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Item 22

Consolidated Coppermines Corporation

120 BROADWAY - - - NEW YORK CITY

To the Stockholders:

180) 900000 Tons. 5000 T a day

In the six months ended June 30, 1938, your Company produced 17,892,000 pounds of copper, all of which has been sold. Despite the low price level which prevailed throughout this period the accompanying statement, subject to final audit, indicates that an operating profit of $425,331.60 was realized after taking care of current exploration and development expenses, but before depletion, depreciation, deferred development and provision for Federal taxes.

Nevada Consolidated Copper Corporation, subsidiary of Kennecott Copper Corporation operating in Nevada, suspended its mining operations on June 15, so that its concentrator at McGill, Nevada, operated thereafter exclusively on Coppermines' ores. Until final figures for July are available, the effect of such operation on our unit costs can only be estimated. During the shutdown of their smelter the management of Kennecott has co-operated in furnishing us from their own inventory blister copper equivalent to the copper content of our concentrates, thereby permitting an uninterrupted flow of blister copper to our refiners. We are happy to acknowledge the courtesies accorded us by Kennecott.

Carrying out the policy of the Board of Directors as indicated in the annual report for 1937, a modest program of exploration by rotary and churn drilling is being conducted in areas adjacent to some of our known ore bodies.

The principal bill for unsettled legal expense submitted prior to the last annual meeting has been settled in full for less than half the amount requested and the payment charged against the reserve of $25,000 created for the purpose in 1937. Messrs. Cotton, Brenner & Wrigley have been retained as the Company's counsel in New York and Messrs. Thatcher and Woodburn as counsel in Nevada. Both firms have ably advised the Corporation for many years.

A preliminary financial statement as of June 30, 1938, subject to audit, is annexed. You will note that it shows the largest cash balance in Coppermines' history. Net current assets of $2,193,063.12 show an increase of $293,871.40 over the amount indicated on December 31, 1937.

By Order of the Board of Directors
Boudinot Atterbury,
President.

August 12, 1938.

CONSOLIDATED COPPERMINES CORPORATION

CONDENSED BALANCE SHEET (subject to audit)

As of June 30, 1938

ASSETS

Cash	$ 1,202,356.37
Accounts receivable	234,561.36
Copper inventory—at cost	1,021,755.25
Total Current Assets	$ 2,458,672.98
Materials and supplies	107,744.50
Investments—Treasury stock	2,260.00
Mining properties and development	12,058,345.18
Deferred items	9,572.63
	$14,636,595.29

LIABILITIES & CAPITAL

Wages payable	$ 36,342.75
Accounts payable	203,618.53
Taxes and Miscellaneous accruals	25,648.58
Total Current Liabilities	$ 265,609.86
Reserves re predecessor companies	38,671.87
Capital stock issued	7,953,124.96
Capital surplus	4,761,867.73
Earned surplus—before depletion & provision for Federal taxes.	1,617,320.87
	$14,636,595.29

CONSOLIDATED COPPERMINES CORPORATION

CONDENSED STATEMENT OF INCOME (subject to audit)

Before Depreciation, Depletion and Federal Taxes

For the Six Months Ended

JUNE 30, 1938

Metals sold and delivered	$ 2,259,055.83	12 5/-¢
Less—Cost of Metals sold and delivered	1,966,090.88	
	$ 292,964.95	
Other Income	9,159.76	
	$ 302,124.71	
Less—Bullion Tax, Administrative, Sales and General Expenses	61,500.11	
Net Profit after amortization of prior development expenditures but before depreciation, depletion and Federal taxes	$ 240,624.60	

N. B. Net profit before depletion, depreciation, Federal taxes, AND BEFORE deferred development charges, but after deducting the amount actually expended for current development and exploration was $425,331.60 for the six months as compared with $231,983.07 similarly computed for the three months ended March 31, 1938. 2 3/-¢

June 20, 1938.

To the Stockholders of
Consolidated Coppermines Corporation:

From February 20, 1933, to May 4, 1938, the undersigned were officers of Consolidated Coppermines Corporation. We wish in this letter to thank the more than 3,000 stockholders who voted for us at the recent Annual Meeting, to report to them in regard to the results of that meeting and to give an account of our stewardship during the five years of our management of the Company's business. We have delayed the preparation of this letter in order that the recent election and its results could be more carefully appraised and reported.

Our responsibility began on February 20, 1933. On that date we found the Company in desperate condition, with liquid assets almost vanished, its mines closed, with no adequate outlet for its copper, engaged in most serious litigation and with its affairs in a state of confusion.

On May 4, 1938, we turned over to our successors a company in excellent condition. Cash approximated $1,000,000, which with copper and receivables less current expenses brought the net current assets to about $2,000,000. Virtually all copper produced from the mine on that date had been sold for current and future delivery at prices higher than the present market. Aside from the regular operating expenses there were no debts. There were no unsettled claims or contingencies except a bill for legal services from the law firm of Cotton, Brenner & Wrigley. Mr. Joseph B. Cotton is the senior member of that firm, is general counsel and a director of The American Metal Company Ltd. and was a director of Consolidated Coppermines until defeated at the 1937 Annual Meeting.

In addition to the strong financial condition of the Company, the mine was operating efficiently. Provision had been made for advisory engineering service of an outstanding nature, and likewise for the concentrating, smelting, refining and sale of the Company's product on a scale twice as large as was possible when we took office. All of these services had been arranged by us without one cent of investment. No capital outlays and no indebtedness had been incurred in connection with the expeditious flow of the Company's product from mine to market. No charges are made for these services except as they are used, with the result that there is no expense if economic conditions should bring about the curtailments and shutdowns so common in the copper industry. Overhead in good times and in bad had been reduced to the minimum. A small office in New York sufficed for administrative purposes. It was the purpose of our management, and we believe that we successfully accomplished that purpose, so to arrange the Company's affairs that they could be conducted with a minimum of expense and a minimum of risk, *in order that the earning power of the property may be readily converted into dividends to stockholders.* We likewise believe that very few corporations have succeeded in arranging their affairs with so great a degree of flexibility, efficiency and safety.

During the years when we were in charge of the Company's business we had to defeat a number of schemes to involve the Company in large expenditures, hazardous undertakings and costly litigation. In so doing we offended the ambitions and the pride of several persons and groups. These disgruntled interests were found this year in combination against our management. An alliance was made by them and as a result of a campaign of many months, or even years, a new management has taken over the control of the Company.

The campaign preceding the 1938 Stockholders' Meeting was conducted on an amazing scale by our opponents. They and their agents, paid or otherwise, were active from one end of the United States to the other and, we hear, in Europe. Apparently they spared nothing in the way of time, money and effort. We were at first unaware of the extent and intensity of the abuse, calumny and misrepresentation which were broadcast. It was even widely and falsely charged that we were conspiring to take from the Company's treasury large sums in payment of alleged claims for back salaries, in spite of the fact that we had repeatedly stated, in directors' meetings and elsewhere, that we had no such claims and that the Company owed us nothing. The charges were deliberately invented to embarrass us and it is gratifying to know that the great majority of stockholders did not believe them. We were, we frankly admit, unprepared for such an attack. We were preoccupied with the conduct of the Company's business rather than with politics and propaganda.

