MAGMA COPPER COMPANY

ANNUAL REPORT

For Year Ended December 31, 1942
MAGMA COPPER COMPANY

INCORPORATED UNDER 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
CHARLES F. AYER . . . . President
A. J. McNAB . . . . Vice-President
HENRY E. DODGE . . . . Secretary and Treasurer
GUS A. MRKVICKA . . . . Asst. Secretary and Asst. Treasurer

DIRECTORS
CHARLES F. AYER HENRY E. DODGE
R. H. CHANNING HARRY T. HAMILTON
EDWARD G. DENTZER A. J. McNAB
FRANCIS J. OAKES, JR.

OPERATING OFFICIALS
EDWARD G. DENTZER . . . . General Manager
DARRELL GARDNER . . . . Asst. General Manager
J. F. BUCHANAN . . . . 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 17, 1943.

To the Stockholders of
MAGMA COPPER COMPANY:

The accompanying report from Mr. Edward G. Dentzer, General Manager, shows the operations of your Company and of the Magma Arizona Railroad Company for the calendar year 1942.

The accompanying report from Mr. H. E. Dodge, Treasurer, shows the consolidated income and expenses of Magma Copper Company and Magma Arizona Railroad Company for the calendar year 1942 and the consolidated financial position of these companies as at December 31, 1942, as certified by the auditors.

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

The following dividends were declared and paid 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>78</td>
<td>March 16, 1942</td>
<td>$.50</td>
<td>$204,000.00</td>
</tr>
<tr>
<td>79</td>
<td>June 15, 1942</td>
<td>.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>80</td>
<td>September 15, 1942</td>
<td>.50</td>
<td>204,000.00</td>
</tr>
<tr>
<td>81</td>
<td>December 15, 1942</td>
<td>.50</td>
<td>204,000.00</td>
</tr>
</tbody>
</table>

$2.00
$816,000.00

The average net cost of producing copper after deducting gold, silver and zinc concentrate values was 9.66 cents a pound. This cost includes all operating costs, including Arizona taxes, Federal Social Security Taxes, depreciation and administrative expenses, but does not include any allowance for mine depletion, Capital Stock Tax, Federal Income and Excess Profits Taxes. The comparable cost for the year 1941 is 7.90 cents a pound. The average selling price received by the company in excess of all commissions and delivery charges on all copper produced in 1942 was 12.01 cents a pound.

The “Code of Wartime Practices” issued by the Office of Censorship prohibits publication of statistical information regarding base metal production or ore reserves. Production figures are, therefore, not given in this report.

The shareholders' attention is directed to that portion of Mr. Dentzer's report covering the unfavorable development and difficult conditions encountered in the lower levels of the mine.

The Army-Navy Production Award for high achievement in the production of war material was conferred on the men and women of the Magma Copper Company, Superior, Arizona. The formal presentation of this award was made at Vandal Field, Miami, Arizona, October 11, 1942.

The Board of Directors at their meeting held December 16, 1942, regretfully accepted the resignation of Mr. Henry Krumb, a director since 1936. The vacancy was filled on March 17, 1943 when the Board elected Mr. Harry T. Hamilton, a mining engineer with a broad experience in the copper industry in the Southwest.

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, 1942:

PROPERTY

The Company owns 2,354.798 acres of lode mining claims, of which acreage 740.218 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; 365.13 acres of patented farm lands, 2 town lots in the original Townsite of Superior and 21 town lots in the First Addition to the Townsite of Superior. Included in the 740.218 acres of patented lode claims are the Horseshoe No. 1, Horseshoe No. 2 and the Silver Tip Extension No. 2, containing a total of 49.828 acres. Patent for these claims was acquired during the latter part of the year.

MINE

Drifting, Raising, etc.:

The following is a resume in linear feet of the development work done during 1942 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>1942</td>
<td>8,647</td>
<td>4,985</td>
<td>749</td>
<td>4,073</td>
<td>18,454</td>
</tr>
<tr>
<td>Total to date</td>
<td>169,370</td>
<td>85,342</td>
<td>29,033</td>
<td>79,222</td>
<td>362,967</td>
</tr>
</tbody>
</table>

During the year 1,692 cubic yards of rock were excavated in the cutting of stations and pockets. There was completed during the year 9,626 feet of diamond drilling.

Shaft Sinking:

No. 3 shaft was sunk 342 feet during the year and is now down to the 4908 level of the mine. A station and two loading pockets were excavated at both the 4600 level and 4800 level on this shaft. On the East 3600 level E. 29 winze was sunk 407 feet to the 4000 level of the mine. No sinking was done in any of the other shafts. In No. 3 shaft 323 linear feet of concrete was poured below the 4400 level.

