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Hollinger Production \$14,877,897.85 in 1937

Annual Report Issued This Week Shows Another Satisfactory Year. Profits \$1.05 Per Share. Group Insurance, Employees' Savings Plan, and Employees' Medical Service Working Well

The annual report of the Hollinger shares; 1640 shareholders residing in the United States hold 529,973 shares; 126 shareholders residing in the United Kingdom hold 37,241 shares, and 258 shareholders residing elsewhere hold 2,975 shares.

President's Report
In the directors' report to shareholders, Jules R. Timmins, president, says:

"Your Directors have pleasure in presenting the Twenty-Seventh Annual Report covering operations of your Company for the year 1937, with Statement of Assets and Liabilities and Profit and Loss Account, duly certified by the Auditors, together with the Report of the General Manager.

"The value of Gold and Silver produced was \$14,877,897.85 and Interest on Investments and other income amounted to \$198,915.88, making a total income of \$15,076,813.73, which was applied as follows: General Mining and Milling Charges \$8,315,151.28, and Dominion, Provincial and Municipal Taxes \$1,000,469.28, leaving net profit from operations before depreciation of \$5,761,193.17 compared with \$5,634,914.29 a year ago, an increase of \$126,278.86. Total Expenditures during the year are practically the same as last year, with the exception of the item for Silicosis which shows an increase of \$146,750.86. Details of the amounts paid for taxes, Workmen's Compensation, Silicosis, and the cost of marketing Bullion, etc., etc., will be found in the Profit and Loss Statement.

"Depreciation amounted to \$573,712.01 (an increase of \$38,436.16 over last year) divided as follows:—Plant \$165,425.81 (last year \$52,874.44); Investments in other Companies and properties written down \$6,582.07 (last year \$6,682.07), and Expenditures on properties abandoned comprise the accumulation of several years which are now written off as the properties involved were definitely given up during the course of the year.

"It will be noted that while the net profits from operations before depreciation show an increase of \$126,278.88 over a year ago the net profits carried to surplus account were \$261,157.28 less than last year, the comparable figures being \$5,187,481.16 this year as against \$5,449,638.44 last year. This decrease is entirely due to the larger amount deducted this year for depreciation as above pointed out.

"Special attention should be drawn to the amounts expended for Pay Roll, viz: \$6,268,966.89 and for miscellaneous and material and supplies \$3,177,819.44, practically all produced and purchased in Canada. The amount charged for Taxes against 1937 operations, viz: \$1,000,469.28, represents 58.02 cents per ton milled.

"At the close of the year 1937 the net asset value of your subsidiary International Bond and Share Corporation was \$4,070,327.46 compared with \$7,411,427.43 as of 31st December, 1936, a decrease of \$3,341,099.97 or 45.08 per cent. for the year. As in the past the portfolio of your subsidiary consists of readily-marketable securities. The holdings of your subsidiary based on market value are classified as follows: Cash, 12.60 per cent.; Bonds, 3.90 p.c.; Preferred Stocks, 9.00 p.c.; Common Stocks, 74.50 p.c.

"The securities in other Companies and the Bonds held by your Company appear in the Balance Sheet at cost, which is considerably less than their market value.

"The Group Insurance and Employees' Saving Plan inaugurated during 1934 is giving general satisfaction. Under the Group Policy \$109,800.00 in death claims was paid to 31st December, 1937. On the same date the Employees' Savings amounted to \$386,535.00.

"Our shareholders of record number 11,345 as compared with 10,500 at the end of last year. In previous reports we have pointed out that your Company was predominantly Canadian. This condition still obtains, the outstanding 4,920,000 shares being distributed as follows: 9321 shareholders residing in Canada, hold 4,322,808

the 1100-foot level the shaft will be sunk in the regular manner to the 1850-foot level where we will again encounter a raised portion above the 2000-foot level. A small amount of stepping has been commenced below the 1750-foot level.

"Young-Davidson Mine: The operations have been satisfactory during the year.

"337,556 tons were milled, being an average of 930 tons per day, with a recovery of \$3.34, based on \$35 gold. We have applied \$318,615.26 realized from operations on account of our advances.

"During the year 66,200 tons came from underground operations.

"There are approximately 46,000 tons of broken ore in stopes above the 260-foot level.

