F. 423 3-8-38 2M

INTER-DEPARTMENTAL CORRESPONDENCE

MINING DEPARTMENT

INTERNATIONAL SMELTING AND REFINING COMPANY

818 KEARNS BUILDING SALT LAKE CITY, UTAH

June 19th 1939.

SUBJECT:

WALKER MINING COMPANY

Mr. J. O. Elton, Manager,

O f f i c e s.

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Dear Sir:

This letter is an answer to yours of May 27th with reference to the Walker Mine operation which has been showing an operating loss the last few months.

As a result of a two weeks inspection trip, during which time everything in connection with the operation was carefully considered, the following conclusions were reached.

ALL BASED ON 10¢ COPPER

No. 1 On the present production basis, coupled with the grade of ore produced (1100 to 1300 tons. 1.25% Cu. .60 to .70 Oz. Ag. and .03 to .04 Au.) Walker mine cannot operate on a break-even basis and do the long-range development work now contemplated on the lower levels. The operating loss every month will represent the money which is spent on this lower level development.

A break-even basis can be maintained by doing only the current development work above the 700 level in connection with present mining operations. This development work is showing very good results and developing new ore, especially along the 517 Fissure in the 712 orebody, but the ore reserve cannot be built up fast enough for large production.

No. 2 The lower level development on the 900 level north in the Piute and the 1200 North & South from 1080 Winze should be classed as a Special Development Project similar to the lower level development project below the 700 level at Mountain City, and a special appropriation allowed for this work. This expenditure would range from $7,000 to $12,000 per month, depending on the development program adopted, which, in substance, is as follows:

	Per Month
1201 DN, with an estimated advance of 12 feet per day, or 312 feet per month (1500 to 2000 Feet)	$5,500
904 DN, with an estimated advance of 12 feet per day, or 312 feet per month (1500 to 2000 Feet)	5,000
1200 feet of prospect diamond drilling per month .....(One Machine)	2,000

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There is also under consideration a project by which pillars could be won with the use of a diamond drill operation, the preliminary figures indicating that sufficient reduction in costs could thus be attained to offset cost of development diamond drilling set forth above. Diamond drilling is deemed very necessary in conjunction with all Walker development.

Based on the above estimates, the Special Appropriation would be only $1,000 to $7,000 more than a shutdown expense of $6,000, from which latter expenditure we would derive absolutely no benefit.

No. 3 A long range development program with the mine shut down was also considered. No ore would be mined and everything concentrated on speedy development of the 900 Piute and 1200 central ore bodies. This program would entail an expenditure of about $33,000 per month for at least three months with an average advance per month of 1,350 feet on the combined 900 and 1200 levels.

This program is not recommended as no collateral in the form of refined copper would be received, thus making the development expense a heavy net out-of-pocket burden.

No. 4 A complete shutdown without any development was also studied and considered very carefully. Without pumping the estimated expenditure would be $5,000 per month; with pumping $6,000. In either event, the fixed charges amount to $2,300 per month, or 40% of the shutdown expense.

There is a heavy investment at Walker in the form of buildings and equipment, and the Winter snows cause irreparable damage if the buildings are not properly cared for. Besides, when the mine is operating, rents and concessions net about $2,000 per month. This income is, of course, lost when the mine is closed.

The expenditure necessary to reopen Walker after the last shutdown would have financed a long-range development

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program for at least six months. In other words, a shutdown of Walker should be the last thing to consider, for it really means the virtual abandonment of the property.

The final conclusion reached after carefully considering things from every angle is that the better plan would be to continue to operate as we are, classing the lower level development as a separate project in itself, supplemented with some diamond drilling, and to be financed above a break-even on the other mining operations. This is what is recommended, and we believe the present operation is fully justified and much better than a shutdown.

Of course, the question is a financial one, as the International Company will have to finance the set-up to the extent of $78,000 to $90,000 per month after gold and silver credits, but in return collateral would be created in the shape of finished copper which would have a value of about $77,000. This latter assumption is based on a copper price of 9.8475¢ after selling and delivery expense.

The direct and indirect benefit of the Walker operation to the smelter is unknown, but must consist of something fairly substantial over any period of time, and it is only fair to consider it when looking at the Walker picture.

Quick development is what Walker needs, and the time to do it is now before the available ore is exhausted. This development can be done with a nominal expenditure over shutdown expense and is vital to the future of the Walker mine.

At one time in Walker's history only the Central orebody was known. Then the North and South ore bodies were found; finally, 712 and the Piute were discovered. This ore zone was over a mile long. Is it not reasonable to assume that there may be other ore bodies north of the present Piute and covered with lava? This also applies to the downward extension of the Central orebody on the 1200 level.

Recent developments in the 712 orebody on 517 Fissure on the 400 level shows much promise and looking better every round. The only way it was developed was to drive on a small streak until it began to open up.

The Piute orebody was supposed to have terminated on a fault at the North end. Present developments in 904B Drift disclose that this fault may not be of great importance as fairly good mineralization is showing up in the drift beyond this fault. Some of the samples run .5% Cu., and it is possible that we may now be in a lean zone or

gap similar to that which occurred between the North and 712 ore bodies.

The hard work has been done getting down to the 1200 level, and we should have a look at the vein North and South of the winze. Such a large, wide ore body as we have had above should not terminate abruptly below the 1000 level.

Looking at it from every angle I think this lower level development is fully justified and should receive very careful consideration.

It has taken some time to put the mine in shape and recover from the effects of the last shutdown. Physically, it is in much better condition than formerly, and stopes are now being worked which were considered lost.

If allowed to operate, Mr. Bayer estimates that working 26 days per month, the daily production should be

		Cu.	Ag.	Au.
1300 tons ore	assaying	1.34%	0.74	0.0437
64.7 " concts.	"	23.91%	11.45	0.632

29,842 pounds of recoverable copper per day.
775,915 " " " " " month.

Research work carried on in the mill in the last two months indicate that a better recovery can be obtained with finer grinding. This will be carried to a conclusion.

However, no matter what set-up is decided upon it will required all possible operating economies and complete coordination of all operating units in order to achieve the necessary results.

To operate more efficiently and speed up development work, at least ten more drilling machines are needed; also one large and one small mucking machine. The scarcity of drilling machines is one contributing factor to high costs at Walker.

To effect greater economies in pumping a new pump may have to be purchased for the 1200 level, provided the ones we have are not suitable, but it will pay for itself in a few months.

P e r s o n n e l:

There is a much better class of miners now at Walker than formerly, and if assurance could be given of continued operations on a 26-day basis, even better miners would be seeking employment there.

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An exceptionally high class grade of engineers compose the staff. They are well trained, young, ambitious and keedy aware of the responsibilities placed upon them.

The Mine Superintendent and the shiftbosses under him are working together 100% and doing a good job. This could not be said of the former operation.

The Mill personnel is excellent and everyone of them is trying to improve the metallurgy.

Certain economies have been ordered which should benefit the whole operation.

In conclusion I earnestly recommend that Walker be allowed to operate and vigorously push its development work. In this event and in order to relieve the demoralizing effect of the uncertainty prevailing among the employees, it is suggested that any decision should, if consistently possible, consider a minimum period of time.

Yours very truly,

John F. Dugan.

JFD:S.

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MIN 000011932

REPORT

of the

Anaconda Copper Mining Company

For the Year Ended December 31st, 1932

MIN 000005240

Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1933

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954,300

OFFICERS

President	CORNELIUS F. KELLEY
Vice-President	JAMES R. HOBBINS
Vice-President and Treasurer	ROBERT E. DWYER
Secretary and Assistant Treasurer	DAVID B. HENNESSY
General Auditor	JAMES DICKSON
Assistant Secretary	KENNETH B. FRAZER

DIRECTORS

Percy A. Rockefeller
Andrew J. Miller
Charles E. Mitchell
James R. Hobbins
Cornelius F. Kelley
Grayson M.-P. Murphy
Charles T. Fisher
John A. Coe
Robert E. Dwyer

OFFICES

ANACONDA, MONTANA
25 BROADWAY, NEW YORK

MIN 000005241

To the Shareholders of
Anaconda Copper Mining Company:

The general decline in business that occurred during the first quarter of the year affected adversely the business transacted by your Company, which declined to a lesser volume than had been reached during any similar preceding period. The upward trend during the second quarter embraced all non-ferrous metals and rapidly increased the business of the Company, reaching a peak for the year in July, when an increase in volume of approximately 200% above the minimum of February was transacted. A recession in business followed, which continued until November, the volume being, however, substantially above the low level of the first quarter. A slight improvement over November was experienced in December, since which time the upward trend has continued.

Copper statistics were more favorable than during the preceding year, as both domestic and foreign consumption, respectively, exceeded production. World production of primary copper is estimated at 1,100,000 tons, compared with 988,400 tons for 1932. The preliminary report of the U. S. Bureau of Mines states 238,500 tons of primary copper were produced in the United States, leaving a balance of 861,500 tons from foreign sources, compared with 716,395 tons in 1932.

World consumption of primary copper during 1933 is estimated at 1,226,606 tons, as compared with 953,401 tons, (revised), in 1932. The domestic market consumed about 294,579 tons, or 4.64 pounds per capita, compared with 250,622 tons in 1932. Foreign consumption increased to 932,027 tons from 702,779 tons during the prior year. The above estimates indicate a decrease of 84,500 tons in stocks of copper in the United States, 42,106 tons abroad; a total decrease of 126,606 tons in world stocks. No accurate statistics are available as to the tonnage reused from secondary copper materials.

Quotations for all non-ferrous metals improved during the year. As reported by the Engineering and Mining Journal, prices of the principal metals were as follows:

	Jan. 3	High		Dec. 30	Average
Copper, per lb.	4.775¢	8.775¢	July 8	8.025¢	7.025¢
Lead, " "	3.000¢	4.500¢	July 10	4.150¢	3.869¢
Zinc, " "	3.125¢	5.000¢	July 19	4.350¢	4.029¢
Silver, per oz.	24.500¢	45.000¢	Nov. 14	44.625¢	34.727¢

Domestic silver mined since December 21, 1933, is valued at approximately 64⅛¢ per ounce under the President's proclamation issued that day. The domestic price of gold was $34.06 per ounce at the close of the year.

MIN 000005242

The increase in silver and gold prices during the year had an influence upon all metal production departments of the Company, particularly those situated within the United States. Lead ores are mined for their silver quite as much as for their lead content. The zinc ores produced from the mines of the Company in Montana contain substantial values in silver. The increased prices of silver and gold prevailing at the close of the year result in a credit of approximately 2¢ per pound to the cost of copper produced from the Butte mines. At the present scale of operation the domestic mines of the Company, including zinc mines, are producing approximately 4,800,000 ounces of silver and 7,500 ounces of gold per year. The foreign mines owned by subsidiary companies are producing approximately 500,000 ounces of silver and 20,000 ounces of gold per year.

FINANCIAL

Gross sales and earnings of the Company upon a consolidated basis totalled $72,902,493.85, compared with $52,295,610.84 for the previous year. The cost of sales, including all operating expenses, current development, maintenance charges, repairs, selling and general expenses and taxes amounted to $67,941,747.96, compared with $57,240,906.30 for the previous year; resulting in an operating income of $4,960,745.89. Other income amounted to $1,984,933.68; making a total of $6,945,679.57.

Deductions from income for interest on current obligations and bonds amounted to $5,201,086.83 and for expenses of carrying non-operating properties to $2,876,801.08, a total for these items of $8,077,887.91; resulting in a loss of $1,132,208.34 before deducting charges for discount on bonds of $534,234.53 and depreciation and obsolescence of $5,155,672.49. After all charges the deficit for the year was $6,822,115.36.

Metals in inventories at the beginning of the year were carried at the low market prices then prevailing, which were lower than costs. However, the metals sold from inventories were charged into income account of the year at cost, and the difference between cost and such inventory prices was credited to surplus. Metals in inventories on hand at the close of the year were valued at production costs of the year, such costs being lower than the market prices prevailing. Metals in process were also restated at current production costs. The credit to surplus resulting from these adjustments was $3,715,031.32, and after allowance for reserve for contingencies and other adjustments amounting to $954,975.67, and the deficit of $6,822,115.36, the net decrease in surplus amounted to $4,062,059.71, compared with the decrease of $27,593,170.43 in 1932 after similar charges and adjustments.

During the second quarter of the year, in liquidating accounts of subsidiary companies selling copper in export markets, with Copper Exporters, Inc., which suspended operations, loans of $2,998,000.00 were made. These loans were repaid during the last half of the year, as was an additional $602,000.00, thus decreasing, from September 1st to the close of the year, notes payable by the amount of $3,600,000.00. Further advances were made to the

MIN 000005243

Inspiration Consolidated Copper Company, on its promissory notes secured by First Mortgage 7% Gold Bonds of that Company, making its total liability to this Company $5,895,000.00 as of the close of the year.

There were retired during the year $2,497,000.00 par value of 20-Year 5% Debentures of the Chile Copper Company, and $155,000.00 par value of First Mortgage 5% Sinking Fund Bonds of the Butte, Anaconda & Pacific Railway Company, including such debentures and bonds as were held in the treasury at the close of the year. Capital expenditures amounted to $714,811.73.

OPERATIONS

The Butte mines operated during the year at the rate of about 25% of their capacity. As a result of this drastic curtailment, large expenditures were incurred for maintenance of non-operating units. These disbursements were charged direct to current operations.

The Electrolytic Zinc Plants in Montana, which were shut down in May, 1932, resumed production in January, 1933. The demand for high grade zinc increased at a rapid rate, permitting operations at about 80% of capacity by the month of August. Due to the shortage of custom concentrates, operations at the close of the year were approximately 60% of capacity. The zinc produced is high grade, commanding a premium in the open market, and also serves as the basis for the Company's zinc oxide operations at East Chicago, Indiana, and Akron, Ohio, which operated on a satisfactory basis during the year, as did the white lead plant at East Chicago.

The properties at Cananea and Chile are producing at a combined rate of approximately 18,000,000 pounds per month, or 28% of their normal capacity. Andes and Cananea ores contain substantial amounts of precious metals, and, in addition, molybdenum is being recovered from Cananea ores as a high grade molybdenum sulphide concentrate, for which there is a ready market. A substantial revenue is being derived from the byproducts and is credited to the cost of copper produced.

Copper

The production of Anaconda and its subsidiary mining companies, including custom ores and ore treated on toll, from operations for the year 1933 was as follows:

	Copper lbs.	Silver ozs.	Gold ozs.
Anaconda Copper Mining Co.	93,277,658	2,391,635.29	20,731.826
Andes Copper Mining Co.	35,760,730	101,161.16	6,625.705
Chile Copper Company	123,045,827	.....	.....
Greene Cananea Copper Co.	51,793,290	378,335.35	13,528.003
Total	303,877,505	2,871,131.80	40,885.534

MIN 000005244

Copper production from the domestic mines of the Company was 92,721,423 pounds, and from the mines of subsidiaries operating outside the United States was 210,599,847 pounds, a total for the year of 303,321,270 pounds. Deliveries for the year were 273,074,577 pounds in the domestic market and 204,269,685 pounds in the foreign market, a total of 477,344,262 pounds; resulting, after allowing for custom, secondary and purchased copper, in a decrease of 112,353,375 pounds in stocks of copper on hand.

Zinc

Since the resumption of operations on January 18, 1933, production of electrolytic zinc amounted to 161,307,768 pounds, of which 121,268,022 pounds were produced during the last six months of the year. Deliveries were 148,886,307 pounds. The stock of zinc on hand at the close of the year was nominal.

Custom Smelting and Refining

The smelting plant of the International Smelting Company at Tooele, Utah, operated on a curtailed basis on custom ores and concentrates. The lead bullion produced was shipped to the lead refinery at East Chicago, and the converter copper to the Raritan Copper Works.

The lead refinery of the International Lead Refining Company at East Chicago, Indiana, also operated on a curtailed basis, treating lead bullion received from the smelting plant at Tooele, lead bullion derived from the zinc residues produced by the zinc plants, and secondary lead materials.

The operations of the Raritan Copper Works at Perth Amboy, N. J., were mainly dependent upon the copper refined in bond for the Greene Cananea Copper Company and Andes Copper Mining Company.

The custom smelting and refining operations produced from custom and toll materials 4,386,404 pounds of copper, 56,935,866 pounds of lead, 1,913,738.23 ounces of silver and 10,518.677 ounces of gold. Deliveries of lead during the year were 51,714,896 pounds and stocks at the end of the year were normal.

Miscellaneous Products

Miscellaneous products consisted of 32,084,904 feet lumber; 8,144 tons treble-superphosphate and phosphoric acid; 6,714 tons arsenic; 676,072 pounds cadmium; 70,550 pounds nickel sulphate; and 196,322 pounds copper sulphate.

MIN 000005245

Fabricating Plants

The combined output of manufactured products of The American Brass Company, (including Toronto plant) and of the Anaconda Wire and Cable Company amounted to 384,479,098 pounds, compared with 291,142,401 pounds in the prior year, an increase of 32%. The copper requirements of these mills have been consistently in excess of current domestic production from the Company's properties.

SILESIAN-AMERICAN CORPORATION

The principal amount of Fifteen-Year 7% Collateral Trust Sinking Fund Gold Bonds of Silesian-American Corporation was reduced by it during the year from $8,608,500.00 to $7,910,000.00.

Principal production for the year was as follows:

Zinc	78,321,492 pounds
Lead	18,047,426 "
Coal	1,413,824 metric tons
Sulphuric Acid	43,364 " "
Superphosphate	18,692 " "

GENERAL

The physical condition of all mines and plants of Anaconda and its subsidiaries is excellent. Wherever possible, the organizations have been reduced or placed on part-time to fit the curtailed operations, without, however, impairing their efficiency or imposing unnecessary hardship on the members of the staffs and employees, whose unstinted cooperation in meeting the difficult situations which have confronted the Company during the year of depression is deserving of commendation.

NUMBER OF STOCKHOLDERS

The number of registered stockholders appearing on the books at December 31, 1933, was 122,278.

There is attached hereto a Consolidated Balance Sheet showing the financial condition of the Company and its subsidiary companies at the close of business December 31, 1933, together with an Income Statement for the year, prepared and certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
President.

New York, N. Y., April 19, 1934.

MIN 000005246

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1933

ASSETS

FIXED:		
Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Metal Producing and Manufacturing Plants	$298,735,684.26	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Sawmills, Foundries, Waterworks, Steamships and Railroads	264,246,468.79	
Investments in Sundry Companies	27,546,835.21	$590,528,988.26
DEFERRED CHARGES:		
Stripping and Development	$8,350,247.92	
Discount on bonds	3,254,209.64	11,604,457.56
CURRENT:		
Supplies, Expenses Prepaid, Ores and Metalliferous Material on hand and Advances on Ores	$21,736,168.63	
Metals in Process—at cost	5,496,707.45	
Finished Metals and Manufactured Products—at cost	38,684,245.79	
Notes Receivable—secured by Inspiration Consolidated Copper Company First Mortgage 7% Gold Bonds	5,895,000.00	
Accounts Receivable	9,190,688.08	
Marketable Securities—at cost (market value $2,110,278.58)	2,717,482.85	
Cash	6,576,350.21	90,296,643.01
		$692,430,088.83

MIN 000005247

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1933

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:		
Authorized, 12,000,000 shares of $50.00 each		
Issued, 8,919,086 shares		$445,954,300.00
Held through Subsidiaries, 245,253 shares		12,262,650.00
		$433,691,650.00
CAPITAL STOCK AND SURPLUS of Subsidiary Companies owned by Minority Interest		4,583,366.25
BONDS OUTSTANDING:		
Chile Copper Co. Twenty Year 5% Gold Debentures, due 1947	$30,889,000.00	
Butte, Anaconda & Pacific Railway Co., First Mortgage 5% Sinking Fund Gold Bonds, due 1944	1,774,000.00	32,663,000.00
RESERVES:		
For Depreciation	$103,293,258.92	
For Insurance, Renewals and Contingencies	2,619,018.28	105,912,277.20
CURRENT:		
Notes Payable	$69,898,000.00	
Taxes and Interest Accrued	2,008,878.02	
Accounts and Wages Payable	5,673,687.87	77,580,565.89
SURPLUS		37,999,229.49
		$692,430,088.83

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, additional valuations of the mining properties have been recorded upon the books of the companies; but, for the sake of uniformity, the result of those entries has been omitted from the current statements.

MIN 000005248

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income and Surplus Account—Year Ended 31st December, 1933

Gross Sales and Earnings			$72,902,493.85
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes—sales to the extent of current production being applied at current costs			67,941,747.96
Operating Income			$4,960,745.89
Other Income—Interest, dividends, profit on bonds retired and miscellaneous income		$1,582,899.02	
—Interest on notes and accounts of affiliated companies		402,034.66	1,984,933.68
			$6,945,679.57
Interest on bonds and current obligations		$5,201,086.83	
Expenses pertaining to non-operating units		2,876,801.08	8,077,887.91
			$1,132,208.34
Provision for depreciation and obsolescence		$5,155,672.49	
Discount on bonds		534,234.53	5,689,907.02
Net Loss—on current basis			$6,822,115.36
Deduct:			
Credit to Surplus for realization of difference between cost and market value at 31st December, 1932 on metals on hand at that date sold in 1933 and for restoring to current cost, which is below market, finished metals on hand at 31st December, 1933		$5,550,061.61	
Less:			
Reduction of inventories of metals in process to normal cost	$1,835,030.29		
Additions to reserve for contingencies and other adjustments applicable to prior years	954,975.67	2,790,005.96	2,760,055.65
			$4,062,059.71
Add, Minority share (income)			257.17
Net decrease in Surplus			$4,062,316.88
Surplus, 31st December, 1932		$42,038,286.19	
Minority Interest (deficit)		23,260.18	42,061,546.37
Surplus, 31st December, 1933		$37,960,880.74	
Minority Interest (deficit) including adjustments for Minority Interest acquired during year		38,348.75	
Surplus, 31st December, 1933, per Balance Sheet			$37,999,229.49

MIN 000005249

To the Board of Directors,

ANACONDA COPPER MINING COMPANY,
25 Broadway, New York.

We have made a general audit of the books and records of Anaconda Copper Mining Company and its forty-six subsidiary corporations (companies 75% or more owned and directly or indirectly operated under Anaconda Copper Mining Co. management) for the calendar year 1933 and in accordance therewith submit herewith a Consolidated Balance Sheet and Consolidated Income and Surplus Account. In connection with our audit we examined or tested the accounting records of the company and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

Included in supplies and other items, amounting to $21,736,168.63, is $14,154,910.46 of supplies. Owing to curtailment of operations and distance from markets and source of supply certain stocks are somewhat in excess of current requirements. The greater part of the remainder of this item consists of ores and metalliferous material and advances on ores which will not in all probability be drawn on for metal production or liquidated until operations are resumed on a more normal basis.

Metals in process have been reduced to normal cost which approximates current production cost. Finished metals are valued at current production cost including depreciation, which is below market.

Assets and liabilities have been verified by inspection, certificate, or correspondence (investments, marketable securities, collateral, cash, notes receivable and payable, bonds and capital stock) and found in order and all known liabilities, contingent or other, are provided for in the Balance Sheet.

Accounts receivable were examined in detail and those considered bad or doubtful have been written off or provided for in reserve.

The Income Account is stated as in previous years on a cost basis with the exception, however, that current costs were applied to metals sold to the extent of current production, inventory costs being applied to sales in excess of production. Curtailed operations and inventories larger than normal necessitated the adoption of this method in order to state properly results of the year's operations. Gains resulting from the adjustment of inventories at the beginning of the year from the then prevailing market to the cost basis have not been taken as income but have been credited directly to Surplus Account.

The usual depreciation has been charged, that of metal producing plants being calculated on a unit of production basis. No depletion on metals, either on a cost or on the Treasury Department valuation basis, has been charged in the Accounts.

In our opinion the accompanying Balance Sheet and related statement of Income and Surplus fairly present on the basis outlined above the financial position of the company at 31st December, 1933 and the results of its operations for the year.

We have also audited the books and records of your principal affiliated companies (Anaconda Wire and Cable Company, Silesian-American Corporation and Walker Mining Company—not consolidated in these Accounts) and all their Subsidiaries upon which we report separately.

POGSON, PELOUBET & CO.
Certified Public Accountants.

New York, 15th March, 1934.

MIN 000005250

REPORT

of the

Anaconda Copper Mining Company

For [illegible]

MIN 000005229

Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1934

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954,300

OFFICERS

President	CORNELIUS F. KELLEY
Vice-President	JAMES R. HOBBINS
Vice-President and Treasurer	ROBERT E. DWYER
Secretary and Assistant Treasurer	DAVID B. HENNESSY
General Auditor	JAMES DICKSON
Assistant Secretary	KENNETH B. FRAZER

DIRECTORS

Andrew J. Miller
Grayson M.-P. Murphy
Charles E. Mitchell
James R. Hobbins
Cornelius F. Kelley
Charles T. Fisher
John A. Coe
Robert E. Dwyer

OFFICES

ANACONDA, MONTANA
25 BROADWAY, NEW YORK

MIN 000005230

To the Shareholders of Anaconda Copper Mining Company:

The outlook for the non-ferrous metal industry at the beginning of the year was promising and showed steady improvement for the first six months. Thereafter the rapid recession of general business in the United States affected all heavy industries including that of copper. The seasonal activity which normally may be expected at the close of the third quarter did not develop, and as a result the volume of business transacted in the domestic market during the last half of the year was substantially below that of the first half. At the close of the year the trend was upward. In foreign markets the consumptive demand continued an upward trend practically throughout the year, reaching a peak in November.

The World production of primary copper totaled 1,337,185 short tons, an increase of approximately 20% over 1933. Of this production 250,845 tons were domestic duty-free, and 1,086,340 were foreign. Blister stocks in the United States increased 21,930 tons and abroad 58,987 tons, a total of 80,917 tons. The production of refined copper was 1,256,268 tons, of which 228,915 tons were domestic and 1,027,353 were foreign. Production of primary refined copper, both domestic and foreign, was under consumption.

World consumption of primary copper during 1934 is estimated at 1,408,128 tons, an increase of about 14% over 1933. The domestic market consumed 297,774 tons, a gain of only 1% over 1933, whereas consumption abroad increased 19% to a new high record of 1,110,354 tons. Consumption in the United States was only about 35% of 1929, the peak year.

Stocks of refined copper in the United States decreased 180,407 tons, while stocks abroad increased 28,547 tons, resulting in a net reduction of 151,860 tons in World refined stocks. The decrease of stocks in the United States was due largely to the exportation of duty-free copper. As a result of such exports from the United States, together with increased production abroad, the foreign supply exceeded the demand of those markets. The increased production abroad did not cause any excessive building up of stocks, which were at low levels at the beginning of the year, and that market is still in a healthy condition so far as stocks are concerned. The statistical position of copper from the standpoint of the copper industry is materially better than it has been for a number of years.

The domestic price of copper gradually improved due to heavy buying movements during the first half of the year until it reached 8.775¢ per pound f.o.b. refinery on June 14th, which price has prevailed since. The price abroad was fairly uniform with the domestic price in the earlier part of the year, but beginning in May declined steadily and at the close of the year was approximately 2¢ per pound under the domestic price. The decline in the foreign price may be attributed principally to two causes, firstly the increased production abroad, and secondly and the more important factor, the sales by American producers of large quantities of duty-free copper on the foreign market.

Prices for non-ferrous metals for the year averaged better than in the previous year, but closing quotations on foreign copper, lead and zinc were below the average prices of

MIN 000005231

1933 and the closing quotations for that year. The value of silver mined in the United States continued throughout the year at approximately 64⅛¢ per ounce under the President's proclamation of December 21, 1933. The domestic price of gold increased from $34.06 per ounce to $34.45 per ounce in January, and was fixed on February 1st at $35.00 per ounce.

Prices of the principal metals were reported by the Engineering and Mining Journal as follows:

	Jan. 2	High	Low	Dec. 31	Average
Copper—Duty Free f.o.b. refinery—Cents per lb.	8.025	8.775	7.650	8.775	8.428
" —Export f.a.s. refinery—Cents per lb.	8.050	8.175	6.075	6.700	7.271
Lead —New York—Cents per lb.	4.000	4.250	3.500	3.700	3.860
Zinc —St. Louis—Cents per lb.	4.325	4.400	3.675	3.725	4.158
Silver —New York (Not covered by President's Proclamation of Dec. 21, 1933)—Cents per Oz.	44.875	55.750	41.750	54.750	47.973

CORPORATE CHANGES

This corporation was organized on June 18, 1895, under the laws of Montana, "for a period of forty years and for such further period as may be authorized by law." The laws of Montana limit the period for which corporations may be organized to forty years, subject to extension as provided in said laws. In accordance with an authorizing statute, the Board of Directors has extended the term of existence of the corporation to February 28, 1975. By an amendment of the By-Laws, the Board of Directors has advanced the date for the annual meeting from the third Wednesday of May to the third Wednesday of April.

Steps were taken to simplify and integrate the subsidiary holdings of the company.

Anaconda Sales Company, a 100% owned subsidiary, took over the sale in the United States of all metals and metal products produced by Anaconda Copper Mining Company and its subsidiary companies including those which were theretofore sold by United Metals Selling Company, also a 100% owned subsidiary. By this change all metals and metal products of the Anaconda group are sold under the Anaconda trade name. The fabricated products manufactured by The American Brass Company and Anaconda Wire and Cable Company continue to be sold by those companies.

The International Smelting and Refining Company, a wholly-owned subsidiary, (formerly International Smelting Company), acquired the assets of Raritan Copper Works and International Lead Refining Company, also wholly-owned subsidiaries, resulting in the consolidation in the one company of the domestic smelting and refining operations outside of Montana. The operations of the International Company now include the copper and lead plants at Tooele, Utah, the copper smelter at Inspiration, Arizona, the copper refinery at Perth Amboy, N. J., the lead refinery and zinc oxide plant at East Chicago, Indiana, and the zinc oxide plant at Akron, Ohio.

The American Brass Company acquired the assets and business of its 100% owned subsidiaries, The French Manufacturing Company, The Waterbury Brass Goods Corporation, The American Metal Hose Company and The Ansonia Land and Water Power Company. The plants heretofore owned by those subsidiary companies are now operated as branches of The American Brass Company.

MIN 000005232

In connection with the foregoing transactions and the dissolution of the subsidiaries, the assets of which were transferred, certain adjustments were made which are reflected in the consolidated accounts by a charge to consolidated surplus of $1,489,382.48.

The shares of the capital stock of your Company were temporarily registered on the New York Stock Exchange and the Boston Stock Exchange on October 1, 1934, under the Securities Exchange Act in accordance with the provisions of such Act and the regulations issued thereunder.

