Kennecott Minerals Company
A Division of Kennecott [redacted] Corporation
Nevada Mines Division
McGill, Nevada 89318
702 235-7741

1200 0161

309

ITEM 230

October 15, 1980

Kennecott

Mr. A. J. Vercruyssen
Vice-President
Lindeman Bros., Inc.
P.O. Box 727
Broderick, CA 85605

Dear Mr. Vercruyssen:

This letter is in response to your inquiry of October 7, 1980 to Mr. Richard Banghart.

We are interested in processing your test-load of Comstock Lode mill tailings. Would you please forward a 10-pound sample for assaying so we may pursue this further.

Send sample to:

James B. Rasmussen
Kennecott Minerals Company
Nevada Mines Division
McGill, Nevada 89318

I will contact you when we have the results of the assays. Due to the workload in our assay lab, we will not have the results for approximately two weeks after receipt of the sample.

Looking forward to hearing from you.

Yours truly,

James B. Rasmussen
Special Projects Manager

JBR/cb

CENTURY LABORATORIES, INC.

CHEMISTS • GEOLOGISTS • METALLURGISTS

2340 GOLD RIVER ROAD, SUITE H
RANCHO CORDOVA, CALIFORNIA 95670
Phone (916) 635-1849

Date 10 October 1980

Lab No. T-435

Al Vercruyssen
Lindeman Bros., Inc.
P.O. Box 727
Broderick, Ca. 95605

Subject: 2 Samples soil for gold and silver assay and one for amalgamation
Your Ref: P.O. # 4593

Based on your samples received 3 October, test results are as follows:

Sample	Gold Troy Oz/ton	Silver Troy Oz/ton
18	0.052	2.45
18 (Mercury Amalgam @ 2 Hours)	0.0015	N.A.
21-4	0.047	1.62

Nick A. Hammades

NICK A. HAMMADES, Director
NAH/bt

Western Testing Laboratories
1080 Linda Way, No. 3
Sparks, Nevada 89431
Telephone: (702) 331-3600

Report of Analysis

Submitted by: Linderman Brothers
P.O. Box 727
Broderic, Sacremento, CA
Attn: A. J. Vercruyssen

Date: September 26, 1980
Laboratory number: 268-2
Analytical method: Fire Assay
Your order number:
Invoice number: B824

Report on: Au, Ag

Sample	Au (Oz/Ton)	Ag (Oz/Ton)
#1	0.058	2.94
#2	0.032	0.94
#3	0.040	1.38
#4	0.064	2.55
#5	0.096	2.62
#6	0.068	1.71
#7	0.052	1.33
#8	0.094	1.71

$37.80 per ton average using $600.00 per oz

$41.40 per ton average using $20.00 per oz

Charles Gustafson
Laboratory Manager

ppm = Parts per million
Percent = Parts per hundred
1 oz/ton = 34.286 ppm
1.0% = 20 pounds/ton

Oz/ton = Troy ounces per ton of 2000 pounds avoirdupois
Fineness = Parts per thousand
1 ppm = 0.0001% 1 ppm = 0.029167 oz/ton
Read + as "greater than." Read – as "less than."

Separate 35,238

June 16, 1980

B 20525

Western Testing Laboratories
1080 Linda Way
Sparks, Nevada 89431
(702) 331-3600

REPORT

on

PRELIMINARY CYANIDE LEACH TEST
(Laboratory No. 303-7)

to

Linderman Brothers
P.O. Box 727
Broderick, California 95605

SUMMARY

A preliminary bottle-agitation leach test was conducted on a composited ore sample containing 0.052 ounce of gold per ton and 2.32 ounces of silver per ton, to determine if the values could be recovered by straight cyanidation treatment. Cyanide leaching was conducted on the material without regrinding. Recovery of 73 percent of the gold and 33 percent of the silver were obtained in a 72-hour treatment with modest cyanide consumption.

ORE SAMPLE PREPARATION

A composite sample was prepared by taking a 50-gram split from eight ore pulps (numbered 5, 12, 15, Slime 18, 26, 27, 33 and 36). The composite was homogenized by rolling on a plastic cloth. Then, a 200-gram charge for the cyanide leach test was split from the composite using a Jones riffle sampler.

It was noted that the tailings contained small pieces of rock up to approximately 1/2 inch in size. These pebbles were screened out prior to putting the pulp into the bottle. The pulp was not reground for the test.

