

4370 0076

From Metals Economics Group, 1985

MONTEZUMA

(Lyon Co., NV)

309

Item 207

ALSO KNOWN AS: KEYSTONE

OWNER(S): VICTOR INDUSTRIES INC (VENTURER-75%)  
PIONEER PETROLEUM & MINING INC (VENTURER-25%)

METAL(S): GOLD  
SILVER

EXPL. STATUS: EXPLORATION  
ACTIVITY STATUS: ACTIVE  
START-UP DATE: 1984 - SECOND QUARTER  
(PAST PRODUCER)

OPERATION-TYPE: UNDERGROUND

MINESEARCH #: 052684

CURRENT AS OF: JULY 1985

LOCATION

STATE: NEVADA  
COUNTY: LYON  
MINING DISTRICT: COMSTOCK  
TOWN: SILVER CITY  
DISTANCE FROM: ONE MI S OF SILVER CITY.

GENERAL COMMENTS

CONSOLIDATED KNOBBY LAKE MINES LTD HELD AN OPTION ON THE PROPERTY FROM VICTOR INDUSTRIES IN 1984. AFTER SPENDING ABOUT C\$250,000 ON A GEOCHEMICAL STUDY AND 2,000 FT OF DRILLING, KNOBBY LAKES DETERMINED THAT THE PROJECT WAS NOT ECONOMIC AT CURRENT PRICES.

ON THE OTHER HAND, THE VICTOR/PIONEER JOINT VENTURE HAS RECENTLY ANNOUNCED THAT PRODUCTION WAS SCHEDULED TO COMMENCE IN APRIL. WE HAVE BEEN UNABLE TO REACH VICTOR TO VERIFY PRODUCTION PLANS. (PC 7/85)

WORK HISTORY

1983: KEYSTONE MINING AND VICTOR INDUSTRIES HELD THE PROPERTY.

1983: AN ONGOING EXPLORATION PROGRAM WAS CONDUCTED TO CONFIRM GEOLOGICAL REPORTS THAT TWO GOLD-BEARING VEINS MAY CONVERGE. (VICTOR INDUSTRIES PR 1/14/83)

1984: KNOBBY LAKE WAS NOT ENCOURAGED BY THE RESULTS OF A BRIEF EXPLORATION PROGRAM AND DROPPED ITS OPTION AGREEMENT. (PC 7/85)

1985: VICTOR/PIONEER ANNOUNCED A PRODUCTION DECISION. (PC 7/85)



### CURRENT WORK PLAN

1985: PRODUCTION WAS SCHEDULED FOR APRIL BUT NO CONFIRMATION HAS BEEN RECEIVED. (PC 7/85)

### EXPLORATION AND CAPITAL COSTS

1984: C\$1 MILLION WAS BUDGETED FOR EXPLORATION. C\$250,000 WAS SPENT. (NM 2/23/85, PC 7/85)

### GEOLOGY REPORT

OREBODY TYPE 1: VEIN (LODE)

### GEOLOGY COMMENTS

GOLD MINERALIZATION IS FOUND IN NARROW VEINS. (PC 7/85)

### COMPANY INFORMATION

VICTOR INDUSTRIES INC.  
1 - 13238 NORTHUP WAY  
BELLEVUE, WA. 98005  
(206) 641-1860

PIONEER PETROLEUM & MINING INC  
1 - 13238 NORTHUP WAY  
BELLEVUE, WA. 98005  
(206) 641-1860

CONSOLIDATED KNOBBY LAKE MINES LTD  
1018 - 475 HOWE ST  
VANCOUVER, BC V6C 2B3  
(604) 669-6263

6232





SHARES TRADED OTC PINK SHEETS

**VICTOR INDUSTRIES INC.**

13238 NORTHUP WAY, SUITE 1  
BELLEVUE, WASH. 98005  
(206) 641-1860

May 20, 1985

Dear Shareholders and Investors:

*SP 11/85*  
VICTOR INDUSTRIES, INC. announces the opening of the Montezuma Mine, commencing on schedule, April 15, 1985. The Company will shortly announce the results of initial production and it is important to note that this commencement of mining operations marks the beginning of the current operational phase of VICTOR INDUSTRIES, INC., after a hiatus of approximately 25 years since its last producing mine, with the exception of production tests.

The Company has negotiated an operating agreement with WESTERN PROCESSING, INC., a Salt Lake City mining and refining company. The contract calls for WESTERN PROCESSING to bring the Montezuma Mine into full production and provide other related engineering services.

