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Winnipeg, B. C. on the Account of

Surf Inlet Consolidated Gold Mines

Limited (N.P.L.)

for the year ended June 30th 1939

I have examined the books and accounts of Surf Inlet Consolidated Gold Mines Limited (N.P.L.) kept at the head office of the Company, together with the returns from the mine for the year ended June 30th, 1939, and have obtained all the information and explanations required.

SURF INLET CONSOLIDATED GOLD MINES LIMITED (N.P.L.)

FINANCIAL STATEMENT

AS AT JUNE 30, 1939

RECEIVED

AUG 18 1939

BUREAU OF ECONOMICS
AND STATISTICS

\$ 52,177.42

\$ 25,214.12

\$ 26,963.30

\$ 20,787.31

\$ 71,814.97

\$ 31,027.48

\$ 4,331.33

\$ 46,696.14

Net Operating Profit for the year ended June 30th, 1939 after provision for Depreciation, Amortization and Income Taxes amounts to the sum of

Resulting in an Operating Surplus of

Against which has been written off the amount paid on account of Option abandoned

Final Net Surplus as at June 30th, 1939

REPORT by Robert Bell, Chartered Accountant,
Vancouver, B. C. on the Accounts of
Surf Inlet Consolidated Gold Mines
Limited (N.P.L.)

As at June 30th 1939

I have examined the Books and Accounts of Surf Inlet Consolidated Gold Mines Limited (N.P.L.) kept at the Head Office of the Company, together with the returns from the Mine, for the year ended June 30th, 1939, and have obtained all the information and explanations required.

Subsequent to the closing of the last Annual Accounts at June 30th, 1938, February 28th, 1937 was declared to be the date on which the Company was deemed to have entered upon production of ore in commercial quantities and, accordingly, the Accounts of the Company as at June 30th, 1938 were re-arranged in order to show the Development Cost to February 28th, 1937 and the result of Operations from that date to June 30th, 1938.

This adjustment in the Accounts resulted in an Operating Surplus for the period from February 28th, 1937 to June 30th, 1938, before Depletion and Depreciation of

	\$ 53,177.42
To which was added a subsequent adjustment of	<u>36.70</u>

Making a Total Surplus, subject to Depletion and Depreciation of \$ 53,214.12

Provision for Depletion has now been given effect to on the basis set by the Dominion Taxation Authorities at the rate of 15% per annum, together with provision for Depreciation on Equipment and Buildings at 10% per annum

To June 30th, 1938, these provisions amount to the sum of

	<u>74,001.63</u>
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Leaving an excess of Depletion and Depreciation chargeable

against subsequent profits of

	\$ 20,787.51
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Net Operating Profit for the year ended June 30th, 1939 after provision for Depletion, Depreciation and Income Taxes amounts to the sum of

	<u>71,814.97</u>
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Resulting in an Operating Surplus of

	\$ 51,027.46
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Against which has been written off the amount paid on account of Option abandoned

	<u>4,551.32</u>
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Final Net Surplus as at June 30th, 1939

	<u>\$ 46,476.14</u>
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Capital Expenditures

During the year Capital Expenditures amounting to the sum of \$ 56,090.37 were incurred, as follows:-

Capital Development - Surf	\$ 2,748.66
- Pugsley	29,117.37
	<u>\$ 31,866.03</u>
Claims - Recording Fees, etc.	154.20
Equipment - Additions	22,242.46
Buildings - do.	1,827.68
<u>As above</u>	<u>\$ 56,090.37</u>

In addition to the foregoing, an Option Agreement was entered into by the Company for the purchase of an interest in certain Mineral Claims held by William Howden and A. E. Bull. During the year payments on account were made in Cash and Shares to the amount of \$ 4,551.32, but the Option was subsequently abandoned and the amounts paid have been written off.

By resolution of Shareholders passed at an Extraordinary General Meeting of the Company held on June 26th, 1939, the Directors were authorized to purchase a minimum of fifty-one per cent (or 452,516 Shares) of the issued Share Capital of Gold Coast Mines Limited (N.P.L.) at a price not exceeding five cents per Share - no payments on account of the purchase, however, had been made to June 30th, 1939.

Capital Stock

The Issued Share Capital of the Company was increased during the year by the allotment of 153,160 fully paid shares for the sum of \$ 27,199.88, subject to a commission payable of \$ 2,500.00, as follows:-

800 Shares at 25 cents per share	\$ 200.00
7,500 " 20 " " " (Howden Option)	1,500.00
43,684 " 19 " " "	8,299.96
101,176 " 17 " " "	17,199.92
<u>153,160</u>	<u>\$ 27,199.88</u>
<u>Less - Commission</u>	2,500.00
<u>153,160</u>	<u>\$ 24,699.88</u>

Subject to the foregoing remarks, the Balance Sheet, signed by me relative hereto, is, in my opinion, properly drawn up so as to exhibit a true and correct view of the financial position of the Company as at June 30th, 1939, according to the best of my information and the explanations given me and as shown by the Books of the Company.

Reported By -

ROBERT BELL,

Vancouver, B. C.
August 14th, 1939

Chartered Accountant.

SURF INLET CONSOLIDATED GOLD MINES LIMITED (N.P.L.)

