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GUNNAR GOLD MINES LIMITED

(No personal Liability)

(Incorporated under the Laws of the Province of Ontario)

SIXTEENTH ANNUAL REPORT

For the Year 1949

CAPITAL

Authorized 3,000,000 Shares - - - Issued 2,735,855
Par Value: \$1.00

OFFICERS

GILBERT A. LABINE, Toronto - - - - - President
CHAS. L. LABINE, Toronto - - - - - Vice-President
JAMES HOUSTON, Toronto - - - - - Secretary-Treasurer

DIRECTORS

GILBERT A. LABINE
FRASER D. REID
CHAS. L. LABINE
JOHN A. MACAULAY, K. C.
JOSEPH S. LABINE

MANAGER

JAMES HOUSTON

TRANSFER AGENTS AND REGISTRARS

CROWN TRUST COMPANY, TORONTO, ONT.

AUDITORS

P. S. ROSS & SONS, TORONTO, ONT.

HEAD OFFICE: 80 KING STREET WEST, TORONTO, ONTARIO

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McGILL UNIVERSITY

GUNNAR GOLD MINES LIMITED

(No Personal Liability)

Toronto 1, Ontario.

April 11, 1950.

TO THE SHAREHOLDERS:

Your Directors submit herewith, the Sixteenth Annual Report of your Company, with Balance Sheet as at December 31, 1949, (Auditors' Report and Certificate attached) together with Statement of Surplus and of Revenue and Expenditure, and the Report of the Manager, Mr. James Houston.

After deducting prospecting, exploration and general operating expenses your Company showed a net operating loss for the year of \$1,206.16. Most of this loss was due to higher expenses in connection with prospecting and exploration work. Surplus as at December 31, 1949, is \$282,249.40 against \$283,455.56 the previous year.

Included in your Company's assets is \$30,414.42 in cash and Dominion of Canada Bonds in the amount of \$175,000.00.

While production figures at Ogama-Rockland Gold Mines Limited have been very close to original estimates, mining costs continue to rise with a consequent drop in profit per ton of ore milled. No new ore of importance was located during the past year but it is expected that the development of the two new lower levels will provide additional tonnage to ore reserves. Recent diamond drilling in an area south of the main shaft gave interesting values in one hole and further drilling is at present under way to test this new vein. During the past year payments received from Ogama-Rockland Gold Mines Limited amounted to \$165,000.00 plus interest payments.

Your Directors are of the opinion that the two properties in Hislop Township, acquired by outright purchase, warrant considerable development. However, this work cannot be undertaken until conditions improve in the gold mining industry.

Some interesting results were secured in prospecting in the Opawica Lake area in Quebec Province during the past summer and these properties will be explored further by surface work and diamond drilling during the coming season.

Attention will also be given to the development of your Company's other gold holdings when conditions permit.

Submitted on behalf of the Board of Directors.

G. A. LABINE,
President.

GUNNAR GOLD MINES LIMITED

(No Personal Liability)

The President and Directors,
Gunnar Gold Mines Limited,
Toronto, Ontario.

Toronto, Ontario,
March 31, 1950.

Dear Sirs:

The following report covers operations of Gunnar Gold Mines Limited for the year ending December 31, 1949, and is submitted for your consideration.

During the past year satisfactory arrangements were completed whereby the Chartrand and Robitaille properties, comprising approximately 240 acres in Hislop Township, were purchased outright for cash and shares of Gunnar Gold Mines Limited. Option payments on the adjoining Allie property were extended to September, 1952. It is not anticipated that any mining work will be done on these properties until more favourable conditions obtain in the gold mining industry.

Production from Ogama-Rockland Gold Mines Limited for the nineteen-month period, June 1st, 1948 to December 31st, 1949, amounted to \$915,508.62 from 77,054 tons of ore milled. This indicates a recovery of \$11.88 per ton milled. To this figure can be added an amount of \$205,318.93 received under the Emergency Gold Mining Assistance Act. Since the first of the year the main shaft at this property has been deepened to the 1,000 foot level. Crosscutting to the veins has recently started on both the 875 and 1,000 foot levels and ore should be encountered in three or four weeks' time.

Accrued interest on the Gunnar loan to December 31, 1949, amounting to \$24,659.86, was paid on that date by Ogama-Rockland Gold Mines Limited. Payments of \$165,000.00 on account of the principal were made during the past year. The outstanding amount of this loan now totals \$410,000.00.

