MAGMA COPPER COMPANY

INCORPORATED UNDER THE LAWS
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 14, 1936

OFFICERS
CHARLES F. AYER, President
A. J. MCNAB, Vice-President
DAVID E. THOMAS, Vice-President
HENRY E. DODGE, Secretary and Treasurer
GUS A. MKVICKA, Ass't Secretary and Ass't Treasurer

DIRECTORS
Charles F. Ayer  A. J. McNab
Henry E. Dodge  Francis J. Oakes, Jr.
Henry Krumb  David E. Thomas

OPERATING OFFICIALS
William Koerner, General Manager
E. G. Deutzter, Ass't General Manager
Darrell Gardner, Mine Superintendent
James H. Rose, Mill and Smelter Superintendent
Frank Sarver, Purchasing Agent
John R. Mays, Auditor
Charles A. White, 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 14, 1936.

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 1935.

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 1935, and the consolidated financial position of these companies as at December 31, 1935, 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>50</td>
<td>April 15, 1935</td>
<td>$.50</td>
<td>$204,000.00</td>
</tr>
<tr>
<td>51</td>
<td>July 15, 1935</td>
<td>.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>52</td>
<td>October 15, 1935</td>
<td>.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>53</td>
<td>January 15, 1936</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 5.62 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 the ore bodies or Federal Income Taxes. The corresponding cost for the year 1934 was 5.73 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 7.68 cents per pound, as compared with 7.85 cents per pound for the year 1934.

Since General Manager Koerner's report was written the east 2800 footwall drift has encountered ore in a vein which appears to be north of the main Magma vein. This orebody has been drifted on in an easterly direction for about 150 feet and has varied from 6 to 10 feet in width. The vein then became narrower and changed its course. The ore broken in drifting, approximately 814 tons, averaged
10.96% copper, 4.84 ounces silver and .036 ounces gold per ton. A great deal more development is necessary before it can be determined whether or not this find is of importance.

I regret to report that your company has recently lost by death two of its directors. Mr. Charles A. Corliss, a director since April 26, 1915, died February 9, 1936. Mr. George B. Alvord, a director since April 9, 1924, died March 1, 1936.

At the meeting of the Board of Directors held March 13, 1936, Mr. Henry Krumb was elected a director to fill the vacancy caused by the death of Mr. Corliss.

Respectfully submitted,

CHARLES F. AYER,

President.
GENERAL MANAGER'S REPORT

Superior, Arizona,
January 15, 1936.

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, 1935.

PROPERTY

The Company owns 2,326.788 acres of lode mining claims, of which acreage 662.38 acres have been patented; 208.457 acres of mill sites, of which 181.037 acres have been patented; 346.15 acres of patented desert land; 324.620 acres of patented farm lands, and 21 town lots in the First Addition to the Townsite of Superior. During the year, patent was obtained as mill sites to 42.779 acres of land.

MINE

The following is a resume in linear feet of the development done in 1935, and since the Company started operations:

<table>
<thead>
<tr>
<th></th>
<th>Drifting</th>
<th>Raising</th>
<th>Sinking</th>
<th>Cross Cutting</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1935</td>
<td>4,606</td>
<td>3,822</td>
<td>1,223</td>
<td>2,677</td>
<td>12,328</td>
</tr>
<tr>
<td>Total to Date</td>
<td>103,904</td>
<td>56,590</td>
<td>19,044</td>
<td>52,388</td>
<td>231,926</td>
</tr>
</tbody>
</table>

During the year, 2524 cubic yards of rock were excavated in the cutting of shaft stations and pockets.

The mine operated continuously on production from January 1st to June 30th, when production was discontinued to August 5th. During the period from June 30th to August 5th, maintenance work and some development work was carried on. On August 5th, the stoping of ore was again resumed and continued to the end of the year.

On the West 3200 Level, work done during the year consisted in driving raises to the 3000 Level and other work preparatory to getting the level in shape for stoping. The 31 Winze was sunk to the 4000 Level, and from the bottom of the winze a crosscut was driven through the vein, which is 44.8 feet wide at this crosscut. The crosscut, for the width of 44.8 feet, averaged in values as follows: Copper, 3.73%; Silver, 0.34 oz.; Gold, 0.006 oz. The rock temperature of the vein in this crosscut was 140° F., which is about 14° higher than
the temperature of the 3200 Level when first opened up. The rock temperatures in the Magma Mine have increased at a faster rate with increasing depth than is usual in mining experience. In the past, temperatures have been controlled by forcing large volumes of fresh air through the openings. Air conditioning is now being used to some extent for controlling mine temperatures, and it may be of advantage to use some air-conditioning method at Magma.

