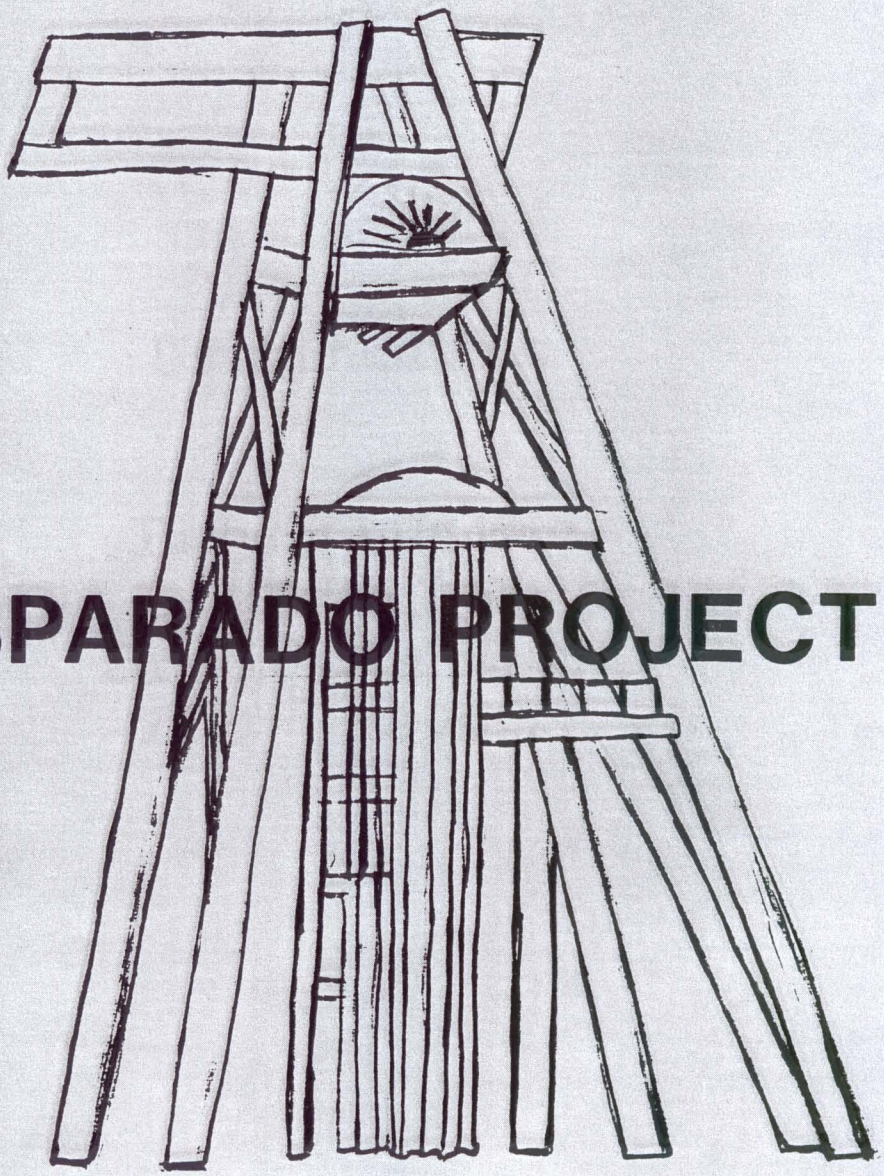
3820 0055

(206)
ITEM 55

RAWHIDE

MINES INC.



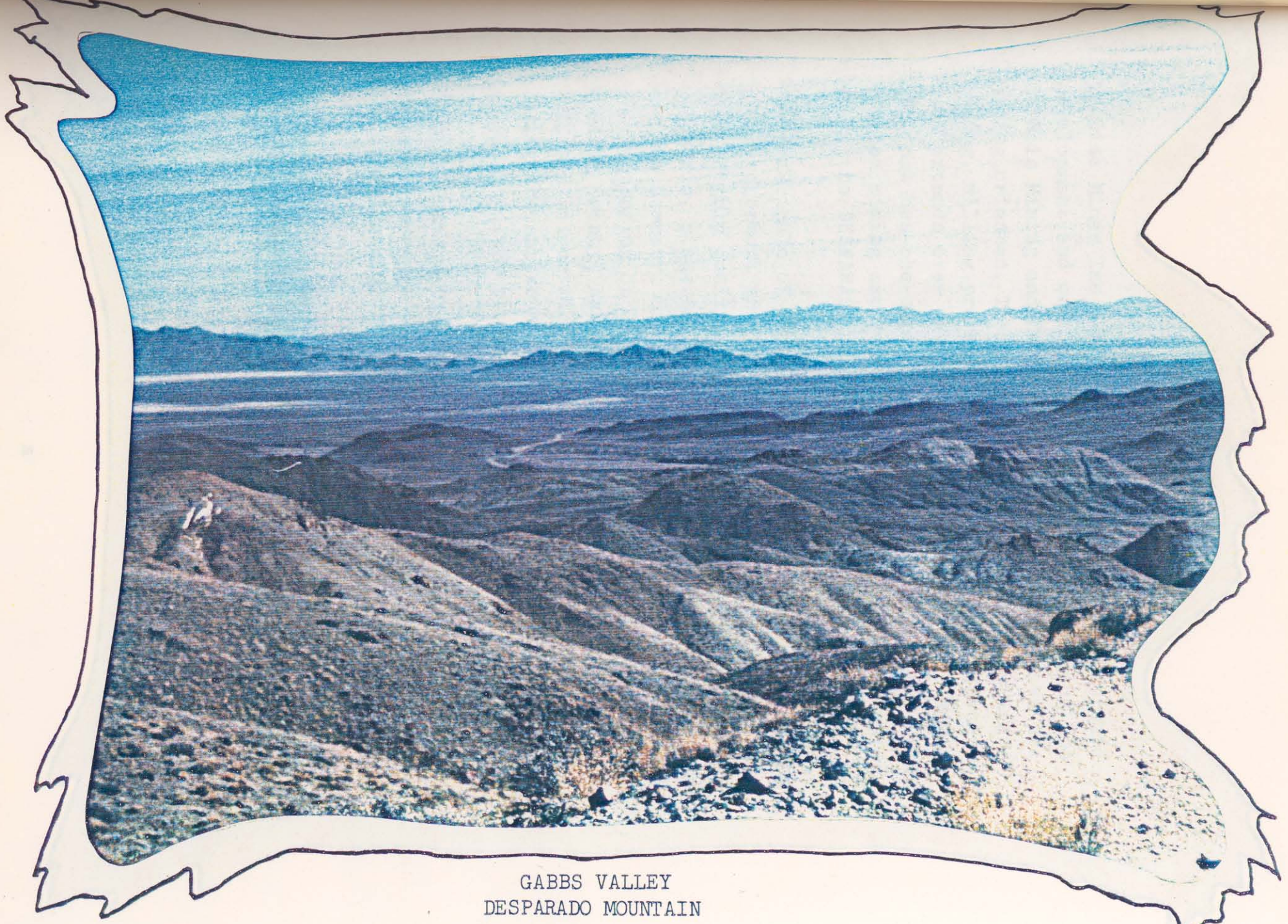
DESPARADO PROJECT

P.O. Box 1888 Hawthorne, Nevada 89415 PHONE: (702)573-2276

Communications

Richard Whidden
1202 Opal St.
San Diego, Ca. 92109
714 488-7647

≤ 1980 (?)



GABBS VALLEY
DESPARADO MOUNTAIN
(center)

COMMITMENT

Rawhide Mines Inc., a Nevada Corporation, is a forward development and combination of Whidden Engineering and La Nois Mining and Development Co. These companies are mining oriented. Their involvement in gold and silver mining, milling,prospecting and productive ore development extends over the past thirty years. Rawhide Mines Inc. now has the opportunity to capitalize on this well-rounded mining experience, in its' gold and silver program, the DESPARADO PROJECT.

The principals of Whidden Engineering and La Nois Mining and Development are the principals of Rawhide Mines Inc. This highly qualified and experienced team, in the mining world, presents capable and aggressive management for the new Company. Rawhide Mines Inc. is focusing its' primary attention on Gabbs Valley, Hot Springs Mining District, Mineral County, Nevada. The highly mineralized and historic gold and silver mining performance, of this area, has generated the enthusiastic interest of the Company in this gold and silver program.

With dedication to the success of the DESPARADO PROJECT, we are pleased to invite your participation.

Richard Whidden, Mining Engineer
Haydon La Nois, Geologist/Mineralogist
Nelda Milan, Historian
Rick Nielsen, Operations
Paul Whidden, Exploration

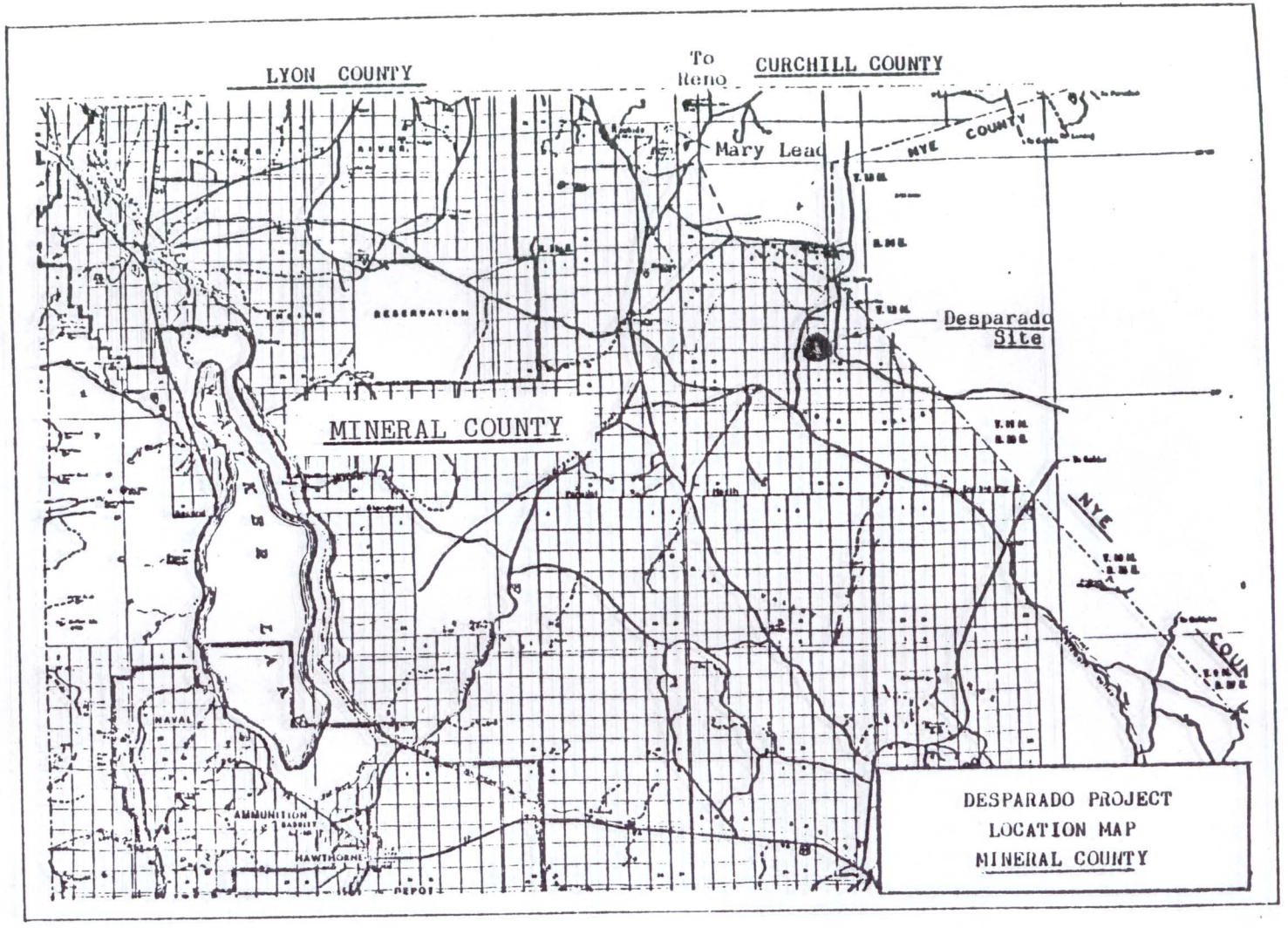

LYON COUNTY
To Reno
CURCHILL COUNTY
Mary Lead
NYE COUNTY
RESERVATION
Desparado Site
MINERAL COUNTY
NYE
NAVAL
AMMUNITION
HAWTHORNE
DEPOT
DESPARADO PROJECT
LOCATION MAP
MINERAL COUNTY

TABLE OF CONTENTS

DESPARADO PROJECT

1.0

DESPARADO PROJECT

PROPERTIES

Rawhide Mines Inc., will put into production the Desparado mining properties in the state of Nevada and will develop these same properties to maximize their profit potential. These properties are the following:

1. Desparado: Consisting of 20 unpatented mining claims. This property has gold, silver and lead potential, as indicated by former mine work and assays.

2. Lithia: Consisting of 5 unpatented mining claims contiguous with the Desparado Group. These claims are on the same vein system as the Desparado claims. This property is being acquired by contract.

3. Mary Lead: Consisting of 2 unpatented mining claims. This property has produced silver, and lead, with lesser amounts of gold.

4. Naugatuck: Consisting of 2 unpatented mining claims. This property is contiguous with the Desparado Group and is a very promising gold and silver prospect.

A more detailed description of these properties is set forth in a section following.

DEVELOPMENT

Phase I

Rawhide Mines Inc. will construct a 25 ton-per-day mill and all necessary support systems. Preparation of the Desparado and Lithia mine sites for production will also take place, including a definitive drilling and assaying program. Both mines will be put on a production schedule to support the mill and an ore inventory stockpile. Targeted mining areas will be developed to establish an optimum tonnage and flow sheet.

Concurrently, the development of the Mary Lead and Naugatuck properties will be initiated.

Phase II

A 50 ton-per-day projection has been used in order to provide definitive production costs and profits. However, maximum mine production may easily be in excess of 100 tons-per-day, costs and profits will need to be ratioed accordingly. Rawhide Mines Inc. will design and build the mill with an optimized flow sheet to provide maximum mine production and profit. Rawhide Mines Inc. will build a precious metals refinery to produce high purity gold and silver.

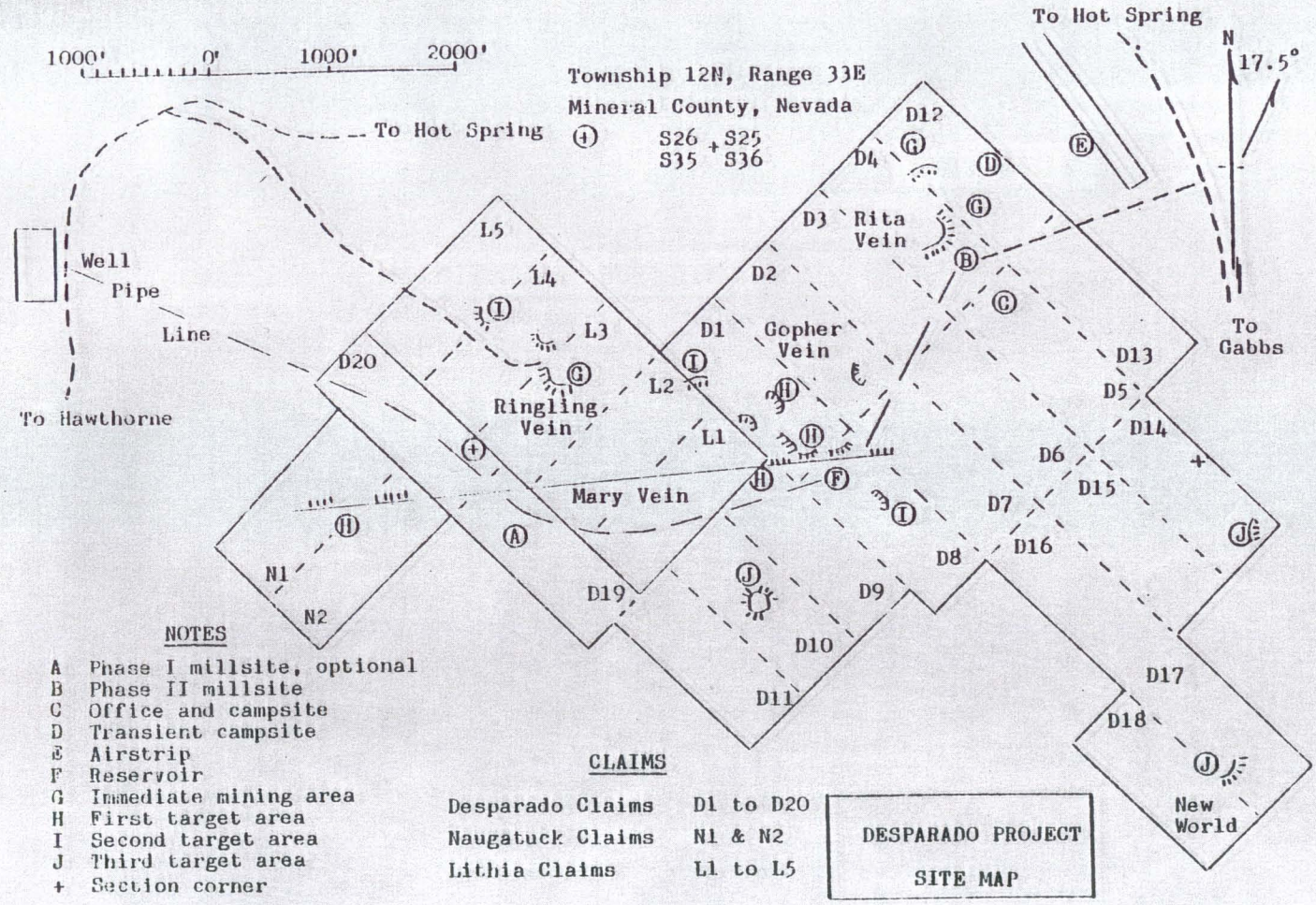

1000' 0' 1000' 2000'
Township 12N, Range 33E
Mineral County, Nevada
S26 + S25
S35 + S36
To Hot Spring
To Hot Spring
N
17.5°
Well
Pipe
Line
To Hawthorne
To Gabbs
Rita Vein
Gopher Vein
Ringling Vein
Mary Vein
L1
L2
L3
L4
L5
D1
D2
D3
D4
D5
D6
D7
D8
D9
D10
D11
D12
D13
D14
D15
D16
D17
D18
D19
D20
N1
N2
New World
NOTES
A Phase I millsite, optional
B Phase II millsite
C Office and campsite
D Transient campsite
E Airstrip
F Reservoir
G Immediate mining area
H First target area
I Second target area
J Third target area
+ Section corner
CLAIMS
Desparado Claims D1 to D20
Naugatuck Claims N1 & N2
Lithia Claims L1 to L5
DESPARADO PROJECT
SITE MAP

