(145) item 3

Curley Ag

Governor - Prop

Curley - Governor Hq.

5030 0003

Ashdown & Hunt-Vaughan

Reno. Humbolt Co

NBAC 9

MEMORANDUM

on

GOLD AND MERCURY PROPERTIES

of

CURLEY LUCK GOLD CORPORATION

in

NEVADA

by

NORMAN C. STINES

Winnemucca, Nevada,

May 12, 1940.

TABLE OF CONTENTS

INTRODUCTION:

Through associates in Utah, Montana and Nevada, James M. Curley, former Governor of Massachusetts, became interested in developing a metal mining enterprise in the so-called mountain states. After investigation of several properties which did not fulfill their early promise, he selected the Ashdown group of gold properties as meeting his requirements. This group is located in northwestern Humboldt County, Nevada, just south of Denio, Oregon.

Examination of this property ended about September, 1938, with the decision to acquire it under a lease and bond agreement and to commence its development and equipment on a basis of a daily mining and milling of approximately one hundred tons. This work has continued to the present time.

About July, 1939, the rapidly rising demand for mercury and the probable resulting increase (which occurred) in its sales price caused Curley's organization to seek one of the mercury deposits which promised to be capable, not only of being quickly brought to production to realize the high profit available from the unusually high sales price, due to increased demand and demoralization of the production routine of the Almaden Mines in Spain - the world's largest single source of mercury -, but also of being developed into a mercury producer that could make, under the average normal sales price

for mercury over a long future, a profit commensurate with the capital risk involved.

As a result, Curley optioned the Williams group of claims and acquired title to the Hunt group in the Ivanhoe district in western Elko County, about forty-five miles north of Battle Mountain, Nevada. During the winter months very little was done toward developing either property.

Early in February, 1940, Curley began to be dissatisfied with the management of the Ashdown gold property and, early in April, 1940, removed that management and gave over direction of his Nevada mining interests to the writer of this Memorandum. In this change, Curley obtained sole control of the Ashdown gold and the Hunt mercury properties, surrendering the Williams option to the former manager.

The writer first examined the Ashdown gold property and found it a mine worthy of operation, with assured ore reserves warranting the revamping of the mill (as was revealed necessary by this examination), reopening the Tenth Level, completing the equipment and putting the property into operation upon the scale warranted by the anticipated reserves.

The Hunt mercury group was examined. The results of the first work were so promising that the writer recommended acquiring an option on the adjoining Pangburn

group, which has been done. Results from the continuation of the examination have been so favorable that there now is practically assured, in only one of the several indicated ore bodies, a reserve of ore great enough to warrant the installation of a plant from which high profits will be available within five months of placing the order for the plant.

During the period from the middle of 1938 to the present time, Curley has provided slightly over $200,000 of new capital, as well as the $83,000 odd produced by milling operations at the Ashdown, for the development and acquisition of these properties. As will be shown later, there were required, as of April 10, 1940, a further $250,000 to bring the Ashdown into profitable operation at a rate of about 30,000 tons yearly and the Hunt into highly (at present sales price of mercury) profitable operation at a rate of about 18,000 tons annually, to allow for liquidation of present outstanding loans and to continue intensive prospecting at the Hunt so production rate may be increased to a figure more nearly commensurate with the probable ore reserves that this later work will develop and the domestic consumption rate of mercury warrants.

It is primarily the purpose of this Memorandum to show that the capital now required is fully warranted by the presently assured reserves, and to outline what the returns from the operation of the two properties should be.

ORGANIZATION:

The Curley Luck Gold Corporation is organized under the Statutes of the State of Nevada and has an authorized capitalization of 1,500,000 shares of one class stock with a par of one dollar. The Ashdown agreement and some $150,000 were turned over to the corporation for 1,000,000 shares. There are notes payable for $50,000 to James M. Curley for further money actually advanced by him.

The Board consists of five members, none of whom need be a stockholder, and the Corporation functions under very liberal By-Laws and Nevada Statutes.

Title to the Hunt mercury group still rests in Curley, but, just as soon as the situation demands it, title will be passed to the Corporation. Likewise, the Pangburn option is in Curley, who will transfer it when that action is needed.

