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*Return to Alfred M. Smith*

*Annual Report*

# EUREKA CORPORATION LIMITED



For the Year Ended September 30, 1949



# EUREKA CORPORATION LIMITED

2810 - 25 King Street West, Toronto

1841 - 230 Park Avenue, New York

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## OFFICERS

T. LINDSLEY .....*President*  
G. W. MITCHELL .....*Vice-President*  
G. S. JEWETT .....*Secretary*  
J. C. RIX .....*Treasurer*  
J. M. ROBINSON .....*Asst. Secretary-Treasurer*  
M. R. JENNINGS .....*Assistant Secretary*

## DIRECTORS

T. LINDSLEY	J. M. EASSON
G. W. MITCHELL	A. G. FULTON
W. B. MALONE	M. R. JENNINGS

## GENERAL MANAGER

GEORGE W. MITCHELL

## TRANSFER AGENTS

TORONTO SHARE TRANSFER CO., LTD.

302 BAY STREET, TORONTO, ONTARIO

REGISTRAR AND TRANSFER CO.

2 RECTOR STREET, NEW YORK

REGISTRAR AND TRANSFER CO.

15 EXCHANGE PLACE, JERSEY CITY, N.J.

## AUDITORS

GRIFFITH AND COMPANY

*Certified Public Accountants*

PHILADELPHIA



# EUREKA CORPORATION LIMITED

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## **Report of the Directors**

TO THE SHAREHOLDERS  
EUREKA CORPORATION LIMITED.

Your Directors submit herewith the Annual Report of your Company with Balance Sheet and the Auditors' Report thereon for the fiscal year ended September 30, 1949. Also appended to this Report is an unaudited Balance Sheet as at June 30, 1950, which was laid before the shareholders at the Special General Meeting held in the City of Toronto, Ontario, on July 24, 1950.

A Report of the Directors of this Company dated June 30, 1950, was forwarded to all shareholders along with the Notice calling the Special General Meeting above referred to. This Report was laid before the shareholders present at that meeting and it was considered that the Company should not commit itself to the drilling programme mentioned in the Report the cost of which was estimated at \$600,000.00. At the same meeting the Directors were authorized to continue, modify or surrender the lease on the whole of the property held in Nevada without further reference to the shareholders depending upon which course of action in the opinion of the Directors is in their best judgment in the best interests of the shareholders.

Subsequent to the shareholders' meeting, the Directors decided to resume work under all the terms and requirements of the lease, commencing on or before August 1, 1950, and that in addition a limited amount of drilling with rotary rig be carried on in the upper horizons in the area defined as Block 1-B in previously published reports on this property.

The future course of action to be adopted by the Directors will be largely determined by the success or otherwise of the drilling which is now in progress.

Your Directors wish to express their sincere appreciation of the efforts put forth by your General Manager and his staff under difficult circumstances.

On behalf of the Board,

Toronto, Ontario,  
August 28, 1950.

T. LINDSLEY,  
*President.*



# EUREKA CORPORATION LIMITED

## Statement of Financial Condition at September 30, 1949

(Stated in United States Dollars)

### ASSETS

#### CURRENT ASSETS:

Cash on deposit and on hand:

On deposit in Canadian banks (Note 2)

Canadian funds (\$8,686.38) ..... \$ 7,896.71

United States dollar account ..... 312.50

On deposit and on hand in the United States ..... 41,684.63 \$ 49,893.84

Accounts receivable from associated companies ..... 65,883.07

Receivable from Ventures Limited for stock subscription (see capital subscriptions Contra) ..... 186,650.00

Other accounts receivable ..... 16,859.46

Total current assets ..... \$ 319,286.37

INVENTORIES OF MATERIALS AND SUPPLIES AT COST ..... 253,982.99

#### INVESTMENT AND DEPOSIT:

1,875 shares of capital stock of Richmond-Eureka Mining Co., at cost ..... \$ 14,155.43

Deposit with Nevada Industrial Commission ..... 1,179.19 15,334.62

#### FIXED ASSETS:

Mining claims:

Mining claims in Nevada owned outright at cost, \$10,000 less portion represented by royalty payments, \$7,340.29, charged to deferred development expenses ..... \$ 2,659.71

Cost of mining claims in Nevada assigned or to be assigned to Richmond-Eureka Mining Co. (Note 3) ..... 268,526.41

Payments made on options to purchase mining claims in Nevada (Note 3) ..... 31,225.00

Total mining claims ..... \$ 302,411.12

Land in Eureka, Nevada (non-mining) ..... 1,034.00

Buildings (Note 4) ..... 319,327.42

Machinery and equipment (Note 4) ..... 1,508,999.98

Advance for acquisition of equipment ..... 30,000.00

Total fixed assets ..... 2,161,772.52

#### CAPITALIZED EXPENSES AND DEFERRED CHARGES:

Deferred development expenses (schedule A2) ..... \$3,680,994.10

Deferred administrative and general expenses ..... 399,205.88

Expenditures and advances for outside exploration ..... 16,451.71

Prepaid insurance ..... 6,025.78

Total capitalized expenses and deferred charges ..... 4,102,677.47

\$6,853,053.97

The accompanying notes to Statement of Financial Condition are an integral part of this statement.

