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# SURF INLET CONSOLIDATED GOLD MINES LTD.

(Non-Personal Liability)

REPORT OF OPERATIONS  
FOR  
THE TWELVE MONTHS ENDED  
DECEMBER 31st.

RECEIVED  
1938  
AUG 4 1939  
v

BUREAU OF ECONOMICS  
AND STATISTICS  
BALANCE SHEET as at DECEMBER 31st, 1938  
and  
PROFIT AND LOSS ACCOUNT  
for six month ended  
DECEMBER 31st,  
1938

v

Head Office:  
744 HASTINGS STREET WEST  
VANCOUVER, BRITISH COLUMBIA

**Surf Inlet Consolidated Gold Mines Limited**  
(NON-PERSONAL LIABILITY)

To the Shareholders:

In accordance with the policy of your directors to inform shareholders from time to time of the progress being made by the Company, your directors submit their report on the results of operations for the twelve months ended December 31, 1938, together with balance sheet as at that date and profit and loss account for the six months ended December 31, 1938.

Operating Results

The operations of the Company for the quarter ending December 31, 1938 resulted in a substantial improvement over the operations of the preceding quarterly period. The following table shows, in statistical form, the results of operations during the months of October, November and December, 1938:

	OCTOBER	NOVEMBER	DECEMBER	TOTAL OR AVERAGE
ORE MINED, TONS	2171.6	2124.8	2263.6	6560.0
ORE MILLED, TONS	1779.0	1751.8	1867.8	5398.6
HOURS MILL OPERATED	663.25	634.25	673.5	1971.0
MILL FEED, OUNCES PER TON	0.463	0.577	0.516	0.518
VALUE, PER TON	\$16.16	\$20.14	\$18.01	\$18.08
PER CENT RECOVERY	91.29	91.85	92.05	91.87
CONCENTRATES PRODUCED, TONS	213,636	211,086	274,010	698,732
GOLD CONTENT, OUNCES	753.290	929.323	888.236	2570.849
GROSS VALUE	\$26,297.35	\$32,442.67	\$31,008.32	\$89,748.34

The Mine report for the calendar year 1938 shows that of 20,281.07 tons of ore mined, 17,428.04 tons of an average grade of 0.429 (\$14.98) ounces of gold per ton were milled, resulting in the production of 2,035.036 tons of concentrates containing 6,842.413 ounces of gold of a gross value of \$238,868.64.

During the calendar year of 1938 the Mill operated an average of 17 hours per day, treating an average of 47.75 tons per day. Concentrates produced contained an average of 3.36 ounces of gold (\$117.30) per ton. In addition to the gold content of concentrates shown, there was recovered from concentrates marketed an estimated amount of 2,903.31 ounces of silver and 146,826 pounds of copper realizing a net amount of \$783.59 and \$7,787.27 respectively.

## Costs

Costs during the last six months of 1938 averaged \$10.305 per ton.

In the latter part of the year substantial purchases of new mill equipment were made, which were placed in operation during February, 1939. Milling capacity has thereby been increased to approximately 100 tons per day, and as a result of improved mining and milling efficiency, costs of operation during the year 1939 should be materially reduced, and it is hoped that the recovery of gold, which in 1938 averaged 91.53%, will be substantially improved.

In order to acquaint shareholders with the steady improvement which has taken place over the past three years we are presenting the following table, showing details of production by the Company during the years 1936 to 1938, inclusive:

	CONCENTRATES PRODUCED DRY TONS	GOLD CONTENT OUNCES	GROSS VALUE
1936 - - - - -	377.93	1,498.88	\$ 52,325.90
1937 - - - - -	1,136.02	4,143.90	144,663.55
1938 - - - - -	2,035.04	6,842.41	238,868.64
TOTAL - - - - -	3,548.99	12,485.19	\$435,858.09

In addition to the above, there was recovered from concentrates marketed the following amounts and values of silver and copper:

	SILVER OUNCES	COPPER POUNDS	AMOUNT RECEIVED
1936 - - - - -	109.85	8,067	291.80
1937 - - - - -	993.38	72,902	5,669.71
1938 - - - - -	2,903.31	146,826	8,570.86
TOTAL - - - - -	4,006.54	227,795	\$14,532.37

## Development Details

During the year 1938, there was done in the Pugsley Mine 766.0 feet of drifting, 355.5 feet of cross-cutting and 1212.5 feet of raising. In the Surf Mine 102.5 feet of drifting, 40.5 feet of cross-cutting and 324.5 feet of raising was done during the same period.

