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# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK, MAY 1987

Directorate  
La Paz Mining, Inc.

June 15, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of May 1987, is hereto submitted.

The plant ran a total of 17 days of the available 20 working days. All Saturdays were used for maintenance work. Lost time on plant was due to 1 day on bowl rebuilding, 2 days maintenance on equipment, and 1 day Memorial Day.

### Mine

The material mined in May was removed from State Lease #3193 by the use of the D-9, D-8, and 980 wheel loader. The back hoe was used to clean bedrock crevices.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
5-2W	2700.0	1162.0
5-3W	4629.0	1453.0
4-1W	1000.0	100.0
4-2W	9450.0	2154.0
4-3W	<u>2697.0</u>	<u>-</u>
Total	19476.0	4869.0

Cubic Meters Ore Treated by Block to Date

<u>Block</u>	<u>State Lease #3193</u>		<u>State Lease #3950</u>	
	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>
1-1E	-	-	537.0	-
1-1W	2308.6	1394.0	-	-
1-2W	942.0	1003.0	-	-
1-4W	240.0	-	-	-
2-1E	-	-	2717.9	840.0
2-1W	8077.8	8163.0	-	-
3-1W	528.0	4931.0	-	-
4-1W	100.0	1000.0	-	-
4-2W	2154.0	9450.0	-	-
4-3W	-	1697.0	-	-
5-2W	2826.9	14001.0	-	-
5-3W	1773.9	6673.0	-	-
6-2W	3275.4	6129.1	-	-
6-3W	3701.6	4396.0	-	-
7-2W	1686.1	4551.0	-	-
7-3W	2759.6	6999.6	-	-
8-2W	1843.2	1008.4	-	-
8-3W	<u>957.2</u>	<u>5290.1</u>	<u>-</u>	<u>-</u>
	33174.3	76686.2	3274.9	840.0
		<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	
Total		36449.2	77526.2	

## Rehabilitation

The main Weaver channel on the two State Mining Leases #3193 and #3950 was mined out as of May 31, 1987. Placer gold still exists on bedrock to the West of Weaver Creek In and along the slope from Rich Hill. This area will have to be further examined to determine if old channels can be located beneath the shallow gravel cover.

The total material excavated on the State Leases was as follows:

(a) Overburden	76,686.2 M <sup>3</sup>
(b) Ore treated in Plant	33,174.3 M <sup>3</sup>
(c) Plus 4-inch oversize to include large boulders left in mining area	<u>10,761.0 M<sup>3</sup></u>
	120,621 M <sup>3</sup>

A total of 96,500 M<sup>3</sup> is to be rearranged in the mined out area with appropriate slopes and creek gradient. The greater bulk of this material is already in place. A 20% swell factor is considered in the return of the material. The excess of 24,000 M<sup>3</sup> will be arranged along the upper slopes.

A cost of \$24,000 or \$0.25 per M<sup>3</sup> is considered a reasonable cost for labor and equipment time on this rehabilitation.

Three pond areas are being prepared alongside of the drainage to entrap a small amount of pool water.

## Plant Production

### (a) Tailings

A total of 4869.0 M<sup>3</sup> of ore was treated in the plant and produced the following tailings over 132.25 hours of operation:

	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Inch Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	32.0	38.0	30.0	100.0
Cubic Meters	1558.0	1850.0	1461.0	4869.0

The feed to the pit grizzly to include large boulders cast aside during mining was 8115 M<sup>3</sup>, and 3246 M<sup>3</sup> of plus 4-inch was discarded in the mine area. The minus 4-inch or 4869 M<sup>3</sup> was hauled to the plant. The grizzly reject and oversize boulders was 40% of the bank ore.



### Pit Ore Size Analysis

+4 Inch	3240 M <sup>3</sup>	-	40%
-4 Inch +3/8 Inch	1558 M <sup>3</sup>	-	19.2%
-3/8 Inch +20 Mesh	1850 M <sup>3</sup>	-	22.8%
Slimes	<u>1461 M<sup>3</sup></u>	-	<u>18.0%</u>
	8115 M <sup>3</sup>	-	100 %

### (b) Water

A total of 4,867,900 gallons of water was registered by the two water meters for the month of May 1987.

Recirculated Water	3,299,700 gallons	415 gpm
*Well Water to Bowl	<u>1,568,200 gallons</u>	<u>198 gpm</u>
	4,867,900 gallons	613 gpm

During the 132.25 hours of operation, the average use was 613 gpm.

$$\frac{4867900}{4869} = 1000 \text{ gallons to treat one M}^3 \text{ of feed.}$$

The water wells yielded 1,348,652 gallons for May 1987. Well #5 was not operated.

DW#3 BLM Location	517,506 gallons
DW#4 State Land Location	<u>831,146 gallons</u>
	1,348,652 gallons

\*Well #5 was not operated so it was necessary to pump 219,548 gallons of recirculated water to the head tank.

$$1,568,200 \text{ gallons less } 219,548 \text{ gallons} = 1,348,652 \text{ gallons}$$

(c) Plant

<u>May</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1	201	6.25	32.16	82.7050	0.4115	0.0132
4	361	9.00	40.11	146.2634	0.4052	0.0130
5	251	7.00	35.86	268.2117	1.0686	0.0344
6	251	7.75	32.39	353.7249	1.4093	0.0453
7	321	9.25	34.70	231.5803	0.7214	0.0232
8	275	8.25	33.33	69.4807	0.2527	0.0081
11	301	9.00	33.44	85.2955	0.2834	0.0091
12	301	9.00	33.44	165.9122	0.5512	0.0177
13	264	7.75	34.06	73.3044	0.2777	0.0089
14	271	7.50	36.00	244.0006	0.9006	0.0290
18	367	8.50	43.18	136.9992	0.3733	0.0120
19	251	6.00	41.83	109.0953	0.4346	0.0140
20	140	5.25	26.66	74.9750	0.5355	0.0172
21	321	8.00	40.13	182.1686	0.5675	0.0182
22	291	7.25	40.14	146.7598	0.5043	0.0162
27	324	7.50	43.20	200.6968	0.6194	0.0199
28	378	9.00	42.00	178.5031	0.4722	0.0152
17	4869	132.25	36.82	2749.7455	0.5647	0.0182

Weight of Retorted Amalgam:

462.00 gms x 2.28% loss in melting = 451.47 gms

451.47 x 85.72% Au = 387.00 gms gold

451.47 x 11.17% Ag = 50.429 gms silver

Free Gold = 2749.7455 gms 87.66%

Au from Retort = 387.00 gms 12.34% -10 mesh

3136.7455 gms - 0.6442 0.0207

Summary Year to Date

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1986	5302.9028	16527.7	506.57	0.321	0.010
January 87	2322.8497	3075.6	109.75	0.755	0.024
February 87	1757.0098	3492.7	106.75	0.503	0.016
March 87	1787.0124	3892.0	106.00	0.459	0.015
April 87	2104.8149	4591.6	111.25	0.458	0.015
May 87	3136.7455	4869.0	132.25	0.6442	0.021
	16411.3351	36448.6	1072.57	0.4503	0.0145

529.68 oz

<u>May</u>	<u>Concentrate Grams</u> <u>-10 Mesh</u>
1	2220
4	2380
5	1400
6	1600
7	2300
8	2100
11	2220
12	2100
13	1950
14	1940
18	1575
19	2000
20	1950
21	1860
22	2020
27	2280
<u>28</u>	<u>2100</u>
17	33995

The 33,995 grams of -10 mesh concentrate were amalgamated and retorted to produce 462.00 gms of retorted matte.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
1986	177,435 gms
January 1987	39,140 gms
February 1987	38,685 gms
March 1987	34,649 gms
April 1987	33,320 gms
May 1987	<u>33,995 gms</u>
Total	357,224 gms

#### Equipment

We had 17 days of plant operation for a total of 132.25 hours. The total possible hours of 20 days at 8 hours was 160 hours. The D-9 and D-8 tractors worked in excess of 180 hours on stripping and rehabilitation.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>% Availability</u>
D-9	145	-	15	145	91
D-8	87.5	28	44.5	115.5	72
TL-40	-	-	168	-	0
Euclid	132.50	27.5	-	160	100
980	136.0	24.0	-	160	100
Plant	132.25	1.25	26.50	133.50	83
530	2.0	158.0	-	160.0	100
966	119.0	34.0	7.0	153.0	96
Pit Grizzly	132.25	21.25	6.5	153.5	96
Ford Trk	-	160.0	-	160.0	100

#### Fuel Consumption

	<u>D-9</u>	<u>D-8</u>	<u>980</u>	<u>Euclid</u>	<u>Gen.</u>	<u>966</u>	<u>530</u>	<u>Rental</u>
Hrs.	145.0	87.5	136.0	132.5	132.3	119.0	2.0	-
Gal.	1156.5	841.2	645.2	349.8	890.0	367.7	36.0	150
Gal./Hr.	7.97	9.61	4.74	2.64	6.71	3.08	-	-

An additional 197.0 gallons of diesel was used in pit grizzly generator and 4-inch pump.

Total Diesel - 4,633.4 gallons

#### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	Monthly	-	-	5000.00	-	5000.00
D. Hathaway	Monthly	-	-	350.00	-	350.00
J. Crotts	160.0	49.5	209.5	1440.00	668.25	2108.25
H. Adams	160.0	48.0	208.0	1440.00	603.00	2043.00
D. Jones	160.0	48.0	208.0	1440.00	648.00	2088.00
R. Nichols	160.0	55.5	215.5	2500.00	1300.78	3800.78
A. Muchmore	160.0	50.5	210.5	1440.00	681.75	2121.75
M. Rowley	157.5	15.5	173.0	1417.50	209.25	1626.75
R. Sipes	160.0	55.5	215.5	1520.00	790.88	2310.88
Total	1277.5	322.50	1600.0	16547.50	4901.91	21449.41

For the operational period in May, the employee cost at Upper Weaver was:

$$\frac{21449.41}{1600.00} = \$13.40/\text{hr.}$$

Labor cost per M<sup>3</sup> treated:

$$\frac{21449.41}{4869} = \$4.40/\text{M}^3$$

The percentage of overtime hours to total hours was 20.16%.

#### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
1986	16527.7	120	38,400	960	17.22	43.04
Jan. 87	3075.6	26	8,320	208	14.79	36.97
Feb. 87	3492.7	24	7,680	192	18.19	45.48
Mar. 87	3892.0	23	7,360	184	21.15	52.89
Apr. 87	4591.6	22	7,040	176	26.09	65.22
May 87	4869.0	20	6,400	160	30.43	76.08
	<u>36448.6</u>	<u>235</u>	<u>75,200</u>	<u>1880</u>	<u>19.39</u>	<u>48.76</u>

The plant operating factor is based on 40 M<sup>3</sup>/hr. and during May we averaged 76.08% of base feed.

#### Royalty Calculation to Arizona State Land Department

(a) Amalgamated gold 451.47 grams at 85.72% Au =	
387.00 grams = 12.4437 oz. at \$460.123 =	\$ 5,725.63
451.47 grams at 11.17% Ag = 50.4290 gms =	
1.6215 oz. at \$8.439 =	13.68
(b) Free gold +10 mesh 2749.7455 gms at 850 fine =	
2337.2836 grams = 75.1538 oz. at \$460.123 =	34,579.99
(c) Sale of 12 tons of black sand concentrate for testing at \$20/ton =	240.00
	<u>\$40,559.30</u>

5% royalty of gross value less loss of \$58,065.00 = loss of \$17,505.70.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for May 1987.

#### Direct Operating Costs

Gross payroll	\$21,449.41
Payroll taxes	1,518.89
Professional fees	5,700.00
Insurance	817.17

Assay charges	\$ 117.00
Parts and repairs	6,633.17
Field supplies	742.22
Fuel	6,832.57
Room rent	315.00
Travel	835.58
Office supplies	72.74
Telephone	46.39
Severance tax	318.52
Cost of wells over 36 mos., April & May, (9), (10)	4,346.34
Equipment rental at Weaver Creek, 2 mos., Goodwin	7,520.00
Pickup rental	800.00
	<u>\$58,065.00</u>

$\frac{3136.7455}{31.1} = 100.86 \text{ oz.}$  No fineness applied to +10 mesh gold.

$\frac{58065.00}{100.86} = \$575.70$  to produce one ounce of gold.

$\frac{58065.00}{4869} = \$11.93$  per cubic meter of feed.

One  $M^3$  of feed for May contained 0.0207 oz. of gold at \$460.123 = \$9.52, or a loss of \$2.41/ $M^3$  of feed.

Dan E. Lewis

Dan E. Lewis  
Vice President of Operations

DEL:vh

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# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK APRIL 1987

Directorate  
La Paz Mining, Inc.

May 21, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of April 1987, is hereto submitted.

The plant ran a total of 14 days of the available 22 working days. All Saturdays were used for maintenance work. Lost time on plant was due to 3 days on slime ponds and water shortage; 2 days moving grizzly; and 3 days ore shortage.

### Mine

The material mined in April was removed from State Lease #3193 by the use of the D-9, D-8, and 980 wheel loader. The back hoe was used to clean bedrock crevices.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
6-2W	1,000	190.5
6-3W	2,159	2,415.3
5-2W	11,301	1,064.9
5-3W	<u>2,044</u>	<u>320.9</u>
Total	16,504	4,591.6

Cubic Meters Ore Treated by Block to Date

<u>Block</u>	<u>State Lease #3193</u>		<u>State Lease #3050</u>	
	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>
1-1E	-	-	557.0	-
1-1W	2308.6	1394.0	-	-
1-2W	942.0	1003.0	-	-
1-4W	240.0	-	-	-
2-1E	-	-	2717.9	840.0
2-1W	8077.8	8163.0	-	-
3-1W	528.0	4931.0	-	-
5-2W	1664.9	11301.0	-	-
5-3W	320.9	2044.0	-	-
6-2W	3275.4	6129.1	-	-
6-3W	3701.6	4396.0	-	-
7-2W	1686.1	4551.0	-	-
7-3W	2759.6	6999.6	-	-
8-2W	1843.2	1008.4	-	-
8-3W	<u>957.2</u>	<u>5290.1</u>	<u>-</u>	<u>-</u>
	28304.7	57210.2	3274.9	840.0
		<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	
Total		31579.6	58050.2	

Rehabilitation

4500 M<sup>3</sup> of strip material was dozed onto the slopes of Blocks 8 and 7 as rehabilitation of the slopes. The boulders and coarse rock from the grizzly is placed on bedrock.



## Plant Production

### (a) Tailings

A total of 4591.6 M<sup>3</sup> of ore was treated in the plant and produced the following tailings over 111.25 hours of operation:

	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Inch Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	26	41	33	100.00
Cubic Meters	1194	1883	1514.6	4591.6
320 M <sup>3</sup> /Day at 40 M <sup>3</sup> /Hour	83	131	100	320

The feed to the pit grizzly was 6559.6 M<sup>3</sup>, and 1968 M<sup>3</sup> of plus 4-inch was discarded in the mine area. The minus 4-inch or 4591.6 M<sup>3</sup> was hauled to the plant. The grizzly rejected 30% plus 4-inch.

### Pit Ore Size Analysis

+4 Inch	1968 M <sup>3</sup>	-	30%
-4 Inch +3/8 Inch	1194 M <sup>3</sup>	-	18.2%
-3/8 Inch +20 Mesh	1883 M <sup>3</sup>	-	28.7%
Slimes	<u>1516.6 M<sup>3</sup></u>	-	<u>23.1%</u>
	6559.6 M <sup>3</sup>	-	100%

### (b) Water

A total of 4,602,700 gallons of water was registered by the two water meters for the month of April 1987.

Recirculated Water	3,193,300 gallons	439 gpm
*Well Water to Bowl	<u>1,409,400 gallons</u>	<u>193 gpm</u>
plus recirculated water	4,602,700 gallons	632 gpm

During the 111.25 hours of operation, the average use was 632 gpm  
 $\frac{4,602,700}{4591.6} = 1002$  gallons of water to treat one M<sup>3</sup> of feed.

The water wells yielded 1,212,084 gallons for April 1987. Well #5 was not operated.

DW#3	BLM Location	465,102 gallons
DW#4	State Land Location	746,982 gallons
		<u>1,212,084 gallons</u>

\*Well #5 was not operated so it was necessary to pump 197,316 gallons of recirculated water to well water head tank.

1,409,400 gallons less 197,316 gallons = 1,212,084 gallons

(c) Plant

<u>April</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1	351.0	8.5	41.29	17.8140	0.0508	0.0016
6	169.7	4.25	39.93	9.5874	0.0565	0.0018
7	381.0	9.0	42.3	138.8954	0.3645	0.0117
8	381.0	9.0	42.3	400.4079	1.0509	0.0338
13	391.1	8.5	46.0	53.2768	0.1302	0.0044
14	351.0	9.0	39.0	49.2806	0.1404	0.0045
15	401.0	9.5	42.2	165.1891	0.4119	0.0132
16	401.0	8.5	47.2	162.2973	0.4047	0.0130
17	190.5	5.5	34.6	94.4945	0.4960	0.0160
21	230.6	5.5	41.9	83.1138	0.3604	0.0116
22	300.8	9.0	33.4	56.9589	0.1894	0.0061
27	320.9	7.5	42.8	22.3903	0.0698	0.0022
29	341.0	8.5	40.1	143.5307	0.4209	0.0135
30	381.0	9.0	42.3	485.8931	1.2753	0.0410
Class.						
cleanup	-	-	-	12.4241	-	-
<u>14</u>	<u>4591.6</u>	<u>111.25</u>	<u>41.27</u>	<u>1895.5399</u>	<u>0.4128</u>	<u>0.0133</u>

Weight of Retorted Amalgam:

256.7322 gms x 2.97% loss in melting = 249.1073 gms

249.1073 x 84.01% Au = 209.2750 gms

249.1073 x 9.88% Ag = 24.6118 gms

Free Gold = 1895.5399 90%

Au from Retort = 209.2750 10% - 10 Mesh

2104.8149

0.4584

0.0147

Summary Year to Date

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1986	5302.9028	16527.7	506.57	0.321	0.010
January 87	2322.8497	3075.6	109.75	0.755	0.024
February 87	1757.0098	3492.7	106.75	0.503	0.016
March 87	1787.0124	3892.0	106.00	0.459	0.0148
April 87	<u>2104.8149</u>	<u>4591.6</u>	<u>111.25</u>	<u>0.458</u>	<u>0.0147</u>
	13274.5896	31579.6	940.32	0.4204	0.0135

<u>April</u>	<u>Concentrate Grams</u> <u>-10 Mesh</u>
1	2120
6	2150
7	2730
8	2580
13	2400
14	2320
15	2001
16	2280
17	2050
21	2450
22	3100
27	2720
29	1820
<u>30</u>	<u>2600</u>
14	33320

The 33,320 grams of -10 mesh concentrate were amalgamated and retorted to produce 256,7322 grams of retorted matte.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
1986	177,435 gms
January 1987	39,140 gms
February 1987	38,685 gms
March 1987	34,649 gms
April 1987	<u>33,320 gms</u>
	323,229 gms

#### Equipment

We had 14 days of plant operation for a total of 111.25 hours. The total possible hours of 22 days at 8 hours per day was 176 hours. The D-9 and D-8 tractors worked in excess of 300 hours on stripping and rehabilitation.

	<u>Operated</u> <u>Hrs.</u>	<u>Standby</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Down Hrs.</u>	<u>Mechanical</u> <u>Available Hrs.</u>	<u>%</u> <u>Available</u>
D-9	130	8	62	138	69
D-8	175	-	33	175	84
TL40	-	-	176	-	0
Euclid	117	67	-	184	100
980	116	69.5	14.5	185.5	92
Plant	111.25	73	-	184.25	100
530	22	154	-	176	100
966	126	45.5	16	171.5	91
Pit Grizzly	111.25	57.0	16	168.25	91
Ford Trk	-	176	-	170	100

### Fuel Consumption

	<u>D-9</u>	<u>D-8</u>	<u>980</u>	<u>Euclid</u>	<u>Gen.</u>	<u>966</u>	<u>530</u>	<u>Rental</u>
Hrs.	130	175	116	117	230.0	126	22	-
Gal.	984.1	1597.8	680.7	357	2011.5	454.5	50.5	144.4
Gal./Hr.	7.57	9.13	5.86	3.05	8.74	3.60	2.29	-

An additional 89.4 gallons of diesel was used in Ford Dump Truck and the 4" pump.

Total Diesel - 6369.9 gallons

Plant generator operated 230 hours for the month to pump water to the fresh water pond.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg.</u> <u>Hrs.</u>	<u>O/T</u> <u>Hrs.</u>	<u>Total</u> <u>Hrs.</u>	<u>Reg.</u> <u>Pay</u>	<u>O/T</u> <u>Pay</u>	<u>Total</u> <u>Pay</u>
D. Goodwin	Monthly	-	-	5000.00	-	5000.00
D. Hathaway	Monthly	-	-	525.00	-	525.00
J. Crotts	80.0	9.5	89.5	720.00	128.25	848.25
D. Jones	200.0	25.5	225.5	1800.00	344.25	2144.25
R. Nichols	190.0	42.5	232.5	2968.75	996.08	3964.83
A. Muchmore	160.0	41.0	201.0	1440.00	553.50	1993.50
M. Rowley	200.0	48.0	248.0	1800.00	648.00	2448.00
G. Rowley	159.0	32.0	191.0	1431.00	432.00	1863.00
R. Sipes	200.0	46.0	246.0	1900.00	655.50	2555.50
C. Retherford	29.0	-	29.0	275.50	-	275.50
Total	1378.0	244.5	1622.5	17860.25	3575.58	21617.83

For the operational period in April, the employee cost at Upper Weaver was:

$$\frac{21617.83}{1622.5} = \$13.32/\text{Hr.}$$

Labor cost per M<sup>3</sup> treated:

$$\frac{21617.83}{4591.6} = \$4.71/\text{M}^3$$

The percentage of overtime hours to total hours was 15.07%.

### Plant Operating Factor

Previously I have used 50 M<sup>3</sup>/hour of feed thru the plant to calculate the factor. This figure was shown to be high, especially with only one bowl for concentration. A new feed on 40 M<sup>3</sup>/hour will be used and the previous figures will be adjusted to reflect the plant operating factor.

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
1986	16527.7	120	38,400	960	17.22	43.04
Jan. 87	3075.6	26	8,320	208	14.79	36.97
Feb. 87	3492.7	24	7,680	192	18.19	45.48
Mar. 87	3892.0	23	7,360	184	21.15	52.89
Apr. 87	4591.6	22	7,040	176	26.09	65.22
	31579.6	215	68,800	1720	18.36	45.90

The plant operating factor is based on 40 M<sup>3</sup>/hour and during April we averaged 65.22% of base feed.

### Royalty Calculation to Arizona State Land Department

- (a) Amalgamated gold 249.1073 grams at 84.01% Au =  
209.2750 grams = 6.7291 oz. at \$438.721 = \$ 2,952.20
- 249.1073 grams at 9.88% Ag = 24.6118 grams =  
0.7914 oz. Ag at \$7.428 = 5.88
- (b) Free gold +10 mesh 1895.5399 at 850 fine =  
1611.2089 grams = 51.8074 oz. at \$438.721 = 22,728.99  
\$25,687.07

Royalty based on 5% of gross value less cost of \$68,421.25 = loss of \$42,734.18.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for April 1987.

### Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$21,617.83
Payroll taxes	3,199.97
Professional fees	18,048.75
Parts and repairs	16,702.23
Field supplies	811.92

Fuel	\$ 5,638.45
Room rent	315.00
Travel	378.39
Severance tax	250.62
Phone	462.45
Pickup rental	800.00
Casual labor	126.00
License - fees	15.00
Office supplies	46.84
Bank charges	10.00
	<u>\$68,421.25</u>

$\frac{2104.8149}{31.1} = 67.68 \text{ oz. No fineness applied to +10 mesh gold.}$

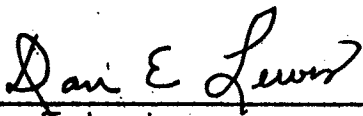
$\frac{68,421.25}{67.68} = \$1010.95 \text{ to produce one ounce of gold.}$

$\frac{68,421.25}{4591.6} = \$14.90 \text{ per cubic meter of feed.}$

One cubic meter of feed for April contained 0.0147 oz. of gold at \$438.721 = \$6.45, or a loss of \$8.45/M<sup>3</sup> of feed.

The parts and repairs were high for April as a new set of tracks were installed on the D-9 (\$12,885.00).

The professional fees were for two months.

  
 Dan E. Lewis  
 Vice President of Operations

DEL:vh

EGA

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE, AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK MARCH 1987

Directorate  
La Paz Mining, Inc.

April 14, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of March 1987, is hereto submitted.

The plant ran a total of 16 days of the available 23 working days to include 1 Saturday. The down time was due to down time on plant.

### Mine

The material mined in March was removed from State Leases #3950 and #3193 by the use of the D-9, D-8, and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
6-2W	694	713.0
6-3W	656	825.0
7-3W	5823	2269.0
8-3W	<u>386</u>	<u>85.0</u>
Total	7559	3892.0

Cubic Meters Ore Treated by Block to Date

<u>Block</u>	<u>State Lease #3193</u>		<u>State Lease #3950</u>	
	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>
1-1E	-	-	557.0	-
1-1W	2308.6	1394.0	-	-
1-2W	942.0	1003.0	-	-
1-4W	240.0	-	-	-
2-1E	-	-	-	-
2-1W	8077.8	8163.0	2717.9	840.0
3-1W	528.0	4931.0	-	-
6-2W	3084.3	5129.1	-	-
6-3W	1286.3	2237.0	-	-
7-2W	1686.1	4551.0	-	-
7-3W	2759.6	6999.8	-	-
8-2W	1843.2	1008.4	-	-
8-3W	<u>957.2</u>	<u>5290.1</u>	-	-
	23713.1	40706.1	3274.9	840.0
		<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	
Total		26988.0	41546.1	

Plant Production

(a) Tailings

A total of 3892.0 M<sup>3</sup> of ore was treated in the plant and produced the following over 106 hours of operation:



	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Inch Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	31	42.0	27.0	100
Cubic Meters	1208.0	1634.0	1050.0	3892

The feed to the pit grizzly was 5189 M<sup>3</sup> and 1297 M<sup>3</sup> of +4 inch rock was discarded in the mine area. The minus 4-inch or 3892 M<sup>3</sup> was hauled to the plant. The grizzly rejected 25% plus 4-inch.

(b) Water

A total of 4,021,400 gallons of water was registered by the two water meters for the month of March 1987.

Recirculated Water	2,721,300 gallons	428 gpm
*Well Water to Bowl	<u>1,300,100 gallons</u>	<u>204 gpm</u>
	4,021,400 gallons	632 gpm

During the 106 hours of operation, the average use was 632 gpm  

$$\frac{4,021,400}{3892} = 1033 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

The water wells yielded 1,118,086 gallons for March 1987. Well #5 was not operated.

DW#3	BLM Location	429,033 gallons
DW#4	State Land Location	<u>689,053 gallons</u>
		1,118,086 gallons

\*The #5 Well was disconnected and 182,014 gallons of recirculated water was pumped to the bowl water; thus, well water was 1,118,086 gallons.

(c) Plant

<u>March</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
2	216	7.00	30.9	150.8498	0.6984	0.022
3	97	2.75	35.3	3.7198	0.0383	0.001
7	292	8.00	36.5	30.3358	0.1039	0.003
9	335	8.00	41.9	87.9049	0.2624	0.008
13	216	6.50	33.2	118.6410	0.5493	0.018
16	184	5.00	36.8	127.1385	0.6910	0.022
17	194	5.75	33.7	92.1647	0.4751	0.015
18	162	4.50	36.0	46.2992	0.2858	0.009
19	216	6.50	33.2	43.3665	0.2008	0.007
20	238	7.50	31.7	38.2892	0.1609	0.005
23	367	8.50	43.2	342.1881	0.9324	0.030
24	231	6.50	35.5	166.6726	0.7215	0.023
25	302	7.00	43.1	87.3819	0.2893	0.009
27	259	8.50	30.5	165.2101	0.6379	0.021
30	250	5.00	50.0	88.5909	0.3544	0.011
31	333	9.00	37.0	78.4440	0.2356	0.008
16	3892	106.00	36.7	1667.1970	0.4284	0.0137

Weight of Retorted Amalgam:

148.6570 gms x 5.10% loss in melting = 141.0755 gms

141.0755 x 84.93% Au = 119.8154

141.0755 x 10.88% Ag = 15.3490

Free Gold = 1667.1970

Au from Retort = 119.8154

1787.0124

0.4592

0.0148

Summary Year to Date

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1986	5302.9028	16527.7	506.57	0.321	0.010
January 87	2322.8497	3075.6	109.75	0.755	0.024
February 87	1757.0098	3492.7	106.75	0.5031	0.016
March 87	1787.0124	3892.0	106.00	0.4592	0.0148
	11169.7747	26988.0	829.07	0.4139	0.0133

<u>March</u>	<u>Concentrate Grams</u> <u>-10 Mesh</u>
2	1960
3	2090
7	2150
9	2320
13	2020
16	2150
17	2340
18	2200
19	2350
20	2380
23	1950
24	2180
25	1970
27	1900
30	2485
<u>31</u>	<u>2204</u>
16	34849

The 34,649 grams of -10 mesh concentrate were amalgamated and retorted to produce 148.6570 gms of retorted matte.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
1986	177,435 grams
January 87	39,140 grams
February 87	38,685 grams
March 87	<u>34,649 grams</u>
	289,909 grams

#### Equipment

We had 16 days of plant operation for a total of 106 hours. The total possible hours of 23 days at 8 hours per day was 184 hours.

	<u>Operated</u> <u>Hrs.</u>	<u>Standby</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Down Hrs.</u>	<u>Mechanical</u> <u>Available Hrs.</u>	<u>%</u> <u>Available</u>
D-9	103.5	21	11.5	124.5	91.5
D-8	14.5	168	1.5	182.5	99
TL40	16	-	168	16	8
Euclid	109	27	-	136	100
980	114	62	16	176	92
Plant	106	-	78	106	57.6
530	116.5	67.5	-	184	100
Pit Grizzly	106	76	2	182	99
Ford Trk	106	78	-	184	100

### Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>530</u>	<u>Euclid</u>	<u>Gen.</u>	<u>D-8</u>	<u>Rental</u>	<u>Ford</u>
Hrs.	103.5	114	116.5	109	152	14.5	-	106
Gal.	1337.3	543.6	202.3	426.5	1456.5	168.7	41.4	96.9
Gal./Hr.	12.9	4.76	1.74	3.91	9.58	11.6		1.00

An additional 115 gallons used by pit grizzly and water pump.

