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U. S. SILVER AND MINING CORPORATION

PROXY STATEMENT

U. S. Silver and Mining Corporation Special Meeting
of Stockholders to be held May 24, 1971

This Proxy Statement, relating to the proposed merger described below, is furnished in connection with a solicitation of proxies by the management of U. S. Silver and Mining Corporation, a Nevada corporation (Silver). The Board of Directors of Silver has resolved that subject to the approval of the stockholders of Silver that Consolidated Yellow Jacket Mines, Inc. (Yellow Jacket) be merged into Silver. A copy of the notice of the meeting of the shareholders of Silver accompanies this Proxy Statement.

The Board of Directors of Silver has fixed the close of business on April 20, 1971, as the time for the determination of stockholders entitled to notice and to vote at the special meeting.

PROPOSED MERGER

At the meeting of the stockholders there will be presented a proposal to approve and adopt a Merger Agreement approved by the Boards of Directors of Yellow Jacket and Silver, and dated as of February 26, 1971, providing for the merger of Yellow Jacket into Silver. At the meeting of the stockholders of Silver, the stockholders will be asked to approve and to authorize the merger and the filing of Articles of Merger and similar documents upon the consummation of the merger. The Surviving Corporation will be Silver.

Objectives of Merger

The management of Silver believes that the principal properties of Yellow Jacket, which are lease purchase options on 4,000 acres more or less of patented and unpatented mining claims in Lemhi County, Idaho, will be valuable assets of your company. See "The Constituent Corporations -- Yellow Jacket" herein.

However, the properties are not in production and no assurance can be given that the properties are capable of production or if so capable that such production will ever be commercially profitable. Large amounts of capital will be necessary to further explore the Yellow Jacket properties and if such exploration is successful to develop the properties and to put them into production. Silver at the present time does not have the resources to explore the properties, and if such exploration is successful, to develop the properties and to put them into production. It should be noted that all ore upon the Yellow Jacket properties is probable and not developed for production or of a proven nature and accordingly involves a high degree of risk as to the ultimate realization.

It is the opinion of the Board of Directors of your company that the plan of merger is fair and equitable for the stockholders of both Yellow Jacket and Silver.

TERMS OF MERGER

Conversion Ratio

The basis for the conversion ratio was arrived at after consideration of the prospective values of Yellow Jacket's and Silver's mineral and other properties and the market value, earnings, book value and future prospects of Silver.

Under the Merger Agreement the outstanding capital stock of the Constituent Corporations, being Yellow Jacket and Silver, will remain or be converted into securities of the Surviving Corporation as follows:

Silver

For each share of Common Stock par value 1¢ per share	One share of Common Stock par value 1¢ per share of the Surviving Corporation
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Yellow Jacket

For each share of Common Stock no par value per share	6.5 shares of Common Stock par value 1¢ per share of the Surviving Corporation
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On or about the effective date of the merger, stockholders of Yellow Jacket will be notified as to the place or places at which they should surrender their certificates of Common Stock no par value of Yellow Jacket to the Surviving Corporation in order to receive in exchange therefor certificates representing the Common Stock 1¢ par value of the Surviving Corporation to which such holders shall thereafter be entitled. Until surrendered in the manner provided in such notice, each outstanding certificate, which prior to the effective date of the merger represented shares of Common Stock no par value of Yellow Jacket, will be deemed for all corporate purposes to evidence ownership of the number of full shares of Common Stock of the Surviving Corporation into which they shall have been converted as set forth above.

No fractional shares of Common Stock 1¢ par value of the Surviving Corporation shall be issued.

-PRO FORMA-
U. S. SILVER AND MINING CORPORATION
and wholly owned subsidiary

Financial Condition
after merger with Consolidated Yellow Jacket Mines, Inc.
as at December 31, 1970

<u>LIABILITIES AND CAPITAL</u>			
CURRENT LIABILITIES			
Notes Payable	\$ 134,500		
Accounts Payable	178,585		
Other Payables	10,904		
Accrued Payroll & Taxes	38,189		
Accrued Interest Payable	<u>30,142</u>	\$ 392,320	
LONG TERM DEBT			
Equipment Contracts	42,107		
Property Contracts	<u>187,007</u>	229,114	
PAYABLE TO OFFICERS, DIRECTORS AND STOCKHOLDERS			
Officers and Directors	109,788		
Stockholders	<u>247,449</u>	357,237	
STOCKHOLDERS' EQUITY			
Common stock 10,000,000 shares Issued & Outstanding 8,153,004	81,330		
Paid in Capital			
Less 535,595 shares	3,536,967		
Treasury Stock at Cost	<u>(373,613)</u>		
Net Capital	3,244,684		
Retained Earnings	<u>717,895</u>	3,962,579	
			<u>\$ 4,941,250</u>

Dilution

On December 31, 1970, the book value of Silver was 46¢ per share (based upon the unaudited balance sheet of Silver -- see "General Information" herein). On this date, the book value of Yellow Jacket was \$9.60 per share (based upon the unaudited balance sheet of Yellow Jacket -- see "General Information" herein), based upon the Yellow Jacket Directors' estimated market value of Yellow Jacket's mining leases and not the cost thereof to Yellow Jacket or to the persons from whom Yellow Jacket acquired such mining leases in a transaction which may not have been an arms-length transaction. Upon consummation of the merger, the book value of Silver will be as of December 31, 1970, 52¢ per share. Since the conversion ratio is 6.5 shares of Silver for 1 share of Yellow Jacket, Yellow Jacket shareholders will give up \$9.60 in book value in exchange for \$3.41 (6.5 times 52¢) in book value for an immediate dilution in book value per share of \$6.19 on each share of Yellow Jacket held. Options to purchase 300,000 shares of Silver at 70¢ per share have been authorized, none of which have been granted. Assuming that all 300,000 options were granted at 70¢ per share and assuming that all 300,000 options were exercised at 70¢ per share, before the merger the book value of Silver would be 50¢ per share. Accordingly, the book value of Silver after the merger would be 53¢ per share, in which case the shareholders of Yellow Jacket would give up \$9.60 in book value for \$3.45 (6.5 times 53¢) in book value for dilution of \$6.15 on each share of Yellow Jacket held. There are outstanding warrants to purchase 16,000 shares of Common Stock of Silver at a price of \$2.00 per share.

Market Prices

There is no public market for the shares of Yellow Jacket. The shares of Silver are traded in the national, over-the-counter market. During 1970 and the quarter ended March 31, 1971, the quarterly high and low bid prices of Silver's shares were as follows:

	<u>1st Qtr</u> <u>1970</u>	<u>2nd Qtr</u> <u>1970</u>	<u>3rd Qtr</u> <u>1970</u>	<u>4th Qtr</u> <u>1970</u>	<u>1st Qtr</u> <u>1971</u>
Hi	1 3/8	5/8	3/4	11/16	1 3/8
Low	1 1/8	1/2	1/2	1/2	7/8

The high bid on April 15, 1971 was 1 1/8.

Stockholder Votes Required

Under the laws of the State of Nevada under which Silver is incorporated the affirmative vote of a majority of the total number of outstanding shares of Common Stock 1¢ par value of Silver is required for approval of the merger.

Under the laws of the State of Colorado under which Yellow Jacket is incorporated the affirmative vote of two-thirds of the total number of outstanding shares of Common Stock no par value of Yellow Jacket is required for approval of the merger.

As of April 20, 1971, the record date, Silver's capital stock consisted of 10,000,000 shares authorized and 7,148,747 issued and outstanding shares of Common Stock. As of such date Yellow Jacket's capital stock consisted of 400,000 shares authorized and 154,501 issued and outstanding shares of Common Stock. Consummation of the merger will result in an authorized capitalization of Silver of 10,000,000 shares of which 8,153,004 shares will be issued and outstanding, fully paid and non-assessable, excluding, however, options authorized but not yet granted to acquire an additional 300,000 shares of Silver, and shares reserved for exercise of warrants to purchase 16,000 shares of Silver.

THE CONSTITUENT CORPORATIONS

Silver

Silver's basic function is to acquire, hold and develop natural resource properties. Silver has ownership of or control over, by lease purchase or option agreements, properties located as follows:

The Silver Star Mining Property - Idaho
The Horseshoe Mine - Idaho
The Lucky Boy Mining Property - Idaho
The Winn Mining Claims - Utah
The Custer County Mining Properties - Idaho
The Humbolt Placer Claims - California
The Montgomery Shoshone Claims - Nevada
The Bonne Blue Claims - Idaho
The King of the Hills Mining Property - Utah
The Phi Kappa Mining Property - Idaho
The Silver King Mining Property - Idaho
The Stansbury Unit Mining Claims - Idaho
The Mackay Mine - Custer County, Idaho

Silver has oil and gas concessions issued or filed on approximately 660,000 acres in the Republic of Panama.

-PRO FORMA-
U. S. SILVER AND MINING CORPORATION
and wholly owned subsidiary

Financial Condition
after merger with Consolidated Yellow Jacket Mines, Inc.
as at December 31, 1970

<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$	118,786	
Accounts & Interest Receivable		285,468	
Inventories		148,987	
Due from Officers & Directors		42,940	
Prepaid Expenses		<u>22,600</u>	\$ 618,781
<u>NOTES AND CONTRACTS</u>			
Notes Receivable			856,896
<u>PLANT AND EQUIPMENT</u>			
Buildings and Improvements		70,388	
Operating Equipment, Furn., and Fix.		<u>975,921</u>	
Total Equipment		1,046,309	
Less: Allowance for Depreciation		<u>(314,664)</u>	731,645
<u>PROPERTIES AND DEVELOPMENT COSTS</u>			
Mining Properties		1,630,635	
Oil Properties		42,634	
Unrecovered Development Costs		<u>1,049,514</u>	2,722,783
<u>OTHER ASSETS</u>			
Prepaid Expenses		4,100	
Deposits		1,000	
Organization Costs		<u>6,045</u>	11,145
Total Assets			<u>\$ 4,941,250</u>

U. S. SILVER AND MINING CORPORATION

Notes to December 31, 1970 Financial Statements

LONG TERM DEBT: Outstanding \$519,394 consisting of (1) \$100,000 6% note due December 1968 in default. (2) \$20,000 non interest bearing note. Due October 1968 in default. (3) \$77,000 non interest bearing contract secured by mining claims due \$3,500 quarterly, final payment due January 1976. (4) \$12,307 miscellaneous equipment contracts. (5) \$109,788 accounts payable due officers and directors. (6) \$200,299 accounts payable to various companies which are affiliated by common management and ownership.

CAPITAL STOCK AND OPTIONS:

U. S. Silver and Mining Corporation capitalization consists of only one class of common stock with a total authorization of 10,000,000 shares of \$0.01 par value. On January 16, 1970 300,000 shares were reserved at \$0.70 per share for options to the officers and directors. As a result of the merger with Cardinal Silver Mining Corporation there are outstanding warrants for options on 16,000 shares @ \$2.00 per share. This option expires February 20, 1972.

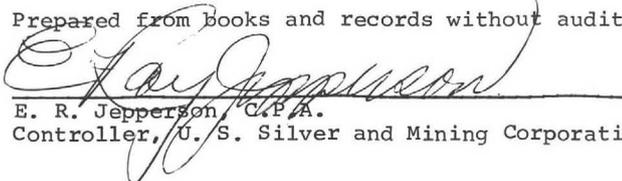
FUNDED OPERATING CONTRACT:

Included in the cash is \$94,000 on deposit in the account of GeoDynamics of Panama; U. S. Silver and Mining Corporation assumed the management and control of these funds under a revision of the turnkey contract with GeoDynamics of Panama.

STATEMENTS SUBJECT TO AUDIT:

These statements are subject to audit, however, the management of the U. S. Silver and Mining Corporation feel that they have been prepared on a consistent basis in accordance with generally accepted accounting principals.

Prepared from books and records without audit.


E. R. Jepperson, C.P.A.
Controller, U. S. Silver and Mining Corporation

On the 24th day of November, 1970, Silver entered into an agreement with GeoDynamics Oil and Gas Incorporated under which Silver sold to GeoDynamics Oil and Gas Incorporated a net 15/32 interest in approximately 300,000 acres of the concessions. At the present time there is being drilled upon this concession an oil and gas test well. No assurance can be given that this well will be successful or, if successful, that it will be commercially profitable.

Yellow Jacket

Yellow Jacket was organized for the purpose of acquiring by lease purchase options approximately 4,000 acres of patented and unpatented mining claims in Lemhi County, Idaho. Yellow Jacket has caused some development work to be done upon the property. In this connection, there has been performed upon the property a geo-chem surface survey which encountered numerous exposures of mineralization, including gold, copper, silver and lead. While Silver intends, to the extent that funding is available, to continue to develop the Yellow Jacket properties, no assurance can be given that this development work will be successful, or if successful, that it will be commercially profitable.

With respect to placer gold, reports on Yellow Jacket properties prepared by mining engineers show that the deposits may contain approximately one million cubic yards of oxidized overburden and mine refuse. Inferred deposits may be several million cubic yards. The reports recommend that further development work be done upon the properties in order to determine the specific valuations of the ore.

With respect to lead and silver ore, reports show that probable ore of 4,060,000 tons may occur. With respect to the lead and silver ore, the reports also recommend that further development work be done upon the properties in order to determine the specific valuations of the ore. Considering that this ore is probable and not developed for production or of a proven nature and involves a high degree of risk as to the ultimate realization, and considering the capital requirements for production and development, which capital is not now available, the management of the Constituent Corporations have negotiated the terms of the merger and believe such terms to be fair to the shareholders of both corporations.

Management

The following persons, all of whom are now Directors of Silver, will be Directors of the Surviving Corporation. The Board of Directors of Silver anticipates, if the merger is approved, appointing two of the present Directors of Yellow Jacket to the Board of the Surviving Corporation, who will serve until the next annual meeting of the shareholders of

Silver. It is expected that these two Directors will be Fred E. Baker and Ernest C. Saftig.

U. S. SILVER AND MINING CORPORATION
OPERATING STATEMENT
Twelve Months
ended December 31, 1970

(Unaudited)

<u>Name</u>	<u>P. O. Address</u>
George Adams	Wichita Falls, Texas
Hubert Barlow	Rexburg, Idaho
Hugh Garner	Salt Lake City, Utah
E. Headington	Oklahoma City, Oklahoma
Sterling Meyer	Salt Lake City, Utah
Robert Pinder	Salt Lake City, Utah
William Wallace	Northbrook, Illinois

The following persons will be the officers of the Surviving Corporation:

<u>Name</u>	<u>Office</u>	<u>P. O. Address</u>
William Wallace	Chairman of the Board and Chief Exec. Officer	Northbrook, Illinois
Robert Pinder	President	Salt Lake City, Utah
Sterling Meyer	Secretary-Treasurer	Salt Lake City, Utah

Mr. John Wayne, a professional actor and shareholder of Yellow Jacket, has agreed to act as an advisor to the Surviving Corporation in the area of public relations. It is not expected that Mr. Wayne will devote a great deal of his time in his capacity as advisor.

RIGHTS OF DISSENTING STOCKHOLDERS

Pursuant to Section 78.505 of the domestic and foreign corporation laws of the State of Nevada, if any stockholder of either Constituent Corporation shall vote against the merger and shall, at or prior to the taking of the vote thereon, object thereto in writing, and if such stockholder shall also, within twenty (20) days after the date on which the Agreement and Plan of Merger is filed as provided by applicable law, demand in writing from the Surviving Corporation payment for his shares, the Surviving Corporation shall within thirty (30) days thereafter pay to that stockholder the fair cash value of his shares as of the day before the vote on the Agreement and Plan of Merger was taken exclusive of any element of value arising from the expectation or accomplishment of the merger. The merger may be abandoned by Silver before or after the shareholders meetings if 5% or more of the shareholders of either corporation dissent to the merger. This right of Silver, however, may be waived should 5% or more of the shareholders of either corporation dissent to the merger.

