MAGMA COPPER

COMPANY

Annual Report
For Year Ended
December 31, 1932
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............................ 408,000 shares of no par value

Officers, Directors, Transfer Agent and Registrar on March 15, 1933

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

Walter H. Filor
A. J. McNab
Francis J. Oakes, Jr.

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 OF NEW YORK, 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 16, 1933.

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 1932.

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 1932, and the consolidated financial position of these companies as at December 31, 1932, as certified by the auditors.

No change was made in the capital or corporate structure during the year excepting that the Company purchased 155 of its outstanding shares. Your President recommends and your Directors approve changing the shares of stock of the Company from shares of no par value to shares of $10.00 par value. No change would be made in the number of shares authorized or outstanding.

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>42</td>
<td>April 15, 1932</td>
<td>$.12½</td>
<td>$51,000.00</td>
</tr>
<tr>
<td>43</td>
<td>July 15, 1932</td>
<td>.12½</td>
<td>51,000.00</td>
</tr>
<tr>
<td>44</td>
<td>October 15, 1932</td>
<td>.12½</td>
<td>51,000.00</td>
</tr>
<tr>
<td>45</td>
<td>January 16, 1933</td>
<td>.12½</td>
<td>51,000.00</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Total $204,000.00</td>
</tr>
</tbody>
</table>

Including the foregoing, the total dividends paid to date amount to the sum of $10,632,313.13.

The average net cost of producing copper, after deducting gold and silver values, was 8.33 cents per pound. This cost includes State and County Taxes (amounting to about .8975 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 1931 was 8.39 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 6.1525 cents per pound.

Your Company had 3,413 tons of unsold copper on hand at the end of the year 1932 and since then no copper has been sold by the Company.
Your Company in an action against Pinal County, Arizona, for over-assessment of the value of its mine for 1930 obtained last March a judgment for $109,620.55 and interest against the County. Shortly thereafter your Company obtained a judgment in settlement of its 1931 tax suit for $138,391.11 and interest against the County. The 1930 judgment was reversed on appeal and remanded to the trial court to retry the issue as to the proper amount to be charged against the gross value of the mine for exploration and development costs. No appeal was taken from the judgment upon the 1931 tax suit, but to date your Company has been unable to make collection.

The copper industry had another bad year, with large excess stocks, low consumption and an unprofitable price for the product. To help correct these conditions, operations were again discontinued, no production having been made for the period July to December, inclusive.

At the end of this period conditions underground made necessary the resumption of operations. The ground in Magma mine is heavy and a sufficient crushing of the pillars had taken place so that considerable high grade ore would have been lost and the cost of extraction increased had production not been resumed in January. Some months operation will be necessary to place the mine in a position to again discontinue operations, and, having in view the present condition of the industry, another shutdown this Summer seems inevitable.

Respectfully submitted,

CHARLES F. AYER,
President.
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, 1932:

PROPERTY

The Company owns 2,367.508 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 1932 and since the Company started operations:

<table>
<thead>
<tr>
<th>Year</th>
<th>Drifting</th>
<th>Raising</th>
<th>Sinking</th>
<th>Cutting</th>
<th>Stations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1932</td>
<td>3,987</td>
<td>1,813</td>
<td>712</td>
<td>2,424</td>
<td>8,936</td>
<td></td>
</tr>
<tr>
<td>Total to date</td>
<td>86,492</td>
<td>49,132</td>
<td>16,533</td>
<td>45,639</td>
<td>1,209</td>
<td></td>
</tr>
</tbody>
</table>

During the year, 1,678 cubic yards of rock were excavated in the cutting of shaft stations and pockets.