Your Company's share interest in McBine Porcupine Gold Mines Limited and Shawkey (1945) Mines Limited remains the same as last year. When conditions improve it is expected that these properties will be developed.

One party of prospectors worked in the Bachelor and Opawica Lake areas, in the Province of Quebec during the past year. A large vein containing some visible gold was uncovered on a group of 12 claims staked on behalf of your Company north of Opawica Lake. Due to heavy overburden this vein could only be uncovered by trenching in six test pits along a distance of approximately 500 feet. Sufficient values were found to warrant further exploration of the vein by diamond drilling. It is expected that this work will be undertaken during the summer months. At the close of the season a group of 25 claims were staked on the north shore of Opawica Lake. These claims will be examined during the summer months.

Respectfully submitted,

JAS. HOUSTON,
Manager.

GUNNAR GOLD MINES LIMITED

(No Personal Liability)

STATEMENT OF REVENUE AND EXPENDITURES AND OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1949

REVENUE:

Interest and dividends on investments, and interest on mortgages	\$ 31,371.21
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EXPENDITURES:

Prospecting and exploration, outside properties	\$ 9,361.71
Head office administrative and general expense	23,215.66
	<u>32,577.37</u>

Net loss	\$ 1,206.16
Surplus as at January 1, 1949	283,455.56
	<u>\$282,249.40</u>
Surplus as at December 31, 1949	

Signed on behalf of the Board:
G. A. LABINE, Director.
F. D. REID, Director.

AUDITORS' REPORT TO THE SHAREHOLDERS

Gunnar Gold Mines Limited,
Toronto, Ontario.

Toronto, Ont.,
April 6, 1950.

Gentlemen:

We have made an examination of the books and accounts of Gunnar Gold Mines Limited (No Personal Liability) for the year ended December 31, 1949, and we certify that all our requirements as auditors have been complied with.

We report that, in our opinion, the accompanying Balance Sheet and related Statement of Revenue and Expenditure and of Surplus have been properly drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1949, and the result of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the company.

Respectfully submitted,

P. S. ROSS & SONS,
Chartered Accountants.

GUNNAR GOLD MINES LIMITED

(No Personal Liability)

BALANCE SHEET AS AT DECEMBER 31, 1949

ASSETS

CURRENT ASSETS:

Cash on hand and in bank	\$ 30,414.42		
Investment in Dominion of Canada bonds (quoted market value \$174,597.50) at cost	175,642.50		
Accrued interest on bonds	510.42		
Accounts receivable	1,449.50		
Stores and supplies on hand	2,510.74	\$	210,527.58

INVESTMENTS IN AND ADVANCES TO MINING COMPANIES:

Listed Companies:

Ogama-Rockland Gold Mines Limited:

Shares (quoted market value \$145,642.00) at cost less write down of \$30,000.00	\$ 95,979.34		
First mortgage debentures, 5%, payable on demand	410,000.00	\$505,979.34	

Other:

Shares (quoted market value \$106,087.90) at cost	\$133,681.00		
Advances	1,986.06	135,667.06	
		\$641,646.40	

Unlisted Companies:

Shares at cost	\$ 31,110.29		
Advances	1,244.93	32,355.22	674,001.62

MORTGAGE RECEIVABLE—3%			2,136.01
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CAPITAL ASSETS:

Mining leases and properties—at cost		\$235,071.60	
Diamond drills and equipment	\$ 10,179.46		
Vehicles	1,695.00		
	\$ 11,874.46		
Less: Reserve for depreciation	4,158.53	7,715.93	242,787.53

DEFERRED ASSETS:

Exploration and development expenses including payments on option to purchase mining claims	\$ 24,128.44		
Prepaid insurance, expenses and deposits	1,437.93	25,566.37	
		\$1,155,019.11	

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 380.98		
Accrued charges	332.49	\$	713.47

CAPITAL AND SURPLUS:

Capital Stock:

Authorized, 3,000,000 shares of \$1.00 each par value

Issued and fully paid,

Balance, January 1, 1949, 2,704,131 shares	\$ 2,704,131.00		
Issued for purchase of mining properties, 31,724 shares	31,724.00		

	\$ 2,735,855.00		
Less: Discount on shares	1,863,798.76	\$872,056.24	

Surplus	282,249.40	1,154,305.64	
		\$1,155,019.11	

