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NEVADA
STATE COURT
COMPTON DISTRICT

Item 14

AN HISTORICAL AND STATISTICAL BRIEF
ON
CONSOLIDATED VIRGINIA MINING COMPANY.

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All information herein is taken from sources believed to be reliable, but is not guaranteed.

EARLY HISTORY:-- Next to the Ophir mine on the Comstock Lode lay a section of land, 1,310 feet in length, which was not fully proven until other properties in the area were in a high state of activity. In the years that followed, this section proved to be one of the greatest mining bonanzas in the history of the world. In the early days, to be sure, some small bodies of pay ore had been discovered in the northern part of the section, near the surface, but they were soon cut out. The lode below appeared hopelessly barren and flooded with water. No attempt was made to sink shafts deeper than 300 or 500 feet.

SECTION DIVIDED:-- Authorities differ on the exact date of the discovery of the Comstock Lode, but it was probably made at Gold Hill in April 1859. Not long after the discovery of the lode, the above section was acquired and divided by various companies known as; Central, Central No. 2, California, White and Murphy, and Sides. The only piece of the section which was not incorporated was the Kinney which had sunk a shaft to the depth of about only 60 feet. The first mentioned companies did a considerable amount of development work sinking shafts to an average depth of 500 feet, and spending, in the aggregate, \$1,000,000.

FAILURE IN 1864:-- The Central sank a shaft to the depth of 562 feet in 1864. But it found no ore below the 300 foot level. The influx of hot water was so great that the company became disheartened and attempted no further development.

AN ATTEMPT BY OWNERS:-- On June 7, 1867 three of the above companies, namely, White and Murphy, Sides and California, combined their interests by incorporating under the name of Consolidated Virginia Mining Company. (Some writers have stated the name of the company at this time as the Virginia Consolidated Mining Company and included the Kinney property in the combination, but the former information is most likely correct.) In 1869 it was determined to prosecute the search for ore systematically, funds being raised by an assessment. During 1869 and the following year \$161,349.41 was expended, but without success. Stockholders refused to pay further assessments and shares of the company fell in February, 1871, to \$1 5/8 at which price the entire mine represented by 11,800 shares was valued at only \$18,850.

CONTROL CHANGES:-- Such was the condition of this section of the Comstock Lode when Mackey, Fair, Flood, and O'Brien became interested in acquiring the property for the purpose of prospecting for a rich bonanza. According to Eliot Lord, who wrote COMSTOCK MINING AND MINERS, for the United States Geological Survey in 1883, "the cost of acquiring the mine at market rates in 1871 could hardly have exceeded \$50,000. After a complete search was made of all claims, and legal details put in order, the above named parties formally assumed control of the mine January 11, 1872.

THE NEW PLAN:-- Capital of the company was gradually increased. In 1872 the Kinney, according to particular sources, was taken into the combine. Several months later the Central, and Central No. 2 became a part of Consolidated Virginia. Finally to facilitate the work of exploration an arrangement was made in 1873 by which the entire section of 1,310 feet was divided into two portions; the southerly one, 710 feet in length, being held by the Consolidated Virginia Mining Company and the northern portion of 600 feet being assigned to a newly incorporated California Mining Company. To compensate the stockholders of the Consolidated Virginia Mining Company for the transfer of property seven-

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twelfths of one share of California was paid as a stock dividend to each share of Consolidated Virginia. The stock of each company was divided into 108,000 shares whose par value was \$100 per share. In 1875, however, California Mining Company increased its shares to 540,000 and in 1876 Consolidated Virginia followed. Data is not available, but the par value of the new shares was probably \$20 per share.

THE GREAT BONANZA:-- After the four new parties assumed control work on the property began immediately. Two hundred thousand dollars was spent in less than a year, but the bonanza was not located. Before anything was realized on their original investment, excluding some ore of moderate grade which was found, \$277,150.12 was expended. In February, 1873, however, ore was found assaying \$60 per ton. Work continued at a feverishly high pace and in October, 1873, the existence of a true bonanza, the riches of which were undreamed of, was verified. Ore assaying from \$93 to \$632 per ton covered the walls, roof, and floor of the ore-surfaces.

BONANZA AND STOCK PRICES:-- Eliot Lord's description of the action of the stock market during the bonanza days is vivid. "The stock of the Consolidated Virginia mine which was offered at one dollar per share in July 1870, and even in June, 1872, could be purchased for \$15 per share, gradually rose, though with marked fluctuations, from the time of the discovery of the first ore-body, in March 1873, until November, 1874, when it was sold at from \$115 to \$176 per share. The following month was one of extraordinary excitement in the stock exchanges. The price of the shares bounded in a few days to \$610, and even this point was passed during the first month of the new year, 1875, when shares were sold at \$700 and the market value of the mine was, therefore, \$75,600,000. The fluctuation in the quoted value of the California mine was even more marked. In September, 1874, its shares were selling as low as \$37, but their value rose suddenly in December, 1874, to \$520, and reached \$780 in the following month, thus placing a valuation of \$84,240,000 on the mine." Incidentally, Ophir which sold at \$2 per share in October 1870, advanced to \$315 per share in January, 1874.

