

FORTIETH
ANNUAL REPORT
of
THE TONOPAH MINING COMPANY
OF NEVADA

FOR THE YEAR ENDED
DECEMBER 31, 1941

THE TONOPAH MINING COMPANY OF NEVADA

Proxy Statement

Annual Meeting of Stockholders

The enclosed proxy is being solicited by and on behalf of the management of the company, and in connection therewith this proxy statement is furnished pursuant to the proxy rules of the Securities and Exchange Commission. Any stockholder giving such a proxy has the power to revoke the same.

The only expense in connection with the solicitation of proxies will be the cost of stationery, printing and postage, which will be borne by the Company.

The persons named in the proxy intend to vote all proxies received by them pursuant to this solicitation for the re-election of the following named two Directors, who are now in office, for a term of three years.

Mr. Charles R. Alexander, Beechwood, Pa., on March 1, 1942, was directly or indirectly the beneficial owner of 16,208 shares of the common stock of the company.

Mr. George W. McDougal, Philadelphia, Pa., is Vice President of the Company, and also Vice President of the Company's various subsidiaries, and on March 1, 1942, was directly or indirectly the beneficial owner of 30,000 shares of the common stock of the company.

The aggregate amount of remuneration paid during 1941 by this company and its subsidiaries to the directors of the company and to its officers, that is President, Vice Presidents, and Secretary and Treasurer, considered as a group, amounted to \$18,065.

The Annual Meeting is called for the purpose of electing two directors, and for the transaction of such other business as may properly come before the meeting. As of the date of this proxy statement, the only business which the management intends to present, or has knowledge of to be presented is the election of two directors. However, if any other matters properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote the proxy in accordance with their judgment on such matters.

Dated: April 21, 1942.

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Dated: April 21, 1942.

OFFICERS

W. L. HAEHNLEN
President

M. B. HUSTON
Vice-President

C. H. NONAMAKER
Secretary and Treasurer

G. W. McDOUGAL
Vice-President

J. G. HACKER
Asst. Sec. and Asst. Treas.

DIRECTORS

C. R. ALEXANDER

M. B. HUSTON

N. F. GEORGE

T. LINDSLEY

W. L. HAEHNLEN

G. W. McDOUGAL

J. W. McWILLIAMS

H. A. JOHNSON, *Superintendent*
Tonopah, Nevada

Registrar of Stock
The Philadelphia National Bank
Philadelphia, Pa.

Transfer and General Office
Bankers Securities Building
1315 Walnut St., Philadelphia, Pa.

THE TONOPAH MINING COMPANY OF NEVADA

TO THE STOCKHOLDERS OF

THE TONOPAH MINING COMPANY OF NEVADA:

The Board of Directors submit herewith a report of the business and condition of your company for the fiscal year ending December 31, 1941.

Operations at your property at Tonopah were carried on during the entire year without interruption under the leasing system. There were produced by the various leasers 9837.582 dry tons of ore, all of which was shipped to the smelter for reduction. The average content per ton was 0.364 ounces of gold and 31.92 ounces of silver, the gross value being \$35.255 per ton. Compared with the year 1940, there was a decrease in tonnage of 1035.76 dry tons of ore, and a decrease in value of \$0.155 per ton. Net operating profit from mine leasing operations was \$36,061.81, a decrease of \$5886.14 over the year 1940. This decrease was due largely to the decreased tonnage, increased operating costs and to a lesser extent by the decrease in gross value of the ore.

The Millers plant, owned by the company, was sold during the year for the sum of \$10,000 cash.

The number of individual leases is now approximately 35, which shows a decrease of about ten for the year. This fact also tends toward higher operating costs, as the fixed charge per lease per month tends to defray operating costs which are not in direct ratio to the number of leasers.

While production has been more or less consistent, no new ore bodies of any consequence have been found, and as usual the greater part of the tonnage has been derived from small streaks, pillars, reclaiming ore from caved areas and from backs and ends of old stopes. Under these conditions, it is impossible to attempt to make any estimate of ore reserves. However, under present prevailing conditions, it is probable that a profitable operation will be carried on for some time, provided priorities do not prevent the obtaining of supplies required for mining silver. Some recent rulings have been unfavorable to gold and silver mining.

