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ITEM 108

Fourth Annual Report
LA LUZ MINES LIMITED

For the fiscal year ending
SEPTEMBER 30th, 1942

THE TONOPAH MINING COMPANY OF NEVADA

1300 Bankers Securities Building

Philadelphia, Pa.

To the Stockholders,
The Tonopah Mining Company of Nevada.

La Luz Mines Limited

We are enclosing herewith copy of the annual report of La Luz Mines Limited, covering its operations for the fiscal year ended September 30, 1942.

The Tonopah Mining Company of Nevada at the present time holds 120,000 shares of the capital stock of La Luz Mines Limited.

Very truly yours,

C. H. NONAMAKER,
Secretary.

January 5, 1943.

LA LUZ MINES LIMITED

PRESIDENT

Thayer Lindsley

VICE PRESIDENT and MANAGING DIRECTOR

M. B. Huston

SECRETARY

Nathan F. George

TREASURER

H. Whittingham

DIRECTORS

N. F. George

T. Lindsley

W. L. Haehnlen

C. Q. Payne

M. B. Huston

G. W. Tower

GENERAL MANAGER

Frank Cameron

HEAD OFFICE

25 King Street West, Toronto

TRANSFER AGENTS and REGISTRARS

Toronto Share Transfer Company, Limited

302 Bay Street, Toronto

Report of the Directors

TO THE SHAREHOLDERS,
LA LUZ MINES LIMITED.

Your Directors submit herewith their Annual Report for the fiscal year ending September 30th, 1942, together with the reports of your Managing Director, Mr. M. B. Huston, your General Manager, Mr. Frank Cameron, and the report of the Auditors.

The authorities at Washington have generously recognized the essential part that the La Luz Mine plays in the economy of Nicaragua, and have also appreciated the important contribution that this Company is making in the search, development and production of vital metals, as well as rubber, for the war effort.

Once more, your Directors take great pleasure in recording the mutually pleasant and cordial relations existing between your Company and the Government of Nicaragua and its highly esteemed and respected President, Don Anastasio Somoza. When the war is over, it is the sincere hope of your Directors that La Luz will play its part as a constructive force for the upbuilding and growth of the fine, progressive Republic of Nicaragua.

In closing, your Directors believe this enterprise, after six very difficult years, is now well established, and once the war is over, they believe very definitely a good future lies ahead. Much credit is due to the untiring efforts of your Managing Director, Mr. M. B. Huston, and the sound, constructive executive ability of your General Manager, Mr. Frank Cameron. To them, and to their loyal and efficient staff and employees, your Directors wish to express their great appreciation for the very successful results attained.

On behalf of the Board,

T. LINDSLEY,
President.

Toronto, Ontario,
December 8th, 1942.

ADDENDA

Your Company sustained a most serious loss recently in the death of Mr. Milton B. Huston, Vice-President and Managing Director.

Mr. Huston brought the mining possibilities of Nicaragua to the attention of your Directors in 1935, and his faith, courage and untiring efforts in helping to establish your mine were invaluable, and have been a major factor in the success of this enterprise. Your Directors extend to his widow and members of his family their sincerest sympathy in their very great loss.

Your Directors also wish to record their very sincere regret at the passing, last March, of Mr. W. L. Haehnlen, a Director since the start of operations. His counsel and support all through the past difficult years were of great assistance to your Company.

On behalf of the Board,

T. LINDSLEY,
President.

December 15th, 1942.

Report of the Managing Director

TO THE DIRECTORS,
LA LUZ MINES LIMITED.

I submit herewith my review of the operations of your Company for the year ending September 30th, 1942.

Production:

436,125 tons were milled, and the gold produced amounted to \$2,726,166.34, or an average net recovery of \$6.25 U.S. currency per ton treated.

Owing to delays in receiving supplies, due to shipping difficulties, your Directors, since October 1st, 1942, have decided to reduce the daily tonnage treated from 1,200 tons per day to 1,000 tons.

Operating Profits:

During the year your Company made an operating profit, after taxes, of \$1,404,660.37, and a net profit, after all charges, of \$847,655.00.

During the coming year, even with the best of luck, similar results cannot be expected since the tonnage treated will very probably have to be reduced, and increasing difficulties of operation will bring higher costs.

Transportation:

One of the outstanding problems of the past year has been the matter of shipping supplies from the United States to Nicaragua. As a matter of insurance, a small yacht of about 150 tons register has been acquired and overhauled to carry freight, and this will be used to supplement the present irregular shipping service.

