



## **CONTACT INFORMATION**

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Dec. 5, 2002: B R X (file # 6) This file contains Data / releases / 3<sup>RD</sup> Party Reports on the  
BRX / IPM mine. May 1997 thou Present Day.  
mils# 838. BRX, < La Paz County file 6 of 11

THE NASDAQ STOCK MARKET, INC.

**NASDAQ****FACSIMILE**

Date: 8-29-97

To: Mya P Niemath \_\_\_\_\_  
Name Phone

Arizona Dept. of Minu & Mineral Resources (602) 255-3777  
Firm Fax

From: Andrew Labadie Phone: (202) 974-2911  
Equities Analyst Fax: (202) 974-2733  
Nasdaq Listing Investigations or (202) 496-2698

Total Number of Pages (inclusive of cover page): 5

Message:

## THE NASDAQ STOCK MARKET, INC.

**NASDAQ**

August 29, 1997

David Kornhauser  
International Precious Metals Corporation  
4633 South 36<sup>th</sup> Place  
Phoenix, Arizona 85282

Dear Mr. Kornhauser:

The staff has had a chance to review the information sent by John Whelan, dated August 14<sup>th</sup>, and we have comments related to the exhibits as well as additional comments relating to the Company's 1996 Form 10-K, the December 1995 Behre Dolbear report, and the Company's dealings with Friendship Metals. We have organized the comments by the source material reviewed and, with respect to each section, given separate dates for when the related written responses are due.

As discussed with Peter Gates on August 26<sup>th</sup>, the staff is seeking responses to comments relating to "Response 4, 5, 7, and 12" of our August 8<sup>th</sup> letter by **Tuesday September 2, 1997**; responses to the remaining comments included in the August 8<sup>th</sup> letter are due no later than **Wednesday September 24, 1997**.

- First, however, please provide us with a copy of the Behre Dolbear/Bateman report to be completed on September 15, 1997, upon completion. To the extent not covered in the report, or in other documents sent prior to the report completion date, please indicate all of the steps that Behre Dolbear and Bateman performed in their evaluation of the Company's on-going exploration efforts, describing in detail, what samples or processes were evaluated. A separate response, if needed, is due by **Monday September 15, 1997**.

In reviewing the staff correspondence to date, our supervisor would like to obtain responses to the first *two* comments, which were part of "Response 16" in the August 8<sup>th</sup> letter, and three additional comments, all of which relate to Friendship Metals, by **Friday September 5, 1997**.

- Please provide a chronology and brief description of the activities that the Company has undertaken with Messrs. Cousino and Wardle and Friendship Metals, and provide us with copies of all reports and correspondence that the Company has had with Messrs. Cousino or Wardle, or Friendship Metals.
- What was the basis for working with Mr. Cousino. What is his background? What work has he done for other entities? Please identify those entities. Also, please indicate with which industry or professional groups Messrs. Cousino or Wardle or Friendship Metals is associated, and in which states they are registered as assayers or metallurgists.

- Who developed the recovery processes used at Friendship Metals that is described in their April 1997 "Final Report and Process Summary" and which supports the finding reported in the June 24, 1997 Press Release?
- Please provide a list of all payments, or amounts due, for work performed at, or services or products received from, Friendship Metals. Also, please identify the parties to whom the amounts were, or will be, paid.
- Please identify the individuals that attended the July 29<sup>th</sup> technical presentation and tour of the Friendship Metals facility.

Questions and comments based on review of June 30, 1997 Form 10-Q, due **Monday September 22, 1997:**

- The Company indicates in Financial Note 3 that it is "... seek[ing] joint venture partners for several of the Company properties. To achieve this end, management has prepared detailed reports on each of the properties and engaged independent consultants to market the Company's properties."

Please provide us with a copy of the report covering each of these properties.

- If the recorded amount exceeds Cdn. \$500,000 in aggregate, please indicate the amounts and related classifications on the balance sheet of the proportional interests in the Hellens-Eplett Mining, Inc., Jamestown Platinum (Pty), Limited, and South African Mining, (Pty), Limited. If the recorded amount is Cdn. \$500,000 or less, in aggregate, merely indicate the aggregate amounts included in total assets and liabilities.
- Please provide a detailed description of the mineral rights acquired that have a recorded value of \$1,105,000
- Please provide the current market value of the Company's holding of common shares of Namibian Copper Mines, Inc.
- Please provide a detailed breakdown, by property, of the deferred mineral exploration expenditures as of June 30, 1997, and indicate the extent to which any costs were met with other than the payment, or promise of payment, in cash. The breakdown should include the following:
  - a. acquisition costs;
  - b. the **direct** costs incurred to excavate and process samples and to carry-out related exploration, testing and recovery work;
  - c. the costs of maintaining property interests or rights to mine;
  - d. administrative costs, such as corporate overhead, travel and entertainment, legal fees unrelated to direct exploration efforts and;
  - e. financing costs and taxes.

Please include a separate line item for any cost category amounting to over Cdn. \$500,000.

- Please identify and provide a description of the “investments in corporations which have senior management in common with the Company.” Please identify the member or members of senior management who hold interests, and the extent of their and the Company’s ownership interests, in each of the investments.

In order to obtain a better understanding of how the Company has progressed towards its goal of initiating mining activities, the staff attempted to reconcile the Summary of Analytical and Recovery Test Work to the Summary of all Samples Collected by cross referencing the sample ID’s on the latter report to the Samples listed on the Analytical report. We were generally successful in reconciling the activity that occurred during 1993 and into 1994; but could not match samples for the subsequent periods.

- Consequently, please respond to “Response 3” of the August 8<sup>th</sup> letter, *but beginning only* with the drilling efforts in 1995 and then continuing to the present. The presentation should allow one to determine chronologically what was done and what was accomplished in order to evaluate the effectiveness of the Company’s efforts in reaching its primary goal with respect to the Black Rock Property. For instance, the staff is uncertain what benefits were derived from the numerous samples taken in the 1995 Drilling Program as described on page 9 of the Company’s 1996 Form 10-K, as well as from the number of samples that have been taken from Section 35 over the past four years. A complete written response to these concerns as requested in “Response 3” of the August 8<sup>th</sup> letter is due **Wednesday September 24, 1997**.

Additional questions relating to the December 1995 Behre Dolbear report and the narrative description of the Black Rock Property in the Company’s 1996 Form 10-K, written responses to the following comments are due **Wednesday September 24, 1997**.

- The December 1995 Behre Dolbear report appears to provide an evaluation of the Company’s sample recovery and processing handling practices based on Behre Dolbear’s observations on October 25<sup>th</sup> through 30<sup>th</sup>, and December 10<sup>th</sup> through 12<sup>th</sup>, 1995. With respect to the report, to what did the following apply and what were the results?

“Samples were prepared by Behre Dolbear and all reagents were supplied from sealed and previously unopened containers. The handling of samples, reagents and resultant leach solutions were under the full control of Behre Dolbear throughout the procedure including final measurement of the solutions and the splitting into individual samples for analysis by laboratories chosen by Behre Dolbear. Behre Dolbear handled the forwarding of the samples to the laboratories.”

- Please describe the leaching process that the Company adopted between October 30<sup>th</sup> and December 10<sup>th</sup>, 1995.

- To what did the following apply?

“Behre Dolbear carefully observed the leaching procedure completed on sample splits from six samples that had been subjected to treatment the previous day. Resultant leach solutions were split, packaged for shipment and forwarded for analysis by Behre Dolbear.”

- Please identify the laboratories referred to in the December 1995 Behre Dolbear report.
- What efforts led to the discovery of the hard-rock portion of the Black Rock Property, and in particular, led to the following conclusions?

“There is clear evidence that there have been periods of epithermal mineralizing activity at the Black Rock Property (viz. A low hill containing extensive stock work veining some 300 meters in length),

There are mineralizing foci identified as being silt-stone-sandstone rock exhibiting wide spread pyrite alteration with a mapped strike length of 5 kilometers.”

- How did the following substantiate or add beneficial information to the discovery, and what was the “initial resource drilling”?

“In May of 1996, following the completion of the *initial resource drilling*, the Company instituted two new exploration drilling programs: a reverse circulation drilling program to drill down to bedrock, determining both the depth of sedimentary material and potential mineralization continuing to depth; a core diamond drilling program to test specific hard rock targets for geologic study and primary and indicator elements related to precious metal deposits.”

- The Company concludes its narrative of its efforts on the Black Rock Property with a discussion of developing appropriate fire assay procedures. Please explain how the fire assay development is yielding positive results for gold and PGM's, specifically, how much gold and PGM's are being found; and to what extent is what is found economically recoverable?

Again, To the extent that that the Company has already provided the requested document or such documents are a part of a public filing or that the requested clarification is covered in one of more of the previous responses, *the Company merely needs to provide a citation or reference.* Please call me with any questions you may have at (202) 974-2911.

Sincerely,

  
Andrew Labadie

Analyst, The Nasdaq Stock Market

**Subject: Personal Clarification****Date: Fri, 30 May 1997 20:17:42 -0400****From: Lee Furlong <104246.2764@compuserve.com>****To: C L Miltimore <milt069@concentric.net>**

Friday 5:00 pm

Hi CL,

Well the bitch from the Forbes Mag could not of gotten it more incorrect. I have NO INTENSION however to wage war on one of the mightiest magazines in the Nation. Too, I have no intension of allowing my background to be further sullied. You as my friend do deserve to know the correct facts however, and I set them out hereunder.

This info is not for re-broadcast. If the SI or other forums start questioning ME as a issue, just say you have my personal resume for the period of time in question and it doesn't read anything like protrayed by the Forbes bitch.

Best regards,  
Le

-----  
Memo

Confidential

30 May 1997

TO: Alan, David  
Paul, Jim, Bill, Sam, Eli.

FROM: Le

RE: Forbes Article "the personal attack"

Clearly, the so-called facts slamming me personally are totally devoid of real fact.

So that you are all well aware of the realities let me set out the two bits of my background referred to'

Education: I have a 3 year Diploma of Education (Science) from Central Washington University. I attended 2 semesters of Graduate Study at Colorado State University. I completed 1 summer semester, of Radiation Detection and Exploration at Colorado School of Mines and completed the full course work in Business Management at the Australian Institute of Management.

The Paddington Issue: I was Exploration Manager of Pancontinental Mining Ltd with a staff of 22 persons (8 geologists, 1 Chief Geologist, a geophysicist and 2 Senior Geologists) at the time of 'discovery' of the Paddington resource. I participated in the detail geochemistry interpretation and the drill hole location sites. I was employed at Pancontinental Mining Ltd commencing in 1976 initially as Chief Geophysicist, thence Exploration Manager and lastly as Manager Corporate Development. I left Pancontinental in 1982.

Attacks of this nature will probably increase. The Forbes article is probably just the beginning. Please be wary of ANY phone call or person asking questions or requesting 'clarifications' of information...please do not co-operate, in that way, it leaves the 'dirt gatherer with little to

6:697 11:01 A3

build a story.

Many thanks

Le

August 8, 1997

David Kornhauser  
International Precious Metals Corporation  
4633 South 36<sup>th</sup> Place  
Phoenix, Arizona 85282

Dear Mr. Kornhauser:

Thank you for your responses, which we received on July 22<sup>nd</sup>, to our letter dated June 25<sup>th</sup>.

The staff is trying to obtain a clearer understanding of the importance of the sequence of the Company's exploration efforts in the Black Rock area. First, we need a more detailed explanation of the basis for management's decision to initiate exploration of Section 35, as well a description of the findings or other information that led the Company to expand its exploration work to the adjacent or surrounding areas. Second, we would like to determine what was discovered or gleaned from these efforts that began in 1993, that to date have concluded with taking five samples from the original plot in Section 35 to be "tested" by Friendship Metals? Why were the findings of this recent testing, those reported in the June 24<sup>th</sup> Press Release, so much more significant than what had been previously reported? What was unique about the samples and the recovery process that led to the reported results?

Below are our specific questions and comments to the Company's prior responses. In certain cases, we have asked for additional documents or clarification of a prior response. To the extent that that the Company has already provided the requested document or such documents are a part of a public filing or that the requested clarification is covered in one of more of the previous responses, *the Company merely needs to provide a citation or reference*. We need to receive complete written responses these questions and comments no later than **Friday August 29, 1997**.

From Response 2: The Company's initial interest in Section 35

- What properties (locations) did Messrs. Furlong and Mentzer test? What was the nature of the "testing" and when was it done? What were the results? Together how did this work lead to the management's decision to select the "Black Rock Property", as opposed to, for instance, a location that was closer to the hard rock material? Please provide copies of any reports of the work done by third parties that corroborated the test results.

- SENT BY: 0- 0-97 16-31 2029742734- 602 255 3777:# 3/ 7
- Is the property that the Company is currently purchasing from Phoenix International Mining the shaded area shown on the map included as exhibit 3(a)(6) in the July 18<sup>th</sup> response? If not, please provide a map of the land or the area of the interest that is being purchased. What exactly is the Company purchasing? What property interests or rights, or revenue or profit interests will be retained by Phoenix?

From Response 3: Chronology of Drilling and Excavation Efforts:

As the Company has not supplied us with the schedules mentioned in responses 3, 9, and 10, please provide the following information, in lieu of such schedules, based on the drilling and excavation sites discussed in your third response noted below. (Please note that we will try to reconcile the information provided in response to this point with information about specific sampling excavations or related efforts reported in the Company's public disclosures or literature.)