FIGURE 1.1

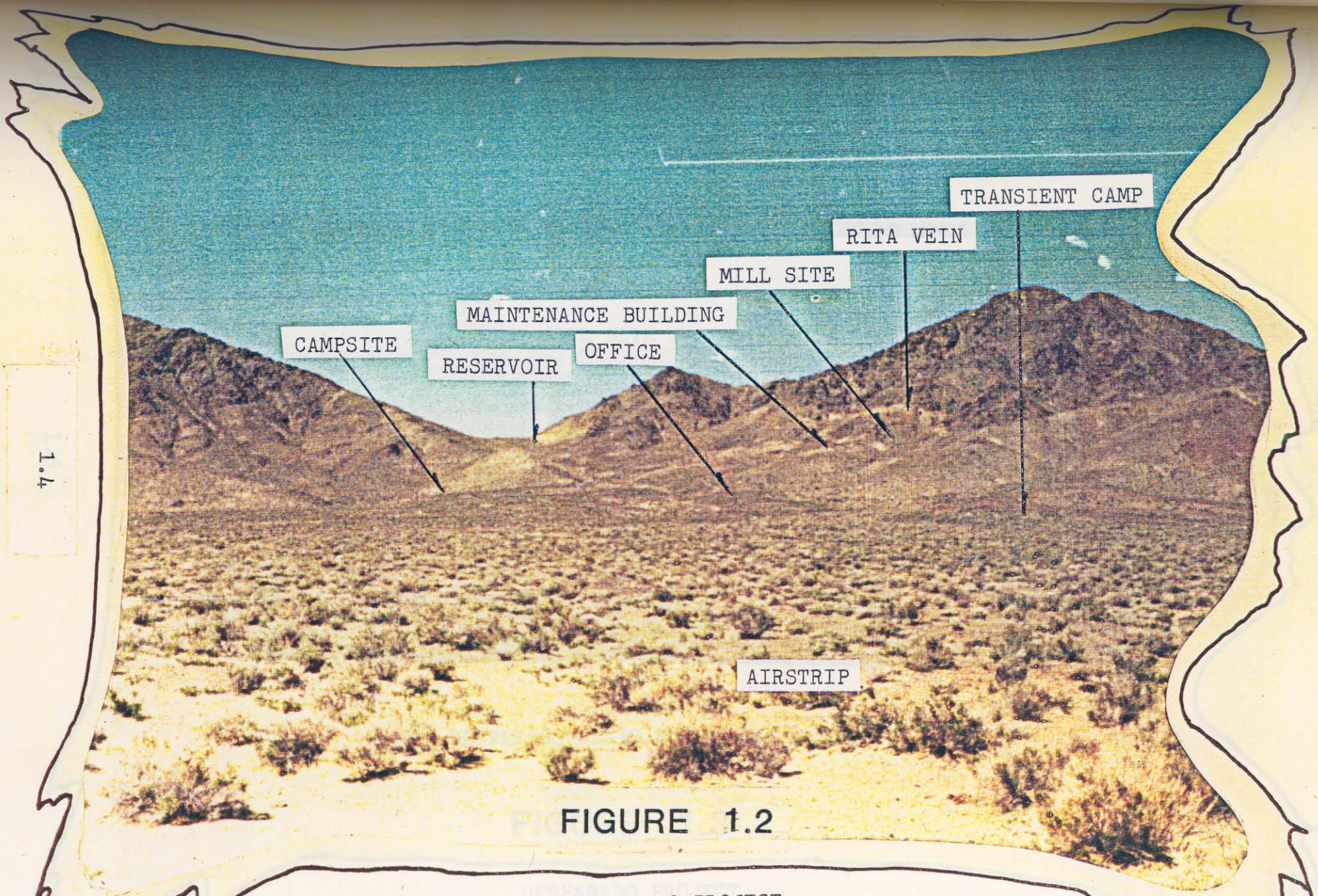
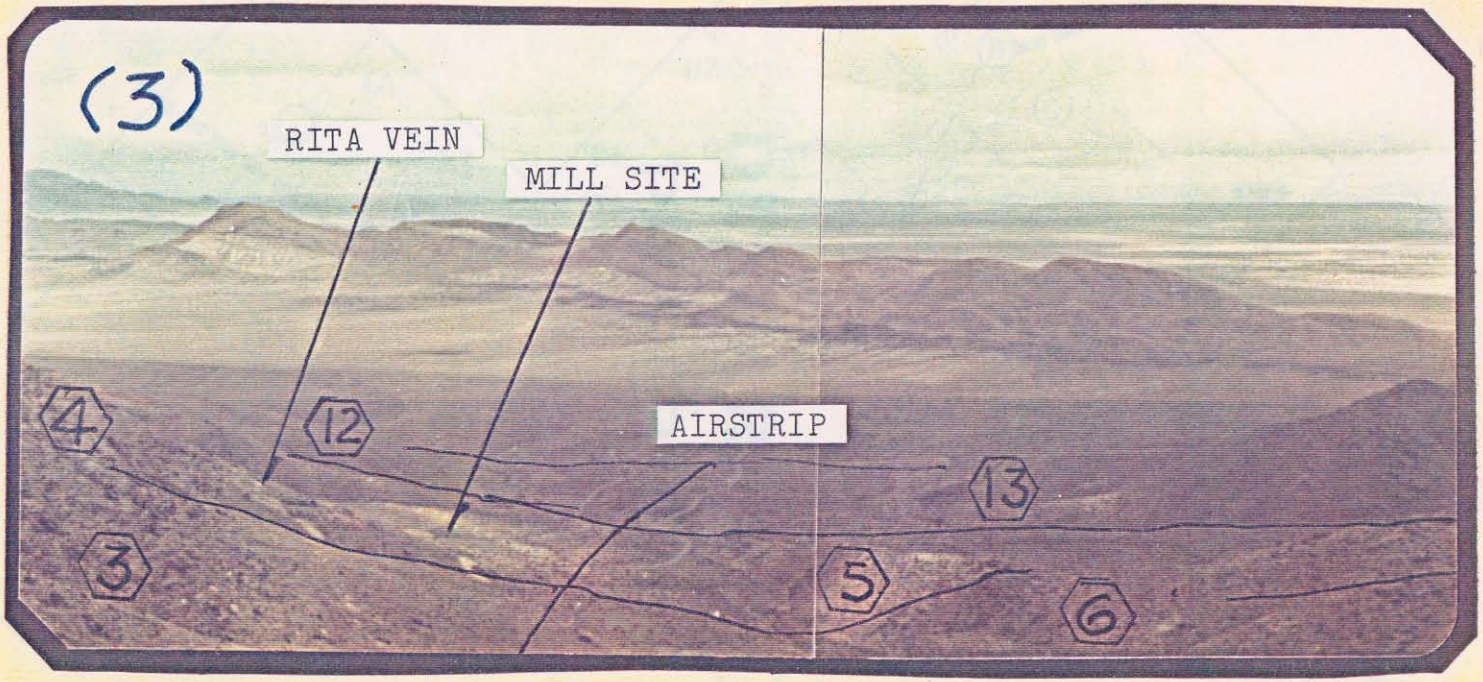


FIGURE 1.2

DESPARADO PROJECT

MILL SITE AREA

Looking South West



⬡ DESPARADO CLAIM NUMBERS

FIGURE 1.3

DESPARADO PROJECT
MILL SITE AREA
Looking North East

DESPARADO
PROPERTIES
Rita Vein
Ringling Vein
Mary Vein
New World
D1
D2
D3
D4
D5
D6
D7
D8
D9
D10
D11
D12
D13
D14
D15
D16
D17
D18
D19
D20
L1
L2
L3
L4
L5
N1
N2

DESPARADO CLAIMS

MINERAL COUNTY, NEVADA

by

R. H. Whidden

The Desparado claims are contiguous to the Lithia claims and bound them on three sides. The Desperado and the Lithia are on the same vein system. Recent development work on the Desparado has produced assays in gold as high as 2.8 ounces per ton and silver as high as 20 ounces per ton. The best samples from the Lithia assay 1.4 ounces of gold per ton and 3.5 ounces of silver.

The Desparado claims include two former producing mines, the Rita and the New World. The Rita produced until WW II with some minor production in the early '50s. The New World produced until 1936 with only minor exploration work after WW II All the ore mined from both properties was shipped directly to the smelter by various operators. No production records have survived.

The New World mine is a complex ore of copper, silver and gold that shows good production potential. Because of the complexity of the ore and the need for further definitive assaying, we have not included this mine in our immediate mining plan. This portion of the Desparado claims is scheduled for third target development. Other third target development areas are on Desparado No. 10 and 14.

The Rita vein, including the old Rita Mine, has a quantity of high grade ore immediately available and will provide the first easily accessable production ore. Run-of-mine ore will average approximately one ounce of gold and two ounces of silver per ton.

The vein on Desparado 12 can be mined by open pit to provide a few hundred tons of excellent mill feed with assays of gold 1.03 ounces per ton and silver at 2 ounces per ton. Following this, mining will go back to conventional underground methods.

The Gopher vein outcrops on both sides of a high ridge, enabling easy measurement of the entire ore body. We have developed, in the vein, a number of high grade enrichments. It is expected that when these areas are averaged with the lower grade ores, we will exceed our target mill feed values of 0.8 ounces of gold per ton and 3.5 ounces of silver per ton for the entire mineable ore body.

LITHIA MINE

MINERAL COUNTY, NEVADA

by

CHARLES MILAN

LOCATION

The Lithia claims are situated in the Regent Mining District of Mineral County, Nevada. The location is approximately 58 miles from Hawthorne, Nevada and 10 miles east of Dead Horse Well. The elevation is around 5000 feet.

HISTORY

The Lithia Mine (formerly the Ringling Mine), has an excellent production history, dating back to 1911 when it was first opened by the Ringling Circus people. Production continued until World War II when Government Order L208 closed all gold mines. The writer acquired the property following World War II and it was operated as a lease property through the late 1950's. During the early 1960's an associate and I constructed a new mill on the site and reopened the mine. Before production could begin, I suffered a serious accident and the mine was sold to defray my hospital costs.

Negotiations for the aquisition of the Lithia Claims are current. Because the personnel of Rawhide were involved in previous mining of the Lithia and the Rawhide holdings offset the Lithia Claims on three sides, it is reasonably certain this aquisition will be made.

LITHIA

The Lithia has something in excess of 2 miles of underground workings. The ore produced has a low value of $38.00 per ton, to a high in the hundreds of dollars. The normal vein width is about 18 inches, however, the hanging wall frequently rolls away from the normal -21° dip, increasing vein width to several feet. When this occurs, the ore values normally increase providing far higher grade stoping . It has been reported that the Ringling people (1911-1936) mined in excess of one million dollars from one small stope with gold at $20.00/ounce.

CONCLUSIONS

There is an ample quantity of good ore in the Lithia to support a milling operation for many years to come. This, without any additional exploration work and minor development work. The mill site levels and foundations are adequate to accomodate this mill. Well water is available about 1800 feet from the present mill site at a flow of 100 gallons per minute or better.

RECOMMENDATIONS

1. The mine should be put back into production.
2. A 12 to 20 ton per day mill should be constructed.

Many years of profitable production may be expected from this mine.

MARY LEAD SILVER MINE
MINERAL COUNTY, NEVADA

by

CHARLES MILAN

Introduction

The Mary Lead Silver Mine is located in the Regent Mining District, Township 14, Range 32 East, Mineral County, Nevada. This property is located about five miles North-East of Rawhide Nevada and about two miles West of Nevada Scheelite.It consists of two 20 acre claims.

History

The exact history is not known to the writer. It can be stated that the mine was located in 1909 during the Rawhide gold boom. The old work in the mine consisted of 250 feet of drift. Paying ore was encountered at 90 feet in the drift. While it is not known the amount of ore shipped, it was in the thousands of dollars. Work continued until 1913, when the mine was closed as a result of World War I. With the rise in price of gold and silver in 1935 the mine was reopened and continued to produce until 1942 when L 208, a closing order for gold and silver mines,halted operation. Development, with a 50 foot shaft in the main vein system, began in 1945 and again ore was shipped, until the collapse of the price of lead. The mine is idle at this time.

Geology

The host rock of the Mary Lead Mine is the Excelsior Formation lying comfortably on the Luning Formation, the former a volcanic and the latter a limestone. The vein varies in width from a few inches to 12 feet. Average values, at present prices are in the $40.00 class, values being in gold, silver and lead, with lead being the predominant value.

Note;

This report, by Mr. Milan, was written in the mid fifties when gold was $35.00 per ounce, silver 90¢ per ounce and lead was about 14¢ per pound.

Conclusion

There is ample quantity of mineable ore in the present workings. With rehabilitation, this mine could well become one of the major producers in the section.

Recommendations

1. This mine should be put back into production.
2. The shaft should be rehabilitated and extended into the limestone. It is anticipated that the limestone formation will be reached at 140 feet, requiring a additional 90 feet of sinking. It is my opinion, that when this contact is reached, the vein system will stabilize in enriched ore.

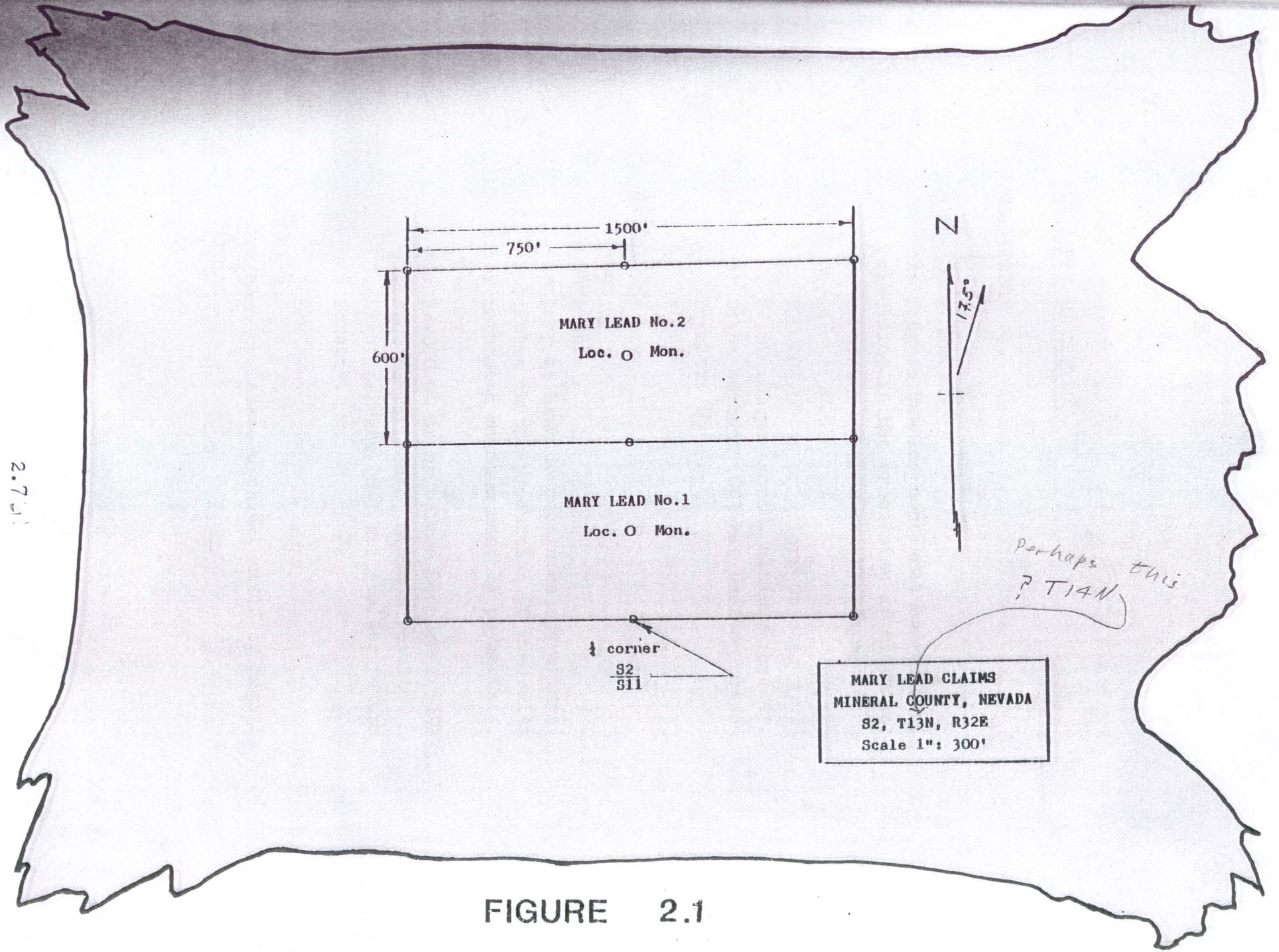


FIGURE 2.1

2.7.1

PROPERTY AQUISITION

DESPARADO:

Lease;

Duration;

As long as Rawhide continues operations, resulting in the production of minerals, or maintains minimum monthly payments.

Terms;

1. $20,000.00 on or before October 1, 1981.
2. $2,000.00 per month, minimum royalty.
3. Eight percent (8%) net smelter return royalty.

NAUGATUCK:

Lease;

Duration;

As long as Rawhide continues operations, resulting in the production of minerals, or maintains minimum monthly payments.

Terms;

1. $2,000.00 on or before October 1, 1981.
2. $200.00 per month, minimum royalty.
3. Eight percent (8%) net smelter return royalty.

LITHIA:

Purchase or Lease-Purchase, still in negotiations.

