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Relief-Arlington Mines, Limited

(NON-PERSONAL LIABILITY)

626 PENDER STREET WEST

VANCOUVER, BRITISH COLUMBIA

Annual Report

For

Year ending December 31st, 1938

Directors

BERT F. SMITH, Premier, B. C.

F. J. ROWLANDS,
Vancouver, B. C.

K. G. NAIRN,
Vancouver, B. C.

D. N. HOSSIE, K.C.
Vancouver, B. C.

T. K. GRAY,
Vancouver, B. C.

General Officers

BERT F. SMITH
President and Managing Director........................Premier, B. C.

D. N. HOSSIE, K.C.
Vice-President ....Vancouver, B. C.

D. G. MARSHALL
Secretary............................626 Pender St. W., Vancouver, B. C.

S. M. MANNING
Superintendent ....Erie, B. C.

Transfer Agent

THE TORONTO GENERAL TRUSTS CORPORATION
Vancouver, B. C.

Auditors

HELLIWELL, MACLACHLAN & CO.
Vancouver, B. C.

Relief-Arlington Mines, Limited

(Non-Personal Liability)

Annual Report of the President and Managing Director for the Year 1938

Vancouver, B. C.,
March 2nd, 1939.

To the Shareholders:

In previous Annual Reports, it was stated that your Company's property consisted of two mines, the Second Relief, which is operated by your Company, and the Arlington, upon which the lease to R. O. Oscarson was extended, as of January 1st, 1937, for an additional period of three years.

The Arlington Mine was operated throughout the year, during which period there were mined and shipped 972 tons averaging 1.38 ounces gold, 3.09 ounces silver and 1.59 per cent. lead per ton, which compares with 264 tons averaging 1.31 ounces gold, 3.41 ounces silver and 2.30 per cent. lead per ton for last year. The augmented production is a result of the extensive development program carried out in 1937.

The outcome of the lease was a gain of $16,023.32 which, after deducting the loss of $4,765.11 for last year, leaves a profit under the new lease of $11,258.21. Distributions during 1938, under the new lease, amounted to $7,800.00, leaving an undistributed balance as of December 31st, 1938, of $3,458.21. Outstanding accrued profits from the old lease, amounting to $3,709.95, were also liquidated. Thus, there was distributed during the year, a total of $11,509.95, of which your Company received half, or $5,754.98.

At the Second Relief Mine, principal exploration and development consisted of the following:

On the 9th level, the crosscut from the shaft station to the main vein was completed and a drift was driven throughout the productive length of the ore zone. The main shaft was sunk to a point 29 feet below the 10th level, a vertical distance of 156 feet, and a station was cut at the 10th level horizon. From this station, a crosscut was driven to the main vein, upon which 81 feet of drifting has been done as of December 31st, 1938. The Rand vein was explored for a distance of 942 feet from a new adit, No. 2, driven from a point 430 feet northeasterly of, and 140 feet vertically below No. 1 adit driven last year. The Inez vein, indicated on the surface by earlier prospecting for a length of 500 feet, was traced northeastward for a further distance of 2,000 feet by a series of open cuts made this year. Underground, this vein was explored for a length of 590 feet by crosscutting and drifting from the Rand No. 2 adit.

Development in connection with the Second Relief vein amounted to 3,014 feet of drifting, crosscutting, raising and shaft sinking at a cost of $15.19 per foot, which compares with 2,733 feet at $19.24 per foot for last year. In addition 1,795 feet of exploration were done on the Rand and Inez veins, and 1,119 feet of diamond drill holes were driven. This diamond drilling to explore the No. 2 vein on the 9th level horizon of the Second Relief workings and to test the hanging and footwall areas of the Rand vein cut no mineralization of importance.

The vein on the 9th level was opened for 1,556 feet along the zone and disclosed in that distance, ore lenses aggregating 474 feet in length, which when calculated to a stoping width of 4 feet, averaged 0.40 ounces gold per ton. Dilution in the grade of the ore may be expected in mining, owing to irregularity of mineralization, bad walls and exploration of low grade sections. Comparative figures for the 8th level are: length, 671 feet; average grade, 0.45 ounces per ton.

