MAGMA COPPER COMPANY

INCORPORATED UNDER THE LAWS OF
THE STATE OF MAINE IN 1910

Main Office:
14 WALL STREET, NEW YORK CITY

Mine Office:
SUPERIOR, ARIZONA

CAPITALIZATION
AUTHORIZED.......................... 410,000 shares of no par value
OUTSTANDING....................... 408,155 shares of no par value

Officers, Directors, Transfer Agent and Registrar on March 15, 1932

OFFICERS
CHARLES F. AYER, President
A. J. McNAB, Vice-President
WALTER H. FILOR, Vice-President
HENRY E. DODGE, Secretary and Treasurer
GUS A. MRKVICKA, Asst. Secretary and Asst. Treasurer.

DIRECTORS
Charles F. Ayer
George B. Alvord
Charles A. Corliss
Henry E. Dodge
Francis J. Oakes, Jr.
Walter H. Filor
A. J. McNab

OPERATING OFFICIALS
Wm. Koerner, General Manager
E. G. Dentzer, Asst. General Manager
H. Forsnas, Mine Superintendent
James H. Rose, Smelter Superintendent
Frank Sarver, Purchasing Agent
John R. Mays, Auditor
R. K. Minson, Traffic Manager

TRANSFER AGENT
GUARANTY TRUST COMPANY, 140 Broadway, New York City

REGISTRAR
BANKERS TRUST COMPANY, 16 Wall Street, New York City

ANNUAL MEETING
Second Monday in May each year at Augusta, Maine
PRESIDENT'S REPORT

New York, N. Y., March 17, 1932.

To the Stockholders of
Magma Copper Company:

The accompanying report from Mr. William Koerner, General Manager, shows the operations of your Company and of Magma Arizona Railroad Company for the calendar year 1931.

The accompanying report from Mr. H. E. Dodge, Treasurer, shows the consolidated income and expense of Magma Copper Company and Magma Arizona Railroad Company for the calendar year 1931, and the consolidated financial position of these companies as at December 31, 1931, as certified by the auditors.

No change was made in the capital or corporate structure during the year. The dividend rate was reduced by the Directors at their March, 1931, meeting to 50 cents per share from the previous rate of 75 cents per share, and was reduced at their September meeting to 25 cents per share, and at their December meeting to 12½ cents per share.

The following dividends were declared during the year:

<table>
<thead>
<tr>
<th>Number</th>
<th>Date Paid</th>
<th>Per Share</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>38</td>
<td>April 15, 1931</td>
<td>$.50</td>
<td>$204,077.50</td>
</tr>
<tr>
<td>39</td>
<td>July 15, 1931</td>
<td>.25</td>
<td>102,038.75</td>
</tr>
<tr>
<td>40</td>
<td>October 15, 1931</td>
<td>.25</td>
<td>102,038.75</td>
</tr>
<tr>
<td>41</td>
<td>January 15, 1932</td>
<td>12½</td>
<td>51,019.38</td>
</tr>
</tbody>
</table>

Total $459,174.38

Including the foregoing, the total dividends paid to date amount to the sum of $10,428,313.13.

The average net cost of producing copper, after deducting gold and silver values, was 8.39 cents per pound. This cost includes State and County Taxes (amounting to about 1.07 cents per pound), depreciation and all other fixed and general expenses. It does not include any allowance for depletion of ore bodies or Federal Income Taxes. The corresponding cost for the year 1930 was 8.97 cents per pound.

The average net selling price received by the Company in excess of all commissions and delivery charges on all of the copper delivered during the year was 8.9334 cents per pound.
Your Company has no unsold copper but the present conditions of the market for copper offers no inducement to produce copper and expect any substantial profit. Unless this condition improves it may be for the best interests of the Company to stop production for a longer period this year than was done last Summer.

While shut-downs are expensive it may be the only remedy in reducing the large stock of copper on hand and restoring normal prices for the metal, which will permit profits from operations.

Respectfully submitted,

CHARLES F. AYER,

President.
GENERAL MANAGER'S REPORT

January 14, 1932.

Mr. Charles F. Ayer, President,
Magma Copper Company,
14 Wall Street,
New York, N. Y.