Total Diesel - 4388.2 gallons

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg.</u> <u>Hrs.</u>	<u>O/T</u> <u>Hrs.</u>	<u>Total</u> <u>Hrs.</u>	<u>Reg.</u> <u>Pay</u>	<u>O/T</u> <u>Pay</u>	<u>Total</u> <u>Pay</u>
D. Goodwin	Monthly	-	-	5000.00	-	5000.00
D. Hathaway	Monthly	-	-	350.00	-	350.00
D. Jones	119.0	32.5	151.5	1071.00	438.75	1509.75
R. Nichols	129.5	42.0	171.5	2023.44	984.36	3007.80
C. Retherford	110.5	4.0	114.5	1049.75	57.00	1106.75
M. Rowley	115.0	17.5	132.5	1035.00	236.25	1271.25
G. Rowley	116.0	15.5	131.5	1044.00	209.25	1253.25
R. Sipes	129.0	42.0	171.0	1225.50	598.50	1824.00
Total	799.0	153.5	952.5	12798.69	2524.11	15322.80

For the operational period in March, the employee cost at Upper Weaver was:

$$\frac{15322.80}{952.50} = \$16.09/\text{Hr.}$$

Labor cost per M<sup>3</sup> treated:

$$\frac{15322.80}{3892.0} = \$3.94/\text{M}^3$$

The percentage of overtime hours to total hours was 16.1%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
1986	16527.7	120	48,000	960	17.22	34.43
Jan. 87	3075.6	28	10,400	208	14.79	29.60
Feb. 87	3492.7	24	9,600	192	18.19	36.40
Mar. 87	3892.0	23	9,200	184	21.15	42.30
	26988.0	193	77,200	1544	17.48	34.96

The plant operating factor is based on 50 M<sup>3</sup>/hour of feed and during March we averaged 42.30% of base feed. We treated 50 M<sup>3</sup>/hour on March 30. We worked on Saturday, March 7; however, no production on Saturday after this date as Saturday is utilized for repair and maintenance.

The lost time was due to damaged gear box on trommel drive and replacing screening section on trommel. The TL40 loader was down through the month of March.

### Royalty Calculation to Arizona State Land Department

(a) Amalgamated gold 141.0755 grams at 84.93% Au = 119.8154 grams = 3.8526 oz. at \$408.914 =	\$ 1,575.38
141.0755 grams at 10.88% Ag = 15.3490 grams = 0.4935 oz. Ag at \$5.682 =	2.80
(b) Free gold +10 mesh 1667.1970 gms at 850 fine = 1417.1174 gms = 45.5665 oz. at \$408.914 =	18,632.78 \$20,210.96

Royalty based on 5% of gross value less cost of \$39,135.12 = loss of \$18,924.16.

The gold and silver quotations are from Handy and Harmon, New York, as a monthly average for March 1987.

### Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$15,322.80
Payroll taxes	1,889.16
Professional fees	1,000.00
Parts and repairs	3,503.53



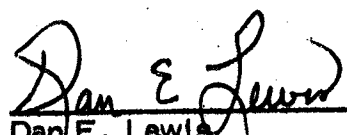
Tires	\$ 2,076.45
Field supplies	2,023.65
Fuel	1,159.74
Room rent	315.00
Travel	324.18
Severance tax	242.78
Insurance payroll	3,355.35
Two motors	800.00
Tools	34.50
Misc. and check charge	179.74
Chemicals	800.00
Sales expense	95.07
Equipment rental	3,040.00
Pickup rental	800.00
Cost of wells over 96 mos. (8)	<u>2,173.17</u>
Total	<u>\$39,135.12</u>

$$\frac{1536.9328}{31.1} = 49.19 \text{ fineness calculated at } 849$$

$$\frac{39,135.12}{49.19} = \$795.59 \text{ to produce one ounce of gold}$$

$$\frac{39,135.12}{3892} = \$10.06 \text{ per cubic meter of feed}$$

One cubic meter of feed for March contained 0.0148 oz. of gold at \$408.914 = \$6.05, or a loss of \$4.01/M<sup>3</sup> of feed.

  
 Dan E. Lewis  
 Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK FEBRUARY 1987

Directorate  
La Paz Mining, Inc.

March 16, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of February 1987, is hereto submitted.

The plant ran a total of 16 days of the available 24 working days to include Saturdays. The down time was due to weather, snow, and freezing conditions, and two days down time on nugget trap motor.

### Mine

The material mined in January was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
6-2W	1041	1157.2
6-3W	1581	461.3
7-2W	-	238.2
7-3W	714	490.6
8-2W	-	508.8
8-3W	<u>2970</u>	<u>636.6</u>
Total	6306	3492.7

Cubic Meters Ore Treated by Block to Date

<u>Block</u>	<u>State Lease #3193</u>		<u>State Lease #3950</u>	
	<u>M<sup>3</sup> Ore</u>	<u>Overburden</u>	<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>
1-1E	-	-	557.0	-
1-1W	2308.6	1394.0	-	-
1-2W	942.0	1003.0	-	-
1-4W	240.0	-	-	-
2-1E	-	-	2717.9	840.0
2-1W	8077.8	8163.0	-	-
3-1W	528.0	4931.0	-	-
6-2W	2371.3	4435.1	-	-
6-3W	461.3	1581.0	-	-
7-2W	1686.1	4551.0	-	-
7-3W	490.8	1176.8	-	-
8-2W	1843.2	1008.4	-	-
8-3W	<u>872.2</u>	<u>4904.1</u>	<u>-</u>	<u>-</u>
	19821.1	33147.1	3274.9	840.0
		<u>M<sup>3</sup> Ore</u>	<u>M<sup>3</sup> Overburden</u>	
Total		23096.0	33987.1	

Plant Production

(a) Tailings

A total of 3492.7 M<sup>3</sup> of ore was treated in the plant and produced the following tailings over 106.75 hours of operation:



	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Inch Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	30	42.0	27.0	100.0
Cubic Meters	1082.7	1466.9	943.1	3492.7

The feed to the pit grizzly was 4990 M<sup>3</sup> and 1497.3 M<sup>3</sup> of +4 inch rock was discarded in the mine area. The minus 4 inch or 3492.7 M<sup>3</sup> was hauled to the plant. The grizzly rejected 30% plus 4 inch.

(b) Water

A total of 3,728,400 gallons of water was registered by the two water meters for the month of February 1987.

Recirculated Water	2,581,000 gallons	=	403 gpm
Well Water to Bowl	<u>1,147,400 gallons</u>	=	<u>179 gpm</u>
	3,728,400 gallons	=	582 gpm

During the 106.75 hours of operation, the average use was 582 gpm.

$\frac{3,728,400}{3492.7} = 1067$  gallons of water to treat one M<sup>3</sup> of feed

The well water yielded 1,147,400 gallons for February 1987. Well #5 was shut down in February.

DW#3	BLM Location	40%	458,960 gallons
DW#4	State Land Location	60%	<u>688,440 gallons</u>
			1,147,400 gallons

(c) Plant

<u>February</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Free Au</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
2	259	7.5	34.5	191.2837	0.6506	0.021
3	172.8	6.5	26.6	181.8240	1.0522	0.034
4	174.3	7.5	23.2	130.2840	0.7474	0.024
5	205.2	5.0	41.0	11.8740	0.0569	0.002
6	299.3	8.75	34.2	110.4329	0.3690	0.012
7 & 9	291.6	10.75	27.1	109.9842	0.3771	0.012
10	291.6	7.75	37.6	78.3538	0.2687	0.009
11	226.8	8.00	28.3	79.0606	0.3486	0.011
13	64.8	2.50	25.9	21.2586	0.3281	0.010
16	345.6	8.50	40.7	136.0344	0.3936	0.013
17	260.7	8.00	32.6	77.0009	0.2954	0.010
18	140.4	6.00	23.4	31.2231	0.2224	0.007
20	123.4	3.50	35.3	68.1672	0.5524	0.018
21	313.2	7.50	41.8	150.8619	0.4817	0.015
<u>23</u>	<u>324.0</u>	<u>9.00</u>	<u>36.0</u>	<u>222.4850</u>	<u>0.6867</u>	<u>0.022</u>
16	3492.7	106.75	32.7	1599.8883	0.4581	0.0147

Weight of Retorted Amalgam:

194.9433 gms x 5.10% loss in melting = 185.0012 gms

185.0012 x 84.93% Au = 157.1215

185.0012 x 10.88% Ag = 20.1281

Free Gold = 1599.8883

Gold from Retort = 157.1215

1757.0098

0.5031

0.016

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
1986	5302.9028	16527.7	506.57	0.321	0.010
January 87	2322.8497	3075.6	109.75	0.755	0.024
February 87	<u>1757.0098</u>	<u>3492.7</u>	<u>106.75</u>	<u>0.5031</u>	<u>0.016</u>
	9382.7623	23096.0	723.07	0.4063	0.013

Total Ounces = 301.70

<u>February</u>	<u>Concentrate Grams</u> <u>-10 Mesh</u>
2	3100
3	2970
4	2105
5	2825
6	2050
7	1970
9	2300
10	2450
11	2620
13	1950
16	2960
17	2735
18	2655
20	1690
21	2285
23	2020
<u>16</u>	<u>38685</u>

The 38,685 grams of -10 mesh concentrate were amalgamated and retorted to produce 194,9433 grams of retorted matte.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
1986	177,435 grams
January 87	39,140 grams
February 87	<u>38,685 grams</u>
	255,260 grams

#### Equipment

We had 16 days of plant operation for a total of 106.75 hours. The total possible hours of 24 days at 8 hours per day was 192 hours.

	<u>Operated</u> <u>Hrs.</u>	<u>Standby</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Down Hrs.</u>	<u>Mechanical</u> <u>Available Hrs.</u>	<u>%</u> <u>Available</u>
D-9	125.5	56.5	10	182	95
D-8	-	192.0	-	192	100
TL40	-	-	192	-	0
Euclid	117.0	72.5	2.5	189.5	99
980	113.5	72.5	6.0	186.0	97
Plant	106.75	66.0	19.25	172.75	90
530	110.0	72.5	9.5	182.5	95
Pit Grizzly	106.75	72.25	13.0	179.0	93

### Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>Euclid</u>	<u>530</u>	<u>Generator</u>	<u>Rental</u>	<u>D-8</u>
Hours	125.5	113.5	117	110	106.75	-	-
Gallons	1028.6	852.5	380.3	198.4	380	151.8	106.8
Gal./Hr.	8.19	5.75	3.25	1.8	3.55	-	-

An additional 97 gallons of diesel was used by the grizzly generator and 4" pump.

Total Diesel - 2995.4 gallons

The plant generator day tank was full at beginning on months which explains low consumption.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	Monthly	-	-	5000.00	-	5000.00
D. Hathaway	Monthly	-	-	350.00	-	350.00
D. Jones	160.0	35.5	195.5	1440.00	479.25	1919.25
R. Nichols	160.0	36.0	196.0	2500.00	843.74	3343.74
C. Retherford	160.0	27.0	187.0	1520.00	384.75	1904.75
M. Rowley	144.5	27.0	171.5	1300.50	364.50	1665.00
G. Rowley	154.5	29.5	184	1390.50	398.55	1788.75
R. Sipes	160.0	33.0	193	1520.00	470.25	1990.25
	<u>1099</u>	<u>188.0</u>	<u>1287.0</u>	<u>15021.00</u>	<u>2940.74</u>	<u>17961.74</u>

For the operational period in February, the employee cost at Upper Weaver was:

$$\frac{17961.74}{1287} = \$13.96/\text{hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{17961.74}{3492.7} = \$5.14/\text{M}^3$$

The percentage of overtime hours to total hours was 14.6%

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
1986	16527.7	120	48,000	960	17.22	34.43
Jan. 87	3075.6	26	10,400	208	14.79	29.6
Feb. 87	3492.7	24	9,600	192	18.19	36.4
	<u>23096.0</u>	<u>170</u>	<u>68,000</u>	<u>1360</u>	<u>16.98</u>	<u>33.9</u>

The plant operating factor is based on a feed of 50 M<sup>3</sup>/hour and during February we averaged 36.4% of the base feed. The low factor was due to 5 days lost to weather and 3 days due to mechanical problems with the trommel. We must achieve an operating factor of 80%.

The TL40 loader was down thru the month of February and the 530 loader from Bear Creek replaced this unit.

### Royalty Calculation to Arizona State Land Department

(a) Amalgamated gold 185,0012 grams at 84.93% Au =	
157.1215 grams = 5.0521 oz. at \$401.318 =	\$ 2,027.50
185.0012 grams at 10.88% Ag = 20.1281 grams Ag =	
0.6472 oz. at \$5.488 =	3.55
(b) Free gold +10 mesh 1599.8883 gms at 850 fine =	
1359.905 gms = 43.7268 oz. at \$401.318 =	<u>17,548.35</u>
	\$19,579.40

Royalty based on 5% of gross value less cost of \$44,206.76 = loss of \$24,627.36.

The gold and silver quotations are from Handy and Harmon, New York, as a monthly average for February 1987.

### Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$17,981.74
Payroll taxes	1,509.81
Professional fees	4,000.00
Parts and repairs	2,351.15
Field supplies	949.88
Fuel	4,029.26
Room rent	315.00

Telephone	\$ 403.40
Travel and related	1,479.35
Office supplies	87.42
Severance tax	380.42
Equipment rental	7,382.40
Pickup rental	800.00
Maps, permits	76.06
Freight	49.70
Cost of wells over 36 mos. (7)	<u>2,173.17</u>
Total	\$44,206.76

$$\frac{1517.0265}{31.1} = 48.78 \text{ oz.}$$

then:  $\frac{44,206.76}{48.78} = \$906.25$  to produce one ounce of gold

$$\frac{44,206.76}{3492.7} = \$12.66 \text{ per cubic meter of feed}$$

One cubic meter of feed for February contained 0.016 oz. of gold at  
 $\$401.318 = \$6.42$ , or a loss of  $\$6.24/M^3$ .

Dan E. Lewis  
 Dan E. Lewis  
 Vice President of Operations

DEL:vh

EGH

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK JANUARY 1987

Directorate  
La Paz Mining, Inc.

March 4, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of January 1987, is hereto submitted.

The plant ran a total of 17 days of the available 26 working days to include Saturdays. The down time was due to replacing the screening section on the trommel, installation of the vibrating grizzly in the mine, and two days of ice in the recovery system.

### Mine

The material mined in January was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-1W	-	75.6
8-3W	1157.1	38.6
8-2W	231.4	299.4
7-2W	2391.1	1447.9
7-3W	462.8	-
6-2W	<u>3394.1</u>	<u>1214.1</u>
Total	7636.5	3075.6

The in-pit grizzly was operational on January 12, so that all +4 inch rock is removed prior to hauling to the plant. The -4 inch is hauled to the plant and passes through the recovery system. The grizzly removed 30% of the mine feed of 4393 M<sup>3</sup> leaving 3075.6 M<sup>3</sup> that was hauled to the plant in January.

Over 3000 M<sup>3</sup> of material was placed back into the mined out area in Blocks 8-2 and 8-3.

### Plant Production

#### (a) Tailings

A total of 3075.6 M<sup>3</sup> of ore was treated in the plant and produced the following tailings over 109.7 hours of operation:

	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Inch Sand</u>	<u>Silts</u>	<u>Total</u>
Percentage	30	42	28.0	100
Cubic Meters	923	1292	860.6	3075.6

#### (b) Water

A total of 4,496,300 gallons of water was registered by the two water meters for the month of January 1987.

Recirculated Water	3,142,500 gallons	477 gpm
Well Water to Bowl	<u>1,353,800 gallons</u>	<u>205 gpm</u>
	4,496,300 gallons	682 gpm

During the 109.7 hours of operation, the average use was 682.0 gpm.  

$$\frac{4,496,300}{3075.6} = 1462 \text{ gallons of water to treat one M}^3 \text{ of feed}$$

The well water yielded 1,353,800 gallons for January 1987.

DW#3 BLM Location	33%	=	446,754 gal.
DW#4 State Land Location	53%	=	717,514 gal.
DW#5 State Land Location	14%	=	<u>189,532 gal.</u>
			1,353,800 gal.



(c) Plant

<u>January</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
2	173	7.25	23.9	70.4970	0.407	0.013
3,7	143	5.25	27.2	51.7880	0.362	0.012
8	201	8.00	25.1	244.6549	1.217	0.039
9	173	7.00	24.7	182.3749	1.054	0.034
10	173	6.75	25.6	92.1455	0.533	0.017
12	194	7.50	25.9	140.0825	0.722	0.023
13	250	8.00	31.3	171.4393	0.686	0.022
14	239	7.00	34.2	44.2388	0.185	0.008
15	76	4.00	18.9	53.7624	0.707	0.023
16	140	5.25	26.7	72.6201	0.519	0.017
17	130	5.50	23.6	15.1402	0.116	0.004
26	238	7.50	31.7	216.7060	0.911	0.029
27	237	8.50	27.9	209.8053	0.885	0.028
28	247	7.50	32.9	274.5342	1.111	0.036
30	251	8.75	21.0	204.9582	1.113	0.036
31	210.6	6.00	35.1	138.0160	0.655	0.021
	<u>3075.6</u>	<u>109.75</u>	<u>28.0</u>	<u>2182.7433</u>	<u>0.7097</u>	<u>0.0228</u>

## Weight of Retorted Amalgam:

173.8323 gms x 5.10% loss in melting = 164.9669 gms

164.9669 x 84.93% Au = 140.1064 gms

164.9669 x 10.88% Ag = 17.9484 gms

Free Gold = 2182.7433

Gold from Retort = 140.1064

2322.8497

0.755

0.024

Summary Year to Date Production

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1986	5302.9028	16527.7	506.57	0.321	0.010
January 87	<u>2322.8497</u>	<u>3075.6</u>	<u>109.75</u>	<u>0.755</u>	<u>0.024</u>
	7625.7525	19603.3	616.32	0.389	0.013

Total Ounces = 245.20

<u>January</u>	<u>Concentrate Grams</u> <u>-10 Mesh</u>
2	2380
3 & 7	2440
8	2350
9	2210
10	2240
12	2100
13	2350
14	2620
15	2500
16	2410
17	2420
26	2330
27	2400
28	1900
29 & 30	3400
31	<u>3000</u>
	39140

The 39,140 grams of -10 mesh concentrate were amalgamated and retorted to produce 173.8323 grams of retorted matte.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
1986	177,435 gms
January 87	<u>39,140 gms</u>
	216,575 gms

#### Equipment

We had 17 days of plant operation for a total of 109.75 hours. The total possible hours of 26 days at 8 hours per day was 208 hours.

	<u>Operated</u> <u>Hrs.</u>	<u>Standby</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Down Hrs.</u>	<u>Mechanical</u> <u>Available Hrs.</u>	<u>%</u> <u>Available</u>
D-9	103	73	32	176	85
D-8	11	193	4	204	98
TL40	40	-	168	40	19
Euclid	64	48	96	112	54
980	137.5	69	1.5	206.5	99
Plant	109.75	28.50	69.75	138.25	66

### Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>D-8</u>	<u>Generator</u>	<u>Rental</u>
Hours	103	137.5	40	64	11	109.75	-
Gallons	1045.9	540.9	115.1	177.7	151	2020.5	705.3
Gal./Hr.	10.15	3.94	2.88	2.78	-	18.4	

An additional consumption was 40 gallons diesel for grizzly generator and 16 gallons diesel for 4-inch pump.

Total Diesel - 4812.4 Gallons

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg.</u> <u>Hrs.</u>	<u>O/T</u> <u>Hrs.</u>	<u>Total</u> <u>Hrs.</u>	<u>Reg.</u> <u>Pay</u>	<u>O/T</u> <u>Pay</u>	<u>Total</u> <u>Pay</u>
D. Goodwin	Monthly	-	-	5000.00	-	5000.00
D. Hathaway	Monthly	-	-	350.00	-	350.00
D. Jones	158.5	19.0	177.5	1426.50	256.50	1683.00
R. Nichols	160.0	14.5	174.5	2500.00	339.85	2839.85
C. Retherford	117.5	1.5	119.0	1116.25	21.37	1137.62
M. Rowley	152.0	16.0	168.0	1368.00	216.00	1584.00
G. Rowley	143.5	2.5	146.0	1291.50	33.75	1325.25
R. Sipes	160.0	22.5	182.5	1520.00	320.62	1840.62
J. Crofts	<u>120.0</u>	<u>14.5</u>	<u>134.5</u>	<u>1440.00</u>	<u>195.75</u>	<u>1635.75</u>
	1171.50	90.50	1262.0	16012.25	1383.84	17396.09

For the operational period in January the employee cost at Upper Weaver was:

$$\frac{17396.09}{1262.0} = \$13.78$$

Cost per M<sup>3</sup> treated:

$$\frac{17396.09}{3075.6} = \$5.66$$

The percentage of overtime hours to total hours was 7.17%.

### Plant Operating Factor

<u>Month</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>No.</u> <u>Workdays</u>	<u>Theoretical</u> <u>M<sup>3</sup></u>	<u>Possible</u> <u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Factor</u> <u>%</u>
1986	16527.7	120	48,000	960	17.22	34.43
Jan. 87	<u>3075.6</u>	<u>26</u>	<u>10,400</u>	<u>208</u>	<u>14.79</u>	<u>29.6</u>
To Date	19603.3	146	58,400	1168	16.78	33.6

The plant operating factor is based on a feed of 50 M<sup>3</sup>/Hr. and during January we averaged 29.6% of the base feed. The low factor was due to installation of new screens on the trommel, erection of the pit grizzly and ice in the trommel.

The vibrating grizzly and increased feed rate on the belt is showing an increase of 30% in the plant feed.

The rehabilitation work on the south end of the State Lease is under way.

The TL40 loader was down with a bad bearing and a 2-yd. loader was rented.

#### Royalty Calculation to Arizona State Land Department

(a) Amalgamated gold 164.9669 grams at 84.93% Au =	
140.1064 gms = 4.5050 ozs. at \$408.260 =	\$ 1,839.21
164.9669 gms at 10.88% Ag = 17.9481 gms Ag =	
0.5771 oz. at \$5.529 =	3.19
(b) Free gold +10 mesh 2182.7433 gms at 850 fine =	
1855.3318 gms = 59.6570 oz. at \$408.260 =	24,355.55
Total	\$26,197.95

Royalty based on 5% of gross value less cost of \$54,294.98 =  
\$28,097.03 loss.

The gold and silver quotations are from Handy and Harmon, New York, as a monthly average for January 1987.

#### Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$17,396.09
Payroll taxes	4,230.99
Parts and repairs	8,642.99
Equipment rental	10,525.00
Fuel	4,629.08
Professional fees	4,200.00
Pickup rental	800.00
Pickup license	246.96
Severance tax	76.08
Field supplies	577.89
Room rent	315.00
Travel	402.35
Jacobs Assay	63.00
Maps	7.68
Telephone	8.70
Cost of Wells over 36 mos. (6)	2,173.17
	\$54,294.98

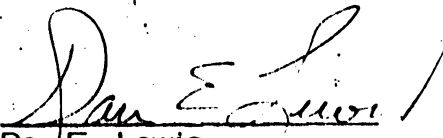
$$\frac{1995.4382}{31.1} = 64.16 \text{ oz.}$$

$$\text{then } \frac{54294.98}{64.16} = \$846.24 \text{ to produce one ounce of gold}$$

$$\frac{54294.98}{3075.6} = \$17.65 \text{ per cubic meter of feed}$$

One cubic meter of feed for January contained 0.024 oz. of gold at \$408.26 = \$9.80, or a loss of \$7.85/M<sup>3</sup>.

The two main factors to consider are to attain 50 M<sup>3</sup> of feed per hour and decrease the equipment rental to half the present rate. These have both been implemented.

  
Dan E. Lewis  
 Vice President of Operations

DEL:vh

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# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK DECEMBER 1986

Directorate  
La Paz Mining, Inc.

January 8, 1987

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of December 1986, is hereto submitted.

The plant ran a total of 12 days of the available 20 working days to include Saturdays. The down time was due to mechanical problems and to a lesser extent weather.

### Mine

The material mined in December was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-1W	309	
1-2W	1003	942
8-2W	771	1035
8-3W	771	197
7-2W	<u>2160</u>	<u>      </u>
Total	5014	2174

### Cubic Meters Ore Treated by Block

<u>Block</u>	<u>November</u>	<u>December</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E	-	-	557.0	-
1-1W	-	-	2233.0	1394
1-2W	-	942	942.0	1003
1-4W	240	-	240.0	-
2-1E	-	-	2717.9	840
2-1W	4100	-	8077.8	8163
3-1W	528	-	528.0	4931
7-2W	-	-	-	2160
8-2W	-	1035	1035.0	777
8-3W	-	<u>197</u>	<u>197.0</u>	<u>777</u>
	4868	2174	16527.7	20045

### Plant Production

#### (a) Tailings

A total of 2174 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 76.75 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>-3/8" Sand</u>	<u>Silimes</u>	<u>Total</u>
Percentage	23.8	24.6	31.0	20.6	100
Cubic Meters	517	535	674	448.0	2174

#### (b) Water

A total of 2,993,100 gallons of water was registered by the two water meters for the month of December 1986.

Recirculated Water	2,074,700 gallons	450.5 gpm
Well Water to Bowl	<u>918,400 gallons</u>	<u>199.4 gpm</u>
	2,993,100 gallons	649.9

During the 76.75 hours of operation, the average use was 640.0 gpm.  
 $\frac{2,993,100}{2174} = 1376$  gallons of water to treat one M<sup>3</sup> of feed.

The water pumped from the wells was 918,400 gallons for the month of December.

DW#3 BLM Location	33%	303,072 gal.
DW#4 State Land Location	53%	486,752 gal.
DW#5 State Land Location	14%	128,576 gal.
		<u>918,400 gal.</u>

(c) Plant

<u>December</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1	216	6.50	33.2	74.5358	0.345	0.011
2	270	8.00	33.8	43.5084	0.161	0.005
3	229	7.50	30.5	43.2208	0.189	0.006
4	227	7.50	30.3	66.8299	0.294	0.010
16	35	2.00	17.5	7.4174	0.212	0.007
23	162	4.50	36.0	4.0554	0.025	0.001
24	162	7.50	21.6	22.2749	0.137	0.004
26	228	8.00	28.5	31.1765	0.137	0.004
27	148	7.75	19.1	67.5989	0.457	0.015
29	205	7.50	27.3	45.2280	0.221	0.007
30	108	4.00	27.0	25.0044	0.232	0.007
31	184	6.00	30.7	46.0237	0.250	0.008
12	2174	76.75	28.3	476.8721	0.219	0.007

Weight of Retorted Amalgam:

102.9170 x 5.10% loss in melting = 97.6683 gms

97.6683 x 84.93% Au = 82.9497 gms

97.6683 x 10.88% Ag = 10.6263 gms

Free Gold = 476.8721

Gold from Retort = 82.9497

559.8218

0.258

0.008

The 559.8218 gms is composed to two products

476.8721 gms free gold +10 mesh 85.18%

82.9497 gms -10 mesh gold amalgamated 14.82%

559.8218



### Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
August	520.7655	2344.7	75.2	0.2211	0.007
September	767.2312	3420.0	110.2	0.2343	0.007
October	1140.6974	3721.0	105.5	0.3066	0.010
November	2314.3869	4868.0	138.92	0.475	0.015
December	559.8218	2174.0	76.75	0.258	0.008
	5302.9028	16527.7	506.57	0.321	0.010

Total Ounces = 170.51

<u>December</u>	<u>Concentrate Grams +10 Mesh</u>	<u>Grams -10 Mesh</u>	<u>Total</u>	<u>% +10 Mesh</u>
1	1090	2410	3500	
2	1100	2310	3410	
3	1234	2675	3909	
4	1180	2505	3685	
16	1010	2420	3430	
23	1200	2580	3780	
24	1105	2440	3545	
26	980	2370	3350	
27	910	2410	3320	
29	1050	2370	3420	
30	1110	2400	3510	
31	1170	2500	3670	
	13139	29390	42529	30.8

The 29,390 gms of -10 mesh concentrate were amalgamated, retorted, and melted to produce a gold bar weighing 97.6683 grams.

### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh Grams</u>
August	22,805
September	42,035
October	41,885
November	41,260
December	29,390
	177,435 grams

### Equipment

We had 12 days of plant operation for a total of 76.75 hours. The total possible hours for 26 days at 8 hours was 208 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>% Available</u>
D-9	16	-	192	16	8
980	76.75	131.25	-	208	100
TL40	-	-	208	0	0
Euclid	37	72	99	109	47.0
Dragline	10	198	-	208	100
Plant	76.75	131.25	-	208	100
D-8*	128	-	8	128	95

\*Arrived 12/12/86

### Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>D-8</u>	<u>Generator</u>	<u>Rental</u>
Hours	16	76.75	-	37.0	128	155.5	
Gallons	214.1	420.2	-	45.2	869.8	1330	456.4
Gal./Hr.	13.38	5.47	-	1.22	6.79	8.55	

Total Diesel - 3335.7 gallons

## Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	240	-	240	5000.00	-	5000.00
D. Hathaway	Monthly		-	525.00	-	525.00
D. Jones	188.5	5.5	194.0	1602.25	70.13	1672.38
R. Wilson	126.5	5.5	132.0	1201.75	78.38	1280.13
C. Retherford	159.5	5.0	164.5	1515.25	71.25	1586.50
M. Rowley	149.5	-	149.5	1196.00	-	1196.00
G. Rowley	189.0	1.5	190.5	1640.50	20.25	1660.75
R. Sipes	201.0	-	201.0	1909.50	-	1909.50
R. Nichols	108.5	7.5	116.0	1695.31	175.78	1871.09
J. Crofts	35.5	-	35.5	319.50	-	319.50
	<u>1398.0</u>	<u>25.0</u>	<u>1423.0</u>	<u>16605.06</u>	<u>415.79</u>	<u>17020.85</u>

For the operational period in December the employee cost at Upper Weaver was:

$$\frac{17020.85}{1423} = \$11.96/\text{Hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{17020.85}{2174} = \$7.83/\text{M}^3$$

The percentage of overtime hours to total hours was 1.77%.

## Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9
October	3721.0	27	10800	216	17.23	34.5
November	4868.0	24	9600	192	25.35	50.7
December	<u>2174.0</u>	<u>26</u>	<u>10400</u>	<u>108</u>	<u>10.45</u>	<u>20.9</u>
1986	16527.7	120	48000	960	17.22	34.43

The plant operating factor is based on a feed of 50 M<sup>3</sup>/hr. and during 1986 we averaged 34.43% of the base feed. This low factor is due to oversize in the trommel, mechanical down time on equipment, and to a lesser extent, the weather.

We have installed a vibrating grizzly in the mining pit, and this should increase the feed by 20%. During December the down time on the D-9 and the Euclid truck caused a shut down in the mining for 10 days. The D-8 was transported from New Mexico to Weaver on 12/10/86. The

D-9 was repaired on January 8, 1987, and a rental truck was available on 12/23/86.

Royalty Calculation to Arizona State Land Department

(a) Amalgamated gold 97.6683 gms at 84.93% Au =	
82.9497 gms = 2.6672 oz. at \$391.225 =	\$1,034.48
97.6683 gms at 10.88% Ag = 10.6263 gms Ag =	
0.3417 oz. at \$5.364 =	1.83
(b) Free gold +10 mesh 476.8721 gms at 850 fine =	
405.3413 gms = 13.0335 oz. at \$391.225 =	<u>5,099.03</u>
	\$6,135.34

Royalty based on 5% of gross value less cost of \$49,694.76 =  
\$43,559.42 loss. Therefore no royalty payment for December.

The gold and silver quotations are from Handy & Harmon, New York,  
as a monthly average for December 1986.

Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$17,020.85
Payroll taxes	990.63
Casual labor	64.00
Professional fees	3,400.00
Assay	160.00
Tires	598.00
Rental Ford	800.00
Parts and repairs	12,686.05
Transport of equipment	3,118.50
Fuel	2,820.74
Field supplies	4,003.30
Small tools	150.57
Lodging - Rent, Sierra Vista Motel	315.00
Travel	855.39
Telephone	185.93
Sales expense	14.80
Severance tax	317.87
Cost of water wells over 36 months (5)	<u>2,173.17</u>
	\$49,694.76

$$\frac{488.291}{31.1} = 15.70 \text{ ounces}$$

then

$$\frac{\$49,694.76}{15.70} = \$3,165.27 \text{ to produce one ounce of gold}$$

$$\frac{\$49,694.76}{2174.0} = \$22.86 \text{ per cubic meter of feed.}$$

One cubic meter of feed for December contained 0.008 oz. of gold at \$391.225 = \$3.13, or a loss of \$19.73/M<sup>3</sup>.

