Anaconda Copper Mining Company

CAPITAL STOCK

Authorized and Issued, December 31, 1922, 3,000,000 shares, $50 each . $150,000,000

OFFICERS

Chairman of the Board . .	JOHN D. RYAN
President	CORNELIUS F. KELLEY
Vice-President	B. B. THAYER
Vice-President	JAMES R. HOBBINS
Secretary and Treasurer . .	A. H. MELIN
General Auditor	R. E. DWYER
Assistant Secretary	R. D. COLE
Assistant Treasurer	D. B. HENNESSY

DIRECTORS

P. A. Rockefeller	John D. Ryan
B. B. Thayer	Cornelius F. Kelley
George H. Church	Charles F. Brooker
Nicholas F. Brady	Andrew J. Miller

A. H. Melin

OFFICES

ANACONDA, MONTANA
25 BROADWAY, NEW YORK

To the Shareholders of the Anaconda Copper Mining Company:

The year 1922 was one of unusual importance to the copper industry as a whole, and to your Company. The suspension of operations by nearly all of the important American producers in 1921, forced by the inability of the consumptive demand to take the current production of copper, and to also absorb the remainder of war stocks of both virgin metal and scrap held by the Allied Governments, brought about the necessary readjustment of the industry. A decrease of about 400,000,000 pounds in stocks held by the producers, in addition to a marked decrease in outside stocks, made it possible to resume operations in 1922. By the end of the first quarter practically all of the American copper mines had resumed operating and production continued thereafter throughout the year.

The approximate production of the world for the year was 1,900,000,000 pounds, and for the United States 1,131,140,000 pounds (smelter production). The market for the year averaged the very low price of 13.382 cents per pound (E. & M. Journal), a figure below the average cost of production. It showed, however, a gradual improvement from the low average monthly price of 12.567 cents in March, to 14.074 cents in December. With the general revival of business during the year, the demand for the metal improved in a most gratifying manner. Refined stocks showed a further decrease to January 1, 1923, of more than 200,000,000 pounds, and the year closed with a large sustained buying movement that carried the price in March up to a high of 17.5 cents. All manufacturing plants are running to capacity, with orders booked for months ahead and for the first time since the war, the industry is in a sound economic position, all indications pointing to a prosperous year.

The present price of copper, about 17 cents per pound, is high only by comparison with the recent very low price. Copper is selling relatively at less than any basic commodity. The average cost per pound to the principal producers in 1913 was 9.9 cents, while the average selling price for that year was 15.7 cents, indicating an average profit of 5.8 cents—a margin normally considered as representing only a fair return. The average cost of copper produced in the United States in 1921 was 14.34 cents, while the average market price was only 12.7

cents per pound, an average loss of 1.64 cents per pound. In order to yield a normal profit for the industry, as measured by pre-war years, copper should today be selling at more than 20 cents per pound.

The most gratifying increase in the operations of your Company has come in the remarkable growth of the business of The American Brass Company. In 1921 the total output of its manufactured product equalled 213,486,566 pounds of metal, while for 1922 the total equalled 412,571,729 pounds, an increase of 93.3%. The extraordinary activity of the business is shown by the bookings of The American Brass Company, which equal 136,678,706 pounds for the first quarter of 1923 as against 45,925,470 pounds for the first quarter of 1921. The total output of the manufacturing business of the Company, including The American Brass Company and the Rolling Mills at Great Falls, for the first quarter of 1923 equals 174,276,181 pounds as against 90,802,888 pounds for the same period of 1922.

The result so far obtained in the increase in volume of business of the Brass Company has amply justified the belief expressed by the officers of the Company at the time when the proposed merger of The American Brass Company was submitted to you for your consideration.

Copper Department

Mines

Operations at Butte were resumed on January 16, gradually increasing during the year as the number of returning miners increased. There were mined 1,983,106.07 tons of ore and 7,571.95 tons of precipitates were produced.

