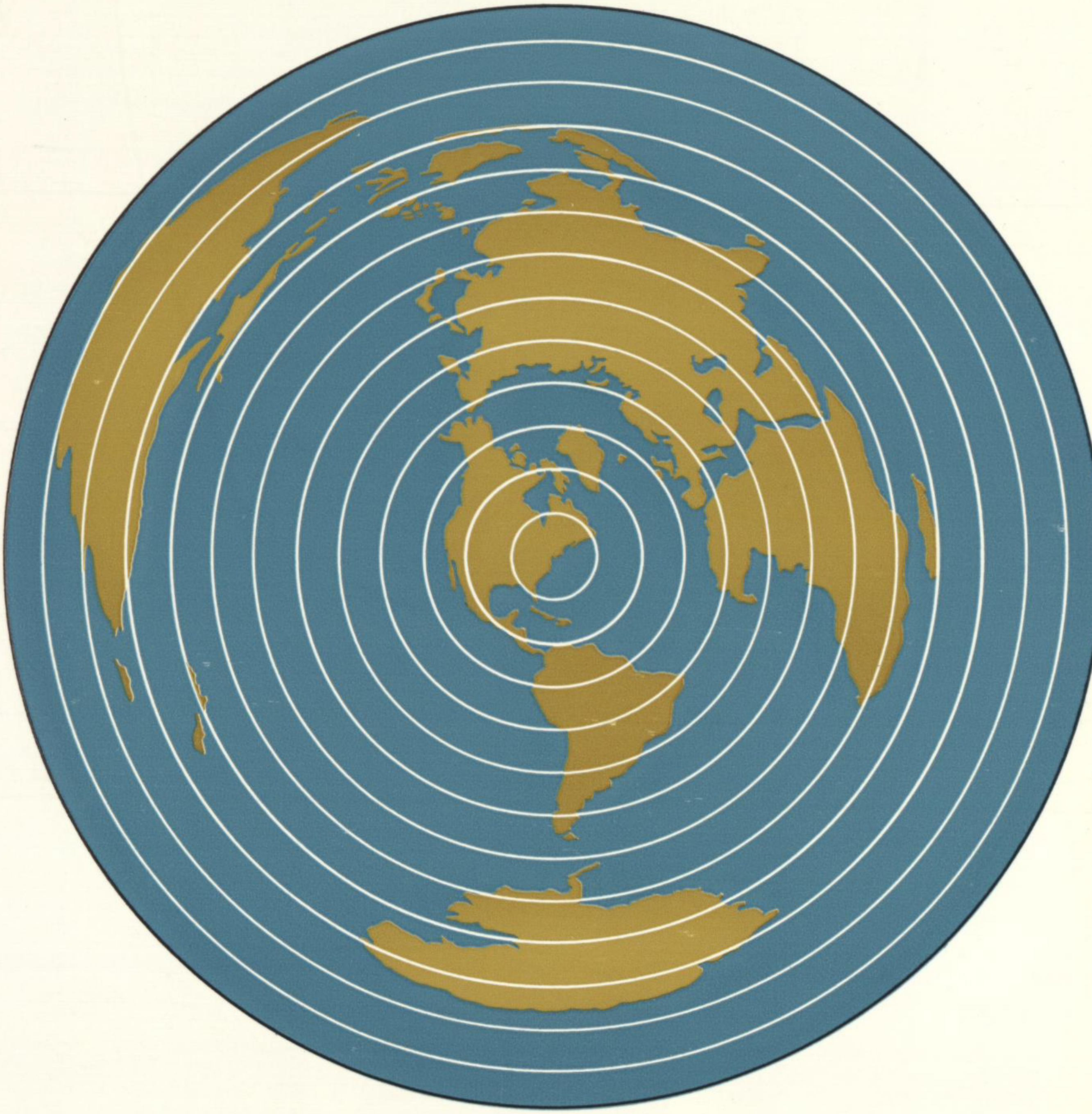
International Mining Corporation Annual Report 1966



International Mining Corporation

280 Park Avenue, New York, N. Y. 10017

DIRECTORS

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TRANSFER AGENT
The Chase Manhattan Bank, New York

REGISTRAR
Bankers Trust Company, New York

STOCK LISTING
New York Stock Exchange

AUDITORS
Price Waterhouse & Co.

April 19, 1967

TO THE STOCKHOLDERS:

During 1966 International Mining Corporation improved and consolidated its position in the natural resource extractive industries and allied fields. Through subsidiaries the Corporation mines gold and platinum in South America and operates one of the largest marine terminals on the Atlantic Coast. Affiliates mine and process molybdenum, vanadium and rare earths in the United States, gold and nickel in Canada, silver, lead and zinc in Mexico, and columbium in Brazil.

International Mining's largest holding is a 19% interest in Molybdenum Corporation of America (Molycorp), representing a cost of $13,084,000 and a market value at year end of $26,900,000. Sales and profits in 1966 were the highest in Molycorp's history. The record performance reflected the high level of demand for molybdenum, europium oxide and other rare earth products. For detailed information, Molycorp's 1966 Annual Report accompanies this mailing.

Canton Company, a wholly-owned subsidiary in Baltimore, Maryland, operates a waterfront complex which includes a bulk unloading facility, general cargo piers, warehousing, a switching railroad, and an industrial real estate development. In 1966 the ore pier unloaded over 2,000,000 tons of bulk materials, the largest volume handled since 1960. To offset rising costs, Canton is promoting vigorously programs to obtain compensatory rates and to achieve greater efficiency in operations. While real estate transactions during the year were below 1965, the installation of utilities in a previously undeveloped 90-acre tract has already produced substantial sales in 1967.