MARY LEAD:

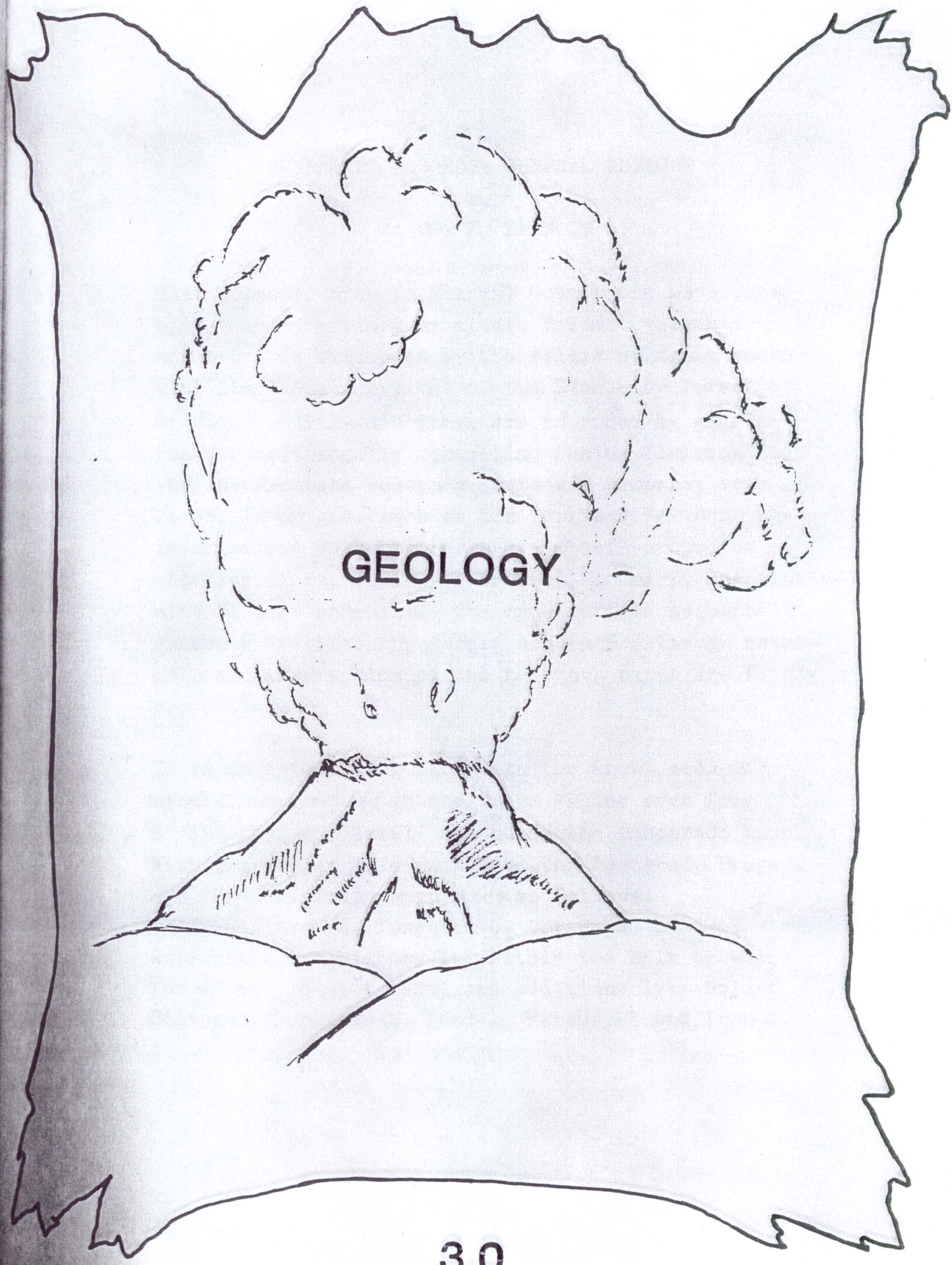
Lease;

Duration;

As long as Rawhide continues operations, resulting in the production of minerals, or maintains minimum monthly payments.

Terms;

1. $2,000.00 on or before October 1, 1981.
2. $200.00 per month, minimum royalty.
3. Eight percent (8%) net smelter return royalty.



3.0

DESPARADO PROJECT; GENERAL GEOLOGY

by

HAYDON E. LA NOIS

Most economic ores in Mineral County are associated with either Tertiary or middle Triasic volcanic activity, as evidenced by the felsic volcanic rocks with limestones, typical of the Excelsior formation. Granites, mainly diorites, are intruded by quartz seams , occasionally contacting Luning limestones. The intermediate volcanic rocks are probably very recent in origin, such as the Tertiary Period. The intermediate volcanic rocks are chiefly rhyolite to andesite flows, tuffs and breccia, in part, correlative with Gilbert andesite. The intermediate sequence commonly overlies the felsic sequence although reversals and interaction of the two rock types are fairly common.

It is an interesting fact that the known economic mineral occurrences in the Gabbs Valley area form a ring that completely surrounds the Desperado Lode. Within a twelve mile radius of the Desperado Project, are known mineral occurrences as follows: Gold-8, Silver-4, Tungsten-4, Copper-4, Lead-4, Antimony-2 and Mercury-1. Within the belt between the 12 and 18 mile radii are additionally: Gold-6, Silver-5, Tungsten-4, Lead-1, Mercury-1 and Iron-2.

Beyond the eighteen mile radius, the lighter and secondary minerals begin to show as economic occurrences. For example, these are Fluorite, Aluminous minerals, limestones, dolomites and manganiferous minerals. Gold, Silver, tungsten and copper continue to show in minor deposits. Significant uranium deposits begin to occur. The obvious conclusion to be drawn is that the geology shifts from intrusive occurring to about the 18 mile radius to sedimentary deposits beyond.

Since the major portion of the area bounded by the twelve mile radius is occupied by a large alkali flat within an alluvial plain, there are few surface outcrops. Recent drill holes have shown that the NW portions of the alluvial plain are underlain by an altered granitic structure. Two of the holes were terminated at 600 feet and three were "shallow". The holes to 600 feet showed an overburden of 60 and 80 feet, then entered mineralized granites for the remainder of the hole. The results of the"shallow" holes were not divulged, but from personal knowledge of the location, the holes were , at least to some extent, in known copper bearing bodies. Deeper drilling should provide considerable additional information on the relationship and origin of these mineralized granites and their relationship to the rhyolitic and felsic intrusives.

Additional information as to near-surface intrusives has been provided by satellite maps of thermal "Hot Spots", and the surface evidence of local hot springs. One is led to infer that the basement ranges from magma to Volcanic and is highly disturbed. Further, it is recommended that vertical vein systems be carefully examined, particularly as the lower gold and silver vein systems are developed.

There are well developed water sources in the alluvial plain, mainly due to the basic structure of the valley which has trapped ground water and thus maintained a high water table. A single well on the north side of the valley supplied all of the water required for the large mill at Rawhide, then later the large scheelite mill at Nevada Scheelite. There are no known aquifers within the twelve mile area of the Desperado Project and all shafts examined have been bone dry.

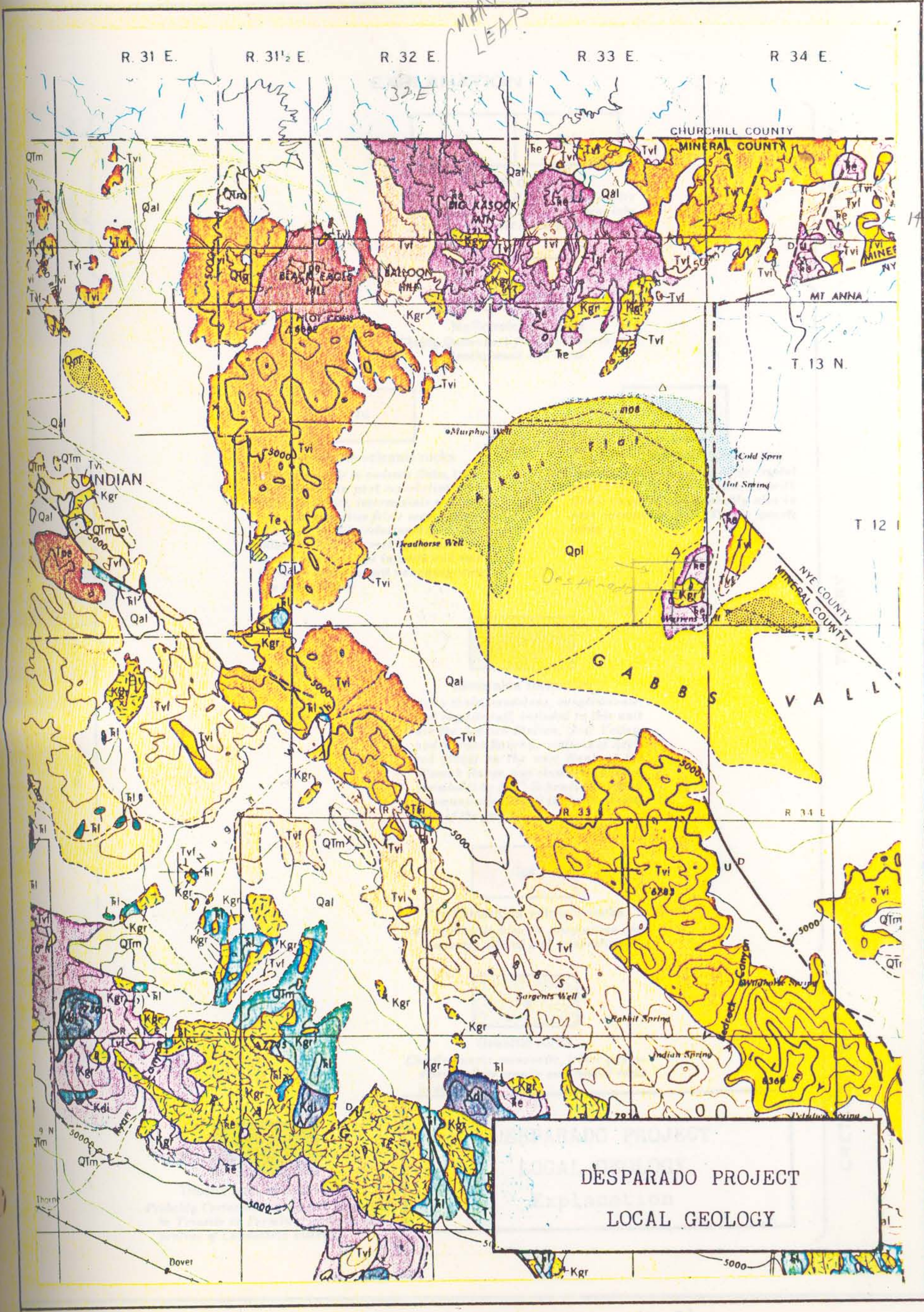

R. 31 E.
R. 31½ E.
R. 32 E.
R. 33 E.
R. 34 E.
MARY LEAP
32 E
CHURCHILL COUNTY
MINERAL COUNTY
BIG KASOCK MTN
BLACK EAGLE HILL
BALLOON HILL
MT ANNA
T. 13 N.
T. 12
Murphy Well
Cold Spring
Hot Spring
Alkali Flat
Deadhorse Well
Qpl
Desparado
Warrens Well
NYE COUNTY
MINERAL COUNTY
GABBS VALL
INDIAN
Sargents Well
Rabbit Spring
Indian Spring
Bedrock Canyon
Dover
DESPARADO PROJECT
LOCAL GEOLOGY

FIGURE 3.1 (3.4)

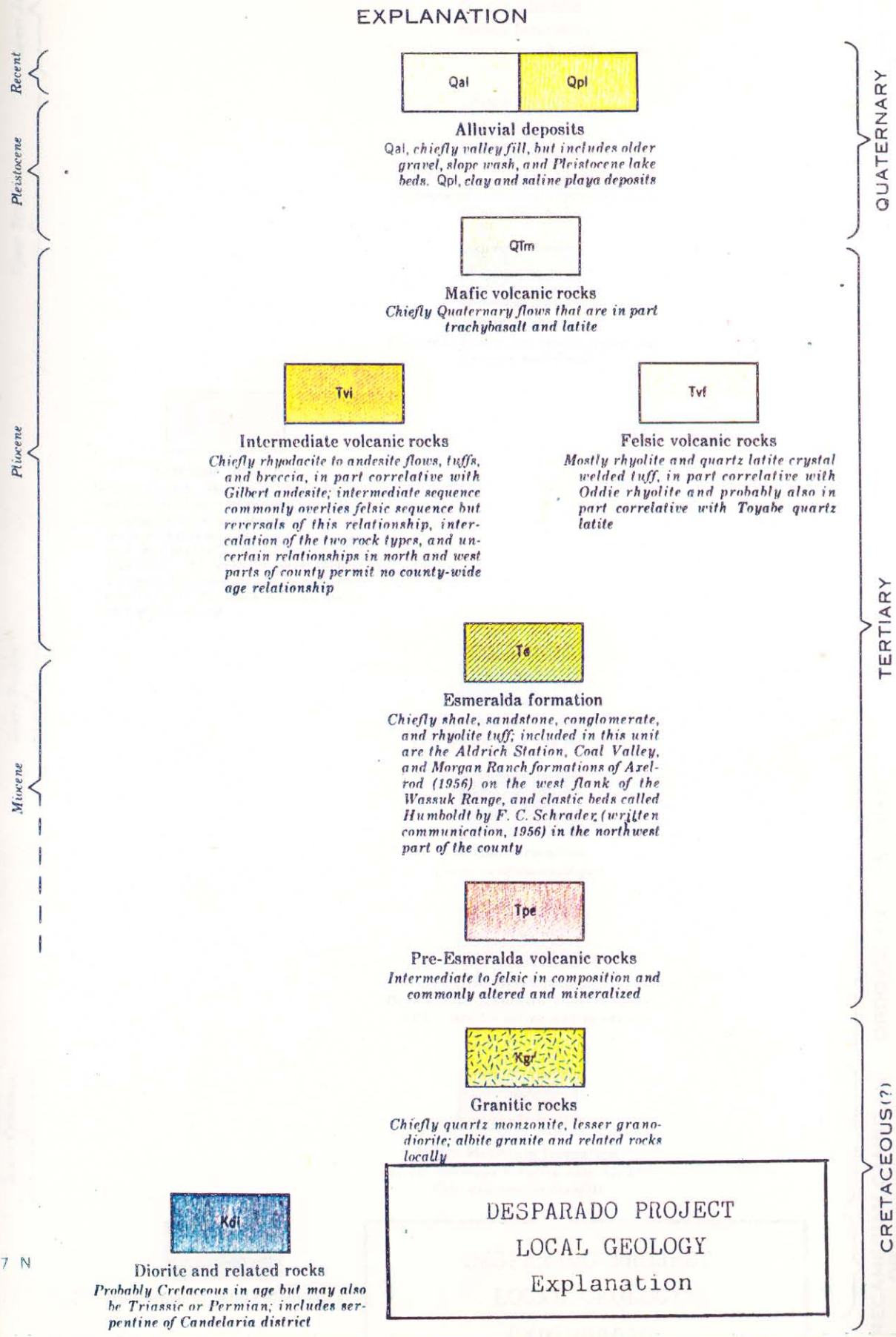

EXPLANATION
Recent
Pleistocene
Pliocene
Miocene
QUATERNARY
TERTIARY
CRETACEOUS(?)
Qal
Qpl
Alluvial deposits
Qal, chiefly valley fill, but includes older gravel, slope wash, and Pleistocene lake beds. Qpl, clay and saline playa deposits
QTm
Mafic volcanic rocks
Chiefly Quaternary flows that are in part trachybasalt and latite
Tvi
Intermediate volcanic rocks
Chiefly rhyodacite to andesite flows, tuffs, and breccia, in part correlative with Gilbert andesite; intermediate sequence commonly overlies felsic sequence but reversals of this relationship, intercalation of the two rock types, and uncertain relationships in north and west parts of county permit no county-wide age relationship
Tvf
Felsic volcanic rocks
Mostly rhyolite and quartz latite crystal welded tuff, in part correlative with Oddie rhyolite and probably also in part correlative with Toyabe quartz latite
Te
Esmeralda formation
Chiefly shale, sandstone, conglomerate, and rhyolite tuff; included in this unit are the Aldrich Station, Coal Valley, and Morgan Ranch formations of Axelrod (1956) on the west flank of the Wassuk Range, and clastic beds called Humboldt by F. C. Schrader (written communication, 1956) in the northwest part of the county
Tpe
Pre-Esmeralda volcanic rocks
Intermediate to felsic in composition and commonly altered and mineralized
Kg
Granitic rocks
Chiefly quartz monzonite, lesser granodiorite; albite granite and related rocks locally
Kdi
Diorite and related rocks
Probably Cretaceous in age but may also be Triassic or Permian; includes serpentine of Candelaria district
DESPARADO PROJECT
LOCAL GEOLOGY
Explanation
T 7 N

FIGURE 3.2 (3.5)

