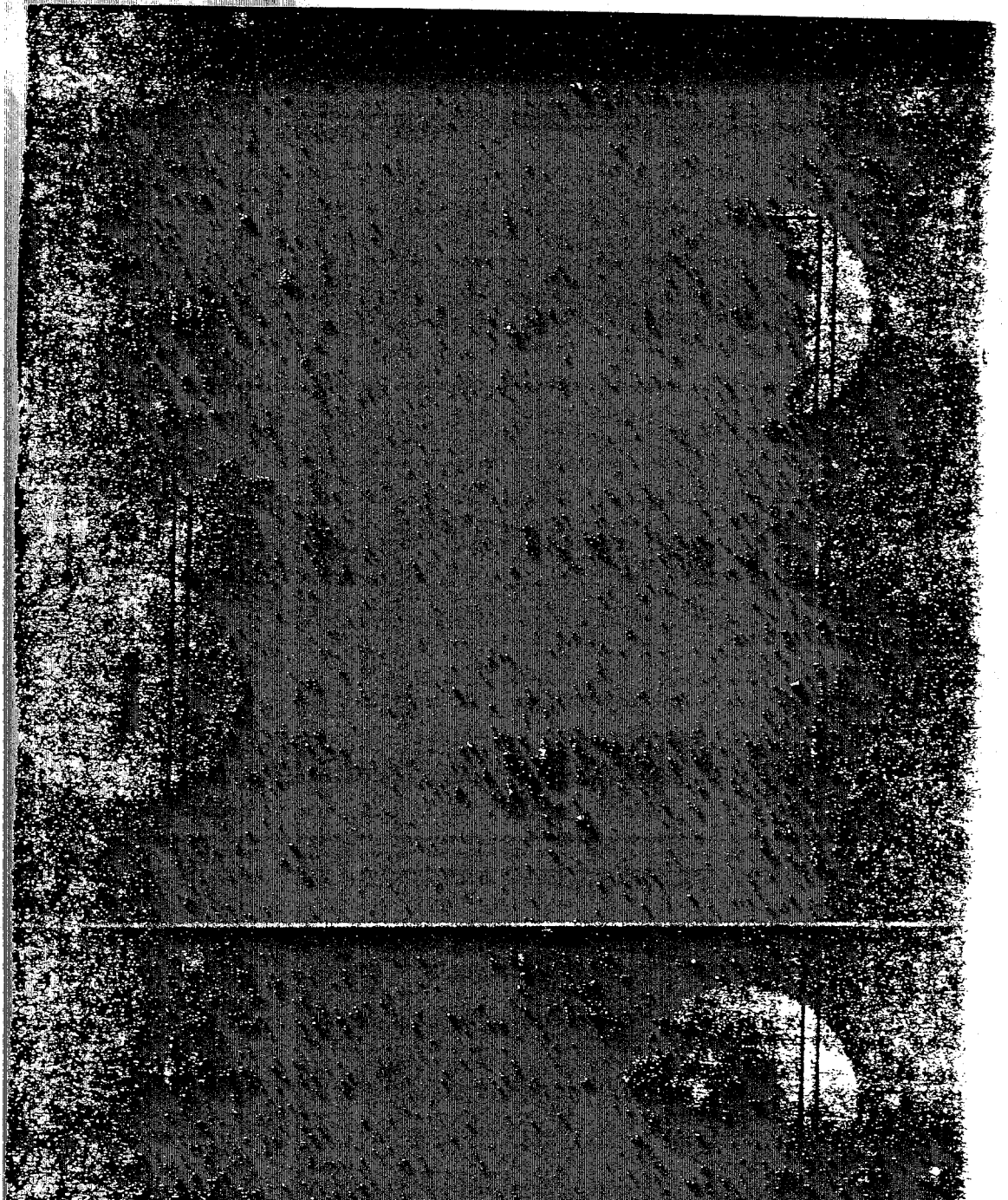


PNY C00009656

N11752



*To the Shareholders of the
Anaconda Copper Mining Company:*

The operations of your Company and its subsidiary and affiliated companies were conducted without interruption during the year and on about the same scale as during the year 1925. The output of manufactured products of The American Brass Company and Rolling Mills and the production of zinc was larger than in 1925, but the production of copper showed a decrease as compared with the previous year. The gross income from sales and tolls amounted to \$223,338,865.55, as compared with \$212,770,498.33 for the year 1925. Operating profit and income from investments amounted to \$29,371,916.90, as against \$33,077,229.48 for 1925; the net profit after all charges, depreciation, bond interest and discount, was \$14,226,202.61, as compared with \$17,540,532.32 for the previous year.

