

OFFICERS

R. M. HARDY, PRESIDENT
 J. B. COX, VICE PRESIDENT
 C. M. HULL, SECRETARY
 FRANK M. HARDY, TREASURER
 R. D. LEISK, GENERAL MANAGER

SUNSHINE MINING COMPANY

Home Office: Yakima, Washington

Mine Office: Kellogg, Idaho

DIRECTORS

J. B. COX
 JOSHUA GREEN
 C. M. HULL
 R. M. HARDY
 FRANK M. HARDY

Yakima, Washington
 January 31, 1951

To the Stockholders of
SUNSHINE MINING COMPANY

Net earnings for the year 1950 were better than for any year since 1941 despite tax increases and rising costs. The tabulation below shows the earnings, dividends and change in surplus for the year 1950 in comparison with those of the two previous years:

	Net Earnings (after taxes)	Dividends Paid (per share)	(total)	Surplus (decrease)	(increase)
1948	\$1,183,644.53	\$.60	\$ 893,292.60	\$	\$290,351.93
1949	794,266.53	.60	893,292.60	99,026.07	
1950	1,660,870.79	.75	1,116,615.75		544,255.04

The Excess Profits Tax Act of 1950 applies retroactively to approximately one-half of the year 1950. The full impact of it will come in 1951 when it will be in effect for the entire year. Your company does not question its obligation to carry an equitable share of the taxation necessary to place the nation on a pay-as-you-go basis in this emergency but stockholders should realize that the Excess Profits Tax Act of 1950 is a misnamed piece of legislation hastily prepared and more hastily passed by the Congress, and has the effect of making a discriminatory tax levy upon a substantial portion of your company's normal income.

Stockholders are advised to be on the alert during 1951 to protest to their representatives in Congress against attempts that may be made to eliminate or reduce the percentage depletion provisions of the present tax laws as such action would have a serious effect upon your company's net earnings.

Silver is in a strong position as a result of increased industrial demand. The present rate of use of silver by industries in the United States is estimated to be in excess of 160,000,000 ounces per year, over four times the domestic rate of production. Domestic supplies of silver have dwindled and imports of foreign silver have increased, so that the silver price in the domestic market has risen until it is now equal to that offered by the Treasury for newly mined domestic silver. This situation emphasizes the pointlessness of the perennial attacks upon the Silver Purchase Act and it is to be hoped that the public will be given a rest from the campaign of misleading propaganda that has been waged against the producers of this highly important metal.

During the past year your company took a small participation in several oil exploration projects in the Province of Alberta, Canada. Three dry holes have been drilled and at least three other holes are scheduled for 1951.

The General Manager's report to the Directors is submitted herewith.

FOR THE BOARD OF DIRECTORS
 R. M. Hardy, President

To the Board of Directors
SUNSHINE MINING COMPANY

Gentlemen:

The following report is submitted covering operations of the Sunshine Mine for the year 1950.

MINE DEVELOPMENT

The year's footage of development work is tabulated below:

	Drifting	Raising	Crosscutting	Total
Ore	2,285.0	1,569.3		3,854.3
Waste	1,600.6	1,193.4	3,772.9	6,566.9
Total	3,885.6	2,762.7	3,772.9	10,421.2

Diamond drilling consisted of 8 short holes totaling 608.6 feet.

The West Rambo section of the Syndicate Fault zone, north of the Jewell Shaft, was worked extensively during the past year and produced a total of 44,818 tons averaging 19.4 ounces of silver per ton and 6.1% lead. The downward extension of this ore zone was explored from the Jewell Shaft on the 3840 level by crosscutting 343 feet north to the Syndicate Fault where ore was encountered. Subsequent drifting 52 feet to the east and 6 feet to the west produced 608 tons of ore averaging 11.3 ounces of silver per ton and 8.5% lead. As this development was well in advance of mining, the drifting was discontinued with both east and west faces still in ore and a crosscut was started to the northwest to explore the fault zone below 3700—71 ore shoot. This crosscut is expected to reach its objective in February.

