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SPEECH
TO AIME - SILVER CITY, NEW MEXICO
FEBRUARY 5, 1987

I WANT TO TALK THIS EVENING ABOUT LA PAZ MINING'S PLACER
OPERATION AT BEAR CREEK.

Location - Sec. 23 T16S R14W Then later about our hassle with C.O.E.
WE STARTED EVALUATING THE PROPERTY IN JULY OF 1985.

THE EQUIPMENT USED FOR THE EVALUATION WAS AS FOLLOWS:

1. 1 YD. BUCKET FT. END LOADER, INTERNATIONAL 530,
RENTED FROM BORDER MACHINERY.
2. 1 YD. BUCKET, JOHN DEERE, TRACK MOUNTED
BACKHOE 690-B, CAPABLE OF 18' DEPTH.
3. 5 TO 10 YD. PER HOUR RATED TROMMEL, MADE
BY MAINLAND MACHINERY OF ABBOTSFORD, BRITISH
COLUMBIA. *Reverse spiral*
4. 20" HYDROSTATIC CONE CONCENTRATOR OF KNELSON
DESIGN. *1/2 7 1/2 cone concentrator*
5. 1 - 12 YD. END DUMP MACK TRUCK RENTED FROM
SANMAN COMPANY.
6. 1 AVCO-BERNARD 10KW GENERATOR.
7. 1 RAKE CLASSIFIER. *5 yd³/hr.*

OUR EVALUATION COMMENCED AT THE "HORSESHOE" ON BEAR CREEK AND PROCEEDED UP STREAM ABOUT 4 MILES TO THE END OF THE PATENTED LAND JUST BELOW THE BEN LILY POND IN SECTION 24, TOWNSHIP 16S, RANGE 14W.

THE EVALUATION TOOK ABOUT TWO MONTHS AND WE TESTED ¹³~~14~~ ZONES. EACH

(3)

Each zone was tested by at least 1 pit & some up to 3 pits. Each pit represented at least 6 yds³ & some pits had as much as 15 yds³ of material.

The pits were designed so that one vertical foot represented 1 or 2 cubic yds of material.

One sample usually represented 3 vertical feet.

All pits were bottomed in bed rock.

The procedure was to carry the sample to the plant site. Run the material thru the trommel
→ screen at the sample site

The trommel required about 200 gpm of water

Weighted 2 tons 7' wide 16 1/2' long
with self contained hopper 7' high
~~10' high~~

The - 1/4" material was screened & run thru the 30" Kretson Concentrator & then put in buckets @ end of sample run

The - 1/4" that contained heavy black sand was collected in buckets & saved for later processing in a 7 1/2" Kretson Concentrator.

(4)

the average sample yielded about 200# of black sand which was then run thru a 7.5" Knelson Concentrator. The final product material would be about 1 to 2# of ^{black sand} concentrate which contained the gold.

We would hand pan the material as a visual check on each sample. Then mix the material & send it to the lab for amalgamation & evaluation.

The production operation was essentially similar in technique but everything is scaled up.

The heart of the Production Process is the Trommel made by Goldfields Engineering & Machine Works of Provo, Utah. to La Paz specs.

Length 50' long width 9' overall
with a 5' diameter scrubbing section
Height 15' Weight 45,000#

A vibrating grizzly with wash ^{Spray} bars is an integral part of the unit & is powered by a 10 h.p. electric motor

1/2" spacings for -4" material to pass thru

The vibrating screen is 4' wide & 12' long
Screen wire openings 1 1/2" & 1/4"

The Nugget trap is 4' wide 10' long
with a riffle area of 4' x 4'
with a hydraulic activated hinged door
for access & clean out

The scrubber section is 56" diameter
20' long
with 8' Replacable Screen Section
30 hp electric motor

226000/23

The -1/4 material after passing thru the
screening section is ^{split &} carried directly to
two 30" Knelson bowls. The reject
from the bowls is passed over a
section of sluices & then into a
Dorr Oliver Classifier

which weighs 15 tons is 9 1/2' wide
34' long & 13' high

30" Knelson bowls weigh 1700# is 62" x 60" x 60"
will process about 25 yd³/hr.
powered by 1 10hp electric motor
Requires about 250 gal/min of clean water
The cone rotates at about 400 rpm
generating 60 g's of centrifugal acceleration.

(6)

The heavy particles, ^{including gold,} are forced outward & trapped on horizontal ribs inside the cone. The lighter particles are discharged out the top of the cone & into the classifier for dewatering.

LA PAZ MINING, INC.

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TUCSON, ARIZONA 85745
PHONE: AREA CODE 602 624-7421

TO: La Paz Mining, Inc.

DATE: October 18, 1985

FROM: D. E. Lewis

BEAR CREEK PLACER GRANT COUNTY, NEW MEXICO

The Bear Creek Patented Placer Claims are contiguous and lie along the East-West trending Bear Creek in Grant County, New Mexico. They are located in Township 16 South and Range 14 and 15 West.

The mineral rights belong to the Frymires et al, and on October 15, 1984, an option to purchase was given to Leslie and Richard Billingsley. A Letter of Agreement was signed on March 23, 1985, between the Billingsleys' and La Paz Mining to explore and develop the placer deposit.

The contiguous patented placer claims contain 1555.48 acres and lie along Bear Creek for a total distance of 7.75 miles.

Exploration

A total of 46 test pits were excavated by a 1 cu.yd. backhoe to bedrock. The samples were taken on six-foot intervals and the pit in cross section was from 10 to 13 feet in length and 3 to 4 feet in width. All the material from each sample was screened at 3 inches and the undersize was hauled to the treatment plant.

The treatment plant consisted of a conveyor feed to a MMBG-10 mineral classifier trommel. The concentrate from the reverse spiral was treated in a 7-1/2 inch Knelson Concentrator. The minus 1/4 inch trommel tails were treated in a 20-inch Knelson Concentrator. The reverse spiral does not recover all the gold as it was determined that the trommel tails contained one-half of the recovered gold. The concentrate from the 20-inch Knelson Concentrator was processed through the 7-1/2 inch Knelson Concentrator and combined with the reverse spiral concentrates. The samples were sent to Jacobs Assay in Tucson for amalgamation and amalgamation tail assays.

Exploration - (Continued)

The water requirements during trommel operation were 220 gpm. One hundred gpm to the 20" Knelson Bowl and 120 gpm to the Blue Goose trommel.

Following is a tabulation of the test pit results.

The recovered gold is the total gold in milligrams recovered from the amalgamation process.

The treated yardage is measured in cubic yards in place, and as the minus 3-inch material that was actually treated. The later is a more exact figure and does not include the unwashed plus 3-inch material.

The values are calculated in milligrams per cubic yard.

The correction factor of 20% is used to account for losses in screening and insufficient cleaning of bedrock over the measured length.

All the sample intervals were combined to give one set of values per pit.

SUMMARY OF TEST PIT RESULTS

| <u>Pit</u> | <u>Mgs. Gold</u> | <u>In Place</u> | | <u>Treated</u> | | <u>Mg/Yd³ Correction</u> | <u>Remarks</u> | <u>Depth</u> |
|------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------|---|----------------|--------------|
| | | <u>Yd³</u> | <u>Mg/Yd³</u> | <u>Yd³</u> | <u>Mg/Yd³</u> | | | |
| H.S. 1-1 | 1416.60 | 21.59 | 67.60 | 14.16 | 103.07 | 128.84 | water on bdk | 17.0' |
| H.S. 2-1 | 543.19 | 17.95 | 29.62 | 11.67 | 45.57 | 56.96 | | 13.6' |
| H.S. 3-1 | 1828.65 | 21.33 | 85.73 | 14.10 | 129.69 | 162.11 | | 16.0' |
| H.S. 4-1 | 1887.80 | 16.00 | 117.99 | 10.80 | 174.80 | 218.50 | | 12.0' |
| H.S. 5-1 | 213.29 | 10.53 | 20.26 | 7.20 | 29.62 | 37.03 | NW of channel | 9.5' |
| H.S. 5-2 | 240.25+ | 13.32 | 18.04 | 9.00 | 26.69 | 33.36 | NW of channel | 10.0' |
| H.S. 5-3 | 3190.90 | 16.40 | 194.57 | 10.64 | 299.90 | 374.87 | | 12.3' |
| H.S. 5-4 | 2713.10+ | 13.22 | 205.23 | 8.98 | 302.13 | 377.66 | | 11.3' |
| H.S. 6-1 | 2275.40 | 8.56 | 265.82 | 5.50 | 413.71 | 517.14 | | 7.0' |
| H.S. 7-1 | 3236.20 | 15.70 | 206.13 | 10.50 | 308.20 | 385.25 | | 13.0' |
| H.S. 8-1 | 1783.90 | 17.41 | 102.46 | 11.65 | 153.12 | 191.41 | | 14.5' |
| H.S. 9-1 | 2571.30 | 20.74 | 123.98 | 12.75 | 201.67 | 252.09 | | 15.5' |
| H.S. 10-1 | 674.00 | 16.78 | 40.17 | 13.50 | 49.96 | 62.45 | area mined | 12.0' |
| H.S. 11-1 | 1273.93 | 10.75 | 118.51 | 7.75 | 164.38 | 205.47 | water in hole | 8.5' |
| H.S. 12-1 | 251.34 | 7.33 | 34.29 | 4.76 | 52.80 | 66.00 | area mined | 6.0' |

