which it had no share interest.

### Earnings

The immediate effect of the merger will be that the total earnings of Falconbridge will be increased over what they otherwise would have been. However, because of the issue of up to 1,073,861 additional Falconbridge shares the per share earnings of Falconbridge will, for a time at least, be lower. The reasons for this reduction in per share earnings are that the \$17,405,618 to be received on the sale of the 280,600 Falconbridge shares to McIntyre will be invested initially in low-yield short-term securities pending the use of these funds in the planned expansion of Falconbridge's productive facilities and that about one-half of the assets of Ventures to be acquired by Falconbridge are properties or shares in companies which are in the development stage or for other reasons are not presently productive of income to Ventures.

With respect to the longer term per share earnings, it is the view of the directors of Falconbridge that the merger will be advantageous to the Falconbridge shareholders because the assets which are being acquired by Falconbridge on the merger either will become productive of more substantial income or in part will be re-invested advantageously when opportunities occur.

An estimate has been made on the basis indicated below as to the effect the merger would have had on the per share earnings of Falconbridge for the first seven months of 1961 had the merger taken place on January 1, 1961. The dividends received by Ventures during the first seven months of 1961 on assets which will be transferred to Falconbridge on the merger after deducting a reasonable portion of Ventures administrative and general expenses amounted to \$787,799 or \$1.09 per share for each of the 719,964\* shares of Falconbridge to be issued to Ventures on the merger. Assuming that the \$17,405,618 to be received from McIntyre would have earned interest at the rate of about 4% per annum, the net interest after tax for seven months on that amount would have been about \$203,065 or 72¢ per share for each of the 280,600 shares of Falconbridge to be issued to McIntyre on the merger. For the first seven months of 1961 the earnings of Falconbridge as set forth on page 18 of this booklet were \$9,460,766 or \$2.50 per share for each of the 3,779,372 shares of Falconbridge outstanding on July 31, 1961. If, therefore, the merger had taken place on January 1, 1961, the earnings of Falconbridge on the aforesaid basis for the first seven months of this year would have declined from \$2.50 per share on 3,779,372 shares to \$2.18 per share on 4,779,936 shares. The foregoing comparison does not take into account the exploration expenditures of Ventures for the seven month period amounting to \$387,764, as these expenditures were not incurred to earn the dividends received.

\*See footnote on page 5.



In considering short term future earnings of the existing Falconbridge operations, certain factors should be taken into account. These include the recent price increase for nickel announced in July, 1961, the presently more favourable U.S. exchange rate which became effective in the latter part of June, 1961, the approaching completion of deliveries of nickel under a government contract at prices higher than the present market, the fact that the exemption from tax on the income of an important producing mine will cease in mid-1962, the possible elimination or substantial reduction during the next year or so of the special provisions for depreciation of \$3,500,000 per annum and other depreciation charges which have been charged against earnings of recent years, and such general business factors as the supply and demand of nickel, labour problems and inventory policy. These factors make any dependable prediction of Falconbridge earnings impracticable.

Statements of the earnings of Ventures and Falconbridge for the years 1956 to 1960 inclusive and for the first seven months of 1961 are reproduced on pages 18 to 20 of this booklet. In examining these statements it must be borne in mind that the assets of Ventures have changed substantially during the past three years, particularly in 1960, through mergers, acquisitions and other corporate changes, such as the liquidation of underlying holding companies, and through the systematic elimination of uneconomic investments.

### **Dividends**

The merger is not expected to affect adversely Falconbridge per share dividends which have amounted to \$1.20 per share in 1959, \$1.50 in 1960 and will amount to \$1.70 in 1961. Upon the completion of the merger Falconbridge will have substantially more liquid resources to meet costs of expansion as well as a portfolio of marketable mining securities with the result that there may be less need to reserve future earnings for capital expansion programmes and for contingencies.

### **Reduction of Discount on Ventures Shares**

The shares of Ventures have historically traded on the market at prices considerably less than their indicated breakup value based upon quoted market prices of those Ventures' assets which had a quoted market price. For example, based on quoted market prices as at June 30, 1961, a share of Ventures had an indicated breakup value of \$76.96 and a quoted market price of \$47.75, a discount of 37.9%. In effect the Plan of Merger permits the distribution of the Falconbridge shares now held by Ventures to the Ventures shareholders thus eliminating that part of the discount which has pertained to these Falconbridge shares.

### **Diversification of Falconbridge**

Falconbridge, which is the second largest nickel company in the free world, will greatly expand its interests in mining enterprises and will become a major diversified mining organization, having interests in the production of nickel, copper, gold, silver, lead, magnesium, zinc, oil and gas and in certain chemical and fabricating activities. The greater financial resources and broader field of activities should provide increased opportunities for Falconbridge to develop and expand its operations in the future.

### **Administration and Personnel**

While it is doubtful that there may be much reduction in over-all administrative expenses of the combined enterprise, it is expected that the personnel of Falconbridge and Ventures working together will form a more diversified and stronger management team. It is also expected that the operation of a considerable number of mining properties under one direct management will provide more effective use of personnel and some economies of operation.

### **Tax Position of Canadian Shareholders of Ventures**

If the merger is effected, Ventures proposes to make the elections under the Income Tax Act (Canada) to pay a special tax on its undistributed income on hand with the result that no Canadian income tax will be payable by its shareholders upon the distribution to them of Falconbridge shares. The special tax is to be paid out of the \$3,000,000 which is being reserved by Ventures to pay expenses of the merger including this tax.



## Tax Position of United States Shareholders of Ventures

Canadian counsel have advised that on the basis that Ventures will make the elections under the Income Tax Act (Canada) and pay the special tax on its undistributed income on hand, no Canadian withholding tax will be payable by United States shareholders or other foreign shareholders upon the distribution to them of Falconbridge shares.

The United States Treasury Department has been requested to issue rulings that the Plan of Merger, including the distribution of Falconbridge shares in liquidation of Ventures, (i) is not in pursuance of a plan having as one of its principal purposes the avoidance of United States income taxes, and (ii) involves a tax-free reorganization within the meaning of the United States Internal Revenue Code. United States counsel have advised that, if the rulings requested are issued, for United States income tax purposes no gain or loss will be recognized to Ventures shareholders upon the distribution of Falconbridge shares (including fractions), the basis of such shares will be the same as the basis of the Ventures shares surrendered and, in determining the holding period of the Falconbridge shares received by each shareholder of Ventures, the holding period of his or its Ventures shares will be included.

## McIntyre Porcupine Mines Limited

McIntyre, through its ownership of approximately 30% of the outstanding shares, has effective control of Ventures. Ventures, in turn, through its ownership of approximately 57% of the outstanding shares of Falconbridge controls that company. As a condition of McIntyre agreeing to Ventures entering into the merger, McIntyre is to acquire 280,600 treasury shares of Falconbridge for \$17,405,618 or \$62.03 per share, which was the average market price for Falconbridge shares traded on the Toronto Stock Exchange during the month of July 1961. Following the implementation of the merger, McIntyre will hold approximately 25% of the outstanding shares of Falconbridge and will be the largest shareholder of Falconbridge.

## Amendment to Trust Indenture Securing Falconbridge Bonds

The trust indenture securing the Falconbridge bonds must be amended to permit the implementation of the merger. The holders of all the outstanding bonds have consented to the necessary amendments conditional upon completion of the merger.

## Description of Certain Assets to be Acquired by Falconbridge from Ventures

### ALMINEX LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	7,474,161	3,424,971	45.8%
<i>Debt</i> as at June 30, 1961.....	\$2,832,000		

### Production

Comparative figures for average daily production during the first six months of 1961 and 1960 are as follows:

	1961	1960	Increase
Oil and Condensate (bbls./day).....	2,055	1,353	52%
Gas (millions cu. ft./day).....	7.3	3.3	122%

### Reserves

Proven oil and gas reserves (all located in Western Canada) at December 31, 1960 were:

Crude Oil Bbls.	Natural Gas Liquids Bbls.	Natural Gas Billions of cubic feet
21,690,000	4,030,000	166.16

### Earnings

The following tabulation compares the net production income, cash earnings and net loss for the first six months of 1961 and 1960:

	1961	1960
Net Production Income—after royalties and production costs.....	\$891,157	\$515,969
Cash Earnings (Deficit)—after all charges including substantial exploration expense except depreciation and depletion.....	\$ 76,840	(\$221,428)
Net Loss—after all costs.....	\$263,445	\$600,402



# DOMINION MAGNESIUM LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	476,270	188,116	39.5%

## Earnings

The net profit for the first six months of 1961 amounted to \$226,602 compared with a net loss of \$25,054 for the same period of 1960.

