

REPORT

OF THE

DIRECTORS

OF

The Consolidated Mining & Smelting Co. OF CANADA, LIMITED

For year ending 30th June, 1908.

BOARD OF DIRECTORS :

W. D. MATTHEWS, TORONTO	-	-	-	PRESIDENT
GEO. SUMNER, MONTREAL	-	-	-	VICE-PRESIDENT
W. H. ALDRIDGE, TRAIL, B.C.	-	-	-	MANAGING DIRECTOR
E. B. OSLER	-	-	-	TORONTO
CHARLES R. HOSMER	-	-	-	MONTREAL
H. S. OSLER	-	-	-	TORONTO
W. L. MATTHEWS	-	-	-	TORONTO
J. C. HODGSON	-	-	-	MONTREAL
F. P. BUCK	-	-	-	SHERBROOKE

THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA, LIMITED.

DIRECTORS' REPORT.

To the Shareholders o

*The Consolidated Mining and Smelting Company
of Canada, Limited.*

GENTLEMEN :—

Your Directors beg to submit the third Annual Report of the Company's operations, together with the Managing Director's Report, the Financial Statement and Auditors' Report for the year ending June 30th, 1908.

The late financial panic which brought about the unsettled condition in the metal markets and a heavy decline in the prices of silver, lead and copper has seriously interfered with profits in the working of the mines. Notwithstanding this, development work has been fully kept up and a number of important improvements and additions have been made at the various properties, full information of which is given by the Managing-Director.

Your Directors are pleased to inform you that the Dominion Government, at the last session of Parliament, renewed the lead bounty for a further period of five years.

W. D. MATTHEWS,

President.

TORONTO, 22nd September, 1908.

FINANCIAL STATEMENT

OF
THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA,

LIMITED

FOR YEAR ENDING JUNE 30TH, 1908.

LIABILITIES

Capital—Authorized \$5,500,000.00		
Issued 53,552 shares of \$100 each	\$5,355,200 00	
Sundry Banks—		
Bank of Montreal, Rossland—		
Loan and Overdraft	\$1,551,319 01	
Accrued Interest	1,516 91	
"Snowshoe" Account	29,707 92	
Canadian Metal Co's Account	125,000 00	
	<u>\$1,707,543 84</u>	
Contingent Liability at June 30th 1908, on drafts against Matte Shipments \$78,854.37,		
Bank of British North America:		
Pay roll account	2,165 65	
	<u>1,710,069 49</u>	
Sundry Accounts Payable and Unpaid Dividends	56,147 15	
Payments on account of lead purchased	31,457 99	
	<u>\$7,605 14</u>	
Reserve for Claims awaiting adjustment	20,000 00	
Profit and Loss Account—		
Balance June 30th, 1907	55,586 60	
As per Statement, year ending June 30th, 1908	43,415 93	
	<u>99,001 93</u>	
<i>Less:</i>		
Dividend No. 7, paid Nov. 5th, 1907	66,940 00	
	<u>32,061 93</u>	
		<u>\$7,204,876 56</u>

FINANCIAL STATEMENT

OF
THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA,

LIMITED

FOR YEAR ENDING JUNE 30TH, 1908.