| <u>Pit</u> | <u>Mgs. Gold</u> | <u>In Place</u> | | <u>Treated</u> | | <u>Mg/Yd³ Correction</u> | <u>Remarks</u> | <u>Depth</u> |
|------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------|---|--------------------|--------------|
| | | <u>Yd³</u> | <u>Mg/Yd³</u> | <u>Yd³</u> | <u>Mg/Yd³</u> | | | |
| H.S. 13-1 | 1475.99 | 10.06 | 146.27 | 6.50 | 227.08 | 283.84 | Partially mined | 8.5' |
| H.S. 14-1 | 2086.30 | 14.06 | 148.39 | 9.25 | 225.55 | 281.94 | Water—from surface | 10.0' |
| H.S. 15-1 | 1564.20 | 8.15 | 191.93 | 4.50 | 347.60 | 434.50 | | 5.5' |
| H.S. 16-1 | 588.06 | 7.02 | 83.77 | 5.50 | 106.92 | 133.65 | 22% + 3" | 6.0' |
| H.S. 17-1 | 1582.20 | 10.00 | 158.22 | 6.25 | 253.15 | 316.44 | | 8.0' |
| H.S. 18-1 | 330.82 | 7.0 | 47.26 | 5.50 | 60.15 | 75.19 | Side cut bedrock | -- |
| H.S. 19-1 | 639.35 | 11.85 | 53.95 | 7.00 | 91.34 | 114.17 | Boulders | 9.0' |
| H.S. 20-1 | 968.10 | 8.43 | 114.84 | 6.00 | 161.35 | 201.67 | | 10.5' |
| H.S. 21-1 | 356.20 | 9.07 | 39.27 | 5.00 | 71.24 | 89.05 | | 10.5' |
| H.S. 22-1 | 1813.70 | 14.81 | 122.46 | 9.50 | 190.92 | 238.65 | | 10.0' |
| H.S. 23-1 | 715.70 | 17.62 | 40.59 | 10.50 | 68.11 | No bdk | No bdk—water | 18.0'? |
| H.S. 24-1 | 6610.00 | 6.72 | 983.63 | 4.00 | 1652.50 | 1652.50 | | 7.0' |
| H.S. 25-1 | 3429.00 | 11.16 | 307.26 | 8.50 | 403.41 | 504.26 | | 10.0' |
| H.S. 26-1 | 2033.20 | 9.00 | 225.91 | 6.00 | 338.87 | 423.58 | | 8.0' |
| H.S. 27-1 | 1724.00 | 7.33 | 235.20 | 4.76 | 362.18 | 452.73 | | 7.0' |

| <u>Pit</u> | <u>Mgs. Gold</u> | <u>In Place</u> | | <u>Treated</u> | | <u>Mg/Yd³ Correction</u> | <u>Remarks</u> | <u>Depth</u> |
|------------|----------------------|-----------------------|--------------------------|-----------------------|--------------------------|---|----------------|--------------|
| | | <u>Yd³</u> | <u>Mg/Yd³</u> | <u>Yd³</u> | <u>Mg/Yd³</u> | | | |
| H.S. 28-1 | 4296.00 | 11.77 | 365.02 | 8.00 | 537.04 | 671.30 | | 9.0' |
| H.S. 29-1 | 930.70 | 11.11 | 83.77 | 7.00 | 132.96 | 166.20 | | 11.0' |
| H.S. 30-1 | 1585.50 | 8.19 | 193.59 | 5.00 | 317.10 | 396.38 | | 13.0' |
| H.S. 31-1 | 2777.50 | 10.00 | 277.50 | 6.00 | 462.92 | 578.65 | | 13.0' |
| H.S. 32-1 | 1676.60 | 7.00 | 239.51 | 5.00 | 335.32 | 419.15 | | 17.0' |
| H.S. 33-1 | 1226.72 | 13.47 | 91.07 | 9.40 | 130.50 | 163.13 | Water in pit | 11.0' |
| H.S. 34-1 | 709.40 | 6.05 | 118.03 | 5.00 | 141.88 | 177.35 | | 9.0' |
| H.S. 35-1 | 1660.20 | 9.23 | 179.87 | 6.00 | 276.70 | 345.88 | | 9.0' |
| H.S. 36-1 | 505.50 | 9.27 | 54.53 | 6.00 | 84.25 | 105.31 | | 6.5' |
| H.S. 37-1 | 47.51 | 4.40 | 10.80 | 2.70 | 17.60 | 17.60 | | 5.0' |
| H.S. 38-1 | 1385.40 | 8.56 | 161.85 | 5.50 | 251.89 | 314.86 | | 7.0' |
| H.S. 39-1 | 3796.10 | 13.42 | 282.87 | 9.00 | 421.79 | 527.24 | | 12.0' |
| H.S. 40-1 | 2841.30 | 8.56 | 331.93 | 6.00 | 473.55 | 591.94 | | 7.0' |
| H.S. 41-1 | 4351.60 | 7.36 | 591.66 | 6.00 | 725.67 | 907.09 | | 6.0' |
| H.S. 42-1 | 1476.00 | 6.11 | 241.57 | 4.00 | 369.00 | 461.25 | | 8.0' |

| <u>Pit</u> | <u>Mgs. Gold</u> | <u>In Place Yd³</u> | <u>Mg/Yd³</u> | <u>Treated Yd³</u> | <u>Mg/Yd³</u> | <u>Mg/Yd³ Correction</u> | <u>Remarks</u> | <u>Depth</u> |
|------------|----------------------|------------------------------------|--------------------------|-----------------------------------|--------------------------|---|----------------|--------------|
| H.S. 43-1 | 2348.00 | 7.15 | 328.39 | 5.00 | 469.60 | 587.00 | | 6.5' |
| H.S. 44-1 | 2696.70 | 6.66 | 404.80 | 3.00 | 898.67 | 898.67 | Water in pit | 8.0' |
| H.S. 45-1 | 2729.00 | 12.40 | 220.08 | 8.50 | 321.06 | 401.32 | Water in pit | 9.0' |
| H.S. 46-1 | 3164.30 | 10.00 | 316.43 | 7.00 | 452.04 | 565.05 | | 6.0' |
| Total | 91,987.66 | 550.60 | 167.07 | 365.82 | 251.47 | 314.34 | | |

Exploration - (Continued)

34% of the material from the test pits represents the plus 3-inch rock that was screened off at the pit site and 66% was treated in the plant. A 3-inch wet grizzly will increase the recovered gold so the oversize rock was not cleaned during the test program.

During mining, the bedrock will be more thoroughly cleaned than with the backhoe working in the pits. The backhoe bucket swings on an arc and only exposes a portion of the bedrock in the pits.

The Knelson Bowl proved to be an excellent machine for recovery of fine gold.

Gold recovery from a pit that contains water is very poor when using a backhoe to excavate. During mining, drainage will be maintained so as to reduce this loss.

During mining the main gravel channels will be followed, thus giving a higher gold recovery than shown by the test pits - 50% of the pits did not intersect the better pay gravel.

It is anticipated that the recovered gold will be from 500 to 650 mgs. per cubic yard of plant feed. At \$300 per ounce gold, this recovery represents \$4.85 to \$5.90 per cubic yard.

Amalgamation Results

36,027.60 grams of concentrate were amalgamated to yield 91,987.66 milligrams of gold at 855 fine. After amalgamation the tailings contained 589.22 mgs. of gold and 576.01 mgs. of silver.

Ten test pits were selected and the amalgamation tails were combined into one lot sample. This sample was treated with a hand magnet to produce two separate samples: (a) magnetic fraction, and (b) non-magnetic fraction. These two samples were weighed and assayed for gold and silver content.

AMALGAMATION RESULTS

| <u>Sample No.</u> | <u>Weight Grams</u> | <u>Tails</u> | | <u>Amalgam Au-Mgs</u> | <u>Reserves γ^3</u> | <u>Treated γ^3</u> |
|-------------------|---------------------|----------------|----------------|-----------------------|---------------------------------------|--------------------------------------|
| | | <u>Au-Mgs.</u> | <u>Ag-Mgs.</u> | | | |
| H.S. 2-1 | 1663.46 | 118.36 | 44.77 | 543.19 | 17.95 | 11.67 |
| H.S. 7-1 | 727.76 | 50.48 | 17.40 | 3236.20 | 15.70 | 10.50 |
| H.S. 13-1 | 781.52 | 2.11 | 6.88 | 1475.99 | 10.06 | 6.50 |
| H.S. 16-1 | 347.41 | 59.17 | 19.09 | 588.06 | 7.02 | 5.50 |
| H.S. 21-1 | 549.64 | 1.94 | 4.72 | 356.20 | 9.07 | 5.00 |
| H.S. 24-1 | 1064.39 | 3.01 | 12.85 | 6610.00 | 6.72 | 4.00 |
| H.S. 27-1 | 612.28 | 9.41 | 2.10 | 1724.00 | 7.33 | 4.76 |
| H.S. 38-1 | 573.61 | 4.45 | 58.14 | 1385.40 | 8.56 | 5.50 |
| H.S. 41-1 | 481.65 | 9.91 | 6.66 | 4354.60 | 7.36 | 6.00 |
| H.S. 46-1 | 374.84 | 8.51 | 5.18 | 3164.30 | 10.00 | 7.00 |
| Total | 7176.56 | 267.35 | 177.79 | 23437.94 | 99.77 | 66.43 |

| | <u>Gms</u> | <u>Oz/Ton Au</u> | <u>Mgs Au</u> | <u>Oz/Ton Ag</u> | <u>Mgs Ag</u> |
|-----------|------------|------------------|---------------|------------------|---------------|
| Magnetics | 5334.00 | 0.051 | 9.33 | 0.53 | 96.96 |
| Non Mag. | 1248.00 | 6.170 | 264.35 | 2.24 | 95.97 |
| Total | 6582.00 | 1.48 | 273.68 | 0.93 | 192.92 |

19%

Amalgamation Results - (Continued)

A ton of the amalgamation tails would contain 1.48 oz. gold and 0.93 oz. of silver. The non-magnetic fraction was 20% of the total amount of amalgamation tails and would average 6.17 oz. of gold per ton; and it contained 96.6% of the gold in the amalgamation tails and 50% of the silver. The magnetic fraction assayed 0.051 oz. gold/ton. Using the figure of 66.43 cubic yards, this yields 108.03 grams of amalgamation tails per cubic yard, or to produce one ton of tails would require 9248 cubic yards. To produce one ton of the non-magnetic fraction of the tails would require 46,240 cubic yards of plant feed.

A spectro analysis by Specomp Services of Boise, Idaho, showed the following above average values:

Magnetic fraction, Zinc = 0.10%, Zirconium = 0.10%

Non-magnetic fraction, Tungsten = 0.10%, Zirconium = 0.10%

The tails should be eventually checked for the contents of the various rare earths. The tungsten occurs as the mineral ferberite, an iron tungstate. The zirconium occurs as the mineral zircon.

