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NO SMOKING
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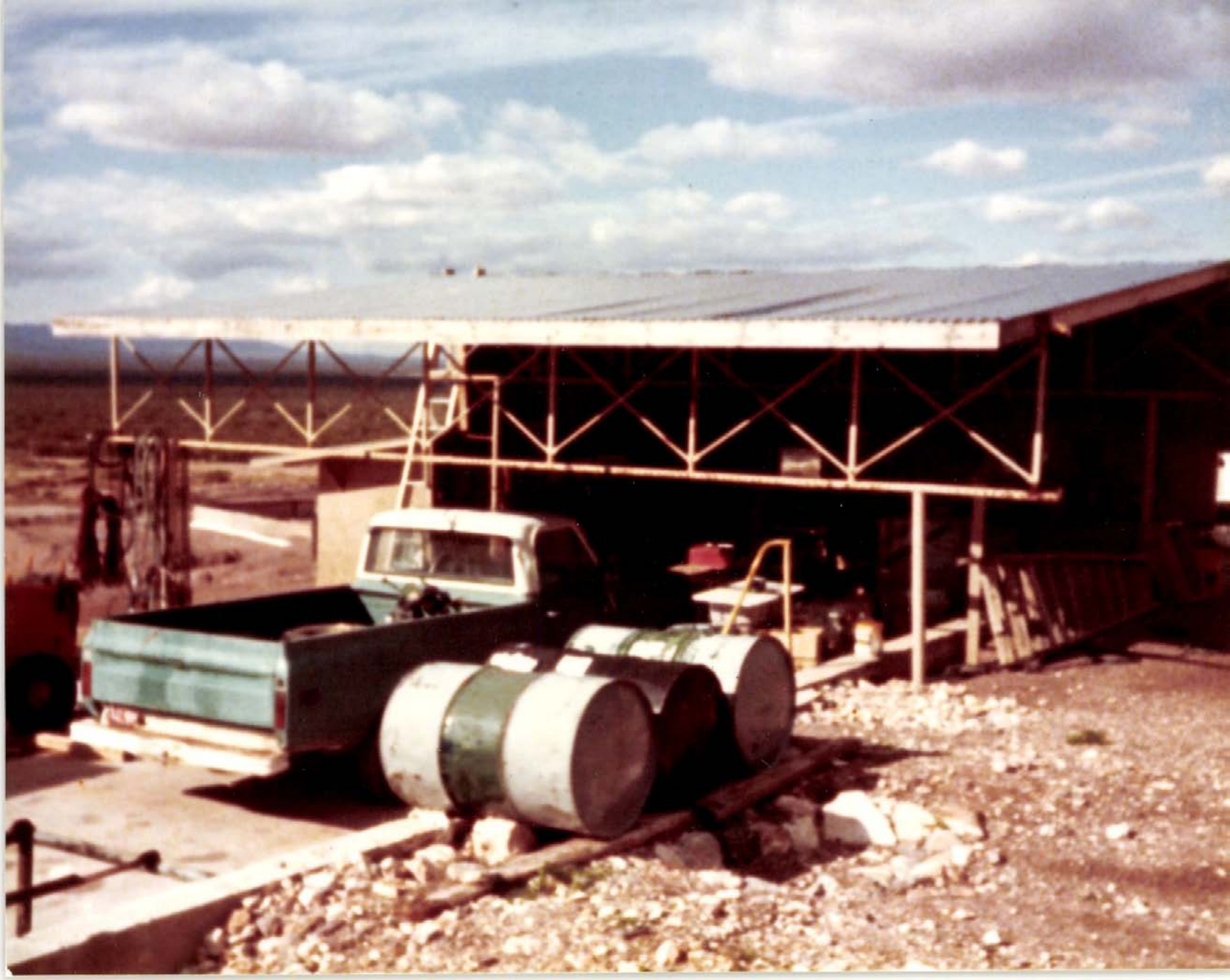
TEREX




CATE PILLAR
941


TEREX

7705 E Gunsway Rd.
Scottsdale, 85260

Federal Prison
Gerhard G. Clemens
Box 962
Florence Az 85222

Camp & Utility Equip

1 - 1974 Wilshire 14x66' Mobile Home, Furnished
1 - Water System - (2 wells, pump & pressure system
1 - 125 KW Cummins Generator
1 - 30 KW Ford Generator
1 - Communication System (1 base, 2 Mobile, 2 carry units)
1 - 6000 gal Fuel Storage Tank
1 - 5000 gal Water Storage Tank

Transportation Equip. (Utility & Ore)

1 - 1972 ½ ton Chevrolet pickup
1 - 1976 ½ ton " " Pickup
1 - 1966 ¾ ton " " 4wd Pickup
1 - 1963 ~~Tank~~ truck (500 gal pump) International
2 - 1962 International Dump Trucks (ton)
1 - Caterpillar 944 Trackloader
1 - F.W.C. Terex 270 Loader

Concentrating Equip.

1 - Portable Jaw Crusher - Cedar Rapids Model 24 2A.
1 - Portable Roll Crusher - Cedar Rapids Model 282B.
1 - Hammer Mill, Pettibone w/ D315 Cat engine, 4'x8' screen, conveyor.
1 - Mixing Bowl, Stainless steel, 15 H.P motor, agitator.
1 - NEW Flocculation Plant, Escapule, 1000 T.P.D. (Used)
3 - Concrete Vats (250 tons each) w/ 18" x 200' & 12" x 50' (screw) conveyors
4 - circular (12,500 gal) solution tanks w/ pressure pumps

Refining Equip.

1 - NEW Electrowinning cell w/ power supply and SRC-3018 silver cell.
1 - Furnace, gas, 800°F, crucibles, molds and tongs.

Miscellaneous - for operating

1 - Welding machine, gas engine, Lincoln - 225 amp.
1 - Steam cleaning Unit
3 - Buildings (shed), concrete pads (floor)
1 - Tools (mechanics, pipefitting, plumbing, welding)
1 - NEW & USED electrical supplies, (switches, contactors etc)

Lincoln Welder & Steam Cleaning Unit.

Interior of Maintenance Shop.

AN

APPRAISAL REPORT

of the

MACHINERY and EQUIPMENT

of

ARGOSY MINING COMPANY

located at the

ARGOSY MINE PROPERTY
(Vekol Mine)

Pinal County, Arizona

by

Richard E. Mieritz
Mining Consultant
Phoenix, Arizona

January 12, 1985

INTRODUCTION:

At the verbal request of and authorization by Mr. Arthur Hindrichs, Managing Partner, Argosy Mining Company, commissioned the writer to complete an Equipment Appraisal of the Company's equipment (manufactured and site constructed) located at the Argosy Mining Property, formerly known as the Vekol property on the Papago Indian Reservation, Section 34, T. 9 S., R. 2 E., Pinal County, Arizona.

