

ANNUAL REPORT

O'BRIEN GOLD MINES, LIMITED

(NO PERSONAL LIABILITY)

For the Fiscal Year ended
30th September, 1939

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FIFTH ANNUAL REPORT
of
O'BRIEN GOLD MINES, LIMITED
(No Personal Liability)

President

J. A. O'BRIEN

Vice-President

ALEX. JOHNSTON, C.M.G., LL.D.

Secretary-Treasurer

H. A. GREEN

Assistant Secretary-Treasurer

P. L. TOD

Directors

ALEX. JOHNSTON, C.M.G., LL.D.	Ottawa, Ontario
J. A. O'BRIEN	Ottawa, Ontario
M. J. O'BRIEN, JR.	Renfrew, Ontario
BRIG.-GEN. E. DE B. PANET, C.M.G., D.S.O.	Montreal, Quebec
M. A. THOMSON	Montreal, Quebec

Mine Manager

H. E. SPARKS

Stock Transfer Agent and Registrar

MONTREAL TRUST COMPANY
Montreal, P.Q., and Toronto, Ontario

Head Office

KEWAGAMA, QUEBEC

DIRECTORS' REPORT

To the Shareholders of
O'Brien Gold Mines, Limited,
(NO PERSONAL LIABILITY)

Your Directors submit herewith the Fifth Annual Report together with Financial Statements, Auditor's Report, and the detailed Report of the Mine Manager for the fiscal year ended 30th September, 1939.

A perusal of the attached Financial Statements will disclose a net profit to the Company of \$579,313.29 for the current year, as compared with a profit of \$637,422.60 for the previous year. The reduction in profits is due to an increase in direct mining costs (as a result of which the broken ore reserve has been augmented), and to additional write-offs for depreciation of plant and development.

It will be noted from the Mine Manager's Report that grade and tonnage of ore treated, and values recovered, show very little change from the corresponding figures for the previous year. Development results have continued highly satisfactory, and both broken and probable ore tonnages have been increased. The grade of the total underground reserve, at 0.395 ounces per ton, is lower than in the preceding year, due to a growing preponderance of the medium grade ore in the reserve.

During the year the sum of \$110,991.22 was expended on development and exploration at No. 2 Shaft, all of which has been charged to operating. The cost of sinking No. 2 Shaft from 1,500 ft. to 2,000 ft. was \$62,943.51, and the whole of this amount has been written off direct to Profit and Loss, as well as \$99,064.79 to cover the cost to 30th September, 1938, of development and exploration work at No. 3 Shaft to the 600 ft. level.

Expenditure during the year under review on development, exploration, and shaft sinking at No. 3 Shaft from 600 ft. to 1,500 ft. is being carried as a deferred charge against future operations in that area.

It will be noted from the Balance Sheet that Current Assets total \$1,179,992.08, and Current Liabilities amount to \$463,504.46; leaving a net working capital of \$716,487.62, after providing for two dividends of Ten Cents (10c) each per share—amounting to \$650,000.00—declared during this fiscal year.

The Company's investment in bonds consists of \$190,000.00 par value $3\frac{1}{2}$ per cent, 1949, Dominion of Canada Bonds; and \$342,000.00 par value 3 per cent, 1950, Canadian National Railways, Dominion guaranteed Bonds.

Details of capital expenditures on plant, buildings, and equipment, are given in the Mine Manager's Report.

The small increase indicated in the value of Mining Properties is due to the inclusion, at cost, of five claims in Cadillac Township adjoining the main property, which were carried in last year's statement under the heading "Exploration on Outside Properties".

The Company's investment in Cline Lake Gold Mines, Limited (No Personal Liability), has not changed during the year, and remains at \$892,539.74, representing 1,142,539 shares out of 1,605,005 shares issued; or 71.18 per cent. Milling operations at Cline Lake Gold Mines commenced on 17th July, 1938. Statement of operations for the period commencing 17th July, 1938, to 31st December, 1938 (the end of the fiscal year), discloses an excess of expenditure over revenue of \$2,924.29, after provision for the writing off of plant depreciation and outside exploration. The Mine Manager's Report covering this Company's operations for the nine months ended 30th September, 1939, is submitted herewith for your information. It will be noted that this shows an operating profit of \$258,466.05, subject to taxes, depreciation, and deferred development. Your Board is satisfied that the operations at the Cline Lake property are being carried on efficiently.

