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James Doyle Sell Mining Collection

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12/74

file: → Central Mine
out lemming
Pima Co, Ariz
(Continental Materials Corp.)

AIME - Tucson - 12-2-74

John J Fritts, Resident Geol. (Herb Reynolds mgr
John Roscoe)

Reserves - 12 mil tons. at 2.9% Cu, .16 oz Ag

Quartz Monz. stock (?) in weatherwood diorite
Pre E on west - paleozoics on east - ~~seals~~ extends
westward over stock - roof pendant -

Dikes - qtz syenite - granite ^{sills} - alkali -
alkali basic diorite - py and minor cpy in dikes

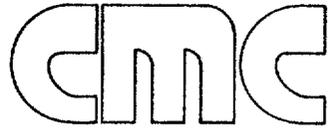
Ore in skarn - several mineralized horizons
Magnetite up to 50% - bn-cpy-ess

Drilling ~~see face~~ 138 holes - (400,000'?)
46 4.7 long holes 6,000'

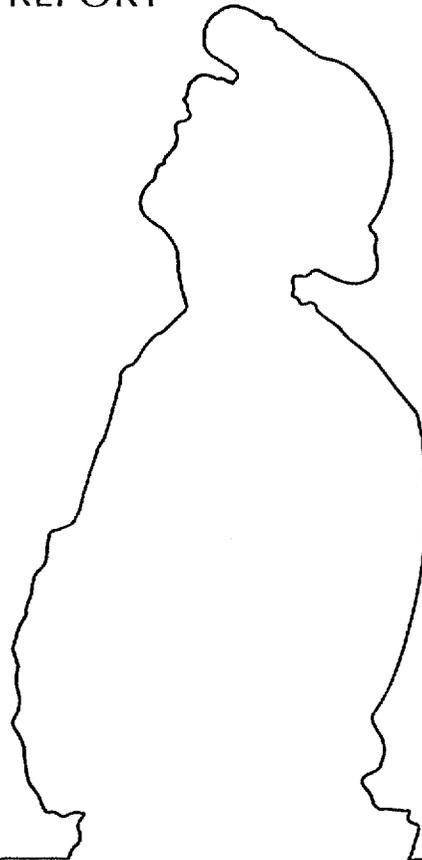
JAC

THE WALL STREET JOURNAL
Friday, August 5, 1977.





CONTINENTAL MATERIALS CORPORATION
1974 ANNUAL REPORT



struction-related companies into bankruptcy. This, in turn, created for Florida Rental Tool higher than average bad debt losses. As business conditions continued to decline, the company reacted by reducing payrolls, closing or selling unprofitable operations and disposing of fleet equipment whenever favorable prices could be obtained.

Because the rental business is capital-intensive, there must be sufficient volume to cover fixed costs. Therefore, Florida Rental Tool is examining new locations throughout the state in order to find new outlets for its rental fleet and inventories. A rental yard was recently opened in Tampa and another yard is being considered elsewhere in Florida. New products that can be sold through our present marketing channels are also being considered.

Market research conducted within the State of Florida indicates that construction growth will continue in the years ahead. A combination of excellent weather, ample recreation facilities and a growing industrial base are all reasons to be optimistic. Florida Rental Tool is planning to be ready when the growth of the Florida economy resumes.

WILLIAMS FURNACE

Williams was not immune to the sharp decline in construction activity. Since the company depends on new construction for approximately 25% of its revenues, any prolonged slump in this segment of the market will affect the profitability and growth of the wall furnace business. Unit sales were off 13%, but because of price increases, revenues declined only 5%.

Williams faced other problems. Raw material shortages in steel, castings and paint—and the necessity to obtain these items at higher than normal prices—contributed to the erosion of profit margins. Competition from other furnace manufacturers limited the amount of cost increases that could be passed on to customers.

On the positive side, Williams enjoyed a good year in the wall furnace replacement market. Continued emphasis on energy conservation, plus the soaring cost of natural gas, prompted many homeowners and commercial establishments to purchase a new, more efficient heating unit. Thus Williams increased their share of the market again for the fourth year in a row.

Williams Furnace manufacturing facility is located near Los Angeles, California. Wall furnace units are sold nationwide through distributors under the Williams brand names of Debonair, Forsaire, Westwood, Sahara and S/C (Sealed Combustion) Forsaire. Wall furnaces differ from central heating in that they are used to heat rooms individually or sometimes as a group, as distinguished from central heating furnaces which are designed for an entire building.