FINANCIAL

Gross sales and earnings of the Company upon a consolidated basis, as shown by Income and Surplus Account hereto annexed, totaled $99,149,535.64, compared with $72,902,493.85 for the prior year. The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses and all taxes except income taxes, amounted to $82,053,027.58, compared with $67,941,747.96 for the previous year; resulting in an operating income of $17,096,508.06 compared with $4,960,745.89 in 1933. Other income amounted to $1,235,171.02, making total income $18,331,679.08.

After deductions from income of interest on bonds and current obligations amounting to $4,527,349.60, expenses of carrying non-operating properties, including expenditures during the strike period, $3,747,090.70, and United States and foreign income taxes (estimated) $1,565,803.47, a total for these items of $9,840,243.77, there remained a balance of $8,491,435.31. Deducting provision for depreciation and obsolescence of $6,295,321.70, and discount on bonds of $236,019.86, the resulting net income for the year, (before depletion of metal mines), was $1,960,093.75, as compared with net loss on same basis for the prior year of $6,822,115.36.

Additions to reserves applicable to prior years' taxes, bad debts, etc., writing off patents and experimental expenses, together with the adjustments due to dissolution of companies mentioned above, resulted in a total charge to surplus of $2,673,871.79.

Further advances were made during the year to Inspiration Consolidated Copper Company on its promissory notes, secured by First Mortgage 7% Gold Bonds of that company, making its total liability to this Company $6,893,788.08 as of the close of the year.

As of December 31st notes payable amounted to $59,549,120.00, a decrease of $10,348,880.00 during the year. There were retired during the year or held in the treasury at the close of the year, $3,063,000.00 par value of Twenty-Year 5% Debentures of Chile Copper Company, and $163,000.00 par value of First Mortgage 5% Sinking Fund Bonds of the Butte, Anaconda & Pacific Railway Company. The reduction for the year in notes payable and bonds outstanding amounted to $13,574,880.00. Cash on hand increased $5,669,080.89.

Capital expenditures during the year amounted to $1,380,383.50.

OPERATIONS

The operations of the copper and zinc mines, mills, smelters and refineries in Montana, which were on a curtailed basis, were suspended by a strike of the employees which continued from May 8th in Butte and Anaconda, and from June 7th in Great Falls, to the date of settlement September 20th, at which date operations were resumed. All expenditures

MIN 000005233

incurred in the maintenance of non-operating properties, including the additional expenditures incurred on account of the strike, have been deducted in arriving at the net income for the year.

As a result of the strike, the copper and zinc production from Montana properties was materially under the production of the prior year. Production of zinc oxide and white lead was at a satisfactory basis but somewhat lower than in 1933. Copper production from the mines of the subsidiaries operating outside the United States was approximately 50% higher than during the prior year.

Copper

The production of Anaconda and its subsidiary mining companies from copper plant operations, including 1,397,669 pounds of copper from custom ores, was 395,041,304 pounds of copper, 2,786,049.15 ounces silver, and 45,279.196 ounces gold. Deliveries for the year in both domestic and foreign markets amounted to 608,799,689 pounds; resulting, after allowing for custom, secondary and purchased copper, in a decrease of 86,055,211 pounds in stocks of copper on hand.

Zinc

The production of electrolytic zinc amounted to 133,447,352 pounds. Deliveries were 138,758,445 pounds, resulting in a decrease in stocks of 5,311,093 pounds. Metals produced in zinc residue amounted to 14,419,071 pounds lead, 1,376,679 pounds copper, 1,491,688.45 ounces silver, and 3,929.284 ounces gold.

Custom Smelting and Refining

The smelting plant of the International Smelting Company at Inspiration, Arizona, remained shut down the entire year. The smelting plant of the same company at Tooele, Utah, continued operations, but on a curtailed basis.

Operations of the lead refinery at East Chicago, Indiana, were on a slightly higher basis than in the previous year, treating lead bullion received from the smelting plant at Tooele, lead bullion derived from zinc residues produced by the zinc plants, and secondary lead materials.

Operations of the Raritan Copper Works at Perth Amboy, New Jersey, were on a slightly improved basis, due to the larger quantities of copper refined in bond for the Greene Cananea Copper Company, Andes Copper Mining Company, and for toll account. The facilities of this plant were increased during the year by the construction of a plant to treat secondary metals.

The custom smelting and refining operations produced from custom and scrap materials 22,637,432 pounds of copper, 62,391,730 pounds of lead, 2,718,913.62 ounces of silver, and 19,424.783 ounces of gold. Deliveries of lead during the year were 71,536,593 pounds, and stocks at the end of the year were normal.

Miscellaneous Products

Miscellaneous products consisted of 49,741,527 feet of lumber; 20,770 tons of treble-superphosphate and phosphoric acid; 4,760 tons arsenic; 575,146 pounds cadmium; 150,480 pounds nickel sulphate; and 195,515 pounds copper sulphate.

MIN 000005234

Fabricating Plants

The combined output of manufactured products of The American Brass Company (including Toronto Plant) and of the Anaconda Wire and Cable Company, amounted to 425,516,899 pounds, compared with 384,479,098 pounds in the prior year, an increase of 11%.

SILESIAN-AMERICAN CORPORATION

This company has been adversely affected by the course of international events in recent years, particularly by the difficulty in securing dollar payments from Germany and the extremely low price of zinc in foreign markets. Every operating improvement forecast for the Polish subsidiary of the Silesian-American company has been realized, but the price of zinc has fallen to the lowest levels recorded in the industry, current price showing a decline of 75% measured in Polish currency. As Poland has remained on the gold standard, the cost of production is relatively higher than that of competing producers operating under depreciated currencies.

The principal amount of bonds outstanding at the end of the year was $7,048,000.00.

The average price of zinc per pound in London was equivalent to 1.830¢ on a gold basis. At the end of the year the average for spot and future was 1.563¢ gold.

Principal production for the year was:

Zinc	90,331,143	pounds
Lead	16,644,075	"
Coal	1,712,781	metric tons
Sulphuric Acid	43,442	" "
Superphosphate	17,930	" "

NUMBER OF STOCKHOLDERS

The number of registered stockholders appearing on the books of the Company at December 31, 1934, was 118,094.

Your Board of Directors records with deep regret the death on September 25, 1934, of Percy A. Rockefeller who succeeded his father, the late William Rockefeller, and who served as a director of the Company from September 26, 1922, to the date of his death.

There is attached hereto a Consolidated Balance Sheet showing the financial condition of the Company and its subsidiary companies at the close of business December 31, 1934, together with an Income Statement for the year, prepared and certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
President.

New York, N. Y., March 23, 1935.

MIN 000005235

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1934

ASSETS

FIXED:			
Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Metal Producing and Manufacturing Plants		$296,815,108.03	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Sawmills, Foundries, Waterworks, Steamships and Railroads (including Railroad concessions to the extent of $1,002,976.37)	$265,746,907.57		
Less Reserve for Depreciation	108,624,814.80	157,122,092.77	
Patents		86,617.87	
Investments in Sundry Companies—at cost		28,968,542.01	
Indebtedness of Affiliated Companies—not current		743,775.19	$483,736,135.87
DEFERRED CHARGES:			
Stripping and Development		$7,628,353.88	
Discount on Bonds		2,705,753.09	10,334,106.97
CURRENT, WORKING AND OTHER ASSETS:			
Current Assets:			
Supplies on hand	$12,333,523.16		
Metals and Manufactured Products:			
In Process—at cost	5,383,514.80		
Finished—at cost, which is below market	30,493,185.61		
Accounts Receivable less reserves applicable thereto	5,862,419.24		
Marketable Securities — at cost (market value $1,185,436.49)	1,538,746.37		
Cash	12,245,431.10	$67,856,820.28	
Working and Other Assets:			
Instalment house and land sales and other accounts receivable less reserves and deferred credits to income applicable thereto	$1,153,762.87		
Prepaid expenses	265,340.23		
Deferred expenses	462,893.34		
Advances to sundry mining companies, including advances on ores less reserves applicable thereto	271,891.57		
Ores produced during development period not being currently treated during period of curtailed production—at cost of mining	1,559,956.05		
Cupriferous material held for future treatment	3,336,346.76		
Notes Receivable secured by Inspiration Consolidated Copper Co. First Mortgage 7% Gold Bonds and interest accrued	6,893,788.08	13,943,978.90	81,800,799.18
			$575,871,042.02

MIN 000005236

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1934

LIABILITIES

CAPITAL STOCK OF ANACONDA COPPER MINING COMPANY:			
Authorized, 12,000,000 shares of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in Treasury or through Subsidiaries	244,744 shares		12,237,200.00
Outstanding	8,674,342 shares		$433,717,100.00
CAPITAL STOCK AND SURPLUS of Subsidiary Companies owned by Minority Interest			4,595,438.83
BONDS OUTSTANDING less held in Treasury:			
Chile Copper Co. Twenty Year 5% Gold Debentures, due 1947		$27,826,000.00	
Butte, Anaconda & Pacific Railway Co. First Mortgage 5% Sinking Fund Gold Bonds, due 1944		1,611,000.00	29,437,000.00
RESERVES:			
For Repairs, Renewals and Replacements		$344,513.31	
For Workmen's Compensation Insurance, etc.		432,680.79	
For Contingencies		275,000.00	
For Deferred Payment under power contract in connection with curtailment of operations		1,907,713.54	2,959,907.64
CURRENT:			
Notes Payable—Banks		$59,549,120.00	
Accrued Liabilities		3,946,089.61	
Accounts Payable		4,150,152.40	67,645,362.01
DEFERRED CREDITS TO INCOME			264,169.96
SURPLUS			37,252,063.58
			$575,871,042.02

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, additional valuations of the mining properties have been recorded upon the books of the companies; but the result of those entries has been omitted from the current statements.

MIN 000005237

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income and Surplus Account—Year Ended December 31st, 1934

Gross Sales and Earnings		$99,149,535.64
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at current cost		82,053,027.58
Income from operations of mining, smelting, refining and manufacturing plants		$17,096,508.06
Other Income—Interest, dividends and miscellaneous income	$297,747.64	
—Profit on bonds retired	405,396.56	
—Interest and dividends of affiliated companies	532,026.82	1,235,171.02
Total Income		$18,331,679.08
Interest on Bonds and Current Obligations	$4,527,349.60	
Expenses pertaining to non-operating units, including expenditure during strike period	3,747,090.70	
United States and Foreign Income Taxes—estimated	1,565,803.47	9,840,243.77
		$8,491,435.31
Provision for depreciation and obsolescence and for depletion of timber, coal and phosphate lands	$6,295,321.70	
Discount on Bonds	236,019.86	6,531,341.56
Net Income—on current basis—before depletion of Metal Mines		$1,960,093.75
Deduct:		
Reserved for additional charges during curtailment of operations under power contract	$443,342.65	
Additions to reserves for contingencies and other adjustments applicable to prior years	741,146.66	1,184,489.31
Net increase in Surplus before adjustments through dissolution of subsidiary companies		$775,604.44
Deduct Adjustments through dissolution of subsidiary companies		1,489,382.48
		$713,778.04
Minority share (income)		33,387.87
Net decrease in Surplus		$747,165.91
Surplus, December 31st, 1933	$37,960,880.74	
Minority Interest (deficit)	38,348.75	37,999,229.49
Surplus, December 31st, 1934	$37,248,060.14	
Minority Interest (deficit) including adjustments for Minority Interest acquired during year	4,003.44	
Surplus, December 31st, 1934, per Balance Sheet		$37,252,063.58

MIN 000005238

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have made a general audit of the books and records of Anaconda Copper Mining Company and its subsidiary corporations, which are 75% or more owned, for the calendar year 1934 and in accordance therewith submit herewith a Consolidated Balance Sheet and Consolidated Income and Surplus Account. In connection with our audit we examined or tested the accounting records of the company and other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the year but we did not make a detailed audit of the transactions.

Fixed Assets are carried on the same basis as in previous years, i. e.:

(a) Physical properties of parent company are carried at cash cost, or in the case of physical properties acquired for stock of parent company, at par value of such stock, with the exception of certain properties appraised at approximately $350,000.

(b) Physical properties of subsidiary companies are carried as follows:

From the amount at which the investment in the stocks of such subsidiary companies are included in the Consolidated Balance Sheet there was deducted the net current assets of such subsidiaries and the remainder of such amount was applied to physical properties. The basis for the amount shown as investment in subsidiary companies is the cash cost of such stock to the consolidated group of the stock of the respective subsidiary companies owned, or where such stock was acquired for stock of parent company the par value of such stock, except as to properties of Andes Copper Mining Company acquired by it for 1,229,143 shares of stock of Andes Copper Mining Company, such properties being carried at the original par value of such shares, i. e., $25 per share, and as to properties of Santiago Mining Company acquired by it for 65,431 shares of Santiago Mining Company, such properties being carried at the original par value of such shares, i. e., $25 per share.

Owing to curtailment of operations and distance from source of supply and markets, supplies on hand are somewhat in excess of current requirements.

Metals in process are carried at normal cost which approximates current production cost. Silver and gold are carried at market quotations or less. In accordance with the principle used in the preparation of the accounts for the year 1933, finished metals sold have been valued at current production costs to the extent of metals produced during the year. December 31st, 1933 inventory costs have been applied to sales made in excess of production and inventories now on hand, being smaller than those at December 31st, 1933, are valued at prices used in those inventories, which are below current market. Certificates for refined copper of a market value of approximately $2,450,000 are pledged with holders of notes payable.

Ores produced during development period not being currently treated are carried at cost of extraction which is less than a conservatively estimated realizable value.

Cupriferous material held for future treatment is valued at United States Treasury Department valuation for income tax purposes, which approximates realizable value based on current metal prices as estimated by metallurgists of the company.

Investments, Marketable Securities, Inventories, Collateral, Cash, Notes Receivable and Payable, Bonds and Capital Stock have been verified by inspection, certificate, or correspondence, and found in order and all known liabilities, except as noted below, are provided for in the Balance Sheet.

A contingent liability existed at December 31st, 1934 for acceptances covering foreign sales of copper, discounted in the ordinary course of business at various banks, on the greater part of which payment has already been received and for exchange commitments most of which have been liquidated. A contingent liability also exists in respect of United States Federal Income taxes but the amount payable, if any, can not be stated until a settlement is arrived at with the United States Treasury Department.

The usual depreciation has been charged, that of metal producing plants being calculated on a unit of production basis. No depletion on metal mines, either on a cost or on the Treasury Department valuation basis, has been charged in the Accounts.

While there have been no changes of principle in the methods of accounting employed by the company during the year, we have made certain recommendations as to changes in classification and description of items which have been given effect to in these accounts.

In our opinion the accompanying Balance Sheet and related statement of Income and Surplus fairly present on the basis outlined above the financial position of the company at December 31st, 1934 and the results of its operations for the year.

We have also audited the books and records of your principal affiliated companies (Anaconda Wire and Cable Company, Silesian-American Corporation and Walker Mining Company—not consolidated in these Accounts) and all their subsidiaries upon which we report separately.

POGSON, PELOUBET & CO.
Certified Public Accountants.

New York, March 7th, 1935.

MIN 000005239

STATEMENT 1934

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. WALKERMINE, CALIFORNIA

SHIPPING POINT SPRING GARDEN, CALIFORNIA

OPERATING OFFICE

KEARNS BUILDING, SALT LAKE CITY, UTAH

(Incorporated under the Laws of the State of Arizona)

CAPITAL STOCK

COMMON—Authorized	1,750,000 shares at $1.00 per share	
Issued	1,749,308 shares at $1.00 per share	

Directors

J. R. WALKER, R. MAY, J. O. ELTON, J. B. WHITEHILL, B. R. HOWELL, H. A. GEISENDORFER, ROBERT E. DWYER

Officers

J. R. WALKER, *President*
ROBERT E. DWYER, *Vice-President*
J. O. ELTON, *Vice-President*
J. B. WHITEHILL, *Secretary-Treasurer*

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Bldg., Salt Lake City, Utah

MIN 000001686

To the Stockholders of the
Walker Mining Company

The property continued on a shut down basis throughout the year.

A skeleton organization was retained that kept the mine, mill and camp in condition and watchman service was maintained.

Thirty tons of 60% copper precipitate were recovered from mine water and stockpiled.

A 375 H.P. Nordberg double drum hoist was purchased and carried to warehouse stock.

A Balance Sheet as of December 31, 1934, and an Income Account for the Year 1934 are herewith submitted for your information.

Respectfully,
J. R. WALKER,
President.

Salt Lake City, Utah.
March 25, 1935.

MIN 000001687

Walker Mining Company

BALANCE SHEET—DECEMBER 31ST, 1934

ASSETS

FIXED:			
Mines, Mining Claims and Development—at cost		$1,323,171.65	
Plant and Equipment at Mine, Mill, Camp and Shops and Aerial Tramway—at cost	$1,472,664.41		
Less: Reserve for Depreciation	926,492.72	546,171.69	$1,869,343.34
EXPENSES PREPAID			886.09
CURRENT:			
Supplies on hand—at cost		$ 147,946.26	
Ores and Concentrates on hand—at cost		268,784.63	
Accounts Receivable		2,263.70	
Cash		69,055.53	488,050.12
			$2,358,279.55

LIABILITIES

CAPITAL STOCK:		
Authorized—1,750,000 shares of $1.00 each		
Outstanding—1,749,308 shares		$1,749,308.00
CURRENT:		
Accounts and Wages Payable		7,742.54
SURPLUS ACCOUNT:		
Surplus December 31, 1933	$ 661,082.84	
Net Loss of the year ended December 31, 1934	59,853.83	601,229.01
		$2,358,279.55

We have made an audit of the books and records of Walker Mining Company for the year ended December 31st, 1934 in the course of which we have visited the Salt Lake City and New York offices of the company and have satisfied ourselves that the Assets and Liabilities are correctly stated in accordance with the bases of valuation indicated in the Balance Sheet, and have made a survey of transactions sufficient to satisfy ourselves that the accompanying Income Account for the year ended December 31st, 1934, is correct as stated.

In the course of our audit we have relied on statements furnished by the Mine Office to the Operating Office at Salt Lake City.

As all mining and milling operations were suspended during the year no depreciation or depletion has been written off on the books of the company for the year 1934.

We have examined the minutes of Stockholders' and Directors' Meetings and the Balance Sheet and Income Account presented herewith are in accord with these minutes.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 1st, 1935.

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the company; but, being made for tax purposes only, the result of such entries is omitted from the current statements.

MIN 000001688

Walker Mining Company

INCOME ACCOUNT—YEAR ENDED DECEMBER 31ST, 1934

Expenses during suspension of operations, including property taxes, maintenance of property, watching and clean-up of mill, less credits for concentrates produced incidentally thereto.....	$ 59,499.36
Federal Capital Stock Tax, including adjustment of prior year.....	2,366.50
	$ 61,865.86
Interest Received	2,012.03
Net Loss of the year ended December 31st, 1934	$ 59,853.83

MIN 000001689

STATEMENT 1935

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. WALKERMINE, CALIFORNIA

SHIPPING POINT SPRING GARDEN, CALIFORNIA

OPERATING OFFICE

KEARNS BUILDING, SALT LAKE CITY, UTAH

(Incorporated under the Laws of the State of Arizona)

CAPITAL STOCK

COMMON—Authorized 1,750,000 shares at $1.00 per share
Issued 1,749,808 shares at $1.00 per share

Directors

J. R. WALKER E. L. MAY J. O. ELTON J. B. WHITEHILL
B. R. HOWELL H. A. GEISENDORFER ROBERT E. DWYER

Officers

J. R. WALKER, *President*
ROBERT E. DWYER, *Vice-President*
J. O. ELTON, *Vice-President*
J. B. WHITEHILL, *Secretary-Treasurer*

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York City, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Bldg., Salt Lake City, Utah

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MIN 000013892

To the Stockholders of the
Walker Mining Company:

The property continued on a shutdown basis until late in August when in view of better metal prices and the cash position of the Company your Directors took steps to bring the mine into production.

The mine was closed down in February, 1932, and remained down for approximately three years and six months. The shutdown expense during this period practically exhausted our cash reserves. However, had the mine continued to operate during the period of low metal prices the losses would have been greater than the shutdown expenses and would have exhausted the cash resources at a more rapid rate. Starting up expense was necessarily heavy for repairs, replacements and for unwatering the lower workings. Much of the timber had to be replaced.

The last full year of production was 1931. The average price that prevailed for copper during that year was 8.116c per pound f. o. b. refinery and for silver 28.7c per ounce at New York. The price for copper prevailing at the close of the year 1935 was 9.025c per pound, and the price for domestic silver mined after April 24, 1935, was 77.57c per ounce, as fixed by proclamation of the President of the United States. The price of gold was $35.00 per ounce. The prices for precious metals were materially higher than the prices that prevailed during 1931, and the increase in such prices results in a larger credit to costs on this account per pound of copper produced.

In the mine 4015.5 feet of development were driven. The ore mined and produced was as follows:

Ore Broken	94,987 tons
Ore Produced	89,668 tons

The first unit of the mill started September 4th. Three of the four units operated in December treating over 1073 tons per day. Mill statistics are as follows:

Ore Milled	89,524.46 tons (dry wt.)
Concentrates Produced	3,994.804 tons (dry wt.)

There were delivered to the smelter:

Tons Dry Weight		Contents Paid for Lbs. Copper	Ozs. Silver	Ozs. Gold
3,526.5095	concentrates	1,527,202	44,815.19	1,915.783
25.004	lime scale and	2,742	215.28	252.612
3,551.135	ball mill cleanup	114,338		
97.342	precipitates			
		1,644,282	45,030.47	2,168.875

The financial statements of your Company for the year ending December 31, 1935, are herewith submitted for your information.

It is with sincere regret that I inform you of the untimely demise of our esteemed director, Reuben May, who served this Company faithfully for many years and whose wise counsel was highly regarded by his fellow board members. Mr. E. L. May, son of Reuben May, was elected a director by the board on February 1, 1936, to fill the unexpired term of his father.

Respectfully,

J. R. WALKER,
President.

Walker Mining Company

BALANCE SHEET—DECEMBER 31st, 1935

ASSETS

FIXED ASSETS—See Note A:			
Mines, mining claims and development		$1,323,447.90	
Plant and equipment at mine, mill, camp, shops and aerial tramway	$1,476,449.55		
Less reserve for depreciation	937,504.47	538,945.08	$1,862,392.98
EXPENSES PREPAID			4,012.44
CURRENT ASSETS:			
Supplies on hand—at cost		$122,287.78	
Ores and concentrates on hand—at cost		340,007.53	
Accounts receivable		10,748.11	
Cash		9,278.20	482,321.62
			$2,348,727.04

LIABILITIES

CAPITAL STOCK:		
Authorized—1,750,000 shares of the par value of $1.00 each		
Outstanding—1,749,308 shares		$1,749,308.00
CURRENT LIABILITIES:		
Accounts payable—Trade	$ 31,394.75	
Wages payable	16,674.80	
Accrued taxes	1,671.24	
Indebtedness to affiliates	33,431.90	83,172.69
SURPLUS ACCOUNT:		
Surplus December 31st, 1934	$601,229.01	
Net Loss of the year ended December 31, 1935	84,982.66	516,246.35
		$2,348,727.04

NOTE A—Fixed Assets—Basis Valuation:

Mines, mining claims, development and plant and machinery at mine, mill, camp and shops and aerial tramway of Walker Mining Company are carried on its books at cost, such cost being represented in the case of mines and mining claims to the extent of $1,250,000.00 by par value of capital stock issued therefor and in the case of all other fixed assets by cash cost thereof.

Depreciation has been written off on a unit of production basis.

In order to comply with the Government Income Tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the company; but, being made for tax purposes only, the result of such entries is omitted from the current statements.

MIN 000013894

Walker Mining Company

INCOME ACCOUNT—YEAR ENDED DECEMBER 31st, 1935

Sales of Concentrates		$206,463.36
Cost of Sales		231,324.72
Operating Loss		$ 24,861.36
Expenses during suspension of operations and starting up expense		$ 52,107.65
		$ 76,969.01
Other income	$2,687.82	
Interest received	310.28	2,998.10
		$ 73,970.91
Depreciation		$ 11,011.75
Net loss of the year ended December 31, 1935		$ 84,982.66

We have made an audit of the books and records of Walker Mining Company for the year ended December 31st, 1935, in the course of which we have visited the Salt Lake City and New York offices of the company and have satisfied ourselves that the assets and liabilities are correctly stated in accordance with the bases of valuation indicated in the Balance Sheet and Note A thereto, and have made a survey of transactions sufficient to satisfy ourselves that the accompanying Income Account for the year ended December 31st, 1935, is correct as stated.

In the course of our audit we have relied on statements furnished by the Mine Office to the Operating Office at Salt Lake City.

We have examined the minutes of Stockholders' and Directors' Meetings, and the Balance Sheet and Income Account presented herewith are in accord with these minutes.

POGSON, PELOUBET & COMPANY,
Certified Public Accountants.

New York, March 16th, 1936.

REPORT

of the

Anaconda Copper Mining Company

For the Year Ended December 31st, 1935

MIN 000005214

Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1935

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954,300

OFFICERS

President	Cornelius F. Kelley
Vice-President	James R. Hobbins
Vice-President and Treasurer	Robert E. Dwyer
Secretary and Assistant Treasurer	David B. Hennessy
General Auditor	James Dickson
Assistant Secretary	Kenneth B. Frazer

DIRECTORS

Andrew J. Miller
Grayson M.-P. Murphy
James R. Hobbins
William D. Thornton
Cornelius F. Kelley
John A. Coe
Robert E. Dwyer
Herman C. Bellinger

OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York

MIN 000005215

To the Shareholders of
Anaconda Copper Mining Company:

The consumption of non-ferrous metals during 1935 was substantially greater than in the prior year. Consumption of copper in the foreign markets established an all-time record. In the domestic market copper consumption improved materially over the preceding year; nevertheless, it remained abnormally low compared with either the high year of 1929 or the average consumption for the five years immediately preceding 1929.

During the first half of the year, although deliveries of copper in the domestic market were maintained at a normal ratio to consumption, buying practically ceased during May and the first part of June due to the uncertainty that attended the continuance of the National Industrial Recovery Act, and the price of copper in this market declined from 8.775¢ to 7.775¢ per pound. With the general increase in business during the last half of the year large sales of copper were made and the price advanced until at the close of the year it was 9.025¢ per pound, f.o.b. refinery.

At the beginning of the year it became evident that there was an over-production of copper outside the United States for foreign markets and foreign production was curtailed. As a result, the stocks of refined copper abroad, which had increased during the first half of the year, were thereafter materially reduced. The foreign price of copper declined to the equivalent of 6.15¢ a pound in February; thereafter it advanced and reached the equivalent of 8.75¢ in October; and at the end of the year was quoted at the equivalent of 8.375¢ f.o.b. refinery.

The World smelter production of primary copper during the year was 1,575,838 tons, an increase of 16.7% over production of the prior year. Of this total 372,738 tons were domestic duty-free copper and 1,203,100 tons were foreign. Refined primary copper production totalled 1,550,745 tons, of which 368,407 tons were domestic and 1,182,338 tons were foreign.

The World consumption of primary copper equalled 1,652,078 tons, an increase of approximately 19.6% compared with the prior year. Domestic consumption of primary copper totalled 415,663 tons, and foreign consumption 1,236,415 tons. Domestic consumption including secondary copper totalled 528,194 tons, an increase of 39.0% over 1934. Foreign consumption in 1935 increased 11.3% over the prior year and was the highest on record, while consumption in the United States was only 50% of that of 1929.

Stocks of refined copper in the United States decreased 123,021 tons, partially due to the exportation of duty free copper. Refined stocks abroad increased 21,688 tons. The net decrease in total refined stocks was therefore 101,333 tons. Refined stocks in the United States were approximately 292,000 tons less than at December 31, 1933.

The production of zinc in the domestic market totalled 431,412 tons for the year, an increase as compared with the prior year of 17.6%. Domestic consumption totalled 465,600

MIN 000005216

tons, an increase of 32.1% over the prior year, and was greater than that of any year since 1929. Stocks of zinc in the United States decreased 36,072 tons, and were at the lowest point since 1929.

The price for silver mined in the United States was raised to 71.11¢ per ounce under proclamation by the President of the United States on April 10th and again to 77.57¢ per ounce on April 24th, and closed the year at that figure. Gold remained at $35.00 per ounce throughout the year. The price of foreign silver, which reached a high of 81¢ per ounce in April, 1935, declined sharply during the latter half of the year, and closed the year at 49.75¢ per ounce. The prices for non-ferrous metals averaged for the year somewhat higher than the averages that prevailed during the prior year.

Prices of the principal metals were reported by Engineering & Mining Journal as follows:

	Jan. 2	High	Low	Dec. 31	Average
Copper—Duty Free f.o.b. Refinery—Cents per lb.	8.775	9.025	7.775	9.025	8.649
" —Export f.o.b. Refinery—Cents per lb.	6.700	8.750	6.150	8.375	7.538
Lead —New York—Cents per lb.	3.700	4.600	3.500	4.500	4.065
Zinc —St. Louis—Cents per lb.	3.725	4.850	3.700	4.850	4.328
Silver —New York (Not covered by President's Proclamations)—Cents per oz.	55.000	81.000	49.750	49.750	64.273

CORPORATE CHANGES

The existing bank loans of your Company and its subsidiaries, which totalled $59,549,120 at the beginning of the year and had been reduced to $54,322,120 at September 30, 1935, were funded during the latter part of the year. A registration statement under the Securities Act of 1933 as amended, was filed with the Securities and Exchange Commission, covering an issue of $55,000,000 principal amount of fifteen year 4½% Sinking Fund Debentures, dated October 1, 1935, due October 1, 1950. After negotiation these debentures were sold to the underwriters on October 18, 1935. The offering price to the public was 98½% and the commission to the underwriters was 3%. These debentures are the direct unsecured obligations of the Company. Upon the sale of the debentures the outstanding bank loans of your Company and its subsidiary companies were paid.

The indenture under which the debentures were issued contains a provision that on August 15, 1936, and on August 15th of each year thereafter to and including August 15, 1949, the Company will pay to the Trustee, (Guaranty Trust Company of New York), for the purposes of a sinking fund for the retirement of debentures, an amount equal to the sum of the following: (a) $1,000,000 plus (b) twenty percent (20%) of the consolidated net income of the Company, as the same is defined in the indenture, for the period of twelve months ended on the next preceding December 31st. Such consolidated net income is the consolidated net income as published in the annual report of the Company for the respective twelve-months period, subject to certain adjustments as set forth in the indenture. In lieu of any such sinking fund payment, the Company may deliver to the Trustee debentures to be credited at cost to the Company. There is a provision that the maximum amount of sinking fund payments required shall be so limited that the total amount of debentures issued need not be retired through the sinking fund before October 1, 1945.

