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03/11/88

ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES FILE DATA

PRIMARY NAME: RED CLOUD PLACER PROJECT

ALTERNATE NAMES:

MARICOPA COUNTY MILS NUMBER: 780

LOCATION: TOWNSHIP 6 N RANGE 6 W SECTION 22 QUARTER
LATITUDE: N 33DEG 51MIN SEC LONGITUDE: W 112DEG 52MIN SEC
TOPO MAP NAME: VULTURE MTS - 15 MIN

CURRENT STATUS: OTHER

COMMODITY:

BIBLIOGRAPHY:

ADMMR RED CLOUD PLACER PROJECT

RED CLOUD PLACERS

MARICOPA COUNTY

RRB WR 5/27/88: Margaret Ellis, Securities Division reports that they brought fraud charges against G. Brian Stone (card) of Phenix Mining (file) and Red Cloud Placers (file) but that he was found not guilty. They may want to try again if they could find investors that will testify and wanted to know if I thought Gordon Miner's friend would mind being contacted. I gave her Gordon's phone number.

THE RED CLOUD PLACER PROJECT

A private placement of personal property

Those who are accustomed to receiving a 5% to 15% return on their money, may be concerned by the larger projected returns of The Red Cloud Placer Project. Your concern is normal, but gold at \$200.00 to \$250.00 per ounce is also normal: if you are an efficient Gold Miner.

The Gold is there . . . 640 acres (one square mile) of Red Cloud claims; placer that runs 500 feet deep, a conservative .10 to .25 ounces of Gold Ore per Ton. If we process only the top 65 feet, recovery could run up to 5,000,000 ounces of Gold.

High-Volume processing equipment is a logical choice; since the placer material is extensive and exceeds 100 Million Tons. The equipment is expensive. Banks will not lend money until you are in steady production. Venture capitalists will participate, but only in a position of ownership or control. **THERE IS A BETTER WAY!**

Let us say that you owned the Company! Would you exchange some of the Gold in the placer material to be processed during the coming year for high-volume processing equipment?

Would you be generous and encouraging to those who helped you get started . . . with a return on their money that is exceptional, even fantastic?

If you and your Company issued the attached illustration of return ranges, what advice would your financial and legal consultants give you? If there was any question that you could not meet the .10 to .25 range, would you or your Company risk using that illustration? With your inventory of Gold, would the minimum (.10) be a problem to fulfill?

This is how the project works:

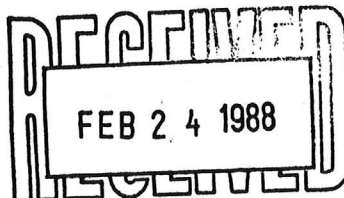
You purchase one or more units of The Red Cloud Placer Project. Each unit consists of 750 tons, 500 cubic yards of gold ore. Your price per ton is \$14.00 for a total cost for ore of \$10,500. For each unit, you also pay an administrative fee of \$1,920.00. Your total cost per unit is \$12,420.00 You may pay the total amount or you may choose to participate in our leverage program.

Your ore is scheduled to be mined and processed 12 months from your date of purchase. Two things will determine how much your ore is worth at that time; the price of gold and how much actual gold is in your ore.

However, The Red Cloud Placer project, warrants that your ore will be worth at least \$40.00 per ton. This is based on only 1/10 of an ounce of gold per ton at \$400.00 gold.

Now, what would happen if the ore does not contain 1/10 of an ounce of gold or the price of gold falls? You still receive your profit, as Red Cloud Placers agrees to provide more ore, at no cost to you, until your warranty sum is met.

The chart on the next page will give you an idea of your potential gain from this exciting project.



ARIZONA DEPT. OF MINES & MINERAL RESOURCES
STATE OFFICE BUILDING
416 W. CONGRESS, ROOM 161
TUCSON, ARIZONA 85701

(1)

THE RED CLOUD PLACER PROJECT

Tons Purchased	Amount of Gold at .10 Recovery	\$ Value at \$400.00 oz.	Out of Pocket Cost Cash Contract	Profit at \$400.00 per oz. Cash Contract	Out of Pocket Cost 1/2 Cash Contract	Profit at \$400.00 Gold 1/2 Cash Contract
750 (1 Unit)	75 oz.	\$30,000	\$12,420.00	7,155.55(57%)	7,933.12	6,520.72(82%)
1500 (2 Units)	150 oz.	\$60,000	\$24,840.00	14,310.00(57%)	15,866.24	13,041.44(82%)
2250 (3 Units)	225 oz.	\$90,000	\$37,260.00	21,465.00(57%)	23,799.36	19,562.12(82%)
3000 (4 Units)	300 oz.	\$120,000	\$49,680.00	28,620.00(57%)	31,732.48	26,082.88(82%)
3750 (5 Units)	375 oz.	\$150,000	\$62,100.00	35,775.00(57%)	39,665.56	32,603.60(82%)

Higher returns possible with an increase in the price of gold or if the ore block has more than .10 oz. of gold per ton

(2)

THE TIME FOR GOLD: IS NOW!

Since the Nixon years, when the price of gold was allowed to float on the free market, gold has become the investment of choice for those seeking a prudent, low risk addition to a well planned portfolio.

Today, however, this most precious of metals has taken on dramatic new significance for both large and small purchasers. Those caught in, or those just watching the chaotic stock market fluctuations of October, 1987 need no other reason for considering the purchase of gold.

Gold assays conducted at The Red Cloud Placer project in Arizona, have created a great deal of excitement. Bulk samples, run at the site, give added cause for enthusiasm. Your gold purchase opportunity in this proven gold development project has been carefully structured to optimize three important factors:

RETURN: An opportunity to realize minimum warranted return based on lower than current gold prices. The return escalates dramatically with forecasted gold price upswings.

PROTECTION: An opportunity to safeguard assets with the most favored inflation/depression proof commodity Gold!

**TAX
ADVANTAGES:** An opportunity to deduct approximately 95% of your total cost and defer taxes on your returns.

This ownership/development offering in an extraordinary opportunity; an opportunity that the prudent investor should consider . . . today.

**GOLD FOR \$200.00 TO \$250.00 PER OUNCE. . . IS POSSIBLE. . . IF YOU ARE A GOLD MINER!
BECAUSE THAT IS WHAT IT COSTS TO PRODUCE GOLD AT THE RED CLOUD PLACER PROJECT.**

HERE IS HOW IT WORKS:

You purchase a minimum of one block of Precious Metals Ore containing Gold with a minimum value of \$40.00 per ton. Each block is 500 Cubic yards of 750 tons of Gold Ore.

YOU ARE NOW A GOLD MINER. . . .with Precious Metals Ore to process.

You may, of course, mine the Ore yourself, once it is paid for, by hiring a contract mining company such as:

**A.L. Stutenroth
Rt. 4 Box 71-D
Casa Grande, AZ 85222 #1321
902-836-5568**

**Armco Custom Mill
2432 W. Peoria Ave,
Phoenix, AZ 85029
602-870-1494**

**Paisano Hydromet
Box 37
Douglas, AZ 85608
602-364-9355**

We suggest that, since, Phenix Mining Corp. has a "full service" program, as set forth herein, and is producing on the property now, that Phenix should be your choice.

AN EXAMPLE:

1 unit = \$5,175

If you choose PHENIX MINING CORP., They will develop, mine, extract and arrange for the refining of your ore into Bullion for a total fee of \$6.90 per ton. This is deducted from the proceeds of your gold. All work will begin within 12 months of your agreement. — SEE PG 1

According to all the enclosed DOCUMENTATION, YOUR NET-NET PROFITS SHOULD be from a LOW of \$7,155.00 to OVER \$20,000.00 per EACH ORE UNIT.

BUSINESS PROFILE

PHENIX MINING CORPORATION

PHENIX MINING CORPORATION maintains offices at 1105 Terminal Way, #202, Reno, NV 89502, and at 5 Wellich Road, P.O. Box 21180, Wickenburg, AZ 85358, and is a Nevada Corporation. P.M.C. is operating a successful mining project, the BERT L. SMITH MINE and BER-MAR MINES located on the VULTURE MINE PROPERTIES.

This mine is a complex ore black sands, closed circuit thiourea batch leach plant. Mr. Brian Stone is president of Phenix. He has been associated over the past 5 years with operations of the Mohave Hope Mine, an Open Pit operation in Kingman, AZ., the Easy Ore Mine, a placer mine in Lovelock, NV.

Mr. Stone is an author and lecturer, having written for a number of publications about the mining industry and having been an exhibitor and lecturer at numerous financial seminars throughout the country. Mr. Stone is currently awaiting the publication of his book entitled "GET IN ON THE GOLD RUSH-OWN A HUNK OF YOUR OWN GOLD & SILVER MINE"

Phenix was formed in 1978 and started its first mining project in 1981. Phenix President, Mr. Stone, has a wide and varied background in various executive capacities with consulting firms. He served as Field Engineer with St. Regis Paper Company in their Engineering and Machine Division, and as a Marketing Professor with Universal Institute.

Mr. Stone has had a variety of experiences with firms involved with the manufacturing and production of various metallurgical products. In addition, his experiences over the past 37 years contain a good knowledge of mechanical things, plus of open pit mining of both coal and lime. Mr. Stone has attended Assay School at Action Mines in Trona, CA, and Butler Labs in Bodfish, CA. He has spent considerable time in the precious metals mining industry expanding his knowledge and experience within his field.

Mr. Stone is a member of numerous mining related organizations whose names are listed below.

PLANT CONSTRUCTION

American Mine Equipt.
5112 W. Dahlia
Glendale, AZ 85304
Walter Baronick, Pres.
(602) 938-5414 (Ofc.)
(602) 878-0385 (Shop)

ORGANIZATIONS

American Association of
Financial Professionals
P.O. Box 1928
Cocoa, FL 32923
(305) 632-5665, or
(305) 632-8654

Nevada Miners & Prospectors
120 Greenridge Drive
Reno, NV 89509

Prospector's Club of
Southern California
556 N. Hallowell Avenue
Arcadia, CA 91006

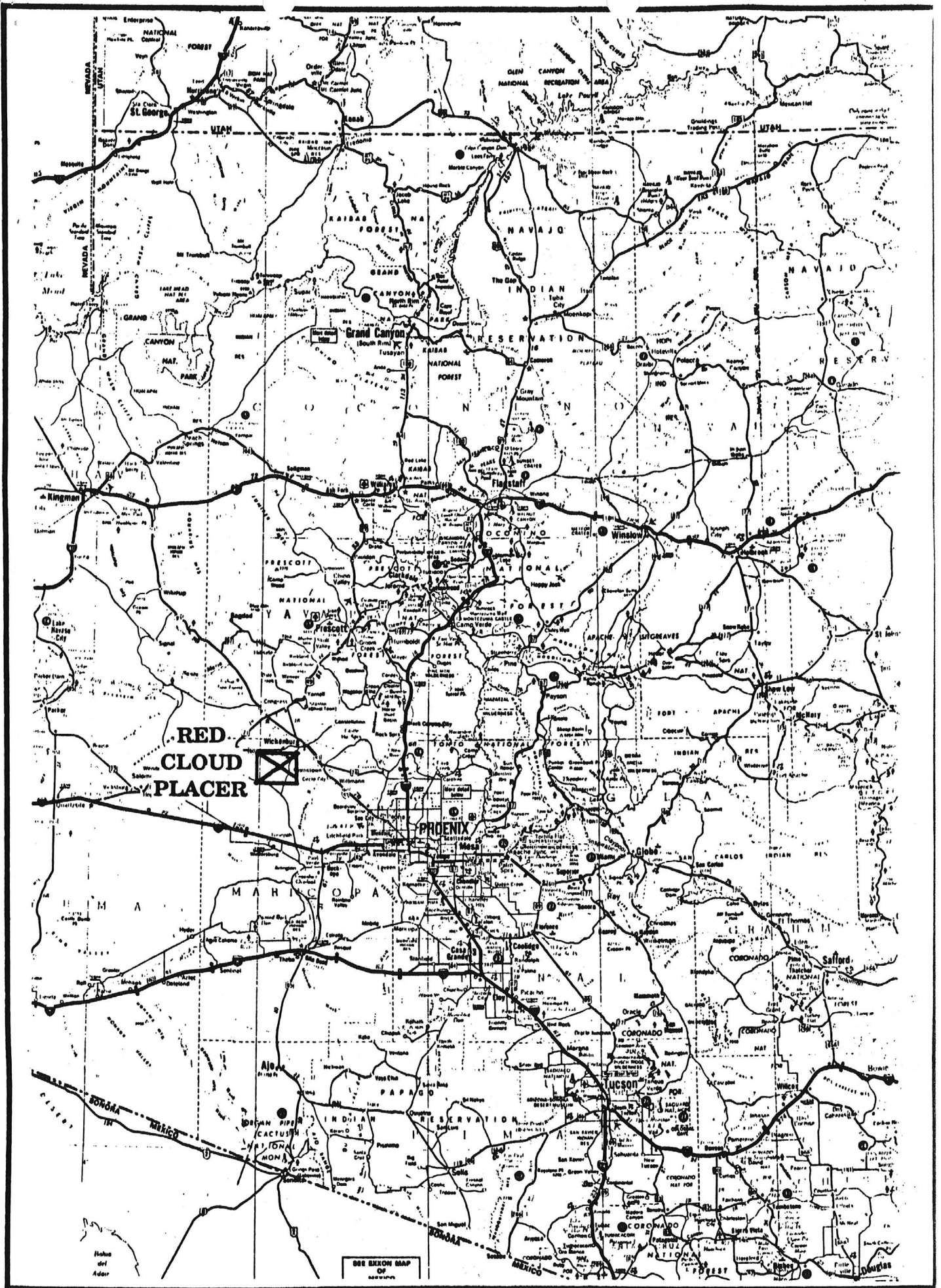
DEVELOPMENT & MINING

Phenix Mining Corp.
5 Wellich Road,
Industrial Complex
P.O. Box 21180
Wickenburg, AZ 85358
G. Brian Stone, Pres.
(602) 684-3157
&
1105 Terminal Way,
Suite # 202
Reno, NV 85905
(702) 329-5011

Gold Prospectors Assoc.
P.O. Box 507
Bonsall, CA 92003

Western Mining Council, Inc.
P.O. Box 254
Anderson, CA 96007

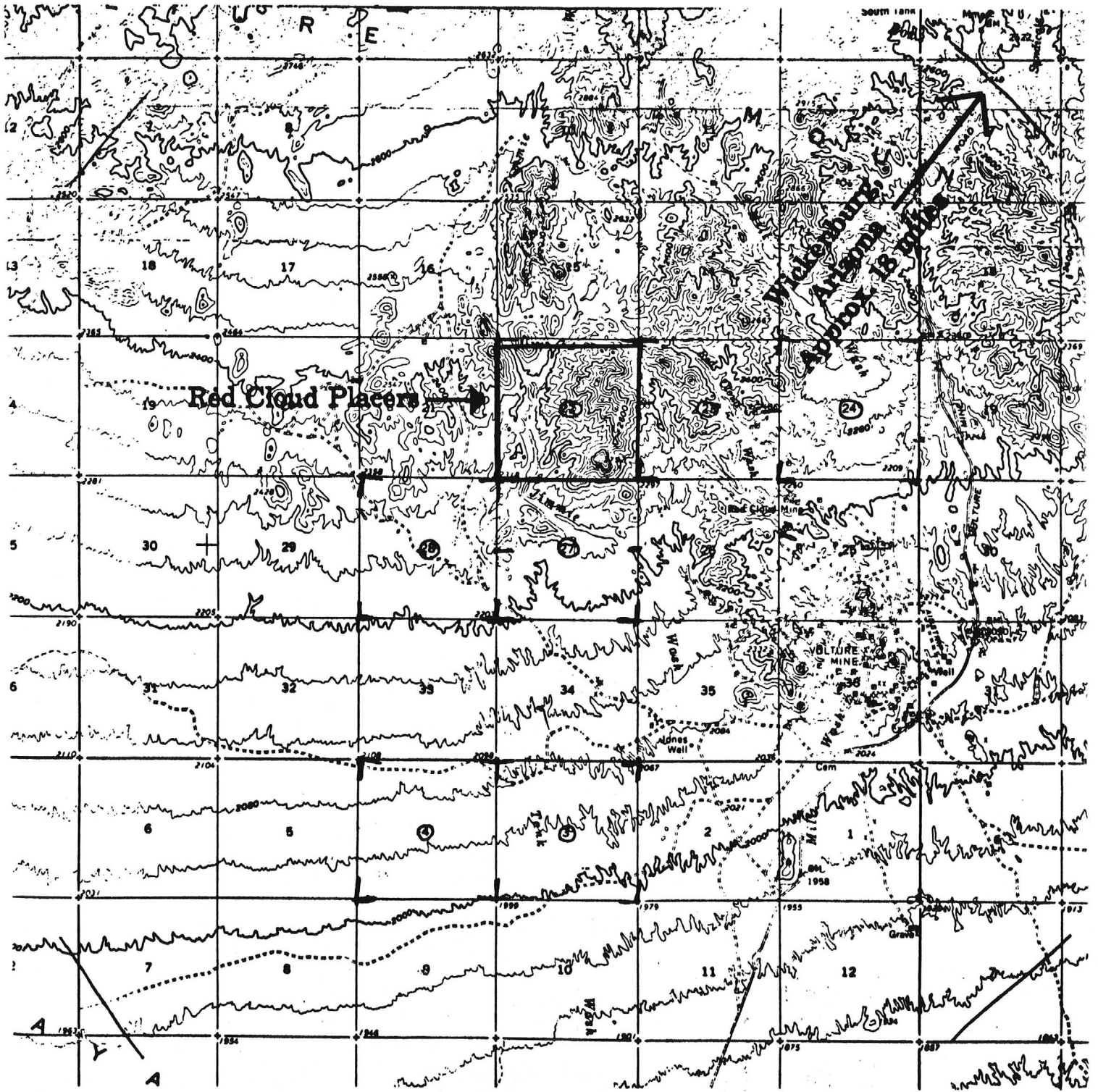
Arizona Prospectors & Small
Mine Owners Association
P.O. Box 862
Yarnell, AZ 85633



