

014749

ISLAND MOUNTAIN 093H 006  
PROSPECTION 093H 001

# Island Mountain Mines Company Limited

(Non-Personal Liability)



RECEIVED

AUG 3 1939

BUREAU OF ECONOMICS  
AND STATISTICS

## Fifth Annual Report

*for period ending*

DECEMBER 31, 1938

# 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 17, 1939:

### 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, Consulting Engineer and Director  
PHILIP KRAFT, Director  
SHERWOOD LETT, Director  
ROBERT H. STEWART, Director.

---

T. H. MUNN, General Superintendent

---

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

# Directors' Report

Vancouver, B.C., February 23, 1939.

To the Shareholders of the

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

The Directors herewith present the Fifth Annual Report for the year ending December 31, 1938. Attached is the Report of the General Superintendent covering the operations, together with the Balance Sheet and Profit and Loss Statement for the period.

The developments during the year on the 3500 level were considered sufficiently favorable to warrant sinking the shaft a further 500 feet. This work has been completed and has been charged directly against the cost of mine operation. Hoisting equipment necessary for the increased depth has been installed.

The tonnage of ore reserves as of December 31, 1938, estimated at 55,600 tons, is in excess of any previous year-end estimate.

The production for this period of \$650,812.61 is the largest in the history of the mine. The profit before depreciation, depletion and taxes, of \$233,069.60 has been exceeded only by that of the year 1935. After all charges, the net profit for the year 1938 carried to the Balance Sheet is \$109,923.19. During the year two interim dividends of five cents per share each were paid, totaling \$105,071.60.

On the attached Balance Sheet, the amount of \$12,794.89, representing the amount spent on "Mine Buildings, Machinery and Equipment" by predecessors in interest to your Company, has been transferred from "Mining Claims and Development" to the Equipment account.

Net current assets at the close of the year stood at \$259,313.66. Included therein are \$150,000.00 par value Dominion of Canada bonds, of which there were purchased during the year \$75,000.00 maturing in 1942 and \$25,000.00 maturing in 1955.

The Directors have authorized the filing of application for listing the stock of your Company on the Toronto Stock Exchange.

Mr. M. D. Banghart, who has been Manager of this property from the period of construction, has found it necessary to devote most of his time to Berens River Mines Limited. His resignation as Manager has been accepted with regret by the Directors, but he will continue to serve the Company as Consulting Engineer. Mr. T. H. Munn has been promoted to General Superintendent, and he and his staff have carried on during the past year most satisfactorily.

Submitted on behalf of the Directors,

F. W. GUERNSEY,  
*President.*

# General Superintendent's Report

Wells, B.C., January 31, 1939.

Mr. F. W. Guernsey, President,  
Island Mountain Mines Company Limited (N.P.L.),  
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, 1938.

## PROPERTY

The property of Island Mountain Mines Company Limited consists of two groups: (1) 32 claims and fractions containing 1,027 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 583 acres on Proserpine Mountain, two miles south from Barkerville. There were no additional claims or fractions acquired during the year.

## MINE

The following is the total linear footage of exploration done during 1938, and the total to date:

	1938	To Date
Drifts and Crosscuts.....	7,347	38,104
Raises and Winzes.....	1,298	4,873
Internal Shaft .....	473	1,001
	<hr/>	<hr/>
	9,118	43,978
Diamond Drilling.....	23,233	60,773

As a result of favorable indications from diamond drilling, another level known as the 4130-level was opened up midway between the 4000-level and the Mid-Lake Level, in one of the major ore zones above the 4000-level. A relatively small amount of development work opened up substantial areas of quartz vein ore having an average channel sample value of 0.32 ozs. gold per ton.

Development work during the year below the main level was concentrated on the 3500-level, with a smaller amount on the 3625-level, and still less on the 3750 and 3875-levels.

No ore of either the quartz vein or sulphide replacement type was encountered on the 3875 level. However, since the first of the current

year diamond drilling has indicated sulphide replacement ore in this horizon. A small amount of quartz vein ore, but none of the sulphide replacement type, was exposed on the 3750-level. On the 3625-level no additional sulphide replacement ore was encountered, but a quartz vein 235 feet long and averaging 0.30 ozs. gold per ton over a width of 7.0 feet was exposed during the latter part of the year.

Of the large amount of development done on the 3500-level, a considerable portion was in limestone favorable for the occurrence of sulphide replacement ore, and several small highgrade ore bodies were encountered. Only a small tonnage of quartz vein ore has been disclosed on this level.

Due to favorable developments on the 3500-level, it was decided to deepen the shaft. The shaft was sunk 551 feet from 528 feet below the collar to 1079 feet below the collar, and stations were cut at the 3375-, 3250-, 3125- and 3000-levels. The program was completed during January of the current year.

A 42x30 double drum electric hoist capable of handling the present operation to a depth of 2000 feet was purchased in 1938 and installed during January of the current year.

Stoping continues to be done principally by horizontal cut-and-fill methods, with inclined cut-and-fill used wherever possible.

