

4370 0046

309

Item 152

GOLD BUG MINING INC.

MINING AND PROCESSING OF
PRECIOUS METALS



~~HOW LISTED ON THE~~
~~VANCOUVER STOCK EXCHANGE~~
~~SYMBOL (GDB)~~

Formerly Gold Canyon, Incorporated
A.U.S. Public O.T.C. Company

GOLD BUG MINING, INC.

MINING AND PROCESSING OF PRECIOUS METALS
NOW LISTED ON THE VANCOUVER STOCK EXCHANGE SYMBOL (GBB)

We have taken the liberty to prepare this package of current corporate information and technical documentation on Gold Bug Mining, Inc., Incorporated to present to you what is literally an investment "*sleeper*".

Understandably, you will want to make a comprehensive study of the material in order to form a considered opinion on behalf of your clients, however, allow us to provide high-lights of past and current developments which are germane:

Gold Bug Mining, Inc. is now traded on the Vancouver Stock Exchange under the Symbol - GBB.

There are 35,810,000 free trading shares outstanding and, approximately, 26,000,000 of those are held by Directors and Officers of the Corporation.

Independent geological and engineering studies project that Gold Bug's 1,320 acres of Placer mining properties have 135,519,999 tons of in-place sands and gravels for processing which will yield a projected in-place value of \$1.7-billion in recoverable gold and silver. The in-place value is calculated on an 80% recovery level with gold at .02 ounces per ton at \$459.50 per ounce and silver at .40 ounces per ton at \$7.39 per ounce.

Currently on the Gold Bug and Six Mile Canyon claims, there are two pilot processing plants in operation utilizing cyanide reduction processes of an electrowinning system and Zinc recovery with leaching pads. The Nevada Bureau of Land Management has issued the necessary permits for cyanide use and there is abundant table and artesian water on the properties.

On October 9, 1987, Gold Bug Mining, Inc. signed a joint venture agreement with Exall Resources Limited of Toronto, Ontario (Exall is a gold mining corporation controlled by Denison

14

Mines Limited and Roman Corporation) calling for a comprehensive mining program of technical testing, exploration and plant expansion and construction with a projected budget of \$55-million. The significance of this joint venture is that it will recover the gold and silver in 12 to 15 years instead of 100 years at present production.

Importantly for our shareholders, the in-place values constitute a breakdown value for the stock of \$46 per share with a projected annual dividend over 12 years of \$3.83 per share at present market prices of gold and silver.

Additional information and on-going developmental data may be got by calling: Dean G. Tonkin, Director of Operations,
at (206) 441-2646 /FAX: (206) 441-4549

**REPORT ON
PRELIMINARY EXAMINATION
OF SIXMILE CANYON AND
GOLD CANYON PLACER CLAIMS**

**Presented To
Gold Canyon, Inc.
Dayton, Nevada**

**By
Yung Sam Kim, Ph.D.
Nevada Institute of Technology
Reno, Nevada
July 1985**

NEVADA INSTITUTE OF TECHNOLOGY

P.O. Box 8894 Campus Station Reno,
Nevada 89507 Tel. (702) 331-0607
July 18, 1985

M.C. Haggard, President
Gold Canyon, Inc. Route 8,
Box 158 Ringgold, GA 30736

Dear Mr. Haggard:

Enclosed is my report on the "PRELIMINARY EXAMINATION OF SIXMILE CANYON PLACER AND GOLD CANYON PLACER CLAIMS". My report is summarized as follows:

1. Review and compilation of all the previous reports and information on Sixmile Canyon Placer and Gold Canyon Placer Claims.
2. Based upon the regional geological settings and the extensive exploration and development works performed by the Gold Canyon, Inc., the in-place values and an economical analysis are estimated as follows:
 - a. For the most conservative or a minimum evaluation, the in-place values are estimated as;

total deposit of sand/gravel: 135,519,999 tons
average grades: .02 oz/ton Au, .40 oz/ton Ag
total gold = 2,710,000 ozs. and total silver = 54,208,000 ozs.
at \$459.50/oz gold and \$7.39/oz silver prices,
gold: \$1,245,245,000 in-place value
silver: \$400,597,120 in-place value
total \$1,645,842,120 in-place value
 - b. for 2,000 tpd operation and \$3.00/ton production cost;

\$7,440/day cash flow
\$186,000/month cash flow for 25 days/mo operation
\$2,232,000/year cash flow for 300 days/year operation

Note: The operation cost, capital cost, and taxes are not included in this analysis.
3. It can be concluded that the mining property has an economical potential to be one of the major gold/silver producers in the west.

It was my great pleasure to work for your mining venture and I thoroughly enjoyed working with Mr. Robert Craig. Please do not hesitate to call me at any time if you have any question regarding my report. I will be more than happy to render my technical service again for your further mining projects.

Very truly yours,
Yung Sam Kim, Ph. D.
President and Professor of Mining Engineering

NEVADA INSTITUTE OF TECHNOLOGY

P.O. Box 8894 Campus Station Reno,
Nevada 89507 Tel. (702) 331-0607

VITA

Yung Sam Kim, President

September 1958: Came to the United States from Republic of Korea

June 1972: Received citizenship of the United States

Education:

June 1962: B.S. in Mining Engineering, University of Idaho, Moscow, Idaho

March 1964: M.S. in Mining Engineering, The Pennsylvania State University, University Park, Penna.

Dec. 1968: Ph. D. in Mining Engineering, The Pennsylvania State University, University Park, Penna.

1969 - 1983: Professor of Mining Engineering at the New Mexico Tech., Montana Tech., and the University of Nevada-Reno. Served as the Chairman of Mining Engineering Department for 3 1/2 years and Assistant to the Dean for three years at the Mackay School of Mines, University of Nevada-Reno.

Performed various research works for Institutions, Governments, and private companies in mining, drilling, blasting, and rock mechanics and numerous technical research papers were published.

1981- Present: Founder and President of the Nevada Institute of Technology. Offered 2-3 mining related conferences/symposium every year. Published several proceedings of the conferences. Numerous consulting works for mine development works through out the western States-specialized in both hard rock and placer deposits of precious minerals.

Oversea Experience:

During 1972 - 1983 includes technical paper presentation visiting lectures, and consulting works in Japan, Europe, and Mexico.

Worked in mining industry for eight years in Korea with Korean Government and United Nations Korean Rehabilitation Agency and two years of own mining business before coming to the United States in 1958.

Member, committee member, and officer of various professional societies of mining, rock mechanics, and education.

Preliminary Examination of Sixmile Canyon and Gold Canyon Placer Claims

Introduction

The writer, accompanied by Mr. Robert Craig, representative of the Gold Canyon, Inc. visited the Sixmile Canyon and Gold Canyon placer claims in three separate occasions, May 18, June 5, and June 25, 1985. The purpose of these visits were to perform a preliminary mine examination and an estimation of the in-place value of the mining properties.

Location & Accessibility

The Gold Canyon claims are located approximately five miles and the Sixmile Canyon property is located approx. 18 miles east Carson City, Nevada on the U.S. Highway 50 (Figure 1. Locating map). Thus, the accessibility of these properties are excellent year round.

Claims & Ownership

1. Sixmile Canyon Placer.

The Sixmile Canyon Placer consists of 320 acres of patented feedland and situated in Section 31, T 16 N, R 22 E, Lyon County, Nevada (Figure 2.). The property is located along the mouth of the Sixmile Canyon, north of the U. S. Highway 50 and the Carson River. The owner of the property is Mr. Julius Bunkowski and present lease holder of the property is the Gold Canyon, Inc. which is represented by Mr. Robert Craig.

2. Gold Canyon Placer Claims.

The Gold Canyon Placer Claims consisted of approx. 800 acres are situated in Sections 21, 22, 27, and 28, T 16 N, R 21 E, Devil's Gate and Chinatown Mining District, Lyon County, Nevada (Figure 3.). The claims are located along the famous Gold Canyon, south Silver City and north U.S. Highway 50. Mr. Robert Craig is the present owner of the claims since 1975 and are leased by the Gold Canyon, Inc. since 1984.

Geology & Deposits

The significant geological setting of the region is the Alta Formation of Hartford Assemblage of Miocene and both the Sixmile Canyon and the Gold Canyon are located in this formation. Chiefly, pyroxene and hornblende andesite flows, breccias and pyroclastics are found in this formation. The Sutro member in the Virginia City area consists of tuffaceous shale, sandstone, and conglomerate. This formation is the main host rock for the gold/silver deposits of the Comstock Lode district. The Kate Peak Formation of Hartford Assemblage and Metavolcanic rocks of Triassic and Jurassic are also regional geology of this area (1) (Figure 4. Geological Map).

Both the Sixmile Canyon and the Gold Canyon are the two main drainages of the Comstock Lode Mining District and the placer gold/silver deposit of the properties is in the alluvial fans along the Sixmile Canyon and the Gold Canyon. The depth and sand/

gravel ranges from 50' to 120'. The free gold found in this area ranges from fines to 1/16" and no report was made finding any size of gold nugget. Especially, almost all gold found in the Gold Canyon claims were -20 mesh. Generally, find some silt mixed in sand/gravel and most of the gravels are -10". Seldom to find any boulder in the placer of the properties.

History

In order to make more realistic and accurate report on the historical mining activities of the properties, the writer decided to make direct quotations as follows:

1. From "PLACER MINING IN NEVADA" by W.O. Vanderburg Nevada Bureau of Mines & Geology, Bull.27, pp.111-114.

Lyon County Gold Canyon District

The Gold Canyon District, also known as the Chinatown, Silver City, Devil Gate, or Dayton District, is in Gold Canyon on the east slope of the Virginia Range in western Lyon County. Placer gold was discovered by Abner Blackburn in 1849 in the sands of the Carson River at the mouth of Gold Canyon near Dayton. This was the first recorded discovery of placer gold in Nevada.

From 1830 to 1857 a band of placer miners, whose number varied from 20 to 200, washed the Gold Canyon placers with rockers and long toms. The average wage made from this work is reported to have been about \$5 per day per man. Water for working the placers was available during only a few months of the year; the rest of the time these early placer miners spent in prospecting and in making occasional forays for supplies into the Mormon settlements in Carson Valley. The District has been the scene of long-continued placer operations, and, although the total production of gold is unknown, it is undoubtedly quite large, judging from the extent of the old workings. During the last few years several small lots of placer gold were produced by drift mining and sluicing near the town of Dayton.

The Gold Canyon placers resulted from the disintegration of the lodes of Comstock and Silver City Districts. North of Dayton Gold Canyon spreads out into an alluvial fan, in which considerable gold has been found at varying depths up to 50 feet. Although the area is scarred with shafts and pits, from which ramify numerous gravel drifts, it is not improbable that gravels underlying the town of Dayton and the delta west of it may be rich enough to justify gold dredging. Southwest of Dayton the Carson River has etched a narrow but fertile valley, into the north side of which emerge ravines from the Comstock and Silver City Districts. Engineers have considered sampling this area for dredging, but the land is held closely by a number of small ranchers.

In 1920 a dredge was built in the District by the Gold Canyon Dredging Company, a

subsidiary of the Metals Exploration Company, which at that time was working mines on the Comstock Lode. The placer holdings of the company lay between Silver City and Dayton and consisted of the Manuel King ground of 300 acres below Silver City and the Rae ground of 720 acres west of Dayton. The dredge began work on September 5, 1920, on a site two miles below Silver City, and it ran until April 5, 1923. About 3,000,000 yards of gravel were treated and, according to Mineral Resources of the United States, the gross production of bullion for the period was 14,625.3 fine ounces of gold and 7,482 fine ounces of silver, having a gross value of \$309,750. According to J.H. Rae, Jr., of Dayton, 900,000 cubic yards were dredged on his holdings, from which about \$105,000 in bullion was recovered. The rest was taken from the Manuel King ground. Considerable trouble was encountered in operating the dredge because of boulders and the loss of water from the dredge pond. In addition, the grade of the canyon is steep and it was necessary to construct a system of levees to hold the water. Large boulders encountered during dredging also proved a handicap, due to the fact that the dredge pitched violently in digging, causing loss of gold on the riffles.

The dredge was the close-connected bucket type designed to handle 5,000 cubic yards per day. Each bucket held 9 cubic feet and the digging depth was 40 feet. The hull was steel, 46 feet wide and 108.5 feet long. The deck seams and the upper side seams of the hull were arc welded, while all the main construction joints were riveted. The total weight of the dredge was 900 tons and the cost of constructing it was \$250,000.

The gold-saving equipment on the dredge consisted of a receiving hopper, a revolving screen 5 feet in diameter and 38 feet long, perforated by 1 1/2-inch round holes, sluices, riffles, and a tailings stacker. The sluices and riffles had a total area of 3,000 square feet. The tailings stacker was 120 feet long and had a conveyer belt 34 inches wide. Water was supplied by a 10-inch centrifugal pump.

The dredge motors totaled 500 horsepower. A 23,000-volt transmission line traversed the property and power was purchased from the Truckee River General Electric Company.

Water for dredging was purchased from the Virginia and Gold Hill Water Company which owns the water system that supplies Virginia City and Silver City. Water was brought in by flume and inverted syphon from Marlette Lake near the west shore of Lake Tahoe. Marlette Lake is 9 1/2 miles in an air line southwest of Virginia City. The dredge required 35 miner's inches of water at \$12 per miner's inch per month. The water was brought from the water line of the Virginia and Gold Hill Water Company to the dredge pond by 4,500 feet of 8-inch woodstave pipe and 3,800 feet of ditches.

In 1923 the dredge was dismantled, and several years ago it was sold to California interests that are now working it near Sacramento.

The Rae placer ground is on a terrace southwest of Gold Canyon, sloping toward the Carson River. A view of the placer ground is shown in figure 39. This ground has been

tested by numerous shafts 28 to 90 feet in depth. None of the shafts have been sunk to bedrock as the gold values diminish beyond an average depth of 40 feet. According to J.H. Rae, Jr., past sampling by several companies indicate that the average value of the gravel is about 24 cents per cubic yard with present price of \$35 per fine ounce for gold. Fineness of the gold, as calculated from the bullion recovered by dredging, averages 661.

From time to time the thought of placer mining the sands along the Carson River for the values lost in mill tailing is revived. These tailings were derived from the early-day mills employed the Washoe process (amalgamation in pans heated by steam, using quicksilver, salt, and copper sulphate for reagents), the Frieberg process (chloridizing roasting with subsequent amalgamation in barrels), Veatch process (same as Frieberg process, except that steam tubs were used instead of the barrels), and the Patio process (amalgamation on an open floor with the aid of salt and copper sulphate). These early-day processes were crude as compared with present metallurgical practice, and recovery was from 60 to 65 percent. The values lost in the tailings were deemed of minor importance. Although some of the tailings were impounded and subsequent re-treated, a vast amount was diverted into the Carson River. It is reported that some \$60,000,000 of values left in the old tailings were sluiced down the canyons or deposited directly into the Carson River.

