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FRIEDMAN, PRESIDENT

H. J. MURRISH, SECRETARY

Item 2

Seven Troughs Coalition Mining Company

MINES LOCATED IN THE SEVEN TROUGHS MINING DISTRICT

HUMBOLDT COUNTY, NEVADA

MAIN OFFICE, FIRST NATIONAL BANK

LOVELOCK, NEVADA, DECEMBER 12, 1913

TO THE STOCKHOLDERS OF THE SEVEN TROUGHS COALITION MINING COMPANY:
Gentlemen:--

The discovery of a very rich ore shoot, underlying an intermediate drift, forty-five ft. below the ten hundred level, and six hundred feet south of the main working winze, has within the past thirty days given a most decidedly different aspect to the outlook for the future of the property. Less than sixty days ago, we were without ore or the prospect of ore, we had apparently exhausted our field of search and were almost at a loss as to which way to turn, today, we are working an ore shoot which is improving with each step advanced, both in values and in size, broadening rapidly to the north and south, as depth is attained and presenting every logical evidence for the belief that we are on the top or apex of an extensive and rich deposit of values. Demonstration of the area embraced in this new ore zone, will require considerable time, and though our expectations be fully realized, the output for some time to come will be small.

With but little at first to go ahead on, (the vein, where we started down on it, being nothing more than a mere wedge of quartz and mud), we commenced work slowly, cautiously and with considerable skepticism, and as many of the good things we had pursued with enthusiasm during the past twelve months proved virulent in disappointment, we were inclined to the expectation that but little would result as the fruit of our endeavors. However, it was not our intention to throw up our hands and acknowledge defeat, so long as there existed a glimmer of chance. The first shot showed a widening of the wedge, and the first pannings

marked increase of values. The work was started a few days after the first of November, since when we have sunk a winze 30 feet below the level of the intermediate drift, and in that distance, the vein and its values have increased steadily from a knife blade streak assaying but a trace, to twelve inches, assaying \$367.00. To the right (north) of this winze, a small underhand stope has produced ore running from \$600.00 to \$950.00 a ton. The ore shoot has, so far, been exposed for a distance of thirty feet in depth and 25 feet laterally.

We are at present working under considerable difficulty and added expense, owing to the necessity for relay windlassing. This method will be eliminated by the end of the present month, or as soon as an incline winze, from the 10th level, now under way, has been completed, and one of our under-ground electric hoists installed.

While confessing extreme elation, resultant of our last month's endeavors, it is not the intention of this letter to unduly build up the hopes and expectations of the shareholders of the property, but simply to submit to their knowledge its present promising outlook and to assure them of our belief that all will yet be well for them.

Every effort, consistent with good mining, will be made to push development of the new ore body.

Respectfully,

L. A. FRIEDMAN,

General Manager.

Seven Troughs Coalition Mining Company



R E P O R T

THE GODDARD-ABBEY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

MCINTYRE BUILDING

SALT LAKE CITY, UTAH

March 21, 1913.

STOCKHOLDERS AND DIRECTORS OF THE SEVEN TROUGHS COALITION MINING CO.

Gentlemen:

We have audited the books and records of your Company from the date of its organization to December 31, 1912, and we hereby certify that the accompanying General Balance Sheet and Statement of Income and Profit and Loss are correct, and in our opinion, set forth respectively the true financial condition of your Company and the results of operation for the periods indicated.

Mine Properties. At the incorporation of your Company in September, 1908, it took over the Red Cloud Mining Claim in exchange for 200,000 shares of its capital stock, and at the first meeting of the Board of Directors a resolution was adopted authorizing the exchange of one share of your Company's stock for two shares of stock of either the Seven Troughs Kindergarten Mining Co. or the Seven Troughs Therien Gold Mines Co.

Until December, 1909, the activities of the Company were virtually confined to the sale and exchange of stock, but on December 16, 1909, a resolution was adopted by your directors to take over all the holdings of the Kindergarten Company. The purchase of the Kindergarten properties cost in all 449,111 shares of stock and \$32,914.09 in assumed liabilities.

Up to December 31, 1912, your company had exchanged 480,238 $\frac{1}{2}$ shares of its stock for a little more than ninety-six per cent of the stock of the Therien Co.

