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REWARD MINING COMPANY LIMITED

(NON-PERSONAL LIABILITY)

475 HOWE STREET
VANCOUVER, B.C.

Incorporated under the laws of the Province of
British Columbia.

Authorized Capital:
5,000,000 Shares of a Par Value of \$1 each

AUG 13 1939

BUREAU OF ECONOMICS
AND STATISTICS
ANNUAL REPORT

For the Year Ended
March 31, 1938

DIRECTORS and OFFICERS:

S. W. TAYLOR	-	-	-	<i>President and Secretary</i>
H. Mc.N FRASER	-	-	-	<i>Director</i>
G. S. ELDRIDGE	-	-	-	<i>Director</i>
JOHN D. GALLOWAY	-	-		<i>Managing Director</i>

AUDITORS:

JAMES D. SMALL & Co.
Vancouver, B.C.

SOLICITORS:

TAYLOR & SIGLER
Vancouver, B.C.

Directors' Report

To the Shareholders,

REWARD MINING CO. LTD., N.P.L.

Your Directors beg to submit the Annual Report for the Company's fiscal year ended March 31st, 1938. During the year mining by your Company was confined entirely to operations at the Edey Pass and Surf Point mines, Porcher Island.

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EDYE PASS MINE. Development of this property was carried on until October 1st when all work was stopped. Total work accomplished since commencement of operations has consisted of 1878.4 feet of crosscutting, 1621.2 feet of drifting and 145 feet of raising. This work developed in successive order No. 5 vein, No. 2 vein, No. 1 vein and No. 3 vein. In general the results were somewhat disappointing but some ore was well indicated although not blocked out. It is estimated that the indicated ore totals 20,000 tons when calculated to a stoping width of 4 feet and averaging 0.216 oz. gold per ton, or \$7.56. This ore could be sorted to yield 10,000 tons of \$15.00 ore. A capital investment of approximately \$20,000 would be required to put in some additional mining equipment, sorting plant and a transportation system to Surf Point mill. Further development at Edey Pass mine would very probably show up additional ore reserves, particularly on No. 5 and No. 1 veins. This may be carried out when capital is available.

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SURF POINT MINE. This mine was worked steadily and operating figures are for the 13½ months period February 15th, 1937 to March 31st, 1938. Total running time of the mill was 370.4 days with 38.6 days lost owing to shutdowns for machinery repairs and shortage of water. The following figures show the operating results:

Tonnage mined and trammed	23,469 tons
Tons waste sorted out	14,456 tons
Tons milled	9,013 tons
Total development footage	587 feet
Cost per foot	\$11.56
Average assay mill heads	0.461 oz. gold per ton
Average assay mill tails	0.0273 oz. gold per ton
Average assay concentrates	7.694 oz. gold per ton
Concentrates produced	506.9 tons
Total ounces gold produced	3874.06 ounces
Average grade ore broken, calculated from recovery	0.165 oz. per ton—\$5.77
Net operating revenue	\$124,929.39
Mining and milling (including overhead)	100,418.23

Gross Profit	\$ 24,511.16
Less development	8,091.41
	\$ 16,419.75
Add Miscellaneous profit	467.82
	\$ 16,887.57
Less Depreciation	7,727.80
Net Profit	\$ 9,159.77

Broken ore in stopes Feb. 15th, 1937	1,500 tons
Broken ore in stopes March 31st, 1938	5,000 tons
Estimated oz. gold in broken ore Feb. 15th, 1937	350 ounces
Estimated oz. gold in broken ore March 31st, 1938	950 ounces
Costs per ton of ore mined:	
Mining and milling (includes all over- head)	\$4.28 per ton
Development34 per ton
Marketing charges, including smelter deductions from standard gold price of \$35.00 per ounce45 per ton
Depreciation33 per ton
Total cost	\$5.40 per ton

Owing to the erratic nature of the ore-shoots, occurring in a stockwork of quartz veins and stringers, no attempt has ever been made to block out ore-bodies in this mine. At December 31st, 1936, a tentative estimate was made by the former management of 13,000 tons reserve above the present tunnel level. Since that time approximately 25,000 tons has been mined to March 31st, 1938. It is estimated that at March 31st, 1938, in addition to 5,000 tons broken ore, there is 15,000 tons probable ore above the tunnel level to be mined. Assuming this estimate to be correct the total ore mined above the tunnel level will have been approximately 82,000 tons.

