

THE
CONSOLIDATED
MINING & SMELTING
COMPANY OF CANADA
LIMITED



ANNUAL REPORT *and* STATEMENTS
FOR TWELVE MONTHS ENDING
DECEMBER 31, 1938

THIRTY-THIRD ANNUAL REPORT
OF
THE CONSOLIDATED
MINING and SMELTING COMPANY
OF CANADA, LIMITED

FOR TWELVE MONTHS ENDING
DECEMBER 31st, 1938

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BOARD OF DIRECTORS

SIR EDWARD BEATTY, G.B.E. <i>Montreal, Que.</i>	HENRY JOSEPH <i>Montreal, Que.</i>
S. G. BLAYLOCK <i>Trail, B.C.</i>	THAYER LINDSLEY <i>Toronto, Ont.</i>
HON. R. RANDOLPH BRUCE, <i>Montreal, Que.</i>	R. S. McLAUGHLIN <i>Oshawa, Ont.</i>
L. A. CAMPBELL <i>Trail, B.C.</i>	R. H. McMASTER <i>Montreal, Que.</i>
SIR CHARLES GORDON, G.B.E. <i>Montreal, Que.</i>	F. GORDON OSLER <i>Toronto, Ont.</i>
J. C. HODGSON <i>Westmount, Que.</i>	W. N. TILLEY, K.C. <i>Toronto, Ont.</i>
SIR HERBERT S. HOLT . . . <i>Montreal, Que.</i>	JAMES J. WARREN* <i>Toronto, Ont.</i>

EXECUTIVE COMMITTEE

SIR EDWARD BEATTY, G.B.E.	SIR HERBERT S. HOLT
*JAMES J. WARREN	
<i>Head Office, Montreal, Que.</i>	

TRANSFER AGENTS

THE TORONTO GENERAL TRUSTS CORPORATION	<i>Toronto</i>
THE ROYAL TRUST COMPANY	<i>Montreal</i>
THE ROYAL TRUST COMPANY	<i>Vancouver</i>
BANK OF MONTREAL TRUST COMPANY	<i>New York</i>

REGISTRARS

THE TRUSTS & GUARANTEE COMPANY, LIMITED	<i>Toronto</i>
MONTREAL TRUST COMPANY	<i>Montreal</i>
MONTREAL TRUST COMPANY	<i>Vancouver</i>
CHEMICAL BANK & TRUST COMPANY	<i>New York</i>

*Deceased January 28th, 1939.

Directors' Report

TO THE SHAREHOLDERS
OF THE CONSOLIDATED MINING AND
SMELTING COMPANY OF CANADA, LIMITED.

Your Directors submit herewith the usual Financial Statements with reports of the Officers of the Company for the year 1938. The Financial Statements and the report of the Vice-President and General Manager of the West Kootenay Power and Light Company, Limited, are also included.

The shareholders have been advised through the press of the sudden death of Mr. James J. Warren, the President, at Southern Pines, North Carolina, on January 28th last. Mr. Warren had been a Director of the Company since 1914 and succeeded the late W. D. Matthews as President in 1919. He was at all times loyal to the Company's interests and his term of office coincided with the period of the Company's greatest expansion and development. His loss will be very much felt, particularly by his colleagues on the Board.

Colonel Arthur L. Bishop, of Toronto, has been elected a Director to fill the vacancy on the Board created by Mr. Warren's death.

PROFITS:

The profit for the year was adversely affected by the continuation of low selling prices of our principal products. The previous year was exceptional in that it included several months of high prices caused by a scarcity of supplies coupled with a demand stimulated by re-armament programmes. The rise in prices was intensified by the same speculation that occurred during that period in other commodities. However, by the end of 1937 a considerable deflation had taken place and prices had receded to a low level. Our production of metals and fertilizers in 1938 was well maintained and reached new highs in several instances. Operating costs were satisfactory, and were generally lower than for the previous year.

After making provision for Depreciation, Depletion, Taxes and Employees' Pensions, the net profit for the year was \$6,213,724.96. This amount added to our Earned Surplus Account brought the latter to a total of \$11,738,524.10.

DIVIDENDS:

Dividends of \$1.00 per share plus bonuses of \$1.50 per share, making a total distribution of \$2.50 per share, were declared and paid to shareholders during the year. After charging these payments, the balance in Earned Surplus carried forward to 1939 was \$3,573,937.10.

INVENTORIES:

Our stocks of finished products on hand increased during the year. With the object of keeping our normal force fully employed and in view of the low market prices prevailing throughout the period, no special efforts were made to prevent this increase. It is confidently expected that the liquidation of the accumulation will be effected in due course at somewhat higher prices.

NEW PRODUCING MINES:

During 1938 three of the gold prospects which have been under development for several years were put into production—the Con in the Yellowknife District of the Northwest Territories, the Big Missouri in British Columbia, and the Caribou in Nova

Scotia. These are dealt with in more detail in the report of the Vice-President and Managing Director.

COAL PROPERTIES:

The coal mines in Alberta, in which we have large interests, operated satisfactorily with improved costs and somewhat higher profits. They continue to furnish reliable sources of coal and coke for our plants in British Columbia.

PACIFIC COAST TERMINALS COMPANY, LIMITED:

This subsidiary at New Westminster, B.C., showed another profitable year. Some extensions to the Plant and buildings were completed and necessary repairs made and further improvements are under construction. These improvements will enable the Company to handle the larger tonnages of both incoming and outgoing freight which are now offering.

CAPITAL EXPENDITURES:

The development of new mining properties and the equipment of some of these for production and additions and renewals made in our existing plants again called for heavy expenditures on capital account. Details will be found in the report of the Comptroller.

SMOKE CLAIMS:

A temporary decision of the International Tribunal in connection with claims for smoke damage in the State of Washington was published in April, 1938. The findings called for payment to the United States of \$78,000.00 for damage caused, and for the institution of a temporary regime controlling the emission of sulphur from the stacks of the Trail Smelter. This temporary regime is to last until the final decision of the International Tribunal is brought down at some date prior to the 1st October, 1940. It is not expected that any further cash payments for damages will be called for.

STAFF:

Mr. S. G. Blaylock, formerly Vice-President and General Manager, has been appointed Vice-President and Managing Director in charge of all operations, including mining and exploration.

Your thanks are due to the Staff and Employees for faithful and efficient service.

On behalf of the Board,

E. W. BEATTY,
Vice-President.

Montreal, P.Q., March 15, 1939.

