

SMELTER EXPENDITURE.

The "labour trouble" which has been referred to before in this report, besides retarding the operations of the smelter very materially, did much, both directly and indirectly, to increase the working costs of the year under review.

The total working expense for the year, segregated as follows, amounted to—

Smelting ores	\$1,117,668 62	\$1,194,567 67
Matte charges	76,899 05	

The total expenditure on Capital Account, made up as follows, was—

New buildings	\$35,948 74	122,281 60
Bins, trestles, and roast yard	1,055 65	
Water and fire protection system	14,240 89	
Machinery	43,786 54	
Tramways and equipment	17,722 63	
Sewage system, etc.	4,527 15	
Purchase of 95 acres of land	5,000 00	

GENERAL REMARKS.

The matte shipped during the year was 6,779.067 tons of a net value of \$2,532,302.67, equal to \$373.55 per ton. The ores smelted amounted to 265,761.078 tons, of which 56,073.695 tons were purchased. No profit accrues to your Company as a result of the treatment of the latter, owing to the fact that they were almost invariably bought on a falling market, and usually on a metallic basis of settlement which left a scant margin in favor of the smelter. It is merely necessary to state by way of illustration that your Company's contract with the Le Roi No. 2, Limited, and Kossland Great Western Mines, Limited, provides for the purchase of their ores on a basis of 98 per cent. of the copper extraction, while the actual recovery is much less; and virtually immediate payment at market quotations, while your Company's settlement with the refiners, fully 100 days later, has usually been on a lower basis of value.

The Company's holdings in the name of the Northport Smelting and Refining Company, Limited, besides the smelter and the ground upon which it is situated, comprise a half interest in the Northport water system; 95 acres of land adjoining the Northport town site, which cost \$5,000; an undivided fourth interest in the platted Northport town site; a quarry which contains the limestone which is being drawn upon by the smelter; and a group of mining claims, known as the "La Fleur Comstock," situated near Republic, Ferry County, Washington. These claims were purchased three years ago for \$49,500, but as they are practically undeveloped I can place no value upon them.

CONCLUSION.

This report would be incomplete unless some reference were made to the financial condition of the Company, which has recently been the subject of much comment, and exercised such a powerful influence over the price of its shares. While the Le Roi Mining Company, Limited, commenced the fiscal year of 1902 with an apparent surplus of assets in its favor, and made a profit of \$233,290.00 during the nine months in which its mining operations were conducted, our books show that a deficit in assets existed at the close of the year. This paradoxical state of affairs is attributable to four causes, which are:—

1. Over-estimate of the value of the stock of metals on hand at the smelter on June 30th, 1901.
2. Failure to allow for losses of copper and silver in slag in estimating profits made prior to June 30th, 1901.
3. Fall in the price of metals which has taken place during the year ending June 30th, 1902.
4. Heavy expenditure made on capital account during the year.

As I have already submitted a lengthy report touching the over-estimate of the stock on hand and slag losses (see my letter dated May 6th, 1902, addressed to H. J. Hill, Esq., formerly Chairman of the Board), it is merely necessary to state that our assets sustained a reduction of approximately \$300,000 under these two heads.

The fall in the price of metals has reduced the estimates which have been made concerning our profits very greatly, possibly to the extent of \$80,000—the exact figures are impossible to ascertain. To make this statement clear, I should explain that by reason of the fact that the actual market value of our ores cannot be learned until they reach the hands of the refiners in the shape of matte it is impossible to estimate our profits over a given period with any degree of accuracy. For the purpose of the monthly reports which are transmitted to the London office, and for the settlements made between the mine and smelter, the practice has been followed of placing a value on the monthly outputs on the metallic basis prevailing during the month in which the ore is mined. This procedure, apparently the only one which could be pursued under the circumstances, operates satisfactorily when copper and silver prices remain comparatively steady; but when fluctuations, such as have taken place several times during the past year, occur, profits are metamorphosed into actual losses. According to the showing made by our ore books, the profit of \$233,290 previously referred to has been made on the first-class ore mined and the second-class ore treated, basing our estimates in the manner indicated, when, as a matter of fact, the matte settlements, made about three months after the receipt of the ore at the smelter, at the market prices then prevailing were approximately \$50,000 less. An additional sum of \$50,000 may be said to have been lost on the sales of "Custom" ores owing to the fall in prices.

The capital expenditures on the Company's smelter shows that over \$117,000 have been spent during the year in various ways. The installation of blast furnace No. 6, completion of the calcine furnace, &c., the purchase of the steam shovel, additional boilers and sampling mill machinery, &c., are responsible for nearly one-half of this sum, while the balance was expended in the purchase and installation of pumps, &c., used in connection with the water and fire protection system, buildings erected at the time of the strike for the accommodation of the employees, installation of a sewage system, &c., and in connection with the electrical machinery for the tramway. The money expended at the Mine on machinery and plant and surface improvements was comparatively small, amounting to less than \$13,000. Half of the amount was spent in the construction of a flume and in making additional improvements in connection with our water and fire protection system, whilst the remainder of the sum was expended in the erection of or additions to buildings and in the purchase of additional machinery.

B. C. Exploring Syndicate.—The Directors have resolved to raise debentures to the extent of one-fourth of the issued capital of the Company. These debentures will be of the nominal value of £10 each, bearing interest at the rate of 6 per cent. per annum, with a bonus of 20 per cent. in shares of the Syndicate on redemption.