In South America, subsidiaries operate the largest dredging fleet in the free world to recover gold and platinum in Colombia and gold in Bolivia. A moderate decline in gold production in 1966 was more than offset by increased yields of platinum and profits improved compared with 1965. As a result of lower gold production, largely because of extremely hard digging in clay formations, earnings of Pato Consolidated Gold Dredging Limited (67% owned) were down sharply compared with 1965. However, the Corporation believes that profits in 1967 should improve with better recoveries and increased income from Pato's other holdings.

Late in the year Colombia eliminated the free exchange market and established controls for all future foreign exchange and gold transactions. Presently gold produced in that county must be sold to the official bank, 50% to be paid in Colombian pesos and 50% in U.S. currency which must be used to defray expenditures abroad or for the remittance of profits. In March, 1967 the Colombian Government issued a comprehensive statute incorporating previous regulations together with more stringent edicts concerning foreign investments, imports and exports and monetary exchange. The effects of the lengthy Decree will not be known for some time but, on balance, it benefits the mining industry, although there may be restrictions on the repatriation of earnings.

The Fresnillo Company, 30% owned or controlled, is another important affiliate of the Corporation. Fresnillo has a 49% interest in a group of Mexican silver-lead-zinc mines which again in 1966 showed excellent profits. During the past five years Fresnillo has employed about $6,500,000, principally in mining ventures, outside of Mexico and holds 13% of The Beryllium Corporation, the largest beryllium alloy producer in the United States. Fresnillo also held at the close of the year 393,800 shares of Brazilian Light & Power Company Limited.

At year end International Mining and affiliates controlled 8% of the outstanding shares of Brazilian Light & Power. Earnings of this utility concern in 1966 again improved notably and in July its dividend was placed on a regular 25¢ a share quarterly basis. Through Brazilian Light & Power the Corporation participates in the accelerating growth and tremendous potential of Brazil's developing economy.

Strong demand for Vanadium Corporation products resulted in record sales and earnings in 1966. Vanadium, 8% owned by the Corporation, is a major producer of ferro alloys, metal-based chemicals and specialty alloys. The company also mines and mills uranium-vanadium ores and chrome ores. Expansion and modernization of production facilities to keep pace with market demand brought tonnages to all-time high levels. Dividends of $2.00 a share were paid in 1966, the highest since 1957. Because of advancing technology of its steel-producing customers, Vanadium's research activities are an essential aspect of its operations.

The common denominator of International Mining's subsidiaries and affiliates is the mining, handling and processing of natural resources with particular emphasis on refractory metals. The

FINANCIAL HIGHLIGHTS

	1966	1965
Net Earnings and Dividends		
Net earnings for shareholders	$ 1,910,000	$ 2,795,000
Per share	0.73	1.06
Dividends paid to shareholders	1,311,000	1,309,000
Per share	0.50	0.50
Financial Position at December 31		
Working capital	$12,792,000	$12,333,000
Net property, plant and equipment	15,674,000	16,187,000
Total long-term debt (including amounts due within one year)	14,262,000	14,284,000
Shareholders' equity	35,221,000	34,745,000
Per share		
Including securities at book value	13.45	13.23
Including securities at market value	20.19	19.00
Number of shares outstanding	2,618,788	2,627,028
Number of shareholders	7,864	7,390
Average number of employees	2,504	2,650
Marketable Securities (including affiliated companies)		
Market value at December 31	$40,981,000	$38,178,000
Book value at December 31	23,319,000	23,020,000
Dividends received	966,000	638,000

use of special alloys is growing at an accelerated rate with ever-widening applications in industry, aviation, aerospace and nuclear energy, and the Corporation's substantial interests in Molycorp, Vanadium, and Beryllium provide an important stake in this field. Participation in precious metal production is historic with the Corporation, Canton Company is important for its earning power, and the Corporation's other ventures offer capital gain opportunities.

Detailed financial data about the Corporation, as well as an annual review for 1966 of each of International Mining's more important interests, can be found on the following pages.

The Corporation's growth over the past decade testifies to the effectiveness and dedicated loyalty of its staff and employees to which this letter gives official recognition and tribute. It is appropriate also to recognize in this report the wisdom and counsel provided throughout the year by an experienced and judicious Board of Directors. In mid-year Mr. Phanor Eder, senior member of the Board with twenty-eight years of continuous service, was elected Honorary Chairman and Mr. Stephen B. Roman, President of Denison Mines, Ltd., honored the Corporation by consenting to serve as a Director. Shareholders as well play a vital role in supporting the Corporation's activities and aspirations.

Respectfully submitted,

L. B. Harder — Frank L. Kellogg

LEWIS B. HARDER
Chairman of the Board

FRANK L. KELLOGG
President

FINANCIAL

Consolidated net income in 1966 aggregated $1,910,000 ($0.73 per share) compared with $2,795,000 ($1.06 per share) in 1965. Earnings in 1965 included net capital gains of $0.58 per share from the sale of the Corporation's holdings of The Pittsburgh & West Virginia Railway Company.

The following is a comparative summary of consolidated earnings for 1966 and 1965.