This Report is based on the writer's physical observation of the "inventoried" equipment list and "book" values as provided by Arigosy Mining Company and on the writer's general knowledge of condition, value and usefulness of such equipment and material necessary to generate a precious metal extraction plant at a mining property.

REPORT QUALIFICATION:

This report is concerned only with an end result of the total dollar value of the existing equipment, either manufactured or constructed at the site by Argosy Mining Company.

Manufactured equipment (also supplies) herein aredefined and classified s having a "resale" value down the line--unless scrapped--and would include such items as crushers, generators, vehicles, electrical switchgear and/or plumbing supplies.

Site constructed equipment is defined as such equipment which would not necessarily have a "resale" value for use at a location other than its present location. Such equipment would include constructed leach tanks, solution tanks, etc.

Except for two new manufactured items and two site constructed items, all other equipment considered herein has been purchased as "used equipment"

Any specific "used" item can have a wide range of a dollar value dependent on the condition at time of purchase, the role it has in an operation, its closeness to the site of usefulness, etc., therefor, price comparison, item by item, particularlyin the $5,000.- or less range, would be superfluous and meaningless, therefor, a minimum consideration by the writer.

Items in excess of $5,000.-, as inventoried and priced by Argosy Mining(Schedule included in Report), were scrutinized and varyingly considered by the writer as regards the items availability--plentiful or scarce-- and distance from its present location.

Aside from the writer's own "off the cuff" knowledge of equipment prices, some research was completed, using the writer's files and some phone calls to local equipment dealers were made to substantiate or reject the values as submitted by Argosy Mining Company.

Secondly, the writer requested Argosy Mining Co to provide the

invoices of several items or pieces of equipment such as crusher Units, and loader, --the the higher priced items.

Thirdly, for the "on site constructed" items, the writer has relied on his ability to estimate "construction costs" to duplicate the item at site.

Fourthly, the writer, accompanied by Mr. Arthur Hindrichs, visited and personally observed the listed equipment and supplies at the site--Argosy Mine--on January 9, 1985. (See included Map for Mine Location) The writer requested several pieces of equipment to be started and operated for a short period of time to determine its operativeness. The writer took several pictures of the equipment to establish the presence of same at the site. (These photos are included in the Report.)

CONCLUDED APPRAISAL RESULTS:

Having conducted the aforementioned four exercises as a function to determining a realistic value for the various equipment pieces, the writer opines and concludes:

(1) the equipment and supplies listed on the Argosy inventory do in fact, exist and are present on the property, the location of which is shown on the included Map.,
(2) the equipment and supplies listed on the Argosy inventory are in good to excellent shape or condition and "spot " checking of "starting and running" some items, indicates the mechanical equipment is operative.,
(3) the review of some invoices provided by Argosy Mining Company, indicate no significant difference of prices on Argosy Mining Company's inventory list--"unmarked--not titled".
(4) Since all the writer's "tests" have indicated that the dollar values shown in Argosy Mining Company's inventory list are fair and justifyable, the writer hereby attests to the fact that the total value of $370,000.- is a true and just figure of expenditure representing the listed equipment/supplies and therefor should be an acceptable figure.

Respectfully submitted,

Registered Professional Engineer (Mining) CERTIFICATE EXPIRES DEC. 31, RICHARD E. MIERITZ ARIZONA, U.S.A.

R. E. Mieritz
Mining Consultant
Phoenix, Arizona

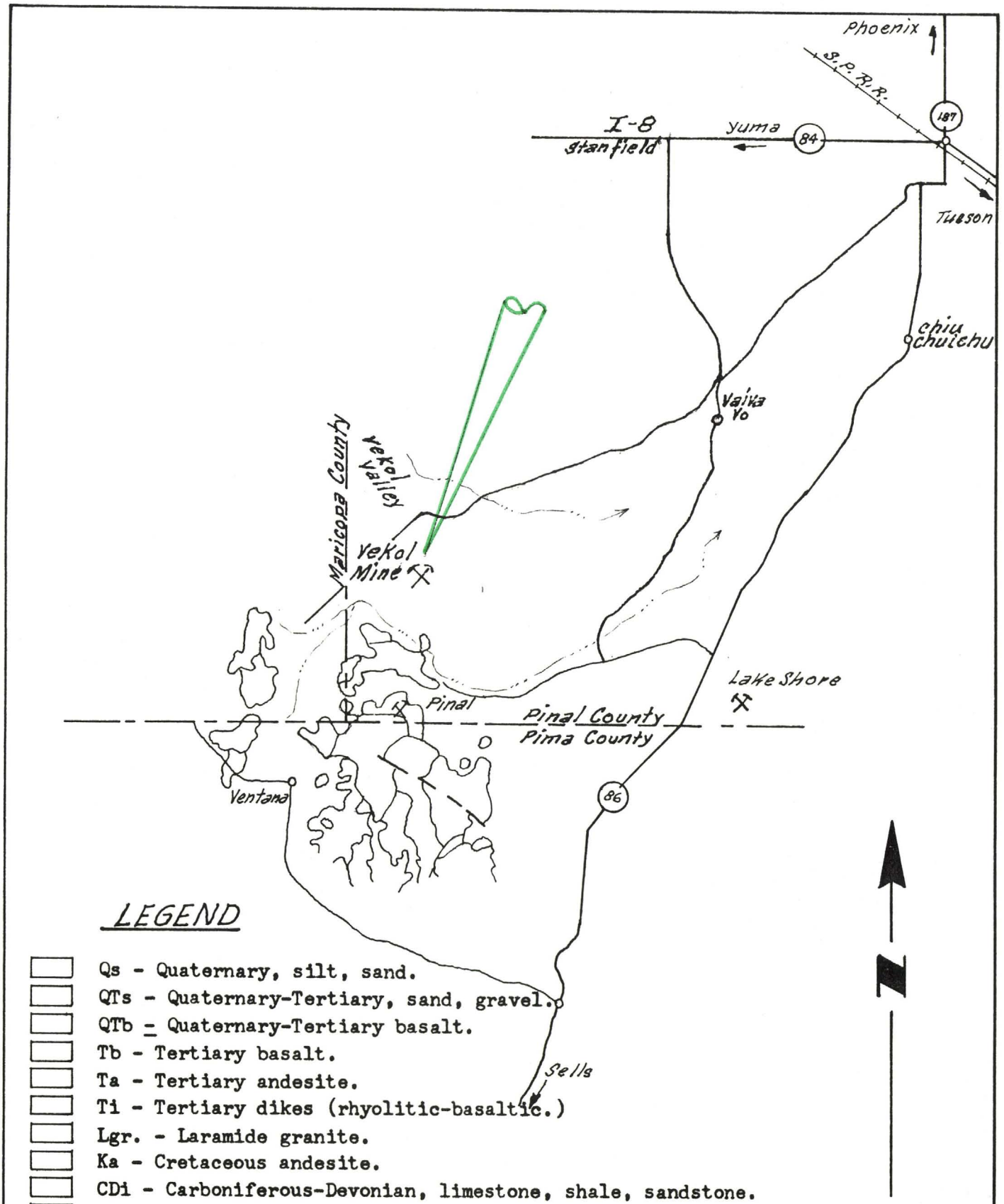
EXHIBITS:
Inventory of Equipment as provided by Argosy Mining Company.
Inventory of Equipment as prepared by R. E. Mieritz.
Location Map
Seven pages of Photographs taken by R. E. Mieritz January 9 & 10, 1985 at the property.