The Consolidated Mining and Smelting

BALANCE SHEET AS AT

LIABILITIES

CAPITAL:

Authorized:		
4,000,000 shares at \$5.00.....		\$20,000,000.00
Issued and fully paid:		
As at December 31, 1937—3,262,984 shares.....		\$16,314,920.00
Allotted as fully paid during 1938:		
To employees as bonus—4,346 shares.....	21,730.00	
Total as at December 31, 1938—3,267,330 shares....		\$16,336,650.00

PREMIUM ON SHARES ISSUED.....		7,266,867.75
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SUNDRY CREDITORS:

Accounts payable.....	\$ 1,538,645.49	
Reserve for Dominion and Provincial taxes.....	1,286,146.94	
	\$ 2,824,792.43	
Subsidiary companies.....	6,765,748.93	
		9,590,541.36

DIVIDENDS PAYABLE:

Dividend No. 67.....	\$ 1,981,372.20	
Unclaimed dividends.....	4,821.02	
		1,986,193.22

PAYMENTS IN ADVANCE ON SALES CONTRACTS.....		50,069.91
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RESERVES:

Insurance.....	\$ 1,141,604.58	
Employees' pensions.....	643,901.59	
Contingent reserve (of which \$100,000.00 may be absorbed in connection with accounts receivable):		
As at December 31, 1937.....	\$4,645,812.49	
Less: United States smoke damage expenses.....	139,964.19	
		4,505,848.30
Additions to property through profit and loss:		
As at December 31, 1937.....	\$10,891,628.81	
Less: Exploration expenditure in 1938 and prior years written off.....	1,270,345.60	
		9,621,283.21
		15,912,637.68

CONTINGENT LIABILITIES:

As guarantor of West Kootenay Power and Light Company Limited bonds due March 1, 1956: total authorized \$20,000,000.00:
 Series "A", 4 per cent.: outstanding \$6,194,000.00, redeemed \$306,000.00.
 Series "B", 3¾ per cent.: outstanding \$2,500,000.00;
 Contracts to sell \$1,124,286.77 U.S. Funds, £230,000:0:0 Sterling and 198,000 D.E.I. Guilders;
 Sundry guarantees \$8,260.78.

EARNED SURPLUS ACCOUNT.....		3,573,937.10
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On behalf of the Board:
 E. W. BEATTY, }
 S. G. BLAYLOCK } Directors.

\$54,716,897.02

Company of Canada, Limited

DECEMBER 31, 1938

ASSETS

MINES, MINERAL CLAIMS AND SECURITIES OF OTHER COMPANIES:			
As at December 31, 1937 before deduction of depletion reserve.....		\$15,686,009.68	
Add: Expenditure in 1938.....		2,102,886.47	
		<u>\$17,788,896.15</u>	
Deduct: Written off, sold or transferred to other accounts in 1938.....		1,912,871.86	
Total: (Including securities held at book values, viz: bonds \$91,100.63, shares \$2,754,810.45).....		<u>\$15,876,024.29</u>	
Deduct: Depletion reserve:			
As at December 31, 1937.....	\$8,639,063.18		
Provision in 1938.....	915,990.63	9,555,053.81	
			\$ 6,320,970.48
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY COMPANIES:			
As at December 31, 1937.....		\$12,706,555.74	
Add: Investments and advances in 1938.....	\$ 817,224.24		
Transferred from other accounts.....	338,379.01	1,155,603.25	
		<u>\$13,862,158.99</u>	
Deduct: Bonds sold and advances written off in 1938.....	\$ 41,114.44		
Advances repaid in 1938.....	132,314.53	173,428.97	
Balances December 31, 1938:			13,688,730.02
Shares.....	\$ 7,588,476.42		
Bonds.....	1,145,149.66		
Advances.....	4,955,103.94		
	<u>\$13,688,730.02</u>		
MINING, SMELTING, CONCENTRATING, REFINING AND FERTILIZER PLANTS, INCLUDING LAND AND BUILDINGS:			
At cost less depreciation written off and sales at realized values:			
As at December 31, 1937 before deduction of depreciation reserve.....		\$31,115,776.34	
Add: Net expenditure in 1938.....	\$ 2,502,196.80		
Transferred from other accounts.....	465,093.32	2,967,290.12	
		<u>\$34,083,066.46</u>	
Deduct: Written off to depreciation reserve in 1938.....		2,788,548.96	
		<u>\$31,294,517.50</u>	
Deduct: Depreciation reserve:			
As at December 31, 1937.....	\$16,421,422.98		
Provision in 1938.....	1,589,913.20		
	<u>\$18,011,336.18</u>		
Deduct: Written off in 1938.....	2,788,548.96	15,222,787.22	16,071,730.28
ORES, METALS, SMELTER PRODUCTS AND FERTILIZER PRODUCTS ON HAND AND IN TRANSIT:			
From Company's records and calculations of its officials; metals and fertilizer products under sale contracts at selling price less estimated expenses; unsold products at cost or market value, whichever is the lower.....			9,533,088.07
CHARGES PREPAID ON SALES CONTRACTS AND CONSIGNMENTS.....			746,795.58
DEFERRED CHARGES TO OPERATIONS.....			79,464.70
STORES AND MATERIALS FOR MINE, SMELTER AND FERTILIZER PLANTS:			
As shown by stock records periodically verified by inventories and priced at cost less deduction for depreciation.....			4,713,914.44
ACCOUNTS RECEIVABLE:			
Officers.....		\$ 433.44	
Shareholders:			
Housing loans to shareholder employees.....	\$ 223,756.27		
Other accounts.....	57,431.23		
		281,187.50	
Housing loans to employees other than shareholders.....		721,472.63	
Customers and sundry and accrued revenue.....		904,510.45	
		<u>1,907,604.02</u>	
MUNICIPAL AND INDUSTRIAL BONDS:			
At cost (market value December 31, 1938, \$580,721.11).....			598,395.98
CASH IN BANKS AND ON HAND.....			1,056,203.45
		<u>\$54,716,897.02</u>	

For Auditors' Report, see page 8.

The Consolidated Mining and Smelting

FOR THE YEAR ENDED

STATEMENT OF INCOME AND EXPENDITURE

Sales of smelter, chemical and fertilizer products, etc.....		\$28,013,276.13
Royalties, rents and sundry revenue.....		74,719.59
Ores, metals, smelter products and fertilizer products on hand and in transit at December 31, 1938.....		9,533,088.07
		<u>\$37,621,083.79</u>
Ores, metals, smelter products and fertilizer products on hand and in transit at December 31, 1937.....	\$7,865,914.69	
Freight on company ores.....	997,645.05	
Customs ore, bullion and fertilizer materials purchased.....	3,022,167.54	
Mining, smelting, chemical and fertilizer and general expense (including proportion of total remuneration of \$88,116.16 paid to legal advisers).....	16,392,104.24	
Development expense.....	565,434.57	
Directors' fees and remuneration.....	28,710.00	
Executive officers' fees and remuneration.....	149,397.64	
Interest and exchange—bank and general.....	31,353.88	
Sundry items written off and reserved for.....	41,276.18	
		<u>29,094,003.79</u>
Net operating profit before provision for depreciation (general), depletion, income taxes and employees' pension reserve.....		\$8,527,080.00
<i>Add:</i>		
Income from investments.....	\$1,526,520.07	
Profit on bonds sold.....	62,935.11	
		<u>1,589,455.18</u>
		\$10,116,535.18
<i>Deduct:</i>		
Provision for depreciation of plant and equipment (the remainder of the total provision of \$1,589,913.20 has been charged to operating accounts).....	\$1,563,558.00	
Provision for depletion of mineral properties.....	915,990.63	
Provision for mineral and income taxes.....	1,400,000.00	
Provision for employees' pension reserve.....	23,261.59	
		<u>3,902,810.22</u>
NET PROFIT CARRIED TO EARNED SURPLUS ACCOUNT.....		<u>\$6,213,724.96</u>