## Brief Description

Dominion Magnesium, Canada's only producer of high purity magnesium, has operated since 1942 on its own dolomite deposit at Haley, Ontario. It is presently adding four natural gas fired reduction furnaces to its plant, which will raise its annual capacity from 8,000 to 10,000 short tons. In addition to the production of magnesium metal, the company, through wholly-owned subsidiaries, produces fabricated magnesium and aluminum alloys and manages a magnesium alloy foundry.

# GIANT YELLOWKNIFE MINES LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	4,303,050	1,274,832	29.6%
<i>Property</i> —25 Quartz Mining Leases comprising 1,592 acres on the north shore of Great Slave Lake, N.W.T., 650 miles north of Edmonton, Alberta.			

<i>Production</i>	Tons Milled	Gold Ounces	Silver Ounces	Net Value Metals Recovered
9 months ended September 30, 1961.....	272,979	179,443	21,489	\$6,328,892

## Reserves

Ore reserves at December 31, 1960 were 2,550,000 tons with an average grade of 0.79 oz. gold per ton.

## Earnings

	Nine Months Ended	
	September 30, 1961	September 30, 1960
Estimated income before amortization, depreciation, outside exploration and income taxes.....	\$2,975,842	\$2,426,055
Estimated net income after all charges.....	\$1,574,204	\$1,234,208

*Annual Dividends*—1960: 45¢ per share; 1961: 45¢ per share.

# KILEMBE COPPER COBALT LTD. (a holding company)

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	3,877,027	3,062,127	79%
<i>Debt</i> as at June 30, 1961.....	\$1,500,000	\$1,500,000*	100%

\*see Note 2 (2) page 16

## Assets

Common Shares Kilembe Mines Limited (see below).....	3,990,000	(70%)
6% First Mortgage Debenture Stock of Kilembe Mines Limited.....	£463,492	(33⅓%)

## Consolidated Earnings

	Six Months Ended	
	June 30, 1961	June 30, 1960
Estimated income before amortization, depreciation and outside exploration.....	\$1,256,431	\$1,581,024
Operating Profit (Loss).....	(\$ 180,393)	\$ 364,508
Profit (Loss) before minority interests.....	(\$ 260,207)	\$ 253,134
Net Profit (Loss).....	(\$ 199,431)	\$ 160,133



# KILEMBE MINES LIMITED

	Outstanding	Kilembe Copper Cobalt Ltd.	
<i>Capitalization</i> Common Shares.....	5,700,000	3,990,000	70%
<i>Debt</i> as at June 30, 1961.....	£1,390,475	£463,492	33 1/3%
<i>Property</i> —a Special Mining Lease on 5,259 acres in the foothills of the Ruwenzori Mountains in the southwestern corner of Uganda.			
<i>Production</i>	Tons Milled	Blister Copper (Lbs.)	Net Proceeds—Metal Sales
6 months ended June 30, 1961.....	469,334	16,484,400	\$4,104,162

## Reserves

Ore reserves at December 31, 1960 were 8,001,000 tons with an average grade of 1.95% copper.

# LAKE DUFALT MINES LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	4,134,750	2,076,133	50.2%
<i>Brief Description</i>			

The Company owns a property situated a short distance northwest of Noranda, Quebec. A drilling program was commenced in September, 1961, and the first drill hole showed interesting copper and zinc mineralization over a considerable length. The quoted market price of Lake Dufault shares at July 31, 1961 was 45¢ per share and at November 27, 1961 was \$12.25 per share. This substantial increase in market price was due to the drill results from the several holes completed to and in the process of drilling at November 27, 1961.

# LA LUZ MINES LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	1,580,759	1,107,186	70.04%
<i>Debt</i> as at June 30, 1961			
6% debentures due September 30, 1962.....	\$2,053,000	\$2,053,000	100%
7 1/2% debentures due October 31, 1964.....	\$ 336,250	\$ 336,250	100%

*Property*—a gold operation at Siuna, Nicaragua. Also through a wholly-owned subsidiary Rosita Mines Limited, a copper operation some 30 miles northeast of Siuna.

<i>Production</i>	Tons Milled	Gold Ounces	Net Value Metals Recovered
LA LUZ			
9 months ended June 30, 1961.....	514,044	46,278	\$1,632,761
ROSITA		Lbs. Copper in Concentrates	
9 months ended June 30, 1961.....	76,501	8,145,993	\$1,842,050

## Reserves

### LA LUZ

Ore reserves at September 30, 1960 were 4,495,000 tons with an average grade of 0.112 oz. gold per ton.

### ROSITA

Ore reserves at September 30, 1960 were 3,563,000 tons with an average grade of 3.02% copper.

*Earnings* (consolidated after eliminating non-recurring profits on sales of securities)

	Nine Months Ended	
	June 30, 1961	June 30, 1960
Estimated income before amortization, depreciation and interest..	\$ 346,636	\$ 268,410
Estimated net loss after all charges.....	\$ 738,525	\$ 817,227

# OPEMISKA COPPER MINES (QUEBEC) LIMITED

	Outstanding	Ventures	
<i>Capitalization</i> Common Shares.....	5,515,000	1,930,061	35%

*Property*—4,223 acres in the Chibougamau district of Quebec some 300 miles north of Montreal.



<i>Production</i>	Tons Milled	Copper Pounds	Net Value Metals Recovered
9 months ended September 30, 1961. ....	558,993	30,433,704	\$7,245,698

#### *Reserves*

Ore reserves as at December 31, 1960 were 5,805,300 tons with an average grade of 3.03% copper.

#### *Earnings*

	September 30, 1961	Nine Months Ended September 30, 1960
Estimated income before amortization and depreciation. ....	\$3,117,559	\$3,805,730
Estimated net income after all charges. ....	\$2,000,303	\$2,272,940

*Dividends*—10¢ per share paid December 30, 1960  
15¢ per share paid July 19, 1961.

### UNITED KENO HILL MINES LIMITED

	Outstanding	Ventures
<i>Capitalization</i> Common Shares. ....	2,470,000	1,246,383 50.5%
<i>Property</i> —629 claims comprising 20,714 acres in Mayo District, Yukon Territory some 268 miles northeast of Whitehorse.		

<i>Production</i>	Tons Milled	Silver Ounces	Lead Pounds	Zinc Pounds	Net Value Metals Recovered
9 months ended June 30, 1961	138,255	5,513,584	13,968,816	11,361,549	\$5,537,278

#### *Ore Reserves*

Ore reserves at September 30, 1960 were 512,577 tons with an average grade of 38.39 oz. silver, 6.36% lead and 4.84% zinc per ton.

#### *Earnings*

	September 30, 1960	Year Ended September 30, 1959
Income before amortization and depreciation. ....	\$1,645,780	\$1,840,262
Net Income after all charges. ....	\$1,123,649	\$1,324,836

*Dividends*—40¢ per share per annum.

### MISCELLANEOUS

In addition to the foregoing, the following companies are in production or expected shortly to be in production.

*Anyox Metals Limited*, a wholly-owned subsidiary, will obtain royalties upon the production of iron concentrates from its Zeballos property on Vancouver Island commencing early in 1962.

*Canada Tungsten Mining Corporation Ltd.*, in which Ventures will have an ultimate equity interest of 14%, is expected to produce a scheelite concentrate early in 1963 from its mine 120 miles north of Watson Lake, N.W.T.

*Canadian Malartic Gold Mines Limited*, in which Ventures has a 43% interest, produces gold from its mine near Malartic, Quebec. Known ore reserves are rapidly diminishing.

*Industrial Minerals of Canada Limited*, in which Ventures has a 52.2% interest, has produced nepheline syenite for 25 years from its 2,200 acre holding at Nephton, which is 35 miles northeast of Peterborough, Ontario. The operation has shown a steady but small profit for many years and has paid dividends annually since 1953.

*Metal Hydrides Incorporated*, in which Ventures has a 47.7% interest, produces metal and chemical hydrides from plants at Beverly and Danvers, Massachusetts. The fortunes of this Company suffered a setback with the cancellation in 1959 of a Defence Production Contract. The Company is now attempting to establish commercial markets for its production.

*Quebec Metallurgical Industries Ltd.*, in which Ventures has a 47.3% interest, is essentially a holding company having net liquid assets in excess of \$5,000,000, including investments taken at quoted market prices.

*Tonopah Mining Company of Nevada*, in which Ventures has a 32.3% interest and Falconbridge a 13.8% interest, is a United States investment company having net assets in excess of \$3,000,000 taking investments at quoted market prices.