The production unit should produce more of the black sand-heavy mineral fraction. A figure of 2000 gms per cubic yard would be realistic.

The magnetic and non-magnetic fractions of the amalgamation tails were each screened to determine the gold content in the various size fractions.

(a) Magnetic Fraction

| <u>Size</u> | <u>Percentage</u> | <u>Oz. Gold/Ton</u> | <u>Percentage Gold</u> |
|-------------|-------------------|---------------------|------------------------|
| +60 mesh | 38.44 | 0.06 | 36.05 |
| +100 mesh | 46.86 | 0.043 | 31.50 |
| +200 mesh | 14.05 | 0.108 | 23.71 |
| -200 mesh | <u>0.65</u> | <u>0.860</u> | <u>8.74</u> |
| Total | 100.00 | 0.051 | 100.00 |

Amalgamation Results - (Continued)

(b) Non-Magnetic Fraction

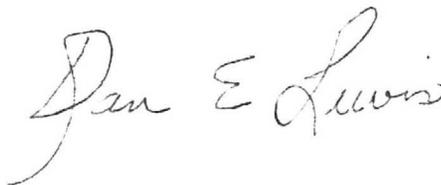
| <u>Size</u> | <u>Percentage</u> | <u>Oz. Gold/Ton</u> | <u>Percentage Gold</u> |
|-------------|-------------------|---------------------|------------------------|
| +60 Mesh | 46.55 | 5.984 | 49.41 |
| +100 Mesh | 41.35 | 3.203 | 23.49 |
| +200 Mesh | 10.95 | 9.238 | 17.95 |
| -200 Mesh | <u>1.15</u> | <u>44.89</u> | <u>9.15</u> |
| Total | 100.00 | 6.17 | 100.00 |

This shows that the greatest percentage of the gold is in the +60 and +100 mesh fractions and the higher grade material occurs in the +200 and -200 mesh fractions. The gold is not free and is in hematite and oxides of copper and zinc.

The Goldfield 150 Alaska series plant that we are purchasing for Bear Creek is rated at 150 cubic yards per hour. Mr. Jay Landis operated this plant at Lynx Creek and 20,000 yards were processed. His experience shows that the plant is overrated at 150 cubic yards and that a figure of 100 cubic yards per hour would give a better recovery. Mr. Landis was using the sluice boxes to recover the gold from the trommel. The feed to the sluice boxes was screened to minus 1/4 inch. The cleanup of the sluice boxes is time consuming. His operating expenses were \$1.00 per yard in mining and \$2.50 per yard in processing for a total of \$3.50. The plant was only operating 50% of the time. I believe that with the use of the Knelson 30-inch bowls in place of the sluice boxes, and keeping the operation to its maximum capacity, we can treat a cubic yard for slightly less than \$3.00 per cubic yard.

The placer reserves are in excess of one million cubic yards.

DEL:vh



LA PAZ MINING, INC.

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PHONE: AREA CODE 602 325-1514

REPORT OF OPERATIONS LA PAZ-BEAR CREEK OCTOBER 1986

Directorate
La Paz Mining, Inc.

November 24, 1986

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

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

Mine

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

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

Cubic Meters Treated by Area

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

Plant Production

(a) Tailings

A total of 1640 M³ was treated in the plant and produced the following tailing products over 51.91 hours of operation:

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

(b) Water

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

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

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

The reason for the increased water usage per M³ was due to the decreased plant feed:

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

(c) Plant

| <u>October</u> | <u>M³</u> | <u>Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ M³</u> | <u>Oz./ M³</u> |
|----------------|------------------------|-------------|--------------------------|-----------------|------------------------------------|-------------------------------|
| 14 | 160 | 5.5 | 29.1 | 143.0912 | 0.8943 | 0.029 |
| 15 | 160 | 5.0 | 32.0 | 77.6485 | 0.4853 | 0.016 |
| 17 | 184 | 5.5 | 33.5 | 77.5676 | 0.4216 | 0.014 |
| 20 | 184 | 6.25 | 29.4 | 76.7720 | 0.4172 | 0.013 |
| 21 | 120 | 4.66 | 25.8 | 55.2835 | 0.4607 | 0.015 |
| 22 | 208 | 6.5 | 32.0 | 67.9248 | 0.3266 | 0.011 |
| 23 | 240 | 7.58 | 31.7 | 105.5926 | 0.4400 | 0.014 |
| 24 | 208 | 6.42 | 32.4 | 100.3713 | 0.4826 | 0.016 |
| 29A | Black sands from bowls | | | 5.0636 | | |
| 30 | 176 | 4.5 | 39.1 | 64.2470 | 0.3650 | 0.012 |
| 9/26-10/15 | Small dredge | | | 3.8725 | | |
| 9 | 1640 | 51.91 | 31.6 | 777.4346 | 0.4740 | 0.015 |
| | | | | 7.4200 | | |
| | | | | 784.8546 | 0.4786 | 0.015 |

Au - Weight 8.73 grams x 85.03% = 7.42

Ag - Weight 8.73 grams x 11.73% = 1.02

The 784.8546 gms is composed of two products:

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

Summary Year to Date Production

| <u>Production</u> | <u>Grams Au</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz./ M³</u> |
|-------------------|-----------------|---------------------------|-----------------------|--------------------------|------------------------------------|-------------------------------|
| Exploration | 91.9877 | - | - | - | - | - |
| May | 628.7895 | 2595 | 40.3 | 64.4 | 0.2421 | 0.008 |
| June | 1304.9735 | 4157 | 66.75 | 67.2 | 0.3139 | 0.010 |
| July | 2094.2924 | 6545.6 | 107.18 | 61.07 | 0.3200 | 0.010 |
| August | 2944.2846 | 6681 | 113.40 | 58.9 | 0.4407 | 0.014 |
| September | 1233.0158 | 2821 | 48.60 | 58.1 | 0.4201 | 0.014 |
| October | 784.8546 | 1640 | 51.91 | 31.6 | 0.4786 | 0.015 |
| | 9082.1981 | 24439.6 | 428.14 | 57.13 | 0.3713 | 0.012 |

Concentrate Produced

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

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

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

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

A sluice box was installed between the trommel and the bowls. Of the 50.68% of the total recoverable gold, the sluice box recovered 81% and the bowl recovered 19% of the gold. This bowl recovery amounts to 9.72% of the total gold in the feed. The bowls are necessary as the sluice will loose more gold as the production of feed is increased to 77 M³/hour.

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

Amalgam Tails to Date

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

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

| | |
|---------------------------|-------------------------|
| Non-magnetic fraction 32% | 1.318 ozs. gold per ton |
| Magnetic fraction 68% | 0.020 ozs. gold per ton |

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

Equipment

| | <u>Hrs.</u> <u>Operated</u> | <u>Standby</u> <u>Hrs.</u> | <u>Mechanical</u> <u>Down</u> <u>Hrs.</u> | <u>Mechanical</u> <u>Available</u> <u>Hrs.</u> | <u>Percent</u> <u>Available</u> |
|---------|--------------------------------|-------------------------------|---|--|------------------------------------|
| Plant | 51.91 | 4.5 | 127.59 | 56.41 | 30.6 |
| D8 | 78.0 | 20 | 86 | 98 | 53 |
| 966 | 61 | 19 | 104 | 80 | 44 |
| 530 | 116 | 32 | 36 | 148 | 80 |
| 100 KW | 87 | 97 | - | 184 | 100 |
| Truck | 105 | 29.5 | 49.5 | 134.5 | 73 |
| 8" Pump | 82 | 102 | - | 184 | 100 |
| 4" Pump | - | - | - | - | - |
| 15 KW | - | - | - | - | - |

Fuel Consumption

| | <u>D8</u> | <u>966</u> | <u>530</u> | <u>Truck</u> | <u>100 KW</u> | <u>8"</u> <u>Pump</u> |
|--------------------------|-----------|------------|------------|--------------|---------------|--------------------------|
| Hours | 78 | 61 | 116 | 105 | 87 | 82 |
| Gallons | 843.9 | 238.9 | 386.2 | 175.7 | 262.4 | 258.8 |
| Gal./Hr. | 10.82 | 3.92 | 3.32 | 1.67 | 3.02 | 3.16 |
| Total Diesel: 2467 Gals. | | | | | | |

Personnel and Payroll Distribution

| <u>Employee</u> | <u>Reg.</u> <u>Hrs.</u> | <u>O/T</u> <u>Hrs.</u> | <u>Total</u> <u>Hrs.</u> | <u>Reg.</u> <u>Pay</u> | <u>O/T</u> <u>Pay</u> | <u>Total</u> <u>Pay</u> |
|-----------------|----------------------------|---------------------------|-----------------------------|---------------------------|--------------------------|----------------------------|
| L. Billingsley | 160 | 47 | 207 | 2500.00 | 1101.64 | 3601.64 |
| R. Billingsley | 151.5 | 10 | 161.5 | 2367.18 | 234.37 | 2601.55 |
| J. Crotts | 160 | 23.5 | 183.5 | 1600.00 | 357.50 | 1952.50 |
| R. Nichols | 160 | 32 | 192 | 2500.00 | 749.08 | 3249.08 |
| J. Rogers | 160 | 54 | 214 | 1280.00 | 648.00 | 1928.00 |
| R. Rogers | 160 | 55.5 | 215.5 | 1280.00 | 666.00 | 1946.00 |
| H. Adams | 160 | 68 | 228 | 1200.00 | 772.25 | 1972.25 |
| F. March | 64 | - | 64 | 512.00 | - | 512.00 |
| W. Strain | 75 | - | 75 | 487.50 | - | 487.50 |
| O. Aliff | 54 | - | 54 | 648.00 | - | 648.00 |
| C. Anderson | <u>Watchman</u> | | | <u>90.00</u> | <u>-</u> | <u>90.00</u> |
| | <u>1304.50</u> | <u>290</u> | <u>1594.5</u> | <u>14464.68</u> | <u>4524.74</u> | <u>18989.42</u> |

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

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

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

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

Plant Operating Factor

| <u>Month</u> | <u>Feed M³</u> | <u>No. Workdays</u> | <u>Theoretical M³</u> | <u>Possible Hrs.</u> | <u>M³/ Hrs.</u> | <u>Factor %</u> |
|--------------|-------------------------------|-------------------------|--------------------------------------|--------------------------|--------------------------------|---------------------|
| May | 2595 | 12 | 7392 | 96 | 27.0 | 35 |
| June | 4157 | 21 | 12936 | 168 | 24.7 | 32 |
| July | 6546.6 | 22 | 13552 | 176 | 37.2 | 48.3 |
| August | 6681.0 | 21 | 12936 | 168 | 39.8 | 51.6 |
| September | 2821.0 | 21 | 12936 | 168 | 16.8 | 21.8 |
| October | 1640.0 | 23 | 14168 | 184 | 8.91 | 11.6 |

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

Royalty to Claimowners

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

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

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

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

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

Total \$9,225.05

at 7% royalty \$ 645.75

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

Direct Operating Costs

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

Production Summary

These figures do not consider fineness in free gold production:

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

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

\$40,040.27 = \$24.42 per M^3 of feed.
1640

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

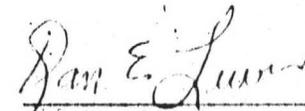
These costs are direct costs at Bear Creek.