A total of 44,916 tons of ore averaging 0.433 ozs. gold per ton were delivered to the mill during the year. Of this tonnage 7,649 tons, averaging 0.91 ozs. gold per ton, were produced from sulphide replacement ore bodies, and 37,267 tons of ore, averaging 0.34 ozs. gold per ton, from quartz veins.

#### ORE RESERVES—"REASONABLY ASSURED"

Ore reserves, as of December 31st, 1938, are estimated as follows:

	Tons	Average Width Feet	Average Assay Ozs. Gold
Quartz Veins .....	50,100	5.9	0.33
Sulphide Replacement .....	5,500	4.5	0.91
<b>Total Reserves .....</b>	<b>55,600</b>	<b>5.6</b>	<b>0.39</b>

In the above estimates, actual assay widths have been increased, and grades correspondingly decreased, to allow for 25% dilution by barren waste.

Notwithstanding 1938 production, the "reasonably assured" reserves of both quartz vein and sulphide replacement ores estimated above show an increase in tonnage and total gold content over the corresponding reserves as of December 31st, 1937.

#### MILL

During the year 44,916 tons were milled. This represents an average of 123 tons per day worked. Average assay of mill heads was 0.433 ozs. gold and average assay of tailings was 0.024 ozs. gold. Average recovery was 94.5%.

Consumption of essential supplies per ton, was as follows: Cyanide 0.70 lbs.; Lime 1.92 lbs.; Grinding Balls 2.98 lbs.; Zinc Dust 0.13 lbs.

#### PRODUCTION

A total of 18,496 fine ozs. of gold and 2,698 fine ozs. of silver was recovered, from which was realized \$650,812.61. This represents an average recovery of 0.412 ozs. gold and 0.06 ozs. silver per ton milled, and a realization of \$14.49 per ton.

#### CAPITAL EXPENDITURES

The following capital expenditures were made during the year:

Power House Equipment .....	\$ 1,398.30
Mill Equipment .....	1,063.53
Hoist and Misc. Mine Equipment.....	17,429.72

**TOTAL .....** \$19,891.55

#### PRODUCTION COSTS

The average cost of production in 1938 was as follows:

	Amount	Per Ton
Mining .....	\$144,771.42	\$3.22
Development, including Shaft Sinking.....	155,956.44	3.47
Milling, Marketing and Refining.....	113,579.20	2.53
Miscellaneous .....	5,432.71	0.12
<b>Operating Costs .....</b>	<b>\$419,739.77</b>	<b>\$9.34</b>

The high operating costs are due to the large amount of development necessary and to the expense of stoping small and erratic ore bodies.

#### GENERAL

The operation as a whole progressed smoothly throughout the year, and an average of 111 employees were on the payroll during the period under review.

I wish to express my thanks and appreciation to the staff and other employees for their loyal support and co-operation throughout the year.

Respectfully submitted,

T. H. MUNN,

*General Superintendent.*

# Island Mountain Mines Company Limited

(Non-Personal Liability)

VANCOUVER, B.C.

## BALANCE SHEET AS AT DECEMBER 31ST, 1938

ASSETS	LIABILITIES
<b>CURRENT ASSETS:</b>	
Cash on hand and in bank.....	Accounts Payable .....
\$ 69,609.62	\$ 20,290.14
Dominion of Canada Bonds, \$150,000.00 at cost plus accrued interest.....	Provision for Mineral and Income Taxes .....
151,181.49	31,652.09
Accounts Receivable .....	\$ 51,942.23
110.00	RESERVE FOR DEPLETION.....
Bullion in transit at approximate realizable values .....	\$430,718.46
63,900.90	Less Dividend paid in 1937.....
Inventories of Materials and Supplies.....	52,535.80
26,453.38	378,182.66
\$ 311,255.89	RESERVE FOR DEPRECIATION .....
PREPAID INSURANCE .....	163,824.33
3,225.54	<b>CAPITAL:</b>
<b>FIXED ASSETS:</b>	Share Capital:
Mining Claims and Development at cost..	Authorized—
\$552,129.48	1,100,000 Shares of 50 cents each .....
Mine and Mill Buildings, Machinery and Equipment, at cost .....	\$550,000.00
267,763.13	Issued and Fully Paid—
819,892.61	1,050,716 Shares of 50 cents each .....
\$ 1,134,374.04	525,358.00
	<b>SURPLUS ACCOUNT:</b>
	Balance as at December 31, 1937.....
	\$ 10,215.23
	Add net profit for the year ended December 31, 1938 .....
	109,923.19
	\$120,138.42
	Less Dividends paid in 1938.....
	105,071.60
	15,066.82
	\$ 1,134,374.04

Approved on behalf of the Board:

F. W. GUERNSEY, *Director.*  
SHERWOOD LETT, *Director.*

We have audited the books and accounts of Island Mountain Mines Company Limited (Non-Personal Liability) for the year ended December 31, 1938. We report to the shareholders that we have obtained all the information and explanations we have required and 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 at that date.

HELLIWELL, MACLACHLAN & CO.,  
Chartered Accountants.

Vancouver, B.C., February 23, 1939.