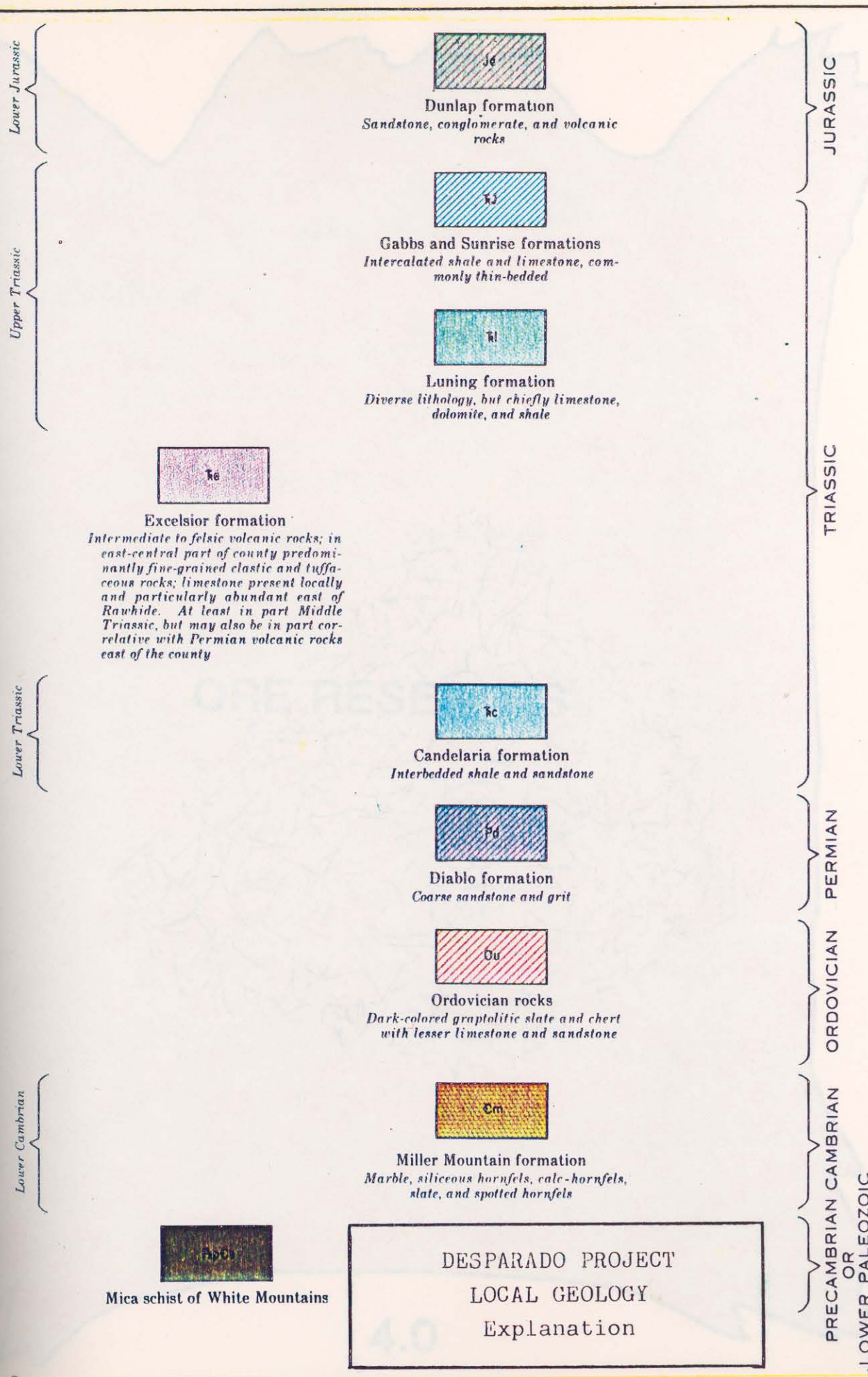
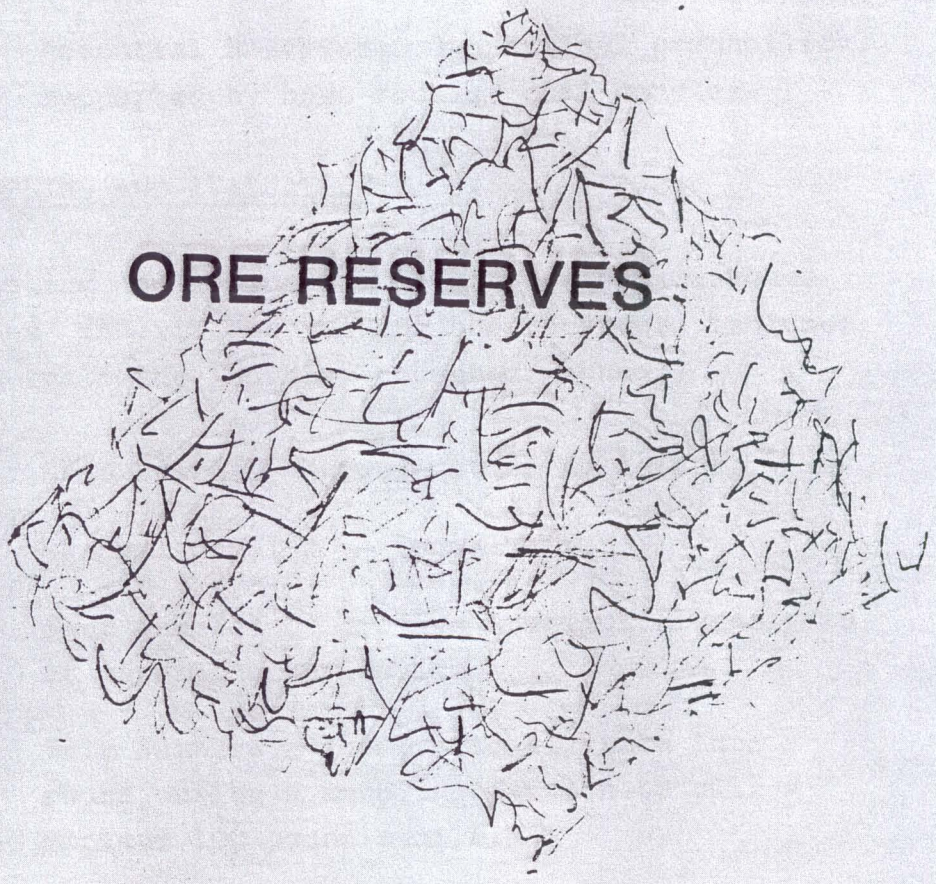

Lower Jurassic
Upper Triassic
Lower Triassic
Lower Cambrian
Jd
Dunlap formation
Sandstone, conglomerate, and volcanic rocks
TrJ
Gabbs and Sunrise formations
Intercalated shale and limestone, commonly thin-bedded
Trl
Luning formation
Diverse lithology, but chiefly limestone, dolomite, and shale
Tre
Excelsior formation
Intermediate to felsic volcanic rocks; in east-central part of county predominantly fine-grained clastic and tuffaceous rocks; limestone present locally and particularly abundant east of Rawhide. At least in part Middle Triassic, but may also be in part correlative with Permian volcanic rocks east of the county
Trc
Candelaria formation
Interbedded shale and sandstone
Pd
Diablo formation
Coarse sandstone and grit
Ou
Ordovician rocks
Dark-colored graptolitic slate and chert with lesser limestone and sandstone
Cm
Miller Mountain formation
Marble, siliceous hornfels, calc-hornfels, slate, and spotted hornfels
pCms
Mica schist of White Mountains
DESPARADO PROJECT
LOCAL GEOLOGY
Explanation
JURASSIC
TRIASSIC
PERMIAN
ORDOVICIAN
PRECAMBRIAN CAMBRIAN OR LOWER PALEOZOIC

FIGURE 3.3

ORE RESERVES



4.0

ORE RESERVES

DEFINITIONS

1. Proven Reserves: Ore that has been identified and evaluated, by assay, on two or more sides.

2. Probable Reserves: Evaluated ore, in site, with a geologically inferred extension.

3. Potential Reserves: Geophysical probability, supported by host rock or soil samples.

SAMPLING AND EVALUATION

Sampling and evaluation methods used by Rawhide Mines INC.,in determining the reserves, included the following industry accepted methods.

1. Chip Samples-- cross-cut or full face.

2. Channel Samples -- Cross-vein.

3. Spot samples to provide statistical analysis of mineral distribution.

4. Bulk Samples -- twelve to eighteen inch round, using a sampling pattern to pull a minimum 100 pound sample.

5. Independent assays confirmed by certificates on file.

ORE RESERVES

	ORE Tons	GOLD Ounces	SILVER Ounces	LEAD Pounds
PROVEN RESERVES				
1. Rita Vein	1,340			
2. Gopher Vein	75,090			
3. Ringling Vein	6,564			
TOTAL TONS	82,994	.7/ton*	2.2/ton*	40/ton*
Total Yield @ 100%		58,095	182,587	3,318,760
Mining Loss @ 30%		17,428	54,776	99,563
Net Recovery @ 70%		40,667	127,811	3,219,197
Value per Unit		$500.00	$12.00	$0.40
TOTAL VALUE		$20,333,500.00	$1,533,732.00	$1,287,679.00
PROBABLE RESERVES				
1. Desparado	300,000			
2. Lithia	32,000			
TOTAL TONS	332,000	.7/ton*	2.2/ton*	40/ton*
Total Yield @ 100%		232,400	730,400	13,280,000
Mining Loss @ 30%		69,720	210,120	3,981,000
Net Recovery @ 70%		162,680	511,280	9,299,000
Value per Unit		$500.00	$12.00	$0.40
TOTAL VALUE		$81,340,000.00	$6,135,300.00	$3,719,600.00
POTENTIAL RESERVES				
Excluded from ore Reserve computations	0	0	0	0
TOTAL RESERVES				
PROVEN	82,994	$20,333,500.00	$1,533,720.00	$1,287,679.00
PROBABLE	320,000	$81,340,000.00	$6,135,300.00	$3,719,600.00
POTENTIAL	0	0	0	0
TOTALS	414,994	$101,673,500.00	$7,669,032.00	$5,007,279.00
				$7,669,032.00
				$101,673,500.00
GRAND TOTAL				$114,349,811.00

* Recoverable Values
Gold 87% of mill heads = .7 ounces per ton
Silver 55% of mill heads = 2.2 ounces per ton
Lead 80% of mill heads = 40 pounds per ton

VALUE OF ORE RESERVES

The estimated value of the ore reserves in the DESPARADO PROJECT, exclusive of the Mary Lead, is: $114,000,000.00

NOTES

I. In addition to the foregoing; there are 9,098 tons of proven reserves on the Mary Lead Claims, which, are estimated to, contain 272 ounces of gold and 54,540 ounces of silver. Also; there are 40,000 tons of probable reserves on the Mary Lead Claims. Since these reserves are primarily silver reserves, they have not been included in the calculations of ore reserves.

II. Pages 4.4 - 4.17, inclusive, provide the supportive data for the ORE RESERVES calculations.

III. Phase I Exploration and Development program will increase the ore reserves by many times.

Lithia Mill Site

N 59 W, 2772'

L5

L4

LITHIA SECONDARY ORES

L3

RINGLING VEIN

D19

L2

N 45° W

N 44° E

N 30.5° W, 72'

N1

S 72° W, 659'

A

N 84° E 2116'

S 54° E, 200'

D9

MARY VEIN

N2

D20

N 45° W

N 45° E

L1

GOPHER HOLE

GOPHER VEIN

D1

D2

D3

D4

D12

RITA VEIN

D13

D5

D6

D7

D14

D15

D16

D10

D11

D17

D18

NEW WORLD

N 44° E

N 46° W

N 41° E

N 49° E

26 25

35 36

A

N

45°

ORE RESERVES

PROVEN

PROBABLE

POTENTIAL

RAWHIDE MINES INC
P.O. Box 1888
Hawthorne, Nevada
89415

DESPARADO PROJECT

CLAIM MAP

Desparado Claims -- D1 to D20
Nargatuck Claims -- N1 & N2
Lithia Claims ----- L1 to L5

Township 12N, Range 33E,
Mineral County, Nevada

300' 0 300' 600'

12-80

4.4

FIGURE 4.1

SAMPLES, GENERAL

LOCATION and No.	GOLD oz./ton	SILVER oz./ton	LEAD %
Desparado No. 1			
Desp-1	.20	1.3	1.9
Desp-2	.66	1.94	
D-1-1	.1	.4	.15
D-1-2	.26	1.76	
D-1-3	1.58	20.60	25.6
79-62	1.066	2.64	
79-303	1.994	4.29	4.35
80-210	.2357	.25	
80-05	.1241	.64	
Desparado No. 2			
Desp-3	.58	20.36	
80-16	.865	.65	
80-35	1.370	.58	
Desparado No. 4			
D-4-2	.2	.2	.2
D-4-3	.58	.45	.2
80-02	2.818	1.5	
80-03	.9006	2.17	
80-24	.9483	1.34	
80-26	.6506	1.07	
80-27	1.292	2.14	
80-28	.3406	9.25	
80-222	.0028	.07	

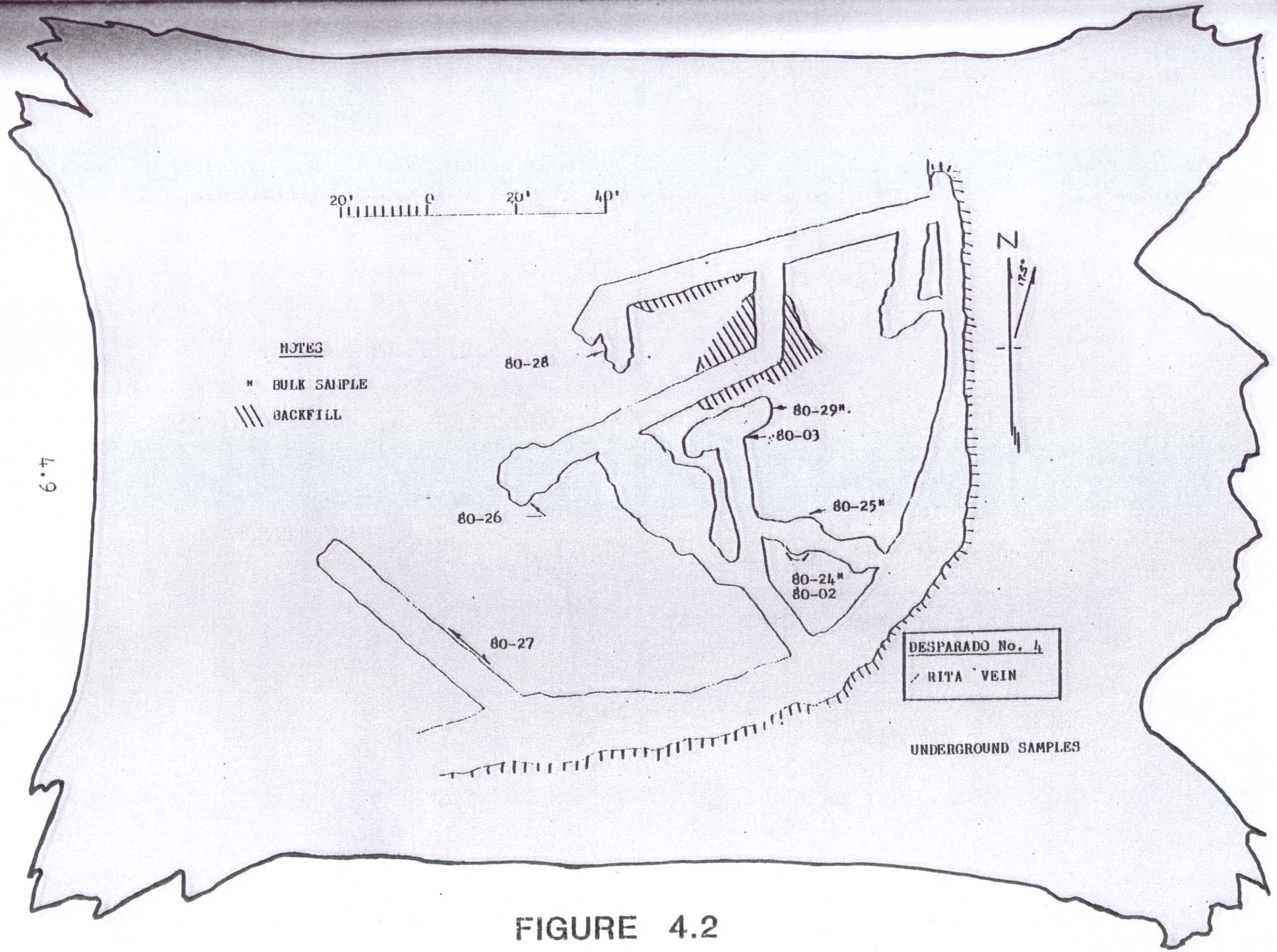
LOCATION and No.	GOLD oz./ton	SILVER oz./ton	LEAD %
Desparado No. 9			
80-214	Tr.	0	
80-217	Tr.	0	
80-218	.0024	.01	
Desparado No. 10			
D-10-3	.07	Tr.	
Desparado No. 12			
D-12-1	1.03	1.9	2.45
80-01	.5251	2.58	
80-17	.5696	1.07	
79-122	.1030	.47	.267
Desparado No. 14			
D-14-1	.01	.1	Tr.
Desparado No. 17			
D-16-1	.13	.8	.25
79-118	.0368	1.84	
79-119	.1972	2.21	.005
79-120	.0086	.26	.007
79-121	Tr.	.13	
D-17-2	.035	.5	.1

LOCATION and No.	GOLD oz./ton	SILVER oz./ton	LEAD %
Lithia			
80-14	.3036	.77	
80-15	1.468	3.48	
80-23	1.031	1.66	
80-208	.0096	.15	
80-109	1.072	2.3	
79-112	.637	1.08	4.52
79-113	.8508	2.97	3.55
79-114	.8428	1.44	2.52
79-115	.2658	.93	2.55
79-116	.2608	.56	.435
79-117	.8744	2.23	.432
Mary Lead			
80-06	.0209	4.18	
80-08	.0357	8.41	
80-09	.0445	6.33	
80-10	.0244	4.48	
80-12	.0293	4.66	
Naugatuck			
79-110	Tr..	.02	
80-13	.013	.08	

SAMPLES,

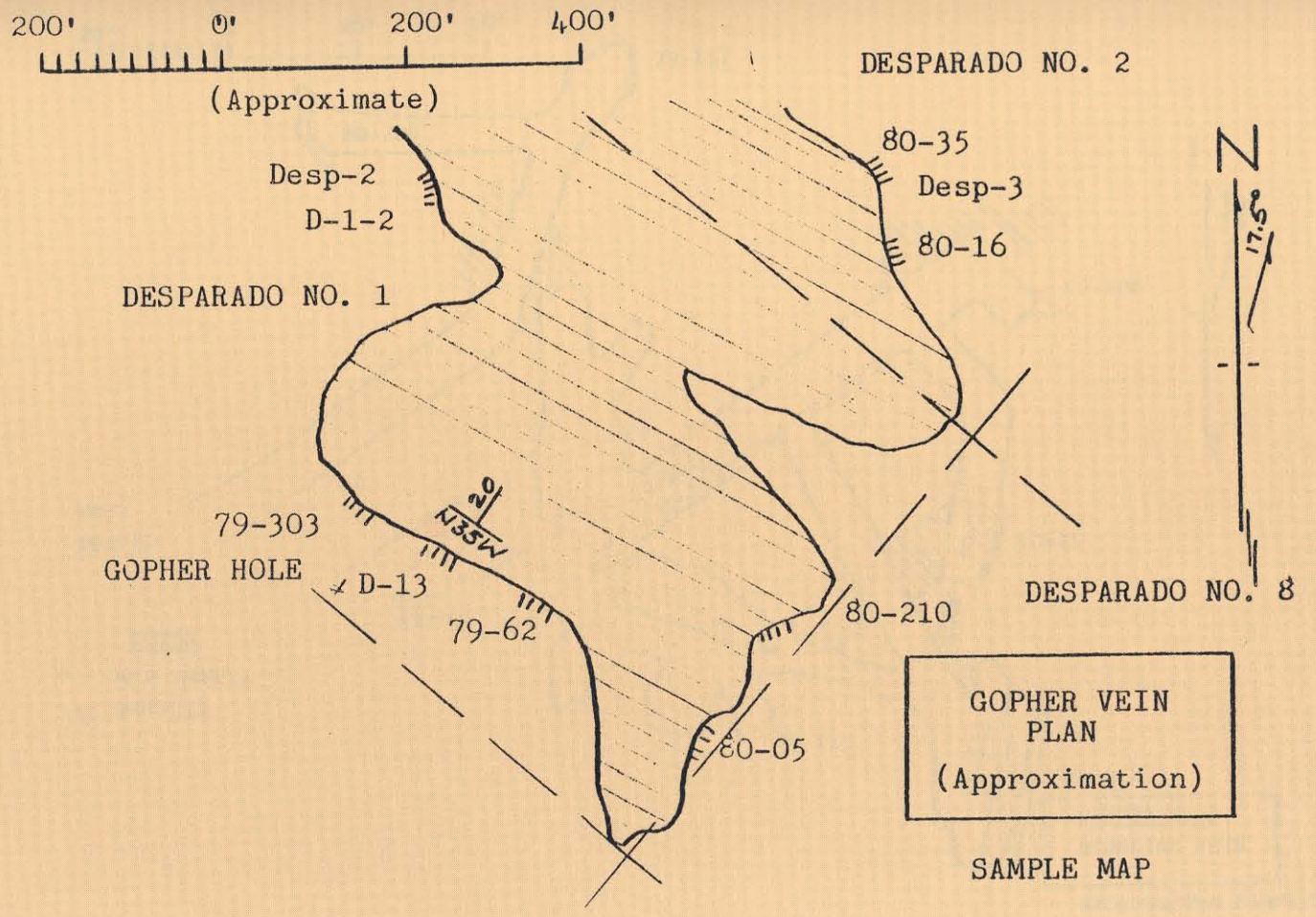
TYPICAL OF FIRST MINING AREAS

LOCATION and No.	GOLD oz./ton	SILVER oz./ton	LEAD %
Desparado No. 4			
D-4-3	.58	.45	.2
80-02	2.818	1.50	
80-03	.9006	2.17	
80-24	.9483	1.34	
80-26	.6506	1.07	
80-27	1.292	2.14	
80-28	.3461	9.25	
Desparado No.2			
Desp-3	.58	20.63	
80-16	.865	.65	
Desparado No. 12			
D-12-1	1.03	1.9	2.45
80-01	.5251	2.58	
80-17	.5696	1.07	
Lithia			
80-23	1.031	1.66	
80-209	1.072	2.3	
79-112	.637	1.08	4.52
79-113	.8508	2.97	3.55
79-114	.8228	1.44	2.52
79-117	.8744	2.23	.432