November 1993: Section 35, twelve sites dug to a depth of ten feet with a back hoe

March 1994: Section 35, thirty sites drilled with an auger to a depth of fifty feet

April 1994: Sections 22, 25 - 28, and 34 -36: eleven sites drilled [with what or how?] to a depth of fifty feet

August 1994: Section 35, seven sites drilled [with what or how?] to a depth of one hundred feet by Behre Dolbear

October/November 1995: Section 35; one hundred twenty one sites reverse circulation drilling to bedrock at depths of up to 100 feet

1996/1997: Seven sites in the Little Harquahala Mountains and forty-three sites in Section 35 and within the boundaries of the property that the Company is purchasing from Phoenix International Mining, deep reverse circulation drilling to bedrock at depth of up to 700 feet

- Please describe the drilling methods used in the April and August 1994 work?
- For each of the drilling "programs" noted above,
  - a. Please indicate the number of samples that were taken from the sites and when.
  - b. How did the drilling efforts assist in the Company's understanding of the potential or actual mode of occurrence of gold or platinum group metals?
  - c. What samples, at what depths and location, were assayed; and by whom?
  - d. What assay method was used and what were the results?
  - e. If applicable, what portion of the assay results were considered to be recoverable and how did the Company propose to recover the minerals?
  - f. Please provide reports from drilling contractors, outside assayers and recovery labs that document the results.
  - g. What samples have not been tested or assayed; and who possesses and controls these samples?

From Response 4: Mode of Occurrence of Gold and Platinum Group Metals (PGM's)

- The Company informed us of what it referred to as mineral assemblages:

GOLD	Free Gold Silver Telluride compound (Petzite) Associated with an iron silicate
SILVER	Telluride compound (Hessite) Silver Iron Sulfide (Argentopyrite) Associated as Lanthanum/Cerium Silicate
BASE METALS	Copper (0.2-0.4%)      Copper Sulfide (Chalcopyrite) Lead (0.3-0.5%) Zinc (0.3-0.4%)
	Other Minerals Iron (5-8%) Iron Sulfide (pyrite) Magnetite Titanium Iron compound

The staff gets the impression that by "assemblage", the Company means that the metals noted above have been found to be either encapsulated or clustered within other minerals as noted above, or as separate pieces of rock, e.g., free gold. By mode of occurrence, the staff was trying to determine not only (1) with what minerals the gold or PGM's are associated, but more importantly, (2) the geological source of the gold and the PGM's, (3) how they became associated with the various minerals or found as separate pieces of rock, and lastly, (4) how the encapsulated or free precious metals migrated to the selected excavation and drilling sites. (The staff apologizes if it incorrectly used certain terms in requesting information in the previous letter; we hope this clarifies the nature of our question.) Please address these three points in conjunction with the questions relating to Response 5.

Response 5: Geochemical Anomalies

- What is a geochemical occurrence, surface or otherwise? Specifically, what does the Company mean? (Taken from Response 4, describing Mr. Mountford's findings.)
- What is a geochemical attribute and what is a geochemical anomaly? What precisely is the Company talking about? Does the Company know how the gold and the PGM's arrived at the drilling and excavation sites, in particular Section 35?
- What "geologic environment" is responsible for the presence of the gold and PGM's, as mentioned in Response 5? How did the company perform a fire assay on an anomaly?

- Please use your words to describe the Company's understanding or theory as to the source of the gold and the PGM's; how the gold and PGM's migrated to the property and how each are found in the surrounding material? With this question in mind, what is the basis for the following statement from Response 8, "... IPM's experience has also shown that a geochemical analysis by total dissolution is the most effective method for repeatable results in determining concentrations of precious minerals."

#### Response 7: Other Sites containing Gold and PGM's

- From what the Company has found to date, please describe what the Company considers unique in how the gold and PGM's are associated with other minerals at the Black Rock location.
- How are the assemblages found to date unique? Where have these or similar assemblages occurred before? (If the "assemblages", the geological source, or the way in which the Gold and PGM's arrived at the location are common occurrences, please indicate so, and briefly describe where such occurrences are located in North America.)

#### Response 11: Roland Mountford

- Please describe Mr. Mountford's background and identify other clients for whom he has performed geological work. With whom or what professional organizations is he associated; and what was the basis for the Company selecting Mr. Mountford to do the study?
- Based on the results from the Iseman and ChemTron Laboratories, what did Mr. Mountford conclude as the geological source of the gold and PGM's.
- Please identify who collected the samples analyzed by these laboratories. Also, how were the "structurally prepared and altered rock units"(samples) processed prior to the laboratory analysis, and who performed such processing? Lastly, who chose the two laboratories, and what was the basis for the choice?
- With the positive results from Mr. Mountford's work, why hasn't the Company contracted a laboratory to test the drill cores taken from these hard rock areas in 1996?
- Please provide a copy of the report prepared by Surtec Geosurveys, Pty., Ltd..

#### Response 12: Vearncombe and Associates

- Please indicate the depth, location and the number of samples collected by the Vearncombes. Who assayed the these samples? Please provide reports of the results.
- What is the status of the questions that the Vearncombes raised in their letter to Professor Kerrich? Please provide a copy of his response as well as copies of all subsequent correspondence with anyone regarding the questions raised in the April 15, 1996 letter.

Response 15: Lycopodium Pty., Ltd.

Based on their experience from the list of projects, the staff is uncertain as to what role Lycopodium would play in assisting in the recovery of platinum group metals? When has the group worked on an exploration project involving platinum?

Response 16: Friendship Metals

While the staff has no knowledge of geology or metallurgy, particularly in reference to the finding and recovery of gold or other precious metals, the Company's Response 16(a) made no sense to us. How is Friendship Metals' process unique or proprietary? Based on the responses to point 16, Friendship's process appears to be defined by existing texts and a "feel for what will work." What is proprietary about Mr. Cousino's methods: If they are unique, yet within the confines of what is standard, how can they be claimed to be proprietary; and if his methods are more of an "art"; how do such methods reconcile to the Company's claim in Response 8, that its "... research is showing that maintaining a structured review of the type of material being tested, processed or evaluated is very critical to obtaining repeatable results and an accurate interpretation. ..."? The staff concludes that while the processes employed by the Company and Mr. Cousino at Friendship may be unique, after a fashion, they are not proprietary in a technological sense. If our conclusion is mistaken, indicate clearly to us what we are failing to grasp.

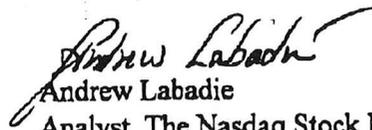
- Please provide a chronology and brief description of the activities that the Company has undertaken with Messrs. Cousino and Wardle and Friendship Metals, and provide us with copies of all reports and correspondence that the Company has had with Messrs. Cousino or Wardle, or Friendship Metals.
- What was the basis for working with Mr. Cousino. What is his background? What work has he done for other entities? Please identify those entities. Also, please indicate with which industry or professional groups Messrs. Cousino or Wardle or Friendship Metals is associated, and in which states they are registered as assayers or metallurgists.
- In Friendship Metals' November 16 1996 General Report of Events and Findings, please describe the confidential and/or proprietary methodology referred to in Section 5.
- Please walk us through the steps with respect to the second leaching: What minerals are in the precipitant? What minerals are contained in the leach liquid and what happens to the minerals in the liquid and in the precipitant? How are minerals associated with one another, or are they free? What does smelting and electrowinning provide toward the recovery of the gold and the PGM's that is not achieved in the initial leaching process?
- If, as stated in the Final Report and Process Summary, the "... prime objective became the conduct of applications research which focused on all aspects of commercial recovery. ...", why is the process at Friendship Metals followed by an assay, as shown on the flow chart? (It would seem that an assay would proceed any efforts toward recovery.) Lastly, why was AuRIC recovering precious metals from a recovery process performed by Friendship Metals?

- The staff needs clarification to Response 16(t). If it is critical to understand the metallurgical balance (the weight and mineral composition pH of the ore) as implied in Response 16(q), the staff is unclear as to how this step can be modified as a sample size becomes more homogeneous. Is the step discussed in response 16(q) more of a matter of "feel" or guess work? Help us on this.
- Response 16(v) does not address the question. Again, from the Company's understanding of the process, how does Oxidation Reduction Potential affect the processing of the slurry or the results of the recovery process?
- Response 16(z) and (aa) seem to indicate that a metal can leave the solution and become solid, or separate out, if sufficient temperature and pressure are not maintained. First, what is the recovery problem: Do the PGM's re-attach themselves to the existing minerals, which would seem to indicate an unstable nature, or do they become free of the other minerals? Wouldn't the latter be preferable? Yet the comment from the Friendship Metals report had to do with the re-absorption into the solution. What is the goal: to obtain free particles of platinum? When is this achieved in the leaching process?
- With respect to response 16 (ab) and (ac), what is the Company's basis for performing these procedures. The fact that they can be done does not address why a particular method was selected. What was the basis for the particular method selected?

The staff was interested in some of the comments found in the correspondence between Messrs. Furlong and Wardle, relating to the need for wider acceptance of new approaches in recovering precious metals. One thing that may raise skepticism or possibly hinder efforts to dispel it, would be the use of jargon or convoluted language or syntax to explain a new or relatively untested process or approach. If anything, it would seem that the person promoting the new technology or process should be able to demonstrate a sufficient understanding of the same and be able to explain it clearly, describing how it achieves improved results relative to existing alternative methods. The staff questions whether the Company has reached this point with respect to the process undertaken at Friendship Metals, and wonders what the Company has achieved to date to facilitate the development of an economically viable mining operations as a result of all of its efforts.

Again, the staff will need complete written responses to each of the issues, comments and questions raised in this letter no later than **Friday August 29, 1997**. If you have any questions, please call me at (202) 974-2911.

Sincerely,

  
Andrew Labadie  
Analyst, The Nasdaq Stock Market

# Bloomberg

FINANCIAL MARKETS  
COMMODITIES  
NEWS

FACSIMILE TRANSMISSION

DATE: 8/15/97

TO: Nyal Niemuth

COMPANY:

FAX NUMBER:

PAGES TO FOLLOW: 1

RE:

FROM:

LOREN STEFFY  
DALLAS BUREAU  
6757 ARAPAHO, SUITE 711  
BOX 191  
DALLAS TX 75248  
(972) 335-8910  
FAX: (972) 335-8531  
E-MAIL: lsteff@airmail.net

THE NASDAQ STOCK MARKET, INC.

**NASDAQ****FACSIMILE**Date: *August 8, 1997*

To: *Nya S Nermu G* \_\_\_\_\_  
Name Phone  
*Arizona Dept. of Mines & Mineral Resources (602) 255-3777* \_\_\_\_\_  
Firm Fax

From: Andrew Labadie  
Equities Analyst  
Nasdaq Listing Investigations

Phone: (202) 974-2911  
Fax: (202) 974-2733  
or (202) 496-2698

Total Number of Pages (inclusive of cover page): 7

Message:

# **INTERNATIONAL PRECIOUS METALS CORPORATION**

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## **PRESS RELEASE**

NASDAQ: IPMCF

CDN: IPCM

### **BEHRE DOLBEAR REQUIRES ADDITIONAL TIME TO COMPLETE INDEPENDENT VERIFICATION**

### **IPM EXTENDS PAYMENT DATE FOR PROPERTY**

Toronto, Ontario (August 4, 1997) -- International Precious Metals Corporation (IPM) announced today that it has been advised by Behre Dolbear & Company, Inc., IPM's mining engineering consultants, that an additional 30 days is required to complete their independent fire assay analyses and review of IPM's recovery processes on IPM's Black Rock Property. The additional time requested was in order to properly schedule senior Behre Dolbear personnel already familiar with both the Friendship Metals facility and the gold recovery process utilized by IPM.

IPM had previously announced on June 24, 1997, that the independent verification program would be completed within 30 to 45 days. The additional time required by Behre Dolbear means that the program should be concluded in early September. While IPM regrets that the verification program has been unavoidably delayed, it is confident that this additional time will allow Behre Dolbear to utilize appropriate staff to complete their independent verification thoroughly under the most stringent protocols.

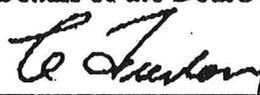
IPM also announced that as a result of the additional time required by Behre Dolbear, IPM has negotiated an extension of time for the completion of the Black Rock Property purchase. Under the terms of the original property purchase agreement, IPM was to have paid to Phoenix International Mining, Inc. the sum of US \$16.5 million on July 15, 1997 to acquire a 100% interest in the Black Rock Property. The payment date has now been extended to October 15, 1997. This allows IPM sufficient time, subsequent to the receipt of the results from the independent verification program, to raise the US \$30 million private placement financing necessary to finalize the purchase. Additional proceeds from the financing will be used to complete a prefeasibility study, the next level of development of the Black Rock Property.

*continued*

Finally, IPM wishes to advise that on July 29<sup>th</sup> IPM and Friendship Metals hosted a technical presentation for financial professionals and analysts at Friendship's Research & Development facility in Las Vegas, Nevada. IPM has been informed that some participants intend to publish a review of the Friendship presentation. The company will disseminate copies of the reports to shareholders and those interested, as they become available. IPM has also arranged for access to the reports through its web site.