ASSAY OF ORE COMPOSITE

The gold and silver contents of the composited ore sample were determined by conventional fire-assay method. The assay results were:

Gold	0.048	Troy Ounce per Ton of Ore
Silver	2.36	Troy Ounce per Ton of Ore

CYANIDATION OF MINUS 80-MESH ORE

Laboratory-scale agitation leach test was made to obtain preliminary information regarding gold and silver extraction, by straight cyanidation, and reagent consumptions. The 200-gram portion of the composite was pulped with 600 ml water. Enough lime was added to the pulp to provide alkalinity. Then, cyanide was added to the bottle charge to produce a solution containing 2.0 pounds of sodium cyanide per ton. Cyanidation was conducted by bottle agitation on the rolls for a period of 72-hours.

Upon completion of the leaching period, the pulp was filtered, and the tailings were thoroughly washed. The cyanide leach solutions and the tailings were analyzed for gold and silver. Reagents consumed during treatment were 2.5 pounds of CaO and 1.25 pounds of NaCN per ton of ore. Results of this leach test are summarized in Table 1.

TABLE 1

GOLD-SILVER RECOVERY BY CYANIDATION

Results	Gold	Silver
Extraction Percent of Total Based on Solution and Tailings Assay	73	33
Extraction Expressed as Ounce Per Ton of Ore Feed	0.038	0.78
Assay of Leached Residue Ounce per Ton of Ore	0.014	1.54
Calculated Heads Ounce per Ton of Ore	0.052	2.32

Results of this test show that three-fourths of the silver can be extracted by straight cyanidation of minus 80-mesh feed leached for 72 hours. Longer leaching period would undoubtedly recover additional silver, because the extraction had not ceased when the experiment was terminated. Ultimate recovery of 80 percent of the total silver appears feasible. The amount of gold recovered was minimal on the order of 0.002 ounce per ton of ore.

CONCLUSIONS

Cyanidation treatment of finely ground ore should recover about 80 percent of the total silver, with modest consumption of sodium cyanide. The silver assay obtained for the composite is out of line with those obtained for the individual samples that made up the composite. A spotty sample or spotty mineralization is indicated.

Harold Heinen
Projects Manager

CONCLUSIONS

The test shows a good extraction of the gold values but the silver extraction is disappointing. Reagent usage was not prohibitive. Silver recovery may be increased by regrinding the material or by grinding to a finer mesh.