During the year two vacancies occurred on the Board of Directors, due to the resignations of Mr. A. J. Nesbitt and Mr. J. G. Dickenson, both of whom had been Directors since the inception of the Company. Mr. M. A. Thomson, of Montreal, was elected to succeed Mr. A. J. Nesbitt; and the vacancy caused by the resignation of Mr. J. G. Dickenson—who was also Vice-President and General Manager of the Company—was filled by the appointment of Dr. Alex. Johnston, of Ottawa, as a Director and Vice-President.

The Directors wish to express their appreciation to the Mine Manager and each member of the Staff for their loyal and untiring efforts in the interests of the Company.

On behalf of the Board,

J. A. O'BRIEN,

President.

Ottawa, Ontario,
October 24th, 1939.

MINE MANAGER'S REPORT

October 9th, 1939.

The President and Directors,
O'Brien Gold Mines, Limited,
(NO PERSONAL LIABILITY)

Gentlemen:

I submit herewith the following report covering the operations of your Company for the fiscal year ended September 30th, 1939.

PRODUCTION—The following summary is a comparison of the production figures of this year with those of the previous year.

	<u>1938-39</u>		<u>1937-38</u>	
Tons Ore Treated.....	57,851		56,109	
Average Grade per Ton Ore.....	0.671 ozs. (\$23.80)		0.683 ozs. (\$24.01)	
Values in Ore	<u>Ounces</u>	<u>Value</u>	<u>Ounces</u>	<u>Value</u>
Treated	38,816.806	\$1,377,094.18	38,330.946	\$1,347,170.15
Stock Pile Concentrates				
Treated	---		3,116.312	109,538.84
Values from Process.....	---		54.141	1,894.93
	<u>38,816.806</u>	<u>\$1,377,094.18</u>	<u>41,501.399</u>	<u>\$1,458,603.92</u>
Bullion Produced	37,488.415	\$1,330,517.28	40,280.193*	\$1,415,861.71*
Specimens Sold	29.548	1,117.40	---	---
Values Added to				
Process	20.716	725.06	---	---
Values Recovered	37,538.679	\$1,332,359.74	40,280.193*	\$1,415,861.71*
Tailings Loss:				
	<u>Ounces</u>		<u>Ounces</u>	
Flotation	847.415		694.477	
Roasting and				
Cyaniding	430.712		526.729	
	<u>1,278.127</u>	<u>44,734.44</u>	<u>1,221.206*</u>	<u>42,742.21*</u>
	<u>38,816.806</u>	<u>\$1,377,094.18</u>	<u>41,501.399*</u>	<u>\$1,458,603.92*</u>
Recovery	96.71%		97.06%	

The average daily milling rate was 158.9 tons and the mill operated at 96.8% of possible running time.

* Including values from stock pile concentrates which were cleaned up in 1937-38.

The source and grade of ore sent to the mill were as follows:

<u>Source</u>	<u>Tons</u>	<u>Percent of Total Tons</u>	<u>Grade Ozs. per Ton</u>
Stopes.....	32,750	56.57	1.009
Development.....	24,918	43.05	0.230
Surface Dump.....	220	0.38	0.126
	<u>57,888</u>	<u>100.00</u>	<u>0.671</u>

DEVELOPMENT—A summary of development work is as follows:

	<u>Current Year</u>	<u>Totals to September 30, 1939</u>
Drifting.....	6,848.0 ft.	34,486.5 ft.
Crosscutting.....	2,065.0 ft.	9,323.0 ft.
Raising.....	420.0 ft.	2,109.5 ft.
Shaft Sinking.....	898.5 ft.	3,626.8 ft.
Station Cutting.....	265.0 ft.	1,166.0 ft.
Total.....	<u>10,496.5 ft.</u>	<u>50,711.8 ft.</u>

(Total for previous year — 11,752.0 ft.)

Diamond Drilling:

Underground.....	10,224.0 ft.	32,791.0 ft.
Surface.....	Nil	18,607.3 ft.
Total.....	<u>10,224.0 ft.</u>	<u>51,398.3 ft.</u>

(Total for previous year — 16,969.3 ft.)