Thomas J. Salter, attorney of Winnemucca, Nevada, has passed upon titles and states that as unpatented mining claims title rests clearly in the various claimants. The writer has not studied this question.

ASSETS:

The assets of the Corporation are:

1. The lease and bond on the Ashdown group, partially

equipped with a 100 ton mill;

2. The option to purchase the Vicksburg, Navajo and Dry Gulch groups of claims, which either join or are in the neighborhood of the Ashdown group;

3. Title to the Hunt group rests in Curley, who will pass it to the Corporation when necessary; and

4. Option on the Pangburn group, adjoining the Hunt property and really making one large holding, now in Curley, but which he will, on need, transfer to the Corporation.

All the agreements are in good standing (as of May 11, 1940) and it is the intention so to maintain them. Of the above assets, 1, 3 and 4 are very valuable, and later herein the bases of that statement will be set forth.

DEVELOPMENT:

The greatest development has been on the Ashdown, with the next on the Hunt and Pangburn groups. This situation may be briefly set out as follows:

ASHDOWN GROUP:

This property is a proven mine, with many thousands of feet of drifts, raises, cross cuts, winzes and other openings on five levels. The mine is fully equipped to produce 100 tons of ore per day, but, to maintain the necessary development work to keep it in production at that rate until the profitably removable ore is exhausted will require an additional compressor, a few cars, small locomotive and some additional small drilling equipment, the provision of which, as will be shown later, is included under capital requirements.

The present mill consists of coarse crushing and fine grinding equipment, with ample power to handle the mine's capacity to produce. However, to recover all the gold that can be profitably saved, the mill must be rearranged and there must be acquired two screens, a weighing feeder, free gold and amalgam traps or jigs, and a flotation annex of four or six cells, complete with filter and thickener. Here, again, under a later heading will be set out the capital required.

On the Vicksburg group of claims are various shafts and adits which indicate that there are excellent chances of developing ore reserves which can be profitably mined and transported to the present mill and then treated.

The work done on the Navajo and Dry Gulch groups is not complete enough to draw definite conclusions, but the work

now being done thereon will probably determine the possible worth of these groups.

There is an excellent camp started for the above groups of claims. The main combination cookhouse, recreation hall, bunkhouse and office is in use, but has yet to be completed.

HUNT-PANGBURN GROUP:

The Hunt and Pangburn groups of mercury claims are considered as one. The present camp consists of two buildings and a tent capable of housing up to ten men.

The development work consists of several hundred feet of adits, raises, winzes, shafts and open cuts. Most of these are along the west side where one important ore body - the West Surface - is under development. A small part is along the east side, where another ore body - the East Surface - is indicated, but not yet under development.

GENERAL:

In addition to the main assets listed above, there are complete sets of small tools for the Ashdown mine and mill; an incomplete set for the Hunt; a camp good for forty men at the Ashdown and one good for ten men at the Hunt; and a pick-up and four wheel drive two ton truck.

ORE RESERVES:

ASHDOWN:

In the Ashdown group mining and development over many years have clearly revealed the nature of the ore bodies and allow definite conclusions as to their extend and habit to be drawn. During the Curley regime, new veins have been opened up and the unit gold content of both the old and the new has been established by mining and milling some 11,620 tons. These results indicate that the ore will average about 0.315 ounce of gold per ton, worth, at $35 per ounce fine gold, $11,025. The figure is taken at $11.00 per ton.

On the basis of the work done and the ground opened up, it is a reasonable estimate to state that, above the Tenth Level, there are assured at least 135,000 tons of $11.00 ore; of which between 50,000 and 60,000 tons are proven and ready for stoping, as soon as the Tenth Level is open. Current development work will expose the balance of 85,000 tons as mining of the present proven reserves progresses.

The present development is confined to some 1800 feet under an outcrop known to extend over 4500. During the examination, sampling has revealed two new shoots or ofe 600 and 1300 feet, respectively, northerly from the present ore reserves, and the writer looks forward to a very long productive

life at an annual average rate of about 30,000 tons. He really believes prospecting work he has in mind may reveal large bodies of lower grade ore which will warrant a much larger mill.