SALES		
Concentrates	\$ 20,722	
Contract Services	<u>1,140,896</u>	\$ 1,161,618
COST OF SALES		
Operating Costs		
Labor	75,980	
Sub-Contracts	146,500	
Other Costs	<u>72,590</u>	<u>295,070</u>
GROSS PROFIT		866,548
DEVELOPMENT COSTS RECOVERED		
Labor	28,999	
Operating Costs	85,151	
Depreciation	<u>29,843</u>	<u>143,993</u>
GENERAL AND ADMINISTRATIVE		
Salaries	13,471	
Operating Costs	95,757	
Depreciation and Amortization	<u>3,115</u>	<u>112,343</u>
NET FROM OPERATIONS		610,212
OTHER INCOME AND EXPENSE		
Interest	13,731	
Proceeds from Sale of Properties	366,000	
Cost of Properties Sold	<u>(222,169)</u>	<u>157,562</u>
NET GAIN FOR PERIOD		767,774
DEFICIT FROM PRIOR OPERATIONS		<u>(49,879)</u>
RETAINED EARNINGS		<u>\$ 717,895</u>

U. S. SILVER AND MINING CORPORATION
and wholly owned subsidiary

Financial Condition
as at December 31, 1970

(Unaudited)

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Notes Payable	\$ 134,500	
Accounts Payable	175,649	
Other Payables	10,904	
Accrued Payroll and Taxes	37,470	
Accrued Interest Payable	<u>30,142</u>	\$ 388,665

LONG TERM DEBT

Equipment Contracts	42,107	
Property Contracts	<u>167,200</u>	209,307

PAYABLE TO OFFICERS, DIRECTORS
AND STOCKHOLDERS

Officers & Directors	109,788	
Stockholders	<u>200,299</u>	310,087

STOCKHOLDER'S EQUITY

Common Stock 10,000,000 shares		
Issued and Outstanding 7,148,747	71,287	
Paid in Capital	2,603,069	
Less 535,595 shares		
Treasury Stock at Cost	<u>(373,613)</u>	
Net Capital	2,300,743	
Retained Earnings	<u>717,895</u>	3,018,638
		<u>\$ 3,926,697</u>

GENERAL INFORMATION

Any proxy given may be revoked by a stockholder at any time prior to the time such proxy is voted at the stockholders' meeting by filing with the Secretary of Silver an instrument revoking it or a duly executed proxy bearing a later date, or by being present at the stockholders' meeting and electing to vote in person. Subject to such revocation, all shares represented by properly executed proxies will be voted in accordance with the specification on the proxy or, if no specification is made, in favor of the proposal.

The management knows of no other matters than as indicated above and in the notice to stockholders which may be brought before the meeting. However, if any other matter shall properly come before the meeting, it is the intention of the persons named in the enclosed form of proxy to vote such proxy in accordance with their best judgment.

Please sign, date and mail the enclosed proxy in the return envelope provided for that purpose. The foregoing is a summary of the terms of the merger of Yellow Jacket into Silver and does not purport to be complete in every detail. In this regard, reference should be made to the underlying documentation of the merger which is in the custody of the Constituent Corporations. A copy of the Merger Agreement is attached for your reference as Exhibit "A". The financial statements included herein are unaudited, and while the Constituent Corporations believe them to be substantially correct, no warranty can be given in this regard.

DATED April 20, 1971.

By Order of the Board of Directors,

William D. Wallace
William D. Wallace
Chairman of the Board

CONSOLIDATED YELLOW JACKET MINES, INC.
Balance Sheet as of
December 31, 1970

<u>ASSETS</u>	
Cash in banks	\$ 295.87
Mining leases	<u>1,535,000.00</u>
Total Assets	<u>\$ 1,535,295.87</u>
<u>LIABILITIES</u>	
Current accounts payable	15,085.67
Due to stockholder	35,000.00
Note payable-Silver Dawn, Inc.	19,807.36
Payroll taxes due	487.11
Property taxes due	<u>231.53</u>
Total Liabilities	70,611.67
<u>CAPITAL</u>	
Capital stock outstanding	1,525,000.00
Surplus deficit	<u>60,315.80</u>
Total Capital	<u>1,464,684.20</u>
Total Liabilities and Capital	<u>\$ 1,535,295.87</u>

Prepared by Vance Grenko from books and records maintained by him.

January 2, 1970 S/ Vance Grenko, Accountant

U. S. SILVER AND MINING CORPORATION
and wholly owned subsidiary

Financial Condition
as at December 31, 1970

(Unaudited)

<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Petty Cash	\$ 650
Cash in Bank	117,840
Accounts & Interest Receivable	285,468
<u>INVENTORIES</u>	
Concentrates	51,868
Stockpiled Ore	<u>97,119</u>
Other Receivables	42,940
Prepaid Expenses	<u>22,600</u>
	\$ 618,485
<u>NOTES AND CONTRACTS</u>	
Notes Receivable	856,896
<u>PLANT AND EQUIPMENT</u>	
Buildings and Improvements	70,388
Operating Equipment	790,013
Transportation Equipment	180,765
Furniture and Fixtures	<u>5,143</u>
Total Equipment	1,046,309
Less: Allowance for depreciation	<u>(314,664)</u>
	731,645
<u>PROPERTIES AND DEVELOPMENT COSTS</u>	
Mining Properties	616,378
Oil Properties	42,634
Unrecovered Development Costs	<u>1,049,514</u>
	1,708,526
<u>OTHER ASSETS</u>	
Prepaid Expenses	4,100
Deposits	1,000
Organization Costs	<u>6,045</u>
	11,145
Total Assets	<u>\$ 3,926,697</u>

AGREEMENT AND PLAN OF MERGER

THIS AGREEMENT AND PLAN OF MERGER ("Agreement") is entered into on February 26, 1971, between U. S. SILVER AND MINING CORPORATION ("USSM"), a Nevada corporation, and CONSOLIDATED YELLOW JACKET MINES, INC. ("Consolidated"), a Colorado corporation.

ARTICLE ONEPLAN OF REORGANIZATION

A. Plan. The parties hereby adopt a Plan of Reorganization to effect a reorganization under Sections 361(a) and 368(a)(1)(A) of the Internal Revenue Code of 1954, as amended, such reorganization to comprise at the Effective Date (as defined in ARTICLE FIVE hereof), (i) the merger of Consolidated into USSM and the cessation of Consolidated's separate corporate existence under the laws of Colorado, the State of its incorporation, and (ii) the succession by USSM to all of Consolidated's properties and rights of whatever nature subject to all of Consolidated's liabilities and duties, all as disclosed in the subject Agreement and Exhibits and collateral documents.

B. Exchange of Shares. Each share of Consolidated common stock, no par value (being its only authorized capital or other security), issued and outstanding at the Closing (as defined in ARTICLE FIVE hereof) shall be converted into and be 6.5 shares of USSM common stock ("Share"), \$.01 par value, the number of such shares to be exchanged for the Consolidated shares in no event, however, to exceed 1,004,257 shares.

ARTICLE TWOWARRANTIES

A. Consolidated Warranties. Consolidated warrants:

1. Corporate Status. Consolidated is a corporation duly organized, validly existing and in good standing under the laws of Colorado, the State of its incorporation, presently owning and/or leasing certain Idaho properties (as described in Exhibit A hereto -- all Exhibits to be delivered within ten (10) days hereof).

2. Consolidated's Capitalization. Consolidated's authorized "common stock" (its only authorized capital or other security) consists of 500,000 shares, no par value, of which 154,501 shares are presently validly issued and outstanding under federal and applicable state securities

laws, fully paid and non-assessable. As of the date hereof, there are no outstanding options, agreements or other rights of whatever nature to acquire any additional shares of Consolidated common stock.

3. Financial Statements. Consolidated has delivered to USSM its December 31, 1970 balance sheet prepared by Vance Grenko from the Consolidated books and records maintained by him (being all of Consolidated's financial books and records), Consolidated warranting (i) that such balance sheet fairly presents Consolidated's applicable financial condition as of such date, and (ii) that there are no material liabilities, absolute or otherwise, or any suits, claims or actions as to tax or any other matters pending as to or threatened against Consolidated not heretofore disclosed on such balance sheet or otherwise (by separate document) to USSM.

4. Absence of Certain Changes. Since December 31, 1970, Consolidated has conducted no mining operations or engaged in any other business transactions, except such necessary or appropriate to maintain its interests under the appropriate Lease and Option Agreements (Exhibit B) and mining claims thereunder (as to the subject Idaho properties -- Exhibit A).

Consolidated will conduct no business or incur any liabilities of whatever nature, other than such appropriate in Consolidated's directors' judgment to consummate the subject transaction and to maintain Consolidated's interests in the subject Idaho properties, without USSM's prior written consent. Consolidated will promptly notify USSM of any event which may hereafter have a material effect on its financial or business condition.

5. Consolidated Personal Property. All of Consolidated's present personal property, including without limitation mining machinery, operating and other equipment ("Equipment") is in good working order, subject to usual repair and replacement requirements.

Consolidated has good and marketable title to all such Equipment free and clear of all mortgages, claims and other encumbrances other than (i) such mortgages, claims or encumbrances as may be disclosed in any separate document to be hereafter delivered to USSM, and (ii) such charges, encumbrances and restrictions imposed by law, ordinance or regulation incidental to the usual and normal conduct of business, all of which in the aggregate do not adversely affect the use of such Equipment, as appropriate, in Consolidated's contemplated business operation. A complete list of such Equipment and the locations thereof will be set forth in Exhibit C.

F. Entire Agreement. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof and supercedes all prior and contemporaneous agreements and understandings. No modification or waiver of any term hereof shall be binding unless executed in writing by the party or parties to be bound thereby.

G. Headings. All headings are not to be considered a part of this Agreement, are included solely for convenience and are not intended to be full or accurate descriptions of the contents thereof.

H. Counterparts. This Agreement may be executed simultaneously in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, it not being necessary in making proof of this Agreement to produce or account for more than one counterpart.

I. Binding and Assignment. This Agreement shall inure to the benefit of and bind the parties' successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement on the date first above written.

ATTEST: CONSOLIDATED YELLOW JACKET MINES, INC.

Secretary By _____
Fred E. Baker, Jr., President

ATTEST: U. S. SILVER AND MINING CORPORATION

By _____
Robert J. Pinder, President

6. Real Property and Labor. Consolidated has reasonable access to and the right to commence or continue, as applicable, its proposed operations on and appurtenant to, as applicable, the subject Idaho properties (Exhibit A).

Consolidated has only one non-officer employee (a watchman for its subject Idaho properties).

7. Liabilities - Employment, Loan and Other Agreements. Except as disclosed in Exhibit D, Consolidated is not a party to or in any way bound under any written or oral employment, employee benefit, operating, licensee, loan or other agreements (excluding, however, such disclosed in Exhibit B) involving whether presently or prospectively, in excess of \$1,000.00, Consolidated further warranting that at the Closing its accrued current liabilities (other than such as will be assumed by USSM by promissory note, as hereafter provided) will not exceed approximately \$13,000.00.

8. Insurance. Consolidated owns no policies of title, fire, liability or other insurance of whatever nature, except as disclosed in Exhibit D-1.

9. Proxy Statement Information. All information provided and to be provided by Consolidated to its shareholders and to USSM for use in USSM's proxy material to be mailed to its shareholders (in connection with Consolidated's and USSM's respective shareholders' meetings to consider and act upon this proposed merger) does not and will not contain any information which, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact or which omits to state any facts necessary in order to make any statement contained in such respective shareholders' material not false or misleading.

10. Validity of Transactions. Consummation of the transactions herein will not result in a breach of any provision of Consolidated's Articles of Incorporation, By-Laws or similar instruments, or any loan, operating, lease, mortgage or other agreement to which it is a party or may be bound. As of the Closing, the required or other appropriate consents of all persons, firms, and corporations, as applicable, will have been obtained. This Agreement has been duly executed by Consolidated's proper officers.

11. Validity of Warranties. All of Consolidated's warranties herein and in any separate document delivered by it to USSM shall be true on and as of the Closing, with the same effect as if made on and as of such Closing, except as such warranties may be changed by reason of the consummation of matters applicable to the subject transaction, which matters will not separately or in the aggregate be materially adverse, and business transactions as to which USSM will have consented.

B. USSM Warranties. USSM warrants:

1. Corporate Status. USSM is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada with full power and authority, and with due qualification, to own or lease its properties and conduct its businesses where such properties are now owned or leased and such businesses are now conducted.

2. Capitalization. USSM is authorized to issue a maximum of 10,000,000 shares (its only authorized capital or other security), of which 7,148,747 shares (excluding, however, issued options to acquire a maximum of 316,000 shares) are presently validly issued and outstanding, fully paid and non-assessable. Further, USSM is presently considering the commencement of negotiations which may result in its issuance of an additional number of shares.

3. Litigation. To the knowledge of USSM, except as may be set forth in Exhibit E, there is no suit, action, administrative, arbitration or other proceeding or governmental investigation of whatever nature (suit) pending as to or threatened against USSM or any of its officers, directors, employees or representatives ("agents") with respect to matters arising out of its business or properties and there is no suit pending as to or threatened against any persons other than as set forth above which, if successful, might give rise to USSM's or its agents' liability. To the knowledge of USSM, USSM and its agents, with respect to USSM's affairs and interests, have complied with and are not in any way in default under any laws, ordinances, requirements, union or other regulations or order or decree of any court, regulatory body or other tribunal, except as may be indicated upon Exhibit E.

4. Financial Statements. USSM's pro forma balance sheet (after Copper merger) as of December 31, 1969, and unaudited balance sheet as of December 31, 1970, and operating statement for the eleven months ended December 31, 1970, have heretofore been delivered to Consolidated (Exhibit F). The financial and other information disclosed in such financial reports were prepared, as applicable, in accordance with generally accepted accounting principles consistently applied and fairly present USSM's financial and other conditions for the respective periods, there being no material liabilities, whether arising from any claim or suit or otherwise, not disclosed in such December 31, 1970 financial report including the notes thereto.

5. Absence of Certain Changes. To the knowledge of USSM, since December 31, 1970, there have been no materially adverse changes in USSM's financial and business conditions or properties, nor are any threatened.

D. General. At any time before or after approval and adoption by the respective stockholders of the constituent corporations, this Agreement may be amended in matters of form, or supplemented by additional agreements, articles or certificates as may be determined in the judgment of the boards of directors of the constituent corporations to be necessary, desirable or expedient to clarify the intention of the parties hereto or to effect, facilitate the filing, recording or official approval hereof and consummation of the merger provided for herein, in accordance with the purposes and intent hereof. The officers of USSM shall have, and are hereby given, the power and authority to file the necessary documents, papers or certifications, with the appropriate governmental agencies and departments, to effect the intent and purpose of this Agreement.

E. Notices. All notices or other communications hereunder shall be in writing and shall be deemed given if delivered personally or sent by registered or certified mail, return receipt requested, proper postage prepaid, to the parties at the following addresses (or to such other addresses as may be specified by a like notice):

If to Consolidated:

Fred E. Baker, President
Consolidated Yellow Jacket Mines, Inc.
Route No. 1, Post Office Box 227
Sequim, Washington 98382

with copies to:

Walter M. Uhrman, Esq.
Loeb and Loeb
One Wilshire Building, 16th floor
Wilshire Boulevard at Grand Avenue
Los Angeles, California 90017

If to USSM:

U. S. Silver and Mining Corporation
Fifth Floor, Boston Building
Salt Lake City, Utah 84111

Attention: Robert J. Pinder, President

with copies to:

Francis H. Switter, Esq.
Parsons, Behle & Latimer
Kearns Building, Suite 520
Salt Lake City, Utah 84101

B. Obligations of the Parties at the Closing.

1. Consolidated. At the Closing, Consolidated shall deliver to USSM (i) certified copies of its directors' and shareholders' resolutions authorizing and approving the execution and delivery of this Agreement and the performance of Consolidated's obligations hereunder and (ii) such other documents as required herein and as may be reasonably requested by USSM's counsel.

2. USSM. At the Closing, USSM shall deliver to Consolidated or its liquidating agent (being such person appointed by the Consolidated shareholders to distribute the shares to them) (i) share certificates for an aggregate 1,004,257 shares registered in such Consolidated shareholders' names (Exhibit H), (ii) certified copies of its directors' and shareholders' resolutions authorizing and approving the execution and delivery of this Agreement and the performance of USSM's obligations hereunder, and (iii) such other documents as required herein and as may be reasonably requested by Consolidated's counsel.

