(208)

4410 0035

ITEM 38

NEVADA DOUGLASS GOLD MINES, INC.

MINA, ESMERALDA COUNTY, NEVADA.

Table of Contents and Conclusion.

The ore in the Nevada Douglass property is far too bunchy and scattered to have any value. The plan of financing is ridiculous. I strongly advise against the purchase of the stock on any terms.

NEVADA DOUGLASS GOLD MINES, INC.

MINA, ESMERALDA COUNTY, NEVADA.

PROPERTY AND LOCATION

The Nevada Douglass Gold Mines, Inc., owns or has under option 374 acres of mineral land six miles by automobile road southwest of the railroad station of Mina, Nevada. Mina is at about 4600 feet elevation, and the Douglass camp at 6900 feet. The road is fairly good, though fairly steep.

The 120 acres of the Grassi Group, at the west end of the property, are owned outright by the Nevada Douglass. The balance of the property is held under five year option with payments every six months, increasing from $7500 on January 1, 1925, to a final payment of $15,000. The total amount still to be paid is $69,000. The Company also owns two springs, each said to flow about 20 gallons per minute.

HISTORY

Ore was first discovered in the Douglass camp in 1893. Soon after a 3 stamp mill was built, and ore was mined from many shallow cuts and tunnels. The record of past production accompanying an old report by A.A. Blow, dated December 4, 1906, gives detailed figures for 4633 tons of ore treated from 12 veins on the Nevada Douglass (then Douglass Mining Co.) property prior to that date, with a recovery of about $97,298, or $21.00 per ton by amalgamation and an additional $4.40 per ton by cyaniding tailings. Mr. Blow states that the total production was 8000 tons. The Geological Survey report on northern Nevada states that much development was done after this early period, but little ore mined. There

is no record of the financial results of the early work. The fact that production stopped about 1904 indicates either that there was no profit or that the rich ore was about exhausted. Although the rush to Tonopah and Goldfield may have caused a temporary shortage of miners, it would not have closed down a profitable mine.

In the past two years Messrs. H. E. Springer, A. G. Backlund, Milbury and associates have tried to bring the camp to life again. They spent nearly $50,000 in development work and in building a 10 ton amalgamating mill. Most of the development was in the new "Contact" vein, which had been overlooked in the early days, probably on account of the low grade of the ore. The amalgamating mill gave a very poor recovery, and in spite of treating the best ore obtainable from the small veins which had been mined earlier, operations resulted in a loss. The total amount of ore treated in this mill was 888.7 tons averaging $16.66 in gold. Of this tonnage 157 tons avaraging $6.84 per ton were from the raise on the Contact Vein above the Haulage Tunnel, and 731 tons averaging $18.77 per ton were from the narrow rich veins.

In July, 1925, the Nevada Douglass Gold Mines, Inc., took over the property. This company is endeavoring to build a 100 ton mill to treat the low grade ore from the Contact Vein, with a little richer ore from the small veins. The mill is over 75% complete.

FINANCING

The Nevada Douglass Gold Mines, Inc., is capitalized for $2,500,000, with 2,000,000 shares of common stock, $1.00 par;

250,000 shares of cumulative 10% convertible first preferred stock, $1.00 par; and 250,000 shares of cumulative 10% convertible second preferred stock, $1.00 par. Messrs. Springer, Backlund, Kilbury and associates took in return for the options and property and for their services 1,500,000 shares of common stock and 250,000 shares of second preferred stock. The first preferred stock is being sold at par to finance operations. From one to four or more shares of common stock are being given as a bonus with this preferred stock. To date about 40,000 shares of the first preferred stock have been sold. The promoter receives a commission of 25% of the money raised by selling stock, in addition to a salary. The amount of money available for development and equipment under this plan is obviously small.

GEOLOGY AND VEINS

The Excelsior Mountains, in which the Nevada Douglass property occurs, run nearly east and west. The property is near the west end of the ridge, rising from an elevation of 6600 feet in the more northerly claims to 7300 feet in the southern claims. The lower slope of the mountain is made up of alternate beds of fine grained andesite tuff and coarse conglomerate, dipping steeply southeast into the mountain. The upper part and top of the mountain are formed by dense, hard quartz porphyry, with many included fragments of andesite and rhyolite. The contact is irregular, but has a general strike of nearly east and west, and dips about 45 degrees south.

Near this contact, but not always on it, is the Contact Vein. The outcrop of the vein is usually covered by talus from the porphyry cliffs above. Where it does come to the surface, the outco

crop consists of from 4 to 15 feet of crushed white quartz with a little calcite, striking a little north of west and dipping about 50 degrees south. Underground the vein consists of crushed highly altered iron stained porphyry and andesite with very irregularly distributed quartz and a little calcite. This big vein outcrops at intervals for a length of 4650 feet from the Orphan Boy claim on the east to the Rottler on the west.

North of the Contact Vein, in the andesite and conglomerate, there are many smaller quartz veins from one to five feet wide and up to 1500 feet long. Most of these veins, which average under two feet in width, strike northeast and dip southeast, more or less parallel with the bedding. The old production was from them. The largest of them is the New Party Lode, which is in places 5 feet wide.