Williams is one of about 24 companies engaged in the manufacture of wall furnaces. The company is a formidable competitor in the eleven western states, because its manufacturing site is close to this marketing area and because this section of the country enjoys ample supplies of natural gas. Williams sales performance in the Midwest and East is somewhat less successful due to high freight costs, greater use of central heating and restricted availability of natural gas. Therefore, Williams has concentrated its marketing efforts primarily in the West, the area where the largest number of wall furnaces presently exist, and where the growth opportunities look most promising.

In order to maintain its position, Williams will intensify its efforts in the replacement market. The company is conducting in-house training programs at home improvement centers and intends to increase dealer meetings as a means of stimulating product sales in the coming year.

Without an increase in new construction, and with a continuation of the current recession, the task of maintaining our present level of profits will be difficult.

MINING DIVISION

The Mining Division concentrated almost its entire efforts toward the completion of a feasibility study on the Control Copper Property, known as Oracle Ridge, located near Tucson, Arizona. The consulting firm of The Ralph M. Parsons Company was engaged to prepare the study, which was submitted to the Company during February 1975. Cer-

tain information from the feasibility study is contained in the following text:

Mineable Reserves

The Company's final in-place ore reserve estimate has a median tonnage of 11,270,800 at an average undiluted grade of 2.28% copper and 0.64 ounces of silver per ton. This estimate is subject to an uncertainty factor of $\pm 10\%$. Applying a 30% dilution factor and uncertainty factors to this grade indicates the following possibilities on a per ton basis:

| | | Copper % | Silver Oz. |
|--------|-------------|----------|------------|
| Case A | Low (-10%) | 1.64 | 0.46 |
| Case B | Median | 1.82 | 0.51 |
| Case C | High (+10%) | 2.00 | 0.56 |

These grades were stated as varying "feed grades to the mill" in the financial analysis, to determine the results of various prices of copper (see Table 8-1).

At the proposed mining rate of 700,000 dry tons per year, the life of the diluted reserves would be 20.13 years.

Mining Program

Mining is planned at a rate of 700,000 tons of ore per year. A 2½ year pre-production preparation period is anticipated. Capital cost for the mine itself is estimated at \$5,500,000 including equipment purchases and pre-production preparation.

Capital Cost - Estimate

The total capital cost is estimated to be:

| | |
|---------------------------------------|---------------------|
| Mine | \$ 5,500,000 |
| Concentrator | 15,000,000 |
| Property costs, working capital, etc. | 1,000,000 |
| Future costs | 21,500,000 |
| Costs already incurred | 3,500,000 |
| Total | <u>\$25,000,000</u> |

Financial Feasibility

Profitability projections are based on the 2½ year period of future construction and mine development, and a 20 year period of operation.

Projections are made on the basis of three ore grade levels, high, medium and low. All projections are based on February, 1975 dollars. A major factor in economic analysis is the selling price of copper, and forecasts are made separately on the basis of 10¢ increments, ranging from 60¢ per pound to \$1.00 per pound. (In March, 1974 copper sold for 68¢ per pound. This March the selling price was approximately 64¢ per pound.) Management believes that the mine can be operated profitably at these prices.

An interim profitability analysis has been prepared to forecast net income, cash flow and rates of return that may reasonably be expected to accrue from development of the copper ore bodies in the Oracle Ridge Project. (See Tables 8-1, 8-2, 8-3, and 8-4.) While the assumptions entering into the tables are considered reasonable, significant deviations could materially affect the end results. Moreover, the tables do not reflect property acquisitions, working capital and other miscellaneous costs of \$1,000,000 or the approximately \$3,500,000 already spent by the Company or financing costs.

