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AND STATISTICS

Island Mountain Mines

Company Limited

(Non-Personal Liability)



Seventh Annual Report

for period ending

DECEMBER 31, 1940

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 \$.50 par value
OUTSTANDING	-	-	-	-	-	1,050,716 shares of \$.50 par value

Officers, Directors, Transfer Agent and Registrar on February 22, 1941

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, Treasurer and Director
CARROLL SEARLS, Assistant Secretary and Director
GUS MRKVICKA, Assistant Treasurer
M. D. BANGHART, Director
PHILIP KRAFT, Director
SHERWOOD LETT, Director
ROBERT H. STEWART, Director

T. H. MUNN, Manager

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

Directors' Report

Vancouver, B.C., March 1, 1941.

To the Shareholders of the

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

Your Directors present herewith the Seventh Annual Report for the year ended December 31st, 1940, together with the Manager's Report and Auditors' Report for the above period.

The value of the production during the year was \$808,090.47. The Profit, after making provision for Provincial and Dominion Taxes, amounted to \$239,494.96, and after charges for depreciation, the Net Profit carried to the Balance Sheet was \$216,126.24. No charge for Depletion was made during 1940, as the Net amount of \$84,915.18 at which "Mining Claims and Development" is now carried on the books is considered below actual value. Tonnage milled and value of production were in excess of any previous year.

Expenditures on Capital Account during the year amounted to \$22,862.93 of which a large part was for a 300 H.P. diesel engine and 250 KVA generator for additional power required for increased production and deeper hoisting.

Net current assets now stand at \$372,627.36.

During the year, two interim dividends for a total of fifteen cents per share and amounting to \$157,607.40 were paid. Total dividends paid to date amount to \$577,893.80.

Developments during the year on the 3125- and 3000-Levels were disappointing in the failure to disclose any substantial quartz veins. Developments of sulphide replacement ore below the 4000-Level continued to give excellent results, although the limestone bed which forms the locus of replacement ore is not continuous over long sections on the lowest levels. Otherwise developments have been normal, and the ore reserve position shows little change from the previous year.

Mr. T. H. Munn resigned as Manager on February 24, 1941, and has been succeeded by Mr. J. A. Pike, formerly superintendent for Tombill Gold Mines, Limited, at Geraldton, Ontario.

Submitted on behalf of the Directors,

F. W. GUERNSEY,
President.

Manager's Report

Wells, B.C., February 11, 1941.

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

Dear Sir:

I submit the following report on operations of the Island Mountain Mines Company Limited for the year ending December 31st, 1940.

PROPERTY

The property of Island Mountain Mines Company Limited consists of two groups: (1) 32 claims and fractions containing 1020 acres on Island Mountain, along the north shore of Jack of Clubs Lake, four miles northwest from the Town of Barkerville, and lying adjacent to the Town of Wells; and (2) 15 claims and fractions containing approximately 544 acres on Proserpine Mountain, two miles southeast from Barkerville.

MINE

The following is the total linear footage of exploration done during 1940, and the total to date:

	1940	To Date
Drifts and Crosscuts	10,593	57,737
Raises	1,478	8,220
Internal Shaft	0	1,079
	<hr/>	<hr/>
Diamond Drilling	12,071	67,036
	34,228	116,495

Development work above the Main Level consisted of a small amount of drifting on the 4230-Level, where a small tonnage of quartz vein ore was developed in close proximity to one of the previously established ore zones.

As a result of diamond drilling a small amount of development work on the Main or 4000-Level opened up three quartz veins, one of which contains a substantial area of ore having an average channel sample value of 0.32 ozs. gold per ton.

Development work during the year below the Main Level was confined principally to the 3875-, 3375-, 3250-, 3125-, and 3000-Levels, with smaller amounts on the 3750-, 3625-, and 3500-Levels.

Although most of the development work done on the 3875-Level was confined to the limestone horizon, no sulphide replacement of com-

mercial interest was encountered. Diamond drilling together with subsequent crosscutting and drifting did, however, open up a small amount of quartz vein ore.

On the 3750-, 3625- and 3500-Levels development work was mainly in limestone, and one small, but comparatively important, sulphide replacement ore body was opened up on the 3750-Level.

The development work on the 3375- and 3250-Levels was divided between exploration along the limestone horizon and prospecting in zones favourable for quartz vein fracturing. A small tonnage of quartz vein ore, together with sulphide replacement of considerable importance, was encountered on both levels.

During the early part of the year and after power facilities were augmented by the installation of an additional diesel engine, development work was started on the two bottom levels, the 3125- and 3000-Levels. Exploration on these levels has been confined to zones favourable for quartz vein fracturing, but to date no ore of commercial significance has been encountered.

A total of 49,229 tons of ore, averaging 0.445 ozs. gold per ton were delivered to the mill during the year. Of this tonnage 10,711 tons, averaging 0.934 ozs. gold per ton, were produced from sulphide replacement ore bodies, and 38,518 tons of ore, averaging 0.308 ozs. gold per ton, were from quartz veins.

