STATEMENT 1937

Walker Mining Company

PLUMAS COUNTY, CALIFORNIA

P. O. WALKERMINE, CALIFORNIA

SHIPPING POINT SPRING GARDEN, CALIFORNIA

OPERATING OFFICE

KEARNS BUILDING, SALT LAKE CITY, UTAH

(Incorporated under the Laws of the State of Arizona)

CAPITAL STOCK

COMMON—Authorized - - - - 1,750,000 shares at $1.00 per share
Issued - - - - - - 1,749,308 shares at $1.00 per share

Directors

J. R. WALKER, E. L. MAY, J. O. ELTON, J. B. WHITEHILL
B. R. HOWELL, J. F. DUGAN, ROBERT E. DWYER

Officers

J. R. WALKER, *President*
ROBERT E. DWYER, *Vice-President*
J. O. ELTON, *Vice-President*
J. B. WHITEHILL, *Secretary-Treasurer*

Transfer Agents

J. W. ALLEN, Transfer Agent, 25 Broadway, New York City, N. Y.
ROM WARBURTON, Transfer Agent, 820 Kearns Bldg., Salt Lake City, Utah

To the Stockholders of
Walker Mining Company:

Your property was in full operation from January 1st to October 31st, 1937; from November 1st to November 15th, inclusive, on a shutdown basis; and from November 16th to December 31st, on a curtailed basis approximating 15 per cent of capacity.

Regarding development work, the total advance for all classes of drifts, crosscuts, raises, winzes, etc. for the year was 13,286 feet, of which 5,736 feet of work was necessary in order to block out stoping ore which had been developed in previous years. 7,550 feet of all classes of work were driven for exploration purposes. This is an increase of 1,965 feet over the development work done during 1936. The development work placed more ore in the reserve during the year than was mined. 1082 Winze, which is the main hoisting shaft for the lower levels, was deepened for a distance of 163 feet, a station cut on the 1200 level, skip pockets were started, and development work will be done on this level.

New equipment has been purchased and installed in the mill, shops and mine to the extent of $128,379.54, and has added to the efficiency of operation.

Ore Broken During the Year	457,075 tons

The mill operated 336 days, treating an average of 1,330 tons per working day.

Ore Milled	447,050 tons
Concentrate Produced	21,116 tons

There were delivered to the smelter 21,474.80 tons of concentrates, precipitates and lime scale, with net recoverable content of copper 9,823,851 pounds, Silver 277,082 ounces, Gold 14,437 ounces.

The entire production of silver and gold was sold. Sales of copper amounted to 7,854,992 pounds at an average price of 13.9177c per pound, leaving 1,968,859 pounds on hand unsold at the end of the year.

The year's operation resulted in a small operating profit, even though the demand and price of copper sharply declined during the last few months of 1937.

The physical condition of the mine and mill is excellent, and the results of 1938 operations depend entirely on the demand for copper.

A dividend amounting to $87,465.40, or 5c per share on the outstanding stock, was paid December 23, 1937.

Effective April 1, 1937, the company cancelled its contract for sale of ore and concentrates and entered into a new contract under the terms of which the recoverable copper is returned to the company. At the same time an agreement was entered into with the Anaconda Sales Company covering the sale of copper for the company's account. Since November 1st the Company has been practically on a shut-down basis, sufficient work to keep the mine in condition and certain development work having been done. Concentrates produced under these conditions have been sold to International Smelting and Refining Company.

The financial statements of your Company for the year ending December 31, 1937, are herewith submitted for your information.

Respectfully,

J. R. WALKER,
President.

March 24th, 1938.

