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PRINTED: 11/25/2003

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES AZMILS DATA

PRIMARY NAME: KELLOGG MINE

ALTERNATE NAMES:
WILSON SHAFT
HAPPY DAYS

LA PAZ COUNTY MILS NUMBER: 796

LOCATION: TOWNSHIP 3 N RANGE 20 W SECTION 14 QUARTER SW
LATITUDE: N 33DEG 35MIN 57SEC LONGITUDE: W 114DEG 17MIN 53SEC
TOPO MAP NAME: CUNNINGHAM MTN - 7.5 MIN

CURRENT STATUS: PAST PRODUCER

COMMODITY:
GOLD PLACER

BIBLIOGRAPHY:
ADMMR KELLOGG FILE
ADMMR LA CHOLLA PLACER FILE

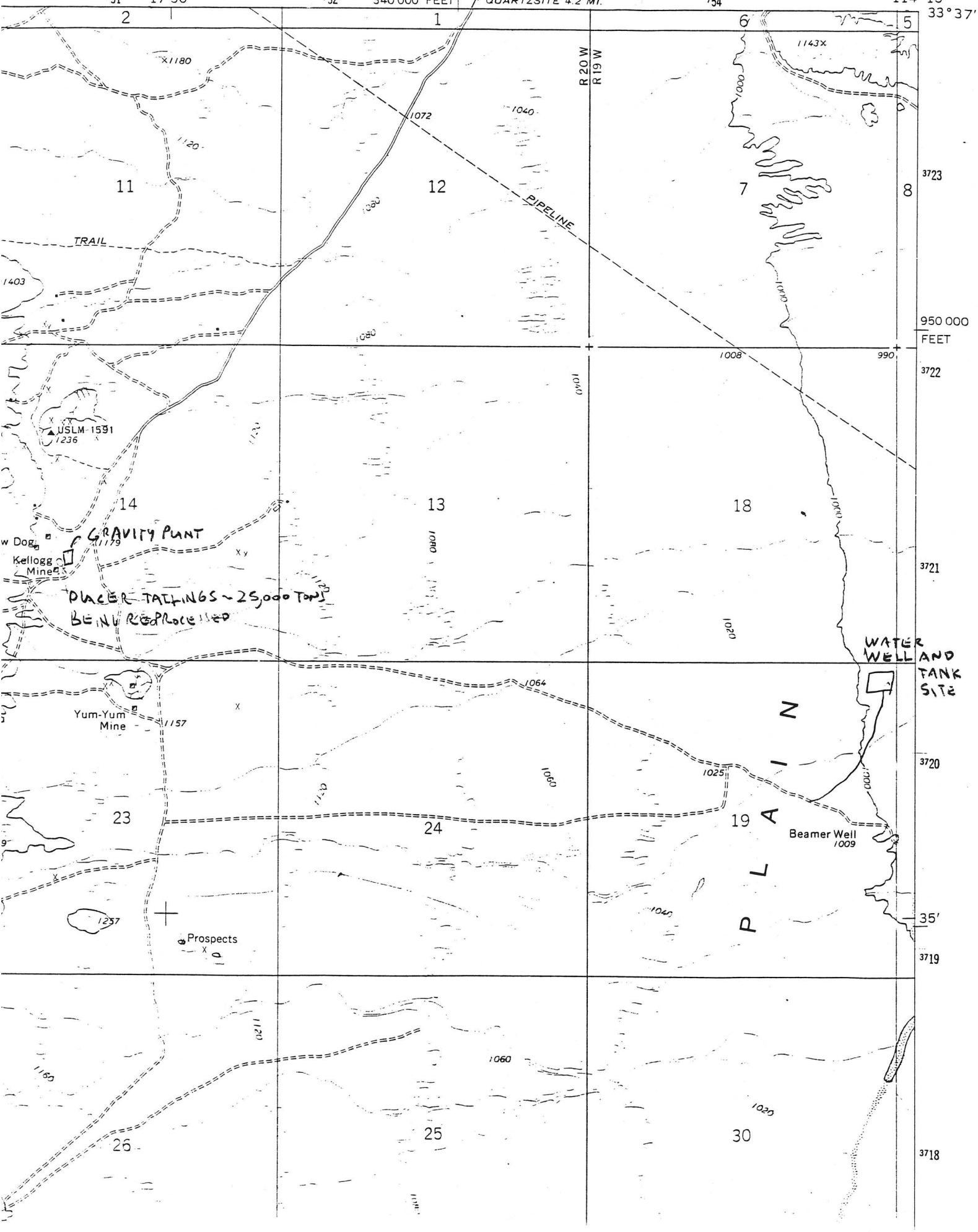
1991

7.5 MINUTE SERIES (TOPOGRAPHIC)

'E ROCK MTS. 15' QUADRANGLE

751 17'30" 752 340 000 FEET QUARTZSITE 4.2 MI. 754 114°15'

33°37'

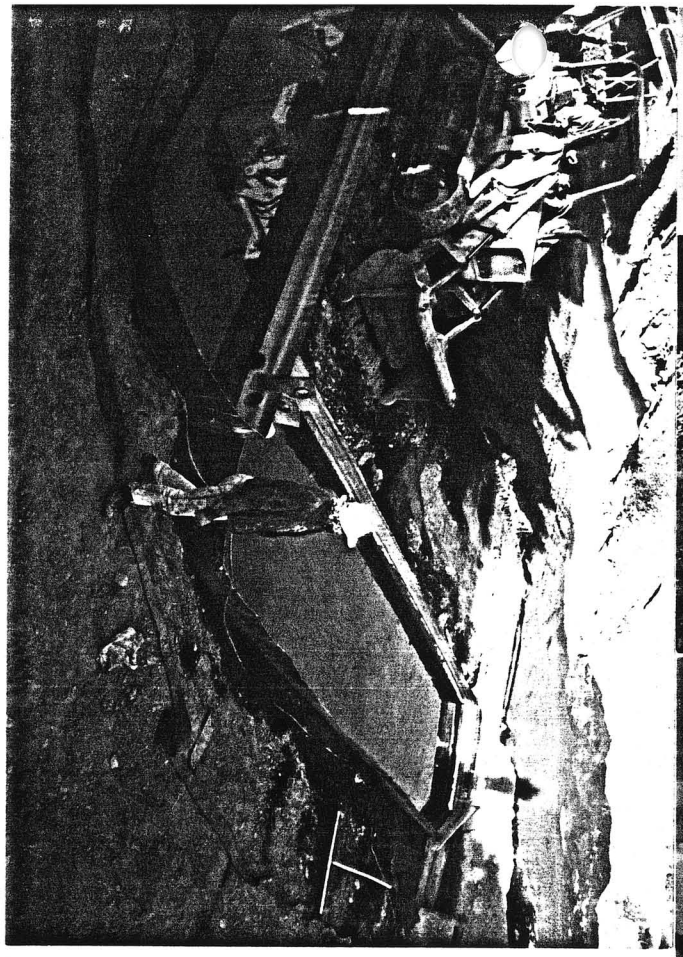


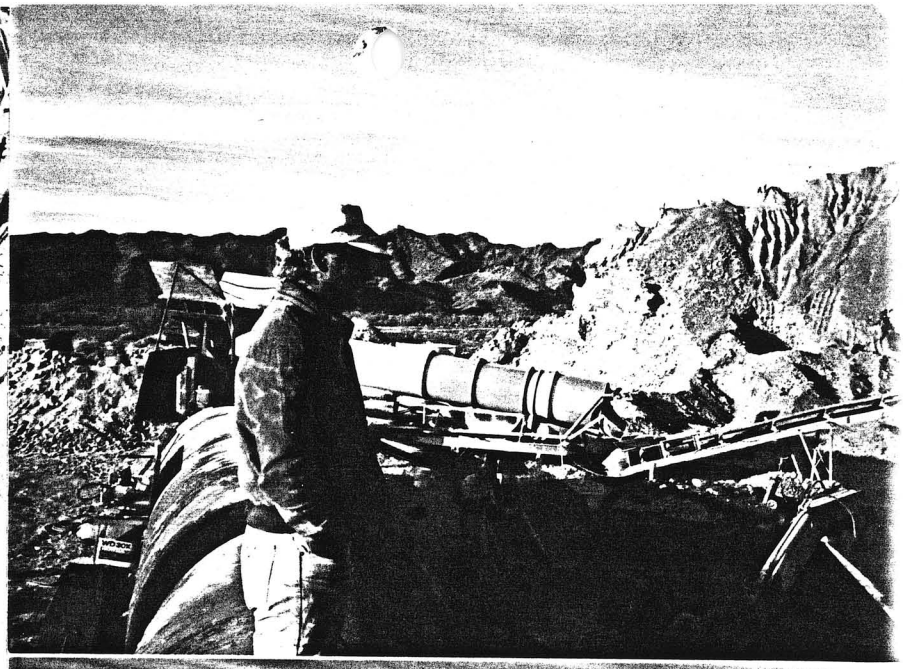
ABSTRACTED FROM ADMMR ACTIVE MINES DIRECTORY, 1992

