

2090 0034

SILVER STAR PROPERTY  
ECONOMIC POSSIBILITIES REGARDING  
THE QUANTEX SILVER STAR PROPERTY  
ELKO COUNTY, NEVADA

(59)  
ITEM 34

Assumptions

(1,600,000 tons mineable ore averaging 20 oz. silver with no other economic minerals)

The ore would be mined by open stoping underground methods using sand fill and trackless equipment at a rate of 500 tons per day for a 300 day year. Allowing for some lost time, mine would have operating life of 11 years.

Cost to develop these reserves

Exploration and development costs:	Cost:
Three 300 foot holes between Q-2 and Q-3 -----	\$ 12,000.00
Five 700 foot holes along structure -----	49,000.00
2500 feet of drifting and corsscutting @ \$65.00 ft.-----	162,500.00
Ventilation and escape raise - 500 feet @ \$100.00 ft.-----	50,000.00
Underground long hole drilling -----	10,000.00
Office building and change house -----	20,000.00
Metallurgical work -----	5,000.00
Sample preparation and assaying -----	10,000.00
Salaries and expenses -----	10,000.00
Total -----	<u>\$328,000.00</u>

Mill construction program:	Cost:
500 TPD Mill @ \$3,000.00 ton unit -----	\$1,500,000.00
Tailing pond facilities -----	20,000.00
Excavation and concrete -----	80,000.00
Machinery and electrical installation -----	75,000.00
Power and water -----	100,000.00
Engineering and supervision -----	40,000.00
Mill shop -----	20,000.00
Total ----	<u>\$1,835,000.00</u>

Working capital and pre-production payments -----	\$ 500,000.00
Total cost exploration, development, mill and working capital -----	<u>\$2,665,000.00</u>
Total cost recoverable through amortization at a rate of \$1.70 per ton.	

Time required to develop reserves -----	1 year
Mill construction -----	1 year
Total time from start until exhaustion of reserves -----	13 years

Assume price of silver at \$2.00 ounce during life of operation.  
Recovery @ mine 90% = 18 ounces per ton.  
Mill recovery @ 95% = 17 ounces per ton.  
143,000 x 17 oz. = 2,431,000 ounces silver per year.

SILVER STAR PROPERTY (cont.)

Cost of mining and indirect costs-	@	\$9.30 ton
Milling cost -----	@	3.00 ton
Amortization -----	@	<u>1.70 ton</u>
Total cost -		\$14.00

Value of production is \$2.00 ton x 2,431,000 oz. = \$4,862,000.00 per year.

Cost of production is 143,000 tons x \$14.00 ton = \$2,000,000.00 per year.

Direct operating profit is \$2,862,000 per year.

Royalty @ 5% after milling, transportation, etc. is \$228,800.00.

Assume these costs @ \$8.00 ton, royalty \$1.60 ton.

Depletion @ 22% = \$1,070,000.00 per year.

Taxable income = \$1,503,000.00 - Tax rate @ 48%.

Net profit = \$781,500.00.

Total cash flow after amortization is \$1,851,000.00 per year.

Total new cash - subject to split is \$20,361,000.00 - 11 years production.

With a 60/40 split after return of capital without interest operator would recover \$12,216,000.00 or about 4.5 times initial investment.

The average sum at risk is \$1,340,000.00 for 5 years at 6% interest - add \$400,000.00 to the sum to be recovered. After such recovery the net return to operator is \$11,816,000.00. For a time of return of 5 years, the present value would be \$8,316,000.00.

The AARR over 13 years is 75% or total of 45% return to operator.

The return to Quantex would be \$8,145,000 (13 years).

Discounted worth for 2 years is \$8,049,000.00.

Royalty payments for (2 Years) = \$50,000.00.

Production royalty - 11 years @ \$229,000.00 year = \$2,519,000.00.

Total royalty = \$2,569,000.00.

Quantex will try on a best effort basis to acquire a reasonable end price from owners, but would not consider decreasing its carried working interest below 40% inasmuch as the operator in this example is recovering all costs out of production.

# **Quantex CORPORATION**

2330 SOUTH MAIN, SUITE 9  
SALT LAKE CITY, UTAH 84115  
TELEPHONE 801 - 467-4516

March 17, 1972

## TO THE SHAREHOLDERS:

The Board of Directors is pleased to announce an agreement has been made between Quantex Corporation and Sunshine Mining Company with respect to the Silver Star Property located in Elko County, Nevada, under lease to Quantex.


This agreement requires Sunshine, during a 6-month option period, beginning April 15, 1972, to expend a minimum of \$50,000 to explore the property. During that period of time Sunshine has agreed to pay Quantex, as advance royalties, the sum of \$2,500 per month, or a total of \$15,000. Sunshine may delay its exercise of said option until December 14, 1972 by paying Quantex the sum of \$4,600 in advance royalties on October 15, and on November 15, 1972. As partial consideration of Sunshine's expenditures during this period of time, Quantex has agreed to issue to Sunshine 80,000 shares of its capital common stock, which Sunshine has agreed to take for investment and not for distribution to the public, pursuant to the provisions of Sec. 4(2) of the Securities Act of 1933 as amended.