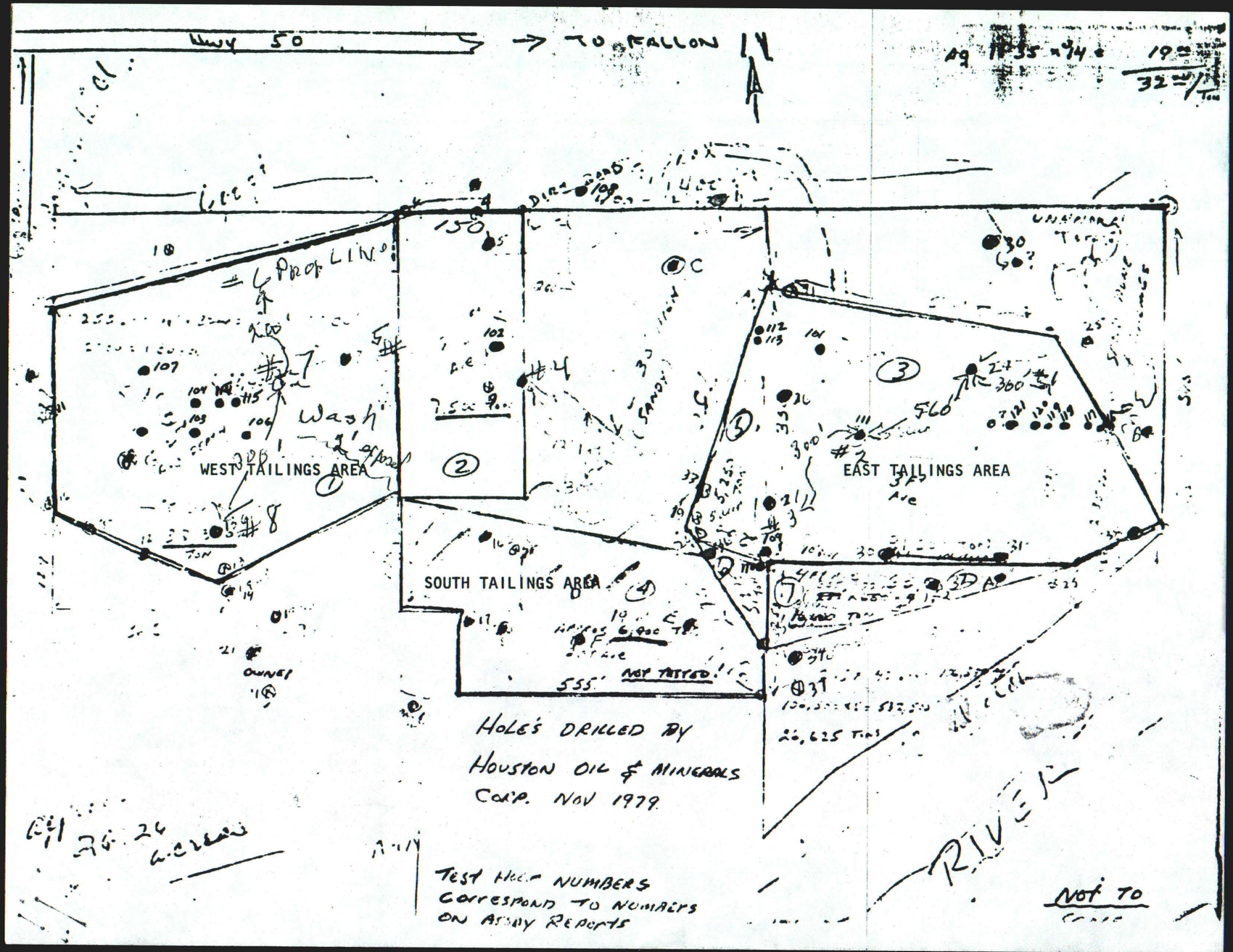
RECOMMENDATIONS

The silver recovery may be improved by other techniques such as finer grinding, flotation or by a pretreatment with calcium hypochlorite.

The coarse rocks in the tailings were assayed to determine their effect on assay. They assayed 0.076 oz/Ton gold and 2.98 oz/Ton silver which is higher than the assay of the tailings.

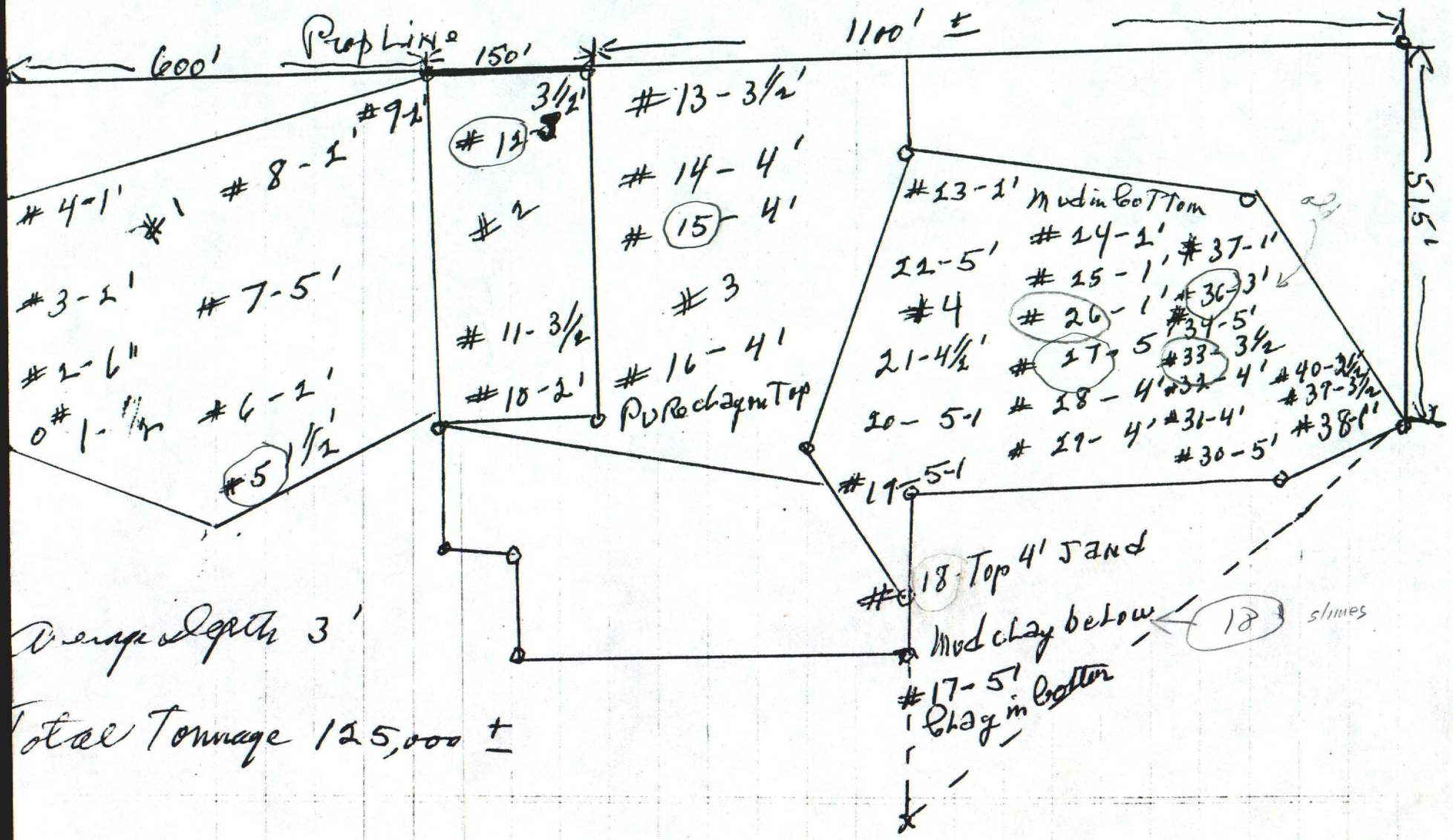
Western Testing Laboratories
1080 Linda Way
Sparks, Nevada 89431
(702) 331-3600

