MAGMA COPPER COMPANY

ANNUAL REPORT

For Year Ended December 31, 1948
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 . . . . 1,200,000 shares of $10 par value
Outstanding . . . . 408,000 shares of $10 par value

OFFICERS
CHARLES F. AYER . . . . . President
A. J. McNAB . . . . . . . Vice-President
WESLEY P. GOSS . . . . . Vice-President
HENRY E. DODGE . . . . . Secretary and Treasurer
GUS A. MRKVICKA . . . . . Assistant Secretary and
Assistant Treasurer

DIRECTORS
CHARLES F. AYER A. J. McNAB
R. H. CHANNING ARTHUR NOTMAN
HENRY E. DODGE FRANCIS J. OAKES, JR.

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 15, N. Y.

ANNUAL MEETING
Second Monday in May each year at Augusta, Maine
MAGMA COPPER COMPANY

PRESIDENT'S REPORT

New York 5, N. Y.,
March 11, 1949.

To the Stockholders of
MAGMA COPPER COMPANY:

The accompanying report of Mr. Wesley P. Goss, Vice President and General Manager, dated February 18, 1948, shows the operations of Magma Copper Company, Magma Arizona Railroad Company and San Manuel Copper Corporation for the calendar year 1948.

The accompanying report of Mr. H. E. Dodge, Treasurer, shows the consolidated income and expenses of Magma Copper Company and Magma Arizona Railroad Company for the calendar year 1948 and the consolidated financial position of these companies as at December 31, 1948, as certified by the Independent Certified Public Accountants.

On December 15, 1948, Mr. Philip Kraft's resignation as a Director of your Company was regretfully accepted by your Board of Directors. There was no other change in the Directorate. Mr. Wesley P. Goss, General Manager, was appointed a Vice President of your Company on December 15, 1948.

During the year an additional $750,000 of the Bankers Trust Company-Mutual Life Insurance Company of New York loan, referred to in last year's report, was taken down. The balance of $1,000,000 may be taken down any time up to June 30, 1950.

During 1948 your Company increased its investment in the San Manuel Copper Corporation by the purchase of 228,291 shares at a cost of $2,041,493.68.

Pursuant to its Prospectus mailed to all stockholders on February 15, 1949, the Company since that date has issued and sold an additional 204,000 shares of its Capital Stock, at $16.75 per share, for the primary purpose of obtaining funds for further investment in San Manuel Copper Corporation.

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>102</td>
<td>March 15, 1948</td>
<td>.25</td>
<td>$102,000</td>
</tr>
<tr>
<td>103</td>
<td>June 15, 1948</td>
<td>.25</td>
<td>102,000</td>
</tr>
<tr>
<td>104</td>
<td>September 15, 1938</td>
<td>.25</td>
<td>102,000</td>
</tr>
<tr>
<td>105</td>
<td>December 15, 1948</td>
<td>.25</td>
<td>102,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1.00</td>
<td>$408,000</td>
</tr>
</tbody>
</table>

The average net cost of producing copper after deducting gold and silver values was 18.11 cents a pound. This cost includes all operating costs, including Arizona taxes, Federal Social Security Taxes, depreciation and administrative expenses, but does not include allowances for mine depletion and Federal Income Tax. The comparable cost for the year 1947 is 16.74 cents a pound.
The Company received for all copper produced in 1948 an average price of 21.94 cents a pound. This compares with 21.19 cents a pound received in 1947.

The production for 1948 and for comparative purposes for the years 1946 and 1947 was 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>1946</td>
<td>23,581,845 lbs.</td>
<td>None</td>
<td>241,950.80 ozs.</td>
<td>7,549,068 ozs.</td>
</tr>
<tr>
<td>1947</td>
<td>29,535,233 lbs.</td>
<td>None</td>
<td>281,103.08 ozs.</td>
<td>8,466,665 ozs.</td>
</tr>
</tbody>
</table>

The labor situation continued to improve during the year, but some additional men are still required for full production and development work; also, the supply of skilled miners is still scarce.

