

Vancouver, B. C.,
10th March, 1942.

To:
The President and Board of Directors of
The Yukon Consolidated Gold Corporation, Ltd.,
1919 Marine Building,
Vancouver, B. C.

Gentlemen:-

Herewith is submitted my report on the operations of your Company for the year ending 31st December, 1941.

TITLES

All titles to placer mining claims which were considered essential to the operations of the Company were maintained in good standing. During the year twenty-eight (28) claims were added, either by purchase or location, and thirty-seven (37) abandoned, leaving a total of one thousand, five hundred and fifty-four (1,554) in good standing at the end of the year.

In addition, leases on the Anderson Concession, Bronson and Ray Concession, Boyle Concession and the Guerin leases were renewed.

STRIPPING OPERATIONS

Stripping plants were operated ahead of Dredges Nos. 4, 5, 6, 7, 8, 9, 10 and 11 and on the Dominion Bench ground near the mouth of Jensen Creek. The plant ahead of No. 4 continued working over the hydraulic tailings in the path proposed for the dredge. At all other plants the work consisted of removing moss and muck from the under-lying gravels.

The season was the driest on record and all plants were handicapped by a water shortage particularly in the latter part of the season when the best duty is to be obtained. This factor, coupled with the time lost during the strike, greatly reduced the amount of muck that could be run off.

During the season 2,692,219 cubic yards of muck were removed at a cost of \$197,829.53 or 7.348¢ per cubic yard. This compares with the 1940 figures of 4,298,047 cubic yards removed at a cost of \$229,530.61 or 5.900¢ per cubic yard.

At all plants except No. 9 there was a sufficient area completely stripped ready for 1942 thawing operations but the margin of safety between the boundary of completely stripped ground and the thawing area was greatly reduced. At No. 9 the prepared area is only sufficient for a half-size plant.

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The rise in unit cost was the result of having very little water available during the middle of the season to remove the accumulated thawed muck and this greatly reduced the season's total yardage. At some plants no water was used for weeks, also when pipelines are not in use during the hot weather maintenance expense is at a maximum. These were the principal factors contributing to the higher cost.

THAWING OPERATIONS

Thawing plants were operated ahead of Dredges Nos. 3, 4, 5, 6, 7, 8, 9, 10 and 11. Plants Nos. 3 and 4 were new operations. Plant No. 3 has points which are set in drilled holes. At Plant No. 4 the points had to be driven through old dredge tailings and many new problems were encountered.

During the season 7,108,325 cubic yards were thawed at a cost of \$311,739.38 or 4.385¢ per cubic yard. This compares with 1940 figures of 6,174,169 cubic yards thawed at a cost of \$290,149.53 or 4.700¢ per cubic yard. While some improvement is shown in the unit cost the time lost during the strike coupled with a shortage of labor which prevented the moving of equipment as fast as the ground became thawed prevented a full realization of the best results.

DREDGING OPERATIONS

Dredges Nos. 2, 3, 5, 6, 7, 8, 9, 10 and 11 operated for the full season. Reconstruction of Dredge No. 4 was completed and this boat started digging on September 18th.

During the season the dredges handled 8,205,270 cubic yards of material at a cost of \$1,163,342.10 or 14.17¢ per cubic yard. The production amounted to \$2,333,681.40 or 28.43¢ per cubic yard making a dredge operating profit of \$1,170,339.30 or 14.26¢ per cubic yard. This compares with the 1940 figures of 10,480,799 cubic yards handled at a cost of \$1,197,409.28 or 11.425¢ per cubic yard. Production in 1940 was \$2,617,227.40 or 24.972¢ per cubic yard making a dredge operating profit of \$1,419,818.12 or 13.547¢ per cubic yard. The increase in unit cost for 1941 is caused by the reduction in yardage due to the heavier winter frost encountered in the Spring, heavier charges for thawing and stripping on some dredges, time lost due to the strike and an early shut-down in the Fall due to extreme cold and shortage of power.

Of the yardage handled during 1941, the dredges operating in proved gravel reserves handled 4,694,267 cubic yards at a cost of \$902,620.86 or 19.22¢ per cubic yard and produced \$1,958,003.16 or 41.71¢ per cubic yard, making a dredge operating profit of \$1,055,382.30 or 22.48¢ per cubic yard. Dredges Nos. 2, 3 and 4 operating outside of the proved reserves handled 3,511,003 cubic yards of material at a cost of \$260,721.24 or 7.42¢ per cubic yard and produced \$375,678.24 or 10.70¢ per cubic yard leaving a dredge operating profit of \$114,957.00 or 3.20¢ per cubic yard.

As stated before, all dredges encountered very heavy winter frost in the Spring which was caused by an almost total lack of snow cover

in the previous winter. It was especially bad ahead of No. 7 on Quartz Creek.

The recovery made by individual dredges during the year varied over wide limits from the estimates made up from the drill logs but the recovery of all seven dredges which operated in the proved reserves averaged 97.5% of the theoretical recovery. This compares with the average recovery of 97.8% of all dredges operating in proved reserves over the period of 1936 to 1941 inclusive.

In the type of formation covered by the proved reserves it is not economically possible to drill the ground close enough to get more accurate checks between estimated and actual recoveries of individual dredges. If too great a proportion of the holes hit high grade spots or virgin ground the dredge makes an "under-run". If too many holes hit "old works" or lower grade spots the dredges make an "over-run". Nevertheless two dredges Nos. 6 and 8 have consistently made serious under-runs since the start of their operations and every effort is being made to reduce any chances of loss. During the latter part of 1941 the tailings behind Dredge No. 8 were prospected with a Keystone drill and very low values were found, only a fraction of a cent per cubic yard. However, this is a type of ground which is difficult to drill as it is thawed and loose requiring use of casing and a proper core cannot be secured. During 1942 it is proposed to sink some shafts using a large size pipe casing. These results should be dependable.