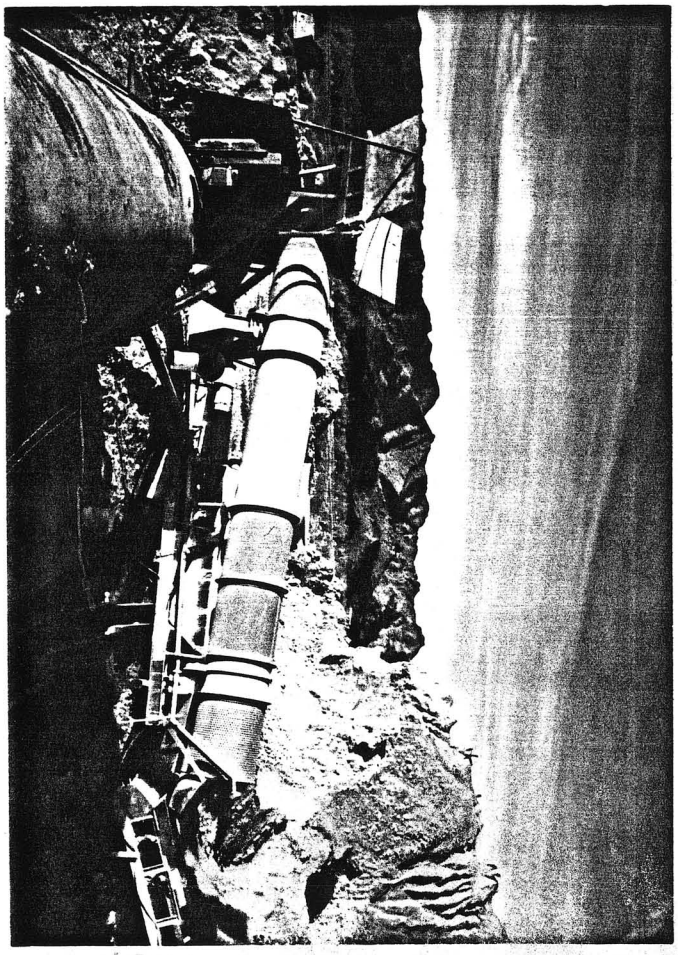
Kellogg Mine file
La Paz

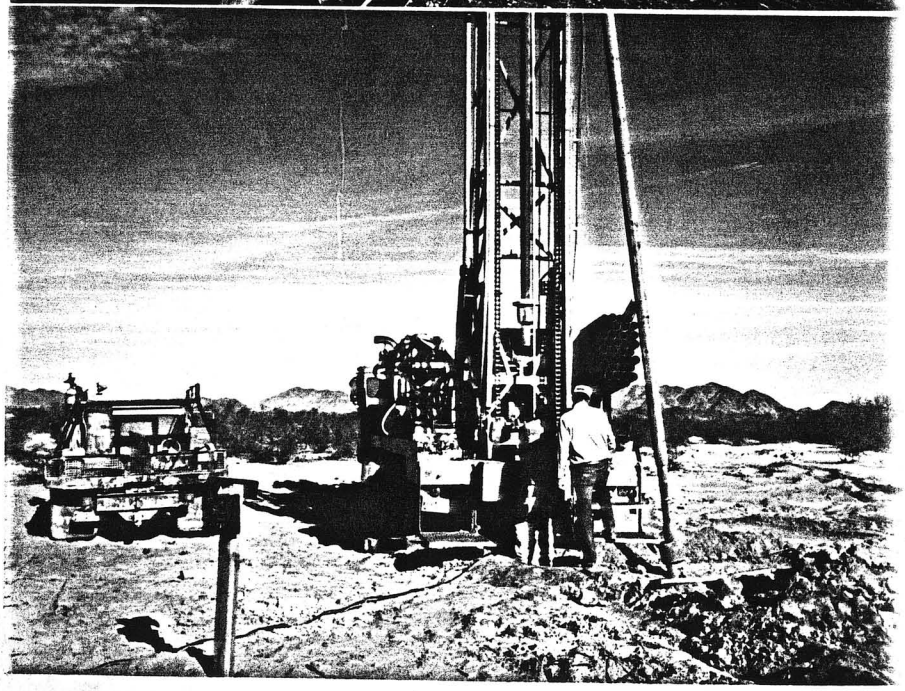
VLS MINERALS INC.

Wilson Mine T3N, R20W, Sec. 14
P.O. Box 3658, Quartszite, AZ 85546 - Phone 619-922-1286 - Employees: 2 -
Underground gold mine - Gravity recovery plant.
President Dan Pawlowski
Mine Manager Rodney Frisby









1991

BRADLEY D. ROSS PG
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September 25, 2007

Steven J. Brown, Esq.
Steve Brown & Associates, LLC
1414 E. Indian School Rd., Suite 200
Phoenix, AZ 85014

Re: Golconda Mine – Assay Results of Sampled Placer Minerals.

Dear Mr. Brown:

This letter is a summary of and the results of the assaying of the samples collected during January, 2007 from the Golconda Mine investigated literature regarding the geology and grades of the La Cholla Placers.

I. ASSAY RESULTS

I personally inspected and conducted bulk sampling and testing of the underground workings at the Golconda Mine during the period January 19, 2007 through January 25, 2007. In summary the assay results were:

Vertical Channel Sample	Au Oz/ton	Thickness
GR-8	0.002	2 feet
GR-11	0.241	2 feet
GR-12	0.013	2 feet
GR-14	0.006	2 feet
GR-15	0.002	2 feet
GR-16	0.003	2 feet
GR-17	0.475	2 feet

Vertical Channel Sample	Au Oz/ton	Thickness
GR-19	0.002	2 feet
GR-20	0.004	2 feet
GR-21	0.006	2 feet
GR-26	0.003	2 feet
GR-31	0.002	2 feet
GR-32	0.008	2 feet
GR-33	0.002	2 feet

Two main types of samples were collected. These are referred to as vertical and horizontal channel samples. Vertical channel samples were the most common type of sample collected in the workings. This type of sample consisted of a vertical channel of material collected from the walls of the workings in a number of locations. The locations for this type of sampling were selected to give extensive coverage of the workings to test the overall grade of mined material.

Mountain States Research and Development (MSRD) located in Vail, AZ assayed the collected samples for gold using 1-assay ton sample size with an atomic absorption finish. The assay results are attached to this letter.

II. HISTORICAL ANALYSIS AS APPLIED TO THE GOLCONDA MINE

A brief investigation into the history of the district, and of La Cholla Placers in particular, indicates that coarse placer gold was known in the talus and alluvium of La Cholla mountains for many years, and there was evidence of considerable placer workings when the first Americans came into the district. This same ground has been worked and re-worked to the present time by prospectors either dry-washing or hauling water for small operations. The character of the gold-bearing gravel is quite uniform throughout the lateral extent of the workings visited. The gravel is loosely consolidated and unsorted angular to sub-angular fragments of blue-grey shale and quartzite, varying in size from sand to boulders as large as two feet in diameter. The thickness of the gold-bearing gravel is ten to twelve feet, and in the Wilson shaft workings the average dip is about two degrees to the east. Quartz veins up to two or three feet in thickness cut the shale, but were unmineralized except for large pieces of siderite. The occurrence of gold in the deep placers of La Cholla group seems to be closely allied to the system of small gold-bearing veins of the district. It seems likely that a basin, the formation of which is due to a combination of erosion and faulting, extends eastward from La Cholla Mountain and has been filled to a depth of ten or twelve feet with an angular, loosely consolidated conglomerate. This unsorted conglomerate, which is due to violent and short-lived flash floods characteristic of an arid region, has not been moved an appreciable distance. The gold contained therein probably originated in the interface vein system within the basin. The angular and crystalline character of the gold in the gravel is obvious evidence of little or no movement. A slight concentration of gold toward the bottom of the gravel is probable. Subsequent filling of the valley by Tyson Wash, which has a large drainage area, has covered the gold-bearing gravel to a depth in excess of 100 feet. The problem of delaminating the area of gold-bearing gravel is difficult. There is evidence of an east-west, or northeast-southwest striking fault between the Yum-Yum mine and the Wilson shaft and between the White Elephant and the Anderson shaft. If such a fault exists, it could be a structural factor in the development of the basin and delimit the southern extension of the gravel. Insofar as geological evidence is concerned, the gravel could extend northward from this hypothetical cutoff to the hills on the Hendrix property. The extent eastward from La Cholla Mountain is known to the Anderson shaft. In the Anderson shaft, a crosscut extends 40 feet northwest and 12 feet southeast of the shaft. This indicates that the Anderson shaft may be on

the side of the basin, and the gavel would be deeper in the direction of the Hendrix property. If the above theory is adhered to, the gravel could extend north or northeast of the Anderson shaft as far as the vein system continued, which is presumed to be the source of the gold. The area east and north of the Hendrix property, at the lower end of Nugget Gulch, is difficult to evaluate.[1]

On the eastern side of Pomas Valley is the Plomosa Placer and on the western side an extended deposit of gold bearing gravel, which in various parts bears the name of La Cholla, Oro Fino and Middle Camp. Sampling indicated that the immediate surface of the ground is the poorest part and the gravel immediately above the bedrock is found to be several times as rich as the over-lying gravels. When operations on a great scale are applied to these gravels the returns ought to be very large.[2]

Since 1865, the dry placer gold fields adjacent to Quartzite, Yuma County, Arizona, have been worked on a small scale. The highest values in this district are found in natural cement that lies in blanket form, from 2' to 20' thickness, above the bedrock. The formation consists of a semi-cemented gravel rich in gold when treated on a large scale, but not of sufficient value to tempt the dry washer, who sinks direct to bedrock, and works only about 4 feet of the richest cement.[3]

While the nature of this property can be determined by exploration, it may be assumed that the slate bedrock was planed by erosion on gentle grades. Upthrust of the mountains to the west created favorable conditions for new erosion. Flash floods moved surface detritus, sometimes containing disintegrated vein outcrops with gold values, down on the valley floor. Retardation in the rate of building of valley fill is the result in part of lessening the gradient between mountain slopes and valley fill. The lower gradient is partially responsible for the decrease in gold values in the upper horizons of the fill.[4]

The best placer ground was found in the erosion debris, or "gravel" in the valley floor immediately at the base of the mountain slopes. Away from the toe of the mountain the values lessened rapidly and it was not until test shafts has been sunk through the gravel down to bedrock that is was determined that the gold-bearing portion of the gravel continued on,

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[1] Steele, H.J., Chief Geologist – Magma Copper Company.
[2] Church, John A., "La Cholla Gold Placers, Yuma Co., AZ".
[3] Plummer, William L., "Successful Dry Placer Operations at Plomosa, Arizona", Mining World and Engineering, July 1, 1916.
[4] Mills, H.F., J.A. Wilcox and Tom Newell, "Report on La Cholla Placers", 11/21/1949.

following down along the rock slope under the barren gravels which are exposed at surface all over the plain.[5]

The richest gold-bearing gravel occurs within 6" or less of bedrock and is especially concentrated on reefs or undulations in bedrock or where boulders are encountered. In places it contains up to an ounce or more of gold per cubic yard locally, along crevices in the bedrock. The gravel may thicken to 1½' – 2'.[6]