The major construction work at Magma has been completed. The new mine cooling plant began operations in October and is operating satisfactorily and fulfilling our expectations. The completion of the mill construction was delayed so that the plant began operations in January of this year instead of last summer as we had hoped. It is operating satisfactorily and should make an important saving in the cost of milling. The old mill has been shut down, the No. 4 section of which will be moved and installed in the new mill providing milling capacity for the copper-zinc ore.

SAN MANUEL

Last year's report advised of the indefinite suspension of drilling at San Manuel and gave the tonnage of ore developed, with other information concerning the orebody and the plans for its further development.

During 1948 the necessary construction was undertaken and practically completed to provide power and other facilities for the underground development. Two shafts are being sunk, one with an approximate depth of 270 feet and the other about 230 feet as of the end of February, 1949. For details please refer to the accompanying report of the Vice President and General Manager.

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

Respectfully submitted,

CHARLES F. AYER, President.
GENERAL MANAGER'S REPORT

MAGMA COPPER COMPANY

Superior, Arizona,
February 18, 1949.

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

Dear Mr. Ayer:

The following report on operations of the Magma Copper Company for the year 1948 is respectfully submitted.

PROPERTY

Magma Copper Company owns the following property:

<table>
<thead>
<tr>
<th>Description</th>
<th>Unpatented Acres</th>
<th>Patented Acres</th>
<th>Total Acres</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lode Mining Claims</td>
<td>1600.224</td>
<td>878.551</td>
<td>2478.775</td>
</tr>
<tr>
<td>Mill Sites</td>
<td>27.420</td>
<td>181.037</td>
<td>208.457</td>
</tr>
<tr>
<td>Desert Land</td>
<td>316.150</td>
<td></td>
<td>346.150</td>
</tr>
<tr>
<td>Farm Land</td>
<td>363.982</td>
<td></td>
<td>363.982</td>
</tr>
</tbody>
</table>

Town Lots in Superior: 23

During the year 1,148 acres of patented farm land were sold to a construction company which erected ten dwelling houses thereon.

In addition to the above properties the Company located 142 lode mining claims in the Owl Head Mining District of Pinal County, Arizona. This district is located approximately 37 miles north of Tucson, Arizona near U. S. Highway 80-89. The area is being prospected with a churn drill to determine the extent and value of the copper mineralization. Surface outcrops indicate the possibility of the presence of a disseminated copper ore body.

MINE

Drifting, Raising, etc.:

The following work was done during 1948 and since the beginning of operations:

<table>
<thead>
<tr>
<th>1948</th>
<th>Drifting</th>
<th>Cross-cutting</th>
<th>Raising</th>
<th>Sin king</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,739 ft</td>
<td>1,647 ft</td>
<td>2,632 ft</td>
<td></td>
<td>7,018 ft</td>
</tr>
<tr>
<td>To date</td>
<td>184,789 ft</td>
<td>86,254 ft</td>
<td>102,865 ft</td>
<td>29,425 ft</td>
<td>403,333 ft</td>
</tr>
</tbody>
</table>

Stations and pockets excavated 1948: 3,162 cubic yards.
Diamond drilling 1948: Feet completed 10,951.

Shafts:

No sinking was done during the year. No. 6 Shaft was repaired and put in first-class condition from the surface adit level to the bottom or 2550 level. No. 14 Winze was retimbered with treated timber from the 2550 to the 3800 level. No. 7 Shaft was repaired and put in first-class condition from the surface to bottom or 2550 level.
Development:

2550 level East drift was driven 862 feet on the vein from the E. 51 crosscut position to the E. 62-2/5 crosscut position. The vein was heavily mineralized with specular hematite, especially in the eastern portion. Some native copper was present in all of the oxidized portion of the vein and small local areas were quite rich in copper. The western portion was unoxidized with considerable zinc sulphide in spots. There were 2614 tons of oxidized ore assaying 2.42% copper and 780 tons of sulphide ore assaying 3.65% copper shipped from this drift. Of the oxide ore 663 tons assayed 5.02% copper. There is considerable basis for expecting valuable ore shoots to exist at greater depth under this area. The East 3000 level is being rehabilitated in order to carry on exploration of the vein under the drifting done on the 2550 level.