20'
0
20'
40'
N
NOTES
* BULK SAMPLE
BACKFILL
80-28
80-29*
80-03
80-25*
80-26
80-24*
80-02
80-27
DESPARADO No. 4
RITA VEIN
UNDERGROUND SAMPLES

6.7

FIGURE 4.2



SAMPLE MAP

FIGURE 4.3

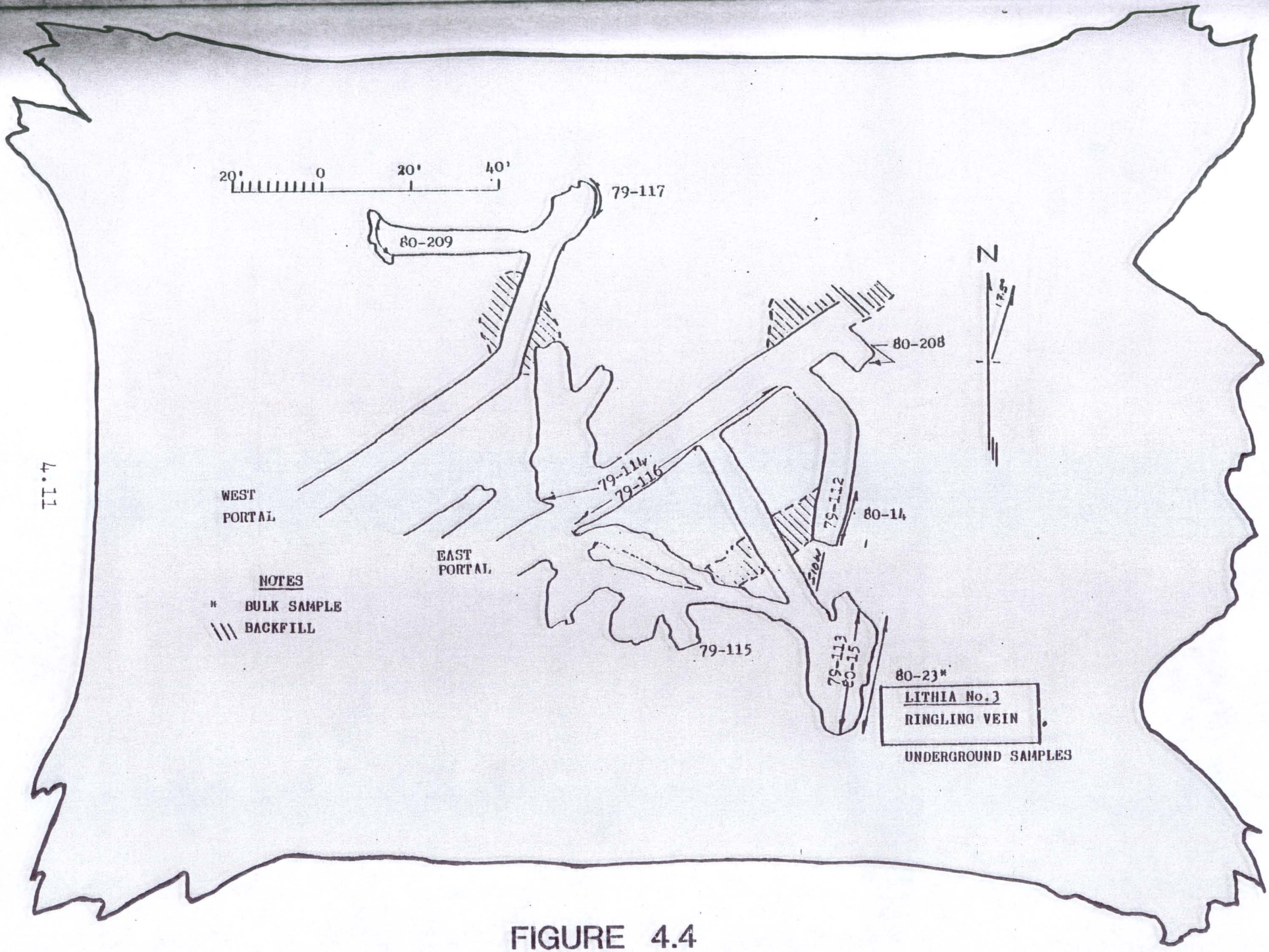

20'
0
20'
40'
79-117
80-209
80-208
N
WEST
PORTAL
79-114
79-116
79-112
80-14
EAST
PORTAL
NOTES
* BULK SAMPLE
BACKFILL
79-115
79-113
80-15
80-23*
LITHIA No.3
RINGLING VEIN
UNDERGROUND SAMPLES

FIGURE 4.4

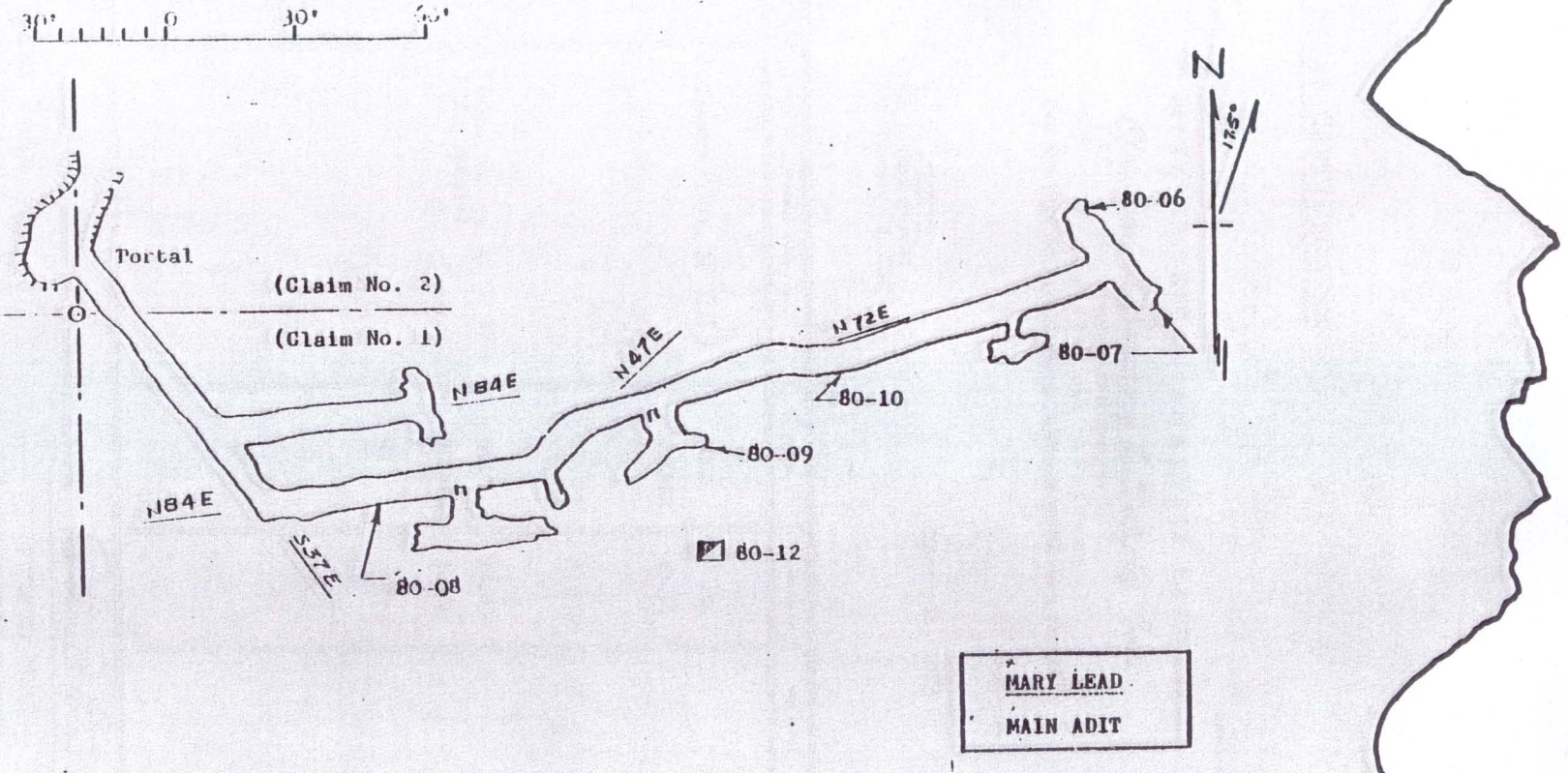

30'
0
30'
60'
N
17.5°
Portal
(Claim No. 2)
(Claim No. 1)
N84E
N47E
N72E
N84E
S37E
80-06
80-07
80-10
80-09
80-08
80-12
MARY LEAD
MAIN ADIT
UNDERGROUND SAMPLES

FIGURE 4.5

TYPICAL ASSAY CERTIFICATES

TELEPHONE 233-3086 — ESTABLISHED 1928

METALLURGICAL ANALYSIS REPORT

Clarkson Laboratory & Supply, Inc.

SPECTROGRAPHIC ANALYSIS
CHEMISTS and ASSAYERS
1144 30th (30th and B) St., San Diego, California 92102, Phone 233-3086

REQUESTED BY:

R. H. WHIDDEN
1202 Opal Street
San Diego, CA 92109

March 21, 1975

LAB. NO.	OWNERS MARK	METAL	OUNCES PER TON	PER CENT	$ VALUE PER TON
E-3390	Desparado No. 3 (2)	GOLD	.58		$ 103.85
		SILVER	20.36		92.23
	Desparado No. 4 (1) (7.1g sample) CON.	GOLD	28.85		$5165.99
		SILVER	32.51		147.27

BY Peter B. Stead
PETER B. STEAD

PLIES ONLY TO THE SUBJECT INVESTIGATED.
PROVAL FROM CLARKSON LABORATORY & SUPPLY, INC.

(1) Rita Vein
(2) Gopher Vein
(3) Ringling Vein
(4) Naugatuck
(5) Mary Lead
(6) Other

OUR MOTTO. — WHAT THERE IS IN IT, NO MORE NO LESS.

EDMUND E. PHILLIPS, Vice-Pres.—Gen. Mgr. M. E. PHILLIPS, Secretary

THE COLORADO ASSAYING COMPANY
(INCORPORATED)

ASSAYERS AND CHEMISTS

303—623-2842 2244 BROADWAY

DENVER, COLORADO 80201 July 14, 1975

REPORT ON DETERMINATIONS MADE FOR —

Mr. R. H. Whidden
Whidden Engineering
1202 Opal St.,
San Diego, California 92109

SAMPLE MARKS	METALS	Ounces per Ton Ozs.	Mils.	PER CENT	Value per Ton Dollars	Cents
D-1-3 (2)	Gold	1	58		$316	00
	Silver	20	60		103	00
	Lead			25.6%	76	80
D-14-1 (6)	Gold	0	01		2	00
	Silver	0	10			50
	Lead			trace		
D-17-2 (6)	Gold	0	035		7	00
	Silver	0	50		2	50
	Lead			0.1%		30

GOLD AT $200. PER OUNCE SILVER AT $5. PER OUNCE
LEAD AT $3. PER UNIT COPPER AT _____ PER UNIT

THE COLORADO ASSAYING COMPANY
By Ed Phillips

Mineral Assay Office, Inc.

ASSAYERS & CHEMISTS

E. S. GATES, PRES.
P. O. BOX 275 MINA, NEVADA 89422
PHONE: 702-573-2236

ASSAY CERTIFICATE

Whidden Engineering
1202 Opal St.
San Diego, CA 92109

March 18, 1980

WE HEREBY SUBMIT THE RESULTS OF ASSAYS MADE ON THE FOLLOWING SAMPLES:

OFFICE No.	SAMPLE MARK	GOLD TROY OZ. PER TON OF ORE	SILVER	Gold & Silver Value per ton
#5591				
	#80-02 (1)	2.818	1.50	$1,404.70
	80-03 (1)	0.9006	2.17	479.02
	80-06 (5)	0.0209	4.18	84.62
	80-08 (5)	0.0357	8.41	167.16
	80-10 (5)	0.0244	4.84	98.08
	80-12 (5)	0.0293	4.66	97.28
	80-13 (4)	0.0130	0.08	7.78
	80-14 (3)	0.3036	0.77	162.17
	80-15 (3)	1.468	3.48	779.79
	80-16 (2)	0.8650	0.65	434.56
	80-17 (6)	0.5796	1.07	302.47

By _____
Assayer

Gold @ $489.00/oz.
Silver @ 17.80/oz.
3-18-80

Mineral Assay Office, Inc.

ASSAY CERTIFICATE

ASSAYERS & CHEMISTS

E. S. GATES, PRES.
P. O. BOX 275 MINA, NEVADA 89422
PHONE: 702-573-2236

Mr. Dick Whidden
1202 Opal St.
San Diego, CA

July 10, 1980

WE HEREBY SUBMIT THE RESULTS OF ASSAYS MADE ON THE FOLLOWING SAMPLES:

OFFICE No.	SAMPLE MARK	GOLD TROY OZ. PER TON	SILVER OF ORE
#5759			
	80-23 (1)	1.031	1.66
	80-24 "	0.9438	1.34
	80-26 "	0.6506	1.07
	80-27 "	1.292	2.14
	80-28 "	0.3461	9.25

By E. S. Gates
Assayer

OUR MOTTO: — WHAT THERE IS IN IT, NO MORE NO LESS.

EDMUND E. PHILLIPS, Vice-Pres.—Gen. Mgr. M. E. PHILLIPS, Secretary

THE COLORADO ASSAYING COMPANY
(INCORPORATED)

ASSAYERS AND CHEMISTS

303—623-2842 2244 BROADWAY
DENVER, COLORADO 80201 September 6, 1975

REPORT ON DETERMINATIONS MADE FOR —

Mr. R. H. Whidden
1202 Opal St.,
San Diego, Calif 92109

SAMPLE MARKS	METALS	Ounces per Ton	PER CENT	Value per Ton Dollars	Cents
GOPHER HOLE	Gold	0.67		$134.	00
	Silver	1.50		7.	50
	Lead		1.10%	3.	30

GOLD AT 200. PER OUNCE SILVER AT 5. PER OUNCE
LEAD AT .3. PER UNIT COPPER AT _____ PER UNIT

THE COLORADO ASSAYING COMPANY
By Ed Phillips

Mineral Assay Office, Inc.

ASSAY CERTIFICATE

ASSAYERS & CHEMISTS

E. S. GATES, JR., PRES.
P. O. BOX 275 MINA, NEVADA 89422
PHONE: 702-573-2236

Mr. Dick Whidden
Box 1888
Hawthorne, NV 89415

Oct. 15 ,19 79

WE HEREBY SUBMIT THE RESULTS OF ASSAYS MADE ON THE FOLLOWING SAMPLES:

OFFICE No.	SAMPLE MARK	GOLD OZ. PER TON	SILVER OZ. PER TON	Lead Pb%	Gold & Silver Value per ton
#5290					
	79-110 (6)	Trace	0.02		$ .30
	79-111 "	0.0010	0.06		1.29
	79-112 (3)	0.6370	1.08	4.52	263.36
	79-113 "	0.8508	2.97	3.55	374.66
	79-114 "	0.8428	1.44	2.52	348.60
	79-115 "	0.2658	0.93	2.55	117.08
	79-116 "	0.2608	0.56	0.435	109.59
	79-117 "	0.8744	2.23	0.432	372.72

By E. S. Gates Jr.
Assayer

Gold @ $388.00/oz.
Silver @ 15.00/oz.

HAWTHORNE ANALYTICAL LABORATORIES

601 EAST FIFTH STREET, SUITE 6
HAWTHORNE, NEVADA 89415 • (702) 945-3110

FIRE ASSAY

Whidden Eng. November 11 1980

LAB NO.	DESCRIPTION	Au Oz./Ton	Ag Oz./Ton
133 P	80-35 (2)	1.370	.58

CHARGES 10.50 Paid in Full

ASSAYED BY Gordon Nixon

RENO OFFICE

ROCKY MOUNTAIN GEOCHEMICAL CORP.

840 GREG STREET · SPARKS, NEVADA 89431 · PHONE: (702) 359-6311

Certificate of Analysis

Page 1 of 1

RMGC Numbers:

Local Job No.: 79-11-45R

Foreign Job No.:

Invoice No.: R16260

Date: July 12, 1979

Client: Continental Minerals
1700 East Desert Inn Road
Las Vegas, Nevada 89109

Client Order No.: none

Report On:

Submitted by: Dick Whidden

Date Received: July 9, 1979

Analysis: Gold, Silver

Analytical Methods: Analysis is determined by fire assay.