In January, 1911, the Company bought for \$10,000.00 cash the Fine Gold Claim, and during 1911 secured more than seventy-five per cent of the stock of the Kindergarten Extension Company for cash, \$8,442.50 and for stock, 1000 shares, exchanged. Sundry other properties have been secured for cash, \$1,301.55, and stock, 14,000 shares. Together these items make up the present mine properties account of \$1,197,007.64.

The Buildings and Equipment account contains expenditures for new construction and equipment since 1909 only. Previous construction work and equipment are included in the Mine Properties account which is charged with the purchase cost of all properties taken over and controlled.

The Therien Mining Co. account and notes, amounting to \$54,381.83, will be transferred to Mine Properties account as assumed liabilities forming part of the purchase price of the properties whenever the transfer of the Therien Company holdings shall be shown on the books.

Bills Receivable. These notes are bearing six per cent interest and appear absolutely good. The account was reduced by \$8,240.00 thru payments in February, 1913.

Respectfully submitted,

THE GODDARD-ABBIEY CO.

Certified Public Accountants, Salt Lake City, Utah.

EXHIBIT "I"

SEVEN TROUGHS COALITION MINING CO.

GENERAL BALANCE SHEET

December 31, 1912.

ASSETS

Fixed or Capital Assets:

Mining Property..... \$1,197,007.64

Buildings and Equip-

ment (Since 1909 only)	44,993.28	
Automobile	3,364.60	
Office Furniture.....	795.88	
<hr/>		
Total Fixed or Capital Assets.		\$1,246,161.40
Therien Mining Co.Acct.	16,381.83	
Therien Mining Co.Notes	38,000.00	54,381.83
Current Assets:		
Cash in Bank.....	1,338.08	
Accounts Receivable.	1,671.87	
Ore Returns Receivable for December.	3,536.18	
Bills Receivable.....	30,440.00	
Supplies, Inventory...	3,597.89	
Concentrates on Hand	3,384.66	
<hr/>		
Total Current Assets		43,968.68
Discount and Brokerage on Stock Sales.....	226,667.24	
Less 40 p. c. charged off against surplus	90,600.00	136,067.24
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Total Assets.....		<u>1,480,579.15</u>

CAPITAL AND LIABILITIES

Capital Stock Authorized, 1,500,000 shares	1,500,000.00	
Capital Stock Unsubscribed, 60,930 1-2 shares	60,930.50	
<hr/>		
Capital Stock Issued and Outstanding		1,439,069.50
Liabilities:		
Accounts payable.....	3,076.37	
Salaries Unpaid for December	743.93	
Pay Roll Unpaid for December	4,298.74	

Total Liabilities..	8,119.04
Surplus as per "Exhibit II"	33,390.61
Total Capital and Liabilities	\$1,480,579.15

EXHIBIT "II"

SEVEN TROUGHS COALITION MINING CO.
Statement of Income and Profit & Loss For the Year 1912

Income:

Ore Returns.....	\$ 196,243.45
Leasing Royalties	4,937.82
Concentrates on hand.	3,384.66
Mill Treatment	1,992.92

Total Income from
Operation

\$ 206,558.85

Operating Costs and Ex-
penses:

Mine, Labor \$74,798.-	
17; Material and Supplies \$18,042.57	92,840.74
Milling, Labor \$1,519.-	
23; Materials and Supplies \$3,828.28..	5,347.51
Cyaniding, Labor \$3,- 030.98; Materials & Supplies \$3,213.78.	6,244.76
Management and Sup- erintendence of Mine, Mill, and Cy- anide Plant	16,479.17
Assaying	2,843.74
Refining	356.77
Injuries to Men....	1,957.20
Sundry Operating Ex- penses	1,857.31