However, disregarding, for the moment, the additions anticipated in the previous paragraph, the Ashdown may be stated to contain an assured 135,000 tons from which $1,485,000 worth of ore will be produced, and this only above the Tenth Level. The mineralization is such that a long downward extension of these ore bodies can be confidently expected.

It will be noted that, in this discussion, no weight has been put upon what may be found on the Vicksburg group. Sampling there showed some good indications and, undoubtedly, some ore will be developed, but no value can be placed upon this now.

HUNT-PANGBURN:

Indications are that there are many ore bodies on the 4000 by 2000 feet area covered by these claims. The only real development work has been on two ore bodies, and on only one of these, the West Surface, can any definite reserve be placed. Mercury occurrences are very erratic and the ore bodies can not be definitely outlined by development work. They can be only approximately proven for mining alone reveals the true

conditions. However, the data available on this West Surface ore body are complete enough now to allow definite estimates for the ore that willbe mined.

The ore here occurs in a horizontal bed with a minimum thickness of ten feet. Sampling shows its length to be about 3000 feet and its width to vary from 30 to 60 feet. Thus, there is a volume containing a minimum of 900,000 and a maximum of 1,800,000 cubic feet. This is a low specific gravity material and, allowing 20 cubic feet to the ton, means a probable reserve between 45,000 and 90,000 tons.

The average of many tens of samples in this ore body clearly point to a minimum recoverable content of six pounds of mercury per ton of ore. Thus, the reserve of mercury varies between 270,000 and 540,000 pounds, or between 3550 and 7100 flasks of 76 pounds each.

For many years before the present war, the price of mercury has been steadily increasing and, over a long time pull, $76 per flask - $1 per pound - would seem a fair assumed selling price. Just now (May 11, 1940) the selling price is $170 per flask, about $2.23 per pound. For the next eighteen months one would seem to be justified in using $2.00 per pound as the probable average selling price.

Thus, at $1 per pound the minimum money value of the

minimum reserve of 270,000 pounds is $270,000; and the maximum is $540,000. Assuming the 50 ton plant proposed later is running twelve months on $2 mercury, then the minimum sale price becomes $378,000 and the maximum $648,000. These limits are considered very conservative.

This property is now under exploration and ~~ex~~ development, and really not enough data are yet assembled and correlated to allow anything but tentative forecasts to be made. The figures in the preceding four paragraphs are minimum ones and are made on the bases of results as of May 11, 1940. The latest results indicate quite clearly that another type of deposit - one occupying a vertical or steeply dipping fracture zone - will be revealed and that a much richer grade of ore will probably be exposed.

COMBINED RESERVES:

Thus, combining the assured reserves from both properties, there shouldbe produced over the next four and one-half years:

From Ashdown	$1,485,000
From Hunt-Pangburn	648,000
or a total of	$2,133,000

COSTS AND PROFITS:

ASHDOWN:

Metallurgical tests and actual milling on Ashdown ore have shown that amalgamation will recover about $7.50 per ton and flotation an additional $2.95, a total of $10.45.

The writer has estimated a mining and milling cost, including $1 per ton for development of new ore, of $6.00 per ton. Joseph Norden, engineer for a subsidiary of Anaconda Copper Company, after an examination of this property, used $6.50. The mean is $6.25, and the resulting profit is $4.20 per ton.

However, the purchase agreement, as now being modified, calls for a ten percent royalty, which is $1.045 per ton. This royalty applies on the purchase price. Thus, the profit is reduced to $3.15 per ton. On a yearly basis, this is $94,500.

HUNT-PANGBURN:

The West Surface ore body is at the surface. Stripping of the soil and vegetation and mining of the ten foot thick ore body can be done by small Diesel shovel. Trucks can run any place over the surface, so mining and delivery of the ore to a plant will not exceed 75 cents per ton. It will

probably be only 50 cents.

Present ore indications warrant the belief that a plant capable of handling at least 300 tons of six pound ore per day will be required. To prospect anddevelop the other ore bodies, current expenditures of approximately 50 cents per ton will be made. Thus, the development, mining and transporting charge may be placed at $1.25 per ton of this surface ore. If the fracture zone develops higher grade ore, this cost may reach $2.50, but the grade should also be better than ten pounds per ton.