The La Cholla Placer's greatest concentrations of gold are at or close to bedrock, however it is erratically distributed throughout the entire height of the gravels. Like the gravels, the gold is angular and crystallized and ranges in diameter from that of a pin point up to a 1/8 inch or more. A caliche cover approximately 6 or 7 feet above bedrock provides an excellent roof and might be an excellent horizon for another "pay zone" at its top.[7]

Rod Frisby reports that he has gone ahead with the reprocessing of the Kellogg Mine tailings. The placer channels are about 140 feet from the surface with gold values present 6 feet to 8 feet above bedrock.[8]

III. OPTIONS FOR FURTHER ASSESSMENT

The Golconda Mine claims could be mined using a variety of currently practiced, time proven, industry accepted mining techniques. There are a few options for further assessment:

1) Assume that mining will continue at the Golconda using the mining techniques previously employed by Plains Manufacturing (i.e. room and pillar mining of the lowest 12 feet of gravels in contact with the bedrock), but instead at an increased production rate of 300 tons per hour. If we assume the previous mining techniques will be continued, then the current assay results could be used to estimate an ore reserve for the subject based on a 12 foot high enriched zone. The historical literature indicates that the gold bearing materials extends east from the La Cholla Mountains to at least the Anderson Shaft. The extent of the possible orebody east of the Anderson shaft would need to be investigated by drilling, or this area could be left out of the orebody analysis. This option requires that assumptions regarding the grade of the potential orebody over

[5] Chisholm, A.D., "La Cholla Placer Offering of Tom G. Young", June 5, 1950.
[6] Smith, Lewis A., "La Cholla Placer – Plomosa District", AZ Dept. of Mineral Resources, 7/10/1957.
[7] Mieritz, Richard E., "Geologic Report of a portion of the La Cholla Placers", 9/18/1962.
[8] Niemuth, Nyal J., "AZ Dept. of Mines and Mineral Resources – Verbal Information Summary", 3/7/1991.

the entire subject be based upon the limited number of assayed samples. The benefits of using this option are that we can move forward using the currently available information and no additional drilling or sampling would be performed (nor would the incurred costs be necessary).

The drawbacks to this option are that the grade estimations will be based upon the highly variable assay results and historical grades. Due to time and money constraints the research, sampling and assaying to date has been limited, so any estimations regarding grade using the current information would be based upon limited information. A prior owner and operator of the subject, Sloan Smith, stated that the current plant could process 300 tons of material per hour, but the most it ever processed was 30 tons per hour. To put this into perspective, a 15-ton underground haul truck would have to make 20 roundtrips an hour to maximize production at 300 tons per hour. That is a roundtrip (travel down the decline, fill up, travel up the decline and dump) every 3 minutes. Mr. Smith was utilizing an ADOSCO mining machine that could remove 10 tons of material every six minutes, or 100 tons an hour. To maximize the current plant would require three of these ADOSCO mining machines operating concurrently and feeding a 15-ton underground haul truck that would then make 20 roundtrips to the surface every hour.

Because a plant usually operates on a fixed cost per day, the production from the plant should be maximized. If the plant is not operated at a specified capacity, i.e. the capacity is under- or over-exceeded, then there is a greater likelihood that the planned mineral recoveries will not be met. The previous operators maximized production at 30 tons per hour, an efficiency of only 10% of the plants maximum capacity.

2) Determine the topography of the bedrock underlying the entire property and use high-grade mining techniques to mine only the paleo-river channels. This option will require that the topography of the bedrock be determined using seismic investigations. Under this option, the mine could attempt to operate with lower production rate of 30 tons per hour to 100 tons per hour. Using a seismic map of the subject area, the locations of the paleo-river channels would be determined and then drilled to collect samples for additional assaying. These additional assay results could be used to determine the

grade of the material lying in the paleo-river channels and an orebody would be estimated based on mining only the paleo-river channels.

The benefits of using this option are that the current equipment could be used to high-grade mine the property, and could be sold as package with the mining claims. Mining could theoretically begin immediately along the paleo-river channels. Because the mine would be operating on a much lower tonnage per hour factor, a single ADOSCO mining machine operating at 100 tons per hour would likely be sufficient to operate efficiently. The drawbacks to this option would be the additional costs necessary to perform the seismic and drilling investigations. In addition, the current plant would need to be reassessed and possibly redesigned to operate efficiently at lower production rates.

3) Treat the entire property as a low-grade gold ore deposit and investigate the use of open pit mining techniques. This option will require that the subject be drilled, sampled and assayed from the surface down to bedrock. Additional capital may be required to purchase the equipment needed to mine the subject using open pit mining techniques. The benefit to using this option is that the deposit as a whole appears to be a fairly low-grade, high bulk deposit and open pit mining techniques are normally the most successful methods for mining these types of deposits. The current plant production would most likely be fully utilized because open pit mining techniques produce high quantities of material for processing. The drawbacks to this option would be the additional costs necessary to perform the drilling investigation and the theoretical capital needed to purchase open pit mining and processing equipment. The possibility exits that the drilling and sampling program may reveal that the grade of the overlying gravels is to low to make even open pit mining techniques economical, but the discovered information could then be used to investigate operating the mine under option 1 or option 2.

IV. CONCLUSION

Research of literature pertaining to the mine indicates that the grades of the mined material from various points on the placer deposits ranged from an average low of about 0.064 ounces of gold per ton of material to an average high of about 0.140 ounces of gold per ton of material. The research revealed a classic problem when attempting to determine the grade of a placer deposit, which is that the grade of placer deposits varies greatly over short distances and

between sample points. The depositional environment of these placer deposits was likely a turbulent, non-uniform flooding event from which gold dropped out and concentrated in the lowest points of the erosional surface. As a result, while it is difficult to use the results of historical grades and current assays to accurately determine an overall grade for the deposit, it can be assumed that the paleo-river channels located on the Golconda Mine claims contain a grade of approximately 0.15 ounces of gold per ton of material and that the overall grade for the approximate 12' of material overlying the bedrock is about 0.05 ounces of gold per ton of material.

While mapping the workings it was noticed that the contact between the bedrock and overlying gravels formed peaks and valleys. The ancient erosional surface of the bedrock contained drainage valleys or paleo-river channels. The average assay result was 0.055 ounces of gold per ton of material from the workings as a whole. If only the samples from a probable paleo-river channel are taken into account then the average grade rises. Sample points GR-8, GR-11, GR-16 and GR-17 were in the lowest elevations of the workings, which is a likely paleo-river channel. The average assay of these four samples is 0.180 ounces of gold per ton.

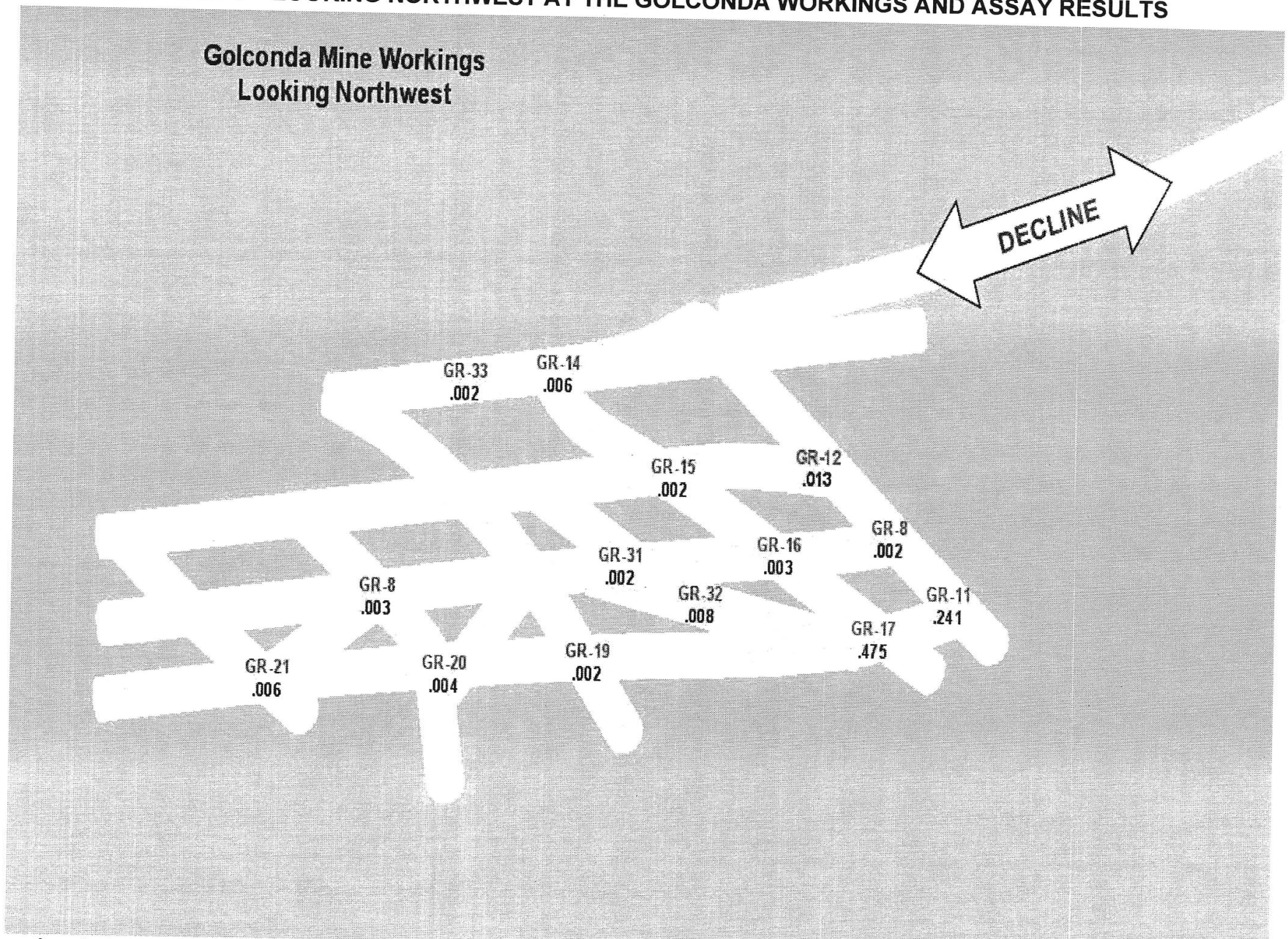
Geologist Geoffrey A. Clarke, M.Sc., of New Cumberland, PA provided significant professional assistance to the person signing this letter by assisting in the preparation of the grade analysis, production analysis and proofreading. If you have any questions or comments, please do not hesitate to call.