While our management was in charge of the Company's affairs we acted solely in the interests of the Company as a whole and of all its stockholders, both large and small. It was our duty to oppose the attempts of special groups to further their special interests. We placed our obligations as officers and trustees above the profit or advantage of particular persons and corporations. We denied personal ambitions where we felt that such ambitions clashed with the common good. Our duty in this respect was not a pleasant one and we fully realized that it would make enemies. We were also quite aware that it would in all probability be followed by a revengeful attack on our management and that the combined influence of the disappointed groups might result in our failure to be re-elected as officers and directors of the Company. Of recent months we were offered "compromises" accompanied by thinly veiled threats which not only our duty to the Company but our self-respect compelled us to ignore. We do not now regret our decision, as we have never had any desire to be associated with persons or policies which do not have our confidence.

At the Annual Meeting on May 4 last, the terms of the undersigned as directors expired. At that meeting

3,127 stockholders holding 639,401 shares voted for us, and
934 stockholders holding 747,596 shares voted for our opponents.

We thus received the support of 77% of the stockholders and of 46% of the stock represented at the meeting, whereas 23% of the stockholders and 54% of the stock voted for our opponents. As these figures indicate so strikingly, *the election was to a large extent a contest of the large stockholders against the small stockholders.*

The successful candidates of the opposition were Otto Sussman, Spencer H. Logan, Carleton E. Merritt, Boudinot Atterbury and Douglas Spencer. The candidacies of Messrs. Logan, Merritt and Atterbury were publicly announced in advance of the election, but no mention was made of Messrs. Spencer and Sussman. The latter is Chairman of the American Metal Company, and was defeated for director of Consolidated Coppermines at the 1937 Annual Meeting. At the Directors' Meeting, Mr. Atterbury was elected president at a salary of $8,000 a year, Mr. Carret was elected Vice President at a salary of $5,000 a year, and Mr. Hoffman was elected Consulting Engineer at a salary of $5,400 a year. Action was immediately taken to extend the term of the American Metal Company's refining contract and *to remove the cancellation clause* which our management had insisted upon in order to safeguard Consolidated Coppermines against changing conditions and to preserve its independence of action. Mr. Hoffman's position as consulting engineer on a salary is presumably the equivalent of the position of "vice president in charge of mining" which Mr. Hoffman demanded but which was refused by our management. Mr. Merritt and Mr. Logan were made directors which apparently satisfies their interest in the Company's affairs. Such interest has always been, in our opinion, uninformed and sporadic notwithstanding the large financial stake of their families in the Company's success and the grave moral responsibility resting on holders of such large blocks of stock and voting power. It was also decided that Mr. Joseph B. Cotton would be General Counsel, and Mr. George B. Thatcher would be local counsel in Nevada. Mr. Cotton's firm was paid $12,800. Messrs. Cotton and Thatcher were the attorneys identified with the Kennecott *litigation.* They and their firms received more than $200,000 in fees in connection with those lawsuits in addition to other substantial fees and retainers. Mr. William S. Gordon's services as General Counsel were terminated. Mr. Gordon was the attorney identified with the Kennecott *settlement.*

This distribution of jobs, fees and contracts will we believe suggest the reasons for the recent proxy contest, or at least some of them. Perhaps others will make their appearance as time goes on.

Notice has been given that the sales agency contract negotiated by our management would be cancelled. As far as is known no other arrangements have been made for the performance of this very important part of the Company's business. The new management is apparently going to replace a skilled and experienced sales agent, whose services to date have been most satisfactory, with some experiment of its own.

We hope that the alliance now in control of the Company will pursue sound business policies, will recognize that the copper industry and business conditions generally are in a state of depression and uncertainty, will avoid diversions and adventures and that they will not disturb any further the economical and efficient organization of the Company's business which was established by our management by unremitting labor in the face of great obstacles, and in spite of the obstructive tactics of many of the present directors. You will be interested to know that

within the last few months, Dr. Sussman referred
to the Kennecott contract as "a rotten contract."

Such an attitude on the part of the man now wielding an important if not dominating influence in the Company gives us grave concern as it may indicate a policy and a state of mind dangerous to the continuance of peaceful and profitable relations with our neighbor.

Some of us have always been disturbed about the objectives of the American Metal Company. Notwithstanding its prediction of a year ago that a Kennecott settlement would practically ruin Coppermines, the American Metal Company, *after the Kennecott settlement,* bought large blocks of Coppermines stock, and now owns or controls according to our best information, more than 200,000 shares. You will recall its determined opposition to the Kennecott settlement, and its urging as an alternative that Coppermines issue $5,000,000 to $6,000,000 in new securities in order to build a treatment plant. It must be difficult for you, as it is for us, to understand why the American Metal Company sought to have our Company undertake a program which was of very doubtful soundness in good times and which would mean almost certain disaster in bad times. It is not difficult, however, for us to understand why the American Metal Company strove so hard this year and last year to end our management. We led the fight for the Kennecott settlement. We opposed the issuance of huge amounts of new securities which would be senior to your stock or which would greatly dilute it. We also refused to make a refining contract with American Metal Company until we had "shopped around" among other refineries interested in getting the business, for the purpose of negotiating a contract on bona fide competitive terms. Our action in this respect was apparently deeply resented by Dr. Sussman and his associates, as was our insistence on *the cancellation clause* mentioned above. The American Metal Company's interest in the American copper mining industry is at present represented largely if not entirely by its ownership of our Company's stock. Its chief holdings are in Africa and it was, and presumably still is, opposed to a tariff protecting American copper mining. It is said to be controlled by Selection Trust, Ltd., a British holding company with headquarters in London. Such control would act to its own advantage, as it no doubt has a right to do, but that advantage may not always coincide with the interests of the rank and file of our stockholders. We would be reluctant to see Consolidated Coppermines come under the influence of a larger company and to become possibly a pawn of international industry and finance.

The new officers of the Company, Mr. Atterbury as President, and Mr. Carret as Vice President, have had to our knowledge no experience in mining or in the copper industry. As far as we have been able to ascertain, they have always been engaged in the security and banking business. Yet they are placed in apparent charge of the Company with but little training for their serious responsibilities.

Five of the directors associated with our management, Messrs. Burnham, Derby, Lake, LaMond and Leaman, remain on the Board. Although they are now in the minority, they will be vigilant to protect the rights of the stockholders as a whole. The undersigned have substantial stock interests and will continue to take an active interest in the Company's affairs. While our services as directors and officers have been made unpleasant at times by obstruction and attacks on our policies, and even on our honesty, we nevertheless take pride in achievements of a vital and constructive nature. We are grateful for the support which so many of you have always given to us. As shown by the vote of this year's Meeting we have been able to depend upon the great majority of the Company's stockholders. Our opposition has come mainly from the large stockholders mentioned in this letter. We hope that the new management will have every success, but we would be less than frank if we did not express the misgivings arising out of the conditions which this letter attempts to describe. We shall not hesitate to oppose any policies of the present management which in our opinion are detrimental to the interests of all of us.

THOMAS BARDON, 120 Broadway,
New York City.

C. K. BLANDIN, First National Bank Building,
St. Paul, Minnesota.

R. W. HIGGINS, 305 South Fifth Avenue West,
Duluth, Minnesota.

NOTE: In order to keep the length of this letter within some reasonable limits, there have been omitted many matters and details which would be of interest to the stockholders. Additional information may be obtained by communicating with any of the signers of this letter.

Consolidated Coppermines Corporation

120 BROADWAY - - - NEW YORK CITY

To the Stockholders:

The annual meeting held on May 3rd and 4th last resulted in the election of the following directors to serve for three years:

Boudinot Atterbury, Spencer H. Logan, Carleton E. Merritt,
Duncan M. Spencer, Dr. Otto Sussman

At the organization meeting of directors the following officers were elected:

President	Boudinot Atterbury
Vice President	Philip L. Carret
Secretary-Treasurer	E. J. MacDonald

Mr. Robert D. Hoffman was appointed Consulting Engineer and immediately after the meeting he, together with the President and Vice-President, left for an inspection trip to the Company's properties. They were greatly pleased with the condition of the mine and plant under the management of Mr. J. B. Haffner and with the high morale and cooperative spirit of his able staff.

