

QUICKSILVER

Hunt. - Arnold & Co.

(308)

Location

Storey County, Nevada, 7 miles north of Virginia City; 20 miles south-east of Reno. Operated 7 years.

ITEM 9

Company

Castle Peak Quicksilver Company, a Delaware Corporation. 6% preferred 60,000 shares at \$5.00; Common 1,800,000 shares at \$1.00.

Property

Six claims; 120 acres. Mill 40 tons capacity, fully equipped. Ready for operation by spending \$5,000.

Power and Water

Electric Power, 3-1/2 mile line.

Water, 8800 feet of pipe line.

Past Production

In 2-3 years produced \$250,000, of which \$125,000 profit. Dividends \$53,000, balance to development.

Ore Reserves

900 feet long, 200 feet wide, 20% explored to date. Already produced \$250,000, hence 80% left worth \$1,000,000.

Reports by -

H. E. Lowpek, President Castle Peak Quicksilver Company, Virginia City, Nevada.

Money Needed

\$5,000 for conditioning mill and operating costs.

New Operations and Profit

Forty tons per day; 4 to 12 lbs. per ton; gross profit \$10,000 monthly; net \$5,000. Best results - 8 lbs. per ton.

CASTLE PEAK QUICKSILVER COMPANY

PRELIMINARY MEMORANDUM

SUMMARY

Proposed Financial Structure

Delaware Corporation,
6% Preferred, Par Value \$5.00, 60,000 shares.
Common Stock, Par Value \$1.00, 1,500,000 shares.

Purpose of Proposed Issue

The proceeds of this issue are to be used to provide funds for the development of new ore zones, additional mining equipment and operating capital, and increased facilities for reduction of metal from the ores, the general purpose being to enlarge the scope of operations to a point consistent with the potential resources of the property.

Business of the Company

The Castle Peak Quicksilver Company is engaged in the mining of Quicksilver Ores, and the production of marketable metal therefrom, on the ground.

Extent of Property Holdings

The real property holdings consist of six (6) full mining claims, embracing approximately 120 acres in all, held by possessory right in full compliance with the State and Federal Regulations governing mining rights. It is entirely free and unencumbered. It is located in Storey County, Nevada, about 7 miles north of the city of Virginia City, Nevada, and about 20 miles southeast of Reno. It was acquired about 1928 and has been in operation for most of the past seven years.

Equipment

The property is equipped with a full complement of machinery for underground mining and development including suitable hoisting, transportation, haulage, pumping and drilling machinery, and has upon the surface, at a suitable point adjacent to the main mine adit, a modern reduction plant of forty tons daily capacity, consisting of a Gould Rotary Furnace, condensing system, compressor and all incidental appliances for the production of Prime Virgin Metal, suitable housed in a modern structure. Camp facilities are adequate for all purposes under present capacity.

Power - Water

Power is available by virtue of a 3-1/2 mile transmission line direct to

the mill. Water is delivered through 5800 feet of pipe line from nearby sources.

History of Production

During a 2-3 year period following the installation of the furnace plant in 1929, this company produced more than \$250,000 worth of metal, which was mined, reduced and marketed at a net operating profit of approximately 80% of its gross value, or \$125,000. Of this sum, there have been paid to stockholders in dividends, the sum of \$53,800, and the remainder of the above named profit expended in further exploration and development of the mine. Following a decline in the current market price for metal it was deemed advisable to continue operations only in a minor degree, and await the return of better prices rather than to deplete valuable ore reserves at a minimum of profit. As satisfactory prices have now returned it is proposed to proceed with operations on a major scale, in fact to enlarge the scope of mining, development and reduction of metal, on a basis of greatest possible efficiency.

Present Market

The present market for mercury metal is considered by all factors in the trade to be the strongest in years with an exceedingly bright outlook for the future. It has advanced within the past year from 85¢ per lb. to \$1.25 per lb. with every indication that it will go higher and stay there. Domestic production is well under domestic consumption and the situation in Europe which governs imported metal, is such as to preclude market trouble from that direction. Known world supplies are diminishing and world consumption is increasing.

