MAGMA COPPER COMPANY

ANNUAL REPORT

For Year Ended December 31, 1945
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 . . . 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 A. J. McNAB
R. H. CHANNING ARTHUR NOTMAN
HENRY E. DODGE FRANCIS J. OAKES, JR.
PHILIP KRAFT

OPERATING OFFICIALS
WESLEY P. GOSS . . . General Manager
DARRELL GARDNER . . . Assistant General Manager
J. F. BUCHANAN . . . Mine Superintendent
JAMES H. ROSE . . . General Metallurgical Superintendent
FRANK SARVER . . . Purchasing Agent
JOHN R. MAYS . . . Auditor
HALDER J. REX . . . . Mill Superintendent
EDWARD J. CALDWELL . . . Smelter Superintendent

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

REGISTRAR
BANKERS TRUST COMPANY, 16 Wall Street, New York 5, N. Y.

ANNUAL MEETING
Second Monday in May each year at Augusta, Maine
New York, N. Y., March 14, 1946.

To the Stockholders of
MAGMA COPPER COMPANY:

The accompanying report of Mr. Wesley P. Goss, General Manager, shows the operations of your Company and of the Magma Arizona Railroad Company for the calendar year 1945.

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 1945 and the consolidated financial position of these companies as at December 31, 1945, 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>90</td>
<td>March 20, 1945</td>
<td>.125</td>
<td>$51,000.00</td>
</tr>
<tr>
<td>91</td>
<td>June 15, 1945</td>
<td>.125</td>
<td>51,000.00</td>
</tr>
<tr>
<td>92</td>
<td>September 15, 1945</td>
<td>.125</td>
<td>51,000.00</td>
</tr>
<tr>
<td>93</td>
<td>December 17, 1945</td>
<td>.125</td>
<td>51,000.00</td>
</tr>
</tbody>
</table>

The average net cost of producing copper after deducting gold, silver and zinc concentrate values was 13.70 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 1944 is 12.48 cents a pound. The increased cost was due largely to decreased production.

Including the premium paid by the Government for copper production under its Premium Price Plan the Company received for all copper produced in 1945 an average price of 16.47 cents a pound. This compares with 14.51 cents a pound received in 1944.

Your attention is directed to the income item of $330,287.57 appearing under “Other Income” in the Consolidated Income and Expense Statement. This amount was received by the Company in May, 1945, as an adjustment for premium on copper produced in 1944 under the Government’s Premium Price Plan. Applying this additional income to the copper produced in 1944 the average price received was 14.51 cents a pound, mentioned above, and not 13.11 cents a pound as reported in our 1944 Annual Report.

In common with the western mining industry generally the labor situation during 1945 was worse than the previous year. The number of men on the underground payroll reached an all-time low in the third quarter of the year, being less than one-half the number required for necessary development and full production. As a consequence production for 1945 was even lower than for 1944, and compares with the years 1943 and 1944 as follows:
<table>
<thead>
<tr>
<th>Year</th>
<th>Copper</th>
<th>Zinc</th>
<th>Silver</th>
<th>Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>1943</td>
<td>37,223,963 lbs.</td>
<td>7,780,306 lbs.</td>
<td>408,396.83 ozs.</td>
<td>11,176.872 ozs.</td>
</tr>
<tr>
<td>1944</td>
<td>23,502,347 lbs.</td>
<td>7,333,007 lbs.</td>
<td>283,088.41 ozs.</td>
<td>7,044.925 ozs.</td>
</tr>
</tbody>
</table>

By agreement with the Quota Committee the Company ceased production of zinc concentrates in July.

The labor situation has improved as compared with the low point, but there still were a few less men on the payroll at the beginning of 1946 than at the beginning of 1945.

Reference was made in last year's annual report to the necessity of making major capital expenditures at the Magma mine and plant. Owing to the shortage of labor and our inability to procure materials and supplies not much progress has been made in the matters indicated beyond formulation of detailed plans.