Hydro Electric Plant:

The hydro-electric plant on the Yy river, which has been under construction for over two years, was finally completed shortly before the end of the fiscal year, and went into full operation from the first day, permitting us to shut down the Diesel plant. A very substantial saving has been made in the cost for power, as well as dispensing with the very serious problem of buying and transporting large quantities of Diesel oil each month under present war conditions. After the war, the capacity of the plant can be doubled at very moderate cost, and will furnish the Mine 3500 KVA continuously, using the present Diesel plant as a standby unit during the short dry season.

This very fine piece of sturdy hydro-electric construction is a great credit to your management, and will stand as an enduring monument to their energy and ability. Its completion has also been a great source of satisfaction and relief to the Directors.

Shaft:

The shaft has been completed to the 500 foot level and active steps are being taken to push right ahead with the development of the mine at the 350 foot and 500 foot levels. Strong representations have been made to the authorities at Washington for assistance in priorities for the necessary underground equipment, and progress has been made in obtaining their co-operation.

Exploration:

Exploration work outside of Canada has been largely carried on by your wholly-owned subsidiary, Panaminas Inc., while similar work in Canada has been carried on by Frobisher Exploration, in which your Company has an interest.

During the coming year, it is believed wise to continue this work, which is directly related to the war effort. Panaminas is putting three war metal properties into production and Frobisher is doing a similar work in Canada.

Financial:

Including the supplies on hand, the net current position as of September 30th, 1942, amounts to \$1,216,856.52. During the year, the total of all debts and advances from the Bank and associated companies has been reduced to \$10,000, and since the close of the fiscal year this small balance has been paid off.

* * * * *

Since the close of the fiscal year, production up to November 30th has been as follows:

	<i>Tons</i>	<i>Bullion</i>
October	31,209	\$271,725.00
November	30,948	300,850.00

In spite of the reduced tonnages due to the increasing difficulties of obtaining supplies, new monthly records were established in October and November. These results were due partly to the inclusion of rich ore from a lens in the south end of the open cut and partly to the return of gold from mill absorption, and therefore cannot be considered as normal.

Respectfully submitted,

M. B. HUSTON,
Managing Director.

December 8th, 1942.

Report of the General Manager

December 5th, 1942.

To the Vice-President and Managing Director,
LA LUZ MINES LIMITED.

Dear Sir:

I beg to submit the following annual report on operations for the fiscal year ended September 30, 1942.

The Mine:

Mechanical Mining:

Comparative production figures for the past four years appear in the following tabulation:

Year	Tons of Waste Handled	Tons of Dry Ore Produced	Ratio Waste to Ore	Grade of Ore Ozs. Gold
1942	818,444	435,313	1.88	0.204
1941	344,176	369,770	0.93	0.208
1940	-----	172,296	-----	0.241
1939	-----	10,298	-----	0.172
Total to Date	1,162,620	987,677	1.18	0.212

Of the total ore produced during this fiscal year 433,532 tons came from the open-cut and 1,781 tons came from the dumps.

The following tabulation shows the footage drilled in primary and secondary drilling operations:

Year	Primary Drilling		Secondary Drilling		Total	
	Ore Feet	Waste Feet	Ore Feet	Waste Feet	Ore Feet	Waste Feet
1942	393,210	257,186	81,137	18,452	474,347	275,638
1941	195,754	34,786	83,161	4,075	278,915	38,861
1940	39,203	-----	38,138	-----	77,341	-----
1939	-----	-----	-----	-----	-----	-----
Total	628,167	291,972	202,436	22,527	830,603	314,499

The following tabulation shows the holes blasted and tonnage broken by primary blasting operations:

Year	Holes Blasted		Tons Broken		Tons Broken Per Pound of Dynamite	
	Ore	Waste	Ore	Waste	Ore	Waste
1942	21,796	12,307	444,813	518,635	3.6	6.9
1941	8,983	1,686	367,982	171,143	4.8	15.4
1940	2,145	-----	114,467	-----	6.0	---
1939	-----	-----	-----	-----	---	---
Total	32,924	13,993	927,262	689,778	4.2	6.8

Four 10-ton Autocar Diesel engine trucks and a 43-B Diesel engine shovel were added to the mine mechanical equipment. Two of the trucks and the shovel were reconditioned units.

