

6000 0255 (3890)



WISCOMBE SOUTHERN PAINTING COMPANY

- Sandblasting
- Locks & Dams
- Industrial Plants

P. O. Drawer L
HUEYTOWN, ALABAMA 35026
Area Code 205 491-5220

August 26, 1974

William R. Noack President
Argus Resources, Inc.
P. O. Box 2888
Pasadena, California 91105

Dear Mr. Noack,

I enjoyed meeting you and attending your meeting while in Los Angeles.

I have talked to Mrs. Coke. She and her two partners have over 500 acres of mining property. 217 acres are patented land. They also own the water in the mines. They are anxious to make a deal.

I understand American Smelting has completed their sampling and just shipped 280 tons out for pilot run on that ore. I also understand that Superior Oil is searching the area for Barite.

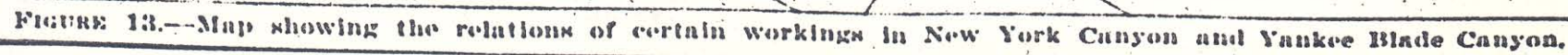
I have discussed the status of the tailings dump we sold you with my wife. We both feel that we would rather see the sale to you consummated as per the agreement. We would entertain a proposal to take some Argus Stock as a partial payment. However, no change or alternate proposals can be entertained until you bring the present note to a current status. The interest was due July 1, 1974 in the amount of \$2,583.30. The payments are to start September 1, 1974 (I delayed these at the request of Dudley Davis). They were originally to start June1, 1974.

Mrs. Coke is sending me all necessary information on her property. I will see what I can do with her and keep you advised.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Leland M. Wiscombe". The signature is fluid and cursive, with a large, sweeping initial "L".

Leland M. Wiscombe



REORGANIZATION of S. C. & M.

6000 ORSS (3890)

May 1, 1972

All creditors of both C.P.C. and Sawyer C. & M. must accept S. C. & M. stock for claims at established value of \$3.00 per share. Present outstanding S. C. & M. shares are 41,300 shares outstanding.

S. C. & M. offers C.P.C. for its assets less the 21,649 shares S. C. & M. a total of 87,000 shares S. C. & M. stock. C.P.C. to pay its note holders approximately 17,000 shares and distribute to its stockholders the balance of approximately 70,000 shares S. C. & M. plus the 21,649 shares.

The Sawyer C. & M. to offer its creditors consisting of note holders of \$73,600.00 and accounts payable \$43,609.05 S. C. & M. stock at \$3.00 per share totalling not over 40,000 shares.

Pro Forma Balance Sheet: S. C. & M.

Assets

Ajax Corp. stock	\$164,300.--
Sawyer-Adecor	13,700.--
Trans-Nuclear	4,700.--
Oil Lease	3,400.--
Total:	<u>\$186,100.--</u>

Liabilities

Capital Stock	
Authorized 1,000,000	
Outstanding for cash	41,300
C. P. C.	87,000
Creditors	40,000
Total Shares:	<u>168,300</u>

S. C. & M. offers Nevada Gold Development Company 116,000 shares for Kilborn Property subject to Yale mortgage of \$38,000. and 75,000 shares for the Victor Group and Black Canyon Mine, offers Edmund Wagner 100,000 shares for 35% equity of Jade Controls.

