

4840 0139

(254) Item 139

Reno, Nevada, January 30, 1947.

TO THE STOCKHOLDERS OF THE  
TONOPAH DIVIDE MINING COMPANY:

Attached hereto is a condensed Profit and Loss Statement and Balance Sheet for the years ending December 31, 1945 and 1946.

The properties of your Company consist of fifteen patented claims of approximately 160 acres in the Divide District, Esmeralda County, Nevada, and five patented claims in the Tonopah District, Nye County, Nevada, and a Lease and Option on the Gaston Mine in Nevada County, California, in the vicinity of Grass Valley and Nevada City, in which district some of the great gold mines of America exist.

This property consists of approximately 1200 acres of patented and unpatented land, which has been very extensively developed. The Gaston Property has been examined by many good engineers and their reports and maps are on hand. During the year a road two miles in length was completed, much of this being in the rock wall of the canyon in which the lower workings of the mine are located..

The old timbering has been replaced in the main haulage tunnel which is nearly a mile in length, the track repaired and a new six-inch air line has been installed. A portion of the mine has been reladdered and resampled, indicating sufficient ore to warrant all necessary expenditures and to show a substantial profit from future operations. Previous tramming had been done by man and animals and we were retarded until the latter part of September before we received an electric locomotive to pull our train to haul heavy timber and materials to the far parts of the mine. This has been done and new ore chutes are being installed.

A new boarding house, has been completed and is in use. At present we have twelve men employed at the Gaston Mine. It has been necessary to build additional accommodations and a new combination Bunk House and Office has been erected.

The metallurgical reports have been made and the milling plant plans are being prepared to finish our milling plant which at present is partially completed.

Your Company has had a bonafide offer for the Gaston Mine which would have shown a nice profit to the Company and have been an easy way out for the management under our present financial condition. But the money derived would not be sufficient to pay dividends and would again put your Company into a position of only being able to pay administrative salaries for a few years until the Company would die a natural death.

At present we are in need of the following, and as the money can be obtained it will be used for the following purposes, varied only by good business policy and with changes in costs one way or another: Fifty thousand dollars for additional mine equipment and development; \$65,000.00 for additional mill equipment; \$25,000.00 for a new compressor, angle dozer and truck; and \$40,500.00 for an operating fund to be used when and as necessary. The mine and mill should be in full operation before the amount above mentioned is spent.

It is obvious that additional finances will have to be obtained soon to continue operation and at this time your management is trying to decide the best method with which to obtain the additional funds to make your company a profitable, operating concern with an outlook to progress and expansion.

A payment of \$20,000.00 on the Lease and Option to purchase the Gaston Property, which was exercised during the year 1945, is reflected in the balance sheet. The balance of the purchase price, amounting to \$80,000.00, is to be paid to the owner by the payment of a royalty of 10% of the net mint, smelter, or other returns from all ore and/or metal which shall be produced or mined at said Gaston Mine, until the said sum is paid in full or until the balance is paid in full by some other means. Up to the present, no payments have been made on the balance of the purchase price.

Expenditures in connection with the Gaston property which are reflected on the balance sheet as Mine Properties, Plant and Equipment and Preliminary Mining Expenses, are as follows: Equipment \$12,243.61; Road Construction and Grading \$10,020.73; Buildings \$4,063.77; Replacing ladders, re-timbering, repairs and work on mill \$16,945.64; and Sampling and Assaying \$2,419.65.

During the year 1946, the various lessees operating on your property in the Divide District shipped 1169 tons of ore, yielding 799 ounces of gold and 4071 ounces of silver, showing a gross yield of \$29,005.59, or approximately \$24.81 per ton. After deducting hauling, freight and treatment amounting to \$12,460.11, the ore shipped showed a net return of approximately \$14.14 per ton. The royalties received from this ore amounted to \$2,422.13.