C. Effectiveness. Promptly after the Closing, the parties shall file or cause to be filed with the Colorado and Nevada Secretaries of State, as appropriate, such certificates and other documents as may be required to be filed by the laws of such states to effect the merger of Consolidated into USSM in the manner described herein, the merger to become effective on the business day following the last filing of the appropriate documents in such state offices (such date being the "Effective Date").

ARTICLE EIGHT

MISCELLANEOUS

A. Survival. All warranties made by the parties hereto shall survive the Closing for one year.

B. Fractional Shares. USSM shall not be required to issue any fractional share.

C. Brokerage and Agreement Expenses. No persons acting on any party's or any affiliated person's behalf as agent, finder or broker in negotiating or bringing about this Agreement shall be entitled to be paid by the other party any fee in the nature of a finder's, broker's or originator's fee in connection with the Agreement or the transactions contemplated herein, Consolidated and USSM agreeing to indemnify and hold the other harmless against any claims for such fees.

6. Proxy Statement Information. All information provided and to be provided by USSM to its shareholders and to Consolidated for use in Consolidated's proxy material to be mailed to its shareholders (in connection with USSM's and Consolidated's respective shareholders' meetings to consider and act upon this proposed merger) does not and will not contain any information which, at the time and in light of the circumstances under which it is made, is false or misleading with respect to any material fact or which omits to state any facts necessary in order to make any statement contained in such respective shareholders' material not false or misleading.

7. Validity of Transactions. Consummation of the transactions herein will not result in a breach of any provisions of USSM's Articles of Incorporation, By-Laws, or similar instruments, or any loan, operating, lease, mortgage or other agreement to which it is a party or may be bound. As of the Closing, the required or other appropriate consents of all persons, firms and corporations, as applicable, will have been obtained. This Agreement has been duly executed by USSM's proper officers.

8. Validity of Warranties. All of USSM's warranties herein and in any separate document delivered by it to Consolidated shall be true on and as of the Closing, with the same effect as if made on and as of such Closing, except as such warranties may be changed by reason of the consummation and other events with respect to any other acquisitions, similar transactions, changes in USSM's capital structure and ordinary business occurrences, none of which, however, will be materially adverse in any manner whatsoever.

ARTICLE THREE

CONDITIONS PRECEDENT

A. Conditions Precedent for Consolidated's and USSM's Benefit. The parties' obligations to close the transactions herein shall be subject to the following conditions precedent:

1. Shareholders' Approval. The proposed merger of Consolidated into USSM shall have been approved by the affirmative vote of the holders of at least two-thirds of Consolidated's outstanding shares and by not less than a majority of USSM's outstanding shares.

2. Examinations. Any party may examine such records and properties of the other party as may be reasonable to verify the warranties contained herein and in other documents. Such examination shall be conducted as soon as is practicable and if either party believes that the facts

represented in this Agreement, any exhibit hereto, any collateral document or otherwise vary materially from such disclosed by any examination, such party may, as applicable, without obligation terminate this Agreement by written notice to the other party at any time prior to the Closing.

3. Dissenting Shareholders. The holders of no more than 5% of Consolidated's outstanding shares and 5% of USSM's outstanding shares shall have dissented from the merger under the laws, as applicable, of the States of Colorado and Nevada, respectively; provided, however, that the provisions of this sub-paragraph may be waived upon three days' written notice from USSM to Consolidated either before or after the date of Consolidated's shareholders' meeting.

4. Absence of Material Changes. Neither party's respective businesses and properties shall be, or be threatened to be, whether directly or indirectly, materially and adversely affected in any way as a result of any pending or threatened suit, fire, explosion, earthquake, disaster, accident, labor dispute, change in technology, the incurring of a substantial and adverse liability or liabilities, obsolescence of product or service, the resignation or departure of any key USSM personnel (except as Consolidated may agree), any action taken by the United States or any other governmental authority, riot, civil disobedience, uprising, activity of armed forces, closing of any major stock exchange or act of God or public enemy.

5. Rule 133 - Counsels' Opinion. At or before the Closing, the parties shall have received from their respective counsel an opinion that the subject transaction does not constitute a "sale" within the intendments of Securities and Exchange Commission Rule 133 and that the shares to be received by the Consolidated shareholders will ultimately be transferrable as the parties shall mutually deem satisfactory.

B. Conditions Precedent for Consolidated's Benefit.

Consolidated's obligations to close the transactions herein shall be subject to the following conditions precedent:

1. Promissory Notes. At or before the Closing, as applicable,

(i) USSM will deliver to Messrs. John Wayne and Fred E. Baker, Jr. and Silver Dawn, Inc. USSM's promissory notes (Exhibit G) in the amounts of \$35,000.00, \$12,150.00, and \$19,807.36, respectively, secured by appropriate mortgages in recordable form (Exhibit G) as to the subject Idaho properties.

C. The corporate entity, existence and all property, rights, powers, franchises, and immunities of USSM shall continue unimpaired; and

D. The corporate name, entity and separate existence of Consolidated, except insofar as the same may be continued by statute, shall terminate and said corporation shall cease to be a corporation organized and existing under the laws of the State of Colorado, and USSM shall be a corporation organized and existing under the laws of the State of Nevada alone and not under the laws of any other governmental authority.

ARTICLE SIX

SERVICE OF PROCESS

Pursuant to 31-7-7(3) of the Colorado corporations law, USSM as the surviving corporation undertakes and agrees that it may be served with process in the State of Colorado in any proceeding for the enforcement of any obligation of Consolidated and in any proceeding for the enforcement of the rights of a dissenting shareholder of Consolidated against USSM. Further, USSM undertakes and does now agree irrevocably to appoint the Secretary of State of the State of Colorado as its agent to accept service of process in any such proceeding, such process to be mailed to Robert J. Pinder, President, U. S. Silver and Mining Corporation, 500 Boston Building, Salt Lake City, Utah 84111. Further, USSM undertakes and agrees that it will promptly pay to the dissenting shareholders of Consolidated the amount, if any, to which they shall be entitled under the provisions of the Colorado corporations code with respect to the rights of dissenting shareholders, except that this merger may not be effected if the number of dissenters is excessive according to the terms hereof.

ARTICLE SEVEN

CLOSING AND EFFECTIVENESS

A. Closing of Agreement. The closing of the transactions herein shall take place no later than the 120th business day subsequent to the execution of this Agreement, the exact date to be fixed by USSM upon five days' notice to Consolidated (the day so fixed being the "Closing"), at the offices of Messrs. Loeb and Loeb, One Wilshire Building, Wilshire Boulevard at Grand Avenue, Los Angeles, California 90017, commencing at 10 o'clock a.m., California time, or at such other place and time as the parties may agree.

"The sale of the securities which are the subject of this agreement has not been qualified with the Commissioner of Corporations of the State of California and the issuance of such securities or the payment or receipt of any part of the consideration thereof prior to such qualification is unlawful. The rights of all parties to this agreement are expressly conditioned upon such qualification being obtained."

USSM will promptly file with the Commissioner subsequent to the execution hereof an Application requesting qualification of the proposed issuance of shares, and Consolidated agrees that USSM will not be liable for its failure to consummate the subject transaction if such failure is caused by its inability to secure appropriate qualification.

ARTICLE FIVE

TRANSFER OF ASSETS AND LIABILITIES

On the Effective Date of the merger:

A. All and singular, the right, privilege, good will and franchises except as restricted by law, and all property, real, personal and mixed, and all debts on whatever account, and all other things in action, belonging to Consolidated shall be, and they hereby are, confirmed, and set over to and vested in, USSM without further act or deed, and all property, right and all and every other interest of the constituent corporations, shall be as effectively as the property of USSM as they were of the constituent corporations. Consolidated hereby agrees from time to time, and as and when requested by USSM or its successors or assigns, to execute and deliver, or cause to be executed and delivered, all such deeds and instruments, and to take, or cause to be taken, such further or other action as USSM may deem necessary or desirable in order to vest in and confirm to USSM title to, and possession of, any property of Consolidated acquired or to be acquired by reason of or as a result of the merger provided for in this Agreement and otherwise carry out the intent and purposes of this Agreement and the proper officers and directors of Consolidated and the proper officers and directors of USSM are fully authorized in the name of Consolidated or otherwise to take any and all such actions.

B. All rights of creditors and all liens upon the property of the constituent corporations, and each of them, shall be preserved and unimpaired, all the debts, liabilities and duties of the constituent corporations shall attach to USSM to the same extent as if all said debts, liabilities and duties had been incurred or contracted by it.

2. Accuracy of Warranties. USSM's warranties herein and in all applicable Exhibits and collateral documents shall be true at the Closing as if made on such date (except as the facts underlying such warranties shall have changed as specifically contemplated herein), and the agreements to be performed by USSM and any affiliated party at or before the Closing shall have been so performed. At the Closing, USSM's President and Secretary shall furnish to Consolidated a certificate, dated as of the Closing, to the effect set forth in this Sub-paragraph 2.

3. Approval of Counsel. All actions and documents required to carry out this Agreement or incidental thereto shall have been approved by Messrs. Loeb and Loeb, counsel for Consolidated.

4. Opinion of Counsel. Consolidated shall have received from Messrs. Parsons, Behle & Latimer, counsel for USSM, a written opinion dated as of the Closing in form and substance satisfactory to Consolidated.

(i) that USSM is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada with full power and authority to own or lease its properties and to conduct its businesses in all places in which such properties are owned or leased and such businesses are conducted;

(ii) that except as may be specified in such Opinion, such counsel has no knowledge of any contingent or other liabilities or stock or other options of whatever nature not heretofore disclosed by USSM to Consolidated;

(iii) that the consummation of the transactions herein do not and will not conflict with any of the terms of USSM's Articles of Incorporation, By-Laws or similar instruments or conflict with or constitute a default under any agreement under which it may be bound (except for a conflict or default which has been consented to or waived by the other party or parties to such agreement);

(iv) that USSM's shares issued and outstanding at the Closing and such to be issued to Consolidated's shareholders are and will be, as applicable, under USSM's Articles of Incorporation validly issued and outstanding, fully paid and non-assessable;

(v) that the subject transaction does not constitute a "sale" under Rule 133 and that subsequent transfers of the subject shares by the Consolidated shareholders if made in compliance with such Rule (and any other restrictions as may be agreed upon) will not be in violation of the federal securities laws; and

(vi) that USSM had as of the Closing taken all necessary and proper corporate action, including all proceedings required by law and the provisions herein, to authorize and approve this Agreement.

Such Opinion may state (i) that with respect to USSM's properties and affairs the Opinion is based on such counsel's information and belief after reasonable investigation; (ii) that counsel is a member of the Bar of the State of Utah and does not purport to be an expert as to the laws of any other state; and (iii) that counsel has relied as to certain matters on the opinions of other counsel, copies of which are annexed to such Opinion.

C. Conditions Precedent for USSM's Benefit.
USSM's obligations to close the transactions herein shall be subject to the following conditions precedent:

1. Accuracy of Warranties. Consolidated's warranties herein and in all applicable Exhibits and collateral documents shall be true at the Closing as if made on such date (except as the facts underlying such warranties shall have changed as specifically contemplated herein), and the agreements to be performed by Consolidated and any affiliated party at or before the Closing shall have been so performed. At the Closing, Consolidated's President and Secretary will furnish to USSM a certificate, dated as of the Closing, to the effect set forth in this Sub-paragraph 1.

2. Approval of Counsel. All actions and documents required to carry out this Agreement or incidental thereto shall have been approved by Messrs. Parsons, Behle & Latimer, counsel for USSM.

3. Rule 133 Letter. At or before the Closing, USSM shall have received from each of Consolidated's "affiliates" (as such term is defined in the Securities and Exchange Commission Rule 133) a letter satisfactory to it and its counsel providing that he will not sell the shares to be received hereunder except in compliance with such Rule (and any other restrictions that may be imposed thereon as the parties may deem mutually appropriate) and that he will consent to the imposition of an appropriate restrictive legend on such share certificates.

4. Opinion of Counsel. USSM shall have received from Messrs. Loeb and Loeb, counsel for Consolidated, a written opinion dated as of the Closing in form and substance satisfactory to USSM,

(i) that Consolidated is a corporation duly organized, validly existing and in good standing under the laws of the State of Colorado;

(ii) that the consummation of the transactions herein does not and will not conflict with any of the terms of Consolidated's Articles of Incorporation or By-Laws;

(iii) that except as may otherwise be noted, Consolidated's shares of common stock issued and outstanding at the Closing are under such corporation's Articles of Incorporation validly issued and outstanding, fully paid and non-assessable;

(iv) that the subject transaction does not constitute a "sale" under Rule 133 and that subsequent transfers of the subject shares by the Consolidated shareholders if made in compliance with such Rule (and any other restrictions as may be agreed upon) will not be in violation of the federal securities laws; and

(v) that Consolidated had as of the Closing taken all necessary and proper corporate action, including all proceedings required by law and the provisions herein, to authorize and approve this Agreement.

Such Opinion may state (i) that with respect to Consolidated's properties and affairs the Opinion is based on such counsel's information and belief after reasonable investigation; (ii) that counsel is a member of the Bar of the State of California and does not purport to be an expert as to the laws of any other state; and (iii) that counsel has relied as to certain matters on the opinions of other counsel, copies of which are annexed to such Opinion.

D. Waiver. Any party may waive any condition precedent for its benefit, except for matters required by law, by written notice to the other party prior to the Closing.

ARTICLE FOUR

CALIFORNIA PERMIT AUTHORITY

Notwithstanding anything to the contrary set forth in this Agreement, the parties acknowledge that USSM (with respect to the subject transaction) is subject to the jurisdiction of the Commissioner of Corporations of the State of California ("Commissioner") and that no shares may be issued or received until the sale thereof is qualified under the California Corporate Securities Law of 1968. The parties agree:

MacKay Idaho Cu Properties

Honolulu Copper Corporation
unlisted 18-20 stockholders

- ① Mortimer Feldman
Keeaumika - President
- ② Max Moody
- ③ Bob Pender ?

Contractor

Mike Ivey

60-40 net profit.

U.S. SILVER AND MINING CORPORATION

USSM

USSM

USSM

USSM

USSM

USSM

USSM



ANNUAL REPORT 1969

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Highlights of 1969

- Certified Audit Proves Growth
- Acquisition of Panama Oil & Gas
- Mackay Mine In Production
- Yape well spudded in
- Acreage position approaches million mark
- Joint ventures approved & pending

Annual Message to the Stockholders:

The basic concept of your company is to acquire, hold, and develop natural resource properties. We believe that this concept, if properly implemented, will provide our stockholders with substantial capital gains. Some of our reasons for this belief are as follows:

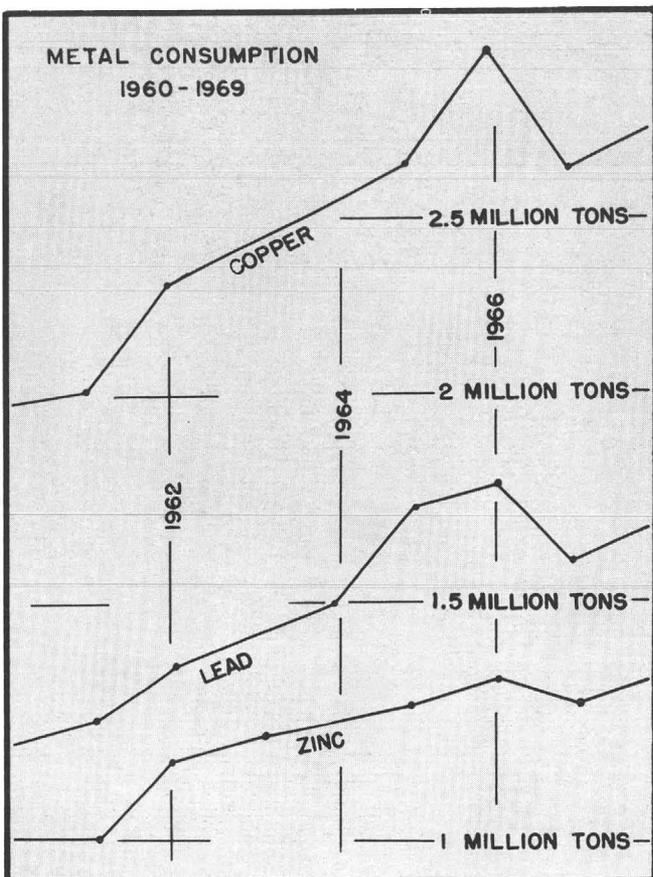
1. The amount of natural resources available to mankind is limited.
2. The world population, hence the world's need for natural resources, has been growing geometrically for many generations.
3. Mankind's wants and needs are basically insatiable. The more we have, the more we want. Thus, the world is constantly finding new uses for natural resources.
4. The new economics followed by the political parties of the world practically assure a constant rate of inflation for most nations.

