

PROPERTY OF THE  
SEATTLE PUBLIC LIBRARY

PACIFIC

*Business*  
BUSINESS  
CONTINUATION

APR 13 1965

ROOM 204

# *Annual Report*

OF THE

PACIFIC

*Pend Oreille Mines & Metals Co.*

FOR THE YEAR ENDED

December 31, 1964



**Offices: Old National Bank Building**

**Spokane, Washington**



## PEND OREILLE MINES & METALS COMPANY

Main Office, 923 Old National Bank Bldg., Spokane, Washington 99201

Mine Office, Metaline Falls, Washington

### *Directors*

ROBERT E. BROWN.....	Kellogg, Idaho
HENRY L. DAY.....	Wallace, Idaho
WRAY D. FARMIN.....	Spokane, Washington
JENS JENSEN.....	Spokane, Washington
CHARLES E. SCHWAB.....	Kellogg, Idaho
W. W. WITHERSPOON.....	Spokane, Washington
W. L. ZEIGLER.....	Coeur d'Alene, Idaho

### *Officers*

JENS JENSEN, <i>President</i> .....	Spokane, Washington
CHARLES E. SCHWAB, <i>Executive Vice President</i> .....	Kellogg, Idaho
W. W. WITHERSPOON, <i>Vice President</i> .....	Spokane, Washington
A. C. WIMBERLY, <i>Secretary and Treasurer</i> .....	Spokane, Washington

### *Transfer Agents*

The Old National Bank of Washington.....	Spokane, Washington
The Royal Trust Company.....	Toronto, Ontario
The Royal Trust Company.....	Vancouver, B.C.



## PEND OREILLE MINES & METALS COMPANY

Spokane, Washington

March 27, 1965

TO OUR SHAREHOLDERS:

We submit the Annual Report for year ended December 31, 1964, including balance sheet, statement of income and retained earnings, statement of operating costs, and audit report by LeMaster & Daniels, Certified Public Accountants.

### COMPARATIVE OPERATING STATISTICS

	1964	1963	1962
Tons ore milled.....	697,113	651,922	619,946
Pounds lead in concentrates.....	8,887,758	10,007,664	9,526,354
Pounds zinc in concentrates.....	34,283,665	33,394,046	31,593,977
Receipts from sale of concentrates.....	\$3,265,874	\$2,604,234	\$2,132,685
Other income .....	99,049	86,474	73,519
Div. from Reeves MacDonald Co.....	322,836	—	264,561
Costs .....	2,545,708	2,307,544	2,192,075
Income before charges.....	1,142,051	383,164	278,690
Depletion and depreciation.....	389,174	376,006	379,213
Provision for income tax.....	200,466	13,785	39,684
Claim for refund of Fed. Income Tax.....	—	—	62,786
Net Income (loss).....	552,411	(6,627)	(77,421)
E. & M. J. average metal quotations:			
Lead per pound, New York.....	13.60c	11.14c	9.63c
Zinc per pound, E. St. Louis.....	13.57c	12.00c	11.62c

Your property was operated without interruption during 1964, but at slightly less than the rated capacity due to a shortage of skilled miners. 697,113 tons ore were mined and milled, compared with 651,922 the previous year. Operating costs were \$3.353 per ton and total costs \$3.652 per ton, an increase from \$3.253 and \$3.539 respectively.

The improvement in metal prices that began in 1963 continued in 1964. Lead quotations increased in several steps from 13c early in January to 16c at year end, and zinc quotations in two steps from 13c early in January to 14.50c at year end, resulting in E. & M. J. average quotations for the year of:

13.596c per pound, New York, for lead

13.568c per pound, East St. Louis, for zinc

The increased metal prices resulted in greatly improved financial operating results for the year, receipts of \$3,265,873.85 from the sale of concentrates being the highest of any year since we commenced operating.

The gross income for the year amounted to \$1,142,051.02 before write-offs,



compared with \$383,163.92 the previous year, and the net income \$552,411.42 compared with a loss of \$6,627.18.

In December, 1964, a portion of the proceeds from future ore production was sold for \$3,000,000.00. This amount, less applicable Income Tax, has been deferred, and will be included in income in 1965 as the concentrates from the future production are delivered.