The Suncon Area is in much better shape for both production and further exploration due to the completion of the crosscut from the Jewell Shaft on the 2700 level and its connection with the vertical service and ventilation raise from the 3100 level. The Yankee Girl vein was explored on the 2700 level by 141 feet of drifting to the west from the new crosscut. This work produced 785 tons of ore averaging 14.7 ounces of silver per ton. A crosscut is now being driven from the service raise toward the Yankee Girl vein at the 2900 level elevation. Drifting west on the Yankee Girl Vein on the 3100 level was resumed in December.

The 3105 south crosscut in the Metropolitan Area was advanced 853 feet during the year which placed the face of the crosscut 2,960 feet south of the Yankee Girl Vein and 900 feet north of the projected position of the Big Creek Fault which is one of the objectives of this work.

Development of the Chester Vein between the 3100 and 3700 levels was continued and drifts were driven to the east limits of the ore body on both the 3250 and 3400 levels. On the 3250 level, which had already been partly developed, 128 feet of new drifting on ore in the Omega Area produced 785 tons averaging 58.6 ounces of silver and 0.3% lead, and 466 feet of drifting on ore in the Rotbart Area produced 5,146 tons averaging 79 ounces of silver and 1.4% lead. On the 3400 level, 413 feet of drifting on ore in the Omega Area produced 2,928 tons of ore averaging 20.4 ounces of silver and 0.1% lead. In the Rotbart Area on the 3400 level, 346 feet of drifting on ore produced 2,414 tons averaging 96 ounces of silver and 1.6% lead. A vertical service raise was completed connecting the 3700 level with the 3400 level and development of the Chester Vein on the 3550 level has been started from this raise. A crosscut was driven to the vein at a point a short distance west of the ore shoot and a drift was started to the east. The drift was in good ore in the Omega Area as of the date of this report.

Development of the "D" vein, in the footwall of the Sunshine Vein, on the 3250 level in the Sunshine Area was started in the latter part of the year. The drift was advanced 193.9 feet and produced 1,043 tons of ore averaging 27.3 ounces of silver per ton.

Geological studies of the uranium mineralization, referred to in the report of a year ago, were continued and a small amount of diamond drilling was done in connection with the geological work. Nothing of mineable width or grade has been found to date.

ORE RESERVES

Ore reserves are estimated at 902,000 tons. This estimate refers to developed ore above the floor of the 3700 level except in the case of the east ore shoot on the Syndicate Fault in the West Rambo section of the mine where the estimate extends to the 3840 level. The distribution of the reserve estimate by areas is approximately as follows: Sunshine 181,000 tons, Rambo 159,000 tons, Omega 235,000 tons, Rotbart 272,000 tons, Yankee Girl 41,000 tons, Suncon 14,000 tons. Sunshine Mining Company's interest in the total estimated reserve is equivalent to about 510,000 tons.

OPERATIONS

The distribution by areas of the 1950 ore production and operating income was as follows:

Area	Tons	Silver Oz. Per Ton	Lead %	Gross Value	Area Income Total	Area Income to Sunshine
Sunshine.....	58,353	35.16		\$1,779,018.66	\$ 954,552.70	\$ 954,552.70
Omega.....	52,805	35.96	.40	1,654,560.91	789,596.05	394,798.03
Rambo.....	50,471	19.58	5.63	1,382,400.82	687,678.91	343,839.46
Rotbart.....	76,749	39.78	3.00	3,025,104.24	1,815,614.05	605,204.68
Suncon.....	8,280	21.30		157,564.12	(38,802.83)	(19,401.41)
Yankee Girl.....	5,219	51.59		238,092.61	174,307.72	146,418.48
Total.....	251,877	33.50	2.14	\$8,236,741.36	\$4,382,946.60	\$2,425,411.94

A 200-foot ventilation raise to connect the 1500 level of the Sunshine with the bottom level of the Polaris was up 178 feet by the end of the year. At that point holes were drilled through in order to drain the Polaris before making the raise connection.

The No. 4 Winze, originally a service winze and ore transfer, is being converted into a hoisting shaft between the 3100 and 3700 levels. The head-sheave has been raised 60 feet and a 100-ton ore pocket provided. A 100-h.p. hoist will replace the old 40-h.p. hoist and the hoist room has been enlarged in preparation for this installation. Early in the new year, the winze will be deepened to approximately 100 feet below the 3700 level to provide pocket and sump room. Following completion of this work it is planned to sink No. 5 Winze below 3700 level in preparation for exploration of the eastern portion of the mine at the 3850 and 4000 level horizons.

