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**TOMBSTONE
MINING DISTRICT
Cochise County, Arizona**

**State of Maine
Area of Interest**

**Artex Resources Report
February, 1981**

GEOLOGICAL REPORT

ON THE

GRACE CLAIM GROUP

COCHISE COUNTY

ARIZONA

FOR

ARTEX RESOURCES INC

February 2, 1981
Calgary Alberta.

W.C. Timmins Exploration & Development Ltd.

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SUMMARY

Artex Resources Inc holds approximately 111 acres, located at West Tombstone. Arizona.

The property is situated within the famous oxide silver producing area of the late 1800's.

The land holdings are underlain by Bisbee Group sediments intruded by porphyry and andesite porphyry dikes.

Several vein structures and extensions of vein structures occur on the property. Current assays taken from vein structures and zones examined, range from 0.26 to 12.34 oz/ton silver.

The Escapule family is currently successfully open cut mining and processing dump material by means of a cyanide leaching and electrolysis process resulting in production of silver bullion.

Production in the past has come from silver halides occurring as high grade planes, pods or lenses in narrow northeast striking fissures concentrated in the oxide zone.

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In view of present metal prices, and economical cyanide leaching processes, an exploration programme is warranted in order to determine lateral unmined extent of known zones on the property, occurrence and extent of other structures, depth of oxide zone mineralization, quantity and grade of available dump material, and possible presence of primary mineralization.

A two phase programme of exploration consisting of geology, geophysics, trenching, sampling and drilling is recommended at a total estimated cost of \$105,000.00.

INTRODUCTION

At the request of Mr. L. Peterson, a visit to the property located at west Tombstone, Arizona, was made between the dates of 12th - 14th of December 1980. The writer was accompanied by Mr. W.W. Grace and Mr. D.G. Thomas, both of Phoenix, Arizona and by Mr. L. Peterson of Vancouver, British Columbia.

The purpose of the visit was to assess the economic potential of the property, and to recommend an exploration programme it warranted.

PROPERTY

Approx Co-ordinates; $31^{\circ}42'N$, $110^{\circ}06'W$.

The property consists of the southern half of the Chance patented mineral claim containing approximately 10 acres, and approximately 101 acres held under a State of Arizona Prospecting Permit, surrounding several patented claims held by other owners. A copy of the Permit is attached to this report as Appendix I.

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It is understood that the property is held by the company under the terms of an option agreement.

Title of the land has not been searched by this writer and a title opinion should be sought by legal counsel.

LOCATION AND ACCESS

The property is located about 2 miles southwest of Tombstone, Arizona, which is situated some 70 miles southeast of Tucson, Arizona.

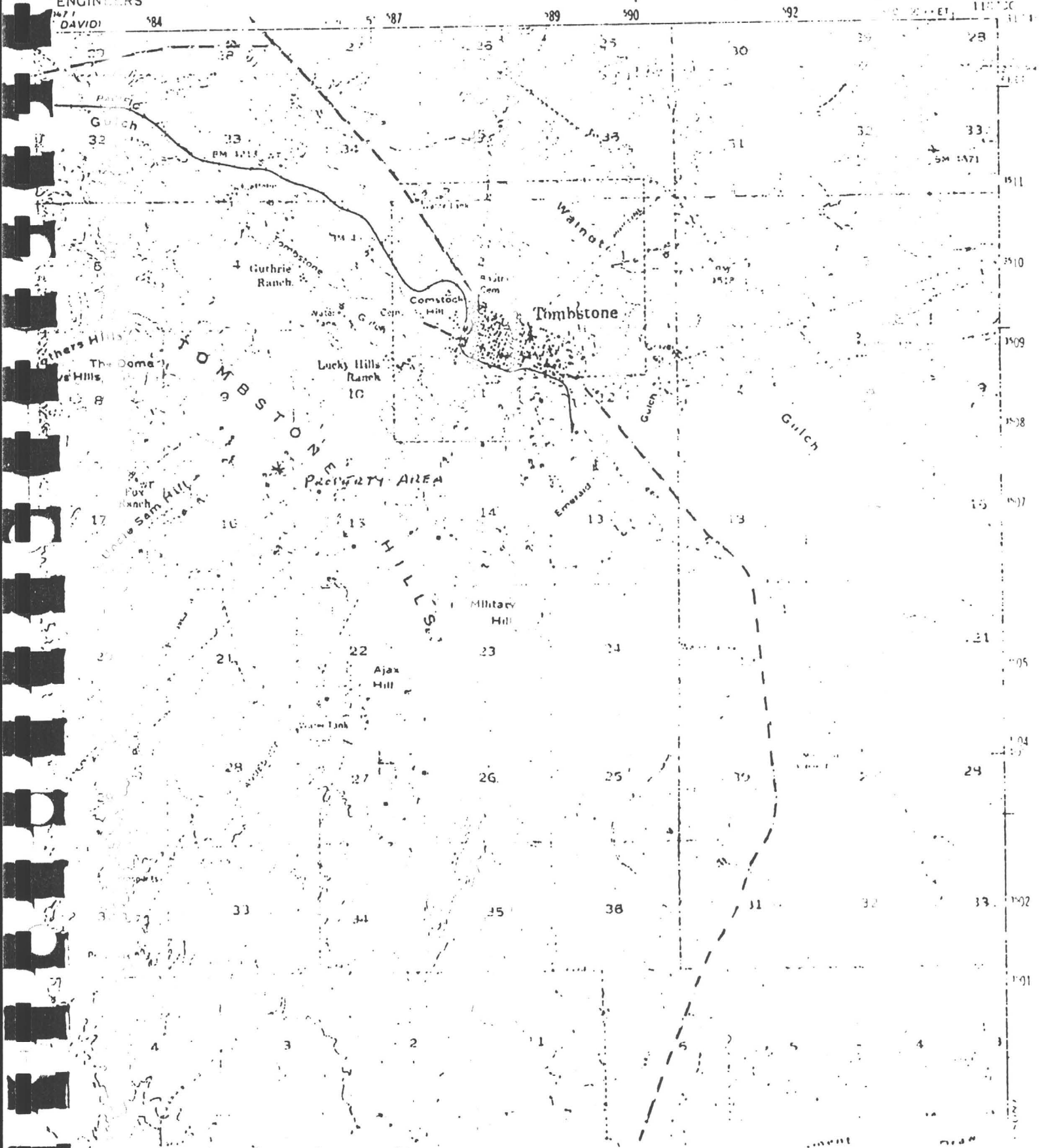
The property is situated in Cochise County, Township 20 S, Rge .22E, North $\frac{1}{2}$ of Sec 16.

