

# Sullivan Ore Reserves Good for 20 More Years

## Same Story Was True in 1940 So Cominco Mine Holding Well

Ore reserves at Consolidated Mining and Smelting Co. Ltd.'s Sullivan mine are adequate for well over 20 years of operation at the present rate of production, the annual meeting was told by President W. S. Kirkpatrick.

The same comment was made 20 years ago, he remarked, when the late Sir Edward Beatty, then chairman, addressed the 1940 annual meeting; the mine at that time had been producing for 30 years, having started in 1910. The company doesn't issue regular ore reserve reports (it has never disclosed tonnage or grade figures, for instance), and Mr. Kirkpatrick's disclosure is the first comment on the subject made for many years.

Regarding 1960 operations, he said that net earnings for the first quarter show considerable improvement over the same period of 1959. Metal prices have been higher, particularly zinc, and volume has remained constant, but fertilizer sales have been reduced. If the present level of business activity in North America and Europe is maintained, it is expected that 1960 earnings will be above those of last year.

The following is condensed from this prepared statement:

Profits of the company are greatly affected by world prices for lead and zinc. In the last 10 years there have been wide fluctuations in prices with abnormal peaks caused by the Korean war and later by the government stockpiling programs of the U.K. and particularly of the U.S. At the maximum in 1956 the rate of accumulation by the latter amounted to about 10% of Free World production.

### IMPORT QUOTAS

The virtual cessation of government purchases in 1957, together with a decline in commercial consumption, resulted in the recent period of depressed prices which led to the imposition of import quotas by the U.S. Last year the whole question of the protection of their domestic lead-zinc industry was referred to the Tariff Commission. The majority of the Commission concluded that it was beyond their terms of reference to make recommendations to Congress on the matter, but a minority report recommended removing the quotas and providing protection by considerably increased import tariffs.

A Bill embodying the minority recommendations is now before Congress but no action has been taken. We are vigorously opposing any increase in tariffs or the continuation of the quotas, believing that it is to the advantage of the industry, including consumers, if government interference and hind-

rances to international trading are minimized.

Meanwhile, with world consumption moving to new high levels, zinc prices have improved considerably and at the moment the market shows a satisfactory balance.

More recently, lead prices have also strengthened and we expect the trend to continue during the year. However, in view of the known resources of ore throughout the world in relation to expected consumption, we do not anticipate a return to the peak prices that obtained from time to time during the early 1950's. We believe that the long-term interests of the company and the lead-zinc industry are best served by stable prices at reasonable levels.

### FERTILIZER PROFITS

While lead and zinc, with our minor metals, provide the basis for the largest part of our income, revenues from our chemical and fertilizer operations have considerable effect on the company's earnings. Since 1953, world fertilizer markets have been characterized by pronounced over-supply caused by the extensive construction of new production plants, particularly those producing purely nitrogenous materials.

This resulted in a serious decline in prices, particularly in off-shore markets. In 1959 the company's operating profit from fertilizer sales was only about half of the peak profit achieved in 1953 although the volume of sales was somewhat greater with unit production costs about the same. With the continuing over-supply situation we cannot foresee any substantial improvement in fertilizer prices in the near future, although we do not expect prices to continue the downward trend.

The demand for fertilizers is constantly increasing throughout the world and with the rapid growth in population it must con-

tinue to do so. As demand approaches supply we expect that prices will strengthen to justify the construction of the new plants that will become necessary.

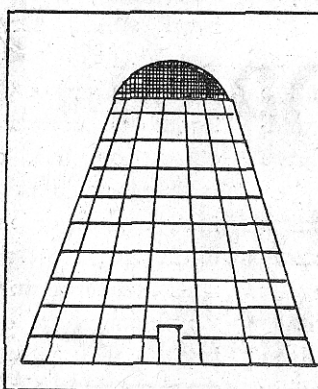
To indicate the importance of minor metals to Cominco, it may be stated that, in 1959, sales of metals other than lead and zinc amounted to about \$13.7 million, or more than 12% of total sales revenue. Of these metals, silver was the largest single item. Also included in the total are a number of high purity metals which we are developing for the electronics industry. Although sales of these products are less than \$1 million per year, we expect they will grow with this rapidly growing industry. The company has gained a position of leadership in the production of high purity products and their fabrication into the precision components required.

In common with many other resource industries in Canada, most of Cominco's sales are in the export markets. In recent years there has been an over-supply of most of the commodities we produce and competition has thus been the most important factor limiting our sales revenues. In order to maintain volume we have had to accept lower prices and in some cases we have been forced into less attractive market areas. Our sales and production staff have been meeting this situation by high standards of production at low cost.

### COSTS STILL RISE

They have achieved a good measure of success in this regard in spite of many increases in wages, costs of supplies, taxes, sales expense and other costs of doing business. However, it must be remembered that in order to obtain our present production costs we have had to invest large sums in new plant and equipment and that further improvements become increasingly difficult and costly. We believe that the export business will continue to be faced with increasingly strong competition and this situation will be a determining factor in our affairs.

During the 1960's in order that many of Canada's exports, including our own, will not be priced out of their markets we will need all available skills and co-operation of management and labor.



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