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

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.

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 2c 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

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 $5,595,000.00 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

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, se...ndary 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.

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.

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, Saw-mills, 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

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.

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

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.