Your company produced 11,724,278 pounds of copper in the four months ended April 30, 1938. The directors have authorized a program of exploration in accordance with sound established mining practice to ascertain the possibility of augmenting ore reserves. For the present, only a moderate expenditure for this purpose is contemplated. In view of general business conditions and the clouded outlook for the copper market, the utmost economy will be observed in the conduct of the company's affairs.

At the annual meeting, signed unequivocal releases were obtained from three of the former directors whose claims for past services were a subject of discussion in the recent proxy contest.

We are glad to report that the differences which had arisen between this company and the American Metal Company, Ltd., over the terms of the contract whereby the latter refines our blister copper have been settled. This contract, originally expiring April 14, 1942, subject to cancellation on October 17, 1939, has been extended definitely to December 31, 1943, upon the same favorable terms to Coppermines. In addition the American Metal Company has agreed to make available to Coppermines certain patented shapes and qualities of refined copper hitherto excluded under the terms of the contract. An added clause makes available to Coppermines at our option and at cost, the services of technicians on American Metal Company's staff.

The sales agency contract has been cancelled. Upon expiration of the period of notice required to effect cancellation, Coppermines will be relieved of the necessity of paying commissions on copper sold. A substantial saving in operating expense will be effected by this action.

In addition to forwarding reports of production and financial condition to stockholders at stated intervals, your officers will be glad to answer questions by stockholders and to receive constructive suggestions about the company's affairs.

By order of the Board of Directors.

Boudinot Atterbury,
President.

May 18, 1938.

CONSOLIDATED COPPERMINES CORPORATION

120 BROADWAY - - NEW YORK CITY

R. W. HIGGINS
CHAIRMAN OF THE BOARD

THOMAS BARDON
PRESIDENT

E. J. MACDONALD
SECRETARY-TREASURER

C. K. BLANDIN
VICE PRESIDENT

N. E. LAMOND
VICE PRESIDENT

April 25, 1938.

Jay A. Carpenter,
Mackay School of Mines,
University of Nevada,
Reno, Nevada

Dear Sir:

We have not as yet received your proxy for the Annual Meeting to be held on May 3rd next. Hence, we are writing this letter to you.

The present Management has always had strong support from the rank and file of the 5000 stockholders whose interests we have faithfully represented. The obvious purpose of the opposition is to elect directors who are apparently chiefly concerned with the interests of a few large stockholders who are already adequately represented on the Board.

The so-called "Independent Stockholders Committee", and those allied with it, have by letter and otherwise made many reckless and unwarranted statements which we will not dignify by further discussion. It is important to bear in mind, as we have hitherto pointed out, that this "Committee" represents the same group which has tried unsuccessfully for the past five years to regain control. We are content to stand upon our record. We sincerely believe it is a good record and that it justifies confidence on your part in our continued administration of the Company's business.

The response of the stockholders to the circular letters which we have already sent has been most gratifying and it is our hope that the majority in favor of the Management at the Annual Meeting will be so decisive that there will be an end to these useless and uncalled-for proxy contests. For that reason it is most important that every share of stock be represented at the meeting.

If you sign, date and return the enclosed proxy, it will be used to re-elect five directors who have served the Company well and who with their fellow directors will carry on our consistent policy of sound business conduct for the benefit of all the stockholders.

Yours very truly,

Thomas Bardon

President, for

Thomas Bardon,	C. K. Blandin,	I. W. Burnham, II,
William S. Gordon,	R. W. Higgins,	Earl E. Hunner,
Norman E. LaMond,	Claude F. Leaman,	E. L. Derby, Jr.,
		M. C. Lake

Your Company is incurring no expense in connection with the printing and mailing of this letter and proxy.

INDEPENDENT STOCKHOLDERS COMMITTEE
of
CONSOLIDATED COPPERMINES CORPORATION

P. O. Box 1164, Church Street Annex
New York, N. Y.

TO THE STOCKHOLDERS OF
CONSOLIDATED COPPERMINES CORPORATION:

What truth is there in the management's claim for credit for the present financial condition of your company, as set forth in its letter of April 2nd last?

1. Of the $1,738,000 improvement in working capital cited, nearly $1,200,000 resulted from the contract made in 1935 with the American Metal Company, Ltd. The present officers and their supporters almost defeated that contract by their bitter opposition. Approximately $300,000 more represents profit on the sale of copper mined in recent years by Kennecott from Coppermines' ground. **These two items account for nearly 80% of the increase in net working capital.**

2. The satisfactory operation of the mine is due to your efficient mine staff that was assembled under former president Howard D. Smith. The management's attack on Mr. Smith is a smoke screen. He is not a candidate for director or officer at the coming election. It was, however, under Mr. Smith's administration that the company developed the bulk of its present ore reserves, equipped its property and acquired important areas of ground for nominal sums.

3. **The management's inefficiency has been obscured by the copper boom of 1937,** during which year the price averaged higher than for any year since 1930. Even in 1937 the management's incompetence cost Coppermines dearly. Last September and October it ignored the urgent advice of independent directors to sell copper, with the result that Coppermines accumulated a large unsold inventory. If the officers had followed this advice, Coppermines would have sold all that copper at substantially higher prices than were later realized, with a large increase in profits.

4. President Bardon and his supporters in previous years consistently advocated a deal-with-Kennecott-at-any-price policy. In October and November, 1935 they tried strenuously at a three-day directors' meeting called for that purpose to obtain ratification of a contract with Kennecott which in our judgment would have been ruinous for your company. Coppermines' benefits under the present contract are largely due to cardinal safeguards obtained by Coppermines at the insistence of those directors whom the Bardon group tried to ignore.

There are two fundamental issues to be decided by the stockholders on May 3rd next.

FIRST, SHALL THE BOARD OF DIRECTORS GIVE REASONABLY PROPORTIONATE REPRESENTATION TO THE STOCKHOLDERS?

SECOND, SHALL THE COMPANY BE MANAGED ACCORDING TO MODERN CORPORATE STANDARDS INSTEAD OF BY DESPOTIC MEDIEVAL METHODS?

We propose to answer these questions in the affirmative by electing to the Board Messrs. Spencer H. Logan and Carleton E. Merritt, who for many years have been among the largest stockholders of Coppermines and have constantly kept in close touch with its affairs. They and their families are holders of record of over 100,000 shares—**more than all ten directors of the Bardon group.** We also propose to elect Mr. Boudinot Atterbury, a substantial stockholder with an excellent record of business and financial experience. We shall determine on our fourth and fifth candidates after deliberate consultation with various groups of stockholders in order that Coppermines may have the benefit of a representative Board, insuring a decent, orderly and progressive conduct of the corporation's affairs.