Tombstone may be reached by Interstate Highway 10, and State Highway 80, and the property is easily accessible by means of paved and dirt roads from Tombstone.

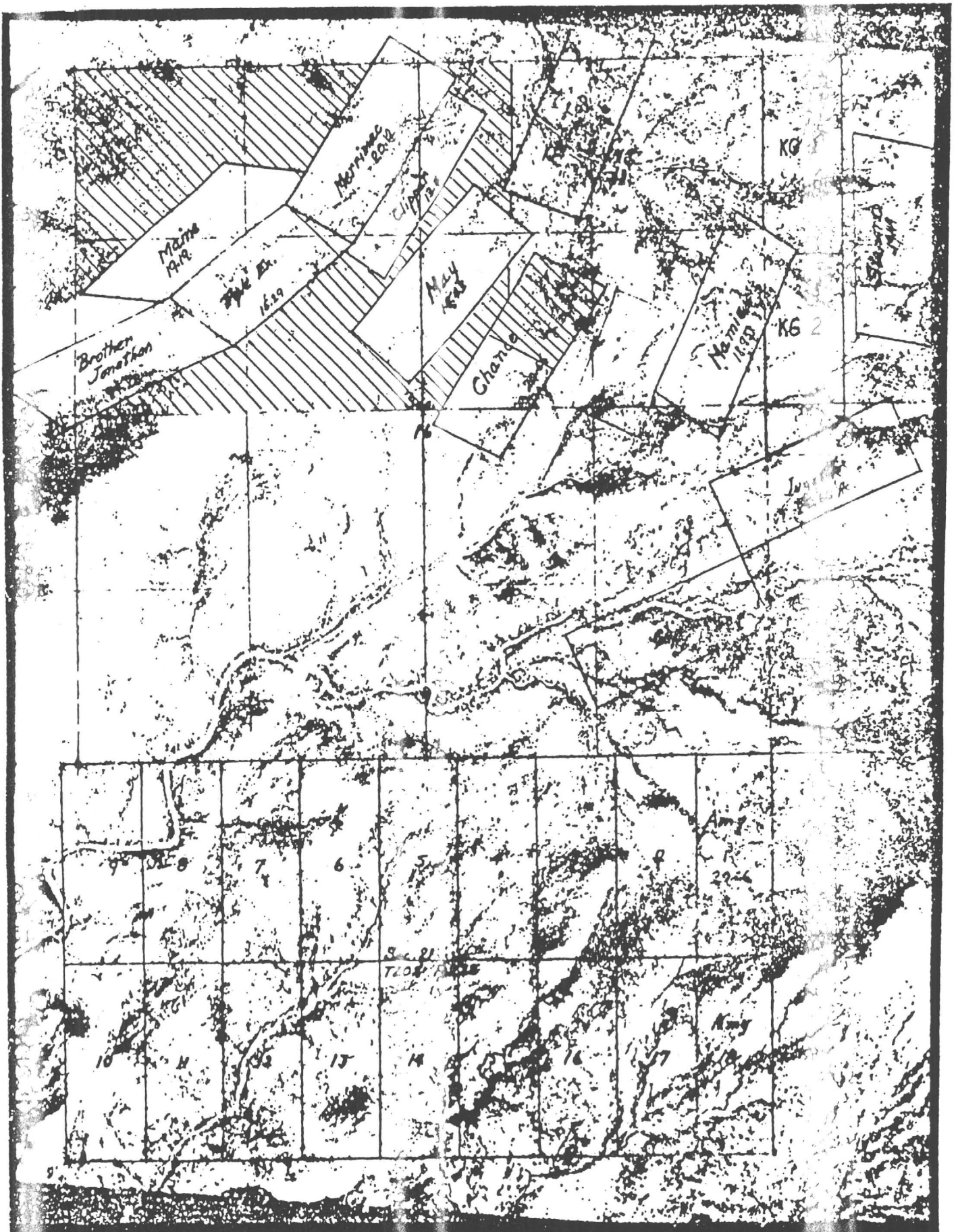
LOCATION MAP

UNITED STATES
DEPARTMENT OF THE ARMY
ENGINEERS

TOMBSTONE QUADRANGLE
ARIZONA-COCHISE CO
15 MINUTE SERIES (TOPOGRAPHIC)



PROPERTY MAP
(LINED AREAS)



CLIMATE

The climate is semi-arid and typical of intermediate altitudes of southern Arizona. In winter the average high daily temperature is about 24° C and the average low about -4° C, whereas in the summer the average high is near 38° C and the low near 13° C. Average annual rainfall is over 14 inches, and July to September is the rainy season. Desert shrubs, mostly creosote bush, predominate and no timber suitable for mining use grows in the area.