Corporate Transactions

The more important corporate transactions during the year were the following:

1. After the investigation of the properties of Giesche Spolka Akcyjna and Bergwerksgesellschaft Georg von Giesche's Erben, it was decided by your Company and its associates to exercise the option which they had to participate in the re-financing of these companies. The Silesian-American Corporation was organized in July, 1926, to acquire all of the issued capital stock of Giesche Spolka Akcyjna from Bergwerksgesellschaft Georg von Giesche's Erben, together with \$6,000,000 of Sinking Fund Mortgage Bonds on certain other properties of the latter company, and in connection with this transaction issued \$15,000,000 Fifteen Year 7% Collateral Trust Sinking Fund Gold Bonds. Giesche Spolka Akcyjna owns extensive zinc ore and coal deposits in Polish Silesia. A majority of both the preferred and common shares of Silesian-American Corporation were acquired by the Silesian Holding Company and in this latter company your Company owns a majority stock interest.

The operating management of the properties of the Polish Company, engaged in the production of zinc, coal, etc., has been selected from the staff of your Company. The mining and metallurgical methods will be brought into conformity with the latest American methods and it is believed that recoveries in the metallurgical operations can be increased and cost of production materially decreased.

As no dividend has as yet been paid by the Polish Company, the balance sheet and income account attached hereto do not reflect earnings from this source.

2. In December, 1926, your Company purchased the outstanding one-half of the issued stock of the Anselmo Mining Corporation and is now the owner of all of the issued stock of that corporation. The Anselmo Mining Corporation owns a group of mining claims in the Butte District. The accounts of that corporation are included in the appended consolidated statements and the stock previously held eliminated from investments.

Construction

Construction authorizations during the year 1926 were for minor current items of construction. No large items were authorized.

The construction expenditures during the year were mainly on items of construction that had been authorized during previous years. The expenditures, exclusive of those made by the Andes Copper Mining Company, totalled \$7,726,302.06 and are summarized as follows:

Butte Mines—Mainly on installations of electric hoists at the Badger State, Mountain Con and Belmont Mines	\$1,482,316.82
Timber Framing Plant, Rocker	289,351.01
Miscellaneous construction at Reduction Works, Anaconda	94,060.07
Reduction Works, Great Falls—Mainly on extensions to copper refineries and zinc plant	1,442,366.69
Rod and Wire Mill, Great Falls, extension	280,048.31
The American Brass Company—Improvements to buildings and machinery	1,412,379.45
Raritan Copper Works—Mainly on Power Plant improvements	1,703,881.39
International Smelting Company—Mainly on Mill improvements and Cottrell Treater at Tooele Plant and Mill at Rico, Colorado	586,536.33
Miscellaneous Construction Items	435,361.99

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 1926 there were done in the mines of the Company in the form of drifts, cross-cuts, raises, winzes and shafts, 34.41 miles of development work, as compared with 34.19 miles during the year 1925, an increase of 0.64 per cent.

Production

The tonnages mined during the year were as follows:

Copper Ore

The mines of the Company produced during the year 2,562,344.55 tons of copper ore. 8,105.92 tons of precipitates were produced from the water pumped from the mines.

Zinc Ore

The mines of the Company produced 17,676.46 tons of zinc ore.

Reduction Works—Anaconda

Copper

At the concentrator there were treated 2,638,646.40 tons of copper ore, and 308,804.65 tons of copper tailings were treated by the combined leaching and flotation process.

The Anaconda Reduction Works treated for all companies 2,882,903.55 tons of copper ore and other cupreous material. Of the total amount 2,570,161.62 tons of ore were produced by the mines of the Company; 269,920.84 tons of ore were purchased from other companies; 38,033.87 tons of material were shipped from the old plants at Anaconda and Great Falls; and 4,779.70 tons from the Great Falls Zinc Plant.

There were produced 254,317,367 pounds of fine copper, 8,227,177.76 ounces of silver, and 31,764,959 ounces of gold. Of this amount 254,302,568 pounds of fine copper, 8,226,723.92 ounces of silver, and 31,764,094 ounces of gold were produced for your Company.

There were cast from blister copper produced by the International, Utah, plant of the International Smelting Company, anodes containing 9,313,629 pounds of fine copper, 865,223.10 ounces of silver, and 7,449.120 ounces of gold which are not included in the foregoing production figures relating to Montana operations. This copper was shipped to Great Falls for refining.