The profitability analysis spans a 22 year period, of which two years are allowed for construction, one year for production at 87% of normal rates and 19 years at full production. By varying the ore grade, the total number of tons of concentrate produced at constant tonnage is estimated to be:

| | |
|--------|----------------------|
| Case A | 30,207 tons per year |
| Case B | 34,238 tons per year |
| Case C | 38,603 tons per year |

Table 8-1 – Summary of Discounted After-Tax Rates of Return vs. Variation in Price of Copper

| Case | Copper (¢/lb) | | | | |
|------|---------------------|------|------|------|------|
| | 60 | 70 | 80 | 90 | 1.00 |
| | Rates of Return (%) | | | | |
| A | 6.9 | 14.0 | 19.1 | 23.3 | 27.1 |
| B | 11.8 | 18.2 | 23.0 | 27.3 | 31.3 |
| C | 15.4 | 21.3 | 26.2 | 30.8 | 35.0 |

Table 8-2 – Average After-Tax Annual Net Profits vs. Variation in Price of Copper

| Case | Copper (¢/lb) | | | | |
|------|-------------------------|-------|-------|-------|-------|
| | 60 | 70 | 80 | 90 | 1.00 |
| | Net Profit (\$ million) | | | | |
| A | 0.346 | 0.850 | 1.531 | 2.268 | 3.009 |
| B | 0.658 | 1.374 | 2.214 | 3.054 | 3.895 |
| C | 1.011 | 1.906 | 2.839 | 3.772 | 4.705 |

Table 8-3 – Average Annual Net Cash Flow vs. Variation in Price of Copper

| Case | Copper (¢/lb) | | | | |
|------|------------------------|-------|-------|-------|-------|
| | 60 | 70 | 80 | 90 | 1.00 |
| | Cash Flow (\$ million) | | | | |
| A | 1.009 | 2.329 | 3.406 | 4.422 | 5.434 |
| B | 1.904 | 3.185 | 4.351 | 5.499 | 6.649 |
| C | 2.616 | 3.933 | 5.209 | 6.484 | 7.760 |

Table 8-4 – Payback Periods vs. Variation in Price of Copper

| Case | Copper (¢/lb) | | | | |
|------|------------------------|-----|-----|-----|------|
| | 60 | 70 | 80 | 90 | 1.00 |
| | Payback Period (Years) | | | | |
| A | 10.6 | 6.1 | 4.6 | 3.8 | 3.3 |
| B | 7.1 | 4.8 | 3.8 | 3.2 | 2.8 |
| C | 5.6 | 4.1 | 3.4 | 2.9 | 2.5 |

SPECIAL NOTE TO TABLES

The tables are based on assumptions previously stated and do not include property acquisitions, working capital and other miscellaneous costs of \$1,000,000 or the approximately \$3,500,000 already spent by the Company or financing costs. Significant deviations in one or more factors, i.e. labor costs, power costs, smelting charges, change in ore grade, copper prices, etc., could materially affect the end results.

Oracle Ridge 1974
Ann Rpt.

| | | |
|---------|-------------|------------|
| | Ca | Ag |
| 30% dil | <u>1.82</u> | <u>.51</u> |
| + 10% | 2.00 | .56 |

at 700,000 TF Y
 20 year life —

14 mil reserves
Pay Divt aug 77
 Pay roll 1.50 - 3 mil
 supply 3.5 m / yr
 toy sales prop 1.0 m
 total 7.5 m / yr