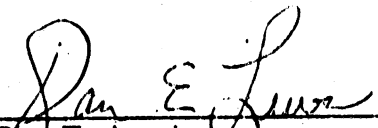
For year 1986:

Total direct cost	\$191,078.34
Ounces of gold	170.51
M <sup>3</sup> feed	16,527.7
Gold price	404.411

$$\frac{\$191,078.34}{170.51} = \$1120.63 \text{ to produce 1 ounce of gold.}$$

$$\frac{\$191,078.34}{16,527.7} = \$11.56 \text{ to treat one M}^3 \text{ of feed.}$$

One M<sup>3</sup> feed 1986 contained 0.10 oz. of gold at \$404.411 = \$4.04/M<sup>3</sup>, or a loss of \$7.52/M<sup>3</sup>.

  
 Dan E. Lewis  
 Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK NOVEMBER 1986

Directorate  
La Paz Mining, Inc.

December 10, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of November 1986, is hereto submitted.

The plant ran a total of 20 days of the available 24 working days, to include Saturdays. The down time was due to replacement of feeder drive shaft and rain.

### Mine

The material mined in November was removed from State Leases #3950 and #3193 by the use of the D-9 and the 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-4W	-	240
2-1W	7007	4100
3-1W	<u>3543</u>	<u>528</u>
Total	10550	4868

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>October</u>	<u>November</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E	-	-	557.0	-
1-1W	-	-	2233.0	1085
2-1E	-	-	2717.9	840
2-1W	2357	4100	8077.8	8103
3-1W	-	528	528.0	4931
1-4W	-	240	240.0	-
Totals	2357	4868	14353.7	15019

Plant Production

(a) Tailings

A total of 4868 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 138.92 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 " Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	18.1	24.4	33.6	23.9	100
Cubic Meters	881	1188	1635	1164	4868

(b) Water

A total of 5,621,800 gallons of water was registered by the two water meters for the month of November 1986.

Recirculated Water	3,882,900 gallons	485.8 gpm
Well Water to Bowl	1,738,900 gallons	208.6 gpm
	5,621,800 gallons	674.4 gpm

During the 138.92 hours of operation, the average use was 674.4 gpm.

$$\frac{5,621,800}{4868} = 1154 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

The water pumped from the wells was 1,738,900 gallons for the month of November 1986.

DW#3	BLM Location	33%	573,837 gal.
DW#4	State Land Locations	53%	921,617 gal.
DW#5	State Land Locations	14%	243,446 gal.
			<u>1,738,900 gal.</u>

(c) Plant

<u>November</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Free Au</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
1	300	7.25	41.4	53.2963	0.178	0.008
3	200	5.25	38.1	57.8050	0.289	0.009
4	260	6.75	38.2	85.0254	0.327	0.011
5	340	8.00	42.5	118.3828	0.348	0.011
6	260	7.50	34.7	119.7705	0.461	0.015
7	260	8.00	32.5	104.0284	0.400	0.013
8	257	7.75	33.2	68.3439	0.266	0.009
10	231	7.00	33.0	58.1049	0.252	0.008
11	154	5.00	30.8	46.0679	0.299	0.010
14	159	5.00	31.8	114.1735	0.718	0.023
15	302	7.25	41.7	138.3321	0.458	0.015
17	291	7.25	40.1	134.7899	0.463	0.015
18 & 19	237	7.00	33.9	10.8984	0.046	0.002
20	239	8.00	29.9	103.5725	0.433	0.014
21	248	7.67	32.3	217.3215	0.876	0.028
22	216	6.75	32.0	178.7592	0.828	0.027
24	240	6.00	40.0	258.2555	1.076	0.035
25	254	8.00	31.8	128.0572	0.504	0.016
26	240	7.50	32.0	4.1136	0.017	0.001
28	180	6.00	30.0	105.5039	0.586	0.019
20	4868	138.92	35.04	2104.6024	0.432	0.014
Gold Bar from Retort				209.7845		
				2314.3869	0.4754	0.015

Weight 247.00 gms x 84.933% Au = 209.7845 gms  
 247.00 gms x 10.833% Ag = 26.8810 gms

The 2314.3869 grams is composed of two products:

2104.6024 grams free gold +10 mesh 90.9%  
209.7845 grams -10 mesh gold amalgamated 9.1%  
 2314.3869



### Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
August	520.7655	2344.7	75.2	0.2211	0.007
September	767.2312	3420.0	110.2	0.2243	0.007
October	1140.6974	3721.0	105.5	0.3066	0.010
November	2314.3869	4868.0	138.92	0.475	0.015
	4743.081	14353.7	429.82	0.330	0.011

Total Ounces = 152.51

<u>November</u>	<u>Bowl Concentrate Grams</u>		<u>Total</u>	<u>%</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>		<u>+10 Mesh</u>
1	725	2820	3545	
3	880	2550	3430	
4	983	2400	3383	
5	1160	1905	3065	
6	1190	2120	3310	
7	1040	2080	3120	
8	920	2280	3200	
10	860	2190	3050	
11	900	2240	3140	
14	1000	2110	3110	
15	1040	2040	3080	
17	980	2290	3270	
18-19	1190	2100	3290	
20	1180	2050	3230	
21	1500	2020	3520	
22	1209	2120	3329	
24	918	2240	3158	
25	1120	2100	3220	
26	850	1900	2750	
28	1050	2180	3230	
20	20695	41260	61955	33.4

The 41,260 grams of -10 mesh concentrate were amalgamated, retorted, and melted to produce a gold bar weighing 247.00 grams.

### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh Grams</u>
August	22,865
September	42,035
October	41,885
November	41,260
	148,045 Grams

### Equipment

We had 20 days of plant operation for a total of 138.92 hours. The total possible hours for 24 days at 8 hours was 192 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>% Available</u>
D-9	136	5	45.5	141	73
980	147.5	25.5	19.0	173	90
TL 40	109.5	47.5	35.0	157	81
Euclid	123.0	55.0	14.0	178	92
Drag Line	-	-	-	-	-
Plant	138.92	28.33	24.75	167.25	87

### Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>Plant Generator</u>
Hours	136	147.5	109.5	123.0	240
Gallons	1240.8	526.2	338.9	276.7	1100
Gal./Hr.	9.12	3.56	3.09	2.24	4.58

Total Diesel - 3482.6 Gallons

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	160	40	200	3500.00	875.00	4375.00
D. Hathaway	Monthly		-	350.00	-	350.00
D. Jones	160	27	187	1360.00	344.24	1704.24
C. Retherford	136	11	147	1292.00	151.50	1443.50
R. Sipes	160	27	187	1520.00	384.74	1904.74
M. Rowley	156	25	181	1248.00	300.00	1548.00
G. Rowley	160	30.5	190.5	1440.00	411.75	1851.75
R. Wilson	160	37.5	197.5	1520.00	534.37	2054.37
	1092	198	1290	12230.00	3001	15231.60

For the operational period in November the employee cost at Upper Weaver was:

$$\frac{15231.60}{1290} = \$11.81/\text{Hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{15231.60}{4868} = \$3.13/\text{M}^3$$

The percentage of overtime hours to total hours was 15.35%.

Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9
October	3721.0	27	10800	216	17.23	34.5
November	4868.0	24	9600	192	25.35	50.7

Royalty Calculation to Arizona State Land Department

(a) Gold Bar 247.00 gms at 84.933% Au = 209.7945 gms =  
6.7455 oz. at \$398.806 = \$ 2,690.15

247.00 at 10.883% Ag = 25.2335 gms =  
0.8114 oz. at \$5.595 = 4.54

(b) Free Gold +10 mesh 2104.6024 at 850 fine = 1788.912 gms  
57.5213 oz. at 398.806 = 22,939.84

\$25,634.53

Royalty based on 5% of gross value less cost of \$35,610.56 =  
-\$9,976.03 loss. Therefore, no royalty payment for November 1986.

The gold and silver quotations are from Handy and Harmon, New York,  
as a monthly average for November 1986.

Direct Operating Costs

The direct operating costs are as follows:

Gross payroll	\$15,231.60
Payroll taxes	1,089.06
Professional fees	2,400.00
Tires	2,012.45

Parts and repairs	\$ 1,797.99
Ford Pickup rental	800.00
Field supplies	841.48
Fuel	2,331.20
Travel, etc.	1,028.48
First aid equipment	653.15
Equipment rental	4,680.00
Telephone	102.32
Room rent, Sierra Vista Motel	315.00
Severance tax	192.71
Maps	7.32
Sales expense bullion	154.63
Cost water wells over 36 months (4)	<u>2,173.17</u>

\$35,610.56

$$\frac{2314.7845}{31.1} = 74.43 \text{ oz.}$$

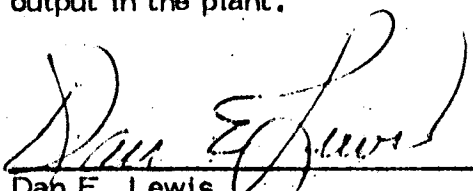
Then,  $\frac{35,610.56}{74.43} = \$478.44$  to produce one ounce of gold.

$$\frac{35,610.87}{4868} = \$7.32 \text{ per cubic meter of feed}$$

One cubic meter of feed for November contained 0.015 oz. of gold at  $\$398.806 = \$5.98$ , or a loss of  $\$1.34/M^3$ .

For the month of November the average gold content improved to 0.015 oz. per  $M^3$ , and the plant feed averaged  $25.34 M^3/Hr.$  at a plant operating factor of 50.7%. We are attempting to arrive at 0.02 oz./ $M^3$  with an average feed of  $42.5 M^3/Hr.$ , with a plant operating factor of 85%. These parameters for November would have lowered the cost to \$218 to produce an ounce of gold as versus actual cost of \$478.44/oz.

A vibrating grizzly will be installed in the mining pit to screen off the plus 5-inch boulders. This will cut down on transport of this excess material and also will increase the output in the plant.

  
Dan E. Lewis  
Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

EGH  
1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS LA PAZ-BEAR CREEK OCTOBER 1986

Directorate  
La Paz Mining, Inc.

November 24, 1986

The following Report of Operations for the placer gold property of La Paz-Bear Creek, month of October 1986, is hereto submitted.

The plant ran a total of 9 days of the available 23 working days. The plant was set up at the new location and operations started on October 14, 1986. The move consumed 21 operational days.

### Mine

The material mined in October was moved by the D8, the 966 loader, and the Ford truck,

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
Area II Long Creek	8,750	1,640

### Cubic Meters Treated by Area

<u>Area</u>	<u>October</u>	<u>Previous</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
Area I	-	22799.6	22799.6	21754.0
Area II	1640	-	1640.0	8750.0
	1640	22799.6	24439.6	30504.0

## Plant Production

### (a) Tailings

A total of 1640 M<sup>3</sup> was treated in the plant and produced the following tailing products over 51.91 hours of operation:

	<u>14 Inch</u>	<u>-4 Inch +1/2 Inch</u>	<u>-1/2 Inch +1/4 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	28	27	2	14	29	100
Cubic Meters	455.1	435.6	32	236.3	481	1640

### (b) Water

A total of 4,221,800 gallons of water was registered by the water meter for the month of October 1986.

During the 51.91 hours of operation, the average use was 1000 gpm, or 3,114,600 gallons. The balance of 1,107,200 was used during clean-up or returned to drainage during trommel down time.

$$\frac{3,114,600}{1640} = 1899 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

The reason for the increased water usage per M<sup>3</sup> was due to the decreased plant feed:

$$\frac{31.6 \text{ M}^3/\text{hr.}}{60} = 0.52 \text{ M}^3/\text{Min.}$$

(c) Plant

<u>October</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz./ M<sup>3</sup></u>
14	160	5.5	29.1	143.0912	0.8943	0.029
15	160	5.0	32.0	77.6485	0.4853	0.016
17	184	5.5	33.5	77.5676	0.4216	0.014
20	184	6.25	29.4	76.7720	0.4172	0.013
21	120	4.66	25.8	55.2835	0.4607	0.015
22	208	6.5	32.0	67.9248	0.3266	0.011
23	240	7.58	31.7	105.5926	0.4400	0.014
24	208	6.42	32.4	100.3713	0.4826	0.016
29A	Black sands from bowls			5.0636		
30	176	4.5	39.1	64.2470	0.3650	0.012
9/26-10/15	Small dredge			3.8725		
9	1640	51.91	31.6	777.4346	0.4740	0.015
				7.4200		
Gold Bar from Retort				784.8546	0.4786	0.015

Au - Weight 8.73 grams x 85.03% = 7.42

Ag - Weight 8.73 grams x 11.73% = 1.02

The 784.8546 gms is composed of two products:

- (a) 777.4346 gms free gold = 99%  
 (b) 7.4200 gms -10 mesh amalgamated = 1%

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
Exploration	91.9877	-	-	-	-	-
May	628.7895	2595	40.3	64.4	0.2421	0.008
June	1304.9735	4157	66.75	67.2	0.3139	0.010
July	2094.2924	6545.6	107.18	61.07	0.3200	0.010
August	2944.2846	6681	113.40	58.9	0.4407	0.014
September	1233.0158	2821	48.60	58.1	0.4201	0.014
October	784.8546	1640	51.91	31.6	0.4786	0.015
	9082.1981	24439.6	428.14	57.13	0.3713	0.012

Concentrate Produced

The following concentrate was produced from the 7-1/2 inch bowl, and the -10 mesh was amalgamated and retorted:

Oct.	Concentrate Gms		Total	% +10 Mesh	Gms Au Scalped	Gms Amalgam	Gms Retorted
	+10 Mesh	-10 Mesh					
14	2265	7290	9555	23.7	143.0912	9.1	4.4
15	1865	5535	7400	25.2	77.6485	4.7	2.3
17	2150	6745	8895	24.2	77.5676	6.1	3.1
20	1895	7505	9400	20.2	76.7720	2.4	1.3
21	2160	7355	9515	22.7	55.2835	4.0	2.0
22	1740	4470	6210	28.0	67.9248	2.8	1.4
23	1895	8110	10005	18.9	105.5926	5.3	2.7
24	2280	7540	9820	23.2	100.3713	4.3	2.2
29A	-	3380	3380	-	5.0636	1.5	0.8
30	1140	3380	4520	25.2	64.2470	1.7	0.4
9/26,10/15	<u>3150</u>	<u>9300</u>	<u>12450</u>	<u>25.3</u>	<u>3.8725</u>	<u>1.8</u>	<u>0.8</u>
	20540	70610	91150	22.5	777.4346	43.7	21.4

Some of the retorted amalgam was added to the scalped gold, so that the gold bar produced from the retorted material only yielded 8.73 gms at 85.03% Au = 7.423 gms of gold.

During October, the nugget trap recovered 49.32% of the gold.  
During October, the bowls recovered 50.68% of the gold.

A sluice box was installed between the trommel and the bowls. Of the 50.68% of the total recoverable gold, the sluice box recovered 81% and the bowl recovered 19% of the gold. This bowl recovery amounts to 9.72% of the total gold in the feed. The bowls are necessary as the sluice will loose more gold as the production of feed is increased to 77 M<sup>3</sup>/hour.

The classifier and sluice box following the concentrator bowls were cleaned after a total recovery of 1275.5791 grams of gold was processed through the trommel. The classifier and sluice contained 15.3 grams of gold or a loss of 1.22%.

#### Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh</u>
May	77,850
June	114,485
July	184,004
August	154,938
September	53,528
October	<u>70,610</u>
	655,415 gms

A sample was taken and separated into two fractions. Analysis of the amalgam tails follows:

Non-magnetic fraction 32%	1,318 ozs. gold per ton
Magnetic fraction 68%	0.020 ozs. gold per ton

The bowl tails contain 0.152 ozs. of gold per ton. Scheelite occurs in amalgam tails but 1/3 less than at Upper Weaver.



Equipment

	<u>Hrs.</u> <u>Operated</u>	<u>Standby</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Down</u> <u>Hrs.</u>	<u>Mechanical</u> <u>Available</u> <u>Hrs.</u>	<u>Percent</u> <u>Available</u>
Plant	51.91	4.5	127.59	56.41	30.8
D8	78.0	20	86	98	53
966	61	19	104	80	44
530	116	32	36	148	80
100 KW	87	97	-	184	100
Truck	105	29.5	49.5	134.5	73
8" Pump	82	102	-	184	100
4" Pump	-	-	-	-	-
15 KW	-	-	-	-	-

Fuel Consumption

	<u>D8</u>	<u>966</u>	<u>530</u>	<u>Truck</u>	<u>100 KW</u>	<u>8"</u> <u>Pump</u>
Hours	78	61	116	105	87	82
Gallons	843.9	238.9	386.2	175.7	262.4	258.8
Gal./Hr.	10.82	3.92	3.32	1.67	3.02	3.16

Total Diesel: 2467 Gals.

Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg.</u> <u>Hrs.</u>	<u>O/T</u> <u>Hrs.</u>	<u>Total</u> <u>Hrs.</u>	<u>Reg.</u> <u>Pay</u>	<u>O/T</u> <u>Pay</u>	<u>Total</u> <u>Pay</u>
L. Billingsley	160	47	207	2500.00	1101.64	3601.64
R. Billingsley	151.5	10	161.5	2367.18	234.37	2601.55
J. Crotts	160	23.5	183.5	1600.00	357.50	1952.50
R. Nichols	160	32	192	2500.00	749.98	3249.98
J. Rogers	160	54	214	1280.00	648.00	1928.00
R. Rogers	160	55.5	215.5	1280.00	666.00	1946.00
H. Adams	160	68	228	1200.00	772.25	1972.25
F. March	64	-	64	512.00	-	512.00
W. Strain	75	-	75	487.50	-	487.50
O. Aliff	54	-	54	648.00	-	648.00
C. Anderson	<u>Watchman</u>			<u>90.00</u>	<u>-</u>	<u>90.00</u>
	1304.50	290	1594.5	14464.68	4524.74	18989.42

For the operational period in October, the employee cost was:

$$\frac{18989.42}{1594.5} = \$11.91/\text{hr.}$$

Dividing employee cost by  $M^3 = \frac{\$18989.42}{1640} = \$11.58$

The percentage of overtime hours to total hours was 18.19%.

#### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hrs.</u>	<u>Factor %</u>
May	2595	12	7392	90	27.0	35
June	4157	21	12936	168	24.7	32
July	6546.6	22	13552	176	37.2	48.3
August	6681.0	21	12936	168	39.8	51.6
September	2821.0	21	12936	168	16.8	21.8
October	1640.0	23	14168	184	8.91	11.6

The plant was down from October 1 thru October 13 as it was moved to Area II.

#### Royalty to Claimowners

(a) There were no reject sales for October 1986.

(b) Gold bar from melt of retort material = 8.73 gms  
at 85.03% Au = 7.423 = 0.2387 ozs. at \$423.617 = \$ 101.11

8.73 gms at 11.73% Ag = 1.024 gms =  
0.033 ozs. at \$5.67 = .19

(c) Free gold 777.4346 gms at 860 fine = 668.5938 gms =  
21.50 ozs. at \$423.617 = 9,106.99

777.4346 at 11.73% Ag = 91.9308 gms = 2.96 ozs.  
at \$5.67 = 16.76

Total \$9,225.05

at 7% royalty \$ 645.75

This is less than the minimum royalty of \$1200/month for October 1986.

### Direct Operating Costs

Gross payroll	\$18,989.42
Professional fees	5,200.00
Payroll taxes	2,396.76
Workmen's compensation	1,975.00
Severance taxes	68.67
Equipment rental	6,833.12
Fuel - diesel	6,090.32
Field supplies	1,837.75
Parts and repairs	9,804.59
Tools	230.90
Surveyor	343.93
Assay	75.00
Telephone	787.07
Camp trailer - 2 mos. payment	355.32
Insurance - camp trailer	122.00
Office utilities	21.05
Office supplies	203.26
Casual labor	88.00
Food and travel	1,477.01
Blazer lease	800.00
Maps	49.85
Office rental - Pinos Altos	225.00
Freight	5.67
Fred March dredge	430.00
Motor and pump	599.97
New Mexico Corp. Commission fee	20.00
	<u>\$40,040.24</u>

### Production Summary

These figures do not consider fineness in free gold production:

777.4346 gms free gold  
7.4230 gms in gold bar  
785.8576 gms = 25.27 ozs. gold

\$40040.27 = \$1584.50 to produce one ounce of gold  
25.27

\$40,040.27 = \$24.42 per M<sup>3</sup> of feed.  
1640

In October one M<sup>3</sup> of feed contained 0.015 oz. of gold at \$423.617 =  
\$6.35 or a loss of \$18.07/M<sup>3</sup>.

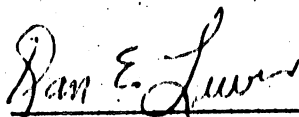
These costs are direct costs at Bear Creek.

The following monthly capital costs were not included:

Interest payable	\$10,788.98
Equipment lease	<u>10,378.52</u>
	\$21,167.50

This loss per M<sup>3</sup> of feed:

$$\frac{40,040.27 + 21,167.50}{1640} = \$37.32 - \$6.35 = \$30.97$$



Dan E. Lewis

Vice President of Operations

EGH

# LA PAZ MINING, INC.

1301 EAST PT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS LA PAZ-BEAR CREEK SEPTEMBER 1986

Directorate  
La Paz Mining, Inc.

October 28, 1986

The following Report of Operations for the placer gold property of La Paz-Bear Creek, month of September 1986, is hereto submitted.

The plant ran for a total of 8 days of the available 25 working days. The plant was shut down on the 13th of September and moved to Area 2 downstream.

### Mine

The material mined in September was moved by the D8 and the 966 loader from the following blocks:

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
3-2	1145	1605
3-3	-	171
4-2	824	424
4-3	-	621
Total	1969	2821

Cubic Meters Ore Treated by Block - Area I

<u>Block</u>	<u>September</u>	<u>August</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
2-2	-	-	-	2775.0
2-3	-	-	432.0	3400.0
2-4	-	-	381.0	3400.0
2-5	-	-	-	700.0
2-6	-	-	1994.0	200.0
2-7	-	-	895.0	-
3-2	1605.0	2896.0	4675.5	4805.0
3-3	171.0	3240.0	7090.7	2000.0
3-4	-	-	3945.0	2975.0
3-5	-	-	1413.0	600.0
4-2	424.0	215.0	639.0	899.0
4-3	621.0	330.0	951.0	-
4-4	-	-	341.7	-
4-6	-	-	41.7	-
	<u>2821.0</u>	<u>6681.0</u>	<u>22799.6</u>	<u>21754.0</u>

Plant Production

(a) Tailings

A total of 2821.0 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 48.6 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +1/2 Inch</u>	<u>-1/2 Inch +1/4 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	28.0	30.0	4.0	22.0	16.0	100
Cubic Meters	790	848	113	621	451	2821

(b) Water

A total of 3,231,900 gallons of water was registered by the water meter for the month of September 1986.

During the 48.6 hours of operation, the average use was 922 gpm or 2,688,552 gallons. The balance of 543,348 gallons was used during cleanup.

$$\frac{2688552}{2821} = 953 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

Of the total of 3,231,900 gallons used, this water less evaporation was returned to the Bear Creek Drainage after desliming.

(c) Plant

<u>September</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
2	367.2	6.8	54	204.2077	0.5561	0.0179
3	288.9	4.8	60.2	148.2816	0.5133	0.0165
4	342.9	6.4	53.6	137.1568	0.3999	0.013
5	348.3	6.3	55.3	119.0530	0.3418	0.011
8	429.3	7.4	58	169.1600	0.3940	0.013
10	413.1	6.5	63.6	168.8250	0.4087	0.013
11	434.2	6.7	64.8	137.7720	0.3173	0.010
12	197.1	3.7	53.3	83.6940	0.4246	0.014
15,16,21	<u>Small dredge cleanup</u>			<u>17.0588</u>	<u>-</u>	<u>-</u>
8	2821.0	48.6	58.1	1185.2089	0.4201	0.014

Gold bar from amalgamated -10  
mesh

47.8069

Concentrate retorted & melted      1233.0158      0.4371      0.014

55.57 gms at 86.03% Au = 47.8069

55.57 gms at 8.98% Ag = 4.9902

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
Exploration	91.9877	-	-	-	-	-
May	628.7895	2595	40.3	64.4	.2421	0.008
June	1304.9735	4175	66.75	67.2	.3139	0.01
July	2094.2924	6545.6	107.18	61.07	.3200	0.01
August	2944.2846	6681	113.40	58.9	.4407	0.014
September	1233.0158	2821	48.60	58.1	.4201	0.014
	8297.3435	22799.6	376.23	60.6	.3639	0.012

Concentrate Produced

The following concentrate was produced from the 7-1/2 inch bowl, and the -10 mesh was amalgamated and retorted:

<u>Date</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>% 10 Mesh</u>	<u>Gms Au</u>	<u>Gms</u>	<u>Gms</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>			<u>Scalped</u>	<u>Amalgam</u>	<u>Retorted</u>
2	1630	5380	7010	23.30	204.2077	4.1	
3	1460	5580	7040	20.7	148.2816	8.3	
4	1682	6118	7800	21.6	137.1568	15.0	
5	1780	5470	7250	24.6	119.0530	13.1	
8	1770	5490	7260	24.3	169.1600	18.5	
10	1220	6060	7280	16.8	168.8250	9.1	
11	1990	5680	7670	25.9	137.7720	10.4	
12	1760	5980	7740	22.7	83.6940	6.3	
Dredge							
15,16,21	2430	7770	10200	23.8	17.0588	1.3	
	15722	53528	69250	22.7	1185.2089	86.1	63

The 63 gms of retorted amalgam was melted to yield a bar weighing 55.57 gms, or a loss of 11.8% in weight. This loss is mercury and water.

The wheel scalps 95.5% of the total gold and amalgamation recovers 4.5% of the total gold.

Rerunning the 7-1/2 inch bowl concentrate a second time shows that the first run recovers 99% of the gold with a 1% loss.

The nugget trap with mats recovers 81.2% of the total gold, and without the mats the recovery is 77.8%.

#### Equipment

	<u>Hrs.</u>	<u>Standby</u>	<u>Mechanical</u>	<u>Mechanical</u>	<u>Percent</u>
	<u>Operated</u>	<u>Hrs.</u>	<u>Down</u>	<u>Available</u>	<u>Available</u>
			<u>Hrs.</u>	<u>Hrs.</u>	
Plant	48.6	119.4	-	168	100
D8	125	26	17	151	90
966	112	21	35	133	79
530	153	13.5	1.5	166.5	99
100K	77	89.5	1.5		99
Truck	72	21	75	93	55
8" Pump	77	91	-	168	100
4" "	-	-	-	-	-
15 KW	-	-	-	-	-



## Fuel Consumption

	<u>D8</u>	<u>966</u>	<u>530</u>	<u>Truck</u>	<u>100KW</u>	<u>15KW</u>	<u>8" Pump</u>	<u>Flatbed Truck</u>
Hours	125	112	153	72	72	-	77	
Gallons	1477	409	272	94	201	92	188	48.8
Gal./Hr.	11.81	3.65	1.77	1.30	2.61	-	2.18	
28 $\frac{2781.8}{2821} \times .6 = 0.592/M^3$ Total Diesel: 2781.8								

## Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
L. Billingsley	160	47	207	2500.00	1101.54	3601.54
R. Billingsley	149	17	166	2328.13	398.43	2726.56
J. Crotts	159	40	199	1500.00	600.00	2190.00
F. March	36	-	36	288.00	-	288.00
R. Nichols	160	54.5	214.5	2500.00	1266.77	3766.77
J. Rogers	160	63.5	223.5	1280.00	762.00	2042.00
R. Rogers	160	66.0	226.0	1280.00	792.00	2072.00
H. Adams	130.5	31.5	162.0	978.75	354.37	1333.12
G. Asbury	96	12.5	108.5	528.00	103.12	631.12
O. Aliff	40.25	-	40.25	483.00	-	483.00
	1250.75	332.0	1582.75	13755.88	5378.23	19134.11

For the operational period in September, the employee cost was:

$$\frac{19134.11}{1582.75} = \$12.09/\text{Hr.}$$

This decreased from the August figure of \$12.21/Hr.

Dividing employee cost by  $M^3$  treated:

$$\frac{19134.11}{2821.0} = \$6.78/M^3$$

This increased from August figure of \$3.07 due to low production.

The percentage of overtime hours to total hours was 20.98%. August figure was 21.25%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
May	2595	12	7392	96	27.0	35
June	4157	21	12936	168	24.7	32
July	6546.6	22	13552	176	37.2	48.3
August	6681.0	21	12936	168	39.8	51.6
September	2821.0	21	12936	168	16.8	21.8

### Reject Sales

There were no sales of plant reject during September.

### Royalty to Claimowners

(a) No reject sales for September 1986.

(b) Gold bar from melt of retort material = 55.57 gms  
at 86.03% Au = 47.8069 gms = 1.537 oz. at \$421.09 = \$ 647.22

55.57 gms at 8.98% Ag = 4.99 gms =  
0.161 oz. at \$5.724 = .92

(c) Free gold 1185.2089 at 860 fine = 1019.2796 gms =  
32.77 oz. Au at \$421.09 = 13,799.12

1185.2089 gms at 8.98% Ag = 106.43 gms Ag =  
3.42 oz. Ag at \$5.724 = 19.58

Total \$14,466.84

at 7% royalty \$ 1,012.68

This is less than the minimum royalty payment of \$1200/month for September 1986.

### Direct Operating Costs

Gas - diesel	\$ 2,346.65
Field supplies	733.50
Royalties	2,099.88
Food, travel, lodging	822.81
Repairs, maintenance	3,451.58
Welding supplies	8.60

Welding contract	\$ 800.00
Small tools	69.86
Office rental, Pinos Altos	225.00
Assay	996.00
Misc. equipment	1,608.36
Maps and fees	18.00
Office supplies	107.33
Office cleaning	125.00
Blazer lease	800.00
Payroll taxes	3,130.71
Severance-Resource Tax	249.08
Watchman	120.00
Gross payroll	24,334.11
Professional fees	6,000.00
	<u>\$48,046.47</u>

### Production Summary

These figures do not consider gold fineness in free gold production:

1185.2089 grams free gold  
47.8069 grams gold bar  
 1233.0158 grams

1233.0158 = 39.65 oz. gold  
 31.1

Then:  $\frac{48,046.47}{39.65} = \$1211.76$  to produce an ounce of gold

$\frac{48,046.47}{2821} = \$17.03$  per  $M^3$  of feed

One  $M^3$  of feed for September contained 0.014 oz. of gold at \$421.09 = \$5.90, or a loss of \$11.13/ $M^3$ .

These costs are based on direct costs at Bear Creek.

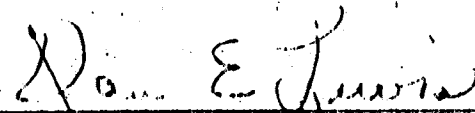
The following monthly capital costs have not been included:

Interest payable	\$ 9,948.92
Equipment lease due	<u>10,378.52</u>
	\$20,327.44

This loss per  $M^3$  of feed:

$\frac{48,046.47 + 20327.44}{2821} = \$24.24 - \$5.90 = \underline{\$18.34 \text{ loss.}}$

The low production over 8 operating days was due to moving the plant operation to Area 2.

  
 Dan E. Lewis  
 Vice President of Operations

# LA PAZ MINING, INC.

EGH  
1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS LA PAZ-BEAR CREEK AUGUST 1986

Directorate  
La Paz Mining, Inc.