Zinc

During the year, 478,993.72 tons of zinc ore were concentrated. Of this amount 17,311.60 tons were from the mines of the Company and 461,682.12 tons were purchased from other producers located in the Butte District. From this ore there were produced 97,765.43 tons of zinc concentrates and 5,683.91 tons of lead concentrates.

Arsenic

As a by-product of copper smelting operations, 6,864,718 pounds of arsenic were produced, of which 6,668,068 pounds were refined. During the year 11,512,960 pounds were sold. Of this amount, 125,058 pounds were crude and 11,387,902 pounds were refined.

Reduction Works—Great Falls

Copper Refinery

The extension to the Electrolytic and Furnace Refineries was completed during the year and the capacity of this plant now is 312,000,000 pounds of cathodes per annum.

The output of the Copper Refinery at Great Falls was 243,285,551 pounds of cathodes, of which 235,756,846 pounds were melted into shapes at that point.

The new anode scrap melting furnace was completed in July, and during the remainder of the year returned 18,521,225 pounds of anodes to the copper refinery. This material was formerly shipped for refining to the Eastern Seaboard in the form of scrap anodes.

Zinc Plant

The two-unit extension, construction of which was commenced in 1925, was completed and was put into operation during January, 1926. The zinc plants treated 19,192.22 tons of ore produced by the mines of the Company and 626,493.82 tons of purchased ore and concentrates, a total of 645,686.04 tons.

The electrolytic zinc plant produced 225,857,493 pounds of zinc, 9,817,092 pounds of zinc in dross, 233,736 pounds of cadmium, and residue from which there were recovered 22,691,226 pounds of lead, 2,151,963 pounds of copper, 3,209,867.78 ounces of silver, and 7,080.433 ounces of gold.

Rod and Wire Mill

The extension of the Rod Mill was completed during the early part of the year.

The mill at Great Falls rolled into rods 168,306,036 pounds of copper; 41,527,844 pounds of rods were drawn into wire, of which 17,296,050 pounds were made into strand. 52,631,475 pounds of rods were shipped from this mill to the Kenosha Plant of The American Brass Company to be drawn into wire.

Miscellaneous Products

Lumber

The sawmill at Bonner cut 83,633,285 feet of lumber and purchased 4,605,510 feet, of which 54,128,428 feet were shipped to the departments of the Company; 23,483,895 feet were sold commercially; 1,174,104 feet were used at the mill for repairs and construction; and 3,076,630 feet were supplied to the factory for manufacturing, or a total disposition of 81,863,057 feet; increasing the stock of finished lumber on hand by 6,375,738 feet, making a stock on hand at December 31, 1926, of 66,402,332 feet.

Coal

At Diamondville, Wyoming, 419,651.15 tons of coal were produced; 278,317.80 tons were shipped to other departments of the Company; 110,193.35 tons were sold commercially; and 31,140.00 tons were used at the coal mines.

At Washoe, Montana, 144,222.80 tons of coal were produced; 62,179.50 tons were shipped to other departments of the Company; 80,702.30 tons were sold commercially; and 1,341.00 tons were used at the coal mines.

At Sand Coulee, Montana, no operations of any kind were conducted during the year.

Fertilizer

The mines at Conda, Idaho, produced 37,220.80 tons of rock averaging 31.81% P_2O_5 , of which 29,566.20 tons were produced from the mines of the Company and 7,654.60 tons from leased properties. 145.10 tons of rock were sold and the balance shipped to the Phosphate Plant at Anaconda.

The Phosphate Plant at Anaconda treated 32,580 dry tons of rock, from which there were produced 6,738 tons of phosphoric acid assaying 53.25% P_2O_5 , and 11,464 tons of Anaconda Treble Superphosphate containing more than 45% available P_2O_5 .

Sulphuric Acid

The Sulphuric Acid Plant at Anaconda produced 37,558.66 tons of sulphuric acid averaging 60 deg. Beaume. This acid was principally used by the Fertilizer Department.

Metal Roofing

The Copperclad Shingle Plant at Rutherford, N. J., operated satisfactorily throughout the year. The sales of copperclad shingles were materially larger in volume than those for the prior year and the present business shows an increasing demand for this product.