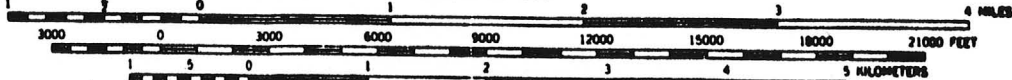
**RED
CLOUD
PLACER**



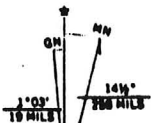
SEE BRONX MAP OF ARIZONA



SCALE 1:62 500



CONTOUR INTERVAL 40 FEET
 DOTTED LINES REPRESENT 20-FOOT CONTOURS
 NATIONAL GEODETIC VERTICAL DATUM OF 1929



1 GRID AND 1961 MAGNETIC NORTH
 INCLINATION AT CENTER OF SHEET

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS
 FOR SALE BY U. S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22092
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST



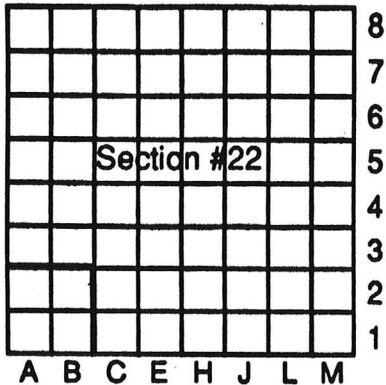
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#15

(5280 FEET)

RED CLOUD PLACER PROJECT

#21



#23

4- 160 ACRE CLAIMS

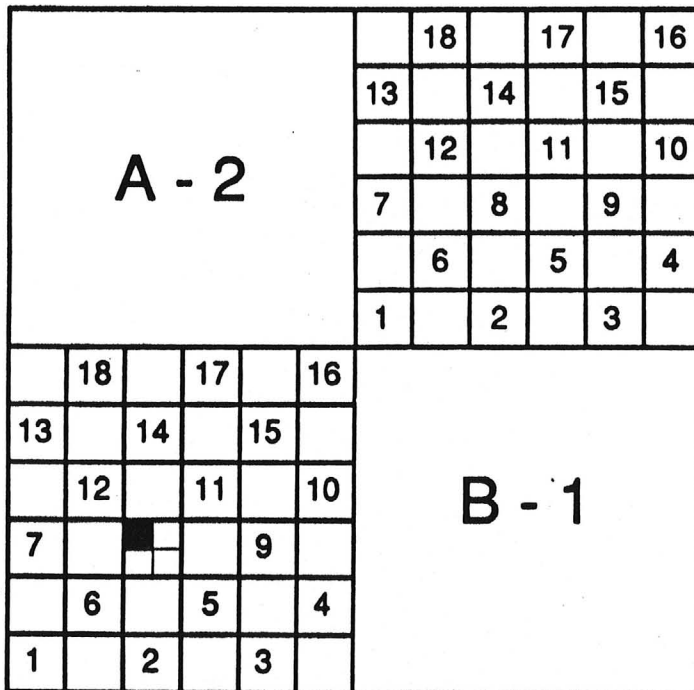
SECTION 22
TOWNSHIP 6N
RANGE 6W

MARICOPA COUNTY, ARIZONA

#27

Of the total 64 plots, only 4 are being offered for sale. These plots contain 72 checkerboarded Blocks of Ore, being sold in four (4) parts, NE, SE, NW, and SW. There are a total of 2,304 Blocks of Ore contained in the entire 640 acres of the mine.

B - 2



Pictured on the left are 4 of the Plots from the above Section Map.

They are identified as Plots A-1, A-2, B-1, and B-2

Each Plot is 660' by 660'.

A - 1

The above numbered Blocks are available for purchase. Each Block represents 500 Cubic Yards of Ore, approximately 750 Tons and is approximately 55 feet on a side by 5 feet deep.

8 is an example block and is identified as follows:

S22 - T6N - R6W - A1 - 8NW

GEOLOGICAL SYNOPSIS SHEET

A. FORMATION OF METALS. The GOLD & SILVER ORE found on the properties were developed by nature in two ways. The first was the usual desert placer formative method wherein the metals were washed down from the surrounding mountain, and from the surface lode of outcropping locations. The second development of the metals was from vertically rising, superheated aqueous solutions enriched with precious metals, emanating from a molten pluton mass situated some distance below the surface. The first evidence of exploration was the KERR-McGEE, EXXON PHILLIPS PETROLEUM GEO-PHYSICAL TEST PROJECT that drilled 14, 30" diameter holes. From these a concentrate of 10 tons was developed and a recovery of 865 ounces of GOLD, 21 ounces Platinum and 5.6 ounces of PALADIUM was made.

B. ORIGIN OF VALUES USED. The values used in this offering originated from as long as nine years ago. There are a total of six (6) extensive reports that show beyond question the existance of a huge body of precous metals ore existing on the property. The results from their reports are shown as follows:

C. ASSAY REPORTS

#	Assay or Report	Gold per Ton	Silver per Ton	Platinates per Ton
1.	ENGINEERING REPORT completed May, 20, 1976 The results from quantities of tests, plus Core drilling samples.	.97 oz	28.8 oz	.15 oz
2.	ENGINEERING REPORT completed Dec. 20, 1978 Minimum of 19 Full spectrum tests	.50 oz	10.0 oz	.13 oz
3.	TEST PLANT, report completed Oct. 30, 1981 Extensive soil sampling tests conducted over an area of 6 miles range making up a 100 ton composite sample.	.95 oz	Not Taken	Not Taken
	Next test was over a 2,000 foot grid, sampling every 500 feet, plus 4-10 foot trenches at the corners.	1.00 oz	Not Taken	Not Taken
	100 Ton sample of raw feed material Plus numerous assays.	.30 oz	Not Taken	Not Taken
4.	NUMEROUS LABORATORY TESTING CONDUCTED BY GLORY MINING Dec. 27, 1983 A full spectrum of 32 variations per test.	.538 oz	.525	Not Taken
5.	Laboratory tests conducted by BAHAMIAN REFINING CORPORATION.	1.89 oz	.72	Not Taken
6.	EVERNESS ALPHA/OMEGA Oct. 30, 1984 3 years of testing produced the following results from 80 Fire Assay Tests.	From Concentrating 4.58	Not Taken	Not Taken
	235 Tests conducted by Atomic Absorption, Cyanide Aqua Rega and Urea/Thioure Leaching produced.	.53 oz	Not Taken	Not Taken
	1 Ton concentrate produced from 27.5 tons raw ore	Not Taken	3.53 oz	Not Taken
	Average recoverable amount from all tests 78.5 Recoverable	.86 oz	7.40 oz	Not Taken
	60.25% Recoverable	.683 oz	4.45 oz	Not Taken

In all computation, however the amount being used are the production test found by PHENIX MINING CORP. with its production plant located on Section 3.

.25 oz Ton of GOLD

1.0 oz Ton of SILVER

D. PROPERTY LOCATION ACCESS.

The property is located almost due West of the Old VULTURE GOLD MINE, which produced almost a quarter Billion Dollars in Metals until 1960's and is located in the heart of the VULTURE MINE PLACERS. The VULTURE MINE PLACERS are reported to have substantial quantities of GOLD, SILVER and PLATINATES in/on them. The property is located about 20 miles from downtown Wickenburg off Vulture Mine road then via desert road.

Topographically, the property is underlain by sand and detrial material forming a gently rolling topography viewed as being essentially flat, cut by small gullies. Altitude above sea level is about 2,150 feet. The region has been known for numerous years to be prolific in Silver & Gold. Prospecting being concentrated primarily upon rock outcrops, resulting in the VULTURE MINE as well as numerous other properties.

Interpretations of a recent Geophysical program conduted in the region of the properties concluded that underlying andesites and rhyolite flows are heavily faulted. Subsequent recent drilling through 520 feet of detrial materials into the underlying rocks produced hot water in abundance, indicating that a deep seated pluton mass of liquid rock is the source of mineralization. Ascending hot water solutions carrying particles of GOLD and SILVER invade the detrial material from below depositing their load of precious metals, which has been going on for centuries, this vastly enriches the unconsolidated material of the placer claims. The term referred to is "HYDROTHERMASISM".

4. MINERALOGY.

To date almost 99% of all GOLD, SILVER and PLATINATES have been found in the BLACK SANDS, which make up at least 2% of the Ore. Only recently with the advances in assaying and production techniques has this area begun to be produced. In the past gravity recovery systems that make up over 80% of mining in the U.S. have not found any appreciable amounts of precious metals. Our tests of over 1,000 tons of Ore produced only a smattering of metals. But at the same time, BLACK SANDS recovered from this test proved to contain great quantities of pecious metals, thus leading to the current production of the area by PHENIX MINING CORPORATION.

When testing is conducted it must be kept in mind that the precious metals are contained in and on the BLACK SANDS an assaying must be done in a manner that will release these metals.

RED CLOUD PLACER PROJECT

Gold Ore Worksheet

Cash with Contract \$12,420.00

LATEST OFFER

750 tons of ore at .10 oz. gold per ton - 75 oz. gold.

950 TONS → 95 OZ.

75 ozs. of gold at \$400 per oz. = \$30,000.00

\$ 38,000 -

Extraction Cost:

Note: All extraction costs are deducted from gross proceeds of refined ore. This results in no additional out of pocket expenses on part of buyer.

Royalty at 12 1/2%	\$3,750.00	4750
Processing at \$6.90 per ton	\$5,175.00	6555
Smelting at 5%	<u>\$1,500.00</u>	<u>1900</u>
Total extraction costs	\$10,425.00	\$ 13,205 -

Net Return Calculation:

Gross Return	\$30,000.00	38000
Total Deductions	<u>\$10,425.00</u>	- <u>13205</u>
Net Return	\$19,575.00	\$ 24,795. -

Out of Pocket Expenses:

Administrative Cost	\$1,920.00	
Cost of Ore at \$14.00 per ton	<u>\$10,500.00</u>	
Total Out of Pocket Expense	\$12,420.00	SAME

Project Return:

Net Return	\$19,575.00	24,795
Out of Pocket Expenses	<u>\$12,420.00</u>	- <u>12420</u>
Projected Net Profit	\$7,155.00	\$ 12,375. -

% Return on investment in twelve months = 57%

The return actually obtained from this ore will be determined by the market price of gold, at the time the ore is processed. However, under the terms of the "LIMITED WARRANTY", the seller warrants to the ore purchaser that the net smelter values of the ore, shall be a minimum of \$40.00 per ton. That minimum return has been used to figure the above projection.

Gold Ore Worksheet **RED CLOUD PLACER PROJECT**

1. Leverage Contract

\$7,000.00 Down/\$5420.00 on 10 Year, 12% non-recourse note (payment \$77.76 mo.)

750 tons of ore at .10 oz. gold per ton = 75 oz. gold.

75 oz. of gold at \$400 per oz. = \$30,000.00

Extraction Costs:

Note: All extraction costs are deducted from gross proceeds of refined ore. This results in no additional out of pocket expenses on part of buyer.

Royalty at 12 1/2%	\$3,750.00
Processing at \$6.90 per ton	5,175.00
Smelting at 5%	1,500.00
Payment of 12% note (5,420.00 minus 298.84 prin. pd)	5,121.16
Total extraction costs	\$15,546.16

Net Return Calculation:

Gross Return	\$30,000.00
Total Deductions	15,546.16
Net Return.....	\$14,453.84

Out of Pocket Expenses:

Administrative and Transfer Fee	\$1,920.00	\$7,000.00
Down Payment on Ore	5,080.00	
\$77.76 per mo. x 12 mos. (P & I on non-re-course note)	933.12	
Total Out of Pocket Expenses	\$7,933.12	

Project Return:

Net Return.....	\$14,453.84
Out of Pocket Expenses	7,933.12
Projected Net Profit	\$6,520.72

% Return on investment in twelve months = 82%

The return actually obtained from this ore will be determined by the market price of gold, at the time the ore is processed. However, under the terms of the "LIMITED WARRANTY", the seller warrants to the ore purchaser that the Net Smelter values of the ore, shall be a minimum of the \$40.00 per ton. That minimum return has been used to figure the above projection.

COMMONLY ASKED QUESTIONS & ANSWERS

WHEN CAN I EXPECT MY ORE TO BE MINED?

We mine on a "FIRST IN, FIRST OUT" basis. Right now we are scheduling for 12 months from the date of your contract. When you receive your mining contract, it will have the scheduled date stamped on it.

EXPLAIN THE TERMS AND CONDITIONS OF THE LEVERAGE PROGRAM.

When you purchase (1) one unit or more of ore, 750 tons or more, you may enter into a non recourse note for 1/2 the cost of ore. This note is secured by the ore, at 12% interest, based on a 10 year ammortization schedule. We use 10 years, because if the note were ammortized over 12 months, the payments would be prohibitably high. When your ore is processed, the note is retired. Also, the principal you have paid is credited to the note balance. The remaining balance is then deducted from your ore values.

WHY ARE THE OWNERS SO GENEROUS IN ALLOWING ME TO MAKE SUCH A HIGH RETURN ON MY MONEY?

Selling future production is a commonly used method of raising capital in many industries and in mining in particular. Banks are prohibited from lending money on mining properties by Federal credit regulations. We have one square mile of rich ore deposits worth many millions of dollars that can be put into production with additional equipment. We are selling just enough future production to expedite expansion to insure that this is accomplished as soon as possible. For this reason, we are being very liberal with the profits.

HOW DO I KNOW WHICH IS MY ORE BLOCK AND WHAT HAPPENS TO IT?

Your Ore is identified by your MINER IDENTIFICATION NUMBER and is staked out on the prop-erty. In the case of Phenix Mining, an independant security firm will be in charge of your Ore from the time it leaves the ground until your bullion is delivered to you.

WHAT ARE THE REFINING COSTS?

Refining Costs are usually 5% of the Gross Smelter Values and are deducted by the Refiner at the time of smelting.

AM I GOING TO HAVE TO PAY FOR ANYTHING ELSE?

NO. You are not going to have to pay for anything else. Everything is taken out of the Proceeds.

WHAT IS THE WRITE-OFF THIS YEAR?

Your entire Development, Mining, Extraction and Refining Costs are deductible, if you prepay the above costs, and/or complete your mining this year.

HOW DOES THIS DEDUCTION COMPLY WITH THE IRS?

To the best of knowledge, our project complies with all IRS requirements for a tax deduction. However you should discuss this with your tax consultant when you receive your Proceeds.

WHAT DO I DO WITH MY BULLION?

There are a number of options open to you. 1) Sell your Bullion and take cash. You incur a tax obligation. 2) Store the Bullion. For a cost of about 1/2 of 1% per year and borrow against the Warehouse Receipt up to 80% of its value. No tax obligation. 3) Take possession of the Bullion and do with it as you wish. 4) Turn it into Bullion coins and wait until they increase in Value. Since this is a like-for-like exchange, no tax obligation is incurred. 5) Place your Bullion with a firm that writes option and futures contracts and earn a profit each time they place a contract on it. Your financial advisor will have more specific details for you when you talk with him/her.

CAN THE PARTICIPANT VISIT THE MINE?

Certainly; we encourage you to do so. In fact, Phenix Mining Corp. has also extended an invitation for all potential participants to visit not only the property, but to take a tour of their mining facilities. We suggest that you notify any mining operation ahead of time and obtain their permission before you visit. Unannounced visits are not suggested, as most mining camps have not changed much over the years. Most miners operate their mines armed and do not encourage unannounced visits. So, be sure to make arrangements beforehand.

WHAT DOES LIMITED WARRANTY MEAN?

Your Ore has a minimum value of \$40.00 per Ton, based on the assay reports of .10 to .25 ounce of GOLD per Ton. If your Ore Block does not produce that amount, Red Cloud Placer Project. will supply all the necessary Ore to meet that figure.

SUMMARY

The Red Cloud Placer Project

\$10,500.00 BUYS YOU 500 CUBIC YARDS (750 TONS) OF PROVEN PRECIOUS METALS ORE.