	1966			1965		
			Per Share			*Per Share*
Earnings from operations before income taxes:						
Mining	$1,528,000			$1,249,000		
Marine terminal . .	1,408,000	$2,936,000	$1.12	1,495,000	$2,744,000	$1.04
Other income:						
Capital gains . . .	600,000			2,052,000		
Dividends, etc. . .	1,003,000	1,603,000	0.61	824,000	2,876,000	1.10
		4,539,000	1.73		5,620,000	2.14
Administrative and general expenses	682,000			643,000		
Interest	841,000	1,523,000	0.58	926,000	1,569,000	0.60
Earnings before income taxes . .		3,016,000	1.15		4,051,000	1.54
Provision for income taxes:						
Foreign income taxes .	731,000			696,000		
U. S. Federal income taxes	375,000	1,106,000	0.42	560,000	1,256,000	0.48
Net income . . .		$1,910,000	$0.73		$2,795,000	$1.06
Shares outstanding at end of year .		2,618,788			2,627,028	

Dividend distributions in 1966 totalled $0.50 a share, consisting of regular quarterly payments of $0.10 per share plus a year-end extra of $0.10, the same as in 1965. The total dividend payment to stockholders in 1966 was $1,311,000.

CANTON COMPANY OF BALTIMORE

Canton, again in 1966, made a significant contribution to the Corporation's profits. After a slow start at the beginning of the year, a generally high level of operations produced earnings, before Federal income taxes, of $1,408,000 compared with $1,495,000 in 1965.

Excluding gains from sales of real estate, Canton's profits from operations of the marine terminal improved in 1966. The betterment in earnings was not the result of a larger volume of business but the accumulation of a constant and unremitting effort to improve every facet of Canton's business, whether large or small. For example, by changing procedures regarding railroad car per diem and reclaim, a good safety record, largely the result of an accident prevention program put into effect in 1964 and a careful analysis of railroad switching rates and allowances, savings and additional revenues aggregated $232,000 a year.

The ore pier is Canton's principal facility and accounts for better than 50% of gross income. Tonnage handled in 1966 reached 2,049,000 tons, the highest level since Canton was acquired in 1960. Bulk commodities discharged included not only iron, chrome and manganese but products as diverse as salt, pumice stone, cryolite, fluorspar and potash. During the year berths at the ore pier were dredged to a depth of 42 feet at a cost of $120,000 and the largest bulk carriers afloat can now be handled. The increased volume is a direct result of Canton's aggressive solicitation for business in recent years.

The long delay in condemnation of about 60 acres of the company's property for a proposed East-West Expressway adversely affected sales of real estate last year. However, the installation of roads and utilities at a cost of $500,000 makes available for development a 90-acre tract in Baltimore County. The area is served by a network of thruways, Canton Railroad for switching, and Canton's piers for import and export. Contracts for the sale of 19 acres, totalling almost $500,000, are already executed assuring that 1967 will be an excellent year in this segment of Canton's business.

A new container terminal being constructed for Sea-Land Service at a cost to them in excess of $3,500,000 will be in operation by mid-1967. Direct benefits to Canton, in addition to a 25-year lease with Sea-Land, will be rental income, additional rail traffic and substantial stevedoring tonnage. An indirect benefit is the start in developing Canton's "Sea Girt" area into another major port complex. Including riparian rights, Sea Girt consists of about 200 acres of undeveloped waterfront property adjacent to the existing piers and Sea-Land facility.

Management believes that Canton's earnings in the current year, including real estate sales, should exceed those of 1966.

MOLYBDENUM CORPORATION OF AMERICA

At year end, International Mining held 388,636 common shares and 38,863 convertible preferred shares of Molybdenum Corporation of America, a unique and growing company which mines and processes molybdenum, rare earths, columbium and tungsten. This represents approximately 19% of each class of security currently outstanding.

The holding took on added significance in 1966 as Molycorp achieved record earnings of $2.37 per share, approximately a threefold increase over the prior year, including a non-recurring gain from the sale of the assets of a subsidiary company equivalent to 22¢ a share. Sales for the year increased 81% to $36,000,000. Long-term prospects appear equally bright as Molycorp continues to expand and diversify its rare earth and other markets.

In July, Molycorp received $9,700,000 net after expenses from a rights offering to shareholders of 201,045 shares of cumulative convertible preferred stock. International Mining exercised its right to purchase 38,863 shares of this issue, yielding preferred dividends at an annual rate of $2.50 per share. The proceeds of this offering, which was over 98% subscribed, were used to retire $3,000,000 of short-term bank debt, for expansion of rare earth processing facilities and for replenishment of working capital. As a result of the successful financing and cash flow from operations in 1966 of $11,000,000, Molycorp's financial position is excellent.

Molycorp's Questa, New Mexico mine achieved the status of a full-fledged molybdenum producer in early April, when continuous operations commenced. The mine and mill operated intermittently during the first three months of the year while various problems usually encountered in the start-up of an operation of this magnitude were corrected. For the nine months of full scale operation the mill processed an average of 10,700 tons of ore daily. For the entire year, 7,750,000 lbs. of molybdenum in the form of a sulfide concentrate were produced from 3,600,000 tons of ore. At year end, mill throughput was in excess of 11,000 tons a day with improved recoveries and a production level of 10,000,000 lbs. of molybdenum in the current year should be reached. Profit objectives should also be met, helped to some degree by a 7¢ a pound price increase for molybdenum announced in January, 1967.

An expansion of Questa facilities by 1970 is already contemplated. To this end, a drilling program to develop additional ore reserves was initiated in 1966 and will be continued until sufficient reserves are proven to justify the additional capital outlay.

Virtually all Questa production was shipped to the company's ferro alloy plant at Washington, Pa., where it was converted to molybdenum oxide and ferro molybdenum for sale to the steel industry.