ARGOSY EQUIPMENT

1	Used Cedar Rapids Model 2A2A Portable Jaw Crusher	$ 35,000.00
1	Used Cedar Rapids Model 2B2B Portable Roll Crusher	25,000.00
1	Used Caterpillar 941 Track Loader	30,000.00
1	Used G.M.C. Terex 270 Loader	15,000.00
1	Used 125 K.W. Cummins Generator	11,250.00
1	New 30 K.W. Ford Generator	9,000.00
2	Used 1963 International Dump Trucks	10,000.00
1	1963 International (used) Truck c/w 500 gal.& elec.Pump	4,000.00
1	Used 1972 1/2 ton Chev. Pick-up	3,000.00
1	Used 1976 1/2 ton Chev. Pick-up	4,000.00
1	Used 1966 3/4 ton 4wd Pick-up (Chev.)	3,500.00
1	Used 1974 Wilshire 14'x 65' mobil home, A/C, FULLY FURNISHED	15,000.00
1	"Built-together" Pettibone Hammer ~~Crusher;screen &~~ FINE D315 Caterpillar Engine, 4'x8' SIMMOND SCREEN, CONVEYOR	39,000.00
1	New "Escapule" 100 T.P.D. Precipitation Plant	7,000.00
1	~~Used~~ Water System including: 2-fresh water wells,1-submersible pump with storage tanks, pressure system & assorted plumbing	4,200.00
1 NEW	H.B.S. Electrowining cell C/W two power supply and including one only SRC-3018 Silver Cell	14,000.00
3	Concrete (550 Tons each)Vats complete with 18"x 200' horizontal conveyor, 12"x50' horizontal screw conveyor, flat steel rails, dump gates and assorted plumbing	93,000.00
4	12,500 gal circular swimming pools complete with three ~~(3)~~ pressure pumps and assorted plumbing	9,800.00
1	Used stainless steel mixing BBl with 15 H.P. electric motor and agitator	2,500.00
1	New gas fired 3,000 degree furnace C/W;size 30 crucible and handling tools and molds	5,500.00
1	"set" of radio equipment consisting of a 1 base and ~~one~~ 2 hand-held units and 2 mobile units	4,500.00
1	Used ~~200~~ 225 amp gasoline Lincoln Welder	1,500.00
1	~~New~~ USED steam cleaning unit	950.00
1	(Set) new and used electrical equipment necessary to operate existing operation	13,500.00
1	(Set) hand tools (electrical/mechanical/welding)	3,000.00
1	(Set) of 3 buildings C/W concrete pads, electric fittings	5,000.00
		$368,200.00
1	FUEL TANK, 6000 gal	1,300.00
1	WATER TANK 5000 gal	1,000.00

MACHINERY and EQUIPMENT INVENTORY (January 9, 1985 by R. E. Mieritz)
ARGOSY MINING COMPANY

	VALUE
CAMP and UTILITY EQUIPMENT	
1 Moblie Home, 1974 Wilshire, 14' X 65', furnished, 3 bedroom, Air Condition, clean, neat.	$ 15,000.-
1 Water Supply System, (2 wells, pump and pressure system, 400 feet deep.)	$ 4,200.-
1 Generator, electric, 30KW, Ford diesel, Surface & Underground utility, in operation. NEW	$ 9,000.-
1 Generator, electric, 125KW, Cummins, diesel, for plant, mill, underground.	$ 11,250.-
1 Communications System (Radio-telephone), (1 base, 2 mobile, 2 hand carry Units).	$ 4,500.-
1 Storage Tank, steel, 5000 gals, water. Good condition.	$ 1,000.-
1 Storage Tank, steel, 6000 gals, Diesel Fuel. good condition	$ 1,300.-
TRANSPORTATION EQUIPMENT (Personnel and Ore)	
1 Pickup, 1972, Chevrolet, ½ Ton.	$ 3,000.-
1 Pickup, 1976. Chevrolet, ½ Ton	$ 4,000.-
1 Pickup, 1966, Chevrolet, 3/4 Ton, 4 Wheel Drive.	$ 3,500.-
1 Truck, 1963, International, w/500 gal. steel tank and pump.	$ 4,000.-
2 Trucks, 1963 International, dump style, 7-8 Ton capacity(?), $5,000.- each	$ 10,000.-
1 Loader, Front end, Track mobile, Caterpillar, Model #941, (started, runs good)	$ 30,000.-
1 Loader, Front end, Rubber Tire, GMC Terex Model 270.Good condition, one tire flat.	$ 15,000.-
ORE CONCENTRATING EQUIPMENT	
1 Crusher, Jaw, Portable, Cedar Rapids, Model 2A2A, good condition. Started, runs good.	$ 35,000.-
1 Crusher, Roll, Portable, Cedar Rapids, Model 2B2B.good condition.	$ 25,000.-
1 Crusher, Hammer Mill, w/ D315 Cat engine, 4' X 8' Screen, conveyor. (crushing and screening portion not in use for present flow sheet)(screw conveyor)	$ 39,000.-
1 Agitator (mixing Unit), BBI, stainless steel, 15 HP motor.	$ 2,500.-
1 Precipitation Unit, Escapule, 100 TPD capacity, NEW	$ 7,000.-
3 Vats, (leach), concrete, 550 ton capacity, w/18" X 200'(belt) and 12" X 50' (screw) conveyors. (Site constructed)	$ 93,000.-
4 Tanks, Solution, circular, plastic, 12,500 gal. capacity, w/pressure pumps, (Dough Boy type), one being rebuilt.	$ 9,800.-
REFINING EQUIPMENT	
1 Cell, electrowinning, w/power supply and SRC 3018 Silver Cell, NEW	$ 14,000.-
1 Furnace, muffle, gas fired, 3000°, crucible, molds, tongs. NEW	$ 5,500.-
MISCELLANEOUS (for operating)	
1 Welder, portable, Lincoln, gas engine, 225AMPS., also 1 steam cleaning Unit.	$ 2,450.-
3 Buildings, steel, concrete pads (floors)(generator switchgear, precip plant, etc.)	$ 5,000.-
Tools, (Mechanics, electricians, plumbers, welding, etc.)	$ 3,000.-
Supplies, NEW and USED, electrical, plumbing, etc.	$ 13,500.-
TOTAL	$ 370,500.-