- a. You have become a MINER.
- b. You have GOLD AND SILVER ORE to mine.

You may do this with an unusual leverage program.

(You will have paid an Administration and Transfer Fee of \$1,420.00 for each ORE BLOCK. This is a total input for you on a cash contract of \$12,420.00.

PHENIX MINING CORP will develop, mine and extract the Ore into Dori Bars for \$6.90 per Ton. Since Phenix is not a refinery, they will arrange to have the Ore refined into .999 pure bars for you. The fee charged by the refinery will be approximately 5% of the Smelter Values; depending on the quantity. All of these fees are deducted from the Values. The rest is all yours!

Under IRS 616 and 162 you may WRITE-OFF 100% of the ORE COST PLUS, you're entitled to a 15% DEPLETION ALLOWANCE (. . . that's TAX FREE MONEY, IRS 613 (b). PLUS, YOU DO NOT PAY TAXES ON YOUR GOLD AND SILVER BULLION UNTIL YOU SELL IT (IRS 451).

Current production records from PHENIX MINING CORP.'s Plant, located on Section 3, show from .10 to .25 ounces per Ton of GOLD has been recovered.

Your profit will depend on the quantity of gold and silver contained in your ore, and the spot price of gold and silver at the time of processing. The warranted gross will, however, be a minimum of \$40.00 per ton or \$30,000.00 per ore block.

CERTAINLY ALL THAT IS WORTH AN EXPENDITURE OF \$12,420.00!!!!

*You should discuss the tax situation with your Accountant or CPA at the time of processing due to the change in tax laws.

**EQUIPMENT TO BE PURCHASED
TO ACCELERATE PRODUCTION
ON THE RED CLOUD PLACER
PROJECT**

ONE COMPLETE CONCENTRATING PLANT Made up of the following components.

- a. A front end loader with a capacity of at least 2 cubic yards.
- b. A 2 yard front end loader.
- c. One ground feed hopper, 5 cubic yards.
- d. One conveyer to supply materials to screen plant.
- e. One triple deck screen plant with a capacity of at least 500 tons per 8 hour day.
- f. One discharge conveyer to carry of gang materials.
- g. One conveyer to supply recovered materials to a 10 ton truck.
- h. 2-10 ton dump trucks.
- i. Small camper & tool storage shed.
- j. 3/4 Ton pickup truck with air compressor, welder & tools.
- k. Complete electrical wiring with panels, switches, and controls.
- l. Diesel fuel storage tank for 300 gallons. Fuel transfer pump and hoses.
- m. Diesel generating plant wht a capacity to operate the complete plant with 20% additional capacity.
- n. Additional misc. tools and other items as needed according to SELLER; including oxy/acetelyn & electric welder.

ONE COMPLETE EXTRACTION BATCH LEACH PLANT made up of the following equipment:

- a. One hopper screw feed bin storage. With slush pump.
- b. One barren solution tank, with liquid pump.
- c. Pachuka tank with appropriate agitation equipment, and, other accessories.
- d. Pregnant solution pump and filter.
- e. Reverse spiral cleanup unit with tailing gang slush pump.
- f. Recirculating slurry pump.
- g. Pregnant solution storage tank and pump.
- h. A processing computer monitor for leach solution.
- i. Air compressor with storage tank.

- j. 2 yard loader to feed ground hopper feed conveyer.**
- k. De-watering screw with tank, and liquid pump and slush pump.**
- l. Electrical breaker panel for all equipment, with all electrical wiring complete.**
- m. All plumbing hoses and fittings installed.**
- n. Zinc recovery system with pumps and filter.**
- o. Laboratory equipped to do all necessary production testing, within the opinion of Phenix Mining.**
- p. A furnace and attendant, materials to process zinc and produce dore bars.**
- q. Additional miscellaneous equipment and tools to provide a complete leaching facility in the opinion of Phenix Mining.**
- r. Ground feed hopper and conveyer.**
- s. 3/4 ton pickup truck for service about mine and plant.**
- t. Oxygen/acetylene and electric welders, with appropriate supplies and tools.**
- u. Exhaust fans and hoods.**
- v. All above equipment will be installed and operating, performing their functions.**

**Red Cloud Placer Project
704 Santa Monica Blvd.
Santa Monica, CA 90401**

(213) 319-1272

1-800-346-6178

GLOSSARY

Alloy

A mixture of metals. Gold, an extremely soft metal, is often alloyed with small amounts of copper, nickel, silver or zinc make it harder and more durable.

Arbitrage

To simultaneously buy and sell a commodity or security in different markets to take advantage of price differentials.

Assay

To test a metal for purity.

Bullion

Gold in the form of bars, wafers or ingots. Most bars are of .995 purity or finer.

Bullion coins

A minted gold coin for investment, such as the Krugerrand. Traces of copper are usually added to improve durability for frequent handling.

Cash price

The price required for immediate settlement since most gold transactions are cash transactions. Also "Spot Price."

Electrolytic gold

Electric refining of gold. Produces gold of .9999 fineness.

Fine gold

Also known as pure gold.

Fineness

How much pure gold is contained in 1000 parts of an alloy: a bar of .995 finess contains 995 parts gold and 5 parts of metal. See "Karat."

Fine weight

Pure gold weight in a bar or coin.

Fixings

The gold price is "fixed" twice a day in London. Five major gold traders agree on a price at which they can settle transa

Flat

A futures market term which indicates that a trader has no long or short positions outstanding.

"Four nines"

Gold with a fineness of .9999 - the finest gold available. Experts call it "four nines of fine gold."

Futures contract

A contract between a buyer and seller of a commodity or security, agreeing to pay a certain price at an agreed future da

Gold standard

A monetary system based on convertibility into gold: paper money backed and interchangeable with gold.

Grain

Earliest weight unit for gold. One grain is equivalent to .0648 grams.

Hallmark

Mark, or marks, which indicate the producer of a gold bar and its number, fineness, etc.

Karat

Unit of fineness equal to 1/24 part of gold in an alloy. Pure gold is 24 karat.

Karat gold

Gold of not less than 10 karat fineness.

Leverage

A way of investing where only a fraction of the total price is committed.

Liquid gold

A solution of gold and chemicals used for surface decoration.

London delivery bar

A bar of approximately 400 ounces troy, minimum fineness of .995 and carrying the markings of a melter or assayer. The trading unit used in the London Gold Market.

London market

One of the world's most important gold trading centers. See "Fixings."

Long

To "go long gold" means to purchase gold in the hope of a price increase.

Marks

The stamps attached to each bar by producers or assayers.

Melter

A refiner of gold bullion.

Nugget

Gold washed from rock and usually deposited in riverbeds. Largest nugget on record was found in Australia in 1872, weighing almost 200 pounds.

Option

The right, but not the obligation, to purchase or sell a commodity or security at a specified time in the future.

Pennyweight

A U.S. unit of weight for gold. In troy weight, twenty pennyweights equal one ounce.

Premium

In gold coinage, the premium is the amount by which the selling price of a coin exceeds the spot value of its gold content. Part of that premium is returned to the owner at resale.

Restrike

A modern replica of previously issued coins. Governments and their mints can choose to "restrike" a previous issue rather than introduce new coinage.

Short

In futures terminology "going short" means to sell a commodity you do not possess.

Solid gold

The Federal Trade Commission allows this term to be used for "any article that does not have a hollow center and has a fineness of ten karat or higher." Not to be confused with fine or pure gold.

Spot price

See "Cash price."

Spread

The difference between the buying and selling price. See "Straddle."

Standard bar

See "London Delivery Bar."

Stop loss

The placement of a buying or selling order against an existing futures contract designed to limit potential loss.

Straddle

A futures trading term. A trader may sell July gold and purchase an identical amount of November gold to exploit a price differential. Also called a "Spread."

Striking price

The price at which a commodity or security will change hands if an option is exercised.

Troy ounce

Unit of weight for precious metals. One troy ounce = 1.09711 ounces or 31.103 grams.

Wafer

Bullion manufactured in a flat, generally rectangular shape ("gold wafer").

MINING CONTRACT # _____

**ORE PURCHASE CONTRACT
AND BILL OF SALE**

THIS AGREEMENT entered into this ____ day of _____, 1987, by and between Red Cloud Placer Project, hereinafter referred to as Seller, and _____, hereinafter referred to as Buyer.

WHEREAS, the Seller has the gold and silver bearing ore situated in Red Cloud Placer claims in Maricopa County, Arizona and the Buyer desires to immediately purchase Seven Hundred Fifty (750) tons of said ore from Seller, and Seller agrees to sell said tonnage of ore at the execution of this Agreement, subject to the following terms and conditions:

1. The Seller will now sell 750 tons of ore to Buyer at Fourteen Dollars 00/100 (\$14.00) per ton for a total purchase amount of Ten Thousand, Five Hundred 00/100 (\$10,500.00). Buyer agrees to pay for the ore upon signing of this Agreement. The payment will be _____ down and a certain promissory note for the balance of _____ and remitting said note to Seller. Buyer agrees to pay interest and principal according to the terms of the promissory note, until such time as said ore is processed, at which time balance of said note is due and payable to the Holder, from the proceeds of Buyer's ore. Further, Buyer agrees to pay Seller a royalty of 12 1/2% of all precious metals recovered. Buyer further agrees to remit to Certified Equities, Inc., 13450 Maxella Ave., Suite 225 G, Marina Del Rey, CA 90292, \$1920.00 for sales commissions and administration expenses, plus \$20.00 for transfer and recording fees, payable to Certified Equities, Inc., Client Trust Account.

2. The Buyer shall have full and complete ownership rights of all minerals in the entire 750 tons of ore, subject to the terms of provision 1 above, which shall constitute all of the gold and silver contained and extracted from One (1) Block of Aggregate Mineral Ore, and made up of at least _____ cubic yards of Ore equalling approximately _____ each. Said Ore is located in Maricopa County, State of Arizona, in Section 22, Township 6 N, Range 6 W, and is identified as Ore Storage Block Location _____. Starting at the PRIMARY S.W. BOUNDARY POINT and going _____ feet NORTH, then _____ feet EAST. From this ANCHOR POINT an area within the bounds of a square running _____ 'N, by _____ 'E, _____ 'S, _____ 'W and being _____ feet deep, shall constitute ONE ENTIRE ORE BLOCK as attached chart entitled "CLAIMS ORE BLOCK STORAGE LOCATIONS", shows.

3. The Buyer shall have reasonable access to his property at all times and he will, in turn, grant reasonable access to other property owners.

4. It is agreed by the Seller and Buyer that mining operations of said tonnage will commence within a reasonable time and are to be performed expeditiously from the mining claim referred to above.

5. Execution hereof by the Seller is an acknowledgement and representation relied upon by the buyer as a part of the consideration hereof that deposits of precious metals are known to exist in sufficient quantity and quality to reasonably justify commercial exploitation.

ORE PURCHASE CONTRACT (continued)

6. Buyer hereby acknowledges that _____ has been selected to mine process Buyer's ore for a processing fee of \$ _____ per ton, which shall only be paid from Buyer's precious metals. Further, if Buyer desires to have precious metals refined to Hallmark Bars, such refining from Dore' Bars, shall be at Buyer's expense.

7. The scheduled ore processing date is _____.

8. The Seller WARRANTS to Buyer that the net smelter value of said ore shall have a minimum value of \$40.00 per ton of ore purchased and, if lacking that value, Seller reserves the right to substitute an ore body of greater value per ton or shall furnish additional ore. Seller shall process said ore until sufficient ore has been processed to provide equivalent value to Buyer as required by this warranty for the amount of the original ore purchase. Seller has placed an ore reserve with Certified Equities, Inc. in the amount of 50,000 tons to be used in the event the values do not meet the \$40.00 per ton Warrantee.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein.

Accepted and Approved by Seller:

Signature

Accepted and Approved by Claims Owner:

Signature

PROCESSED

RED CLOUD PLACER PROJECT

* GOLD AND SILVER ORE WORKSHEET *

_____ TONS OF ORE @ .10 OZ. GOLD PER TON = _____ OZ. GOLD.

_____ OZ. GOLD @ WARRANTEE VALUE PER TON OF ORE = \$ _____.
(Warrantee value of ore = \$40.00 per ton)

EXTRACTION COSTS: (All extraction costs are deducted from gross warrantee which results in no out of pocket expenses on the part of the buyer.)

ROYALTY @ \$12.5%..... \$ _____

PROCESSING @ \$6.90 PER TON..... \$ _____

SMELTING @ 5%..... \$ _____

PAYMENT OF NOTE: _____ LESS _____ PAID.. \$ _____
 total note principal

TOTAL EXTRACTION COSTS.....\$ _____

NET RETURN CALCULATION:

GROSS RETURN..... \$ _____

TOTAL DEDUCTIONS..... \$ _____

NET RETURN..... \$ _____

OUT OF POCKET EXPENSES:

ADMINISTRATIVE COSTS..... \$ _____

DOWN PAYMENT ON ORE..... \$ _____

\$ _____ PER MO. X 12 MOS. MINIMUM..... \$ _____
(Principal + interest on unsecured non-recourse note)

TOTAL OUT OF POCKET EXPENSES..... \$ _____

PROJECT RETURN:

NET RETURN..... \$ _____

OUT OF POCKET EXPENSES..... \$ _____

PROJECTED NET RETURN..... \$ _____

% RETURN ON INVESTMENT IN 12 MONTHS..... (_____ %)

The purpose of this worksheet is to provide an overall outlook based on the warranted return of \$40.00 per ton of ore purchased. No other warrantee is either expressed or implied by seller.

Red Cloud Placer Project

704 Santa Monica Blvd. • Santa Monica, CA 90401 • 1-800-346-6178

Very rarely does an opportunity arise that combines high returns, tax advantages and investment safety for the potential client. The enclosed material outlines such an opportunity.

The Red Cloud Placer Project has been in the planning stages for quite some time. Finally, a limited amount of prime gold and silver bearing ore is available for private purchase, at gold miner's prices !

With the unstable conditions in other economic areas, the intelligent investor has opted for the stability and security of precious metals.

Our leverage program and the Warranty Return enables the Red Cloud Placer Project to be a truly extraordinary opportunity.

Please read the material enclosed herein, and note any questions you may have.

I will contact you within a couple of days.

Sincerely,



Red Placer Project
Consultant

dc/JL

Red Cloud Placer Project
704 Santa Monica Blvd. • Santa Monica, CA 90401

LEO BARRACK
CONSULTANT

SUITE # 184
3376 S. EASTERN
LAS VEGAS NEVADA
89109

(213) 319-1272
1-800-346-6178

Tax SYNOPSIS SHEET

NOTE.....THIS IS NOT TO BE CONSTRUED AS A TAX OPINION, BUT ONLY AS A SYNOPSIS OF INFORMATION DRAWN FROM TAX OPINIONS AND FROM TAX STATUTES OR COURT PRECEDENTS.

According to the Internal Revenue Tax Code of 1954, including the amendments thereto up to and including the most recent 1984 Tax Reform Acts, plus the Income Tax Procedure and Administration Regulations issued by the Treasury Department and interpretations of the Code and Regulations by the Courts and IRS, as they exist as if the date of this writing, it appears that:

- 616 Code Section 616, "there shall be allowed as a deduction in computing taxable income all expenditures paid or incurred during the taxable year for the development of a mine or other natural deposits (other than Oil & Gas) if paid or incurred after the existence of Ore or minerals in commercially marketable quantities has been discovered."
- 616.1a Regulation 616.1 (a) substantiates the above through details.
- 616a Section 616 (a) further states, "a taxpayer is allowed a deduction for development expenditures whether or not such expenditures are made in the development or production stages of the mine or other natural deposits."
- 451 Section 451 allows the taxpayer to not pay taxes on income from this venture until actual profits have been received. This has been interpreted to mean that constructive receipt has not been made until the Silver & Gold Bullion have been sold.
- 162 Section 162 allows the taxpayer to deduct all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, even though such expenses exceed the gross income derived during the taxable year from such business.
- 172 Section 172 covers excess write-offs and allows that the taxpayer may go back 3 years and recover, or may go ahead 7 years in order to spread out his excess losses under Sections 616 and 465. This is, however, a specialized deduction and may or may not apply to every investor. Consult with your Accountant or CPA.
- 613b Section 613 (b) allows that a 15% Depletion Allowance to be taken on the cost of the production and subsequent sale of the product of your business.

AGREEMENT OF UNDERSTANDING

BUYER AND SELLER UNDERSTAND AND AGREE TO THE FOLLOWING:

1. WARRANTY

IT IS UNDERSTOOD AND AGREED: The Gold & Silver value per Ton in Buyer's Ore Contract will be a minimum of \$40.00 per Ton. If not, Seller agrees to provide whatever Ore is necessary until such Warranty shall be met. There shall be no refining charge to the Buyer if any additional ore is used to meet the terms of this warranty.

2. RESERVE FOR WARRANTY

IT IS UNDERSTOOD AND AGREED: That 50,000 Tons of Ore reserve is held by the Trust Account Holder for meeting any Warranty claims that may arise. Should any of this Warranty Ore be used, an additional number of Tons shall be added and retained until all Ore has been processed.