In the early nineties a company, backed by Boston capitalists, was organized to recover the values in these old tailings. Seventeen miles of "tailings" were located along the course of the Carson River from Empire towards Dayton. Floured quicksilver could be panned or washed out along the banks, bed, and flats of the river, and assays showed from a few cents to a dollar or more per ton. Three dredges were constructed to work.

2. From "GEOLOGY & MINERAL DEPOSITS OF LYON, DOUGLAS, AND ORMSBY COUNTIES, NEVADA" by J.G. Moore, Nevada Bureau of Mines & Geology Bull.75, pp.24-25, 1969.

Silver City

(Chinatown, Dayton, Devil's Gate, Gold Canyon)

The Silver City district is in western Lyon County northwest of Dayton and is actually that part of the southern continuation of the Comstock Lode which is in Lyon County. Production of the district is difficult to separate from that of the Comstock district since much of the ore mined in the Comstock district was hauled into Lyon County for milling. Couch and Carpenter (1943) give the recorded production of the district through 1940 as \$12,740,785. In 1940 the Oro-Neva Dredging Co. reported production from the district \$13,984,114.

The first gold discovered in the Silver City district was panned in 1850 from the south end of Gold Canyon, near Dayton, by members of an immigrant train bound for

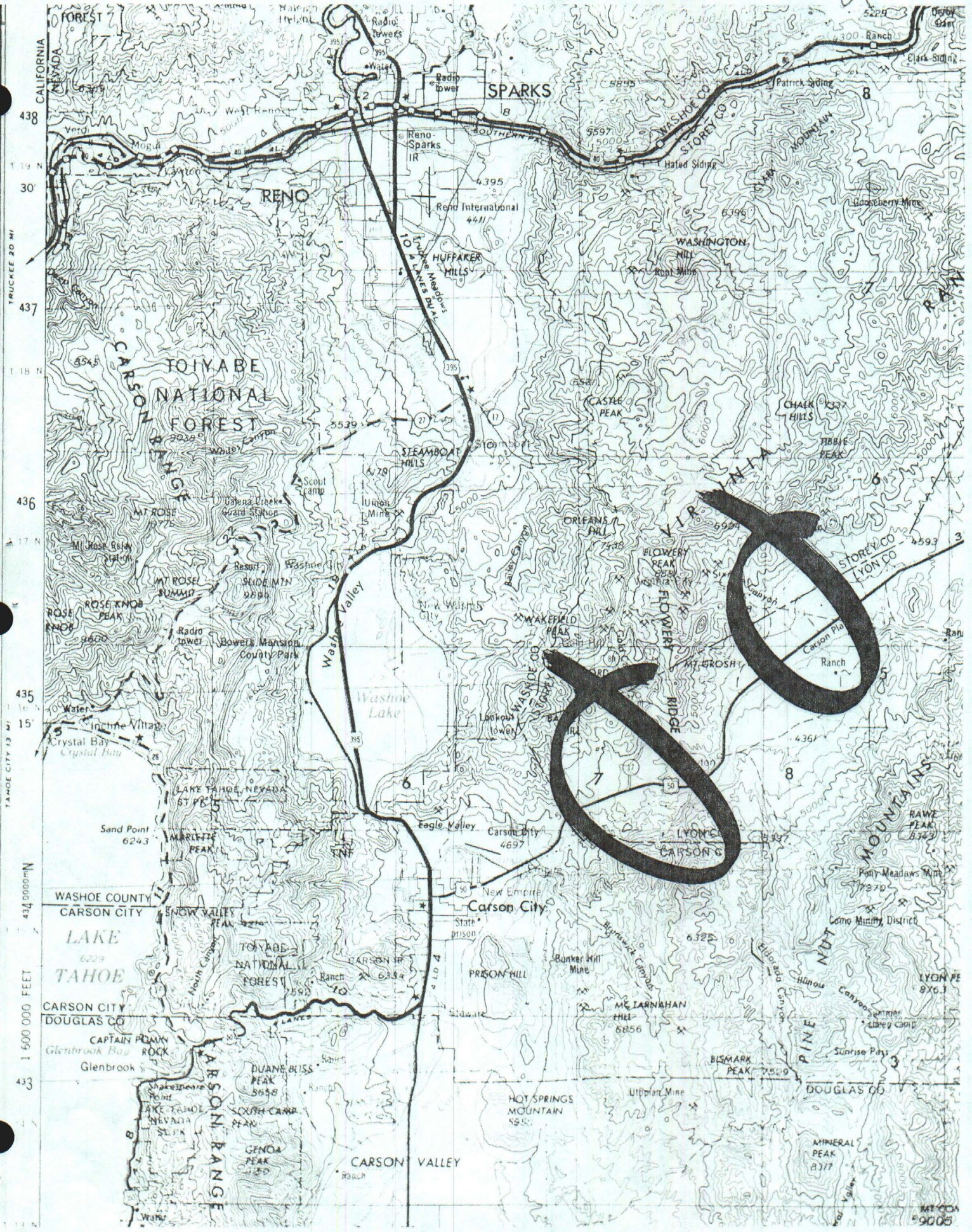
California. This was the first discovery of gold in what is now the State of Nevada. Placer mining continued in the area for the next 9 years, and in 1859 gold was discovered in place at the outcrop of the Comstock fault near Gold Hill 2 miles north of the Lyon County boundary. This discovery precipitated the rush to the Comstock region, which eventually produced about \$400,000,000 in silver and gold.

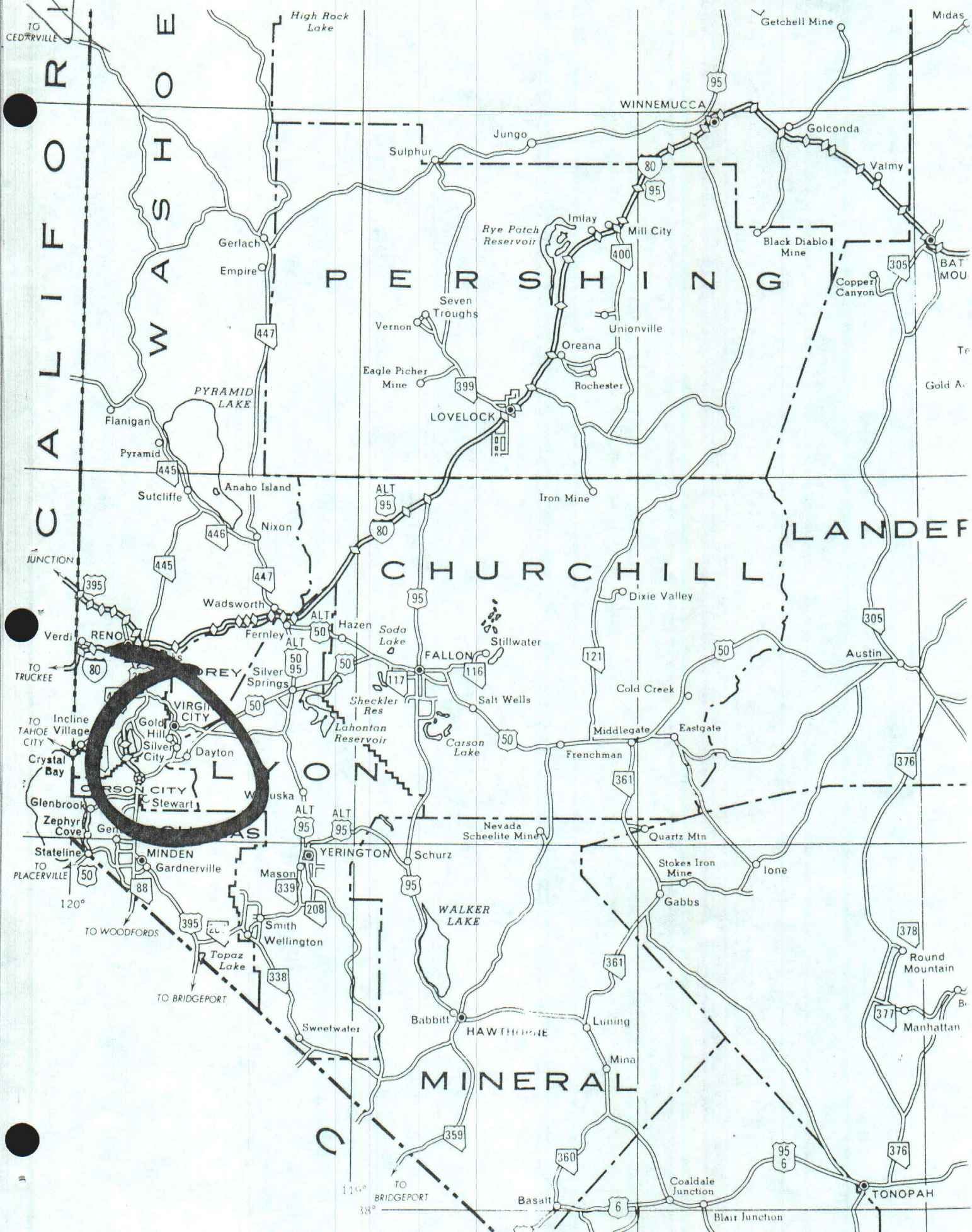
The silver-gold deposits of the Comstock district have been described by Becker (1882), Giannella (1936), Stoddard and Carpenter (1950), and Thompson (1956). The deposits are associated with several large normal faults which dip about 45 degrees E. and were mineralized probably beginning in Miocene time (Thompson, 1956, p.72). The main north-trending Comstock fault does not extend into Lyon County, but a southern branch, the Silver City fault, and many cross faults have been productive in Lyon County. Two of the most productive mines on the Silver City fault are the Dayton and Daney. The Oest mine is located on the Haywood or Oest fault, which is an east-trending cross fault.

Large quantities of hot water hampered mining operations in the mines of the Comstock Lode, and enormous volumes of water were pumped to keep the mines open. In 1865 the Nevada Legislature passed an act giving Adolph Sutro an exclusive franchise to build a tunnel 20,498 feet long to drain the mines. The portal of the tunnel is in Lyon County a few miles north of Dayton at an elevation of 4,479 feet. The tunnel was completed in 1878, at which time the rich ore bodies were already mined out, and several shafts were as much as 1,500 feet deeper than tunnel level.

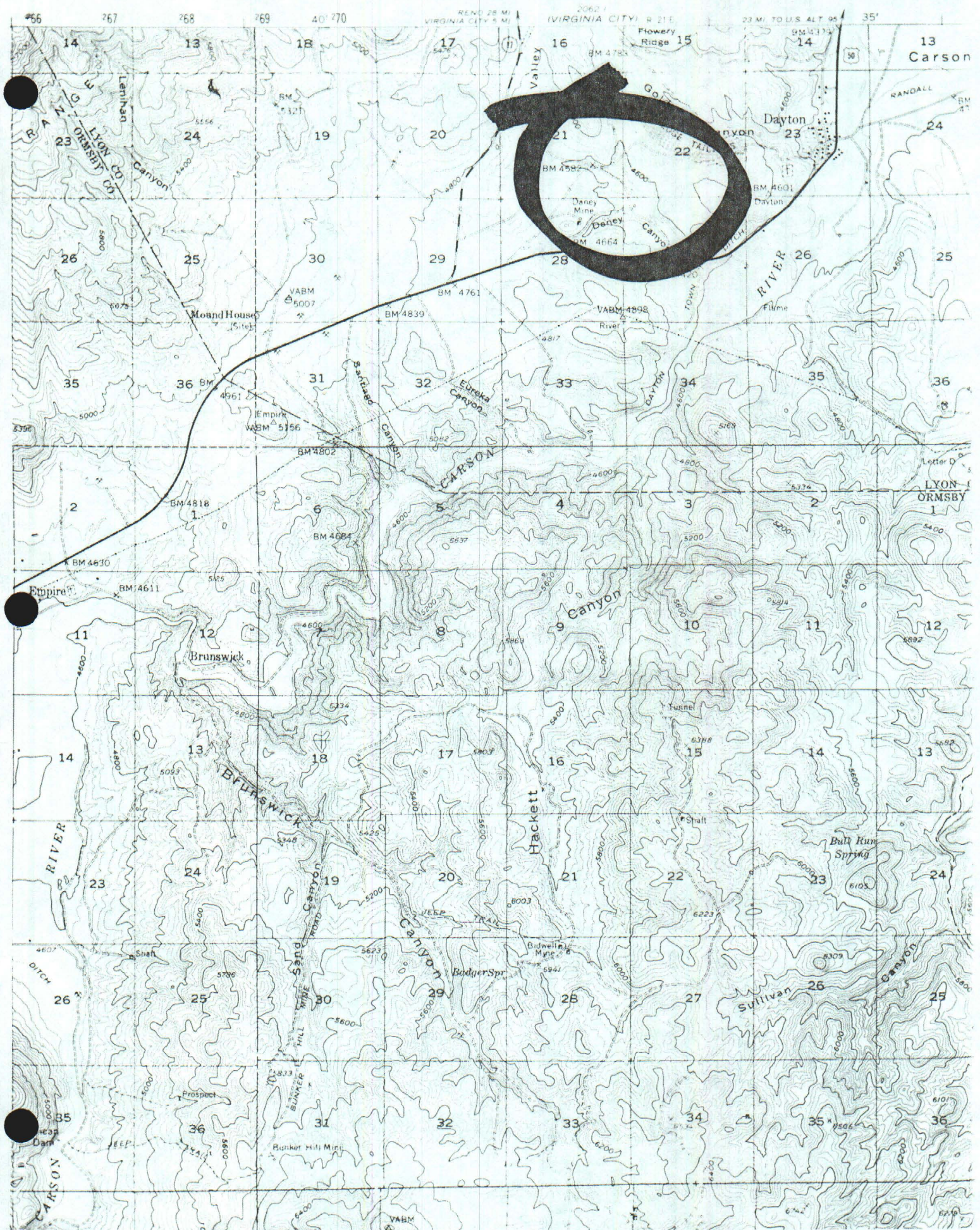
In addition to the deep lode mining on the Silver City and related faults, large-scale dredging and placer mining have been productive in the Silver City district. The Gold Canyon Dredging Co. produced \$309,750 from 3,000,000 yards of gravel southwest of Gold Canyon in 1920-1923.