BALANCE SHEET as

A S S E T S

Current Assets:-

Cash at Bank and on Hand		\$	68,602.72	
Accounts Receivable (from Smelter, etc.)			60,899.02	
Concentrates for Shipment	\$	11,958.16		
Less - Estimated Marketing Expense		<u>1,793.72</u>	<u>10,164.44</u>	\$ 139,666.18

Inventories:-

Mine & General Supplies - Book Value	\$	3,431.79		
Powder, Fuse and Caps		385.54		
Cookhouse		830.97		
Commissary		<u>678.57</u>		
	\$	<u>5,326.87</u>		
Purchases in Transit		<u>5,220.33</u>		10,547.20

Prepaid Expense and Deferred Charges:-

Prepaid Insurance, Taxes, etc.	\$	1,360.63		
Mine Deferred		<u>6,034.62</u>		7,395.25

Fixed Assets:-

Property and Equipment:-

Original Acquisition by issue of 1,000,000 Shares fully paid at then prevailing value	\$	150,000.00		
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Development Account:-

Cash Expenditures to February 28th, 1937	\$	153,227.48		
Capital Development - Surf		6,360.98		
Do. - Pugsley		<u>55,502.21</u>	215,090.67	

Claims - Recording Costs, etc.			408.90	
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Additions to Equipment and Buildings:-

Equipment	\$	86,777.28		
Buildings		<u>5,987.73</u>	<u>92,765.01</u>	458,264.58

Investment:-

Securities of Subsidiary Company:-

200,000 Shares (100%) - Surf Inlet Power Company Limited - at Cost				499.16
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Intangibles:-

Incorporation and Preliminary Expenses			<u>3,308.51</u>	
	\$		<u><u>619,680.88</u></u>	

Vancouver, B. C.
August 14th, 1939.

SURF INLET CONSOLIDATED GOLD MINES LIMITED (N.P.L.)

at JUNE 30th, 1939

LIABILITIES

Current Liabilities:-

Accounts Payable - Trade	\$ 13,675.86	
Commission Payable	500.07	
Wages Payable	4,069.92	
Provincial Taxes	1,279.05	
Workmen's Compensation Board - Medical Aid	51.25	
Reserve for Taxes	<u>4,700.00</u>	\$ 24,276.15

Reserve for Depletion and Depreciation:-

Depletion	\$ 95,772.37	
Depreciation	<u>35,830.90</u>	131,603.27

Capital and Surplus:-

Capital Stock:-

Authorized - 3,000,000 Shares, par value 50¢ each \$1,500,000.00

Subscribed and Issued:-

2,612,331 Shares, fully paid \$ 435,825.32

Less - Commission on Sale of Shares:-

To June 30th, 1938 \$ 16,000.00
During year to June 30th, 1939 2,500.00 18,500.00

\$ 417,325.32

Surplus - per Statement attached

46,476.14 463,801.46

\$ 619,680.88

CERTIFIED CORRECT, subject to the terms of my report of even date.

ROBERT BELL,

CHARTERED ACCOUNTANT.

SURF INLET CONSOLIDATED GOLD MINES LIMITED (N.P.L.)

PROFIT AND LOSS ACCOUNT
For the year ended June 30th, 1939

Revenue:-

Concentrate Production			\$ 345,482.88
<u>Less - Marketing</u>			<u>54,155.16</u>
			\$ 291,327.72

Expenditure:-

Mining:-

Labour & Supplies - Pugsley	\$ 51,258.46		
- Surf	<u>13,640.35</u>	\$ 64,898.81	
Minerals Tax		<u>4,919.66</u>	
		\$ 69,818.47	

Milling:-

Mill Operating	\$ 41,621.11		
Ore Transportation to Mill	<u>5,511.80</u>	47,132.91	
First Aid		629.19	
General Surface Expense	\$ 10,003.60		
<u>Less - Sundry Revenues</u>	<u>3,623.32</u>	6,380.28	
Superintendence		3,671.50	
Mine Office and Warehouse Expense		2,664.37	
Engineering		1,360.71	
Workmen's Compensation Assessments		5,314.15	
Administration - General	\$ 14,353.60		
- Eastern	<u>3,818.80</u>	18,172.40	
Telephone and Telegraph		1,505.41	
Fire and Marine Insurance		929.66	
Land Taxes		<u>839.21</u>	<u>158,418.26</u>

Operating Profit for year before provision for Depletion,

Depreciation and Income Tax:- \$ 132,909.46

Deduct - Provision for Depletion \$ 40,825.14

Do, Depreciation 16,776.50

Do, Income Tax 3,492.85 61,094.49

Net Operating Profit for year carried to Surplus Account

\$ 71,814.97

SURPLUS ACCOUNT

For year ended June 30th, 1939.

<u>Surplus - June 30th, 1938</u>		\$ 53,177.42
Adjustment in Workmen's Compensation Insurance - June 30th, 1938		36.70
Provision for Depletion to June 30th, 1938	\$ 54,947.23	
Do, Depreciation do.	19,054.40	
Net Operating Profit for year to June 30th, 1939		71,814.97
Amount paid on Option abandoned	4,551.32	
Surplus - June 30th, 1939, carried to Balance Sheet	<u>46,476.14</u>	
	<u>\$ 125,029.09</u>	<u>\$ 125,029.09</u>