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Silver Hill

TIMOTHY J. SABO

ATTORNEY AT LAW

TELEPHONE (213) 704-0195

SUITE 230

20335 VENTURA BOULEVARD

WOODLAND HILLS, CALIFORNIA 91364

4449 SO. 38th PLACE PHOENIX, ARIZONA 85040
(602) 243-5231 (800) 352-5724 (Outside Phoenix)

Branches in California: San Diego (Main Office) — Escondido — El Monte
Orange — Van Nuys — Long Beach — Riverside

Brokerage Firm Calif -

1. offering Reg A, C, D, 146

2. \$26,000 atty fees
↳ defer until sold-back
back into costs

3. Fly to LA
? covering Oct 31 deadline?

4. Due Diligence - interviewing
feasibility etc

5. Dr Mann cannot cover
3%

Denton

A1 - CPA

Tim Sebo - Attorney

SILAS C. "BUZZ" BROWN

SILAS C. BROWN & ASSOCIATES
GEOLOGICAL CONSULTANTS

OFF. (602) 246-9573
RES. (602) 966-7874

4728 N. 21ST AVE.
PHOENIX, ARIZONA 85015

TIMOTHY J. SABO

ATTORNEY AT LAW

TELEPHONE (213) 704-0195

SUITE 230

20335 VENTURA BOULEVARD

WOODLAND HILLS, CALIFORNIA 91364

LOOMIS OIL and GAS, INC.

2200 W. Bethany Home Road, Suite 2 • Phoenix, Arizona 85015

(602) 246-1572
(800) 528-0188

May 6, 1982

D. K. M.
MAY 07 1982

Mr. Cal Newell
Computer Accounting Systems
P.O. Box 26212
Phoenix, Arizona 85068

Dear Mr. Newell:

Doug Martin has informed me that he has made three requests for services rendered for you on your behalf. These services for you were arranged by me with Doug Martin with the explicit agreement that you would reimburse him for his time and efforts on your behalf.

It is very clear in my mind and I have no misunderstanding that at the conference we had in my office conference room in February, you told Doug to please send a statement and you would take care of it immediately.

This matter requires your immediate attention.

Sincerely,

Gilbert E. Mann

GEM/dj
CC: Mr. Doug Martin ✓

M. K. O.
D. K. W.
SEP 20 YAN

Computer Accounting Systems

CAL Newell 971-8634
992-1034
242-4280



D.K. MARTIN & ASSOCIATES
Mining Development & Administration
4728 N. 21st Avenue
Phoenix, Arizona 85015

2 February 1982

Gilbert E. Mann
Suites 8 & 9
2200 West Bethany Home Road
Phoenix, Arizona 85015

Dear Dr. Mann,

To assist you in considering the funding of the Gold Hill Mining Corporation, specifically the Gold Hill Mine, the following data must be provided:

- 1) CORPORATION (Gold Hill Mining Corporation)
 - a) Brief history including incorporation papers, ID numbers, financial statement and most recent income tax statement filed with the IRS.
 - b) Schedule of business debts, amount, lender, payments, etc.
 - c) Insurance, corporate and mining property liability.
 - d) Collateral
- 2) MANAGEMENT
 - a) List each person, position held, percent ownership and responsibilities. Include a personal balance sheet or financial statement, brief description of education, technical training, employment and mining experience.
 - b) Details of any pending litigation, corporate or personal, whether plaintiff or defendant.
- 3) REAL ESTATE - Mining Property
 - a) Claim map, topographic map, detailed instructions for access.
 - b) U.S. Patent data, mineral survey and copies of latest tax payment, if any.
 - c) Recorded location notices and/or state leases with BLM numbers.
 - d) Land status (title report of ownership and location)
 - e) Affidavits of labor beginning 1978 through present.

continued

(602) 246-9573

- f) Lease, option or purchase agreements
- g) Forest Service Agent and copy of approved plan of operation.

4) AREA

- a) A brief history of surrounding mining operations, type of operation and production.
- b) Water sources (depth of wells, gpm, springs, etc.)
- c) Environmental hazards.

5) GEOLOGICAL REPORT

- a) History
- b) Physiography - relief and topography, climate and rainfall.
- c) Geology - rocks, structures, mineralization.
- d) Ore Occurance and extent of mineralization.
- e) Development - Past and present.
- f) Ore reserves and possibilities.
- g) Ore and treatment - metallurgy and tests.
- h) Conclusions and recommendations.

6) MINING ENGINEERS REPORT

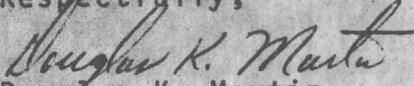
7) USE OF LOAN FUNDS

- a) Machinery and equipment to be acquired
- b) Housing and fixtures
- c) Materials
- d) Supplies
- e) Rent or lease payments
- f) Loan payments
- g) Insurance
- h) Wages

Mann - Page Three
2/2/82

- i) Compensations and wages to others, including management.
 - j) Operating capital
- 8) SCHEDULES
- a) Phase I, II, III
 - b) Time vs required funds
 - c) Construction vs costs
- 9) PROFIT FORECAST
- 10) BENEFIT TO LENDER

Respectfully,


Douglas K. Martin
Administrator

DKM/dm

3021 East Whitton Avenue
Phoenix 16, Arizona - AM 6-2780
November 22nd, 1963

*All reference to Butte, Montana
cannot compare to this property*

Mr. Leo L. Farrington,
Phoenix, Arizona.