The lesser aggregate extent of ore on the 9th level is largely accounted for by the fact that a section in the central part of the zone, about 664 feet long, was practically devoid of mineralization. On the 8th level, and more particularly on those levels above, this portion of the vein was productive.

On the 10th level, drifting on the main vein to the end of the year disclosed no mineralization of importance, although the section explored was productive on the level above. However, the northeast heading, since advanced to a point 245 feet from the main crosscut (as of January 29th, 1939), found, in the last 75 feet of drifting, three short ore lenses with about the same average grade as that of the ore on the 9th level.

The Rand vein development in No. 2 adit disclosed eight short ore lenses with an aggregate length of 137 feet which averaged 0.31 ounces per ton when calculated to a stoping width of 4 feet.

Comparative figures for the No. 1 adit are ten lenses with an aggregate length of 327 feet, average grade 0.26 ounces gold per ton. Thus, although slightly higher grade ore is indicated, the average length of the lenses and the proportion of ore found in drifting, are less. This vein, therefore, does not appear particularly attractive, although some further exploratory work may be done when opportunity permits.

The surface exposures on the Inez vein disclose a generally narrow, erratically mineralized, and possibly discontinuous structure which converges northeastward on the Rand vein. The northeasterly section of this structure shows the greatest strength, and here, in a strike length of 390 feet, ore lenses with an aggregate length of 232 feet were uncovered, which averaged 0.32 ounces gold per ton over a stoping width of 4 feet. A few short, low grade ore lenses and some good isolated assays are shown in the central and southwesterly sections, but no ore bodies of importance have, as yet, been found.

Underground, drifting on the Inez vein below the best part of the northeasterly section on the surface, cut, in a drift length of 216 feet, three ore lenses aggregating 180 feet in length, which averaged 0.38 ounces gold per ton when calculated to a stoping width of 4 feet. Several other ore lenses, indicated on the surface in this section, did not appear in the drift, but one small patch 9 feet long may, possibly, represent the downward continuation of one of them.

The occurrence underground of ore lenses of such strength is encouraging and further work, including winzing operations on the principal lens, is planned on this vein.

In addition to the aforementioned major development, a small amount of further work, consisting of some open cutting and reopening an old tunnel, was done on the Ida D vein. A series of old open cuts, presumably made in a search for the faulted extension of the main Second Relief vein beyond the major fault occurring at the southwesterly end of the main workings, were also cleaned out. Nothing of importance was found in any of this work.

In the Annual Report for last year, it was mentioned that the acquisition of the old crown-granted Cliff mineral claim, the position of which was re-established within the boundaries of your Company's holdings, would seem desirable if it could be purchased at a modest price. Nothing further was accomplished in this direction, and in light of the results of the Rand vein development, its prospective value is greatly reduced.

The mill treated, after discarding as waste, 34.74 per cent. of the tonnage received from the mine, 29,367 tons, averaging 0.44 ounces gold per ton, recovering therefrom, 12,344.42 ounces gold and 3,732.92 ounces silver, chiefly in the form of bullion. Comparative figures for last year are: Discarded as waste 29.14 per cent.; milled, 26,822 tons; grade, 0.52 ounces gold per ton; gold recovered, 13,170.59 ounces; silver recovered, 3,569.54 ounces. Total operating expenses were $11.49 per ton milled, and for 1937, $12.64. Thus, while there has been an unfortunate drop in the grade of the ore treated, even after an increased sorting ratio, the mill has treated a larger tonnage and there has been a satisfactory decrease in operating expenses.

Actual profits from the mining and milling operation were $96,956.05. Miscellaneous profits of $10,723.11 brought the total earnings to $107,679.16 before deduction of debenture interest, taxes, amortization of 6th level development expense, depreciation and depletion. There has been set up as depletion for the year 1938, an amount equivalent to the net profit before providing for depletion.

Debentures in the principal amount of $80,000.00 were retired during the year, leaving outstanding $50,000.00 as of December 31st, 1938.