## Plant

During the year 1938 various improvements were made to the surface plant and equipment. A roof was put on the old recreation hall and the building generally put in condition, so that it is now available as a recreation hall and library. The extensive improvements in mill equipment have already been referred to.

Sundry minor changes and improvements have also been made around the Mill, resulting in reduced operating costs. Necessary repairs have been made to a number of the Company's houses during the year, and at the present time all of the houses are occupied by members of the staff and crew and their families.

## Option on Homestake Group Claims

Up to the end of the year, 1938, payments in cash and shares amounting to \$2,113.32 were paid on account of the so-called Howden option on the Homestake group of claims. Work so far done has not been sufficient to determine the ore possibilities of this territory.

## Finance

The financial position of the Company improved steadily during the year 1938. The balance sheet as of December 31, 1938 shows current cash assets of \$57,939.85 and inventories of \$6,289.54 against current liabilities of \$18,793.01. Net profit on operations for the six months ended December 31, 1938 before provision for depreciation and depletion amounted to \$38,678.43. Surplus as of that date subject to provision for depreciation and depletion amounted to \$91,855.85.

During February, 1939, a new financing contract with your Company covering the sale of 400,000 shares of Treasury stock at an average price of 20 cents per share was completed and the same was approved by the Superintendent of Brokers of British Columbia. As a result an initial payment of \$15,000 under the contract has been paid over to the Company, and it is confidently expected that the balance of option payments amounting to \$65,000. will be received in accordance with the terms of the contract.

## Future Exploration and Development

The proceeds of the new financing, together with a portion of current operating profits, will be devoted exclusively to an intensive development program which is to be carried out during the year 1939 under the direction and supervision of your Company's consulting engineers. The Pugsley ore zone is now exposed over a length of 1200 to 1300 feet and has been followed down to a depth of about 575 feet on the dip of the veins. Present plans for mine development in the Pugsley Mine contemplate drifting both north and south to extend the productive length of the Pugsley ore zone and likewise to continue work on the 1100 level, at present the lowest level on the Pugsley Mine, in order to test ore possibilities at depth. It is likewise intended to continue development work in the Surf Inlet Mine.

**OFFICERS and DIRECTORS**

It requires time, patience and money to develop a successful mining property. It has been and will continue to be the policy of your Board to proceed cautiously and to make statements based on the knowledge and advice of our engineering consultants. For that reason until the present program of exploration and development, which has been authorized by your directors on the recommendations of our engineers, has been more extensively carried out, it would be unwise to venture any opinion as to the extent of possible new ore discoveries, other than to say that as a result of such development it is confidently expected that new ore reserves will be exposed which will permit the Company to increase its production substantially in excess of 100 tons per day. Shareholders will, however, be advised as to future progress by means of quarterly reports.

**Personnel**

Since the date of the last interim report to shareholders on November 26, 1938, Mr. Archibald G. Alexander of New York City and Mr. J.C. Ralston of Vancouver, B.C. resigned as directors of your Company, and Messrs. Eugene L. Norton of New York City and J.R. Pyper of Kamloops, B.C. were duly elected directors in their place and stead.

In conclusion, satisfactory results of the year's operations are due in no small measure to the loyalty and efficiency of Mr. A.H. Sawyer, M.E., your Company's General Manager in Vancouver, and to our staff at the Mine under the leadership and direction of our Mine Superintendent, Mr. Angus McLeod. Your directors would like to express their appreciation to all employees for their efforts during the past year.

Respectfully submitted  
on behalf of the Board,

ROBERT L. REED, President.

