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ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES AZMILS DATA

PRIMARY NAME: CONGRESS

ALTERNATE NAMES:

CONGRESS MINE, PATENTED 878
FRACTION, PATENTED 883
NIAGARA
NIAGRA
GOLDEN KEY
HERSKOWITZ PROPERTY
QUEEN OF THE HILLS
OHAHA
PLANET MIER
JAQUAYS
B AND M
PATENTED CLAIMS MS 2888 & 3523

YAVAPAI COUNTY MILS NUMBER: 440C

LOCATION: TOWNSHIP 10 N RANGE 6 W SECTION 23 QUARTER N2
LATITUDE: N 34DEG 12MIN 05SEC LONGITUDE: W 112DEG 50MIN 54SEC
TOPO MAP NAME: CONGRESS - 7.5 MIN

CURRENT STATUS: PAST PRODUCER

COMMODITY:

GOLD
SILVER
COPPER SULFIDE
FELDSPAR

BIBLIOGRAPHY:

ADMMR CONGRESS MINE FILE
ADMMR CONGRESS COLVO FILE
ADMMR NIAGARA MINE & MILL FILE
ADMMR GOLDEN KEY FILE
REPORT OF THE GOVERNOR OF AZ 1899 P 54-56
WILSON, E.D. ETAL. AZ LODE GOLM MINES AZBM
METZGER, O.H. GOLD MINING & MILLING IN THE
WICKENBURG AREA USBM IC 6991 1938 P 45

CONTINUED ON NEXT PAGE

REPUBLIC GOLDFIELDS CORP

CONGRESS MINE

TECHNICAL SUMMARY

SPRING 1992

History

The Congress Mine, located some two miles north of the existing town of Congress, was discovered in about 1887. The property was partially developed by 1889 when a 20 stamp mill using primitive gold recovery methods was constructed and operated until 1891.

Work resumed in 1894 when the property was taken over by the Congress Gold Company. The mill was expanded and the mine operated continuously from 1894 to 1911. During this period the cyanide leaching process was introduced, greatly improving gold recovery and the overall economics of the operation. During this period up to 500 workers were employed at the mine and mill and roughly 2000 people lived in the bustling town of Congress which was located in the valley, adjacent to the mine.

In this first productive phase of the operation, the mine produced 388,000 ounces of gold and slightly less silver from some 692,000 tons of ore, a recovered grade of 0.56 Opt gold.

From 1911 to 1935, operations at the mine were largely confined to the re-processing of small portions of mill tailings and mine dumps.

In 1935, the Congress Mining Corporation purchased the property and from 1938 to 1942 some 385,000 tons of dump and tailings material was processed to produce some 25,000 ounces of gold, or a recovered grade of .07 Opt gold.

After 1942 ownership changed hands several times with very little production until 1980 when Mr D.W. Jaquays initiated a heap leaching operation on the dump material. Despite the high prevailing gold prices of 1980-81, it is reported that the operation was only marginally successful.

Magic Circle Energy Corporation acquired the property from Jaquays in 1982. The company undertook an exploration drilling program which resulted in the discovery of a new ore shoot on the Niagara vein, adjacent to the westernmost workings of the old #6 shaft workings.

In 1984, Magic Circle optioned and later sold the property to Echo Bay Mines. Echo Bay continued exploration to delineate and evaluate the newly discovered Niagara ore shoot. After completing a successful underground exploration program which included driving an inclined ramp to access the top of the orebody, Echo Bay decided to place the property into production. During 1988, Echo Bay produced 16,000 ounces of gold from 60,000 tons of ore mined. The raw ore was trucked and sold as smelter flux to the Phelps Dodge Hidalgo smelter in New Mexico, some 750 miles return from Congress.

In 1989, Echo Bay sold the property to Republic Goldfields Corporation, the current owner. It was our view that to make the mine profitable, an on site processing plant to treat the ore and eliminate the costly trucking to New Mexico was required. We proceeded to permit and construct a modern cyanide leach gold milling plant and developed the mine for production. The mill was commissioned in July of 1990 and has been operating at designed capacity of 350 tons per day since October 1990.

Geology

Geologically, the Congress district (Fig. 1) is located in the southwest portion of the northwest trending central Arizona Proterozoic belt, comprising a portion of the transition zone between the Colorado plateau to the northeast and the Basin and Range province to the southwest. The proterozoic belt consists of older metavolcanic and metasedimentary rocks intruded by a major complex granite-granodiorite batholith. The entire area was later flooded by diabase sills and locally by dykes and sills of varying compositions.

Unconformably overlying the proterozoic rocks in the region are tertiary volcanic flows and pyroclastics of various compositions and ages. These are well exposed in the Wickenburg mountains, 10 miles southeast of Congress and in the western Date Creek mountains, 10 miles to the west.

The geology of the Congress area and the surrounding Date Creek mountains form a small portion of the regional granitic batholith. Inliers and pendants of older metavolcanic and metasedimentary rocks, the Yavapai Series, are locally found in the area although these northeast trending belts are more prevalent to the northeast in the Humbolt area and appear to coalesce at Jerome.

Numerous small dykes and sills of varying composition intrude the Precambrian units. These include east-west trending greenstone dykes, northwest trending andesitic porphyry dykes and northeast trending rhyolite dykes.

Large portions of the area, within the broad valleys surrounding the various mountain ranges are filled with Quaternary alluvium and sedimentary gravels.

The Congress mine property (Fig. 2), lying within the Date Creek mountains, is dominated by a medium to coarse grained multi-phased granodiorite. On the northwestern portion of the property, northeast trending metasedimentary schists which represent pendants or perhaps basement rocks have been mapped. Roughly east-west trending greenstone or diabase dykes, northwest trending andesitic porphyry and northeast trending rhyolite dykes have also been identified.

Within the property boundaries we have traced some 45 substantial Quartz Veins. The veins generally trend northwest. Dip at a shallow angle to the northeast, range in width from inches to 12 feet and contain gold and silver in trace amounts to grades of greater than one ounce per ton.

Past production which exceeded 400,000 ounces of gold was achieved from two main structures, the Congress Vein, which occurs along and within the Congress greenstone dyke and the Niagara Vein structure located several hundred feet in the footwall of the Congress Vein. The Niagara Vein at surface is isolated and complex although underground has been mined intermittently over a 5000 foot strikelength.

In cross section both veins dip shallowly to the northeast. Above roughly 700 feet the Niagara Vein dips steeper than the Congress although in the area we are currently mining, the vein flattens to parallel the Congress structure. The veins themselves consist of quartz, minor pyrite oxidized to goethite near surface, local galena, carbonates, native gold and silver and gold-silver telluride minerals. The Niagara Vein structure consists of an envelope of mineralization and alteration contained by a distinct footwall fault and a more subtle hanging wall fault. Near surface the structures are very close together generally defining the ore grade vein. At depth the hanging wall fault flattens creating a diverging corridor of alteration and stockwork mineralization. Minor silicification, argillic, propylitic and potassic alteration is variably present within the corridor. Ore grade mineralization within the corridor has to date been confined to the continuous quartz vein which generally is located along the hanging wall fault although has locally been mined throughout the corridor.

In plan view the vein typically pinches and swells, displays an echelon, sigmoidal structures, terminates in a stockwork of narrow quartz veining and generally exhibits classic vein geometries common to a tensional tectonic environment.

Ore Deposit and Mining

Current operations and reserves are contained in the Niagara Vein structure, east of the old workings (Fig. 3). Current delineated reserves (Fig. 4) are accessed via an 11 foot by 15 foot ramp generally driven in the footwall of the vein at a slope of -15%. The decline is driven using a single boom jumbo drill, 3.5 cubic yard LHD's for mucking and the rock is hauled to surface using 25 ton haulage trucks (see attached mine equipment list).

Sublevels are cut at 55 foot vertical elevations (Fig. 5). A crosscut is driven from the decline approximately at the centre of the ore grade portion of the vein. Sublevels are driven in both directions to fully excavate and define the vein. The sublevels are driven using handheld jackleg drills and depending on the width of the vein, the size of the drift can be either 5 feet by 7 feet and mucked using 1 1/4 cubic yard LHD's or 8 by 9 feet and mucked using the 3 1/2 yard LHD's.

After defining the extremities of the ore on each sublevel, a raise is driven in the ore along the end of the ore outline to break through to the sublevel above (Fig. 6).

Stoping then proceeds in what we refer to as a modified end slicing technique (Fig 7) using raises, rib pillars and recovering most of the ribs as we retreat to the central access point. Stopping is carried out using jacklegs drills and depending on the dip of the vein the muck is either blasted down to the sublevel or where dips are flatter than 40, is scraped down to the sublevel by air powered slushers to be mucked by LHD.

In the development headings, ground control consists of split set rock bolts with strapping and screening where required. In the stopes initially wooden stulls were used exclusively for ground support however recently we have had greater success in leaving small, generally less than 8 feet by 12 feet post pillars. The post pillars which contain a very small fraction of ore reserves, have resulted in a significant reduction in dilution and has allowed for improved underground performance.

The mine is ventilated with 230,000 cubic feet of air through vertical raise bore holes to the 700 foot level which then connect with ventilation raises driven from sublevel to sublevel. Air is forced down the raises and ventilates the mine exhausting up the main decline.

Electrical power is generated on site for both the underground and milling operations. A power plant consisting of three 1450 KVA Caterpillar diesel powered generators and associated switch gear provide our requirements.

Productivity at the mine has been excellent with development crews averaging 8.5 Feet per man shift and stope miners averaging 34 tons per man shift in 1991.

Milling

The Congress mill is a carbon in leach (CIL) gold cyanidation plant designed to process 350 tons per day (Figs. 8 and 9). Coarse ore from underground is dumped into a bin equipped with a 14" grizzly screen and pneumatic rock breaker. The ore is then fed through a 24" by 36" jaw crusher set at 4" and is then conveyed to a screening section where the -5/8" product is transferred to the fine ore stockpile and the +5/8" product is fed through a 4 1/4' Symons shorthead cone crusher. This is a closed circuit system which crushes approximately 50 tons of Congress mine ore per hour, enough to satisfy mill throughput in one operating shift per day.

The fine ore is drawn from the roughly 750 ton live load stockpile through a 12' long slot feeder and conveyed to a 9 1/2' by 11' Nordberg primary ball mill where calcium cyanide and lime solution are added. The primary ball mill discharge is cycloned with the overflow reporting to a 30' diameter high rate thickener and the underflow directed to a 8' by 10' Allis Chalmers secondary ball mill for further grinding. The mills currently produce a product of roughly 80% minus 200 mesh.

The thickener underflow slurry at 50% solids is pumped to the first of a series of seven 25' diameter by 17.5' high agitated leach tanks. These tanks provide a residence time for the ore of 72 hours after which the tailings slurry is pumped to a zero discharge lined tailings pond.

Activated carbon is introduced in agitator tank # 7 and flows counter current to the ore to tank # 2 where the loaded carbon is removed from the slurry and enters the gold stripping and recovery building. Here the carbon is acid washed, stripped using concentrated sodium cyanide and caustic solution and the pregnant eluate is then pumped through an electrowinning circuit with the precious metal being precipitated onto steel wool cathodes. The precious metal sludge is then melted in a propane fired Wabi type blast furnace to produce a gold - silver dore for shipment to a refinery.

Current Operations

The congress mill construction was completed in May 1990, on schedule and within budget. A permitting delay resulted in mill commissioning in July, 1990 and by October 1990 the mill was operating at its design capacity of 350 tons per day.

Operations in 1991 have met our budget expectations with gold production totalling 28,534 ounces of gold from 125,025 tons of ore mined and milled. (.22oz/TON AVE)

Republic Goldfields is fortunate in having exceptionally capable employees at the mine. The total workforce at the present is 80 employees.

CONGRESS GOLD MINE LOCATION MAP: ARIZONA

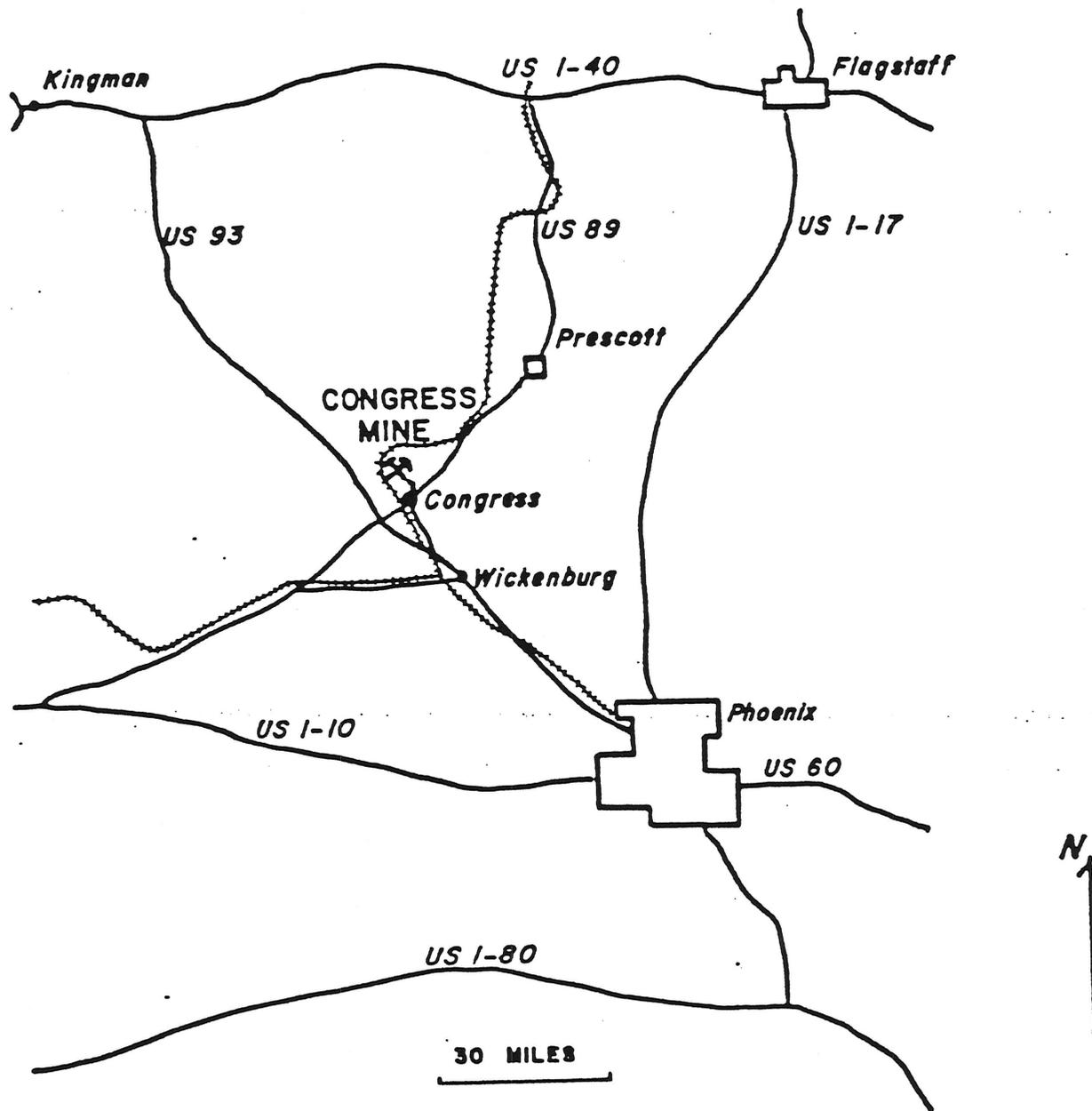


FIGURE 1: Congress mine location map.

CONGRESS MINE PROPERTY

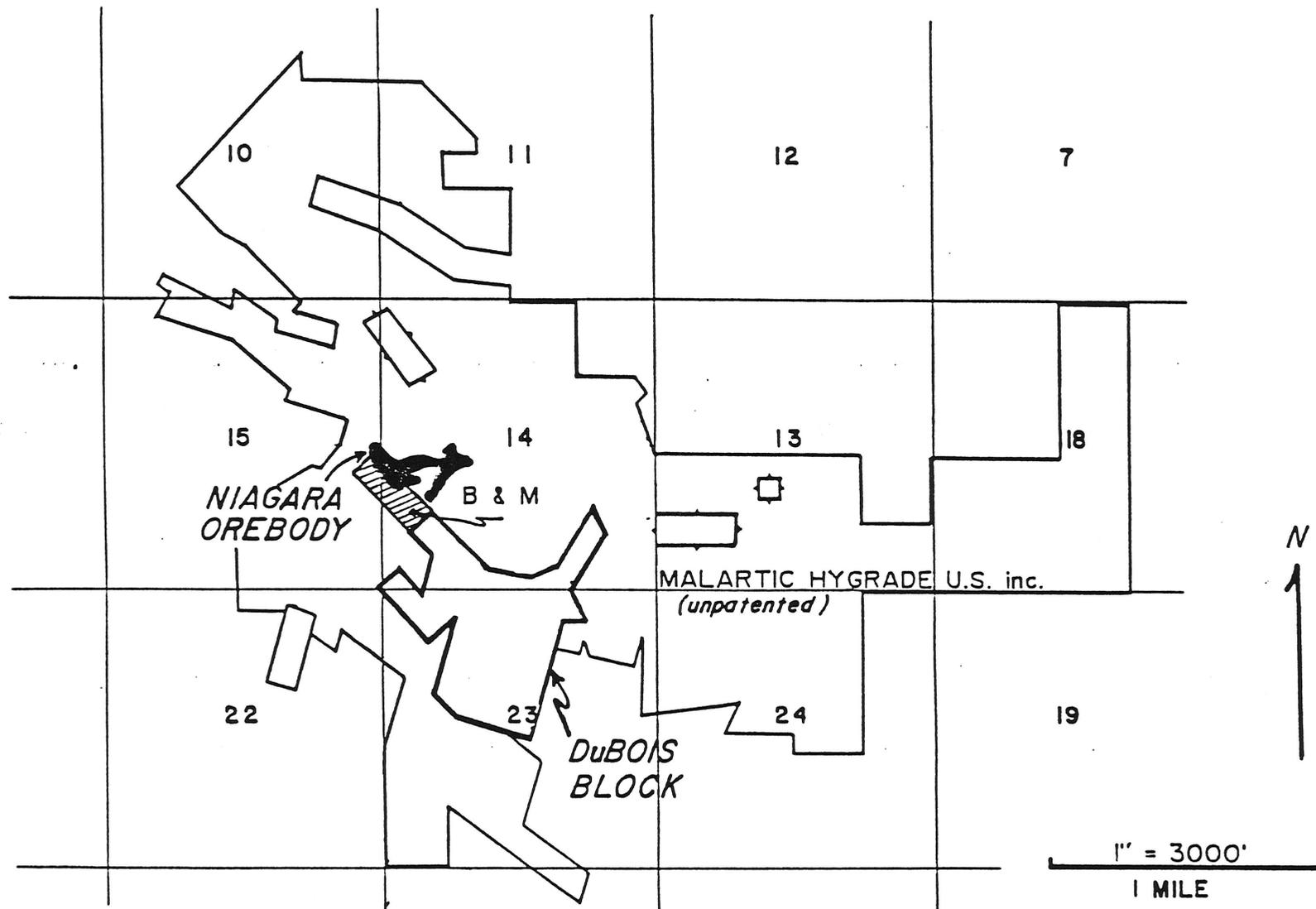
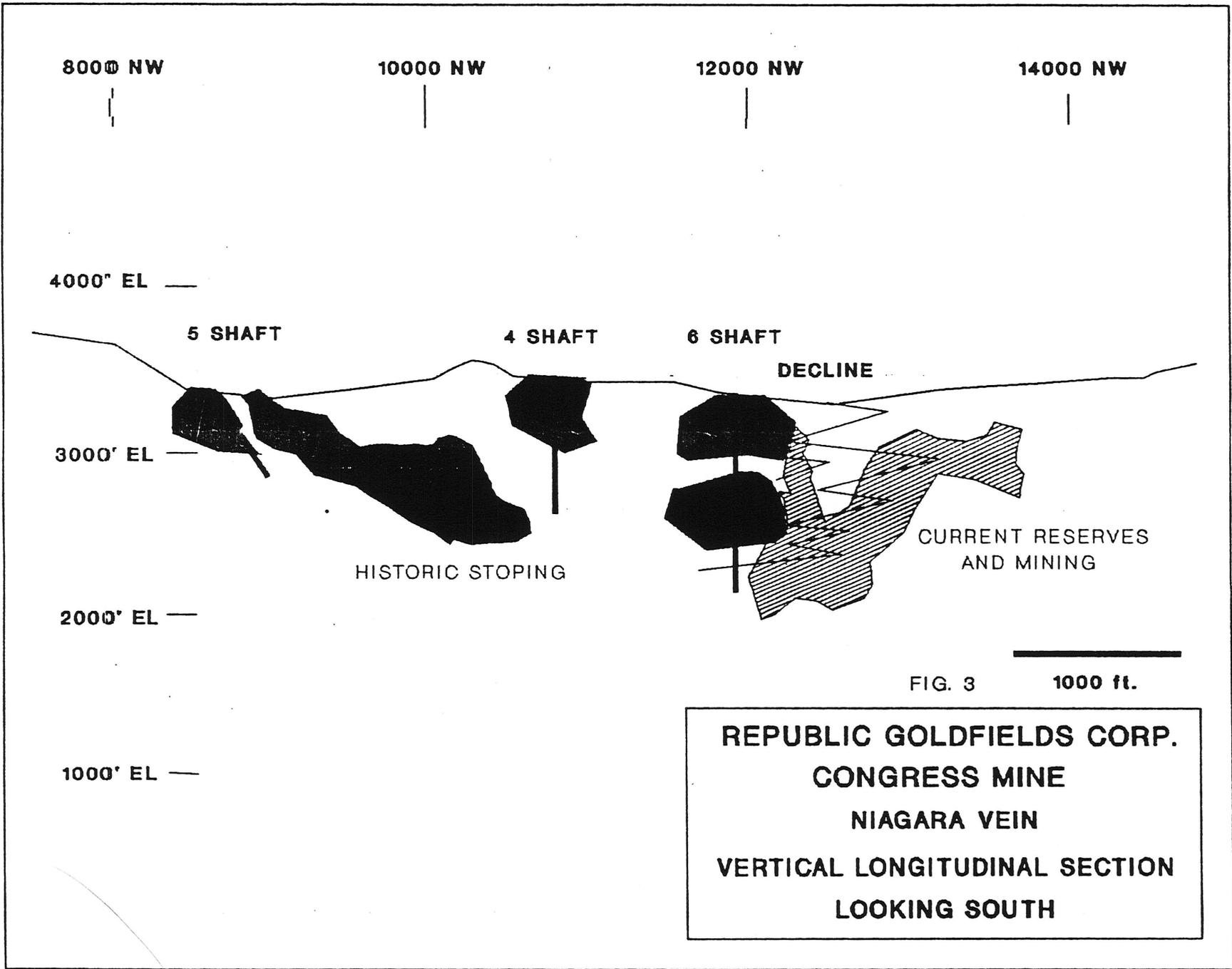


