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LEASE AND OPTION TO PURCHASE AGREEMENT

By and Between

GEORGE W. MORGAN, etal

and

HOMESTAKE MINING COMPANY
OF CALIFORNIA

Dated

July 8, 1987

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LEASE AND OPTION TO PURCHASE AGREEMENT

This AGREEMENT, made and entered into as of the 8th day of July, 1987, by and between GEORGE W. MORGAN and ANNA R. MORGAN, husband and wife, having an address at 1210 North 35th Street, Phoenix, Arizona 85008, MELVIN Y. MORGAN, a single man, having an address at 1210 North 35th Street, Phoenix, Arizona 85008 and ROBERT L. FANCHER and LINDA M. FANCHER, husband and wife, having an address at 2203 E. Heatherbrae Drive, Phoenix, Arizona ⁸⁵⁰¹⁶~~85008~~, First Parties, hereinafter referred to as "Lessors", and HOMESTAKE MINING COMPANY OF CALIFORNIA, a California corporation having its principal place of business at 650 California Street, San Francisco, California 94108, Second Party, hereinafter referred to as "Lessee".

WITNESSETH:

The Lessors are the owners (subject to the paramount rights of the United States of America) of the unpatented lode mining claims, herein after referred to as "Claims", situated in the Sheep Tanks Mining District, Yuma County, State of Arizona, the location notices of which are recorded in the office of the County Recorder of Yuma County, in the docket and pages as hereinafter indicated, being more fully described in Exhibit "A" attached hereto and made a part hereof. Said Claims are also recorded with the BLM (Bureau of Land Management) office in Phoenix, Arizona. Serial numbers assigned by the BLM to said Claims are shown on Exhibit "A".

The Lessors desire to sell said Claims, and for that purpose are willing to grant to the Lessee a lease and option on the

terms and conditions hereinafter set forth, and the Lessee desires to obtain such lease and option and is willing to accept the same subject to the terms and conditions hereinafter stated.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00), the receipt of which is acknowledged by Lessors, and in consideration of the premises and of the mutual covenants herein contained, the parties agree as follows:

1. OPTION. The Lessors hereby grant to the Lessee an exclusive lease and option to purchase all of the Lessors' right, title and interest in and to said claims. From and after the date hereof, Lessee, so long as this Lease and Option is not terminated other than by payment of the purchase price in full, shall have the sole and exclusive right to enter upon Claims and to prospect, explore, develop, mine and treat the products of the Claims; to sell for its own account all products taken therefrom, and carry out all necessary steps in connection therewith in the Lessee's sole discretion, except for drilling work requirements described in Section 8.

Lessors agree to furnish Lessee proofs of labor and such other muniments of title as are in Lessor's possession, in order to assist Lessee in confirming the Lessor's ownership of the claims included in the foregoing grant.

The lease and option granted under Section 1 hereof shall continue in force for the period during which payments are to be made hereunder or until earlier terminated pursuant hereto, or until Lessee becomes the absolute owner of the Claims.

2. PURCHASE PRICE, TERMS, ROYALTY, AND LENGTH OF AGREEMENT.

The purchase price for which Lessors agree to sell the mining property of said 12 claims in which Lessors hold a 100% ownership interest for the sum of Four Million Five Hundred Thousand Dollars (\$4,500,000.00, U.S.) reduced by the sum of all payments made by Lessee to Lessor hereunder, payable in the following installments:

Rental Down Payment for rental, use and occupancy of the Claims is \$100,000.00 to be paid as follows:

1. \$50,000.00 on the date the agreement is executed;
2. \$50,000.00 sixty days after agreement is executed.

The first \$50,000 payment shall be paid within 3 days from the date that Lessors execute this agreement or the agreement becomes null and void and the second \$50,000 payment shall be paid within 60 days from the date that Lessors execute this agreement or the agreement shall become null and void.

Minimum Monthly Rental Payments:

(a) 90 days after agreement is executed, Lessee shall start paying \$7,500.00 per month for a period of six months or 180 days.

(b) 270 days after agreement is executed, Lessee shall start paying \$8,000.00 per month for a period of six months or 180 days.

(c) 450 days after agreement is executed, Lessee shall start paying \$8,500.00 per month for a period of six months or 180 days.

(d) 630 days after agreement is executed and thereafter, Lessee shall pay \$9,000.00 per month.

(e) All monies paid to Lessors by Lessee shall become the property of Lessors. The two initial \$50,000 rental payments and the minimum monthly rental payments shall not be deductible from production royalty payments.

Production Royalty Payments

In the event the Lessee sells minerals or other products from the claims, Lessee shall pay to Lessors a production royalty of 10% of Net Smelter Returns for the gold and silver ores and any other products mined from the existing drill-proven 267,250 ton ore deposit grading 0.15 opt gold and 1.95 opt silver (as shown in J.D. Branchflower's 8-9-85 report) when said ore deposit is mined and refined to metals. Said 267,250 ton ore deposit is located on Verdstone claims No. 1 and 2. It was found, delineated and depicted by Rea Petro Energy Inc, and Rea Gold Corp. Lessee shall pay Lessors a production royalty of 5% Net Smelter Return royalty on all ores, concentrates, minerals removed from all other areas of the mining property.

When production royalties in any one month exceeds the minimum monthly rental payment, the minimum rental payment will not be owing to Lessors and may be credited against the production royalty for such month.

"Net Smelter Returns" is defined as the net amount paid to Lessee by a smelter, processing plant, or other buyer from the Lessee, less charges for transportation not to exceed two miles, treatment charges, penalties and excise privilege taxes or severance taxes (if any). Said 10% and 5% of Net Smelter Returns shall be paid to Lessors within 15 days after receipt by Lessee of payments made by the smelter, processing plant or buyer. Copies of settlement sheets shall be furnished to Lessors.

Termination by Lessors for Failure to Make Payments. In the event Lessee shall fail to make any of the aforesaid payments, Lessors may, by fifteen (15) days prior written notice to Lessee, terminate this Lease and Option; providing that if Lessee shall make such payment within the fifteen day period following such notice, the Lease and Option shall be fully reinstated and shall be deemed not to have terminated.

In addition to the foregoing minimum monthly payments and production royalty payments, Lessee shall, during the term of such Lease and Option: (A) pay all taxes levied or assessed on any structures, equipment or facilities owned by Lessee and placed on the Claims, and all other taxes and assessments; (B) do and perform all assessment work acceptable to the State of Arizona, BLM or other governmental authorities required to maintain the good title of the Lessors in and to the Claims on or before January 1 of each assessment year, and file and record affidavits of labor performed and improvements made relating thereto and furnish Lessors with a recorded copy of each recorded affidavit of labor including BLM time-stamped copies of said affidavits and documents made by Lessee; (C) pay such other fees as are normally imposed upon the Claims by any governmental authority or required to be paid in order to maintain the Lessor's title to the Claims; and to comply with all laws, rules and regulations of the Bureau of Land Management and the State of Arizona.

Lessee shall have the right to contest by judicial proceedings or otherwise, the validity of any assessment or levy of the aforesaid taxes and to take such steps or proceedings as they may deem necessary or desirable to secure a cancellation, reduc-

tion, adjustment or equalization before Lessee shall be required to pay and discharge the same.

3. CONSTRUCTION. This agreement shall not be construed as a contract binding Lessee to purchase said claims. Upon payment by Lessee in full, Lessee shall be deemed the absolute owner of said claims without further payment and without further act or deed of any party, except performance of any reclamation work necessary to satisfy BLM and Lessee shall have no further obligations to Lessor.

4. TERMINATION OF LEASE AND OPTION.

a. Notice of Termination by Lessee. This Lease and Option may be terminated by Lessee upon thirty (30) days prior written notice to Lessors. Lessee shall not be relieved by virtue of such termination of payments due but unpaid prior to such termination.

b. Notice of Termination by Lessors for Failure to Perform.

In the event Lessee, prior to the payment of the purchase price in full, shall fail to perform any obligation hereunder, except for the obligation to make payments, and such failure to perform shall be continuing thirty (30) days after Lessors shall have objected thereto by written notice to Lessee, then the Lessors may, by further written notice, thereafter, to Lessee elect to terminate this Lease and Option. Should such failure on the part of the Lessee have been continuing at the time such further written notice is made, this Lease and Option shall terminate and all rights of Lessee hereunder shall cease; provided however, if the Lessee is in the process of correcting the defect it shall be granted such time as may be reasonable to correct the defect in question, and if the defect is in fact corrected within such reasonable time, the default complained of shall be deemed not to have occurred.

c. Relinquishment by Lessee. If the Lease and Option is terminated pursuant to subsections a. and b. above, and when not in default, upon termination of this Lease and Option, Lessee shall have a period of six (6) months from the date of termination in which to remove all its machinery, buildings, structures, facilities, equipment and other property from the Claims except supports in underground workings, and underground ties and trackage; and for such purposes shall have the right of ingress and egress.

Lessors shall not be held responsible for the theft, removal, vandalism or destruction of Lessee's machinery, equipment, tools and other personal property left on the mining Claims after the termination of this agreement. Any property of Lessee not so removed at the end of said six-month period shall become the property of Lessor. The Lessee shall not remove any supports placed in any excavations or any timbers or supports installed for the use and maintenance of any shafts or approaches to any mines nor may Lessee remove ties or rails in underground workings.

d. Agreement by Lessee to Hold Harmless. Lessee hereby agrees to save Lessors harmless from any and all damages, claims, costs and expenses arising from, or growing out of, any and all injuries to persons or property in connection with the work done by Lessee on the Claims during the life of this Lease and Option other than injuries to persons or property used in the exercise of the right reserved by Lessors to inspect the property.

e. Right of Ingress and Egress. Lessors, at their own cost and risk, hereby reserve the right for themselves, their employees and invitees, to enter upon and cross any of the claims

leased to the Lessee at any reasonable time during the life of this agreement; further, for the going in and upon said claims for inspecting and surveying and doing each and every act, deed or thing necessary to obtain patent for the Lessor, or their heirs, administrators and assigns. In exercising the right of ingress and egress for the purposes herein stated, the Lessor will use diligence and care in not interfering with the mining operations of the Lessee.

5. CLOSING OF PURCHASE. If and when the purchase price is paid in full, Lessors will forthwith deliver a quitclaim deed to Lessee and all of the original Claim Location Notices. No contrary act, notice or procedure instituted by Lessors or any party claiming any rights through Lessors, by assignment, inheritance or otherwise (other than an order by a court of competent jurisdiction) shall impede delivery of such documents.

6. TITLE, CURATIVE WORK.

a. Liability. In the event that title of the Lessors to any of the claims subject hereto shall be deficient, the Lessors will cooperate with Lessee to take such steps as are necessary to cure such deficiency.

b. Wage Claims, etc. Lessee agrees to pay all wages, expenses and other obligations incurred in connection with the exercise of the rights herein granted to it on the Claims and Lessee will not permit any such charges to become a lien or encumbrance upon the claims, or any part thereof.

c. Non-Liability Notices. Lessee shall prepare, furnish, post, maintain and record non-liability notices for Lessors at conspicuous places on the Claims before any operations or work on the Claims is started by Lessee.

7. REPRESENTATIONS OF LESSORS.

Lessors hereby represents as follows:

a. No Conflict. The execution, delivery and performance of this Lease and Option will not violate the terms of any other agreements, options or undertakings to which they are a party.

b. Liens, Etc. They have no knowledge of the existence of any liens (in favor of material suppliers, laborers or others), encumbrances, judgments or claims of any nature affecting title to the Claims, or which would tend to diminish the rights of Lessee in the Claims, except for the paramount title of the United States Government with respect to unpatented claims generally; and have not taken, and subsequent to the date hereof, they will not take any action or enter into any agreements which would affect such title or give rise to any such liens, encumbrances, judgments or claims.

c. Location, Assessment Work, Taxes, Etc. All acts to be performed in the field and all matters required to be placed of record for the purpose of locating and maintaining mining claims have been performed for the Claims in compliance with the applicable laws of the United States and the State of Arizona.

d. Ownership. Upon the date of execution of this Lease and Option, Lessors have the exclusive and unencumbered title and possession in and to the Claims, subject to the paramount title of the United States.

e. Bankruptcy, Etc. They are not a party to any proceeding, including bankruptcy or other insolvency proceedings, which would affect their right to convey and transfer Claims.

8. LESSEE'S DRILLING OBLIGATIONS.

a. The Lessee has the obligation as a part of this agreement

to drill 10,000 feet of reverse circulation or core type drill holes on the four existing gold and silver exploration target zones known as the Bronco, Morgan, Oakland and Big-Deal. The Bronco target shall be drilled first, and the Morgan target shall be drilled second.

b. PHASE 1 OF DRILLING PROGRAM. Drill 2,500 feet of holes on the Bronco exploration target zone of which 6 holes shall be at least 300 feet deep and one hole shall be at least 400 feet deep. This drilling shall be completed within 3 months of the execution date of the agreement. 2,500 feet of holes shall be drilled on the Morgan exploration target zone. All Phase 1 work shall be completed within six months of the date of this agreement and before the first 100,000 tons of ore is removed from the existing 267,250 tons drill proven gold and silver ore deposit located on the Verdstone Numbers 1 and 2 Claims.

c. PHASE 2 OF DRILLING PROGRAM. Based on the results of Phase 1 drilling, if two or more holes on any one target intercepts at least 30 continuous feet of 0.05 ounce gold per ton or the equivalent: Example - 15 continuous feet of 0.10 opt gold or 7.5 continuous feet of 0.20 opt gold, then the footage requirement for that target area shall be doubled. Drill 2,500 feet of holes on the Oakland exploration target zone. If the first three 200 feet deep drill holes, drilled near the incline shaft and spaced approximately 100 feet apart do not show at least 30 feet of 0.05 ounce gold per ton or the equivalent as described above, then the remaining footage need not be drilled. At least one hole shall be drilled on the Big-Deal target zone at the existing manganese ore deposit. Phase 2 of the drilling program shall be completed within one year from the date of this agreement and before the remainder of the gold and

silver ore or other products are mined from the Verdstone ore deposit.

d. Lessee shall prepare and provide Lessors with copies of all engineering data, including drill logs, assays, chip boards, etc. When the drilling program has been completed, Lessee shall prepare and provide Lessors with a feasibility study, and recommendation for further development if the drilling proves economic.

e. Lessee shall be in default if the above drilling work and development phase operations and time schedules are not met.

f. Relative locations of exploration target zones are shown on drawing number M-300 dated 3-4-87.

g. Lessee agrees that it will conduct its operations in a good and minerlike fashion, complying with all laws, rules, regulations and ordinances of governmental bodies.

9. REPORTS ON DEVELOPMENT ACTIVITIES.

Lessee shall keep a detailed and accurate record of all ore and other precious minerals mined and removed from the mining property (claims), and a record of all maps and analysis made or caused to be made by the Lessee. The Lessors or their duly authorized agents or representatives in their behalf, shall have access at any and all reasonable times to such maps, analysis and records and to the office or place where the same are kept, for the purpose of ascertainment of royalties, inspecting, auditing and making copies thereof. Lessee further agrees to furnish Lessors with copies of all certified assays and drill-hole logs within three months of the time the assays and loggings are made. Upon termination of this Lease and Option agreement, except by payment of the full purchase price, Lessee agrees to furnish and deliver to Lessors within thirty days after termination of this agreement, copies of all certified assays,

drilling logs, portions of drill-cores not used for testing, portions of samples from reverse circulation or diamond core drill holes not used for testing, maps, drawings and other factual data which Lessee has prepared, or caused to be prepared in connection with its mining, testing and exploration and development work on the property (Claims). Lessors shall keep such information confidential for so long as this agreement remains in force.

10. NOTICES. Any notice or delivery given pursuant to this Lease and Option or relating to matters arising out of or in connection with it shall be deemed sufficiently given or delivered on date that notice is postmarked and, if in writing, mailed by first class mail, postage prepaid, certified or registered (return receipt by the party addressed requested) and addressed:

If to Lessee: Homestake Mining Company of California
650 California Street
San Francisco, CA 94108
Attn: Land Administrator

If to Lessors: George W. Morgan
1210 North 35th Street
Phoenix, Arizona 85008

Notice shall be deemed legally delivered as of date shown by postmark and when deposited in any regularly maintained United States Post Office Box.

The parties may, by notice to the other given as aforesaid, change their mailing addresses for future notices hereunder. Notice by either party shall be notice from all parties.

11. FORCE MAJEURE.

Lessee shall be excused from the performance of its obligations of every kind under this Lease and Option except its obligation to make payments and to perform assessment work (unless assessment work is suspended by law) during such period or periods as performance may

be rendered impossible by force majeure at the time for performance of any obligation shall be extended for the period of time during which such performance was suspended by reason of such force majeure. The term "force majeure" shall be construed to include, but not limited to, any cessation of activities caused by an judicial or governmental administrative proceedings.