In order to improve ventilation in the lower levels of the Magma Mine, a raise was started from the top of 14 Winze above the West 2800 Level and extended to a point 130 feet above the 2250 Level. This raise will be continued to the 2000 Level. After the raise is completed, it will be enlarged to the size of 14 Winze and by means of a crosscut will be connected with No. 8 Shaft on the 2000 Level. No. 8 Shaft is now being sunk from the surface to the 2000 Level. No. 8 Shaft was sunk 59 feet during the year. This shaft was started from the surface approximately 1000 feet west and 200 feet south of No. 3 Shaft and when completed will be an upcast shaft for the western section of the mine.

In that section of the mine east of the Main Crosscut joining No. 2 and No. 3 Shafts, development work was carried on on the East 1800 Level, the East 2550 Level, the East 2800 Level, and the East 3000 Level. The East 1800 Level was advanced a distance of 701 feet. On the East 2550 Level, a number of crosscuts were put across the vein. The assay results on the crosscuts are as follows:

<table>
<thead>
<tr>
<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>No. 35 Crosscut</td>
<td>28.7</td>
<td>0.87</td>
<td>0.15</td>
<td>Tr.</td>
<td>0.95</td>
</tr>
<tr>
<td>No. 36 Crosscut</td>
<td>22.5</td>
<td>1.74</td>
<td>0.72</td>
<td>0.007</td>
<td>1.81</td>
</tr>
<tr>
<td>No. 37 Crosscut</td>
<td>11.2</td>
<td>1.74</td>
<td>0.65</td>
<td>0.001</td>
<td>1.26</td>
</tr>
<tr>
<td>No. 38 Crosscut</td>
<td>14.7</td>
<td>1.72</td>
<td>0.53</td>
<td>0.004</td>
<td>0.84</td>
</tr>
<tr>
<td>No. 39 Crosscut</td>
<td>6.4</td>
<td>1.14</td>
<td>0.41</td>
<td>Tr.</td>
<td>1.19</td>
</tr>
</tbody>
</table>

Although the values as shown by the crosscuts are low, there is a strong vein in this section of the mine. The East 2800 Level was driven 1373 feet during the year. It is in the footwall of the vein and is as yet not far enough east to reach the ore shoot in the vein. On the East 3000 Level, the Footwall Drift was driven 821 feet during the year, and East 24-3/5 Crosscut, East 26-1/5 Crosscut, East 28-1/5 Crosscut, and East 30 Crosscut were driven through the vein. The East 24-3/5 Crosscut showed no ore in the vein. The assay results on the other crosscuts are as follows:

<table>
<thead>
<tr>
<th>Width Feet</th>
<th>Copper %</th>
<th>Silver Ozs.</th>
<th>Gold Ozs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. E. 26-1/5 X. C. S.</td>
<td>13.2</td>
<td>3.42</td>
<td>2.41</td>
</tr>
<tr>
<td>No. E. 28-1/5 X. C. S.</td>
<td>20.0</td>
<td>7.90</td>
<td>6.24</td>
</tr>
<tr>
<td>No. E. 30-1/5 X. C. S.</td>
<td>23.6</td>
<td>4.41</td>
<td>1.53</td>
</tr>
</tbody>
</table>
The minerals in the crosscuts are bornite and chalcopyrite. East 28 Winze was sunk 450 feet from the East 2550 Level to the East 3000 Level. The completion of this winze has improved ventilation so that the East 3000 Level can be continued to the east.

In No. 5 Shaft, sinking was resumed during the year. The shaft was sunk from the 3325 Level to the 3845 Level. A station was cut on the 3800 Level and a station and loading pockets on the 3600 Level. As soon as a station and pockets are cut on the 3400 Level, work will be started from the shaft to develop the 3400 Level and the 3600 Level.

Stoping operations were carried on satisfactorily during the year. On the west side of the mine, ore was stope from the 3000 Level to the 2250 Level. On the east side of the mine, a small amount of ore was mined from above the 2000 Level. The grade of the ore mined was about the same as in the year 1934.

**CONCENTRATOR**

Milling operations were continuous during the year except during the period when mine production was discontinued. The mill heads for the year averaged 5.56% copper. The tailings averaged 0.30% copper. The average recovery was 96.73% copper. The mill recovery improved somewhat in the last half of the year. This improvement was due to the fact that a higher percentage of the mill ore came from the lower levels instead of from pillars above the 2550 Level.