Company of Canada, Limited

DECEMBER 31, 1938

STATEMENT OF EARNED SURPLUS ACCOUNT

Balance December 31, 1937.....	\$5,524,799.14
<i>Add:</i> Net Profit for year ended December 31, 1938.....	<u>6,213,724.96</u>
	\$11,738,524.10
<i>Deduct:</i> Appropriation for dividends Nos. 66 and 67.....	<u>8,164,587.00</u>

EARNED SURPLUS AT DECEMBER 31, 1938, PER BALANCE SHEET..... \$3,573,937.10

STATEMENT AS TO SUBSIDIARY COMPANIES

SECTION 114 OF DOMINION COMPANIES ACT, 1934

Except to the extent of dividends received from subsidiary companies, neither profits nor losses of subsidiaries, so far as they concern the Holding Company, have been dealt with in the accounts of the Holding Company; the combined aggregate of profits, less losses, is greater than the said dividends; development and maintenance expenses of certain subsidiaries which have not reached the production stage are not treated as losses. Development and maintenance expenses, as well as the balances of profits (less dividends) and losses, are carried forward in the accounts of the subsidiary companies.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Vancouver, B.C., March 14, 1939.

AUDITORS' REPORT

We certify that we have audited the accounts of The Consolidated Mining and Smelting Company of Canada Limited, for the year ended December 31, 1938, maintained at the offices at Trail, Kimberley, Warfield and Vancouver, and that we have received all the information and explanations we have required. We report to the shareholders that the foregoing balance sheet is in our opinion properly drawn up so as to exhibit a true and correct view of the financial position of the Company according to the best of our information and the explanations given to us, and as shown by the books of the Company audited by us, and by the accounts of the Montreal office as audited by Messrs. Edwards, Morgan & Co., as at the date of the closing of the accounts, December 31, 1938.

HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Vancouver, B.C., March 14, 1939.

Vice-President and Managing Director's Report

TRAIL, B.C., January 25th, 1939.

TO THE PRESIDENT:—

I beg to submit the following Report of the Company's operations during the year 1938, together with the report of the Comptroller.

Once again new all-time records have been made in the ore extracted from the Sullivan Mine, and the tonnage of refined lead, zinc, fertilizers and sulphur produced. Wages in general were considerably below those of 1937, due to the fact that the metal bonuses were low on account of the reduced price received for metals.

SULLIVAN MINE AND CONCENTRATOR:

The tonnage mined in 1938 was 2,277,915 tons against 2,218,364 tons in 1937. Stope filling operations were conducted on a much larger scale—498,874 cubic yards against 234,500 yards in the preceding year. The cost per yard of filling placed was much cheaper as approximately 90% of this material was glacial drift taken from the surface. In 1938 the volume filled was about equal to the volume of the ore extracted. Mining costs have not reached their maximum because no extensive mining of pillars has been undertaken. This condition will be maintained for 2 or 3 years more after which the proportion of ore extracted from pillars will gradually increase until the tonnage taken from the pillars and from original stopes will be approximately equal. The cost of mining a pound of metal will then be increased by approximately .13c. No difficulty has been experienced in using glacial drift from the surface for filling, and very low costs are obtained. The resulting filling in the stopes gives every appearance that it will form a fairly hard solid core, especially if it is allowed to settle and mature for a few years before pillar extraction is undertaken. The mine has been kept in excellent physical condition throughout.

In spite of the increased filling operations, mining costs in 1938 were 3.8% lower than in the preceding year. The tonnage concentrated in 1938 was 6,227 tons per calendar day against 6,081 in 1937. The ore milled contained 15.83% of combined lead and zinc, and 4.02 ozs. of silver, compared with 16.46% and 4.2 ozs. in 1937.

In the near future mining operations will be started in the block of ore below the 3,900 level. This large block of ore can be considered as a mine in itself, consequently various plans are being studied to insure that this operation may be carried out with the greatest efficiency, as to safety, recovery, ventilation and economy.

In the middle of the year, it was found difficult to obtain good metallurgical recoveries. Good recoveries were, however, again being made in the last quarter of the year. The average recovery for 1938 was one-half of 1 per cent below 1937 and the cost of recovered metal was 1.6% higher. Both results were due mainly to the slightly lower grade of the ore treated. Milling costs per ton of ore were the same as in 1937.

SUBSIDIARY COMPANIES:

The Big Missouri Mine (Buena Vista Mining Co. Ltd. N.P.L.)

Mining and milling operations started in March.

The plant was designed for a full 500-ton operation; a stand-by ball mill was installed and the remainder of the plant was very conservatively rated.

The 500-ton mark was reached in June and the average tonnage of the last 3 months of the year was 622 tons per calendar day.

Additional screening capacity has been installed in the crushing department which it is believed will give the mill a capacity of between 700 and 750 tons per day.

Some shortage of power is likely to be experienced in winter months, which may reduce the output for a few months each year.

The grade of the ore mined has been maintained at .09 ounces gold; however, about 75% of the ore mined has been taken from that portion of the ore body which is considered to contain the highest grade ore.

Total operating costs have averaged \$2.04 per ton. Recoveries average 88.78%. Average tailings assays are .01. The milling process used is flotation with cyanidation of the flotation concentrate.

The flotation tailings carry .0054 ounces of gold per ton.

While milling costs will be reduced by about 25 cents per ton, part of this will be needed to keep the mine development ahead of ore extraction, the amount depending on how much selection is needed.

Considering the climatic and geographical disadvantages of this location, I believe the results obtained have been excellent.

The New Golden Rose: Afton Township, Ont.:

Work on this property has been discouraging. The grade of the ore has not been sufficiently high to make a profit operating on the present scale and with high cost power. The tonnage developed and indicated has never justified any larger operation or the construction of a power line. As there is still some developed ore to be extracted, it is possible that the development work, which will be continued while mining operations are carried on, may improve the outlook.

The Con, and Rycon, Yellowknife area:

The Con mill commenced operations in August and 13,833 tons were mined and milled in 1938. The average grade of this ore was .534 ounces gold. Costs for the year were \$13.43 per ton. A large part of this cost was in development, as very little ore was developed when mining operations were started. Three or four tons of ore have been developed for each ton mined. The outlook for these properties is decidedly promising.

Ptarmigan Mines, Limited, Yellowknife area:

This property is situated about 12 miles from the Con mill. It has a very promising vein of ore similar in grade to the Con. Unless this property develops a large enough tonnage to justify its own mill, the ore from it will be treated at the Con mill to the advantage of both companies.