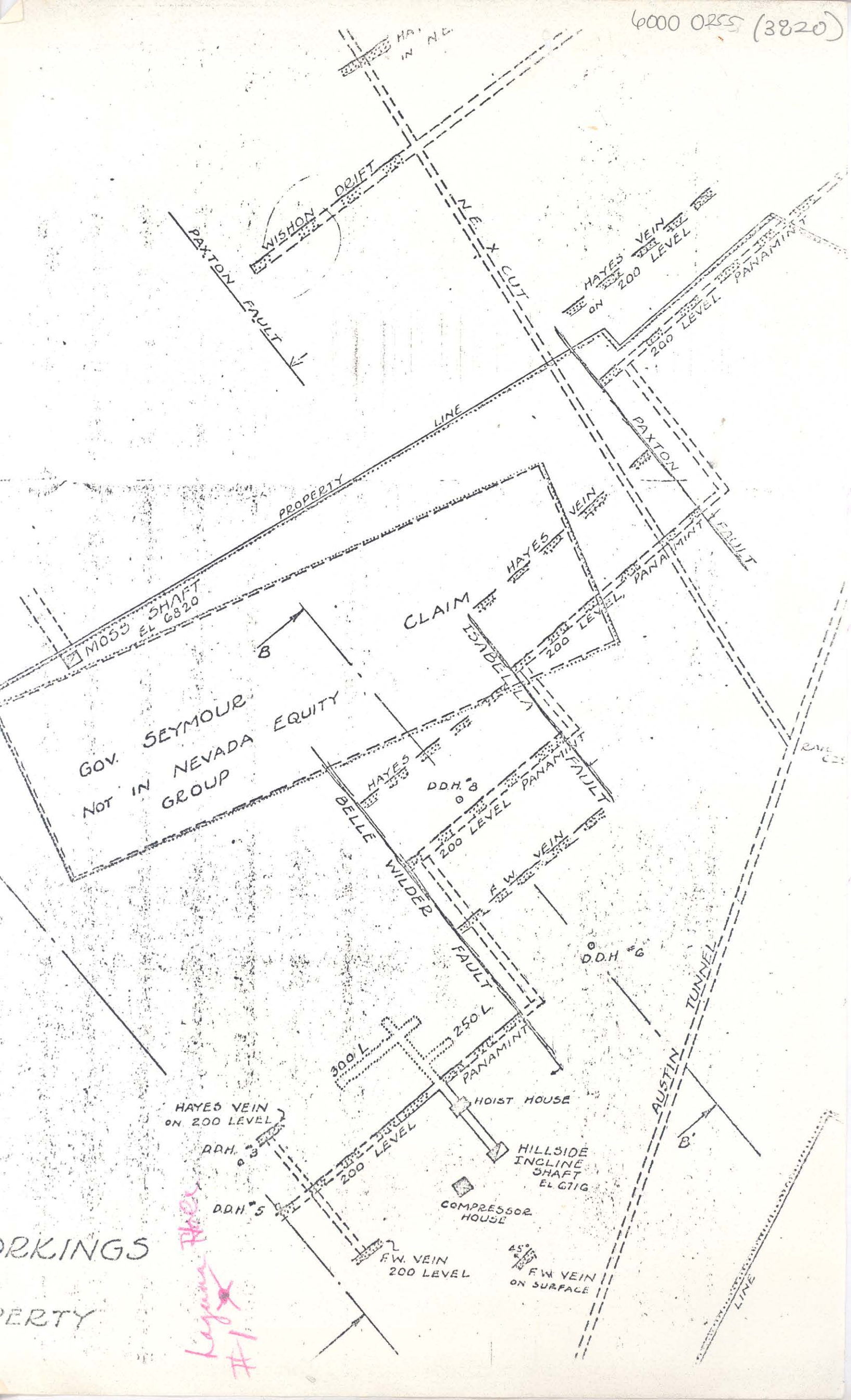
Pro Forma Balance Sheet S. C. & M. this stage

Assets

Ajax Corp. stock	\$164,300.--
Sawyer-Adecor stock	13,700.--
Trans-Nuclear	4,700.--
Oil Lease	3,400.--
Total:	<u>\$186,100.--</u>
Shares stock: 116,000	Kilborn Property
issued for 75,000	Victor & Black C
properties: 100,000	Jade Corp. stock
<u>291,000</u>	<u>TOTAL shares</u>

Liabilities

Mortgage Yale \$ 38,000.--
Capitalization:
Authorized 1,000,000 shares
Outstanding for cash 81,300
for acquisitions:
C. P. C.: 87,000
Kilborn: 116,000
Victor: 56,250
Black C. 18,750
Jade stock 100,000
<u>TOTAL shares out— 459,300</u>



WORKINGS

PROPERTY

Raymond H. H. #1

6000 0255

3980

S U M M A R Y R E P O R T

KILBORNE PROPERTY

LANDER COUNTY, NEVADA

May, 1972

Dudley L. Davis
Registered Professional
Engineer and Geologist

SUMMARY REPORT

KILBORNE PROPERTY

LANDER COUNTY, NEVADA

May, 1972

Dudley L. Davis

Introduction

This report summarizes available information on the subject property. The principal source of historic and technical data is U.S.G.S. Bulletin 594, published in 1915; Information Circular 7043, published in 1939; and an unpublished report by Robert Raring, the last mine operator in the district, dated November 13, 1947. Copies of these reports are appended so that the reader may seek out details and verify data as may be desirable.