Total Operating
Costs and Ex-

penses		127,927.20
Gross Profit on Operation		78,631.65
Office and General Expenses:		
Office Expenses, Lovelock and Salt Lake	2,361.50	
Office Expenses, Seven Troughs	1,348.04	
Printing and Advertising	1,787.20	
Auto Expenses, Chauffeur & Maintenance	3,171.93	
Legal Expenses	1,000.00	
Telephone and Telegraph	525.58	
Directors Traveling Expense	950.00	
Auto Hire and Tolls..	420.30	
Insurance	292.50	
Assessment and Location Work	495.51	
Taxes	1,067.70	
Sundry General Expenses	1,306.40	
Total Office and General Expenses		14,726.66
Net Profit from Operation		63,904.99
Other Income:		
Interest Earned.....		1,397.33
Total Net Profit..		65,302.32
Profit and Loss Charges:		
Buildings and Equipment Destroyed in Flood	\$ 7,634.91	
Cyanide Supplies Destroyed in Flood ..	365.09	
Donation to Flood Relief Fund	100.00	

Total Profit and Loss Charges..		8,100.00
Profit to be Credited to Surplus		57,202.32
Surplus Dec. 31, 1911, per "Exhibit III"...		57,449.09
Total Credit to Surplus		114,651.41
Charges to Surplus:		
Dividend 2 1-2 p. c...	35,960.80	
20 p.c. Written off Dis- count and Broker- age on Stock Sales during promotion period	45,300.00	
Total Charge to Surplus ..		81,260.80
Surplus Dec. 31, 1912, as per "Exhibit I".		\$ 33,390.61

In addition to the flood loss of \$8,100.00 shown above, there were washed away bullion, precipitates, and tailings valued at \$70,805.00. Otherwise the Ore Returns would have been greater by this amount and the profit to be credited to Surplus would have amounted to \$136,107.32.

"EXHIBIT III"

SEVEN TROUGHS COALITION MINING CO.

Statement of Income and Profit and Loss From the Com- pany's Organization to December 31, 1911.

Income:		
Ore Returns	\$ 350,885.37	
Leasing Royalties....	14,897.37	
Total Income from Operation		\$ 365,782.74
Costs and Expenses:		
Wages and Salaries..	155,819.23	

Materials & Supplies..	35,936.33	
Mill Running, Labor and Materials	25,888.12	
Cyaniding	3,356.90	
Hauling	10,967.87	
Freight	2,897.71	
General Expenses....	13,548.79	
Surveying and Legal Expenses	5,147.80	
Insurance	2,000.22	
Corporation Tax	1,182.57	
Other Taxes	2,490.60	
<hr/>		
Total Costs and Expenses		259,236.14
Profit from Operation		106,546.60
Other Income:		
Interest Earned		414.17
<hr/>		
Total Net Profit..		106,960.77
Capital Charges:		
Interest Paid		4,211.68
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Profit to be Credited to Surplus		102,749.09
Charge to Surplus— 20 p.c. Written off Discount and Brok- erage on Stock Sales made during promo- tion period		45,300.00
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Surplus Dec. 31, 1911		\$ 57,449.09
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For the period covered by this statement the Company's expenditures were not nearly so well segregated and distributed as during 1912, and hence the lack of detail in this statement. For us to have made an analysis and segregation of the accounts would have placed the company at considerable additional, and we feel unnecessary, expense.

Philadelphia, March 29, 1913.

PERSONAL:

Mr. M. B. Cutter,
559 Bullitt Building,
Philadelphia, Pa.

Dear Mr. Cutter:

I have received a letter from my correspondent in the West relative to the Seven Trughs Coalition Property. He gives a fairly favorable account of the property but not one which makes it especially attractive from our point of view, so far as I can judge. It seems that the ore occurs in small high-grade bodies and they have not yet worked out any way to guide them reliably in locating these small shoots. It might be that careful geological work would enable them to do this, and that the property might be brought up into a state of greater efficiency. Should a favorable proposition be made to us I would be willing to pay a brief visit to the property on one of my trips west.

With best regards,

Yours very truly,

ORIGINAL SIGNED
J. E. SPURR

Vice President

JES-C

Philadelphia, March 29, 1913.

Mr. H. G. Walker,
Lovelock, Nevada.

Dear Sir:

I have yours of March 24th concerning
the Seven Troughs Coalition Property, and thank you
for the information contained.

Yours very truly,

ORIGINAL SIGNED
J. E. SPURR

Vice President

JES-C

Seven Troughs Coalition Mining Company

MINES LOCATED IN THE SEVEN TROUGHS MINING DISTRICT

HUMBOLDT COUNTY, NEVADA

MAIN OFFICE, FIRST NATIONAL BANK

LOVELOCK, NEVADA, April 9, 1913.

