



CONTACT INFORMATION

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MINE MANAGEMENT CORPORATION

P. O. BOX 7277
INDIAN SCHOOL STATION
PHOENIX, ARIZONA 85011

RECEIVED

SEP 8 1975

R. C. & R.

Western Office:

1505 FINANCIAL CENTER BLDG.
PHOENIX, ARIZONA 85012
602 - 274-8049

September 5, 1975

Mr. Richard H. Roberts
P. O. Box 1230
Santa Barbara, California 93102

Dear Mr. Roberts:

Re: Savoy Mine

It was pleasant to be able to visit with you on Wednesday last and to discuss in more detail some of the questions you had. My present work schedule calls for me leaving Phoenix on the 11th -- the 12th at the latest -- and for all practical purposes being gone most of the following week. Even though all of the funds are now lined up, it would not appear likely that the proposed arrangement could be consummated before the week of the 22nd unless, of course, you were to come here as you stated you might do next week. Even then, it might be that only details can be attended to and, assuming that such details are satisfactory to everyone, an actual "closing" still probably would not be practical before the week of the 22nd.

It also has occurred to me that it might be useful for your thinking and that of your attorney, Mr. Frank Ryley, to review some of the reasons for making a Participation by acquisition of a Net Profits Mineral Interest vs. the Limited Partner approach. We believe that the Participation type agreement has distinct advantages to both the Investor and the Operator which include, but are not limited to, the following:

- 1.0 It is a much simpler procedure in which there is no necessity to set up and register with the state a new entity for accounting and tax reporting purposes. The investor has entered into a contractual agreement with, in this case, Mine Management Corporation, to receive and use the funds provided as per contract.
- 2.0 A Participant is better insulated from legal liability beyond the amount of his investment arising out of any improper acts of the Operator. This is particularly true if for any reason the Limited Partner is suspected of engaging in management decision making or influencing the operator in anyway on matters of policy, or even day-to-day operation. As I am sure you can find out through your own legal counsel, there are increasing numbers of hazards and increasing numbers of cases where the General Partner's position has been pierced and the Limited Partner is subject to increased risks.

On the contrary, a holder of a Net Profits Royalty Interest may be as vocal as desired and assist or challenge in decision making or assist in conduct of future negotiations on behalf of the Operator without running a risk that his immunity to liability beyond his investment will, or could, be set aside.

- 3.0 The Investor obtains a direct undivided economic interest in the mineral which permits him to carry back and to deduct from his personal income his share of expenses including non-cash items such as depreciation and depletion on which he pays no tax. So the pass-through without the double taxation aspects of a corporation are accomplished just as they are with a Limited Partnership.

Part of Section 1.611B of the 1954 Code as amended 1969 reads as follows:

"...anyone who has a right to a share of the mineral or of the income therefrom has an economic interest from production....."

"....an economic interest is possessed in every case in which the taxpayer has acquired by investment any interest in mineral in place ... and secures (it) by any form of legal relationship derived from the extraction of mineral....." (underscoring by writer)

Therefore, income derived from a participation (Net Profits Royalty Contract) becomes an expense to the operator (MMC) including the pass-through of non-cash items paid to the Participant in cash.

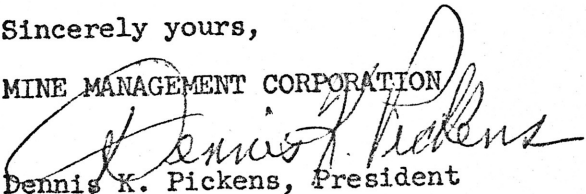
- 4.0 A Participation type agreement requires only one accounting with individual statements of profits (losses) sent out by MMC (the Operator) signed by the company's CPA. Much less book work is required from a management standpoint.
- 5.0 A Participation for an economic interest in a mineral Net Profits Royalty is easier to sell or assign than the arrangements to substitute a Limited Partner (or his partners) for others as consent is generally required or an amendment to the partnership - both burdensome.
- 6.0 Participation agreements in various forms are very widely used in the Minerals Industry, particularly in oil, and are coming into increasing use in the mining business, mostly for the reasons set out above.

I also wish to confirm, as I stated, that so far as MMC is concerned we are flexible on the type of structure but sincerely believe good business reasons make the Participation type agreement more desirable for all in this type of mineral undertaking.

Thanks for lunch.

Sincerely yours,

MINE MANAGEMENT CORPORATION


Dennis K. Pickens, President

DKP:hj

cc: Dwight McClure
Frank Ryley, Esq. ✓

SUMMARY OF ECONOMIC DATA
SAVOY MINE - 40 tpd Ore
 (to nearest \$1,000)

Revised 8/26/75

CYANIDIZATION AT SITE Vs. CONCENTRATING AT BLUE BELL MILL

| | (A) Cyanidizing - (see summary 6/19/75) | (B) Concentrating Blue Bell Mill (see rev. Jan 75 sum) |
|---|--|---|
| 1.0 <u>CAPITAL REQUIRED</u> | \$300,000 (1) | \$150,000 (1) |
| 2.0 <u>SALES - 9600 t.p.yr</u> | | |
| 2.1 \$113.25 ore - 85% recovery | 924,000 | 924,000 |
| 2.2 Less freight & smelter | 5,000 (2) | 40,000 (2) |
| 2.3 Net annual value | <u>919,000</u> | <u>884,000</u> |
| 3.0 <u>LESS COSTS</u> | | |
| 3.1 Direct | 461,000 | 315,000 (3) |
| 3.2 Royalties | 70,000 | 70,000 |
| 3.3 Trucking to Blue Bell | | 48,000 |
| 3.4 Trucking 1200 tons to rail @ \$4.00 T. | | 5,000 |
| 3.5 Contract Milling & Conc. @ \$10.00 T. | | 96,000 |
| 3.6 General Administr. & Overhead | 24,000 | 24,000 |
| 3.7 Total Costs | <u>\$555,000</u> | <u>\$558,000</u> |
| 4.0 <u>NET ANNUAL INCOME</u> before Dep., Depl. & Tax | 364,000 | 326,000 |
| 5.0 <u>LESS NON-CASH ITEMS</u> | | |
| 5.1 Depreciation 10/yr | 25,000 | 15,000 |
| 5.2 Depletion @ 15% | 135,000 | 100,000 |
| 5.3 Total Non-cash | <u>\$160,000</u> | <u>\$115,000</u> |
| 6.0 <u>TAXABLE INCOME</u> | \$204,000 | \$211,000 |
| 7.0 <u>FEDERAL & STATE INCOME TAX</u> (assume 30% bracket) | \$ 61,000 | \$ 67,000 |
| 8.0 <u>NET PROFIT AFTER TAX</u> | \$143,000 | \$144,000 |
| 9.0 <u>ADD BACK NON-CASH (5.3)</u> | <u>\$160,000</u> | <u>\$115,000</u> |
| 10.0 <u>NET INVESTORS AFTER TAX CASH RETURN</u> (annually all investors) | <u>\$303,000</u> | <u>\$259,000</u> |
| 11.0 <u>ROI ON NEW FINANCING - 50% A or 40% B</u> | <u>50.33%</u> (4) | <u>69.07%</u> (4) |

- Notes:
- 1) 6/18 and revised Jan/75 evaluation on request;
 - 2) Both systems will recover 85% but cyanidizing produces gold-silver bullion whereas concentrating produces hi-grade flotation concentrating produces hi-grade flotation concentrate which must be further treated at smelter;
 - 3) Direct costs are less since mining only, but total costs of 3.4, 3.5, 3.6 are higher;
 - 4) If Cyanide (col. A) and Investor(s) pay \$300,000 for 50% vs. using Blue Bell Mill (col. B) and Investor(s) pay \$150,000 for 40%. Expected ROI does not reflect 50% or higher tax shelter of new investor(s) for year ending December 31, 1975.

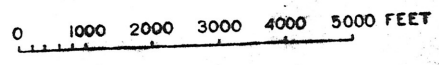
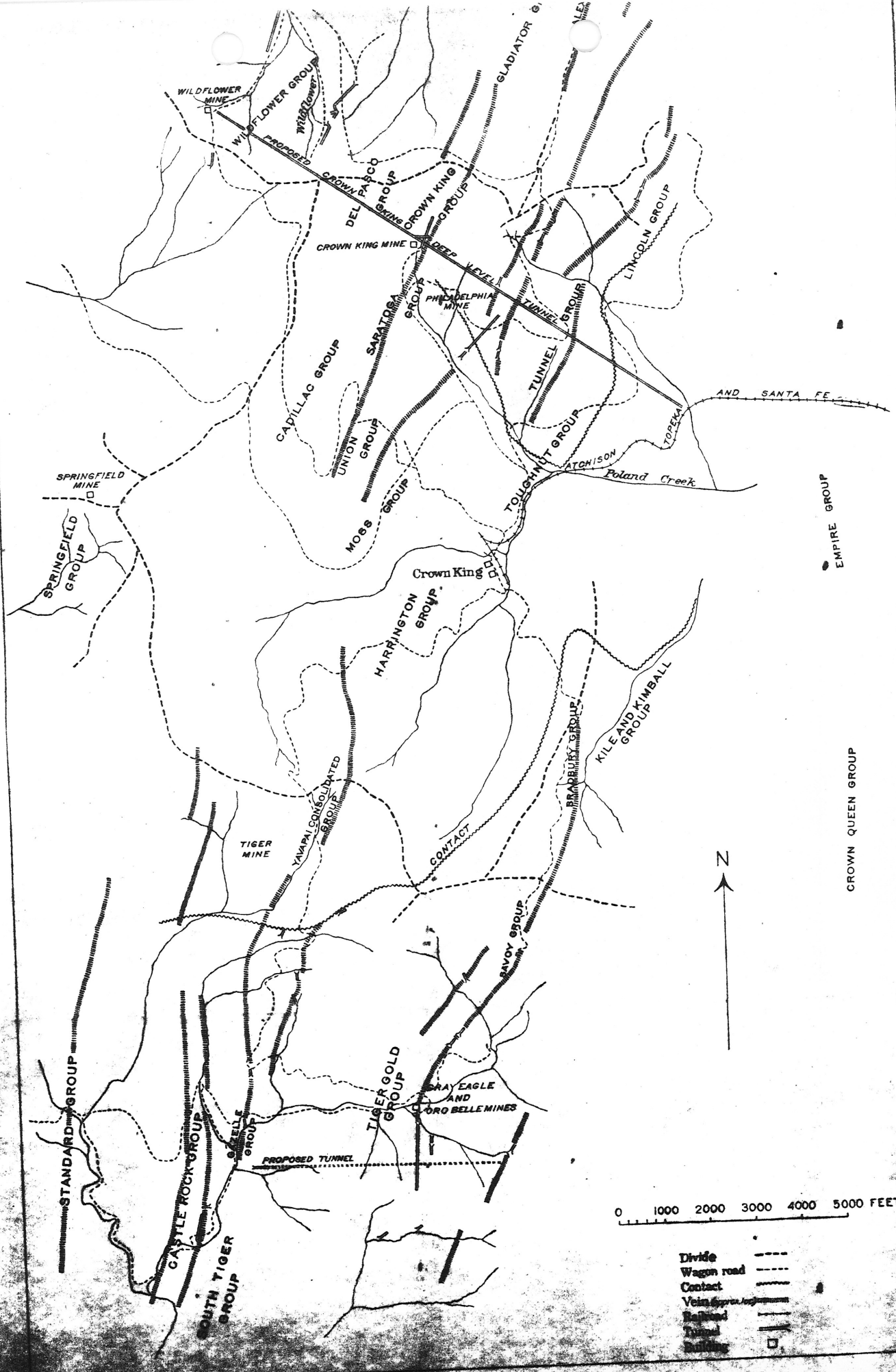
SUMMARY OF ECONOMICS
SAVOY MINE - 40 tpd ore
 (to nearest \$1,000)

Revised 8/26/75

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- Divide
- Wagon road
- Contact
- Vein
- Railroad
- Tunnel
- Building

MAP SHOWING LOCATION OF CLAIMS IN PINE GROVE AND TIGER DISTRICTS

Lot 49 491

Exam Number 28

266

APRIL 1911

Superior Dist.

Emil A. Eckman

Notary Public

April 1911

Scale 200' = 1" (written vertically)

State of Wisconsin
County of Lincoln

State of Wisconsin
County of Lincoln

300' 1/2
100' 1/2
100' 1/2

State Lot
Number 2

100' 1/2
100' 1/2
100' 1/2

100' 1/2
100' 1/2
100' 1/2

100' 1/2
100' 1/2
100' 1/2

State of Wisconsin
County of Lincoln

State of Wisconsin
County of Lincoln

100' 1/2
100' 1/2
100' 1/2

100' 1/2

100' 1/2
100' 1/2
100' 1/2

State of Wisconsin
County of Lincoln

Scale 200' = 1" (written vertically)

APACHE PANTHER

LODE

19.51 A.

VAR 14° 45' E.

Scale 200' to inch

WEST 176 FT. N 87° E 262 FT.

SLATE ROCK
MARKED I

Bennett

SEC. 27-33
Eclips Mine

SEC. 27-33

SLATE ROCK
MARKED II

NEW JERSEY
S 40° 20' W 1400 FT.

Lot No 49

S 40° 20' 1350' - cut

cut
cut
cut
cut
cut
cut

N 40° 20' E. 1400 FT.

Rapid Transit.

SLATE ROCK
MARKED III

S 49° 40' E 600 FT.

PANTHER.

GRANITE ROCK
MARKED III

Ore Deposits:

Copper Hill lies between Bedrock & Boreu Creeks @ 10250' Elev.
 about 1/2 mile from La Plata, 21 miles NW of Durango
 Copper bearing deposit bearing platinum & palladium lies near
 the edge of a large mass of igneous rock syenite, through which
 are disseminated chalcopyrite & other metallic minerals. The
 chalcopyrite also occurs as small irregular veinlets & lenses.

| | | | |
|----------------|----------|-------------------------|---------|
| Picked samples | 17.6% Cu | 0.54 oz. platinum metal | 1600. |
| | 13.1% Cu | .26 | 1" |
| Crude Ore | 2-4% Cu | .02 to .06 platinum | Ag. 145 |
| | | .02 to .04 palladium | .76 02. |

REPLY TO:
1634 W. HAZELWOOD STREET
PHOENIX, ARIZONA 85015
TELEPHONE (602) 277-6053

Richard E. Mieritz

MINING CONSULTANT

ARIZONA REGISTERED
MINING ENGINEER AND GEOLOGIST

GEOLOGY
EXPLORATION
EVALUATION
FEASIBILITY
OPERATION

August 7, 1975

Mine Management Corporation
P. O. Box 7277
Phoenix, Arizona 85011

Att: Mr. Dennis K. Pickens:

Re: Savoy Mine
Tiger Mining District
Yavapai County, Arizona

At your request and authorization, I have reviewed and studied all the information Mine Management Corporation has gathered and assembled into its Summary Report - Evaluation Savoy Mine, as revised of July 15, 1975.

