MAGMA COPPER COMPANY
INTEGRATE WITH THE LAWS OF
THE STATE OF MAINE IN 1910

President’s Office:
14 WALL STREET, NEW YORK, N. Y.

Mine Office:
SUPERIOR, ARIZONA

CAPITALIZATION
AUTHORIZED.................................. 410,000 shares of $10 par value
OUTSTANDING............................ 408,000 shares of $10 par value

Officers, Directors, Transfer Agent and Registrar on March 16, 1935

OFFICERS
CHARLES F. AYER, President
A. J. McNAB, Vice-President
DAVID E. THOMAS, 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
A. J. McNab
Francis J. Oakes, Jr.
David E. Thomas

OPERATING OFFICIALS
William Koerner, General Manager
E. G. Dentzer, Asst. General Manager
H. Forstnas, 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, N. Y.

REGISTRAR
BANKERS TRUST COMPANY, 16 Wall Street, New York, N. Y.

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

New York, N. Y., March 26, 1935.

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 1934.

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 1934, and the consolidated financial position of these companies as at December 31, 1934, as certified by the auditors.

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

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>46</td>
<td>April 16, 1934</td>
<td>$.50</td>
<td>$204,000.00</td>
</tr>
<tr>
<td>47</td>
<td>July 16, 1934</td>
<td>$.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>48</td>
<td>October 15, 1934</td>
<td>$.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>49</td>
<td>January 15, 1935</td>
<td>$.50</td>
<td>204,000.00</td>
</tr>
</tbody>
</table>

The average net cost of producing copper after deducting gold and silver values was 5.73 cents per pound. This cost includes State and County taxes, 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 1933 was 7.80 cents per pound.

The average net selling price received by the Company in excess of all commissions and delivery charges on all the copper delivered during the year was 7.85 cents per pound, as compared with 6.767 cents per pound for the year 1933.

All copper available for sale and delivery was sold excepting 1,858 tons reserved for domestic allocations by the Copper Code Authority.

The regulations imposed on this company by the Copper Code limit its domestic sales to 7,500 tons per annum. Had production been limited to that tonnage a serious loss would have been incurred at prices prevailing during the year, owing to the high cost of operation on such a small tonnage. So long as this handicap continues it
will be necessary to make substantial export sales notwithstanding the lower price obtainable in the export market. During the year, 10,593 tons refined copper were exported, part of this tonnage being from the 1933 production.

The General Manager's Report refers to encouraging results obtained from a drill hole that cut the orebody at the elevation of the 3900 level, and also to the 31 winze being sunk to check this result. Since the date of Mr. Koerner's Report the winze has been completed and a crosscut driven across the vein on the 4000 level from this winze. He states that this crosscut shows the vein to be 44.8 ft. wide at this point and to carry for this distance average values as follows: Copper 3.73%; Silver 0.34 oz.; Gold 0.006 oz. per ton. When this ore is extracted a narrower width of higher grade ore will be mined. The higher grade copper minerals, such as bornite, are still present in quantity.

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 ended December 31, 1934:

PROPERTY

The Company owns 2,369.702 acres of lode mining claims, of which acreage 662.38 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 21 town lots in the First Addition to the Townsite of Superior.

MINE

The following is a resume in linear feet of the development done in 1934, 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>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1934</td>
<td>7,720</td>
<td>2,543</td>
<td>605</td>
<td>1,933</td>
<td>12,801</td>
</tr>
<tr>
<td>Total</td>
<td>99,298</td>
<td>52,768</td>
<td>17,821</td>
<td>49,711</td>
<td>219,598</td>
</tr>
</tbody>
</table>

During the year 738 cubic yards of rock were excavated in the cutting of shaft stations and pockets.

The mine operated continuously from January 2nd to July 11th, when mining operations were discontinued until August 13th. On August 13th stoping of ore was again resumed and continued until near the end of December, when operations were discontinued for eight days. Since the effective date of the Copper Code the mine has been operating six days a week, and the shut-downs have been necessary in order to comply with the 40-hour week provision of the Code averaged over a three-months period. During the summer shut-down period it was necessary to keep a crew of 45 men employed on maintenance work.