12. ASSIGNMENT.

a. Lessee. Lessee may not assign this Lease and Option without written consent of Lessors; which will not unduly be withheld. Lessee and assignees shall not be relieved of any of their obligations hereunder. Lessee further agrees to furnish Lessors within five days with the names, addresses and telephone numbers of any mining company, parties or individuals to whom Lessee may assign this Agreement.

b. Generally. This agreement shall inure to the benefit of and be binding upon the heirs, successors or assigns or legal representatives of the parties hereto.

13. PATENT PROCEEDINGS. Lessors shall, during the continuance of this Lease and Option at Lessee's request and expense, initiate and prosecute in the name of Lessors, proceedings to patent any of the Claims; and in such case Lessors shall execute any and all documents required in connection with the proceedings for such patenting. If such patent proceedings are commenced with respect to such unpatented claims, and Lessee requests Lessors to discontinue such patent proceedings, Lessee shall have no further obligation with respect thereto except to pay any charges accrued and unpaid prior to such request to discontinue.

14. STORAGE COSTS. Lessee desires to obtain and use Lessor's existing diamond-drill cores and chip boards now stored by Lessor at Salome, Arizona (not on the Claims). Lessee agrees to start paying 6 months advance storage costs to owner of the storage building on the date this agreement is executed and will continue paying said payments as long as this agreement is in force. Lessee also agrees to assume responsibility for said cores and chip boards for so long as they are in Lessee's possession. Lessee shall have the right to enter into new agreements for such storage and to move the existing cores and chip boards to a new location.

15. B.V.O. FRAC NO. 2 MINING CLAIM. Lessors own 50% (fifty) percent of this claim (approximately 1.23 acres). The claim consists of approximately 2.46 acres and is located in the northeast quarter of unsurveyed projected Section 10, R14W, T1S, G&SRB&M. Said claim adjoins the southeasterly ends of Verdstone No. 2 and 4 claims and runs in a northerly to southerly direction. Lessors have asked Rea Petro Energy, Inc. (the other fifty percent owner of said claim) for a quitclaim deed to their 50% ownership of said claim. Mr. Reaugh, President of Rea Petro Energy, Inc. (and Rea Gold corporation) said they would quitclaim their half of said claim to Lessors. Therefore, only the 50% of the BVO FRAC No. 2 owned by Lessors is included in this Lease and Option to Purchase Agreement. If and when the other half of this claim becomes the property of lessors it shall become a part of the Claims shown in Exhibit A attached hereto and made a part hereof and at no extra cost to Lessee.

16. METHOD OF PAYMENT. All payments due Lessors shall be deemed received by Lessors when either personally delivered or

sent by registered mail to George W. Morgan, 1210 North 35th Street, Phoenix, Arizona 85008. Lessee shall not be liable for the ultimate distribution to Lessors or Lessors successors or assigns of payments so made by Lessee.

17. AREA OF INTEREST. Any claims located by Lessee or Lessor while this agreement is in force and within the "Area of Interest" shown in Exhibit B attached hereto and made a part hereof shall become a part of the leased premises or Claims as shown in Exhibit A. Both parties agree to amend this agreement to include any new claim.

18. OVERSTAKING. It is understood by both parties that Lessee, their assignees, employees or associates shall not overlay or overtake any of the Lessors claims nor fractions thereof.

19. AMENDING CLAIMS. The Claims shown on Exhibit A may be amended by Lessee for certain reasons; but no physical dimension or boundaries of said Claims shall be changed from those shown on the U.S. Mineral Surveyors map made and surveyed by U.S. Mineral Surveyor, R.K. Wickware.

20. GOVERNING LAW. This Lease and Option shall be construed in accordance with the laws of Arizona.

21. MISCELLANEOUS. As used herein, words in the masculine or feminine form shall be deemed to include or relate to males and females, and words in the singular or plural number shall be deemed to include both the singular and the plural numbers. Titles to sections and subsections or paragraphs are for convenience and not to be used in construing this Lease and Option.

This Lease and Option may be executed in any number of dupli-

cate counterparts, each of which, when signed by any party shall be deemed an original.

Rob.
L.M.J.

ARM
SWM
M.Y.M.

UNCOMPLETED DRILLING
22. INTERPRETATION. ~~The drilling and drilling programs con-~~
~~templated by this agreement shall be construed only as conditions to~~
~~shall have no further liability to continue the Drilling~~
~~the continuance of the rights of Lessee as Lessee and Optionee and~~
~~Obligations that have not been completed by the~~
~~not as commitments or obligations for which Lessors are entitled to~~
~~date of termination.~~
~~damages or other relief as a result of failure to perform.~~

IN WITNESS WHEREOF, the parties executed this Agreement as of the date first above written.

LESSORS:

George W. Morgan 409-01-9337
George W. Morgan SSN

Anna R. Morgan 454-32-4936
Anna R. Morgan SSN

Melvin Y. Morgan 108-09-7662
Melvin Y. Morgan SSN

Robert L. Fancher 526-46-4779
Robert L. Fancher SSN

Linda M. Fancher 527-56-8127
Linda M. Fancher SSN

LESSEE:

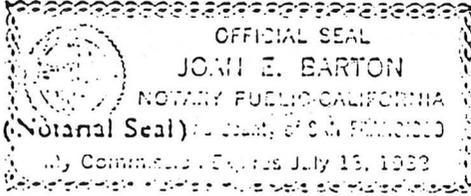
HOMESTAKE MINING COMPANY OF CALIFORNIA

By:

William G. Langston
William G. Langston
Vice President

On July 7th, 1937, before me, Joan E. Barton, a Notary Public of said State, duly commissioned, I sworn personally appeared William G. Langston personally known to me to be an ~~Executive~~ Vice President of HOMESTAKE MINING COMPANY OF CALIFORNIA, a California corporation, and personally known to me to be the person who executed the within instrument on behalf of said corporation, and acknowledged to me that said corporation executed the within instrument as its free and voluntary act and deed, for the uses and purposes therein mentioned, and on said date stated that he was authorized to execute said instrument on behalf of said corporation by authority of its by-laws or by resolution of its board of directors.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Joan E. Barton
Notary Public in and for said State
Residing at: SF, CA

STATE OF Arizona }
COUNTY OF Maricopa } ss.:
On 7-8-, 1937, before me,

Public of said State, duly commissioned and sworn, personally appeared George W. Morgan, a Notary

known to me to be the person(s) whose name(s) is(are) subscribed to the within instrument, and acknowledged to me that he executed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notarial Seal)

Alfred J. Conroy
Notary Public in and for said State Arizona
Residing at: 3344 E. McDowell
My commission expires: My Commission Expires Oct. 7, 1938

STATE OF Arizona }
COUNTY OF Maricopa } ss.:
On 7-8-, 1937, before me,

Public of said State, duly commissioned and sworn, personally appeared Sam R. Morgan, a Notary

known to me to be the person(s) whose name(s) is(are) subscribed to the within instrument, and acknowledged to me that she executed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notarial Seal)

Alfred J. Conroy
Notary Public in and for said State Arizona
Residing at: 3344 E. McDowell
My commission expires:

My Commission Expires Oct. 7, 1938

STATE OF Arizona }
COUNTY OF Maverick } ss.:
On 7-8-, 1907, before me.

Public of said State, duly commissioned and sworn, personally appeared Robert M. Fowler, a Notary

known to me to be the person(s) whose name(s) is(are) subscribed to the within instrument, and acknowledged to me that he executed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notarial Seal)

Alfred J. Coney
Notary Public in and for said State Arizona
Residing at: 3349 E. McDowell
My commission expires: My Commission Expires Oct. 7, 1913

STATE OF Arizona }
COUNTY OF Maverick } ss.:
On 7-8-, 1907, before me.

Public of said State, duly commissioned and sworn, personally appeared Robert M. Fowler, a Notary

known to me to be the person(s) whose name(s) is(are) subscribed to the within instrument, and acknowledged to me that she executed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notarial Seal)

Alfred J. Coney
Notary Public in and for said State Arizona
Residing at: 3349 E. McDowell
My commission expires: My Commission Expires Oct. 7, 1913

STATE OF Arizona }
COUNTY OF Maverick } ss.:
On 7-8-, 1907, before me.

Public of said State, duly commissioned and sworn, personally appeared Robert M. Fowler, a Notary

known to me to be the person(s) whose name(s) is(are) subscribed to the within instrument, and acknowledged to me that she executed the same as a free and voluntary act and deed, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

(Notarial Seal)

Alfred J. Coney
Notary Public in and for said State Arizona
Residing at: 3349 E. McDowell
My commission expires: My Commission Expires Oct. 7, 1913

"Exhibit A"

UNPATENTED LODE MINING CLAIMS

T1S, R14W, G&SRB&M

Sheep Tanks Mining District
Yuma County, Arizona

<u>Claim(s)</u>	<u>Located</u>	<u>Recorded</u>		<u>BLM Serial No. AMC</u>
		<u>Bk./Dkt</u>	<u>Pg.</u>	
a. Claims owned 50% by Fanchers and 50% by George W. Morgan and Anna R. Morgan				
Bronco	6/06/52	58	346	49788
amended	6/25/79	1108	144	
amended	3/07/85	1424	470	
Bronco III	11/02/68	544	505	49789
amended	6/25/79	1108	146	
amended	3/07/85	1424	468	
Verdstone #1	10/15/62	799	569	49790
amended	6/25/79	1108	150	
amended	3/07/85	1424	462	
located	5/18/87	1537	111	269844
Oakland	6/14/79	604	411	49791
amended	6/25/79	1108	148	
amended	3/07/85	1424	456	
located	5/18/87	1537	113	269845
BVO Frac #1	3/07/85	1424	472	234414
amended		1446	41	
* BVO Frac #2	3/07/85	1424	474	234415

The above claims are situated in Sections 3 & 10, T1S, R14W, G&SRB&M.

b. Claims owned by Morgans only.

Big-Deal	12/16/73	799	10	49792
amended	2/26/82	1270	315	
amended		1424	460	
Oakland #2	11/26/79	1143	538	99660
amended		1424	458	
Oakland #3	11/26/79	1143	540	99661
Verdstone #2	11/26/79	1143	542	99662
amended		1424	464	

"Exhibit A"- page 2

<u>Claim(s)</u>	<u>Located</u>	<u>Recorded</u>		<u>BLM Serial No. AMC</u>
		<u>Bk./Dkt</u>	<u>Pg.</u>	
Verdstone #3	11/26/79	1143	544	99663
Verstone #4 amended	1/12/80	1143 1424	546 466	99664
Verdstone #5	1/12/80	1143	548	99665

The above claims are situated in Sections 3,10, and 11, T1S, R14W, G&SRB&M.

* Lessor presently owns a one-half interest in this claim.

RUSSELL M. HONEA

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June 19, 1987

Michael D. Johnson
Homestake Mining Company
P. O. Box 10628
Reno, Nevada 89510

Re: Sheep Tank Project, AZ

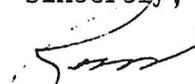
Dear Mike:

Welcome back!! Trust that you enjoyed the Australian assignment, and that you are also be glad to be back in Reno. Enclosed are the first half of the petrographic descriptions for samples forwarded under your cover letter of May 21, 1987. The remaining descriptions will follow soon. As usual, photomicrographs are included to illustrate some of the pertinent mineralogic and textural relationships.

The quartz and calcite fracture fillings cut and serve as matrix cementation for both a welded (to almost unwelded) porphyritic rhyolite and a porphyritic trachite extrusive phase. In addition to quartz and calcite veining, there are variable and usually small amounts of added clay and zeolite alteration, as well as variable amounts of goethite, hematite, and manganese oxide in the alteration suite. Thus far, have not seen any primary sulfides or precious metals mineralization. Will supply a more complete summary of alteration and mineralization when I have looked at the rest of the sample suite.

Please let me know if there are questions regarding the data.

Sincerely,


Russell M. Honea

Encl.

M-82

4971AN. Goethite-stained very fine grained intergrown quartz and calcite with minor K-feldspar as remnants of probable fragmental inclusions.

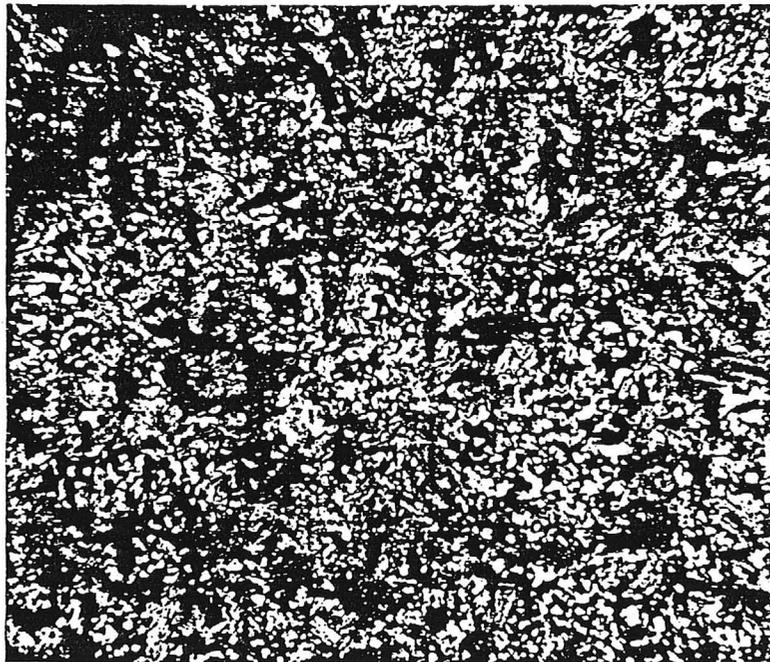
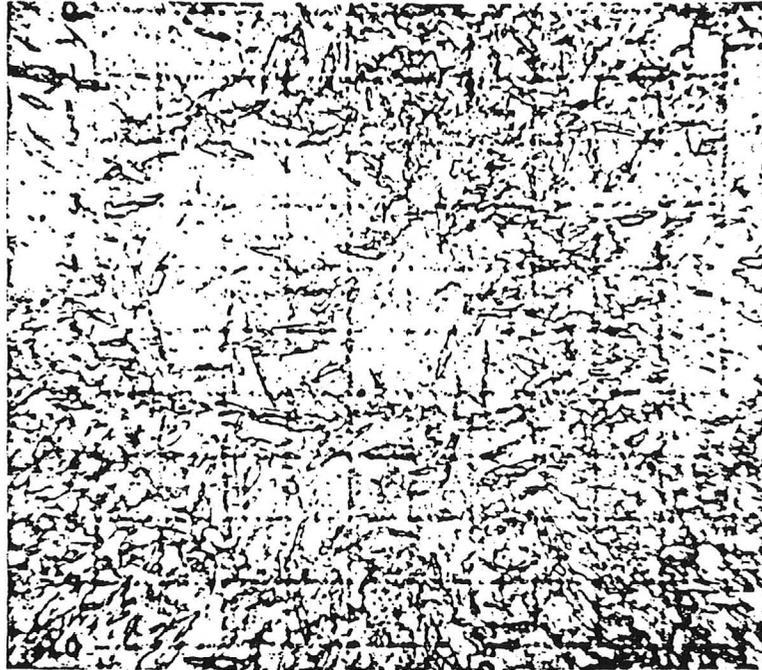
Quartz - 39% - Fine to very fine grained, granular mosaic to sutured contacts, undulatory extinction. Widely scattered through sample as aggregates intergrown with and surrounding somewhat coarser calcite. Contains fairly abundant microscopic opaque inclusions. Is finest grained in aggregates with the associated K-feldspar described below.

K-feldspar - 2% - Very fine grained, colorless, moderate negative relief next to quartz and with lower birefringence than for that mineral. Present in small amount with quartz in aggregates scattered through the matrix - and may be largely remnant from original igneous fragments. Very rarely as small rhomb-shaped crystals (adularia) with quartz - and then of secondary origin.

Calcite - 57% - Fine to medium grained, colorless, strong differential relief and high birefringence, some shows pressure lamellar twinning. Varies from equant rhombs to elongate prismatic or scalenohedral crystals that are surrounded by or intergrown with quartz to form the bulk of sample. Some of more prismatic material may replace an unknown precursor.

Goethite - 2% - Very fine to extremely fine grained opaque brownish aggregates formed as oxidation pseudomorphs after original pyrite, as fracture fillings, and as very small aggregates that border calcite.

Texture: Quartz-calcite aggregate enclosing apparent remnants of fragmental igneous rock that is strongly replaced by silica.



4971AN. Thin section photomicrograph of quartz-calcite vein filling showing prismatic to equant habit of calcite. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

4972AN. Goethite-stained quartz-calcite aggregate in which calcite has unusual prismatic habit.

Quartz - 56% - Very fine to extremely fine grained, colorless, undulatory extinction, granular mosaic to sutured contacts. Occurs with calcite as dominant component of sample and the coarsest grains are apparent cavity fillings between elongate or prismatic calcite crystals. Contains rather abundant microscopic inclusions - of both opaque and transparent materials.

Calcite - 42% - Fine to medium grained, colorless, strong differential relief and high birefringence, coarser grains at times show pressure lamellar twinning. Abundantly scattered through the finer quartz matrix and has an unusual prismatic to acicular habit. Some apparently grew from cavity walls and was then overlain by quartz. Is often stained by iron oxide.