Larry Buchanan


Hwy 50
→ TO FALLON
WEST TAILINGS AREA
EAST TAILINGS AREA
SOUTH TAILINGS AREA
Wash
PROP LINE
NOT TESTED
HOLES DRILLED BY
HOUSTON OIL & MINERALS
CORP. NOV 1979
TEST HOLE NUMBERS
CORRESPOND TO NUMBERS
ON ASSAY REPORTS
RIVER
Not To

Highway #50 to Fallon

Samples taken 2-Oct-1980



Dave Hamilton

Carbon in pulp

pachuca

alcohol stripping

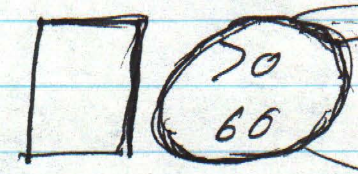
Electro winning

Chief Met - Lemmon

100% - 150° →

53 - 54%

60% Au
56% Ag



10 Kilos
25 lbs

600T / day   14-16 hr retention

70% Au   or   37%
65% Ag

60% Au
50% Ag

overall mill costs

$ 9.50   1.50 2 stripping retention

Boyds - concrete mixer.

Standard Reference 882-3727

I time

Sampling plan

Mill site

HUGHES
Mining Inc.
Gold Mine Development
P. O. BOX 333
COVINA, CA. 91722

Gold-silver extraction using Chiddey-Magenau method from a sodium cyanide solvent.

Gold and silver only. Tests run in the Hughes Mining lab.

Solution 0.25% NaCN 0.25% $Ca(OH)_2$ @ 21 deg.C.

Run time 24 Hrs

Agitation, air mix, continuous.

Test #1

Tailings sample supplied by Mr Hughes on 7-15-79.

ASSAY #	DATE	GRAMS dore	GRAMS parted	OZ/T Ag,	Au	Lbs run
2394	7-17-79	0.019	0.0008	1.47	0.06	40

The test sample consisted of 1000 ml of solution taken from 48,000 ml (40 lbs total sample)

Test #2

Tailings sample supplied by Mr Hughes on 7-16-79.

ASSAY #	DATE	GRAMS dore	GRAMS parted	OZ/T Ag,	Au	Lbs run
2401	7-22	0.04	0.0008	2.10	0.087	10

The test sample consisted of 2000 ml of solution taken from 16,000 ml (10 lbs total sample)

Test #3

Tailings supplied by Mr Hughes on 7-17-79.

ASSAY #	DATE	GRAMS dore	GRAMS parted	OZ/T Ag,	Au	Lbs run
2411	7-22	0.0435	0.0010	1.59	0.037	40

The test sample consisted of 2,100 ml of solution taken from 48,000 ml (40 lbs total sample)

Sample 90 lbs

Ag. 1.47
2.10
1.59
5.16 oz

A.U. 0.06
0.087
0.037
0.184

I threw this out, too high

Total # value per ton 151.68
Gold @ # bar, or p. OZ
Silver @ $15 or p. oz

G Holt

G. Holt

OUR MOTTO: — WHAT THERE IS IN IT, NO MORE NO LESS.

EDMUND E. PHILLIPS, Vice-Pres.—Gen. Mgr. M. E. PHILLIPS, Secretary

THE COLORADO ASSAYING COMPANY

(INCORPORATED)

ASSAYERS AND CHEMISTS

303—623-2842 2244 BROADWAY

DENVER, COLO. 80201 March 19, 1980

SAMPLE SUBMITTED BY

Mr. Robert M. Hughes,
Hughes Industries, Inc.,
P. O. Box #723
Alta Loma, Calif 91701