The average per ton operating costs were as follows:

Mining	\$10.86
Milling80
General Expense.....	3.35
Depreciation22

Total exclusive of Income and Production Taxes.....\$15.23

MILLING

The mill operated 307 days during 1950 and treated 251,877 tons with an average assay of 33.50 ounces of silver per ton and 2.14% lead, from which 20,491.9 tons of concentrates averaging 404.6 ounces of silver per ton and 25.8% lead were produced. The mill tailing averaged .05% lead and .63 ounces of silver and recovery was 98.0% of the lead and 98.3% of the silver.

The only change of importance in the milling circuit during the year was the addition of a bank of four flotation cells for the purpose of scalping a high grade silver-copper concentrate, suitable for treatment in a copper smelter, from tetrahedrite ores which have no appreciable lead content.

Metals produced were as follows:

	Dry Tons	Lbs. Lead	Lbs. Copper	Oz. Silver
Total Milled.....	251,877	10,586,439	2,239,627	8,291,948
Less Other Companies.....	107,779	6,006,199	881,526	3,547,950
Net Sunshine.....	144,098	4,580,240	1,358,101	4,743,998

GENERAL

Conforming to a pattern of cost-of-living wage increases made in the various western metal mining districts, wages in the Coeur d'Alene District were increased 80c per shift effective November 1st. The basic miner's wage for this district is now \$12.45 per shift.

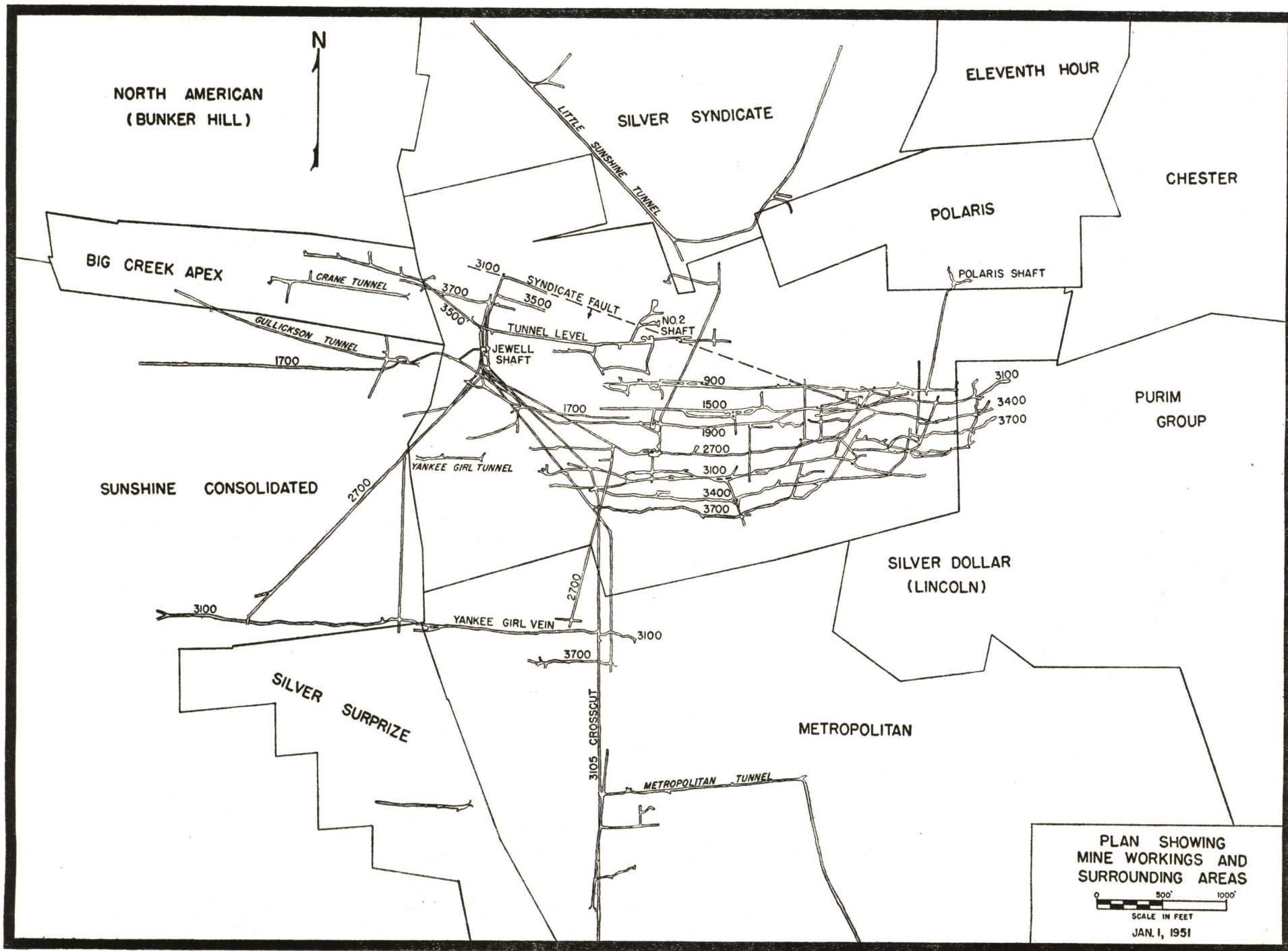
Underground employment showed a net gain of 27 for the year. Average daily underground shifts worked were 404 as compared with 358 in 1949, and 241 in 1948.