The principal items of development during the year were the deepening of No. 3 Shaft from 607 feet to 1,481 feet, with stations at 125-ft. intervals and the completion of the Main Drive West from No. 2 Shaft on the 1,500-ft. level to No. 3 Shaft. This connection, besides providing additional ventilation and escapeway facilities within the Mine, has made available for development from the Main Shaft a large section of favorable territory.

The cost of this and other development work in the same area was:

No. 3 Shaft Extension from 607 to 1,481 ft.....	\$86,472.47
1,500-ft. Level Main Drive West.....	19,616.08
Development at No. 3 Shaft.....	50,218.18
Underground Diamond Drilling at No. 3 Shaft.....	3,167.87
	<u>\$159,474.60</u>

Development work elsewhere in the Mine was confined largely to No. 1 and No. 9 Veins on the levels below the 1,000-ft. horizon with favorable results. New ore to the amount of 89,268 tons containing 36,411 ounces was put in sight during the year.

ORE RESERVES as at October 1st, 1939:

	<u>Tons</u>	<u>Ounces per Ton</u>
Broken Ore.....	16,458	0.797
Probable Ore.....	128,740	0.344
Total Underground.....	145,198	0.395
Surface Ore Dump.....	14,093	0.115
Total Reserve.....	<u>159,291</u>	<u>0.370</u>

OPERATING COSTS:

		<u>Per Ton of Ore Treated</u>
Development and Exploration.....	\$110,991.22	\$1.92
Mining.....	157,274.76	2.71
Auxiliary.....	29,277.26	0.51
Total Mining.....	<u>\$297,543.24</u>	<u>\$5.14</u>
Milling, Roasting and Cyaniding.....	103,285.98	1.79
General.....	72,025.95	1.24
Total Operating.....	<u>\$472,855.17</u>	<u>\$8.17</u>

Total Cost per Ounce of Gold Recovered — \$12.60

CAPITAL EXPENDITURES:

The principal items of Capital Expenditure during the year were:

Tools and Equipment.....	\$12,189.13
Increased Housing Accommodation.....	5,035.58
Mine Buildings.....	2,401.14
Additions to Sprinkler System.....	2,316.54
Theft Prevention Fence.....	5,028.59
Central Heating Plant.....	9,999.39
2,000-ft. Level Pump.....	4,092.51
Miscellaneous Plant.....	4,525.13
Total.....	<u>\$45,588.01</u>

In conclusion, I would like to express my thanks to the Staff for their loyalty and excellent work, and to the President and Directors for the support and advice they have given me.

Respectfully submitted,

H. E. SPARKS,

Manager.

CLINE LAKE GOLD MINES, LIMITED

(NO PERSONAL LIABILITY)

Lochalsh, Ontario

October 9th, 1939.

To the President
Cline Lake Gold Mines, Limited
(NO PERSONAL LIABILITY)

Dear Sir:

For the first nine months of the current fiscal year to September 30th, mining and milling operations have been carried on continuously at the Cline Lake property. In addition to the regular stoping and development program in the Main ore zone, the haulage drift west to the Western zone has been completed and work is now progressing toward the favourable indications outlined in the surface and underground diamond drilling exploration.

The mill treated an average of 231 tons of ore a day for an overall recovery of 97.9%.

Operating results are as follows:

Tons of ore treated.....	63,186
Recovery	\$608,048.41
Recovery per ton.....	\$ 9.62
*Operating costs.....	\$349,582.36
*Cost per ton.....	\$ 5.53
*Operating profit.....	\$258,466.05

*Before taxes, depreciation and deferred development.

Respectfully submitted,

M. J. O'SHAUGHNESSY,

Manager.