Development:

The most important development work during the year was done on the following levels, namely: East 2250, East 3000, East 3200, East 3600, West 3600, East 3800, West 3800, West 4200, West 4400, West 4600 and the Koerner Vein.

East 2250 Level:

The East drift on the 2250 level was driven an additional 176 feet to the east in low grade zinc-copper ore which averaged 5.77% zinc and 0.99% copper for the entire distance.
East 3000 Level:
The East drift on the 3000 level was driven an additional 233 feet to the east without encountering any ore and was then discontinued as results did not justify any further work.

East 3200 Level:
During the year there was 758 feet of drifting and crosscutting completed on the North Branch of the vein on the East 3200 level. Of the 628 feet of vein explored here 500 feet showed average copper values for a width of approximately 6 feet.

3600 Level:
On the East 3600 level a short crosscut was driven and a hoist station excavated preparatory to sinking E. 29 winze. On this same level approximately 85 feet of average grade ore was developed in driving the West drift an additional 217 feet to the west.

3800 Level:
During the year 1,076 feet of drifting and crosscutting was completed on the East 3800 level. Out of a total of 859 feet of vein explored 270 feet shows a narrow width of possible minable ore in shoots varying in length from 20 feet to 115 feet. The ore shoots exposed are all farther east than any ore developed on the East 3600 level. Development will be continued in this section during 1943. The West drift on this same level was driven an additional 194 feet to the west without encountering any ore and was then discontinued.

West 4200 Level:
A total of 770 feet of drifting and crosscutting along with 607 feet of diamond drilling was completed on this level during the year. There was completed 333 feet of drifting within the vein exposing only one narrow shoot of minable ore 75 feet in length.

West 4400 Level:
During the year 1,408 feet of drifting and crosscutting was completed on this level. Included in the exploration work completed was 1,070 feet of drifting along both the Main and the North branches of the vein exposing 400 feet of possible minable ore in shoots varying from 60 feet to 200 feet in length and from 4 to 15 feet in width. Out of a total of 6,028 feet of vein explored to date on this level 1,800 feet shows possible minable ore shoots varying in length from 30 feet to 250 feet.

West 4600 Level:
There was completed 2,055 feet of drifting and crosscutting with 94 feet of diamond drilling on this level during the year. To date 1,540 feet of vein, including the Main Vein and North Branch, has been explored by drifting, crosscutting and diamond drilling. The section of vein explored is under ore developed on levels above, but the minable ore does not show the continuity of the higher levels. Out of 1,505 feet of the Main Vein explored by drifting only 750 feet can be classed as minable ore, and it occurs in shoots from 20 feet to 150 feet in length. As only two crosscuts have been driven across the vein, which for most of the explored length is wider than the drift, the average width of ore cannot be stated. No drifting was done on the North Branch of the vein on this level during the year.

West 4800 Level:
During the year five diamond drill holes were completed on this level from the 4800 level at No. 5 shaft pointed to cut the vein at the approximate location of West 25, West 27, West 30, West 31 and West 35 crosscuts, respectively, or vertically under good ore on the upper levels. Another diamond drill hole was completed from the 4800 level at No. 5 shaft which was pointed to cut the vein at the approximate position of W. 31 crosscut on what would be the 5000-foot level of the mine. The result of drilling of all six of these holes was disappointing as none of
them showed ore of sufficient width and grade to be considered minable. However, as complete recovery of core was not attained in any of the holes the result cannot be considered conclusive. Further work to be executed at a later date will determine whether or not the ore deposit here is of commercial value.

**Koerner Vein:** (Approximately 1,200 feet south of the Main Vein on the 4000-foot level.)

**3600 Level:**

During the year West 15 crosscut was driven a distance of 747 feet to the south, and at 1,081 feet south of the West footwall drift the Koerner Vein was crosscut. The vein where crosscut has a width of six feet and assays less than 0.50% copper. Approximately 300 feet of drifting on the vein was done to the east of this crosscut before any minable ore was encountered. Drifting was also continued on the vein to the east and west of zero crosscut, bringing the total drifting on the vein on this level to 1,797 feet, of which approximately 950 feet is in ore of average grade that will vary in width from four feet to fifteen feet. Due to the limited amount of fresh air available for ventilation purposes work has been discontinued here until some later date.

**3800 Level:**

During the year zero crosscut was driven to a point 1,022 feet south of No. 3 shaft and should reach the Koerner Vein early in February, 1943.