Net additions to Capital Account during the year amounted to $9,011.19 and consisted of the purchase and installation of pumping equipment and power transmission cable underground, purchase of a new truck, and construction of a small school house for employees' children.

Broken ore reserves, as of December 31st, 1938, are estimated at 10,189 tons, assaying 0.27 ounces gold per ton. The main vein has now been fully developed on the 9th level, where it shows a shorter aggregate length of ore than on the levels above. The 10th level, only partially developed as yet, exhibits, in the work done since the end of the year, some small lenses of average grade ore, but in smaller proportion than in the relative section of the ore zone on the 9th level. It appears probable, therefore, that ore lenses will be found on the 10th level with about the same average width and grade as those disclosed in the 9th level drifting, but with lesser aggregate extent. Upon these assumptions, there is estimated as assured and probable broken and unbroken ore as at December 31st, 1938, 83,261 tons averaging 0.30 ounces gold per ton.

Some ore will doubtless be won from the Inez vein ore bodies, but too little is known as yet of their mode of occurrence to justify estimates of tonnage thereon.

The Balance Sheet as of December 31st, 1938, and Summary of Income and Profit and Loss Account are embodied in this report.

Respectfully submitted,

BERT F. SMITH,

President and Managing Director.

RELIEF-ARLINGTON MINES, LIMITED

(Non-Personal Liability)

Balance Sheet as at December 31, 1938

ASSETS

Mining Property, Buildings and Equipment:		
At Cost	$1,612,268.43	
Less: Reserves for Depletion and Depreciation	272,946.45	
		$1,339,321.98
Current Assets:		
Cash in Banks and on Hand	$ 41,385.98	
Outstanding Returns from Bullion Shipped	32.179.09	
Accounts Receivable	790.72	
Materials and Supplies	39,131.69	
		113,487.48
Deferred Charges:		
Unexpired Insurance	$ 539.87	
Development Expense	6,371.44	
		6,911.31
Deficit		16,021.97
		$1,475,742.74

LIABILITIES

Share Capital:		
Authorized and Issued, 3,000,000 shares of $1 each	$3,000,000.00	
Less: Discount on Shares	1,599,357.80	
		$1,400,642.20
6% Debentures (Secured), Due December, 31, 1939:		
Authorized	$ 250,000.00	
Issued	$ 230,000.00	
Less: Redeemed	180,000.00	
		50,000.00
Other Current Liabilities		
Accounts payable	$ 15,929.85	
Accrued Taxes	9,170.69	
		25,100.54
		$1,475,742.74

Signed on behalf of the Board of Directors:
THOS. K. GRAY,
KENNETH G. NAIRN, *Directors.*

AUDITORS' CERTIFICATE

We have made an examination of the Balance Sheet of Relief-Arlington Mines Limited (Non-Personal Liability) as at December 31, 1938, and have obtained all the information and explanations we have required. The reserve for depletion is not based on the ratio of ore extracted to estimated ore remaining, the portion provided representing transfers of operating profits before depletion. With the foregoing exception, we report that in our opinion the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at December 31, 1938, according to the best of our information and the explanations given to us and as shown by the books of the Company.

Vancouver, B. C.,
February 3, 1939.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants,
Auditors.

RELIEF-ARLINGTON MINES, LIMITED
(Non-Personal Liability)

Summary of Income and Profit and Loss Account
For the Year Ended December 31, 1938

Value of Ore Produced, Less Marketing Expenses		$429,293.42
Operating Expenses		332,337.37
		$ 96,956.05
Miscellaneous Earnings		10,723.11
Total Earnings before providing for the following		$107,679.16
Deduct:		
Interest on 6% Debentures	$ 5,310.40	
Provincial Government Mineral Tax	5,721.83	
Provision for Dominion Income Tax	5,900.00	
Amortization of Development Expense	2,119.42	
Provision for Depreciation	48,054.75	
Provision for Depletion	40,572.76	
		107,679.16
Net Profit for the year ended December 31, 1938		—0—