## Auditors' Report

To the Directors of

FALCONBRIDGE NICKEL MINES LIMITED AND VENTURES LIMITED:

We have examined the consolidated balance sheet and the pro forma consolidated balance sheet of Falconbridge Nickel Mines Limited and the balance sheet and the pro forma balance sheet of Ventures Limited, all as at July 31, 1961. Our examination included general reviews of the accounting procedures of the respective companies 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 of Falconbridge Nickel Mines Limited and balance sheet of Ventures Limited present fairly the financial position of the respective companies as at July 31, 1961. In our opinion also the accompanying pro forma consolidated balance sheet of Falconbridge Nickel Mines Limited presents fairly the consolidated financial position of that company at July 31, 1961 after giving effect to the transactions set out in Note (4) and the accompanying pro forma balance sheet of Ventures Limited presents fairly the financial position of that company after giving effect to the transactions set out in Note (2).

We have also examined the statements of consolidated earnings of Falconbridge Nickel Mines Limited and of Ventures Limited and the pro forma statement of combined earnings of these two companies, each for the five years and seven months ended July 31, 1961. In our opinion these statements respectively, when read with the notes thereto, present fairly the consolidated earnings of Falconbridge, the consolidated earnings of Ventures and the combined earnings of these two companies for the five years and seven months ended July 31, 1961.

Toronto, Canada,  
November 17, 1961.

CLARKSON, GORDON & Co.,  
Chartered Accountants.



**FALCONBRIDGE NIC**  
**Consolidated Balance Sheet and Pro**  
**VENTURES**  
**Balance Sheet and Pro**  
**July 31,**

	Assets			
	Ventures		Falconbridge	
	Company	Pro forma* (note 2)	Consolidated	Pro forma Consolidated** (note 4)
<b>CURRENT:</b>				
Cash.....	\$ 685,333	\$ 3,103,446	\$ 146,116	\$ 17,655,180
Short term investments, at cost (approximate market).....	6,424,169		39,875,607	39,875,607
Accounts receivable.....	90,530	90,530	6,555,488	6,646,018
Due from subsidiary and associated companies	64,320	64,320		64,320
Inventories at the lower of cost or market (note 6).....			13,204,600	13,204,600
	<u>\$ 7,264,352</u>	<u>\$ 3,258,296</u>	<u>\$59,781,811</u>	<u>\$ 77,445,725</u>
<b>INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES: (notes 1, 3 and 8)</b>				
Subsidiary companies—				
Shares:				
Falconbridge.....	\$ 4,412,343	\$ 4,412,343		
Other.....	18,674,590	18,311,006	\$ 326,994	\$ 15,849,799
	<u>\$23,086,933</u>	<u>\$22,723,349</u>	<u>\$ 326,994</u>	<u>\$ 15,849,799</u>
Advances and debentures.....	4,248,874	2,748,874		2,748,874
	<u>\$27,335,807</u>	<u>\$25,472,223</u>	<u>\$ 326,994</u>	<u>\$ 18,598,673</u>
Associated companies—				
Shares.....	\$23,044,435	\$22,915,066	\$ 61,411	\$ 25,920,645
Advances.....			795,774	795,774
	<u>\$23,044,435</u>	<u>\$22,915,066</u>	<u>\$ 857,185</u>	<u>\$ 26,716,419</u>
Other companies—				
Shares.....	\$ 397,662	\$ 385,078	\$ 937,296	\$ 1,335,075
	<u>\$50,777,904</u>	<u>\$48,772,367</u>	<u>\$ 2,121,475</u>	<u>\$ 46,650,167</u>
<b>FIXED:</b>				
Plant and equipment, at cost.....	\$ 101,879	\$ 101,879	\$82,162,570	\$ 82,264,449
Less accumulated depreciation.....	50,292	50,292	64,077,559	64,127,851
	<u>\$ 51,587</u>	<u>\$ 51,587</u>	<u>\$18,085,011</u>	<u>\$ 18,136,598</u>
Mining and other property, at cost (less amounts written off in the case of Ventures).....	5	5	3,996,654	3,996,659
	<u>\$ 51,592</u>	<u>\$ 51,592</u>	<u>\$22,081,665</u>	<u>\$ 22,133,257</u>
<b>OTHER:</b>				
Supplies (at average cost) and other prepaid expenses.....	\$ 16,947	\$ 16,947	\$ 5,102,054	\$ 5,119,001
Deposits and long-term accounts receivable...			284,477	284,477
Development and preproduction expenditures less amounts written off.....			1	1
	<u>\$ 16,947</u>	<u>\$ 16,947</u>	<u>\$ 5,386,532</u>	<u>\$ 5,403,479</u>
	<u>\$58,110,795</u>	<u>\$52,099,202</u>	<u>\$89,371,483</u>	<u>\$151,632,628</u>

\*The Ventures pro forma balance sheet has been prepared in order to show approximately what the estimated financial position of Ventures would

\*\*The Falconbridge pro forma consolidated balance sheet has been prepared in order to show approximately what the estimated financial position of

See accompanying notes to



# KEL MINES LIMITED

## Forma Consolidated Balance Sheet

### LIMITED

## Forma Balance Sheet

1961

	Liabilities			
	Ventures		Falconbridge	
	Company	Pro forma* (note 2)	Consolidated	Pro forma Consolidated** (note 4)
CURRENT:				
Accounts payable and accrued charges.....	\$ 163,630	\$ 163,630	\$ 5,992,602	\$ 6,156,232
Due to subsidiary and associated companies..	32,530	32,530		32,530
Portion of long-term debt due within one year	514,344		6,000,000	6,000,000
Income and other taxes payable.....			1,918,466	1,918,466
Provision for taxes and expenses arising out of the proposed merger.....		3,000,000		
	<u>\$ 710,504</u>	<u>\$ 3,196,160</u>	<u>\$13,911,068</u>	<u>\$ 14,107,228</u>
COMMITMENTS AND CONTINGENT LIABILITIES (note 7)				
LONG-TERM (note 8).....	<u>\$ 5,758,265</u>		<u>\$11,000,000</u>	<u>\$ 11,000,000</u>
SHAREHOLDERS' EQUITY: (notes 9, 10 and 11)				
Capital.....	\$38,292,880	\$38,292,880	\$12,791,625	\$ 74,856,610
Retained earnings.....	13,349,146	10,610,162	51,668,790	51,668,790
	<u>\$51,642,026</u>	<u>\$48,903,042</u>	<u>\$64,460,415</u>	<u>\$126,525,400</u>

\$58,110,795   \$52,099,202   \$89,371,483   \$151,632,628

be immediately *prior* to its merger with Falconbridge if the agreement referred to in Note 2 on page 16 is carried through to completion.  
Falconbridge would be immediately *after* its merger with Ventures if the agreement referred to in Note 4 on page 16 is carried through to completion.  
the above balance sheets.



**FALCONBRIDGE NICKEL MINES LIMITED  
VENTURES LIMITED**

**Notes to Balance Sheets and Pro Forma Balance Sheets  
as at July 31, 1961**

**1. VENTURES BALANCE SHEET**

The balance sheet of Ventures reflects the consolidated financial position of that company and two of its wholly-owned subsidiary companies, (Evans Lake Mines Limited and Andante Mines Limited), both of which were wound-up subsequent to July 31, 1961.

Ventures' investments in other wholly-owned subsidiary companies are carried at their underlying net asset values. Its investments in partially-owned subsidiaries are carried at cost less amounts written off. Ventures' interest in the aggregate of the accumulated surpluses less deficits of such partially-owned subsidiaries from the date of acquisition to July 31, 1961 (not taken up in the parent company's accounts), amounted to \$28,030,000 (consisting of \$30,462,000 surplus in respect of Falconbridge and \$2,432,000 net deficit in respect of other companies).

**2. VENTURES PRO FORMA BALANCE SHEET**

The pro forma balance sheet of Ventures gives effect to the following transactions that have taken place since July 31, 1961 or will take place if the Agreement dated November 7, 1961 between Falconbridge Nickel Mines Limited, Ventures Limited and McIntyre Porcupine Mines Limited is carried through to completion:

- (1) The sale of all of Ventures short-term investments for \$6,424,169 cash.
- (2) Repayment by Kilembe Copper Cobalt Ltd. of \$900,000 of its indebtedness to Ventures and the giving of a note for \$600,000 representing the balance of the indebtedness which note has been sold to a bank (see Note 7).
- (3) The sale or liquidation of shares in subsidiary, associated and other companies having a book value of \$505,537 for \$1,199,588 cash.
- (4) Repayment of the company's long-term debt including the premium and interest payable on redemption—\$6,705,644.
- (5) Provision of \$3,000,000 to pay the estimated taxes and expenses involved in implementing the agreement dated November 7, 1961 referred to above.