3. NON-RECOURSE NOTE

IT IS UNDERSTOOD AND AGREED: That the Note signed by the Buyer is a non-recourse note and Seller's only recourse in the event of default is to reclaim Buyer's Ore and terminate all contracts pertaining thereto.

4. CLIENT TRUST ACCOUNT

IT IS UNDERSTOOD AND AGREED: All funds will be placed in a Trust Account by the Trust Account Holder (named herein) and will be dispersed according to Buyer's written instructions. All note payments will be made to Certified Equities Inc., Client Trust Account and will be placed in an FDIC insured, interest bearing bank account with interest to the benefit of the Buyer until such time as Buyer's Ore is to be processed, whereupon such funds shall be released to the Mining Company, who shall process Buyer's Ore and present proceeds to Buyer for dispersal according to such Agreements as shall apply between Buyer, Seller and Miner.

5. IT IS UNDERSTOOD AND AGREED: The Buyer may cancel this agreement anytime, for any reason, subject to 30 days written notice. The Buyer will receive a refund of all principal payments, plus accumulated bank interest on same.

TRUST ACCOUNT HOLDER:

Certified Equities, Inc.
13450 Maxella Ave.
Suite G 225
Marina Del Rey, CA 90292
1-800-356-3716

BUYER DATE

SELLER DATE

INSTRUCTIONS FOR CLIENT TRUST ACCOUNT

**Certified Equities, Inc; Client Trust Account
13450 Maxella Ave.
Suite G 225
Marina Del Rey, CA. 90292
1-800-356-3716**

_____, 198__

I/We Herewith enclose an amount equal to \$20.00 per 750 ton contract or \$ _____ as a transfer and recording fee. This amount may be released immediately.

I/We also enclose \$ _____ as an administrative fee, which you are authorized to disburse as you see fit for fees, expenses or commissions.

I/We further enclose \$ _____ as a (down/total) payment on _____ tons of mineral ore. This amount will be placed in a Client's Trust Account as per part four of the attached Agreement of Understanding.

The total check is in the amount of dollars (\$ _____).

Further, I/We have executed a certain promissory note of even date to these instructions and will be directing principal and interest payments to you which you are to place in your Client Trust Account. You are authorized to remit any interest payment on said note in an FDIC insured, interest bearing account, with interest accumulating to my/our credit.

The instructions are to remain in effect until such time a they may be amended or terminated by me/us in writing

Signature

PURCHASE AGREEMENT

This AGREEMENT made and entered into this _____ day of _____, 198____, by and between Red Cloud Placer, of 704 Santa Monica Blvd, Santa Monica; California 90401 hereinafter referred to as SELLER and _____ of _____, hereinafter referred to as BUYER.

WHEREAS it is the desire of the SELLER to sell such quantities of its Mineral Ore as is deemed necessary to accomplish SELLER'S ends and it is the desire of the BUYER to purchase certain quantities of said Mineral Ore this AGREEMENT is made.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this AGREEMENT and for other good and valuable considerations receipt of which is hereby acknowledged, it is agreed as follows:

SELLER AGREES TO:

1. Sell and transfer such quantities of Mineral Ore buyer shall agree to buy.
2. Convey to BUYER a like quality of Mineral Ore as is represented in the materials supplied to BUYER, on the Red Cloud Placer Mine.
3. Provide reasonable access to said Mineral Ore for BUYER to examine at BUYER'S option and allow BUYER to remove said Ore as he may desire within terms of the AGREEMENT.
4. Acknowledge that the deposits of Mineral Ore are shown in sufficient quantities and qualities to reasonably justify commercial exploitation based upon the Geological and Assay reports supplied to BUYER.
5. Verify the said Mineral Ore is in fact owned by, and therefore saleable by SELLER to BUYER and that SELLER will provide BUYER with a valid Bill-of-Sale certifying ownership thereto with a detailed description of the location of Mineral Ore.

BUYER AGREES TO:

1. a. Buy (_____) cubic yards of mineral ore. This represents (_____) ore blocks.
b. Pay to the SELLER in U.S. dollars, the sum of (\$_____) as an administrative and transfer fee.
c. Pay to the SELLER \$14.00 per ton for _____ tons of Mineral Ore for a total of (\$_____) this amount to be paid (\$_____) as a down payment and the balance of (\$_____) on a 10 year/12% non-recourse promissory note. BUYER agrees to pay principal and interest according to the terms and conditions of the note.
2. To assume all payments to have said Mineral Ore developed and refined.
3. Complete all development and refining of said Mineral Ore within a period of ~~five (5) years~~ form the date of this AGREEMENT.
4. Give an Assignment to the Development and Mining Company to deduct the balance due on the non-recourse note and remit that amount to SELLER.
5. Acknowledge and represent herein that BUYER accepts the representation of the SELLER as to the quality and quantity of the deposits of Ore so as to reasonably justify commercial exploitation. Note Geological and Assay reports.
6. To accept the deduction of 1/8 (12.5%) Overriding Royalty to the original claims holders from the Gross Smelter Value as contained in the original Purchase Agreement between them and Red Cloud Placer Project.

**Agreement For Assignment
Of Ore Contracts**

This AGREEMENT, entered into this _____ day of _____, 198__, by and between Red Cloud Placer Project, hereinafter referred to as Seller, and _____ hereinafter referred to as Buyer.

WHEREAS the Seller owns Contract for gold and silver bearing ore from the Red Cloud Placer Project and Buyer desires to immediately purchase _____ Contracts, which consists of 750 tons of ore each, for a total purchase of _____ tons at the execution of this Agreement, subject to the following terms and conditions:

1. The Seller will now assign _____ Ore Purchase Contract (s) of 750 tons each, to Buyer, for a total assignment of _____ tons at \$14.00 per ton for a total purchase amount of \$_____. Buyer agrees to pay for the Ore Contracts upon signing of this Agreement, by (\$_____) down and execute a Non Recourse Note for the balance of (\$_____). Buyer agrees to pay the interest and principal according to the terms and conditions of the "Ore Purchase Contracts", which are dated _____. Seller hereby assigns the Ore Purchase Contracts to Buyer with the following Mining Contract Numbers:

2. Seller hereby authorizes Buyer to make all payments on the Non Recourse Note to Certified Equities, Client Trust Account for dispersal according to the instructions and agreements.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein.

Accepted and Approved by Seller:

Accepted and Approved by Buyer:

Signature

Signature

Red Cloud Placers Project
704 Santa Monica Blvd,
Santa Monica, CA 90401
1-800-346-6178

Street Address

City, State and Zip Code

Area Code and Telephone Number

**Non-Recourse
Promissory Note**

\$ _____

_____ **Dated**

_____ **City and State**

For value received, the undersigned, hereinafter referred to as Maker, promises to pay to the order of Red Cloud Placer Project, hereinafter referred to as Holder, its nominee or assignee, the principal sum of (\$ _____), payable monthly at (\$ _____), including interest at the rate of twelve percent (12%) per annum. Principal together with any unpaid interest all due and payable in accordance with the terms of a certain Ore Purchase Contract and Bill of Sale (Contract), between Maker and Holder. All terms and conditions of the Contract are incorporated herein by reference as though fully set forth herein.

This note is accepted subject to a security interest in Maker's right, title and interest in and to any gold and silver owned by Maker, as set forth in the Contract and without further liability or recourse against Maker for collection of the note, principal and interest. Maker shall have the right to prepay this note, as to both principal and interest, in whole or in part, at any time, with interest to the date of such payment and without penalty.

If the Maker shall default on this note, and such default shall not be remedied within fifteen (15) days after written notice, Holder may declare the Contract, together with any other agreements between Maker and Holder to be null and void, with interest earned by Holder until date of default to be retained as liquidated damages.

Payment of both principal and interest shall be payable to Certified Equities Inc., Client Trust Account at 13450 Maxella Ave. Marina Del Rey, CA 90292, or at such other place as may be designated by Holder.

This note has been made and delivered in the State of California and shall be constructed in accordance with the laws of the State of California.

_____ **Maker - Signature**

_____ **Area Code & Telephone #**

_____ **Print or Type Name**

_____ **City, State and Zip Code**

Development & Mining Agreement

This AGREEMENT made and entered into this ____ day of _____ 198__ by and between PHENIX MINING CORPORATION, of 5 Wellik, P.O. Box 21180, Wickenburg, Arizona, A Nevada Corporation, hereinafter referred to as DEVELOPER, and _____ of _____ hereinafter referred to as MINER.

WHEREAS it is the desire of the MINER to have _____ cubic yards of mineral Ore developed, mined and extracted, currently located at the Red Cloud Placer Mine located in Wickensburg, Arizona.

WHEREAS it is the desire of the DEVELOPER to develop said Mineral Ore.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this AGREEMENT and for good and valuable considerations, receipt of which is hereby acknowledged, it is mutually agreed as follows:

MINER AGREES TO:

1. Pay to the Developer the sum of Six Dollars and Ninety cents (\$6.90) per Ton of Ore mined and processed, said fee to be deducted from proceeds of such processing.
2. Notify DEVELOPER if MINER wants DEVELOPER to arrange for the refining of MINERS extracted product into BULLION and to make a deduction of such refining costs from the gross proceeds at the rate of 5% of Gross Proceeds. Notification can be made anytime until DEVELOPER gives MINER a production start date.

Further, have DEVELOPER make such deductions as provided for in a certain sales AGREEMENT between MINER and MINE OWNER.

3. Arrange for DEVELOPER to have access to his Mineral Ore at/on the MINE premises as will be required to fulfill this AGREEMENT.
4. Pay to DEVELOPER necessary fees to either store and/or deliver such BULLION to MINER, should MINER decide to have DEVELOPER refine MINER Ore.

DEVELOPER AGREES TO:

1. Provide its services to successfully fulfill the work terms of this AGREEMENT, to develop, mine, extract and if required by MINER arrange for the refining of MINERS Ore into SILVER & GOLD BULLION.
2. Distribute such proceeds of above stated activities in accordance with the obligations of and the MINERS wishes and to deliver MINERS SILVER & GOLD BULLION to a place designated by MINER, at MINER'S expense if MINER uses DEVELOPERS services for refining.
3. Begin the development and mining of MINERS Ore within approximately, but not later than 12 months from the date on the face of this AGREEMENT, and then to arrange for refining MINERS Ore into Buillion as soon as scheduling allows, if MINER wants DEVELOPER to refine his Ore.
4. Begin the development work on MINERS Ore on a first come first serve basis, in relation to DEVELOPERS committments on previous AGREEMENTS.

Phenix Development Agreement

5. Provide such **INSURANCE** as is necessary to protect **MINER** and as is required by statute in the area to be mined.

WHEREIN IT IS MUTUALLY AGREED AS FOLLOWS:

1. **MINER** and **DEVELOPER** are each independent and are not **Partners, Joint Venturers, Employer/Employee** or **Principal and Agent** and that no such relationship shall ever exist.

2. That pre-payment is a non-refundable payment in the absence of breach of this **AGREEMENT** by **DEVELOPER**.

3. This **AGREEMENT** shall be interpreted by the laws of the State of Nevada.

4. **DEVELOPER** shall not be held liable for **DEVELOPERS** inability to perform under this **AGREEMENT** due to **FORCE MAJEURE** and/or any prohibition by any laws or regulations enacted from date of this offering that would prohibit **DEVELOPER** from doing so (war, revolution, insurrection, restraint of rulers, riot, civil commotion, strike or lockout or stoppage or restraint of labor, the seizure or confiscation of Gold and/or Silver or any other similiar event due to previous commitments, equipment failure, availability of repair parts) and or any other event outside the control of **PHENIX** that hinders or prevents the performance by **PHENIX** of its obligations under this **AGREEMENT**. Any lost time due to the foregoing will be added to the end of this **AGREEMENT**, thus extending **AGREEMENT** time period. Should **DEVELOPER** be unable, due to the above acts to fulfill **DEVELOPERS** obligations at any time under this **AGREEMENT**, **DEVELOPER** shall return to **MINER** any and all unused portions of **MINERS** funds in **DEVELOPERS** possession.

5. Notice under this **AGREEMENT** shall be in writing, conveyed one to the other by U.S. Mail, First Class, Certified, Return Receipt required.

6. Accept this **AGREEMENT** as the total **AGREEMENT** and acknowledge that there are no other arrangements or agreements except as herein stated.

AND, THEREFORE, WHEREAS the parties hereto mutually and individually agree to the above terms and conditions hereinabove stated on the date first above written, and enter into this **AGREEMENT**.

PHENIX MINING CORPORATION

MINER

WITNESS

WITNESS

Red Cloud Placer Project

704 Santa Monica Blvd. • Santa Monica, CA 90401 • 1-800-346-6178

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I will contact you within a couple of days.

Sincerely,



Red Placer Project
Consultant

dc/JL

Red Cloud Placer Project

704 Santa Monica Blvd. • Santa Monica, CA 90401

SUITE 4184
3376 S. EASTERN
LAS VEGAS NEVADA
89109

LEO BARRACK
CONSULTANT

(213) 319-1272
1-800-346-6178

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ROUTING AND TRANSMITTAL SLIP

TO			ACTION	ROOM NO.
CODE	NAME	ORGANIZATION		
	Ken Phillips		8	
	DMMR			
	State Fairgrounds			

Indicate Action by Number

- | | |
|----------------------------|---------------------|
| 1. Necessary action | 6. Note and surname |
| 2. Approval | 7. Note and return |
| 3. Signature | 8. Your information |
| 4. Prepare reply | 9. See me |
| 5. Your comment and return | 10. |

From	Alan Rabenoff	Date	8/3/88	Room No.
Office	BLM - Minerals Division		Phone	

Remarks

Received this from a worried investor - a policeman in Lackawana, N.Y. I know our Phoenix District has had some dealings in the past with Phoenix Mining Co. This doesn't look good to me!

Alan

Phenix Development Agreement

5. Provide such INSURANCE as is necessary to protect MINER and as is required by statute in the area to be mined.

WHEREIN IT IS MUTUALLY AGREED AS FOLLOWS:

1. MINER and DEVELOPER are each independent and are not Partners, Joint Venturers, Employer/Employee or Principal and Agent and that no such relationship shall ever exist.
2. That pre-payment is a non-refundable payment in the absence of breach of this AGREEMENT by DEVELOPER.
3. This AGREEMENT shall be interpreted by the laws of the State of Nevada.
4. DEVELOPER shall not be held liable for DEVELOPERS inability to perform under this AGREEMENT due to FORCE MAJEURE and/or any prohibition by any laws or regulations enacted from date of this offering that would prohibit DEVELOPER from doing so (war, revolution, insurrection, restraint of rulers, riot, civil commotion, strike or lockout or stoppage or restraint of labor, the seizure or confiscation of Gold and/or Silver or any other similiar event due to previous committments, equipment failure, availability of repair parts) and or any other event outside the control of PHENIX that hinders or prevents the performance by PHENIX of its obligations under this AGREEMENT. Any lost time due to the foregoing will be added to the end of this AGREEMENT, thus extending AGREEMENT time period. Should DEVELOPER be unable, due to the above acts to fulfill DEVELOPERS abligations at any time under this AGREEMENT, DEVELOPER shall return to MINER any and all unused portions of MINERS funds in DEVELOPERS possession.
5. Notice under this AGREEMENT shall be in writing, conveyed one to the other by U.S. Mail, First Class, Certified, Return Receipt required.
6. Accept this AGREEMENT as the total AGREEMENT and acknowledge that there are no other arrangements or agreements except as herein stated.

AND, THEREFORE, WHEREAS the parties hereto mutually and individually agree to the above terms and conditions hereinabove stated on the date first above written, and enter into this AGREEMENT.

PHENIX MINING CORPORATION

MINER

WITNESS

WITNESS

Development & Mining Agreement

This AGREEMENT made and entered into this ____ day of _____ 198__ by and between PHENIX MINING CORPORATION, of 5 Wellik, P.O. Box 21180, Wickenburg, Arizona, A Nevada Corporation, hereinafter referred to as DEVELOPER, and _____ of _____ hereinafter referred to as MINER.

WHEREAS it is the desire of the MINER to have _____ cubic yards of mineral Ore developed, mined and extracted, currently located at the Red Cloud Placer Mine located in Wickenburg, Arizona.

WHEREAS it is the desire of the DEVELOPER to develop said Mineral Ore.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this AGREEMENT and for good and valuable considerations, receipt of which is hereby acknowledged, it is mutually agreed as follows:

MINER AGREES TO:

1. Pay to the Developer the sum of Six Dollars and Ninety cents (\$6.90) per Ton of Ore mined and processed, said fee to be deducted from proceeds of such processing.
2. Notify DEVELOPER if MINER wants DEVELOPER to arrange for the refining of MINERS extracted product into BULLION and to make a deduction of such refining costs from the gross proceeds at the rate of 5% of Gross Proceeds. Notification can be made anytime until DEVELOPER gives MINER a production start date.