The presentation of historical facts and figures, as well as the presentation of M.M.C.'s recent work and analysis of a potential project, has been extremely well prepared.

As you well know, (a copy of my March 1960 Report being included in the above mentioned Report), the writer examined the Savoy Mine on March 24 & 25, 1960, for a client with a view to determine and advise the client whether the property should be purchased. Considerable detail and study of the available factual data was warranted and necessary to economically appraise the writer's 20,000 ton indicated and inferred ore reserve of an estimated 0.06 oz/ton gold, 25 oz/ton silver and 0.3% copper content (about \$28.00/ton value at the 1960 metal prices). The end result was the writer's advice to purchase the property for \$150,000.- since the writer determined a small profit could be realized at the then operating costs.

On February 25, 1975, the Savoy Mine was again visited by the writer, in your company, to inspect or examine the recent work by M.M.C. and to check on the advance completed, after the writer's first visit in 1960, by the then lessee Wilkerson. Unfortunately, Wilkerson's operation has rendered some ore reserve as "lost" to any immediate operation (might be recovered after area depleted of the existing ore reserve). Time permitted but a brief examination of the added work completed by Wilkerson, over and above that observed by the writer in March 1960, as well as a brief examination of the recent sampling work by M.M.C. and the operation work by Childs. Based on the writer's review of authenticated factual data of these programs, the writer can agree - after physical calculations - that the ore reserves and grade, as presented in M.M.C.'s revised Report, are adequately and geologically justified and calculated correctly. Where the writer used a strike length of 100 feet in March 1960, the sampling and operation by Childs now indicates a longer strike length - and the 250 foot length used by

M.M.C. can be considered reasonable and justified - and not objected to by the writer, particularly since this figure is used in the "probable" ore classification.

As you are aware, projection of ore reserves - and/or mineralization beyond the last known observable point is a supposition based on visible geologic evidence at that point. Important also are the depths reached by other mines of similar mineralization and geologic conditions which thus provide a "criteria" that can be utilized as a guide for one's own property, the depth of which may be considered shallow as compared to other mines in the district. The Blue Bell Mine could be a good example with its 1500 foot depth, however, the Oro Belle Mine, one mile south-southwest of the Savoy, not only in the same Mining District, but on the same geologic structure as the Savoy, was developed to a depth of 1200 to 1300 feet below its highest surface outcropping. M.M.C.'s projection of probable ore below the Wilkerson Adit - or 400 level - is quite reasonable and geologically justified. The writer finds no objection to such calculations as part of M.M.C.'s "Ore Reserve" and grade. With proper development depth-wise, the writer believes that a greater depth of mineralization than what is shown on your Map I (Savoy Mine Plan & Profile) is very possible.

In year 1960, a water source for the Wilkerson mill was a problem. At this writing, it still is a problem, consequently treatment of the Savoy ore at/on the property is the limiting factor as to tons/day mined. Mill improvements, as recommended by the writer in year 1960, were apparently completed because the concentrate shipments made by Wilkerson after the writer's examination, as well as the shipments by Childs, showed very good contents of gold, silver and copper, all at an apparent good recovery.

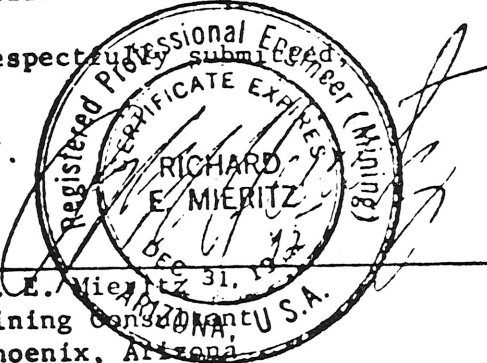
This thus demonstrates that the Savoy ore is very much amenable to flotation at a good recovery rate. Your revised report indicates the Savoy ore is amenable to the cyanide process at about the same recovery rate. The property being in the National Forest - and recreational area, it is feared there would be much "static" from this agency through the ecology route. We are aware what it has cost the mining and smelting companies in the past - thus - were the cyanide method used, your capital investment here could be an additional \$150,000.-.

Your plan to treat the Savoy ore at the Blue Bell mill (with slight equipment additions) is basically sound and feasible and should eliminate "static" from the Forest agency - the Blue Bell Mine being in the National Forest but "out of way" for the normal recreationists. A "static" free operation in this situation is well worth the transportation cost to truck the ore from Savoy to Blue Bell. Moreover, you have demonstrated an ample water source and supply at the Blue Bell Mine which eliminates a critical problem.

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Savoy ore. Your Schedule III, page 15 of the Revised report - appears to have included the necessary expenses for such revamping of the present Blue Bell mill.

A review of "Summary of Economics" schedule, as well as Schedules II and III indicate that the figures used are within reason and justified, particularly in this day of extreme fluctuations and variance.

Respectfully submitted,

R. E. Mieritz
Mining Consultant
Phoenix, Arizona

REM/cm

REPLY TO:
1634 W. HAZELWOOD STREET
PHOENIX, ARIZONA 85015
TELEPHONE (602) 277-6053

Richard H. Mieritz

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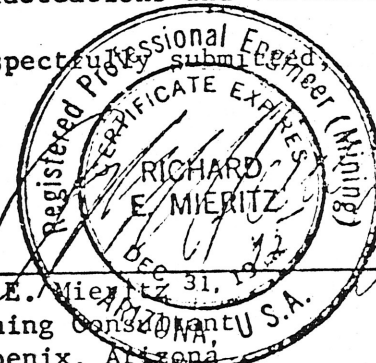
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R. E. Mieritz
Mining Consultant U.S.A.
Phoenix, Arizona

REM/cm

Copy - Mr. F. Reiley

MINE MANAGEMENT CORPORATION

P. O. BOX 7277
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Western Office:

1505 FINANCIAL CENTER BLDG.
PHOENIX, ARIZONA 85012
602-274-8049

August 28, 1975

Mr. Richard H. Roberts
P. O. Box 1230
Santa Barbara, California 93102

Dear Mr. Roberts:

Re: 1975 Savoy Mine Participation Program

Ownership

For the sum of One Hundred Thousand Dollars (\$100,000) you have agreed to purchase an individual direct economic interest in the 1975 Savoy Gold-Silver Project including income and costs. Your cancelled check will acknowledge receipt of these funds and your acquisition of interest. The total program requires One Hundred Fifty Thousand Dollars (\$150,000). The remaining Fifty Thousand Dollars (\$50,000) is to be in hand before you or your representative concludes your purchase.

As a participant in this project your liability is limited to the amount of your investment. You are also entitled, if you so wish, to receive your share of any profits in cash or in gold-silver contained in concentrate. On culmination of the project you will also be entitled to your share of salvage.

Extent of Participation: Your participation represents a Twenty Six and Sixty-Seven One Hundredths percent (26.67%) direct economic interest in the lease on the Savoy Mine, more fully described in the Lease Agreement dated October 16, 1973 between Savoy Mining Company and this company, a copy of which is attached hereto and made a part hereof as evidence of your participation. MMC warrants and represents that the lease is valid and in good standing.

The Program and Use of Funds: Your funds will be used to rehabilitate the mine and put it into operation as essentially set out in the Summary Report as revised July 15, 1975, which you have in your files. (see especially page 16 - Budget) The ore will be processed at the Blue Bell concentration plant owned by Mine Management Corporation of Arizona at cost including labor, power, water and supervision plus depreciation, not to exceed \$3,200 per month.

Risk: In view of the history of the mine and the exploration work completed to date, MMC believes that upon completion of the 1975 program the mine will become commercially attractive. In purchasing your participation you have done so as a private investor recognizing that mining and extraction of metal values involves risk. MMC and its advisors believe the risk to be low for such a project, but cannot guarantee the success of the project. MMC does represent that it, its advisors, and staff have the knowledge, skills, and experience necessary to carry out the program in an efficient and workmanlike manner, and will carry adequate insurance to protect the property and the participants.

Accounting, Costing & Reporting: MMC does and will keep accurate and complete records for tax purposes of the expenditure of receipts and disbursements for this program and will render proper accounting. You or your authorized representative may examine the books and records of MMC as they pertain to the Savoy Mine at any reasonable time by appointment after the receipt of accounting. The first accounting period will be as at December 31, 1975 and quarterly thereafter.

MMC agrees to carry out the program without charging salaries or fees of its executives or directors to cost. MMC will be permitted reimbursement for overhead expenses directly attributable to the operation of the Savoy Mine, such as mileage, communications, time of office staff, reasonable and usual charges for legal and auditing expense, etc., and agrees that such GA&O items will not exceed \$24,000 per year. It is also understood that MMC may lease equipment or sub-contract work to the program so long as the rates are competitive and the equipment or services are required.

MMC will render, in addition to accounting, progress and operating reports on at least a monthly basis.

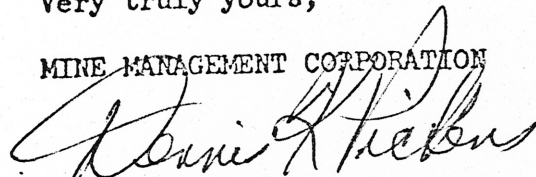
Tax Consequences: A portion of your investment will qualify as a direct expense to you for purposes of your 1975 income tax calculation as a result of expensing certain non-recurring, non-capital expenditures during rehabilitation and start up. MMC estimates (but cannot be certain) that 50%, or more, of your investment may be so treated for calendar year 1975. In addition, gold-silver mining is entitled to a 15% depletion allowance on sales up to 50% of net profits as per section 613b of the 1954 Internal Revenue Act, unchanged by the 1969 amendment.

Assignment: MMC may at any time set up a subsidiary solely for the purpose of operating the Savoy Mine and may transfer your interest intact to such operating subsidiary on written notice to you.

Acceptance: If the foregoing fairly sets forth the terms and conditions of your participation, please return the attached copy with your signature of acceptance.

Very truly yours,

MINE MANAGEMENT CORPORATION



Dennis K. Pickens, President

ACCEPTED:

Date: _____

file.

MINE MANAGEMENT CORPORATION

P. O. BOX 7277
INDIAN SCHOOL STATION
PHOENIX, ARIZONA 85011

CONFIDENTIAL

Western Office:

505 FINANCIAL CENTER BLDG.
PHOENIX, ARIZONA 85012
602 - 274-8049

June 18, 1975

BRIEF SUMMARY SAVOY MINE & PROPOSED FINANCING

- 1) LOCATION
About 4 miles from Crown King, Arizona, Tiger Mining District, adjacent to Oro Belle, largest producer gold-silver 1880 to 1913.
- 2) HISTORY
Some high grade mining intermittently 1888 to 1912 with some 2000' drifts and raises. New tunnel driven in 1957 to main ore shoot - produced for 5 years on small scale but established grade and ore body.
- 3) OWNERSHIP AND LEASE
Owned by Playford Family (Savoy Mining Company) since 1900. Main claim patented. Leased to Mine Management Corporation (MMC) October 16, 1973. Lease in good standing and under very fair terms and conditions.
- 4) EXPLORATION PROGRAM 1974
MMC on behalf of itself and a few others did \$54,375 of exploration including reopening tunnel and re-sampling accessible portion of mine. (See Maps 1 & 2 attached) Determined reserves and grade from own work and historical data.
- 5) ORE RESERVES
Two independent mining consulting engineers have confirmed MMC's calculations of 55,000 tons of \$113.00 ore with gold at \$150 ounce and silver at \$4.50 ounce in 1975 dollars. Probable additional reserves 79,000 tons and possible reserves could run to another 80,000 tons.

At \$113.00 ton the ore reserve is worth \$6,215,000 gross in place. If the probable reserves are confirmed at same value project could run to \$15,000,00 gross.
- 6) PROBABLE ECONOMIC CONSEQUENCE OF RAISING \$300,000 AND PUTTING MINE INTO PRODUCTION
See attached:

Schedule I - Summary
Schedule II - Direct Costs
Schedule III - Capital Costs
- 7) MMC FINANCING PROPOSAL TO COMMERCIALIZE MINE
a) Register offering to sell \$300,000 of Limited Partnership or

carved out mineral interest participation

- b) Offer new money 50% of net profits and all non-cash benefits including estimated 50% tax shelter (could be higher) by labeling much of work as exploration under IRS sections 617 to 617h, 1969 amendment.
 - c) Present participants 25% and MMC 25%
 - d) MMC will manage at maximum GA&O charge of \$24,000 per year.
- 8) QUESTION
Who will undertake financing for maximum 12% fee upon proper registration?

A handwritten signature in black ink, appearing to be 'G. R. H.', is written over a horizontal line.