LEGEND

- Qs - Quaternary, silt, sand.
- QTs - Quaternary-Tertiary, sand, gravel.
- QTb - Quaternary-Tertiary basalt.
- Tb - Tertiary basalt.
- Ta - Tertiary andesite.
- Ti - Tertiary dikes (rhyolitic-basaltic.)
- Lgr. - Laramide granite.
- Ka - Cretaceous andesite.
- CDi - Carboniferous-Devonian, limestone, shale, sandstone.
- gr - PreCambrian granite.
- Sch- PreCambrian schist.

REGIONAL GEOLOGY & INDEX MAP
(Portion of)
SW. Pinal County, Arizona

SCALE: 1"= 6 Miles

Dec., 1973 R. E. Mieritz

MAP Nº___

Mobile Home: 14' wide, 65' long, air conditioned, 3 bedroom, clean, neat.

Mobile Home: portion of interior, also part of communications Radio system.

Generator: Ford, 30 KW. for surface and underground electric "utility" service. Running and in operation.

Also, Pressure pump for Camp and plant water system using one of two wells.

Generator: Electric, 125 KW, Cummins diesel, switch gear and controls in small room to right. Electric power for plant where required, also underground usage.

Tank, steel, 5000 gal. for Water, camp and plant. Needs painting.

Tank, steel, 6000 gal. for Diesel fuel storage. Good condition.

Truck, Dump, 1963, International, good. 8 (?) ton

Truck, 1963, International, w/ 500 gal steel water tank.

Truck, Dump, 1963, International, good shape. 8 (?) ton.

Pickup, 1966 Chevrolet, 3/4 ton, 4 WD. Good shape.

Pickup, 1976, Chevrolet, ½ ton, good condition.

Also front view of Mobile Home.

Pickup, 1972, Chevrolet, ½ ton, Good condition

Loader, front end. Track, Caterpillar, Model 941. Started engine and operated.

Hammer Mill, Pettibone, w/D315 Cat engine, 200 ft conveyor lengthwise leach tanks. Hammer and screen being bypassed at present.

Jaw Crusher, Cedar Rapids, Model 2A2A, portable,

in series with

Roll Crusher, Cedar Rapids, Model 2B2B, Portable.

Camera angled toward sun, dark picture.

Loader, front end, Terex, GMC Model 270 good shape, one tire flat. Operative.

Leach Tanksm concrete walls, floor, showing entrance gates for unloading.

Conveyor, screw type, fed by 200 ft. conveyor along side tanks--fed by hopper of Hammer Mill. Loads Leach pads or tanks.

Photo shows:
(1) Electrowinning Cell--extreme right, NEW, w/power supply, SRC 3018 silver Cell.
and
(2) Mixing Unit-left of Cell, BBI, agitator w.15HP motor.
and
(3) Furnace, muffle, w/accessories, NEW.
and
(4) Building, housing Escapule precipitation plant --chemical laboratory.

Tanks, solution, plastic (dough boy) type, three in place, one collapsed by strong wind. To be repaired-rebuilt.

REPLY TO:
2940 N. CASA TOMAS
PHOENIX, ARIZONA 85016
TELEPHONE (602) 277-6053

Richard E. Mieritz
MINING CONSULTANT
ARIZONA REGISTERED
MINING ENGINEER AND GEOLOGIST

GEOLOGY
EXPLORATION
EVALUATION
FEASIBILITY
OPERATION

January 16, 1986

Douglas Martin
D. K. Martin & Associates
4728 N. 21st Ave.
Phoenix, Arizona, 85015

Dear Mr. Martin:

At your verbal request and authorization on January 7, 1986, the writer, after a few days delay, visited the Antelope Creek Placer property, Yavapai County, Arizona on January 14th. The writer was accompanied on the property by Mr. Buz Brown, of your office, and Mr. Tom McKenzie, Superintendent of the operatio. Mr. McKenzie provided much information about the situation and the concerned problem facing the project. Mz. Ginney Kurn, company Geologist, was also present and provided some information.

Although not physically productive sample-wise, the visit was justified to help understand and analyze the problem and suggest potential remedies toward a solution which could possibly make the project successful.

Thanks to your generosity, the writer had in hand a "digest" -- several pages missing-- of a SUMMARY REPORT by M. R. Sheets and the FINAL REPORT by M. R. Sheets and Milton W. Hood of California.

The large production MILL was notin operation the day the writer's visit, thus, not productive sample-wise.

THE PROBLEM:

The above Reports mention 13 test pits in the gravel covering a Creek length of some 1600 feet which contains gold values, when averaged, have a content of 0.43 grams gold per cubic yard of "bank run" material or 1.72 grams gold for a cubic yard of screened minus 1½ inch size material. The report shows 428,700 cubic yards of bank run material as "proven". The writer must take exception to the word "proven". In his opinion, the 13 test pit samples merely indicate the presence of gold values in the gravel so tested at the specific locations.

Based on the predication the gravels were "proven", several thousands of yards were mined and screened at a particular, selected location the the Creek. Many yards of the minus 1½ inch material was run through the recovery mill. The final result being NO GOLD RECOVERY.

The Problem--WHY?

PROBLEM ANALYSIS:

The problem resolves itself into two areas:, (1) the Production Mill and (2) the material milled.

The Mill

The production mill flowsheet is patterned after the small pilot mill which is used to test "bulk" samples from the test pits. This mill is satisfactory since it is stated gold recoveries were accomplished. The larger recovery mill should duplicate the pilot mill results.

The writer asked of Mr. McKenzie whether the "stockpile" of minus 1½ inch material had been sampled and run through the pilot mill-- to which he replied-- yes, just recently. Twentyfour cubic yards were milled but the results are not yet available. It seems also that the "tails" from operating the large mill were sampled and they contained 0.002 grams per cubic yard.