3000 level East drift was driven 211 feet in the vein from E. 3 crosscut position to the E. 5-4/5 crosscut position. Ore was found which assayed 5.02% copper over a width of 7.36 feet and for a length of 6.5 feet.

4000 level West drift was advanced 89 feet from the W. 52-3/5 crosscut position to the W. 53-4/5 crosscut position. This drift was driven to establish a diamond drill station west of the Main fault to explore the Main and North Branch veins between the Main and Concentrator faults. The rock was found to be so faulted and shattered that diamond drilling was impossible and driving was too expensive. The attempt at exploration was abandoned as the cost of mining any ore which might exist in the area would be prohibitive.

4400 level West hanging wall drift was driven 312 feet from the No. 5 Shaft main crosscut north to the W. 36 crosscut position to develop the area for stoping.

4600 level West hanging wall drift was driven 62 feet west of No. 5 Shaft main crosscut north. This drift is being started to prepare the area for stoping.

Diamond Drilling:

Six holes were drilled south from the face of the W. 13 crosscut on the 4000 level to prospect a vein approximately 500 feet south of and roughly parallel to the Koerner vein. Three of these were horizontal and three inclined down 18 to 22 degrees. The vein is persistent in both strike and dip and varied in width from 3 feet to 14 feet where cut by the six holes. The best intersection showed 5 feet assaying 5.54% copper. This vein will be prospected further when cooling is available on the Koerner vein which will probably be late in 1949.

Three holes were drilled from the face of the 4000 West drift at the W. 53-4/5 crosscut position in an endeavor to prospect the Main and North Branch veins between the Main and Concentrator faults. None of the holes reached their objective as the fractured zone was so extensive that drilling became impossible.

Many holes, most of them relatively short, were drilled to gain information regarding ore shoots and faulted vein segments along the developed portions of the Main and branch veins.

General:

Mining was carried on continuously throughout the year. Employment increased slowly and there were 1080 men on the payroll December 29, 1948 compared with 975 men on December 31, 1947. An underground school for training miners was maintained. Of the 73 unskilled men entering the school 55 were promoted to regular mining jobs.

Stoping in the West ore bodies has been completed above the 3800 level and is now being prosecuted on the 4000, 4200 and 4400 levels. Stoping in the East ore bodies was confined to the 3200 and 3400 levels. Lack of adequate refrigeration has limited stoping in the eastern ore bodies in the past. Refrigeration units, replaced by the new cooling system installed on the west side, are being moved into the east side so that these eastern ore bodies can be exploited.

The new cooling system was put into operation in August, 1948. It is being operated at 50% capacity as only three of the six underground units to be installed are in use at present. The
system is very satisfactory and it will be of great value in maintaining temperatures underground low enough for comfortable working conditions.

CONCENTRATOR

Milling was carried on throughout the year six days per week. The new mill was started during January of 1949 and its operation is very satisfactory. All milling has been discontinued in the old plant which is being dismantled. No. 4 section of the old mill is being moved to the new mill to provide a “zinc” section for future use. Operation of the new mill is expected to effect considerable saving in cost per ton treated during 1949 and future years.

SMELETER

The smelter operated continuously throughout the year except for short shut downs for routine furnace and boiler repairs. The generation of electric power was increased due to the general power shortage in the State and the present high cost of purchased power. A bin for receiving wet charge has been erected. Equipment for feeding this wet charge to the furnace is on hand and will be installed the next time the smelter is down for repairs. When this installation is completed the roasters will be eliminated to reduce the cost of smelting.

PRODUCTION

Magma Mine

<table>
<thead>
<tr>
<th>Tom</th>
<th>Copper</th>
<th>Ounces Silver</th>
<th>Ounces Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>265,766</td>
<td>6.34</td>
<td>1.03</td>
<td>0.028</td>
</tr>
<tr>
<td>34,833</td>
<td>6.63</td>
<td>1.10</td>
<td>0.028</td>
</tr>
<tr>
<td>Total</td>
<td>300,599</td>
<td>6.38</td>
<td>1.04</td>
</tr>
</tbody>
</table>

Custom ore smelted: 731 tons.