Search for a new property has been continued, and a number of the most promising offerings have been examined but nothing has been found that has appeared to be suitable for a profitable operation. The total expenditure for this work was \$551.93.

La Luz Mines Limited:

In spite of the difficulties arising from world war conditions, this com-

pany has continued to make progress during its fiscal year ended September 30, 1941, and all construction costs have been met out of the returns from operations. In addition, substantial repayments of advances have been made. The company's net working capital at the close of the period amounted to \$730,142.15, compared to \$18,644.02 at the end of the previous period.

Active construction work was carried on during the past year, which included mine preparation, mill increase, camp and transportation facilities and the Yy River hydro-electric plant. The sums spent on the above work amounted to \$637,308.43.

The mill is now treating between 1000 and 1200 tons per day, and there is sufficient equipment at the property to raise the daily tonnage to 1500. It was planned to make this addition during the coming dry season, but whether under present world conditions this can be done is problematical. Every effort is being made by the management to ensure a continuous flow of operating supplies to the property.

During the past fiscal year, the mill treated 367,135 tons of ore having a gross bullion value of \$2,553,875.15, and resulting in a net operating profit of \$1,056,129.11, after allowance for depreciation and other write-offs, as compared to a profit of \$607,863.40 for the previous fiscal year. The gross extracted value of the ore, less marketing charges, for the past fiscal year was \$6.83, and the net operating profit \$2.88 per ton of ore milled. Similar figures for the previous year were \$7.10 and \$3.55 per ton of ore milled.

Tonopah and Goldfield Railroad Company:

While operations during the year 1941 continued to show a loss, the amount was considerably less than for the previous year. The 1941 net loss amounted to \$6,154.74, after depreciation allowance of \$6,674.05, as compared to net loss for 1940 of \$16,131.19, after depreciation allowance of \$7,130.58.

The road and equipment were kept in safe operating condition, and considering the available revenue for the year, the property as a whole is in very fair shape.

Tonopah Nicaragua Company:

While the property of this company remained idle during the past year, it continues to represent a source of interest due to the unusual demand for copper for war purposes.

Jim Butler Mining Company:

Several small shipments of ore were made by a lessee from the property during the year 1941, from which the Butler Company received a small royalty.

Sundry Properties:

The properties of both Tonopah Canadian Mines Company and Vertex Mining Company remained closed during the year.

Cash and Securities:

During the year 1941, the following changes were made in securities:

Securities Purchased:

100 shs. Anaconda Copper Mining Co. stock
200 shs. Kennecott Copper Corporation stock
100 shs. General Motors Corporation stock
100 shs. Atlantic Coast Line of Conn. stock

Securities Sold:

100 shs. Standard Gas & Electric Co. stock
40 shs. Central Railroad of New Jersey stock
\$1,000 Phila. Rapid Transit Co. Coll. Tr. 5% bonds (Redeemed)

In addition to the above, 100 shares of Wabash Railway Company Preferred "A" stock was charged off on the accounting records of the company, as the Accepted Plan of Reorganization made no provision for this class of stock.

On January 10, 1942, Tonopah Canadian Mines Company and American Mining and Securities Corporation, subsidiaries of The Tonopah Mining Company of Nevada, disposed of their controlling interest in the stock of Mandy Mines Limited to the Hudson Bay Mining and Smelting Company, at a price of 25¢ per share (Canadian currency) or \$325,397.90 (Canadian currency). These funds were immediately reinvested in Dominion of Canada Bonds, to meet the requirements of the Foreign Exchange Control Board of Canada.

Under date of January 31, 1942, Esmeralda Power Company (100% owned subsidiary) was merged with The Tonopah Mining Company of Nevada. The Esmeralda Power Company transferred all of its assets, subject to existing liabilities, to The Tonopah Mining Company of Nevada, and passed out of existence.

It is the intention of the Board to proceed with the merger of American Mining and Securities Corporation and Tonopah Canadian Mines Company (100% owned subsidiaries) with The Tonopah Mining Company of Nevada.

Your directors wish to express their very sincere appreciation of the loyal services rendered by the officers and employees during the year.