FIGURE 2



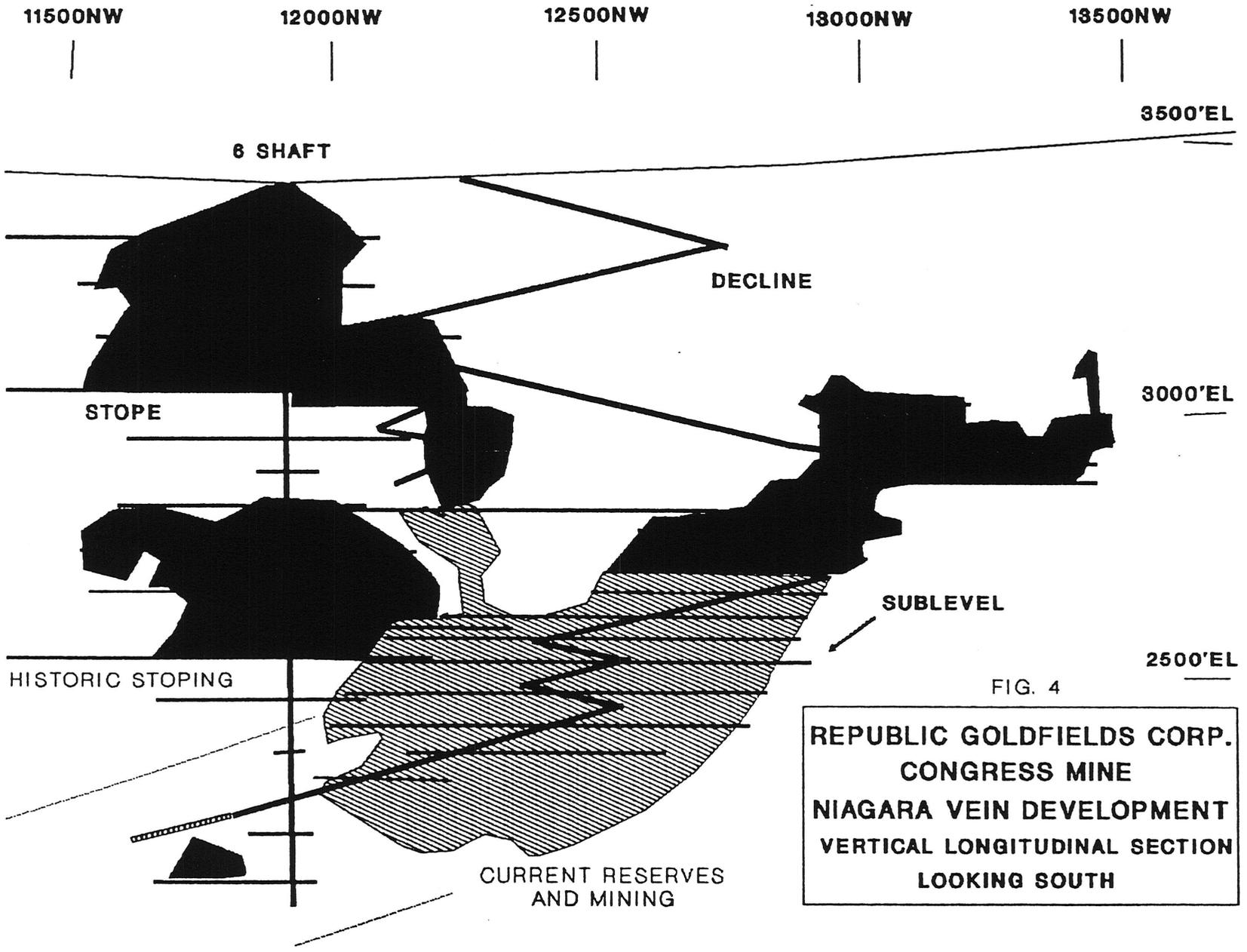


FIG. 4

REPUBLIC GOLDFIELDS CORP.
 CONGRESS MINE
 NIAGARA VEIN DEVELOPMENT
 VERTICAL LONGITUDINAL SECTION
 LOOKING SOUTH

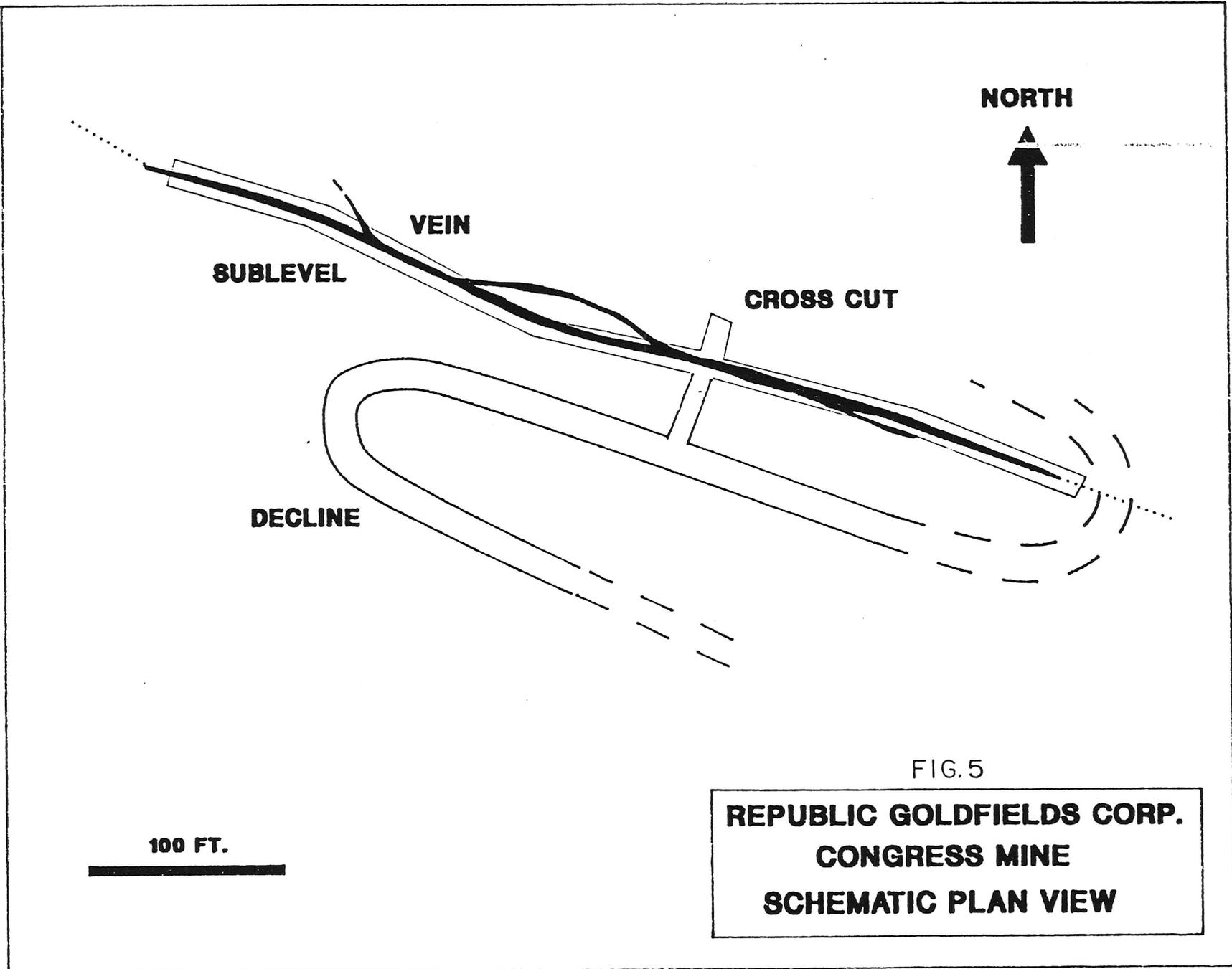
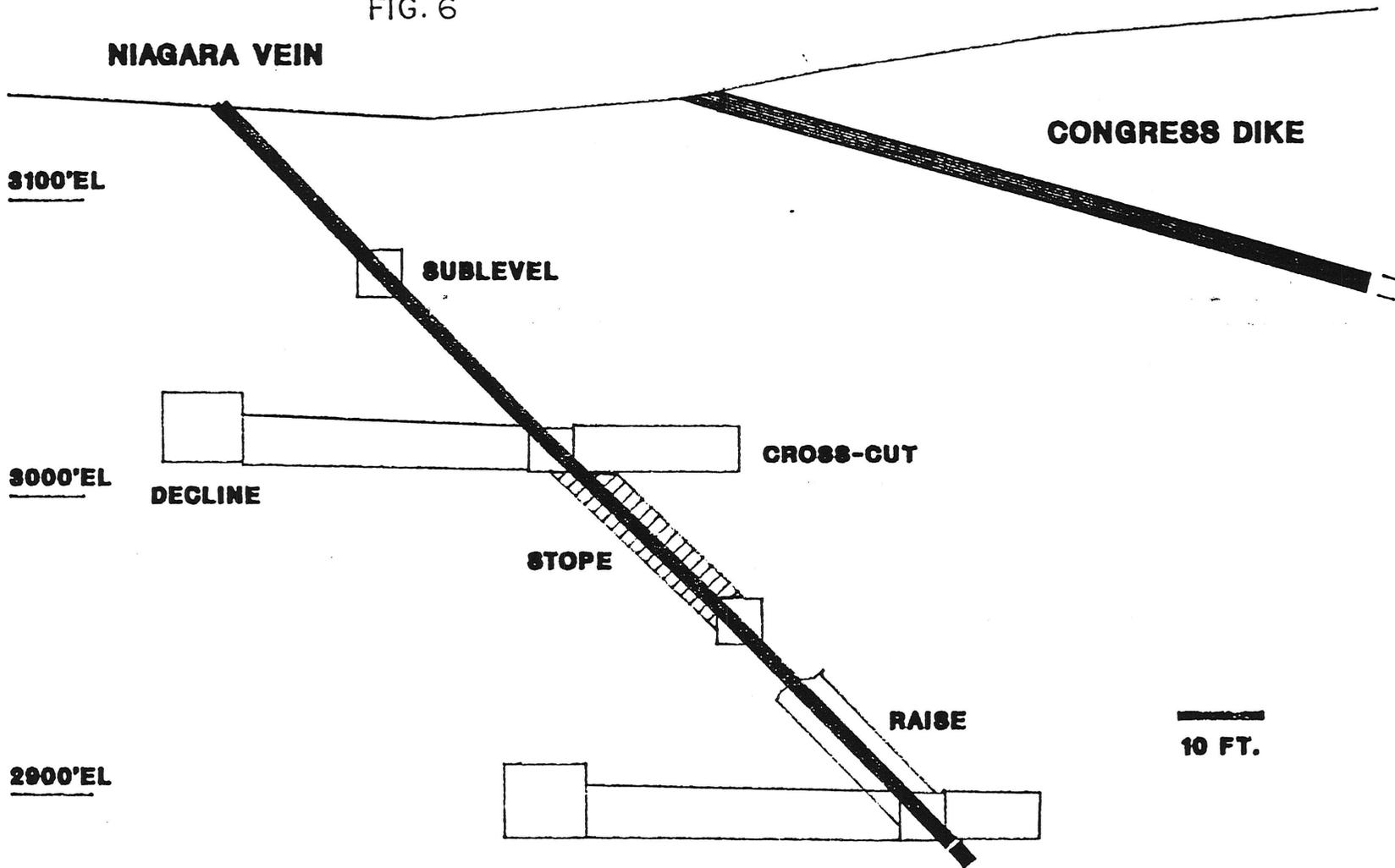


FIG.5

**REPUBLIC GOLDFIELDS CORP.
CONGRESS MINE
SCHEMATIC PLAN VIEW**

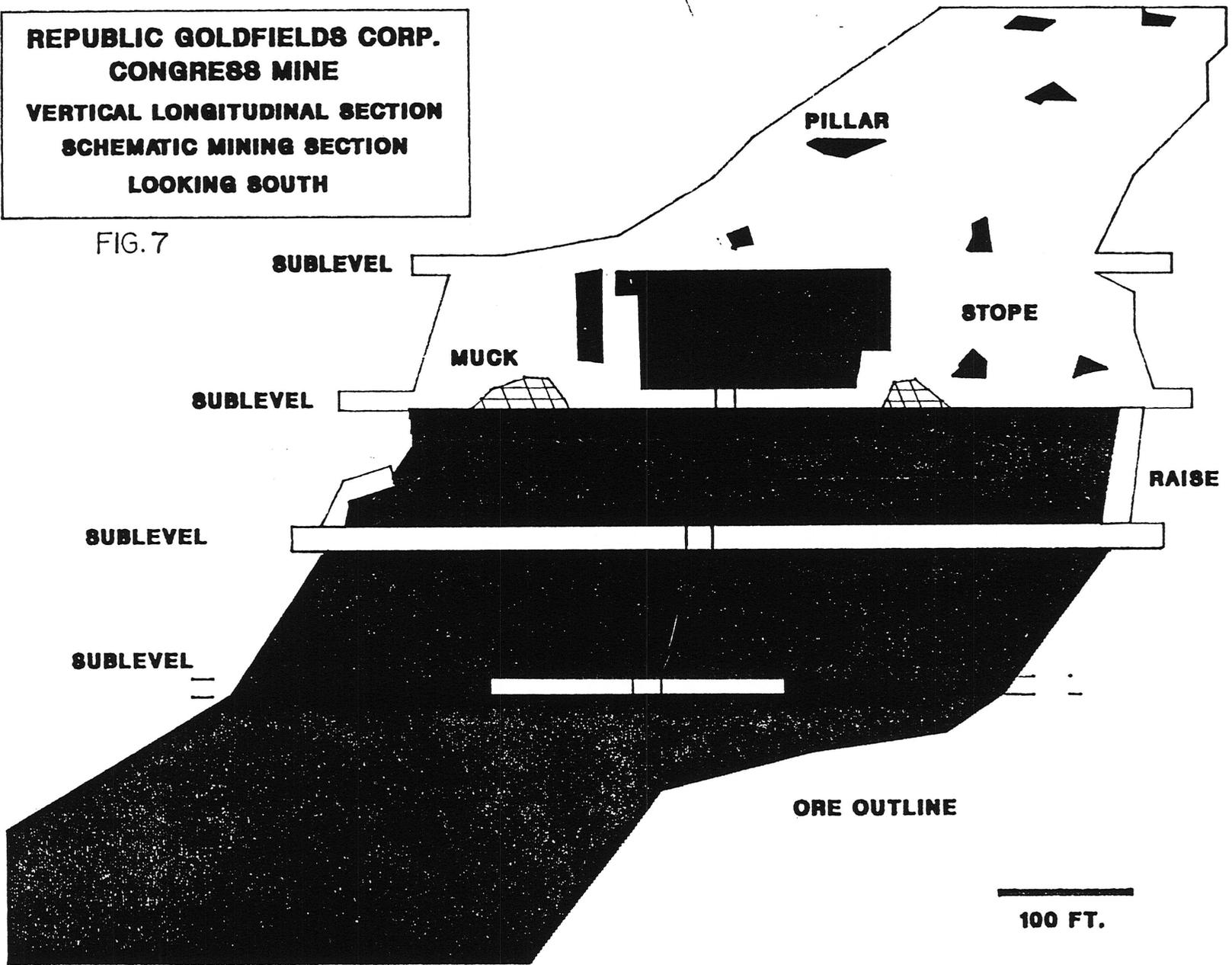
**REPUBLIC GOLDFIELDS CORP
CONGRESS MINE
SCHEMATIC CROSS SECTION
LOOKING NORTHWEST**

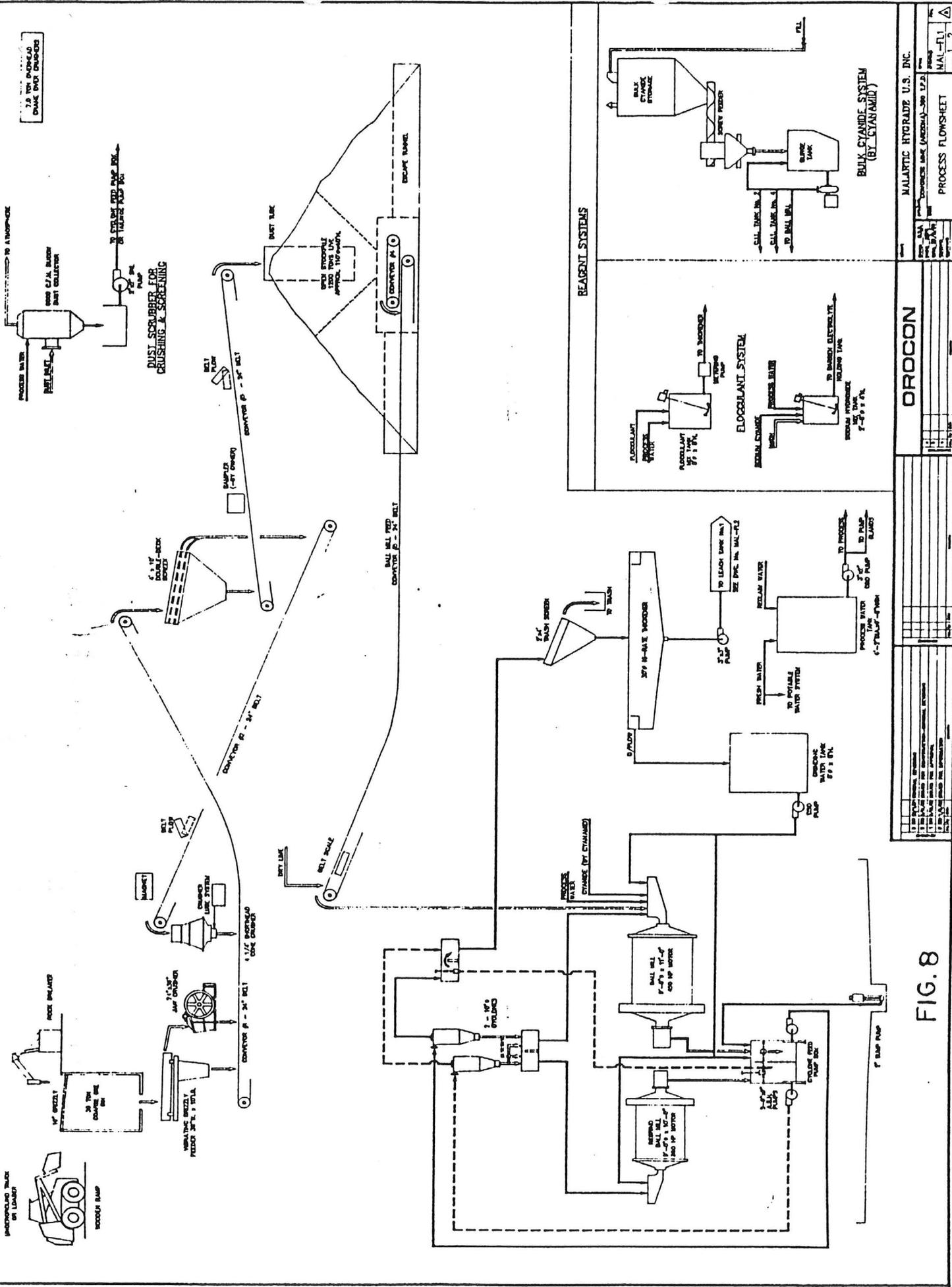
FIG. 6



**REPUBLIC GOLDFIELDS CORP.
CONGRESS MINE
VERTICAL LONGITUDINAL SECTION
SCHEMATIC MINING SECTION
LOOKING SOUTH**

FIG. 7





OROCON MALARTIC HYDRATE U.S. INC. PROCESS FLOWSHEET Page 1 of 2	
Date: _____ Drawn by: _____ Checked by: _____ Approved by: _____	Project: _____ Drawing No.: _____ Revision: _____