Remarks: Mercury results will follow shortly.

cc: Enclosed
RMGC - SLC
File

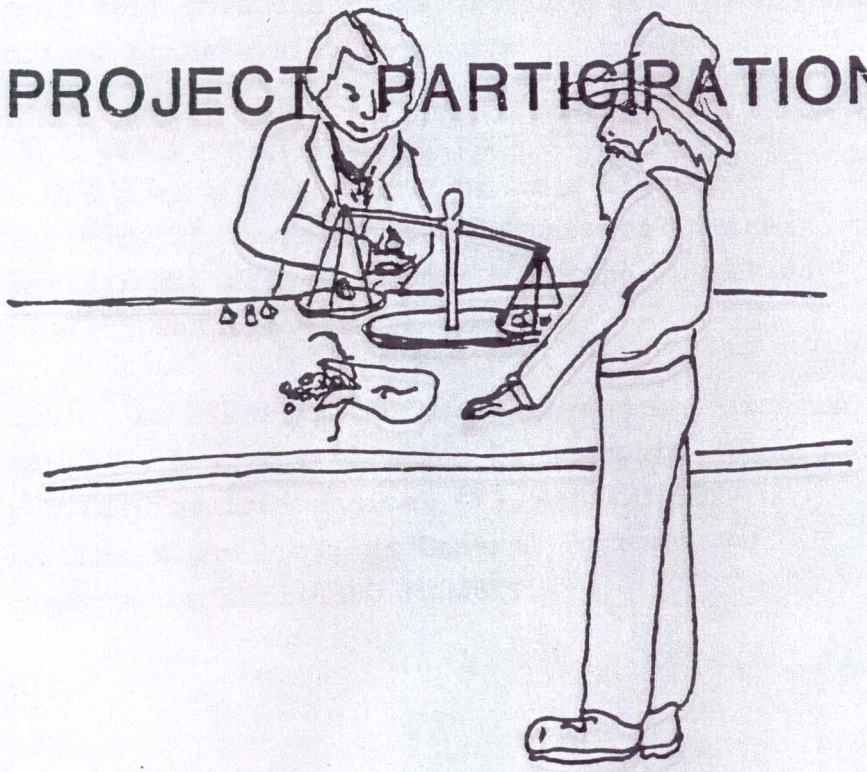
JRL/bw----------

Sample No.	Oz/T Gold	Oz/T Silver
79-62 (2)	1.066	2.64

BY James R. Lee

James R. Lee
Rocky Mountain Geochemical Corporation
Sparks, Nevada
July 12, 1979

PROJECT PARTICIPATION



5.0

PROJECT PARTICIPATION

CO-VENTURER OFFERING

I. Rawhide Mines Inc. offers an opportunity for a Co-venturer to join in its DESPARADO PROJECT. The PROJECT is to reopen existing gold and silver mines and to develop new mines on property owned or leased by Rawhide Mines Inc. The PROJECT will mill and refine gold and silver and related products produced from mining and will sell gold and silver bullion for the highest market price available.

II The Co-venturer may participate in the PROJECT as a co-venturer or as a Limited Partner. If as a Limited Partner, a limited partnership will be formed with the suggested name of Desparado Mines Limited.

III. An ideal and workable investment program would be that the Limited Partnership would provide required capital ($3,500,000.00) to Rawhide Mines Inc., as General Partner, to finance the DESPARADO PROJECT.

LIMITED PARTNERSHIP, CAPITAL PROFIT RETURN

I. The net profit and losses, from the DESPARADO PROJECT will be dispersed as follows:

A. 70% to the Limited Partner
   30% to the General Partner
   } Until the Limited Partner has received an amount equal to its' capital investment.

B. 40% to the Limited Partner
   60% to the General Partner
   } After the Limited Partner has received an amount equal to its' capital investment.

LIMITED PARTNERSHIP PARTICIPATION

I. The General Partner will present, in legally proper and itemized form, the following documentation:

A. Evidence of property aquisition and ownership.
B. PROJECT mining programs.
C. PROJECT mining budgets.
D. PROJECT milling flow sheets.
E. PROJECT milling budgets.
F. Plan for safekeeping of gold and silver.
G. PROJECT accounting.
H. Required PROJECT licenses, bonds and permits.
I. PROJECT progress reports.

II. The Limited Partner will provide its' participating investors, in legally proper and itemized form, the following documentation:

A. Offering Memo.
B. Pre-Offering Questionaire.
C. Escrow Instructions.
D. I.R.S. Clearance/Approval.
E. S.E.C. Clearance/Approval.
F. Profit/Loss/Accounting/Dispersal.
G. Progress Reports.

NOTES

I. Budget
Investment Returns
Ore Reserves
Ore Values
} Pro forma

II. It is anticipated that the OFFERING will be made by parties other than Rawhide Mines Inc.

III. All contractural documentation between Rawhide Mines Inc. and a Co-venturer will be available for inspection.

IV. Accounting will be audited by a reputable C.P.A. firm.

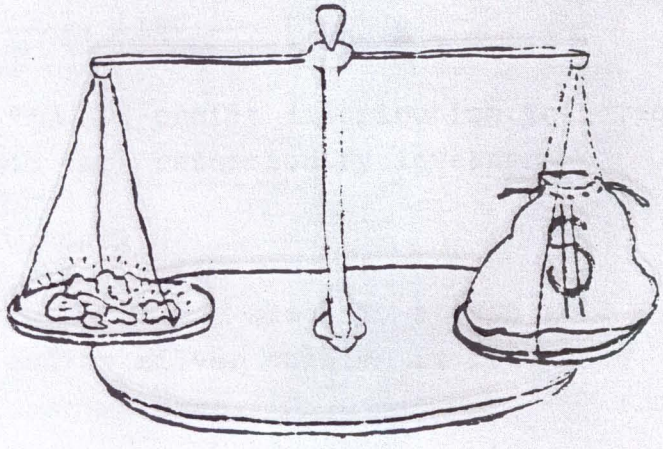
V. Rawhide Mines Inc. and the Co-venturer will be represented by reputable attorneys.

VI. Records and operations of the PROJECT will be open for examination, at reasonable hours, by the Co-venturer, or its' duly authorized representative .

RETURN

ON

INVESTMENT



6.0

RETURN ON INVESTMENT

(EXAMPLE)

70:30 Investment Return
40:60 Continuing Profit Sharing

I. 70% of depreciable and tax expendable amounts of PROJECT (i.e. applicable portions of $3,500,000.00). Page 11.1, Lines 5 and 19.

II. 70% of net profit of PROJECT, until total capital return (i.e. $3,500,000.00). Page 11.1, Line 13.

III. Applicable depletion allowance (i.e 15% of gold and silver bullion sales). Page 11.1, Line 20.

IV. 40% of continuing profit sharing of PROJECT. Page 11.1, Line 14.

V. PROJECT profit distribution tailored to maximum cash retention by investor.

Option:

Investor may elect to accept gold and/or silver bullion in lieu of cash return.

CAPITAL DEMAND AND RETURN

INVESTMENT RETURN-DEPRECIATION/DEPLETION ALLOWANCE-

	See Page 11.1 LINE	INVESTMENT RETURN 3 + YEARS
INVESTMENT RETURN @ 70%	12	
	13	$3,500,000.00
INVESTOR DEPRECIATION ALLOWANCE	19	$2,450,000.00
INVESTOR DEPLETION ALLOWANCE	20	$ 525,000.00

CAPITAL DEMAND AND RETURN

INVESTMENT PROFIT RETURN-DEPLETION ALLOWANCE-

See Page 11.1	LINE	INVESTMENT RETURN 5 YEAR TOTAL
	12	
	13	
INVESTMENT RETURN	14	
	15	$5,512,000.00
INVESTOR DEPRECIATION ALLOWANCE	19	$2,450,000.00
INVESTOR DEPLETION ALLOWANCE	20	$ 826,000.00

FACTORS AFFECTING PROFIT

I. Phase II Mill:

All calculations have been made on the basis of the Phase II Mill, at a capacity of 50 tons per day. The Desparado Properties are capable of supporting this much tonnage immediately, however; we are confident that an increased tonnage capability will be forthcoming in the first three months development program. A Phase II mill of 100 tons per day will increase the net revenue by approximately two and one half times that shown on page 11.4.

II. Inflation:

An overall inflation in production costs of 25% would be offset by a 10% increase in the market price of gold. Consequently; any increase in the price of gold,over the $500.00 figure, will substantially increase profits.

III. Mary Lead:

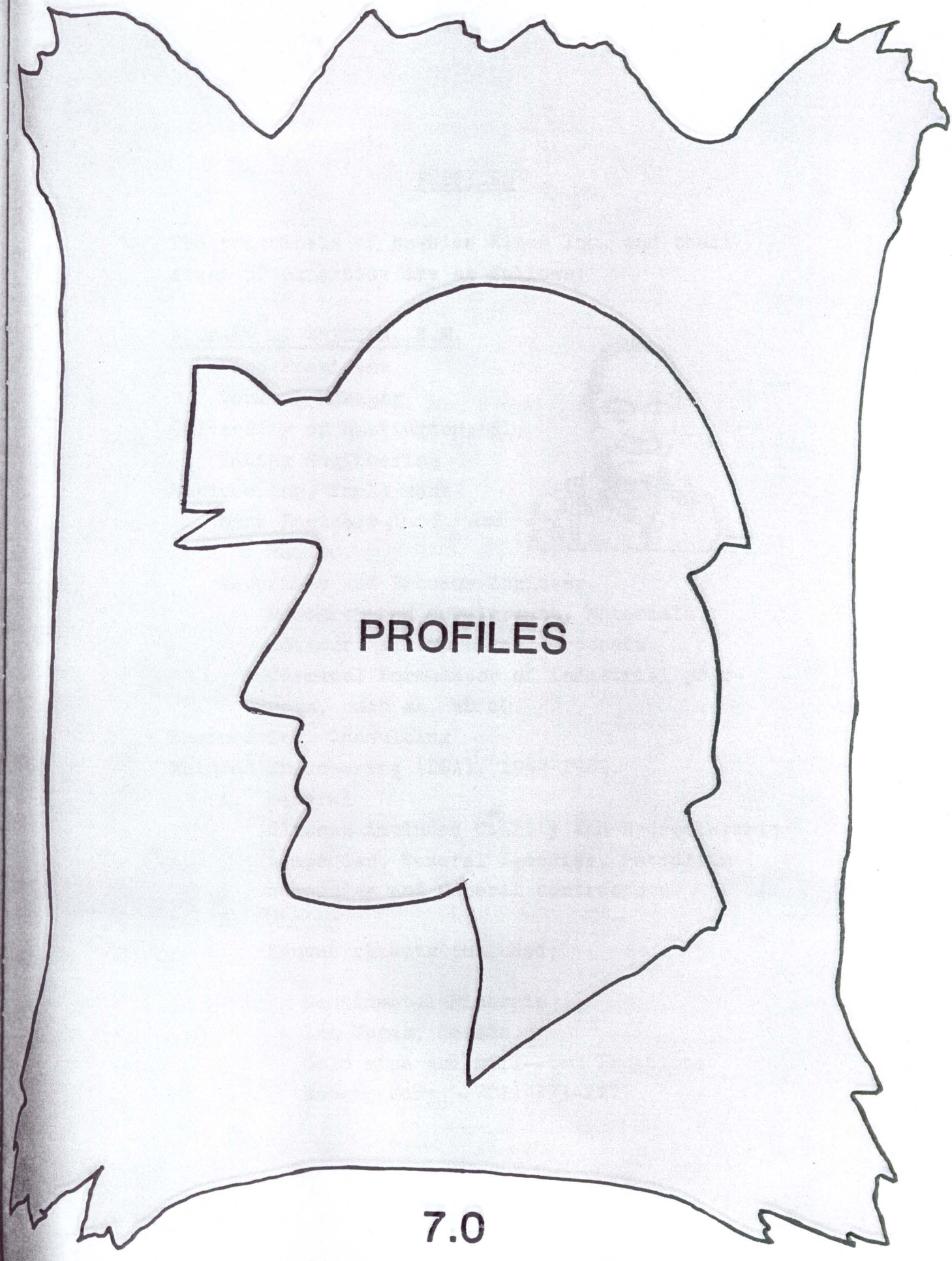
The Mary Lead property has not been included in our profit forecasts. This property has a substantial ore potential and it is expected that it will contribute to increased profits for the DESPARADO PROJECT.

IV. Lead:

Lead production, because of the relatively small daily quantity and insufficient assays, has not been included in sales calculations. A potential of 2¼ million pounds, in the five year forecast, at $.36 per pound will increase profits by $720,000.00.

V. Integrity:

In all forecasts and projections we have maintained a conservative view and have given consideration to all known negative factors. We are confident that budgets and schedules are realistic and that profit projections are conservative.



7.0

PROFILES

The principals of Rawhide Mines Inc. and their areas of expertise are as follows:

RICHARD H. WHIDDEN, E.M.

Vice President
General Manager
University of Washington,'51
Mining Engineering
Engineering, Employment
Mine Engineer, U. S. and Mexico.
Materials and Process Engineer,
Research and development, Materials advisor, Aircraft and Aerospace.
Chemical formulator of industrial products, such as, WD 40.
Engineering, Consulting
Whidden Engineering (DBA), 1952-1981.

A. General
Clients included Utility and Hydroelectric companies, Federal Agencies, Petroleum companies and General contractors.

B. Mining
Recent clients included;

Continental Minerals
Las Vegas, Nevada
Gold mine and mill--two locations.
Robert Eddy, (702) 573-2277

B. Mining, (cont)

Janoil Corporation
Los Angeles, California
Mine and mill--mercury and gold.
Joseph A. Novelli, (213) 442-5169

Marcus Corporation
Hawthorne, Nevada
Mine and mill--five locations
Nelda J. Milan (702) 945-2262

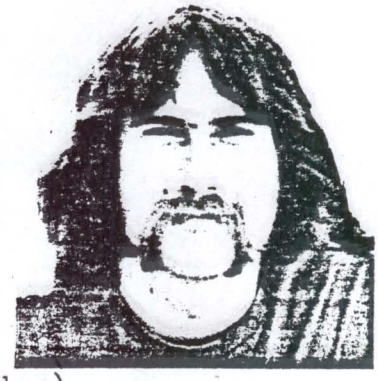
Min Mex S.A.
Mexico
Tungsten mine and mill
Haydon E. LaNois, (714) 581-6157

HAYDON E. LA NOIS

President
Contracts Manager
San Diego State U. '51
Engineering
Engineering, Employment
Cryogenics
Program manager, LNG Design and Installation,
U. S. and International.
Pneumatics/Hydraulics
Facilities Manager, Electric Boat Division,
General Dynamics, San Diego, Ca.

Engineering, Consulting
La Nois Mining and Development (DBA), 1951-1981.
Geology/Mineralogy Consultant
Mineralogy Supplier
Tungsten Mining and Milling,Los Gavillanes,
Baja Cfa., Mexico
Geothermal Proposals, DOE

MEDRICK K. NIELSEN



Operations Manager
U. C. Pomona, '72
Electronics

Construction
Construction Foreman
Equipment Operator
Outside Machinist
(Proficient in all trades)

Mining
Foreman, Exploration Crew (1979)
Foreman, Gold Placer Mine (1979)
Mill Construction and Operation
Miner
Prospector

PAUL M. D. WHIDDEN

Exploration and Development
Manager
Construction, Concrete
Contractor, Concrete
Equipment Operator
Mechanic
(Proficient in all trades)
Mining
Superintendent, Exploration Crew (1979)
Superintendent, Gold Placer Mine (1979)
Mill Construction

NELDA J. MILAN

Executive Assistant
Historian

Mrs. Milan and her late husband moved to Rawhide, Nevada in the late 1930's. Until Mr. Milans' death, they were actively engaged in all phases of mining and milling. Mrs Milan has a thorough understanding of mining and an extensive knowledge of the area.

CONSULTANTS

JOSEPH A. NOVELLI, B.A.
- Accounting
- Business Procedures
- Corporate Planning

JOHN KERR, P. E.
- Geologist
- Exploration and Development

FRANK EWING, P. E.
- Thermodynamics
- Data Processing
- Programming

DON CLARK, P. E.
- Electric and Pneumatic Control Systems

ORGANIZATION

8.0

RAWHIDE MINES INC.
A Nevada Corp.

CORPORATE STRUCTURE

STOCKHOLDERS — OWNERS

BOARD OF DIRECTORS — POLICY

Richard Whidden Haydon La Nois Rick Nielsen Paul Whidden Joe Walker Joseph Novelli

OFFICERS — EXECUTION

V.P./Treasurer	President	Secretary
Richard Whidden	Haydon La Nois	Nelda Milan

MANAGEMENT — DIRECTION

General Manager
Richard Whidden

PRODUCTION — SUPERVISION

OPERATIONS	EXECUTIVE ASS'T	CONTRACTS	DEVELOPMENT
Rick Nielsen	Nelda Milan	Haydon La Nois	Paul Whidden
Mining	Fiscal Policy	Sales	Exploration
Milling	Accounting	Geology	Construction
Maintenance	Professional Services	Property Perpetuity	Support

RAWHIDE MINES INC.

OPERATIONS

MANAGER

Rick Nielsen

SITE PREPARATION

- Mine
  - Roads
  - Portals
  - Utilities
- Mill
  - Roads
  - Pads
  - Utilities
- Office Area
- Housing
  - Roads
  - Pads
  - Utilities

PRODUCTION

- Mining
  - Labor
  - Equipment
  - Supplies
  - Stockpile
- Mill Feed Regulation
- Milling
  - Labor
  - Equipment
  - Supplies
- Water Recovery
- Waste Disposal
- Laboratory Liaison

SUPPORT

- Surveying
- Mapping
- Sampling
- Maintenance
  - Mine
  - Mill
  - Transport
- Instruction Programs
  - Safety
  - First Aid
  - Mining
  - Blasting
  - Etc.

RAWHIDE MINES INC.

EXECUTIVE ASSISTANT

FISCAL POLICY

MANAGER
Nelda Milan

PROFESSIONAL SERVICES

Taxes
- Corporate
- Personal

Legal
- Labor
- Corporate

C.P.A.
- Pension Plans
- Incentive Plans

Co-venturer
- Capital contributions
- P & L Statements
- Profit distribution

ACCOUNTING

- General Ledger
- Payroll
- Insurance
- Accounts Payable
- Accounts Receivable

OFFICE

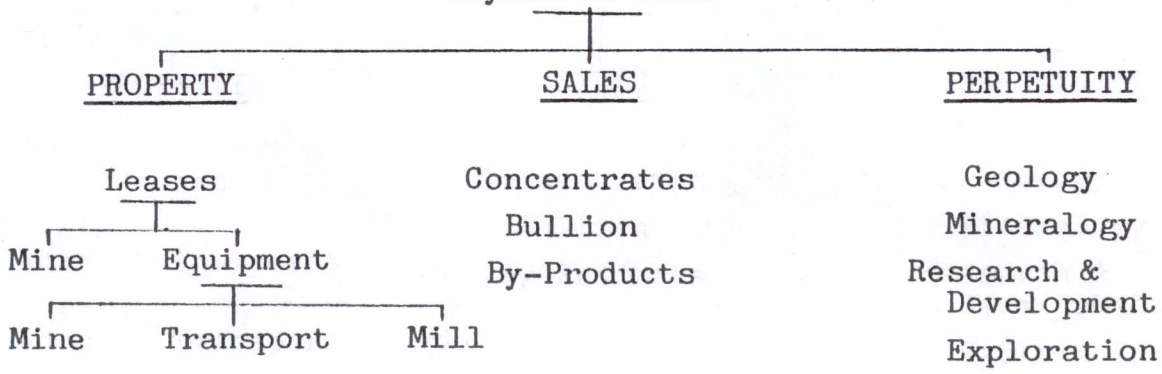
- Licenses
- Permits
- Correspondence
- Public Relations
- Reporting
  - Federal Agencies
  - State Agencies
  - Management
  - Investors

RAWHIDE MINES INC.