The following monthly capital costs were not included:

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

This loss per M³ of feed:

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



Dan E. Lewis

Vice President of Operations

MJH

LA PAZ MINING, INC.

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

REPORT OF OPERATIONS LA PAZ-BEAR CREEK OCTOBER 1986

Directorate
La Paz Mining, Inc.

November 24, 1986

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

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

Mine

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

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

Cubic Meters Treated by Area

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

Plant Production

(a) Tailings

A total of 1640 M³ was treated in the plant and produced the following tailing products over 51.91 hours of operation:

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

(b) Water

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

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

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

The reason for the increased water usage per M³ was due to the decreased plant feed:

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

(c) Plant

| <u>October</u> | <u>M³</u> | <u>Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ M³</u> | <u>Oz./ M³</u> |
|----------------------|------------------------|-------------|--------------------------|-----------------|------------------------------------|-------------------------------|
| 14 | 160 | 5.5 | 29.1 | 143.0912 | 0.8943 | 0.029 |
| 15 | 160 | 5.0 | 32.0 | 77.6485 | 0.4853 | 0.016 |
| 17 | 184 | 5.5 | 33.5 | 77.5676 | 0.4216 | 0.014 |
| 20 | 184 | 6.25 | 29.4 | 76.7720 | 0.4172 | 0.013 |
| 21 | 120 | 4.66 | 25.8 | 55.2835 | 0.4607 | 0.015 |
| 22 | 208 | 6.5 | 32.0 | 67.9248 | 0.3266 | 0.011 |
| 23 | 240 | 7.58 | 31.7 | 105.5926 | 0.4400 | 0.014 |
| 24 | 208 | 6.42 | 32.4 | 100.3713 | 0.4826 | 0.016 |
| 29A | Black sands from bowls | | | 5.0636 | | |
| 30 | 176 | 4.5 | 39.1 | 64.2470 | 0.3650 | 0.012 |
| 9/26-10/15 | Small dredge | | | 3.8725 | | |
| 9 | 1640 | 51.91 | 31.6 | 777.4346 | 0.4740 | 0.015 |
| | | | | 7.4200 | | |
| Gold Bar from Retort | | | | 784.8546 | 0.4786 | 0.015 |

Au - Weight 8.73 grams x 85.03% = 7.42

Ag - Weight 8.73 grams x 11.73% = 1.02

The 784.8546 gms is composed of two products:

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

Summary Year to Date Production

| <u>Production</u> | <u>Grams Au</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------------|-----------------|---------------------------|-----------------------|--------------------------|------------------------------------|------------------------------|
| Exploration | 91.9877 | - | - | - | - | - |
| May | 628.7895 | 2595 | 40.3 | 64.4 | 0.2421 | 0.008 |
| June | 1304.9735 | 4157 | 66.75 | 67.2 | 0.3139 | 0.010 |
| July | 2094.2924 | 6545.6 | 107.18 | 61.07 | 0.3200 | 0.010 |
| August | 2944.2846 | 6681 | 113.40 | 58.9 | 0.4407 | 0.014 |
| September | 1233.0158 | 2821 | 48.60 | 58.1 | 0.4201 | 0.014 |
| October | 784.8546 | 1640 | 51.91 | 31.6 | 0.4786 | 0.015 |
| | 9082.1981 | 24439.6 | 428.14 | 57.13 | 0.3713 | 0.012 |

Concentrate Produced

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

| Oct. | Concentrate Gms | | Total | % +10 Mesh | Gms Au Scalped | Gms Amalgam | Gms Retorted |
|-------------|-----------------|-------------|--------------|---------------|-------------------|----------------|-----------------|
| | +10 Mesh | -10 Mesh | | | | | |
| 14 | 2265 | 7290 | 9555 | 23.7 | 143.0912 | 9.1 | 4.4 |
| 15 | 1865 | 5535 | 7400 | 25.2 | 77.6485 | 4.7 | 2.3 |
| 17 | 2150 | 6745 | 8895 | 24.2 | 77.5070 | 0.1 | 3.1 |
| 20 | 1895 | 7505 | 9400 | 20.2 | 76.7720 | 2.4 | 1.3 |
| 21 | 2160 | 7355 | 9515 | 22.7 | 55.2835 | 4.0 | 2.0 |
| 22 | 1740 | 4470 | 6210 | 28.0 | 67.9248 | 2.8 | 1.4 |
| 23 | 1895 | 8110 | 10005 | 18.9 | 105.5926 | 5.3 | 2.7 |
| 24 | 2280 | 7540 | 9820 | 23.2 | 100.3713 | 4.3 | 2.2 |
| 29A | - | 3380 | 3380 | - | 5.0030 | 1.5 | 0.8 |
| 30 | 1140 | 3380 | 4520 | 25.2 | 64.2470 | 1.7 | 0.4 |
| 9/26, 10/15 | <u>3150</u> | <u>9300</u> | <u>12450</u> | <u>25.3</u> | <u>3.8725</u> | <u>1.8</u> | <u>0.8</u> |
| | 20540 | 70610 | 91150 | 22.5 | 777.4346 | 43.7 | 21.4 |

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

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

A sluice box was installed between the trommel and the bowls. Of the 50.68% of the total recoverable gold, the sluice box recovered 81% and the bowl recovered 19% of the gold. This bowl recovery amounts to 9.72% of the total gold in the feed. The bowls are necessary as the sluice will loose more gold as the production of feed is increased to 77 M³/hour.

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

Amalgam Tails to Date

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

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

| | |
|---------------------------|-------------------------|
| Non-magnetic fraction 32% | 1.318 ozs. gold per ton |
| Magnetic fraction 68% | 0.020 ozs. gold per ton |

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

Equipment

| | <u>Hrs. Operated</u> | <u>Standby Hrs.</u> | <u>Mechanical Down Hrs.</u> | <u>Mechanical Available Hrs.</u> | <u>Percent Available</u> |
|---------|--------------------------|-------------------------|-------------------------------------|--|------------------------------|
| Plant | 51.91 | 4.5 | 127.59 | 56.41 | 30.6 |
| D8 | 78.0 | 20 | 86 | 98 | 53 |
| 966 | 61 | 19 | 104 | 80 | 44 |
| 530 | 116 | 32 | 36 | 148 | 80 |
| 100 KW | 87 | 97 | - | 184 | 100 |
| Truck | 105 | 29.5 | 49.5 | 134.5 | 73 |
| 8" Pump | 82 | 102 | - | 184 | 100 |
| 4" Pump | - | - | - | - | - |
| 15 KW | - | - | - | - | - |

Fuel Consumption

| | <u>D8</u> | <u>966</u> | <u>530</u> | <u>Truck</u> | <u>100 KW</u> | <u>8" Pump</u> |
|--------------------------|-----------|------------|------------|--------------|---------------|--------------------|
| Hours | 78 | 61 | 116 | 105 | 87 | 82 |
| Gallons | 843.9 | 238.9 | 386.2 | 175.7 | 262.4 | 258.8 |
| Gal./Hr. | 10.82 | 3.92 | 3.32 | 1.67 | 3.02 | 3.16 |
| Total Diesel: 2467 Gals. | | | | | | |

Personnel and Payroll Distribution

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

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

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

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

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

Plant Operating Factor

| <u>Month</u> | <u>Feed M³</u> | <u>No. Workdays</u> | <u>Theoretical M³</u> | <u>Possible Hrs.</u> | <u>M³/ Hrs.</u> | <u>Factor %</u> |
|--------------|-------------------------------|-------------------------|--------------------------------------|--------------------------|--------------------------------|---------------------|
| May | 2595 | 12 | 7392 | 90 | 27.0 | 35 |
| June | 4157 | 21 | 12936 | 168 | 24.7 | 32 |
| July | 6546.6 | 22 | 13552 | 176 | 37.2 | 48.3 |
| August | 6681.0 | 21 | 12936 | 168 | 39.8 | 51.6 |
| September | 2821.0 | 21 | 12936 | 168 | 16.8 | 21.8 |
| October | 1640.0 | 23 | 14168 | 184 | 8.91 | 11.6 |

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

Royalty to Claimowners

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

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

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

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

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

Total \$9,225.05

at 7% royalty \$ 645.75

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

Direct Operating Costs

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

Production Summary

These figures do not consider fineness in free gold production:

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

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

\$40,040.27 = \$24.42 per M³ of feed.
1640

In October one M³ of feed contained 0,015 oz. of gold at \$423.617 =
\$6.35 or a loss of \$18.07/M³.

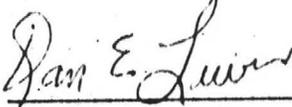
These costs are direct costs at Bear Creek.

The following monthly capital costs were not included:

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

This loss per M³ of feed:

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



Dan E. Lewis
Vice President of Operations

LA PAZ MINING, INC.