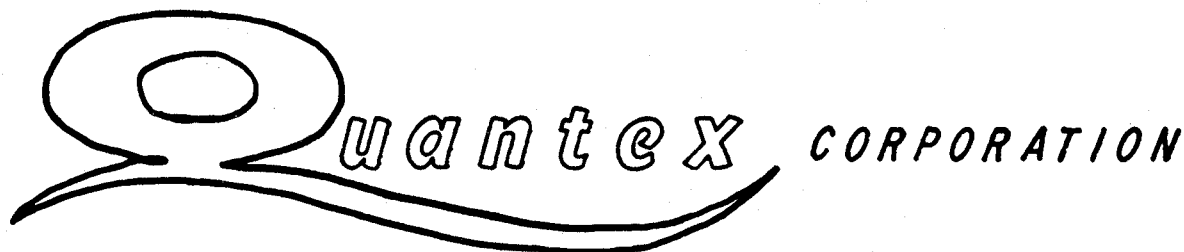
If Sunshine elects to continue after the option period, it agrees to pay Quantex, as an advance on earnings, the sum of \$2,500 per month for a 12-month period beginning December 14, 1972; and the sum of \$5,000 per month for a 24-month period beginning December 14, 1973.

Under the terms of the agreement, Sunshine is required to expend a sum of one and one-half million dollars during a three and one-half year period beginning April 15, 1972, or put a mill into production on the Silver Star Property with a capacity of not less than 100 tons per day. Upon expending this sum of money, or achieving this production rate, Sunshine will become the owner of a 60% interest in the lease of the Silver Star Property and all costs expended by it under the terms of this agreement shall be recoverable out of 90% of the ore produced from said property. Thereafter the profit shall be divided on a basis of 60% interest to Sunshine and 40% interest to Quantex.

The Board of Directors desires to emphasize that notwithstanding the execution of the above agreement, no representations can be made that a commercially mineable ore body will be discovered.

BY ORDER OF THE BOARD OF DIRECTORS

  
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DONALD C. LAUB, PRESIDENT



2330 SOUTH MAIN, SUITE 9  
SALT LAKE CITY, UTAH 84115  
TELEPHONE 801 - 467-4516

September 20, 1971

To the Shareholders:

This letter is to inform you of recent drilling activity conducted by Quantex Corporation on 96 unpatented lode mining claims known as the Silver Star property located in northern Elko County, Nevada. The Corporation has acquired a 20 year mining lease on these claims.

Quantex has completed one inclined diamond drill hole and is now engaged in drilling the second of three diamond drill holes that were planned for initial testing of the property.

The Board of Directors, at a special meeting held in Salt Lake City on September 17, 1971, determined that drilling results in the initial core hole "Q-1" indicate that there is sufficient silver value in grade and thickness to warrant expenditure of additional monies to further explore this property. There is of course no assurance that such an exploratory program will result in the discovery of a commercially mineable ore body.

At this same meeting, a rotation of Officers was effected and a new slate was selected as follows:

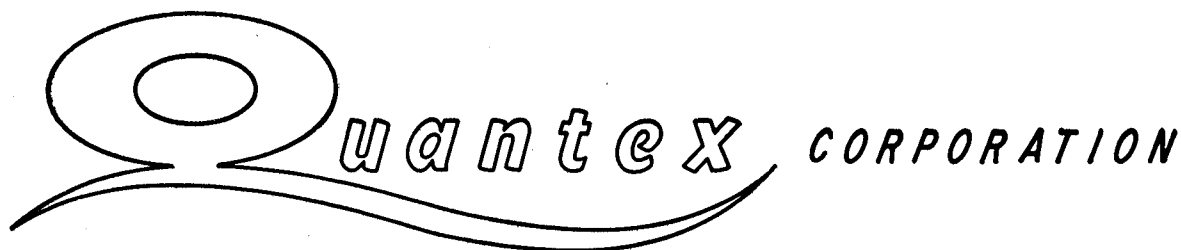
President and Chairman: Donald C. Laub  
Executive Vice President and Secretary: Allen O. Taylor  
Executive Vice President and Treasurer: Milan S. Papulak

The Corporation is also pleased to announce the appointment of Mr. James Russo, Property-Casualty Manager with Marsh & McLennan, Inc. to the Board. Mr. Russo fills the vacancy left by the resignation of George K. Brasher.

On behalf of the Officers and Board of Directors of Quantex Corporation, I take this opportunity to express our thanks for your confidence and support. We will keep you informed of future developments within the Company.

Very truly yours,

A handwritten signature in cursive script that reads 'Donald C. Laub'.  
Donald C. Laub, President



2330 SOUTH MAIN, SUITE 9  
SALT LAKE CITY, UTAH 84115  
TELEPHONE 801 - 467-4516

November 8, 1971

TO THE SHAREHOLDERS:

QUANTEX CORPORATION has completed drilling a third inclined diamond drill hole on its leased Silver Star property located in northern Elko County, Nevada. Assays taken from drill hole Q-3 showed 36 feet of mineralized rock that averaged 22.8 oz. silver per ton.

Drill hole Q-3 is located 1500 feet and 1750 feet south of previously drilled holes Q-2 and Q-1 respectively. Assay results in Q-1 cut 65 feet of mineralized rock that averaged 18.3 oz. silver per ton. Hole Q-2 cut 27 feet of mineralized rock that assayed an average of 23.5 oz. silver per ton.

From the information available at this time there is no assurance that a commercially mineable ore body is present on the property.

A handwritten signature in cursive script that reads 'Milan S. Papulak'.

Milan S. Papulak, Vice President