The writer has visited the property, but all mines are inaccessible due to caved workings or shafts filled with water. Records at the Court House at Austin, Nevada reveal that taxes have been paid. There are no liens other than \$38,000.00 owed by Nevada Gold Development Company to Yale University.

Chem-Rex has purchased the property from Nevada Gold for \$300,000 by issue of 100,000 shares of capital stock.

Kilborne Property
May, 1972

D. L. Davis

Property

The property consists of 15 patented lode mining claims situated in north-central portion of the Reese River Mining District, Lander County, Nevada. The map which accompanies this report shows them in Sections 18 and 19, T. 19 N., R. 14 E., MDM and shows their outline as defined by U. S. Mineral Survey No. 3313. The principal mines are the Hillside and New York inclined shafts. A list of claims follows: Ballard, Dollarite, Gold King, Granulite, Gold King Fraction, Hilltop, Hillside, Illinois, Janey C.W., Janey C. W. Fraction, Moss, Mormon Turn, Moss Fraction, New York and Sunset.

Also included in the property are 500 sub-divided town lots in the town of Austin. These lots are presently being developed through an engineering firm under a special rehabilitation grant from H.U.D., as detailed in a later section of this report.

History

See pages 100-102 of U.S.G.S. Bulletin 594 attached hereto.

Geology

The geology of the Reese River (Austin) Mining district

Kilborne Property
May, 1972

D. L. Davis

is described in U.S.G.S. Bulletin 594 and by U.S. Geologic Exploration 40th Parallel, Volume 3, published in 1870. The latter is authored by S. F. Emmons who visited the mines while they were in operation.

Emmons classified the host rock at Austin a "normal granite", but today we would call it a quartz monzonite. We infer Cretaceous or Early Tertiary age and relate it, genetically, to the Sierra Nevada batholith and other intrusive granitic rocks of the Basin and Range province.

The ore occurs in many narrow "gash" veins which cut the quartz monzonite in series trending northwest to southeast and dip northeast from 15 or 20 degrees to 60 or 70 degrees. The flatter veins are characteristic of near surface on Lander Hill; since they join steeper veins at depth the lower workings show fewer but wider structures. The veins at the Hillside shaft dip about 45 degrees and vary from 2 inches to three feet in width. (See Raring's report).

The entire vein system has been cut by a series of later faults which strike generally north-south with steep west dip. These faults have left throw (normal displacement) of from 10 to 70 feet. Thus, the ore shoots are generally short, either due to pinching of the vein or off-setting by faulting.

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May, 1972

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Mineralization

The rich near-surface veins consist of manganese-stained quartz with cerargyrite (horn silver) as the principal ore mineral. The average grade of this ore was \$200 per ton but, since it was mined from about 1862 to 1885, must have averaged 300 ounces silver per ton. The water table in the old shafts was from 60 to 90 feet below the surface and, below that level, the character of the ore changed.

Primary ore minerals are galena, sphalerite, tetrahedrite, arsenopyrite, chalcopyrite, with minor argentite, proustite, pyrargyrite, stephanite and polybasite. The gangue minerals are quartz, rhodochrosite and pyrite.

Wall rock alteration is mainly sericitization with lesser silicification. The altered zones are usually but one to two inches wide but may be as much as 10 inches.

There is a pronounced zoning both laterally from the Central (Lander Hill) area and at depth. The Austin-Manhattan tunnel (elevation 6300 under the Hillside area) cut the Frost shaft at 660 below the surface. Here the base metals

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predominate with lesser silver-antimonides and tetrahedrite carrying the silver values. At the Hillside mine the ore averages 0.01 oz. gold, 7.8 oz. silver, 0.87% copper, 2.7% lead, and 2.6% zinc on the 200 level west drift (see Raring's report).

Due to a combination of fault displacement and mineral zoning, the ore shoots have a northwest rake so that deeper levels of the New York and Hillside shafts should show improved grades. The silver may be contained in argentiferous galena, chalcopyrite and tetrahedrite more than ruby silver minerals at depth.