In 1940 the Oro-Neva Dredging Co. produced \$127,577 in placer gold. From 1941-1943 the Dayton Dredging Co. produced \$1,115,752 from an area 2,000 feet wide and 2,200 feet long on the north side of U.S. Highway 50 within the townsite of Dayton.









4

PRESENT WORK**1. Sixmile Canyon Placer.**

Extensive exploration and development works have been carried out for this property in the last two decades which are reviewed as follows:

Magnetometer Survey (2).

A magnetometer survey on this property was performed by James H. Scott, Geologist, Mine Systems Engineering Center, U.S. Bureau of Mines, Denver Colorado on August 15-16, 1967. The objectives of this survey were (a) to investigate the structures and erosional conditions related to placer deposit, and (b) to obtain information for further projects of seismic survey and test drilling. The results of this survey were summarized as follows:

- (a). A 200'-400' wide zone of weathering and/or chemical alteration of bedrock in the vicinity of an inferred fault, or
- (b). a garben or erosional channel, at least 100' deep that parallels the mountain front.

However, the former interpretation (a) was more favorable. Dependent on the above results, it was recommended to carry on a seismic refraction survey in order to confirm the above interpretations and to determine depth to bedrock; however, no seismic survey was materialized.

Testing works by John H. Uhalde.

Mr. John H. Uhalde, Mining Engineer, General Engineering made a report on a preliminary examination of this property on June 5, 1972 (3) and a supplemental report on a Sieve Analysis on February 22, 1973 (4). Some valuable information are cited as follows:

- (a). Approx. 70,000 tons of sand/gravel from Pit #1 were applied for investigation of size distribution as follows:

+12"	: 1.2	%
-12" to 2"	: 29.8	
-2" to 3/8"	: 40.0	
-3/8"	: 30.0	
	<hr/>	
	100%	

- (b). From approx. 24,000 tons of -3/8" stockpile, 200 tons samples were taken for a gravitational concentration test for gold and the results were,

Free gold by gravitational concentration	= \$0.61/ton
Fire assay for tailings	= \$.04/ton
TOTAL	<u>\$.65/ton</u>

at \$35/oz gold price, therefore, 0.0186/ton Au.

(c). On February 1-20, 1973, 5,400 tons of sand/gravel, 0"-10", were taken from various pits throughout the property and crushed to -3/4" and performed a sieve analysis as given in Table 1. Table 2 gives average values of gold and silver from fire assay on 101 samples taken from the 5,400 tons sand/gravel.

Table 1. Sieve Analysis.

3/4"	% Retained 0.05	Per Cent Passing 99.95
1/2"	% Retained 16.45	Per Cent Passing 83.50
3/8"	% Retained 15.95	Per Cent Passing 67.65
4 Mesh	% Retained 24.20	Per Cent Passing 43.45
16 Mesh	% Retained 23.60	Per Cent Passing 19.95
50 Mesh	% Retained 11.00	Per Cent Passing 8.95
100 Mesh	% Retained 3.30	Per Cent Passing 5.60
Washed + 200 Mesh	% Retained 3.30	Wash Passing 2.30

Table 2. Average Values of Fire Assay.

FIRE ASSAYS		GOLD	SILVER	VALUE (per ton)
Minus 3/4" + 1/2"	= 16.5 % wt.	0.18 oz's	0.25 oz's	\$2.452
Minus 1/2" + 3/8"	= 16.0 % wt.	0.04 oz's	0.25 oz's	0.570
Minus 3/8" + 4M	= 24.0 % wt.	0.04 oz's	0.20 oz's	0.670
Minus 4M + 16M	= 24.0 % wt.	0.12 oz's	0.20 oz's	2.400
Minus 16M + 50M	= 11.0 % wt.	0.24 oz's	0.20 oz's	2.15
Minus 50M + 100M	= 3.0 % wt.	0.06 oz's	0.25 oz's	0.16
Minus 100M + 200M	= 3.2 % wt.	0.15 oz's	0.30 oz's	0.39
Minus 200M	= 2.5 % wt.	0.24 oz's	0.40 oz's	0.49
				<u>\$9.282</u>

Remarks:

1. \$60/oz gold price and \$2.00/oz silver prices were used, therefore
\$9,282/ton - \$60/oz = .1547 oz/ton Au
2. It is noted that the most gold is contained in -4 mesh to +50 mesh.
3. In addition to the Table 2 data, an average value of fire assay on 30 samples of -150 mesh was reported;

Au : \$11.12/ton	or .185 oz/ton
Ag : \$ 0.40/ton	or .20 oz/ton

Channel Survey.

A dowsing survey was performed by Mr. Dave Parker in order to determine the gold/silver bearing channel of the placer property which is illustrated in Figure 5. Based upon the results of this survey, an estimation of the in-place value of the property was calculated as follows:

Average width of channel : 120 yd.

Total length of channel : 1,800 yd.

Average thickness : 20 yd.

Total volume : $120 \times 1,800 \times 20 = 4,320,000$ cu yd.

Total tonnage at 1.5 ton/cu yd. = 6,480,000 tons sand/gravel

At .02 oz//ton Au and .40 oz/ton Ag.

Total gold = 129,600 ozs.

Total silver = 2,592,000 ozs.

At \$300/oz Au and \$6/oz Ag.

Au : \$300/oz x 129,600 ozs.. = \$38,880,000

Ag : \$6/oz x 2,592,000 ozs. = \$15,552,000

Total in-place value is \$54,432,000

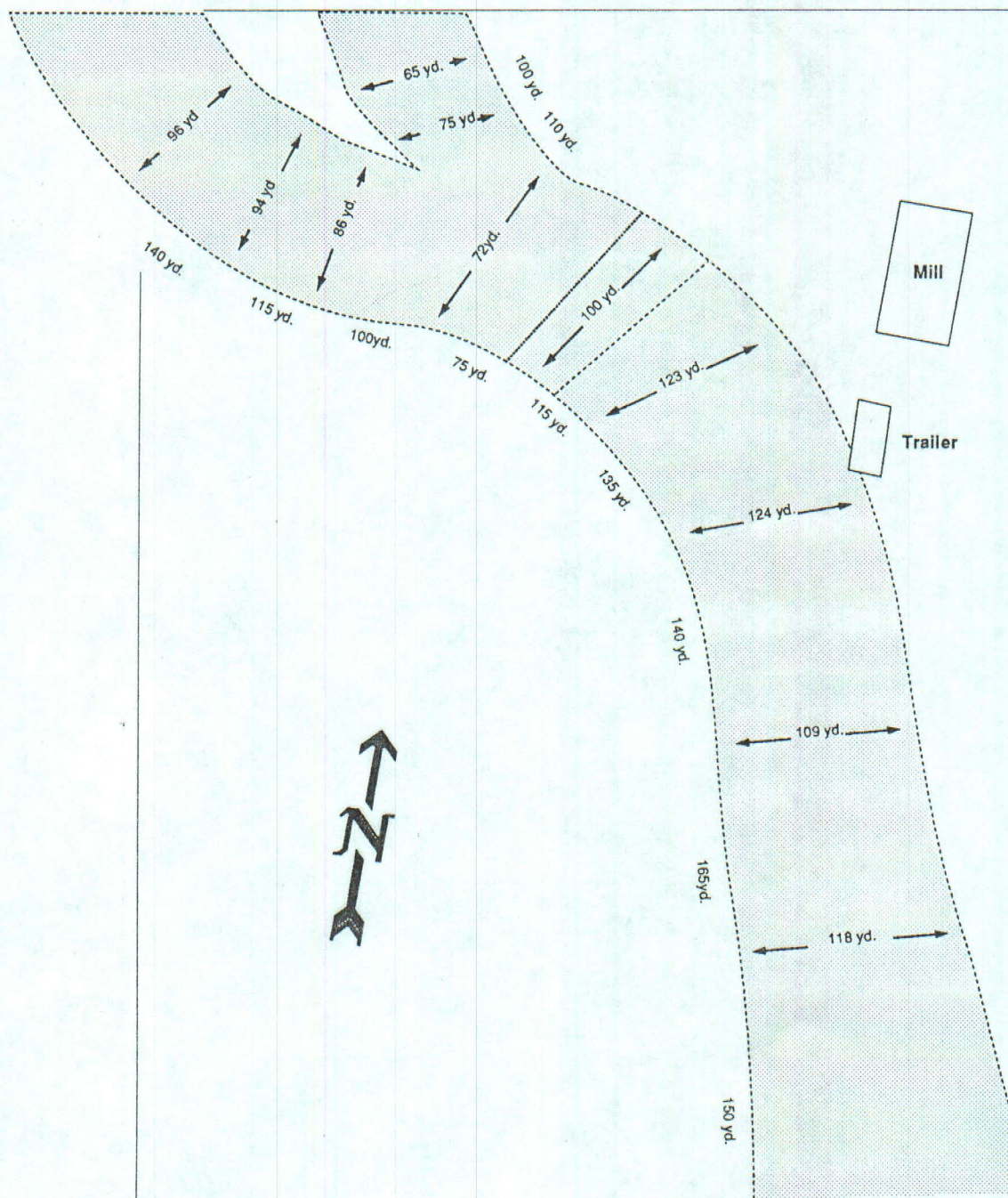
Note: A reference can be made from Mr. Dave Parkhurst's report (5).

**Exploration & Development Works
by The Present Owner and Lease Holder.**

(a). Test Drilling.

Two test holes were drilled in 1983 by the present property owner and the drill hole logs are shown in Figure 6. It should be noted the contrast of gold bearing depths between Well #1 and Well #2;

Alluvial Channels SixMile Canyon



Well #1

No gold : 0'-15'

Gold : 15'-80'

Well #2

Gold : 0'-25'

No gold: 25'-60'

(b). Test Pits.

In Figure 7, the locations of the test pits are outlined, where as Table 3 gives the results of fire assay of these test pits. Samples of Assay No. 1 and Assay No. 2 were taken by the present property owner in 1983 and the samples of Assay No. 3 were taken by the present lease holder on June 1985.

(c). Processing Plant (Figure 8).

In 1984, the property owner installed a 100 tph processing plant including,

- 1 - plant building
- 1 - hopper bin feeder, 10 x 10 w/12 x 12 grizzly
- 1 - 24' conveyor
- 1 - 36" x 30' trommel
- 2 - 20" centrifuges
- 1 - concentrator feeder bin w/auger
- 1 - classifier w/1-10' sand screw conveyor

However, the recovery system of the processing plant was entirely by a gravitational concentration and was losing 50% of gold in the tailings. The property owner finally decided to lease the property to the present lease holder Gold Canyon, Inc. represented by Mr. Robert Craig in late 1984.

(d). Heap Leaching & Electrowining Test.

Due to the facts that the placer gold is mostly flour gold and a mechanical concentration method can recover only 50% of the placer gold, Mr. Robert Craig carried out an extensive experimental research work with cooperation of the Reno Research Center, U.S. Bureau of Mines to increase the recovery rate of the fine gold by,

- a. entirely heap leaching, and
- b. electrowining gold/silver directly from the pregnant solution.

The results of the experiments proved,

- a. the heap leaching and electrowining system can recover over 85% of the placer gold, and
- b. the processing cost is less than \$2.00/ton of ore which is approx. 1/2 of the conventional processing system.

Figure 6. Test Drilling Results.

Hole No. 1 oz/ton	Depth ft oz/ton	Hole No. 2
o -	0 - 5	• .10
o -	5 - 10	• .10
o -	10 - 15	• .02
o -	15 - 20	• .20
o -	20 - 25	• .10
o -	25 - 30	o -
• .01	30 - 35	o -
o -	35 - 40	o -
o -	40 - 45	o -
• .04 & 2.45	45 - 50	o -
• .02	50 - 55	o -
36.5 grams • .10 & 1.20 goldbead was made	55 - 60	
• .50	60 - 65	
• .01	65 - 70	
o -	70 - 75	
• - & 6.00	75 - 80	
o -	80 - 85	
o -	85 - 90	
• - & .80	90 - 95	
o -	95 - 100	
o -	100 - 105	
o -	105 - 110	
o -	110 - 115	
o -	115 - 120	
o -	120 - 125	
o -	125 - 130	
o -	130 - 135	
o -	135 - 140	

Table 3. Test Pits Results.

Pit No.	First Test oz/ton Au	Second Test oz/ton Au	Third Test oz/ton Au
1	-	.02	.02
2	.03	.03	.015 -100mesh
3	.04	-	.01
4	7.90	-	.015 -100 mesh
5	.25	-	
6	.06	-	
7	1.10	-	
8	5.20	-	
9	.05	-	
10	.015	-	
11	-	-	
12	.01	134.5 & 103.0	
13	.01	gold beads	.05 -100 mesh
14	.15	-	
15	-	-	
16	-	-	
17	23.80	1.50	
18	26.50	2.50	
19	-	-	
20	-	-	
21	-	-	
22	-	-	
23	-	-	
24	.02	-	
25	.30	-	
26	-	-	
27	1.0	.01	
28	-	.01	
29	.45	.06	
30	.70	.01	
31	-	2.10 .25	
32	-	.30 .25	
33	-	.20	

continued on next page

Table 3. Test Pits Results. (continued)