Net Metal Produced

<table>
<thead>
<tr>
<th>Pounds Copper</th>
<th>Ounces Silver</th>
<th>Ounces Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Magma Mine</td>
<td>37,766,405</td>
<td>310,755.50</td>
</tr>
<tr>
<td>Other Sources</td>
<td>45,934</td>
<td>2,658.06</td>
</tr>
<tr>
<td>Total</td>
<td>37,812,339</td>
<td>313,413.56</td>
</tr>
</tbody>
</table>

MAGMA ARIZONA RAILROAD

The Railroad operated its freight train twice weekly between Superior and Magma, Arizona, hauling 24,498 tons of inbound and 25,138 tons of outbound freight.

SAN MANUEL COPPER CORPORATION

Report submitted to the President for the year 1948:

PROPERTY

The Company owns 84 unpatented lode mining claims containing approximately 1,550 acres and mineral leases from the State of Arizona on lode mining claims containing approximately 2,203.5 acres. The Company purchased patented surface rights to 1,449.24 acres, most of which overlaps and covers the unpatented lode claims listed above. An application for patent of 82 of the 84 unpatented claims is under way.
CHURN DRILLING

Drilled during 1948 2,565 feet
Drilled to date 195,936 feet
Holes completed in 1948 2
Holes completed to date 114

Nine of these were offset holes which were lost before reaching their objectives.

Drilling was discontinued in February of 1948 because the information which had been obtained was deemed sufficient for the present. Estimated reserves calculated from drill hole data remains the same as shown in my report of last year.

<table>
<thead>
<tr>
<th>Tons</th>
<th>% Copper</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oxide Ore</td>
<td>123,499,580</td>
</tr>
<tr>
<td>Sulphide Ore</td>
<td>339,284,920</td>
</tr>
<tr>
<td>Total</td>
<td>462,784,500</td>
</tr>
</tbody>
</table>

The program for underground exploration is well under way. Twenty-one dwelling houses, two dormitories accommodating 24 men in each, and a mess hall, have been completed for housing the employees. A power plant containing three 1,000 K.W. generating units and two air compressors has been installed and is in operation. Shops, office, warehouse, and change rooms have been erected and are in use.

No. 1 Shaft has been equipped with a double-drum sinking hoist and steel headframe. This shaft had been sunk to a depth of 125 feet as of December 31, 1948. Steel sets are being used with concrete lining.

No. 2 Shaft is being sunk with light, temporary equipment pending the receipt and erection of a steel headframe. The hoist for sinking this shaft is being erected. Timber sets are being used with conventional timber lining. The shaft was 190 feet deep as of December 31, 1948.

I wish to express my hearty appreciation for the excellent cooperation which was given me by the staff and all the employees of the Company.

Yours very truly,

WESLEY I'. GOSS,
Vice President and General Manager.

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, 1948.
Consolidated Income Statement and
Consolidated Earned Surplus Statement for the year ended December 31, 1948.

Proxies will be requested for the annual meeting of the stockholders to be held on May 9, 1949. In connection with such request a proxy statement and form of proxy will be sent on or about April 11th to stockholders entitled to vote at the meeting.

Respectfully submitted,

H. E. DODGE, Treasurer.
# Magma Copper and Consolidated

**Consolidated Balance Sheet**

## Assets

### Current Assets:
- **Cash**
  - $1,335,271.14
- United States Government securities-at cost (value based on market quotations at December 31, 1948) $1,463,378.12
  - $1,468,718.75
- Marketable securities-bonds of domestic corporation-at cost (value based on market quotations at December 31, 1948) $46,218.75
  - $62,023.12
- Accounts receivable and accrued interest:
  - Trade $11,680.04
  - Accrued interest $1,598.96
  - Claim for refund of Federal income taxes (Note 3) $52,056.33
  - $65,335.33
- Inventories: Metals (copper at contract sales price, gold and silver at market value) $1,489,775.18
  - $260,390.64
- Materials and supplies-at cost
  - $1,033,176.24
  - $2,783,342.06