Sales of rare earth products in 1966 were $9.9 million or more than double those of 1965. The continued growth in demand for europium oxide for use in color television phosphors and for other rare earths in oil cracking catalysts, glass polishing, TV glass, iron and steel required 27.5 million pounds of rare earth oxides compared with 15 million pounds in the previous year. To keep abreast of this sustained growth, additional plant capacity was required. A new rare earth concentrator at Molycorp's Mountain Pass, California, mine was completed in May with annual production capability of 30 million pounds of rare earth oxides and further expanded by December to 50 million pounds. In May 1966 the capacity of the europium oxide plant, also at Mountain Pass, was doubled to 12,000 pounds of product and then again expanded by year-end to 20,000 pounds.

At Louviers, Colorado, near Denver, Molycorp's 51%-owned subsidiary, Yttrium Corporation of America, completed a new plant in December for the production of high-purity yttrium oxide, an ingredient used in conjunction with europium oxide in the manufacture of color TV phosphors. Operations at the end of the first quarter 1967 were at an annual rate of 140,000 lbs. of yttrium oxide. Also at Louviers, Molycorp is constructing facilities for the production of high-purity oxides of neodymium, praseodymium and lanthanum. These oxides have growing uses in the ceramic and glass industries.

It is also envisioned that the Louviers, Colorado, chemical plant complex will eventually include processes for production of pure molybdenum and columbium metals and oxides. These programs are currently undergoing pilot plant testing and some are expected to attain commercial use in 1967. Research on more sophisticated approaches to rare earth separation is also in progress for possible application at Louviers.

Molycorp's position as a major factor in the columbium business further solidified during 1966 when sales of ferrocolumbium to the steel industry reached $3.5 million compared to $1.9 million in 1965. Assured availability of raw material from the company's one-third owned Brazilian columbium mining and processing affiliate, in which Pato also has an interest, and stable pricing contributed to this growth. The capacity of the Brazilian mine and mill was doubled by mid-year to 7 million pounds of columbium oxide, enough to serve approximately 60% of the free world's requirements. Further expansion is contemplated in 1968. In 1966 Molycorp received partial repayment of advances from the Brazilian company and the balance is expected to be liquidated in the current year.

In the first quarter of 1967 Molycorp experienced a slackening in orders for europium and yttrium oxides brought about by a decline in consumer demand for color television sets. However, Molycorp expects increased sales in the second half of the year. In the meantime, the effect of the slowdown in rare earth sales to the television industry will be partially offset by improved operating efficiencies and better profits at the Questa mine. Over the long term, Molycorp, richly endowed in natural resources, will continue to develop new products to capitalize on advancing technology while simultaneously increasing its participation in existing markets. Molycorp's finances, raw material position and product base are now sufficiently sound to permit growth despite cyclical fluctuations in the economy, a situation viewed with considerable satisfaction by International Mining.

MINING OPERATIONS

Higher platinum production at Choco and reduced operating costs arising from significant reductions in personnel resulted in improved earnings in 1966 from the wholly-owned South American operations. Gold production was up moderately at Choco and in Bolivia, and slightly lower at Narino and Frontino, compared with 1965. The single dredge in the Department of Narino operated for only seven months because of a two-month move to a new location and improvements to the unit. Its digging depth was extended to 90 feet below water to permit mining extensive reserves developed in the lower Telembi River during recent years.

At Choco, after three months of fruitless negotiations for a new labor pact, a three-week strike ensued in February 1967. The dispute was referred to binding arbitration and operations were resumed. The decision rendered by the commission is expected to result in a considerable increase in labor costs.

The net reserve position for the Corporation's dredging properties increased during the year principally as a result of an aggressive drilling program at Narino. Reserves being developed at Narino indicate that the installation of a second and smaller dredge may be justified in the near future.

The 1966 financial results of the single dredge operation in Bolivia showed considerable improvement over the prior year principally because of lower costs, despite technical difficulties caused by extremely high rivers. A newly constructed road close to the dredge site was officially opened in late November permitting termination of the company-maintained air transport system which will reduce transportation costs. No new reserves were developed in Bolivia during the year.

The Colombian underground gold mine also showed an improved profit performance for 1966 with substantial cost reductions more than offsetting a lower output of gold and by-product metals. These improvements are largely the result of an industrial engineering and management training program in effect since early 1965. The initiation in May 1966 of by-product zinc recovery also contributed to profits. In spite of an expanded ore reserve development program, proven ore reserves declined during the year. Possibilities of ore extensions along existing mining levels were probed with limited success. Development work is now being directed towards expanding ore reserves at depths below existing working levels. An assessment of the program at this time appears encouraging.

The following tabulation summarizes metal production and developed reserves in Colombia and Bolivia for the last three years.

	1966	1965	1964
METALS PRODUCED			
From dredging operations			
Colombia			
Gold—ounces fine metal	29,666	28,936	46,817
Platinum—ounces fine metal	13,471	8,097	9,427
Bolivia			
Gold—ounces fine metal	34,266	33,861	67,612
From underground mining			
Colombia			
Gold—ounces fine metal	73,286	80,750	87,196
Silver—ounces fine metal	127,074	138,336	111,613
Lead—pounds	1,196,000	1,362,000	966,000
Zinc—pounds	560,000	—	—
VOLUME			
Cubic yards dredged			
Colombia	13,942,000	12,604,000	18,365,000
Bolivia	2,703,000	2,284,000	2,152,000
Tons milled	186,000	177,000	181,000
FULLY DEVELOPED RESERVES			
Dredging reserves			
Colombia—cubic yards	145,872,000	113,000,000	107,958,000
Cents per cubic yard	15.7	16.1	15.6
Bolivia—cubic yards	21,849,000	26,763,000	28,137,000
Cents per cubic yard	35.8	37.2	39.7
Underground reserves			
Colombia—tons	164,000	185,000	177,000
Ounces gold per ton	0.85	0.79	0.81

PATO CONSOLIDATED GOLD DREDGING LIMITED

Operating results of Pato Consolidated Gold Dredging Limited, 67% owned by International Mining, were below expectations in 1966. Difficult placer mining conditions hampered operations of two dredges and a third was digging in marginal reserves enroute to a new location. Two smaller units were shut down in March 1966 and January 1967 after exhausting shallow reserves assigned to them. At year end all five large dredges were operating under normal conditions and production in 1967 is expected to be considerably better than in 1966.