Further, have DEVELOPER make such deductions as provided for in a certain sales AGREEMENT between MINER and MINE OWNER.
3. Arrange for DEVELOPER to have access to his Mineral Ore at/on the MINE premises as will be required to fulfill this AGREEMENT.
4. Pay to DEVELOPER necessary fees to either store and/or deliver such BULLION to MINER, should MINER decide to have DEVELOPER refine MINER Ore.

DEVELOPER AGREES TO:

1. Provide its services to successfully fulfill the work terms of this AGREEMENT, to develop, mine, extract and if required by MINER arrange for the refining of MINERS Ore into SILVER & GOLD BULLION.
2. Distribute such proceeds of above stated activities in accordance with the obligations of and the MINERS wishes and to deliver MINERS SILVER & GOLD BULLION to a place designated by MINER, at MINER'S expense if MINER uses DEVELOPERS services for refining.
3. Begin the development and mining of MINERS Ore within approximately, but not later than 12 months from the date on the face of this AGREEMENT, and then to arrange for refining MINERS Ore into Bullion as soon as scheduling allows, if MINER wants DEVELOPER to refine his Ore.
4. Begin the development work on MINERS Ore on a first come first serve basis, in relation to DEVELOPERS commitments on previous AGREEMENTS.

AUTHORIZATION

DOCUMENTS

AGREEMENT OF UNDERSTANDING

BUYER AND SELLER UNDERSTAND AND AGREE TO THE FOLLOWING:

1. WARRANTY

IT IS UNDERSTOOD AND AGREED: The Gold & Silver value per Ton in Buyer's Ore Contract will be a minimum of \$40.00 per Ton. If not, Seller agrees to provide whatever Ore is necessary until such Warranty shall be met. There shall be no refining charge to the Buyer if any additional ore is used to meet the terms of this warranty.

2. RESERVE FOR WARRANTY

IT IS UNDERSTOOD AND AGREED: That 50,000 Tons of Ore reserve is held by the Trust Account Holder for meeting any Warranty claims that may arise. Should any of this Warranty Ore be used, an additional number of Tons shall be added and retained until all Ore has been processed.

3. NON-RECOURSE NOTE

IT IS UNDERSTOOD AND AGREED: That the Note signed by the Buyer is a non-recourse note and Seller's only recourse in the event of default is to reclaim Buyer's Ore and terminate all contracts pertaining thereto.

4. CLIENT TRUST ACCOUNT

IT IS UNDERSTOOD AND AGREED: All funds will be placed in a Trust Account by the Trust Account Holder (named herein) and will be dispersed according to Buyer's written instructions. All note payments will be made to Certified Equities Inc., Client Trust Account and will be placed in an FDIC insured, interest bearing bank account with interest to the benefit of the Buyer until such time as Buyer's Ore is to be processed, whereupon such funds shall be released to the Mining Company, who shall process Buyer's Ore and present proceeds to Buyer for dispersal according to such Agreements as shall apply between Buyer, Seller and Miner.

5. IT IS UNDERSTOOD AND AGREED: The Buyer may cancel this agreement anytime, for any reason, subject to 30 days written notice. The Buyer will receive a refund of all principal payments, plus accumulated bank interest on same.

TRUST ACCOUNT HOLDER:

Certified Equities, Inc.
13450 Maxella Ave.
Suite G 225
Marina Del Rey, CA 90292
1-800-356-3716

BUYER

DATE

SELLER

DATE

INSTRUCTIONS FOR CLIENT TRUST ACCOUNT

Certified Equities, Inc; Client Trust Account
13450 Maxella Ave.
Suite G 225
Marina Del Rey, CA. 90292
1-800-356-3716

_____, 198__

I/We Herewith enclose an amount equal to \$20.00 per 750 ton contract or \$_____ as a transfer and recording fee. This amount may be released immediately.

I/We also enclose \$_____ as an administrative fee, which you are authorized to disburse as you see fit for fees, expenses or commissions.

I/We further enclose \$_____ as a (down/total) payment on _____ tons of mineral ore. This amount will be placed in a Client's Trust Account as per part four of the attached Agreement of Understanding.

The total check is in the amount of dollars (\$_____).

Further, I/We have executed a certain promissory note of even date to these instructions and will be directing principal and interest payments to you which you are to place in your Client Trust Account. You are authorized to remit any interest payment on said note in an FDIC insured, interest bearing account, with interest accumulating to my/our credit.

The instructions are to remain in effect until such time a they may be amended or terminated by me/us in writing

Signature

PURCHASE AGREEMENT

This AGREEMENT made and entered into this _____ day of _____, 198____, by and between Red Cloud Placer, of 704 Santa Monica Blvd, Santa Monica; California 90401 hereinafter referred to as SELLER and _____ of _____, hereinafter referred to as BUYER.

WHEREAS it is the desire of the SELLER to sell such quantities of its Mineral Ore as is deemed necessary to accomplish SELLER'S ends and it is the desire of the BUYER to purchase certain quantities of said Mineral Ore this AGREEMENT is made.

NOW THEREFORE, in consideration of the mutual agreements and covenants contained in this AGREEMENT and for other good and valuable considerations receipt of which is hereby acknowledged, it is agreed as follows:

SELLER AGREES TO:

1. Sell and transfer such quantities of Mineral Ore buyer shall agree to buy.
2. Convey to BUYER a like quality of Mineral Ore as is represented in the materials supplied to BUYER, on the Red Cloud Placer Mine.
3. Provide reasonable access to said Mineral Ore for BUYER to examine at BUYER'S option and allow BUYER to remove said Ore as he may desire within terms of the AGREEMENT.
4. Acknowledge that the deposits of Mineral Ore are shown in sufficient quantities and qualities to reasonably justify commercial exploitation based upon the Geological and Assay reports supplied to BUYER.
5. Verify the said Mineral Ore is in fact owned by, and therefore saleable by SELLER to BUYER and that SELLER will provide BUYER with a valid Bill-of-Sale certifying ownership thereto with a detailed description of the location of Mineral Ore.

BUYER AGREES TO:

1. a. Buy (_____) cubic yards of mineral ore. This represents (_____) ore blocks.
b. Pay to the SELLER in U.S. dollars, the sum of (\$_____) as an administrative and transfer fee.
c. Pay to the SELLER \$14.00 per ton for _____ tons of Mineral Ore for a total of (\$_____) this amount to be paid (\$_____) as a down payment and the balance of (\$_____) on a 10 year/12% non-recourse promissory note. BUYER agrees to pay principal and interest according to the terms and conditions of the note.
2. To assume all payments to have said Mineral Ore developed and refined.
3. Complete all development and refining of said Mineral Ore within a period of five (5) years from the date of this AGREEMENT.
4. Give an Assignment to the Development and Mining Company to deduct the balance due on the non-recourse note and remit that amount to SELLER.
5. Acknowledge and represent herein that BUYER accepts the representation of the SELLER as to the quality and quantity of the deposits of Ore so as to reasonably justify commercial exploitation. Note Geological and Assay reports.
6. To accept the deduction of 1/8 (12.5%) Overriding Royalty to the original claims holders from the Gross Smelter Value as contained in the original Purchase Agreement between them and Red Cloud Placer Project.

**Agreement For Assignment
Of Ore Contracts**

This AGREEMENT, entered into this _____ day of _____, 198__, by and between Red Cloud Placer Project, hereinafter referred to as Seller, and _____ hereinafter referred to as Buyer.

WHEREAS the Seller owns Contract for gold and silver bearing ore from the Red Cloud Placer Project and Buyer desires to immediately purchase _____ Contracts, which consists of 750 tons of ore each, for a total purchase of _____ tons at the execution of this Agreement, subject to the following terms and conditions:

1. The Seller will now assign _____ Ore Purchase Contract (s) of 750 tons each, to Buyer, for a total assignment of _____ tons at \$14.00 per ton for a total purchase amount of \$_____. Buyer agrees to pay for the Ore Contracts upon signing of this Agreement, by (\$_____) down and execute a Non Recourse Note for the balance of (\$_____). Buyer agrees to pay the interest and principal according to the terms and conditions of the "Ore Purchase Contracts", which are dated _____. Seller hereby assigns the Ore Purchase Contracts to Buyer with the following Mining Contract Numbers:

2. Seller hereby authorizes Buyer to make all payments on the Non Recourse Note to Certified Equities, Client Trust Account for dispersal according to the instructions and agreements.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein.

Accepted and Approved by Seller:

Accepted and Approved by Buyer:

Signature

Signature

Red Cloud Placers Project
704 Santa Monica Blvd,
Santa Monica, CA 90401
1-800-346-6178

Street Address

City, State and Zip Code

Area Code and Telephone Number

**Non-Recourse
Promissory Note**

\$ _____

_____ Dated

_____ City and State

For value received, the undersigned, hereinafter referred to as Maker, promises to pay to the order of Red Cloud Placer Project, hereinafter referred to as Holder, its nominee or assignee, the principal sum of (\$ _____), payable monthly at (\$ _____), including interest at the rate of twelve percent (12%) per annum. Principal together with any unpaid interest all due and payable in accordance with the terms of a certain Ore Purchase Contract and Bill of Sale (Contract), between Maker and Holder. All terms and conditions of the Contract are incorporated herein by reference as though fully set forth herein.

This note is accepted subject to a security interest in Maker's right, title and interest in and to any gold and silver owned by Maker, as set forth in the Contract and without further liability or recourse against Maker for collection of the note, principal and interest. Maker shall have the right to prepay this note, as to both principal and interest, in whole or in part, at any time, with interest to the date of such payment and without penalty.

If the Maker shall default on this note, and such default shall not be remedied within fifteen (15) days after written notice, Holder may declare the Contract, together with any other agreements between Maker and Holder to be null and void, with interest earned by Holder until date of default to be retained as liquidated damages.

Payment of both principal and interest shall be payable to Certified Equities Inc., Client Trust Account at 13450 Maxella Ave. Marina Del Rey, CA 90292, or at such other place as may be designated by Holder.

This note has been made and delivered in the State of California and shall be constructed in accordance with the laws of the State of California.

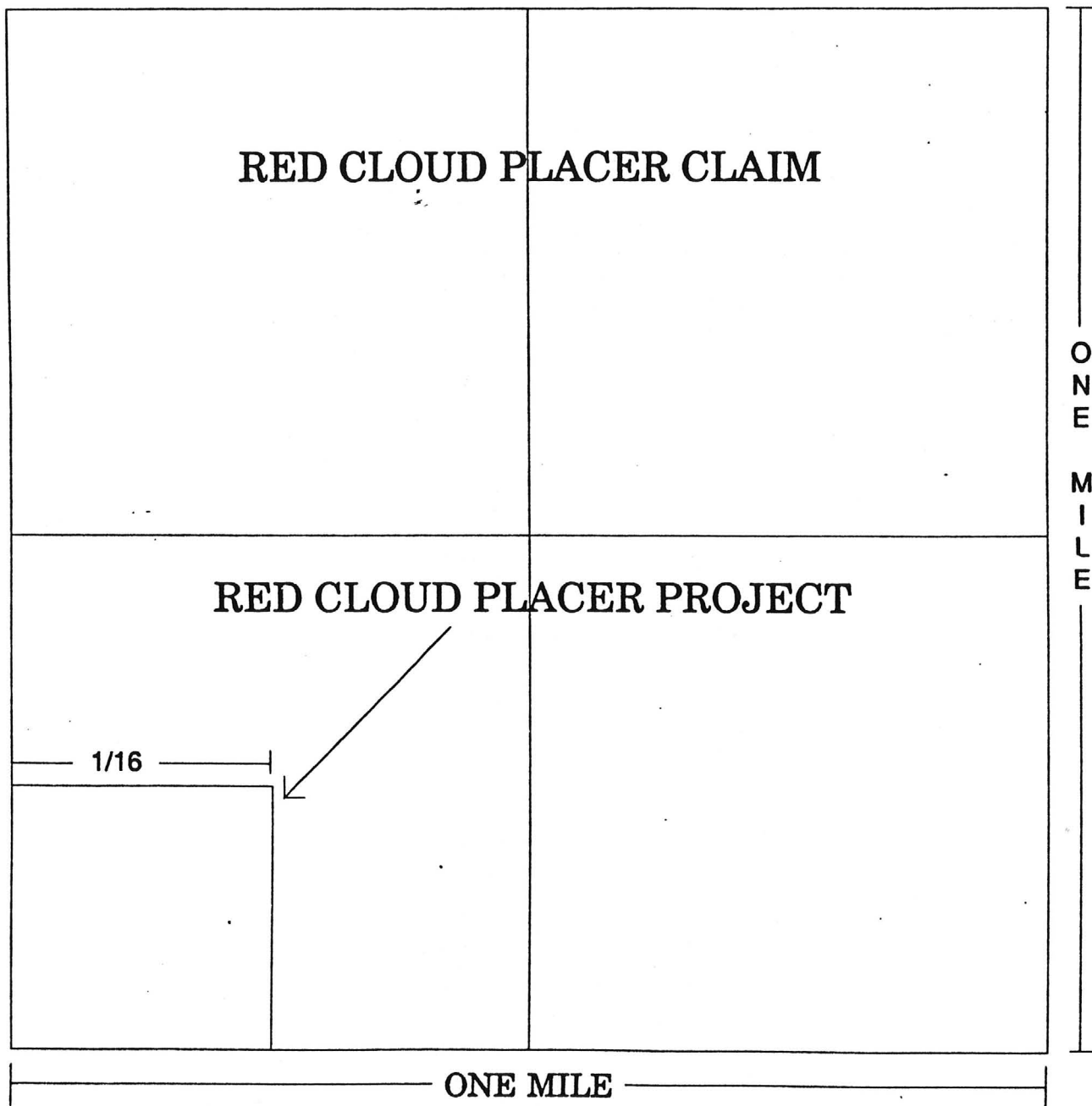
_____ Maker - Signature

_____ Area Code & Telephone #

_____ Print or Type Name

_____ City, State and Zip Code

RED CLOUD PLACER PROJECT



ARIZONA GOLD

THE RED CLOUD PLACER PROJECT

A private placement of personal property

Those who are accustomed to receiving a 5% to 15% return on their money, may be concerned by the larger projected returns of The Red Cloud Placer Project. Your concern is normal, but gold at \$200.00 to \$250.00 per ounce is also normal: if you are an efficient Gold Miner.

The Gold is there . . . 640 acres (one square mile) of Red Cloud claims; placer that runs 500 feet deep, a conservative .10 to .25 ounces of Gold Ore per Ton. If we process only the top 65 feet, recovery could run up to 5,000,000 ounces of Gold.

High-Volume processing equipment is a logical choice; since the placer material is extensive and exceeds 100 Million Tons. The equipment is expensive. Banks will not lend money until you are in steady production. Venture capitalists will participate, but only in a position of ownership or control. **THERE IS A BETTER WAY!**

Let us say that you owned the Company! Would you exchange some of the Gold in the placer material to be processed during the coming year for high-volume processing equipment?

Would you be generous and encouraging to those who helped you get started . . . with a return on their money that is exceptional, even fantastic?

If you and your Company issued the attached illustration of return ranges, what advice would your financial and legal consultants give you? If there was any question that you could not meet the .10 to .25 range, would you or your Company risk using that illustration? With your inventory of Gold, would the minimum (.10) be a problem to fulfill?

This is how the project works:

You purchase one or more units of The Red Cloud Placer Project. Each unit consists of 750 tons, 500 cubic yards of gold ore. Your price per ton is \$14.00 for a total cost for ore of \$10,500. For each unit, you also pay an administrative fee of \$1,920.00. Your total cost per unit is \$12,420.00 You may pay the total amount or you may choose to participate in our leverage program.

Your ore is scheduled to be mined and processed 12 months from your date of purchase. Two things will determine how much your ore is worth at that time; the price of gold and how much actual gold is in your ore.

However, The Red Cloud Placer project, warrants that your ore will be worth at least \$40.00 per ton. This is based on only 1/10 of an ounce of gold per ton at \$400.00 gold.

Now, what would happen if the ore does not contain 1/10 of an ounce of gold or the price of gold falls? You still receive your profit, as Red Cloud Placers agrees to provide more ore, at no cost to you, until your warranty sum is met.

The chart on the next page will give you an idea of your potential gain from this exciting project.

THE RED CLOUD PLACER PROJECT

Tons Purchased	Amount of Gold at .10 Recovery	\$ Value at \$400.00 oz.	Out of Pocket Cost Cash Contract	Profit at \$400.00 per oz. Cash Contract	Out of Pocket Cost 1/2 Cash Contract	Profit at \$400.00 Gold 1/2 Cash Contract
750 (1 Unit)	75 oz.	\$30,000	\$12,420.00	7,155.55(57%)	7,933.12	6,520.72(82%)
1500 (2 Units)	150 oz.	\$60,000	\$24,840.00	14,310.00(57%)	15,866.24	13,041.44(82%)
2250 (3 Units)	225 oz.	\$90,000	\$37,260.00	21,465.00(57%)	23,799.36	19,562.12(82%)
3000 (4 Units)	300 oz.	\$120,000	\$49,680.00	28,620.00(57%)	31,732.48	26,082.88(82%)
3750 (5 Units)	375 oz.	\$150,000	\$62,100.00	35,775.00(57%)	39,665.56	32,603.60(82%)

Higher returns possible with an increase in the price of gold or if the ore block has more than .10 oz. of gold per ton

THE TIME FOR GOLD: IS NOW!

