



CONTACT INFORMATION
Mining Records Curator
Arizona Geological Survey
416 W. Congress St., Suite 100
Tucson, Arizona 85701
602-771-1601
<http://www.azgs.az.gov>
inquiries@azgs.az.gov

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CORONADO SILVER CORPORATION

Engineering, Development, Equipment for the Mineral and Construction Industries

LOS LAGOS OFFICE

ROLLINSVILLE, COLORADO 80474

PHONE 303-258-3354



Platoro Project—Platoro, Colorado
Box 608, Antonito, Colorado 81120
Phone 303-852-2238

July 14, 1978

Mr. Richard C. Huston
State Mining and Construction, Inc.
1802 W. Grant Rd., Suite 110-1
Tucson, Arizona 85705

Dear Mr. Huston:

Under separate cover via sample sack we are sending a specimen of the ruby silver high grade ore which we find in our Mammoth Revenue vein at Platoro, Colorado.

I hope this specimen will suit your purpose. Under a stereo microscope you will find the ruby silver to be very impressive.

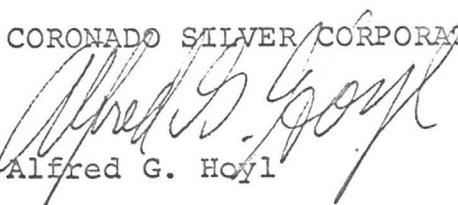
We were just about ready to build a 500 ton per day mill at Platoro when the OPEC oil embargo with Richard Nixon's subsequent forcing of the price of gold and silver down set us back to stage one.

Gold and silver prices have now returned to the price we were expecting, but the investment climate has not recovered, and we are looking for a partner to finance the completion of the Platoro Project.

I am enclosing a brief status report of the project. If you know of anyone interested in a silver-gold project of this type, please put them in touch with me.

Sincerely,

CORONADO SILVER CORPORATION


Alfred G. Hoyl

AGH/dh
Enclosure

CONEJOS

STATUS OF CORONADO VENTURE PLATORO PROJECT

APRIL 1, 1975

GENERAL

The Platoro Project of Coronado Venture at Platoro, Colorado, is concerned with a 9,000 acre mining property covering the veins, pipes, and stocks of the southern slump block of the Platoro caldera. It surrounds the town of Platoro in the San Juan Mountains west of the San Luis Valley. It is on the Conejos River forty-six miles southwest of Monte Vista and Alamosa, and forty-six miles northwest of Antonito, Colorado.

Some 50,000 lineal feet of veins have been traced on the surface. 2,500 feet of drifting has been recently opened on one vein and 500 feet on a second vein.

Many shallow pits and outcrops exist along the veins. Two shallow shafts have been sunk on the veins.

The principal vein has been probed to a depth of 400 feet by diamond core drilling. The veins are quartz filled, highly fractured, containing some marcasite, and finely disseminated gold and ruby silver minerals.

Anomalies of gold, silver, copper, lead, zinc, and molybdenum have been found over the pipes and stocks.

The veins are wide and persistent. Test mining has varied

from 8 feet to twenty-two feet wide.

Coronado Venture has operated a pilot flotation mill on the project for the last three years, processing 42,000 tons of ore with an average grade of .116 ounces of gold per ton and 4.09 ounces of silver per ton. This grade has been confirmed by over 165 channel samples averaging .13 ounces of gold per ton and 5.98 ounces of silver per ton.

Net cash flow calculations have been based on the lower, mill average grade of .116 and 4.09. Using this grade, American Smelting & Refining Company and Noranda Exploration Company have estimated a reserve of approximately three million tons in measured, indicated, and inferred categories.

This reserve is based on data obtained over only 5,000 lineal feet of vein and a depth of 500 ft. below adit levels and 400 feet above adit levels. The potential of the property is considerably above the three million tons.

Reports on the property have been made by Hazen Research, Inc.:

"Economic Study of the Platoro Project,
Contract Engineering Company"
January 13, 1969

"Ore Reserves at the Platoro Project
for Coronado Silver Corporation"
November 30, 1973

"Economic Evaluation of the Mammoth
Revenue Ore Body for Coronado Venture"
1974

Data has been assembled by American Smelting & Refining Company and Noranda Exploration. Mill and smelter reports are available from Coronado Silver Corporation, the General Partner of Coronado Venture, A Limited Partnership. Adequate maps are available. The diamond drilling establishing the vein to a depth of 400 feet below the adit level was conducted by Noranda. A total of eight holes were drilled. Cores, logs, assays and maps are available on this drilling.

ECONOMICS

The assay value of the gold-silver ore at a price of \$200.00 per ounce for gold and \$6.00 per ounce for silver is \$47.74 per ton. At 90 percent recovery, the gross recoverable value is \$42.97 per ton.

Estimated costs based on Idarado costs in total, including operations, royalties, depreciation, development, income taxes, overhead, smelting, etc., are \$27.47, leaving a net cash flow after taxes of \$15.50 per ton of ore milled.

It is proposed to construct facilities to process 500 tons per day and 165,000 tons per year at a capital cost of four to six million dollars. This production rate would achieve a net cash flow after taxes per year of \$2,557,500.00. It is expected this would continue for eighteen years for a total of \$46,500,000.00. The potential of the project is greater than this.

FUTURE POSSIBILITIES

It is difficult to predict future prices for gold and

silver; however, futures markets now exist for both of these precious metals, and futures prices have exceeded the above predicted prices in past months. It is expected that prices in the long run will be relatively higher with respect to costs rather than lower.

A new mining method tested at Hecla, Anaconda, and Idarado mining companies using cut and fill and a continuous hard rock mining machine called a pick-hammer, (developed by Ingersoll-Rand), looks promising under Platoro conditions. This system could greatly reduce mining costs.

Several chemical, or hydrometallurgical smelting processes are nearing practical production stages.

In particular, the Cy-Met process developed by Cyprus Mines and Hazen Research, Inc., seems applicable to Platoro concentrates. Such processing of concentrates would effect additional savings in costs and smelter losses.

It is probable that overall costs including income taxes could be reduced to \$25.00 per ton giving a net cash flow of \$18.00 per ton and thereby attractively increasing the yearly net cash flow to \$2,970,000. Any increase in gold and silver prices would enhance the return dramatically.

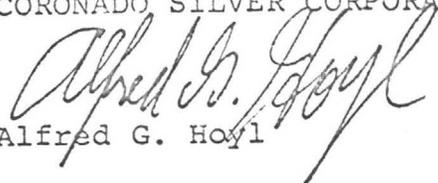
CONCLUSION

Coronado Venture's Platoro Project is a thoroughly geologized, sampled, and engineered gold and silver mining

project, projecting an adequate return over a conservative ore reserve.

The potential for a major ore body exists with depth and the exploration of the stocks, pipes, and converging vein intersections.

CORONADO SILVER CORPORATION


Alfred G. Hoyl