Satisfactory labor relations were maintained at Pato and a new two-year labor pact was signed in February 1967. Substantial reductions in personnel were made during 1966 and the transition from foreign to local winchmen was completed during the year. Efficiency was not notably impaired and the change has proven advantageous both economically and politically.

Pato's investment in Brazilian Light & Power increased during the year from 270,300 shares to 363,600 shares. Pato's other Brazilian holding, a one-sixth interest in Companhia Brasileira Metalurgia e Mineracao, S.A. (CBMM), achieved added significance during 1966. CBMM is now the free world's largest producer of columbium in the form of columbium oxide concentrate and ferro-columbium alloy. To accommodate the growing markets for columbium, production capacity of the processing plant located at Araxa, in the State of Minas Gerais, was increased in May and further expansion is now under way with completion scheduled for mid 1967. The first repayment of advances, part of Pato's original investment in CBMM, was received in September in the amount of $181,000 and it is anticipated that the balance will be liquidated during 1967.

Pato earned $487,000 equivalent to $0.14 per share compared to $939,000 or $0.27 per share in 1965. A dividend of $0.10 a share was paid in 1966. In the future an increasing percentage of Pato's earnings will come from its interests in Brazilian Light and Power and the columbium property.

THE FRESNILLO COMPANY

The Fresnillo Company, 30% controlled by International Mining, has as its principal asset a 49% interest in a group of large silver-lead-zinc mines in Mexico. The properties, formerly wholly-owned by Fresnillo, were "Mexicanized" in 1961 by the sale of 51% to a major Mexican metallurgical concern.

Financial results for last year were excellent, principally because of increased gains from the sale of securities. Net income of Fresnillo (excluding undistributed earnings of the Mexican mining operations) was $1,153,000, or $1.12 per share, in the fiscal year ended June 30, 1966. This compares with earnings in the prior year of $593,000, or $0.57 a share.

Because of continuing high metal prices during 1966, the Mexican operations had record earnings of $1,796,000 compared with $699,000 in the prior year (after a non-recurring tax payment of one million dollars). Ore production of 1,205,000 tons generated revenues of $27,400,000 from the sale of 5,285,000 ounces of silver, 42,000 tons of lead, and 43,000 tons of zinc. In recent months prices for lead and zinc have weakened; however, management is striving to maintain earnings through increased productivity and reduction of operating costs.

Fresnillo also has sizable interests in the United States acquired principally with the $5,500,000 proceeds from the sale of a one-half interest in the Mexican properties and with additional funds subsequently received from Mexico. Major holdings at year end were 393,800 shares of Brazilian Light & Power and a 13% interest in The Beryllium Corporation. Berylco is a leading producer of beryllium-copper alloys used extensively by the electronics industry and pure beryllium, a strong, light-weight metal with increasing applications in aerospace technology.

In Mexico the mining properties are efficiently run, ore reserves well-maintained, exploration work fruitful and the price of silver firm. With a large stake in the rapid industrial expansion of Brazil and in the development of space age metals, Fresnillo's other ventures show promise of substantial growth.

BRAZILIAN LIGHT AND POWER COMPANY LIMITED

International Mining has been operating in Latin America for more than fifty years and the Corporation remains optimistic about long-term prospects in the Southern Hemisphere. At year end the Corporation controlled 8% of the outstanding shares of Brazilian Light and Power through which it participates in the development of Brazil, the largest country in South America. The change to a stable government in 1964, with responsible economic and fiscal policies, has strengthened the Brazilian economy and brightened the outlook for the future.

The economic improvement in Brazil has substantially benefited Brazilian Light. With the sale of its telephone subsidiary in December 1965, the company is now principally a supplier and distributor of electrical energy. Electric kilowatt-hour sales in 1966 were 10% above the 1965 figure and this upward trend is continuing. The company's program to expand electric distribution facilities is gaining momentum with expenditures and commitments for the year totalling $42,835,000. Earnings in 1966 were $36,378,000 compared with $19,480,000 in 1965. Remittances from Brazilian subsidiaries to the Canadian parent continue to be made on a regular basis. Dividends are now on a $0.25 quarterly basis and distributions in 1966 totalled $14,480,000 or $0.80 per share.

EAST MALARTIC MINES LIMITED

At year end the Corporation owned or controlled 1,197,100 shares or 30% of the outstanding stock of East Malartic Mines. Gold mining operations improved substantially in 1966 because of lower costs, and dividend income increased fourfold, resulting in net profits for the year of $633,000, compared with $259,000 in 1965. In 1966 the company poured and shipped its 3,000th gold brick representing total bullion production of $75 million since 1938.

Through a 59% ownership, East Malartic controls Barnat Mines Limited, a contiguous gold property. In 1966 Barnat reported net income of $110,000, compared with $603,000 in 1965 including a capital gain of $359,000.