The Caribou and Ross Mines, in Nova Scotia:

As sufficient development had been done to give a very fair knowledge of what might be expected in these properties, it was decided to stop developing, and mine some of the ore to establish mining costs, recoveries and grades. In the main, this work has been discouraging. Towards the end of the year, some higher grade ore was encountered, making the operation in the last quarter profitable.

Rich Rock Mine, Kaladar Township, Ontario:

215,000 tons of ore have been developed, carrying .16 ounces of gold, with a reasonable chance of finding additional tonnage of similar grade. While both the grade and tonnage are low, it is considered they warrant the construction of a mill of 200 to 250 tons daily capacity.

Cordova Mine, Belmont Township, Ontario:

Recent development in this property has been a little more encouraging. It is now estimated that there are 77,000 tons of ore developed, carrying .175 ounces gold, with a fair chance of extending that tonnage. It is considered that the ore developed justifies the construction of a 100 ton mill.

The Box Mine, at Goldfields, Lake Athabaska:

This property has a large body of very low grade gold ore. A 1,000 ton concentrator, a corresponding mine plant, and a hydro-electric power plant on Tazin Lake were commenced in 1937. Stope development was started in the best part of the ore body in preparation for actual mining operations. The drifts, crosscuts and raises comprising this work indicated that the ore body could not be mined to yield the grade originally estimated. As there was still a large expenditure needed to complete the plants under way, it was considered advisable to carry out an extensive diamond drilling campaign to make sure that there was sufficient ore of the grade required to pay for the completion of the plants. The diamond drilling established that, while the ore was much lower in grade than the estimates, it was advisable to finish these plants, because in all probability there would be sufficient return to more than complete the work under way, with a fighting chance of making a large low grade operation.

PLACER MINES:

None of the placer operations made any profit in 1938. The operations at Boulder Creek and Inca Placers were very close to breaking even. They will be continued in 1939. Manson Creek did not show any improvement, and it is quite evident that no profit can be made with the plant installed—consequently this operation will not be continued.

GENERAL EXPLORATION:

A large amount of exploration work was done, covering almost the entire Dominion of Canada, and a great many properties have been worked on. A few of these are encouraging, and merit some further work.

TRAIL REDUCTION PLANT:

Zinc Plant:

Production and recoveries in this plant made all time records. 133,556 tons of bar zinc were produced in 1938, against 124,094 in 1937. Costs were down .16c per pound of zinc. All gases from the Zinc Plant roasters were treated for the recovery of their sulphur content.

Chemical and Fertilizer Division:

Good progress has been made in these plants, with the result that in 1938, they have reached the stage where they may be considered as a commercial success. During 1938 a complete new hydrogen unit was added to the ammonia plant, going into service in April. The full effect of this plant will not be available until March, 1939, after which date the ammonia production should average 100 tons per day—an increase of about 18 tons of ammonia per day. This in turn corresponds to an increase of 72 tons in the ammonium sulphate production, or its equivalent in ammonium phosphates, and at the same time, makes it possible to increase the elemental sulphur production by 27 tons per day.

Two 120-ton Monsanto sulphuric acid units were completed in 1938—one going into service in November, and the other in December. These plants have fulfilled every expectation and bring the sulphuric acid capacity of the Trail plant up to 600 tons of 100% sulphuric acid per day. A third 50-ton reduction unit was added to the sulphur plant. It was not quite completed at the end of the year.

A fourth centrifuge was added to the ammonium sulphate plant early in the year, and a 500-ton Horton Sphere was added to the anhydrous ammonia storage plant.

Production of sulphur and Fertilizer in the Chemical Plants was 170,108 tons in 1938, and 115,586 tons in 1937. Costs were lower in every department than in the previous year.

Lead Smelting Plant:

The tonnage produced exceeded that of any previous year. Bullion produced was 211,464 tons, against 204,680 tons in 1937.

Recoveries were the best ever made; costs were the same as in 1937.

Lead, Silver and Gold Refineries:

The refinery tonnage constituted a new record as follows:

Lead.....	201,428 tons
Silver.....	9,763,832 ounces
Gold.....	56,774 ounces

PRODUCTION:

For ready reference below is a schedule showing the production of principal products of the Company for the last ten years. This will give at a glance the expansion and fluctuations in production during the period and will indicate in particular the increase in production of zinc, lead, copper, sulphuric acid and fertilizer during the years 1936, 1937 and 1938.

PRODUCTION OF PRINCIPAL PRODUCTS FOR THE LAST TEN YEARS

	Lead Tons	Zinc Tons	Copper Tons	Gold Ozs.	Silver Ozs.	Cadmium Tons	Bis- muth Tons	Sulphuric Acid Tons	Sulphur and Fertilizer Tons
1894 to									
1928 inc.	1,046,397	458,493	79,054	2,225,070	74,690,041	.....	.....	.....	.....
1929	150,217	86,048	4,173	14,694	7,362,164	387	83	3,065	.....
1930	151,492	119,551	7,064	25,782	6,936,759	228	.....	8,501	.....
1931	138,843	101,124	608	24,968	6,572,119	162	47	36,170	25,056
1932	126,619	65,284	384	33,346	5,522,366	33	.....	73,038	61,141
1933	127,319	68,810	270	22,393	5,551,349	123	35	64,219	68,868
1934	157,674	110,978	784	35,328	7,316,231	147	123	95,434	82,497
1935	164,329	119,840	318	65,131	7,594,366	275	4	120,245	81,189
1936	182,541	125,693	433	69,330	8,615,795	263	180	126,578	101,523
1937	206,579	142,650	2,292	52,435	9,846,545	218	.....	132,194	115,586
1938	201,574	149,071	850	56,951	9,815,434	255	.....	134,469	170,108
	2,653,584	1,547,542	96,230	2,625,428	149,823,169	2,091	472	793,913	705,968

CO-OPERATIVE COMMITTEES:

Labour relations generally have been entirely satisfactory.

SAFETY WORK:

The excellent performance of the Safety Work has been well maintained. Five first-aid teams from the Sullivan Mine competed in the Crow's Nest competition, winning the first five places, the first team scoring 100%.

I would like to express my appreciation of the loyalty of the entire force.

It is with deep regret that I have to report the sudden and untimely death of Dr. R. E. Jure, head of the Geological Department, on August 13th. Dr. Jure was an exceptionally able geologist. He had a very fine war record, having enlisted at the age of fifteen. He served four years in France, and was very seriously wounded. Unquestionably his war injuries had a lot to do with his early death.

Respectfully submitted,

S. G. BLAYLOCK,
Vice-President and Managing Director.

Comptroller's Report

TRAIL, B.C., January 23rd, 1939.

TO THE PRESIDENT:

Operations for the year ended December 31st, 1938 showed a profit of \$7,613,724.96 before making provision for Dominion and Provincial Income Taxes but after all other charges, including \$565,434.57 for Mine Development and Exploration, \$1,589,913.20 for Depreciation on Plants, \$915,990.63 for Mine Depletion and \$23,261.59 as an increase to the Employees' Pension Fund Reserve.