In order to assist in the opening of the Doc project, VICTOR INDUSTRIES intends to become the General Partner in a Limited Partnership being formed by CIMARRON CONSOLIDATED MINING & OIL, INC. Besides sharing the contemplated revenues from the Doc claims, VICTOR INDUSTRIES will obtain revenues from its activity as General Partner.

CIMARRON CONSOLIDATED MINING & OIL, INC., an affiliate of VICTOR INDUSTRIES, began trading on the Over-the-Counter Pink Sheets April 24, 1985. The stock is currently trading at a \$0.50 level. VICTOR INDUSTRIES owns over 4,000,000 shares of CIMARRON CONSOLIDATED.

The Company has added several members to its Board of Directors in order to increase the expertise available to it. CORWIN H. LIKINS, of Murray, Utah, is a consulting mining and metallurgical engineer with over 35 years' experience in the mining and metals industry. Mr. Likins is the former Chief Engineer and Environmental Manager for UNC Mining and Milling Services, Inc.

STANLEY R. MENDENHALL, of Salt Lake City, Utah, is Vice President of Plastic Fabricating & Supply, Regional Sign, and American Label. These companies have combined annual revenues in excess of \$30 million. Mr. Mendenhall studied marketing and architecture at the university of Utah.

DONALD J. SHELL, of Redmond, Washington, the third new member added to the Company's Board, is an Attorney and Business Consultant. Mr. Shell's clients include several aviation industry companies, along with several mining and industrial corporations. He is the former Senior Vice President and Secretary of Air Washington, Inc., dba FirstWest Airline, and is a member of the Board of Airline Dynamics, Inc., an aviation consulting firm.

Yours truly,

Vic Boykiw, President

VB:dpb

MANAGING MARKET MAKERS RE STOCK INQUIRIES:

Rothschild Equity Management Group Inc.  
800 521-0222

S. D. Cohn & Co.  
800 221-8584

M. RIMSON & COMPANY, INC.  
800 221-4934



**PROPERTY AND ASSETS  
PRECIOUS METALS MINING**

**MONTEZUMA MINE**

This property consists of three patented mining claims and certain real property in the Devil's Gate and Chinatown Mining Districts of Lyon County, Nevada, and comprises approximately 200 acres. Lying about four miles northwest of the town of Dayton, Nevada, on a low range of hills running south from Mt. Davidson, Montezuma Mine is within three miles south of the Virginia Comstock Mines, Virginia City, Nevada.

The mining claims and real property are as follows:

Montezuma	Lot 119, Patent #2099
Carson	Lot 80, Patent #887
Silver Central	Lot 94, Patent #1749

and portions of private land in Section 16, namely S 1/2 of NW 1/4, E 1/2 of SW 1/4, SW 1/4 of SE 1/4. The claims are all located in Township North, Range 21 East, Section 16, exclusive of the patented Kossuth Mining Claim (Lot 23), patented Alhambra Mining Claim (Lot 56) and patented Metropolitan Mining Claim (Lot 74).

16 N  
Narrow  
Q3 VG Int

Mineralization - The primary mineralization was an iron sulphides which was impregnated with gold, and was carried by the thermal solution through the fissures where it was deposited along with the quartz and other lode filling. At a later period oxidization took place and most of the sulphides were turned into an oxide leaving very little sulphides in the ore, making it a free gold ore which will very likely continue to the permanent water level where the sulphides will occur as originally deposited.

Access - The property is reached by a state highway that runs within a quarter mile of the mine and then along a private road directly to the property. Carson City, Nevada's Capitol, is the nearest large town and is approximately 10 miles away.

History - The Montezuma Mine was, at one time, owned by Manuel King of Dayton, Nevada, and in the 1890's, produced some shipments of very rich gold ore. King optioned the mine to Dr. John Ross who organized the Montezuma Gold Mines Company, Ltd., which did work on the property beginning October, 1931.

The property was also, at one time, acquired by the Gold Canon Consolidated Mining Company, although the exact year and terms of the acquisition are unclear. Subsequently, the property was acquired by the Dondero family. Victor Industries, Inc., an affiliate of Pioneer Petroleum & Mining, Incorporated, has entered into an option to purchase the property with Alan G. and Donald N. Dondero.



*city distr* *silver hill NW* *3 miles*  
Geology - The property is contained in the same geological area as that of the Silver Hill district, out of which some \$30,000,000 in \$20 gold was taken, being a large porphyry formation which extends for miles in every direction.