Chlorite - -1% - Scarce pale green platy aggregates with very low birefringence, moderate positive relief. Plates are enclosed by matrix quartz - and their replacement by calcite may be a source of some of the unusual habit observed in calcite.

Goethite - 2% - Extremely fine grained opaque brown aggregates present mostly as stain marginal to or enclosed by calcite, as apparent oxidation pseudomorphs after pyrite, and as cavity or fracture fillings.

Texture: Coarser and strongly prismatic or acicular calcite in finer grained quartz matrix. Overall appearance suggests deposition as vein filling material.

4973AN. Brecciated welded rhyolite tuff with spherulitic groundmass enclosing quartz-feldspar phenocryst fragments and with matrix alteration and veinlet assemblage of quartz-calcite-pyrite (oxidized).

Primary Minerals Essential Constituents	Percent	Description
Phenocrysts		
Plagioclase-An ₇	3	Broken and corroded prismatic crystals with poorly developed albite twinning, shows variable moderate to strong dusting of clay alteration.
Sanidine	8	Broken short prismatic crystal fragments with margins corroded by matrix, shows little or no clay alteration.
Quartz	4	Equant phenocrysts are pseudomorphs of alpha after beta quartz, margins are corroded by groundmass.
Groundmass	84	Originally glassy (welded) groundmass shows spherulitic devitrification and variable alteration to and replacement by clay, quartz, and calcite. Curved shard textures are locally preserved in the groundmass.
Varietal accessory minerals		
Biotite	-1	Scarce and small corroded flakes with pleochroism in shades of brown, some shows bleaching and alteration to clay and leucoxene.
Minor accessory minerals		
Apatite	-1	Scarce and very small colorless prisms with moderate positive relief and low birefringence. Observed only as inclusions in feldspar phenocrysts.
Zircon	-1	Very small elongate prisms with extreme positive relief and high birefringence, present as inclusions in feldspar phenocrysts.
Secondary Minerals		
Quartz	17	Fine to very fine grained, subhedral prismatic to anhedral, undulatory extinction. Occurs both as filling of open space between fragments and in small amount replacing the groundmass of igneous fragments.

4973AN. Brecciated welded rhyolite tuff with spherulitic groundmass enclosing quartz-feldspar phenocryst fragments and with matrix alteration and veinlet assemblage of quartz-calcite-pyrite (oxidized).

Primary Minerals Essential Constituents	Percent	Description
Phenocrysts		
Plagioclase-An ₇	3	Broken and corroded prismatic crystals with poorly developed albite twinning, shows variable moderate to strong dusting of clay alteration.
Sanidine	8	Broken short prismatic crystal fragments with margins corroded by matrix, shows little or no clay alteration.
Quartz	4	Equant phenocrysts are pseudomorphs of alpha after beta quartz, margins are corroded by groundmass.
Groundmass	84	Originally glassy (welded) groundmass shows spherulitic devitrification and variable alteration to and replacement by clay, quartz, and calcite. Curved shard textures are locally preserved in the groundmass.
Varietal accessory minerals		
Biotite	-1	Scarce and small corroded flakes with pleochroism in shades of brown, some shows bleaching and alteration to clay and leucoxene.
Minor accessory minerals		
Apatite	-1	Scarce and very small colorless prisms with moderate positive relief and low birefringence. Observed only as inclusions in feldspar phenocrysts.
Zircon	-1	Very small elongate prisms with extreme positive relief and high birefringence, present as inclusions in feldspar phenocrysts.
Secondary Minerals		
Quartz	17	Fine to very fine grained, subhedral prismatic to anhedral, undulatory extinction. Occurs both as filling of open space between fragments and in small amount replacing the groundmass of igneous fragments.

4973AN.

	Percent	Description
Clay	2	Extremely fine grained dusting of low birefringence clay present in small and variable amount as replacement of groundmass, as alteration product of plagioclase, and in small amount in fracture fillings.
Calcite	8	Fine to very fine grained anhedral aggregates with strong differential relief and high birefringence, occurs mostly as central filling of fractures cutting the fragmented host. Also in minor amount replacing feldspar phenocrysts and groundmass.
Leucoxene	-1	Extremely fine grained opaque white Ti oxide aggregates present in minor amount as an alteration product of original biotite flakes.
Goethite	2	Extremely fine grained opaque brown aggregates present as oxidation pseudomorphs after cubic pyrite in fracture fillings, also as a stain in calcite and in the altered host fragments.

Texture: Original host a partially devitrified welded tuff with quartz and feldspar phenocryst fragments and with a spherulitic groundmass texture. Shows some brecciation and subsequent veining with a matrix assemblage of quartz-calcite-oxidized pyrite.



4973AN. Thin section photomicrograph showing quartz-calcite matrix (right) adjacent to welded porphyritic rhyolite host fragment (left). Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

4974AN. Calcite-cemented and goethite and Mn-oxide stained silicified and brecciated rhyolitic host with scarce phenocryst fragments.

Primary Minerals Essential Constituents	Percent	Description
Phenocrysts		
Plagioclase	-	None observed.
Sanidine	3	Broken short prisms, scarce Carlsbad twinning, essentially unaltered. Shows some corrosion at grain margins by groundmass.
Quartz	1	Broken equant phenocrysts are pseudomorphs of alpha after beta quartz, weakly undulatory extinction, slight corrosion by groundmass.
Groundmass	95	Formerly extremely fine grained aphanitic groundmass aggregate is now in part replaced by quartz and shows a staining by goethite near fragment margins.

Varietal accessory minerals

Biotite	1	Small subhedral flakes, pleochroic in shades of brown, shows slight bleaching and separation of opaque oxides.
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Minor accessory minerals

Apatite	-1	Scarce and small colorless prisms with moderate positive relief and low birefringence, present as inclusions in feldspar phenocrysts and in trace amount in groundmass.
Zircon	-1	Very scarce and small elongate prisms with extreme positive relief and high birefringence, observed only as inclusions in phenocrysts.

Secondary Minerals

Quartz	20?	Very fine to extremely fine grained aggregates with undulatory extinction. Present mostly as replacement of groundmass in brecciated host - also small amount with calcite in matrix fraction. Uncertain as to how much has been added by replacement of groundmass.
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	Percent	Description
Chalcedony	2	Extremely fine grained feathery textured subradial aggregates with very fine banding. Present in fragment that is cemented by calcite.
Calcite	20	Fine to medium grained, anhedral, strong differential relief and high birefringence, some shows pressure lamellar twinning. Contains microscopic opaque inclusions. Present as the matrix cementing altered host fragments.
Goethite	4	Extremely fine grained opaque reddish brown aggregates present most abundantly rimming altered host fragments and in the calcite matrix. Some formed as oxidation pseudomorphs after original pyrite and some appears to have been deposited from solution.
Mn oxides	-1	Very fine grained acicular to prismatic black opaque crystal aggregates enclosed by matrix calcite and at times associated in space with goethite.

Texture: Originally extremely fine grained aphanitic to glassy and now rather strongly silicified, contains relatively few phenocryst fragments. Brecciated and with cementation by calcite matrix.



4974AN. Thin section photomicrograph showing fragments of silicified rhyolite porphyry (left) and of chalcedony (upper center) enclosed by calcite matrix. Plain light and crossed nicols, X50. Each square of grid is 220 microns on an sdge.

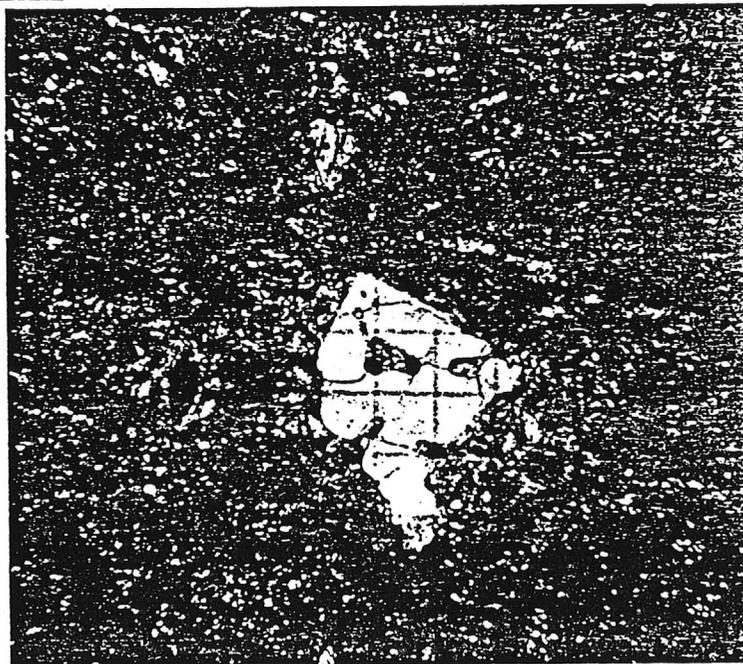
4975AN. Silicified and hematite stained crystal-bearing rhyolitic tuff with small quartz-chalcedony-calcite and zeolite fracture fillings.

Primary Minerals Essential Constituents	Percent	Description
Crystal fragments		
Plagioclase-An ₇	1	Subhedral small phenocrysts, rather poorly developed albite twinning, some of crystals are partially replaced by quartz.
Sanidine	4	Sub- to euhedral blocky prisms, rare Carlsbad twins, shows corrosion at grain margins, essentially unaltered.
Quartz	3	Equant subhedral phenocrysts are pseudomorphs of alpha after beta quartz, rather strong corrosion at grain margins.
Matrix	91	Consists of partially devitrified curved glass shards with significant silicification. Shows very little welding.
Varietal accessory minerals		
Biotite	-1	Scarce and small flakes, pleochroic in shades of brown, some shows bleaching and separation of microscopic opaques.
Minor accessory minerals		
Monazite	-1	Scarce short prismatic crystals, high positive relief and high birefringence, slightly inclined extinction. Enclosed by matrix.
Apatite	-1	Small colorless prisms with moderate positive relief and low birefringence. Enclosed by matrix glass.
Secondary Minerals		
Quartz	30	Very fine to fine grained, undulatory extinction, sutured to granular mosaic contacts. Present mostly as finer grained aggregates interstitial to glass shards and to lesser extent replacing shards and phenocrysts. Also some present alone and with calcite as filling of small fractures cutting host.

4975AN.

	Percent	Description
Chalcedony	-1	Extremely fine grained and feathery textured aggregates present in minor amount with quartz and calcite in fracture fillings.
Zeolite	1	Very fine grained subhedral prismatic aggregates with very low birefringence to almost isotropic, strong negative relief, prismatic cleavage. Present as filling of small veinlet on one end of section.
Calcite	1	Fine grained, subhedral rhombs to anhedral, colorless, strong differential relief and high birefringence. Present with quartz and chalcedony as filling of cross-cutting fractures and in minor amount replacing matrix.
Leucoxene	-1	Scarce and extremely fine grained opaque white Ti oxide aggregates formed during bleaching alteration of biotite.
Hematite	2	Extremely fine grained opaque red aggregates present mostly at margins of partially devitrified glass shards in matrix.

Texture: Matrix of curved glass shards showing partial replacement by silica and enclosing phenocryst fragments. Cut by few quartz-calcite and zeolite fracture fillings.



4975AN. Thin section photomicrograph showing corroded quartz phenocryst fragment in glassy tuffaceous matrix with well preserved shard textures and with partial replacement by extremely fine grained quartz. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

4981AN. Goethite stain and oxidation pseudomorphs in quartz-calcite vein bordering weakly sericitized trachite (latite?) porphyry.

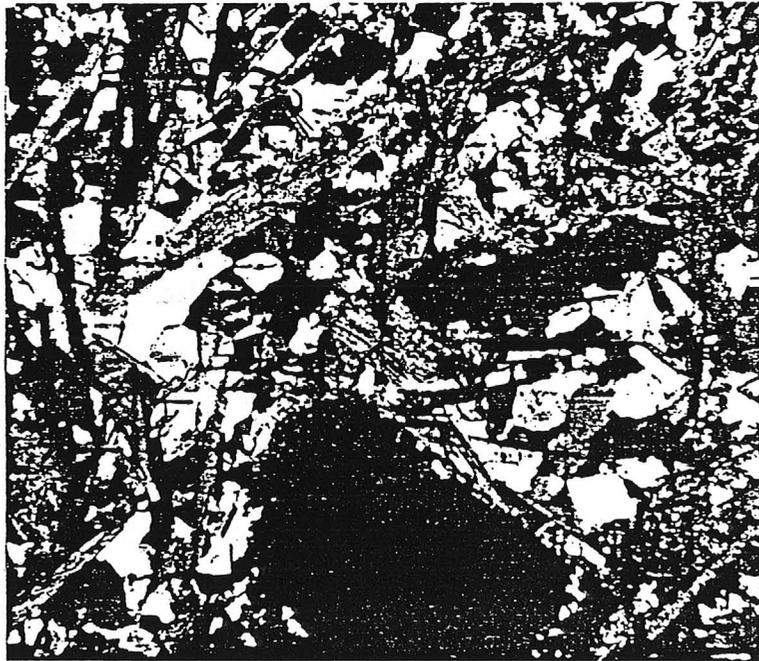
Vein filling - 96% - Fine to medium grained aggregate of quartz-calcite adjacent to altered host.

Quartz - 75% - Fine to medium grained, colorless, subhedral prismatic to anhedral and with granular mosaic to sutured contacts, undulatory extinction. Contains micron sized two phase fluid inclusions. Contains fragments of host and encloses calcite and oxidized pyrite as described below.

Calcite - 18% - Fine to medium grained, platy to prismatic crystals and as anhedral aggregates enclosed by quartz. Colorless, very high differential relief and with high birefringence. Tends to be concentrated near vein walls.

Goethite - 3% - Extremely fine grained opaque reddish brown aggregates present both as oxidation pseudomorphs after original pyrite crystals and as finer aggregates staining both altered host and vein minerals.

Host rock - 4% - Fragments enclosed by vein quartz and as wall bordering vein on one end of section. Comprised of very fine grained aphanitic and plagioclase-rich groundmass that encloses phenocrysts of plagioclase with variable and minor sericite alteration. Also present are completely altered phenocrysts with diamond-shaped cross section that were probably original amphibole. Bulk mineralogy suggests either trachite or latite porphyry. There is not sufficient material exposed in section for complete mineralogic analysis.



4981AN. Thin section photomicrograph of quartz-calcite vein filling enclosing fragment of trachite(?) porphyry and showing prismatic habit of calcite. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

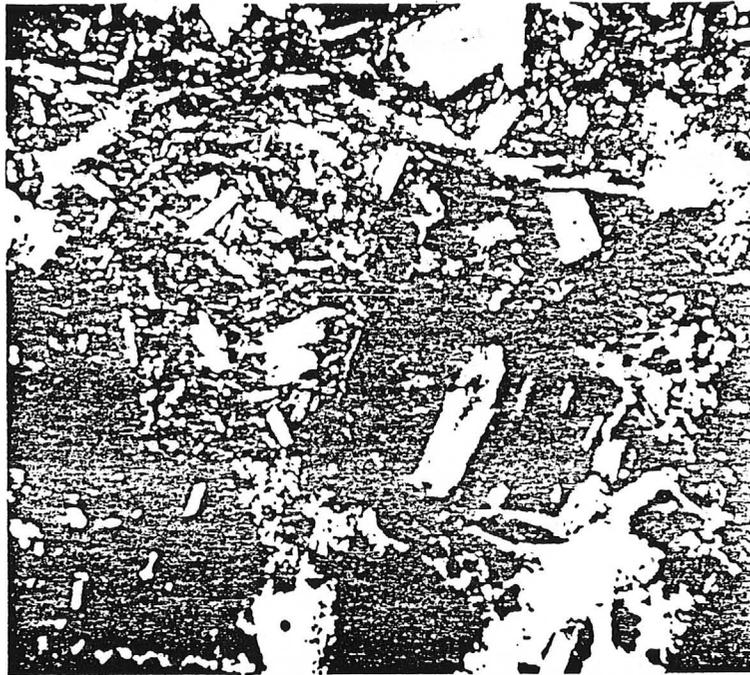
4982AN. Trachite(?) porphyry agglomerate with calcite matrix cement. Fragments are strongly hematized and weakly argillized.

Primary Minerals Essential Constituents	Percent	Description
Phenocrysts		
Plagioclase-An ₇	8	Sub- to euhedral thin prisms, Carlsbad plus albite twinning, either unaltered or with variable alteration to or replacement by clay and calcite.
Sanidine	2	Scarce blocky prismatic crystals with scarce Carlsbad twins, either unaltered or with variable weak alteration to clay.
Quartz	-	No phenocrysts present.
Groundmass	89	Very fine grained aphanitic groundmass high in plagioclase laths forming aligned aggregates, variable moderate to strong iron oxide dusting that masks both mineralogy and texture.
Varietal accessory minerals		
No phenocrysts observed.		
Minor accessory minerals		
Apatite	-1	Colorless prismatic crystals with moderate positive relief and low birefringence, enclosed by groundmass. Some of crystals are relatively large for the species.
Zircon	-1	Rare and small prisms with extreme positive relief and high birefringence. Scarce crystals present as inclusions in feldspar phenocrysts.
Magnetite(?)	1	Former equant opaque grains with octahedral partings are now completely replaced by extremely fine grained hematite aggregates.
Secondary Minerals		
Clays	8?	Extremely fine grained aggregates with low birefringence are present in variable amount as an alteration product of feldspars in both phenocryst and groundmass suites.

