

THE MINING RECORD.

The amount expended on Capital Account segregated as below was.....	106,887 16
Mine machinery and plant	\$ 6,453 74
Surface improvements and bldgs.	0,477 75
Furniture.....	2,205 84
Surveyors' and assayers' instrum'ts ..	949 55
Mine equipment	6,763 93
Exploration and development	84,036 35

The sum charged to "Profit and Loss, distributed as follows was

.....	\$605,131 78
Stopping ore from mine.....	\$482,500 60

Depreciation:—

Exploration and development..	71,998 20
Mine equipment.....	21,558 88
Machinery and plant	19,483 22
Surface improvements and bldgs.	9,590 88

During the year the sum of \$84,036.35 was expended in the development of the mine. The details of the work accomplished, and costs, are as follows:—

Work.	Footage.	Total cost.	Cost per t.
Sinking shaft	167½	\$17,920 59	\$106 99
Station cutting	2,396 17
Pocket cutting	6,182 93
Winzing.....	75	3,548 79	47 32
Raising.....	591½	18,893 54	31 79
Cross-cutting.....	420	7,947 73	18 92
Driving	1,495	25,343 92	16 95
Diamond drilling	374	1,892 68

Total..... 3,123 ft. \$84,036 35

The accompanying plan shows the above workings wherever possible. They can be distinguished by heavy contour lines.

The Northport Smelting Works.

These works are situated at Northport, Washington, and are owned by your company. They are distant about 17 miles from the Le Roi mine, with which they are connected by the Spokane Falls & Northern Railway, a branch of the Great Northern system. The location is considered to be an excellent one, as the smelter is always assured of an unlimited quantity of lime rock, particularly well suited for fluxing purposes, at a nominal cost; and a constant and adequate supply of water for the general uses of the plant as well as for carrying off the slag. The transportation facilities of Northport are already good, but an additional advantage will be gained during the present year, as the branch line of the Great Northern Railway which is to be connected with the Crow's Nest Pass coal fields will shortly be completed and the smelter enabled to obtain ample supplies of first class coke at a reasonable rate. If good business judgment and economy is exercised, there is no reason why much profit should not accrue to the Company from the treatment of custom ore, as with the many points in our favour we should eventually be in a position to secure much of the ore produced in Washington, Montana, Idaho, Oregon and British Columbia.

The full capacity of the plant provides for the treatment of 1,200 to 1,500 tons of ore daily. It consists of six large water-jacket copper matting furnaces, one of which has but recently been erected, three calcining furnaces, pug mills, briquetting machines, etc. The ore is taken from the roast yards to the bins at the back of the furnaces by means of a small locomotive, and the tracks are loaded at the heaps by a steam shovel. The various mechanical appliances are in first-class condition.

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	\$1,194,507 67
Smelting ores.....	\$1,117,068 62
Matte charges	76,899 05

The total expenditure on Capital Account, made up as follows, was	122,281 60
New buildings	\$35,948 74
Bins, trestles, and roast yard..	1,055 65
Water and fire protect'n syst'm ..	14,240 89
Machinery.....	43,786 54
Tramway 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 205,761.078 tons, of which 56,077.695 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 favour 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 Rossland 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 townsite, which cost \$5,000; an undivided fourth interest in the platted Northport townsite; a quarry which contains the limestone which is being drawn upon by the smelter; and a group of mining claims, known as the "Le 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 favour, 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,