*topo 9* *only*  
From a reconnaissance survey of the property performed for the Gold Canon Consolidated Mining Company, a large diorite dike was found which was the fissuring and mineralizing element. This dike was also the cause of the enormous mineralization of the famous Comstock and Silver Hill mines.

The geology is simple, there being no complications and no faulting of any consequence, nor have any faults been encountered in the workings of the Silver Hill mines.

Most of the prior mining activities on the property occurred in the late 19th and early 20th centuries. At that time, most mining was focused on extremely high-grade ore where technology permitted ease of recovery and return on investment was within acceptable parameters. In more recent times, little organized mining has been in evidence.

*Knobly* *OK?*  
In 1983, management caused an examination of the property to be conducted by a professional engineer. This examination concluded that an open pit mining operation could be profitable and noted that prior ore shipped from the property produced approximately \$18 per ton when the price of gold and silver was \$20 and \$0.30 per ounce, respectively. See Operating Analysis, Exhibit I, below.

The prior gold and silver production of the area, plus the gold-silver mineralization, the favorable structural and geologic environment of the property, warrants a complete surface development program be completed in anticipation of full scale mining activities.

The Montezuma Mine is a joint venture wherein the Company will acquire a 25% working interest in return for payment of 25% of the development and exploration costs.



#### MINNIE MOORE GROUP MINE

This property consists of three unpatented mining claims located on Shoshone County, Idaho, approximately 5 miles southeast of Murray, Idaho. The property is accessed by a good oiled county road running three miles east of Murray, along Prichard Creek, and then two miles south along Granite Creek, then one-half mile southwest along the West Fork of Granite Creek to the property.

Nearby, and in evidence in other unpatented claims belonging to the same Minnie Moore Group (comprised of 23 claims in total), are two tunnels, indicating previous mining activities. This prior mining effort has been at some undetermined time in the past and the time of most recent mining activity cannot be ascertained. However, management believes that prior mining took place more than 40 years ago.

While management believes this property to be of significant value, initial efforts will be directed toward bringing the Montezuma Mine into production. Accordingly, the Minnie Moore Group Mine will be held in the Company's portfolio of assets for future development. Therefore, the Operating Expense, Revenue and Income from the Minnie Moore Group Mine, shown in Exhibit I, below, is not included in the Proforma Income Statement found in Exhibit II, below.

#### CAT GROUP MINE

This group of properties consists of two unpatented lode claims located in then Eagle fMining District of Shoshone County, Idaho.

As with the Minnie Moore Group Mine, these claims have not been the subject of detailed geological and/or assay studies.

While management believes this property to be of significant value, initial efforts will be directed toward bringing the Montezuma Mine into production. Accordingly, the Cat Group Mine will be held in the Company's portfolio of assets for future development. Therefore, the Operating Expense, Revenue and Income from the Cat Group Mine, shown in Exhibit I, below, is not included in the Proforma Income Statement found in Exhibit II, below.

#### BARREL SPRINGS MINE

This property consists of 175 unpatented lode claims encompassing approximately 4300 acres of federal land.

Barrel Springs is located 60 miles north of Lovelock, Nevada and comprising parts of Township 33 North, Ranges 28 and 29 East and Township 34 North, Ranges 28 and 29 East, Nevada Mining District, Pershing County, Nevada.



Access - The property is readily accessible by a county-maintained road that affords ingress and egress on a year-round basis. Also included on the property is a well-designed and constructed 4,200 foot airstrip. The airstrip can accomodate all but the largest twin-engine aircraft and at least 320 days of good flying weather per year can be anticipated.

Heavy weight and volume traffic can be handled through the main line of the Western Pacific Railroad, now part of the Union Pacific Railroad, which passes by the northern boundary of the mine and is thus approximately five miles from the main ore bodies. Two rail sidings are located along the portion of the rail line passing the property.

In addition, there are well-constructed haulage roads on the property which give access to known ore deposits and a number of smaller dirt roads accessing remote corners of the property.

History - Barrel Springs Mine has an extensive history of development and production dating back to the 1870's.

Throughout its history, there has been one problem which has prevented large-scale development of the property - lack of water. A recent and thorough study of this issue by a mining engineering and consulting firm indicates that the property would have been mined out years ago had there been an adequate water supply.

However, developments in mining technology, along with the discovery of two water well-fields on the property indicate that the resumption of mining activities could profitably commence. Management has on hand an extensive engineering report which shows test results of a water study completed on this property. The report indicates that sufficient quantities of water are available to support mining activities.