Ore Reserves

Robert Raring's 1947 report is used as the basis of ore reserve calculations since the mines are presently inaccessible. He shows a longitudinal projection of the Panamint vein with 16,000 tons of "proven" ore and 24,800 tons of probable ore above the Wishon Drift (Austin tunnel) level. This section shows stoping above the Wishon drift and, although this portion of the Panamint vein is off-set from that developed by the Hillside shaft by the Belle Wilder fault, the Isabella fault and the Paxton fault, it is reasonable to project ore between the two excavations. This ore must be

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classified as probable and possible since there is no way for the writer to check Raring's data at this time.

Two other vein structures exist in the immediate area; the Footwall vein and the Hayes vein, but no ore reserves are calculated for them as no assay data are available. However, there is probably some ore in these vein structures which could be mined in connection with exploitation of the Panamint vein.

Metallurgy

Raring's 1947 report shows that selective flotation of the ore exposed on the 200 level of the Hillside mine is feasible. He states, ".....results eminently satisfactory; recoveries are high with good grade of concentrate....." "The lead-copper concentrate will average 31% Pb and 10% Cu with an average of about 150 ounces of silver per ton....." "....the conc concentrate will average about 51% zinc with low iron...." The test work was done by Dow Metallurgical laboratories in San Francisco, California.

The sample was taken from the west drift on the 200-foot level of the Hillside incline and assayed 0.01 oz. gold, 17.14 oz. silver, 1.0% copper, 4.0% lead and 2.8% zinc. Metallurgical

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May, 1972

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data are not available, but from the appearance of the ore in mine dumps, it is estimated that 85% recovery should be made on silver, copper and lead with 80% recovery of zinc in the zinc concentrate.

Real Estate

Chem-Rex owns 500 lots in the town of Austin, Nevada which has been selected by the H.U.D. model cities program for rehabilitation and city beautification. A \$94,000-program is proposed for sewer, streets and lights, and a \$25,000 contract has been let for engineering to a firm in Ely, Nevada.

Chem-Rex has a joint venture agreement with a major sub-divider whereby it will receive a net of \$200 per lot after the rehabilitation program is finished. The agreement covers 450 of these lots so that it could net \$90,000 if all are sold.

Conclusions

The Kilborne properties of Chem-Rex Company at Austin, Nevada show good potential for profitable mining of silver-lead-copper ores partly developed by mine workings now inaccessible. Entries are either filled with water or caved.

Kilborne Property
May, 1972

D. L. Davis

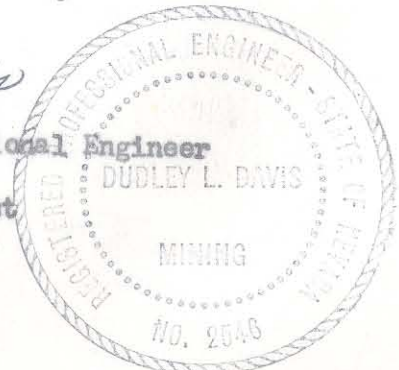
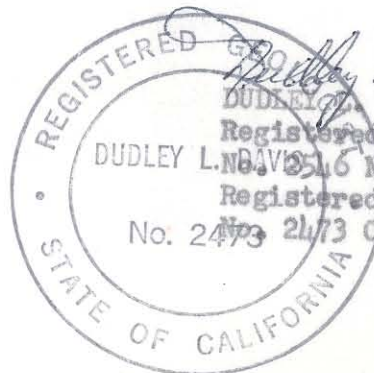
If the mines are opened, some 40,000 tons of possible ore can be made available for mining with good potential for additional reserves.

Milling can be easily accomplished since there are now three mills available in Austin. Metallurgical testing done by the Dow Chemical Company in 1947 (when the mines were last opened) showed "good recoveries."