In No. 5 shaft, 3200 level, the footwall drift was continued to the east from the main north crosscut, and an advance of 1,133 feet was made during the year. This drift was connected with the drift driven west from the main crosscut joining No. 2 shaft and No. 3 shaft. From No. 3 shaft, 3200 level, the main crosscut was driven north a distance of 755 feet and connected with No. 2 shaft. The Magma Vein was cut by this crosscut. It showed a width of 35 feet. The vein as sampled was low grade material, assaying 0.30% copper for its width. The vein was
drifted on to the west and a connection made with the footwall drift from No. 5 shaft at a point approximately 795 feet west of the main crosscut joining No. 2 shaft and No. 3 shaft. The vein as drifted on showed low grade vein matter containing much quartz and iron pyrite with some chalcopyrite.

From No. 2 shaft, 3000 level, the main crosscut was driven south approximately 819 feet and has been connected to No. 3 shaft. This crosscut cut the Magma Vein, which showed a width of 24 feet of low grade material. In No. 5 shaft, a station was cut at the 3000 level. From this station the north crosscut was driven a distance of 100 feet. This crosscut will be continued to the north until it intersects the Magma Vein.

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 and the east 2550 level. On the east 2000 level, No. 6 shaft was sunk from the level. At a point 1,150 feet west of No. 6 shaft, east 43 winze was started and is being sunk to the 2550 level. On the east 2550 level, the footwall drift was driven 1,390 feet east from east No. 24 crosscut. On account of excessive heat, work was discontinued in this heading in June. The face of the drift is within 200 feet of the location where east No. 43 winze will be when it reaches the 2550 level, and connection will be made with the drift from the winze.

No. 3 shaft was sunk 169 feet during the year and is down 41 feet below the 3200 level. The distance sunk was through diabase. No. 6 shaft was sunk 250 feet during the year and is down to below the location of the 2550 level. The distance sunk was through limestone. At a point 300 feet below the 2000 level, a large fault was encountered in the shaft. Considerable water was encountered on this fault, and it was necessary to cut a station and install pumps before sinking could be finished to the location of the 2550 level. East No. 43 winze was sunk 293 feet during the year. The distance sunk was through limestone. The winze has been making water through most of the distance sunk, and at 250 feet below the 2000 level, a station and a sump were cut and pumps installed so the water could be more economically handled. When the east 2550 level is connected with east 43 winze and No. 6 shaft, ventilation will be further improved.

Stoping operations were carried on satisfactorily during the year. Ore was mined from the 1900 to the 2800 level. Stoping operations were discontinued June 12th. Development work was discontinued July 1st. No operations, except pumping, were carried on in the mine from July 1st to September 16th. On September 16th, development work was resumed and carried on at a full time basis. Repair work in the mine was also resumed on a half time basis on September 16th and continued on that basis
until December 5th, when all mine work was placed on a full time basis. On the 2800 level, a limited amount of stoping was done after September 16th. Enough ore was removed from the stopes to provide room for the waste that was extracted in driving the raises from the backs of the stopes toward the level above. Stoping operations on a full production basis were not resumed until after January 1, 1933.

CONCENTRATOR

Operations at the concentrator were discontinued June 10th. From September 16th to December 15th, mill employees were employed on a half time basis on repair work and surface work. On December 15th, operations were resumed on a two shift working basis, concentrating ore that had been broken in the 2800 stopes since September 16th.

The mill heads for the year averaged 6.90% copper. The tailings averaged 0.22% copper. The average recovery was 98.23% copper.

SMELTER

Smelter production ceased June 30th, and no smelting was done for the balance of the year. On October 1st, repair work was started at the smelter. The smelter crew worked on half time basis and the mechanical crew on a full time basis for the remainder of the year. Due to the shut down, the repair work necessary to place the smelter in condition for production was quite extensive.