SUMMARY OF ECONOMICS

SAVOY MINE

(to nearest \$1000)

| | | | |
|------|---|------------------|----------------------|
| 1.0 | <u>SALES - ANNUAL</u> | | |
| 1.1 | Gross Value Ore - 9600 tons x \$113.25 @ 85% recovery-240 working days @ 40 TPD | | \$924,000 |
| 1.2 | Less Air freight & insurance marketing bullion | | <u>5,000</u> |
| 1.3 | Net Value Annual Production F.O.B. Mine | | \$919,000 |
| 2.0 | <u>COSTS</u> | | |
| 2.1 | Direct - 9600 tons @ \$48.00 | \$461,000 | |
| 2.2 | Royalties to owner | 70,000 (1) | |
| 2.3 | General Administrative & Overhead @ \$2,000 month incl. tel & tel, insurance, local taxes, travel & management | <u>24,000</u> | |
| 2.4 | Total Costs | | <u>\$555,000</u> |
| 3.0 | <u>NET ANNUAL CASH PROFIT BEFORE DEPRECIATION, DEPLETION & INCOME TAXES</u> | | \$364,000 |
| 4.0 | <u>LESS NON-CASH ITEMS</u> | | |
| 4.1 | Depreciation (average 10 years) per year | \$ 25,000 | |
| 4.2 | Depletion @ 15% | <u>135,000</u> | |
| 4.3 | Total Non-Cash | | <u>\$160,000</u> |
| 5.0 | <u>TAXABLE INCOME</u> | | \$204,000 |
| 6.0 | <u>FEDERAL & STATE INCOME TAXES</u> (Assume average investor in 30% bracket) | | <u>61,000</u> |
| 7.0 | <u>NET PROFIT AFTER TAX</u> | | \$143,000 |
| 8.0 | <u>ADD BACK NON-CASH ITEM 4.3</u> | <u>\$160,000</u> | \$303,000 |
| 9.0 | <u>NEW INVESTOR'S AFTER TAX CASH RETURN</u> 50% Interest | | <u>\$151,000 (2)</u> |
| 10.0 | <u>ROI ON NEW \$300,000 FINANCING - AFTER TAX - ANNUAL</u> | | <u>50.33%</u> |

NOTES:

- (1) Owner's est. royalty if ore shipped to smelter as per lease - subject adj.
(2) Present high risk investment of \$70,000 spent in 1974 for reopening mine as exploration tax shelter represents other 50% interest.

SCHEDULE II

DIRECT COSTS MINING & EXTRACTION - SAVOY MINE

(40 TPD - 2 shifts - 20 working days)

1.0 MINING & CONTINUING DEVELOPMENT OF RESERVES

| | Per Working Day | Per Ton |
|--|--------------------|----------------|
| 1.1 Labor & Supervision | | |
| 1.11 10 men @ \$6.00 hr. 40 hr. week (average) | \$480.00 | |
| 1.12 Burden incl. comp. insurance @ 32% of above | 155.00 | |
| 1.13 Total Burden & Supervision | <u>\$535.00</u> | <u>\$21.40</u> |
| 2.1 Supplies | | |
| 2.11 Timber (rough cut on forest permits) | \$100.00 | \$ 4.00 |
| 2.12 Bits, steel & explosives | 25.00 | 1.00 |
| 2.13 Fuel, lubricants & water (600 cfm compressor 10 KW diesel generator) | 25.00 | 1.00 |
| 2.14 Ventilation pipe & misc. repairs | 25.00 | 1.00 |
| 2.15 Total Supplies | <u>\$175.00</u> | <u>\$ 7.00</u> |
| 3.1 Equipment-Rental Purchase | | |
| 3.11 350 cfm compressor @ \$500 mo. | \$ 50.00 | \$ 1.00 |
| 3.12 25 KW standby compressor generator \$200 mo. | 10.00 | .40 |
| 3.12 Total Equipment Rental | <u>\$ 60.00</u> | <u>\$ 1.40</u> |
| 4.1 Pickup Truck & Misc. Camp Expenses | <u>\$ 50.00</u> | <u>\$ 2.00</u> |
| 5.1 Total Direct Cash Costs - Mining | <u>\$820.00</u> | <u>\$32.80</u> |

2.0 CRUSHING, GRINDING, CYANIDING

| | | |
|--|-----------------|----------------|
| 2.1 Labor & Supervision | | |
| 2.11 4 men @ \$5.00 hr. - 40 hr. wk. | \$160.00 | |
| 2.12 Burden incl. comp. insurance 32% | 50.00 | |
| 2.13 Total Labor | <u>\$210.00</u> | <u>\$ 8.45</u> |
| 2.2 Supplies & Utilities | | |
| 2.21 Reagents | \$ 20.00 | |
| 2.22 Fuel & Gasoline | 50.00 | |
| 2.23 Electricity | 25.00 | |
| 2.24 Misc. Repairs | 25.00 | |
| 2.25 Total Supplies & Utilities | <u>\$120.00</u> | <u>\$ 4.80</u> |
| 2.3 Rental-Purchase Equipment (See Schedule III, Items 6.5 & 7.3) | <u>\$ 50.00</u> | <u>\$ 2.00</u> |
| 2.4 Total Cost Milling & Cyaniding | <u>\$380.00</u> | <u>\$15.25</u> |

3.0 TOTAL ALL DIRECT COSTS

\$1,200.00 \$48.00

4.4 Misc. tools, safety devices, spare parts, bits, drill
steel, etc.

5,000

4.5 Starting timber inventory

5,000

4.6 Total

\$18,600

5.0 MAKE READY & DEVELOPMENT WORK (See Map #1)

| | |
|---|---------------------|
| 5.1 Retimber through balance ore shoot | \$ 5,000 |
| 5.2 Rehabilitate Wilkerson raise & expand to 3 compartments | 12,750 |
| 5.3 Total | <u>\$17,750 (2)</u> |

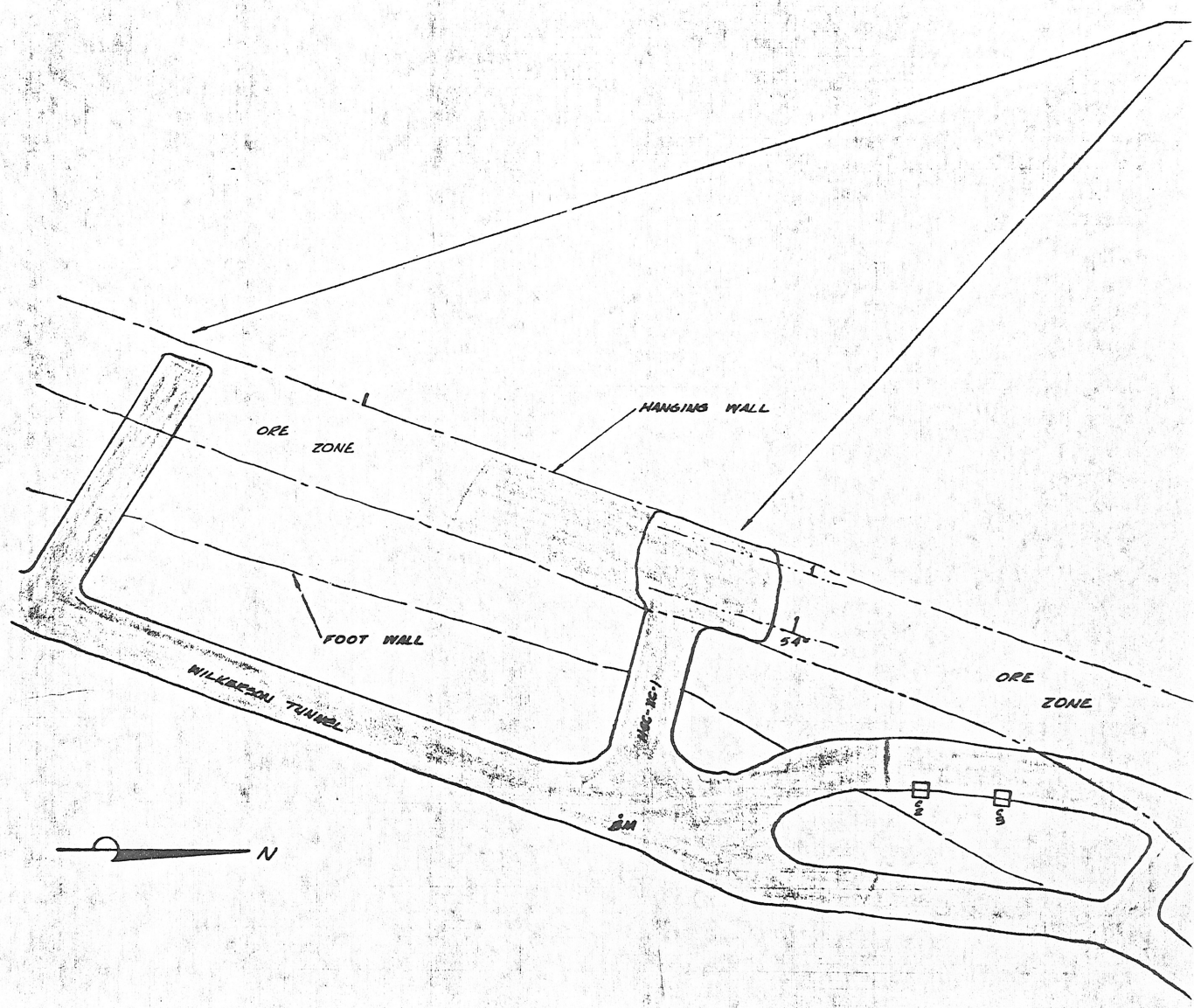
6.0 ESTABLISH CRUSHING, GRINDING & CYANIDING SYSTEM

| | |
|---|----------|
| 6.1 Repair existing mill building and living quarters | \$ 7,500 |
| 6.2 Acquire and install 14' x 28' jaw crusher & 2' Symms low head crusher | 12,500 |
| 6.3 Rehabilitate 5 x 4 ball mill now in place, including new motor & drives | 4,500 |
| 6.4 Repair & rehabilitate existing float cells | 5,000 |
| 6.5 Move from Blue Bell Mine and install 4 x 4 regrind mill, 2 additional float cells, pumps, etc. | 15,000 |

| | | |
|------|--|------------------|
| 7.0 | <u>OTHER CAPITAL REQUIREMENTS</u> | |
| 7.1 | Deposit to APS for electricity, replacing 3 poles | \$ 5,000 |
| 7.2 | Erect 250' cyclone fence - 9' barbed wire - with electronic security - installed | 5,000 |
| 7.3 | Move steam boiler from Blue Bell and install for camp & mill heat including radiators & heat units | 5,000 |
| 7.4 | Fuel tanks, water tanks & pumps - plastic hose-installed | 17,500 |
| 7.5 | First 2 months rental-purchase equipment | 3,500 |
| 7.6 | Starting inventories balls, powder, fuel, bits & small tools | 2,500 |
| 7.7 | Prepaid Workmen's Comp. & other insurance - 1st qtr. | 2,000 |
| 7.8 | Legal, auditing & professional engineering fees - 1st 3 months | 2,500 |
| 7.9 | Management & supervision during installation & start up - 4 months @ \$3,000 | 12,500 |
| 7.10 | Total | <u>\$55,500</u> |
| 8.0 | <u>WORKING CAPITAL CONTINGENCIES & OVERSIGHTS</u> | <u>46,150</u> |
| | <u>TOTAL DIRECT CAPITAL REQUIRED FOR MINE</u> | <u>\$250,000</u> |
| 9.0 | <u>ESTIMATED COSTS PREPARATION REGISTRATION OF LIMITED PARTNERSHIP OFFERING & SALE</u> | |
| 9.1 | Preparation of Prospectus including professional engineering fees as experts, legal accounting, printing, etc. | \$ 14,000 |
| 9.2 | Expected Financing Cost to raise \$300,000 @ 12% | 36,000 |
| 9.3 | Total | <u>\$ 50,000</u> |
| 10.0 | <u>TOTAL CAPITAL TO BE RAISED</u> | <u>\$300,000</u> |

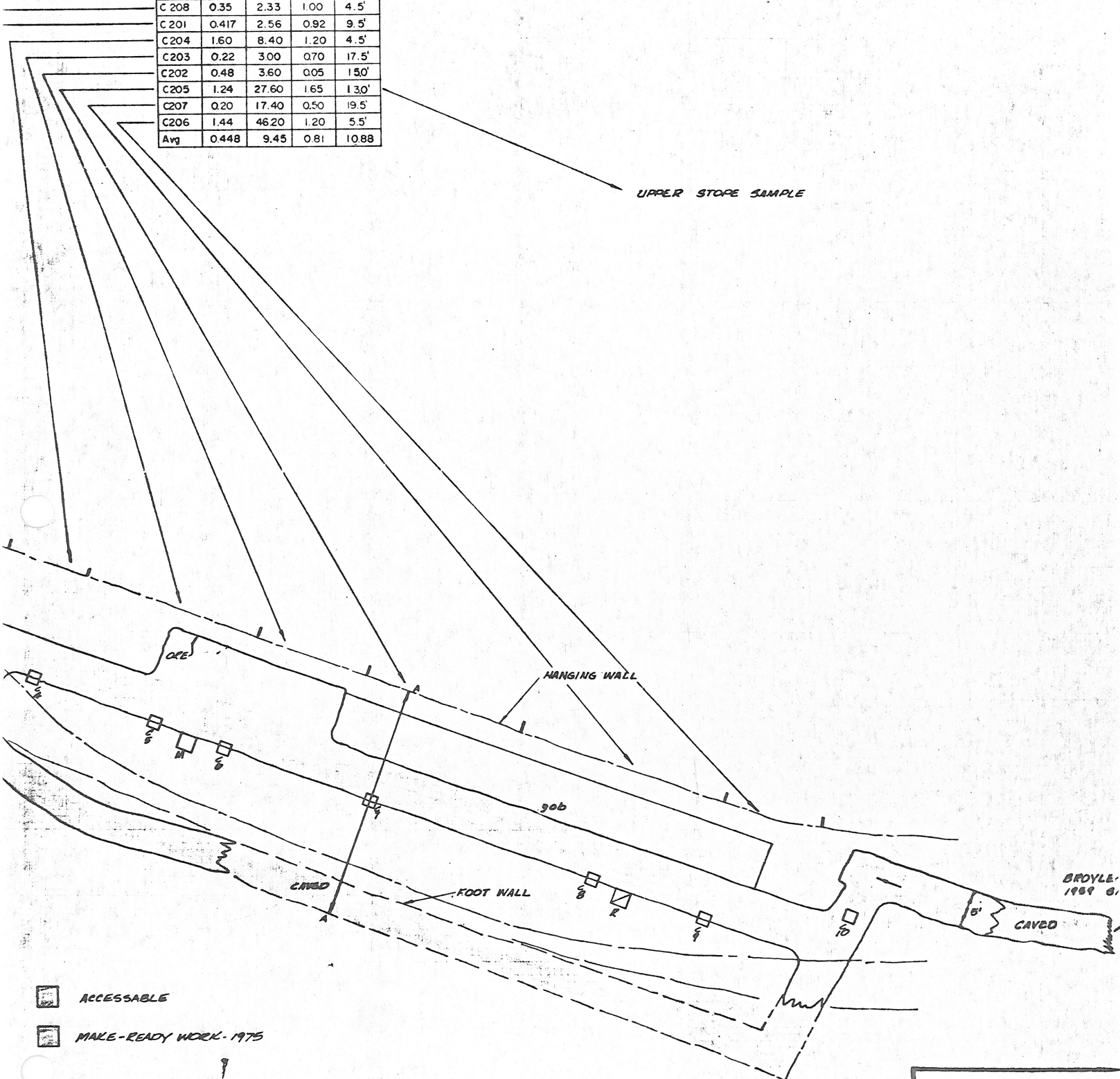
NOTES:



- 1) All items located and priced
- 2) Contract price



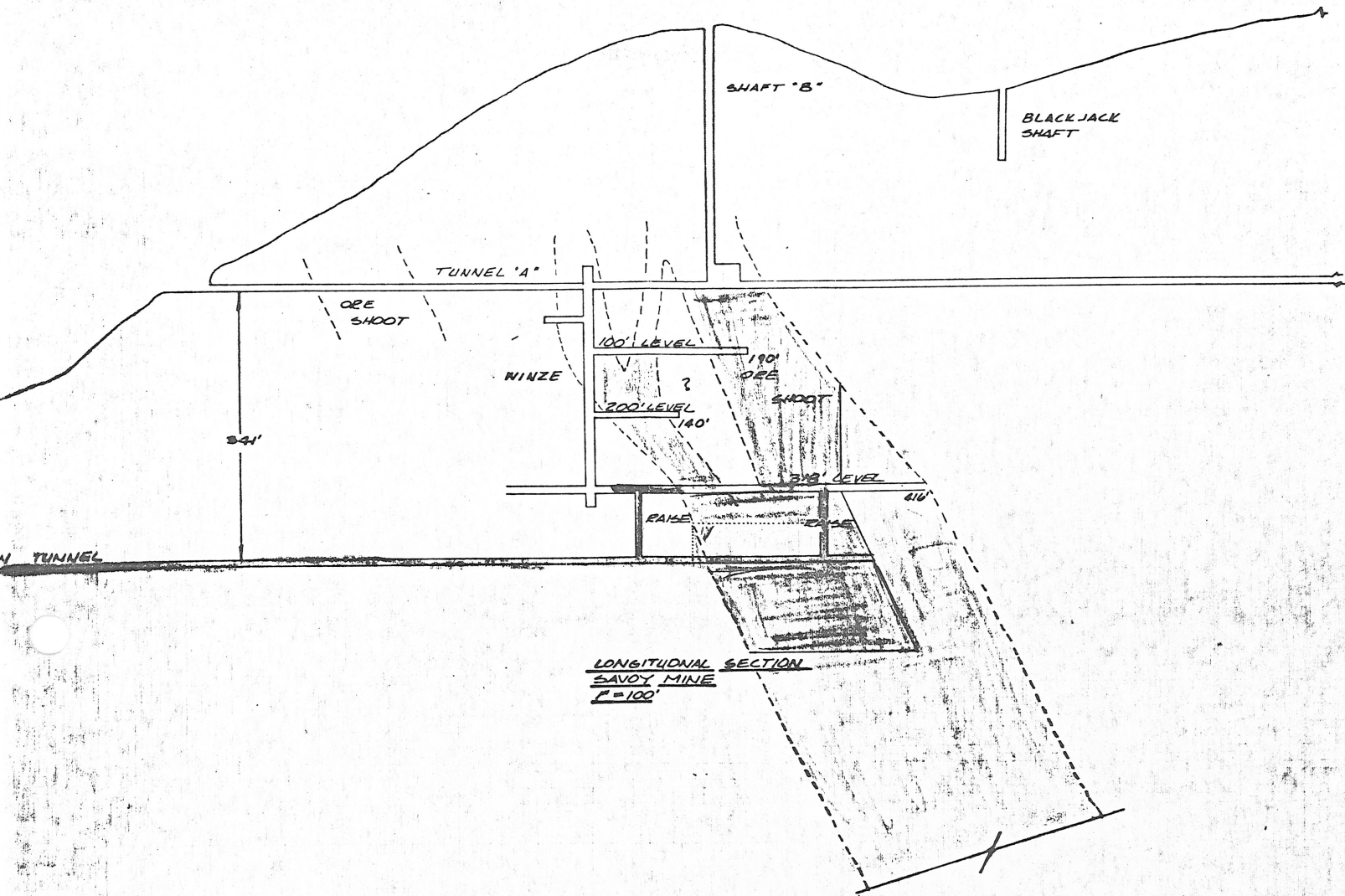
| CHANNEL | | SAMPLES | | | |
|---------|-------|---------|------|-------|--|
| SAMPLE | OZ Au | OZ Ag | % Cu | WIDTH | |
| C 208 | 0.35 | 2.33 | 1.00 | 4.5' | |
| C 201 | 0.417 | 2.56 | 0.92 | 9.5' | |
| C 204 | 1.60 | 8.40 | 1.20 | 4.5' | |
| C 203 | 0.22 | 3.00 | 0.70 | 17.5' | |
| C 202 | 0.48 | 3.60 | 0.05 | 15.0' | |
| C 205 | 1.24 | 27.60 | 1.65 | 13.0' | |
| C 207 | 0.20 | 17.40 | 0.50 | 19.5' | |
| C 206 | 1.44 | 46.20 | 1.20 | 5.5' | |
| Avg | 0.448 | 9.45 | 0.81 | 10.88 | |

UPPER STOPE SAMPLE

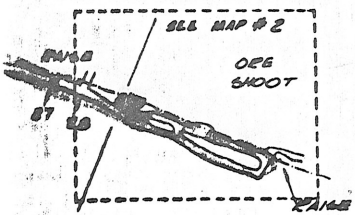







-  ACCESSABLE
-  MAKE-READY WORK - 1975

| | |
|--------------------------------|--------------|
| MINE MANAGE | |
| SCALE: 1" = 8' | MAP 2 |
| DATE: 1-7-74 | |
| TRACING FROM | |
| SAVOY MINE ASSAY MAP | |
| H.S. CHILDS' CONFIRMED | |
| COE & VAN LOO Consulting Engin | |
| PHOENIX | |



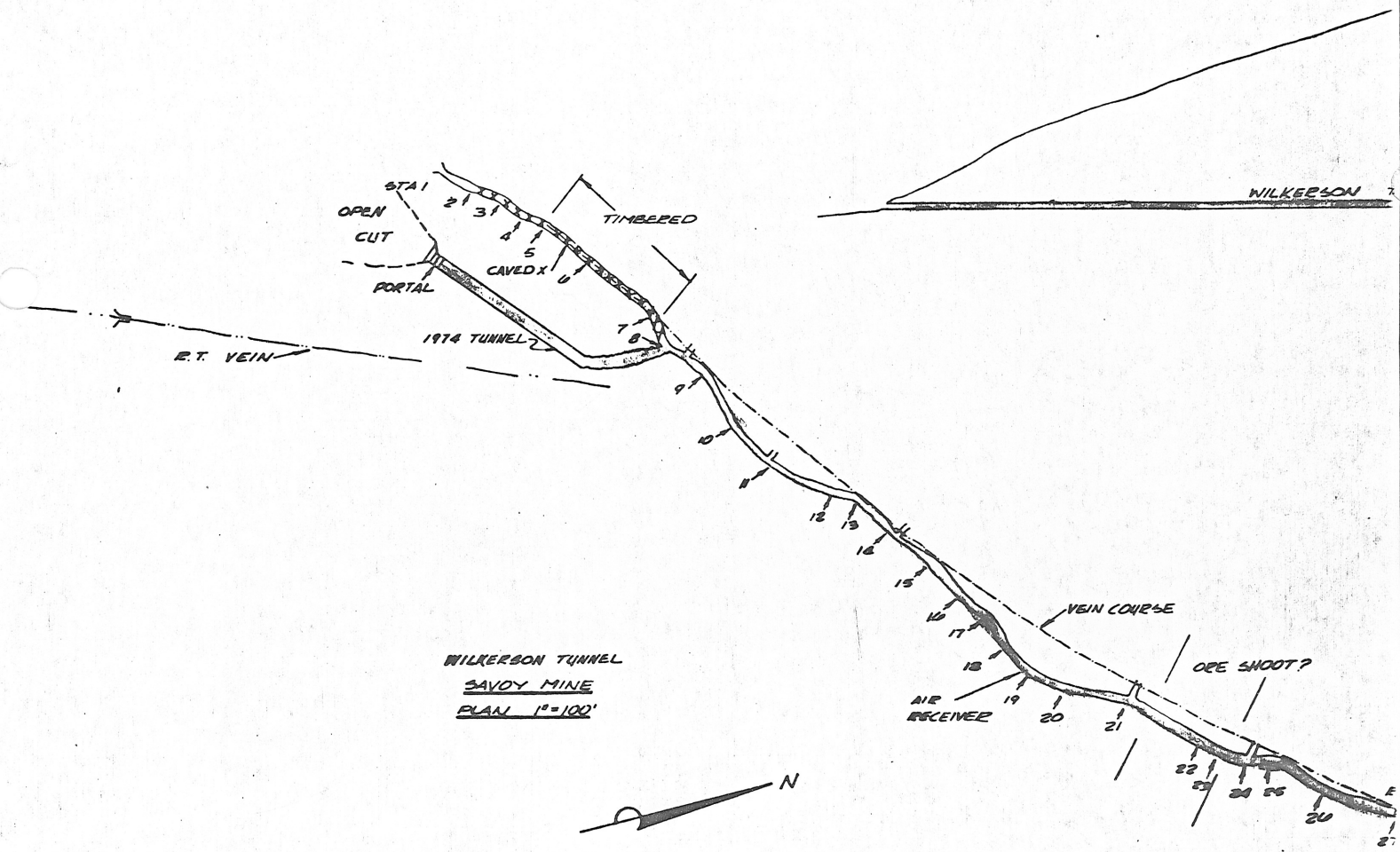
LONGITUDINAL SECTION
SAVOY MINE
P=100'



-  ORE
-  PROBABLE ORE
-  WILDERSON WORKINGS
-  ACCESSABLE
-  MAKE-READY WORK - 1975

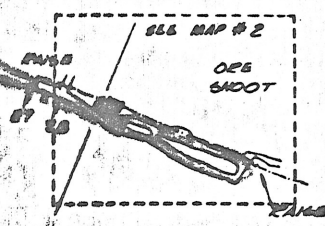
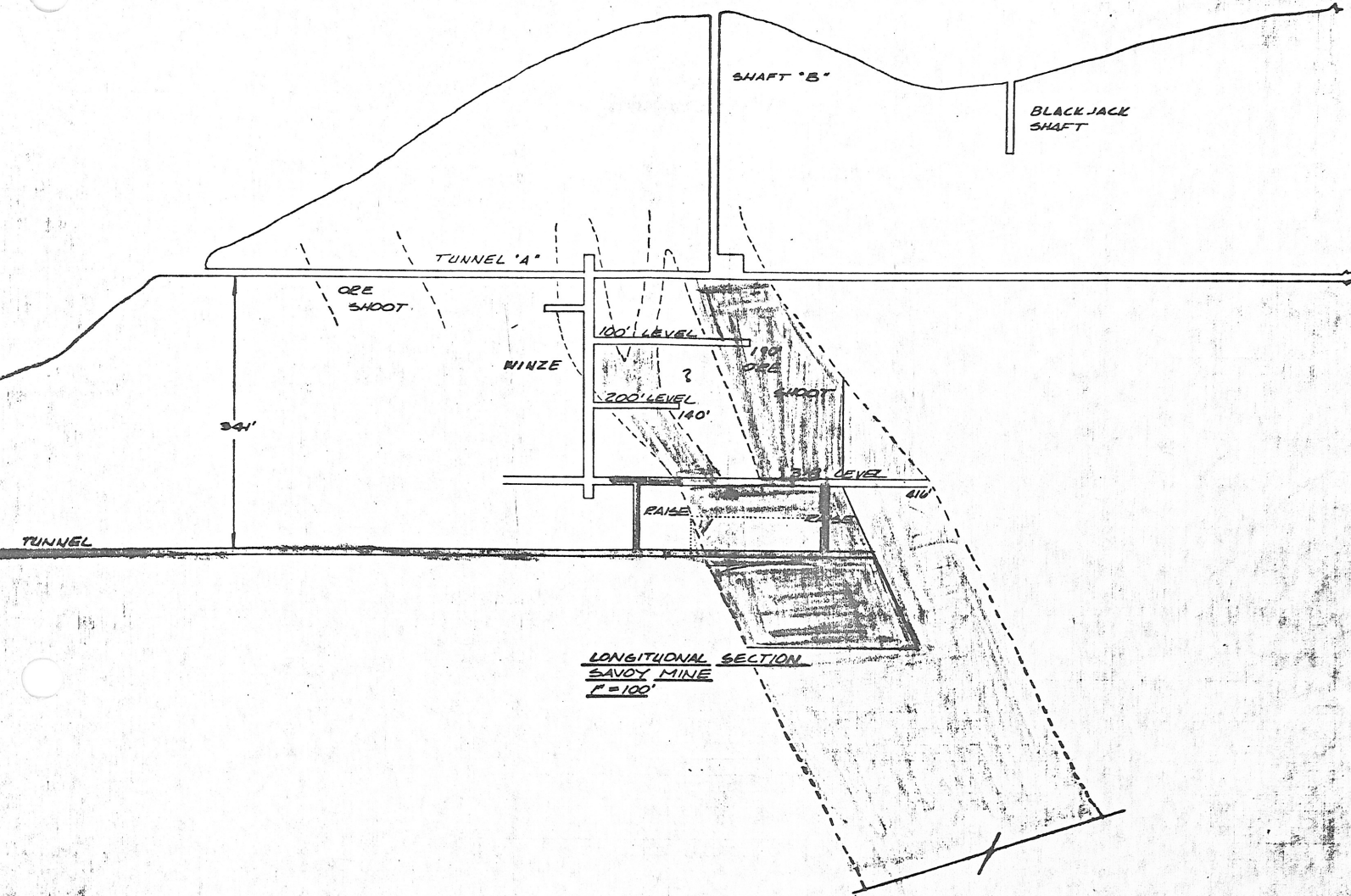
REVISED 1-7-75






| | | |
|--|--------------|---------------|
| MINE MANAGEMENT CO. | | |
| SCALE: 1"=100' | MAP 1 | DRAWN: DAVE |
| DATE: 7-11-74 | | CHECKED: M.P. |
| SAVOY MINE PLAN & PROFILE | | |
| COE & VAN LOO Consulting Engineers Inc. | | Sheet 1 |
| PHOENIX ARIZONA | | of 2 |



WILKERSON TUNNEL
 SAVOY MINE
 PLAN 1"=100'





-  ORE
-  PROBABLE ORE
-  WILKERSON WORKINGS
-  ACCESSABLE
-  MAKE-READY WORK - 1976

REVISED 1-7-76

| | | | | | |
|--|--|---------------|--|-----------------|--|
| MINE MANAGEMENT CO. | | MAP 1 | | DRAWN: DAVE | |
| SCALE: 1" = 100' | | DATE: 7-11-76 | | CHECKED: H.M.L. | |
| SAVOY MINE PLAN & PROFILE | | | | | |
| COE & VAN LOO Consulting Engineers Inc. | | | | Sheet 1 | |
| PHOENIX ARIZONA | | | | of 2 | |

419-04-02

MINE MANAGEMENT CORPORATION

P. O. BOX 7277
INDIAN SCHOOL STATION
PHOENIX, ARIZONA 85011

Western Office:

1505 FINANCIAL CENTER BLDG.
PHOENIX, ARIZONA 85012
602 - 274-8049

May 1975

OUTLINE: MINE MANAGEMENT CORPORATION

Purpose:

The purpose or reason for the existence of the Mine Management Corporation (MMC) (Delaware) is to provide complete executive direction for investors for the exploitation of proven mineral properties.

