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2083

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES AZMILS DATA

PRIMARY NAME: EUREKA

ALTERNATE NAMES:  
PINAFORE

YAVAPAI COUNTY MILS NUMBER: 101B

LOCATION: TOWNSHIP 13 N RANGE 10 W SECTION 2 QUARTER SW  
LATITUDE: N 34DEG 29MIN 28SEC LONGITUDE: W 113DEG 16MIN 36SEC  
TOPO MAP NAME: ARRASTRA MTN NE - 7.5 MIN

CURRENT STATUS: PAST PRODUCER

COMMODITY:  
ZINC  
COPPER

BIBLIOGRAPHY:  
USGS ARRASTRA MTN NE QUAD  
ADMMR EUREKA FILE

1st November 1989

PLACER DOME U.S., INC.  
BARRICK GOLD EXPLORATION INC.  
- and -  
PRG ARIZONA EXPLORATIONS PARTNERSHIP

- and -

STANLEY W. HOLMES

- and -

ARIZONA EXPLORATIONS INC.

---

ARIZONA EXPLORATIONS SYNDICATE  
AGREEMENT

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CHRISTOPHER H. FREEMAN  
Barrister & Solicitor  
134 Adelaide Street East,  
Suite 302,  
Toronto,  
Ontario M5C 1K9  
(416) 941-9168

Report 5

THIS AGREEMENT is made effective as of the 15 day of November 1989.

B E T W E E N :

PLACER DOME U.S., INC.  
BARRICK GOLD EXPLORATION INC.

- and -

PRG ARIZONA EXPLORATIONS PARTNERSHIP  
(hereinafter called "PDUS", "Barrick"  
and "Prime" respectively)

of the First Part

- and -

STANLEY W. HOLMES  
(hereinafter called "Holmes")

- and -

ARIZONA EXPLORATIONS INC.  
(hereinafter called "AEI")

WHEREAS

- (a) Holmes is experienced as a Geological Consultant with specific experience and expertise in the geology of the State of Arizona, U.S.A.;
- (b) Each of the parties of the first part is desirous of the financing exploration of mineral properties in the State of Arizona and of engaging Holmes to carry out such exploration;
- (c) The parties hereto have agreed to form a syndicate and provide for its management and operation upon the terms as hereinafter set out.

NOW THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. DEFINITIONS

- 1.1 "mineral property" means any mining claim, mining licence, mining lease, option to purchase or lease, concession, permit or other form of interest in lands and minerals situate within the State of Arizona, U.S.A., and where the context so requires includes the lands to which such interest relates. In the event that at any time during the initial reconnaissance or preliminary evaluation of a mineral property Holmes shall, based upon reasonable geological data, designate any geographical area within such mineral property as warranting the conducting of a second state program thereon separate from the remainder of such mineral property, then thereafter, such designated area shall, for all purposes in this Agreement, be treated as a separate mineral property;

- 1.2 "Initial reconnaissance" means preliminary reconnaissance of a mineral property, the securing and evaluation of data with respect thereto and negotiations for the acquisition thereof;
- 1.3 "preliminary evaluation" means the expenditure of not more than \$100,000.00 on the acquisition of a mineral property and all or any of the following activities with respect to a mineral property namely, geological mapping and studies, trenching and sampling, geochemical and geophysical surveying and drilling of specific test holes.
- 1.4 "second stage program" means all exploration and development work on a mineral property following the preliminary evaluation thereof up to but not including the carrying out of a feasibility study thereon;
- 1.5 "commercial production" of a mineral property means production of ore in commercial quantities from a mineral property but, for greater certainty, excludes extraction of reasonable quantities of ore for bulk sampling, grade determination, metallurgical testing or for testing as smelter feed;
- 1.6 The terms "Syndicate", "Syndicate Members", "Term", "Units", "Committee", "Consulting Agreement", "Holmes Group", "Offeror", "Offerees" and "Purchasers", shall have the respective meanings attributed thereto in paragraphs 2.1, 4.1, 5.1, 7.1, 9.1, 11.1 and 11.3;
- 1.7 Persons related to any other person shall mean all persons who would be so related in accordance with the provisions of the Income Tax Act (Canada), the Internal Revenue Code (U.S.A.) and the Securities Act (Ontario) and shall include a corporation effectively controlled by such other person;
- 1.8 All dollar amounts referred to, and all payments to be made pursuant to this Agreement and the Consulting Agreement a copy of which is annexed hereto as Schedule "A", shall be in US funds; and
- 1.9 Words importing the singular number only shall include the plural, words importing the masculine or neuter gender shall include any other gender and words importing persons shall include firms and corporations and vice versa.

## 2. CREATION OF SYNDICATE

- 2.1 The parties hereto hereby constitute themselves as a syndicate (the "Syndicate") under the name "Arizona Explorations Syndicate" for the purposes, and upon the terms and subject to the conditions, hereinafter set out.

The persons who from time to time hold Units are hereinafter sometimes collectively called the "Syndicate Members".

3. PURPOSE OF SYNDICATE

- 3.1 The purpose of the Syndicate is to provide funds for conducting initial reconnaissance and preliminary evaluation to determine the feasibility of forming one or more joint ventures for development and possible production of minerals from promising prospects.

4. TERM OF SYNDICATE

- 4.1 The term (the "Term") of the Syndicate shall be for a period commencing on November 1, 1989 and ending on October 31, 1992, or on such other date as is mutually agreeable to all Syndicate Members.
- 4.2 The Syndicate may be terminated at or after 1st October 1991 upon the unanimous agreement of PDUS, Barrick and Prime given by notice in writing to Holmes and AEI, provided that such termination shall be without prejudice to the rights of any party hereto which shall have accrued prior to the date of service of such notice.

5. CAPITAL OF SYNDICATE

- 5.1 The capital of the Syndicate shall be 2,000 units (the "Units") which shall be issued as hereafter provided in this Agreement. The Units shall represent the respective interests of the Syndicate Members in the Syndicate. No further Units shall be created without the unanimous consent of all Syndicate Members.

6. ISSUE OF UNITS TO SYNDICATE MEMBERS

- 6.1 An aggregate of 200 Units are hereby issued to Holmes at a subscription price of \$1.00 each, to be issued as fully paid and non-assessable, with no further obligation to make any payment on account thereof at any stage of the exploration, development or operation of any mineral property.
- 6.2 By its execution of this Agreement, each of the parties of the first part subscribes for and agrees to take up and pay for such a number of Units as is shown opposite its name respectively hereunder at the price of \$1.00 per unit by way of preliminary subscription payment payable upon execution of this Agreement, and to pay twelve additional

instalments of \$62,500.00 in respect of each block of 450 Units so subscribed for (adjusted pro rata in the event of any subsequent reallocation of Units), such payments being made on the first day of November 1989, the first days of February, May, August and November of 1990 and 1991, and the first days of February, May and August of 1992.

PDUS	900 Units
Barrick	450 Units
Prime	450 Units

6.3 No Units in excess of those issued pursuant to paragraphs 6.1 and 6.2 hereof shall be issued without the unanimous consent of all Syndicate Members.

7. COMMITTEE

7.1 All matters requiring the approval of the Syndicate Members shall be considered by a committee (the "Committee") which shall be composed of 5 members, one of which members shall be a nominee of the Holmes Group and each of the other members to be a nominee of one or more Syndicate Members (other than the Holmes Group) holding not less than 450 Units, each block of 450 Units carrying the right to be used in selection of only 1 such nominee. If any vacancy occurs in the membership of the Committee, such vacancy shall be filled forthwith so as to maintain the membership in the Committee as set forth in this paragraph.

8. COMMITTEE MEETINGS

8.1 The business of the Committee shall be conducted at duly constituted meetings at such time and place as may be prescribed in by the notices calling such meetings. Nominees of Syndicate Members representing not less than 51% of the Units issued from time to time shall form a quorum for the transaction of business.

8.2 On all questions arising at a meeting of the Committee, each nominee shall have one vote for each Unit held by the Syndicate member which he represents. Except as herein otherwise provided, questions arising at any meeting of the Committee shall be decided by a majority of votes.

8.3 The nominee of the Holmes Group shall, when present, act as chairman of the meeting, and in the event of a deadlock between other members on any question arising at the meeting shall have a second or casting vote on such matters, which vote shall be cast in the same manner as those votes cast by nominees of any single Syndicate Member holding not less than 900 Units, but so that if

there is no such single Syndicate Member at any time then such casting vote may be cast at the discretion of the nominee of the Holmes Group. If no nominee of the Holmes Group is present at a Committee meeting then a nominee of the Syndicate Member having the largest interest in the Syndicate shall act as chairman of the meeting and have a second or casting vote.

- 8.4 Notice of any meeting of the Committee may be given by the nominee of the Holmes Group or by any Syndicate Member(s) holding not less than 900 Units at least 10 days before the meeting and no other notice need be given, but any meeting of the Committee may be held without notice if nominees of all the Syndicate members are present in person or if those absent waive notice of the meeting either before or after the meeting.
- 8.5 Meetings of the Committee may, if the members participating thereat all so agree, take place by way of telephone conference call provided that all parties so participating can hear each other simultaneously.
- 8.6 The Committee, while carrying out its duties hereunder, shall keep proper records of all its decisions, determinations and other proceedings, which records shall be available for inspection by each of the Syndicate Members.

9. RETAINER OF HOLMES AND AEI

- 9.1 Immediately following the execution of this Agreement, the Syndicate shall enter into an agreement with Holmes and AEI in the form and terms of the agreement (the "Consulting Agreement") annexed as Schedule I hereto, providing for the retainer of Holmes as the managing director of the Syndicate and for the engagement of AEI.

10. DUTIES AND POWERS OF HOLMES

- 10.1 In accordance with the Consulting Agreement, Holmes, as the managing director of the Syndicate, shall be the chief executive officer of the Syndicate, and in such capacity Holmes shall have the duties and power set forth in paragraph 6 of such agreement.

11. TRANSFER OF UNITS

- 11.1 Holmes or any person who holds any of the 200 Units issued to Holmes pursuant to paragraph 6.1 (all persons who hold any of such Units being herein collectively called, by reason of and with respect to such holding, the "Holmes

Group") may, at any time or from time to time, sell, assign, transfer or otherwise dispose of or deal with any of such Units at any time held by him or it to any person, persons, trust, corporation or other entity owned, controlled by or held for the beneficial interest of Holmes and/or members of his family in all degrees without, in any case, being subject to the restrictions in paragraph 11.3, provided that such transferee enters into agreement agreeing to be bound by the provisions of this Agreement, and any other Syndicate member may transfer the Units held by it to a person or company falling within the class of related persons as defined in Clause 1.8 hereof, provided that such transferee enters into an agreement with the other Syndicate Members to be bound by the provisions of this Agreement and further provided that the completion of such transfer shall in no way diminish the liability of the Transferor pursuant to this Agreement.

- 11.2 Except as provided in paragraph 11.1 hereof, no Syndicate Member shall be permitted to sell, assign, or otherwise dispose of, at any time, less than all of the Units held by such Syndicate Member.
- 11.3 In the event that any Syndicate Member (the "Offeror", which term shall include a trustee in bankruptcy, liquidator or other legal personal representative of a Syndicate Member) wishes to sell, assign, transfer or otherwise dispose of or deal with all, but not less than all, of the Units held by it, the Offeror shall first make an offer in writing to the other Syndicate Members (the "Offerees") to sell such Units to the Offerees and shall specify in such offer the price per Unit, the manner of payment and the place and time of closing. The Offerees shall then determine among themselves the number of Units, if any, so offered for sale to be acquired by each of them provided that in the absence of any unanimous agreement amongst the Offerees to the contrary, the Offerees shall in the first instance be entitled to take up such Units proportionately amongst themselves by reference to their holdings of Units. If the Offerees elect to acquire all, but not less than all, of the Units so offered on the terms and conditions set out in the Offeror's offer, they may accept such offer by notice in writing given to the Offeror within 60 days of the receipt then of such offer. If the Offerees fail to accept the offer within such 60 day period, the offer shall be deemed to have been refused and the Offeror shall be at liberty for a further period of 60 days to sell all, but not less than all, of the Units held by it to any person, firm or corporation at a price and on terms and conditions not less favourable to the Offeror than those set forth in the offer to the Offerees, provided that such person, firm or corporation shall, prior to the completion of such sale, execute an agreement with all the other holders of Units agreeing to

be bound by the terms and conditions of this Agreement. If no such sale is completed within such further 60 day period, the Offeror shall be required, before selling, assigning or otherwise disposing of its Units, to offer such Units to the Offerees in the manner hereinbefore provided and such process shall be repeated so often as any Syndicate Member desires to sell, assign or otherwise dispose of any Units.

- 11.4 Any person, firm or corporation who shall acquire Units from a Syndicate Member shall acquire and assume all of the transferor's rights, privileges, liabilities and obligations under this Agreement, but such transfer shall not release the transferor of his primary liability (if any) to pay the unpaid balance of the subscription price for Units in the manner provided in paragraph 6.2 hereof.

12. ACQUISITION OF AND INTEREST IN MINERAL PROPERTIES

- 12.1 All mineral properties in which Holmes or AEI shall, pursuant to the Consulting Agreement, acquire an interest during the Term, shall be deemed to have been acquired in trust for and on behalf of the Syndicate and Holmes and AEI shall, as soon as appropriate (as so deemed by Holmes or the Committee) following such acquisition, transfer such interest to the Syndicate in accordance with the provisions of paragraph 12.2.
- 12.2 Any interest in each of any mineral properties to be transferred to the Syndicate pursuant to paragraph 12.1 shall, unless sold pursuant to the terms hereof, be transferred to the relevant joint venture so soon as the same is formed pursuant to paragraph 14.4.
- 12.3 The Syndicate shall not dispose of any interest it shall, directly or indirectly, hold in any mineral properties or of any interest in any entity which owns or holds any interest, direct or indirect, in any mineral property other than (i) with the unanimous consent of all Syndicate Members or (ii) pursuant to an arrangement or transfer contemplated by Article 14 hereof.

13. RIGHTS ATTACHING TO HOLMES' UNITS

- 13.1 In addition to the rights attaching to Units otherwise specified in this Agreement, the 200 Units issued to Holmes pursuant to paragraph 6.1 hereof shall have attached thereto rights to the following effect:
- (a) the holder or holders of such Units shall not, by reason thereof, have any liability or obligation to make any financial expenditure or contribution in connection with the initial reconnaissance,

preliminary evaluation or any subsequent stage of exploration, development or operation of any mineral property, in connection with the bringing of a mineral property into commercial production or any other transaction contemplated by or done pursuant to this Agreement, nor shall such Units be subject to any lien, encumbrance or assessment in respect of any such transaction;

- (b) in the event that the Purchasers of any mineral property or interest therein shall be comprised of one or more Syndicate Members or one or more persons who are persons related to a Syndicate Member, then the holder or holders of such Units shall be entitled to receive in the aggregate, 10% of such total consideration (after deduction of proper and reasonable costs of sale) as the Syndicate or any entity owned or controlled by the Syndicate shall be entitled to receive as a result of the transaction by which the Purchasers shall have acquired an interest in such mineral property

14. DEVELOPMENT OF MINERAL PROPERTIES

- 14.1 Following completion by Holmes of a preliminary evaluation of any mineral property, Holmes shall prepare and mail to each Syndicate Member a full report thereon containing his recommendations with respect thereto, including a recommendation for or against the conducting of a second stage program thereon. If such report shall include a recommendation for a second stage program to be undertaken in respect thereof, such report shall contain reasonable details of the proposed second stage program and an estimate of the costs of completing such program.
- 14.2 In the event that a second stage program in respect of a mineral property is approved by the Committee as hereinafter provided, Holmes shall, if requested by the Committee, prepare and mail to each Syndicate Member a supplementary report recommending a variation, expansion or termination of the second stage program together with an estimate of the costs of carrying out such recommended action.
- 14.3 The mailing of a report to the Syndicate members pursuant to paragraph 14.1 or 14.2 shall constitute a notice calling a meeting of the Committee for the purpose of considering such report and the recommendations contained therein. At such meeting, the Committee may accept the recommendations contained in such report, with or without amendments, may reject same or may adopt such other course of action, if any, as the Committee may deem advisable.

- 14.4 (i) If the Committee shall approve the commencement or continuation of a second stage program, then PDUS shall, unless its interest in such property has been previously diluted or reduced pursuant to the provisions hereof, and subject to the provisions of Clause 14.5 hereof, be the operator of such second stage program, and each Syndicate Member, other than a member of the Holmes Group, shall be requested to and shall be entitled to contribute to the costs relating thereto on the following basis:
- (a) in respect of the costs relating to the commencement of a second stage program, an amount equal to the proportion thereof that the number of Units held by such Syndicate Member bears to the total number of Units (excluding the 200 Units issued to Holmes) held by all Syndicate Members; and
  - (b) in respect of costs relating to the continuation of a second stage program, an amount equal to the proportion thereof that the aggregate prior contributions of such Syndicate Member to the costs relating to such second stage program bears to the aggregate prior contributions of all Syndicate Members relating to such second stage program.

In the event that any Syndicate Member shall fail to pay the full amount of any contribution which he shall be requested and entitled to within 30 days of any such request, each Syndicate Member who shall have contributed the full amount so requested of him shall be requested and entitled to contribute a further amount equal to that proportion of the deficiency that the full amount of its current contribution bears to the aggregate current contribution made by all Syndicate members which shall have been entitled to contribute a portion of such deficiency, and the interest of the defaulting Syndicate Member in such mineral property shall be reduced until eliminated entirely at the rate of one percentage point of that Syndicate Member's interest in the subject mineral property for each \$10,000.000 not contributed, which interest shall be redistributed amongst the contributing Syndicate Members in proportion to their additional contributions.

(ii) At any time whilst a mineral property is subject to second stage exploration by the Syndicate, the operator may propose to the Committee that further exploration and subsequent development and commercial operation (if any) should be continued under the provisions of a separate joint venture agreement, generally in the form of the Rocky Mountain Mineral Law Foundation Mining Venture Agreement Model Form 5, including provision for dilution on a straight-line basis, with no credit for expenditures prior to joint venture formation. The Syndicate members

will be the joint venturers, and votes on the Management Committee will be in proportion to joint venture interest, with the Operator having a tie breaking vote. From the time that the Committee accepts such proposal the said Model Form Mining Venture Agreement, with necessary modifications to reflect the specific provisions relative to the rights of the holders of the Holmes Units as provided herein and such other amendments or modifications as the contributing Syndicate Members may agree, shall govern further exploration, development and commercial production of the subject mineral property, and the provisions of this agreement shall no longer apply to such mineral property.

(iii) Such joint venture agreement shall contain the following provisions with respect to the Holmes Units:

A. If the joint venture sells or transfers any mineral property, the Holmes Units shall receive ten (10) percent of the gross sales price minus ten percent of the costs of sale.

B. If the joint venture takes a mineral property to commercial production then the Holmes Units shall, effective upon the commitment to put the property into commercial production, automatically convert to a net profits royalty as set forth in 14.4(iv) below.

(iv) The Holmes net profit royalty shall be ten (10) percent, calculated in accordance with the provisions in that regard contained in Exhibit D of the Rocky Mountain Mineral Law Foundation, Mining Venture Agreement, Model Form 5, provided that during the period after the commencement of commercial production in which the other participants are recovering their investment in the mineral property there shall be paid to the Holmes Group in each year, as an advance payment on account of the Holmes royalty, an amount equal to the lesser of \$250,000.00 or 2 1/2% (two-and-one-half percent) of the net operating profit from the mineral property (such operating profit being calculated without reference to recovery of initial investment). All payments pursuant to this subparagraph shall be paid quarterly, within 30 days of the end of each calendar quarter, and shall be accompanied with statements setting out the basis of computation thereof; at least once in each calendar year such statements shall be accompanied by an auditor's certificate covering the preceding period of twelve months.

14.5 (a) Provided that it has not allowed and does not allow its interest in any subject mineral property to be reduced or eliminated pursuant to the provisions hereof, PDUS shall have the right, at its option, to be the operator of

any second stage program carried out on any mineral property.

(b) All deposits discovered in which the gold metal content is less than all other metal credits will be exclusively operated by PDUS. If a deposit is discovered in which the gold credits exceed all other metal credits then Barrick has an option to negotiate a joint operating agreement with PDUS at the time of a feasibility study, recognising that, as a majority holder, PDUS has the choice to operate any mine resulting from the Syndicate activities, so that there shall only be a joint operating agreement if both PDUS and Barrick both so agree.

(c) For the purpose of calculation of the value of gold credits and other metal credits in the foregoing subparagraph, the valuation shall be made by reference to the tonnages of metals delineated as reserves in the feasibility study for such mineral property, and to the prices of such metals on the London Metal Exchange as at the date of such feasibility report.

15. BANKING

15.1 Such general, imprest and other bank accounts as Holmes may determine appropriate shall be opened for an on behalf of the Syndicate, Holmes shall have sole signing authority on any such accounts.

16. ACCOUNTANTS

16.1 Clarkson Gordon, Chartered Accountants, Toronto, shall be, and they are hereby appointed, the accountants for the syndicate to be paid by the Syndicate and to report periodically to all Syndicate members on the affairs, assets, liabilities, receipts, disbursements and all other matters in relation to the Syndicate, in such manner and at such time as the Committee shall from time to time decide.

17. BOOKS, RECORDS

17.1 All records and accounts of the Syndicate shall be kept and retained by AEI and/or Holmes and such records and accounts shall at all times be available for inspection by the parties hereto.