The sinking programme now under way will open a level 100 feet below the main tunnel level. Ore has been indicated by diamond drilling to a depth of 75 feet below the tunnel level. It is therefore estimated that the new level will open up a minimum of 30,000 tons of probable ore. It is also estimated that the grade of this ore as broken should equal the average grade of all ore mined above the tunnel level, or approximate 0.25 oz. gold per ton. Total broken and probable ore is therefore estimated at 50,000 tons, or approximately two years supply. Much additional possible ore remains to be developed on the property.

Your Company now owns a total of 18 claims surrounding the Surf Point mine and prospecting of various showings on these claims is planned for the present year.

The mining and milling plant at Surf Point has been steadily improved during the year as finances would permit. It is expected that by September ore from the lower level will be available for milling.

REWARD OILS LIMITED. As related in previous Progress Reports, Reward Mining Company Limited now owns 250,000 shares out of 1,100,005 issued in Reward Oils Limited. Reward-Spooner-Model No. 1 well is producing steadily, having a potential of 848 barrels per day, but owing to proration net returns are low. It is expected that the cost of drilling will be repaid by the end of 1938.

No. 2 well is now into production at a reported flow of 1500 barrels per day. With this well the cost of drilling, up to \$150,000 is not repayable. It is therefore expected that in a short time revenue will accrue to Reward Oils

REWARD MINING COMPANY LIMITED (N.P.L.)

BALANCE SHEET AS AT 31st MARCH, 1938

Limited from this well. The shares held by Reward Mining Co. Ltd. in Reward Oils Limited constitute a valuable asset for your Company.

GENERAL REMARKS. Attached to this report is the Auditors' Report and Balance Sheet of the Company. A separate Balance Sheet and Profit & Loss Account shows the results of Surf Point mine operations, in which your Company holds a 75% interest. The Auditors' Statement shows a net profit for Surf Point mine, after all charges, of \$9,159.77 or a gross profit before depreciation of \$16,887.57. It should also be noted that the increase in broken ore of 3,500 tons on which all mining and incidental charges have been paid represents an additional profit, not shown in the Auditors' Statement, of approximately \$6,000.00.

During the past year the efforts of your management have been devoted to improving working conditions, lowering working costs, and developing Surf Point mine. It is expected that as a result, together with somewhat better grade ore, higher profits will be made in the present fiscal year. Loyal and capable service was rendered at the Porcher Island operations by your Superintendent, Alex. Smith, and workmen.

Submitted on behalf of the Board.

JOHN D. GALLOWAY,
Managing Director.

June 16th, 1938.

ASSETS	
Cash on Hand and in Banks:	
On hand	\$ 46
In Banks	523.72
	\$ 524.18
Accounts Receivable	1,206.72
Inventories	634.87
Shares in other Companies, at cost	13,547.15
Furniture and Fixtures	778.76
Properties, Prospecting and Development:	
Cost of Properties, Prospecting and Development	\$218,028.39
Administration Expenses, etc.	49,742.97
	\$267,771.36
Less:	
Proceeds of sale of Properties, etc.	55,911.94
	211,859.42
Surf Point Mine:	
Three-quarter Interest at cost	\$ 75,000.00
Bonus re financing and purchase of	7,500.00
	\$ 82,500.00
Working Capital advanced	7,501.83
	90,001.83
Discount on Shares	3,568,994.63
Commission on Shares	9,158.71
	\$ 3,896,706.27

LIABILITIES	
Accounts Payable	\$ 3,043.27
CAPITAL:	
Authorized—	
5,000,000 Shares of \$1.00 each	\$ 5,000,000.00
Issued—	
3,893,668 Shares of \$1.00 each	\$ 3,893,668.00
Less:	
Calls owing	25.00
	\$ 3,893,643.00
Add:	
Deposit on Shares not yet allotted	20.00
	3,893,663.00

Approved:
S. W. TAYLOR, Director. \$ 3,896,706.27
JOHN D. GALLOWAY, Director.

The above is the Balance Sheet referred to in our report dated 9th June, 1938, and signed as relative hereto.
Vancouver, B.C., JAMES D. SMALL & CO.,
9th June, 1938. Chartered Accountants.

