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Item 13

FIFTEENTH ANNUAL REPORT
OF
CONSOLIDATED COPPERMINES
CORPORATION

FOR THE YEAR ENDED
DECEMBER 31, 1937

CONSOLIDATED COPPERMINES CORPORATION

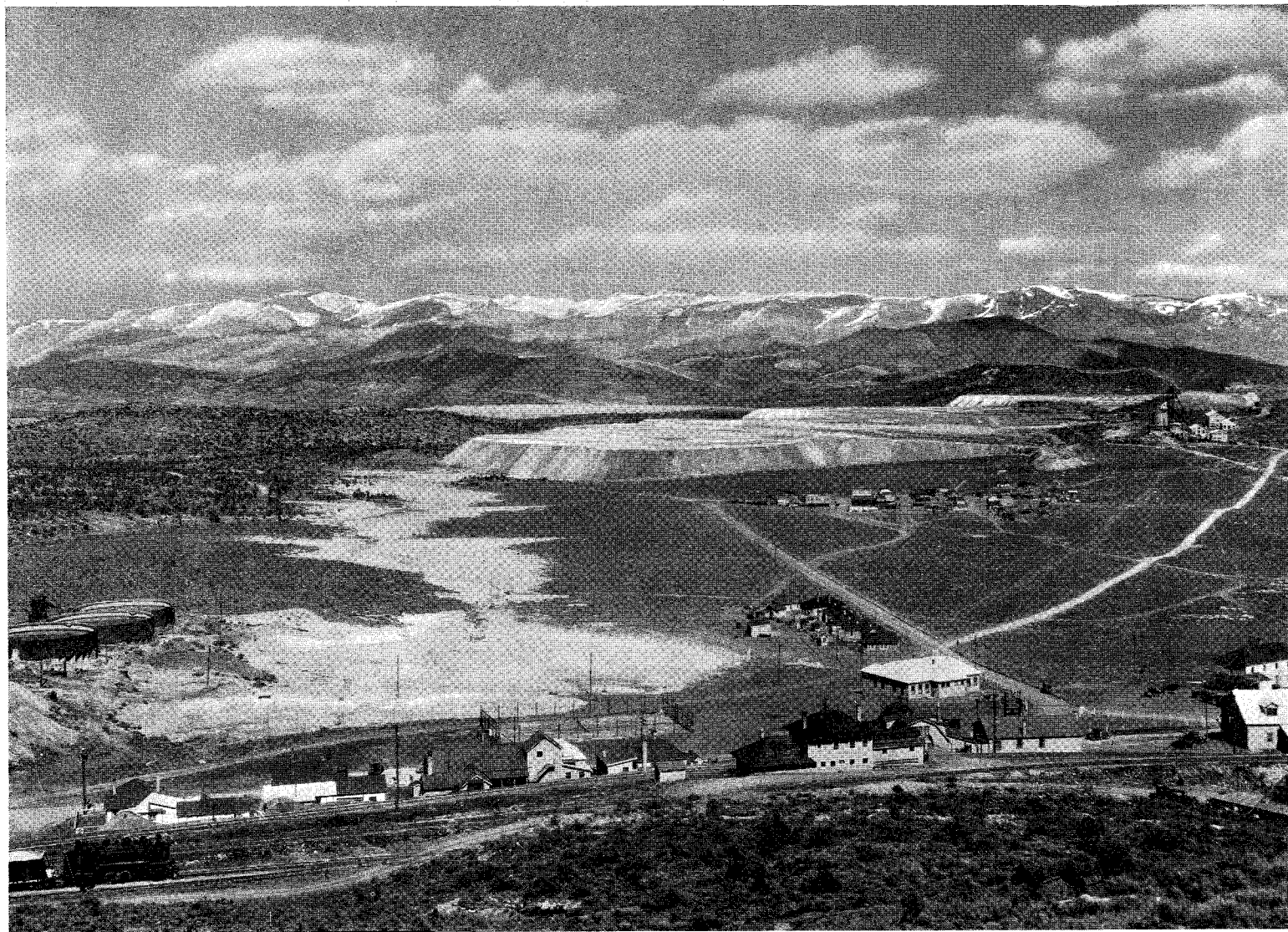


ANNUAL REPORT

1937



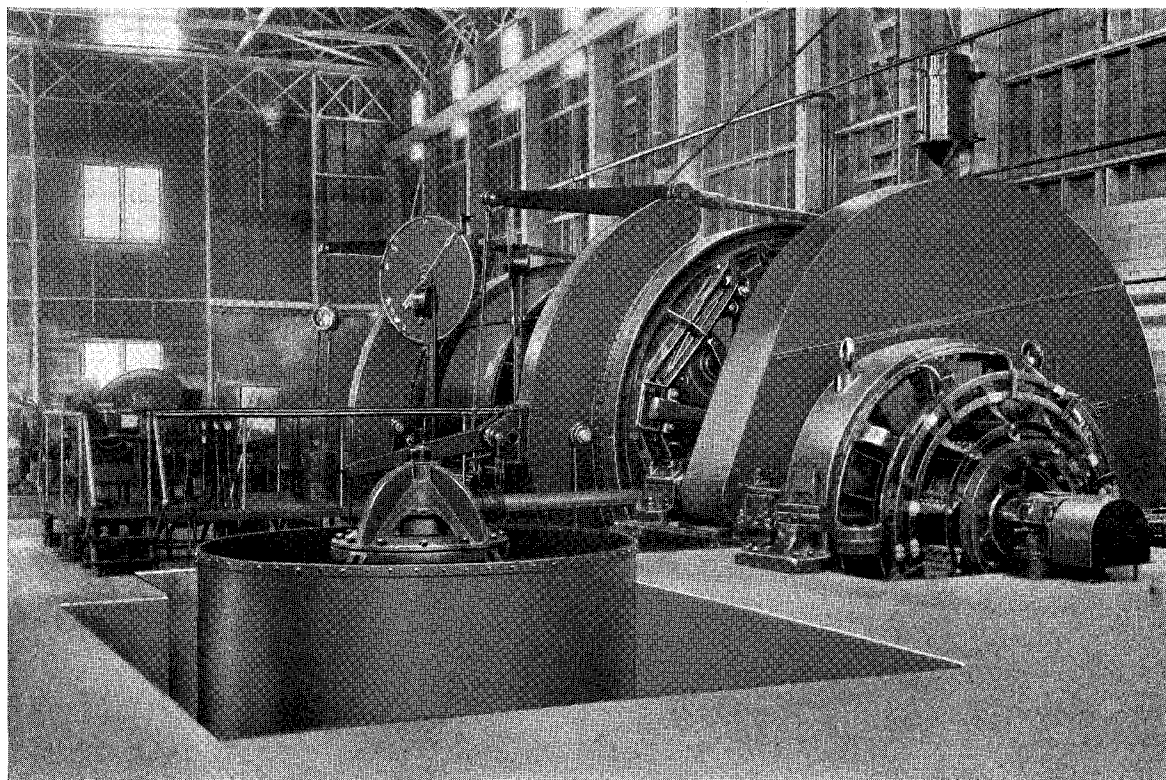
GENERAL OFFICES 120 BROADWAY, NEW YORK, N. Y.



Town of Kimberly, Nevada, in foreground; Emma Nevada Mine in right center



Emma Nevada Mine; ore bin, headframe and hoist house



Interior of Hoist House, Emma Nevada Mine

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

Chairman of the Board.....R. W. HIGGINS
President.....THOMAS BARDON
Vice President.....C. K. BLANDIN
Vice President.....NORMAN E. LAMOND
Secretary-Treasurer.....E. J. MACDONALD

DIRECTORS

Terms Expiring May, 1938

THOMAS BARDON.....New York, N. Y.
C. K. BLANDIN.....St. Paul, Minnesota
WILLIAM S. GORDON.....New York, N. Y.
R. W. HIGGINS.....Duluth, Minnesota
EARL E. HUNNER.....Duluth, Minnesota

Terms Expiring May, 1939

E. L. DERBY, JR.....Ishtepeming, Michigan
ROBERT D. HOFFMAN.....New York, N. Y.
HAROLD K. HOCHSCHILD.....New York, N. Y.
MACK C. LAKE.....Duluth, Minnesota
CHESTER D. TRIPP.....Chicago, Illinois

Terms Expiring May, 1940

I. W. BURNHAM, II.....New York, N. Y.
PHILIP L. CARRET.....New York, N. Y.
NORMAN E. LAMOND.....New York, N. Y.
CLAUDE F. LEAMAN.....New York, N. Y.
JOHN A. PAYNE.....New York, N. Y.

