N11753

Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1927

Authorized,	6,000,000 shares, $50 each	$300,000,000
Issued,	3,000,000 shares, $50 each	$150,000,000

OFFICERS

Chairman of the Board . .	JOHN D. RYAN
President	CORNELIUS F. KELLEY
Vice-President	BENJAMIN B. THAYER
Vice-President	JAMES R. HOBBINS
Vice-President	ROBERT E. DWYER
Secretary and Treasurer . .	ALBERT H. MELIN
General Auditor	JAMES DICKSON
Assistant Secretary . . .	RALPH D. COLE
Assistant Treasurer . . .	DAVID B. HENNESSY

DIRECTORS

Percy A. Rockefeller — John D. Ryan
Benjamin B. Thayer — Cornelius F. Kelley
George H. Church — John A. Coe
Nicholas F. Brady — Andrew J. Miller
Albert H. Melin

OFFICES

Anaconda, Montana
25 Broadway, New York

PNYC00009677a

To the Shareholders of Anaconda Copper Mining Company:

The year 1927 was not a particularly prosperous one for the non-ferrous metal industry as a whole or for your Company, due to the very low metal prices that obtained throughout the year. The Engineering and Mining Journal reports the following average prices: copper, 12.92c; lead, 6.755c; zinc at St. Louis, 6.242c; silver, 56.370c—a decrease in each case from the prior year's average quotations of copper, 13.795c; lead, 8.417c; zinc, 7.337c, and silver, 62.107c.

The recession in the volume of domestic business from high level of 1926 was not met by producers with a curtailment of production adequate to meet the situation, until stocks had accumulated to a large total and prices had declined to a very low level. During the last half of the year copper production was somewhat curtailed, and the price of the metal made an advance of about 1.5c per pound. The export business during the year showed a satisfactory increase in volume, the total shipped from North and South America being 641,865 tons as compared with 525,861 tons for the previous year.

The decrease in the income of your Company from that of the previous year was due to its curtailed operations and the low prices received for its products.

Construction

Construction expenditures during the year, including items authorized during previous years, totalled $7,339,389.09, and are summarized as follows:

Butte Mines—Mainly on completion of installations of electric hoists at the Badger State, Mountain Con and Belmont Mines	$1,239,367.89
Reduction Works, Anaconda—Construction of new electrolytic zinc plant and remodelling of copper concentrator and crushing plant	3,576,980.83
Reduction Works, Great Falls—Installation of Secondary Purification Plant at electrolytic zinc plant and miscellaneous construction	385,164.78
Slag Treating Plant, East Helena—Construction of plant for treatment of East Helena slag	474,304.28
The American Brass Company—Improvements to buildings and machinery	774,030.31
Raritan Copper Works—Mainly on Power Plant improvements	442,173.17
International Smelting Company—Mainly on mill improvements and Cottrell Treater at Tooele Plant	205,405.13
Miscellaneous Construction Items	241,962.70

Results of Operations

Following is a summary of the results of the operations of your Company, its departments and its subsidiary and affiliated companies, during the year.

Butte Mines

Development

During the year 1927, drifts, cross-cuts, raises, winzes and shafts in the development work of the Company were extended 30.67 miles, as compared with 34.41 miles during the year 1926, a decrease of 10.87 per cent.

Mine Production

The various mining properties owned by the Company produced the following tonnages during the year:

	Copper Ore and Precipitates	Zinc Ore	Lead-Zinc Ores	Phosphate Rock	Coal
Butte Mines	2,910,519.71	13,234.59	....	....	....
Anselmo	45,483.46	3,284.04	....	....	....
Utah-Delaware	1,855.84	....	148,990.94	....	....
Utah-Delaware Leasers	30,233.17	....	17,872.65	....	....
Conda	....	....	....	18,086.80	....
Conda Leases	....	....	....	27,264.40	....
Diamondville	....	....	....	....	326,383.90
Washoe	....	....	....	....	181,943.50

Production of zinc ore was limited to the amount necessarily extracted in the course of development work, because of the low price which prevailed for zinc throughout the year and the available tonnage of custom concentrates.

Miscellaneous Products

Miscellaneous production consisted of:

90,627,370	feet,	lumber.
119	tons,	phosphoric acid.
23,305	"	Anaconda Treble Superphosphate.
1,353	"	ammonium phosphate.
34,107	"	sulphuric acid.
6,957	"	arsenic.

46,341,514	pounds,	zinc oxide.
12,916,594	"	white lead.
376,967	"	cadmium.
28,765	"	selenium.
1,036	"	tellurium.
577,150	"	nickel sulphate.
598,651	"	copper sulphate.
125.36	ounces,	platinum.
639.80	"	palladium.