Since the Nixon years, when the price of gold was allowed to float on the free market, gold has become the investment of choice for those seeking a prudent, low risk addition to a well planned portfolio.

Today, however, this most precious of metals has taken on dramatic new significance for both large and small purchasers. Those caught in, or those just watching the chaotic stock market fluctuations of October, 1987 need no other reason for considering the purchase of gold.

Gold assays conducted at The Red Cloud Placer project in Arizona, have created a great deal of excitement. Bulk samples, run at the site, give added cause for enthusiasm. Your gold purchase opportunity in this proven gold development project has been carefully structured to optimize three important factors:

- RETURN:** An opportunity to realize minimum warranted return based on lower than current gold prices. The return escalates dramatically with forecasted gold price upswings.
- PROTECTION:** An opportunity to safeguard assets with the most favored inflation/depression proof commodity Gold!
- TAX
ADVANTAGES:** An opportunity to deduct approximately 95% of your total cost and defer taxes on your returns.

This ownership/development offering in an extraordinary opportunity; an opportunity that the prudent investor should consider . . . today.

THE OUTLOOK FOR GOLD

Some Expert Views

Is all the gloom and doom talk about America's Economic future fact, or fiction? We don't know, but we do know that the stock market chaos of October, 1987 was factual. We do know that our foreign trade balance of payment deficit, is factual. We do know that uncurtailed federal spending continues to swell budget deficits year after year.

Where will it end? Widely respected investment counselors such as Douglas Casey, Howard Ruff and James Blanchard all agree that the outcome is clear: to avoid drastic debt default, the government will - as it has in the past - make more money available . . . simply by printing more of it. Only this time, the quantity of unsupported currency required will be enormous - directly proportionate to the nation's unprecedented deficit liability.

Whether the inevitable resulting inflation hits 20% to 30% as suggested by noted monetary economist Milton Friedman, or the cataclysmic levels predicted by Casey, Ruff and others . . . the concensus is, that a period of serious deterioration may be just a short time away.

In preparation, many investors are heeding the lessons of the past by turning to gold for growth and protection against the declining dollar. Inflation rates and gold prices are closely tied. Just ask anyone who bought gold in 1978 at \$225.00 per ounce and sold in 1980 at \$850.00!

And with gold prices estimated some day to be much higher than today, it is no wonder so many investment counselors are urging gold purchase, now.

Just what kind of gold purchase should you make? There are many kinds . . . but none more exciting, more advantageous than participating in the Red Cloud Placer Project.

**GOLD FOR \$200.00 TO \$250.00 PER OUNCE... IS POSSIBLE... IF YOU ARE A GOLD MINER!
BECAUSE THAT IS WHAT IT COSTS TO PRODUCE GOLD AT THE RED CLOUD PLACER PROJECT.**

HERE IS HOW IT WORKS:

You purchase a minimum of one block of Precious Metals Ore containing Gold with a minimum value of \$40.00 per ton. Each block is 500 Cubic yards of 750 tons of Gold Ore.

YOU ARE NOW A GOLD MINER. . . .with Precious Metals Ore to process.

You may, of course, mine the Ore yourself, once it is paid for, by hiring a contract mining company such as:

A.L. Stutenroth
Rt. 4 Box 71-D
Casa Grande, AZ 85222
902-836-5568

Armco Custom Mill
2432 W. Peoria Ave,
#1321
Phoenix, AZ 85029
602-870-1494

Paisano Hydromet
Box 37
Douglas, AZ 85608
602-364-9355

We suggest that, since, Phenix Mining Corp. has a "full service" program, as set forth herein, and is producing on the property now, that Phenix should be your choice.

AN EXAMPLE:

If you choose PHENIX MINING CORP., They will develop, mine, extract and arrange for the refining of your ore into Bullion for a total fee of \$6.90 per ton. This is deducted from the proceeds of your gold. All work will begin within 12 months of your agreement.

According to all the enclosed DOCUMENTATION, YOUR NET-NET PROFITS SHOULD be from a LOW of \$7,155.00 to OVER \$20,000.00 per EACH ORE UNIT.

BUSINESS PROFILE

PHENIX MINING CORPORATION

PHENIX MINING CORPORATION maintains offices at 1105 Terminal Way, #202, Reno, NV 89502, and at 5 Wellich Road, P.O. Box 21180, Wickenburg, AZ 85358, and is a Nevada Corporation. P.M.C. is operating a successful mining project, the BERT L. SMITH MINE and BER-MAR MINES located on the VULTURE MINE PROPERTIES.

This mine is a complex ore black sands, closed circuit thiourea batch leach plant. Mr. Brian Stone is president of Phenix. He has been associated over the past 5 years with operations of the Mohave Hope Mine, an Open Pit operation in Kingman, AZ., the Easy Ore Mine, a placer mine in Lovelock, NV.

Mr. Stone is an author and lecturer, having written for a number of publications about the mining industry and having been an exhibitor and lecturer at numerous financial seminars throughout the country. Mr. Stone is currently awaiting the publication of his book entitled "GET IN ON THE GOLD RUSH-OWN A HUNK OF YOUR OWN GOLD & SILVER MINE"

Phenix was formed in 1978 and started its first mining project in 1981. Phenix President, Mr. Stone, has a wide and varied background in various executive capacities with consulting firms. He served as Field Engineer with St. Regis Paper Company in their Engineering and Machine Division, and as a Marketing Professor with Universal Institute.

Mr. Stone has had a variety of experiences with firms involved with the manufacturing and production of various metallurgical products. In addition, his experiences over the past 37 years contain a good knowledge of mechanical things, plus of open pit mining of both coal and lime. Mr. Stone has attended Assay School at Action Mines in Trona, CA, and Butler Labs in Bodfish, CA. He has spent considerable time in the precious metals mining industry expanding his knowledge and experience within his field.

Mr. Stone is a member of numerous mining related organizations whose names are listed below.

PLANT CONSTRUCTION

American Mine Equipt.
5112 W. Dahlia
Glendale, AZ 85304
Walter Baronick, Pres.
(602) 938-5414 (Ofc.)
(602) 878-0385 (Shop)

ORGANIZATIONS

American Association of
Financial Professionals
P.O. Box 1928
Cocoa, FL 32923
(305) 632-5665, or
(305) 632-8654

Nevada Miners & Prospectors
120 Greenridge Drive
Reno, NV 89509

Prospector's Club of
Southern California
556 N. Hallowell Avenue
Arcadia, CA 91006

DEVELOPMENT & MINING

Phenix Mining Corp.
5 Wellich Road,
Industrial Complex
P.O. Box 21180
Wickenburg, AZ 85358
G. Brian Stone, Pres.
(602) 684-3157
&
1105 Terminal Way,
Suite # 202
Reno, NV 85905
(702) 329-5011

Gold Prospectors Assoc.
P.O. Box 507
Bonsall, CA 92003

Western Mining Council, Inc.
P.O. Box 254
Anderson, CA 96007

Arizona Prospectors & Small
Mine Owners Association
P.O. Box 862
Yarnell, AZ 85632

Placer Gold Deposits of Arizona

By MAUREEN G. JOHNSON

GEOLOGICAL SURVEY BULLETIN 1355

A catalog of location, geology, and production with lists of annotated references pertaining to the placer districts



18. VULTURE DISTRICT

Location: South flank of the Vulture Mountains in the vicinity of the Vulture mine, Tps. 5 and 6 N., Rs. 5 and 6 W.

Topographic map: Vulture Mountains 15-minute quadrangle.

Geologic map: Wilson, Moore, and Peirce, 1957, Geologic map of Maricopa County, scale 1:375,000.

Access: From Wickenburg it is 14 miles south on Vulture mine road to mine and placers in the immediate vicinity.

Extent: The only description I have found of the placer deposits in this district is given by Wilson. The overshadowing importance of the Vulture mine is certainly the explanation for the lack of detail about the placer ground, which covers an area about 3 miles square in Red Top Basin (secs. 24 and 25, T. 6 N., R. 6 W.) and extends for a distance of 2 miles southeast of the Vulture mine in Vulture Wash (secs. 6 and 7, T. 5 N., R. 5 W.).

Production history: The placers were apparently worked from the time of discovery of the Vulture mine. In the early days of the district (from 1867 to 1880), many large nuggets weighing about 1/2 to 1 ounce were recovered, and reportedly, some weighing 5 ounces.

Source: Small gold-bearing quartz veins in the immediate vicinity are thought to be the source of the placer gold in Red Top Basin. The origin of the gold in Vulture Wash is considered to be partly the Vulture vein and partly other small gold veins.

Literature:

Wilson, 1961: Location; history; past production; character of placer gravels; size of nuggets; origin of placers.

GOLD PLACERS AND PLACERING IN ARIZONA



State of Arizona

Bureau of Geology and Mineral Technology

Geological Survey Branch

Bulletin 168
Reprinted 1981

VULTURE PLACERS

The Vulture placers are in northwestern Maricopa County, in the vicinity of the Vulture mine, about 14 miles by road southwest of Wickenburg. North of that area the extensively dissected Vulture Mountains rise to elevations of 3,500 or more feet above sea level or nearly 2,000 feet above the desert plain to the south.

According to A. P. Irvine,¹⁰ who spent many years in this district, these placers were first worked about 1867. At times during the five or ten years following, as many as 200 or more men were placering with dry-washers in arroyos of the vicinity. Blocks of ground only 50 feet square were allowed each miner, but many men recovered from \$25 to \$50 per day each.

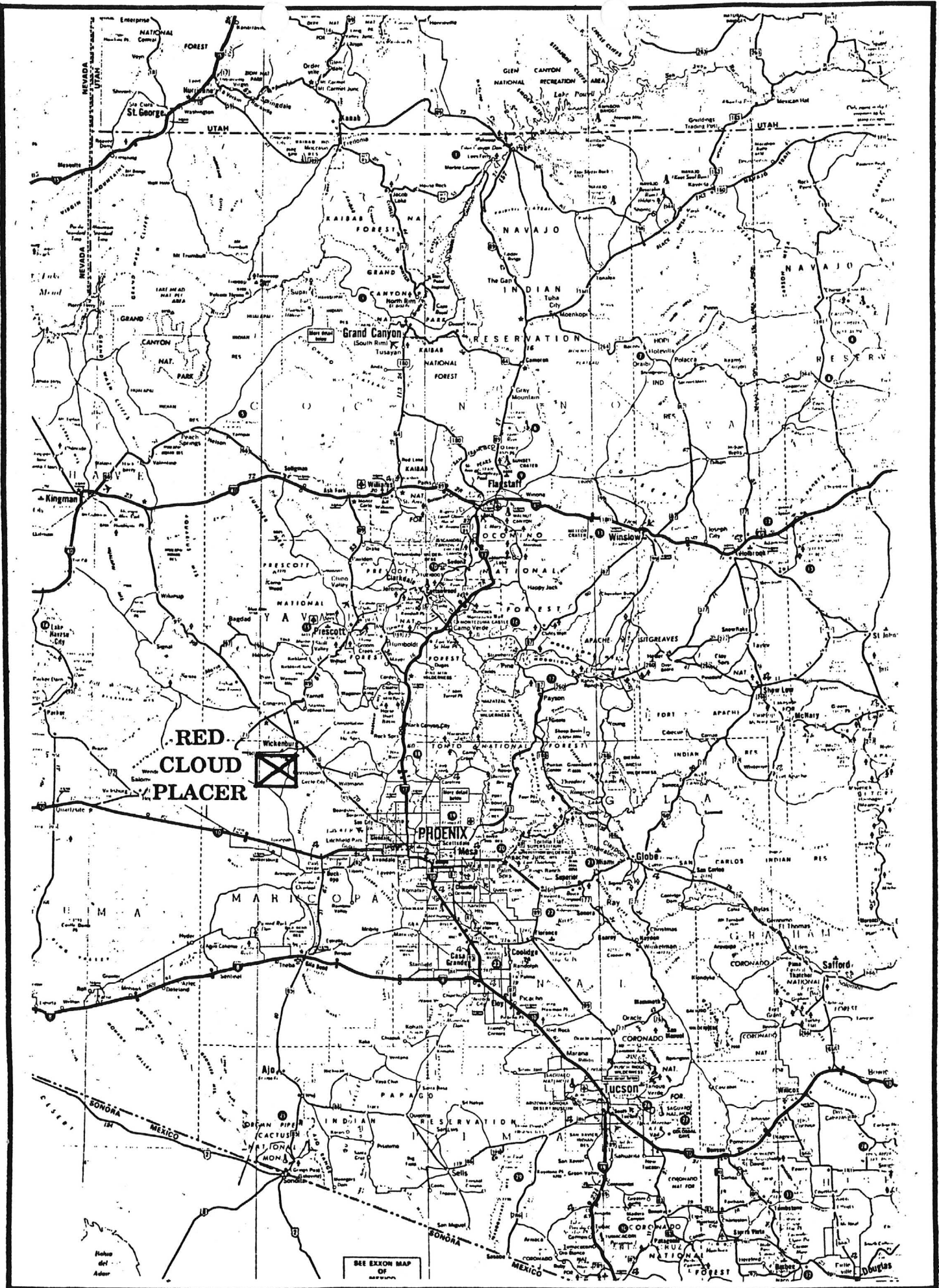
The principal rocks of the Vulture area consist of pre-Cambrian schist, dikes, and irregular masses of granite, probable Mesozoic monzonitic dikes, and Tertiary andesitic and rhyolitic lava flows. Within this schist are the large, rich gold-bearing quartz vein of the Vulture mine and many smaller veins. Practically all of these smaller veins carry visible free gold, and drainage channels leading down from them contain placer gold.

The Vulture placer ground covers about 3 square miles in the pediment of Red Top Basin, northwest of the Vulture mine, and continues down Vulture Wash for about 2 miles southeast of the Vulture mine. The placer gravels, which are composed mainly of medium to fine, angular pebbles of schist and quartz, are generally less than 10 feet thick and rest upon schist bedrock. Considerable caliche cement, which occurs in all but the thinnest gravels, has limited dry-washing operations to the narrow arroyos that are typical of this field.

Although some gold is distributed throughout the gravels, it is more abundant near bedrock. Several samples, taken from random localities at the time of the writer's visit, revealed abundant colors when panned. Even the old dry-washer tailings show fine colors upon panning, as those machines could recover only the coarser gold. The gold is mostly coarse and angular. During the early days, according to Mr. Irvine,¹⁰ many \$10 to \$20 nuggets were found, and some worth \$100 were reported.

The origin of the placer gold, in Red Top Basin at least, appears to have been the small quartz veins of that vicinity. The gold of these veins, like that of the adjacent placers, appears to be coarser than that in the Vulture vein. It is possible, however, that the placer gold in the drainage below the Vulture mine may have been derived in part from the Vulture vein.