O'BRIEN GOLD MINES, LIMITED

(No Personal Liability)

INCORPORATED UNDER THE LAWS OF THE
PROVINCE OF QUEBEC

STATEMENT OF OPERATIONS

For the Year Ended 30th September, 1939

Revenue:

Production of Bullion—Sold and on Hand.....	1,332,359.74	
Less—Marketing Expenses.....	16,511.78	
	<u>1,315,847.96</u>	
Interest on Investments and Deposits.....	18,346.96	1,334,194.92

Expenditure:

Operating:

Development, Mining, Milling, General and Office Expenses.....	472,855.17	
Legal and Directors' Fees, Stock Transfers, Registration, Interest, Discount, Taxes on Capital, Administration and Miscellaneous	<u>46,346.74</u>	<u>519,201.91</u>
<i>Operating Profit</i>		814,993.01

Reserved for Depreciation of Plant.....	73,671.42	
Development other than Operating.....	<u>162,008.30</u>	<u>235,679.72</u>

<i>Net Profit for the Year</i> —transferred to Surplus, subject to Taxes on Income and Profits.....		<u><u>579,313.29</u></u>
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STATEMENT OF SURPLUS ACCOUNT

<i>Balance as at 1st October, 1938</i>		1,293,069.51
<i>Add</i> —Net Profit for Year—as per Statement....	579,313.29	
Profit on Sale of Investments.....	<u>1,687.50</u>	
	581,000.79	
<i>Less</i> —Provision for Taxes on Income and Profits	<u>73,000.00</u>	<u>508,000.79</u>
		1,801,070.30
<i>Deduct</i> —Dividend No. 1 Paid 1st Feb., 1939	325,000.00	
Dividend No. 2 payable 16th Oct., 1939	<u>325,000.00</u>	<u>650,000.00</u>
<i>Balance as at 30th September, 1939</i>		<u><u>\$1,151,070.30</u></u>

O'BRIEN GOLD
(NO PERSONAL LIABILITY)
INCORPORATED UNDER THE LAWS OF CANADA
BALANCE SHEET AS AT

Assets		
Cash in Banks.....	510,295.70	
Investment in Dominion of Canada and Canadian National Railway Bonds— (Market Value—\$508,345.00).....	518,012.50	
Interest accrued on Bonds and Deposits.....	7,049.34	
Bullion at estimated net value.....	43,180.69	
Sundry Accounts Receivable.....	2,673.29	
Values in Process.....	6,146.42	1,087,357.94
General Stores—at not more than cost— and Prepaid and Deferred Items.....		92,634.14
<i>Development:</i>		
Expenditure to 1st October, 1938, less amounts written off in prior fiscal periods.....	151,371.27	
Add: Expenditure since 1st October, 1938.....	281,102.85	
	432,474.12	
Deduct: Amount written off in current year.....	272,999.52	
	159,474.60	
Balance taken over at Inception of Company....	431,219.59	590,694.19
Mining Property—at Cost.....		1,384,397.84
<i>Plant, Buildings and Equipment—at Cost:</i>		
Balance as at 1st October, 1938.....	757,036.36	
Net Additions during the Year.....	45,588.01	
	802,624.37	
Less: Reserve for Depreciation.....	250,390.02	552,234.35
Investment in Cline Lake Gold Mines, Limited (No Personal Liability).....		892,539.74
Sundry Mining Claims—at Cost.....		14,716.56
		<u>\$4,614,574.76</u>

Approved on behalf of the Board:

J. A. O'BRIEN }
A. JOHNSTON } *Directors.*

O'BRIEN GOLD MINES, LIMITED
(No Personal Liability)
OF THE PROVINCE OF QUEBEC
30th SEPTEMBER, 1939

Liabilities

Accounts Payable and Accrued Charges.....	55,460.72	
Salaries and Wages Payable	10,132.70	
Provision for Taxes.....	72,911.04	
Dividend Payable 16th October, 1939.....	325,000.00	463,504.46

Capital Stock:

Authorized—

4,000,000 Shares of \$1.00 Par Value.....

Issued as Fully Paid and Non-Assessable—

3,250,000 Shares..... 3,000,000.00

Surplus:

Balance at Credit—as per Statement..... 1,151,070.30

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the books and accounts of O'Brien Gold Mines, Limited (No Personal Liability) for the year ended 30th September, 1939, and have obtained all the information and explanations which we have required.

We report that, in our opinion, the above Balance Sheet and relative Statements of Operations and of Surplus Account are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the best of our information and the explanations given to us and as shown by the books of the Company.

(Signed) McDONALD, CURRIE & CO.,

MONTREAL, 18th October, 1939.

Chartered Accountants.

\$4,614,574.76