Dear Mr. Farrington:

This is a brief resume re the geology and ore potential of your GOLD DUST property, situated about five miles North of Carefree, Cave Creek mining district, Maricopa County, Arizona. The commercial metals indicated for near future production are Gold and Silver. I have no financial interest in your property - nor your "proposition" in any way.

The geology of Butte Peak, on the Western slope of which your Gold Dust claims are located, bears significant resemblance to the geology of Butte, Montana - where mines are producing thousands of tons of ore per day, with recorded production of billions of dollars worth of metals. Starting in a small way mine production has steadily been increased at Butte - which for half a century has been the mainstay of employment, tax revenues, and the well-being of the people and economy of Montana - and many other places.

*Comparison
has little to
do w/ Butte.*

At Butte, Montana, the geology is mainly a series of granitic intrusives, with numerous younger dikes, etc., all shattered, fissured, and mineralized. From miles-deep sources a series of ore bearing solutions ascended the fissured and shattered rock and formed ore deposits of various types, depositing their metallic contents in vertically ranged zones, according to temperatures and pressures, influenced by rock composition and earlier mineralizations. Present day mining is at depths of over 5,000 feet, no one knows how deep the ore will persist or what may be mined in the future. Surface mineralization was not prominent, veins were narrow, containing gold-silver ores; greater depth proved that entire rock masses over widths of hundreds of feet had been mineralized into profitable ore. In important respects this geology of Butte, Montana, is similar to the geology of Butte Peak, Arizona, where, with directly proportionate development, similar types of ore - and volume of ore - awaits.

*No Assurance
to be drilled
to prove*

Butte Peak - including your GOLD DUST property - has a large number of veins with complex strike, and ore showings "all over the place", the ores being low-temperature zone, gold-silver ores. A Main Ore Zone of Butte Peak was operated from 1884 to 1898 by men who lacked modern mining equipment and knowledge. Operating under great difficulties these early day operators sank four shafts (now caved) along this ore zone within a length of 500 feet, and mining men who know the labor and costs of shaft sinking realize that the old-timers must have mined very rich ore from which the gold was easily recovered, and profited greatly - to enable them to operate for years and perform this relatively great amount of work. Dumps are minimal - everything mined was sent to "recovery". As proved by stopes, this Main Ore Zone is wide, the old timers worked only the richer portions of this zone. With modern equipment and technology the entire width of this wide zone of ore can be worked underground at great profit per-ton of ore. What MAY be produced from this main ore zone is beyond conjecture -- but it certainly is wide and rich.

Your GOLD DUST tunnel is 300 feet long, it follows a branch vein that strikes at right angles to the Main ore zone of Butte Peak; it is started at a strategic low point that can enable the entire mountain with its very numerous veins and ores to be profitably exploited for years to come. At 100 feet from the portal there is a minor ore shoot, starting at a cross fracture which apparently influenced the flow of ascending ore bearing solutions; a winze was sunk on this ore, and beyond it a raise went in ore to the surface. Some of this ore was rich, showing native gold and high assays. Ore remains that can be produced -- but, as "backs" here are small, by comparison with what should be THE PRINCIPAL OBJECTIVE - this ore shoot is unimportant. The GOLD DUST tunnel should be continued another 500 to 700 feet to enter the Main Ore Zone, reaching same at depth of hundreds of feet under the collars of the four shafts above mentioned. While being driven your tunnel will cross intersecting veins, at each intersection enlargements and enrichments of ore are normally found. To enter this main ore zone is but a few months work, when entered, by ore proved overhead, all "speculation" can be removed and the property be in the million-dollar category. The potential worth of this objective makes the expense of reaching it trifling by comparison.

In brief, you have a good, worth while property. Properly handled it is destined to become one of the profitable mines of Arizona. In proportion as this is understood it is a challenge to men of vision and mining experience.

Very truly yours,

C. W. Gabrielson

The Gold Hill Mining Corporation
807 E. LeMarche
Phoenix, Arizona 85022

January 18, 1982

Man
Loomis Oil & Gas, Inc. ✓
2200 W. Bethany Home Rd., Suite 2
Phoenix, Arizona 85015

Attention: Mr. Ace D. Loomis, President

Re: \$1,800,000.00 final exploration and
development funding proposal - for
the Gold Hill Mine

Dear Ace:

The following information endeavors to recap previous input from both Bill and John in addition to other documentation already submitted. And also, to formalize our funding request of \$1.8 million in anticipation of completing the necessary preliminary work in order that we may bring the Gold Hill Mine into full production as a profitable entity.