FIG. 8

SEE DRAWING MAL-FLZ-100 FOR P&ID

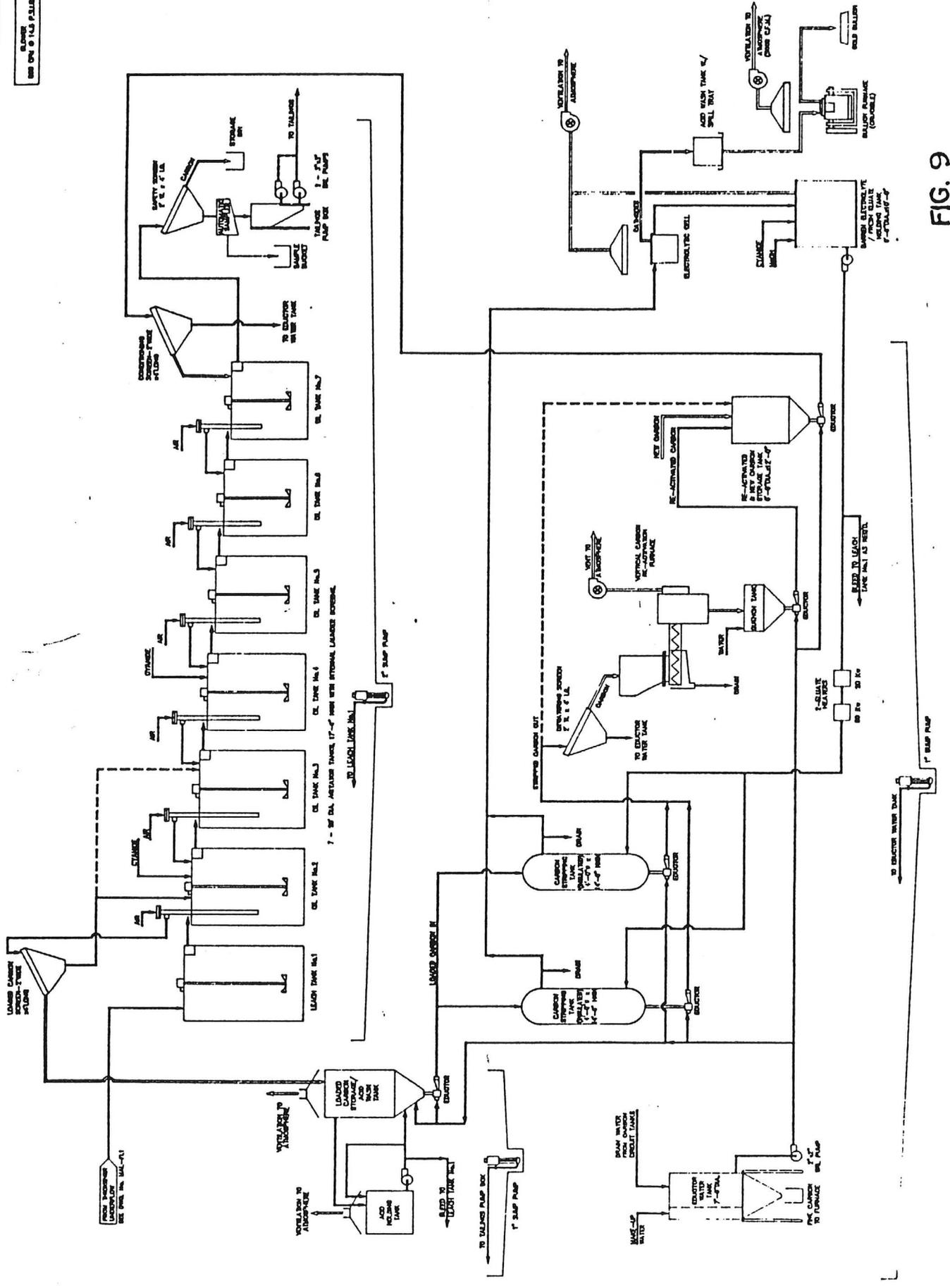
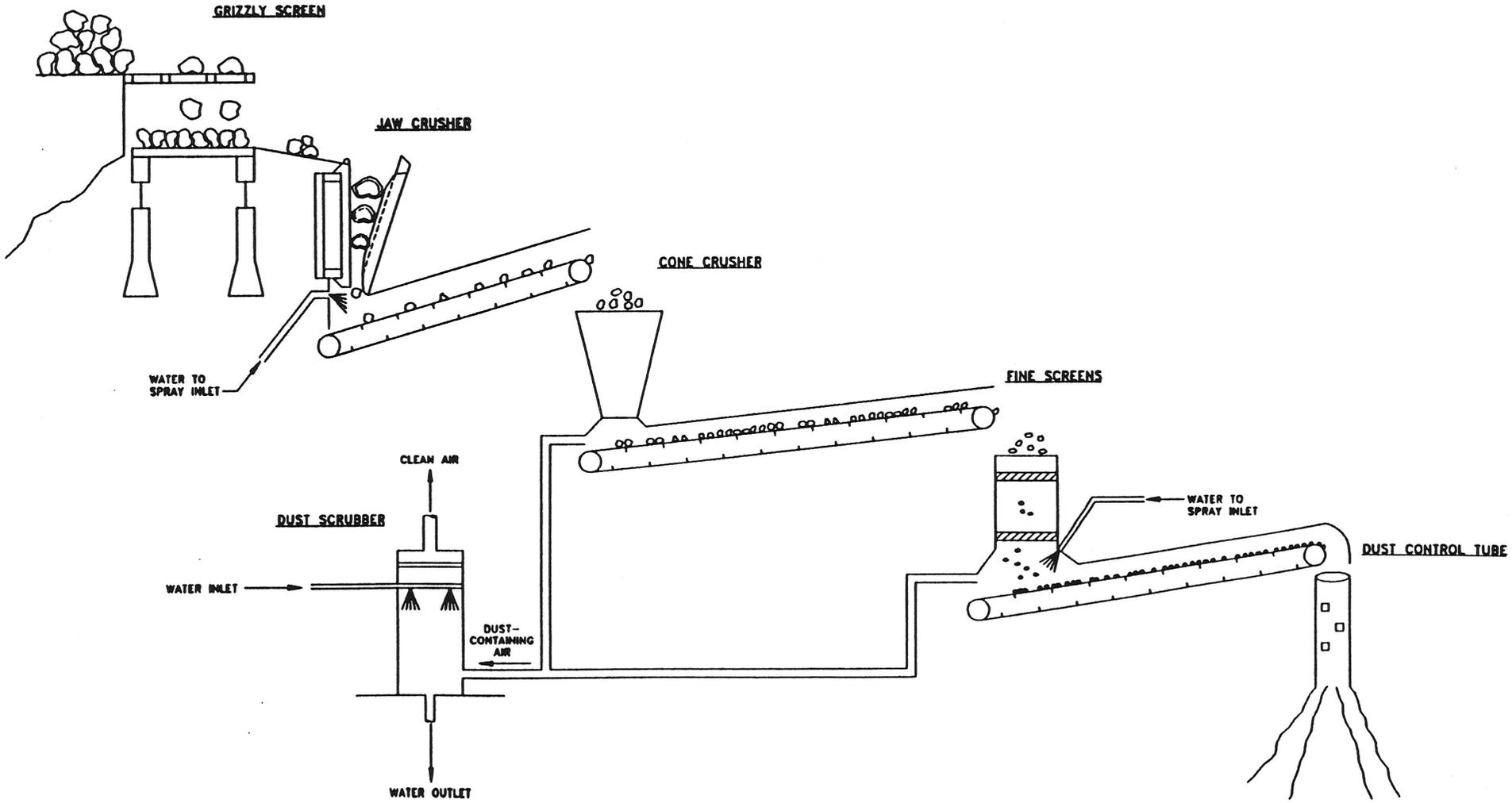


FIG. 9

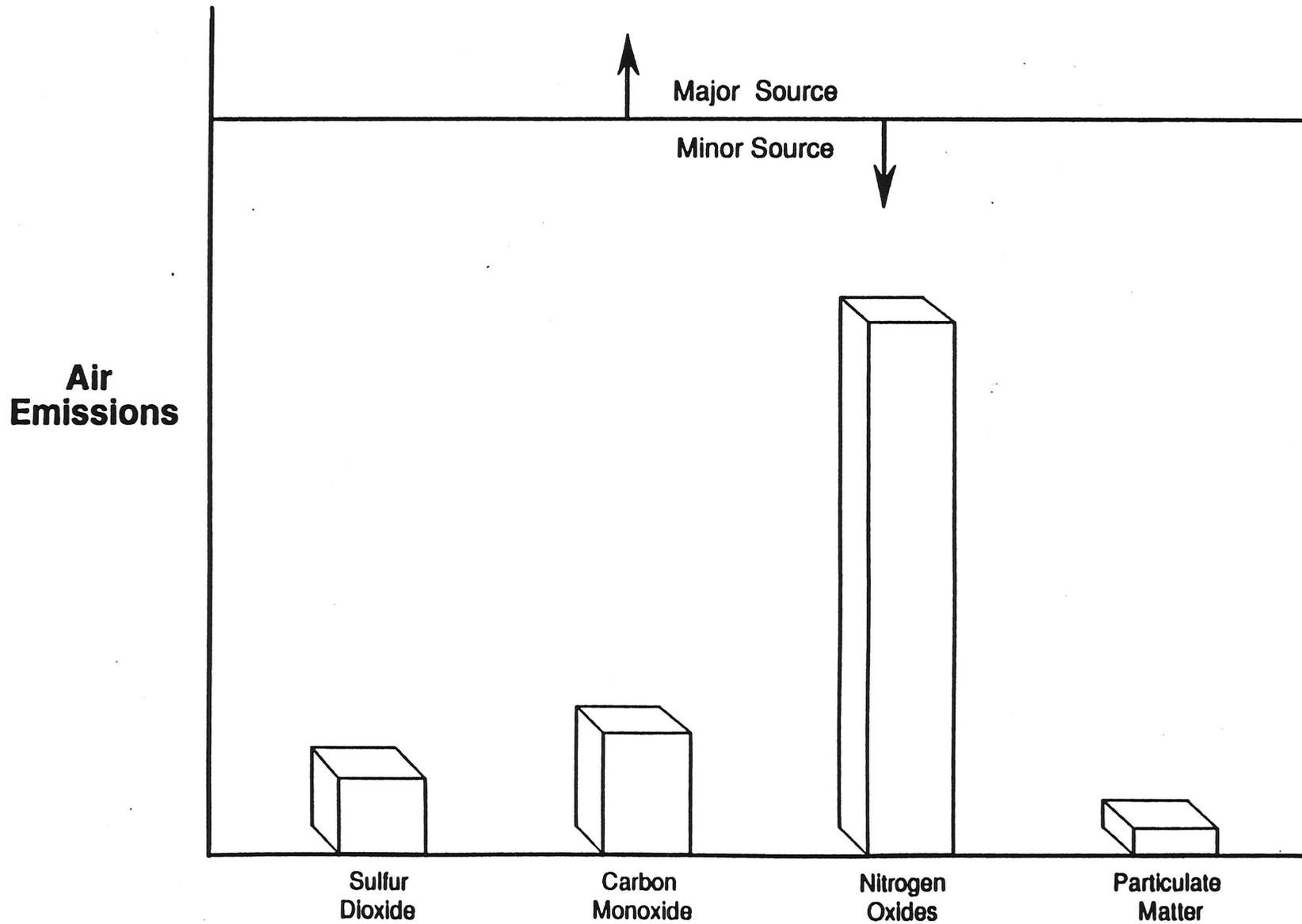
OROCON OROCON CORPORATION 11000 W. 10th Ave., Denver, CO 80202 TEL: (303) 751-1000 FAX: (303) 751-1001		MALARTIC STORES U.S. INC. COMPANY NAME (MANDATORY) MAL-FLZ-100 PROJECT NO. MAL-FLZ-100 SHEET NO. 2 OF 2	
		PROCESS FLOWSHEET	

MALARTIC HYGRADE U.S. INC.
CONGRESS MINE

CRUSHING PLANT FLOW DIAGRAM



Malartic Hygrade Congress Mine Minor Source Classification

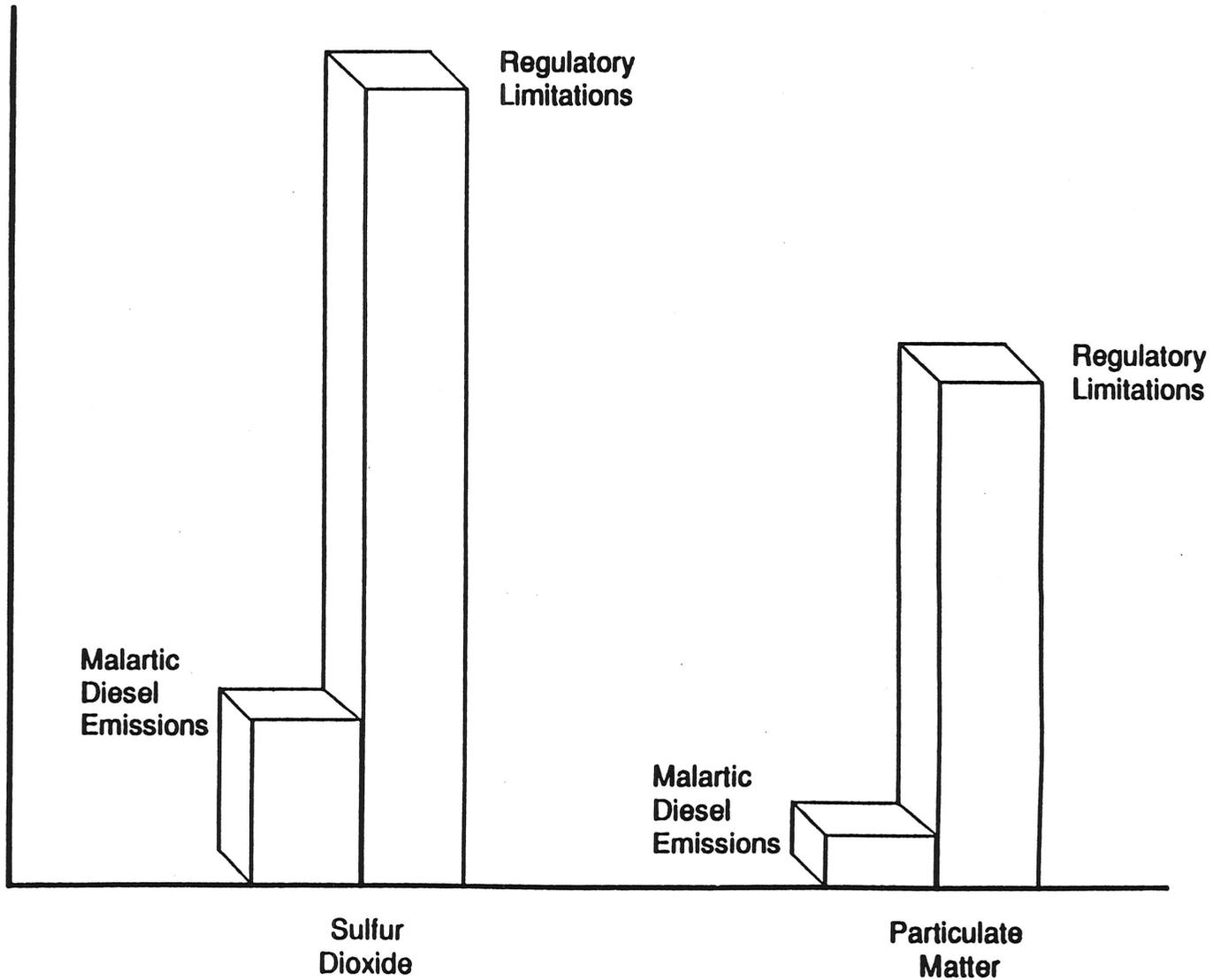


Emission Reduction Efforts at Malartic Hygrade Congress Mine

- **County and mine haul roads are treated to control dust**
- **All conveyors and transfer points are enclosed in covered chutes**
- **Scrubber unit recovers dust from high generation points**
- **Water spray nozzles are strategically located to keep ore wetted throughout crushing plant**
- **Innovative dust control tube minimizes dust generation from stockpile loading**
- **Bulk chemical storage tank equipped with filter dust collection system**
- **Diesel Generator emissions reduced through use of retardation**
- **Eliminate 100 truck trips per week on Ghost Town Road**

Standards of Performance for Diesel Generators

**Air
Emissions**



Appendix 1

Congress Mine - Mine Equipment List

<u>Quantity</u>	<u>Description</u>
1	Tamrock Z-HS105M Monomatic Jumbo
3	Wagner 25 ton Haulage Trucks
3	Wagner 3.5 yd LHDs
3	JCI 1.25 yd LHDs
1	Cat 966C Wheel Loader
1	Cat 950 Wheel Loader
2	Ford Boss Buggys
1	Getman Model 544 Flat Bed Truck
1	Cat Model D6D Crawler Tractor
3	Cat Model 3516 1450 KVA Diesel Generators
17	Gardner Denver 83 Rock Drills
1	Sullair 1500 CFM Air Compressor
1	Gardner Denver 1800 CFM Air Compressor
3	150 HP Fans
2	60 HP Fans
3	40 HP Fans
4	20 HP Fans
1	75 HP Mather-Platt Pump
3	40 HP Worthington Pumps
1	25 HP Electric Slusher
1	20 HP Air Slusher
4	15 HP Air Slushers

Appendix 2

Congress Mine - Mill Major Equipment List

<u>Quantity</u>	<u>Description</u>
1	PEA model VF-36EHD-10 36"x10' Vibrating Grizzly Feeder
1	Minyu 24"x36" Jaw Crusher
1	Allied Hydraulic Rock Hammer
1	Symons 4 1/4' Shorthead Cone Crusher
1	Tyler 4'x10' Double Deck Screen
1	Ducon 6000 CFM Wet Dust Collector
1	24"x18' Slot Feeder under Fine Ore Stockpile
1	Nordberg 9 1/2'x11' Ball Mill (with 450 HP synchronous motor)
1	Allis Chalmers 8'x10' Ball Mill (with 350 HP synchronous motor)
2	Krebs 10" cyclones
1	30' diameter Hi Rate Thickener
7	25' diameter by 17.5' high Leach Tanks with Philadelphia agitator mechanisms
1	Roots Blower (700 CFM)
4	Tyler 2'x4' Tyspeed Screens
1	Simplicity 3'x6' Screen
1	Simplicity 2'x6' Screen
1	Custom Equipment model 12E Vertical Shaft Surface
1	Custom Equipment Electrolytic Cell
1	Electric Eluate Heater, 50 kw, Chromalox Type
1	Electrical Eluate Heater, 20 kw, Chromalox Type
2	3'9" diameter x 16' high Carbon Stripping Columns
1	5' diameter by 16' high Carbon Stripping Column
1	Barren Electrolyte Holding Tank (9'6" diam.x 10')
1	Eductor Water Tank
1	Carbon Holding/Acid Wash Tank
1	McEnglevan model T 80 propane fired Crucible Furnace
1	J.M. Ore Dressing Wabi type Bullion Furnace

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A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

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RANDY L. PARCEL

December 18, 1987

DELIVERY BY MESSENGER

Mr. John L. Azlant
Echo Bay Mining Co.
370 17th Street, Suite 4050
Denver, CO 80202

Re: Congress Mine Properties

Dear John:

I am writing on behalf of Messrs. Richard L. Guyton and David DuBois, with respect to the September 28, 1987 proposal sent to Mr. Guyton from Mr. Christopher E. Harold, on Echo Bay's behalf. My understanding from my telephone discussion with you last month is that you requested that our response be sent directly to you. However, please let me know if you also would like us to send a copy to Mr. Harold.

Messrs. DuBois and Guyton propose to enter with Echo Bay into a mining lease covering their Congress Mine Properties. They would be the lessor and Echo Bay would be the lessee. The lease would include the following terms:

1. Minimum Advance Royalties. We believe that annual royalties should be kept low in the first two years of the lease, while Echo Bay is evaluating the properties, but that they should increase over the next several years in order to encourage development and mining on the properties. If Echo Bay holds the properties beyond two years, it should be conducting mining operations or be preparing to do so, in which event the higher advance minimum royalties will cost it nothing (other than the time value of the money), since it will recoup them from production royalties. Accordingly, Messrs. DuBois and Guyton believe that the following represents a reasonable advance minimum royalty schedule:

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Mr. John L. Azlant

December 18, 1987

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Upon signing	\$ 75,000
First anniversary date	\$ 75,000
Second anniversary date	\$100,000
Third and subsequent anniversary dates	\$150,000

All advance minimum royalties would be credited against 75% of production royalties pursuant to paragraph 2 below until fully recouped.