SURF POINT MINE

BALANCE SHEET AS AT 31st MARCH, 1938

ASSETS	
Cash on hand and in Banks:	
On hand	\$ 5.49
In Banks	1,843.33
	\$ 1,848.82
Accounts Receivable	14,525.74
Concentrates on hand	3,626.51
Inventories	10,303.26
Property and Development	\$162,072.96
Machinery and Equipment:	
Surface Improvements	\$ 118.21
Buildings	25,516.49
Machinery and Equipment	55,656.93
Furniture and Fixtures	153.06
	81,444.69
	243,517.65
Deferred Charges:	
Fire Insurance Unexpired	43.61
	\$273,865.59

LIABILITIES	
Accounts Payable:	
Outstanding Cheques covering Current Wages and Purchases	\$ 10,042.40
Trade Creditors	1,151.37
Reserve for Mineral Tax	362.80
	\$ 11,556.57
Reserves:	
For Depreciation	\$ 36,614.83
For Depletion	154,057.62
	190,672.45
Reward Mining Company, Limited:	
Advances	\$ 7,501.83
Investment Account	\$ 54,974.97
Add:	
Net Profit for the thirteen and one-half months ended 31st March, 1938, as per Profit and Loss Account	9,159.77
	64,134.74
	71,636.57

Approved:
S. W. TAYLOR, Director. \$273,865.59
JOHN D. GALLOWAY, Director.

Reward Mining Company Limited SURF POINT MINE

PROFIT AND LOSS ACCOUNT
for the thirteen and one-half months ended
31st March, 1938.

By Concentrate Sales	\$131,293.21
Less:	
Smelter Charges, Freight, etc.	6,363.82
	\$124,929.39
By House Rentals	78.00
By Profit on Commissary	389.82
	\$125,397.21
To Mining	\$ 30,750.04
To Milling	26,619.60
To Mine General	28,935.25
To Current Development Expenditure:	
Shaft Sinking	\$1,303.76
Underground Work	6,787.65
	8,091.41
To Proportion of Vancouver Office Expenses	1,012.50
To General Expense	11,397.22
To 2% Mineral Tax	1,703.62
To Depreciation:	
Buildings	\$1,435.90
Machinery and Equipment	6,261.39
Furniture	17.22
Surface Improvements	13.29
	7,727.80
	116,237.44
Profit carried to Balance Sheet	\$ 9,159.77

June 9th, 1938.

To the Shareholders of the
REWARD MINING CO., LTD. (N.P.L.),
Vancouver, B.C.

Gentlemen:

We have audited the books and accounts of the Reward Mining Company, Limited, (N.P.L.), for the year ended 31st March, 1938, and the books and accounts of the Surf Point Mine for the thirteen and one-half months ended 31st March, 1938, and submit herewith the following statements, viz:—

1. Balance Sheet, (Reward Mining Company, Limited, N.P.L.), as at 31st March, 1938.

2. Schedules, (Reward Mining Company, Limited, N.P.L.), as at 31st March, 1938. (Not printed.)

3. Balance Sheet, (Surf Point Mine), as at 31st March, 1938.

4. Profit and Loss Account, (Surf Point Mine), for the thirteen and one-half months ended 31st March, 1938.

With reference to these statements we wish to make the following remarks:—

Properties.

As properties held by the Company under option may be relinquished without further payments having to be made, no credit has been taken in the attached accounts for other than amounts actually paid nor has any liability been set up for any balance owing on options.

Prospecting and Administration Expenses.

Due to the Company being in the Development or Prospecting stage, all cost of proving the property and overhead expenses, less any revenue received and profits from the sale of properties, have been carried forward as an asset.

Surf Point Mine.

Under an agreement dated 15th February, 1937, the Company purchased from the N. A. Timmins Corporation all that Company's interest and rights in the Surf Point Mine. The property so acquired consisted of a three-quarter interest in the Surf Point Mine and the claim of the N. A. Timmins Corporation against Mr. J. B. Woodworth, the holder of the remaining quarter interest, amounting to \$29,840.12. All operating profits of the mine, before charging depreciation or depletion accrue to the Company until such time as said operating profits equal the said sum of \$29,840.12.

The accounts of the Surf Point Mine, as at 15th February, 1937, have been set up at the values as shown by the audited statement prepared by the auditors for the N. A. Timmins Corporation.

Contingent Liability.

We would note that the liabilities of the Surf Point Mine are a contingent liability of Reward Mining Company, Limited, (N.P.L.).

Conclusion.

We have received all of the information and explanations we have required.

Subject to any qualifications contained in this report we certify that the Balance Sheet attached and signed as relative hereto is, in our opinion, properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs as at that date, according to the best of our information, the explanations given to us and as shown by the books of the Company.

Yours faithfully,

JAMES D. SMALL & CO.,
Chartered Accountants.