Four of the officers and directors seeking re-election, Messrs. Bardon, Blandin, Gordon and Higgins, have openly admitted their hope of collecting sums for alleged past "extraordinary" services. When independent directors sought clarification, their motions were frequently ruled out of order by Chairman Higgins on Mr. Gordon's advice. Nevertheless, independent directors forced the matter into the record at the Executive Committee meeting of October 1, 1937 and the Board meeting of December 13, 1937, as you may verify, if you attend the annual meeting and inspect the minute book. On both these occasions the claimants when asked to be specific, repeated that they expected to be paid certain sums by the company, but would not name those sums or permit their remarks to be recorded. **Were they dodging the issue until they could be re-elected for three years and until the treasury was better filled?**

Now, through the efforts of independent directors, the officer-claimants have been forced out into the open. On March 11, 1938 the officers advised the Board that the final balance sheet, letter to the stockholders and auditors' report were not yet ready. Independent directors refused to approve the balance sheet until the claims had been clarified. Nevertheless, the officer-claimants, with the aid of their supporters, railroaded through a resolution authorizing the officers to issue the final balance sheet, letter to stockholders and auditors' report without submission to the Board. Meanwhile, independent directors had communicated with the auditors regarding the claims. Subsequently, an alleged waiver, bearing the date of March 11th — although it had not been mentioned at that day's meeting — was displayed. No opportunity was given the Board as a whole to obtain disinterested legal advice as to the validity of the alleged waiver.

Have the officer-claimants been acting in good faith? Judge for yourselves by comparing the following quotations from the said document dated March 11, 1938 and the management's letter to the stockholders of April 2nd (the underscoring is ours):

From the letter of April 2, 1938:

"While these officers served without any compensation whatsoever from 1933 to 1936, and during that period and since have rendered extraordinary services, they have made no claims for such services and have repeatedly stated to the Board of Directors that they do not intend to make any such claims."

From the document dated March 11, 1938:

"It has been generally understood that no payment would be expected for these services while the financial condition of the company remained uncertain. The undersigned have on numerous occasions stated that they would make no demands for additional compensation unless and until, in the opinion of the Board of Directors, the condition of the company justified giving consideration to this question."

Is Coppermines to be run by officers with ethical standards such as are displayed in this matter? In our opinion the attitude of these four men violates sound business standards and makes their continuance on the Board contrary to the interests of the stockholders. If you share this view and cannot attend the annual meeting on May 3rd next, PLEASE SIGN AND RETURN THE ENCLOSED PROXY.

Very truly yours,

INDEPENDENT STOCKHOLDERS COMMITTEE

BOUDINOT ATTERBURY
PHILIP L. CARRET
SPENCER H. LOGAN
CARLETON E. MERRITT
WILLIAM R. O'DONNELL

P.S. IF YOU HAVE ALREADY SIGNED THE PROXY SENT YOU BY THE MANAGEMENT, YOU MAY REVOKE IT BY SIGNING, DATING AND MAILING THE ENCLOSED PROXY TO THE INDEPENDENT STOCKHOLDERS COMMITTEE. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS.

April 11, 1938.

INDEPENDENT STOCKHOLDERS COMMITTEE
of
CONSOLIDATED COPPERMINES CORPORATION

P. O. Box 1164, Church St. Annex
New York, N. Y.

**TO THE STOCKHOLDERS OF
CONSOLIDATED COPPERMINES CORPORATION:**

We, the undersigned, who represent large personal and family holdings of Consolidated Coppermines stock, believe that the maximum value of your property can be realized only under a Board of Directors far more representative of the stockholders than the present one.

Principal officers and directors of your company have during the past year repeatedly stated that they had personal claims against the company for undisclosed sums for alleged extraordinary services extending back over several years. A document, purporting to be a waiver of such claims, is understood to have been filed with the company under date of March 11, 1938. The fact that these claims have never been mentioned in previous annual reports emphasizes the importance of the forthcoming election of directors.

If you cannot attend the annual meeting May 3 next, **PLEASE SIGN AND RETURN THE ENCLOSED PROXY.**

Very truly yours,

INDEPENDENT STOCKHOLDERS COMMITTEE

BOUDINOT ATTERBURY
PHILIP L. CARRET
SPENCER H. LOGAN
CARLETON E. MERRITT
WILLIAM R. O'DONNELL

March 24, 1938.

Consolidated Coppermines Corporation

120 BROADWAY - - NEW YORK CITY

R. W. Higgins
Chairman of the Board

Thomas Bardon
President

E. J. MacDonald
Secretary-Treasurer

C. K. Blandin
Vice President

N. E. LaMond
Vice President

April 20th, 1938.

To the Stockholders:

1. For the first time in its history, your Company is being managed as a successful business enterprise, solely in the interests of its stockholders and not for personal ambition or advantage. Today, the majority of your Board is made up of business men and mining engineers of standing, who are pursuing a steady, harmonious and consistent course of conservative policies in the management of your Company's affairs.

2. Lacking an issue, the opposition keeps harping on alleged claims on the part of officers against the Company. The fact is that there are no such claims.

To put an end to further misrepresentation, we print on the inside page an exact copy of the document filed with the Company. In an effort to create a false impression, the "Independent Committee" stoops to the device of quoting only a part of the document and omits the heart of it. This attempt to mislead is indicative of the standards of the group which seeks to displace the present Management, and is a fair measure of the "merit" of their appeal.

Messrs. Price, Waterhouse & Co., independent accountants auditing the Company's books, made no reference to these alleged claims in their accounts and certificate as published in the Annual Report of this Company for 1937, although the matter was specifically called to their attention.

3. The charge that the Management has not taken advantage of the copper market is reckless and unfounded. The best answer lies in the fact that Consolidated Coppermines Corporation realized in 1937 a higher average price per pound for the copper sold by it than all but one of its competitors who have published the results of their operations. The statement that the Company "accumulated a large unsold inventory" is untrue. The fact is that virtually all of the copper produced since the opening of the mine has been sold for delivery in 1937 and 1938.

4. The group composing the opposition is merely a front for the former management, allied with unnamed interests striving for ulterior purposes to control your Company. Dur-

ing the ten years or more that this opposition group dictated the policies of your Company not one cent of dividends was paid to the stockholders, and this in spite of the fact that between 1927 and 1930 the industry enjoyed a period of high copper prices. On the contrary, during most of the time that this group was in control, it not only distinguished itself by its complete failure to pay dividends or make any return whatever on the stockholders' investment, but effectually succeeded in dissipating the assets of your Company in wasteful, and frequently avoidable, litigation and improvident and costly operations. Had this group, headed by Mr. Smith, continued in office, your investment without the shadow of a doubt would have been utterly destroyed. If reinstated, can the stockholders, judging the future by the experience of the past, expect anything other than waste and extravagance? As a matter of fact, your present Management owes its tenure of office to that conviction on the part of the stockholders as shown by the results of each annual election from 1932 to 1937.

5. The record of the present Management is an enviable one. It took over the guidance of your Company under very distressing conditions, but its unremitting effort and labor to dispose of ruinous litigation, make workable and favorable contracts with Kennecott, and at long last get down to its primary business of mining and selling copper, have been crowned with signal success. Your Company is now established on a sound basis, is successfully operating its mines and is at peace with its neighbor, Kennecott.

If it is the wish of the stockholders to continue along these lines, they will support the present Management.

6. In case you have not already signed the Management proxy, or if through misunderstanding of the true situation, or having been influenced by misrepresentation, you have signed a proxy in behalf of the "Independent Committee", we are enclosing for your use another Management proxy, which we respectfully ask you to date, sign and return to the Proxy Committee appointed by your Board of Directors.

R. W. Higgins, *Director and Chairman*
Thomas Bardon, *Director and President*
C. K. Blandin, *Director and Vice President*
Norman E. LaMond, *Director and Vice President*
William S. Gordon, *Director and General Counsel*
I. W. Burnham, II, *Director*
E. L. Derby, Jr., *Director*
Earl E. Hunner, *Director*
M. C. Lake, *Director*
Claude F. Leaman, *Director*

Your Company is incurring no expense whatsoever in connection with the printing and mailing of this letter and proxy.