#### TO THE SHAREHOLDERS OF EUREKA CORPORATION LIMITED:

We have examined the statement of financial condition of Eureka Corporation Limited, as at September 30, 1949. We have reviewed the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.



# EUREKA CORPORATION LIMITED

## Statement of Financial Condition at September 30, 1949

(Stated in United States Dollars)

### LIABILITIES AND CAPITAL

#### CURRENT LIABILITIES:

Accounts payable for materials, supplies, expenses, etc. ....	\$ 51,640.69
Accrued taxes on real and personal property .....	7,080.67
Payroll taxes withheld and accrued .....	764.81
Loans payable to Ventures Limited and its subsidiary, and accrued interest thereon:	
Payable in Canadian dollars (\$855,276.06) .....	777,523.69
Payable in United States dollars .....	478,466.17
Accounts payable to associated companies:	
Payable in Canadian dollars (\$11,732.36) .....	10,665.78
Payable in United States dollars .....	2,868.08
Total current liabilities .....	\$1,329,009.89

#### OTHER LIABILITIES:

Loans to be repaid, together with accrued interest, on or before July 1, 1950, by issuance of the company's capital stock at a price of \$3.00 per share:	
Due to Ventures Limited .....	\$ 398,724.05
Due to Northfield Mines, Inc. ....	479,952.64
Total other liabilities .....	878,676.69
Total liabilities .....	\$2,207,686.58

#### CAPITAL:

Capital shares, par value \$1.00 Canadian funds:	
Authorized .....	5,000,000 shares
Unissued (Note 5) .....	1,202,560 shares
Issued and outstanding .....	3,797,440 shares \$3,583,902.80
Paid-in Surplus:	
Balance, October 1, 1948 .....	\$ 641,956.66
Add: Premium on shares sold during year .....	210,100.00 852,056.66
Subscription to 191,100 capital shares at \$1.50 U.S. funds, \$100,000 paid before and \$186,650 paid after September 30, 1949 (see accounts receivable Contra) .....	286,650.00
Earned surplus (deficit) exhibit A .....	77,242.07
Total capital .....	4,645,367.39
	\$6,853,053.97

In our opinion, the accompanying statement of financial condition, when read in conjunction with the related footnotes, presents fairly the position of Eureka Corporation Limited at September 30, 1949, in conformity with generally accepted accounting principles applied on a consistent basis.

630 Fifth Avenue  
New York, N.Y.  
January 11, 1950

GRIFFITH AND COMPANY,  
Certified Public Accountants.



# EUREKA CORPORATION LIMITED

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## Notes to Statement of Financial Condition at September 30, 1949

NOTE 1: Canadian funds in bank and amounts payable in Canadian funds have been converted to United States dollars at the current official exchange rate of eleven (11) Canadian dollars to ten (10) United States dollars. All other funds in bank, receivables and payables are due in United States dollars. Inventories, investments, fixed assets, deferred charges and capital are stated at the United States dollar equivalent at the time of each original transaction.

NOTE 2: The Company is subject to the rules and regulations of the Canadian Foreign Exchange Control Board and hence any transfers of funds from Canada to the United States, including any dividends that may be paid to shareholders of the Company, can only be carried out in accordance with the Board's regulations and policies in force at the time.

NOTE 3: The Company's principal development work has been on properties in Nevada leased from Richmond-Eureka Mining Company, an American corporation, under a lease expiring in 1962 with a 15 year renewal privilege. The lease calls for a payment as rental and royalty of a sum equal to 15% of the net mill smelter or reduction plant returns before deduction of freight and/or transportation charges from the mine to the mill smelter or reduction plant. In addition to rental, the lease imposes an obligation on the Company to carry on exploration and development work, including drilling, shaftsinking and the development of ore, using a minimum of 630 8-hour shifts of mining labour per month until commercial ore is developed and ready for shipment and thereafter development, mining and shipment must be carried on with regularity. Failure or interruption in the continuous performance of development, mining and shipment, unless excused by force majeure reasons, defined in the lease to include matters or things beyond the reasonable control of the Company, gives the lessor the right to cancel on thirty days' notice with the right to the Company to resume work within the thirty days. In the event of cancellation the Company is required to continue pumping for thirty days thereafter.