Underground Mining:

Sinking of Shaft No. 1 was started in October, 1941, and at the end of the year it was down to a vertical depth of 510 feet. The station at the 350-ft. level was cut and 122 feet of cross-cutting was completed. Cutting of the shaft station at the 500-ft. level was started and 47 feet of crosscutting was completed on this level.

Potosi Mine:

Diamond drill hole No. P-501 was completed at an inclined depth of 600 feet. At an inclined depth of 565 feet, ten feet of ore averaging 0.287 ounces of gold per ton were intersected. Diamond drill holes P-1, P-2, P-5 and PJ were completed but no ore was intersected in drilling these holes. Diamond drilling of the Potosi mine was discontinued in March. The total footage drilled during the period of October 1, 1941, to March 31, 1942, was 1,790 feet.

Topaz Mine:

Opening up and sampling of the old workings of the Topaz mine was continued until February, 1942, at which time the option on the Topaz mine was cancelled and all work was stopped.

The Mill:

The following tabulation shows the performance of the mill:

Month	Mill Run Days	Dry Short Tons Treated Total	Daily Average	% Possible Ozs. of Gold	% Running Time	% Extraction By Products
October	31	33,245	1,072	0.201	98.01	94.11
November	30	34,069	1,135	0.224	98.84	95.93
December	31	36,696	1,183	0.203	97.93	94.71
January	31	37,918	1,223	0.189	99.71	95.00
February	28	34,171	1,220	0.194	97.18	95.44
March	31	38,729	1,217	0.201	97.07	95.63
April	30	37,190	1,240	0.193	99.53	95.40
May	31	39,760	1,282	0.201	98.55	94.59
June	30	35,920	1,197	0.189	98.42	93.98
July	31	36,247	1,169	0.218	98.43	94.58
August	31	37,054	1,195	0.220	98.59	94.19
September	30	35,126	1,171	0.179	98.96	93.79
Year 1942	365	436,125	1,195	0.201	98.44	94.84
Year 1941	365	367,135	1,006	0.209	97.68	93.24
Year 1940	366	171,551	469	0.241	95.67	87.30
Year 1939	57	10,098	178	0.169	90.39	83.58

The following tabulation shows the production of gold and silver as per mill assays:

Month	Weight Gross	Troy Gold	Ounces Silver	Fineness Gold	Parts Silver	per 1000 Total
October	11,644.53	6,474.65	2,601.53	556	223	779
November	12,286.18	7,345.65	2,695.39	597	219	816
December	11,899.73	6,757.73	2,468.39	568	207	775
January	12,843.98	6,798.59	3,336.59	529	260	789
February	12,891.37	6,754.99	3,359.03	524	260	784
March	14,043.43	7,632.94	3,350.58	544	239	783
April	13,285.11	6,831.43	3,719.74	514	280	794
May	13,030.18	7,201.18	3,920.38	553	294	847
June	11,068.72	5,750.66	3,204.03	519	289	808
July	11,721.32	6,762.08	2,969.29	576	253	829
August	11,983.58	6,574.80	3,292.43	548	274	822
September	9,869.04	5,329.49	2,962.99	540	300	840
Year 1942	146,567.17	80,214.19	37,880.37	547	258	805
Year 1941	136,344.92	73,033.019	34,079.38	536	250	786
Year 1940	70,695.11	35,701.030	13,698.53	505	194	699
Year 1939	6,585.94	1,124.043	360.75	171	55	226

Of the 80,214.188 fine ounces of gold produced in bullion as per mill head assays, 26,748.309 ounces were recovered by gold

traps, 53,206.831 ounces were recovered in the cyanide plant and 259.048 ounces were taken from inventory. Thus the recovery in the cyanide plant was 62.93% and the recovery by gold traps was 31.64% of the total gold shipped.

The consumption of grinding balls, cyanide and lime was 1.01, 1.78 and 0.43 pounds per ton of ore milled, as compared with 1.10, 1.42 and 0.75 pounds per ton for the previous year.