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

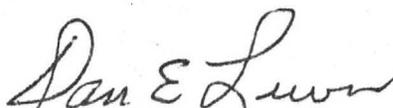
MEMORANDUM TO: Jay E. Fuller
✓E. Grover Heinrichs

REGARDING: Bear Creek Placer

DATE: July 14, 1986

I checked the bowl concentrates that were brought to Tucson on July 13, 1986, and the black light shows an appreciable amount of scheelite CaWO_4 present. A green fluorescent mineral also is present. It appears to be opalite. Some topaz is present giving a canary yellow fluorescence.

The Specific Gravity of scheelite is 5.9 to 6.1.


Dan E. Lewis

DEL:vh

LA PAZ MINING, INC.

1802 WEST GRANT ROAD
SUITE 110-4
TUCSON, ARIZONA 85745
PHONE: AREA CODE 602 624-7421

PRELIMINARY REPORT EXPENSES PAID BY LA PAZ MINING, INC. LA PAZ-BEAR CREEK THRU MAY 31, 1986

| | |
|--|------------|
| Billingsley et al | \$101000 |
| Bond | 50000 |
| Payroll and payroll taxes | 105748 |
| Property taxes | 409 |
| Rental equipment | 44398 |
| Insurance | 15675 |
| Professional fees | 62932 |
| Office expense | 4818 |
| Travel, lodging, etc. | 15032 |
| Storage vans | 4200 |
| Assay office | 4538 |
| Small tools | 14158 |
| Field supplies, pipe, parts, repairs and fuel | 26752 |
| Power plant | 2085 |
| Maps, permits and fees | 386 |
| Royalties | 6600 |
| Laboratory equipment | 1485 |
| Well drilling | 34453 |
| La Paz Mining, Inc. exploration equip. rental 7/85 thru 11/85 | 30000 |
| La Paz Mining, Inc. '83 Blazer rental 5/86 to 6/86 | <u>800</u> |
| Total through May 31, 1986 | \$525469 ← |

Plus 18% Interest

Purchase price of equipment used in Bear Creek to
be leased by La Paz Mining, Inc. to La Paz-
Bear Creek, Inc. \$427000

LA PAZ MINING, INC.

1802 WEST GRANT ROAD
 SUITE 110-4
 TUCSON, ARIZONA 85745
 PHONE: AREA CODE 602 624-7421

LA PAZ-BEAR CREEK, INC. PAY PERIOD 4 WEEKS THRU MAY, 1986

| | | <u>Regular Time</u> | <u>Overtime</u> | <u>Total</u> |
|---------------------|------|-------------------------|-----------------|--------------|
| Leslie Billingsley | Hrs. | 160 | 63.5 | 223.5 |
| | \$ | 2,500.00 | 1,488.26 | 3,988.26 |
| Richard Billingsley | Hrs. | 158 | 15.0 | 173.0 |
| | \$ | 2,468.75 | 351.59 | 2,820.34 |
| Jim Crotts | Hrs. | 160 | 30.5 | 190.5 |
| | \$ | 1,600.00 | 457.50 | 2,057.50 |
| Richard Nichols | Hrs. | 160 | 43.0 | 203.0 |
| | \$ | 2,500.00 | 1,007.62 | 3,507.62 |
| James Rogers | Hrs. | 160 | 42.5 | 202.5 |
| | \$ | 1,074.50 | 467.50 | 1,542.00 |
| Ronald Rogers → | Hrs. | 120 | 36.0 | 156.0 ← |
| | \$ | 960.00 | 432.00 | 1,392.00 |
| Frederic March | Hrs. | 103.5 | 15.0 | 118.5 |
| | \$ | 740.30 | 152.45 | 892.75 |
| May Total Hours | | 1021.5 | 245.5 | 1267.0 |
| May Total Dollars | | 11,843.55 | 4,356.92 | 16,200.47 |
| | | 30% | 30% | 30% |
| | | <u>3,553</u> | <u>1,307</u> | <u>4,861</u> |
| Month of May '86 | | 15,397 | 5,664 | 21,061 |

Da 1 way 1 Mining & Inc. - Equipment leased to
La Paz Bar Creek, Inc.

COLUMN WRITE

| No. | Year | New | Used | Serial or ID# |
|---|------|----------------|-------------------|------------------------------------|
| 007g Kushmaul - skid mounted steel tank - 3 compartment | 1985 | 2337.00 | | |
| 009 1-Knelson hydrostatic conc bowl - 30" 10hp 3 phase mtr | 1983 | | 14,878.00 | |
| 010 1-Knelson ↑ | 1983 | | 14,878.00 | |
| 011a Rotating water filter screen | 1983 | | 3,000.00 | |
| 012 1- 7 1/2" Knelson Bowl | 1986 | 7,220.00 | | 75850825 356011 |
| 022 1-Ford end dump ^{diesel} 3208 CAT | 1980 | | 19,000.00 | U80UVJA |
| 023 1-Fruehauf storage van | | | 15,670.00 | |
| 024 " " " " | | | 15,660.00 | |
| 025 Converter dolly | | | 1,067.00 | |
| 029 1-CAT Ft. end loader 5yd 966e | | | 48,500.00 | SN 3640 113675 |
| 030 1-International loader 530-A | | | 28,500.00 | SN 473 6640 |
| 031 1-CAT D8-K CRAWLER w/18K 9s st. blade & 22M Ripper | | | 100,000.00 | GGA 1297B em 034 Arrangement Co |
| 036 1-Cummins 100kw generator | 1986 | 168,700.00 | | |
| 037 1-Deutz diesel Gorman Rupp water pump | | | | |
| 038 1 Goldfield Trommel trailer Mounted - incl. 2 shaker screens 2 conveyors - 4 sluice boxes | | | | |
| 048 1 DSHX Dorr-Oliver Rake Classifier - Milton Ray pump | | | 9,081.00 | |
| 054 1 Miller welder - gas powered | 1986 | 4,850.00 | | |
| 058 2 Willing water flow meters Apr | 1986 | 913.00 | | |
| Total | | 427,000 | 184,080.00 | 242,037.00 |

LA PAZ MINING, INC.

1802 WEST GRANT ROAD
 SUITE 110-4
 TUCSON, ARIZONA 85745
 PHONE: AREA CODE 602 624-7421

LA PAZ-BEAR CREEK, INC. PAY PERIOD 4 WEEKS THRU MAY, 1986

| | | <u>Regular Time</u> | <u>Overtime</u> | <u>Total</u> |
|---------------------|------|-------------------------|-----------------|--------------|
| Leslie Billingsley | Hrs. | 160 | 63.5 | 223.5 |
| | \$ | 2,500.00 | 1,488.26 | 3,988.26 |
| Richard Billingsley | Hrs. | 158 | 15.0 | 173.0 |
| | \$ | 2,468.75 | 351.59 | 2,820.34 |
| Jim Crotts | Hrs. | 160 | 30.5 | 190.5 |
| | \$ | 1,600.00 | 457.50 | 2,057.50 |
| Richard Nichols | Hrs. | 160 | 43.0 | 203.0 |
| | \$ | 2,500.00 | 1,007.62 | 3,507.62 |
| James Rogers | Hrs. | 160 | 42.5 | 202.5 |
| | \$ | 1,074.50 | 467.50 | 1,542.00 |
| Ronald Rogers | Hrs. | 120 | 36.0 | 156.0 |
| | \$ | 960.00 | 432.00 | 1,392.00 |
| Frederic March | Hrs. | 103.5 | 15.0 | 118.5 |
| | \$ | 740.30 | 152.45 | 892.75 |
| May Total Hours | | 1021.5 | 245.5 | 1267.0 |
| May Total Dollars | | 11,843.55 | 4,356.92 | 16,200.47 |
| | | <u>30%</u> | <u>30%</u> | <u>30%</u> |
| | | 3,553 | 1,307 | 4,861 |
| Month of May '86 | | 15,397 | 5,664 | 21,061 |

EGM
copy

LA PAZ MINING, INC.

1802 WEST GRANT ROAD
SUITE 110-4
TUCSON, ARIZONA 85745
PHONE: AREA CODE 602 624-7421

MEMORANDUM TO: La Paz Mining, Inc.
Board of Directors

FROM: Dan E. Lewis

REGARDING: Bear Creek Placer
Grant County, New Mexico

DATE: March 8, 1985

I examined the Bear Creek Placer deposit that is located in T16S, R 14 and 15W in Grant County, New Mexico.

The 1140 acres of patented mining claims are owned by Mrs. Rogers and three other family members, 29th and Royall, Silver City, New Mexico. They also own the mineral rights on an additional 456 acres adjoining the 1140 acres to the east.

Messrs. Les Billingsley and Richard Billingsley formed a Limited Partnership - Bear Creek Partners - which has obtained a lease to the 1596 acres of placer claims. These claims lie along Bear Creek from Cherry Creek to a point 9 miles west to Walnut Creek. Bear Creek joins the Gila River at Cliff, New Mexico.

The Bear Creek Partners have a 10-year option on the property, which is renewable for an additional 10 years. The option is a lease purchase agreement for 4 million dollars as the final purchase price. The lease was executed in mid-October, 1984, with a 6-month exploration period with no payment. From mid-April to October 15, 1985, a payment of \$600/month is to be made.

| | |
|--|--------------|
| 2nd year ends October, 1986 | \$1200/month |
| 3rd year ends October, 1987 | \$1800/month |
| 4th year ends October, 1988 | \$2400/month |
| From 5th to 10th year end. October, 1994 | \$5000/month |

This payment or a 7% royalty will apply to purchase price. Interest begins on the 10th year on the unpaid balance of the 4 million dollar purchase price. The interest to be 10% on the unpaid balance.

Memorandum to La Paz Mining, Inc. Board of Directors
March 8, 1985
Page Two

The Bear Creek Partners will give a 6-month option with Limited Partners paying the exploration costs. If this period proves up an economic deposit, than a buy-in of 49% of the stock at \$5000 for each percent, or \$245,000, is offered. This money will be used as capital to go into production. The exploration expenses are to be included as part of the equity contribution.

If there is no interest in the real estate value then the operators should mine out the placer deposit and pull out before the interest payments start on the 10th year, because the payments toward the final purchase price will be slightly over \$350,000.

There are said to be 1.2 million cubic yards of gravels that average 0.017 oz. of gold/yd.³ The reserve figure is understated and the grade has to be proven, There is running water throughout the year. Caliche is absent and large boulders are minimal in occurrence.