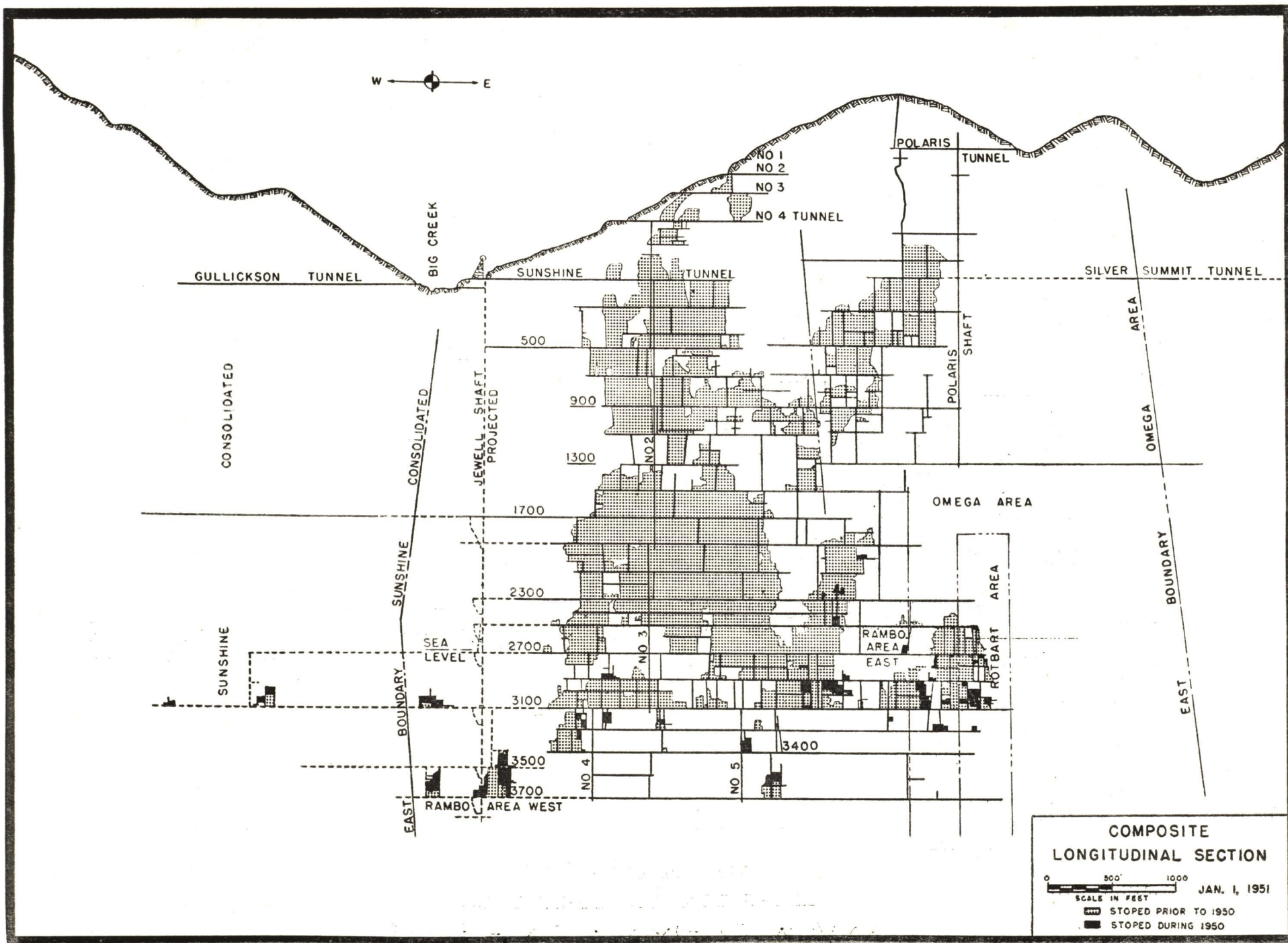
The 30-unit housing project commenced in 1948 was completed during the year. Concrete curbs and sidewalks were laid, a street-lighting system was installed and garages were constructed. Top-soil was hauled in, lawns were prepared and seeded, and trees and shrubs were planted. A second story was added to the north addition to the mine office building, the timber framing building was enlarged and a small office for the use of shiftbosses was provided at the portal of the Jewell Tunnel.