March 11, 1938

To the Board of Directors of
Consolidated Coppermines Corporation
120 Broadway
New York City

Gentlemen:

During the period from May 1932 and until May 1936, none of the undersigned received any compensation for the services rendered to this Company as officers or general counsel or in any other capacity. Since May 1936, the undersigned, with the exception of Mr. Blandin, received only very modest compensation. No compensation was ever received by Mr. Blandin.

From 1932 to 1936, in addition to the ordinary and usual duties and services of officers and general counsel, the undersigned have also performed services of an extraordinary and unusual nature, to which a vast amount of time, labor and effort were devoted.

It has been generally understood that no payment would be expected for these services while the financial condition of the Company remained uncertain. The undersigned have on numerous occasions stated that they would make no demands for additional compensation unless and until, in the opinion of the Board of Directors, the condition of the Company justified giving consideration to this question. Notwithstanding this, the matter has been brought up, we believe unnecessarily and without justification, before the Board and before the Executive Committee on various occasions during the past several months. To remove any misunderstanding and to further clarify the position of the undersigned, it seems desirable to state that none of the undersigned will assert, press or present any claims whatsoever against this Company for the extraordinary services rendered by them; that they have not made, nor are they now making, any claims against the Company for such services, except that if any payment is made to Mr. Cotton, one of the counsel of the Company, who has submitted a bill for services rendered during the period in question, which services are substantially of the same nature and character as those rendered by Mr. Gordon, the latter reserves the right to apply to the Board for like consideration as that accorded to Mr. Cotton.

Yours very truly

/s/ R. W. Higgins
Thomas Bardon
C. K. Blandin
Wm. S. Gordon

Consolidated Coppermines Corporation

120 BROADWAY - - NEW YORK CITY

R. W. Higgins
Chairman of the Board

Thomas Bardon
President

E. J. MacDonald
Secretary-Treasurer

C. K. Blandin
Vice President

N. E. LaMond
Vice President

April 2nd, 1938.

To the Stockholders:

The undersigned, representing the Management of your Company, had sincerely hoped that the year might pass without a contest at the Annual Stockholders Meeting, particularly so in view of the record of achievement as shown by the Annual Report already received by you. That has been made impossible, however, by the action of a group of persons styling themselves "Independent Stockholders Committee" which has recently issued a circular soliciting your proxies to bring about a complete change in the management of your Company and to turn it back to the same interests that have been repeatedly repudiated by the stockholders.

The Management is confident that you will ignore the request for proxies by this "Independent Committee" when you realize that the majority of the signers of the circular were associated with the former president of your Company, Mr. Howard D. Smith, whose policies if continued would have brought your Company to the point of insolvency. Since the ouster of Mr. Smith and his supporters by Court order early in 1933, the present Management has, among other things, accomplished the following:

1. Your Company has been freed from costly and vexatious litigation.
2. Advantageous contracts have been made which enabled your Company to operate at capacity and on a profitable basis.
3. Your Company's net current assets *increased* from $161,676.99 on February 20th, 1933, to $1,899,191.72 on December 31st, 1937.
4. Since the discontinuance of the litigation and the resumption of mining operations, your Company has declared dividends amounting to approximately $400,000.00, being the first dividends ever paid.
5. You are now the owners of an important copper producing unit which has established itself as a sound business enterprise.

Obviously, the communication sent to you by this "Independent Committee" is the first step in a scheme to put back into control of your Company the same group which almost ruined it and which has contributed nothing to its rebuilding.

The term of office of five directors, namely, Thomas Bardon, R. W. Higgins, C. K. Blandin, Earl E. Hunner and William S. Gordon, will expire and they are candidates for re-election at the next Annual Meeting on May 3rd. These five include the principal officers and general counsel of your Company. They have taken the leading part in remedying the precarious condition in which your Company was left by the Smith regime. Failure to re-elect them and their replacement by the unnamed candidates of this so-called "Independent Committee" would mean a complete reversal of your Company's policies and a return to the type of management which the stockholders so emphatically disapproved and discarded in 1932. The stockholders should know that this "Independent Committee" now seeking your proxies is the same old group again desperately striving to come back under a slightly different guise.

The circular which this alleged "Independent Committee" recently sent to you insinuates that some of the officers of the Company have undisclosed claims for past services. This is a bare-faced attempt to create a false impression. While these officers served without any compensation whatsoever from 1933 to 1936, and during that period and since have rendered extraordinary services, they have made no claims for such services and have repeatedly stated to the Board of Directors that they do not intend to make any such claims. However, to avoid any possible misunderstanding and make their position clear, they signed and delivered to the Company a written statement definitely disclaiming any demands or claims for compensation for such services. These are the facts which this "Independent Committee" has done its best to distort.

We desire to emphasize that the only issue at the Annual Meeting next May is whether five experienced directors, thoroughly familiar with the affairs of your Company, whose record of achievement is known to all the stockholders, shall be re-elected, or whether they shall be displaced by some undisclosed persons allied with the group which nearly wrecked your Company when in control of its affairs. A majority of this "Independent Committee," only a year ago, opposed the present Management's successful efforts to enter into advantageous contracts with Kennecott. They sought your proxies for the purpose of preventing the settlement of the Kennecott lawsuits and of forcing your Company to embark upon an unwarranted program of plant construction involving the issuance of millions of dollars of new securities. Had they succeeded a year ago, your Company would be facing disaster today.

There is enclosed herewith a Management Proxy. If you believe that the record of the past five years justifies a vote of confidence in the present Management, please date, sign and mail the enclosed proxy to the Proxy Committee appointed by the Board of Directors.

R. W. Higgins, *Director and Chairman*
Thomas Bardon, *Director and President*
C. K. Blandin, *Director and Vice President*
Norman E. LaMond, *Director and Vice President*
William S. Gordon, *Director and General Counsel*
I. W. Burnham, II, *Director*
E. L. Derby, Jr., *Director*
Earl E. Hunner, *Director*
M. C. Lake, *Director*
Claude F. Leaman, *Director*

P. S. IF THROUGH INADVERTENCE, YOU HAVE ALREADY SIGNED THE PROXY SENT TO YOU BY THE "INDEPENDENT STOCKHOLDERS COMMITTEE," YOU MAY CANCEL AND REVOKE IT BY SIGNING, DATING AND MAILING THE ENCLOSED MANAGEMENT PROXY. ONLY THE LATEST DATED PROXY WILL BE VOTED.

The enclosed Management Proxy is the same as will be mailed to you in due course with the official Notice of the Annual Meeting.

Your Company is incurring no expense whatsoever in connection with the printing and mailing of this letter and proxy.

INDEPENDENT STOCKHOLDERS COMMITTEE

of

CONSOLIDATED COPPERMINES CORPORATION

P. O. Box 1164, Church Street Annex
New York, N. Y.

**TO THE STOCKHOLDERS OF
CONSOLIDATED COPPERMINES CORPORATION:**

The management's letter of April 20th contains many gross misstatements to which the undersigned wish to call the attention of the stockholders.

1. President Bardon boasts of his record in selling copper in 1937. At the urging of independent directors, some favorable sales were made during the early part of that year, which greatly helped to raise the average price. During the subsequent critical period in the autumn of 1937, however, President Bardon refused to follow the advice of independent directors to continue selling copper, with the result that Coppermines ended the year with a large inventory of unsold copper, the extent of which cannot be determined from the balance sheet. This copper could have been sold for between 12c and 14c during the time when independent directors were urging President Bardon to do so; instead, it was sold at an average of approximately 10c. THIS REFUSAL TO FOLLOW SEASONED ADVICE WAS VERY COSTLY TO STOCKHOLDERS AND ACCOUNTS FOR THE DISAPPOINTING 1937 DIVIDEND OF 12½c.