4982AN.

	Percent	Description
Calcite	18	Fine to very fine grained, anhedral, colorless, strong differential relief and high birefringence. Present mostly as matrix cementing igneous fragments - but also in fracture fillings and replacing feldspars of host.
Leucoxene	1	Extremely fine grained opaque white Ti oxide aggregates formed by alteration of original - and unknown - accessory minerals from host.
Hematite	15?	Extremely fine grained opaque red aggregates very abundantly and widely scattered through matrix of altered host - so much so as to render much of material opaque and thus completely mask mineralogy and texture.

Texture: Groundmass fine grained aphanitic and with alignment of components lath-shaped feldspars (trachitic texture), rather weakly porphyritic. The igneous host is strongly fragmented to angular to subround fragments and is cemented by calcite.



4982AN. Thin section photomicrograph showing fragments of hematized trachite orphyry in agglomerate with calcite cementation. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

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Consulting Geologist

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BROOMFIELD, COLORADO 80020

July 5, 1987

Michael D. Johnson
Homestake Mining Company
P. O. Box 10628
Reno, Nevada 89510

Re: Sheep Tank Project, AZ

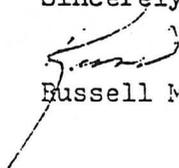
Dear Mike:

Enclosed are the remaining petrographic descriptions for the sample suite forwarded under your cover letter of May 21, 1987. As usual, photomicrographs are included to illustrate some of the pertinent mineralogic and textural features. Sorry it has taken a bit longer than usual to get the data to you.

The samples include a rather fresh and unaltered granite, rhyolite porphyry, an altered and only slightly welded tuff, quartz-adularia-calcite vein material with trachite porphyry fragmental inclusions, and a calcite-cemented breccia with quartz and chalcedony vein fragments as well as rhyolite and trachite fragments in calcite matrix cement.

Please let me know if there are questions or problems regarding the data.

Sincerely,


Russell M. Honea

Encl.

TM-101

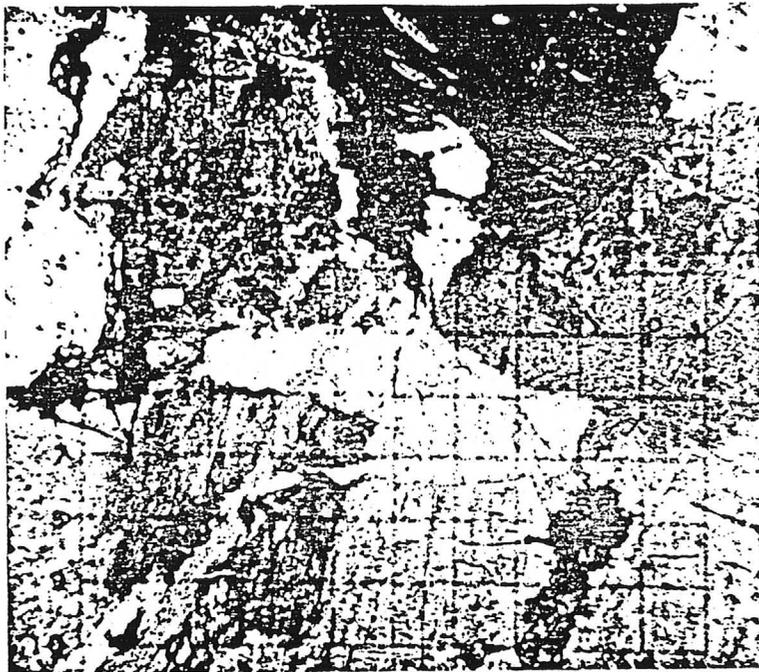
4983AN. Somewhat sheared biotitic granite with early and minor quartz-epidote veining and with relatively weak late clay alteration and minor sericite.

Primary Minerals Essential Constituents	Percent	Description
Plagioclase-An ₈ ?	28	Subhedral blocky crystals, Carlsbad plus albite twinning, variable dusting of clay alteration and with some very fine grained sericite and replacement by epidote.
Microcline	22	Anhedral, rather poorly developed grid twinning, often has a "blotchy" or patchy extinction. Either unaltered or with very slight dusting of clays.
Quartz	25	Medium to coarse grained, anhedral, undulatory extinction, occurs interstitially to feldspars and shows some apparent granulation and recrystallization.
Varietal accessory minerals		
Biotite	12	Medium grained, subhedral flakes and aggregates, pleochroic in shades of brown, shows some bleaching and staining by opaque oxides. Minor replacement by epidote and contains minor accessory mineral inclusions. Shows some tendency for alignment to yield foliation.
Minor accessory minerals		
Sphene	1	Sub- to euhedral wedge-shaped crystals with extreme positive relief and high birefringence, strongly inclined extinction. Occurs interstitially to feldspars and as inclusions in biotite.
Apatite	-1	Small colorless prisms with moderate positive relief and low birefringence, most is enclosed by feldspar and biotite.
Zircon	-1	Subhedral short prisms with extreme positive relief and high birefringence, scarce inclusions in biotite and associated with sphene.
Monazite	-1	Scarce short prisms with slightly inclined extinction, very high positive relief and high birefringence. Enclosed by biotite and feldspars.

4983AN.

	Percent	Description
Magnetite	1+	Equant black opaque grains mostly present as inclusions in biotite, shows slight alteration to hematite.
Secondary Minerals		
Quartz	1	Fine grained, anhedral, undulatory extinction. Occurs with epidote as filling of early fractures that cut both primary feldspars and quartz.
Sericite	1+	Very fine grained colorless mica with high birefringence, present alone and with clays as an alteration product of plagioclase. May be of deuteric or late magmatic origin.
Clays	6	Extremely fine grained dusting of clays with low birefringence, present mostly as an alteration product of plagioclase and is at times associated with sericite and epidote.
Epidote	2	Fine grained, subhedral prismatic, high positive relief and high birefringence, pale yellowish green color and pleochroism, parallel or inclined extinction. Present with quartz as filling of apparently early fractures and also in small amount replacing plagioclase and biotite.
Leucoxene	-1	Scarce and very fine grained translucent white Ti oxide aggregates formed in minor amount from bleaching of biotite.
Hematite	1	Extremely fine grained opaque red dusting in microfractures and in slightly altered biotite. Also some formed from oxidation of accessory magnetite.

Texture: Medium grained phaneritic, equigranular.



4983AN. Thin section photomicrograph of weakly altered granite with microcline (across bottom), plagioclase (dusty), quartz center), and oxide-stained biotite (top center). Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

4998AN. Calcite-quartz-adularia vein filling with trachite porphyry fragment inclusion and with minor goethite.

Porphyritic trachite - 1% - Single small subrounded fragment enclosed by vein filling and consisting of crudely aligned plagioclase phenocrysts in extremely fine grained plagioclase-rich groundmass that shows some flow alignment. Also contains clay-replaced phenocrysts of original feldspar mineral of unknown type. Host fragment is bordered by very fine grained vein quartz and both are surrounded by later vein calcite.

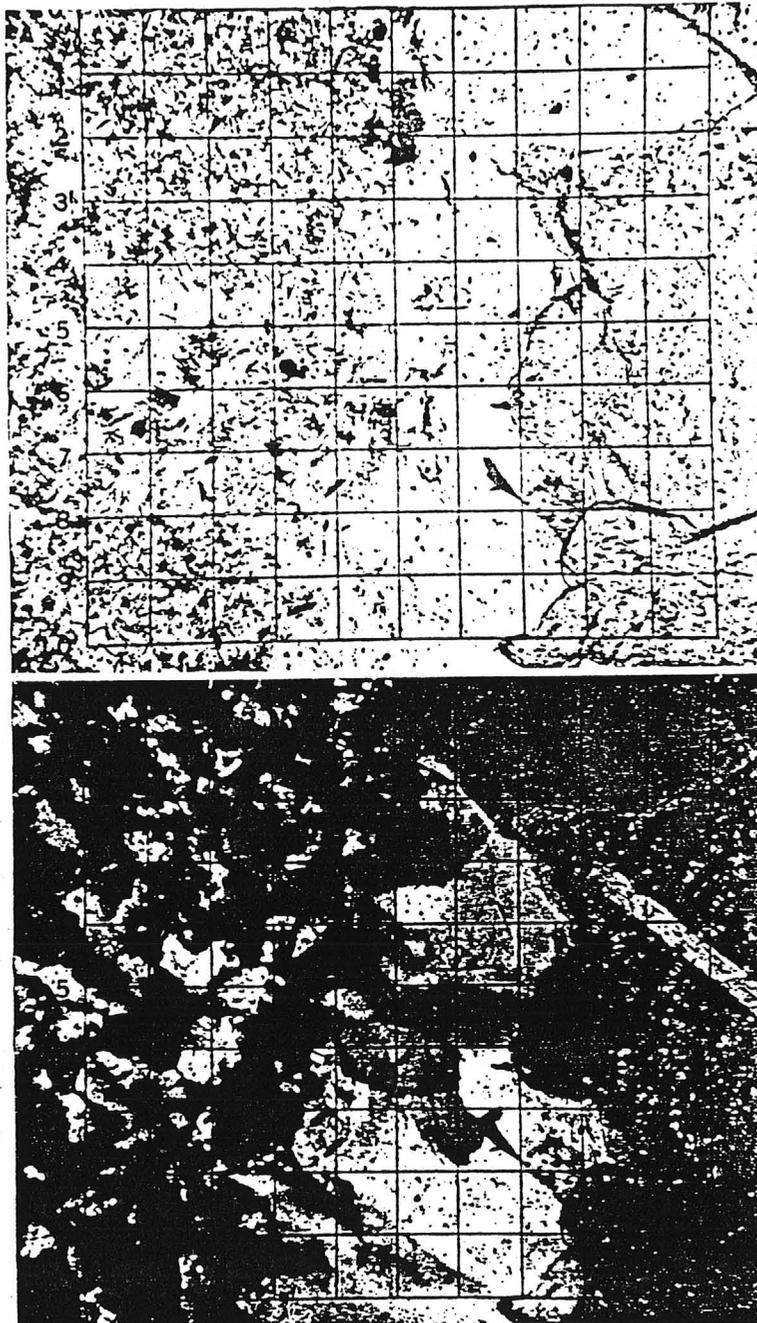
Quartz - 10% - Very fine to fine grained anhedral aggregates with undulatory extinction, occurs as irregularly shaped aggregates that are scattered through calcite matrix. Is at times coarsest at contact with calcite. Appears to be an open space filling. Contains micron-sized fluid inclusions. Is closely associated in space with adularia.

Adularia - 7% - Fine to very fine grained, sub- to euhedral rhomb-shaped crystals, negative relief next to quartz and with lower birefringence than for that mineral. Entirely enclosed by irregularly shaped quartz aggregates.

Calcite - 81% - Fine to medium grained, anhedral, strong differential relief and high birefringence, frequent fine scale pressure lamellar twinning. Colorless aggregates enclose the above mineral and rock fragments, and are locally stained by opaque iron oxides. Shows minor late fracturing and rehealing.

Goethite - 1% - Extremely fine grained opaque brownish aggregates present as oxidation pseudomorphs after original pyrite and in small amount interstitial to and as a stain on matrix calcite.

Texture: Fine to medium grained vein material with few fragmental inclusions of trachite porphyry host.



4998AN. Thin section photomicrograph of vein filling showing calcite (right) in contact with quartz (center) that borders adularia (left). Plain light and crossed nicols, X130. Each square of grid is 65 microns on an edge.

4999AN. Calcite-cemented breccia with fragments of rhyolite, trachite, quartz-chalcedony vein material, and mineral grains from porphyries.

Breccia fragments - 70% - Angular to subangular fragments to 2 cm in diameter, unsorted, well cemented.

Rhyolite porphyry - 26% - Fragments contain essentially unaltered phenocrysts of quartz, sanidine, minor plagioclase and biotite in a very fine grained aphanitic groundmass having sharp contacts with the matrix.

Trachite porphyry - 3% - Scarce fragments in which quartz is missing from the phenocryst suite and plagioclase is the more abundant feldspar. Original biotite is altered to clays. Groundmass has dusting of clays.

Vein quartz-chalcedony - 34% - Angular fragments comprised essentially completely of silica and with very fine grained quartz usually dominant. Few of fragments have feathery textured and subradial chalcedony that overlies quartz.

Quartz - 3% - Fragments of equant phenocrysts from rhyolite are enclosed or surrounded by matrix calcite. Rarely contains small and complex fluid inclusions.

Sanidine - 2% - Broken angular crystal fragments derived from phenocryst suite of rhyolite. Most of fragments are fresh and unaltered.

Matrix - 30% - Crushed fragments are in part ground into rock flour and the whole rather strongly cemented by calcite.

Calcite - 28% - Fine to medium grained, anhedral, strong differential relief and high birefringence, frequent pressure lamellar twins in coarser aggregates. Fills most of available pore space and to some degree corrodes or replaces margins of some of the enclosed fragments.

Goethite - 1+% - Extremely fine grained opaque brown oxidation aggregates present mostly in matrix and occurring both as oxidation pseudomorphs after original pyrite and as a dusting or stain in calcite.



4999AN. Thin section photomicrograph of breccia with fragments of vein quartz and chalcedony(left) and rhyolite porphyry (right center) in calcite matrix. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.

5000AN. Goethite stained calcite matrix cement enclosing few porphyritic trachite and abundant quartz-calcite breccia fragments.

Breccia fragments - 76% - Angular to subround fragments to 2 cm in diameter, unsorted, well cemented.

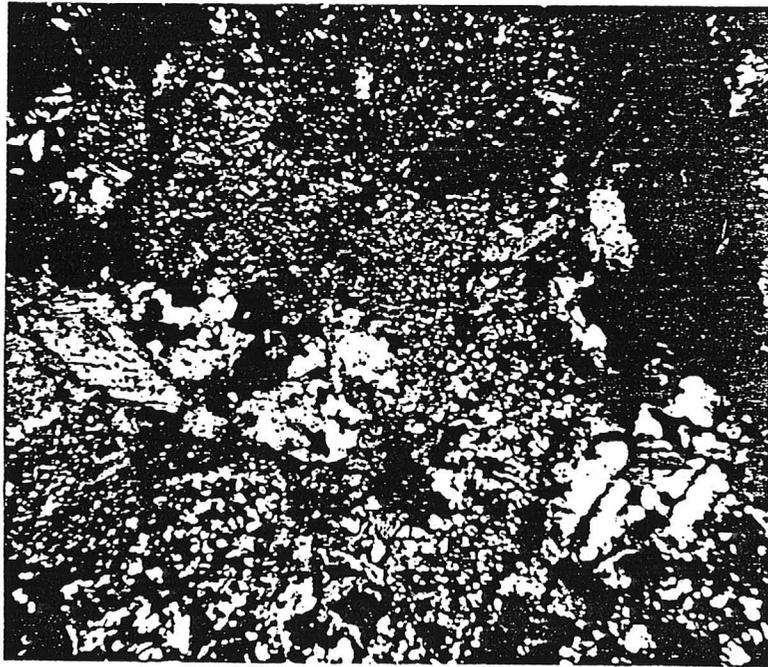
Porphyritic trachite - 4% - Phenocrysts of aligned plagioclase in matrix that is also high in plagioclase - and with extremely fine grained aphanitic to almost glassy texture. Former feldspar component is totally altered.

Quartz-calcite-chalcedony vein material - 72% - Fragments vary widely in size and most commonly are comprised of extremely fine grained quartz with some prismatic to acicular calcite and rarely with cavity fillings of subradial and feathery textured chalcedony.

Matrix fraction - 24% - Relatively sparse matrix consists mainly of calcite. Occurs both as filling of open space between fragments and as filling of small fracture that cut breccia fragments.

Calcite - 23% - Very fine to medium grained, anhedral, strong differential relief and high birefringence, pressure lamellar twinning in some of coarser aggregates. Fills pore space and corrodes the adjacent fragments.

Goethite - 1% - Extremely fine grained opaque brown oxidation aggregates present mostly as stain in calcite matrix, minor amount also as oxidation pseudomorphs after small cubic pyrite crystals.



5000AN. Thin section photomicrograph showing fragments of porphyritic trachite (upper right) and quartz-calcite-chalcedony vein material enclosed by calcite matrix. Plain light and crossed nicols, X20. Each square of grid is 220 microns on an edge.

6802AM. Strongly silicified and K-feldspar replaced rhyolitic tuff with phenocrysts and rock fragments and cut by small calcite veinlets.