**4000 Level:**

During the year one raise was driven on the vein from the 4000 level to the 3600 level, and another raise was driven on the vein from the 4000 level to the 3800 level. These raises showed that the minable ore is not continuous vertically as several areas of low-grade vein material were exposed in each raise. Vertical development is being continued above the 4000 level, but the amount that can be done is limited by the amount of ventilating air available.

**4400 Level:**

During the year West 14 crosscut was driven 1,022 feet south. The Koerner Vein was cut 1,084 feet south of No. 8 shaft and for a width of 8.4 feet assayed 2.02% copper, 0.364 ozs. silver and 0.0067 ozs. gold. Approximately 80 feet of vein has been opened up east of the crosscut, none of which appears to be of a better grade than the crosscut.

**Diamond Drilling:**

Three horizontal diamond drill holes were drilled in a southerly direction on the 3200 level of the mine aimed to cut the Koerner Vein at the approximate position of East 4 crosscut, West 5 crosscut and West 10 crosscut, with the following results:

<table>
<thead>
<tr>
<th>Width Feet</th>
<th>Copper %</th>
<th>Silver Ozs.</th>
<th>Gold Ozs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.D. Hole No. 3204</td>
<td>8.0</td>
<td>0.378</td>
<td>0.806</td>
</tr>
<tr>
<td>D.D. Hole No. 3205</td>
<td>5.0</td>
<td>0.100</td>
<td>0.200</td>
</tr>
<tr>
<td>D.D. Hole No. 3210</td>
<td>9.5</td>
<td>0.847</td>
<td>0.460</td>
</tr>
</tbody>
</table>

The information revealed by these holes and diamond drill hole No. 3200 previously drilled indicates that minable ore in this section of the Koerner Vein probably does not extend as high as the 3200 level of the mine.

**Drilling South from the Koerner Vein:**

A horizontal diamond drill hole is being drilled in a southeasterly direction from the face of zero crosscut south of the Koerner Vein on the 4000-foot level. This hole, now 2,300 feet deep and still being continued, has been in diabase for its entire length and has not disclosed any ore or any fissure of consequence.
As discussed in detail above and having particular reference to the paragraphs dealing with the work on the 4400, 4600 and 4800 west levels, development has been disappointing. Where ore shoots have been found they occur in relatively short and often narrow ore-bodies as compared with the levels above them. However, long lengths of vein remain to be explored on these levels which will take much more development work. Granted favorable costs and market conditions the reasonably assured reserves are sufficient to supply present capacity for approximately eight years. This operating period provides ample time to explore and develop the areas believed favorable for the occurrence of orebodies, but it is impossible to predict what additional tonnages will be found.

**OPERATIONS**

The mine operated continuously on production throughout the year.

In the first six months of the year stoping operations were carried on at approximately the same rate as during the last four months of 1941. Commencing with the last week in June production slowly decreased until in September the tonnage mined reached a lower point than in August, 1941. This drop in production was due principally to four things, namely: the excessive heat throughout the lower levels of the mine, the loss of many of our skilled employees to other higher paid war industries throughout the West and to the armed forces of the United States, the inexperience and inefficiency of many of the replacements, and our inability to procure a sufficient number of replacements of any kind from August to October.

The cooler weather since October 1st has improved the heat conditions underground, most of the working places, especially in the stoping area, now having a wet bulb temperature of about 85°F.

The Stabilization Order of September 7, 1942, effective in our area has stopped most of the migration of our workers to other fields, and since October 15th Selective Service has been granting occupational deferment to our essential employees. Through the United States Employment Service we have been able to have some experienced miners released to us by the Army and have procured some gold miners from the Colorado gold mines closed by the Government.

Commencing with October production from the mine increased so that the tonnage mined in December was comparable to that of any month in the first half of the year, although it took approximately 10% more men underground to attain that result.

On the West side of the mine ore was stoped from the 4400 level to above the 3000 level. In the orebody west of No. 5 shaft ore was stoped from the 2650 level to above the 2250 level. On the East side of the mine some copper ore was stoped on the East 3200 level, East 3000 level and the East 2800 level. Zinc-copper ore was mined on the East 2800 level, the East 2250 level, the East 2000 level, the East 1800 level, the East 1600 level and the East 1500 level. The amount of zinc-copper ore mined was greater than any previous year, but for the past six months the zinc content of the ore mined has diminished greatly.

One small refrigerating unit was installed during the latter part of the year on the 4600 level of the mine. The rock temperature on this level is 150°F. and the refrigerating unit is large enough to cool the ventilating air for only one drift crew. A larger refrigerating unit will be installed on this level as soon as one is available from the upper levels.

Gold and silver values on the lower levels have decreased seriously. Operating conditions are more difficult due to higher rock temperatures and heavier ground.