The Material

Apparently no "test sampling" of the bank material was completed-- except for the initial "test pit"--from the start of mining to the completion of the "mill run" which ended last week with poor results-- no gold recovered.

All things being equal, the writer is of the opinion--at this moment--that the minus 1½ inch material "stockpile" has little to no gold values. If the results of the one 24 cubic yard sample of the "stockpile" material just recently tested proves this opinion wrong, then other sources of the problem must be investigated.

RECOMMENDATIONS:

The primary source of problems for similar situations resolves to --LOW or NO gold values in the "Heads". This could be the case, at least, it is an avenue that must be checked out, therefor, the writer suggests and/or recommends the following be initiated and followed through to completion.

(1) Keep the main plant shut down--except for testing 40 to 60 cubic yard samples--until an adequate "stockpile of "proven" gold content is available.
(2) Take two more samples (7 to 10 cubic yards each) of the present stockpile and pilot mill test. Approximate volumes are okay.
(3) In a good area of the Creek, have the Geologist supervise a trenching/sampling program across the creek drainage at 50 foot intervals for a 250 foot creek length. Where possible, the trenches should be continuous from bank to bank and to a depth of 5 feet and

and a width of 4 to 5 feet. A 20 cubic yard sample would require a 25-27 foot length along the trench. Two or three such samples along each line might be possible. Repeat the sample taking on the same line from a 5 foot to a 10 foot depth. A 10 foot to 15 foot sample level might be possible, if so, sample as herein described. (4) Split each 20 cubic yard sample in half. One half goes to the pilot mill for testing, the other half being "stockpiled" and combined with one half of the other samples (from both depths--surface to 5 feet and 5 feet to 10 feet) taken on the same line and then run the 40 to 60 cubic yard sample through the large plant.

TEST WORK PURPOSE:

The above program is designed to (1) determine possible "channels" in the Creek and (2) "block" out a specific volume and gold content if present, and (3) check the operating efficiency of the large plant.

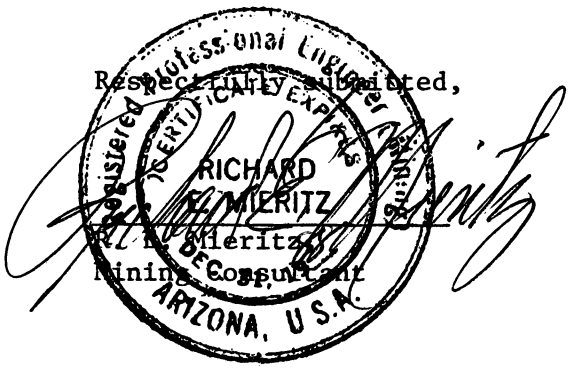
CONCLUSIONS:

To solve the problem positively or negatively, some questions must be answered. The two important questions being -- gold content of material to be mined (initial test pit values are merely an inference) and second, will the present recovery mill collect the values so indicated in the tested material to be mined.

The outlined testing program suggested under Recommendations should provide adequate information--when analyzed--which would provide the basis and direction the project should take.

Hopefully, the results of the program are positive in nature and would lead to a successful operation.

Respectfully submitted,



R. E. Mieritz
Mining Consultant

UPPER BEACH (WASTE)

Sorted Gravels

Above Antelope Creek

REPLY TO:
2940 N. CASA TOMAS
PHOENIX, ARIZONA 85016
TELEPHONE (602) 277-6053

Richard E. Mieritz

MINING CONSULTANT

ARIZONA REGISTERED
MINING ENGINEER AND GEOLOGIST

GEOLOGY
EXPLORATION
EVALUATION
FEASIBILITY
OPERATION

January 20, 1986

Mr. Tom McKenzie, Project Manager
Antelope Creek Project
P. O. Box 943
Yarnell, Arizona, 85362

Dear Mr. Mckenzie:

Herewith the portion of the "head" sample one of the Mill operators took during the large plant mill test on Friday, January 17th. We used my wooden box of known capacity, 2.7 cubic feet. The box was "heaped" to allow for additional expansion. The sample was taken at the discharge of the hopper as it dropped onto the conveyor to the scrubber.

Eight full bread pas were taken at 10 minute intervals during the test. Eight pans were equal to approximately a ¼ of the box.

The writer field split the sample twice, the resulting sample being ¼ of the original sample. The material was damp.
In Phoenix, the sample was weighed--70 pounds including fines, gravel, etc. (damp).
The sample then sun dried--weighed--67.5 pounds.
Moisture content ± 3.6%--normal.
The sample was screened using a normal window screen, 8 apatures to the inch, (8 ? mesh).
The plus 8 mesh weighed dry--27.0 pounds.
The minus 8 mesh weighed dry--40.0 pounds.
The percent fines--59.7%.--percent +8 mesh--40.3%.
The fines were split, ½ for Geologist Kuran,(20.0 pounds), ½ to the writer, 19.5 pounds.
The writers fines were washed, dried and weighed. The sample lost 5.0 pounds, or a 25.64% clay content.

Splitting was completed by a Jones type and weighing completed using a "bathroom" scale, to the nearest pound--adequately accurate for the purpose.

Sincerely,

R. E. Mieritz,
Mining Consultant

copy to Doug Martin.

REPLY TO:
2940 N. CASA TOMAS
PHOENIX, ARIZONA 85016
TELEPHONE (602) 277-6053

Richard E. Mieritz
MINING CONSULTANT
ARIZONA REGISTERED
MINING ENGINEER AND GEOLOGIST

GEOLOGY
EXPLORATION
EVALUATION
FEASIBILITY
OPERATION

January 18, 1986

Mr. Tom McKenzie, Project Manager
Antelope Creek Project
P. O. Box 943
Yarnell, Arizona, 85362

Dear Mr. Mckenzie:

Thank you for the cooperation of yourself and the entire crew during my visit to the property on January 14th and 17th. All information was appreciated.

I completed a letter Report to Doug Martin covering my visit on January 14th. I will commence a second Report covering my visit and the test work completed during January 15th throught the 17th. However, in order to do that, I will require certain information from the test work thus completed to arrive at a positive conclusion based on the facts and results of the test work.

I will require the following:

(1) A sketch of the continuous trench used for the test work using a scale of 1"=20 feet, on an 8½" by 11" sheet of paper.
The sketch to show the length, breath and depth of each sample along with the amount of total gold (nuggets plus amalgam) for each sample in grams. The samples as well as the results of the sample should bear the same number or cross referenced if not the same number. Oposite each sample on the sketch, there should be a brief description of the sample indicating the approximate percent of the +3 inch material, the -3"inch and a remark or two about the large boulder size and what percent their volume would occupy.Some notes of possible classification and stratification of the wall of the pit or trench should be noted. Also wish to know the "in place" volume of the samples, separately.

