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Hole No. 1104-3

Collar location: U.V.X. Mine - 1100 Level, 1104 Drift 11,310 N 8,110 E

Inclination: -11° at collar, -15° at 420'

Azimuth: S 63° W at collar

Length: 440 feet

Driller: Longyear Co. - Phoenix, AZ; Jack Hayslip - driller, Bill Mills - helper

Core recovery: 80% overall

Dates: Oct. 29 thru Nov. 15, 1985

Assayer: Iron King Assay, Inc. Humboldt, AZ. using Fire/A.A. and one assay ton

Logger: DON WHITE

Remarks: Drilled with a Longyear 34, compressed air powered rig. NQ core for entire hole

27.5 ft/shift for total of 16 8-hr shifts, including all time spent on hole

Core size	Runs + recovery	Footage	Graphic log	Au (oz/t)	Ag (oz/t)			Rock type (Protolith)	Lithology
NQ core 1.875" dia.	Box 1, Box 2, Box 3, Box 4 (50%, 50, 100, 90, 80, 20, 90, 90, 150, 100, 100; 36' to 38' represented by 4' of core)	20, 40						Rhyolite agglomerate	0-94' Pink gray, mottled, f.-m. grained, coarse fragmental qtz-feld-sericite (meta-rhyolite) with ~5% jasper fragments and some red, jasper matrix. Clasts ≤ 4" dia., equidimensional, subrounded feldspar porphyry with phenocrysts 1-4mm (pink, orthoclase-?) No carbonate until ~60'. Then ~2% $CaCO_3$ veinlets ≤ 2mm thick until 82'. Non-magnetic, very hard (H ~ 7.5) Grades more tuffy with depth.
	Box 5, Box 6, Box 7, Box 8, Box 9 (50, 30, 30, 100, 100, 100, 90, 100, 80, 90, 100)	60, 80, 100	Gradational contact					Rhyolite tuff	60-82' ~2% $CaCO_3$ veinlets ≤2mm thick. Discontinuous and randomly oriented.
	Box 9, Box 10, Box 11, Box 12, Box 13, Box 14, Box 15, Box 16, Box 17, Box 18 (100, 100, 90, 100, 100, 90, 40, 100, 90, 100, 100, 100, 100, 100, 100, 100, 100, 100, 100, 100, 100, 60, 90, 40)	100, 120, 140, 160, 180, 200	Gradational contact					Dacite tuff	94-99 Greenish gray, v.f. to m. gr., massive qtz-feld. porphy. with clear qtz phenocrysts ≤2mm. and pink (orthoclase-?) feldspar phenos ≤ 6mm.
								Intermediate to felsic tuffs + agglomerates	99-175 Alternating greenish gray and pink gray, f.-m. gr., massive to faintly banded qtz-feld-chl. and qtz-feld-ser. schists. Some just faintly textured, some agglomeratic. Carbonate component not present except: 108-112 ~5% $CaCO_3$ veinlets ≤3mm thick; 138-140 ~3% $CaCO_3$ veinlets ≤3mm thick
								Altered int. tuffs + gouge	175-210 Brick red, altered version of the above rock types. Feldspars visible as relictes only; pseudomorphed by clays, mostly kaolin. Heavily sheared.
	Box 19, Box 20 (80, 70, 70, 90, 40)	220		<.001	.09			Intense gouge	210-215 Red clay, fault gouge. Most core retrieved only as a "soup" with some sericite and silica grit.
				.002	.12			Brecciated int. tuff in gouge	215-227 Dark red, matrix-supported breccia. Matrix is hematitic silica grit and fault gouge. Rock is ~50% purplish-gray, angular, sand to marble size bx. frags. which are clay-altered intermediate tuffs.
				.013	.24				