PHYSICAL FEATURES

Topographically, the Tombstone-Charleston district is one of predominantly low scattered hills with the highest elevation of 4320 feet on Ajax Hill and the lowest, about 3900 feet, along the San Pedro river. The highest elevation in the Escapule-Bonanza mine area is 4750 feet along Uncle Sam Hill and the lowest elevation in this square mile is 4425 feet along the north edge. There are no perennial streams in the area studied. Most water in the district has a high fluorine content which makes it unsuitable for drinking. Water encountered in deep excavations and shafts has been a major problem in mining throughout the district in the past. Extensive jointing and fracture

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ing allow the ground water to flow easily and make lowering of the water table difficult. Water is encountered about 250 feet below the surface at an elevation of 4225 feet in a valley in the Escapule mine area; As reported by L.C. Lee, Duval Corp explored the southwestern portion of the Tombstone district in the Spring of 1967, claimed that one of their major reasons for not starting mining operations near Tombstone was the enormous amount of underground water that would have to be pumped out for any large scale operations in the district. Presumably the ore they were interested in was below the existing water table.

HISTORY

The Tombstone district was discovered in 1877 by Ed Schieffelin and the first silver ore with some gold values was supplied to the national market in 1879. The last recorded production records (Butler, 1938). state that at the close of 1936, 36 million dollars worth of metal had been produced from the area. Production tapered off shortly after this date and at the present time some production is being attained by a few generally small operators processing old dumps. One substantial operation is located just south of the town. Over half of the total value of the district

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production was produced from 1879-1886 and in 1881 and 1882 over five million dollars worth of ore were produced each year. These early values came from the high grade, near surface, oxide ores. Production from 1886 to 1936 varied with the price of silver, with minor influence by the price of manganese and gold, which account for nearly one-sixth the value of silver production. Exact figures on the various ores prior to 1908 are not available, but during the 29 year period (1908-1936) the following quantities were produced from 630, 537 tons of ore (Butler 1938) and yielded over 8.5 million dollars.

<u>GOLD (\$)</u>	<u>SILVER(oz)</u>	<u>COPPER(lbs)</u>
\$1,514,295	7,049,997	2,516,040
<u>LEAD(Pbs)</u>	<u>ZINC(Pbs)</u>	
26,955,138	1,058,234	

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The mines of the Escapule - Bonanza area were also predominantly silver producers, however no records were kept.

The Escapule family is currently processing material which is being open cut mined from their claims, by means of a cyanide leaching and electrolytic process. It is understood that their grade is in the order of 5 oz/ton.

REGIONAL GEOLOGY

The rocks composing the Tombstone District range from Pre-Cambrian to Quaternary in age. The following is a statement quoted from Butler (1938 page 11-12).

" The oldest rock is fine-grained, greenish gray schist evidently pre-Cambrian and correlated with the Pinal schist of Bisbee. It is invaded by granitic and porphyritic rocks that have been tentatively regarded as pre-Cambrian, but may be younger.

Unconformably overlying the pre-Cambrian rocks is the Cambrian Bolsa quartzite, here about 440 feet thick.

This is succeeded by the Cambrian Abrigo Limestone, approximately 700 feet thick. Overlying the Abrigo with apparent conformity is the Devonian Martin limestone, about 340 feet thick, followed by the Mississippian Escabrosa limestone, estimated to be about 500 feet thick. It is not very distinctly separable from the overlying Naco limestone of Pennsylvanian and Permian age. As the upper limit of the Naco is a surface of erosion, the original thickness of this formation is unknown; its present maximum thickness exceeds 3,250 feet. The Naco limestone is intruded by a few dikes and sheets of quartzose porphyry, generally rather decomposed, that were erupted prior to the deposition of the Mesozoic sedimentary rocks.

Unconformably overlying the Naco is the Bisbee group, a series of conglomerate, sandstone, quartzite, shale and limestone. These beds, as shown by fossils in the limestone layers, are of Mesozoic, probably Comanche, age. The thickness of the Bisbee group is unknown, as no measurable section of the whole is available; it probably exceeds 3,000 feet.

After the deposition of the Tombstone formation, the rocks of the district were folded and faulted and, probably at the same time, were invaded by the mass of Uncle Sam quartz latite porphyry that crops out

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in the western part of the district. About the same time, but probably slightly later, they were intruded by an irregular body of granitic rock, the Schieffelin granodiorite. Southwest of the mapped area, near Charleston, the quartz latite porphyry is intruded into andesitic and rhyolitic extrusive rocks. It seems likely that the earliest volcanic activity was extrusion of lavas, followed by intrusion of quartz latite porphyry near the then existing surface, and this in turn was followed by intrusions of granodiorite.

After the intrusions, the district appears to have been subject to long-continued erosion. Probably in late Tertiary time the lowlying parts of the district were covered by a fluvial deposit of crudely stratified, more or less firmly consolidated angular rock detritus with some layers of sand and silt. This material which appears to be analogous in age and mode of deposition to the Gila conglomerate of central Arizona, occupies large areas in the broad valleys that separate the hills of the Tombstone district from the Huachuca, Whetstone, and Dragoon ranges. In most places it is overlain by a few feet of Quaternary gravel, sand, and silt. At least one basaltic

eruption occurred during or after the accumulation of the valley fill, as shown in Walnut Gulch, about a mile northeast of Tombstone. Some faulting has taken place since the deposition of the valley fill, which has been deeply trenched by arroyos of the present erosion cycle."

The paragraphs above appear to be a brief but accurate summary of the general geology of the region.

GEOLOGY OF THE PROPERTY

The property area is underlain by highly fractured Cretaceous Bisbee Group sandstones, shales, quartzites and limestones, intruded by sill like bodies of Uncle Sam porphyry of early Cretaceous age and several younger northeast striking andesite porphyry dikes.