MIN 000005217

The shares of the capital stock of your Company were registered on the New York Stock Exchange and the Boston Stock Exchange under the Securities Exchange Act of 1934, and the 4½% Sinking Fund Debentures were similarly registered on the New York Stock Exchange.

Following steps begun in 1934 to simplify the corporate structure of the Company, the assets and business of six minor 100% owned subsidiaries were transferred in 1935 to your Company, or other 100% owned subsidiaries.

An adjustment was made with the Montana Power Company in connection with power charges deferred during the period of drastic curtailment of operations in Montana when the power used was below the minimum provisions of the contract with that company, and as a part consideration the facilities of the Electric Light Department, which supplied electric light and power to the City of Anaconda, Montana, were transferred to the Power Company.

FINANCIAL

The gross sales and earnings of the Company and its subsidiary companies upon a consolidated basis totalled $127,678,576.68, compared with $99,149,535.64 for the prior year. The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income taxes, amounted to $100,266,618.82, compared with $82,053,027.58 for the previous year, resulting in an operating income of $27,411,957.86, compared with $17,096,508.06 in 1934. The total income, including other income of $1,011,366.88, amounted to $28,423,324.74.

After deducting from income the following items: interest on bonds and current obligations $4,044,434.87; expenses pertaining to non-operating units $2,403,935.88; United States and foreign income taxes (estimated) $1,957,992.16; and loss on bonds retired $47,045.11; a total of $8,453,408.02, the balance was $19,969,916.72. Provision for depreciation and obsolescence and for depletion of timber, coal and phosphate lands was $8,390,015.79, and the discount on bonds was $266,173.96, a total for these items of $8,656,189.75, and the resultant net income on a consolidated basis for the year (without deduction for depletion of metal mines), was $11,313,726.97, as compared with $1,960,093.75 for the prior year. The consolidated net income after deducting minority share of $133,639.52, was $11,180,087.45.

Additional Federal income taxes for prior years plus charge-offs on dissolution of subsidiary companies, less a credit on account of adjustment of deferred power charges, resulted in a net charge to consolidated surplus of $268,500.19.

The funding of the bank loans through the issuance of the 4½% Sinking Fund Debentures materially improved the consolidated current position of the Company and its subsidiaries as set forth in the consolidated balance sheet at December 31, 1935. Cash on hand at the close of the year amounted to $17,869,122.46, compared with $12,245,431.10 at the close of 1934. Current assets, including cash, totalled $76,588,329.97, compared with $67,856,820.28 for the prior year. Current liabilities were $10,016,210.18, compared with current liabilities of $67,645,362.01, including notes payable to banks, at the end of 1934. The improvement in the net current position was $66,360,661.52.

MIN 000005218

There were purchased and retired during the year, or held in the treasury at the close of the year $1,252,000 par value of Twenty Year 5% Debentures of Chile Copper Company and $108,000 par value of First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company, a total of $1,360,000.

The improvement of $66,360,661.52 in the net current position on a consolidated basis, and the decrease of $1,360,000 in the funded debt of the subsidiary companies totalled $67,720,661.52. Of this amount $52,525,000 is attributable to the proceeds of the debentures and the balance, $15,195,661.52, is accounted for principally by earnings for the year plus depreciation charge in excess of expenditures for plant.

Further advances were made to the Inspiration Consolidated Copper Company on its promissory notes secured by First Mortgage Bonds of that company, making its total liability on notes to this Company as of the close of the year $7,643,000, on which interest accrued as of that date amounted to $557,873.08. The Inspiration Company resumed operations on a curtailed basis during the latter part of the year.

Capital expenditures during the year amounted to $2,165,432.91, summarized as follows:

Mines, Mining Claims, and Lands	$63,628.41
Buildings, Machinery and Equipment at the plants of the Company and its subsidiaries	1,984,024.51
Acquisition of shares of stock of subsidiary companies	117,779.99
	$2,165,432.91

OPERATIONS

The operations of the mines, and the reduction, refining, fabricating, and other plants of your Company and its consolidated subsidiaries, while conducted at an increased scale as compared with the previous year, continued on a basis of substantial curtailment.

Copper

The production of metals from the mines of your Company and its consolidated subsidiary mining companies through Copper Plant operations was 517,943,873 pounds of copper, 5,472,579 ounces of silver, and 29,629 ounces of gold.

Copper deliveries for the year in both the domestic and foreign markets amounted to 828,589,950 pounds. After allowing for custom, secondary, and purchased copper, the deliveries were in excess of production and resulted in a decrease of 53,776,871 pounds in stocks of copper on hand. Deliveries were approximately 36% over the deliveries of the prior year.

Zinc

Production of electrolytic zinc during the year amounted to 212,055,670 pounds, of which 49,235,857 pounds were from Company mines, and the remainder from custom ores

MIN 000005219

and concentrates and leased mines. Deliveries of zinc amounted to 197,145,190 pounds, including the zinc used in the manufacture of zinc oxide at the zinc oxide plants at East Chicago, Indiana and Akron, Ohio. The metals paid for in zinc residues and dross sold to other companies amounted to 1,518,274 pounds of zinc, 27,103,467 pounds of lead, 348,149 pounds of copper, 2,874,131 ounces of silver and 6,132 ounces of gold.

Custom Smelting and Refining

The Copper Smelting Plant at Tooele, Utah, of International Smelting and Refining Company resumed operations in October, 1935, on ores received from the Mountain City Copper Company and concentrates received from the Walker Mining Company, subsidiary companies of the International Smelting and Refining Company.

The Copper Smelting Plant of the International Company at Miami, Arizona, operated intermittently; and its Lead Smelting Plant at Tooele, Utah, and Lead Refinery at East Chicago, Indiana, operated on a curtailed basis throughout the year.

Operations at the Raritan Copper Works division at Perth Amboy, New Jersey, were at somewhat higher levels than in the prior year. The facilities for the treatment of secondary metals and by-product metals at that plant operated throughout the year.

The custom smelting and refining operations, other than zinc, produced from the treatment of custom ores and concentrates and secondary metals 48,711,854 pounds of copper, 52,042,186 pounds of lead (including 2,127,592 pounds of lead from own mines), 2,826,513 ounces of silver, 63,974 ounces of gold, and certain by-product metals and materials. The foregoing production includes production from ores and concentrates received from the Walker and Mountain City Companies. In addition production from materials treated on toll was 76,679,238 pounds of copper, 2,520,776 pounds of lead, 2,600,503 ounces of silver and 6,132 ounces of gold. Deliveries of lead during the year were 68,808,665 pounds, including the lead used in the manufacture of white lead at East Chicago, Indiana, plant.

Ores and Concentrates From Subsidiaries

Operations on a curtailed basis were resumed by the Walker Mining Company in September, 1935. The concentrates produced by it are shipped to the Tooele Copper Plant of International Smelting and Refining Company.

Shipments of ore from the mine of the Mountain City Copper Company, located in Elko County, Nevada, commenced in October. The company holds unpatented mining claims covering approximately 470 acres and, in addition, owns approximately 176 acres of patented agricultural lands which carry mineral rights. The property is equipped with adequate structures and machinery for mining ore and carrying on development work. Shipments are made by truck from the mine to existing railroad facilities, and thence by railroad to the Tooele Copper Plant. A concentrator for the treatment of lower grade ores than are now being shipped, is now being constructed at the mine.

MIN 000005220

The International Smelting and Refining Company, a 100% owned subsidiary of Anaconda owns 50.42% and 61.45% respectively of the stock of the Walker and Mountain City Companies.

Fabricating Plants

The shipments of manufactured products of The American Brass Company, (including Toronto Plant), and of the Anaconda Wire and Cable Company totalled 531,102,747 pounds, compared with 425,516,899 pounds in the prior year, an increase of approximately 25%.

Miscellaneous Products

Miscellaneous products consisted of 73,128,020 feet lumber; 19,880 tons treble-superphosphate and phosphoric acid; 7,929 tons arsenic; 946,051 pounds cadmium; 104,600 pounds nickel sulphate; and 289,162 pounds copper sulphate.

EMPLOYEES

During the year 1935 the average number of employees of the Company and its consolidated subsidiary companies was 32,828, of which 22,134 were within the United States. The number of employees on the payroll at the close of the year totalled 34,976, of which 24,650 were within the United States.

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1935, was 110,229, as compared with 118,094 at the close of the prior year.

SILESIAN-AMERICAN CORPORATION

Principal production for the year of the subsidiaries of Silesian-American Corporation operating in Poland was 89,457,039 pounds of zinc, 28,185,811 pounds of lead, 1,693,956 metric tons of coal, 42,453 metric tons of sulphuric acid, and 9.518 metric tons of superphosphate.

Although the currency of Poland has continued on a Gold basis, the products of the subsidiaries of Silesian-American Corporation are sold in the World markets on the basis of the Pound Sterling, which adversely affects such subsidiaries. At current exchange rates the average price of zinc for the year on the London market was equivalent to 3.10¢ per pound, and at December 31, 1935, was equivalent to 3.20¢ per pound.

The principal amount of bonds of Silesian-American Corporation outstanding at the end of the year was $6,230,000, a reduction of $818,000 during the year.

MIN 000005221

FINANCIAL STATEMENTS

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and subsidiary companies at the close of business December 31, 1935, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

By Order of the Board of Directors,

CORNELIUS F. KELLEY,
President.

New York, N. Y., March 21, 1936.

MIN 000005222

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1935

ASSETS

FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$290,926,572.17	
Coal mines, timber lands, phosphate deposits and clay lands—see note G	$ 9,629,328.09		
Less reserve for depletion	1,970,911.90	7,658,416.19	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, steamships and railroads (including railroad concessions to the extent of $988,719.83)—see note G	$285,398,333.24		
Less reserve for depreciation	136,497,350.68	148,900,982.56	
Patents		6,105.00	
Investments:			
Securities of subsidiaries not consolidated—see notes C and F	$ 15,444,559.89		
Other security investments—see note F	13,525,853.01		
Indebtedness of subsidiaries not consolidated—not current	744,129.03	29,714,541.93	$477,206,617.85
DEFERRED CHARGES:			
Stripping and development		$ 7,729,643.81	
Prepaid expenses		267,047.20	
Deferred expenses		408,131.98	
Discount and expense on bonds		5,064,495.66	13,469,318.65
CURRENT AND OTHER ASSETS:			
Current assets:			
Supplies on hand—see note E	$ 12,289,332.82		
Metals and manufactured products:			
In process—see note D	5,549,924.97		
Finished—see note D	30,684,213.20		
Accounts and notes receivable—trade, less reserve	8,489,376.26		
Indebtedness of subsidiaries not consolidated—current	296,352.07		
Marketable securities—at cost (market value $816,699.28)	1,410,008.19		
Cash	17,869,122.46	76,588,329.97	
Other assets:			
Installment house and land sales and other accounts receivable, less reserve	$ 1,049,697.31		
Advances to sundry mining companies, including advances on ores, less reserve	290,076.33		
Ores produced during development period not being currently treated during period of curtailed operations—see note H	1,390,647.92		
Cupriferous material held for future treatment—see note I	3,336,346.76		
Notes receivable of Inspiration Consolidated Copper Co. and interest accrued thereon secured by First Mortgage Bonds of that company in the principal amount of $7,643,000 (being total amount of said bonds issued)	8,200,873.08	14,267,641.40	90,855,971.37
			$581,531,907.87

See explanatory notes, pages 13 and 14.

MIN 000005223

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1935

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in treasury or through subsidiaries	244,748 shares		12,237,400.00
Outstanding	8,674,338 shares		$433,716,900.00
CAPITAL STOCK AND SURPLUS of subsidiary companies owned by minority interest			4,667,464.73
BONDS OUTSTANDING:			
Anaconda Copper Mining Company 4½% Sinking Fund Debentures due 1950—see note J		$55,000,000.00	
Chile Copper Co. Twenty-year 5% Gold Debentures due 1947—see note J		26,574,000.00	
Butte, Anaconda & Pacific Railway Co. First Mortgage 5% Sinking Fund Gold Bonds, due 1944 (guaranteed as to both principal and interest by Anaconda Copper Mining Company)—see note J	$1,588,000.00		
Less held in treasury	85,000.00	1,503,000.00	83,077,000.00
RESERVES:			
For repairs, renewals and replacements		$ 390,800.63	
For workmen's compensation insurance, etc.		532,391.29	
For contingencies		275,000.00	
For deferred payment under power contract in connection with curtailment of operations		450,000.00	1,648,191.92
CURRENT LIABILITIES:			
Accounts payable—trade		$ 5,008,913.46	
Wages payable		720,720.89	
Accrued taxes		2,590,877.79	
Accrued interest		1,323,745.86	
Other accrued liabilities		193,597.89	
Other accounts payable		178,354.29	10,016,210.18
DEFERRED CREDITS TO INCOME			242,490.20
SURPLUS			48,163,650.84
			$581,531,907.87

See explanatory notes, pages 13 and 14.

MIN 000005224

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31st, 1935

Gross Sales and Earnings		$127,678,576.68
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at current cost		100,266,618.82
Income from operations of mining, smelting, refining and manufacturing plants		$ 27,411,957.86
Other Income—Interest and dividends—see note E	$ 634,144.83	
—Miscellaneous income	248,724.29	
—Profit on sale of capital assets	128,497.76	1,011,366.88
Total Income		$ 28,423,324.74
Interest on bonds and current obligations	$ 4,044,434.87	
Expenses pertaining to non-operating units	2,403,935.88	
United States and Foreign Income Taxes—estimated	1,957,992.16	
Loss on bonds retired	47,045.11	8,453,408.02
		$ 19,969,916.72
Provision for depreciation and obsolescence	$ 8,319,457.67	
Provision for depletion of coal mines, timber lands, phosphate deposits and clay lands (without deduction for depletion of metal mines)	70,558.12	
Discount and expense on bonds	266,173.96	8,656,189.75
Net Income without deduction for depletion of metal mines		$ 11,313,726.97
Minority share of income		133,639.52
Consolidated Net Income		$ 11,180,087.45

See explanatory notes, page 14.

Consolidated Surplus Account—Year Ended December 31st, 1935

Surplus, December 31st, 1934	$37,248,060.14	
Minority Interest (deficit)	4,003.44	37,252,063.58
Consolidated Net Income, without deduction for depletion of metal mines		11,180,087.45
		$ 48,432,151.03
Deduct:		
Additional Federal income taxes for years 1926, 1928 and 1929, less refund, and interest accrued thereon	$ 496,196.63	
Patent rights and expenses in connection therewith of a wholly owned subsidiary written off on dissolution of company	97,736.68	
	$ 593,933.31	
Less adjustment of reserve for deferred payment under power contract	325,433.12	268,500.19
Surplus, December 31st, 1935	$48,235,924.09	
Minority Interest (surplus)	72,273.25	
Consolidated Surplus, December 31st, 1935		$ 48,163,650.84

MIN 000005225

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31st, 1935

NOTE A—PRINCIPLES APPLYING IN CONSOLIDATION

In order to present the status of the Company's interest in subsidiaries where the interest owned (directly or through other subsidiaries) is 75% or more of the issued stock, the assets and liabilities of said subsidiaries as they appear upon the books of said subsidiaries are distributed under appropriate headings on the Consolidated Balance Sheet, except that four small subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, are carried as investments in the Consolidated Balance Sheet. The interest of minority stockholders of subsidiaries, the accounts of which are consolidated, is shown on the Consolidated Balance Sheet. Accounts of subsidiaries in which the Company's interest is less than 75% of the issued stock are not consolidated and the shares owned in these subsidiaries are carried as investments in the Consolidated Balance Sheet. The term "subsidiaries" is intended to mean corporations in which a majority of the voting stock is owned directly by the Company or through other corporations in which the stock interest of the Company is more than 95%.

NOTE B—BALANCES IN FOREIGN CURRENCIES

Cash balances in foreign currencies (equivalent to $366,665.69 in United States currency) are converted into dollars at rates not more favorable than those effective at December 31st, 1935. Current assets and liabilities at the Toronto plant of Anaconda-American Brass, Ltd. are carried in Canadian currency and have been converted into U. S. dollars at rates not in excess of rates current at December 31st, 1935.

Contingent liabilities existed at December 31st, 1935 for acceptances covering foreign sales of copper discounted in the ordinary course of business at various banks, on the greater part of which payments have already been received, and for exchange commitments most of which have been liquidated.

NOTE C—EQUITY OF COMPANY IN UNCONSOLIDATED SUBSIDIARIES

The equity of the Company in the assets of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A had decreased at December 31st, 1935, to the extent of $36,002.92, since the dates of acquisition as the result of profits, losses and distributions as shown by the books of said unconsolidated subsidiaries, but the cost thereof as shown in the Consolidated Balance Sheet has not been adjusted for such decrease.

NOTE D—INVENTORIES OF METALS AND MANUFACTURED PRODUCTS

The metallic contents of copper ores, concentrates, and cupriferous materials, and zinc and lead ores and concentrates, while in treatment at reduction plants up to the production of blister copper, electrolytic copper, metallic zinc and lead bullion, are classified as metals in process. Blister and electrolytic copper, metallic zinc, lead bullion, and other products and metals produced in connection therewith or therefrom, including stock in works at fabricating plants, are treated as finished.

Inventory in process is calculated at "normal cost" which is below the equivalent of current market for metallic content of such inventories.

Finished metals and manufactured products on hand at December 31st, 1935 (except silver and gold which are carried at market quotations or less), have been valued (a) as to that part of the inventory which was equal to the quantity on hand at December 31st, 1934, at the inventory price of December 31st, 1934, and (b) as to that part of the inventory which exceeds in quantity inventory on hand at December 31st, 1934 at production costs during the year ended December 31st, 1935. Inventory valuations determined in accordance with the foregoing method were below market prices for the various metals and products at December 31st, 1935.

See Note C to Consolidated Income Account.

NOTE E—SUPPLIES ON HAND

Supplies on hand, including replacement parts as well as current supply items, are carried at cost.

NOTE F—INVESTMENTS—BASIS

Investments in securities of unconsolidated subsidiaries and other security investments are carried at cost or less, such cost being cash cost, or in the case of securities issued in exchange for property transferred by the Company or a consolidated subsidiary, the cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Other security investments include shares of Inspiration Consolidated Copper Company carried at $10,914,107.51.

NOTE G—PROPERTY, PLANT AND EQUIPMENT—BASIS OF VALUATION

(a) Property, Plant and Equipment of the Company are carried at cash cost or in the case of physical properties acquired for stock of the Company at par value of such stock.

(b) Property, Plant and Equipment of subsidiaries (the accounts of which are included in this Consolidated Balance Sheet) are carried at the difference between (1) the investment basis for the respective subsidiary as set forth below, and (2) all net assets (other than property, plant and equipment) of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries, to which is added the cost of subsequent acquisitions. Such investment basis is the cash cost to the consolidated group of the stock of the respective subsidiary owned by such group, where the same was acquired by the group for cash, or where the same was acquired by the consolidated group for stock of the Company, the par value of the stock of the Company, except as to properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, which properties are included in the Consolidated Balance Sheet at the original par value of the shares of those companies issued therefor (i.e., $25 per share), amounting in the case of Andes Copper Mining Company to 1,000,000 shares and in the case of Santiago Mining Company to 70,566 shares. Of said stock of Andes Copper Mining Company issued for property 998,036 shares were acquired by the Company and subsidiaries at less than the original par value thereof and of said stock of Santiago Mining Company 65,431 shares were acquired (in 1930) by the Company at less than the original par value thereof. The 65,431 shares of Santiago Mining Company prior to their acquisition by the Company were carried in the consolidated financial statements as outstanding minority interest at par from the date when Santiago Mining Company was first included in such statements. Upon the acquisition of such shares by the Company in 1930 the difference of $1,519,565.66 between the par value thereof and the cost of such shares to the Company was transferred from minority interest to consolidated surplus. The total amount credited to consolidated surplus on account of the difference between the par value of the above-mentioned shares of Andes Copper Mining Company and Santiago Mining Company and cost thereof to the Company and its subsidiaries was $23,429,105.38.

(c) It has been the practice of the Company, consistently applied to its own properties and those of subsidiaries the stocks of which have been acquired and the accounts of which are included in the Consolidated Balance Sheet, to carry Property, Plant and Equipment as described above. Pursuant to the requirements of the United States Treasury Department, valuations as of March 1st, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for "depletion" in arriving at taxable income under the Federal income tax laws, but these values have not been included in the published accounts of the Company.

The Company has consistently followed the practice of not deducting any amount for depletion on account of metals mined in any of its published accounts, and no such deduction is included in any of the financial statements submitted herewith.

Depletion based on cost has in the case of timber, coal, clay and phosphate lands, been deducted from income in the financial statements submitted herewith and also from the cost basis shown in the Consolidated Balance Sheet.

(d) In the Consolidated Balance Sheets of the Company and its subsidiaries heretofore published, the depreciation reserve, shown on the books of The American Brass Company and certain other subsidiaries as of the dates the stocks of those companies were acquired by the Company was deducted in stating the plant and equipment account of those companies in the Consolidated Balance Sheet and was not included in depreciation reserve on the Consolidated Balance Sheet. The foregoing Consolidated Balance Sheet includes such accumulation in the depreciation reserve. This change does not affect the net amount at which such fixed assets are carried, nor does it affect consolidated surplus, or any item other than the separate items of plant and equipment and depreciation reserve.

MIN 000005226

Certain transfers between the accounts "Mines and Mining Claims", "Plant and Equipment," and "Reserve for Depreciation" have been given effect to in this Consolidated Balance Sheet. They consist entirely of transfers between these three accounts and do not affect the net amount at which Property, Plant and Equipment are carried nor do they affect the consolidated surplus or any item other than fixed assets and depreciation reserve.

(e) The values of Property, Plant and Equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

NOTE H—ORES PRODUCED DURING DEVELOPMENT PERIOD

Ores produced during development period not being currently treated are carried at cost of extraction which is less than a conservatively estimated realizable value.

NOTE I—CUPRIFEROUS MATERIAL

Cupriferous material held for future treatment is valued at United States Treasury Department valuation for income tax purposes, which is approximately the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by metallurgists of the Company.

NOTE J—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture covering the $55,000,000 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, the Company will be obligated on August 15th, 1936 and on August 15th of each year thereafter, to and including August 15th, 1949, to pay to the Trustee, for the purposes of the sinking fund for the retirement of debentures, an amount equal to $1,000,000 plus 20% of the consolidated net income of the Company (as defined in the indenture) for the period of twelve months ended on the next preceding December 31st or in lieu of such payment, the Company may deliver to the Trustee debentures to be received by the Trustee in lieu of an amount of cash equal to the purchase price of such debentures paid by the Company in the acquisition thereof.

The sinking fund provision of the indenture providing for the issue of Chile Copper Co. 5% Debentures requires the redemption or cancellation of debentures annually and in 1936 such requirements call for redemption or cancellation of $1,967,000 principal amount of debentures against which $1,460,000 had been deposited with the Trustee prior to December 31st, 1935.

Under the sinking fund provision of the indenture providing for the issue of First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Co. the annual cash sinking fund payments for 1936 will amount to $102,000.

NOTE K—SURPLUS

Included in Consolidated Surplus are: (a) A credit of $21,909,539.72 arising from inclusion in Consolidated Balance Sheet of assets and liabilities of Andes Copper Mining Company at the amounts shown on its books (see Note G), (b) a credit of $1,519,565.66 arising from acquisition in 1930 of minority shares in Santiago Mining Company issued for property and carried at their par value, said amount representing the excess of par value over acquisition cost, (c) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (d) a charge of $11,907,498.50, being discount and expense on issuance, and premium on redemption of bonds, redeemed through funds obtained by issuance of stock above referred to. See paragraph (c) of Note G as to practice regarding depletion.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31ST, 1935

NOTE A—BASIS

Basis is same as set forth in Note A to Consolidated Balance Sheet. The equity of the Company in the income of four small subsidiaries more than 75% owned the operations of which are not an integral part of the operations of the consolidated group, amounted for the year ended December 31st, 1935 to $124,916.20.

NOTE B—INTER-COMPANY SALES AND PROFITS

Sales to consolidated subsidiaries have been eliminated and the sales shown in the Consolidated Income Account include only sales to others than the Company and consolidated subsidiaries.

Inter-company profits, where these are material, have been eliminated in the Consolidated Income Account. The principal inter-company transactions are sales of copper and other metals to manufacturing subsidiaries. The inventories of manufacturing subsidiaries include so far as is ascertainable, no inter-company profit.

Any inter-company profits resulting from transactions in connection with purchases and sales of supplies and furnishing of services and in connection with refining and smelting operations are not material in amount and have not been eliminated.

NOTE C—COST OF SALES

The general practice of inventory valuation followed in the year ended December 31st, 1935 was as follows:

In ascertaining consolidated income during the year 1935, the Consolidated Income Account was stated on the basis of last-in first-out, that is, applying current cost of metal production to sales to the extent of current production and sales in excess of current production were carried in the Consolidated Income Account at the inventory cost, such cost being the same as the inventory cost used for Balance Sheet purposes.

NOTE D—DIVIDENDS AND EARNINGS OF PRINCIPAL UNCONSOLIDATED SUBSIDIARIES

No dividends were paid to the Company by any unconsolidated subsidiary during the year 1935. The amount of the Company's proportion of the combined net current earnings of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A amounted to $761,742.73.

NOTE E—INTEREST—INSPIRATION CONSOLIDATED COPPER COMPANY

There is included in Interest and Dividends interest on notes of Inspiration Consolidated Copper Company, in the amount of $438,085.00 for the year ended December 31st, 1935.

MIN 000005227

POGSON, PELOUBET & CO.

CABLE ADDRESS "CERTIFIRD" NEW YORK

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

AGENTS

LONDON - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
36 WALBROOK, E. C. 4.

PARIS - TURQUAND, YOUNGS, KEMP & CO.
8 RUE DU HELDER

BERLIN - TURQUAND, YOUNGS, KEMP & CO.
UNTER DEN LINDEN 56

EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have made an examination of the Consolidated Balance Sheet as of December 31st, 1935, of Anaconda Copper Mining Company and of the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and of their Consolidated Income and Surplus Accounts for the calendar year 1935.

In connection with our audit we examined or tested the accounting records of Anaconda Copper Mining Company and its consolidated subsidiaries together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1935, but we did not make a detailed audit of the transactions.

The practice of the Company and its subsidiaries with respect to the computation of their net income or net loss without deduction for depletion of metal mines is, in our opinion, in accordance with accepted principles of accounting in industries engaged in the mining of copper, gold, lead, silver and zinc.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted principles of accounting in the industries in which the Company and its subsidiaries operate, consistently maintained by the Company and its subsidiaries, the consolidated position of the Company and its consolidated subsidiaries as of December 31st, 1935 and the combined results of their operations for the calendar year 1935.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 12th, 1936.

MIN 000005228

Walkermine, California

March 13, 1937

9(701)

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Mr. J. R. Walker, Pres.,
Walker Mining Company
Salt Lake City, Utah

Dear Sir:

Enclosed please find Mine Progress Report and Report on Concentration Operations for the first period of March i.e., March 1, to 8, 1937, inclusive.

SOUTH OREBODY No breakage was had in the South Orebody. Production amounted to 843 tons, with Mine Assay of 1.56% copper.

CENTRAL OREBODY 893 Raise, from 826 Drift South, finger raise preparatory to mining 880 Stope, was advanced 11 feet, breaking 42 tons, carrying 0.30% copper. 894 Raise, from 826 Drift South, finger raise preparatory to mining 880 Stope, was advanced 7 feet, breaking 27 tons, carrying 1.25% copper. 895 Raise, from 826 Drift South, finger raise preparatory to mining 880 Stope, was advanced 3 feet, breaking 11 tons, carrying 0.55% copper. 897 Raise, from 826 Drift South, manway raise preparatory to mining 880 Stope, was advanced 19 feet, breaking 73 tons, carrying 0.60% copper.

A sidesnipe in 1101 Cross-cut East, taking down back on station, broke 50 tons of waste.

Stope breakage was had in 880, and 1080B Stopes as detailed in the progress report.

Total advance in headings amounted to 40 feet; breakage totaled 1,027 tons, with Mine Assay of 2.14% copper, and 50 tons of waste. Production amounted to 892 tons, with Mine Assay of 1.40% copper.

NORTH OREBODY 1017 Drift North, from 1016 Cross-cut West, exploratory drift to develop downward extension of ore, was advanced 30 feet, breaking 196 tons of waste. 1097A Raise, from 1017 Drift North, chute and manway raise preparatory to mining 1040 Stope, was advanced 8 feet, breaking 51 tons, carrying 2.56% copper. 1002Bs Drift North, from 1097A Raise, sub-level drift preparatory to mining 1040 Stope, was advanced 38 feet, breaking 146 tons, carrying 1.66% copper. 1008B Cross-cut East, from 1017 Drift North, exploratory cross-cut to H/W of vein, was advanced 8 feet, breaking 53 tons of waste. 1014B Cross-cut East, from 1017 Drift North, exploratory cross-cut to develop H/W of vein, was advanced 5 feet, breaking 33 tons of waste. 1017B Drift North, from 1097A Raise, stope drift preparatory to mining 1040 Stope, was advanced 16 feet, breaking 51 tons, carrying 1.40% copper. 1017B Drift South, from 1097A Raise, stope drift preparatory to mining 1030 Stope, was advanced 15 feet, breaking 48 tons, carrying 1.35% copper. 1018Bs Raise, from 1015Bs Drift North, finger raise preparatory to mining 1030 Stope, was advanced 30 feet, breaking 115 tons carrying 0.75% copper. 1019Bs Raise, from 1016Bs Drift South, finger raise preparatory to mining 1030 Stope, was advanced 31 feet, breaking 119 tons, carrying 0.75% copper.

Stope breakage was had in 920, 1020, and 1030 Stope as detailed in the progress report.

Total advance in headings amounted to 101 feet; breakage totaled 2,607 tons, with Mine Assay of 1.36% copper, and 281 tons of waste. Production amounted to 2,559 tons, with Mine Assay of 1.45% copper, and 208 tons of waste.

710 OREBODY Stope breakage was had in 708D Stope as detailed in the progress report.

No advance was made in headings. Breakage totaled 164 tons, with Mine Assay of 1.12% copper. Production amounted to 6 tons, with Mine Assay of 1.70% copper.

712 OREBODY 5080 Drift North, from 4850 Raise, exploratory drift to develop north end 712 Orebody above 400 level was advanced 3 feet, breaking 10 tons, carrying 0.30% copper.

Stope breakage was had in 405 #2, 505 #2, 505B, and 5050 Stopes as detailed in the progress report.

Total advance in headings amounted to 3 feet; breakage totaled 1,558 tons, with Mine Assay of 2.74% copper. Production amounted to 1,639 tons, with Mine Assay of 2.60% copper.