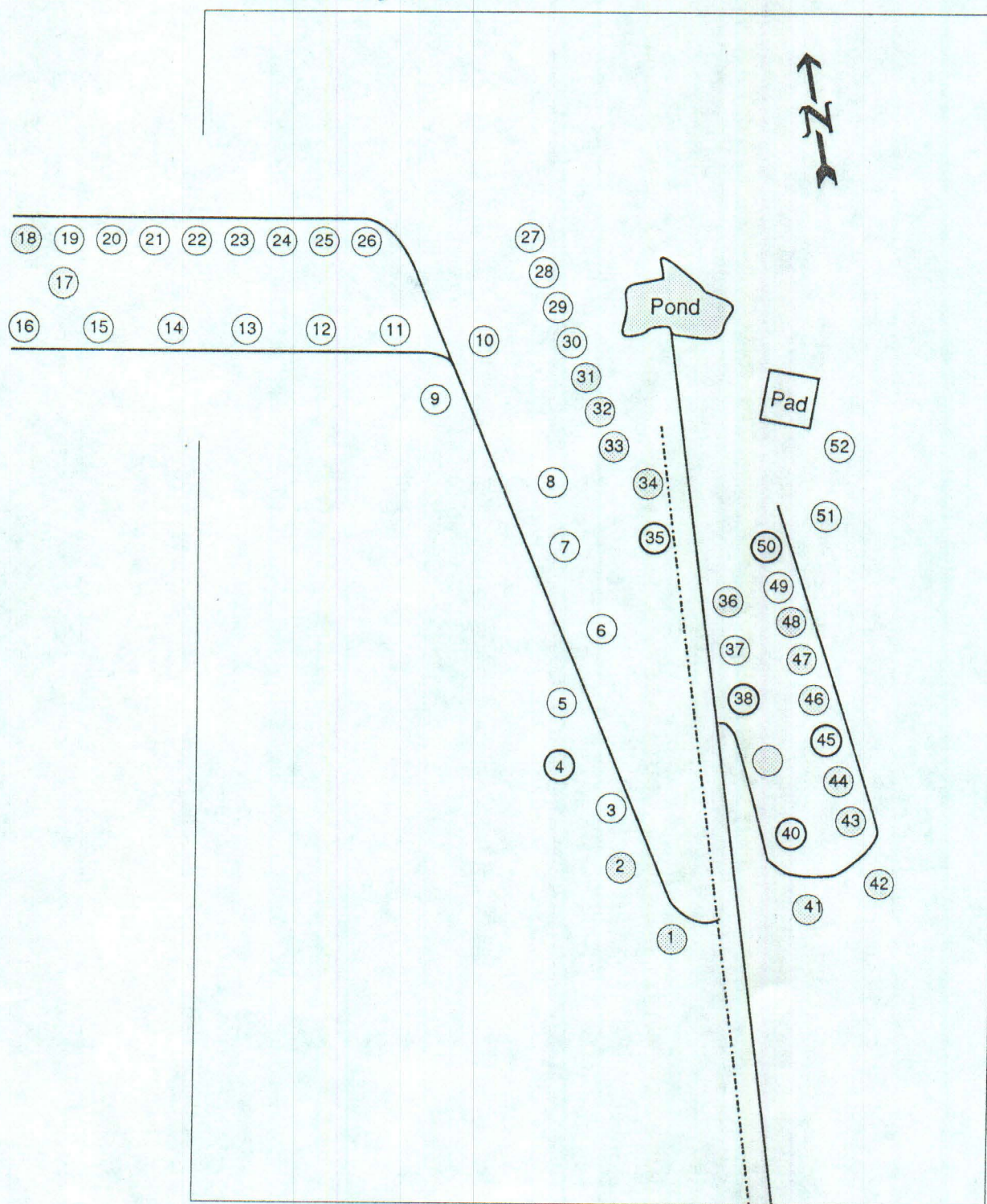
First Test Pit No.	Second Test oz/ton Au	Third Test oz/ton Au	oz/ton Au
35	-	.10	
36	-	.40	.06 tr.
37	-	.02	.035 -100 mesh
38	-	.15	
39	-	.05	
40	-	.10	
41	-	.40	
42	-	.01	
43	-	.08	
44	-	.20	
45	-	.15	
46	-	.30	
47	-	.50	.40
48	-	.20	.033 Cyan Tailing
49	-	-	.06
50	-	.10	
51	-	.05	
52	-	-	

Cyanidation Tailings

No. 1 Pit - 1.10

No. 2 Pit - .35

Figure 7.
Test Pit Locations.
SixMile Canyon Placer



In Figure 9, the heap leaching and electrowining test work set-up is illustrated.

At the present, the Gold Canyon, Inc. installing a 200 tph agglomeration plant by converting the existing processing plant into a grizzly, washing, and screening (-3/4") and by adding a agglomerator (Figure 10). Also, three heap leaching pads are being installed by the agglomeration plant (Figure 1). Each pad, 100' x 70', will be leaching 1,000 tons of agglomerated sand/gravel per load to 5,000 tons accumulatively after which the pad will be processed for cleaning and reloading cycle.

The Gold Canyon, Inc. has a contract with the property owner who shall mine and haul sand/gravel to and out of the processing plant at \$1.00 per ton.

2. Gold Canyon Claims.

Report by W.D. Pye.

On July 18-20, 1974, Dr. Pye, Consulting Geologist, Tucson, Arizona made a preliminary report on the eastern 460 acres of the Trio, Nugget, Congress, Change, and I.O.U. claims (6). Five samples were taken from these claims for fire assay and the assay results are given in Table 4.

Dr. Pye's Remarks:

1. A Panamatic wet process was used for concentration of black sands followed by panning for the final concentration of the samples.
2. Assumes approx. 50% loss of black sands in the Panamatic wet process which may caused losses of gold/silver either mixed in the black sands or attached to the black sands.
3. Losses of gold/silver may encountered in the panning process.
4. The property has a potential to be an economically feasible and a large scale operation.

U.S. Bureau of Mines Tests.

On June 13, 1975, Mr Harold J. Heinen, Metallurgist, U.S. Bureau of Mines, Reno, Nevada reported (7) fire assay, magnetic separation, amalgamation, and cyanidation tests performed on 1.8 lb black sands taken from this property. The test results are as follows:

(a). Fire Assay Results.

Au : 1.8 oz/ton

Ag : 0.9 oz/ton

Table 4. Sample Description & Fire Assay.

Sample	Sample Description	Assay Results			
		Gold		Silver	
		<u>Ozs.</u>	<u>Oz/Yd3</u>	<u>Ozs.</u>	<u>Oz/Yd3</u>
1	Taken at north end of the property near old dredge tailings; from a small and shallow pit; 1/4 - 1/5 cu yd.	7.480	33.660	1.630	7.335
2	Taken at the east end of the claims; just south of the old dredge tailings; from materials thrown out from a deep pit; 1/5 cu yd.	3.560	17.800	.910	4.550
3	Taken at the southwestern area of the claims; from materials thrown out from a deep pit; measured volume = 2.17 cu ft. or .081 cu yd., weight = 236 lb, or 1.475 ton/cu yd.	-no assay-			
4	Taken at the northwestern edge of the claims; from a shallow pit; 1/5 cu yd.	.880	4.400	.190	.950
5	Taken from inside of the same pit of Sample No. 3; 3/8 cu yd; panning was to eliminate black sands as much as possible.	6.280	16.747	.910	2.427

Please refer Figures 12, 13, and 14.

(b). Magnetic Separation Test.

Product	Weight (%)	Gold	
		oz/ton	Distribution
Magnetic	60.0	.43	14.8
Non-magnetic	40.0	3.75	85.2
Composite	100.0	1.76	100.0

Note: Both the magnetic and non-magnetic black sands should be processed for recovering gold which eliminates the necessity of magnetic separation process

(c). Amalgamation Test.

Gold Recovery : 65%

Silver Recovery : 64%

(d). Cyanidation Bottle Test.

Gold Recovery : 80%

Silver Recovery : 90%

Note: The gold recovery may be increased by grinding the black sand concentrates.

Test Drilling.

In May 1981, a test drilling was performed by the claim owner Mr. Robert Craig in the Gold Bug Claim (9). The assay results of the drill samples are given in Table 6.

Table 5. Test Drilling in Gold Bug Claim.

Sample No.	Depth of Hole ft.	Gold oz/ton	Silver oz/ton
1	10	.01	.30
2	20	tr.	.15
3	25	tr.	.05
4	30	tr.	.20
5	35	.054	.30
6	40	.066	.23
7	45	.012	.19
8	50	.004	.64
9	55	tr.	.35
10	60	tr.	.27

Note: Average Grades Within 50'; Au : .018 oz/ton Ag : .257 oz/ton

Jig & Bowl Tests.

In early 1981, jig and bowl concentration tests (8) were performed by Mr. Robert Craig at ten different pits in the Gold Canyon claims. The test results are given in Table 6.

Notes on Table 6:

1. Table 6 gives only gold values; no silver values are given.
2. Gold price at \$500/oz or \$16.08/gr was used in Table 6
3. Mr. Robert Craig recalculated the Table 6 data using gold price at \$300/oz as follows:

Pit NO.	Gold (\$/cu yd.)	Gold (oz/cu yd.)	Gold (oz/cu ton)
1	1.98	.007	.010
2	6.57	.022	.033
3	11.11	.037	.056
4	12.33	.041	.061
8	5.01	.017	.025
9	3.07	.010	.015
1W	8.59	.029	.043
2W	3.78	.013	.020
	52.44	.176	.263
Average	<u>\$6.56/cu yd.</u>	<u>.022 oz/cu yd.</u>	<u>.033 oz/ton</u>

Table 5. Jig & Bowl Test Results

Location	Equip. Source	Weight Conc.	Grams Gold Rec.	Grams Gold/Ton	\$/ton Conc.	Fire Assay Jig Table Tails in Tr. Oz
Pit 1	Jig 1	247	.436	3.53	56.76	Trace Au; Trace Ag Au .1 ; Ag .22
	Jig 2	492	.015	.061	.98	
	Bowl	6	.008			
	POND Tails	54	.084			
Pit 2	Jig 1	174	.970	11.15	179.29	Trace Au ; Trace Ag Au .5 ; Ag .8
	Jig 2	887	.034	.077	1.24	
	Bowl	28	.036			
	POND Tails	16	.005			
Pit 3	Jig 1	199	.296	2.975	47.84	Au .1 ; Ag .2 Au .1 ; Ag 1.1
	Jig 2	524	.007	.027	.43	
	Bowl	33.5	.009			
	POND Tails	13	.0000			
Pit 4	Jig 1	426	1.007	4.72	75.89	Au .3 ; Ag .7 Au 1.2 ; Ag 3.1
	Jig 2	615	.025	.081	1.30	
	Bowl	68	.043			
	POND Tails	20	.002			
Pit 8	Jig 1	260	1.59	12.23	196.78	Au .3 ; Ag .7 Au .3 ; Ag 1.0
	Jig 2	633	.008	.025	.40	
	Bowl	26				
	POND Tails	9				
Pit 9	Jig 1	97	1.31	27.01	434.32	Au Trace; Ag 1.0 Au Trace: Ag .3
	Jig 2	209	.03	.29	4.66	
	Bowl	3	.012			
	POND Tails	12	.008			
Pit 1W	Jig 1	459	.412	4.36	70.11	Au .52 ; Ag 1.1 Au .1 ; Ag .14
	Jig 2	537	.014	.052	.84	
	Bowl	28	.02			
	POND Tails	7.5	.01			

Screen Analysis & Amalgamation Test. A screen analysis and amalgamation test were performed by Mr. Robert Craig in June 1981 from the samples taken from Trio Claim (10) as follows:

(a). Screen Analysis - 5 Gallon Bucket

Size	Weight (%)	Au, oz/ton	Ag, oz/ton
-5/8' - +1/4"	55.1	tr.	tr.
-1/4" - +10 mesh	11.8	"	"
-10m - +20 "	3.3	"	"
-20m -	20.8	.040	1.00

Cyanidation Test.

The claim owner Mr. Robert Craig performed a cyanidation test on -100 mesh jug tailings in December 1981 (11). The sample was leached 48 hours by cyanide agitation leach and the gold/silver was extracted by carbon absorption. The test results are as follows:

Product	Au, oz/ton	Ag, oz/ton
Barren solution	tr.	.03
In carbon	.40	.60
Cyanide tailings	.04	.40
Calculated head	.44	1.03

Note:

1. The sample was the tailings from jig concentration.
2. % Recovery : Au 91%
Ag 61%
3. Lime consumption per ton ore : 2 lb
NaCN consumption per ton ore : 1.5 lb

Spectrographic Analysis.

A spectrographic analysis on the black sand sample taken from Trio Claim is given in Table 7. The analysis was done by Rocky Mountain Geochemical Corp., Reno, Nevada on June 1, 1981 (10).

Table 7. Spectrographic Analysis Results

Lower Detection Limit		Element	#3
10	ppm	Gold	150
0.5	ppm	Silver	70
5	ppm	Copper	20,000
10	ppm	Lead	5,000
200	ppm	Zinc	N
5	ppm	Molybdenum	N
0.05%		Iron	.1
50	ppm	Tungsten	N
5	ppm	Nickel	50
10	ppm	Cobalt	N
20	ppm	Chromium	70
20	ppm	Cadmium	N
200	ppm	Arsenic	1,500
100	ppm	Antimony	10,000 (G)
10	ppm	Manganese	N
10	ppm	Vanadium	20
10	ppm	Bismuth	500
10	ppm	Tin	1,000 (G)*
10	ppm	Zirconium	N
10	ppm	Boron	N
10	ppm	Barium	50
2	ppm	Beryllium	L
20	ppm	Lanthanum	100
10	ppm	Niobium	N
5	ppm	Scandium	N
100	ppm	Strontium	N
10	ppm	Yttrium	N
0.05%		Calcium	.05
0.02%		Magnesium	N
0.001%		Titanium	N
0.2%		Sodium	N
0.5%		Potassium	L
1%		Silicon	N
0.5%		Aluminum	N
0.1%		Phosphorus	N

N - Not Detected

L - Detected, but below limit of determination

G - Greater than value shown

*G - Very high values

THE WRITER'S OBSERVATIONS

The present writer's preliminary mine examination and literature survey on both Sixmile Canyon Placer and Gold Canyon Claims are summarized as follows:

1. The accessibility, electrical power and water sources, and labour and material supply conditions are excellent.
2. The operation can be year round, except an unusually severe snow season.
3. In view of the regional geological settings and previous reports, it is believed that the property has a vast amount of economically feasible gold/silver placer deposit which is ready to be a major gold/silver producer in the west with a large scale operation.
4. All regulatory permits have been granted and there exists no public relation problem for mining and processing operations of the property.
5. Mr. Robert Craig, representative of the Gold Canyon, Inc. is an unusually progressive, active, and hard working mine operator. He has developed the modest technical and economical gold/silver recovery system with cooperation of the Research Center, U.S. Bureau of Mines, Reno, Nevada.

ESTIMATION OF IN-PLACE VALUES

Although the previous exploration reports indicate various high grade gold/silver deposit, the writer applied the most conservative or a bottom-line of the average grades of;

.02 oz/ton Au, and
.40 oz/ton Ag

in his estimation of the in-place values of the property as follows:

1. Total area;

Sixmile Canyon Placer : 320 acres
Gold Canyon Claims : 800 acres
Total 1,120 acres or 48,787,200 feet²

2. Assume average thickness : 50'

3. Total volume;

$48,787,200 \text{ ft}^2 \times 50' = 2,439,360,000^3$ or 90,346,666 yd³

4. Total tonnage;

At 1.5 ton/yd³, total 135,519,999 tons of sand/gravel

5. Gold/silver deposit;

Gold : .02 oz/ton x 135,519,999 tons = 2,710,000 ozs.
Silver : .40 oz/ton x 135,519,999 tons = 54,208,000 ozs.

6. In-place values of gold/silver deposit;

At \$300/oz Au and \$6/oz Ag,
In-place value of gold : $\$459.50 \times 2,710,000 \text{ ozs.} = \$1,245,245,000$
In-place value of silver : $\$7.39 \times 54,208,000 \text{ ozs.} = \$400,597,120$
Total in-place value = \$1,645,842,120

ECONOMICAL ANALYSIS

This analysis is made based on 2,000 tons per day operation for 25 days per month and 300 days per year.