2. Production Royalty. To protect Echo Bay on the downside, in the event of lower gold prices, but to afford the lessors with the opportunity to share in the leverage resulting from higher gold prices, we propose the following sliding scale production royalty:

<u>Gold Price (\$/tr. oz.)</u>	<u>NSR Rate (%)</u>
less than \$300	3.5
300-349	4.0
350-374	4.5
375-399	5.0
400-424	5.5
425-449	6.0
450-474	6.5
475-499	7.0
500-524	7.5
525-549	8.0
550-574	8.5
575-599	9.0
600-624	10.0
625-649	10.5
650-674	11.0
675-699	11.5
700 and greater	12.0

In calculating Net Smelter Returns, milling and other beneficiating costs prior to the smelting and refining phases would not be deductible.

3. Work Expenditures. Echo Bay would be obligated to expend the amounts set out below on exploration, development or mining operations on the leased properties, with no overhead charges to be included, for each anniversary year or portion thereof that the lease remains in effect. An election by Echo Bay to proceed to any lease year will obligate it to expend the required amounts. Execution of the lease will constitute Echo Bay's commitment to expend the amount specified below for year

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Mr. John L. Azlant

December 18, 1987

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one. If Echo Bay fails to expend the required amount in any lease year, it will be required to pay the lessors the difference. If Echo Bay exceeds any year's quota, the excess shall be carried forward as a credit against the next year's expenditure requirement.

Year One	\$250,000
Year Two	\$250,000
All subsequent years	\$100,000

4. Reports. On a quarterly basis, Echo Bay will furnish the lessors with a reasonably detailed summary of that quarter's activities and results, including underground and surface maps and assay and test results.

5. Lease Term. Mr. Harold's September 28, 1987 letter indicated that Echo Bay expects the current reserve base to last approximately two years. Accordingly, we believe that a primary lease term of five years is appropriate, extendable by production from the properties.

6. Obligations Upon Termination of the Lease. On termination of the lease, all data from the properties not previously furnished to the lessors pursuant to paragraph 4 above shall be provided to them, including interpretive data. However, any reliance upon or use of that data shall be at the lessors' sole risk and expense. In addition, upon termination, Echo Bay shall convey to the lessors any water rights developed on the properties and any rights-of-way providing access to the properties.

The above proposal is not intended to be an offer, the acceptance of which by Echo Bay would constitute a contract binding upon either Echo Bay or Messrs. DuBois and Guyton. Rather, this letter is intended to provide a summary of business terms that would be acceptable to Mr. DuBois and Guyton. If those terms are acceptable to Echo Bay, then we would suggest that your counsel prepare a draft of a lease containing these terms. No binding contract will exist between the parties until Echo Bay, Mr. DuBois and Mr. Guyton all have executed a full mining lease.

Although I will be out of town until the afternoon of December 31, please do not hesitate to contact directly Messrs. DuBois (208 North Shoshone, Flagstaff, AZ 86001, Phone: 602-634-5464) and Guyton (in c/o The Guardian Life Insurance

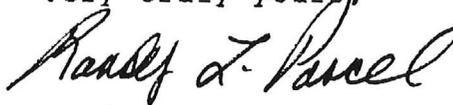
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Mr. John L. Azlant
December 18, 1987
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Company of America, 201 Park Avenue South, New York, New York 10003, Phone: 212-598-8245 until December 24, then until December 31, 3932 W. Raney Avenue, Phoenix, AZ 85019, phone: 602-841-0140) to discuss those terms. If you reach agreement on business terms, please proceed and have your company prepare a draft lease and forward that draft to them and to Mr. DuBois' Arizona counsel, Mr. Leo Crowley (510 N. Humphreys, P.O. Box 1928, Flagstaff, Arizona 86002, Phone: 602-779-3607), as well as to me.

Thank you for your consideration in this matter. Best of wishes to you for a very Merry Christmas and Happy New Year.

Very truly yours,



Randy L. Parcel

RLP/lcr

cc: Mr. David DuBois
Mr. Richard L. Guyton
Leo Crowley, Esq.
Mr. Randall J. Scott; Pincock, Allen & Holt
Mr. Andy DuBois

Copy origin sent 11-17-87

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RANDY L. PARCEL

November 2, 1987

Mr. Richard L. Guyton
c/o Guardian Life
201 Park Ave. South, 7th Floor
New York, New York 10003

Mr. David C. DuBois
208 N. Shoshone
Mountaineire
Flagstaff, Arizona 86001

Gentlemen:

This is to acknowledge receipt of retainer checks from you in the amounts of \$300 and \$2,700, respectively, in connection with our firm's work on the transaction with Echo Bay on the Congress Mine. I thought that it might be helpful if I were to confirm in this letter the discussions I have had with Mr. Guyton over the last couple of months regarding our firm's representation of you.

Our firm will bill against the \$3,000 retainer for our services on a monthly basis at our regular hourly rates. Currently, my hourly rate is \$165 and the rate of Ms. Mandell-Rice, the partner who will be working with me on this project, is \$140. I anticipate that these rates will be raised 3% to 4%, effective January 1, 1988.

We will provide to each of you each month a statement describing the services rendered during the previous month, the number of hours expended by all attorneys working on the matter, and the balance left in your retainer account. While, based upon our discussions to date, we anticipate that the \$3,000 retainer should be sufficient for our work on the project if the lease negotiations go smoothly and if no more than one or two redrafts of a lease document are necessary, the expenses could exceed the retainer by a considerable amount if negotiations become protracted and multiple lease revisions have to be prepared. We should have a fairly good feeling for how things are likely to proceed in the early stages of our representation. If it appears that the cost of our services will exceed the retainer amount, we will request that the account be replenished at that time.

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November 2, 1987
Page 2

You may at any time choose to terminate our services, in which event we will prepare a final bill for services rendered through the date of termination and forward promptly to you, in proportions of 10% to Mr. Guyton and 90% to Mr. DuBois, any balance remaining in the retainer account.

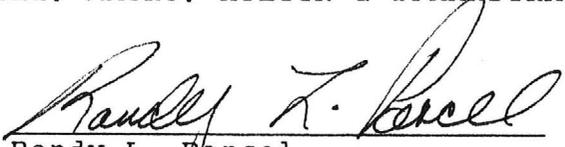
I trust that the above is satisfactory to you. If so, I would appreciate your so indicating by signing each of your enclosed copies of the letter to me in the enclosed stamped, self-addressed envelope.

This looks to be a very interesting project, and we very much appreciate the opportunity to serve you.

Very truly yours,

PARCEL, MAURO, HULTIN & SPAANSTRA

By:


Randy L. Parcel

RLP/lcr

APPROVED:

Richard L. Guyton

Date

David C. DuBois

Date

PARCEL, MAURO, HULTIN & SPAANSTRA

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

SUITE 3600

1801 CALIFORNIA STREET

DENVER, COLORADO 80202

TELEPHONE (303) 292-6400

TELECOPIER (303) 295-3040

RANDY L. PARCEL

December 16, 1987

TRANSMITTAL BY TELECOPIER: 212-677-1008

Mr. Richard L. Guyton
c/o The Guardian Life Insurance Company
201 Park Avenue South
New York, New York 10003

Dear Dick:

This letter is written pursuant to your request that I provide you with my comments regarding the lease terms suggested by Randy Scott of Pincock, Allen & Holt, Inc., in his December 10, 1987 letter to you. As an overview, let me say that I agree almost across the board with Randy's suggestions, so I offer here just a few additional thoughts.

First, I recommend being flexible on the advance minimum royalties, particularly in the first two years. If you and Mr. DuBois are going to make any serious money from the properties in the long run, it will be by getting those lands adequately explored, developed and into production. Thus, if in your shoes, I would be prepared to drop the first two payments down to \$50,000 each, if that seemed necessary to close the deal with Echo Bay.

Second, the sliding scale royalty described in paragraph 2 of Randy's letter strikes me as a bit high, particularly (as noted by Randy) at the lower gold prices. If you are going to more aggressive on the upside end of gold prices, you probably should be willing to be somewhat more flexible on the low end of the scale. Specifically, I suggest being ready to drop a percentage point at prices below \$400 per ounce. In addition, if it seems necessary to persuade Echo Bay to go along with the sliding scale approach, I suggest that you be prepared to offer some inflation protection on the gold price side of the ledger, perhaps starting in five years. This could be offered in exchange for some inflation protection for you on the Advance Minimum Royalties described in paragraph 1 of Randy's letter.

PARCEL, MAURO, HULTIN & SPAANSTRA

Mr. Richard L. Guyton
December 16, 1987
Page 2

Third, with respect to the work commitment levels described in paragraph 3 of Randy's letter, the full lease should make it clear that these requirements are met only by direct work on the properties; i.e., no allocation of Echo Bay's overhead should be permitted to meet these dollar requirements.

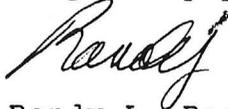
Fourth, concerning the comment in paragraph 5 of Randy's letter, I suggest that, at least initially, you attempt to hold and require Echo Bay to expend the full initial \$250,000 on the properties before being allowed to drop the lease and, if it fails to do so, requiring it to pay the difference to you and Mr. DuBois. If this seems to be a real sticking point, then perhaps you could back off to requiring Echo Bay to expend at least \$125,000 of the \$250,000 and, if it fails to do so, to pay you the difference between what it spent and \$125,000.

Finally, from a logistical perspective and to save you and David money on legal expenses, I suggest that, if you come to a meeting of the minds with Echo Bay on the business points, you suggest that it have its attorneys prepare the first draft of the lease. Ordinarily, I recommend just the opposite, particularly if the other side is not represented by experienced mining counsel, but in Echo Bay's case I know their attorneys are experienced, so the first draft should be fairly reasonable.

Please give me a call after you have had a chance to review the above. By copy of this letter, I am asking Randy Scott to do the same.

Best personal regards.

Very truly yours,



Randy L. Parcel

RLP/lcr

cc: Mr. Randall J. Scott (via telecopier: 987-8907)

PARCEL, MAURO, HULTIN & SPAANSTRA

A PARTNERSHIP INCLUDING A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

SUITE 3600

1801 CALIFORNIA STREET

DENVER, COLORADO 80202

TELEPHONE (303) 292-6400

TELECOPIER (303) 295-3040

December 18, 1987

Richard L. Guyton
c/o Guardian Life
201 Park Avenue South, 7th Floor
New York, New York 10003

Invoice 93946

STATEMENT

For services rendered through the month of November, 1987, in connection with Lease with Echo Bay on Congress Mine, including:

<u>Date</u>	<u>Description Of Services</u>
11/02/87	Conference call with Mr. Guyton re terms to be included in transaction with Echo Bay; telephone conference with Mr. Antzlan of Echo Bay; review Mr. DuBois' report; and telephone conference with Mr. Guyton re project.
11/04/87	Meeting with Messrs. Scott and Bohnet of Pincock, Allen & Holt, to discuss leasing strategies and deal terms.
11/06/87	Telephone conference with Mr. Guyton re meeting with Mr. Scott.
11/23/87	Telephone conference with Mr. Riddle re Echo Bay's drilling.
Matter Total:	\$760.00
Current Amount Due:	\$760.00
Amount in Trust Account:	\$3,000.00
Balance Remaining in Trust Account:	\$2,240.00

cc: Mr. David DuBois ✓

CONGRESS A

K 105 a

COMPLETE AND MAIL TO:

STATE MINE INSPECTOR
1624 WEST ADAMS, ROOM 200
PHOENIX, ARIZONA 85007-2606

NOV 1 5 1987

OFFICE USE ONLY
START-UP NUMBER 74435232
STATE NUMBER 10157300
MSHA NUMBER _____

Angel

NOTICE TO ARIZONA STATE MINE INSPECTOR

In compliance with the Arizona Revised Statute Section 27-303, we are submitting this written notice to the Arizona State Mine Inspector of our intent to start _____ stop _____ move _____ (Please check one) a mining operation.

If this is a move, please show test location: _____

If you have not operated a mine previously in Arizona, please check here: _____ If you want the Education and Training Division to assist with your mine safety training, please check here: _____

If this operation will use Cyanide for leaching, please check here: _____

COMPANY NAME: Echo Bay Exploration

DIVISION: Exploration

MINE OR PLANT NAME: Congress TELEPHONE: 427 3633

CHIEF OFFICER: Bob Purcell Project Superintendent

COMPANY ADDRESS: P.O. Box 361

CITY: CONGRESS STATE: AZ ZIP CODE: 85332

MINE OR PLANT LOCATION: (Include county and nearest town, as well as directions for locating property by vehicle: Off Ghost Town Road,

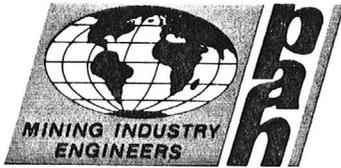
Congress Yavapai County Az.

TYPE OF OPERATION: Underground PRINCIPAL PRODUCT: Gold, Silica

STARTING DATE: Nov 9 ¹⁹⁸⁷ ~~1988~~ CLOSING DATE: ? DURATION: ?

PERSON COMPLETING NOTICE: Nigel Bain TITLE: Project Engineer

DATE NOTICE MAILED TO STATE MINE INSPECTOR: Nov 9 ¹⁹⁸⁷ ~~1988~~



Pincock, Allen & Holt, Inc.

A Member of the Matthew Hall Group

12345 W. ALAMEDA PKWY. • SUITE 112 • LAKEWOOD, CO 80228

Telephone (303) 986-6950 • Telex 66-6457 (KAYPIN)

December 8, 1987

Mr. Dave DuBois
208 North Shoshone
Flagstaff, Arizona 86001

Dear Dave:

Enclosed is a map of your Congress Mine property on which I have sketched some of the information that Echo Bay provided us during our visit on December 2, 1987. Shown on the map are the decline ramp that we walked down, the vein intersection and ventilation borehole that we observed on the level approximately 300 feet vertically below the surface and the test stope above the lowest level, which is approximately 450 feet below the surface. The location of these openings, as shown on the map, are not precise because they are based only on the glances that we captured of Echo Bay's plans in their office, but the map does serve to show the areas of their interest in relationship to your claims.

According to Echo Bay's project superintendent, Bob Purcell, the test stope was purposely spotted in a high grade section of the larger ore zone in order to verify information derived from exploration drilling. It produced about 7,000 tons of ore averaging 0.6 ounces Au per ton and confirmed the exploration drill results. A second test stope will be mined in average grade (\pm 0.3 oz. Au/ton) ore when the footwall drift reaches its objective. The 45 degree dip of the vein confirms that the workings are on the Niagra Vein and not on the much flatter dipping Congress Vein.

Bob Purcell stated to us that their presently defined geological reserves are approximately 500,000 tons at 0.29 oz Au and 0.50 oz Ag per ton, and that the vein runs from two feet to six feet in width. They intend to use a shrinkage stoping mining system combined with slushers to extract the ore, and the test stopes are giving them a good idea on what the mining costs and productivities will be. For the feasibility study currently being prepared, they plan on a 300 ton per day production rate, and their maps showed operations commencing during 1988 and lasting through 1993. As you remember, Bob also stated that the feasibility study is considering two options, one for mining only high silica ore for shipment direct to a smelter and the second

Mr. Dave DuBois
December 10, 1987
Page Two

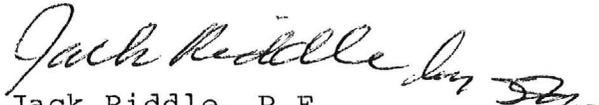
one for on-site concentration of the ore. Echo Bay is using a gold price of \$470 per ounce for these studies.

I have not shown on the map the "New Strike" surface area where we took our samples in and around the inclined shaft because I have not been able to determine for certain, the location of the U.S. Mineral Survey monument #4783 that lies approximately 150 feet to the east of the incline. It does appear; however, that the monument is at a common corner of the "Queen of the Hills" and the "Congress" claims, probably at their west boundary. I dropped one of our samples off for assaying at the Jacobs Assay Office in Tucson, but do not have any results as yet. I will phone you the results when they come in.

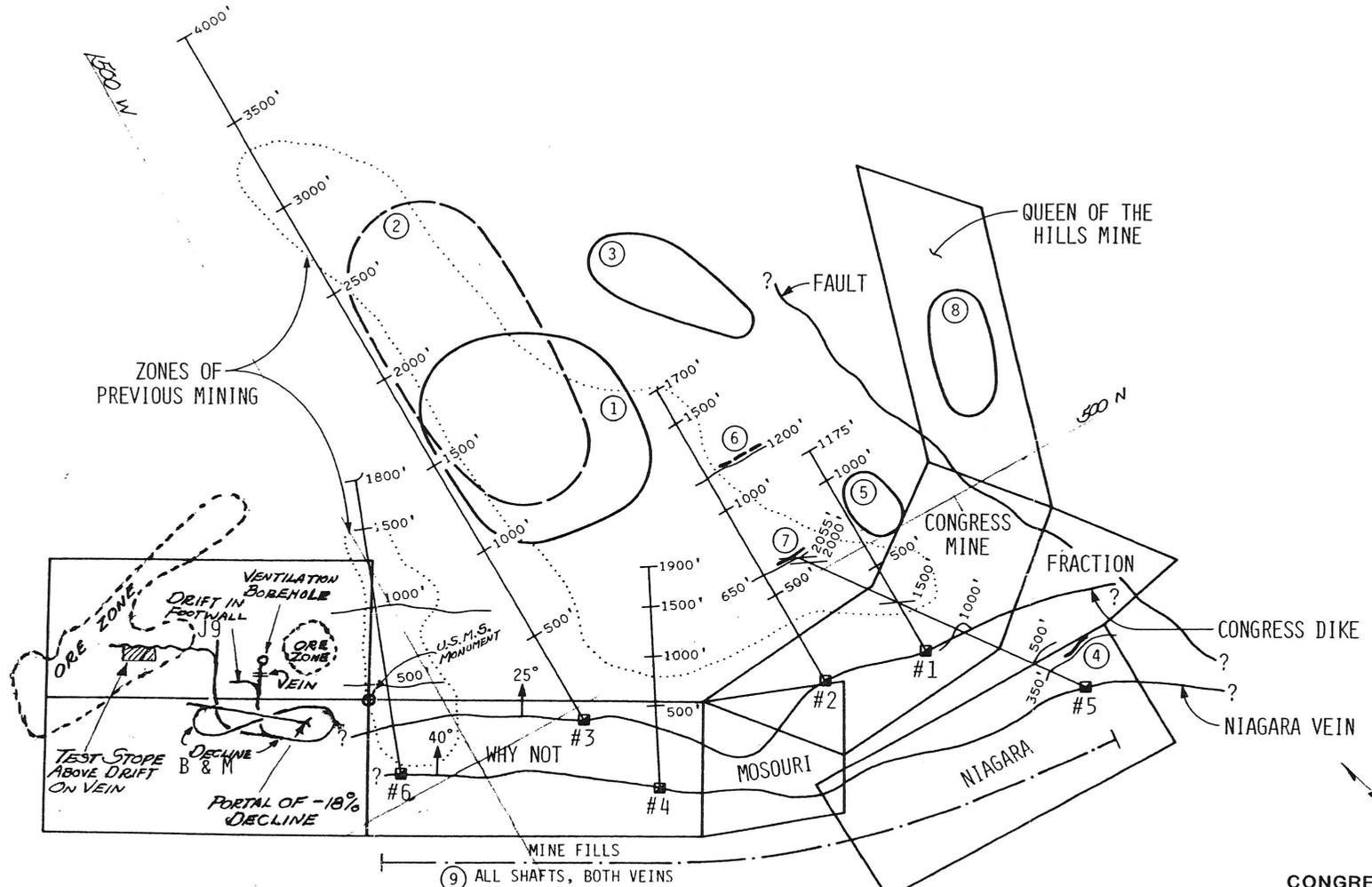
It was a pleasure visiting your mining property again and I enjoyed discussing it with you and Andy.

Sincerely,

PINCOCK, ALLEN & HOLT, INC.


Jack Riddle, P.E.
Senior Mining Engineer

JR/dlp
Enclosure



CONGRESS MINE
 Areas of Major Interest
 586.02
 REVISED DEC 8, 1987

INCLINED SHAFT
 SCALE 0 250 500 1000 FEET
 (1" = 500')



Pincock, Allen & Holt, Inc.

A Member of the Matthew Hall Group

12345 W. ALAMEDA PKWY. • SUITE 112 • LAKEWOOD, CO 80228

Telephone (303) 986-6950 • Telex 66-6457 (KAYPIN)

December 10, 1987

Richard L. Guyton
The Guardian Life
Insurance Company of America
201 Park Avenue South
New York, NY 10003

Dear Dick:

The purpose of this letter is to address the items we have discussed over the last few weeks regarding your lease agreement with Echo Bay. We have reviewed our files for terms of other agreements and we have made an effort to understand the possible value of your property to Echo Bay. Based on this information the following items put forth our recommendations and comments to assist you during negotiations.

