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August 11, 1967.

Mr. J. H. Stovel,
President,
Kerr Addison Mines Ltd.,
44 King St. W.,
TORONTO, Ontario.

Dear Mr. Stovel:

Dr. Kavanagh suggested that the enclosed remarks
taken from the Cyprus Mines Corporation, semi-annual report,
dated July 21, would be of interest.

Yours sincerely,

Edwin J. Robertson
Edwin J. Robertson

EJR/jc
Encl.

TO OUR STOCKHOLDERS:

Second quarter net income of \$5,226,831 or \$1.08 per share was 25 per cent over the \$4,167,442, or 86 cents per share, in the same period of 1966, and 37 per cent over the \$3,811,233, or 78 cents per share, in the first quarter of 1967. This brought net income for the first half to \$9,038,064, or \$1.86 per share, compared to last year's first half earnings of \$9,002,560, or \$1.85 per share.

Higher second quarter earnings as compared to the like period a year ago were achieved in spite of lower Cyprus Island Division earnings, resulting from lower copper prices. Chief sources of offsetting improvements were a higher level of domestic copper concentrate sales at slightly higher prices by Pima Mining Company (50% owned), increasing iron-ore shipments by Mt. Goldsworthy Mining Associates (one-third owned) which began operations in June 1966, increases in iron-ore pellet production and shipping operations by Marcona Corporation (46% owned), and better United Sierra (Industrial Minerals) Division results. Timber Division earnings continued to be depressed by softness in forest products prices.

The second quarter improvement over the first quarter resulted primarily from an increase in Cyprus Island shipments over the unusually low first quarter level, higher California timber sales, and improvement in the earnings of the United Sierra Division.

The regular quarterly dividend of 35 cents per share paid in June 1967.

OPERATIONS: Pima Mining Company is nearing completion of its expansion program to increase mine and mill rated capacity from 18,000 tons of ore per day to 30,000 tons per day. The \$16.6 million project is expected to be completed within budget and on schedule. Two of four new mill sections are now operating and the other two are to be completed in August. Indications now are that the plant, when completed, will operate substantially above the rated capacity.

Pima was the successful bidder for a 4,468 acre prospecting permit on the Papago Indian Reservation, which lies to the north of Pima's operation.

As this is written, the major copper producers are shut down by a strike. Pima's labor contract expires August 31, and the company will continue to operate at least until then. Concentrates are now being stock-

piled because smelters to which it has been shipping are closed.

Marcona Corporation concluded new sales in May of \$140 million of iron-ore products to Yawata Iron and Steel Company in Japan, through its marketing and shipping affiliate, Cia San Juan, s.a. The agreement involves delivery of 12.8 million tons of products over a 10 year period beginning in 1969. To provide ocean transportation, San Juan Carriers has placed orders for two 127,700 ton ore/oil carriers for delivery in 1969 and 1970. Marcona's new Peruvian pellet facilities are operating satisfactorily at near capacity levels. Portions of the new nine and one-half mile long mine-to-mill conveyor system are in operation, and the entire system is scheduled for completion by September.

Anvil Mining Corporation, Ltd. (60% owned) is finalizing negotiations for the sale in Japan of all planned output of lead and zinc concentrates from its Yukon mine for the first eight years of its production. Conclusion of a formal agreement with the Canadian Government through the appropriate Minister covering Anvil's and the Government's undertakings in the project is expected very soon. Anvil is arranging bank term-financing for a substantial portion of the esti-

ated additional \$56 million capital cost. When the sales, government and financing agreements are concluded, Anvil's management has been authorized to proceed with commitments for construction.

Looking forward into the last half of 1967, we see no reason to revise our view expressed during the annual meeting, that the full year gives promise of being a satisfactory one.



CHAIRMAN OF THE BOARD

July 21, 1967

CYPRUS MINES CORPORATION AND WHOLLY-OWNED SUBSIDIARIES

	Three months ended June 30		Six months ended June 30	
	1967	1966	1967	1966
Total revenues, including share of revenues of joint-venture corporations	\$38,409,411	\$29,818,872	\$69,035,120	\$58,708,506
Total revenues (exclusive of share of revenues of joint-venture corporations)	\$17,402,406	\$15,891,266	\$29,414,702	\$32,013,139
Costs and expenses, including income taxes	14,984,784	13,388,018	26,242,215	26,316,620
Income before equity in earnings of joint-venture corporations	\$ 2,417,622	\$ 2,503,248	\$ 3,172,487	\$ 5,696,519
Equity in earnings of joint-venture corporations, including undistributed earnings of \$2,655,569* and \$5,558,297 (1967) and \$1,515,554* and \$3,008,761* (1966)	2,809,209	1,664,194	5,865,577	3,306,041
Net income	\$ 5,226,831	\$ 4,167,442	\$ 9,038,064	\$ 9,002,560
Per share	\$1.08	\$0.86	\$1.86	\$1.85
Shares outstanding at end of period	4,857,000	4,872,000	4,857,000	4,872,000

*After provision for estimated taxes payable by the company in the event of distribution in the future. Interim statements are subject to audit by independent accountants.