There are five points that we would like to give consideration to in anticipation of completing our funding agreements. And they are:

- 1) A request to reduce loan interest from 25% to 20% on all borrowings.
- 2) A tax credit transfer to your group of a reasonable percentage of all R & D costs, depreciation on capital investment plus 50% of the allowable depletion allowances. (The other 50% accrues to the lessor.)
- 3) Plus, a 1½% royalty on the net value of minerals produced. Said royalty to begin after debt termination and will continue for the life of the mine or until profitable mining ceases. (Factors used to compute the royalty are 25,000 oz. x 1½% = 375 oz. x \$400 = \$150,000 per annum. Obviously, if gold doubles in price the per annum return would be \$800 oz. or \$300,000.)
- 4) A guarantee of inclusion in any future mining venture (exclusive of Carefree property) that the Gold Hill Mining Corporation undertakes with or without your groups funding. (Specifically, reference is made to John's silver mine prospect of 16,000 oz. (plus) per ton in Nevada. (We have already been told that success at Gold Hill is a pre-requisite to the Nevada prospect because of their respect for and long term relationship with Dr. Brown.)

- 5) Interest and principal payment deferrment for twelve (12) months from date of full production. Said deferrment not to exceed eighteen (18) months from the initial date of funding.

We suggest, therefore, that in order to complete the above, the following capital requirements would be necessary with \$1.3 million to be advanced to the Gold Hill Mining Corporation with approval and the balance or \$500,000 in ninety (90) days. We'll be on schedule and in full production within six (6) months from the date funding begins or sooner.

As a basis for or rule of thumb today in the mining industry for both above and below ground completion costs (especially at today's prices) is \$15,000 per TPD. With rated production at 200 TPD plus a \$3,000,000 capital investment to bring the mine into full production would be in line. Our firm cost of \$1,800,000 is a substantial (1/3) below current market estimates. What with estimated production costs not to exceed 50% or less of projected yield and with gold at or around \$400 per ounce with a (90%) recovery ratio or better predicted translates to a 50% debt retirement (including interest) within the first (1½) years of full production. Or, two (2) years from the date initial funding begins. Substantially ahead of the (4.6) years originally scheduled for debt termination. Assuming we're successful in staying on target we can expect full debt retirement one full year ahead of schedule. Therefore, when all loans are satisfied royalties can begin immediately according to the above schedule. (Ref: point #3)

The Gold Hill Mining Corporation capital requirements breaks down as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
200 TPS (plus) mill (complete) Includes test lab, equipment buildings, offices and personnel relief quarters.	\$ 650,000
One Mole (automatic boring machine)	300,000
(Mole maintenance and operator expense-first year)	100,000
One each of the following: dozer, loader, crain, plus compressors, welders, assorted tools and maintenance.	100,000
Conveyors (installation, repair and maintenance)	100,000
Water well (8 to 10") (including pumps, pipe, valves, installation and completion costs)	50,000
Operating & direct overhead expense (first year) including (8) mine workers, plus Bill and John. Plus the completion of further geological and exploration work required.	500,000
TOTAL	<u><u>\$1,800,000</u></u>

In conclusion, we have 99,000 tons of proven ore @ .40 oz. per ton average. At \$400 per ounce converts to a \$16,000,000 mine to start with, with a minimum (1½) years full production ahead. The proven ore zones break down as follows:

- a) Zone A - 67,000 tons (coded yellow)
(500' x 250' x 8') (Ref: Map and Dr. Brown)
- b) Zone C - 32,000 tons (coded blue)
(600' x 100' x 8') (Ref: Map and Dr. Brown)
- c) Gold Dust Tunnel assay .44 not included in above proven ore bodies.
(Ref: Ore sample averages - item #6)
- d) Red line dimension minimum 700,000 tons. Representing a \$100,000,000 plus ore body (Ref: Geologist Gabrielson's letter, 1963. Verifiable within (6) months of funding. And very exciting. Especially, if this gold ore body extends 5,000 feet as suggested.)

Concluding. On behalf of the Gold Hill Mining Corporation, Bill Brawner and John Hamilton, we trust that all of the above comments and recommendations will meet with your early approval. And that all of us will share many years of profitable returns which resulted from the combination of capital, labor and talent for our productive benefit.

Sincerely,



Cal Newell, Secretary
The Gold Hill Mining Corporation

PROMET SERVICES INC.
4202 E. UNIVERSITY
PHOENIX, AZ 85034

November 6, 1981

Caption: Gold Hill Operations Plan & Report
By--Marion E. Price, P.E.

Attention: Dr. Duane Brown, President &
Laurence Turley, General Manager

Subjects: (1) Progress Report of Phase I
(2) Recommendations for Phase II; &
(3) An outline for Phase III at the
Gold Hill property

*Gold Hill may be
a good property but
should be properly evaluated
to select out commences etc
we can't guess 7 days
for \$1,800,000*

On November 4th the Major underground workings at Gold Hill were mapped on a scale of 1" = 50' by Brunton and tape with the assistance of Bill Brawner and John Hamilton. The field sketches and notes will be reduced to final form as soon as possible, and these will be submitted to you at that time. From an early evaluation of this work the other reconnoitering and sampling which have been done to date, it does appear that the Gold Hill property warrants an accelerated program of development and evaluation.