The above assumptions will provide the owners of natural resources with a marketable product that is consistently increasing in value over a period of time.

With this framework as a guideline your company started acquiring properties with proven natural resource values.

We have concentrated our efforts on the base metals and petroleum wherein lies the price structure of the commodity market. As stated prior in our reasons for the basic concept of our company, the metals, lead, zinc, copper, silver, and gold, have proven to not only follow the inflationary trend of our economy but even outstrip it in their prices. This is only natural as their demand grows with the world population and prosperity. Your management has now absolute ownership or control over the following properties and their attendant metals:

- The Mackay Mine - Copper, Silver and Gold Idaho
- The Horseshoe Mine - Lead-Zinc, Gold, and Silver Idaho
- The Lucky Boy Mine - Lead-Zinc, Gold, and Silver Idaho
- The Winn Claims - Gold and Silver Utah
- The Custer County Mine - Lead-Zinc and Silver Idaho
- The Humboldt Gold Placer - Gold California
- The Montgomery Shoshone Claims - Gold, Silver, Lead Nevada
- The Bell of West Claims - Silver, Gold, and Lead Colorado
- The Bonne Blue Claims - Gold and Silver Idaho
- The Gerte Lode Mines - Lead, Silver and Gold Colorado
- The King of the Hills Mine - Copper and Silver Utah
- The Black Mine - Gold and Silver Idaho



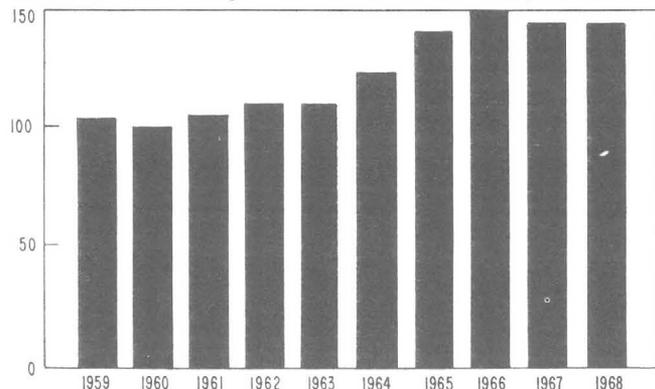


MESSAGE TO STOCKHOLDERS

Further property acquisitions are in the evaluation stage in conjunction with our continued exploration and development program. While there is an inherent risk in any exploration program in mining and/or natural resource venture, we are most fortunate in having acquired a very large acreage position in areas of base metal production as well as having proven reserves of substantial nature.

Your management has spearheaded this rapid growth and will continue to do so. We are presently in the final negotiation phase of working out a joint venture agreement with a major NYSE company on our Mackay Copper Mine. A partnership of this nature will enable us to proceed at even a faster pace in our acquisition program as well as our exploration and development program.

Industrial consumption of silver in the U.S., 1959-68



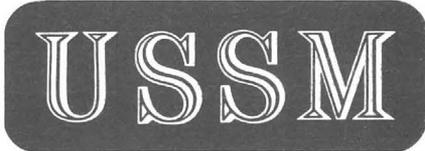
We want our company to diversify as much as possible but still remain well in the framework of our objectives and natural resource commodities. We launched an intensive program in evaluating the petroleum market potentially of the world, both domestic and international. We are all aware of the inability of a company to take a large position on the domestic scene without taking undue risks and expending disproportionate amounts of capital.

While the North Slope of Alaska was diverting the attention of the oil industry, we acquired, on very favorable lease terms, over 650,000 acres of the most desirable land of the Republic of Panama. Since the date of our acquisition and upon the release of small amounts of our preliminary geologic data, Esso (Standard of New Jersey) has signed a contract with the Panamanian government completely surrounding our holdings with over a million acres paying their annual rentals in advance. Companies such as Mobil Oil, Texas International, Kentucky National, Oceanic Resources, Eastman Dillon, Colorado Oil & Gas, L. M. Rosenthal, have all made later acreage positions of substantial nature and presently have application in to the Panamanian Government for contracts to explore and develop the tremendous petroleum potential.



We want our company to become a worldwide business using our basic concept of natural resources to anticipate and adapt to changing economic conditions—thus providing every increasing rewards to our stockholders, to our management, and to our employees.

BOARD OF DIRECTORS
U. S. SILVER AND MINING CORP.



AUDITORS REPORT

TOUCHE ROSS & CO.

October 13, 1969

Board of Directors
U. S. Silver and Mining Corporation
Salt Lake City, Utah

We have examined the accompanying consolidated balance sheet of U. S. Silver and Mining Corporation and majority owned subsidiary as of June 30, 1969 and the related consolidated statement of operations and deficit, and capital stock and additional paid-in capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the recovery of the deferred development costs, as described in Note 4 to the financial statements, through future profitable operations, the financial statements referred to above present fairly the consolidated financial position of U. S. Silver and Mining Corporation and majority owned subsidiary at June 30, 1969, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Certified Public Accountants



CONSOLIDATED BALANCE SHEET

U. S. SILVER AND MINING CORPORATION AND MAJORITY OWNED SUBSIDIARY

CONSOLIDATED BALANCE SHEET

June 30, 1969

ASSETS

CURRENT ASSETS:

Cash		\$ 55,644
Receivable from stockholders		35,500
Inventory - lower of cost (first-in, first-out) or market (Note 2)		119,268
Prepaid expenses		19,792

TOTAL CURRENT ASSETS

\$ 230,204

INVESTMENT IN OIL VENTURE (Note 9)

44,221

PROPERTY, PLANT, AND EQUIPMENT: (Notes 3, 4 and 5)

Mining properties		306,016
Copper processing equipment		725,000
Machinery and equipment	\$150,655	
Less accumulated depreciation	<u>120,297</u>	<u>30,358</u>

\$1,061,374

DEFERRED DEVELOPMENT COSTS (Note 4)

638,374

OTHER ASSETS:

Other non-current receivables and deposits	\$ 14,974	
Organization expense, less amortization of \$6,237	<u>3,118</u>	<u>18,092</u>

\$1,992,265

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Accounts payable		\$ 130,002
Accrued expenses		29,052
Current portion of long-term debt (Note 5 and 6)		<u>189,470</u>

TOTAL CURRENT LIABILITIES

\$ 348,524

LONG-TERM DEBT (Notes 5, 6 and 7)

\$540,922

Less current portion of long-term debt

189,470

351,452

MINORITY INTEREST in consolidated subsidiary

483,054

STOCKHOLDERS' EQUITY (Note 3 and 7):

Common stock, par value 1¢ a share:

Authorized 10,000,000 shares

Issued and outstanding 4,916,835 shares

\$ 49,168

Additional paid-in capital

815,529

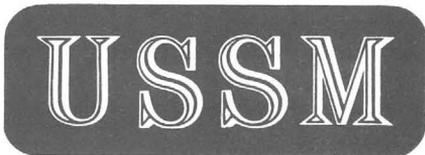
Deficit

55,462

809,235

\$1,992,265

See notes to consolidated financial statements.



CONSOLIDATED STATEMENT

CONSOLIDATED STATEMENT OF CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

Year ended June 30, 1969

	COMMON STOCK		Additional Paid-in Capital
	Number of Shares	Amount	
Balance at beginning of year	4,029,500	\$40,295	\$ 23,555
Proceeds from sale of investment stock to officers and directors	140,000	1,400	103,600
Proceeds from sale of investment stock to outside investors	135,000	1,350	120,650
Stock issued for U. S. Copper Corporation stock	434,335	4,343	474,003
Stock issued in consideration for mining properties	111,000	1,110	35,140
Stock issued in part consideration for drilling equipment and oil properties in Panama	<u>20,000</u>	<u>200</u>	<u>19,800</u>
Stock issued for services rendered	<u>47,000</u>	<u>470</u>	<u>38,781</u>
Balance at end of year (Note 3 and 7)	<u>4,916,835</u>	<u>\$49,168</u>	<u>\$815,529</u>

OPERATING EXPENSES:

Survey expenses	\$ 3,581
Engineering expenses	1,569
Fuel and Oil	<u>886</u>
	\$ 6,036

GENERAL AND ADMINISTRATIVE EXPENSES:

Consulting fees	\$ 5,208
Travel and promotion	6,353
Legal expense	4,414
Accounting expense	3,551
Office supplies and expense	2,401
Telephone	4,637
Bad debt expense	30,667
Stockholders and directors meetings	1,808
Interest expense	5,382
Miscellaneous	<u>613</u>
	\$65,034

MISCELLANEOUS INCOME:

Consulting fees:	\$ 1,200
Commissions on stock sales	1,700
Gain on purchase of mortgage	<u>11,308</u>
	<u>\$14,208</u>

NET LOSS	\$56,862
RETAINED EARNINGS, BEGINNING OF YEAR	1,400
DEFICIT, END OF YEAR	<u>\$55,462</u>

See notes to consolidated financial statements.



NOTES TO FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended June 30, 1969

Note 1 - Principles of consolidation:

The accompanying financial statements consolidate the accounts of the Company and its majority owned subsidiary, U. S. Copper Corporation. All significant inter-company transactions have been eliminated, including \$161,024 of equity in assets of consolidated subsidiary in excess of cost charged to deferred development costs.

Note 2 - Inventory:

The inventory consisted of the following:

Stock piled ore	\$ 67,400
Copper concentrate	51,868
	<u>\$119,268</u>

Copper concentrate in the amount of the advances on sales is pledged as security.

Note 3 - Property, plant and equipment:

Mining properties and equipment were acquired as follows:

Property description	No. of Shares Copper Stock	Silver Stock	Amount	Other Consideration	Total
Mining claims in the Alder Creek Mining District, Custer County, Idaho	386,000		\$ 50,000	\$150,000	\$200,000
Lucky Boy Mining Claims		360,000	15,000	5,000	20,000
Horseshoe Mining Claims		50,000	10,000	48,766	58,766
Gerte Lode and Bell of West Mining Claims		10,000	1,000	-	1,000
Montgomery Shoshone Mining Claims		31,000	23,250	-	23,250
Humboldt County Gold Placer Mining Claims		30,000	3,000	-	3,000
					<u>\$306,016</u>
Machinery and equipment	32,769		106,218	44,437	<u>\$150,655</u>

The Lucky Boy and Horseshoe mining claims were acquired on lease purchase options. Payments for the claims are capitalized when paid until sufficient testing has been performed to determine whether the option will be exercised. The remaining amounts to be paid on these purchase options is \$205,450.

The assets will be depreciated as follows:

Asset	Method	Life
Machinery and equipment	Straight-line	3-8 years
Copper processing equipment	Straight-line	10 years
Mining properties	Units of production	

Note 4 - Deferred development costs and copper processing equipment:

The copper processing equipment at Mackay, Idaho is recorded at cost. The allocation between equipment and deferred development costs is based on an appraisal of the equipment at June 30, 1969. The deferred development costs will be amortized over 5 years when commercial production begins.

Note 5 - Long-term debt:

	Total	Portion Included in Current Liability
Mortgage payable, 10%, secured by substantially all property, plant, and equipment (Note 6)	\$ 51,821	\$ 51,821
Note payable, 6% due December 1968, secured by substantially all property and equipment subordinated to the above mortgage note. Note is in default.	100,000	100,000
Contracts payable:		
Equipment contract 6% due in monthly installments of \$380 with final payment due September 1, 1969, payable to stockholder. Contract is in default.	3,649	3,649
Non-interest bearing equipment contract, due in monthly installments of \$1,000 with final payment due October 1968. Contract is in default.	20,000	20,000
Non-interest bearing contract secured by the mining claims, due in quarterly installments of \$3,500 with final payment due January 1976.	94,500	14,000
Convertible debentures 7% due April 19, 1976 to August 3, 1976, convertible into 18,000 shares of common stock at \$5.00 per share	90,000	-
Accounts payable to officers and directors due after June 30, 1970	88,411	-
Accounts payable to various companies which are affiliated by common management and ownership, due after June 30, 1970	92,541	-
	<u>\$540,922</u>	<u>\$189,470</u>

Note 6 - Mortgage payable:

U. S. Copper Corporation entered into an agreement, on April 14, 1967, with New Idria Mining and Chemical Corporation to borrow \$175,000 plus an additional amount of \$22,614 to be expended for drilling. During 1968, U. S. Copper Corporation was in default under the repayment terms of the agreement. U. S. Silver and Mining Corporation agreed with New Idria to pay the remaining unpaid balance of \$133,634, including interest, in exchange for all rights under the mortgage. U. S. Silver has made payments on the loan, and as of June 30, 1969 the remaining unpaid balance was \$51,821. On October 17, 1969, U. S. Silver paid an additional \$25,000. The remaining amount of the loan is to be paid on or before November 1, 1969. Because the payments were made, or will be made, by U. S. Silver, the amount of \$133,634 described above is due from U. S. Copper to U. S. Silver. U. S. Copper is unable to repay this debt at the present time and is also in default on other notes and contracts (Note 5).

Note 7 - Stock options and convertible debt:

	Shares
U. S. Silver:	
Conversion of 45,400 shares of U. S. Copper stock held by various stockholders to 90,800 shares of U. S. Silver stock	90,800
Options to directors for 200,000 shares at \$.70 per share of which 60,000 shares have been exercised. The remaining 140,000 shares exercisable on or before July 6, 1971	140,000
Option to Hile Oil and Development Co. for 100,000 shares at \$.10 per share, expiring September 13, 1970	100,000
Conversion of loans received subsequent to June 30, 1969 at \$.50 per share	80,000
	<u>410,800</u>
U. S. Copper:	
Conversion of debentures at \$5 per share	<u>18,000</u>

Note 8 - Federal and state taxes on income:

For financial reporting, all development costs incurred by the subsidiary have been deferred (Note 4). For tax purposes all development costs have been expensed. No taxes on income have been provided because of tax operating losses. As of the tax year ended February, 1969, the Company has operating loss carry-forwards of \$820,978 to offset future taxable earnings, if any, which expire as follows:

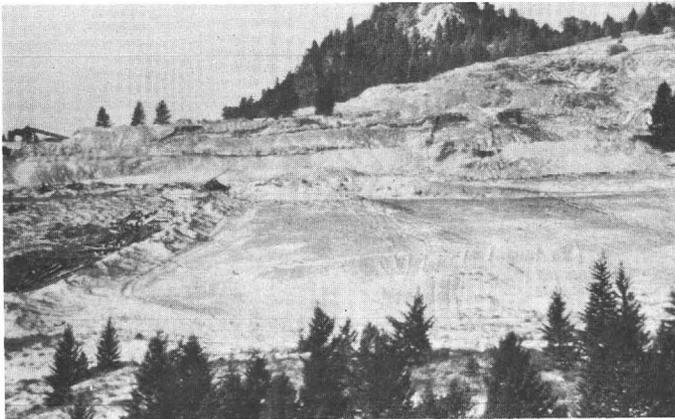
February 1972	\$263,368
February 1973	150,927
February 1974	406,683
	<u>\$820,978</u>

The Company also has investment credits of \$53,157 available to offset future Federal taxes on income.