SPECTROGRAPHIC ANALYSIS

SAMPLE NO. Comstock Lode Tailings Pile

PERCENTAGES ARE APPROXIMATE

Antimony		Nickel .01%	Holmium
Arsenic trace		Potassium .5	Lanthanum
Aluminum 3.%		Radium	Lutecium
Boron		Rubidium	Neodymium
Barium .03		Rhenium	Praseodymium
Beryllium		Scandium	Samarium
Bismuth		Silicon Major	Terbium
Calcium .7		Strontium .005-.01	Thulium
Columbium		Sodium .3	Yttrium
Cadmium		Tantalum	Ytterbium
Cobalt		Thallium	
Chromium .005		Thorium	Platinum
Cesium		Tin .001-	Palladium
Copper .05		Titanium .10-.15	Iridium
Gallium .001		Tungsten	Osmium
Germanium		Uranium	Rhodium
Hafnium		Vanadium .005	Ruthenium
Indium		Zinc .1-.2	
Iron 3.-4.		Zirconium trace	Gold 0.08 ounce per ton.
Lead .03-.05			Silver 2.30 ounce per ton.
Lithium trace		Cerium	Platinum - none detected.
Magnesium .4-.5		Dysprosium	Mercury - - - 0.015%
Manganese .03-.05		Erbium	Tungsten - none (under 0.01%)
Mercury trace		Europium	Uranium - - - 0.003%
Molybdenum		Gadolinium	Silica - - - 87.64%
			Rare Earths - none.

REMARKS:

The Gold and Silver contents are of interest.

No other metals are present in sufficient quantity to be of significant commercial value.

THE COLORADO ASSAYING COMPANY

By Ed Phillips

OUR MOTTO: — WHAT THERE IS IN IT, NO MORE NO LESS

EDMUND E. PHILLIPS, VICE-PRES.—GEN. MGR. M. E. PHILLIPS, SECRETARY

THE COLORADO ASSAYING COMPANY

(INCORPORATED)

ASSAYERS AND CHEMISTS

2244 BROADWAY

DENVER, COLORADO 80201 August 23, 1979

REPORT ON DETERMINATIONS MADE FOR — Mr. Bob Hughes
Hughes Industries, Inc.,
Alta Loma, California 91701

SAMPLE MARKS	METALS	Amount per Ton Ozs.	Amount per Ton Hds.	PER CENT	Value per Ton Dollars	Value per Ton Cents
CARSON ASSAYS						
Far West Boundary #1	Gold	0	08		$24	00
	Silver	2	45		22	05
Far West Boundary #2	Gold	0	075		22	50
	Silver	2	45		22	05
Far West End #3	Gold	0	085		25	50
	Silver	2	60		23	40
~~Far~~ West End #4 3 ft.	Gold	0	07		21	00
	Silver	2	40		21	60
West Section of Area, 2 ft. Avg.	Gold	0	065		19	50
	Silver	3	45		31	05
West Section of Area, 2 ft. Avg. Deep Soil	Gold	0	045		13	50
	Silver	2	00		18	00

gold $42.00 } $88.05
silver $46.05 }

Total gold .42 oz
Total Silver 15.35 oz

$18.00

Less $6.00

GOLD AT $300. PER OUNCE SILVER AT $9. PER OUNCE
PER UNIT COPPER AT PER UNIT

THE COLORADO ASSAYING COMPANY

By Ed Phillips

213-430-7525

Candy:

1) values of $70+/ton (with gold @ 600 & silver @ $18) warrant hauling tailings to smelter in Dunky.. This assumes 1) values are $70+ (more testing)
2) royalty is _____
3) smelting fee is _____
4) haul rate is $40 ✓

2) make a deal with HOI to use their smelter, which is only 10-15 miles away, until their production problem is resolved. When is that likely to be? We need some guarantee from HOI.

OUR MOTTO: — WHAT THERE IS IN IT, NO MORE NO LESS.

EDMUND E. PHILLIPS, Vice-Pres.—Gen. Mgr. M. E. PHILLIPS, Secretary

THE COLORADO ASSAYING COMPANY

(INCORPORATED)

ASSAYERS AND CHEMISTS

2244 BROADWAY

DENVER, COLORADO 80201 December 24, 1979

REPORT ON DETERMINATIONS MADE FOR— Test holes by Houston Oil

HUGHES INDUSTRIES, Inc.
P. O. Box #723
Alta Loma, California 91701

SAMPLE MARKS	METALS	Amount per Ton Ozs.	Hds.	PER CENT	Value per Ton Dollars	Cents
#32 3 ft. deep	Gold	0.	035			
	Silver	2.	15			
#34 5 ft. deep Min	Gold	0.	04			
	Silver	2.	25			
#35 5 ft. Min	Gold	0.	035			
	Silver	1.	95			
#36 5' deep	Gold	0.	045			
	Silver	1.	60			
#38 4' Min	Gold	0.	06			
	Silver	3.	85			
A 3 ft. deep	Gold	0.	03			
	Silver	1.	70			
B 1 ft.	Gold	0.	055			
	Silver	1.	50			
C Sand Hill 3 ft. deep	Gold	0.	025			
	Silver	0.	85			
E 8 ft. deep	Gold	0.	02			
	Silver	1.	85			
F 1 ft. deep	Gold	0.	035			
	Silver	1.	70			
G. 30" deep	Gold	0.	045			
	Silver	1.	90			