*Total current assets*...$5,714,690.40

### Investments—At Cost:
- San Manuel Copper Corporation (Note 1) $4,603,743.66
- Apache Powder Company, etc. $10,200.00

### Property Accounts—At Cost, Less Reserves for Depletion and Depreciation:
- Mining claims and land $1,016,573.34
- Less—Reserve for depletion $839,239.53
- $177,333.81
- Mine, mill and smelter buildings, machinery and equipment $6,894,494.64
- Standard gauge railroad $685,705.62
- $7,580,200.26
- Less—Reserve for depreciation $5,118,099.95
  - $2,462,100.31
  - $2,639,434.12

### Deferred Charges:
- Prepaid development, less amortization
  - $589,023.31
- Unexpired insurance, etc.
  - $52,379.10
- $641,402.41

*Total* $13,609,470.59

The notes to financial statements...
ER COMPANY
ated Subsidiary

AS OF DECEMBER 31, 1948

LIABILITIES, CAPITAL STOCK AND SURPLUS

Current Liabilities :

Accounts and wages payable . . . $ 370,659.36
Taxes accrued and payable . . . 94,871.60
Provision for Federal income tax—1948 . . . 298,500.00

Total current liabilities . . . $ 764,030.96

Notes Payable (Note 2) . . . 2,500,000.00

Capital Stock and Surplus :

Capital stock-par value $10.00 per share

Authorized —1,200,000 shares $12,000,000.00

Issued — 408,155 shares . $4,081,550.00

Less — 155 shares 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 . 3,342,838.76 10,345,439.63

Contingent Liabilities (Notes 1 and 3)

$13,609,470.59

are a part of this statement.
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
MAGMA COPPER COMPANY:

We have examined the consolidated balance sheet of Magma Copper Company and its consolidated subsidiary as of December 31, 1948 and the related consolidated statements of income and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and the related statements of income and earned surplus present fairly the consolidated financial position of Magma Copper Company and its consolidated subsidiary at December 31, 1948, and the consolidated results of operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

January 18, 1949.

New York 5, N. Y.

NOTES TO FINANCIAL STATEMENTS

December 31, 1948

1. San Manuel Copper Corporation:
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. At December 31, 1948, there were issued and outstanding 880,000 shares of the capital stock of San Manuel Copper Corporation, of which 292,669 shares were owned by Magma Copper Company.

The Company’s equity in the net assets of San Manuel Copper Corporation as shown by the books of the subsidiary at December 31, 1948 was $1,750,000.00.

As of December 31, 1948 all of the unissued shares of San Manuel Copper Corporation are under option to Magma Copper Company at a price of $10.00 per share.

The Company as of December 31, 1948 had a contingent liability to purchase from certain individuals 50,331 shares of San Manuel Copper Corporation at $10.00 per share, but not exceeding 2,437 shares in any one year.

The San Manuel Copper Corporation at December 31, 1948 was in the development stage, and was therefore not consolidated.

2. Notes payable:
Magma Copper Company entered into an agreement dated July 1, 1947, with the Bankers Trust Company and The Mutual Life Insurance Company of New York whereby the Company established credits of $1,750,000.00 with each party, or an aggregate credit of $3,500,000.00.

At December 31, 1948, the Company had borrowed from The Mutual Life Insurance Company of New York the full amount of $1,750,000.00 and issued therefor its series A note with interest at 3% per annum. The note is due and payable as follows: $350,000.00 on June 30, 1953, and $175,000.00 on each December 31 and June 30 thereafter until June 30, 1957.

At December 31, 1948 the Company had borrowed from the Rankers Trust Company $750,000.00 of the $1,750,000.00 credit established with them, and issued therefor its series B notes with interest at 21/4% to December 31, 1949 and 21/4% thereafter. The Company at its option may borrow from The Trust Company on or before June 30, 1950 all or part of the $1,000,000.00 unused credit and issue therefor similar series B notes. The notes for the amount borrowed or to be borrowed are due June 30, 1950 or exchangeable for series C notes due $350,000.00 December 31, 1950 and each June 30 and December 31 thereafter until December 31, 1952.

Under the terms of the agreement, the Company cannot, without the prior written consent of the lenders, declare or pay any dividend (except a stock dividend) or purchase, retire or redeem any of its capital stock or permit a subsidiary to purchase any capital stock of its own or of the Company, in any fiscal year in an amount in excess of the consolidated net income of the Company and its consolidated subsidiaries for such fiscal year.