Successful experiments for granulating arsenic for use as a wood preservative were conducted and production is now on a commercial scale.

Slag Treating Plant—East Helena, Montana

During the year a contract with the American Smelting and Refining Company was entered into for the treatment of waste slag from the blast furnaces at their plants in Montana and Utah, to recover zinc contained in the slag. An experimental plant consisting of a coal dust fired water jacketed furnace, brick flue, steel cooling flue, fans and bag house was built on the slag dump of the East Helena plant and put into operation at the end of the year. This plant will recover the zinc as a fume which will be sent to the electrolytic zinc plant at Great Falls for final treatment.

Reduction Works

The plants of the Company treated the following tonnages:

	Concentrators	Smelters	
	Ore	Cupreous Material	Lead Material
Anaconda Copper Concentrator	2,866,785.04	....	....
Anaconda Zinc Concentrator	480,165.67	....	....
Tooele Concentrator	395,683.00	....	....
Rico Concentrator	58,942.25	....	....
Anaconda Smelter	....	906,534.55	....
Tooele Smelter	....	116,909.86	288,300.09
Miami Smelter	....	237,810.80	....

Work of remodelling the Anaconda concentrator to treat ore by Selective Flotation was completed in August, materially increasing the grade of concentrates, and reducing smelting costs. A Central Crushing Plant was completed during December, feeding two sections by the end of the year, and will be extended to other sections in 1928.

Production, including purchased and toll material, was as follows:

	Copper, Lbs.	Lead, Lbs.	Silver, Ozs.	Gold, Ozs.
Anaconda	221,300,270	....	6,638,126.86	32,674.091
Tooele	20,119,391	146,073,315	8,001,707.37	56,849.889
Miami	125,415,476	....	344,699.60	9,003.570

Refineries

Copper

The output of the copper refinery at Great Falls was 245,402,154 pounds of cathodes, of which 236,035,761 pounds were melted into shapes.

Improvements to the power system at Raritan Copper Works have been completed. These include two 5,100 and one 3,125 KVA turbo-generators obtaining steam from three 1,200 BHP boilers operating at 360 pounds pressure. Power costs have been reduced and ampere efficiency increased. The coal pulverizing plant has been enlarged and powdered coal has been substituted for oil as a fuel throughout the plant.

The metal output of the plant was 378,099,665 pounds of fine copper, 18,896,528.33 ounces of silver, and 147,437.949 ounces of gold.

Zinc

The zinc plants treated 12,913.32 tons of ore produced by the mines of the Company and 587,440.31 tons of ores and concentrates purchased from other producers located in Montana, Utah and Idaho, a total of 600,353.63 tons.

The electrolytic zinc plant produced 225,133,444 pounds of zinc, 12,403,407 pounds of zinc in dross, and residue from which there were recovered 20,438,939 pounds of lead, 2,037,910 pounds of copper, 3,008,125.81 ounces of silver, and 7,307.887 ounces of gold.

Construction at Anaconda of a new electrolytic zinc plant of 150 tons daily capacity was begun in May, 1927, and was completed. Production therefrom began in February, 1928.

Lead

The International Lead Refining Company at East Chicago, Indiana, treated 86,560.93 tons of lead bullion, from which there were produced 162,012,930 pounds of common lead, 6,519,910 pounds of antimonial lead, 7,433,720.00 ounces of silver, and 32,821.063 ounces of gold.

Rod and Wire Mill

The mill at Great Falls rolled into rods 165,954,810 pounds of copper; 36,940,088 pounds of rods were drawn into wire, of which 19,839,667 pounds were made into strand. 45,926,821 pounds of rods were shipped from this mill to the Kenosha plant of The American Brass Company to be drawn into wire.

The American Brass Company

The constantly increasing demand for copper and brass products at and in the vicinity of Detroit, Michigan, made it desirable to enter the manufacturing business in that locality.

Accordingly, negotiations were opened with the Detroit Copper & Brass Rolling Mill, a company with well established plants and business, which resulted in the acquisition of the property and plants of the Detroit Company at a price of $12,600,000.00. This purchase was financed in part by short term notes shown on Balance Sheet as "Notes Payable."

These plants, with the improvements that are being made, will enable The American Brass Company to adequately meet the requirements for copper and brass products in this important industrial locality.