September 6, 1986

The following Report of Operations for the placer gold property of La Paz-Bear Creek, month of August 1986, is hereto submitted.

The plant ran a total of 20 days of the available 21 working days. The plant down time was due to repair on the electric drive for the screen on the nugget trap.

The vacuum truck should be on-site by the 10th of September.

### Mine

The material mined in August was removed by the D8 and the 966 loader from the following blocks:

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-2	225	-
3-2	2410	2896
3-3	-	3240
4-2	75	215
4-3	-	330
Total	2710	6681

### Cubic Meters Ore Treated by Block

<u>Block</u>	<u>August</u>	<u>July</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
2-2	-	-	-	2,775
2-3	-	432.0	432.0	3,400
2-4	-	381.0	381.0	3,400
2-5	-	-	-	700
2-6	-	-	1,994.0	200
2-7	-	-	895.0	-
3-2	2,896.0	-	3,070.5	3,660
3-3	3,240.0	3679.7	6,919.7	2,000
3-4	-	1669.5	3,945.0	2,975
3-5	-	-	1,413.0	600
4-2	215.0	-	215.0	75
4-3	330.0	-	330.0	-
4-4	-	341.7	341.7	-
4-6	-	41.7	41.7	-
Total	6,681	6545.6	19,978.6	19,785

### Plant Production

#### (a) Tailings

A total of 6681 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 113.4 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +1/2 Inch</u>	<u>-1/2 Inch +1/4 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	28.0	30.0	4.0	22.0	16.0	100
Cubic Meters	1871	2004	267	1470	1069	6681

A total of 153 hours of dump truck time was spent in returning rejects to the mined out area.

#### (b) Water

A total of 7,618,600 gallons of water was registered by the water meter for the month of August.

During the 113.4 hours of operation, the average use was 970 gpm or 6,599,880 gallons. The balance of 1,018,720 gallons was used during cleanup.

$$\frac{6,599,880}{6681} = 998 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

Of the total of 7,618,600 gallons used, a similar amount less evaporation was returned to the Bear Creek drainage.

(c) Plant

<u>August</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
1	344.3	6.5	53	139.2061	0.4043	0.013
4	464.4	7.3	63	238.3801	0.5133	0.017
5	450.9	7.5	60	235.4409	0.5222	0.018
6	432.9	7.2	60	71.4497	0.1650	0.005
7	342.9	6.0	57	78.7931	0.2298	0.007
8	261.9	5.0	52	58.5487	0.2236	0.007
11	461.7	8.0	57	133.0833	0.2882	0.009
12	359.1	6.3	57	149.1518	0.4153	0.013
13	437.4	7.5	58	183.2470	0.4189	0.013
14	310.5	5.0	62	157.1182	0.5060	0.016
15	162.0	2.6	62	67.7760	0.4184	0.013
18	345.6	5.8	60	149.8802	0.4337	0.014
19	361.8	6.0	60	187.5883	0.5185	0.017
21	292.5	5.2	56	145.5872	0.4977	0.016
22	153.9	4.0	38	43.5330	0.2827	0.009
25	294.3	6.2	47	207.4328	0.7048	0.023
26	240.3	4.5	53	152.6835	0.6354	0.020
27	353.0	7.0	50	200.5506	0.5681	0.018
28	290.4	5.0	58	160.6564	0.5532	0.018
29	321.3	5.7	56	184.4839	0.5742	0.018
20	6681	113.4	59	2944.2846	0.4407	0.014

The 2944.2846 grams of gold is composed of two products:

341.4189 grams of retorted amalgamation residue = 338.87  
grams at 730 fine  
2602.8657 grams free gold scalped  
2944.2846 grams of production

For royalty payments the fineness of the production will be considered.

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
Exploration	91.9877	-	-	-	-	-
May	628.7895	2595	40.3	64.4	.2421	0.008
June	1304.9735	4175	66.75	67.2	.3139	0.01
July	2094.2924	6545.6	107.18	61.07	.3200	0.01
August	2944.2846	6681	113.40	58.9	.4407	0.014
	7064.3277	19978.6	327.63	61.0	.3536	0.011

The concentrates from the 7½ inch bowl and the nugget trap were screened on 10 mesh and both products weighed. The +10 mesh gold was combined with the gold scalped by the Gold Hound Wheel. The -10 mesh fraction of the concentrate was amalgamated and retorted.

Date	Concentrate Gms		Total	% 10 Mesh	Gms Au Scalped	Gms Retorted	Total
	+10 Mesh	-10 Mesh				Amalgam	
8/1	1899	8862	10761	17.6	118.1561	21.05	139.2061
8/4	1579	8897	10476	15.1	210.0201	28.36	238.3801
8/5	1989	9397	11386	17.5	216.7909	18.65	235.4409
8/6	1330	9306	10636	12.5	45.7497	25.70	71.4497
8/7	1439	8810	10249	14.0	58.2931	20.50	78.7931
8/8	1814	7711	9525	19.0	46.6587	11.89	58.5487
8/11	1466	9738	11204	13.1	11.4833	121.00	133.0833
8/12	2012	11305	13317	15.1	133.7918	15.36	149.1518
8/13	1553	9513	11066	14.0	173.8770	9.37	183.2470
8/14	1928	8810	10738	17.9	150.0302	7.08	157.1102
8/15	1223	8154	9377	15.0	59.2160	8.56	67.7760
8/18	1812	8593	10405	17.4	132.6202	17.26	149.8802
8/19	1734	6668	7802	14.5	184.6683	2.92	187.5883
8/21	1627	4579	6206	26.2	137.6272	7.96	145.5872
8/22	1571	5332	6903	22.8	40.6630	2.87	43.5330
8/25	1260	6428	7688	16.4	204.9328	2.50	207.4328
8/26A	-	3600	3600	-	-	3.6089	3.6089
8/26	750	7170	7920	9.5	142.3646	6.71	149.0746
8/27	1250	5790	7040	17.8	192.9506	7.60	200.5506
8/28	480	3160	3640	13.2	158.1564	2.50	160.6564
8/29	600	3115	3715	16.2	184.4839	Sept. Report	184.4839
<hr/>							
	29316	154938	184254	15.9	2602.8657	341.4189	2944.2846

The 341.4189 grams of retorted residue was melted to produce a bar of 338.87 grams at 72.86% Au and 24.38% Ag.

246.9007 grams Au 7.9389 oz.  
 82.6165 grams Ag 2.656 oz.  
9.3528 grams other metals probably copper  
 338.8700 grams bar

Sample 26A is a check on the gold lost as amalgam from the Gold Hound Wheel during separation. The test shows the gold loss to be 1%.

Several tests were undertaken on the recovery system and the results showed that 70% of the gold is recovered in the nugget trap and 24% of the gold is recovered by the Knelson Bowls.

### Equipment

We had 21 working days in August for a total of 168 hours.

	<u>Hrs. Operated</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	113.4	0	54.6	113.4	68
D8	90	41.0	37.0	131.0	78
966	168	0	0	168	100
530	164.5	0	3.5	164.5	98
Truck	153	15	0	168	100

### Fuel Consumption

	<u>D8</u>	<u>966</u>	<u>530</u>	<u>Truck</u>	<u>100KW</u>	<u>15KW</u>	<u>Pumps</u>	
							<u>8"</u>	<u>4"</u>
Hours	90	192	172	153	126	-	157	-
Gallons	80.7	627	388	293	424	140	409	10
Gal./Hr.	8.97	3.27	2.26	1.92	3.4	-	2.61	

$$\frac{3181}{6681} \times .6 = \$0.286/M^3$$

Total diesel: 3181 Gals.



Personnel and Payroll Distribution - Based on Payroll Period

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
Leslie Billingsley .	160	44.5	204.5	2500.00	1042.94	3542.94
Richard Billingsley	45	-	45.0	703.12	-	703.12
James Crotts	160	28.0	188.0	1800.00	420.00	2020.00
Fred March	159	19.0	178.0	1272.00	228.00	1500.00
Richard Nichols	160	51.5	211.5	2500.00	1207.00	3707.00
James Rogers	160	60.0	220.0	1280.00	720.00	2000.00
Ronald Rogers	<u>160</u>	<u>68.0</u>	<u>228.0</u>	<u>1280.00</u>	<u>816.00</u>	<u>2096.00</u>
	1004	271.0	1275.0	11135.12	4433.94	15569.06
			+30%			
				<u>3340.54</u>	<u>1330.18</u>	<u>4670.72</u>
				14475.66	5764.12	20239.78

For the operational period in August the employee cost was:

$$\frac{20239.78}{1275.0} = \$15.87/\text{Hr.}$$

This increased from the July figure of \$15.75/Hr.

Dividing employee cost by M<sup>3</sup> treated plus watchman:

$$\frac{20512.78}{6681} = \$3.07/\text{M}^3$$

This is an increase over last month from \$3.01/M<sup>3</sup>.

The percentage of overtime hours to total hours was 21.25%. July figure was 20.8%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
May	2595	12	7392	96	27.0	35
June	4157	21	12936	168	24.7	32
July	6545.6	22	13552	176	37.2	48.3
August	6681	21	12936	168	39.8	51.6

### Reject Sales

#### August -

20 Mule Team, 8 yds., +4 inch @ \$3.25	=	\$ 26.00
25 yds. pea gravel @ \$4.00	=	100.00
		<u>\$126.00</u>

### Royalty to Claimowners

(a) Reject sales for August, \$126.00 x .07	\$ 8.82
(b) Gold bar from retort = 338.8702 grams at 72.86% Au = 246.9007 gms = 7.939 ozs. at 376.852/oz. = \$2991.80 at 7% royalty	209.43
At 24.38% Ag = 82.6165 gms = 2.656 ozs. at 5.21833 = \$13.862 at 7% royalty	.97
(c) Free gold, 2602.8657 gms at 830 fine = 2160.3785 gms = 69.4655 ozs. Au at \$376.852/oz. = \$26,178.21 at 7% royalty	<u>1,832.48</u>
Total	\$2,051.70

The monthly quotation for gold and silver are Handy & Harmon - New York. The El Paso Times gets their quote from New York.

### Direct Operating Costs

The following costs are direct charges at Bear Creek and do not include charges for servicing the loan, charges for the lease of the plant and equipment, and charges by La Paz Mining, Inc. for professional fees and overhead at the home office:

Gas, diesel, etc.	\$ 3,184.50
Field supplies	2,269.38
Royalties	1,299.88
Rental equipment	1,119.52
Food, travel and lodging	409.70
Repairs and maintenance	8,613.64
Permits, fees	49.00
Office expenses	171.64
Telephone	233.01
Welding supplies	168.38
Office rental, Pinos Altos	225.00
Insurance	492.00
Payroll tax	3,875.63
Lab supplies	113.25
Resource and severance tax	160.31
Blazer parts and repairs	797.33
Gross payroll to include watchman	<u>15,779.06</u>
	\$38,961.23

### Production Summary

These figures do not consider gold fineness:

338.8702 grams gold bar  
2602.8657 grams free gold  
2941.7359 grams

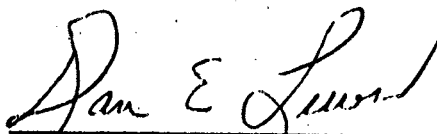
$$\frac{2941.7359}{31.1} = 94.59 \text{ ozs.}$$

$$\text{then } \frac{38,961.23}{94.59} = \$411.90 \text{ to produce an ounce of gold.}$$

$$\frac{38,961.23}{6681} = \$5.83 \text{ per M}^3 \text{ of feed}$$

One cubic meter of feed for August contained 0.014 ozs. of gold at \$376.852 = \$5.28 or a loss of \$0.55/M<sup>3</sup>.

DEL:vh

  
Dan E. Lewis  
Vice President of Operations

# LA PAZ MINING, INC.

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TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS LA PAZ-BEAR CREEK JULY 1986

Directorate  
La Paz Mining, Inc.

August 18, 1986

The following Report of Operations for the placer gold property of La Paz-Bear Creek, Inc., month of July 1986, is hereto submitted.

The plant ran a total of 17 days of the available 22 working days. The plant downtime was due to repair on the trommel, vibrating screen, and the mining equipment. Difficulty has been experienced on the removal of the plant reject piles as the 530 loader cannot remove the rejects fast enough to keep up with the plant output.

The vacuum trailer that is currently being assembled at Weaver should be ready by the end of August and it will be moved to Bear Creek to clean bedrock.

### Mine

The material mined in July was removed by the D8 and the 966 loader from the following blocks:

<u>Block</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-2	2,550	-
2-3	3,400	432.0
2-4	3,400	381.0
2-5	700	-
3-2	500	-
3-3	2,000	3,679.7
3-4	2,000	1,669.5
4-4	-	341.7
4-6	-	41.7
	<u>14,550</u>	<u>6,545.6</u>

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>July</u>	<u>June</u>	<u>May</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
2-2	-	-	-	-	2,550
2-3	432.0	-	-	432.0	3,400
2-4	381.0	-	-	381.0	3,400
2-5	-	-	-	-	700
2-6	-	294.0	1,700.0	1,994.0	200
2-7	-	-	895.0	895.0	-
3-2	-	174.5	-	174.5	1,250
3-3	3,679.7	-	-	3,679.7	2,000
3-4	1,669.5	2,275.5	-	3,945.0	2,975
3-5	-	1,413.0	-	1,413.0	600
4-4	341.7	-	-	341.7	-
4-6	41.7	-	-	41.7	-
	6,545.6	4,157.0	2,595.0	13,297.6	17,075

Plant Production

(a) Tailings

A total of 6,545.6 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 107.2 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +1/2 Inch</u>	<u>-1/2 Inch +1/4 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	28.0	29.0	4.0	22.0	17.0	100.0
Cubic Meters	1832.8	1898.2	261.8	1440.0	1112.8	6545.6

A total of 19.3 hours were spent on moving rejects for restoration purposes.

(b) Water

A total of 7,563,900 gallons of water was registered by the water meter for the month of July.

During the 107.2 hours of operation, the average use was 1000 gpm or 6,432,000 gallons. The balance of 1,131,900 gallons was used during cleanup.

$$\frac{6,432,000}{6545.6} = 983 \text{ gallons of water to treat one cubic meter of feed.}$$

(c) Plant

<u>July</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
2	41.6	3.33	12.5	51.8599	1.2466	0.040 June
3	341.0	4.50	75.8	55.7247	0.1634	0.005 Cleanup
7	414.0	7.50	55.0	127.0238	0.3068	0.010
9	525.0	7.50	70.0	135.3059	0.2577	0.008
11	450.0	7.50	60.0	243.6878	0.5415	0.017
14	561.0	8.50	66.0	138.5493	0.2470	0.008
15	409.0	6.00	68.0	71.3136	0.1744	0.006
16	381.0	6.75	56.0	90.8459	0.2384	0.008
17	432.0	7.00	62.0	73.1403	0.1693	0.005
18	432.0	6.00	72.0	40.2672	0.0932	0.003
21	405.0	7.50	54.0	89.4958	0.2210	0.007
22	153.0	2.50	61.0	145.9947	0.9542	0.031
23	270.0	4.60	59.0	101.9583	0.3776	0.012
24	483.0	6.50	74.0	115.1721	0.2385	0.008
25	453.0	6.50	70.0	180.3965	0.3982	0.013
30	378.0	7.50	50.0	197.5856	0.5227	0.019
31	416.0	7.50	55.0	235.9710	0.5672	0.018
17	6545.6	107.18	61.07	2094.2924	0.3200	0.010

The 2094.2924 grams is composed of two products:

1546.7716 grams gold bar from amalgam

547.5208 grams free gold scalped

2094.2924 grams of production

For royalty payments the fineness of the production will be considered as the production is a mixture of gold and silver.

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
Exploration	91.9877	-	-	-	-	-
May	628.7895	2595	40.3	64.4	.2421	0.008
June	1304.9735	4175	66.75	62.2	.3139	0.10
July	<u>2094.2924</u>	<u>6545.6</u>	<u>107.18</u>	<u>61.07</u>	<u>.3200</u>	<u>0.10</u>
	4120.0431	13297.6	214.23	62.07	0.3100	0.10

The concentrates from the 7.5-inch Knelson bowl were transported to Tucson and treated at the La Paz laboratory.

The concentrates were screened on 10 mesh and these two fractions were weighed. The 10 mesh gold was removed from the screen and weighed. All the -10 mesh concentrate was amalgamated. The amalgam was treated with nitric acid and this residue was treated at the Jacobs Assay Lab to produce a bar.

Date	Concentrate Gms		Total	% 10 Mesh	Free Au	Gms
	+10 Mesh	-10 Mesh			Gms +10 Mesh	Amalgam
7-2	-	-	-	-	51.8599	-
7-3	320	4228	4548	7.04	1.0523	68.2381
7-7	1923	12805	14728	13.06	3.2932	154.4316
7-9	617	4854	5471	11.28	7.7194	159.2442
7-11	5943	46696	52639	11.30	30.4206	266.1847
7-14	2075	15395	17470	11.90	7.3458	163.7587
7-15	1805	9027	10832	16.70	4.7474	83.0831
7-16	6755	15265	22020	30.70	2.0273	110.8570
7-17	1080	10487	11567	9.30	.8550	90.2213
7-18	900	7165	8065	11.20	5.5720	43.3041
7-21	305	3310	3615	8.40	2.5860	108.4745
7-22	938	9195	10133	9.30	1.3985	180.7351
7-23	535	6805	7340	7.30	4.3910	121.7765
7-24	743	6238	6981	10.60	5.8911	136.3966
7-25	1073	9907	10980	9.80	11.0175	211.4066
7-30	3030	13448	16478	18.40	188.4605	11.3893
7-31	<u>3270</u>	<u>9179</u>	<u>12448</u>	<u>26.30</u>	<u>218.8833</u>	<u>21.3276</u>
	31312	184004	215316	14.50	547.5208	1930.8290

The 1930.8290 grams of amalgam had been treated by nitric acid to remove most of the mercury. This material was melted down to produce a bar by Jacobs Assay Lab that weighed 1546.7716 grams. This loss by weight was 19.9%. The bar was assayed for gold and silver content at 77.34% au and 21.06% ag.

1196.2731 grams au  
 325.7501 grams ag  
24.7484 grams other metals probably copper  
 1546.7716

The Gold Hound Wheel does help in removing gold prior to amalgamation. Samples #7-30 and 7-31 were treated on the wheel and removed 92% of the free gold with 8% being recovered in amalgamation. Without the use of the wheel, 96.0% of the gold is recovered in amalgamation as shown in samples #7-21 thru 7-25. After use of the wheel, the concentrate must be screened and the -10 mesh material amalgamated. The wheel does tend to loose very coarse and very fine gold.

### Equipment

We are currently operating one 8-hour shift on a 5-day week, less holidays. July had 22 working days for a total of 176 hours. Mechanical availability is a percentage of the 176 hours.

The plant includes the water pumps, generator, and washing and screening facility.

	<u>Hrs. Operated</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	107.2	53.8	15	161	91%
D8	92.0	74.0	10	166	94%
966	159.0	-	17	159	90%
530	105.0	63.0	8	168	95%
Truck	10.0	133.0	33	143	81%

### Fuel Consumption

	<u>D8</u>	<u>966</u>	<u>530</u>	<u>Truck</u>	<u>100KW</u>	<u>15 KW</u>	<u>Pump 8"</u>	<u>Pump 4"</u>
Hours	92	163	105	10	123	-	146	-
Gallons	898	657	505	108	446	108	415	-
Gal./Hr.	9.7	4.0	4.8	10.8*	3.6	-	2.8	-

\*The truck is not being used as it should, and the fuel consumption is too high, so operating hours are in error.

Total diesel: 3137 gals.  $\frac{3137}{6545.6} \times .7 = \$0.339/M^3$



### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
Leslie Billingsley	158.0	39.5	197.5	2468.75	925.75	3394.50
Richard Billingsley	40.0	-	40.0	625.00	-	625.00
James Crotts	155.0	36.0	191.0	1550.00	540.00	2090.00
Fred March	151.5	24.0	175.5	1212.00	288.00	1500.00
Richard Nichols	159.5	40.0	199.5	2492.15	937.50	3429.65
James Rogers	154.5	61.0	215.5	1236.00	732.00	1968.00
Ronald Rogers	<u>157.0</u>	<u>56.0</u>	<u>213.0</u>	<u>1256.00</u>	<u>672.00</u>	<u>1928.00</u>
	975.5	256.5	1232.0	10839.90	4095.25	14935.15
				+ 30%	+ 30%	+ 30%
				<u>3251.00</u>	<u>1229.00</u>	<u>4480.55</u>
				14090.90	5324.25	19415.70

For the operational period in July the employee cost at Bear Creek was:

$$\frac{19415.70}{1232} = \$15.75/\text{hr.}$$

This decreased from the June figure of \$16.41/hr.

Dividing employee cost by the  $M^3$  treated, we have:

$$\frac{19,689.15}{6545.6} = \$3.01/M^3$$

This is a decrease over last month from \$5.56/ $M^3$ . The percentage of overtime hours to total hours was 20.8%. June figure was 25.6%.

### Amalgamation Tails

These tails are all stored and they will be processed as soon as a magnetic separator becomes available.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
May	2595	12	7392	96	27.0	35
June	4157	21	12936	168	24.7	32
July	6545.6	22	13552	176	37.2	48.3

### Reject Sales

Reject sales prior to July were more than covered by the minimum royalty. For royalty consideration only, July will be considered:

#### July -

20 Mule Team, 50 yds. @\$3.25 + 119 yds. @\$4.00	=	\$638.50
Boliden 10 yds. @\$5.00		<u>50.00</u>
		\$688.50

### Royalty to Claimowners

(a) Reject sales for July, \$688.50 x .07	\$ 48.20
(b) Gold bar = 1546.7716 gms @ 77.34% au = 1196.2731 gms.	
= 38.4654 ozs. @ \$348.85/oz. = \$13,418.62	
@ 7% royalty =	939.31
at 21.06% ag = 325.7501 gms.	
10.474 ozs. at \$5.04/oz. = \$52.79	
@ 7% royalty =	3.69
(c) Free gold, 547.5208 gms. at 830 fine = 454.4423	
14.612 ozs. Au at \$348.85 = \$5097.40	
@ 7% royalty =	<u>356.82</u>
Total	\$1,348.02

The monthly quotations for gold and silver are Handy & Harmon - New York. The El Paso Times gets their quote from New York.

### Direct Operating Costs

The following costs are direct charges at Bear Creek and do not include, for the present, charges for servicing the loan, charges for the lease of the plant and equipment, and charges by La Paz Mining, Inc. for professional fees and overhead at the home office:

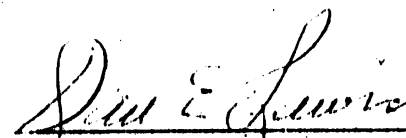
Gas, diesel, etc.	\$ 1,992.24
Field supplies	2,291.74
Assay office	1,575.00
Royalties	1,200.00
Rental equipment	123.60
Travel, food and lodging	1,768.61
Repairs and maintenance	3,514.41
Permits and fees	5.50
Office utilities and supplies	398.06
Telephone	231.35
Freight charges	270.60
Office rental, Pinos Altos	225.00
Insurance	750.00
Payroll tax expense	3,985.71
Equipment purchase	1,000.00
Misc. expense, Blazer	606.82
First Qtr. state tax penalty	7.08
Severance and resource taxes	48.63
Payroll	<u>16,988.90</u>
	\$36,983.25

$$\frac{2094.2924}{31.1} = 67.34 \text{ oz.}$$

$$\text{then } \frac{\$36,983.25}{67.43} = \$549.20 \text{ to produce an ounce of gold}$$

$$\frac{\$36,983.25}{6545.6} = \$5.64 \text{ per cubic meter of feed}$$

One cubic meter of feed in July contained 0.010 oz. of gold  
at \$348.85/oz. = \$3.489 or a loss of \$2.151/M<sup>3</sup>.

  
\_\_\_\_\_  
Dan E. Lewis  
Vice President of Operations  
La Paz Mining, Inc.

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS LA PAZ-BEAR CREEK JUNE 1986

Directorate  
La Paz Mining, Inc.

August 3, 1986

The following Report of Operations for the placer gold property of La Paz-Bear Creek, Inc. month of June 1986 is hereto submitted.

The plant ran a total of 13 days of the available 25 working days. The lack of sufficient clean water for injection on the two Knelson Bowls was the reason for the plant down-time.

A commercial vacuum truck was rented and tried out as a method for cleaning bedrock. It was improperly operated as it was generally used above the water line, and in this fashion, the seal is insufficient to lift the gold. The vacuum dredge that is currently being built for Bear Creek will operate to clean bedrock below the water line and will be much more efficient. This unit will be completed by mid-August.

The material mined in June was removed by the D8 and 966 loader from the following blocks:

<u>Block</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-6	200	294.0
3-2	750	169.5
3-4	975	2275.5
3-5	<u>600</u>	<u>1413.0</u>
	2525	4152.0

# CUBIC METERS ORE TREATED FROM MINING BLOCKS

<u>Block</u>	<u>June</u>	<u>Previous Month</u>	<u>Year To Date</u>
2-6	204.0	1700	1994.0
2-7	--	895	895.0
3-2	174.5	--	174.5
3-4	2275.5	--	2275.5
3-5	<u>1413.0</u>	<u>--</u>	<u>1413.0</u>
	4157.0	2595	6752.0

A total of 4157 M<sup>3</sup> of ore were treated in the plant and produced the following tailing products over 66.75 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch + 1/2 Inch</u>	<u>-1/2 Inch + 1/4 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	23.2	32.3	4.8	20.9	18.8	100
Cubic Meters	964.4	1342.7	199.5	868.8	781.6	4157

## Water

A total of 4,486,600 gallons of water were registered by the water meter for the month of June. During the 66.75 hours of operation, the average use was 1000 gpm or 4,005,000 gallons. The balance of 475,600 gallons was used during clean-up.

$$\frac{4,005,000}{4175} = 963 \text{ gallons of water to treat one cubic meter of feed}$$

## Equipment

Equipment operating hours and down-time as well as parts costs are not available for June. A better system for reporting this information will be devised.

# FUEL

11	<u>D8</u>	<u>966</u>	<u>530</u>	<u>Ford</u>	<u>100KW</u>	<u>15 KW</u>	<u>Pump 8"</u>	<u>Pump 4"</u>
Hours	64	161	115	62	104.2	?	101.4	?
Gals.	631.9	489.8	298.6	50	298.8	101.4	261.0	7.7

Total diesel: 2140 gals.  $\frac{2140}{4157} \times .7 = \$0.35/M^3 = \text{Diesel Cost}$

## Personnel and Payroll Distribution

<u>Employee</u>	<u>Hrs. Reg.</u>	<u>Over- Time</u>	<u>Total Hrs.</u>	<u>Regular Pay</u>	<u>O/T Pay</u>	<u>Total</u>
Leslie Billingsley	160	63.5	223.5	2500.00	1488.25	3988.25
Richard Billingsley	91	1.0	92.0	1421.88	23.44	1445.32
James Crotts	160	65.5	225.5	1600.00	982.50	2582.50
Richard Nichols	160	59.5	219.5	2500.00	1394.50	3894.50
Fred March	157	21.0	178.0	1256.00	252.00	1508.00
James Rogers	160	76.0	236.0	1280.00	912.00	2192.00
Ronald Rogers	160	74.0	234.0	1280.00	888.00	2168.00
Calvin Anderson	—	—	—	150.00	—	150.00
Totals	1048	360.5	1408.5	11987.88	5940.69	17928.57
				+30%	+30%	+30%
				<u>3598.00</u>	<u>1782.00</u>	<u>5380.00</u>
				15585.88	7722.69	23308.57

### Summary Year to Date

<u>Production</u>	<u>Grams Gold</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>Cu Meters/ Hr.</u>	<u>Grams Au/ M<sup>3</sup></u>	<u>Oz/ M<sup>3</sup></u>
Exploration	91.9877	--	--	--	--	--
May	628.7895	2595	40.3	64.4	.2421	0.008
June	<u>1304.9735</u>	<u>4157</u>	<u>66.75</u>	<u>62.2</u>	<u>.3139</u>	<u>0.010</u>
Totals	2025.7507	6752	107.05	63.07	.3000	0.009

The 2025.7507 grams of metal are mainly gold at .850 fine; however, the assay buttons from amalgamation have a higher silver content and some black sand is included in the -10 mesh material.

All assays and amalgamation have been carried out by Jacobs Assay Lab. In July most of this work will be done by La Paz.

### Plant Production

<u>June</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>Cu M/ Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ Cu Meter</u>	<u>Oz/ Cu Meter</u>
2 & 3	708	11.17	63.4	126.8308	.1791	0.0060
4	174	2.50	69.6	33.1940	.1908	0.0061
9	315	7.00	45.0	93.1856	.2958	0.0095
10	5	1.58	3.2	8.2329	1.6466	0.0529
12	456	7.00	65.1	93.1470	.2043	0.007
13	162	3.50	46.3	53.6090	.3310	0.0106
18	294	4.17	70.5	92.8164	.3157	0.0102
19	432	6.00	72.0	94.1264	.2179	0.0070
23	429	7.00	61.3	113.4876	.2645	0.0085
24	300	4.00	75.0	88.8873	.2963	0.0095
25	543	6.33	85.2	144.4044	.2650	0.0080
26	<u>339</u>	<u>6.50</u>	<u>52.1</u>	<u>130.7013</u>	<u>.3855</u>	<u>0.0124</u>
Totals	4157	66.75	62.3	1072.6227	.2580	0.0083

Sluice Box Cleanup

8.9999

Suction Dredge Production

223.3509

Total June

1304.9735

.3139

0.0101

The 4-inch Suction Dredge operated 63.5 hours, and some of the reported gold production of 223.3509 grams was from concentrate produced by the plant.

### Operating Efficiency Factor

The plant is programmed at 100 yd.<sup>3</sup>/hour or 77 M<sup>3</sup>/hour. 77 M<sup>3</sup>/hour is not to be exceeded as it will overload the bowl circuit.

I am aware that certain deficiencies exist such as a proper feeding system for the grizzly and inadequate equipment for waste removal. However, for the time being we will have to live with these problems.

### Factor

For monthly comparisons the following factor will be used.

Theoretical M<sup>3</sup> of feed per hour times 8 hours operating time, times number of possible working days (less holidays and Saturdays and Sundays), divided into the actual M<sup>3</sup> treated.

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Total Possible Hrs.</u>	<u>M<sup>3</sup> Per Hr.</u>	<u>Factor %</u>
May	2595	12	7392	96	27.0	35
June	<u>4157</u>	<u>21</u>	<u>12936</u>	<u>168</u>	<u>24.7</u>	<u>32</u>
Total	6752	33	19328	264	25.6	34.9

We will try to run plant for 8 hours per day with 1 hour of overtime for servicing equipment and clean-up of bowls A & B concentrate.



For the operational period in June, the employee cost at Bear Creek for seven (7) men less watchman was:

$$\frac{23112.14}{1408.5} = \$16.41/\text{hour}$$

This increased from the May figure of \$16.31/hour.

Dividing employee cost by the total  $M^3$  treated, we have:

$$\frac{23112.14}{4157} = \$5.56/M^3$$

This is an increase over last month from \$4.50/ $M^3$ . The percentage of overtime hours to total hours was 25.6%. This is an increase over last month at 22.4%.

#### Amalgamation Tails

No assays for month of June.