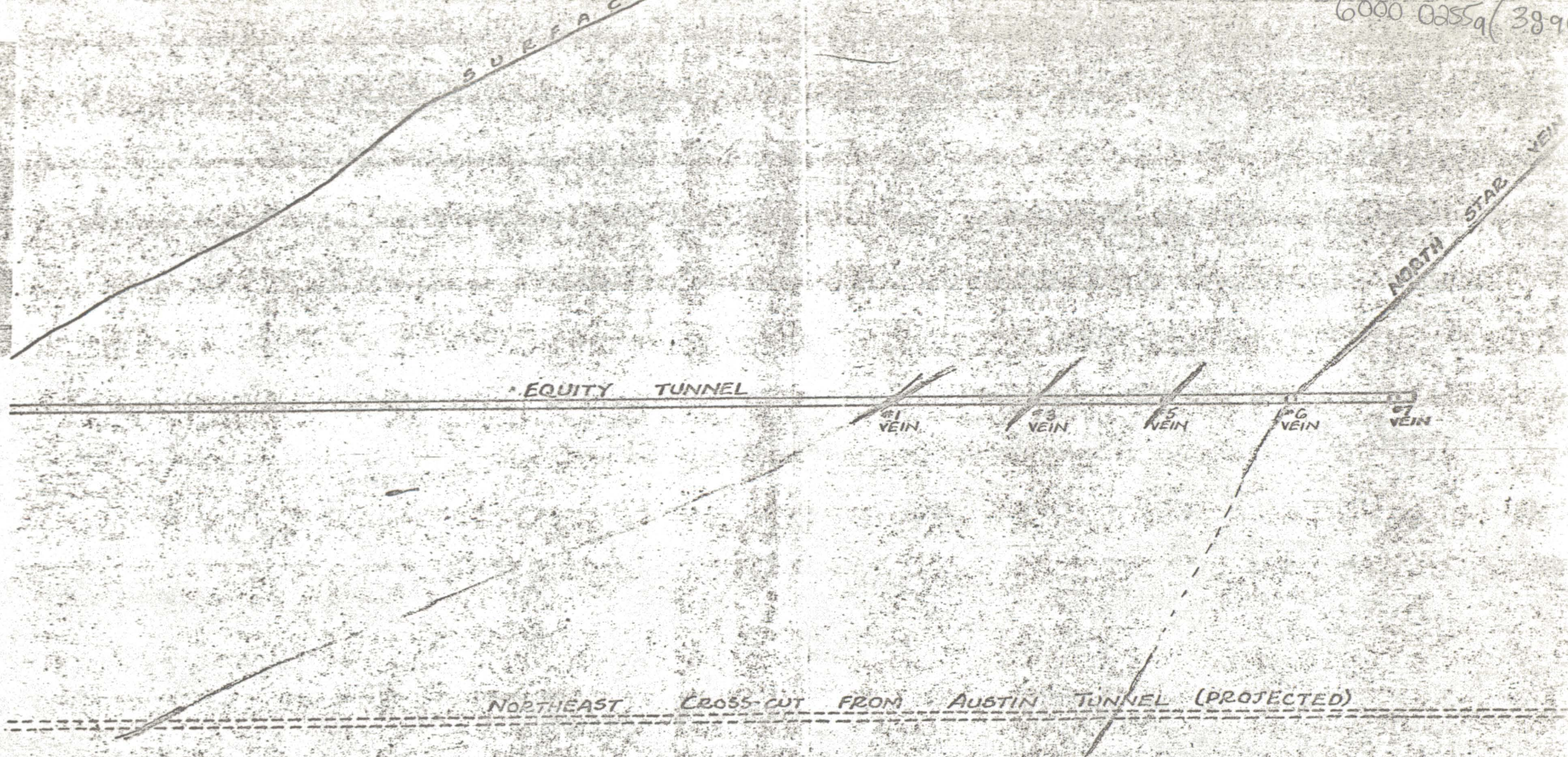
The best means of entry into the mines is through the Austin tunnel, but it has caved. Probably a better plan is to de-water the Hillside shaft and start working the ore exposed in the 200 and 300 levels. Later, or concurrently with mining, the Austin and, perhaps, the Equity tunnel should be opened.

A milling contract with Bullion Monarch Company which owns a modern flotation plant at Austin can be negotiated on reasonable terms as there is no ore available locally for milling other than that controlled by Chem-Rex.