E. L. CLEVELAND, President.

---

Stock Listed on San Francisco Mining Exchange  
Transfer Office, 426 First National Bank Building, Reno, Nevada  
Post Office Address: Box 1564, Reno, Nevada

**TONOPAH DIVIDE MINING COMPANY**

**COMPARATIVE STATEMENTS OF PROFIT AND LOSS AND BALANCE SHEETS  
FOR YEARS ENDED DECEMBER 31, 1945 AND 1946**

Income:	December 31, 1946	December 31, 1945
Royalties from Lessee Operations.....	\$2,422.13	\$13,189.38
Interest on Investments and Miscellaneous Income .....	3,406.91	6,872.21
<b>TOTAL INCOME</b> .....	<b>\$5,829.04</b>	<b>\$20,061.59</b>
 <b>Expenses:</b>		
Administration .....	\$5,900.00	\$2,500.00
Exploration .....	3,402.61	3,589.95
Miscellaneous Expenses .....	9,510.13	5,602.13
Depreciation of Buildings and Equipment and Depletion of Ore Mined by Leasers....	1,947.43	3,424.87
<b>TOTAL EXPENSES</b> .....	<b>\$20,760.17</b>	<b>\$15,116.95</b>
 <b>NET GAIN FOR PERIOD</b> .....		<b>\$4,944.64</b>
 <b>NET LOSS FOR PERIOD</b> .....	<b>\$14,931.13</b>	
 <b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Cash Items:		
Demand Deposits in Banks.....	\$11,540.07	\$42,354.50
Accounts Receivable .....	2,147.00	10,709.46
<b>TOTAL CURRENT ASSETS</b> .....	<b>\$13,687.07</b>	<b>\$53,063.96</b>
 <b>Investments:</b>		
Security Investments at Cost.....	\$5,385.38	\$33,292.36
 <b>Fixed Assets:</b>		
Mine Properties, Plant and Equipment.....	\$1,284,716.84	\$1,265,790.46
Less: Reserves for Depreciation, Depletion, and Amortization .....	502,653.88	500,222.23
<b>TOTAL FIXED ASSETS</b> .....	<b>\$782,062.96</b>	<b>\$765,568.23</b>

## CONTINUED ASSETS

### Other Assets:

Prepaid Insurance .....	\$69.12	\$69.12
Preliminary Mining Expense.....	29,386.02	390.06
Service Deposit .....	450.00	300.00
Mine Supplies .....	137.94	137.94
<b>TOTAL OTHER ASSETS.....</b>	<b>\$30,043.08</b>	<b>\$897.12</b>
<b>TOTAL ASSETS .....</b>	<b>\$831,178.49</b>	<b>\$852,821.67</b>

## LIABILITIES, CAPITAL STOCK AND SURPLUS

	December 31, 1946	December 31, 1945
<b>Current Liabilities:</b>		
Accounts Payable .....	\$2,655.14	\$9,367.19
<b>Long Term Debt:</b>		
Contract Payable (For Purchase of Property)	\$80,000.00	\$80,000.00
<b>Other Liabilities:</b>		
Reserve for Unclaimed Dividends.....	\$2,196.20	\$2,196.20
<b>Capital Stock and Surplus:</b>		
Capital Stock Authorized, 2,500,000 Shares		
Par Value \$1.00 per Share.....	\$2,500,000.00	\$2,500,000.00
Less: Unissued Capital Stock,		
1,291,151 Shares .....	1,291,151.00	1,291,151.00
Capital Stock Outstanding, 1,208,849 Shares..	\$1,208,849.00	\$1,208,849.00
Less Stock Discount.....	849,174.71	849,174.71
	\$359,674.29	\$359,674.29
<b>Surplus:</b>		
Paid in Surplus .....	\$20,207.05	\$20,207.05
Capital Surplus .....	545,869.75	545,869.75
	\$566,076.80	\$566,076.80
Operating Deficit .....	179,423.94	164,492.81
	\$386,652.86	\$401,583.99
<b>TOTAL LIABILITIES, CAPITAL STOCK AND SURPLUS.....</b>	<b>\$831,178.49</b>	<b>\$852,821.67</b>

January 24, 1947.

The foregoing Balance Sheets and Statements of Profit and Loss have been prepared after an audit of the accounts and records of Tonopah Divide Mining Company.

It is our opinion that the Statements of Profit and Loss correctly reflect the operations of this company for the years ended December 31, 1945 and 1946, and the Balance Sheets reflect the financial condition of said company at December 31, 1945 and 1946.

Respectfully submitted,

KAFOURY AND ARMSTRONG,  
Public Accountants.