

FOURTEENTH ANNUAL REPORT
OF
CONSOLIDATED COPPERMINES
CORPORATION

FOR THE YEAR ENDED
DECEMBER 31, 1936

CONSOLIDATED COPPERMINES CORPORATION

Incorporated under the Laws of the State of Delaware

General Office—120 Broadway, New York, N. Y.

Mine Office—Kimberly, Nevada

OFFICERS

R. W. HIGGINS
President

C. K. BLANDIN
Vice-President

THOMAS BARDON
Vice-President and Treasurer

E. J. MacDONALD
Secretary

JOSEPH B. COTTON WILLIAM S. GORDON
General Counsel

DIRECTORS

THOMAS BARDON
C. K. BLANDIN
SAMUEL BRENNER
I. W. BURNHAM, II
JOSEPH B. COTTON

E. L. DERBY, JR.
WILLIAM S. GORDON
HAROLD K. HOCHSCHILD
R. W. HIGGINS
ROBERT D. HOFFMAN

EARL E. HUNNER
MACK C. LAKE
NORMAN E. LAMOND
OTTO SUSSMAN
CHESTER D. TRIPP

REGISTRAR AND TRANSFER AGENT

REGISTRAR AND TRANSFER COMPANY
7 Dey Street, New York, N. Y.

AUDITORS

PRICE, WATERHOUSE & CO.

CONSOLIDATED COPPERMINES CORPORATION

DIRECTORS' REPORT

TO THE STOCKHOLDERS:

No copper was produced during 1936 but late in the year the Directors ordered the reopening of the Emma Nevada mine and production is now being increased to the quantity permitted by our contract with the Kennecott Copper Corporation. This contract was entered into in 1926 for a period of 20 years and by its provisions we may send a maximum of 3,000 tons of concentrating ores per day to the Kennecott plant for milling and smelting, as compared with a daily productive capacity at our mines of at least 6,000 tons per day. Production of gold, silver and miscellaneous ores was continued from leased properties. A portion of the Lane City area was partially prospected by churn drilling during 1936 but such drilling as was done did not disclose the existence of commercial ore bodies.

On September 24, 1936, we entered a judgment in the counterclaim litigation pending in the United States District Court for Nevada in our favor against Kennecott Copper Corporation, successor to Nevada Consolidated Copper Company, which with interest now aggregates approximately \$850,000. Kennecott has appealed to the Circuit Court of Appeals at San Francisco from the judgment and we have taken appeals from certain parts thereof. All these appeals are now pending and it is expected that they will be heard during the current year.

In the Nevada main or injunctive suit, of which the counterclaim litigation is a part, you may recall that the United States District Court enjoined us from mining, for the account of Kennecott, certain of its ores at the West End of its Liberty Pit which under the 1926 contract we had the right to mine at cost plus 16¢ per ton profit to us. The Court, however, in entering the final decree, subsequently affirmed by the Circuit Court of Appeals, retained jurisdiction with leave on our part to apply at any time for a vacation or modification of the decree if conditions in our judgment should warrant. Within the last few months we have made an application for the vacation or modification of the decree in view of changed and other conditions which in our opinion clearly entitle us to relief. The hearing upon this application is set for June 1st, 1937 at Carson City, Nevada. A separate suit brought against Kennecott to recover moneys expended in development and mining operations for Kennecott's account has not yet been tried.

Negotiations with representatives of Kennecott looking to a settlement of this litigation, to a new ore treatment contract and to the adjustment of other relations between the two companies have also been continued but no agreements have been reached.

You have already been advised of the option extended to us by The American Metal Company, Limited whereby your Company may exchange certain of its shares for certain shares of the stock of The American Metal Company, Limited and devote the proceeds of the latter to the financing of our own plant. Other plans for such financing are under consideration but no commitments of this nature will be made without notice to the stockholders and favorable action by them.