In accordance with the terms of Magma Copper Company's contract with the Vendors, the San Manuel Copper Corporation was incorporated in August, 1945, under the laws of Delaware, having an authorized Capital of 1,500,000 shares of the Par Value of $1.00 each. The Vendors received 75,000 shares of San Manuel Copper Corporation in exchange for their mining claims and may be entitled to receive an additional 75,000 shares depending upon the tonnage and grade of ore developed in certain defined areas. At December 31, 1945, there were issued and outstanding 345,000 shares of the Capital Stock of San Manuel Copper Corporation, of which 272,437 were owned by Magma Copper Company and 72,563 shares by the Vendors. Magma Copper Company has also transferred to the San Manuel Copper Corporation the outside property rights mentioned in the General Manager's Report for 1944. Drilling was actively prosecuted during 1945. For details of the results obtained you are referred to the General Manager's Report herewith.

On January 16, 1946, Mr. Arthur Notman, a consulting mining engineer of many years experience, was elected a Director of the Company to fill the vacancy caused by the resignation of Mr. Edward G. Dentzer.

I take this opportunity of expressing on behalf of the Board of Directors their appreciation to the General Manager, Mr. Wesley P. Goss, his staff and the employees of the Company, for their loyal service and accomplishment during this difficult year.

Respectfully submitted,

CHARLES F. AYER, President

TREASURER’S REPORT

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, 1945.
Consolidated Income and Expense Statement and
Consolidated Earned Surplus Statement for the year ended December 31, 1945.

Proxies will be requested for the annual meeting of the stockholders to be held on May 13, 1946. In connection with such request a proxy statement and form of proxy will be sent on or about April 10th to stockholders entitled to vote at the meeting.

Respectfully submitted,

H. E. DODGE, Treasurer
MR. CHARLES F. AYER, President,
Magma Copper Company,
14 Wall Street,
New York 5, N. Y.

Dear Mr. Ayer:

The following report on the operations of the Magma Copper Company for the year 1945 is herewith submitted.

PROPERTY

The Company owns: 2,478.775 acres of lode mining claims, of which 878.551 acres are patented; 208.457 acres of mill sites, of which 181.037 acres are patented; 346.150 acres of patented desert land; 365.130 acres of patented farm land; 2 town lots in the Townsite of Superior; and 21 town lots in the First Addition to the Townsite of Superior.

Patents were granted on two lode mining claims, containing 32.211 acres, during the year.

MINE

Drifting, Raising, etc.:

The following work was done during 1945 and since the beginning of operations:

<table>
<thead>
<tr>
<th>Year</th>
<th>Drifting</th>
<th>Cross-Cutting</th>
<th>Raising</th>
<th>Sin king</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>9</td>
<td>4</td>
<td>5</td>
<td>784 ft.</td>
<td>302 ft.</td>
</tr>
<tr>
<td>To date</td>
<td>177,539 ft.</td>
<td>83,412 ft.</td>
<td>95,926 ft.</td>
<td>29,425 ft.</td>
<td>386,302 ft.</td>
</tr>
</tbody>
</table>

Stations and pockets excavated: 705 cubic yards. Diamond drilling: 3,658 feet completed.

Shafts:

No sinking was done during the year. Extensive repairs were started in No. 5 shaft as the original timber has been weakened by wear and decay. This repair work will extend into 1946.

Development:

Very little development work was done during the year due to a shortage of labor. With the exception of the East 1800 level the work listed under drifts, crosscuts and raises was stope development consisting of short drives in the vein or the adjacent walls.

**East 1800 Level:**

The East drift on the South branch driven west from E. 19 crosscut was advanced 80 feet and connected with the E. 16 crosscut. The vein assayed 7.99% zinc, 0.62% copper and 0.98 oz. of silver over a width of 4.5 feet for a length of 70 feet.
West 4000 Level:

Reopening the drifts on the Main vein and North branch vein west of No. 5 shaft Main crosscut was started. The original drifts had been caved tight. The Main vein has been opened and retimbered from the No. 5 shaft Main crosscut to the W. 32-4/5 crosscut position and from the W. 35-1/5 crosscut position to the W. 38-4/5 crosscut position. The North branch has been opened and retimbered from the W. 32-2/5 crosscut position to the W. 39-3/5 crosscut position.