Manufactured production, although less than the high record established in 1926, continued at a satisfactory rate, distributed among the various plants as follows:

Ansonia	152,349,539	pounds
Buffalo	78,694,940	"
Detroit	28,931,978	"
Hastings	96,415,118	"
Kenosha	117,399,303	"
Torrington	61,515,019	"
Waterbury	89,603,528	"
Toronto	18,001,753	"
	642,911,178	pounds

Particularly gratifying growth was noted in the output of the Company's Anaconda Brass Pipe and its special patented alloys—Anaconda Phosphor Bronze, Tobin Bronze Welding Rods, Ambrac Metal and Everdur, a manganese-silicon bronze having the strength of steel and which resists rust.

Railways

	Tons Freight	Passengers Carried
Butte, Anaconda & Pacific Railway Company	5,020,046	13,060
Tooele Valley Railway Company	831,559	538,119

Companies Controlled But Not Wholly Owned

North Lily Mining Company

Development in the North Lily mine was continued during the year and has been most encouraging. A four compartment shaft was sunk to a depth of 954 feet. The shaft was connected with the 700 haulage level of the Tintic Standard Mining Company early in January, 1928. Further shaft sinking and development work will be continued, together with surface improvements consisting of change house, warehouse, hoists and compressor with ore bins, and aerial tramway to connect with the D. & R. G. Railway. In the course of development 21,485.945 tons of ore, averaging 25.5% lead, 16.17 ounces silver, and .1098 ounces gold were extracted and shipped to International. The improvements should be completed by May 1, 1928, after which the mine will be ready for production.

Walker Mining Company

Operations at the Walker mine were conducted throughout the year. 385,819 tons of ore were broken. The concentrator made an average recovery of 92.696%. 340,156 tons of ore, averaging 1.49% copper were treated, from which 19,268.41 tons of concentrates, averaging 24.388% copper were produced. There were sold to the smelter 19,406.62 tons of ore and concentrates yielding 8,701,138 pounds of copper, 180,950.32 ounces of silver, and 12,410.83 ounces of gold.

Arizona Oil Company

Operations of the Arizona Oil Company during the year resulted in the production of 254,185 barrels of oil.

Foreign Companies

Silesian-American Corporation

A dividend of 7% on the preferred stock of this company was paid during the year.

The properties of its subsidiary, Giesche Spolka Akcyjna, Katowice, Poland, operated satisfactorily throughout the year. The company produced approximately 123,800,000 pounds of zinc, 10,800,000 pounds of lead and 2,568,000 metric tons of coal.

Various testing units were erected and operated during the year. Modernization of old plants and construction of new plants for flotation concentration, fire concentration of low grade material, roasting, sintering and electrolytic zinc were begun and should be completed during 1928.

Santiago Mining Company

There was no change in the condition of Santiago Mining Company's affairs.

Andes Copper Mining Company

Chile Copper Company

The Andes Copper Mining Company completed part of its plants and began operations during the year. A separate report of its activities will hereafter be issued. Copies of the annual reports of Andes Copper Mining Company and of Chile Copper Company are attached hereto for your information.

Financial

There is attached hereto a Consolidated Balance Sheet, including Andes Copper Mining Company, showing the financial condition of the Company and its subsidiary companies at the close of business December 31, 1927, together with an Income Statement for the year, certified to by Messrs. Pogson. Peloubet & Company, Certified Public Accountants.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., May 1, 1928.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1927

ASSETS

FIXED:		
Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Reduction Works, Refineries and Manufacturing Plants	$136,478,852.95	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Saw-mills, Foundries, Waterworks and Railroads	172,775,604.98	
Investments in sundry companies	98,115,866.76	$407,370,324.69
DEFERRED CHARGES and discount on bonds		13,568,010.94
CURRENT:		
Supplies on hand, advances on Ores and Expenses prepaid	$ 19,573,140.60	
Metals and Manufactured Products in process and on hand—at cost, less reserve	53,323,615.93	
Accounts Receivable	16,232,691.28	
Marketable Securities	7,238,250.64	
Cash	10,822,239.24	107,189,937.69
		$528,128,273.32

We have examined into the affairs of Anaconda Copper Mining Company and of its Subsidiary Companies and have verified the Assets, Liabilities and Income shown above. The Net Income is after deducting all Development expenditure of the year, Depletion of Coal and Timber Lands and Depreciation of Plants and Equipment.