18. ACCOUNTANTS' REPORTS

18.1 AEI shall prepare monthly statements summarizing all receipts and expenditures of the Syndicate and shall forward copies of such statements by mail to each Syndicate Member. In addition, AEI shall procure the

review by a duly qualified chartered accountant of the books and records of the Syndicate within 90 days following the termination of each fiscal period of the Syndicate and shall forthwith thereafter forward copies of such financial statements to each Syndicate Member.

19. TERMINATION OF SYNDICATE

19.1 Upon the expiration or termination of the Syndicate, the Syndicate shall be dissolved, its affairs shall be wound up, any mineral property or interests therein held by the Syndicate in respect of which no decision to bring it to commercial production shall have been made shall either (i) be transferred to Holmes at no cost to him or (ii) be distributed among the Syndicate Members in accordance with their entitlements and shall become subject to an agreement among all Syndicate Members relating to the development of such mineral properties containing provisions, mutatis mutandis, substantially similar to those contained in Articles 11, 13, 14 and 20. All other property and assets of the Syndicate shall be realized and sold within a period of not more than 1 year and the debts and liabilities of the Syndicate paid or provided for, firstly, out of monies held by the Syndicate pursuant to Article 6.2 and secondly out of any other assets, funds and monies of the Syndicate and thereafter, if necessary out of monies to be contributed pro rata by the Syndicate Members (other than by members of the Holmes Group), whereupon, the remaining assets, funds and monies, if any, of the Syndicate shall be distributed among the Syndicate Members pro rata in accordance with the Units held by them.

20. NON-COMPETITION AND CONFIDENTIALITY

20.1 No Syndicate Member shall, during the term of this Agreement, directly or indirectly, through the control of companies or otherwise, compete with the Syndicate for the acquisition of any mineral properties or interests therein, and will not, directly or indirectly, through the control of companies or otherwise, acquire by purchase, option, staking or otherwise any mineral properties or interest therein which is situate within 5 miles of any mineral property which has been acquired by or on behalf of the Syndicate or on which the Syndicate has acquired any interest or which is under initial reconnaissance by Holmes on behalf of the Syndicate, without first offering to the Syndicate the right to acquire such properties or interest on the same terms and conditions that are available to the Syndicate Member making such offer. Notice of such terms and conditions shall be given by notice addressed to Holmes and, unless accepted by him, on behalf of the Syndicate by notice to the Syndicate Member

making the offer within 30 days after such offer has been made, such offer shall be deemed to have been refused, in which event the Syndicate Member shall be entitled to acquire such mineral properties or interest therein. In the event that any Syndicate Member shall acquire any mineral property to which this paragraph 20.1 applies without first complying with the provisions of this paragraph, such Syndicate shall, if Holmes shall so elect, conclusively be deemed to have acquired the mineral property in question in trust for and on behalf of the Syndicate and such mineral property shall be transferred to the Syndicate at cost, within 30 days of such election by Holmes.

20.2 In the event that any Syndicate Member is engaged in reconnaissance of mineral properties in the State of Arizona during the currency of this Agreement, then such member shall so soon as it is practicable communicate such fact to Holmes on a confidential basis, so that Holmes may thereby ensure that any initial reconnaissance being carried out on behalf of the Syndicate shall not conflict with the activities of such Member. In the same manner, Holmes shall advise each Syndicate Member of the areas in which he is carrying out initial reconnaissance work on behalf of the Syndicate so that no other Syndicate Member shall engage in activities which conflict with the interests of the Syndicate.

20.3 Any information imparted by or to Holmes or any Syndicate Member pursuant to clause 20.2 shall be treated in strictest confidence by the recipient thereof and shall not be communicated by such recipient to any third party, so that a fiduciary relationship in respect of such information shall exist at all times, save in respect of information which has properly come into the public domain.

## 21. ARBITRATION

21.1 If at any time while this Agreement is in force or thereafter any dispute, difference or question shall arise among the parties hereto, or any of their representatives or any party in interest with respect to the construction or meaning or effect of these presents, then every such dispute, difference or question shall be settled by arbitration. Any such arbitration shall be conducted by a single arbitrator agreed upon by the parties in dispute. If the parties who dispute cannot agree upon a single arbitrator, the arbitrator shall be appointed by the American Institute of Mining and Metallurgy upon the application of any party to the dispute with notice to the other parties to the dispute. The decision of such arbitrator shall be final and binding upon all the parties to the dispute and there shall be no appeal therefrom.

22. ADDITIONAL PROVISIONS

- 22.1 The provisions of Articles 11 and 13 hereof shall apply, mutatis mutandis to any shares or other securities of a corporation or other entity holding, directly or indirectly, and interest in a mineral property which shares or other securities shall have been distributed among holders of Units in such capacity.

23. NOTICES

- 23.1 Any notice or other document required or permitted to be given to any party hereto may be given by mailing the same by prepaid registered mail, telephone facsimile or delivering the same to the party at the following respective addresses:

Placer Dome U.S., Inc.  
One California Street,  
Suite 2500,  
San Francisco,  
California 94111-5472  
fax: (415) 397-0747  
Attention: E. Gonzales-Urien.

Barrick Gold Exploration Inc.  
24 Hazelton Avenue,  
Toronto,  
Ontario M5R 2E2  
fax: (416) 923-2457  
Attention: Dr. Paul M. Kavanagh.

Prime Resources Corp.,  
808 West Hastings Street,  
Suite 1100,  
Vancouver, B.C.  
V6C 2X4  
fax: (604)  
Attention: John Ivany.

Dr. Stanley W. Holmes  
7 King Street East  
Suite 1001  
Toronto, Ontario  
M5C 1A2  
fax: (416) 364-7157

Arizona Explorations Inc.  
7 King Street East  
Suite 1001  
Toronto, Ontario  
M5C 1A2  
fax: (416) 364-7157  
Attention: Dr. Stanley W. Holmes.

Any of the parties hereto may by notice to the other parties given as aforesaid, change his or its address for the purposes hereof. Any notice or other document delivered hereunder shall be deemed to have been given on the day on which it was delivered, or sent by telephone facsimile, or if mailed shall be deemed to have been given on the fourth business day next following the day on which it was mailed.

24. PROPER LAW

24.1 This Agreement, and the interpretation and construction hereof and the rights and obligations of the parties hereto and their respective legal personal representatives and successors and assigns, shall be governed by the laws of the State of Arizona and the parties hereto irrevocably attorn to the jurisdiction of the courts of the said State.

25. SUCCESSORS AND ASSIGNS

25.1 This Agreement shall enure to the benefit of, and be binding upon the parties hereto, and their respective heirs, legal personal representatives, successors and assigns.

26. NOT A PARTNERSHIP

26.1 Nothing herein contained or arising pursuant hereto shall constitute the Syndicate Members partners one with the other nor shall anything herein contained or arising hereunder constitute any of the Syndicate Members agents for one another except as specifically provided herein.

IN WITNESS WHEREOF the parties hereto have executed this Agreement, as of the day and the year first above written

PLACER DOME U.S., INC.

per: 

BARRICK GOLD EXPLORATION, INC.

per: 

Executed by PRG ARIZONA EXPLORATIONS PARTNERSHIP  
by its Managing Partner PRG PROJECT DEVELOPMENT CORP.  
this 22nd day of November, 1989.

per: John Wang

SIGNED, SEALED AND DELIVERED )  
in the presence of: )

Stanley W. Holmes  
STANLEY W. HOLMES

ARIZONA EXPLORATIONS INC.

per: Stanley W. Holmes

B E T W E E N

ARIZONA EXPLORATIONS SYNDICATE  
a syndicate constituted under the  
laws of the State of Arizona  
(hereinafter called the "Syndicate")  
of the first part

- and -

STANLEY W. HOLMES,  
of the Borough of North York  
in the Province of Ontario  
(hereinafter called the "Geologist")  
of the second part

- and -

ARIZONA EXPLORATIONS INC.  
a company incorporated pursuant to  
the laws of the Province of Ontario  
(hereinafter called "AEI")  
of the third part

WHEREAS the Syndicate was constituted under an agreement  
(the "Syndicate Agreement") made effective as the 1st day of  
November 1989, between Placer Dome US, Inc., Barrick Gold  
Exploration Inc., PRG Arizona Explorations Partnership, Stanley  
W. Holmes and Arizona Explorations Inc.

AND WHEREAS Article 9 of the Syndicate Agreement provides  
that the Syndicate shall retain the Geologist as the managing  
director of the Syndicate and AEI as manager on the terms and  
conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in  
consideration of the mutual covenants and agreements herein  
contained and for other valuable consideration, the parties  
hereto covenant and agree as follows:

1. DEFINED TERMS

Unless the context otherwise requires, all terms defined in  
the Syndicate Agreement shall have the same meanings for the  
purposes of this Agreement.

2. RETAINER OF GEOLOGIST

The Geologist is hereby retained by the Syndicate as, and  
agrees to act as, the managing director of the Syndicate during  
the Term.

3. FEE

In consideration for his services hereunder, the Geologist  
shall be paid by the Syndicate a fee at the rate of \$90,000.00

dollars per annum, payable monthly in advance and shall be entitled to be paid all expenses incurred, by him, including travelling, living and accommodation expenses out of his home in Toronto or Phoenix as the case may be, incurred in connection with the performance of his obligations hereunder in accordance with budgets approved by the Syndicate. All payments to the Geologist hereunder shall be in U.S.A. funds.

4. TIME AND ATTENTION

The Geologist shall devote such portion of his time and attention to the business and affairs of the Syndicate as may be necessary to carry out his obligations hereunder.

5. SOLE RISK

The Geologist declares that he undertakes the retainer with the Syndicate at his own risk and as an independent contractor and not as servant and releases the Syndicate, the Syndicate Members and their successors and assigns of all claims of any nature or kind which may arise from his illness or death, whether due to accident or otherwise.

6. POWERS OF GEOLOGIST

6.1 The Geologist, as the managing director of the Syndicate, shall be the chief executive officer of the Syndicate. In such capacity, the Geologist shall have the full power and authority to carry out, on behalf of the Syndicate, the purposes for which it was constituted, including without limiting the generality of the foregoing, the power and authority:

- (a) to conduct initial reconnaissance of such mineral properties as he deems advisable;
- (b) to obtain an interest on behalf of the Syndicate in such mineral properties as he determines merit preliminary investigation, such interests to be obtained by staking, through options, by purchase or in any other manner he determines advisable;
- (c) to conduct preliminary evaluations of mineral properties;
- (d) to employ such persons, firms or corporations, including AEI, as he shall deem necessary or advisable to carry out the purposes of the Syndicate;
- (e) to disburse any monies held by the Syndicate for the payment of all salaries, fringe benefits, expenses and costs relating to his activities hereunder;
- (f) to purchase or rent all necessary equipment, supplies and tools he deems necessary; and
- (g) to execute all documents for and on behalf of the Syndicate including specifically, but not limited to, this Agreement and cheques and drafts drawn on any bank account maintained on behalf of the Syndicate.

6.2 Notwithstanding the provisions of paragraph 6.1;

- (a) the Geologist shall not be entitled, without the approval of the Committee, to incur or authorize any

- single obligation, or make any single payment, on behalf of the Syndicate which would involve a liability or outlay in excess of \$50,000; and
- (b) in the event that any underground work shall be required in the course of conducting a feasibility study pursuant to the Syndicate Agreement, such underground work shall be under the supervision of an operating committee chosen by the Syndicate, Holmes being one of the members of such operating committee.

7. REPORTS

The Geologist shall prepare monthly reports summarizing all of his activities under this Agreement and shall forward copies of such reports by mail to each Syndicate Member.

8. INSURANCE

The Geologist shall take out and maintain during the Term insurance to cover all perils for which insurance is normally maintained in business of the type operated by the Syndicate and may take out and maintain such other insurance (including life insurance, on his own life as well as on the life of any employee, servant, agent, contractor, sub-contractor or other person engaged upon the business of the Syndicate pursuant to the provisions of this Agreement) as he deems advisable, such insurance to be at the expense of the Syndicate and to be sufficient, in the opinion of the Geologist, to protect the Syndicate Members and the Geologist from all claims for damage for personal injury, including death, and for property damage arising directly or indirectly as a result of the activities of the Syndicate and the Geologist

9. RETAINER OF AEI

The Syndicate hereby retains AEI as manager of the Syndicate's activities under the control and direction of the Geologist, and authorizes and empowers AEI to carry out, on behalf of the Syndicate and under the direction of the Geologist, all and any activities in connection with the business of the Syndicate.

10. PROPER LAW

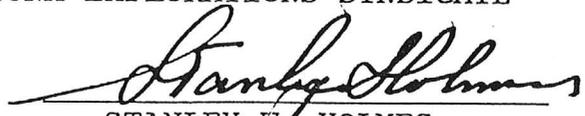
This Agreement, and the interpretation and construction hereof and the rights and obligations of the parties hereto and their respective legal personal representatives and successors and assigns shall be governed by the laws of the Province of Ontario and the parties hereto irrevocably attorn to the jurisdiction of the courts of the said Province.

11. SUCCESSORS AND ASSIGNS

This Agreement shall enure to the benefit of, and be binding upon the parties hereto, and their respective heirs, legal personal representative, successors and assigns.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

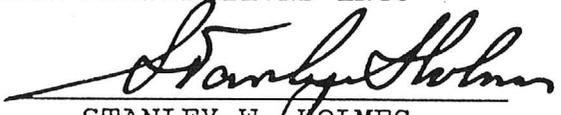
ARIZONA EXPLORATIONS SYNDICATE

per:   
STANLEY W. HOLMES  
Managing Director

SIGNED, SEALED AND DELIVERED  
in the presence of

  
STANLEY W. HOLMES

ARIZONA EXPLORATIONS INC.

per:   
STANLEY W. HOLMES  
President

# ARIZONA EXPLORATIONS INC.

## EXHALITE - FELSIC CONTACT TRACING

### A.E.I. HOLDING'S - BAGDAD AREA

Compiles by - Mike Glover, B.Sc.  
Vernon Shein, B.Sc.  
Phillip Anderson, Ph.D.

Wickenburg - April 1, 1992

*Report 2*

NOTE: Two (2) geological maps and ten (10) lithogeochem maps accompany this report.

## ABSTRACT

- OBJECTIVE:** To trace and define geological environments favorable to the development of Volcanogenic Massive Sulphides (VMS) on and proximal to the Bagdad Basin Property that have not been previously examined in detail by A.E.I.
- METHOD:** Geological mapping and lithogeochemical sampling were undertaken in an effort to locate and define the Bridle mafic and Dick Felsic Formational Contact and possible extensions of the AX Stratigraphic package.
- RESULTS:** Four geologically interesting areas yielding coincident favorable geochemical anomalies have been identified; The AX extension, The Round Mountain West Area, The Pinafore, and The Section 11N Area.
- CONCLUSIONS:** The four areas of interest defined by this phase of mapping exhibit geochemical alteration signatures characteristic of VMS mineralization and should be examined further. Unfortunately, the ground position in all of the defined areas of interest is restricted at present.
- RECOMMENDATIONS:** Subsequent to obtaining a more favorable ground position, these areas all warrant follow up programs including drill testing.

## ARIZONA EXPLORATIONS INC. - FAVORABLE HORIZON MAPPING 1992

### Introduction

In the interest of expediting A.E.I.'s exploration efforts in the Bagdad Basin Area, field mapping of the areas of the property not already examined in detail by the Syndicate was directed towards selectively tracing and defining two recognized packages of stratigraphy known to host VMS type mineralization.

Mapping was designed to trace the Bridle/Dick (mafic/felsic) Formational contact which hosts the Bruce/Old Dick deposit and the Southward extension of the AX Horizon which has yielded intersections of massive sulphides in previous drilling by A.E.I.

Four areas have been defined which required follow up work; The AX Extension, The Round Mountain West Area, The Pinafore, and The Section 11N Area.

Subsequent to a discussion of the methodology of the field work the relative merits of each of these areas shall be discussed.

### Geological Mapping and Geochemical Sampling

Referring to the Bagdad Basin Project Reconnaissance Geology Map at 1":500' will help orient the reader.

Selective traverses were undertaken to further define mafic/felsic contacts and exhalite formation in the western portion of the main Bagdad Basin Property Block (Sections 25 and 36) initially observed during reconnaissance work. Examination of the Pinafore Claim, a single patented claim, in Section 2 and subsequent tracing of the favorable Bridle/Dick contact off the claim north towards the main property block was completed. In addition, interesting exhalite occurrences east of the Pinafore area in Section 11 were examined. Mapping observations were recorded on 1":200' air photos and subsequently transferred to 1":200' enlargements of government topographic bases. This has proven to be a practical scale for follow up work of this nature given outcrop distribution and the scale of the packages being examined. Rock samples were submitted to Acme Labs in Vancouver for 35 element ICP analysis. Concentrations of five elements have been plotted and contoured. Obviously Cu and Zn concentrations have been plotted. Cd and Mg plots have been drawn to locate zones of enrichment. Na concentrates have been plotted to define areas of Na depletion characteristically occurring in the footwall of VMS deposits. Note that data has not been normalized and anomalies discussed are subjectively discriminated from background lithochemical norms.

## Table of Contents

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Conclusions and Recommendations	5 & 6

## List of Attachments

Geology Map 1" = 200'

Geochemical Maps 1" = 200': Cu, Zn, Cd, Mg, Na

## Geological Mapping and Geochemical Sampling (cont'd)

Results are presented on two map sheets roughly correlating, within the constraints of standard paper widths, to Sections 25, 26, 35, and 36 on the North Sheet, and Sections 2, 1, 11 and 12 on the South Sheet. Please bear in mind that these are not complete geological maps of the area, but are representations of the favorable stratigraphic packages only.

The following is a discussion of the relative merits of each area defined in order of our interpretation of their potential for hosting a VMS deposit of economic significance. Ground position, somewhat of a problem at this point is also discussed.

### The Pinafore

The Pinafore claim, a single patented mining claim, is located in the south-central portion of Section 2 approximately 1/2 mile south and west of A.E.I.'s main Bagdad Basin Property Block. At this point in time the balance of Section 2 and Section 36 to the north east have been withdrawn from mineral exploration activity by the Bureau of Land Management as a Sonoran Desert Tortoise Study Area/Sanctuary. A.E.I. is cautiously petitioning the B.L.M. to return this ground to active status. The claim was examined during the course of A.E.I.'s initial reconnaissance of the Bagdad Basin Property however the nature of the mineralization observed and intense re-crystallization of the hosting stratigraphy masking the alteration present lead to the conclusion that the mineralization was strictly secondary and fracture controlled. During the course of mapping designed to define the Bridge/Dick contact in this south area of the belt, the occurrence of an inlier of altered Bridle/Dick contact stratigraphy within the Dick Rhyolite was defined near the shaft. Under ground exploration workings, following apparently secondary Cu mineralization in the central portion of the claim, consist of a 245' inclined shaft and some 610' of drift.

Property geology can be divided into four major lithotypes:

- 1/ Variably hydrothermally altered felsic to intermediate tuffs and minor exhalites of the Dick Formation.
- 2/ Variably altered intermediate to mafic tuffs, agglomerates and flows of the Bridle Formation.
- 3/ A generally conformable but locally cross-cutting quartz porphyritic subvolcanic rhyolitic intrusive known as the "Dick Rhyolite" and,
- 4/ Hybrid phases of the three resulting from more or less complete digestion of what were probably tuffaceous volcanics.

### The Pinafore (cont'd)

The entire stratigraphic package has undergone intense re-crystallization due to the proximity of Proterozoic granites to the immediate west. The stratigraphy strikes irregularly east through north, dips very steeply to the east and to represent a normal facing mafic/felsic homoclinal structure partially digested by the Dick Rhyolite.

Secondary Cu mineralization occurs on surface in shears related to the Dick porphyry contact. The shaft and 100' level workings closely follow the intersection lineation of this Dick Contact Shear and a weaker oblique set. While inaccessible, primary VMS mineralization is reported from the second or 245' level. This is supported by the Cu/Zn grades and ratios reported from this level.

Coincident enrichment and depletion anomalies are intimately associated with the inlier mapped on surface.

In February of 1992 A.E.I. drilled a single RC drill hole under the old workings intersecting 18' of VMS yielding 5% Cu and 13% Zn. The reader is referred to the March 4, 1992 Pinafore Area RC Drilling Report for further information.

### The AX Extension

A laterally continuous (1 mile), thin (50' - 200'), altered, geochemically anomalous felsic tuff exhalite package occurs in the north west corner of Section 36. Striking 045 degrees +/-, this package is interpreted to represent the south west extension of the AX stratigraphic package. Dipping steeply to the west, the unit is "sandwiched" between a younger hydrated felsic intrusive to the north west (Alaskite), and the Dick Rhyolite to the south east. The occurrence of this continuous remnant package of stratigraphy between these two intrusives is in itself significant. The package is siliceous enough to have resisted digestion by the two intrusives. Well developed cherty exhalites occur less continuously near the south east contact of the tuff horizon. Consistent with regional facings, these cherty units are interpreted to represent capping exhalites in the hanging wall stratigraphy of the tuffaceous package. A 1000' long particularly well developed exhalite commencing 800' along strike south of the northern Section 36 boundary yields exciting coincident geochemical targets. Elevated Cu (up to 1.4%), Zn, and Cd values in the stratigraphic footwall to the chert along with Mg enrichment and Na depletion combine to make this a very attractive target.

### The AX Extension (cont'd)

Unfortunately, this prospect is, at presently, part of the B.L.M.'s Tortoise Sanctuary. A.E.I., as previously noted, is attempting to rectify this situation. Should the ground become available for mineral exploration work, all efforts should be made to obtain a favorable ground position along this horizon.