ASSETS

Mines, Mineral Claims, Shares in other Companies, etc.	\$3,916,787 00	
Expenditure on Richmond Eureka Group	24,444 33	
Lease on "Snowshoe" Mine	29,707 92	
Expenditure on Phoenix Amalgamated Group	25,052 54	
	<u>\$3,995,992</u>	
Mining, Smelting, Concentrating and Refining Plants:		
Balance at June 30th, 1907	\$1,282,116 35	
Add Construction Account, June 30th, 1907 to June 30th, 1908	315,759 40	
	<u>\$1,597,875 75</u>	
<i>Less:</i>		
Sales of Machinery	\$ 197 18	
Depreciation	132,843 20	
	<u>\$133,040 38</u>	
		<u>1,464,835</u>
Smelter Product on hand and in transit to Refineries: Pig Lead, Bullion, Matte, Bauxstone and Antimony	\$311,738 24	
Ores and Metals on hand and in Transit to Smelter at June 30th, 1908: values of metal contents corrected to Market quotations—less estimate for refining cost:		
Ores on hand	\$475,269 26	
Refinery metals on hand	336,264 72	
Ore in transit to Smelter	17,189 09	
	<u>\$828,663 07</u>	
		<u>1,140,401</u>
Mine and Smelter Stores and Material		334,000
Sundry Accounts Receivable	\$116,107 86	
Loan to Canadian Metal Company:		
Secured by first mortgage on Assets	125,000 00	
		<u>241,107</u>
Insurance and Taxes paid in advance		24,441
Cash: Head Office, Toronto	\$3,149 96	
Bank of British North America, Kaslo	484 00	
Eastern Townships Bank, Phoenix	446 41	
Imperial Bank, Cranbrook	16 00	
	<u>4,097</u>	
		<u>\$7,204,876 56</u>

AUDITORS REPORT

We have audited the Accounts of the Consolidated Mining and Smelting Company of Canada, Limited, for the year ending June 30th, 1908, including the Mine and Smelter Accounts maintained at the Offices at Moyle, Phoenix, Rossland and Trail, B.C. The inventories of Ores, Smelter Products and Materials at June 30th, 1908, are as certified by Managers and Storekeepers, the values of metal contents have been corrected to Market quotations of that date and the estimated cost of refining products in course of treatment has been deducted from said values.

Subject to the foregoing, we certify that the above Balance Sheet is, in our opinion, properly drawn up so as to exhibit a correct view of the financial position of the Company as at date of closing the Accounts to June 30th, 1908.

VANCOUVER, B.C., August 15th, 1908.

CLARKSON, CROSS & HELLIWELL,

Chartered Accountants.

PROFIT AND LOSS ACCOUNT

YEAR ENDING JUNE 30TH, 1908.

To Smelter Product on hand June 30th, 1907, and in transit from Smelter to Refiners.....		\$ 466,176 20
" Ore on transit to Smelter, June 30th, 1907, and in process of treatment.....		1,083,780 09
" Customs Ore, Lead and Bullion purchased.....		2,146,807 29
" Freight in Ore from Company's Mines.....		109,243 13
" Mining, Smelting and General Expenses:		
St. Eugene Mines.....	\$ 495,177 54	
Centre Star ".....	513,519 58	
Snowshoe ".....	80,712 50	
Richmond Eureka Mines.....	5,252 89	
Trail Smelter and Refinery.....	1,268,737 07	
		2,363,399 58
" Development Expenses:		
St. Eugene Mines.....	\$210,886 41	
Centre Star ".....	332,392 63	
Snowshoe ".....	20,947 02	
		564,226 06
" Royalty on Snowshoe Ore.....		13,588 30
" Depreciation: General Plant and Equipment.....		132,843 20
" Director's Fees.....		8,800 00
" Depreciation of Stores, Bad Debts, etc.....		27,127 55
" Balance, Profit.....		43,415 93
		\$6,959,407 33
To Dividend No. 7 paid November 5th, 1907.....		\$66,940 00
" Balance carried down.....		32,061 93
		\$99,001 93

PROFIT AND LOSS ACCOUNT

YEAR ENDING JUNE 30TH, 1908.

By Sales of Smelter Product, Profit on Refining, etc.....		\$5,618,645 43
“ Sales of Ores		198,113 62
“ Smelter Product on hand June 30th, 1908, and in transit from Smelter to Refiners: Pig Lead, Matte, Bullion, Bluestone and Antimony....		311,738 24
“ Ores and Metals on hand and in transit to Smelter at June 30th, 1908; values of metal contents corrected to market quotations—less estimate for refining cost:		
Ores on hand.....	\$475,209 26	
Ores in transit to Smelter	17,189 09	
Refinery Metals on hand.....	336,264 72	
		828,663 07
“ Rents and Sundry Revenue.....		2,216 97
		\$3,959,407 33
By Balance from June 30th, 1907.....		\$55,586 00
“ Balance brought down.....		43,415 93
		\$99,001 93
June 30th, 1908—By Balance.....		\$32,061 93

MANAGING DIRECTOR'S REPORT

TRAIL, B.C., AUGUST 15th, 1908.

