MAGMA COPPER COMPANY

ANNUAL REPORT

For Year Ended December 31, 1951
MAGMA COPPER COMPANY

INcorporated Under the Laws of the State of Maine in 1910

President's Office
14 Wall Street, New York 5, N. Y.

Mine Office
Superior, Arizona

CAPITALIZATION

Authorized . . . . . . 1,200,000 shares of $10 par value
Outstanding . . . . . . 632,291 shares of $10 par value

DIRECTORS
ROY C. BONEBRAKE
R. H. CHANNING
HENRY E. DODGE
WESLEY P. GOSS

A. J. McNAB
GEORGE MURNANE
ARTHUR NOTMAN

OFFICERS
A. J. McNAB
HENRY E. DODGE
WESLEY P. GOSS
ROY C. BONEBRAKE
GUS A. MRKVICKA

President
Vice-President and Treasurer
Vice-President and General Manager
Secretary
Assistant Secretary and Assistant Treasurer

OPERATING OFFICIALS

(At Superior, Arizona)

WESLEY P. GOSS
DARRELL GARDNER
J. F. BUCHANAN
FRANK SARVER
WALTER
HALDER J. REX
EDWARD J. CALDWELL
Vice-President and General Manager
Assistant General Manager
Mine Superintendent
Purchasing Agent
Auditor
Mill Superintendent
Smelter Superintendent

TRANSFER AGENT

GUARANTY TRUST COMPANY OF NEW YORK, 140 Broadway, New York 15, N. Y.

REGISTRAR

BANKERS TRUST COMPANY, 46 Wall Street, New York 15, N. Y.

ANNUAL MEETING

Second Monday in May each year at Augusta, Maine
To the Stockholders of

MAGMA COPPER COMPANY

The accompanying report of Mr. Wesley P. Goss, Vice President and General Manager, dated February 1, 1952, shows the operations of Magma Copper Company, Magma Arizona Railroad Company and San Manuel Copper Corporation for the calendar year 1951.

The accompanying report of Mr. H. E. Dodge, Treasurer, shows the consolidated income and expenses of Magma Copper Company and Magma Arizona Railroad Company for the calendar year 1951 and the consolidated financial position of these companies as at December 31, 1951, as certified by the Independent Certified Public Accountants. The net profit for the year carried to earned surplus was $1,939,456.09, or $3.07 per share on the shares outstanding at the year's end. In arriving at this net profit no provision has been made for Federal Income and Excess Profits taxes. You are referred to the Treasurer’s Report for explanation of the reason for not providing for these taxes. Net profit from the company’s operations decreased in 1951 because of the higher operating costs and the decreased tonnage of copper ore mined. The total tons of copper and zinc ore mined were practically equal to that mined in 1950 but were less profitable because of the lower margin of profit from the zinc ore. Mining of the zinc ore, of which about one year’s production remains, is necessary in order that proper arrangement may be made for the future extraction of the bedded copper ore in the far east area, the importance of which ore can be seen from the General Manager’s report.

There was no change in the Directorate or Officers of your company.

No change was made in the capital structure of your company during the year.

Notes in the amount of $400,000.00 for the balance of funds borrowed from Bankers Trust Company, under the loan agreement of July 1, 1947, were fully paid during the year. Notes in the amount of $1,750,000 for funds borrowed from The Mutual Life Insurance Company of New York, under the terms of the same agreement, mature as to one fifth of the principal on June 30, 1953, and the balance in eight equal semi-annual installments.

During 1951 your company increased its investment in San Manuel Copper Corporation by the purchase of 160,000 shares of its stock at a cost of $1,600,000.00. Your Company now owns 1,340,000 shares, being all of the outstanding shares of that corporation, at a total cost of $9,962,498.34, of which $9,050,000.00 were paid into that corporation for shares issued by it directly to your company and became available for carrying on the acquisition, exploration and development of that corporation’s properties.