### The Round Mountain West Area

The Round Mountain West Area is a broad northeast trending geochemical anomaly located on the Bridle - Dick contact in the north east corner of Section 2. It is located immediately south of the south west corner of the main A.E.I. claim block in the Sonoran Desert Tortoise Sanctuary. It is characterized by elevated Cu and Zn values (over a strike length of 1200') at the contact, while the stratigraphic footwall is enriched in Mg and Cd and depleted in Na.

A conformable linear topographic high (+25') located 500' south east of sample #202100 comprises very siliceous Dick Rhyolite (3e qe) and is interpreted to be a "digested" cherty exhalite caprock horizon. The continuation of the Cu and Zn anomalies into the Dick Subvolcanic Intrusive supports the contention that a favorable horizon may have been digested in this area.

Previous work has indicated that the Dick Rhyolite though generally conformable can locally be non - conformable. Further work is required in order to determine whether this is the case in the Round Mountain West Area.

### The Section 11N Area

The Section 11N Area is a narrow north east trending geochemical anomaly located in Section 11 on the southern contact of the Dick Subvolcanic Intrusive and felsic to intermediate tuffs, lapilli tuffs and chert. A sample of chert from the dump of an 8'x8' shaft yielded 15582 ppm Cu. The anomaly is characterized by elevated Cu, Zn and Cd values within the tuffs and chert (over a strike length of 1000'). Na depletion occurs in both the tuffs and Dick Subvolcanic Intrusive.

The anomaly is located in the vicinity of claims GMC 8 and 9 (currently held by Mr. Larry Bogue) and Amigo's 10 and 11.

## Conclusions

Geological mapping and sampling of favorable horizons in the western section of and south of the main Bagdad Basin Property has lead to the definition of four targets requiring additional work. The ground position at present is poor.

## Recommendations

Upon attaining a more favorable ground position further work including shallow surface RC drilling is recommended for all four areas of interest.

At present acquiring ground north and east of the Pinafore should be the first priority, closely followed by obtaining coverage of the AX Extension horizon. A summary drill proposal for the Pinafore area has been included in the Pinafore Drill Report.

Drill testing of the AX Extension could consist of three 800' holes spaced along the geochemical bull's eye obvious on the geochemical plots. -45 degree holes drilled perpendicular to strike from the north west side of the horizon and stepped back 500' would test the zone at about 500' vertical. Data from this phase of drilling would guide further work.

The Round Mountain Area requires additional claims to be staked south and east from the south west corner of the A.E.I. main block.

Drill testing of the Round Mountain Area geochemical anomaly will require one 1000' RC drill hole beneath sample #202266 to test for base metal mineralization at a vertical depth of 700' below surface and to determine the attitude of the Dick Subvolcanic Intrusive.

The Section 11N Area requires ground acquisition in the areas of claims GMC 8 and 9 Amigo's 10 and 11. The open ground adjacent to the north and west (respectively) of these claims should be staked.

**NOTE:** The four area's of interest are outlined on the attached geological maps.

### Recommendations

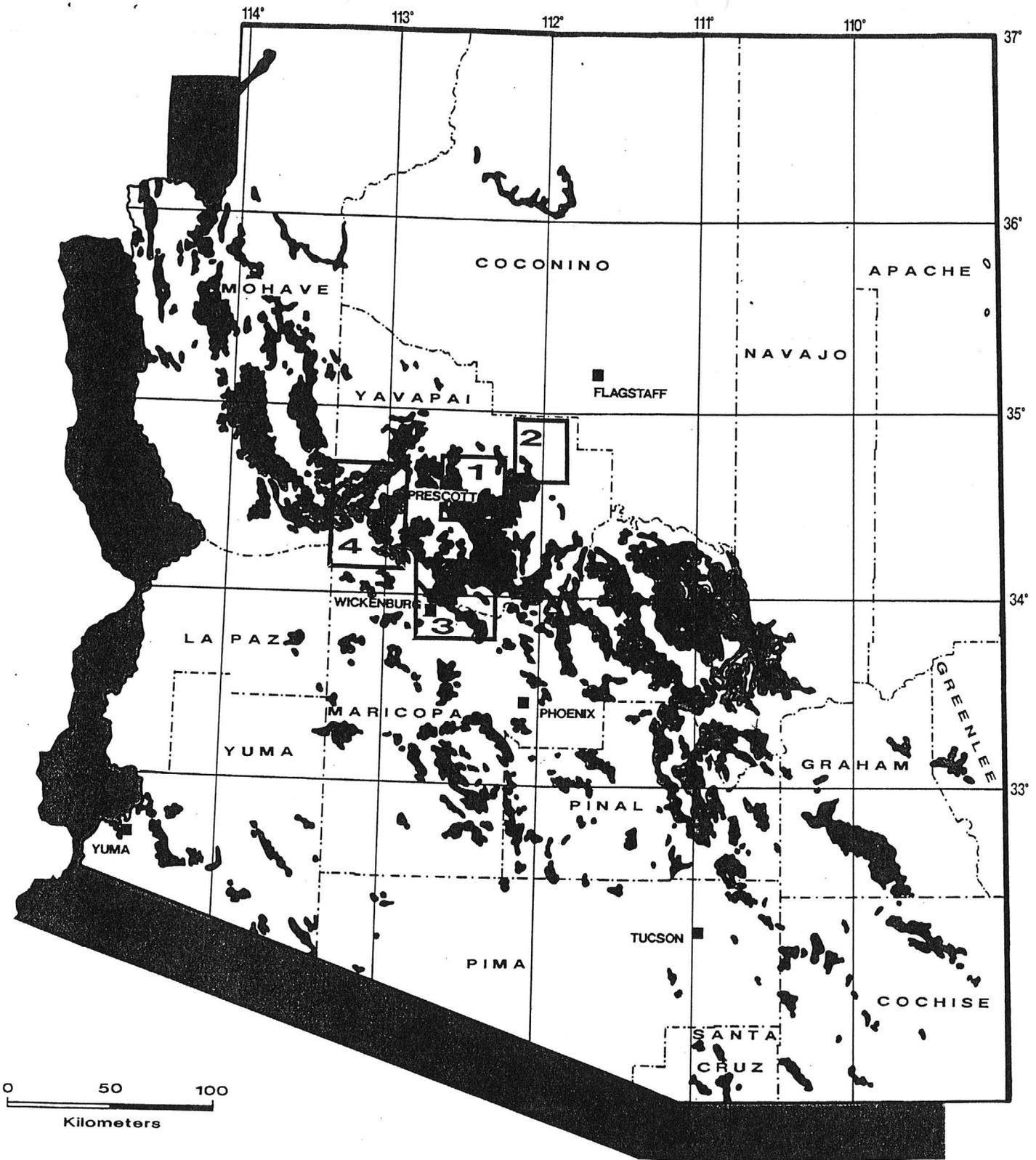
Drill testing the Section 11N Area will require one 800' RC drill hole to test the downdip extension of the base metal mineralization at the shaft. Plunging fold axes (30 degrees) in the Dick Subvolcanic Intrusive to the west has indicated a shallow north east plunge. Further mapping for plunge indicators in the shaft area is required before spotting the recommended drill hole.

TO: PLACER DOME, AMERICAN BARRICK, PRIME/CORONA  
FROM: Stanley W. Holmes  
SUBJECT: MONTHLY PROGRESS REPORT - MARCH, 1992  
DATE: April 7, 1992

13-04-1992

GENERAL STATEMENT

Field work for the month of March continued in the Bagdad Basin (mapping and surveying) of the Pinafore mine area accompanied by geology and geochemistry of exhalite extensions. Drilling will recommence on the Pinafore claim on April 8, 1992. "Recce" work in the South Bradshaw Belt has terminated in proximity to the Crown King area. The property negotiations with the Iron King vendors (Jim Peterson) have been completed. The final draft contracts are in the hands of both parties and it is anticipated that they will be executed shortly. Studies of the "old data" in the Iron King mine vault have been underway during the month. We were also able to get permission to log and examine the drill hole that was put down by Coronado Resources in 1990. It was better than reported. Mapping continued at the DeSoto property. An agreement has been approved by both parties and it is anticipated that it will be executed in the near future. The DeSoto Mine has not been tested at depth to any extent. A road is being re-hab'd into the property and we hope to be drilling in May. Negotiations continued with Verde Explorations concerning their property holdings in the Jerome area. Negotiations with the United Verde Extension mines (Budge) were completed and we have struck an agreement that is of mutual benefit to both parties. The Verde Exploration's agreement however is running into difficulty. The vendors of the properties are totally unrealistic. They are demanding "ten's of thousand's" of dollars in property payments, high retained interest, and work commitments that A.E.I. finds unreasonable. Discussions are continuing. They have a 1960 - 1970 mentality. The area that we are most interested in is a area immediately surrounding the United Verde Extension mine. This would be approximately 5000.0' on each side and would cover the possibility of an extension of the favorable sulphide-exhalite zone from their mine area.



- PRECAMBRIAN OUTCROPS
- 1 BIG BUG BASIN
- 2 JEROME BASIN
- 3 SOUTH BRADSHAW BASIN
- 4 BAGDAD BASIN

**ARIZONA EXPLORATIONS / INC.**

**PRECAMBRIAN OUTCROPS  
ARIZONA**

Figure 1

A **Syndicate Members** meeting was held in Phoenix on Tuesday, March 23, 1992. The following attended:

John Gardiner	-	Placer Dome
Paul Kavanagh	-	American Barrick
Ken Rye	-	Prime/Corona
Mike Glover	-	A.E.I.
Vernon Shein	-	A.E.I.
Phillip Anderson	-	A.E.I.
Stanley W. Holmes	-	A.E.i.

The above and other points are discussed in more detail below.

#### BAGDAD BASIN AREA

#### PROPOSED PINAFORE DRILLING PROGRAM

The **Pinafore** property and the initial drilling program (PIN - #1) was discussed in some detail (separate report) with the **Monthly Progress Report -February, 1992** (dated March 5, 1992). A general discussion was held at the Syndicate members meeting (March 23rd) concerning the fact that A.E.I. controls one claim (**Eureka**) which is commonly known as the **Pinafore** surrounded by an area that has been withdrawn from staking (temporarily) until a question of **Endangered Species** status for the Mexican Land Tortoise is decided (see map). This has been decided now and the area will come open in the near future.

It was decided at the Syndicate meeting and unanimously voted (affirmative) by all members of the Syndicate that three (3) more holes will be drilled on the **Pinafore** property immediately. This would tell us what the detailed character of the mineralization might be. It would also give us more incentive if encouraging to continue on our quest for more land from the B.L.M.



## DRILLING PROGRAM

A series of holes (PIN - #2, #3, #4) were engineered to cut the horizon at depth ranging from 650.0' to 800.0' (see attached map - "geology" - Pinafore area). It will be noted that two (2) of the holes (PIN -#2 and PIN - #4) will be drilled from the original Pinafore (PIN -#1) platform. Hole #3 will be drilled from a pad approximately 100.0' to the south and west.

The claim has been surveyed by Dietz and Associates. This included location of the claim corners, the discovery monument, the original shaft and the two adits entering from the north-west. The drill pad was also surveyed in. This will allow us to have as accurate a geometric picture as possible when calculating the dip strike and plunge of the mineralized zone. It was mentioned previously now that it appears that the zone is "pipe-like" dipping steeply (80 degrees) to the north and west and plunging steeply (85 degrees) to the north. A copy of this map is attached.

A drill contract has been let to **Drilling Services** (Phoenix) and the drilling is to get underway on Thursday, April 9th. The three (3) holes are all approximately 1000.0' in depth and range from inclinations of 60.0 to 75.0 degrees. A contract has been let to **Century Geophysical Corp.** to survey the holes so that we will have another factor in our quest to know exactly where the structure lies that we are drilling. **Rayrock Resources** (Jim Poulsen) reported wandering of holes (800.0 plus) at the **Kay Mine**, - which was recently drilled (R.C.). The assays will be sent to **American Assay Labs** in Tucson for analyses.

## PROPERTY SITUATION

The claim map (Larry Dietz and Associates) was recently completed on the **Pinafore** (Eureka Claims). The claim corner brass peg's were found and surveyed in as well as the discovery monument, old shafts, adits and the PIN - #1 drill collar. All of this will be of use to us in plotting the geometry of the mineralized zone as it evolves.

Representations have been made by letter to the B.L.M. (**Kenneth Drew** - Kingman) requesting that B.L.M. consider opening up the section for staking. No reply has been received as yet. Discussions with these gentlemen by phone indicate that the situation is one that will evolve with the final publication of the Environmental Impact Study that was done on this area. This is due momentarily. It is known that the Station Chief (Drew) has total autonomy in his district and opening up a section for staking is something that he can decide upon within his office.

Also attached is a letter (March 24, 1992) from John Lacy of our legal firm (DeConcini, McDonald, Brammer, Yetwin and Lacy) putting forth his opinion on the **Pinafore** claim with respect to the "**Apex Law**" which is still in effect in Arizona. As the letter implies Lacy is quite optimistic about our rights (i.e. down dip) and suggests that there may be some reason to also claim lateral rights (strike-wise) on the property. Lacy is considered the "leader" in the field of "claim disputes" in Arizona.

#### YOUNG DICK PROPERTY

As mentioned in the **Monthly Progress Report - February, 1992** (dated March 5, 1992) two (2) holes YD1 (800.0') and YD2 (560.0') totaling 1360.0' were completed at the **Young Dick** property. No significant mineralization was encountered. A report with accompanying drill log data describing the program in detail is attached to the rear of the report. This was prepared by Mike Glover of the Bagdad office.

#### EXHALITE - FELSIC CONTACT TRACING

As discussed in the **February, 1992 - Monthly Progress Report** - dated March 5, 1992) tracing of the (exhalite-sulphide) horizons from the north-east to the south-west associated with the **Old Dick, Bruce, Copper King, Copper Queen** mines to the north of A.E.I.'s holdings has been completed. A report discussing this in detail is attached to the **Monthly Progress Report**. This was compiled by Mike Glover (Bagdad Office). A brief summary follows:

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DECONCINI (1901-1988)

JOHN R. McDONALD    J. WM. BRAMMER, JR.  
RICHARD M. YETWIN    JOHN C. LACY  
DINO DECONCINI        ROBERT M. STRUSE  
WILLIAM B. HANSON    JOHN C. RICHARDSON  
DAVID C. ANSON        JAMES A. JUTRY  
SPENCER A. SMITH     MICHAEL R. URMAN  
DENISE M. BAINTON    DAVID F. GAONA  
KAREN J. NYGAARD     FRANCES J. HAYNES  
PHILIP R. WOOTEN     LUIS A. OCHOA  
SUSAN E. MILLER      GARY F. URMAN  
MARK D. LAMMERS      WAYNE E. YEHLING  
CHRISTINA URIAS      RONALD M. STOLL  
GREGORY W. HUBER

2525 EAST BROADWAY BOULEVARD, SUITE 200  
TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
FAX: (602) 322-5585

March 24, 1992

2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

Stanley W. Holmes  
President  
Arizona Explorations Inc.  
8433 North Blank Canyon Hwy., Suite 158  
Phoenix, Arizona 85021

Re: Pinafore Claim; Bagdad District

Dear Stan:

I am sorry I wasn't able to get anything to you in writing before your meeting and I hope my comments over the telephone were sufficient.

Generally speaking, the apex law under the United States mining law (see Title 30, U.S. Code § 26) grants to the owner of a lode claim:

the exclusive right of possession of all veins . . . , throughout their entire depth, the top or apex of which lies inside [the claim's] surface lines . . . although such veins, lodes, or ledges may so far depart from a perpendicular in their course downward as to extend outside the vertical side lines of such surface location.

The law goes on to limit this right with the following language:

But their right of possession to such outside part of such veins or ledges shall be confined to such portions thereof as lie between vertical planes drawn downward as above described, through the end lines of their locations, so continued in their own direction that such planes will intersect such exterior

Stanley W. Holmes  
March 24, 1992  
Page 2

parts of such veins or ledges. Nothing in this section shall authorize the locator or possessor of a vein or lode which extends in its downward course beyond the vertical lines of his claim to enter upon the surface of a claim owned or possessed by another.

Thus, by way of explanation, the extralateral right is limited to pursuit along the dip of a vein through the side lines defined by planes drawn by extending the end lines along the surface and vertically into the ground. If end lines as extended are not parallel, the right may be lost because of either convergence of the end lines or by a lack of definition in the case of divergent end lines. The right cannot be followed along the strike of the vein because this sort of right would be completely lacking in definition as it would be impossible to determine the priority of claims along the strike.

The exercise of the right in the face of a withdrawal poses an interesting question. It is my opinion that if the existence of the vein and the definition of its apex can be established prior to a withdrawal or other action that would create a non-mineral status, the withdrawal or other action cannot limit the right. In this case, the facts related to the adjacent ground down dip from the Pinafore claim creates an additional factual and legal question.

Prior to its most recent conveyance to the United States, Section 2 was vested in the State of Arizona. During the time the land was vested in the State it would not have been subject to the attachment of rights under the United States mining laws and thus the existence of these rights must be established prior to the state's ownership. Section 2 (along with Section 32) within each township, so long as it was "non-mineral" in character, was first reserved for future use by the State of Arizona under the Statehood Enabling Act of June 20, 1910, in support of the common school system. Prior to the passage of the enabling act, Section 2 would have been in the public domain and subject to rights under the mining law. If the land was originally classified as "mineral" (not an unlikely scenario given its proximity to patented mining claims) the land would not have been "released" to the state until January 25, 1927.

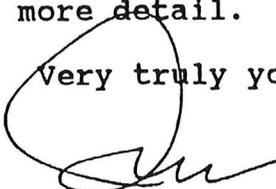
Thus, in order for extralateral rights to have attached by virtue of the Pinafore claim, the apex would have to be established prior to either the 1910 or 1927 date depending on the history of this particular land. I would therefore appreciate your reviewing

Stanley W. Holmes  
March 24, 1992  
Page 3

your records on the early history of the claim so that the factual basis for an exercise of these rights can be verified.

Please let me know if I can answer any further questions or explain the foregoing in any more detail.

Very truly yours,



John C. Lacy

## SUMMARY

### ABSTRACT

#### **OBJECTIVE:**

To trace and define geological environments favorable to the development of Volcanogenic Massive Sulphides (VMS) on and proximal to the Bagdad Basin Property that have not been previously examined in detail by A.E.I.

#### **METHOD:**

Geological mapping and lithochemical sampling were undertaken in an effort to locate and define the Bridle mafic and Dick Felsic Formational Contact and possible extensions of the AX Stratigraphic package.

#### **RESULTS:**

Four geologically interesting area's yielding coincident favorable geochemical anomalies have been identified; The AX Extension, the Round Mountain West Area, The Pinafore, and The Section 11N Area.

#### **CONCLUSIONS:**

The four area's of interest defined by this phase of mapping exhibit geochemical alteration signatures characteristic of VMS mineralization and should be examined further. Unfortunately, the ground position in all of the defined area's of interest is restricted at present.

#### **RECOMMENDATIONS:**

Subsequent to obtaining a more favorable ground position, these area's all warrant follow up programs including drill testing.