\* \* \*

On Behalf of the Board of Directors

  
\_\_\_\_\_  
Le Furlong, President and CEO

ISSUED AND OUTSTANDING CAPITAL 17,758,280

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**FOR MORE INFORMATION CONTACT:**

International Precious Metals Corporation  
Eli Constantine • 602-414-1830

Operations Office • 4633 South 36<sup>th</sup> Place • Phoenix, AZ 85040 • Phone: 602 414 1430 • Fax: 602 414 1831  
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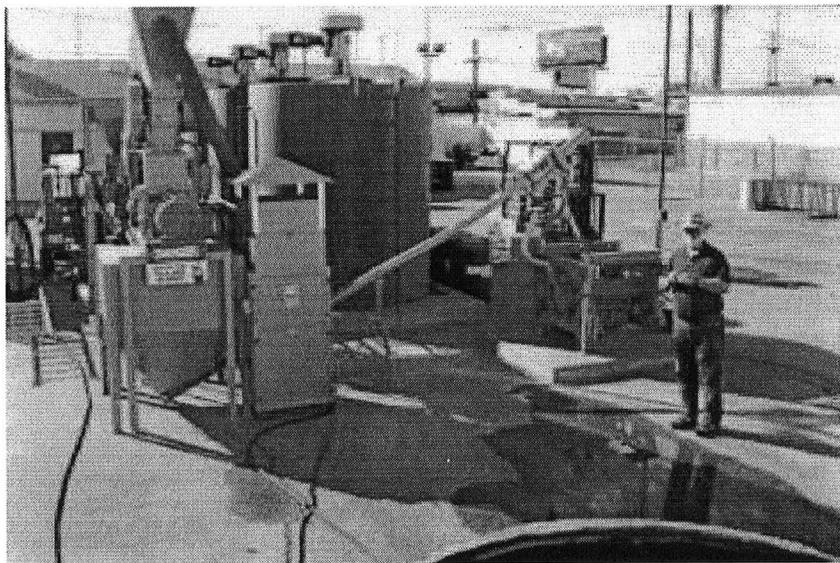


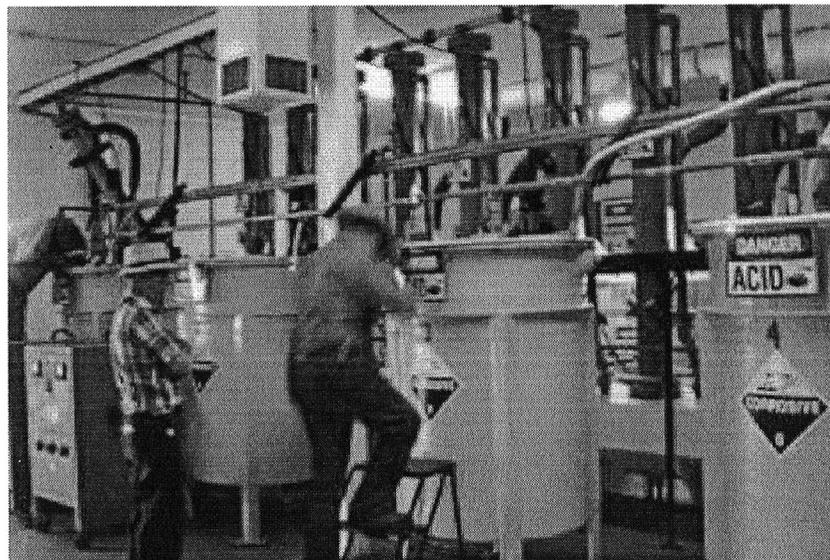
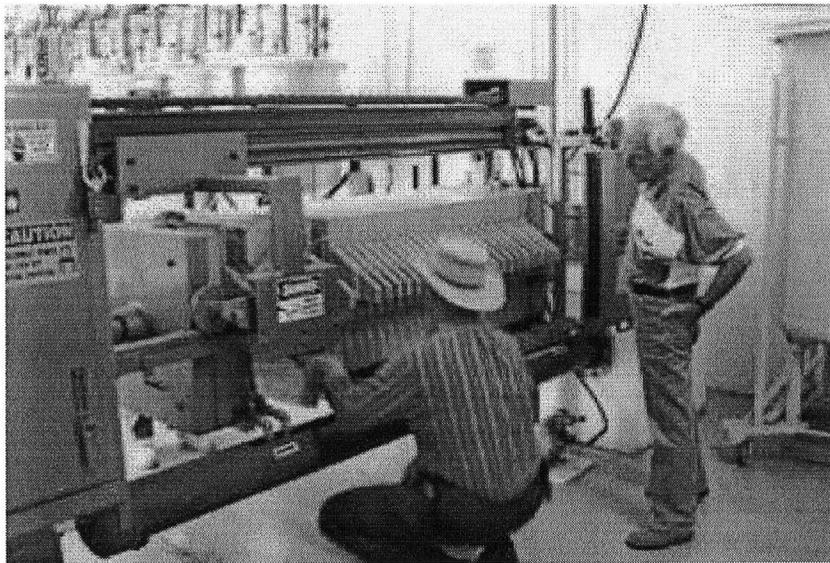
## AGM Photo Album



**IPM Chairman, Alan Doyle, addresses shareholders. (above)**

**Independent auditors inspect Friendship Metals Facility. (below)**





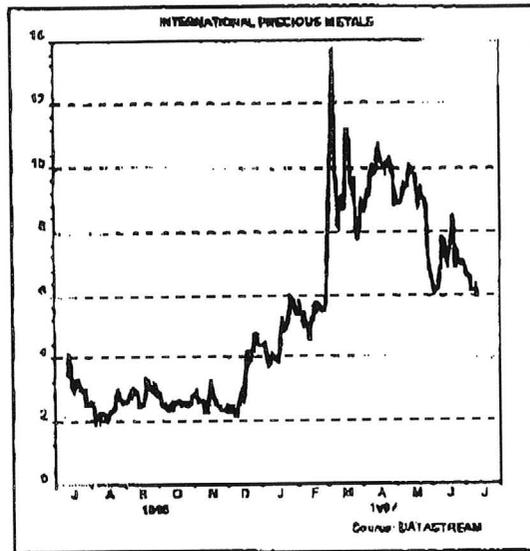


T. HOARE + CO.

### International Precious Metals A Technical Assessment.

**Recommendation: SPECULATIVE BUY**

Share price (IPMCF)	US\$6.25
Issued shares	17.5m
Market capital	US\$109m
12 month high / low	US\$14.50 / 1.90
Net current assets	US\$5.2m
Long term debt	US\$0.5m
'Gross capital'	US\$112m



- We believe Platinum Group Metals and Gold exist in unusual mineral associations in Arizona's Desert Sands.
- IPM claims to have achieved yields of 0.8oz/t of gold, platinum and palladium. Behre Dolbear will be conducting tests to investigate this. A result is expected in August.
- If a grade of 0.8oz/t can be confirmed, IPM's *unproved* resource is likely to be in excess of 43moz of gold, platinum and palladium.
- Recovery and assaying of this material is extremely difficult. IPM is in an early phase of development, requiring funds of US\$5-6m per annum.
- Success depends upon the generation of a viable metallurgical process, and even allowing for a 1 in 4 chance of an economic operation being developed within 3 years, the risk/reward profile of these shares looks attractive.

July, 1997

Analyst: Martyn Hay

## International Precious Metals

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### Introduction.

The aim of this report is to present the current state of development of International Precious Metal's (IPM) Black Rock property and to determine the risks and rewards associated with developing the property to the point where it could host an economic and viable mining operation. Information from Global Platinum and Gold Incorporated's (GPGL) small scale production plant which is being run as a 10t/day pilot operation on its Hassayampa property, also in Arizona, has been used to aid this analysis.

The views that have been expressed are based on information obtained from both companies during a recent three day visit.

### Risk and Reward.

- There is a sufficient body of evidence to show that International Precious Metal's and Global Platinum's 'desert sand' properties, west of Phoenix, Arizona, host platinum group metals and gold in measurable quantities.

There has been much debate for some time as to the existence of gold and platinum group metals in the Arizona desert. Both the Arizona Department of Mines and Mineral Resources and the Toronto Stock Exchange are not convinced because the material cannot be reliably assayed by conventional methods. Against this is a plethora of assay data from many assay laboratories around the United States on head samples and plant products, including returns from Union Miniere, Belgium, which show precious metals values. Assay values from repeat tests on the same sample often show wide variations. The data may not indicate how much is there, but it does provide a strong indication of the presence of gold and platinum group metals which may or may not be present in economic quantities.

Further, a geological report conducted by Inco in 1991 on GPGL's properties concludes that ".....there exists a wealth of anomalous high grade PGM analyses which are extremely unlikely to be produced by salting and therefore should be taken seriously. Although the scatter of PGM values is extreme and in some cases even the order of magnitude is in question, certain metal ratios are impossible to be manufactured and therefore are considered to reflect natural samples. Inhomogeneity of PGM distribution is considered as one of the major reasons for the wide scatter of values."

- At the Annual General Meeting held on Friday 20<sup>th</sup> June 1997 IPM presented evidence to show that its Black Rock property hosts platinum group metals and gold in measurable and recoverable quantities.

IPM announced that three bulk samples taken from the original 1km<sup>2</sup> grid yielded 0.82oz/t of refined metal which consisted of 0.32oz/t gold, 0.29oz/t platinum and 0.21oz/t palladium. Rhodium assays were not available at the time of the AGM. These values are unsubstantiated and independent verification by Behre Dolbear and AuRIC Metallurgical Laboratories is expected by August, but these results are a considerable improvement on IPM's previous announced yield of +0.25oz/t gold only. To date the only value Behre Dolbear has verified is 0.04oz/t gold from IPM's property.

- Both IPM and Global have established a workable, but inconsistent, assay method and laboratory scale recovery process. An initial review shows both are costly for an operating environment. It is early days, and significant technical development is required to improve recovery and reliability.

Both companies have proposed that some of the precious metals hosted in the Arizona desert sands exist in unusual chemical and mineralogical associations and therefore respond abnormally to conventional assay and recovery methods. It is believed that this is because some classical analytical methods in standard use, such as fire assay, are not capable of providing an easy solution to the determination of all naturally occurring ores. Ores displaying this characteristic are referred to as refractory or 'non-assayable'. An example of this is the Emperor gold mine in Fiji which began operations in 1935, and is still in production, but has great difficulty in structuring an accurate metallurgical balance because of assaying difficulties.

To successfully treat desert sands material it is deemed necessary for any assay or recovery process to stabilise the precious metals into a state which increases their amenability to normal recovery practices. From current indications of yield this appears to be the case, and this in particular is one of the core issues which should be validated.

The assay method used by both companies is a variation of the standard fire assay procedure for refractory ores. In each case the procedure has been customised to suit the idiosyncrasies of the ore. AuRIC has recently developed a standard fire assay for IPM, which gives significantly more consistent results than any previous method on head samples.

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Both company's recovery processes are in an early stage of development and are more accurately described as a 'laboratory scale recovery method' rather than an extraction process. Indications are that recovery is low and a significant amount of technical development is required before these methods can be scaled up to an economic level.

- **IPM has considerable, although speculative, upside potential.**

IPM's recent announcement shows the likelihood of an orebody which we believe can be properly assayed. The extent of the deposit has yet to be properly defined, but it is known that the deposit remains open in all directions, including depth. Sufficient drilling has been done, but the grades of the samples remain *unproved* until AuRIC's new assay method is substantiated by Behre Dolbear.

If current indications of a yield of 0.82oz/t prove correct, the feed value at current metal prices is US\$256/t. This is very high compared to any other world precious metal mine which generally runs at US\$15-60/t. Although US\$256/t is a high feed value, operating costs will also be higher than normal because of the complex nature of the ore.

If an economic extraction method can be found IPM will own a very profitable mine. If the assay and drilling data available can be confirmed, IPM's resource base is estimated as 54mt at 0.8oz/t of gold, platinum and palladium, giving 43moz of precious metals. This assumption is based on a 1km<sup>2</sup> grid, and there is likely to be further reserves in the area outside this grid.

Considering the uncertainties, it is obviously difficult to value IPM and the company could well be worth many multiples of current Market Capitalisation. One of the simple routes to valuation is the price paid ounce in the ground. In North America this is normally around US\$50/oz of gold; if one was to halve this to US\$25/oz and apply a 1 in 4 risk factor this would still produce a value per IPM share of US\$15. If the project does prove to be viable, US\$25/oz would be a low valuation for platinum in the USA.

IPM's annual expenditure is about US\$5-6m per annum, and it is anticipated that US\$15-20m will need to be spent over the next three years in bringing the project to a viable state.

It must be remembered that all valuations depend for their credibility on the *economic* exploitation of the available reserves. In essence, success depends upon the generation of a viable metallurgical process. This will most probably take 2-3 years with a 1 in 4 chance of success, and investors must be prepared to provide up to US\$20m in development costs bearing this in mind.

**History.**

**International Precious Metals (IPM)**

IPM's roots go back to 1987 when it enjoyed a joint venture with Degussa AG and Hong Kong based Jenkins Holdings, which lasted until 1991. Up to 1993 several prospects in the United States, Canada and South Africa were investigated including the evaluation of a UG2 platinum deposit close to Rustenburg. IPM first became aware of a number of precious metal prospects in Arizona in 1993 at a Gold Investment Conference. All the prospects were known not to respond well to fire assay. Six of the prospects were investigated, and the samples sent to a local laboratory, recommended by the vendor, who used a fusion assay technique partially developed by the laboratories of Stillwater Mining. The Black Rock area returned the highest precious metals value (0.16oz/t of gold) and at the end of 1993 the company entered into a joint venture with the vendor to develop the property. Recently, IPM has taken 100% control of the venture.