**3. FALCONBRIDGE CONSOLIDATED BALANCE SHEET**

The consolidated balance sheet of Falconbridge reflects the financial position of that company and all its subsidiary companies except Fahralloy Canada Limited. The latter company has not been consolidated because its operations are neither similar nor related to those of the parent company. The parent company's interest in Fahralloy's profits from date of acquisition to July 31, 1961 not taken up in the parent company's accounts amounted to \$1,960,864.

**4. FALCONBRIDGE PRO FORMA CONSOLIDATED BALANCE SHEET**

The pro forma consolidated balance sheet of Falconbridge gives effect to the following transactions that will take place if the agreement dated November 7, 1961 between Falconbridge, Ventures and McIntyre is carried through to completion:

- (a) The purchase by Falconbridge as at the closing date of all the assets of Ventures reflected in the attached pro forma balance sheet of that company (except its shareholdings in Falconbridge and \$3,000,000 cash) in consideration of the assumption of all the liabilities of Ventures reflected in the attached pro forma balance sheet of that company (except the liability, estimated at \$3,000,000, for taxes and expenses arising out of the proposed merger) and the issue to Ventures of 719,964 shares of the unissued capital of Falconbridge.
- (b) The sale to McIntyre by Falconbridge of 280,600 shares of its unissued capital for \$17,405,618 cash.

**NOTES:**

- (1) The pro forma balance sheet does not reflect the issue of any shares or the consideration to be received therefrom under the outstanding warrants and options referred to in Notes 10(a) and 10(b). A maximum of 73,297 shares of Falconbridge may be required to be issued.
- (2) The price at which the shares referred to in (a) above have been recorded (\$62.03 per share) is the average price for Falconbridge shares on the Toronto Stock Exchange during July 1961. Except for the shares of subsidiary, associated and other companies, the assets to be acquired have been recorded at the same values as recorded in Ventures' accounts. The liabilities assumed have also been recorded at their book value. The balance of the consideration (computed at \$62.03 for the shares to be issued) has been allocated pro rata to the various shares of subsidiary, associated and other companies acquired, having regard to the quoted market values of such shares at July 31, 1961. The aggregate of the amounts computed on this basis is slightly more (\$168,668) than the aggregate of Ventures' carrying values.

**5. BASIS OF CONVERSION OF FOREIGN CURRENCY (both companies)**

Assets and liabilities in currencies other than Canadian dollars have been converted into Canadian dollars at current quoted rates of exchange at July 31, 1961 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.

**6. INVENTORIES (Falconbridge)**

The cost of inventories derived from Falconbridge's own ores (\$11,189,502) has been determined on a "last-in, first-out" basis; the cost of inventories derived from other sources (\$2,015,098) has been determined on a "first-in, first-out" basis.

**7. COMMITMENTS AND CONTINGENT LIABILITIES**

**Ventures**

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.

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.

As at July 31, 1961 there were other commitments outstanding, primarily in connection with the purchase of securities of an associated company, and contingent liabilities totalling approximately \$435,000.

Subsequent to July 31, 1961 Ventures became contingently liable as a result of selling a note of Kilembe Copper Cobalt Ltd. for \$600,000 to a bank.



### *Falconbridge*

There are commitments outstanding in connection with construction in progress and development and exploration amounting to approximately \$1,660,000. In addition, repayment of a loan to a power company in Norway has been guaranteed to the extent of N. Kr. 3,231,000 (\$467,000) to ensure delivery of increased power to the refinery.

Upon completion of the agreement dated November 7, 1961 between Falconbridge, Ventures and McIntyre (referred to previously) all the commitments and contingent liabilities of Ventures will be assumed by Falconbridge.

## 8. LONG-TERM DEBT

### *Ventures*

4½% sinking fund debentures due October 1, 1969 (U.S. \$3,838,000) (Canadian \$377,000) . . . . .	\$ 4,137,609	
Less sinking fund payment due within one year shown under current liabilities . . . . .	514,344	
	<u>\$ 3,623,265</u>	
5% debentures due February 15, 1970 . . . . .	2,135,000	\$ 5,758,265

NOTE: The following securities owned by Ventures have been hypothecated 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.

<i>Ventures pro forma</i> (debentures repaid and securities released from hypothecation) . . . . .	\$ Nil
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### *Falconbridge—consolidated and pro forma*

5¼% first mortgage and collateral trust sinking fund bonds, series A, due August 15, 1966 . . . . .	\$17,000,000	
Less amount payable within one year included under current liabilities . . . . .	<u>6,000,000</u>	<u>\$11,000,000</u>

## 9. CAPITAL

### *Ventures*

Authorized: 4,000,000 shares of no par value	
Issued: 2,755,057 shares . . . . .	<u>\$38,292,880</u>

### *Falconbridge consolidated*

Authorized: 5,000,000 shares of no par value	
Issued: 3,779,372 shares . . . . .	<u>\$12,791,625</u>

### *Falconbridge pro forma consolidated*

Authorized: 5,000,000 shares of no par value	
Issued or to be issued:	
3,779,372 shares issued at July 31, 1961 . . . . .	\$12,791,625
280,600 shares to be issued to McIntyre for cash . . . . .	17,405,618
719,964 shares to be issued to Ventures for the net assets referred to in Note 4 . . . . .	44,659,367
<u>4,779,936 shares . . . . .</u>	<u>\$74,856,610</u>

## 10. SHARE OPTIONS AND WARRANTS

### *Ventures*

- (a) Warrants issued in connection with the sale of Ventures sinking fund debentures in 1954 and still outstanding at July 31, 1961 entitle the holders to purchase 31,342 shares of the company's unissued capital at U.S. \$20 per share and to purchase 25,101 shares of Falconbridge Nickel Mines from the company at U.S. \$20 per share, all exercisable on or before October 1, 1969.
- (b) In 1959 Ventures reserved 50,000 of its unissued shares for the purpose of granting to officers and employees options to purchase shares of the Company at \$28.36 per share (the market price less 5% on the date these shares were reserved). The options which may be exercised at a cumulative rate not in excess of 20% per annum expire on April 30, 1969 and contain a termination of employment clause. Options were granted on 30,000 of these shares, (25,000 in 1959 and 5,000 in 1961), which options had been exercised as to 15,000 shares by July 31, 1961 (including 8,000 shares in 1961). At July 31, 1961, accordingly, options were outstanding with respect to 15,000 shares. The reservation of 20,000 shares for the purpose of additional options was cancelled subsequent to July 31, 1961.

### NOTE:

Under the agreement dated November 7, 1961 referred to previously, Falconbridge will assume the obligations under the above warrants and options and in this connection a maximum of 73,297 shares of Falconbridge may be required to be issued.

### *Falconbridge*

- (c) In 1959 Falconbridge 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 on the date these shares were reserved). The options which may be exercised at a cumulative rate not in excess of 20% per annum expire on May 31, 1969 and contain a termination of employment clause. Options were granted on 46,000 of these shares (41,000 in 1959 and 5,000 in 1961), which options had been exercised as to 23,100 shares by July 31, 1961 (including 12,450 shares in 1961). At July 31, 1961, accordingly, options were outstanding with respect to 22,900 shares and an additional 29,000 shares were reserved for possible future options.

## 11. SURPLUS RESTRICTIONS

The deed of trust and mortgage securing the first mortgage and collateral trust bonds of Falconbridge as well as the trust indenture securing Ventures 4½% sinking fund debentures each place restrictions on the maximum amount of retained earnings that could be utilized for dividends.

## 12. DEPRECIATION CLAIMED FOR TAX PURPOSES (Falconbridge)

The accumulated depreciation and development and preproduction expenditures that will have been claimed for tax purposes to July 31, 1961, will be less than the amounts written in the accounts to that date by approximately \$9,500,000. This amount will be deductible for tax purposes in future years.



