

Denver, Colorado, Feb. 11, 1902.

Messrs. Shortall & Murison,

Chicago, Ill.

Gentlemen:-

I submit herewith my report upon the property of The Town Topics Mining Company, of this city. This report is intended simply to cover the question of the desirability of the Town Topics Company stock as an investment, and is in no sense a complete report upon the Property.

LOCATION.

The property of The Town Topics Mining Company consists of the East Notaway Lode, located in Russell Gulch, Gilpin County, Colorado. It comprises eleven hundred (1100) feet upon the vein, covered by U.S. patents Nos. 136 and 328. It is convenient to railroad and milling facilities, and being but a short distance from Denver, supplies can be obtained at the lowest figures.

DEVELOPMENT.

The property is opened by two shafts, one of which, the main shaft, is sunk upon the pitch of the vein to a depth of 585 feet. The other, or westerly shaft, is not in use, but extends to a depth of 250 feet. From this main shaft six levels have been driven various distances easterly and westerly upon the vein. The total length of the vein prospected by these levels is between 500 and 600 feet, or less than half of the Company's holdings upon the vein. A main ore shoot has been opened, showing 60 to 70 feet in length and followed with an easterly pitch to the 420 ft. level. From this shoot by far the larger portion of the production of the property has so far come. Other smaller shoots or bunches of ore have been incurred in the different levels and stopes, and the ground, as

a whole, above the 330 ft. level has been quite uniformly productive. The ground so far opened above the 350 ft. level has been to a very considerable extent worked out, whilst below that level very little stoping has been done. The 420 ft. level is extended about 100 feet each side of the main shaft, whilst the 488 ft. level, and at present the lowest level in the mine, extends about 360 feet west, and but a short distance easterly. A new level is planned to be shortly opened at a depth of 555 feet. These lower levels show very much the same vein conditions as have existed in the older workings above.

HOW WORKED.

The property is handled under what is known as the "leasing system". There are in the mine at the present time some thirty-five lessees, divided up into several small companies, each of which has its particular portion or block of ground to work.

This system is quite common in many Colorado camps, and especially where the veins are small, the margin of profit fairly close and in general where the conditions are such that the ordinary system of company work might prove too expensive.

The royalties paid by these lessees to the Company are based upon the net smelter returns for ore sold, and are as follows: 35% royalty on ore bringing under \$150 per ton; 50% royalty on ore bringing from \$150 to \$500 per ton; 75% royalty on ore bringing above \$500 per ton value. On the average ore produced 35% royalty is paid. In addition to the royalties the lessees contribute to the expense of hoisting their ore, and purchasing their supplies from the Company. Much of the development of the mine, such as driving drifts and cross-cuts, is done by the lessees under the conditions of the various leases.

The property is well handled and the system of leasing well and thoroughly carried out. The expense daily to the Company direct consists almost entirely of the cost of hoisting, the wages of engineers, and of the foreman and superintendent.

SURFACE PLANT.

The present surface plant consists of a 30 H.P. vertical boiler, and a very small hoisting engine, covered in a small and crude shaft house. This plant has reached the limit of its capacity, and before the work of the mine can be extended must be replaced entirely. The management, I am informed, is contemplating the erection of a new plant to cost \$2,500 to \$3,000 at once.

RECORD AND OUTPUT.

The present company was organized a year ago. The output of the property so far as it can be obtained is as follows:

Shipments by Senator Jerome B. Chaffee, in the early days of the mining camp, (claimed) -	\$330,000.00
Shipments by William Mitchell, Lessee, prior to 1901 -	76,000.00
Shipments by Town Topics Mining Company, -	<u>33,909.92</u>
Total -	\$439,909.92

The average grade of smelting ore shipped by the Mitchell lease prior to the organization of this Company was \$80.50 per ton.

The average grade of smelting ore, of which 389 tons have been shipped by The Town Topics Mining Company, is \$65 per ton.

The shipments of the The Town Topics Mining Company have been divided as follows:

Smelting ore -	\$25,342.37
From U. S. Mint (Gold Sold) -	4,393.92

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From U. S. Mint (Gold Sold) -	4,393.92
Mill Tailings -	<u>4,173.63</u>
	\$33,909.92

These figures, as above, you will understand are the net smelter returns or mill returns for ore sold, and from such receipts must come the cost of mining.

The character of the ore is a mixed copper and iron pyrite, carrying sometimes a considerable amount of gray copper in the mineral known as tetrahedrite. The gold occurs usually free, and sometimes in very rich bunches in a dark colored quartz mixed through or appearing alongside of the sulphide streak. The vein is a small one, varying from 2 to 4 feet, and the ore streak seldom exceeds 6 to 8 inches in width. Were it not for the uniformly high grade of the ore, the absence of any expense for pumping water, the generally favorable conditions for cheap mining, and the ability to work the property by lessees, the property could not possibly be operated at a margin of profit with depth.

EARNING CAPACITY.

I am informed by Mr. Josephi, President of this Company, that its capitalization is one million shares; also, that there is still due upon the original purchase price of the property the sum of \$12,500, payable within the next three months. Until this final payment is made, royalties of 15% upon smelting ore have to be paid to the owners. Therefore, from the average of 35% royalty paid by lessees at the present time, 15% must be deducted, leaving but 20% of the net smelter returns for ore sold to go into the treasury of the Company.

From a slight study of these figures it will be apparent that the Company did not earn a net sum of \$20,000 during the past year. The royalties received from the above stated output of \$33,909.92 probably amounted to about \$12,000. The showing of a profit available for dividends was probably increased by charging off certain development work against the treasury funds set aside for that purpose, and by the fact that much of the stock has not been issued until recently, and therefore, dividends did not apply to treasury stock remaining in the treasury.

I figure that for some months to come the property cannot be expected to produce net more than \$1,500 per month. With the completion of the new plant, and the extension of the new levels, it is possible, if the ore showing continues as good as heretofore, that within a year the mine may produce \$2,000 per month net. On this basis 20 to 25 cents per share would be an outside figure for the Company's stock, and even then, that must be considered as a somewhat speculative valuation. While the property, if well handled, and with a continuation of an ore showing equal to that of the past year, may eventually be so extensively developed as to largely increase the number of lessees and correspondingly increase the net receipts, I cannot recommend the shares as an investment at a price exceeding that named above, that is, 20 or 25 cents per share.

Respectfully,