It is a good exploration target for 10 years' duration and the investment to the Bear Creek Partners is to be used in the operation. If the Limited Partners wish to enlarge their holdings above 49%, then a cash payment to the General Partners would be required and would have to be negotiated.

An exploration period of 6 months would be required to prove up the grade of the deposit throughout its length, at a cost of \$150,000 as a minimum figure.

DEL:vh

A handwritten signature in cursive script, appearing to read "D. E. L.", is located in the lower right quadrant of the page.

LA PAZ MINING, INC.

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

REPORT OF OPERATIONS LA PAZ-BEAR CREEK JULY 1986

Directorate
La Paz Mining, Inc.

August 18, 1986

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

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

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

Mine

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

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

Cubic Meters Ore Treated by Block

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

Plant Production

(a) Tailings

A total of 6,545.6 M³ of ore was treated in the plant and produced the following tailing products over 107.2 hours of operation:

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

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

(b) Water

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

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

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

(c) Plant

| <u>July</u> | <u>M³</u> | <u>Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------|----------------------|-------------|--------------------------|-----------------|------------------------------------|------------------------------|
| 2 | 41.6 | 3.33 | 12.5 | 51,8599 | 1.2466 | 0.040 June |
| 3 | 341.0 | 4.50 | 75.8 | 55.7247 | 0.1634 | 0.005 Cleanup |
| 7 | 414.0 | 7.50 | 55.0 | 127.0238 | 0.3068 | 0.010 |
| 9 | 525.0 | 7.50 | 70.0 | 135.3059 | 0.2577 | 0.008 |
| 11 | 450.0 | 7.50 | 60.0 | 243.6878 | 0.5415 | 0.017 |
| 14 | 561.0 | 8.50 | 66.0 | 138.5493 | 0.2470 | 0.008 |
| 15 | 409.0 | 6.00 | 68.0 | 71.3136 | 0.1744 | 0.006 |
| 16 | 381.0 | 6.75 | 56.0 | 90.8459 | 0.2384 | 0.008 |
| 17 | 432.0 | 7.00 | 62.0 | 73.1403 | 0.1693 | 0.005 |
| 18 | 432.0 | 6.00 | 72.0 | 40.2672 | 0.0932 | 0.003 |
| 21 | 405.0 | 7.50 | 54.0 | 89.4958 | 0.2210 | 0.007 |
| 22 | 153.0 | 2.50 | 61.0 | 145.9947 | 0.9542 | 0.031 |
| 23 | 270.0 | 4.60 | 59.0 | 101.9583 | 0.3776 | 0.012 |
| 24 | 483.0 | 6.50 | 74.0 | 115.1721 | 0.2385 | 0.008 |
| 25 | 453.0 | 6.50 | 70.0 | 180.3965 | 0.3982 | 0.013 |
| 30 | 378.0 | 7.50 | 50.0 | 197.5856 | 0.5227 | 0.019 |
| <u>31</u> | <u>416.0</u> | <u>7.50</u> | <u>55.0</u> | <u>235.9710</u> | <u>0.5672</u> | <u>0.018</u> |
| 17 | 6545.6 | 107.18 | 61.07 | 2094.2924 | 0.3200 | 0.010 |

The 2094.2924 grams is composed of two products:

1546.7716 grams gold bar from amalgam
547.5208 grams free gold scalped
2094.2924 grams of production

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

Summary Year to Date Production

| <u>Production</u> | <u>Grams Au</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------------|------------------|---------------------------|-----------------------|--------------------------|------------------------------------|------------------------------|
| Exploration | 91.9877 | - | - | - | - | - |
| May | 628.7895 | 2595 | 40.3 | 64.4 | .2421 | 0.008 |
| June | 1304.9735 | 4175 | 66.75 | 62.2 | .3139 | 0.10 |
| July | <u>2094.2924</u> | <u>6545.6</u> | <u>107.18</u> | <u>61.07</u> | <u>.3200</u> | <u>0.10</u> |
| | 4120.0431 | 13297.6 | 214.23 | 62.07 | 0.3100 | 0.10 |

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

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

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

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

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

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

Equipment

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

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

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

Fuel Consumption

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

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

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

Personnel and Payroll Distribution

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

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

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

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

Dividing employee cost by the M³ treated, we have:

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

This is a decrease over last month from \$5.56/M³. The percentage of overtime hours to total hours was 20.8%. June figure was 25.6%.

Amalgamation Tails

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

Plant Operating Factor

| <u>Month</u> | <u>Feed M³</u> | <u>No Workdays</u> | <u>Theoretical M³</u> | <u>Possible Hrs.</u> | <u>M³/ Hr.</u> | <u>Factor %</u> |
|--------------|-------------------------------|------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------|
| May | 2595 | 12 | 7392 | 96 | 27.0 | 35 |
| June | 4157 | 21 | 12936 | 168 | 24.7 | 32 |
| July | 6545.6 | 22 | 13552 | 176 | 37.2 | 48.3 |

Reject Sales

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

July -

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

Royalty to Claimowners

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

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

Direct Operating Costs

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

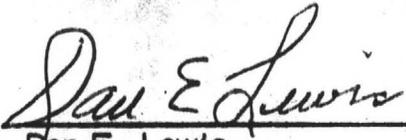
| | |
|-------------------------------|------------------|
| Gas, diesel, etc. | \$ 1,992.24 |
| Field supplies | 2,291.74 |
| Assay office | 1,575.00 |
| Royalties | 1,200.00 |
| Rental equipment | 123.60 |
| Travel, food and lodging | 1,768.61 |
| Repairs and maintenance | 3,514.41 |
| Permits and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

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

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

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

One cubic meter of feed in July contained 0.010 oz. of gold
at \$348.85/oz. = \$3.489 or a loss of \$2.151/M³.



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

DEL:vh

LA PAZ MINING, INC.

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

REPORT OF OPERATIONS LA PAZ-BEAR CREEK NOVEMBER 1986

Directorate
La Paz Mining, Inc.

December 11, 1986

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

The plant ran a total of 5 days and was shut down on November 7 at completion of the shift. I had prior knowledge on November 6 that we would be shut down by the U.S. Army Corps of Engineers, until a permit is secured from the Regulatory Branch - Construction - Operations Division - Department of the Army Corps of Engineers, Albuquerque, New Mexico. This permit from the Army Corps of Engineers is required to cover Section 404 of the Clean Water Act, and Section 103 of the Marine, Protection, Research and Sanctuaries Act. On November 12, the Army Corps of Engineers ordered La Paz-Bear Creek to immediately cease and desist from any further filling or construction in Bear Creek. They forwarded the appropriate forms so as to file a permit with the U.S. Army Corps of Engineers to allow La Paz-Bear Creek to continue operations.

The plant ran a total of 5 days of the available 6 working days to include Saturday.

Mine

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

| <u>Blocks</u> | <u>Overburden Cubic Meters</u> | <u>Ore to Plant Cubic Meters</u> |
|----------------------|------------------------------------|--------------------------------------|
| Area II, Long Creek | - | 520 |
| Area IIa, North Bend | <u>1200</u> | <u>536</u> |
| Total | 1200 | 1056 |

Cubic Meters Treated by Area

| <u>Area</u> | <u>November</u> | <u>Previous</u> | <u>Ore Year to Date</u> | <u>Overburden Year to Date</u> |
|-------------|-----------------|-----------------|-----------------------------|------------------------------------|
| Area I | - | 22799.6 | 22799.6 | 21754.0 |
| Area II | 520 | 1640.0 | 2160.0 | 8750.0 |
| Area IIa | <u>536</u> | <u>-</u> | <u>536.0</u> | <u>1200.0</u> |
| | 1056 | 24439.6 | 25495.6 | 31704.0 |

Plant Production

(a) Tailings

A total of 1056 M³ was treated in the plant and produced the following tailing products over 31.08 hours of operation:

| | <u>+4 Inch</u> | <u>-4 Inch +1/2 Inch</u> | <u>-1/2 Inch +1/4 Inch</u> | <u>Sand</u> | <u>Slimes</u> | <u>Total</u> |
|--------------|----------------|------------------------------|--------------------------------|-------------|---------------|--------------|
| Percentage | 28 | 27 | 2 | 14 | 29 | 100 |
| Cubic Meters | 295 | 285 | 21 | 148 | 307 | 1056 |

(b) Water

A total of 1,920,300 gallons of water was registered by the water meter for the month of November 1986.

During the 31.08 hours of operation, the average use was 950 gpm or 1,771,560 gallons. The balance of 148,740 gallons was used during clean-up.

$$\frac{1,771,560}{1056} = 1677.0 \text{ gallons of water to treat one M}^3 \text{ of feed.}$$

(c) Plant

| <u>November</u> | <u>M³</u> | <u>Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-----------------|--------------------------|-------------|--------------------------|-----------------|------------------------------------|------------------------------|
| 1 | 112 | 3.0 | 37.3 | 49.6513 | 0.4433 | 0.014 |
| 4 | 168 | 6.42 | 26.2 | 106.2823 | 0.6326 | 0.020 |
| 5 | 240 | 7.50 | 32.0 | 109.3116 | 0.4555 | 0.015 |
| 6 | 288 | 7.00 | 41.1 | 107.5716 | 0.3735 | 0.012 |
| 7 | 248 | 7.16 | 34.6 | 110.0277 | 0.4437 | 0.014 |
| 10/1-10/7 | Retorted Amalgam | | | 7.7786 | See Note 1 | - |
| 10 | Classifier + bowl sluice | | | 15.2985 | See Note 2 | - |
| 5 | 1056 | 31.08 | 34.0 | 505.9216 | 0.4785 | 0.015 |

Note 1 - Retorted amalgam added to scalped gold.

Note 2 - The 15.2985 gms of gold was recovered from classifier and bowl sluice box. This is the recoverable loss from total recovered gold in October and November.

$$784.8546 + 505.9216 = \frac{15.2985}{1291.7762} = 1.22\% = \text{bowl loss}$$

Using gold at \$400/oz. The period of October and November treated 31.4 M³/Hr. of a recovered head gold content of 0.015 oz. The bowl loss of 1.22% was \$.0729/M³ or \$2.29/hour. Assuming the plant could treat 77 M³/hour, the loss would be \$5.16/hour.