Dear Sir:

I submit the following report on operations of the Magma Copper Company for the year ending December 31, 1931:

PROPERTY

The Company owns 2367.508 acres of lode mining claims, including its nineteen-twentieths interest in the Superior North Queen group, of which acreage 577.295 acres have been patented; 165.678 acres of mill sites, of which 138.258 acres have been patented; 324.620 acres of patented farm lands; 346.15 acres of patented desert land, and 18 town lots in the First Addition to the Townsite of Superior. The Superior North Queen group is located to the north of and adjoins the Company's holdings and has an area of approximately 67 acres.

MINE

The following is a resume in linear feet of the development done in 1931 and since the Company started operations:

<table>
<thead>
<tr>
<th>Drifting</th>
<th>Raising</th>
<th>Sinking</th>
<th>Cutting</th>
<th>Station</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1931 ....</td>
<td>6,311</td>
<td>2,710</td>
<td>1,051</td>
<td>0,037</td>
<td>12,109</td>
</tr>
<tr>
<td>Total</td>
<td>82,505</td>
<td>47,319</td>
<td>15,821</td>
<td>43,215</td>
<td>190,069</td>
</tr>
</tbody>
</table>

During the year, 1609 cubic yards of rock were excavated in the cutting of shaft stations and pockets.

In No. 5 shaft, 3200 level, a crosscut was driven to the north from the shaft a distance of approximately 1085 feet. The formation driven through, with the exception of a basalt dike and a porphyry dike, was diabase. At a point approximately 850 feet north of the shaft the Magma Vein was encountered. The vein as driven through showed a width of about 20 feet and showed some sulphides. Considerable work will have to be done in this section on this level in order to determine if there is commercial ore. The rock temperature on this level is 126° F., and due to
excessive heat, it will be best to connect the No. 5 shaft with No. 2 shaft and No. 3 shaft before prospecting the vein. This is now being done. The footwall drift has been driven east from the north crosscut from No. 5 shaft a distance of 448 feet.

On the 2800 level, west of No. 5 shaft, no ore has been developed. The ore found on the levels above in this section of the mine stops a very short distance below the 2550 level. On this level, the main ore shoot of the vein was developed and all of the sill floor work completed. The main ore shoot on this level as developed for a width of 19.23 feet shows a copper value of 5.38%.

In that section of the mine east of the crosscut joining No. 2 and No. 3 shafts, work was carried on on the east 2000 level, east 2550 level, and east 2800 level. On the east 2000 level, the drift east was connected with No. 6 shaft. On the east 2550 level, the footwall drift was connected with the crosscut from east 24 winze. These two connections greatly improved the ventilation on the lower levels of the mine. On the east 2800 level, a drift was driven on the vein for a distance of approximately 320 feet. The vein as driven on averaged 2.68% copper over a width of 5.3 feet for the 320 feet. East No. 1 crosscut was driven through the vein. The vein in this crosscut for a width of 26.5 feet assayed 2.33% copper, 1.10 oz. silver, and 0.012 oz. gold. The minerals in the drift and crosscut were heavy sulphides, mostly pyrite and chalcopyrite. The face of the east drift in the vein showed the sulphides to be about pinched out.

No. 3 shaft was sunk 228 feet during the year and is down 272 feet below the 2800 level. The distance sunk was through diabase. The shaft will be continued to the 3200 level. A station and pockets were cut at the 2800 level of this shaft. No. 6 shaft was sunk 714 feet during the year and is down 316 feet below the 2000 level. The distance sunk was through limestone. A station was cut at the 2000 level where the shaft was connected with the east 2000 drift. No. 7 shaft was sunk a distance of 109 feet during the year and is connected to the 2550 level of the mine. This shaft was sunk as a ventilation shaft, and its connection with the 2550 level has made it possible to increase the volume of fresh air brought into the mine.

Stopping operations were carried on satisfactorily during the year. Ore was mined from the 1900 to the 2800 level. Mining operations were completely suspended from June 13th to July 27th. On July 27th development work was resumed, and repair work was also started in the mine. On September 16th, stopping operations were resumed in the mine so ore and concentrates would be available for the smelter when operations started there on October 1st.
CONCENTRATOR

Operations at the concentrator were discontinued on June 16th and except for the purpose of operating to concentrate ore produced from development work in the mine, did not resume operations steadily until September 16th.

The mill heads for the year averaged 6.16% Cu. The tailings averaged 0.22% Cu. The average extraction was 97.93% copper. After the resumption of operations in September, the mill recovery for the balance of the year was below the average. This was due to the oxidation of ore exposed in the stopes during the mine shut down.