No dividend was paid in 1951, it being necessary to continue the cash-conserving policy in order to make repayments of the borrowed funds and to finance San Manuel.
The average net operating cost of producing copper in 1951 was 17.84 cents per pound. This cost includes all operating costs, profit or loss of the Railroad Company, Arizona taxes, Federal Social Security taxes, and amortization of prepaid development, and after deducting gold, silver and zinc credits, but excluding depreciation, depletion and federal income and excess profits taxes. The comparable cost for 1950 was 14.61 cents per pound. This increase of operating cost resulted from the lower grade of both the copper and zinc ores mined, and from large increases in labor and supply costs.

The company received for all copper produced in 1951 an average price of 24.15 cents per pound, as compared with 21.05 cents per pound in 1950.

Production for 1951, and for comparative purposes for the two preceding years, was as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Copper (Lbs.)</th>
<th>Silver (Ozs.)</th>
<th>Gold (Ozs.)</th>
<th>Zinc Concentrates (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1949</td>
<td>41,003,355</td>
<td>371,402</td>
<td>11,533</td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>48,285,474</td>
<td>517,518</td>
<td>14,257</td>
<td>5,390</td>
</tr>
<tr>
<td>1951</td>
<td>36,934,477</td>
<td>49,1,223</td>
<td>10,962</td>
<td>12,628</td>
</tr>
</tbody>
</table>

No major construction occurred during the year or is presently contemplated at the company's property.

Development work in the far east and other areas of the property fully maintained normal reserves. The development of the bedded ore in the far east, as shown by the work on both the 3000 and 3400 levels, was very encouraging and provides ample reason to believe that there are important orebodies in this far east section. I call your attention to the details of the work done as stated in the General Manager’s Report.

San Manuel Copper Corporation, throughout 1951 and to date, has continued its underground development program. Reference is made to Mr. Goss’s report on the progress made.

Negotiations for financing the preparation of the San Manuel mine and equipment of the property for production are being continued. Stockholders will be advised as soon as definite arrangements are concluded.

I take this opportunity to express on behalf of the Board of Directors their appreciation to the Vice President and General Manager, Mr. Wesley P. Goss, his staff, and all employees of the respective companies for their loyal service and accomplishment during the year.

Respectfully submitted,

A. J. McNAB,
President.
Mr. A. J. McNab, President,
Magma Copper Company,
14 Wall Street,
New York 5, N. Y.

Dear Mr. McNab:

The following report on operations of the Magma Copper Company for the year 1951 is respectfully submitted.

PROPERTY

There were no important changes in the Company’s properties during the year.

MINE

Drifting, Raising, etc.:

The following schedule shows the work done in 1951 and since the beginning of operations:

<table>
<thead>
<tr>
<th></th>
<th>Drifting</th>
<th>Cross-Cutting</th>
<th>Raising</th>
<th>Sinking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>6,073 ft.</td>
<td>4,115 ft.</td>
<td>4,747 ft.</td>
<td></td>
<td>14,935 ft.</td>
</tr>
<tr>
<td>To Date</td>
<td>200,002 ft.</td>
<td>94,491 ft.</td>
<td>114,906 ft.</td>
<td>29,425 ft.</td>
<td>438,824 ft.</td>
</tr>
</tbody>
</table>

Stations and pockets excavated 1951: 102 cubic yards.
Diamond drilling 1951: 5,889 linear feet.

Shafts:

No sinking was done during the year.

No. 14 winze was retimbered from the 4400 to the 4800 level. No. 3 shaft timber was reblocked from the 150 to the 1520 level. No. 8 shaft steel sets were replaced by timber sets from the 4505 to the 4815 level.

Development:

1800 Level (Zinc-Copper)

The 1800 East Drift on the South Branch advanced 79 feet west of E. 16 crosscut in vein which averaged 1.0% copper, 2.0 Oz. silver and 8.2% zinc over a width of 6.2 feet.