Almost from the start the company has fought to maintain credibility. At the heart of the debacle is the fact that the ore does not consistently respond to standard assay methods acceptable to the Investor and Stock Exchange community. Both the Arizona Department of Mines and Mineral Resources (ADMMR) and the Toronto Stock Exchange (TSE) have consistently doubted the existence of a deposit containing platinum group metals and gold. Disbelief is centred around the use of a non-standard assay technique, and the fact that a large scale deposit of precious metals has gone undetected in a highly accessible area for so long. In May 1994 the company's shares were delisted on the TSE due to failure to lodge annual accounts. The shares were relisted when the accounts were lodged. Also in that year a complete absence of precious metals was found in the deposit when evaluated by Kilborn Engineers at the request of the TSE. IPM strongly refute this, pointing out that sampling was only conducted down to a depth of 3 feet even though it was made known that mineralisation begins at about 4 feet. In response to this, international mining consultants Behre Dolbear were contracted in May 1994, to assist with process development and to authenticate both assay and recovery processes.

**Present Status.**

## International Precious Metals

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For three years the company has been grappling with an ore where the precious metals are housed within a complex mineral matrix, which makes measuring and recovering the contained values extremely difficult. Ores of this type are fairly common, such as at the Emperor gold mine in Fujii which has been in operation since 1935. These are commonly referred to as refractory or sometimes non-assayable ores.

At this juncture a workable assay method and recovery process has been developed using a combination of well known extraction techniques. The problem is that the assay method is non standard under Stock Exchange regulations as it involves leaching, precipitation and electrowinning. Using a number of methods, assay results from some 5,000-6,000 samples have consistently shown a wide scatter of values which is typical of a non-assayable ore.

A point of immense conjecture remains as to whether the deposit hosts precious metals or is a 'scam' on Bre-X proportions. In this regard we have the advantage of hindsight in considering this possibility. Bre-X highlighted a number of characteristics;

- Average assays for the six zones making up the \$6moz of gold resource were remarkably consistent, averaging 2.3g/t with a range of 2.16-2.85g/t.
- No half cores or duplicate samples were kept for future reference.
- Only two assay laboratories were ever used to process the bulk of the samples, throughout the duration of the project.
- Reproducibility in fire assaying was a major constraint.
- Free gold particles were particularly coarse at 400 microns.
- Independent metallurgical testwork gave a remarkable result of 91% recovery of the gold in a gravity concentrate which was less than 1% by mass of the feed.

An appraisal of the information available shows little similarity to these characteristics except for the difficulty in reproducibility in fire assaying. Recently IPM announced that AuRIC, an independent laboratory, has succeeded in developing a more conventional and reproducible fire assay method. Although an improvement, some elements of the method still require optimising, and we look forward to Behre Dolbear verifying the procedure in the near future.

We therefore believe precious metals do exist on the property as there is a plethora of assay data from many assay laboratories around the United States on head samples and plant products, including returns from Union Miniere, Belgium and Eastern Smelting and Refining in Massachusetts. Assay values from repeat tests on the same sample often show wide variations. IPM concluded that a portion of the precious metals exists in a normal mineral state and the remainder exists in difficult or unusual associations, which include combinations with tellurides, cocapsulation in silica, and within complex molecular microclusters. These unusual metal associations do not exhibit a normal chemical response to standard assay or recovery methods, and hence produce irregular results. The sheer weight of data may not indicate how much is there, but it does clearly show that the properties host gold and platinum group metals which may or may not be present in economic quantities.

To progress, IPM must now have its assay and recovery processes independently verified, and then properly determine its resource base.

The company employs some 20 people and runs a Head Office, and a testing/storage facility in Phoenix. The latter is a warehouse which contains all bulk and core samples, a mobile pilot plant, accessory test equipment and an assay/microscope facility sufficient for the needs of the pilot plant. Shares are traded on NASDAQ and also quoted on the Canadian Dealer Board.

### Global Platinum and Gold Incorporated (GPGI)

The company was formed in 1978 and spent its time pursuing uranium, tungsten and base metal prospects. About 15 years ago a routine survey of state archives in Arizona unearthed old documents detailing agreements between the miners in the Oro Grande and other areas around Phoenix and the San Francisco mint in California. These stated that the miners must waive all rights to any revenue from platinum group metals contained in the dore bars dispatched for refining. Based on this evidence the company conducted some preliminary tests on a 9t sample which yielded much the same result as IPM's initial investigation of Black Rock. Following this the company acquired the Weaver Creek property, west of Phoenix with McFarland and Hullinger (a local trucking and mining company) as partners. In 1994 GPGI bought out its partners and took outright ownership of the property.

Up until the end of 1991 the company enjoyed a relationship with Inco Ltd, which ceased when Inco downsized and liquidated numerous non nickel operations.

The company is not as well known as IPM because it is privately funded and therefore has not been metallurgically scrutinised according to Stock Exchange rules. It has been developing a suitable assay and processing method for about 15 years. A large scale pilot plant capable of treating 100 tons per

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**International Precious Metals**

day was erected on the Hassayampa property in 1994. This same year also saw a claimed technical breakthrough in both assaying and processing methods by the use of two types of custom made catalysts, which have enabled the process to be further refined over the intervening 3 years. Late in 1996 the company extended its plant to include a refinery to selectively precipitate gold, platinum, palladium and rhodium in the form of their specific chloride salts.

Both the assay and recovery methods are highly innovative and are reported to yield precious metals in excess of 7oz/t of combined platinum, palladium, rhodium and gold. Returns from local refiners confirm the production of precious metals, but not the yield. The company's situation in terms of ore type and difficulty of assaying and recovery is similar to IPM. Again, sufficient evidence exists to show that GPGL's properties host platinum group metals and gold, but independent verification is required to ascertain the grade and whether the recovery process is viable.

A geological report was conducted by Inco in 1991 on GPGL's properties and a portion of the conclusion is quoted in full:

".....there exists a wealth of anomalous high grade PGM analyses which are extremely unlikely to be produced by salting and therefore should be taken seriously. Although the scatter of PGM values is extreme and in some cases even the order of magnitude is in question, certain metal ratios are impossible to be manufactured and therefore are considered to reflect natural samples. Inhomogeneity of PGM distribution is considered as one of the major reasons for the wide scatter of values."

Similar to IPM, Global should have its assay and recovery processes independently verified to obtain the necessary degree of credibility.

GPGL employs a small number of people in its Head Office in Salt Lake City, and in its processing plant situated on the Hassayampa property, Arizona. A research and development facility is located in Phoenix. The company has been involved in developing an accurate assaying method and process route for the past 15 years. Shares are quoted on the US Bulletin Board, and are extremely difficult to acquire.

**Local Mining History, Geology and Ore characteristics.**

Local Mining History.

The Arizona Department of Mines and Mineral Resources in Phoenix promotes mining in the state of Arizona, maintains all current and historical records, and operates a mineral museum. In a telephone conversation the Director of the department, Mason Coggin, confirmed that the local area around Phoenix had been a rich gold mining region from the early 1880's. The most famous small mines in the hills and at the foot of the Little Harquahala Mountains were Bonanza and Golden Eagle. Records show past production from this area between 1888 and 1980 was approximately 143,000oz of gold, 90,000oz of silver, 50,000 pounds of copper and 156,000 pounds of lead from 159,000 tons of ore. Gold yield from these deposits amounts to 0.9oz per ton. It is worth noting that most of this production occurred between 1888, when the Bonanza mine was discovered, and about 1900. The Bonanza mine is situated in the northern part of IPM's Black Rock North area.

The Department also confirmed the presence of gold in other areas of the state. In the north west, one operating mine, Gold Road near the town of Oatman, produced 46,000oz of gold last year, but Mr Coggin stresses no copper or PGM's. In the south west, a number of gold deposits exist which are in feasibility stage. All of the gold in these deposits has been analysed by fire assay using a standard flux and recipe of chemicals. Both Mr Coggin and the Department's Mining Engineer, Nyal Neimuth, are adamant that the IPM desert sand property will not produce gold or PGM's, as it is unlikely a large deposit of precious metals could go undetected in such an easily accessible area.

Platinum group metals do exist in areas of the United States other than at the Stillwater mine, which is located in Billings Montana. North of Arizona, in the state of Utah, the Bingham Canyon operation is known to produce not only gold, copper and molybdenum, but also platinum, uranium, selenium, and tellurium as a by-product. This has been noted in 'Gold in Porphyry Copper Systems' by Edwin Tooker written in August 1989, which reviews, among other plants, Bingham's production between 1982 and 1984.

IPM Geology.

The following description has been gleaned from various reports written by Tom Dodge, IPM's chief geologist, and from a discussion of these reports with Tom whilst in the field drilling sector 35 of the Black Rock Basin.

The Harquahala Mining District has been extensively studied by many geologists from 1911, the most recent being Richards and others in 1987.

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Base and precious metal mineral deposits can be divided into two distinct types:

- quartz veins and
- quartz-sericite-pyrite assemblages and their oxidised derivatives.

Virtually all metal production from the area was from the Bonanza and Golden Eagle mines, where the precious metal values are of the quartz-sericite-pyrite type. The area is structurally complex containing a great diversity of rock types and hosting both types of mineralisation.

The area is one of the oldest in the USA at 1.7 billion years and has undergone many later changes including a major 68 million year old Cretaceous intrusion. Topographically, Black Rock North is elevated 300 metres above the Black Rock Basin. Considering the very long deformational and erosional history of the area, and the very fine gold particles associated with it, it is possible that the Bonanza / Golden Eagle mine area could be the source of alluvial desert placer reserves. Kennecott Copper has excavated a small open pit approximately 400 metres north of the Golden Eagle mine and exposed well mineralised oxide and sulphide rock at a very shallow depth. Further south these sulphides have been oxidised by local ground water which occurs at 50 metres in the north and 100 metres in the south.

Successive periods of upliftment, erosion, burial and compression have taken place and a shallow lake has existed several times in the Black Rock Basin. The area has also undergone a number of periods of warming as is evident by recent volcanic activity - specifically 10,000 year old volcanic hills and 4,000 year old sinter cones.

Conditions have existed where gold (and PGM's) have been mechanically transported, leached and deposited; then re-leached and re-deposited several times over its history via weak saline solutions. Coarse sands and coarse porphyry copper and sulphide deposits in the north, and ultrafines with very fine mineralisation in the south lend weight to the theory of this mechanism. From bedrock and gravel profiles the area is shallow in the west and north and deeper in the south and east.

The top 9 metres to 15 metres consists of fine sand and gravel beds. Below this, homogeneous fine grained sands with a high content of clay (20-50%) exists down to 120m. The clay component is made up of a mass of alteration products of sericite, phyllite, chlorites and schists. Gold is associated with haematite, quartz, calcite and brecciated country rock. Gypsum occurs as evidence of successive lake basins and formation of calcrete is common.

### GPGL Geology.

The following geological observations have been obtained from a preliminary assessment of platinum and gold potential of the Oro Grande and Weaver Creek properties, prepared for Inco Ltd by Peter Fischer, PhD, and from documentation supplied by GPGL.

### Hassayampa.

The ore body is an alluvial flood plain deposit of Quaternary or recent age. It is partly argillaceous, and partly arenaceous siltstone which is locally conglomeritic. The source rocks are up-stream primary rocks, some of which have been carried for long distances before being deposited. The presence of pre-Cambrian granites and other igneous rocks as well as metamorphic rocks such as gneiss, schist and slate in the general area has been confirmed. Microscopic examination of the ore reveals native gold, silver and platinum minerals are very small in size. The bulk of the gold-silver-platinum mineralisation is contained in a rock fraction within the entire mass that often appears as a reddish brown layer of friable agglomerate consisting of very small quartz fragments with a calcareous matrix. Tanner Construction conducted a gravel operation from May to November 1993. A part of the alluvial ore body was mined, crushed and screened and the gravel removed for road building. The remaining 500,000 tonnes of <13mm fines was stockpiled and constitutes the feed to the adjacent small scale production/pilot plant. It is this material which has been the subject of process development studies over the past 10 years. During the last 3 years significant breakthroughs have been made in the development and use of a catalyst, assay procedure, smelting, upgrading of dore metal and the selective precipitation of gold, platinum, palladium and rhodium as their specific chloride salts. From assay receipts seen by the author dated 1994 onwards from Union Miniere, Belgium and Eastern Smelting and Refining in Massachusetts, a variety of plant products totalling 165kg assayed 41kg/t Silver, trace to 29.8kg/t Gold, 2.2 to 172.3kg/t Platinum, 0.5 to 90.12kg/t Palladium, and trace to 5kg/t Rhodium.

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### Weaver Creek

The property was operated in the late 1980's as a placer operation without much success due to low grades, very fine gold and inefficient extraction procedures. Most of the gold recovered was sold to Johnson Matthey in Salt Lake City.

The district is one of great geological age. The specific area of Weaver Creek is part of a large system of fluvial fans that originate from the mountain ranges 5-10 miles north and north-east from Weaver Creek and which contains dozens of gold occurrences and in part rich, previous gold mines. The Inco report states that at a basin scale this setting appears to have important similarities with the paleo-setting of the Witwatersrand basin in South Africa.