TO THE STOCKHOLDERS OF THE SEVEN TROUGHS COALITION MINING COMPANY.

Gentlemen:-

We are submitting to you, for your examination and consideration, the report of the Goddard-Abbey Company, certified public accountants, covering the financial affairs of the Company to the first day of January of this year. We believe that you will find the report sufficiently exhaustive to make unnecessary; particularization of the features therein defined. We should however, call your attention to the fact that our losses washed away and destroyed by the flood of July, 1912, in bullion, precipitates and tailings amounted to \$70,805.00, which sum had the product reached the market, would have increased our profits just that much, less the cost of reduction.

It is our purpose to embody an audited detail with our annual report henceforth, believing that such a statement will be more satisfactory to the stockholders; and further, that the shareholders may be kept fully in touch with the working conditions, we will hereafter mail a circular letter at the close of each month, setting forth the particulars of the operations during that month.

Many radical changes are taking place, conditions are most undependable and each day's work brings to light new phases and unanticipated vein diversions, making it absolutely impossible to give you at the present time any forecast of the future.

From the 9th, down, we find the mine seriously disrupted by many and complex faultings, the solution of which is requiring most careful and cautious study and a large expenditure of money. Roughly calculated, fifty thousand dollars have now been spent in working through the disturbances, with the end not yet in sight. Many times during the past few months, we thought the end of our difficulties had been reached, only to be confronted almost immediately with other and more serious physical distortions. Particularly was this the state of affairs last December, when on the 10th level, we cut into what, for the moment, appeared to be a cross vein, which at the point of encounter, showed a large breast of ore, carrying extremely rich values. Immediate exploitation demonstrated that instead of a cross vein we had brought up against the wall of an immense fault, which was coursing at right angles to the strike of the vein, and that the values were

resulant of local concentration, the zone of precipitation extending 35 feet east; 70 feet north and about the same distance south. Surrounding this area of enrichment, other faultings were met, which have so far not been penetrated, though numerous upraises, drifts and crosscuts have been pushed into the shattered country.

On the 10th level, our hanging wall formation went below, pitching at an angle of 70 degrees, while the footwall rhyolite showed a dip of less than 35 degrees. With the expectation that the walls would be found at the point of convergence on the 11th level, a crosscut was made into the hanging wall, and had the relative pitch maintained, our true hangingwall (basalt) dike would have been reached in 45 feet, yet this crosscut has now been driven over one hundred feet, with no evidence of the basalt dike, showing conclusively that in a vertical distance of 51 feet this wall has turned absolutely flat, and that we must go to a yet greater depth to find our formations uniformly aligned, and until such a condition is obtained, the likelihood of ore values being found is meagre. This is applicable, of course, to that vein from which up to the present time our production has been made, and which has been distinctively gold bearing, the silver values running but seven tenths of an ounce to each ounce of gold.

In crosscutting into the footwall, from the face of our main east drift on the 10th level, we cut through a six inch vein of ore carrying high values in both gold and silver. As further development was made, however, we found an almost complete reversal of the mineral conditions, and now the ore is yielding but a few dollars in gold with exceedingly high silver returns.

Since the discovery of this vein, we have drifted on it to the south 70 feet; 20 feet to the north; have upraised 75 feet and are sinking a vertical winze from the 10th level to tap it on its dip. In the north drift, the values ran out a few feet from the point of commencement. In the south drift the ore was more or less continuous for 35 feet, when a fault came cutting out the quartz entirely for 35 feet, where the ore has again come in and at the present writing we have six inches of very rich silver ore at the face of the drift. In the upraise, the ore faulted out at 30 feet, and in the additional 40 feet driven, no change for the better has taken place. Overlying the south drift, we have a small stope, from which during the month of March, we extracted thirteen tons, which should give us returns better than three hundred dollars a ton. The stope is apparently widening and present indications are that we will be able to take out between twenty-five and fifty tons this month, (without figuring on what may be exposed in the advancement of our south drift) and the ore will be of equal value to that now enroute to the smelter. The vein is badly shaken and faulted and with the small amount of work so far accomplished, it would be extremely unwise to make estimates of any kind as to its futurity. We will say, however, that we are very much encouraged with the showings and believe that we are approaching a large ore shoot. The product shows ruby, horn and brittle ailver with sulphides of silver predominating, and carries a small percentage of copper in pyritic form. We most earnestly hope that our next month's report to you will be one of good tidings, and all efforts possible are being made towards a speedy opening up of the country wherein the new vein lies.