In this specific connection it is considered that all of the endeavors to date (including Dr. Brown's onsite experiences of some 18-years ago) have been of a reconnaissance nature, but now it does appear that a more formal pre-feasibility study and evaluation is in order. It is not often that a mining property shows the development potential which is apparent at Gold Hill, and it is considered a fortunate circumstance that the endeavors enumerated hereinafter can be commenced and accelerated so easily and smoothly. For purposes of ready reference and specific individual itemization, the following should be considered in sequence:

PHASE II

(1) SURFACE ACCESS ROADS:

The portal of the Lower Adit is only four (4)-miles off an oiled highway via a mine road which currently requires a modest amount of work to make it readily passable for Phase II logistics. No rock work or heavy bulldozing is required at this time, though some realignment and grade corrections will be required for any Phase III (operational) activities. Even the two (2) locked gates can be tolerable during the Phase II, however they must be replaced by cattle guards in the future.

Except for the last half-mile (1/2 mile) of this mine road, a major portion of work can be done with a motor patrol passing in and out. A smaller machine should be selected in order to maneuver around some of the loose rubble from the inner bank to the outer shoulder and there emplace it as a berm.

This same work could be done using a dozer with an angle blade, though the final surface would not be so smooth.

The last half-mile (1/2 mile) of road does require a measure of additional construction which includes the removal of some large boulders and the filling of ruts with imported material. Also needed is a parking and turn around area below the portal of the Lower Adit. This work should be done prior to grading with the motor patrol, and it can well be done using the small International loader now onsite provided that it is repaired as necessary and restored to its full operational capability. This machine is ideal for removing the large rocks as necessary and for digging loose material from nearby banks and filling ruts. After this work is done, it can be graded effectively.

(2) SURFACE ACCESS TRAILS and OTHER IMPROVEMENTS:

(a) Turnaround and parking area below Lower Adit: This can be established readily using the track loader described above, for it is basically a cut-and-fill operation. At the same time, all of the tanks and other equipment in the canyon can be removed to higher ground where they are not vulnerable to flash flooding.

(b) Landing and parking area below the Lyon Adit: A level parking area is needed here and this can also be constructed using the loader for cut-and-fill.

(c) Trail to Lyon Adit from landing in above: Access from this area to the old haulage road can be established fairly easily using the track loader, and it may be possible to upgrade this old road so that the loader can be taken all the way up to the old ore plat below the Lyon Adit;

(d) Trail from loading plat to the portal of the Lyon Adit: A new trail must be dug from the plat level up to the portal level of the old upper trail.

(e) Upper Lyon Trail: Upgrade this old trail to the portal by digging and recribbing as necessary in order to establish a good level footpath.

(f) New trail from Lyon Adit to crest of outcrop: This will require digging some new trails in part and upgrading old ones in part.

(g) Trail from crest of outcrop down to the portal of the Lower Adit: This will require digging some new trail in part and some rehabilitation of the old pack trail in part.

(h) Trail from the portal of the Lower Adit down to the turnaround and parking area in (2) (a) hereinbefore: Once the portal has been cleaned out and parking area established, it will be an easy matter to connect them with a good new trail.

(i) Dig a new trail down to the Gold Dust portal and clear brush in the canyon approaching the portal.

(j) Dig a trail from the vicinity of the Lyon Adit up to the old Mineral Location Monument so that it can be easily tied into the projected surveying.

(k) Cut a helicopter pad near the road along the west flank of the mountain

and set a windsock nearby. Notify the Maricopa County Sheriff of the coordinates of this site as soon as they are determined by surveying as in Part 5 hereinafter and also provide a topographic map of the site.

(3) UNDERGROUND ACCESS:

(a) Clear the portal of the Lower Adit using the loader and a measure of hand work.

(b) Clear the first cave in the Lyon Adit by hand using a wheelborrow to tram the muck to the surface. Timber across the overhead and log with heavy logging; this will require at least two (2) sets.

(c) Partially clear the second cave in the Lyon Adit by hand mucking into the immediately-adjacent hanging wall crosscut. Sample the crosscut completely first, however.

(d) Once reasonable access through the Lyon Adit has been established, plank across the open raises in order to provide end-to-end access on this level.

(e) Plank across the under hand stopes on the Lower Adit level, setting new stulls if necessary.

(f) Sample the winze below the level of the Lower Adit. Caution: This may be a touchy chore and should be undertaken only by experienced personnel.

(4) ESTABLISHING SURVEY STATIONS:

Note 1: Stations are already set at the respective portals of the Lower, Lyon, and Gold Dust Adits as a part of the underground mapping on 11-4-81.

(a) After the trails are in, survey stations can be set in the vicinity of all other adits, crosscuts, shaft collars, and surface workings.

(b) A permanent Bench Mark should be set near the crest of the outcrop in a select location where a level working area is afforded and from which there is optimum visibility in all directions.

(c) Materials: A standard brass plug should be used for the Bench Mark while the surface stations can consist of 1-1/2 - foot lengths of rebar (#3 or #4) driven into the ground or into cracks in the rocky outcrops. They should be flagged and marked individually with stamped or engraved metal tags wired on. It is estimated that twenty-five (25) surface stations will be required plus approximately ten (10) portal and/or collar stations in addition to those already set. All of the foregoing should be established with some degree of permanence for future surveying reference.

Note 2: The setting of these survey stations can actually be an ongoing part of the trail cutting activities of Part 3 hereinbefore.