(2) Also wish to know the results, yardage of the two samples you will be running using opposite sides of the "stopkpile" after you have run them through the small mill. I would think 10 to 12 yards should be sufficient for each. If perchance you locate the sample of that 24 yard test you mentioned on my first visit, I would like to know the results of that one.

Would you advise Geologist Kuran I will send her portion of the "head" sample by mail, U.P.S. or with Doug Martin who anticipates being on the property either the 22, 23, or 24th of this month.

As regards the results of the "large Mill test", I would like to have the following information along with the information on the four trench samples:

(1) The amount of "free" gold contained in:
    (a) the tails from the "jig"
    (b) the tails from "bowl" #1
    (c) the tails from "bowl" #2
(2) The separate amounts of "free" and amalgam gold from:
    (a) "Bowl" #1
    (b) "Bowl" #2
    reported in grams.

All the requested information can be sent at the same time, in fact, I would perfer that.

I have talked to Doug Martin, and it is agreed thatwhen the second Report has been finished, both will be submitted to him at that time. Doug has been brought up-to-date- as to what has occurred and what work has been completed as well as what work must still be done, as far as my phase is concerned.

Sincerely,

R. E. Mieritz,
Mining Consultant

Copy to Doug Martin

(2) take two more samples (7-10 cubic yards) of the present stockpile and pilot mill test. Approximate volumes are okay.

(3) In a good area of the creek, have the geologist supervise a trenching sampling program across the drainage at 50 foot intervals for a 250 foot creek length. Where possible, the trenches should be continuous from bank to bank and to a depth of 5 feet and a width of 4-5 feet. A ~~[illegible]~~ 20 cubic yard sample would require a 25 to 27 foot length. Two or 3 such samples along each line might be possible. Repeat the sample taking on the same line from a 5 foot to 10 foot depth. Repeat the same procedure on succeeding lines to cover the creek length of 250 feet.

A 10 to 15 foot sample bank might be possible if the sample is [illegible]

(4) Split ~~[illegible]~~ each 20 cubic yard sample in half. One-half goes to the pilot mill for testing, the other half "stockpiled" and combined with one half of the other samples ~~[illegible]~~ (from both depths - 0 to 5 and 5-10 feet - taken on the same line and run the 40 to 60 ton sample through the large plant. ~~A 10 to 15 foot sample bank might be possible if the sample is there.~~

TEST WORK PURPOSE

The above program is designed to (1) determine possible "channels" in the creek (2) "block out" a specific volume and gold content of present and

yet available. It seems also that the "tails" from operating the large mill were sampled and they contained 0.002 grams per cubic yard.)

THE MATERIAL

Apparently no "test sampling" of the bank material was completed — except for the initial "test pit" — from the start of mining to the completion of the "mill run" which ended last week with poor results — no gold recovered.

All things being equal, the writer is of the opinion — at this moment — that the minus 1½ inch material "stockpile" has little to no gold values. If the results of the one 24 cubic yard sample of the "stockpile" material just recently tested proves this opinion wrong, then other sources of the problem must be investigated.

RECCOMENDATIONS

The primary source of problems for similar situations seldom [illegible] — low or No gold values in "heads". This could be the case, at least, it is an avenue that must be checked out. Therefore, the writer suggests and/or recommends the following be initiated and followed through to completion.

(1) Keep the main plant shutdown — except for testing 40 to 60 cubic yard samples — until an adequate "stockpile" of "proven" gold content is available.

or 1.72 grams for a cubic yard of around minus 1½ inch size material. The report claim 428.700 cubic yards of bank run material as "proven". The writer must take exception to the word "proven". In his opinion, the 15 test pits merely indicate the presence of gold values in the gravel as tested.

Based on the prediction the gravels were "proven", several thousands of yards were mined and screened at a particular, selected location in the creek. Many yards of the minus 1½ inch material was run through the recovery mill. The final result being no gold recovery.

The problem — WHY.

PROBLEM ANALYSIS

The problem resolves itself into two areas: (a) the material and (b) the production mill.

The Mill

The production mill flowsheet is patterned after the small pilot mill which was used to test "bulk" samples from the test pits. This mill is satisfactory since it is stated gold recoveries were accomplished. The larger mill should duplicate the pilot mill results.

The writer asked of Mr. McKenzie whether the "stockpile" of minus 1½ material had been sampled and run through the pilot mill — to which he answered — yes, just recently. Twenty four cubic yards were milled but the results are not

Antelope ~~Placer~~ Creek, Placer 47-8 N. 21 St. Ave
V - B.R. Martin & Associates 85015

At your request and authorization on January 7, 1986, the writer after a few days delay visited the Antelope Creek Placer property, Yavapai County Arizona, on January 17th. The writer was accompanied by Mr. Larry Brown of your Office. Mr. Tom McKenzie, Superintendent of the operation was met and provided much information about the situation and the concerned problem facing the project. Mr. Jimmy Kurz, geologist was also present and provided some information.

Although not physically productive sample-wise, the visit was justified to help analyze the problem and suggest potential remedies toward a solution which could possibly make the project successful.

Through your generosity, the writer had in hand a "digest" ~~of~~ - several pages missing - of a SUMMARY REPORT by M.R. Sheets and the FIRST REPORT by M.R. Sheets and Milton W. Hood of California.

The ~~day~~ large production mill was not in operation the day of the writers visit, thus not productive sample-wise.

The PROBLEM.

The ~~reports~~ above Reports mention 10 test pits in the gravels covering a creek length of 1600 feet which contains gold values, when averaged, have a content of 0.43 grams per cubic yard of "bank run" material.

(3) Check the ~~operating~~ efficiency of the large plant.

Conclusions

To solve the problem positively or negatively ~~[illegible]~~ some questions must be answered. The two important questions being - gold content of material to be mined (test pit values merely an inference) and second will the present recovery mill collect the values so indicated in the tested mined material.

The outlined testing program suggested under Recommendations should provide adequate information, which analyzed - would provide the basis and direction the project should take.

Hopefully the results of the program are positive in nature and would lead to a successful operation.

Respectfully submitted

Tom McKenzie, P.M.

Here with the portion of the "dead" sample ~~[illegible]~~ one of the mill operators took during the large plant mill test on Friday January 17th. We used my wooden box of known capacity - 2.7 cubic feet. The box was "heaped" to allow for additional expansion. The sample was taken at the discharge of the hopper as it dropped onto the conveyor to the scrubber.