3000 Level Far East Area

E. 58-1/5 Raise was completed from the 3000 level to the 2550 level. The completion of this raise improved the ventilation in the area so that exploration of the bedded deposit could be continued. Diamond drilling from the 2550 level, the E. 58-1/5 raise and the 3000 level indicated
that the bedded mineralization was of sufficient extent and value to warrant further exploration
and development. E. 59-3/5 North Drift was advanced 139 feet to the north. The ore in this
section was thin but of good grade. The average ore north of the vein was approximately 3 feet
thick and assayed 11.6% copper, 3.5 Oz. silver and 0.04 Oz. gold. E. 58-1/5 South Drift was
driven 297 feet to the south. This drift was in the footwall under the ore bed. Raises were put
up from the drift to test the ore bed which averaged 10.5 feet thick and assayed 8.7% copper,
1.1 Oz. silver and 0.026 Oz. gold. Two incline raises were started up the dip of the beds. These
raises are parallel and are headed due west. The present face of the north raise is approximately
80 feet north of the vein and the face of the south incline raise is approximately 135 feet south of
the vein. The north incline was in massive pyrite containing only 2.1% copper for 102 feet. The
next 88 feet assayed 6.1% copper, 0.8 Oz. silver and 0.03 Oz. gold. The face on February 1, 1952
assayed 6.4% copper. The south incline averaged 6.4% copper, 0.76 Oz. silver and 0.02 Oz. gold
for the first 33 feet. The next 71 feet assayed 1.5% copper, 0.15 Oz. silver and trace of gold. The
next 113 feet assayed 12.5% copper, 1.4 Oz. silver and 0.04 Oz. gold. The face on February 1,
1952 assayed 15.5% copper.

3400 Level Far East Area

The 3400 East Drift was advanced 1,140 feet to the E. 68-4/5 crosscut position. Bedded ore
was cut at the bottom of the Martin limestone at the E. 68-1/5 crosscut position. Ore was found
in the vein as follows:

<table>
<thead>
<tr>
<th>Crosscut Position</th>
<th>Length</th>
<th>Width</th>
<th>% Copper</th>
<th>Oz. Silver</th>
<th>Oz. Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>E. 54-4/5-E. 55-4/5</td>
<td>86 ft.</td>
<td>7.5 ft.</td>
<td>4.4</td>
<td>1.9</td>
<td>0.03</td>
</tr>
<tr>
<td>E. 63-215-E. 64-3/5</td>
<td>96 ft.</td>
<td>7.6 ft.</td>
<td>3.2</td>
<td>0.4</td>
<td>0.01</td>
</tr>
<tr>
<td>E. 65-115-E. 66-1/5</td>
<td>72 ft.</td>
<td>7.5 ft.</td>
<td>7.0</td>
<td>1.1</td>
<td>0.02</td>
</tr>
</tbody>
</table>

The bedded ore cut in the drift assayed 6.3% copper, 0.4 Oz. silver and 0.01 Oz. gold over
a thickness of 8.0 feet normal to the bedding. Extensive diamond drilling of the bedded deposit
indicates the ore to be thicker, more continuous and higher in grade than on the 3000 level above.
Typical results were as follows:

<table>
<thead>
<tr>
<th>Position of Intersection</th>
<th>True Thickness</th>
<th>% Copper</th>
<th>Oz. Silver</th>
<th>Oz. Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 ft. north of Drift</td>
<td>12 ft.</td>
<td>8.7</td>
<td>1.3</td>
<td>0.02</td>
</tr>
<tr>
<td>120 ft. north of Drift</td>
<td>26 ft.</td>
<td>6.5</td>
<td>0.3</td>
<td>0.01</td>
</tr>
<tr>
<td>35 ft. south of Drift</td>
<td>15 ft.</td>
<td>12.9</td>
<td>1.4</td>
<td>0.36</td>
</tr>
<tr>
<td>50 ft. south of Drift</td>
<td>15 ft.</td>
<td>9.8</td>
<td>0.8</td>
<td>0.04</td>
</tr>
<tr>
<td>130 ft. south of Drift</td>
<td>12 ft.</td>
<td>38.0</td>
<td>6.8</td>
<td>0.12</td>
</tr>
</tbody>
</table>

3600 Level

Drifting on the 3600 North Branch vein underneath what had been good ore on the 3400
level proved disappointing. The drift was advanced 425 feet between the E. 14 crosscut and E.
20 crosscut positions. 186 feet averaged 3.9% copper over a width of 5 feet and 200 feet averaged
6.9% copper over a width of 2.4 feet.