(5) SURFACE SURVEYING:

Once the major access has been accomplished via road improvement and ancillary construction, minor access has been provided by cutting new trails and/or upgrading old ones, and a suitable Bench Mark plus other pertinent survey stations have been established, an EDM (Electronic Distance Measurement) survey

should be contracted for this work to be performed by a licenced Arizona land surveyor. This survey will accomplish the following:

- (1) Establish Bench Mark elevation and grid coordinates;
- (2) Establish a N-S Base Line from the Bench Mark;
- (3) Tie the Bench Mark to the old VSLM for patented claim reference;
- (4) Tie in all surface, portal, and collar survey stations as to their respective elevations and coordinates;
- (5) Establish grid coordinates for the windsock of the heliport for reporting to the Maricopa County Sheriff;
- (6) Produce a finished plat of a scale 1" = 50' on which the Brunton and tape survey of the underground workings (same scale) can be superimposed; and
- (7) Provide a profile from the Lyon Adit up and over the outcrop and down to the Lower Adit to the same scale (Vertical = Horizontal = 1" : 50').

As a matter of recapitulation, the aforelisted performances will provide for and/or accomplish the following:

- (1) Major surface access via upgraded roads;
- (2) Major surface access via new and/or upgraded old trails;
- (3) Parking and turnaround areas;
- (4) Emergency air access via helicopter;
- (5) A surface grid which correlates the patented lode mining claims (per the old Mineral surveys) together with all surface workings and underground portals and/or shaft collars;
- (6) Correlation of surface and underground surveys;
- (7) Horizontal and vertical controls for future detailed samplings and ore reserve calculations; and
- (8) Control data for future exploration and development drilling programs, both surface and underground. (Phase III)

(6) SAMPLING PROGRAM:

Once the foregoing have been realized it will be possible to begin a program of both surface and underground sampling and a specific plotting of each sample as to width and tenor. These data are necessary before any ore reserve calculations can be made or any future mining program formulated. Also in this same connection, the rejects from the sample preparations (for assaying and/or other analytical work) will provide a good and reasonably representative fraction of the deposit to be used for metallurgical testing.

For present purposes of projection, no drilling is anticipated, thus all of

OK. The

the samples taken will be cut from surface, near-surface, and underground exposed of the vein in place. Whether or not any drilling is required in order to round out the sampling program will be determined during Phase II evaluations; and, if required, will be relegated to Phase III activities.

(7) METALLURGICAL TESTING:

- (a) Rejects from sample preparation in Part (6);
- (b) Special test lots from surface quartz samplings; and
- (c) Special test lots from underground gouge ores from the following possible sources:
 - (1) From the old ore chutes;
 - (2) From old backfill;
 - (3) From overhead sluff onto the drift levels; and
 - (4) From the old underhand stope. Apropos the letter (7-C-4), this material should indicate a transition from oxide to sulphide mineralizations. This relationship must be considered very carefully with respect to Phase III planning and projections.

PHASE III

A positive evaluation of the Phase II activities leads naturally to a number of very precise considerations further downstream, though it is premature to consider them until and unless the foregoing have been accomplished. As a matter of outlining them in a very trite fashion, however they are enumerated as follows:

- A. Full Feasibility Study: (a Technical Study)
 - 1. Details of the mining operation;
 - 2. Metallurgical design; and
 - 3. Continuing exploration and mine development.
- B. Financing for "A" above per those cost estimates which will be determined by the full feasibility study; and
- C. Details for construction, shakedown, and operation of both mine and mill from a functional viewpoint as contrasted to the technical dissertation in "A" above.

EPILOGUE

In order to accomplish the many details within the broad limits of the foregoing structuring as an ongoing step-by-step endeavor, it will first be necessary to (1) establish an operating entity, (2) to project an operating budget and (3) to provide the funds which will enable the conduct of certain specific activities. It has been stated hereinbefore and is repeated here for

emphasis that the Gold Hill property does exhibit unusual operation potentials which are worthy of continuing exploration and development, and it was noted also that there is an unusual showing of ore which is at least partially developed.

Notwithstanding those good indicators which augur well for the future of the property, the situation is now on "dead center" and something must be done in order to get it moving forward. The really good weather is now at hand, and all of the surveying, road work, trail building, and surface sampling can be done with much greater ease and efficiency now than would be possible during hot weather. Thus, in order to achieve these ends a number of steps have been outlined hereinbefore, and they are hereinafter recapitulated and reorganized somewhat in terms of their implementation:

I Operating Entity:

- (a) Field operations by Brawner and Hamilton (hereinafter "B&H") operating individually or as a partnership;
- (b) Contract motor patrol for major road work;
- (c) Contract licenced land surveyor;
- (d) Technical supervision by Promet;
- (e) Insurance and Liability: To each his own;
- (f) Financing: By owners; and
- (g) Accounting: As agreed and arranged.

*Also Same as to
supplies for loaders*

It is projected that "B&H" will have a general free hand to conduct the actual road work and trail building plus the physical underground work, and Promet will advise only as to its adequacy. As to sampling, however, Promet will direct precisely as to the mode and methods to be employed with "B&H" doing most of the physical work and transporting the samples to the World Wide Refineries in Phoenix.