**FALCONBRIDGE NICKEL MINES LIMITED**  
and its consolidated subsidiaries

**Statement of Consolidated Earnings**  
**for the Five Years and Seven Months Ended July 31, 1961**

	Seven months ended July 31, 1961	Year ended December 31				
	1960	1959	1958	1957	1956	
Earnings before the undernoted items:..	\$20,840,441	\$32,936,719	\$28,500,113	\$25,085,585	\$26,786,872	\$19,591,424
Amortization of development and preproduction expenditures						
Normal.....	\$ 2,144,119	\$ 2,861,515	\$ 4,465,874	\$ 4,175,256	\$ 3,518,063	\$ 3,235,718
Special (note 4).....				3,500,000	3,500,000	
Depreciation						
Normal.....	3,676,281	6,222,312	6,037,843	6,515,589	5,875,915	5,134,419
Special (note 4).....	2,042,000	3,500,000	3,500,000			
Interest on long-term liabilities.....	521,865	1,092,429	1,341,775	1,519,002	1,583,142	1,591,553
Expenditures on exploration and process development.....	1,675,410	1,472,931	1,491,002	1,128,332	1,482,194	2,285,731
Income taxes (notes 2 and 5).....	1,320,000	2,250,000	3,400,000	1,400,000	635,000	302,000
	<u>\$11,379,675</u>	<u>\$17,399,187</u>	<u>\$20,236,494</u>	<u>\$18,238,179</u>	<u>\$16,594,314</u>	<u>\$12,549,421</u>
Net earnings (note 3).....	\$ 9,460,766	\$15,537,532	\$ 8,263,619	\$ 6,847,406	\$10,192,558	\$ 7,042,003

NOTES:

- The statement of consolidated earnings reflects the operating results of Falconbridge Nickel Mines and all its subsidiaries except Fahlralloy Canada Limited which has not been consolidated as its operations are neither similar nor related to those of the parent company. The profits of this wholly-owned subsidiary exceeded the dividends received from it by the following amounts.  

	\$ 153,821	\$ 284,986	\$ 446,188	\$ 94,182	\$ 306,517	\$ 209,055
--	------------	------------	------------	-----------	------------	------------
- The amounts claimed or to be claimed in each period for income tax purposes in respect of depreciation and development and preproduction expenditures are less (more) than the amounts written in the companies' accounts by approximately.....  

	\$ 2,495,000	\$ 4,869,000	\$ 4,804,000	\$ (1,753,000)	\$ (790,000)	\$ (590,000)
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- The following items have been excluded in arriving at net earnings shown above:  

Net gain (loss) on sale of securities and fixed assets.....	\$ 494,817	\$ 527,330	\$ 184,046	\$ 205,803	\$ (239,079)	\$ 695,602
Balance of unamortized financing expenses written off.....						289,881
	<u>\$ 494,817</u>	<u>\$ 527,330</u>	<u>\$ 184,046</u>	<u>\$ 205,803</u>	<u>\$ (239,079)</u>	<u>\$ 405,721</u>
- 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 provided 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 periods ended December 31, 1957 and 1958 such provisions were applied to amortize preproduction expenditures. For the periods ended December 31, 1959, and 1960 and July 31, 1961 the provisions at the annual rate of \$3,500,000 have been applied as depreciation against plant and machinery.
- A substantial portion of the income in each period was derived from the operations of new mines that were at that time in their three year tax exempt period.
- Revenues and expenses in currencies other than Canadian dollars have been converted into Canadian funds 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.



**VENTURES LIMITED**  
**and its wholly-owned subsidiaries**  
**Statement of Consolidated Earnings**  
**for the Five Years and Seven Months Ended July 31, 1961**

	Seven months ended July 31, 1961	1960	1959	1958	1957	1956
<b>INCOME:</b>						
Dividends received from Falconbridge Nickel Mines Limited.....	\$ 1,825,909	\$ 3,112,588	\$ 2,385,356	\$ 2,316,181	\$ 2,307,781	\$ 2,310,214
Other income.....	1,202,773	1,476,466	897,978	1,166,240	751,826	532,370
	<u>\$ 3,028,682</u>	<u>\$ 4,589,054</u>	<u>\$ 3,283,334</u>	<u>\$ 3,482,421</u>	<u>\$ 3,059,607</u>	<u>\$ 2,842,584</u>
<b>EXPENSES:</b>						
Administration.....	\$ 326,477	\$ 502,629	\$ 584,672	\$ 425,751	\$ 431,949	\$ 397,680
Interest on debentures.....	171,718	282,340	232,570	258,405	276,075	306,501
Exploration expenditures (note 3)....	387,764	784,171	543,579	613,967	89,353	106,091
	<u>\$ 885,959</u>	<u>\$ 1,569,140</u>	<u>\$ 1,360,821</u>	<u>\$ 1,298,123</u>	<u>\$ 797,377</u>	<u>\$ 810,272</u>
Net earnings (note 2).....	<u>\$ 2,142,723</u>	<u>\$ 3,019,914</u>	<u>\$ 1,922,513</u>	<u>\$ 2,184,298</u>	<u>\$ 2,262,230</u>	<u>\$ 2,032,312</u>

**NOTES:**

- The earnings of the wholly-owned subsidiary, Toronto Mines Services Limited, are included in each of the years shown above. The earnings of the wholly-owned subsidiaries, Evans Lake Mines Limited (incorporated in February 1959) and Andante Mines Limited (incorporated in December 1960) are included from the dates of their respective incorporations. Also included in 1960 and 1961 are the earnings of the wholly-owned subsidiary companies (none of which is of material significance) acquired during 1960 from Frobisher Limited. The earnings of other subsidiary companies are included in the above statement of earnings only to the extent of dividends received; Ventures' interest in the aggregate profits less losses of these subsidiaries was more (less) than the dividends received by the following amounts:

Falconbridge Nickel Mines Limited	\$ 3,923,627	\$ 6,267,320	\$ 2,378,192	\$ 1,406,180	\$ 3,021,261	\$ 1,369,419
Other subsidiaries.....	(535,775)	(1,108,921)	(920,451)	(3,404,159)	(431,291)	141,140
Total.....	<u>\$ 3,387,852</u>	<u>\$ 5,158,399</u>	<u>\$ 1,457,741</u>	<u>\$ (1,997,979)</u>	<u>\$ 2,589,970</u>	<u>\$ 1,510,559</u>

- The following items have been excluded in arriving at the net earnings shown above:

Amounts written off investment in subsidiary, associated and other companies and mining claims.....	\$ 446,383	\$ 337,429	\$ 952,191	\$ 2,255,505	\$ 1,369,560	\$ 450,000
Loss (gain) on disposal or liquidation of investments.....	(342,653)	(7,576)	(509,868)	3,935,124	37,378	1,880,893
Costs of Frobisher merger (1960) and financing expenses (1957)		145,329			50,421	
	<u>\$ 103,730</u>	<u>\$ 475,182</u>	<u>\$ 442,323</u>	<u>\$ 6,190,629</u>	<u>\$ 1,457,359</u>	<u>\$ 2,330,893</u>

- 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 to retained earnings. The 1957 and 1956 figures shown in the above statement of earnings have been reclassified to reflect this change in basis.



**FALCONBRIDGE NICKEL MINES LIMITED**  
and its consolidated subsidiaries  
**and**  
**VENTURES LIMITED**  
and its wholly-owned subsidiaries  
**Pro Forma Statement of Combined Earnings**  
**for the Five Years and Seven Months Ended July 31, 1961**

	Seven months ended July 31, 1961	Year ended December 31				
		1960	1959	1958	1957	1956
Earnings before the undernoted items (note 3) .....	\$21,716,737	\$33,910,556	\$28,813,419	\$25,826,074	\$27,106,749	\$19,726,114
Amortization of development and prepro- duction expenditures						
Normal.....	\$ 2,144,119	\$ 2,861,515	\$ 4,465,874	\$ 4,175,256	\$ 3,518,063	\$ 3,235,718
Special (note 4, page 18).....				3,500,000	3,500,000	
Depreciation						
Normal.....	3,676,281	6,222,312	6,037,843	6,515,589	5,875,915	5,134,419
Special (note 4, page 18).....	2,042,000	3,500,000	3,500,000			
Interest on long-term liabilities.....	693,583	1,374,769	1,574,345	1,777,407	1,859,217	1,898,054
Expenditures on exploration and process development.....	2,063,174	2,257,102	2,034,581	1,742,299	1,571,547	2,391,822
Income taxes (notes 2 and 5, page 18) ..	1,320,000	2,250,000	3,400,000	1,400,000	635,000	302,000
	<u>\$11,939,157</u>	<u>\$18,465,698</u>	<u>\$21,012,643</u>	<u>\$19,110,551</u>	<u>\$16,959,742</u>	<u>\$12,962,013</u>
Net earnings (note 2).....	<u>\$ 9,777,580</u>	<u>\$15,444,858</u>	<u>\$ 7,800,776</u>	<u>\$ 6,715,523</u>	<u>\$10,147,007</u>	<u>\$ 6,764,101</u>

**NOTES:**

- The earnings of unconsolidated subsidiary companies are included in the above statement of earnings only to the extent of dividends received; the interests of the combined companies in the aggregate profits less losses of these subsidiaries was more (less) than these dividends by the following amounts
 

	<u>\$ (381,954)</u>	<u>\$ (823,935)</u>	<u>\$ (474,263)</u>	<u>\$ (3,309,977)</u>	<u>\$ (124,774)</u>	<u>\$ 350,195</u>
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- The following items have been excluded in arriving at the net earnings shown above:
 

Amounts written off investment in subsidiary, associated and other companies and mining claims.....	\$ 446,383	\$ 337,429	\$ 952,191	\$ 2,255,505	\$ 1,369,560	\$ 450,000
Loss (gain) on disposal or liquidation of investments and fixed assets.....	(837,470)	(534,906)	(693,914)	3,729,321	276,457	1,185,291
Costs of Frobisher merger (1960) and financing expenses (1957 and 1956).....		145,329			50,421	289,881
	<u>\$ (391,087)</u>	<u>\$ (52,148)</u>	<u>\$ 258,277</u>	<u>\$ 5,984,826</u>	<u>\$ 1,696,438</u>	<u>\$ 1,925,172</u>
- For Ventures this consists of its other income less its administration expenses.
- Notes 2, 4, 5, and 6 on page 18 accompanying the statement of earnings of Falconbridge Nickel Mines Limited for the five years and seven months ended July 31, 1961 are incorporated herein by reference as they also apply in their entirety to the above statement of combined earnings.