2. The management's tactics in connection with its CLAIMS AGAINST THE COMPANY for "past extraordinary services" demonstrate the danger of retaining the four director-claimants to act as officers and trustees in administering the affairs of Coppermines. If "there are no claims", why was a committee appointed as early as May 1936 to deal with these claims? IF "THERE ARE NO CLAIMS", WHY DID PRESIDENT BARDON REFER EXTENSIVELY TO THESE CLAIMS AT THE STOCKHOLDERS MEETING IN MAY 1937? From July 1937, independent directors have persistently urged the director-claimants to state their position in this matter. Why did the director-claimants wait eight months until a proxy contest had become inevitable before making this gesture of waiving their claims? **If "there are no claims", why did the director-claimants in their letter of March 11, 1938 indicate that their claims might be brought before the board when "the condition of the company justified"?**

Lawyers Bardon and Gordon are undoubtedly familiar with the form and language of a legal release. Instead of adopting such language, they prefer to use language which is ambiguous, equivocal and obscure. They designedly employed adroit language which, we are advised by counsel, DOES NOT CONSTITUTE A FORTHRIGHT AND UNEQUIVOCAL RELEASE and renunciation of their putative claims.

BY VOTING OUT THESE CLAIMANT-OFFICER-DIRECTORS AT THE ANNUAL MEETING, YOU WILL PROTECT CONSOLIDATED COPPERMINES AGAINST A POSSIBLE RAID ON ITS TREASURY, THROUGH BONUSES VOTED BY A CLAIMANT-DOMINATED BOARD.

3. The Management's repeated contention that the Independent Committee is a "front" for the former management is entirely false and is simply an attempt to obscure the real issues. Former President Smith is not a candidate for officer or director, and reference to him is a deliberate attempt on the part of the management group to divert stockholders from the real issues which confront you. Members of this Committee speak for themselves and the large body of stockholders having the same objectives as any normal stockholder — MAXIMUM OPERATING PROFITS, DIVIDENDS, AND VALUE OF THEIR STOCK.

4. President Bardon is guilty of an absolute misstatement in his annual report for 1937 (not presented to the Board for approval) in saying "It is the policy of your Board of Directors to carry on exploration designed to increase the present large ore reserves." ON DECEMBER 13th LAST, PRESIDENT BARDON AND NINE FELLOW DIRECTORS VOTED TO SUSPEND EXPLORATION over the protest of independent directors. We propose to carry out a consistent program of exploration and development designed to replenish and augment ore reserves in accordance with sound mining practice. The present dilatory policy tends steadily to diminish the value of our property.

Not only has the management misrepresented facts, but its letters do not mention a matter of cardinal importance to the Company's profits and dividends. Since last October, production at our mine has been drastically curtailed under the alleged desirability of emulating the big producers and over the objections of independent directors. Worse may yet be in store for us should the present management win in its desperate effort to remain in power. President Bardon has stated in a mimeographed memorandum dated April 14 and apparently intended for private circulation that "unless business conditions improve soon, a further curtailment will be made". Such a policy will cost stockholders hundreds of thousands of dollars annually. **We favor maximum production of copper under the existing Kennecott agreement, with consequent lower costs and greater profits,** just as long as the copper market permits.

DIVIDENDS should be paid with reasonable regularity, not merely when the management is frantically soliciting proxies. Incidentally, the April 8th dividend, declared without submission of a balance sheet to the directors, might have been an even more novel vote-getting device if the management had been able to print its proxy on the back of the dividend check instead of merely attaching a proxy card to the check.

The annual meeting is your opportunity to help determine the policies of the Company which make or break the value of your shares. IF YOU AGREE WITH US AS TO THE SOUNDNESS OF OUR OBJECTIVES, PLEASE SIGN AND MAIL YOUR PROXY AT ONCE.

Very truly yours,

INDEPENDENT STOCKHOLDERS COMMITTEE

BOUDINOT ATTERBURY
PHILIP L. CARRET
SPENCER H. LOGAN
CARLETON E. MERRITT
WILLIAM R. O'DONNELL

P.S. MANY STOCKHOLDERS HAVE ALREADY REVOKED, IN OUR FAVOR, PROXIES PREVIOUSLY GIVEN TO THE MANAGEMENT. IF YOU HAVE ALREADY SIGNED THE PROXY SENT YOU BY THE MANAGEMENT, YOU MAY ALSO REVOKE IT BY SIGNING, DATING, AND MAILING THE ENCLOSED PROXY TO THE INDEPENDENT STOCKHOLDERS COMMITTEE. THE LATEST DATED PROXY IS THE ONLY ONE THAT COUNTS.

April 25, 1938.

Carret Gammons & Co
120 Broadway N.Y.

120 Broadway

New York City

A STATEMENT BY PHILIP L. CARRET

DIRECTOR OF

CONSOLIDATED COPPERMINES CORPORATION

April 25th, 1938

CONSOLIDATED COPPERMINES CORPORATION

A Statement

by

Director Philip L. Carret

This memorandum is written in the light of a 13 page mimeographed statement dated April 14, 1938, containing many misstatements and distortions of fact, circulated privately by President Thomas Bardon. I shall cover the following points:

1. A brief history of Consolidated Coppermines during recent years.

2. The great part played in such constructive developments as have occurred in the company's affairs by directors now actively supporting the Independent Stockholders Committee.

3. The present management's lack of business and technical qualifications for operating a mining enterprise.

4. A brief outline of the policies which the Independent Stockholders Committee advocates.

19 - Jack Bristley 136 Carson City - Mrs Lund
18 - Bill Bristley 135

I

Recent History of Consolidated Coppermines

On the eve of the 1930-35 depression, Consolidated Coppermines, under the energetic leadership of President Howard D. Smith and the operating staff headed by General Manager J. B. Haffner (who is still in charge of operations), developed more than two-thirds of its present known ore reserves. During this period the mine was also equipped so efficiently that when operations were resumed in 1937, the mining staff was able to bring production from nothing to 6,000 tons of ore a day in six months, and has since made an enviable record of low mining costs.

Unfortunately, the depression forced the company to shut down the mine, due to the extremely low level of copper prices. Prior to the shut-down the company had become involved in protracted and complicated litigation with Kennecott Copper Corporation, owner of the adjoining Nevada Consolidated mining property and contractor for milling and smelting Coppermines' ore under the terms of a long-term contract.

A group of stockholders conducted a proxy contest to obtain control at the 1932 annual meeting. Instead of merely filling the places of the three retiring directors out of a board of nine (one-third of the board being elected each year for a three-year term) they proceeded to anticipate the court-packing device by increasing the size of the board to fifteen, adding six new directors. This procedure was contested in the Delaware courts, but the present management finally succeeded in getting control of the company in

February, 1933.

At this stage in the company's progress, it was obviously necessary for the company either to end the litigation with Kennecott by a court victory or a compromise settlement, and thereby be in position to resume operations, or, as an alternative, to raise new capital to construct its own treatment facilities for ore, thereby becoming relieved of dependence upon Kennecott for milling and smelting facilities.

The Reconstruction Finance Corporation was at this time the only possible source of capital funds on a large scale for a mining enterprise. In 1934, the company's Nevada counsel, the mine staff and prominent Nevada business men conceived the idea of initiating negotiations with the R. F. C. for obtaining a long-term loan, to construct treatment facilities. As shown hereafter Director Robert D. Hoffman worked actively toward this objective.

A loan of $3,000,000 was thereupon authorized by the R. F. C. This was not wholly adequate to provide all the necessary facilities but Director Hoffman succeeded in interesting the Anaconda Copper Company in a proposed arrangement whereby Anaconda would have sold to Coppermines its Inspiration mill.