The American Brass Company

The output of manufactured products of the various plants for the year 1926 totalled 686,643,052 pounds, an increase of 33,374,079 pounds over the output for 1925. The manufactured products were distributed among the various plants as follows:

Ansonia	177,565,033	pounds
Buffalo	81,192,024	"
Hastings	100,418,861	"
Kenosha	145,058,456	"
Torrington	64,215,924	"
Waterbury	101,018,676	"
Toronto	17,174,078	"
	<u>686,643,052</u>	pounds

Due to the results of advertising and intensive sales promotion, the fields in which the manufactured products are distributed are constantly being extended.

Exports of manufactured products during the year 1926 showed a gratifying increase over those in 1925.

Raritan Copper Works

The improvements on the power system commenced during 1925 had not been completed at the end of the year. Work undertaken during the year was the overhauling of the refining tanks in No. 2 Tank House, rebuilding the Circulating System, lengthening furnaces and changing over to powdered coal as fuel instead of oil in the anode furnaces.

The metal output of the plant was 393,201,524 pounds of fine copper, 21,735,903.02 ounces of silver, 132,335.146 ounces of gold, 20,905 pounds of selenium, 167.5 pounds of tellurium, 455.88 ounces of platinum, 1,223.26 ounces of palladium, 354,455 pounds of nickel sulphate, and 383,657 pounds of copper sulphate.

International Smelting Company

International, Utah

All departments of the Tooele Plant operated continuously during the year.

The Concentrator Plant treated 343,126 tons of ore, from which there were produced 122,883.85 tons of concentrates, of which 38,416.18 tons were zinc concentrates, which were shipped to the electrolytic zinc plant at Great Falls.

The Copper Plant treated 88,593.21 tons of ore and concentrates, from which there were produced 19,202,538 pounds of fine copper, 1,691,231.53 ounces of silver, and 16,100.439 ounces of gold.

The Lead Plant treated 285,294.49 tons of ore and concentrates, from which there were produced 135,658,034 pounds of lead, 7,032,273.16 ounces of silver, and 21,867.840 ounces of gold. From the treatment of fume and flue dust, there were obtained 716.17 tons of crude arsenic, averaging 92.929% As_2O_3 .

The Tooele Valley Railway Company handled during the year 802,110 tons of ore and miscellaneous freight, and 531,425 passengers.

Miami, Arizona

During the year the Miami Plant treated a smaller tonnage than in 1925, resulting in a lesser production as compared with the previous year. There were treated 375,770.45 tons of concentrates and purchased ores, from which there were produced 173,591,080 pounds of copper, 459,795.14 ounces of silver, and 11,017.214 ounces of gold.

Utah-Delaware Mine

During the year there were produced 11,112.02 tons of copper ore, and 134,169.88 tons of lead-zinc ores. In addition, 24,564.26 tons of lead-zinc ore were produced by leasers operating on a royalty basis.

Rico, Colorado

During the year 1926, the International Smelting Company purchased a controlling interest in the Pelleyre Mining and Milling Company and purchased the old Pro-Patria Mill at Rico, Colorado. The mill has been remodelled for selective flotation of lead-zinc ores, with a capacity of 250 tons daily. The new mill was started November 1, 1926, and operated continuously for the remainder of the year, and during this period treated 10,675.55 tons of ore, from which there were produced 2,339.28 tons of zinc concentrates, averaging 48.90% zinc, and 1,566.97 tons of lead concentrates averaging 59.30% lead.

North Lily Mine

Development work was done during the year on the property of the North Lily Mining Company in which the International Smelting Company holds a controlling interest. This property is located in the East Tintic District, near Eureka, Utah. The development work disclosed a body of lead-silver ore and the outlook as to future possibilities is promising.

International Lead Refining Company

Lead Refinery

The refinery at East Chicago, Indiana, treated 83,182.37 tons of lead bullion, from which there were produced 154,898,754 pounds of common lead, 8,112,230 pounds of anti-monial lead, 8,319,378.70 ounces of silver, and 24,267.166 ounces of gold.

Zinc Oxide

The manufacturing plants at East Chicago, Indiana, and at Akron, Ohio, were operated satisfactorily throughout the year.

There were produced 40,268,895 pounds of merchantable zinc oxide, of which 16,303,339 pounds were produced at East Chicago, and 23,965,556 pounds were produced at Akron.

Anaconda Lead Products Company

There were produced from the plant at East Chicago, Indiana, 12,726,707 pounds barrelled white lead, and 12,085,870 pounds were sold.

Butte, Anaconda and Pacific Railway Company

The Railway transported during the year 5,059,639 tons of ore and other freight and 16,779 passengers. The gross revenues were \$1,599,339.17; operating expenses \$1,291,181.93; taxes, interest, rentals of leased lines, less miscellaneous receipts \$200,139.48; net income \$108,017.76.