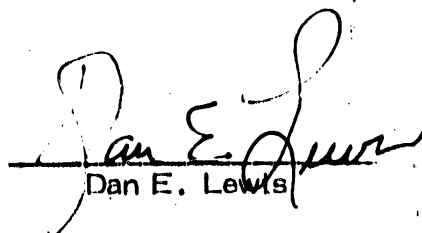
#### Royalty to Claimowners

1304.9735 grams of gold at 850 fine =  
1109.2274 grams of gold  
at 7% royalty = 77.6459 grams = 2.4967 ozs.  
 $2.4967 \times 342.71 = \$855.64$

This is below the minimum royalty payment of \$1200 for the month of June 1986.

#### Sand Sales

Production report from mine stated several loads of sand were sold, and as no figures were given, I cannot show the accurate accounting. This will be changed in future reports to show exact figures.

  
Dan E. Lewis

DEL:vh

# LA PAZ MINING, INC.

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1301 EAST FT. LOWELL ROAD  
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PHONE: AREA CODE 602 325-1514

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## REPORT OF OPERATIONS - LA PAZ-BEAR CREEK MAY 1986

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July 7, 1986

Directorate  
La Paz Mining, Inc.

The following Report of Operations for the placer gold property of La Paz-Bear Creek, Inc., Month of May 1986, is hereto submitted.

The start of operations was officially declared on May 15, 1986; however, some tonnage was treated on May 9. This report can at best be considered as a summary as insufficient data was available to calculate operational distribution costs during this plant break-in period. The coverage of this report is for the operational period of May 15 through May 31, 1986.

### Mining

895 M<sup>3</sup> were produced from blocks 2-7 and 1700 M<sup>3</sup> were produced from blocks 2-6. This ore, 2597 M<sup>3</sup>, were fed through the plant during 40.3 hours of operation. A measure of 3090 M<sup>3</sup> of plant reject was said to be removed from the four separate reject points. The manager's report says, "This discrepancy is due to an incorrect specific gravity assumption of classifier overflow material. The assumed specific gravity of 2.6 checks with the determination; therefore, the error exists in the assumed bucket factor on plant feed and reject removal. The figure on plant feed will be used for the production figure".

<u>Date</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>Cu M/ Hr.</u>	<u>Grams Au</u>	<u>Grams Au/ Cu Meter</u>	<u>Oz./ Cu Meter</u>
May 15-16	394	7.5	52.3	89.7702	.2278	0.0073
May 21	502	7.3	68.8	122.4639	.2440	0.008
May 23	564	8.0	70.5	158.9708	.2819	0.009
May 27	513	7.5	68.4	89.0686	.1736	0.006
May 29	183	2.5	73.2	62.9657	.3441	0.011
May 30	<u>441</u>	<u>7.5</u>	<u>58.8</u>	<u>105.5503</u>	<u>.2393</u>	<u>0.0077</u>
	2597	40.3	64.4	628.7895	.2421	0.008

#### The Anticipated Water System

The current water supply system is not working as per the original conception of the water system. It was planned to use one pump of recirculated water to feed the trommel, and another pump on clear water to feed the two Knelson Bowls' requirements for injection water. The ore feed water can contain around 25% solids; however, the injection water should be clean as recovery drops with slimy water.

The total plant water is averaging 975 gpm. The high pressure water to the bowls is 390 gpm or 190 gpm per bowl. Subtracting the 390 plus plant losses to include vibrating screen oversize slurry water, we have around 500 gpm as trommel wash water as feed to bowls or 250 gpm per bowl. Equating this to bowl feed at 25% solids, one bowl can handle 0.25 M<sup>3</sup> of solids in the slurry/minute. This equals 30 M<sup>3</sup> of minus 1/4 inch material from the plant feed through both bowls per hour. Therefore, with the current use of two bowls the maximum feed to the grizzly is 100 M<sup>3</sup>/Hr. The plant feed will average 30% minus 1/4 inch or 30 M<sup>3</sup>.

The only change to the bowl recovery system is that the 4-inch Gorman Rupp pump must be placed on a separate water supply to the two Knelson Bowls.

#### Supply and Maintenance

It is nearly impossible to arrive at a figure for supply and maintenance costs for the equipment and cost per M<sup>3</sup> of material treated. These figures will become more available in July as better recording of issues are anticipated.

Gal. Diesel

D8	354.7
966	302.7
530	253.5
Plant	172.3
8"	190.5
D. Truck	60.0
H. Gen.	89.2
Misc.	87.0

$$\frac{1509.9 \times .7}{2597} = \$.13/M^3 \text{ Diesel Cost}$$

Maintenance Costs

D8	\$ 19.60
966	\$3606.79

Personnel and Payroll Distribution

<u>Employee</u>	<u>Hrs. Regular</u>	<u>Hrs. Overtime</u>	<u>Total Hrs.</u>	<u>Regular Pay</u>	<u>Over- Time</u>	<u>Total</u>
Leslie Billingsley	80	43.5	123.5	\$1250.00	\$1019.50	\$2269.50
Richard Billingsley	78	4.0	82.0	1218.75	93.75	1312.50
James Crotts	80	25.5	105.5	800.00	382.50	1182.50
Richard Nichols	80	19.0	99.0	1250.00	445.30	1695.30
Frederic March	79.5	15.0	94.5	572.50	152.25	724.75
James Rogers	80.0	29.0	109.0	576.00	315.50	891.50
Ronald Rogers	80.0	25.0	105.0	640.00	300.00	940.00
Totals	557.5	161.0	718.5	\$6307.25	\$2708.80	\$9016.05
				+30%	+30%	+30%
				1892.00	813.00	2705.00
				\$8199.25	\$3521.80	\$11721.05

The overtime pay was 30% of the total pay.

This figure will not continue during July.

The employee benefits were also equal to an increase of 30% over total pay.

For the operational period in May the employee cost at Bear Creek for 7 men was \$21.05/Hr.

Without overtime the figure would have been \$14.70/Hr.

Dividing employee cost by the total M<sup>3</sup> treated we have:

$$\frac{11721.05}{2597} = \$4.50/\text{M}^3$$

Dividing employee cost without overtime by the total M<sup>3</sup> treated we have:

$$\frac{8199.25}{2597} = \$3.15/\text{M}^3$$

To equate these figures which as we know occurred during the plant shakedown to normal operations:

For 10 days the M<sup>3</sup> treated could be 8000 and the employee cost at regular time would be:

$$\frac{8199.25}{8000} = \$1.02/\text{M}^3$$

This shows that overtime must not be considered and the production has to be increased to hold the labor cost to around \$1.00/M<sup>3</sup>.

#### Production

The total grams of gold produced during May was 628.7895 or 20.218 ozs.

$$\frac{628.7895}{40.3 \text{ Hrs.}} = 15.60 \text{ grams/hr.} = 0.499 \text{ ozs./hr.}$$

$$\frac{628.7895}{2597 \text{ M}^3} = .2421 \text{ grams/M}^3 = 0.008 \text{ oz./M}^3$$

#### Amalgamation Tails

<u>Date</u>	<u>Conc. Gms.</u>	<u>Amalgamated Au - Gms.</u>	<u>Amalgamated Tails - Gms.</u>	<u>Contained Au - Gms.</u>
May 21	14,934	122.56	14,811.44	0.096461
May 23	18,921	158.97	18,762.03	0.764
May 27	24,515	44.80	24,470.21	1.221
May 29	11,386	57.83	11,328.18	0.066
May 30	<u>8,096</u>	<u>105.55</u>	<u>7,988.45</u>	<u>5.5940</u>
	77,850	489.71	77,360.31	7.742

The overall amalgamation recovery was 98.49%.

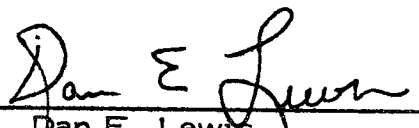
One metric ton of the amalgamation tails would contain:

$$\frac{1000}{77.3603} = 12.93 \times 7.742 = 100.10 \text{ grams Au}$$

One ton of the tailings will contain 100.10 grams Au and will be worth \$3450 more or less.

We must eventually arrange to remove the magnetic portion of the tails and sell the non-magnetic fraction.

This non-magnetic fraction will amount to 20% of the tails and will contain 90% of the gold which is not recoverable by amalgamation.

  
\_\_\_\_\_  
Dan E. Lewis

DEL:vh

m.h.

# LA PAZ MINING, INC.

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## REPORT OF OPERATIONS UPPER WEAVER CREEK SEPTEMBER 1986

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Directorate  
La Paz Mining, Inc.

October 14, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., Month of September 1986, is hereto submitted.

The plant ran a total of 17 days of the available 26 working days, to include Saturdays. The 9 days of down time were due to slime build-up in the #1 tailings pond, repairing belt on trommel reject belt, and two days of heavy rain. The conveyor frame and belt will be replaced in October.

### Mine

The material mined in September was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-1E		557
1-1W		869
2-1E		1780
2-1W	309	214
3-1W	<u>926</u>	<u>      </u>
Total	1235	3420

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>August</u>	<u>September</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E		557	557	
1-1W		869	869	
2-1E	937.9	1780	2717.9	840.0
2-1W	1406.8	214	1620.8	309.0
3-1W	_____	_____	_____	926.0
Total	2344.7	3420	5764.7	2075.0

Plant Production

(a) Tailings

A total of 3420 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 110.2 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	20	25	38	17	100
Cubic Meters	684	855	1300	481	3420

(b) Water

A total of 3,151,300 gallons of water was registered by the two water meters for the month of September.

Recirculated Water	1,893,300 gallons	286.3 gpm
Well Water to Bowl	1,258,000 gallons	190.3 gpm
Total	3,151,300 gallons	476.6 gpm

During the 110.2 hours of operation, the average use was 476.6 gpm.

$$\frac{3,151,300}{3420 \text{ M}} = 921.4 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$



Water was produced from 3 wells in the Weaver Creek drainage:

DW #3 on BLM Land	35 gpm	33%
DW #4 on State Lease #3193	55 gpm	53%
DW #5 on State Lease #3950	15 gpm	14%
Total	105 gpm	100%

(c) Plant

<u>September</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1	281	7.42	37.9	64.0255	0.2278	0.007
2	104	3.0	34.7	12.6331	0.1215	0.004
4	151	7.75	19.5	65.4251	0.4333	0.014
8	258	9.00	28.7	32.085	0.1244	0.004
10	139	4.1	33.9	21.748	0.1545	0.005
11	248	7.0	35.4	34.631	0.1396	0.005
12	205	7.0	29.3	27.745	0.1353	0.004
13	162	6.0	27.0	7.970	0.0492	0.002
18	185	7.0	26.4	27.050	0.1462	0.005
19	234	7.75	30.2	10.350	0.0442	0.002
20	224	6.17	36.3	9.304	0.0415	0.001
22	119	5.0	23.8	14.2773	0.1199	0.004
25	255	7.25	35.2	98.8166	0.3875	0.012
26	231	6.50	35.5	68.6512	0.2972	0.010
27	139	4.00	34.8	64.4065	0.4634	0.015
29	255	7.50	34.0	54.8790	0.2152	0.007
30	230	7.75	29.7	25.2194	0.1096	0.004
17	3420	110.2	31.0	639.2167		

Gold Bar from Retort - 128.0145 0.2243 0.007  
 Weight 149.41 x 85.68% Au = 128.0145 767.2312  
 149.41 x 10.10% Ag = 15.0904

Summary Year to Date Production

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
August	520.7655	2344.7	75.2	31.2	0.2211	0.007
September	767.2312	3420.0	110.2	31.1	0.2243	0.007
	1287.9947	5764.7	185.4	31.09	0.2234	0.007

The 767.2312 grams is composed of two products:

639.2167 grams free gold scalped on +10 mesh = 83.33%  
 128.0145 grams -10 mesh amalgamated = 16.67%  
 767.2312 grams

<u>September</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>%</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>		<u>+10 Mesh</u>
1	1410	2350	3760	37.5
2	1013	2250	3263	45.0
4	930	2975	3905	23.8
8	1210	2425	3635	33.3
10	1000	2600	3600	27.8
11	525	1925	2450	21.4
12	600	2370	2970	20.2
13	850	2600	3450	24.6
18	780	2305	3085	25.3
19	800	2720	3520	22.7
20	1050	2300	3350	31.3
22	650	2550	3200	20.3
25	700	2805	3505	20.0
26	890	2250	3140	28.3
27	750	3010	3760	19.9
29	1500	2200	3700	40.5
<u>30</u>	<u>1600</u>	<u>2400</u>	<u>4000</u>	<u>40.0</u>
17	16258	42035	58293	27.9

The 42,035 grams of -10 mesh material were amalgamated, retorted, and melted to produce the gold bar containing 128.0145 grams of gold.

#### Equipment

We had 17 days of plant operation in September for a total of 110.2 hours. The total possible hours for 26 days at 8 hours was 208 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	110.2	83.45	14.35	193.65	93
D-9	112.5	94.5	1.00	207.0	99
980	143.0	64.0	1.00	207.0	99
TL40	29.0	10.0	169.0	39.0	19
Euclid	117.0	89.0	2.0	206.0	99

<u>Fuel Consumption</u>						
	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>Plant Generator</u>	<u>Misc.</u>
Hours	112.5	143.0	29.0	117.0	110.2	
Gallons	910.3	557.1	133.0	287.1	2355.0	173.7
Gal./Hr.	8.09	3.90	4.59	2.45	21.37	
Total Diesel						4233.5 gallons

Note generator consumption too high as tank holds 1000 gallons and true figure will even out on several months' consumption.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	196	-	196	4287.50	-	4287.50
D. Hathaway	Monthly	-	Monthly	350.00	-	350.00
D. Jones	154	14	168	1309.00	178.49	1487.49
C. Retherford	160	21.5	181.5	1520.00	306.37	1826.37
M. Rawley	160	15.5	175.5	1280.00	186.00	1466.00
R. Sipes	154.5	18	172.5	1467.75	256.49	1724.24
R. Wilson	<u>160</u>	<u>24</u>	<u>184</u>	<u>1520.00</u>	<u>342.00</u>	<u>1862.00</u>
	984.5	93	1077.5	11734.25	1269.00	13003.60

For the operational period in September the employee cost at Upper Weaver was:

$$\frac{13003.60}{1077.50} = \$12.07/\text{Hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{13003.60}{3420} = \$3.80/\text{M}^3$$

The percentage of overtime hours to total hours was 8.6%.  
The August figure was 14.8%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9

## Royalty Calculation to Arizona State Land Department

(a) Gold Bar 149.41 gms at 85.68% Au = 128.0145 gms = 4.1162 oz. at \$421.09 =	\$1,733.29
149.41 at 10.10% Ag = 15.0904 gms = 0.4852 oz. Ag at \$5.724 =	2.78
(b) Free Gold +10 mesh 639.2167 gms at 850 fine = 543.3342 gms Au. = 17.4705 oz. Au at \$421.09 =	<u>7,356.65</u>
=	\$9,092.72

Royalty based on 5% of gross value less cost of \$37,484.87 = -\$28,392.15 loss. Therefore, no royalty payment for September 1986.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for September 1986.

### Direct Operating Costs

The direct operating costs are as defined in August report:

Gross Payroll	\$13,003.60
Payroll Taxes	929.76
Legal Fees	21.25
Professional Fees	2,125.00
Permits and Fees	28.33
Ford Pick-Up Rental	800.00
Parts and Repairs	3,648.02
Fuel	4,368.11
Field Supplies	2,529.91
Travel	599.60
Freight	98.31
Office Supplies	108.81
Rent	315.00
Equipment Rental	<u>6,740.00</u>
Cost Water Wells over 36 months (2)	<u>2,173.17</u>
	\$37,484.87

$$\frac{767.2312}{31.1} = 24.67 \text{ oz.}$$

$$\text{then } \frac{37,484.87}{24.67} = \$1519.45 \text{ to produce one ounce of gold}$$

$\frac{37,484.87}{3420} = \$10.96$  per cubic meter of feed

One  $M^3$  of feed for September contained 0.007 oz. of gold at \$421.09 = \$2.95, or a loss of \$8.01/ $M^3$ .

The loss is due to the low gold content of the feed which will improve as the mining faces are developed. Another factor that influenced the loss was the low plant operating factor of 32.9%. As this figure increases, the operating costs will drop.

*Dan E. Lewis*

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Dan E. Lewis  
Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

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1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

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## REPORT OF OPERATIONS UPPER WEAVER CREEK SEPTEMBER 1986

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Directorate  
La Paz Mining, Inc.

October 14, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., Month of September 1986, is hereto submitted.

The plant ran a total of 17 days of the available 26 working days, to include Saturdays. The 9 days of down time were due to slime build-up in the #1 tailings pond, repairing belt on trommel reject belt, and two days of heavy rain. The conveyor frame and belt will be replaced in October.

### Mine

The material mined in September was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-1E		557
1-1W		869
2-1E		1780
2-1W	309	214
3-1W	<u>926</u>	<u>      </u>
Total	1235	3420

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>August</u>	<u>September</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E		557	557	
1-1W		869	869	
2-1E	937.9	1780	2717.9	840.0
2-1W	1406.8	214	1620.8	309.0
3-1W	_____	_____	_____	<u>926.0</u>
Total	2344.7	3420	5764.7	2075.0

Plant Production

(a) Tailings

A total of 3420 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 110.2 hours of operation:

	<u>+4 Inch</u>	<u>-4Inch +3/8 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	20	25	38	17	100
Cubic Meters	684	855	1300	481	3420

(b) Water

A total of 3,151,300 gallons of water was registered by the two water meters for the month of September.

Recirculated Water	1,893,300 gallons	286.3 gpm
Well Water to Bowl	<u>1,258,000 gallons</u>	<u>190.3 gpm</u>
Total	3,151,300 gallons	476.6 gpm

During the 110.2 hours of operation, the average use was 476.6 gpm.

$$\frac{3,151,300}{3420 \text{ M}} = 921.4 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

Water was produced from 3 wells in the Weaver Creek drainage:

DW #3 on BLM Land	35 gpm	33%
DW #4 on State Lease #3193	55 gpm	53%
DW #5 on State Lease #3950	15 gpm	14%
Total	105 gpm	100%

(c) Plant

<u>September</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Free Au</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
1	281	7.42	37.9	64.0255	0.2278	0.007
2	104	3.0	34.7	12.6331	0.1215	0.004
4	151	7.75	19.5	65.4251	0.4333	0.014
8	258	9.00	28.7	32.085	0.1244	0.004
10	139	4.1	33.9	21.748	0.1545	0.005
11	248	7.0	35.4	34.631	0.1396	0.005
12	205	7.0	29.3	27.745	0.1353	0.004
13	162	6.0	27.0	7.970	0.0492	0.002
18	185	7.0	26.4	27.050	0.1462	0.005
19	234	7.75	30.2	10.350	0.0442	0.002
20	224	6.17	36.3	9.304	0.0415	0.001
22	119	5.0	23.8	14.2773	0.1199	0.004
25	255	7.25	35.2	98.8166	0.3875	0.012
26	231	6.50	35.5	68.6512	0.2972	0.010
27	139	4.00	34.8	64.4065	0.4634	0.015
29	255	7.50	34.0	54.8790	0.2152	0.007
30	230	7.75	29.7	25.2194	0.1096	0.004
17	3420	110.2	31.0	639.2167		

Gold Bar from Retort - 128.0145 0.2243 0.007  
 Weight 149.41 x 85.68% Au = 128.0145 767.2312  
 149.41 x 10.10% Ag = 15.0904

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
August	520.7655	2344.7	75.2	31.2	0.2211	0.007
September	767.2312	3420.0	110.2	31.1	0.2243	0.007
	1287.9947	5764.7	185.4	31.09	0.2234	0.007

The 767.2312 grams is composed of two products:

639.2167 grams free gold scalped on +10 mesh = 83.33%  
 128.0145 grams -10 mesh amalgamated = 16.67%  
 767.2312 grams



<u>September</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>%</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>		<u>+10 Mesh</u>
1	1410	2350	3760	37.5
2	1013	2250	3263	45.0
4	930	2975	3905	23.8
8	1210	2425	3635	33.3
10	1000	2600	3600	27.8
11	525	1925	2450	21.4
12	600	2370	2970	20.2
13	850	2600	3450	24.6
18	780	2305	3085	25.3
19	800	2720	3520	22.7
20	1050	2300	3350	31.3
22	650	2550	3200	20.3
25	700	2805	3505	20.0
26	890	2250	3140	28.3
27	750	3010	3760	19.9
29	1500	2200	3700	40.5
<u>30</u>	<u>1600</u>	<u>2400</u>	<u>4000</u>	<u>40.0</u>
17	16258	42035	58293	27.9

The 42,035 grams of -10 mesh material were amalgamated, retorted, and melted to produce the gold bar containing 128.0145 grams of gold.

#### Equipment

We had 17 days of plant operation in September for a total of 110.2 hours. The total possible hours for 26 days at 8 hours was 208 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	110.2	83.45	14.35	193.65	93
D-9	112.5	94.5	1.00	207.0	99
980	143.0	64.0	1.00	207.0	99
TL40	29.0	10.0	169.0	39.0	19
Euclid	117.0	89.0	2.0	206.0	99

<u>Fuel Consumption</u>						
	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>Plant Generator</u>	<u>Misc.</u>
Hours	112.5	143.0	29.0	117.0	110.2	
Gallons	910.3	557.1	133.0	287.1	2355.0	173.7
Gal./Hr.	8.09	3.90	4.59	2.45	21.37	
Total Diesel						4233.5 gallons

Note generator consumption too high as tank holds 1000 gallons and true figure will even out on several months' consumption.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	196	-	196	4287.50	-	4287.50
D. Hathaway	Monthly	-	Monthly	350.00	-	350.00
D. Jones	154	14	168	1309.00	178.49	1487.49
C. Retherford	160	21.5	181.5	1520.00	306.37	1826.37
M. Rawley	160	15.5	175.5	1280.00	186.00	1466.00
R. Sipes	154.5	18	172.5	1467.75	256.49	1724.24
R. Wilson	<u>160</u>	<u>24</u>	<u>184</u>	<u>1520.00</u>	<u>342.00</u>	<u>1862.00</u>
	984.5	93	1077.5	11734.25	1269.00	13003.60

For the operational period in September the employee cost at Upper Weaver was:

$$\frac{13003.60}{1077.50} = \$12.07/\text{Hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{13003.60}{3420} = \$3.80/\text{M}^3$$

The percentage of overtime hours to total hours was 8.6%.  
The August figure was 14.8%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9

### Royalty Calculation to Arizona State Land Department

(a) Gold Bar 149.41 gms at 85.68% Au = 128.0145 gms = 4.1162 oz. at \$421.09 =	\$1,733.29
149.41 at 10.10% Ag = 15.0904 gms = 0.4852 oz. Ag at \$5.724 =	2.78
(b) Free Gold +10 mesh 639.2167 gms at 850 fine = 543.3342 gms Au.= 17.4705 oz. Au at \$421.09 =	<u>7,356.65</u>
=	\$9,092.72

Royalty based on 5% of gross value less cost of \$37,484.87 = -\$28,392.15 loss. Therefore, no royalty payment for September 1986.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for September 1986.

### Direct Operating Costs

The direct operating costs are as defined in August report:

Gross Payroll	\$13,003.60
Payroll Taxes	929.76
Legal Fees	21.25
Professional Fees	2,125.00
Permits and Fees	28.33
Ford Pick-Up Rental	800.00
Parts and Repairs	3,646.02
Fuel	4,368.11
Field Supplies	2,529.91
Travel	599.60
Freight	96.31
Office Supplies	108.81
Rent	315.00
Equipment Rental	<u>6,740.00</u>
Cost Water Wells over 36 months (2)	<u>2,173.17</u>
	\$37,484.87

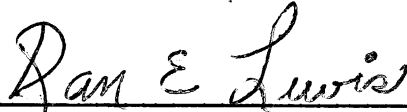
$$\frac{767.2312}{31.1} = 24.67 \text{ oz.}$$

$$\text{then } \frac{37,484.87}{24.67} = \$1519.45 \text{ to produce one ounce of gold}$$

$$\frac{37,484.87}{3420} = \$10.96 \text{ per cubic meter of feed}$$

One M<sup>3</sup> of feed for September contained 0.007 oz. of gold at \$421.09 = \$2.95, or a loss of \$8.01/M<sup>3</sup>.

The loss is due to the low gold content of the feed which will improve as the mining faces are developed. Another factor that influenced the loss was the low plant operating factor of 32.9%. As this figure increases, the operating costs will drop.



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Dan E. Lewis

Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK AUGUST 1986

Directorate  
La Paz Mining, Inc.

September 6, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., Month of August 1986, is hereto submitted.

The start of operations was officially declared on August 12, 1986. This report is a summary as insufficient data was available to calculate operational distribution costs during the break-in period. This report is for the operational period of August 12 through August 31, 1986.

The plant ran a total of 12 days of the available 17 working days. For the present we are working a 6-day week to include Saturdays. The plant down-time was due to the feeder belt and trommel tail conveyor. A new belt was installed on the feeder. The tails conveyor including the frame will have to be replaced in late September.

### Mine

The material mined in August was removed by the D9 and 980 loader from the following blocks:

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-1W	-	1406.8
2-1E	<u>840.0</u>	<u>937.9</u>
Total	840.0	2344.7

## Plant Production

### (a) Tailings

A total of 2344.7 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 75.2 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	38	25	25	12	100
Cubic Meters	891.0	586.2	586.2	281.3	2344.7

### (b) Water

A total of 2,863,700 gallons of water was registered by the two water meters for the month of August.

Recirculation Water	1,735,700 gallons	384.7 gpm
Well Water to Bowl	<u>1,128,000 gallons</u>	<u>250.0 gpm</u>
Total	2,863,700 gallons	634.7 gpm

During the 75.2 hours of operation, the average use was 530 gpm or 2,391,360 gallons. The balance of 472,340 was used during cleanup.

$$\frac{2,391,360}{2344.7} = 1020 \text{ gallons of water to treat one cubic meter of feed}$$

Water was produced from wells in the Weaver Creek drainage and used for treatment of gravels, recycled, cleaned and returned to the Weaver Creek drainage, in approximately the same volume, less evaporation.

(c) Plant

<u>August</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz/</u> <u>M<sup>3</sup></u>
12	95.3	3.0	31.8	25.6181	0.2688	0.009
13	140.4	3.75	37.4	16.1347	0.1149	0.004
15	129.6	5.0	25.9	18.0121	0.1390	0.004
16	162.0	6.66	24.3	59.7379	0.3688	0.012
18	237.6	8.0	29.7	47.1370	0.1984	0.006
19	248.4	7.75	32.0	30.9641	0.1247	0.004
22	250.7	8.0	31.3	44.2871	0.1767	0.006
23	140.4	3.75	37.4	5.0620	0.0361	0.001
25	259.2	7.0	37.0	28.5544	0.1102	0.004
26	258.4	7.33	35.3	29.0027	0.1122	0.004
28	185.1	7.0	26.4	59.0470	0.3190	0.010
<u>29</u>	<u>237.6</u>	<u>8.0</u>	<u>29.7</u>	<u>65.1084</u>	<u>0.2740</u>	<u>0.009</u>
12	2344.7	75.2	31.2	428.6655		
Gold Bar from Retort				<u>92.1000</u>		
				520.7655	0.2221	0.007

The 520.7655 grams is composed of two products:

428.6655 grams free gold scalped on 10 mesh = 78.51%  
92.1000 grams gold bar from retort residue = 21.49%  
520.7655 grams

For royalty payments to AZ State the fineness of the gold will be considered.

The concentrates from the 7-1/2-inch Knelson Bowl and the nugget trap were screened on 10 mesh and these two fractions were weighed. The 10 mesh gold was removed from the screen and weighed. All the minus 10 mesh concentrate was amalgamated and retorted. The retorted residue was melted into a bar.

<u>Date</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>%</u>	<u>Free Au</u>	<u>Gold Gms</u> <u>From</u> <u>Retort</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>			<u>Gms</u> <u>+10 Mesh</u>	
12	115	500	615	18.7	25.0101	
13	113	624	737	15.3	16.1347	
15	219	710	929	23.6	18.0121	
16	305	1994	2299	13.6	59.7379	
18	220	1332	1552	14.2	47.1370	
19	313	988	1301	24.0	30.9641	
22	1232	5882	7114	20.9	44.2871	
23	520	2400	2920	17.8	5.0620	
25	720	2020	2740	26.3	28.5544	
26	1470	2090	3560	41.3	29.0027	
28	650	2325	2975	21.8	59.0470	
29	800	2000	2800	28.6	65.1084	
12	6677	22865	29542	22.8	428.6055	92.10

95.50 gms of retorted amalgam produced a gold bar weighing 92.10 grams at 84.09% Au and 10.82% Ag.

77.4469 grams Au  
 9.9652 grams Ag  
4.6879 gms other metals  
 92.1000 Total

#### Equipment

The figures for operating time and mechanical down-time were not available.

#### Fuel Consumption

These figures will be available in September.



### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
Darrel Goodwin	148	-	148	3237.50	-	3237.50
David Jones	120	26	146	1020.00	331.50	1351.50
Carl Retherford	120	27.5	147.5	1140.00	391.87	1531.87
Mark Rawley	120	26	146	960.00	312.00	1272.00
Rod Sipes	120	26	146	1140.00	370.50	1510.50
Ronald Wilson	<u>120</u>	<u>24.5</u>	<u>144.5</u>	<u>1140.00</u>	<u>349.12</u>	<u>1489.12</u>
	748	130.0	878	10737.50	1842.49	10392.49
David Hathaway				<u>202.50</u>		<u>202.50</u>
						10654.99

For the operational period in August the employee cost at Upper Weaver was:

$$\frac{10654.99}{878} = \$12.14/\text{Hr.}$$

Dividing employee cost by  $M^3$  treated:

$$\frac{10654.99}{2344.7} = \$4.54/M^3$$

### Plant Operating Factor

<u>Month</u>	<u>Feed <math>M^3</math></u>	<u>No. Workdays</u>	<u>Theoretical <math>M^3</math></u>	<u>Possible Hrs.</u>	<u><math>M^3</math>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5

The feed to the grizzly is set for the present at 50 cubic meters per hour over an eight-hour shift and a 6-day week. We are not sure of the capacity of the trommel as at present the oversize rock thru the 4-inch grizzly cuts the capacity of the trommel. Slab rock is the problem. A vibrating grizzly in the mining pit set @ 6 inches will decrease the amount of material transported and allow a closer setting on the present grizzly.

The reject conveyor must eventually be replaced and an additional nugget trap installed to accommodate 2 by 3 inch material. Any consideration of an electromagnetic device is a waste of time unless it will stop the waste conveyor thru a frequency effect that differentiates gold from tramp iron.

#### Royalty Calculation to Arizona State Land Department

(a) Gold Bar 92.10 gms @84.09% Au = 77.4469 gms = 2.490 ozs. at 376.852 = \$938.46	\$ 938.46
Gold Bar 92.10 gms at 10.82% Ag = 9.9652 gms 0.3204 ozs. Ag @5.21833 = \$1.67	1.67
(b) Free Gold +10 mesh 428.6655 at 840 fineness = 360.0790 gms Au = 11.578 ozs. @\$376.852/oz. = \$4,363.23	<u>4,363.23</u>
Total	\$5,303.36

Royalty based on 5% gross value less cost of \$29,440.56 = -\$24,137.20 loss; therefore, no royalty for August 1986.

The gold and silver quotations are from Handy and Harmon - New York, as the monthly average for August.