Without consulting Director Hoffman and without the knowledge of the company's general counsel (who were, of course, actively prosecuting the litigation against Kennecott), the company's officers initiated conversations with Kennecott looking to a settlement of the litigation and the negotiation of a new contract for the treatment of coppermines' ore by Kennecott on a cost-plus basis. This step naturally caused a rupture of the negotiations with Anaconda.

The negotiations with Kennecott were dragged out through the greater part of the year 1935. In the summer of 1935, Messrs. Philip L. Carret, of Carret, Gammons & Co., and John A. Payne, whose customers and associates had meanwhile become heavily interested in the stock of Consolidated Coppermines, were seriously concerned over the dilatory tactics of the company's officers. These gentlemen feared that protracted negotiations with Kennecott jeopardized the loan commitment from the R. F. C. They were also confident that general business was in a period of recovery which would inevitably bring the copper market to a price level permitting profitable operations by Coppermines. If the company's officers, by inept handling of the negotiations with the R. F. C. and with Kennecott, manoeuvered the company into a position where it was neither able to construct its own mill nor operate under a new and favorable Kennecott contract, this period of recovery might conceivably pass without getting Coppermines back into production. In this event, the company would obviously have been discredited in the minds of investors, and its stock of little value. Messrs. Carret and Payne and Director Hoffman urged these views upon the company's officers in a lengthy conference in the early summer of 1935, but received little satisfaction.

At the end of October, 1935 President (now Chairman) Higgins called a directors' meeting in Chicago for the express purpose of authorizing the officers to complete the Kennecott negotiations on the basis of a proposal of settling the litigation and making a new treatment contract. Fearing that such a new contract on the terms then proposed would almost inevitably be disastrous for Coppermines, Directors Cotton and Hoffman discussed with the American Metal Company, Ltd. a possible investment by it in Coppermines. That company then made an offer to purchase 165,000 shares of treasury stock. The consideration was $250,000 cash and a block of American Metal stock which was later sold for approximately $933,000. In making this offer the American Metal Co. Ltd. relied not only on its knowledge of the property and the representations of these two directors but also on Director Hoffman's estimate of the company's potential low level of operating costs, which have been proven by actual results.

At this directors' meeting, which was held on October 30 and 31 and November 1, 1935, Messrs. Bardon, Blandin and Higgins urged upon the board the desirability of ratifying the proposed contract with Kennecott upon terms which involved the payment of $500,000 cash to Coppermines and a new treatment contract. Other terms of the proposed contract would have prevented Coppermines for a period of fourteen years from mining approximately 15,000,000 tons of its own ore reserves and there were other proposed restrictions which would have dangerously hampered the company's operations. The proposed rates for treatment charges were also so high as to have made Coppermines a relatively high-cost producer, if this contract had been ratified. Director Hoffman so strongly emphasized the dangers of this proposed arrangement that even Directors Derby and Lake, who have almost uniformly supported the present management before and since, recorded their opposition. Director Tripp also gave invaluable support to Hoffman's position. Director Gordon, who is now actively supporting President Bardon, warmly congratulated Hoffman upon his valuable service to the company at this meeting.

In answer to the plea that the company's cash position necessitated the acceptance of the proposed Kennecott contract, the offer of the American Metal Co. was introduced by Director Cotton to the meeting. After protracted debate the Kennecott proposal was rejected and the American Metal offer accepted, the vote later being made unanimous on the record.

In 1936 no work was done on the property except a small amount of drilling. After several months of relative inactivity it was decided by the board that with the improvement in the company's cash position and with the added strength given it by association with the American Metal Co., negotiations with Kennecott looking to a more favorable contract might be resumed. These negotiations continued in the early months of 1937. They were actively conducted by Vice President (now President) Bardon and Dr. Otto Sussman, chairman of the American Metal Co. The active participation of Dr. Sussman produced many changes in the terms of the proposed contract to the advantage of Coppermines, giving the company lower treatment charges and a much stronger position with respect to mining rights along the boundary between the two properties. In the meantime, however, Messrs. Carret, Gammons & Co. had become still more concerned over the delay in getting Coppermines back into production. Accordingly they addressed a letter to the stockholders on October 1, 1936 and again on November 16, 1936, urging some constructive action toward this objective to take advantage of the then rising level of copper prices. Had this advice been followed, the mine would have been in large-scale operation several months earlier in 1937, and would have gained considerable benefit from the high copper prices which prevailed during the first six months of that year.

In the early spring of 1937 Director Hoffman and Messrs. Carret and Payne regretfully came to the conclusion that early action looking toward the construction of treatment facilities for Coppermines had become impossible. Director Hoffman thereupon independently approached officials of Kennecott, as a result of which he, Mr. Arnold Hoffman and Mr. Carret had an extended discussion with President Stannard of possible terms for a contract which would be acceptable to them as stockholders and to the large interests in the stock to whom they feel responsible. For themselves, they agreed to support actively a contract along the lines discussed at this meeting. They accordingly combined forces with the management group of directors in a proxy contest for the election of directors who would support such a contract. At the 1937 annual meeting the stockholders inferentially endorsed this position and Messrs. Carret and Payne were elected to the board. Proxies delivered to the management proxy committee by Messrs. Carret, Hoffman and Payne totaled some 40% of those voted by that committee.

During the ensuing three months the detailed terms of the proposed contract with Kennecott were negotiated. Directors Carret and Hoffman kept in close touch with President Bardon and General Manager Haffner during these negotiations, which seemed to them protracted unnecessarily by President Bardon's unfortunate lack of technical knowledge. However, the contract was finally worked out and was tentatively approved at a directors' meeting held on July 12, 1937, the resolution being proposed by Director Carret and seconded by Director Hoffman.

It had been the hope of Directors Carret, Hoffman and Payne that the management would endeavor to conciliate the several interests among the stockholders after the victory gained at the annual meeting in May, 1937. The differences referred to the stockholders at that meeting were fundamentally differences of business judgment over which reasonable people might reasonably differ without arousing personal antagonisms. Unfortunately, President Bardon took the outcome of the 1937 annual meeting as a personal mandate to operate the company in an arbitrary, autocratic and dictatorial manner. In October, 1937, for example, he produced a proposed sales agency contract with a leading firm of metal brokers, ~~also having a seat on the New York Stock Exchange~~. This contract had not previously been discussed with Directors Carret, Hochschild, Hoffman and

Payne. It was ratified by the executive committee over the opposition of Directors Hochschild and Hoffman, who felt that the terms of the arrangement were unsatisfactory. In an immediately subsequent conversation with Director Carret, President Bardon stated that he had "discussed it with many people, all of whom favored the idea". In response to a remark that it might have been well to discuss it with his fellow directors, he said "Well, I assumed that you would be opposed to it, and what would have been the use."

A further instance of this spirit of management was afforded at a directors' meeting held on March 11, 1938, at which the management group of directors voted to authorize President Bardon to send to the stockholders the annual report for 1937, including balance sheet, income statement, auditors' certificate and report of the directors, although none of these items were then ready for submission to the board.

The matter of claims against the company by Directors Bardon, Blandin, Gordon and Higgins was discussed by President Bardon in general terms at the 1937 annual meeting. Director Carret first became aware that such claims might be an important liability of the company at the directors' meeting held July 12, 1937 at which the Kennecott contract was ratified in its preliminary form.