+ gold $23.12/ton

+ Silver $34.85/ton

+ Total $58.03

Total gold .425 oz

Total Silver 21.3 oz

Using $600.00 & $18.00

GOLD AT_____ PER OUNCE SILVER AT_____ PER OUNCE

LEAD AT_____ PER UNIT COPPER AT_____ PER UNIT

THE COLORADO ASSAYING COMPANY

By Ed Phillips

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EDMUND E. PHILLIPS, VICE-PRES.—GEN. MGR.   M. E. PHILLIPS, SECRETARY

THE COLORADO ASSAYING COMPANY

(INCORPORATED)

ASSAYERS AND CHEMISTS

2244 BROADWAY

DENVER, COLORADO 80201   July 13, 1979

REPORT ON DETERMINATIONS MADE FOR — Hughes Industries, Inc.
Alta Loma, Calif   91701

Δ Gold $27.75 }
Δ Silver $42.75 } $70.50

SAMPLE MARKS	METALS	Amount per Ton Ozs. Hds.	PER CENT	Value per Ton Dollars Cents
Test hole # 114 Hess #1-A 3 ft.	Gold	0.055		$13.75
	Silver	2.80		22.40
115 Hess #1-B 3. ft.	Gold	0.06		15.00
	Silver	3.10		24.80
116 Carson #1-E 2 ft.	Gold	0.035		8.75
	Silver	1.60		12.80
117 Carson #2-E 3 ft.	Gold	0.04		10.00
	Silver	4.50		36.00
118 Carson #3-E 3 ft.	Gold	0.06		15.00
	Silver	1.50		12.00
119 Carson #4-E 3 ft.	Gold	0.03		7.50
	Silver	1.90		15.20
120 Carson #5-E 3 ft.	Gold	0.045		11.25
	Silver	1.90		15.20
121 Carson #6-E 3 ft.	Gold	0.045		11.25
	Silver	1.70		13.60
	total gold 0.86 oz			555.75
	total silver 19 oz			~~[illegible]~~

25.3

22 | 555.75
44
115
110
57

÷22

My average #6000 for gold
18 for silver

These figures baffle me → AVERAGE $25.00/TON ~~[illegible]~~

GOLD AT $250. PER OUNCE   SILVER AT $8. PER OUNCE
LEAD AT ______ PER UNIT   ER AT ______ PER UNIT

THE COLORADO ASSAYING COMPANY

By Ed Phillips

OUR MOTTO — WHAT THERE IS IN IT, NO MORE NO LESS

EDMUND E. PHILLIPS, Vice-Pres.—Gen. Mgr. M. E. PHILLIPS, Secretary

THE COLORADO ASSAYING COMPANY
(INCORPORATED)

ASSAYERS AND CHEMISTS

303—623-2842 2244 BROADWAY
DENVER, COLORADO 80201 Oct. 26, 1979

REPORT ON DETERMINATIONS MADE FOR —

Hughes Industries, Inc.,
Alta Loma, Calif. 91701

SAMPLE MARKS	METALS	Amount per Ton Oz.	Amount per Ton Lbs.	PER CENT	Value per Ton Dollars	Value per Ton Cents
				Gold .14 oz		
				Silver 6.1 oz		
Carson - West Pile	Gold	0.05			30	00
	Silver	2.50			37	50
Carson - East Pile	Gold	0.09			36	00
	Silver	3.60			54	00

THE COLORADO ASSAYING COMPANY

GOLD AT $400. PER OUNCE SILVER AT $15. PER OUNCE
LEAD AT ____ PER UNIT COPPER AT ____ PER UNIT By [illegible]

Gold $42.00 } $96.90
Silver $54.90 }
Less $60.00 + $18.00

OUR MOTTO — WHAT THERE IS IN IT, NO MORE NO LESS.