	Box 21 (50, 30, 50, 100, 90)	240		.156	.39	9 feet at .143 Au, .32 Ag	19 ft. .12 Au, .33 Ag	Chert bx in si-grit	227-234 Pale gray, massive chert as bx. frags. in red, hematic silica grit matrix. Matrix-supported, with clasts up to 1 foot.
				.159	.31				
				.114	.30				
	Box 22, Box 23, Box 24, Box 25, Box 26, Box 27, Box 28, Box 29, Box 30, Box 31 (100, 80, 90, 90, 90, 60, 60, 90, 50, 70, 100, 90, 20, 90, 100, 90, 50, 70, 100, 90, 100, 100, 100)	260, 280, 300, 320, 340		.001	.35			Fragmental chert	234-333 Chert; variously massive and fragmental, matrix and clast supported, colors from red to yellow, white, brown, and black for both clasts and matrix. Dominant type is gray, angular clasts in a pale red or yellow (hematic or limonitic, respectively) silica rock flour matrix, well healed by silicification. Some rock fragments as clasts, dominantly rhyolite with qtz eyes, probably caught up in an explosive pulse of an otherwise more quiet vent system. Evidence of hydrothermal brecciation, slumping, hydro-fracturing, later silicification, and even later, possibly tectonic, brecciation as well.
				.058	.27				
				.132	.41	5 feet at .161 Au, .39 Ag			
				.204	.37				
				.070	.39				
				.053	.30				
				.082	.17				
				.042	.60				
				.064	.30				
				.064	.29				
				.077	.20				
				.065	.25				
				.096	.16				
				.034	.30				
				.083	.31				
				.045	.20				
				.023	.41				
				.003	.60				
				.018	.53				
				.003	.54				
				.009	.55				
				.008	.53				
				.018	.52				
				.081	.43				
				.008	.58				
				.003	.49				
				.012	.43				
				.007	.49				
				.036	.46				
				.013	.41				
				.003	.12				
				.014	.37				
				.023	.41				
				.019	.29				
				.015	.56				
				.034	.39				
				.054	.56				
				.005	.58				
				.009	.24				
								si grit	333-335 Mottled yellow-orange and red brown, f.gr., gritty, limonite and hematite cemented silica grit.
									335-356 Mottled purple and white, f-m gr. heavily clay altered tuffs. No feldspars remaining; all altered to clay. H ~ 6.0
	Box 32, Box 33, Box 34, Box 35, Box 36 (100, 100, 100, 90, 100, 100, 90, 90, 60, 60, 60, 60)	360, 380, 400		.003	.09			Altered intermediate welded tuff (Gouge zone)	356-376 Same clay-altered tuff as above but more red stained from hematite impregnated gouge zones 356-360 and 372-376.
								Altered intermediate welded tuff (Gouge zone)	376-420 Same as 335-356. Well displayed tuff and fine fragmental textures, welded tuff/ignimbrite, etc. Foliation ~80° to core axis.
NQ core size 1.875" dia. to end of hole	Box 37, Box 38 (40, 40, 30, 90, 30)	420, 440	440' E.O.H.	Nil	.01			Chert iron stone	420-422 Black and dark red brown, f.gr., vuggy (~15% voids) and very dense hematitic chert.
				.006	.03				
				.003	.18			Cleopatra qtz porphyry or int. tuffs	422-440+ Light brown to biege, massive, fine to coarse grained, qtz-feld. porphyry with feldspar phenocrysts ≤6mm pseudomorphed by kaolin. May be the Cleopatra Fm., quartz porphyry.