Two days of sampling and minor panning at Weaver Creek established the presence of visible gold in recent creek sands and in older, crudely stratified gravels. Heavy mineral concentrate produced from a tailings pile of a previous gold recovery operation was smelted and assayed by Alpha Research Corp. in Henderson, NV, to give 3.1-6.2kg/t gold and 150-900g/t platinum. Assuming a concentrate mass recovery ratio of 100:1 for the gold recovery step and again for the gravity concentration step, and a precious metal recovery of 50% in each case, the calculated head grade is 11.5g/t gold and 1.2g/t platinum. One sample collected from Weaver Creek was assayed by Inco;

<0.15g/t Pt      <0.014g/t Pd      <0.086g/t Rh      <0.017g/t Au      0.086g/t Ag

### Oro Grande

The property is underlain by Precambrian mafic schists and an intrusive composed of a wide range of dioritic to ultramafic, mostly gabbroic rocks that show a complex igneous and metamorphic history. The mafic intrusive is brecciated, metasomatized, hydrothermally altered and veined by what is interpreted as the effects of a major, unexposed Cretaceous-Tertiary pluton which also is interpreted to have uplifted the southern part of the property, i.e. the mine area.

Two breccia zones exist within the mafic intrusive:

- The first is the previously known NE trending linear zone that hosts the old Oro Grande mine;
- the other is the newly outlined NE zone that, in plan, has a funnel shape widening to the northeast and disappears under overlying Tertiary sandstone and volcanics.

Multiple fracturation alternating with multiple deposition of quartz, iron hydroxide and pyrite is evident from petrography and indicates long periods of distension associated with continued hydrothermal fluid supply.

Key indicator elements and ratios of chemical analysis indicate that most of the host rocks east of the gold ore zone are not dioritic but gabbroic to pyroxenitic and have some distinct ultramafic affinities. Of the precious metals platinum is the most abundant and values mostly exceed the levels of gold and palladium. All 24 samples taken and analysed by Inco are highly anomalous in platinum with abundance ranging from 0.1-2.2g/t. Platinum:palladium ratios are consistently high, (5 to >10), higher than the Merensky reef in South Africa which has platinum:palladium ratios of 1.03 to 3.0.

The genetic model postulates the leaching of PGM's by pluton related hydrothermal fluids from unexposed, PGM-enriched ultramafics into the high-level, exposed, Linear Breccia zone and its ultramafic host rocks. The absence of PGM concentrations in ultramafic rocks in the surrounding area is not discouraging since the concentration of PGM's in a hydrothermal vent area would necessarily require PGM depletion elsewhere.

Inco's report concludes that the Oro Grande property is a Platinum-Gold occurrence in a previously unrecognized and favourable setting. It has unquestionably high anomalous platinum values and very favourable platinum:palladium ratios in several rock types.

In conclusion, both companies are in independent agreement as to the geology of the area and the likely source and formation of their respective deposits. In each case erosion of the original deposit, followed by mechanical transportation by some 5-11 kilometres both moved and redistributed the precious metals over a wide area. The complex occurrence of precious metals has most probably been derived from numerous periods of leaching and precipitation in a saline, shallow lake environment combined with much geological activity, which changed the topography of the area quite considerably.

Erosion exposed gold and PGM's in the Little Harquahala Mountains, which was then transported to the south and downstream into a shallow lake. Evidence suggests the lake formed, dried and reformed a number of times in conjunction with a multitude of geologically active periods which infused considerable heat into the local area and changed the surrounding topography. Severe mechanical degradation is apparent from the very fine surface to shallow material.

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This system is very different to the deposition process of gold in the South African Witwatersrand basin. In this case, the precious metals have been leached and remobilised a number of times probably in combination with intervening periods of mechanical degradation and concentration. It is surmised this extended and convoluted process resulted in the precious metals existing as exotic and complex associations.

### Ore Characteristics

Both IPM's and GPGI's ores have similar geological characteristics which suggests a common source and matching sequences of erosion, transportation and deposition. IPM's material is a classic desert sand; fine and powdery and typical of an alluvium deposit sitting above a dipping gravel bed. GPGI's material is the more primary of the two, being almost entirely alluvial gravel on the Weaver Creek and Hassayampa properties, and essentially a hardrock assemblage on Oro Grande.

In both instances, gold and platinum group elements respond abnormally to conventional assay and recovery processes considered typical on the platinum mines in South Africa. Although no detailed mineralogical work has been conducted, a detailed literature review by IPM provided evidence that the precious metals exist in unusual chemical and mineralogical associations which obscure or prevent normal metal behaviour. Both IPM and GPGI have researched this phenomenon in the literature and through selected consultants. Their common conclusion which explains some of this behaviour draws on the concept and the peculiar dynamics of microclusters. In addition there are occurrences of tellurides, which are characteristic of refractory ores, and high quantities of clay minerals.

Although it is not the purpose of this brief to expand on microclusters, a short description will aid an understanding of the ore's unusual response to tried and tested metallurgy.

Much research has been conducted by eminent scientists on this subject since the mid 1980's, and it explains why some ores are deemed to be non-assayable since there are some naturally occurring materials which cannot be successfully determined by fire assay. As quoted by the Faraday Division of the Royal Society of Chemistry '.....the metals do not behave in the manner which, on the basis of normal accepted practice, we expect them to behave.'

Under normal conditions precious metals exist as large collections of atoms and molecules which have sufficient mass to behave normally in a way we expect. Duncan and Rouvray in their paper written in the Scientific American of 1989 define microclusters as when the number of atoms contained is not sufficient for the elemental cluster to behave chemically or physically as would be otherwise predictable by present day chemistry. *For example, gold does not become gold as we know it until the 40<sup>th</sup> gold atom locks on to the KZ 12 lattice.* In this context it is unnecessary to understand the chemical details of this, but it is important to realise that *until this happens, it is gold, but it cannot be assayed or recovered as such.* This applies equally well to platinum, palladium and rhodium, as it does to gold.

It is therefore necessary for any assay or recovery process to stabilise the precious metals, i.e. to bind the microclusters into larger groups which behave as everyday metals. From claimed yields, both IPM and GPGI appear to have developed a procedure which converts the unstable metals into a state which increases their amenability to normal recovery practices.

### Assaying procedure.

Ores where the precious metals are hosted in simple associations with silica are accurately measured by standard fire assay using a standard flux containing, among other things, lithage (lead oxide). The precious metals in the ore are smelted and collected by the lithage, to produce a lead button which collects at the bottom of the furnace pot while a barren slag phase is formed on top. The button is then recovered, roasted, treated with acid to remove the lead and assayed.

A difficult or refractory ore contains some elements or minerals, such as sulphides, arsenic, carbon and antimony which prevents the lead, or any other collector, from fully recovering precious metals. To counteract this the ore is pre-treated, sometimes by roasting or pressure oxidation in an autoclave, and a customised flux is used to ensure the collector recovers all precious metals.

In the case of the Arizona desert sands, the very unusual occurrence of the precious metals as microclusters poses extremely difficult chemical problems in both assaying and recovery. The application of any normal process has been unsuccessful and this has forced both IPM and Global to develop their own methods which are similar in principle to the standard method for refractory ores, but are considerably more complicated. IPM's procedure includes electrowinning as a further separation step after smelting, and Global's method includes acid treatment before selective precipitation.

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Recently, IPM announced that AuRIC has developed a standard fire assay technique which yields more consistent and accurate results. It is understood this new method takes into account the mineral assemblage of the sample which can then be more effectively processed with a suitable flux recipe. It appears that this largely rectifies whatever adverse interference the clays or silicates in the sample have upon the chemistry of the assay method, but the successful measurement and treatment of the unstable precious metals still remains unresolved. According to experienced assayers this particular point is debatable. The cause of fire assay error, whether the ore is refractory or has an adverse mineral assemblage, is due to the following:

- coarse gold
- coarse milling of the sample
- the presence of organics, including carbon
- low furnace temperature
- the presence of specific quantities of Iron, Titanium, Chromium, Arsenic, Antimony, Bismuth, Tellurium and Sulphides.

Provided the precious metals are not totally encapsulated in silicates or clays or intimately associated with chromite, haematite or magnetite, a high proportion of silicates or clays should not adversely affect either the accuracy or reproducibility of a fire assay. One of the functions of fluxing and fusion is to melt these minerals into a slag phase and separate them from the lead bead. This issue will be addressed when Behre Dolbear audits AuRIC's new assay procedure.

**Recovery process.**

The recovery process both companies employ is very much a clone of the assay method each company uses or has used in the past. In practice, each company is in the early stages of research and development and has to date generated a laboratory scale method rather than a recovery process. The difference between the two is that a recovery process can be easily scaled up to a commercial system. In this case both laboratory scale methods require a considerable amount of technical input to lever them up to an economic level.

A number of large gold mines such as Goldstrike in the United States, Kunowu Bull in Australia and Porgera in Papua New Guinea use roasting or pressure oxidation in autoclaves to successfully treat refractory ores. The South African platinum producers also utilise pressure oxidation and leaching in the processing of platinum ores. These methods are well known and both Global and IPM use leaching and smelting in the recovery process. A long standing and particularly well known example of a difficult and refractory ore is the Emperor gold mine in Fiji which has been in existence since 1935. The gold is intimately occluded with tellurides and sulphides and suffers from low recovery as well as a non reproducible assay method which uses roasting as a pre treatment. It is interesting to note that Western Mining Corporation attempted to treat Emperor's tailings dumps which contained 3g/t gold, and failed as it proved uneconomic due to the nature of the ore. In contrast, ERGO in South Africa economically treats a non-refractory gold tailings dumps with 0.5g/t head grade.

Both IPM's and Global's processes are identical up to and including smelting. After this, IPM casts a lead anode which is then electro-won to produce a precious metal sludge for further refining. Global prefers to acid treat the resultant doré bar which is then further refined in the recently commissioned refinery on site.

A proper interrogation of these two processes has yet to be conducted to ascertain efficiency and where loss occurs and in what form. Both companies have commented that a few cursory tests have shown a significant quantity of precious metals may be recovered by re-leaching the filter cake tailings. Indications are that recovery is low and further development can yield significant improvement.

**Potential.**

**Resource ounces.**

IPM's property covers some 163km<sup>2</sup> located immediately south of the Little Harquahala Mountains, 150km west of Phoenix.

The northern portion, called Black Rock North, was recently acquired and covers some 103km<sup>2</sup> immediately north of Interstate 10 which runs through the centre of the property. Drilling targets have been identified and a program is underway for completion before the end of the year.

**International Precious Metals**

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**Location plan of IPM ground**

The original Black Rock property covers 60km<sup>2</sup> south of Interstate 10 and is referred to as the Black Rock Basin. It has been explored since the company first began evaluating the site, particularly Portion 35 which is a 1km<sup>2</sup> segment chosen as the first area to drill. To date this remains as the most intensively drilled portion with 121 boreholes to a depth of 30 metres. The rest of the area surrounding portion 35 has been drilled and sampled to a sufficient degree to establish the extent of a large gold anomaly (24km<sup>2</sup>) based on an iso-contour map using an old fire assay method to analyse samples taken down to 15 metres. Assay results show the Black Rock Basin area to be homogeneous with respect to precious metals.

**Geochemical anomaly, Black Rock Basin**

**T. Hoare & Co. Ltd.**

**International Precious Metals**

A significant number of holes around Portion 35 have been drilled and assayed to a depth of 30 metres and deeper, and show the anomaly has a distinct boundary to the north, but remains open to the south.

To date IPM has not calculated a resource base because a reliable and consistent assay procedure has only just been developed, and remains to be verified.

A plethora of drilling and assay data is available, but this is unproved because of the inaccuracy of the assay methods used up to now. Once authenticated, IPM intends to re-assay the samples using the new technique. Present data does, however, provide a strong indication of what can be expected from this deposit in terms of resource and recovery

Given the following assumptions:

- 30 metres mining depth (as per the drilling of the original 1km<sup>2</sup> grid No. 35);
- an area of 1km<sup>2</sup> (the area of the original grid No. 35);
- 0.8 oz per ton yield of gold, platinum and palladium;
- bulk density of material at 1.8 tonnes per metre<sup>3</sup>.

IPM's resource base is estimated as 54mt at 0.8oz/t of gold, platinum and palladium, giving 43moz of precious metals. This assumption is based on just a 1km<sup>2</sup> grid, and there is likely to be further reserves in the area outside this grid.

GPGI's resource base consists of a reported 500,000 tonnes stockpile of enhanced ore (i.e. crushed and screened). In a release in early March 1997, the company valued its ore at US\$2,500/t based on recoveries of precious metals it had obtained in its plant. Using GPGI's proportions of PGM's in ore this is equivalent to a yield of 7.3oz/t. This is a very high figure (a typical yield from a South African platinum producer is 0.15oz/t) which remains to be validated. It should be noted this is 'upgraded material' - it is not clear what amount has been discarded and thus what the 'in-situ' head grade may be.

No drilling has been conducted on any of the three properties held by GPGI, because at the full production rate of 100t/day of its small scale production/pilot plant, the stockpile will last for some 15 years. Also, Global's objective has been to develop a recovery process rather than prove up resources.

**Value of the ore and operating costs.**

Up until very recently IPM has quoted a recovered grade of just 10.25oz/t gold. At the AGM on Friday 20th June 1997, it was announced that this had been improved to 0.82oz/t of gold, platinum and palladium. Rhodium has still been excluded because a recovered grade could not be obtained in time for the company's AGM. This value has therefore been used to estimate the worth of both IPM's and GPGI's ores, even though GPGI has quoted a yield equivalent to 7.3oz/t, from its stockpile material.