The import tax of 4¢ per pound, commonly called the Copper Tariff, will expire next June. Your Company is a member of a group of American copper producers which favors renewal of this tariff protection.

Financial statements of the Company for the year ended December 31, 1936, certified by independent auditors, are submitted herewith.

BY ORDER OF THE BOARD OF DIRECTORS:

R. W. HIGGINS, *President.*

March 29, 1937.

CONSOLIDATED COPPERMINES CORPORATION

GENERAL MANAGER'S REPORT

R. W. Higgins, President,
Consolidated Coppermines Corporation,
120 Broadway, New York City, N. Y.

Dear Sir:

Herewith my report covering the local activities of the corporation for the year 1936.

PROPERTY:

One unpatented fractional mining claim located in the Kimberly district was purchased during the year. Final transfer and deeds to all outstanding fractional interest in twenty patented mining claims located in the Lane City district, together with full interest in six patented mining claims located in the Shell Creek range, were executed during the year. The corporation now owns 326 patented mining claims and 66 unpatented mining claims, comprising a total area of 5,702.3 acres. In addition, the corporation owns 5,265.5 acres of agricultural land together with 2 valuable water rights.

PRODUCTION:

No copper was produced from the corporation's own mining operations during the year. The Kennecott Copper Corporation carried on some open pit operations on our Ora and Emma Nevada claims, but as no settlements were made for these ores the production has not as yet been taken into our accounts.

In the latter part of the month of December preparations were commenced for the resumption of our mining operations. Such preparations have progressed satisfactorily and at this writing the production is already approximately 1,000 tons per day.

Leasing operations on the corporation's gold properties were carried on during the year. The production amounted to 37,821 tons and the smelter settled for 7,267.9 ounces of gold and 110,053.5 ounces of silver. The corporation received \$33,082.15 as royalties.

GENERAL:

Maintenance and repair work was carried on to keep the mines, as well as surface structures and equipment, in good condition and as a result the active preparations for the resumption of mining could be commenced and carried on without delay. Thanks are due the members of the organization for loyal and efficient service.

Respectfully submitted,

J. B. HAFFNER,

General Manager.

March 12, 1937.

CONSOLIDATED COPPERMINES CORPORATION

56 Pine Street, New York, March 18, 1937.

*To the Board of Directors of
Consolidated Coppermines Corporation:*

We have made an examination of the balance sheet of Consolidated Coppermines Corporation as at December 31, 1936, and of the statement of income and earned surplus for the year 1936. In connection therewith, we examined or tested accounting records of the company and other supporting evidence at the mine office in Kimberly, Nevada, and at New York and obtained information and explanations from officers and employees of the company; we also made a general review of the accounting methods and of the operating and income accounts for the year and perused the minutes of stockholders' and directors' meetings, but we did not make a detailed audit of the transactions.

No provision has been made by the company on its books for depletion of mining properties since their acquisition, and the provision for depreciation of buildings and equipment, which formerly appeared reasonable, has been reduced for each year, beginning with 1933, to 1% of the asset values.

A summary of mine development for the year 1936 is attached hereto. The mine has not been in operation since 1932 and it will be noted that all general expense has been charged to mine development, as well as the cost of maintenance of drifts and equipment. Provision for amortization of this account, at the rate of $1\frac{3}{4}\phi$ per pound of copper produced, was made when the mines were in production.

In our opinion, based upon such examination, the accompanying balance sheet and related statement of income and earned surplus fairly present the position of the company at December ~~13,~~ 1936, and the results of operations for the year on the basis stated above.

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PRICE, WATERHOUSE & CO.

