

Vancouver, 14th February, 1956.

Draft Circular to Shareholders.

To the Shareholders:

Dear Sir (or Madam),

1955 OPERATIONS.

In the 1955 season 5,319,022 cubic yards were dredged from which gold production of \$1,524,053.08 was realized from operation of 7 dredges, viz.: Nos. 4 (Bonanza Creek), 6 (Granville), 8 (Middle Sulphur), 9 (Upper Sulphur), 10 (Dominion Creek), 11 (Hunker Creek) and 12 (Dominion Benches). The hydraulic operation on Paradise Hill was continued and produced \$175,010.58. On August 27th the ladder hoist on Dredge No. 6 broke, raising the bow and sending the stern under water which entered through the hatches. The dredge sank in the pond. Work on refloating the dredge and repairing the damage to hull and machinery was well advanced by the end of the season and the boat should be ready to begin digging shortly after the opening of the 1956 season.

Stripping plants were operated at Nos. 6, 8, 9, 10, 11 and 12. Thawing was carried on at Nos. 8, 9 and 10. Stripping and thawing plants were closed down for the season by 23rd September and all dredges by 15th November (as compared with 2nd December in 1954). During the winter freeze-up all field operations are suspended and will not be resumed until next April or May.

The spring was cold and backward which affected dredging conditions in the early part of the season. From then on, however, the dredges had good digging. In the fall the power ditches froze over quickly so there was little interruption of power supply until the dredges were closed down by low temperatures.

Labour supply was adequate. The force reached a peak of 401 on May 14th, dropping to 363 by June 18th, to 349 by July 16th, to 331 by August 20th and to 325 by September 10th. Water supply for stripping was short in the first part of the season but improved from August onward and stripping costs were substantially lower than in 1954. Thawing conditions were good and costs were slightly lower than in 1954.

Stripped and thawed reserves increased by \$49,349 as shown by the following table:

		31st December, 1954		31st December, 1955.		Difference.	
		Cu. Yds.	Cost	Cu. yds.	Cost.	Cu. Yds.	Cost.
Stripped Reserves	-	12,817,907	\$1,418,662	13,344,817	\$1,474,090.	526,710	\$55,428.
Thawed Reserves	-	10,668,665	543,185	10,668,093	537,106.	572	6,079
			\$1,961,847		\$2,011,196.		\$49,349.

1955 PROVISIONAL RESULTS.

Provisional figures for 1955 (subject to audit) show that the company made a profit of \$\_\_\_\_\_ after providing for all charges except depreciation and amortization aggregating \$83,000, resulting in a net profit of \$\_\_\_\_\_ for the year. The figure of \$83,000 represents 10% of the undepreciated balance of \$831,995.18 as at 31st December, 1954. The comparable figures for 1954 showed a profit of \$394,571 against which was set depreciation of \$200,075 resulting in a net profit of \$194,496. By reason of the allowance for depreciation and of the "loss carry forward" provisions

of The Income Tax Act, no income taxes are payable in respect of either 1954 or 1955.

The above figures are exclusive of the amount receivable by the company under The Emergency Gold Mining Assistance Act. The estimated amount for 1955 is \$ but until the figures for the year have been audited and passed by representatives of the Treasury Department the precise amount of the payment cannot be stated. The amount received for 1954 operations was \$201,729.89.

A dividend of 6 cents a share amounting to \$357,111.66 was paid on 28th October, 1955, from the accumulated surplus as at 31st December, 1954. Liquid assets at the end of the year (exclusive of any amount receivable from Government aid) aggregated approximately \$2,000,000.

#### PROSPECTING.

An agreement was taken on property in the northwest section of British Columbia that was thought to have possibilities as a dredging proposition. A drill was sent up from Dawson and a sufficient number of holes were put down to show that the property did not contain workable values. The company released its rights under the agreement and withdrew its equipment.

#### UNION AGREEMENT.

Wage rates provided by the agreement made on 9th March, 1955, with The Dawson Miners Union, remain in effect for the 1956 season.

GRAVEL RESERVES - STRIPPING PROGRAM.

Stripped reserves at 31st December, 1955, stand at 13,444,617 cu. yds. with a cost of \$1,474,090, providing an average of 6½ seasons' dredging for Nos. 6, 8, 9, 10, 11 and 12. Because of increased costs it has become necessary, beginning with the 1956 season, to revise the stripping limits in the areas at Nos. 6, 8, 9 and 10 to permit of selective mining, including as far as possible only ground that will pay to strip, thaw and dredge under the prevailing scale of costs. These four areas have an average of over 6 dredging seasons stripped ahead of the present locations of the dredges. No change in the stripping program will be made at Nos. 11 and 12 where values are adequate unless costs go still higher. No stripping is required at No. 4 on Bonanza Creek.

Yardage in the portions of the areas that will not be stripped amounts to 15,055,100 with a total content of \$3,561,125. This yardage has been eliminated from the gravel reserves. Should, however, an improvement in the position come before the dredges approach too closely to the end of the present stripped areas (through an increase in the price of gold or a substantial increase in cost-aid) the yardage to be left unstripped and taken from the reserves, could be prepared, restored to the reserves and dredged.