PIUTE OREBODY 542B Drift South, from 686B Raise, stope drift preparatory to mining 655 Stope, was advanced 38 feet, breaking 120 tons, carrying 1.13% copper.

Stope breakage was had in 615, 645, and 655 Stopes as detailed in the progress report.

Total advance in headings amounted to 38 feet; breakage totaled 7,956 tons, with Mine Assay of 1.17% copper. Production amounted to 5,710 tons, with Mine Assay of 1.29% copper.

G E N E R A L

Total advance in headings of all descriptions throughout the mine amounted to 262 feet; breakage totaled 13,360 tons, with Mine Assay of 1.46% copper, and 331 tons of waste. Production amounted to 11,649 tons, with Mine Assay of 1.54% copper, and 208 tons of waste.

THE MINE Station cutting and timbering of 915B Raise on 700 level was continued. Retimbering and cleanup of 794 was continued. Necessary repairs to hoist room and shaft timbers was made, and use of the 794 Raise for service above the 700 level was resumed. Dewatering of the Piute Shaft was started, and water lowered 13 sets below the 700 level.

THE MILL Operated satisfactorily during the period, crushing an average of 1,365 tons dry for the eight days or a total of 10,920 tons for the period, a detailed resume of which is given, on the attached metallurgical sheet. Mill heads for the period averaged 1.578% copper.

THE TRAMWAY Operated satisfactorily during the period handling 1,852 buckets of concentrates outbound, amounting to 641.67 tons dry and 32.63 tons of back freight. Repairs were as follows: Put 139 feet of 1-1/8" cable over Nos. 29 and 30 Towers. Put one splice in Traction Rope. Changed two couplings on Nos. 28 and 29 Towers. Greased all saddles and idlers.

MACHINE SHOP Made 13 feed screws for the Leyner machines. Cut and threaded 50 pieces of 2" and 3" pipe for various parts of the mine. Made 20 soft hammers for detachable bits. Changed belt on the No. 1 Compressor. The cable idler, pump, and the hoist is being repaired at 794 where the blast occurred. The locomotive is being repaired that was blasted and will require about 85% new parts after salvaging wheels and centers, etc. Completely overhauled No. 6 Cameron Pump which was at the sump at 700A Winze. Cut 10, 10 foot grizzley rails for the mine. Repaired 8 tram buckets. Made wheel guard for the trommel screen in the Mill.

MISCELLANEOUS The camp freight, mail, and supplies was hauled by the four horse team and sled. The Cletrac tractor was [illegible] in the hauling of supplies [illegible] break open the camp roads from snow. The tailings flume was repaired. The old foundation was taken out and a new foundation put in for the Vacuum pump by the Mill.

91761
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THE WEATHER On the last day of this period, March 8th, a light rain fell. Temperatures were normal.

THE HEALTH of the camp was normal during the period.

DAILY EMPLOYEES	Average number of shifts per day	599.75
	Average wage per day	$ 5.190
MONTHLY EMPLOYEES	Average number per day	30

Very truly yours,

L. F. Bayer

HARNOLK

LFB
W

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ANACONDA
COPPER MINING COMPANY

ANACONDA

REPORT

FOR THE YEAR ENDED DECEMBER 31, 1936

1936

MIN 000005198

ANACONDA COPPER MINING COMPANY

CAPITAL STOCK

December 31, 1936

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954,300

OFFICERS

President	Cornelius F. Kelley
Executive Vice-President	James R. Hobbins
Vice-President and Treasurer	Robert E. Dwyer
Vice-President	Daniel M. Kelly
Secretary and Assistant Treasurer	David B. Hennessy
General Auditor	James Dickson
Assistant Secretary	Kenneth B. Frazer

DIRECTORS

John A. Coe
Robert E. Dwyer
James R. Hobbins
Cornelius F. Kelley
Andrew J. Miller
Grayson M.-P. Murphy
James H. Perkins
William C. Potter
William D. Thornton

OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York

MIN 000005199

To the Shareholders of

ANACONDA COPPER MINING COMPANY

THE demand for non-ferrous metals during the year 1936 in the United States continued to increase above that of the prior year and with the demand that had been established in foreign markets caused a rapid expansion of the industry. The monthly consumption of copper during the year reached its peak in October in both the domestic and foreign markets. Stocks of refined copper decreased materially and production was substantially increased during the latter part of the year.

World production of primary blister copper totalled 1,799,940 tons, of which 604,340 tons were domestic duty-free, and 1,195,600 tons were foreign. Production of primary copper in the United States showed an increase of approximately 62% over that of the prior year. Production abroad was approximately the same. World production of primary refined copper was 1,760,299 tons, the domestic duty-free copper amounting to 621,371 tons and foreign to 1,138,928 tons.

In comparison with 1935 world consumption of primary copper amounted to 1,893,543 tons, an increase of 14.2%; consumption of primary copper in the United States to 663,466 tons, an increase of 59.6%; and foreign consumption to 1,230,077 tons, approximately the same as in the previous year. The consumption in the domestic market, including secondary copper, totalled 764,560 tons, an increase of 44.7% compared with the previous year.

Stocks of duty-free refined copper in the United States were reduced during the year by 70,347 tons and refined stocks abroad by 62,897 tons, a total decrease of 133,244 tons. Stocks of refined copper at the end of the year, as reported by the Copper Institute, were 161,068 tons of duty-free and 192,255 tons of foreign. At these levels stocks are normal and future demand must be supplied by production.

Production of zinc in the United States was 524,271 tons, an increase of 21.5% compared with the prior year, and consumption amounted to 563,273 tons, an increase of 23.1%. Stocks of zinc on hand at the close of the year totalled 44,756 tons, the lowest since June 30, 1929.

The trend of non-ferrous metal prices was definitely upward during the year. The domestic price of copper was 9.025¢ per pound f.o.b. refinery at the beginning of the year and was 11.775¢ per pound at the end. The price for export copper f.o.b. refinery was 8.375¢ per pound at the first of the year and at the close was 11.600¢ per pound. Zinc at the end of the year was 5.450¢ per pound St. Louis, compared with 4.850¢ per pound at the beginning. The price for silver mined in the United States remained at 77.57¢ per ounce throughout the year and gold at $35.00 per ounce. The price for foreign silver showed slight variation throughout the year and was 45¢ per ounce at the close.

MIN 000005200

The prices of the principal metals as reported by the Engineering & Mining Journal were as follows:

	Jan. 2	*High*	*Low*	*Dec. 31*	*Average*
COPPER–Duty Free f.o.b. Refinery–per lb.	9.025¢	11.775¢	9.025¢	11.775¢	9.474¢
COPPER–Export f.o.b. Refinery–per lb.	8.375	11.600	8.250	11.600	9.230
LEAD –New York–per lb.	4.500	6.000	4.500	6.000	4.710
ZINC –St. Louis–per lb.	4.850	5.450	4.750	5.450	4.901
SILVER –New York–(Not covered by President's Proclamations)–per oz.	49.750	49.750	44.750	45.000	45.087

CORPORATE CHANGES

The Chile Copper Company Twenty-Year 5% Debentures due January 1, 1947, of which $26,574,000 were outstanding at the beginning of the year, were called on January 1, 1937, at the redemption price of 101. Funds to the amount of $25,000,000 for the retirement of these Debentures were obtained through serial notes of Chile Copper Company, guaranteed by Anaconda Copper Mining Company, payable to banks, $2,000,000 annually from December 10, 1937, to December 10, 1940, and $17,000,000 December 10, 1941. Subsequently and before the close of the year notes of Chile Exploration Company in like amounts similarly guaranteed were issued to the banks in lieu of notes of Chile Copper Company. The remainder of the funds required was provided from the treasury of Chile Copper Company. Through this financing substantial savings were effected in yearly interest charges.

The Anaconda Lead Products Company was organized in 1919, and produced at its plant at East Chicago, Indiana, dry white lead by an electrolytic process under patents acquired from the late Elmer A. Sperry. The total stock of the Company was 13,650 shares of which 10.99% had been issued to the Sperry interests in exchange for the above patents. This stock was purchased for the sum of $80,000, in June, 1936. Thereafter the Company was dissolved and its assets transferred to the International Smelting and Refining Company.

In conformity with the steps being taken to simplify and integrate the holdings of the Company, Andes Exploration Company (Delaware), Butte Electric Railway Company, Mountain Trading Company, and New York and Hastings Steamboat Company, all 100% owned subsidiaries, were dissolved during the year and their assets transferred to the parent Company or its consolidated subsidiaries. The assets of the New York and Hastings Steamboat Company were acquired by Chile Steamship Company Incorporated, a wholly-owned subsidiary of Chile Copper Company.

The substitution of natural gas and oil developed in the State of Montana for other fuels, so impaired the market for coal that it became advisable to discontinue operations at the plant of the Company at Washoe, Montana. The Milltown plant, no longer needed in the operation of the Lumber Department, was discarded during the year. These items, together with some mining prospects, carried on the books at $637,081.32, were written off and charged to surplus.

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FINANCIAL

Gross sales and earnings of the Company upon a consolidated basis totalled $160,882,734.15, compared with $127,678,576.68 for the prior year, an increase of $33,204,157.47, or 26%. This increase was accounted for both by larger sales volume and higher prices received for the products.

The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income and undistributed profits taxes, amounted to $129,811,064.67, compared with $100,266,618.82 for the previous year.

The resulting operating income was	$31,071,669.48
Other Income, including Dividends from unconsolidated subsidiaries, was	2,385,648.91
Total Income was	$33,457,318.39
Deductions from Income for Interest on Bonds and Current Obligations $3,818,412.48, Expenses pertaining to Non-operating Units $2,420,080.51, United States and Foreign Income Taxes $2,975,917.76, and Discount, etc., on Bonds and Debentures retired through sinking fund operations $286,970.73, amounted to	9,501,381.48
Leaving a balance of	$23,955,936.91
Provision for Depreciation and Obsolescence and for Depletion of Coal Mines, Timber Lands, Phosphate Deposits and Clay Lands was $7,608,862.61, and Discount and Expenses on Bonds and Debentures was $388,210.02, a total of	7,997,072.63
Consolidated Net Income, without deduction for depletion of metal mines, was	$15,958,864.28
Of which Minority Share amounted to	77,034.69
Leaving Consolidated Net Income of	$15,881,829.59

The Consolidated Net Income of $15,881,829.59 compares with $11,180,087.45 for the year 1935. Sales of metals and manufactured products are included in the income account as they are invoiced and delivered to customers. Forward sales contracts are not included nor does the income account reflect the profit that may be derived from such sales.

The dividends declared and paid during the year on the capital stock of your Company amounted to $10,842,922.50, or $1.25 per share.

Charges to surplus for the year totalled $2,248,761.06, consisting of write-offs on account of discarded plants and properties $637,081.32; adjustment through write-down of assets of subsidiary dissolved $73,311.49; and discount and premium applicable to 5% Debentures of Chile Copper Company redeemed up to and including December 31, 1936, $1,538,368.25.

MIN 000005202

The principal subsidiaries included in the consolidated statements are Andes Copper Mining Company and its wholly-owned subsidiary; Chile Copper Company and its wholly-owned subsidiaries; Greene Cananea Copper Company and its Mexican subsidiary; International Smelting and Refining Company, The American Brass Company, Anaconda Sales Company, Butte, Anaconda & Pacific Railway Company, Tooele Valley Railway Company, Diamond Coal & Coke Company, and Butte Water Company.

The assets and liabilities of subsidiaries in which a majority but less than 75% of the issued stock is held are not distributed under the various headings in the consolidated balance sheet, but the cost of the holdings in such subsidiaries is shown as a separate item under "Investments". The consolidated income account shows as a separate item the dividends received from such subsidiaries. The principal unconsolidated subsidiaries are Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company.

Current assets at the close of the year, including cash on hand of $16,282,190.76, amounted to $82,268,579.93, compared with $76,588,329.97 for the prior year, and current liabilities, including $2,000,000 of notes payable of Chile Exploration Company due December 10, 1937, were $15,442,097.08, compared with $10,016,210.18.

There were purchased and retired during the year $3,129,000 par value of 4½% Sinking Fund Debentures of your Company and $5,000 par value of First Mortgage Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company. The sum of $3,196,129, an amount equivalent to twenty percent of the estimated consolidated net income of the year 1936, was set aside and deposited with the Trustee for the purchase of 4½% Debentures of the Company for the sinking fund and to the extent not so used, to be paid into the sinking fund on August 15, 1937; and $7,913.21 remained in the sinking fund of Butte, Anaconda & Pacific Railway Company First Mortgage Bonds. The Twenty-Year 5% Debentures of Chile Copper Company outstanding at the beginning of the year in the amount of $26,574,000 were called for redemption. These items total $32,912,042.21. Of this sum $25,000,000 was, as previously explained, obtained by bank loans; the net result being that the outstanding indebtedness of your Company was reduced, or its reduction provided for, to the extent of $7,912,042.21 from current cash.

The Inspiration Consolidated Copper Company paid in 1936 the current interest payments on its notes, and in addition paid $336,868.08 of interest accrued prior to January 1, 1936, reducing its indebtedness to your Company to $7,864,005.00.

Capital expenditures during the year amounted to $3,426,386.19, summarized as follows:

Mines, Mining Claims, and Lands (less sales)	$ 288,566.60
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries (less sales)	2,999,797.76
Miscellaneous–Including acquisition of shares of stock of subsidiary companies	138,021.83

MIN 000005203

OPERATIONS

The operations at the mines and the reduction, refining, fabricating and other plants of your Company and its consolidated subsidiaries were conducted continuously during the year, with the exception of the properties of the Mexican subsidiary of Greene Cananea Copper Company which were closed down by a strike for two and one-half months in the early part of the year. During the latter half of the year the increasing demand for metals necessitated a rapid increase in operations, particularly of the copper producing units, and by the end of the year the consumptive demands were such that all metal producing and fabricating properties were operating, or were being prepared for operation, on a normal basis, with the exception of the zinc plants in Montana which were obliged by low temperature and shortage of water for power to curtail output. (Note—Such conditions caused suspension of operations of zinc plants for one month at the beginning of 1937).

Copper:

The production of metals from the mines of your Company and its consolidated subsidiary mining companies through copper plant operations was 552,807,952 pounds of copper, 6,508,847 ounces of silver, and 30,579 ounces of gold. The metal production through custom smelting and refining operations is not included in the foregoing figures. Including copper production from purchased custom ores and concentrates and secondary metals the output was 651,365,607 pounds.

Deliveries of copper for the year in both the domestic and foreign markets amounted to 849,321,306 pounds. Deliveries of copper include not only the copper production from the mines of your Company and its subsidiaries but also the custom, secondary and purchased intake.

Zinc:

Production of electrolytic zinc during the year amounted to 211,969,707 pounds, of which 43,448,219 pounds were from Company mines, and the remainder from custom ores and concentrates and leased mines. Deliveries of zinc amounted to 227,307,370 pounds, including the zinc delivered to the fabricating plants of subsidiaries of your Company and zinc used in the manufacture of zinc oxide at the zinc oxide plants. The metals paid for in zinc residues and dross sold to other companies amounted to 6,985,433 pounds of zinc, 27,227,017 pounds of lead, 330,321 pounds of copper, 2,899,867 ounces of silver, and 6,405 ounces of gold.

Custom Smelting and Refining:

The custom smelting and refining plants, both copper and lead, of International Smelting and Refining Company were operating at satisfactory levels at the close of the year.

MIN 000005204

The custom smelting and refining operations, other than zinc, produced from the treatment of custom ores and concentrates and secondary metals 98,557,655 pounds of copper, 67,629,153 pounds of lead (including 1,759,577 pounds of lead from own mines), 4,620,201 ounces of silver, 78,170 ounces of gold, and certain byproduct metals and materials. The foregoing includes production from ores and concentrates received from the Walker and Mountain City companies. In addition, production from materials treated on toll was 132,193,838 pounds of copper, 861,251 pounds of lead, 1,513,666 ounces of silver, and 15,099 ounces of gold. Deliveries of lead during the year, including that used in the manufacture of white lead at East Chicago, Indiana, plant, were 100,383,367 pounds.

Ores and Concentrates from Subsidiary Mining Companies:

The concentrator at the mine of the Mountain City Copper Company for the treatment of the lower grade ores was completed and put into operation in August, 1936. The mine was operating at normal capacity by the close of the year, its ores and concentrates being shipped mainly to the Tooele Copper Plant of International Smelting and Refining Company for treatment. Recoverable copper production during the year amounted to 25,054,996 pounds.

The Walker Mining Company operated its mine throughout the year, the concentrates being shipped to the Tooele Copper Plant for treatment. Recoverable copper production amounted to 9,614,277 pounds.

Fabricating Plants:

The shipments of manufactured products from the plants of The American Brass Company (including Toronto Plant), and Anaconda Wire and Cable Company, amounted to 682,287,179 pounds, an increase of approximately 28% over those of the prior year. The demand for fabricated products increased steadily throughout the year.

The American Brass Company and Anaconda Wire and Cable Company, through their respective sales and research organizations, are constantly at work to widen the field for the use of copper and brass products and to meet the more exacting requirements of the trade.

Miscellaneous Products:

Miscellaneous products consisted of 97,541,356 feet lumber; 22,589 tons treble-superphosphate and phosphoric acid; 7,442 tons arsenic; 853,018 pounds cadmium; 130,098 pounds nickel sulphate; and 359,266 pounds copper sulphate.

GROUP INSURANCE

The Board of Directors of your Company authorized the placement of group life insurance with The Prudential Insurance Company of America for employees of your

MIN 000005205

Company and those of its subsidiary companies operating in the United States and Canada, under which joint contributions are made by the Company and each insured employee. The plan provides insurance for all eligible employees, including officers, without physical examination. More than 75% of the eligible employees made application, and the contributory insurance became effective July 31, 1936. During the period when individual applications were being made by the employees from July 6th to and including July 31st, 1936, the entire cost of the insurance was paid by the Company. The amount of insurance to which each eligible employee is entitled is approximately one-year's wage or salary, the limitations being a minimum of $1,250. and a maximum of $10,000. The charge to the employee is 60¢ per month per thousand of insurance, the Company paying the cost above that amount. Employees covered at December 31st, 1936, totalled 27,067, or approximately 96% of the eligible employees. The total insurance in force was $38,514,250.

EMPLOYEES

During the year 1936 the average number of employees of the Company and its consolidated subsidiary companies was 36,377, of which 25,562 were within the United States. The number of employees on the payrolls at the end of the year totalled 40,996 compared with 34,976 at the close of the prior year, of which 28,282 were within the United States, compared with 24,650 at the end of 1935.

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31st, 1936, was 106,745, as compared with 110,229 at the same date of the prior year.

SILESIAN-AMERICAN CORPORATION

Principal production for the year of the subsidiaries of Silesian-American Corporation operating in Poland was 94,669,593 pounds of zinc, 22,298 980 pounds of lead, 1,750,909 metric tons of coal, 47,148 metric tons of sulphuric acid, and 18,703 metric tons of superphosphate. Of the above 1,169,311 pounds of zinc and 4,774,652 pounds of lead were produced from custom materials.

Although the currency of Poland has continued on a Gold basis, the products of the subsidiaries of Silesian-American Corporation are sold in the World markets on the basis of the Pound Sterling, which adversely affects such subsidiaries. Difficulties were further increased during the year by governmental restrictions on the transfer of funds, which still continue in effect. At current exchange rates the average price of zinc for the year on the London market was equivalent to 3.34¢ per pound, and at December 31st, 1936, was equivalent to 4.38¢ per pound.

MIN 000005206

The principal amount of bonds of Silesian-American Corporation outstanding at the end of the year was $5,345,000, a reduction of $885,000 during the year.

FINANCIAL STATEMENTS

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and consolidated subsidiary companies at the close of business December 31, 1936, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, certified to by Messrs. Pogson, Peloubet & Co., Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
President.

New York, N. Y., March 27, 1937.

MIN 000005207

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1936

ASSETS

FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$290,832,622.07	
Coal mines, timber lands, phosphate deposits and clay lands—see note G	$ 9,567,299.87		
Less reserve for depletion	2,054,400.35	7,512,899.52	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, steamships and railroads (including railroad concessions to the extent of $973,833.48)—see note G	$284,687,354.28		
Less reserve for depreciation	140,842,533.87	143,844,820.41	
Patents		6,105.00	
Investments:			
Securities of subsidiaries not consolidated—see notes C and F	$ 15,476,172.39		
Other security investments—see note F	13,767,103.91		
Indebtedness of subsidiaries not consolidated—not current	752,404.78	29,995,681.08	$472,192,128.08
CASH DEPOSITED WITH TRUSTEES—see note J:			
Amount deposited December 30th, 1936, equivalent to 20% of estimated consolidated net income for 1936, payable as part of sinking fund for discharge of Anaconda Copper Mining Company 4½% Sinking Fund Debentures due 1950		$ 3,196,129.00	
Amount deposited December 10th, 1936 for holders of Chile Copper Company Twenty Year 5% Debentures due 1947 called on December 1st, 1936 for redemption January 1st, 1937, including amount required for payment of premium and interest—per contra		9,524,950.00	
Amount held in sinking fund for Butte, Anaconda & Pacific Railway Company First Mortgage 5% Sinking Fund Gold Bonds due 1944		7,913.21	12,728,992.21
DEFERRED CHARGES:			
Stripping and development		$ 7,378,550.13	
Prepaid expenses		261,022.99	
Deferred expenses		323,736.05	
Discount, premium and expense on bonds and debentures—see note J		3,204,387.21	11,167,696.38
CURRENT AND OTHER ASSETS:			
Current assets:			
Supplies on hand—see note E page 13	$ 12,997,040.65		
Metals and manufactured products:			
In process—see note D page 13	6,603,386.19		
Finished—see note D page 13	33,775,538.81		
Accounts and notes receivable—trade, less reserve	10,357,903.57		
Indebtedness of subsidiaries not consolidated—current	865,024.26		
Marketable securities—at cost (market value $1,206,259.35)	1,387,495.69		
Cash	16,282,190.76	82,268,579.93	
Other assets:			
Installment house and land sales and other accounts receivable, less reserve	$ 952,959.99		
Advances to sundry mining companies, including advances on ores, less reserve	305,598.25		
Ores produced during development period not being currently treated during period of curtailed operations—see note H	1,390,647.92		
Cupriferous material held for future treatment—see note I	3,151,282.25		
Notes receivable of Inspiration Consolidated Copper Company and interest accrued thereon secured by First Mortgage Bonds of that company in the principal amount of $7,643,000 (being total amount of said bonds issued)	7,864,005.00	13,664,493.41	95,933,073.34
			$592,021,890.01

See explanatory notes, pages 13 and 14.

MIN 000005208

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies
Consolidated Balance Sheet—December 31st, 1936

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in treasury or through subsidiaries	244,748 shares		12,237,400.00
Outstanding	8,674,338 shares		$433,716,900.00
CAPITAL STOCK AND SURPLUS of subsidiary companies owned by minority interest			4,543,706.38
BONDS AND NOTES OUTSTANDING:			
Anaconda Copper Mining Company 4½% Sinking Fund Debentures due 1950—see note J		$51,871,000.00	
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1938 to December 10th, 1941, interest 2% to 3½% (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		23,000,000.00	
Butte, Anaconda & Pacific Railway Company First Mortgage 5% Sinking Fund Gold Bonds, due 1944 (guaranteed as to both principal and interest by Anaconda Copper Mining Company) see note J		1,498,000.00	76,369,000.00
CHILE COPPER COMPANY 5% GOLD DEBENTURES due 1947—called for redemption January 1st, 1937—see note J—per contra:			
Not presented for redemption at December 31st, 1936		$ 9,077,500.00	
Premium and interest thereon		447,450.00	9,524,950.00
RESERVES:			
For repairs, renewals and replacements		$ 338,802.76	
For workmen's compensation insurance, etc.		638,816.18	
For contingencies		275,000.00	1,252,618.94
CURRENT LIABILITIES:			
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1937 (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		$ 2,000,000.00	
Accounts payable—trade		6,525,827.45	
Wages payable		1,302,040.23	
Accrued taxes		4,584,115.49	
Accrued interest		671,455.41	
Other accrued liabilities		192,707.04	
Other accounts payable		165,951.46	15,442,097.08
DEFERRED CREDITS TO INCOME			218,820.74
SURPLUS			50,953,796.87
			$592,021,890.01

See explanatory notes, pages 13 and 14.

MIN 000005209

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31st, 1936

Gross Sales and Earnings		$160,882,734.15
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at current cost		129,811,064.67
Income from operations of mining, smelting, refining and manufacturing plants		$ 31,071,669.48
Other Income—Dividends from subsidiaries not consolidated—see note D page 14	$ 1,562,197.14	
—Other dividends and interest—see note E page 14	558,151.46	
—Miscellaneous income	186,759.62	
—Profit on sale of capital assets	78,540.69	2,385,648.91
Total Income		$ 33,457,318.39
Interest on bonds, debentures and serial notes	$ 3,818,412.48	
Expenses pertaining to non-operating units, including expenses at Cananea during strike period	2,420,080.51	
United States and Foreign Income Taxes—estimated (including $6,256.71 estimated surtax on undistributed income)	2,975,917.76	
Discount, premium and expense on bonds and debentures retired through sinking fund operations	286,970.73	9,501,381.48
		$ 23,955,936.91
Provision for depreciation and obsolescence	$ 7,525,374.16	
Provision for depletion of coal mines, timber lands, phosphate deposits and clay lands (without deduction for depletion of metal mines)	83,488.45	
Discount and expense on bonds and debentures	388,210.02	7,997,072.63
Net Income, without deduction for depletion of metal mines		$ 15,958,864.28
Minority share of income		77,034.69
Consolidated Net Income, without deduction for depletion of metal mines		$ 15,881,829.59

See explanatory notes, page 14.

Consolidated Surplus Account—Year Ended December 31st, 1936

Surplus, December 31st, 1935	$48,235,924.09	
Minority Interest	72,273.25	48,163,650.84
Consolidated Net Income, without deduction for depletion of metal mines		15,881,829.59
		$ 64,045,480.43
Deduct:		
Dividends Nos. 113, 114, 115, 116 and extra		10,842,922.50
		$ 53,202,557.93
Mines and mining claims, plant, development and other expenses on coal mining properties and sawmill written off, the projects being abandoned or discontinued	$ 637,081.32	
Adjustment through dissolution of subsidiary arising from write-down of assets transferred to a wholly owned subsidiary	73,311.49	
Discount and premium on 5% Gold Debentures of Chile Copper Company called on December 1st, 1936 for redemption January 1st, 1937, applicable to such debentures as were redeemed up to and including December 31st, 1936 in accordance with offer to holders of debentures	1,538,368.25	2,248,761.06
Surplus, December 31st, 1936	$51,315,365.88	
Minority Interest	361,569.01	
Consolidated Surplus, December 31st, 1936		$ 50,953,796.87

MIN 000005210

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31ST, 1936

NOTE A—PRINCIPLES APPLYING IN CONSOLIDATION

In order to present the status of the Company's interest in subsidiaries where the interest owned (directly or through other subsidiaries) is 75% or more of the issued stock, the assets and liabilities of said subsidiaries as they appear upon the books of said subsidiaries are distributed under appropriate headings on the Consolidated Balance Sheet, except that four small subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, are carried as investments in the Consolidated Balance Sheet. The interest of minority stockholders of subsidiaries, the accounts of which are consolidated, is shown on the Consolidated Balance Sheet. Accounts of subsidiaries in which the Company's interest is less than 75% of the issued stock are not consolidated and the shares owned in these subsidiaries are carried as investments in the Consolidated Balance Sheet. The term "subsidiaries" is intended to mean corporations in which a majority of the voting stock is owned directly by the Company or through other corporations in which the stock interest of the Company is more than 95%.

NOTE B—BALANCES IN FOREIGN CURRENCIES

Cash balances in foreign currencies (equivalent to $528,408.96 in United States currency) are converted into dollars at rates not more favorable than those effective at December 31st, 1936. Current assets and liabilities at the Toronto plant of Anaconda-American Brass, Ltd. are carried in Canadian currency and have been converted into U. S. dollars at rates not in excess of rates current at December 31st, 1936.

Contingent liabilities existed at December 31st, 1936 (a) for acceptances covering foreign sales of copper discounted in the ordinary course of business at various banks on the greater part of which payments have already been received and (b) for exchange commitments most of which have been liquidated.

NOTE C—EQUITY OF COMPANY IN UNCONSOLIDATED SUBSIDIARIES

The equity of the Company in the assets of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A had decreased at December 31st, 1936, to the extent of $304,552.02, since the dates of acquisition as the result of profits, losses, distributions and surplus adjustments as shown by the books of said unconsolidated subsidiaries, but the cost thereof as shown in the Consolidated Balance Sheet has not been adjusted for such decrease.

NOTE D—INVENTORIES OF METALS AND MANUFACTURED PRODUCTS

The metallic contents of copper ores, concentrates, and cupriferous materials, and zinc and lead ores and concentrates, while in treatment at reduction plants up to the production of blister copper, electrolytic copper, metallic zinc and lead bullion, are classified as metals in process. Blister and electrolytic copper, metallic zinc, lead bullion, and other products and metals produced in connection therewith or therefrom, including stock in works at fabricating plants, are classified as finished.

Inventory in process is calculated at "normal cost" which is below the equivalent of current market for metallic content of such inventories.

Finished metals and manufactured products on hand at December 31st, 1936 (except silver and gold which are carried at market quotations or less), have been valued (a) as to that part of the inventory which was equal to the quantity on hand at December 31st, 1935, at the inventory price of December 31st, 1935, such inventory being carried either at production costs for year 1933 or for years following according to period in which accumulated and (b) as to that part of the inventory which exceeds in quantity inventory on hand at December 31st, 1935 at production costs during the year ended December 31st, 1936. Inventory valuations determined in accordance with the foregoing method were below market prices for the various metals and products at December 31st, 1936.

See Note C to Consolidated Income Account.

NOTE E—SUPPLIES ON HAND

Supplies on hand, including replacement parts as well as current supply items, are carried at cost.

NOTE F—INVESTMENTS—BASIS

Investments in securities of unconsolidated subsidiaries and other security investments are carried at cost or less, such cost being cash cost, or in the case of securities issued in exchange for property transferred by the Company or a consolidated subsidiary, the cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Other security investments include 333,000 shares of Inspiration Consolidated Copper Company carried at $10,914,107.51.

NOTE G—PROPERTY, PLANT AND EQUIPMENT—BASIS OF VALUATION

(a) Property, Plant and Equipment of the Company are carried at cash cost or in the case of physical properties acquired for stock of the Company at par value of such stock.