1. Advance Minimum Royalty

PAH recommends the following structure for the advance minimum royalty.

First Year	\$ 75,000
Second Year	75,000
Third Year	100,000
Fourth Year	150,000
Fifth Year	150,000
Subsequent Years	150,000

2. Net Smelter Royalty Rate

PAH recommends a sliding scale based on the gold price. The following rates are suggested as reasonable but may need to be negotiated a bit lower particularly at the lower gold prices.

<u>Gold Price (\$/tr.oz.)</u>	<u>NSR Rate (%)</u>
less than \$350	4.0
350-374	5.5
375-399	5.0

PINCOCK, ALLEN & HOLT, INC.

Richard L. Guyton
December 10, 1987
Page Two

400-424	5.5
425-449	6.0
450-474	6.5
475-499	7.0
500-524	7.5
525-549	8.0
550-574	8.5
575-599	9.0
600 and greater 624	10.0
625-649	10.5
650-674	11.0
	11.5
	12.0

3. Work Commitment

The work commitment is based on industry standards and a quick estimate by PAH of additional exploration which might be required to verify the existence of sufficient current and additional reserves.

First Year	\$250,000
Second Year	250,000
All Subsequent Years	100,000

A carryover provision should be incorporated for any work done in excess of the yearly requirement.

4. Stop Out Time

This requirement does not seem necessary providing the conditions for the advance minimum royalty and the work commitment are met.

5. The lessee should be obligated to perform a certain minimum amount of work prior to dropping the lease. This may be a requirement for the first year or some other reasonable amount.

6. If the lessee terminates the agreement then all data acquired during exploration should be conveyed to the owners.

Richard L. Guyton
December 10, 1987
Page Three

7. If the leasee terminates the owner should get back all original property rights and right-of-way for access to the property.

8. The lessor should have the right to examine and obtain information collected during the exploration, development and operation of the property.

9. Application of a higher royalty rate for unproven or high grade deposits is not recommended. The other royalty terms are reasonable and substantially higher rates might discourage the lessee from actively exploring for additional ore.

For your information PAH developed a very rough financial model of how the property might be developed by Echo Bay. A summary of that analysis is attached showing the estimated royalty and Echo Bay's cashflow from the property at various gold prices. We have assumed Echo Bay would mine 500 tpd from their existing property and 200 tpd from your property. This information is meant to convey a feeling for the economics, but I must warn you that we have made numerous assumptions which may not reflect the future development of the property. The attached information provides the details of the analysis.

Sincerely,

PINCOCK, ALLEN & HOLT, INC.

Randall J. Scott
Vice President

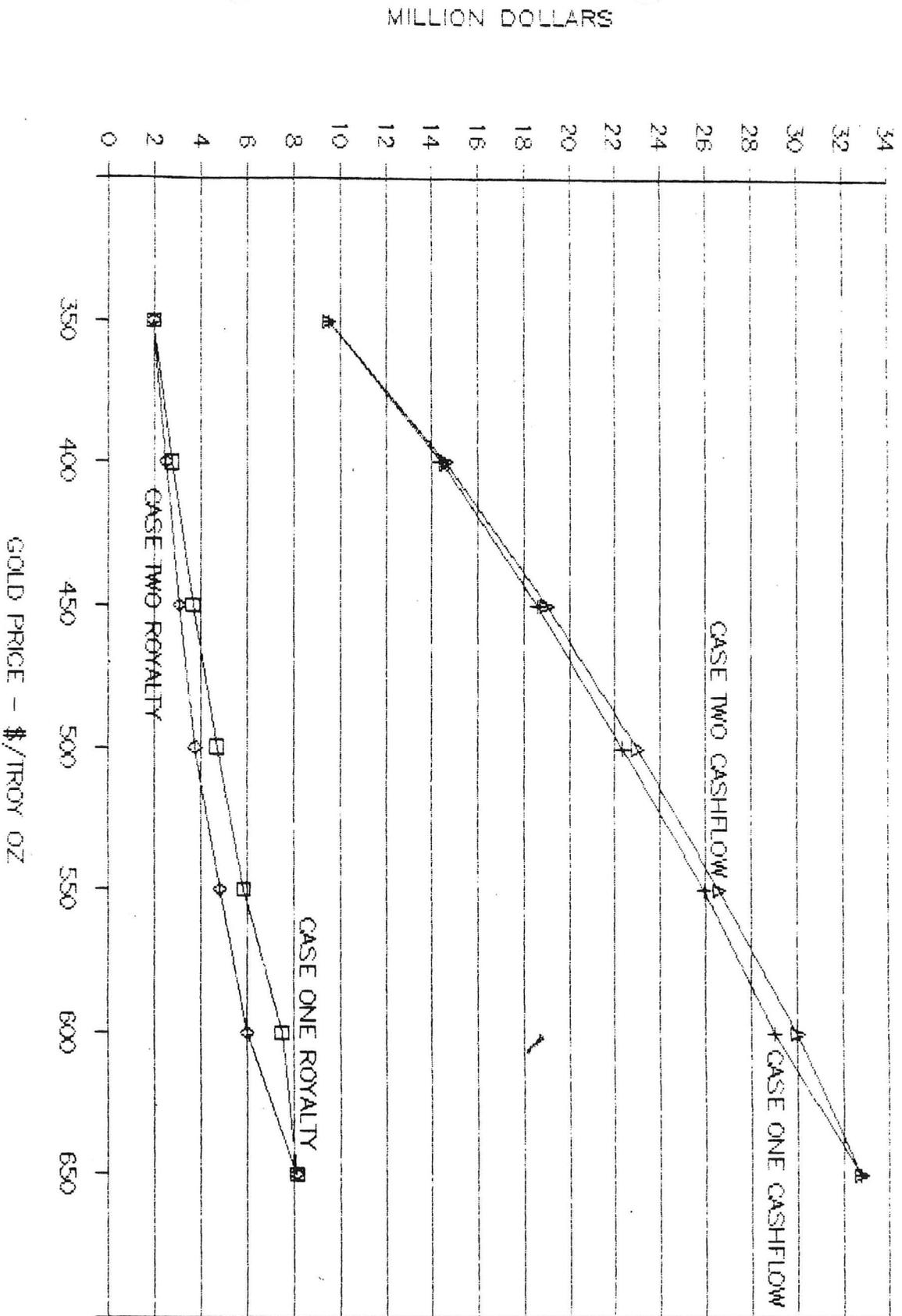
RJS.k.r

cc: D. Dubois
R. Parcel
L. Crowley

PINCOCK, ALLEN & HOLT, INC.

CONGRESS MINE - ROYALTIES VS CASH FLOW

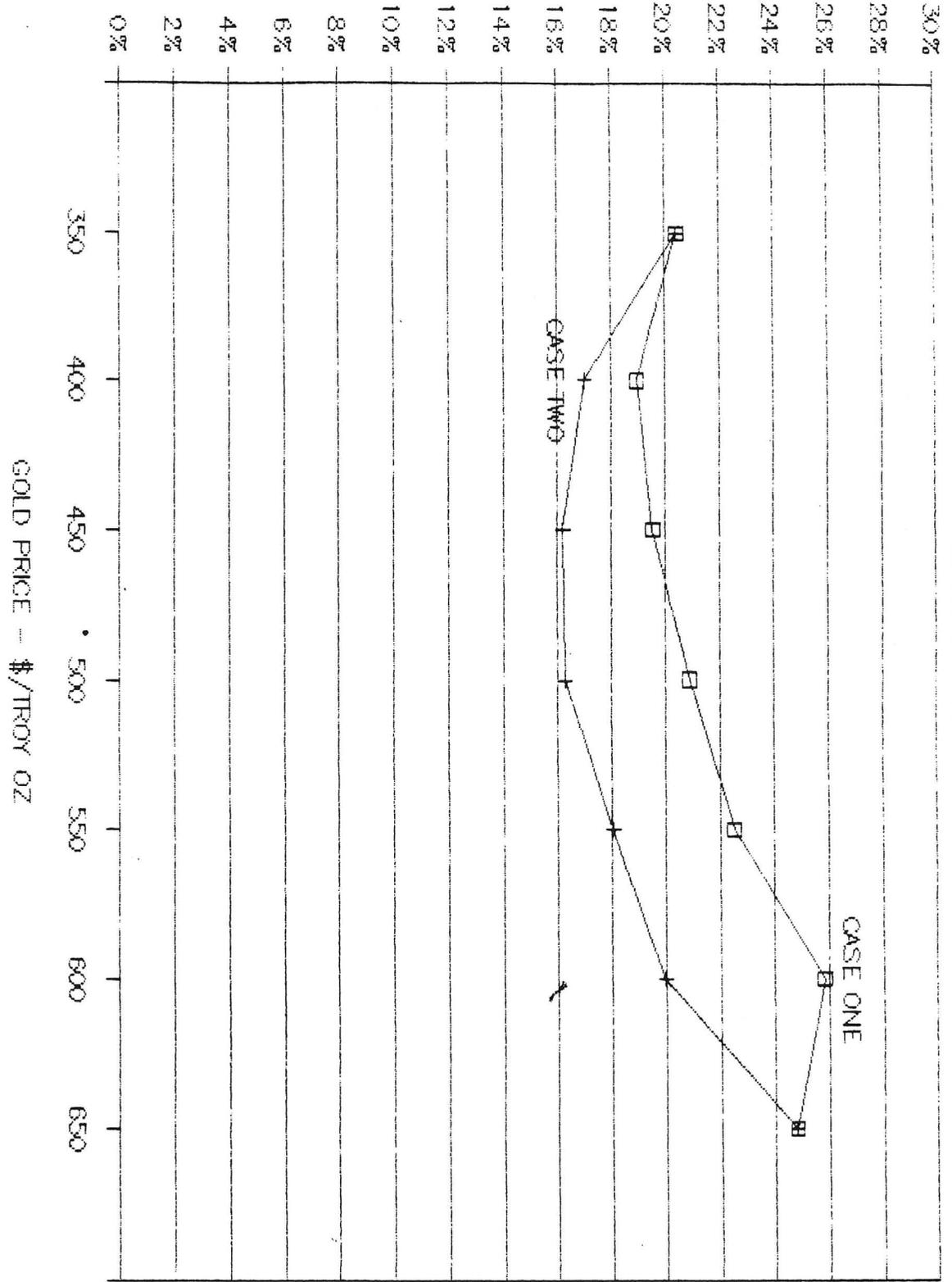
YEARS 1 - 10



CONGRESS MINE - ROYALTIES

YEARS 1 - 10

ROYALTIES - PCT OF CASH FLOW



CASE ONE

GOLD PRICE	TOTAL ROYALTIES	TOT CASHFLOW (YEAR 1-10)	ROYALTY/ CASHFLOW
350	1949064	9522522	20.5%
400	2731498	14399963	19.0%
450	3640954	18618810	19.6%
500	4677431	22362831	20.9%
550	5840930	25917497	22.5%
600	7506790	29039056	25.9%
650	8141898	32807328	24.8%

CASE TWO

TOTAL ROYALTIES	TOT CASHFLOW (YEAR 1-10)	ROYALTY/ CASHFLOW
1949064	9522522	20.5%
2483180	14612200	17.0%
3080807	19020766	16.2%
3741945	23013137	16.3%
4810178	26611338	18.1%
6005432	30039592	20.0%
8141898	32807328	24.8%

ROYALTY SCHEDULE

GOLD PRICE	NSR ROYALTY
<350	0.040
<375	0.045
<400	0.050
<425	0.055
<450	0.060
<475	0.065
<500	0.070
<525	0.075
<550	0.080
<575	0.085
<600	0.090
=>600	0.100

ROYALTY SCHEDULE

GOLD PRICE	NSR ROYALTY
<350	0.040
<400	0.045
<450	0.050
<500	0.055
<550	0.060
<600	0.070
<650	0.080
=>650	0.100

Christopher E. Herald
Suite 415
820 Sixteenth Avenue
Denver, CO 80202
(303) 534-2110

September 28, 1987

Mr. Richard Guyton
Guardian Life
201 Park Avenue South
7th Floor
New York, NY 10003

Dear Mr. Guyton:

Please accept my apologies for not writing to you sooner, but I have been busy working on several other properties. Regarding the Congress lease, I have given your suggested royalty schedule serious thought and realize both parties are as far apart today as we were three years ago. Echo Bay simply cannot economically justify the substantial risk they would be accepting in leasing your property, without the opportunity for substantial reward. The royalty schedule you quoted me over the phone simply takes Echo Bay's reward incentive away.

I have come up with a proposal that is a compromise between the high front-end payments you were asking for several years ago and the high royalty payments you now seek. Please consider the following:

Advanced Royalty Payments:

On Signing	\$50,000
All Subsequent Annual Anniversaries	\$50,000

Net Smelter Royalty: 5% (fixed)

<u>Work Commitment:</u>	Year 1	\$250,000
	Year 2	\$250,000
	All Subsequent Years	\$100,000

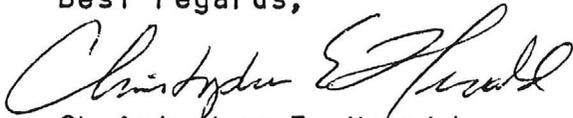
The work program in Years 1 and 2 will consist mainly of exploration drilling to establish reserves. Subsequent exploration work will probably be underground exploration/development. In all probability Echo Bay will elect to accelerate their expenditures because their current reserve base will last about two years. They will move their operation to another property when their reserves are exhausted, unless they discover new reserves on the DuBois property.

Mr. Richard Guyton
September 28, 1987
page two

This offer is not only fair, but generous. Echo Bay is recognized in the industry as a company that deals fairly with claim owners and smaller mining companies, as I'm sure you and your consultants are aware.

It is in both Echo Bay's and your best interest to get an agreement on the Congress property so that it doesn't lie idle for another 70 years.

Best regards,



Christopher E. Herald

cc: David DuBois
Leo Crowley
Steve Milne
Randy Parcel

Head Office:
Building D
184 Turner Drive
Durango, CO 81301
Phone (303) 259-1091
Telecopy (303) 259-5450
Telex 271741

CONGRESS (A)
AL
SUNNYSIDE GOLD CORPORATION
AN ECHO BAY COMPANY

K. *[initials]* or
74341175
Silverton Office:
P.O. Box 177
Silverton, CO 81433
Phone (303) 387-5533
Telecopy (303) 387-5310

Famm

September 10, 1987

Mr. Jim Mott
State Mine Inspector's Office
1624 West Adams Street
Phoenix, Arizona 85007

Dear Mr. Mott:

This letter will serve to notify your office of Echo Bay's intent to establish a field office at Congress, Arizona beginning in September, 1987. Our work for the remainder of 1987 will include mapping, sampling, and inspection of active underground workings in conjunction with work being performed by the contractor, Miner's (Western), Inc.

We will continue to keep your office informed as our ultimate mining plans for this property are formulated.

Yours truly,

Allan Young

Allan Young
Project Manager

AY/dlk



Pincock, Allen & Holt, Inc.

A Member of the Matthew Hall Group

12345 W. ALAMEDA PKWY. • SUITE 112 • LAKEWOOD, CO 80228

Telephone (303) 986-6950 • Telex 66-6457 (KAYPIN)

March 11, 1987

Mr. David Dubois
208 North Shoshone
Flagstaff, AZ 86001

Dear Mr. Dubois:

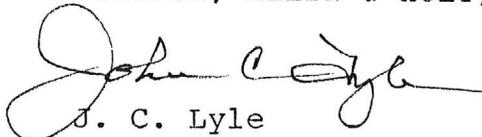
Please find enclosed a summary of our invoices for professional services rendered on the Congress Property (Ref. PAH No. 586.00).

We would appreciate settlement of these invoices as soon as possible to avoid any collection expense that may become necessary on our part.

If you have any questions or would like to discuss this further, please let me know.

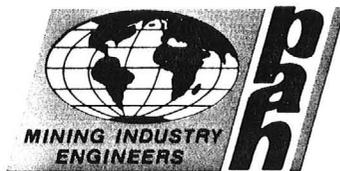
Yours very truly,

PINCOCK, ALLEN & HOLT, INC.


J. C. Lyle
Controller

JCL/sh

Enclosure



Pincock, Allen & Holt, Inc.

A Member of the Matthew Hall Group

Please mail payments to
12345 W. Alameda Pkwy., Suite 112
Lakewood, CO 80228

INVOICE

Date: **March 11, 1987**

David Dubois
208 N. Shoshone
Flagstaff, AZ 86001

Terms: Net Cash on Receipt of Invoice

Invoice No.

STATEMENT OF ACCOUNT

<u>Date</u>	<u>Inv. No.</u>	<u>Job No.</u>	<u>Amount Invoiced</u>	<u>Amount Paid</u>	<u>Amount Due</u>
1/31/86	7017	586.00	\$1,053.41	< 75.00 >	\$ 978.41
2/28/86	7232	586.00	540.00	-0-	540.00
3/31/86	7430	586.00	240.13	-0-	240.13
5/31/86	7807	586.00	821.00	-0-	821.00
9/86	7017	586.00		<100.00 >	<100.00 >
		TOTAL AMOUNT DUE			\$ 2,479.54 =====

A late charge will be made for all accounts past due at 1½% per month, annual rate of 18%.

David C. DuBois
208 N. Shoshone
Flagstaff, Ariz. 86001

March 27, 1987

Mr. Dick Guyton
68 Sawmill Dr.
Berkley Heights, New Jersey 07922

Dear Dick:

I am putting down in writing what I consider to be our minimum requirements and terms for the Congress mine. The first concerns cash or down-payments.

1. \$ 75,000 for every stage of development (ie: exploration & development) until Eco Bay goes into production on the Congress.

I know you feel this is not stiff enough and that we should ask for more, however since talking to Eco Bay last November they made a point that they were not willing to put a larger sum of money up front, as they have said in the past, not having a guaranteed return. I feel that we, the owners, must be sensitive to the wants and needs of Eco Bay or else we will blow our selves out of the water with no contract and no development of the Congress mine. I also believe that we do not hold all the cards in this deal. So this is the reason I feel we must be somewhat pliable.

2. You asked me to put a definite value on the Congress and my answer again is that at this time I can not place a total value on an unknown. This is the same way that Eco Bay looks at the Congress. The history and the reports that we have point to a good likely-hood that there is a substantial quantity of ore left, but this is not always the case. As Eco Bay has said "there is no guarantee as to the quantity or quality until they drill and locate the ore bodies. Thus their reasoning for not increasing the cash up front. I feel our case is better than most mine owners but that we will have to back off our band-wagon to some degree until we have more proof that the gold is sufficient to mine profitably.

3. The next major point is that mine owners are subject to a second approval by the developers at different stages of development. This means that no matter how much evidence we have showing what we believe to be in the Congress, if their core-drilling does not substantiate our ascertainments they have the right to withdraw at any time. In conclusion, they are taking the biggest risk and are entitled to the biggest profits if the property works out.

4. The last item I have for now concerns Net Smelter Royalties. Eco Bay is asking for a sliding scale to be placed on the percentage of royalties paid determined by the current market value. I have no objections to this. The base would start at \$400.00 per ounce equaling 5%. This would raise and lower on a fractional scale with the gold market, ie: \$500.00 = 6%, \$300.00 = 4%, \$425.00 = 5.25%, but for this to work, and to provide some stability, they do not recognize a price change, up or down, for a period of 60 days. I have added to this a provision that if an ore body is found, on the Congress, containing 50,000 tons or more with an average of .45 or better, and that it is profitable to mine, regardless of the price of gold it would yield a minimum of 8%. Also the developers may not take from outside that body of ore a lower grade and thus lower the overall average.

In Conclusion, I think we as owners can get more out of Eco Bay by hitting them in areas where they are more likely to give some latitude.

(cont.)

This would include the area of Net Smelter Royalties vs. Cash up front. They would like to defer their expenses on the mine with the mine, instead of cash out of the pocket. also the value in the Congress can best be served by constructing a contract that covers the down-side risks, however I feel it is of equal importance to cover your upper limits and risks as well. In the end the value of the Congress will show-up.

Finally, be aware of Eco Bays wants and needs and when you understand this point you are assuring a successful deal. Each side has to feel that they made out ok in order for the deal to be successful!

I feel that if the owners can come to an agreement on the cash-up front and the Net Smelter Royalties we would be very close to having a deal.

IF you wish to discuss any of this please feel free to talk with me! Also you will find enclosed a copy of the agreement, hoping everything will be clear.

Yours truly;

David C. DuBois

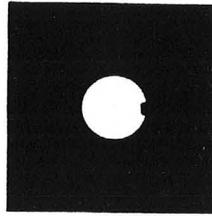
A handwritten signature in cursive script that reads "David C. DuBois". The signature is written in dark ink and is positioned below the typed name.

oad/D.C.D.