CONTRACTS

MANAGER

Haydon La Nois



RAWHIDE MINES INC.

DEVELOPMENT

MANAGER
Paul Whidden

CONSTRUCTION

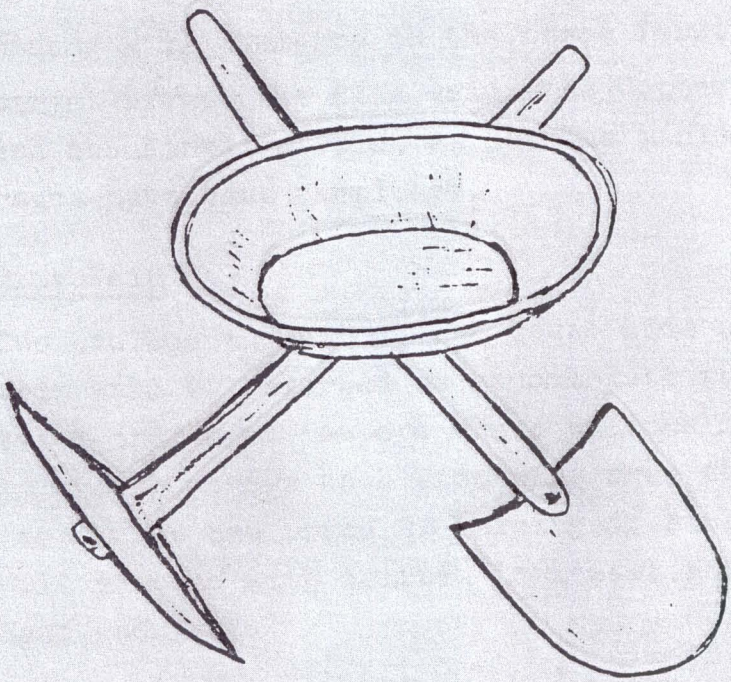
Design, Installation
- Mine
- Mill
- Leach System
- Refinery

CONTROL

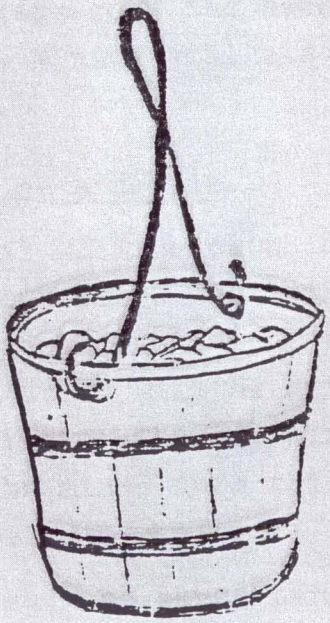
- Laboratory
- Assaying
- Instrumentation
- Title Work
- Reporting
- Ore Flow
  - Mine
  - Mill
- Product Security

EXPLORATION

- Drilling
- Sampling
  - Assaying
- Development
- Stockpile Plan



MINING



MINING PLAN

Mining will commence in the three first-stage target areas, the Rita vein, the Gopher vein, and the Ringling vein, as soon as minimum access roads have been completed.

Rita Vein

Two haulage tunnels on the South side of the vein will be enlarged to accommodate rubber-tired trammers. An ore chute will be installed to transport ore to a stockpile area about 150 feet below the portals. Mining of both areas will proceed with drifts Northeast and stoping East and West.

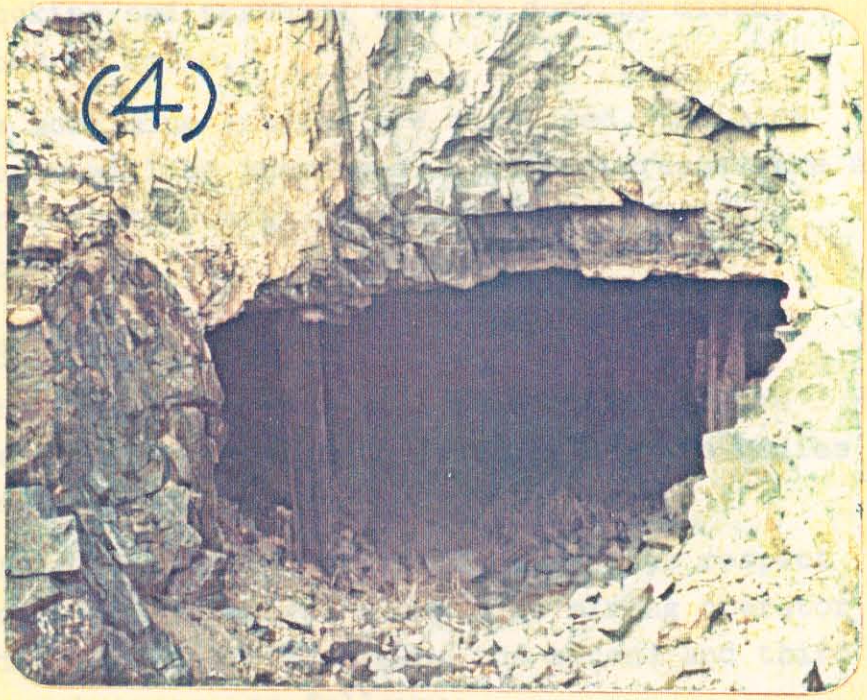
Gopher Vein

An incline tunnel will be driven Northeasterly upvein, with lateral drifts to provide stope access. Once a haulage road has been completed to the upper vein, mining will also be started on the upper vein.

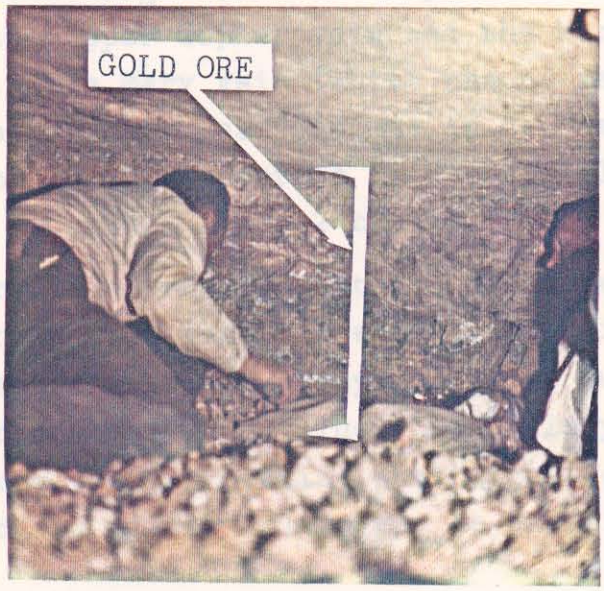
Ringling Mine and Vein

A new portal will be established about 200 feet East of the present East portal. An incline tunnel will be driven down-vein for about 250 feet, and a main drift will be driven along the strike about 400 feet. The ore blocked by the old workings will be mined into this drift. Mining will then progress downvein.

Mining in each of these target areas will be by two-man teams, using drift and stope patterns.



RITA VEIN
OLD MINE PORTAL



TYPICAL VEIN OF ORE

FIGURE 9.1

Mucking and tramming will be done by diesel-powered units.

As more mine entries are developed, the mine force will be increased. Shift increases are not anticipated until after the Phase I mill is completed.

Development Program

The mining operator will maintain an active development program to develope new ore bodies and increase reserves.

After initiating the mining plan with respect to the first target areas, the mining operator will subsequently develop the second and third target areas, as follows:

Second Target Area

The second target area is composed of the Mary vein, the upper Gopher vein and the Mary Lead claims. The Mary vein (which has no relationship to the Mary Lead Claims) is exposed by major outcrops on the Desparado 1, 8 and 9 claims and on the Naugatuck 1 and 2 claims.

The Mary vein runs for a total distance of approximately 5000 feet. The vein width is about four feet. Although assays of these surface exposures are low in value, the geology of the vein supports the premise that significant increases in gold and silver values may be expected at

greater depths. A drilling program will be utilized to determine the values of the Mary vein. The first two drill holes will be drilled to a depth of about 600 feet on the Naugatuck 1 and 2 claims. A third drill hole will be drilled on the Desparado 9 claim. Data collected from these drill holes will determine the parameters of the further drilling program.

The upper Gopher vein has been adequately defined and sampled for immediate mining. The elevation difference of about 500 feet will require construction of a haulage road. This road will follow the vein exposure, thus giving access to the full extent of the vein. Assays of the Gopher vein show values as high as two ounces of gold per ton and twenty ounces of silver per ton. No development drilling will be necessary to block out this ore body.

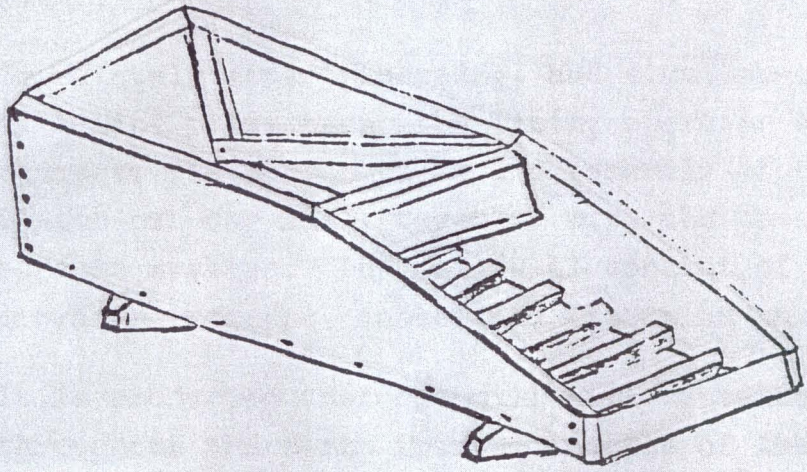
The Mary Lead mine is principally a silver mine and has always been considered as containing a single vein. Recent exploratory work by the mining operator has revealed a converging vein system which greatly enhances its profit potential. A drilling program will be designed to find and outline the extent of the second vein.

Third Target Area

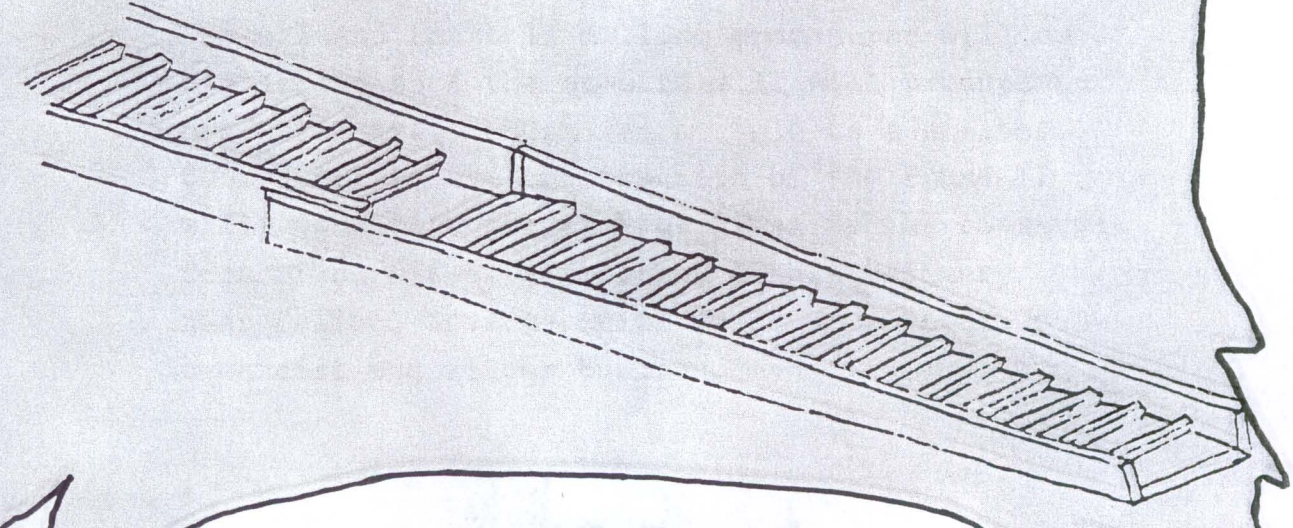
The third target area consists of the New World mine, a small mine on Desparado 14 and a cap-type vein on Desparado 10.

Both the New World mine and the mine on Desparado 14 contain complex ores of copper, silver and gold Both occurrences are in the Excelsior Formation, as opposed to the Desparado and Lithia claims which are in the Granitic formation. An extensive sampling and drilling program will be conducted to determine the economic values of these properties.

The cap-type vein on Desparado 10 will also be examined to determine its potential for strip mining.



MILLING



10.0

PROCESSING PLAN

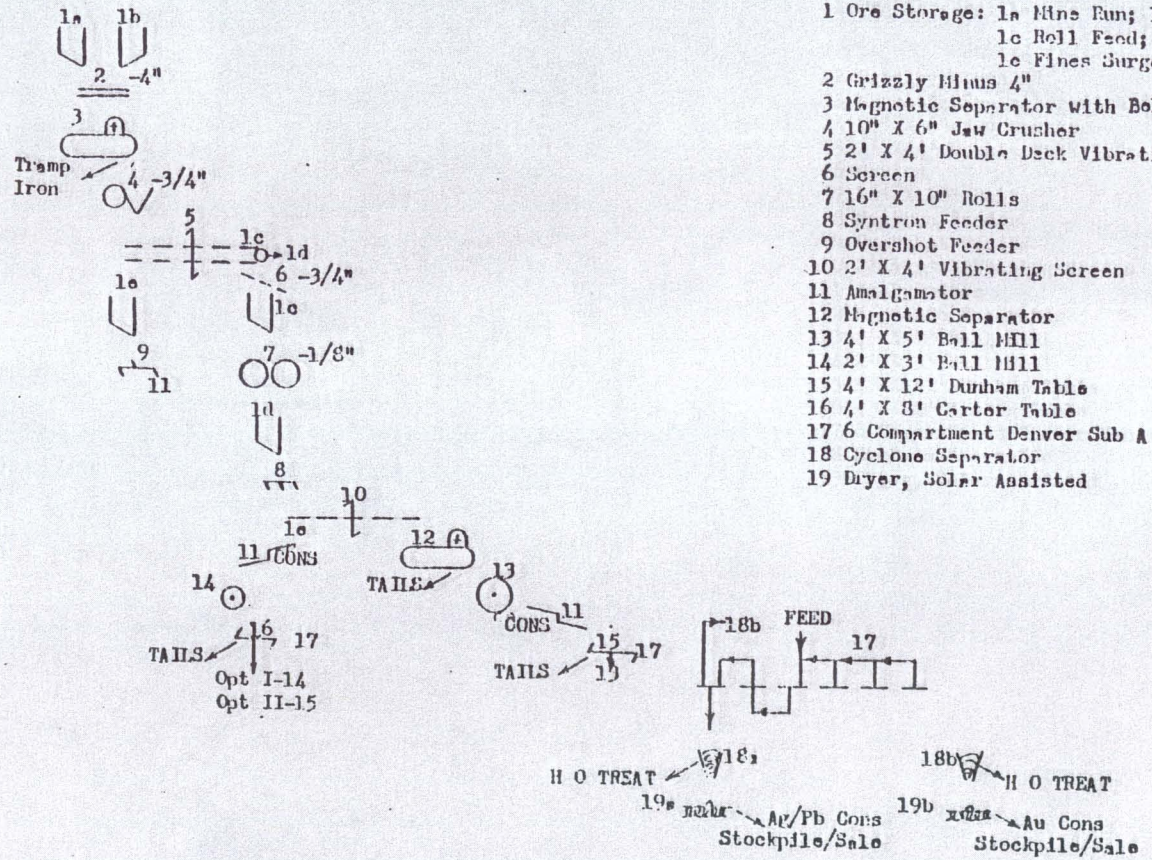
Immediately after financing, and simultaneously with mine production, the mining operator will commence the construction and assembly of the 25-ton-per-day mill, together with the necessary support systems. The mill will consist of jaw crushers, screens, tables and flotation units.

It is projected that the mill will continue throughout the first fourteen months of the Project. Thereafter, a 100-ton-per-day mill will be installed. The 100-ton-per-day mill will be operated on a three-shift basis within a period of two or three months thereafter. It is anticipated that the mill will run at 50% capacity until January of 1983 and at 100% capacity thereafter.

A portion of the Phase I production profits will be used to finance the construction of the Phase II refinery.

Phase I and Phase II milling procedures will be similar in that the on-site mill will produce an ore concentrate which can be sold to a smelter. Subsequent to the construction of the Phase II mill, consideration will be given to the construction of an off-site precious metals refinery near Fallon, Nevada, which would process the concentrates and silver bullion.

This would enable investors to take out profits "in kind" rather than in cash.