Walker Mining Company

Operations at the mine were conducted throughout the year. 223,840 tons of ore were broken. The concentrator made an average recovery of 92.685%. 250,082 tons of ore, averaging 1.872% copper were treated, from which 17,889.96 tons of concentrates, averaging 24.339% copper were produced. There were sold to the smelter 18,174.44 tons of concentrates and ore containing 8,818,172 pounds of copper, 162,079.77 ounces of silver, and 7,478.94 ounces of gold.

Arizona Oil Company

Operations of the Arizona Oil Company during the year resulted in the production of 301,454 barrels of oil. Your Company received a distribution from the Oil Company in 1926 of \$53,040, which item was considered a return of capital, thus reducing the investment in the stock of the Oil Company.

Andes Copper Mining Company

The construction of the metallurgical plant for the treatment of sulphide ore and the preparation of the mine for production was resumed in February, 1925, and thereafter vigorously prosecuted and at the end of 1926 was practically completed. The first ore was delivered to the Coarse Crushing Plant bins on December 16, 1926, and the first copper was produced on January 14, 1927.

The following data on the amount of work performed in the two year period on major items of construction and mine preparation will be of interest:

Underground openings driven.....	22.69 miles
Structural Steel erected.....	13,596 tons
Excavation work performed.....	683,791 cubic yards
Concrete poured.....	49,580 cubic yards
36" diameter steel pipe manufactured and laid.....	32 miles
Power transmission lines erected.....	88 miles
Buildings in Townsite Construction.....	373
Maximum number of men employed.....	9,109

The mine and the metallurgical plant for the treatment of sulphide ores are now in successful operation.

The construction of the metallurgical plant for the treatment of oxide ore was begun in 1926.

Mine

Work during the year comprised the preparation of the South Sulphide orebody for mining; removal of waste and storage of ore from the South Oxide orebody; removal of waste from the Central orebody and construction of housing accommodations for employees. The total lineal feet of all classes of openings driven during the year was 98,686.

The waste removed amounted to 1,417,604 short tons, and the oxide ore removed and placed in storage dumps amounted to 791,561 short tons. The sulphide ore shipped to the reduction works amounted to 32,698 short tons.

Reduction Works

At the end of the year construction work on the sulphide plant at Potrerillos, the power plant at Barquito, the La Ola pipe line, power transmission lines, and townsite construction necessary for the operation of the sulphide plant, were practically complete.

Barquito

There are in port service 28 lighters varying in capacity from 20 to 100 tons each. There was added to port equipment during the year one Diesel-engined tug.

The Barquito power plant was completed as to excavation, concrete and building. Installation of three boilers, and the auxiliaries for the entire boiler plant was completed. The fourth boiler, necessary for the operation of the oxide plant is being installed.

The first turbine unit was ready for operation at the end of the year, the second turbine was ready for service on January 10, 1927, and the third turbine on January 15. Installation of the fourth turbine, necessary for the operation of the oxide plant, is in progress.

Property

During the year there were acquired one mineral claim and two non-mineral claims. These claims cover 382.85 acres. The total acreage held by the Andes Copper Mining Company as of December 31, was 275,518.15 acres.

Expenditures

The expenditures made by the Andes Copper Mining Company during the year on mine development, metallurgical plant, railway, miscellaneous equipment and supplies amounted to \$20,107,270.46. These expenditures are reflected in the consolidated balance sheet attached hereto as it includes the assets, liabilities and bonds of the Andes Company.

Potrerillos Railway Company

The tonnage hauled during the year by the Railway Company was 147,094 short tons.

During the year there were added to the rolling stock, two Consolidation type locomotives of 87,900 pounds weight on drivers, twenty-six 8,000 gallon oil cars and one railroad automobile bus.

Santiago Mining Company

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

Financial

The metals in the inventories on hand and in process, due to the extensive operations of your Company and its subsidiaries, aggregate in value large sums of money and the total

quantities from year to year are relatively constant. They consist largely of purchased metals due to the large purchases made by The American Brass Company and to the metals contained in the ores and concentrates purchased by the Zinc Plant of your Company and the Lead and Copper Plants of the International Smelting Company. Consequently, an advance or decline in metal prices had a tendency to distort yearly profits and the decrease in profits for the year 1926 as compared with 1925 is attributed mostly to carrying purchased metals in inventories at lower prices at the close of the year than at the beginning. It has been decided that the normal quantities of metals carried in inventories should be regarded as fixed and carried at such conservative fixed prices as to make it improbable that they will be affected by adverse market conditions. The amount of \$3,362,288.87 was therefore set aside in an inventory reserve after the close of the 1926 accounts and deducted from surplus as shown in the consolidated balance sheet attached hereto. Future inventories will be carried on the same basis.