*To the Directors of
The Consolidated Mining and Smelting Company
of Canada, Limited.*

GENTLEMEN :—

I beg to submit the results of the Consolidated Company's operations for the year ending June 30th, 1908, including Balance Sheet, Profit and Loss Account, Production, and General Report.

FINANCIAL STATEMENT

After writing off \$132,843.20 depreciation upon plant and equipment, (as compared to \$91,705.50 depreciation marked off during the previous year) \$27,127.55 on account of depreciation of stores and doubtful accounts, and charging to profit and loss account \$564,226.06 expended upon development, the operating profit shown is \$43,415.93. Having provided for the above, and the payment of dividend No. 7 amounting to \$66,940.00, the balance at the credit of Profit and Loss Account is \$32,061.93.

As mentioned in the Annual Report of the previous year, due to circumstances beyond the control of the Company, the stock of ores and metals on hand June 30th, 1907, was very large. Before it was possible to market these metals, their values commenced declining rapidly. The fall in prices during the year is shown by the following quotations:

	London Lead	New York Silver	New York Copper
June 30th, 1907:	£20 : 0 : 0	67½ Cents	22½ Cents
June 30th, 1908:	12 : 5 : 0	53½ Cents	12½ Cents
Difference,—	£7 : 15 : 0	13½ Cents	9½ Cents

Had it been possible to market the metals on hand June 30th, 1907, at quotations of that date, and to market the metals contained in the ores received during the year at the same quotations as those allowed the mines, then the Consolidated Company's profits would have been increased by over \$430,000.

During the year additions to the various plants have amounted to \$315,562.22, and the cost of new properties and their development to \$621,894.73, or a total of \$937,456.95. This amount has been provided by the payment of \$416,056.95 cash from working capital. The balance of \$521,400 is represented by capital stock issued in payment for new properties.

The Snowshoe over-draft guaranteed by the Consolidated Company has been reduced from \$46,196.07 to \$29,707.92.

The advance to the Canadian Metal Company of \$125,000 (secured by a first mortgage upon the Bluebell Mine and Concentrator, and Frank Zinc Smelter) will be repaid October 31st, 1908. A portion of the above advance was used in the construction of a concentrator at the Bluebell Mine, which is now in operation. The product is being regularly shipped to Trail for treatment.

PRODUCTION

Following are the productions of the different properties controlled and operated by the Consolidated Mining and Smelting Company of Canada, Limited, for the year ending June 30th, 1908, and the total production to date, as far as can be ascertained. It will be noted that the gross value of metals produced at the Company's Smelting Works has been over \$31,000,000, and that during the year the gross value was \$5,428,501 as compared to \$3,786,146, the production for the previous year, being an increase of over 43%.

YEAR ENDING JUNE 30th, 1908

	Tons Ore.	Gold in Ounces.	Silver in Ounces.	Lead in Pounds.	Copper in Pounds.	Total Value.
Centre Star and } War Eagle }	175,799	76,473	61,530	.....	2,454,154	\$1,915,954
St. Eugene, Ore	155,419	.....	.....	.....	.....	.....
St. Eugene, Conc.	24,523	.....	595,909	28,054,312	.....	1,319,022
Richmond Eureka	1,006	.....	57,547	385,123	.....	47,248
						<u>\$3,282,224</u>
Snowshoe (leased)	86,550	4,958	27,215	.....	2,162,705	384,203
Mines, Owned and Leased by the Con- solidated Company	.....	.....	.....	.....	.....	3,666,427
Trail Smelter.....	305,956	121,380	2,224,888	32,157,139	4,004,468	5,428,501

The average gross assay-value per ton of shipments from the Centre Star Group, Ross-land, has been higher than for any year since 1903.