East Malartic also owns an effective 25% interest in Marbridge Mines Limited, a nickel producer. Earnings of Marbridge in 1966 were $1,607,000, compared with $1,189,000 in 1965. Dividends paid to East Malartic from this source totalled $300,000 compared with $75,000 in 1965.

PANAMERICAN CAPITAL CORPORATION

Panamerican Capital Corporation was organized in 1955 as a venture capital company for the promotion of enterprises in developing nations, particularly in Latin America. Since its inception, Panamerican has been managed by International Mining which owns 79% of the stock of Panamerican. Plans are under way to effect its liquidation in order to consolidate its assets with those of the Corporation.

Among major assets of Panamerican are 68,100 shares of The Fresnillo Company and 56,000 shares of Brazilian Light & Power. In addition, Panamerican owns a number of Canadian mining securities, as well as interests in various industrial concerns in Latin America, such as a soluble coffee and food products plant in Guatemala, a chemical plant and a consumer finance company in Colombia, a real estate land development company in Brazil, and a candy company in Mexico.

VANADIUM CORPORATION OF AMERICA

Vanadium Corporation, in which International Mining maintained its 8% interest throughout 1966, manufactures ferro alloys, specialty metals and chemicals for a variety of industries, the most important being the alloy and stainless steel, automotive and heavy farm equipment and aluminum industries. The company also mines and mills uranium-vanadium ores in the Colorado Plateau area of the United States and chrome ores in Rhodesia.

Vanadium observed its 60th Anniversary in 1966 with the establishment of new records in production and sales. Sales were $73,909,000 compared with $67,659,000 in 1965, an increase of 9%. Net earnings, including capital gains from sales of marketable securities were $5,698,000 compared with $3,879,000 the previous year. Per share earnings were $4.36 and $2.88, respectively. Total dividends for the year amounted to $2.00 a common share compared with $1.50 a share in the prior year.

In November Vanadium announced it had acquired 10% of the outstanding shares of Foote Mineral Company, an industry leader in the lithium and electrolytic manganese business. Discussions currently are under way between Vanadium and Foote concerning a possible merger. International Mining believes a merger to be in the best interests of shareholders of both companies.

Annual Reports for International Mining Corporation's affiliates and Pato Consolidated Gold Dredging Limited are available upon request to the Secretary

CONSOLIDATED

ASSETS	December 31, 1966	December 31, 1965
CURRENT ASSETS:		
Cash	$ 2,093,228	$ 2,510,170
Marketable securities, at cost (market $11,000,000 in 1966) (Note 4)	8,546,553	8,932,959
Accounts receivable	1,746,221	1,378,165
Inventory of metals, at selling prices	819,498	503,198
Inventory of materials and supplies, at cost	2,647,183	2,298,761
Other	746,770	386,021
Total current assets	16,599,453	16,009,274
INTEREST IN PATO CONSOLIDATED GOLD DREDGING LIMITED (Notes 2 and 4)	5,914,880	5,920,596
INTEREST IN AFFILIATED COMPANIES, at cost (Notes 3 and 4)	14,772,519	14,086,742
MISCELLANEOUS INVESTMENTS, at cost	1,626,085	1,680,438
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	4,457,479	4,466,270
Mining properties, rights and claims, less depletion	769,264	810,919
Plant and equipment (less accumulated depreciation of $19,130,872 and $19,116,669, respectively)	9,563,257	10,021,335
Spare parts and construction material	884,283	888,422
	15,674,283	16,186,946
	$54,587,220	$53,883,996

BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31, 1966	December 31, 1965
Current Liabilities:		
Accrued taxes	$ 1,716,847	$ 1,732,359
Employee benefits and wages accrued	526,768	582,654
Accounts payable and accrued expenses	1,541,701	1,290,907
Current portion of long-term debt	21,842	70,565
Total current liabilities	3,807,158	3,676,485
Long-Term Debt:		
6% collateral trust notes, due 1968-80 (Note 4)	14,000,000	14,000,000
5½% mortgage loan, due 1968-1978	240,259	262,101
	14,240,259	14,262,101
Estimated Employee Retirement Benefits (Note 5)	995,000	769,000
Unamortized Excess of Net Assets Over Cost of Investment in Subsidiary	323,410	431,214
Shareholders' Equity:		
Common stock, $1⅔ par value (Note 6)		
Authorized—4,000,000 shares		
Issued—3,142,767 and 3,141,567 shares, respectively	5,237,945	5,235,945
Capital in excess of par value of stock (Note 7)	3,232,831	3,223,395
Retained earnings (Note 4)	31,413,933	30,815,242
	39,884,709	39,274,582
Less—Treasury stock, at cost (523,979 and 514,539 shares, respectively) (Note 7)	4,663,316	4,529,386
Shareholders' equity (applicable to 2,618,788 and 2,627,028 shares, respectively)	**35,221,393**	**34,745,196**
	$54,587,220	$53,883,996

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

	Year ended December 31, **1966**	Year ended December 31, 1965
Revenues:		
Production of metals at sales prices	$ 6,731,796	$ 6,512,582
Marine terminal operations	7,902,876	8,538,835
Gain on sales of securities and real estate	718,641	2,352,003
Dividends and other income	1,094,644	866,980
	16,447,957	18,270,400
Costs and expenses:		
Cost of metal production	4,745,122	4,989,609
Marine terminal operations	6,230,412	6,886,383
Administrative and general expenses	681,995	642,673
Depreciation and depletion	1,074,437	1,143,581
Interest, including $140,000 prepayment premium in 1965	856,804	995,218
	13,588,770	14,657,464
	2,859,187	3,612,936
Estimated income taxes	1,106,000	1,256,000
	1,753,187	2,356,936
Equity in earnings of Pato Consolidated Gold Dredging Limited (Note 2)	156,666	437,774
Net income	**1,909,853**	**2,794,710**
Retained earnings at beginning of period	30,815,242	29,329,164
	32,725,095	32,123,874
Cash dividends paid (50¢ per share in each year)	1,311,162	1,308,632
Retained earnings at end of period (Note 4)	$31,413,933	$30,815,242
Net income per share, based on shares outstanding at end of year	$0.73	$1.06

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:

The consolidated financial statements include the accounts of International Mining Corporation and all wholly-owned subsidiaries.

