

672590

HIGHLAND-BELL LIMITED

1
9
6
2

Annual Report

HIGHLAND - BELL LIMITED

(Incorporated under the Laws of the Province of British Columbia)

Authorized Capital: 2,000,000 Shares of a Par Value of \$1.00 each.

<i>directors</i>	KARL J. SPRINGER - - - - -	Toronto, Ont.
	R. A. C. DOUGLAS - - - - -	Vancouver, B.C.
	J. H. C. McCLELLAND - - - - -	Toronto, Ont.
	A. BASHAM - - - - -	Vancouver, B.C.
	M. M. O'BRIEN - - - - -	Vancouver, B.C.
	W. A. McELMOYLE - - - - -	Victoria, B.C.
	RALPH RURVIS - - - - -	Seattle, Wash.
<i>officers</i>	KARL J. SPRINGER - - - - -	President
	J. H. C. McCLELLAND - - - - -	Vice-President
	J. D. MUNROE - - - - -	Secretary-Treasurer
<i>other executives</i>	J. J. CROWHURST - - - - -	General Manager
	O. S. PERRY - - - - -	Mine Manager
<i>auditors</i>	PEAT, MARWICK, MITCHELL & CO.	Vancouver, B.C.
<i>solicitors</i>	DOUGLAS, SYMES & BRISSENDEN	Vancouver, B.C.
<i>transfer agents</i>	THE CANADA TRUST COMPANY	Vancouver, B.C. and Toronto, Ont.

Executive Office:

502 - 1200 West Pender Street

Vancouver 1, B.C.

REPORT OF THE DIRECTORS

To the Shareholders:

Your Directors submit herewith their Annual Report for the year ended December 31, 1962 including the Consolidated Financial Statements, Auditors' Report, and the Mine Manager's Report.

REVENUE AND EARNINGS:

Production of silver was 833,153 ozs. or 47,739 ozs. less than 1961, but our gross revenue from sales of concentrates was \$1,040,712 compared to \$896,336 in 1961.

Earnings after taxes, but before depreciation and write-offs, were \$456,133 equivalent to 28.3c per share.

INVESTMENTS:

Market value of investments includes 330,000 shares of Mattagami Lake Mines and \$750,000 principal amount of Mattagami Lake 6% Cumulative Secured Income Debentures Series "A" (income from which is not taxable in the hands of a corporation), also 272,465 shares of Canada Tungsten Mining Corporation Ltd.

It is expected that Mattagami Lake Mines Ltd. will come into production in the latter half of 1963 with a 3000 tons per day concentrator, and that the Zinc plant at Valleyfield, Quebec, in which they own 62½% interest, will enter production at the same time.

Canada Tungsten's 300 tons per day mill started to make tungsten concentrates in December. These are being shipped to various potential customers in North America and Europe for them to try out its products. Because of the Chinese dumping, the price of tungsten concentrates has been the lowest in over 35 years. The price has improved a little recently and should continue to increase, otherwise all tungsten mines of the Free World will be closed and consumers will be squeezed by rising prices. Canada Tungsten's concentrates are of such a good grade that they will find a ready market and premium prices.

OUTSIDE EXPLORATION:

An extensive exploration programme was carried out in partnership with others, as follows, with our percentage interest shown:

Trough Syndicate (13-1/3%)

Prospected in Trough area in Ungava, Quebec, without significant results.

Kaniapiskau Syndicate (33-1/3%)

Prospected in Trough area, Ungava, Quebec, with no finds of importance.

Ungava Prospecting Syndicate (33-1/3%)

No discoveries were made on this Syndicate's ground.

Dualco Explorations Ltd. (15%)

This Syndicate found nothing of significance. The tungsten and silver-lead-zinc showings carried over from 1961 did not prove economic. An option was taken on some claims in the Mayo District, Y.T. by the Syndicate and will be examined this spring.

Wawagosic Syndicate (26-2/3%)

No further work was done on the claims of the Syndicate in Quebec where some copper mineralization has been located. More work is warranted.

Bell River Syndicate (20%)

Drilling on this property has shown some low grade copper mineralization and more work is indicated.

A prospecting programme in equal partnership with Leitch Gold Mines Ltd. was carried out under the direction of Dr. W. R. Bacon, Exploration Manager for your Company. This was mainly confined to British Columbia, on Vancouver Island and the Queen Charlotte Islands. Several mineral occurrences were found, the most important being an iron deposit on Burnaby Island near Jedway at the south end of the Queen Charlottes. This is being diamond drilled now with some encouraging results.

Other minor interests were taken in prospectors' grubstakes and a number of mining properties were examined without significant results.

DIVIDENDS:

Shareholders will observe that the Notice of the Annual General Meeting which accompanies this Annual Report includes, as well as a notice of the ordinary business of an annual meeting, notice of certain special resolutions to be considered at the meeting.