By order of the Board of Directors.

C. H. NONAMAKER,
Secretary.

Philadelphia, Pa.
March 2, 1942.

Your company sustained a great loss by the death of its President, Mr. W. L. Haehnlen, on March 5, 1942. Mr. Haehnlen had been associated with our company since 1921, and rendered many years of faithful and efficient service, both as a director and officer of the company.

THE TONOPAH MINING COMPANY OF NEVADA

and subsidiary companies

(AMERICAN MINING AND SECURITIES CORPORATION AND ESMERALDA POWER COMPANY)

CONSOLIDATED BALANCE SHEET, DECEMBER 31, 1941

ASSETS:

CURRENT:

Cash on hand and demand deposits in banks.....	\$	57,478.01	
Accounts receivable.....		3,465.78	
Marketable securities, at cost, as annexed.....	\$1,043,169.70		
Less allowance for reduction to quoted values....	789,583.70		
		<u>253,586.00</u>	
Accrued interest on investments.....		1,102.88	
		<u>\$ 315,632.67</u>	

OTHER INVESTMENTS, at cost,

(Quoted values not available):

Mining stocks, as annexed.....	\$	276,414.19	
Miscellaneous stocks, as annexed.....		3,595.00	280,009.19

INVESTMENTS IN AFFILIATED COMPANIES,
not consolidated:

Mandy Mines Limited stock, at cost.....	\$	116,585.19	
Tonopah & Goldfield Railroad Co. stock, at estimated value		62,452.80	
Jim Butler Mining Co. stock, at cost.....		2,949.00	181,986.99

LOANS AND ADVANCES TO AFFILIATED COMPANIES,
not consolidated, net of reserve.....

221,788.92

DEPOSIT WITH NEVADA INDUSTRIAL COMMISSION.... 823.36

DEFERRED ACCOUNTS..... 23,275.28

\$1,023,516.41

LIABILITIES:

CURRENT:

Accounts payable.....	\$	4,630.13
Unclaimed dividend checks.....		4,345.71
Accrued taxes, salaries and wages.....		5,317.35
		<u>\$ 14,293.19</u>

MINORITY interest in capital stock and surplus..... 14,281.42

\$28,574.61

CAPITAL:

CAPITAL STOCK, common, \$1 par:

Authorized and issued, 1,000,000 shares	\$1,000,000.00	
Deduct 40,000 shares owned by con- solidated affiliated company.....	40,000.00	\$960,000.00

SURPLUS:

Paid-in	319,500.00	
Deficit, as annexed.....	155,804.07	
	<u>163,695.93</u>	
Deduct deficit from consolidation.....	41,004.83	122,691.10
		<u>1,082,691.10</u>
Less treasury stock, 22,300 shares, at cost.....		87,749.30

994,941.80

\$1,023,516.41

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1941

Operating revenues, net:		
Profit from mine leasing operations.....	\$36,061.81	
Profit from power sales	229.03	\$36,290.84
		<hr/>
Administrative and general expenses.....		27,695.83
		<hr/>
Profit before other income, other deductions, interest and Federal income tax.....		\$8,595.01
Other income:		
Dividends on stocks	17,779.18	
Interest on bonds	4,394.15	
Interest on notes receivable from affiliated company not consolidated	98.69	
Recovery of portion of loan to Eden Mining Co. written off in a prior year.....	4,216.06	26,488.08
		<hr/>
Income before other deductions, interest and Federal income tax		\$35,083.09
Other deductions:		
Loss on securities sold, redeemed and written off, net.	28,565.63	
Exploration expenses	551.93	29,117.56
		<hr/>
Income before interest and Federal income tax.....		\$5,965.53
Interest paid on additional Federal income taxes, years 1936 and 1937.		2,274.17
		<hr/>
Income before Federal income tax.....		\$3,691.36
Federal income tax.....		28.94
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Consolidated net income for the year ended December 31, 1941		\$3,662.42
Less portion of net income of American Mining and Securities Corporation assignable to minority interests.....		61.57
		<hr/>
Balance of net income transferred to consolidated deficit.....		\$3,600.85
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CONSOLIDATED STATEMENT OF DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1941