CONSOLIDATED COPPERMINES CORPORATION

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 324,469.46	
Accounts receivable	5,537.00	
Investment in common stock of The American Metal Company, Limited, at cost (market value at December 31, 1936—\$703,812).....	361,046.52	
Inventory of copper, certified as held at refinery for account of corpora- tion, at market	103,640.37	
		\$ 794,693.35

MATERIALS AND SUPPLIES AT MINE, certified by responsible officials—at cost. 104,039.21

INVESTMENTS:

Consolidated Coppermines Corporation stock—4,000 shares (at cost)....	\$ 2,258.00	
Other investments (at nominal value).....	2.00	
		2,260.00

PROPERTY AND EQUIPMENT at values approved by the Board of Directors
at acquisition, with subsequent additions at cost:

Mining properties	\$5,682,184.39	
Buildings and equipment.....	\$2,657,330.42	
Less—Reserve for depreciation (see accountants' report) 1,196,000.88	1,461,329.54	
		7,143,513.93

DEFERRED CHARGES:

Mine development, including mine maintenance and general expense dur- ing shut-down periods, less amortization, per statement attached ...	\$6,082,070.97	
Unamortized portion of expenditures on mine tools and equipment.....	97,060.08	
Prepaid insurance	2,084.45	
Miscellaneous items	12,481.93	
		6,193,697.43

\$14,238,203.92

CONSOLIDATED COPPERMINES CORPORATION

DECEMBER 31, 1936

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 50,355.85	
Accrued taxes	12,506.51	
		\$ 62,862.36

RESERVES:

Par value of unissued stock reserved for conversion of deposited securities of predecessor company	\$ 22,445.00	
For liabilities of predecessor companies—actual amount undeterminable..	19,813.99	
		42,258.99

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Authorized—1,600,000 shares of \$5 each—	
Issued—1,590,107 shares	\$7,950,535.00

NOTE—4,489 shares of stock unissued are reserved for conversion of deposited securities of predecessor company.

Surplus:

Initial surplus as at organization of company in 1922.....	1,679,190.34	
Surplus arising from acquisition of property and assets of—		
Giroux Consolidated Mines Company in 1923.....	2,503,337.35	
Butte & Ely Copper Company in 1923.....	82,237.69	
Premiums received on sale of capital stock.....	497,102.35	
Earned surplus, before depletion, on basis of including in mine development, maintenance and general expense during shut-down periods, per statement attached.....	1,420,679.84	
		14,133,082.57

NOTE:

In September, 1936, a judgment was entered in the U. S. District Court for the District of Nevada in favor of Consolidated Coppermines Corporation and against Kennecott Copper Corporation for an amount which counsel for Consolidated Coppermines Corporation state to be upwards of \$800,000. Such counsel also state that appeals have been taken from this judgment but that in their opinion such appeals will be disposed of during 1937.

\$14,238,203.92

CONSOLIDATED COPPERMINES CORPORATION

STATEMENT OF INCOME AND EARNED SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1936

Profit on sale of stock of The American Metal Company, Limited	\$ 86,909.50	
Royalties	33,082.15	
Miscellaneous income (net).....	6,433.16	
Together	<u>\$ 126,424.81</u>	
<i>Deduct:</i>		
Depreciation of buildings and equipment at 1% for year (see accountants' report)	\$ 26,727.64	
Legal and corporate expense.....	116,328.54	
	<u>143,056.18</u>	
Deficit for year, on basis of charging mine maintenance and general expense to development and before depletion and adequate provision for depreciation	\$ 16,631.37	
Earned surplus at January 1, 1936.....	\$1,413,106.45	
Add—Adjustment to increase copper inventory at December 31, 1936, to market	24,204.76	
	<u>1,437,311.21</u>	
Earned surplus at December 31, 1936, before depletion, on basis of including in mine development, maintenance and general expense during shut-down periods, per balance sheet	<u>\$1,420,679.84</u>	

SUMMARY OF MINE DEVELOPMENT FOR THE YEAR ENDING DECEMBER 31, 1936

Balance at January 1, 1936.....	\$5,859,232.40
Additions during 1936:	
Churn drilling and maintenance of drifts and equipment	\$ 112,768.68
General expense	110,069.89
	<u>222,838.57</u>
Balance at December 31, 1936, per balance sheet	<u>\$6,082,070.97</u>