After adequate provision for Dominion and Provincial Income Taxes in the amount of \$1,400,000.00, the net profit carried to Earned Surplus account amounted to \$6,213,724.96, as compared with \$14,669,663.42 in 1937.

Inventories of Metals and Fertilizer Products are both higher by \$921,644.88 and \$745,528.50, respectively.

Operating Stores show an increase from \$4,408,746.10 at the end of 1937 to \$4,713,914.44 at the end of 1938. This increase is accounted for by the large quantity of supplies which have to be carried at the mining properties in the North due to seasonally restricted transportation.

Housing loans to employees, outstanding at the end of the year, stood at \$945,228.90 which compares with \$888,424.90 at the end of 1937.

The sum of \$1,270,345.60 has been charged to Property Reserve account as a write-off to cover abandoned mining properties, which leaves this reserve standing at \$9,621,283.21 at the end of the year. The sum of \$139,964.19 representing United States smoke damage expense was charged to the Contingent Reserve which was thereby reduced to \$4,505,848.30. Insurance Reserve was increased by \$61,448.41 and now stands at \$1,141,604.58.

Additions to Capital Account before Depreciation and Depletion write-off were:

Mines and Securities of Other Companies	\$ 190,014.61
Subsidiary Companies	982,174.28
Plant Account	2,967,290.12
	<hr/>
	\$4,139,479.01
	<hr/>

Purchases of Customs Lead Ores and Lead Concentrates were about the same as last year but, due to the further drop in metal prices, no zinc concentrates were received from Customs Shippers. Gold-bearing siliceous ore stocks were built up during the year and now stand at a satisfactory figure.

Respectfully submitted,

H. B. FULLER,
Comptroller.

Vice-President in Charge of Sales

MONTREAL, JANUARY 25, 1939.

TO THE PRESIDENT:

1938 was a difficult year in the handling of our principal products, Lead and Zinc. In comparison with the previous year, world production, consumption and prices were lower. Ordinary commercial activity, which is the basis of real progress and prosperity, was seriously interfered with by wars, actual and threatened, in Europe and Asia. There was some increase in the demand for our metals in armaments, but not sufficient to offset the loss through the decrease in building activity, and the general decline in world trade caused by the spirit of fear and uncertainty which prevailed.

In September a number of the large Lead producers of the world, outside of the U.S.A., formed the Lead Producers' Association for the purpose of maintaining production more closely in line with consumption, with the view not alone to price improvement, but also to prevent, if possible, what is commonly called a "run-away market" in times of metal shortage, such as was experienced in the first half of 1937. On November 1st a reduction in output was agreed upon, and since then the larger producers have been operating at 90%. The result has not been all that was expected, but there is sound reason to hope for some early market improvement. If the 10% cut does not prove sufficient, a further reduction will likely be declared.

An association along somewhat similar lines has been widely discussed among Zinc producers, but nothing workable has yet been developed.

Prices on the London Metal Exchange held well under the existing conditions and there were no violent fluctuations. The Opening, Closing and Average prices for prompt metal, in tons of 2,240 pounds, were as follows:

		Opening	Closing	Average	
Lead:	1937	£27. 2. 6.	£15.10. 0.	£23. 6. 6.	(Can. \$115.23)
	1938	15. 2. 6.	15. 8. 9.	15. 5. 4.	(Can. \$74.99)
Zinc:	1937	£19.18. 9.	£14.15. 0.	£22. 5. 2.	(Can. \$109.95)
	1938	14.10. 0.	14. 0. 0.	13.19.10.	(Can. \$68.72)

Taking into account the present production, consumption and world stocks of Lead and Zinc, the statistical position, as shown in the following table, while not entirely satisfactory, may be viewed with some confidence. There are, however, so many unpredictable factors in the offing, that no one is justified in forecasting market movements.

ESTIMATED WORLD PRODUCTION AND STOCKS FOR THE YEARS 1937 AND 1938
IN TONS OF 2,000 POUNDS

		Production	Stocks at end of year
Lead:	1937	1,886,000 tons	425,000 tons
	1938	1,830,000 "	465,000 "
Zinc:	1937	1,830,000 "	300,000 "
	1938	1,710,000 "	425,000 "

BISMUTH—The price was practically unchanged from the previous year, and our production was marketed satisfactorily.

CADMIUM—The demand was restricted due mainly to lower production in the motor car industry, and general plating business. Somewhat lower prices prevailed.

ANTIMONY—Production of Refined Antimony Metal commenced at Trail during the last quarter of the year. Our product is of satisfactory quality, and will be disposed of without difficulty in Domestic and Export markets.

SILVER—The average New York (Export) price for 1937 was 44.883c (U.S.) per ounce, and for 1938 was 43.225c (U.S.). Our 1938 production of 9,815,434 ounces was closely sold, practically all passing through the agency of the Bank of Canada, for delivery to the Federal Reserve Bank at San Francisco.

FERTILIZER PRODUCTS—Sales in Canada were greater than those of the preceding year, and results on Prairie crops generally quite satisfactory. The Prairie Farmer is manifesting more interest and many realize they cannot continue to exploit their soil fertility without replacement, if they are to produce high yield, high quality crops, at a low cost.

For next season's crop, the fall moisture conditions are particularly favourable in central and northern parts of Saskatchewan, as well as in many areas of Alberta and Manitoba. With the new rust-resisting varieties of seed, trouble in this respect should be greatly lessened. The governing factors still are the price of wheat and the financial position of the Prairie Farmer.

While Canadian sales are increasing year by year, the greater part of our production is exported. In 1938 our sales in foreign markets were made at prices somewhat higher than those of the preceding year.

Respectfully submitted,

W. S. RUGH,
Vice-President in Charge of Sales.

GENERAL OFFICERS

*JAMES J. WARREN	PRESIDENT	TORONTO, ONT.
SIR EDWARD BEATTY, G.B.E.	VICE-PRESIDENT	MONTREAL, QUE.
S. G. BLAYLOCK	VICE-PRESIDENT AND MANAGING DIRECTOR	TRAIL, B.C.
W. S. RUGH	VICE-PRESIDENT IN CHARGE OF SALES	MONTREAL, QUE.
R. E. STAVERT	ASSISTANT TO THE PRESIDENT	do
JAMES BUCHANAN	GENERAL SUPERINTENDENT	TRAIL, B.C.
R. C. CROWE, K.C.	GENERAL COUNSEL	do
R. W. DIAMOND	ASSISTANT GENERAL SUPERINTENDENT	do
H. B. FULLER	COMPTROLLER	do
J. E. RILEY	SECRETARY	MONTREAL, QUE.