II Items of Work to be Performed and Budget:

<u>Item</u>	<u>By</u>	<u>Est Time</u>	<u>Est Cost</u>	<u>Cumulative</u>
(1) Repair Front End Loader	B&H	3 days	\$ 500	500
(2) Preliminary Road Work After Loader Repair	B&H	1 week	\$ 750	1250
(3) Motor Patrol After (2) has been completed	Contract	2 days	\$ 650 work \$ 150 moving	2050
(4) Helipad & Windsock	B&H	1 day	\$ 350	2400
(5) Parking & Turnaround	B&H	1-1/2 days	\$ 250	2650
(6) Cutting New Trails and/or Rehabilitating old ones	B&H	1 week +	\$1,000	3650

<u>Item</u>	<u>By</u>	<u>Est Time</u>	<u>Est Cost</u>	<u>Cumulative</u>
(7) Setting Survey Stations & B.M.	B&H	2 days(-)	\$ 250	3900
(8) Surface Surveying After (7)	Contract	3 days	\$1,500	5400
(9) Office Work After (8)	Contract	3 days	\$ 450	5950
(10) First Cave, Lyon Tunnel	B&H	2 days	\$ 400	6350
(11) Timbering After (10) (3 sets)	B&H	1 week	\$1,000	7350
(12) Second Cave, Lyon Tunnel	B&H	1/2 day	\$ 100	7450
(13) Planking & Walkways, Lyon	B&H	1 week(-)	\$ 900	8350
(14) Portal Lower Tunnel	B&H	1/2 day	\$ 150	8500
(15) Planking Lower Tunnel	B&H	2 days	\$ 500	9000
(16) Examining Winze & Under Stopes	Promet	2 days	\$ 500	9500
(17) 200 - Samples - Cutting	B&H	1 month*	\$2,500	12,000
(18) 200 - Samples - Analytical	Promet	6 weeks	\$4,500	16,500
(19) Metallurgical Testing	Promet	2 weeks	\$1,500	18,000
(20) Administrative Overhead for 3 Month Program	All	Approx 3 Months	\$2,000	20,000
(21) Contingent Fee	All	Approx 3 Months	\$5,000	<u>25,000</u>
TOTAL FOR PROGRAM				\$25,000

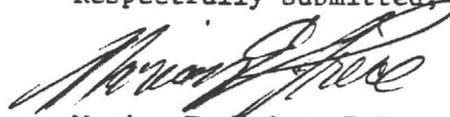
* Integrated and ongoing time factor

The foregoing provides for a daily allowance of \$75.00 each for Brawner and Hamilton during the conduct of the Phase II activities plus a built-in cost for their hand tools and materials. An allowance of \$500 is estimated for repair of the track loader, and beyond that the only allowance built-in is for fuel. Once repaired, it is expected that the loader will be used as needed at no additional cost for machine use per se. In this same connection, it is projected that Promet's analytical and metallurgical testing reimbursements are at cost to the World Wide Refineries facility in Phoenix, and this cost is calculated to include the cost of good canvas sample sacks. Costs for other contract services are considered to be reasonable and ongoing with the final months of 1981, however they would probably be subject to a 10% escalation surcharge during the first quarter of 1982.

In the foregoing, it is anticipated that the Phase II activities will project in a positive manner toward a full-feasibility study and evaluation (Phase III) for some scale of operation. This may or may not be expanded to include some exploratory and development drilling at depth, though drilling is certainly indicated for a longer-range scope of activities. In this connection it is believed that an oxide ore operation may be possible at the outset and this could phase into a sulphide operation at some point downstream. This judgement is based purely on observation of the strong vein showing at Gold Hill and the inference that such a structure can project to substantial depth. It is in this carefully considered connection that I recommend the Gold Hill project for your further study, recommendations, and appropriate actions.

Not the best way to Judge a Property.

Respectfully submitted;



Marion E. Price, P.E.
Geological Engineer

Not Registered

MEP:bc

PROMET SERVICES, INC.
METALLURGICAL TESTING & PROCESSING
GEOLOGICAL EVALUATIONS

TECHNICAL OPERATORS
OF
WORLD WIDE REFINERIES

4202 East University
Phoenix, Arizona 85034
(602) 268-3484

12-31-81

Mr. William Brawner
Gold Hill Mining Co.
807 E. Lemarche
Phoenix, AZ 85022

Dear Mr. Brawner:

Over the past six months we have been systematically re-examining the development potential of the Gold Hill property northeast of Cave Creek including geological reconnaissance and evaluation and preliminary sampling of ore exposed in the old workings and at outcrops.

The favorable preliminary geological evaluation prepared by our associate Marion E. (Mike) Price, dated November 6, 1981 has been sent on to you. Therein Mike confirmed my earlier judgment that this property does indeed have unusual potential for development together with very fortuitous circumstances of convenient location, access, clean old workings which reduce problems in studying the long range potential of the property.

In further endorsement of the excellent prospects of this property which make it a good target for detailed study and evaluation I submit the following background information and results of sampling done to date.