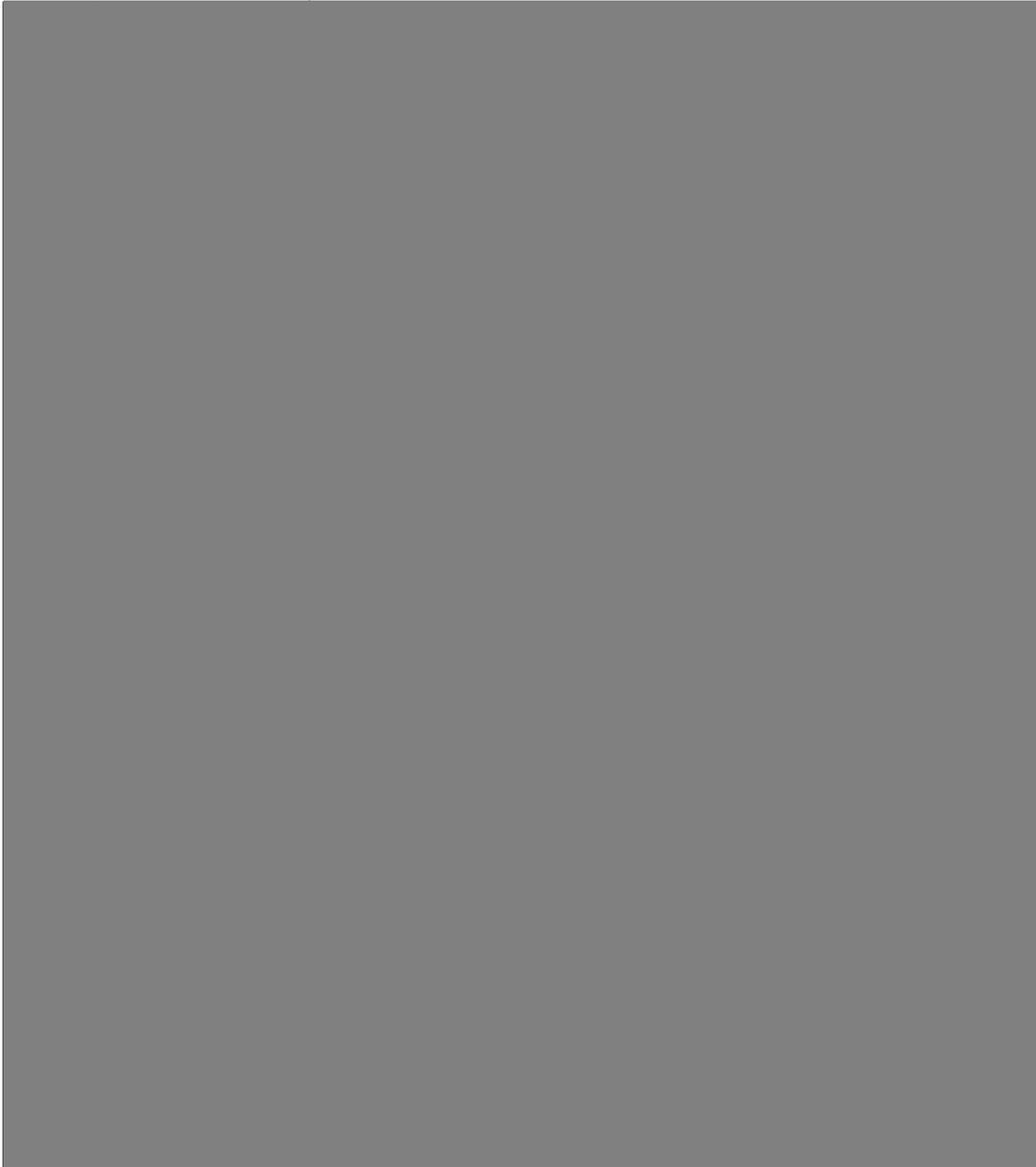
~~4.4~~
 11.00 total cost / ton

~~OK~~ ~~File~~ ~~IDS~~ ~~RBC~~
Circulate SWED
J.H.C.

THE WALL STREET JOURNAL
Friday, August 5, 1977.

AUG 9 - 1977

Control Area



J. H. C.

MAR 1 1971

AMERICAN SMELTING AND REFINING COMPANY
TUCSON ARIZONA

FEBRUARY 25, 1971

FILE MEMORANDUM

SUBJECT: CONTINENTAL MATERIALS CORP.
REPORTED COPPER DISCOVERY
CONTROL MINE AREA ←
CATALINA MOUNTAINS
PIMA COUNTY, ARIZONA

File

THE FOLLOWING INFORMATION WAS OBTAINED ON FEBRUARY 16 FROM MR. C. H. REYNOLDS, GENERAL SUPERINTENDENT, MINING DIVISION, CONTINENTAL MATERIALS CORPORATION:

CONTINENTAL HAS DRILLED 17 HOLES ON THIS PROPERTY, 14 OF WHICH HAVE ORE INTERSECTIONS RANGING IN THICKNESS FROM 10 FEET TO 60 FEET. SOME HOLES HAVE MORE THAN ONE ORE INTERCEPT. AVERAGE GRADE OF ORE INTERSECTED IN THESE 14 HOLES IS 2% COPPER.

COPPER OCCURS AS CHALCOPYRITE WITH MAGNETITE IN A SKARN GANGUE WITHIN THE MARTIN LIMESTONE PERIPHERAL TO THE INTRUSIVE STOCK. THEIR INTEREST IN THE PROSPECT WAS BASED ON MAGNETIC ANOMALIES RESULTING FROM HIGH MAGNETITE CONCENTRATIONS IN THE TACTITE ORE.