During the fiscal year, the operations of the Company were retarded by a great flow of water in the shaft to the extent that the Company did not meet the minimum development requirements. On June 22, 1949, a supplemental agreement with the lessor was executed, under which the lessor agreed not to exercise any right to cancel or terminate the lease prior to December 31, 1949 (with thirty days' notice). As of the date of the release of this report, the required minimum development work had not been resumed but the Company had not received the thirty day termination notice from the lessor.

The Company has also purchased certain contiguous mining claims for a total consideration of \$268,526.41, and has assigned or agreed to assign these claims to Richmond-Eureka Mining Company at cost, whereupon these claims become a part of the property included in the general lease with reimbursement to be received from the royalties due to Richmond-Eureka Mining Company.

The Company has obtained option purchase agreements on three other groups of contiguous claims in Nevada. The total purchase price for these claims was \$150,000.00 upon which \$31,225.00 has been



paid. Upon completion of payments under each of these agreements, and at the election of Richmond-Eureka Mining Company, these claims are also subject to assignment to that Company under the same terms as other claims mentioned in the preceding paragraph.

NOTE 4: Buildings, machinery and equipment are stated at cost; no depreciation has been included as an item of deferred development expense. The supplementary agreement with the lessor dated June 22, 1949, expressly agreed that all buildings, and all machinery and equipment attached thereto or installed therein, as well as the water supply system, power lines and all equipment below the surface of the ground shall be a part of the realty and that title thereto is and shall be vested in the lessor, Richmond-Eureka Mining Company.

NOTE 5: In a prospectus dated August 23, 1948, the Company offered the right to purchase capital stock and capital stock purchase warrants in units, each consisting of 5 shares of capital stock and a stock purchase warrant for 3 shares, at a price of \$7.50 U.S. currency per unit. During the current fiscal year, the Company sold 420,200 shares under this offering; the stock purchase warrants expired March 1, 1949. We are informed that the balance of this offering remaining unsold was officially withdrawn by notice to the Securities and Exchange Commission. The unissued shares of the Company are allocated as follows:

Subscribed for by Ventures Limited a Canadian Corporation, at \$1.50 per share, United States funds .....	191,100
Reserved for issue to discharge certain loans from Ventures Limited and Northfield Mines, Inc. ....	313,000
Additional unissued shares, unreserved .....	698,460
Total unissued shares .....	<u>1,202,560</u>

NOTE 6: The Company has an agreement with a stockholder which provides that \$50,000 (Canadian) shall be paid to such stockholder at the expiration of one year following the initiation of dividends on the Company's capital stock, in consideration of options and leases turned over to the Company and for services in organizing the Company and securing subscriptions to capital stock.



## EUREKA CORPORATION LIMITED

Analysis of Changes in Earned Surplus (Deficit)  
Year Ended September 30, 1949

BALANCE (SURPLUS) OCTOBER 1, 1948 .....		\$ 4,454.00
ADD:		
Income from temporary investments:		
Dividends on stocks .....	\$ 403.29	
Interest on bonds .....	7,894.56	
		<u>8,297.85</u>
		\$12,751.85
DEDUCT:		
Losses from sales of securities, net of estimated amount allocated to cost of transferring borrowed capital from Canada to United States had simultaneous purchases and sales been made (charged to deferred administrative and general expenses) .....	\$10,913.14	
Deferred flotation mill expenses written off as lease on mill site has been cancelled .....	79,080.78	
		<u>89,993.92</u>
BALANCE (DEFICIT) SEPTEMBER 30, 1949 .....		<u><u>\$77,242.07</u></u>



