ANALYSES OF COMPANIES' REPORTS.

Review of the Status of the Consolidated Mining and Smelting Company, of Canada, Limited.

II.

[This is the second of a series of articles which will appear from time to time in these columns. The first was printed in our issue of November 2nd, and dealt with the position and prospects of the Shawinigan Light and Power Company. The following reviews the status of the Consolidated Mining and Smelting Company, of Canada, Limited.]

In any analytical survey of the financial status of the Consolidated Mining and Smelting Company, of Canada, Limited, it is of the utmost importance that full consideration be given to the fact that the company is as yet only in a state of comparative organization. This is clearly established by the frequent series of absorptions which have taken place since the earlier days of operations under the new regime.

In the first place, somewhere in the early months of 1905, the well-known Rossland mining properties—the War Eagle, St. Eugene and Centre Star were transferred from the Gooderham-Blackstock syndicate to the controlling interests in the new consolidated company. The initial price was about $800,000. Not satisfied with this huge merging of the Western mining operations, the company made further efforts to extend their sphere of operations, and again in the early months of 1907 the Phœnix Amalgamated Company, comprising the Red Rock, Lulu, Bald Eagle, Pinhook, Missing Link No. 2, Dandy and the Keystone and Four Ace properties were taken over. The Iron Mask property at Rossland was also bought and paid for. Most of these properties adjoined the Granby Consolidated Company's properties upon the south.

Big Outlay on Capital Account.

It can be readily understood that the absorption of such a formidable group of valuable mining properties would entail an enormous outlay on capital account; and on behalf of necessary development and improvements much of the expenditure could correctly be taken from current revenue.

It is, therefore, not surprising that the latest financial statement of the Consolidated Mining and Smelting Company should show an extremely heavy appropriation on account of development expenses. The first financial statement presented to the shareholders of the Consolidated Company was for the six months ending June 30th, 1906, when a matter of a quarter of a million dollars was expended on such development work. With the growing obligations of the company the development expenses have increased considerably.

At the end of the first fiscal year, which, as before stated, was for the six months' period ending June 30th, 1906 (the shorter period being due to a reasonable desire of the management to end the fiscal year at the period now obtaining), the operations of the company showed phenomenal net returns, and immediately demonstrated the wisdom of the consolidation beyond peradventure. To give the earnings for that short period will show the possibilities of the future. Notwithstanding a sum of $245,176 for development, there were at that time net profits of $325,854, or equal to nearly 13 per cent. per annum earned on the capital stock paid up at that time. It will be understood that these profits were made under the disadvantages of operating and developing many new plants, although this was no doubt partly offset by the high prices secured for the products handled by the corporation.

Margin Left for Ten Per Cent. Dividend.

The statement of earnings and expenses for the year ending June 30th, 1907, is one of the most interesting exhibits ever put out by the management of any such corporation in this country. The profit and loss account for the year shows net profits of $484,676, which, while it left a very small margin over and above the full 10 per cent. dividend requirements, was, when taken in conjunction with some of the items of expenditure, a very satisfactory record of successful progression.

It is necessary to bear in mind that the corporation is yet in a primitive state of organization, and any review written for the purpose of affording investors the exact position of the company must necessarily be built upon this hypothesis. Therefore, the fact alone that the company was in a position to meet its full 10 per cent. dividend obligations, after only eighteen months of combined operations, is an indication that the prospects are of the best for a continuance of a fair return on the capital invested.

Why Dividend Was Cut.

Shareholders were, perhaps, not greatly surprised when the announcement was made a few weeks ago that the dividend of the Consolidated Mining and Smelting Company had been cut in half, making a quarterly payment of 1¼ per cent. instead of, as formerly, 2½ per cent. The events of the past few weeks in the financial markets had, no doubt, prepared stockholders of mining and smelting companies generally for a substantial reduction in their dividend returns in consequence of a sympathetic decline in the prices of metals, and also a difficulty in securing accommodation for financing immediate and imperative working requirements. The latter consideration, so far as the Consolidated Company is concerned, was probably the one which decided the directors to make the reduction in dividends. The decline in metals has, in all probability, been but temporary, and there is already an indication that higher prices will soon prevail.

The cut in the dividend rate did not affect the shareholders during the fiscal year of 1906-7, as a full 10 per cent. was paid for that period. The first quarter of the fiscal year ending June 30th, 1908, will bear the brunt of the reduction, and if the operations continue on the same scale of excellence as during the past year, the directors may be inclined to replace the higher rate before the year is terminated. In the meantime, it will be well to take heart from the results as given in the last annual report.

For the fiscal year 1906-7 the company received by sales of smelter products and profit on refining the satisfactory sum of $4,962,129, an increase of almost $900,000 as compared with the previous year. There has been a large increase in the revenue from the sale of ores, the latest returns being given at $812,262, which is an increase of almost $700,000, or a total increase in these two accounts of over $1,500,000. For the year ending June 30th, 1907, there was a sum of $1,083,780, representing ores and metals on hand and in transit to smelter (value estimated), which compares favorably with the total of $750,912 at the corresponding perior of 1906.

Much Money for Development Work.

On the other side of the profit and loss account the item of $2,384,180, compared with $1,893,737 in 1906, indicates that the "customs" business of the company is continuing to show remarkable development. Smelter product on hand (mainly customs) and ore in transit to smelter and in process of treatment amounted to $1,148,232. General expenses of mining and smelting amount to $1,662,731, which sum bears a ratio of about 34 per cent. to the gross revenue for the year. This is an eminently satisfactory proportion when the difficulties attending labor, fuel supply and the particularly adverse winter season are considered.

Attention must again be drawn to the huge amounts expended on behalf of development work. No less amount than $531,379 has been expended in that direction. That this item is of vital import may be appreciated when it is shown that the sum represents but a fraction less than 11 per cent. of the entire paid-up capital. In mining and smelting operations it is difficult to know just when the obligations of capital account and those of revenue begin and end. That the directors of this corporation consider development expenses a legitimate charge against profits is demonstrated by the afore-mentioned sum of $531,379 being taken from the year's revenue. A sum of $91,705 has been set aside for depreciation of general plant and equipment, a fairly modest amount, considering the severe wear and tear of a smelter plant.

Revenue for the Year.

To the profits of the year of $484,676 is added the balance of $70,914, brought from the previous year, making a total available for distribution of $555,591, out of which were taken dividends to the amount of $480,005 and the sum of $20,000, which was set aside as a reserve or special contingent account to meet claims of damage, etc. There is, therefore, a sum of $55,586 to be carried forward to the credit of profit and loss account. Strictly speaking, the revenue of the year, without consideration of the balance brought forward, showed a matter of $15,000 less than the total appropriation on behalf of the special reserve and dividends.

During the year under review the capital of the company has been augmented by the addition of 1,350 shares of a par value of $100 each, bringing the total paid-up capital up to $4,833,800. Besides the new capital stock available, the company has used a portion of the cash working capital for the purchasing properties, new construction, equipment and improvements. An item shown in the last statement, which does not appear to have been considered worthy of mention in the directors' report, is the loan and overdraft of $1,563,589 to the Bank of Montreal. Twelve months ago this account was $415,081. The increase of over one million dollars should certainly have had some acknowledgment in the company's financial report. This heavy loan and overdraft has been the result, no doubt, of the hasty out-reaching for properties that will, in the course of time, redound to the benefit of the organization.

Labor Troubles, and Profits Curtailed.

It is significant of the struggle between capital and labor that existed during the prosperous months of 1906 and the

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