4600 Level

Development of the 4600 level was started in order to prepare this level for stoping. 941
feet of haulage drift was completed between the W. 35-1/5 and W. 2 crosscut positions.
Diamond Drilling:

Forty-three holes were drilled totalling 5,889 feet during the year. Most of this drilling was in the far east area and the balance was exploratory in the zinc and main ore body areas.

General:

The mine, mill and smelter operated six days per week throughout the year.

The labor supply was sufficient to maintain production at full capacity. Skilled miners and mechanics are scarce but our training program is helping to meet the discrepancy between the number of skilled men leaving and the number of skilled men hired. There were 1,094 on the payroll January 2, 1952 compared to 1,065 on January 3, 1951.

Zinc-copper ore from the 1350-2250 levels accounted for 28% of the total mine production.

Copper ore production came from the 3000-3800 East levels, 20%, and the 3800-4400 levels West, 52%.

Total rainfall for the year was 20.42 inches which was in excess of the 31 year average of 17.79 inches. Good rains have fallen in January of 1952 and indications are that we will not be handicapped by a shortage of water during 1952.

CONCENTRATOR

The mill operated satisfactorily during the year and no major changes or repairs were made.

SMELTER

No important changes were made at the smelter during the year.

PRODUCTION

Magma Mine

<table>
<thead>
<tr>
<th>Copper Milling Ore</th>
<th>% Copper</th>
<th>% Zinc</th>
<th>Ozs. Silver</th>
<th>Ozs. Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>274,106</td>
<td>5.53</td>
<td></td>
<td>1.01</td>
<td>0.029</td>
</tr>
<tr>
<td>32,793</td>
<td>6.92</td>
<td></td>
<td>1.19</td>
<td>0.035</td>
</tr>
</tbody>
</table>

Total Copper Ore...306,899 5.68 1.03 0.030

Zinc Milling Ore...118,186 1.25 7.71 2.64 0.016

Total Ore...425,085 4.45       1.48 0.026

Custom ore smelted: 952 tons.

Received from Company's L. S. & A. Lease: 742 tons.

Received from Company's Converter Flux Lease: 5,443 tons.

Net Metal Produced

<table>
<thead>
<tr>
<th>Copper (Lbs.)</th>
<th>Silver (Ozs.)</th>
<th>Gold (Ozs.)</th>
<th>Zinc Concentrates (Tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magma Mine...36,934,477</td>
<td>491,223</td>
<td>10,962</td>
<td>12,628</td>
</tr>
<tr>
<td>L. S. &amp; A. Mine...39,723</td>
<td>106</td>
<td>47</td>
<td></td>
</tr>
<tr>
<td>Other Sources..30,159</td>
<td>3,888</td>
<td>401</td>
<td></td>
</tr>
</tbody>
</table>

Total........37,004,359| 495,217| 11,410| 12,628|
MAGMA ARIZONA RAILROAD

The Railroad operated two round trips per week between Superior and Magma, Arizona. There were 22,943 tons of inbound and 32,877 tons of outbound freight hauled during the year.

SAN MANUEL

No important changes were made to San Manuel’s mineral holdings during the year. Ranch and desert lands of more than ample area for plant, tailings and townsite purposes have been acquired by purchase.

No. 1 shaft sinking was resumed in September. The advance was 126 feet and the shaft was 1,589 feet deep on December 31, 1951. A station was excavated and timbered on the 1475 level. Since the first of January, 1952, sinking for the first lift has been completed and the shaft is 1,643 feet deep. No more sinking in this shaft is contemplated until after production is started.