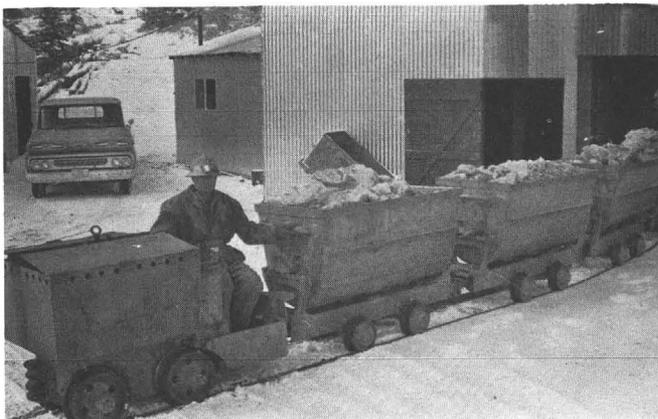
Note 9 - Oil venture:

The Company acquired equipment and oil concessions of Panama Oil and Gas for 20,000 shares of U. S. Silver investment stock. The terms of the agreement require that an additional 100,000 shares be issued to the sellers when commercial oil or gas discoveries are made.

U. S. Silver and Mining Corporation controls a total of 83 claims in the Alder Creek Mining District, Custer County, near Mackay, Idaho, both patented and unpatented. All claims are located \pm 3 miles south westerly of Mackay, Idaho, which is the terminus of the Union Pacific Railroad spur line from Blackfoot, Idaho. Hiway U. S. 93A provides road access to Mackay from the north and south.



Past production of the district has yielded over 55,000,000 pounds of copper, also gold, silver, lead, zinc, and tungsten. USSM's production prior to July of 1969 was minimal and the result of test work. Cement copper shipments since July have totaled over 650,000 pounds of approximately 60% contained copper.

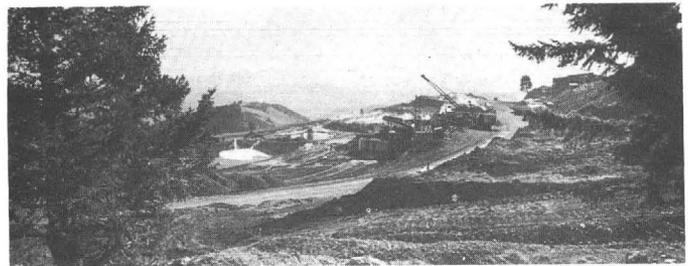


In addition to open pit copper production, the company is also driving a drift on the Horseshoe property in hopes of developing a high-grade lead-zinc-silver production. This development is proceeding well on schedule and the target area is approximately eight weeks away. Old maps of the Horseshoe Mine are available and were examined. Original operations were in-

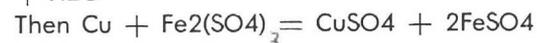
terested only in oxide ores, but sulfides on the dumps and as indicated on maps are considered good indicators of a sulfide deposit of commercial grade and magnitude.

At the Mackay Mine, an adequate water supply has been developed and there is line power on site. Labor supply has presented but minor difficulty to the operation and is not a problem now, nor should it be in future operations.

In summer of 1969, a test pad of about 10,000 tons capacity was constructed and charged. Solution was sprayed over the entire surface area of the pad and allowed to percolate throughout the ten foot thick charge. Results were so attractive that another pad has been completed and charged, a third has been started, and muck is now being heaped over the large vats to provide a fourth. It now appears that these modified heaps reach an optimum leached status in about 30 days. At this point they will be discharged of waste and recharged with new ore. Another much larger pad is also being prepared north of the plant which will receive grizzled, but unwashed and uncrushed, mine run material. It now appears that all production for the next few months will be solely from the modified heap leach pads in the plant area, but future production will include the large mine run heaps.



Actual leaching is accomplished by bringing the copper minerals in contact with a sulfuric acid-water solution which reacts to form a copper rich liquor which is then precipitated by being brought in contact with scrap iron. The following are the main reactions involved in the leach process:



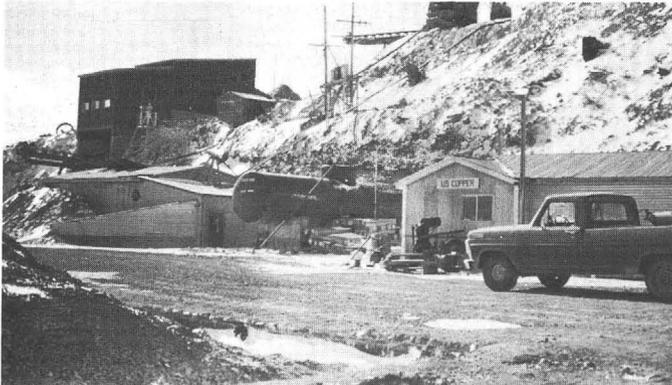
Precipitation of the copper is a simple reaction where-by the iron replaces copper, yielding free copper and ferrous sulfate. Certain side reactions caused by contaminants do occur, but usually with little harm.

For the purpose of this report, ore reserves at the Mackay Mine have been tabulated in the following three categories:

Proven Ore	=	2,383,000 Tons	@0.65% Cu
Probable Ore	=	3,143,000 Tons	@0.65% Cu
Possible Ore	=	17,000,000 Tons	@0.65% Cu

The average weighted assay of 0.65% Cu was calculated from individual assays of the incremental hole samples. Experience reported in most mines with similar mineralization has indicated that this assay must usually be increased by about 20% to obtain an accurate prediction of the mining grade. At the Mackay Mine, even the 20% factor may be low for their operation. Even at 20% the calculated 0.65% becomes 0.78%.

Presently the accelerated drilling program is rapidly bringing the probable tonnage into the proven ore column and adding significantly to the probable ore.



Actual ore grade mineralization is known to occur at a depth of 1,600 feet below the present pit level as shown by the workings in the Empire Mining Company's Cossack Level. It appears that drilling, surface and underground examinations, and additional property acquisition could likely enable the three classes of ore to be doubled or even tripled.

The current market price of copper is 52¢ per pound which considerably enhances the outlook for this property. Cement copper is sold, or can be sold, to several consumers, brokers, and smelters, anyone of which offers a competitive purchase price. This price is currently 50¢ per pound f.o.b. purchaser's destination, or 48½¢ per pound f.o.b. Mackay, Idaho, and is based on a New York spot quotation of 52-52 ½¢ per pound.

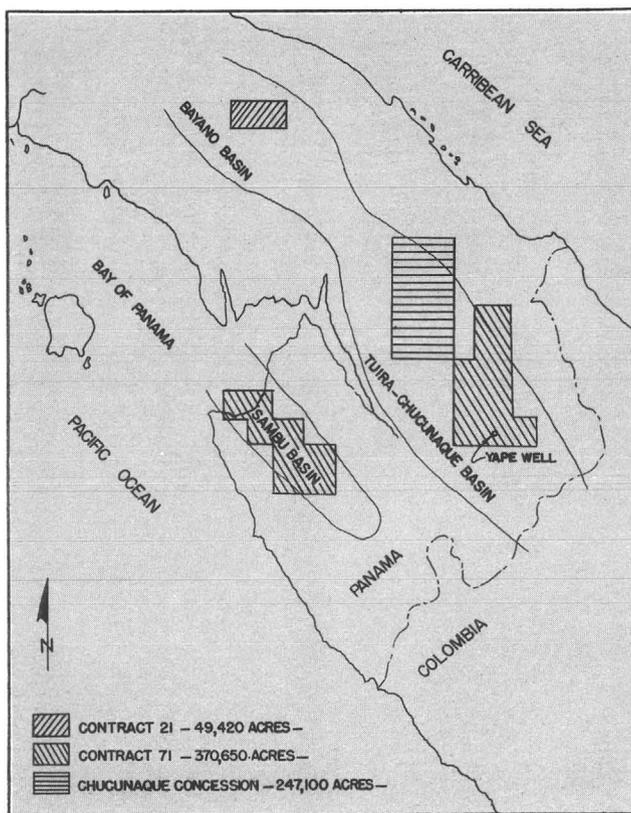
Actual operating costs have not been developed because the search for the proper methods for various segments of the process has not allowed a consistent operation for any length of time. The present system has been in service only a short period, but appears to be the solution. Costs will necessarily be up until details of technique are mastered, but it would appear that copper being produced now will have a total cost of about 30¢ per pound. This figure should decrease as volume increases and efficiency of operation improves. An ultimate cost of ± 25¢ per pound should be realized.

David B. Rovig, P. E.
Mines Division Manager



During this past year USSM acquired Panama Oil and Gas, a limited partnership, in its entirety. USSM through its wholly owned subsidiary POAG now owns and controls acreage in the Republic of Panama consisting of the following:

1. Contract 71, 370,650 acres of which 148,260 acres are in the Sambu Basin and 222,390 are in the Tuira-Chucunaque Basin. The lease expires in the year 2001.
2. Contract 21, 49,420 acres located in the Bayano Basin covering the Canazas Dome surface feature. The contract expires in 1987.
3. Chucunaque Concession, 247,100 acres in the Chucunaque Basin. Concession expires in 2021.



U. S. Silver has made a very thorough study of the petroleum potential of Panama both marketing and geological. U. S. Silver personnel have interviewed numerous petroleum geologists, engineers, and marketers and have come to the conclusion the Darien area of eastern Panama presents an unusually attractive opportunity. We have accumulated and evaluated tremendous quantities of technical information. This information dates back to the early reconnaissances of Gulf and Sinclair in the 20's to the latest information gathered at the drill site as late as last week. Outstand-

ing petroleum geologists, including Dr. Stanislov Kris, Dr. M. Darwin Quigley, and Mr. Charles Shannon, have spent considerable time on the property and have all been extensively quizzed and interviewed regarding the oil potential. We have not found in the months of our investigation, one reputable petroleum geologist or engineer not enthused over the project.

The comparison of the prolific Maracaibo Basin of Venezuela and the Los Angeles Basin of California is repeatedly mentioned in reports and conversations. The market is over 70,000 barrels per day with the pricing based on U. S. Gulf Coast prices. This is an internal market with the Republic of Panama consuming this amount now and experiencing rapid growth.



This summer saw the finalization of our present land position, equipment repair and addition, and in September of this year, the rig on location with camp facilities set up. Actual drilling commenced in October with the Yape No. 2 well spudded in and drilling.

All acreage held by Panama Oil and Gas is the aggregate total accumulated over the years and is by far the most valuable having been chosen well prior to the present "land rush." We are now completely "surrounded" by the major oil companies with Esso (Standard of New Jersey) expressing their faith in the area by acquiring an acreage position in two of "our" basins, paying the government of Panama \$117,970.00 advance rentals.

USSM

PANAMA OIL AND GAS

A partial list of our "neighbors" with applications into the government of Panama for concession rights in eastern and southern Panama are as follows:

- Mobil Oil
- Pennzoil
- Oceanic Resources
- Kentucky National
- Eastman Dillon
- L. M. Rosenthal
- Colorado Oil & Gas
- Texas International



As noted prior, we became the sole proprietors of an immense amount of geological and technical information upon our acquiring POAG. All of our acreage is prime and innumerable drilling targets exist. A few of the most obvious are the Canazas, Dome, Rancho Ahogado Anticline, Chucunaque Anticline, Sucia Dome, Yape Anticline, Capeti Anticline, the Jesus, Pinaquilla, and Venada Anticlines. These are large obvious structures with surface areas measuring in the miles and the vertical closures in the many hundreds of feet. Upon a successful test of our present well being drilled, this large number of adjacent undrilled larger structures is exciting to the imagination.

Panama Oil & Gas presently owns and has on site sufficient equipment to drill and test the numerous structures located and mapped on their acreage. The present drilling rig is sufficient for a 9,000 foot test well and is complete with all its supporting equipment; generators, welder, power boat and launch, radio communi-

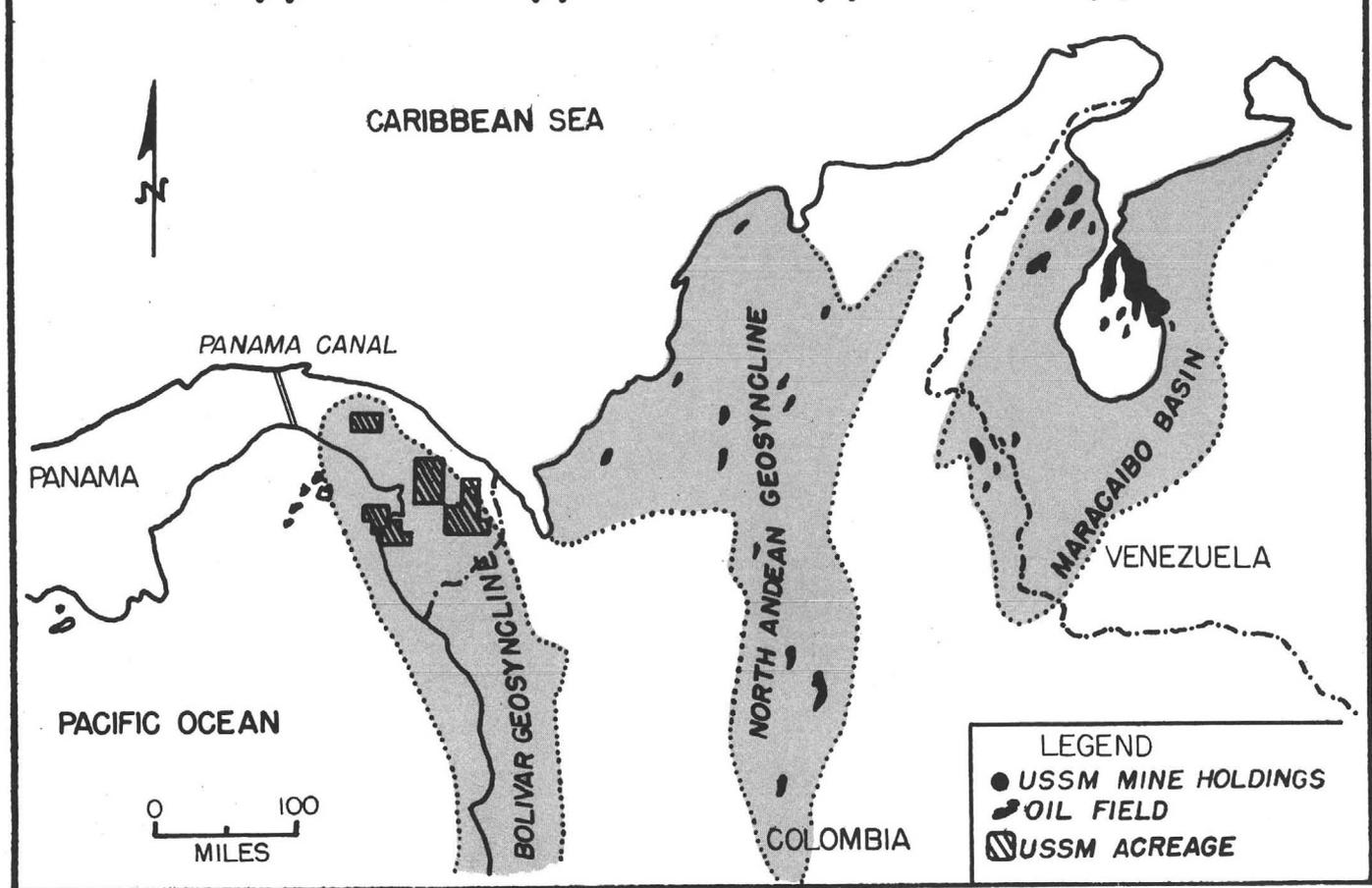
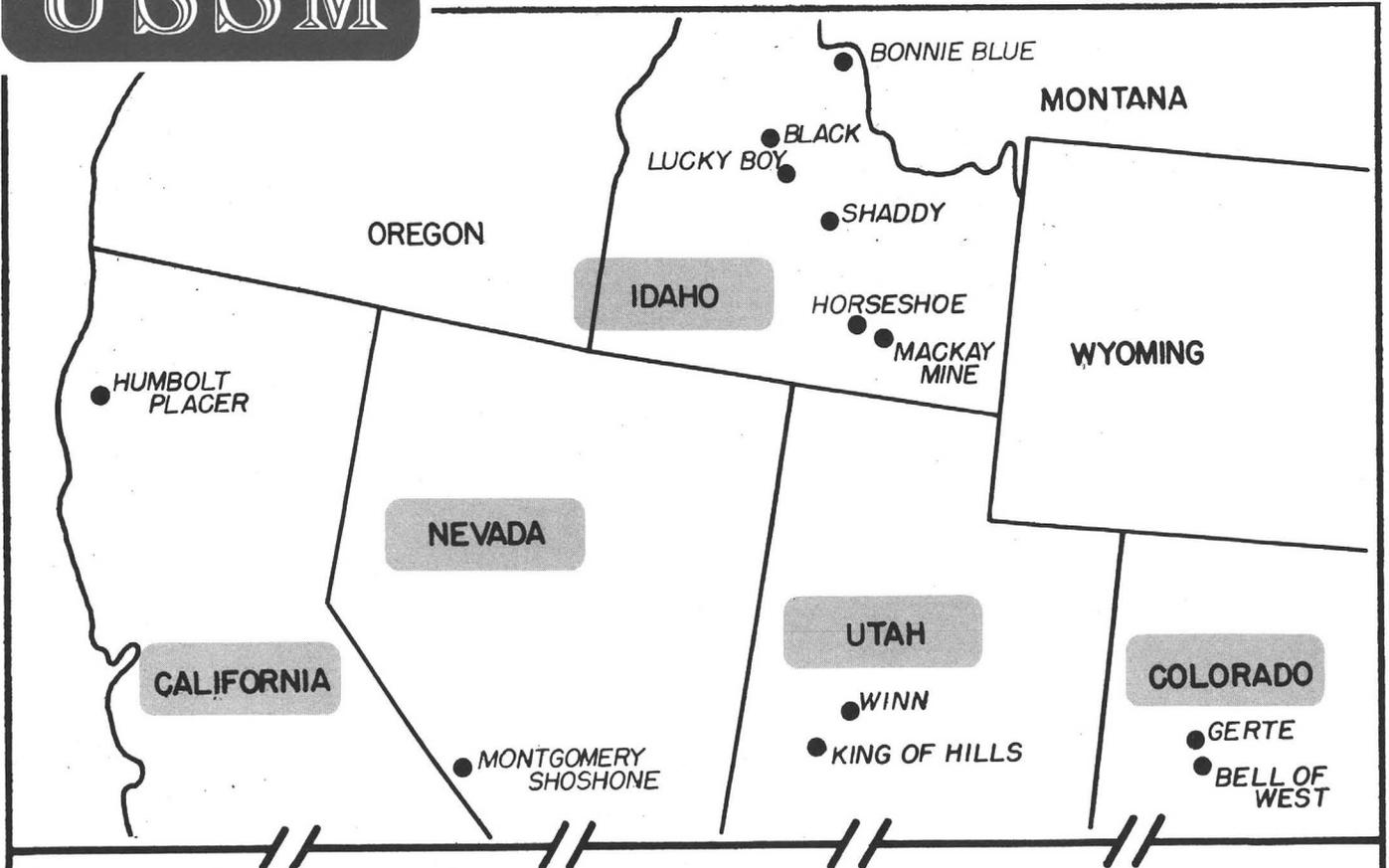
cation, camp equipment, pumps, etc. An office in Panama City has been opened and is complete with microscope, black lamps, and standard office furnishings. A full time resident manager has been retained along with experienced drillers and crew.