The resolution, if adopted, will permit the Company to declare stock dividends from time to time in the form of \$1.00 par value redeemable preferred shares which, it is anticipated, would normally be redeemed at par shortly after issue.

Your Directors have been advised that such stock dividends and the proceeds of redemption thereof will not be subject to tax in the hands of Canadian shareholders. Accordingly, your Directors recommend the adoption of the resolutions.

It is a pleasure at this time to express our appreciation to your General Manager, Mr. J. J. Crowhurst; to your Mine Manager, Mr. O. S. Perry; and also to your Exploration Manager, Dr. W. R. Bacon, and to their staffs for their fine cooperation and efficient work on behalf of your Company during the past year.

On behalf of the Board,

K. J. SPRINGER,
President.

Vancouver, B.C.

March 4, 1963.

MINE MANAGER'S REPORT

The President and Directors
 Highland-Bell Limited
 502-1200 West Pender St.
 VANCOUVER, B.C.

Dear Sirs,

The annual report on the operations of the Mastodon-Highland Bell Mine at Beaverdell covering the year 1962 is herewith submitted.

MINE:

No difficulties in the way of new faulting in the mine were encountered during the year. Exploration and development of the ore zone was carried on in the routine manner, resulting in the boundaries of the ore zone being extended westward on the bottom 2850 level and eastward from the 3000 level. The location of additional ore by diamond drilling in these areas is significant at this time, and is such that the general ore picture as of January 1962 has been maintained. Good grade ore is being mined from 2850 level but no results have been obtained in searching for the continuation below this elevation. The search is progressing along the eastern contact where the ore is terminated by the overlying Wallace sediments and tuffs.

The overall grade mined is somewhat lower and is due in part to mining a greater percentage of what was previously marginal ore, and to the dilution in cleaning up remnants in some of the larger stopes.

The diamond drill programme carried out from the abandoned Sally workings was completed without locating any ore intersections. With the increase in the price of silver however, an extensive search for faulted blocks of lower grade, possibly overlooked by previous operations, is planned for the coming season.

MILL:

In order to mine what was previously considered marginal ore to better advantage, a picking system to eliminate waste is being installed. A minimum of 10% of the tonnage sent to the mill is discarded in this manner. At the same time, trial runs have resulted in a considerable decrease in ball mill grinding time, with the result that daily mill tonnage has been increased from 70 to 82 tons without changing existing equipment.

PLANT AND EQUIPMENT:

Mill equipment and mine machinery have been maintained in good condition. In order to meet increased electric power requirements an 150 H.P. diesel generating unit has been added to the power plant.

EXPLORATION AND DEVELOPMENT:

	SALLY	2850 L	2900 L	3000 L	TOTAL
Drifting			473	463	936
X-Cutting		129		75	204
Raising		88		135	223
Diamond Drilling	304		4542	3396	8242

COSTS:

	1960	1961	1962
Drifting and X-Cutting per ft.	33.69	24.94	25.46
Raising	28.03	18.86	32.85
Stoping - per ton broken	9.17	7.90	7.70
Milling - per ton milled	6.07	5.72	5.55

	1960	1961	1962
MILL OPERATION:			
Ore milled (dry tons)	18,204	18,954	19,480
Concentrates shipped (produced):			
Jig	231	248	299
Lead	1,903	1,618	1,886
Zinc	872	820	792
	<u>3,006</u>	<u>2,686</u>	<u>2,977</u>

REVENUE:

Silver	745,775.08	785,401.84	917,262.74
Lead	59,270.17	47,547.75	54,150.86
Zinc	54,722.55	40,806.70	44,030.96
Gold	17,527.57	18,891.57	19,829.52
Cadmium	3,324.39	3,688.44	5,437.92
Gross Revenue	<u>880,619.76</u>	<u>896,336.30</u>	<u>1,040,712.00</u>
Less: Freight and Treatment	89,635.46	79,596.86	88,494.06
Net Revenue	<u>790,984.30</u>	<u>816,739.44</u>	<u>952,217.94</u>

PRODUCTION COMPARISON STATISTICS:

Year	Tons Milled (dry)	Ag ozs. per ton	Ag ozs. prod.	Aver. Net Price in Cents paid by Smelter		
				Silver	Lead	Zinc
1951	13,827.77	54.76	718,206.99	88.50	14.79	11.29
1952	8,810.71	47.24	387,378.07	77.20	13.01	9.08
1953	14,764.84	49.34	688,344.36	78.50	8.76	4.15
1954	12,784.81	44.68	571,295.01	75.80	9.31	4.52
1955	13,288.84	39.81	526,681.66	81.20	10.45	5.69
1956	14,322.13	44.86	642,474.01	81.38	11.11	6.28
1957	15,779.21	45.41	716,546.10	80.93	9.42	3.62
1958	18,729.36	48.09	900,668.80	79.88	7.38	3.31
1959	18,029.00	49.03	883,446.40	81.08	6.58	4.06
1960	18,204.33	51.70	903,613.78	82.53	6.92	4.62
1961	18,953.90	46.48	880,891.66	89.16	6.36	4.24
1962	19,479.85	42.77	833,152.69	110.10	5.96	3.98
	<u>186,974.75</u>	<u>47.07*</u>	<u>8,652,699.53</u>			

*—based on smelter returns.