No. 2 shaft was sunk 336 feet and completed to a depth of 2,068 feet. A small station was excavated and timbered on the 2075 level which is the haulage level for the second lift. Sinking buckets and equipment have been replaced with skips, cages and skip dumps.

Drifting on the 1285 exploration level advanced 2,140 feet. This level is dry as pumping from No. 2 shaft has drained the surrounding area.

Diamond drilling from the 1285 and 1-175 levels is continuing to accurately outline the ore body. There were 20,236 feet of core drilling completed during the year.

Three churn drill holes totalling 7,000 feet were put down during the year. These holes provided information necessary to determine the location of production shafts.

The 1285 level drifting, diamond drilling and churn drilling increased our proven ore reserves which now total:

<table>
<thead>
<tr>
<th>Type</th>
<th>Tons</th>
<th>% Cu</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxide Ore</td>
<td>111,876,000</td>
<td>0.72</td>
</tr>
<tr>
<td>Sulphide Ore</td>
<td>367,624,000</td>
<td>0.79</td>
</tr>
<tr>
<td>Total</td>
<td>479,500,000</td>
<td>0.77</td>
</tr>
</tbody>
</table>

Underground work to date has proven the ground to be ideal for a caving operation but still sufficiently strong so that standard timbering will provide ample support for working places which must be kept open.

The drifting and sinking have shown the grade of ore to be slightly higher than the estimates made from churn drilling in the same area.

Metallurgical tests were carried on continuously and have been conclusive. A flow sheet has been determined which is simple and which follows standard practices. A good recovery of copper at a low cost is indicated.

A fourth gas diesel engine driven generator with a capacity of 2,500 K.W. was installed in the Power House. The Power Plant now has a capacity of 5,500 K.W.

I wish to thank the staff and employees of the respective companies for their efforts and hearty cooperation during the year.

Yours very truly,

W. P. GOSS,
Vice President and General Manager.
TREASURER’S REPORT

New York 5, N. Y.,
February 27, 1952.

To the Stockholders of

MAGMA COPPER COMPANY:

For my report as Treasurer I submit Consolidated Statements of Magma Copper Company and Magma Arizona Railroad Company as follows:

Balance Sheet as at December 31, 1951,
Income Statement, and
Surplus Statement for the year ended December 31, 1951.

Balance Sheet as of December 31, 1951 of San Manuel Copper Corporation.

It will be noted that no provision has been made in the financial statements for Federal Income and Excess Profits taxes. The interim reports issued for the first nine months of 1951 provided $390,200 for these taxes. However, under the Revenue Act of 1951 enacted October 20, 1951 San Manuel Copper Corporation has an optional right to ‘deduct currently its development costs. Having no taxable income in 1951, that Corporation’s deduction of its 1951 development costs would result in an equivalent amount of loss. Your Company, therefore, decided to make a consolidated Federal income tax return with that Corporation and thereby in effect reduce your Company’s taxable income by the amount of that Corporation’s loss. Such consolidated return will show no taxable income and no tax for 1951.

Proxies will be requested for the Annual Meeting of the Stockholders to be held on May 12, 1952. In connection with such request a proxy statement and form of proxy will be sent on or about April 14th to Stockholders entitled to vote at the meeting.

Respectfully submitted,

H. E. DODGE, Treasurer.
MAGMA COPPER
and $ 
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash ........................................... $ 3,618,911.41
United States Government securities-at cost (quoted market value—$1,406,518.75) . . . . 1,468,718.75
Marketable securities-bonds of domestic corporations-at cost (quoted market value-$53,812.50) . . . . 62,023.12
Accounts receivable and accrued interest:
Metals ........................................ $1,400,805.21
Other ........................................ 156,022.34
Accrued interest ................................ 1,598.96 1,418,006.51

Inventories:
Metals (copper at contract sales price; gold and silver at market value) $ 250,558.41
Ores and metals in process-at cost. 221,203.80
Materials and supplies-at cost 1,162,913.93 1,634,676.14