During the year crosscuts were driven across the vein on the 3200 level. The assay results from the crosscuts show the main ore
body on this level, for a length of 500 feet and a width of 13.8 feet, to average 4.2% copper, 0.71 oz. of silver, and 0.01 oz. of gold, and the west ore body on this level, for a length of 750 feet and a width of 8 feet, to average 5.1% copper, 0.67 oz. of silver, and 0.01 oz. of gold.

From 31 Crosscut South, on the 3200 level, 31 Winze was sunk a distance of 605 feet and at the end of the year had reached the elevation of the 3805 level of the mine. The objective of the winze is the elevation of the 4000 level of the mine, where the vein will be crosscut. A diamond drill hole, drilled from the 3200 level, crosscut the vein at the elevation of the 3900 level of the mine and showed encouraging results. The 31 Winze is being sunk to check these results. A crosscut was driven from the winze across the vein at the elevation of the 3500 level. This crosscut showed the vein to be 22 feet wide and to average 4.3% copper, 0.39 oz. of silver, and 0.003 oz. of gold. The predominating copper mineral in the crosscut was bornite.

On the 3000 level of the mine the main ore body and the west ore body were silled out and placed in shape for stoping. The main ore body on this level, for a length of 735 feet and a width of 13 feet, averaged 5.9% copper, 1.1 oz. of silver, and 0.01 oz. of gold. The west ore body, for a length of 300 feet and a width of 10.2 feet, averaged 4.25% copper, 0.9 oz. of silver, and 0.01 oz. of gold. In addition to the above west ore body there is a faulted segment west of the main crosscut north of No. 5 shaft that, for a length of 75 feet and a width of 19 feet, averages 4.42% copper, 0.5 oz. of silver, and 0.01 oz. of gold.

In that section of the mine east of the crosscut joining No. 2 and No. 3 shafts development work was carried on on the E. 1800 level, the E. 2000 level, the E. 2550 level, and the E. 3000 level. The E. 1800 level was advanced a distance of 399 feet east of East 24 Raise. On the E. 2000 level drifting on the vein east and west from East 34 Crosscut South indicated a body of complex ore 575 feet long and 21 feet wide, averaging 1.7% copper, 1.8 oz. of silver, 0.01 oz. of gold, 1.7% lead, and 11.1% zinc.

Work on the E. 2550 level consisted in driving on the vein and crosscutting the same. The average distance of this work is approximately 2600 feet east of the main crosscut joining No. 2 and No. 3 shafts. The assay results on the crosscuts driven to date are as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>X. C. S.</th>
<th>Width Feet</th>
<th>Copper %</th>
<th>Silver Ozs.</th>
<th>Gold Ozs.</th>
<th>Lead %</th>
<th>Zinc %</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 X.C. S.</td>
<td>15.1</td>
<td>5.5</td>
<td>1.7</td>
<td>0.01</td>
<td>1.0</td>
<td>2.4</td>
<td></td>
</tr>
<tr>
<td>32 X.C. S.</td>
<td>4.4</td>
<td>3.0</td>
<td>1.7</td>
<td>0.01</td>
<td>2.0</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>33 X.C. S.</td>
<td>11.0</td>
<td>5.3</td>
<td>2.3</td>
<td>0.02</td>
<td>2.5</td>
<td>5.6</td>
<td></td>
</tr>
<tr>
<td>34 X.C. S.</td>
<td>11.0</td>
<td>6.5</td>
<td>2.7</td>
<td>0.02</td>
<td>2.0</td>
<td>5.3</td>
<td></td>
</tr>
<tr>
<td>40 X.C. S.</td>
<td>8.8</td>
<td>2.4</td>
<td>1.0</td>
<td>0.01</td>
<td>2.3</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>
On the E. 3000 level the Footwall Drift was driven a distance of 1403 feet and is now approximately 1700 feet east of the Main Crosscut joining No. 2 and No. 3 shafts.