Functions:

The Corporation's functions include, but are not limited to the following:

1. Locate, investigate and evaluate mineral properties including precious metals, base metals, coal and industrial non-metallics.
2. Prepare at its own expense complete project studies to determine that the properties under consideration are technically sound and economically attractive.
3. Present acceptable and desirable projects to investors whether individuals or companies.
4. Manage and operate at executive and technical level the investment for an agreed upon fee to be paid only from net profits.
5. Act as advisory Board of Directors to investor(s) on all capital improvements, expansion, policy matters, purchasing practice, sales contracts and planning, tax implications, etc.
6. Operate mining properties for its own account.

BOARD OF DIRECTORS - May 1975

The Directors of MMC (or its affiliated companies Mine Management Corporation of Arizona and Mine Management Corporation of Pennsylvania) and a brief resume of their backgrounds follows:

Mr. William Kennedy, 67, New York City, N. Y., recently retired Senior Financial Vice President of International Nickel Company and its in-house counsel. Mr. Kennedy is a recognized expert in mining law and taxation.

Dr. George Olson, 55, Fort Collins, Colorado
Vice President of Colorado State University and the Director of the Colorado

Research Foundation. Dr. Olson is a Ph.D in physical chemistry and an expert in extractive metallurgy and industrial non-metallics. He is also a consultant to several substantial minerals companies.

Mr. Fred Niggemyer, 59, Lancaster, California

President of Fremont Industries, Lancaster, California and Fremont, Ohio, a company specializing in liquidation and resale of heavy production equipment in mining and related fields. He was Vice President of McDowell-Wellman (now Rodney McDowell) engineers and constructors, Cleveland, before going into his own business. He holds a B.S. in electrical engineering and did graduate work at MIT.

Mr. Richard Vollmer, 54, New Haven, Connecticut

Until recently President and controlling stockholder of the Bigelow Company, manufacturers for over 100 years of medium sized boilers and heat exchangers. Before taking control of Bigelow, Mr. Vollmer was Assistant Vice President-Engineering, Koppers Company. Mr. Vollmer is a graduate mechanical engineer.

Mr. James J. Girard, 44, Santa Maria, California

Mr. Girard is Manager of Airox Incorporated at Santa Maria, California where MMC modified a substantial fluid bed reactor and installed a complete new crushing and screening plant. Mr. Girard is a graduate of the University of Arizona in business administration with 15 years experience in mining, construction and chemicals.

Mr. Andrew Zinkl, 59, Prescott, Arizona

Registered Professional Mining Engineer, for 17 years managed all underground operations of Iron King Mine (1500 tons silver-zinc ore day) and is a very successful consulting engineer with particular expertise in copper leaching and flotation and cyanidization of gold and silver.

Mr. Ray Bologna, 42, Burgettstown, Pennsylvania

President and owner of Bologna Coal and President of MMC of Pennsylvania (Champion Silt Project). Bologna Coal is a substantial and very successful producer of strip mine coal with proven reserves in excess of 27 million tons.

Mr. Dennis K. Pickens - resume attached

As can be seen, the Directors are all successful in their fields and all are technically trained with executive positions and experience. The availability of this group is important as no non-mining investor(s) could afford the cost of their advice for small or intermediate sized projects.

SPECIAL CONSULTANTS

MMC uses, as may be required, specialists in various fields of mining and extractive metallurgy depending on the problem encountered. These include, but are not limited to:

Mr. Edward Greenwalt, President of Resource Engineering & Management Inc. and sole surviving partner of Eavensen, Auchmuty and Greenwalt, Pittsburgh, Pennsylvania, consulting coal mining engineer. Mr. Greenwalt is one of

the few true specialists in the field and includes among his clients both large and small coal companies, banks and Public Utilities.

Coe and Van Loo, Consulting Engineers, Phoenix, Arizona

This is Arizona's most distinguished consulting engineering firm which specializes both in civil projects and the design and specifications for extractive metallurgical plants.

P. J. McGauley, Metallurgical Engineer, University of British Columbia, currently Senior Extractive Metallurgist Bechtel, headquartered in New York. Previously with Chemico, holds 18 patents in extractive metallurgy, most of which are in use; is world-recognized as an authority on hydrometallurgy, pressure leaching and sulphur extraction.

John Long, 54, Director and owner Arizona Research Consultants (ARC), Phoenix, Arizona, a small but highly respected laboratory specializing in extractive metallurgy and assaying. Mr. Long holds his degrees in chemistry from Ohio State University. Before starting ARC 17 years ago, he was Assistant Chief Chemist of U. S. Rubber Company.

These consultants are used when needed by MMC or its affiliated corporation who pay full prices for services and special advice.

Andrew J. Zinkl
REGISTERED MINING ENGINEER

1602 N. CAMPBELL ST.
PRESCOTT, ARIZONA 86301
PHONE 445-5763

April 22, 1975

Mr. Dennis K. Pickens
Mine Management Corp.
P. O. Box 7277
Phoenix, Az. 85011

Dear Dennis,

On Tuesday, April 15, 1975 I accompanied your geologist, Mr. Ralph Noyes, to examine the Savoy mine at Crown King, Az. This was my first visit since you had completed your new adit into the old workings.

Ralph had furnished all the old maps, old assay data and his new assay data. We spent several hours underground checking the maps and examining the ore zone, principally to determine what method or methods would be used to mine this ore deposit.

I then went over your Summary Report of January 1975 in detail and am herein presenting my conclusions.

Mining Method:

I think the method previously used here was all right, but should be updated to one of central access to the total length of the ore zone. This is called a horizontal cut and fill method, wherein the ore within the vein is mined first one cut high, and then the waste material, or lower grade rock is used to fill the stope, to the next cut. I will not go into great detail, but this standard method will work in this deposit.

Milling:

My preference would be to concentrate on the property because of the trucking cost to haul to any other site. However, you do have a water, or rather a lack of water problem at the mine, and this will determine the tonnage to be concentrated each day and the method to be used. As the precious metal content is closely associated with the sulphide mineral, pyrite, I would prefer a small flotation circuit, possibly preceded by some gravitational method, jigs and/or tables to recover any free gold and coarser pyrite and then the fines, or slimes going to flotation. This will give you a ratio of concentration which will not reflect too severely in the trucking cost.

Ore Reserves:

Your ore reserve calculation certainly is based on excellent information rarely available for ore reserve determinations.

In general I cannot find any reason to disagree with your figures, nor the assigned values. This is true of both your blocked out reserve and your probable reserve.

Mr. Dennis K. Pickens
Phoenix, Az. 85011

-2-

4/22/75

I would expend my initial energies to mining on the Wilkerson level and the ore remaining above that level.

Sinking a decline to a level one hundred (100') feet below the Wilkerson level should not be undertaken until the Wilkerson level has been 50% mined out of the remaining reserves, at which time your concentrating facility will have successfully operated to produce a profit. In other words, sink to the next level with profit money.

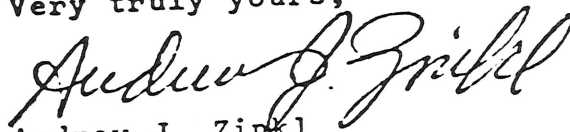
Economics:

Your operating cost analysis checks with my own estimates rather closely. I had arrived at a preliminary estimated figure for mining on the Wilkerson tunnel at a rate of 50 tons per day. My figure is \$35.00 per ton delivered to the mill at the portal.

Our capital investment figures are also close. I included more equipment than you have, because I included a battery locomotive haulage facility, whereas you plan on using a compressed air locomotive. As a result of this, my figure approaches \$100,000 compared to your \$80,000.

In general I feel you and Ralph Noyes have accurately analysed the Savoy mine situation and that your plan to proceed is good and should be initiated as quickly as possible.

Very truly yours,



Andrew J. Zinkl
Registered Mining Engineer

AJZ:bv

Andrew J. Zinkl
REGISTERED MINING ENGINEER

1602 N. CAMPBELL ST.
PRESCOTT, ARIZONA 86301
PHONE 445-5763

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P. O. Box 7277
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In general I cannot find any reason to disagree with your figures, nor the assigned values. This is true of both your blocked out reserve and your probable reserve.

Mr. Dennis K. Pickens
Phoenix, Az. 85011

-2-

4/22/75

I would expend my initial energies to mining on the Wilkerson level and the ore remaining above that level.

Sinking a decline to a level one hundred (100') feet below the Wilkerson level should not be undertaken until the Wilkerson level has been 50% mined out of the remaining reserves, at which time your concentrating facility will have successfully operated to produce a profit. In other words, sink to the next level with profit money.

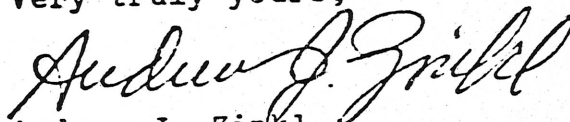
Economics:

Your operating cost analysis checks with my own estimates rather closely. I had arrived at a preliminary estimated figure for mining on the Wilkerson tunnel at a rate of 50 tons per day. My figure is \$35.00 per ton delivered to the mill at the portal.

Our capital investment figures are also close. I included more equipment than you have, because I included a battery locomotive haulage facility, whereas you plan on using a compressed air locomotive. As a result of this, my figure approaches \$100,000 compared to your \$80,000.

In general I feel you and Ralph Noyes have accurately analysed the Savoy mine situation and that your plan to proceed is good and should be initiated as quickly as possible.

Very truly yours,



Andrew J. Zinkl
Registered Mining Engineer

AJZ:bv

LEASE

THIS LEASE AND AGREEMENT made and entered into this the 16th day of October, 1973, by and between SAVOY MINING COMPANY, an ARIZONA corporation, hereinafter designated Lessor, and MINE MANAGEMENT CORPORATION, a Delaware corporation, hereinafter designated Lessee,

WITNESSETH:

THAT, WHEREAS, Lessor is the owner of certain patented mining claims and improvements hereinafter set forth; and

WHEREAS, Lessee desires to reopen the main tunnel, re-examine the mine and operate the mine if sufficient ore is found in lessee's sole judgment to warrant the operation of the mine for profit;

NOW, THEREFORE, pursuant to the foregoing and in consideration of the mutual covenants and other good and valuable consideration hereinafter expressed to be paid or performed, the Lessor and Lessee do hereby enter into this lease of mining property and agreement, and the Lessor does hereby lease, demise and rent unto the Lessee those certain patented mining claims situated in the Tiger Mining District, Yavapai County, State of Arizona, the names of which, together with the books and pages of Records and Deeds in the office of the County Recorder of Yavapai County, Arizona, to which reference is hereby made for a more particular description, being as follows:

| <u>Name</u> | <u>Book</u> | <u>Page</u> |
|----------------|-------------|-------------|
| Hilda | 102 | 323 |
| Apache Panther | 16 | 593 |

The parties hereto mutually agree as follows:

1. Lessee agrees to enter upon the property at Lessee's own cost and expense and to use its best efforts to restore access to the known ore zone.
2. On or before April 30, 1974, Lessee will notify Lessor in writing that either a) the exploration and evaluation work have resulted in the discovery of sufficient ore to justify an operation, or b) that Lessee cancels this lease and transmits all significant findings to Lessor.

3. In the event Lessee shall chose to commence operating, Lessee shall pay \$500.00 per month to Lessor as advance minimum royalties starting April 30, 1974 and each month thereafter with such minimum royalties being credited to earned royalties from net smelter returns when such earned royalties exceed the minimums previously paid.

4. When production has commenced, Lessor shall be entitled to 10% of net smelter returns or \$500 per month, whichever shall be greater on a cumulative basis.

5. The terms of this lease shall commence with the date hereof and shall continue for a term of ten (10) years, or until terminated by Lessor for failure by Lessee to comply with the terms of this lease agreement as provided herein.

6. The Lessee shall have the right to take possession of said premises and use any improvements such as machinery, buildings and rail immediately upon the execution of this lease.

7. Lessee agrees that all mining operations will be carried on in good faith so as to take out the greatest amount of minerals possible with due regard to the development and preservation of said mine or mining premises as a workable mining property.

8. Lessor, by its duly authorized agent or agents, may from time to time go upon and enter into all parts of said leased premises for the purposes of inspection, survey or taking samples therefrom, and the Lessee shall render the Lessor reasonable assistance in making such inspection, survey or examination.

9. Lessee shall keep a correct account of all minerals mined and delivered to the smelter, the grade and weight thereof, to whom delivered, and the price received therefor, which books and records shall be open to the inspection of the Lessor at all reasonable times.