The smelter quotation of 90c per ounce for newly mined domestic silver was constant throughout the year. The price of lead varied from a low of 12c at the beginning of the year to a high of 17c which was in effect from October 31st to the end of the year.

January 26, 1951.

Respectfully submitted,
R. D. LEISK, General Manager





SUNSHINE MINING COMPANY

CONDENSED BALANCE SHEET

DECEMBER 31, 1950

ASSETS

Current Assets:

Cash on Hand and in Banks.....	\$3,442,510.08	
U. S. Government Bonds.....	1,473,649.25	
Due on Ore Shipments.....	670,085.72	
Sundry Accounts Receivable.....	66,932.48	
Total Current Assets.....		\$5,653,177.53

Deferred Assets:

Operating Inventories.....	449,793.17	
Accrued Insurance.....	4,867.05	
Prepaid Insurance.....	15,689.41	
Total Deferred Assets.....		470,349.63

Fixed Assets:

Land.....		8,000.00
Mine Property Cost.....	286,794.17	
Less Depletion Reserve.....	206,005.09	80,789.08
Mine and Office Buildings.....	327,208.45	
Mine Dwellings.....	320,305.47	
Machinery and Equipment.....	500,965.95	
Office Furniture.....	24,044.67	
Automotive Equipment.....	84,294.75	
Antimony Plant.....	173,494.80	
Total.....	\$1,430,314.09	
Less Depreciation Reserve.....	1,082,288.40	
Net Depreciable Assets.....		348,025.69

Investments:

Notes and Mortgages.....	33,618.92	
Corporate Stock.....	204,996.66	
Burnt River Division.....	40,781.14	
Fairview Placers.....	253,850.47	
Misc. Exploration Projects.....	31,654.24	
Total Investments.....		564,901.43
Total Assets.....		\$7,125,243.36

LIABILITIES

Current Liabilities:

Notes Payable.....	\$ 77,719.60
Accounts Payable.....	528,624.40
Unclaimed Dividends.....	3,700.28
Salaries and Wages Payable.....	60,569.28
Social Security Taxes.....	15,671.44
Ad Valorem and Net Profits Tax.....	27,094.37
Mines License Tax.....	28,990.07
Idaho Income Tax.....	84,299.82
Federal Taxes.....	774,657.36
Total Current Liabilities.....	\$1,601,326.62

Capital:

Shares Authorized *1,500,000.....	150,000.00
Less Treasury Stock 11,179.....	1,117.90
Net Capital Outstanding.....	148,882.10

Surplus Reserves:

Compensation Insurance Reserve.....	114,627.12
Contingency Reserve.....	91,751.00
Total Reserves.....	206,378.12

Earned Surplus:

Surplus 12-31-49.....	4,617,901.48
Earnings 1950.....	1,660,870.79
	6,278,772.27
Dividends Paid 1950.....	1,116,615.75
Surplus 12-31-50.....	5,162,156.52

Paid in Surplus:

Total Paid in to 12-31-50.....	6,500.00
Total Liabilities, Capital and Surplus.....	\$7,125,243.36

*Common Stock Only—Par Value Ten Cents.

SUNSHINE MINING COMPANY
INCOME, PROFIT AND LOSS STATEMENT
Year Ending December 31, 1950

Income:

Gross Income from Concentrates.....	\$4,584,647.47
Interest and Dividends.....	88,805.41
Capital Gains.....	11,319.78
Miscellaneous Income.....	27,989.20
Net Loss on Outside Operations.....	(37,031.98)
Total Income.....	\$4,675,729.88

General Mine Expense:

Mining Costs.....	\$2,799,058.19
Milling Costs.....	203,170.91
General Maintenance.....	192,574.83
Misc. Mine Expense.....	97,710.76
Comp. Insurance.....	60,242.22
Other Insurance.....	8,078.59
Depreciation.....	55,111.94

Total Direct Expense **\$3,415,947.44**

Overhead Expense:

Salaries.....	\$ 253,286.06
Transfer Agents.....	5,302.59
Legal Services.....	4,911.39
Misc. Expenses.....	40,769.67

Total Overhead Expense **304,269.71**

Tax Expense:

Social Security Taxes \$	60,742.69
Ad Valorem & Misc.	57,172.83
Mines License Tax....	28,990.07
Idaho Income Tax.....	84,299.82
Federal Taxes.....	774,657.36

Total Tax Expense **1,005,862.77**

Total Deductions..... **\$4,726,079.92**

Expense Reimbursements..... **1,711,220.83**

Net Deductions..... **3,014,859.09**

Net Income..... **\$1,660,870.79**

AUDITOR'S CERTIFICATE

To the Board of Directors and Stockholders
Sunshine Mining Company

Gentlemen:

I have prepared the accompanying balance sheet and profit and loss statement after making an audit of your records for the year ending December 31, 1950.

The assets as shown by the balance sheet attached have been verified, and have been valued as follows: Your producing mine and claims adjoining it are shown at a net value of \$80,789.08, which is the actual cost of the later claims acquired, but includes no value whatever of the original claims. Operating inventories are slightly less than a year ago, and these have been valued at the lower of cost or market. Buildings and equipment are valued at depreciated cost and the increase in net depreciated cost over the previous year is partially explained by the additional investment in the housing project. Outside investments are valued at cost which is known to be less than present market values. Considered as a whole, the assets of your company are conservatively valued.

All known liabilities, including taxes computed on 1950 income and a reasonable estimate of deferred liabilities, are reflected in the balance sheet and none of these obligations shown are past due. Surplus reserves of \$206,378.12 are carried to protect your company against any unusual claims or losses that might possibly develop. The notes payable shown at \$77,719.60 are non-interest bearing and were given in connection with the acquisition of assets now included in Fairview Placers.

The income for the year 1950 is materially more than the income of the years immediately preceding, and this increase in income is attributable to a step-up in production making it possible to realize a normal profit on more units produced. All income of the year was subject to somewhat higher tax rates and new so-called excess profits taxes have levied some toll against the normal unit profit realized on the increased production of the year. During the year net earnings of \$1,660,870.79 were realized, and after paying dividends, there was a net increase of \$544,255.04 to surplus.

I hereby certify that, in my opinion, the attached balance sheet and income statement fairly present, in accordance with accepted principles of accounting consistently maintained by your company during the year, the balance sheet position of your company at the end of the year and your 1950 income.

WINFIELD G. BOYD
Certified Public Accountant

Yakima, Washington
January 27, 1951