GENERAL COUNSEL

WILLIAM S. GORDON

JOSEPH B. COTTON

MINE STAFF

J. B. HAFFNER.....General Manager
JOHN A. RICHARDS.....Superintendent
PAUL J. SIRKEGIAN.....Chief Engineer and Ass't. Supt.
JOHN EABY.....Chief Clerk

TRANSFER AGENT

REGISTRAR & TRANSFER COMPANY
7 Dey St., New York

REGISTRAR

MANUFACTURERS TRUST COMPANY
55 Broad St., New York

AUDITORS

PRICE, WATERHOUSE & CO.

CONSOLIDATED COPPERMINES CORPORATION

DIRECTORS' REPORT

TO THE STOCKHOLDERS:

1937 was an important year for your Company. In July contracts were entered into with the Kennecott Copper Corporation which terminated controversies and the costly litigation which had been outstanding for nearly ten years. You have already been advised in regard to the main features of the settlement with Kennecott, and we are glad to report that in practice the new contracts have been operating satisfactorily.

1937 also saw the resumption of mining operations after a shutdown of nearly five years. First shipments of ore were made in February and production was increased to an average of 3,000 tons per day during the month of May and, following the signing of the Kennecott contracts, to an average of 6,000 tons per day in the latter part of August. The latter rate was maintained until the month of December when production was reduced somewhat due to the condition of the copper market. This period afforded the first opportunity for a test of the productive capacity of the Emma Nevada mine, your Company's principal mining property, and for a test of the cost and efficiency of the mining methods used in that mine. Both tests were met in a highly gratifying manner, and it was demonstrated that the mine could produce at least 6,000 tons of ore per day at a cost which compares favorably with the cost of similar operations at other mines in this country. Much credit is due our operating staff for the results obtained. The Directors, therefore, feel that the year's operations have replaced estimates as to the possibilities of the Emma Nevada mine with actual experience, and that such experience has established the property as a sound mining enterprise which with any reasonable price of copper should make substantial earnings for many years to come.

1937 also witnessed the first dividend ever paid by this Company or its predecessor companies in their more than thirty years of history. You have recently been advised that a second dividend of $12\frac{1}{2}\phi$ per share has been declared payable April 8, 1938.

There were shipped during 1937 from the Emma Nevada mine 1,281,205 dry tons of ore from which the smelter recovered 25,880,706 pounds of copper, 12,867 ounces of gold and 28,178 ounces of silver. 1,945 feet of main drifts and 23,442 feet of mining raises were driven. Normally each foot of mining raise is expected to serve for the extraction of 115 tons of ore. It will be noted that approximately double the footage of mining raises necessary for the year's production was driven. This excess above normal was due to the fact that practically no tonnage was prepared for mining at the beginning of the year, whereas approximately 900,000 tons were prepared for mining at the end of the year. A sufficient tonnage has now been prepared for mining in the Emma Nevada mine so that the present daily tonnage can be maintained with a normal amount of expenditures for mining raises.

The resumption of operations to a 6,000 ton per day basis necessitated the purchase of considerable equipment including underground electric locomotives, ore cars, slusher hoists and an additional air compressor.

The Morris Brooks and Alpha mines were not in operation during the year but regular inspections and maintenance work were carried on.

Four additional mining claims were acquired during the year and the Company now owns 326 patented mining claims and 69 unpatented mining claims comprising a total area of 5,768 acres. In addition the Company owns 5,265 acres of agricultural land together with water rights.

A limited amount of churn drilling was done during the year. The Company's engineering and geological staff is now engaged in the preparation of a program for the systematic exploration by drilling and otherwise of areas which are most promising for the discovery of new ore deposits and the extension of deposits now known. It is the policy of your Board of Directors to carry on exploration designed to increase the present large ore reserves. Such exploration program will be coordinated with regular mining operations and carried on with due

CONSOLIDATED COPPERMINES CORPORATION

regard to the financial condition of the Company. In this connection it might be said that the possibilities of developing additional ore reserves are generally considered favorable by engineers and geologists who are acquainted with your Company's properties.