(b) Property, Plant and Equipment of subsidiaries (the accounts of which are included in this Consolidated Balance Sheet) are carried at the difference between (1) the investment basis for the respective subsidiary as set forth below, and (2) all net assets (other than property, plant and equipment) of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries, to which is added the cost of subsequent acquisitions. Such investment basis is the cash cost to the consolidated group of the stock of the respective subsidiary owned by such group, where the same was acquired by the group for cash, or where the same was acquired by the consolidated group for stock of the Company, the par value of the stock of the Company so issued, except as to properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, which properties are included in the Consolidated Balance Sheet at the original par value of the shares of those companies issued therefor (i.e., $25 per share), amounting in the case of Andes Copper Mining Company to 1,000,000 shares and in the case of Santiago Mining Company to 70,566 shares. Of said stock of Andes Copper Mining Company issued for property 998,036 shares were acquired by the Company and subsidiaries at less than the original par value thereof and of said stock of Santiago Mining Company 65,431 shares were acquired (in 1930) by the Company at less than the original par value thereof. The 65,431 shares of Santiago Mining Company prior to their acquisition by the Company were carried in the consolidated financial statements as outstanding minority interest at par from the date when Santiago Mining Company was first included in such statements. Upon the acquisition of such shares by the Company in 1930 the difference of $1,519,565.66 between the par value thereof and the cost of such shares to the Company was transferred from minority interest to consolidated surplus. The total amount credited to consolidated surplus on account of the difference between the par value of the above mentioned shares of Andes Copper Mining Company and Santiago Mining Company and cost thereof to the Company and its subsidiaries was $23,429,105.38.

(c) It has been the practice of the Company, consistently applied to its own properties and those of subsidiaries the stocks of which have been acquired and the accounts of which are included in the Consolidated Balance Sheet, to carry Property, Plant and Equipment as described above. Pursuant to the requirements of the United States Treasury Department, valuations as of March 1st, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for "depletion" in arriving at taxable income under the Federal income tax laws, but these values have not been included in the published accounts of the Company.

The Company has consistently followed the practice of not deducting in any of its published accounts, any amount for depletion on account of metals mined, and no such deduction is included in any of the financial statements submitted herewith.

Depletion based on cost has in the case of timber, coal, clay and phosphate lands, been deducted from income in the financial statements submitted herewith and also from the cost basis shown in the Consolidated Balance Sheet.

(d) The values of Property, Plant and Equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

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NOTE H—ORES PRODUCED DURING DEVELOPMENT PERIOD

Ores produced during development period not being currently treated are carried at cost of extraction which is less than a conservatively estimated realizable value.

NOTE I—CUPRIFEROUS MATERIAL

Cupriferous material held for future treatment is valued at United States Treasury Department valuation for income tax purposes, which is less than the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by metallurgists of the Company.

NOTE J—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture providing for the issue of the 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, due 1950, the Company was obligated on August 15th, 1936 and will be obligated on August 15th of each year thereafter, to and including August 15th, 1949, to pay to the Trustee, for the purposes of the sinking fund for the retirement of debentures, an amount equal to $1,000,000 plus 20% of the consolidated net income of the Company (as defined in the indenture) for the period of twelve months ended on the next preceding December 31st or in lieu of such payment, the Company may deliver to the Trustee debentures to be received by the Trustee in lieu of an amount of cash equal to the purchase price of such debentures paid by the Company in the acquisition thereof. Under these provisions there were deposited with the Trustee on August 15th, 1936 debentures of the par value of $3,129,000 in full satisfaction of the sinking fund payment due on that date. There was also on December 30th, 1936 set aside out of the profits of the year 1936 and deposited in trust with Guaranty Trust Company of New York $3,196,129, being an amount equivalent to 20% of the estimated consolidated net income of the year 1936, to be used either in the purchase of debentures for cancellation in the sinking fund or to the extent not so used to be paid into the sinking fund on August 15th, 1937.

On December 1st, 1936 the outstanding Chile Copper Company 5% Debentures were called for redemption. On December 10th, 1936 Chile Copper Company offered to make full payment of principal, premium and interest due January 1st, 1937 on debentures presented at any time after December 10th. Of the total amount of debentures covered by the call for redemption, $16,989,500 face value were presented for redemption before January 1st, 1937. The remaining debentures, $9,077,500 principal amount, were retired in accordance with the provisions of the call for redemption as of January 1st, 1937. The amount of $821,951.06 included in discount, premium and expense on bonds and debentures in respect of said $9,077,500 principal amount of debentures will be written off as of January 1st, 1937.

Under the sinking fund provision of the indenture providing for the issue of First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company the annual cash sinking fund requirements for 1937 will amount to $105,000.

NOTE K—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $21,909,539.72 arising from inclusion in Consolidated Balance Sheet of assets and liabilities of Andes Copper Mining Company at the amounts shown on its books (see note G), (b) a credit of $1,519,565.66 arising from acquisition in 1930 of minority shares in Santiago Mining Company issued for property and carried at their par value, said amount representing the excess of par value over acquisition cost, (c) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (d) a charge of $11,907,498.50, being discount and expense on issuance, and premium on redemption of bonds, redeemed through funds obtained by issuance of stock above referred to. See paragraph (c) of Note G as to practice regarding depletion.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31ST, 1936

NOTE A—BASIS

Principles applying to the Consolidated Income Account are the same as set forth in Note A to the Consolidated Balance Sheet. The equity of the Company in the income of four small unconsolidated subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, amounted for the year ended December 31st, 1936 to $18,956.17.

Sales of metals and manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Income Account.

NOTE B—INTER-COMPANY SALES AND PROFITS

Sales to consolidated subsidiaries have been eliminated and the sales shown in the Consolidated Income Account include only sales to others than the Company and consolidated subsidiaries.

Inter-company profits, where these are material, have been eliminated in the Consolidated Income Account. The principal inter-company transactions are sales of copper and other metals to manufacturing subsidiaries. The inventories of manufacturing subsidiaries include, so far as is ascertainable, no inter-company profit.

Any inter-company profits resulting from transactions in connection with purchases and sales of supplies and furnishing of services and in connection with refining and smelting operations are not material in amount and have not been eliminated.

NOTE C—COST OF SALES

The general practice of inventory valuation followed in the year ended December 31st, 1936 was as follows:

In ascertaining consolidated income during the year 1936, the Consolidated Income Account was stated on the basis of last-in first-out, that is, applying current cost of metal production to sales (see Note A) to the extent of current production and sales in excess of current production were carried in the Consolidated Income Account at the inventory cost, such cost being the same as the inventory cost used for Balance Sheet purposes. (See Note D to Consolidated Balance Sheet.)

NOTE D—DIVIDENDS AND EARNINGS OF PRINCIPAL UNCONSOLIDATED SUBSIDIARIES

In the year 1936 the equity of the Company in the combined net current earnings of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A amounted to $1,966,416.45. Out of that equity there was paid to the Company the amount of $1,562,197.14 in dividends by said unconsolidated subsidiaries.

NOTE E—INTEREST—INSPIRATION CONSOLIDATED COPPER COMPANY

There is included in Income Account under the item "Other Dividends and Interest" interest on notes of Inspiration Consolidated Copper Company, in the amount of $388,519.15 for the year ended December 31st, 1936. Such interest has been paid during the year as well as $336,868.08 on account of interest accrued prior to January 1st, 1936.

MIN 000005212

POGSON, PELOUBET & CO.

CABLE ADDRESS "CERTIFIED" NEW YORK

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

AGENTS

LONDON - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
36 WALBROOK, E. C. 4.

PARIS - TURQUAND, YOUNGS, KEMP & CO.
8 RUE DU HELDER

BERLIN - TURQUAND, YOUNGS, KEMP & CO.
UNTER DEN LINDEN 56

EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have made an examination of the Consolidated Balance Sheet as of December 31st, 1936, of Anaconda Copper Mining Company and of the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and of their Consolidated Income and Surplus Accounts for the calendar year 1936.

In connection with our audit we examined or tested the accounting records of Anaconda Copper Mining Company and its consolidated subsidiaries together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1936, but we did not make a detailed audit of the transactions.

The practice of the Company and its subsidiaries with respect to the computation of their net income or net loss without deduction for depletion of metal mines is, in our opinion, in accordance with accepted principles of accounting in industries engaged in the mining of copper, gold, lead, silver and zinc.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted principles of accounting in the industries in which the Company and its subsidiaries operate, consistently maintained by the Company and its subsidiaries, the consolidated position of the Company and its consolidated subsidiaries as of December 31st, 1936 and the combined results of their operations for the calendar year 1936.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 15th, 1937.

MIN 000005213

STATEMENT 1936

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. Walkermine, California

Shipping Point Spring Garden, California

Operating Office
KEARNS BUILDING, SALT LAKE CITY, UTAH

(Incorporated under the Laws of the State of Arizona)

CAPITAL STOCK

COMMON—Authorized	- - - - - -	1,750,000 shares at $1.00 per share
Issued	- - - - - -	1,749,308 shares at $1.00 per share

Directors

J. R. WALKER E. L. MAY J. O. ELTON J. B. WHITEHILL
B. R. HOWELL H. A. GEISENDORFER ROBERT E. DWYER

Officers

J. R. WALKER, President
ROBERT E. DWYER, Vice-President
J. O. ELTON, Vice-President
J. B. WHITEHILL, Secretary-Treasurer

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York City, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Bldg., Salt Lake City, Utah

MIN 000013848

To the Stockholders of the
Walker Mining Company:

Your property was in continuous operation during the entire year. The rehabilitation of the mine, which began in 1935 after a long shut down period, was continued throughout the year.

Development was pushed, particularly on the 900 and 1000 levels beneath the North ore body where large blocks of good grade ore were known to exist. In addition to this, the 1082 winze, which is the main hoisting shaft for the lower levels at present, was sunk an additional 187 feet, the total depth now being 233 feet below the 1000 level. The winze reached the 1200 level where development has just started. The total advance for the purpose of developing ore was over a mile (5585 feet). In addition to this it was necessary to drive 8322 feet of new workings for the purpose of opening up and preparing additional blocks of ore for mining.

This program of development has not only increased the tonnage and grade of ore available for mill feed, but has maintained our supply of ore available for mining.

New equipment has been purchased and installed in the mill, shops and mine to the extent of $46,071.18 that has added greatly to the efficiency of operation.

Ore Broken During the Year ..... 468,453 tons

The mill operated 359 days treating an average of 1264 tons per working day.

Ore Milled ..... 453,794 tons
Concentrate Produced ..... 21,998 tons

There were delivered and sold to the smelter, 22,210.46 tons of concentrates.

The total metal paid for was as follows:

9,614,277 lbs. of copper; 268,140.69 ozs. of silver; 11,666.57 ozs of gold.

The cost of producing copper per pound sold, after deducting silver and gold credit and adding cost of smelting, freight and refining, was, before depreciation, 9.399c per pound. The average price received was 9.486c per pound copper.

It will be seen that the years operation resulted in a practical breakeven at the price of copper prevailing during 1936.

With the physical condition of the mine and mill better than at the beginning of the year, and the prospects for a higher price for copper, operations for 1937 should show a substantial profit.

The financial statements of your Company for the year ending December 31, 1936, are herewith submitted for your information.

Respectfully,
J. R. WALKER,
President.

NOTE: The date of signing this letter is March 26, 1937. The price of copper, Eastern Seaboard, is 16.5 cents per pound.

MIN 000013849

Walker Mining Company

BALANCE SHEET — DECEMBER 31st, 1936

ASSETS

FIXED ASSETS — See Note A:			
Mines, mining claims and development		$1,323,871.18	
Plant and equipment at mine, mill, camp and shops and aerial tramway	$1,529,694.72		
Less reserve for depreciation	978,076.72	551,618.00	$1,875,489.18
EXPENSES PREPAID			1,489.90
CURRENT ASSETS:			
Supplies on hand—at cost		$ 124,352.72	
Ores and concentrates on hand—at cost		354,305.36	
Indebtedness of affiliates		3,630.03	
Accounts receivable		7,213.89	
Cash		8,570.42	498,072.42
			$2,375,051.50

LIABILITIES

CAPITAL STOCK:		
Authorized—1,750,000 shares of the par value of $1.00 each		
Issued and outstanding—1,749,308 shares		$1,749,308.00
CURRENT LIABILITIES:		
Accounts payable—trade	$ 57,485.70	
Wages payable	23,428.25	
Accrued taxes	5,256.71	
Indebtedness to affiliates	54,214.38	140,385.04
SURPLUS ACCOUNT:		
Surplus December 31st, 1935	$ 516,246.35	
Net Loss of the year 1936, without deduction for depletion	30,887.89	485,358.46
		$2,375,051.50

NOTE A—Fixed Assets—Basis of Valuation:

Mines, mining claims, development and plant and equipment at mine, mill, camp and shops and aerial tramway of Walker Mining Company are carried on its books at cost, such cost being represented in the case of mines and mining claims to the extent of $1,250,000.00 by par value of capital stock issued therefor and in the case of all other fixed assets by cash cost thereof.

Depreciation has been written off on a unit of production basis.

In order to comply with the Government income tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the registrant; but being made in compliance with the Regulations of the Bureau of Internal Revenue only the result of such entries is omitted from the current statements.

The values of Fixed Assets are shown on the basis above set forth and do not indicate current values which could be established only by current appraisals.

Walker Mining Company

INCOME ACCOUNT — YEAR ENDED DECEMBER 31st, 1936

Sales of Concentrates		$1,220,012.58
Cost of Sales		1,235,751.05
Operating Loss		$ 15,738.47
Other Income	$25,453.21	
Interest paid	30.38	25,422.83
		$ 9,684.36
Depreciation		$ 40,572.25
Net Loss without deduction for depletion		$ 30,887.89

To the Board of Directors,
Walker Mining Company.
Salt Lake City, Utah.

We have made an audit of the books and records of Walker Mining Company for the year ended December 31, 1936, in the course of which we have visited the Salt Lake City and New York offices of the Company and have satisfied ourselves that the assets and liabilities are correctly stated in accordance with the bases of valuation indicated in the Balance Sheet and Note A thereto, and have made a survey of transactions sufficient to satisfy ourselves that the accompanying Income Account for the year ended December 31st, 1936, is correct as stated, but we did not make a detailed audit of the transactions.

The practice of the Company with respect to the computation of its net income or net loss without deduction for depletion of metal mines is, in our opinion, in accordance with accepted principles of accounting in industries engaged in the mining of copper, silver and gold.

We have examined the minutes of Stockholders' and Directors' Meetings, and the Balance Sheet and Income Account presented herewith are in accord with these minutes.

POGSON, PELOUBET & COMPANY,
Certified Public Accountants.

New York, March 22nd, 1937.

Mr. J. R. Walker, Pres.,

3/13/37

PERIOD - March 1, to 8, 1937, inclusive.

CONCENTRATION OPERATIONS

A record of the ball mill hours and all concentration operations is herewith given:

GRINDING TIME OF THE BALL MILL

PERIOD Total hours operated 730.67 Total hours possible 768.00

DATE	Dry Tons Milled	Heads	Assay % Cu Tails	Concts.	Ratio of Conctn.	Per Cent Recovery	Lbs. Cu. Produced
1	1,435	1.433	0.113	23.60	17.795	92.36	38,068
2	1,353	1.480	0.138	23.90	17.706	91.20	36,524
3	1,375	1.653	0.123	24.60	16.129	93.02	42,286
4	1,435	1.623	0.113	24.60	15.130	93.42	43,536
5	1,364	1.591	0.101	24.00	16.040	94.08	40,820
6	1,411	1.743	0.113	24.70	15.034	93.95	46,212
7	1,399	1.577	0.103	24.20	16.348	93.67	41,420
8	1,148	1.510	0.097	24.21	16.633	93.96	37,576
PERIOD	10,920	1.578	0.113	24.26	16.480	93.28	321,444
	11,138	Mill Tonnage adjustment to compensate 2% unaccountable loss.					

Dry tons of concentrates produced during the period. 662.61

REAGENT DATA

KIND	GALLONS	TONS ORE TREATED	POUNDS TOTAL	POUNDS PER TON OF ORE	COST PER POUND	COST PER TON OF ORE
Lime		10,920	12,600	1.15	.0105	.0121
Pine Oil "F"	365	10,920	2,840	.260	.0769	.0205
Minerec		10,920	2,491	.228	.1326	.0304
Xanthate Z-3		10,920	715	.065	.2776	.0180
Xanthate Z-6						
Grinding Balls		10,920	26,785	2.45	.0313	.0768

Average Grind 1.60% on 48 mesh.

SPRING GARDEN TRAMWAY

The Tramway operated satisfactorily during the period. A record of the tonnage handled is given below:

	Tons Concts. Dry	Tons Back Freight	No. Cars Shipped
PERIOD	641.67	32.63	12

91701
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MIN 000014229

Oct. 27, 1937

Mr. Seth K. Droubay,
Walkermine, Calif.

My dear Droubay:

I am in receipt of your letter and reserve report dated Oct. 11th.

In connection with the Piute developments, it seems to me that we should undertake an exploratory drift in the Piute Vein northerly from the present north face of either the 800 or 900 level. As I recall it, the upper levels ran into oxidized ore as we were approaching the old north slope under a basalt covered surface. We should explore this vein northerly whenever we feel we are deep enough to get under cover under the old surface. I think possibly the records of the drilling done to the north by J. R. Walker and associates, would show us the elevation of the old surface.

I suggest the above development because the vein is still big and strong the last we see of it on these levels and there is a chance of a zone of enrichment below the old surface oxidization to the north, furthermore there is a chance of better primary ore in the vein, or at least a chance of a continuation of the Piute type of ore.

I do not know the present status of the Walker Mine operation. The above suggested development is subject to present conditions prevailing at the property as to allowable expenditures for development.

Yours very truly,

RENO H. SALES

RHS:KM
cc:Messrs. Bayer
Elton
Lyon

November 8, 1937

Mr. J. O. Elton, Manager
International Smelting and Refining Company
O f f i c e s

Walker

Dear Sir:

Pursuant to your request I visited the Walker mine Saturday, November 5th to find out whether or not the mining of 300 tons of ore per day would in any way jeopardize the operations when mining is resumed on a large scale.

The area from which it is expected to extract the ore is the top portion of the southern end of the Piute ore body, as shown on the accompanying long section. You will note that the stopes in this area have reached a point a short distance below the outcrop. It is believed that after the Spring run-off a large portion of these backs will cave, in which case the ore now in the back of the stope, and the broken ore in the stope, will be so badly diluted that it will not be profitable to extract and mill it.

If part of the shut down expense could be eliminated by the mining of this ore, it would be in my opinion a good thing to do.

The operation recommended by Mr. Bayer will employ 78 men who will all be married men and whose families are now residing at the Walker. In many cases these men have spent their own money in the erection of houses and laying in the winter supplies and are now absolutely without capital to finance a search for work. If the mine could be kept open and employ these men, it would save a lot of suffering for themselves and families during the coming winter.

Very truly yours,

TL:P Negative of long section in Mine Foreman's room

Tom Lyon

ANACONDA
COPPER MINING COMPANY

ANACONDA

REPORT

FOR THE YEAR ENDED DECEMBER 31st

1937

MIN 000005181

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ANACONDA COPPER MINING COMPANY

ANACONDA

THE AMERICAN BRASS COMPANY

LOCATION OF MANUFACTURING PLANTS

[illegible] BUFFALO, N. Y. DETROIT [illegible] CHICAGO, ILL. [illegible]
WATERBURY CONN. NEW KENSINGTON, ONTARIO, CANADA

SOME OF THE INDUSTRIES SERVED

Air-Conditioning	Chemical	Light and Power	Petroleum
Automotive	Electrical Equipment	Machinery	Pulp and Paper
Aviation	Hardware	Marine	Railroad
Brewing	Heating	Metal Fabricating	Refrigeration
Building	Jewelry	Mining	Textile

PRINCIPAL PRODUCTS

COPPER, BRASS, BRONZE AND NICKEL SILVER — SHEETS, WIRE, RODS, TUBES

Beryllium Copper	Drawn Sections	Nickel Silver
Brass Pipe	Extruded Electrical Conduit	Phosphor Bronze
Brazing Solder	Extruded Tank Plates	Pressure Con[illegible]
Bronze Screen Wire	Extruded Shapes	Pressure Fer[illegible]
Bus Bars and Shapes	Eyelets, Grommets, etc.	Roofing Copper
Condenser and Heater Tubes	Flexible Metal Hose	Table Bronze Shafting
Copper Tubes and Fittings	Free Cutting Brass Rods	Welding Rods

Continuous research has resulted in the practical development of many copper-base alloys with special properties, such as high strength, corrosion resistance and improved fabricating and welding characteristics.

Service Engineers of the Company are constantly cooperating with metal consuming indus[illegible] in finding the solution for special metal problems and in suggesting the correct fabricating procedures.

Warehouses and distributors of the Company are located in principal industrial centers resulting in efficient service and economical distribution. Sales offices are located in the following cities:

	Denver, Colo.	Newark, N. J.	[illegible]
	Detroit, Mich.	New York, N. Y.	[illegible]
	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]

[illegible] Anaconda, Denver, [illegible]

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Anaconda Copper Mining Company

CAPITAL STOCK

December 31, 1937

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954.300

OFFICERS

President	Cornelius F. Kelley
Executive Vice-President	James R. Hobbins
Vice-President and Treasurer	Robert E. Dwyer
Vice-President	Daniel M. Kelly
Assistant to the President	Elbert O. Sowerwine
Secretary and Assistant Treasurer	David B. Hennessy
Comptroller	James Dickson
General Auditor	W. Kenneth Daly
Assistant Secretary	Kenneth B. Frazer

DIRECTORS

John A. Coe
Robert E. Dwyer
E. Roland Harriman
James R. Hobbins
Cornelius F. Kelley
Harry H. Moore
James H. Perkins
William C. Potter
William D. Thornton

OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York

MIN 000005183

To the Shareholders of

ANACONDA COPPER MINING COMPANY

THE improved demand for metals and metal products which characterized the close of 1936 continued to increase rapidly during the first quarter of the year, and in the foreign markets continued at a satisfactory level throughout the year. In the domestic market, however, the rapid increase in demand halted in April and from thence to the close of the year volume in the non-ferrous metal industries experienced the same precipitous decline that characterized all the other heavy industries, as evidenced by the drop in deliveries from 95,884 short tons in April to 18,103 tons in December.

World production of primary blister copper totalled 2,475,410 tons, of which 1,607,407 tons were foreign and 868,003 tons, including approximately 14,393 tons imported from the Philippine Islands, Cuba, and in fluxing ores, were domestic duty free, an increase of approximately 37% over 1936. Foreign production established a new high record, approximately 34% over that of the prior year. World production of primary refined copper was 2,411,382 tons, of which 850,134 tons were duty free and 1,561,248 tons were foreign.

World consumption of primary copper amounted to 2,293,362 tons, the largest on record, an increase of 19.4% over 1936 and exceeded by 16.75% the previous record made in 1929. Deliveries in the domestic market were 689,053 tons, an increase of 3.8% over 1936 and amounted to 80.3% of 1929. Foreign consumption amounted to 1,604,309 tons, an increase of 27.6% over 1936, exceeding deliveries in 1929 by 45%. Including secondary copper retreated by primary refineries, domestic deliveries amounted to 803,095 tons, an increase of 5% over the prior year.

Stocks of duty-free refined copper in the United States were reduced from 161,068 tons on January 1st to 99,576 tons on April 30th, but thereafter increased to 259,351 tons on December 31st, notwithstanding curtailment of production due to decreased demand and declining prices. Foreign refined stocks increased from 192,255 tons on January 1st to 211,844 tons at the close of the year.

Production of zinc in the United States was 589,932 tons, an increase of 12.8% compared with the prior year, and consumption amounted to 570,111 tons, an increase of 1.4%. Stocks of zinc on hand at the close of the year totalled 64,776 tons.

The continually increasing demand in all markets was accompanied by widespread speculation, (chiefly foreign), in all commodities, including the non-ferrous metals, causing a rapid advance in prices. The situation as affecting copper was met by increasing production as rapidly as possible and by liberal forward selling, with the result that actual consumers of copper were able to cover their requirements at average prices below the higher quotations, and comparatively little metal, particularly in the domestic market, was actually sold at the higher levels.

Although quoted at 16.775¢ per pound for a short period in March, the price of copper in the domestic market averaged 13.167¢ per pound for the year and closed at

MIN 000005184

9.9¢ per pound. Export copper reached a high of 17.150¢ in March, averaged 13.018¢, and closed the year at 9.5¢. Zinc advanced from 5.45¢ to 7.5¢ but dropped to 5.00¢ per pound. The price for silver mined in the United States in 1937 was unchanged at 77.57¢ per ounce. By the President's proclamation of December 30, 1937, the price for domestic silver mined on or after January 1, 1938, was fixed at approximately 64⅛¢ per ounce. There was practically no fluctuation in the price of foreign silver throughout the year. There was no change in the United States Treasury price of $35.00 per ounce for gold.

The prices of the principal metals as reported by the Engineering & Mining Journal were as follows:

	Jan. 2	*High*	*Low*	*Dec. 31*	*Average*
COPPER–Duty Free f.o.b. Refinery–per lb.	11.775¢	16.775¢	9.900¢	9.900¢	13.167¢
COPPER–Export f.o.b. Refinery–per lb.	11.625	17.150	9.325	9.500	13.018
LEAD –New York–per lb.	6.000	7.750	4.750	4.750	6.009
ZINC –St. Louis–per lb.	5.450	7.500	5.000	5.000	6.519
SILVER –New York (not covered by President's Proclamations)–per oz.	45.000	46.750	44.750	44.750	44.883

FINANCIAL

The gross sales and earnings of the Company upon a consolidated basis, (after elimination of inter-company items), totalled $233,916,532.07, an increase of $73,033,797.92 or 45.4%, compared with the prior year. The larger sales volume of metals and metal products and higher average prices account for this increase.

The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income and undistributed profits taxes, amounted to $181,739,984.57.

The income from operations was	$52,176,547.50
Other Income, including Dividends from non-consolidated subsidiaries, was	2,551,617.91
Total Income was	$54,728,165.41
Deductions from Income for Interest on Bonds and Current Obligations $3,041,675.72, Expenses pertaining to Non-operating units $415,479.37, United States and Foreign Income Taxes $8,575,529.81, and Discount, etc., on Bonds and Debentures retired through sinking fund operations $390,118.13, amounted to	12,422,803.03
Leaving a Balance of	$42,305,362.38
Provision for Depreciation and Obsolescence and for Depletion of Coal Mines, Timber Lands, and Phosphate Deposits was $9,214,029.83, Reduction to market quotations of excess inventory at fabricating and secondary metal plants $1,191,185.28, and Current Discount and Expenses on Bonds and Debentures was $168,108.09, a total of	10,573,323.20
Net Income, without deduction for depletion of metal mines, was	$31,732,039.18
Of which Minority Share amounted to	344,177.23
Leaving Consolidated Net Income of	$31,387,861.95

MIN 000005185

The net income reflects sales of metals and manufactured products invoiced to customers. Forward sales contracts are not reflected in the income account. Metals accumulated by fabricating plants under purchase contracts and by refineries from secondary metal intake, which were unsold at the close of the year, were written down to market quotations resulting in a deduction of $1,191,185.28 from income. Silver and gold were carried at market prices. Other metals were inventoried at cost, which was below market price.

The funded debt of the Company and its subsidiaries was reduced $9,780,000 during the year. $3,962,000 par value of the 4½% Sinking Fund Debentures of the Company were retired through the operation of the sinking fund (for which $3,196,129 was on deposit with the Trustee on December 31, 1936); $320,000 par value were purchased and held in the treasury; $4,000,000 of the serial notes of Chile Exploration Company were paid; and $1,498,000 First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company outstanding at the beginning of the year were redeemed on August 1, 1937.

Funds for the redemption of the Twenty-Year 5% Debentures of Chile Copper Company remaining outstanding at December 31, 1936 in the amount of $9,077,500 par value had been deposited with the Trustee prior to December 31, 1936, for the redemption of said bonds as of January 1, 1937.

Under the terms of the Indenture covering the 4½% Sinking Fund Debentures of the Company, there will be paid into the sinking fund on August 15, 1938, an amount equivalent to the sum of $1,000,000, plus 20% of the consolidated net income of the Company as therein defined, for the year ended December 31, 1937, or approximately $7,277,000, or in lieu thereof, in whole or in part, debentures at cost. Debentures held in the treasury at the close of the year to apply against this sum amount to $320,000 par value.

No payments were made by Inspiration Consolidated Copper Company on principal of notes of $7,643,000 due from that company but all current interest payments have been made.

Capital expenditures during the year amounted to $8,622,564.10, summarized as follows:

Mines, Mining Claims and Lands	$ 321,211.71
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries	6,972,810.86
Miscellaneous—Including subscription to stock of National Tunnel & Mines Company and acquisition of shares of stock of other subsidiary companies	1,328,541.53

Current assets at the close of the year amounted to $99,859,662.11 compared with $82,268,579.93 at the close of the prior year, and current liabilities to $20,074,990.72 compared with $15,442,097.08. The increase in current liabilities is accounted for by accrued taxes which amounted to $10,768,944.40 compared with $4,584,115.49 at the close of the prior year.

Charges to surplus for the year totalled $1,058,736.12, accounted for by that portion of the discount and premium applicable to 5% Debentures of Chile Copper

MIN 000005186

Company redeemed on January 1, 1937, and discount and premium on First Mortgage 5% Sinking Fund Bonds of Butte, Anaconda & Pacific Railway Company redeemed on August 1, 1937, in the amount of $907,336.12; and loss of $151,400.00 on investment in Anaconda Copperclad Company, whose properties were sold and whose affairs were liquidated during the year.

The dividends declared and paid during the year on the capital stock of your Company amounted to $15,180,091.50, or $1.75 per share.

There has been no change in the list of principal subsidiary companies included in the consolidated report.

CORPORATE TRANSACTIONS

On March 15, 1937, Utah-Delaware Mining Company, a wholly-owned subsidiary of International Smelting and Refining Company, was consolidated with Utah Apex Mining Company, the name of the consolidated corporation being National Tunnel & Mines Company. International Smelting and Refining Company received in exchange for its interest in Utah-Delaware Mining Company 328,200 shares of stock of the consolidated corporation, and Anaconda Copper Mining Company received 200,000 shares in exchange for 200,000 shares of Utah-Delaware Mining Company stock subscribed for by it at $5 per share. To December 31, 1937 $650,000 had been paid upon this subscription, the balance of $350,000 being payable upon demand, but not later than December 31, 1938. The combined holdings, 528,200 shares, represent 50% of the total authorized and issued stock of National Tunnel & Mines Company. That company is now constructing a tunnel from a point near the Tooele smelter in Utah to its Bingham properties, to more thoroughly prospect its mining claims, to reduce the costs of pumping, hoisting and transportation and to provide a conduit for delivery of water for irrigation, industrial and domestic use. The tunnel will have an approximate length of 23,000 feet, of which 5,103 feet had been driven at December 31, 1937.