Hole No. 901-2

Collar location: U.V.X. Mine - 950 Level, Mine grid 11,690 N 7,750 E

Inclination: -20° at collar

Azimuth: S40°W at collar

Length: 421 feet

Driller: Longyear Co. - Phoenix, AZ; Pat Schoeder, driller - Jerry Rosenberg, helper.

Core recovery: 86% overall

Dates: Oct 29 thru Nov. 11, 1985

Assayer: Iron King Assay, Inc., Humboldt, AZ; using Fire/AA and one assay ton

Logger: Don White

Remarks: Drilled with an LM-37, electric hydraulic rig. NQ core for entire hole

No casing left in hole

35 feet per shift (total of 12 8-hr shifts)

Core size: NQ 1.875" dia.

Runs + recovery: Box 1 100; Box 2 100; Box 3 100, 100, 90; Box 4 100, 100, 100; Box 5 80, 100; Box 6 70, 100; Box 7 70, 100, 100; Box 8 100, 90, 20, 30; Box 9 100, 100; Box 10 100, 100; Box 11 100, 100; Box 12 100, 100; Box 13 100, 100; Box 14 100, 100; Box 15 100, 90; Box 16 60, 40, 40, 70; Box 17 100, 100, 50, 50, 70; Box 18 100, 80, 100, 100; Box 19 100, 100; Box 20 90, 50, 70; Box 21 80, 100; Box 22 100, 100; Box 23 50, 60; Box 24 60, 20, 100, 50, 70, 100; Box 25 100, 100, 50, 80, 90; Box 26 90, 100, 100; Box 27 90, 100, 100, 100; Box 28 70, 80, 100, 100; Box 29 100, 100, 100; Box 30 100, 60, 60; Box 31 100, 60, 100, 100; Box 32 100, 90; Box 33 100, 100, 100; Box 34 100, 100; Box 35 100, 100; Box 36 100, 90, 100; Box 37 80, 100; Box 38 100, 90; Box 39 100, 50, 80; Box 40 80, 90

Footage: 20, 40, 60, 80, 100, 120, 140, 160, 180, 200, 220, 240, 260, 280, 300, 320, 340, 360, 380, 400, 420

Graphic log: Gradational contact; Gradational contact; Gradational contact; Cu; Cu; Cu; Cu; Cu; Cu; Cu; Cu; Cu; Cu; Cu; E.O.H. 421'

Au (oz/t)	Ag (oz/t)	Cu %	Pb %	Zn %
<.001	.34			
.006	.29			
.017	.81			
.016	.33			
.004	.29			
.001	.15	.174	.006	.054
<.001	.20	.360	.065	.135
<.001	.21	1.160	.009	.485
<.001	.12	1.400	.008	.625
.001	<.01			
<.001	.13			
<.001	.09			
.003	.14	.115	.011	.475
<.001	.14	1.320	.004	.615
.001	.05	1.400	.030	.385
.002	.20	2.250	.030	.185
<.001	.19	3.620	.020	.207
.006	.06	1.300	.009	.294
.002	.12	.232	.004	.138
.003	.19	1.980	.004	.305
.002	.19	.498	.003	.374
Nil	.19	.458	.004	.354

Rock type (Protolith): intermediate tuffs; Basic to intermediate tuffs; Felsic tuff; Intermediate tuffs; Intermediate tuffs; Alt'd intermed. tuffs; Heavily altered + sheared int. tuff + sericite; Massive sericite; Chert; Fine tuff; Chert; Massive kaolinite; Massive intermediate flow (?); Calcite veinlets; Finer grained, non-porphyritic facies; Massive intermediate flow (?)

Lithology

0-82' Pale and dark gray-green, alternating and blotchy, very fine grained, massive to faintly banded, quartz-chlorite-sericite(?)-carbonate schist. Crossed by multidirectional, discontinuous, white and pink calcite veinlets up to 4mm thick overall, veinlets ≤5% of rock. Trace siderite as zonational variant within veinlets. Hardness ~6.5. Carbonate throughout as dissemination as well as veinlets.

82-130' Pink gray, f-m gr. massive to faintly foliated qtz-feld gneiss/schist. Traces of disseminated calcite throughout plus calcite and siderite veinlets (as above). H ~7.0

130-135 Same as 0-90'

135-216 Speckled gray and green, f-m gr., massive qtz-chl-feld sch. with poor foliation. Carbonate (mostly calcite, trace siderite) veinlets persist to 179', then quit. No disseminated or veinlet carbonate from 179 to 298.

216-232' Same as above but more pink + red as a result of more FeOx stain and rather as result of more clay alteration. Well foliated (sheared-?) ~70° to core axis.

232-241 Red brown, f.gr., heavily sheared qtz-ser-hematite schist with much kaolin alteration. Foliation ~70° to CA.

241-244 White, f.gr. sericite

244-247 White and pale gray, massive chert with abundant (~20%) tiny (≤1mm) pale gray silica healed frax.

247-248 Biege and brown, very thin foliated, f.gr. qtz-ser. sch. Some very limonitic laminae.

248-249 Light gray and white massive chert with abundant si-healed frax. stained with hematite.

249-254 White, massive, well foliated kaolinite, trace hematite stain.

254-421+ Gray green, f-m gr., massive (texturally and compositionally) flow or intrusive rock with local variability as noted below. Trace to 1% native copper throughout, occurring as leaves and dendrites along the margins of soft, brown, non-carbonate veinlets which X-cut at all orientations. Rock is well foliated, generally 40° to 70° to core axis. Approximate composition (megascopic estimates) is:
30% iron stained plag phenocrysts ≤4mm
10% white orthoclase phenocrysts ≤2mm
60% f.gr. groundmass.