Elsewhere in this report are the financial statements of the Company for the year ending December 31, 1937, certified by independent auditors. Current assets at the end of the year as compared with December 31, 1936, are as follows:

	Dec. 31, 1936	Dec. 31, 1937
<i>Currents Assets:</i>		
Cash	\$324,469.46	\$ 585,741.83
Accounts Receivable.....	5,537.00	22,617.53
Accounts Receivable, for metals.....	none	501,856.96
American Metal Co. stock, at cost.....	361,046.52	none
Copper Inventory, at market.....	103,640.37	1,176,808.64
	<u>\$794,693.35</u>	<u>\$2,287,024.96</u>
<i>Current Liabilities:</i>		
Accounts and Payrolls.....	\$ 50,355.85	\$ 115,779.00
Freight and Treatment.....	none	218,567.48
Accrued Taxes	12,506.51	28,486.76
Provision for Unsettled Legal Expense.....	none	25,000.00
	<u>\$ 62,862.36</u>	<u>\$ 387,833.24</u>
Net Current Assets.....	<u>\$731,830.99</u>	<u>\$1,899,191.72</u>

At the present writing Net Current Assets are approximately the same as they were on December 31, 1937. More than half of the copper on hand on that date had then been sold for future delivery at prices current at that time. All of the stock of The American Metal Company, Limited has now been sold. 21,500 shares of that stock were acquired in 1935 and were sold in 1936 and 1937. The proceeds of such sales were \$933,755.27, or an average of \$43.43 per share. Except for the regular current operating expenses, the Company has no debts and is not under the necessity of any capital expenditures in the future. On the other hand, no commitments have been made which would prevent the construction of our own treatment plants if that should appear advisable. The Company is now for the first time in a position to operate in a manner and on a scale which are in keeping with the size and value of its mining properties.

Since December, a moderate reduction of production has been continued. In recent months the copper market has suffered a decline of almost unprecedented severity and business prudence has required contraction of operations and expenditures. Every effort has been made to maintain employment and wages and to minimize the hardships inevitable in time of declining business. While the price of copper has dropped from a high of 17¢ to the present figure of 10¢, miners' wages paid by your Company have declined from a high of \$6.15 per day to the present figure of \$5.65 which is the prevailing wage in the district. Employment has declined from a high of 585 men in September to the present figure of 440, but it should be noted that the former figure included a substantial number of employees whose services were a necessary part of reopening but are not required in a period of normal operations. The future course of operations, employment and wages depends almost entirely on the market for copper. The same is true of dividends. The Board of Directors appreciates the desire on the part of the stockholders for a return on their investment and intends, as far as is consistent with a sound and conservative policy and with your Company's financial requirements, to continue dividend payments.

BY ORDER OF THE BOARD OF DIRECTORS:

R. W. HIGGINS, *Chairman.*
March 25, 1938.

THOMAS BARDON, *President.*

CONSOLIDATED COPPERMINES CORPORATION

56 Pine Street, New York, March 17, 1938.

*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, 1937, and of the statements of income and earned surplus for the year 1937. 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; provision for depreciation of buildings and equipment for 1937 has been made at the rates formerly used when the mines were in production, which appear reasonable.

A summary of mine development for the year 1937 is attached. Provision for amortization of this account for 1937 has been made at the rate of $1\frac{1}{4}\phi$ per pound of copper produced.

No provision has been made in the accounts for Federal income tax. The company expects no assessments for additional Federal income taxes for prior years, and that for the year 1937 amounts to be claimed for depletion and other deductions will result in little or no taxable income being reported.

In our opinion, based upon such examination, the accompanying balance sheet and related statements of income and earned surplus fairly present the position of Consolidated Coppermines Corporation at December 31, 1937, and the results of its operations for the year on the basis stated above.

PRICE, WATERHOUSE & CO.