EDMUND E. PHILLIPS, VICE-PRES.—GEN. MGR. M. E. PHILLIPS, SECRETARY

THE COLORADO ASSAYING COMPANY

(INCORPORATED)

ASSAYERS AND CHEMISTS

2244 BROADWAY

DENVER, COLORADO 80201 August 23, 1979

REPORT ON DETERMINATIONS MADE FOR — Mr. Bob Hughes
Hughes Industries, Inc.
Alta Loma, California 91701

SAMPLE MARKS	METALS	Amount per Ton Ozs.	Amount per Ton Hds.	PER CENT	Value per Ton Dollars	Value per Ton Cents
CARSON ASSAYS				gold .417	$14.46	
Surface	Gold	0	04		$12	00
	Silver	1	45	Silver 1243	13	05
Road Sample 2 Ft.	Gold	0	015		4	50
	Silver	0	65		5	85
Sample A (no tag)	Gold	0	04		12	00
	Silver	1	95		17	55
Sample B (no tag)	Gold	0	04		12	00
	Silver	2	55		22	95
Sample C (no tag)	Gold	0	065		19	50
	Silver	2	25		20	25
Random (no tag)	Gold	0	05		15	00
	Silver	1	30		11	70
North Section, 2½' Avg. Depth	Gold	0	04		12	00
	Silver	1	50		13	50
North Section, 2½' Avg. Dep Below Pile, Deep Soil	Gold	0	015		4	50
	Silver	0	40		3	60
Center 3 ft (Lt. Brown)	Gold	0	04		12	00
	Silver	2	00		18	00
Center 3 ft. (Med. Brown)	Gold	0	04		12	00
	Silver	1	50		13	50
Center 4 ft.	Gold	0	035		10	50
	Silver	1	75		15	75
Upper Leaching Vat	Gold	0	015		4	50
	Silver	0	60		5	40
Bottom of Leaching Vat	Gold	0	01		3	00
	Silver	0	60		5	40
5 Feet - Deep Soil	Gold	0	015		4	50
	Silver	0	75		6	75

Wire $60.00 & $18.00

Total gold .46 oz
Total silver 1925 oz

GOLD AT $300. PER OUNCE SILVER AT $9. PER OUNCE

LEAD AT _____ PER UNIT COPPER AT _____ PER UNIT

THE COLORADO ASSAYING COMPANY

By Ed Phillips

Telephone 363-3302

Hand Sample Serial 23594-23617

ASSAY REPORT

UNION ASSAY OFFICE, Inc.

BRYANT L. LARSEN, President
G. P. WILLIAMS, Vice President
JAMES G. STRATTON, Secretary
A. S. JOLLIFFE, Treasurer
P. O. Box 1528
Salt Lake City, Utah 84110
(801) 363-3302

Mine Personal Investment Co of California
PO Box 986
Tustin, CA

RESULTS PER TON OF 2000 POUNDS

Aug 23, 1979

NUMBER	GOLD Ozs. per Ton	SILVER Ozs. per Ton	LEAD Per Cent	COPPER Per Cent	Au Ozs per Ton	Ag Ozs per Ton	SULPHUR Per Cent	IRON Per Cent	LIME Per Cent	Per Cent	Per C
Surface					0.030	1.3					
Road Sample 2'					0.020	0.9					
Upper Leaching Vat					0.010	0.6					
Bottom of Leaching Tank					0.010	1.3					
West Section of Area 2' avg					0.060	3.7					
West Section of Area 2' avg Deep Soil					0.040	1.8					
No Sec 2½ Avg depth					0.040	1.9					
No Sec 2½ avg below Pile deep Soil					0.010	0.9					
West End #4 3'					0.080	2.4					
Far West Bondary 1					0.080	2.4					
Far West Bondary 2					0.070	2.5					
Far West End #3					0.070	2.5					
5' Deep Soil					0.030.	1.1					
1S					0.050	3.7					
2S					0.050	2.7					
? E Pile					0.020	1.3					
No Tag Random					0.030	1.8					
Untagged Sample A					0.030	2.0					
Untagged Sample B					0.050	2.8					
Untagged Sample C					0.060	2.6					
Center 3'					0.050	2.5					
Center 3' Ctr 3'					0.050	1.5					
Center 4'					0.050	2.1					
No number ?					0.040	3.5					

1.080

GOLD → $27/ton
Silver → 37.35/ton
total → $64.35/ton

using $600 @ $18

Western Testing Laboratories
1080 Linda Way, No. 3
Sparks, Nevada 89431
Telephone: (702) 331-3600

Report of Analysis

Submitted by: Occidental Minerals Corp
777 S. Wadsworth #4
Lakewood, Colorado 80226
Attn: N. Muncaster
C. Danielson

Date: June 4, 1980

Laboratory number: 149-2

Analytical method: Fire Assay/A.A.