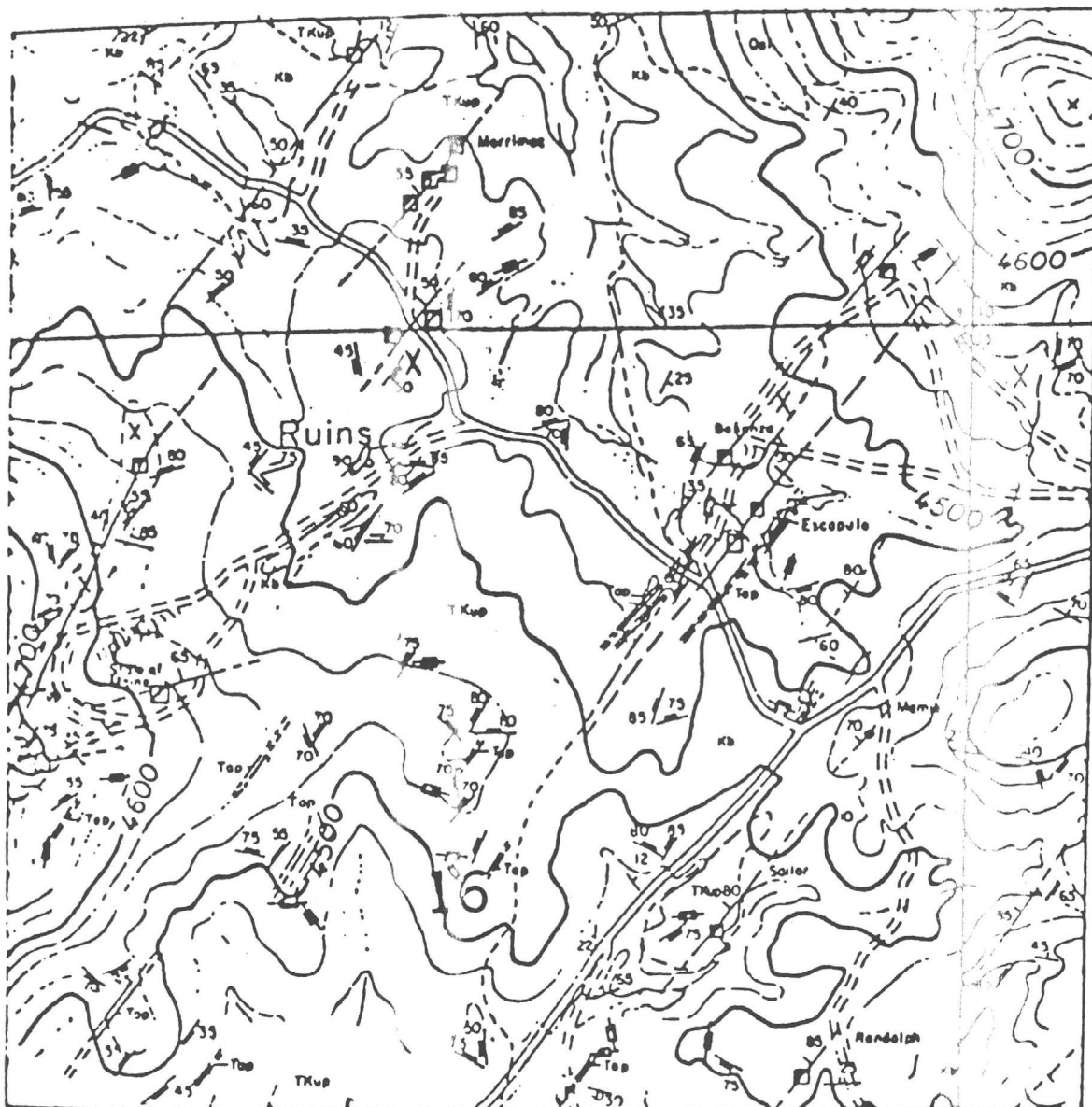
MINERALIZATION

Mineralization occurs in narrow planes, pods or lenses, as cerargyrite, or bromyrite in northeast striking fissures with steep northwest dips. The silver minerals occur above the water table and may be associated with chalcedony, native silver, quartz, hydrous manganese

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GEOLOGICAL MAP



EXPLANATION

- Qal Alluvium
- Twp Andesite porphyry dike
- TKup Uncle Sam porphyry
- Kb Breckinridge

Quaternary
Tertiary
Cretaceous

- Contact known
- - - Contact inferred
- - - Fissure zone
- - - Dip of beds
- - - Flow direction of intrusive
- - - Jointing
- - - Intermittent stream
- - - Dirt road
- - - Jeep trail
- - - Shell

0 500 1000 feet
Scale

N

GEOLOGIC MAP OF THE TOMSTONE AREA COCHISE COUNTY, ARIZONA

oxides, calcite, limonite, and sericite in, for the most part, open space fillings.

It appears that fissure zones formed where small amounts of slip occurred along closely spaced parallel joint planes. Occasionally, andesite porphyry dikes are intruded along these joint planes, parallel to the regional joint pattern. Ore bearing solutions frequently found the more permeable zones along the dikes a favourable environment, filling open spaces and replacing brecciated wall rock, thus the dikes are often observed in proximity to the old workings.

The Chance mineral claim is located on the southern extension of the Bonanza vein along which several shafts have been sunk and sketchy records indicate several areas of stoping. A 1928 report by Sarle and Mellgren indicates high grade ore removed from the Chance mine. It is also stated that a winze was sunk to a depth of 22 feet below water level and a drift run 18 feet in 1922. The ore was stripped to the 200 level above, however before it could be removed, the upper part of the shaft caved in. Assays are reported to have run in excess of 100 oz/ton.