10. The rent herein provided for, other than minimum royalties when due, shall be due and paid on the 15th day of each month for all minerals delivered to the smelter and payment received therefor during the preceding calendar month. At the time of making each payment of rent, the Lessee shall transmit to the Lessor an exact statement of all minerals mined from the leased premises during the preceding month, the grades thereof, the amount of all minerals delivered to the smelter during the preceding month, to whom

delivered, and the price per ton received therefor. It is clearly understood that in calculating the amount of net smelter returns due freight from the mine, whether truck or rail, shall be taken into account.

11. The Lessor shall not be responsible in case of accident to any of the employees of Lessee in or about said property.

12. All taxes and assessments levied or assessed upon or against the mining claims, equipment, buildings and machinery shall be paid by the Lessee.

13. The Lessee agrees to post on the leased premises all notices required by the laws of the State of Arizona, and Lessee further agrees to post notices on the leased property that said mining claims are not being operated by the owner and that the owner will not be liable for labor, materials or merchandise furnished to or performed in the operation or development of said mine or mining claims.

14. The Lessee shall deliver to the Lessor quiet and peaceful possession of said leased premises in good order and condition upon the termination of this lease. It is mutually agreed that all structures, machinery and equipment which may be placed upon the premises by the Lessee may be removed therefrom within thirty (30) days after the termination of this lease.

15. Upon the violation of any covenant, condition or provision herein contained, this lease shall, at the option of Lessor, expire and terminate and said Lessor may thereupon, after demand in writing, enter upon said premises and dispossess all persons occupying the same with or without process of law.

16. Lessee agrees to fully comply with all of the requirements of the mining laws of the United States and the State of Arizona.

17. Lessee agrees that he will not sublet the leased premises herein or assign this lease and agreement without first having received the written consent of Lessor.

18. All notices and correspondence as may be required shall be addressed to Lessor,

Savoy Mining Company
c/o H. R. Playford
Box 1985
Scottsdale, Arizona 85252

to Lessee

Mine Management Corporation
P. O. Box 7277
Phoenix, Arizona 85011
Attention: D. K. Pickens

unless otherwise specified in writing.

This lease and agreement shall bind and benefit the heirs, execu-
tors, administrators, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this lease
and agreement the day and year hereinabove written.

SAVOY MINING COMPANY

H. R. Playford
H. R. Playford, President

MINE MANAGEMENT CORPORATION

Dennis K. Pickens
By: Dennis K. Pickens, President

STATE OF ARIZONA)
) ss
County of Maricopa)

On this the 11th day of October, 1973, before, the undersigned
officer, personally appeared H. R. Playford, who acknowledged himself to be
the President of Savoy Mining Company, an Arizona corporation, and that he,
being authorized to do so, executed the foregoing instrument for the purposes
therein contained, by signing the name of the Corporation by himself.

IN WITNESS WHEREOF I have hereunto set my hand and official seal.

Ralph Huck
Notary Public

My commission expires:

STATE OF ARIZONA)
) ss.
County of Maricopa)

On this the 16th day of October, 1973, before me, the undersigned
officer, personally appeared Dennis K. Pickens, who acknowledged himself to
be the President of Mine Management Corporation, a Delaware corporation, and
that he, as such officer, being authorized to do so, executed the foregoing
instrument for the purposes therein contained, by signing the name of the
Corporation by himself.

IN WITNESS WHEREOF I hereunto set my hand and official seal.

Ralph Huck
Notary Public

My commission expires:

STATUS OF SAVOY GOLD-SILVER MINE

AND

POTENTIAL OF ADJACENT AREA

Tiger Mining District, Yavapai County Arizona

PART CONTENTS

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July 1981, Revised 1992

I SUMMARY

1.0 ownership and Location

The Savoy Mine consists of two patented and 18 unpatented mining claims owned 25% by Mine Management Corporation of Arizona (MMCA) and 75% by a group of investors. MMCA is the operator. The mine is reached from Crown King, Arizona, by Forest Road 52, turning left at Forest Road 192 and left again on a road built in 1955 to the mine site - a distance of seven miles of extremely rough road.

2.0 Basis of Report - to 6/30/81

The data contained in this report has been in preparation by MMCA since 1973 with the aid of outside independent registered mining engineers and geologists, and a large documented historical background and other records. Since December of 1979, MMC has managed a substantial exploration program with day-to-day direction of work at the mine by Contract Mining Engineer, Frank J. Montonati. In excess of \$925,000 has been spent on the project.

3.0 Status of Mine-Consensus of MMCA and Advisors

| | | |
|------------|--|--------------------------------|
| <u>3.1</u> | <u>Grade of Commercially Minable Ore</u> | |
| | Average 0.25 opt Gold | 4.00 opt Silver |
| <u>3.2</u> | <u>Reserves</u> | <u>Tons</u> |
| | Ore | 82,000 |
| | <u>Probable Ore</u> | <u>95,000</u> |
| | Total | 177,000 |
| | | <u>Gross Value @ \$152/ton</u> |
| | | 12,464,000 |
| | | 14,440,000 |
| | | \$26,904,000 |
| | (1)Gold & Silver prices-week 6/22/81 | |

4.0 Potential of Area-Unexplored Targets for Ore Shoots

| | | |
|------------|----------------------------|-----------------------|
| <u>4.1</u> | <u>Possible Ore -Savoy</u> | <u>Estimated Tons</u> |
| | Savoy at depth | 142,000 |
| | Savoy unexplored | 250,000 |
| <u>4.2</u> | <u>Adjoining Area</u> | |
| | 8 Potential Ore Shoots | |
| | <u>@ 200,000 tons each</u> | <u>1,600,000</u> |
| <u>4.3</u> | Potential tonnage | 2,192,000 |

5.0 Future of Savoy Mine

The mine has been brought to a point from which it is reasonable to continue exploration and acquisition of adjacent patented properties. Ultimately the mine would be placed in commercial operation on a substantial scale. The present owning group is amenable to sale or lease of its holdings under The project is at a state analogous to bringing in one good oil well with terms and conditions to be negotiated. Good reserves: what is now needed is to bring in more reserves and commercialize the field.

II HISTORY, GENERAL GEOLOGY AND ORE GRADE

1.0 Early Operating History of Savoy and Adjacent Properties

The earliest authentic information on the discovery is in a report of W. H. Wiley, mining engineer of San Francisco, dated September 24, 1908. This report places the surface discovery and workings in the "early 70's.". No significant production was achieved prior to 1908 and this from the 318' level (see map #1). The ore was milled and refined at the nearby Tiger Mine, one of the larger gold/silver producers in Arizona, which closed down in 1917 upon the entry of the United States in World War I. The other important producer was the Oro Belle, also close to both the Tiger and the Savoy as shown on claim map. From 1903 to 1912 the Oro Belle produced 82,115 tons of ore, producing 28,839.72 troy ounces of gold and silver bullion which were sold to refiners for \$15.47 (average) per ounce of gold and 54.17¢/ounce/silver. The first six months of 1905 the records show the ore assayed an average of 0.5 oz gold and 4.0 oz of silver per ton.

In general, the principal ore shoot at the Savoy Mine was discovered by early surface work, probably about 1875 and developed in the early 1900's by over 2000 ft. of tunnels and raises. The last tunnel put in the 1950's by J. R. Wilkerson established the ore shoot for 250 ft. in length with an average thickness of 10 ft. so that the ore zone was well defined both above and below the Wilkerson tunnel. No records exist of the quantity of ore mined up to 1912 but the production was very small.

2.0 General Geology of Savoy

The Gray Eagle vein on which the Oro Belle, Tiger and Savoy are located has been identified for more than 15,000 ft. and has been mined commercially both to the south and north of the Savoy Mine. The geology of the district is pre-Cambrian schist and pre-Cambrian granite. The Gray Eagle vein is said to have no mineral value of economic importance except where there are ore shoots which are generally associated with a change in the degree of the strike. This had been generally assumed by extensive workings in the mines on the Gray Eagle vein.

The ore shoots appear to have been mineralized by hydrothermal deposition coming from solutions permeating the Yavapai schist. A very considerable amount of geological data is available.

3.0 Grade of Ore

3.1 W. H. Wiley Channel Samples-1908

The earliest authentic record is the report by Mining Engineer, W. H. Wiley dated September 24, 1908. The Playford family owned the Savoy from 1906 until its sale to Mine Management Corporation of Arizona on behalf of itself and others in late 1979.

The results of these channel samples may be summarized as follows:
(see Map #1 to identify levels):

CHANNEL SAMPLE SUMMARY

| 318' Level <u>Sample No.</u> | <u>Width./ft</u> | <u>Oz. Gold</u> | <u>Oz. Silver</u> |
|---------------------------------|------------------|-----------------|-------------------|
| 5 | 4.7 | 0.43 | 19.8 |
| 6 | 3.5 | 0.58 | 17.1 |
| 7 | 1.0 | 0.06 | 62.8 |
| 8 | 1.2 | 0.02 | 57.3 |
| <u>Totals</u> | <u>10.4</u> | <u>1.09</u> | <u>157.0</u> |
| Average | 2.6 | 0.27 | 39.2 |

CHANNEL SAMPLE SUMMARY (Cont.)

| <u>100' Level</u> | | | |
|-------------------|------------------|-----------------|-------------------|
| <u>Sample No.</u> | <u>Width./ft</u> | <u>Oz. Gold</u> | <u>Oz. Silver</u> |
| 1 | 6.0 | 0.25 | 37.5 |
| 2 | 5.5 | 0.12 | 18.0 |
| 3 | 6.0 | 0.05 | 7.5 |
| 4 | 1.0 | 0.12 | 18.0 |
| <u>Total</u> | <u>18.5</u> | <u>0.54</u> | <u>81.0</u> |
| Average | 4.6 | 0.14 | 20.3 |

| <u>A" Tunnel</u> | | | |
|-------------------|------------------|-----------------|-------------------|
| <u>Sample No.</u> | <u>Width./ft</u> | <u>Oz. Gold</u> | <u>Oz. Silver</u> |
| 9 | 2.0 | 0.05 | 20.0 |
| 10 | 2.0 | 0.02 | 20.6 |
| 11 | 4.0 | 0.06 | 3.1 |
| 12 | 5.0 | 0.03 | 2.3 |
| 13 | 2.5 | 0.02 | 5.5 |
| 14 | 3.5 | 0.00 | 14.2 |
| 15 | 3.5 | 0.02 | 27.5 |
| 16 | 3.0 | 0.03 | 14.7 |
| 17 | 1.0 | 0.02 | 2.3 |
| <u>Total</u> | <u>26.5</u> | <u>0.25</u> | <u>110.2</u> |
| Average | 2.9 | 0.03 | 12.2 |

It should be noted that in 1908 with crude and dangerous mining practices it was customary to mine and sample only the visible high grade material. The ore that was being shipped to the Tiger Mill was said to average 0.21 oz gold and 20.42 oz of silver per ton reflecting the necessity to mine at least a 4' or 5' width.

3.2 J R Wilkerson Bulk Sample 1957

J. R. Wilkerson owned a successful crane and rigging business in Phoenix, Arizona, and maintained a lively interest in mining. With a small crew of men and little professional help or advice, Mr. Wilkerson started a tunnel 100' below the early work (318' level) as an exploration project (see Map #1).

The first 300' of the tunnel drifted into a mineralized area which appears to be an ore shoot. No records can be located of the shipments of hand selected ore in this first 300 ft. of the tunnel which caved, cannot be resampled, and is no longer used for access.

Wilkerson had available to him maps, assays and tracings of earlier work and was confident that he would intersect the main ore shoot of the Savoy Mine providing he drove the tunnel a sufficient distance. The remainder of the tunnel was placed into the foot wall (no timbering required) and driven a total distance of 1755 ft. over a period of several years.

From time to time, small cross-cuts were made into mineralized areas and some "long holing" was done to keep track of, or in trying to locate the main ore zone, but no appreciable values were encountered until the main ore shoot was reached. Wilkerson then continued to drive the tunnel through the ore zone and started to mine. In 1957 the following bulk sample was shipped to the Miami, Arizona smelter. (Smelter settlement statement available).

BULK SAMPLE 1/31/57

| <u>Lot #</u> | <u>Date</u> | <u>Dry/lbs</u> | <u>Oz. Gold</u> | <u>Oz. Silver</u> | <u>% Copper</u> |
|--------------|-------------|----------------|-----------------|-------------------|-----------------|
| 1891 | 1/31/57 | 85,420 | 0.5 | 5.42 | .35 |

There was one additional bulk shipment, but no records of it can be found.

This bulk sample is important because it led Mr. Wilkerson to recognize that at prices then prevailing, bulk shipments of ore could not be made to the smelter, a distance of about 200 miles by truck, 40 miles of which is very precipitous. The results were, however, sufficiently encouraging to Mr. Wilkerson to establish a small concentrating mill.

3.3 Wilkerson Concentrate Shipments - 1959 to 1962

The first mill installed by Mr. Wilkerson after 1957 consisted of a small crushing, grinding and tabling plant which was very inefficient and records that are available are of the following concentrate shipments.

WILKERSON CONCENTRATE SHIPMENTS

(Smelter Settlement Sheets Available)

| <u>Lot #</u> | <u>Date</u> | <u>Dry/lbs</u> | <u>Gold</u> | <u>Silver</u> | <u>Copper</u> |
|--------------|-------------|----------------|-------------|---------------|---------------|
| 3786 | 2/3/59 | 7330 | 3.10 | 18.13 | 0.85 |
| 3925 | 3/11/59 | 10503 | 2.58 | 15.71 | 0.95 |
| 4080 | 4/29/59 | 13332 | 3.76 | 17.12 | 0.90 |
| 4547 | 10/30/59 | 11300 | 3.54 | 90.00 | 2.02 |
| 4554 | 10/30/59 | 10686 | 2.70 | 37.40 | 1.79 |
| 4678 | 12/16/59 | 9399 | 5.23 | 25.98 | 1.65 |

(8 shipments from 12/16/59 to 6/14/61 records cannot be located) smelter officials say files destroyed after 7 years)

| | | | | | |
|-------------|---------------|--------------|-------------|--------------|-------------|
| 1174 | 6/14/61 | 7352 | 3.67 | 108.45 | 2.10 |
| 1927 | 4/24/62 | 6478 | 1.98 | 142.47 | 4.03 |
| 2076 | 6/27/62 | 11100 | 2.97 | 73.91 | 4.20 |
| <u>2329</u> | <u>9/2/62</u> | <u>10886</u> | <u>3.52</u> | <u>83.12</u> | <u>4.32</u> |
| Totals | | 98366 | 33.06 | 612.29 | 22.81 |
| Average | | 9837 | 3.31 | 61.23 | 2.28 |

Mr. Childs (see # 3.4) and Mr. S. R. Playford, a former owner of Savoy, both confirm that a total of 18 shipments were made so that the above list is missing confirmation of eight shipments. This data is important because the concentration ratio was about 8 to 1. Therefore, on the average the ore fed to the mill had recoverable input value (known as heads) of 0.412 oz gold and 7.65 oz of silver on the average.