## EUREKA CORPORATION LIMITED

## Analysis of Deferred Development Expenses September 30, 1949

	Balance at Oct. 1, 1948	Additions at Cost	Transfers	Balance at Sept. 30, 1949
MINE DEVELOPMENT EXPENSES:				
Fad shaft:				
Shaft sinking .....	\$1,313,985.08	.....	.....	\$1,313,985.08
Station cutting .....	760,047.21	12,576.01	.....	772,623.22
Drifting and crosscutting .....	114,040.45	.....	.....	114,040.45
Raising .....	8,484.92	.....	.....	8,484.92
Mine unwatering .....	210,361.88	266,323.77	.....	476,685.65
Mine maintenance .....	212,061.17	17,828.81	.....	229,889.98
Diamond drilling .....	.....	4,380.73	\$4,380.73	.....
Locan drift:				
Drifting .....	12,656.81	.....	.....	12,656.81
Mine services .....	10,937.43	.....	.....	10,937.43
Other developments (prior to 1943) .....	119,403.73	.....	.....	119,403.73
Mining expenses (prior to 1942) .....	42,403.17	.....	.....	42,403.17
Total mine development expenses .....	\$2,804,381.85	\$ 301,109.32	\$4,380.73	\$3,101,110.44
DIAMOND DRILLING .....	60,238.12	.....	4,380.73	64,618.85
OFFICE AND SUPERVISION EXPENSES AT PROPERTY .....	252,271.12	42,082.47	.....	294,353.59
GENERAL EXPENSES AT PROPERTY ....	289,440.76	48,265.36	.....	337,706.12
	\$3,406,331.85	\$ 391,457.15	.....	\$3,797,789.00
DEDUCT: Net returns from ore (prior to 1943) .....	116,794.90	.....	.....	116,794.90
NET DEFERRED DEVELOPMENT EXPENSES .....	\$3,289,536.95	\$ 391,457.15	.....	\$3,680,994.10



# EUREKA CORPORATION LIMITED

## Balance Sheet at June 30, 1950

(Stated in United States Dollars)

### ASSETS

#### CURRENT ASSETS:

Cash on deposit and on hand:

On deposit in Canadian banks (Note 2)

Canadian funds (\$5,751.64) ..... \$ 5,228.24

United States dollar account ..... 312.50

On deposit and on hand in the United States ..... 63,697.51

\$ 69,238.25

Accounts receivable ..... 14,567.30

Total current assets .....

\$ 83,805.55

Due from Associated Companies .....

68,421.91

INVENTORIES OF MATERIALS AND SUPPLIES — at cost .....

231,649.64

Investment and Deposit:

1,875 shares of capital stock of Richmond-Eureka Mining Company — at cost .....

\$ 14,155.43

Deposit with Nevada Industrial Commission .....

732.89

\$ 14,888.32

#### FIXED ASSETS:

Mining claims:

Mining claims in Nevada owned outright at cost, \$10,000, less portion represented by royalty payments, \$7,340.29, charged to deferred development expenses .....

\$ 2,659.71

Cost of mining claims in Nevada assigned or to be assigned to Richmond-Eureka Mining Company (Note 3) .....

268,526.41

Payments made on options to purchase mining claims in Nevada (Note 3) .....

36,625.00

Total mining claims .....

\$ 307,811.12

Land in Eureka, Nevada (non-mining) .....

1,034.00

Buildings (Note 4) .....

333,236.91

Machinery and equipment (Note 4) .....

1,470,327.52

Advance for acquisition of equipment .....

30,000.00

Total fixed assets .....

2,142,409.55

#### CAPITALIZED EXPENSES AND DEFERRED CHARGES:

Deferred development expenses ..... \$3,751,311.77

Deferred administrative and general expenses ..... 480,905.81

Expenditures and advances for outside exploration ..... 19,991.31

Prepaid insurance ..... 17,544.17

Total capitalized expenses and deferred charges .....

4,269,753.06

\$6,810,928.03



# EUREKA CORPORATION LIMITED

## Balance Sheet at June 30, 1950

(Stated in United States Dollars)

### LIABILITIES AND CAPITAL

#### CURRENT LIABILITIES:

Notes payable .....	\$ 7,555.40	
Accounts payable for materials, supplies, expenses, etc. ....	43,961.15	
Taxes payable and accrued .....	7,930.46	
		\$ 59,447.01
Loans payable to Ventures Limited and its subsidiary, and accrued interest thereon:		
Payable in Canadian dollars (\$765,838.54) .....	\$ 696,216.15	
Payable in United States dollars .....	496,668.83	
Accounts payable to associated companies:		
Payable in Canadian dollars (\$12,632.36) .....	11,483.88	
Payable in United States dollars .....	256.83	
		1,204,625.69
Total current liabilities .....		\$1,264,072.70

#### OTHER LIABILITIES:

Loans to be repaid, together with accrued interest, on or before July 1, 1950, by issuance of the company's capital stock at a price of \$3.00 per share:		
Due to Ventures Limited .....	\$ 411,155.21	
Due to Northfield Mines, Inc. ....	490,332.73	
		901,487.94
Total other liabilities .....		\$2,165,560.64

#### CAPITAL:

Authorized — 5,000,000 shares of a par value of \$1.00 each (Canadian funds).	
Issued — 3,988,540 shares (including 191,100 shares allotted but not issued) .....	\$3,757,629.90

#### PAID-IN SURPLUS:

Balance — October 1, 1949 .....	\$ 852,056.66	
Add: Premium on shares sold during year .....	112,922.90	
		964,979.56
		\$4,722,609.46
Earned surplus (deficit) .....		77,242.07
Total capital .....		\$4,645,367.39
		<u>\$6,810,928.03</u>

The above figures have been prepared from the books of the Company without verification by the auditors. The accompanying notes (Nos. 1-5) are an integral part of this statement.