The program or exercise of "skimming" along the exhalitive horizons and mapping out geological sections of the exhalite horizon along with litho geochemistry proved to be not only cost effective but also a rapid way of doing the reconnaissance. This is based on being knowledgeable of the general stratigraphy of the area. The report by Glover discussed each of the details in the four (4) areas and accompanying the report are the following:

- 1) Geological map (2 sheets - North and South half showing the critical areas).
- 2) Geochem maps -
  - a) North and South, **Cu**
  - b) North and South, **Zn**
  - c) North and South, **Cd**
  - d) North and South, **Pb**
  - e) North and South, **Mg**

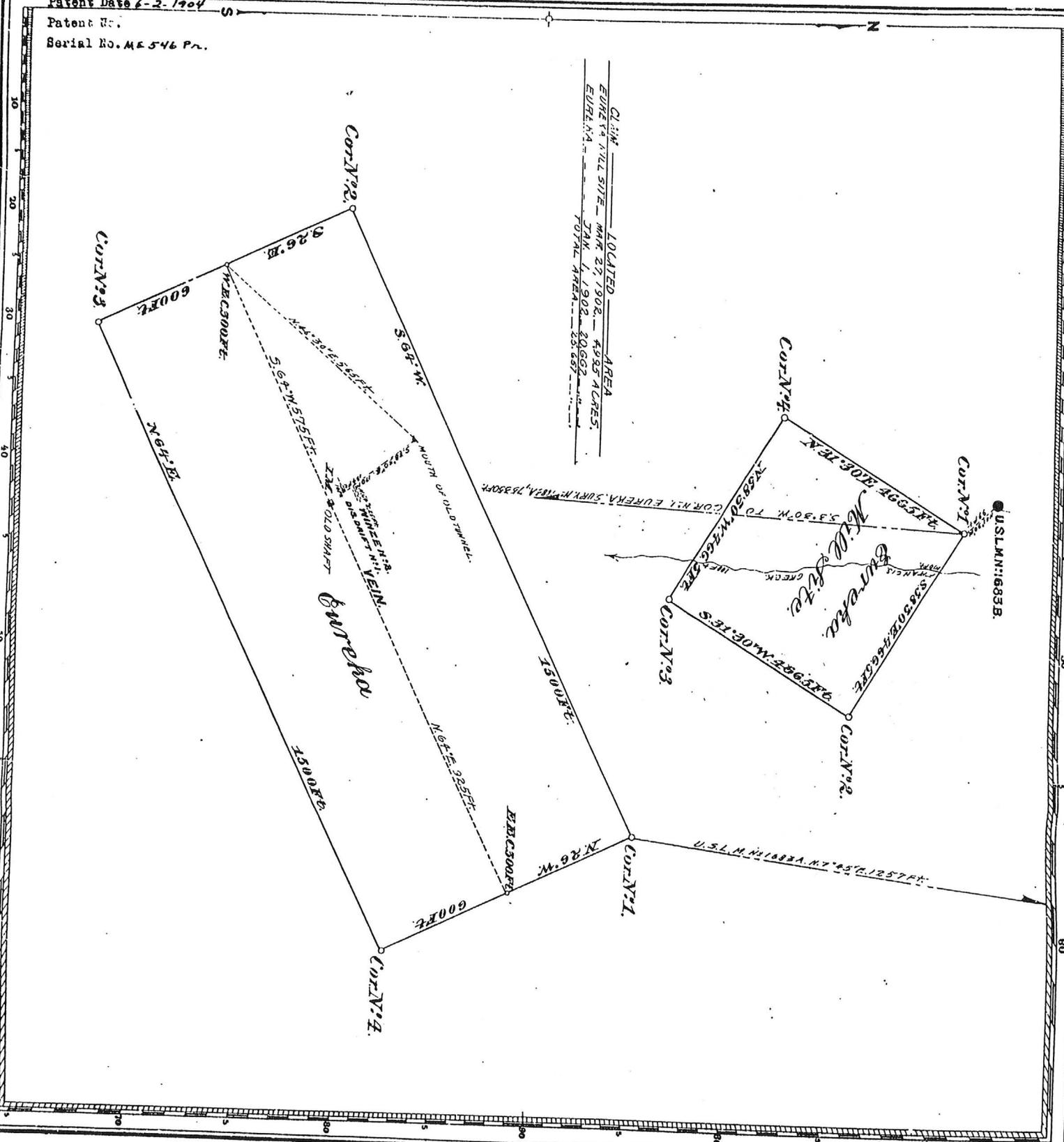
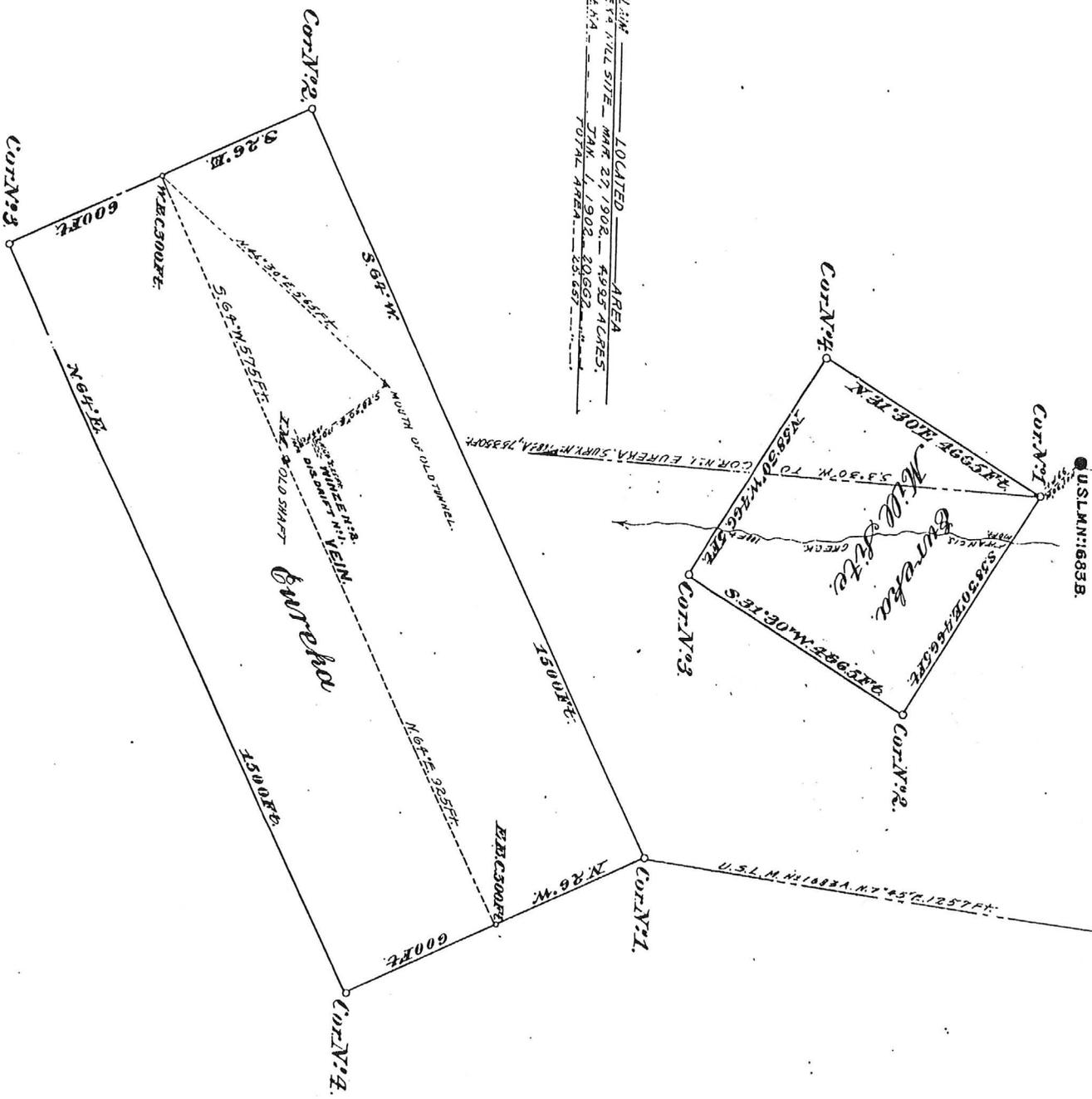
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It is of interest and promise that if one studies the **Pinafore** area geology and geochemical maps it will be noted that the anomalies for all the critical elements are completely enclosed by the single **Pinafore** claim. The geochem correspond fairly accurately to the geological interpretation. This can be used as a model in applying our knowledge to other parts of the belt (exhalite horizon) with respect to making a drill decision.

If no mineralization had been discovered on the **Pinafore (Eureka Claim)** one would have drilled it on the basis of its geomorphology (high silica content forming a ridge) the favorable **Bruce - Old Dick** horizon, and the associated geochemical signature. The area presented itself as a first class target and as our later drilling showed the mineralization is located stratigraphically where it occurs at other mines in the area. A claim map of the **Pinafore** is attached.

Patent Date 6-2-1904  
 Patent No.  
 Serial No. ME 546 P.

CLAIM LOCATED AREA  
 EUREKA WILLO SITE - MAR 27, 1902 - 4085 ACRES.  
 EUREKA JAN 1, 1902 - 20662  
 TOTAL AREA - 25,647



Claim Located

Mineral Su

EUREKA

IN

Containing an

Scale

The Original Field

known as the

EUREKA

From which this p  
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 tion of said Min  
 some fully, to iden  
 is made therein, to  
 as will appreciate a  
 of further certifi  
 been operated on  
 Claim by claimant  
 said improvements,  
 that the location of  
 upon this plat, an  
 plements has bee  
 bars upon any oth  
 and of further certifi  
 claim made in any  
 survey thereon, and  
 ATTEST My hand and  
 the date of this  
 1904





Loc	Geochem			Assays				
	#	Cu(ppm)	Pb(ppm)	Zn(ppm)	#	Cu%	Zn%	Pb(ppb)
	348585	15	12	169				
	"							
	"							
ht increase in SiO2 and minor	348586	35	20	132				
ht increase in SiO2 and minor	"							
ht increase in SiO2 and minor	"							
Fracture zone	"							
	348587	30	31	273				
	"							
	"							
itic dye	348588	22	36	204				
decrease in degree of Rx'n	"							
	"							
weak Frac zone with Q str's	348589	31	25	186				
itic dye	"							
	"							
	348590	39	39	157				
	"							
	"							
	348591	43	19	161				
	"							
	"							
	348592	11	5	131				
	"							
	"							
	348593	26	24	163				
	"							
	"							
	348594	24	48	193				
	"							
	"							
30%	348595	29	91	313				
30%	"							
reased SiO2	"							
30%	"							
	348596	46	120	430				
	"							
massively Massive and minor 7c	"							
	"							
reased mafics	348597	60	60	366				
mediate composition dick mafic	"							
rid with Rx'n overprint.	"							
	"							
25%	348598	61	81	345				
20%	"							
	"							
	348599	38	75	116				
	"							
	"							



e:PIN-1

Rock To Type	Colour	Gr. Size	Qtz-Eyes	Bed/Lens	Al-Sil's	Monazite	Sulphides	Remarks	Geochem #	Cu(ppm)	Pb(ppm)	Zn(ppm)	Assays #	Cu%	Zn%	Pu(ppm)
605 7c, 17	siliceous							Silicified mafic rather than Hybrid	348600	71	56	243	348917	0.01	0.03	<5
610 37									"				348918	0.01	0.02	7
615 37									"				348919	0.01	0.04	13
620 37									"				348920	0.01	0.04	12
625 37									"				348921	0.00	0.03	9
630 37								V sil R'd buff	348601	66	223	841	348922	0.00	0.04	8
635 37								W: Bt/Chl/Ser Locally	"				348923	0.01	0.19	4
640 37								W: Bt/Chl/Ser Locally	"				348924	0.01	0.09	15
645 37								QV 40% white	"				"			
650 37								QV 70% white	348602	28	52	248	"			
655 37								Decreasing Fol'n and Alt'n	"				"			
660 37									"				"			
665 37								QV 60% Wt	348603	101	118	589	"			
670 37									"				"			
675 37								QV 60% Wt	"				"			
680 37								Moderate fracture zone	"				"			
685 37								Disseminated fine grained sulphides	348604	497	92	730	348925	0.07	0.04	<5
690 37								Very Sil. Incr. py. Bt flecks	"				348926	0.07	0.06	<5
695 37								Very Sil. Incr. py. Bt flecks	"				348927	0.05	0.10	<5
700 37									"				348928	0.04	0.05	<5
705 2-37									348605	33060	119	73338	348929	0.22	0.08	34
710 2-37								709-727 Wt. Fine grained Cu/Zn rich	"				348930	1.98	2.76	180
715 57								massive sulphides	"				348931	8.29	11.70	474
720 57									"				348932	3.14	10.80	414
725 57									348606	15096	59	85379	348933	3.34	15.90	504
730 57									"				348934	1.89	11.00	280
735 57									"				348935	0.19	0.49	14
740 57									"				348936	0.20	0.79	22
745 57								Strongly and pervasively hematized	0348607	210	19	948	"			
750 57								Strongly and pervasively hematized	"				"			
755 57								Strongly and pervasively hematized	"				"			
760 57								Strongly and pervasively hematized	"				"			
765 57								Welder Rx'n	348608	158	15	480	"			
770 57									"				"			
775 57								Trace unfr'd quartz eyes	"				"			
780 57									348609	272	14	1452	"			

Arizona Explorations Reverse Circulation Drill Hole Log

HOLE: 214-1 PROPERTY: Bugged Basin ZONE: Pinalcave

Collar Coordinates Hole Info

Lat	0 N	Re.	150	Startdate	16-Feb-92	IDP #	346571-346509
Long	0 E	Dip	45	Complete	16-Feb-92	Passay #	346505-346536
El	3190	Depth	750	Geologist	H.J. Stover		

TO: PLACER DOME, AMERICAN BARRICK, PRIME/CORONA  
FROM: Stanley W. Holmes  
SUBJECT: MONTHLY PROGRESS REPORT - MARCH, 1992  
DATE: April 7, 1992

13-04-1992

GENERAL STATEMENT

Field work for the month of March continued in the Bagdad Basin (mapping and surveying) of the Pinafore mine area accompanied by geology and geochemistry of exhalite extensions. Drilling will recommence on the Pinafore claim on April 8, 1992. "Rece" work in the South Bradshaw Belt has terminated in proximity to the Crown King area. The property negotiations with the Iron King vendors (Jim Peterson) have been completed. The final draft contracts are in the hands of both parties and it is anticipated that they will be executed shortly. Studies of the "old data" in the Iron King mine vault have been underway during the month. We were also able to get permission to log and examine the drill hole that was put down by Coronado Resources in 1990. It was better than reported. Mapping continued at the DeSoto property. An agreement has been approved by both parties and it is anticipated that it will be executed in the near future. The DeSoto Mine has not been tested at depth to any extent. A road is being re-hab'd into the property and we hope to be drilling in May. Negotiations continued with Verde Explorations concerning their property holdings in the Jerome area. Negotiations with the United Verde Extension mines (Budge) were completed and we have struck an agreement that is of mutual benefit to both parties. The Verde Exploration's agreement however is running into difficulty. The vendors of the properties are totally unrealistic. They are demanding "ten's of thousand's" of dollars in property payments, high retained interest, and work commitments that A.E.I. finds unreasonable. Discussions are continuing. They have a 1960 - 1970 mentality. The area that we are most interested in is a area immediately surrounding the United Verde Extension mine. This would be approximately 5000.0' on each side and would cover the possibility of an extension of the favorable sulphide-exhalite zone from their mine area.

A **Syndicate Members** meeting was held in Phoenix on Tuesday, March 23, 1992. The following attended:

John Gardiner	-	Placer Dome
Paul Kavanagh	-	American Barrick
Ken Rye	-	Prime/Corona
Mike Glover	-	A.E.I.
Vernon Shein	-	A.E.I.
Phillip Anderson	-	A.E.I.
Stanley W. Holmes	-	A.E.i.

The above and other points are discussed in more detail below.

#### BAGDAD BASIN AREA

#### PROPOSED PINAFORE DRILLING PROGRAM

The Pinafore property and the initial drilling program (PIN - #1) was discussed in some detail (separate report) with the **Monthly Progress Report -February, 1992** (dated March 5, 1992). A general discussion was held at the Syndicate members meeting (March 23rd) concerning the fact that A.E.I. controls one claim (**Eureka**) which is commonly known as the **Pinafore** surrounded by an area that has been withdrawn from staking (temporarily) until a question of **Endangered Species** status for the Mexican Land Tortoise is decided (see map). This has been decided now and the area will come open in the near future.

It was decided at the Syndicate meeting and unanimously voted (affirmative) by all members of the Syndicate that three (3) more holes will be drilled on the Pinafore property immediately. This would tell us what the detailed character of the mineralization might be. It would also give us more incentive if encouraging to continue on our quest for more land from the B.L.M.



## DRILLING PROGRAM

A series of holes (PIN - #2, #3, #4) were engineered to cut the horizon at depth ranging from 650.0' to 800.0' (see attached map - "geology" - Pinafore area). It will be noted that two (2) of the holes (PIN -#2 and PIN - #4) will be drilled from the original Pinafore (PIN -#1) platform. Hole #3 will be drilled from a pad approximately 100.0' to the south and west.

The claim has been surveyed by Dietz and Associates. This included location of the claim corners, the discovery monument, the original shaft and the two adits entering from the north-west. The drill pad was also surveyed in. This will allow us to have as accurate a geometric picture as possible when calculating the dip strike and plunge of the mineralized zone. It was mentioned previously now that it appears that the zone is "pipe-like" dipping steeply (80 degrees) to the north and west and plunging steeply (85 degrees) to the north. A copy of this map is attached.

A drill contract has been let to Drilling Services (Phoenix) and the drilling is to get underway on Thursday, April 9th. The three (3) holes are all approximately 1000.0' in depth and range from inclinations of 60.0 to 75.0 degrees. A contract has been let to Century Geophysical Corp. to survey the holes so that we will have another factor in our quest to know exactly where the structure lies that we are drilling. Rayrock Resources (Jim Poulsen) reported wandering of holes (800.0 plus) at the Kay Mine, - which was recently drilled (R.C.). The assays will be sent to American Assay Labs in Tucson for analyses.

## PROPERTY SITUATION

The claim map (Larry Dietz and Associates) was recently completed on the Pinafore (Eureka Claims). The claim corner brass peg's were found and surveyed in as well as the discovery monument, old shafts, adits and the PIN - #1 drill collar. All of this will be of use to us in plotting the geometry of the mineralized zone as it evolves.

Representations have been made by letter to the B.L.M. (Kenneth Drew - Kingman) requesting that B.L.M. consider opening up the section for staking. No reply has been received as yet. Discussions with these gentlemen by phone indicate that the situation is one that will evolve with the final publication of the Environmental Impact Study that was done on this area. This is due momentarily. It is known that the Station Chief (Drew) has total autonomy in his district and opening up a section for staking is something that he can decide upon within his office.

Also attached is a letter (March 24, 1992) from John Lacy of our legal firm (DeConcini, McDonald, Brammer, Yetwin and Lacy) putting forth his opinion on the Pinafore claim with respect to the "Apex Law" which is still in effect in Arizona. As the letter implies Lacy is quite optimistic about our rights (i.e. down dip) and suggests that there may be some reason to also claim lateral rights (strike-wise) on the property. Lacy is considered the "leader" in the field of "claim disputes" in Arizona.

#### YOUNG DICK PROPERTY

As mentioned in the Monthly Progress Report - February, 1992 (dated March 5, 1992) two (2) holes YD1 (800.0') and YD2 (560.0') totaling 1360.0' were completed at the Young Dick property. No significant mineralization was encountered. A report with accompanying drill log data describing the program in detail is attached to the rear of the report. This was prepared by Mike Glover of the Bagdad office.

#### EXHALITE - FELSIC CONTACT TRACING

As discussed in the February, 1992 - Monthly Progress Report - dated March 5, 1992) tracing of the (exhalite-sulphide) horizons from the north-east to the south-west associated with the Old Dick, Bruce, Copper King, Copper Queen mines to the north of A.E.I.'s holdings has been completed. A report discussing this in detail is attached to the Monthly Progress Report. This was compiled by Mike Glover (Bagdad Office). A brief summary follows:

DECONCINI McDONALD BRAMMER YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

EVO DECONCINI (1801-1988)

JOHN R. McDONALD    J. WM. BRAMMER, JR.  
RICHARD M. YETWIN    JOHN C. LACY  
DINO DECONCINI    ROBERT M. STRUSE  
WILLIAM B. HANSON    JOHN C. RICHARDSON  
DAVID C. ANSON    JAMES A. JUTRY  
SPENCER A. SMITH    MICHAEL R. URMAN  
DENISE M. BAINTON    DAVID F. GAONA  
KAREN J. NYGAARD    FRANCES J. HAYNES  
PHILIP R. WOOTEN    LUIS A. OCHOA  
SUSAN E. MILLER    GARY F. URMAN  
MARK D. LAMMERS    WAYNE E. YEHLING  
CHRISTINA URIAS    RONALD M. STOLL  
GREGORY W. HUBER

2525 EAST BROADWAY BOULEVARD, SUITE 200  
TUCSON, ARIZONA 85716-5303  
(602) 322-5000  
FAX: (602) 322-5585

March 24, 1992

2901 NORTH CENTRAL AVENUE, SUITE 1644  
PHOENIX, ARIZONA 85012-2736  
(602) 241-0100  
FAX: (602) 241-0220

PLEASE REPLY TO TUCSON

Stanley W. Holmes  
President  
Arizona Explorations Inc.  
8433 North Blank Canyon Hwy., Suite 158  
Phoenix, Arizona 85021

Re: Pinafore Claim; Bagdad District

Dear Stan:

I am sorry I wasn't able to get anything to you in writing before your meeting and I hope my comments over the telephone were sufficient.

Generally speaking, the apex law under the United States mining law (see Title 30, U.S. Code § 26) grants to the owner of a lode claim:

the exclusive right of possession of all veins . . . , throughout their entire depth, the top or apex of which lies inside [the claim's] surface lines . . . although such veins, lodes, or ledges may so far depart from a perpendicular in their course downward as to extend outside the vertical side lines of such surface location.

The law goes on to limit this right with the following language:

But their right of possession to such outside part of such veins or ledges shall be confined to such portions thereof as lie between vertical planes drawn downward as above described, through the end lines of their locations, so continued in their own direction that such planes will intersect such exterior

Stanley W. Holmes  
March 24, 1992  
Page 2

parts of such veins or ledges. Nothing in this section shall authorize the locator or possessor of a vein or lode which extends in its downward course beyond the vertical lines of his claim to enter upon the surface of a claim owned or possessed by another.

Thus, by way of explanation, the extralateral right is limited to pursuit along the dip of a vein through the side lines defined by planes drawn by extending the end lines along the surface and vertically into the ground. If end lines as extended are not parallel, the right may be lost because of either convergence of the end lines or by a lack of definition in the case of divergent end lines. The right cannot be followed along the strike of the vein because this sort of right would be completely lacking in definition as it would be impossible to determine the priority of claims along the strike.

The exercise of the right in the face of a withdrawal poses an interesting question. It is my opinion that if the existence of the vein and the definition of its apex can be established prior to a withdrawal or other action that would create a non-mineral status, the withdrawal or other action cannot limit the right. In this case, the facts related to the adjacent ground down dip from the Pinafore claim creates an additional factual and legal question.

Prior to its most recent conveyance to the United States, Section 2 was vested in the State of Arizona. During the time the land was vested in the State it would not have been subject to the attachment of rights under the United States mining laws and thus the existence of these rights must be established prior to the state's ownership. Section 2 (along with Section 32) within each township, so long as it was "non-mineral" in character, was first reserved for future use by the State of Arizona under the Statehood Enabling Act of June 20, 1910, in support of the common school system. Prior to the passage of the enabling act, Section 2 would have been in the public domain and subject to rights under the mining law. If the land was originally classified as "mineral" (not an unlikely scenario given its proximity to patented mining claims) the land would not have been "released" to the state until January 25, 1927.