BONANZA PRODUCTION AND DIVIDENDS:-- From 1874 to 1879 inclusive Consolidated Virginia extracted \$63,214,300 while the California Mine produced \$45,848,787. During the same period Consolidated Virginia paid dividends totalling \$42,390,000; the California Mine \$31,320,000.

PERIOD AFTER THE BONANZA:-- The period from 1879, the end of the big bonanza, to 1884 was more or less uneventful. Production during this period may be approximated at \$2,924,868 for the two companies, Consolidated Virginia and California Mining. No dividends were paid by the California, but Consolidated Virginia paid \$540,000 in 1880. Assessments levied by both Consolidated Virginia and California Mining during these years is estimated at over \$2,000,000. In 1884 a consolidation between Consolidated Virginia and California Mining was effected, the new company being called Consolidated California and Virginia. Total capitalization was 216,000 shares. Par value was \$100 per share.

BABY BONANZA:-- In 1885 the new company embarked upon a policy of low-grading, working cheap ore of the great bonanza ore-bodies. Toward the end of 1886 some minor bonanzas, which had been

overlooked in the earlier days, were found on the upper levels of Consolidated California and Virginia. The news came unexpectedly and in less than two months the stock of Consolidated California and Virginia rose from \$1.95 per share to \$55 per share, while Ophir advanced from 65 cents per share to \$35 per share.

MINOR BONANZA PRODUCTION AND DIVIDENDS:-- From 1884 to 1897, inclusive, the mine produced 870,621 tons of ore yielding \$19,709,140. The average per ton was \$22.61. The company paid dividends during this period totalling \$3,898,800 and levied assessments of about \$597,000.

LATER HISTORY:-- The year 1897 marked the beginning of the decline in the affairs of the company. In September, 1898, capitalization of the company was reduced from \$21,600,000 to \$540,000. Par value of the company's 216,000 shares was decreased from \$100 per share to \$2.50 per share. Assessments began to exceed dividends. The last dividend was paid in 1901 and amounted to \$64,800.

PAST DIFFICULTIES:-- Heat and hot water made mining in the Constock area hazardous and expensive. Hot water which spouted from the rocks in the lower levels of the mines filled the shafts with deep hot water pools and discharged a damp stifling vapor into the air. Excerpts on this condition from Eliot Lord's history follows. "Tons of ice were sent down daily into the mines, the half fainting men chewed fragments greedily to cool their parched throats and carried lumps in their clinched hands through the drifts; ice water from the tanks was drank in extraordinary quantities. In the hotter levels three gallons was a moderate allowance for one man during a shift of eight hours, and 95 pounds of ice was the average daily consumption of every miner employed in the hottest workings of the California and Consolidated Virginia mines during the summer of 1878. The passage of two thousand feet in winter was like a magical transfer from Guiana to Spitzbergen. In three minutes men who had been sweltering naked in a stifling atmosphere might be lifted up into the chill air of bleak hills where a snow storm was raging. At some stopes in the great ore-body of the California and Consolidated Virginia mines four miners could scarcely do the ordinary work of one man in a moderately cool drift. Yet no mines were more carefully ventilated than these."

CORPORATE CHANGES:-- In 1904 the properties of the company were again incorporated in California and the name changed from Consolidated California and Virginia to Consolidated Virginia Mining Company of California. Total capitalization amounted to 216,000 shares of \$10 par value. In 1921 the company was re-incorporated in Nevada, its name being changed again to Consolidated Virginia Mining Company of Nevada. Shares were increased to 2,160,000 with a par value of \$1 per share. Stockholders were given ten new shares for each old share.

TOTAL PRODUCTION, DIVIDENDS, ASSESSMENTS:-- While no exact or official figures on total production, dividends, and assessments are available, a fair and conservative estimate can be made from unofficial records. The total production of the Con, Virginia and the California, including bullion discount, is estimated at slightly over \$133,000,000, while production in terms of coin

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value is estimated at about \$125,000,000:-- Dividends including those of the California Mining Company, \$78,148,000:-- Total Assessments for the two companies about \$6,000,000. It is estimated that \$2,500,000 of total assessments were levied in the last 30 years; while production during that time approximated only \$1,000,000, and dividends amounted to only \$64,800.
NO DIVIDENDS BEING PAID.

CONSOLIDATED VIRGINIA TODAY:-- In 1935 Consolidated Virginia increased its authorized capital stock to 5,000,000 shares of \$1 par value per share. The stock was made NON-ASSESSABLE for the first time in the history of the company. Stockholders were given the right to subscribe to new shares in the ratio of 1-1/4 new shares for each old share, as of July 26, 1935, at 20 cents per share. The "rights" expired August 26, 1935, but if twenty per cent was subscribed to and paid for on or before that date, the balance could be purchased on or before April 1, 1936. Aggregate number of shares available for sale under the terms of the above offering amounts to 2,103,623.