With the base of operations that POAG has in Panama along with managerial and technical staff, U. S. Silver and Mining Corporation is not overlooking the vast opportunities this country affords in hard minerals. We already have our exploration crews being readied for an extensive effort towards the known gold placer deposits as well as copper, zinc, and silver lode mines.



USSM



USSM

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* Lemmon, D. M., 1942, The Empire Copper Mine Near Mackay, Idaho: Memorandum Report for the U. S. Geol. Survey, June 29.

* Ross, C. P., 1930, Geology and Ore Deposits of the Seafoam, Alder Creek, Little Smokey, and Willow Creek Mining Districts, Custer and Camas Counties, Idaho: Idaho Bureau of Mines and Geology Pamphlet 33, p. 7-18.

Umpleby, J. B., 1914, The Genesis of the Mackay Copper Deposits, Idaho: Economic Geology, Vol. 9, p. 307-358.

Umpleby, J. B., 1917, Geology and Ore Deposits of the Mackay Region, Idaho: U. S. GEOL. Survey Professional Paper 97.

* Don't have these

Paul

FILE MEMO

2 June 1971

SUBJECT: U. S. Silver Mine Property at
Mackay, Idaho

Paul Eimon and I met with Robert Pinder, President of USSM Corporation on May 28th, 1971 to initiate negotiations on the Mackay, Idaho property. Paul Eimon and Coem Chase had inspected the site on May 19-20th (see report of May 23rd).

Pinder is a promoter who has a reputation that requires caution. He has control of a portion of the district and has attempted to mine the oxides in the Tactites. He has spent over \$1.5 million and has failed to cope with the metallurgy. He currently is in a desperate position with his stockholders.

The property has interesting exploration potential for sulfides, but Pinder has refused offers from Kennecott for a long-term exploration program. He wants someone to develop the oxides.

His proposal is as follows:

- (1) Essex would pay \$10,000/month for two years with a guarantee of a minimum for a nine-month period.
- (2) Essex would spend \$1.5 million in a work commitment to explore and develop the leachable ore. The \$10,000/month would be applicable to the \$1.5 million.
- (3) Essex would gain a 51 percent interest in the property.

HOWARD LANIER

HL:jbg

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HOWARD LANIER

HL:jbg

3

U. S. SILVER & MINING CORPORATION

Mackay Mine
Mackay, Idaho

(REVISION OF PREVIOUS REPORT DATED 27 SEPTEMBER, 1970)

18 February, 1970

DAVID B. ROVIG, P.E.

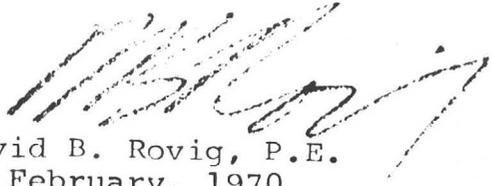
Subsequent to the Rovig report of 27 September, 1969, additional information has been acquired that necessitates its updating. A small drilling program was carried out in the months of October and November resulting in data which closed in the previous calculations pattern.

Drilling was done with a failing RV-25 using rotary bits and a Misson Down-Hole-Drill when rock conditions dictated. A shop made sampler was used with samples generally taken every five feet.

Only five of the new holes were in an area such that they could be incorporated into the previous ore and stripping calculations, but seven others were in areas that indicated an ore potential at greater depth. CW-1, CW-2, and CW-3 were drilled above the old glory pit in an area believed to be near barren of any copper values. These three holes showed values up to 0.38% Cu and were discontinued only because of difficulties with the rig. Other holes in the series were also in areas thought to be barren and yet they too yielded minimal copper values. The revised calculations follow which show a new proven ore reserve of 2,576,000 tons @ 0.65% Cu. The waste to ore ratio has been revised to 1 : 1.5. No attempt has been made to revise previous probable and possible reserves as they are estimates only.

The area influenced by NI8 and NI9 was not included as either a waste or ore zone. The holes did not provide any ore grade samples but they did hole into old workings and surface work has shown this area to be an ore zone.

One other major consideration has changed since the earlier report and that is the substantial 4¢ per pound increase in the price of copper to a present N.Y. spot of 56¢-56½¢.



David B. Rovig, P.E.
18 February, 1970

DBR/ck

REVISED
PROVEN ORE CALCULATIONS

Hole Number	Total Depth (Ft.)	Thickness (Ft.)		Area of Influence (Ft. ²)		Volume of Influence (Ft. ³)		Weighted Assay (% Cu)
		Waste	Ore			Waste	Ore	
5	100	0	100	4,235		0	423,600	.74
6	100	0	100	4,697		0	469,700	.58
7	60	0	60	625		0	37,500	.48
8	100	0	100	625		0	62,500	.50
9	80	0	80	625		0	50,000	.32
10	100	0	100	5,775		0	577,500	.54
11	100	0	100	3,894		0	389,400	.56
12	100	0	100	8,204		0	820,400	.56
13	100	40	60	5,426	217,040		325,560	.50
14	100	0	100	4,945		0	494,500	.23
16	60	0	60	2,745		0	164,700	.33
19	110	30	80	6,756	222,930		540,480	.28
20	140	0	140	2,940		0	411,602	.62
21	170	80	90	3,420	496,350		307,800	.48
22	195	0	195	5,189		0	1,011,855	1.64

Table #1

23	100	0	100	4,385	0	438,500	1.50
24	50	0	30	7,167	0	215,010	1.42
25	55	40	15	3,404	136,160	51,060	.93
26	80	0	80	5,353	0	428,240	.72
27	55	0	55	4,184	0	230,120	.54
28	120	65	55	5,079	330,135	279,345	.23
29	200	150	50	5,478	821,700	273,900	.26
30	45	45	0	2,268	102,060	0	.00
31	200	150	50	4,568	685,200	228,400	.25
32	100	0	100	2,695	0	269,500	.20
33	35	0	35	1,386	0	48,510	.21
34	30	0	30	1,471	0	44,130	.43
35	147	0	147	2,006	0	294,882	.74
36	72.5	47.5	25	2,830	134,425	70,750	.21
37	60	0	60	3,711	0	222,660	.24
38	329	100	229	3,900	390,000	893,100	.50
39	190	0	190	4,075	0	774,250	.66
40	140	95	45	3,430	325,850	154,350	.34
41	140	45	95	5,970	269,896	567,150	.47
43	62.5	2.5	60	4,342	10,855	260,520	.31

Table #1 cont.

44	93	68	25	4,300	292,400	107,500	.68
45	100	30	70	6,245	187,350	437,150	.25
48	60	40	20	4,317	259,020	86,340	.49
49	80	30	50	3,939	118,170	196,950	.23
50	200	130	70	3,646	473,980	255,220	.75
52	36.5	11.5	25	8,693	99,970	217,325	.24
53	146.5	21.5	125	7,508	161,422	938,500	.41
NI2	110	0	110	6,645	0	730,950	.55
NI3	200	145	55	3,999	579,855	219,945	.60
NI4	75	10	65	12,104	121,040	786,760	.35
NI5	65	65	0	1,617	105,105	0	.00
NI6	135	0	135	6,590	0	889,650	1.52
NI11	200	165	35	2,835	467,775	99,225	.60
NI12	200	165	35	11,774	1,942,710	412,090	.60
NI13	200	85	115	14,152	1,202,920	1,627,480	.74
NI14	90	10	80	16,466	164,660	1,317,280	.61
NI15	200	105	95	8,575	900,375	814,625	.67
NI16	200	145	55	18,664	2,706,280	1,026,520	.57
NI18	140	105	35	6,856	719,880	239,960	.65
NI19	225	185	40	10,917	2,019,645	436,680	1.47

Table #1 Cont.

NI20	200	140	60	10,452	1,463,280	627,120	.54
CH1B	30	0	30	2,421	0	72,630	.78
DH2B	50	0	50	3,513	0	175,650	.60
NI10	200	0	200	10,752	0	2,150,400	.52
CW4	114	20	94	5,061	101,220	475,734	.62
CW5	75	30	40	7,704	231,120	308,160	1.02
CW8	105	75	30	2,258	169,350	67,740	.93
CW13	185	0	185	7,123	0	1,317,755	.57
CW14	60	15	45	10,504	157,560	472,680	1.19

- A. TOTAL VOLUME ORE = 28,339,493 Ft³
- B. TOTAL TONNAGE ORE = 2,576,000 Tons
- C. WEIGHTED AVERAGE ASSAY = 0.65 % Cu
- D. TOTAL VOLUME WASTE = 18,787,688 Ft³
- E. AVERAGE HOLE DEPTH = 119 Ft.
- F. AVERAGE WASTE THICKNESS = 42 Ft.
- G. AVERAGE ORE THICKNESS = 76 Ft.
- H. WASTE TO ORE RATIO = 1 : 1.5
- I. TOTAL NUMBER OF HOLES EVALUATED = 64

Table #1 cont.

ASSAY REPORT

DATE October 24, 1969

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P.O. BOX 7305

MURRAY, UTAH 84107

Mr. Donald Anderson
Capital Wire & Cable Co.
P. O. Box 124
Mackay, Idaho

Lab No. 1282-1305

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION		GOLD OUNCES	SILVER OUNCES	NET LEAD %	COPPER %	ZINC %				VALUE OF GOLD PER TON
<u>Hole</u>	<u>Depth</u>									
CW-1	0 - 10				0.33					
	15 - 20				0.11					
	25 - 30				0.16					
	35 - 40				0.11					
	45 - 50				0.11					
	55 - 60				0.11					
	75 - 80				0.06					
	85 - 90				0.06					
	95 - 100				0.11					
CW-2	5 - 10				0.06					
	15 - 20				0.38					
	25 - 30				0.11					
	35 - 40				0.22					
	45 - 50				0.11					
	55 - 60				0.22					
	65 - 70				0.06					
	75 - 80				0.06					
	85 - 90				0.32					
	95 - 100				0.11					
	105 - 110				0.06					
	115 - 120				0.06					
	125 - 130				0.16					
	135 - 140				0.16					
	145 - 150				0.06					

56.25 E
36.00 N
ELEV 8370

56.25 E
35.50 N
8540' ELEV

CHARGES \$ 36.00

Lance W. Gammus

ASSAY REPORT

October 28, 1969

DATE

Mr: Donald F. Anderson
 Capital Wire & Cable Co.
 P. O. Box 124
 Mackay, Idaho

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P. O. Box 7305

MURRAY, UTAH 84107

Job No. 1310 - 1352

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION	GOLD OUNCES	SILVER OUNCES	WET LEAD %	COPPER %	ZINC %			VALUE OF GOLD PER TON
<u>Hole</u>	<u>Depth</u>							
CW-3	5 - 10			0.27			5570 E	
	15-20			0.16			3739 N	
	25- 30			0.16			8585 ELEV.	
	35 - 40			0.16			8571.5	
	45 - 50			0.11				
	55 - 60			0.11				
	65 - 70			0.22				
CW 4	5 - 10		50' e - 213	0.22			6040 E 5983	
	10 - 15			0.32			3895 N 3912	
	15 - 20			0.22			8419 ELEV 8432.4'	
	20 - 25			0.16				
	25 - 30			0.27				
	30 - 35			0.16				
	35 - 40			0.43				
	40 - 45			0.81				
	45 - 50			1.20				
	50 - 55			0.54				
	55 - 60			0.22				
	60 - 65			0.11				
	65 - 70			0.11				
	70 - 75			0.22				
	75 - 80			0.11				
	80 - 85			0.22				
	85 - 90			0.87				
90 - 95		0.76						
95 - 100		0.65						
100- 105		1.30						
105- 110		1.40						
110- 114		1.40						
CW-5	5 - 10		30' e 1.30	0.60			6065 E	
	10 - 15			0.81			4035 N	
	15 - 20			4.00			ELEV 8400	
	20 - 25			1.73				
	25 - 30			0.43				
	30 - 35			0.22				
	35 - 40			0.11				
	40 - 45			0.22				
	45 - 50			0.11				
	50 - 55			0.11				
	55 - 60			0.06				
60 - 65		0.06						
65 - 70		0.15						
70 - 75		0.16						

PAID
 CHECK # 2012
 1570

BY *Harold W. Jamison*

CHARGES \$ 64.50

ASSAY REPORT

DATE December 18, 1969

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P.O. Box 7305

MURRAY, UTAH 84107

MR. DONALD F. ANDERSON

P. O. Box 124

Mackay, Idaho 83251

Lab No. 1468 - 83

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION	GOLD OUNCES	SILVER OUNCE	WET LEAD %	COPPER %	ZINC %					VALUE OF GOLD PER TON
Drill Hole										
Depth										
CW-8				2.48						
N 2960				1.51						
E 6097				1.51						
8352.7'				1.03						
100 - 105				0.60						
CW-9				0.43						
N 3175				0.16						
E 6180				0.16						
8355.2				0.15						
25 - 30				0.22						
30 - 35				0.22						
35 - 40				0.11						
40 - 45				0.16						
45 - 50				0.06						
50 - 55				0.06						
55 - 60				0.11						

Oxide samples will follow.