We hereby certify that this Balance Sheet shows the financial condition at 31st December, 1927, of the Companies as an aggregate whole and that the accompanying Income Account for the year ending that date is correct as stated.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York and Butte, 9th April, 1928.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1927

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:		
Authorized, 6,000,000 shares of $50.00 each		
Issued, 3,000,000 shares		$150,000,000.00
MINORITY INTEREST in Subsidiary Companies		1,909,244.41
BONDS OUTSTANDING:		
First Consolidated Mortgage Series A 6% Sinking Fund Gold Bonds, due 1953	$104,731,000.00	
Fifteen Year 7% Convertible Debentures, due 1938	50,000,000.00	
Ten Year Series A 6% Secured Gold Bonds, due 1929	16,933,000.00	
Butte, Anaconda & Pacific Railway Co. First Mortgage 5% Sinking Fund Gold Bonds, due 1944	2,316,000.00	173,980,000.00
CONVERTIBLE 7% DEBENTURES of Andes Copper Mining Co., due 1943		39,890,000.00
RESERVE FOR DEPRECIATION		46,371,364.92
CURRENT:		
Notes payable	$ 12,000,000.00	
Interest and Taxes accrued	6,809,348.66	
Accounts and Wages payable	8,869,945.76	
Dividend No. 98 payable 20th February, 1928	2,250,000.00	29,929,294.42
SURPLUS:		
Balance 31st December, 1926	$ 84,925,111.12	
Net Income of the year 1927, per Income Account annexed	10,123,258.45	
	$ 95,048,369.57	
Deduct, Dividends Nos. 95, 96, 97 and 98	9,000,000.00	86,048,369.57
		$528,128,273.32

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, an additional valuation of the mining property as of 1st March, 1913, has been recorded upon the books of the Company; but, for the sake of uniformity, the result of those entries has been omitted from the current statements.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Income Account—Year Ending 31st December, 1927

EXPENSE

Metals and Manufactured Products in process and on hand at beginning of year		$ 46,144,207.59
Ores and Concentrates and Metals purchased		62,140,682.60
Mining, Reduction and Refining of Metals		49,579,685.63
Manufacturing Expenses, including Selling		63,762,787.78
Cost of Merchandise sold and Operation of Public Service Companies		2,030,341.59
Administration Expense and Federal taxes		1,737,195.28
Balance from Operations carried down		21,287,960.49
		$246,682,860.96
Amount charged off this year for Depreciation and Obsolescence		$ 4,765,671.92
Interest, including discount on bonds, less income from marketable securities		13,382,540.91
Balance, Net Income:		
Carried to foregoing Balance Sheet	$ 10,123,258.45	
Apportioned to Minority Interest (loss)	2,117.15	10,121,141.30
		$ 28,269,354.13

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ending 31st December, 1927

INCOME

Sales of Metals and Manufactured Products	$180,894,558.31
Tolls, Royalties, Rentals, etc.	9,333,241.84
Sales of Merchandise and Revenue from Public Service Companies	3,131,444.88
Metals and Manufactured Products in process and on hand at end of year	53,323,615.93
	$246,682,860.96

Balance from Operations brought down	$ 21,287,960.49
Income from Investments in sundry companies	6,981,393.64
	$ 28,269,354.13

Andes Copper Mining Company

CAPITAL STOCK

December 31, 1927

No Par Value

Authorized, 3,600,000 Shares — Issued, 1,762,219 Shares

OFFICERS

Chairman of the Board . .	JOHN D. RYAN
President	CORNELIUS F. KELLEY
Vice-President	BENJAMIN B. THAYER
Vice-President	WILLIAM WRAITH
Secretary and Treasurer . .	DAVID B. HENNESSY
General Auditor	JAMES DICKSON
Assistant Secretary and Assistant Treasurer . . .	W. KENNETH DALY

DIRECTORS

Percy A. Rockefeller	John D. Ryan
Benjamin B. Thayer	Cornelius F. Kelley
William Wraith	Albert H. Melin
Nicholas F. Brady	Robert E. Dwyer

James Dickson

Office at 25 Broadway, New York

Mines at Potrerillos, Chile

PNYC00009689

To the Shareholders of
Andes Copper Mining Company:

As this is the first annual report of the operations of your Company, it is pertinent to give a resume of its development and activities. From January 20, 1916, the date of acquisition by your Company of the mining properties at Potrerillos, Chile, to January 1, 1925, the following work was performed: Construction of 57.80 miles of railroad with the necessary port facilities at the seacoast; drilling of 168 churn-drill holes having an aggregate depth of 17.90 miles; driving of drifts, crosscuts, raises and winzes aggregating 17.75 miles, including the main haulage tunnel; erection of 79.49 miles of temporary transmission line and a temporary 3,000-kilowatt power plant; installation of 124 miles of pipe lines to carry potable water; driving of 1.85 miles of tunnels on the metallurgical water supply line, and erection of 237 dwellings.