There is attached hereto a Consolidated Balance Sheet showing the financial condition of the Company and its subsidiary companies at the close of business December 31, 1926, together with an Income Statement for the year, certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

Chile Copper Company

There is also attached hereto for your information a copy of the annual report of the Chile Copper Company.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., May 2, 1927.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1926

ASSETS

FIXED:

Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Reduction Works and Refineries, etc.....	\$133,777,796.86	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Saw-mills, Foundries, Waterworks, Railroads, etc.....	152,110,528.18	
Investments in sundry companies.....	99,223,086.99	\$385,111,412.03

DEFERRED CHARGES and discount on bonds.....	13,834,755.06
---	---------------

CURRENT:

Supplies on hand, advances on Ores and Expenses prepaid	\$ 21,086,751.89	
Metals and Manufactured Products in process and on hand—at cost.....	\$49,506,496.46	
Less, reserve to reduce metals to fixed prices	3,362,288.87	46,144,207.59
Accounts Receivable	20,017,830.14	
Marketable Securities	13,501,448.50	
Cash	14,810,603.14	115,560,841.26
		<u>\$514,507,008.35</u>

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, 1926, of the Companies as an aggregate whole and that the accompanying Income Account for the year ending that date is correct as stated.

New York and Butte, 15th April, 1927.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1926

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.....		1,919,356.43
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.....	2,380,000.00	174,044,000.00
CONVERTIBLE 7% DEBENTURES of Andes Copper Mining Co., due 1943.....		40,000,000.00
RESERVE FOR DEPRECIATION.....		43,597,403.09
CURRENT:		
Interest and Taxes accrued.....	\$ 6,794,244.04	
Accounts and Wages payable.....	10,976,893.67	
Dividend No. 94 payable 21st February, 1927.....	2,250,000.00	20,021,137.71
SURPLUS:		
Balance 31st December, 1925.....	\$ 83,061,197.38	
Net Income of the year ending 31st December, 1926, per Income Account annexed.....	14,226,202.61	
	97,287,399.99	
Deduct, Dividends Nos. 91, 92, 93 and 94.....	9,000,000.00	
	88,287,399.99	
Less, transferred to Inventory reserve.....	3,362,288.87	84,925,111.12
		\$514,507,008.35

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, 1926

EXPENSE

Metals and Manufactured Products in process and on hand at beginning of year, at cost.....	\$ 50,645,457.86
Ores and Concentrates and Metals purchased.....	78,946,554.86
Mining, Reduction and Refining of Metals.....	48,028,780.68
Manufacturing Expenses, including Selling.....	67,616,863.21
Cost of Merchandise sold and Operation of Public Service Companies.....	2,983,720.74
Administration Expense and Federal taxes.....	2,132,993.74
Balance from Operations carried down.....	22,490,990.92
	\$272,845,362.01

Amount charged off this year for Depreciation and Obsolescence.....	\$ 4,885,598.67
Interest, including discount on bonds, less income from marketable securities.....	10,255,099.56

Balance, Net Income:

Carried to foregoing Balance Sheet.....	\$ 14,226,202.61	
Apportioned to Minority Interest.....	5,016.06	14,231,218.67

\$ 29,371,916.90

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Income Account—Year Ending 31st December, 1926

INCOME

Sales of Metals and Manufactured Products.....	\$209,027,851.88
Tolls, Royalties, Rentals, etc.....	10,375,940.92
Sales of Merchandise and Revenue from Public Service Companies.....	3,935,072.75
Metals and Manufactured Products in process and on hand at end of year, at cost.....	49,506,496.46

\$272,845,362.01

Balance from Operations brought down.....	\$ 22,490,990.92
Income from Investments in sundry companies.....	6,880,925.98

\$ 29,371,916.90

Chile Copper Company

CAPITAL STOCK

December 31st, 1926

Authorized, 5,400,000 shares, \$25 each \$135,000,000
Issued, 4,391,331 shares, \$25 each \$109,783,275

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

Office at 25 BROADWAY, NEW YORK
Mines at CHUQUICAMATA, CHILE

PNYC00009671

*To the Shareholders of
Chile Copper Company:*

The operations of your Company and its subsidiaries for the year 1926 were carried on without interruption. The operating company, Chile Exploration Company, produced during the year 220,138,465 pounds of electrolytic copper, almost the same amount as the production for the previous year. The cost of producing copper for the year 1926 was 8.531¢ per pound, including in cost, depreciation, taxes, interest and bond discount, but excluding depletion. The average price received for copper sold during the year was 14.11¢ per pound, delivered.