Estimated Ore Reserves

Mr. H. E. Loufek, the President and General Manager, and the Superintendent, Mr. C. N. Shaffer, who have followed and been responsible for the development of this mine from its beginning, are responsible for the assertion that the known ore zone is 900 feet long and about 200 feet wide, and has considered to be only about 20% explored to date. Since the mine has produced to date close to \$300,000 worth of metal, it would therefore follow that the reserves that are indicated by the development work to date should be worth between \$1,000,000 and \$1,500,000, according to the current market price for metal and the average grade of the ore that may be expected. When it is considered that the probabilities for a further extension downward are good, it may further be stated that there is reason to suspect the future development of several times this amount of additional ore. It is also to be pointed out, that with a continuation of the average grade that has prevailed in the past, and since the metallurgical problems involved in reducing this ore have already been thoroughly worked out on a practical commercial basis, there is every reason to anticipate that not less than the same rate of operating profit that has maintained in the past, will also prevail. Under such circumstances there may well be in excess of \$1,500,000 net operating profit to be derived from the contemplated operation to result from the proposed financing.

Management

It is planned that the sound and efficient management of Mr. H. E. Loufek

will be continued. Mr. Loufek is widely known in the State of Nevada as a successful and efficient operator and his conservatism and integrity are well recognized by the leading bankers of the state. Mr. Shaffer is likewise well known as a mine superintendent of ability throughout Nevada and parts of Colorado. It is planned to utilize the services of Mr. H. G. Walker, as consulting Engineer, owing to his familiarity with quicksilver operations in general and with the past history of this property in particular. Mr. Walker's long experience in the mining districts of the west, coupled with his many associations throughout the United States and abroad of a distinctly creditable nature, warrant the expectation of sound engineering control. His complete analytical report is being arranged for and will be available in the near future.

(This is substantially a correct summary of the above and to my best knowledge is as I would state it).

(sgd) H. E. LOUFEK
President,
Castle Peak Q. Co.

CASTLE PEAK QUICKSILVER COMPANY
STATEMENT
ASSETS AND LIABILITIES
AS AT

October 31, 1936

ASSETS

CURRENT ASSETS:

Cash in bank	\$ 37.73	
Mine and Mill Supplies	<u>500.00</u>	\$ 537.73

FIXED ASSETS:

Building (Camp)	3,232.51	
Equipment "	675.71	
Equipment (Mine)	4,066.76	
Road Construction	1,033.15	
Pipe Line and Pumping Station	3,477.99	
Electric Power Line	4,216.62	
Mill Mach. and Equipment	<u>38,084.71</u>	
	<u>54,787.45</u>	
Less Reserve for Depreciation	<u>40,034.19</u>	
Total Fixed Assets		14,753.26

WORKING CAPITAL ASSETS:

Capitalized Development	12,417.41	
Mining Claims	200,000.00	
Capital Stock Discount	<u>10,900.00</u>	
Total Working Assets		<u>223,317.41</u>

TOTAL ASSETS

\$238,408.40

LIABILITIES

CURRENT LIABILITIES

Notes Payable	6,000.00	
H. E. Loufek	2,003.08	
Joseph Loufek	400.00	
Hospital Fund	<u>420.25</u>	
Total Current Liabilities		8,823.33

CAPITAL LIABILITIES:

Capital Stock	\$200,000.00	
Unissued	<u>30,780.00</u>	
Issued and Outstanding	169,220.00	
Donated Working Capital	110,000.00	
Donated Surplus	4,875.00	
Mine Depletion	<u>32,744.80</u>	
Total Capital Liabilities		<u>516,839.80</u>
		<u>325,663.13</u>
Less Book Deficit 10/31/36		<u>87,254.73</u>

Total Liabilities

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