GENERAL:

The significant increase in the price of silver, combined with the rate of exchange in U.S. funds during the latter half of the year, has enhanced the operating profit over the previous year by \$116,201.00. An important factor resulting from this increase is the many thousands of tons of lower grade which can now be mined at a profit, thereby contributing to the life of the operation.

Mine and mill operating costs have again been reduced. Total operating cost has increased slightly due to increased freight and treatment charges imposed by the smelter.

A new labour contract has been signed ensuring stable labour conditions through August 1964.

The writer wishes to thank the President, Directors and Officers of the Company for their assistance and the loyal staff with whom it is a pleasure to be associated.

Beaverdell, B.C.
February 28th, 1963.

Respectfully submitted,
O. S. Perry, Manager.

**HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY
MASTODON-HIGHLAND BELL MINES LTD.**

Consolidated Balance Sheet

December 31, 1962

(With comparative figures for 1961)

<u>ASSETS</u>		<u>1962</u>	<u>1961</u>	<u>LIABILITIES</u>		<u>1962</u>	<u>1961</u>
Current assets:				Current liabilities:			
Cash	\$	52,099	346,806	Bank demand loan, secured	\$	100,000	—
Marketable securities and short-term investments, at cost (market value \$3,921,280; 1961 \$3,544,760)		1,033,583	350,827	Accounts payable		28,620	33,026
Accounts receivable:				Accrued liabilities		4,224	3,928
Smelter settlement	\$	148,791		Income taxes payable		801	(362)
Other		14,669	154,175	Total current liabilities		133,645	36,592
Inventory of supplies, at cost		38,115	39,398	Minority interest (Note 3)		1	1
Prepaid expenses		3,116	4,576	Capital and surplus:			
Total current assets		1,290,373	895,782	Capital (Note 4):			
Buildings, machinery and equipment (Note 1):				Common shares of \$1 par value per share.			
Producing mine, at cost	771,586			Authorized 2,000,000 shares; issued and fully paid 1,612,955 shares (1961 1,607,949):			
Less accumulated depreciation	575,197			For cash (including 5,000 shares issued during the year)	\$	30,005	
Total	196,389			For consideration other than cash (in- cluding 6 shares issued during the year)		1,582,950	
Other mine at nominal value less proceeds of disposal	62,812	259,201	281,965	Total		1,612,955	
Mineral claims and properties:				Surplus, per accompanying statement		1,924,019	3,536,974
Producing mine, at cost	1,723,699					3,536,974	3,453,450
Other, at nominal value	1	1,723,700	1,718,700				
Leasehold improvements, at cost less amounts written off		5,506	6,607				
Deferred charges:							
Preliminary development and preproduction ex- penses, at cost less amounts written off (Note 2)	388,280						
Incorporation and organization expenses	3,560	391,840	586,989				
Total		391,840	586,989				
Total		3,670,620	3,490,043			\$ 3,670,620	3,490,043

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board:

K. J. SPRINGER, Director

M. M. O'BRIEN, Director

HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY
MASTODON-HIGHLAND BELL MINES LTD.

Consolidated Statement of Profit and Loss

Year ended December 31, 1962

(With comparative figures for 1961)

	<u>1962</u>	<u>1961</u>
Concentrate sales	\$ 1,040,712	\$ 896,336
Mining and milling expenses:		
Ore handling and marketing	101,290	91,495
Stoping	166,469	150,830
Exploration and development	50,579	47,218
Mill operating	108,120	108,740
	<u>426,458</u>	<u>398,283</u>
Operating profit	<u>614,254</u>	<u>498,053</u>
Head office and administrative expenses (including directors' fees of \$2,100)	82,106	79,193
Outside exploration	97,354	91,565
	<u>179,460</u>	<u>170,758</u>
	<u>434,794</u>	<u>327,295</u>
Other income:		
Dividends	14,940	6,450
Interest	15,494	10,676
Gain (loss) on sale and write-down of investments	(8,843)	6,656
Miscellaneous	2,042	5,829
	<u>23,633</u>	<u>29,611</u>
Profit before depreciation and amortization and taxes on income..	<u>458,427</u>	<u>356,906</u>
Depreciation (Note 1)	22,922	24,097
Amortization of preliminary development and preproduction expenses (Note 2)	194,140	194,476
	<u>217,062</u>	<u>218,573</u>
Profit before taxes on income	241,365	138,333
Taxes on income (recoverable)	2,294	(49)
Consolidated net profit for the year (Note 5)	<u>\$ 239,071</u>	<u>\$ 138,382</u>

See accompanying notes to consolidated financial statements.

HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY
MASTODON-HIGHLAND BELL MINES LTD.

Consolidated Statement of Surplus

Year ended December 31, 1962

(With comparative figures for 1961)

	<u>1962</u>	<u>1961</u>
Earned:		
Balance at beginning of year	\$ 763,898	\$ 998,912
Add consolidated net profit for the year	<u>239,071</u>	<u>138,382</u>
	1,002,969	1,137,294
Deduct:		
Dividend paid	161,295	160,750
Write down of buildings, machinery and equipment at non-producing mine to nominal value		<u>212,646</u>
		<u>373,396</u>
	<u>841,674</u>	<u>763,898</u>
Contributed surplus arising from premiums on shares issued:		
Balance at beginning of year	3,000	900
Premiums on shares issued for cash during the year	<u>750</u>	<u>2,100</u>
	<u>3,750</u>	<u>3,000</u>
Excess of book value of shares of subsidiary company over purchase price at dates of acquisition	<u>1,078,595</u>	<u>1,078,603</u>
Total consolidated surplus at end of year	<u>\$ 1,924,019</u>	<u>\$ 1,845,501</u>

See accompanying notes to consolidated financial statements.

HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY

MASTODON-HIGHLAND BELL MINES LTD.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Highland-Bell Limited and subsidiary company, Mastodon-Highland Bell Mines Ltd. as of December 31, 1962 and the consolidated statements of profit and loss and surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and consolidated statements of profit and loss and surplus are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies at December 31, 1962 and the results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT, MARWICK, MITCHELL & CO.,

Chartered Accountants.

Vancouver, B.C.

February 26, 1963.

HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY

MASTODON-HIGHLAND BELL MINES LTD.

Notes to Consolidated Financial Statements

December 31, 1962

1. Depreciation is being recorded in the accounts at 10% on the reducing balance of the buildings, machinery and equipment at the producing mine and nothing on the assets at the non-producing mine (these assets having been written down to a nominal value).
2. The subsidiary company is continuing the policy adopted in 1961 of amortizing preliminary development and preproduction expenses of its non-producing mine on a straight-line basis over four years.
3. The parent company owned 99.998% of the issued share capital of the subsidiary company at December 31, 1962. The interest of minority shareholders in the subsidiary company has been set up at a nominal value of \$1.
4. An option has been granted to an officer of the parent company to purchase 5,000 shares at \$1.15 per share on or before January 31, 1963. This option has since been exercised.
5. No taxes on income are payable for the year by the subsidiary company because it intends to claim depreciation, development, preproduction and exploration expenses in excess of that recorded in the accounts.

**HIGHLAND-BELL LIMITED AND SUBSIDIARY COMPANY
MASTODON-HIGHLAND BELL MINES LTD.**

Consolidated Statement of Working Capital

	December 31		Working Capital	
	<u>1962</u>	<u>1961</u>	<u>Increase</u>	<u>Decrease</u>
Current assets:				
Cash	\$ 52,099	346,806		294,707
Marketable securities	1,033,583	350,827	682,756	
Accounts receivable	163,460	154,175	9,285	
Inventory of supplies	38,115	39,398		1,283
Prepaid expenses	3,116	4,576		1,460
	<u>1,290,373</u>	<u>895,782</u>		
Current liabilities:				
Bank loan	100,000	—		100,000
Accounts payable	28,620	33,026	4,406	
Accrued expenses	4,224	3,928		296
Income taxes payable	801	(362)		1,163
	<u>133,645</u>	<u>36,592</u>		
Working capital	<u>\$ 1,156,728</u>	<u>859,190</u>		
Increase in working capital				<u>297,538</u>
			<u>\$ 696,447</u>	<u>\$ 696,447</u>

Consolidated Statement of Source and Application of Funds

Year ended December 31, 1962

Source of funds:			
Operations:			
Consolidated net profit for the year		\$ 239,071	
Add items not representing an outlay of funds:			
Depreciation	\$ 22,922		
Preliminary development and preproduction expense	194,140	217,062	
		<u>456,133</u>	
Sale of buildings, machinery and equipment		17,203	
Shares issued pursuant to option agreement		5,750	
Preproduction expenses recovered		1,008	
		<u>480,094</u>	
Application of funds:			
Purchase of buildings, machinery and equipment	16,261		
Purchase of mineral claim	5,000		
Dividend paid	161,295	182,556	
		<u>182,556</u>	
Increase in working capital			<u>\$ 297,538</u>