This work was done so that the block of ore over these drifts could be made available for stoping.

Diamond Drilling:

One horizontal hole drilled from the No. 5 shaft tail drift on the 500 level, N. 28” E., 530 feet to prospect the Guest House vein did not expose ore.

One horizontal hole on the 1800 level drilled south at the E. 11 crosscut position exposed 8 feet of vein that assayed 6.83% copper, 22.3 oz. silver, 0.11 oz. gold and 0.85% zinc.

Note: Plans are that additional drilling will be done near the above hole.

Several horizontal holes were drilled to the south from the E. 2250 footwall drift and only one exposed ore: No. 2224 hole exposed 18 feet that assayed 4.44% copper, 3.52 oz. silver, 0.02 oz. gold and 5.64% zinc.

Four horizontal holes drilled south from the 3400 level between the W.3 and W. 7 crosscut positions did not expose mineable ore.

One horizontal hole drilled south on the 3600 level at the W. 5 crosscut position did not expose mineable ore.

One horizontal hole drilled south on the 3800 level at the W. 5 crosscut position did not expose mineable ore.

Five holes drilled from the 3800 level to prospect the North Branch vein between the W. 37 and W. 39 crosscut positions did not expose mineable ore.

One horizontal hole drilled south on the 4600 level from the No. 5 shaft tail drift to prospect the Koerner vein did not expose mineable ore.

OPERATIONS

The mine operated continuously throughout the year, but the rate of production was low due to the continued labor shortage. There were 695 men on the pay roll December 27, 1944, and 694 on the pay roll December 27, 1945. The crew dropped to a low of 600 on September 19th and then increased again to 694 by the year’s end.

Copper ore was mined between the 4000 level and the 3400 level. The bulk of the tonnage came from the 4000 and 3800 level stopes. Remnants of ore were removed above the 3600 level, and at the end of the year all the ore above the 3600 level on the West side had been removed.

Zinc ore was mined from the 2250 level to the 1500 level on the East side of the mine. The mining of zinc ore was discontinued in July and has not been resumed. This action was taken because we did not have enough men, and it was more economical to put all of our men on copper production than to divide them between copper and zinc stopes.
CONCENTRATOR

The mill operated throughout the year on a six-day per week basis. After zinc production was discontinued in July all copper milling was done in section 4, the most modern section, with the result that operation was much more uniform and efficiency was increased.

Plans are under way and designing has started for a new crushing plant and mill to replace the Magma mill at Superior. The present mill is obsolete and deterioration has progressed so far that replacement is necessary. A new mill designed to take advantage of recent developments in metallurgy and operation will save enough in cost of milling to justify its installation.

SMELTER

The smelter operated on an intermittent basis during the year, averaging about six weeks on production and then closing down for about six weeks. Advantage was taken of the shut downs to carry out many needed repairs.

PRODUCTION

Magma Mine

<table>
<thead>
<tr>
<th></th>
<th>Tons</th>
<th>% Cu.</th>
<th>% Zn.</th>
<th>Ozs. Ag.</th>
<th>Ozs. Au.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copper Mill Ore.</td>
<td>106,249</td>
<td>6.12</td>
<td></td>
<td>1.14</td>
<td>0.027</td>
</tr>
<tr>
<td>Copper Smelting Ore.</td>
<td>25,714</td>
<td>7.92</td>
<td></td>
<td>1.47</td>
<td>0.041</td>
</tr>
<tr>
<td>Total Copper Ore.</td>
<td>131,963</td>
<td>6.47</td>
<td></td>
<td>1.20</td>
<td>0.030</td>
</tr>
<tr>
<td>Zinc Mill Ore.</td>
<td>45,749</td>
<td>1.14</td>
<td>8.21</td>
<td>2.29</td>
<td>0.015</td>
</tr>
<tr>
<td>Total Ore</td>
<td>177,712</td>
<td>5.10</td>
<td></td>
<td>1.49</td>
<td>0.026</td>
</tr>
</tbody>
</table>

Custom ore purchased and smelted: 6,884 tons.