Concentrator and Smelter

At the concentrator there were treated 2,044,506.22 tons of ore, 81,154.90 tons of slimes from the ponds, 822,515.36 tons of copper tailings, and 91,920.83 tons of zinc-silver tailings.

The Leaching Plant remained closed throughout the year.

The Anaconda Reduction Works treated for all companies 2,224,709.46 tons of ore. Of the total amount, 1,878,162.56 tons of ore were produced by the mines of the Company; 322,917.96 tons of ore were either purchased from or treated for other companies; and 23,628.94 tons of material were shipped from the old plants at Anaconda and Butte. No copper ores were treated at Great Falls but a small tonnage of concentrates from Anaconda was used for the fluxing of Zinc Plant residue.

There were produced 157,346,016 pounds fine copper, 7,367,859.00 ounces silver, and 26,026.110 ounces gold. Of this production, 141,741,235 pounds fine copper, 6,755,212.19 ounces silver, and 25,719.945 ounces gold were produced for your Company.

Refineries

The refinery at Great Falls produced during the year, 140,901,359 pounds of cathodes, of which 133,868,138 pounds were melted into shapes at that point.

The Raritan Copper Works at Perth Amboy, N. J., refined for all companies, 300,284,594 pounds fine copper, 8,086,857.98 ounces silver, and 33,873,532 ounces gold.

Rod and Wire Mill

Of the Company's production there were rolled into rods 68,403,742 pounds of copper. Of this amount 23,765,134 pounds were manufactured into wire, of which 10,598,165 pounds were made into strand.

Zinc Department

Mines

From the Butte Mines of the Company there were produced 87,076.08 wet tons of zinc ore.

Zinc Reduction Works

The plants at Anaconda and Great Falls treated 236,322.76 tons of ore and other zinciferous material. Of this amount, 93,240.55 tons were produced by the mines of the Company, 632.79 tons of material were from the old plants at Butte, and 142,449.42 tons of ore and concentrates were purchased.

The electrolytic plant at Great Falls produced 113,475,088 pounds zinc, 5,604,684 pounds zinc in dross; and residue from which there were recovered 15,211,699 pounds lead, 1,937,696 pounds copper, 3,373,385.65 ounces silver, and 5,673,904 ounces gold.

Miscellaneous Products

Lumber

The sawmills at Bonner and Hope cut 63,116,499 feet of lumber and purchased 2,610,171 feet, of which 37,389,765 feet were shipped to the departments of the Company, 38,047,100 feet were sold commercially, 877,826 feet were used at the mills for repairs and construction, and 2,291,627 feet were supplied to the factory for manufacturing, or a total disposition of 78,606,318 feet; decreasing the stocks of finished lumber on hand by 12,879,648 feet; leaving a balance on hand at December 31, 1922, of 40,060,865 feet.

Coal

At Diamondville, Wyoming, there were produced 314,327.65 tons of coal, 149,912.05

tons of which were shipped to other departments of the Company, 140,771.55 tons were sold commercially and 23,644.05 tons were used at the coal mines.

At Washoe, Montana, there were produced 151,201.40 tons of coal; 65,803.40 tons were shipped to other departments of the Company, 81,207.50 tons were sold commercially and 4,190.50 tons were used at the coal mines.

At Sand Coulee, Montana, there were produced 34,131.20 tons of coal; 21,678.10 tons were shipped to other departments of the Company, 12,373.10 tons were sold commercially, and 80.00 tons were used at the coal mines.

Arsenic

As a by-product of copper smelter operations there were produced 3,036,347 pounds of arsenic, of which 3,007,599 pounds were refined, assaying more than 99% Arsenious Oxide. Sales during the year amounted to 3,050,942 pounds at an average price of 7.1 cents per pound, of which 224,684 pounds were crude and 2,826,258 pounds were refined.

Sulphuric Acid

The sulphuric acid plant at Anaconda produced 28,739.00 tons of sulphuric acid, averaging 60 Deg. Beaumé. This was supplied to the flotation plant.