1. Cost/ton;

The per ton cost of mining and processing is estimated by Mr. Robert Craig as follows:

Contract Mining 600,000 T/P/Y	@\$1.00	\$600,000.
Screening 600,0000 T/P/Y	@\$0.50	300,000.
Agglomeration (25% 600,000 ton)		
150,000 T	@\$0.85	127,500.
Pad Construction	@\$0.80	120,000.
Load Ore Pad	@40.50	75,000.
Heap Leach Operation	@\$0.85	127,500.
Cost of Cell Operation	@\$0.12	18,000.
Chemical Reagents	@\$0.75	112,500.
Restructure Land to original appearance according to BLM law	@\$0.50	300,000.
Miscellaneous	@40.50	75,000.
Estimated Total Cost		\$1,855,500.

Note:

1. The screening will eliminate 75% of the sand/gravel or only 25% of 600,000 tons = 150,000 tons will be processed after screening.
2. The total per ton cost = \$1,855,000 - 600,000 tons = \$3.09;
however, with installation of a new improved electrowining system, the total unit production cost will be less than \$3.00/ton. Therefore, \$3.00/ton production cost is used in this analysis.

2. Production;

At 80% recovery of gold and silver,

Au : .02 oz/ton x 2,000 tpd x 80% = 32 ozs./day production

At \$300/oz, \$300/oz x 32 ozs./day = \$9,600/day production

Ag : .40 oz/ton x 2,000 tpd x 80% = 640 ozs./day production

At \$6/oz, \$6/oz x 640 ozs./day = \$3,840/day production

Therefore, total production = (\$9,600 + \$3,840)/day = \$13,440/day

Total production cost per day = \$3.00/ton x 2,000 tpd = \$6,000/day

Therefore, the cash flow = \$13,440 - \$6,000 = \$7,440/day

3. Income;

\$7,440/day cash flow

$\$7,440/\text{day} \times 25 \text{ days/month} = \$186,000 \text{ cash flow per month}$

$\$7,440/\text{day} \times 300 \text{ days/year} = \$2,232,000 \text{ cash flow per year}$

Note: The operation cost, capital cost, and taxes are not included in this analysis.

4. Mine life;

Total deposit = 135,519,999 tons sand/gravel

At a conservative mining recovery of 50%, 67,760,000 tons reserves;

At 2,000 tpd mining, or 600,000 tpy mining, the mine life will be;

$67,760,000 \text{ divided by } 600,000 \text{ tpy} = 112 \text{ years}$

Note: The operation capacity can be 3,000 tpd, 4,000 tpd, 5,000 tpd, etc; however the production cost will be inversely reduced as the operation capacity increases.

APPENDESE

A brochure and a financial statement of the Gold Canyon, Inc. are included in Appendix B respectively.

ANALYTICAL LABORATORY

Assay laboratory, 100' x 200', was built by Mr. Julius Bunkowski the owner of the Sixmile Canyon Placer including fire assay and Dore bar equipment in Mound House, Nevada, approx. 5 miles east of Carson City on U.S. Highway 50. In early 1985, The Gold Canyon, Inc. leased the laboratory from Mr. Julius Bunkowski with option to buy and added an Atomic Absorption tester and a bottle leaching equipment (Figure 15).

Yung Sam Kim, Ph.D.
President
Nevada Institute of Technology
Reno, Nevada
July 1985

REFERENCE

1. Moore, J.G. Geological Map. Nevada Bureau of Mines & Geology, Bull.70 & 75, 1969.
 2. Scott, J.H. Magnetometer Survey of the Sixmile Canyon Site Near Virginia City, Nevada. Mine System Engineering Center, U.S. Bureau of Mines, Denver, Colorado. pp. 10, August 1967.
 3. Uhalde, J.H. Survey of Sixmile Quarry Products Inc. Geological Engineering. pp. 19, June 1972.
 4. _____ Supplemental Report. pp.4, February 1973.
 5. Parker, D. The Gold Canyon Placers. California Mining Journal, May 1985, pp. 60-62.
 6. Pye, W.D. Mine Examination Report on Gold Canyon Claims. Consulting Geologist, Tucson, Arizona. pp. 6, August 1974.
 7. Heinen, H.J. Report On Laboratory Tests. U.S. Bureau of Mines, Reno. Nevada. pp. 2, June 1975.
 8. Masero, K.J. Evaluation of Dayton Placer Samples From Nevada. Masero Laboratories, Palo Alto, California. pp. 7, February 1981.
 9. Western Testing Laboratories, Reno, Nevada. Report of Analysis. May 21, 1981.
 10. Shedd, E. Assay Report. Carson City, Nevada. June 8, 1981.
 11. Beecher, F.A. Spectrographic Analysis. Rocky Mountain Geochemical Corp., Reno, Nevada. June 1, 1981.1
-

Beta Minerals Exploration

Dave W. Parkhurst

Mining Writer & Consultant

P.O. BOX 4179, Carson City, NV 89702

September 6, 1984

To: GOLD CANYON PLACERS INC.

P.O. Box 333

Dayton, Nevada 89403

Mr. Robert W. Craig:

As per your request of August 6, 1984 (approved Aug. 14), the following evaluation and assessment report has been prepared concerning the placer gold properties held by Gold Canyon Placers Incorporated in the Gold Canyon Mining District (also known as: Chinatown, Dayton, Devil's Gate and Silver City Districts) in Lyon County, Nevada.

This report deals specifically with the Gold Canyon Placer Claims #1 through #48 (new configuration) which cover most of the original placer claim groups (i.e., Gold Star, Trio, D.S., S.D., Badger & Congress in the East Group, and Nugget, Star, Stan's, EZ (part), Nugget and Mustang in the West Group); excepting most of the Gold Bug and a portion of the EZ placer.

The area covered by these placer claims totals approximately 845 acres, divided into 440 acres in the East group (located in T16N, R21E, M.D.M., Secs. 22 & 27) and 405 acres in the West Group (located in T16N, R21E, M.D.M., Secs. 20, 21, 27, 28, & 29). See the attached mining claim map for reference.

The following information was obtained from numerous sources, and specific references are given where appropriate. As insufficient data was available for certain portions of the properties at this time, conservative projections have been made for some of those areas involved. All such projections are identified in the following report.

Placer Mining History of Area

Placer gold was first discovered at the mouth of Gold Canyon, near Dayton in Sec. 23, T16N, R21E, in 1849. Over the following eight years to 1857, it is estimated that placer gold production from the district amounted to about \$548,600 (@ \$16 per ounce = 34,287.5 troy oz. Au). Production was achieved entirely by hand methods during this period (Lord, "Comstock Mining & Miners", 1883, p. 15-24). Average earnings over the period were about \$4.50 per day per man, during a placer season which lasted for about seven months each year due to the scarcity of adequate water supplies. (The gold estimate may be low, as gold prices were about \$13 per ounce on the Comstock in 1857 (Lord, 1883) due to the relatively high silver content).

Placer mining continued on a small scale in the district through the remainder of the 1800's, but the amount of gold production is not known (Johnson, "Placer Gold

Deposits of Nevada," USGS 1959). A large number of Chinese worked all of the ravines and washes in the area, and also did considerable drift mining at depths up to 120 feet in alluvial fan gravels west of Dayton. Evidence of old placer workings and numerous prospect holes are found throughout the district.

According Vanderburg (Nevada Bureau of Mines Bulletin #27, 1936), considerable placer gold has been found in the alluvial fan west of Dayton at various depths up to 50 feet. He states that a dredge operated by the Gold Canyon Dredging Co. between Sept. 5, 1920 and April 5, 1923 recovered bullion totaling 14,625.3 troy oz. gold and 7,482 troy oz. of silver from approximately 3 million cubic yards of gravel. (At \$400 per ounce, this averages a recovery of about \$2.25 per cu. yd.) Losses in the tailings were reportedly very high, especially in fine gold, because the dredge pitched violently while digging the large boulders in the gravels. This area is on the north side of the East Group (see descript.).

Vanderburg mentions that, according to J.H. Rae, Jr., the Rae Placer ground had been sampled by several companies which found the average value of gold in the placer gravels to be about 24 cents per cubic yard (with gold at \$35 per oz.) at a fineness averaging about 661. (This is equal to an average of \$2.74 per cu. yd. at \$400/oz.). The Rae Placer covers roughly the same area that is now called the East Group of placer claims (i.e., Gold Star, S.D., D.S., Trio, Badger & Congress).

According to the Nevada Bureau of Mines & Geology Bulletin #75 (p. 25), in 1940 the Oro-Neva Dredging Co. produced \$127,577 in placer gold from the Rae Placer (Johnson, USGS 1959 states 3,365 oz. gold and 1,703 oz. silver). No volume estimate is mentioned. The Dayton Dredging Co. (in 1941-42) recovered about 32,000 ounces of placer gold from an area 2000 feet wide and 2200 feet long near Dayton (east of Rae placer).

Johnson (USGS 1959) mentions the Dayton Dredging Co. recovered 3,900 ounces of placer gold in 1946-47. The same company produced about 500 ounces of gold per year during 1952 through 1954. No volume of gravels processed is given.

The above information represents a cumulative total of known placer production from operations in the district of approximately 896,778 troy ounces of gold over the period from 1850 through 1954.

Recent Reports

According to a report by Carl A. Olson in 1971, the Gold Bug Placer claim (160 acres of West Group) was tested from shallow backhoe trenches. Gold Values from assays of combined free gold and black sand concentrates ranged between \$0.67 and \$13.00 per cubic yard (gold at \$35 per oz.). Free gold values ran from 0.5% to 11% of the total values. This equates to about 0.019 to 0.37 ounce of gold per cubic yard. These figures seem high for this area, as recent sampling indicates values between \$0.90 and \$3.25 per cubic yard. No sampling has as yet been done to bedrock in the low-dip area of

bedrock in this area, which represents the best potential for concentration of gold values in a channel configuration.

A report by geologist Willard D. Pye in 1974 states that a probable 37 million cu. yd. of placer gravels are located on the East claim group (Gold Canyon Placer 27 through 48). His sampling averages were taken from approximate volumes of gravels run down to black sand concentrates and, computed from his figures, indicate averages of between .005 and .027 oz. per cu. yd. These figures indicate values between \$2.00 and \$10.80 per cu. yd. at present prices. Recent sampling averages of this area, over the west half of the claim group (S.D., D.S., Trio & Badger), range between .00615 oz./cu. yd. (\$2.46/cu. yd.) and .0258 oz./cu. yd. (\$10.32/cu. yd.). Cumulative totals of 34 samples average .01977 oz. gold per cubic yard for the bulk of the west half of the East claim group (\$7.90 per cu. yd. at \$400 per ounce).

Several other reports were compiled on both the East and West groups of placer claims, with generally higher estimates of gold values per ton or cubic yard. As these figures were not substantiated by controlled assays or field work, they were not used in the preparation of this report.

A significant difference between the mining and analytical procedures employed in the past and those available at the present time was noted. All of the past precious metals recovery methods, both for production and analysis, were concerned primarily with extracting free gold and silver values. Most of the processing methods employed were very inefficient, and recovered mainly the larger and heavier gold particles. The greater percentage of the fine gold and "locked-in" values (precious metals encased in matrix rock or "black sands") were lost in the tailings. A very conservative estimate places this "lost" values as representing between about 50 to 75 percent of the total values contained in the gravels. This discrepancy alone would account for the differences between production and sampling results obtained in the past and those obtained more recently. For example, a conventional sluice box test run of approx. 50 cu. yd. of gravel from the D.S. Placer in 1981, where both concentrate and tailings were tested, assayed over twice as much gold in the tailings as was present in the concentrate.

Geology & Origin of Placer Gravels

It is generally accepted that the placer gravels composing the alluvial fan at the mouth of Gold Canyon eroded from the southern portion of the Comstock Lode, which includes the Gold Hill and Silver City areas. According to Johnson (USGS 1959), the precious metals originated in brecciated quartz veins containing native gold and silver sulphide, which range in age from 12.4 to 13.7 million years. Johnson mentions the possibility of placer gold occurring in Tertiary gravel deposits in the area, but states the age of mineralization (Miocene or Pliocene) precludes the presence of placers in gravels older than Pliocene. Several Tertiary gravel deposits have been found in the surrounding districts which are capped by several feet to several hundred feet of more recent lav flows (predominantly rhyolite).

Gold-bearing placer gravels in the district are of Quaternary age, and show evidence of being deposited in more recent times. Several geological reports by the USGS and Nevada Bureau of Mines state that gold values drop sharply below about 40 feet in depth (Vanderburg says 50 ft.).

There is strong evidence that the alluvial fan is interlaced with multiple stream channels. As these would represent the greatest potential for concentrations of higher-grade placer gravels, it is interesting to note that exploration efforts in the past have not been made in this direction.

The bulk of the placer material consists of angular and subangular fan gravels, the greatest portion of which was deposited by surges of runoff water. This had a tendency to mix the gold particles within the gravel mass, providing a fairly even distribution of values in multiple layers within the fan gravels. Excepting those areas where stream sorting action would concentrate values, each separate layer of gravel could vary considerably in gold content from those immediately above and below it, depending upon the conditions existing at the time of deposition.

The Spring Valley, or West Claim Group, placer area was formed largely by eluvial deposition (transitional creep), and represents the product of local erosion of surface materials. Several lode mines are located in the immediate vicinity at higher elevations, and practically all of the eroded material from these veins would be located in the basin area between Sections 21 and 28 (Gold Bug & Nugget Placers).

The bulk of the gravels are angular and subangular, and vary in depth from 30 to 50 feet on the north to between 50 and 90 feet on the south. Several near-surface stream channels have been identified which are fairly shallow in depth. A dip in bedrock extends from north to south and varies in depth from near 50 feet to about 90 feet, averaging about 125 to 150 yards in width. This dip area has not yet been sampled.

Very little placer mining activity has taken place in this area in the past, probably due to the fairly low grade surface gravels. Because of the mode of deposition, the most likely areas for gold concentration would be on bedrock. The best area to investigate seems to be the lowest dip in bedrock mentioned above, especially if stream sorting action took place at depth.

No data was available for the placer claims located in Sections 20, 29 and portions of 28, so no geological assessment can be made concerning these properties at this time. There are, however, surface stream gravels in evidence on portions of these claims (Stang's, Stan's and portions of Nugget). Further investigation would be necessary to determine precious metals values in this area.