Net Metal Produced

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Magma Mine</td>
<td>16,791,415</td>
<td>4,337,864</td>
<td>210,227.91</td>
<td>5,405,704</td>
</tr>
<tr>
<td>Other Sources</td>
<td>324,153</td>
<td></td>
<td>36,281.66</td>
<td>178,667</td>
</tr>
<tr>
<td>Total</td>
<td>17,115,568</td>
<td>4,337,864</td>
<td>246,509.57</td>
<td>5,584,371</td>
</tr>
</tbody>
</table>

VENTILATION AND COOLING

Experimental work and designing for the new additional refrigeration system is under way. A well was completed on the railroad right of way about 16 miles west of Superior which will furnish water for the new system.

The capital expenditure necessary to complete the above-mentioned cooling and mill construction programs is expected to cost approximately $1,750,000.

Rainfall for the year was 17.13 inches compared with 19.51 inches last year, and an average of 18.46 inches since 1920.
MAGMA ARIZONA RAILROAD

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

SAN MANUEL

Exploration of the San Manuel property was continued throughout the year. As reported in the interim report to the stockholders for the period ending September 30, 1945, Magma Copper Company has caused to be formed the SAN MANUEL COPPER CORPORATION to continue the development of the San Manuel property. Magma Copper Company now owns or holds options to purchase all of the authorized capital stock of the new corporation except such shares as the vendors have received or may be entitled to receive under the terms of the agreement originally made between Magma and the vendors.

There have been 38 churn drill holes completed, and drilling is continuing on 7 others. A total of 39,311 feet has been drilled. An area of 1,000 feet wide by 4,000 feet long has been proven to be mineralized, with the two ends and one side still open for extension. An estimate of tonnage and grade made from drill hole data without adding anything for extensions beyond the boundaries of completed holes shows a total of 83,900,000 tons overaging 0.79% copper and containing a small, and as yet undetermined, amount of accessory gold, silver and molybdenum. This total is made up of: 35,300,000 tons of oxidized ore assaying 0.74% copper largely in the form of copper silicate; 20,800,000 tons of secondary ore assaying 0.86% copper composed of mixed copper silicates and copper sulphides; and 27,800,000 tons of sulphide ore assaying 0.81% copper. About 8,900,000 tons of the mixed ore has a low oxidized content. This tonnage, together with the 27,800,000 tons of sulphide, or a total of 36,700,000 tons, is expected to be amenable to ordinary sulphide flotation. The balance of the tonnage, or 47,200,000 tons, must be treated by other methods to be determined later. The greater part of the tonnage developed by recent drilling has been sulphide in character. The above tonnage and grade figures are subject to revision when more holes are drilled within the present boundaries. Some of the holes are widely spaced, and intermediate holes will be required before definite tonnage and grade estimates can be made.

Metallurgical research has been started in an attempt to find an economical method of treating the oxidized material. This is a major problem which will require considerable time and expense.

I wish to express my sincere appreciation for the wholehearted cooperation I received throughout the year from the staff and other employees of the Company.

Respectfully submitted,

WESLEY P. GOSS, General Manager.
Magma Copper Company and
CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:

- Cash ........................................... $1,635,112.08
- United States Government Securities (Purchased at Par) ............................. 3,685,000.00
- Bonds of Domestic Corporations-at cost (Value based on Market Quotations December 31, 1945, $72,656.25) .................. 62,023.12
- Accounts Receivable and Accrued Interest ........................................... 211,718.06
- Inventories:
  - Metals (Copper at Contract Sales Price; Gold and Silver at Market Value) ................ $1,069,641.11
  - Ores and Metals in Process-at cost ............................................... 220,806.92
  - Materials and Supplies-at cost .................................................. 636,316.23
- Total Current Assets ............................................................................. $6,557,940.52

INVESTMENTS-AT COST:

- San Manuel Copper Corporation .................................................... 539,370.00
- Apache Powder Company, etc............................................................. 10,200.00

PROPERTY ACCOUNTS:

- Mining Claims and Land ................................................................. 1,017,058.44
- Mine, Mill and Smelter Buildings, Machinery and Equipment .................. $4,497,340.10
- Standard Gauge Railroad ............................................................... 682,166.84

Less Reserve for Depreciation .............................................................. 4,370,121.46

- Prepaid Development, less Amortization ........................................... $760,161.55
- Unexpired Insurance, etc ................................................................. 44,150.89

Total Deferred Charges ........................................................................ 804,312.44

$9,738,266.88

REPORT OF INDEPENDENT

To the Board of Directors,

Magma Copper Company,
14 Wall Street,
New York 5, N. Y.

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

The policy of Magma Copper Company with respect to depletion of Mining Claims and Land is to make

In our opinion, the accompanying Balance Sheet and related Statements of Income and Expense and position of Magma Copper Company and Magma Arizona Railroad Company at December 31, 1945, and the counting principles applied on a basis consistent with that of the preceding year.

New York, N. Y. March 8, 1946.
Magma Arizona Railroad Company

AS AT DECEMBER 31, 1945

LIABILITIES, CAPITAL STOCK AND SURPLUS

CURRENT LIABILITIES:
Accounts and Wages Payable ................................................. $151,000.58
Taxes Accrued and Payable .................................................. 59,257.36
Provision for Federal Income Tax-1945 ............................... 176,500.00
(‘Computations indicate the Companies are not liable for Excess Profits Tax)

Total Current Liabilities .................................................. $386,757.94

CAPITAL STOCK AND SURPLUS:
Capital Stock-Par Value $10.00 per share:
Authorized -410,000 shares ................................................. $4,100,000.00
Issued -408,155 shares .................................................... 4,081,550.00
Less - 155 “ held in Treasury (Cost $1,149,13) ................. 1,550.00
Outstanding -408,000 shares ................................................. 4,080,000.00

Capital Surplus (Arising through the conversion of Capital Stock from a no par value to a par value of $10.00 per share) ......................... 2,922,600.87
Earned Surplus-without provision for Depletion of Mining Claims and Land ......................... 2,348,908.07

9,351,508.94

CONTINGENT LIABILITIES:
Clause 11 of the Agreement between Magma Copper Company and the vendors of the San Manuel group of mining claims, dated August 31, 1944, reads as follows:
“(11) If any of the Vendors shall offer Magma 1/25 of his individual vendor’s shares of stock in the New Corporation, no more and no less, in any one year after vendors’ shares shall have been issued hereunder, Magma shall be obliged to buy the same at $10.00 per share, provided that such offer to be effective shall be made within sixty (60) days after the date of the issuance of vendors’ shares in such year and within a like period after the corresponding date in any subsequent year. If Magma shall fail to buy any such shares so offered and if said New Corporation shall not then be actively working or developing said property, Magma shall cooperate fully with the vendors in any reasonable plan of the vendors for the sale or disposal of the property by the New Corporation, regardless of the relative stock holdings of Magma and the Vendors therein.”

$9,738,266.88

CERTIFIED PUBLIC ACCOUNTANTS

Railroad Company as at December 31, 1945, and the Consolidated Statements of Income and Expense and procedures of the Companies and, without making a detailed audit of the transactions, have examined or deemed appropriate.

no provision for depletion in the accounts, the factors necessary for such determination being unknown.