Sincerely,

Digitally signed by Bradley Ross
Location: Phoenix, AZ
Date: 2007.09.25 18:02:45 -07'00'

Bradley D. Ross, CPG

FIGURE 1 – LOOKING NORTHWEST AT THE GOLCONDA WORKINGS AND ASSAY RESULTS



Sample point labels are in red and the initial assay results for the sample points are in blue. Assay results are in ounces of gold pre ton of material.

FIGURE 3 – GOLCONDA ASSAY RERUN RESULTS

Certificate of Analysis

Mountain States R&D International, Inc.

RERUN

CERTIFICATE NO. 07-155-B
PROJECT NO. 1488
DATE 2/19/2007

MSRDI NO.	SAMPLE IDENTIFICATION	Au Oz/T							
657	GR-12	.014							
660	GR-17	.384							
665	GR-11	.217							
671	HCS 36	.038							
672	HCS 11	.229							

INVOICE TO FOLLOW
ND (None Detected)

5 Au $ 15.00 $ 75.00

TOTAL CHARGES **$ 75.00**

Registered Assayer

2-20-07

FIGURE 2 – GOLCONDA INITIAL ASSAY RESULTS

Certificate of Analysis

CERTIFICATE NO. 07-116-B
PROJECT NO. 1488
DATE 2/7/2007

Mountain States R&D International, Inc.

MSRDI NO.	SAMPLE IDENTIFICATION	Au Oz/T							
657	GR-12	.013							
658	GR-8	.002							
659	GR-32	.008							
660	GR-17	.475							
661	GR-33	.002							
662	GR-31	.002							
663	GR-20	.004							
664	GR-26	.003							
665	GR-11	.241							
666	GR-15	.002							
667	GR-16	.003							
668	GR-14	.006							
669	GR-19	.002							
670	GR-21	.006							
671	HCS 36	.028							
672	HCS 11	.234							
673	HCS 16	.003							

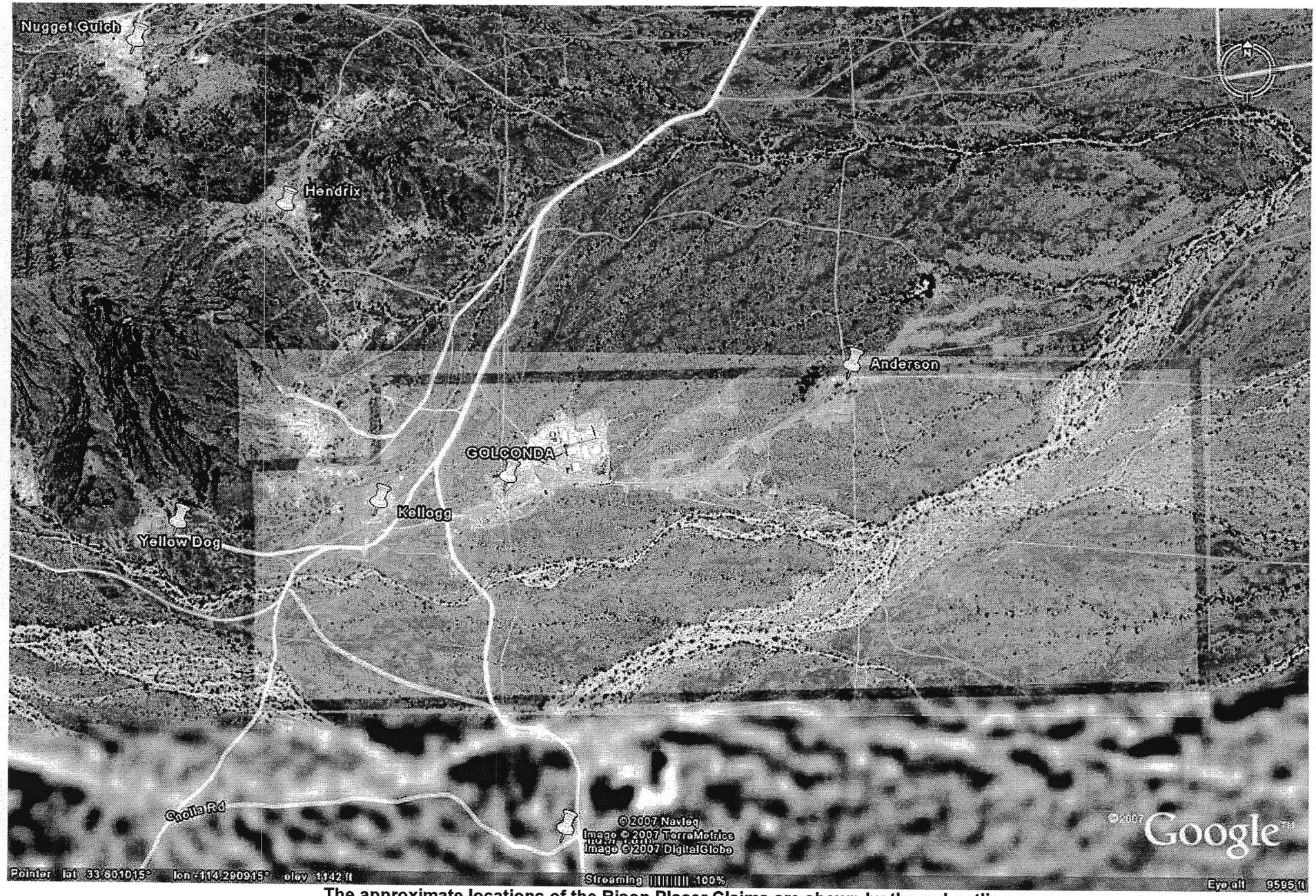
INVOICE TO FOLLOW
ND (None Detected)

17	Au	$ 15.00	$ 255.00
	Prep.		$ 200.00
	TOTAL CHARGES		**$ 455.00**

REGISTERED ASSAYER CERTIFICATE NO. 28073 WALTER E. LEMING JR.

Walter E. Leming Jr.
Registered Assayer
2-8-07

FIGURE 5 – AERIAL PHOTO SHOWING SHAFT LOCATIONS AND BISON CLAIMS



The approximate locations of the Bison Placer Claims are shown by the red outline.

FIGURE 4 – HISTORICAL LITERATURE REPORTED GRADES

Reference #	GRADE	SOURCE	LOCATION	Price per ounce of GOLD	Ounces Au per Cubic Yard Caliche	Caliche Density (PCF)	PCF to TCY	Caliche Density (TCY)	HIGH Ounces Au per ton of Caliche	LOW Ounces Au per ton of Caliche
1	1 oz/yd	Lewis A. Smith 7/10/1957	La Cholla Placers - top 6" of bedrock		1.00000	135	0.0135	1.8225	0.549	
2	$0.75/yd	Lewis A. Smith 7/10/1957 - 1933	La Cholla Placers - secondary channel gravels	$18.00	0.04167	135	0.0135	1.8225	0.023	0.023
3	$4.44/yd	H.J. Steele	Wilson Shaft	$20.67	0.21480	135	0.0135	1.8225	0.118	0.118
3	$4.26/yd	H.J. Steele	Wilson Shaft	$20.67	0.20610	135	0.0135	1.8225	0.113	0.113
3	$3.05/yd	H.J. Steele	Wilson Shaft	$20.67	0.14756	135	0.0135	1.8225	0.081	0.081
3	$7.05/yd	H.J. Steele	Wilson Shaft	$20.67	0.34107	135	0.0135	1.8225	0.187	0.187
4	$4.05/yd	H.J. Steele	Wilson Shaft	$20.67	0.19594	135	0.0135	1.8225	0.108	0.108
4	$5.00/yd	H.J. Steele	Wilson Shaft	$20.67	0.24190	135	0.0135	1.8225	0.133	0.133
4	$4.37/yd	H.J. Steele	Wilson Shaft	$20.67	0.21142	135	0.0135	1.8225	0.116	0.116
5	$1.04/yd	John A. Church	La Cholla Placers	$19.23	0.05408	135	0.0135	1.8225	0.030	0.030
5	$0.64/yd	John A. Church	La Cholla Placers	$18.00	0.03556	135	0.0135	1.8225	0.020	0.020
6	$2.53/yd	John A. Church	Oro Fino Bedrock	$18.00	0.14056	135	0.0135	1.8225	0.077	0.077
6	$1.02/yd	John A. Church	Oro Fino Bedrock	$18.00	0.05667	135	0.0135	1.8225	0.031	0.031
6	$0.53/yd	John A. Church	La Cholla Placers	$18.00	0.02944	135	0.0135	1.8225	0.016	0.016
7	.01 to .01667 oz/yd	Rod Frisby	Kellog Mine		0.01000	135	0.0135	1.8225	0.005	0.005
7	.01 to .01667 oz/yd	Rod Frisby	Kellog Mine		0.01667	135	0.0135	1.8225	0.009	0.009
8	$4.62/yd		La Cholla Placers	$20.00	0.01667	135	0.0135	1.8225	0.009	0.009
10	$2.82/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.13947	135	0.0135	1.8225	0.077	0.077
10	$2.40/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.11869	135	0.0135	1.8225	0.065	0.065
10	$1.20/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.05935	135	0.0135	1.8225	0.033	0.033
10	$1.20/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.05935	135	0.0135	1.8225	0.033	0.033
10	$1.30/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.06429	135	0.0135	1.8225	0.035	0.035
10	$0.12/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.00593	135	0.0135	1.8225	0.003	0.003
10	$24.00/yd	Richard E. Mieritz	La Cholla Placers	$20.22	1.18694	135	0.0135	1.8225	0.651	
10	$4.00/yd	Richard E. Mieritz	La Cholla Placers	$20.22	0.19782	135	0.0135	1.8225	0.109	0.109
10	$38.40/yd	Richard E. Mieritz	La Cholla Placers	$20.22	1.89911	135	0.0135	1.8225	1.042	
11	$3.50/yd	Elgin B. Holt	Plomosa	$18.00	0.19444	135	0.0135	1.8225	0.107	0.107
								AVERAGE GRADE	**0.140**	**0.064**

ADMMR MINE FIELD VISIT DATA SUMMARY

MINE **KELLOGG** COMMODITIES **Gold placer**
AZMILS NUMBER **La Paz 796** DATE **April 2, 1992**
ENGINEER **Nyal Niemuth** INFORMATION FROM **Dan Pawlowski**

I. MINE NAME Kellogg OTHER NAMES Wilson, Happy Days

II. LOCATION Township 3 North, Range 20 West, Section 14, SW 1/4
ELEVATION 1200 TOPO. MAP Cunningham Mtn. 7.5"
DIRECTIONS As per topographic map.