The program of plant extension which was authorized and begun in the year 1925 was well along at the close of the year and will be completed in 1927. It is estimated that upon the completion of the plant extension program the plant capacity will be in excess of 375,000,000 pounds of copper per annum.

Expenditures on construction, mainly on plant extension, during the year amounted to \$11,170,820.87. Charges to obsolescence, profit and loss, etc., totalled \$1,887,665.54. The book value of property accounts was increased from \$148,651,368.09 at the beginning of the year to \$157,934,523.42 at the close, a net increase of \$9,283,155.33.

Your Company had on hand at December 31, 1926, marketable securities and cash amounting to \$3,400,380.37, as compared with \$8,512,542.46 at the close of the previous year, the decrease being due to expenditures made for additions to the plant during the year.

Financial Results

Sales of copper during the year amounted to 215,286,183 pounds at an average of 14.11¢ per pound, as compared with sales for the year 1925 of 207,978,026 pounds at an average of 14.273¢ per pound. The operating profit for the year was \$18,234,744.66 as against \$18,390,907.81 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 \$11,655,997.43 as against \$11,939,150.56 for the previous year.

Corporate Transactions

On January 1, 1927, \$35,000,000 par value of Twenty Year 5% Gold Debentures of your Company was issued. The proceeds of this issue were applied to the redemption on April 1, 1927, of the 6% Convertible Collateral Trust Gold Bonds, Series "A," then outstanding. These 6% Convertible Bonds were convertible into stock at \$35 per share. The amount outstanding December 31, 1926, was \$34,990,500, of which \$846,000 were converted into stock on or before April 1, 1927, and the balance redeemed on that date. The retirement of these convertible bonds reduces interest charges and preserves the equity in the property to the existing issued stock.

Mining Claims

During the year 1926 the Chile Exploration Company acquired two additional claims for mining purposes and nine additional claims for miscellaneous purposes.

Mine

Although no new benches were opened during the year the aggregate length of the faces of the thirteen operating benches has been increased from 52,114 feet, as of December 31, 1925, to 57,463 feet, as of December 31, 1926.

During the year it was decided to treat as ore a portion of the lower grade material which must be removed in stripping operations and which was formerly classed as waste. This has been determined to be a more economical policy under existing conditions. The ore mined during the year amounted to a total of 8,303,022 short tons, averaging 1.516% copper. The lower average grade as compared with previous years is due to the treatment as ore of a portion of the lower grade material removed in stripping operations. The total of all ore shipped since the commencement of operations up to and including December 31st, 1926, was 52,648,709 short tons, averaging 1.63% copper.

Waste removal during the year amounted to a total of 6,773,841 short tons, averaging 0.41% copper.

In blasting operations a total of 21,433 feet of tunnels and 462,995 feet of churn-drill holes were blasted during the year.

The southern railway outlets of the mine benches are completed, as well as new northern outlets of certain of the benches. The new main line from the Mine to the Crushing Plant was completed. Electrification of mine railways was commenced during the year.

Plant

A total of 8,297,357 short tons of ore was crushed during the year. The average leaching extraction obtained from the 785 charges treated was 88.83% as compared with 90.05% for the previous year. There were produced during the year 220,138,465 pounds of electrolytic copper. 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 Effi- ciency	Per Cent Net Re- covery	Pounds of Copper Produced
1926						
1st quarter	1,850,838	23,729	1.583	86.10	92.17	54,722,133
2nd quarter	1,975,335	24,692	1.476	80.08	89.04	54,164,565
3rd quarter	2,171,367	26,807	1.505	88.37	85.10	55,050,655
4th quarter	2,299,817	28,047	1.507	85.03	87.39	56,201,112
Year	8,297,357	25,848	1.516	85.54	88.34	220,138,465

The smelter melted 212,886,000 pounds of electrolytic copper into marketable shapes during the year.

Construction

The construction program initiated in 1925 to increase the capacity of the plant to 375,000,000 pounds of copper per year was continued with dispatch throughout the year and will be completed during the year 1927.

The present status of the principal features of this program is as follows:

100 70-ton ore cars erected and in service.

Four of the six 70-ton electric locomotives have been placed in commission.