Several surface samples were taken by the writer from dumps on the Chance claim, the shafts sunk on the southern extension of the Bonanza vein as listed below:

<u>Sample No.</u>	<u>Type</u>	<u>Gold oz/ton</u>	<u>Silver oz/ton</u>
Chance 2	Dump beside trench	Trace	2.18
Chance 3	Dump Bonanza shaft	0.02	12.34
Chance 4	Dump 30' S.W. of	0.04	6.5

Bonanza shaft

A cross vein striking 060° and dipping 75° N.W. has been exposed to the east of the Bonanza vein structure. Although the exposure is poor, two samples were taken, and minor horn silver observed. The sample designated Chance No 1 was chipped from the bottom of the cut across one foot and assayed a trace of gold and 7.18 oz/ton silver. Sample Chance No 5 was taken from an open stope beside the trench and assayed a trace of gold and 0.74 oz/ton silver across a width of 3.0 feet. This structure would intersect the Bonanza vein some 50 to 75 feet to the southwest.

A bulldozer trench and several pits were observed on permit land northwest of the Chance claim and east of the Triple Ex claim, indicating additional vein structures.

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A large dozer cut to the northeast of the State of Maine claim (held by Escapule) has exposed a rusty, manganese stained fractured zone on which two samples were taken across 10 feet. Sample No. 6 across 5.0 feet assayed a trace of gold and 0.26 oz/ton silver and sample No.7 ran trace gold and 0.04 oz/ton silver. To the southwest of this cut, near the State of Maine boundary sample No. 8 from a shaft dump assayed a trace of gold and 0.66 oz/ton silver, indicating a possible extension of the State of Maine vein structure.

In the Escapule - Bonanza area, mining in the past has consisted of removal of silver halide concentrated in the oxide zone. Although values at several mines have been reported to drop off at what is now the water table, there remains some question, since many mines could not handle the water problem, and it is not known where the water table was in relation to the present table. In addition there exists potential for primary mineralization below the oxide zone, as well as some evidence of oxide zone development below the present water table.

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CONCLUSIONS AND RECOMMENDATIONS

The property is underlain by Bisbee Group sediments intruded by Uncle Sam porphyry and andesite porphyry dikes.

Although the land holdings are not contiguous, several vein structures and extensions of previously mined structures occur on the property.

The Escapule family is successfully open cut mining a cross vein structure as well as processing old dump material by means of cyanide leach and electrolysis on their claims located in the central portion of the Artex holdings.

A small leaching process is in operation on the south half of the Chance claim.

Assays from vein structures or zones, and old dumps on the property range from 0.26 to 12.34 oz/ton silver.

Production in the past has come from silver halides occurring as high grade planes, pods or lenses in narrow northeast striking fissures concentrated in the oxide zone.

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In view of present metal prices, and economical cyanide leaching processes, an exploration programme is warranted in order to determine lateral unmined extent of known zones on the property, occurrence and extent of other structures, depth of oxide zone mineralization, quantity and grade of available dump material, and possible presence of primary mineralization.

A two phase programme of exploration is therefore recommended as follows:

PHASE I

- 1/ Geologically map entire property and examine accessible underground workings.
- 2/ VLF-EM geophysical survey to indicate hidden structures and to aid in mapping.
- 3/ Bulldozer trenching and sampling of known extensions and anomalous zones.
- 4/ Estimate of quantity and grade of dump material available.

PHASE II

Dependent upon positive results of phase I, the second phase would consist of initial percussion drilling of unmined extensions and anomalous zones, as well as testing below the water table.

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ESTIMATED COSTS OF PROGRAMME

PHASE I

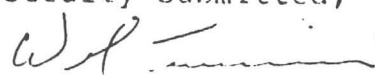
1/ Geological survey and underground investigation.	\$10,000.00
2/ VLF-EM survey.	5,000.00
3/ Bulldozer trenching and sampling.	15,000.00
4/ Dump material survey and sampling.	5,000.00
5/ Transportation, accommodation, assaying.	10,000.00
6/ Engineering, supervision, reports etc..	5,000.00
Contingency @10%	<u>5,000.00</u>
	\$55,000.00

PHASE II

1/ Percussion drilling 3000 feet	\$40,000.00
2/ Supervision on site, logging, assays, accommodation, transportation etc..	<u>10,000.00</u>
Cost of Phase II	<u>\$50,000.00</u>
Total of both Phases.	\$105,000.00

Further work will be dependent upon results of the
above programme.

Respectfully submitted,


W.G. Timmins P. Geol.

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CONSULTING GEOLOGISTS

CERTIFICATE

I, WILLIAM G. TIMMINS, maintaining offices at 502-900
6th Avenue S.W. Calgary, Alberta do hereby certify
that:

1. I am a geologist having been practising my profession
for seventeen years.
2. I am a graduate of the Provincial Institute of Mining,
Haileybury, Ontario, and have attended Michigan Tech-
nological University, Houghton, Michigan.
3. I am a member in good standing of the Association
of Professional Engineers of British Columbia, and
the Association of Professional Engineers, Geologists
and Geophysicists of Alberta.
4. I have no interest direct or indirect in the property
or securities of Artex Resources Inc., nor do I expect
to receive any such interest.
5. This report is based on government and private reports
and a visit to the property between the dates of Dec-
ember 12th - 14th 1980.
6. This will by my authorization for inclusion of
this report in a statement of Material Facts or
Prospectus to be filed by the company with the
regulatory authorities.

Respectfully submitted,



W.G. Timmins P. Geol.
Consulting Geologist.

W. G. TIMMINS EXPLORATION & DEVELOPMENT LTD.

CONSULTING GEOLOGISTS

REFERENCES

Sarle, C.J. Ph.D. M.E. Report on Mellgren Mines, Tombstone Mining District, Cochise County, Arizona, September 5, 1928.

Lee, L.C., M. Sc. The economic Geology of Portions of the Tombstone - Charleston District, Cochise County, Arizona, In light of 1967 Silver Economics, A. Thesis 1967.

U.S. Geological Survey , Geologic Map of Cochise County, Arizona, prepared by the Arizona Bureau of Mines 1959.

U.S. Geological Survey, Tectonic Map of Southeast Arizona, by Harald Drewes, 1980.