For comparison, equivalent figures from Lonrho's platinum operation in South Africa are shown below. What is very apparent is the difference in the relative proportions of metals between a typical South African Merensky ore and Arizona's desert sand. Relatively, the desert sand is particularly rich in palladium and rhodium at the expense of platinum. Assay data has so far indicated that Global's ore is richer than IPM's. Geological observations by both companies as well as an independent report on Global's Weaver Creek and Om Grande properties by Inco in 1991 lend credence to this. Although these results are preliminary they confirm geological studies by others that the source and subsequent leaching and deposition sequences are entirely different to South Africa's Bushveld complex.

	Platinum	Palladium	Rhodium	Gold	
US\$/oz	400	180	350	320	
	Yield and Value				Total
Lonrho oz/t	0.08	0.04	0.01	0.01	0.14oz/t
US\$	32	7	4	3	\$46/t
IPM oz/t	0.29	0.21	?	0.32	0.82oz/t
US\$	116	38	?	102	\$256/t

	Relative Percentages			
Lonrho	70	15	9	6
IPM	45	15	?	40
GPGI	37	43	19	1

## International Precious Metals

T. Hoare & Co. Ltd.

Based on recovered precious metals, the value of a ton of IPM ore is around US\$260 with platinum accounting for about 45% of the revenue. This is considerably more than the US\$46/t earned by Lonrho, 70% of which is derived from platinum.

Lonrho's Merensky and UG2 platinum ores contain PGM's and gold in a sulphide and silicate matrix where platinum group metals exist not only in sulphide form but also in a number of iron-alloy associations, all of which are recoverable by conventional means. Cash operating costs are US\$35/t covering mining, milling, flotation, smelting and refining, providing an operating profit of US\$11/t.

Both IPM's and Global's processes are in an early stage of development and meaningful operating costs are not available. However, the most expensive portion of the recovery process has been identified as smelting the primary concentrate (the solid precipitate produced from the aggressive acid leach). Although actual smelting is relatively cheap, the mixture and content of the chemicals used in the flux accounts for about 70-80% of the total cost.

At this stage the recovery process is known to be imperfect and indications are that the recovery is low. Both companies have conducted dissolution and recovery tests on the waste filter cake from the leach, and found the cake to apparently contain just as much precious metals as the primary concentrate. Recovery could therefore be lower than 50%, which in turn means the head grade is probably substantially greater than 0.82oz/t. Global's March press release quoting an ore value of US\$2,500/t, or 7.3oz/t yield, could well deliver an operating profit of some US\$2,000/t plus (on the upgraded material). Although this may be questionable, the upside potential is so great that it warrants further investigation.

### A viable operation?

Even though IPM ostensibly has a rich deposit of precious metals, the generation of an economical recovery route is dependent upon the success of some technical breakthroughs in metallurgical processing. This places the company at the forefront of process development, which obviously carries a certain amount of risk and cost in terms of whether an innovative process will be successful or not.

We have assessed the risk as the product of the following probabilities:

- A 75% chance that precious metals exist in sufficient quantities to support a viable operation
- A 80% chance that a reliable assay method can be developed within 2 years
- A 60% chance that an economic recovery process can be developed within 3 years
- A 80% chance that all required permits can be obtained for mining

When multiplied up the probability of success is 28.8%, or approximately a 1 in 4 chance.

### **Conclusions.**

There is sufficient geological and assay data to show that platinum group metals and gold exist in measurable quantities on both Global's and IPM's 'Desert Sand' properties located west of Phoenix. Intensive testwork by IPM, with advice from Behre Dolbear, on three bulk samples yielded 0.82oz/t of gold, platinum and palladium, making Black Rock potentially one of the richest ores in the mining industry. These figures are based on work done by IPM and are unsubstantiated. At this yield mill feed is valued at US\$256/t - significant compared to typical world class precious metal mines which generate US\$15-60/t.

From geological data reviewed, and with particular reference to a geological report by Inco, an enormous amount of local geological activity has deposited precious metals in very unusual chemical and mineralogical associations which respond abnormally to conventional assay and recovery methods.

Assaying and recovering the PGM's and gold has proved extremely difficult. Both companies have developed workable, but inefficient methods, which require significant technical improvement before extraction can be considered to be economic. Behre Dolbear has undertaken to verify IPM's assay and recovery processes and we expect this to be accomplished in the near future.

IPM's resource base is estimated at 43moz of gold, platinum and palladium, which, allowing for risk, could value the company's shares at US\$15/share today. The company must resolve some tough metallurgical problems in order to realise the full potential of this material, and at this stage the chances of the project being developed into a viable, economic operation within 2-3 years are estimated as 1 in 4. During this period, the company will require funding of about US\$5-6m per annum.

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**International Precious Metals**

This is a truly speculative situation, where the estimated risk is balanced by significant upside potential. Above all, both companies must have their assay and recovery processes independently verified to enhance credibility and to progress closer to a viable process.

It must be remembered that all valuations depend for their credibility on the *economic* exploitation of the available reserves. In essence, success depends upon the generation of a viable metallurgical process. This will most probably take 2-3 years with a 1 in 4 chance of success, and investors must be prepared to provide up to US\$20m in development costs bearing this in mind.

Martyn Hay

**Author's credentials.**

Martyn Hay has a Bachelor of Science honours degree from the University of Leeds, is a registered Professional Engineer in South Africa, and has twenty years experience in extractive metallurgy including consulting, plant operation, research and development, process design, project management and commissioning covering tin, base metals, gold, uranium, sulphuric acid, chromite, coal and platinum group metals. He has worked for a number of large Mining Houses in South Africa, including Lonrho as Consulting Metallurgist responsible for the technical operation of the company's platinum operations.

At Lonrho responsibilities included developing technology partnerships, directing research and development, maintaining technical standards and the quality and deployment of metallurgical staff and assisting in strategic and corporate planning.

In recent years he has completed a number of feasibility studies including a Due Diligence exercise on the processing capabilities of Lonrho and Impala Platinum as part of a merger option between the two companies. Successes include a US\$50m improvement in productivity through enhanced employee capability from the performance evaluation and subsequent re-engineering of Lonrho's concentrators, and the award of a silver medal from the South African Institute of Mining and Metallurgy.

**CHIEF EXECUTIVE**

*Timothy Hoare*

**LONDON, UK OFFICE**

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*Rhona O'Connell*  
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Southwestern Minerals  
Exploration Association  
P.O. Box 40938  
Tucson, Arizona 85717

July 14, 1997

Mr. Fife Symington, Governor of Arizona  
Executive Office  
1700 West Washington  
Phoenix, AZ 85007

Re: Arizona Department of Mines  
and Mineral Resources

Dear Governor Symington:

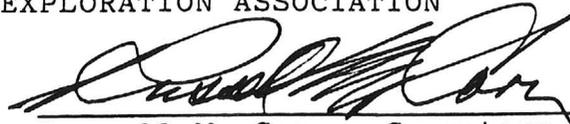
The Southwestern Minerals Exploration Association (SMEA) is an organization of 43 mining exploration professionals that has been headquartered in Tucson for the past 25 years or so. Collectively we have literally hundreds of years experience in the prospecting for, finding and development of all types of mineral deposits. SMEA members also have a wealth of experience in the examination and evaluation of all types of precious metal proposals and prospects. Although we are located in Arizona, our members have worked all over the world for major and junior mining companies, governments, groups and individuals.

As experienced professionals in mineral exploration, the SMEA membership wishes to express our support for the Arizona Department of Mines and Mineral Resources and their personnel. The Arizona Department of Mines and Mineral Resources is charged with serving the Mineral Industry and the Citizens of Arizona and we believe that they are doing an excellent job in fulfilling these duties. SMEA supports the Arizona Department of Mines and Mineral Resources and encourages the elected and appointed officials of the State of Arizona to also support the Department in their endeavors.

If our experience and expertise would be of assistance in any way, please feel free to consult us.

Sincerely,

SOUTHWESTERN MINERALS EXPLORATION ASSOCIATION



Russell M. Corn - Secretary

cc: State Attorney's Office, Attn: Mike Warzynski  
Chair, Board of Govs, AZ DMMR, William Miller  
AZ Geol. Survey, Attn: Dr. Larry Fellows  
H. Mason Coggin, Dir. AZ DMMR



Arizona State Mine Inspector

DOUGLAS K. MARTIN

1700 W. Washington Suite 400

Phoenix, Arizona 85007-2805

(602) 542-5971

Fax (602) 542-5335

Date : July 10, 1997  
To : Allen Walker, Risk Management  
From : Bill Hawes, Assistant Mine Inspector  
Re : IPM Claim against State

I recommend the State agree to pay IPM the amount demanded in their claim, **PROVIDED** a recognized, registered mine consulting firm confirm IPM's claims of tonnage, grade, recovery and profitability. (With the recent Bre-X publicity, I would recommend the same consultant be used as was used there.)

If said consultant finds the IPM holdings to uneconomic, IPM shall drop their claim against the State and any of its employees and pay the consultant.

If the consultant finds IPM's claim to be valid, the State will pay the consultant and honor IPM's claim.

HMK  
NJAGRANT WOODS  
ATTORNEY GENERALSTATE OF ARIZONA  
OFFICE OF THE ATTORNEY GENERAL  
INSURANCE DEFENSE SECTION  
1275 WEST WASHINGTON, PHOENIX 85007-2926TELEPHONE : (602) 542-1951  
FACSIMILE : (602) 542-3393TELEFAX COVER SHEETDATE: JULY 2, 1997  
TO: MASON COGGIN  
ENTITY: AZ DEPT. OF MINES AND MINERAL RESOURCES  
TELEFAX #: 255-3777

We are transmitting 6 pages, including this cover sheet.  
If you do not receive all pages, please call immediately.

FROM: Michael Warzynski (602) 542-7698  
SECRETARY: Chris Czajkowski (602) 542-7628

REMARKS: IPM

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Reply to:  
Insurance Defense Section  
1275 West Washington  
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Amy R. Porter  
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Our File Number  
36988-001

July 2, 1997

**BY TELECOPY - 542-3393**

Mr. Michael Warzynski  
Office of the Attorney General  
1275 West Washington  
Phoenix, Arizona 85007

Re: Affidavit of Dr. Samuel Shaw, III

Dear Mike:

I am enclosing a faxed copy of an affidavit from Dr. Samuel Shaw, III, the project engineer for Behre Dolbear during its work on IPM's Arizona property. You will note that as of June 1, 1997, Dr. Shaw has become employed by IPM as Vice President of Engineering Services. I would appreciate your distributing this affidavit to members of the board before today's meeting. I have taken the liberty of distributing it myself to the governor's office.

Sincerely,

  
Amy R. Porter

ARP/mbf

Enclosure

## AFFIDAVIT

State of Colorado

County of Jefferson

Samuel Shaw, III, being first duly sworn, deposes and says:

1. My name is Samuel Shaw, III, and I make this affidavit based upon my own personal knowledge.
2. I have an undergraduate degree in Mining from the Missouri School of Mines and two graduate degrees in Mining from the Colorado School of Mines. I have over 40 years of professional experience, largely in the management of the exploration and development states of both underground and surface mines of precious metals, base metals, coal and uranium. I have completed work assignments in North, Central and south America.
3. From approximately September 1992 until December 31, 1995, I was employed by Behre Dolbear & Company, Inc. (Behre Dolbear) as a senior associate. In that capacity, I became familiar with International Precious Metals Corporation, formerly International Platinum Corporation hereafter referred as to "IPM", and the Company's efforts to explore and ultimately develop a mining property west of Phoenix, Arizona, known as Black Rock (the Property).
4. Behre Dolbear is one of the world's oldest and most respected international mining consulting firms, and is internationally well-recognized in the minerals industry. Behre Dolbear has been a professional advisor and consultant on virtually all aspects of the minerals industry. Behre Dolbear is regularly retained to perform evaluations of all stages of mining, from initial prospecting through final due-diligence studies and approval for appropriate financing. In some instances, Behre Dolbear is retained by investors to monitor the mining operation once production has commenced. Behre Dolbear performs assignments for a wide range of companies associated with the minerals industry: major and junior mining companies with international interests; commercial, regional, and international banks; and, foreign and domestic governmental agencies.
5. There are four stages in the life of a mine. The first, the Prospecting Stage, is the search for mineral deposits of potential economic value. It utilizes various methods such as direct on-site geological evaluation utilizing mapping and rock sampling. Drilling, aerial photography, soil sampling, and other methods of geophysical prospecting are employed.
6. The second stage, termed the Exploration Stage, undertakes the determination of the grade of the mineralization, physical characteristics such as length, width, depth of the mineralized

body, amenability of the mineralization to appropriate methods for both mining and processing. Primary tools employed are drilling, sampling and assaying. It is during this stage that careful evaluation of all the factors affecting the mining, processing, and sale of products, determines the project's economic feasibility, i.e., can it become a profitable mining operation? It is also in this stage that the mineralization will be classified as ore or only as a resource that cannot be mined profitably at this time.