Sales Department:

W. S. RUGH	VICE-PRESIDENT IN CHARGE OF SALES	MONTREAL, QUE.
M. A. WOLFKILL	ASSISTANT MANAGER	do
R. RUICKBIE	MANAGER, FERTILIZER SALES	do
DR. T. H. MATHER	ASSISTANT MANAGER, FERTILIZER SALES, (PRAIRIE DISTRICT)	CALGARY, ALTA.
DR. R. E. NEIDIG	AGRICULTURAL DIRECTOR	do

Operating Department:

S. G. BLAYLOCK	VICE-PRESIDENT AND MANAGING DIRECTOR	TRAIL, B.C.
JAMES BUCHANAN	GENERAL SUPERINTENDENT	do
R. W. DIAMOND	ASSISTANT GENERAL SUPERINTENDENT	do
E. M. STILES	CHIEF ENGINEER	do
H. F. TIEDJE	CONSTRUCTION ENGINEER	do
G. H. MCKAY	ASSISTANT CONSTRUCTION ENGINEER	do
A. G. DICKINSON	ELECTRICAL ENGINEER	do

General Offices:

H. B. FULLER	COMPTROLLER	TRAIL, B.C.
G. A. WALLINGER	CHIEF ACCOUNTANT	do
E. G. RANDALL	ASSISTANT CHIEF ACCOUNTANT	do
W. R. BAXENDALE	PURCHASING AGENT	TRAIL, B.C.
R. G. ANDERSON	ASSISTANT PURCHASING AGENT	do
E. E. JACKSON	ACCOUNTANT	KIMBERLEY, B.C.
W. C. MACKENZIE	PAYMASTER	TRAIL, B.C.

Legal Department:

R. C. CROWE, K.C.	GENERAL COUNSEL	TRAIL, B.C.
A. L. JOHANNSON	SOLICITOR	do

*Deceased January 28th, 1939.

ASSAY OFFICE - - - -	KURT RAHT, Chief Chemist.
CHEMICAL PLANT - - - -	A. L. McCALLUM, Superintendent; E. A. G. COLLS, Assistant Superintendent in Charge of Warfield Chemical Plants; W. S. KIRKPATRICK, Assistant Superintendent in Charge of Tadanac Chemical Plants; A. M. CHESSEY, J. ATWELL, W. D. BURGESS, J. M. MCKAY.
CONCENTRATION DEPARTMENT -	C. T. OUGHTRED, General Superintendent; H. R. BANKS, Superintendent Kimberley Concentrator; S. GRAY, W. H. POOLE.
INDUSTRIAL RELATIONS - - -	C. W. GUILLAUME, Supervisor; E. S. SHANNON, E. W. CAMPBELL, G. W. WILSON, Assistants.
METALLURGIST - - - -	R. R. McNAUGHTON.
RESEARCH DEPARTMENT - - -	F. E. LEE, W. H. HANNAY, B. P. SUTHERLAND, C. H. WRIGHT, R. LEPSOE, Electro-Chemical Engineer.
REFINERY DEPARTMENT - - -	P. F. McINTYRE, Superintendent; A. D. TURNBULL, Assistant Superintendent.
SMELTING DEPARTMENT - - -	W. E. NEWTON, Superintendent; J. H. HARGRAVE, L. S. PIPER, R. E. G. HAYWARD, Shift Superintendents.
SMOKE PLANTS - - - -	R. K. BLOIS, Superintendent, H. DOYLE, Assistant Superintendent.
ZINC PLANT - - - -	B. A. STIMMEL, Superintendent; F. S. WILLIS, Assistant Superintendent; K. D. McBEAN, J. BRYDEN, T. H. WELDON and J. D. HARTLEY, Departmental Superintendents.
SULLIVAN MINE - - - -	W. LINDSAY, General Superintendent; J. GIEGERICH, Assistant Superintendent, and D. L. THOMPSON and M. G. HENDERSON.
WESTERN AND NORTHERN OPERATING MINES, OTHER THAN THE SULLIVAN MINE - - - -	M. M. O'BRIEN, General Superintendent, and D. CAMPBELL, P. BLOOMER, McLEOD WHITE, WM. OGILVIE, H. GIEGERICH.
EASTERN OPERATIONS - - -	L. W. OUGHTRED, General Superintendent, and D. C. McKECHNIE, C. A. SEATON, W. E. AITCHISON, C. WHITE, J. WIGHTMAN, E. D. O'BRIEN, W. DEAN, A. MORRISON, R. DALLAIRE, H. J. WILLIAMS, R. JURE, G. HOWE.
NORTHERN OPERATIONS - - -	W. G. JEWITT, General Superintendent, and W. S. McDONALD, L. TELFER, G. H. FINLAND, A. D. WILMOT, H. B. DENIS.
WESTERN AND SOUTHWESTERN EXAMINATION AND EXPLORATION - - - -	G. H. KILBURN, J. K. CRAM, F. A. FORTIER, R. B. SHELEDY, E. BRONLUND.

PRODUCTS

of

THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA, LIMITED

LEAD			ZINC
ANTIMONY	◊	CADMIUM	◊
ZINC DUST			BISMUTH
GOLD	◊		ZINC OXIDE
			SILVER
SULPHUR			OLEUM
SULPHURIC ACID			AMMONIUM SULPHATE
TRIPLE SUPERPHOSPHATE			SINGLE SUPERPHOSPHATE
MONO-CALCIUM PHOSPHATE			AMMONIUM PHOSPHATES

SALES REPRESENTATIVES

HENRY GARDNER & Co. LTD. LONDON, ENGLAND	-	METALS	- - - - -	EUROPE
A. CAMERON & Co. LTD. KOBE, JAPAN	- -	METALS AND FERTILIZERS	- - -	JAPAN
A. CAMERON & Co. (CHINA) LTD., SHANGHAI, CHINA		METALS AND FERTILIZERS	- - -	CHINA
BALFOUR GUTHRIE & Co. LTD. SEATTLE, TACOMA, PORTLAND, SAN FRANCISCO, LOS ANGELES	-	FERTILIZERS	- - - - -	HAWAIIAN ISLANDS WASHINGTON, OREGON CALIFORNIA, ARIZONA
SINO JAVA HANDELSVEREENIGING, INC., NEW YORK	- - - - -	FERTILIZERS	- - -	DUTCH EAST INDIES

West Kootenay Power and Light Company Limited

DIRECTORS

SIR EDWARD BEATTY, G.B.E.

GEORGE F. BENSON

LORNE A. CAMPBELL

ELWOOD B. HOSMER

SIR HERBERT HOLT

*JAMES J. WARREN

SIR CHARLES B. GORDON, G.B.E.

OFFICERS

*JAMES J. WARREN

LORNE A. CAMPBELL

President and Managing Director

Vice-President and General Manager

F. E. McNALLY - - - - - *Secretary-Treasurer*
204 Hospital Street, Montreal

C. B. SMITH - - - - - *Asst. Secretary-Treasurer*
Trail, B.C.

HEAD OFFICE: TRAIL, B.C.

*Deceased January 28th, 1939.

FORTY-FIRST ANNUAL REPORT AND STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1938

West Kootenay Power and Light Company Limited

DIRECTORS' REPORT

MONTREAL, February 14th, 1939.