Primary Minerals Essential Constituents	Percent	Description
Phenocryst fragments		
Plagioclase	-	None observed.
Sanidine	4	Sub- to euhedral fragments, scarce Carlsbad twins, essentially unaltered.
Quartz	-1	Scarce equant subhedral phenocrysts are pseudomorphs of alpha after beta quartz, smooth contacts with matrix.
Matrix	88	Rather well preserved remnant textures show curved glass shards that are now largely replaced by quartz and adularia. This altered matrix assemblage encloses both phenocryst and rock fragments as described.
Rock fragments	8	Small subangular to subround fragments include a porphyritic rhyolite and replaced fragments that may originally have been pumice.
Varietal accessory minerals		
Biotite	-1	Rare and small fragments enclosed by matrix, pleochroic in shades of brown, essentially unaltered.
Minor accessory minerals		
Apatite	-1	Single small elongate colorless prism present as inclusion in some phenocrysts.
Zircon	-1	Single short prismatic crystal with extreme positive relief and high birefringence is enclosed by altered groundmass or matrix.
Secondary Minerals		
Quartz	50?	Very fine to extremely fine grained aggregates present alone and with adularia as essentially complete replacement of original glass shards in matrix and of the probable glassy rock fragment inclusions in matrix.

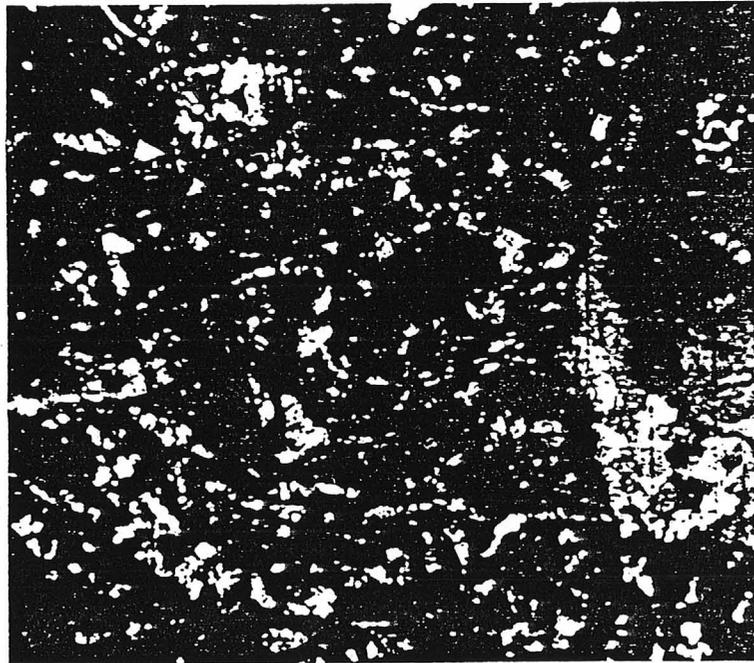
6802AM.

	Percent	Description
Adularia	40?	Very fine to extremely fine grained, subhedral rhomb-shaped crystals, negative relief next to quartz and with lower birefringence than for that mineral. Present with quartz as essentially complete replacement of original groundmass glass. Will check amount via X-ray powder diffraction techniques. Is an alteration product - but I cannot draw any clear distinction between hydrothermal alteration and formation through devitrification.
Calcite	5	Fine grained, anhedral, granular mosaic contacts, strong differential relief and high birefringence. Occurs as filling of small fractures cutting altered host and is often stained by goethite.
Goethite	1+	Extremely fine grained opaque brown oxidation aggregates present as pseudomorphs after original cubic pyrite, as irregularly shaped aggregates in altered matrix, and as a dusting or stain in the calcite fracture fillings.

Texture: Curved glass shards originally made up most of matrix and enclose rather sparse phenocryst and rock fragment suite. The original glass of matrix is now largely replaced by secondaries.



6802AM. Thin section photomicrograph showing low magnification view of altered rhyolitic tuff with well developed shard textures in matrix that encloses phenocryst and rock fragments and is cut by calcite veinlets. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.



6802AM. Thin section photomicrograph showing enlarged view of glass shards that are replaced by quartz-adularia and cut by calcite veinlet (right). Plain light and crossed nicols, X65. each square of grid is 100 microns on an edge.

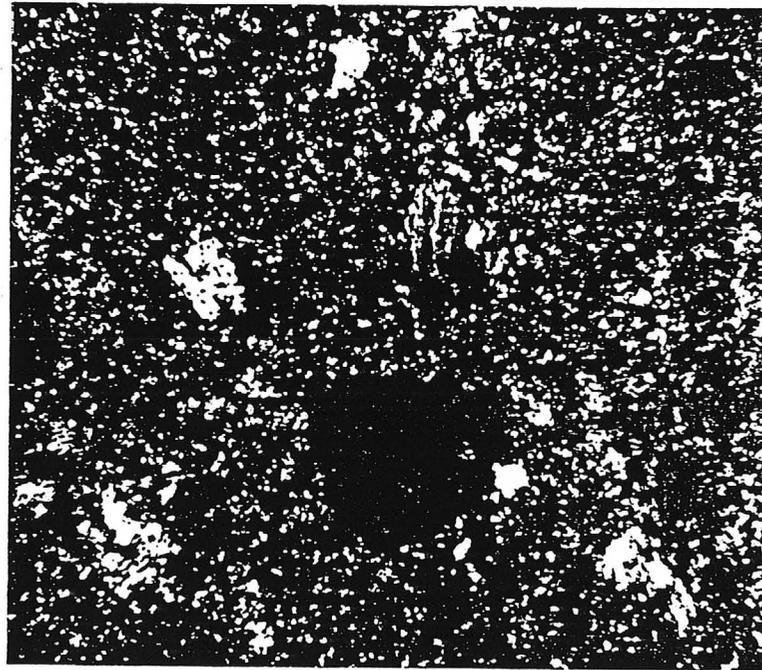
6808AM. Relatively weak quartz veining and replacement aggregates in rhyolite porphyry containing local development of spherulitic groundmass texture.

Primary Minerals Essential Constituents	Percent	Description
Phenocrysts		
Plagioclase-An ₇	2	Subhedral prismatic, rather poorly developed albite twinning, poorly developed zoning, essentially unaltered.
Sanidine	18	Subhedral prismatic, Carlsbad twins, widely scattered crystals with slightly mosaic extinction, essentially unaltered or with slight dusting of clays.
Quartz	3	Equant phenocrysts are pseudomorphs of alpha after beta quartz, margins are very deeply embayed by groundmass.
Groundmass	76	Extremely fine grained aphanitic to glassy groundmass locally shows spherulitic texture - especially in portions having quartz replacement.
Varietal accessory minerals		
Biotite	-1	Small subhedral flakes, pleochroic in shades of brown, most shows staining by iron oxides.
Minor accessory minerals		
Zircon	-1	Small short prismatic crystals with extreme positive relief and high birefringence, enclosed by groundmass and phenocrysts.
Monazite	-1	Short prismatic, very high positive relief and high birefringence, slightly inclined extinction. Present in groundmass and as inclusions in phenocrysts.
Secondary Minerals		
Quartz	7	Very fine to fine grained, anhedral, undulatory extinction. Occurs as filling of small fractures cutting host and in relatively minor amount in aggregates replacing groundmass and feldspar phenocrysts.
Clay	2	Extremely fine grained and low birefringence dusting formed in small

6808AM.

	Percent	Description
		amount by alteration of feldspars and biotite.
Leucoxene	-1	Scarce and extremely fine grained opaque white aggregates formed in very minor amount from original biotite flakes.
Goethite	1+	Extremely fine grained opaque yellowish brown to reddish brown aggregates formed as oxidation pseudomorphs after pyrite, and with leucoxene in altered biotite. Some is concentrated along fractures.

Texture: Groundmass extremely fine grained aphanitic to locally spherulitic, porphyritic. Cut by small fracture fillings and replacement aggregates.



6808AM. Thin section photomicrograph of rhyolite porphyry with phenocrysts of quartz (lower center) and sanidine in extremely fine grained groundmass. Plain light and crossed nicols, X30. Each square of grid is 220 microns on an edge.



MINING COMPANY

155 GLENDALE, SUITE 18, SPARKS, NEVADA 89431

EXPLORATION DIVISION
MAILING ADDRESS

(702) 331-6980

October 28, 1987

Mr. Phil Thompson
Dawson Metallurgical Lab
5217 Major Street
Murry, Utah 84107

Re: P-1452.

Dear Phil,

I have sent to you, under separate cover, six samples of drill cuttings for metallurgical testing. The samples were sent via Greyhound bus on 25th October, shipping number 191 683 080 6. All the samples are from the BVO project, Yuma Co, Arizona.

The geology, location and assay for each sample is summarized on the attached sheet.

If you need any additional information please feel free to call me or Richard Kunter.

With thanks,

Michael D. Johnson
Senior Exploration Geologist

cc: Richard Kunter

MDJ/psc
3/33

M-119

Sample: # 8578 AQ
Assay: 0.104 opt Au, 0.36 opt Ag
Location: BVO-87-18, 30-35 ft.
Geology: Andesite porphyry with a stockwork of quartz veins. Quartz veins are hairline to $\frac{1}{4}$ " and consist of banded cryptocrystalline to sugary quartz. The veins make up approximately 30-40% of the sample. Weak hematite is found on fractures locally.

Sample: # 8583 AQ
Assay: 0.06 opt Au, 0.43 opt Ag
Location: BVO-87-18, 55-60 ft.
Geology: See sample # 8578 AQ

Sample: # 8589 AQ
Assay: 0.020 opt Au, 0.25 opt Ag
Location: BVO-87-18, 85-90 ft.
Geology: See sample # 8578 AQ

Sample: # 8227 AQ
Assay: 0.420 opt Au, 2.59 opt Ag
Location: BVO-87-11, 330-335 ft.
Geology: Light green, sugary to calcedonic quartz vein in dacite porphyry. Weak, rare calcite. Weak iron oxide staining on fractures.

Sample: # 8229 AQ
Assay: 0.056 opt Au, 5.34 opt Ag
Location: BVO-87-11, 340-345 ft.
Geology: See sample # 8227 AQ

Sample: # 8432 AQ
Assay: 0.228 opt Au, 3.24 opt Ag
Location: BVO-87-15, 30-35 ft.
Geology: Green colored quartz vein in silicified tuffaceous groundmass. Weak iron oxide staining (goethite: Jarosite) on fractures.



DAWSON
METALLURGICAL
LABORATORIES, INC.

P.O. Box 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

November 23, 1987

Homestake Mining Company
1726 Cole Blvd.
Golden, Colorado 80401

Attn: Mr. Richard Kunter

Subject: Preliminary Cyanide Leach Results of Six Samples From the BVO
Project, Yuma, Arizona. Our Project No. P-1452.

Gentlemen:

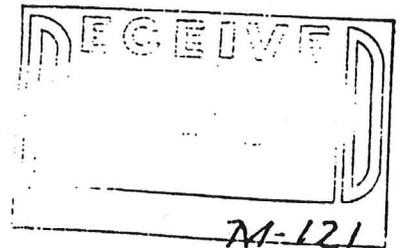
In accordance with arrangements made with Mr. Richard Kunter preliminary cyanide leaching bottle roll tests were performed on six gold and silver bearing samples from the BVO project. These tests were performed on as-received (minus 1/4 inch) and ball mill ground samples to determine gold and silver extraction.

I. Sample Description and Head Analyses

Six each samples weighing 1,500 to 4,000 grams each were received at our laboratory October 29, 1987 and assigned Our Lot No. P-1452. Sample top size was 1/4 inch. Each sample was air dried and split into two equal portions. One portion was leached as received, while the other sample was stage crushed through 20 mesh and a head sample split out for gold and silver assay. Head assays are presented below and compared with average back-calculated head assays from testing:

P-1452: Homestake-BVO Project
Head Assay Results

Sample	By DML		By HMC		Head, oz/Ton	
	Au	Ag	Au	Ag	Au	Ag
8432 AQ	0.178	2.19	0.228	3.24	0.190	2.26
8578 AQ	0.084	0.88	0.104	0.36	0.090	0.72
8583 AQ	0.048	0.37	0.06	0.43	0.051	0.34
8589 AQ	0.019	0.25	0.020	0.25	0.026	0.17
8227 AQ	0.909	2.43	0.420	2.59	0.907	2.34
8229 AQ	0.156	4.89	0.056	5.34	0.145	4.70



Approximately 50 grams of each as-received sample was split out and submitted to Russ Honea for mineralogical examination.

A cover letter describing these samples is attached to the end of this report.

II. Test Results

A summary table of cyanide leach results is presented on the following page. Results indicate gold extractions varying from 76 to 91 percent from samples which were ball mill ground to 55-75 percent minus 200 mesh. Gold extractions from as-received samples varied from 46 to 25 percent. Almost no additional gold was extracted by releaching the ball mill ground leach residues from samples 8432AQ, 8227AQ, and 8229AQ (these residues assayed 0.031, 0.125 and 0.022 oz/ton gold, respectively). Samples of these ball mill ground leach residues were submitted to Russ Honea to determine the occurrence of unleached gold.

Silver extractions were less than 50 percent from ball mill ground samples.

Detailed test data sheets are attached to the end of this report.

III. Test Procedures

Bottle roll cyanide leach tests on ball mill ground samples were performed by ball mill grinding a measured weight of minus 20 mesh sample to 65 to 75 percent minus 200 mesh. The sample was adjusted to 50 percent solids and the pH adjusted to 11.5 with hydrated lime (samples 8227AQ, 8589AQ, and 8432 AQ were adjusted to a much lower pulp density due to high viscosity). Cyanide was added to provide an initial solution concentration of 10 lb/ton and the slurry was bottle rolled 48 hours. By bottle rolling 150 grams of residue selected leach residues were releached at 50% solids for 48 hours with 10 lb/ton NaCN solution.

Bottle roll cyanide leach tests were performed on as received (minus 1/4 inch) samples by mixing each sample with an equal weight of water and adjusting the pH to 11.5 with hydrated lime. Cyanide was added to provide an initial leach solution concentration of 10 lb/ton and the slurry was bottle rolled 72 hours. The washed leach residue was split into two

P-1452: Homestake - BVO Project
Cyanide Leach Results Summary

Sample	Test No.	Grind, % -200M	Assay, oz/Ton				% Extraction Au	Reagents	
			Residue		Calc Head			Consumed, lb/T Ore	
			Au	Ag	Au	Ag		NaCN	Lime
<u>Cyanide Leach Results - Ball Mill Ground Samples</u>									
8432 AQ	1	75.3	0.031	1.62	0.212	2.47	85.4	3.78	5.0
8578 AQ	2	65.4	0.008	0.46	0.091	0.81	91.3	1.25	4.0
8583 AQ	3	67.9	0.005	0.27	0.054	0.37	90.7	0.96	3.7
8589 AQ	4	69.9	0.007	0.11	0.029	0.18	76.1	1.04	3.4
8227 AQ	5	73.1	0.125	1.61	0.877	2.43	85.8	1.25	5.6
8229 AQ	6	55.2	0.022	4.49	0.172	5.01	87.3	0.93	7.6
<u>Cyanide Leach Results - As Received Samples</u>									
8432 AQ	7	-1/4"	0.128	1.91	0.168	2.05	24.7	0.28	5.6
8578 AQ	8	-1/4"	0.054	0.60	0.088	0.63	38.9	0.32	5.6
8583 AQ	9	-1/4"	0.025	0.28	0.047	0.31	46.4	0.67	5.6
8589 AQ	10	-1/4"	0.015	0.15	0.023	0.16	34.0	0.73	5.7
8227 AQ	11	-1/4"	0.663	2.14	0.937	2.24	29.8	0.55	5.5
8229 AQ	12	-1/4"	0.085	4.28	0.117	4.38	27.5	0.96	7.7
<u>Cyanide Leach Results - Releach Selected Samples</u>									
Test 13: Releach Test 1 Residue			0.019	1.60	0.024	1.61	22.3	5.00	---
Test 14: Releach Test 5 Residue			0.134	1.63	0.139	1.64	4.1	1.18	7.3
Test 15: Releach Test 6 Residue			0.030	4.33	0.032	4.33	7.4	0.62	6.7

November 23, 1987
Homestake Mining Company
Page -4-

samples: One sample was crushed through 20 mesh and submitted for gold and silver assay, while the other sample was stored for a possible assay-screen analysis.

If you have any questions or we can be of additional service, please call.

Sincerely,
DAWSON METALLURGICAL LABORATORIES, INC.



Philip Thompson,
Vice President

PT-cac

MI-124



DAWSON
METALLURGICAL
LABORATORIES, INC.