Power:

The following tabulation shows the operation of the Diesel engine power plant:

Month	K.W.H. Generated	Fuel Oil Consumed Gallons	Pounds	Cost Per Lbs. Per K.W.H.	Cost Per K.W.H. Cents U.S.Cy.
October	821,800	64,322	463,118	0.563	2.21
November	735,200	61,035	439,452	0.597	2.48
December	843,200	66,349	477,712	0.566	2.40
January	803,352	67,017	482,522	0.600	2.38
February	752,200	63,208	455,097	0.605	2.37
March	878,500	67,733	487,677	0.555	2.06
April	852,300	65,952	474,854	0.557	2.37
May	816,500	71,139	512,201	0.627	2.53
June	768,000	68,346	492,091	0.640	2.58
July	820,800	67,725	487,620	0.590	2.27
August	212,800	18,974	136,613	0.640	2.78
September	15,500	138	9,920	0.640	18.66
Year 1942	8,320,152	681,938	4,918,877	0.591	2.40
Year 1941	8,251,000	698,999	5,032,792	0.610	2.20
Year 1940	3,839,600	326,364	2,327,586	0.606	2.12
Year 1939	487,400	42,904	304,618	0.625	2.58

In addition to the electric power generated by the Diesel engine plant, 1,570,283 K.W.H's, of electric power was generated at the hydro-electric plant at Yy River during the months of August and September at a cost of 0.86 cents per K.W.H.

Construction:

The hydro-electric power plant at Yy River was completed early in August. The No. 3 unit was placed in operation on August 7th and the No. 4 unit went into service on August 10th. The delay with the No. 4 unit was due to a wrong connection by the manufacturer on the exciter.

The following construction work was completed and the following installations were made at La Luz:

Quarters for the Guardia Nacional; six houses for married

Nicaraguan employees; bunk house No. 5 for single, monthly roll, Nicaraguan employees; a recreational room for Nicaraguan employees; a butcher shop; a tool room; a mill supply shed; an insulated storage room for spare electric motors; the conversion of bunk houses Nos. 2 and 3 into apartments for married staff employees; the installation of the third bank of Denver No. 24 flotation cells; the erection of a chain link fence and a barbed wire fence, with a dead zone in between both fences, around the mill.

Mining Claims and Property Titles:

Titles were received for thirteen mining claims and five plantels within the mining concession area. Also, titles were received for three plantels covering the Livico water supply system.

Alamicamba:

Five additional wooden boats were constructed, making a total of twenty-two wooden boats. Three of these boats have been converted over to power boats, using gasoline engines.

Costs and Profits:

The following tabulation shows operating costs, depreciation and deferred charges per ton of ore milled:

<i>Cost Per Ton of Ore Milled</i>					
<i>Month</i>	<i>Mining</i>	<i>Milling</i>	<i>General Charges</i>	<i>Depreciation & Deferred Charges</i>	<i>Total</i>
October	\$0.75	\$1.27	\$0.96	\$1.18	\$4.16
November	0.69	1.24	1.11	1.16	4.20
December	0.66	1.16	0.98	1.13	3.93
January	0.70	1.17	1.01	1.11	3.99
February	0.69	1.25	1.40	1.18	4.52
March	0.80	1.08	1.06	1.10	4.04
April	0.93	1.18	1.12	1.12	4.35
May	0.92	1.15	0.91	1.08	4.06
June	1.04	1.20	1.20	1.14	4.58
July	1.03	1.17	1.14	1.14	4.48
August	0.97	1.03	0.98	1.12	4.10
September	0.97	1.04	1.27	1.16	4.44
Year 1942	\$0.85	\$1.16	\$1.02	\$1.14	\$4.17
Year 1941	0.59	1.19	1.09	1.08	3.95
Year 1940	0.52	1.32	0.83	0.74	3.41
Year 1939	0.38	2.44	0.81	1.32	4.96

The gross extracted value of the gold less marketing charges

was \$6.25 per ton of ore milled. The net profit, after allowing for advances to affiliated companies and Topaz expenditures written off, was \$847,655.00, as compared with \$1,056,129.11 for the previous year.

General:

The total freight flown to the property amounted to 11,785,593 pounds or 27.02 pounds per ton of ore milled, of which 7.75 pounds applied to operations, 11.22 pounds applied to Diesel fuel oil, 4.50 pounds applied to construction and warehouse increase and 3.54 pounds applied to commissary supplies. The total freight flown the previous year was 13,394,063 pounds or 36.48 pounds per ton of ore milled.

The total rainfall for the year was 79.97 inches in comparison with 98.34 inches for the year 1940-41.

The total number of men employed daily averaged 1,278 as compared with 1,073 for last year.

It is with great pleasure that I again record my sincere appreciation of the hearty cooperation of the Officials and Directors of the Company and also my appreciation of the efficient work of the Heads of Departments and the Staff whose loyal cooperation contributed greatly to the results obtained.

Yours faithfully,

FRANK CAMERON,
General Manager.