"Ross Mine, Hislop Township: There have been no new ore discoveries during the year, but there are some interesting diamond drill intersections toward which development drifts are now being driven.

"As mentioned in a previous report, there are two ore zones known as the Easterly, from which all production up to the present time has been obtained, and the Westerly, which is lower in grade and with quite different ore characteristics. It would now seem that a portion of this western ore can be profitably mined and, with this in view, the mill is being enlarged and the necessary alterations being made to treat this extra tonnage. A small amount of copper gold concentrate will be removed and shipped to the smelter at Noranda.

"33,336 tons of ore, yielding \$11.22 per ton, based on \$35 gold, were milled during the year, the total profit being \$162,896.80.

"Lang and Horwood Properties: The options on these properties were abandoned during the year.

"General—The employees, under the name of the Hollinger Employees' Medical Services Association, developed a medical plan whereby each employee and his family, by contributing \$2.65 each four weeks, receives all necessary medical and surgical attention, hospitalization and nursing, with the right to select their own doctors from among practically all members of the medical profession in the Porcupine camp. We believe that this plan will result in much benefit to all employees. There was, as might be expected, a great deal of service required, which had been deferred on account of the cost, so that the original sum contributed was insufficient to cover the needs. To tide over this period your director made a temporary grant of \$1.00 per employee to be added to the \$2.65, and with this aid we are pleased to say that the plan is developing in a most satisfactory manner.

"Non-occupational sickness and accident insurance was also put in force, covering each employee to the amount of \$15 per week for a period of thirteen weeks.

"It is with pleasure that I record my appreciation of the efficient and loyal services rendered by the entire organization, and my thanks to the directors for their co-operation."

Employees

The report shows the average number of men employed during the year has been 2904, distributed as follows: Miners 1921; mechanics 350; general 633. There were also another 64 at the Ross Mine.

MHI

Tons of ore milled, 1,719,199. Average value per ton, \$8.99. Gross value, \$15,457,746.61. Less in tailings, \$579,848.76. Net value, \$14,877,897.85.

Ore Reserves

Our Ore Reserves on the 31st December, 1937, consisted of 7,260,091 tons, of a total value of \$49,779,926.00, having an average value of .3319 ounces or \$6.86 per ton.

These figures compare with 7,257,257 tons of a total value of \$51,027,123, having an average value of .3401 ounces or \$7.03 per ton at the end of 1936.

In the calculations dealing with Ore Reserves, the price of gold at \$20.07 per ounce has been taken as the basis of value, and the same minimum ore grade, namely \$4.00, as used in former years continued.

General Manager's Remarks

John Knox, general manager, in addition to a full report on mine and mill, makes the following remarks:—

"The Hollinger Mill: The new ore bin and grinding plant mentioned in the last annual report have been completed and are now operating satisfactorily. The new bin has a capacity of 11,000 tons of ore, which gives us sufficient storage above daily requirements to make week-end operation much more efficient than formerly.

"While the grinding unit has been in regular operation only a short time, the results to date indicate that the anticipated benefits will be realized.

"The Hollinger Mine: During the year 38.3 per cent. of the ore milled came from above the 800-foot level. While the previous annual report indicated the probability that all the major ore had been discovered above the 800-foot level, the recovery of sills from the upper workings shows a higher percentage of ore extracted from this zone than in the former reports.

"As referred to in the last report, development work has been undertaken below the 3950-foot level during the year, and the main drives and crosscuts are reaching the position of the ore zones. Results to date have been up to our expectations, but this work has not progressed sufficiently to make any statements as to ore reserves. Consequently, nothing from this area has been taken into our estimates.

"There is a slight increase in tonnage of ore in reserve over the previous year with a decrease in value of approximately \$1,247,000. This is accounted for by the fact that the ore developed in the upper levels is of a lower grade than our former average.

"The grade of ore milled during the year was \$3.99, as compared with \$8.60 during 1936, based on \$35.00 gold. This increase in grade milled is solely attributable to cleaner mining, resulting in less waste being mixed with the ore.