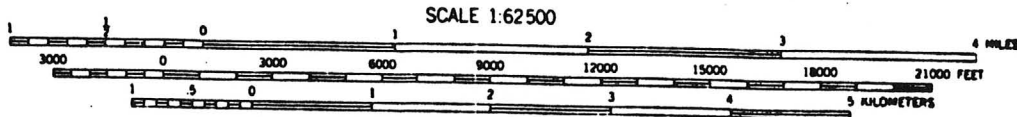
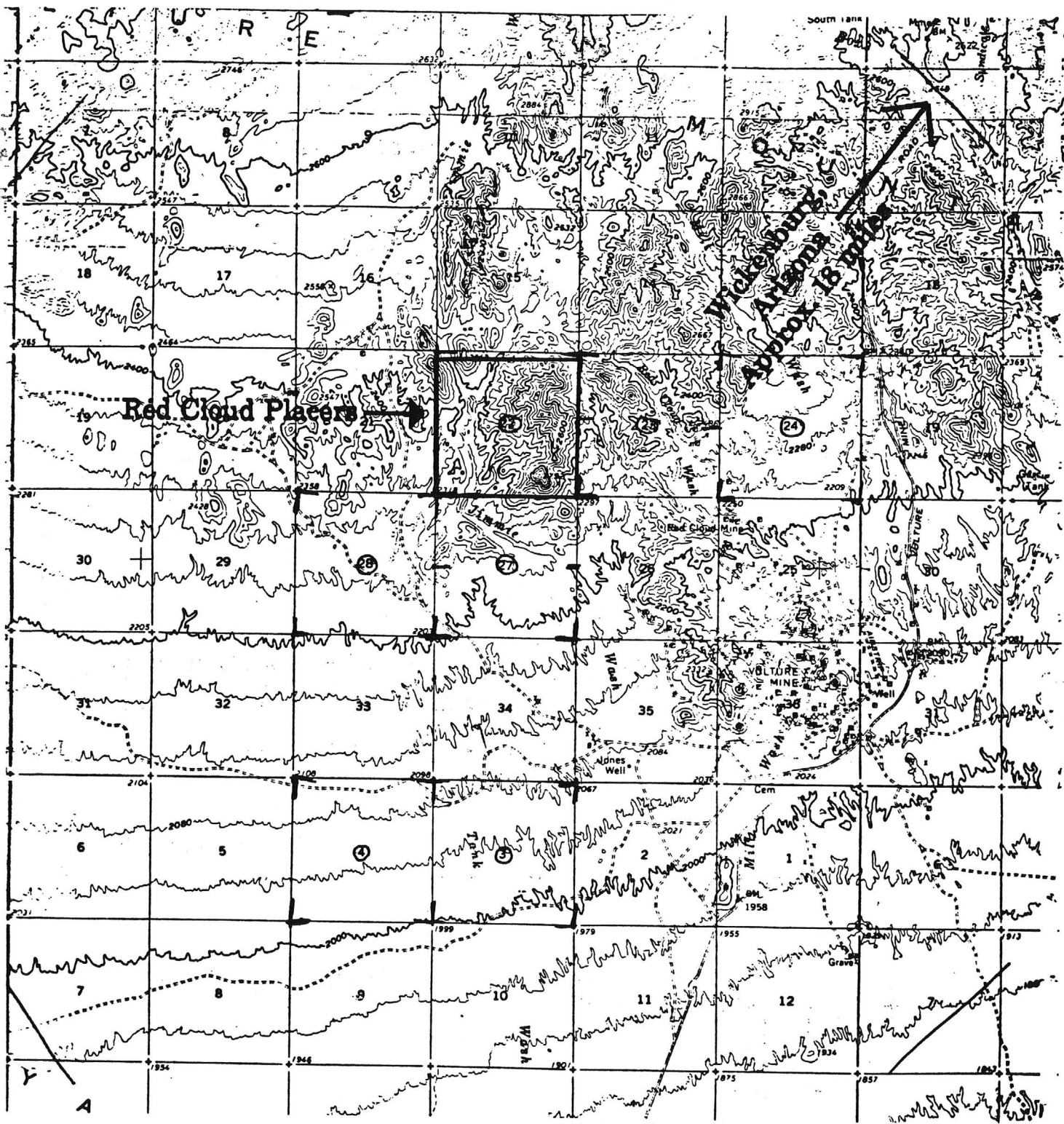
A Division of the University of Arizona
Tucson



**RED
CLOUD
PLACER**



SEE EXXON MAP OF



CONTOUR INTERVAL 40 FEET
 DOTTED LINES REPRESENT 20-FOOT CONTOURS
 NATIONAL GEODETIC VERTICAL DATUM OF 1929

THIS MAP COMPLIES WITH NATIONAL MAP ACCURACY STANDARDS
 FOR SALE BY U. S. GEOLOGICAL SURVEY, DENVER, COLORADO 80225, OR RESTON, VIRGINIA 22092
 A FOLDER DESCRIBING TOPOGRAPHIC MAPS AND SYMBOLS IS AVAILABLE ON REQUEST

14W
 258 MILES
 1961 MAGNETIC NORTH
 CENTER OF SHEET



#15

(5280 FEET)

RED CLOUD PLACER PROJECT

4- 160 ACRE CLAIMS

#21



#23

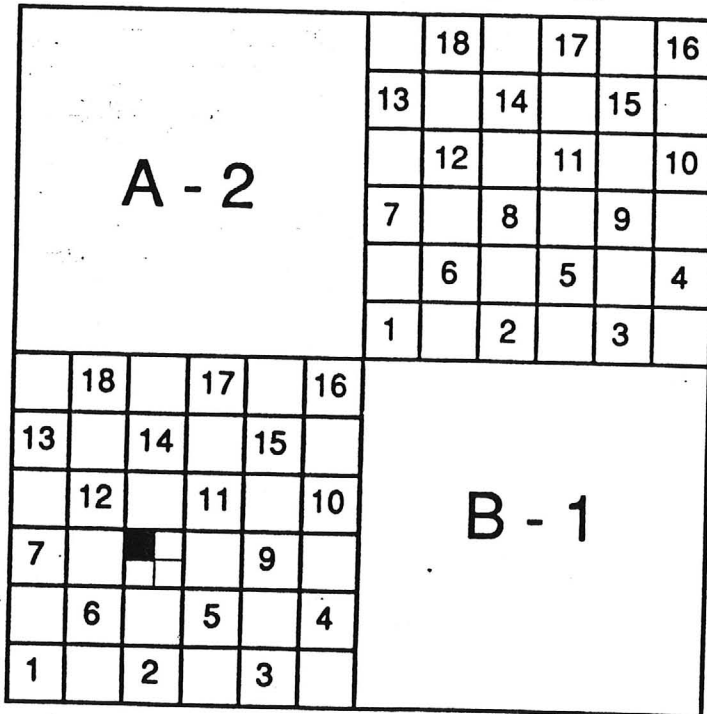
SECTION 22
 TOWNSHIP 6N
 RANGE 6W

MARICOPA COUNTY, ARIZONA

#27

Of the total 64 plots, only 4 are being offered for sale. These plots contain 72 checkerboarded Blocks of Ore, being sold in four (4) parts, NE, SE, NW, and SW. There are a total of 2,304 Blocks of Ore contained in the entire 640 acres of the mine.

B - 2



Pictured on the left are 4 of the Plots from the above Section Map.

They are identified as Plots A-1, A-2, B-1, and B-2

Each Plot is 660' by 660'.

A - 1

The above numbered Blocks are available for purchase. Each Block represents 500 Cubic Yards of Ore, approximately 750 Tons and is approximately 55 feet on a side by 5 feet deep.

8 is an example block and is identified as follows:

S22 - T6N - R6W - A1 - 8NW

GEOLOGICAL SYNOPSIS SHEET

A. FORMATION OF METALS. The GOLD & SILVER ORE found on the properties were developed by nature in two ways. The first was the usual desert placer formative method wherein the metals were washed down from the surrounding mountain, and from the surface lode of outcropping locations. The second development of the metals was from vertically rising, superheated aqueous solutions enriched with precious metals, emanating from a molten pluton mass situated some distance below the surface. The first evidence of exploration was the KERR-McGEE, EXXON PHILLIPS PETROLEUM GEO-PHYSICAL TEST PROJECT that drilled 14, 30" diameter holes. From these a concentrate of 10 tons was developed and a recovery of 865 ounces of GOLD, 21 ounces Platinum and 5.6 ounces of PALADIUM was made.

B. ORIGIN OF VALUES USED. The values used in this offering originated from as long as nine years ago. There are a total of six (6) extensive reports that show beyond question the existance of a huge body of precous metals ore existing on the property. The results from their reports are shown as follows:

C. ASSAY REPORTS

#	Assay or Report	Gold per Ton	Silver per Ton	Platinates per Ton
1.	ENGINEERING REPORT completed May, 20, 1976 The results from quantities of tests, plus Core drilling samples.	.97 oz	28.8 oz	.15 oz
2.	ENGINEERING REPORT completed Dec. 20, 1978 Minimum of 19 Full spectrum tests	.50 oz	10.0 oz	.13 oz
3.	TEST PLANT, report completed Oct. 30, 1981 Extensive soil sampling tests conducted over an area of 6 miles range making up a 100 ton composite sample.	.95 oz	Not Taken	Not Taken
	Next test was over a 2,000 foot grid, sampling every 500 feet, plus 4-10 foot trenches at the corners.	1.00 oz	Not Taken	Not Taken
	100 Ton sample of raw feed material Plus numerous assays.	.30 oz	Not Taken	Not Taken
4.	NUMEROUS LABORATORY TESTING CONDUCTED BY GLORY MINING Dec. 27, 1983 A full spectrum of 32 variations per test.	.538 oz	.525	Not Taken
5.	Laboratory tests conducted by BAHAMIAN REFINING CORPORATION.	1.89 oz	.72	Not Taken
6.	EVERNESS ALPHA/OMEGA Oct. 30, 1984 3 years of testing produced the following results from 80 Fire Assay Tests.	From Concentrating 4.58	Not Taken	Not Taken
	235 Tests conducted by Atomic Absorption, Cyanide Aqua Rega and Urea/Thiourea Leaching produced.	.53 oz	Not Taken	Not Taken
	1 Ton concentrate produced from 27.5 tons raw ore	Not Taken	3.53 oz	Not Taken
	Average recoverable amount from all tests 78.5 Recoverable	.86 oz	7.40 oz	Not Taken
	60.25% Recoverable	.683 oz	4.45 oz	Not Taken

In all computation, however the amount being used are the production test found by PHENIX MINING CORP. with its production plant located on Section 3.

.25 oz Ton of GOLD

1.0 oz Ton of SILVER

D. PROPERTY LOCATION ACCESS.

The property is located almost due West of the Old VULTURE GOLD MINE, which produced almost a quarter Billion Dollars in Metals until 1960's and is located in the heart of the VULTURE MINE PLACERS. The VULTURE MINE PLACERS are reported to have substantial quantities of GOLD, SILVER and PLATINATES in/on them. The property is located about 20 miles from downtown Wickenburg off Vulture Mine road then via desert road.

Topographically, the property is underlain by sand and detrial material forming a gently rolling topography viewed as being essentially flat, cut by small gullies. Altitude above sea level is about 2,150 feet. The region has been known for numerous years to be prolific in Silver & Gold. Prospecting being concentrated primarily upon rock outcrops, resulting in the VULTURE MINE as well as numerous other properties.

Interpretations of a recent Geophysical program conduted in the region of the properties concluded that underlying andesites and ryolite flows are heavily faulted. Subsequent recent drilling through 520 feet of detrial materials into the underlying rocks produced hot water in abundance, indicating that a deep seated pluton mass of liquid rock is the source of mineralization. Ascending hot water solutions carrying particles of GOLD and SILVER invade the detrial material from below depositing their load of precious metals, which has been going on for centuries, this vastly enriches the unconsolidated material of the placer claims. The term referred to is "HYDROTHERMASISM".

4. MINERALOGY.

To date almost 99% of all GOLD, SILVER and PLATINATES have been found in the BLACK SANDS, which make up at least 2% of the Ore. Only recently with the advances in assaying and production techniques has this area begun to be produced. In the past gravity recovery systems that make up over 80% of mining in the U.S. have not found any appreciable amounts of precious metals. Our tests of over 1,000 tons of Ore produced only a smattering of metals. But at the same time, BLACKSANDS recovered from this test proved to contain great quantities of pecious metals, thus leading to the current production of the area by PHENIX MINING CORPORATION.

When testing is conducted it must be kept in mind that the precious metals are contained in and on the BLACK SANDS an assaying must be done in a manner that will release these metals.

RED CLOUD PLACER PROJECT

Gold Ore Worksheet

Cash with Contract \$12,420.00

750 tons of ore at .10 oz. gold per ton - 75 oz. gold.

75 ozs. of gold at \$400 per oz. = \$30,000.00

Extraction Cost:

Note: All extraction costs are deducted from gross proceeds of refined ore. This results in no additional out of pocket expenses on part of buyer.

Royalty at 12 1/2%	\$3,750.00
Processing at \$6.90 per ton	\$5,175.00
Smelting at 5%	<u>\$1,500.00</u>
Total extraction costs	\$10,425.00

Net Return Calculation:

Gross Return	\$30,000.00
Total Deductions	<u>\$10,425.00</u>
Net Return	\$19,575.00

Out of Pocket Expenses:

Administrative Cost	\$1,920.00
Cost of Ore at \$14.00 per ton	<u>\$10,500.00</u>
Total Out of Pocket Expense	\$12,420.00

Project Return:

Net Return	\$19,575.00
Out of Pocket Expenses	<u>\$12,420.00</u>
Projected Net Profit	\$7,155.00

% Return on investment in twelve months = 57%

The return actually obtained from this ore will be determined by the market price of gold, at the time the ore is processed. However, under the terms of the "LIMITED WARRANTY", the seller warrants to the ore purchaser that the net smelter values of the ore, shall be a minimum of \$40.00 per ton. That minimum return has been used to figure the above projection.

RED CLOUD PLACER PROJECT

Gold Ore Worksheet

1. Leverage Contract

\$7,000.00 Down/\$5420.00 on 10 Year, 12% non-recourse note (payment \$77.76 mo.)

750 tons of ore at .10 oz. gold per ton = 75 oz. gold.

75 oz. of gold at \$400 per oz. = \$30,000.00

Extraction Costs:

Note: All extraction costs are deducted from gross proceeds of refined ore. This results in no additional out of pocket expenses on part of buyer.

Royalty at 12 1/2%	\$3,750.00
Processing at \$6.90 per ton	5,175.00
Smelting at 5%	1,500.00
Payment of 12% note (5,420.00 minus 298.84 prin. pd)	5,121.16
Total extraction costs	\$15,546.16

Net Return Calculation:

Gross Return	\$30,000.00
Total Deductions	15,546.16
Net Return	\$14,453.84

Out of Pocket Expenses:

Administrative and Transfer Fee	\$1,920.00	
Down Payment on Ore	5,080.00	\$7,000.00
\$77.76 per mo. x 12 mos. (P & I on non-re-course note)	933.12	
Total Out of Pocket Expenses	\$7,933.12	

Project Return:

Net Return	\$14,453.84
Out of Pocket Expenses	7,933.12
Projected Net Profit	\$6,520.72

% Return on investment in twelve months = 82%

The return actually obtained from this ore will be determined by the market price of gold, at the time the ore is processed. However, under the terms of the "LIMITED WARRANTY", the seller warrants to the ore purchaser that the Net Smelter values of the ore, shall be a minimum of the \$40.00 per ton. That minimum return has been used to figure the above projection.

COMMONLY ASKED QUESTIONS & ANSWERS

WHEN CAN I EXPECT MY ORE TO BE MINED?

We mine on a "FIRST IN, FIRST OUT" basis. Right now we are scheduling for 12 months from the date of your contract. When you receive your mining contract, it will have the scheduled date stamped on it.

EXPLAIN THE TERMS AND CONDITIONS OF THE LEVERAGE PROGRAM.

When you purchase (1) one unit or more of ore, 750 tons or more, you may enter into a non recourse note for 1/2 the cost of ore. This note is secured by the ore, at 12% interest, based on a 10 year ammortization schedule. We use 10 years, because if the note were ammortized over 12 months, the payments would be prohibitably high. When your ore is processed, the note is retired. Also, the principal you have paid is credited to the note balance. The remaining balance is then deducted from your ore values.

WHY ARE THE OWNERS SO GENEROUS IN ALLOWING ME TO MAKE SUCH A HIGH RETURN ON MY MONEY?

Selling future production is a commonly used method of raising capital in many industries and in mining in particular. Banks are prohibited from lending money on mining properties by Federal credit regulations. We have one square mile of rich ore deposits worth many millions of dollars that can be put into production with additional equipment. We are selling just enough future production to expedite expansion to insure that this is accomplished as soon as possible. For this reason, we are being very liberal with the profits.

HOW DO I KNOW WHICH IS MY ORE BLOCK AND WHAT HAPPENS TO IT?

Your Ore is identified by your MINER IDENTIFICATION NUMBER and is staked out on the property. In the case of Phenix Mining, an independant security firm will be in charge of your Ore from the time it leaves the ground until your bullion is delivered to you.

WHAT ARE THE REFINING COSTS?

Refining Costs are usually 5% of the Gross Smelter Values and are deducted by the Refiner at the time of smelting.

AM I GOING TO HAVE TO PAY FOR ANYTHING ELSE?

NO. You are not going to have to pay for anything else. Everything is taken out of the Proceeds.

WHAT IS THE WRITE-OFF THIS YEAR?

Your entire Development, Mining, Extraction and Refining Costs are deductible, if you prepay the above costs, and/or complete your mining this year.

HOW DOES THIS DEDUCTION COMPLY WITH THE IRS?

To the best of knowledge, our project complies with all IRS requirements for a tax deduction. However you should discuss this with your tax consultant when you receive your Proceeds.

WHAT DO I DO WITH MY BULLION?

There are a number of options open to you. 1) Sell your Bullion and take cash. You incur a tax obligation. 2) Store the Bullion. For a cost of about 1/2 of 1% per year and borrow against the Warehouse Receipt up to 80% of its value. No tax obligation. 3) Take possession of the Bullion and do with it as you wish. 4) Turn it into Bullion coins and wait until they increase in Value. Since this is a like-for-like exchange, no tax obligation is incurred. 5) Place your Bullion with a firm that writes option and futures contracts and earn a profit each time they place a contract on it. Your financial advisor will have more specific details for you when you talk with him/her.

CAN THE PARTICIPANT VISIT THE MINE?

Certainly; we encourage you to do so. In fact, Phenix Mining Corp. has also extended an invitation for all potential participants to visit not only the property, but to take a tour of their mining facilities. We suggest that you notify any mining operation ahead of time and obtain their permission before you visit. Unannounced visits are not suggested, as most mining camps have not changed much over the years. Most miners operate their mines armed and do not encourage unannounced visits. So, be sure to make arrangements beforehand.

WHAT DOES LIMITED WARRANTY MEAN?

Your Ore has a minimum value of \$40.00 per Ton, based on the assay reports of .10 to .25 ounce of GOLD per Ton. If your Ore Block does not produce that amount, Red Cloud Placer Project. will supply all the necessary Ore to meet that figure.