Total current assets ........................................... $ 8,202,335.93

INVESTMENTS—AT COST:
San Manuel Copper Corporation (Sote 1) $9,962,498.34
Apache Powder Company, etc. 10,200.00 9,972,698.34

PROPERTY ACCOUNTS—AT COST, LESS RESERVES FOR DEPLETION AND DEPRECIATION:
Mining claims and land $1,016,592.74
Less-Reserve for depletion . . . . . . 922,001.76
$ 94,590.98

Mine, mill and smelter buildings, machinery and equipment . . . . . . $7,212,471.71
Standard gauge railroad . . . . . . 692,933.05
$7,905,404.76

Less-Reserve for depreciation 6,316,056.75 1,589,348.01 1,683,938.99

DEFERRED CHARGES:
Prepaid development, less amortization $ 268,448.66
Unexpired insurance, etc. . . . . . . . 99,470.96 367,919.62
$20,226,892.88

See accompanying not
**PER COMPANY**

**Subsidiary**

**AS OF DECEMBER 31, 1951**

**LIABILITIES, CAPITAL STOCK AND SURPLUS**

**Current Liabilities:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts and wages payable</td>
<td>$420,150.04</td>
</tr>
<tr>
<td>Taxes accrued and payable</td>
<td>$119,120.34</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>$539,270.38</strong></td>
</tr>
</tbody>
</table>

**Note Payable (Note 2)**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Note Payable</strong></td>
<td>$1,750,000.00</td>
</tr>
</tbody>
</table>

**Capital Stock and Surplus:**

Capital stock, par value $10.00 per share.

- Authorized: 1,200,000 shares.
- Issued: 632,446 shares; $6,324,460.00.
- Less: Held in Treasury, 155 shares (cost $1,149.13); 1,550.00.
- Outstanding: 632,291 shares; $6,322,910.00.

**Surplus:**

- Capital: $4,350,980.42.
- Earned: 7,263,732.08, 11,614,712.50; 17,937,622.50.

**Total:**

$20,226,892.88

*to financial statements.*
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of Magma Copper Company:

We have examined the consolidated balance sheet of Magma Copper Company and subsidiary as of December 31, 1951 and the related statements of income and surplus for the year then ended. Our examination 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.

In our opinion, the accompanying consolidated balance sheet and the related statements of consolidated income and surplus present fairly the financial position of Magma Copper Company and subsidiary at December 31, 1951 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
February 4, 1952

PEAT, MARWICK, MITCHELL & CO.

NOTES TO FINANCIAL STATEMENTS

1. San Manuel Copper Corporation:

The San Manuel Copper Corporation was incorporated in August 1945, under the laws of Delaware, with an authorized capital of 1,500,000 shares of capital stock, par value $1.00 each, of which 1,340,000 shares were issued and outstanding at December 31, 1951. All of the outstanding shares are owned by Magma Copper Company, and in addition, all unissued shares are under option to Magma Copper Company at a price of $10.00 per share.

In acquiring certain shares of San Manuel Copper Corporation the company gave as part consideration shares of its own stock of which it has agreed to reacquire 17,949 if requested to do so at a price of $20.00 a share provided such shares are held by certain designated individuals at that time, such acquisition being limited to 2,029 shares in one year.

The underlying equity of the Company in the net assets of San Manuel Copper Corporation as shown by the books of the latter at December 31, 1951 was $9,125,000.00.

The San Manuel Copper Corporation at December 31, 1951 was in the development stage and was, therefore, not consolidated.

2. Note Payable.

Magma Copper Company entered into an agreement dated July 1, 1947 with the Bankers Trust Company and The Mutual Life Insurance Company of New York whereby the company established credits of $1,750,000.00 with each party or an aggregate credit of $3,500,000.00. Under the terms of the agreement, that portion of the credit established with the Bankers Trust Company unavailed of at June 30, 1950 is terminated. At that date the company had borrowed $750,000.00, all of which was repaid by December 31, 1951.