3.4 Work of H. S. Childs - 1964 to 1965

Mr. H. S. Childs, a geologist, took over the property after J. R. Wilkerson discontinued operations. Mr. Childs was then a resident of Arizona and has been, or is, engaged in managing a fairly substantial gold mining operation in Honduras. He has made available his records of assays and shipments as well as his mining plan for the exploitation of the ore reserves.

CHILDS 1964 CHANNEL ASSAY DATA
(See Map II)

| <u>Assay #</u> | <u>Width</u> | <u>Length</u> | <u>Au Oz</u> | <u>Ag Oz</u> | <u>Cu %</u> |
|----------------|--------------|---------------|--------------|--------------|-------------|
| C201 | 9.5 | 88.00 | 0.417 | 2.56 | 0.92 |
| C202 | 15.0 | 14.00 | 0.480 | 3.60 | 0.05 |
| C203 | 17.5 | 22.00 | 0.220 | 3.00 | 0.70 |
| C204 | 4.5 | 10.00 | 1.600 | 8.40 | 1.20 |
| C205 | 12.0 | 20.00 | 1.240 | 27.60 | 1.65 |
| C206 | 5.5 | 12.00 | 1.440 | 46.20 | 1.20 |
| C207 | 19.5 | 26.00 | 0.200 | 17.40 | 0.50 |
| <u>C208</u> | <u>4.5</u> | <u>40.00</u> | <u>0.350</u> | <u>2.33</u> | <u>1.00</u> |
| AVERAGE WIDTH | 10.88 | | 0.743 | 13.89 | 0.90 |
| TOTAL LENGTH | 232' | | | | |

These channel samples established a strong ore zone with average minable reserves both above and below carrying this grade. Mr. Childs based all his calculations on grade from this work.

3.5 Childs' Shipments - 1964 to 1965

Wilkerson was terminally ill but gave up his lease. Mr. Childs who had examined the mine at various times from 1957 through 1962, together with a group of private investors, obtained a new lease from S. R. Playford and commenced to mine, taking out ore as encountered including some low grade material drawn from the old Wilkerson workings.

The group expected that the price of silver would rise rapidly and based their chances of the mine being made economic on this assumption. Many people believed that after the last Treasury sale, silver would rise greatly in price. This event did not take place during 1964-65 and silver price made no appreciable rise until after 1968. Never the less, the information on shipments and concentrates following is important to establish both grade and quantity of ore.

CHILDS CONCENTRATE SHIPMENTS - 1964-1965
(Smelter Settlement Sheets Available)

| <u>Lot #</u> | <u>Date</u> | <u>Dry/lbs</u> | <u>Oz gold</u> | <u>Oz Silver</u> | <u>% Copper</u> |
|--------------|----------------|----------------|----------------|------------------|-----------------|
| 4782 | 10/21/64 | 12271 | 2.280 | 45.96 | 2.30 |
| 4932 | 12/3/64 | 29356 | 2.725 | 16.75 | 6.10 |
| 5075 | 1/12/65 | 33547 | 2.235 | 35.29 | 2.64 |
| 5141 | 1/28/65 | 39467 | 1.385 | 24.51 | 2.40 |
| <u>5291</u> | <u>3/11/65</u> | <u>34536</u> | <u>1.900</u> | <u>67.65</u> | <u>3.30</u> |
| Totals | | 149177 | 10.525 | 190.16 | 16.74 |
| Average | | | 2.105 | 38.03 | 3.35 |

Using the same concentration ratio (8:1) the average grade of ore input (heads) was lower than Wilkerson's. The recoverable values in the ore mined by Childs averaged .25 oz gold and 4.75 oz silver per ton. These values were not sufficient in 1965 to justify continuing.

3.6 Mine Management Corporation's Calculation of Grade - 1974-75

D During 1974 temporary access was gained by MMC at a cost of over \$75,000 to the area of old workings, more closely identified as the area in both direction channel sample C201 (see Map II). The average grade of MMC samples in this 50' area was as follow:

| | | |
|--------------|------------------|--------------------|
| <u>Width</u> | <u>Gold/oz/t</u> | <u>Silver/oz/t</u> |
| 4.5' | .374 | 9.59 |

It should be noted that the area beyond channel sample 204 is caved and MMC was not able to confirm values in other areas. Therefore, it appeared reasonable at that time to establish values on a composite historical basis as follows:

| | <u>Gold/Oz</u> | <u>Silver/Oz</u> | <u>Copper %</u> |
|-------------------|----------------|------------------|-----------------|
| Wilkerson 1957 | | | |
| Bulk (42.71 Tons) | 0.500 | 5.42 | 0.35 |
| Childs Channel | | | |
| Samples 1965 | 0.488 | 9.45 | 0.81 |
| MMC Sampling 1974 | 0.374 | 9.59 | 0.70 |
| Composite Average | 0.443 | 8.52 | 0.63 |

Widths given in Childs assays (para 3.4 above) could not be verified at the time MMC gave up its lease in 1976 an prices at that time were not high enough to justify an operation.

3.7 Broyles Smelter shipment - 12/15/77

Mr. Dexter Broyles, of Mayer, Arizona, who had been in charge of the mill for Wilkerson and Childs and is a practical, experienced miner, obtained an option to lease the Savoy from H. R. Playford in mid 1977. The temporary portal and first by-pass tunnel put in by MMC in 1973-4 still permitted access to the same area described in the preceding paragraph. On December 15, 1977, 14,080 pounds of hand picked ore was received by the ASARCO Smelter at El Paso, Texas. The following results are from the Smelter Settlement Sheets.

| | | |
|--------------------|--------------------|----------------------|
| <u>Smelter Lot</u> | <u>Gold/Oz/Ton</u> | <u>Silver/Oz/Ton</u> |
| 1376 | 1.10 | 5.9 |

This information was not available until after the 1979-80 Savoy Exploration Project was underway. The data is included an further historical evidence of the Savoy as a potential producer of gold and silver.

III RESULTS OF EXPLORATION PROGRAM - 1979-80-81 (To June 1, 1981)

1.0 Acquisition of Savoy Mine

Mine Management Corporation of Arizona (MMCA) was incorporated in October of 1979 and a private placement of \$650,000 by the sale of undivided land and mineral interest was completed in December 1979.

Titles were searched and the two patented claims (Hilda and Apache Panther) purchased by MMCA on behalf of itself and the investors from Savoy Mining Company (H. R. Playford) which owned the mine since 1906 when the company was incorporated. The total purchase and closing costs were \$160,826.

Subsequently, undivided land and mineral interests were assigned and recorded for each participant on a predetermined basis set by the conditions of financing. Arizona Title Company handled the closing including title participation. MMCA retains 25% ownership and is the operator.

2.0 Re-opening the mine - Access to Ore

2.1 Road and Camp Work

The road from Crown King to the Savoy is in the Prescott National Forest in the area of that forest designated for multiple use, i.e., recreation, mining, logging, etc. This seven mile road had not been maintained for some years and was virtually impassible except for four wheel drive vehicles.

A road contractor was engaged for two weeks improving the road sufficiently for daily access to the mine of men and supplies. The old camp house (almost ruined by 25 years of weather and vandalism) was repaired and made usable for a watchman and a change house. Minimum sanitary facilities were installed.

A full service, well equipped and staffed exploration and mining company owned by Frank Montonati, an experienced mining engineer of Silverton, Colorado, d.b.a., MCO., was engaged to oversee on a day-to-day basis the exploration program. MCO brought in a small experienced under ground crew to physically progress the work.

2.2 Portal, Track, and Tunnel Work

The first 300' of the old Wilkerson tunnel had caved some time between 1965 and 1970. A predecessor corporation to MMCA (but with the same ownership) spent \$75,000 in 1973-74 to build a new portal and tunnel around the caved area gaining access to the commencement of the Wilkerson workings. This portal too had caved and the entry way filled with about 1500 cubic yards of rock, mud and debris from severe cloud bursts.

The debris was dug out and a new heavily timbered portal partially installed. Before this work could be completed, record breaching rain (taking out five main bridges in the Phoenix area) again destroyed the entry. More drainage was dug and a new portal finally completed in late February.

New 25 pound rail, ties and track accessories were installed to replace the 12 pound rail which was found to be too light to support a locomotive and was virtually rusted away. The tunnel had to be widened in many places.

The above involved considerable time delay and far more expense than had been expected. By

April 15, 1980 over 2000' of new track was in place and in use.

3.0 Exploration

3.1 Revised Plant

The original exploration plan envisioned, among other work, an inclined tunnel or shaft to 125 below the Wilkerson tunnel. This was abandoned as too costly and too time consuming and the priority was placed on verification of values and driving the exploration tunnel at least 100' beyond the old Wilkerson workings. It was believed that this could be done by cleaning out and re-Timbering the original access tunnel which was driven in the foot wall parallel to the ore draw points.

3.2 Bypass Tunnel - (See Map II - Note 2)

The work progressed to a point requiring very heavy timbering which would not hold and caved in. The work was stopped and a bypass tunnel started at survey point S-24 in solid foot wall rock.

Note: During this period, ventilation had become a problem. The air from the 750 cfm compressor, which was kept on at all times, was insufficient. A diesel electric generator, fan and over 2000' of air vent tubing was installed, further delaying and again increasing the cost of the project.

Samples of the caved broken stope ore gave the following results:

| <u>Assay #</u> | <u>Description</u> | <u>Gold/Oz/T</u> | <u>Silver/oz/T</u> |
|----------------|--------------------|------------------|--------------------|
| 05/31/21 | Hand Sorted | 0.576 | 3.24 |
| 05/13/23 | Bulk (as caved) | 0.272 | 2.09 |

These were encouraging especially considering that the area from which they were taken had been discarded material after selective mining.

3.3 Delays, Overruns and Additional Financing

The project costs and delays including the bypass tunnel - 252' to intersection with ore in the Gray Eagle vein had exceeded the funds available for exploration. The participants put up an additional \$250,000 to continue the work on a pro rata basis as a 1980 exploration cost. On September 3, 1980, the bypass tunnel reached the hanging wall about 55' beyond the old workings, passing through 16' of very unstable altered rock, the last 9' of which was well mineralized. Very heavy timbering was required.

3.4 Extension of Workings on Gray Eagle Vein

According to a plan previously adopted, the exploration was continued against the hanging wall out to survey point S-30 and then driven back to the intersection with the old Wilkerson workings. Good values in silver were encountered from survey points S-28 to S-30, but approximately 40' of the distance (shown in green on assay Map # II) were virtually barren. This area is discounted in the ore reserve calculations (See paragraph 4.0 following). It is possible that the gold values had shifted to the foot wall: This theory is given some credence in that immediately upon intersecting the old workings, commercial grade gold values were encountered in the foot wall about 3' east of the timbered area.

3.5 Stockpiling Ore (see pictures in this section)

A system was set up to permit the segregation of waste from ore as the exploration continued. Delays in obtaining assays from any reliable laboratory averaged 10 days to 2 weeks making it necessary to dump by visual judgement into waste accumulation, or the material which appeared from visible mineralization to be commercial ore grade into still another pile awaiting

assays. Frequent grab samples from the ore cars were taken and bulk samples from the stored but unverified holding piles until it was determined whether to waste or stockpile the material.) The ore stockpile was, therefore, picked up and moved by 3 1/2 cubic yard high lift loader three times and encountered some unavoidable dilution of barren country rock at each stage as well as from rock contamination from machine loading.

Calculated heads from direct car samples including broken stope ore averaged 0.248 oz/ ton gold and 4.62 oz/ton silver during November - a gross value of \$157.80 per ton with gold at \$450 and silver at \$10 per ounce. These heads varied from high silver low gold to just the reverse but were the basis for stockpiling, i.e., a cut off grade calculated to be 0.150 oz/ton gold before re-handling dilution.

3.6 Large Scale Tests

Approximately 1000 tons of ore and broken stope ore has been. Stockpiled. It became clear that the mill of PMRI. (a company installing a 50 ton per day precious metals extraction plant at Mayer, Arizona) had not been sufficiently financed to be completed on schedule. It is now scheduled for November 1981 completion. - New arrangements were made with Earth Products Company, Dewey, Arizona, to use their sand and gravel plant for a bulk crushing and screening test to determine values in the stockpile. Fifty (50) tons (calculated from level volume of a 10 ton truck) were cut from the stockpile by machine and large pieces of wall rock removed by hand where possible.

The sand and gravel plant was cleaned out and the material crushed to 1 1/2" top size and screened. Samples were taken at various points in the circuit every 30 seconds for one hour. Samples were also screened out at 1" and 3/8" and weight distribution for all practical purposes was 67% coarse, i.e., above 3/8" and 33% fines. Some further dilution with sand and gravel was unavoidable as a result of loading and loss of values in slimes could not be measured. The following results reflect these conditions: (Gold at \$450/oz and Silver at \$10/oz).

| <u>Size</u> | <u>% Wt.</u> | <u>Au oz/T</u> | <u>Ag oz/T</u> | <u>\$/Ton</u> | <u>Value Weighted Ton</u> |
|------------------|--------------|----------------|----------------|---------------|---------------------------|
| Coarse+3/8" | 67 | .251 | 2.25 | 135.53 | 90.80 |
| Fines-3/8" | 33 | .042 | 1.50 | 33.90 | 11.30 |
| Calculated heads | 100 | | | | \$102.10 |

3.7 Average Grade of Ore (See Assay Map II end this section)

Using mechanical loading it is not possible to maintain the average grade of ore mined in the past by hand. Hand loading by shovel enabled a miner to visually select the best quality of rock leaving waste (grade falling below commercial values at prices and costs prevailing at the time) See Part II, paragraphs 3.2, 3.4 and 3.6. Today hand labor willing to shovel rock 8 hours a day is not available, and if it were the cost would be prohibitive. Using mechanical "muckers" the cost is far less and the volume higher per man-day ton. but each car load will contain 30 to 50% dilution and the grade of ore to be further treated is therefore lower.