APPENDIX I

APPENDIX II

Date November 14, 1990

STATE LAND DEPARTMENT

STATE OF ARIZONA

PROSPECTING PERMIT

The STATE OF ARIZONA grants to W. W. Grace, a married man

, the exclusive right, for a period of one (1) year from date, subject to renewals as hereinafter set forth, but in no event beyond the 13th day of November

19 85, to prospect for minerals on the State land hereinafter described upon the following expressed conditions which are a part of the permit.

1. The permittee shall have those surface rights necessary for the prospecting and exploration for mineral, but may remove from the land only that amount of mineral required for sampling, assay and metallurgical testing purposes.

2. The permittee shall have the right of ingress to and egress from the land covered by the permit but only along routes first approved by the State Land Commissioner.

3. The permittee shall be liable to and shall compensate the owner and lessee of the surface of the State land covered by this permit, or across which the permittee exercises the right of ingress and egress, for any loss to such owner and lessee from damage or destruction caused by the permittee, his or its agents or employees, to grasses, forage, crops or improvements upon such State land.

4. This permit shall terminate automatically, as of the end of any annual period from and after the date of issuance thereof unless during such annual period the permittee shall have expended in exploration for valuable mineral deposits on the State land covered by this permit the prescribed amount per acre, file an application for renewal and submit proof of the amount expended on exploration. The amount to be expended during each of the first (two annual) periods in which this permit may be in effect shall be not less than ten dollars for each acre of land covered by this permit at the commencement of such annual period, and the amount to be expended during each of the last (three annual periods) in which this permit may be in effect shall be not less than (twenty dollars) for each acre covered by this permit at the commencement of such annual period.

5. Prior to the termination of any annual period, the permittee may file a release with the State Land Department, releasing acreage covered by this permit provided that the acreage released be contained within one or more rectangular subdivisions of twenty acres more or less, or lots, according to the lines of the public survey.

6. Upon any partial or total relinquishment, or the cancellation or expiration of the permit, other than by issuance of mineral lease, the permittee shall fill any holes, ditches, or other excavations as may be required by the State Land Commissioner and so far as reasonably possible, restore the surface to its former conditions.

7. The permittee may, prior to expiration of the annual period for which the permit was issued, or prior to the expiration period for which this permit was renewed, file with the State Land Department an application for renewal for the ensuing annual period. This permit shall not be renewed for more than four successive annual periods following expiration of the first annual period.

8. No rental shall be payable for the first annual period for which the permit may be renewed. The rental for each of the three subsequent annual periods following the first annual period for which a permit may be renewed shall be one dollar for each acre of State land for which the application for renewal is filed.

9. The permittee shall file an affidavit of expenditure of the required amount in exploration during the current annual period, together with proof in support of such expenditure.

10. Following discovery of a valuable mineral deposit on the State land covered by this permit within a rectangular subdivision of twenty acres, more or less, or lot, of the public land survey, the permittee may apply to the State Land Commissioner for a mineral lease upon the State land within such rectangular subdivision, or lot.

11. This permit is subject to existing laws and rules and regulations and any laws or rules and regulations hereinafter enacted, or adopted, and in no event shall the State be liable for damages or otherwise under the provisions hereof.

12. The permittee shall not assign or sub-let this prospecting permit, or any right or rights thereunder, without first obtaining the written consent of the State Land Commissioner thereto.

In order to minimize or prevent surface or underground waste and pollution and promote maximum conservation, permittee shall seal or separate oil, gas, helium, water, mineral or other natural resource strata in order to prevent their contents from passing into another stratum.

The Lessee agrees to indemnify, hold and save Lessor harmless against all loss, damage, liability, expense, costs and charges incident to or resulting in any way from any injuries to person or damage to property cause by or resulting from the use, condition or occupation of the land.

The Permittee shall not, for exploration purposes, enter upon that part of the permitted area encompassed by right-of-way and permits granted to the Arizona State Highway Department without the express written permission of the State Highway Engineer and not then until the State Land Commissioner has in writing approved such entry.

The Permittee agrees that any mineral lease of a claim issued as a result of exploratory activity under this permit shall contain an additional and special condition denying the lessee entry to the area encompassed by those rights-of-way and permits mentioned next above for the purposes of extracting and shipping mineral unless and until the State Highway Engineer has given express written permission and not then until the State Land Commissioner has in writing approved such entry.

If at any time during the duration of this Permit the whole or any part of the Permitted premises shall be taken for any quasi-public or public purpose by any person, private or public corporation, or any governmental agency having authority to exercise the power of eminent domain or condemnation proceedings pursuant to any law, general, special or otherwise, this Permit shall expire on the date when the Permitted property shall be so taken or acquired and the Permittee shall have no compensable right or interest in the real property being condemned and shall have no compensable right or interest in severance damages which may accrue to the remaining Permitted property not acquired by condemnation proceedings. Net rent to be paid by the tenant shall be apportioned and paid to the date of such taking.

1. State shall be entitled to and shall receive any and all awards, including severance damage to remaining state lands, that may be made for any eminent domain or condemnation proceedings concerning the land which is the subject of this Permit, except that Permittee shall have the right to receive any and all awards or payments made for any buildings or other improvements lawfully placed on the subject property by the Permittee with the approval of the Land Department.

This Permit is issued for such leasable minerals now owned by the State of Arizona and in regard to which there has been no reservation by a predecessor in title to the State of Arizona.

Federal records may or may not reflect mineral interest claims that pre-date the state's claim to some or all of these lands; the state does not warrant that it owns the minerals sought to be prospected under this permit.

This permit issued subject to all the rights of the owner of the non-mineral land estate.

Provided however, in regard to those parcels of state lands sold under the provisions of ARS 37-231, providing for a reservation of minerals to the state, there shall be no entry upon such lands by an Arizona State Land Department lessee or permittee without express written approval of the Arizona State Land Commission after following compliance with Arizona State Land Department Rule #12-5-7071 b, such lessee or permittee.