# EUREKA CORPORATION LIMITED

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## Notes to Balance Sheet at June 30, 1950.

NOTE 1: Canadian funds in bank and amounts payable in Canadian funds have been converted to United States dollars at the current official exchange rate of eleven (11) Canadian dollars to ten (10) United States dollars. All other funds in bank, receivables and payables are due in United States dollars. Inventories, investments, fixed assets, deferred charges and capital are stated at the United States dollar equivalent at the time of each original transaction.

NOTE 2: The Company is subject to the rules and regulations of the Canadian Foreign Exchange Control Board and hence any transfers of funds from Canada to the United States, including any dividends that may be paid to shareholders of the Company, can only be carried out in accordance with the Board's regulations and policies in force at the time.

NOTE 3: The Company's principal development work has been on properties in Nevada leased from Richmond-Eureka Mining Company, an American corporation, under a lease expiring in 1962 with a 15-year renewal privilege. The lease calls for a payment as rental and royalty of a sum equal to 15% of the net mill smelter or reduction plant returns before deduction of freight and/or transportation charges from the mine to the mill smelter or reduction plant. In addition to rental, the lease imposes an obligation on the Company to carry on exploration and development work, including drilling, shaft-sinking and the development of ore, using a minimum of 630 8-hour shifts of mining labor per month until commercial ore is developed and ready for shipment and thereafter development, mining and shipment must be carried on with regularity. Failure or interruption in the continuous performance of development, mining and shipment, unless excused by force majeure reasons, defined in the lease to include matters or things beyond the reasonable control of the Company, gives the lessor the right to cancel on thirty days' notice with the right to the Company to resume work within the thirty days. In the event of cancellation the Company is required to continue pumping for thirty days thereafter.

In March, 1948, the mine was flooded, and in spite of most extensive pumping, was flooded again in November, 1948. Since that time no mining operations have been possible and the minimum development requirements have not been met. On June 22, 1949, a supplemental agreement with the lessor was executed, under which the lessor agreed not to exercise any right to cancel or terminate the lease prior to December 31, 1949. Since January 1, 1950, the Company's possession of the property has been liable to termination on notice. In order to protect the lease until August 1, 1950, the Company on June 30, 1950, signed an agreement which provides that by August 1, 1950, one of the following steps must be taken:

1. Resume work under all the terms and requirements of the lease, or
2. To enter into an agreement with Richmond-Eureka Mining Company, providing among other things for a commitment on the part of the Company to a drilling program to be executed forthwith, and to extend over a period not to exceed two years. The cost of such a program is estimated at \$600,000.00, or
3. To peaceably relinquish and surrender the lease and deliver up possession to Richmond-Eureka Mining Company.

The Company has also purchased certain contiguous mining claims for a total consideration of \$268,526.41, and has assigned or agreed to assign these claims to Richmond-Eureka Mining Company at cost, whereupon these claims become a part of the property included in the general lease with reimbursement to be received from the first net proceeds from production before the payment of any royalties.

The Company has obtained option purchase agreements on three other groups of contiguous claims in Nevada. The total purchase price for these claims was \$150,000.00 upon which \$36,625.00 has been paid. Upon completion of payments under each of these agreements, and at the election of Richmond-Eureka Mining Company, these claims are also subject to assignment to that Company under the same terms as other claims mentioned in the preceding paragraph.

NOTE 4: Buildings, machinery and equipment are stated at cost; no depreciation has been included as an item of deferred development expense. The supplementary agreement with the lessor dated June 22, 1949, expressly agreed that all buildings, and all machinery and equipment attached thereto or installed therein, as well as the water supply system, power lines and all equipment below the surface of the ground shall be a part of the realty and that title thereto is and shall be vested in the lessor, Richmond-Eureka Mining Company.

NOTE 5: The Company has an agreement with a stockholder which provides that \$50,000 (Canadian) shall be paid to such stockholder at the expiration of one year following the initiation of dividends on the Company's capital stock, in consideration of options and leases turned over to the Company and for services in organizing the Company and securing subscriptions to capital stock.