Earned Surplus, with no provision for depletion of Mining Claims and Land! present fairly the consolidated consolidated results of operations for the year ended that date, in conformity with generally accepted ac-

Barrow, Wade, Guthrie & Co.
Accountants and Auditors.
MAGMA COPPER COMPANY
AND
MAGMA ARIZONA RAILROAD COMPANY

CONSOLIDATED INCOME AND EXPENSE STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1945

**Sales of Metals**—Copper, Gold, Silver, Zinc Concentrates (Including Premium for Base Metal Production)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories of Metals and Ores-January 1, 1945</td>
<td>$383,106.25</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>$3,157,452.90</td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>$124,892.68</td>
</tr>
<tr>
<td>Taxes-other than Federal Income Tax</td>
<td>$145,607.74</td>
</tr>
<tr>
<td>Inventories of Metals and Ores-December 31, 1945</td>
<td>$327,771.03</td>
</tr>
</tbody>
</table>

**Cost of Sales**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories of Metals and Ores-January 1, 1945</td>
<td>$3,811,059.57</td>
</tr>
<tr>
<td>Copper Company-Net Operating Income</td>
<td>$545,538.35</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>$40,649.09</td>
</tr>
<tr>
<td>Directors' Fees and Expenses</td>
<td>$1,136.10</td>
</tr>
<tr>
<td>Rent, Clerical Services, etc.</td>
<td>$15,050.00</td>
</tr>
<tr>
<td>Transfer, Registrar and Dividend Disbursement Expenses</td>
<td>$9,926.88</td>
</tr>
<tr>
<td>Other General Expenses</td>
<td>$6,185.74</td>
</tr>
<tr>
<td>Taxes-other than Federal Income Tax</td>
<td>$72,947.81</td>
</tr>
</tbody>
</table>

**Other Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium Price Plan adjustment applicable to 1944 production</td>
<td>$330,287.57</td>
</tr>
<tr>
<td>Cash Dividends</td>
<td>$1,836.00</td>
</tr>
<tr>
<td>Interest</td>
<td>$39,953.50</td>
</tr>
<tr>
<td>Net Profit on Sale of Securities</td>
<td>$2,945.31</td>
</tr>
</tbody>
</table>

**Railroad Operating Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Expenses</td>
<td>$85,162.42</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$6,405.89</td>
</tr>
<tr>
<td>Taxes-other than Federal Income Tax</td>
<td>$97,909.29</td>
</tr>
</tbody>
</table>

**Railroad Expenses**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad—h'rt Operating Loss</td>
<td>$50,957.57</td>
</tr>
</tbody>
</table>

**Other Income**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>$10,277.34</td>
</tr>
<tr>
<td>Profit on Sale of Securities</td>
<td>$22,058.32</td>
</tr>
</tbody>
</table>

**Railroad-Net Loss before Provision for Federal Income Tax**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad-Net Loss before Provision for Federal Income Tax</td>
<td>$18,621.91</td>
</tr>
</tbody>
</table>

**Provision for Federal Income Tax 1945—Normal and Surtax—Estimated**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit for year without Provision for Depletion of Mining Claims and Land</td>
<td>$652,491.01</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad—h'rt Operating Loss</td>
<td>$50,957.57</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railroad-Net Loss before Provision for Federal Income Tax</td>
<td>$18,621.91</td>
</tr>
</tbody>
</table>

**Provision for Federal Income Tax 1945—Normal and Surtax—Estimated**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Profit for year without Provision for Depletion of Mining Claims and Land</td>
<td>$652,491.01</td>
</tr>
</tbody>
</table>
**MAGMA COPPER COMPANY**

**AND**

**MAGMA ARIZONA RAILROAD COMPANY**

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**CONSOLIDATED EARNED SURPLUS STATEMENT**

**FOR THE YEAR ENDED DECEMBER 31, 1945**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—January 1, 1945</td>
<td>$1,847,144.53</td>
</tr>
<tr>
<td><strong>Add:</strong></td>
<td></td>
</tr>
<tr>
<td>Net Profit for year, without Provision for Depletion</td>
<td>$652,491.01</td>
</tr>
<tr>
<td>Adjustment of prior years’ Federal Income Taxes</td>
<td>53,272.53</td>
</tr>
<tr>
<td><strong>Deduct:</strong></td>
<td></td>
</tr>
<tr>
<td>Dividends declared and paid during year-$0.50 per share</td>
<td>204,000.00</td>
</tr>
<tr>
<td><strong>Balance—December 31, 1945</strong></td>
<td>$2,348,908.07</td>
</tr>
</tbody>
</table>