The matter of claims by Messrs. Bardon, Blandin, Gordon and Higgins was thereafter discussed at every meeting of the board of directors up to the present date, but not until the present proxy contest developed did these claimants see fit to introduce into company records a document which they call a "definite disclaimer", but whose language counsel characterizes as "ambiguous, equivocal and obscure". <u>If this document has actually been made effective as a disclaimer by protestations contained in the management's recent letters to stockholders, the proxy contest has probably saved stockholders of Coppermines a very substantial sum of money.</u>

II

<u>Constructive Efforts of Present Minority Directors</u>

The foregoing account of Coppermines' recent history indicates some of the constructive efforts of Directors Carret, Hochschild, Hoffman, Payne and Tripp during this period. In his mimeographed memorandum President Bardon particularly attacks Director Hoffman, stating that "Mr. Hoffman claims to have been personally and almost solely responsible for arranging and making the contracts with Kennecott Copper Corp., with American Metal Company and with the Reconstruction Finance Corporation. Mr. Hoffman's part in any of these deals has been almost wholly negligible."

As the record shows, Mr. Hoffman's "almost wholly negligible" part in these matters has been of very great importance to Coppermines.

1. In the case of 1935 proposed Kennecott Copper proposed contract, Mr. Hoffman was largely responsible for preventing the consummation of a deal which would have been disastrous for Coppermines. Later, after Dr. Sussman had been instrumental in securing infinitely better terms with Kennecott, Mr. Hoffman clinched the deal by assuring President Stannard that the stockholders he represented would support a contract on specific terms which were later embodied in the present agreement between the two companies. Without this assurance, the 1937 annual meeting would not have taken the form it did of being substantially a referendum on this agreement.

2. In the case of the American Metal Co., Mr. Hoffman played an active part both in the negotiations leading to its offer and in the discussions which preceded acceptance.

3. In regard to the R. F. C. loan, Chairman Higgins wrote Director Hoffman in September, 1934, "I was pleased that you were able to stop at the Coppermines property on your return trip and I appreciate the comments you made. We apparently are making progress at Washington in connection with our loan application. --- You have been very helpful throughout this whole situation and I wish you to know how grateful I am for your interest and for the many suggestions you have had to offer."

III

Present Management's Lack of Qualifications

Chairman Higgins is a business man of Duluth, whose principal interest is the Kelly-Howe-Thomson Co., a wholesale hardware concern of which he is an officer.

President Bardon is a graduate of Yale who later studied law and was admitted to the bar, but has not actively practised his profession in recent years. His time has been devoted largely to the management of an inherited fortune.

Vice President Blandin is reputedly wealthy, and has extensive interests in the pulp and paper business.

Vice President La Mond is an accountant, closely associated with President Bardon, making his office with him.

Activity in the fields mentioned would not necessarily disqualify an individual for effective service as executive of a mining company, but it so happens that three of the four officers of Coppermines are also directors - and two of them officers - of the Shattuck Denn Mining Corporation. Mr. Bardon is Vice President of Shattuck Denn, has acted, and, I understand, still acts as its sales agent. Mr. La Mond is Secretary-Treasurer of Shattuck Denn, Mr. Higgins a director. The properties of Shattuck Denn are located in the Bisbee mining district of Arizona, adjoining those of Phelps Dodge. This is one of the richest copper mining districts in the world. Several years ago drilling in the Denn mine of Shattuck Denn disclosed the existence of a large ore body of high-grade copper-gold-silver ore which has received enthusiastic comment from leading mining engineers. In this connection reference can be made to an article by Mr. Worthen Bradley in the May, 1937 "Engineering and Mining Journal". The ore actually produced by Shattuck Denn in 1937 yielded 110 pounds of copper and approximately $3.70 in gold and silver per ton, or about five times the grade of ore mined by Consolidated Coppermines. Nevertheless, the company reported a net profit of only $38,164 for 1937, after reporting losses in each of the years 1930-36 inclusive.

Poor's Investment Advisory Service in June, 1937, declared in part "Shattuck Denn Mining has an unimpressive earnings record. Even in the boom years of the late 'twenties' profits failed to reach really favorable proportions, while leading copper companies registered record earnings. Shattuck Denn is known for its poor earnings record. Losses were reported not only during the depression but in some of the preceding prosperity years. Net income in 1929 amounted to only $124,000, in spite of peak demand and abnormally high prices for copper. Losses were incurred in each of the subsequent years."

In paying the first dividend in seventeen years to Shattuck Denn stockholders last December, these self-styled "conservative"business men distributed a dividend equal to five times reported earnings for the year. The dismal record of this company, three of whose directors are also officers of Coppermines, suggests the possible fate in store for Coppermines, if they should be left in uncontrolled direction of its affairs.

In the face of this record, President Bardon devotes a large part of his statement to disparaging the abilities and qualifications of Director Hoffman, who is a mining engineer of high standing in his profession, the possessor of four degrees from Harvard University, who has visited and carefully studied the leading copper mines in every important mining area in the world save one, who has worked for and with some of the leading companies and individuals in the mining business.

His services to Coppermines for seven years have been without any compensation except $300 in directors' fees. During this period he has made twelve trips to inspect the property, only one at company expense. Director Hoffman's qualifications are well demonstrated by a memorandum prepared by him in April, 1937 giving a detailed estimate of operating costs which he expected the company to achieve under the proposed (now effective) Kennecott contract. These figures, which were ridiculed by the present management, have since been fully substantiated by operations at the property.

IV

Policies for the Future

The Independent Stockholders Committee and its supporters have definite ideas as to sound policies in the operation of Consolidated Coppermines based on careful, exhaustive studies of the mine property and an intimate knowledge of company affairs over the past decade. The new management will operate the company economically. In addition, the Committee is pledged to a policy of full production at the mine to permit operation at the lowest possible level of costs, and at the maximum rate of profits to stockholders. The difference between this policy and the vacillating policy of the present management, which has curtailed operations over the protest of independent directors and without any formal authorization by the board of directors or executive committee, probably represents an unnecessary sacrifice by the stockholders of hundreds of thousands of dollars in annual income. In addition to the unauthorized curtailment already made, President Bardon apparently plans further sacrifices by shareholders as he stated in his April 14 statement that "unless business conditions improve soon, a further curtailment will be made."

Even more important than full production is the pursuit of a consistent policy of exploration and development. Consolidated Coppermines owns 5800 acres of mining claims believed by geologists, as even the present management concedes in the annual report for 1937, to offer a favorable prospect of developing large amounts of additional ore. During more than a year of operation at the property, the present management has authorized the sinking of one drill hole and then abruptly suspended further exploration, thus pursuing the suicidal policy of exhausting ore reserves without any serious attempt to replenish or augment them. A consistent development program need not, of course, involve any large expenditures, but its cost can be offset in good part by economies in selling and administrative expenses.

The Independent Stockholders Committee strongly favors a policy of furnishing stockholders with adequate information about the company's affairs. Its members believe that normally stockholders are entitled to quarterly reports in reasonable detail.

V

Conclusion

It may be safely stated that the present management has demonstrated itself to be inadequate and fumbling in its conduct of company affairs. On occasion its officers have even depreciated the potentialities of the company. When Carret, Gammons & Co. first became a stockholder of record, President Bardon went out of his way to say, "I had no idea that you were so heavily interested in the stock or I would have warned you. Hoffman is much too optimistic."

Chairman Higgins during the course of a visit to Director Hoffman's office to plead for a deal with Kennecott several years ago, stated that Hoffman should keep in mind that Coppermines was after all a small property. Is it not obvious that men with such limited views constitute a liability to a company like Coppermines, which appears not yet to have reached the limit of its possibilities?

Respectfully submitted,

Philip L. Carret

April 25, 1938