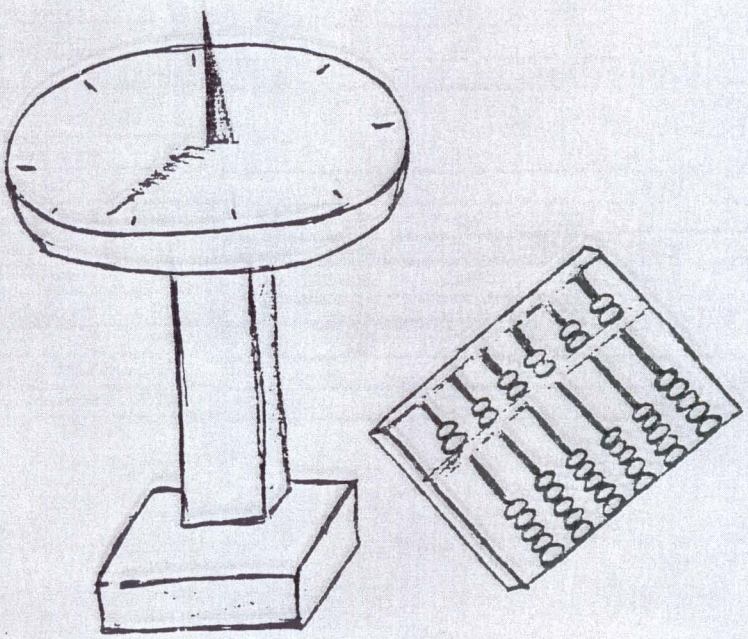
LEGEND

1 Ore Storage: 1a Mine Run; 1b Higrade; 1c Roll Feed; 1d Screen Feed; 1e Fines Surge
2 Grizzly Minus 4"
3 Magnetic Separator with Belt Scale
4 10" X 6" Jaw Crusher
5 2' X 4' Double Deck Vibrating Screen
6 Screen
7 16" X 10" Rolls
8 Syntron Feeder
9 Overshot Feeder
10 2' X 4' Vibrating Screen
11 Amalgamator
12 Magnetic Separator
13 4' X 5' Ball Mill
14 2' X 3' Ball Mill
15 4' X 12' Dunham Table
16 4' X 8' Carter Table
17 6 Compartment Denver Sub A Flotation Unit
18 Cyclone Separator
19 Dryer, Solar Assisted

FLOW SHEET - PHASE I PILOT MILL

FIGURE 10.1

BUDGET AND SCHEDULES



11.0

CAPITAL DEMAND AND RETURN

INVESTMENT RETURN

FIVE YEAR PROJECTION AT FIFTY TONS PER DAY
(Dollars in Thousands)

See Page 11.2 INVESTMENT RETURN 3 + YEARS

See Page 11.3 INVESTMENT RETURN 5 YEAR TOTAL

		YEARS	0				1				2				3				4				5		
		QUARTERS	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		
CAPITAL DEMAND	LINE																								
Phase I	1			540	440	324	300																		
Phase II	2				452	711	241																		
Refinery	3							150	175	175															
Total	4			540	892	1,035	541	150	175	175															
Cumulative	5			540	1,432	2,467	3,008	3,158	3,333	3,508															
INCOME																									
Net Revenue From Production	6					70.3	321.6	635.8	462.9	333	700	700	700	700	700	700	700	700	700	700	700	700	700		
Less Capital Demand	7			540	892	1,035	541	150	175	175															
A/C For	8			[540]	[892]	[964.7]	[219.4]	485.8	287.9	158	700	700	700	700	700	700	700	700	700	700	700	700	700		
Less Investment Return	9							340	201.5	110.6	490	490	490	490	490	450.5	280	280	280	280	280	280	280		
Less Cash	10							145.8	86.4	47.4	210	210	210	210	210	249.5	420	420	420	420	420	420	420		
Proof	11							0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
RETURN																									
Cr. Investment Return @ 70%	12							340	201.5	110.6	490	490	490	490	490	397.9									
Cumulative @ 70%	13							340	541.5	652.1	1,142.1	1,632.1	2,122.1	2,612.1	3,102.1	3,500									Line
Cr. Investment Return @ 40%	14															52.6	280	280	280	280	280	280	280	3,500	13
Cumulative @ 40%	15															52.6	332.6	612.6	892.6	1,172.6	1,452.6	1,732.6	2,012.6	2,012	5,512 15
Dr. Cash Balance	16			[540]	[892]	[964.7]	[219.4]	145.8	86.4	47.4	210	210	210	210	210	249.5	420	420	420	420	420	420	420		
Cumulative	17	3,000	2,460	1,568	603.3	389.9	529.7	616.1	663.5	873.5	1,083.5	1,293.5	1,503.5	1,713.5	1,936	2,383	2,803	3,223	3,643	4,063	4,483	4,903			
Proof	18			[540]	[892]		[219.4]	485.8	287.9	158	700	700	700	700	700	700	700	700	700	700	700	700	700		
Investor Depreciation Allowance	19															2,450								2,450	19
Investor Depletion Allowance	20															525								826	826 20

NOTES

I. Production revenue calculated with gold valued at $500.00 per ounce and silver at $12.00 per ounce.

II. No allowance has been made for the anticipated 2,285,900 pounds of lead production

III. Mary Lead Mine production not included.

CAPITAL DEMAND AND RETURN

KEY TO PAGE 11.1

Capital Demand

	LINE	
Phase I	1	
Phase II	2	
Refinery	3	
Total	4	Line 1+line 2 & 3
Cumulative	5	Quarter 1+quarter 2 etc.

INCOME

Net Revenue	6	Per calendar quarter
Less Capital Demand	7	Per calendar quarter
A/C For	8	Line 6-line 7
Less Investment Return	9	Line 8-line 10
Less Cash	10	Line 8-line 9
Proof	11	Line 8-line 9 & 10

RETURN

Investment Return @ 70%	12	Line 9, 70% line 6
Cumulative @ 70%	13	Quarter 5 + quarter 6 etc.
Investment Return @ 40%	14	Line 9, 40% line 6
Cumulative @ 40%	15	Quarter 13 + quarter 14 etc.
Dr. Cash Balance	16	Previous balance
Cumulative	17	Quarter 0 + quarter 1 etc.
Proof	18	Line 12 + 14 + 16, = line 8
Investor Depreciation Allowance	19	70% of $3,500,000.00
Investor Depletion Allowance	20	15% of $3,500,000.00 15% of $2,012,000.00

CAPITAL DEMAND AND RETURN

KEY TO PAGE 11.1

Capital Demand

	LINE	
Phase I	1	
Phase II	2	
Refinery	3	
Total	4	Line 1+line 2 & 3
Cumulative	5	Quarter 1+quarter 2 etc.

INCOME

Net Revenue	6	Per calendar quarter
Less Capital Demand	7	Per calendar quarter
A/C For	8	Line 6-line 7
Less Investment Return	9	Line 8-line 10
Less Cash	10	Line 8-line 9
Proof	11	Line 8-line 9 & 10

RETURN

Investment Return @ 70%	12	Line 9, 70% line 6
Cumulative @ 70%	13	Quarter 5 + quarter 6 etc.
Investment Return @ 40%	14	Line 9, 40% line 6
Cumulative @ 40%	15	Quarter 13 + quarter 14 etc.
Dr. Cash Balance	16	Previous balance
Cumulative	17	Quarter 0 + quarter 1 etc.
Proof	18	Line 12 + 14 + 16, = line 8
Investor Depreciation Allowance	19	70% of $3,500,000.00
Investor Depletion Allowance	20	15% of $3,500,000.00 15% of $2,012,000.00

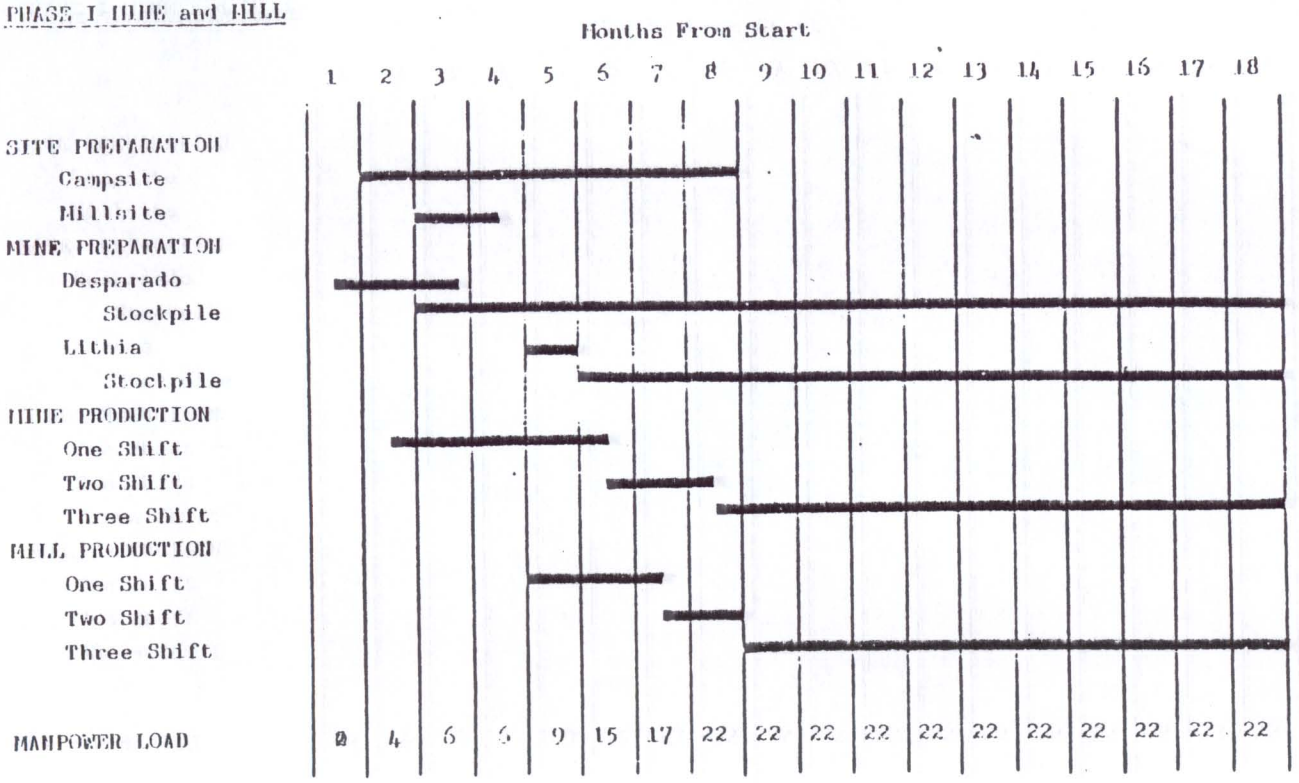

PHASE I MINE and MILL
Months From Start
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18
SITE PREPARATION
Campsite
Millsite
MINE PREPARATION
Desparado
Stockpile
Lithia
Stockpile
MINE PRODUCTION
One Shift
Two Shift
Three Shift
MILL PRODUCTION
One Shift
Two Shift
Three Shift
MANPOWER LOAD
0 4 6 6 9 15 17 22 22 22 22 22 22 22 22 22 22 22

FIGURE 11.1

PHASE I CONSTRUCTION and DEVELOPMENT

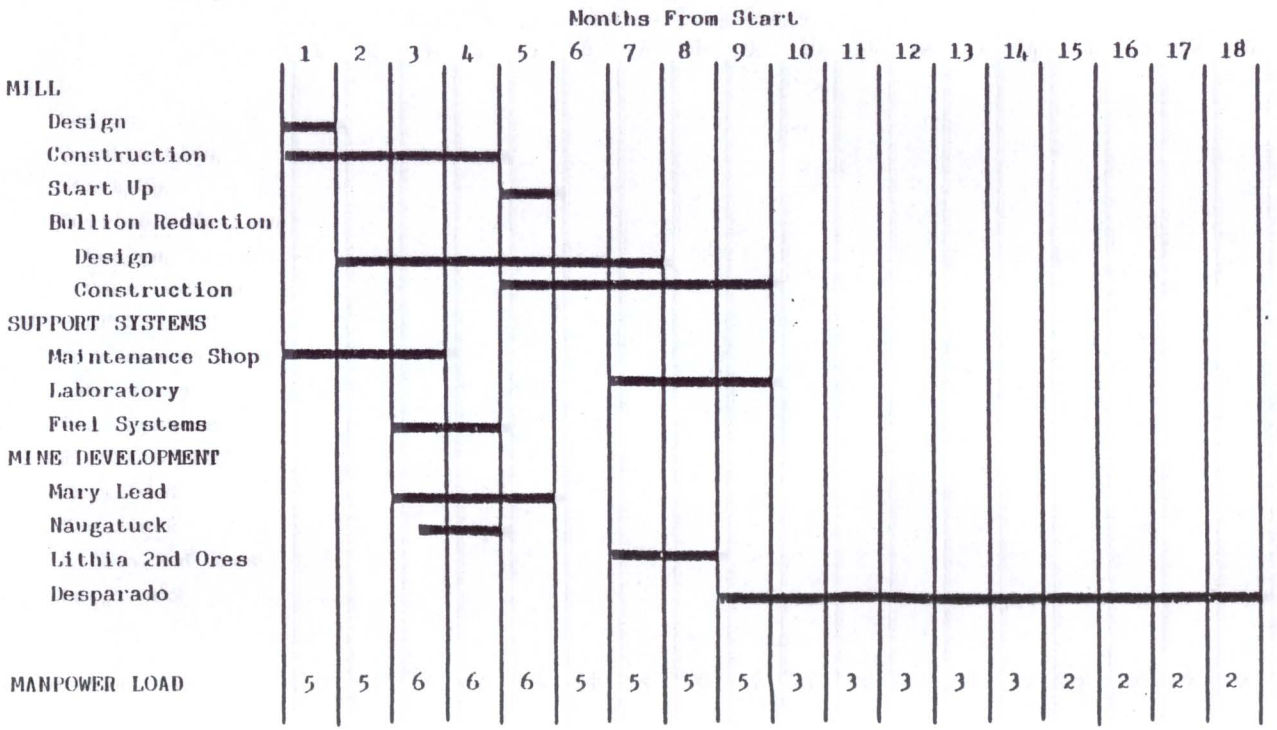


FIGURE 11.2

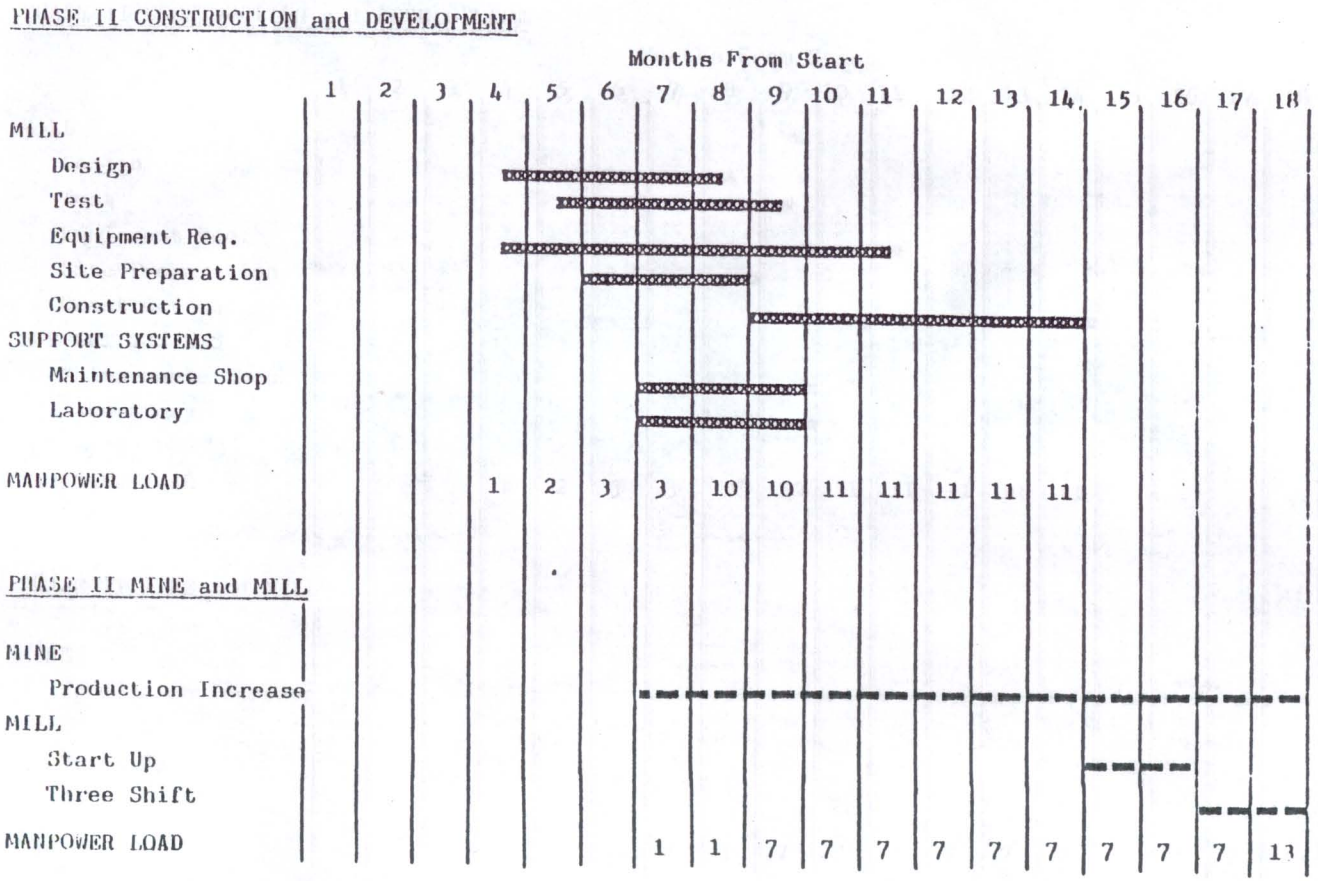

PHASE II CONSTRUCTION and DEVELOPMENT
Months From Start
1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18
MILL
Design
Test
Equipment Req.
Site Preparation
Construction
SUPPORT SYSTEMS
Maintenance Shop
Laboratory
MANPOWER LOAD
1 2 3 3 10 10 11 11 11 11 11
PHASE II MINE and MILL
MINE
Production Increase
MILL
Start Up
Three Shift
MANPOWER LOAD
1 1 7 7 7 7 7 7 7 7 7 13

FIGURE 11.3

RISK FACTORS

12.0

RISK FACTORS

There are certain risk factors associated with any venture. Mining ventures are no exception.

The following problems must be addressed and overcome or accepted:

1. Mining operations are currently subject to extensive Federal, State and local laws regulating the protection of the environment; regulating the removal of natural resources; reclamation of mined property and the discharge of waste material into the environment. Also; there are laws which seek to maintain health and safety standards. These laws must be complied with by the design of mining equipment and the employment of mining and milling techniques applicable to the problem.

2. There can be no assurance that permits, plans and applications will not be denied or delayed. Further; new laws relating to mining operations and land use may be enacted or new regulations promulgated which may not have been anticipated. This could substantially increase operating costs or delay mining operations.

3. Study and planning, to date, indicate the underground mining process will encounter no unusual environment or ecological problems. However; there is no way to preclude the possibility of underground mining hazards or accidents.

4. The availability of water is essential in mining and milling operations. The ground water table in the area adjacent to the Desparado is shallow (approximately 26 feet) and appears to be able to produce ample supply. There can be no guarantee of the water volume, but; historically, water production, in this area, has not presented a problem.

5. Other risk factors to be considered include, but are not limited to:

A. The posibility that total anticipated reserves do not exist.
B. Operating hazards, acts of God, typical of the industry.
C. Uncontrollable theft of ore, concentrates and bullion.
D. Uncontrollable shortages of equipment and supplies.
E. Market price and demand fluctuations.
F. Federal income tax regulations.
G. Bureau of Land Management "land grab" and "endangered species protection."