#### Direct Operating Costs

The following costs are direct charges at Upper Weaver Creek and do not include charges for servicing the loan, charges for the lease of plant and equipment by La Paz Mining, Inc., and the charges by La Paz Mining, Inc. for professional fees and overhead at home office:

Gross Payroll	\$10,654.99
Payroll Taxes	1,144.24
Legal Fees	116.45
Office Expense Weaver	194.50
Telephone	307.52
Rent, Food, Lodging	1,694.74
Pumps	187.92
Fuel	3,610.26
Field Supplies	676.51
Equipment Rental	6,500.00
Parts and Repairs	2,180.20
Water Wells - To be charged off over 36 months	
@ $\frac{78234.16}{36} = 2173.17/\text{mo.}$ - Driller's contract only	<u>2,173.17</u>
	\$29,440.56

$$\frac{520.7655}{31.1} = 16.74 \text{ oz.}$$

then

$$\frac{29,440.56}{16.74} = \$1,758.70 \text{ to produce an ounce of gold.}$$

$$\frac{29,440.56}{2344.7} = \$12.56 \text{ per cubic meter of feed}$$

One cubic meter of feed for August contained 0.007 oz. of gold at \$376.852 per ounce = \$2.64/M<sup>3</sup>, or a loss of \$9.92/M<sup>3</sup>.

The loss is due to operations start-up on August 12, 1986, and break-in of the equipment. The value per M<sup>3</sup> is low and will also improve.

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Dan E. Lewis  
Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK OCTOBER 1986

Directorate  
La Paz Mining, Inc.

November 14, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., month of October 1986, is hereto submitted.

The plant ran a total of 16 days of the available 27 working days, to include Saturdays. The 11 days of down time were due to rebuilding a new tail conveyor and a second nugget trap on the trommel.

### Mine

The material mined in October was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-1W	847	2357
1-1W	1085	1364
3-1W	<u>462</u>	<u>-</u>
Total	2394	3721

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>September</u>	<u>October</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E	557	-	557	-
1-1W	869	1364	2233	1085
2-1E	1780	-	2717.9	840
2-1W	214	2357	3977.8	1156
3-1W	-	-	-	1388
Totals	3420	3721	9485.7	4469

Plant Production

(a) Tailings

A total of 3721 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 105.5 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>-3/8 Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	21.2	26.6	-39	13.2	100
Cubic Meters	788	990	1451	492	3721

(b) Water

A total of 2,748,300 gallons of water was registered by the two water meters for the month of October 1986.

Recirculated Water	1,820,400 gallons	287.6 gpm
Well Water to Bowl	<u>927,900 gallons</u>	<u>146.6 gpm</u>
	2,748,300 gallons	437.2 gpm

During the 105.5 hours of operation, the average use was 437.2 gpm.

$$\frac{2,748,300}{3721} = 738.6 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

It appears that our feed is too high by 18%. We will check our truck factor.

The water pumped from the wells was 927,900 gallons for the month of October 1986.

DW #3 BLM location	33%	306,200 gal.
DW #4 State Land Location	53%	491,787 gal.
DW #5 State Land Location	14%	<u>129,913 gal.</u>
Total		927,900 gal.

(c) Plant

<u>October</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
1	254	7.5	33.8	98.0844	0.386	0.0124
2	259	7.5	34.5	98.7072	0.381	0.0123
3	237	7.5	31.6	48.4649	0.204	0.007
6	291	7.0	41.5	141.7701	0.487	0.0157
7	290	8.0	36.3	128.7187	0.4439	0.0143
8	312	8.5	36.7	110.8694	0.36	0.0114
18	57	2.0	28.9	13.2079	0.23	0.007
20	259	7.0	37.0	31.0107	0.120	0.004
21	212	7.25	29.2	19.8262	0.093	0.003
22	249	8.0	31.1	18.5128	0.074	0.002
24	172	6.0	28.8	75.3347	0.438	0.014
25	115	3.0	38.5	45.0799	0.392	0.013
28	154	4.5	34.2	34.5369	0.224	0.007
29	293	7.75	37.8	14.8929	0.051	0.002
30	324	8.0	40.5	68.3612	0.211	0.007
31	243	6.0	40.5	58.6825	0.241	0.008
16	3721	105.5	35.2	1006.1204	0.27	0.009
Gold Bar from Retort				134.5770	0.3066	0.010
				1140.6974		

Weight 158.27 x 85.03% Au = 134.5770

158.27 x 11.73% Ag = 18.5651

Summary Year to Date Production

<u>Production</u>	<u>Grams</u> <u>Au</u>	<u>Feed</u> <u>M<sup>3</sup></u>	<u>Operating</u> <u>Hrs.</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz./</u> <u>M<sup>3</sup></u>
August	520.7655	2344.7	75.2	0.2211	0.007
September	767.2312	3420.0	110.2	0.2243	0.007
October	1140.6974	3721.0	105.5	0.3066	0.0099
	2428.6841	9485.7	290.9	0.2560	0.008

Total ounces = 78.09

The 1140.6974 grams is composed of two products:

1008.1204 grams free gold on +10 mesh = 88.2%  
134.5770 grams -10 mesh amalgamated = 11.8%  
 1140.6974 grams

<u>October</u>	<u>Concentrate Grams</u>		<u>Total</u>	<u>%</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>		<u>+10 Mesh</u>
1	750	3100	3850	19
2	710	3050	3760	19
3	1900	2100	4000	48
6	1500	2100	3600	42
7	780	3100	3880	20
8	800	3100	3900	21
18	1360	2000	3360	40
20	1500	2000	3500	43
21	1440	2950	4390	33
22	1350	3010	4360	31
24	1200	2650	3850	31
25	1400	2900	4300	33
28	1600	1800	3400	47
29	1350	2400	3750	36
30	600	2900	3500	17
<u>31</u>	<u>725</u>	<u>2725</u>	<u>3450</u>	<u>21</u>
16	17245	41885	59130	29

The 41,885 grams of -10 mesh concentrate were amalgamated, retorted, and melted to produce a gold bar containing 134.5770 gms of gold.

Amalgam Tails to Date

<u>Month</u>	<u>-10 Mesh Gms</u>
August	22,865
September	42,035
October	<u>41,885</u>
Total	106,785 gms

The amalgam tails were separated into two fractions, magnetic and non-magnetic:

50% magnetic .029 ozs. gold/ton ) 4 Kgs/Day  
 50% non-magnetic 1.50 ozs. gold/ton )

The small bowl tails were separated into two fractions, magnetic and non-magnetic:

67% magnetic .037 ozs./ton ) 20 Kgs/Day  
 33% non-magnetic .171 ozs./ton )

The non-magnetic fraction of the amalgam tails contains an appreciable amount of scheelite, calcium tungstate.

## Equipment

We had 16 days of plant operation in October for a total of 105.5 hours.  
The total possible hours for 27 days at 8 hours was 216 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	105.5	20	90.5	125.5	58
D-9	101	107	8	208	96
980	109.5	106.5	-	216	100
TL40	107.0	93	16	200	92
Euclid	103.5	106.5	6	210	97
Drag Line	16	200	3	213	99

## Fuel Consumption

	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>Plant Generator</u>	<u>Misc.</u>
Hours	101	109.5	107.0	103.5	105.5	-
Gallons	948.6	455.3	385.5	239.0	1875.0	50
Gal./Hr.	9.39	4.15	3.60	2.31	17.77	-

Total Diesel: 3953.4 gallons

The diesel cost for October was 0.589/gallon

## Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	200	-	200	4375.00	-	4375.00
D. Hathaway	Monthly			350.00		350.00
D. Jones	160	25	185	1360.00	318.75	1678.75
C. Retherford	94.5	17.5	112	897.75	249.37	1147.12
M. Rowley	160	16	176	1280.00	192.00	1472.00
R. Sipes	160	16.5	176.5	1520.00	235.12	1775.12
R. Wilson	155.5	20	175.5	1477.25	285.00	1762.25
G. Rowley	154	17.5	171.5	1386.00	236.25	1622.25
	1084.0	112.5	1196.5	12646.00	1516.49	14162.49

For the operational period in October the employee cost at Upper Weaver was:

$$\frac{14162.49}{1196.5} = \$11.84/\text{Hr.}$$



Cost per M<sup>3</sup> treated:

$$\frac{14162.49}{3721} = \$3.81/\text{M}^3$$

The percentage of overtime hours to total hours was 9.4%.  
The September figure was 8.6%.

Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9
October	3721.0	27	10800	216	17.23	34.5

Royalty Calculation to Arizona State Land Department

(a) Gold Bar 158.27 grams at 85.03% Au = 134.5770 gms = 4.3272 ozs. at \$423.617 =	\$ 1,833.08
158.27 gms at 11.73% Ag = 18.5651 gms = 0.5969 ozs. at \$5.670 =	3.38
(b) Free Gold +10 mesh 1006.1204 at 850 fine = 855.20 27.4985 ozs. at \$423.617 =	<u>11,648.82</u>
	\$13,485.28

Royalty based on 5% of gross value less cost of \$36,674.42 = -\$23,189.14 loss.  
Therefore, no royalty payment for October.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for October 1986.

## Direct Operating Costs

The direct operating costs are as follows:

Gross Payroll	\$14,162.49
Payroll Taxes	3,172.50
Legal Fees	470.25
Professional Fees	2,600.00
Permits and Fees	197.59
Ford Pickup Lease	800.00
Parts and Repairs	2,374.87
Fuel	3,166.25
Field Supplies	1,501.29
Travel	1,770.90
Alarm System	145.41
Equipment Rental	4,450.00
Leased Pump	936.75
Sales Expense	75.05
Telephone	186.29
Assay	150.00
Severance Tax	127.78
Rent - Room	315.00
Casual Labor	<u>72.00</u>
	\$36,674.42

$$\frac{1140.6974}{311} = 36.68 \text{ ozs.}$$

$$\frac{36,674.42}{36.68} = \$999.85 \text{ to produce one ounce of gold.}$$

$$\frac{36,674.42}{3721} = \$9.86 \text{ per M}^3 \text{ of feed.}$$

One cubic meter of feed for October contained 0.010 ozs. of gold at \$423.617 = \$4.24, or a loss of \$5.62/M<sup>3</sup>.

The loss is due to the low plant operating factor of 34.5%.

The grade of the gravel is improving, but below expectation of 0.02 oz/M<sup>3</sup>.

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Dan E. Lewis  
Vice President of Operations

DEL:vh

EGA

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK SEPTEMBER 1986

Directorate  
La Paz Mining, Inc.

October 14, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., Month of September 1986, is hereto submitted.

The plant ran a total of 17 days of the available 26 working days, to include Saturdays. The 9 days of down time were due to slime build-up in the #1 tailings pond, repairing belt on trommel reject belt, and two days of heavy rain. The conveyor frame and belt will be replaced in October.

### Mine

The material mined in September was removed from State Leases #3950 and #3193 by the use of the D-9 and 980 wheel loader.

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
1-1E		557
1-1W		869
2-1E		1780
2-1W	309	214
3-1W	<u>926</u>	<u>      </u>
Total	1235	3420

Cubic Meters Ore Treated by Block

<u>Block</u>	<u>August</u>	<u>September</u>	<u>Ore Year to Date</u>	<u>Overburden Year to Date</u>
1-1E		557	557	
1-1W		869	869	
2-1E	937.9	1780	2717.9	840.0
2-1W	1406.8	214	1620.8	309.0
3-1W				<u>926.0</u>
Total	2344.7	3420	5764.7	2075.0

Plant Production

(a) Tailings

A total of 3420 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 110.2 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	20	25	38	17	100
Cubic Meters	684	855	1300	481	3420

(b) Water

A total of 3,151,300 gallons of water was registered by the two water meters for the month of September.

Recirculated Water	1,893,300 gallons	286.3 gpm
Well Water to Bowl	<u>1,258,000 gallons</u>	<u>190.3 gpm</u>
Total	3,151,300 gallons	476.6 gpm

During the 110.2 hours of operation, the average use was 476.6 gpm.

$$\frac{3,151,300}{3420 \text{ M}} = 921.4 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

Water was produced from 3 wells in the Weaver Creek drainage:

DW #3 on BLM Land	35 gpm	33%
DW #4 on State Lease #3193	55 gpm	53%
DW #5 on State Lease #3950	15 gpm	14%
<b>Total</b>	<b>105 gpm</b>	<b>100%</b>

(c) Plant

<u>September</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Free Au</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
1	281	7.42	37.9	64.0255	0.2278	0.007
2	104	3.0	34.7	12.6331	0.1215	0.004
4	151	7.75	19.5	65.4251	0.4333	0.014
8	258	9.00	28.7	32.085	0.1244	0.004
10	139	4.1	33.9	21.748	0.1545	0.005
11	248	7.0	35.4	34.631	0.1396	0.005
12	205	7.0	29.3	27.745	0.1353	0.004
13	162	6.0	27.0	7.970	0.0492	0.002
18	185	7.0	26.4	27.050	0.1462	0.005
19	234	7.75	30.2	10.350	0.0442	0.002
20	224	6.17	36.3	9.304	0.0415	0.001
22	119	5.0	23.8	14.2773	0.1199	0.004
25	255	7.25	35.2	98.8166	0.3875	0.012
26	231	6.50	35.5	68.6512	0.2972	0.010
27	139	4.00	34.8	64.4065	0.4634	0.015
29	255	7.50	34.0	54.8790	0.2152	0.007
<u>30</u>	<u>230</u>	<u>7.75</u>	<u>29.7</u>	<u>25.2194</u>	<u>0.1096</u>	<u>0.004</u>
17	3420	110.2	31.0	639.2167		

Gold Bar from Retort - 128.0145 0.2243 0.007  
 Weight 149.41 x 85.68% Au = 128.0145 767.2312  
 149.41 x 10.10% Ag = 15.0904

Summary Year to Date Production

<u>Production</u>	<u>Grams Au</u>	<u>Feed M<sup>3</sup></u>	<u>Operating Hrs.</u>	<u>M<sup>3</sup>/Hr.</u>	<u>Grams Au/M<sup>3</sup></u>	<u>Oz./M<sup>3</sup></u>
August	520.7655	2344.7	75.2	31.2	0.2211	0.007
September	<u>767.2312</u>	<u>3420.0</u>	<u>110.2</u>	<u>31.1</u>	<u>0.2243</u>	<u>0.007</u>
	1287.9947	5764.7	185.4	31.09	0.2234	0.007

The 767.2312 grams is composed of two products:

639.2167 grams free gold scalped on +10 mesh = 83.33%  
128.0145 grams -10 mesh amalgamated = 16.67%  
 767.2312 grams

<u>September</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>% +10 Mesh</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>		
1	1410	2350	3760	37.5
2	1013	2250	3263	45.0
4	930	2975	3905	23.8
8	1210	2425	3635	33.3
10	1000	2600	3600	27.8
11	525	1925	2450	21.4
12	600	2370	2970	20.2
13	850	2600	3450	24.6
18	780	2305	3085	25.3
19	800	2720	3520	22.7
20	1050	2300	3350	31.3
22	650	2550	3200	20.3
25	700	2805	3505	20.0
26	890	2250	3140	28.3
27	750	3010	3760	19.9
29	1500	2200	3700	40.5
30	1600	2400	4000	40.0
17	16258	42035	58293	27.9

The 42,035 grams of -10 mesh material were amalgamated, retorted, and melted to produce the gold bar containing 128.0145 grams of gold.

#### Equipment

We had 17 days of plant operation in September for a total of 110.2 hours. The total possible hours for 26 days at 8 hours was 208 hours.

	<u>Operated Hrs.</u>	<u>Standby Hrs.</u>	<u>Mechanical Down Hrs.</u>	<u>Mechanical Available Hrs.</u>	<u>Percent Available</u>
Plant	110.2	83.45	14.35	193.65	93
D-9	112.5	94.5	1.00	207.0	99
980	143.0	64.0	1.00	207.0	99
TL40	29.0	10.0	169.0	39.0	19
Euclid	117.0	89.0	2.0	206.0	99

<u>Fuel Consumption</u>						
	<u>D-9</u>	<u>980</u>	<u>TL40</u>	<u>Euclid</u>	<u>Plant Generator</u>	<u>Misc.</u>
Hours	112.5	143.0	29.0	117.0	110.2	
Gallons	910.3	557.1	133.0	287.1	2355.0	173.7
Gal./Hr.	8.09	3.90	4.59	2.45	21.37	
Total Diesel						4233.5 gallons

Note generator consumption too high as tank holds 1000 gallons and true figure will even out on several months' consumption.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
D. Goodwin	196	-	196	4287.50	-	4287.50
D. Hathaway	Monthly	-	Monthly	350.00	-	350.00
D. Jones	154	14	168	1309.00	178.49	1487.49
C. Retherford	160	21.5	181.5	1520.00	306.37	1826.37
M. Rawley	160	15.5	175.5	1280.00	186.00	1466.00
R. Sipes	154.5	18	172.5	1467.75	256.49	1724.24
R. Wilson	<u>160</u>	<u>24</u>	<u>184</u>	<u>1520.00</u>	<u>342.00</u>	<u>1862.00</u>
	984.5	93	1077.5	11734.25	1269.00	13003.60

For the operational period in September the employee cost at Upper Weaver was:

$$\frac{13003.60}{1077.50} = \$12.07/\text{Hr.}$$

Cost per M<sup>3</sup> treated:

$$\frac{13003.60}{3420} = \$3.80/\text{M}^3$$

The percentage of overtime hours to total hours was 8.6%.  
The August figure was 14.8%.

### Plant Operating Factor

<u>Month</u>	<u>Feed M<sup>3</sup></u>	<u>No. Workdays</u>	<u>Theoretical M<sup>3</sup></u>	<u>Possible Hrs.</u>	<u>M<sup>3</sup>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9



### Royalty Calculation to Arizona State Land Department

(a) Gold Bar 149.41 gms at 85.68% Au = 128.0145 gms = 4.1162 oz. at \$421.09 =	\$1,733.29
149.41 at 10.10% Ag = 15.0904 gms = 0.4852 oz. Ag at \$5.724 =	2.78
(b) Free Gold +10 mesh 639.2167 gms at 850 fine = 543.3342 gms Au. = 17.4705 oz. Au at \$421.09 =	<u>7,356.65</u>
=	\$9,092.72

Royalty based on 5% of gross value less cost of \$37,484.87 = -\$28,392.15 loss. Therefore, no royalty payment for September 1986.

The gold and silver quotations are from Handy & Harmon, New York, as a monthly average for September 1986.

### Direct Operating Costs

The direct operating costs are as defined in August report:

Gross Payroll	\$13,003.60
Payroll Taxes	929.76
Legal Fees	21.25
Professional Fees	2,125.00
Permits and Fees	28.33
Ford Pick-Up Rental	800.00
Parts and Repairs	3,648.02
Fuel	4,368.11
Field Supplies	2,529.91
Travel	599.60
Freight	96.31
Office Supplies	108.81
Rent	315.00
Equipment Rental	<u>6,740.00</u>
Cost Water Wells over 36 months (2)	<u>2,173.17</u>
	\$37,484.87

$$\frac{767.2312}{31.1} = 24.67 \text{ oz.}$$

$$\text{then } \frac{37,484.87}{24.67} = \$1519.45 \text{ to produce one ounce of gold}$$



37,484.87 = \$10.96 per cubic meter of feed  
3420

One M<sup>3</sup> of feed for September contained 0.007 oz. of gold at \$421.09 = \$2.95, or a loss of \$8.01/M<sup>3</sup>.

The loss is due to the low gold content of the feed which will improve as the mining faces are developed. Another factor that influenced the loss was the low plant operating factor of 32.9%. As this figure increases, the operating costs will drop.

Dan E. Lewis  
Dan E. Lewis  
Vice President of Operations

DEL:vh

# LA PAZ MINING, INC.

1301 EAST FT. LOWELL ROAD  
TUCSON, ARIZONA 85719  
PHONE: AREA CODE 602 325-1514

## REPORT OF OPERATIONS UPPER WEAVER CREEK AUGUST 1986

Directorate  
La Paz Mining, Inc.

September 6, 1986

The following Report of Operations for the placer gold property of La Paz Mining, Inc., Month of August 1986, is hereto submitted.

The start of operations was officially declared on August 12, 1986. This report is a summary as insufficient data was available to calculate operational distribution costs during the break-in period. This report is for the operational period of August 12 through August 31, 1986.

The plant ran a total of 12 days of the available 17 working days. For the present we are working a 6-day week to include Saturdays. The plant down-time was due to the feeder belt and trommel tail conveyor. A new belt was installed on the feeder. The tails conveyor including the frame will have to be replaced in late September.

### Mine

The material mined in August was removed by the D9 and 980 loader from the following blocks:

<u>Blocks</u>	<u>Overburden Cubic Meters</u>	<u>Ore to Plant Cubic Meters</u>
2-1W	-	1406.8
2-1E	<u>840.0</u>	<u>937.9</u>
Total	840.0	2344.7

## Plant Production

### (a) Tailings

A total of 2344.7 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 75.2 hours of operation:

	<u>+4 Inch</u>	<u>-4 Inch +3/8 Inch</u>	<u>Sand</u>	<u>Slimes</u>	<u>Total</u>
Percentage	38	25	25	12	100
Cubic Meters	891.0	586.2	586.2	281.3	2344.7

### (b) Water

A total of 2,863,700 gallons of water was registered by the two water meters for the month of August.

Recirculation Water	1,735,700 gallons	384.7 gpm
Well Water to Bowl	<u>1,128,000 gallons</u>	<u>250.0 gpm</u>
Total	2,863,700 gallons	634.7 gpm

During the 75.2 hours of operation, the average use was 530 gpm or 2,391,360 gallons. The balance of 472,340 was used during cleanup.

$$\frac{2,391,360}{2344.7} = 1020 \text{ gallons of water to treat one cubic meter of feed}$$

Water was produced from wells in the Weaver Creek drainage and used for treatment of gravels, recycled, cleaned and returned to the Weaver Creek drainage, in approximately the same volume, less evaporation.

*All mining was performed on AZ STATE  
LEASE 3950 & processed on 3193*

(c) Plant

<u>August</u>	<u>M<sup>3</sup></u>	<u>Hrs.</u>	<u>M<sup>3</sup>/</u> <u>Hr.</u>	<u>Grams</u> <u>Free Au</u>	<u>Grams Au/</u> <u>M<sup>3</sup></u>	<u>Oz/</u> <u>M<sup>3</sup></u>
12	95.3	3.0	31.8	25.6181	0.2688	0.009
13	140.4	3.75	37.4	16.1347	0.1149	0.004
15	129.6	5.0	25.9	18.0121	0.1390	0.004
16	162.0	6.66	24.3	59.7379	0.3688	0.012
18	237.6	8.0	29.7	47.1370	0.1984	0.006
19	248.4	7.75	32.0	30.9641	0.1247	0.004
22	250.7	8.0	31.3	44.2871	0.1767	0.008
23	140.4	3.75	37.4	5.0620	0.0361	0.001
25	259.2	7.0	37.0	28.5544	0.1102	0.004
26	258.4	7.33	35.3	29.0027	0.1122	0.004
28	185.1	7.0	26.4	59.0470	0.3190	0.010
29	<u>237.6</u>	<u>8.0</u>	<u>29.7</u>	<u>65.1084</u>	<u>0.2740</u>	<u>0.009</u>
12	2344.7	75.2	31.2	428.6655		
Gold Bar from Retort				<u>92.1000</u>		
				520.7655	0.2221	0.007

The 520.7655 grams is composed of two products:

428.6655 grams free gold scalped on 10 mesh = 78.51%  
92.1000 grams gold bar from retort residue = 21.49%  
520.7655 grams

For royalty payments to AZ State the fineness of the gold will be considered.

The concentrates from the 7-1/2-inch Knelson Bowl and the nugget trap were screened on 10 mesh and these two fractions were weighed. The 10 mesh gold was removed from the screen and weighed. All the minus 10 mesh concentrate was amalgamated and retorted. The retorted residue was melted into a bar.

<u>Date</u>	<u>Concentrate Gms</u>		<u>Total</u>	<u>%</u>	<u>Free Au</u>	<u>Gold Gms</u> <u>From</u> <u>Retort</u>
	<u>+10 Mesh</u>	<u>-10 Mesh</u>			<u>Gms</u> <u>+10 Mesh</u>	
12	115	500	615	18.7	25.6181	
13	113	624	737	15.3	16.1347	
15	219	710	929	23.6	18.0121	
16	305	1994	2299	13.6	59.7379	
18	220	1332	1552	14.2	47.1370	
19	313	988	1301	24.0	30.9641	
22	1232	5882	7114	20.9	44.2871	
23	520	2400	2920	17.8	5.0620	
25	720	2020	2740	26.3	28.5544	
26	1470	2090	3560	41.3	29.0027	
28	650	2325	2975	21.8	59.0470	
<u>29</u>	<u>800</u>	<u>2000</u>	<u>2800</u>	<u>28.6</u>	<u>65.1084</u>	
12	6677	22865	29542	22.6	428.6655	92.10

95.50 gms of retorted amalgam produced a gold bar weighing 92.10 grams at 84.09% Au and 10.82% Ag.

77.4469 grams Au  
9.9652 grams Ag  
4.6879 gms other metals  
92.1000 Total

#### Equipment

The figures for operating time and mechanical down-time were not available.

#### Fuel Consumption

These figures will be available in September.

### Personnel and Payroll Distribution

<u>Employee</u>	<u>Reg. Hrs.</u>	<u>O/T Hrs.</u>	<u>Total Hrs.</u>	<u>Reg. Pay</u>	<u>O/T Pay</u>	<u>Total Pay</u>
Darrel Goodwin	148	-	148	3237.50	-	3237.50
David Jones	120	26	146	1020.00	331.50	1351.50
Carl Retherford	120	27.5	147.5	1140.00	391.87	1531.87
Mark Rawley	120	26	146	960.00	312.00	1272.00
Rod Sipes	120	26	146	1140.00	370.50	1510.50
Ronald Wilson	<u>120</u>	<u>24.5</u>	<u>144.5</u>	<u>1140.00</u>	<u>349.12</u>	<u>1489.12</u>
	748	130.0	878	10737.50	1842.49	10392.49
David Hathaway				<u>262.50</u>		<u>262.50</u>
						10654.99

For the operational period in August the employee cost at Upper Weaver was:

$$\frac{10654.99}{878} = \$12.14/\text{Hr.}$$

Dividing employee cost by  $M^3$  treated:

$$\frac{10654.99}{2344.7} = \$4.54/M^3$$

### Plant Operating Factor

<u>Month</u>	<u>Feed <math>M^3</math></u>	<u>No Workdays</u>	<u>Theoretical <math>M^3</math></u>	<u>Possible Hrs.</u>	<u><math>M^3</math>/ Hr.</u>	<u>Factor %</u>
August	2344.7	17	6800	136	17.2	34.5

The feed to the grizzly is set for the present at 50 cubic meters per hour over an eight-hour shift and a 6-day week. We are not sure of the capacity of the trommel as at present the oversize rock thru the 4-inch grizzly cuts the capacity of the trommel. Slab rock is the problem. A vibrating grizzly in the mining pit set @ 6 inches will decrease the amount of material transported and allow a closer setting on the present grizzly.

The reject conveyor must eventually be replaced and an additional nugget trap installed to accommodate 2 by 3 inch material. Any consideration of an electromagnetic device is a waste of time unless it will stop the waste conveyor thru a frequency effect that differentiates gold from tramp iron.

#### Royalty Calculation to Arizona State Land Department

(a) Gold Bar 92.10 gms @84.09% Au = 77.4469 gms = 2.490 ozs. at 376.852 = \$938.46	\$ 938.46
Gold Bar 92.10 gms at 10.82% Ag = 9.9652 gms 0.3204 ozs. Ag @5.21833 = \$1.67	1.67
(b) Free Gold +10 mesh 428.6655 at 840 fineness = 360.0790 gms Au = 11.578 ozs. @\$376.852/oz. = \$4,363.23	<u>4,363.23</u>
Total	\$5,303.36

Royalty based on 5% gross value less cost of \$29,440.56 = -\$24,137.20 loss; therefore, no royalty for August 1986.

The gold and silver quotations are from Handy and Harmon - New York, as the monthly average for August.

#### Direct Operating Costs

The following costs are direct charges at Upper Weaver Creek and do not include charges for servicing the loan, charges for the lease of plant and equipment by La Paz Mining, Inc., and the charges by La Paz Mining, Inc. for professional fees and overhead at home office:

Gross Payroll	\$10,654.99
Payroll Taxes	1,144.24
Legal Fees	116.45
Office Expense Weaver	194.50
Telephone	307.52
Rent, Food, Lodging	1,694.74
Pumps	187.92
Fuel	3,610.26
Field Supplies	676.51
Equipment Rental	6,500.00
Parts and Repairs	2,180.26
Water Wells - To be charged off over 36 months	
@ $\frac{78234.16}{36} = 2173.17/\text{mo.}$ - Driller's contract only	<u>2,173.17</u>
	\$29,440.56

$$\frac{520.7655}{31.1} = 16.74 \text{ oz.}$$

then

$$\frac{29,440.56}{16.74} = \$1,758.70 \text{ to produce an ounce of gold.}$$

$$\frac{29,440.56}{2344.7} = \$12.56 \text{ per cubic meter of feed}$$

One cubic meter of feed for August contained 0.007 oz. of gold at \$376.852 per ounce = \$2.64/M<sup>3</sup>, or a loss of \$9.92/M<sup>3</sup>.

The loss is due to operations start-up on August 12, 1986, and break-in of the equipment. The value per M<sup>3</sup> is low and will also improve.

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Dan E. Lewis  
Vice President of Operations

DEL:vh



# LA PAZ MINING, INC.

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

May 26, 1986

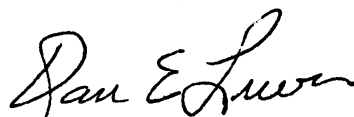
Board of Directors  
La Paz Mining, Inc.  
1802 West Grant Road, Suite 110-4  
Tucson, Arizona 85745

Gentlemen:

Enclosed is the report, "Placer Exploration on Upper Weaver Creek - Mr. Dale Tucker Claim Holdings".

A total of 605.96 cu. yds. were excavated from 31 test pits. This material was screened to minus 4 inches, and the undersize 326.56 cu. yds. were treated in the plant. The total gold recovered was 100,010.19 mgs.

Sincerely,

  
Dan E. Lewis

DEL:vh

Enclosure

La Paz Mining, Inc.  
Placer Exploration of Upper Weaver Creek  
Mr. Dale Tucker Claim Holdings

---

May 26, 1986

This report summarizes the data collected within the claim holdings of Mr. Dale Tucker along Upper Weaver Creek. A previous report (Appendix A) describes the exploration data within the two State Leases (#3193 and #3950). This report will describe the exploration data from the additional claim holdings on Federal Land.

Mission Placer	-	160 acres
Cathedral Placer	-	160 acres
Chapel Placer	-	<u>32 acres</u>
		352 acres

The only test pits that were excavated were within the claim lines of the Mission Placer. The Cathedral Placer is considered to contain uneconomic values and the Chapel Placer was not tested at this time; however, it may contain some placer gravel in and along Johnson Creek, a side creek to Weaver.