It has been concluded an a consensus of MMC, its Consulting Engineers and Independent Geologists, that the grade of ore can be held at a cut off grade of 0.25 oz/T gold and 4.0 oz//T silver or approximately \$150 per ton of gross precious metal values at current values (week June 22, 1981).

These values are insufficient to permit direct shipment to the ASARCO Smelter at Hayden, Arizona and the smelter settlement would not be large enough to cover the cost of mining, trucking and smelter charges.

Savoy ore must be upgraded by crushing, grinding, floating and cyaniding at o near the mine to be profitable - See Part IV.

3.8 Ore Reserve

The following summarizes the present ore reserve position with no credit for the potential of two explored ore shoots - See Discussion

IV. SUMMARY ORE RESERVE SAVOY MINE

Tiger District, Yavapai County, Arizona
(Refer Maps 1 & 2)

| | | |
|------------|--|----------------|
| 1.0 | Above Wilkerson Tunnel to "A" Tunnel | |
| 1.1 | Known ore shoot width top | 250 |
| 1.2 | Known ore shoot width Wilkerson Ore Shoot | 400 |
| 1.3 | Average width of ore vein | 5 |
| | Average height | <u>350</u> |
| 1.4 | Calculated Tonnage @ 12 cu ft/ ton | 47,396 |
| 1.5 | less allowance for: | |
| | 1.51 Ore removed by Wilkerson | -6,000 |
| | 1.52 Possible sub commercial are (40') | <u>-6,000</u> |
| 1.6 | Total commercial ore above Wilkerson Level | 35,396 |
| 2.0 | Commercial Ore Below Wilkerson Level | |
| 2.1 | 400' width x 200' depth x 8' vein width @ 12 cu ft/ton | 53,333 |
| 2.2 | Less possible sub commercial are of 40' width | -6000 |
| 2.3 | Commercial Ore | 47,333 |
| 3.0 | Probable Ore Below Wilkerson Tunnel | |
| 3.1 | 400' X 400' depth x 8' average width @ 12 cu ft / ton | 106,667 |
| 4.0 | Possible Ore | |
| 4.1 | 600' below map 1 | 154,000 |
| 5.0 | SUMMARY ORE RESERVE | |
| | Ore (1.6 + 2.3) | 82729 |
| | Probable ore (3.2) | 106667 |
| | Possible ore (4.11) | <u>154000</u> |
| | Total | 343,396 |

NOTE: Two unexplored known ore shoots given no values

IV ECONOMICS AND POTENTIAL OF SAVOY MINE AREA

1.0 Reasonable Value of Current Reserves

1.1 Effect of Various Prices

During the past year gold reached over \$800 per ounce and silver over \$50 per ounce, dropping back rapidly as the market recognized overpricing, especially in silver. Since January of 1981 prices for cash metal have ranged as follows (rounded through the last week in June).

The Following tabulation illustrates the effect of the Silver prices on the gross value (rounded) of a ton of Savoy ore averaging .25/oz/Ton/Gold and 4.0 oz Silver (or any combination of same value).

GOLD AND SILVER PRICE EFFECTS

| | | |
|--------------|------|-----|
| Gold grade | 0.25 | OPT |
| Silver Grade | 4.00 | OPT |

| <u>Price \$/oz</u> | | <u>Savoy / avg</u> | <u>Value Gold</u> | <u>Value Silver</u> | <u>Gross Value</u> |
|--------------------|---------------|--------------------|---------------------|---------------------|--------------------|
| <u>Gold</u> | <u>Silver</u> | | <u>Savoy / avg.</u> | <u>\$/Ton</u> | |
| 600 | 16 | 150 | 20 | 170 | |
| 550 | 14 | 138 | 18 | 156 | |
| 500 | 12 | 125 | 16 | 141 | |
| 450 | 10 | 113 | 14 | 127 | |
| 400 | 8 | 100 | 12 | 112 | |
| 350 | 6 | 88 | 10 | 98 | |
| 300 | 4 | 75 | 8 | 83 | |

1.2 Reasonable Gross Value Savoy Reserves

(Average month June '81 - \$450 Gold per ounce and \$10 Silver per ounce. The following ignores possible ore on any value for two unexplored ore shoots (See Summary Ore Reserves - Section III).

| | Tons | Gross Value @ | |
|------------------------|--------|---------------|-------------------|
| | | \$152.00 | per ton |
| Ore | 82,000 | 12,464,000 | |
| <u>Probable Ore</u> | | <u>95,000</u> | <u>14,440,000</u> |
| Reasonable Gross Value | | 177,000 | \$26,904,000 |

It is interesting to note that at \$600 Gold and \$16 Silver (January Prices) the reasonable gross value is \$37,878,000 - over \$10,000,000 Greater than June prices.

2.0 Cost of Mining, Concentrating and Smelting

2.1 Mining Conditions

Very Heavy ground requiring heavy timbering with conventional raises every 100' stoping down and back filling empty stopes with slurry, preferably by pumping mill slurry. Natural ventilation and escape manway to surface will considerably assist in drying working faces and reduce timbering. Forced ventilation is required at all times.

2.2 Cost Production Estimates @ 50 and 100 Tons/day

The following estimates have been carefully detailed and extrapolated where necessary from similar experiences of other mines with comparable conditions presently operating. Considerably more capital is required to bring the mine to a steady production state of day(See paragraph 4 following). All costs are in July 1981 dollars.

| | 50 TPD | 100 TPD |
|------------------------------------|--------------|-----------|
| Mining by contract | 85.00 | 65 |
| Concentrating and Cyaniding | 26.00 | 20 |
| <u>Freight and Smelter Charges</u> | <u>15.00</u> | <u>15</u> |
| Total cash cost/ton ore | 126.00 | 100 |

Note: (1) Assumes concentrating ore on property with 60% of values shipped as concentrates to smelter. Smelter charge on 60% of tonnage - balance cyanided and brought down to bullion.

3.0 Summary Economics - \$150 Gross Value Ore - 50 & 100 TPD

| | Ton | 50 TPD | 100 TPD |
|--|-------|----------|---------|
| 3.1 <u>Gross Value Ore</u> | 126.5 | 6325.00 | 12650 |
| 3.2 <u>Less Cash Costs</u> | | -6300.00 | -10000 |
| 3.3 <u>Cash Flow - All costs</u> and overhead. No non-cash items such as depreciation or depletion. | | 25.00 | 2650.00 |

3.4 Conclusion

At current June 1981 prices and costs, mine only economical at 100 tons per day or more.

4.0 Preliminary Estimates Capital Requirements and Budget to Commercialize Savoy Gold-Silver Mine at 100 Tons Per Day

| | | |
|-----|--|----------------|
| 4.1 | Development Prior to Commercial Mining - working stopes and ventilation. (1) | \$500,000 |
| 4.2 | Enlarge and widen tunnel to accommodate turnouts for passing and draw location | 300,000 |
| 4.3 | Erection 100 Ton/day mill including additional water supply | 850,000 |
| 4.4 | Enlarge living quarter at site (4 mobile homes) | 60,000 |
| 4.5 | 350 Horsepower diesel electric power source and 750 horsepower air compressor in place and running | 100,000 |
| 4.6 | Improve seven miles of road from Crown King to Savoy Forest Service standards | 150,000 |
| 4.7 | Working capital, oversites <u>and contingencies</u> | <u>540,000</u> |
| 4.8 | Total Item 4.0 | \$2,500,000 |

Note (1): This item can be 100% tax sheltered as further exploration- See paragraph 5.0 Potential - Unexplored Ore Targets.

4.9 Conclusion

As indicated by paragraph 3.4 the Savoy mine can only be commercial (at current prices) at 100 Tons per day - 20,000 tons per year output.

Ignoring possible ore and two unexplored ore shoots, a further investment of \$2,500,000 should reasonably give the following results at current cost-price ratios.

| | |
|--|--------------------|
| Sales: 177,000 Tons @ \$126.50 per ton Recoverable | \$22,390,500 |
| Cash Costs: 177,000 Tons @ \$100.00 per ton | \$17,700,000 |
| <u>Cash Flow before costs exploration, return of capital - non cash items</u> | \$4,690,500 |

5.0 Potential of Savoy Area

All previous information and data in this report relate only to the two patented claims comprising the Savoy Mine. In addition MMCA has acquired 18 unpatented claims, Savoy 1 through 18 identified by Bureau of Land Management as Serial Numbers A MC 113869 through 113886 by notification dated April 7, 1981. The claims were surveyed and staked by MMCA,s Consulting Engineers, Coe & Van Loo, Phoenix. The following reduced map shows the relative location of these claims to the Savoy and the patented claims owned by others. As is easily observed, these claims surround and blockoff others owners all of whom are amenable to sale or lease of their properties with terms subject to negotiation.

Acquisition rights to the Lida, Eclipse, Cougar, 1st North Extension, 5th North Extension, Blue Jacket and Lobena Patented Claims by any group controlling the Savoy greatly expands the potential of the area as a gold- silver producer, giving an additional 5000 to 6000' control of the Grey Eagle vein.

5.1 Probability of Additional Ore Shoots

As previously pointed out, the Savoy has two additional shoots which are excellent exploration targets. The Ora Belle to the south encountered and mined 8 ore shoots to depths well below the Savoy and the Tiger, also on the Grey Eagle vein operated for some years between 1888 and 1912 on at least six enriched shoots. There are surface evidences and some shallow workings on all of the claims north of the Savoy indicating a potential for 6 or more significantly enriched oreshoots. With sufficient 100% tax sheltered exploration dollars spent on the area blocked off, it is an excellent geological conclusion that as many as 9 more large ore bodies of equal or better values can be found and developed. This would reasonably increase tonnage to above 2,000,000 tons of commercially minable ore at current price ratios.

5.2 Reasonable Cost of Enlarging Holdings and Prospecting

| | | |
|------|--|-----------|
| 5.21 | Option Costs (To apply against royalties or purchase) | \$50,000 |
| 5.22 | Exploration by drilling | 500,000 |
| 5.23 | Exploration by surface trenching | 150,000 |
| 5.24 | Misc. professional fees (legal, accounting, consulting) | 50,000 |
| 5.25 | Total (100% tax sheltered) | \$750,000 |

5.3 Underground Exploration and Development Prior To Shipment of Commercial Quantities of Ore - 100% Tax Sheltered

\$1,750,000

5.4 Total - Tax Sheltered

6.0 Conclusion

For a group or company willing to spend approximately \$3,000,000 tax sheltered for additional acquisition of rights in the area and exploration, there is the potential of creating \$300,000,000 of gold-silver reserves at current price cost ratios. This would permit a large operation to be established of say 500 tons per day with a life of 20 years or more, lower unit costs. etc.

For interested parties who believe that Gold and Silver prices will continue to rise in the next few years, the savoy and adjacent area is an excellent field of endeavor.

| All 000 Omitted on \$ | Months - Budget | | | | | | Years - Reserve Ore | | | | | Probable Reserves | |
|--|-----------------|-------|-------|--------|--------|-------|---------------------|------|-------|-------|-------|-------------------|----------|
| | 2 | 3 | 4 | 5 | 6 | 1 | 2 | 3 | 4 | 5 | 6 | | |
| I Tons Ore Mined | | | | 250(1) | 500(1) | | 9600 | 9600 | 9600 | 9600 | 9600 | 9600 | 7900 (3) |
| II Cash in Sales-Gold-Sch I, 1,3 Silver - Bullion Gold @ \$150 oz - Silver @ \$4.50 Aver. -85% recovery as Bullion 95.73 Ton | | | | | | | 919 | 919 | 919 | 919 | 919 | 919 | 7500 |
| III Cash Out - Costs | | | | | | | | | | | | | |
| a) Schedule III-Items 1.0 through 6.0 | 20 | 50 | 40 | 40 | | | | | | | | | |
| b) Schedule III-Items 7.0 & 8.0 | 36 | 10 | 10 | 10 | 10 | 5 | | | | | | | |
| c) Pre-Closing Expense-Reimburse | 14 | | | | | | | | | | | | |
| d) Cost of Production (Sch I - 2.4) | | | | | 25 | 30 | 555 | 555 | 555 | 555 | 555 | 555 | 4400 |
| e) Continuing Exploration & Development Costs | | | | | | | | | | | | | |
| f) Total Cash Out | 70 | 60 | 50 | 50 | 35 | 35 | 555 | 555 | 50(2) | 50(2) | 50(2) | 50(2) | 4800 |
| IV After Tax Cash Flow-Sch I | | | | | | | | | | | | | |
| a) Pre-Tax Profit - Item 3.0 | | | | | | | 364 | 364 | 316 | 316 | 316 | 316 | |
| b) Profit after Tax - Item 7.0 | | | | | | | 143 | 143 | 132 | 132 | 132 | 132 | 2700 (5) |
| c) Add back Depreciation & Depletion - Item 8.0 | | | | | | | 160 | 160 | 160 | 160 | 160 | 160 | |
| d) After Tax Cash Flow | (70) | (60) | (50) | (50) | (35) | (35) | 303 | 303 | 292 | 292 | 292 | 292 | |
| e) Cumulative After Tax Cash Flow | (70) | (130) | (180) | (230) | (265) | (300) | 3 | 306 | 598 | 890 | 1182 | 1474 | |

NOTES:

- (1) Mining & stockpiling ore will commence end 4th month but extraction plant not ready until 5th month with 6th month for start up - value ore produced approximately \$70,000 representing ore in inventory
- (2) Starting after second year will sink shaft, drill, etc. to develop more ore - this will be expensed or put as deferred development charge depending on most favorable tax position for investors. Either method, permitted under IRS Code as amended 1969
- (3) 8 probable additional years
- (4) Pre-Tax - too far ahead to forecast tax structure or relative price gold and silver

LONGITUDINAL SECTION
 SAVOY MINING CO.
 TIGER MINING DISTRICT
 YAVAPAI COUNTY
 ARIZONA

SCALE 100 FEET TO THE INCH
 W. H. MERRITT U. S. MIN. SURVEYOR
 for ARIZONA & CALIFORNIA.