CHARGES \$ 24.00

BY Wanda D. Thompson

ASSAY REPORT

DATE January 8, 1970

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P.O. BOX 7305

MURRAY, UTAH 84107

Mr. Donald F. Anderson
133 South Mt. Vernon
Prescott, Arizona 86301

Lab No. 1493 - 1536, 1551 - 1589

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION	DEPTH	GOLD OUNCES	SILVER OUNCES	WET LEAD %	COPPER %	ZINC %	VALUE OF GOLD PER TON	
Drill Hole	Depth		Cu			Drill Hole	Depth	Cu
CW-11	105 - 110		0.14			CW-12	0 - 10	0.16
N 3279	110 - 115		0.09			3553N	10 - 15	0.06
E 6170	115 - 120		0.19			6106E	15 - 20	0.06
4LEU 8353.4	120 - 125		0.11			4LEU:	20 - 25	0.09
	125 - 130		0.16			8350.5	25 - 30	0.27
	130 - 135		0.11				30 - 35	0.11
	135 - 140		0.06				35 - 40	0.09
CW-13	0 - 10		1.08				40 - 45	0.14
	10 - 15		0.81				45 - 50	0.14
3578N	15 - 20		1.24				50 - 55	0.27
6230E	20 - 25		0.86				55 - 60	0.32
4LEU	25 - 30		0.38				60 - 65	0.27
8340	30 - 35		0.27				65 - 70	0.30
	35 - 40		0.38				70 - 75	0.25
	40 - 45		1.46				75 - 80	0.14
	45 - 50		1.51				80 - 85	1.11
	50 - 55		0.81				85 - 90	0.84
	55 - 60		0.54				90 - 95	0.52
	60 - 65		0.70				95 - 100	0.38
	65 - 70		0.95				100 - 105	0.16
	70 - 75		0.92				105 - 110	0.38
	75 - 80		0.68				110 - 115	0.70
	80 - 85		0.36				115 - 120	0.54
	85 - 90		0.33				120 - 125	0.22
	90 - 95		0.19				125 - 130	0.32
	95 - 100		0.22				130 - 135	0.19
	100 - 105		0.46				135 - 140	0.19
	105 - 110		0.38				140 - 145	0.22
	110 - 115		0.33					
	115 - 120		0.30			CW-6	0 - 10	0.11
	120 - 125		0.19			3174N	10 - 15	0.06
	125 - 130		0.30			6260E		
	130 - 135		0.33			CW-14	0 - 10	0.06
	135 - 140		0.79			3800N	10 - 15	0.14
	140 - 145		0.76			6200E	15 - 20	0.43
	145 - 150		0.57				20 - 25	0.43
	150 - 155		0.41				25 - 30	0.19
	155 - 160		0.30				30 - 35	0.21
	160 - 165		0.19				35 - 40	1.06
	165 - 170		0.30				40 - 45	3.27
	170 - 175		0.22				45 - 50	3.00
	175 - 180		0.19				50 - 55	1.78
	180 - 185		0.38				55 - 60	0.36

No oxide samples have been run as yet. Suggest, for economy sake, that we spot assay, rather than assay all.

CHARGES \$ 126.00

BY Hans W. Grossman

ASSAY REPORT

DATE December 20, 1969

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P. O. Box 7305

MURRAY, UTAH 84107

---Mr. Donald F. Anderson
P. O. Box 124
Mackay, Idaho 83251

Lab No. 1382 - 1483

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION	GOLD OUNCES	SILVER OUNCES	WET LEAD %	COPPER %	ZINC %	Drill Hole	Depth	Cu	VALUE OF GOLD PER TON
Drill Hole						Drill Hole	Depth		
CW-8				0.03		CW-9	60 - 65	0.09	
6097E				0.06		6200E	65 - 70	0.09	
6100E				0.03		3200N	70 - 75	0.06	
2960N				0.11		6180E	75 - 80	0.06	
8352.7'				0.19		3175N	80 - 85	0.09	
10' FROM				0.14		8355'	85 - 90	0.30	
US #38				0.11			90 - 95	0.11	
				0.11			95 - 100	0.19	
				0.14		CW-10	0 - 10	0.11	
				0.14		6208E	10 - 15	0.06	
				0.22		3100N	15 - 20	0.09	
				0.22		3083N	20 - 25	0.06	
				0.19		8351.9'	25 - 30	0.06	
				0.25			30 - 35	0.09	
				0.49			35 - 40	0.06	
				Oxide Cu			40 - 45	0.06	
				0.14			45 - 50	0.11	
				0.09			50 - 55	0.14	
				0.09			55 - 60	0.09	
				0.11			60 - 65	0.11	
				0.27			65 - 70	0.14	
				Cu			70 - 75	0.09	
				0.81			75 - 80	0.09	
				0.20			80 - 85	0.09	
				0.39			85 - 90	0.11	
				0.32			90 - 95	0.14	
				0.65			95 - 100	0.06	
				0.11			100 - 105	0.16	
				0.06			105 - 110	0.27	
				0.09			110 - 115	0.38	
				0.11			115 - 120	0.14	
				0.09			120 - 125	0.06	
				0.09			125 - 130	0.11	
				0.22			130 - 135	0.06	
				0.14			135 - 140	0.03	
				0.06			140 - 145	0.09	
				0.06			145 - 150	0.06	
				0.06			150 - 155	0.06	
				0.16			155 - 157	0.03	
				0.14		* CW-8	80 - 85	Oxide Cu	
				0.09			85 - 90	2.00	
				0.68			90 - 95	1.06	
				Oxide Cu			95 - 100	1.06	
				0.09				0.60	
				0.27					

*PAID
check 2-173
DFA*

CHARGES \$ 127.50

BY *Nancy L. Gammessin*



HAWLEY & HAWLEY

ASSAYERS AND CHEMISTS, INC.

1700 WEST GRANT ROAD - TELEPHONE 622-4836 - POST OFFICE BOX 5934
TUCSON, ARIZONA 85703

THE SOUTHWEST'S LEADING ASSAYERS AND REPRESENTATIVES

Branch Representatives at Buyer's Plants.
Phelps Dodge Corp., Douglas, Arizona, ASARCO, El Paso, Amarillo, Texas and Hayden, Arizona

IDENTIFICATION	Total						
	Gold OZS.	Silver OZS.	Lead %	Copper %	Zinc %	Mo. %	CuO %
CW4 100-105				1.15			1.07
CW5 15-20				4.06			3.66

CHECK ASSAYS



CC: Capital Wire & Cable Co.
ADD: Mackay Project, Box 124
CITY: Mackay, Idaho
ADD:
CITY:

REMARKS:

Analysis Cert. B...

Control quality

Pulverizing Preparation \$ 1.20
Analysis \$ 21.00

ACC: CAPITAL WIRE & CABLE CO.

Date Sp. Received 10/27/69

Date Compl. 10/31/69

MAC 343629

\$ 22.20

ASSAY REPORT

DATE January 8, 1970

NORTH AMERICAN LABORATORIES, INC.

Assayers & Chemists

PHONE 262-5467

5217 MAJOR STREET

P. O. Box 7305

MURRAY, UTAH 84107

Mr. Donald F. Anderson
133 South Mt. Vernon
Prescott, Arizona 86301

Lab No. 1493 - 1536, 1551 - 1589

ASSAY PER TON OF 2000 POUNDS

DESCRIPTION	GOLD OUNCES	SILVER OUNCES	WET LEAD %	COPPER %	ZINC %				VALUE OF GOLD PER TON
<u>Drill Hole</u> <u>Depth</u>		<u>Cu</u>			<u>Drill Hole</u> <u>Depth</u>		<u>Cu</u>		
CW-11 105 - 110		0.14			CW-12 0 - 10		0.16		
110 - 115		0.09			10 - 15		0.06		
N 3279 115 - 120		0.19			3553N 15 - 20		0.06		
E 6170 120 - 125		0.11			6106E 20 - 25		0.09		
ELEV 8353.4		0.16			25 - 30		0.27		
130 - 135		0.11			ELEV: 30 - 35		0.11		
135 - 140		0.06			8350.5 35 - 40		0.09		
CW-13 0 - 10		1.08			40 - 45		0.14		
10 - 15		0.81			45 - 50		0.14		
3578N 15 - 20		1.24			50 - 55		0.27		
6230E 20 - 25		0.86			55 - 60		0.32		
25 - 30		0.38			60 - 65		0.27		
ELEV 30 - 35		0.27			65 - 70		0.30		
35 - 40		0.38			70 - 75		0.25		
40 - 45		1.46			75 - 80		0.14		
8340 45 - 50		1.51			80 - 85		1.11		
50 - 55		0.81			85 - 90		0.84		
55 - 60		0.54			90 - 95		0.52		
60 - 65		0.70			95 - 100		0.38		
65 - 70		0.95			100 - 105		0.16		
70 - 75		0.92			105 - 110		0.38		
75 - 80		0.68			110 - 115		0.70		
80 - 85		0.36			115 - 120		0.54		
85 - 90		0.33			120 - 125		0.22		
90 - 95		0.19			125 - 130		0.32		
95 - 100		0.22			130 - 135		0.19		
100 - 105		0.46			135 - 140		0.19		
105 - 110		0.38			140 - 145		0.22		
110 - 115		0.33							
115 - 120		0.30			CW-6 0 - 10		0.11		
120 - 125		0.19			10 - 15		0.06		
125 - 130		0.30							
130 - 135		0.33			CW-14 0 - 10		0.06		
135 - 140		0.79			10 - 15		0.14		
140 - 145		0.76			3800N 15 - 20		0.43		
145 - 150		0.57			6200E 20 - 25		0.43		
150 - 155		0.41			25 - 30		0.19		
155 - 160		0.30			30 - 35		0.21		
160 - 165		0.19			35 - 40		1.06		
165 - 170		0.30			40 - 45		3.27		
170 - 175		0.22			45 - 50		3.00		
175 - 180		0.19			50 - 55		1.78		
180 - 185		0.38			55 - 60		0.36		

No oxide samples have been run as yet. Suggest, for economy sake, that we spot assay, rather than assay all.

CHARGES \$ 126.00

BY Donald F. Anderson

2

U. S. SILVER AND MINING CORPORATION
MACKAY MINE
MACKAY, IDAHO

27 September 1969

DAVID B. ROVIG, P. E.

CERTIFICATE

I, David B. Rovig, am a professional engineer, a graduate of Montana School of Mines, Butte, Montana, with a degree in Mining Engineering. I am a registered professional engineer practicing my profession on a full-time basis.

I certify I have no ownership or participation in either the properties in or around the vicinity of Mackay, Idaho nor in the companies U. S. Silver and Mining Corporation or U. S. Copper Corporation.

I further certify that I have personally visited the properties of U. S. Silver and Mining Corporation under discussion and have examined the facilities at their copper property located in and around the town of Mackay, Idaho.

The work was done on a consulting basis for Mr. R. J. Pinder, President, U. S. Silver and Mining Corporation of Box 17346, Holladay, Utah, 84117.

Signed:


David B. Rovig
Professional Engineer

September 27, 1969

ECONOMIC CONSIDERATIONS

The current market price of copper is 52¢ per pound which considerably enhances the outlook for this property. Cement copper is sold, or can be sold, to several consumers, brokers, and smelters, any one of which offers a competitive purchase price. This price is currently 50¢ per pound f.o.b. purchasers destination or 48½¢ per pound f.o.b. Mackay, Idaho, and is based on a New York spot quotation of 52-52½¢ per pound.

Actual operating costs have not been developed because the search for the proper methods for various segments of the process has not allowed a consistent operation for any length of time. The present system has been in service only a short period, but appears to be the solution. Costs will necessarily be up until details of technique are mastered, but it would appear that copper being produced now will have a total cost of about 30¢ per pound. This figure should decrease as volume increases and efficiency of operation improves. An ultimate cost of $\pm 25\%$ per pound could be realized. Even though the mine location is remote, costs of most supplies are not high. For example:

Scrap	+ \$60.00 per ton f.o.b. mine site
Acid	- \$27.00 per ton f.o.b. mine site
Power	.008 per kw-hr

A separate evaluation of the value of the entire processing section was made by the writer and Lakeside Engineering Company,

TABLE OF CONTENTS

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PLATES (in pocket)

Figure 1	Ore Reserve Work Sheet
Figure 2	Horseshoe Mine
Figure 3	Typical Leach Pad
Figure 4	Large Leach Vats
Figure 5	Solids Flowsheet
Figure 6	Ore Processing Area

INTRODUCTION

This report concerns the mining operations of U. S. Silver and Mining Corporation located near Mackay, Idaho. Initial operations of this area in the current era were commenced by U. S. Copper Corporation, which still exists and owns considerable property. However, U. S. Silver and Mining Corporation has subsequently gained control of U. S. Copper Corporation by acquisition of a majority of its stock. For this reason this report will not necessarily distinguish between the two companies in matters of ownership and operations. U. S. Silver and Mining Corporation and U. S. Copper Corporation will be referred to as USS&M and USC respectively.

Much of the information necessary to compile this report was obtained by personal inspection of the plant, mine and other physical installations, company records, assay certificates, mine maps, surface maps etc.. Certain required information was not available on an original source basis, but was gathered by personal communication with persons believed to have accurate information. In addition a report by J. C. Lawrence entitled "U. S. Copper Corporation - An Economic & Geologic Report", December 5, 1967, was of great value, particularly as an information source on previous drilling programs. Later comments referring to Lawrence mean the above mentioned report. Another source of background information to this report and most others concerning the area is a 1944, U. S. Geological Survey open file by F. W. Farewell & R. P. Full entitled

*"Geology of the Empire Copper Mine near Mackay, Idaho".
For detailed geologic interpretation the reader is referred to
Forewell & Full.*

GENERAL BACKGROUND

USSRM Corporation controls a total of 83 claims in the Alder Creek Mining District, Custer County, near Packay, Idaho. They are:

GROUP I

Rednip 1-17 (incl.)	Lightning
Bobcat A-11 (incl.)	Bear
Telephone	Tom Blee
Occidental	Steve Kranovich
Stephen	Weasel Canyon
Remus	Avalanche
Romulus	Saddle
Catherine	Sunshine
Arctic	Grouse
White Knob	Grizzly Crocker
Elk	David E. Bell
Ladger	Triangle
Pump	Pacific 1272A
Clearwater	Atlantic 1272A
	Western 1272A

GROUP II

Lucky Boy	Tedro Fraction
Clara	Homestake
Louvena	Golden Harvest
Iron	Copper Queen
Lassie	Packay
3rd of July	Reliance
Schley	Horseshoe
Smuggler	Horseshoe # 1
Smuggler # 1	Horseshoe # 2
Smuggler # 2	Pinon 1-5 (incl.)
	Munson

GROUP III

Alder 1-5 (incl.)	Shay # 1
-------------------	----------

Groups I & III are owned by USC and Group II is owned by USS&M. All claims in Groups I & II are contiguous and are located in section 36, T. 7N, R23E and section 1, T. 6N, R23E. Group III claims are contiguous and located in Section 32, T. 7N, R24E. All of the claims are current, unpatented lode claims except Western, Pacific and Atlantic which are patented. Present mining and exploration activity is confined to groups I & II.

All claims are located ± 3 miles south westerly of Mackay, Idaho, which is the terminus of the Union Pacific Railroad spur line from Blackfoot, Idaho. Highway U.S. 93 A provides road access to Mackay from the north and south.

Other than minor exploration, no other mining activity is known in the district.

Past production of the district has yielded over 55,000,000 pounds of copper and minor amounts of gold, silver, lead, zinc and tungsten. USS&M's production prior to July of 1969 was minimal and the result of test work. Cement copper shipments since July have totaled about 550,000 pounds at close to 60% contained copper. At the time of this writing another shipment is being readied and it appears that a relatively continuous production of possibly 10,000 pounds per day should be realized for the coming few months. The prime obstacle in the way of this rate of production is the forthcoming winter, however, proper preparation should prevent unbearable difficulties in all but the most severe conditions.

An adequate water supply has been developed and there is line power on site. Labor supply has presented but minor difficulty to the operation and is not a problem now, nor should it be in future operations of moderate scope.