Preliminary Volume & Grade Estimates

- (1.) There is approximately one-half of a square mile (320 acres) of unworked placer ground covered by the East group of claims. The gravel depths vary from about

2 to 25 feet in the northwest corner (40 acres of the property, and vary from about 25 to 80 feet on the balance of the claims (280 acres). A conservative estimate of the average gravel depth for the area is roughly 40 feet (approx. 13 yds.). This is also the point at which values have been found to drop sharply. One-half square miles is 1,548,800 sq. yds. (1760 X 880) times 13 yd. depth = 20,134,400 cu. yd. total.

From the data available, it appears that the bulk of the gravels (60 to 70%) would average about \$3.00 per cu. yd. The balance (30-40%) would probably average about \$5.00 per cu. yd. With values calculated at \$400 per troy ounce for gold, this would yield low and high estimates of:

1.) 70% @ \$3/yd. = \$42,282,240 + 30% @ \$5/yd. (\$30,201,600 = \$72,483,840

2.) 60% @ \$3/yd. = \$36,241,920 + 40% @ \$5/yd. (\$40,268,800) = \$76,510,720

It should be kept in mind that the potential for richer gravels in stream channels within the alluvial fan could significantly affect the above estimates. Also, if only the known higher-grade gravels were processed, the probable value estimates would range between \$30 to \$40 million.

- (2.) It is projected that the West Claim Group contains approximately 40 million cu. yd. of gravel (partially verified by seismic survey), of which only a small known percentage could be profitably worked at this time. The low-dip bedrock area of the Gold Bug and Nugget claims would contain about 5 million cu. yd. If this gravel average \$3.00 per cu. yd., it would yield close to \$15 million. Bedrock values could increase this amount significantly.

General Assessment of Property

Depending upon economical processing costs for each unit volume or weight of gravel, this placer property definitely contains sufficient quantities of precious metals to warrant large-scale mining operations. Known areas of higher grade gravels could be worked simultaneously with an ongoing exploration and evaluation program. Proven and probable placer reserves indicate this deposit has a high production potential.

Personal evaluation of the properties by the writer, to the extent possible in a limited time frame, verified most of the data previously compiled on the property. New exploration work was initiated during the preparation of this report which proved the occurrence of two major stream channels, and indicated the probable presence of three more, in the alluvial fan area of the East Group of claims located in Gold Canyon.

Check samples were taken at several points to verify previous data and to indicate those areas having the highest potential. Only median results were used in compiling this report, even though several samples ran fairly high.

Conservative estimates were used when making the volume and grade estimates, and should represent minimum volumes and values actually present in the placer gravels. Indications show a much higher potential for the property.

Evaluation Estimate

By employing conventional placer mining techniques and equipment for this type of mineral deposit, it is estimated that the combined processing and operating costs per unit volume of gravel could be held to an average of \$1.25 or less per cubic yard. Based upon the above mentioned volume and grade figures, this would yield a potential profit range of:

- 1.) (East Group) 70-30 ratio yields potential profit of: \$47,315,840.
60-40 ratio yields potential profit of: \$51,342,720.
- 2.) (West Group) projected profit potential of: \$8,750,000.

The above figures would place an approximate net value for the Gold Canyon Placer properties, with the data available at this time, at between \$56,065,840 and \$60,092,720.

Assuming a mining and milling rate of 2,000 cubic yards per day, this placer operation would last about 27.5 years and yield about \$2.03 million to \$2.18 million net profit per years (with a base gold price of \$400 per troy ounce).

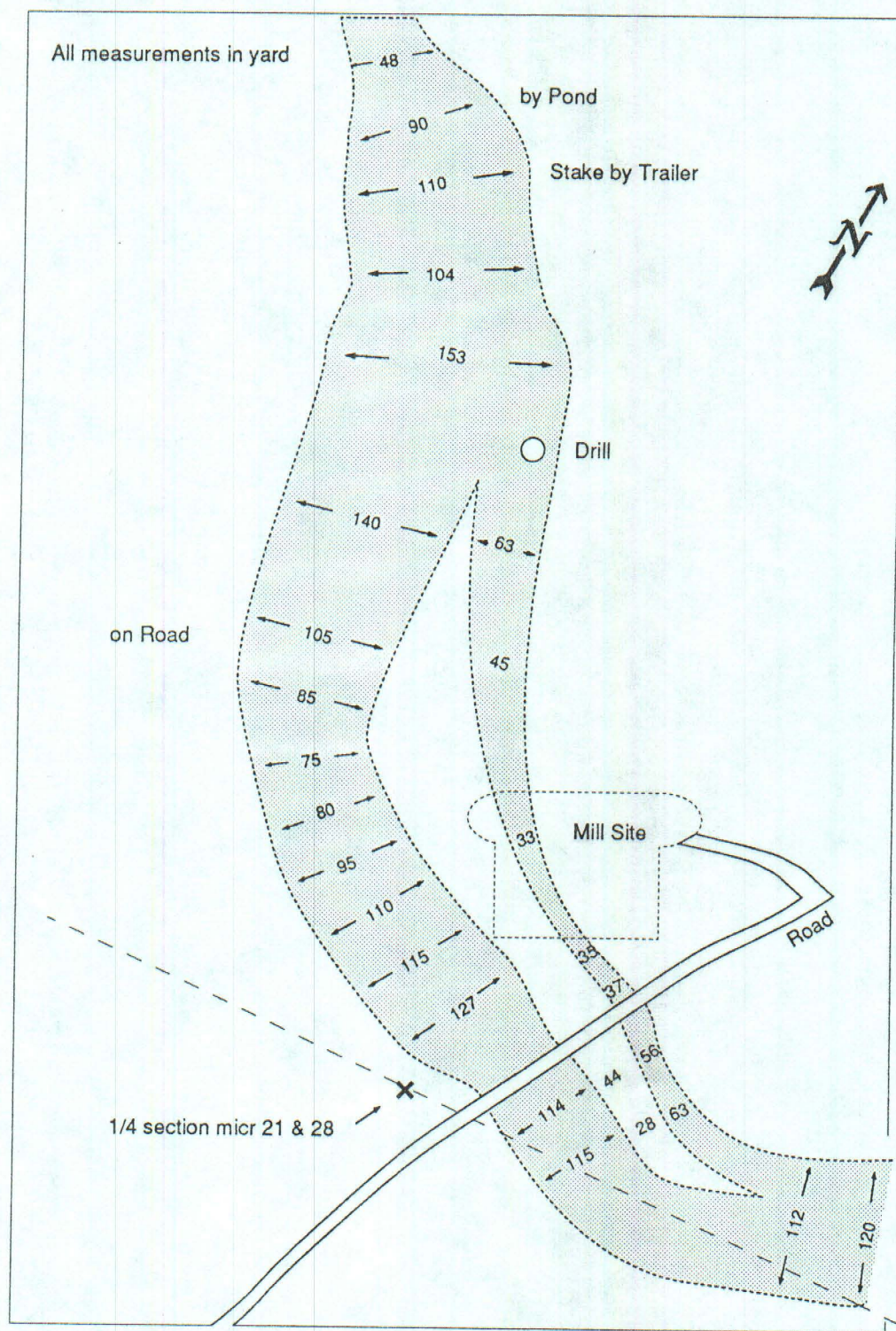
note: Copies of all materials related to this report are being kept on file, including assay reports, field notes, sampling results, previous reports and published information, and are available for confirmation of the data used in compiling this evaluation.

Report compiled by:
Dave W. Parkhurst
P.O. Box 4179
Carson City, Nevada
89702

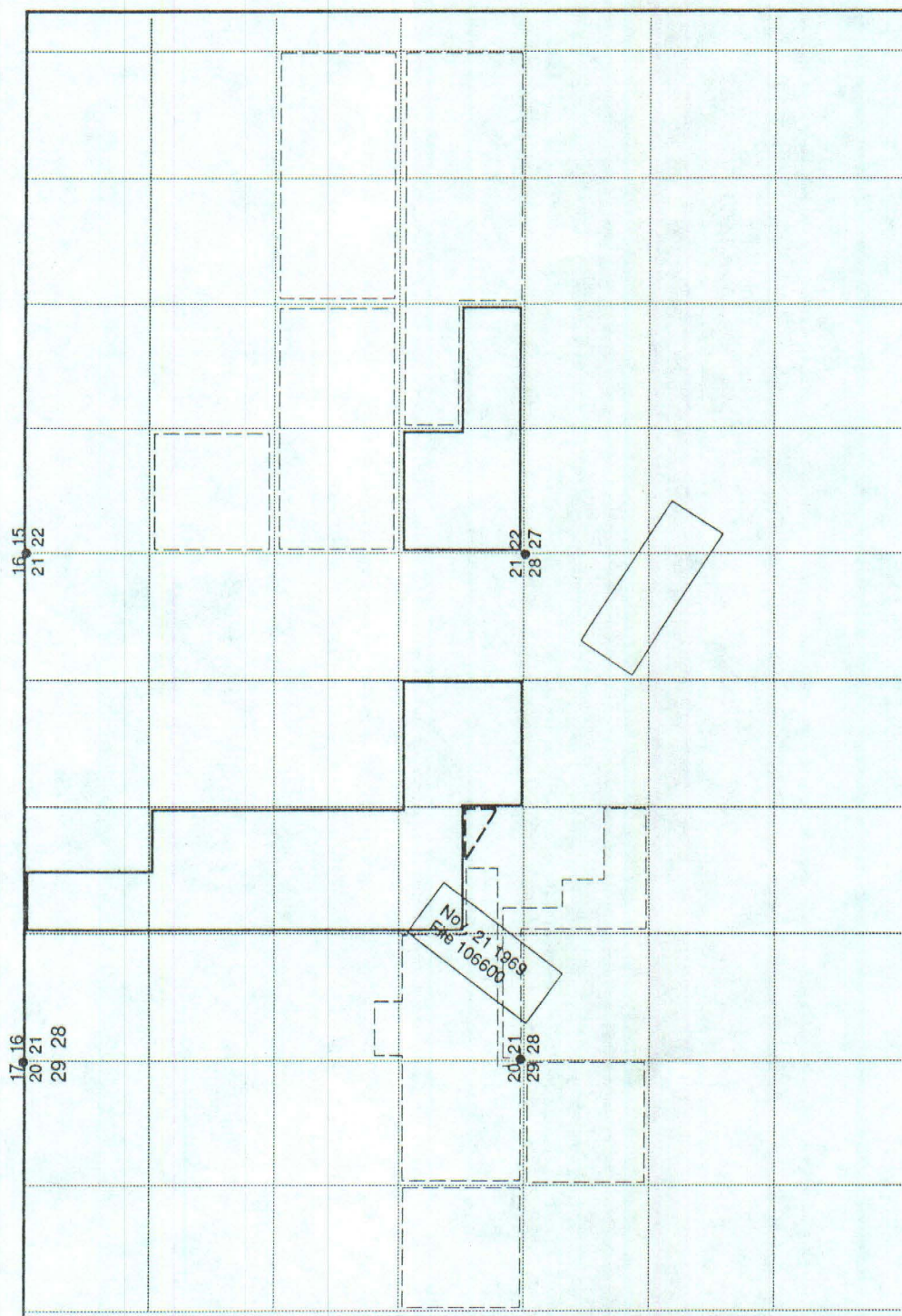
(702) 267-3703



Gold Bug Properties

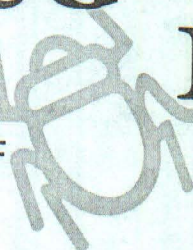


Gold Bug and Trio Claims



GOLD BUG MINING INC.

MINING AND PROCESSING OF
PRECIOUS METALS



SURVEY OF SIX MILE QUARRY PRODUCTS INC.

John Uhalde - General Engineering

June 5, 1972

The Six Mile Quarry Products has 320 Patented acres of workable gravels with depths ranging from 60 to 125 feet.

The property is located from the mouth of Six Mile Canyon to Highway 50 along the Carson River. Six Mile Canyon is the main drainage for the famous Comstock Lode at Virginia City and parallels the noted man-made Sutro Tunnel drainage of the Comstock Lode.

This is one of the largest virgin placer gravels, in a workable surrounding, left in the Western United States.

Access to the property is excellent: U.S. Highway 50 running through a corner of the property with the Easterly property boundary line being the highway. The Storey County Six Mile Canyon Road runs Westerly and Easterly through the holding. A road from the Sutro Tunnel connects with the placers also.

Electrical power is available and power lines are on the Northerly side of the ground.

Until April first Six Mile Creek runs water. It goes through the property. Subsurface water is at all times available. On the lower end of the property adequate water availability is present to handle any size operation.

Telephone communications can easily be established. An airplane landing strip can be very inexpensively leveled at most parts of the property, but the better location would be adjoining Highway 50.

Reno, Nevada supply source and machine shop facilities are only one hour driving time away from the proposed placer project.

The area is one of an all year operating season. Only limited winter snowfall is recorded on the ground for the past 100 years.

The geology of the area is covered in Nevada Bureau of Mines Bulletin 75, United States Geological Survey MF 80 and Geological Survey Circular 596. See Exhibits 1, 2, and 3 in the Appendix.

The U.S. Bureau of Mines considered the area potentially worthy as a placer deposit and included the site in their Heavy Metals Program. They completed a magnetometer Survey and a refraction Seismic Survey, primarily to determine the depth of the deposit and any peculiar faults, erosion scarps, or channels in the fan. This work was field executed in 1968 and now awaits publication.

Summarizing the Geology of the Six Mile Canyon Fan:

Six Mile Canyon drained the Comstock Lode gold-mining district during Quaternary Time. It is considered probable that large amounts of gold were carried and deposited in placers in the fan.

The Six Mile fan is a remnant of the late Pleistocene pluvial lakes.

One fault follows along the middle of Six Mile Creek, and another two faults striking parallel with the mountain front.

The rocks in the fan consist of lake boulders, diorite, quartz, black sands and alluvial sands. It also contains erosion rocks of diorite, hornblende, andesite, porphyry, and chlorite.

History of Previous Work in the Area:

The Six Mile fan prior to Six Mile Quarry Products has had considerable small acreage reviews. Very little evaluation results were accomplished.

The work done by Becker, Gus A., and Collins, Clyde C., both qualified placer engineers, on 160 acres owned by the late Judge John Ross can be considered of merit.

Seven shafts were sunk on Six Mile Stream. These shafts varied in depth from 60 feet to 90 feet. Bed rock was not reached in any of the shafts. The values per foot are not available. Becker estimated 8,414,000 cubic yards as positive from the seven shafts with a value of 47.6 cents per yard in free gold and a value of 83 cents per yard in gold by fire assay combined splits.

See the following List of Comstock map - Becker shafts, location and depth values.