If the use of the bowls was discontinued as a recovery process from the operational period of October and November, the trommel sluices lost 9.72% of the recoverable gold to the bowls. This loss is \$0.5547/M³ or \$17.42/Hr.

At 100% operation of the plant at 77 M³/hour, the loss is \$42.71 per hour of operation, or a net loss of \$42.71 - \$5.16 = \$37.55/hour. This loss for a 20-day month would be \$6008.

Summary Year to Date Production

| <u>Production</u> | <u>Grams Au</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>M³/ Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------------|-----------------|---------------------------|-----------------------|---------------------------|--------------------------------|--------------------------|
| Exploration | 91.9877 | - | - | - | - | - |
| May | 628.7895 | 2595 | 40.3 | 64.4 | 0.2421 | 0.008 |
| June | 1304.9735 | 4157 | 66.75 | 67.2 | 0.3139 | 0.010 |
| July | 2094.2924 | 6545.6 | 107.18 | 61.07 | 0.3200 | 0.010 |
| August | 2944.2846 | 6681 | 113.40 | 58.9 | 0.4407 | 0.014 |
| September | 1233.0158 | 2821 | 48.60 | 58.1 | 0.4201 | 0.014 |
| October | 784.8546 | 1640 | 51.91 | 31.6 | 0.4786 | 0.015 |
| November | <u>505.2916</u> | <u>1056</u> | <u>31.08</u> | <u>34.0</u> | <u>0.4785</u> | <u>0.015</u> |
| | 9587.4897 | 25495.6 | 459.22 | 55.19 | 0.3760 | 0.012 |

Concentrate Produced

| <u>Nov.</u> | <u>Concentrate Gms</u> | | | | <u>Gms Au Scalped</u> | <u>Gms Retorted</u> |
|-------------|------------------------|-----------------|--------------|------------------|-----------------------|---------------------|
| | <u>+10 Mesh</u> | <u>-10 Mesh</u> | <u>Total</u> | <u>% 10 Mesh</u> | | |
| 1 | 590 | 2530 | 3120 | 18.9 | 49.6513 | 1.0 |
| 4 | 2200 | 7280 | 9480 | 23.2 | 106.2823 | 1.4 |
| 5 | 1390 | 7880 | 9270 | 15.0 | 109.3116 | 0.8 |
| 6 | 1890 | 7670 | 9560 | 19.8 | 107.5716 | 1.9 |
| 7 | 1460 | 5060 | 6520 | 22.4 | 110.0277 | - |
| 10 | <u>1750</u> | <u>4940</u> | <u>6690</u> | <u>26.2</u> | <u>15.2985</u> | <u>2.68</u> |
| | 9280 | 35360 | 44640 | 20.7 | 498.1430 | 7.78 |

Retort added to scalp

7.7786
505.9216

-10 Mesh Amalgam Tails to Date

| <u>Month</u> | <u>-10 Mesh</u> |
|------------------|------------------|
| May thru October | 655415 gms |
| November | <u>35360 gms</u> |
| | 690775 gms |

Equipment

No data on equipment or fuel consumption.

Personnel and Payroll Distribution

| <u>Employee</u> | <u>Reg. Hrs.</u> | <u>O/T Hrs.</u> | <u>Total Hrs.</u> | <u>Reg. Pay</u> | <u>O/T Pay</u> | <u>Total Pay</u> |
|-----------------|----------------------|---------------------|-----------------------|---------------------|--------------------|----------------------|
| L. Billingsley | 144 | 47 | 191 | 2250.00 | 1101.54 | 3351.54 |
| R. Billingsley | 130 | 21 | 151 | 2031.25 | 492.18 | 2523.43 |
| R. Nichols | 144 | 46.5 | 190.5 | 2250.00 | 1089.82 | 3339.82 |
| J. Crotts | 36 | - | 36 | 360.00 | - | 360.00 |
| J. Rogers | 160 | 42.5 | 202.5 | 1280.00 | 510.00 | 1790.00 |
| O. Aliff | 54 | - | 54 | 648.00 | - | 648.00 |
| H. Adams | 129 | 29 | 158 | 892.50 | 326.25 | 1218.75 |
| M. Rogers-Sec. | 12 | - | 12 | 72.00 | - | 72.00 |
| S. Thygerson | 80 | 10 | 90 | 680.00 | 127.50 | 807.50 |
| R. Rogers | 119.5 | 28.5 | 148 | 956.00 | 342.00 | 1298.00 |
| W. Strain | 6.5 | - | 6.5 | 42.25 | - | 42.25 |
| | <u>1039</u> | <u>224.5</u> | <u>1263.5</u> | <u>11606.00</u> | <u>3989.29</u> | <u>15595.29</u> |

For the operational period in November 1986 the employee cost was:

$$\frac{15595.29}{1263.5} = \$12.34$$

Dividing employee cost by M³: $\frac{15595.29}{1056} = \14.77

The percentage of overtime hours to total hours was 17.77%.

Plant Operating Factor

| <u>Month</u> | <u>Feed M³</u> | <u>No. Workdays</u> | <u>Theoretical M³</u> | <u>Possible Hrs.</u> | <u>M³/ Hr.</u> | <u>Factor %</u> |
|--------------|-------------------------------|-------------------------|--------------------------------------|--------------------------|-------------------------------|---------------------|
| May | 2595 | 12 | 7392 | 96 | 27.0 | 35 |
| June | 4157 | 21 | 12936 | 168 | 24.7 | 32 |
| July | 6546.6 | 22 | 13552 | 176 | 37.2 | 48.3 |
| August | 6681.0 | 21 | 12936 | 168 | 39.8 | 51.6 |
| September | 2821.0 | 21 | 12936 | 168 | 16.8 | 21.8 |
| October | 1640.0 | 23 | 14168 | 184 | 8.91 | 21.8 |
| November | 1056.0 | 6 | 3696 | 48 | 22.0 | 28.6 |

The plant was shut down on November 7 as advised by telephone from the U.S. Army Corps of Engineers.

Royalty to Claim Owners

There were no reject sales for November 1986.

(a) Free Gold 505.9216 grams at 840 fine = 424.9741 grams
13.665 oz. at \$398.806 = \$5,449.68
at 7% royalty \$ 381.48

The property was closed and placed on standby until a permit is issued by the U.S. Army Corps of Engineers. This permit covers Section 10 of the Rivers and Harbor Act of 1899 and Section 404 of the Clean Water Act. I filed the application with the Corps of Engineers and an additional application with the State Water Quality Control. These will be published in a local newspaper and hearings will take place after December 26, 1986.



Dan E. Lewis
Vice President of Operations

DEL:vh

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REPORT OF OPERATIONS LA PAZ-BEAR CREEK OCTOBER 1986

Directorate
La Paz Mining, Inc.

November 24, 1986

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

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

Mine

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

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

Cubic Meters Treated by Area

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

Plant Production

(a) Tailings

A total of 1640 M³ was treated in the plant and produced the following tailing products over 51.91 hours of operation:

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

(b) Water

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

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

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

The reason for the increased water usage per M³ was due to the decreased plant feed:

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

(c) Plant

| <u>October</u> | <u>M³</u> | <u>Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ M³</u> | <u>Oz./ M³</u> |
|----------------------|------------------------|-------------|--------------------------|-----------------|------------------------------------|-------------------------------|
| 14 | 160 | 5.5 | 29.1 | 143.0912 | 0.8943 | 0.029 |
| 15 | 160 | 5.0 | 32.0 | 77.6485 | 0.4853 | 0.016 |
| 17 | 184 | 5.5 | 33.5 | 77.5676 | 0.4216 | 0.014 |
| 20 | 184 | 6.25 | 29.4 | 76.7720 | 0.4172 | 0.013 |
| 21 | 120 | 4.66 | 25.8 | 55.2835 | 0.4607 | 0.015 |
| 22 | 208 | 6.5 | 32.0 | 67.9248 | 0.3266 | 0.011 |
| 23 | 240 | 7.58 | 31.7 | 105.5926 | 0.4400 | 0.014 |
| 24 | 208 | 6.42 | 32.4 | 100.3713 | 0.4826 | 0.016 |
| 29A | Black sands from bowls | | | 5.0636 | | |
| 30 | 176 | 4.5 | 39.1 | 64.2470 | 0.3650 | 0.012 |
| 9/26-10/15 | Small dredge | | | 3.8725 | | |
| 9 | 1640 | 51.91 | 31.6 | 777.4346 | 0.4740 | 0.015 |
| | | | | 7.4200 | | |
| Gold Bar from Retort | | | | 784.8546 | 0.4786 | 0.015 |

Au - Weight 8.73 grams x 85.03% = 7.42

Ag - Weight 8.73 grams x 11.73% = 1.02

The 784.8546 gms is composed of two products:

(a) 777.4346 gms free gold = 99%

(b) 7.4200 gms -10 mesh amalgamated = 1%

Summary Year to Date Production

| <u>Production</u> | <u>Grams Au</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>M³/Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------------|-----------------|---------------------------|-----------------------|--------------------------|------------------------------------|------------------------------|
| Exploration | 91.9877 | - | - | - | - | - |
| May | 628.7895 | 2595 | 40.3 | 64.4 | 0.2421 | 0.008 |
| June | 1304.9735 | 4157 | 66.75 | 67.2 | 0.3139 | 0.010 |
| July | 2094.2924 | 6545.6 | 107.18 | 61.07 | 0.3200 | 0.010 |
| August | 2944.2846 | 6681 | 113.40 | 58.9 | 0.4407 | 0.014 |
| September | 1233.0158 | 2821 | 48.60 | 58.1 | 0.4201 | 0.014 |
| October | 784.8546 | 1640 | 51.91 | 31.6 | 0.4786 | 0.015 |
| | 9082.1981 | 24439.6 | 428.14 | 57.13 | 0.3713 | 0.012 |

Concentrate Produced

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

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

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

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

A sluice box was installed between the trommel and the bowls. Of the 50.68% of the total recoverable gold, the sluice box recovered 81% and the bowl recovered 19% of the gold. This bowl recovery amounts to 9.72% of the total gold in the feed. The bowls are necessary as the sluice will loose more gold as the production of feed is increased to 77 M³/hour.