**VENTURES LIMITED**

**Investment in Subsidiary, Associated and other Companies  
as at July 31, 1961**



**VENTURES LIMITED**  
**INVESTMENT IN SUBSIDIARY, ASSOCIATED AND OTHER COMPANIES**  
**AS AT JULY 31, 1961**

	Company					Pro Forma (note 2, page 16)				
	Number of Shares or Par Value	Shares	Indicated Market Value (Note A)	Book Value (note 1, page 16)	Advances and Debentures	Number of Shares or Par Value	Shares	Indicated Market Value (Note A)	Book Value (note 1, page 16)	Advances and Debentures
		% of out- standing Capital					% of out- standing Capital			
<b>SUBSIDIARY COMPANIES:</b>										
(excluding Falconbridge Nickel Mines Limited)										
Carium Mines Limited.....	406,860	73.5		\$ 122,355						
Chavin of Canada Limited....	2,245,233	87.5		436,304		2,245,233	87.5		\$ 436,304	
Industrial Minerals of Canada Limited.....	213,830	52.2	\$ 769,790	1,015,873		213,830	52.2	\$ 769,790	1,015,873	
Kilembe Copper Cobalt Ltd...	3,062,127	79.0	8,573,956	9,456,032	\$1,500,000	3,062,127	79.0	8,573,956	9,456,032	
Lake Dufault Mines Limited..	2,076,133	50.2	934,260	415,518		2,076,133	50.2	934,260	415,518	
La Luz Mines Limited—										
common shares.....	1,107,186	70.0	2,823,324	2,464,293		1,107,186	70.0	2,823,324	2,464,293	
6% debentures due Sept. 30, 1962.....	\$2,000,000				1,850,000	\$2,000,000				\$1,850,000
7½% debentures due Oct. 30, 1964.....	\$ 325,000				300,625	\$ 325,000				300,625
Pascal's Gold Mines Limited..	2,099,069	52.5	419,814	240,979		2,099,069	52.5	419,814	240,979	
*Rosita Mines Limited.....					322,035					322,035
St. Eugene Mining Corporation Limited.....	1,970,778	81.6		124,990		1,970,778	81.6		124,990	
Toronto Mines Services Limited.....	70,253	100.0		171,980	193,064	70,253	100.0		171,980	193,064
United Keno Hill Mines Limited (Note B).....	1,286,383	52.1	14,311,011	3,817,018		1,246,383	50.5	13,866,011	3,575,789	
Ventures of Africa Limited—										
common shares.....	76,873 }					76,873 }				
preferred shares.....	2,370 }	100.0		172,974		2,370 }	100.0		172,974	
Miscellaneous participations of \$100,000 or less.....			336,227	236,274	83,150			336,227	236,274	83,150
			<u>\$ 28,168,382</u>	<u>\$18,674,590</u>	<u>\$4,248,874</u>			<u>\$ 27,723,382</u>	<u>\$18,311,006</u>	<u>\$2,748,874</u>

\* Controlled through subsidiary company.



## ASSOCIATED COMPANIES:

Akaiitcho Yellowknife Gold Mines Limited.....	1,198,230	36.7	\$ 515,239	\$ 392,782	1,198,230	36.7	\$ 515,239	\$ 392,782	
Alminex Limited.....	3,424,971	45.8	6,096,448	10,274,673	3,424,971	45.8	6,096,448	10,274,673	
Canada Tungsten Mining Corp. Ltd.....	582,005	14.2	1,018,509	373,533	582,005	14.2	1,018,509	373,533	
Canadian Malartic Gold Mines Limited.....	1,500,537	41.1	480,172	561,109	1,500,537	41.1	480,172	561,109	
Dominion Magnesium Limited	186,211	39.1	1,955,216	1,309,309	186,211	39.1	1,955,216	1,309,309	
Giant Yellowknife Mines Limited (Note B).....	1,288,132	29.9	15,618,600	1,672,582	1,274,832	29.6	15,457,338	1,543,213	
Joliet-Quebec Mines Limited.	1,128,800	22.0	237,048	154,972	1,128,800	22.0	237,048	154,972	
Metal Hydrides Incorporated.	162,538	47.7	2,641,242	1,683,446	162,538	47.7	2,641,242	1,683,446	
Opemiska Copper Mines (Quebec) Limited.....	1,930,061	35.0	14,378,954	3,785,928	1,930,061	35.0	14,378,954	3,785,928	
Quebec Metallurgical Industries Ltd.....	2,391,880	47.3	2,057,017	1,894,728	2,391,880	47.3	2,057,017	1,894,728	
Thompson-Lundmark Gold Mines Limited.....	655,267	13.1	399,713	341,106	655,267	13.1	399,713	341,106	
Tonopah Mining Company of Nevada.....	252,760	32.3	821,470	521,620	252,760	32.3	821,470	521,620	
Miscellaneous participations of \$100,000 or less.....			125,646	78,647			125,646	78,647	
			<u>\$ 46,345,274</u>	<u>\$23,044,435</u>			<u>\$ 46,184,012</u>	<u>\$22,915,066</u>	
OTHER COMPANIES:									
Miscellaneous participations of \$100,000 or less.....			<u>\$ 710,423</u>	<u>\$ 397,662</u>			<u>\$ 710,423</u>	<u>\$ 385,078</u>	
TOTAL EXCLUDING FALCONBRIDGE NICKEL MINES LIMITED			<u>\$ 75,224,079</u>	<u>\$42,116,687</u>	<u>\$4,248,874</u>		<u>\$ 74,617,817</u>	<u>\$41,611,150</u>	<u>\$2,748,874</u>
FALCONBRIDGE NICKEL MINES LIMITED (Note B).....	2,145,295	56.8	<u>134,617,261</u>	<u>4,412,343</u>	<u>2,145,295</u>	56.8	<u>134,617,261</u>	<u>4,412,343</u>	<u></u>
TOTAL.....			<u>\$209,841,340</u>	<u>\$46,529,030</u>	<u>\$4,248,874</u>		<u>\$209,235,078</u>	<u>\$46,023,493</u>	<u>\$2,748,874</u>

## NOTES:

- A. The market values shown above are based on closing market prices at July 31, 1961. 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.
- B. See page 17, note 8 to the balance sheet of Ventures 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 10(a) on page 17 as to warrants outstanding entitling the holders to purchase 25,101 shares of Falconbridge Nickel Mines Limited from the company.



THIS AGREEMENT made as of the 7th day of November, 1961.

BETWEEN:

FALCONBRIDGE NICKEL MINES LIMITED,  
a company incorporated under the laws of Ontario  
(hereinafter called "Falconbridge"),

OF THE FIRST PART,

VENTURES LIMITED, a company incorporated  
under the laws of Canada  
(hereinafter called "Ventures"),

OF THE SECOND PART

—and—

McINTYRE PORCUPINE MINES LIMITED, a  
company incorporated under the laws of Ontario  
(hereinafter called "McIntyre"),

OF THE THIRD PART.

