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ISLAND MOUNTAIN (093H 006)
PROSPERINE 093H 021
MYRTLE-SHAMROCK 093H 025
RICH (93H/3W)

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AND STATISTICS

Island Mountain Mines Company Limited

(NON-PERSONAL LIABILITY)



Thirteenth
Annual Report
for period ending
DECEMBER 31, 1946

Island Mountain Mines Company Limited

(NON-PERSONAL LIABILITY)

Incorporated under the Laws of the Province of British Columbia in 1933.

HEAD OFFICE:
WELLS, BRITISH COLUMBIA

REGISTERED OFFICE:
744 WEST HASTINGS STREET, VANCOUVER, B.C.

CAPITALIZATION

AUTHORIZED	-	-	-	1,100,000 shares of \$0.50 par value
OUTSTANDING	-	-	-	1,050,716 shares of \$0.50 par value

Officers, Directors, Transfer Agent and Registrar on March 1st, 1947

OFFICERS AND DIRECTORS

FORBES W. GUERNSEY, President and Director
FRED SEARLS, JR., Vice-President and Director
H. DEWITT SMITH, Vice-President and Director
HENRY E. DODGE, Secretary and Director
CARROLL SEARLS, Assistant Secretary and Director
GUS MRKVICKA, Treasurer
WALTER P. SCHMID, Assistant Treasurer
PHILIP KRAFT, Director
D. N. HOSSIE, Director
SHERWOOD LETT, Director
ROBERT H. STEWART, Director

J. A. PIKE, Manager
JOHN DRYBROUGH, Consulting Engineer

TRANSFER AGENT AND REGISTRAR
THE TORONTO GENERAL TRUSTS CORPORATION
TORONTO, ONTARIO AND VANCOUVER, B.C.

Directors' Report

Vancouver, B.C., February 26th, 1947.

To the Shareholders of the

ISLAND MOUNTAIN MINES COMPANY LIMITED (N.P.L.):

Your Directors present herewith the Thirteenth Annual Report of your Company, including the Report of the Manager, Mr. J. A. Pike, the Balance Sheet and Profit and Loss Statement and the Report of the Auditors for the year ending December 31st, 1946.

Operations were seriously curtailed, in 1946, firstly by the shortage of labour during the first part of the year, and secondly, by the closing down of the mine owing to a general strike of miners in British Columbia, which started on July 3rd and lasted over four months. A settlement was reached with the Miners Union on November 26th. The mine reopened at once, and milling started December 1st. The working force is gradually being built up and at the end of December the tonnage produced amounted to eighty tons per day.

The total operating costs of \$12.75 per ton in 1946 include \$2.16 per ton for shut-down expense. Operating costs of \$10.59 per ton before shut-down expense are the lowest since 1942. However, with the increase in wages and salaries recently granted, and increasing cost of supplies, it may be anticipated that costs will increase substantially from the figures achieved in 1946. Further, a substantial reduction in income has resulted from the reduction in selling price of gold from \$38.50 to \$35.00 per ounce, so that the net profit per ounce of gold produced will be adversely affected as compared with previous years.

The value of production for the period worked, seven months, amounted to \$353,319.24; additional income was \$5,315.91, making a total of \$358,635.15. Costs were \$265,202.42, leaving \$93,432.73 as Operating Profit. Charge for depreciation was \$10,001.96, and estimated mineral and Income Taxes \$26,200.13, making the net profit \$57,230.64 carried to the balance sheet.

Dividends declared and paid during the year were as follows:—

No. 20	5c per share	\$52,535.80
No. 21	2c per share	21,014.32
Total		\$73,550.12

Mr. John Drybrough, consulting mining engineer of Winnipeg, was appointed Consulting Engineer of this Company in August, 1946.

The Directors extend their appreciation and congratulations to Mr. Pike and his staff for the excellent work during the very trying year which has just passed.

Submitted on behalf of the Directors.

F. W. GUERNSEY,
President.

Manager's Report

Wells, B.C., January 14, 1947.

Mr. F. W. Guernsey, President,
Island Mountain Mines Company Limited (N.P.L.),
212 Pacific Building,
Vancouver, B.C.

Dear Sir:

Herewith is my report covering operations of the Company for the year ending December 31, 1946.

PROPERTY

The Crown-granted property of the Company was unchanged during the year. Seven claims of the Rich Group originally held by the Company and one other were reacquired, making a total acreage in the group of approximately 1098 acres.

MINE

Total development footage in 1946 and total to date are as follows:

	1946	To Date
Drifts and Crosscuts	1,172	71,323
Raises	66	10,074
Internal Shaft	0	1,530
TOTAL	1,238	82,927
Diamond Drilling	0	183,839

A good proportion of development drifting was done along the Baker Contact on the 3250 and 3750 Levels. One replacement ore body 40 feet long and averaging 1.91 oz. gold across 1.3 feet was discovered on the former level.

On the 3500 Level a fair sized replacement ore body was opened up that had been discovered the previous year by drilling, averaging 0.54 ozs. gold.

Much repair work still remains to be done, especially in the extremities of some of the levels that have not been used for several years. It is expected that much of this work will be done during the current year.