Respectfully yours,

L. A. FRIEDMAN,

General Manager.

LOVELOCK, NEVADA. March 24th, 1913.

Mr. J. E. Spurr,
Tonopah Mining Company of Nevada,
Bullitt Building,
Philadelphia, Pa.

TONOPAH MINING CO. OF NEVADA		
REC'D MAR 29 1913		
	J. S. A.	J. E. S.
SEEN		
ANS'D		

Dear Sir:-

Your letter of March 19th, relative to the Seven Troughs Coalition property, at hand, and in reply will say that while I am quite familiar with the mine in question in a number of its phases, my answer to your general question must of necessity be a general one. More accurate details in regard to ore bodies, costs of mining and milling and future possibilities, I could obtain, but it would be necessary for me to go direct to the parties in charge of mining with whom I am acquainted.

The property has been under active development for seven years and constitutes a coalition of three original groups known as the Wihuja, the Kindergarten and the Fairview properties, each of which were more or less productive at the time of the consolidation. The mine is being worked through one shaft at the present time excepting only a small force at work on the Fairview which is under lease to the Mazuma Hills people. The property has always paid its way and at times has produced large quantities of very rich and spectacular high grade ore, and while such bodies have been of somewhat irregular occurrence, they have been frequent enough to carry the property over the lean months.

The first quarterly dividend amounting to two and one-half percent was paid on outstanding stock June 1st, 1912, and the company was at that time in first class condition and expressed the intention of making a regular dividend payment quarterly thereafter. Two months later a disastrous flood demolished their cyanide plant and carried away a large quantity of gold solution and some bullion. No dividends have been paid since.

The property is developed to a little below the tenth level, and there is apparently no change in continuity of ore or character with one exception. The values have always been in a free milling sugar quartz and consisted of a gold silver alloy of a valuation approximating \$12.00 per ounce. Recently in the tenth level, a body of ore has been opened up which carries about \$100.00 in gold and several hundred in silver in the form of argentite, the first individual silver mineral to be found in the mine. The extent of this body of ore I do not know at present.

The whole vein system appears to be complicated with faults, cross stringers and like phenomena, but the ore occurs invariably in the quartz veins along the contact of the rhyolites and dacites with basalt dikes as well as in silicified replacements in the basalt and branch stringers running off into the basalt. These stringers quite frequently lead to a high grade pocket.

It will be seen from this that mining and development costs must of necessity be excessive, and it is this feature that has made disbursement of dividends the more difficult. The management is to be commended, I think, for its optimistic attitude and aggressive development which it seems has really been warranted

by its continued productivity, but I am not satisfied that any dependable conclusion as to the origin and continuity of the ore bodies has been worked out geologically as yet. If this is done, I believe that the results will show a likely future for the property, but it would be impossible to make any predictions for a property of this spectacular character. Personally I believe there are ore bodies as yet undeveloped, fully as large and rich as any yet encountered, but this opinion is not based on much more than intuitions.

The company is operating a five stamp mill and have recently been getting an extraction so perfect that they have never replaced their cyanide equipment. They are shipping the silver ore at present.

If you desire any further information, I will try to secure it and present it in a better form at an early date.

Shall give the Star Peak property my attention some time this week and report at once.

Respectfully yours,

H. G. Warden

Philadelphia, March 19, 1913.

Mr. H. G. Walker,

Lovelock, Nevada.

Dear Sir:

I believe you are familiar with the Seven
Troughs District and would be glad if you would give me
briefly your knowledge and opinion of the Seven Troughs
Coalition property, if you are disposed to do so.

Yours very truly,

J. E. SPURGE
J. E. SPURGE

Vice President

JHS-C

Mr. M. R. Vanderkloot,

Chicago, Ill.

Dear Mr. VanderKloot:

TONOPAH MINING CO. OF NEVADA		
REC'D MAR 19 1913		
	J. S. A.	J. E. S.
SEEN		✓
ANS'D		

Gardena, Cal.
Jan. 25, 1913.

