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PLACER OPERATIONS

Round Mountain Mining Co.

July 1st, 1916

Round Mountain Mining Company

*Incorporated Under the Laws of
Nevada, March 28, 1906*

CAPITAL STOCK

Authorized: 1,500,000 Shares of \$1.00 Each
Issued: 1,320,630 Shares

OFFICERS

<i>President and Manager</i>	-	-	-	L. D. GORDON
<i>Vice-President</i>	-	-	-	J. R. DAVIS
<i>Secretary-Treasurer</i>	-	-	-	H. G. MAYER

DIRECTORS

L. D. Gordon	W. H. Webber
J. R. Davis	H. G. Mayer
W. H. Eardley	

Transfer Agency: Round Mountain Mining Company
1011 First National Bank Building
San Francisco, California

Registrar: American National Bank, San Francisco, California

DEPOSITARIES

John S. Cook & Co., Goldfield, Nevada
American National Bank, San Francisco, Calif.

To the Stockholders of the
Round Mountain Mining Company:

On January 6th of this year, Mr. J. R. Davis, who had been your President and General Manager, for practically ten years, resigned. This was occasioned by ill health, and a desire to devote more time and attention to his personal affairs. I was elected as his successor.

Mr. Davis was a worthy predecessor. During his administration, your property was built from a prospect into a mine of no mean proportion. A trying period of litigation was encountered, and successfully terminated, the Jett Creek hydraulic installation completed, and placer operations begun on company account.

With the thought in mind that reduction of costs, and increase in amount of material handled are always important factors in mine operation, negotiations were begun in February of this year with the Round Mountain Power & Water Company looking toward the acquisition of the water rights, pipe lines, and other property of that company in the Round Mountain District. On March 16th this year these negotiations eventuated in the purchase by your company from the Round Mountain Power & Water Company of all its water rights in North Jefferson, Jefferson, Shoshone, Slaughterhouse and Shipley canyons, and a complete hydraulic installation from Jefferson and Shoshone canyons to Round Mountain, together with the North Jefferson ranch, Enghouse ranch and Barker ranch, an assignment of all its leases in the Round Mountain District, and one fractional mining claim for the sum of \$120,000. \$30,000 of this amount was paid in cash, and three non-interest bearing notes of your company of equal amount, due March 16th, 1917, March 16th, 1918, and March 16th, 1919, secured by a mortgage on the property conveyed, were given in payment of the remainder of the purchase price.

The use of this additional water has enabled us to handle a larger yardage than heretofore possible, and to greatly reduce

our costs per yard. It is my firm conviction that the cost of hydraulicking our estimated available yardage will be so reduced by this supplementary water supply, as to more than equal the purchase price of all of the property acquired from the Round Mountain Power & Water Company.

Placer operations up to July 1st of this year are covered by the report of R. H. Ernest, General Superintendent, hereto attached. Results this season have been somewhat disappointing, both in yardage hydraulicked and value per yard. Our anticipation of a satisfactory water season was not realized, as the season this year was less than normal. While the precipitation last winter was greater than for several years past, most of the snow fell in the valleys and not in the mountains.

Mr. Ernest comments on the reason for the low value of this year's yardage. It must be firmly borne in mind that the gold in the Round Mountain placer deposit was derived from nearby vein erosion; that its original deposition was more or less uneven; and that its subsequent re-deposition was necessarily uneven. Considering past results in the district covering a much larger yardage, and therefore offering a better basis for computing values, I feel sure that the original estimate of \$1.00 per yard will be realized.

Attention is called to the low cost of this season's work, made possible by the use of additional water, and churn drilling and blasting ahead of the giants. Plans have been completed for changing and improving our placer practice, which should result in a further reduction of costs and an increase in yardage handled.

The fiscal year of your company has been changed so as to conform to the calendar year and shortly after January 1st a more complete report covering operations to that date will be issued.

Very respectfully,

LOUIS D. GORDON,
Pres. and Mgr.

Mr. L. D. Gordon,
President and General Manager,
Round Mountain Mining Company.