III. OWNERSHIP VLS Minerals Inc.
ADDRESS P. O. Box 3658, Quartzsite, AZ 85546 PHONE 619 - 922-1286
PERTINENT PEOPLE Dan Pawlowski, President
PROPERTY AND HOLDINGS Unpatented mining claims

IV. PAST PRODUCTION Noted

V. CURRENT STATUS Underground bulk sampling program is in progress.

VI. WORKINGS The new decline (708' horizontal, 130' vertical) has just been completed and it intersects the old room and pillar workings of circa 1941. The Wilson shaft has a new collar and has been made into a ventilation shaft. New ladders and platforms have also been installed to serve as an emergency escape. The workings (shown on the attached maps) connect to the Kellogg shaft at the area marked bulkheads. The bulkheads were installed to direct ventilation out the decline. The decline was driven using a 5 yard loader which required a back of greater than 10', so that a typical heading is 10' x 15'. The large loader is no longer used to allow reducing the height of the back and make it more stable by keeping it under a favorable horizon (see geology). The old room and pillar stopes were often back filled with boulders (1'x'1'x1.5') or muck from the previous operators and post closure high graders. Thus, detailed mapping of old stopes has not been done. Some of the old stopes are being cleaned out to obtain samples. Pillar size was about 5'x'5 with rooms typically grater than 10' wide with greater lengths. Some timber stulls were used to support the ground, especially where it is presumed that the high graders removed pillars. The stopes mined over 50 years ago have stood well with the exception of the northern part of the "D" stope which has had large slabs of the caliche layer collapse. The Wilson shaft appears to have remained in excellent shape. A mining method has not yet been selected. That decision will await completion of the sampling program.

VII. GEOLOGY DEPOSIT TYPE Gold placer
STRIKE North DIP East LENGTH ??? WIDTH ???

HOST ROCKS Caliche cemented coarse gravels lie unconformably on east dipping blue-purple slate bedrock. The slate occasionally hosts white quartz veins or lenses that contain siderite and limonite.. No sulfides or copper oxides were observed.
ECONOMIC MINERALS Native gold generally occurs as angular, sharp edged, flat nuggets, rice grain and smaller in size.
COMMENTS The deposit is located in the heart of the La Cholla Placer district. Deposit size and grade have not been determined at this time but previous stopes and new headings are being evaluated by 5 yard samples. Generally a 4' to 6' thickness of unsorted cemented, angular gravels comprises the pay streak . This layer is well indurated and requires drilling and blasting. The largest cobbles appear to be 1.5'x1'x1' while the majority of the clasts are tabular slate ranging from 1/2" to 5" in size. Initial sampling indicates a higher clay content downslope in stopes "A" and "B". Above this possible debris flow lies a caliche rich layer, often one half foot thick. It is overlain by a series of coarse gravels showing sorting and layering. The caliche layer contains fewer clasts and makes an excellent back. However, if mining breaks through the caliche layer it is reported that the back will shed cobbles for a few days, requiring barring until it stabilizes in a domed interlocked fashion.

VIII. EQUIPMENT ON SITE Major equipment observed consisted of Terex 5 yard loader, 5 yard underground loader, 1 yard underground loader, 1 underground haul truck estimated to be about 10 yards, 2 generators, ventilation fan, a semi trailer converted to serve as shop and warehouse, 2 mobile homes that serve as quarters and office, pilot plant trommel and sluice. The trommel and sluice from the previous operation is on site but is disassembled. It is planned to set the plant up on top of the dump produced from driving the decline. This would provide some relief and allow taking advantage of gravity for processing.

IX. SAMPLING/DRILLING Sampling of new headings and old stopes is underway. 5 yard samples are being taken and stockpiled on the surface. Processing of the samples will commence once the pilot plant is debugged. The pilot plant is being set up now and consists of a small trommel (approximately 2' x 8') and sluice. This author panned 2 shovels, estimated to contain about 1/2 cubic foot, from the "A" stope. This amount yielded 1 rice grain size piece and 2 smaller pieces and 5 colors. Compared to alluvial placers surprisingly little black sand was present. Most waste after screening was slate and clay.

An exploration target exists to the north of the present workings. It is hoped another major channel exists north of a ridge of bedrock which limits the channel the present workings occupy. Even without that additional area, the tonnage potential is very large, however, determination of grade remains the most important task to confirm the project's economic viability.

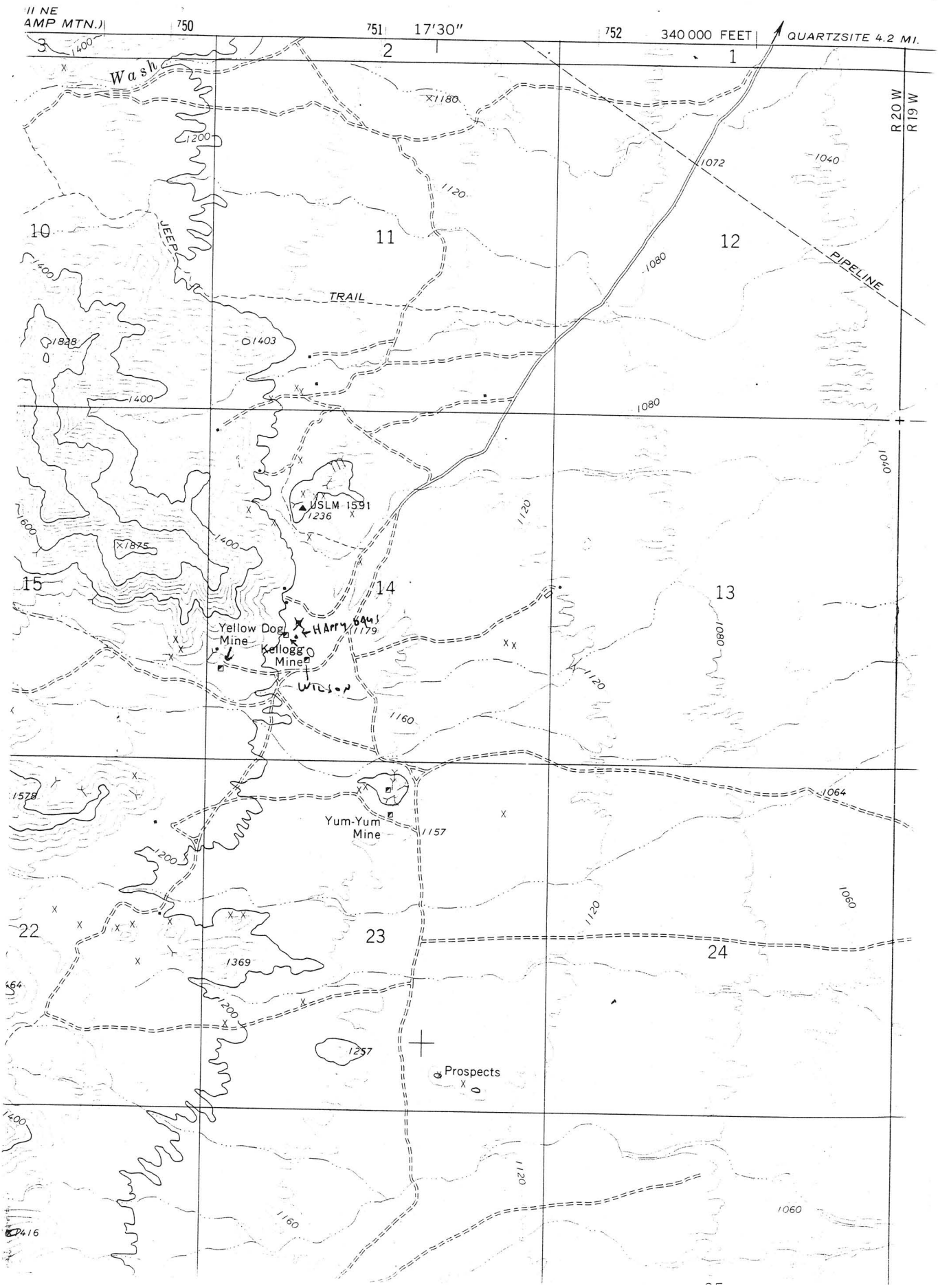
X. REFERENCES AND REMARKS When operations get underway it is planned to have 2 men underground, an operator and a helper for the surface plant. At present the well that was used to supply water to the reprocessing of the tailings by the previous operators is being used. The well is located about two miles to the east of the