LE ROI II.

The following is excerpted from the Directors Report, submitted on the 3rd ultimo.

The Directors herewith submit the audited accounts of the company for the year ending 30th September, 1902, showing a balance to the Credit of Profit and Loss Account of £44,986 19s. 8d., out of which an interim dividend of 5 per cent. has been paid.

The shareholders will see that the total output during the financial year was 63,261 tons, of a gross value of \$1,068,915.78.

The heavy fall in the price of copper and silver during the last nine months of the financial year decreased by \$121,182 what would otherwise have been the net earnings of the Company had the price of the previous year been maintained.

Cost of mining amounted to \$3,702 per ton.

The smelting charges to which the Company was bound for two years by an agreement made by Mr. MacDonald with the Northport Smelter, on the 16th of August, 1901, amounted approximately to \$8 per ton.

The Directors took Counsel's opinion as to the possibility of nullifying this agreement on the ground that it was signed by Mr. McDonald for both sides, under a very limited Power of Attorney, but were advised that there were small chances of success.

The largest profit was shown in the month of April, after which there was a steady decrease in the value of the output and a corresponding decrease in profit.

On September 21st, the manager called recommending the reduction of the output to 3,500 tons per month, which, in view of the smelting position, the Board thoroughly approved of, expressing at the same time a hope that the grade of ore would be correspondingly increased.

During the months of September and October it would appear that the mine was actually being worked at a loss. As soon as the Board ascertained this they prohibited the output of any ore under \$17, as it was evident that the mine was simply being denuded of ore which it was believed, under improved methods of treatment, can be made to yield a material profit.

According to Mr. McDonald's statement of high grade ore in sight, dated June 21st, and circulated among the shareholders, there should have been no difficulty in continuing the output of \$17 ore.

On 28th October the manager recommended the cessation of shipments till better rates for treatment could be secured, to which the directors assented.

At the expiry of the agreement with Messrs. McDonald & Thompson, the Board handed over the management of the mine to Mr. Alexander Hill, who himself installed his representative, Mr. Coulhry, in office. In taking this step the Board feel that they have placed the mine under the most capable control procurable, and have also insured that information received by the Board will be in accordance with fact.

The new manager will not at present commit himself to any figures as to tonnage and values in sight in the mine, as it is impossible to estimate these with any degree of certainty where ore bodies are so irregular.

There is, however, beyond question a very large body of low grade ore which it is anticipated can be profitably worked by concentration, and interspersed with it an appreciable quantity of high grade ore. It will no doubt, be found best to ship ore above a certain grade direct to the smelter even when the concentration plant is in operation.

In connection with concentration a number of experiments have been recently made in London as to the suitability of the Elmore Oil process to Le Roi No. 2 low grade ores, and the result has been such as to warrant the directors in giving instructions for the erection of an experimental plant of two units, capable of dealing with 50 tons a day, in the neighborhood of the mine. Should this prove successful the intention is to increase the plant to such a capacity as can deal with the entire output of the mine.

The effect of the process, roughly speaking, is to concentrate the mineral contents of ores which are of two low a grade to show a profit on smelting charges.

Thus on six tons of crude ore producing say one ton of concentrates, the smelting charge (according to the present rates) would be \$8 instead of \$48. There is no doubt, however, that better terms than the present can be made for the smelting of concentrates, as these are a desirable acquisition to any smelter.

By the new process, too, the cost of mining will be considerably reduced, as the necessity for hand picking and sorting will no longer exist, all ore going through just as it comes out from the mine.

A certain amount of high grade ore is at present being shipped to the Northport Smelter, but till, by the new arrangement, the straightforward shipping of all ore (high and low grade) becomes practicable, much of the high grade ore in the mine would be too expensive to handle."

COMPANY NOTES.

Mond Nickel Company.—In their report to the shareholders for the year ended 30th April, 1902, submitted in July: "The Directors are pleased to be able to report the satisfactory progress of the Company's business, both in Canada and in England. Mining and smelting in Canada has been carried on continuously since last July, and the refining works at Clydach, are now in operation. The directors wish to draw attention to the item in the Balance Sheet, "Ore on Roast Yards and Products in Stock, £82,725 18s. 11d," the main portion of which is represented by high grade nickel and copper matte in stock and in transit, which has been produced at our smelting works. The whole of this stock has been valued at cost price (including general expenses from the incorporation of the Company to 30th April, 1902) which is much below its actual value. None of this matte, having up to the date of the balance sheet, been converted at the refining works into its ultimate products, viz., copper sulphate and refined nickel. The directors have preferred not to open a Profit and Loss Account."

Anglo-Klondyke Mining Co.—The following is extracted from the Directors report submitted on the 17th December last: From the amount of available net profit, viz., £28,467 17s. 2d., the directors recommend the declaration of a dividend of 20 per cent. on the ordinary shares. This will absorb £24,659 12s., leaving a balance to be carried forward of £3,808 5s. 2d.

Mikado Gold Mining Co.—The last issued report of the Directors (submitted in London on 11th November last) shows a debit balance of £5,052 4s. 6d., nearly the whole of which represents allowances made for depreciation on "mine development account," and ore exhausted during the year. The position of the Company at 30th September was roughly:—