SUMMARY

The Red Cloud Placer Project

\$10,500.00 BUYS YOU 500 CUBIC YARDS (750 TONS) OF PROVEN PRECIOUS METALS ORE.

- a. You have become a MINER.
- b. You have GOLD AND SILVER ORE to mine.

You may do this with an unusual leverage program.

(You will have paid an Administration and Transfer Fee of \$1,420.00 for each ORE BLOCK. This is a total input for you on a cash contract of \$12,420.00.

PHENIX MINING CORP will develop, mine and extract the Ore into Dori Bars for \$6.90 per Ton. Since Phenix is not a refinery, they will arrange to have the Ore refined into .999 pure bars for you. The fee charged by the refinery will be approximately 5% of the Smelter Values; depending on the quantity. All of these fees are deducted from the Values. The rest is all yours!

Under IRS 616 and 162 you may WRITE-OFF 100% of the ORE COST PLUS, you're entitled to a 15% DEPLETION ALLOWANCE (. . . that's TAX FREE MONEY, IRS 613 (b). PLUS, YOU DO NOT PAY TAXES ON YOUR GOLD AND SILVER BULLION UNTIL YOU SELL IT (IRS 451).

Current production records from PHENIX MINING CORP.'s Plant, located on Section 3, show from .10 to .25 ounces per Ton of GOLD has been recovered.

Your profit will depend on the quantity of gold and silver contained in your ore, and the spot price of gold and silver at the time of processing. The warranted gross will, however, be a minimum of \$40.00 per ton or \$30,000.00 per ore block.

CERTAINLY ALL THAT IS WORTH AN EXPENDITURE OF \$12,420.00!!!!

*You should discuss the tax situation with your Accountant or CPA at the time of processing due to the change in tax laws.

**EQUIPMENT TO BE PURCHASED
TO ACCELERATE PRODUCTION
ON THE RED CLOUD PLACER
PROJECT**

ONE COMPLETE CONCENTRATING PLANT Made up of the following components.

- a. A front end loader with a capacity of at least 2 cubic yards.
- b. A 2 yard front end loader.
- c. One ground feed hopper, 5 cubic yards.
- d. One conveyer to supply materials to screen plant.
- e. One triple deck screen plant with a capacity of at least 500 tons per 8 hour day.
- f. One discharge conveyer to carry of gang materials.
- g. One conveyer to supply recovered materials to a 10 ton truck.
- h. 2-10 ton dump trucks.
- i. Small camper & tool storage shed.
- j. 3/4 Ton pickup truck with air compressor, welder & tools.
- k. Complete electrical wiring with panels, switches, and controls.
- l. Diesel fuel storage tank for 300 gallons. Fuel transfer pump and hoses.
- m. Diesel generating plant wht a capacity to operate the complete plant with 20% additional capacity.
- n. Additional misc. tools and other items as needed according to SELLER; including oxy/acetelyn & electric welder.

ONE COMPLETE EXTRACTION BATCH LEACH PLANT made up of the following equipment:

- a. One hopper screw feed bin storage. With slush pump.
- b. One barren solution tank, with liquid pump.
- c. Pachuka tank with appropriate agitation equipment, and, other accessories.
- d. Pregnant solution pump and filter.
- e. Reverse spiral cleanup unit with tailing gang slush pump.
- f. Recirculating slurry pump.
- g. Pregnant solution storage tank and pump.
- h. A processing computer monitor for leach solution.
- i. Air compressor with storage tank.

- j. 2 yard loader to feed ground hopper feed conveyer.
- k. De-watering screw with tank, and liquid pump and slush pump.
- l. Electrical breaker panel for all equipment, with all electrical wiring complete.
- m. All plumbing hoses and fittings installed.
- n. Zinc recovery system with pumps and filter.
- o. Laboratory equipped to do all necessary production testing, within the opinion of Phenix Mining.
- p. A furnace and attendant, materials to process zinc and produce dore bars.
- q. Additional miscellaneous equipment and tools to provide a complete leaching facility in the opinion of Phenix Mining.
- r. Ground feed hopper and conveyer.
- s. 3/4 ton pickup truck for service about mine and plant.
- t. Oxygen/acetylene and electric welders, with appropriate supplies and tools.
- u. Exhaust fans and hoods.
- v. All above equipment will be installed and operating, performing their functions.

Red Cloud Placer Project
704 Santa Monica Blvd.
Santa Monica, CA 90401

(213) 319-1272

1-800-346-6178

GLOSSARY

Alloy

A mixture of metals. Gold, an extremely soft metal, is often alloyed with small amounts of copper, nickel, silver or zinc to make it harder and more durable.

Arbitrage

To simultaneously buy and sell a commodity or security in different markets to take advantage of price differentials.

Assay

To test a metal for purity.

Bullion

Gold in the form of bars, wafers or ingots. Most bars are of .995 purity or finer.

Bullion coins

A minted gold coin for investment, such as the Krugerrand. Traces of copper are usually added to improve durability for frequent handling.

Cash price

The price required for immediate settlement since most gold transactions are cash transactions. Also "Spot Price."

Electrolytic gold

Electric refining of gold. Produces gold of .9999 fineness.

Fine gold

Also known as pure gold.

Fineness

How much pure gold is contained in 1000 parts of an alloy: a bar of .995 finess contains 995 parts gold and 5 parts of another metal. See "Karat."

Fine weight

Pure gold weight in a bar or coin.

Fixings

The gold price is "fixed" twice a day in London. Five major gold traders agree on a price at which they can settle transactions.

Flat

A futures market term which indicates that a trader has no long or short positions outstanding.

"Four nines"

Gold with a fineness of .9999 - the finest gold available. Experts call it "four nines of fine gold."

Futures contract

A contract between a buyer and seller of a commodity or security, agreeing to pay a certain price at an agreed future date.

Gold standard

A monetary system based on convertibility into gold: paper money backed and interchangeable with gold.

Grain

Earliest weight unit for gold. One grain is equivalent to .0648 grams.

Hallmark

Mark, or marks, which indicate the producer of a gold bar and its number, fineness, etc.

Karat

Unit of fineness equal to 1/24 part of gold in an alloy. Pure gold is 24 karat.

Karat gold

Gold of not less than 10 karat fineness.

Leverage

A way of investing where only a fraction of the total price is committed.

Liquid gold

A solution of gold and chemicals used for surface decoration.

London delivery bar

A bar of approximately 400 ounces troy, minimum fineness of .995 and carrying the markings of a melter or assayer. The trading unit used in the London Gold Market.

London market

One of the world's most important gold trading centers. See "Fixings."

Long

To "go long gold" means to purchase gold in the hope of a price increase.

Marks

The stamps attached to each bar by producers or assayers.

Melter

A refiner of gold bullion.

Nugget

Gold washed from rock and usually deposited in riverbeds. Largest nugget on record was found in Australia in 1872, weighing almost 200 pounds.

Option

The right, but not the obligation, to purchase or sell a commodity or security at a specified time in the future.

Pennyweight

A U.S. unit of weight for gold. In troy weight, twenty pennyweights equal one ounce.

Premium

In gold coinage, the premium is the amount by which the selling price of a coin exceeds the spot value of its gold content. Part of that premium is returned to the owner at resale.

Restrike

A modern replica of previously issued coins. Governments and their mints can choose to "restrike" a previous issue rather than introduce new coinage.

Short

In futures terminology "going short" means to sell a commodity you do not possess.

Solid gold

The Federal Trade Commission allows this term to be used for "any article that does not have a hollow center and has a fineness of ten karat or higher." Not to be confused with fine or pure gold.

Spot price

See "Cash price."

Spread

The difference between the buying and selling price. See "Straddle."

Standard bar

See "London Delivery Bar."

Stop loss

The placement of a buying or selling order against an existing futures contract designed to limit potential loss.

Straddle

A futures trading term. A trader may sell July gold and purchase an identical amount of November gold to exploit a price differential. Also called a "Spread."

Striking price

The price at which a commodity or security will change hands if an option is exercised.

Troy ounce

Unit of weight for precious metals. One troy ounce = 1.09711 ounces or 31.103 grams.

Wafer

Bullion manufactured in a flat, generally rectangular shape ("gold wafer").

MINING CONTRACT # _____

ORE PURCHASE CONTRACT
AND BILL OF SALE

THIS AGREEMENT entered into this _____ day of _____, 1987, by and between Red Cloud Placer Project, hereinafter referred to as Seller, and _____, hereinafter referred to as Buyer.

WHEREAS, the Seller has the gold and silver bearing ore situated in Red Cloud Placer claims in Maricopa County, Arizona and the Buyer desires to immediately purchase Seven Hundred Fifty (750) tons of said ore from Seller, and Seller agrees to sell said tonnage of ore at the execution of this Agreement, subject to the following terms and conditions:

1. The Seller will now sell 750 tons of ore to Buyer at Fourteen Dollars 00/100 (\$14.00) per ton for a total purchase amount of Ten Thousand, Five Hundred 00/100 (\$10,500.00). Buyer agrees to pay for the ore upon signing of this Agreement. The payment will be _____ down and a certain promissory note for the balance of _____ and remitting said note to Seller. Buyer agrees to pay interest and principal according to the terms of the promissory note, until such time as said ore is processed, at which time balance of said note is due and payable to the Holder, from the proceeds of Buyer's ore. Further, Buyer agrees to pay Seller a royalty of 12 1/2% of all precious metals recovered. Buyer further agrees to remit to Certified Equities, Inc., 13450 Maxella Ave., Suite 225 G, Marina Del Rey, CA 90292, \$1920.00 for sales commissions and administration expenses, plus \$20.00 for transfer and recording fees, payable to Certified Equities, Inc., Client Trust Account.

2. The Buyer shall have full and complete ownership rights of all minerals in the entire 750 tons of ore, subject to the terms of provision 1 above, which shall constitute all of the gold and silver contained and extracted from One (1) Block of Aggregate Mineral Ore, and made up of at least _____ cubic yards of Ore equalling approximately _____ each. Said Ore is located in Maricopa County, State of Arizona, in Section 22, Township 6 N, Range 6 W, and is identified as Ore Storage Block Location _____. Starting at the PRIMARY S.W. BOUNDARY POINT and going _____ feet NORTH, then _____ feet EAST. From this ANCHOR POINT an area within the bounds of a square running _____'N, by _____'E, _____'S, _____'W and being _____ feet deep, shall constitute ONE ENTIRE ORE BLOCK as attached chart entitled "CLAIMS ORE BLOCK STORAGE LOCATIONS", shows.

3. The Buyer shall have reasonable access to his property at all times and he will, in turn, grant reasonable access to other property owners.

4. It is agreed by the Seller and Buyer that mining operations of said tonnage will commence within a reasonable time and are to be performed expeditiously from the mining claim referred to above.

5. Execution hereof by the Seller is an acknowledgement and representation relied upon by the buyer as a part of the consideration hereof that deposits of precious metals are known to exist in sufficient quantity and quality to reasonably justify commercial exploitation.

ORE PURCHASE CONTRACT (continued)

6. Buyer hereby acknowledges that _____ has been selected to mine process Buyer's ore for a processing fee of \$ _____ per ton, which shall only be paid from Buyer's precious metals. Further, if Buyer desires to have precious metals refined to Hallmark Bars, such refining from Dore' Bars, shall be at Buyer's expense.

7. The scheduled ore processing date is _____

8. The Seller WARRANTS to Buyer that the net smelter value of said ore shall have a minimum value of \$40.00 per ton of ore purchased and, if lacking that value, Seller reserves the right to substitute an ore body of greater value per ton or shall furnish additional ore. Seller shall process said ore until sufficient ore has been processed to provide equivalent value to Buyer as required by this warranty for the amount of the original ore purchase. Seller has placed an ore reserve with Certified Equities, Inc. in the amount of 50,000 tons to be used in the event the values do not meet the \$40.00 per ton Warrantee.

THE PARTIES HEREBY AGREE to the terms and conditions set forth herein.

Accepted and Approved by Seller:

Signature

Accepted and Approved by Claims Owner:

Signature

STOP
COIN

RED CLAY PLACER PROJECT

* GOLD AND SILVER ORE WORKSHEET *

_____ TONS OF ORE @ .10 OZ. GOLD PER TON = _____ OZ. GOLD.

_____ OZ. GOLD @ WARRANTEE VALUE PER TON OF ORE = \$ _____.
 (Warrantee value of ore = \$40.00 per ton)

EXTRACTION COSTS: (All extraction costs are deducted from gross warrantee which results in no out of pocket expenses on the part of the buyer.)

ROYALTY @ \$12.5%.....	\$ _____
PROCESSING @ \$6.90 PER TON.....	\$ _____
SMELTING @ 5%.....	\$ _____
PAYMENT OF NOTE: _____ LESS _____ PAID..	\$ _____
total note principal	
TOTAL EXTRACTION COSTS.....	\$ _____

NET RETURN CALCULATION:

GROSS RETURN.....	\$ _____
TOTAL DEDUCTIONS.....	\$ _____
NET RETURN.....	\$ _____

OUT OF POCKET EXPENSES:

ADMINISTRATIVE COSTS.....	\$ _____
DOWN PAYMENT ON ORE.....	\$ _____
\$ _____ PER MO. X 12 MOS. MINIMUM.....	\$ _____
(Principal + interest on unsecured non-recourse note)	
TOTAL OUT OF POCKET EXPENSES.....	\$ _____

PROJECT RETURN:

NET RETURN.....	\$ _____
OUT OF POCKET EXPENSES.....	\$ _____
PROJECTED NET RETURN.....	\$ _____
% RETURN ON INVESTMENT IN 12 MONTHS.....	(_____ %)

The purpose of this worksheet is to provide an overall outlook based on the warranted return of \$40.00 per ton of ore purchased. No other warrantee is either expressed or implied by seller.

Field Visit - Phenix Mining Corp. - December 14, 1987

BY: Richard R. Beard, Mining Engineer
Arizona Department of Mines and Mineral Resources

The Phenix Mining Corporation was visited in the company of Mr. Gordon Miner. Mr. Miner was investigating an investment opportunity in the Red Cloud Placer Project for an acquaintance in New York and was referred to Phenix. We met with Mr. G. Brian Stone, President of Phenix Mining Corp. at their mill in the new Airport Industrial Park west of Wickenburg.

Mr. Stone informed us that he recommended that Red Cloud Placer Project lease section 22, T6N, R6W and that he would process the ore for individual investors at a flat fee. He also will receive a royalty from Red Cloud for developing the process when they go into full scale production. Other than that he said that he was not associated with Red Cloud in any way and had nothing to do with their offer. *(not the Red Cloud Mine IN Sec 25 T6N, R6W)*

As background information Mr. Stone said that he has been working in the area for three years. He has found that registered assayers cannot get consistent results because they don't know how to assay and the mining schools do not know how to assay or how to teach assaying. He, however, can get consistent results and verifies them with bottle leach tests. He also said that cyanide was not applicable and no one knows how to use thiourea. He now believes that the American Society of Applied Technology (ASAT) in Silver City, NM can design a workable plant using thiourea. They report assay values comparable to his own and they recovered ninety percent of the gold from a bulk sample that he prepared for them by adding a known amount of gold to barren dirt.

(Sec. 3, T6N, R6W)

Mr. Stone took us to the Ber Mar property to show us the double deck vibrating screen he has been using for test work. The upper deck is 10M and the lower deck is 40M. He said that he had to abandon his original theory that the gold was locked into the black sands as he has found that it is actually all microscopic and in the fines. He believes that he can screen to 80M without significant losses.

The plant still in place at the industrial park is a batch thiourea plant that consists of a pachuca tank, filters, carbon columns and related equipment. Mr. Stone said that results from this plant were inconsistent and unacceptable. Therefore he has commissioned ASAT to develop and build a continuous flow thiourea plant based on their laboratory work.

His current plans are to have the ASAT plant installed and operating at a rate of 24 tons per day at a pH of 0.8. The values are to be adsorbed on activated carbon and the carbon burned to produce dore' bars. He expects to be in operation by the first of the year treating concentrates from section 24, T6S R6W which he controls. If he finds that he can screen to -80M he will attain a concentration ratio of possibly 20 to 1 at the mine site and will therefore have to truck only 100 pounds to the mill for every ton of ore mined. After processing, the tailings will be trucked back to the mine site to backfill the pit.

By March he expects to have a 100 ton per day plant installed and available to treat screen concentrates from the Red Cloud Placer Project. This will be a similar operation.

Mr. Stone said that he has done some "core-drilling" for samples with what he described as a power post hole digger (auger) but that he hasn't gone to the expense of blocking out any ore because he "knows it is there" because of the consistency of his assays from random samples. These samples vary from .05 oz/ton gold and a couple of ounces of silver to .25 oz/ton gold and several ounces of silver as assayed by himself and by ASAT.

As of this date there has been no mining or processing operation at any of the Phenix, Red Cloud, Ber Mar or Bert L. Smith properties. No ore has been blocked out, established legitimate fire assayers report negligible gold and silver and there is no demonstrated process to recover the precious metals if any actually exist.

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