Stoping operations were carried on satisfactorily during the year. On the west side of the mine ore was stoped from the 3000 level to the 2000 level. The grade of the ore mined was somewhat lower than in previous years.

CONCENTRATOR

Milling operations were continuous during the year except during those periods when mine productions were discontinued.

The mill heads for the year averaged 5.54% copper. The tailings averaged 0.34% copper. The average recovery was 96.22% copper. Mill recovery was again poorer than in previous years on account of oxidation of the ore due to long shut-downs.

SMELTER

Smelter production was continuous during the year except for the period from July 18th to August 28th and for the last 10 days of the year. During the period that production ceased repair work was carried on at the smelter.

PRODUCTION

The Magma Mine produced during the year a total of 264,094 tons of all classes of ore. This ore averaged 6.54% copper, 2.93 oz. of silver, and 0.034 oz. of gold. Leasers mined during the year from the Company's Superior Mine 19,136 tons of siliceous gold ore, assaying 0.32% copper, 0.87 oz. of silver, and 0.653 oz. of gold. There was purchased from shippers and treated at the smelter 13,508 tons of ore and concentrates. The smelter metal production for the year, after deducting all losses including refinery, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Lbs. Copper</th>
<th>Ozs. Silver</th>
<th>Ozs. Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Magma Mine</td>
<td>31,646,576</td>
<td>713,712.10</td>
<td>9,100.355</td>
</tr>
<tr>
<td>From Superior Mine</td>
<td>113,040</td>
<td>16,466.14</td>
<td>12,490.942</td>
</tr>
<tr>
<td>From Other Sources</td>
<td>263,443</td>
<td>217,032.80</td>
<td>8,719.599</td>
</tr>
<tr>
<td>Total</td>
<td>32,023,059</td>
<td>947,211.04</td>
<td>30,310.896</td>
</tr>
</tbody>
</table>

MAGMA ARIZONA RAILROAD

During the year the Magma Arizona Railroad operated a mixed passenger and freight train weekly between Superior and Magma. During the last half of the year, however, additional available freight made it necessary to operate an extra mixed train nearly every week.
For the purpose of handling mail, express, and passengers, a gasolene car was operated on each day the mixed train did not run, excluding Sundays.

The Railroad handled 41,772 tons of inbound freight and 17,381 tons of outbound freight during the year.

NEW PROPERTIES

Last summer an option was taken on the Jupiter and other groups of claims situated in Pima County, about 60 miles southwest of Tucson, Arizona. A compressor plant was installed on the Jupiter group, and in September work was started driving a tunnel. During the year approximately 974 feet of tunnel was driven.

The Jupiter Group shows on the surface several quartz veins which have gold and silver values. Work previously done through a tunnel on one of these veins gave encouraging results. The present tunnel is being driven to prospect this vein at an elevation approximately 200 feet lower.

GENERAL

During the year 105 vertical feet of No. 3 shaft and 106 vertical feet of No. 5 shaft was lined with concrete.

Two double inlet fans, each with a capacity of approximately 38,000 cubic feet of air per minute, were installed in the mine. One of these was placed in the E. 2550 level, the other on the 3000 level.

An eight compartment flotation machine was installed in the mill. This machine replaced one of the pneumatic machines, and with it a cleaner concentrate can be made. A cleaner concentrate will be beneficial to our smelting operations.

The precipitation during the year has been only about half of our average normal rainfall. This has affected the amount of water that must be pumped from the mine very materially, and at the present rate of pumping the water coming from the mine will just about fill our requirements for operations when the most water is needed, which is during the summer period.

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

Respectfully submitted,

WILLIAM KOERNER,
General Manager.
TREASURER’S REPORT


TO THE STOCKHOLDERS OF

MAGMA COPPER COMPANY:

For my report as Treasurer I hereby submit the report of the Auditors, Messrs. Barrow, Wade, Guthrie & Co., on the accounts of Magma Copper Company and Magma Arizona Railroad Company, as follows:

Consolidated Balance Sheet as at December 31, 1934.