254-260 More native copper; ~2% overall.

290-313 More massive, finer grained, less well foliated, and virtually no copper.

298-312 Calcite veinlets ~3% of rock; all orientations, ≤1mm thick

Traces of malachite throughout.

Note: Copper appears to be all secondary as evidenced by its native state, its occurrence along margins of veins and fractures, and its crystallinity. Surfaces of native copper leaves display very fine crystalline copper. Perhaps this was deposited on the abundant fractures by supergene fluids rich in copper from the overlying U.V. deposit.

Note: This unit, from 254' onward is what was historically mapped as diorite. It has no intrusive textures and hints at some extrusive nature. Thus it may be a very massive, andesitic flow.

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(Business Office)
Telephone: (602) 945-4630
Telex: 751739

November 23, 1987

Paul Handverger
2160 Old Jerome Highway
Clarkdale, Arizona 86234

Dear Paul:

This is to confirm our phone conversation of November 20, 1987 regarding water discharge from the Josephine Tunnel. It is our understanding that current statutes require permits either from the Arizona Department of Water Resources or Department of Environmental Quality or both.

We agreed to sample and have analysed water samples from the tunnel. The water samples will be analysed for constituents required in EPA drinking water standards; including heavy metals, arsenic, nitrates, fluoride, pesticides, herbicides and radionuclides. Cost of the sampling, transportation to the lab, and analysis is estimated at $500.

If Verde Exploration has any previous analyses of the water I would appreciate a copy. Also, copies of other data, agreements or records regarding water discharge from the tunnel would be most helpful in preparing any permit application.

Since the tunnel may drain all of the UVX property and not exclusively land A. F. Budge (Mining) Ltd. has leased, any permit application should probably be prepared and submitted jointly. May I suggest we meet to discuss and plan this effort after the results of the water analyses are complete.

Regards,

A. J. Fernandez
Senior Mining Engineer

DIRECTORS: A.F. Budge, O.B.E., C.Eng., F.I.C.E., F.I.H.T.; Mrs. J. Budge; 7602 Clearwater Parkway, Paradise Valley, AZ 85253

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NOVEMBER 23, 1987

TO ALL BUDGE EMPLOYEES

ACCORDING TO OUR AGREEMENT WITH VERDE EXPLORATION, WE HAVE AGREED "NOT TO MAKE ANY PUBLIC STATEMENTS OR NEWS RELEASES CONCERNING THE PROPERTY...(WITHOUT) OBTAINING THE CONSENT OF (VERDE)".

NO STATEMENTS PERTAINING TO OUR ACTIVITIES AT THE MINE SHOULD BE MADE TO OUTSIDE SOURCES, ESPECIALLY THE NEWS MEDIA.

ALL INQUIRIES CONCERNING OUR OPERATIONS ARE TO BE REFERRED TO THE SCOTTSDALE OFFICE.

SIGNED: Carol A. O'Brien

MINING COORDINATOR

DIRECTORS: A.F. Budge, O.B.E., C.Eng., F.I.C.E., F.I.H.T.; Mrs. J. Budge; 7602 Clearwater Parkway, Paradise Valley, AZ 85253

JACK D. POWERS - P.E.
P. O. Box 26522
Salt Lake City, Utah 84120-0522
(801)972-4920

DMEA LTD.
FEB 12 1987
RECEIVED

February 7, 1987

A. F. Budge Mining Limited
7340 E. Shoeman Lane, Suite 111 "B"
Scottsdale, AZ 85251-3335

Attention: Carole O'Brien

Dear Carole:

I want to thank you and Joe for taking such good care of me on Friday, January 30.

Time spent underground was valuable to me and Don White had all the core and drill records ready to review when I arrived.

As of January 30, 1987 hole M-1 was at 184 feet and had taken 20 days total including set up and missed shifts or 9.2 feet per day. Looking at the project from the working shift point of view

$$\frac{184}{15} \text{ feet} = 12.26 \text{ ft./shifts}$$

No matter how you view this project the footage production has been poor and a portion of Longyear problems has been the poor selection of diamond bits.