Underground development expenditures amounted to \$404,571.94, compared with \$299,577.27 in 1963.

Expenditures for plant and equipment amounted to:

Surface .....	\$ 18,850.07
Underground .....	97,056.63
Total .....	<u>\$115,906.70</u>

### REEVES MACDONALD MINES LIMITED

There is included in this report the Balance Sheet and Operating Statements for this company of which Pend Oreille owns 59.4% of the outstanding shares, and we quote the following excerpts from its annual report, recently distributed:

“Upon termination of the eight months’ strike late in December, 1963, steps were taken to resume production, and normal schedules, were obtained in February. Accordingly, operations were at near capacity for the year with 379,269 tons being mined and milled from which 29,533 dry tons concentrates were produced, having the following metal content:

7,943,460 lbs. Lead
25,915,619 lbs. Zinc
160,972 lbs. Cadmium
38,749 ozs. Silver

The gross income amounted to \$1,174,170.00 and after charging off the amount of \$226,444.00 for amortization and depreciation, as well as provision for income and mining taxes in the amount of \$380,000.00, the net income amounted to \$567,726.00.

Development work was concentrated on the main ore body, below the 1900 foot level and consisted of:

5,244 feet drifting
3,069 feet raising
14,130 feet diamond and long hole drilling,

the cost of which is included in the mining expenses.

Capital expenditures during 1964 were as follows:

Surface .....	\$ 26,586.16
Underground .....	91,341.67
Total .....	<u>\$117,927.83</u>
Outside Exploration .....	2,017.62
Total .....	<u>\$119,945.45”</u>



## GENERAL

**Pend Oreille paid Dividend No. 14 on October 28, 1964, of 25c per share, amounting to \$597,034.00 and Reeves paid Dividend No. 11 on October 22, 1964, amounting to \$584,500.00.**

The financial position of both companies at December 31, 1964 compared with the previous year, follows:

	PEND OREILLE		REEVES	
	1964	1963	1964	1963
Current Assets .....	\$5,746,066	\$2,267,139	\$1,335,255	\$689,214
Liabilities .....	1,357,786	207,578	613,528	62,068
Working Capital .....	\$4,388,280	\$2,059,561	\$ 721,727	\$627,146

Collective Bargaining Agreements were negotiated, for Reeves that expires December 1, 1965 and for Pend Oreille which expires June 30, 1967, both providing for increased wages and other benefits.

It is with deep regret that we record the death on June 24, 1964 of Mr. Ross D. Leisk, who served as a Director since May, 1959. His experienced judgement and valuable counsel will be missed.

The increased consumption of both lead and zinc metals continues world-wide and indications are that 1965 will be another good year for zinc-lead mines with no significant change in the price structure expected.

Respectfully,

JENS JENSEN,  
*President*



# PEND OREILLE MINES & METALS COMPANY

Balance Sheet at December 31, 1964

## A S S E T S

### CURRENT ASSETS:

Cash in banks.....	\$ 469,149.05
Certificates of deposit (including accrued interest).....	3,504,888.89
Marketable securities—at cost plus accrued interest (market value \$994,390.00).....	994,305.89
Due from smelter.....	445,415.70
Other accounts receivable.....	25,930.91
Operating supplies—at lower of cost or market.....	281,663.10
Unexpired insurance .....	24,712.74
<b>Total current assets.....</b>	<b>5,746,066.28</b>

### INVESTMENTS:

Reeves MacDonald Mines, Ltd. (a Canadian subsidiary) : 1,389,000 shares of stock—at cost.....	\$ 574,565.42
Shares of other mining companies—nominal value .....	1.00

574,566.42

### PROPERTY, PLANT AND EQUIPMENT:

Mining property, development and land .....	\$3,639,878.97
Less: Accumulated depletion and amortization .....	1,810,104.38

1,829,774.59

Building, plant and equipment.....	6,382,112.11
Less: Accumulated depreciation....	5,095,789.91

1,286,322.20

3,116,096.79

\$9,436,729.49

## L I A B I L I T I E S

### CURRENT LIABILITIES:

Accounts payable .....	\$ 216,721.97
Payroll payable .....	13,600.60
Provision for taxes:	
Federal income tax.....	1,045,064.65
Other taxes .....	35,991.26
Pension plan costs payable.....	46,408.00
<b>Total current liabilities.....</b>	<b>1,357,786.48</b>

