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REPORT

ON

NIVLOC MINE

OF

NIVLOC MINES, INC.

SILVER PEAK, NEVADA

AUGUST, 1946

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P. O. BOX 26

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SUMMARY

The Nivloc silver mine, near Silver Peak, was discovered in the early 1900's and worked again in the 1920's with no production. In 1936 a new development campaign opened new orebodies which justified erection of a 200-ton mill. From 1937 to 1942 it was Nevada's largest silver mine. In 1943 war conditions caused it to shut down; and in 1946 it passed into the hands of Nivloc Mines Inc.

During its operation between 1937 and 1943 Desert Silver, Inc., produced $3,977,329 from the Nivloc. There is remaining in positive tonnage in sight in the mine today 35,000 tons with a value of $13.45 per ton, or a gross of $470,750. In addition there are 28 places in the mine where Desert Silver cut ore during the latter part of its operation, but on which it was unable to develop because of labor shortage. These places will without doubt add very important tonnage to the ore reserves.

An indeterminate amount of the 35,000 tons of the ore in sight will make shipping grade, and an operating profit can be made by shipping ore as soon as mining equipment can be installed. However, as soon as conditions will

permit, a 100-ton mill will be built on the property in order to take advantage of the profit to be made from milling all of the ore available in the mine.

In addition to the known ore reserves in the mine there are the 364,000 tons of tailings which contain a very considerable value. At present metal prices, these carry $2.00 per ton, or a gross of $700,000, a large part of which will be recoverable.

HISTORY

The Nivloc mine was discovered in the early 1900's by Harry Stimler who sold it to a Mr. Colvin. Colvin did a considerable amount of work but eventually abandoned it and Mr. Fred A. Vollmar got possession of the property. In 1936 he secured a $20,000 class "B" RFC loan for development and the expenditure of this amount opened a considerable tonnage of ore. Early in 1937 Vollmar sold the mine to Desert Silver, Inc. for about $450,000.

Desert Silver built a cyanide mill with a capacity of 200-tons per day and pushed development at the same time. The mill was started in October, 1937 and operated continuously from that date until July, 1943; and for several years it was Nevada's largest silver producer. In the five years and 10 months which it operated 364,064 tons were produced, from which were extracted 4,675,408 ounces of

silver and 18,794.67 ounces of gold, with a value of $3,977,329.

Operating conditions, both as to scarcity of labor and materials, had become so acute due to the war that the mine was shut down in the summer of 1943. One of the Desert Silver officials wrote: "We would not have abandoned the mine except for the fact that scrap value of plant exceeded the probable excess of profits over an expensive shutdown of several years duration, and war conditions had made operations impossible."

Fortunately, the Desert Silver operators were of the highest type and they left all of the mine maps, including detailed assay plans of each level, up to date to the very end of the operation. And the estimate of ore reserves was revised after the shutdown. This will be discussed under a seperate heading.

ORGANIZATION

Late in 1944 this writer conceived the idea of taking a lease on the Nivloc mine of Desert Silver, Inc., in conjunction with Mr. M. W. Hayward; and negotiations with the owners resulted in a preliminary lease agreement for a ten-year peroid for all of the property except the tailings, which were withheld for benefit of the owners.

As negotiations progressed the original lease

idea was modified and the owners of the mine proposed that a company be formed, in which they would deed all of the mine, including the water rights and tailings, to the new company.

Accordingly, Nivloc Mines, Inc. was formed. It was organized, June 19, 1946 under the laws of the State of Nevada, with a capitalization of 1,500,000 shares of stock, fully paid and non-assessable, with no par value. The 109,200 shares of stock have been issued to the former owners of Desert Silver, Inc., and Nivloc Mines, Inc. now owns outright all of this valuable property, deed to which has been recorded at the county seat of Esmeralda County, Nevada. Therefore, there will be no royalty or property payments to be made on the mine or its production.

PROPERTY

The Nivloc mine is located in the Red Mountain Mining District, Esmeralda County, Nevada, and lies about seven miles southwest of the town of Silver Peak. Silver Peak is reached from U. S. Highway 6 or 95, turning onto State Highway 37 at Blair Junction. State Highway 37 ends at the Nivloc mine.

The property consists of 30 lode mining claims

as listed below, all contiguous. Of this group the Big Horns Nos. 1, 2, 3, 4, 5, 6, 7 and 8 are patented, the remainder of the claims being held by possessory title.