Furnacing in a 50 ton oil fired modern plant will cost, probably, $1.00 per ton, of which 75 cents will be for fuel. Allowing a further 25 cents per ton for overhead, the overall cost becomes $2.50 per ton, for six pound ore, and $3.75 per ten pound, or better, ore.

While indications now point to a higher grade than six pounds, this analysis, as of this date, must be based upon a recovery of the full six pounds, worth, during at least the first twelve months run, $12.00, leaving a profit of $9.50 per ton, or $171,000 for that period. Thereafter, on $1 mercury, the production will be worth $6.00 per ton, or a profit of $63,000 per year.

If the other ore bodies prove up and the plant is

increased to 300 tons daily capacity, the cost will drop to $2.00 per ton and, on $1 mercury, the profit will become $432,000 annually. This figure is valuable now only in showing the probabilities of the mercury deposit. Naturally, providing the extra furnace capacity will require additional funds.

Also, if the presently indicated high grade (ten pound) ore contributes only 10 tons per day, or 3500 tons annually, the additional profit during the first year will be about $25,000, and thereafter about $10,000 annually.

COMBINED PROFITS:

Thus, the annual profits, based upon only assured reserves, over the next four and one-half years from both properties would be about as follows:

	Ashdown	Hunt	Total
1940	$ 31,500	$ -	$ 31,500
1941	94,500	171,000	265,500
1942	94,500	63,000	157,500
1943	94,500	63,000	157,500
1944	94,500	63,000	157,500
1945	15,750	63,000	78,750
	$425,250	$423,000	$848,250

Using that table does not mean that the writer considers the life of these properties will end in 1945, but only that presently assured reserves at both places will be exhausted by that time. The writer knows that the mercury production can continue at a greatly increased rate for a long time, and is also very confident that the gold can be produced at that rate for along time to come, but he cannot at this time place any definite figure thereon. He can, however, show how he considers the mercury property will be developed.

By the time the first 50 ton unit is in production, another shallow ore body, probably the East Surface, willbe developed sufficiently to warrant an additional 100 ton plant. This will be ordered so as to be in operation all of the second half of 1941 and thus take six months advantage of the $2 mercury.

In the second half of 1941, this plant will handle 18,000 tons for a production of 108,000 pounds, at a cost of $2.25 per ton of ore, resulting in a profit of $175,560. Thereafter the 36,000 tons will, on $1 mercury, produce an annual profit of $135,000. From the 150 ton plant, this wouldtotal $202,500.

During the interval between now and the installation of the next unit, the high grade ore body should be developed to yield 10,000 tons annually, for an increased profit on $1 mercury of about $30,000, making the total probably $232,500.

CAPITAL REQUIREMENTS:

While there have been spent a total of $283,000 in acquiring and bringing these properties to their present states of development, further sums are needed to bring them into profitable production. These sums are set out below:

Ashdown		$ 100,000
Revamp Mill	$ 20,000	
Reopen Tenth Level	12,500	
Additional Equipment	2,500	
Complete Camp	7,500	
Complete Geological Survey	2,500	
Readjust Agreements	45,000	
Working Capital	10,000	
Hunt-Pangburn		90,000
Camp	15,000	
Automotive Equipment	3,500	
Diesel Shovel	15,000	
Furnace, Complete	35,000	
Auxiliary Equipment	6,500	
Mine Development	10,000	
Working Capital	5,000	
Unforeseen		10,000
Repayment Notes		50,000
Total		$250,000

This money would not all be needed at once, but

could be supplied about as follows:

June 1	$ 75,000
July 1	25,000
August 1	50,000
September 1	25,000
October 1	50,000
December 1	25,000
	$ 250,000

FINANCIAL RETURNS:

On the basis of the full amount required, there would be transferred to the Corporation the Hunt property and the Pangburn option and then issued the balance of the stock, giving a total outstanding of 1,500,000 shares.