**SMELTER**

Smelter production was continuous during the year except for the period from July 6th to August 25th. Repair work was carried on at the smelter during the period that production ceased.

**PRODUCTION**

The Magma Mine produced during the year a total of 259,553 tons of all classes of ore. This ore averaged 6.49% copper, 2.46 oz. of silver, and 0.032 oz. of gold. Leasers mined during the year, from the Company's Superior Mine, 13,438 tons of siliceous gold ore, assaying 0.32% copper, 0.89 oz. of silver, and 0.496 oz. of gold. There was purchased from shippers and treated at the smelter 35,875 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>Ounces. Silver</th>
<th>Ounces. Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Magma Mine.........</td>
<td>29,730,633</td>
<td>625,839.68</td>
<td>8,660.610</td>
</tr>
<tr>
<td>From Superior Mine.....</td>
<td>78,695</td>
<td>11,591.11</td>
<td>6,660.548</td>
</tr>
<tr>
<td>From Other Sources.....</td>
<td>576,054</td>
<td>512,510.32</td>
<td>17,578.068</td>
</tr>
<tr>
<td>Total</td>
<td>30,385,382</td>
<td>1,149,941.11</td>
<td>32,899.226</td>
</tr>
</tbody>
</table>
MAGMA ARIZONA RAILROAD

During the year, the Magma Arizona Railroad operated a mixed passenger and freight train twice weekly between Superior and Magma. On the other four days a week, a gasoline car handled the mail, express, and passengers.

The Railroad handled 51,951 tons of inbound freight and 15,444 tons of outbound freight during the year.

NEW PROPERTIES

The work undertaken in 1934 on the Jupiter and other groups of claims situated in Pima County, Arizona, was discontinued in July of 1935 and the option relinquished. On the Jupiter Group, 2,536 feet of drifting, 11 feet of raising, and 201 feet of diamond drilling was completed during the period that prospecting work was carried on. This work showed that the surface showings of gold and silver in quartz veins did not extend down with the size of vein and values shown on the surface. The veins on which work was done underground were small and of low grade.

GENERAL

I regret to report that during the past year Mr. Herman Forsnas, Mine Superintendent, and Mr. R. K. Minson, Traffic Manager, passed away.

Mr. Forsnas passed away on January 13, 1936 after a short illness. He served this Company faithfully and well during his long service of over twenty years. During this period he worked successively as miner, shift boss, mine foreman, and mine superintendent.

Mr. Minson died suddenly on May 14, 1935. He entered the service of the Company in 1922 as Traffic Manager and faithfully and efficiently filled his position until his death.

During the past year the precipitation at Superior has been 21.64 inches. This is several inches over the average yearly rainfall and has been responsible for the increase in water coming from the mine during the past year. This increase in mine water is very desirable for our operations.

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,

WILLIAM KOERNER,
General Manager.
TREASURER'S REPORT

New York, March 14, 1936.

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, 1935.

Consolidated Income and Expense Statement and Consolidated Earned Surplus Statement for the year ended December 31, 1935.

The item appearing in the Balance Sheet as an advance to Western Gas Company $140,468.33, is repayable through credits on current bills for natural gas.

In behalf of the Company a registration statement on Form 10 was filed with the Securities Exchange Commission on April 10, 1935 and the stock became fully registered effective July 1, 1935.

Respectfully submitted,

H. E. DODGE,

Treasurer.
TREASURER'S

Magma Copper Company and

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:
Cash .......................................................... $ 839,756.80
 Marketable Securities—at Cost:
  Bonds and Stocks of Domestic Corporations (Market Value
  December 31, 1935—$2,435,356.25) .................. 2,249,972.68
 Accounts Receivable and Accrued Interest:
  Copper—Proceeds received in 1936 .................. $ 640,110.49
  Other ................................................................ 13,183.99

Inventories:
  Copper, Gold and Silver—at Contract Sales
    Prices ....................................................... $1,114,417.15
  Ores and Metals in Process—at Cost ................. 99,449.48
  Materials and Supplies—at Cost .................... 304,477.12

Total Current Assets ........................................... $5,261,367.71

(Western Gas Company—Advances and Accrued Interest Thereon
Pinal County, Arizona—Warrants and Accrued Interest Thereon
Investments—at Cost—Apache Powder Company, etc.)