PRODUCTION

The Magma Mine produced during the year a total of 149,010 tons of all classes of ore. This ore averaged 7.53% copper, 3.22 ounces silver, and 0.0346 ounces gold. Leasers mined during the year from the Superior Mine 452 tons of siliceous gold ore, assaying 0.44% copper, 1.01 ounces silver, and 0.768 ounces gold. There was purchased from shippers and treated at the smelter 3,301 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>21,675,521</td>
<td>486,036.48</td>
</tr>
<tr>
<td>From Ores Purchased</td>
<td>30,195</td>
<td>100,569.61</td>
</tr>
<tr>
<td>Total</td>
<td>21,705,716</td>
<td>586,606.09</td>
</tr>
</tbody>
</table>
MAGMA ARIZONA RAILROAD

For the first six months of the year, the railroad operated two mixed passenger and freight trains a week between Superior and Magma. After the smelter ceased operations on July 1st, one mixed passenger and freight train was 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 21,515 tons of inbound freight and 11,423 tons of outbound freight during the year. This is the smallest tonnage handled over the railroad since it has been in operation as a standard gauge line. Very little traffic comes to the railroad other than that of the Magma Copper Company. Most all supplies used in the town of Superior are hauled by trucks over the State Highway.

GENERAL

At the smelter a new eight hearth Herreshoff roaster was installed during the year. With the installation of this roaster the capacity of the smelter has been materially increased.

In No. 5 shaft, 55 vertical feet was lined with concrete. This was through the 3000 station.

All operations were curtailed to a minimum in order to reduce cost below that of the previous year. All equipment at the close of the year is in first class shape to resume operations.

I wish to take this opportunity to express my appreciation and thanks to all 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 16, 1933.

TO THE STOCKHOLDERS OF
MAGMA COPPER COMPANY:

For my report as Treasurer I hereby submit consolidated statements of Magma Copper Company and Magma Arizona Railroad Company as follows:

Consolidated Balance Sheet as at December 31, 1932.

Consolidated Income and Expense Statement and Consolidated Statement of Surplus Account for the year ended December 31, 1932.

The Internal Revenue Department disallowed as expenses in the settlement of the Company’s Federal taxes for the years 1929 to 1931 inclusive, depreciation and other items amounting to $492,157.79. A further credit to surplus amounting to $259,027.99 is the adjustment for Arizona taxes for the years 1930 and 1931. These amounts have been re-established in the asset accounts with corresponding credits to surplus account.

Respectfully submitted,

HENRY E. DODGE,
Treasurer.
Magma Copper Company and

CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH</strong></td>
<td>$1,598,471.58</td>
</tr>
<tr>
<td><strong>ACCOUNTS RECEIVABLE</strong></td>
<td>290,734.28</td>
</tr>
<tr>
<td><strong>INVENTORIES</strong>:</td>
<td></td>
</tr>
<tr>
<td>Copper—at the lower of cost or market</td>
<td>$325,959.69</td>
</tr>
<tr>
<td>Metals in Process</td>
<td>25,600.11</td>
</tr>
<tr>
<td>Ores and Concentrates</td>
<td>27,867.12</td>
</tr>
<tr>
<td>Materials and Supplies—at Cost</td>
<td>229,711.54</td>
</tr>
<tr>
<td><strong>MARKETABLE SECURITIES—AT COST</strong>:</td>
<td></td>
</tr>
<tr>
<td>U. S. Government Bonds</td>
<td>$129,905.64</td>
</tr>
<tr>
<td>Bonds and Stocks of Domestic Corporations</td>
<td>2,149,700.49</td>
</tr>
<tr>
<td>(Market Value—December 31, 1932—$881,866.88)</td>
<td>2,279,606.13</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>$4,777,950.45</td>
</tr>
<tr>
<td><strong>PROPERTY ACCOUNTS</strong>:</td>
<td></td>
</tr>
<tr>
<td>Mining Claims, Development and Land</td>
<td>$1,002,371.22</td>
</tr>
<tr>
<td>Buildings, Equipment, etc.</td>
<td>$2,491,305.88</td>
</tr>
<tr>
<td>Smelter</td>
<td>2,431,589.09</td>
</tr>
<tr>
<td><strong>Total Property Accounts</strong></td>
<td>$4,922,894.97</td>
</tr>
<tr>
<td>Less—Depreciation</td>
<td>2,127,918.23</td>
</tr>
<tr>
<td>Standard Gauge Railroad—less Depreciation of Roadway and Equipment</td>
<td>267,843.30</td>
</tr>
<tr>
<td><strong>Total Property Accounts after Depreciation</strong></td>
<td>$3,598,132.75</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$8,220,108.09</td>
</tr>
</tbody>
</table>

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 have prepared therefrom the above Consolidated Balance Sheet as at December 31, Surplus Account for the year ended December 31, 1932.