I reviewed the compressed air situation with Joe and Don and feel the best way for Longyear drill to get maximum power for drilling would be to use an electric drilling pump plus the use of an electric motor on the hydraulic system rather than the present air driver. I estimate approximately 500 C.F.M. used under normal load by these two units. This would provide the main piston air motor additional pressure to better turn the drilling string.

There seems to e sufficient capacity of electric power at the drill station to drive both the drilling fluid pump and the hydraulic system.

I feel the above changes will add substantial footage production in feet per shift.

Carole O'Brien

Carole, the present drilling location has been hardened broken rock; that tends for low drilling footage. put Don's resume of this projects indicates 20% of gross time was break down or waiting on bits.

Our goal is to try to get Longyear up to speed to get drilling results to meet our time table and I feel this is well on the way.

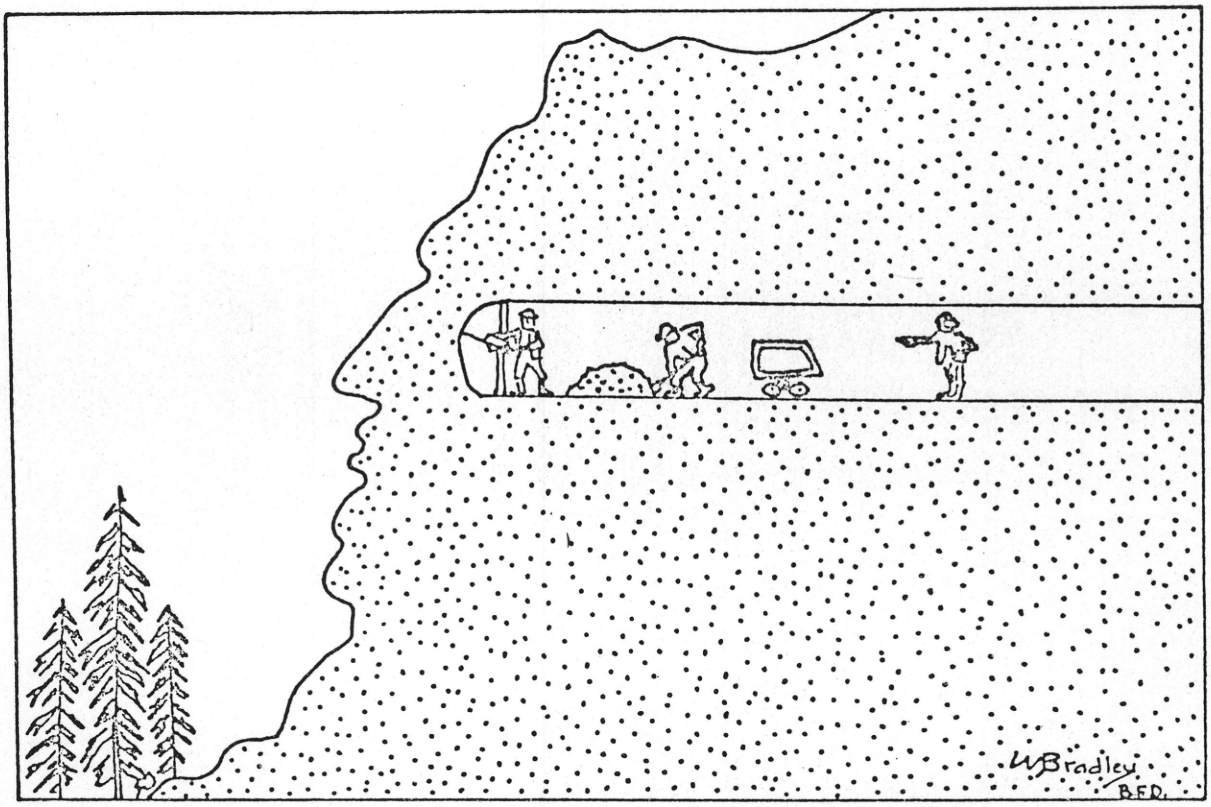
If you have any questions, please get in touch.

Sincerely,

Jack Powers

Jack D. Powers

JDPowers:bsp



"TWO MORE ROUNDS, BOYS, AND OUR GEOLOGIST SAYS WE'LL HIT THE ORE SMACK ON THE NOSE!"