At December 31, 1951 the company had borrowed from The Mutual Life Insurance Company of New York the full amount of $1,750,000.00 and issued therefor its series A note with interest at 3% per annum. The note is due and payable as follows: $350,000.00 on June 30, 1953, and $175,000.00 on each December 31 and June 30 thereafter until June 30, 1957.

Under the terms of the agreement, the company cannot, without the prior written consent of The Mutual Life Insurance Company of New York, declare or pay any dividend (except a stock dividend) or purchase, retire or redeem any of its capital stock or permit a subsidiary to purchase any capital stock of its own or of the company in any fiscal year in an amount in excess of the consolidated net income of the company and its consolidated subsidiaries for such fiscal year.


Computations made indicate that on the basis of filing a consolidated income and excess profits tax return for 1951 including the development expenditures, for the year, of the company's wholly-owned subsidiary, San Manuel Copper Corporation, (which is permissible under the Revenue Act of 1951) there will be no liability for Federal Income and Excess Profits Tax for 1951.
# Magma Copper Company and Subsidiary
## Consolidated Statement of Income
### Year Ended December 31, 1951

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales of Metals—Copper, gold, silver and zinc</strong></td>
<td>$11,922,197.94</td>
</tr>
<tr>
<td><strong>Cost of Sales:</strong></td>
<td></td>
</tr>
<tr>
<td>Inventories of metals and ores-January 1, 1951</td>
<td>$525,509.67</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>8,943,550.55</td>
</tr>
<tr>
<td>Depreciation and depletion</td>
<td>366,443.93</td>
</tr>
<tr>
<td>Amortization</td>
<td>75,081.84</td>
</tr>
<tr>
<td>Taxes, other than Federal taxes on income</td>
<td>432,069.40</td>
</tr>
<tr>
<td><strong>Total Cost of Sales</strong></td>
<td>$10,342,655.39</td>
</tr>
<tr>
<td>Inventories of metals and ores-December 31, 1951</td>
<td>471,762.21</td>
</tr>
<tr>
<td><strong>Copper Company—Net Operating Income</strong></td>
<td>$2,051,304.76</td>
</tr>
<tr>
<td><strong>General, Administrative and Engineering Expenses</strong></td>
<td>87,521.43</td>
</tr>
<tr>
<td><strong>Other Income:</strong></td>
<td>$1,963,783.33</td>
</tr>
<tr>
<td>Cash dividends</td>
<td>2,244.00</td>
</tr>
<tr>
<td>Interest on investments</td>
<td>26,750.00</td>
</tr>
<tr>
<td><strong>Total Other Income</strong></td>
<td>$1,992,777.33</td>
</tr>
<tr>
<td><strong>Other Deduction—Interest on Loans</strong></td>
<td>58,061.64</td>
</tr>
<tr>
<td><strong>Copper Company—Net Profit before Provision for Federal Income and Excess Profits Taxes</strong></td>
<td>$1,934,715.69</td>
</tr>
<tr>
<td><strong>Railroad Operating Income</strong></td>
<td>$159,636.34</td>
</tr>
<tr>
<td><strong>Railroad Expenses:</strong></td>
<td></td>
</tr>
<tr>
<td>Operating expenses</td>
<td>$147,115.24</td>
</tr>
<tr>
<td>Depreciation</td>
<td>8,195.84</td>
</tr>
<tr>
<td>Taxes, other than Federal taxes on income</td>
<td>11,959.86</td>
</tr>
<tr>
<td><strong>Railroad—Net Operating Loss</strong></td>
<td>$7,634.60</td>
</tr>
<tr>
<td><strong>Other Income—Interest on Investments</strong></td>
<td>12,375.00</td>
</tr>
<tr>
<td><strong>Railroad—Net Profit before Provision for Federal Income and Excess Profits Taxes</strong></td>
<td>4,740.40</td>
</tr>
<tr>
<td><strong>Provision for Federal Income and Excess Profits Taxes—(Note 3)</strong></td>
<td>$1,939,456.09</td>
</tr>
<tr>
<td><strong>Net Profit for Year</strong></td>
<td>$1,939,456.09</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
MAGMA COPPER COMPANY
and Subsidiary