Eight full loader pans were taken at ten minute intervals during the test. Eight pans were equal to approximately a 1/4 of the box.

The writer field split the sample twice, the resulting sample thus being 1/4 of the original sample. The material was damp.

In Phoenix, the sample was weighed - 70 pounds. including fines, gravel, etc. (damp)

The sample sundried - weight - 67.5 pounds.

Moisture content ± 3.6%

The sample was screened using a normal window screen - 8 apertures to the inch (8? mesh).

The plus 8 mesh weighed (dry) 27.0 pounds.

The minus 8 mesh weighed (dry) 40.0 pounds.

The percent fines - 59.7% - percent +8 mesh - 40.3%.

The fines were split - 1/2 for Geologist Kurak 20#

1/2 to the writer, 19 1/2 pounds.

~~[illegible]~~

Splitting was completed by a Jones type and weighing completed using a bathroom scale - to the nearest pound.

1-17-86

Head samp before conveyor to trommel—
heaped hoy — split twice with Jones — quite damp.

① Wet ② Dry

39 #5	
43 #8	
82	
− 12 (2 bac − 2 split)	
70. −	× 4 = 280# per cu yd. 2800 damp / yd

Dry Wt.

39.5
40.0
79.5
− 12.0
67.5

% Mois

$\frac{2.5}{70} = 3.57\%$

+ 10 mesh = 33 − 6 = 27.0#
− 10 mesh = 46 − 6 = 40.0

− 10 Split ① 27.5 − 8# ~~28~~# 19.5
② ~~22~~# ~~8~~# ~~20~~#
21.5 − 2.5 20. −

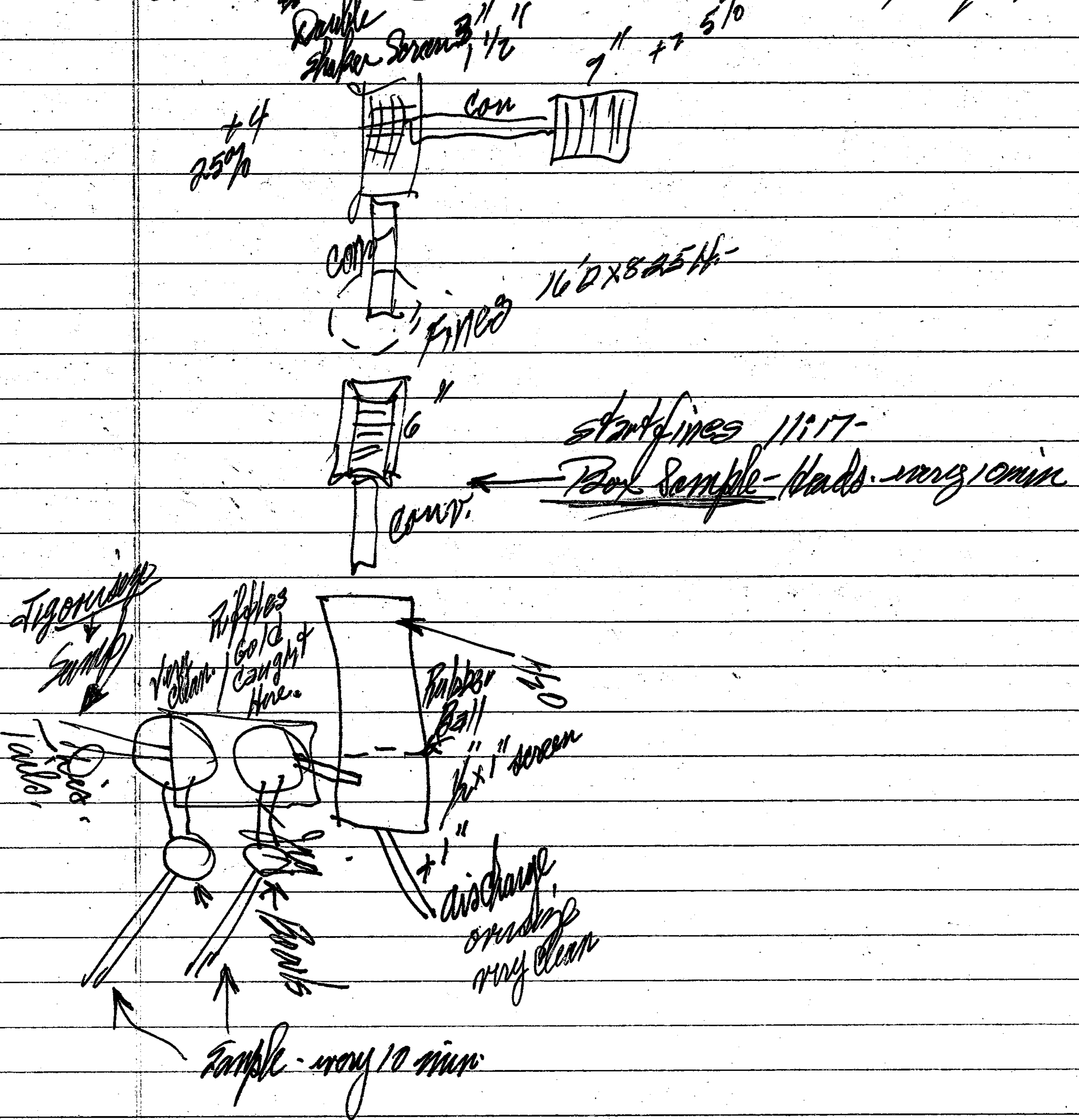
Washed clay — dried — dry weight = 19 − 4½ = 14.5
5# lost − $\frac{5}{19.5}$ = 25.64% clay.