POWER PLANT OPERATIONS

The power plant and power ditches again operated throughout the year without serious interruptions. The power generated was distributed as follows:-

Company Operations	24,516,600 K.W.H.	-	74.33%
Dawson Utilities	3,722,000 "	-	11.28%
Power Plant Service	1,265,500 "	-	3.83%
Line Loss	3,485,100 "	-	10.56%

Total	32,989,200 K.W.H.		
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As has been the practice in past years the revenue derived from sale of power to the Dawson Utilities amounting to \$25,408.36 was treated as an earning.

During the year a new generator was purchased for the No. 1 water wheel. It has a capacity which will absorb the full power of the wheel and give an additional 1,000 KVA of power. A new bank of transformers to be used as spares was also purchased. The addition of these items of equipment is thought to give the plant sufficient insurance against serious interruption to operation as the old generator is now available as a spare.

Power was charged against all Company operations at 1/2¢ per K.W.H. and this rate will be continued until the cost of the new equipment is absorbed.

The usual program for keeping up and improving the lower banks of the North and South Fork ditches was carried out. The Marion dragline was operated on the South Fork ditch to clean out the bottom and widen the narrow stretches. The benefit of this work is very apparent when freezing over the ditch in the Fall of the year.

PROSPECT DRILLING

The drilling campaign was continued throughout the season. The first work was done on Dago Hill where there is a high level deposit not suitable for dredging. Dago Hill is situated in the angle between Last Chance Creek and Hunker Creek. The deposit can probably be worked by hydraulicking but there will be many problems to solve before mining can be started. There is a lack of natural run-off grade and the only available dumping ground is a portion of Dredge No. 11 reserves which will have to be dredged before it can be used for dumping. The workable deposit is computed to contain 6,897,000 cubic yards of material containing \$2,053,800.00 or 29.7¢ per cubic yard, all with gold at \$38.50.

After the completion of the Dago Hill examination the equipment was moved to Henderson Creek, a small right limit tributary of the Yukon River a short distance below the mouth of the Stewart River. A small proposition was found on the right fork of the Creek. The workable area is computed to contain 3,267,000 cubic yards of gravel and pay bedrock containing \$2,104,300.00 or 64.4¢ per cubic yard with gold at \$38.50. As the gravel is quite shallow it is estimated that some muck and sand will have to be left on the surface and the amount left will, of course, dilute the unit values to be recovered. The creek is well worth holding on to. It is not considered advisable to attempt to mine it in the near future but rather to hold it in reserve.

The drilling equipment was shifted from Henderson Creek to Upper Gold Run Creek and enough drilling done there to prove that Upper Gold Run is not a profitable proposition. However, a study of the balance of the creek has been made and it is possible there may be a paying proposition there for the future.

After drilling was completed on Gold Run a little drilling was done on a high level deposit on Australia Hill which is situated at the mouth of Hunker Creek between that creek and the Klondike River. No encouraging values were found and the work was stopped.

Following is a summary of Proved Gravel Reserves:-

<u>Dredge</u>	<u>Area</u>	<u>Cu.Yds.</u>	<u>Total</u>	<u>Value (Gold @ \$38.50)</u> <u>¢ per</u> <u>Cu.Yd.</u>
<u>Present Operating Areas</u>				
No. 5	Granville	8,256,439	\$ 4,291,400	51.98
6	Lower Sulphur	9,870,122	4,917,162	49.82
7	Quartz	3,814,293	1,679,055	44.02
8	Middle Sulphur	11,235,540	5,054,241	44.98
9	Upper Sulphur	7,443,660	3,774,908	50.71
10	Middle Dominion	9,994,492	4,166,963	41.69
11	Middle Hunker	10,596,791	6,352,201	59.94
<u>Total Present Operating Areas</u>		<u>61,211,337</u>	<u>\$30,235,930</u>	<u>49.40</u>
<u>Other Dredging Areas</u>				
	Indian River	10,487,000	\$ 3,418,800	32.60
	Eureka Creek	8,339,000	1,998,700	23.97
	Henderson Creek	4,412,000	2,104,000	47.69
<u>Total Proved Dredging Areas</u>		<u>84,449,337</u>	<u>\$37,757,430</u>	<u>44.71</u>
<u>Other Operating Areas</u>				
	Dragline-Dominion			
	Benches	3,136,000	\$ 3,786,200	120.73
	Hydraulics-Paradise			
	Hill	5,060,000	1,533,400	30.30
	" Dago Hill	6,896,757	2,053,752	29.70
<u>Total Proved Reserves</u>		<u>99,542,094</u>	<u>\$45,130,782</u>	<u>45.34</u>

In addition to the above, the area available for Dredge No. 4 on Bonanza Creek is estimated to contain well in excess of 30,000,000 cubic yards with a value in excess of \$4,581,000.

CAPITAL EXPENDITURE

The principal capital expenditures which have been contemplated to date were completed during the year. These were as follows:-

Dredge No. 4.

Reconstruction of this 16 cu. ft. dredge on Bonanza Creek was completed on September 18th. The expenditure for the year amounted to \$288,042.69. The date of completion was about six weeks later than estimated due to shortage of skilled labor, labor trouble and failure to get delivery on some materials. However, a good job was done and the dredge operates without mechanical difficulty. The completed cost of the dredge and auxiliaries is as follows:-



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