Samples as follows:

<u>Pit</u>	<u>Removed Cu. Yds.</u>	<u>No. Samples</u>	<u>Treated Cu. Yds.</u>	<u>Mgs. Gold</u>	<u>Depth Feet</u>	<u>Remarks</u>
11	45.5	6	21.2	6,390.71	11	hit tunnel
12	28.7	2	7.2	852.59	8	water
13	12.9	2	7.2	722.51	11	water
x14	17.7	3	9.2	624.60	17	out of ore zone
x20	35.1	4	15.6	643.53	19	out of ore zone
21	28.0	4	17.2	21,633.70	21	
x22	8.8	1	4.0	535.61	3	out of ore zone
23	17.5	3	12.0	1,718.07	10	
24	8.0	1	4.0	325.13	6	water
25	16.2	2	8.0	1,765.23	6	
26	20.9	4	13.2	4,997.69	17	
27	34.0	4	17.6	3,007.71	17	
28	27.0	8	20.0	4,983.34	27	hit tunnel
29	37.5	6	22.0	2,259.35	28	
30	33.6	6	20.0	3,800.93	24	
31	36.4	6	21.0	2,677.29	33	all overburden to 29'
Total	407.8	62	219.4	57,186.99		

- (a) Average recovery per cu. yd. treated: 260.65 mgs. of Gold
- (b) Less Pits 14, 20, and 22 outside ore zone  
Recovery: 303.31 mgs./cu. yd.
- (c) Stripping from 6 ft. to 12 ft. of overburden  
will yield 538.9 mgs./cu. yd.

The pits on the Mission Placer were placed along the higher ground to the East and West of the actual creek drainage. Pits along the creek contained water and could not be properly sampled.

The total amount of gold recovered on the Mission Placer was 57,186.99 mgs.

Appendix B addressed to Mr. Dale Tucker is attached. This report gives the total gold recovered from the samples.

Appendix C is attached and gives the data on the amalgamation tails. The platinum assays were nil on both fractions.

The 31 test pits along Weaver Creek, and within the Tucker holdings, contain 500,000 cu. yds. This does not include an excellent possibility of developing additional yardage on the western drainage slope up to Rich Hill.

  
\_\_\_\_\_  
Dan E. Lewis

DEL:vh

# LA PAZ MINING, INC.

---

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

---

April 24, 1986

Mr. Mike Rice  
Mineral Resource Planner  
Arizona State Land Department  
1624 West Adams  
Phoenix, Arizona 85007

Dear Sir:

I am enclosing a report on the results of the exploration work carried out on the two State Mining Leases, #3950 and #3193. They are located in T10N, R4W in Section 32 on Weaver Creek.

The exploration testing began on November 19, 1985, and was completed on April 5, 1986.

Sincerely,

Dan E. Lewis  
Vice President - Operations

DEL:vh

Enclosure

La Paz Mining, Inc.  
Placer Exploration of Upper Weaver Creek  
State Leases #3193 and #3950  
Owner: Mr. Dale Tucker

---

April 24, 1986

On November 13, 1986, an Option Agreement for Exploration was signed between Mr. and Mrs. Dale Tucker and La Paz Mining, Inc. The area involved covered a total of 392 acres, of which 40 acres was covered by two State Mineral Leases, #3193 and #3950. These two leases are Type B claims. The two State Leases are located in T10N, R4W, Section 32.

The exploration testing commenced on November 19, 1985, and was completed on April 5, 1986. During this period the area covered by the two State Leases was tested.

Test Program

Ten sample sites were selected within the State Leases (shown on enclosed map). A backhoe was used at each sample site to excavate to bedrock. Each sample taken was approximately 10 feet in length, 3.5 feet in width, and 6 feet in depth, for an average of from 8 to 10 cu. yds. per sample. The excavated material was screened to minus 4 inches on-site, and this material was transported to a gravity concentrating washing plant located within the State Leases. The heavy mineral fraction, weighing approximately one kilogram, was taken to a custom laboratory in Tucson for amalgamation and gold recovery.

Some of the pits did not intersect economic values due to the following:

- (a) Outside the gold depositional gravel area.
- (b) Intersected old tunnel workings or mined out areas, or old tailing deposits.
- (c) Deep water in pits precluded cleaning of bedrock to give an accurate sample.

Samples as follows:

<u>Pit</u>	<u>Removed Cu. Yds.</u>	<u>No. Samples</u>	<u>Treated Cu. Yds.</u>	<u>Mgs. Gold</u>	<u>Depth Feet</u>	<u>Remarks</u>
1	26.3	5	17.92	1,004.96	19	hit tunnel at bedrock
+2	13.5	3	7.60	144.421	11	outside ore zone
3	7.7	1	5.20	7,328.47	7	ore grade
4	43.9	6	22.80	23,715.07	11	ore grade
+5	5.0	1	3.20	203.08	3.5	tailings
6	7.7	1	4.0	652.51	6	water in pit
7	17.60	3	10.0	1,262.52	10	water in pit & tunnel
8	47.28	7	21.44	8,285.66	4.6	water in trench
+9	20.78	3	10.6	204.29	18	no bedrock
+10	<u>8.40</u>	<u>1</u>	<u>4.4</u>	<u>22.22</u>	2	outside ore zone
Total	198.16	31	107.16	42,823.201		All Samples

Average recovery per cu. yd. treated: 399.62 Mgs. of Gold  
 Less Pits 2, 5, 9 and 10 outside ore zone  
 Recovery: 519.29 Mgs. Gold

The exploration results show that the sites tested will yield a profitable operation along Upper Weaver Creek. The higher grade ore zone in the creek bottom could not be properly tested due to the large amount of excavation necessary to drain the pit areas so the bedrock could be sampled.

The total amount of gold recovered on the two State Leases during the test was 42,823.201 milligrams or 1.377 ozs. of gold.

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Dan E. Lewis

DEL:vh

# LA PAZ MINING, INC.

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

April 30, 1986

Mr. Dale Tucker  
10633 Wheatridge Drive  
Sun City, Arizona 85373

Re: Upper Weaver Project

Dear Dale:

As per the Mining Purchase Option Agreement signed on November 12, 1985, between Dale and Marie Tucker and La Paz Mining, Inc., you are to receive any and all gold recovered during the Exploration Test period.

A total of 31 backhoe test pits were excavated to bedrock to produce a total of 93 samples of approximately 4 cu. yds. each. These samples were treated in our wet gravity concentration facility to produce an average of 1.4 Kg of heavy mineral concentrate. This sample was placed in a sealed container and transported to Tucson for amalgamation separation at Jacobs Assay Laboratory. Prior to amalgamation of the sample, the plus 10 mesh gold particles were removed and the sample was amalgamated. The mercury was removed and the gold was annealed to produce the gold buttons visible in the sample. 92.42% of the gold is plus 10 mesh and 7.58% of the gold is minus 10 mesh. The gold was then weighed and combined to produce the total of 99767.188 milligrams or 3.208 ounces of gold.

The classifier was cleaned out and all the material was treated in the gravity bowls. This yielded 243.51 milligrams of gold. This figure shows a loss of 0.24% of the free gold occurring in the gravity test process.

Total gold presented to Mr. Dale Tucker:

Yield from 93 samples =	99,767.188
Yield from classifier =	<u>243.510</u>
	100,010.19 Mg.
Gold contained in vial	or 3.215 ozs.

Mr. Dale Tucker

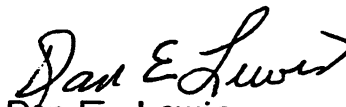
April 30, 1986  
Page Two

The amalgamation recovery is the total gold contained in the amalgamation tails divided by the gold recovered by amalgamation:

$$\frac{46.794 \text{ Mg.}}{7558.33 \text{ Mg.}} = .6191\% \text{ or } 99.38\% \text{ recovery}$$

This unrecovered gold in the tails is interlocked with hematite and is too low grade to consider a recovery process.

Sincerely,



Dan E. Lewis  
Executive Vice President

DEL:vh



# LA PAZ MINING, INC.

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

April 30, 1986

La Paz Mining, Inc.  
1802 West Grant Road, Suite 110-4  
Tucson, Arizona 85745

## AMALGAMATION TAILS WEAVER PROJECT

All the amalgamation tails were combined after all the 94 samples from the Weaver Project were completed and the assay reports submitted.

The total of 43.277 Kg of tails were then separated into two fractions, (a) magnetic, and (b), non-magnetic. These two products were then fire assayed for gold content:

(a) Magnetic fraction:

This fraction contained 87% of the tails and assayed 0.015 oz. of gold/ton.

(b) Non-Magnetic fraction:

This fraction contained 13% of the tails and assayed 0.146 oz. of gold per ton.

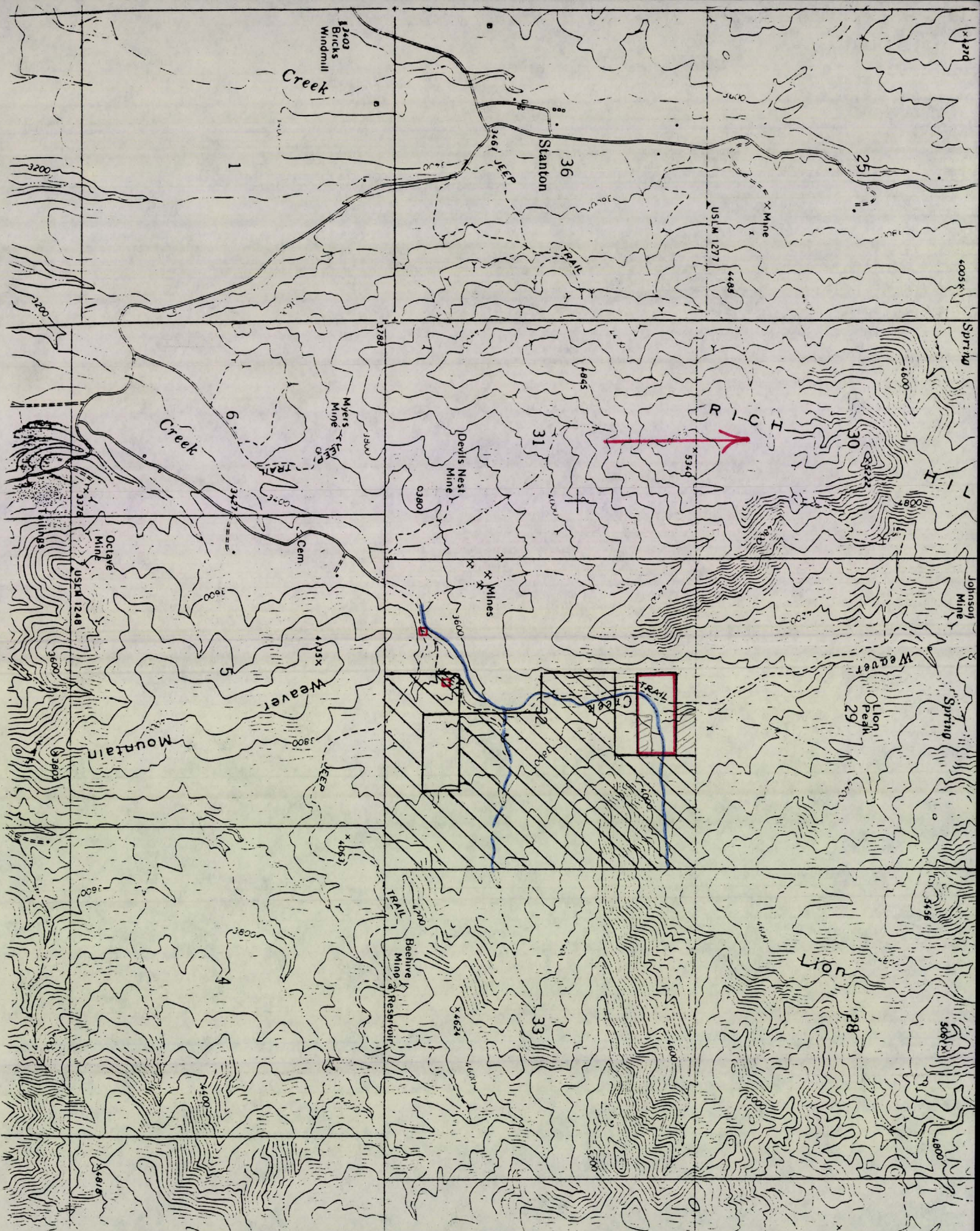
Thus the total tails would assay .032 ozs. of gold per ton.

Further analysis is being conducted for other metals.

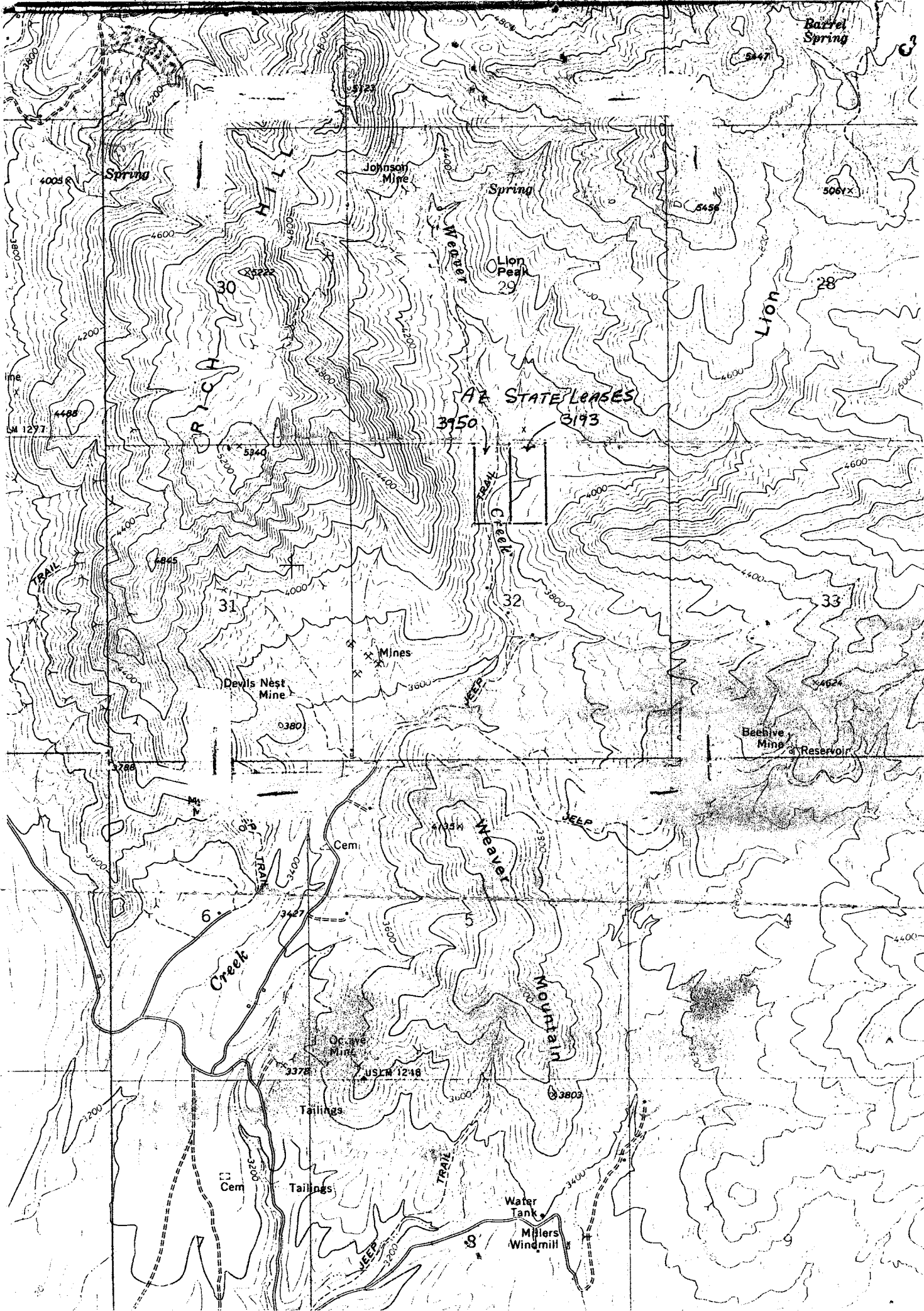
  
\_\_\_\_\_  
Dan E. Lewis

DEL:vh









This notice was posted in the U.S. P.O. @ Congress Hall May 6, 1986. posted July 6, 1986 60 days



ARIZONA DEPARTMENT OF WATER RESOURCES  
99 East Virginia Avenue  
Phoenix, Arizona 85004



NOTICE OF APPLICATION TO APPROPRIATE WATER

On the 27th day of March, 1986, LA PAZ MINING, INC.,

by and for the State of Arizona, 1802 West Grant Road, Suite 110-4, Tucson, Arizona 85745

filed Application for a Permit to Appropriate Public Water of the State of Arizona No. 33-90515

The application states:

1. Source of water Weaver Creek, a tributary of the Hassayampa River,  
a tributary of the Gila River
2. Proposed use and amount 5,256,000 gallons per annum for placer gravity operation  
on Arizona State Leases 03193 and 03950.  
Tailing water will be clarified and returned to pond for recirculation.  
Water loss due to evaporation and seepage.
3. Point of diversion NE<sup>1</sup>/<sub>4</sub>NW<sup>1</sup>/<sub>4</sub>, Section 32, Township 10 North, Range 4 West,  
Gila and Salt River Base and Meridian, Yavapai County, Arizona
4. Place of use NW<sup>1</sup>/<sub>4</sub>NE<sup>1</sup>/<sub>4</sub>, Section 32, Township 10 North, Range 4 West,  
Gila and Salt River Base and Meridian, Yavapai County, Arizona
5. Description of dam and reservoir Reservoir capacity will be 2.48 acre feet.  
(LA PAZ)

Other: See map on reverse side.

Any person whose water rights may be affected may, within sixty days of the issuance of this Notice, file a written protest to the application with the Arizona Department of Water Resources, 99 East Virginia, Phoenix, Arizona 85004. The protesting party shall send a copy of the protest to the applicant. The protest shall state:

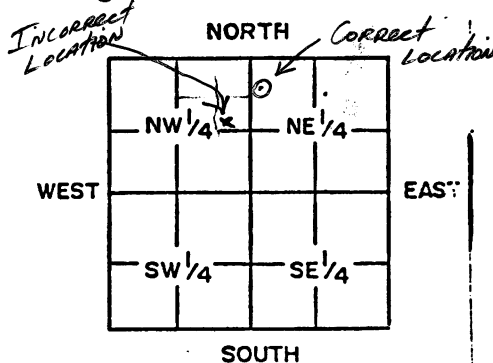
1. The name and address of the protesting party.
2. The location of the protesting party's point of diversion of water.
3. The grounds for protest.
4. That a copy of the protest has been mailed or delivered to the applicant.

Issued this 1st day of May, 1986.

FILING FEE \$10.00

DEPARTMENT OF WATER RESOURCES (DWR)  
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL  
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

Section 45-596, Arizona Revised Statutes, provides: In an area not subject to Active Management, a person may not drill or cause to be drilled any well or deepen an existing well without first filing a Notice of Intention to Drill with the Department.



INDICATE WELL LOCATION BY X  
(Above diagram represents one  
640 acre section)

WELL/LAND LOCATION:

1. Township 10N  
2. Range 4W  
3. Section 32  
4. SE 1/4, NE 1/4, NE 1/4 ERROR  
10 acre subdivision

5. County Yavapai

6. Owner of well:  
Dale Tucker

Name  
10633 Wheatridge Dr.  
Address  
Sun City AZ 85351  
City State Zip  
Telephone 933-2433

7. Owner of land: State of Arizona,

Unpatented claim

Name

Address

City State Zip

DESCRIPTION OF WELL:

8. Diameter 8" or 10" inches

Depth 800 feet

9. Type of casing 6"-8" steel

10. Design pump capacity:  
100 gallons per minute

11. Estimate of total annual  
pumping: 48,000 gal./day

12. Principal use of water:  
Gravity separation of gold from  
placer gravels  
(Be Specific)

13. Other uses intended: Recirculation  
of deslimed water to plant  
(Be Specific)

14. If for irrigation, state the  
number of acres to be irrigated:  
                     acres

15. Construction will start about:

April 30 1986  
Month Year

DO NOT WRITE IN THIS SPACE	
OFFICE RECORD	
FILE NO. _____	
FILED _____	By _____
INPUT _____	By _____
DUPLICATE MAILED _____	By _____
REGISTRATION NO. _____	
Non Expansion Area _____	
W/S _____	S/B _____

PLACE OF USE:

16. Township 10N

17. Range 4W

18. Section 32

19. Legal description  
of land \_\_\_\_\_

20. Type well:

       Exempt

  X   Non-Exempt

21. Action Requested:

Drill X Deepen Replace  
55-

22. This notice filed by:

Owner

Lessee   X  

La Paz Mining, Inc.  
Name  
1802 W. Grant Rd.  
Address  
Tucson AZ 85745  
City State Zip  
Telephone 624-7421

23. Driller's Name:

Venture Drilling Co.  
Name

P. O. Box 59325  
Address

Tucson AZ 85703  
City State Zip

            
DWR License Number

GENERAL INSTRUCTIONS

1. Fill out this form in duplicate and send to 99 East Virginia, Suite 100, Phoenix, Az. 85004.
2. For specific instructions, limitations and conditions, see the reverse side of this form.
3. This form is to be used to drill, deepen or replace a well outside of an Active Management Area.
4. If the well is a replacement or deepening of an existing well, state the registration number of the existing well in Item 21.
5. Construction standards for new and replacement wells and the deepening and abandonment of existing wells shall be in accordance with Department Rules and Regulations.

I state that this Notice is filed in compliance with ARS §45-596 and is complete and correct to the best of my knowledge and belief and that I understand the limitations under which I must operate this well set forth on the reverse side of this form.

DATE \_\_\_\_\_ Signature of Person Filing \_\_\_\_\_

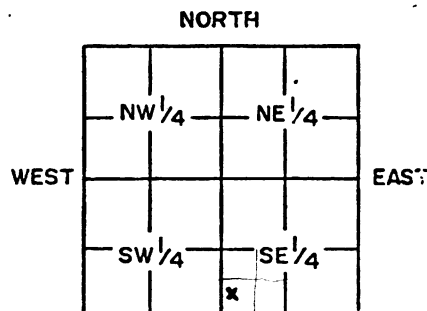
DWR-55-41-10/83

La Paz Mining, Inc., E. Grover  
Heinrichs, Authorized Agent for Dale  
Tucker

FILING FEE \$10.00

DEPARTMENT OF WATER RESOURCES (DWR)  
NOTICE OF INTENTION TO DRILL OR DEEPEN A WELL  
OUTSIDE OF AN ACTIVE MANAGEMENT AREA

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INDICATE WELL LOCATION BY X  
(Above diagram represents one  
640 acre section)

## WELL/LAND LOCATION:

1. Township 10N
2. Range 4W
3. Section 29
4. SW 1/4, SW 1/4, SE 1/4  
10 acre subdivision
5. County Yavapai
6. Owner of well:  
Dale Tucker  
Name  
10633 Wheatridge Dr.  
Address  
Sun City AZ 85351  
City State Zip  
Telephone 933-2433
7. Owner of land: Unpatented  
mining claim on BLM land  
Name  
Same  
Address  
Same  
City State Zip

## DESCRIPTION OF WELL:

8. Diameter 8" or 10" inches  
Depth 800 feet
9. Type of casing 6"-8" steel
10. Design pump capacity:  
100 gallons per minute
11. Estimate of total annual  
pumping: 48,000 gal./day  
~~xxxxxx~~
12. Principal use of water:  
Gravity separation of gold from  
placer gravels  
(Be Specific)
13. Other uses intended: Recirculation  
of deslimed water to plant  
(Be Specific)
14. If for irrigation, state the  
number of acres to be irrigated:  
\_\_\_\_\_ acres
15. Construction will start about:  
April 30 1986  
Month Year

## PLACE OF USE:

16. Township 10N
17. Range 4W
18. Section 29
19. Legal description  
of land \_\_\_\_\_
20. Type well:  
\_\_\_\_ Exempt  
X Non-Exempt
21. Action Requested:  
Drill X Deepen    Replace     
55-
22. This notice filed by:  
Owner \_\_\_\_\_  
Lessee X  
La Paz Mining, Inc.  
Name  
1802 W. Grant Rd.  
Address  
Tucson AZ 85745  
City State Zip  
Telephone 624-7421
23. Driller's Name:  
Venture Drilling Co.  
Name  
P. O. Box 50325  
Address  
Tucson AZ 85703  
City State Zip  
144  
DWR License Number

DO NOT WRITE IN THIS SPACE OFFICE RECORD	
FILE NO. _____	
FILED _____	By _____
INPUT _____	By _____
DUPLICATE MAILED _____	By _____
REGISTRATION NO. _____	
Non Expansion Area _____	
W/S _____	S/B _____

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DATE \_\_\_\_\_ Signature of Person Filing \_\_\_\_\_

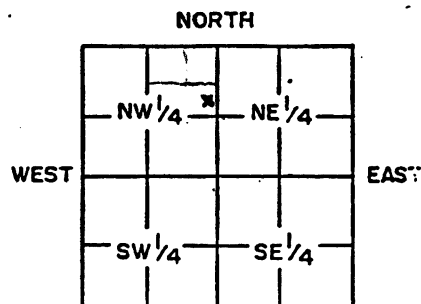
DWR-55-41-10/83

La Paz Mining, Inc., E. Grover  
Heinrichs, Authorized Agent for Dale  
Tucker

FILING FEE \$10.00

DEPARTMENT OF WATER RESOURCES (DWR)  
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OUTSIDE OF AN ACTIVE MANAGEMENT AREA

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INDICATE WELL LOCATION BY X  
(Above diagram represents one  
640 acre section)

WELL/LAND LOCATION:

1. Township 10N
2. Range 4W
3. Section 32
4. SE 1/4, NE 1/4, NW 1/4  
10 acre subdivision
5. County Yavapai
6. Owner of well:  
Dale Tucker  
Name  
10633 Wheatridge Dr.  
Address  
Sun City AZ 85351  
City State Zip  
Telephone 933-2433
7. Owner of land: State of AZ,  
Unpatented Mining Claim  
Name  
Same  
Address  
Same  
City State Zip

DESCRIPTION OF WELL:

8. Diameter 8" or 10" inches  
Depth 800 feet
9. Type of casing 6"-8" steel
10. Design pump capacity:  
100 gallons per minute
11. Estimate of total annual  
pumping: 48,000 gal./day  
~~200,000 gal./day~~
12. Principal use of water:  
Gravity separation of gold from  
placer gravels  
(Be Specific)
13. Other uses intended: Recirculation  
of deslimed water to plant  
(Be Specific)
14. If for irrigation, state the  
number of acres to be irrigated:  
                                 acres
15. Construction will start about:  
April 30 1986  
Month Year

PLACE OF USE:

16. Township 10N
17. Range 4W
18. Section 32
19. Legal description  
of land
20. Type well:  
       Exempt  
  X   Non-Exempt
21. Action Requested:  
Drill ~~Deepen~~ Replace  
55-
22. This notice filed by:  
Owner  
Lessee   X    
La Paz Mining, Inc.  
Name  
1802 W. Grant Rd.  
Address  
Tucson AZ 85745  
City State Zip  
Telephone 624-7421
23. Driller's Name:  
Venture Drilling Co.  
Name  
P. O. Box 50325  
Address  
Tucson AZ 85703  
City State Zip  
144  
DWR License Number

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DATE \_\_\_\_\_ Signature of Person Filing E. Grover Heinrichs

DWR-55-41-10/83

La Paz Mining, Inc., E. Grover  
Heinrichs, Authorized Agent for Dale  
Tucker

# UPPER WEAVER FEASIBILITY STUDY

The following operational data are outlined for mining the placer deposit on Upper Weaver Creek located on BLM land.

The operation on the State Lease has shown that 35% of the mined material is rejected in the pit as +4 inch material and 65% is hauled to the plant. The desired feed for the plant is 40 M<sup>3</sup> per hour of -4 inch material, 8-hour day, and 22 days per month.

	<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Mo.</u>
Mine	62	492	10,830 . .
Plant	40	320	7,040

The plant rejects from the above plant feed are:

		<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Mo.</u>
-4 Inch +3/8 Inch	29%	12	96	2,112
-3/8 Inch Sand	39%	15	120	2,640 Classifier Sand
Slimes	32%	<u>13</u> 40	<u>104</u> 320	<u>2,288</u> 7,040

A recovery of gold from the present plant is based on 0.02 oz. of gold per M<sup>3</sup> at a price of \$450 per ounce. The fineness will be considered further on in the report.

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
M <sup>3</sup>	40	320	7,040
0.02 oz. Au	0.80	6.40	140.80
\$ Value \$450	\$360	\$2880	\$63,360

The labor cost is based on 5 men, superintendent, and watchman. This allows for 48 hours of overtime on 5 men for maintenance on Saturdays and operation if required to hold the monthly tonnage.

The direct costs are based on direct operating costs only.



*Labor	\$2.25/M <sup>3</sup> of feed	\$15,840.00
**Direct Costs	\$5.00/M <sup>3</sup> of feed	35,200.00
	\$7.25/M <sup>3</sup> of feed	\$51,040.00

Weaver operating profit/month , \$12,320.00

\*Savings may be made in the Labor Cost as the overtime amounts to \$0.46/M<sup>3</sup>/month.

\*\*Equipment rental amounts to \$1.06/M<sup>3</sup> mainly for backhoe rental. These two costs amount to \$10,701/month that could be added to profit.

### Classifier Sands

The classifier sands amount to:

<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Month</u>
15	120	2640

The classifier sands were screened to remove the +20 mesh material. The -20 mesh is 33% of the classifier feed. Using a specific gravity of 1.6 as shown from tests, we have the following:

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
M <sup>3</sup>	15	120	2640
M Tons	24	192	4224
MT -20 Mesh	8.00	64	1393

The test work contains 2 gold products:

- (a) Fine gold that can be amalgamated
- (b) Gold that can not be amalgamated

(a) 6.79 Mg + (b) 5.43 Mg = 0.0338 oz./MT  
Assay Tons 361.5

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
-20 Mesh M Tons	8.00	64.00	1393.0
0.0338 oz./MT	0.2704	2.16	47.08
90% recovery	0.2434	1.94	42.37
\$ Value \$450	109.53	873.00	19,066.5

Labor cost, 2 men at 8 hours/day at \$19/hour.

Operating cost of leaching facility is power, chemicals, carbon, water, etc.

	<u>Per Month</u>
Labor \$2.40/MT	\$ 3,342.00
Operating \$5.00/MT	<u>6,966.00</u>
	\$10,308.00
Leaching Plant profit/month	\$ 8,758.50

With this profit and a plant purchase price of \$100,000, it would take 11.4 months to pay off plant.

We can safely assume 2 years operation on Weaver Creek on the BLM ground and State Lease Tailings  $M^3$  on BLM = 259,120.

Combined Operation

	<u>Per Month</u>	
Plant Feed $M^3$	7040	
Leaching Plant Feed M Tons	1393	
Placer Plant Gold	140.80	77%
Leaching Plant Gold	<u>42.37</u>	23%
Total Gold oz./mo.	183.17	
Placer Plant Profit		\$12,320.00
Leaching Plant Profit		<u>8,758.50</u>
		\$21,078.50

In order to pursue this project, the following items would have to be purchased:

1 Backhoe	\$125,000
1 Leaching Plant	<u>100,000</u>
	\$225,000

The fineness of the gold from the placer plant is no real problem if the sale of the nuggets is diligently pursued.

The placer plant must maintain 7040  $M^3$  of plant feed monthly at a recoverable 0.02 oz. or better per  $M^3$ .

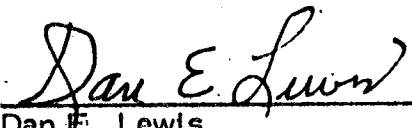
The royalty of 8% of the gross would be based on \$83,360  
plus \$19,066.50 = \$82,426.60  
royalty = \$ 6,594.00

Total profit	\$21,078.50
Less royalty	<u>6,594.00</u>
Profit after royalty	\$14,484.50

By reducing the costs at Upper Weaver on overtime and equipment rental,  
we could save \$10,701 or have a profit after royalty of \$25,185/month.