During 1937, the Company increased its ownership in the stock of Anaconda Wire and Cable Company from 279,222 shares to 281,822 shares, or 66.78% of total issue of 421,981 shares outstanding; and of Mountain City Copper Company from 1,457,134 shares to 1,462,234 shares, or 61.66% of total issue of 2,371,427 shares.

OPERATIONS

To meet the increased demand, production of copper by the Company and its consolidated subsidiaries was increased progressively until in May an output of approximately 85,000,000 pounds, an increase of more than 100% above the production of the same month in the previous year, was reached. The general recession of business thereafter in the United States forced a curtailment in the production of its domestic mines. During the month of January operations at the zinc plants at Anaconda and Great Falls were suspended as the result of the extremely cold weather which prevailed, causing a shortage of water available for power. These operations were resumed in February and the mines, reduction, refining and fabricating plants of the Company operated continuously thereafter during the year, with the exception that due to a further shortage of water the operations of the electrolytic copper plant at Great Falls were suspended for the period, July 29, to August 31, 1937, and the operations of the zinc plants were

MIN 000005187

drastically curtailed during the months of July, August and September. In order to fill the commitments that had been made for the delivery of copper and zinc it was necessary for the Company during this period to purchase the required metals on the outside market. This resulted in a diminution of earnings during the third quarter, and likewise caused an accumulation of metal at the end of the year.

The Polson Power Project of the Montana Power Company, having a continuous capacity of 56,000 Kilowatts, will be ready for operation during the early Summer of the current year and no further shortage of power is anticipated, even under the most unfavorable weather conditions.

Copper:

The total output of copper by the plants of the Company aggregated 1,211,791,560 pounds. The metallic copper production, after deduction of 447,011 pounds (of which 129,132 pounds were from Company mines) contained in by-product materials sold to others, was 1,211,344,549 pounds obtained from the following sources: 270,077,227 pounds were treated on toll for the account of others; 97,645,160 pounds were produced from purchased ores, concentrates and secondary metals; leaving a net production from the mines of your Company and its consolidated subsidiary mining companies through copper plant operations of 843,622,162 pounds, compared with 552,807,952 pounds in 1936, an increase of 52.6%. This copper production exceeded by more than 39,000,000 pounds, or 4.9%, the previous record production of the properties made in 1929.

Total deliveries of copper from all sources including purchased copper for the year in both the domestic and foreign markets amounted to 1,072,289,658 pounds.

Zinc:

Total zinc production was 209,335,808 pounds of which 180,513,935 pounds were from purchased materials and 28,821,873 pounds from the mines of the Company. Of total production 10,811,431 pounds were contained in by-product materials sold to other companies; 4,645,486 pounds were in the form of zinc dross; 1,770,821 pounds retort zinc produced for our account by other companies; and 192,108,070 pounds were electrolytic zinc produced by the plants of the Company. Deliveries of zinc (produced and purchased) amounted to 213,454,581 pounds including zinc delivered to the manufacturing and zinc oxide plants of the Company.

Lead:

The total production of lead was 107,908,357 pounds. Of this amount 505,272 pounds were treated on toll for the account of others; 97,557,707 pounds were produced from purchased ores, concentrates, etc., and 9,845,378 pounds from the mines of the Company. Of the aggregate production 24,643,873 pounds were included in by-products sold to other companies and 83,264,484 pounds were produced in metallic form by the plants of the Company. Deliveries of lead during the year, including that used in the manufacture of white lead, were 95,976,461 pounds.

Silver:

The Company produced 17,825,832 ounces of silver, of which 1,758,547 ounces were treated on toll for account of others, 7,531,830 ounces were produced from purchased

MIN 000005188

ores and concentrates, and 8,535,455 ounces were produced from Company ores. Of the above total 2,246,236 ounces were contained in by-product materials sold to other companies.

Gold:

Gold production amounted to 197,844 ounces, of which 42,402 ounces were contained in materials treated on toll for the account of others, 109,615 ounces came from purchased materials, and 45,827 ounces from the mines of the Company. Of this amount 6,699 ounces were sold in the form of various by-product materials to other companies.

Miscellaneous:

Miscellaneous products consisted of 108,062,552 feet of lumber; 45,861 tons treble-superphosphate and phosphoric acid; 8,177 tons arsenic; 891,357 pounds cadmium; 145,925 pounds nickel sulphate; and 299,315 pounds copper sulphate.

Fabricating Plants:

The shipments of manufactured products from the plants of The American Brass Company (including Toronto Plant) and Anaconda Wire and Cable Company amounted to 744,661,851 pounds, an increase of 9% over those of the prior year.

Non-Consolidated Subsidiary Mining Companies:

The Mountain City Copper Company produced 32,993,769 pounds of recoverable copper from ores and concentrates shipped. The Walker Mining Company produced 9,823,851 pounds of recoverable copper from concentrates shipped.

SILESIAN-AMERICAN CORPORATION

The Silesian-American Corporation and its subsidiaries continue to be adversely affected by exchange restrictions in Poland and Germany and by the maintenance of Polish currency on a gold basis whereas the major portion of products must be sold in World markets in competition with other companies operating in countries with depreciated currencies.

The principal amount of bonds of Silesian-American Corporation outstanding at the end of the year was $4,309,000, a reduction of $1,036,000 during the year 1937.

EMPLOYEES

During the year 1937 the average number of employees of the Company and its consolidated subsidiary companies was 44,148, of which 29,769 were within the United States. The average number of employees in the United States increased from 27,944 in January to 32,213 in June, but dropped to 25,025 in December.

GROUP INSURANCE

The Group Insurance in force at the close of the year amounted to $40,719,250, covering 27,234 employees.

The amount of insurance paid to beneficiaries during the year was $511,500.

MIN 000005189

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1937, was 107,596 as compared with 106,745 at the close of the prior year.

The Directors regret to record the deaths during the year of Col. Grayson M.-P. Murphy, who served as a Director of the Company from June, 1933, to the date of his death, October 18, 1937; and of Andrew J. Miller, who served as a Director of the Company from May 19, 1915, until the date of his death, October 31, 1937.

The vacancies caused by the decease of the above Directors have been filled by the election of Mr. E. Roland Harriman and Mr. Harry H. Moore, respectively.

FINANCIAL STATEMENTS

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and consolidated subsidiary companies at the close of business December 31, 1937, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, Certified by Messrs. Pogson, Peloubet & Co., Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
President.

New York, N. Y., March 26, 1938.

MIN 000005190

POGSON, PELOUBET & CO.

CABLE ADDRESS "CERTIFIED" NEW YORK

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

AGENTS

EUROPE - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
LONDON AND PARIS

EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have made an examination of the Consolidated Balance Sheet as of December 31st, 1937, of Anaconda Copper Mining Company and of the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and of their Consolidated Income and Surplus Accounts for the calendar year 1937.

In connection with our audit we examined or tested the accounting records of Anaconda Copper Mining Company and its consolidated subsidiaries together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1937, but we did not make a detailed audit of the transactions.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures appropriately applied and consistently maintained (except that metals accumulated under purchase contracts by fabricating plants and from secondary metal intake which were unsold at December 31st, 1937 were written down to market quotations at that date by a charge to income) the consolidated position of the Company and its consolidated subsidiaries as of December 31st, 1937 and the combined results of their operations for the calendar year 1937.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 18th, 1938.

MIN 000005191

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1937

ASSETS

FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$290,153,909.77	
Coal mines, timber lands and phosphate deposits—see note G	$ 9,545,269.67		
Less reserve for depletion	2,143,911.03	7,401,358.64	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks, steamships and railroads (including railroad concessions to the extent of $945,122.66)—see note G	$289,344,000.65		
Less reserve for depreciation	148,389,906.44	140,954,094.21	
Patents		6,105.00	
Investments:			
Securities of subsidiaries not consolidated—see notes C and F	$ 15,684,234.10		
Other security investments—see note F	15,252,436.34		
Indebtedness of subsidiaries not consolidated—not current	770,719.88	31,707,390.32	$470,222,857.94
DEFERRED CHARGES:			
Stripping and development		$ 6,782,194.79	
Prepaid expenses		327,571.41	
Deferred expenses		368,192.31	
Discount and expense on debentures		2,016,834.87	9,494,793.38
CURRENT AND OTHER ASSETS:			
Current assets:			
Supplies on hand—see note E page 13	$ 15,687,282.05		
Metals and manufactured products:			
In process—see note D page 13	7,774,819.50		
Finished—see note D page 13	51,364,458.85		
Accounts and notes receivable—trade, less reserve	7,147,572.58		
Indebtedness of subsidiaries not consolidated—current	3,250,122.20		
Marketable securities—at cost (market value $515,997.84)	943,531.37		
Cash	13,691,875.56	$99,859,662.11	
Other assets:			
Installment house and land sales and other accounts receivable, less reserve	$ 1,106,230.28		
Advances to sundry mining companies, including advances on ores, less reserve	122,118.86		
Ores produced during development operations held for future treatment—see note H	1,329,298.51		
Cupriferous material held for future treatment—see note I	3,047,069.54		
Notes receivable of Inspiration Consolidated Copper Company secured by First Mortgage Bonds of that company in the principal amount of $7,643,000 (being total amount of said bonds issued)	7,643,000.00	13,247,717.19	113,107,379.30
			$592,825,030.62

See explanatory notes, pages 13 and 14.

MIN 000005192

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1937

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in treasury or through subsidiaries	244,748 shares		12,237,400.00
Outstanding	8,674,338 shares		$433,716,900.00
CAPITAL STOCK AND SURPLUS of subsidiary companies owned by minority interest			4,625,444.44
DEBENTURES AND NOTES OUTSTANDING:			
Anaconda Copper Mining Company—4½% Sinking Fund Debentures due 1950—see note J		$ 47,909,000.00	
Less held in treasury		320,000.00	
		$ 47,589,000.00	
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1939 to December 10th, 1941, interest 2½% to 3½% (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		19,000,000.00	66,589,000.00
RESERVES:			
For repairs, renewals and replacements		$ 350,561.02	
For workmen's compensation insurance, etc.		845,262.04	
For contingencies		275,000.00	1,470,823.06
CURRENT LIABILITIES:			
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1938 (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		$ 2,000,000.00	
Accounts payable—trade		4,920,463.41	
Wages payable		1,078,988.87	
Accrued taxes		10,768,944.40	
Accrued interest		574,763.06	
Other accrued liabilities		195,436.26	
Other accounts payable		536,394.72	20,074,990.72
DEFERRED CREDITS TO INCOME			245,041.20
SURPLUS			66,102,831.20
			$592,825,030.62

See explanatory notes, pages 13 and 14.

MIN 000005193

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31st, 1937

Gross Sales and Earnings		$233,916,532.07
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at current cost		181,739,984.57
Income from operations of mining, smelting, refining and manufacturing plants, before deducting depreciation and depletion		$ 52,176,547.50
Other Income—Dividends from subsidiaries not consolidated—see note D page 14	$ 1,741,190.10	
—Other dividends and interest—see note E page 14	597,232.62	
—Miscellaneous income	213,195.19	2,551,617.91
		$ 54,728,165.41
Interest on bonds, debentures and serial notes	$ 3,041,675.72	
Expenses pertaining to non-operating units	415,479.37	
United States and foreign income and excess profits taxes—estimated (including $256,139.61 estimated surtaxes on undistributed income)	8,575,529.81	
Discount, premium and expense on bonds and debentures retired through sinking fund operations	390,118.13	12,422,803.03
		$ 42,305,362.38
Provision for depreciation and obsolescence	$ 9,114,754.77	
Provision for depletion of coal mines, timber lands and phosphate deposits (without deduction for depletion of metal mines)	99,275.06	
Reduction to market quotations of excess metal inventory at fabricating and secondary metal plants	1,191,185.28	
Current discount and expense on bonds and debentures	168,108.09	10,573,323.20
Net Income, without deduction for depletion of metal mines		$ 31,732,039.18
Minority share of income		344,177.23
Consolidated Net Income, without deduction for depletion of metal mines		$ 31,387,861.95

See explanatory notes, page 14.

Consolidated Surplus Account—Year Ended December 31st, 1937

Surplus, December 31st, 1936	$ 51,315,365.88	
Minority interest	361,569.01	$ 50,953,796.87
Consolidated Net Income, without deduction for depletion of metal mines		31,387,861.95
		$ 82,341,658.82
Deduct:		
Dividends Nos. 117, 118, 119 and 120		15,180,091.50
		$ 67,161,567.32
Discount and premium on 5% Gold Debentures of Chile Copper Company due 1947 called on December 1st, 1936 for redemption January 1st, 1937, being that proportion applicable to debentures called for redemption January 1st, 1937 and not theretofore presented, and discount and premium on First Mortgage 5% Sinking Fund Gold Bonds of Butte, Anaconda & Pacific Railway Company, due 1944 called on June 15th, 1937 for redemption August 1st, 1937	$ 907,336.12	
Loss on investment in unconsolidated subsidiary whose properties were sold and whose affairs were liquidated during the year	151,400.00	1,058,736.12
Surplus, December 31st, 1937	$ 66,547,913.27	
Minority interest	445,082.07	
Consolidated Surplus, December 31st, 1937		$ 66,102,831.20

MIN 000005194

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31st, 1937

NOTE A—PRINCIPLES APPLYING IN CONSOLIDATION

In order to present the status of the Company's interest in subsidiaries where the interest owned (directly or through other subsidiaries) is 75% or more of the issued stock, the assets and liabilities of said subsidiaries as they appear upon the books of said subsidiaries are distributed under appropriate headings on the Consolidated Balance Sheet, except that four small subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, are carried as investments in the Consolidated Balance Sheet. The interest of minority stockholders of subsidiaries, the accounts of which are consolidated, is shown on the Consolidated Balance Sheet. Accounts of subsidiaries in which the Company's interest is less than 75% of the issued stock are not consolidated and the shares owned in these subsidiaries are carried as investments in the Consolidated Balance Sheet. The term "subsidiaries" is intended to mean corporations in which a majority of the voting stock is owned directly by the Company or through other corporations in which the stock interest of the Company is more than 95%.

NOTE B—BALANCES IN FOREIGN CURRENCIES

Cash balances in foreign currencies (equivalent to $812,475.19 in United States currency) are converted into dollars at rates not more favorable than those effective at December 31st, 1937. Current assets and liabilities at the Toronto plant of Anaconda-American Brass, Ltd., are carried in Canadian currency and have been converted into U. S. dollars at rates not in excess of rates current at December 31st, 1937.

Contingent liabilities existed at December 31st, 1937 (a) for acceptances covering foreign sales of copper discounted in the ordinary course of business at various banks on the greater part of which payments have already been received and (b) for exchange commitments most of which have been liquidated.

NOTE C—EQUITY OF COMPANY IN UNCONSOLIDATED SUBSIDIARIES

The equity of the Company in the assets of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A had decreased at December 31st, 1937, to the extent of $15,784.48, since the dates of acquisition as the result of profits, losses, distributions and surplus adjustments as shown by the books of said unconsolidated subsidiaries, but the cost thereof as shown in the Consolidated Balance Sheet has not been adjusted for such decrease.

NOTE D—INVENTORIES OF METALS AND MANUFACTURED PRODUCTS

The metallic contents of copper ores, concentrates, and cupriferous materials, and zinc and lead ores and concentrates, while in treatment at reduction plants up to the production of blister copper, electrolytic copper, metallic zinc and lead bullion, are classified as metals in process. Blister and electrolytic copper, metallic zinc, lead bullion, and other products and metals produced in connection therewith or therefrom, including stock in works at fabricating plants, are classified as finished.

Inventory in process is calculated at cost which is below the equivalent of current market or metallic content of such inventories.

Finished metals and manufactured products on hand at December 31st, 1937 (except silver, gold and molybdenite which are carried at market quotations or less), have been valued at cost on the last-in, first-out basis, and prices determined in accordance with this method were below market prices for the various metals and products at December 31st, 1937, except that metals accumulated under purchase contracts by fabricating plants and from secondary metal intake which were unsold at December 31st, 1937 were written down to market quotations at that date.

See Note C to Consolidated Income Account.

NOTE E—SUPPLIES ON HAND

Supplies on hand, including replacement parts as well as current supply items, are carried at cost.

NOTE F—INVESTMENTS—BASIS

Investments in securities of unconsolidated subsidiaries and other security investments are carried at cost or less, such cost being cash cost, or in the case of securities issued in exchange for property transferred by the Company or a consolidated subsidiary, the cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Other security investments include 333,000 shares of Inspiration Consolidated Copper Company carried at $10,914,107.51.

NOTE G—PROPERTY, PLANT AND EQUIPMENT—BASIS OF VALUATION

(a) Property, Plant and Equipment of the Company are carried at cash cost or in the case of physical properties acquired for stock of the Company at par value of such stock.

(b) Property, Plant and Equipment of subsidiaries (the accounts of which are included in this Consolidated Balance Sheet) are carried at the difference between (1) the investment basis for the respective subsidiary as set forth below, and (2) all net assets (other than property, plant and equipment) of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries, to which is added the cost of subsequent acquisitions. Such investment basis is the cash cost to the consolidated group of the stock of the respective subsidiary owned by such group, where the same was acquired by the group for cash, or where the same was acquired by the consolidated group for stock of the Company, the par value of the stock of the Company so issued, except as to properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, which properties are included in the Consolidated Balance Sheet at the original par value of the shares of those companies issued therefor (i. e., $25 per share), amounting in the case of Andes Copper Mining Company to 1,000,000 shares and in the case of Santiago Mining Company to 70,566 shares. Of said stock of Andes Copper Mining Company issued for property 998,036 shares were acquired by the Company and subsidiaries at less than the original par value thereof and of said stock of Santiago Mining Company 65,431 shares were acquired (in 1930) by the Company at less than the original par value thereof. The 65,431 shares of Santiago Mining Company prior to their acquisition by the Company were carried in the consolidated financial statements as outstanding minority interest at par from the date when Santiago Mining Company was first included in such statements. Upon the acquisition of such shares by the Company in 1930 the difference of $1,519,565.66 between the par value thereof and the cost of such shares to the Company was transferred from minority interest to consolidated surplus. The total amount credited to consolidated surplus on account of the difference between the par value of the above mentioned shares of Andes Copper Mining Company and Santiago Mining Company and cost thereof to the Company and its subsidiaries was $23,429,105.38.

(c) It has been the practice of the Company, consistently applied to its own properties and those of subsidiaries the stocks of which have been acquired and the accounts of which are included in the Consolidated Balance Sheet to carry Property, Plant and Equipment as described above. Pursuant to the requirements of the United States Treasury Department, valuations as of

MIN 000005195

March 1st, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for "depletion" in arriving at taxable income under the Federal income tax laws, but these values have not been included in the published accounts of the Company.

The Company has consistently followed the practice of not deducting in any of its published accounts, any amount for depletion on account of metals mined, and no such deduction is included in any of the financial statements submitted herewith.

Depletion based on cost has in the case of timber, coal and phosphate lands, been deducted from income in the financial statements submitted herewith and also from the cost basis shown in the Consolidated Balance Sheet.

(d) The values of Property, Plant and Equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

NOTE H—ORES PRODUCED DURING DEVELOPMENT OPERATIONS

Ores produced during development operations, held for future treatment, are carried at cost of extraction which is less than a conservatively estimated realizable value.

NOTE I—CUPRIFEROUS MATERIAL

Cupriferous material held for future treatment is at a valuation assigned to a certain part thereof by United States Treasury Department for income tax purposes which is less than the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by Metallurgists of the Company.

NOTE J—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture providing for the issue of the 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, due 1950, the Company will be obligated on August 15th, 1938 to pay to the Trustee under the indenture, for the purposes of the sinking fund for the retirement of debentures, an amount equal to $1,000,000 plus 20% of the consolidated net income of the Company (as defined in the indenture) for the period of twelve months ended December 31st, 1937 or in lieu of such payment, the Company may deliver to the Trustee under the indenture debentures to be received by the Trustee under the indenture in lieu of an amount of cash equal to the purchase price of such debentures paid by the Company in the acquisition thereof. The Company has made all payments required under the indenture and has satisfied all other requirements from the date of issue to December 31st, 1937.

NOTE K—FEDERAL INCOME TAXES

A determination of the amounts due for Federal income taxes for the taxable years up to and including that ended December 31st, 1933 has been made by the United States Treasury Department and any amounts due thereunder have been paid. Returns for subsequent years have either not been audited or final determination of additional tax liability, if any, has not been made.

NOTE L—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $21,909,539.72 arising from inclusion in Consolidated Balance Sheet of assets and liabilities of Andes Copper Mining Company at the amounts shown on its books (see note G), (b) a credit of $1,519,565.66 arising from acquisition in 1930 of minority shares in Santiago Mining Company issued for property and carried at their par value, said amount representing the excess of par value over acquisition cost, (c) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (d) a charge of $11,907,498.50, being discount and expense on issuance, and premium on redemption of bonds, redeemed through funds obtained by issuance of stock above referred to. See paragraph (c) of Note G as to practice regarding depletion.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31ST, 1937

NOTE A—BASIS

Principles applying to the Consolidated Income Account are the same as set forth in Note A to the Consolidated Balance Sheet. The equity of the Company in the income of four small unconsolidated subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, amounted for the year ended December 31st, 1937 to $14,481.72.

Sales of metals and manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Income Account.

NOTE B—INTERCOMPANY SALES AND PROFITS

Sales to consolidated subsidiaries have been eliminated and the sales shown in the Consolidated Income Account include only sales to others than the Company and consolidated subsidiaries.

Intercompany profits, where these are material, have been eliminated in the Consolidated Income Account. The principal intercompany transactions are sales of copper and other metals to manufacturing subsidiaries. The inventories of manufacturing subsidiaries include, so far as is ascertainable, no intercompany profit.

Any intercompany profits resulting from transactions in connection with purchases and sales of supplies and furnishing of services and in connection with refining and smelting operations are not material in amount and have not been eliminated.

NOTE C—COST OF SALES

The general practice of inventory valuation followed in the year ended December 31st, 1937 was as follows:

In ascertaining consolidated income during the year 1937, the Consolidated Income Account was stated on the basis of last-in, first-out, that is, applying current cost of metal production to sales (see Note A) to the extent of current production. (See Note D to Consolidated Balance Sheet).

NOTE D—DIVIDENDS AND EARNINGS OF PRINCIPAL UNCONSOLIDATED SUBSIDIARIES

In the year 1937 the equity of the Company in the combined net current earnings of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A amounted to $2,029,957.64. Out of that equity there was paid to the Company the amount of $1,741,190.10 in dividends by said unconsolidated subsidiaries.

NOTE E—INTEREST—INSPIRATION CONSOLIDATED COPPER COMPANY

There is included in Income Account under the item "Other Dividends and Interest" interest on notes of Inspiration Consolidated Copper Company, in the amount of $387,457.62 for the year ended December 31st, 1937. All interest due or accrued on these notes at December 31st, 1937 has been paid.

MIN 000005196

ANACONDA COPPER MINING COMPANY

ANACONDA

AMERICAN WIRE & CABLE COMPANY

LOCATION OF MANUFACTURING PLANTS

ANDERSON, IND.
GREAT FALLS, MONT.
HASTINGS-ON-HUDSON, N.Y.

MARION, IND.
MUSKEGON, MICH.
OAKLAND, CALIF.

ORANGE, CALIF.
PAWTUCKET, R.I.
STOMFORD, CONN.

SOME OF THE INDUSTRIES SERVED

Automotive
Aviation
Building
Electrical Apparatus
Electrical Appliance
Electrical Contracting
Electrical Equipment
Industrial Power Plants
Metal Fabricating
Marine
Mining
Petroleum
Radio
Railroad
Steam
Electric
Refrigeration
Textile
Telephone and Telegraph
Transmission Equipment
Utilities
Power Companies
Municipal Plants
Rural Electrification

PRODUCTS

ELECTRICAL WIRES AND CABLES OF EVERY DESCRIPTION

Bare Wire and Cable
Cable Accessories
Conduit
Compact Rods
Cords
Hollow Conductor Cable
Ignition Cables
Magnet Wire and Cable
Power Cable
Lead, Rubber, Paper, V.C.
Parkway Cable
Rubber Covered Building Wires
Slow Burning Wires and Cables
Varnished Cambric Wires and Cables
Weatherproof Wires and Cables

During recent years, many improvements in the design and construction of wire and cables have been developed in the American Laboratories for use in both the transmission and distribution fields.

A staff of qualified engineers is maintained to assist the light, power and manufacturing industries in the selection and installation of the Company's products so that dependable and efficient service may be attained.

* * *

Conveniently located warehouse and distributor stocks provide a complete and economical nationwide service. Sales offices are located in the following cities:

Atlanta, Ga.
Boston, Mass.
Cleveland, Ohio
Dallas, Texas
Denver, Colo.
Detroit, Mich.
Kansas City, Mo.
Los Angeles, Calif.
Milwaukee, Wis.
Minneapolis, Minn.
New Orleans, La.
Omaha, Neb.
Philadelphia, Pa.
Pittsburgh, Pa.
Rochester, N.Y.
St. Louis, Mo.
San Francisco, Calif.
Seattle, Wash.
Washington, D.C.

General Offices: 25 Broadway, New York

MIN 000005197

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STATEMENT 1937

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. WALKERMINE, CALIFORNIA

SHIPPING POINT SPRING GARDEN, CALIFORNIA

OPERATING OFFICE

KEARNS BUILDING, SALT LAKE CITY, UTAH

(Incorporated under the Laws of the State of Arizona)

CAPITAL STOCK

COMMON—Authorized - - - 1,750,000 shares at $1.00 per share
Issued - - - - - - 1,749,308 shares at $1.00 per share

Directors

J. R. WALKER E. L. MAY J. O. ELTON J. B. WHITEHILL
B. R. HOWELL J. F. DUGAN ROBERT E. DWYER

Officers

J. R. WALKER, *President*
ROBERT E. DWYER, *Vice-President*
J. O. ELTON, *Vice-President*
J. B. WHITEHILL, *Secretary-Treasurer*

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York City, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Bldg., Salt Lake City, Utah

MIN 000001627

To the Stockholders of
Walker Mining Company:

Your property was in full operation from January 1st to October 31st, 1937; from November 1st to November 15th, inclusive, on a shutdown basis; and from November 16th to December 31st, on a curtailed basis approximating 15 per cent of capacity.

Regarding development work, the total advance for all classes of drifts, crosscuts, raises, winzes, etc. for the year was 13,286 feet, of which 5,736 feet of work was necessary in order to block out stoping ore which had been developed in previous years. 7,550 feet of all classes of work were driven for exploration purposes. This is an increase of 1,965 feet over the development work done during 1936. The development work placed more ore in the reserve during the year than was mined. 1082 Winze, which is the main hoisting shaft for the lower levels, was deepened for a distance of 163 feet, a station cut on the 1200 level, skip pockets were started, and development work will be done on this level.

New equipment has been purchased and installed in the mill, shops and mine to the extent of $128,379.54, and has added to the efficiency of operation.

Ore Broken During the Year ..... 457,075 tons

The mill operated 336 days, treating an average of 1,330 tons per working day.

Ore Milled ..... 447,050 tons
Concentrate Produced ..... 21,116 tons

There were delivered to the smelter 21,474.80 tons of concentrates, precipitates and lime scale, with net recoverable content of copper 9,823,851 pounds, Silver 277,082 ounces, Gold 14,437 ounces.

The entire production of silver and gold was sold. Sales of copper amounted to 7,854,992 pounds at an average price of 13.9177c per pound, leaving 1,968,859 pounds on hand unsold at the end of the year.

The year's operation resulted in a small operating profit, even though the demand and price of copper sharply declined during the last few months of 1937.

The physical condition of the mine and mill is excellent, and the results of 1938 operations depend entirely on the demand for copper.

A dividend amounting to $87,465.40, or 5c per share on the outstanding stock, was paid December 23, 1937.

Effective April 1, 1937, the company cancelled its contract for sale of ore and concentrates and entered into a new contract under the terms of which the recoverable copper is returned to the company. At the same time an agreement was entered into with the Anaconda Sales Company covering the sale of copper for the company's account. Since November 1st the Company has been practically on a shut-down basis, sufficient work to keep the mine in condition and certain development work having been done. Concentrates produced under these conditions have been sold to International Smelting and Refining Company.

The financial statements of your Company for the year ending December 31, 1937, are herewith submitted for your information.

Respectfully,

J. R. WALKER,
President.

March 24th, 1938.

MIN 000001628

Walker Mining Company

BALANCE SHEET—DECEMBER 31st, 1937

ASSETS

FIXED ASSETS—See Note A:			
Mines, mining claims and development		$1,324,168.89	
Plant and equipment at mine, mill, camp and shops and aerial tramway	$1,629,576.06		
Less reserve for depreciation	989,790.00	639,786.06	$1,963,954.95
INSURANCE FUND DEPOSIT (securities at cost)			31,837.50
EXPENSES PREPAID			995.26
CURRENT ASSETS:			
Supplies on hand—at cost		216,852.07	
Ores and concentrates on hand—at cost		218,332.40	
Copper on hand—at market—see note B		194,917.04	
Accounts receivable		5,344.72	
Cash		13,440.49	648,886.72
			$2,645,674.43

LIABILITIES

CAPITAL STOCK:		
Authorized—1,750,000 shares of the par value of $1.00 each Issued and outstanding—1,749,308 shares		$1,749,308.00
CURRENT LIABILITIES:		
Accounts payable—trade	42,805.64	
Wages payable	4,199.21	
Accrued taxes	12,136.33	
Indebtedness to International Smelting and Refining Company	308,431.59	367,572.77
RESERVE FOR WORKMEN'S COMPENSATION INSURANCE		44,964.89
SURPLUS:		
Surplus December 31st, 1936	485,358.46	
Net income of the year 1937, without deduction for depletion	85,935.71	
	571,294.17	
Dividends declared and paid	87,465.40	483,828.77
		$2,645,674.43

INCOME ACCOUNT—YEAR ENDED DECEMBER 31st, 1937
(See Note B)

Sales of metals and concentrates		$1,713,567.40
Cost of sales:		
Production cost	$1,773,297.17	
Less copper on hand at December 31st, 1937—at market—see note B	194,917.04	1,578,380.13
Operating income without deduction for depreciation and depletion		135,187.27
Interest received—net		908.05
		136,095.32
Expenses pertaining to non-operating units	11,875.26	
Federal income taxes—estimated (No surtax on undistributed income is deemed to be payable)	6,329.57	18,204.83
		117,890.49
Depreciation and obsolescence		31,954.78
Net income, without deduction for depletion		$ 85,935.71

See explanatory notes on following page.