RESULTS OF DEVELOPMENT

The small veins in andesite and conglomerate were developed by many shallow tunnels and open cuts to a depth of about 100 feet. Tunnels run about 1906 developed the veins at a slightly greater depth. Nearly all of these old workings have caved. Since almost no stoping was done from the deeper tunnels, the ore must have been leaner in them than in the surface workings from which came the early production.

The Contact Vein is developed at intervals for a length of 4650 feet. Including shallow open cuts the workings extend over about 1300 feet of this length, or 28% of this length. Following is a summary of the development, beginning at the east end. The attached assay sheet gives the results of sampling by the undersigned.

Orphan Boy. Tunnels and open cuts 200 feet long. Vein 1 to 3 feet wide in andesite. 1924-1925 production 126.8 tons averaging $15.60 in gold.

Orphan Boy to Water Shaft. 200 feet undeveloped.

Water Shaft. 30 feet inclined depth, near bottom of gulch. Makes about 10 gallons of water per minute. Hanging wall very heavy, requiring close timber. About 3 to 5 feet of quartz developed. Some $15.00 ore reported by Mr. Springer. Sample assayed $1.13 in gold.

Water Shaft to Haulage Tunnel. 500 feet undeveloped.

Haulage Tunnel and raise to Ackerman workings develop contact vein for about 150 feet vertically, or 200 feet on the dip, and 30 feet length. On tunnel level vein makes about 10 gallons of water per minute and ground is very heavy, so tunnel has caved in spite of timbering. Ore milled from raise above haulage tunnel is said to have averaged $6.84 per ton. Four samples over 5½ feet width averaged $0.64 per ton. The vein material consists of crushed quartz and kaolinized porphyry, loosely cemented by iron oxide with a little manganese and by granular quartz. It is certainly too soft to stand in a large stope without expensive timbering. The Ackerman branch vein, which meets the Contact Vein above the haulage tunnel, is from six inches to two feet wide, with one pocket five feet wide. Very little ore remains. Ore shipped said to have averaged $17.07 per ton.

Haulage Tunnel to Blue Dump. 600 feet undeveloped.

Blue Dump Tunnels and Winze develop the vein for 230 feet in length and about 175 feet down the dip. Quartz porphyry hanging wall badly broken. Highly altered crushed andesite footwall. Vein from 6 to 13 feet wide, also soft and crushed. Bad walls and soft vein material would make mining expensive. 19 samples average 84 cents per ton in gold.

Blue Dump to Duke. 350 feet undeveloped.

Duke tunnels and old stopes show one to two foot vein in andesite. Reported old production 226 tons ore from which $24.46 was recovered

by amalgamation.

Duke to Fottler. 1800 feet undeveloped, save for shallow pits. In the center of this area for 200 feet there is a calcite vein with some quartz over 10 feet wide. Judging by panning, values are low.

Fottler Open Cuts are about 500 feet long, on a one to three foot vein cutting quartz porphyry. Old production said to have been 221 tons from which $23.70 was recovered by amalgamation.

Messrs. Springer, Backlund and associates state that they have had many $8.00 to $12.00 assays from the Contact Vein in the Blue Dump and Haulage Tunnel sections. It seems clear from the 25 samples taken by the undersigned either that the earlier samples represented small bunches of ore or that they were incorrectly assayed. In either case there are certainly no large bodies of commercial ore.

ORE RESERVES

A very small tonnage of $10.00 to $20.00 ore could be mined from the narrow veins. The grade of ore mined in early operations was about $26.50 per ton. The grade of ore from the small veins in 1924 and 1925 was only $18.77. The good ore was evidently in small bodies very near the surface, and the grade is decreasing with depth and with further development. The total tonnage mined in 32 years from these veins is only 5364 tons. The veins are small and the ore so bunchy that even $20.00 ore would not yield any great profit. There may be a few thousand tons of $15.00 to $20.00 ore on which lessees could make fair wages and the company could make operating expenses on the mill. The value of this ore to the company is practically nothing.

In the Contact Vein no ore has been found large enough or rich enough to be worth mining.

MILL

The new cyanide mill, rated at 100 tons per day capacity, consists of crusher, ball mill, Dorr classifier, three agitating tanks, three thickeners, Oliver filter, and zinc precititating apparatus. It is driven by three small gas engines with a total rated capacity of 125 horsepower at sea level, or about 85 horsepower at the altitude of the mill. Water for the mill will come from the Water Shaft and the Haulage Tunnel. Tests made by the Tonopah Extension Mining Company gave a 91% extraction by cyaniding in 24 hours, which is excellent. The mill has been built exceedingly cheaply, out of second hand material. About 25% of it remains to be bought and paid for. The supply of water, and also the power, seem very small for a 100 ton mill. Since the mine can not produce as much as 100 tons of commercial ore per day, these deficiencies are not important.

CONCLUSION

The ore in the Nevada Douglass property is far too bunchy and scattered to have any value. The plan of financing is ridiculous. I strongly advise against the purchase of the stock on any terms.