Consolidated Income and Expense Statement and Consolidated Earned Surplus Statement for the year ended December 31, 1934.

Respectfully submitted,

H. E. DODGE,
Treasurer.
TREASURER'S

Magma Copper Company and

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

Cash .................................................. $1,149,239.34
Marketable Securities—at Cost:
   Bonds and Stocks of Domestic Corporations (Market Value December 31, 1934—$1,736,588.56) 2,250,949.24
   Accounts Receivable and Accrued Interest ........................................... 57,313.89

Inventories:
   Copper, Gold and Silver—At Contract Sales Prices .................................. $1,115,858.68
   Copper—At Cost ........................................ 212,918.63
   Ores and Metals in Process—At Cost ................................................. 100,184.33
   Materials and Supplies—At Cost .................................................. 315,014.04
   TOTAL CURRENT ASSETS ............................................................... $5,199,478.15

(Total Current Assets including Marketable Securities at Market Value December 31, 1934—$4,685,117.47)

Pinal County, Arizona—Warrants and Accrued Interest Thereon 170,928.37

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

PROPERTY ACCOUNTS:

   Mining Claims and Land ................................................ $1,004,383.72
   Mine, Mill and Smelter Buildings, Machinery and Equipment  $3,553,683.23
   Standard Gauge Railroad .................................................. 687,623.22
   TOTAL PROPERTY ACCOUNTS .................................................. $4,241,306.45

   LESS—Reserve for Depreciation 2,990,772.42
   CURRENT ASSETS 1,250,534.03
   PROPERTY ACCOUNTS 2,254,917.75
   DEFERRED CHARGES:
      Prepaid Development—less Amortization .................................. $ 555,406.27
      Jupiter Exploration, Unexpired Insurance, etc. 84,553.58
   TOTAL DEFERRED CHARGES .................................................. 639,959.85

$8,275,484.12

CERTIFICATE

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

We have made an examination of the Consolidated Balance Sheet of Magma Copper Company, Consolidated Statements of Income and Expense and Earned Surplus for the year ended that date and other supporting evidence and obtained information and explanations from officers and agents of the operating and income accounts for the year, but we did not make a detailed audit of the inventories, which are valued at cost based on contract sales prices, except 1,858 tons of copper at cost of 5.73 cents per pound.

The Balance Sheet has not been adjusted in respect to depletion on the book value of the copper included in the inventories. The basis used in calculating depletion on the roadway of the Standard Gauge Railroad is based on the Commerce Commission's ruling.

During the year the Prepaid Development, heretofore carried in the property account, was transferred to the plant account instead of being depreciated. The basis used in calculating depreciation on the roadway of the Commerce Commission is based on the Commerce Commission.

In our opinion, based upon such examination, the accompanying Balance Sheet and the consolidated results of operations for the year ended that date are fairly presented with accepted principles of accounting consistently maintained by the Companies during the year.


10
REPORT

Magma Arizona Railroad Company

AS AT DECEMBER 31, 1934

LIABILITIES

CURRENT LIABILITIES:
- Accounts Payable and Unpaid Wages: $153,888.72
- Accrued Taxes: $93,092.21
- Dividend Payable—January 15, 1935: $204,000.00
- Provision for Federal Income Tax: $43,766.42

TOTAL CURRENT LIABILITIES: $494,747.35

CAPITAL STOCK AND SURPLUS:

Capital Stock:
- Authorized: 410,000 shares Par Value $10.00 each: $4,100,000.00
- Issued: 408,155 shares Par Value $10.00 each: $4,081,550.00
- Less: 155 shares held in Treasury (Cost $1,149.13): $1,149.13

Capital Surplus: $2,922,600.87

Earned Surplus—without deduction of provision for depletion, based on book value of mining claims and land: $778,135.90

TOTAL: $8,275,484.12

OF AUDITORS

Company and Magma Arizona Railroad Company as at December 31, 1934, and of the date. In connection therewith, we have examined the accounting records of the Companies employees of the Companies; we also made a general review of the accounting methods and transactions.