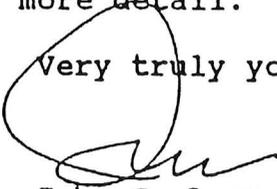
Thus, in order for extralateral rights to have attached by virtue of the Pinafore claim, the apex would have to be established prior to either the 1910 or 1927 date depending on the history of this particular land. I would therefore appreciate your reviewing

Stanley W. Holmes  
March 24, 1992  
Page 3

your records on the early history of the claim so that the factual basis for an exercise of these rights can be verified.

Please let me know if I can answer any further questions or explain the foregoing in any more detail.

Very truly yours,



John C. Lacy

9203231446.JCL2.900955

## SUMMARY

### ABSTRACT

**OBJECTIVE:** To trace and define geological environments favorable to the development of Volcanogenic Massive Sulphides (VMS) on and proximal to the Bagdad Basin Property that have not been previously examined in detail by A.E.I.

**METHOD:** Geological mapping and lithochemical sampling were undertaken in an effort to locate and define the Bridle mafic and Dick Felsic Formational Contact and possible extensions of the AX Stratigraphic package.

**RESULTS:** Four geologically interesting areas yielding coincident favorable geochemical anomalies have been identified; The AX Extension, the Round Mountain West Area, The Pinafore, and The Section 11N Area.

**CONCLUSIONS:** The four areas of interest defined by this phase of mapping exhibit geochemical alteration signatures characteristic of VMS mineralization and should be examined further. Unfortunately, the ground position in all of the defined areas of interest is restricted at present.

**RECOMMENDATIONS:** Subsequent to obtaining a more favorable ground position, these areas all warrant follow up programs including drill testing.

The program or exercise of "skimming" along the exhalitive horizons and mapping out geological sections of the exhalite horizon along with litho geochemistry proved to be not only cost effective but also a rapid way of doing the reconnaissance. This is based on being knowledgeable of the general stratigraphy of the area. The report by Glover discussed each of the details in the four (4) areas and accompanying the report are the following:

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If no mineralization had been discovered on the Pinafore (**Eureka Claim**) one would have drilled it on the basis of its geomorphology (high silica content forming a ridge) the favorable Bruce - Old Dick horizon, and the associated geochemical signature. The area presented itself as a first class target and as our later drilling showed the mineralization is located stratigraphically where it occurs at other mines in the area. A claim map of the Pinafore is attached.

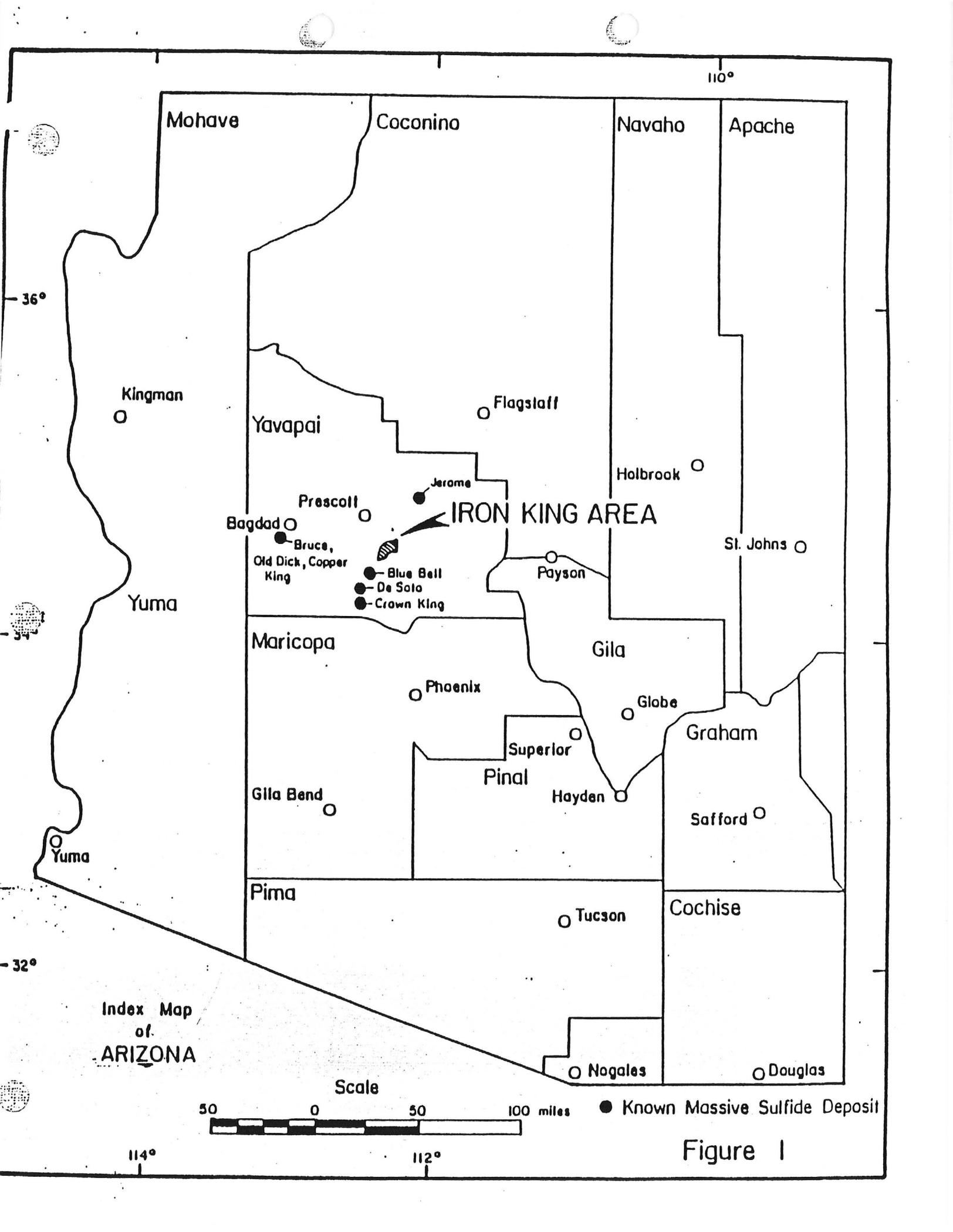
## BIG BUG BASIN - DESOTO MINE AREA

The Desoto Mine area geology and sulphide occurrences was discussed in some detail in the Monthly Progress Report- February, 1992 (March 5, 1992 - page 7) along with several diagrams and sections. It was fully described at the Syndicate Members meeting (March 23rd). We have been acquiring much material from Richard Mieritz who was the Consulting Geologist for Sherwood Owens (the vendor-Tucson) over the past 40 years. Mr. Mieritz is approximately 75 years of age now, active/mobile/sound mind. His office contains a great deal of data and literature up to the present day. We have been going through the files and other sources that Mieritz has and taken all of the pertinent drawings relating to the geology, underground workings and ancillary data. This material is being studied in our Phoenix office. This study will clarify the situation and hopefully develop a model upon which exploration methodology can be carried out. It is anticipated this work will take another week or two.

At the DeSoto Mine (map attached) we are carrying out "rehab" of the mine access road. It is accessible now by four wheel drive however requires a certain amount of upgrading to facilitate the access of a drill or similar equipment. Old survey lines are being located on the property and a simple control grid established so that surface work can commence. Surface work will commence of geological mapping (1" = 100") accompanied by lithogeochemistry of the rocks types. The initial returns from our preliminary visit to the property were surprisingly high where copper, lead, zinc and silver occur over the area's of known mineralization.

It is anticipated that a geological and lithogeochemical map or maps will be completed by mid May. At this time we anticipate drilling will commence. The topography which is extremely rough in this area (up to 1000.0' difference in several hundred feet horizontally) facilitates drilling from the east side of the "felsic package" to the west. This results in a difference in elevation of approximately 800.0' to 900.0' and will appreciably cut down footage.

A reconnaissance style preliminary map is attached to the report for your perusal. This is a compilation of the past work carried out by different companies. The map we are putting together will more consistent with the rock types that we have been working on throughout this area as well



Index Map  
of  
ARIZONA

Scale



● Known Massive Sulfide Deposit

Figure 1

as other basins in the central Arizona volcanic belt. The rock types here do not differ appreciably and every indication is that we will be able to fit the model into the DeSoto environment.

### IRON KING MINE AREA

A compilation of material from the Iron King area is being added to. We now have access to some of the old vaults controlled by the Gibb's Family (the founder of the Iron King) in the area. Also files from Peterson (the owner) as well as Coronado Resources have added to our knowledge of the property. Surface mapping is complete and there is every indication that we are in a package of felsic volcanic rocks similar to those we have experienced in other parts of the Arizona Central Volcanic belt.

At the present time we are compiling much data on the South End of the property. The consulting geologists for Iron King when it was operating was "Still and Still" out of Prescott. The son, Arthur Still is still practicing in Tucson and is a source of information as well as Paul Gilmour who wrote the first VMS type paper on the deposit when he was the Chief Geologist (Reno Sales Volume). Stan West acquired the Iron King property back in 1984 when a deal was made with James Peterson. The property was then optioned to Coronado Resources and from Coronado back to Stan West and from Stan West back to the original owner, Peterson. This is the gentleman we have consummated an agreement with.

During the tenure with the Stan West surface mapping was carried out along the strike of the belt. The property was briefly optioned to Santa Fe Mining who drilled (R.C.) the hanging and footwall portions of the property in hopes of finding economic grades of gold in the hanging and footwall sides enclosing the stopes that break through to surface. These were tested to depths of several hundred feet and although gold was encountered were not considered to be of sufficient size.

During the tenure of the property with Coronado Resources a single diamond drill hole (Coronado hole #1) was drilled in the southern extension of the property. Enclosed with the report is a longitudinal section of the Iron King workings. The Coronado hole cut approximately 520.0' to the south and

TO:

Arizona Explorations Inc.

7 March 1992

## SIGNIFICANCE OF IRON KING MINERALIZATION IN HOLE CRD-1

Recent logging of a 1461' diamond drill hole that cut 845' beneath the south end of the Iron King orebody has revealed a remarkably detailed picture of the origin and evolution of stratabound syngenetic mineralization that gave rise to the Iron King massive sulphide orebody.

Deposition of the 6 million-ton Iron King orebody was intimately tied to evolution of a suite of submarine dacitic ash-flow tuffs, many carrying primary syngenetic sulphides, which were laid down in an upward-fining sequence. As the sedimentation rate of the ash-flow sheets diminished, felsic tuffs rich in sulphides, tuffites, and semimassive sulphide cherts accumulated.

Coronado split only half the mineralized rock in the core, and sampled semimassive and massive sulphides with adjacent schist on a mining-width concept, thereby diluting intercepts well below their true grades, and giving an erroneous picture of mineral distribution in the core. Much of the chloritic zone below the main sulphide beds is copper-rich over short intervals, but was not sampled. Bedded syngenetic sulphides throughout hundreds of feet of footwall ash-flow tuffs was also not sampled. Sulphides are far more extensive than Coronado sampling indicates.

The southern end of the Iron King massive sulphide consists of three main ore beds that lie above almost 100 feet of tuffs rich in syngenetic sulphides (and gold from surface samples):

- (1) The lowest is copper-rich and closely tied to chlorite-quartz alteration in footwall strata;
- (2) The middle is richest in zinc and lead and contains the highest grade (massive) sulphides;
- (3) The upper horizon is primarily semimassive pyrite exhalite and is richest in gold.

Sulphide mineralization intersected in hole CRD-1 is lower in grade than in the main part of the orebody, but indicates that even in the distal extremities, Iron King sulphide mineralization occupies a stratigraphic width of at least 150 feet, 70% of which is potentially ore-bearing rock. This means, as a metal system, the Iron King may far exceed the United Verde in total sulphides, and therefore, that only a *very small part* of the entire massive sulphide deposit was ever mined.

Because of the size of the sulphide system and its probable wide lateral extent north and south of the workings and to depth, our initial program of 2 drill holes will substantially clarify understanding of the sulphide body below 1000' depth, but cannot be expected to conclusively rule out the possibility of additional ore in the system. All holes in the fringe regions of the known orebody are likely to intersect semimassive sulphide mineralization, so it is possible that more drilling may be necessary before we can prove the existence of a second orebody nearby.

One of the keys to understanding the loci of ore deposition in the Iron King sulphide system is clearly in detailed analysis of the depositional patterns and sources of the ash-flow tuff units that produced the host sequence and gave rise to concentrations of stratabound massive sulphide ore. Therefore, a much more detailed analysis of all mine data is warranted and well worthwhile before the best drill hole sites can be located to test the potential for additional ore.

Phillip Anderson, Ph.D.  
Precambrian Research and Exploration Inc.

# DIAMOND DRILL RECORD

PROPERTY IRON KING MINE

HOLE No. CRD - 1

DIP TEST		
Footage	Angle	
	Reading	Corrected

Hole No. CRD - 1 Sheet No. \_\_\_\_\_  
 Section 120° through # 5 shaft  
 Date Begun 30 March 1992  
 Date Finished 2 April 1992

Lat. 600' S  
 Dep. 800' W  
 Bearing 120° / -60°  
 Elev. Collar 4800'

Total Depth 1461'  
 Logged By P. Anderson  
 Claim \_\_\_\_\_  
 Core Size HQ to NQ

DEPTH	DESCRIPTION	SAMPLE No.	WIDTH OF SAMPLE	Au (o/t)	Cu (ppm)	Pb (ppm)	Zn (ppm)
<b>BRIEF SUMMARY LOG</b>							
22' - 192'	Coarse-grained feldspar-crystal Spud Mountain fragmental dacites, tuffs and breccias with local syngenetic pyrite, pyrrhotite and chalcopyrite.						
192' - 470'	Interbedded feldspar-crystal dacitic ash flow tuffs and rhyodacitic tuffs with strong sericite and local bedded sulphides in graded cyclical units.						
470' - 842'	Interbedded rhyolitic tuff and fine-grained dacitic ash flow tuffs with bedded sulphides and chlorite-chalcopyrite integral to depositional cycles.						
842' - 848'	Fault zone [Footwall graded units all fine upward]						
848' - 1062'	Mainly sericitic rhyolitic tuff (and interbedded dacite and andesite tuff) with abundant syngenetic pyrite and chalcopyrite in chlorite-quartz-rich beds and stringers; minor bedded sphalerite-galena; up to 5% Cu locally.						
1062' - 1128'	Sulphide-rich rhyolitic tuffs with disseminated to semimassive pyrite (plus sphalerite, chalcopyrite and galena) bedded throughout depositional units.						
1128' - 1183'	First ore cycle: quartz-semimassive sulphide exhalite beds interceded by dacitic tuff beds: basal 10' Cu zone, a 4' Zn zone, then 30' pyritic cap.						
1183' - 1238'	Second ore cycle: basal 15' Zn-Pb zone with 1' massive sulphide, 4' of semimassive pyrite-chalcopyrite-sphalerite exhalite with 0.5' true massive sulphide, 3' galena-rich exhalite, and 10' semimassive pyrite exhalite cap.						
1238' - 1281'	Mainly pyritic semimassive and bedded sulphides comprise third ore zone: 9', 5' and 15' beds of semimassive pyrite exhalite make upper gold zones.						
1281' - 1461'	Capping unmineralized hangingwall tuffs and breccias, coarsening upward.						

## CORONADO RESOURCES, INC.

## SAMPLE RECORD

PROPERTY: Iron King

Hole No. CRD No. 1

Sam. No.	From	To	Len	Re	Au opt	Ag opt	Cu ppm	Pb ppm	Zn ppm
M1711	101.0	104.0	3.0	100%	0.001	<.10	86	26	112
M1712	160.0	162.0	2.0		0.001	<.10	428	149	155
M1713	162.0	164.0	2.0		0.001	<.10	198	188	142
M1714	172.0	174.0	2.0		0.001	<.10	83	20	163
M1715	174.0	176.0	2.0		0.001	<.10	124	39	62
M1716	213.0	216.0	2.0		0.001	<.10	24	21	22
M1717	216.0	217.0	2.0		0.001	<.10	18	18	21
M1718	217.0	219.0	2.0		0.001	<.10	109	18	102
M1719	219.0	221.0	2.0		0.001	<.10	88	16	108
M1720	226.0	229.0	3.0		<.001	<.10	180	8	54
M1721	977.0	979.1	2.1		0.001	<.10	13	5	77
M1722	979.1	981.0	1.9		0.001	0.11	10	8	280
M1723	981.0	982.3	1.3		0.010	<.10	14900	178	1540
M1724	982.3	984.0	1.7		0.001	<.10	84	5	150
M1725	1128.3	1131.0	2.7		0.002	<.10	2820	61	209
M1726	1131.0	1134.0	3.0		0.002	<.10	210	19	950
M1727	1134.0	1135.0	1.0		0.004	<.10	13200	2960	5200
M1728	1135.0	1140.2	5.2		0.002	<.10	51	18	141
M1729	1140.2	1142.0	1.8		0.004	<.10	13500	187	10400
M1730	1142.0	1147.0	5.0		0.002	<.10	347	32	181
M1731	1181.0	1185.3	4.3		0.002	<.10	178	63	850
M1732	1185.3	1188.3	3.0		0.008	<.10	1590	2400	12800
M1733	1188.3	1193.0	4.7		0.004	<.10	1640	1470	2040
M1734	1193.0	1197.9	4.9		0.001	0.11	57	40	143
M1735	1197.9	1201.5	3.6		0.004	0.23	88	447	220
M1736	1201.5	1206.0	4.5		0.006	<.10	41	484	81
M1737	1206.0	1211.1	5.1		0.008	0.12	3630	1700	5300
M1738	1211.1	1212.2	1.1		0.008	0.14	3300	189	1900
M1739	1212.2	1215.3	3.1		0.003	0.15	40	16	70
M1740	1215.3	1218.2	2.9		0.008	0.19	1910	219	1910
M1741	1218.2	1220.9	2.7		0.004	0.11	82	101	350

CORONADO RESOURCES, INC.

SAMPLE RECORDPROPERTY: Iron KingHole No. CRD No. 1

Sam. No.	From	To	Len	Re	Au opt	Ag opt	Cu ppm	Pb ppm	Zn ppm
M1742	1220.9	1225.2	4.3		0.002	<.10	1390	95	2220
M1743	1225.2	1227.8	2.6		0.008	<.10	1560	2550	8600
M1744	1237.8	1244.0	6.5		0.010	<.10	80	290	1840
M1745	1244.0	1247.5	3.5		0.012	<.10	108	1670	6400
M1746	1253.7	1259.0	5.3		0.012	<.10	87	1480	7200
M1747	1265.0	1270.0	5.0		0.032	<.10	138	1370	9700
M1748	1270.0	1275.0	5.0		0.028	<.10	102	2940	15400
M1749	1275.0	1280.7	5.7		0.030	<.10	232	4950	16600

T.D. = 1461 FEET

50.0' above the 1200.0' level (Red Dot). The work that was done on projecting possible development of lenses or puddles at depth in this area show that the hole was too shallow. The drilling recommended during the tenure with A.E.I. will be between 1500.0' and 2500.0'.

### CORONADO HOLE #1

The core of Coronado hole #1 was only partially logged and stored in a warehouse in the Humboldt area. We were able to locate the core (fairly complete) and Phillip Anderson logged it in its entirety. It had been partially logged by Richard Pape who is now Chief Geologist at the Magma (McCabe) gold mine. Anderson was impressed by the geology of the hole. It previously had been reported to be only of minor interest by Coronado. A copy of Anderson's report and log are included in the report. You will note that they cut the zone (150.0') of disseminated and massive-semi-massive pyrite with visible base metals. Anderson was encouraged as his report states. The hole suggests that we are on the edge of the second basin and that the drilling should be carried out at least 1000.0' deeper. As has been mentioned Shaft #7 on the Iron King property is in good shape and the strategy would be to drill a series of holes from surface. If encouraging one would de-water the shaft down to the 1500.0' level. Following this the 1500.0' level would be driven to the southwest and crosscutting for drill stations completed. It should be noted that Shaft #7 is in good shape and capable of production.

We are currently assembling all of this data, assaying the sulphides in the Coronado hole that look interesting, and will come up with a proposed plan of a drilling. We anticipate that we will put at least two (2) holes (2000.0' +) into the area's that we consider favorable.

### JEROME AREA - UNITED VERDE EXTENSION

#### UNITED VERDE EXPLORATION PROPERTIES

Discussions and negotiations with the United Verde Extension (Budge) principals have been completed and an agreement has been reached that we consider to be fair under the industry norms of today. Discussions with Verde

Explorations however are more difficult and it will take more negotiation before an agreement is reached with these people. Their mentality is the 1950's!

The **United Verde Extension** group are contented to give us total access and accessibility to their property and files with respect to looking only for massive sulphide bodies connected with their exhalite horizon. If gold mineralization is discovered during this period of time it will be the property of **United Verde Exploration**. The gold ore bodies being mined are fairly small (50.0' cross section by about 150.0' to 200.0') size in height and restricted to the chert. Basically it is leached chert with supergene enrichment up to .40 Au/per ton. The overall ounces involved are below our standards. There is however a good possibility that base metal mineralization could be found. The property has never been thoroughly examined for depth extensions. Discussions to date and their proposals to us are such that I think we can carry out a program under favorable terms to both parties.