The ore concentrated in the St. Eugene mill averaged lower in lead and silver than in former years, requiring 6.3 tons of ore to make one ton of concentrates.

PRODUCTION BEGINNING 1894, TO DATE

	Tons Ore Mined.	Gold in Ounces.	Silver in Ounces.	Lead in Pounds.	Copper in Pounds.	Gross Value.
Centre Star, War Eagle Group	1,100,271	565,661	749,432	.....	23,538,068	15,640,236
*St. Eugene, Ore	684,311	.....	.....	.....	.....	.....
*St. Eugene, Conc....	138,878	.....	3,951,141	162,905,421	.....	7,522,298
Snowshoe.....	227,882	16,349	70,161	.....	5,935,341	1,587,344
Richmond Eureka....	1,071	.....	64,110	449,720	.....	53,780
Trail Smelter	1,597,142	699,522	12,403,992	134,828,662	32,841,224	31,228,732

*Production prior to 1906 corrected.

DEVELOPMENT

There are 19 miles of underground development or narrow work in the Centre Star Group, 12½ miles in the St. Eugene, and 3,300 feet in the Richmond Eureka. The Consolidated Company has done 1,366 feet of narrow work and 1,348 feet of diamond drilling on the Snowshoe Mine. The Phoenix Amalgamated has a total of 800 feet of narrow work, a number of open cuts, and 1,749 feet of diamond drilling.

Following is the development or narrow work (given in feet) which has been driven during the year:

	Drifting.	Cross-Cutting.	Raising.	Sinking.	Total.	Diamond Drilling.
Centre Star and Idaho ...	7,218·0	3,152·0	481·5	518·5	11,370	10,032·9
War Eagle and Iron Mask.	2,508·5	661·0	418·5	100·5	3,748·5	4,160·1
St. Eugene.....	7,934	1,843	2,596	266	12,639	4,569
Richmond Eureka	1,125	266·0	313	0	1,704	0
Snowshoe	358	205·5	351·5	0	915	1,126
Phoenix Amalgamated....	0	246	75·0	30	351	1,749

The ore reserves in the Centre Star Group, Rossland, have been increased. Shipments from these properties for the year have been 175,799 tons, containing a gross assay-value of \$1,915,953.79 as compared to 81,788 tons containing a gross assay-value of \$893,249 during the previous year.

The lower workings of the War Eagle and Iron Mask Mines have been producing high grade ore during the year. For example, during the month of June, 2,133 tons were shipped, containing a total gross value of \$50,700, or nearly \$24.00 per ton. The occurrence and development of this higher grade product in depth are encouraging features of the year's operations.

The 12th level Centre Star has yielded a large tonnage. The 13th and 14th levels have only, as yet, added slightly to the ore reserves, but prospecting is still incomplete upon these levels.

The Centre Star Shaft is now 20 feet below the 16th level, which makes a total vertical depth below the collar of the shaft of 2,050 feet, and measured along the slope 2,183 feet. Within another month sinking will be stopped and the prospecting and developing of the 15 and 16 feet levels commenced.

Large bodies of heavy sulphide ore have been found in the Idaho, but the gold contents have been disappointing.

The probable ore reserves of the St. Eugene Group, Moyie, are nearly 50% greater than a year ago. Ore 50% better in grade than last year's average has been found between the 600 ft. and 800 ft. levels, on the main vein above the 1,500 ft. level, and between the 1,900 ft. and 2,000 ft. levels. Between the 1,700 ft. and 1,800 ft. levels, a new avenue, called No. 2½, has been located, and this avenue has also been found and partly developed upon the 1,900 ft. level. Another new avenue, (which will be designated as Fifth Avenue) located approximately 120 ft. farther in the hill than Fourth Avenue, is being developed on the 1,900 ft. and 2,000 ft. levels.