Mine output during the seven months of operation was 20,807 tons of ore averaging 0.464 ozs. This was made up of 14,901 tons of quartz ore assaying 0.366 ozs. and 5906 tons of replacement ore assaying 0.713 ozs.

ORE RESERVES

Ore reserves at December 31, 1946 are estimated as follows:

	Tons	Gold Assay
Quartz Veins	44,000	0.347
Replacement Ore	19,000	0.767
TOTAL RESERVES	63,000	0.473

With the exception of several small replacement ore bodies, all the ore developed was confined to extension of known ore bodies.

MILL

Tonnage milled was 20,807 during the seven months of operation. Milling rate was 98.14 tons per day during operation. Mill heads averaged 0.464 ozs. and tailings 0.0173 ozs. gold. Recovery was 96.28%, and running time was 56.05% of full time.

Consumption of essential supplies per ton was as follows: Grinding Balls, 2.212 lbs.; Lime, 1.991 lbs.; Cyanide, 0.904 lbs.; and Zinc Dust, 0.111 lbs.

PRODUCTION

Total production was 9299.41 fine ounces of gold and 1239.11 fine ounces of silver, from which was realized \$353,319.24. Recovery was 0.447 ozs. gold and 0.06 ozs. silver per ton milled, or a realization of \$16.98 per ton.

Discontinuance of the premium on American Exchange is reflected in the reduced return per ton of ore, even though ounces recovered per ton were slightly higher than the average of the past five years.

PRODUCTION COSTS

Average operating costs for the years were as follows:

	Amount	Per Ton
Mining	\$127,972.96	\$ 6.15
Development	25,400.23	1.22
Milling, Refining, Marketing	62,796.68	3.02
Miscellaneous	4,120.04	0.20
Shut-down Expense	44,912.51	2.16
	<u>\$265,202.42</u>	<u>\$12.75</u>

Costs are, of course, out of line because of the strike. One favourable feature is the marked reduction of stoping and milling costs over those of 1945 because of the increased milling rate and more efficient mining.

CAPITAL EXPENDITURES

Capital expenditures consisted of repairs to houses purchased and part erection of two houses to the amount of \$5,862.67. An addition was built to the Mine Dry costing \$2,755.80.

GENERAL

This property, together with all other gold mines of the Province, was strike-bound from July 3rd to November 26th, a total of 147 days. The strike was finally settled on a basis of an increase of 10½ cents per hour for all employees, payment of time and one-half for work performed in excess of 44 hours in one week, payment of a shift differential and recognition of assignments for deduction of Union dues from payroll cheques.

The number of men on the payroll averaged 60 over the year. For the first six months the average was 87. At year end the total was 92 and this was being added to as men could be usefully employed.

Because of lack of materials and labor, it was not possible to complete a building program for employees' houses, but it is expected to do so this coming season.

The support accorded me by the Directors and Staff members is hereby gratefully acknowledged.

Respectfully submitted,

J. A. PIKE,
Manager.

Island Mountain Mines Company Limited

(NON-PERSONAL LIABILITY)

VANCOUVER, B.C.

BALANCE SHEET AS AT DECEMBER 31, 1946

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 95,564.70
Dominion of Canada bonds, \$100,000.00 at cost plus accrued interest	105,750.00
Accounts receivable	6,064.91
Bullion in transit at approximate realizable values	36,453.55
Materials and supplies on hand at cost	73,373.33
	\$317,206.49

PREPAID INSURANCE 1,355.85

INVESTMENTS AND RECEIVABLES, OTHER THAN CURRENT:

Chattel mortgage receivable	\$ 6,000.00
Estimated future refunds of the excess profits taxes	4,121.60
	10,121.60

FIXED ASSETS:

Mining claims and development, at cost	\$811,321.99
Less reserve for depletion	472,748.92
	\$338,573.07
Mine and mill buildings, machin- ery and equipment, at cost	\$396,741.06
Less reserve for depreciation	324,545.00
	72,196.06
	410,769.13
	\$739,453.07

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 17,848.32
Provision for mineral and income taxes (Schedule 1)	7,104.64
	\$ 24,952.96

SHARE CAPITAL:

<i>Authorized:</i>	
1,100,000 shares of 50 cents each	\$550,000.00
<i>Issued and fully paid:</i>	
1,050,716 shares of 50 cents each	525,358.00

DEFERRED SURPLUS:

Estimated future refunds of excess profits taxes	4,121.60
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EARNED SURPLUS:

Balance as at December 31, 1945	\$201,339.99
<i>Add:</i>	
Net profit for the year ended December 31, 1946 (Exhibit "A")	57,230.64
	\$258,570.63
<i>Deduct:</i>	
Dividends paid in 1946	73,550.12
	185,020.51
	\$739,453.07

Approved on behalf of the Board:

H. DEWITT SMITH, *Director.*

F. W. GUERNSEY, *Director.*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the books and accounts of Island Mountain Mines Company Limited (Non-Personal Liability), for the year ended December 31, 1946, and have obtained all the information and explanations we have required. 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, 1946, 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 10, 1947.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