Respectfully submitted

JOR A LEMON

San Francisco, California

November 2, 1925.

IRA B. JORALEMON

NEVADA DOUGLASS GOLD MINES, Inc.

LIST OF SAMPLES BY IRA B. JORALEMON.

Oct. 24th and 25th, 1925.

No.	Location	Silver ounces	Gold ounces	Gold Value
1	Blue Dump Tun. Sand FW portion 7 feet	.09	.015	$.31
2.	" " " " HW portion 8 "	Tr	.005	.10
3.	" " " 10' E of #2 No walls.4feet	.07	.03	.62
4.	" " " 20' " " " " " 4 feet	Tr	.025	.51
5.	" " " 30' " " " " " 6 feet	.09	.01	.20
6.	" " " 40' " " " Next H W 8 feet	.08	.02	.41
7.	" " Main Tun. F W port. 5½ feet	Tr	.02	.41
8.	" " " " H W " 4 feet	Tr	.005	.10
9.	" " 1st crosscut E of Tun. 12 feet	Tr	.01	.20
10.	" " Crosscut 20' E of #9 13 feet	.06	.045	.93
11.	" " " 55' E of #9 HW of clay 3 ft.	.07	.03	.62
12.	" " " 60' E of #9 FW of clay 12 ft.	.21	.09	1.86
13.	" " Top of Incline 4½ feet	.18	.12	2.48
14.	" " E of Crosscut FW of clay 4½ feet	Tr	.02	.41
15.	" " " " HW of clay 11 feet	Tr	.01	.20
16.	" " Transfer Tun., Face 5 feet	.05	.05	1.03
17.	" " Incline 30' below main Tun. 5 feet	.16	.045	.93
18.	" " " 15' " " " 6 feet	.41	.19	3.92
19.	" " Main Tun. 30' E of #9, HW of sto. 9ft.	.07	.035	.72
20.	Ackerman Tun. Contact Vein. 6 feet	Tr	.005	.10
21.	60' level above Haulage Tun. E Face 5 feet	.15	.05	1.03
22.	E end Sto. 95' above Haulage Tun. 5½ feet	.15	.02	.41
23.	49' Level below Ackerman Tun. Cont. Vein 5 ft.	.15	.05	1.03
24.	Top of Water Shaft, W side 5 feet	.05	.055	1.13
25.	New Party Lower Dump, grab sample	.17	.13	2.68
26.	Tailings pile from 1924-25 milling	1.94	.46	9.50
27.	Concentrates from 1924-25 milling	4.54	1.36	28.11

CERTIFICATE OF ASSAY

ABBOT A. HANKS

CHEMIST, ASSAYER, METALLURGIST

624 SACRAMENTO STREET

SAN FRANCISCO October 30, 1925.

SAMPLE OF O R E DEPOSITED BY I. B. Joralemon

Labty. No.	Mark	GOLD, per ton of 2,000 lbs. Troy Ounces	GOLD Value @ $20.67 oz.	SILVER, per ton of 2,000 lbs. Troy Ounces	SILVER Value @ 70 oz.	Percentages
14178	#1	.015	$ .31	.09	$ .06	
79	2	.005	.10	Trace		
80	3	.03	.62	.07	.04	
81	4	.025	.51	Trace		
82	5	.01	.20	.09	.06	
83	6	.02	.41	.08	.05	
84	7	.02	.41	Trace		
85	8	.005	.10	"		
86	9	.01	.20	"		
87	10	.045	.93	.06	.04	
88	11	.03	.62	.07	.04	
89	12	.09	1.86	.21	.14	
90	13	.12	2.48	.18	.12	
91	14	.02	.41	Trace		
92	15	.01	.20	"		
93	16	.05	1.03	.05	.03	
94	17	.045	.93	.16	.11	
95	18	.19	3.92	.41	.28	
96	19	.035	.72	.07	.04	

19) 15 96

.84

ABBOT A. HANKS, Inc.

By Abbot A Hanks.

VJ

CERTIFICATE OF ASSAY

ABBOT A. HANKS

CHEMIST, ASSAYER, METALLURGIST

624 SACRAMENTO STREET

SAN FRANCISCO, October 30, 1925

SAMPLE OF O R E DEPOSITED BY I. B. Joralemon

Labty. No.	Mark	GOLD, per ton of 2,000 lbs. Troy Ounces	GOLD Value @ $20.67 oz.	SILVER, per ton of 2,000 lbs. Troy Ounces	SILVER Value @ 70c. oz.	Percentages
			$		$	
14197	20	.005	.10	Trace		.35 / 10.80
98	21	.05	1.03	.15	.10	.0432 / 20.67
99	22	.02	.41	.18	.13	41.74
200	23	.05	1.03	.15	.10	6.201
Water slight 1	24	.055	1.13	.05	.03	8.268
2	25	.13	2.68	.17	.11	Av. $ 89.294
3	26	.46	9.50	1.94	1.35	One Tailings
4	27	1.36	28.11	4.54	3.17	Concentrates

ABBOT A. HANKS, Inc.

By Abbot A. Hanks

VJ