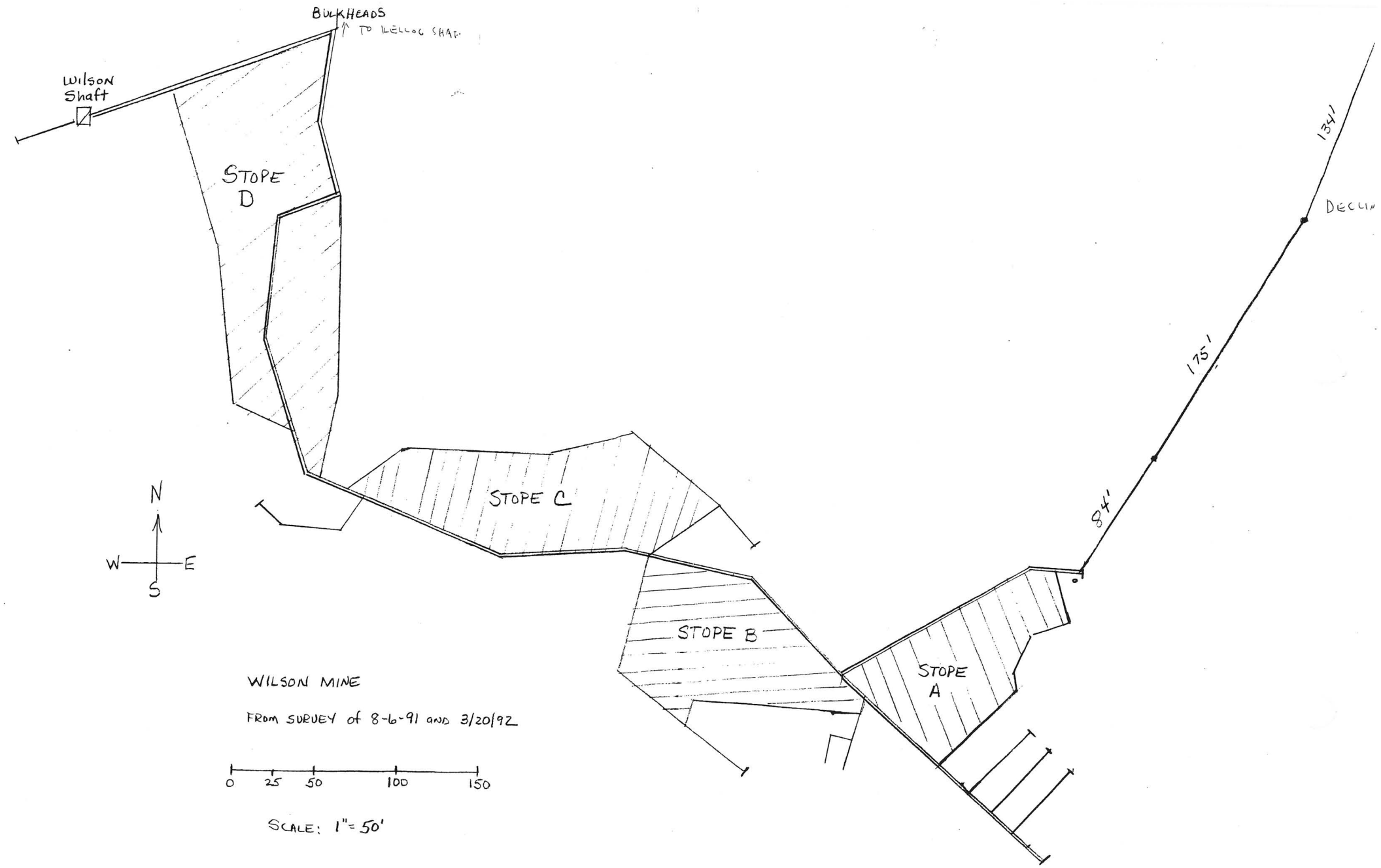
mine site. Depth to the water is 120' and the pump is set at 120'. Yield of the well is about 25 gpm. No pump test has been run. It is planned to run a pipeline from the well to the plant to eliminate hauling water by truck as is done now .

Southern Sec E

CUNI

7.5 M




BULKHEADS
TO KELLOG SHAFT
WILSON SHAFT
STOPE D
STOPE C
STOPE B
STOPE A
134'
175'
84'
DECLIN
N
W
E
S
WILSON MINE
FROM SURVEY of 8-6-91 AND 3/20/92
0 25 50 100 150
SCALE: 1" = 50'

Kel' 26 MINE (F) LA PAZ

9/4/91 WCW

OFFICE OF THE ARIZONA STATE MINE INSPECTOR
1700 W. WASHINGTON, SUITE 400
PHOENIX, AZ 85007
(602) 542-5971

PIN#: _____ ENTRY DATE: 9/4/91

NOTICE TO START-UP, MOVE, OR STOP

STATE ID#: 958 MSHA ID#: _____

COMPANY: YLS MINERALS, INC.
MAIL ADDR: P.O. BOX 3658
CITY: QUARTZSITE STATE: AZ ZIP: 85546
COUNTY: LA PAZ PHONE#: 619-922-1286
MINE/PLANT NAME: WILSON MINE/UG
LOCATION: RANGE: 20-W TOWNSHIP: 3-N SECTION: 14
DRIVING DIRECTIONS:
I-10 west exit to Quartzsite. Take south frontage road west for 1.6 miles. Turn south for 4 miles to the mine.

STATUS: PERMANENT? ☒ INTERMITTENT? ▒ PORTABLE? ▒

In compliance with the Arizona Revised Statutes 27-303 we are submitting this written notice to the Arizona State Mine Inspector our intent to: START: 8/27/91 STOP: _____ MOVE: _____ CLOSE: _____ an operation.

Please check where appropriate OWNER? No OPERATOR? Yes CONTRACTOR? No
OPEN PIT: UNDERGROUND: MILL: QUARRY: HOT PLANT: SMELTER:
AGGREGATE PLANT: BATCH PLANT: LEACH PLANT: OTHER: UNDERGROUND

PRIMARY OFFICIAL: Dan Pawlowski, President
DESIGNATED SAFETY OFFICIAL: _____
OTHER OFFICIALS: Rodney Frisbey, Mine Mgr.

NUMBER OF EMPLOYEES (including on site office staff): 2
IF THIS IS A RELOCATION, PLEASE LIST LAST LOCATION: _____
HAVE YOU EVER OPERATED IN ARIZONA BEFORE? ___
WOULD YOU LIKE OUR EDUCATION & TRAINING DIVISION TO ASSIST WITH YOUR MINE SAFETY TRAINING? ___
IF YOUR OPERATION WILL BE USING HAZARDOUS MATERIAL (ie CYANIDE, ACID), PLEASE LIST: _____

PRINCIPAL PRODUCT: GOLD

PERSON COMPLETING THIS FORM: Dan Pawlowski, President PHONE#: _____

STATE OF ARIZONA
NOTICE OF START-UP, MOVE OR STOP
FOR PORTABLE SOURCES AND MINE EQUIPMENT

J 02
958

General Information

1. Company Name: VLS MINERALS, INC.
   Address: P.O. BOX 3658
   City: QUARTZSITE STATE: AZ ZIP: 85546
2. Contact Person: DAN Pawlowski Telephone:
3. Please Check Where Appropriate: CONTRACTOR:___ OWNER: X OPERATOR:___ OPEN PIT:___
   UNDERGROUND: X MILL:___ QUARRY:___ HOT PLANT:___ SMELTER:___ AGGREGATE PLANT:___
   BATCH PLANT:___ LEACH PLANT:___ OTHER:___
4. Mine/Plant Name: Wilson Mine Status: Permanent X Intermittent___ Portable___
5. Current Location of Equipment: ON VLS PROPERTY, PINK EMU #1, 2 CLAIMS
   RANGE: 20 W TOWNSHIP: 3N SECTION: 14
6. New Location of Equipment: SAME
   RANGE: TOWNSHIP: SECTION:
   Driving Directions to New Location: 5 mi SW of QUARTZSITE
7. In compliance with Titles 18 and 27 of the Arizona Administrative Code, we are submitting this written notice to the State Mine Inspector and/or the Department of Environmental Quality of our intent to:
   START: X STOP:___ MOVE:___ an operation.
8. Anticipated Startup Date (MM/DD/YY): 8/27/91 9. Today's Date (MM/DD/YY): 8/27/91

Environmental Quality Data

10. Description of Equipment: Rubber tired equipment
11. ADEQ Permit Number: 12. Company Equipment Number:
13. MFG's Model Number: 14. Four Digit Equipment Number Required By Permit:
15. MFG's Serial Number:
16. Other Equipment Used: (Supply a Complete Equipment Listing and Equipment Layout Diagram. Use additional Pages as Necessary.)

Mine Inspector Data

17. Entry Date: 18. PIN#: 19. State ID#: 20. MSHA ID#:
21. Name of Primary Official: DAN Pawlowski 22. Name of Designated Safety Official:
23. Names of Other Officials: Rodney Frisbey Mine Mgr.
24. Number of Employees (Including On Site Office Staff): 2 25. Principle Product: Gold
26. Would You Like Our Education & Training Division to Assist You With Your Mine Safety Training?: Yes
27. If Your Operation Will Be Using Hazardous Materials (eg Cyanide, Acid, etc.), Please List Below:

Check all Agencies Which Were Notified:

___Arizona State Mine Inspector
1700 W. Washington
Suite 400
Phoenix, Arizona, 85007
(602) 542-5971

___Arizona Department Of Environmental Quality
Office of Air Quality
2005 North Central Avenue
Phoenix, Arizona, 85004
(602) 257-2276

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES

VERBAL INFORMATION SUMMARY

1. Mine File: La Cholla Placers (f), Kellog Mine (f)

2. Mine name(s) if different form above:

3. County: La Paz

4. Information from: Rod Frisby (c)

   Company: Frisby Mining

   Address: 300 West Clarendon #250

   Phoenix, AZ 85013

   Phone:

5. Summary of information received, comments etc.:

Rod Frisby reports that he and two partners - Graham Sutton (c) and Steve Kosankis, P. O. Box 193, La Sal Utah, have gone ahead with the reprocessing of the 25,000 yards tailings pile shown adjacent to the underground shaft identified as Kellog Mine on the Cunningham Mtn. 7.5 Minute Quadrangle.

Following sampling of the tailing and literature review assembly of a process plant began in December 1990. Mr. Kosankis provided the trommel. The other equipment is either owned by the partners or leased. A new 200′ deep water well was drilled at T3N, R19W, Sec. 19, NE., slightly west of Tyson Wash. The static water level is 160′ and the well is currently being pumped at 25 to 30 gallons per minute. Water is trucked to the gravity processing sight 3 miles to the west to make up the 20,000 gallons used daily.