**CONCENTRATOR**

With the exception of July and Christmas Day the mill operated continuously throughout the year. There were times during the year when only two sections of the copper mill operated due to lack of ore or to allow for repairs to the third section.
The zinc section of the mill, except for minor shutdowns for repairs and one day each at July 4th and Christmas, operated continuously throughout the year. Considering the grade and character of the ore a satisfactory zinc concentrate was made during the year.

SMELTER

Smelter production was carried on continuously during the year except for the first five days in January and seven days in February, when production was interrupted for minor furnace repairs, and from July 5th to July 20th, while major repairs were made to the furnace and Cottrell plant.

PRODUCTION

Under the code of wartime practices no production figures may be published.

MAGMA ARIZONA RAILROAD

The Magma Arizona Railroad operated a freight train twice weekly between Superior and Magma during the year.

GENERAL

The precipitation for the year was 14.19 inches which is 17.56 inches less than the 1941 precipitation and 4.34 inches less than the yearly average since 1920, prior to which time no rainfall records for Superior are available. On account of the comparatively low rainfall it was necessary to draw on the smelter storage reservoir several times during the year. It was not necessary, however, to pump any water from the Bilk shaft.

My sincere thanks and appreciation are extended to the staff and all employees of the Company who have assisted in operations during the past year.

Respectfully submitted,
E. G. DENTZER, General Manager.

TREASURER'S REPORT

New York, N. Y., March 17, 1943.

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:

Consolidated Balance Sheet as at December 31, 1942
Consolidated Income and Expense Statement and
Consolidated Earned Surplus Statement for the year ended December 31, 1942.

The Consolidated Income Statement shows a loss on sales of securities of $194,204.59 in 1942 as compared with a gain of $319,130.26 in 1941.

Proxies will be requested for the annual meeting of the stockholders to be held on May 10, 1943. 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 Company and
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:
Cash .................................................................................................................. $2,915,062.77
U. S. Government Securities (Purchased at Par):
Certificates of Indebtedness ................................................................. $ 550,000.00
Tax Notes .................................................................................................. 261,200.00
Treasury Notes ......................................................................................... 115,000.00

$ 926,200.00

Accrued Interest thereon ........................................................................... 3,079.71

Marketable Securities—at Cost:
Bonds and Stocks of Domestic Corporations (Value based on Market Quotations December 31, 1942—$565,040.00) ......................................................... 632,049.20
Accounts Receivable and Accrued Interest .................................................. 827,239.23

Inventories:
Metals (Copper at Contract Sales Price; Gold and Silver at Market Value) ........................................ $ 610,819.17
Ores and Metals in Process—at Cost ......................................................... 63,260.24
Materials and Supplies at Cost ................................................................. 658,770.89

1,332,850.30

Total Current Assets .................................................................................. $6,637,081.21

(INVESTMENTS—AT cost—Apache Powder Company, etc.) .................. 10,200.00

PROPERTY ACCOUNTS:
Mining Claims and Land ........................................................................ $1,013,082.86
Mine, Mill and Smelter Buildings, Machinery and Equipment ..................... $4,443,222.31
Standard Gauge Railroad ........................................................................... 682,255.45

$5,125,477.76

Less—Reserve for Depreciation .................................................................. 1,004,401.87

2,017,484.73

Deferred Charges:
Prepaid Development, less Amortization ............................................... $ 850,591.17
Unexpired Insurance, etc. ........................................................................... 30,049.59

880,640.76

$9,545,406.70

REPORT OF INDEPENDENT

To the Board of Directors,

MAGMA COPPER COMPANY,
14 Wall Street, New York, N. Y.

We have examined the Consolidated Balance Sheet of Magma Copper Company and Magma Arizona Surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the Companies and other supporting evidence, by methods and to the extent we deemed appropriate.

The policy of Magma Copper Company with respect to depletion based on the book value of Mining Claims

In our opinion, the accompanying Balance Sheet and related Statements of Income and Expense and Earned consolidated position of Magma Copper Company and Magma Arizona Railroad Company at December 31, 1942, accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y., March 4, 1943.
## Magma Arizona Railroad Company

### AS AT DECEMBER 31, 1942

### LIABILITIES

**CURRENT LIABILITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable and Unpaid Wages</td>
<td>$347,919.21</td>
</tr>
<tr>
<td>Accrued Taxes</td>
<td>$90,094.12</td>
</tr>
<tr>
<td>Provision for Federal Income Tax—1942—Normal and Surtax—Estimated</td>
<td>$202,400.00</td>
</tr>
</tbody>
</table>