LA LUZ MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

BALANCE SHEET

SEPTEMBER 30th, 1942

Expressed in terms of United States currency
currency and the expenditures therefrom

except for share capital paid for in Canadian
for mining claims, plant and development.

ASSETS

Cash on hand and in banks	\$ 474,860.71	
Dominion of Canada 2¼% bonds due 1st March, 1948	22,727.27	
Bullion settlements outstanding	291,538.95	
Sundry accounts receivable	27,292.32	\$ 816,419.25
Inventories as determined and certified by the management and valued at laid-down cost:		
Mining and milling supplies and spare parts, etc.	\$ 507,711.11	
Commissary	64,717.78	572,428.89
Fixed assets and property accounts at cost:		
Mining claims, less depletion reserve	\$1,419,162.50	
Mine buildings, machinery, equipment, roads, airports and Yy River power development, completed and in course of construction	\$2,296,756.83	
Less reserve for depreciation	558,443.84	1,738,312.99
Deferred mine development, including administration and other expenses during construction, less written off	\$ 351,024.20	
Shaft sinking expenditures to date	64,981.00	416,005.29
Interest in and advances to associated companies:		
Panaminas Inc.—shares and advances less reserve	\$ 347,493.09	
Expenditures to date on option, held by Potosi Mines Limited	126,502.30	
Investment in shares of and advances to other associated companies	75,459.09	549,454.48
Prepaid expenses and deferred charges		21,103.24
		<u>\$5,532,886.55</u>

LIABILITIES

Demand loan—Canadian Bank of Commerce, New York (secured)	\$ 10,000.00	
Advances from Ventures Limited	88,000.00	
Accounts payable and accrued charges	73,991.62	\$ 171,991.62
Capital:		
Authorized 2,000,000 shares of no par value		
Issued 1,380,920 shares	\$2,862,537.00	
Note: Options are outstanding on 43,705 shares		
Earned surplus	2,498,357.93	5,360,894.93
Guarantee given:		
For performance of contract dated 27th April, 1942, between Panaminas Inc. and Defense Plant Corporation—re Valzinco Virginia operations.		

\$5,532,886.55

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the accounts of La Luz Mines Limited for the year ended 30th September, 1942, and we report that, in our opinion, the above balance sheet and related statement of operations for the year ended on that date have been drawn up so as to exhibit a true and correct view of the state of the company's affairs as at 30th September, 1942, and of the results of its operations for the year, according to the best of our information, the explanations given us and as shown by the books of the company. All our requirements as auditors have been complied with.

Toronto, Canada,
3rd December, 1942.

CLARKSON, GORDON, DILWORTH & NASH,
Chartered Accountants.

LA LUZ MINES LIMITED

OPERATING ACCOUNT
FOR THE YEAR ENDED 30th SEPTEMBER, 1942

Expressed in terms of United States currency

Tons ore milled	<u>436,125</u>		
		<i>Per ton ore milled</i>	
Metals produced—gross value	\$2,790,862.03	\$	6.40
Gold.....79,568.519 oz.			
Silver.....38,865.47 oz.			
Less marketing charges	64,695.69		.15
	<u>\$2,726,166.34</u>	\$	6.25
Operating costs:			
Mining	\$ 370,462.04		
Milling	505,865.24		
Mine office and supervision	60,477.27		
Engineering office and supervision	14,079.05		
General expense at property	175,106.61		
	<u>\$1,125,990.21</u>		
Republic of Nicaragua bullion taxes	108,646.29		
	<u>\$1,234,636.50</u>		
Administrative expense outside of Nicaragua	78,211.19		
Odysseus III operating expense	8,658.28	1,321,505.97	3.03
	<u>\$1,404,660.37</u>	\$	3.22
Less:			
Provision for depreciation of build- ings, machinery and equipment, etc., at 15% per annum	\$ 277,832.40		
Deferred development written off at 20c per ton ore milled	87,225.00		
Depletion at 30c per ton ore milled	130,837.50	495,894.90	1.14
	<u>\$ 908,765.47</u>	\$	2.08
Net profit for year			
Deduct:			
Provision against advances to Pana- minas Inc. for exploration	\$ 32,323.69		
Expenditures on Topaz option written off	28,786.78	61,110.47	<u>\$ 847,655.00</u>

LA LUZ MINES LIMITED

SURPLUS ACCOUNT

Earned surplus 30th September, 1941	\$1,650,702.93
Net profit for year ended 30th September, 1942	847,655.00
Earned surplus as at 30th September, 1942, carried to balance sheet	<u>\$2,498,357.93</u>