Existing Exploration:

Six Mile Quarry Products has drilled an 8 inch by 160 foot deep well. The log and survey of this well is attached.

The present pit represents seventy thousand tons of bank run material. Approximately forty-six thousand tons of rock products have been crushed and dry screened and used by the construction industry.

Approximately twenty-four thousand tons of minus three-eighths dry screened products are at the pit for metallurgical evaluation.

Nine drill holes have been placed by Six Mile Quarry for review and show economic potential. See following reports of drill holes and assay results (Exhibits 4, 5, and 6 in the Appendix.)

Evaluation:

At present Six Mile Quarry is installing a 20 ton per hour flow sheet. The stockpiled twenty-four thousand tons of dry screened minus three-eighths material will be fed by rubber-tired loader to a storage hopper. A feeder conveyor transports the feed to a five foot rotary scrubber. The scrubber slurries the feed, with Seperan 10 and one per cent caustic added. The slurry discharges into a water pressure mixer chamber; this control allows proper pulp density and cross flow water over a forty-two by forty-two Pan American duplex jig. The Pan American discharges onto a twenty-four by thirty-six inch duplex Denver mineral jig; the Denver jig discharges into a hydraulic trap thru eighteen feet of burlap covered riffles.

The jigs are set at a concentration of approximately twelve to one—the hutches are self-discharging. The hutch products are combined and flow by gravity to a one foot by four foot wet magnetic separator for immediate removal of magnetic minerals, primarily magnetite. The non-magnetics flow by gravity to a two inch by one and one-half inch Naylor sand pump, for control density of thirty-five percent solids, to a number 4 Humphrey Spiral. The spiral will be set to pull a concentrate cut of jig hutch product and a middlings product. The spiral tails feed by gravity to a seven foot by fifteen foot Deister diagonal wet shaker table. A table concentrate and middling product will be made.

The tailings product from all units return to a common sump, are blended and scrubbed by a two inch Denver Sand Pump and pumped to a special ten D.B. Krebbs Cone. The under flow product of this cone will be checked for lost values and stockpiled for concrete sand.

The concentrates and middlings will be dried and concentrated on Eldorado areofloat machines. These concentrates will be direct melted and amalgamated.

Calculations:

43,560 sq. ft. = 1 acre

1 acre 1 ft. deep = 1,613 cu. yds.

70,000 tons of bank runs from Six Mile Quarry pit No. 1

Rock sizes:

Plus 12 inches	= 1.2%
Minus 12" to plus 2"	= 29.8%
Minus 2" to Plus 3/8"	= 40.0%
Minus 3/8"	= 30.0%

Values:

Finished aggregate rock products F.O.B. pit average	\$1.72 per ton.
Finished concrete sand products	\$1.85 per ton
Magnetic Iron product, (60% plus iron content)	\$5.00 per ton
Gold - free recovery from 200 ton test	\$0.61 per ton
Gold combined by fire assay 200 ton test	\$0.65 per ton.

Summary and Conclusions:

After running the Six Mile Quarry minus three-eighths inch sand for a period of thirty days the economics of the recovery system and the volume success of the metallurgy will be factual and exact.

In conjunction with the recovery operation a recommended drilling program will be underway to compare with present pit material, establish depth, values, and consistency of the fan composition.

This combination of testing will establish factual information in establishing production reserves and recoverable values. The gravel fan appears to be relatively uniform and could prove 100,000,000 economic tons.

The production alignment of tons per day, metallurgical processing, sand and gravel tons per hour processing will be verified.

Present potential values are economical and show sixty-one cents per ton gold a \$35.00 per oz.; eight cents per ton magnetite based on five dollars F.O.B. pit; and forty-one cents per ton rock products (net F.O.B. pit) based on 200 tons per hour capacity.

The rock sales per year vary from 100,000 tons per year to 300,000 tons per year.

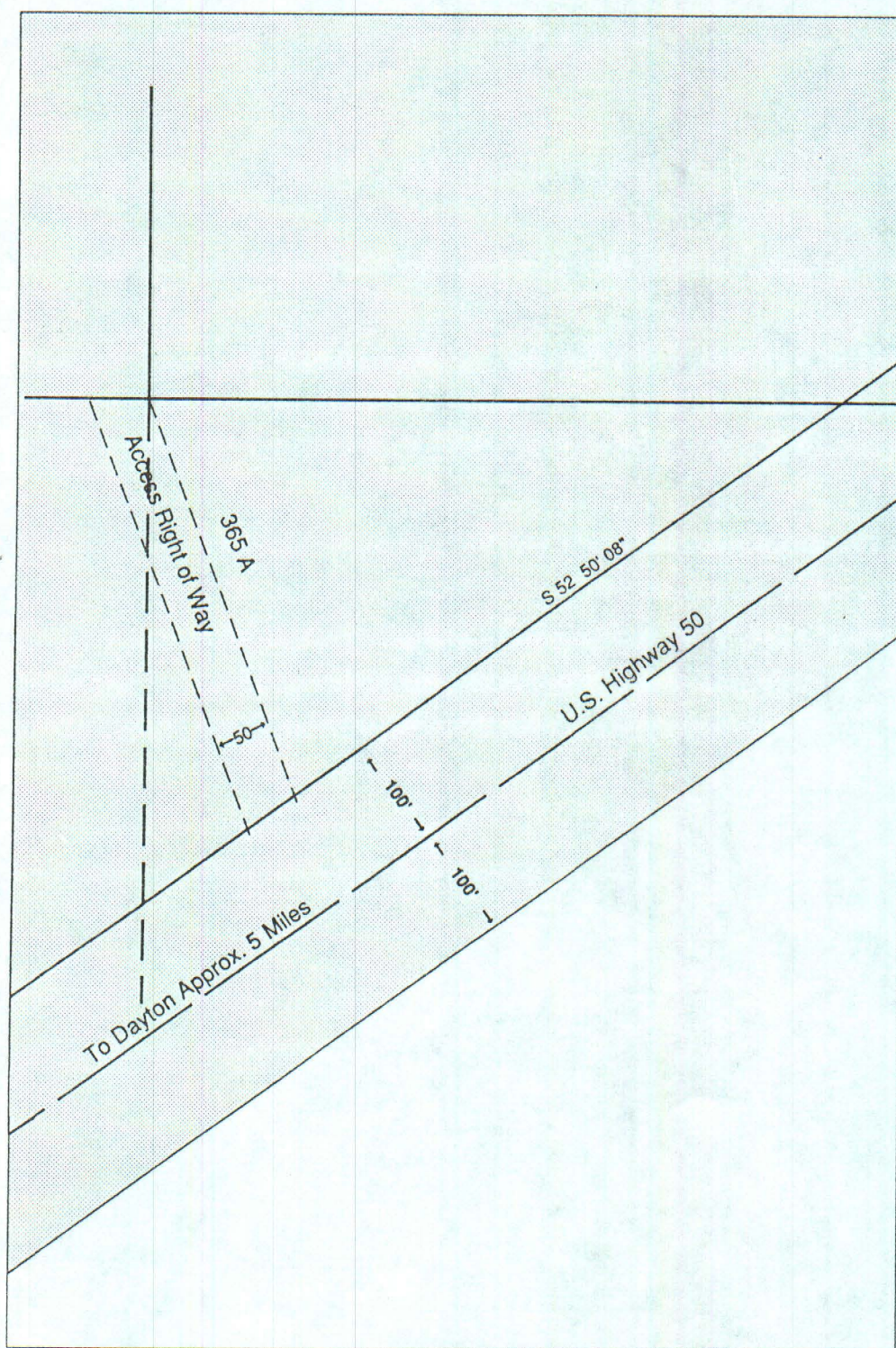
Therefore recovery	= \$.61	gold net
300,000 tons rock per year	= .41	rock products net
Magnetite	= .08	Fe (iron) net
	<u>\$1.10</u>	per ton

Potential:

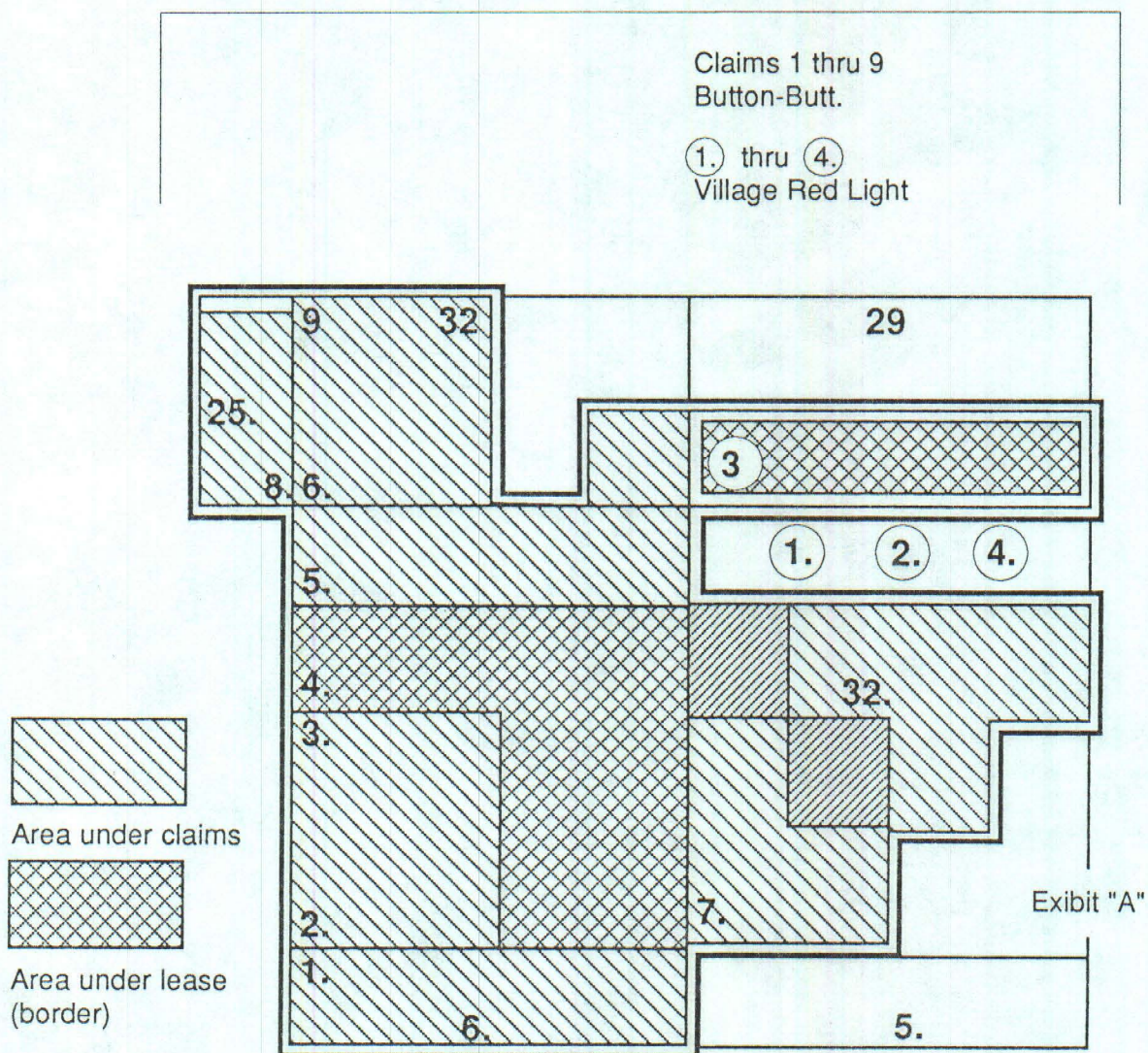
\$1.10 per ton of 300,000 tons per year and/or \$0.69 per ton on production less rock. For verification 100,000,000 tons x \$0.69 per ton of \$69,000,000 net value.

Sincerely yours,
John H. Uhalde
General Engineering
License No. 8069

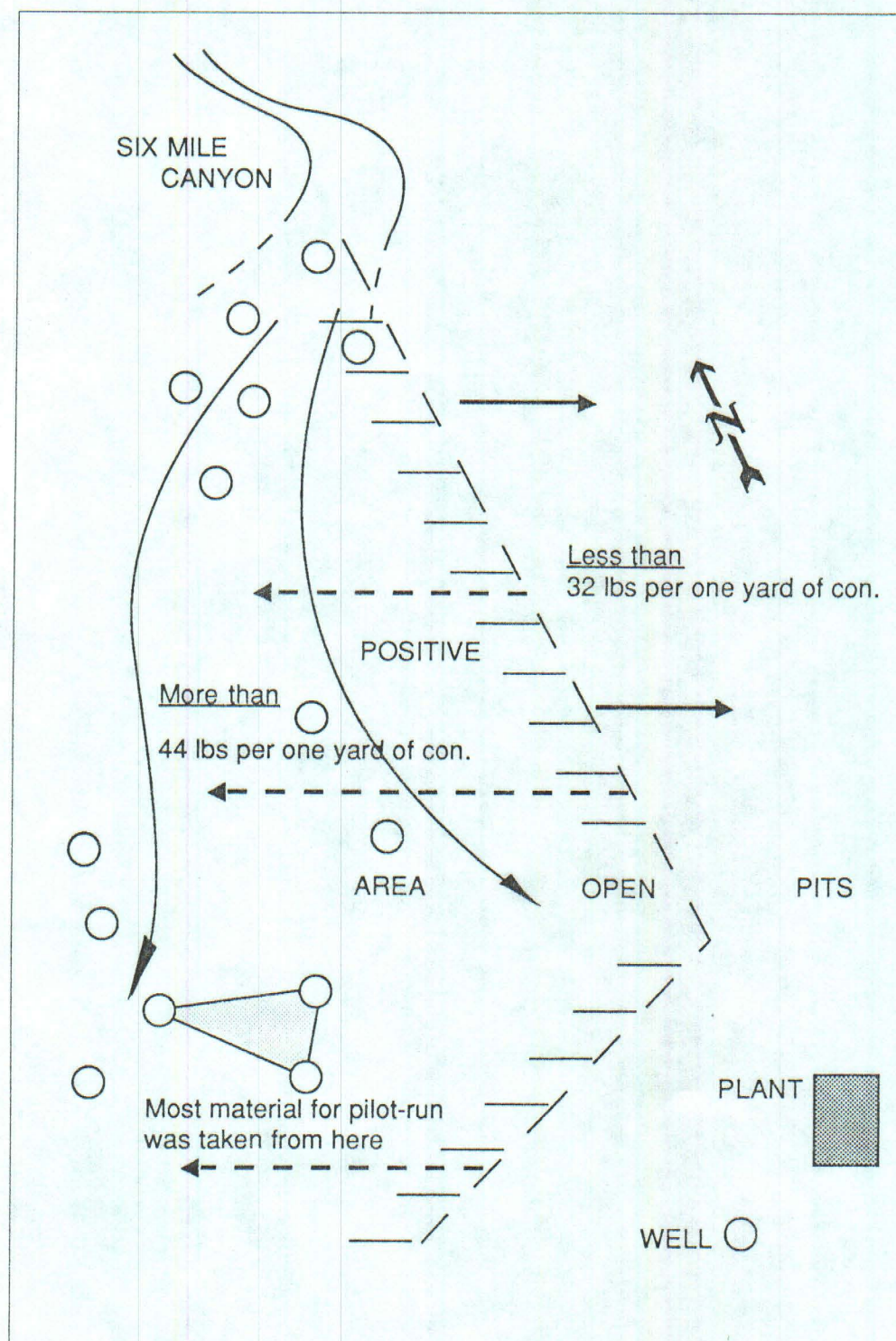
SixMile Quarry Products



SixMile Canyon Placer



Airborn Survey A. Exploration by Troy



SUPPLEMENTAL REPORT

By JOHN UHALDE, MINING ENGINEER

February 22, 1973

On June 5, 1972, I wrote a preliminary report on Six Mile Quarry Products testing. At that time we were processing twenty tons an hour of a dry screened minus 3/8" product. After two thousand tons of processing the 3/8", we processed 400 tons of 1/4" reject crusher chips and, finally, 300 tons of crusher dust.