The years 1921-2-3 were marked by curtailment of development and construction work by reason of the condition of the copper market. With the exception of a small amount of aqueduct tunnelling a complete suspension of work occurred in the year 1924. In 1925, construction of the metallurgical plant was started and preparation of the mine for production was resumed. A metallurgical plant, having a capacity of 12,500 tons per day, for the treatment of sulphide ores, the preparation of the mine for the production of this tonnage, the construction of the pipe line to carry water for metallurgical purposes, and the construction of dwellings to house the employees necessary for the operation of this plant were completed in the year 1926. Construction of a metallurgical plant, having a daily capacity of 7,500 tons, for the treatment of oxide ores was started in 1926, and it is expected that this plant will be completed by May, 1928.

The following figures indicate the volume of work that will have been performed during the period February 10, 1925, to May 1, 1928: Structural steel erected 18,602 tons, concrete poured 192,086 cubic yards, excavation performed 901,300 cubic yards, brick laid 10,590,000, houses erected 743, permanent transmission line erected 89.6 miles, and the installation of 107 miles of pipe lines for the delivery of potable water.

Your attention is called to the Consolidated Income Account for the year 1927. You will note that on the sale of 52,703,695 pounds of copper the gross income before the deduction of depreciation, bond interest and discount and miscellaneous charges was $3,424,966.86. Interest and discount on debentures amounted to $2,952,670.16. Considering the magnitude of this enterprise and that this was the first year of its operation in part, the results are very satisfactory, and have demonstrated not only the importance and value of the property as a great low cost copper producer with an ability to earn substantial returns at any probable price for copper when conditions permit its being fully operated, but also that the estimates as to the productive capacity of the plants were conservative and that an output of 225,000,000 pounds of copper per annum can be made.

Mining

According to estimates made in 1924 the ore reserves at that time were calculated to yield, in tonnage to the metallurgical plants, 137,400,000 tons having an average content of 1.51% copper.

The ore mined in December, 1926 and the year 1927 was as follows:

	Short Tons	% Cu.
Sulphide Ore to the Reduction Plant	2,142,027	1.517
Oxide Ore removed and stored	2,125,793	2.487
Oxide Ore to the Converter Plant	14,903	5.909
Total	4,282,723	2.014

In addition to this, waste material overlying the Central Oxide Orebody was removed to the extent of 977,071 tons. There were driven in all classes of underground

Openings	77,748.6 feet
Diamond drilling performed	9,940 feet

South Oxide Orebody

Work in this orebody has been confined to the removal and storage of oxide ore to prevent its loss by caving resulting from the removal of ore from the South Sulphide Orebody. The ore removed, as stated elsewhere, amounted to 2,125,793 short tons assaying 2.487% copper. This ore will be available for treatment in the oxide metallurgical plant at any time.

South Sulphide Orebody

Preparatory work in Block No. 1 of Stope "A" was completed during the year and 68% of the calculated ore in the block was extracted. The total sulphide ore production came from this area. Preparations for mining Block No. 3 of Stope "A" were completed but no undercutting of ore was started. It is expected that production from Block No. 3 will start in February, 1928. In Stope "B" preparations for mining were carried on with the expectation that the block will be ready for production in 1928.

Central Oxide Orebody

Preparatory work for mining oxide ore from this area was actively prosecuted during the year. It is expected that ore extraction in this area will start in April, 1928.

Main Haulage Adit

The driving of the Main Adit to the north of the Oxide Ore Bin system was completed during the year. Driving of the Main Adit to the south to provide room for handling ore trains is in progress.

Oxide Ore Bin System

Of the six ore bins planned, two have been completed, the third is almost completed, and excavation on two of the others is well under way. All concrete work in the Main Adit station under these bins has been completed.

The driving of four ore passes serving the ore bins has been completed, and three more are partially driven. Placing of the steel lining in the ore passes was started in December and will be completed by the time that oxide ore is to be mined.

Concentrator

At the concentrator there were treated 2,120,762 tons of ore having an average content of 1.517% copper. This includes tonnage treated in the starting-up period in the latter part of December, 1926. Concentrates produced amounted to 107,155.63 tons, having an average content of 26.232% copper.

The recovery was 87.35% of the total copper and 92.46% of the sulphide copper.

Smelter

The smelter produced 54,377,048 pounds of copper, 133,621.02 ounces of silver and 7,124.574 ounces of gold. Of the above copper production, 587,841 pounds were used in the plants of the Company.