Your order number:

Report on: Au, Ag

Invoice number: B475

	Au (Oz/Ton) F.A.	Au (Oz/Ton) A.A.	Ag (Oz/Ton) F.A.	Ag (Oz/Ton) A.A.
11401	0.052	0.056	3.39	3.96
11402	0.054	0.056	2.54	2.57
11403	0.064	0.058	4.16	3.97
11404	0.044	0.045	1.64	1.54
11405	0.068	0.053	3.04	2.75
11406	0.048	0.041	1.32	1.01
		.309 oz		15.8 oz

+ gold $30.90 } $78.30
+ silver $47.40 }

Using $600.00 $15.00

Charles Gustafson
Lab Manager

ppm = Parts per million
Percent = Parts per hundred
1 oz/ton = 34.286 ppm
1.0% = 20 pounds/ton

Oz/ton = Troy ounces per ton of 2000 pounds avoirdupois
Fineness = Parts per thousand
1 ppm = 0.0001% 1 ppm = 0.029167 oz/ton
Read + as "greater than." Read - as "less than."

10/8/80

Conversation with Joe Sebo:

I called him. re "proposal".

Hughes wants cash up front. He is worried about our lack of experience. Wants to know how when and where we plan to process material. Doesn't like the idea of being paid a % of the royalty based on yield per ton. Figures there is a chance of getting screwed if tonnage figures are inaccurate. He prefers a straight % deal.

Problem with straight % deal is that there is no sliding scale. We get no break if material is less rich than anticipated. He gets no bonus if material is richer than expected. I told Joe this should not become a stumbling block. We would be willing to proceed on the basis of splitting the results, without regard to the tonnage moved.

Hughes is talking about $250,000 cash up front. We pay him, then we collect the first $250,000 in royalty. Once we get our "stake" back, the results will be split by %. Note: Under such an arrangement, there is a vast difference between the first $250,000 in revenue, and the return of our up-front money. It could take $750,000 in revenue, to generate a "profit" of $250,000. We would have to calculate our costs and determine how many $ of revenue would be required to get us even.

Sebo says Hughes wants to know our schedule. How fast would we get into operation? I told him we are in the process of figuring out the best way to treat the material. If Cyanide leaching is best, the time element is unpredictable. Permits have to obtained. The site has to be prepared. People have to be hired. Equipment has to be purchased and installed. This could easily take all winter. On the other hand, if we haul the material to a smelter we could start right away, provided we find a smelter. With a smelter there is no fuss and muss and this is our preferred way.

But we can't do much without an agreement with Hughes. We have no credibility with smelter people, or anyone else. We are spending money and wasting time on a pipe-dream, at this moment.

Sebo likes the smelter idea. The cyanide process can result in substantial waste if not handled properly. Hughes would need to be involved, making sure he wasn't getting ripped off and making sure there was no waste.

I told Sebo we want to make a deal. We are not interested in tying up the property. We want to get going. Moreover, we are willing to work on a much closer margin than other mining companies, especially if we haul to a smelter. As long as we pay for the trucking and the royalty, the rest is gravy. We'd be happy with $10 per ton, which is much less than, say, Oxy Minerals, with whom Sebo and Hughes are meeting today or tomorrow.

Sebo will call Friday morning.

P.S. Sebo and Hughes did not understand our proposal completely. They thought the royalty came after expenses, which would not be good for Hughes. I explained that was not our intention. Hughes would get his royalty regardless of our results.

PPS. Sebo says he doesn't get paid until the deal closes. He's been chasing rainbows for a year and has about had it.

Hearing Wednesday on mine dump plan

VIRGINIA CITY — The Storey County Planning Commission has scheduled a hearing for 7:30 p.m. Wednesday on an application by Houston International Minerals Corp. for a special use permit to process 300,000 tons of mine dumps north of Silver City.

The operation would involve 88 trips a day by 20-ton trucks on a short portion of State Route 342. The ore trucks would take dirt roads from the main highway to the company's modern mill at American Flats, the application says. It says the project should last about eight months.

The dumps are from the old Lucerne open pit mine east of the highway. Houston officials say they contain low-grade ore which early-day mining was unable to process.

They are south and downhill from Greiner's Bend in Gold Hill, where Houston ran into controversy with its Con Imperial open pit silver mine. Storey County commissioners finally gave the company permission to move State Route 342 to enlarge the mine at Greiner's Bend in return for the company's pledge of $1 million for a foundation to benefit the county.

Houston International also plans a smaller open pit mine south of Silver City. That operation will require the approval of commissioners in neighboring Lyon County.

Company officials could not be reached for comment Friday.

Land opens to mineral use

WASHINGTON (UPI) — Interior Secretary Cecil Andrus has reopened 16.6 million acres of public land in nine western states to mineral leasing and multiple use.

The order affects 123,000 acres in Nevada.

"This order will clear public land records of mineral withdrawal orders that have long since become outdated and now serve no useful purpose," Andrus said in a statement issued Thursday.

"The action opens most of the lands to the operation of the mineral and geothermal leasing laws to make them available for development of critically needed minerals such as potash and phosphate," he said.