SMELTER

Smelter production ceased June 22nd and was not resumed until October 1st. All necessary repair work was made during the shut down.

PRODUCTION

The Magma Mine produced during the year a total of 231,862 tons of all classes of ore. This ore averaged 6.65% copper, 2.98 oz. silver, and 0.033 oz. gold. Leasers mined during the year 121 tons of ore. This ore assayed 15.70% copper, 28.77 oz. silver, and 0.11 oz. gold. The ore mined by leasers was all oxidized ore and was mined from above the 650 level.

There was purchased from shippers and treated at the smelter 2320 tons of ore and concentrates.

The smelter metal production for the year, after deducting all losses including refining, was as follows:

<table>
<thead>
<tr>
<th>Pounds Copper</th>
<th>Ounces Silver</th>
<th>Ounces Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Magma Mine</td>
<td>28,760,628</td>
<td>701,576.12</td>
</tr>
<tr>
<td>From Ores Purchased</td>
<td>78,985</td>
<td>69,739.58</td>
</tr>
<tr>
<td>Total</td>
<td>28,839,617</td>
<td>771,315.70</td>
</tr>
</tbody>
</table>

MAGMA ARIZONA RAILROAD

Prior to the suspension of operations at the Magma Copper Company smelter in June, the railroad operated three mixed passenger and freight trains a week between Magma and Superior. After the suspension of operations and through the balance of the year after operations at the smelter were resumed, two mixed passenger and freight trains were operated weekly between Magma and Superior. On the other days during the week, excluding Sunday, a gasoline car handled the mail, express, and passengers.
The railroad handled 30,825 tons of inbound freight and 14,584 tons of outbound freight during the year. The great shrinkage in railroad traffic was due to suspension of operations at the Magma Mine. Very little traffic comes to the railroad other than that hauled for the Copper Company. Most of the supplies and commodities used in the town of Superior are hauled by trucks over the State Highway.

GENERAL

In the mine a new pump column was installed in No. 2 shaft. This column connects the pumps on the 2550 level and 1600 level with the 500 tunnel through which water is run to the surface. This gives the mine a spare pump column. The column used at the present time is in No. 3 shaft. In No. 3 shaft 95 vertical feet of shaft was lined with concrete. In No. 5 shaft 135 vertical feet was also lined with concrete.

The wooden structure which was formerly the hospital but which was being used as the Nurses' Home was destroyed by fire. This was replaced by a brick building.

Due to the low price of copper during the year, all operations were curtailed to a minimum in order to cut costs. It was gratifying to note the cooperation of all employees in the endeavor to cut operating expenses.

I wish to express my appreciation and thanks to all the employees of the Company who have assisted in operations during the past year.

Respectfully submitted,

WM. KOERNER,
General Manager.
TREASURER'S REPORT

New York, N. Y., March 17, 1932.

TO THE STOCKHOLDERS OF
MAGMA COPPER COMPANY:

For my report as Treasurer I hereby submit a Consolidated income and expense statement of Magma Copper Company and Magma Arizona Railroad Company for the calendar year 1931, and a consolidated balance sheet showing the financial condition of these two companies as at December 31, 1931.

Respectfully submitted,

HENRY E. DODGE,
Treasurer.
TREASURER'S

Magma Copper Company and

CONSOLIDATED BALANCE SHEET

ASSETS

CASH ................................................................. $1,299,024.16
ACCOUNTS RECEIVABLE ........................................... 15,657.42

INVENTORIES:

* Copper, Gold and Silver ................................. $ 964,433.67
Metals in Process ........................................ 16,026.35
Ores and Concentrates ....................................... 70,126.72
Materials and Supplies—at Cost ......................... 2,386,515.64
INVENTORIES ...................................................... 3,397,167.30

MARKETABLE SECURITIES:

U. S. Government Bonds—at Cost ......................... $ 376,874.39
Bonds and Stocks of Domestic Corporations—
   at Cost ..................................................... 2,094,168.18
   (Market Value — December 31, 1931—
   $1,201,675.00) ........................................... 2,471,042.57
MARKETABLE SECURITIES ........................................ 4,941,748.06

Total Current Assets ......................................... $5,123,158.40
(Total Current Assets, giving effect to shrinkage
in value of Marketable Securities owned, as at
December 31, 1931—$3,853,790.83)