MIN 000001629

Walker Mining Company

NOTES TO FINANCIAL STATEMENTS

NOTE A—FIXED ASSETS—BASIS OF VALUATION

Mines, mining claims, development and plant and equipment at mine, mill, camp and shops and aerial tramway of Walker Mining Company are carried on its books at cost, such cost being represented in the case of mines and mining claims to the extent of $1,250,000.00 by par value of capital stock issued therefor and in the case of all other fixed assets by cash cost thereof.

Depreciation has been written off on a unit of production basis.

In order to comply with the Government income tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the Company; but being made in compliance with the Regulations of the Bureau of Internal Revenue only the result of such entries is omitted from the current statements.

The values of Fixed Assets are shown on the basis above set forth and do not indicate current values which could be established only by current appraisals.

NOTE B—COPPER ON HAND

Copper on hand is carried at market December 31st, 1937, which is below cost. Up to April 1st, 1937, the Company sold ores and concentrates produced to International Smelting and Refining Company but since that date such production has been treated on toll by International Smelting and Refining Company and the refined metals returned to Walker Mining Company. Since November 1st the Company has been practically on a shut-down basis, sufficient work to keep the mine in condition and certain development work having been done. Concentrates produced under these conditions have been sold to International Smelting and Refining Company and included in the item "Sales of metals and concentrates."

To the Board of Directors,
Walker Mining Company,
Salt Lake City, Utah.

We have made an examination of the Balance Sheet as of December 31st, 1937, of the Walker Mining Company and of its Income and Surplus Accounts for the calendar year 1937.

In connection with our audit we examined or tested the accounting records of the Walker Mining Company, together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1937, but we did not make a detailed audit of the transactions.

The practice of the Company in computing its net income without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, silver and gold and is in agreement with the accounting practices and procedures consistently maintained by this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures consistently maintained and appropriately applied by the Company, the position of the Company at December 31st, 1937, and the results of its operations for the calendar year 1937.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 15th, 1938.

FORM 396 6-37 2M

WALKER MINING COMPANY

WALKERMINE

PLUMAS COUNTY, CALIFORNIA

L. F. BAYER, MANAGER

April 13, 1938

Mr. Tom Lyon, Chief Geologist
International Smelting
& Refining Company
818 Kearns Building
Salt Lake City, Utah

Dear Tom:

The enclosed maps present a picture of Walker Mine activities since November 1, 1937 and show the status of the Piute Orebody to date.

Mr. Dugan sent in a long section to be brought up to date, but since then, two more holes have worked through to the surface. He has also written for additional information in regard to Ore Reserves in the extreme North end of the Orebody, apparently for discussion with Mr. Weed. So, to avoid any confusion, I am mailing him his desired information and sending these maps on to you with hopes that they will be handy for future discussion. I will refer Mr. Dugan to you.

The North end stope set-up was worked out under the guidance of Mr. Bayer, and is intended to replace the production that will eventually be lost from the South end. I was hoping that the caving would hold off until after the high water period, but now it looks as though water will be a problem, especially if the snow melts very rapidly. The 645 cave is directly under the creek bed but the flow may be diverted around the side of the hill. I imagine it will be about two weeks before water starts running in the creek.

We are having fair weather, and it should not be many weeks before the roads are open.

Respectfully yours,

Seth K Drouboy

SKD
w

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FORM 396 3-31-37 2M

WALKER MINING COMPANY

WALKERMINE

PLUMAS COUNTY, CALIFORNIA

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L. F. BAYER, MANAGER

ESTIMATED PROFIT AND EXPENDITURE

for the Period, May 9, to 15, 1938, Inc.

		PERIOD		MONTH TO DATE
Estimated net smelter returns from 38.31 tons of dry concentrates @ $ 67.89 for the period		$ 2,601.00		$ 6,679.00
Less Labor	$ 2,737.00		$ 5,546.00	
Supplies	911.00		1,610.00	
Expenses	855.00		1,797.00	
	4,503.00		8,953.00	
Credits	105.00	4,398.00	225.00	8,728.00
		$ 1,737.00		$ 2,049.00

L. F. Bayer
MANAGER

Note:
Extra expense for Period

Dolly Gulch By-Pass	$ 88.85
Piute Ditch	52.18
Tailings Dam	176.15
Precipitates	213.32
Total	$ 530.50

MIN 000011896

For the Period, May 9, to 15, 1938, Inc.

	PERIOD		MONTH TO DATE	
Breakage and Grade	1,157	1.36	3,671	1.08
Production and Grade	1,311	0.99	3,549	1.00
Milled and Grade	1,365	0.951	3,603	0.946
Concentrates produced, tons	38.310		97.700	
Copper produced, pounds	20,272		53,488	
Copper recoverable, pounds	19,575		51,659	
	Estimated Cost Per Lb.		Estimated Cost Per Lb.	
Mining	10.6129		7.5882	
Milling	4.2717		3.6588	
Tramway	1.0097		0.9026	
General Expense (Walkermine Only)	3.0415		2.2506	
Shut-Down Expense (Pumping, Salvage, etc.)	4.0680		2.9307	
Cost at Spring Garden	23.0038		17.3309	
Cost Beyond Spring Garden	4.2418		4.1832	
Total Cost:	27.2456		21.5141	
Plant Facilities	0.5364		0.4355	
Gold and Silver Credits	7.5289		7.1113	
Net:	19.1803		13.9673	

DAILY EMPLOYEES
Average wage per day $ 3.9759

Average number of shifts per day 69.714

MONTHLY EMPLOYEES
Average number per day 17.0

THE MINE All mining operations were carried on in the Piute Orebody.
THE MILL was operated satisfactorily during the period. The mill was not operated on May 9th, 10th, 11th, 12th, or 13th as no ore was available for milling purposes.
THE WEATHER A light rainfall was had during the period.
MISCELLANEOUS The Chevrolet Truck hauled all mail and supplies in the camp.

Copper based on selling price of 10.000 ¢ per pound.

91701 MIN 000011897

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F. 514 1-15-36 5M

Walker Mine, Calif., May 20, 1938

Mr. J. R. Walker, Pres., #1

Following are the principal advancements made in different mine workings

during the period ending May 15, 1938, 19 Walker Mine

PLACE	STARTS FROM	DESCRIPTION	ADVANCE	TOTAL	TONS ORE	% Cu	WASTE
		PIUTE OREBODY					
		Raises					
673Es R	609Cs DN	Manway raise (6X6) preparatory to mining 725 Stope. Advance was made in quartz.	12.0	12.0	39	1.20	
		Total:	12.0		39	1.20	
		Stopes					
725 Stope		From 200 ÷ 20N to 200 ÷ 80N			455	1.24	
725A Stope		From 199 ÷ 40N to 200 ÷ 00N			663	1.44	
		Total:			1118	1.36	
		Summary					
Total footage and breakage from raises			12.0		39	1.20	
Total breakage from stopes					1118	1.36	
		Total:	12.0		1157	1.36	
		GENERAL SUMMARY FOOTAGE AND BREAKAGE					
Total footage and breakage from raises			12.0		39	1.20	
Total breakage from stopes					1118	1.36	
		Total:	12.0		1157	1.36	
		SUMMARY FOOTAGE AND BREAKAGE BY OREBODIES					
		Piute	12.0		1157	1.36	
		Total:	12.0		1157	1.36	
		COORDINATES OF NEW WORKING PLACES					
673Es R	609Cs DN	Piute Orebody 20050N ÷ 10025E					
		MINE PRODUCTION DATA					
		Piute Orebody					
		Headings			39	1.20	
		615 Stope			580	0.82	
		725 Stope			317	1.24	
		725A Stope			200	1.44	
		755 Stope			175	0.55	
		Total:			1311	0.99	
		Tonnage adjustment for unaccountable loss			1337		

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F. 514 1-15-36 5M

Walker Mine, Calif. May 20, 1938

Mr. J. R. Walker, Pres., #2

Following are the principal advancements made in different mine workings

during the period ending May 15, 1938, 19 Walker Mine

PLACE	STARTS FROM	DESCRIPTION	ADVANCE	TOTAL	TONS ORE	% Cu	WASTE
		Total tonnage produced during the period			1311	0.99	
		Total adjustment for unaccountable loss			1337		

MILL COMPOSITE ASSAYS	Dry Tons	% Cu	Oz Au	Oz Ag
Heads	1365.00	0.95	0.036	0.74
Concentrates	38.31	26.46	0.82	20.31
Tails	1326.69	0.215	0.0135	0.31

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MIN 000011901

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RECAPITULATION OF ADVANCEMENTS

for the Period, May 9, to 15, 1938, Inc.

DEVELOPMENT	FEET PER PERIOD	MONTH TO DATE
Drifts	0	0
Crosscuts	0	0
Raises	0	0
Winzes	0	0
Total:	0	0

STOPE PREPARATION		
Sub-Level Drifts	0	0
Stope Drifts	0	26
Raises	12	15
Total:	12	41

	PERIOD			MONTH TO DATE	
	TONS ORE	% CU	WASTE BROKEN	TONS ORE	% CU
DRIFTS AND CROSSCUTS					
Broken	0			83	0.82
Produced	0			83	0.87
RAISES AND WINZES					
Broken	39	1.20		59	1.06
Produced	39	1.20		59	1.09
SIDESWIPES					
Broken	0			0	
Produced	0			0	
STOPES					
Broken	1,118	1.36		3,529	1.09
Produced	1,272	0.99		3,407	0.99
TOTAL					
Broken	1,157	1.36		3,671	1.08
Produced	1,311	0.99		3,549	1.00

MIN 000011898

Mr. . . R. Walker, Pres.,

PERIOD - May 9, to 15, 1938, inclusive.

CONCENTRATION OPERATIONS

A record of the ball mill hours and all concentration operations is herewith given:

GRINDING TIME OF THE BALL MILLS

PERIOD	Total hours operated	46.50	Total hours possible	192.00
MONTH	Total hours operated	135.33	Total hours possible	768.00

DATE	Dry Tons Milled	Assay % Cu Heads	Assay % Cu Tails	Concts.	Ratio of Conctn.	Per Cent Recovery	Lbs. Cu Produced
9	MILL DID NOT RUN THIS DAY						
10	MILL DID NOT RUN THIS DAY						
11	MILL DID NOT RUN THIS DAY						
12	MILL DID NOT RUN THIS DAY						
13	MILL DID NOT RUN THIS DAY						
14	673	0.962	0.192	26.40	34.036	80.63	10,440
15	692	0.941	0.237	26.52	37.163	75.49	9,832
PERIOD	1,365	0.951	0.215	26.46	35.622	78.05	20,272
	1,392 Mill Tonnage adjustment to compensate 2% unaccountable loss.						
MONTH	3,603	0.946	0.209	27.37	36.878	78.49	53,488
	3,675 Mill Tonnage adjustment to compensate 2% unaccountable loss.						

Dry tons of concentrates produced the period	38.310
Dry tons of concentrates produced the month	97.700

REAGENT DATA

KIND	Tons Ore Treated	Gallons	Pounds Total	Pounds Per Ton of Ore	Cost Per Pound	Cost Per Ton of Ore
Lime	1,365		2,300	1.68	.0165	.0278
Pine Oil	1,365	43	335	.25	.0769	.0192
Minerec						
Xanthate Z-3	1,365		67	.049	.1305	.0064
Xanthate Z-5	1,365		19	.014	.2718	.0038
Sodium Sulphide	1,365		45	.033	.0448	.0015
Grinding Balls 4"	1,365		1,750	1.28	.0290	.0371

Average grind 1.75% on 48 mesh.

SPRING GARDEN TRAMWAY

The tramway operated satisfactorily during the period. A record of the tonnage is given below:

	Tram Buckets of Concts. Shipped	Tons Concts. Dry	Tons Back Freight	No. Cars Shipped
PERIOD	0	0	1.8785	0
MONTH	0	0	4.6040	0

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MIN 000011899

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F. 423 3-10-37 2M

INTER-DEPARTMENTAL CORRESPONDENCE

INTERNATIONAL SMELTING & REFINING COMPANY

MINING DEPARTMENT

818 KEARNS BUILDING SALT LAKE CITY, UTAH

SUBJECT: May 25, 1938

WALKER MINE

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Mr. J. O. Elton, Manager,

Offices.

Dear Sir:

Attached please find copies of report covering operations at the Walker Mining Company for the second period of May, 1938.

The high pound cost for the period, which reflects a fairly substantial operating loss, was to be expected on account of the seasonal run-off of water which prevented mining any ore in the old workings. In fact, due to lack of ore, the mill was not operated May 9, 10, 11, 12 nor 13th, and only 19,575 pounds of recoverable copper were produced. This condition is expected to continue until early in June, when the ore in the extreme north end of the Piute will be ready for extraction.

In addition to the above handicaps, the copper cost has been penalized about 3¢ per pound by work on surface ditches, tailings dam, etc., to handle the extraordinary amount of water draining from the vicinity of the mine and camp. This work, however, is most necessary and prevented much damage.

Yours very truly,

John F. Dugan.

JFD:H
Enc.

May 26, 1938.

91701

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Mr. R. E. Dwyer, Vice President,
Anaconda Copper Mining Company,
25 Broadway, New York City.

Dear Sir:-

Period: May 9th to May 15th, incl., 1938.

Enclosed please find a copy of the report of operations at the Walker mine for the second period in May, together with a copy of Mr. Dugan's letter of transmittal.

Yours very truly,

J. O. Elton.

S/enc.

cc FL:CEF:ADH

MIN 000011894

ANACONDA COPPER MINING COMPANY

Butte, Montana

Geological Department
RENO H. SALES, Chief Geologist
M. H. GIDEL, Asst. Chief Geologist

279' Vertically below 1000 Bottom of Shaft 3449

New York, N. Y.
December 24, 1938.

Mr. Tom Lyon
820 Kearns Building
Salt Lake City, Utah.

Dear Tom:

I have re-read your letter of December 8th on proposed Walker mine developments. Is it a fact that the 706 shaft is down to the 1200 level? I had the impression that the 1100 was the bottom. How far is the 1200 below the 1000?

If the shaft is to the 1200 and there can be any assurance that the level will be pushed rapidly to the north, your suggestion might be the best one.

As you know, I have two things definitely in mind for the Walker, one is the 900 drift north on the Piute, and the other the determination of the behaviour of the north orebody below the 1000 where it now shows to the best advantage in 1017 drift. As far as I am concerned, the important thing is speed but I want my ideas to be whatever will fit best with operating conditions.

Very truly yours,

Reno H Sales

RENO H. SALES

RHS:F

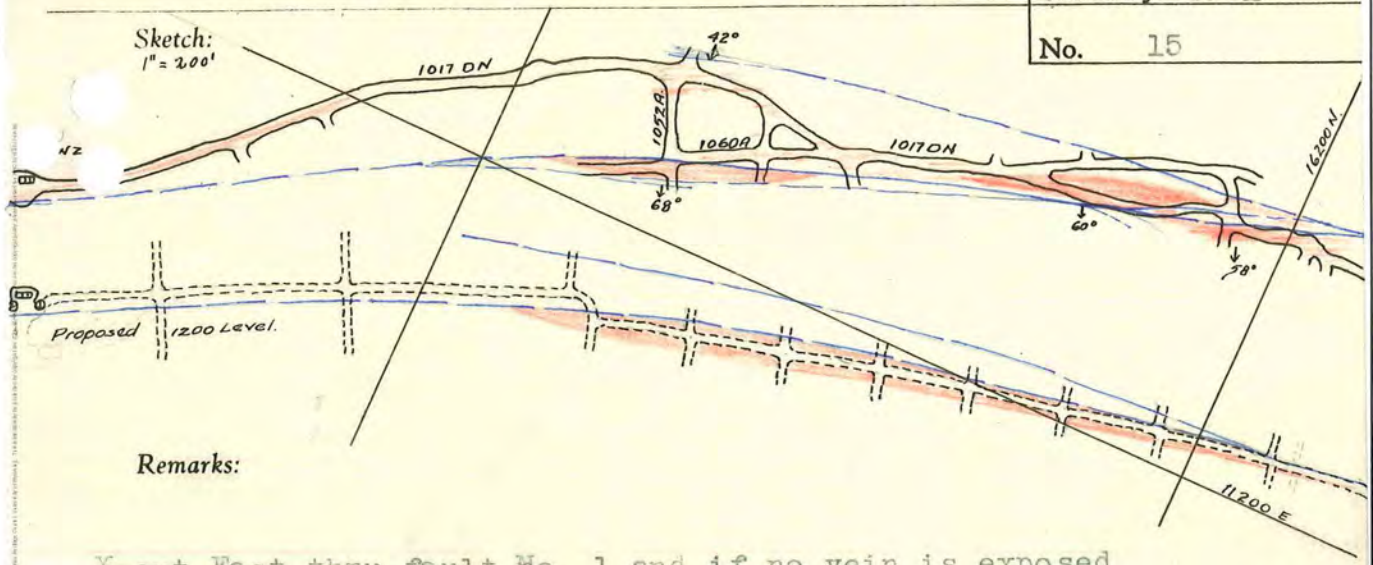
RECOMMENDATION FOR DEVELOPMENT WORK

GEOLOGICAL DEPARTMENT

INTERNATIONAL SMELTING & REFINING CO.

Mine	Walker
Level	1200
Ore Body	North
No.	15

Sketch:
1" = 200'



Remarks:

X-cut East thru fault No. 1 and if no vein is exposed immediately, drift Northerly along foot-wall mineralization. Drift along and cross-cut vein when it is located. Cross-cutting and direction of lateral to be controled by position of mineralization and faulting.

Amount of work 1400' Drift. 800' XC. Recommended by S. K. Drouhay

Date of recommendation 1-20-39

Date started _____ Approved by _____

Date completed _____

ANACONDA
COPPER MINING COMPANY

ANACONDA

REPORT

FOR THE YEAR ENDED DECEMBER 31st

1938

MIN 000005165

BEST POSSIBLE COPY
ORIGINAL ALSO ILLEGIBLE

ANACONDA COPPER MINING COMPANY

ANACONDA

AMERICAN BRASS COMPANY

LOCATION OF MANUFACTURING PLANTS

[illegible]

[illegible]

SOME OF THE INDUSTRIES SERVED

Air Conditioning	Chemical	Light and Power	Petroleum
Refrigeration	Electrical Equipment	Machinery	Pulp and Paper
	Hardware	Marine	Railroad
Building	Heating	Metal Fabricating	Refrigeration
Plumbing	Jewelry	Mining	Textile

PRINCIPAL PRODUCTS

COPPER, BRASS, BRONZE AND NICKEL SILVER — SHEETS, WIRE, RODS, TUBES

Seamless Condenser	Drawn Sections	Nickel [illegible]
Brass Pipe	Everdur Electrical Conduit	Phosphor Bronze
Brazing Solder	Everdur Tank Rolls	Pressure Castings
Bronze Welding Wire	Extruded Shapes	Pressure Fittings
Bus Bars and Shapes	Eyelets, Grommets, etc.	Roofing Copper
Condenser and Heater Tubes	Flexible Metal Hose	Tube Brush Stock
Copper Tubes and Fittings	Free Cutting Brass Rods	Welding Rods

Continuous research has resulted in the practical development of many copper-base alloys with superior physical properties, such as high strength, corrosion resistance, and improved fabricating and welding characteristics.

Service Engineers of the Company are constantly consulting with metal consuming industries in finding the solution to special metal problems and in suggesting the correct fabrication procedure.

Warehouses and distributors of the Company are located in principal industrial centers, resulting in efficient service and economical distribution. Sales offices are located in the following cities:

[illegible]	Detroit, Mich.	Newark, N. J.	St. Louis, Mo.
[illegible]	Houston, Texas	New York, N. Y.	San Francisco, Calif.
	Kenosha, Wis.	Philadelphia, Pa.	Seattle, [illegible]
	Los Angeles, Calif.	Pittsburgh, Pa.	Tacoma, [illegible]
	Minneapolis, Minn.	Providence, R. I.	Toronto, [illegible]
	Montreal, Canada	Rochester, N. Y.	Vancouver, [illegible]

[illegible] Victoria, [illegible]

MIN 000005166

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ANACONDA COPPER MINING COMPANY

CAPITAL STOCK

December 31, 1938

Authorized,	12,000,000 shares, $50 each	$600,000,000
Issued,	8,919,086 shares, $50 each	445,954,300

OFFICERS

President	CORNELIUS F. KELLEY
Executive Vice-President	JAMES R. HOBBINS
Vice-President and Treasurer	ROBERT E. DWYER
Vice-President	DANIEL M. KELLY
Assistant to the President	ELBERT O. SOWERWINE
Secretary and Assistant Treasurer	DAVID B. HENNESSY
Comptroller	JAMES DICKSON
General Auditor	W. KENNETH DALY
Assistant Secretary	KENNETH B. FRAZER

DIRECTORS

JOHN A. COE
ROBERT E. DWYER
E. ROLAND HARRIMAN
JAMES R. HOBBINS
CORNELIUS F. KELLEY
HARRY H. MOORE
JAMES H. PERKINS
WILLIAM C. POTTER
WILLIAM D. THORNTON

OFFICES

ANACONDA, MONTANA
BUTTE, MONTANA
25 BROADWAY, NEW YORK

MIN 000005167

To the Shareholders of

ANACONDA COPPER MINING COMPANY

DURING the year 1938, based upon data now available, the world consumption of primary copper was 2,157,827 short tons, or 5.9% less than in the prior year. This decrease was due to the unfavorable business conditions that prevailed in the United States, where consumption of primary duty free copper declined to 415,132 tons, or 39.8% less than in the year 1937. In foreign markets deliveries continued to increase, a record apparent consumption of 1,742,695 short tons, or 8.6% more than in 1937, being indicated. The difference in the consumption of the foreign and domestic markets, as compared with the year 1929, is evidenced by the fact that domestic consumption decreased 51.6% from the level of that year, while foreign consumption increased 57.5%.

World production of primary blister copper totaled 2,150,984 tons, of which 578,076 tons were duty free and 1,572,908 tons were foreign. Production of duty free refined copper was 571,388 tons, a decrease of 32.8% from 1937. Foreign production was 1,572,412 tons, or .7% higher than in 1937. World production amounted to 2,143,800 tons, a decrease of 11.1%.

Stocks of duty free refined copper in the United States increased from 259,351 tons on January 1st to 369,809 tons on May 31st, but decreased to 289,755 tons on December 31st, a net increase during the year of 30,404 tons. Foreign stocks decreased from 211,844 tons at the beginning of the year to 167,413 tons at the end of the year, a net decrease of 44,431 tons. World stocks decreased 14,027 tons.

Production of zinc in the United States declined 22.6% compared with the prior year to 456,523 tons, and consumption declined 30.5% to 395,252 tons. Stocks of zinc on hand at the close of the year were 126,604 tons, an increase of 61,271 tons during the year.

Prices of all non-ferrous metals declined in the early part of the year but subsequently recovered these losses and were higher at the close of the year with the exception of zinc, which was adversely affected by the decrease in import duty provided for in the Reciprocal Trade Agreement with Canada.

The domestic price of copper declined from 9.9¢ per pound at the beginning of the year to a low of 8.775¢ on May 19th, but advanced to 11.025¢ on October 14th and was unchanged to the end of the year.

The price for domestic silver of approximately 64⅛¢ per ounce remained unchanged during the year. On December 31, 1938 by Presidential Proclamation this price was continued in effect to June 30, 1939, with the exception that instead of applying to all silver mined to that date, it applies only to silver delivered to the mints on or before June 30, 1939. The price of foreign silver, 44.75¢ per ounce in effect at the end of 1937 continued to March 28th, when on two successive days it decreased 1¢ per ounce, and remained at 42.75¢ per ounce during the rest of the year.

MIN 000005168

The U. S. Treasury price of $35.00 per ounce for gold was not changed during the year.

The prices of the principal metals, as reported by the Engineering and Mining Journal, were as follows:

	Jan. 3	*High*	*Low*	*Dec. 31*	*Year Average*
COPPER–Duty Free f.o.b. Refinery–per lb.	9.900¢	11.025¢	8.775¢	11.025¢	10.000¢
COPPER–Export f.o.b. Refinery–per lb.	9.475	11.125	7.850	10.150	9.695
LEAD –New York–per lb.	4.750	5.100	4.000	4.850	4.739
ZINC –St. Louis–per lb.	5.000	5.050	4.000	4.500	4.610
SILVER –New York (not covered by President's Proclamation)–per oz.	44.750	44.750	42.750	42.750	43.225

FINANCIAL

The gross sales and earnings of the Company upon a consolidated basis (after elimination of inter-company items) totaled $144,206,554.97, a decrease of $89,709,977.10 or 38.4% compared with the prior year.

The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses, and all taxes except income and undistributed profits taxes, amounted to $115,449,517.66.

The income from operations was	$28,757,037.31
Other Income, including Dividends from non-consolidated subsidiaries, was	855,233.54
Total Income was	$29,612,270.85
Deductions from Income for Interest on Debentures and Serial Notes $2,703,713.10, Expenses pertaining to Non-operating units $3,617,135.52, United States and Foreign Income Taxes $4,216,861.44, and Discount, etc., on Debentures retired through Sinking Fund Operations $573,908.23, amounted to	11,111,618.29
Leaving a Balance of	$18,500,652.56
Provision for Depreciation and Obsolescence and for Depletion of Coal Mines, Timber Lands and Phosphate Deposits was $8,513,618.92, and Current Discount and Expenses on Debentures was $150,521.99, a total of	8,664,140.91
Net Income, without deduction for Depletion of Metal Mines, was	$ 9,836,511.65
Of which Minority Share amounted to	293,897.04
Leaving Consolidated Net Income of	$ 9,542,614.61

The net income reflects sales of metals and manufactured products invoiced to customers. Forward sales contracts are not reflected in the income account. Inventory valuations were below market prices for the various metals and products at December 31, 1938.

MIN 000005169

The funded debt of the Company and its subsidiaries was reduced during the year by the retirement through the operation of the sinking fund, of $6,903,000 par value of the 4½% Debentures of the Company, and the payment of $4,000,000 of the serial notes of Chile Exploration Company; a total reduction of $10,903,000; leaving the total funded debt of the Company and its subsidiaries at December 31st, 1938, at $57,686,000.

Under the terms of the Indenture covering the 4½% Sinking Fund Debentures of the Company, there will be paid into the sinking fund on August 15, 1939, approximately $2,780,000 in cash, or in lieu thereof, in whole or in part, debentures at cost.

All interest due or accrued on notes of Inspiration Consolidated Copper Company at December 31, 1938, has been paid, and the principal amount was reduced by $600,000 during the year 1938, leaving a balance of $7,043,000.

Capital expenditures during the year amounted to $3,968,843.62, summarized as follows:

Mines, Mining Claims and Lands	$ 98,373.89
Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries	3,701,322.26
Miscellaneous—Including acquisition of shares of stock of other subsidiary companies	169,147.47

Current assets at the close of the year amounted to $93,980,397.59 compared with $99,859,662.11 at the close of the prior year, and current liabilities amounted to $15,038,186.47 compared with $20,074,990.72.

The dividends declared and paid during the year on the capital stock of your Company amounted to $4,337,169.00, or 50¢ per share.

There has been no change in the list of principal subsidiary companies included in the consolidated report.

CORPORATE TRANSACTIONS

During 1938 the Company increased its ownership of the stock of subsidiary companies as follows:

	Shares Purchased	*Owned by Company Dec. 31, 1938*	
		Shares	*Percentage*
Anaconda Wire and Cable Company	3,200	285,022	67.54
Andes Copper Mining Company	10	3,502,462	97.77
Greene Cananea Copper Company	100	491,822	98.36
Mountain City Copper Company	700	1,462,934	61.69

The Company paid the balance of $350,000.00 due upon its subscription to shares of National Tunnel & Mines Company.

The American Brass Company of Illinois, The American Brass Company of Ohio, The American Brass Company of Pennsylvania and Waterbury Homes Corporation, all subsidiaries of The American Brass Company, were dissolved during the year as no longer necessary for the conduct of the Company's business.

MIN 000005170

OPERATIONS

Copper:

The total output of copper by the plants of the Company aggregated 805,532,333 pounds. The metallic copper production, after deduction of 25,922 pounds (of which 13,793 pounds were from Company mines) contained in by-product materials sold to others, was 805,506,411 pounds obtained from the following sources: 135,443,510 pounds were treated on toll for the account of others; 36,391,076 pounds were produced from purchased ores, concentrates and secondary metals; leaving a net production from the mines of your Company and its consolidated subsidiary mining companies through copper plant operations of 633,671,825 pounds (154,208,961 pounds domestic—479,462,864 pounds foreign), compared with 843,622,162 pounds (277,850,047 pounds domestic—565,772,115 pounds foreign) in 1937, a decrease of 24.9%.

Total deliveries of copper from all sources including purchased copper for the year in both the domestic and foreign markets amounted to 790,083,357 pounds.

Zinc:

Total zinc production was 172,242,137 pounds of which 137,157,985 pounds were from purchased materials, toll zinc returnable 34,757,278 pounds, and 326,874 pounds from the mines of the Company. Of total production 11,681,268 pounds were contained in by-product materials sold to other companies; 4,137,238 pounds were in the form of zinc dross, and 156,423,631 pounds were electrolytic zinc produced by the plants of the Company. Deliveries of zinc (produced and purchased) including zinc delivered to the manufacturing and zinc oxide plants of the Company, amounted to 150,393,070 pounds.

Lead:

The total production of lead was 64,163,568 pounds. Of this amount 1,863,435 pounds were treated on toll for the account of others; 58,911,333 pounds were produced from purchased ores, concentrates, etc., and 3,388,800 pounds from the mines of the Company. Of the aggregate production 11,229,826 pounds were included in by-products sold to other companies and 52,933,742 pounds were produced in metallic form by the plants of the Company. Deliveries of lead during the year, including that used in the manufacture of white lead, were 60,829,021 pounds.

Silver:

The Company produced 11,036,178 ounces of silver, of which 1,014,294 ounces were treated on toll for account of others, 5,039,076 ounces were produced from purchased ores and concentrates, and 4,982,808 ounces were produced from Company ores. Of the above total 765,438 ounces were contained in by-product materials sold to other companies.

Gold:

Gold production amounted to 151,670 ounces, of which 40,818 ounces were contained in materials treated on toll for the account of others, 83,220 ounces came from purchased materials, and 27,632 ounces from the mines of the Company. Of this amount 3,503 ounces were sold in the form of various by-product materials to other companies.

MIN 000005171

Miscellaneous:

The principal miscellaneous products consisted of 68,883,318 feet of lumber; 40,702 tons treble-superphosphate and phosphoric acid; 4,850 tons arsenic; 591,326 pounds cadmium, including 65,355 pounds produced on toll; 58,096 pounds nickel sulphate; and 155,513 pounds copper sulphate.