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/2/87
BY LA
8432AQ

TEST NO. 1 NAME Homestake
48 hour Leach on 20' Ball Mill Grind with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	5024.0	0.036	0.17	1.8086	8.541	85.42	34.61
Leach Residue	996.0	0.031	1.62	0.3088	16.135	14.58	65.39
Head Calculated	1000.0	0.212	2.47	2.1174	24.676	100.00	100.00
Total (assay)		0.178	2.19				

OPERATION TIME	BM 20'	Start 8:50	Off 48hrs								GRINDING PRODUCT
											Leach
REAGENTS - LBS PER TON		Leach									
Ore	gram	1000								MESH	%
Water	gram	5000								+ 10	
Lime	gram	3.0								+ 14	
NaCN	gram	25.0								+ 20	
NaCN Titration, lb/T Sol'n				9.20						+ 28	
CaO Titration, lb/T Sol'n				0.2						+ 35	
NaCN Consumed, lb/T Ore				3.78						+ 48	0.3
Lime Consumed, lb/T Ore				5.0						+ 65	1.7
										+ 100	2.7
										+ 150	8.4
MACHINE										+ 200	11.6
R.P.M.										+ 325	13.4
pH	9.4	11.4		11.2						-325	61.9
% SOLIDS											100.0
TEMPERATURE											

REMARKS:

M-125

M-125



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PROJECT NO. P-1452
DATE 11/2/87
BY LA
8578AQ

TEST NO. 2 NAME Homestake
48 hour Leach on 20' Ball Mill Grind with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution		VIC
		Au	Ag	Au	Ag	Au	Ag	
Leach Solution	1029.1	0.081	0.34	0.8336	3.499	91.28	43.30	
Leach Residue	995.9	0.008	0.46	0.0797	4.581	8.72	56.70	
Head Calculated	1000.0	0.091	0.81	0.9132	8.080	100.00	100.00	
Total (Assay)		0.084	0.88					

OPERATION	BM	Start	Off	GRINDING PRODUCT
TIME	20'	9:00	48hrs	Leach
REAGENTS - LBS PER TON		Leach		Residue
Ore gram	1000			MESH
Water gram	1000			+ 10
Lime gram	2.0			+ 14
NaCN gram		5.0		+ 20
NaCN Titration, lb/T Sol'n			8.50	+ 28
CaO Titration, lb/T Sol'n			Tr.	+ 35
NaCN Consumed, lb/T Ore			1.25	+ 48
Lime Consumed, lb/T Ore			4.0	+ 65
				+ 100
				+ 150
				+ 200
				+ 325
				-325
MACHINE				100.0
R.P.M.	8.6	11.7	11.7	
pH				
% SOLIDS				
TEMPERATURE				

REMARKS:

M-126

NOV 11 1987
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5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/2/87
BY LA
8583AQ

M127

TEST NO. 3 NAME Homestake
48 hour Leach on 20' Ball Mill Grind with 10 lb/Ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	1013.6	0.048	0.10	0.4865	1.014	90.70	27.35
Leach Residue	997.4	0.005	0.27	0.0499	2.693	9.30	72.65
Head Calculated	1000.0	0.054	0.37	0.5364	3.707	100.00	100.00
Total (assay)		0.048	0.37				

OPERATION	BM	Start	Off							GRINDING PRODUCT
TIME	20'	10:10	48hrs							Leach Residue
REAGENTS - LBS PER TON		Leach								MESH %
Ore gram	1000									
Water gram	1000									+ 10
Lime gram		2.0								+ 14
NaCN gram		5.0								+ 20
NaCN Titration, lb/T Sol'n			8.92							+ 28
CaO Titration, lb/T Sol'n			0.3							+ 35
NaCN Consumed, lb/T Ore			0.96							+ 48 0.0
Lime Consumed, lb/T Ore			3.7							+ 65 0.5
										+ 100 1.5
MACHINE										+ 150 13.2
R.P.M.										+ 200 16.9
pH	8.8	11.5		11.6						+ 325 17.9
% SOLIDS										-325 50.0
TEMPERATURE										100.0

REMARKS:

LZ-127



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PROJECT NO. P-1452
DATE 11/2/87
BY LA
8589AQ

TEST NO. 4 NAME Homestake
48 hour Leach on 10' Ball Mill Grind with 10 lb/ton NaCN Sol'n

Product	Weight	Assay		Units		Distribution		VIC
		Au	Ag	Au	Ag	Au	Ag	
Leach Solution	1844.9	0.012	0.04	0.2214	0.738	76.08	40.29	
Leach Residue	994.1	0.007	0.11	0.0696	1.094	23.92	59.71	
Head Calculated	1000.0	0.029	0.18	0.2910	1.831	100.00	100.00	
Total (assay)		0.019	0.25					

OPERATION TIME	BM	Start	Off	REAGENTS - LBS PER TON	MESH	GRINDING PRODUCT
	10'	10:45	48hrs			
Ore	gram	1000				
Water	gram	1820				
Lime	gram	2.0				
NaCN	gram	9.1				
NaCN Titration, lb/T Sol'n			9.30			
CaO Titration, lb/T Sol'n			0.3			
NaCN Consumed, lb/T Ore			1.04			0.3
Lime Consumed, lb/T Ore			3.4			1.8
						5.1
						10.7
						12.2
						14.0
						55.9
						100.0
MACHINE						
R.P.M.						
pH	8.7	11.8	11.5			
% SOLIDS						
TEMPERATURE						

REMARKS:

8-12-88



**DAWSON
METALLURGICAL
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P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/2/87
BY LA
8227AQ

m129

TEST NO. 5 NAME Homestake
48 hour Leach on 20' Ball Mill Grind with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution		VIC
		Au	Ag	Au	Ag	Au	Ag	
Leach Solution	2287.3	0.312	0.34	7.1364	7.777	85.79	33.81	
Leach Residue	945.7	0.125	1.61	1.1821	15.226	14.21	66.19	
Head Calculated	948.0	0.877	2.43	8.3185	23.003	100.00	100.00	
Total (assay)		0.909	2.43					

OPERATION	BM	Start	Off						GRINDING PRODUCT
TIME	20'	11:20	48hrs						Leach
REAGENTS - LBS PER TON		Leach							Residue
Ore gram	948							MESH	%
Water gram	22070							+ 10	
Lime gram	3.0							+ 14	
NaCN gram		11.0						+ 20	
NaCN Titration, lb/T Sol'n			9.10					+ 28	
CaO Titration, lb/T Sol'n			0.3					+ 35	
NaCN Consumed, lb/T Ore			1.25					+ 48	0.0
Lime Consumed, lb/T Ore			5.6					+ 65	0.6
								+ 100	0.7
								+ 150	11.9
MACHINE								+ 200	13.7
R.P.M.								+ 325	16.7
pH	9.5	11.8		11.7				-325	56.4
% SOLIDS									100.0
TEMPERATURE									

REMARKS:

05/1/87

APPROVED: [Signature]
DATE: 11/2/87



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/2/87
BY LA
8229AQ

TEST NO. 6 NAME Homestake
48 hour Leach on 15' Ball Mill Grind with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution		VIC
		Au	Ag	Au	Ag	Au	Ag	
Leach Solution	605.3	0.140	0.49	0.8474	2.966	87.25	10.51	
Leach Residue	562.7	0.022	4.49	0.1238	25.265	12.75	89.49	
Head Calculated	564.0	0.172	5.01	0.9712	28.231	100.00	100.00	
Total (assay)		0.156	4.89					

OPERATION	BM	Start	Off	GRINDING PRODUCT
TIME	15'	11:40	48hrs	Leach
REAGENTS - LBS PER TON		Leach		Residue
Ore	gram	564.0		MESH
Water	gram	564.0		+ 10
Lime	gram	2.5		+ 14
NaCN	gram	2.82		+ 20
NaCN Titration, lb/T Sol'n			8.45	+ 28
CaO Titration, lb/T Sol'n			1.2	+ 35
NaCN Consumed, lb/T Ore			0.93	+ 48
Lime Consumed, lb/T Ore			7.6	+ 65
				+ 100
				+ 150
MACHINE				+ 200
R.P.M.				+ 325
pH	9.0	11.9	11.9	-325
% SOLIDS				100.0
TEMPERATURE				

REMARKS:

M-130



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8432AQ, -1/4"

131W

TEST NO. 7 NAME Homestake

72 hour leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	1012.4	0.041	0.16	0.4151	1.620	24.68	7.89
Leach Residue	989.6	0.128	1.91	1.2667	18.901	75.32	92.11
Head Calculated	1000.0	0.168	2.05	1.6818	20.521	100.00	100.00
Total (assay)		0.178	2.19				

OPERATION			Start	Off						GRINDING
TIME			9:40	72hrs						PRODUCT
REAGENTS - LBS PER TON			Leach							
Ore gram	1000								MESH	%
Water gram	1000								+ 10	
lime gram	3.0								+ 14	
NaCN gram		5.0							+ 20	
NaCN Titration, lb/T Sol'n				9.60					+ 28	
CaO Titration, lb/T Sol'n				0.4					+ 35	
NaCN Consumed, lb/T Ore				0.28					+ 48	
Lime Consumed, lb/T Ore				5.6					+ 65	
									+ 100	
									+ 150	
MACHINE									+ 200	
R.P.M.									+ 325	
pH	9.1	12.0		11.7					-325	
% SOLIDS										
TEMPERATURE										
REMARKS:										

M-131

UNION PACIFIC
MURRAY, UTAH
MURRAY, UTAH
MURRAY, UTAH



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8578AQ, -1/4"

TEST NO. 8 NAME Homestake
72 hour Leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	1041.0	0.033	0.03	0.3435	0.312	38.88	4.95
Leach Residue	1000.0	0.054	0.60	0.5400	6.000	61.12	95.05
Head Calculated	1000.0	0.088	0.63	0.8835	6.312	100.00	100.00
Total (calc)	1000	0.084	0.88				

OPERATION	Start	Off	GRINDING PRODUCT
TIME	10:13	72hrs	
REAGENTS - LBS PER TON	Leach		
Ore gram	1000		MESH %
Water gram	1000		+ 10
Lime gram	3.0		+ 14
NaCN gram	5.0		+ 20
NaCN Titration, lb/T Sol'n		9.30	+ 28
CuO Titration, lb/T Sol'n		0.4	+ 35
NaCN Consumed, lb/T Ore		0.32	+ 48
Lime Consumed, lb/T Ore		5.6	+ 65
			+ 100
			+ 150
MACHINE			+ 200
R.P.M.			+ 325
pH	8.5	11.9	-325
% SOLIDS			
TEMPERATURE			

REMARKS:

M-132



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8583AQ, -1/4"

TEST NO. 9 NAME Homestake
72 hour leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	1030.2	0.021	0.03	0.2163	0.309	46.40	9.94
Leach Residue	999.8	0.025	0.28	0.2500	2.799	53.60	90.06
Head Calculated	1000.0	0.047	0.31	0.4663	3.108	100.00	100.00
Total (assay)	1000	0.048	0.37				

OPERATION			Start	Off								GRINDING PRODUCT
TIME			10:55	72hrs								
REAGENTS - LBS PER TON			Leach									
Ore	gram	1000									MESH	%
Water	gram	1000									+ 10	
Lime	gram	3.0									+ 14	
NaCN	gram		5.0								+ 20	
NaCN Titration, lb/T Sol'n				9.06							+ 28	
CaO Titration, lb/T Sol'n				0.4							+ 35	
NaCN Consumed, lb/T Ore				0.67							+ 48	
Lime Consumed, lb/T Ore				5.6							+ 65	
											+ 100	
											+ 150	
MACHINE											+ 200	
R.P.M.											+ 325	
pH		8.5	11.9		11.6						-325	
% SOLIDS												
TEMPERATURE												

REMARKS:

DAWSON METALLURGICAL LABORATORIES, INC.
MURRAY, UTAH 84107-0685
PHONE: 801-262-0922

M-133



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8589AQ, -1/4"

TEST NO. 10 NAME Homestake
72 hour Leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	1097.9	0.007	0.01*	0.0769	0.110	33.99	6.85
Leach Residue	995.1	0.015	0.15	0.1493	1.493	66.01	93.15
Head Calculated	1000.0	0.023	0.16	0.2261	1.602	100.00	100.00
Total (assay)		0.019	0.25				

* Assayed < 0.02 oz/ton Ag

OPERATION	Start	Off	GRINDING	PRODUC
TIME	11:30	72hrs		
REAGENTS - LBS PER TON	Leach			
Ore, gram	1000		MESH	%
Water, gram	1000		+ 10	
Lime, gram	3.0		+ 14	
NaCN, gram	5.0		+ 20	
NaCN Titration, lb/T Sol'n		8.44	+ 28	
CaO Titration, lb/T Sol'n		0.3	+ 35	
NaCN Consumed, lb/T Ore		0.73	+ 48	
Lime Consumed, lb/T Ore		5.7	+ 65	
			+ 100	
			+ 150	
MACHINE			+ 200	
R.P.M.			+ 325	
pH	8.1	11.9	-325	
% SOLIDS				
TEMPERATURE				

REMARKS:

71-134



DAWSON
METALLURGICAL
LABORATORIES, INC.

P. O. BOX 7003
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8227AQ, -1/4"

TEST NO. 11 NAME Homestake
72 hour Leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	993.7	0.281	0.12	2.7923	1.192	29.80	5.32
Leach Residue	992.3	0.663	2.14	6.5789	21.235	70.20	94.68
Head Calculated	1000.0	0.937	2.24	9.3712	22.428	100.00	100.00
Total (assay)		0.909	2.43				

OPERATION			Start	Off							GRINDING PRODUCT
TIME			11:45								
REAGENTS - LBS PER TON			Leach								
Ore	gram	1000								MESH	%
Water	gram	1000								+ 10	
Lime	gram	3.0								+ 14	
NaCN	gram		5.0							+ 20	
NaCN Titration, lb/T Sol'n				9.51						+ 28	
CaO Titration, lb/T Sol'n				0.5						+ 35	
NaCN Consumed, lb/T Ore				0.55						+ 48	
Lime Consumed, lb/T Ore				5.5						+ 65	
										+ 100	
										+ 150	
MACHINE										+ 200	
R.P.M.										+ 325	
pH		9.4	11.9		11.5					-325	
% SOLIDS											
TEMPERATURE											

REMARKS:

M-135



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/6/87
BY LA
8229AQ, -1/4"

TEST NO. 12 NAME Homestake
72 hour leach on as received ore with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	476.6	0.030	0.09	0.1430	0.429	27.50	2.21
Leach Residue	443.4	0.085	4.28	0.3769	18.978	72.50	97.79
Head Calculated	443.4	0.117	4.38	0.5199	19.406	100.00	100.00
Total (Assay)		0.156	4.89				

OPERATION			Start	Off								GRIND PRODU
TIME			11:55	72hr								
REAGENTS - LBS PER TON			Leach									
Ore	gram	443.4									MESH	%
Water	gram	443.4									+ 10	
Lime	gram	2.0									+ 14	
NaCN	gram		2.22								+ 20	
NaCN Titration, lb/T Sol'n				8.42							+ 28	
CaO Titration, lb/T Sol'n				1.2							+ 35	
NaCN Consumed, lb/T Ore				0.96							+ 48	
Lime Consumed, lb/T Ore				7.7							+ 65	
											+ 100	
											+ 150	
MACHINE											+ 200	
R.P.M.											+ 325	
pH		9.1	11.9		12.0						-325	
% SOLIDS												
TEMPERATURE												

REMARKS:

M-136



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/12/87
BY LA
8432AQ

TEST NO. 13 NAME Homestake
48 hour leach on leach residue from Test #1 with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	200.2	0.004	0.03	0.0080	0.060	22.31	2.49
Leach Residue	146.8	0.019	1.60	0.0279	2.349	77.69	97.51
Head Calculated	150.0	0.024	1.61	0.0359	2.409	100.00	100.00
Total (assay)		0.031	1.62				

Releach												GRINDING	PRODUCT
OPERATION			Start		Off							MESH	%
TIME			10:45		48hrs								
REAGENTS - LBS PER TON			Leach										
Ore gram	150.0												
Water gram	150.0												
Lime gram		0.0											
NaCN gram			.75										
NaCN Titration, lb/T Sol'n					3.74								
CaO Titration, lb/T Sol'n					None								
NaCN Consumed, lb/T Sample					5.00								
Lime Consumed, lb/T Sample					---								
MACHINE													
R.P.M.													
pH	11.4	11.4			10.5								
% SOLIDS													
TEMPERATURE													
REMARKS:													

M-137



**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/12/87
BY LA
8227AQ

TEST NO. 14 NAME Homestake
48 hour releach on Leach Residue from Test #5 with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	172.3	0.005	0.01	0.0086	0.017	4.12	0.70
Leach Residue	149.7	0.134	1.63	0.2006	2.440	95.88	99.30
Head Calculated	150.0	0.139	1.64	0.2092	2.457	100.00	100.00
Total (assay)		0.125	1.61				

OPERATION	Start	Off	MESH	GRINDING PRODU
TIME	10:50	48hrs		
REAGENTS - LBS PER TON	Leach			
Ore gram	150.0			
Water gram	150.0			
Lime gram	0.6			
NaCN gram	.75			
NaCN Titration, lb/T Sol'n		7.68		
CaO Titration, lb/T Sol'n		0.6		
NaCN Consumed, lb/T Sample		1.18		
Lime Consumed, lb/T Sample		7.3		
			+ 100	
			+ 150	
MACHINE			+ 200	
R.P.M.			+ 325	
pH	8.1	11.6	11.7	-325
% SOLIDS				
TEMPERATURE				

REMARKS:

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**DAWSON
METALLURGICAL
LABORATORIES, INC.**

P. O. BOX 7685
5217 Major Street
Murray, Utah 84107-0685
Phone: 801-262-0922

PROJECT NO. P-1452
DATE 11/12/87
BY LA
8229AQ

TEST NO. 15 NAME Homestake
48 hour re-leach on Leach Residue from Test #6 with 10 lb/ton NaCN Solution

Product	Weight	Assay		Units		Distribution	
		Au	Ag	Au	Ag	Au	Ag
Leach Solution	179.3	0.002	0.01	0.0036	0.018	7.39	0.28
Leach Residue	149.7	0.030	4.33	0.0449	6.482	92.61	99.72
Head Calculated	150.0	0.032	4.33	0.0485	6.500	100.00	100.00
Total (assay)		0.022	4.49				

OPERATION			Start	Off						GRINDING PRODUCT
TIME			10:58	48hrs						
REAGENTS - LBS PER TON			Leach							
Ore gram	150.0								MESH	%
Water gram	150.0								+ 10	
Lime gram		0.6							+ 14	
NaCN gram			.75						+ 20	
NaCN Titration, lb/T Sol'n				7.84					+ 28	
CaO Titration, lb/T Sol'n				1.1					+ 35	
NaCN Consumed, lb/T Sample				0.62					+ 48	
Lime Consumed, lb/T Sample				6.7					+ 65	
									+ 100	
									+ 150	
MACHINE									+ 200	
R.P.M.									+ 325	
pH	8.7	11.7		11.7					-325	
% SOLIDS										
TEMPERATURE										

REMARKS:

M-139



MINING COMPANY

155 GLENDALE, SUITE 18, SPARKS, NEVADA 89431

EXPLORATION DIVISION
MAILING ADDRESS

(702) 331-6980

October 28, 1987

Mr. Phil Thompson
Dawson Metallurgical Lab
5217 Major Street
Murry, Utah 84107

Re: P-1452.