7. If an economically attractive ore-body is proven, then the purchase and erection of necessary processing equipment is undertaken, mine design is completed as well as the initial pre-production workings for gaining access to the ore-body. Infrastructure such as electric power and water supply are constructed. This stage completes all the necessary facilities and equipment to commence production, i.e., the full definition and purpose of the Development Stage. For a small mine this may require a year or so of time. Large underground or surface mines may require several years before reach full stabilized production goals.
8. The final stage is the Production Stage when a constant level of production is realized.
9. IPM is currently in the Exploration Stage, seeking to determine if the quantities of gold at the property are economically profitable.
10. At the time the Arizona Department of Mines and Mineral Resources (ADM MR) took samples from the Property, IPM was in the Prospecting Stage.
11. In 1994 after the ADM MR took five samples from the Property and made statements to the effect that no gold existed at the Property, Behre Dolbear was retained by IPM for assistance in completing the Prospecting Stage at the Property. I was the project manager assigned to the task. Under my supervision, Behre Dolbear, without the presence of any IPM employees, completed the drilling of eight (8) drill-holes, each to a depth of 50 feet. Individual samples for each 5-foot length of drill-hole were obtained and a total of 80 samples, each weighing 70- to 80-pounds, were taken. Seventy-eight of the samples were processed solely by Behre Dolbear personnel using a conventional method of gravity concentration. (Two samples were inadvertently overturned and lost).
12. Elemental gold in varying amounts were recovered in all 78 samples. It was handled, weighed and mounted on glass-slides for permanent record by Senior Associates of Behre Dolbear.
13. I personally attest that throughout the entire test-period, Behre Dolbear had exclusive control of the samples and the products of concentration and maintained impeccable security measures. No IPM personnel were present at the Property when the samples were obtained nor did they visit the processing operation at any time. Security was provided on a 24-hour basis and I was directly involved in the final steps of concentration, weighing and mounting of the recovered gold.

14. I personally attest that the gold recovered by the relatively unsophisticated gravity concentrator was, in my professional opinion and that of Behre Dolbear, sufficient to warrant additional work on the property by IPM. Behre Dolbear's report made that recommendation.
15. Following the preparation of the report contained in Exhibit 2, Behre Dolbear continued its work with IPM. In a following project, in which I again participated as project manager, Behre Dolbear contracted with Hazen Research of Golden, Colorado, a firm well recognized in the minerals industry and a firm that Behre Dolbear frequently employs, to process another sample, again collected under the full control of Behre Dolbear. Hazen processed the sample using basic gravity concentration equipment and methods. The products of the processing: concentrates, middlings, and tailings, were all subjected to Hazen's standard fire-assay methods, thereby allowing Hazen to calculate what is termed a "metallurgical balance", i.e., the total sum of the gold-content of the products from the concentration process were equal to the gold-content of the original material processed, all determined by fire-assay. The gold-content exhibited by what was essentially a repeat of earlier work performed on the 78 samples was in my professional opinion, sufficient evidence to warrant additional work by IPM. The test-work completed by Hazen was incorporated in a Behre Dolbear report.
16. Following my employment with Behre Dolbear, and until June 1, 1997, I was employed as president of a mining company operating an active gold mine in the State of Nevada and also with gold-property holdings in Alaska.
17. As of June 1, 1997, I accepted a position with IPM as Vice President of Engineering Services.
18. In my professional opinion, based upon my past experience in the exploration and development of mining properties and in particular, my work as Project Manager for Behre Dolbear at the Property, IPM is pursuing the logical steps appropriate for the exploration stage, steps required to evaluate the particular characteristics, the extent and the grade of the mineralization, and the development of appropriate methods for assaying and concentration. IPM has continued to pursue this goal in a workman-like manner at all times and my present opinion is that their continued work and expenditures are fully warranted.
19. In my professional opinion, the ADMMR's continuing use of the term "measurable" in a seemingly uncomplimentary manner when reference is made to the gold recovered, is not justified. In the manner used by the ADMMR, I believe that they are incorrectly implying that the term is synonymous with the "background" amounts that are usual in the parts-per-billion (ppb) determinations in geochemical prospecting methods. This is not the case at the Property and the amounts that continue to be found, are not mere "background" amounts.
20. References are continually made to a "standard fire-assay", with the implication that if gold cannot be measure with a "standard fire-assay", the gold simply is not present. In my

professional opinion, the term itself to a great extent, is a misnomer. The steps of sample preparation, the adding of a flux, adding of an inquart, firing, cupeling, parting, etc., are all basic components of the fire-assay procedure and as such may be termed "standard". However, the type and amounts of fluxes used, the inquart employed for collection of the precious metals, the temperature and the length of time for firing, vary widely with the nature of the mineral being assayed. They also vary greatly with the opinion of each individual assayer and his personal assessment of the "correct" variation required for a particular type of material, truly is. Consequently, the variances required for the assaying of two different materials may be anything but "standard".

- 21. It is a proven fact that elemental gold has been recovered from the Property and in my professional opinion, a variation of a "standard fire-assay" method will be developed in the near future, for its measurement.
- 22. I was present at the April 17, 1997, meeting with Mason Coggin, Nyal Neimuth, Joe Lane, Joe Dean and IPM. The facts recited herein were made available to the people present at that time.
- 23. In my professional opinion, as of March 11, 1997, neither IPM nor ADMMR had sufficient facts to make a determination that: "There's no likelihood of them coming up with a mine out there."

Samuel Shaw, III - P.E.

SUBSCRIBED AND SWORN TO (Affirmed) before me this 2<sup>nd</sup> day of July 1997

3.14.2001  
My Commission Expires

Amy Knight  
Notary Public

cc: IPM file

THE NASDAQ STOCK MARKET, INC.

**NASDAQ**

# FACSIMILE

Date: *June 25, 1997*

To: *Nyol Niemuth* *(602) 255 3791*  
 Name Phone

*Arizona Dept. of Mines and Mineral Resources* *(602) 255 3777*  
 Firm Fax

From: Andrew Labadie Phone: (202) 496-2563  
 Equities Analyst Fax: (202) 496-2698  
 Listing Qualifications or 496-2699

Total Number of Pages (inclusive of cover page): 8

Message:

## THE NASDAQ STOCK MARKET, INC.

**NASDAQ**

June 25, 1997

David Kornhauser  
International Precious Metals Corporation  
4633 South 36<sup>th</sup> Place  
Phoenix, Arizona 85282

Dear Mr. Kornhauser:

Due to the wide range of assay results that have been reported from samples taken from the Company's Black Rock Property and number of recovery processes that have been used to achieve these results, the staff has questions and information requests based on our review of the documents recently provided by the Company. Our questions and information are divided into two sections, each concerning the Black Rock Property: the first deals with the reported property characteristics and the Company's exploration efforts and the second section asks for clarification of some of the Company's reports and disclosures of its findings.

**First Section:**

- Please provide a topographical map of the indicating the extent of the Company's Black Rock property that it either controls or owns. By section (square kilometer or square mile), indicate the nature of the Company's ownership or control (lode mining, association placer, unpatented or patented claims), and indicate what rights are conveyed with the varying types of ownership or control.
- Who introduced the Company to Phoenix International Mining Company? Who were the principals of Phoenix in April of 1995, when the time the Company first acquired its interest in the Black Rock Property? Please identify the current principals. What was the basis for the Company's decision to acquire the various mining claims from Phoenix International Mining, April of 1995 and in May of 1997?
- On a map of the Company's Black Rock Property, please provide a chronology of the drilling and excavations sites from which samples have been taken beginning with the 76 samples which were examined by Behre Dolbear. Indicate the dates at which the sites were drilled or excavated and the depths at which samples were taken.
- The staff is somewhat unclear about the nature of the property from which samples have taken and tested to date. With respect to the areas explored to date, please clarify the mode of occurrence of the reported gold and platinum group metals, and identify the associated minerals in which the precious metals have been found.
- Please describe the geochemical anomaly that exists on the Black Rock property. Where and at what depth does the anomaly exist? How does it affect the reported occurrence of gold or platinum group metals?

- What is the "hard rock" portion of the Black Rock property? Where and at what depth does it exist? How does its presence influence the reported occurrence of gold or platinum group metals?
- Where have gold and platinum group metals been recovered commercially together from one property source? What was their mode of occurrence and from what depth were they recovered?
- Where does the following occur on the Black Rock Property, when was it first determined, and what are the most appropriate recovery and assay methods to be used in obtaining any gold or other platinum group metals:

"... First of all, the mineralization appears to be encapsulated or complexed in other geological elements such as sulphides, tellurides and silicates, which hinders mineralization from being recovered. ..."

- Please identify and describe, in chronological order, the various recovery processes and assay methods that the Company has used to recover and measure amounts of reported gold and platinum group metals, beginning with the Differential Charge Recovery System and culminating with the processes and methods used by Friendship Metals (which the staff failed to fully understand) and AuRIC Metallurgical Laboratories, which led to the results announced in the June 24<sup>th</sup> Press Release.
- With respect to the above request, how many samples have been processed and assayed in each of the tests undertaken since April of 1996, identify each of the process and assay methods used and the resulting mineralization.

#### **Second Section:**

- The staff is unclear about the purpose of the Mountford report of February 1, 1996.

How does the final recommendation differ from what the Company has been doing all along. How does the report substantiate any basis for mineralization that is different than what seems to have been already known. Where and at what depths were the seven samples taken? What did they consist of and what were their respective sizes? What was the basis for the projections of gold and platinum group metals? How were such minerals recovered; who recovered them?

- The staff is unclear as to how the Vearncombe & Associates report adds to the Company's understanding of the property.

What is an epithermal stock work or system? More importantly, haven't recommendations one and two been pursued since the Company acquired the property; recommendations four and five seem to contradict the Belre Dolbear's comments about the quality of the Company's materials handling practices; and recommendation six seems pointless in the sense that the Company has no control over any other property in Arizona. What is the large nugget effect as a problem in sampling and assaying?

- From the passage below, taken from the ten page description of the Company, please identify the process mineralogist, the private research laboratory and the two independent laboratories; and describe the method used to recover the precious metals and the nature of composite samples:

"In conjunction with a process mineralogist and a private research laboratory, IPM has now developed a method by which increased amounts of precious metals are recovered from BRX samples. Performing the new recovery process on composite samples from six drill holes of the original 121 hole program recovered gold. One independent laboratory reported an average grade of 0.277 opt. These results were announced on December 18, 1996. What IPM found the most confirming was the 97.7% correlation on the same samples between the laboratories."

- Regarding the March 11, 1997 Press Release, please identify the independent research facility conducting the metals recovery program.
- Please provide background information on Lycopodium Pty., Ltd.: identify the principals; describe their qualifications and the nature of the work Lycopodium has done for other organizations or companies. Please identify these organizations and companies. How was the Company introduced to the principals of Lycopodium? Indicate how the Company decided to employ this group to assist in the "recovery of platinum group metals".
- The staff has a number of questions about the procedures and processes described in the Friendship Metals report, dated April 29, 1997. The staff is unclear as to why this particular process is needed to recover platinum group metals from the tested samples.

Please provide background information on Messrs. Cousino and Wardle. How was the Company or Mr. Furlong introduced to these individuals? What was the basis for choosing this organization to develop or assist in developing a recovery process? What is the nature of the work that Friendship Metals has performed for other organizations and companies? Please identify those organizations and companies.

Please provide a copies of the December 3, 1996 letter of understanding, as well as any subsequent correspondence between the Company and Friendship Metals, which outline or discuss the objectives of, the guidelines or procedures for, the research and applications testing.

What is the meaning of the following from page 3 of the report:

"... This effort did not require a correlation or conciliatory finding with the analytical outcome of all test results obtained at this facility. Neither did it give undue credit or regard to those analytical results which had been obtained from other analytical laboratories. Simply put, the objective was final recovery of noble metals from the target mineral ores utilizing tested and proven methodologies developed throughout the applications research procedure. . ."

If "... scale-up presented no performance problems and/or debilitating economic or environmental obstacle, ...", how does the Company plan to deal with the harsh chemical make-up of the slurry and the creation of acetylene gas from the mixing of calcium carbide with water?

What is the meaning of the following from page 3 and 4 of the report:

"... It was determined that product made from the actual full scale applications would be presented to the refining community for evaluation and extraction of noble metals. If noble metals were recovered in such amounts and quality as to render commercial recovery possible, then all other decisions and actions directed at full commercial recovery could be made rest without further need for justification or excuse."

From page 6 of the report, who conducted the extensive laboratory research prior to the initiation of this process applications? Describe the nature and the results of this research.

From where on the property and from depth were the samples taken? What portion of the samples were evaluated? Why were *composite* samples used, if the purpose is generally to measure to head-grade?

Please describe in detail the mode of occurrence of the platinum group metals in the samples.

Please describe the leach tests in step four, mentioned on page 8. What is being leached and for what purpose?

From page 9, how is it known that the following is needed:

"... Each of these chemicals is added to the leach environment in direct proportion to the weight and mineral composition pH of the ore. ..."

From page 10, again, what is being leached? What are the compositions of the mineral solids and the pregnant solution?

From page 12, how can the chemical additions ratios be reduced if the balancing of the pH is critical to the recovery of noble group metals?

From page 13, how does Oxidation Reduction Potential affect the processing of the slurry or the results of the recovery process?

From the Commentary on page 15, if the leaching environment is critical to success, why will various filter methods suffice in obtaining optimal metals recovery? If the mineral ore solids need to be separated from the pregnant leach solution why would forced filtration lessen the amount of recoverable noble metals? How would a delay or the pregnant solution standing in the presence of the mineral ore solids reduce metals recovery? Are the metals unstable, if so how?

From page 17, how are the noble metals reabsorbed into solution? Please explain what is happening or can happen.

From page 18, what is the purpose of the fusion and electrolysis processes; how do they facilitate the metals recovery? Why are these steps needed in addition to the leaching process?

From page 19, how is the preparation of the flux an "art"; wouldn't the optimal flux consist of a mixture that can be reproduced repeatedly? How do changes in the flux composition affect the amount of metals that can be recovered?

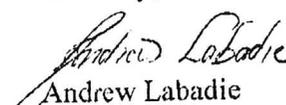
From page 20, what is reducer and what is its purpose in the process?