As you are already aware, I had investigated this property extensively some 17-18 years ago at my own expense, and had decided to return to serious reconsideration at some date when precious metals prices and economic situation would justify. So, when you contacted me earlier this year regarding its development I was happy to move this project back into active consideration. I do indeed feel that it is now timely to proceed with it in a systematic step-by-step manner.

Enclosed herewith are some copies of old documents from my file where you will observe that we obtained an option to purchase the property from the M.D. Brown estate through the trust department of the Valley National Bank in 1965. I had been contacted in 1963 by a Mr. Leo Farrington who then owned seven (7) claims called "Gold Dust" (1 through 7). Copies of some hand sketches of the layout of those claims relative to the patented claims you now have under lease are included. Farrington had requested a geological opinion of an elderly geologist named C.W. Gabrielson, now deceased. Copies of the brief 2 page report submitted by Gabrielson are also enclosed. Farrington had been unsuccessful in attempts to lease the patented claims because of his personal circumstances and reputation. I later obtained an option on Farrington's Gold Dust claims prior to obtaining the option on the patented land.

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All this will show that my present interest and favorable opinion regarding this Gold Hill project is not based on a quick short term evaluation since you contacted me. In those days I did not have my own lab and had to have assay work done by others which limited the extent of my sampling. In the intervening years I have developed metallurgical know-how very pertinent to economic exploitation of this type deposit.

You will note in Gabrielson's report (1963) a very strong opinion that the vein and ore deposit could run to significant depths, alluding to 5,000 foot depths in a similar structure. Although we prefer to be more restrained and conservative in our opinion until more detailed work is done, Mike and I both feel that a good target for development exists here.

At that period in 1963-1967 I was in contact with Mrs. Nelson (widowed) at the Nelson mine where she lived near one good spring now on the Carefree Ranch land. A hand sketch map she made for me relative to other mines her husband had been interested in in that area is also enclosed. The potentiality of extending activities eventually to this broader target is quite real. For example, Farrington was one of the earlier operators of the "Rackensack" mine just northeast of Gold Hill.

Sampling of the old workings carried out in the past few months has been summarized in an accompanying table, with an average gold content of 0.27 troy ounce per ton. I feel that the Set III samples as a group are low compared to my previous tests and expect that group to average over 1/3 ounce on repeat analysis. Not included in the table are some samples of quartz outcrops and remnants of old "ore" piles which show values in the vicinity of one troy ounce per ton. These values are conservative and assays were done by chemical extraction procedures comparable to eventual recovery procedures. In detailed sampling as recommended in Mike's report we will include comparison assays using both atomic absorption and fire assay. Samples I had done by fire assay 18 years ago averaged closer to 0.4 troy ounces per ton. Unfortunately I did not save interpretable tables and locations of that early sample work, expecting to do more detailed sampling while developing an access tunnel, etc.

Although Mike Price has completed the sketches of the underground mapping, etc., as late as Sunday evening (December 27th) he had not yet received the printed copies he has ordered. For your convenience in following the estimates on proven ore reserves and probable reserves, I have included a hand sketch (vertical profile) of the existing old workings. When the maps are available I expect to begin plotting in the assay values to assist in interpretation.

Calculating from the mapping, Mike Price reports that about 30,000 tons of proven ore exists. Using 0.27 troy ounce/ton and a current price of \$400.00

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per troy ounce this ore has a value of:

$$30,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$3,240,000$$

Estimates of "Probable" and "Possible" ore reserves lying below the existing old works provide targets of, respectively:

$$\text{PROBABLE ORE: } 150,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$16,200,000$$

$$\text{POSSIBLE ORE: } 200,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$21,600,000$$

Conservatively considering only "Proven" and "Probable" ore, a \$20,000,000 potential is very realistic. This certainly justifies proceeding step-by-step with the necessary details Mike has outlined and budgeted as Phase II in his report. In conversation with Mike he points out that there are two other items that should be included in this phase:

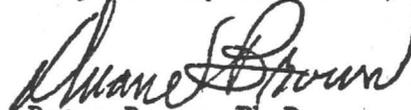
- 1) Repair, replace ladders in old works as necessary;
- 2) Check with local smelters, such as Inspiration Copper as to shipping records for the Nicholson Mining Co. production. The ore would have been highly desirable to them as flux, and was probably shipped locally.

Rejects from sample assay work have now been combined into a composite for laboratory recovery tests. On establishing a flow sheet for this, we will need to handle larger quantities. We will keep you posted on recovery efficiencies as we get some results.

So far as we can estimate by engineering rule-of-thumb, original estimates that a total capitalization of \$1.5 to \$2.5 million will still be required to establish a cost efficient operation. More precise evaluation of capital needs and economic projections would be Phase III of the program Mike laid out.

I continue to be enthused about this project and hope this interim report will assist you in arranging financial assistance necessary to accelerate our program.