### DEFERRED CREDIT:

Production payment sold, net of income tax—note.....	2,102,726.59
--	--------------

### CAPITAL:

Capital stock of a par value of \$1.00 per share:

Authorized .....	3,000,000 shares	\$3,000,000.00
Unissued .....	561,764 shares	561,764.00
	2,438,236 shares	2,438,236.00
Treasury stock .....	50,100 shares	50,100.00
Outstanding .....	2,388,136 shares	2,388,136.00

Capital contributed for shares in excess of par value, less charges thereagainst.....	3,588,080.42
---	--------------

5,976,216.42

\$9,436,729.49

NOTE: In December, 1964, a production payment, representing a portion of the Company's interest in future ore production, was sold for \$3,000,000.00. Proceeds of the sale, less income tax, have been deferred and will be taken up as income as the concentrates from the future production are delivered.

## ACCOUNTANTS' CERTIFICATE

PEND OREILLE MINES & METALS COMPANY  
Spokane, Washington

In our opinion, the accompanying balance sheet and statements of income and contributed capital present fairly the financial position of Pend Oreille Mines & Metals Company at December 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied

on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

March 12, 1965

LEMASTER & DANIELS  
Certified Public Accountants



**PEND OREILLE MINES & METALS COMPANY**  
**Statement of Income, Year Ended December 31, 1964**

**INCOME FROM SALES:**

Gross value of concentrates sold, less smelter charges.....	\$3,517,279.80
Less: Transportation charges.....	251,405.95

	3,265,873.85
Deduct: Direct operating costs.....	2,337,358.79

Gross profit on sales before depletion and depreciation	928,515.06
---	------------

**GENERAL AND ADMINISTRATIVE  
EXPENSES AND TAXES.....**

208,348.88

Income before undernoted items.....	720,166.18
-------------------------------------	------------

**OTHER INCOME:**

Dividends received .....	\$322,835.56	
Interest, rents, gains and discounts.....	99,049.28	421,884.84

Income before depreciation, depletion and income taxes.....	1,142,051.02
--	--------------

**PROVISION FOR DEPRECIATION AND DEPLETION:**

Depreciation .....	319,272.72	
Depletion .....	69,901.42	389,174.14

Income before income taxes.....	752,876.88
---------------------------------	------------

**PROVISION FOR INCOME TAXES:**

Federal income tax.....	152,040.13	
Canadian income tax.....	48,425.33	200,465.46

NET INCOME FOR THE YEAR.....	<u>\$ 552,411.42</u>
------------------------------	----------------------

**STATEMENT OF CONTRIBUTED CAPITAL**  
**Year Ended December 31, 1964**

BALANCE, JANUARY 1, 1964.....	\$3,621,259.76
-------------------------------	----------------

**ADD:**

Investment tax credit of prior years restored to accounts.....	11,443.24
--	-----------

**DEDUCT:**

Dividend paid at 25c per share.....	\$597,034.00	
Less: Portion paid from current earnings.....	552,411.42	44,622.58

BALANCE, DECEMBER 31, 1964.....	<u>\$3,588,080.42</u>
---------------------------------	-----------------------

**OPERATING COSTS**

**For the Year Ended December 31, 1964**

Tons Ore Milled.....	697,113	
	<i>Amount</i>	<i>Per Ton</i>
Development.....	\$ 404,571.94	\$0.580
Mining.....	1,121,515.32	1.609
Milling.....	478,719.42	0.687
Other Direct Operating Costs.....	332,552.11	0.477
Total Operating Costs.....	2,337,358.79	3.353
Administration and General Expenses.....	65,364.25	0.094
Taxes, Other than Income.....	142,984.63	0.205
Total Costs.....	<u>\$2,545,707.67</u>	<u>\$3.652</u>



# REEVES MACDONALD MINES LIMITED

## Statement of Income and Unappropriated Earned Surplus For the Year Ended December 31, 1964

### INCOME FROM PRODUCTION:

Gross value of concentrates produced less smelter charges.....	\$2,693,041.55
Less transportation charges.....	246,945.81
	<u>2,446,095.74</u>
Deduct cost of production.....	1,221,139.91
Gross income from production.....	<u>1,224,955.83</u>