As in prior years, no provision has been made in the accounts for income taxes which may be payable in the event that dividends are paid to the parent organization from undistributed earnings of foreign subsidiaries.

The foreign currency accounts of consolidated foreign subsidiaries and branches are translated to U.S. dollars on the following bases:

Current assets and current liabilities at year-end rates, except that marketable securities and inventories of materials and supplies are stated at rates in effect when the purchases were made;

Property, plant and equipment and investments at rates in effect at dates the assets were acquired;

Amounts in the statement of income at average free exchange rates in effect during the year, except that depreciation, depletion, and materials and supplies consumed are based on historical dollar costs of the related assets.

NOTE 2:

The investment in Pato Consolidated Gold Dredging Limited (66.8% owned) is carried at cost, less the excess of dividends received over the equity in earnings since dates of acquisition. The excess carrying value of the Corporation's cost over net assets acquired is being amortized over a fifteen-year period commencing in 1963, such amortization amounting to $143,476 in 1966. The net assets of Pato at December 31, 1966, its earnings and dividend paid for the year, translated from Canadian to U.S. dollars at the year-end rate, were:

Net current assets	$1,913,896
Property, plant and equipment (net)	4,010,886
Other assets and liabilities (net)	527,516
Net assets at December 31, 1966	$6,452,298
Net earnings for the year	$ 449,315
Dividend paid—10¢ (Canadian) per share	$ 323,246

At December 31, 1966 the carrying value of the Corporation's investment exceeded its equity in the net assets of Pato by $1,604,745 and its share in the net earnings of Pato for 1966 was $156,666 after deducting the amortization referred to above. A dividend of $215,563 was received from Pato in 1966.

NOTE 3:

The Corporation's interest in affiliated companies at December 31, 1966 comprised the following:

Company	*% Owned*	*Cost*	*Quoted Market Value**
Molybdenum Corporation of America	19.3	$13,083,713	$26,913,000
The Fresnillo Company	23.1	1,688,806	3,068,000
		$14,772,519	$29,981,000

*Based on December 31, 1966 closing market quotations. The Corporation makes no representation that these values could be realized in the event of a sale of these holdings.

In July 1966 the Corporation sold 38,030 shares of common stock of The Beryllium Corporation to The Fresnillo Company for $910,819, the market value on the date of sale.

During 1966 the Corporation sold its holdings of $1,652,000 principal amount of Molybdenum Corporation of America 5½% Subordinated Debentures due 1976 and, under the terms of a subscription offering, purchased 38,863 shares of Molybdenum $2.50 Cumulative Convertible Preferred Stock.

NOTE 4:

The 6% Collateral Trust Notes comprise the following:

Series A—Due in annual instalments of $830,000 from 1968 to 1978 inclusive and $870,000 in 1979	$10,000,000
Series B—Due in 1980	4,000,000
	$14,000,000

Under the terms of the loan agreement, the Corporation is subject to certain limitations on the payment of cash dividends, the acquisition of its stock, the creation of additional debt and guarantees, and the incurrence of rental obligations. At December 31, 1966 retained earnings of $1,651,000 were not restricted as to the payment of cash dividends or the acquisition of the Corporation's stock.

The loan agreement further provides that the Corporation must maintain as collateral securities having a value equal to at least 250% of the unpaid principal amount of the notes outstanding. At December 31, 1966 securities carried in the accounts at $35,405,646 (having a value based primarily on market quotations of $53,745,000), including the Corporation's investments in Canton Company of Baltimore and Pato Consolidated Gold Dredging Limited, were pledged as collateral under the loan agreement.

NOTE 5:

Under the Colombian Labor Code certain of the Corporation's subsidiaries are required to pay pensions upon retirement to all employees who have had 20 years' service. Proportional benefits are payable to certain employees after 10 years of service. No actuarial study has been made of the subsidiaries' liability for pensions; however, it is estimated that, after deducting estimated future tax benefits, the liability for such pensions is approximately $800,000 more than the amount provided in the accounts at December 31, 1966. It is estimated that the additional liability will be provided for over a period of approximately 10 years.

Canton Company and its subsidiaries adopted an employee pension plan, effective as of December 1, 1965, with allowed employee service credits beginning August 1, 1960. The aggregate unfunded past service cost at December 31, 1966 is estimated to be $378,000 and will be funded over a remaining period of 24 years. Based on an actuarial study in 1965, it is estimated that the current service cost and amortization of the unfunded past service cost will aggregate approximately $49,000 per year.

NOTE 6:

At December 31, 1966 a total of 84,670 shares of unissued common stock were reserved for issuance to officers and key employees for options granted under the Corporation's Restricted Stock Option Plan. These options are exercisable to July 9, 1972 at prices ranging from $9.23 to $9.53 a share. During 1966 options for 1,200 shares were exercised at a price of $9.53 a share and options for 800 shares were cancelled. Subsequent to December 31, 1966 options for 72,870 shares were exercised at an aggregate option price of $692,625.