Respectfully submitted,


Duane Brown, Ph.D
President, Metallurgist

*Not Registered as a
Gen. D. Metallurgist*

Gilbert
Dr. d Mann

246-1572 to 9:30

242-3289 after 9:30

SUMMARY OF GOLD-HILL SAMPLES

SET I -PORTMENTEAU TUNNEL
(All at same level)

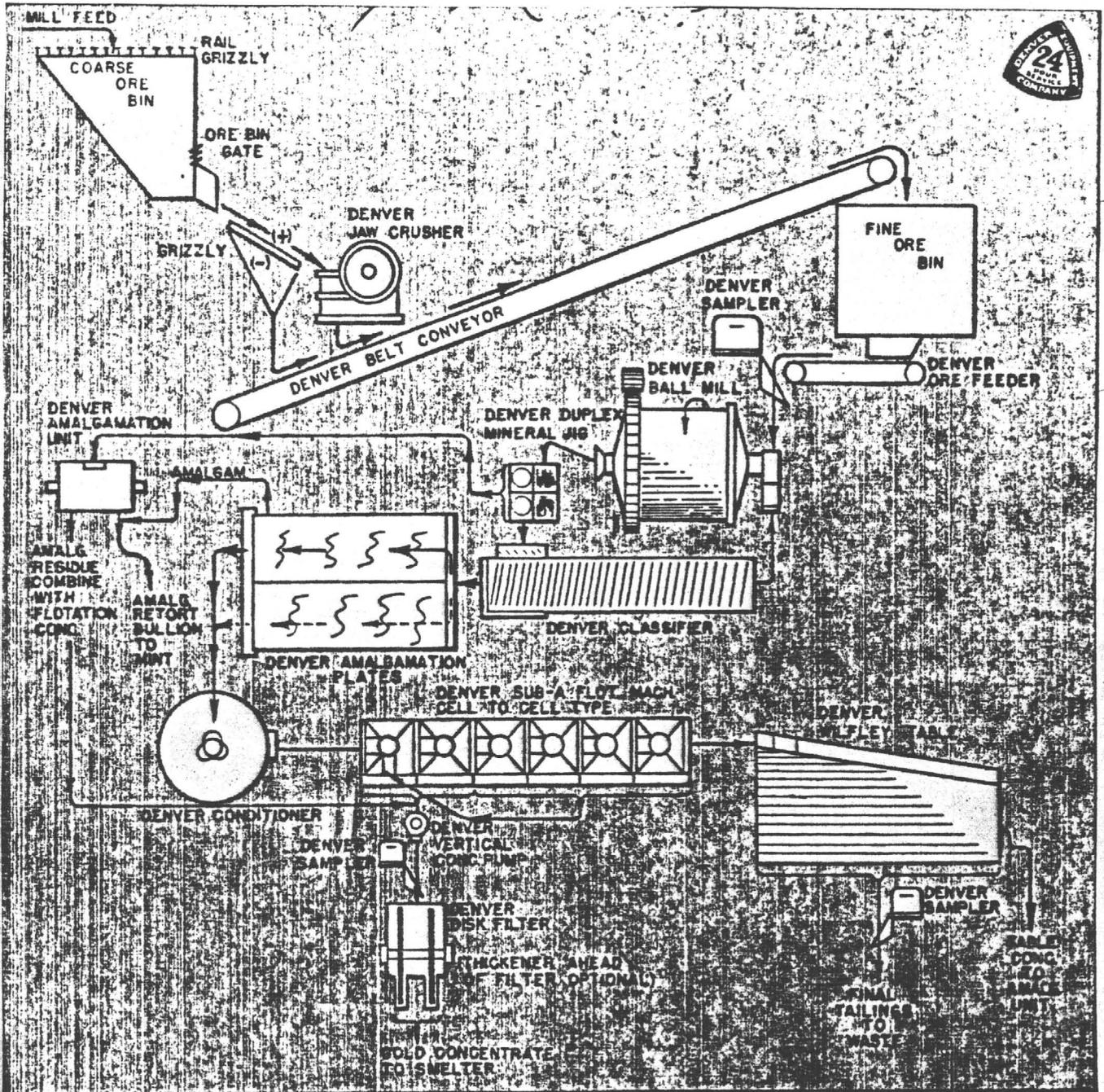
<u>Sample No.</u>	<u>Location</u>	<u>Au Content</u>
1	End of Track	0.37 Troy ounce/Ton
2	Caved-In Pile 150' North	0.31 "
3	Vein at last Ore Chute	0.53 "
4	At ladder 50' from No. 3	0.62 "
5	Cross Cut of Vein 190' from "Y"	0.72 "
6	Vein Material include above Gold Dust Tunnel	0.44 "

SET II -LYON TUNNEL
(All at same level, 80' above Portmenteau level)

7	At Stopes (Caved Material)	0.35 Troy ounce/Ton
8	At Stopes (Ven Rock In Place)	0.42 "
9	Rock, East Side Near Stopes	0.42 "
10	Overhead In Place Near Stopes	0.34 "
11	Caved-In Pile 30' from No. 18	0.27 "
12	100' Into Stoped Area Below Portmenteau	0.41 "

AVERAGE

0.40



1-23-81-

CALLED CAL. Left message to return call 4PM -

1. Owned by private 105 acres - Nuttal, (before)
in Arizona

~~TEL
corp~~

2. All Nuttal land - has all claims -
bought from State, 18 years ago.

3. 70 samples = @ map of location -

4. Values removed - 1913 (NUGGETS.) -

5. Location. N. of Carefree 3-miles -

Carefree Ranch Property. 5 1/2 mi - 6 mi improvement.

6.

4:15 PM