Power Plant

The Barquito Power Plant generated 37,778,121 kilowatt-hours; the hydroelectric power plant, known as the Montandon station, produced 11,994,800 kilowatt-hours, and 13,193,620 kilowatt-hours were generated at the Smelter Power House from waste heat steam.

Water Supply

The first year's operation of La Ola pipe line, which carries the water for metallurgical purposes, was interrupted by but one shut-down which was of four hours duration. The fresh water supply was increased 430 tons per day by the installation of 8.7 miles of pipe line to additional sources of supply.

Construction

The major construction work for the year was that in connection with the metallurgical plant for the treatment of oxide ores. During the year the following work was done: Excavation 309,617 cubic yards; concrete poured 62,500 cubic yards; steel erected

4,559 tons; dwellings erected 29; one 7,500 KVA turbine and one 1,000-horsepower boiler erected at the Barquito Power Plant.

Six 60-ton lighters, and one steam tug were added to the port equipment at Barquito.

Land

During the year two parcels of land containing fresh water springs were purchased, bringing the total acreage held by the Company to 290,376.77 acres.

Potrerillos Railway Company

During the year there were shipped from Barquito to Potrerillos 121,017 short tons of freight, from Pueblo Hundido to Potrerillos 12,606 tons, from Potrerillos to Barquito 27,297 tons of copper, making a total of 160,920 tons of material shipped. The following additions were made to the rolling stock: One Consolidation and one Mikado locomotive; 10 flat cars; 3 passenger cars, and 5 tank cars.

Expenditures

The expenditures made during the year on mine development, metallurgical plant, railway and miscellaneous equipment, amounted to $10,028,797.66.

Financial

Attached hereto is a Balance Sheet and Income Account for the year 1927, certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., May 1, 1928.

ANDES COPPER MINING COMPANY

(Including Assets and Liabilities of Potrerillos Railway Company)

Consolidated Balance Sheet—31st December, 1927

ASSETS

Fixed:		
Mines, Mining Claims, Lands and Railway Concessions, including Development	$ 36,274,333.91	
Buildings and Machinery at Mines, Reduction Works, Power Plants, Railways and Port Equipment	43,201,948.33	
Investments	25,309.03	$ 79,501,591.27
Deferred Charges and discount on Debentures		1,845,439.95
Current:		
Supplies on hand and Expenses prepaid	$ 3,980,334.43	
Metals in process and on hand—at cost	277,739.76	
Accounts Receivable	307,305.22	
Cash	1,708,725.65	6,274,105.06
		$ 87,621,136.28

LIABILITIES

Capital Stock:		
Authorized, 3,600,000 shares—no par value		
Issued, 1,762,219 shares		$ 44,055,475.00
Convertible 7% Debentures, due 1943		39,890,000.00
Reserve for Depreciation		250,000.00
Current:		
Interest and Taxes accrued	$ 1,400,169.09	
Accounts and Wages payable	1,774,847.72	3,175,016.81
Surplus:		
Surplus of Potrerillos Railway Company, 31st December, 1926	$ 70,694.19	
Net Income of the year 1927, per statement annexed	179,950.28	250,644.47
		$ 87,621,136.28

We have examined into the affairs of Andes Copper Mining Company and Potrerillos Railway Company and have verified the Assets, Liabilities and Income shown above. We hereby certify that this Balance Sheet shows the financial condition of the combined companies at 31st December, 1927, and that the accompanying Income Account for the year ending that date is correct as stated.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, 9th April, 1928.

ANDES COPPER MINING COMPANY

(Including Income of Potrerillos Railway Company)

Consolidated Income Account—Year Ending 31st December, 1927

OPERATING REVENUE:		
Copper sold—52,703,695 pounds at an average of 13.3667 cents per pound		$ 7,044,734.23
PRODUCTION COST, less value of silver and gold		3,814,451.21
OPERATING PROFIT		$ 3,230,283.02
OTHER INCOME		194,683.84
		$ 3,424,966.86
CHARGES AGAINST INCOME:		
Miscellaneous charges	$ 42,346.42	
Interest, including discount on Debentures	2,952,670.16	
For Depreciation of Plant and Equipment	250,000.00	3,245,016.58
NET INCOME, carried to Balance Sheet		$ 179,950.28

Chile Copper Company

CAPITAL STOCK

December 31, 1927

Authorized,	5,400,000 shares, $25 each	$135,000,000
Issued,	4,415,497 shares, $25 each	$110,387,425