NOTE 7:

During 1966 the Corporation received 9,440 shares of its common stock as a dividend from The Fresnillo Company.

The increase of $9,436 in capital in excess of par value during 1966 represents the excess of option price over par value of common stock issued under stock options.

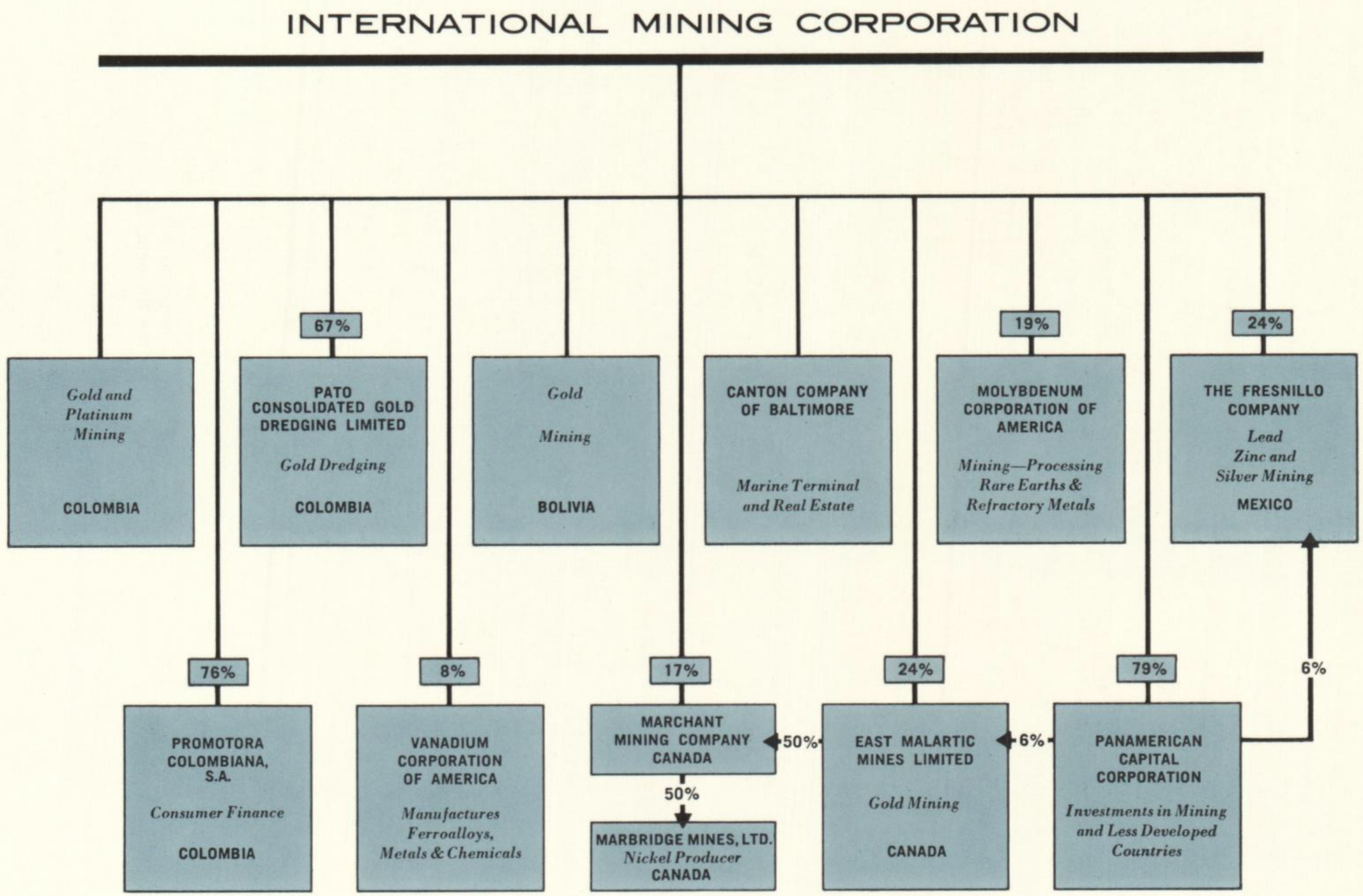
OPINION OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of International Mining Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statement of income and retained earnings present fairly the financial position of International Mining Corporation and its consolidated subsidiaries at December 31, 1966 and the results of their operations for the year, 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.

Price Waterhouse & Co.

60 Broad Street, New York 10004
March 27, 1967


INTERNATIONAL MINING CORPORATION
Gold and Platinum Mining COLOMBIA
67%
PATO CONSOLIDATED GOLD DREDGING LIMITED Gold Dredging COLOMBIA
Gold Mining BOLIVIA
CANTON COMPANY OF BALTIMORE Marine Terminal and Real Estate
19%
MOLYBDENUM CORPORATION OF AMERICA Mining—Processing Rare Earths & Refractory Metals
24%
THE FRESNILLO COMPANY Lead Zinc and Silver Mining MEXICO
76%
PROMOTORA COLOMBIANA, S.A. Consumer Finance COLOMBIA
8%
VANADIUM CORPORATION OF AMERICA Manufactures Ferroalloys, Metals & Chemicals
17%
MARCHANT MINING COMPANY CANADA
50%
MARBRIDGE MINES, LTD. Nickel Producer CANADA
50%
24%
EAST MALARTIC MINES LIMITED Gold Mining CANADA
6%
79%
PANAMERICAN CAPITAL CORPORATION Investments in Mining and Less Developed Countries
6%