PROPERTY ACCOUNTS:
  Mining Claims and Land .............................. $1,006,204.76
  Mine, Mill and Smelter Buildings,
    Machinery and Equipment ......................... $3,559,942.72
  Standard Gauge Railroad ............................ 685,296.97

$4,245,239.69

Less—Reserve for Depreciation

Deferred Charges:
  Prepaid Development—less Amortization ........... $ 520,192.89
  Unexpired Insurance, etc. ............................ 22,765.15

$8,204,516.96

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
Consolidated Statements of Income and Expense and Earned Surplus for the year ended that
and other supporting evidence and obtained information and explanations from officers and
of the operating and income accounts for the year, but we did not make a detailed audit of
The Balance Sheet has not been adjusted in respect to depletion on the book value
In our opinion, based upon such examination, the accompanying Balance Sheet and
with accepted principles of accounting consistently maintained by the Companies during the
of operations for the year ended that date.

New York, N. Y., March 11, 1936.

10
REPORT

Magma Arizona Railroad Company

AS AT DECEMBER 31, 1935

LIABILITIES

CURRENT LIABILITIES:
Accounts Payable and Unpaid Wages.......................... $ 230,636.63
Accrued Taxes .................................................. 101,131.28
Dividend Payable—January 15, 1936........................... 204,000.00
Provision for Federal Income Tax .............................. 38,314.95
Total Current Liabilities .................................... $ 574,082.86

CAPITAL STOCK AND SURPLUS:
Capital Stock:
Authorized—410,000 shares Par Value $10.00
Issued — 408,155 shares Par Value $10.00
Less — 155 shares held in Treasury
(Cost $1,149.13)........................................... 1,550.00
408,000 shares Par Value $10.00
Capital Surplus ............................................. 2,922,600.87
Earned Surplus—without provision for Depletion,
    based on book value of Mining Claims and
    Land ................................................... 627,833.23

$8,204,516.96

OF AUDITORS

Company and Magma Arizona Railroad Company as at December 31, 1935 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
the transactions.
of the mining claims and land.
the related Statements of Income and Expense and Earned Surplus fairly present, in accordance
year under review, the consolidated position at December 31, 1935 and the consolidated results
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, 1935**

### Sales of Copper: $2,699,048.62

#### Cost of Sales:

- Inventories of Metals and Ores—January 1, 1935: $1,428,961.64
- Operating Expenses: $3,162,213.29
- Depreciation and Amortization: 227,310.29
- Taxes—State, County and Other: 193,634.32

**Total Cost of Sales:** $3,583,157.90

**Less:** Gold and Silver Sales

<table>
<thead>
<tr>
<th>Copper Company</th>
<th>Gold and Silver Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,889,322.86</td>
<td>1,693,835.04</td>
</tr>
</tbody>
</table>

**Inventories of Metals and Ores—December 31, 1935:** $1,213,866.63

**Net Operating Income:** $790,118.57

### General, Administrative and Engineering Expenses:

- Administrative and Engineering Expenses: $38,762.93
- Directors' Fees and Expenses: $1,752.85
- Professional Services (Legal and Other): $8,454.42
- Rent, Clerical Services, etc.: $25,180.00
- Transfer, Registration and Dividend Disbursement Expense: $6,879.53
- Other General Expense: $4,329.09

**Total General, Administrative and Engineering Expenses:** $85,358.82

### Other Income:

- Dividends on Stocks: $64,674.00
- Interest Received and Accrued: $9,036.12
- Miscellaneous: $465.40

**Total Other Income:** $74,175.52

### Other Deductions:

- Jupiter Exploration abandoned: $77,626.00

**Total Other Deductions:** $778,935.27

**Copper Company—Net Profit before Provision for Federal Income Tax:** $701,309.27

### Railroad Operating Income: $109,198.05

#### Railroad Expenses:

- Operating Expense: $82,664.28
- Depreciation: $21,025.95
- Taxes—State, County and Other: $12,442.37

**Railroad—Net Operating Loss:** $6,934.55

### Other Income:

- Interest Received and Accrued: $9,150.63
- Miscellaneous: $486.93

**Total Other Income:** $9,637.56

**Railroad—Net Profit before Provision for Federal Income Tax:** $2,703.01

### Provision for Federal Income Tax: $704,012.28

**Net Profit for year before providing for Depletion:** $665,697.33

## Consolidated Earned Surplus

**For the Year Ended December 31, 1935**

### Balance—January 1, 1935: $778,135.90

**Add:** Net Profit for year before providing for Depletion: $665,697.33

**Deduct:** Dividends declared during year: $2.00 per share: $816,000.00

**Balance—December 31, 1935:** $627,833.23