ACCORDING TO REYNOLDS, CONTINUITY OF MINERALIZATION APPEARS TO BE GOOD BUT THE OVER-ALL SHAPES OF THE ORE BODIES IS HIGHLY IRREGULAR. ULTIMATE ORE TONNAGE POTENTIAL IS IN THE 15 TO 20 MILLION TON RANGE.

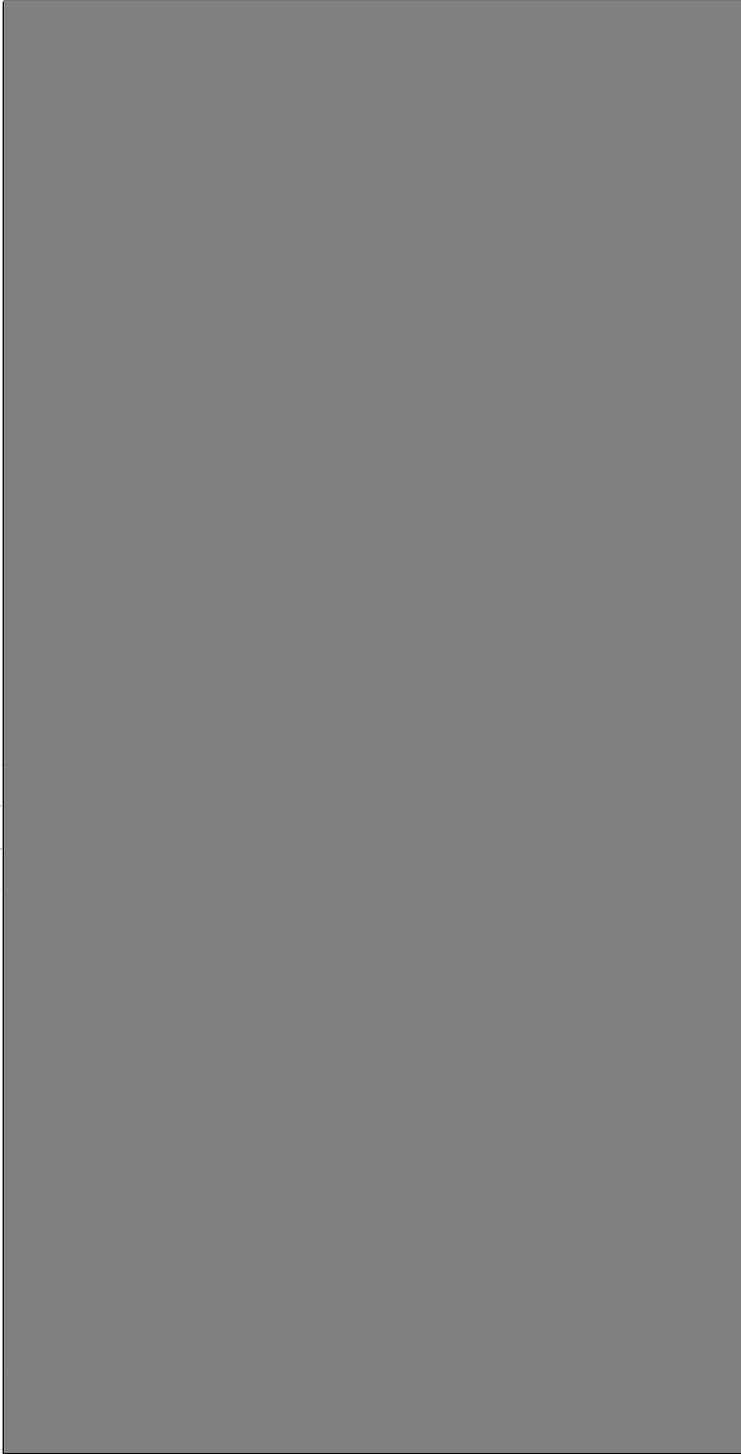


W. E. SAEGART

WES:MW
CC: J. J. COLLINS
ROUTE FILE: J. H. COURTRIGHT
W. L. KURTZ

WES.
FEB 9 1971

CONTROL MINE
PINAL Co, AZ



JHC

file New York - Arizona

J. P. W.
FEB 8 1971

Continental

Reynolds - Continental Oil

14 of 17 holes intercepts
over 10' - up to 60'

2.0% Cu in tact with
mag - similar to Xmas

Discovery based on mag anomaly

WES