3. Federal and State income taxes:
Federal income tax returns of Magma Copper Company and its consolidated subsidiary, Magma Arizona Railroad Company, have been examined by the Bureau of Internal Revenue through the year 1943. As a result of these examinations Magma Copper Company signed an agreement with the Bureau of Internal Revenue for a net refund of taxes of $45,435.28. The Bureau of Internal Revenue has made a material reduction of this amount based upon a court decision, which decision subsequently has been regarded by the Bureau as erroneous. The Company is protesting this reduction. Magma Arizona Railroad Company has filed claims for refund of taxes aggregating $6,621.05 based upon carry-back of operating losses sustained in the years 1944 and 1945.

Arizona State income tax returns have been examined through the year 1945 and an additional assessment of $29,046.29 made for 1945. This assessment is being protested by the Company, and in the opinion of its management and counsel will be materially reduced. There may be similar assessments for the years 1946 through 1948.
MAGMA COPPER COMPANY
and Consolidated Subsidiary

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1948

<table>
<thead>
<tr>
<th>Sales of Metals - Copper, gold and silver</th>
<th>$8,002,553.04</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Sales:</td>
<td></td>
</tr>
<tr>
<td>Inventories of metals and ores-January 1, 1948</td>
<td>$1,053,978.47</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>6,346,019.29</td>
</tr>
<tr>
<td>Depreciation and depletion</td>
<td>403,297.23</td>
</tr>
<tr>
<td>Amortization</td>
<td>125,990.71</td>
</tr>
<tr>
<td>Taxes—other than Federal income tax</td>
<td>323,584.09</td>
</tr>
<tr>
<td>Total cost of sales</td>
<td>$8,252,869.79</td>
</tr>
<tr>
<td>Inventories of metals and ores-December 31, 1948</td>
<td>1,750,165.82</td>
</tr>
<tr>
<td>Copper Company—net operating income</td>
<td>$1,499,849.07</td>
</tr>
</tbody>
</table>

General, Administrative and Engineering Expenses

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$1,421,047.21</td>
</tr>
</tbody>
</table>

Other Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends</td>
<td>2,448.00</td>
</tr>
<tr>
<td>Interest</td>
<td>26,750.00</td>
</tr>
<tr>
<td>Total</td>
<td>29,198.00</td>
</tr>
</tbody>
</table>

Other Deductions:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on loans</td>
<td>67,226.78</td>
</tr>
</tbody>
</table>

Copper Company—net profit before provision for Federal income tax

Railroad Operating Income

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>$144,002.10</td>
</tr>
<tr>
<td>Depreciation</td>
<td>6,906.96</td>
</tr>
<tr>
<td>Taxes—other than Federal income tax</td>
<td>9,928.79</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>$160,837.85</td>
</tr>
<tr>
<td>Railroad—net operating loss</td>
<td>$45,215.36</td>
</tr>
</tbody>
</table>

Other Income:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>12,375.00</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>Provision for Federal Income Tax</td>
<td>$298,500.00</td>
</tr>
</tbody>
</table>

Net profit for the year

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for Federal Income Tax</td>
<td>$1,350,178.07</td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>$1,051,678.07</td>
</tr>
</tbody>
</table>

The notes to financial statements are a part of this statement.
MAGMA COPPER COMPANY  
and Consolidated Subsidiary

CONSOLIDATED STATEMENT OF EARNED SURPLUS  
FOR THE YEAR ENDED DECEMBER 31, 1948

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance—January 1, 1938</td>
<td>$2,694,049.44</td>
</tr>
<tr>
<td>Add:</td>
<td></td>
</tr>
<tr>
<td>Net profit for the year</td>
<td>$1,051,678.07</td>
</tr>
<tr>
<td>Adjustment of prior year's Federal income tax</td>
<td>5,111.25</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Deduct:</td>
<td></td>
</tr>
<tr>
<td>Dividends declared and paid during year-$1.00 per share</td>
<td>408,000.00</td>
</tr>
<tr>
<td>Balance—December 31, 1948</td>
<td><strong>$3,342,838.76</strong></td>
</tr>
</tbody>
</table>

The notes to financial statements are a part of this statement.