Big Horn Lode Mining Claim
Big Horn Nos. 1, 2, 3, 4, 5, 6, 7 and 8
Desert Nos. 1, 2, 3, 4, 5 and 6
Vancouver Nos. 1, 2 and 3
Plata Nos. 1, 2, 3, 4, 5, 6, 7, 8 and 10
Walter Nos. 1, 2 and 3

In addition to the mining claims the Company also owns two water rights at Cottonwood springs. Water from these is conveyed to the mine through a 4-inch pipe line about 6,000 feet long, which furnishes an ample supply for milling and domestic use.

The mine is opened through a 600-foot vertical shaft from the surface, with cross cuts from it to the vein on the 440-and 600-foot levels. From the 600-foot level an inclined winze has been driven to a point a short distance below the 900-foot level. This is a two-compartment winze and there are skip pockets on the 700, 800- and 900-foot levels in it. It is known as the "A" winze.

On the 900-foot level, east of the "A" winze, the "D" winze has been sunk to the 1100-foot level, but a short cross cut at the 1100-foot station is the only lateral work done from it.

The principal levels in the mine are 440, 500, 600, 700, 800 and 900-foot. Footage of drifting

(approximately) along the vein on these is as follows: 440, 3000 feet; 500, 1300 feet; 600, 3700 feet; 700, 3000 feet; 800, 1900 feet; and 900, 900 feet. In addition to these, there are approximately 6800 feet of raises, 1400 feet of shafts and winzes and 2000 feet of cross cuts on the various levels, or a total fo about 24,000 feet of development. The raises include one near the west end of present development, from the 700 level to the surface; and one about 450 feet east of the shaft from the 440 level to the surface. These provide excellent ventillation throughout the mine, and are used as emergency exists.

ORE DEPOSITS

The surface rocks at Nivloc are rhyolite flows and tuffs. The vein made through these and outcrops at the surface; but in general the croppings are not impressive. Nor have any commercial values been found in the rhyolites.

From the 440 level down, and for 100 or more feet above it, the footwall rock is alaskite, while in the hangingwall are sedimentary rocks: limestones, sandstone and tuffs. The vein is a fault fissure varying in width from 50 to 100 feet or more It has been opened along its strike for about 3700 feet and the mineralization is as strong at either end as at any other point. Surface

croppings can be found along a length of at least 8000 feet, and are believed to extend several thousand feet more than this distance. The fissure strikes about N 50° E and dips about 50° to the northwest. Vein filling is granular and crystallized quartz, quartz pseudomorph after calcite, and varying amounts of oxides of iron and manganese, in which are disseminated the silver minerals. A small amount of lead also occurs in all of the ores. In a number of places in the mine are said to be bodies of solid lead sulphide. These were left by the former operators because this lead carries no silver; but at today's price of lead this would make ore having a value of more than $100.00 per ton.

In the big fault fissure ore shoots occur in at least three zones: footwall, middle and hangingwall. Ore widths vary from four to twenty feet, and shoots have been mined up to 500 feet in length.

ORE RESERVES

The 35,000 tons of positive ore mentioned previously are in seventeen orebodies. This figure was arrived at by using in part the estimates made by Desert Silver, Inc. and in part by a careful recalculation from the assay maps by this writer. In no case was an orebody projected more than 50 feet above or below a level; and these figures are felt to be very conservative. This is

especially true because in addition to these orebodies which have been included in the calculations, there are three known places where there is ore of shipping grade, on which mining will be started immediately. Furthermore, a number of the former miners are very anxious to take leases on certain blocks of ground; and since it is felt that they will for the most part be in sections of the mine where the Company could not afford to work, it will be the policy of the management to encourage leasing. The leasing system, while not actually increasing the ore reserves, will definitely increase production.

Regarding the grade of the ore reserves: the figure of $13.45 given previously represents the average of all of the blocks of know ore. This average assay is 12.2 ounces of silver and .069 ounces of gold per ton; and in it are included three bodies of 8 and 9-ounce ore. These will not be of economic value until the mill is operating at the mine. However, there are also included five orebodies averaging 15 and 16 ounces silver and up to .10 ounces of gold. These have a value of $17.90 per ton. But even these include a number of low-grade assays; and by selective mining, and leaving the low-grade material in place as pillars it will be possible to maintain a grade, for shipping ore, of at least 20 ounces. This, with the gold content, will have a value of at least $20.00 per ton.