Deficit, January 1, 1941.....	\$ 183,832.85
Net consolidated income for the year ended December 31, 1941, as annexed	3,600.85
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	180,232.00
Restoration of portion of allowance for reduction in value of market- able securities to quoted values, net of \$73.81 applicable to minority interests in subsidiary company.....	24,427.93
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Deficit, December 31, 1941.....	\$ 155,804.07
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SECURITIES OWNED, DECEMBER 31, 1941

MARKETABLE SECURITIES

Bonds:

Par:	
\$15,000	American Rys. Co. Deb. 4½s, 1963
10,000	American Rys. Co. Col. Trust 4½s, 1953
4,000	Denver & Salt Lake Ry. Co. Income 6s, 1960
14,000	Philadelphia Rapid Transit Co. Coll. 5s, 1957
18,000	Philadelphia & Reading Coal & Iron Co. Conv. Deb. 6s, 1949
10,000	Philadelphia Transportation Co. 4s, 1969
36,000	West Philadelphia Passenger Ry. Co. 5½s, 1956

Stocks:

Shares:	
100	Anaconda Copper Mining Co.
200	Atlantic Coast Line of Connecticut
100	Atlantic Refining Co.
11	Atlantic Refining Co. pfd.
900	Barber Asphalt Corp.
30,000	Bobjo Mines, Ltd.
1,000	Canadian Malartic Gold Mines, Ltd.
1,060	Central R. R. of N. J.
150	Columbia Gas & Electric Corp.
100	Columbia Gas & Electric Corp., Class A, pfd.
100	Davis Coal & Coke Co.
400	Delaware & Hudson Co.
36	Fire Ass'n. of Philadelphia
100	General Electric Co.
100	General Motors Corp.
1,166	God's Lake Gold Mines, Ltd.
60	Horn & Hardart Baking Co.
100	Illinois Central R. R. Co.
400	Kennecott Copper Corp.
68,532	Kiena Gold Mines, Ltd.
1,950	Lehigh Coal & Navigation Co.
400	Louisville & Nashville R. R. Co.
1,000	Matachewan Consolidated Mines, Ltd.
1,000	McKenzie Red Lake Gold Mines, Ltd.
200	McMarmac Red Lake Gold Mines, Ltd.
2,268	Nashville, Chattanooga & St. Louis Ry. Co.
200	Pennroad Corporation
100	Philadelphia National Bank
100	Pittsburgh & Lake Erie R. R. Co.
200	Pittsburgh & West Virginia Ry. Co.
1,500	Simms Petroleum Co. (in liquidation)

MARKETABLE SECURITIES, Continued:

Stocks, Continued:

Shares:	
100	Standard Gas & Electric Co.
1,000	Sudbury Basin Mines, Ltd.
100	U. S. Steel Corp.
4,200	Ventures, Ltd.
300	Western Maryland Ry. Co.
100	Western Maryland Ry. Co. 1st pfd.
Cost	\$1,043,169.70
Quoted Values, December 31, 1941	253,586.00

OTHER INVESTMENTS

Mining Stocks:

Shares:	
500	Eureka Corporation, Ltd.
22,500	Kewagama Gold Mines, Limited
120,000	La Luz Mines, Ltd.
24,750	Wisik Gold Mines, Ltd.
Cost	\$276,414.19
Quoted values not available.	

Miscellaneous Stocks:

Shares:	
2,992	Water Company of Tonopah
1,750	Tonopah Mines Hospital Association
100	Tonopah Divide Mercantile Company
Cost	\$3,595.00
Quoted values not available.	

ACCOUNTANTS' REPORT

To the Board of Directors,

THE TONOPAH MINING COMPANY OF NEVADA,
Philadelphia.

We have examined the consolidated balance sheet of The Tonopah Mining Company of Nevada and its subsidiaries, American Mining and Securities Corporation and Esmeralda Power Company as of December 31, 1941, and the consolidated statements of income and surplus and deficit for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying consolidated balance sheet and related consolidated statements of income and deficit present fairly the consolidated position of The Tonopah Mining Company of Nevada and its subsidiaries named above at December 31, 1941, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

Philadelphia, Penna.
March 2, 1942.