On the basis of the table on Page 18, the return per share of stock, passing 1940, would be as follows:

Year	Profit	Per Share
1941	$297,000	$ 0.20
1942	157,500	0.10
1943	157,500	0.10
1944	157,500	0.10
1945	78,750	0.052
Total		$ 0.552

This is based wholly upon the assured reserves and does not take into account the certain great additional volume, not only of low grade, but also of high grade ore on the Hunt property and the probable additional reserves of ore on Ashdown, which will undoubtedly allow ten cents per share to be paid annually for a long time to come.

If $50,000 were taken from the 1941 profits to add 100 ton capacity to the Hunt production, the profit for 1941, on $2 mercury, would be increased by $175,550, and, on $1 mercury, for subsequent years by $135,000. These would add 12 cents per share for profit in 1941 and 9 cents thereafter, bringing the annual to 19 cents and the total for the first five years to $1.05. That is what the writer believes will be the minimum result - about 18 cents per share per year.

Respectully submitted,

NORMAN C. STINES

Winnemucca, Nevada,
May 12, 1940.

CONCLUSIONS:

The detailed considerations set forth in this Memorandum allow the following conclusions to be drawn:

1. The Curley Luck Gold Corporation, organized in Nevada with an authorized capitalization of 1,500,000 shares of one class stock with one dollar par, controls (or can be placed in control of) the Ashdown gold property and the Hunt-Pangburn mercury mine;

2. To bring these properties to their present state there have been spent about $200,000 of new capital and $83,000 from bullion produced. The new capital was supplied by James M. Curley, who controls the corporation;

3. At the Ashdown property there is a camp, almost completed, for forty men; a partially completed one hundred ton per day mill; a fully developed and equipped mine (requiring only the reopening of the Tenth Level) and all necessary small tools for handling one hundred tons daily; (145)

4. At the Hunt-Pangburn mercury property is a camp for ten men, a rotating retort good for forty-eight hundred pounds of ore per day and a mine partially developed, but not yet equipped; (62)

5. At the Ashdown gold property there are assured,

at a minimum, 135,000 tons of ore from which $10.45 worth of gold should be recovered at a cost, including royalty under agreements now being modified, of $7.30, leaving a profit of $3.15 per ton, or a total of $425,250;

6. At the Hunt-Pangburn mercury property there are assured 90,000 tons of ore from which six pounds of mercury per ton should be recovered, at a cost of $2.50 per ton. With mercury selling at $152.00 per flask, the profit would be $10.50 per ton, for a total of $945,000. With mercury selling at $76.00 per flask, the profit would be $315,000. In calculating profits, it is safe to assume $152.00 as selling price of mercury for one full year - 1941 - and $76.00 thereafter. Thus, the profit would be $171,000 for 1941 and $63,000 per year thereafter, or a total of $423,000 for the 90,000 tons;

7. The combined profit from only the assured reserves of these two properties through 1945 would total $848,250, or about 56 cents per share on the total stock that may be outstanding;

8. It is almost certain that current development work as mining proceeds at the Ashdown will reveal enough ore to double the life of the mine, thereby adding a profit of $78,750 in 1945; $94,500 in each of 1946 and 1947; $121,500 in 1948 and $126,000 in 1949 - a total aggregate of $515,250, or just over 34 cents per share;

9. The development of the other indicated ore bodies on the Hunt-Pangburn property will, without doubt, reveal sufficient ore to warrant installing an additional one hundred ton plant early in 1941, so it can operate for the last six months on two dollar mercury for a profit of $175,550, and during 1942 and on, with one dollar mercury, for an annual profit of $135,000. These would add, through 1949, a total of $1,533,000 or about $1.02 per share of stock;

10. Therefor, the total probable return through 1949 from these two properties should aggregate $2,896,500, a total of $1.93 per share over ten years, or an annual average of 19.3 cents per share;

11. To complete equipment and development of the Ashdown gold and to develop, establish camp and equip the Hunt-Pangburn mercury, there are needed $200,000, spread over the period from June 1 to December 1, 1940. To discharge the present notes of the corporation, a further $50,000 are required; and

12. The writer is convinced that, with provision of the $200,000 needed to put both properties into operation, the Curley Luck Gold Corporation can begin paying dividends in 1941 and continue doing so for a much longer period than the ten years given above as the probable life of the properties.