(Reserved for additional Domestic allocations by the Copper Code Authority) which is priced the mining claims and land.

of the Copper Company, was transferred to Deferred Charges and is now being amortized Railroad Company was changed during the year upon instructions issued by the Interstate

the related Statements of Income and Expense and Earned Surplus fairly present in accordance year under review (except as indicated above) the consolidated position at December 31, 1934

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, 1934

### Sales of Copper

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of Metals and Ores, January 1, 1934</td>
<td>$804,204.93</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$2,781,278.49</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$313,755.11</td>
</tr>
<tr>
<td>Taxes—State, County and Other</td>
<td>$180,968.59</td>
</tr>
<tr>
<td><strong>Less—Gold and Silver Sales</strong></td>
<td>$1,062,794.25</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td><strong>$3,276,002.19</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory of Metals and Ores—December 31, 1934</td>
<td>$1,428,961.64</td>
</tr>
<tr>
<td>Copper Company—Net Operating Income</td>
<td>$686,586.04</td>
</tr>
</tbody>
</table>

### Railroad Net Operating Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad Operating Income</td>
<td>$107,940.24</td>
</tr>
<tr>
<td>Less—Railroad Operating Expense</td>
<td>$65,879.55</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$20,731.56</td>
</tr>
<tr>
<td>Taxes—State, County and Other</td>
<td>$14,435.76</td>
</tr>
<tr>
<td><strong>Net Operating Income</strong></td>
<td><strong>693,479.41</strong></td>
</tr>
</tbody>
</table>

### General, Administrative and Engineering Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative and Engineering Expenses</td>
<td>$36,773.18</td>
</tr>
<tr>
<td>Directors' Fees and Expenses</td>
<td>$2,219.60</td>
</tr>
<tr>
<td>Professional Services (Legal and Auditing)</td>
<td>$19,442.18</td>
</tr>
<tr>
<td>Rent, Clerical Services, etc.</td>
<td>$23,960.00</td>
</tr>
<tr>
<td>Transfer, Registration and Dividend Disburse-</td>
<td>ment Expenses</td>
</tr>
<tr>
<td>Other General Expense</td>
<td>$9,308.09</td>
</tr>
<tr>
<td><strong>Total General Expense</strong></td>
<td><strong>98,821.88</strong></td>
</tr>
</tbody>
</table>

### Other Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends on Stocks</td>
<td>$78,884.00</td>
</tr>
<tr>
<td>Interest Received or Accrued</td>
<td>$18,949.82</td>
</tr>
<tr>
<td>Loss on Securities Sold</td>
<td>$3,108.74</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>$1,564.00</td>
</tr>
<tr>
<td><strong>Net Profit before Provision for Federal Income Tax</strong></td>
<td><strong>$690,947.71</strong></td>
</tr>
</tbody>
</table>

### Provision for Federal Income Tax

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Profit for year before providing for Depletion</strong></td>
<td><strong>$647,180.79</strong></td>
</tr>
</tbody>
</table>

## Consolidated Earned Surplus

For the Year Ended December 31, 1934

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—January 1, 1934</td>
<td>$946,955.11</td>
</tr>
<tr>
<td>Add—Net Profit for year before providing for Depletion</td>
<td>$647,180.79</td>
</tr>
<tr>
<td><strong>Balance—December 31, 1934</strong></td>
<td><strong>$1,594,135.90</strong></td>
</tr>
<tr>
<td>Deduct—Dividends declared during year—$2.00 per share</td>
<td>$816,000.00</td>
</tr>
<tr>
<td>Balance—December 31, 1934</td>
<td><strong>$778,135.90</strong></td>
</tr>
</tbody>
</table>