(Computations made indicate the Companies are not liable for Excess Profits Tax)

**Total Current Liabilities**  
$640,413.33

### CAPITAL STOCK AND SURPLUS:

**Capital Stock—Par Value $10.00 per share:**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorized — 410,000 shares</td>
<td>$4,100,000.00</td>
</tr>
<tr>
<td>Issued — 408,155 shares</td>
<td>$4,081,550.00</td>
</tr>
<tr>
<td>Less — 155 &quot; held in Treasury (Cost $1,149.13)</td>
<td>1,550.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding — 408,000 shares</td>
<td>$4,080,000.00</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Surplus (Amount arising through the conversion of Capital Stock from a no par value to a par value of $10.00 per share)</td>
<td>$2,922,600.87</td>
</tr>
<tr>
<td>Earned Surplus—without provision for Depletion based on book value of Mining Claims and Land</td>
<td>$1,902,392.50</td>
</tr>
</tbody>
</table>

| Total Capital Stock and Surplus | $9,545,406.70 |

### CERTIFIED PUBLIC ACCOUNTANTS

Barrow, Wade, Guthrie & Co., Accountants and Auditors.

Railroad Company as at December 31, 1942, and the Consolidated Statements of Income and Expense and Earned the Companies and, without making a detailed audit of the transactions, have examined or tested accounting records and Land is to make no provision in the accounts, the necessary factors for such determination being unknown. Surplus, with no provision for depletion based on the book value of Mining Claims and Land, present fairly the and the consolidated results of operations for the year ended that date, in conformity with generally accepted.
MAGMA COPPER COMPANY  
AND  
MAGMA ARIZONA RAILROAD COMPANY  

CONSOLIDATED INCOME AND EXPENSE STATEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1942  

SALES OF METALS—Copper, Gold, Silver and Zinc ........................................ $6,036,243.70

COST OF SALES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories of Metals and Ores—January 1, 1942</td>
<td>$383,105.47</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>4,861,710.63</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>216,071.55</td>
</tr>
<tr>
<td>Taxes—State, County and Other</td>
<td>232,366.27</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories of Metals and Ores—December 31, 1942</td>
<td>$5,693,253.92</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Copper Company—Net Operating Income ........................................ $1,017,069.19

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>$40,000.48</td>
</tr>
<tr>
<td>Directors' Fees and Expenses</td>
<td>1,134.80</td>
</tr>
<tr>
<td>Professional Services</td>
<td>2,874.72</td>
</tr>
<tr>
<td>Rent, Clerical Services, etc.</td>
<td>15,000.00</td>
</tr>
<tr>
<td>Transfer, Registrars and Dividend Disbursement Expenses</td>
<td>7,621.54</td>
</tr>
<tr>
<td>Other General Expenses</td>
<td>5,136.60</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Dividends</td>
<td>$40,281.00</td>
</tr>
<tr>
<td>Interest</td>
<td>2,978.71</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other Deductions:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Loss on Sale of Securities</td>
<td>$945,301.05</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Copper Company—Net Profit before Provision for Federal Income Tax ........................................ $794,356.17

RAILROAD OPERATING INCOME ........................................ $99,700.87

RAILROAD EXPENSES:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$81,268.94</td>
</tr>
<tr>
<td>Depreciation</td>
<td>9,236.10</td>
</tr>
<tr>
<td>Taxes—State, County and Other</td>
<td>8,037.36</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Railroad—Net Operating Income ........................................ $1,158.47

Other Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$7,908.86</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>140.44</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Other Deduction:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on Sale of Securities</td>
<td>3,946.25</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Railroad—Net Profit before Provision for Federal Income Tax ........................................ 5,261.52

Provision for Federal Income Tax 1942—Normal and Surtax—Estimated ........................................ $794,617.69

Net Profit for year without Provision for Depletion based on book value of Mining Claims and Land ........................................ $597,217.69
MAGMA COPPER COMPANY
AND
MAGMA ARIZONA RAILROAD COMPANY

CONSOLIDATED EARNED SURPLUS STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1942

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—January 1, 1942</td>
<td>$2,120,540.96</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Net Profit for year, without Provision for Depletion</td>
<td>$ 597,217.69</td>
</tr>
<tr>
<td>Excessive provision for Federal Income Tax for 1941</td>
<td>633.85</td>
</tr>
<tr>
<td>Deduct—Dividends declared and paid during year—$2.00 per share</td>
<td>816,000.00</td>
</tr>
<tr>
<td>Balance—December 31, 1942</td>
<td>$1,902,392.50</td>
</tr>
</tbody>
</table>