The discussions with the Verde Explorations properties- the old and venerable "grand dame" of the area are more difficult. They are looking at contracts that they put together back in the 40's, 50's, 60's, 70's and 80's and the type of proposals they have made to us to date are quite unrealistic. I have told them this. They have asked me to counter offer with something I consider acceptable and we are currently putting that together. Paul Handverger, their Consulting Geologist (40 years on the job) has never located anything. He does not impress us however is putting together this deal with their lawyers (Boyle, Pecharich, Cline & Whittington) in Prescott. The lawyers know "zip" about exploration and Handverger should retire.

As I stated what they consider "a deal" under today's standards are totally unacceptable to us. This is even more profound when one realizes that there has been numerous programs of exploration on this property with no success and the risk is high. On a scale of 1 to 10 (risk factor) I would place this property up around 8 or 9 or even 10. It's basically "Moose Pasture" out in the valley. Nobody has even got a "sniff". It is my opinion that in a high risk venture like this the terms should be more conducive to the investor.

As mentioned in last months report, our object is to use the **United Verde Ex** ore body as a model and try to trace the extensions of the sulphide bearing exhalite to the north-east and south-west. This is a logical approach. It has never been tried before. The rest of the past programs were involved with "exotic theories" based on "tectonic structure movements" around the **Verde Fault**. As I've stated in the past, most of this was done before the onset of VMS exploration methodology. We are continuing with this group as we think the opportunity and potential deserves follow up.



Stanley W. Holmes

SWH/bjg

attachments

EXHIBIT 8

# ARIZONA EXPLORATIONS / INC.

## EXIALITE - FELSIC CONTACT TRACING

### A.E.I. HOLDING'S - BAGDAD AREA

Compiles by - Mike Glover, B.Sc.  
Vernon Shein, B.Sc.  
Phillip Anderson, Ph.D.

Wickenburg - April 1, 1992

*Report 2*

NOTE: Two (2) geological maps and ten (10) lithogeochem maps accompany this report.

## ABSTRACT

### OBJECTIVE:

To trace and define geological environments favorable to the development of Volcanogenic Massive Sulphides (VMS) on and proximal to the Bagdad Basin Property that have not been previously examined in detail by A.E.I.

### METHOD:

Geological mapping and lithochemical sampling were undertaken in an effort to locate and define the Bridle mafic and Dick Felsic Formational Contact and possible extensions of the AX Stratigraphic package.

### RESULTS:

Four geologically interesting areas yielding coincident favorable geochemical anomalies have been identified; The AX extension, The Round Mountain West Area, The Pinafore, and The Section 11N Area.

### CONCLUSIONS:

The four areas of interest defined by this phase of mapping exhibit geochemical alteration signatures characteristic of VMS mineralization and should be examined further. Unfortunately, the ground position in all of the defined areas of interest is restricted at present.

### RECOMMENDATIONS:

Subsequent to obtaining a more favorable ground position, these areas all warrant follow up programs including drill testing.

## Introduction

In the interest of expediting A.E.I.'s exploration efforts in the Bagdad Basin Area, field mapping of the areas of the property not already examined in detail by the Syndicate was directed towards selectively tracing and defining two recognized packages of stratigraphy known to host VMS type mineralization.

Mapping was designed to trace the Bridle/Dick (mafic/felsic) Formational contact which hosts the Bruce/Old Dick deposit and the Southward extension of the AX Horizon which has yielded intersections of massive sulphides in previous drilling by A.E.I.

Four areas have been defined which required follow up work; The AX Extension, The Round Mountain West Area, The Pinafore, and The Section 11N Area.

Subsequent to a discussion of the methodology of the field work the relative merits of each of these areas shall be discussed.

## Geological Mapping and Geochemical Sampling

Referring to the Bagdad Basin Project Reconnaissance Geology Map at 1":500' will help orient the reader.

Selective traverses were undertaken to further define mafic/felsic contacts and exhalite formation in the western portion of the main Bagdad Basin Property Block (Sections 25 and 36) initially observed during reconnaissance work. Examination of the Pinafore Claim, a single patented claim, in Section 2 and subsequent tracing of the favorable Bridle/Dick contact off the claim north towards the main property block was completed. In addition, interesting exhalite occurrences east of the Pinafore area in Section 11 were examined. Mapping observations were recorded on 1":200' air photos and subsequently transferred to 1":200' enlargements of government topographic bases. This has proven to be a practical scale for follow up work of this nature given outcrop distribution and the scale of the packages being examined. Rock samples were submitted to Acme Labs in Vancouver for 35 element ICP analysis. Concentrations of five elements have been plotted and contoured. Obviously Cu and Zn concentrations have been plotted. Cd and Mg plots have been drawn to locate zones of enrichment. Na concentrates have been plotted to define areas of Na depletion characteristically occurring in the footwall of VMS deposits. Note that data has not been normalized and anomalies discussed are subjectively discriminated from background litho-geochemical norms.

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Conclusions and Recommendations	5 & 6

## List of Attachments

Geology Map 1" = 200'

Geochemical Maps 1" = 200': Cu, Zn, Cd, Mg, Na

## Geological Mapping and Geochemical Sampling (cont'd)

Results are presented on two map sheets roughly correlating, within the constraints of standard paper widths, to Sections 25, 26, 35, and 36 on the North Sheet, and Sections 2, 1, 11 and 12 on the South Sheet. Please bear in mind that these are not complete geological maps of the area, but are representations of the favorable stratigraphic packages only.

The following is a discussion of the relative merits of each area defined in order of our interpretation of their potential for hosting a VMS deposit of economic significance. Ground position, somewhat of a problem at this point is also discussed.

### The Pinafore

The Pinafore claim, a single patented mining claim, is located in the south-central portion of Section 2 approximately 1/2 mile south and west of A.E.I.'s main Bagdad Basin Property Block. At this point in time the balance of Section 2 and Section 36 to the north east have been withdrawn from mineral exploration activity by the Bureau of Land Management as a Sonoran Desert Tortoise Study Area/Sanctuary. A.E.I. is cautiously petitioning the B.L.M. to return this ground to active status. The claim was examined during the course of A.E.I.'s initial reconnaissance of the Bagdad Basin Property however the nature of the mineralization observed and intense re-crystallization of the hosting stratigraphy masking the alteration present lead to the conclusion that the mineralization was strictly secondary and fracture controlled. During the course of mapping designed to define the Bridge/Dick contact in this south area of the belt, the occurrence of an inlier of altered Bridle/Dick contact stratigraphy within the Dick Rhyolite was defined near the shaft. Under ground exploration workings, following apparently secondary Cu mineralization in the central portion of the claim, consist of a 245' inclined shaft and some 610' of drift.

Property geology can be divided into four major lithotypes:

- 1/ Variably hydrothermally altered felsic to intermediate tuffs and minor exhalites of the Dick Formation.'
- 2/ Variably altered intermediate to mafic tuffs, agglomerates and flows of the Bridle Formation.
- 3/ A generally conformable but locally cross-cutting quartz porphyritic subvolcanic rhyolitic intrusive known as the "Dick Rhyolite" and,
- 4/ Hybrid phases of the three resulting from more or less complete digestion of what were probably tuffaceous volcanics.

## The Pinafore (cont'd)

The entire stratigraphic package has undergone intense re-crystallization due to the proximity of Proterozoic granites to the immediate west. The stratigraphy strikes irregularly east through north, dips very steeply to the east and to represent a normal facing mafic/felsic homoclinal structure partially digested by the Dick Rhyolite.

Secondary Cu mineralization occurs on surface in shears related to the Dick porphyry contact. The shaft and 100' level workings closely follow the intersection lineation of this Dick Contact Shear and a weaker oblique set. While inaccessible, primary VMS mineralization is reported from the second or 245' level. This is supported by the Cu/Zn grades and ratios reported from this level.

Coincident enrichment and depletion anomalies are intimately associated with the inlier mapped on surface.

In February of 1992 A.E.I. drilled a single RC drill hole under the old workings intersecting 18' of VMS yielding 5% Cu and 13% Zn. The reader is referred to the March 4, 1992 Pinafore Area RC Drilling Report for further information.

## The AX Extension

A laterally continuous (1 mile), thin (50' - 200'), altered, geochemically anomalous felsic tuff exhalite package occurs in the north west corner of Section 36. Striking 045 degrees +/-, this package is interpreted to represent the south west extension of the AX stratigraphic package. Dipping steeply to the west, the unit is "sandwiched" between a younger hydrated felsic intrusive to the north west (Alaskite), and the Dick Rhyolite to the south east. The occurrence of this continuous remnant package of stratigraphy between these two intrusives is in itself significant. The package is siliceous enough to have resisted digestion by the two intrusives. Well developed cherty exhalites occur less continuously near the south east contact of the tuff horizon. Consistent with regional facings, these cherty units are interpreted to represent capping exhalites in the hanging wall stratigraphy of the tuffaceous package. A 1000' long particularly well developed exhalite commencing 800' along strike south of the northern Section 36 boundary yields exciting coincident geochemical targets. Elevated Cu (up to 1.4%), Zn, and Cd values in the stratigraphic footwall to the chert along with Mg enrichment and Na depletion combine to make this a very attractive target.

### The AX Extension (cont'd)

Unfortunately, this prospect is, at presently, part of the B.L.M.'s Tortoise Sanctuary. A.E.I., as previously noted, is attempting to rectify this situation. Should the ground become available for mineral exploration work, all efforts should be made to obtain a favorable ground position along this horizon.

### The Round Mountain West Area

The Round Mountain West Area is a broad northeast trending geochemical anomaly located on the Bridle - Dick contact in the north east corner of Section 2. It is located immediately south of the south west corner of the main A.E.I. claim block in the Sonoran Desert Tortoise Sanctuary. It is characterized by elevated Cu and Zn values (over a strike length of 1200') at the contact, while the stratigraphic footwall is enriched in Mg and Cd and depleted in Na.

A conformable linear topographic high (+25') located 500' south east of sample #202100 comprises very siliceous Dick Rhyolite (3e qe) and is interpreted to be a "digested" cherty exhalite caprock horizon. The continuation of the Cu and Zn anomalies into the Dick Subvolcanic Intrusive supports the contention that a favorable horizon may have been digested in this area.

Previous work has indicated that the Dick Rhyolite though generally conformable can locally be non - conformable. Further work is required in order to determine whether this is the case in the Round Mountain West Area.

### The Section 11N Area

The Section 11N Area is a narrow north east trending geochemical anomaly located in Section 11 on the southern contact of the Dick Subvolcanic Intrusive and felsic to intermediate tuffs, lapilli tuffs and chert. A sample of chert from the dump of an 8'x8' shaft yielded 15582 ppm Cu. The anomaly is characterized by elevated Cu, Zn and Cd values within the tuffs and chert (over a strike length of 1000'). Na depletion occurs in both the tuffs and Dick Subvolcanic Intrusive.

The anomaly is located in the vicinity of claims GMC 8 and 9 (currently held by Mr. Larry Bogue) and Amigo's 10 and 11.

## Conclusions

Geological mapping and sampling of favorable horizons in the western section of and south of the main Bagdad Basin Property has lead to the definition of four targets requiring additional work. The ground position at present is poor.

## Recommendations

Upon attaining a more favorable ground position further work including shallow surface RC drilling is recommended for all four areas of interest.

At present acquiring ground north and east of the Pinafore should be the first priority, closely followed by obtaining coverage of the AX Extension horizon. A summary drill proposal for the Pinafore area has been included in the Pinafore Drill Report.

Drill testing of the AX Extension could consist of three 800' holes spaced along the geochemical bull's eye obvious on the geochemical plots. -45 degree holes drilled perpendicular to strike from the north west side of the horizon and stepped back 500' would test the zone at about 500' vertical. Data from this phase of drilling would guide further work.

The Round Mountain Area requires additional claims to be staked south and east from the south west corner of the A.E.I. main block.

Drill testing of the Round Mountain Area geochemical anomaly will require one 1000' RC drill hole beneath sample #202266 to test for base metal mineralization at a vertical depth of 700' below surface and to determine the attitude of the Dick Subvolcanic Intrusive.

The Section 11N Area requires ground acquisition in the areas of claims GMC 8 and 9 Amigo's 10 and 11. The open ground adjacent to the north and west (respectively) of these claims should be staked.

**NOTE:** The four area's of interest are outlined on the attached geological maps.

## Recommendations

Drill testing the Section 11N Area will require one 800' RC drill hole to test the downdip extension of the base metal mineralization at the shaft. Plunging fold axes (30 degrees) in the Dick Subvolcanic Intrusive to the west has indicated a shallow north east plunge. Further mapping for plunge indicators in the shaft area is required before spotting the recommended drill hole.

EXHIBIT 9

1st November 1989

PLACER DOME U.S., INC.  
BARRICK GOLD EXPLORATION INC.  
- and -  
PRG ARIZONA EXPLORATIONS PARTNERSHIP

- and -

STANLEY W. HOLMES

- and -

ARIZONA EXPLORATIONS INC.

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ARIZONA EXPLORATIONS SYNDICATE  
AGREEMENT

---

CHRISTOPHER H. FREEMAN  
Barrister & Solicitor  
134 Adelaide Street East,  
Suite 302,  
Toronto,  
Ontario M5C 1K9  
(416) 941-9168

B E T W E E N :

PLACER DOME U.S., INC.  
BARRICK GOLD EXPLORATION INC.

- and -

PRG ARIZONA EXPLORATIONS PARTNERSHIP  
(hereinafter called "PDUS", "Barrick"  
and "Prime" respectively)

of the First Part

- and -

STANLEY W. HOLMES  
(hereinafter called "Holmes")

- and -

ARIZONA EXPLORATIONS INC.  
(hereinafter called "AEI")

WHEREAS

- (a) Holmes is experienced as a Geological Consultant with specific experience and expertise in the geology of the State of Arizona, U.S.A.;
- (b) Each of the parties of the first part is desirous of the financing exploration of mineral properties in the State of Arizona and of engaging Holmes to carry out such exploration;
- (c) The parties hereto have agreed to form a syndicate and provide for its management and operation upon the terms as hereinafter set out.

NOW THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

1. DEFINITIONS

- 1.1 "mineral property" means any mining claim, mining licence, mining lease, option to purchase or lease, concession, permit or other form of interest in lands and minerals situate within the State of Arizona, U.S.A., and where the context so requires includes the lands to which such interest relates. In the event that at any time during the initial reconnaissance or preliminary evaluation of a mineral property Holmes shall, based upon reasonable geological data, designate any geographical area within such mineral property as warranting the conducting of a second state program thereon separate from the remainder of such mineral property, then thereafter, such designated area shall, for all purposes in this Agreement, be treated as a separate mineral property;

- 1.2 "Initial reconnaissance" means preliminary reconnaissance of a mineral property, the securing and evaluation of data with respect thereto and negotiations for the acquisition thereof;
- 1.3 "preliminary evaluation" means the expenditure of not more than \$100,000.00 on the acquisition of a mineral property and all or any of the following activities with respect to a mineral property namely, geological mapping and studies, trenching and sampling, geochemical and geophysical surveying and drilling of specific test holes.
- 1.4 "second stage program" means all exploration and development work on a mineral property following the preliminary evaluation thereof up to but not including the carrying out of a feasibility study thereon;
- 1.5 "commercial production" of a mineral property means production of ore in commercial quantities from a mineral property but, for greater certainty, excludes extraction of reasonable quantities of ore for bulk sampling, grade determination, metallurgical testing or for testing as smelter feed;
- 1.6 The terms "Syndicate", "Syndicate Members", "Term", "Units", "Committee", "Consulting Agreement", "Holmes Group", "Offeror", "Offerees" and "Purchasers", shall have the respective meanings attributed thereto in paragraphs 2.1, 4.1, 5.1, 7.1, 9.1, 11.1 and 11.3;
- 1.7 Persons related to any other person shall mean all persons who would be so related in accordance with the provisions of the Income Tax Act (Canada), the Internal Revenue Code (U.S.A.) and the Securities Act (Ontario) and shall include a corporation effectively controlled by such other person;
- 1.8 All dollar amounts referred to, and all payments to be made pursuant to this Agreement and the Consulting Agreement a copy of which is annexed hereto as Schedule "A", shall be in US funds; and
- 1.9 Words importing the singular number only shall include the plural, words importing the masculine or neuter gender shall include any other gender and words importing persons shall include firms and corporations and vice versa.

## 2. CREATION OF SYNDICATE

- 2.1 The parties hereto hereby constitute themselves as a syndicate (the "Syndicate") under the name "Arizona Explorations Syndicate" for the purposes, and upon the terms and subject to the conditions, hereinafter set out.

The persons who from time to time hold Units are hereinafter sometimes collectively called the "Syndicate Members".

3. PURPOSE OF SYNDICATE

- 3.1 The purpose of the Syndicate is to provide funds for conducting initial reconnaissance and preliminary evaluation to determine the feasibility of forming one or more joint ventures for development and possible production of minerals from promising prospects.

4. TERM OF SYNDICATE

- 4.1 The term (the "Term") of the Syndicate shall be for a period commencing on November 1, 1989 and ending on October 31, 1992, or on such other date as is mutually agreeable to all Syndicate Members.
- 4.2 The Syndicate may be terminated at or after 1st October 1991 upon the unanimous agreement of PDUS, Barrick and Prime given by notice in writing to Holmes and AEI, provided that such termination shall be without prejudice to the rights of any party hereto which shall have accrued prior to the date of service of such notice.

5. CAPITAL OF SYNDICATE

- 5.1 The capital of the Syndicate shall be 2,000 units (the "Units") which shall be issued as hereafter provided in this Agreement. The Units shall represent the respective interests of the Syndicate Members in the Syndicate. No further Units shall be created without the unanimous consent of all Syndicate Members.

6. ISSUE OF UNITS TO SYNDICATE MEMBERS

- 6.1 An aggregate of 200 Units are hereby issued to Holmes at a subscription price of \$1.00 each, to be issued as fully paid and non-assessable, with no further obligation to make any payment on account thereof at any stage of the exploration, development or operation of any mineral property.
- 6.2 By its execution of this Agreement, each of the parties of the first part subscribes for and agrees to take up and pay for such a number of Units as is shown opposite its name respectively hereunder at the price of \$1.00 per unit, by way of preliminary subscription payment payable upon execution of this Agreement, and to pay twelve additional

instalments of \$62,500.00 in respect of each block of 450 Units so subscribed for (adjusted pro rata in the event of any subsequent reallocation of Units), such payments being made on the first day of November 1989, the first days of February, May, August and November of 1990 and 1991, and the first days of February, May and August of 1992.

PDUS	900 Units
Barrick	450 Units
Prime	450 Units

6.3 No Units in excess of those issued pursuant to paragraphs 6.1 and 6.2 hereof shall be issued without the unanimous consent of all Syndicate Members.

7. COMMITTEE

7.1 All matters requiring the approval of the Syndicate Members shall be considered by a committee (the "Committee") which shall be composed of 5 members, one of which members shall be a nominee of the Holmes Group and each of the other members to be a nominee of one or more Syndicate Members (other than the Holmes Group) holding not less than 450 Units, each block of 450 Units carrying the right to be used in selection of only 1 such nominee. If any vacancy occurs in the membership of the Committee, such vacancy shall be filled forthwith so as to maintain the membership in the Committee as set forth in this paragraph.

8. COMMITTEE MEETINGS

8.1 The business of the Committee shall be conducted at duly constituted meetings at such time and place as may be prescribed in by the notices calling such meetings. Nominees of Syndicate Members representing not less than 51% of the Units issued from time to time shall form a quorum for the transaction of business.

8.2 On all questions arising at a meeting of the Committee, each nominee shall have one vote for each Unit held by the Syndicate member which he represents. Except as herein otherwise provided, questions arising at any meeting of the Committee shall be decided by a majority of votes.

8.3 The nominee of the Holmes Group shall, when present, act as chairman of the meeting, and in the event of a deadlock between other members on any question arising at the meeting shall have a second or casting vote on such matters, which vote shall be cast in the same manner as those votes cast by nominees of any single Syndicate Member holding not less than 900 Units, but so that if

there is no such single Syndicate Member at any time then such casting vote may be cast at the discretion of the nominee of the Holmes Group. If no nominee of the Holmes Group is present at a Committee meeting then a nominee of the Syndicate Member having the largest interest in the Syndicate shall act as chairman of the meeting and have a second or casting vote.

8.4 Notice of any meeting of the Committee may be given by the nominee of the Holmes Group or by any Syndicate Member(s) holding not less than 900 Units at least 10 days before the meeting and no other notice need be given, but any meeting of the Committee may be held without notice if nominees of all the Syndicate members are present in person or if those absent waive notice of the meeting either before or after the meeting.

8.5 Meetings of the Committee may, if the members participating thereat all so agree, take place by way of telephone conference call provided that all parties so participating can hear each other simultaneously.

8.6 The Committee, while carrying out its duties hereunder, shall keep proper records of all its decisions, determinations and other proceedings, which records shall be available for inspection by each of the Syndicate Members.

9. RETAINER OF HOLMES AND AEI

9.1 Immediately following the execution of this Agreement, the Syndicate shall enter into an agreement with Holmes and AEI in the form and terms of the agreement (the "Consulting Agreement") annexed as Schedule I hereto, providing for the retainer of Holmes as the managing director of the Syndicate and for the engagement of AEI.

10. DUTIES AND POWERS OF HOLMES

10.1 In accordance with the Consulting Agreement, Holmes, as the managing director of the Syndicate, shall be the chief executive officer of the Syndicate, and in such capacity Holmes shall have the duties and power set forth in paragraph 6 of such agreement.