CONGR (D)

84376302
10198-
Hamm
84455303
10198600
Angel
New

**COWIN & COMPANY, INC.
MINING ENGINEERS
AND CONTRACTORS**



301 INDUSTRIAL DRIVE
POST OFFICE BOX 19009
BIRMINGHAM, AL 35219-9009
PHONE (205) 945-1300
TELEX 59-844

November 18, 1988

Raisebor

STATE MINE INSPECTOR

NOV 21 1988

Mr. James Matt
Chief Deputy Mine Inspector
Arizona Office State Mine Inspectors
1616 W. Adams, Suite 411
Phoenix, Arizona 85007-2627

Dear Sir:

Raisebor, a Division of Cowin and Company, will raise drill two (2) shafts in Arizona during the month of December 1988.

As per our telephone conversation of November 17, 1988, this letter will serve as the official notification of our intent.

Plans are in place to begin a shaft at Energy Fuel's Fredonia Operation in mid-December. This shaft will be 4 feet in diameter and will be approximately 1100 feet deep. 84376302 Hamm

A second shaft will be raise drilled at the Echo Bay Con-
gress Operation. This shaft will be 10 feet in diameter and 500 feet deep. 84455303 Angel

If further information is needed, please contact this office.

Yours very truly,

COWIN AND COMPANY, INC.

Richard L. Cates
Richard L. Cates
Director of Safety

RLC:mw

CONGRESS (F)

94358223 K O

ID 141181

Dave

OROCON INC.

1458 MAIN STREET, NORTH VANCOUVER, B.C., CANADA V7J 1C8

TEL: (604) 980-7595 FAX: (604) 980-0572

State Mine Inspectors Office
1616 West Adams Street
Suite 411
Phoenix, Arizona
85007

October 10, 1989

STATE MINE INSPECTOR

OCT 11 1989

Att: Jim Matt

Dear Jim,

This letter is to inform you that OROCON INC. has contracted to provide a turnkey milling facility for MALARTIC HYGRADE US INC.

The mill will be installed at the CONGRESS mine site on Ghosttown Road Congress, Arizona, 85332.

The construction superintendent is HARVEY MILLER who can be contacted at either of the following numbers.

OFFICE 602-427-3633

HOME: 602-427-3879

We look forward to hearing from your representative in the Congress area.

Yours truly

OROCON INC.



G.C. Dickson

General Manager

COMPLETE AND MAIL TO
STATE MINE INSPECTOR
1624 WEST ADAMS, ROOM 208
PHOENIX, ARIZONA 85007-2606

CONGRESS (A)
STATE MINE INSPECTION
JUL 12 1989

FOR OFFICE USE ONLY
SET-UP NUMBER 94339171
STATE NUMBER 140010
MSHA NUMBER HAM14

NOTICE TO ARIZONA STATE MINE INSPECTOR

In compliance with the Arizona Revised Statute Section 27-303, we are submitting this written notice to the Arizona State Mine Inspector of our intent to start stop move
(Please check one) a mining operation.

If this is a move, please show last location: _____
If you have not operated a mine previously in Arizona, please check here: If you want the Education and Training Division to assist with your mine safety training, please check here:
If this operation will use Cyanide for leaching, please check here:

COMPANY NAME: MALACTIC HYGRADE U.S. INC.

DIVISION: CONGRESS MINE

MINE OR PLANT NAME: CONGRESS TELEPHONE: 602-427-3393

CHIEF OFFICER: MARC C. HENDERSON PRESIDENT

COMPANY ADDRESS: 1 DUHDIAS STREET WEST, SUITE 2402

CITY: TORONTO STATE: CANADA ZIP CODE: M5G-1Z3

MINE OR PLANT LOCATION: (Include county and nearest town, as well as directions for locating property by vehicle: _____

P.O. Box 361, CONGRESS AZ. 85332

TYPE OF OPERATION: U.G. PRINCIPAL PRODUCT: GOLD

STARTING DATE: 1-4-88 CLOSING DATE: _____ DURATION: _____

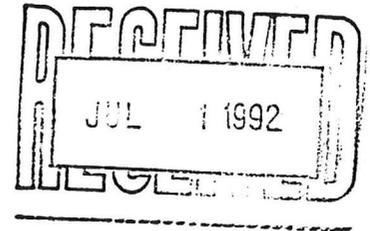
PERSON COMPLETING NOTICE: R. STOUTENON JR TITLE: MINE MANAGER

DATE NOTICE MAILED TO STATE MINE INSPECTOR: July 12/89

DAVID F. MYRICK
BOX 5237
SANTA BARBARA, CALIFORNIA 93150

Mr. Nyal J. Niemuth
Arizona Mining and Mineral Museum
1502 West Washington Street
Phoenix, Arizona 85332

June 29, 1992



Dear Mr. Niemuth:

Thank you very much for the xeroxes of the Congress photographs; the panorama is spectacular and I think it would be useful in checking the location of the upper part of the railroad. If it could be made in two sections, with a slight overlap, that would be helpful. I shall send you a check in advance when you advise me of the cost.

Our telephone discussion about the Congress mine was most interesting and I appreciate having your observations. As I told you, I have a copy of a Sanborn map for 1901 which I am enclosing for your information. Thinking that it might be of interest to you, I am also enclosing a copy of a print showing the two Congress locomotives on a switchback. The trestle connecting the two mine dumps may be the same one shown in the right-hand part of the panorama.

We talked about the transportation of ore from the mine to the mill. In *Mining World* of February 27, 1909, (Vol. 30, pgs. 387-88), there is an article about the Congress operation. In part, it says that ore was dumped in mine cars, then into a 2-1/2-ton skip, pulled up and then dumped over a grizzly and falling into a 200-ton ore bin. From there, it was hauled by standard-gauge railway cars to the mill.

May I ask for your further assistance: the next time you are chatting with Matt Christian at Congress: could you ask him if any additional maps have turned up which would show the upper railroad? I asked him once and am hesitant to go back again so soon.

Sincerely,

David F. Myrick

encl.

CONGRESS

MS K C

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

ROSE MOFFORD, GOVERNOR
RANDOLPH WOOD, DIRECTOR

File

NOTICE OF INTENT TO ISSUE AN AQUIFER PROTECTION PERMIT(S)

Pursuant to Arizona Administrative Code, Title 18, Chapter 9, Article 1, the Director of the Arizona Department of Environmental Quality intends to issue an Aquifer Protection Permit(s) to the following applicant(s), subject to certain special and general conditions.

Public Notice No. 6-90AZAP
Congress Mine
Malartic Hygrade U.S., Inc.
Ghost Town Road
P. O. Box 361
Congress, Arizona 85332
Aquifer Protection Permit No. P-101414

On or about
January 26, 1990

The facility is located in the southeastern part of Yavapai County in central Arizona, at an elevation of 3,400 feet above sea level.

The applicant, Malartic Hygrade U.S., Inc., has proposed to operate a hydrometallurgical precious metal recovery facility utilizing a non-discharging closed circuit cyanide heap leaching method.

The mine does not extend to a known main water producing aquifer. Any water produced is recycled underground. There is no evidence of water in the drilled holes within 750 feet of disposal area. The nearest drinking water supply well is located approximately 4 miles south of the impoundment area; the well is 1,004 feet deep. The tailings shall be permanently stored in a zero discharge impoundment area. The tailings pond will be lined with a double synthetic liner and the leak detection system shall be installed between them. The latter shall be monitored daily for the presence of any leakage and preventive action shall be taken immediately if cyanide should be detected. All water containment and diversion structures shall be designed, constructed and maintained to control waters from no less than a 100-year, 24-hour precipitation event.

The permit and related material are available for public review Monday through Friday, 8:00 a.m. to 5:00 p.m. at Arizona Department of Environmental Quality, Water Permits Unit, 2005 North Central Avenue, Phoenix, Arizona 85004.

Persons may submit comments or request a public hearing on the proposed action, in writing, to ADEQ at the above address within thirty (30) days from the date of this notice. Public hearing request must include the reason for such request.

The Department of Environmental Quality is An Equal Opportunity Affirmative Action Employer.

REPUBLIC GOLDFIELDS INC.

We are in the process of updating our general mailing list. Individuals on our mailing list receive an Annual Report and three interim reports throughout the year. Please indicate by checking the appropriate box, whether or not you wish to continue to receive these reports, and return this card to Republic. **IF WE DO NOT RECEIVE YOUR RETURNED CARD BY JULY 15, 1996, WE WILL ASSUME YOU NO LONGER WISH TO BE ON OUR MAILING LIST.** (NOTE: Even if you have just recently requested that your name be added to our mailing list, please return this card.)

Printed below is your name and address as they now appear on our list. If there are any changes, please indicate on the space beside the label.

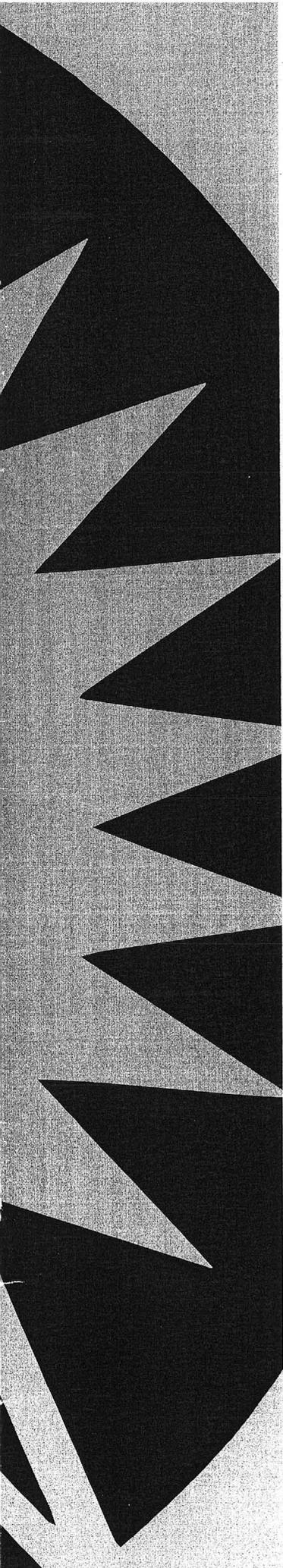
NIEMUTH N.J.
DEPT OF MINES & MINERAL RES.
MINERAL BUILDING
FAIRGROUNDS
PHOENIX AZ
85007 U.S.A.

1
296

- Please keep me on your mailing list for Annual and Interim Reports.

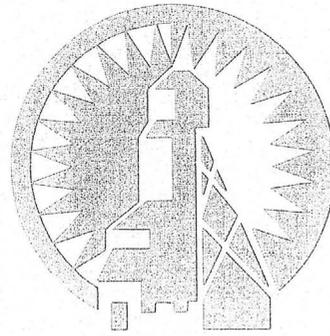
- Please delete my name from your mailing list.

Please print any changes to your name or address below:



CONGRESS (A) YAU.

R



REPUBLIC
GOLDFIELDS

1985

Annual Report

REPUBLIC GOLDFIELDS INC.

Republic Goldfields Inc. has two advanced properties and a number of exploration prospects.

The Ellison property in Quebec, located between the Bousquet and Doyon mines, contains two zones, on one of which a resource of 900,000 tons at an uncut grade of 0.2 ounces of gold per ton has been indicated between surface and a depth of 1,200 feet. There is substantial potential for the discovery of additional mineralization in both zones and elsewhere on the property.

The Congress property in Arizona is being evaluated with a view to resuming production. Between late 1990 and early 1992, Republic produced 44,000 ounces of gold from this property, generating operating profits of \$3 million before operations were suspended because of several factors, which included declining gold prices and insufficient ore development. The 350 tonnes per day carbon-in-leach milling facility is in good repair and if profitable operations cannot be readily resumed at the Congress property is available for use at another location.

Republic's other exploration properties include gold prospects in Canada, the United States and Mexico. The Company completed a \$500,000 financing in January 1996.

Letter to Shareholders

Republic Goldfields' efforts are currently focused on its Ellison, Quebec, and Congress, Arizona, properties. The Company is also preparing follow-up programs for several of its other exploration properties in Canada, the United States and Mexico as a result of the encouraging results from preliminary assessment programs.

Several alternatives for developing the Ellison property are under active consideration. This property is located between the Bousquet and Doyon mines operated by Barrick Gold Corporation in the Val d'Or area and well situated with regard to infrastructure.

Over 100 diamond drill holes have been drilled into the mineralized horizon on the property. Drilling on the main A Zone has indicated a resource between surface and 1,200 feet of 900,000 tons at an uncut grade of 0.2 ounces of gold per ton. The zone remains open at depth. Several holes intersected the C Zone at the 1,200-ft. level, but few holes have tested this zone either above or below this level. There is also believed to be substantial potential at the north end of the property where little exploration has taken place.

Republic completed the acquisition of its interest in the Ellison property in 1995 by issuing 100,000 shares to one of the vendors.

The Congress property in Arizona produced 44,000 ounces of gold between late 1990 and early 1992, and generated \$3 million in operating profits before being forced to close because of declining gold prices, a lack of development and other factors. Subsequent mapping and exploration have identified 45 quartz veins on the property, eight of which are considered to have substantial potential for economic deposits. Republic's geological consultants are currently evaluating the potential of resuming operations at the

property. If this is not feasible, the Congress mill remains a significant asset which is available for use at some other location. This is a 350 tonnes per day carbon-in-leach facility.

During 1995, the Company sold the Cuban properties it acquired in 1993 for US\$750,000. The final payment of US\$187,500 from the sale of these properties is due on April 1, 1996.

During 1995 and early 1996 approximately \$1.5 million was raised by way of private placement and public offering.



Donald Empey
President and Chief Executive Officer
MARCH 25, 1996

Property Interests

CANADA

Ellison, Quebec

Republic's 75-claim Ellison property in northwestern Quebec is located on the Cadillac Break, between Barrick Gold Corporation's two Bousquet mines on the east, and the Barrick/Cambior Inc. Doyon mine on the west.

The Ellison property hosts two gold-bearing zones which strike east-west and dip 75-85 degrees south. The A Zone contains a drill-indicated resource of 900,000 tons at an uncut grade of 0.20 ounces of gold per ton from surface to the 1,200-ft. level. This zone varies in width from 8-30 feet, has been traced from surface to a depth of 2,200 feet and remains open at depth. The C Zone has been intersected by diamond drill holes close to surface and also at the 1,200-ft. level but very few holes have tested this zone between surface and 1,200 feet, or at greater depths. The width of this zone, which varies from 60-200 feet, implies that it has excellent tonnage potential. To date no tonnage estimate has been prepared for the C Zone.

Previous feasibility studies have investigated the development of the property

from a 1,500-ft. shaft or from a ramp. Republic is currently evaluating these alternatives and the potential benefits of bringing in a joint venture partner.

Republic holds a 100% interest in the Ellison claims and a 50% interest in the other five claims, subject to various net smelter return royalties and net profit interests as well as cash payments to a royalty holder depending on the production schedule for the property.

Dubuisson, Quebec

Republic owns two separate claim blocks in Dubuisson Township, near Val d'Or, one of which is being mined by Western Quebec Mines Inc. Under the lease agreement, Western Quebec can earn a 100% interest in this block upon payment to Republic of a total of \$600,000, including payments to date, before January 22, 1997.

Panache, Quebec

Republic and Orient Resources Inc. each hold a 50% interest in the 1,632-hectare Panache property in Carpiquet Township. Recent exploration in nearby Barry Township has suggested that significant gold mineralization may be

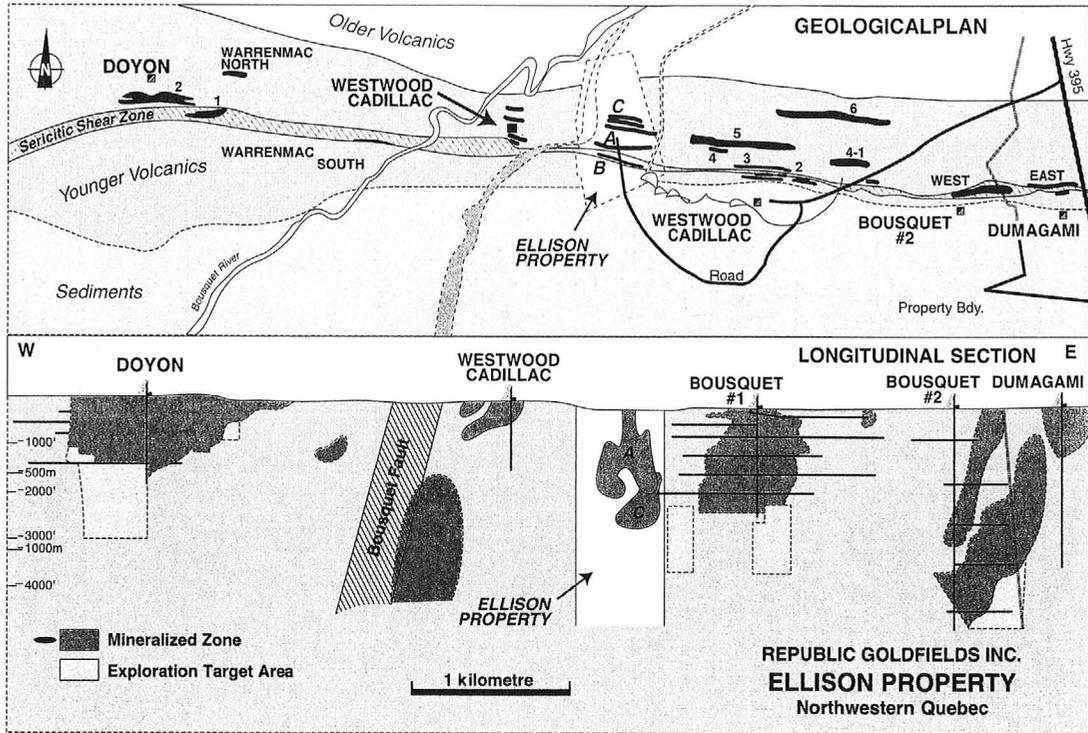
associated with low concentrations of disseminated sulphides, especially along or in the vicinity of well-developed northeast trending faults. As a result, an exploration program is planned for the Panache property in 1996 which will include geophysical surveys, prospecting, mapping and diamond drilling.

U.S.A.

Congress Mine, Arizona

Recent work carried out on the Congress Mine property in Arizona has identified 45 separate quartz veins, eight of which are considered prime targets for further exploration. The Last Chance and Bellick vein structures have undergone shallow reverse circulation drill sampling. Both are considered mineable by open pit methods and preliminary testing indicates the contained gold is readily leachable.

The Congress property is located 70 miles northwest of Phoenix and has a long history of small-scale sporadic mining. Republic acquired the property in 1989 and between late 1990 and early 1992 produced 44,000



A view of the administration building and mill at the Congress Mine property in Arizona.

ounces of gold from an underground mine, generating \$5 million in operating profits. Operations were suspended in 1992, however, because of low gold prices, rising costs and insufficient development work on the project. The mill, a modern 350-tonnes per day carbon-in-leach facility, remains on the property.

Based on the exploration completed to date, the Company believes that there is potential for additional definition development of reserves on the property and expects to follow the current geological review with soil sampling, trenching and diamond drilling.

Seven Devils, Nevada

Republic's 18-claim Seven Devils property in Pershing County, Nevada, covers a series of gold mineralized volcanic breccias, within a sequence of sedimentary rocks, which have been traced over a strike length of 800 feet. Previous work yielded gold values of up to 0.1 ounces of gold per ton. The Company is planning additional sampling and mapping for this property.

Kennedy, Nevada

Geological mapping and

sampling are planned for the 7-claim Kennedy property in the Winnemucca-Battle Mountain area of Nevada, which covers old high grade workings. Reconnaissance sampling in 1995 located sulphides containing 0.4 ounces of gold and four ounces of silver per ton.

Beacon Silver, Nevada

The 204-acre Beacon Silver property in the Winnemucca-Battle Mountain area covers a series of old shafts. Reconnaissance work carried out in 1995 included grab samples which returned silver values of up to 63 ounces per ton. Republic plans mapping and additional sampling for the property.

MEXICO

Cerro Verde, Sonora

Reconnaissance work on the 8,500-acre Cerro Verde property in northern Sonora State has shown the presence of strongly altered rocks carrying gold, silver and copper values. There are also several old pits on the property immediately south of a formerly producing high grade gold camp. Assays from the pits have returned values of up to 0.89 grams of gold and 607 grams of silver per

tonne and 0.96% copper. Republic plans a mapping and sampling program on the property, which lies 10 miles south of the Ruby Mine area in Arizona.

Management's Discussion and Analysis

Republic Goldfields Inc. is a Canadian-based mining company with a solid core of exploration and development properties in Canada, Mexico and the United States. The Ellison property is situated within a prolific gold mining district in northwestern Quebec. The Congress property in Arizona was closed in 1992 and has been on care and maintenance since that year.

RESULTS OF OPERATIONS

In 1995, the Company had no mines in production and reported a loss of \$0.15 per share, the same as in 1994. The main factors contributing to these operating results are explained below.

Administrative cost, which accounted for more than 70% of the total expenses, decreased by 4% from the previous year and was the principal contributor in the overall reduction of 6% to \$1,160,000 in total expenses. This reduction was primarily the result of the Company's restructured administrative base and improved operational efficiency.