"Before significant earth movement may commence, the lessee or permittee hereof shall satisfy the Arizona State Land Department in writing that no significant cultural, historical, antiquity or archeological values will be destroyed, and, in the event such values will be destroyed, that proper mitigation measures have been agreed upon between said lessee or permittee and the Arizona State Land Department, and further said lessee or permittee shall report all of such values as they are later discovered after such approval is given initially."

Notice of State authority to cancel this contract:

- A. The State may cancel any contract, without penalty or further obligation, made after September 4, 1978 by the State or any of its departments or agencies if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State or any of its departments or agencies is, at any time while the contract or any extension of the contract is in effect, an employee or any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract.
- B. The cancellation shall be effective when written notice from the Governor is received by all other parties to the contract unless the notice specifies a later time.

If the removal of plants protected under the Arizona native plant law is necessary to enjoy the privileges of this document, the permittee hereunder must previously acquire the written permission of the Arizona State Land Department and Arizona Commission of Agriculture and Horticulture to remove those plants.

SPECIAL CONDITION

This permit is issued subject to the plan submitted to the State Land Department.

DESCRIPTION OF LAND UNDER PERMIT CONTAINED IN SUPPLEMENT ATTACHED HERETO AND MADE A PART HEREOF.

STATE OF ARIZONA
LAND DEPARTMENT

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[illegible][illegible]

(High Mass) 24.6.1962
 1962

(This permit is issued in duplicate)