427-3556

29 cu yds —
40 cu yds

Fines cone - 16'D x 8.25 (circle) = 20.47

42 cy - stock



CAMP and UTILITY EQUIPMENT

1 Mobile Home, 1974 Wilshire, 14' X 65', furnished. 3 bdrm - A/C - clean, neat.
1 Water Supply System, (2 wells, pump and pressure system) - good + ?.
X 1 Generator, electric, Cummins, diesel, 125 KW. for plant - mill, etc
1 Generator, electric, Ford, diesel, 30KW. - Surface and underground utility. - in operation.
1 Communications System, Radio, (1 base, 2 mobile, 2 hand carry Units)
1 Storage Tank, steel, 6000 gals., Fuel Good condition
1 Storage Tank, steel, 5000 gals, Water. " "

TRANSPORTATION EQUIPMENT (Personnel & Ore)

1 Pickup, 1972, Chevrolet, ½ Ton
1 Pickup, 1976, Chevrolet, ½ Ton
1 Pickup, 1966, Chevrolet, 3/4 Ton, 4 WD.
1 Tank Truck, 1963 International, 500 gal tank, pump.
X 1 Track Loader, Caterpillar, Model # 941 - Satisf - runs good
1 Terex Loader, G. M. C. Model 270 - good shape, one tire flat.
2 - Trucks, ~~dump~~ 1963, dump, ~~ton~~, good shape

ORE CONCENTRATING EQUIPMENT

X 1 Jaw Crusher, Portable, Cedar Rapids, Model 2A2A - Satisf - runs good.
X 1 Roll Crusher, Portable, Cedar Rapids, Model 2B2B
X 1 Hammer Mill, Pettibone, w/ D315 Cat. Engine, 4'x 8' Screen, conveyor - crushing ~~plant~~ system - not in use
1 Mixing Unit, BBI, Stainless steel, 15 HP motor, agitator.
1 Precipitation Plant, NEW, "Escapule", 100 TPD capacity.
3 Vats (leach), Concrete, 550 ~~ton~~ capacity, w/ 18" X 200'(belt), and 12" X 50' (screw) conveyors. good shape
4 Tanks, Solution, circular, 12,500 gal. capacity, w/pressure pumps. (Dewaybay types) in dump detail.

REFINING EQUIPMENT

1 Electrowinning Cell, NEW, w/ power supply, and SRC 3018 silver cell.
1 Furnace, NEW, muffle, gas fired, 3000°, crucibles, molds, tongs.

MISCELLANEOUS (for operating)

1 Welding Unit, Lincoln, gas engine, 225 AMPS.
1 Steam cleaning Unit.
3 Buildings, steel, concrete pads (floors) (electrical - boiler room, crusher plant,
1 Tools, (mechanics, electricians, plumbers, welding, etc.
1 Electrical Supplies, NEW & USED, switch gear, control boxes, wire, etc.

957-2208

UPTON #3 - Antelope Placer.

Test Pits
Dug to caliche bed 12-20'
alluvial pile - grizzle (4") - 4 to dump truck
8 yd box - 25% for Expansion - +4" - 0% to 50%

Jimmy Kuru - Geologist.

Tom McKenzie - 427-3556 - Jamell.

REPLY TO:

2940 N. CASA TOMAS
PHOENIX, ARIZONA 85016
TELEPHONE (602) 277-6053

Richard E. Mieritz
MINING CONSULTANT

ARIZONA REGISTERED
MINING ENGINEER AND GEOLOGIST

GEOLOGY
EXPLORATION
EVALUATION
FEASIBILITY
OPERATION

January 12, 1985

LETTER OF CERTIFICATION

I, Richard E. Mieritz of 2940 N. Casa Tomas, Phoenix, Arizona, Maricopa County, do hereby certify that:

(1) I am a mining engineer, graduated from the University of Wisconsin with the degree of Bachlor of Science in 1939.

(2) I have practised my profession continuously since then, receiving my Arizona State Registration as a Mining Engineer in 1956 and my Arizona State Registration as a Geologist in 1970, being a member in good standing.

(3) The report to which this letter is attached and part of, has been prepared on the basis of personal observations on and of the property, equipment, etc., and the writer's general knowledge of the subject and the review and study of available factual data.

(4) I have no direct nor indirect interest in the property or equipment.

(5) I have no direct nor indirect interest, nor do I expect to receive any interest, direct or indirect, in the properties or the Securities of The Argosy Mining Company, Vancouver, B. C., Canada, or its affiliates.

Respectfully submitted,

R. E. Mieritz,
Mining Consultant
Phoenix, Arizona,

ARGOSY EQUIPMENT

1	Used Cedar Rapids Model 2A2A Portable Jaw Crusher	$ 35,000.00
1	Used Cedar Rapids Model 2B2B Portable Roll Crusher	25,000.00
1	Used Caterpillar 941 Track Loader	30,000.00
1	Used G.M.C. Terex 270 Loader	15,000.00
1	Used 125 K.W. Cummins Generator	11,250.00
1	New 30 K.W. Ford Generator	9,000.00
2	Used 1963 International Dump Trucks	10,000.00
1	1963 International (used) Truck c/w 500 gal.& elec.Pump	4,000.00
1	Used 1972 1/2 ton Chev. Pick-up	3,000.00
1	Used 1976 1/2 ton Chev. Pick-up	4,000.00
1	Used 1966 3/4 ton 4wd Pick-up (Chev.)	3,500.00
1	Used 1974 Wilshire 14'x 65' mobil home, A.C, FULLY FURNISHED	15,000.00
1	"Built-together" Pettibone Hammer ~~Crusher;screen &~~ MILL D315 Caterpillar Engine, 4'x 8' SIMMONS SCREEN, CONVEYOR	39,000.00
1	New "Escapule" 100 T.P.D. Precipitation Plant	7,000.00
1	~~Used~~ Water System including: 2-fresh water wells,1-submersible pump with storage tanks, pressure system & assorted plumbing	4,200.00
1 NEW	H.B.S. Electrowining cell C/W two power supply and including one only SRC-3018 Silver Cell	14,000.00
3	Concrete (550 Tons each)Vats complete with 18"x 200' horizontal conveyor, 12"x50' horizontal screw conveyor, flat steel rails, dump gates and assorted plumbing	93,000.00
4	12,500 gal circular swimming pools complete with three ~~(3)~~ pressure pumps and assorted plumbing	9,800.00
1	Used stainless steel mixing BBl with 15 H.P. electric motor and agitator	2,500.00
1	New gas fired 3,000 degree furnace C/W;size 30 crucible and handling tools and molds	5,500.00
1	"set" of radio equipment consisting of a 1 base and ~~one~~ 2 hand-held units and 2 mobile units	4,500.00
1	Used ~~200~~ 225 amp gasoline Lincoln Welder	1,500.00
1	~~New~~ USED steam cleaning unit	950.00
1	(Set) new and used electrical equipment necessary to operate existing operation	13,500.00
1	(Set) hand tools (electrical/mechanical/welding)	3,000.00
1	(Set) of 3 buildings C/W concrete pads, electric fittings	5,000.00
		$368,200.00
1	FUEL TANK, 6000 gal	1.300.00
1	WATER TANK 5000 gal	1,000.00

Re current casting prices -

[illegible] - [illegible] [illegible].

Wednesday noon -

Cap. - 200T/day.

Leach cycle - 4

- 3/8