"Work on the new shaft mentioned in the last annual report was commenced early in the year, the shaft now being completed to the 1100-foot level. This section has been completed by raising from existing drifts. Below

Government Costs Affected Profits

Last Year Would Have Been Better Business Year Otherwise

(From the *Globe and Mail*)

Most important reports from Canadian companies on 1937 operations so far received to date indicate much greater business to have been experienced in 1937 than in the preceding year. In some cases, however, the sharp reduction in commodity prices prevented profits, showing a like percentage increase. A striking instance was given yesterday at the annual meeting of Goodyear Tire & Rubber Co. when an increase in sales volume was reported and a decrease in profits. The market price of No. 1 ribbed smoke sheets in 1937 fluctuated between a high of 27 cents per pound and a low of 14 cents, while 1 1/16-inch middling cotton fluctuated from a high of 17½ cents per pound to a low of 9.69 cents. These are the two most important raw materials of a tire and rubber company, and inventory losses with many companies must have been great. It is apparent that in varying degrees many manufacturing companies had the same experience.

Financial companies and all those doing business under varying laws from coast to coast in Canada report another disability in the expenses made necessary to live up to requirements of the different jurisdictions. That point was stressed by R. P. Jellett, General Manager of Royal Trust Co., at the annual meeting yesterday in Montreal. Gross revenues of the company were the highest in its history, but trust companies are having their expenses increased in almost every direction by the strict requirements of governments. Under a Federal system when Dominion and nine provinces all require statements on a different basis, there is a steadily increasing cost for accounting and returns required in connection with income tax, and succession

duties. More people had to be employed. On the other hand the moratoria still kept in effect throughout the country by various governments made it difficult for insurance, trust and loan companies to place new money in mortgage loans.

Arthur B. Wood, president of Sun Life Assurance of Canada, probably had something of this in mind as well, when he said that investment of the funds of an insurance company has now become one of the most important problems of management. The continuance of low interest rates, the limited amount of new capital issues due to hesitancy on the part of industry, and the small demand for mortgage loans have made it difficult to find an outlet for constantly increasing funds, at satisfactory interest rates. Naturally a great deal more has been placed in high-grade bonds than might otherwise be the case.

Nevertheless, some feeling that cooperation between Government and business is much closer and effective in Canada than in many other countries, is being expressed at these meetings. The great improvement in the federal finances, in Ontario finances and in the financial position of some other provinces, is one of the principal ways in which governments can help business, and that sound expansion which alone increases steady employment. All of them are watching the various sessions of the Rowell Commission with the greatest interest in the hope that it will lead to methods of tax collection and supervision which will be much less onerous and costly without losing essential efficiency.

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The recent action is retroactive to Jan. 1 of this year and contemplates deposit in the accounts of the Federal Reserve System of all gold purchased from domestic producers, or which flows to the United States up to a maximum of \$100 million during each three-month period of the nation's fiscal year. Any metal in excess of that sum is to be sterilized. Of the stated amount, \$30 million is ready for transfer, leaving up to \$70 million to be turned into the same channel during the three-month period, if and when acquired. These deposits will obviously increase bank reserves, make for easy money conditions and relieve the Treasury from public borrowing, which is probably the controlling factor in the decision. There must be an end to that kind of financing, and as the national indebtedness mounts to colossal figures easy flotation of new loans becomes impossible.

On the basis of \$10 worth of credit for each dollar placed in the banks, the sum should at least help to arrest the industrial stagnation which has long since assumed the proportions of a major depression. The national debt has now reached an astronomical \$37.2 billion, and it is very evident that something must be done to offset the widespread fear that the country is headed for disaster if extravagance is not curbed. There is, however, little chance of nearby decreased expenditures in view of the latest call for another \$250 million for relief and an army of eleven million still unemployed.

Conditions here are becoming well understood in the United States, and within the past few weeks there have been more visitors in Canada, looking things over, than at any time in the past. That applies particularly to gold-mining investments, and we firmly of the opinion that the influx of capital from that source will mount to proportions never before known within this year and the years to follow.

Bowmanville Statesman:—You can't get the best of some men—they haven't any.

It is not pleasant for Canadians to contemplate the utter chaos now apparent across the international line. It must have some repercussions on this side, but just the same Canada has demonstrated to the world that a country can prosper faster by keeping its feet on the ground and holding fast to old ideals of thrift and common sense than by going hog-wild with the money of taxpayers.

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