Fertilizer

The mines at Conda, Idaho, produced 13,005.78 tons of rock, averaging 35% P205. Of this amount 2,874.58 tons were sold and 10,131.20 tons were shipped to Anaconda. The Phosphate Plant at Anaconda produced 2,413.11 long tons of Treble Superphosphate averaging approximately 45% P205. The plant at present operated was built for the purpose of perfecting the process of manufacture and has only a small capacity. Additions are now being made that should result in increased output at a profit.

Metal Roofing

The plant at Perth Amboy for the fabricating of copper and zinc shingles commenced operations February 21st, and all necessary accessories for complete roof installation were made. The results for the year have been satisfactory, and it is expected that an increasing quantity of copper and zinc will be used in this new field, as the public becomes better acquainted with their many advantages and ultimate economy.

Butte, Anaconda & Pacific Railway Company

The Railway transported 3,411,686 tons of ore and other freight, and 158,527 passengers. The gross revenues were $1,256,622.75; rental and miscellaneous receipts $36,808.15;

operating expenses $1,145,435.24; taxes, interest and rental of leased lines $244,458.79; net loss $96,463.13.

International Smelting Company

International, Utah

The Copper Plant started operations June 14, and treated 40,193.27 tons of ore and concentrates, from which there were produced 10,879,094 pounds fine copper, 825,030.56 ounces silver, and 7,281.455 ounces gold.

The Lead Plant started operations June 21 and treated 77,663.43 tons of ore and concentrates, from which there were produced 20,271,233 pounds of fine lead, 1,860,805.62 ounces silver, and 4,297.091 ounces gold. From the treatment of fume and flue dust there were obtained 63.49 tons of crude arsenic, averaging 94.8% As_2O_3.

The Tooele Valley Railway Company handled during the year 211,146 tons of ore and miscellaneous freight.

Miami, Arizona

At the Miami smelter there were treated 392,277.42 tons of concentrates and purchased ores, from which there were produced 188,113,444 pounds of fine copper, 477,346.98 ounces silver, and 5,820.278 ounces gold.

International Lead Refining Company

Lead Refinery

The refinery at East Chicago, Indiana, started operations July 1, and during the remainder of the year treated 12,843.04 tons of purchased ore and bullion, from which there were produced 22,319,149 pounds common lead, 1,486,552.97 ounces silver, and 3,750.020 ounces gold.

Zinc Oxide

The pilot plant at East Chicago operated throughout the year, and produced 2,008,535 pounds, all of which was sold at satisfactory prices. The construction of an operating unit of a French Process oxide plant, consisting of twenty retorts having a daily capacity of approximately 16,000 pounds of zinc oxide per day was practically completed at the end of the year.

A similar plant was in process of construction at Akron, Ohio.

Anaconda Lead Products Company

At East Chicago, Indiana, there were produced 15,290,364 pounds barrelled white lead, and 79,721 pounds pulp lead, all of which were sold. The plant is now operating on a basis of 25 tons daily.

Walker Mining Company

Operations at the mine and mill were resumed on May 22nd. At the mine, ore broken amounted to 54,482 tons. At the concentrator there were treated 38,652 tons of ore, averaging 5.62% copper, producing 9,716 tons concentrates, averaging 21.08% copper, with a recovery of 95.59%. Shipments to the smelter amounted to 16,779 tons concentrates, and 3,046 tons crude ore, averaging 11.6% copper. Construction at the concentrator to bring the tonnage up to 275 tons per day was completed, and it is the intention to further increase the capacity to treat a reasonable proportion of ore newly developed.

Arizona Oil Company

During the year the Arizona Oil Company produced 379,690 barrels of oil. Due to the bringing in of a large number of new wells in the State of California by various companies operating in that State, the stocks of unsold oil were greatly increased, with the result that prices rapidly declined. This condition had a bad effect on the earnings of the Oil Company and, in consequence, no dividends were disbursed during the year. On the other hand, the low price of California fuel oil has been a benefit to the International Smelting Company's smelter at Miami, Arizona.

Andes Copper Mining Company

Operations at Potrerillos during the year 1922 were confined to mine development, operation of testing plant on both oxides and sulphide ores, advance of tunnels on La Ola pipe line, and miscellaneous work.