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

Amalgam Tails to Date

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

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

| | |
|---------------------------|-------------------------|
| Non-magnetic fraction 32% | 1.318 ozs. gold per ton |
| Magnetic fraction 68% | 0.020 ozs. gold per ton |

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

Equipment

| | <u>Hrs. Operated</u> | <u>Standby Hrs.</u> | <u>Mechanical Down Hrs.</u> | <u>Mechanical Available Hrs.</u> | <u>Percent Available</u> |
|---------|--------------------------|-------------------------|-------------------------------------|--|------------------------------|
| Plant | 51.91 | 4.5 | 127.59 | 56.41 | 30.6 |
| D8 | 78.0 | 20 | 86 | 98 | 53 |
| 966 | 61 | 19 | 104 | 80 | 44 |
| 530 | 116 | 32 | 36 | 148 | 80 |
| 100 KW | 87 | 97 | - | 184 | 100 |
| Truck | 105 | 29.5 | 49.5 | 134.5 | 73 |
| 8" Pump | 82 | 102 | - | 184 | 100 |
| 4" Pump | - | - | - | - | - |
| 15 KW | - | - | - | - | - |

Fuel Consumption

| | <u>D8</u> | <u>966</u> | <u>530</u> | <u>Truck</u> | <u>100 KW</u> | <u>8" Pump</u> |
|--------------------------|-----------|------------|------------|--------------|---------------|--------------------|
| Hours | 78 | 61 | 116 | 105 | 87 | 82 |
| Gallons | 843.9 | 238.9 | 386.2 | 175.7 | 262.4 | 258.8 |
| Gal./Hr. | 10.82 | 3.92 | 3.32 | 1.67 | 3.02 | 3.16 |
| Total Diesel: 2467 Gals. | | | | | | |

Personnel and Payroll Distribution

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

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

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

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

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

Plant Operating Factor

| <u>Month</u> | <u>Feed M³</u> | <u>No. Workdays</u> | <u>Theoretical M³</u> | <u>Possible Hrs.</u> | <u>M³/ Hrs.</u> | <u>Factor %</u> |
|--------------|-------------------------------|-------------------------|--------------------------------------|--------------------------|--------------------------------|---------------------|
| May | 2595 | 12 | 7392 | 96 | 27.0 | 35 |
| June | 4157 | 21 | 12936 | 168 | 24.7 | 32 |
| July | 6546.6 | 22 | 13552 | 176 | 37.2 | 48.3 |
| August | 6681.0 | 21 | 12936 | 168 | 39.8 | 51.6 |
| September | 2821.0 | 21 | 12936 | 168 | 16.8 | 21.8 |
| October | 1640.0 | 23 | 14168 | 184 | 8.91 | 11.6 |

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

Royalty to Claimowners

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

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

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

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

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

Total \$9,225.05

at 7% royalty \$ 645.75

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

Direct Operating Costs

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

Production Summary

These figures do not consider fineness in free gold production:

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

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

$\frac{\$40,040.27}{1640} = \24.42 per M^3 of feed.

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

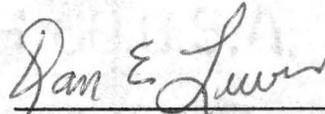
These costs are direct costs at Bear Creek.

The following monthly capital costs were not included:

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

This loss per M³ of feed:

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



Dan E. Lewis

Vice President of Operations

LA PAZ MINING, INC.

*File
Original*

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

REPORT OF OPERATIONS LA PAZ-BEAR CREEK JUNE 1986

Directorate
La Paz Mining, Inc.

August 3, 1986

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

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

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

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

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

CUBIC METERS ORE TREATED FROM MINING BLOCKS

| <u>Block</u> | <u>June</u> | <u>Previous Month</u> | <u>Year To Date</u> |
|--------------|---------------|-----------------------|---------------------|
| 2-6 | 294.0 | 1700 | 1994.0 |
| 2-7 | -- | 895 | 895.0 |
| 3-2 | 174.5 | -- | 174.5 |
| 3-4 | 2275.5 | -- | 2275.5 |
| 3-5 | <u>1413.0</u> | <u>--</u> | <u>1413.0</u> |
| | 4157.0 | 2595 | 6752.0 |

A total of 4157 M³ of ore were treated in the plant and produced the following tailing products over 66.75 hours of operation:

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

Water

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

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

Equipment

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

FUEL

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

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

Personnel and Payroll Distribution

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

Summary Year to Date

| <u>Production</u> | <u>Grams Gold</u> | <u>Feed M³</u> | <u>Operating Hrs.</u> | <u>Cu Meters/ Hr.</u> | <u>Grams Au/ M³</u> | <u>Oz/ M³</u> |
|-------------------|-------------------|---------------------------|-----------------------|-----------------------|--------------------------------|--------------------------|
| Exploration | 91.9877 | -- | -- | -- | -- | -- |
| May | 628.7895 | 2595 | 40.3 | 64.4 | .2421 | 0.008 |
| June | <u>1304.9735</u> | <u>4157</u> | <u>66.75</u> | <u>62.2</u> | <u>.3139</u> | <u>0.010</u> |
| Totals | 2025.7507 | 6752 | 107.05 | 63.07 | .3000 | 0.009 |

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

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

Plant Production

| <u>June</u> | <u>M³</u> | <u>Hrs.</u> | <u>Cu M/ Hr.</u> | <u>Grams Au</u> | <u>Grams Au/ Cu Meter</u> | <u>Oz/ Cu Meter</u> |
|---------------------------|----------------------|-------------|------------------|-----------------|---------------------------|---------------------|
| 2 & 3 | 708 | 11.17 | 63.4 | 126.8308 | .1791 | 0.0060 |
| 4 | 174 | 2.50 | 69.6 | 33.1940 | .1908 | 0.0061 |
| 9 | 315 | 7.00 | 45.0 | 93.1856 | .2958 | 0.0095 |
| 10 | 5 | 1.58 | 3.2 | 8.2329 | 1.6466 | 0.0529 |
| 12 | 456 | 7.00 | 65.1 | 93.1470 | .2043 | 0.007 |
| 13 | 162 | 3.50 | 46.3 | 53.6090 | .3310 | 0.0106 |
| 18 | 294 | 4.17 | 70.5 | 92.8164 | .3157 | 0.0102 |
| 19 | 432 | 6.00 | 72.0 | 94.1264 | .2179 | 0.0070 |
| 23 | 429 | 7.00 | 61.3 | 113.4876 | .2645 | 0.0085 |
| 24 | 300 | 4.00 | 75.0 | 88.8873 | .2963 | 0.0095 |
| 25 | 543 | 6.33 | 85.2 | 144.4044 | .2659 | 0.0086 |
| 26 | <u>339</u> | <u>6.50</u> | <u>52.1</u> | <u>130.7013</u> | <u>.3855</u> | <u>0.0124</u> |
| Totals | 4157 | 66.75 | 62.3 | 1072.6227 | .2580 | 0.0083 |
| Sluice Box Cleanup | | | | 8.9999 | | |
| Suction Dredge Production | | | | <u>223.3509</u> | | |
| Total June | | | | 1304.9735 | .3139 | 0.0101 |

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

Operating Efficiency Factor

The plant is programmed at 100 yd.³/hour or 77 M³/hour. 77 M³/hour is not to be exceeded as it will overload the bowl circuit.

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

Factor

For monthly comparisons the following factor will be used.

Theoretical M³ of feed per hour times 8 hours operating time, times number of possible working days (less holidays and Saturdays and Sundays), divided into the actual M³ treated.

| <u>Month</u> | <u>Feed M³</u> | <u>No Workdays</u> | <u>Theoretical M³</u> | <u>Total Possible Hrs.</u> | <u>M³ Per Hr.</u> | <u>Factor %</u> |
|--------------|---------------------------|--------------------|----------------------------------|----------------------------|------------------------------|-----------------|
| May | 2595 | 12 | 7392 | 96 | 27.0 | 35 |
| June | <u>4157</u> | <u>21</u> | <u>12936</u> | <u>168</u> | <u>24.7</u> | <u>32</u> |
| Total | 6752 | 33 | 19328 | 264 | 25.6 | 34.9 |

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

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

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

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

Dividing employee cost by the total M³ treated, we have:

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

This is an increase over last month from \$4.50/M³. The percentage of overtime hours to total hours was 25.6%. This is an increase over last month at 22.4%.

Amalgamation Tails

No assays for month of June.

Royalty to Claimowners

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

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

Sand Sales

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


Dan E. Lewis

DEL:vh

ESSEX

ESSEX INTERNATIONAL, INC.
1704 WEST GRANT RD., TUCSON, ARIZONA 85705
PHONE 800-524-7421

PROJECT: SO. COLO. RECONN.
PROSPECT NUMBER:
COUNTY, STATE: SO. COLORADO
T. R. & SECTION: T32N-51N,
LATITUDE, LONGITUDE: R9E-12W



MAP LOCATION

SOUTHERN COLORADO
PORPHYRY CU RECONNAISSANCE
SCALE: 1" = 500,000'
DATE: 12/7/73
DATA BY: D. TEMPLE
PREPARED BY: ATC

LEGEND



ALTERED AREAS OBSERVED

(10)

PRINCIPAL CLAIM HOLDERS

1. EXXON COMPANY
2. THE ANACONDA COMPANY
3. DELSIE M. CROWLEY
4. SILVER BELL INDUSTRIES INC.
5. RUSSEL J. KUHN
6. BEAR CREEK MINING COMPANY
7. KERR - MC GEE CORPORATION
8. BAUMGARTNER ENTERPRISES
9. BEAR CREEK MINING COMPANY
10. EARTH SCIENCES INC.
11. EXXON CORPORATION
12. EARTH SCIENCES INC.
13. TI INC.
14. NAPOLEON MINES INC.
15. THOMAS E. RICHARDS
16. CYPRUS MINES INCORPORATED
17. JAMES B. KEIGHLEY
18. EARTH SCIENCES INC.
19. TICE - MATHEWS OIL COMPANY
20. CORONADO SILVER CORP.