Fabricating Plants:

The shipments of manufactured products from the plants of The American Brass Company (including Toronto Plant) and Anaconda Wire and Cable Company amounted to 450,384,131 pounds, a decrease of 39.5% from the prior year.

Non-Consolidated Subsidiary Mining Companies:

The Mountain City Copper Company produced 13,065,832 pounds of recoverable copper from ores and concentrates shipped. The Walker Mining Company produced 1,188,271 pounds of recoverable copper from concentrates shipped. Operation of these properties was suspended at the end of May, but production was resumed on November 1st at approximately the same rate as that in effect during the first five months of the year.

The National Tunnel & Mines Company produced from company and leasing operations 378,649 pounds of copper, 3,089,774 pounds of lead, 1,110,026 pounds of zinc, 113,950 ounces of silver, and 4,416 ounces of gold.

SILESIAN-AMERICAN CORPORATION

The operations of Giesche Spolka Akcyjna, a subsidiary company of Silesian-American Corporation in Poland, were conducted at a loss of 998,026.88 zlotys for the fiscal year ended March 31, 1938. Exchange restrictions both in Poland and in Germany remained in effect throughout the year.

The principal amount of bonds of Silesian-American Corporation outstanding at the end of the year was reduced to $3,210,500.

EMPLOYEES

During the year 1938 the average number of employees of the Company and its consolidated subsidiary companies was 36,302. Of these 21,168 were within the United States, compared with 29,769 in 1937. The number of employees in the United States averaged 24,468 in January, decreased to 18,000 in July, but increased to 23,948 in December.

GROUP INSURANCE

The Group Insurance in force at the close of the year amounted to $39,060,780, covering 25,036 employees.

The amount of insurance paid to beneficiaries during the year was $502,950.

MIN 000005172

NUMBER OF SHAREHOLDERS

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1938, was 107,917, compared with 107,596 at the beginning of the year.

FINANCIAL STATEMENTS

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and consolidated subsidiary companies at the close of business December 31, 1938, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, certified by Messrs. Pogson, Peloubet & Co., Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
President.

New York, N. Y., March 25, 1939.

MIN 000005173

POGSON, PELOUBET & CO.

PERCY W. POGSON
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. GUYETT

NEW YORK - 25 BROADWAY
EL PASO, TEXAS - MILLS BLDG.

CABLE ADDRESS "CERTIFIED" NEW YORK

AGENTS

EUROPE - KEMP, CHATTERIS, NICHOLS, SENDELL & CO.
LONDON AND PARIS

EGYPT - HEWAT, BRIDSON & NEWBY
ALEXANDRIA AND CAIRO

To the Board of Directors,

Anaconda Copper Mining Company,
25 Broadway, New York, N. Y.

We have made an examination of the Consolidated Balance Sheet as of December 31st, 1938, of Anaconda Copper Mining Company and the other corporations whose accounts are consolidated with its accounts as stated in Note A to the Consolidated Balance Sheet (which other corporations are hereinafter referred to as consolidated subsidiaries) and of their Consolidated Income and Surplus Accounts for the calendar year 1938.

In connection with our audit we examined or tested the accounting records of Anaconda Copper Mining Company and its consolidated subsidiaries together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1938, but we did not make a detailed audit of the transactions.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

Inventories of metals and products and supplies held in the Company's plants and warehouses are based on physical inventories taken by the Company, with the exception of certain warehouse stocks which are not significant in amount. Inventories of finished metals and products, consigned or in transit, are based on reports and statements of consignees or responsible third parties acting as the Company's agents. We have examined the records, reviewed the related procedure and tested the prices and computations and have received certificates from Company officials as to quantities and condition of inventories but our examination did not include physical tests of quantities.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures consistently maintained and appropriately applied, the consolidated position of the Company and its consolidated subsidiaries as of December 31st, 1938 and the combined results of their operations for the calendar year 1938.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 14th, 1939.

MIN 000005174

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1938

ASSETS

FIXED ASSETS:			
Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note G		$290,230,937.26	
Coal mines, timber lands and phosphate deposits—see note G	$ 9,539,419.05		
Less reserve for depletion	2,193,014.42	7,346,404.63	
Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks and railroads (including railroad concessions to the extent of $916,229.53)—see note G	$291,625,265.15		
Less reserve for depreciation	155,157,482.61	136,467,782.54	
Patents		6,105.00	
Investments:			
Securities of subsidiaries not consolidated—see notes C and F	$ 15,853,381.57		
Other security investments—see note F	16,186,749.03		
Indebtedness of subsidiaries not consolidated—not current	861,734.06	32,901,864.66	$466,953,094.09
DEFERRED CHARGES:			
Stripping and development		$ 6,546,983.05	
Prepaid expenses		217,203.78	
Deferred expenses		556,237.50	
Discount and expense on debentures		1,589,045.90	8,909,470.23
CURRENT AND OTHER ASSETS:			
Current assets:			
Supplies on hand—see note E	$ 14,376,073.14		
Metals and manufactured products:			
In process—see note D	7,005,586.41		
Finished—see note D	46,686,537.76		
Accounts and notes receivable—trade, less reserve	7,298,298.96		
Indebtedness of subsidiaries not consolidated—current	1,880,997.87		
Cash	16,732,903.45	$ 93,980,397.59	
Other assets:			
Installment house and land sales and other accounts receivable, less reserve	$ 898,804.30		
Advances to sundry mining companies, including advances on ores, less reserve	139,023.73		
Ores produced during development operations held for future treatment—see note H	1,286,996.62		
Cupriferous material held for future treatment—see note H	3,047,005.32		
Notes receivable of Inspiration Consolidated Copper Company secured by First Mortgage Bonds of that company in the principal amount of $7,043,000 (being total amount of said bonds outstanding)	7,043,000.00	12,414,829.97	106,395,227.56
			$582,257,791.88

See explanatory notes, pages 13 and 14.

MIN 000005175

Anaconda Copper Mining Company
and Subsidiary Companies

Consolidated Balance Sheet—December 31st, 1938

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:			
Authorized—12,000,000 shares of the par value of $50.00 each			
Issued	8,919,086 shares		$445,954,300.00
Held in treasury or through subsidiaries	244,748 shares		12,237,400.00
Outstanding	8,674,338 shares		$433,716,900.00
CAPITAL STOCK AND SURPLUS of consolidated subsidiaries owned by minority interest			4,674,137.68
DEBENTURES AND NOTES OUTSTANDING:			
Anaconda Copper Mining Company—4½% Sinking Fund Debentures due 1950—see note J		$ 40,686,000.00	
Chile Exploration Company—Serial Notes—payable to banks, $2,000,000, due December 10th, 1940 and $13,000,000, due December 10th, 1941, interest at 3% and 3½% (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		15,000,000.00	55,686,000.00
RESERVES:			
For repairs, renewals and replacements		$ 485,840.95	
For workmen's compensation insurance, etc.		843,302.58	
For contingencies		275,000.00	1,604,143.53
CURRENT LIABILITIES:			
Chile Exploration Company—Serial Notes—payable to banks, due December 10th, 1939 (guaranteed as to both principal and interest by Anaconda Copper Mining Company)		$ 2,000,000.00	
Accounts payable—trade		4,557,530.64	
Wages payable		1,173,074.05	
Accrued taxes		6,419,698.55	
Accrued interest		490,712.66	
Other accrued liabilities		254,037.24	
Other accounts payable		143,133.33	15,038,186.47
DEFERRED CREDITS TO INCOME			230,147.39
SURPLUS			71,308,276.81
			$582,257,791.88

See explanatory notes, pages 13 and 14.

MIN 000005176

ANACONDA COPPER MINING COMPANY
and Subsidiary Companies

Consolidated Income Account—Year Ended December 31st, 1938

Gross Sales and Earnings		$144,206,554.97
Cost of Sales—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes except income taxes—sales to the extent of current production being applied at cost on the basis of last-in, first-out (Metals delivered in 1938 from that portion of metal inventories adjusted to market at December 31st, 1937 are reflected in Cost of Sales at such market value, the difference between purchase cost and market, amounting to $653,888.10, having been deducted from income in the Income Account of the year ended December 31st, 1937)		115,449,517.66
Income from operations of mining, smelting, refining and manufacturing plants, before deducting depreciation and depletion		$ 28,757,037.31
Other Income—Dividends from subsidiaries not consolidated	$ 5,345.06	
—Other dividends and interest	598,030.93	
—Miscellaneous income	251,857.55	855,233.54
		$ 29,612,270.85
Interest on debentures and serial notes	$ 2,703,713.10	
Expenses pertaining to non-operating units	3,617,135.52	
United States and foreign income and excess profits taxes—estimated	4,216,861.44	
Discount and expense, and premium on debentures retired through sinking fund operations	573,908.23	11,111,618.29
		$ 18,500,652.56
Provision for depreciation and obsolescence	$ 8,464,515.53	
Provision for depletion of coal mines, timber lands and phosphate deposits (not including depletion of metal mines)	49,103.39	
Current discount and expense on debentures	150,521.99	8,664,140.91
Net Income, without deduction for depletion of metal mines		$ 9,836,511.65
Minority share of income		293,897.04
Consolidated Net Income, without deduction for depletion of metal mines		$ 9,542,614.61

Consolidated Surplus Account—Year Ended December 31st, 1938

Surplus, December 31st, 1937	$ 66,547,913.27	
Minority interest	445,082.07	$ 66,102,831.20
Consolidated Net Income, without deduction for depletion of metal mines		9,542,614.61
		$ 75,645,445.81
Dividends Nos. 121 and 122		4,337,169.00
Surplus, December 31st, 1938	$ 71,812,401.91	
Minority interest	504,125.10	
Consolidated Surplus, December 31st, 1938		$ 71,308,276.81

MIN 000005177

NOTES TO CONSOLIDATED BALANCE SHEET—DECEMBER 31st, 1938

NOTE A—PRINCIPLES APPLYING IN CONSOLIDATION

In order to present the status of the Company's interest in subsidiaries where the interest owned (directly or through other subsidiaries) is 75% or more of the issued stock, the assets and liabilities of said subsidiaries, as they appear upon the books of said subsidiaries, are distributed under appropriate headings on the Consolidated Balance Sheet, together with adjustments to property, plant and equipment as described in Note G, except that four small subsidiaries more than 75% owned, the operations of which are not an integral part of the operations of the consolidated group, are carried as investments in the Consolidated Balance Sheet. The interest of minority stockholders of subsidiaries, the accounts of which are consolidated, is shown on the Consolidated Balance Sheet. Accounts of subsidiaries in which the Company's interest is less than 75% of the issued stock are not consolidated and the shares owned in these subsidiaries are carried as investments in the Consolidated Balance Sheet. The term "subsidiaries" is intended to mean corporations in which a majority of the voting stock is owned directly by the Company or through other corporations in which the stock interest of the Company is more than 95%.

NOTE B—BALANCES IN FOREIGN CURRENCIES

With the exception of properties in Canada the accounts of plants and properties located in foreign countries are carried in both United States currency and local currency, United States currency being the standard for purposes of the Company's financial statements. As transactions are reflected in the accounts of these plants and properties at approximately the current rates of exchange at the date of the transaction, the balances expressed in United States dollars reflect the balances in foreign currencies at the cost thereof. Cash balances in foreign currencies amounted at December 31st, 1938 to $828,114.12.

Current assets and liabilities of the Toronto plant of Anaconda-American Brass, Ltd. are carried in Canadian currency and have been included in this Consolidated Balance Sheet at the same dollar amounts in United States currency. If the net current assets of Anaconda-American Brass, Ltd. had been converted into United States currency at the rates of exchange prevailing at December 31st, 1938, they would have been reduced in the amount of $3,753.40.

NOTE C—EQUITY OF COMPANY IN UNCONSOLIDATED SUBSIDIARIES

The equity of the Company in the assets of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four unconsolidated subsidiaries referred to in Note A had decreased at December 31st, 1938, to the extent of $119,316.82 since the dates of acquisition as the result of profits, losses, distributions and surplus adjustments as shown by the books of said unconsolidated subsidiaries (without, in the case of mining companies, making any provision for depletion of metal mines), but the cost of the shares of said subsidiaries owned by the Company as shown on the Consolidated Balance Sheet has not been adjusted for such decrease.

NOTE D—INVENTORIES OF METALS AND MANUFACTURED PRODUCTS

The metallic contents of copper ores, concentrates, and cupriferous materials, and zinc and lead ores and concentrates, while in treatment at reduction plants up to the production of blister copper, electrolytic copper, metallic zinc and lead bullion, are classified as metals in process. Blister and electrolytic copper, metallic zinc, lead bullion, and other products and metals produced in connection therewith or therefrom, including stock in works at fabricating plants, are classified as finished.

Inventory in process is calculated at cost which is below the equivalent of current market for metallic content of such inventories.

Finished metals and manufactured products on hand at December 31st, 1938 (except silver, gold and molybdenite, which are carried at market quotations or less), have been computed on the last-in, first-out basis. Inventories are carried at December 31st, 1937 inventory valuations, except in the case of accumulations, which are valued at current costs. Inventory valuations determined in accordance with the foregoing method were below market prices for the various metals and products at December 31st, 1938.

NOTE E—SUPPLIES ON HAND

Supplies on hand, including replacement parts as well as current supply items, are carried at cost.

NOTE F—INVESTMENTS—BASIS

Investments in securities of unconsolidated subsidiaries and other security investments are carried at cost or less, such cost being cash cost, or in the case of securities issued in exchange for property transferred by the Company or a consolidated subsidiary, the cost of such property to the consolidated group after deducting depreciation to date of transfer, and do not indicate current values. Securities heretofore classified as marketable, carried at cost of $943,531.37 and which were currently quoted on certain stock exchanges at December 31st, 1938 at $570,379.57, have been reclassified and included with other security investments as the Company has no present intention of disposing of them. Other security investments include 333,000 shares of Inspiration Consolidated Copper Company carried at $10,914,107.51.

NOTE G—PROPERTY, PLANT AND EQUIPMENT—BASIS OF VALUATION

(a) Property, Plant and Equipment of the Company are carried at cash cost or in the case of physical properties acquired for stock of the Company at par value of such stock.

(b) Property, Plant and Equipment of consolidated subsidiaries (except as to mining properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, the basis for which is described below) are carried at cost to the subsidiary, plus or minus, as the case may be, the difference, if any, between the investment basis of the proportionate interest owned in the respective subsidiary (as set forth below) and a like proportionate interest of the net assets of such subsidiary as shown by the books of such subsidiary at the time when its accounts were first included in the Consolidated Balance Sheet of the Company and subsidiaries, to which is added cost of subsequent acquisitions. Such investment basis is the cash cost to the consolidated group of the stock of the respective subsidiary owned by such group or where such stock was acquired by the consolidated group for stock of the Company, the par value of the stock of the Company issued therefor. Mining properties of Andes Copper Mining Company and Santiago Mining Company acquired by said companies respectively for shares of their capital stock, are included in the Consolidated Balance Sheet at the original par value of the shares of those companies issued therefor (i. e., $25 per share), instead of the acquisition cost of such shares

MIN 000005178

owned by the consolidated group. The total of the amounts credited to surplus of the Company and to consolidated surplus on account of the difference between the par value of the above-mentioned shares of Andes Copper Mining Company and Santiago Mining Company and cost thereof to the Company and its subsidiaries was $23,429,105.38.

(c) It has been the practice of the Company, consistently applied to its own properties and those of subsidiaries the stocks of which have been acquired and the accounts of which are included in the Consolidated Balance Sheet to carry Property, Plant and Equipment as described above. Pursuant to the requirements of the United States Treasury Department, valuations as of March 1st, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for "depletion" in arriving at taxable income under the Federal income tax laws, but these values have not been included in the published accounts of the Company.

The Company has consistently followed the practice of not deducting in any of its published accounts, any amount for depletion on account of metals mined, and no such deduction is included in any of the financial statements submitted herewith.

Depletion based on cost has, in the case of timber, coal and phosphate lands, been deducted from income in the financial statements submitted herewith and also from the cost basis shown in the Consolidated Balance Sheet.

(d) The values of Property, Plant and Equipment are shown on the bases above set forth and do not indicate current values which could be established only by current appraisals.

NOTE H—ORES AND CUPRIFEROUS MATERIAL

Ores produced during development operations, held for future treatment, are carried at cost of extraction which is less than a conservatively estimated realizable value.

Cupriferous material held for future treatment is carried at a valuation which was assigned to a part thereof by United States Treasury Department for income tax purposes, such valuation being less than the value of the recoverable metals contained therein at current metal prices after deducting treatment costs, both as estimated by metallurgists of the Company.

NOTE I—SURPLUS

Included in Consolidated Surplus are: (a) a credit of $23,429,105.38 referred to in Note G above, (b) a credit of $20,816,158.49, being the excess of the proceeds of the issue of 3,109,598.54 shares of stock of Company over the par value thereof and (c) a charge of $11,907,498.50, being discount and expense on issuance, and premium on redemption of bonds, redeemed through funds obtained by issuance of stock above referred to. See paragraph (c) of Note G as to practice regarding depletion.

NOTE J—SINKING FUND REQUIREMENTS

Under the sinking fund provisions of the indenture providing for the issue of the 4½% Sinking Fund Debentures of Anaconda Copper Mining Company, due 1950, the Company will be obligated on August 15th, 1939 and on August 15th of each year thereafter, to and including August 15th, 1949, unless the debentures are sooner redeemed, to pay to the Trustee under the indenture, for the purposes of the sinking fund for the retirement of debentures, an amount equal to $1,000,000 plus 20% of the consolidated net income of the Company (as defined in the indenture) for the period of twelve months ended on the next preceding December 31st, or in lieu of such payment, the Company may deliver to the Trustee under the indenture debentures to be received by the Trustee under the indenture in lieu of an amount of cash equal to the purchase price of such debentures paid by the Company in the acquisition thereof. The Company has made all payments required under the indenture and has satisfied all other requirements from the date of issue to December 31st, 1938. The amount of the payment which the Company will be obligated to make to the Trustee under the said indenture on August 15th, 1939 will be approximately $2,780,000.00.

NOTE K—FEDERAL INCOME TAXES

Federal income taxes for the taxable years up to and including that ended December 31st, 1933 have been determined by the United States Treasury Department and any amounts due thereunder have been paid. Negotiations are now pending with the United States Treasury Department for settlement of asserted Federal income and excess profits tax deficiencies for subsequent years. The amount payable can not be stated until a settlement is concluded and no provision has been made for such taxes in the accounts for the year 1938.

NOTE L—CONTINGENT LIABILITIES

Contingent liabilities existed at December 31st, 1938 (a) for acceptances covering foreign sales of copper discounted in the ordinary course of business at various banks, on the greater part of which payment has subsequently been received, and (b) for exchange commitments most of which have been liquidated.

The City of Jersey City, New Jersey, is attempting to impose taxes on the intangible personal property of certain consolidated subsidiaries having their principal corporate offices in Jersey City. A liability may exist in respect to such taxes, the amount of which, if any, can not be determined at this time and for which no provision has been made.

So far as is known there are no other contingent liabilities of material amount. All known liabilities are provided for in the Balance Sheet.

NOTES TO CONSOLIDATED INCOME ACCOUNT—YEAR ENDED DECEMBER 31ST, 1938

Sales of metals and manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Income Account.

Intercompany sales and intercompany profits where these latter are material have been eliminated in the Consolidated Income Account.

In the year 1938, of the combined net loss (without, in the case of mining companies, making any provision for depletion of metal mines) of the principal unconsolidated subsidiaries (Anaconda Wire and Cable Company, Mountain City Copper Company and Walker Mining Company) and the four small unconsolidated subsidiaries referred to in Note A, there was attributable to the Company $98,187.28. There was paid to the Company the amount of $5,345.06 in dividends by one of the four small unconsolidated subsidiaries.

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ANACONDA COPPER MINING COMPANY

ANACONDA

ANACONDA WIRE & CABLE COMPANY

LOCATION OF MANUFACTURING PLANTS

[illegible]	MARION, [illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	OAKLAND, CALIF.	[illegible]

SOME OF THE INDUSTRIES SERVED

Automotive	Electrical Equipment	Radio	Telephone and Telegraph
Aviation	Industrial Power Plants	Railroad	Transmission Equipment
Building	Metal Fabricating	Steam	Utilities
Electrical Apparatus	Marine	Electric	Power Companies
Electrical Appliance	Mining	Navigation	Municipal Plants
Electrical Connecting	Petroleum	Textile	Rural Electrification

PRODUCTS

ELECTRICAL WIRES AND CABLES OF EVERY DESCRIPTION

Bare Wire and Cable	Hollow Conductor Cable	Parkway Cable
Cable Accessories	Ignition Cables	Rubber Covered Building Wires
Conduit	Magnet Wire and Cable	Slow Burning Wires and Cables
Copper Rods	Power Cables	Varnished Cambric Wires and Cables
Cords	Lead, Rubber, Paper, VC	Weatherproof Wires and Cables

During recent years, many improvements in the design and construction of wire and cables have been developed in the research laboratories for use in both the transmission and utilization fields.

A staff of qualified engineers is maintained with the right years and manufacturing experience in the selection and installation of the Company's products so that [illegible] and efficient service may be attained.

Continentally situated warehouse and distribution [illegible] from [illegible] continental nation-wide service. Sales offices are located in the following cities:

Akron, O.	Denver, Colo.	Minneapolis, Minn.	Rochester, N.Y.
Boston, Mass.	Detroit, Mich.	New Orleans, La.	St. Louis, Mo.
Chicago, Ill.	Kansas City, Mo.	Omaha, Neb.	San Francisco, Calif.
Cleveland, O.	Los Angeles, Calif.	Philadelphia, Pa.	Seattle, Wash.
Dallas, Tex.	Milwaukee, Wis.	Pittsburgh, Pa.	Washington, D. C.

Factory Offices: 25 Broadway, New York
Chicago Sales Office: 20 North Wacker Drive

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STATEMENT 1938

◆ ◆ ◆

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. WALKERMINE, CALIFORNIA

OPERATING OFFICE

KEARNS BUILDING, SALT LAKE CITY, UTAH

◆ ◆ ◆

(Incorporated under the Laws of the State of Arizona)

◆ ◆ ◆

CAPITAL STOCK

COMMON—Authorized	- - -	1,750,000 shares at $1.00 per share
Issued	- - - - - -	1,749,308 shares at $1.00 per share

◆ ◆ ◆

Directors

J. R. WALKER E. L. MAY J. O. ELTON J. B. WHITEHILL
B. R. HOWELL J. F. DUGAN GEORGE E. BAGLIN

Officers

J. R. WALKER, *President*
J. O. ELTON, *Vice-President*
J. B. WHITEHILL, *Secretary-Treasurer*

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York City, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Building, Salt Lake City, Utah.

Annual Meeting: May 2nd, 1939, at 3 P. M. in Phoenix, Arizona.

MIN 000013840

To the Stockholders of Walker Mining Company:

Your property was on a curtailed basis from January 1st to May 31st, 1938; from June 1st to October 31st, inclusive, on a shutdown basis; and from November 1st to December 31st on an operating basis.

Development work was carried on during only three and one-half months of the year, of which one and one-half months was on a restricted basis. Despite this limited amount of work, however, more ore was developed than was produced. Major exploration projects started during the year were the deeper exploration of the North and Central ore bodies on the 1200 level, and the exploration of the area north of the Piute ore body on the 900 level.

The total advance for all classes of drifts, crosscuts, raises, etc., for the year was 1,924 feet, of which 1,171 feet of work was necessary in order to block out stoping ore which had been previously developed.

There were no major expenditures for equipment or construction during the year.

Ore broken during the year _____ 75,160 wet tons

The mill operated on a curtailed basis 155 days, treating an average of 431 dry tons per working day.

Ore Milled _____ 66,822 dry tons
Concentrates Produced _____ 2,516 dry tons

There were delivered to the smelter 2,463 dry tons of concentrates and lime scale, with net recoverable content of 1,188,271 pounds of copper, 44,273 ounces of silver and 2,029 ounces of gold.

The entire production of silver and gold was sold. Sales of copper amounted to 878,742 pounds at an average price of 9.7678c per pound, leaving 2,278,388 pounds on hand and unsold at the end of the year.

The year's operation, under adverse economic conditions with heavy shutdown and starting-up expenses, resulted in a loss of $88,338.42, after all charges except depletion.

The physical condition of the mine and mill is excellent, and the results of 1939 operations depend entirely on the demand for copper.

The financial statements of your Company for the year ending December 31, 1938, are herewith submitted for your information.

Respectfully,
J. R. WALKER,
President.

Walker Mining Company

BALANCE SHEET — DECEMBER 31st, 1938

ASSETS

FIXED ASSETS—See Note A:			
Mines, mining claims and development		$1,324,527.71	
Plant and equipment at mine, mill, camp and shops and aerial tramway	$1,642,396.56		
Less reserve for depreciation	994,764.20	647,632.36	$1,972,160.07
INSURANCE FUND DEPOSIT (securities at cost)			31,837.50
EXPENSES PREPAID			1,305.72
CURRENT ASSETS:			
Supplies on hand—at cost		169,208.95	
Ores and concentrates on hand—at cost		209,738.98	
Copper on hand—at market—see note B		229,042.61	
Accounts receivable		5,298.86	
Cash		8,660.24	621,949.64
			$2,627,252.93

LIABILITIES

CAPITAL STOCK:		
Authorized—1,750,000 shares of the par value of $1.00 each Issued and outstanding — 1,749,308 shares		$1,749,308.00
CURRENT LIABILITIES:		
Accounts payable—trade	22,575.71	
Wages payable	15,701.86	
Accrued taxes	6,012.47	
Freight and refining	5,818.55	
Indebtedness to International Smelting and Refining Company	397,157.55	447,266.14
RESERVE FOR WORKMEN'S COMPENSATION INSURANCE		35,188.44
SURPLUS:		
Surplus December 31st, 1937	483,828.77	
Net loss of the year 1938, without deduction for depletion	88,338.42	395,490.35
		$2,627,252.93

INCOME ACCOUNT — YEAR ENDED DECEMBER 31st, 1938
(See Note B)

Sales of metals and concentrates		$ 158,394.19
Cost of Sales:		
Copper on hand at December 31st, 1937—at market—see note B	$ 194,917.04	
Production cost including expenses during suspension of and incident to resumption of operations	266,720.88	
	461,637.92	
Less copper on hand at December 31st, 1938—at market when produced—see note B	229,042.61	232,595.31
Operating loss, before deducting depreciation and depletion		74,201.12
Interest paid to International Smelting and Refining Company	8,225.79	
Other interest received—net	759.90	7,465.89
Depreciation and obsolescence		81,667.01
Net loss, without deduction for depletion		6,671.41
		$ 88,338.42

See explanatory notes on following page.

Walker Mining Company

NOTES TO FINANCIAL STATEMENTS

NOTE A—FIXED ASSETS—BASIS OF VALUATION

Mines, mining claims, development and plant and equipment at mine, mill, camp and shops and aerial tramway of Walker Mining Company are carried on its books at cost, such cost being represented in the case of mines and mining claims to the extent of $1,250,000.00 by par value of capital stock issued therefor and in the case of all other fixed assets by cash cost thereof.

Depreciation has been written off on a unit of production basis.

In order to comply with the Government income tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the Company; but being made in compliance with the Regulations of the Bureau of Internal Revenue only the result of such entries is omitted from the current statements.

The values of Fixed Assets are shown on the basis above set forth and do not indicate current values which could be established only by current appraisals.

NOTE B—COPPER ON HAND

Copper on hand is carried at market when produced, which is below cost. Subsequent to November 1st, 1937, the Company was practically on a shut-down basis, sufficient work to keep the mine in condition and certain development work having been done. Concentrates produced under these conditions have been sold to International Smelting and Refining Company and included in the item "Sales of metals and concentrates." As of November 1st, 1938, operations were resumed and the production of the Company subsequent to that date has been treated on a toll basis by International Smelting and Refining Company.

To the Board of Directors,
Walker Mining Company,
Salt Lake City, Utah.

We have made an examination of the Balance Sheet as of December 31st, 1938, of the Walker Mining Company and of its Income and Surplus Accounts for the calendar year 1938.

In connection with our audit we examined or tested the accounting records of the Walker Mining Company, together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1938, but we did not make a detailed audit of the transactions.

The practice of the Company in computing its net income without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, silver and gold and is in agreement with the accounting practices and procedures consistently maintained by this Company and others similarly situated, and the Company is advised by counsel that such procedures is in accordance with legal requirements.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures consistently maintained and appropriately applied by the Company, the position of the Company at December 31st, 1938, and the results of its operations for the calendar year 1938.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 14th, 1939.

FORM 396 5-38 2M

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WALKER MINING COMPANY

WALKERMINE
PLUMAS COUNTY, CALIFORNIA

219

L. F. BAYER, MANAGER

May 24, 1938

Mr. Reno H. Sales, Chief Geologist
Anaconda Copper Mining Company
Butte, Montana

Dear Sir:

Please find enclosed two Available Ore Reserve sheets, also sketches showing the North end of the Piute Orebody that may interest you.

The Reserve Sheets cover the six month period that we have operated on a curtailed basis, up to May 1, 1938. It was necessary to drop all tonnages that were listed above the 600 level South of the Piute Shaft, due to the stopes caving through to the surface. Also, it is questionable just how many of the 88,108 tons of 745 to 765 Recoverable Pillars will be available now that the country above has caved. It may be necessary to leave this rock to steady the ground while mining between the 700 and 800 levels if the 700-600 Sub-level Pillar is not considered strong enough.

The 600 level North of the Piute Shaft has been reopened and three sections of ground in the extreme North end are being mined. We have done a little exploratory work North from 683D Drift on the 600 level, to guide the stoping, and exposed the condition that seems to cut off the vein, or offset it to the East, which ever the case may be. The vein is light colored and quite chalky where not oxidized, and contains an abundance of Magnetite. It is very broken and oxidized where cut with 659E Drift but is more solid and shows little oxidation in the faces of 662E and 666E Drifts. It seems to show very little of the recrystalizing effect of the post mineral granite that is so pronounced

farther South, especially in the South and Central Orebodies.

I examined the Diamond Drill Core from the holes drilled North of Piute, which give the location of the old surface under the lava. In making sections through these holes and considering an easterly trend of the vein, it appears that the lowest point of the sub-surface where the vein may out-crop would be near the 700 level rather than just above the 800 level as shown on the map I sent you last November 1st. Also, before any long range exploration work is carried out to the North, it may be wise to locate additional claims to the East where there is a possibility of an easterly trend causing the sub-surface out-crop to pass out of company property.

Respectfully yours,

Seth K Drouhay.

SKD
W

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