WITNESSETH as follows:

1. For the purposes of this agreement, the following words and expressions shall have the following meanings:

- (a) "Assets of Ventures" shall be and include all the rights, privileges, powers, immunities, property and assets of Ventures and the undertaking of Ventures as a going concern, all as constituted at the Closing Time, and all the rights, privileges, powers, immunities, property and assets of Ventures which may be acquired at any time or times after the Closing Time, including without limitation the consideration received upon the exercise of Ventures Option Warrants, Falconbridge Option Warrants and Ventures Employees Options;
- (b) "Excluded Assets" shall be all the shares of Falconbridge owned by Ventures at the Closing Time, the sum of \$3,000,000 in cash and assets used in accordance with clause numbered 9 hereof;
- (c) "Liabilities of Ventures" shall be and include all the debts, duties, disabilities, liabilities and obligations of Ventures whether certain or contingent, all as constituted at the Closing Time or arising at any time or times thereafter, excepting the claims of all the holders of debentures and interest coupons issued and outstanding pursuant to both the Ventures First Indenture and the Ventures Second Indenture and of the respective trustees thereof, the liabilities of Ventures to capital stock and surplus and all costs and expenses referred to in sub-clause (b) of clause numbered 15 hereof;
- (d) "Falconbridge Deed of Trust" is that certain Deed of Trust and Mortgage dated as of March 15, 1954 between Falconbridge and Crown Trust Company, as amended from time to time, securing an issue of 5¼% First Mortgage and Collateral Trust Sinking Fund Bonds, Series A, of Falconbridge maturing on August 15, 1966;
- (e) "Ventures Option Warrants" are those outstanding warrants issued by Ventures in 1954 entitling the holders thereof to purchase treasury shares in the capital stock of Ventures at \$20 per share in U.S. funds, all upon the terms and conditions more fully set forth in each Ventures Option Warrant issued;



- (f) "Falconbridge Option Warrants" are those outstanding warrants issued by Ventures in 1954 entitling the holders thereof to purchase issued shares in the capital of Falconbridge owned by Ventures at \$20 per share in U.S. funds, all upon the terms and conditions more fully set forth in each Falconbridge Option Warrant issued;
- (g) "Ventures Employees Options" are the outstanding options granted by Ventures entitling certain officers or employees of Ventures to purchase treasury shares in the capital stock of Ventures at \$28.36 per share, all upon the terms and conditions more fully set forth in each Ventures Employees Option granted;
- (h) "Ventures First Indenture" is that certain Indenture dated as of October 1, 1954 between Ventures and Crown Trust Company securing an issue of 4½% Sinking Fund Debentures of Ventures maturing on October 1, 1969;
- (i) "Ventures Second Indenture" is that certain Indenture dated as of February 16, 1953 between Frobisher Limited and National Trust Company, Limited, as amended by Supplemental Indenture dated as of June 19, 1953 between Frobisher Limited and National Trust Company, Limited and as further amended by Second Supplemental Indenture made as of June 28, 1960 between Ventures, National Trust Company, Limited and Frobisher Limited, securing an issue of 5% Debentures of Ventures maturing on February 15, 1970; and
- (j) "Closing Time" shall be 3.00 p.m. (Toronto Time) on Wednesday, January 31, 1962 or such other time and day as may be mutually agreed upon.

2. Ventures represents and warrants unto Falconbridge as follows:

- (a) that it has the right and power to enter into this agreement and to deal with the Assets of Ventures as herein provided;
- (b) that it owns the Assets of Ventures free and clear of all encumbrances except the encumbrances created by the Ventures First Indenture and the Ventures Second Indenture;
- (c) that at the date hereof there are 2,760,948 shares in the capital stock of Ventures issued and outstanding and that at the date hereof the holders of Ventures Option Warrants or Ventures Employees Options are entitled to purchase in the aggregate 40,451 shares in the capital stock of Ventures;
- (d) that at the Closing Time there will be in the aggregate only 2,801,399 shares in the capital stock of Ventures issued and outstanding or subject to issue, including shares subject to issue pursuant to the Ventures Option Warrants and the Ventures Employees Options;
- (e) that at the Closing Time Ventures will own (i) a sum of at least \$3,000,000 in cash (exclusive of assets used in accordance with clause numbered 9 hereof) and (ii) exactly 2,141,795 issued shares in the capital of Falconbridge less such number, if any, of issued shares in the capital of Falconbridge (not exceeding 21,601 in the aggregate) as may be sold after the date hereof and before the Closing Time upon the exercise of Falconbridge Option Warrants; and
- (f) that at the Closing Time there will be no litigation or administrative proceedings pending or to the knowledge of Ventures threatened against or affecting Ventures or any of its subsidiary companies which have resulted or may result in any material adverse change in the business of Ventures or in the condition, financial or otherwise, of Ventures or in the Assets of Ventures or in the Liabilities of Ventures, save and except actions instituted in 1957 relating to the acquisition of mining properties of La Luz Mines Limited and its wholly-owned subsidiary, Rosita Mines Limited, and in respect of which no determination as to the liability, if any, may presently be made.

3. Falconbridge represents and warrants unto each of Ventures and McIntyre that Falconbridge (a) was duly incorporated pursuant to the laws of Ontario; (b) is a valid and subsisting corporation with an authorized capital divided into 5,000,000 shares without par value of which 3,831,272 shares are issued and outstanding or subject to issue or reserved for issue as at the date hereof; and (c) will have at the Closing Time



and will continue to have thereafter sufficient unissued shares in its capital to fulfil its obligations to issue shares in its capital pursuant to the provisions hereof.

4. Falconbridge shall purchase from Ventures and Ventures shall sell to Falconbridge at the Closing Time the Assets of Ventures except Excluded Assets at and for the following consideration:

- (a) the allotment and issue by Falconbridge to Ventures at the Closing Time of such number of fully paid and non-assessable shares in the capital of Falconbridge as shall be determined by multiplying the number of shares in the capital stock of Ventures issued and outstanding at the Closing Time by 1-1/25 and by subtracting from the product thereby obtained the number of shares in the capital of Falconbridge owned by Ventures at the Closing Time; and
- (b) the assumption and full discharge as the same become due and payable of the Liabilities of Ventures. Without limiting the generality of the foregoing, Falconbridge from time to time after the Closing Time shall allot and issue shares in the capital of Falconbridge as follows:
  - (i) to the holders of Ventures Option Warrants outstanding at the Closing Time, a sufficient number of shares in the capital of Falconbridge to discharge fully the obligations of Ventures thereunder on the basis that each holder of a Ventures Option Warrant upon his exercise thereof shall be entitled to receive 1-1/25 shares of Falconbridge for each share of Ventures which he is entitled to purchase thereunder, all subject to the terms and conditions therein contained;
  - (ii) to the holders of Falconbridge Option Warrants outstanding at the Closing Time, a sufficient number of shares in the capital of Falconbridge to discharge fully the obligations of Ventures thereunder on the basis that each holder of a Falconbridge Option Warrant upon his exercise thereof shall be entitled to receive 1 share of Falconbridge for each share of Falconbridge which he is entitled to purchase thereunder, all subject to the terms and conditions therein contained; and
  - (iii) to the holders of the Ventures Employees Options outstanding at the Closing Time, a sufficient number of shares in the capital of Falconbridge to discharge fully the obligations of Ventures thereunder on the basis that each holder of a Ventures Employees Option upon his exercise thereof shall be entitled to receive 1-1/25 shares of Falconbridge for each share of Ventures which he is entitled to purchase thereunder, all subject to the terms and conditions therein contained.

5. Falconbridge shall allot and issue to McIntyre and McIntyre shall purchase from Falconbridge at the Closing Time 280,600 fully paid and non-assessable shares in the capital of Falconbridge for the cash sum of \$17,405,618 payable by certified cheque at the Closing Time against delivery of a certificate or certificates evidencing such shares.

6. (1) Ventures shall call forthwith and hold within 120 days of the date hereof a special general meeting of its shareholders:

- (a) to consider and if thought advisable to confirm this agreement; and
- (b) if this agreement is duly confirmed by shareholders of Ventures, to consider and if thought advisable to sanction a by-law which shall theretofore have been enacted by its board of directors providing for the division of its assets rateably among its shareholders for the purpose of enabling it to surrender its charter under the provisions of the Companies Act of Canada and authorizing it to take all necessary proceedings and to make application to the Secretary of State of Canada for the acceptance of the surrender of its charter.

(2) If this agreement is not duly confirmed and the said by-law is not duly sanctioned by shareholders of Ventures within 120 days of the date hereof, then this agreement shall be null and void.

7. (1) Falconbridge shall call forthwith and hold within 120 days of the date hereof a general meeting of its shareholders to consider and if thought advisable to confirm this agreement.

(2) If this agreement is not duly confirmed by shareholders of Falconbridge within 120 days of the date hereof, then this agreement shall be null and void.



8. Falconbridge shall before the general meeting of its shareholders referred to in clause numbered 7 hereof use its best efforts to obtain the written consents of all the holders of the outstanding bonds issued under the Falconbridge Deed of Trust to the amendment at the Closing Time of the Falconbridge Deed of Trust so as to permit it to purchase as contemplated herein the Assets of Ventures except Excluded Assets. If Falconbridge is unable to obtain such written consents before the said meeting, then it shall give to Ventures and McIntyre forthwith written notice to such effect and upon the delivery of such notice this agreement shall be null and void.