CONSOLIDATED STATEMENT OF SURPLUS
YEAR ENDED DECEMBER 31, 1951

CAPITAL SURPLUS:
Balance at January 1, 1951 and December 31, 1951 . .  $4,350,980.42

EARNED SURPLUS:
Balance at January 1, 1951 ............................... $5,324,275.99
Add net profit for year .................................. 1,939,456.09
Balance at December 31, 1951 ........................... 7,263,732.08

$11,614,712.50

See accompanying notes to financial statements.
SAN MANUEL COPPER CORPORATION

BALANCE SHEET—DECEMBER 31, 1951

ASSETS

<table>
<thead>
<tr>
<th>Current Assets:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 22,224.71</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>$ 838.51</td>
</tr>
<tr>
<td>Inventory of supplies—at cost</td>
<td>$461,739.16</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$484,802.38</td>
</tr>
</tbody>
</table>

| Property Accounts (Note 1)                           | $8,634,180.48 |

| Other Assets:                                        |               |
| Advance for construction of pipe line                | $97,857.73    |
| Unexpired insurance                                  | $8,634.49     |
| **Total other assets**                               | $106,492.22   |
| **Total assets**                                     | $9,225,475.08 |

LIABILITIES AND CAPITAL

| Current Liabilities:                                 |               |
| Accounts payable:                                    |               |
| Supplies and expenses                                | $73,544.60    |
| Taxes withheld                                       | $16,490.99    |
| **Total current liabilities**                        | $90,035.59    |

| Capital:                                             |               |
| Capital stock-par value $1.00 per share (Note 2):    |               |
| Authorized, 1,500,000 shares—$1,500,000.00.          |               |
| Issued and outstanding:                              |               |
| For property                                          | $1,750,000.00 |
| For cash                                              | $265,000.00   |
| **Total shares**                                     | $1,340,000.00 |

| Paid-in surplus (cash received from sale of stock in excess of par value) | $7,785,000.00 |
| **Total capital**                                     | $9,125,000.00 |

The notes to balance sheet are a part of this statement.
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
SAN MANUEL COPPER CORPORATION:

We have examined the balance sheet of San Manuel Copper Corporation as of December 31, 1951. Our examination 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.

In our opinion, the accompanying balance sheet presents fairly the financial position of San Manuel Copper Corporation at December 31, 1951, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.
February 4, 1952.

PEAT, MARWICK, MITCHELL & Co.

NOTES TO BALANCE SHEET

(1) The following is a summary of the property accounts:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining claims and land:</td>
<td></td>
</tr>
<tr>
<td>Acquired for stock</td>
<td>$75,000.00</td>
</tr>
<tr>
<td>Acquired for cash</td>
<td>$586,087.76</td>
</tr>
<tr>
<td>Buildings and power plant</td>
<td>$1,705,082.80</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>$2,204,887.10</td>
</tr>
<tr>
<td></td>
<td><strong>$3,909,969.90</strong></td>
</tr>
<tr>
<td>Less-Reserve for depreciation</td>
<td>$276,356.10</td>
</tr>
<tr>
<td></td>
<td><strong>3,633,613.80</strong></td>
</tr>
<tr>
<td>Prepaid development, churn drilling</td>
<td></td>
</tr>
<tr>
<td>and shaft sinking</td>
<td>$4,339,478.92</td>
</tr>
<tr>
<td></td>
<td><strong>$8,634,180.48</strong></td>
</tr>
</tbody>
</table>

The company is in the development stage. Until the property is brought into production, all expenditures will be capitalized.

(2) As of December 31, 1951 all of the unissued shares of the Company (160,000 shares) were under option to Magma Copper Company at a price of $10.00 per share.