The Balance Sheet has not been adjusted in respect to depletion on the net Adjustments have been made through the Surplus Account to reflect settlement expenses in prior years and disallowed.

In our opinion, the said Balance Sheet, Income and Expense Statement and as at December 31, 1932 and the results of their operations for the year ended that New York, N. Y., March 20, 1933.
REPORT

Magma Arizona Railroad Company

AS AT DECEMBER 31, 1932

LIABILITIES

 Accounts Payable and Unpaid Wages ...................... $ 66,063.32
 Accrued Taxes ........................................... 199,869.47
 Dividends Unclaimed ...................................... 237.50
 Dividend Declared (Payable January 16, 1933) .......... 51,000.00
 Estimated Reserve for Additional Prior Year's Taxes .... 2,000.00

Total Current Liabilities ................................ $ 319,170.29

Reserve for Casualty Insurance .......................... 1,301.55

CAPITAL AND SURPLUS:

Capital:
 Authorized—410,000 shares of no par value

Issued—408,155 shares of no par value ...... $7,003,750.00

Less 155 shares of no par value held
    in Treasury ............ 1,149.13

408,000 $7,002,600.87

Surplus—as at December 31, 1932 ............ 897,035.38 7,899,636.25

$8,220,108.09

OF AUDITORS

and the Magma Arizona Railroad Company for the year ended December 31, 1932, and the related Consolidated Income and Expense Statement and Consolidated book value of the Mining Claims and Development, with the Internal Revenue Department with regard to amounts charged off as Surplus Account respectively set forth correctly the financial position of the Companies 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, 1932

**SALES OF COPPER** ........................................ $1,713,763.60

**COST OF SALES:**
- Inventory of Metals, Ores and Concentrates—January 1, 1932 .................. $1,050,586.74
- Operating Expenses ........................................ $1,579,603.23
- Depreciation ................................................. 265,989.78
- State and County Taxes .................................... 194,795.24

$2,040,388.25

**Less—Gold and Silver Sales...** 497,649.27 1,542,738.98

$2,593,325.72

- Inventory of Metals, Ores and Concentrates—December 31, 1932 .................. 379,426.92

$500,135.20

**GENERAL, ADMINISTRATIVE AND ENGINEERING EXPENSES** .......... 77,067.66

**INTEREST AND OTHER INCOME** .................................. 74,225.26

**RAILROAD OPERATING INCOME** .................................. $79,342.22

**DEPRECIATION—ROADWAY AND EQUIPMENT** .................... 43,506.24 132,992.07 53,649.85

**Net Loss for Year** ........................................... $556,627.45

#### CONSOLIDATED SURPLUS ACCOUNT

**FOR THE YEAR ENDED DECEMBER 31, 1932**

**BALANCE—JANUARY 1, 1932** .................................. $955,151.64

**ADD:**
- Amounts charged off in prior years for Depreciation, etc., disallowed by Internal Revenue Department .................. $492,157.79
- Judgment against Pinal County, Arizona for Refund of Taxes for the years 1930 and 1931, and interest thereon to December 31, 1931 .................. 259,027.99 751,185.78

$1,706,337.42

**DEDUCT:**
- Net Loss for the year 1932, before providing for Depletion .................. $556,627.45
- Additional Federal Income Taxes—prior years .................. 46,674.59
- Estimated Reserve for additional prior years’ taxes .................. 2,000.00
- Dividends declared in year 1932—Nos. 42, 43, 44 and 45 .................. 204,000.00 809,302.04

**BALANCE—DECEMBER 31, 1932** .................................. $897,035.38