ORE RESERVES—"REASONABLY ASSURED"

Ore reserves, as of December 31st, 1940, are estimated as follows:

	Tons	Average Width Feet	Average Assay Value
Quartz veins	47,700	5.3	0.31
Sulphide Replacement	10,000	5.0	0.80
Total Reserves	57,700	5.2	0.39

In the above estimates, actual assay widths have been increased, and grades correspondingly decreased, to allow for 25% dilution of quartz veins and 50% dilution of sulphide replacement lenses by barren waste.

MILL

During the year 49,229 tons of ore were milled. Production for the first six months of the year averaged 127 tons per day; and for the second six months 142 tons per day. This increase in daily production was attained without any addition to milling facilities and without sacrifice in mill recovery. Average assay of mill heads was 0.445 ozs. gold and

average assay of tailings was 0.020 ozs. gold per ton. Recovery was 95.6%.

Consumption of essential supplies per ton, was as follows: Cyanide 0.818 lbs.; Lime 1.805 lbs.; Grinding Balls 2.929 lbs.; Zinc Dust 0.094 lbs.

PRODUCTION

A total of 20,961 fine ozs. of gold and 3,131 ozs. of silver was recovered, from which was realized \$808,090.47. This represents an average recovery of 0.426 ozs. gold and 0.06 ozs. silver per ton milled, and a realization of \$16.41 per ton.

CAPITAL EXPENDITURES

The following capital expenditures were made during the year:

Powerhouse Buildings and Equipment	\$13,000.57
Transmission Lines	3,188.01
Machine Shop Equipment	302.33
Mill Equipment	1,002.71
Mine Equipment	4,382.42
New Carpenter Shop	986.89
TOTAL	\$22,862.93

PRODUCTION COSTS

The average cost of production in 1940 was as follows:

	Amount	Per Ton
Mining	\$176,850.21	\$3.59
Development	182,928.12	3.72
Milling, Refining and Marketing	128,879.79	2.62
Miscellaneous	3,474.39	.07
Total Operating Costs	\$492,132.51	\$10.00

The total operating cost for the year shows an increase of 34c per ton of ore milled over that for the year 1939. This increase was due in part to an increase in the amount of development work done and in part to a cost-of-living bonus of 25c per shift paid all employees since October 1st, 1939.

GENERAL

The operation as a whole progressed smoothly throughout the year, and an average of 122 employees were on the payroll during the period under review.

Respectfully submitted,

T. H. MUNN,

Manager.

Island Mountain Mines Company Limited

(NON-PERSONAL LIABILITY)

VANCOUVER, B.C.

BALANCE SHEET AS AT DECEMBER 31, 1940

ASSETS	LIABILITIES
CURRENT ASSETS:	
Cash on hand and in bank	\$191,056.53
Dominion of Canada bonds, \$137,500.00 at cost plus accrued interest	136,709.76
Wells School District debentures, \$4,000.00 at cost plus accrued interest	4,034.00
Accounts receivable	442.56
Bullion in transit at approximate realizable values	62,213.31
Inventories of materials and supplies	78,143.36
	\$ 472,599.52
PREPAID INSURANCE	3,045.53
FIXED ASSETS:	
Mining claims and development at cost	\$557,664.10
Mine and mill buildings, machinery and equipment, at cost	319,260.87
	876,924.97
	\$ 1,352,570.02
CURRENT LIABILITIES:	
Accounts Payable	\$ 30,261.30
Provision for mineral and income taxes	69,710.86
	99,972.16
RESERVE FOR DEPLETION	472,748.92
Less Dividend Paid in 1937	52,535.80
	420,213.12
RESERVE FOR DEPRECIATION	209,521.99
CAPITAL:	
Share Capital:	
Authorized—	
1,100,000 Shares of 50 cents each	\$550,000.00
Issued and Fully Paid—	
1,050,716 Shares of 50 cents each	525,358.00
SURPLUS ACCOUNT:	
Balance as at December 31, 1939	\$ 38,985.91
Add Net Profit for the Year Ended December 31, 1940	216,126.24
	\$255,112.15
Less Dividends Paid in 1940	157,607.40
	97,504.75
	\$ 1,352,570.02

Approved on behalf of the Board:

F. W. GUERNSEY, *Director.*

H. DEWITT SMITH, *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, 1940, 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, 1940, according to the best of our information and the explanations given to us and as shown by the books of the company at that date.

Vancouver, B.C.,
February 19, 1941.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Island Mountain Mines Company Limited

(NON-PERSONAL LIABILITY)

VANCOUVER, B.C.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1940

SALES OF GOLD AND SILVER:

Including Bullion Marketed, on Hand and in Process of
Realization \$808,090.47

DEDUCT:

Operating Costs 492,132.51

\$315,957.96

ADD Other Income:

Interest Earned on Investments \$3,534.48
Less Loss on Sale of Investments 301.37

3,233.11

Profit Before Provision for Depreciation and Taxes \$319,191.07

DEDUCT:

Provision for Mineral and Income Taxes 79,696.11

Profit Before Provision for Depreciation \$239,494.96

DEDUCT:

Provision for Depreciation 23,368.72

*Profit for Year Ended December 31, 1940, Carried
to Balance Sheet* \$216,126.24