9. At or before the Closing Time Ventures shall (a) satisfy fully its obligations in respect of the debentures and interest coupons issued and outstanding pursuant to both the Ventures First Indenture and the Ventures Second Indenture and of the respective trustees thereof by payment out of its current assets and by tender of such debentures to such respective trustees; and (b) obtain appropriate releases and discharges of all obligations under both the Ventures First Indenture and the Ventures Second Indenture.

10. There is attached hereto as Schedule "A" a copy of the audited pro forma balance sheet of Ventures as at the close of business on July 31, 1961 appended to which is a list of the significant assets of Ventures. Ventures represents and warrants to Falconbridge that between the date of the said pro forma balance sheet and the date hereof there has or have been no material transaction or transactions entered into by Ventures or any of its subsidiary companies, except as may have been entered into to carry out or complete any of the transactions reflected in the said pro forma balance sheet. Except as may be necessary to carry out or complete any of the said transactions so reflected or any of the transactions contemplated in this agreement, Ventures represents and warrants (a) that between the date hereof and the Closing Time it will carry on its business in the ordinary course; and (b) that without first obtaining the written consent of Falconbridge (i) it will not enter or cause or permit any of its subsidiary companies to enter into any material transaction or transactions; (ii) it will not declare or pay any dividends in excess of 65¢ per share; and (iii) it will not make any other distribution to its shareholders.

11. Ventures shall deliver to Falconbridge at least two days prior to the Closing Time an audited unconsolidated balance sheet and supporting statements of Ventures as of the close of business on a day not more than fifteen days prior to the Closing Time disclosing that: (a) the aggregate of Ventures' cash on hand and in bank and its short term investments maturing prior to the Closing Time exceeds by at least \$3,000,000 the amount of cash required by Ventures to carry out the provisions of clause numbered 9 hereof; (b) since the close of business on July 31, 1961 Ventures has not entered into any material transactions, except such as may have been consented to in writing by Falconbridge or such as may have been entered into to carry out or complete any of the transactions reflected in the audited pro forma balance sheet attached hereto as Schedule "A" or contemplated in this agreement; and (c) since the close of business on July 31, 1961 Ventures has not declared or paid any dividends in excess of 65¢ per share or made any other distribution to its shareholders, except as may have been consented to in writing by Falconbridge. If Ventures fails or is unable to deliver such an audited unconsolidated balance sheet and supporting statements to Falconbridge as aforesaid, then Falconbridge may at its option give to Ventures and McIntyre written notice and upon the delivery of such notice this agreement shall be null and void. It is understood that the said audited unconsolidated balance sheet and supporting statements will not reflect the financial position and the operating results of the subsidiaries of Ventures.

12. If before or at the Closing Time there is any misrepresentation or breach of a warranty contained in this agreement by any party or parties hereto, then any other party hereto may at its option give notice to both of the other parties hereto as to such misrepresentation or breach of a warranty and upon the delivery of such notice this agreement shall be null and void. No party hereto shall have any right or claim against any other party or parties hereto arising out of misrepresentation or breach of a warranty except as contained in this clause. No representation or warranty whether contained herein or in any document, certificate or statement delivered at or before the Closing Time shall survive the completion of the transactions contemplated by clauses numbered 4 and 5 hereof to be completed at the Closing Time. From time to time before and at the Closing Time each of the parties hereto agrees to deliver to the others all such documents, opinions, certificates and statements as may be reasonably required by any other party or parties hereto to satisfy such other party or parties that there has been no misrepresentation or breach of a warranty.



13. Ventures agrees with Falconbridge:

- (a) that it will at the Closing Time and from time to time thereafter when required by Falconbridge, execute and deliver all conveyances, transfers and other documents necessary or deemed advisable by Falconbridge to carry out the transfer to Falconbridge of the Assets of Ventures except Excluded Assets;
- (b) that from and after the Closing Time it will hold in trust for Falconbridge and maintain in good standing the Assets of Ventures except Excluded Assets until the same can be conveyed and transferred to Falconbridge subject always to the right of Ventures to claim reimbursement from Falconbridge with respect to any disbursements necessarily made by Ventures in relation to Assets of Ventures except Excluded Assets; and
- (c) that from and after the Closing Time it will make no change in its issued capital stock, will grant or issue no rights respecting its capital stock and, without first obtaining the written consent of Falconbridge, will not conduct any activities not specifically contemplated herein or incidental thereto.

14. The parties hereto agree that the transactions contemplated by clauses numbered 4 and 5 hereof to be completed at the Closing Time shall be completed at the Closing Time in the Board Room, 22nd floor, 25 King Street West, Toronto, Ontario. Each of the parties hereto agrees to notify the others at least fifteen days before the Closing Time of the opinions, certificates and other documents it shall require to be delivered to it at the Closing Time and each of the other parties hereto agrees to deliver at the Closing Time all such opinions, certificates and other documents as may be reasonably required of it.

15. Ventures agrees with Falconbridge that as soon as practicable after the Closing Time:

- (a) it will make the elections prescribed in Part II of the Income Tax Act of Canada in respect of its undistributed income on hand;
- (b) it will pay all costs and expenses necessarily incurred by it in implementing this agreement including without limitation: (i) all amounts payable by it pursuant to Part II of the Income Tax Act of Canada; (ii) all costs and expenses necessarily incurred by it in distributing its assets rateably among its shareholders and in winding up its affairs; and (iii) all amounts payable by it pursuant to The Security Transfer Tax Act of Ontario or any other similar statute of Ontario or of any other jurisdiction in connection with the sales contemplated by this agreement and the distribution of its assets rateably among its shareholders; and
- (c) it will do all acts and things necessary to distribute its assets (which will then consist only of shares of Falconbridge) rateably among its shareholders and surrender its charter.

It is estimated by Ventures that the aggregate of the costs and expenses payable by it pursuant to the provisions of sub-clause (b) above will not exceed \$3,000,000, of which approximately \$2,100,000 will be payable pursuant to Part II of the Income Tax Act of Canada. Notwithstanding anything to the contrary herein contained, (i) Ventures shall pay the aggregate of the said costs and expenses out of the cash sum of \$3,000,000 included in Excluded Assets; (ii) in the event the aggregate of the said costs and expenses is less than \$3,000,000, Ventures shall pay to Falconbridge in cash an amount equal to the amount obtained upon subtracting the aggregate of the said costs and expenses from \$3,000,000; and (iii) if Ventures is reasonably satisfied that the aggregate of the said costs and expenses will exceed \$3,000,000, then it at its option may give to Falconbridge and McIntyre at any time before the Closing Time written notice to such effect and upon the delivery of such notice this agreement shall be null and void.

16. Falconbridge and Ventures agree that after the Closing Time they will attempt to negotiate, execute and deliver appropriate novation agreements with respect to the Liabilities of Ventures. Without limiting the generality of the foregoing, Falconbridge agrees that after the Closing Time it will prepare appropriate option warrants and employees options and will issue the same against surrender to it and cancellation of the then outstanding Falconbridge Option Warrants, Ventures Option Warrants and Ventures Employees Options.

17. Each of the parties hereto agrees with each of the others to do all acts and things necessary or deemed advisable to carry out the intent and purposes of this agreement.



18. Time shall be of the essence hereof.

19. Any notice which may be given hereunder shall be deemed to have been given or delivered for the purposes hereof upon being handed personally to a senior officer of the recipient, or if no such senior officer is readily available in Toronto, Ontario, upon being mailed by prepaid registered mail addressed to the recipient. A senior officer shall be the Chairman of the Board, the President, a Vice-President, the Secretary, or the Treasurer.

IN WITNESS WHEREOF the parties hereto have executed these presents.

SIGNED, SEALED AND DELIVERED

FALCONBRIDGE NICKEL MINES LIMITED

By: (signed) H. J. FRASER  
President

C. S.

By: (signed) REG. CAMPBELL  
Secretary

VENTURES LIMITED

By: (signed) D. G. C. MENZEL  
Vice-President

C. S.

By: (signed) G. T. N. WOODROOFFE  
Secretary

McINTYRE PORCUPINE MINES LIMITED

By: (signed) J. D. BARRINGTON  
President

C. S.

By: (signed) F. T. McKINNEY  
Secretary

NOTE:

A copy of the audited pro forma balance sheet of Ventures as at the close of business on July 31, 1961 attached to the executed copies of this agreement as Schedule "A" appears on pages 14 and 15 of this booklet and a copy of the list of the significant assets of Ventures appended to said Schedule "A" appears on pages 22 and 23 of this booklet.