TO THE SHAREHOLDERS OF
WEST KOOTENAY POWER AND LIGHT COMPANY, LIMITED—

Your Directors are pleased to present the forty-first annual report of the Company for the year ended 31st December, 1938.

The Operating Revenues, together with Miscellaneous Income amounted to \$3,869,308.12

After deducting

Amounts covering Operating and other expenses (including taxes other than Income Taxes) \$ 680,998.03
and
Reserve for Depreciation 651,165.12
1,332,163.15

There remains a balance of \$2,537,144.97

Out of this amount there has been provided

Interest on Bonds and Debt Discount \$ 272,910.44
and
Reserve for Income Taxes 611,339.92
884,250.36

Balance transferred to Earned Surplus \$1,652,894.61

EARNED SURPLUS ACCOUNT

Balance as at December 31st, 1937 \$4,244,816.63

Add—Net income from Profit and Loss account for the year ended 31st December, 1938 1,652,894.61

Add—Premium on Bonds issued during year 17,500.00

Balance \$5,915,211.24

Out of this amount there has been provided

Additional Income Tax on prior years \$ 3,546.56
Dividend on Preferred Shares at 7% 35,000.00
Dividend on Common Shares at 20% 1,222,400.00
1,260,946.56

Balance as at 31st December, 1938 \$4,654,264.68

Your Directors are pleased to report that the application of your Company for the right to create storage for the waters of Kootenay Lake was granted by the International Joint Waterways Commission, and in order to comply with its Order certain works are necessary to carry out the undertaking, full details of which are contained in the report of the General Manager herewith. It is estimated that the cost of this new development will be \$3,500,000.00 and to provide for a proportion of this amount there have been issued and sold by your Company additional Bonds to an aggregate principal amount of \$2,500,000.00. These Bonds bear interest at the rate of $3\frac{3}{4}\%$ and mature 1st March, 1956.

Your Directors regret to report the death on October 4th, 1938, of the Rt. Hon. Lord Shaughnessy, who had been a member of the Board since June 12th, 1919. The vacancy thus created was filled by the election of Sir Charles Gordon, G.B.E.

It is also with deep regret that your Directors are called upon to record the death, on January 28th, 1939, of your President, Mr. James J. Warren, which removed from the Board one of its most esteemed and valued members. Mr. Warren has served on the Board of your Company some twenty-four years, during which time his unceasing attention coupled with his ability and sound judgment was of the greatest benefit to the Company.

The vacancy on the Board will be filled by the election of Mr. Ross H. McMaster.

The loyal and efficient services of the officials and employees of the Company are acknowledged with sincere and grateful appreciation by your Directors.

Submitted on behalf of the Directors.

E. W. BEATTY,
Director.

West Kootenay Power and Light Company Limited

FORTY-FIRST ANNUAL REPORT OF THE GENERAL MANAGER

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1938

TRAIL, B.C., February 14, 1939.

TO THE SHAREHOLDERS

WEST KOOTENAY POWER AND LIGHT COMPANY LIMITED.

I submit herewith the Forty-First Annual Report for the year ended December 31, 1938.

The Company's gross consolidated revenue for the year ended December 31, 1938, was \$3,869,308.12, and for the year ended December 31, 1937, \$3,527,943.05; showing an increase in revenue for the year 1938 over 1937 of \$341,365.07.

There was a slight increase in light and power revenue in all outside districts; the principal increase was made up by the increased consumption of the Consolidated Mining and Smelting Company of Canada Limited, this brought about by better power conditions on the Kootenay River.

The revenue producing load for the twelve months ended December 31, 1938, was 186,051.6 H.P., and for the year ended December 31, 1937, was 162,594.7 H.P.; showing an increase for the year 1938 over 1937 of 23,456.9 H.P.

The Kilowatt hours generated for the year 1938 amounted to 1,215,828,721, and for the year 1937 1,062,549,857; showing an increase of 153,278,864 kilowatt hours.

The peak load of the combined plants, being No. 1 Plant at Lower Bonnington, No. 2 Plant at Upper Bonnington, No. 3 Plant at South Slocan and No. 4 Plant at Corra Linn, was on date of November 5, 1938, 156,300 K.W. or 209,517 H.P.

Penticton, Kelowna and Southern Okanagan Extensions:

The business in this section of the country has shown a slight increase, principally brought about by increased consumption in Oliver, Kelowna and Penticton.

Sheep Creek District:

In connection with this district, I set forth in my report for the year 1937 that we had reached approximately the maximum consumption, but, due to other properties developing, this district has shown quite a substantial increase for the year 1938.

Line Conditions:

During the past year we have completed the overhauling of Nos. 1 and 4 lines from Grand Forks to Greenwood, and also did considerable work in that section on transmission lines between Rossland and Grand Forks. There remains to be overhauled—and this should be done during the year 1939—that section of the transmission line from Oliver west, but the money that should be expended on this particular part of the system will depend on the load conditions. In connection with line conditions Tadanac to South

Slocan, and South Slocan to Lower Bonnington, Upper Bonnington and Corra Linn—the work of overhauling transmission lines in the above section was completed.

The lines throughout, except that section from Oliver west, are in good operating condition.

Kootenay Lake Storage:

The Application of our Company for permission to construct and operate certain works in and adjacent to the channel of the Kootenay River in the Province of British Columbia, and for the right to store water in Kootenay Lake in said Province, was approved by the International Joint Commission at last Hearing held in Nelson, B.C., on the 14th day of October, 1938, and the final Order granting said right was signed in New York City by the International Joint Commission on the 11th day of November, 1938. This Order gave us the right to store 2½ feet of water in Kootenay Lake starting from October 14th, 1938. This storage was partly the means of bringing about our increased revenue, but the substantial increase I should say was brought about through heavier precipitation than that experienced in the year ending December 31, 1937.

It was set forth in the Order that the applicant should proceed forthwith with the enlargement of cross sectional area at Grohman Narrows by removing therefrom at least 250,000 cubic yards of rock, gravel and boulders, this to be done substantially in accordance with the design laid down on our Plan No. F-271, dated July 7, 1932, this being the first plan filed with the International Joint Commission. In addition to removing the above quantity of rock, gravel and boulders, this Order also provided that the applicant should remove 14,000 cubic yards of rock bluff at Grohman Narrows on the south side of the Kootenay River.

On the signing of the above Order, the necessary plant for the carrying on of the above work was assembled at Grohman and the work at the end of the year had reached a point where I am of the opinion that, unless something unforeseen turns up, the total yardage above referred to should be removed before the high water period of the year 1939. If we are able to accomplish the above excavation we will then have the right to store six feet of water above zero of Nelson gauge, and, should we fail to complete the total excavation by April 1st, 1939, we will then be limited to a maximum storage of four feet above zero of Nelson gauge until the work is completed, when the full six feet will be allowed as per the Order.