In addition, the Company recovered \$95,000 in overhead expenses incurred on behalf of third parties in previous years.

Losses incurred in the sale of mining properties totalled \$156,000.

LIQUIDITY AND CAPITAL RESOURCES

During the year, the Company funded its operations principally by the placement of common shares for \$969,000 and the proceeds from mining property sales aggregating \$1,062,000. The latter includes US\$750,000 generated by the sale of the Company's interest in the Cuban properties.

Early in 1996, the Company completed a private placement of common shares for total proceeds of \$500,000.

Management Responsibility for Financial Statements

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Company had developed and maintains a system of internal accounting controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by BDO Dunwoody, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.



Donald Empey
President and Chief Executive Officer
Toronto, Canada
MARCH 25, 1996

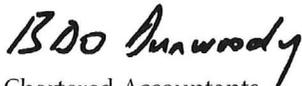
Auditors' Report

To the Shareholders of Republic Goldfields Inc.

We have audited the consolidated balance sheets of Republic Goldfields Inc. as at December 31, 1995 and 1994 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Mississauga, Ontario
FEBRUARY 14, 1996

Consolidated Balance Sheets

December 31	1995	1994
ASSETS		
Current		
Cash and short-term investments	\$ 166,114	\$ 838,858
Receivables	294,694	88,458
Prepaid expenses and mining supplies	312,454	313,872
	775,262	1,241,168
Investments (Note 2)	586,514	11,364
Capital assets (Note 3)	8,212,594	8,467,555
Mineral properties and deferred expenditures (Note 4)	5,554,428	5,573,766
	\$15,106,598	\$15,293,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Payables and accruals	\$ 640,548	\$ 456,023
Contingencies (Note 8)		
Shareholders' equity		
Capital stock (Note 5)	21,861,885	20,893,230
Foreign currency translation adjustment	1,079,090	1,332,357
Deficit	(8,474,925)	(7,387,757)
	14,466,050	14,837,830
	\$15,106,598	\$15,293,853

On behalf of the Board:



Director:



Director:

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Consolidated Statements of Operations and Deficit

<i>For the year ended December 31</i>	1995	1994	1993
Income			
Bullion sales	\$ -	\$ -	\$ 125,754
Investments	20,241	201,312	419,915
Recovery of overhead expense	95,000	-	-
Royalty and other	-	94,359	104,338
	115,241	295,671	650,007
Expenses			
Operations	28,958	163,970	416,542
Administration	827,963	955,655	768,245
Exploration	8,998	11,339	7,967
Interest	18,077	53,994	119,808
Deferred expenditures written off	70,041	-	-
Depreciation and depletion	50,026	49,932	141,082
Loss on sale of fixed assets	-	-	398,239
Loss on property sales	155,846	-	-
	1,159,909	1,234,890	1,851,883
Loss for the year before extraordinary item	(1,044,668)	(939,219)	(1,201,876)
Gain on debt restructuring	-	-	1,152,420
Net loss for the year	(1,044,668)	(939,219)	(49,456)
Deficit, beginning of year	(7,387,757)	(6,405,913)	(6,243,957)
Dividends – preferred shares	(42,500)	(44,625)	(110,500)
Deficit, end of year	\$ (8,474,925)	\$ (7,387,757)	\$ (6,403,913)
Loss per common share	\$ (0.13)	\$ (0.13)	\$ (0.03)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Notes to Consolidated Financial Statements

December 31, 1995

1. NATURE OF OPERATIONS

Republic Goldfields Inc. is a public company engaged in the business of exploration for, mining and processing of precious metals.

Recovery of the Company's investment in its Mineral Properties and Deferred Expenditures is dependent upon the discovery of economically recoverable ore reserves, obtaining the necessary financing to complete development and future profitable exploitation from any mines that may be brought into production.

During 1992, the Company suspended operations at the Congress Mine and, from that time through December 31, 1995, has had no producing properties except for its interest in the Dubuisson property. Management expects that operations at the Congress Mine will resume in the future and that the necessary financing will be made available by way of future equity offerings, revenue generation from other properties or third party participation in the project. Accordingly, recovery of the Company's investment in plant and equipment and mining properties and deferred expenditures at the Congress Property is dependent upon obtaining the necessary financial resources, the delineation of ore reserves sufficient to justify resumption of operations and future profitable production.

12

2. INVESTMENTS

	Market Value		1995	1994
Marketable securities	\$ 803,000		\$ 585,108	\$ 10,158
Other		1,206	1,206	1,206
	\$ 804,206		\$ 586,314	\$ 11,364

Included in marketable securities are 133,451 shares of KWG Resources Inc. (KWG) with a carrying value of \$511,950 and an assigned market value of \$660,000, based on the closing price of KWG shares on December 31, 1995. These shares were acquired as partial consideration on the sale of the Cuban Properties and are subject to a hold period which expires October 1, 1996.

3. CAPITAL ASSETS

	Cost	Accumulated Depreciation	1995 Net Book Value	1994 Net Book Value
Mill and mine buildings and equipment	\$10,442,510	\$ 2,229,916	\$ 8,212,594	\$ 8,460,053
Leasehold improvements	75,534	75,534	-	7,502
	\$10,518,044	\$ 2,305,450	\$ 8,212,594	\$ 8,467,555

4. MINERAL PROPERTIES AND DEFERRED EXPENDITURES

	1995	1994
Congress	\$ 1,450,101	\$ 1,280,320
Orion	505,667	500,000
Dubuisson	922,629	918,105
Ellison	2,591,367	1,945,101
Cuban Projects	-	686,614
Other	264,664	243,626
	<u>\$ 5,534,428</u>	<u>\$ 5,573,766</u>

Congress Property

Consists of 5 patented claims, the surface rights to 14 additional patented claims and 114 unpatented millsite claims covering a total of 2,386 acres in the County of Yavapai, State of Arizona. Sectors of the property are subject to various royalties.

Mining operations at the Congress Mine were suspended in 1992.

Orion Property

Consists of 100% interest in a mining concession covering 40 hectares, two mining leases covering 166 hectares and thirteen claims covering a total of 380 hectares in the Township of Malartic in the Province of Quebec.

Mining operations on a portion of the property were substantially completed in 1991, at which time it was written down to \$500,000.

Dubuisson Property

Consisting of 10 claims totalling 140 hectares in two sectors in Dubuisson Township, Quebec, subject to a 2% net smelter return royalty to the vendor. This property was acquired in 1990 from Minefinders Corporation Ltd., then a related company.

One sector of the property is leased to another mining company and is currently in production. The lease, which expires in 1997, provides for certain production royalties on the first one million tons of ore milled and a purchase option.

Ellison Property

Consists of a 100% interest in 2.5 claims and a 50% interest in the other 5 claims in the Ellison Gold property near Rouyn-Noranda, Quebec, subject to various net smelter return and production profit royalties.

During 1994, the Company entered into an agreement with one of the vendors to issue 100,000 common shares in lieu of its obligation to pay future consideration in shares contingent upon proven reserves delineated on the property. These shares were issued during 1995.

Under the terms of a 1995 agreement with one of the vendors, the Company is subject to a penalty of \$15,000 per month commencing July 1, 1996 if it does not extract 40,000 short tons of ore or complete a shaft to a minimum depth of 1,000 feet prior to that date. The claims revert to the vendor in return for its royalty interest in the event of failure to make these payments. Furthermore, if the vendor in turn does not complete the above work within 42 months of acquiring the claims, they will be reconveyed to the Company.

Cuban Properties

During 1995 the Company sold its interest in the Cuban properties to a third party for total proceeds of U.S. \$750,000. The Company received U.S. \$375,000 in common shares of the purchasing company as well as cash proceeds of U.S. \$375,000 of which U.S. \$187,500 was received during 1995 and the remaining U.S. \$187,500 is due in 1996.

5. CAPITAL STOCK

The Company is authorized to issue an unlimited number of preference and common shares. The issued preference shares are entitled to cumulative dividends at 8.5%, are redeemable at \$1.00 and are convertible along with any unpaid dividends, into common stock at \$2.50 per share.

	Number of Shares	Capital Stock
Series A Preference shares outstanding, December 31, 1994	500,000	\$ 500,000
Series A Preference shares outstanding, December 31, 1995	500,000	500,000
Common shares outstanding, December 31, 1994	7,932,903	20,393,230
Issued during 1995:		
Public offering, net of costs	400,000	484,465
In relation to the acquisition of the Ellison property	100,000	439,190
Exercise of Warrants	30,000	45,000
Common shares outstanding, December 31, 1995	8,462,903	21,361,885
Total share capital, December 31, 1995		\$21,861,885

At December 31, 1995 there were outstanding stock options entitling the directors, officers and employees of the Company to acquire 655,000 common shares of which 415,000 options expired unexercised February 12, 1996.

Subsequent to the year end additional options entitling the directors, officers and employees of the Company to acquire 455,000 shares at \$0.93 were granted subject to regulatory approval. These options expire on February 13, 2006.

6. INCOME TAXES

The Company has not recorded any income tax expense or recovery in the years ended December 31, 1995, 1994 and 1993. This differs from the amount obtained by applying the

expected combined federal and provincial corporate income tax rate to the loss for the year before taxes. The differences are as follows:

	1995	1994	1993
Expected income tax recovery	\$ (458,000)	\$ (413,000)	\$ -
Loss for which no benefit has been recognized	458,000	413,000	-
	\$ -	\$ -	\$ -

7. SEGMENTED INFORMATION

The Company is engaged solely in the business of exploration, mining and processing of precious metals in Canada, the United States and Mexico.

Aggregate identifiable assets, revenue and net income by country are as follows:

	1995	1994	1993
Identifiable assets			
Canada	\$ 4,978,419	\$ 4,481,587	\$ 4,341,668
United States	10,031,561	10,029,668	9,359,818
Cuba	-	686,614	39,048
Mexico	96,618	95,984	-
	\$15,106,598	\$15,293,853	\$13,740,534
Income			
Canada	\$ 114,914	\$ 292,482	\$ 480,537
United States	327	3,189	169,470
	\$ 115,241	\$ 295,671	\$ 650,007
Net (loss) income			
Canada	\$ (745,614)	\$ (699,539)	\$ (367,119)
United States	(101,846)	(239,680)	317,663
Cuba	(188,210)	-	-
Mexico	(8,998)	-	-
	\$ (1,044,668)	\$ (939,219)	\$ (49,456)
Depreciation and write-off of deferred expenditures included in the determination of net loss			
Canada	\$ 12,730	\$ 12,894	\$ 15,970
United States	37,296	37,038	125,112
Mexico	70,041	-	-
	\$ 120,067	\$ 49,932	\$ 141,082

8. CONTINGENCIES

- (i) The Company is a co-defendant in a claim for damages in the amount of U.S. \$440,000 arising out of a subsidiary's alleged failure to pay royalties and rentals on a portion of the Congress property. Management is unable at this time to determine the amount that will be payable, if any, with respect to this litigation. Costs incurred and the amount of any future settlement will be charged to operations when incurred.
- (ii) In the event that the Company does not resume operations at the Congress Mine and elects to abandon the property, it will incur certain reclamation costs. The amount of these will depend upon the applicable environmental legislation at such time and cannot reasonably be estimated. Any such costs will be charged to operations when incurred.

9. SUBSEQUENT EVENTS

Subsequent to the year end the Company was involved in the following:

- i) The Company completed a private placement of 1 million units, each unit consisting of one common share and one half warrant for a unit price of \$0.50. The warrants are exercisable up to February 8, 1997 at a price of \$0.60 per whole warrant.
- ii) The Company sold some of its marketable securities for total proceeds of \$83,310, resulting in a gain on disposal of \$73,150.

Corporate Information

DIRECTORS AND OFFICERS

Gordon F. Bub^{1,2}
Director

James G. Brown³
Director

Howard E. Ellison
Director

Donald A. Empey⁴
*President, Chief Executive Officer
and Director*

H. Peter Jarvis⁵
Director

Frederick C. Knight⁶
Director

Marie-Claude Wong
Secretary

¹ Member of Audit Committee

² Appointed Director January 12, 1996

³ Resigned March 21, 1996

⁴ Appointed Director and President on
January 12, 1996

⁵ Appointed Director April 2, 1996

HEAD OFFICE

Suite 2402, Box 15
One Dundas Street West
Toronto, Canada M5G 1Z3
Telephone: (416) 977-4655
Fax: (416) 977-8335

U.S. OFFICE

Congress Mine
Ghost Town Road
P.O. Box 561
Congress, Arizona 85532

MEXICO OFFICE

Republic Goldfields S.A. de C.V.
c/o Garcia Jimenez &
Asociados
San Francisco No. 656-601
Col. Del Valle
03100
Mexico, D.F.

TRANSFER AGENT

The R-M Trust Company
Mall Level, 1177 West
Hastings Street
Vancouver, B.C., Canada
Telephone: (604) 891-3003
Fax: (604) 688-4501

AUDITORS

BDO Dunwoody
Mississauga, Ontario

BANKERS

The Royal Bank of Canada
Toronto, Ontario

STOCK EXCHANGE LISTINGS

Vancouver Stock Exchange
London Stock Exchange
Symbol: RGF

ANNUAL MEETING

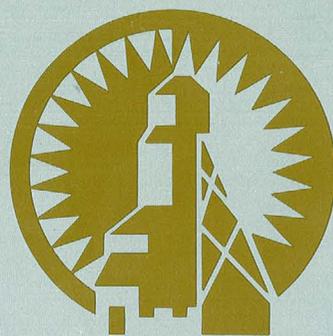
Wednesday, May 15, 1996
10:30 a.m.
Shanghai Room
Metropolitan Hotel
108 Chestnut Street
Toronto

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REPUBLIC
GOLDFIELDS

1995

Annual Report

REPUBLIC GOLDFIELDS INC.

Profile

Republic Goldfields Inc. has two advanced properties and a number of exploration prospects.

The Ellison property in Quebec, located between the Bousquet and Doyon mines, contains two zones, on one of which a resource of 900,000 tons at an uncut grade of 0.2 ounces of gold per ton has been indicated between surface and a depth of 1,200 feet. There is substantial potential for the discovery of additional mineralization in both zones and elsewhere on the property.

The Congress property in Arizona is being evaluated with a view to resuming production. Between late 1990 and early 1992, Republic produced 44,000 ounces of gold from this property, generating operating profits of \$3 million before operations were suspended because of several factors, which included declining gold prices and insufficient ore development. The 350 tonnes per day carbon-in-leach milling facility is in good repair and if profitable operations cannot be readily resumed at the Congress property is available for use at another location.

Republic's other exploration properties include gold prospects in Canada, the United States and Mexico. The Company completed a \$500,000 financing in January 1996.

Letter to Shareholders

Republic Goldfields' efforts are currently focused on its Ellison, Quebec, and Congress, Arizona, properties. The Company is also preparing follow-up programs for several of its other exploration properties in Canada, the United States and Mexico as a result of the encouraging results from preliminary assessment programs.

Several alternatives for developing the Ellison property are under active consideration. This property is located between the Bousquet and Doyon mines operated by Barrick Gold Corporation in the Val d'Or area and well situated with regard to infrastructure.

Over 100 diamond drill holes have been drilled into the mineralized horizon on the property. Drilling on the main A Zone has indicated a resource between surface and 1,200 feet of 900,000 tons at an uncut grade of 0.2 ounces of gold per ton. The zone remains open at depth. Several holes intersected the C Zone at the 1,200-ft. level, but few holes have tested this zone either above or below this level. There is also believed to be substantial potential at the north end of the property where little exploration has taken place.

Republic completed the acquisition of its interest in the Ellison property in 1995 by issuing 100,000 shares to one of the vendors.

The Congress property in Arizona produced 44,000 ounces of gold between late 1990 and early 1992, and generated \$3 million in operating profits before being forced to close because of declining gold prices, a lack of development and other factors. Subsequent mapping and exploration have identified 45 quartz veins on the property, eight of which are considered to have substantial potential for economic deposits. Republic's geological consultants are currently evaluating the potential of resuming operations at the

property. If this is not feasible, the Congress mill remains a significant asset which is available for use at some other location. This is a 350 tonnes per day carbon-in-leach facility.

During 1995, the Company sold the Cuban properties it acquired in 1993 for US\$750,000. The final payment of US\$187,500 from the sale of these properties is due on April 1, 1996.

During 1995 and early 1996 approximately \$1.5 million was raised by way of private placement and public offering.



Donald Empey
President and Chief Executive Officer
MARCH 25, 1996

Property Interests

CANADA

Ellison, Quebec

Republic's 75-claim Ellison property in northwestern Quebec is located on the Cadillac Break, between Barrick Gold Corporation's two Bousquet mines on the east, and the Barrick/Cambior Inc. Doyon mine on the west.

The Ellison property hosts two gold-bearing zones which strike east-west and dip 75-85 degrees south. The A Zone contains a drill-indicated resource of 900,000 tons at an uncut grade of 0.20 ounces of gold per ton from surface to the 1,200-ft. level. This zone varies in width from 8-30 feet, has been traced from surface to a depth of 2,200 feet and remains open at depth. The C Zone has been intersected by diamond drill holes close to surface and also at the 1,200-ft. level but very few holes have tested this zone between surface and 1,200 feet, or at greater depths. The width of this zone, which varies from 60-200 feet, implies that it has excellent tonnage potential. To date no tonnage estimate has been prepared for the C Zone.

Previous feasibility studies have investigated the development of the property

from a 1,500-ft. shaft or from a ramp. Republic is currently evaluating these alternatives and the potential benefits of bringing in a joint venture partner.

Republic holds a 100% interest in the Ellison claims and a 50% interest in the other five claims, subject to various net smelter return royalties and net profit interests as well as cash payments to a royalty holder depending on the production schedule for the property.

Dubuisson, Quebec

Republic owns two separate claim blocks in Dubuisson Township, near Val d'Or, one of which is being mined by Western Quebec Mines Inc. Under the lease agreement, Western Quebec can earn a 100% interest in this block upon payment to Republic of a total of \$600,000, including payments to date, before January 22, 1997.

Panache, Quebec

Republic and Orient Resources Inc. each hold a 50% interest in the 1,632-hectare Panache property in Carpiquet Township. Recent exploration in nearby Barry Township has suggested that significant gold mineralization may be

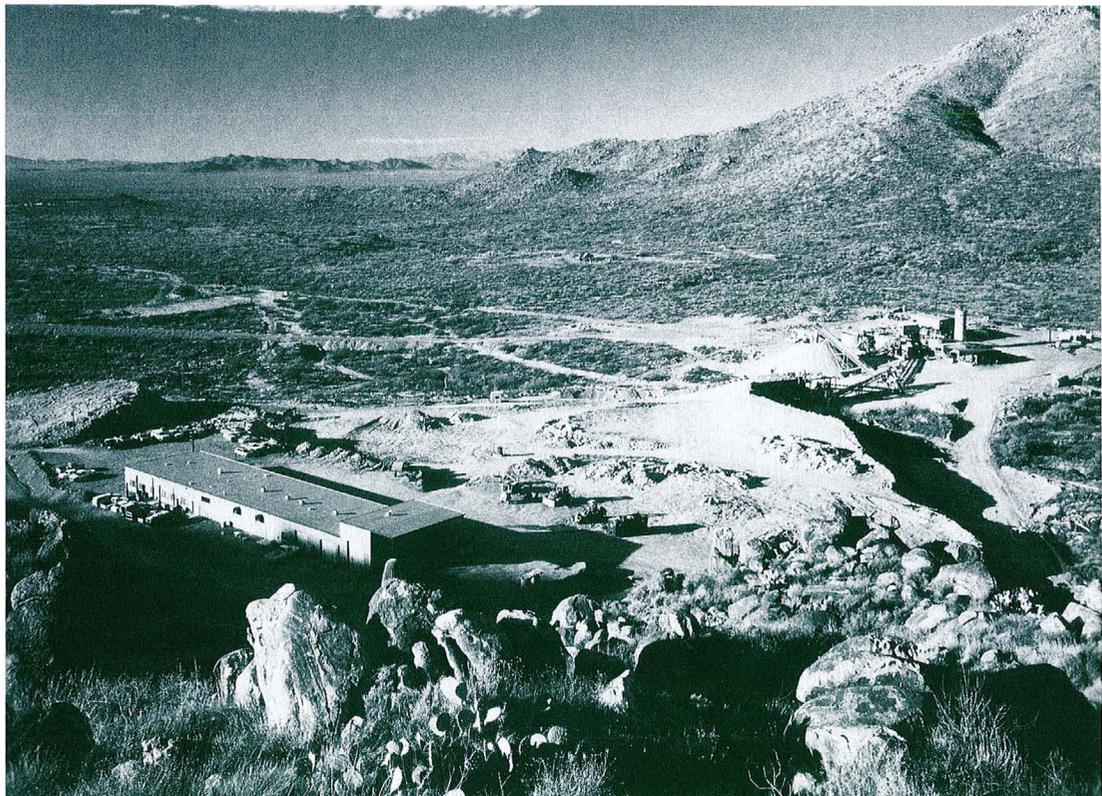
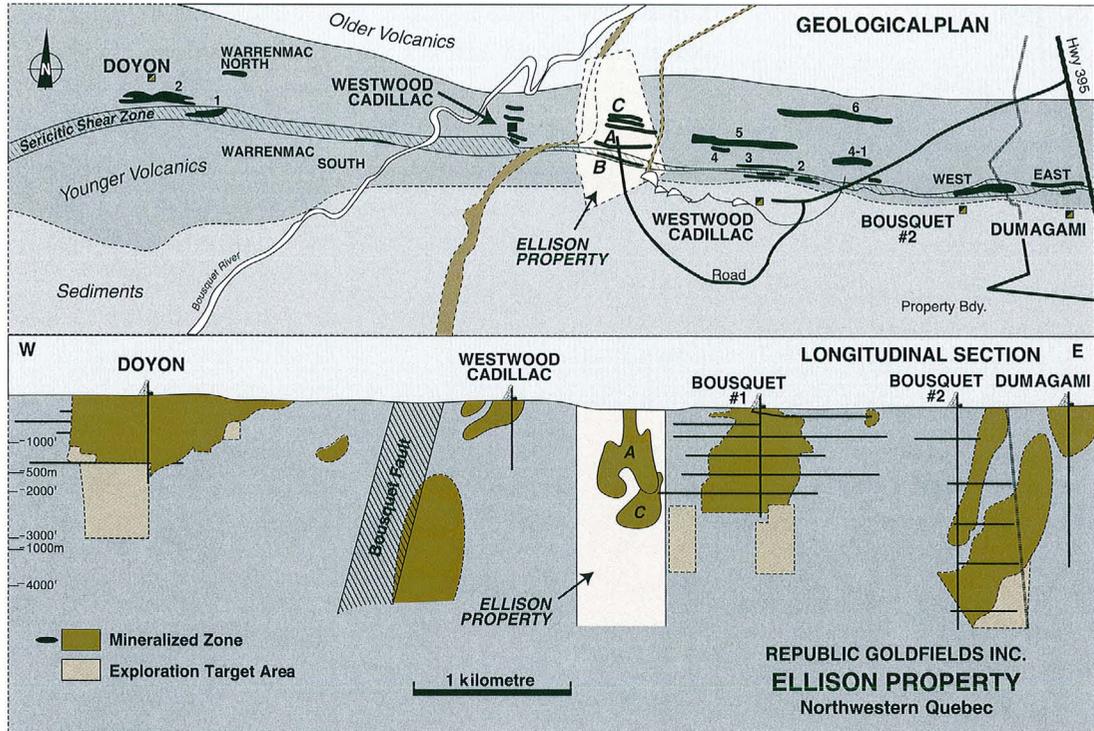
associated with low concentrations of disseminated sulphides, especially along or in the vicinity of well-developed northeast trending faults. As a result, an exploration program is planned for the Panache property in 1996 which will include geophysical surveys, prospecting, mapping and diamond drilling.