Development

There was no churn drilling done during the year, but the work was confined to enlarging and finishing the main adit, driving of haulage levels, defining known ore body, and checking drill holes by upraises and drifts. The results were highly satisfactory, the drifts frequently disclosing ore of very much higher grade than that indicated by the drill holes originally bored.

Water Supply

In May the driving of the two remaining tunnels on La Ola pipe line was resumed and will be carried on to completion.

Testing Plant

The Experimental Leaching Plant was operated on oxide ores until September 1, with consistently satisfactory results.

The Experimental Flotation Plant was in operation from September 1 to the end of the year, the results obtained being most satisfactory.

Potrerillos Railway

The operation of the Railway was without incident during the year.

Construction

There was practically no construction during the year. Improvements were made in many cases to the housing facilities for the employes.

The property and railroad throughout are in excellent condition.

Santiago Mining Company

A shipment of oxide and sulphide ore amounting to 3,988 tons was sent to the testing plant of the Andes Copper Mining Company, at Potrerillos, Chile, for testing purposes.

Other than this there was no work done at either of the properties of the Santiago Mining Company.

The American Brass Company

At the various plants of the Company, there were produced 412,571,729 pounds of copper, brass and nickel silver products.

At the present time plants of the Company are operating on a basis of 50,000,000 pounds monthly.

Since acquisition by the Anaconda Copper Mining Company of over 99% of the stock of this Company during February, 1922, there was purchased the property of the Brown's Copper & Brass Rolling Mills, Ltd., at New Toronto, Ontario, Canada, excepting the land and buildings, which were leased for a long period. A new corporation—Anaconda American Brass Limited—all of the stock of which is owned by The American Brass Company, was formed to conduct this operation and to better serve the Canadian trade.

New Financing and Purchase of Chile Copper Company Shares

Last January there was submitted to you the important program:—

(a) To authorize the acquisition by the Company of at least 2,200,000 shares, or more than 50%, of the outstanding stock of the Chile Copper Company.

(b) To authorize the financing required in connection with the above acquisition, as well as to provide for the refunding of certain of the Company's outstanding obligations, and for other purposes fully set forth in the circular letter of January 17 last.

(c) To authorize an increase in the authorized capital stock of the Company from 3,000,000 shares, of the par value of $50 each, to 6,000,000 shares of the same par value, and to authorize the reservation of 851,878 shares for the conversion of a new issue of $50,000,000, principal amount, of the 7% Debentures of the Company.

The response of the shareholders was most gratifying. More than 75% of the stock voted affirmatively upon the recommendations submitted. Not an adverse vote was registered. Accordingly the transactions, as proposed, were carried through successfully; and as a result you are advised that the outstanding issue of 6% Series A Bonds maturing January 1, 1929, has been reduced from $24,669,000 to $16,938,000; the outstanding issue of Series B 7% Bonds maturing on the same date has been reduced from $23,080,100 to $13,503,600, and that a fund has been provided and deposited with the Trustee to redeem the balance of said 7% Bonds on July 1, 1923, the next interest date. The purchase of a majority of the issued shares of the Chile Copper Company was completed, and an investment of very great value has been added to the Company's holdings. The purchase of this interest in what is undoubtedly the greatest copper mine in the world, assures a supply of raw material for the manufacturing plants of the Company for an indefinite time in the future.

The Company suffered a great loss in the death of William Rockefeller on June 24th, 1922. Mr. Rockefeller was the senior member of the Board and served continuously from 1899 to the date of his death, with great interest in and devotion to the Company's welfare.

Attached hereto you will find a consolidated balance sheet showing the financial condition of the Company and its Subsidiary Corporations, at the close of business December 31, 1922, and an income statement for the year, both certified to by Messrs. Pogson, Peloubet & Company, Certified Public Accountants.

JOHN D. RYAN,
Chairman of the Board.

CORNELIUS F. KELLEY,
President.

New York, N. Y., May 1, 1923.