CONSOLIDATED COPPERMINES CORPORATION

BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash in banks and on hand.....	\$ 585,741.83	
Accounts receivable:		
Metal sales	\$501,856.96	
Other	22,617.53	524,474.49
Inventory of copper, at market.....		<u>1,176,808.64</u>
		\$ 2,287,024.96
MATERIALS AND SUPPLIES AT MINE, certified by responsible officials—at cost...		132,191.42

INVESTMENTS:

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

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

Mining properties	\$5,690,977.49	
Buildings and equipment.....	\$2,712,824.02	
Less—Reserve for depreciation.....	1,325,404.67	<u>1,387,419.35</u>
		7,078,396.84

DEFERRED CHARGES:

Mine development, including mine maintenance and general expense during shut-down periods, less amortization, per statement attached.....	\$5,080,786.99	
Unamortized portion of expenditures on mine tools and equipment.....	150,233.06	
Prepaid insurance	5,241.99	
		<u>5,236,262.04</u>

\$14,736,135.26

CONSOLIDATED COPPERMINES CORPORATION

DECEMBER 31, 1937

LIABILITIES

CURRENT LIABILITIES:

Accrued payrolls	\$ 18,171.47	
Accounts payable	97,607.53	
Freight and treatment costs.....	218,567.48	
Accrued taxes	28,486.76	
Provision for unsettled legal expense.....	25,000.00	
	<hr/>	\$ 387,833.24

RESERVES:

Par value of unissued stock reserved for conversion of deposited securities of predecessor company.....	\$ 19,995.00	
For liabilities of predecessor companies—actual amount undeterminable....	19,233.67	
	<hr/>	39,228.67

CAPITAL STOCK AND SURPLUS:

Capital Stock:

Authorized—1,600,000 shares of \$5 each—	
Issued—1,590,597 shares	\$7,952,985.00

NOTE—3,999 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 and 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.....	1,594,220.62	
	<hr/>	14,309,073.35

\$14,736,135.26

CONSOLIDATED COPPERMINES CORPORATION

STATEMENT OF INCOME FOR THE YEAR ENDING DECEMBER 31, 1937

Metals sold and delivered.....		\$2,269,078.37
Expenses of operation:		
Mining, including development charge.....	\$1,386,803.97	
Freight and treatment.....	1,442,498.26	
	<u>\$2,829,302.23</u>	
Inventory of metals at January 1, 1937, at market.....	103,640.37	
	<u>\$2,932,942.60</u>	
Less—Inventory of metals at December 31, 1937, at market.....	1,176,808.64	
		<u>1,756,133.96</u>
Operating income, before depreciation and depletion.....		\$ 512,944.41
Income charges:		
Depreciation of buildings and equipment.....	\$ 133,900.56	
Administrative, legal and general expense.....	140,799.62	
Loss on disposal of equipment.....	10,721.72	
Interest	4,178.80	
Miscellaneous	18,420.93	
		<u>308,021.63</u>
		\$ 204,922.78
Other income:		
Profit on sale of common stock of The American Metal Company, Limited..	\$ 271,620.77	
Dividends	5,175.00	
Royalties	14,241.15	
Miscellaneous	7,178.99	
		<u>298,215.91</u>
Net income for the year, before depletion.....		<u><u>\$ 503,138.69</u></u>