Production at the plant began in mid January and to date approximately 10,000 tons of the tailings has been reprocessed. The processing rate is 300 yards per day and recovery is 3 to 5 ounces of gold which averages 90-92 fine. Three photocopied pages of photographs showing the well being drilled, trommel and sluice, the tailing pile that is being processed and some surprisingly coarse gold being recovered accompany this report.

The operators are giving serious thought to resuming production from the underground based on experience to date and some sampling of the channel underground. The shaft was open and new wood ladders have been constructed. The placer channels are about 140 from the surface with gold values present 6-8′ above bedrock. A decline would be sunk to allow access by rubber tired equipment. Investors would be sought to capitalize the decline and attendant required underground facilities.

Nyal J. Niemuth, Mining Engineer March 7, 1991

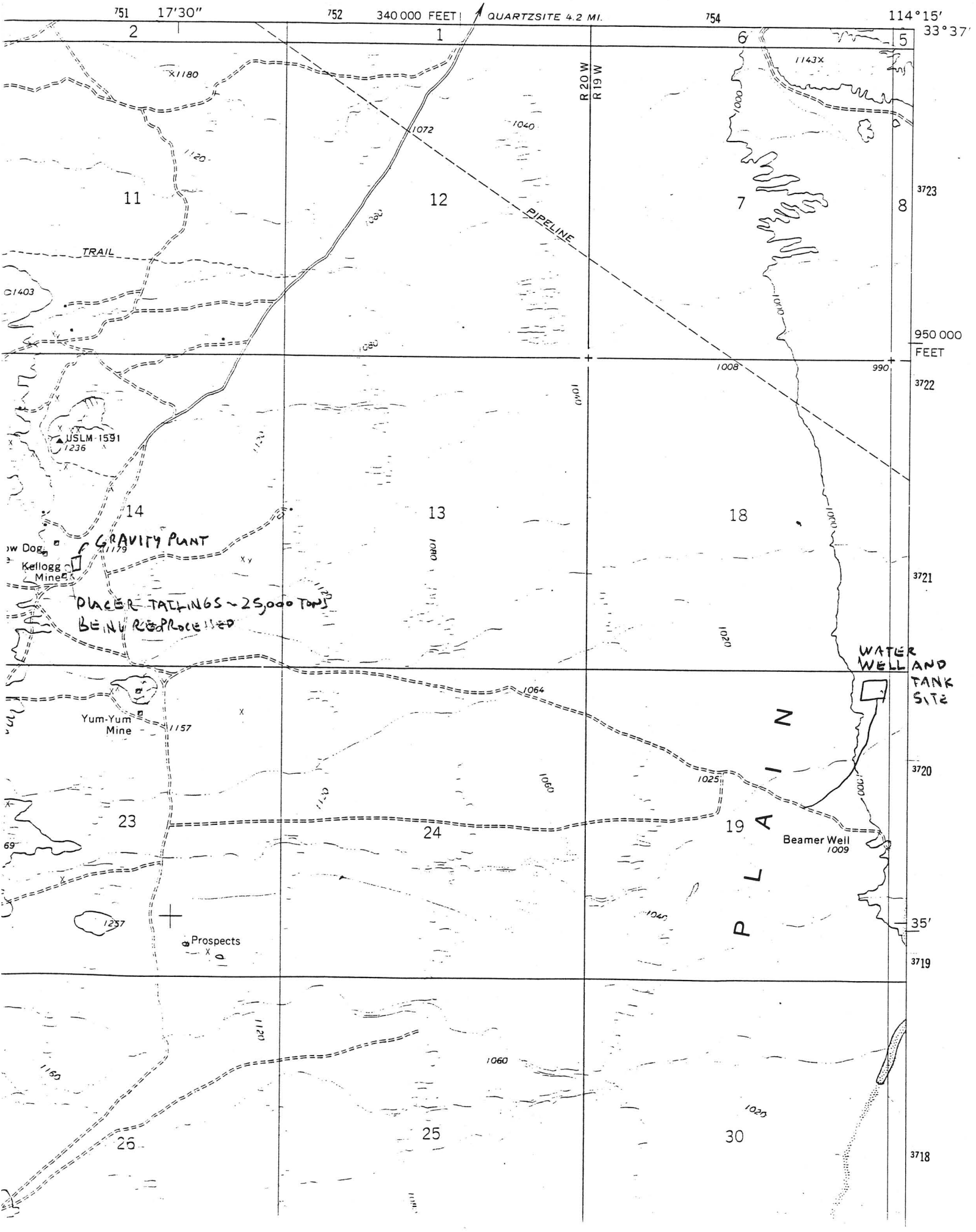
1991

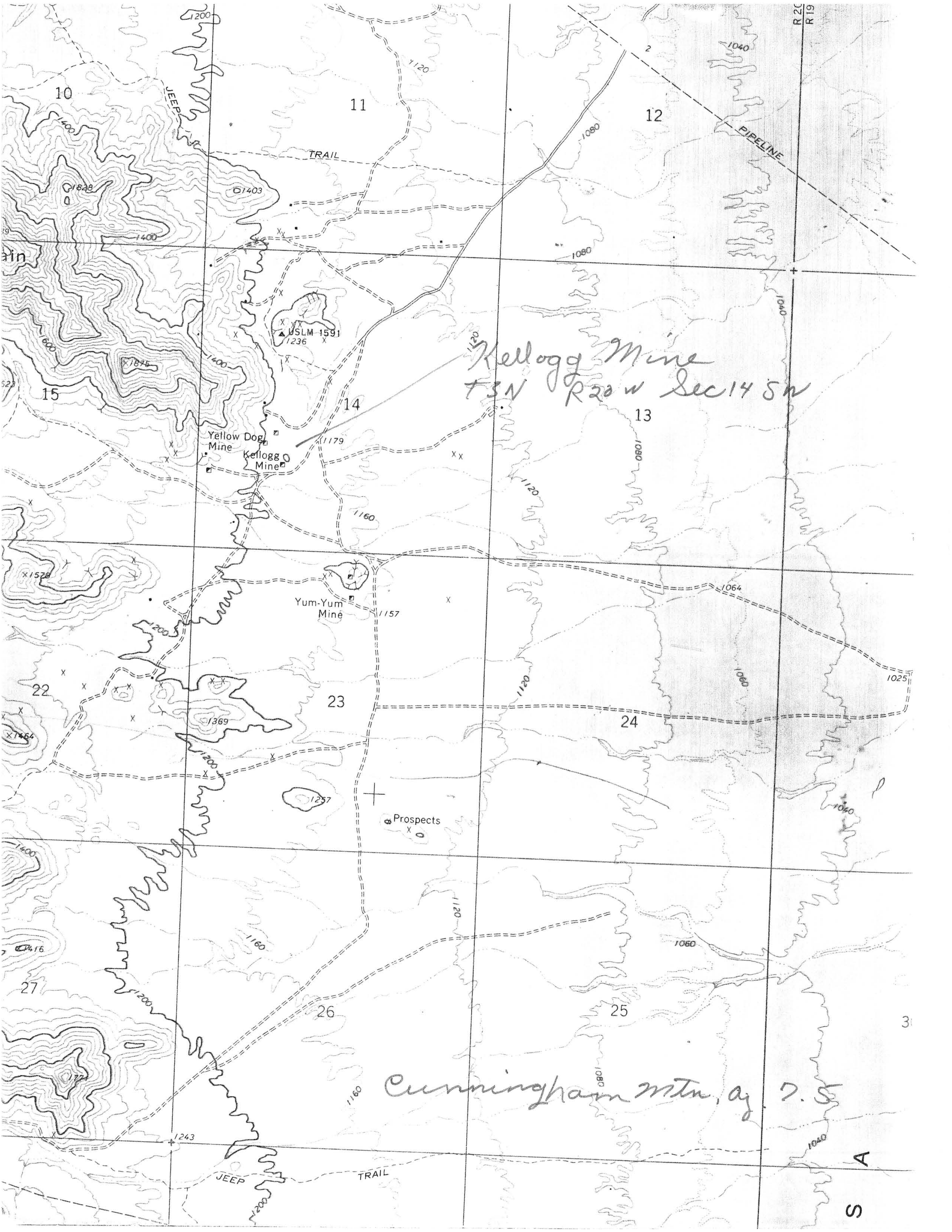
7.5 MINUTE SERIES (TOPOGRAPHIC)

SE ...ME ROCK MTS. 15' QUADRANGLE

751 17'30" 752 340 000 FEET QUARTZSITE 4.2 MI. 754 114°15'

33°37'