Dear Phil,

I have sent to you, under separate cover, six samples of drill cuttings for metallurgical testing. The samples were sent via Greyhound bus on 25th October, shipping number 191 683 080 6. All the samples are from the BVO project, Yuma Co, Arizona.

The geology, location and assay for each sample is summarized on the attached sheet.

If you need any additional information please feel free to call me or Richard Kunter.

With thanks,

Michael D. Johnson
Senior Exploration Geologist

cc: Richard Kunter

MDJ/psc
3/33

M-140

Sample: # 8578 AQ
Assay: 0.104 opt Au, 0.36 opt Ag
Location: BVO-87-18, 30-35 ft.
Geology: Andesite porphyry with a stockwork of quartz veins. Quartz veins are hairline to $\frac{1}{4}$ " and consist of banded cryptocrystalline to sugary quartz. The veins make up approximately 30-40% of the sample. Weak hematite is found on fractures locally.

Sample: # 8583 AQ
Assay: 0.06 opt Au, 0.43 opt Ag
Location: BVO-87-18, 55-60 ft.
Geology: See sample # 8578 AQ

Sample: # 8589 AQ
Assay: 0.020 opt Au, 0.25 opt Ag
Location: BVO-87-18, 85-90 ft.
Geology: See sample # 8578 AQ

Sample: # 8227 AQ
Assay: 0.420 opt Au, 2.59 opt Ag
Location: BVO-87-11, 330-335 ft.
Geology: Light green, sugary to calcedonic quartz vein in dacite porphyry. Weak, rare calcite. Weak iron oxide staining on fractures.

Sample: # 8229 AQ
Assay: 0.056 opt Au, 5.34 opt Ag
Location: BVO-87-11, 340-345 ft.
Geology: See sample # 8227 AQ

Sample: # 8432 AQ
Assay: 0.228 opt Au, 3.24 opt Ag
Location: BVO-87-15, 30-35 ft.
Geology: Green colored quartz vein in silicified tuffaceous groundmass. Weak iron oxide staining (goethite: Jarosite) on fractures.

ASSAY REPORT SHEET

ASSAY LAB, INC.
 1378 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 11/5/87

Client Deussen Metallurgical

Sample Identification	Oz / Ton Au	Oz / Ton Ag	Remarks
P-1452 Homestake			* Ounces per ton of 2000 lbs.
Head Samples	.779		
#8227 A.Q.	.915	3.34 Dore	2.43 Ag
	1.034		
#8229 A.Q.	.140	5.03 Dore	4.89 Ag
	.173		
	.155		
#8432 A.Q.	.177	2.19	
	.179	2.19	
#8578 A.Q.	.083	.88	
	.085	.87	
#8583 A.Q.	.047	.37	
	.048	.37	
#8589 A.Q.	.018	.25	
	.019	.25	

*Ronald
Branchi*

ASSAY REPORT SHEET

ASSAY LAB, INC.
 1378 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 11-9-87

Client Dawson Metallurgical Labs

Sample Identification	Oz / Ton Au	Oz / Ton Ag	Remarks
P-1452 Homestake Mining			* Ounces per ton of 2000 lbs.
Cyn Solns			
P-1452 T-2 8578 AQ	.081	.34	
	.081	.34	
P-1452 T-3 8583 AQ	.048	.10	
	.048	.10	
P-1452 T-4 8589 AQ	.012	.03	
	.012	.04	
P-1452 T-5 8227 AQ	.314	.34	
	.310	.34	
P-1452 T-6 8229 AQ	.140	.49	
	.139	.49	
P-1452 Homestake Mining Heads			
T-2 8578 AQ	.008	.45	
	.008	.46	
T-3 8583 AQ	.005	.27	
	.005	.26	
T-4 8589 AQ	.007	.11	
	.006	.11	
T-5 8227 AQ	.124	1.60	
	.125	1.61	
T-6 8229 AQ	.021	4.49	
	.022	4.48	

Ronald Bianchi

ASSAY REPORT SHEET

ASSAY LAB, INC.
1378 W. 8040 So. Unit #4
West Jordan, Utah 84084

Date Received _____

Date Reported 11/10/87

Client Dawson Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
P-1452 Homestake			* Ounces per ton of 2000 lbs.
Leach Sol'n. Test #1 #8432AQ	.035 .036	.17 .17	

*Ronald
Bunch*

ASSAY REPORT SHEET

ASSAY LAB, INC.
1378 W. 8040 So. Unit #4
West Jordan, Utah 84084

Date Received _____

Date Reported 11/11/87

Client Duncan Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
P-1452 Homestake			* Ounces per ton of 2000 lbs.
Head Test #1 8432AQ	.030 .031	1.62 1.61	

*Ronald
Branch*

ASSAY REPORT SHEET

ASSAY LAB, INC.
 1376 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 11/10/89

Client Dawson Metallurgical

Sample Identification	Oz / Ton Au	Oz / Ton Ag	Remarks
F-1452 Homestake			* Ounces per ton of 2000 lbs.
Leach Residues			
Test #8 8578 AQ	.053	.30	
	.054	.60	
Test #9 8583 AQ	.025	.27	
	.024	.28	
Test #10 8589 AQ	.015	.15	
	.014	.15	
Test #11 8227 AQ	.664	2.14	
	.662	2.14	
Test #12 8229 AQ	.084	4.26	
	.085	4.26	
Leach Sol'n.			
Test #8 8578 AQ	.034	.03	
	.032	.02	
Test #9 8533 AQ	.021	.03	
	.020	.03	
Test #10 8589 AQ	.006	<.02	
	.007	<.02	
Test #11 8227 AQ	.281	.12	
	.261	.12	
Test #12 8229 AQ	.030	.09	
	.029	.08	

*Ronald
Sawicki*

ASSAY REPORT SHEET

ASSAY LAB, INC.
1376 W. 8040 So. Unit #4
West Jordan, Utah 84084

Date Received _____

Date Reported 11/13/87

Client Dawson Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
P-1452 Homestake			* Ounces per ton of 2000 lbs.
Leach Sol'n. Test #7 8432 AQ	.041 .041	.16 .16	

*Ronald
Diackie*

ASSAY REPORT SHEET

ASSAY LAB, INC.
 1378 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 11/16/87

Client Dawson Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
P-1452 Homestake Leach Res. Test #7 8432 AQ	.129 .127	1.91 1.91	* Ounces per ton of 2000 lbs.
<i>Kenneth Beiswenger</i>			

P-1452

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ASSAY REPORT SHEET

ASSAY LAB, INC.
 1376 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 07/20/07

Client Dowden Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
F-1452 Homestake			* Ounces per ton of 2000 lbs.
Test #13 8432 A Q Leach Res.	.019	1.60	
	.018	1.60	
Test #14 8227 A Q Leach Res.	.135	1.60	
	.132	1.60	
Test #15 8229 A Q	.030	4.33	
	.030	4.33	
Leach Sol'n.			
Test #13 8432 A Q	.003	.03	
	.005	.03	
Test #14 8227 A Q	.004	.02	
	.006	.02	

*Ronald
Bainbridge*

ASSAY REPORT SHEET

ASSAY LAB, INC.
 1376 W. 8040 So. Unit #4
 West Jordan, Utah 84084

Date Received _____

Date Reported 11/10/87

Client Dawson Metallurgical

Sample Identification	Oz/Ton Au	Oz/Ton Ag	Remarks
F-1452 Homestake Leach Sol'n. Test #15 8229 A Q <div style="position: absolute; top: 100px; left: 100px; font-family: cursive; font-size: 2em; color: blue;"> Ronald Bianchi </div>	.002	< .02	* Ounces per ton of 2000 lbs.

RUBBELL M. HONEA
Consulting Geologist

AC 303 468-8778

Office
1105 BELLAIRE
BROOMFIELD, COLORADO 80020

Mailing Address
P.O. BOX 323
BROOMFIELD, COLORADO 80020

November 24, 1957

Richard S. Kunter
Homestake Mining Company
1725 Cole Blvd.
Golden, Colorado 80401

Re: EVO Project, AZ

Dear Richard:

Enclosed are results of polished section examination of both some head samples and heavy liquid concentrates of the EVO sample set forwarded by Dawson Metallurgical. As usual, photomicrographs are included to illustrate some of the pertinent mineralogic and textural characteristics.

Native gold is present variously as liberated particles (with an average diameter between 30 and 40 microns), as composites with both vein quartz and goethite in which exposed at grain margins, and as smaller grains locked in vein quartz. Details of occurrence are given in the individual descriptions. The suite is generally rather strongly oxidized to goethite, but small amounts of remnant pyrite, chalcopyrite, and galena are present. Pyrargyrite occurs in a single sample, and native silver accompanies native gold in one sample. Silver is also probably present in small amounts of jarosite and cerargyrite(?). Copper oxysalts (malachite) are also present in small amount.

Please let me know if there are questions regarding the data. Further information will follow concerning the leach residue samples.

Sincerely,


Russell M. Honea

Encl.

P.S. 8227AQ (Heavies - BV087-11 - 333-335' Relatively abundant native gold with minor remnant pyrite, chalcopyrite, and pyrargyrite in strongly oxidized and goethite-hematite stained host with quartz vein material.

Native gold - -1% - Golden yellow color, isotropic but does not show complete extinction because of polishing scratches, soft and is moderately well polished. Occurs variously as liberated particles, as composites with quartz gangue and goethite, and as smaller grains locked in quartz gangue fragments. Grain size of particles varies from 1 to 120 microns, and the average diameter of grains is 38 microns. Of the observed grains 8 are liberated, 5 form composites, and 3 show locking or encapsulation by quartz. Since original sulfides are destroyed by oxidation I am uncertain as to paragenetic position.

Pyrite - -1% - Pale yellow, isotropic, hard and is well polished. Occurs in trace amount as liberated remnant particles that show oxidative corrosion at grain margins. Is the source of most of the goethite described below.

Chalcopyrite - -1% - Bright yellow with faint greenish tint in polished surface, anisotropic and with polarization colors of green to blue, moderate hardness and is well polished, brittle. Occurs as scarce and small liberated particles having oxidized margins.

Pyrargyrite - -1% - Light gray with bluish tint, anisotropic but with polarization colors masked by dark red internal reflections, soft and is moderately well polished. Rare and small grains are present with native gold in composite with or locked by vein quartz. Shows some oxidative corrosion at grain margins.

Goethite - 15% - Light to medium gray with bluish tint where better polished, anisotropic but with polarization colors masked by reddish brown internal reflections, highly variable hardness and perfection of polish. Present as separate liberated grains, as composites with silicate gangue in which pseudomorphic after pyrite, and as irregularly shaped and

complexly banded aggregates that probably fill cavities or fractures. Much of goethite is powdery and essentially unpolished. At times borders and forms composites with native gold.

Hematite - 5% - Light gray with bluish tint, moderately anisotropic and with polarization in shades of gray, hard and is generally well polished. Occurs both as host grains enclosing small laths of magnetite and as grains in which only hematite is present. Formed both as a minor accessory component of the original host assemblage and as an apparent oxidation product of both magnetite and sulfide components. In latter instance is in part associated with goethite.

Magnetite - -1% - Light grayish brown, isotropic, hard and is well polished. Present in small amount as thin laths enclosed by hematite as an accessory mineral from the altered igneous host assemblage. May include at least minor ilmenite.

Zircon + Rutile - -1% - Medium gray, strong colorless to pale yellowish brown internal reflections that mask anisotropy, hard and is well polished. Occurs both as small liberated fragments and as inclusions in altered host material.

Trash iron - -1% - White metallic, isotropic, moderate hardness and is well polished. Occurs in small amount as curved "shavings" added during sample preparation.

Non-metallic gangue - 77%

REA GOLD CORPORATION
(A Development Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1985

(Expressed in Canadian Dollars)

LOHN & COMPANY

Chartered Accountants

200-837 Homer Street
Vancouver, B.C. Canada
V6B 2W2

Telephone (604) 687-5444

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheets of Rea Gold Corporation as at December 31, 1985 and 1984 and the consolidated statements of loss and deficit, deferred administration costs and changes in financial position from inception of the company to December 31, 1985 and for each of the years ended December 31, 1985, 1984 and 1983. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1985 and the results of its operations and the changes in its financial position from inception of the company to December 31, 1985 and for each of the years ended December 31, 1985, 1984 and 1983 in accordance with generally accepted accounting principles applied on a consistent basis (note 2(a)).



Vancouver, B.C.
February 3, 1986

REA GOLD CORPORATION (A Development Stage Company)

CONSOLIDATED BALANCE SHEET
(Expressed in Canadian Dollars)

	1985	1984
A S S E T S	\$	\$
CURRENT ASSETS		
Cash and short-term deposits	80,210	876,319
Accrued interest receivable	-	24,288
Prepaid expenses	9,273	2,080
Advances receivable (note 5(b))	271,425	192,695
Note receivable	-	12,000
Marketable securities (note 8)	243,383	230,250
	<u>604,291</u>	<u>1,337,632</u>
DEFERRED ADMINISTRATION COSTS (note 2(b))	1,485,385	1,493,578
PETROLEUM INTEREST	-	58,321
MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (note 3)	2,187,815	2,782,219
FIXED ASSETS (note 7)	119,989	159,574
	<u>4,397,480</u>	<u>5,831,324</u>
LI A B I L I T I E S		
CURRENT LIABILITIES		
Accounts payable	132,442	86,035
Loans payable	-	25,000
	<u>132,442</u>	<u>111,035</u>
DEFERRED LIABILITY (note 11)	85,965	-
CONDITIONAL SALES AGREEMENT (note 10)	3,053	3,803
	<u>221,460</u>	<u>114,838</u>
S H A R E H O L D E R S ' E Q U I T Y		
CAPITAL STOCK (note 6)	5,872,486	5,716,486
Authorized - 25,000,000 common shares		
Issued and Outstanding shares: 1985 - 5,385,830		
1984 - 5,195,830		
DEFICIT	(1,696,466)	-
	<u>4,176,020</u>	<u>5,716,486</u>
	<u>4,397,480</u>	<u>5,831,324</u>

Approved by the Directors

The accompanying notes are an integral part of these financial statements

REA GOLD CORPORATION (A Development Stage Company)

CONSOLIDATED STATEMENT OF LOSS AND DEFICIT
(Expressed in Canadian Dollars)

	1985	1984
	\$	\$
REVENUES		
Gain on sale of marketable securities	38,663	-
Operator's fees (note 4)	44,299	-
	<u>82,962</u>	<u>-</u>
EXPENDITURES AND WRITE OFFS		
Loss on sale of petroleum interests	31,918	-
Write down of marketable securities	26,260	-
Note receivable written off	12,000	-
	<u>70,178</u>	<u>-</u>
WRITE OFF OF MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS		
BAR	225,169	-
Brunswick Lode	864,034	-
Shasta County	10,669	-
	<u>1,099,872</u>	<u>-</u>
WRITE OFF OF RELATED DEFERRED ADMINISTRATION COSTS		
BAR	119,486	-
Brunswick Lode	454,047	-
Shasta County	5,974	-
Petroleum interest	29,871	-
	<u>609,378</u>	<u>-</u>
	<u>1,779,428</u>	<u>-</u>
NET LOSS FOR THE YEAR	1,696,466	-
DEFICIT - BEGINNING OF YEAR	-	-
DEFICIT - END OF YEAR	<u><u>1,696,466</u></u>	<u><u>-</u></u>