At the Primary Crushing Plant the rotary car dumper and crushing plant are practically complete, with the exception of the two 60-ton gyratory crushers.
The Secondary Crushing Plant is still under construction.
Four new 11,000 ton leaching vats are completed.
The new tailings excavating bridge is being erected.
The railway system for tailings disposal has been electrified.
Six additional solution sumps have been completed and the wood stave pipe lines are nearing completion.
The two-circuit addition to the electrolytic tankhouse has practically been completed.
The rebuilding of No. 1 market furnace and replacement of its casting wheel is still being carried on.
Construction is still proceeding on the west extension to substation A on subsection No. 5.
Housing accommodations have been increased by the construction of 890 type D-3 houses, 18 type H, 30 type C, 25 type B, and two type A houses. In addition there have been constructed two new restaurants, four staff houses and additions to the hospital to increase its capacity to 125 beds.
At Tocopilla the installation of six new boilers rated at 1400 H.P. and one 80,000 barrel fuel oil storage tank was completed. One new main turbo generator unit of 20,000 K.W. capacity and one house turbine unit of 3,000 K.W. capacity are being installed. These units will increase the installed generator capacity to a total of 93,000 K.W.

Census

The average number of inhabitants in Chuquicamata in 1926 was 18,039 as compared with 15,433 for the year 1925. At Tocopilla the average number of inhabitants housed by the Company during the year 1926 was 641 as compared with 531 for the year 1925.

The average working force at Chuquicamata for the year was 7,228 men, of whom 5,193 were on operation and 2,035 were on construction. At Tocopilla the average working force for 1926 was 708 men, of whom 416 were on operation and 292 were on construction.

Tocopilla Power Station

An average of 40,963 K.W. was generated. The fuel oil consumption in Tocopilla for the year amounted to 1,139,545.45 barrels, which represents an oil factor of 1.049 pounds per K.W. Hour generated, or conversely, 314.86 K.W. Hours per barrel (42 gallons) of fuel oil.

Financial

Attached hereto you will find a consolidated balance sheet at the close of business December 31, 1926, 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 2, 1927.

CHILE COPPER COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—31st December, 1926

ASSETS

FIXED:		
Property Investment	\$ 99,311,867.43	
Plant and Equipment at Mines, Reduction Works, Power Plants, Railroads, Steamships, etc.	58,622,655.99	
	157,934,523.42	
Less, Reserve for Depreciation of Plant and Equip- ment	21,627,291.06	\$136,307,232.36
DEFERRED CHARGES including discount on bonds		4,176,547.82
CURRENT:		
Supplies on hand and Expenses prepaid	\$ 8,543,897.00	
Copper in process and on hand, at cost	3,080,967.40	
Accounts Receivable	4,654,371.62	
Marketable Securities	429,302.00	
Cash and Call Loans	2,971,078.37	19,679,616.39
		\$160,163,396.57

LIABILITIES

CAPITAL STOCK:		
Authorized—5,400,000 shares of \$25.00 each		
Issued—4,391,331 shares		\$109,783,275.00
COLLATERAL TRUST GOLD BONDS, due 1932:		
Authorized—\$100,000,000		
Issued—\$35,000,000 Series A, 6% Convertible		
Outstanding		34,990,500.00
RESERVE for Renewals and Replacements, Insurance, etc.		694,013.77
CURRENT:		
Interest and Taxes accrued	\$ 682,428.62	
Accounts and Wages payable	5,210,249.78	5,892,678.40
SURPLUS:		
Surplus 31st December, 1925	\$ 8,125,258.21	
Net Income of the year 1926, per statement annexed.	11,655,997.43	
	19,781,255.64	
Distributions to Stockholders	10,978,326.24	8,802,929.40
		\$160,163,396.57

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, 1926, 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, 19th March, 1927.

CHILE COPPER COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ending 31st December, 1926

OPERATING REVENUE:

Copper sold—215,286,183 pounds at an average of 14.110 cents per pound	\$ 30,376,223.70
PRODUCTION COST	12,141,479.04
OPERATING PROFIT	18,234,744.66
OTHER INCOME	851,274.34
	\$19,086,019.00

CHARGES AGAINST INCOME:

Taxes and Miscellaneous Charges	\$ 2,469,673.56	
Interest and Discount on Bonds	2,239,424.67	
For Depreciation and Obsolescence of Plant and Equipment	2,720,923.34	7,430,021.57
NET INCOME, carried to Balance Sheet		\$ 11,655,997.43

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.