ANACONDA COPPER MINING COMPANY

and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1922

ASSETS

FIXED:		
Mines and Mining Claims, Coal Mines, Timber Lands, Phosphate Deposits, Water Rights and Lands for Reduction Works and Refineries, etc.	$123,169,505.01	
Buildings and Machinery at Mines, Reduction Works, Refineries, Manufacturing Plants, Sawmills, Foundries, Waterworks, Railroads, etc.	101,689,863.62	
Investments in sundry companies	18,553,002.71	
		$243,412,371.34
DEFERRED charges and discount on bonds		3,606,699.03
CURRENT:		
Supplies on hand, advances on Ores and Expenses prepaid	19,258,305.45	
Metals and Manufactured Products in process and on hand—at cost	43,672,792.54	
Accounts Receivable and Cash Assets	33,942,613.62	
		96,873,711.61
		$343,892,781.98

We have examined into the affairs of the Anaconda Copper Mining Company and of its Subsidiary Companies and have verified the Assets, Liabilities and Income shown above. The Net Income is after deducting all Development expenditure of the year, Depletion of Coal and Timber Lands and Depreciation of Plants and Equipment.

We hereby certify that this Balance Sheet shows the financial condition at 31st December, 1922, of the Companies as an aggregate whole and that the accompanying Income Account for the year ending 31st December, 1922, is correct as stated.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York and Butte, 19th April, 1923.

ANACONDA COPPER MINING COMPANY

and Subsidiary Companies

Consolidated Balance Sheet—31st December, 1922

LIABILITIES

CAPITAL STOCK of Anaconda Copper Mining Company:		
Authorized and Issued—3,000,000 shares of $50.00 each		$150,000,000.00
MINORITY INTERESTS in Subsidiary Companies		3,781,412.70
TEN YEAR SECURED GOLD BONDS, due 1st January, 1929:		
Authorized—$50,000,000.00 Retired — 2,250,900.00 Outstanding		47,749,100.00
RESERVE FOR DEPRECIATION		27,025,771.13
CURRENT:		
Accounts and Wages Payable and Taxes and Interest Accrued		44,051,713.67
SURPLUS:		
Balance 31st December, 1921	$67,753,907.25	
Net Income for the year ending 31st December, 1922, per Income Account annexed	3,530,877.23	71,284,784.48
		$343,892,781.98

NOTE—In order to comply with the Government Income Tax requirements for the purpose of computing depletion, an additional valuation of the mining property as of 1st March, 1913, has been recorded upon the books of the Company; 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 Account—Year Ending 31st December, 1922

EXPENSE

Metals and Manufactured Products in process and on hand at beginning of year		$17,817,363.59
Ores and Metals Purchased		34,834,516.34
Mining, Reduction and Refining of Metals		31,659,049.58
Manufacturing Expenses, including Selling		76,280,220.60
Cost of Merchandise sold and Operation of Public Service Companies		1,584,545.84
Administration and Federal Taxes		1,842,644.46
Balance carried down		11,432,044.06
		$175,450,384.47
Amount charged off this year for Depreciation and Obsolescence		$2,988,043.85
Interest, including discount on bonds		4,020,344.49
Expenditure during suspension of Operations		930,493.84
Balance, Net Income:		
Apportioned to Minority Interests	$ 8,362.42	
Carried to foregoing Balance Sheet	3,530,877.23	3,539,239.65
		$11,478,121.83

PNYC0C009849

ANACONDA COPPER MINING COMPANY

and Subsidiary Companies

Consolidated Income Account—Year Ending 31st December, 1922

INCOME

Sales of Metals and Manufactured Products	$123,501,638.91
Tolls, Royalties, Rentals, etc.	5,973,914.50
Sales of Merchandise and Revenue of Public Service Companies	2,302,038.52
Metals and Manufactured Products in process and on hand at end of year	43,672,792.54
	$175,450,384.47

Balance brought down	$11,432,044.06
Income from Investments in sundry companies	46,077.77
	$11,478,121.83