CONTRACT WITH JOHN J. RASKOB:-- The company entered into a contract with John J. Raskob covering the sale of 2,103,623 shares of its capital stock at 20 cents per share, payable 20 per cent thereof in cash on or before August 26, 1935 and 80 per cent optional, payable on or before April 1, 1936, subject, of course, to the preemptive rights of shareholders.

OTHER PROPERTIES ACQUIRED:-- On July 31, 1935 Consolidated Virginia purchased the Ophir Mining Company, the Consolidated Virginia and Andes Corporation, and the Mexican Gold & Silver Mining Company for 1,414,017 shares of its own stock. The latter figure is exclusive of 361,088 shares of Consolidated Virginia which was owned by Ophir and included in the assets sold to Consolidated Virginia. After deducting the proportionate number of shares held by Consolidated Virginia in the Ophir Mining Company and the Consolidated Virginia and Andes Corporation, the net exchange of Consolidated Virginia shares for the properties of the companies acquired, including Mexican Gold & Silver Mining Company, amounted to 771,604 shares. The Ophir Mining Company and the Consolidated Virginia and Andes Corporation were dissolved October 22, 1935. A debt of \$7,098.16 owed to Consolidated Virginia by Ophir was cancelled. A debt of \$2,513.22 of Consolidated Virginia and Andes Corporation was assumed by Consolidated Virginia, but \$168.07 of that amount was cancelled as it was also owed to Consolidated Virginia. The Mexican Gold & Silver Mining Company was not dissolved. At present it owns 201,600 shares of Consolidated Virginia, while the latter company owns 47,741 shares of its stock.

LOCATION AND CONDITION OF PROPERTY:-- Property is located in the Virginia and Gold Hill Mining District, Storey County, Nevada. Ownership of the claims is in fee, all claims being patented and consisting of approximately 2,650 feet in length, along the Comstock Lode, together with adjacent claims. Total number of patented claims is in excess of twenty. Only a few cars of ore have been shipped from the properties of Consolidated Virginia in the past five years. The ores are generally low grade, but with the increase in the price of gold and silver since 1933, it is believed, that ore can be extracted at a profit. However, as a general practice, it would not be profitable to ship ore to custom smelters, but with the erection of a

cyanide concentrating mill on the property of the company, it is expected, that low grade ore can be mined and milled on a substantial earning basis.

MAIN WORKING SHAFTS:-- The main working shafts are namely, Consolidated Virginia shaft, and Andes shaft. The latter shaft is sunk to a depth of 550 feet; the former to a depth of approximately 3,000 feet. The mine will probably not be worked below the Sutor Tunnel level, which is 1,750 feet below the collar of the Consolidated Virginia shaft. The present plan of the company contemplates the opening and repair of the Central Tunnel and the working of ore bodies on a horizon to about 600 feet below the surface. There are several thousand feet of drifts and cross-cuts tributary to this plan.

NEW CAPITAL AND ITS ALLOTMENT:-- The estimated net proceeds to be raised by the sale of additional shares of Consolidated Virginia stock is placed at slightly more than \$415,000. It is estimated that the proceeds will be expended as follows:-- \$50,000 to install new mining machinery and equipment:-- \$110,000 for preparation of the mine; for mining and extraction of ores, and for further development:-- \$250,000 to be spent for the erection and installation of a modern cyanide concentrating plant with a capacity of probably 300 tons per day.

POSITIVE ORE IN SIGHT:-- According to a report of the company's engineers of January, 1935, brought up to date by changes in the price of silver and other relevant matters, the positive ore in sight is as follows: In the mine 262,333 tons, of the gross value in gold and silver at \$8.50 per ton. Estimated cost of mining, treatment and conversion is \$4.56; net value \$1,033,691. There are on the dumps 146,211 tons, of the gross value in gold and silver of \$4.80 per ton, the mining, treatment and conversion cost of which will be \$2.26 per ton, leaving a net profit of \$371,375. The net value of the positive ore in the mine and on the dumps is, therefore, about \$1,400,000, which is equal to approximately 30 cents per share, based on an estimated number of 4,733,125 shares expected to be eventually outstanding. It is important to note that gold is the predominant metal in the ore, with silver of secondary value. Sample shipments of ore milled show a relative proportion of 70 per cent gold and 30 per cent silver.

PROBABLE NEW CAPITAL SET-UP:-- Providing all of the transactions listed below are complete performed, there will be outstanding 4,733,125 shares of non-assessable stock of par value of \$1 per share. Following is an estimate of the probable new capital set-up of Consolidated Virginia Mining Company, based on available recent information and data.