Walker Mining Company

BALANCE SHEET—DECEMBER 31st, 1937

ASSETS

FIXED ASSETS—See Note A:			
Mines, mining claims and development		$1,324,168.89	
Plant and equipment at mine, mill, camp and shops and aerial tramway	$1,629,576.06		
Less reserve for depreciation	989,790.00	639,786.06	$1,963,954.95
INSURANCE FUND DEPOSIT (securities at cost)			31,837.50
EXPENSES PREPAID			995.26
CURRENT ASSETS:			
Supplies on hand—at cost		216,852.07	
Ores and concentrates on hand—at cost		218,332.40	
Copper on hand—at market—see note B		194,917.04	
Accounts receivable		5,344.72	
Cash		13,440.49	648,886.72
			$2,645,674.43

LIABILITIES

CAPITAL STOCK:			
Authorized—1,750,000 shares of the par value of $1.00 each Issued and outstanding—1,749,308 shares			$1,749,308.00
CURRENT LIABILITIES:			
Accounts payable—trade		42,805.64	
Wages payable		4,199.21	
Accrued taxes		12,136.33	
Indebtedness to International Smelting and Refining Company		308,431.59	367,572.77
RESERVE FOR WORKMEN'S COMPENSATION INSURANCE			44,964.89
SURPLUS:			
Surplus December 31st, 1936		485,358.46	
Net income of the year 1937, without deduction for depletion		85,935.71	
		571,294.17	
Dividends declared and paid		87,465.40	483,828.77
			$2,645,674.43

INCOME ACCOUNT—YEAR ENDED DECEMBER 31st, 1937
(See Note B)

Sales of metals and concentrates			$1,713,567.40
Cost of sales:			
Production cost		$1,773,297.17	
Less copper on hand at December 31st, 1937—at market—see note B		194,917.04	1,578,380.13
Operating income without deduction for depreciation and depletion			135,187.27
Interest received—net			908.05
			136,095.32
Expenses pertaining to non-operating units		11,875.26	
Federal income taxes—estimated (No surtax on undistributed income is deemed to be payable)		6,329.57	18,204.83
			117,890.49
Depreciation and obsolescence			31,954.78
Net income, without deduction for depletion			$ 85,935.71

See explanatory notes on following page.

Walker Mining Company

NOTES TO FINANCIAL STATEMENTS

NOTE A—FIXED ASSETS—BASIS OF VALUATION

Mines, mining claims, development and plant and equipment at mine, mill, camp and shops and aerial tramway of Walker Mining Company are carried on its books at cost, such cost being represented in the case of mines and mining claims to the extent of $1,250,000.00 by par value of capital stock issued therefor and in the case of all other fixed assets by cash cost thereof.

Depreciation has been written off on a unit of production basis.

In order to comply with the Government income tax requirements for the purpose of computing depletion additional entries respecting the valuation of the mining property have been recorded upon the books of the Company; but being made in compliance with the Regulations of the Bureau of Internal Revenue only the result of such entries is omitted from the current statements.

The values of Fixed Assets are shown on the basis above set forth and do not indicate current values which could be established only by current appraisals.

NOTE B—COPPER ON HAND

Copper on hand is carried at market December 31st, 1937, which is below cost. Up to April 1st, 1937, the Company sold ores and concentrates produced to International Smelting and Refining Company but since that date such production has been treated on toll by International Smelting and Refining Company and the refined metals returned to Walker Mining Company. Since November 1st the Company has been practically on a shut-down basis, sufficient work to keep the mine in condition and certain development work having been done. Concentrates produced under these conditions have been sold to International Smelting and Refining Company and included in the item "Sales of metals and concentrates."

To the Board of Directors,
Walker Mining Company,
Salt Lake City, Utah.

We have made an examination of the Balance Sheet as of December 31st, 1937, of the Walker Mining Company and of its Income and Surplus Accounts for the calendar year 1937.

In connection with our audit we examined or tested the accounting records of the Walker Mining Company, together with other supporting evidence and made a general review of the accounting methods and of the operating and income accounts for the calendar year 1937, but we did not make a detailed audit of the transactions.

The practice of the Company in computing its net income without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, silver and gold and is in agreement with the accounting practices and procedures consistently maintained by this Company and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, based on our examination, such Balance Sheet, Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, fairly present, in accordance with accepted accounting principles and procedures consistently maintained and appropriately applied by the Company, the position of the Company at December 31st, 1937, and the results of its operations for the calendar year 1937.

POGSON, PELOUBET & CO.,
Certified Public Accountants.

New York, March 15th, 1938.