U.S.A.

Congress Mine, Arizona

Recent work carried out on the Congress Mine property in Arizona has identified 45 separate quartz veins, eight of which are considered prime targets for further exploration. The Last Chance and Bellick vein structures have undergone shallow reverse circulation drill sampling. Both are considered mineable by open pit methods and preliminary testing indicates the contained gold is readily leachable.

The Congress property is located 70 miles northwest of Phoenix and has a long history of small-scale sporadic mining. Republic acquired the property in 1989 and between late 1990 and early 1992 produced 44,000



A view of the administration building and mill at the Congress Mine property in Arizona.

ounces of gold from an underground mine, generating \$3 million in operating profits. Operations were suspended in 1992, however, because of low gold prices, rising costs and insufficient development work on the project. The mill, a modern 350-tonnes per day carbon-in-leach facility, remains on the property.

Based on the exploration completed to date, the Company believes that there is potential for additional definition development of reserves on the property and expects to follow the current geological review with soil sampling, trenching and diamond drilling.

Seven Devils, Nevada

Republic's 18-claim Seven Devils property in Pershing County, Nevada, covers a series of gold mineralized volcanic breccias, within a sequence of sedimentary rocks, which have been traced over a strike length of 800 feet. Previous work yielded gold values of up to 0.1 ounces of gold per ton. The Company is planning additional sampling and mapping for this property.

Kennedy, Nevada

Geological mapping and

sampling are planned for the 7-claim Kennedy property in the Winnemucca-Battle Mountain area of Nevada, which covers old high grade workings. Reconnaissance sampling in 1995 located sulphides containing 0.4 ounces of gold and four ounces of silver per ton.

Beacon Silver, Nevada

The 204-acre Beacon Silver property in the Winnemucca-Battle Mountain area covers a series of old shafts. Reconnaissance work carried out in 1995 included grab samples which returned silver values of up to 63 ounces per ton. Republic plans mapping and additional sampling for the property.

MEXICO

Cerro Verde, Sonora

Reconnaissance work on the 8,500-acre Cerro Verde property in northern Sonora State has shown the presence of strongly altered rocks carrying gold, silver and copper values. There are also several old pits on the property immediately south of a formerly producing high grade gold camp. Assays from the pits have returned values of up to 0.89 grams of gold and 607 grams of silver per

tonne and 0.96% copper. Republic plans a mapping and sampling program on the property, which lies 10 miles south of the Ruby Mine area in Arizona.

Management's Discussion and Analysis

Republic Goldfields Inc. is a Canadian-based mining company with a solid core of exploration and development properties in Canada, Mexico and the United States. The Ellison property is situated within a prolific gold mining district in northwestern Quebec. The Congress property in Arizona was closed in 1992 and has been on care and maintenance since that year.

RESULTS OF OPERATIONS

In 1995, the Company had no mines in production and reported a loss of \$0.13 per share, the same as in 1994. The main factors contributing to these operating results are explained below.

Administrative cost, which accounted for more than 70% of the total expenses, decreased by 4% from the previous year and was the principal contributor in the overall reduction of 6% to \$1,160,000 in total expenses. This reduction was primarily the result of the Company's restructured administrative base and improved operational efficiency.

In addition, the Company recovered \$95,000 in overhead expenses incurred on behalf of third parties in previous years.

Losses incurred in the sale of mining properties totalled \$156,000.

LIQUIDITY AND CAPITAL RESOURCES

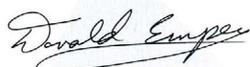
During the year, the Company funded its operations principally by the placement of common shares for \$969,000 and the proceeds from mining property sales aggregating \$1,062,000. The latter includes US\$750,000 generated by the sale of the Company's interest in the Cuban properties.

Early in 1996, the Company completed a private placement of common shares for total proceeds of \$500,000.

Management Responsibility for Financial Statements

The accompanying consolidated financial statements and all of the data included in this annual report have been prepared by and are the responsibility of the Board of Directors and management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect management's best estimates and judgments based on currently available information. The Company had developed and maintains a system of internal accounting controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by BDO Dunwoody, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.



Donald Empey
President and Chief Executive Officer
Toronto, Canada
MARCH 25, 1996

Auditors' Report

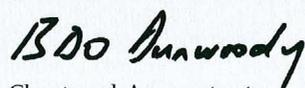
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To the Shareholders of Republic Goldfields Inc.

We have audited the consolidated balance sheets of Republic Goldfields Inc. as at December 31, 1995 and 1994 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.



Chartered Accountants
Mississauga, Ontario
FEBRUARY 14, 1996

Consolidated Balance Sheets

December 31	1995	1994
ASSETS		
Current		
Cash and short-term investments	\$ 166,114	\$ 838,858
Receivables	294,694	88,438
Prepaid expenses and mining supplies	312,454	313,872
	773,262	1,241,168
Investments (Note 2)	586,314	11,364
Capital assets (Note 3)	8,212,594	8,467,555
Mineral properties and deferred expenditures (Note 4)	5,534,428	5,573,766
	\$15,106,598	\$15,293,853
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Payables and accruals	\$ 640,548	\$ 456,023
Contingencies (Note 8)		
Shareholders' equity		
Capital stock (Note 5)	21,861,885	20,893,230
Foreign currency translation adjustment	1,079,090	1,332,357
Deficit	(8,474,925)	(7,387,757)
	14,466,050	14,837,830
	\$15,106,598	\$15,293,853

On behalf of the Board:



Director:



Director:

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Consolidated Statements of Operations and Deficit

<i>For the year ended December 31</i>	1995	1994	1993
Income			
Bullion sales	\$ -	\$ -	\$ 125,754
Investments	20,241	201,312	419,915
Recovery of overhead expense	95,000	-	-
Royalty and other	-	94,359	104,338
	115,241	295,671	650,007
Expenses			
Operations	28,958	163,970	416,542
Administration	827,963	955,655	768,245
Exploration	8,998	11,339	7,967
Interest	18,077	53,994	119,808
Deferred expenditures written off	70,041	-	-
Depreciation and depletion	50,026	49,932	141,082
Loss on sale of fixed assets	-	-	398,239
Loss on property sales	155,846	-	-
	1,159,909	1,234,890	1,851,883
Loss for the year before extraordinary item	(1,044,668)	(939,219)	(1,201,876)
Gain on debt restructuring	-	-	1,152,420
Net loss for the year	(1,044,668)	(939,219)	(49,456)
Deficit, beginning of year	(7,387,757)	(6,403,913)	(6,243,957)
Dividends – preferred shares	(42,500)	(44,625)	(110,500)
Deficit, end of year	\$ (8,474,925)	\$ (7,387,757)	\$ (6,403,913)
Loss per common share	\$ (0.13)	\$ (0.13)	\$ (0.03)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Consolidated Statements of Changes in Financial Position

<i>For the year ended December 31</i>	1995	1994	1993
Cash provided by (used in)			
Operating activities			
Net loss before extraordinary item	\$ (1,044,668)	\$ (959,219)	\$ (1,201,876)
Items not affecting cash			
Depreciation and depletion	50,026	49,932	141,082
Deferred expenditures written off	70,041	-	-
Loss on property sales	155,846	-	-
	(768,755)	(889,287)	(1,060,794)
Net change in non-cash working capital components	59,835	(173,705)	(225,351)
	(708,920)	(1,062,992)	(1,286,145)
Investing activities			
Investments	(574,950)	27,780	40,062
Plant and equipment	(22,390)	-	903,188
Mineral properties and deferred expenditures	(1,194,243)	(1,542,203)	(1,440,071)
Proceeds on property sales	1,061,900	-	-
	(729,683)	(1,514,423)	(496,821)
Financing activities			
Gain on restructuring of debt	-	-	1,152,420
Long-term debt	-	(900,000)	(2,241,229)
Preferred shares	-	(400,000)	(100,000)
Common shares	968,655	3,418,962	4,069,815
Dividends	(42,500)	(44,625)	(110,500)
Foreign currency translation adjustment	(160,296)	94,593	(236,308)
	765,859	2,168,930	2,534,198
(Decrease) increase in cash and short-term investments for the year	(672,744)	(408,485)	751,232
Cash and short-term investments, beginning of year	838,858	1,247,343	496,111
Cash and short-term investments, end of year	\$ 166,114	\$ 838,858	\$ 1,247,343

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Summary of Significant Accounting Policies

December 31, 1995

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. Outlined below are those policies considered particularly significant for the Company.

BASIS OF CONSOLIDATION

These consolidated financial statements include the accounts of the Company and its 100% owned United States subsidiaries, one of which owns the Congress Property in Arizona.

INVESTMENTS

Portfolio investments are initially recorded at cost and written down to market value if a permanent decline in value is considered to have occurred.

CAPITAL ASSETS

Capital assets are recorded at cost. Depreciation is charged to operations on mill and mine buildings and equipment during commercial production and on other assets when put into use on the straight-line method over the following estimated service lives:

Mill and mine buildings	- 10 years
Equipment	- 5 years
Leasehold improvements	- 10 years

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MINERAL PROPERTIES AND DEFERRED EXPENDITURES

All costs of acquiring mineral properties are capitalized. Development expenditures incurred in bringing a property into production and exploration costs on specific projects are deferred. When the related ore bodies are brought into production, these costs will be charged to income on the unit of production method based on proven, probable and possible reserves. Costs of maintaining properties on which production has been suspended are included in operations expense. If a project is abandoned, determined not to be commercially feasible, or if the aggregate costs appear to not be recoverable, the property costs and related deferred expenditures are written down. General exploration expenditures are charged to operations when incurred.

At any time the carrying values of these items represent costs to be charged to income in the future and do not necessarily reflect their present or future values.

FOREIGN CURRENCY TRANSLATION

The Company's U.S. subsidiaries are translated to Canadian dollars using the current rate method. Exchange gains or losses arising on translation are deferred and included in a separate component of shareholders' equity. The change in the balance in current and previous years is primarily due to the fluctuation in currency rates.

Transactions in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of occurrence.

Notes to Consolidated Financial Statements

December 31, 1995

1. NATURE OF OPERATIONS

Republic Goldfields Inc. is a public company engaged in the business of exploration for, mining and processing of precious metals.

Recovery of the Company's investment in its Mineral Properties and Deferred Expenditures is dependent upon the discovery of economically recoverable ore reserves, obtaining the necessary financing to complete development and future profitable exploitation from any mines that may be brought into production.

During 1992, the Company suspended operations at the Congress Mine and, from that time through December 31, 1995, has had no producing properties except for its interest in the Dubuisson property. Management expects that operations at the Congress Mine will resume in the future and that the necessary financing will be made available by way of future equity offerings, revenue generation from other properties or third party participation in the project. Accordingly, recovery of the Company's investment in plant and equipment and mining properties and deferred expenditures at the Congress Property is dependent upon obtaining the necessary financial resources, the delineation of ore reserves sufficient to justify resumption of operations and future profitable production.

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2. INVESTMENTS

	Market Value	1995	1994
Marketable securities	\$ 803,000	\$ 585,108	\$ 10,158
Other	1,206	1,206	1,206
	<u>\$ 804,206</u>	<u>\$ 586,314</u>	<u>\$ 11,364</u>

Included in marketable securities are 133,451 shares of KWG Resources Inc. (KWG) with a carrying value of \$511,950 and an assigned market value of \$660,000, based on the closing price of KWG shares on December 31, 1995. These shares were acquired as partial consideration on the sale of the Cuban Properties and are subject to a hold period which expires October 1, 1996.

3. CAPITAL ASSETS

	Cost	Accumulated Depreciation	1995 Net Book Value	1994 Net Book Value
Mill and mine buildings and equipment	\$10,442,510	\$ 2,229,916	\$ 8,212,594	\$ 8,460,053
Leasehold improvements	75,534	75,534	-	7,502
	<u>\$10,518,044</u>	<u>\$ 2,305,450</u>	<u>\$ 8,212,594</u>	<u>\$ 8,467,555</u>

4. MINERAL PROPERTIES AND DEFERRED EXPENDITURES

	1995	1994
Congress	\$ 1,450,101	\$ 1,280,320
Orion	505,667	500,000
Dubuisson	922,629	918,105
Ellison	2,391,367	1,945,101
Cuban Projects	-	686,614
Other	264,664	243,626
	<u>\$ 5,534,428</u>	<u>\$ 5,573,766</u>

Congress Property

Consists of 5 patented claims, the surface rights to 14 additional patented claims and 114 unpatented millsite claims covering a total of 2,386 acres in the County of Yavapai, State of Arizona. Sectors of the property are subject to various royalties.

Mining operations at the Congress Mine were suspended in 1992.

Orion Property

Consists of 100% interest in a mining concession covering 40 hectares, two mining leases covering 166 hectares and thirteen claims covering a total of 380 hectares in the Township of Malartic in the Province of Quebec.

Mining operations on a portion of the property were substantially completed in 1991, at which time it was written down to \$500,000.

Dubuisson Property

Consisting of 10 claims totalling 140 hectares in two sectors in Dubuisson Township, Quebec, subject to a 2% net smelter return royalty to the vendor. This property was acquired in 1990 from Minefinders Corporation Ltd., then a related company.

One sector of the property is leased to another mining company and is currently in production. The lease, which expires in 1997, provides for certain production royalties on the first one million tons of ore milled and a purchase option.

Ellison Property

Consists of a 100% interest in 2.5 claims and a 50% interest in the other 5 claims in the Ellison Gold property near Rouyn-Noranda, Quebec, subject to various net smelter return and production profit royalties.

During 1994, the Company entered into an agreement with one of the vendors to issue 100,000 common shares in lieu of its obligation to pay future consideration in shares contingent upon proven reserves delineated on the property. These shares were issued during 1995.

Under the terms of a 1993 agreement with one of the vendors, the Company is subject to a penalty of \$15,000 per month commencing July 1, 1996 if it does not extract 40,000 short tons of ore or complete a shaft to a minimum depth of 1,000 feet prior to that date. The claims revert to the vendor in return for its royalty interest in the event of failure to make these payments. Furthermore, if the vendor in turn does not complete the above work within 42 months of acquiring the claims, they will be reconveyed to the Company.

Cuban Properties

During 1995 the Company sold its interest in the Cuban properties to a third party for total proceeds of U.S. \$750,000. The Company received U.S. \$375,000 in common shares of the purchasing company as well as cash proceeds of U.S. \$375,000 of which U.S. \$187,500 was received during 1995 and the remaining U.S. \$187,500 is due in 1996.

5. CAPITAL STOCK

The Company is authorized to issue an unlimited number of preference and common shares. The issued preference shares are entitled to cumulative dividends at 8.5%, are redeemable at \$1.00 and are convertible along with any unpaid dividends, into common stock at \$2.50 per share.

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	Number of Shares	Capital Stock
Series A Preference shares outstanding, December 31, 1994	500,000	\$ 500,000
Series A Preference shares outstanding, December 31, 1995	500,000	500,000
Common shares outstanding, December 31, 1994	7,932,905	20,393,230
Issued during 1995:		
Public offering, net of costs	400,000	484,465
In relation to the acquisition of the Ellison property	100,000	439,190
Exercise of Warrants	30,000	45,000
Common shares outstanding, December 31, 1995	8,462,905	21,361,885
Total share capital, December 31, 1995		\$21,861,885

At December 31, 1995 there were outstanding stock options entitling the directors, officers and employees of the Company to acquire 655,000 common shares of which 415,000 options expired unexercised February 12, 1996.

Subsequent to the year end additional options entitling the directors, officers and employees of the Company to acquire 455,000 shares at \$0.93 were granted subject to regulatory approval. These options expire on February 13, 2006.

6. INCOME TAXES

The Company has not recorded any income tax expense or recovery in the years ended December 31, 1995, 1994 and 1993. This differs from the amount obtained by applying the

expected combined federal and provincial corporate income tax rate to the loss for the year before taxes. The differences are as follows:

	1995	1994	1993
Expected income tax recovery	\$ (458,000)	\$ (413,000)	\$ -
Loss for which no benefit has been recognized	458,000	413,000	-
	\$ -	\$ -	\$ -

7. SEGMENTED INFORMATION

The Company is engaged solely in the business of exploration, mining and processing of precious metals in Canada, the United States and Mexico.

Aggregate identifiable assets, revenue and net income by country are as follows:

	1995	1994	1993
Identifiable assets			
Canada	\$ 4,978,419	\$ 4,481,587	\$ 4,341,668
United States	10,031,561	10,029,668	9,359,818
Cuba	-	686,614	39,048
Mexico	96,618	95,984	-
	\$15,106,598	\$15,293,853	\$13,740,534
Income			
Canada	\$ 114,914	\$ 292,482	\$ 480,537
United States	327	3,189	169,470
	\$ 115,241	\$ 295,671	\$ 650,007
Net (loss) income			
Canada	\$ (745,614)	\$ (699,539)	\$ (367,119)
United States	(101,846)	(239,680)	317,663
Cuba	(188,210)	-	-
Mexico	(8,998)	-	-
	\$ (1,044,668)	\$ (939,219)	\$ (49,456)
Depreciation and write-off of deferred expenditures included in the determination of net loss			
Canada	\$ 12,730	\$ 12,894	\$ 15,970
United States	37,296	37,038	125,112
Mexico	70,041	-	-
	\$ 120,067	\$ 49,932	\$ 141,082

8. CONTINGENCIES

- (i) The Company is a co-defendant in a claim for damages in the amount of U.S. \$440,000 arising out of a subsidiary's alleged failure to pay royalties and rentals on a portion of the Congress property. Management is unable at this time to determine the amount that will be payable, if any, with respect to this litigation. Costs incurred and the amount of any future settlement will be charged to operations when incurred.
- (ii) In the event that the Company does not resume operations at the Congress Mine and elects to abandon the property, it will incur certain reclamation costs. The amount of these will depend upon the applicable environmental legislation at such time and cannot reasonably be estimated. Any such costs will be charged to operations when incurred.

9. SUBSEQUENT EVENTS

Subsequent to the year end the Company was involved in the following:

- i) The Company completed a private placement of 1 million units, each unit consisting of one common share and one half warrant for a unit price of \$0.50. The warrants are exercisable up to February 8, 1997 at a price of \$0.60 per whole warrant.
- ii) The Company sold some of its marketable securities for total proceeds of \$83,310, resulting in a gain on disposal of \$73,150.