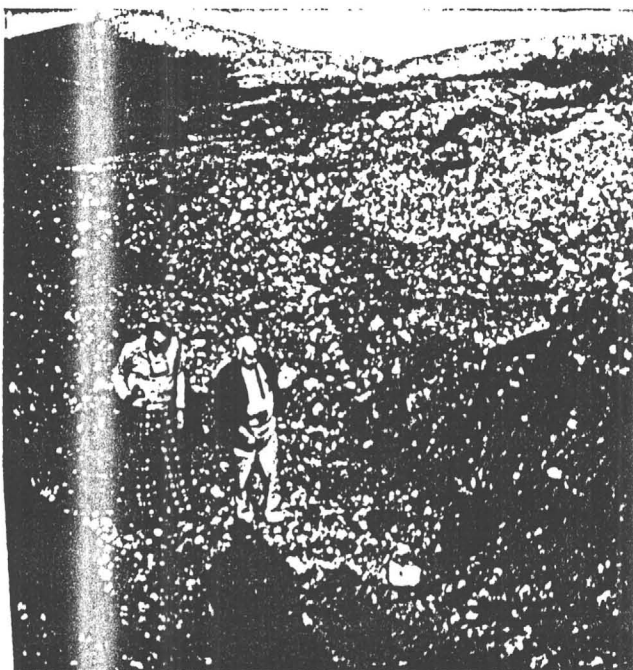
25-72

APPENDIX III

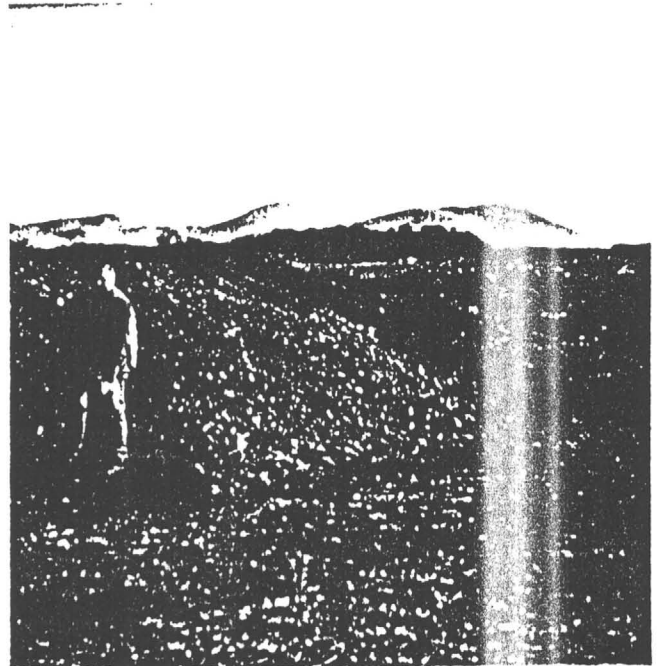
DUMPS ON CHANCE CLAIM



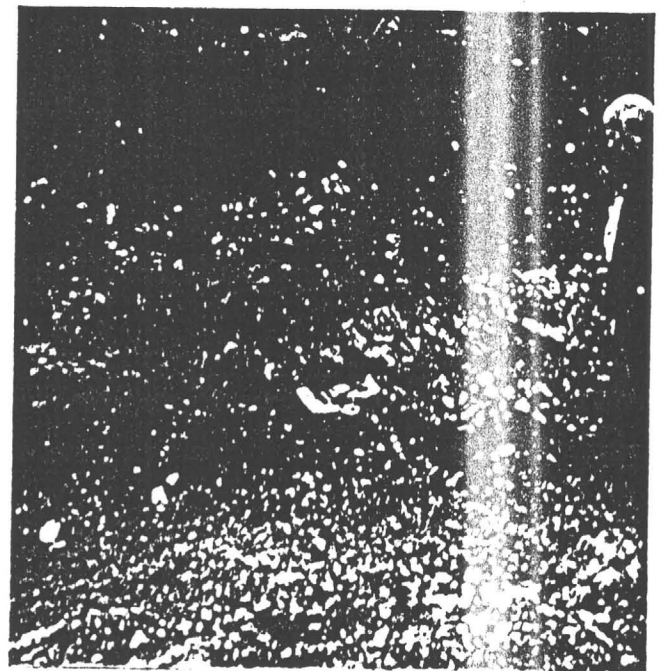
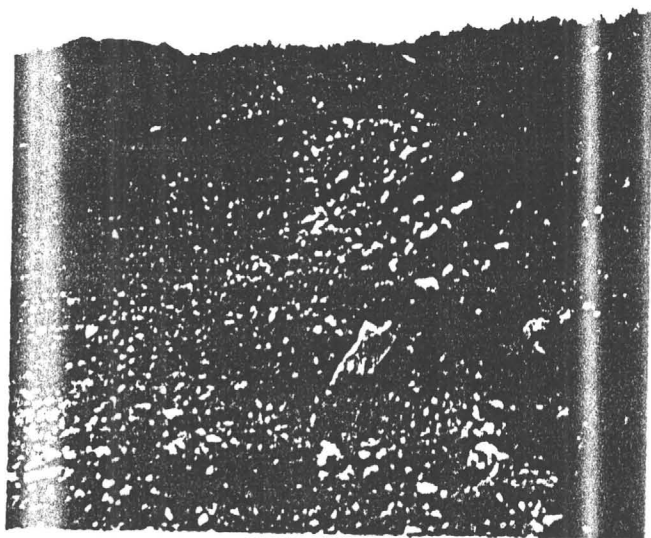
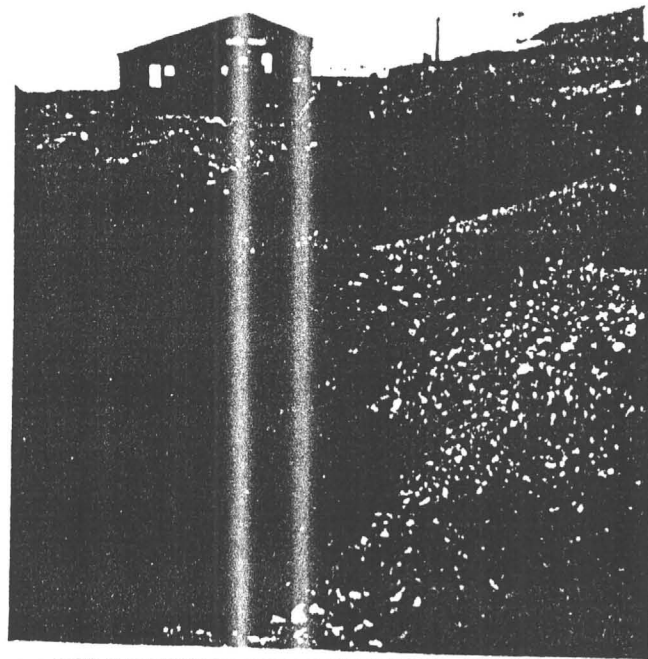
BULLDOZER CUT CHANCE CLAIM



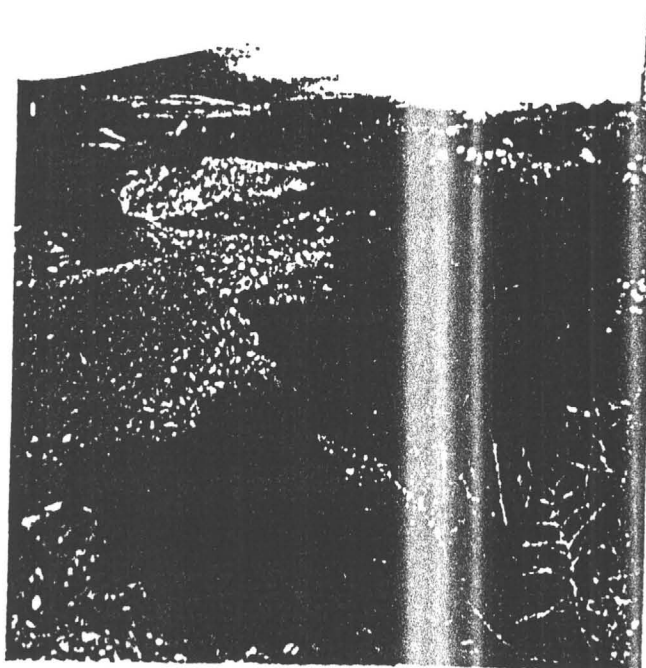
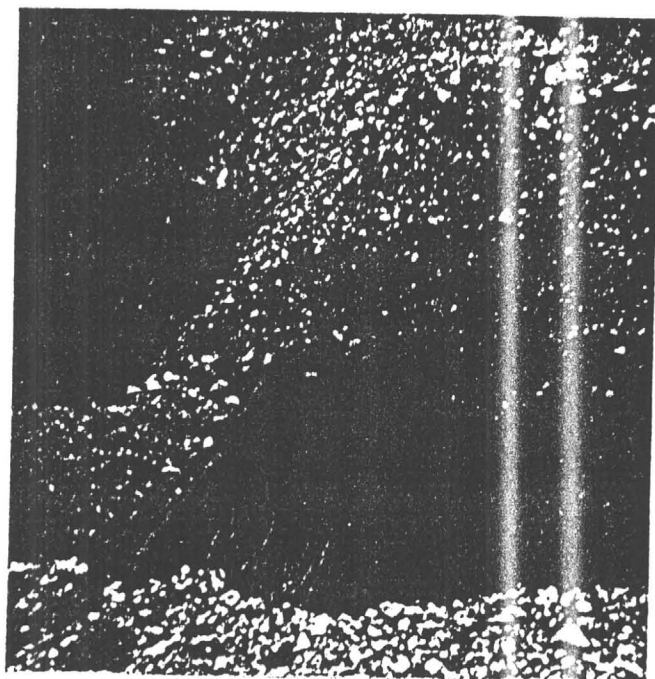
BONANZA SHAFT AREA



LARGE TRENCH STATE OF MAINE EXTENSION



EONANZA SHAFT



CHANCE CLAIM LOOKING SOUTH