PREPAID INSURANCE AND OTHER DEFERRED EXPENSES ......... 10,630.66

INVESTMENTS—Apache Powder Company, etc. ............. 10,200.00

PROPERTY ACCOUNTS:

Mining Claims, Development and Land ..................... $ 993,294.88
Mine and Mill Machinery, ................................. 2,412,629.53
   Buildings, Equipment, etc.: $2,386,515.64
Smelter ......................................................... 309,819.20
LESS—Depreciation ............................................ 1,814,313.86
   Standard Gauge Railroad, less Depreciation
   of Roadway and Equipment ............................. 3,117,427.94
PROPERTY ACCOUNTS ............................................. $8,261,417.00

*All copper, gold and silver included in the inventories are under contract of sale.
The inventory valuation is based upon the amount which will be realized upon the
consummation of the sales contracts.

The foregoing balance sheet has not been adjusted in respect to depletion on
the net book value of the Mining Claims and Development.

CERTIFICATE

TO THE BOARD OF DIRECTORS,
Magma Copper Company,
14 Wall Street,
New York, N. Y.

We have examined the books and accounts of the Magma Copper Company
and, in our opinion, the above balance sheet sets forth correctly the financial position
New York, N. Y., February 24, 1932.
REPORT

Magma Arizona Railroad Company

AS AT DECEMBER 31, 1931

**LIABILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Unpaid Wages</td>
<td>$ 107,642.52</td>
</tr>
<tr>
<td>Accrued Freight and Refining Charges</td>
<td>$ 122,033.96</td>
</tr>
<tr>
<td>Accrued Taxes</td>
<td>$ 5,579.75</td>
</tr>
<tr>
<td>Dividends Unclaimed</td>
<td>$ 232.50</td>
</tr>
<tr>
<td>Dividend Declared (Payable January 15, 1932)</td>
<td>$ 51,019.38</td>
</tr>
<tr>
<td>Estimated Reserve for Federal Income Taxes</td>
<td>$ 11,972.74</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>$ 298,480.85</td>
</tr>
</tbody>
</table>

**Reserve for Casualty Insurance**                           | $ 4,034.51  |

**Capital and Surplus:**

Capital:
- Authorized—410,000 shares of No Par Value
- Issued and Outstanding—408,155 shares of No Par Value $7,003,750.00

Surplus—as at December 31, 1931 $955,151.64 7,958,901.64

$8,261,417.00

OF AUDITORS

and the Magma Arizona Railroad Company for the year ended December 31, 1931, of the companies as at that date.  
BARROW, WADE, GUTHRIE & CO.  
Accountants and Auditors.
MAGMA COPPER COMPANY AND
MAGMA ARIZONA RAILROAD CO.

CONSOLIDATED INCOME AND EXPENSE STATEMENT FOR THE YEAR ENDED DECEMBER 31, 1931

SALES OF COPPER ............................................. $2,689,330.92

Cost of Sales:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of Metals, Ores and Concentrates—</td>
<td></td>
</tr>
<tr>
<td>January 1, 1931</td>
<td>$1,264,063.27</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$2,090,512.86</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$288,396.17</td>
</tr>
<tr>
<td>State and County Taxes</td>
<td>$308,807.32</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$2,687,716.35</strong></td>
</tr>
<tr>
<td>Less—Gold and Silver Sales</td>
<td><strong>$2,237,901.26</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,501,964.53</strong></td>
</tr>
</tbody>
</table>

Inventory of Metals, Ores and Concentrates—
December 31, 1931 ........................................ 1,050,586.74

General, Administrative and Engineering Expenses ........................................... 78,698.31

Interest and Other Income ........................................... 159,254.82

Railroad Operating Income ........................................... $108,413.48

Railroad Operating Expense ........................................... $111,602.43

Depreciation—Roadway and Equipment ......................... 43,558.82

Less—Estimated Reserve for Federal Income Tax ........... 3,688.35

Net Gain for the year ........................................... $206,224.86

CONSOLIDATED SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1931

Balance—January 1, 1931 ........................................... $1,223,711.49

Add:

Net Gain for the year 1931 .................................... 206,224.86

Deduct:

Additional Federal Income Tax—Prior Years $8,284.39

Loss on Coconino Lands, exchanged in 1930. 7,325.94 15,610.33

$1,414,326.02

Deduct:

Dividends declared in year 1931—Nos. 38, 39, 40 and 41 459,174.38

Balance—December 31, 1931 ........................................... $ 955,151.64