Just so soon as this Order was brought down, we then started in, as per authorization of the Directors, on the development of No. 2 Plant, Upper Bonnington. This installation will be made up of two 25,000 H.P. Water Wheel Settings, to which will be connected the necessary Generators and Switchgear for the development of an additional 50,000 H.P. With the storage above referred to, although at certain seasons of the year we will not be able to develop the full 50,000 H.P., it will be the means of greatly increasing the output of all your plants in kilowatt hours. The exact increase of output cannot be determined until such time as the work above referred to at Grohman Narrows is completed.

Operating:

As usual, I am able to report that the operation of your Plants Nos. 1, 2, 3 and 4 has shown a decided improvement over that of 1937, this due to the reasons given above, i.e., increased precipitation and the benefit of the storage which we received under the Order above mentioned. Goat River development and all other plants have been maintained in a high operating condition, and the service we believe has been satisfactory to all consumers of power.

Although I have been rather disappointed in conditions that existed during the past year, nevertheless we have been able to keep our operating and maintenance staffs employed steadily and the satisfactory showing brought about during the past year has been chiefly due to the efficiency of the staff and officials of the Company.

LORNE A. CAMPBELL,
Vice-President and General Manager.

West Kootenay Power and Light

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT:

Cash on hand and in Banks \$ 46,535.51

ACCOUNTS RECEIVABLE:

The Consolidated Mining and Smelting Company of Canada Limited. \$ 6,759,009.06

Customers and Sundry \$ 191,400.65

Less, Reserve for Doubtful Accounts 6,000.00

185,400.65

6,944,409.71

INVENTORIES:

Merchandise \$ 49,417.95

Stores, Materials and Supplies 312,119.57

Construction Equipment 134,320.11

(As shown by stock records periodically verified by inventories and priced at cost less deduction for depreciation)

495,857.63

\$ 7,486,802.85

INVESTMENTS:

Shares of Dominion Agricultural Credit Company Limited—Cost \$ 2,500.00

Housing Loans to Employees 26,232.91

28,732.91

FIXED:

Property, Plant and Equipment—Cost \$22,700,374.88

Less, Reserve for Depreciation 9,813,459.87

12,886,915.01

DEFERRED CHARGES:

Prepaid Expenses and Deferred Charges \$ 13,963.64

Debt Discount and Expense 62,219.70

Premium on Bonds Redeemed 348,522.11

424,705.45

OTHER ASSETS:

Cash in hands of Trustee for the Redemption of Bonds 557.34

\$20,827,713.56

AUDITOR'S

I have examined the accounts of the West Kootenay Power and Light Company Limited, and its Subsidiary required. In my opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the explanations given to me and as shown by the books of the several companies at December 31, 1938.

TRAIL, B.C., February 6, 1939.

Company Limited and Subsidiaries

AS AT DECEMBER 31, 1938

LIABILITIES

CURRENT:

Accounts Payable—Trade.....	\$	123,938.00	
Accrued Payrolls.....		13,642.75	
Interest.....		90,362.15	
Provision for Income Taxes.....		611,339.92	
(Sinking Fund Instalment due March 1, 1939—\$162,240.00)			\$ 839,282.82

DEFERRED INCOME:

Deposits received for power not yet delivered.....			12,666.06
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LONG TERM DEBT:

Authorized.....		\$20,000,000.00	
Issued, Series "A" 4% Bonds, due March 1, 1956.....	\$	6,500,000.00	
Less, Cancelled.....		306,000.00	
			6,194,000.00
Series "A" 5% Bonds, due March 1, 1956.....	\$	6,500,000.00	
Less, Cancelled.....		6,499,500.00	
			500.00
Series "B" 3¾% Bonds, due March 1, 1956.....		2,500,000.00	
			8,694,500.00

RESERVE:

Fire Insurance.....			15,000.00
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CAPITAL STOCK:

Authorized:			
150,000 Shares of \$100.00 each.....		\$15,000,000.00	
Issued:			
5,000 Shares of \$100.00 each 7% Cumulative Preferred Stock.....	\$	500,000.00	
61,120 Shares of \$100.00 each Common Stock.....		6,112,000.00	
			6,612,000.00
Earned Surplus.....			4,654,264.68

CONTINGENT LIABILITIES:

Construction Contracts.....	\$	382,429.00	
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On behalf of the Board:

E. W. BEATTY	} <i>Directors.</i>	<u>\$20,827,713.56</u>
LORNE A. CAMPBELL		

REPORT

Companies, for the year ended December 31, 1938, and have received all the information and explanations I have state of the affairs of the Company, and its Subsidiary Companies, according to the best of my information and the

R. M. HOYLAND,
Chartered Accountant.

West Kootenay Power and Light Company Limited
and Subsidiaries

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR
THE YEAR ENDED DECEMBER 31, 1938

OPERATING REVENUES:

The Consolidated Mining and Smelting Company of Canada Limited . . .	\$ 2,990,410.59	
Miscellaneous	849,581.40	
	\$ 3,839,991.99	

OPERATING EXPENSES:

Power Purchased	\$ 148.96	
Power Plant and Distributing Station Expenses	118,954.80	
Maintenance and Repairs	138,745.09	
Depreciation	651,165.12	
Water Fees	107,647.14	
Taxes (other than Income Taxes)	54,444.23	
Rents and Royalties	9,170.76	
Miscellaneous	61,377.83	
	\$ 1,141,653.93	

GENERAL EXPENSES:

Selling and Administrative Expenses	\$ 154,157.48	
Provision for Doubtful Accounts	2,164.01	
Other General Expenses	34,187.73	
	190,509.22	
		1,332,163.15
		\$ 2,507,828.84

OTHER INCOME:

Interest on account due by The Consolidated Mining and Smelting Company of Canada Limited	\$ 20,400.35	
Interest on Housing Loans	502.07	
Miscellaneous Interest	2,443.71	
House Rentals—Employees	5,970.00	
	29,316.13	
		\$ 2,537,144.97

INCOME DEDUCTIONS:

Interest and Debt Discount and Expenses:		
Interest on Funded Debt	\$ 248,800.00	
Amortization of Debt Discount and Expenses	3,624.45	
Premium on Bonds Redeemed	20,302.43	
Other Interest	183.56	
	272,910.44	
Net Income before Provision for Income Taxes		\$ 2,264,234.53
Provision for Income Taxes		611,339.92
Net Income transferred to Earned Surplus		\$ 1,652,894.61

Carried forward:

Brought forward:

EARNED SURPLUS

Balance at December 31, 1937			\$ 4,244,816.63
Net Income from Profit and Loss Account.....			1,652,894.61
ADDITION TO SURPLUS:			
Premium on Bonds sold.....			17,500.00
			<u>\$ 5,915,211.24</u>
CHARGES TO SURPLUS:			
Additional Income Tax paid on prior years profits.....	\$	3,546.56	
Dividends:			
Cash—Preferred 7%.....	\$	35,000.00	
Cash—Common 20%.....		1,222,400.00	
		<u>1,257,400.00</u>	
			<u>1,260,946.56</u>
BALANCE AT DECEMBER 31, 1938, AS PER CONSOLIDATED BALANCE SHEET.....			<u><u>\$ 4,654,264.68</u></u>