ROBERT L. REED, New York City - - - President and Director  
J.R. PYPER, Kamloops, B. C. - - - Vice-President & Director  
CHARLES K. MOFFLY, New York City - - - Treasurer and Director  
JAMES C. RALSTON, Vancouver, B. C. - - - Secretary  
A.H. SAWYER, M.E., Vancouver, B.C. - - - General Manager and  
Assistant Secretary and  
Treasurer

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GEORGE CARY, Jr., New York City - - - Director  
LINDSEY HOOPER, Boston, Mass. - - - Director  
EUGENE L. NORTON, New York City - - - Director  
DONALD W. PARTRIDGE, Montreal, Canada - - - Director

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CHARLES MENTZEL, M.E., New York City - Consulting Engineer  
A. M. RICHMOND, M.E., Vancouver, B.C. - Consulting Engineer  
ANGUS McLEOD, - - - - - Mines Superintendent  
W. RUSSELL WATSON, C.A. - - - - - Accountant  
ROBERT BELL, C.A. - - - - - Auditor

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CANADIAN BANK OF COMMERCE - - - - - Bankers  
YORKSHIRE & CANADIAN TRUST LIMITED,  
Vancouver, B. C. - - - - - Transfer Agents  
TORONTO GENERAL TRUSTS CORPORATION  
LIMITED Toronto, Ontario - - - - - Transfer Agents

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

<u>ASSETS</u>	<u>BALANCE</u> as at 31st	<u>SHEET</u> December, 1938	<u>LIABILITIES</u>	
<u>CURRENT ASSETS</u>			<u>CURRENT LIABILITIES</u>	
Cash at Bank and on hand	\$ 13,484.29		Accounts Payable, Trade	\$ 14,256.75
Accounts Receivable (from Smelter, etc.)	33,566.60		Wages and Salaries Payable	3,258.23
Concentrates for Shipment	12,963.04		Wages Unclaimed	2.68
Less - Estimated Marketing Expense	2,074.08	10,888.96	Provincial Taxes	\$ 1,234.25
Inventories of stores and supplies on hand	\$ 6,289.54	\$ 57,939.85	Workmen's Compensation Board, Medical Aid	41.10      1,275.35
Purchases to be distributed	12,632.22	18,921.76		\$ 18,793.01
<u>PREPAID EXPENSE AND DEFERRED CHARGES:</u>			<u>CAPITAL STOCK</u>	
Prepaid Insurance	259.28		Authorized 3,000,000 Shares	
Mine Deferred	2,674.02		Par Value 50¢ each	\$1,500,000.00
Suspense	3.09	2,936.39	Subscribed and Issued,	
			Fully Paid, 2,462,671 Shares	409,325.44
<u>FIXED ASSETS:</u>			Less Commission on Sale of Shares	16,000.00
Property and Equipment: Original acquisition by issue of 1,000,000 Shares, fully paid at then Prevailing Cash Value	150,000.00			393,325.44
Development Account: Cash Expenditures, to Feb. 28, 1937	153,269.54		Surplus, Subject to Provision for Depreciation and Depletion as per attached statement	91,855.85      485,181.29
Capital Development:				
Surf	5,221.92			
Pugsley	35,196.83	40,418.75		
Claims: Recording Costs, etc.	368.60			
	\$344,056.89			
Equipment: Cash Expenditures	70,198.32			
Building: Additions at Cost	4,893.10	419,148.31		
<u>INTANGIBLES:</u>				
Incorporation & Preliminary Expenses		3,308.51		
<u>INVESTMENTS:</u>				
Securities of Subsidiary Company - 200,000 Shares (100%) Surf Inlet Power Co. Ltd., at Cost		499.16		
Howden Option: Payments on Account, in cash and shares		2,113.32		
		\$504,867.30		
<u>CERTIFIED CORRECT:</u>			<u>ADJUSTMENT ACCOUNT</u>	893.00
				\$504,867.30

ROBERT BELL, Chartered Accountant.

Vancouver, B.C.  
March 13, 1939.

PROFIT & LOSS ACCOUNT

For the Six Months ended December 31st, 1938.

<u>REVENUE</u> from Concentrate Production		\$141,413.60
<u>Deduct</u>		
Freight, Smelting & Marketing Expenses	\$ 24,663.60	
Mining & Milling Expenses	58,649.39	
General Operating Expenses	9,183.01	
Administrative, Insurance, Taxes & Misc.	10,239.17	\$102,735.17
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Balance being Profit on Operations for the six months, before provision for Depreciation and Depletion		\$ 38,678.43
<u>SURPLUS</u> - June 30th, 1938		53,177.42
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<u>SURPLUS</u> - December 30th, 1938, subject to Provision for Depreciation and Depletion		\$ 91,855.85
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