From page 21, why are the anode muds filtered and washed; what is removed in the filtering; what are the anode muds washed with?

- With respect to the Press Release dated June 24, 1997, please describe the Company's reasons for selecting AuRIC Metallurgical Laboratories to assay the samples. How was the Company introduced to AuRIC? Who are the principals of AuRIC and what are their qualifications? What work has AuRIC performed for other organizations and companies? Please identify these organizations and companies.
- The staff assumes that the processing and the resulting concentrate discussed in the Press Release was the same as described in the Friendship Metals Report. If they were different, please describe the processing and the composition of the resulting concentrate in detail.
- Please describe in detail the standard fire assay method used by AuRIC, in light of your comment that a standard fire assay process varies from lab to lab.
- In light of the geologist's report dated May 29, What is basis for believing that the Black Rock Property contains economically significant amounts of precious metals or that "revolutionary" leaching and recovery processes are required to obtain gold or platinum group metals if they exist at the site?

Please call me at (202) 496-2563 with any questions that you have. The staff realizes that we have asked for a large amount of information. We are seeking complete written responses to each of the above points; yet, to the extent that you have already provided documents that include responses to any of the questions or requests, you may merely cite the document and the page. The staff will need to receive all written responses by **Thursday July 10, 1997**.

Sincerely,

  
Andrew Labadie  
Analyst, The Nasdaq Stock Market

CONFIRMATION REPORT - MEMORY SEND

Time : JUN-25-97 14:33  
 Fax number: 2024962695  
 Name : ISSUE SERVICES OPER

Job : 149  
 Date : JUN-25 14:26  
 To : 914163685454  
 Doc. pages : 06  
 Start time : JUN-25 14:29  
 End time : JUN-25 14:33  
 Pages sent : 06

Job:149 \*\*\* SEND SUCCESSFUL \*\*\*

THE NASDAQ STOCK MARKET, INC.

**NASDAQ**

**FACSIMILE**

Date: *Jun 25, 1997*

To: *David Reinbauer*  
 Name  
*International Precious Metals*  
 Firm

*(416) 368 1489* Phone  
*(416) 368 5454* Fax

From: Andrew Labadie  
 Equities Analyst  
 Listing Qualifications

Phone: (202) 496-2563  
 Fax: (202) 496-2698  
 or 496-2699

Total Number of Pages (Inclusive of cover page): 6

Message:

*Received the form TO-D, thank you.*

CONFIRMATION REPORT - MEMORY SEND

Time : JUN-25-97 14:28  
Fax number: 2024962695  
Name : ISSUE SERVICES OPER

Job : 148  
Date : JUN-25 14:25  
To : 916024141831  
Doc pages : 06  
Start time : JUN-25 14:25  
End time : JUN-25 14:28  
Pages sent : 06

Job:148 \*\*\* SEND SUCCESSFUL \*\*\*

THE NASDAQ STOCK MARKET, INC.

**NASDAQ**

**FACSIMILE**

Date: *June 25, 1997*

To: *David Bornhauser*  
Name  
*International Precious Metals*  
Firm

*(602) 414 1830* Phone  
*(602) 414 1831* Fax

From: Andrew Labadie  
Equities Analyst  
Listing Qualifications

Phone: (202) 496-2563  
Fax: (202) 496-2698  
or 496-2699

Total Number of Pages (inclusive of cover page): 5

Message:

*Received the form 10-Q, thank you*

# INTERNATIONAL PRECIOUS METALS CORPORATION

## PRESS RELEASE

NASDAQ: IPMCF

CDN: IPMC

### RECOVERY AND FIRE ASSAY RESULTS

### IPM NOW U.S. REPORTING COMPANY

Toronto, Ontario (June 24, 1997) -- International Precious Metals Corporation (IPM) is pleased to announce that it has received a report on the physical recovery of precious metals from 3 separate samples of Black Rock material. An aggregate of 1,752 lbs. was taken from the original 1-sq./km. grid for testing. The samples were taken by three members of IPM's senior geological staff using an excavator from a depth of between 16 to 24 feet and then delivered for processing to Friendship Metals of Las Vegas, Nevada, an independent research and development laboratory. After the processing of the samples, the concentrate (anode sludge) was delivered to an independent refiner, AuRIC Metallurgical Laboratories of Salt Lake City, Utah, in order to extract the precious metals contained in the concentrate. AuRIC reported that it has physically recovered the following amounts of precious metals from the concentrate (note all figures presented as the actual grams (gms) of precious metals recovered as well as in ounces/ton (oz./t) based on a calculation back to head grade; the term "head grade" is a term used in the mining industry to define the amount of mineralization present in the material prior to processing as expressed in ounces/ton):

	Weight	Gold		Platinum		Palladium	
	lbs.	gms	oz./t	gms	oz./t	gms	oz./t
1	900	3.73	0.26	5.14	0.37	5.63	0.39
2	452	2.17	0.318	1.98	0.284	1.05	0.145
3	400	2.27	0.376	1.21	0.202	0.52	0.084

Additionally, IPM is delighted to announce that it has received the results of a standard fire assay performed by AuRIC on head grade samples of Black Rock material. These samples were excavated from a depth of between 16 to 24 feet from three separate holes approximately 500 meters from the holes on which the above recovery results have been announced. The assay of the same samples was done at least two times to confirm consistency and repeatability of results.

Hole No.	GOLD		
	Assay 1	Assay 2	Assay 3
161	0.8	0.74	-
PD	0.15	0.15	-
151	0.35	0.32	0.35

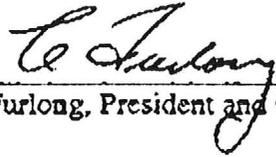
*continued*

The development of a standard fire assay from head grade samples represents a major breakthrough in IPM's efforts at proving the existence, and recoverability, of mineralization from Black Rock material. The independent verification of the recovery and fire assay process, by Behre Dolbear & Company, Inc., the Company's mining engineering consultants and other independent and industry recognized laboratories, is ongoing and is expected to be completed within the next 30 to 45 days. IPM has released these results in order to keep shareholders informed and up to date on the status of the recovery of precious metals on the Black Rock Project.

Finally, IPM is pleased to announce that it has become a full U.S. reporting company. The recent filing of a Form 10K with the Securities and Exchange Commission and The NASDAQ Stock Market marks a change in the company's reporting status and is attributable to a broadening U.S. shareholder base.

IPM is an international mining and exploration company registered in Toronto, Ontario. The operations office is located in Phoenix, Arizona. IPM stock is traded on the NASDAQ exchange under the trade symbol IPMCF and on The Canadian Dealing Network under the symbol IPMC.

On Behalf of the Board of Directors

  
Le Furlong, President and CEO

ISSUED AND OUTSTANDING CAPITAL 17,758,280

**FOR MORE INFORMATION CONTACT:**

International Precious Metals Corporation  
Eli Constantine · 602-414-1830  
Operations Office · 4633 South 36<sup>th</sup> Place · Phoenix, AZ 85040 · Phone: 602 414 1830 · Fax: 602 414 1831  
Registered Office · 390 Bay Street, Suite 502 · Toronto, ON M5H 2Y2 · Phone: 416 368 1489 Fax: 416 368 5454  
www.ipmcf.com · mag@ipmcf.com

## Presidents Message to Shareholders, Annual General Meeting, 20 June 1997

Now that we have had an opportunity to update everyone on IPM's major activities to date, I think it's time, as Paul Harvey would say, for "The Rest of the Story". First, however, if you'd indulge me, I'd like to make a few personal comments.

IPM is an exploration company who's sole activity is turning prospects into projects and projects into mines. Along the way we never envisioned that we'd be actively engaged in assay and recovery R & D in order that we might accomplish our goals. "Persistence of Vision." Along the way these past three years, many times we engaged ourselves in internal examinations... are we 'really' on the right track...to be sure we 'really' were not just kidding ourselves...and we continue to be our own best critic right up and including today. Internally we apply incredibly high standards of credibility, goals we have to leap just to satisfy our own integrity. Besides our own R & D work we unashamedly engage consultants who bring still further talent's to bear in assay and recovery.

I am pleased to announce that these R & D efforts have rewarded us...and you the shareholders by demonstrating that the metals gold, platinum and palladium can be extracted from Black Rock. Yes, METAL.....AND I MEAN METAL IN HAND. Let me get on with relating the results to hand. As I speak, we are issuing a press release which covers the exact same information. As you exit copies will be available of the press release, the Chairman's Address and Presidents Message.

Our guiding principle is caution - extreme caution. We don't want to discuss things that we can't prove. Or to paraphrase Orson Welles. "We will sell no gold before its time".

## CHAIRMAN'S MESSAGE

It being the appointed hour I would like to open this Annual General Meeting of International Precious Metals. My name is Alan Doyle and I am the Chairman of your company and I extend a warm welcome to all of our shareholders and visitors to a meeting that I believe represents the turning point in our company's development of the Black Rock project.

I would also like to take this opportunity to introduce the board of directors and senior staff of your company;

- Mr. Lee Furlong - the President and CEO
- Mr. David Kornhauser - Corporate secretary and director
- Mr. John Blaikie - Director
- Mr. Russell French - Director

The senior management of your company are;

- Mr. Jim Potter - Chief Operating Officer
- Mr. Paul Mentzer - Vice President Technical Services
- Dr. Sam Shaw - Vice President Engineering Services
- Mr. Bill Allred - Chief Financial Officer
- Mr. Tom Dodge - Chief Geologist

Annual General Meetings (AGM) are held to carry out various statutory requirements for the continued smooth running of the company as well as to bring the shareholders fully up to date with any developments within the company as well as to give a clear picture of where we are going in the next twelve months and outline our achievements on both the technical and corporate fronts during the past 12 months.

And it hasn't been time yet because we haven't had sufficient third party work have had too few results to report as anything near conclusive. However, today I am pleased to tell you that we have compiled the results from our work at Friendship Labs and the resultant recovery yields of the key refiner who has been working with us.

These recovery results involve samples from 5 freshly dug holes representing more than a ton of dirt at an average depth of about 16-24 feet. They have not been verified independently. However, we decided to share them, because it was clear that the numbers being reported are very material.

As you can see, we can no longer ignore the presence of precious metals beyond gold, because the recoveries are just too compelling. These results represent only a fraction of the samples we intend to test over the coming months

How cautious are we? When our refiner handed us the metals recovered we took them at face value as correct,.... and they were. Semtec Laboratories here in Phoenix attested to the veracity of the gold, platinum and palladium through micro-photography and EDS, Electron Dispersion Spectroscopy (an x-ray procedure). The of the metals noted are real precious metals and they originated from Black Rock.

Now, to state that management is excited and encouraged by these preliminary results would be a gross understatement. There is, however, even more positive news:

Within the last ten days, we have been presented with a new fire assay procedure that appears to repeat and correlate well with the precious metal recovery numbers being experienced. Some of these early results are presented here. Next week we will likely confirm the procedure in our own lab and at a second independent facility thence formally

adopt the procedures as our normal working assay procedure. Negotiations are at an advanced stage for an independent lab to commence processing the backlog of samples from the 1 km grid and from the present drill program totaling some 8,000 in all

So, what does all this mean? It means that of these recovery tests are preliminary. It means that although we are working with the 3rd party auditor we haven't progressed to a sign off yet. We are happy with the results, in fact highly excited by them.

Aside from our laboratory sized recovery plant operating at our Goodyear warehouse we are in the process of constructing a facility on our premises to process between one and three tons of Black Rock mineralization a day. Once it is all in place, once permitting is all in order, once staff has been hired and trained, then we will begin processing large volumes of material. A refiner has already contracted to purchase all the concentrate product produced at our two processing plants. After we are satisfied that the facility has gone through a complete shakedown and that the recovery process has been more fully optimized, we will then invite third party consultants to conduct secured, full custodial samples for dispatch to refiners. We will have validated results just as soon as possible. Then, and only then, we will state that we have conclusively justified all of our efforts.

If we're on target, it means that we will have spent four years exploring and proving the technology required to unlock the vast mineralization contained in Black Rock.

Throughout the process we will occasionally issue update press releases based on significant milestones - as they are achieved. Finally, it means that the persistence of IPM's vision - can now move forward to realization.

end

20 June 1997

I will proceed in reverse order and keep the statutory material until the completion of the more recent exciting developments and where we the board think we will be in 12 months time.

**WHERE WE CAME FROM**

The Company has had a good year and I will outline now some of its achievements during this period;

- Since the capital consolidation in 1985 the company has seen a solid growth in capital from approximately \$30 million up to the current \$150 million, although there have been some hiccups along the way the relative longer term stability exhibited in this area has been comforting to the board.
- The financial position of the company has improved substantially over this period from a position of day to day cash flow problems to being able to budget exploration and development programs out as far as 12 - 18 months. The company has a good cash position at present and has a warrant expiry later this year that will provide additional funds to support an active exploration and early pre-development program.
- The shareholder base has moved from one devoid entirely of institutional investors to one that now has representatives from several major international funds which has contributed to the stability in market terms
- The staffing levels moved up from 4 people in 1994 to 22 in 1997, of which the majority are professionally qualified technical people devoting all their time to the Black Rock Project. A sound management structure has been implemented that we believe will take account of the expected growth during the coming year.
- Technically we moved from being an exploration company to that of a Research and Development company and now we are on the precipice of becoming a mining company. We have taken a concept in the Arizona Desert to the point that we have now produced Gold, Platinum and palladium at recovered grades approximating a