The accompanying notes are an integral part of these financial statements

REA GOLD CORPORATION (A Development Stage Company)

CONSOLIDATED STATEMENT OF DEFERRED ADMINISTRATION COSTS
(Expressed in Canadian Dollars)

	Inception to	Years Ended December 31		
	December 31, 1985	1985	1984	1983
	\$	\$	\$	\$
Consulting fees	244,131	46,040	84,448	80,116
Depreciation	71,012	44,184	26,140	688
Equipment rental	31,488	18,243	13,245	-
Insurance	21,780	10,533	11,247	-
Interest	17,446	1,195	7,894	5,997
Legal and audit	460,544	215,912	107,888	71,661
Management fees	109,656	-	36,000	30,848
Office and miscellaneous	202,148	36,170	66,739	54,773
Rent	64,673	29,487	16,688	5,288
Salaries	390,576	140,013	131,797	91,179
Shareholder information	264,878	8,608	57,242	105,552
Telephone	77,132	18,081	25,091	33,960
Travel and public relations	252,222	55,011	107,564	58,778
Trust and stock exchange fees	108,684	14,072	53,605	23,612
	<u>2,316,370</u>	<u>637,549</u>	<u>745,588</u>	<u>562,452</u>
LESS:				
Interest income	(196,051)	(10,808)	(115,257)	(13,470)
Costs recovered	(25,556)	(25,556)	-	-
	<u>2,094,763</u>	<u>601,185</u>	<u>630,331</u>	<u>548,982</u>
Balance - beginning of year	-	1,493,578	863,247	314,265
Deferred administration costs written off	(609,378)	(609,378)	-	-
	<u><u>1,485,385</u></u>	<u><u>1,485,385</u></u>	<u><u>1,493,578</u></u>	<u><u>863,247</u></u>

The accompanying notes are an integral part of these financial statements

REA GOLD CORPORATION (A Development Stage Company)

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Inception to December 31, 1985	Years ended December 31		
		1985	1984	1983
SOURCE OF WORKING CAPITAL	\$	\$	\$	\$
Proceeds from issue of capital stock	5,231,486	108,000	2,920,469	1,336,364
Other income	403	403	-	-
Interest income	196,051	10,808	115,257	13,470
Operator's fees	44,299	44,299	-	-
Conditional sales agreement	3,803	-	3,803	-
Deferred liability	85,965	85,965	-	-
	<u>5,562,007</u>	<u>249,475</u>	<u>3,039,529</u>	<u>1,349,834</u>
USE OF WORKING CAPITAL				
Mineral properties and deferred exploration costs	3,287,687	505,468	1,132,349	823,997
Less capital stock issued	(1,003,500)	(48,000)	(302,600)	(460,400)
	<u>2,284,187</u>	<u>457,468</u>	<u>829,749</u>	<u>363,597</u>
Deferred administration costs - net of depreciation	2,217,823	565,920	719,448	561,764
Petroleum interests (sale proceeds)	33,807	(24,514)	58,321	-
Fixed assets acquired	191,091	4,599	184,841	470
Treasury stock purchased	362,500	-	362,500	-
Reduction of sales agreement	750	750	-	-
	<u>5,090,158</u>	<u>1,004,223</u>	<u>2,154,859</u>	<u>925,831</u>
WORKING CAPITAL				
Increase (Decrease)	471,849	(754,748)	884,670	424,003
Balance - beginning of year	-	1,226,597	341,927	(82,076)
	<u>471,849</u>	<u>471,849</u>	<u>1,226,597</u>	<u>341,927</u>
REPRESENTED BY:				
Current assets		604,291	1,337,632	377,825
Current liabilities		132,442	111,035	35,898
		<u>471,849</u>	<u>1,226,597</u>	<u>341,927</u>
Working capital - end of year		<u>471,849</u>	<u>1,226,597</u>	<u>341,927</u>

The accompanying notes are an integral part of these financial statements

REA GOLD CORPORATION (A Development Stage Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

The company, directly and through joint ventures, is in the process of exploring its interest in resource properties and has not yet determined whether these properties contain reserves that are economically recoverable. The recoverability of amounts shown for these properties and their related deferred costs is dependent upon the existence of economically recoverable reserves, the ability of the company to obtain the necessary financing to complete their development, and upon future profitable production. In accordance with industry practice, the company's legal interest in its resource properties will be confirmed prior to commercial development.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Generally Accepted Accounting Principles

These consolidated financial statements have been prepared in accordance with accounting principles and practices that are generally accepted in Canada, which are different from those in the United States as explained in Note 14, and otherwise conform in all material respects with International Accounting Standards.

(b) Deferred Development and Administration Costs

The company capitalizes development costs and defers administration costs related to its resource properties. These costs will continue to be capitalized and deferred until resource production commences, at which time they will be amortized over the minimum estimated production life of the property. When the properties are sold, allowed to lapse, or abandoned, these costs will be written off at that time.

(c) Option Agreements and Joint Ventures

Properties acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the company, are only recorded in the accounts at such time as the payments are made. Option payments received on account of options granted on the company's properties are credited to deferred costs at the time of receipt.

(d) Translation of Foreign Currency

The accounts of foreign operations are translated into Canadian dollars as follows: monetary items at the rate of exchange prevailing at the balance sheet date; non-monetary items, except those items which are carried at market value and are recorded at market value, are recorded at the historical exchange rate; and revenues and expenses at the rate at the time of translation during the year. Gains and losses arising on currency translations, except those arising on long-term monetary items with a fixed maturity date, are credited or charged to earnings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Basis of Consolidation

These consolidated financial statements include the accounts of the company's wholly owned subsidiary, Rea Petro Energy, Inc. of the State of Colorado, U.S.A.

(f) Earnings per Share

Earnings per share are not disclosed as they are not considered meaningful at this stage of the company's operations.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS

	1985	1984
	\$	\$
CANADA		
Adams Lake	219,452	87,042
BAR	-	225,169
Mt. Roach	211,431	210,771
Reakel	11,601	3,244
Red Hill	118,364	47,440
Tillicum Property	85,275	83,723
Timothy Mountain Area	-	-
	<u>646,123</u>	<u>657,389</u>
UNITED STATES		
Bronco-Verdstone-Oakland	1,541,692	1,250,307
Brunswick Lode	-	863,855
Shasta County	-	10,668
	<u>1,541,692</u>	<u>2,124,830</u>
	<u><u>2,187,815</u></u>	<u><u>2,782,219</u></u>

(a) Adams Lake
Kamloops Mining Division, B.C.

By a letter agreement dated October 7, 1983, the company acquired 20 mineral claims in consideration for the payment of \$50,000 and the issuance of 100,000 shares of the company's capital stock. These claims are burdened with a 5% net smelter royalty. By a letter agreement dated November 8, 1983, and amended on November 5, 1985, the company granted a working option to Corporation Falconbridge Copper (CFC) to

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

(a) acquire a 100% interest in these claims, subject to a 12½% net production royalty if Rea Gold Corporation (Rea Gold) chooses not to jointly develop the property. Alternatively Rea Gold may participate with CFC in joint venture for a 30% working interest by payment to CFC of 30% of all of CFC's costs to date on development. Rea Gold has also granted stock options to CFC as described in note 6(d). CFC is required to make a payment of \$30,000 by May 4, 1986 in addition to expending \$930,000 on exploration work prior to November 4, 1988. At that time if CFC decides to put the property into production it must make a final payment of \$50,000.

(b) Mt. Roach
Kamloops Mining Division, B.C.

A 60% interest in eighteen mineral claims acquired in consideration for \$2,400 and the issuance of 150,000 common shares at an ascribed value of \$150,000. The company has a joint venture agreement with Yucana Resources Inc. to jointly develop this property (note 5).

(c) Reakel
Nicola Mining Division, B.C.

The Reakel #1 - #5 claims which were acquired for staking costs.

(d) Red Hill
Kamloops Mining Division, B.C.

The Add and Moly claims, which were acquired by the issuance of 750,000 shares at an ascribed value of \$7,500 (note 6(e)).

(e) Tillicum Property
Slocan Mining Division, B.C.

The Sam, Skye and Afta mineral claims which were acquired for staking costs and the issue of 70,000 shares at an ascribed value of \$66,500.

(f) Bronco - Verdstone - Oakland
Sheep Tanks Mining Division
Yuma County, Arizona

(i) Bronco - Verdstone - Oakland

By a mining lease and option to purchase, the company acquired a 90% interest in 3½ unpatented lode mining claims (Bronco, Bronco III, Oakland and Verdstone No. 1) comprising approximately 3,000 hectares. Advance royalties of the greater of U.S. \$8,000 per month or 10% of net smelter returns are payable monthly. The acquisition to the company of this royalty interest should the company elect to purchase it is U.S. \$3,500,000.

3. MINERAL PROPERTIES AND DEFERRED EXPLORATION COSTS (continued)

(ii) Big Deal Claims

An option to purchase seven unpatented lode mining claims for U.S. \$350,000 payable by 10% of net smelter returns or by an advance royalty of U.S. \$2,500 per month.

(iii) Surrounding Claims

A 100% interest in 320 unpatented lode mining claims surrounding the Bronco - Verdstone - Oakland and Big Deal claims. Approximately 70% of these claims are subject to a 10% net profits royalty.

(iv) The company has a joint venture agreement with Lincoln Resources Inc. (Lincoln), in which Lincoln acquired 51% of the company's interest in these properties. On November 20, 1984 the companies entered into a dilution agreement under which the interest of a non-contributing partner would be reduced by a specific formula. To date Lincoln's interest has been reduced to 44.25%. Lincoln is a public company whose shares are listed for trading on the Vancouver Stock Exchange.

(g) Timothy Mountain Area
Cariboo Mining District
British Columbia

The company has an option to acquire a 51% interest in three mining claims by the expenditure of \$250,000 within three years.

4. OPERATOR'S FEES

The company has an operating agreement with Midland Energy Corporation and Westlake Resources Ltd. whereby it is the operator for a joint venture between the two companies on a mining property located in the Miramar area, Puntarenas, Costa Rica. Rea Gold Corporation will receive a fee of 10% of exploration costs, 1% of capital costs and once production commences, 5% of all operating costs (note 5(a)).

5. RELATED PARTY TRANSACTIONS

(a) Yucana Resources Inc. and Midland Energy Inc. have one or more directors in common with the company.

(b) Advances aggregating \$222,973 are due from corporations which have some directors in common with the company. Two directors of the company have been advanced \$46,200. There are currently no terms of interest or repayment outstanding on these advances (note 13).

6. CAPITAL STOCK

(a) Authorized -
25,000,000 common shares without par value

(b) Issued and fully paid -	Number of Shares	\$
From inception to December 31, 1982	2,188,238	1,059,153
- for cash	1,277,250	1,329,464
- for mineral properties, development costs and fees (notes 3(a) and 3(b))	270,000	460,400
- loan guarantee fee	6,000	6,900
	<hr/>	<hr/>
Issued to December 31, 1983	3,741,488	2,855,917
- for cash by a rights offering at \$2.00 per share	1,262,830	2,525,660
- Adams Lake acquisition agreement (note 3(a))	40,000	68,600
- acquisition of Brunswick Lode property	120,000	234,000
- issued for loan guarantee fee	5,000	5,500
- exercise of directors' and employees' stock options	197,512	270,809
- exercise of share purchase warrant	79,000	118,500
	<hr/>	<hr/>
	5,445,830	6,078,986
Less shares acquired and held at cost (note 6(f))	(250,000)	(362,500)
	<hr/>	<hr/>
Issued to December 31, 1984	5,195,830	5,716,486
- for cash by flow-through share offering at 72¢ per share (note 11)	150,000	108,000
- Adams Lake acquisition agreement (note 3(a))	40,000	48,000
	<hr/>	<hr/>
Issued and Outstanding at December 31, 1985	<u>5,385,830</u>	<u>5,872,486</u>

(c) Stock options are outstanding to employees and directors of the company as follows: 40,000 shares exercisable at \$2.30 per share prior to April 19, 1986; 245,000 shares exercisable at \$2.39 per share prior to April 17, 1986; and 80,000 shares exercisable at 81¢ per share prior to July 4, 1987.

(d) Under the terms of the option agreement (note 3(a)), the company has granted CFC an option to purchase shares in the company as follows; 1,445,055 shares at \$8 per share prior to May 4, 1986; and 1,445,055 shares at \$10 per share prior to November 4, 1986. CFC has a continuing option to acquire additional shares of the company at the terms and prices stated above, should the company issue shares other than those pursuant to these options. Should CFC choose not to exercise an option, then its continuing share option is reduced accordingly.

6. CAPITAL STOCK (continued)

(e) Of the company's issued share capital, 360,000 shares are held in escrow and may not be traded prior to receiving regulatory approval from the Vancouver Stock Exchange and the Superintendent of Brokers for British Columbia (note 3(d)).

(f) The company holds 250,000 treasury shares and may sell up to 25,000 of these shares each month without requiring regulatory approval.

(g) Refer to note 13 for commitments to issue shares.

7. FIXED ASSETS

	1985	1984
	\$	\$
Office furniture and leasehold improvements	22,157	33,360
Computer equipment	12,138	17,340
Machinery and equipment	85,694	108,874
	<u>119,989</u>	<u>159,574</u>

The company records depreciation on office furniture at a rate of 20% of the declining balance, computer equipment at a rate of 30% of the declining balance, and leasehold improvements on a straight line basis over ten years. Machinery and equipment which is comprised of a truck and a Longyear Super 38 diamond drilling rig is depreciated at a rate of 30% of the declining balance.

8. MARKETABLE SECURITIES

The company records marketable securities at the lower of cost and market value. These securities are of public companies who are listed for trading on the Vancouver Stock Exchange.

	Number of Shares	Current Market Value	Cost	Carrying Value
		\$	\$	\$
Enfield Resources Inc.	200,000	164,000	56,000	56,000
Yucana Resources Inc.	93,786	20,633	46,893	20,633
Midland Energy Corp.	575,000	287,500	166,750	166,750
		<u>472,133</u>	<u>269,643</u>	<u>243,383</u>

9. COMMITMENT

A five year office lease commitment under which the company must pay \$34,958 per annum to January 1, 1989.

10. CONDITIONAL SALES AGREEMENT

The company's telephone system which is financed by a conditional sales agreement.

11. DEFERRED LIABILITY

The company received subscriptions under flow through share agreements to issue 130,000 shares at 66¢ per share and 150,000 shares at 72¢ per share to certain investors whereby the company expended these funds on development work qualifying for Canadian exploration expense deductions as allowed under the Income Tax Act (Canada) and the accompanying regulations. These funds were spent on the company's Adams Lake and Red Hill mineral properties (notes 3(a) and 3(d)) and the shares were allotted and issued subsequent to the statement date.

Share purchase warrants attached to these subscriptions are currently 130,000 shares at 80¢ per share exercisable within one year of the issue of the flow through shares.

12. SEGMENTED INFORMATION

The company and its subsidiaries operate in Canada and the United States in one dominant industry segment, the exploration and development of mineral properties.

	Canada	United States
	\$	\$
Mineral properties and deferred costs	646,123	1,541,692
Fixed assets	119,989	-
	<u>766,112</u>	<u>1,541,692</u>

13. SUBSEQUENT EVENTS

(a) The company agreed on February 10, 1986 to accept 691,705 shares of Midland Energy Corporation as a settlement for \$221,346 of debt owing to the company from Midland's Costa Rica project. As at December 31, 1985 this debt was \$201,455 (note 5(a)).

13. SUBSEQUENT EVENTS (continued)

- (b) The advance royalties for the BVO properties for the months of November and December 1985 and January 1986 were paid by the issue of 58,086 shares (note 3(f)).
- (c) Subsequent to the year end, subscriptions for flow through shares for a further 58,319 shares at 72¢ and 250,000 shares at \$1.00 were received for exploration purposes. Share purchase warrants on the \$1.00 shares entitle the subscriber to purchase 125,000 shares at \$1.10 per share within one year of issue.

14. DIFFERENCE BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The primary difference in accounting principles between Canada and the United States for mining companies in the exploration and development stage which have not yet reached commercial production levels is in the treatment of administrative costs. Under Canadian accounting principles, administrative costs relating to mineral properties can be deferred and allocated to particular properties on the same basis as direct exploration and development costs, and amortized on the basis of reserves if production is achieved or written off in the event the property to which they relate is sold or abandoned. Under United States accounting principles, administrative costs must be expensed as incurred.

Material variations between balance sheet items as shown in the financial statements and the amount determined using United States generally accepted accounting principles are as follows:

	December 31 1985	December 31 1984
	\$	\$
Deferred administration costs as shown in the consolidated financial statements	1,485,385	1,493,578
As determined using United States generally accepted accounting principles	-	-
Deficit accumulated during the development stage as shown in the consolidated financial statements	1,696,466	-
As determined using United States generally accepted accounting principles	3,181,851	1,493,578