Respectfully submitted,



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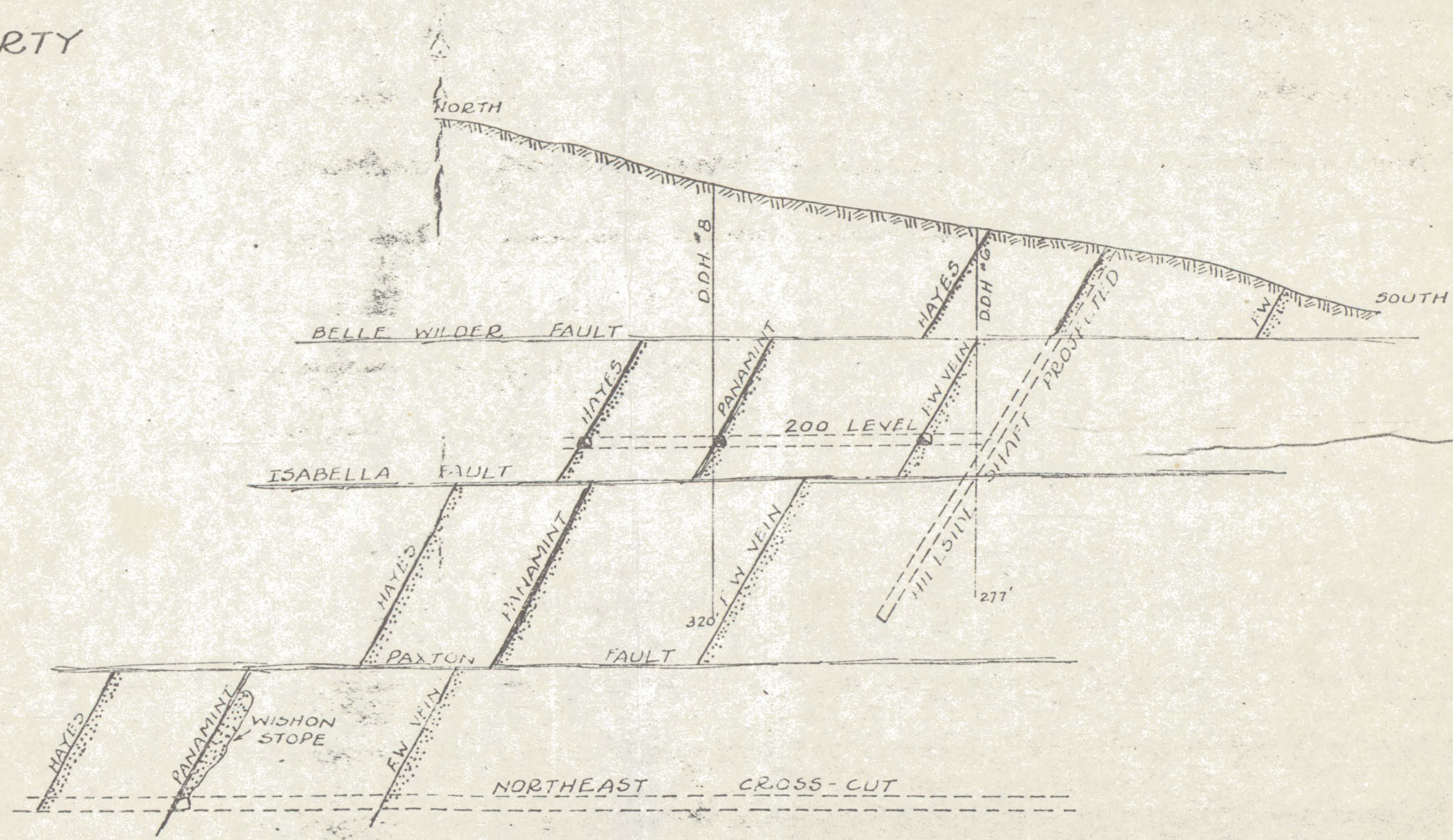


CROSS-SECTION OF NEVADA EQUITY
LOOKING
SCALE:

EQUITY PROPERTY

TIN, NEVADA

SCALE: 1"=100'



SECTION B-B'

WEST

6000 025c (3890)
EAST

IF EXTENDED, EQUITY TUNNEL
WILL CUT PANAMINT VEIN
AT THIS POINT

SURFACE
PIT

SURFACE

SURFACE

HILLSIDE
INCLINED SHAFT

NEW YORK
INCLINED SHAFT

DDH #5

DDH #3

DDH #1

200 LEVEL

250 LEVEL

300 LEVEL

DDH #6

DDH #4

DDH #2

300 LEVEL

DDH #7

WISHON DRIFT

200 LEVEL

250 LEVEL

KILBORN
FAULT

N.E. X-CUT FROM AUSTIN TUNNEL

LONGITUDINAL SECTION IN PLANE OF PANAMINT VEIN

LOOKING NORTH

SCALE: 1" = 100'