Dear Sir:—Herewith please find statement covering placer operations of the Round Mountain Mining Company from July 13th, 1915 to July 1st, 1916. Tables are submitted giving complete details of production, cost and realization.

Construction work on the Jett Creek pipe line had reached a stage permitting water to be turned into the line on June 24th, 1915. The main tailing flume, 2700 feet long was completed to a point requiring the use of a giant to cut a branch race into the block of ground selected for hydraulic mining during the remainder of the season. Active hydraulic mining began on July 13th and continued to September 3rd, when the flow of water in Jett creek had decreased to such an extent as to make it advisable to utilize it in cleaning up the bed rock which had been exposed.

18,150 yards of gravel were hydraulicked yielding \$36,413.70. Of this amount \$26,997.00 was recovered from the boxes and \$9,416.63 from bed rock. The total cost was \$11,058.18, leaving a net realization of \$25,355.52. The value per yard recovered was \$2.006 and the total cost per yard \$.609, divided as follows: hydraulicking, \$.395 and bed rock cleaning \$.214 per yard. The net realization was \$1.397 per yard, representing a profit on operations of 69.6%.

In November hydraulic operations were resumed with one shift. During December and January 30 days were lost because of low water and freezing. By closing the control gates, it was found feasible to back up the water in the pipe line and obtain intermittent runs with increased flow and pressure. Up to March 1st, 1916, 5272 yards were handled, the value recovered being \$9,203.62, the total cost \$5,397.32, leaving a net realization of \$3,806.30. The value per yard recovered was \$1.746, the cost

\$1.023, leaving a net realization of \$.723 per yard, representing 41.3% of the value recovered.

The costs during the above mentioned period were exceedingly high, due to the diminished head of water and difficulties incidental to operation during winter months. It was considered advisable to wash this block of ground, as it was entirely covered with a waste dump, which would have hindered mining operations during the high water season, as such material is carried through sluice boxes with difficulty, the boulders of waste rhyolite blocking the flume. All of the coarse material in the dump was removed to waste piles, leaving only the fines to go through the boxes with a small head of water. The above costs include, also, the expense of cutting a branch race into an adjoining block of ground and equipping same for mining during the 1916 high water season.

From March 1st to July 1st, 1916, 142,600 yards of gravel were hydraulicked; yielding \$48,176.53. Of this amount, approximately \$4,760.00 was recovered from bed rock. The total cost was \$27,897.58, leaving a net realization of \$20,278.95, or 42% of the total amount recovered. The value per yard recovered was \$.338, the cost \$.195, leaving a net realization of \$.143.

The decrease in the costs per yard during the high water season is due primarily to the increased supply of water made available by the purchase of the holdings of the Round Mountain Power & Water Company. With the use of the additional supply of water from Shoshone and Jefferson creeks, the average yard duty per miner's inch of water has been greatly increased, resulting directly in greater efficiency and reduced costs. The acquisition of the Jefferson and Shoshone pipe lines added approximately 200 miner's inches to the company's available supply from Jett creek. Part of the cost involved in extending the lines to the company's ground and in repairing the lines and intakes has been charged directly into operating expense.

The tabulated figures, indicating a gross yield of \$48,176.53 from 142,600 yards of gravel do not include the entire cleanup which will be made as a result of washing this amount of gravel. Bedrock on about one-eighth of the entire area hydraulicked has been swept, and it is known that a large amount of gold remains on bed rock. It is impossible to estimate with any degree of accuracy the total amount remaining, but it is believed that it will be from \$20,000.00 to \$30,000.00. Bed rock varies in richness depending on local conditions. Some of it is smooth and swept clean by the giants, but most of it is rough and full of open seams which collect the gold.

Results obtained to date prove that the block of ground hydraulicked this season is lower grade than was indicated by the preliminary sampling of shafts and pits. The original estimate of \$1.00 per yard was based on the results of hydraulic operations in pits adjoining the section washed during the past season and on a sampling of all available openings.

