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SURF INLET CONSOLIDATED GOLD MINES LTD.

NON-PERSONAL LIABILITY

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BUREAU OF ECONOMICS
AND STATISTICS

REPORT OF OPERATIONS

FOR

THE FISCAL YEAR ENDED

JUNE 30, 1939

HEAD OFFICE:
744 WEST HASTINGS STREET
VANCOUVER, BRITISH COLUMBIA

SURF INLET CONSOLIDATED GOLD MINES LIMITED

(Non-Personal Liability)

744 West Hastings Street
Vancouver, B. C.

To the Shareholders:

The following report of operations of your Company for the fiscal year ended June 30th, 1939 is presented for your consideration.

PRODUCTION:

Production for the year was materially in excess of that for the previous year. 27,311.1 tons of ore were mined of which 22,531.25 tons were milled resulting in a production of 2,544.952 tons of concentrates containing 9,587.848 ounces of gold. This compares with 16,302 tons of ore mined of which 14,691 tons were milled resulting in a production of 1,468.25 tons of concentrates containing 5,408.816 ounces of gold during the fiscal year ended June 30, 1938.

The average mill feed for the year was 0.463 ounces gold per ton and the recovery 91.95 per cent.

The gross value of the gold content of concentrates produced was \$334,711.77 compared with \$188,821.77 the previous year. Minor amounts of silver and copper were also produced.

MINE DEVELOPMENT:

Some 3900 feet of drifting, cross-cutting and raising was done compared with about 2000 feet during the previous year. Development work on the east vein on the 900 level of the Pugsley Mine has been gratifying in that about 400 feet of vein has been opened assaying over 0.5 ounces of gold per ton across widths of more than five feet.

During the year considerable sampling was done in the 550 level and above in the old Surf Inlet Mine. This work resulted in finding several thousand tons of ore and was sufficiently encouraging to warrant the reopening of the 550 level together with the erection of the necessary facilities for transporting the ore to the mill. It is expected that production from this portion of the old mine will begin within a few weeks.

ORE RESERVES:

It is believed that ore reserves, including positive and probable ore, in the Pugsley mine may be reasonably estimated at two years supply at the present rate of production. If ore now indicated in the Surf Inlet Mine together with possible ore in the Pugsley Mine be included, three year's supply is probably not an over estimate. The grade of this ore is likely to average between 0.4 and 0.5 ounces of gold per ton.

PLANT AND EQUIPMENT:

As forecast in the report for the calendar year 1938, certain improvements in the mill made possible the increased production during the last four months of the fiscal year. In addition a second compressor has been installed, storage battery trammer provided for the 900 level of the Pugsley Mine and various other improvements resulting in the increased efficiency of the plant. Betterments to buildings, dwellings and camp generally are now in progress.

PROPERTY:

Your directors have been alive to the advisability of acquiring mineral lands for future needs and in accordance with the authorization voted by the shareholders at the meeting held on June 26, 1939 have contracted for the purchase of fifty-one per cent of the issued capital of the Gold Coast Mines Limited.

FINANCIAL CONDITION:

It was the intention to enclose with this report the Balance Sheet as at June 30, 1939 but due to unavoidable delay in obtaining the necessary data from the mine office this cannot be done.

There will be, however, copies of this Balance Sheet available to those who attend the Annual Meeting and copies will gladly be mailed to other shareholders who request them.

While it is regrettable that the Balance Sheet is not ready for distribution, it is possible to submit approximate figures.

The gross value of production for the fiscal year was, in round figures \$343,600 and the net profit before depreciation and depletion was \$127,000.

As at June 30, 1939 -

Current Assets were	-	-	-	-	-	-\$139,000.
and Current Liabilities were	-	-	-	-	-	22,000.

These figures compare with \$42,315.39 and \$12,250.75 respectively for the previous year.

As of the date of this report \$30,000 has been received by the Company under the treasury contract. This includes \$5,000 paid in advance of the due date - September 1, 1939.

I commend to your favorable attention those loyal employees whose services have contributed to a successful year.

BY ORDER OF THE BOARD OF DIRECTORS,

New York, N. Y.
July 27th, 1939.

ROBERT L. REED, President.