11. TRANSFER OF UNITS

11.1 Holmes or any person who holds any of the 200 Units issued to Holmes pursuant to paragraph 6.1 (all persons who hold any of such Units being herein collectively called, by reason of and with respect to such holding, the "Holmes

Group") may, at any time or from time to time, sell, assign, transfer or otherwise dispose of or deal with any of such Units at any time held by him or it to any person, persons, trust, corporation or other entity owned, controlled by or held for the beneficial interest of Holmes and/or members of his family in all degrees without, in any case, being subject to the restrictions in paragraph 11.3, provided that such transferee enters into agreement agreeing to be bound by the provisions of this Agreement, and any other Syndicate member may transfer the Units held by it to a person or company falling within the class of related persons as defined in Clause 1.8 hereof, provided that such transferee enters into an agreement with the other Syndicate Members to be bound by the provisions of this Agreement and further provided that the completion of such transfer shall in no way diminish the liability of the Transferor pursuant to this Agreement.

- 11.2 Except as provided in paragraph 11.1 hereof, no Syndicate Member shall be permitted to sell, assign, or otherwise dispose of, at any time, less than all of the Units held by such Syndicate Member.
  
- 11.3 In the event that any Syndicate Member (the "Offeror", which term shall include a trustee in bankruptcy, liquidator or other legal personal representative of a Syndicate Member) wishes to sell, assign, transfer or otherwise dispose of or deal with all, but not less than all, of the Units held by it, the Offeror shall first make an offer in writing to the other Syndicate Members (the "Offerees") to sell such Units to the Offerees and shall specify in such offer the price per Unit, the manner of payment and the place and time of closing. The Offerees shall then determine among themselves the number of Units, if any, so offered for sale to be acquired by each of them provided that in the absence of any unanimous agreement amongst the Offerees to the contrary, the Offerees shall in the first instance be entitled to take up such Units proportionately amongst themselves by reference to their holdings of Units. If the Offerees elect to acquire all, but not less than all, of the Units so offered on the terms and conditions set out in the Offeror's offer, they may accept such offer by notice in writing given to the Offeror within 60 days of the receipt then of such offer. If the Offerees fail to accept the offer within such 60 day period, the offer shall be deemed to have been refused and the Offeror shall be at liberty for a further period of 60 days to sell all, but not less than all, of the Units held by it to any person, firm or corporation at a price and on terms and conditions not less favourable to the Offeror than those set forth in the offer to the Offerees, provided that such person, firm or corporation shall, prior to the completion of such sale, execute an agreement with all the other holders of Units agreeing to

be bound by the terms and conditions of this Agreement. If no such sale is completed within such further 60 day period, the Offeror shall be required, before selling, assigning or otherwise disposing of its Units, to offer such Units to the Offerees in the manner hereinbefore provided and such process shall be repeated so often as any Syndicate Member desires to sell, assign or otherwise dispose of any Units.

- 11.4 Any person, firm or corporation who shall acquire Units from a Syndicate Member shall acquire and assume all of the transferor's rights, privileges, liabilities and obligations under this Agreement, but such transfer shall not release the transferor of his primary liability (if any) to pay the unpaid balance of the subscription price for Units in the manner provided in paragraph 6.2 hereof.

12. ACQUISITION OF AND INTEREST IN MINERAL PROPERTIES

- 12.1 All mineral properties in which Holmes or AEI shall, pursuant to the Consulting Agreement, acquire an interest during the Term, shall be deemed to have been acquired in trust for and on behalf of the Syndicate and Holmes and AEI shall, as soon as appropriate (as so deemed by Holmes or the Committee) following such acquisition, transfer such interest to the Syndicate in accordance with the provisions of paragraph 12.2.
- 12.2 Any interest in each of any mineral properties to be transferred to the Syndicate pursuant to paragraph 12.1 shall, unless sold pursuant to the terms hereof, be transferred to the relevant joint venture so soon as the same is formed pursuant to paragraph 14.4.
- 12.3 The Syndicate shall not dispose of any interest it shall, directly or indirectly, hold in any mineral properties or of any interest in any entity which owns or holds any interest, direct or indirect, in any mineral property other than (i) with the unanimous consent of all Syndicate Members or (ii) pursuant to an arrangement or transfer contemplated by Article 14 hereof.

13. RIGHTS ATTACHING TO HOLMES' UNITS

- 13.1 In addition to the rights attaching to Units otherwise specified in this Agreement, the 200 Units issued to Holmes pursuant to paragraph 6.1 hereof shall have attached thereto rights to the following effect:
- (a) the holder or holders of such Units shall not, by reason thereof, have any liability or obligation to make any financial expenditure or contribution in connection with the initial reconnaissance,

preliminary evaluation or any subsequent stage of exploration, development or operation of any mineral property, in connection with the bringing of a mineral property into commercial production or any other transaction contemplated by or done pursuant to this Agreement, nor shall such Units be subject to any lien, encumbrance or assessment in respect of any such transaction;

- (b) in the event that the Purchasers of any mineral property or interest therein shall be comprised of one or more Syndicate Members or one or more persons who are persons related to a Syndicate Member, then the holder or holders of such Units shall be entitled to receive in the aggregate, 10% of such total consideration (after deduction of proper and reasonable costs of sale) as the Syndicate or any entity owned or controlled by the Syndicate shall be entitled to receive as a result of the transaction by which the Purchasers shall have acquired an interest in such mineral property

14. DEVELOPMENT OF MINERAL PROPERTIES

- 14.1 Following completion by Holmes of a preliminary evaluation of any mineral property, Holmes shall prepare and mail to each Syndicate Member a full report thereon containing his recommendations with respect thereto, including a recommendation for or against the conducting of a second stage program thereon. If such report shall include a recommendation for a second stage program to be undertaken in respect thereof, such report shall contain reasonable details of the proposed second stage program and an estimate of the costs of completing such program.
- 14.2 In the event that a second stage program in respect of a mineral property is approved by the Committee as hereinafter provided, Holmes shall, if requested by the Committee, prepare and mail to each Syndicate Member a supplementary report recommending a variation, expansion or termination of the second stage program together with an estimate of the costs of carrying out such recommended action.
- 14.3 The mailing of a report to the Syndicate members pursuant to paragraph 14.1 or 14.2 shall constitute a notice calling a meeting of the Committee for the purpose of considering such report and the recommendations contained therein. At such meeting, the Committee may accept the recommendations contained in such report, with or without amendments, may reject same or may adopt such other course of action, if any, as the Committee may deem advisable.

14.4 (i) If the Committee shall approve the commencement or continuation of a second stage program, then PDUS shall, unless its interest in such property has been previously diluted or reduced pursuant to the provisions hereof, and subject to the provisions of Clause 14.5 hereof, be the operator of such second stage program, and each Syndicate Member, other than a member of the Holmes Group, shall be requested to and shall be entitled to contribute to the costs relating thereto on the following basis:

- (a) in respect of the costs relating to the commencement of a second stage program, an amount equal to the proportion thereof that the number of Units held by such Syndicate Member bears to the total number of Units (excluding the 200 Units issued to Holmes) held by all Syndicate Members; and
- (b) in respect of costs relating to the continuation of a second stage program, an amount equal to the proportion thereof that the aggregate prior contributions of such Syndicate Member to the costs relating to such second stage program bears to the aggregate prior contributions of all Syndicate Members relating to such second stage program.

In the event that any Syndicate Member shall fail to pay the full amount of any contribution which he shall be requested and entitled to within 30 days of any such request, each Syndicate Member who shall have contributed the full amount so requested of him shall be requested and entitled to contribute a further amount equal to that proportion of the deficiency that the full amount of its current contribution bears to the aggregate current contribution made by all Syndicate members which shall have been entitled to contribute a portion of such deficiency, and the interest of the defaulting Syndicate Member in such mineral property shall be reduced until eliminated entirely at the rate of one percentage point of that Syndicate Member's interest in the subject mineral property for each \$10,000.000 not contributed, which interest shall be redistributed amongst the contributing Syndicate Members in proportion to their additional contributions.

(ii) At any time whilst a mineral property is subject to second stage exploration by the Syndicate, the operator may propose to the Committee that further exploration and subsequent development and commercial operation (if any) should be continued under the provisions of a separate joint venture agreement, generally in the form of the Rocky Mountain Mineral Law Foundation Mining Venture Agreement Model Form 5, including provision for dilution on a straight-line basis, with no credit for expenditures prior to joint venture formation. The Syndicate members

will be the joint venturers, and votes on the Management Committee will be in proportion to joint venture interest, with the Operator having a tie breaking vote. From the time that the Committee accepts such proposal the said Model Form Mining Venture Agreement, with necessary modifications to reflect the specific provisions relative to the rights of the holders of the Holmes Units as provided herein and such other amendments or modifications as the contributing Syndicate Members may agree, shall govern further exploration, development and commercial production of the subject mineral property, and the provisions of this agreement shall no longer apply to such mineral property.

(iii) Such joint venture agreement shall contain the following provisions with respect to the Holmes Units:

A. If the joint venture sells or transfers any mineral property, the Holmes Units shall receive ten (10) percent of the gross sales price minus ten percent of the costs of sale.

B. If the joint venture takes a mineral property to commercial production then the Holmes Units shall, effective upon the commitment to put the property into commercial production, automatically convert to a net profits royalty as set forth in 14.4(iv) below.

(iv) The Holmes net profit royalty shall be ten (10) percent, calculated in accordance with the provisions in that regard contained in Exhibit D of the Rocky Mountain Mineral Law Foundation, Mining Venture Agreement, Model Form 5, provided that during the period after the commencement of commercial production in which the other participants are recovering their investment in the mineral property there shall be paid to the Holmes Group in each year, as an advance payment on account of the Holmes royalty, an amount equal to the lesser of \$250,000.00 or 2 1/2% (two-and-one-half percent) of the net operating profit from the mineral property (such operating profit being calculated without reference to recovery of initial investment). All payments pursuant to this subparagraph shall be paid quarterly, within 30 days of the end of each calendar quarter, and shall be accompanied with statements setting out the basis of computation thereof; at least once in each calendar year such statements shall be accompanied by an auditor's certificate covering the preceding period of twelve months.

14.5 (a) Provided that it has not allowed and does not allow its interest in any subject mineral property to be reduced or eliminated pursuant to the provisions hereof, PDUS shall have the right, at its option, to be the operator of

any second stage program carried out on any mineral property.

(b) All deposits discovered in which the gold metal content is less than all other metal credits will be exclusively operated by PDUS. If a deposit is discovered in which the gold credits exceed all other metal credits then Barrick has an option to negotiate a joint operating agreement with PDUS at the time of a feasibility study, recognising that, as a majority holder, PDUS has the choice to operate any mine resulting from the Syndicate activities, so that there shall only be a joint operating agreement if both PDUS and Barrick both so agree.

(c) For the purpose of calculation of the value of gold credits and other metal credits in the foregoing subparagraph, the valuation shall be made by reference to the tonnages of metals delineated as reserves in the feasibility study for such mineral property, and to the prices of such metals on the London Metal Exchange as at the date of such feasibility report.

15. BANKING

15.1 Such general, imprest and other bank accounts as Holmes may determine appropriate shall be opened for and on behalf of the Syndicate, Holmes shall have sole signing authority on any such accounts.

16. ACCOUNTANTS

16.1 Clarkson Gordon, Chartered Accountants, Toronto, shall be, and they are hereby appointed, the accountants for the syndicate to be paid by the Syndicate and to report periodically to all Syndicate members on the affairs, assets, liabilities, receipts, disbursements and all other matters in relation to the Syndicate, in such manner and at such time as the Committee shall from time to time decide.

17. BOOKS, RECORDS

17.1 All records and accounts of the Syndicate shall be kept and retained by AEI and/or Holmes and such records and accounts shall at all times be available for inspection by the parties hereto.

18. ACCOUNTANTS' REPORTS

18.1 AEI shall prepare monthly statements summarizing all receipts and expenditures of the Syndicate and shall forward copies of such statements by mail to each Syndicate Member. In addition, AEI shall procure the

review by a duly qualified chartered accountant of the books and records of the Syndicate within 90 days following the termination of each fiscal period of the Syndicate and shall forthwith thereafter forward copies of such financial statements to each Syndicate Member.

19. TERMINATION OF SYNDICATE

19.1 Upon the expiration or termination of the Syndicate, the Syndicate shall be dissolved, its affairs shall be wound up, any mineral property or interests therein held by the Syndicate in respect of which no decision to bring it to commercial production shall have been made shall either (i) be transferred to Holmes at no cost to him or (ii) be distributed among the Syndicate Members in accordance with their entitlements and shall become subject to an agreement among all Syndicate Members relating to the development of such mineral properties containing provisions, mutatis mutandis, substantially similar to those contained in Articles 11, 13, 14 and 20. All other property and assets of the Syndicate shall be realized and sold within a period of not more than 1 year and the debts and liabilities of the Syndicate paid or provided for, firstly, out of monies held by the Syndicate pursuant to Article 6.2 and secondly out of any other assets, funds and monies of the Syndicate and thereafter, if necessary out of monies to be contributed pro rata by the Syndicate Members (other than by members of the Holmes Group), whereupon, the remaining assets, funds and monies, if any, of the Syndicate shall be distributed among the Syndicate Members pro rata in accordance with the Units held by them.

20. NON-COMPETITION AND CONFIDENTIALITY

20.1 No Syndicate Member shall, during the term of this Agreement, directly or indirectly, through the control of companies or otherwise, compete with the Syndicate for the acquisition of any mineral properties or interests therein, and will not, directly or indirectly, through the control of companies or otherwise, acquire by purchase, option, staking or otherwise any mineral properties or interest therein which is situate within 5 miles of any mineral property which has been acquired by or on behalf of the Syndicate or on which the Syndicate has acquired any interest or which is under initial reconnaissance by Holmes on behalf of the Syndicate, without first offering to the Syndicate the right to acquire such properties or interest on the same terms and conditions that are available to the Syndicate Member making such offer. Notice of such terms and conditions shall be given by notice addressed to Holmes and, unless accepted by him, on behalf of the Syndicate by notice to the Syndicate Member

making the offer within 30 days after such offer has been made, such offer shall be deemed to have been refused, in which event the Syndicate Member shall be entitled to acquire such mineral properties or interest therein. In the event that any Syndicate Member shall acquire any mineral property to which this paragraph 20.1 applies without first complying with the provisions of this paragraph, such Syndicate shall, if Holmes shall so elect, conclusively be deemed to have acquired the mineral property in question in trust for and on behalf of the Syndicate and such mineral property shall be transferred to the Syndicate at cost, within 30 days of such election by Holmes.

20.2 In the event that any Syndicate Member is engaged in reconnaissance of mineral properties in the State of Arizona during the currency of this Agreement, then such member shall so soon as it is practicable communicate such fact to Holmes on a confidential basis, so that Holmes may thereby ensure that any initial reconnaissance being carried out on behalf of the Syndicate shall not conflict with the activities of such Member. In the same manner, Holmes shall advise each Syndicate Member of the areas in which he is carrying out initial reconnaissance work on behalf of the Syndicate so that no other Syndicate Member shall engage in activities which conflict with the interests of the Syndicate.

20.3 Any information imparted by or to Holmes or any Syndicate Member pursuant to clause 20.2 shall be treated in strictest confidence by the receipt thereof and shall not be communicated by such receipt to any third party, so that a fiduciary relationship in respect of such information shall exist at all times, save in respect of information which has properly come into the public domain.

## 21. ARBITRATION

21.1 If at any time while this Agreement is in force or thereafter any dispute, difference or question shall arise among the parties hereto, or any of their representatives or any party in interest with respect to the construction or meaning or effect of these presents, then every such dispute, difference or question shall be settled by arbitration. Any such arbitration shall be conducted by a single arbitrator agreed upon by the parties in dispute. If the parties who dispute cannot agree upon a single arbitrator, the arbitrator shall be appointed by the American Institute of Mining and Metallurgy upon the application of any party to the dispute with notice to the other parties to the dispute. The decision of such arbitrator shall be final and binding upon all the parties to the dispute and there shall be no appeal therefrom.

22. ADDITIONAL PROVISIONS

22.1 The provisions of Articles 11 and 13 hereof shall apply, mutatis mutandis to any shares or other securities of a corporation or other entity holding, directly or indirectly, and interest in a mineral property which shares or other securities shall have been distributed among holders of Units in such capacity.

23. NOTICES

23.1 Any notice or other document required or permitted to be given to any party hereto may be given by mailing the same by prepaid registered mail, telephone facsimile or delivering the same to the party at the following respective addresses:

Placer Dome U.S., Inc.  
One California Street,  
Suite 2500,  
San Francisco,  
California 94111-5472  
fax: (415) 397-0747  
Attention: E. Gonzales-Urien.

Barrick Gold Exploration Inc.  
24 Hazelton Avenue,  
Toronto,  
Ontario M5R 2E2  
fax: (416) 923-2457  
Attention: Dr. Paul M. Kavanagh.

Prime Resources Corp.,  
808 West Hastings Street,  
Suite 1100,  
Vancouver, B.C.  
V6C 2X4  
fax: (604)  
Attention: John Ivany.

Dr. Stanley W. Holmes  
7 King Street East  
Suite 1001  
Toronto, Ontario  
M5C 1A2  
fax: (416) 364-7157

Arizona Explorations Inc.  
7 King Street East  
Suite 1001  
Toronto, Ontario  
M5C 1A2  
fax: (416) 364-7157  
Attention: Dr. Stanley W. Holmes.

Any of the parties hereto may by notice to the other parties given as aforesaid, change his or its address for the purposes hereof. Any notice or other document delivered hereunder shall be deemed to have been given on the day on which it was delivered, or sent by telephone facsimile, or if mailed shall be deemed to have been given on the fourth business day next following the day on which it was mailed.

24. PROPER LAW

24.1 This Agreement, and the interpretation and construction hereof and the rights and obligations of the parties hereto and their respective legal personal representatives and successors and assigns, shall be governed by the laws of the State of Arizona and the parties hereto irrevocably attorn to the jurisdiction of the courts of the said State.

25. SUCCESSORS AND ASSIGNS

25.1 This Agreement shall enure to the benefit of, and be binding upon the parties hereto, and their respective heirs, legal personal representatives, successors and assigns.

26. NOT A PARTNERSHIP

26.1 Nothing herein contained or arising pursuant hereto shall constitute the Syndicate Members partners one with the other nor shall anything herein contained or arising hereunder constitute any of the Syndicate Members agents for one another except as specifically provided herein.

IN WITNESS WHEREOF the parties hereto have executed this Agreement, as of the day and the year first above written

PLACER DOME U.S., INC.

per: [Signature]

BARRICK GOLD EXPLORATION, INC.

per: [Signature]

Executed by PRG ARIZONA EXPLORATIONS PARTNERSHIP  
by its Managing Partner PRG PROJECT DEVELOPMENT CORP.  
this 22nd day of November, 1989.

per: John Wynn

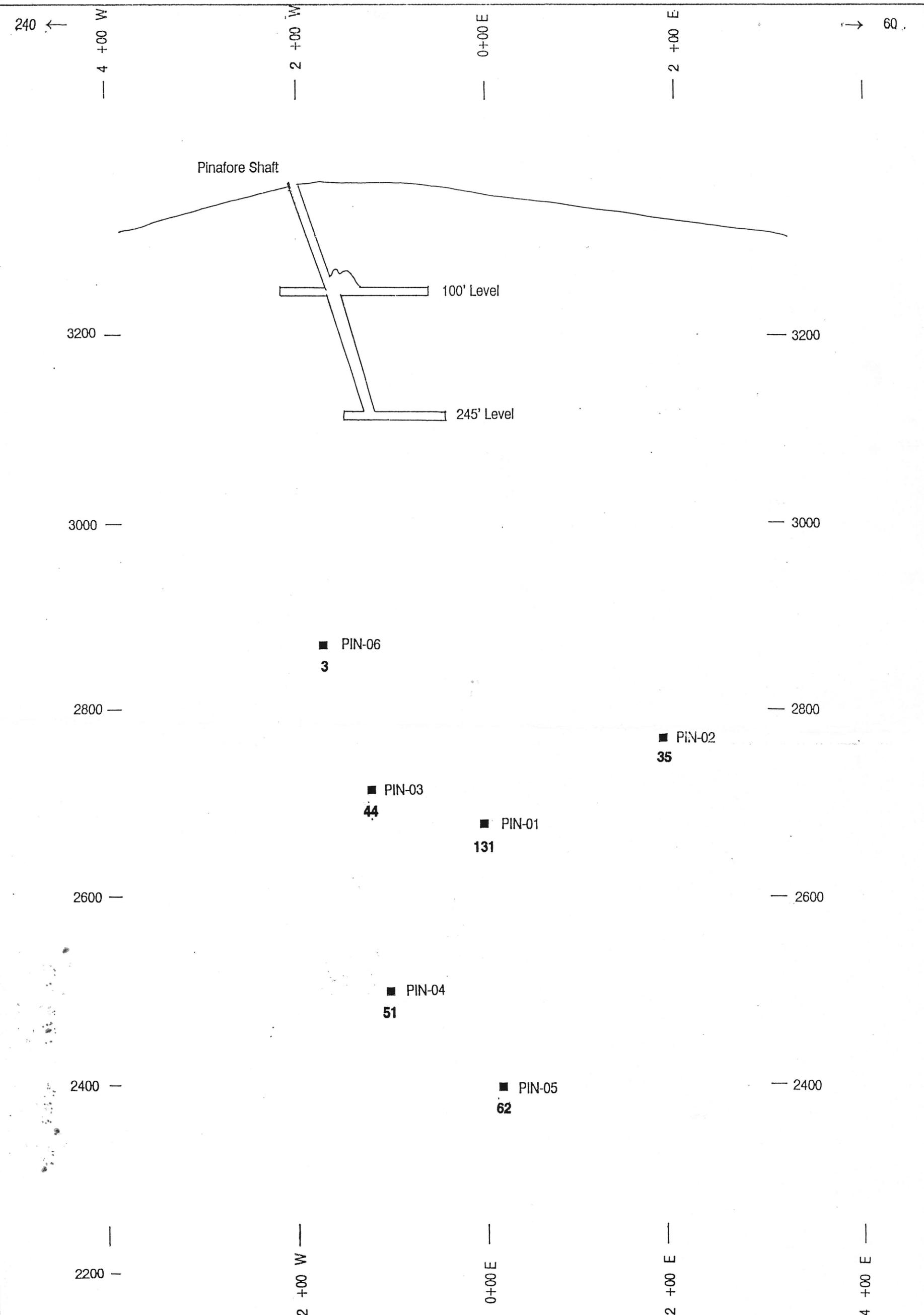
SIGNED, SEALED AND DELIVERED )  
in the presence of: )

Stanley W. Holmes  
STANLEY W. HOLMES

ARIZONA EXPLORATIONS INC.

per: Stanley W. Holmes





$(\%Cu * Ft) + (\%Zn * Ft)/2$   
 1% Cu or Zn Cut-off or maximum value from intersection.