Up to July 1st, \$.338 per yard has been recovered from the sluices and from bed rock cleaning. In addition there is estimated to be from \$5,000.00 to \$10,000.00 in the branch races and main tailing flume. This gold cannot be recovered while active mining operations are being conducted but will be cleaned up at the end of the season. Taking all factors into consideration, it is believed that the total value recovered will approximate \$.50 per yard.

These results do not call for any change to be made in the original estimates as the latter are representative of large blocks of ground and not merely local sections. Prior to 1915 an average value of \$1.55 was recovered from all gravel washed on various sections of your company's property. Therefore, an average estimated value of \$1.00 per yard recovery is conservative. The results obtained this year could not be foreseen, as it is evident that a large low grade area was encountered adjacent to ground yielding over \$2.00 per yard.

The exposures of bed rock following hydraulic mining disclosed the following conditions:

A prominent ridge with the sides sloping to north and south extends under a large area of the ground washed. The surface topography gave no indication, whatever, of its existence. Hence it was assumed that bed rock dipped uniformly toward the valley. The branch races had been cut, boxes installed and giants set in order to take full advantage of the high water season. The ground washed in 1915 came from a section south of the ridge where bed rock had its normal dip. The gravel hydraulicked in the early part of the season of 1916 came from a section southwest of the ridge and beyond a point where it flattened out and assumed a dip conforming to the normal conditions. It is evident that the gold was concentrated more or less on either side of the ridge at some distance from its axis, and that the dirt on the ridge and its slope was very low grade. This condition was not ascertained in time to cut new races into richer ground.

Panning tests of the bank and bed rock ditches indicate that working to the north the ground is improving steadily in value, the samples taken showing values of \$2.00 or more per yard. The influence of the ridge is also diminishing as the cut is carried easterly and the amount of gold content per yard is constantly increasing. It is now definitely assured that for the remainder of the season highly profitable ground will be worked.

It must be recognized that in a hillside placer in which the gold content is derived from the erosion of veins and stringers, and has traveled relatively short distances, the distribution of values is very erratic. Local bed rock conditions are affected by the occurrence of small gulches. These local conditions cannot always be recognized from a study of the surface topography.

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The great expense necessary for an accurate sampling and estimation of value is entirely unjustified. Mining has proceeded according to the plans originally adopted and no attempt has been made to select locally enriched sections.

At the beginning of the year it was believed, due to the unprecedented snowfall in January that the high water season would be extended well into the month of August, but this prediction was erroneous. On July 1st, there was less water flowing in the creeks than one year ago and since June 1st there has not been sufficient water to fill either pipe line. Since that date the quantity has been steadily diminishing. Operations have been curtailed to meet this unexpected condition of affairs.

Plans are now under consideration to extend the main tailing flume to another block of ground. The entire flume will be lined with steel rails, which will increase the efficiency of the water. Considerable time was lost during the past season by the wearing of the wood blocks which had to be replaced at intervals, causing all hydraulic work to be suspended while repairs were being made. Time was lost by large boulders lodging in the flume and blocking it. Methods for handling boulders in the pits are being devised. It has also been found economical to blast the cemented gravel, as this increases the efficiency of the water and results in higher extraction.

Due to the unusual character of the placer deposit, and the relatively small amount of water available as compared with California placer practice, special methods must be adopted to insure the best results.

Operations in 1917 will be conducted with the view of obtaining the maximum efficiency from the water and it is believed that hydraulicking costs will be reduced to \$.15 or less per yard.

The block of ground selected for mining lies directly south of the apex of the Los Gazabo vein and its main ore chute, and results will undoubtedly show greatly increased earnings.

A tabulation of placer production, costs and realization is annexed hereto.

Respectfully submitted,

R. H. ERNEST,

Gen. Supt.

Practically all production has been more than covered, and has been increased.

The total value of the placer production is \$100,000.00, and the total cost is \$50,000.00. The net profit is \$50,000.00. The total value of the placer production is \$100,000.00, and the total cost is \$50,000.00. The net profit is \$50,000.00.