Chile Copper Company and Chile Exploration Company

OFFICERS

Chairman of the Board	JOHN D. RYAN
President	CORNELIUS F. KELLEY
Vice-President	BENJAMIN B. THAYER
Vice-President	HERMAN C. BELLINGER
Secretary and Treasurer	CHARLES W. WELCH

DIRECTORS

John D. Ryan
Cornelius F. Kelley
Benjamin B. Thayer
George H. Church
Percy A. Rockefeller
Nicholas F. Brady
Andrew J. Miller
Herman C. Bellinger
Robert E. Dwyer
Alfred Houston, Resident Director, Chile Exploration Company

Office at 25 Broadway, New York
Mines at Chuquicamata, Chile

PNYC00009696

To the Shareholders of Chile Copper Company:

During 1927, the operating company, Chile Exploration Company, maintained production on approximately the same level as for the two prior years, producing 219,600,465 pounds of electrolytic copper. The cost of producing copper for the year 1927 was 8.738c per pound, including in cost, depreciation, taxes, interest and bond discount, but excluding depletion.

The Plant Extension Program, commenced in 1925, and which called for rounding out mining and reduction capacity to a total of 375,000,000 pounds of copper per annum, was completed during 1927, as contemplated, except for minor details.

Expenditures on construction during the year amounted to $5,110,273.77. Charges to obsolescence, profit and loss, etc., totalled $2,377,915.25. The book value of property accounts was increased from $157,934,523.42 at the beginning of the year to $160,666,881.94 at the close, a net increase of $2,732,358.52.

Due to the market conditions which prevailed during the year your Company did not utilize the increased productive capacity.

Financial Results

Sales of copper during the year amounted to 235,291,177 pounds, at an average of 13.294c per pound, as compared with sales for the year 1926 of 215,286,183 pounds, at an average of 14.11c per pound. The operating profit for the year was $18,050,608.87, as against $18,234,744.66 for the previous year. After including other income and deducting charges against income, taxes, interest and discount on bonds, depreciation, etc., there remained a net income for the year of $11,085,537.13 as against $11,655,997.43 for the previous year.

Mining Claims

During the year 1927, the Chile Exploration Company acquired two additional mining claims and one miscellaneous claim; four miscellaneous claims were abandoned.

Mine

The length of the faces of the 13 operating benches as of December 31, 1927, was 53,001 feet (10.04 miles).

During the year, a total of 7,678,940 tons of ore was mined, averaging 1.59% copper. In addition, 30,519 tons of ore, averaging 2.16% copper, were loaded from the old Emilia Mine dump, making a grand total of 7,709,459 tons, averaging 1.595% copper, shipped to the mill; also 107,385 tons of ore, averaging 1.07% copper, were stock-piled. The total tonnage of ore shipped to the mill since the beginning of operations up to and including December 31, 1927, amounts to 60,358,168 short tons, averaging 1.626% copper.

Waste removed during the year totalled 4,824,332 short tons, averaging 0.39% copper.

During the year a total of 11,964 feet of tunnels and 467,508 feet of churn drill holes were blasted.

The construction of the "S-Loop" cut-off line and the South Approach was completed early in the year. The North entrance line to Bench C-1 and South connections to Benches D-1 and C-3 were placed in operation, as were the E-2 and E-3 trackage and waste spur.

The electrification of the mine railway system was inaugurated in February, 1927, by the installation of four 76-ton locomotives equipped to operate either from 600-volt electrified third rail or on storage batteries; the latter for use principally for serving shovels on the benches where it is not feasible to install electric third rail. The elimination of steam locomotives for this service by the substitution of electrics is showing a saving of about 50% in the cost per ton kilometer of ore haulage. The South Approach system from Bench D-2 down is already electrified and the work of electrifying the C-D Loop and D-1 Approach is under way.

Liquid Oxygen for blasting was introduced in June. Up to the end of the year a total of 1,329,300 tons of ground had been broken by this explosive. The present Liquid Oxygen Plant has a capacity of 70 liters per hour, and plans are under way to increase this to a total of 210 liters per hour.

Plant

A total of 7,711,952 short tons of ore was crushed during the year. The average leaching extraction obtained from the treatment of 709 charges was 88.85%, compared with 88.83% for 1926. During the year 219,600,465 pounds of electrolytic copper were produced. The following tabulation shows a comparison of results by quarters:

Period	Ore Crushed Short Tons	Average Per Day	Per Cent Copper in Ore Leached	Per Cent Ampere Efficiency	Per Cent Net Recovery	Pounds Copper Produced
1st Qr.	2,329,927	29,493	1.512	83.33	86.78	56,275,993
2nd Qr.	1,969,286	25,575	1.628	81.49	87.51	55,278,560
3rd Qr.	1,724,893	23,957	1.642	87.16	91.07	53,949,028
4th Qr.	1,687,846	24,821	1.622	86.42	91.14	54,096,884
Year	7,711,952	26,054	1.595	84.40	89.05	219,600,465

During the year, the Smelter melted 223,090,000 pounds of electrolytic copper into marketable shapes.