Over two years this would yield \$604,440 less new equipment  
purchases = \$379,440.

More test work must be undertaken on the leaching of the classifier sands.  
The grade in ounces per metric ton must be checked and the leaching  
recovery must be determined.

  
\_\_\_\_\_  
Dan E. Lewis

**LA PAZ MINING, INC.**

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

April 24, 1986

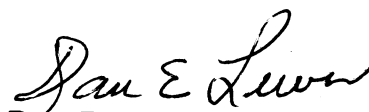
Mr. Mike Rice  
Mineral Resource Planner  
Arizona State Land Department  
1624 West Adams  
Phoenix, Arizona 85007

Dear Sir:

I am enclosing a report on the results of the exploration work carried out on the two State Mining Leases, #3950 and #3193. They are located in T10N, R4W in Section 32 on Weaver Creek.

The exploration testing began on November 19, 1985, and was completed on April 5, 1986.

Sincerely,



Dan E. Lewis

Vice President - Operations

DEL:vh

Enclosure

La Paz Mining, Inc.  
Placer Exploration of Upper Weaver Creek  
State Leases #3193 and #3950  
Owner: Mr. Dale Tucker

---

April 24, 1986

On November 13, 1986, an Option Agreement for Exploration was signed between Mr. and Mrs. Dale Tucker and La Paz Mining, Inc. The area involved covered a total of 392 acres, of which 40 acres was covered by two State Mineral Leases, #3193 and #3950. These two leases are Type B claims. The two State Leases are located in T10N, R4W, Section 32.

The exploration testing commenced on November 19, 1985, and was completed on April 5, 1986. During this period the area covered by the two State Leases was tested.

Test Program

Ten sample sites were selected within the State Leases (shown on enclosed map). A backhoe was used at each sample site to excavate to bedrock. Each sample taken was approximately 10 feet in length, 3.5 feet in width, and 6 feet in depth, for an average of from 8 to 10 cu. yds. per sample. The excavated material was screened to minus 4 inches on-site, and this material was transported to a gravity concentrating washing plant located within the State Leases. The heavy mineral fraction, weighing approximately one kilogram, was taken to a custom laboratory in Tucson for amalgamation and gold recovery.

Some of the pits did not intersect economic values due to the following:

- (a) Outside the gold depositional gravel area.
- (b) Intersected old tunnel workings or mined out areas, or old tailing deposits.
- (c) Deep water in pits precluded cleaning of bedrock to give an accurate sample.

Samples as follows:

<u>Pit</u>	<u>Removed Cu. Yds.</u>	<u>No. Samples</u>	<u>Treated Cu. Yds.</u>	<u>Mgs. Gold</u>	<u>Depth Feet</u>	<u>Remarks</u>
1	26.3	5	17.92	1,004.96	19	hit tunnel at bedrock
+2	13.5	3	7.60	144.421	11	outside ore zone
3	7.7	1	5.20	7,328.47	7	ore grade
4	43.9	6	22.80	23,715.07	11	ore grade
+5	5.0	1	3.20	203.08	3.5	tailings
6	7.7	1	4.0	652.51	6	water in pit
7	17.60	3	10.0	1,262.52	10	water in pit & tunnel
8	47.28	7	21.44	8,285.66	4.6	water in trench
+9	20.78	3	10.6	204.29	18	no bedrock
+10	<u>8.40</u>	<u>1</u>	<u>4.4</u>	<u>22.22</u>	2	outside ore zone
Total	198.16	31	107.16	42,823.201		All Samples

Average recovery per cu. yd. treated: 399.62 Mgs. of Gold  
Less Pits 2, 5, 9 and 10 outside ore zone  
Recovery: 519.29 Mgs. Gold

The exploration results show that the sites tested will yield a profitable operation along Upper Weaver Creek. The higher grade ore zone in the creek bottom could not be properly tested due to the large amount of excavation necessary to drain the pit areas so the bedrock could be sampled.

The total amount of gold recovered on the two State Leases during the test was 42,823.201 milligrams or 1.377 ozs. of gold.

---

Dan E. Lewis

DEL:vh

Samples as follows:

<u>Pit</u>	<u>Removed Cu. Yds.</u>	<u>No. Samples</u>	<u>Treated Cu. Yds.</u>	<u>Mgs. Gold</u>	<u>Depth Feet</u>	<u>Remarks</u>
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+2	13.5	3	7.60	144.421	11	outside ore zone
3	7.7	1	5.20	7,328.47	7	ore grade
4	43.9	6	22.80	23,715.07	11	ore grade
+5	5.0	1	3.20	203.08	3.5	tailings
6	7.7	1	4.0	652.51	6	water in pit
7	17.60	3	10.0	1,262.52	10	water in pit & tunnel
8	47.28	7	21.44	8,285.66	4.6	water in trench
+9	20.78	3	10.6	204.29	18	no bedrock
+10	<u>8.40</u>	<u>1</u>	<u>4.4</u>	<u>22.22</u>	2	outside ore zone
Total	198.16	31	107.16	42,823.201		All Samples

Average recovery per cu. yd. treated: 399.62 Mgs. of Gold  
 Less Pits 2, 5, 9 and 10 outside ore zone  
 Recovery: 519.29 Mgs. Gold

The exploration results show that the sites tested will yield a profitable operation along Upper Weaver Creek. The higher grade ore zone in the creek bottom could not be properly tested due to the large amount of excavation necessary to drain the pit areas so the bedrock could be sampled.

The total amount of gold recovered on the two State Leases during the test was 42,823.201 milligrams or 1.377 ozs. of gold.

---

Dan E. Lewis

DEL:vh

- (a) Average recovery per cu. yd. treated: 260.65 mgs. of Gold
- (b) Less Pits 14, 20, and 22 outside ore zone  
Recovery: 303.31 mgs./cu. yd.
- (c) Stripping from 6 ft. to 12 ft. of overburden  
will yield 538.9 mgs./cu. yd.

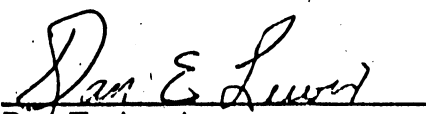
The pits on the Mission Placer were placed along the higher ground to the East and West of the actual creek drainage. Pits along the creek contained water and could not be properly sampled.

The total amount of gold recovered on the Mission Placer was 57,186.99 mgs.

Appendix B addressed to Mr. Dale Tucker is attached. This report gives the total gold recovered from the samples.

Appendix C is attached and gives the data on the amalgamation tails. The platinum assays were nil on both fractions.

The 31 test pits along Weaver Creek, and within the Tucker holdings, contain 500,000 cu. yds. This does not include an excellent possibility of developing additional yardage on the western drainage slope up to Rich Hill.

  
Dan E. Lewis

DEL:vh



# LA PAZ MINING, INC.

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

April 30, 1986

La Paz Mining, Inc.  
1802 West Grant Road, Suite 110-4  
Tucson, Arizona 85745

## AMALGAMATION TAILS WEAVER PROJECT

All the amalgamation tails were combined after all the 94 samples from the Weaver Project were completed and the assay reports submitted.

The total of 43.277 Kg of tails were then separated into two fractions, (a) magnetic, and (b), non-magnetic. These two products were then fire assayed for gold content:

(a) Magnetic fraction:

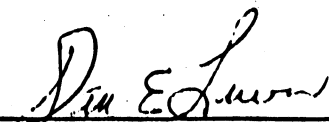
This fraction contained 87% of the tails and assayed 0.015 oz. of gold/ton.

(b) Non-Magnetic fraction:

This fraction contained 13% of the tails and assayed 0.146 oz. of gold per ton.

Thus the total tails would assay .032 ozs. of gold per ton.

Further analysis is being conducted for other metals.

  
\_\_\_\_\_  
Dan E. Lewis

DEL:vh

# LA PAZ MINING, INC.

1802 WEST GRANT ROAD  
SUITE 110-4  
TUCSON, ARIZONA 85745  
PHONE: AREA CODE 602 624-7421

April 30, 1986

Mr. Dale Tucker  
10633 Wheatridge Drive  
Sun City, Arizona 85373

Re: Upper Weaver Project

Dear Dale:

As per the Mining Purchase Option Agreement signed on November 12, 1985, between Dale and Marie Tucker and La Paz Mining, Inc., you are to receive any and all gold recovered during the Exploration Test period.

A total of 31 backhoe test pits were excavated to bedrock to produce a total of 93 samples of approximately 4 cu. yds. each. These samples were treated in our wet gravity concentration facility to produce an average of 1.4 Kg of heavy mineral concentrate. This sample was placed in a sealed container and transported to Tucson for amalgamation separation at Jacobs Assay Laboratory. Prior to amalgamation of the sample, the plus 10 mesh gold particles were removed and the sample was amalgamated. The mercury was removed and the gold was annealed to produce the gold buttons visible in the sample. 92.42% of the gold is plus 10 mesh and 7.58% of the gold is minus 10 mesh. The gold was then weighed and combined to produce the total of 99767.188 milligrams or 3.208 ounces of gold.

The classifier was cleaned out and all the material was treated in the gravity bowls. This yielded 243.51 milligrams of gold. This figure shows a loss of 0.24% of the free gold occurring in the gravity test process.

Total gold presented to Mr. Dale Tucker:

Yield from 93 samples = 99,767.188

Yield from classifier = 243.510

100,010.19 Mg.

Gold contained in vial or 3.215 ozs.

Report of Operations  
Upper Weaver Creek  
September 1986

Oct 14 1986

Directorate  
La Paz Mining Inc.

The following Report of Operations for the placer gold property of La Paz Mining Inc., Month of September 1986, is hereto submitted.

The plant ran a total of 17 days of the available 26 working days to include Saturdays. The 9 days of down time were due to slime build up in the #1 tailing pond, repairing belt on trommel reject belt, and two days of heavy rain. The conveyor frame and belt will be replaced in October.

Mine

The material mined in September was removed from State Leases #3950 and #3193 by the use of the D9 and 980 wheel loader.

<u>Blocks</u>	<u>Over Bunden Cubic Meters</u>	<u>ore to Plant Cubic Meters</u>
1-1E		557 ✓
1-1W		869
2-1E		1780 ✓
2-1W	309	214 ✓
		3420

3-1W	<u>926</u>	
Total	1235	<u>3420</u>

74 Cubic Meters Ore Treated by Block

Block	<u>August</u>	<u>September</u>	<u>ore year to date</u>	<u>OVER Burden year to Date</u>
1-1E		557	557	
1-1W		869	869	
2-1E	937.9	1780	2717.9	840.0
2-1W	1406.8	214	<u>1620.8</u>	309.0
3-1W	<u>          </u>	<u>          </u>	<u><del>5764.7</del></u>	<u>926.0</u>
	2344.7	3420	5764.7	2075.0

PLANT Production

(a) Tailings

a total of 3420 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 110.2 hours of operation.

	+ 4 Inch	- 4 inch + 3/8 inch	Sand	Slimes	Total
Percentage	20%	25	38	17	100
Cubic Meters	<del>684</del> 684	<del>855</del> 855	<del>1300</del> 1300	<del>481</del> 481	<del>3420</del> 3420
		83			
		17			

(b) Water

a total of 3,151,300 gallons of water was registered by the two water meters for the month of September

Recirculated Water	1,893,300 gallons	286.3 gpm.
Well water to Bowl	<u>1,258,000</u> gallons	<u>190.3</u> gpm.
Total	3,151,300 gallons	476.6 gpm.

During the 110.2 hours of operation, the average use was 476.6 gpm.

$$\frac{3,151,300}{\frac{4434}{3420} \text{ M}} = 921.4 \text{ gallons of water to treat one M}^3 \text{ of feed}$$

Water was produced from 3 wells in the Weaver Creek Drawings

DW #3 on BLM Land	35 gpm	33%
DW #4 on State Lease #3193	55 gpm	53%
DW #5 on State Lease #3950	<u>15 gpm</u>	<u>14%</u>
	105 gpm	100%

## (C) Plant

September <del>August</del>	M <sup>3</sup>	HRS	M <sup>3</sup> /hr	Grams Free Au	Grams Au/ M <sup>3</sup>	OZ/ M <sup>3</sup>
1	281	7.42	37.9	64.0255	0.2278	0.007
2	104	3.0	34.7	12.6331	0.1215	0.004
4	151	7.75	19.5	65.4251	0.4333	0.014
8	258	9.00	28.7	32.085	0.1244	0.004
10	139	4.1	33.9	21.748	0.1545	0.005
11	248	7.0	35.4	34.631	0.1396	0.005
12	205	7.0	29.3	27.745	0.1353	0.004
13	162	6.0	27.0	7.970	0.0492	0.002
18	185	7.0	26.4	27.050	0.1462	0.005
19	234	7.75	30.2	10.350	0.0442	0.002
20	224	6.17	36.3	9.304	0.0415	0.001
22	119	5.0	23.8	14.2773	0.1199	0.004
25	255	7.25	35.2	98.8166	0.3875	0.012
26	231	6.50	35.5	68.6512	0.2972	0.010
27	139	4.00	34.8	64.4065	0.4634	0.015
29	255	7.50	34.0	54.8790	0.2152	0.007
<u>30</u>	<u>230</u>	<u>7.75</u>	<u>29.7</u>	<u>25.2194</u>	<u>0.1096</u>	<u>0.004</u>
17	3420	110.2	31.0	639.2167		

Gold Bar from Retort —  $\frac{128.0145}{767.2312}$  0.2243 0.007

weight 149.41 x 85.68% Au = 128.0145

149.41 x 10.10% Ag = 15.0904

13<sup>\*</sup> Summary Year to Date Production

Production	Grams an	Feed M <sup>3</sup>	Operating HRS	M <sup>3</sup> / HR	Grams an/ M <sup>3</sup>	OZ/ M <sup>3</sup>
August	520.7655	2344.7	75.2	31.2	0.2211	0.007
September	<u>767.2312</u>	<u>3420.0</u>	<u>110.2</u>	<u>31.1</u>	<u>0.2243</u>	<u>0.007</u>
	1287.9947	5764.7	185.4	31.09	0.2234	0.007

The 767.2312 grams is composed of two products

639.2167 grams free gold scalped on +10 mesh = 83.33%

128.0145 grams -10 mesh amalgamated = 16.67%

767.2312 grams

September <del>Date</del>	Concentrate Gms		Total	% +10 mesh
	+10 mesh	-10 mesh		
1	1410	2350	3760	37.5
2	1013	2250	3263	45.0
4	930	2975	3905	23.8
8	1210	2425	3635	33.3
10	1000	2600	3600	27.8
11	525	1925	2450	21.4
12	600	2370	2970	20.2
13	850	2600	3450	24.6
18	780	2305	3085	25.3
19	800	2720	3520	22.7
20	1050	2300	3350	31.3
22	650	2550	3200	20.3
25	700	2805	3505	20.0
26	890	2250	3140	28.3
27	750	3010	3760	19.9
29	1500	2200	3700	40.5
<u>30</u>	<u>1600</u>	<u>2400</u>	<u>4000</u>	<u>40.0</u>
17	16258	42,035	58,293	27.9



The 42,035 grams of -10 mesh material was amalgamated,  
~~and~~ retorted and melted to produce the gold bar containing  
128.0145 grams of gold

### Equipment

We had 17 days of plant operation in September for a total of 110.2 hours. The total possible hours for 26 days at 8 hours was 208 hours.

	operated HRS	stand by HRS	mechanical down HRS	mechanical available HRS	Percent Available
Plant	110.2	83.45	14.35	193.65	93
D9	112.5	94.5	1	207.0	99
980	143.0	64.0	1.00	207.00	99
TL 40	29.0	10.0	169.0	39.00	19
Euclid	117.0	89.0	2.0	206.0	99

### Fuel Consumption

	D9	980	TL 40	Euclid	Plant Generator	MISC
Hours	112.5	143.0	29.0	117.0	110.2	
Gallons	910.3	557.1	133.0	287.1	2355.0	173.7
Gal/Hr	8.09	3.90	4.59	2.45	21.37	

total diesel 4233.5 gallons

Note generator consumption too high as tank holds 1000 gallons and true figures will even out on several months consumption

## Personnel and Payroll distribution

Employee	Reg HRS	O/T HRS	Total HRS	Reg. Pay	O/T Pay	Total Pay
D. Goodwin	196	—	196	4287.50	—	4287.50
D. Hathaway	Monthly	—	Monthly	350.00	—	350.00
D. Jones	154	14	168	1309.00	178.49	1487.49
C. Ruthenford	160	21.5	181.5	1520.00	306.37	1826.37
M. Rawley	160	15.5	175.5	1280.00	186.00	1466.00
R. Sipes	154.5	18	172.5	1467.75	256.49	1724.24
R. Wilson	<u>160</u>	<u>24</u>	<u>184</u>	<u>1520.00</u>	<u>342.00</u>	<u>1862.00</u>
	984.5	93	1077.5	11734.25	1269.00	13,003.60

For the operational period in September the employee cost at  
Zygo Weaver was:

$$\frac{13003.60}{1077.50} = \$12.07/\text{hr.}$$

cost per  $M^3$  treated

$$\frac{13,003.60}{3420} = \$3.80/M^3$$

The percentage of overtime hours to total hours was 8.6%  
The August figure was 14.8%.

## Plant Operating Factor

Month	Feed M <sup>3</sup>	No Workdays	theoretical M <sup>3</sup>	Possibly HRS	M <sup>3</sup> / hr	Factor %
August	2344.7	17	6800	136	17.2	34.5
September	3420.0	26	10400	208	16.4	32.9

## Royalty Calculation to ARIZONA State Land Department

(a) Gold Bar 149.41 gms @ 85.68% Au = 128.0145 gms  
 = 4.1162 oz @ \$421.09 = \$1733.29

149.41 @ 10.10% Ag = 15.0904 gms = 0.4852 oz Ag  
 @ \$5.724 = \$2.78

(b) Free Gold + 10 mesh 639.2167 gms @ 850 fine =  
 543.3342 gms Au. 17.4705 ozs Au @ \$421.09 = \$7356.65  
 = \$9092.72

Royalty based on 5% of gross value less cost  
 of \$37,484.87 = \$28,392.15 less ∴ therefor, no royalty  
 payment for September, 1986

The gold and silver quotations are from Hardy & Harmon  
 - New York as a monthly average for September, 1986

# Direct Operating Costs

The direct operating costs are as defined in August report

Gross Payroll	\$13,003.60
Payroll Taxes	929.76
Legal Fees	21.25
Professional Fees	2125.00
Permits & Fees	28.33
Ford Pick-up Rental	300.00
Parts and repairs	3646.02
Fuel	4368.11
Field Supplies	2529.91
Travel	599.60
Freight	96.31
Office Supplies	108.81
Rent-	315.00
Equipment Rented	<u>6740.00</u>
Cost water wells over 36 mos (2)	<u>2173.17</u>
	37,484.87

$$\frac{767.2312}{24.67} = 24.67 \text{ oz}$$

31.1

$$\text{then } \frac{37,484.87}{24.67} = \$1519.45 \text{ to produce one oz of gold}$$

$$\frac{37,484.87}{3420} = \$10.96 \text{ per cubic meter of fuel}$$

One m<sup>3</sup> of fuel for September contained 0.007 oz. of gold  
at \$421.09 = 2.95 dollars, 8.01/m<sup>3</sup>

The loss is due to the low gold content of the feed which will improve as the mining faces are developed. Another ~~in~~ factor that influenced the loss was the low plant operating factor of 32.4%. As this figure increases the operating costs will drop.

Don E Lewis  
Vice President of Operations

October Weaver Report 1986

Copies

D. Goodwin

Mike Rice Phoenix

Fuller

Grove

Harris

File

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November 1986

J. F.

M. H.

E G H

D E L

Mike Rice

File

D. G.

~~File~~  
~~Spool This~~

Samuel  
 1/1/86  
 1 File  
 1 State

Report of Operations  
 Upper Weaver Creek  
 August 1986

Directorate  
 La Paz Mining Co

Sept 6, 1986

The following Report of Operations for the placer gold property of La Paz Inc., Month of August 1986, is hereto submitted

The start of operations was officially declared on August 12, 1986. This report is a summary as insufficient data was available to calculate operational distribution costs during the break-in period. This report is for the operational period of August 12 thru August 31st 1986

The plant ran a total of 12 days of the available 17 working days. For the present we are working a 6 day week to include Saturdays. The plant down time was due to the feeder belt and trommel tail conveyor. A new belt was installed on the feeder and the tail conveyor to include the frame will have to be replaced in late September.

Mine

The material mined in August was removed by the D9 and 980 loader from the following blocks



17.6

Block	OVERBUNDEN Cubic Meters	ORE TO Plant Cubic meters
2-1W		1406.8
2-1E	<u>840.0</u>	<u>937.9</u>
Total	840.0	2344.7

Plant Production

(a) Tailings

A total of 2344.7 M<sup>3</sup> of ore was treated in the plant and produced the following tailing products over 75.2 hours of operation

	+ 4 inch	- 4 inch + 3/8 inch	Sand	slimes	Total
Percentage	38	25	25	12	100
Cubic Meters	891.0	586.2	586.2	281.3	2344.7

(b) water

A total of 2,863,700 gallons of water were registered by the two water meters for the month of August

Recirculation water	1,735,700 gallons	384.7 gpm
Well water to Bowl	<u>1,128,000</u> gallons	<u>250.0</u> gpm
<b>Total</b>	<b>2,863,700</b> gallons	<b>634.7</b> gpm

During the 75.2 hours of operation, the average use was 530 gpm or 2,391,360 gallons. The balance of 472,340 was used during cleanup.

$$\frac{2,391,360}{2,344.7} = 1020 \text{ gallons of water to treat one cubic meter of feed}$$

## (C) PLANT

August	M <sup>3</sup>	HRS	M <sup>3</sup> /hr	Grams Free Au	Grams Au/ M <sup>3</sup>	oz/ M <sup>3</sup>
12	95.3	3.0	31.8	25.6181	0.2688	0.009
13	140.4	3.75	37.4	16.1347	0.1149	0.004
15	129.6	5.0	25.9	18.5121	0.1390	0.004
16	162.0	6.66	24.3	59.7379	0.3688	0.012
18	237.6	8.0	29.7	47.1370	0.1984	0.006
19	248.4	7.75	32.0	30.9641	0.1247	0.004
22	250.7	8.0	31.3	44.2871	0.1767	0.006
23	140.4	3.75	37.4	5.0620	0.0361	0.001
25	259.2	7.00	37.0	28.5544	0.1102	0.004
26	258.4	7.33	35.3	29.0027	0.1122	0.004
28	185.1	7.00	26.4	59.0470	0.3170	0.010
29	237.6	8.00	29.7	65.1084	0.2740	0.009
12	2344.7	75.2	31.2	428.6655		
Gold Bar From Retort				92.1000		
				520.7655	0.2221	0.007

The 520.7655 grams is composed of two products

428.6655	grams free gold scalped on 10 mesh = 78.51%
92.1000	grams gold bar from retort residue = 21.49%
520.7655	grams

For royalty payments to <sup>the</sup> State <sup>L.A.E.</sup> the fineness of the gold will be considered

The concentrates from the 7 1/2 inch Knelson Bowl and the midget trap were screened on 10 mesh and these two fractions were weighed. The 10 mesh gold was removed from the screen and weighed. All the minus 10 mesh concentrate was amalgamated and retorted. The retorted residue was melted into a bar.

Date	+10 mesh	-10 mesh	Concentrate % Total	% +10 mesh	Free Au Gms +10 mesh	Gold Gms from Retort
12	115	500	615	18.7	25.6181	
13	113	624	737	15.3	16.6347	
15	219	710	929	23.6	18.0121	
16	305	1994	2299	13.6	59.7379	
18	220	1332	1552	14.2	47.1370	
19	313	988	1301	24.0	30.9641	
22	1232	5882	7114	20.9	44.2871	
23	520	2400	2920	17.8	5.0620	
25	720	2020	2740	26.3	28.5544	
26	1470	2090	3560	41.3	29.0027	
28	650	2325	2975	21.8	59.0470	
29	800	2000	2800	28.6	65.1084	
12	6677	22,865	29542	22.6	428.6655	92.10

95.50 gms of retorted amalgam produced a gold bar weighing 92.10 grams at 84.09% Au and 10.82% Ag

77.4469 gms Au  
 9.9652 gms Ag  
 4.6879 ~~87.4181~~ gms other metals  
 92.1000 Total

Equipment

The figures for operating time and mechanical down times were not available.

Fuel Consumption

These figures will be available in September.

Personnel and Payroll Distribution

Employee	Reg. Hrs	O/T HRS	Total HRS	Reg Pay	O/T Pay	Total Pay
DARREL Goodwin	148	—	148	3237.50	—	3237.50
David Jones	120	26	146	1020.00	331.50	1351.50
CARL Ruthenford	120	27.5	147.5	1140.00	391.87	1531.87
MARK Rawley	120	26	146	960.00	312.00	1272.00
Rod. Sipes	120	26	146	1140.00	370.50	1510.50
Ronald Wilson	<u>120</u>	<u>24.5</u>	<u>144.5</u>	<u>1140.00</u>	<u>349.12</u>	<u>1489.12</u>
<del>Richard Billingsley</del>	748	130.0	878	10737.50	1842.49	10392.49
David Hathaway				262.50		<u>262.50</u>
						10654.99

For the operational period in August the employee cost at Upper Weaver was:

$$\frac{10654.99}{878} = \$12.14/\text{hr.}$$

Quoting employee cost by  $\text{M}^3$  treated

$$\frac{10654.99}{2344.7} = \$4.54/\text{M}^3$$

### Plant Operating Factor

Month	Feed M <sup>3</sup>	No workdays	Theoretical M <sup>3</sup>	Possibly HRS	M <sup>3</sup> / hr	Factor
August	2344.7	17 <sub>26</sub>	6800	136	17.2	34.5

The feed to the grizzly is set for the present at 50 cubic meters per hour over an eight hour shift and a 6 day week. We are not sure of the capacity of the trommel as at present the over size rock thru the 4 inch grizzly cuts the capacity of the trommel. Slab rock is the problem. A vibrating grizzly in the mining pit set at 6 inches will decrease the amount of material transported and allow a closer setting on the present grizzly.

The reject conveyor must eventually be replaced and an additional magnet trap installed to accommodate 2 by 3 inch material. Any consideration of an electro magnetic device is a waste of time unless it will stop the waste conveyor thru a frequency effect that differentiates gold from tramp iron.

### Royalty Calculation to Arizona State Land Dept.

$$\begin{aligned}
 (a) \text{ Gold Bar } 92.10 \text{ gms @ } 84.09\% \text{ Au} &= 77.4469 \text{ gms} \\
 &= 2.490 \text{ oz @ } 376.852 = 938.46 \quad \text{--- } 938.46
 \end{aligned}$$

7

Gold Bar 92.10 gms at 10.82% <sup>Ag</sup> = 9.9652 gms  
 0.3204 ozs Ag at 5.21833 = \$1.67 — \$1.67

(b) Free Gold +10 mesh 428.6655 @ 840 fineness  
 = 360.0790 gms Au. = 11.578 ozs. @ \$376.852/oz  
 = \$4363.23 — \$4363.23

Royalty based on 5% of gross value less cost Total \$5303.36

The gold and silver quotations are from Handy and  
 Harmon - New York as the monthly average for August

### Direct Operating Costs

The following costs are direct charges at Upper Weaver  
 Creek and do not include charges for securing the loan,  
 charges for the lease of plant and equipment by La Paz Inc.  
 and the charges by La Paz Mining Inc. for professional  
 fees and overhead at home office

Gross Payroll	10 654.99
Payroll Taxes	11 44.24
Legal Fees	116.45
Office Expense Weaver	194.50
Telephone	307.52
Rent Food Lodging	1694.74
Pumps	187.92
Fuel	3610.26
Field Supplies	676.51

Equipment Rental

6500.00

Parts and repairs

2180.26

Water Wells To be charged off over 36 months

$$\text{or } \frac{78234.16}{36} = 2173.17/\text{mo} - \text{Drillers Contract only}$$

2173.17

\$29,440.56

$$\frac{520.7655}{31.1} = 16.74$$

then

$$\frac{29,440.56}{16.74} = \$1758.70 \text{ to produce an ounce of gold}$$

$$\frac{29,440.56}{2344.7} = \$12.56 \text{ per cubic meter of feed}$$

One cubic meter of feed for August contained  
0.007 oz of gold at \$376.852/oz = \$2.64/M<sup>3</sup>  
or a loss of \$9.92/M<sup>3</sup>

The loss is due to operations start-up on  
August 12, 1986 and break in of the equipment. The  
value per M<sup>3</sup> is low and will also improve

D. J.

File

## UPPER WEAVER FEASIBILITY STUDY

The following operational data are outlined for mining the placer deposit on Upper Weaver Creek located on BLM land.

The operation on the State Lease has shown that 35% of the mined material is rejected in the pit as +4 inch material and 65% is hauled to the plant. The desired feed for the plant is 40 M<sup>3</sup> per hour of -4 inch material, 8-hour day, and 22 days per month.

	<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Mo.</u>
Mine	62	492	10,830
Plant	40	320	7,040

The plant rejects from the above plant feed are:

		<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Mo.</u>
-4 Inch +3/8 Inch	29%	12	96	2,112
-3/8 Inch Sand	39%	15	120	2,640
				Classifier Sand
Slimes	32%	<u>13</u>	<u>104</u>	<u>2,288</u>
		40	320	7,040

A recovery of gold from the present plant is based on 0.02 oz. of gold per M<sup>3</sup> at a price of \$450 per ounce. The fineness will be considered further on in the report.

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
M <sup>3</sup>	40	320	7,040
0.02 oz. Au	0.80	6.40	140.80
\$ Value \$450	\$360	\$2880	\$63,360

The labor cost is based on 5 men, superintendent, and watchman. This allows for 48 hours of overtime on 5 men for maintenance on Saturdays and operation if required to hold the monthly tonnage.

The direct costs are based on direct operating costs only.



*Labor	\$2.25/M <sup>3</sup> of feed	\$15,840.00
**Direct Costs	\$5.00/M <sup>3</sup> of feed	35,200.00
	\$7.25/M <sup>3</sup> of feed	\$51,040.00
Weaver operating profit/month		\$12,320.00

\*Savings may be made in the Labor Cost as the overtime amounts to \$0.46/M<sup>3</sup>/month.

\*\*Equipment rental amounts to \$1.06/M<sup>3</sup> mainly for backhoe rental. These two costs amount to \$10,701/month that could be added to profit.

### Classifier Sands

The classifier sands amount to:

<u>M<sup>3</sup>/Hr.</u>	<u>M<sup>3</sup>/Day</u>	<u>M<sup>3</sup>/Month</u>
15	120	2640

The classifier sands were screened to remove the +20 mesh material. The -20 mesh is 33% of the classifier feed. Using a specific gravity of 1.6 as shown from tests, we have the following:

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
M <sup>3</sup>	15	120	2640
M Tons	24	192	4224
MT -20 Mesh	8.00	64	1393

The test work contains 2 gold products:

- (a) Fine gold that can be amalgamated
- (b) Gold that can not be amalgamated

(a) 6.79 Mg + (b) 5.43 Mg = 0.0338 oz./MT  
Assay Tons 361.5

	<u>Per Hr.</u>	<u>Per Day</u>	<u>Per Mo.</u>
-20 Mesh M Tons	8.00	64.00	1393.0
0.0338 oz./MT	0.2704	2.16	47.08
90% recovery	0.2434	1.94	42.37
\$ Value \$450	109.53	873.00	19,066.5