In addition to open pit copper production (centering on the Atlantic & Pacific claims) the company is also driving a drift on the Horseshoe property in hopes of developing a high-grade lead-zinc-silver production. This is the only underground work being carried out and to date no ore has been encountered (nor was any expected, as yet) although some interesting structure has been intersected. Old maps of the Horseshoe Mine are available and were examined. Original operations were interested only in oxide ores, but sulfides on the dumps and as indicated on maps are considered good indicators of a possible sulfide deposit of commercial grade and magnitude. A map of this project is included in the map pocket at the end of this report.

An extensive geologic study and mapping was not within the scope of this report and the reader is referred to Lawrence and Farewell & Full for anything beyond the following brief discussion.

The deposit is in a contact metamorphic zone caused by the intrusion of a large granite plug into a Brazer limestone host. The primary host rock for the ore mineralization is the resulting tectite. Some ore grade mineralization is encountered in other rock types such as granite porphyry. The contact zone is quite massive and such features as granite fingers into the limestone, blocks of unaltered

limestone in the tactile, etc. are common. The primary copper oxide mineral is chrysocolla with lesser amounts of cuprite. Some areas of the pit also show sulfide mineralization in the form of chalcopyrite, bornite, and chalcocite.

MINE DEVELOPMENT

To date the open pit mine is in its infancy. Some stripping has been done with scrapers but at the present no stripping is being conducted. Current pit production is from rock that has either been drilled and shot or ripped and then dozed to a grizzly area from where it is handled by a front end loader. Some benches are started which will facilitate a more orderly mining program as the operation grows. The topography of the mine area is favorable to an operation of this type in that steep, deep valleys provide excellent waste disposal sites and the ore body appears to generally dip with the hillside which will provide a minimal stripping ratio. Additionally, all haulage will be on advantageous grades since the present plant and all anticipated process areas are lower in elevation than the ore deposit. A potential hazard is presented to the operation in the form of extensive underground workings, many of which are large enough to produce serious consequences if encountered unexpectedly. For the most part these areas can be anticipated from information contained on old mine maps and at such time as a regular blast hole program is commenced an occasional deep probe should provide the necessary additional insight for a safe operation. The old workings do work to advantage in the case of drainage, however.

Present mining equipment consists of the following:

- 1 - Fairing holemaster drill
- 1 - Gardner-Denver Air-Trac

- 1 - 900 cfm G-D compressor
- 1 - Cat 966 Loader
- 1 - Cat D9G Tractor w/ripper
- 1 - Northwest 80 shovel
- 1 - HD16 Tractor
- 1 - Cat #12 Patrol
- Misc. service vehicles & equipment

Plans have been finalized for acquiring two LeTourneau Rock Trucks (25 ton capacity). The addition of these trucks should complete the equipment inventory necessary to a 1,000 - 1,500 tpd operation including mining, stripping and the charging of heap leach pads.

PROCESSING

Reference should be made at this point to the following drawings in the map pocket:

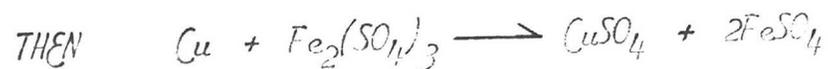
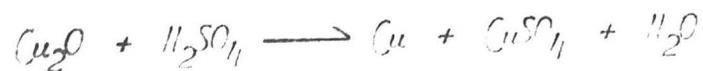
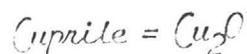
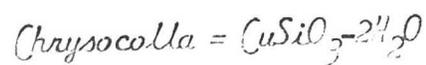
Typical Leach Vat Cross-section
Large Leach Vats
Solids Flowsheet
One Processing Area

Processing of the oxide copper ores produced in this operation consists basically of an acid leach and scrap iron precipitation of cement copper. Initial plans of USC were to simply crush the mine run material and then vat leach the product. For this purpose three 250 ton capacity concrete vats were constructed. This process was moderately successful except for a problem created by the high percentage slimes in the ore which caused sealing, channeling and plugging. This experience led to the construction of the present crushing and scrubbing section and two more (larger) vats. The scrubber eliminated the slimes problem but created a new cause for concern; approximately 25% of the production was being discarded through the slime line. Recently a 10" Krebs cyclone was installed to receive this material. Although gravity fed, with very little pulp density control and no pressure control, the results are very encouraging. Most of the -65 mesh material is reporting to the overflow leaving a - $\frac{1}{4}$ " +65 mesh product which is relatively free of slimes. No leach process for the coarse product has been decided upon yet, but this should present no great problem.

Vat leaching did not produce the desired recovery and caused handling difficulties. However, experiments by plant personnel showed that sprayed open heaps seemed to yield greater recoveries in less time than the flood leach vats.

In summer of 1969 a test pad of about 12,000 tons capacity was constructed and charged. Solution was sprayed over the entire surface area of the pad and allowed to percolate throughout the ten foot thick charge. Results were so attractive that another pad has been completed and charged, a third has been started and much is now being heaped over the large vats to provide a fourth. It now appears that these modified heaps reach an optimum leached status in about 30 days. At this point they will be discharged of waste and recharged with new ore. Another much larger pad is also being prepared north of the plant which will receive grizzled but unwashed and uncrushed, mine run material. It now appears that all production for the next few months will be solely from the modified heap leach pads in the plant area, but future production will include the large mine run heaps.

Actual leaching is accomplished by bringing the copper minerals in contact with a sulfuric acid-water solution which reacts to form a copper rich liquor which is then precipitated by being brought in contact with scrap iron. The following are thought to be the main reactions involved in the leach process:



Precipitation of the copper is a simple reaction whereby the iron replaces copper, yielding free copper and ferrous sulfate. Certain side reactions caused by contaminants do occur, but usually with little harm.

ORE RESERVES

One reserve calculations are based upon the results of two independent drilling programs. The first, carried out by New Idria Mining Corporation, is evaluated in detail by Lawrence. The second was executed by U. S. Silver and Mining Corporation in the late spring of 1969, using a Failing Holemaster and rotary tools.

Cuttings were air blasted from the holes and caught in a burlap bag. At regular intervals (5 foot, or 10 foot) samples were split down to a manageable size and sent to assay. Pulps from assay and a final split of cuttings were then placed in the USS&M Corporation library. Assays were run by J. C. Lawrence and Associates of Mackay, Idaho. A total of 58 holes were drilled in this series ranging in depth from a very few feet in cases of breakthrough into old workings to a 340' maximum. Of the 58 USS&M holes drilled only 44 were usable in this evaluation. The average depth of the 44 holes is ± 115 feet.

For the purpose of this report one reserves have been tabulated in the following three categories with explanation of quantity determinations in following paragraphs:

Proven ore =	2,383,000 tons @ 0.65% Cu
Probable ore =	3,143,000 tons @ 0.65% Cu
Possible ore =	17,000,000 tons @ 0.65% Cu

The average weighted assay of 0.65% Cu was calculated from individual assays of the incremental hole samples.

Experience reported in most mines with similar mineralization has indicated that this assay must usually be increased by about 20% to obtain an accurate prediction of the mining grade. This discrepancy between apparent and actual grade is due, in part, to an erroneous sample recovery from air blast drilling. Operators at the Mackay Mine report that even the 20% factor may be low for their operations, although there is not, at this time, adequate documentation to establish an accurate correction factor. Even at 20% the calculated 0.65% becomes 0.78%.

PROVEN ORE

Table #1 and Fig #1 show the details of calculation and results gained in this category. The figure of 2,383,000 tons was arrived at by applying an 11 ft³/ton factor to the measured volume. The average weighted assay was determined by dividing the sum of the products of hole volume of influence (ore) X weighted assay by the sum of the volumes of influence (ore).

PROBABLE ORE

$$\begin{aligned}
 \text{Total A} &= 412.5 \text{ sq. in} \times 1,600 \text{ ft.}^2/\text{in.}^2 = 660,000 \text{ ft.}^2 \\
 \text{Proven A} &= 331,393 \text{ ft.}^2 \\
 \text{Probable A} &= \text{Total A} - \text{Proven A} = 328,607 \text{ ft.}^2
 \end{aligned}$$

Average thickness of proven ore = 79 ft.

Assume same for unproven area

$$\text{Therefore Probable Ore} = \text{Probable A} \times 79 \text{ ft.} = 25,979,953 \text{ ft.}^3$$

Also assume a probability of 1/3 greater thickness of ore in proven area since most holes bottom in ore.

Probable ore below proven ore =

$$26 \text{ ft.} \times \text{Proven A} = 26 \times 331,393 = 8,616,218 \text{ ft.}^3$$

Total probable = 31,576,171 ft.³

$$\text{(assuming 11 ft.}^3/\text{ton)} \quad 3,143,288 \text{ tons}$$

POSSIBLE ORE

The entire probable and proven area is undercut with underground workings from the Empire Mine (inactive) and others. Maps show that a considerable amount of stoping has been done to a depth of at least 700 ft. below the present open pit. In addition some drift sampling in the Joe Hill tunnel was done by J. R. Simplot Co. and Bear Creek Mining Co. as reported by Lawrence.

Underground maps indicate that the ore zone probably maintains a length and width of at least that of the total probable and proven area. Therefore the assumption can be made that an ore block of horizontal area 660,000 ft.² and exceeding 500 ft. in depth possibly exists below the probable and proven zone.

This block would then contain a total of

$$660,000 \text{ ft.}^2 \times 500 \text{ ft.} = 330,000,000 \text{ ft.}^3$$
$$\text{or } 330,000,000 \text{ ft.}^3 \div 11 \text{ ft.}^3/\text{ton} = 30,000,000 \text{ tons}$$

Assuming a waste to ore ratio of 1:1.3 yields

$$12,000,000 \times 10^6 : 18,000,000 \times 10^6 \text{ or}$$

a possible ore block of 17,000,000 tons

Actual ore grade mineralization is known to occur at a depth of 1600 feet below the present pit level as shown by the workings in the Empire Mining Co.'s Comack level. This level did not however, reach under the ground presently controlled by U. S. Silver and Mining Corporation. It appears that drilling, surface and underground examinations and additional property acquisition could likely enable the three classes of ore to be doubled or even tripled.

PROVEN ORE CALCULATIONS

Hole Number	Total Depth (Ft.)	Thickness (Ft.)	Area of Influence (Ft. 2)	Volume of In-fuence (Ft. 3)	Weighted Assay (% Cu)	
	Table	Cre	Cre	Cre	Cre	
5	100	0	4,236	0	423,500	.74
6	100	0	4,697	0	469,700	.58
7	60	0	625	0	37,500	.48
8	100	0	625	0	62,500	.50
9	80	0	625	0	50,000	.32
10	100	0	5,775	0	577,500	.54
11	100	0	3,894	0	389,400	.56
12	100	0	8,204	0	820,400	.56
13	100	40	5,425	217,040	325,560	.50
14	100	0	4,945	0	494,500	.23
15	MISSING					
16	60	0	2,745	0	164,700	.33
17	NOT USED					
18	NOT USED					
19	110	30	6,756	222,930	540,480	.28
20	140	0	2,940	0	411,602	.62
21	170	80	3,420	496,350	307,800	.48
22	195	0	5,189	0	1,011,855	1.64

23	100	0	100	4,385	0	438,500	1.50
24	50	0	30	7,167	0	215,010	1.42
25	55	40	15	3,404	136,160	51,060	.93
26	80	0	80	5,353	0	428,240	.72
27	55	0	55	4,184	0	230,120	.54
28	120	65	55	5,079	330,135	279,345	.23
29	200	150	50	5,478	821,700	273,900	.26
30	45	45	0	2,268	102,060	0	.00
31	200	150	50	4,568	685,200	228,400	.25
32	100	0	100	2,695	0	269,500	.20
33	35	0	35	1,386	0	48,510	.21
34	30	0	30	1,471	0	44,130	.43
35	147	0	147	3,006	0	294,882	.74
36	72.5	47.5	25	3,260	154,850	81,500	.21
37	60	0	60	3,050	0	183,000	.24
38	329	100	229	3,900	390,000	83,100	.50
39	190	0	190	4,075	0	774,250	.66
40	140	95	45	3,430	325,950	174,350	.34
41	140	45	95	5,970	269,896	557,150	.47
42	MISSING						
43	62.5	2.5	60	4,342	10,855	230,520	.31

TABLE # 1, cont'd.

44	93	68	25	4,300	292,400	107,500	.68
45	100	30	70	6,245	187,350	437,150	.25
46	NOT USED						
47	NOT USED						
48	60	40	20	4,317	259,020	86,310	.49
49	80	30	50	3,939	118,170	196,950	.23
50	200	130	70	3,616	473,980	255,220	.75
51	MISSING						
52	36.5	11.5	25	8,693	99,970	217,325	.24
53	146.5	21.5	125	7,508	161,422	938,500	.41
NI2	110	0	110	6,645	0	730,950	.55
NI3	200	145	55	3,999	579,855	219,945	.60
NI4	75	10	65	12,104	121,040	786,750	.35
NI5	65	65	0	4,652	302,380	0	.00
NI6	135	0	135	6,590	0	889,550	1.52
NI11	200	165	35	2,516	415,140	88,060	.60
NI12	200	155	35	14,845	2,149,425	519,575	.61
NI13	200	85	115	14,152	1,202,920	1,627,480	.74
NI14	90	10	80	16,466	164,660	1,317,280	.61
NI15	200	105	95	9,575	900,375	814,525	.67

TABLE 1, cont'd.

NI16	200	145	55	21,735	3,151,575	1,195,425	.57
NI18	140	105	35	6,856	719,880	239,940	.65
NI19	225	185	40	14,771	2,732,635	590,840	1.47
NI20	200	140	60	10,778	1,508,920	645,680	.54
CH16	30	0	30	2,421	0	72,630	.78
NI26	50	0	50	3,807	0	190,350	.60
NI10	200	0	200	11,211		2,242,200	.52

- A. TOTAL VOLUME ORE = 26,213,959 F³
 B. TOTAL TUNNAGE ORE = 2,383,000 Tons
 C. WEIGHTED AVERAGE ASSAY = 0.65 % Cu
 D. TOTAL VOLUME WASTE = 20,004,143 F³
 E. AVERAGE HOLE DEPTH = 124 Ft.
 F. AVERAGE WASTE THICKNESS = 45 Ft.
 G. AVERAGE ORE THICKNESS = 79 Ft.
 H. WASTE TO ORE RATIO = 1 : 1.3
 I. TOTAL NUMBER OF HOLES EVALUATED = 59

TABLE # 1, cont'd.

Incorporated at an earlier date with an estimate of
\$700,000.00 to \$750,000.00 being assigned as the value
of the plant.



U. S. SILVER AND MINING CORPORATION

500 BOSTON BLDG.

SALT LAKE CITY, UTAH 84111

PHONE 521-7114

Notice of Special Meeting of Stockholders to be held May 24, 1971

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders of U. S. Silver and Mining Corporation will be held at 500 Boston Building, Salt Lake City, Utah on the 24th day of May, 1971 at 9:00 o'clock a.m., Mountain Daylight Savings Time, for the following purposes:

1. To consider and act upon a proposed merger of Consolidated Yellow Jacket Mines, Inc. into U. S. Silver and Mining Corporation.
2. To consider and act upon a proposed amendment to Article VII of the By-Laws of the Corporation to change the fiscal year from December 31 to April 30 of each year.
3. To consider and act upon such other matters as may properly come before the meeting or any adjournment thereof.

Stockholders of record on the books of the Company at the close of business on April 20, 1971, shall be entitled to notice of and to vote at such special meeting.

The fiscal year is proposed to be changed from December 31 to April 30 of each year to allow the auditors of the Corporation to inventory the property of the Corporation each year at a time when the snow is off of the ground where the principal properties of the Corporation are located. The Management of the Corporation recommends a vote for the change of fiscal year to April 30 and for the merger of Consolidated Yellow Jacket Mines, Inc. into the Corporation.

All Stockholders who find it convenient to do so are cordially invited and urged to attend the meeting in person.

If you cannot be present at the meeting, WE URGE YOU TO SIGN, DATE AND RETURN THE PROXY ENCLOSED WITH THIS NOTICE AT YOUR EARLIEST CONVENIENCE.

By Order of the Board of Directors,

William D. Wallace
Chairman of the Board

Dated at Salt Lake City, Utah
April 20, 1971