Construction

The construction of the additional units to the Plant required to bring the capacity up to 375,000,000 pounds of copper per year was completed, with the exception of the Dust Exhaust Plant which was finished early in 1928.

The additional units to the Power Plant at Tocopilla necessary for the above rated capacity were also completed.

Census

The average number of inhabitants in Chuquicamata during 1927 was 15,855, compared with 18,039 for the year 1926. At Tocopilla the average number of inhabitants housed by the Company during the year was 638, compared with 641 for 1926.

The average working force at Chuquicamata for the year was 5,594 men, of whom 5,059 were on operation and 535 on construction. At Tocopilla the average working force for 1927 was 613 men, of whom 478 were on operation and 135 on construction.

Tocopilla Power Station

An average of 40,274 KW was generated. Fuel oil consumption at Tocopilla amounted to 1,089,077.22 barrels, which represents an oil factor of 1.0319 pounds per KW hour generated, or conversely, 323.9 KW hours per barrel (42 gallons) of fuel oil.

Financial

Attached hereto you will find the Consolidated Balance Sheet at the close of business December 31, 1927, together with Income Statement for the year, certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants. The increase of "Deferred Charges including discount on bonds" represents cost of calling 6% Convertible Bonds and financing new issue of 5% Gold Debentures, whereby interest charges are reduced $350,000 per year.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., May 1, 1928.

CHILE COPPER COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1927

ASSETS

Fixed:		
Property Investment	$ 99,322,590.69	
Plant and Equipment at Mines, Reduction Works, Power Plants, Railroads, Steamships, etc.	61,344,291.25	
	$160,666,881.94	
Less, Reserve for Depreciation of Plant and Equipment	23,357,477.97	$137,309,403.97
Deferred Charges including discount on bonds		9,886,907.52
Current:		
Supplies on hand and Expenses prepaid	$ 7,433,396.63	
Copper in process and on hand, at cost	1,733,054.79	
Accounts Receivable	4,903,393.67	
Cash and Call Loans	2,367,614.93	16,437,460.02
		$163,633,771.51

LIABILITIES

Capital Stock:		
Authorized—5,400,000 shares of $25.00 each		
Issued—4,415,497 shares		$110,387,425.00
Twenty-Year 5% Gold Debentures, due 1947:		
Authorized—$35,000,000.00		
Issued and outstanding		35,000,000.00
Reserve for Renewals and Replacements, Insurance, etc.		1,054,526.51
Current:		
Notes Payable	$ 4,000,000.00	
Interest and Taxes accrued	262,995.66	
Accounts and Wages payable	3,822,288.53	8,085,284.19
Surplus:		
Surplus 31st December, 1926	$ 8,802,929.40	
Premium on capital stock issued for convertible bonds	241,714.29	
	$ 9,044,643.69	
Net Income of the year 1927, per statement annexed	11,085,537.13	
	$ 20,130,180.82	
Distributions to stockholders	11,023,645.01	9,106,535.81
		$163,633,771.51

We have examined into the affairs of Chile Copper Company and of its subsidiary companies and have verified the Assets, Liabilities and Income shown above. We hereby certify that this Balance Sheet shows the financial condition at 31st December, 1927, of the companies as an aggregate whole and that the accompanying Income Account for the year ending that date is correct as stated.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, 6th March, 1928.

CHILE COPPER COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ending 31st December, 1927

OPERATING REVENUE:		
Copper sold—235,291,177 pounds at an average of 13.294 cents per pound		$ 31,279,528.55
PRODUCTION COST		13,228,919.68
OPERATING PROFIT		$ 18,050,608.87
OTHER INCOME		811,982.55
		$ 18,862,591.42
CHARGES AGAINST INCOME:		
Taxes and Miscellaneous Charges	$ 2,754,410.88	
Interest and Discount on Bonds	2,363,291.76	
For Depreciation and Obsolescence of Plant and Equipment	2,659,351.65	7,777,054.29
NET INCOME, carried to Balance Sheet		$ 11,085,537.13

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, an additional valuation of the mining property as of 1st March, 1913, has been recorded upon the books of the Company; but, being made for tax purposes only, the result of those entries has been omitted from the current statements.