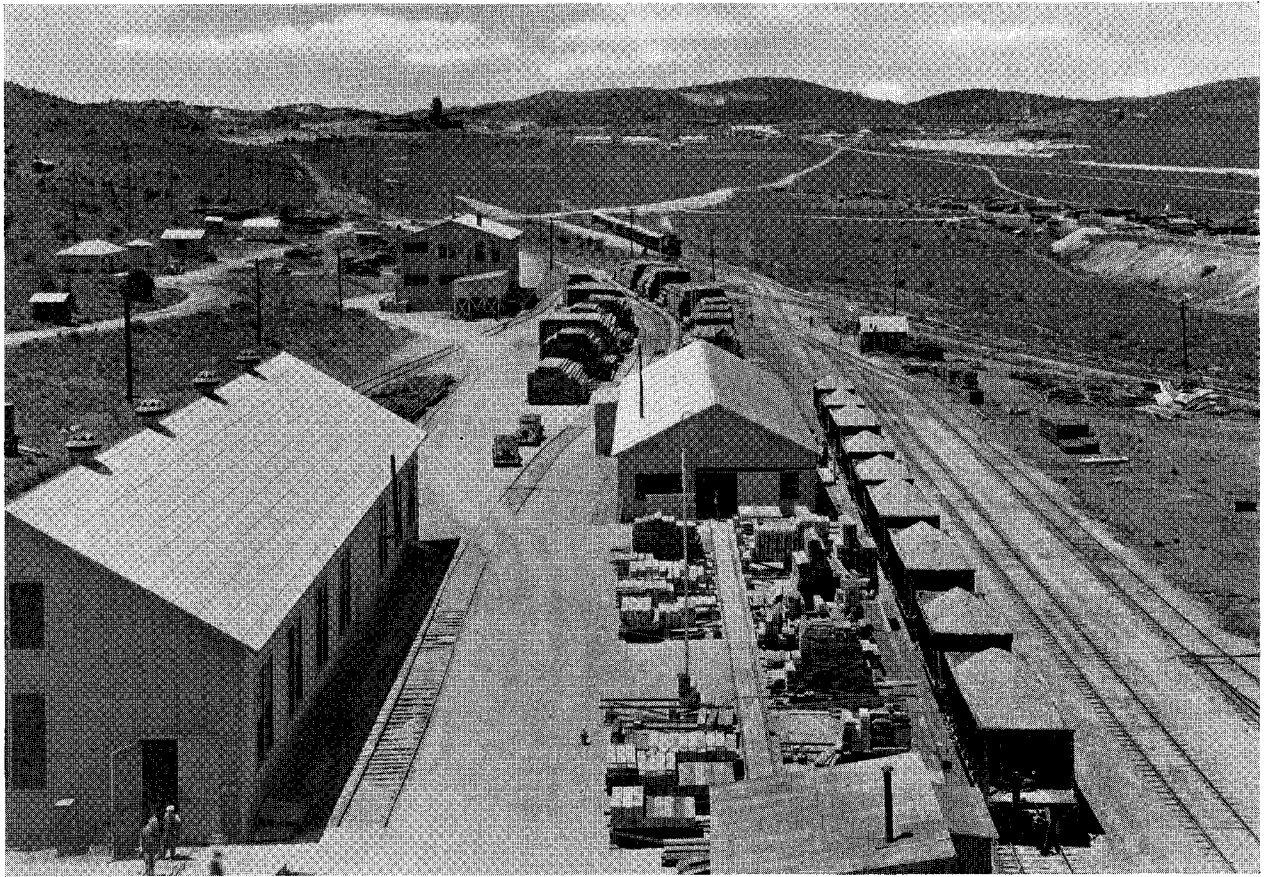
CONSOLIDATED COPPERMINES CORPORATION

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDING DECEMBER 31, 1937

Balance at January 1, 1937			\$1,420,679.84
Net income for year ending December 31, 1937, before depletion, per statement attached			503,138.69
Settlement with Kennecott Copper Corporation:			
Cash received		\$500,000.00	
Cash profit realized on sale of copper included in settlement... \$299,250.00			
Less—Amortization of mine development applicable to such copper	67,500.00	231,750.00	
			731,750.00
			<u>\$2,655,568.53</u>
Development of 6,470-foot level, Emma Nevada mine, charged off.....			862,530.43
			<u>\$1,793,038.10</u>
Deduct—Dividend paid on capital stock at 12½¢ per share.....			198,817.48
			<u> </u>
Earned surplus at December 31, 1937, before depletion, on basis of including in mine development, maintenance and general expense during shut-down periods			<u><u>\$1,594,220.62</u></u>

SUMMARY OF MINE DEVELOPMENT FOR THE YEAR ENDING DECEMBER 31, 1937

Balance at January 1, 1937.....			\$6,082,070.97
Charges for new development during 1937.....			252,271.12
			<u>\$6,334,342.09</u>
Deduct:			
Development of 6,470-foot level, Emma Nevada mine, charged to surplus		\$862,530.43	
Amortization at 1¼¢ per pound, charged to operations on copper produced during the year		323,524.67	
Amortization applicable to copper included in settlement with Kennecott Copper Corporation, charged to surplus.....		67,500.00	
		<u> </u>	1,253,555.10
Balance at December 31, 1937, per balance sheet.....			<u><u>\$5,080,786.99</u></u>



Emma Nevada Mine Buildings

Morris Brooks Mine in left background

Kimberly in right background