In the report of last year, it was mentioned that the 2,000 ft. level did not promise to yield as much tonnage as the 1,900 ft. level; but present indications are that the 2,000 ft. level will produce more ore than the 1,900 ft. level, or any other level in the mine. The grade of the ore is, however, lower than that produced from the upper workings. Some

bodies of low grade material have been found on the 2,100 ft. level, and a raise from this level shows ore of workable grade. Prospecting upon this level is still incomplete. Drifting and cross-cutting upon the 2,200 feet level are progressing, and one or two low grade ore bodies have been found. It will require six months or a year to determine the amount of ore upon this level.

The main St. Eugene shaft is 24 ft. below the 2,400 ft. level, or 749 ft. vertically below the collar of the shaft.

The Richmond Eureka, at Sandon, is developing very satisfactorily. An aerial tramway was completed last January, and regular monthly shipments of 250 tons of ore are being made, containing approximately lead 18.5%, silver 55 ounces per ton. The probable stopping area is seven or eight times greater than was estimated a year ago.

Prospecting upon the Phoenix Amalgamated Group was started last summer, but was discontinued at the time the Snowshoe Mine was closed. It was decided to postpone further prospecting until the latter resumed operations. A large amount of low grade material has been found close to the surface, and indications are that there is a body of low grade ore, containing a sufficient excess of iron to make it profitable to mine. The extent and commercial value of this body is not yet known.

The tonnage developed in the Snowshoe Mine (leased by the Consolidated Company) is the same as last year. No ore has been found below the faults which cut off the ore bodies in depth, but the chances are favorable for finding additional ore bodies near the surface.

The Snowshoe mine was shipping 25,000 tons per month when the general demoralization of the copper market occurred. For this reason, the mine was closed in November, 1907. The prices for copper having improved, and the general situation being better, it has been decided to commence shipments within the next few weeks. The average assay of 135,550 tons shipped by the Consolidated Company has been, Gold, 0.59 oz.; Silver, 0.32 oz.; Copper, 1.3%.

CONSTRUCTION AND IMPROVEMENTS

The amount expended upon new construction and improvements during the year amounted to \$315,562.22. A portion of this amount was used in completing work started during the previous year, and most of the remainder upon the following:

Equipment of the Richmond Eureka Mine, including an aerial tramway; buildings and equipment at the Phoenix Amalgamated; sorting plant and extensions to the St. Eugene Mill for increasing its capacity and efficiency; additional Huntington and Heberlein Plant at Trail; new anode plant at Trail; electric locomotives, and other electric installations.

RESULTS AND MANAGEMENT

While the financial results have not been satisfactory, the operating profits having been absorbed by the heavy losses experienced in handling metals on a rapidly declining market, yet from an operating and metallurgical standpoint, the year was a decided improvement

upon the one preceding; that is, the tonnage handled was much greater, the values (excepting in the St. Eugene) higher, and the recovery of metals and costs at the Trail Smelter and refinery better. Eliminating losses in quotations the operating profits were larger.

These satisfactory operating results are due to the excellent work of the many employees at the various properties, and to the following gentlemen:

R. H. Stewart, Manager of the Company's Mines; Jules Labarthe, Manager of the Trail Smelter and Refinery; T. W. Bingay, Comptroller; William Chambers, Superintendent of the Smelter; John F. Miller, Superintendent of the Refinery; A. J. McNab and James Buchanan, Metallurgists; R. Purcell, Superintendent of Rossland Mines; S. G. Blaylock, Superintendent of St. Eugene Mines; Charles Biesel, Superintendent of Phoenix Mines; A. W. Davis, Superintendent of Richmond Eureka, and John M. Turnbull, Mining Engineer.

Respectfully submitted,

W. H. ALDRIDGE,

Managing Director.