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# Ash Leak

Assumptions -

200,000 tons

average grade 8.0 Ag/T

Ship as silica flux material to Smelter

Smelter contract

Pay 16<sup>00</sup> per ton for silica

Pay 75% of silver content

no penalties

Silver Price \$6<sup>00</sup> / ounce

$$8.00 \text{ Ag/T} \times 75\% = 6.00 \text{ Ag/T}$$

$$6.00 \text{ Ag/T} \times \$6^{00} = \$36^{00} \quad \text{Silver Value Recoverable}$$

$$\frac{16^{00}}{\quad} \quad \text{Silica Value}$$

$$\frac{\$52^{00}}{\quad} \text{ / Ton total Recoverable Value}$$

Shipping Cost = estimated \$8.00 / Tn

Mining Cost = Estimate @ 200T/D = 25<sup>00</sup>

Estimated Cost  $\frac{\$33^{00}}{\quad}$  / Tn

NR Loyalty Payments 7.7%  $\frac{4^{00}}{\quad}$  / Tn

$\frac{37^{00}}{\quad}$  / Tn

Difference Between NSV & Cost = \$15<sup>00</sup> / Tn

\$15<sup>00</sup> / Tn x 200,000 Tn = \$3,000,000 ÷ 2 = 1.5 million  
Budget's half (Purchase price; exploration, & develop. cost)

$$8 \text{ oz / ton Ag} = 0.119 \text{ oz / ton Au}$$

$$75\% = 0.089 \text{ oz / ton Au}$$

$$\$18/\text{in flux} = 0.135 \text{ oz / ton Au}$$

$$\frac{1}{387} \quad \frac{19.00}{19.00}$$

$$18 = 387 \times$$

$$8 \text{ oz / ton Ag} \quad .03 \text{ oz / ton Au}$$

$$8 \text{ oz Ag / ton} \times \$6.00 / \text{oz Ag} \times 75\% = \$36 / \text{ton}$$

Royalty (2 + 6.25%)

$$+ \frac{\$3.75 / \text{ton}}{\$32.25 / \text{ton}}$$

$$+ \frac{\$3.75 / \text{ton}}{\$32.25 / \text{ton}}$$

Flux Value

$$- \frac{\$18.00 / \text{ton}}{\$50.25 / \text{ton}}$$

$$- \frac{\$18.00 / \text{ton}}{\$50.25 / \text{ton}}$$

Crushing

$$- \$5.00 / \text{ton}$$

Shipping

$$- \frac{\$14.00 / \text{ton}}{\$31.25 / \text{ton}}$$

$$- \frac{\$14.00 / \text{ton}}{\$31.25 / \text{ton}}$$

Mining costs (not development)

$$\frac{\$15.00 / \text{ton}}{\$16.25 / \text{ton}}$$

$$\frac{\$15.00 / \text{ton}}{\$16.25 / \text{ton}}$$

$$3500 \text{ tons / month} \times \$16.25 / \text{ton} = \$56,875 / \text{month}$$

$$\text{AF Budget } 50\% \text{ cost } \$28,437.5 / \text{month}$$

after payback of 1st \$150,000 to Southern Gold Resources Ltd. which receives 50% of monthly cash flow each month until payback.

- Production grades on p. 13. of Woodcock report.
- Never any gold - .01 - .035 not really above .03 smelter cut off
- Post production - best was Veta @ 9.2 g/t

For best future Ag vein stuff -

- 1) Not under Hardy
  - A) B-1 - thin
  - B-2 holes limit dip extent
- 2) B) No development or info compared to Shamrock, would have to connect to Shamrock at depth
  - c) No good 2<sup>nd</sup> escape.
  - c) No geology geometry of vein
- 2) Shamrock
  - A) Development  
stuff  
2<sup>nd</sup> escapeway
  - B) Vein <sup>geometry</sup> known to depth and good grades @ depth
  - c) wide 30' hanging wall vein

\$5/ton Crushing  
\$14/ton Shipping (to PD's Hidalgo & Chino Smelters)  
\$0.10 /ton/mile or \$2.50/mile for 25 ton truck  
\$18/ton Flux 30 miles to Hidalgo

75% payment of Silver Value  
No payment for gold

Royalty \$2/ton + 6.25% of amount over \$20/ton  
with \$6250 month minimum

Assume \$6.00/oz Ag, \$400/oz Au

800 tons/week

3500 tons/month



100 ~~200~~ ~~300~~ ~~400~~ ~~500~~ \*

3X

300

192

80

100

240

100

most of shamrock reserve in possible category.

Have to drill reserve above 950 L,  
probably from crosscut of 500 ft level.

Next step to drill for wide hanging wall vein @ Shamrock

Look for good Ag grade

Looking for good Au is unreasonable

Hanging wall near pinches where defined  
do expect more pinching and possibly less grade.

Down 1000 ft minimum.

Define lower orebody with

cash flow only back into mine

60/a ton  
@ \$50/day

35 @ UVX

to 800ft level  
250,000 tan reserve x \$16.25/tan = \$4,062,500

50% Budget \$2,031,250

Buy in cost (exploration) 1,000,000

1,000,000

Bad Intermediate Zone conditions  
Flux contract variable

10 ay

15 ay

20 ay



500,000 development

250,000 Ton onebody  
8. oz / ton Ag

Scenario

$\$52 = \frac{\$2 + 6\%}{0.00120}$

Grade g/10	Price	Net Value	Flux	Net Value
A5	A5	A5	A5	A5
10	\$6	75	18	70.63
15	\$6	75	18	85.5
20	\$6	75	18	108

Market value - Royalty

Net value after Royalty

@ 10% Ag =  $\frac{\$44 + 2.48}{2 + 1.56} = \frac{\$46.48}{3.56} = 13.04$

\$59.44

- Cost in \$  
 $\frac{5 \text{ slips} \times (\$19 \times 4)}{40.44}$

@ 15% Ag =  $6.25 + 2.06 = 8.31$

77.19

58.19

@ 20% Ag =  $6.25 + 10.5 = 16.75$

91.25

72.25