*MAP # 2*

<b>ARIZONA EXPLORATIONS INC.</b>
Bagdad Basin Project
Pinafore Claim
Longitudinal Section (Looking 330)
M.J. Glover, June 2, 1992

107 ←

8 +00 S

6 +00 S

2 +00 S

BL 0+00 → 287

3200

3200

3000

3000

2800

2800

2600

2600

8 +00 S

6 +00 S

4 +00 S

2 +00 S

Pin-02



3e rx

3e rx

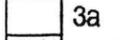
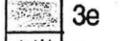
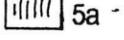
3e rx

6" Semi- to Massive Sulphides in 5a

Pin-02: 720' @ -48

%Cu	%Zn	T.W.
0.68	2.70	17.3'

**Legend**

-  1 ad Mafic Tuffs, Agglomerate, Flows (Bridle)
-  3a Felsic Tuffs (Dick)
-  3e Felsic Subvolcanic Intrusive (Dick)
-  5a Cherty Exhalite (Dick)



**ARIZONA EXPLORATIONS INC.**

Bagdad Basin Project  
Pinafore Claim

Off Section X-Section Pin-02  
(Looking 197)

M.J. Glover, June 2, 1992

130 ← 10 +00 S 8 +00 S 6 +00 S Pinafore Shaft 2 +00 S → 310

3200 — 3200

3000 — 3000

2800 — 2800

2600 — 2600

**Legend**

- 1 ad Mafic Tuffs, Agglomerate, Flows (Bridle)
- 3a Felsic Tuffs (Dick)
- 3e Felsic Subvolcanic Intrusive (Dick)
- 5a Cherty Exhalite (Dick)

%Cu	%Zn	T.W.
4.59	8.30	5.8'

3.5' T.W. Semi- to Massive Sulphides in 5a  
1.2 T.W. Massive Sulphides

Tr cpy, sph in minor 5a

%Cu	%Zn	T.W.
0.42	0.56	4.0'

Pin-06  
680' @ -43

6.4' T.W. Massive Sulphides in Hanging Wall of 5a

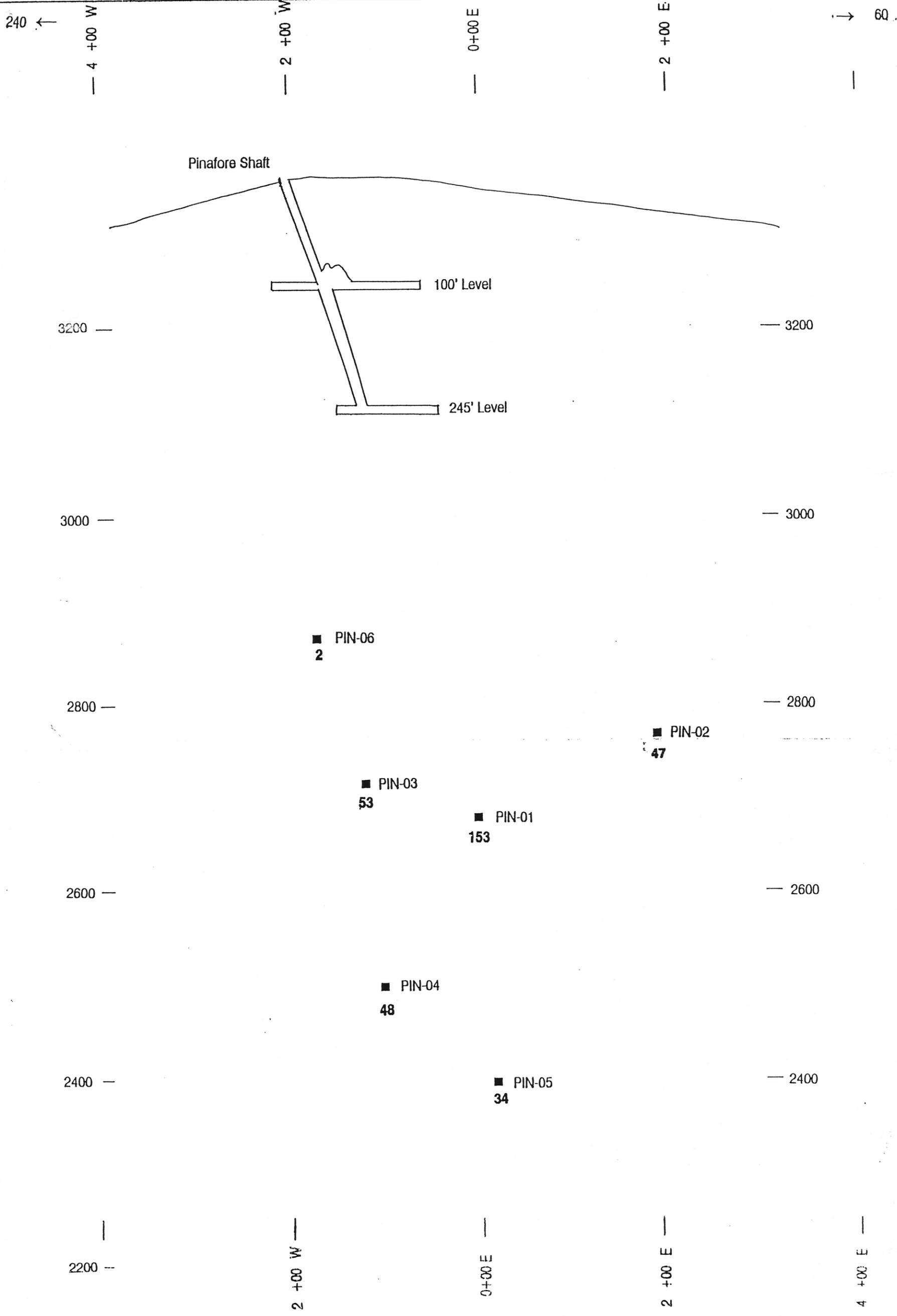
%Cu	%Zn	T.W.
1.79	5.57	9.6'

Pin-03  
740' @ -48

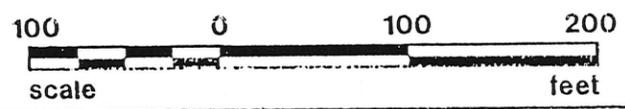


Pin-04  
1000' @ -68

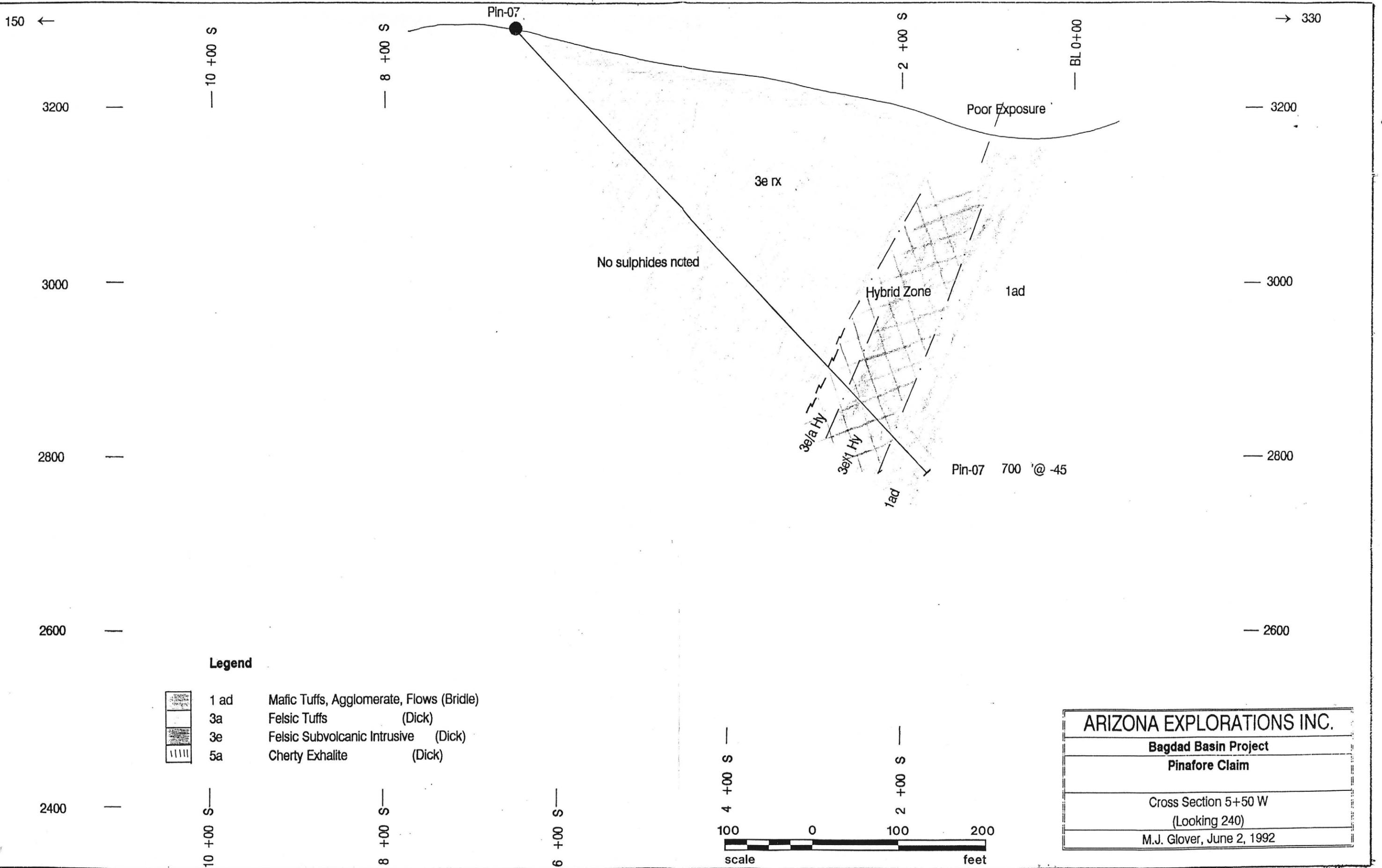
<b>ARIZONA EXPLORATIONS INC.</b>
Bagdad Basin Project
Pinafore Claim
Off Section X-Section Pin-03, 04, 06 (Looking 220)
M.J. Glover, June 2, 1992



**%Zn \* Ft**  
 1% Cu or Zn Cut-off or maximum value from intersection.



<b>ARIZONA EXPLORATIONS INC.</b>
Bagdad Basin Project
Pinafore Claim
Longitudinal Section (Looking 330)
M.J. Glover June 2, 1992



240 ←

— 4 +00 W

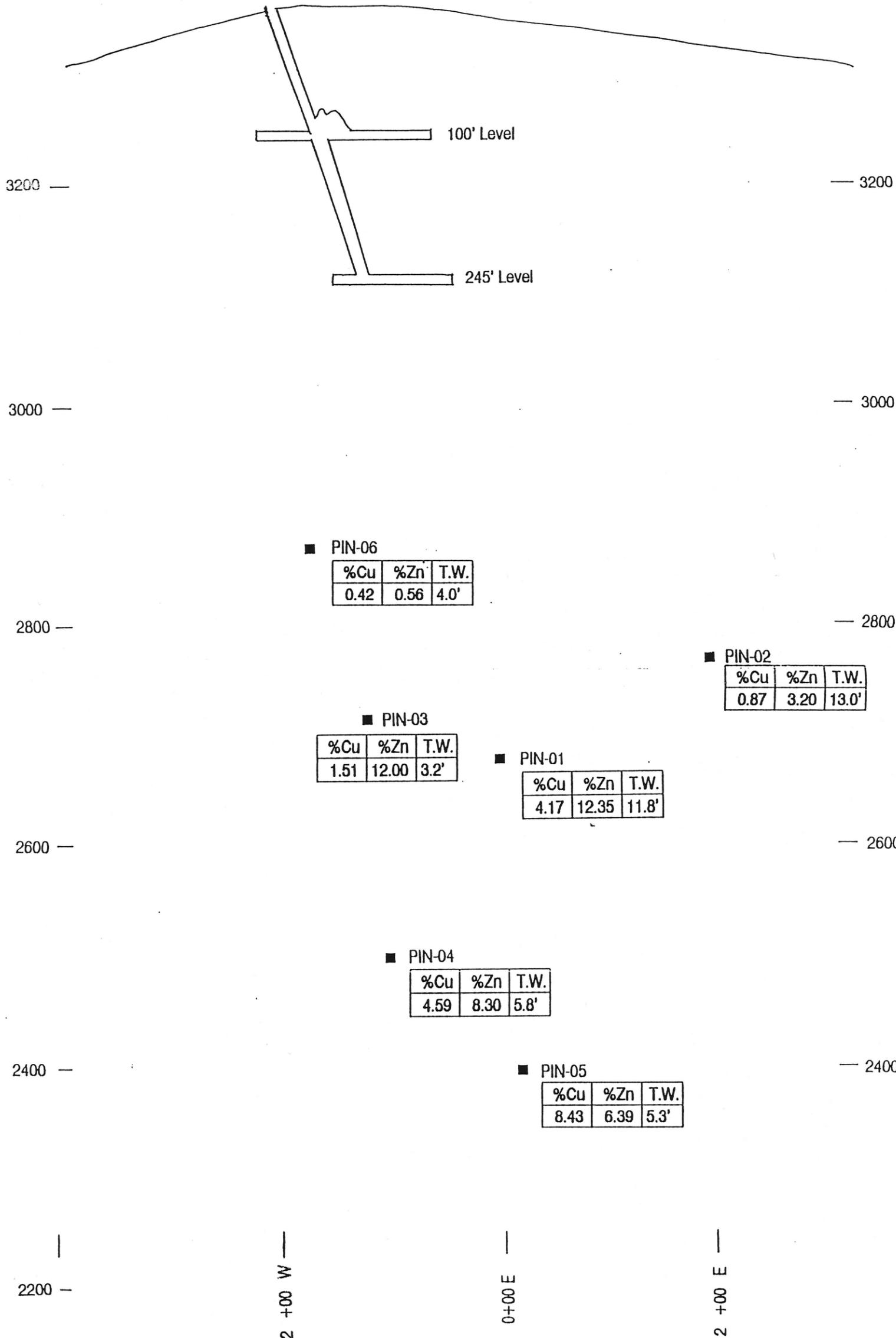
— 2 +00 W

— 0 +00 E

— 2 +00 E

→ 60

Pinafore Shaft



■ PIN-06

%Cu	%Zn	T.W.
0.42	0.56	4.0'

■ PIN-02

%Cu	%Zn	T.W.
0.87	3.20	13.0'

■ PIN-03

%Cu	%Zn	T.W.
1.51	12.00	3.2'

■ PIN-01

%Cu	%Zn	T.W.
4.17	12.35	11.8'

■ PIN-04

%Cu	%Zn	T.W.
4.59	8.30	5.8'

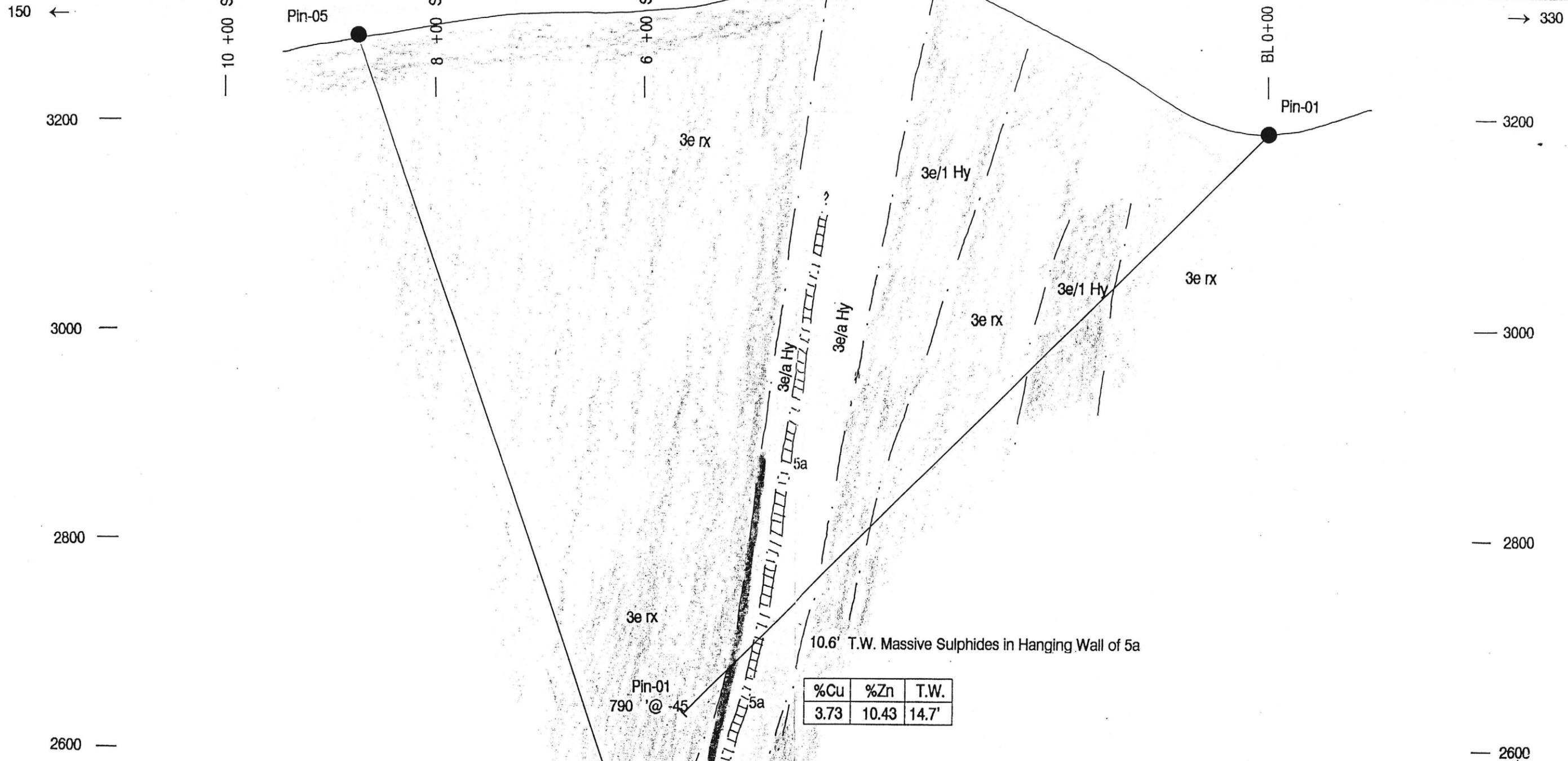
■ PIN-05

%Cu	%Zn	T.W.
8.43	6.39	5.3'

3% Cu or Zn Cut-off or maximum value from intersection.



<b>ARIZONA EXPLORATIONS INC.</b>
Bagdad Basin Project
Pinafore Claim
Longitudinal Section (Looking 330)
M.J. Glover June 2, 1992



**Legend**

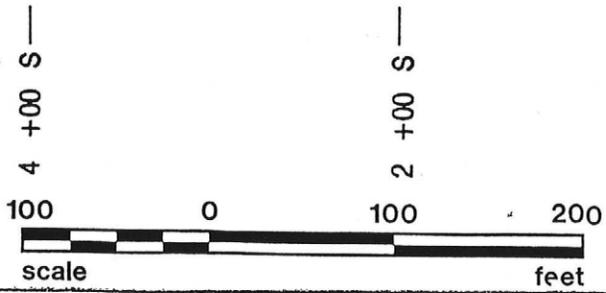
- 1 ad Mafic Tufts, Agglomerate, Flows (Bridle)
- 3a Felsic Tufts (Dick)
- 3e Felsic Subvolcanic Intrusive (Dick)
- 5a Cherty Exhalite (Dick)

3.0' T.W. Semi to Massive Sulphides in 5a

%Cu	%Zn	T.W.
8.43	6.39	5.3'

10.6' T.W. Massive Sulphides in Hanging Wall of 5a

%Cu	%Zn	T.W.
3.73	10.43	14.7'



**ARIZONA EXPLORATIONS INC.**

**Bagdad Basin Project**

**Pinafore Claim**

Cross Section 0+00 E  
(Looking 240)

M.J. Glover, June 2, 1992

Pin-05 1135 '@ -71