It gives me great pleasure to report to you that I found the mine in a much better condition than I expected. The company have about thirty men employed, and are taking out eleven tons, or a little more, of ore that will average a little better than \$100.00 per ton every day. They have enough of this kind of ore blocked out to keep them going at the present rate of production for 75 to 90 days, and with a good chance of opening up a much better shoot of ore above the present one. This ore shoot is in Vergin territory and may prove to be more valuable on the upward tread than down, because it can be taken out at much less cost. Bird told me that the cost of mining was \$10.00 per ton and milling charges \$3.15 per ton, putting the cost of both mining and milling at \$25.00 per ton should leave a profit of \$75.00 per ton. The great draw-back, as I see it, is that the vein is very erratic--here today and somewhere else tomorrow, and most difficult to follow. In order to follow it was necessary to underhand stope the main body of the ore, the most difficult and expensive method of mining known. Even then the vein would get away from them and a period of time would elapse with little or no ore. This I learned from an examination of all the old stopes and workings. At one point I found the vein had jumped upward of 60 ft. leaving no trace as to where it could be found, at another point a jump of forty feet and only a very small stringer to follow. They have a larger body of ore right now than at any time since leaving the 600 ft. level, and I believe Mr. Bird's statement that they have more ore blocked out than at any time in three years. I think well of the future of Coalition. It has a great future in my opinion, and I will try to make it plain to you why I think so. Judging from the broken and uncertain condition of the vein, I am led to believe that they are nothing more than stringers or feeders from a larger and more permanent body of ore, and my experience in many mining camps leads me to the conclusion that they seldom fail to lead to the larger body. The present equipment of the mine has about reached its limit as to depth and its pumping and hoisting capacity is even now overtaxed. A deep shaft and a heavy pumping plant will be an absolute necessity and would materially decrease the cost of production. Mr. F. told me that he hoped to be in position to pay another dividend in June or July. I have no doubt that he will have 70 or 80 thousand in the treasury by that time, but he will be figuring on that new shaft before then, or I miss my guess. The shaft and equipment would leave the treasury without much to pay a dividend. Now right here I want to tell you that the information I received which I wrote Fairfield and sent by him to you, was, at that time what I said it was, absolutely correct, and more he did not tell me the worst. They had no ore and they had lost two of the lower levels by the failure of the pumps to handle the water. No. 10 Station of the Friedman Winze had broken the timbers and was out of commission, other timbers in the winze had to be replaced and at the time he visited the mine the mill had not moved for two weeks, four men were retimbering and two were fight-

ing back the water. This I gathered piecemeal, a scrap here, another there. Bird casually told me that the latter days of November were the darkest days of Coalition's history. I believe it was the darkness before the dawn. They certainly have accomplished wonders since then. They have the station and winze in good shape, the water under perfect control, and a good body of ore that will place some money in the treasury in the next 90 days. I had always heard that Mr. Bird was not a practical miner and incompetent as a manager. Now I have studied conditions in the mine with care and can honestly say that I find more to commend than to criticise. The foreman has the reputation of being one of the most capable men in the State, and he has certainly added something to his reputation in Coalition. The mine has been of necessity an expensive mine to work. The character of the vein making it so and being situated so far from transportation has been a hindrance. I have mixed facts with some of my own opinions in this report and will separate the facts and restate them here: The mine is now producing eleven tons of ore daily of an average grade of \$100.00 per ton and have sufficient ore blocked out to keep up the production for 75 to 90 days. The management is good. The mine is insufficiently equipped for sinking to greater depth. A new shaft and equipment is a necessity in the near future. Now comes my opinion: I wired you from Lovelock "Don't sacrifice one share of your stock." I think I have given you facts enough to justify the advice. If there is anything about the mine you want to know that I have left out, please let me know and I will gladly tell you. Mr. Friedman just wired me of the death of Mrs. A. VanderKloot in Florida. Please convey to her relations our condolence in their bereavement.

I want to express to Mr. Friedman and the entire force of the Coalition my appreciation of their kindness and courtesy during my stay there and the material assistance they rendered in my work.

Truly and sincerely yours,

(Signed) J. H. Bowen.