These water fields are situated one to four miles from known ore bodies and can meet processing demands in excess of 5,000 gpm. Pilot scale mining has shown that water will have to be piped directly into the ore bodies being mined in order to significantly reduce production costs.

Environment - The property is located in typical high desert sagebrush country featuring 2,000 -foot relief mountains and undulating hills and ridges in the alluvial fans at the base of the mountain. Most of the known deposits are located in the alluvial fans which are accessible by four-wheel drive vehicles.



Recently, the U.S. Bureau of Land Management (BLM) has classified the entire district, including the property, as a non-wilderness study area open to mining. There are no known species which would be endangered by a mining operation. State and federal environmental restrictions and requirements concerning the proposed operations are expected to be minimal due to the fact that the area is remote and surface mining is an environmentally "clean" operation.

Geology - The geology of the property has been studied over a two-year period and this study has produced geological, geophysical and test trench maps. The chief occurrence of surface gold deposits is in a large alluvial fan of Quaternary age that extends westward from Rosebud Peak.

Economic surface deposits have been found to be concentrated in various portions of the fan surface including; the slope break in the fan where heavy minerals have settled out owing to lack of stream transport capacity; in pods, pockets and lenses located in ancient buried channel systems around various slope breaks; in recent alluvium where gold has concentrated on false bedrock beds lying immediately beneath the alluvium; in small alluvial fans draining the main fan, and possibly in the underlying tertiary cemented gravels. Most of these deposits are mineable from the surface.

Reserves - While it is not economically feasible at this time to determine proven reserves, it is possible to provide inferred reserves, which are defined as ore bodies immediately outside the areas actually mined and/or tested and which are extensions of the known ore bodies existing in geologically similar circumstances.

Total inferred reserves for various blocks on the property are 11 million cubic yards with an additional 11 million cubic yards of possible reserves. Based upon gold at \$300/oz, the ore grade is expected to vary between .012 to .028 oz/yard of gold, translating to a value of \$3.60 to \$8.40 in the >150 mesh size range. Preliminary tests show much higher values, i.e., \$12 to \$36 in the <150 mesh size range.

History - Placer mining began in the 1870's when Chinese miners successfully worked the tributaries to Rosebud Canyon, however it is impossible to determine the value of gold recovered. In the early twentieth century, this entire area experienced an explosive but short-lived boom when a number of high-grade gold and silver mines were operated in the area. At the peak of the boom there were four good-sized towns in the area with an estimated 5,000 to 7,000 inhabitants. Several hundred million dollars (in current prices) in gold and silver were mined in the area, but the high-grade was soon mined out and production ceased.



During the period 1933 - 1939, this area was one of the more important placer mining districts in the state. State officials at the time estimated that as many as 200 miners and their families made their livelihood from this property during the Great Depression. Their diggings are scattered throughout the area. There was a Post Office, school and several saloons located at what is today a camp-site for current mining activities.

These Depression-era operators made subsistence wages with crude dry-wash machines and made their final recovery by spreading the concentrates out on a sheet and picking out the visible nuggets with tweezers.

After a succession of short-lived mining attempts, Nevada National Mine leased the property in 1977. This organization drilled numerous water wells, secured water rights, built the airstrip and haulage roads and established the camp-sites and attendant septic systems. Soon thereafter a dispute developed among the principal backers and the project came to a complete halt. The result was massive pilferage of equipment and materials, and high-grading by employees, with the consequence being the entire project being shut-down.

Water resources - Tests of water quantity and quality indicate that there are at least two well-fields in proximity to the mine sites. Each of these fields is capable of producing 150-200 gpm, which is the amount necessary for mining activities. Further studies indicate that the water should be pumped to the mining/processing site rather than the ore being hauled to the water.

The Barrel Springs property was acquired by Pioneer in September, 1981. The acquisition consisted of a 50% working interest in the unpatented lode claims. The Company, as operator, is required to pay the Owner 50% of the net profits. When all of the Owner's developments costs have been recovered, the Company will obtain a 70% working interest and will retain 70% of the net profits.

While management believes this property to be of significant value, initial efforts will be directed toward bringing the Montezuma Mine into production. Accordingly, the Barrel Springs Mine will be held in the Company's portfolio of assets for future development. In addition, the Company has become aware of a possible infringement upon its rights in this property. Accordingly, no operating analysis is shown for the Barrel Springs Mine and it is not included in the Proforma Income Statement found in Exhibit II, below.