Kellogg Mine
T3N R20W Sec14 SW
Cunningham Mtn, az 7.5
Yellow Dog Mine
Kellogg Mine
Yum-Yum Mine
Prospects
USLM 1591
JEEP
TRAIL
PIPELINE
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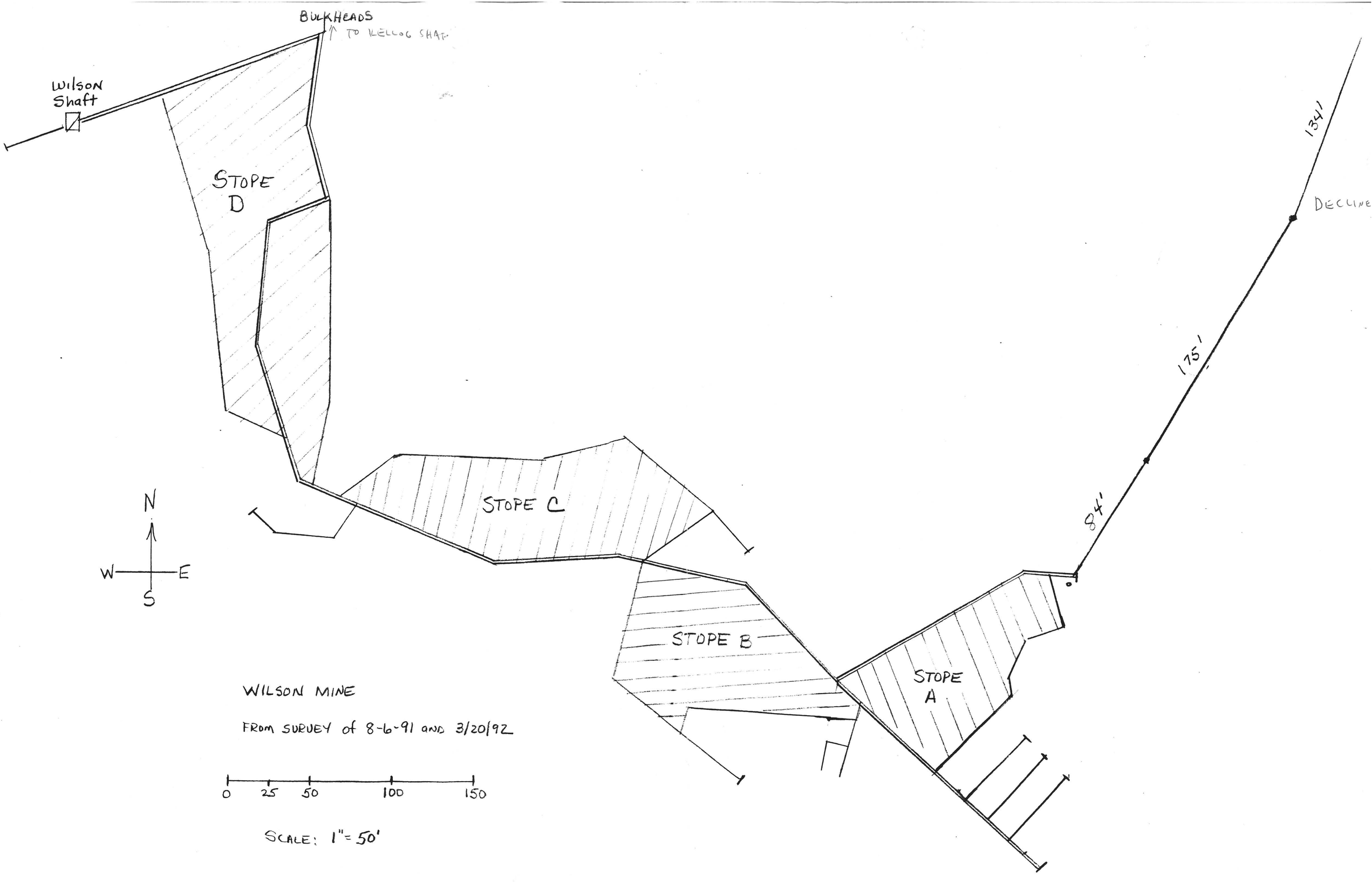
BULKHEADS
TO KELLOG SHAFT
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STOPE D
STOPE C
STOPE B
STOPE A
134'
DECLINE
175'
84'
N
W
E
S
WILSON MINE
FROM SURVEY of 8-6-91 AND 3/20/92
0
25
50
100
150
SCALE: 1" = 50'

REAL ESTATE AUCTION™

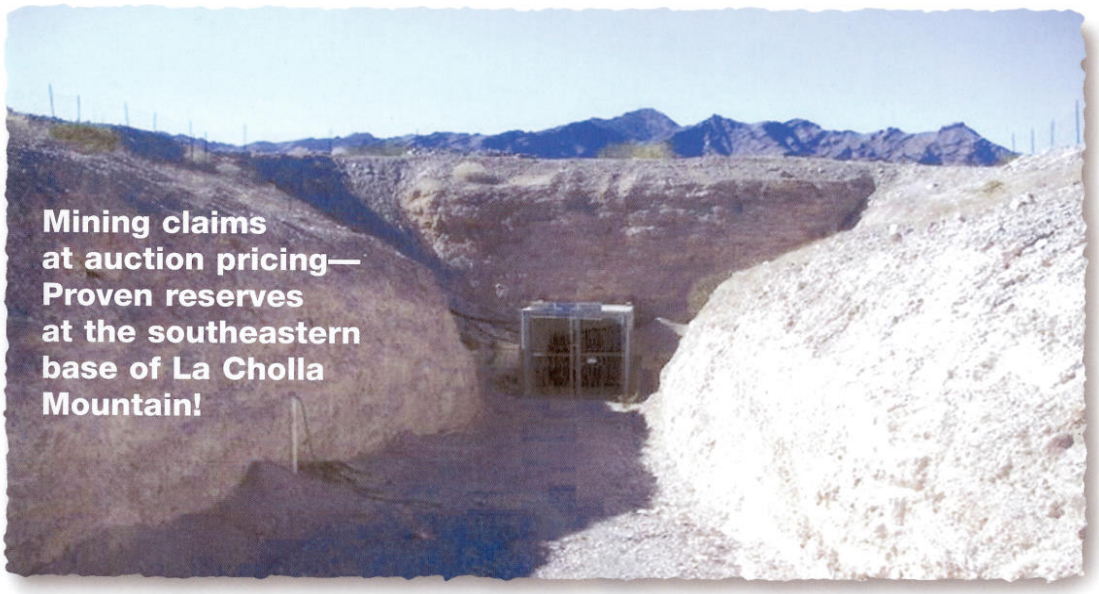
JULY 22

BANKRUPTCY COURT ORDERS IMMEDIATE SALE

79 Unpatented Mine Claims • 24 Placer Claims & 55 Lode Claims on Over 1,000 Acres, Including On-Site Mill Equipment & Stockpiled Material!

The Golconda Mine

Quartzsite (La Paz County), Arizona



TO BE SOLD TO THE HIGHEST BIDDER • CURRENT BID: $625,000!

Certified or cashier's check required to buy: $60,000

Don't miss this outstanding opportunity to acquire a proven gold producer! Existence of gold placer deposits at La Cholla Mountain date to 1862, when the Colorado River Indians guided Captain Pauline Weaver and his party to the rich La Paz gravels. Since the advent of this discovery, area deposits have been worked intermittently.

This exciting auction includes a long list of mining equipment on-site that is included in the sale, *essentially making the gold claims and mineral rights a bonus with the purchase of the equipment!*

Whether you're an individual who relishes the idea of prospecting and striking gold, or a company that is already actively operating in the mining industry, these proven claims offer outstanding income potential.

In today's economy, gold has become an extremely desirable investment and hedge against fluctuating currency. The claims offer easy placer mining with equipment and established underground workings already in place. In addition, the area's great weather allows year 'round production.

The results of the assayed samples from the Golconda Mine revealed the presence of gold. According to the sample studies, the grades of the mixed material ranged from an average low of about .064 ounces of gold per ton of material to an average high of about .14 ounces of gold per ton of material. The gold-bearing gravels of the La Cholla Placer are uniform throughout the lateral workings of the claim.

SHELDON GOOD & COMPANY
AUCTIONS, LLC
AMERICA'S REAL ESTATE AUCTIONEER™

AUCTION DATE AND LOCATION:
Wednesday, July 22, at the Hilton Scottsdale, 6333 North Scottsdale Road, Scottsdale, Arizona. Registration begins at 10:00 am; the auction commences at 11:00 am.

AUCTION LINE:
(800) 315-2199
FAX: (312) 453-7830

www.sheldongood.com/goldmine.php

BIDDER'S INFORMATION PACKETS:
A Bidder's Information Packet has been assembled, which contains detailed information related to the claims, the auction, and the Terms of Sale. The Packet will be available at all on-site inspections for $75.00, and is available by contacting the Project Manager at (800) 315-2199. The Packet can also be sent via FedEx second-day delivery for an additional $25.00 shipping fee. **The purchase of a Bidder's Information Packet is required in order to bid at the auction.**

TERMS OF SALE:
This auction is being conducted subject to the Terms of Sale, as stated in the Bidder's Information Packets and the Purchase and Sales Agreements.

BROKER PARTICIPATION INVITED:
A referral fee of 5% of any amount of the high bid over the $625,000 will be paid by the seller to the REALTOR®/Broker whose registered buyer closes on this property. Please refer to the Buyer/Broker registration requirements in the Terms of Sale, which can be found in the property profiles and the Bidder's Information Packets.

SHELDON GOOD & COMPANY
AUCTIONS, LLC
AMERICA'S REAL ESTATE AUCTIONEER™
Realtors® • Auctioneers • Consultants
333 West Wacker Drive, Suite 400
Chicago, Illinois 60606
(800) 315-2199
Fax (312) 453-7830
www.sheldongood.com/goldmine.php

RETURN SERVICE REQUESTED

JULY 22

Subscribe to Upcoming Auctions and "Good News" at
www.sheldongood.com

ADDITIONAL INFORMATION:

- This property is being sold by Maureen Gaughan, Trustee, in proceedings under Chapter 7 Bankruptcy, Case Numbers 06-00006 and 06-00007 in the United States Bankruptcy Court for the District of Arizona. The Bankruptcy Court property will be sold "as is/where is" and by Bankruptcy Court Order will be sold free of any liens, claims, or encumbrances. Neither the Trustee nor Auctioneer has been provided with any certified information regarding the production history of the mine.
- These claims are being offered for sale subject to the terms of the Purchase and Sale Agreement and in accordance with the laws, regulations, and policies of the Bureau of Land Management.

- Rights include the ability to mine ores and minerals.
- BLM Mining Claim Serial Numbers: AMC362475 through AMC362553.
- The Bureau of Land Management assesses an annual maintenance fee of $125 per claim. These fees are due the first of September every year and are current for 2008-2009.
- An extensive list of on-site mining equipment at the Golconda Gold Mine at the time of closing is included with the claims. Please consult the Bidder's Information Packet for a complete equipment list.
- Mineral Rights guarantee the right to do such exploratory or development work as is necessary or convenient, the right to mine for and extract the same, and to use such surface lands as may be required for all operations pertaining thereto.

ON-SITE INSPECTIONS:

June 17 and 25, and July 10, *by appointment only.* Appointments must be made at least two days in advance. Please call (800) 315-2199, ext. 4327 to schedule an appointment.

DIRECTIONS:

From Phoenix, take I-10 westbound approximately 125 miles to exit 17 in Quartzite. Proceed to Quartzsite Boulevard South, turn right onto Dome Rock Road West, and follow to Cholla Road. Go south on Cholla Road to the entrance of the Golconda Mine, on the left.