Eureka and Gold Run Reserves. Yardage on Eureka Creek of 8,420,149 containing \$1,825,693 (gold at \$35.) has been dropped from the reserves, values being sub-marginal at present costs of production.

The Gold Run Creek yardage totalling 24,432,642 containing

\$7,292,778 has also been taken from the gravel reserves. The greater part of this yardage would pay to work if equipped, but the capital cost of a dredge, ditches, power lines, buildings, etc., is not justified under existing conditions. Titles to the Eureka and Cold Run claims will be maintained for the present.

After elimination of the yardage that will not be stripped in the areas at Nos. 6, 8, 9 and 10 and also the yardage on Eureka and Cold Run Creeks, proved gravel reserves as at 31st December, 1956, stand at 43,633,125 cu. yds. with an average value of 41.42 cents, containing \$18,072,291 (gold at \$35.). These figures do not include 21,836,994 yards in the area of No. 4 on Bonanza Creek, only partly proved. As no stripping is required in this area and parts of it are naturally thawed, no change in the operating program need be made at this time. The dredge will be continued in operation as long as it will pay. The margin, however, is small.

#### 1956 OPERATIONS.

Dredges Nos. 4, 6 (subject to the remarks above) 8, 9, 10, 11 and 12 will be in operation, as will the hydraulic workings on Paradise Hill. All plans are contingent on labour being available.

#### BASE METALS.

The association between this company and The Consolidated Zinc Corporation of Canada Ltd., is being continued. The exploratory program of the Zinc Corporation in various sections of Canada will be on an increasing scale.

BY ORDER OF THE BOARD,

C. E. McLeod,  
Secretary.

THE YUKON CONSOLIDATED GOLD CORPORATION LIMITED

Schedule No. 5

SUMMARY OF RESERVES - OPERATING AREAS - JANUARY 1, 1956

Area No.	RESERVES ON HAND JANUARY 1 - 1955			WRITE-OFFS TO OPERATIONS SEASON OF 1955			WITHDRAWN FROM RESERVES DURING 1955			RESERVES ON HAND JANUARY 1 - 1956		
	Cubic Yards	Value (Au. @ \$35)	Cents Per Cu. Yd.	Cubic Yards	Value (Au. @ \$35)	Cents Per Cu. Yd.	Cubic Yards	Value (Au. @ \$35)	Cents Per Cu. Yd.	Cubic Yards	Value (Au. @ \$35)	Cents Per Cu. Yd.
Proved by Prospect Drilling Breeding Areas												
6 Grenville	11,468,301	\$ 4,278,826	29.62	463,068	\$ 87,762	19.81	5,381,813	\$ 1,316,760	24.43	6,623,420	\$ 2,870,304	33.35
8 Lower Sulphur	15,238,423	5,639,008	37.01	665,925	366,909	55.10	3,868,966	908,632	25.04	11,303,512	4,360,467	38.60
9 Upper Sulphur	6,387,539	2,680,912	32.68	516,335	146,290	28.33	1,642,757	334,491	20.36	4,808,447	1,800,131	38.03
10 "Idle Dominion	9,748,643	2,886,003	29.64	413,676	169,753	41.06	4,761,584	993,242	20.86	4,567,603	1,725,008	37.77
11 Lower Bunker	5,756,477	2,878,934	49.91	678,797	401,488	59.15	-	-	-	5,077,680	2,471,446	48.67
12 Dominion Bench	3,727,465	3,255,070	87.33	124,373	117,964	94.85	-	-	-	3,603,092	3,137,106	87.07
Henderson	2,414,561	806,123	33.47	635,481	140,195	22.06	-	-	-	1,779,080	667,928	37.54
SUB-TOTAL	57,695,409	\$21,822,876	37.82	3,477,475	\$1,630,361	41.13	15,055,100	\$3,551,125	23.59	39,162,834	\$16,841,390	43.00
Hydraulic Area												
13 Paradise Hill	4,634,878	1,276,212	27.53	164,587	45,311	27.53	-	-	-	4,470,291	1,230,901	27.53
Proved by Other Means Breeding Area												
4 Bonanza	23,901,296	3,039,859	12.72	2,064,302	262,579	12.72	-	-	-	21,836,994	2,777,280	12.72
TOTAL OPERATING AREAS	86,231,583	\$26,138,947	30.31	5,706,364	\$1,738,251	30.46	15,055,100	\$3,551,125	23.59	65,470,119	\$20,849,371	31.85

SUMMARY OF RESERVES - NON-OPERATING AREAS - JANUARY 1, 1956

Proved by Prospect Drilling Breeding Areas												
Eureka	8,420,149	\$ 1,825,693	21.68	-	-	-	8,420,149	\$1,825,693	21.68	-	-	-
Gold Run - Virgin	20,383,181	6,279,927	30.81	-	-	-	20,383,181	6,279,927	30.81	-	-	-
Sealinge	4,049,461	1,012,851	25.00	-	-	-	4,049,461	1,012,851	25.00	-	-	-
TOTAL NON-OPERATING AREAS	32,852,791	\$ 9,118,471	27.76	-	-	-	32,852,791	\$9,118,471	27.76	-	-	-
GRAND TOTALS	119,084,374	\$35,257,418	29.61	5,706,364	\$1,738,251	30.46	47,907,891	\$12,669,596	26.45	65,470,119	\$20,849,371	31.85