### GENERAL AND ADMINISTRATIVE EXPENSES..... 63,807.64

Income before undernoted items.....	<u>\$1,161,148.19</u>
-------------------------------------	-----------------------

### OTHER INCOME:

Interest on bank deposit.....	13,021.69
-------------------------------	-----------

### DEDUCT: \$1,174,169.88

Depreciation .....	\$132,867.29
Shaft sinking and exploration expenses.....	<u>93,575.98</u>
	<u>226,443.27</u>

Income before taxes on income.....	<u>\$ 947,726.61</u>
------------------------------------	----------------------

### PROVISION FOR INCOME AND MINING TAXES..... 380,000.00

Net income for the year.....	<u>\$ 567,726.61</u>
------------------------------	----------------------

### UNAPPROPRIATED EARNED SURPLUS AT DECEMBER 31, 1963..... 74,800.46

	<u>\$ 642,527.07</u>
--	----------------------

### DEDUCT:

Dividend No. 11 at 25c per share.....	584,500.00
---------------------------------------	------------

### UNAPPROPRIATED EARNED SURPLUS AT DECEMBER 31, 1964.....\$ 58,027.07

## OPERATING COSTS

### For the Year Ended December 31, 1964

Tons Ore Milled.....	397,269	
	<i>Amount</i>	<i>Per Ton</i>
Mining.....	\$ 680,049.32	\$1.712
Milling.....	362,948.44	0.914
Other Direct Operating Costs.....	<u>178,142.15</u>	<u>0.448</u>
Total Operating Costs.....	<u>\$1,221,139.91</u>	<u>\$3.074</u>
Administrative and General Expenses.....	47,914.88	0.120
Property Taxes.....	<u>15,892.76</u>	<u>0.040</u>
Total Costs.....	<u><u>\$1,284,947.55</u></u>	<u><u>\$3.234</u></u>



# REEVES MACDONALD MINES LIMITED

Balance Sheet as at December 31, 1964

## ASSETS

### CURRENT ASSETS:

Cash .....	\$ 571,561.81	
Interest bearing deposit.....	200,000.00	
Accounts receivable.....	11,523.14	
Concentrate settlements outstanding.....	374,775.64	
Stores on hand, valued at cost.....	149,181.89	
Prepaid expenses .....	28,212.14	
		\$1,335,254.62

BUILDINGS, PLANT AND EQUIPMENT — at cost	2,377,734.97	
Less accumulated depreciation (see Note 1 below)	2,024,774.67	
		352,960.30

### MINING PROPERTIES:

At cost less realizations and amounts written off (including those acquired for shares and valued by the directors at \$2,000,000) .....		1,992,476.87
--	--	--------------

### NOTES:

1. In 1964 the company resumed its policy of providing for depreciation at the maximum rates allowable for income tax purposes. No provision for depreciation was made in 1963.
2. Charges to income for amortization of shaft sinking expenses have not been related to production, but have been the amounts claimed for tax purposes.

\$3,680,691.79

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable and accrued liabilities.....	\$ 232,520.32	
Estimated income and mining taxes payable.....	381,007.90	
		\$ 613,528.22

### SHAREHOLDERS' EQUITY:

Share capital:		
Authorized 3,000,000 shares at \$1 each, issued and fully paid 2,338,000 shares.....		2,338,000.00
Capital surplus:		
Arising from conversion of no par value shares to par value shares in 1938.....		221,136.50
Earned surplus:		
Appropriated for expenditures made on prop- erty, plant and equipment.....	450,000.00	
Unappropriated .....	58,027.07	
		508,027.07

### ON BEHALF OF THE BOARD:

JENS JENSEN, *Director*

JOSEPHINE WHITEHOUSE, *Director*

\$3,680,691.79

## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Reeves MacDonald Mines Limited as at December 31, 1964 and the statement of income and unappropriated earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, according to the best of our information and the explanations given to us and as shown by the books of the company, the above balance sheet and

the accompanying statement of income and unappropriated earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1964 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change referred to in Note 1.

Vancouver, B.C.  
February 22, 1965

HELLIWELL, MACLACHLAN & Co.  
*Chartered Accountants*