We found each and all of these products had equal amounts of gold and silver. Although these values were substantial, they did not equal our tests on virgin bank run material. This testing was completed in November of 1972.

It was decided to bring in a portable screening and crushing plant to gain an accurate appraisal of the bank run material.

Cold weather and delays held this operation inactive until 1 Feb. 1973. From 1 Feb. to 20 Feb., 5400 tons of bank run material has been processed from existing pits. All material from 10" - 0" has been crushed and blended to -3/4".

Sampling of the 5400 -minus 3/4" crushed has been on an hourly basis and blended into a uniform product.

Sieve Analysis 3/4" 5400 tons

3/4" % Retained	0.05	Percent Passing	99.95
1/2" % Retained	16.45	Percent Passing	83.50
3/8" % Retained	15.95	Percent Passing	67.65
4 Mesh % Retained	24.20	Percent Passing	43.45
16 Mesh % Retained	23.60	Percent Passing	19.95
50 Mesh % Retained	11.00	Percent Passing	8.95
100 Mesh % Retained	3.30	Percent Passing	5.60
Washed + 200 Mesh % Retained	3.30	Wash Passing	2.30

Fire Assays

	Gold	Silver	Value per ton	
Minus -3/4" + 1/2"	= 16.5% wt	0.18 oz's	0.25 oz's	\$2.452
Minus -1/2" + 3/8"	= 16.0% wt	0.04 oz's	0.25 oz's	0.570
Minus -3/8" + 4M	= 24.0% wt	0.04 oz's	0.20 oz's	0.670
Minus -4M + 16M	= 24.0% wt	0.12 oz's	0.20 oz's	2.400

(continued next page)

The gold particles of this deposit are small, rough and hackly, adhering to quartz, andesite and rhyolite. The gold is not worn or nuggety, thereby indicating the gold is close to its original source—the Comstock Lode. This gold is an alloy of gold, silver, some copper and iron.

The Six Mile fan is considered one of the potentially outstanding placer deposits in the west.

Never has it had a harder or more thorough testing than the present. Number one: the routine of sampling a regular placer is to wash and screen test hole samples to -4 mesh, pan the concentrates and evaluate the free gold. When this procedure is followed at Six Mile you discard ninety percent of the values.

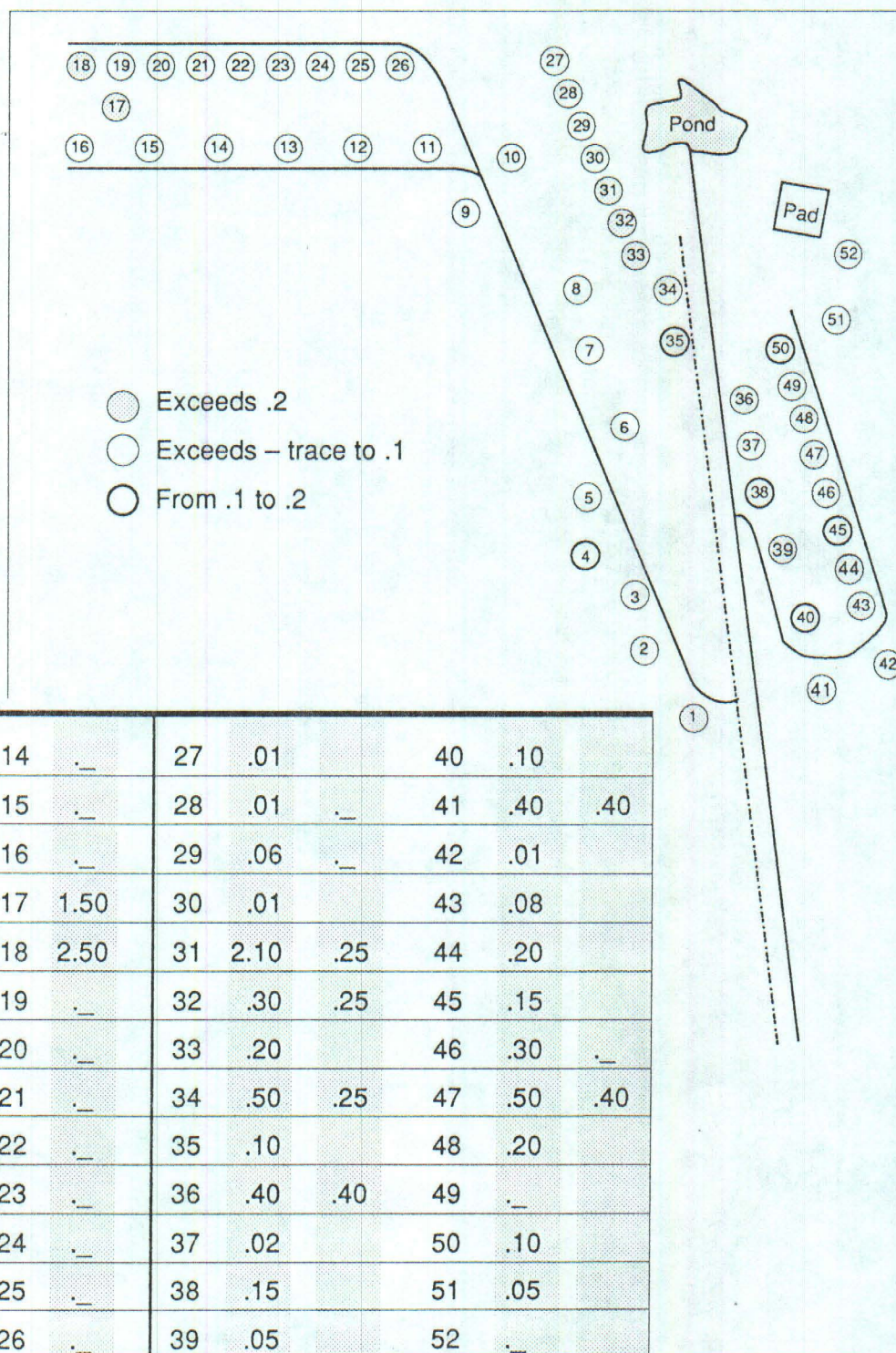
Number two: the Six Mile fan is now sampled by five thousand/ton increments, the minus 10" (inch) material to 0" (inches) is crushed to 3/4" size. Number three: the sizes are screened and assayed as presented earlier.

And number four: it has been determined to get the true values of this deposit, you must save, after wet scrubbing, all of the minus two inch material. This material has to be ground to minus eighty mesh; then it liberates the true value of \$11.52 per ton.

To summarize this in terms of production in ounces of available material is based upon Uhalde's report at 500 tons per day.

Gold per day	Per month	Per year
69.5 oz.	2,085 oz.	25,020 oz. at \$130.00 oz.
\$9,035.00	\$271,050.00	\$3,252,600.00
Silver	Per month	Per year
105 oz.	3,150 oz.	37,800 oz. at \$4.00 oz.
\$420.00	\$12,600.00	\$151,200.00

SixMile Canyon Placer 2nd Assay



SIXMILE CANYON PLACER

WELL # 1	Surface		WELL # 2
		0 - 5	.1
		5 - 10	.11
		10 - 15	.02
	.05	15 - 20	.05
	.01	20 - 25	.7
		25 - 30	
	.01	30 - 35	
		35 - 40	
		40 - 45	
	.24 .?	45 - 50	
	.02	50 - 55	
	34.0 1.2 .?	55 - 60	
	.5	60 - 65	
	.01	65 - 70	
		70 - 75	
	6.0	75 - 80	
		80 - 85	
		85 - 90	
	.8	90 - 95	
		95 - 100	
		100 - 105	
		105 - 110	
		110 - 115	
		115 - 120	
		120 - 125	
		125 - 130	
		130 - 135	
		135 - 140	

GOLD BUG MINING INC.

MINING AND PROCESSING OF
PRECIOUS METALS



Table of Contents

Johnson-Ross-Comstock-Property
Six Mile Canyon Placer Property/Dayton, Nevada

J.H. WREN - Professional Record

Wren Preliminary Report

Location Map

Johnson-Ross Placer Map

Claim Maps

Professional Record

JAMES H. WREN

Engineering Education

Post-graduate studies, knowledge of the Spanish language, holds U.S. passport, member of the American Institute of Mining and Metallurgical Engineers, author of technical engineering papers.

September 1, 1947 to date

Individual fee basis mining engineering and short term management assignments, specializing in production problems. Examples: Basic Refractories, Inc., a 3,500 tons per day magnesite project, Alker Copper-Gold Corp., 300 tons per day underground Au, Ag, Cu, Zn production and selective flotation plant operation, U.S. Tin Corp., Alaskan lode and placer tin production, Placeres De Sonora, 4,000 Cu. Yds. per day Mexican gold dredging, Northern Resources Corp., 100 tons per day quicksilver enterprise, Ecuadorian Enterprises, Inc., Ecuador Dredge Corp., Western Hemisphere Resources Corp., French Guiana gold placers, Consulting Mining Engineer to Morrison Industrial Development, Washington, D.C. and numerous other domestic and foreign firms for which examinations, evaluations and efficiency programs were successfully accomplished.

Reference:

Theodore Macklin, Ph.D., 3127 Hampshire Dr., Sacramento, California

H.P. Morrison, 1745 - K St., N.W. Washington, D.C.

J.M. Van Patten, 1714 Fletcher Ave., South Pasadena, California

July 1, 1945 to September 1, 1947

General Superintendent and Utah Manager for Metal Producers, Inc.; Chief operations: Horn Silver Mine, Milford, Utah. Upon arrival at the property a large deficit existed. By engineering alignment, mechanization and marketing adjustment, production was raised from 50 tons per day to a high of 400 tons in form of three products, complex selective flotation ore, crude smelting ore and a beneficiated shipment ore. Metals produced: Gold, Silver, Copper, Lead and Zinc. Operations were suspended August 11, 1947 as a direct result of Metallic Premiums termination on June 30, 1947 and the economic grade existing in the available underground reserves.

Reference:

J.W. Margram, 343 1/2 South Elm Drive, Beverly Hills, California

February 1944 to June 1945:

Superintendent, Tungstar Mine near Bishop, California. Project produced an average monthly of 3,000 W O3 units @ \$30 per unit tungsten market.

May 1941 to December 1943:

Supervisory duties connected with military construction related to rock excavation and

May 1941 to December 1943:

Supervisory duties connected with military construction related to rock excavation and heavy earth moving in foreign fields.

For eight years prior to 1941, worked as a miner, shiftboss, millman, mine foreman, mining engineer and superintendent at various Western U.S. mines.

Phone GLadstone 6-0922
4297 D Street
Sacramento, Calif.

Preliminary Johnson-Ross Report

Six Mile Canyon Placers - March 19, 1962

J.H. Wren & Co.
Consulting Mining Engineers

Location:

The Six Mile Canyon Placers is located some 18 miles Northeasterly from Carson City, Nevada on U.S. Highway Number 50. It is approximately six miles Northeasterly from the town of Dayton, Nevada and about six miles Easterly from the Comstock Lode town of Virginia, Nevada.

Access to the property is excellent: U.S. Highway 50 running through a corner of the property with the Easterly property boundary line being the highway. The Storey County Six Mile Canyon road runs Westerly and Easterly through the holding. A road from the Sutro Tunnel connects with the placers also.

Electrical power is available and power lines are on the Northerly side of the ground.

At this season of the year, Six Mile Creek runs water. It goes through the property. Sub-surface water is at all times available. On the lower end of the property adequate water availability is present to handle any size operation.

Telephone communications can easily be established. An airplane landing strip can be very inexpensively leveled at most parts of the property but the better location would be adjoining Highway 50.

Reno, Nevada supply source and machine shop facilities are only one hour driving time away from the proposed placer project.

The area is one of an all year operating season. Only limited winter snowfall on the ground for the past 100 years is recorded.

Adequate labor supply is available nearby. Employee housing is unnecessary as Carson City, Virginia City, Dayton and Silver Springs are all within commuting distance to the work site.

Ownership:

The Six Mile Canyon Placers are owned by Mrs. Treva Johnson, Star Route 1, Box 2300, Carson City, Nevada and Federal Judge John Ross, Carson City, Nevada. Part of the property is patented and part held by placer claim location.

Property description is as follows: Becker-Johnson Placer claim one through eight, plus patent number 488, as per records of Lyon County and Storey County, Nevada.

Venture Action, Inc., a Nevada Corporation, P.O. Box 927, Reno, Nevada and P.O. Box 6292, Sacramento 21, California owns a lease on 1280 acres of the Six Mile

Canyon Placers granted by the owners, Mrs. Treva Johnson and Judge John Ross. Lease terms are: ten years with an option on ten additional years, 4 1/2% of the gross production returns, four months from March 6, 1963 before additional progress requirements are instituted. Both Mrs. Johnson and Judge Ross are experienced mining people and will be of some considerable assistance to the operation.

It has taken some considerable effort on the part of the owners to clear titles, and put this high volume piece of mineral bearing gravel into one production parcel for operational setup.

History

The Comstock Lode area of Virginia City, Nevada is one of the oldest and most productive lode mining zones in Western United States. It is believed that one mile of the Comstock Lode still holds the world record of production of gold and silver in that distance.

Prior to the Becker-Collins, Becker-Johnson, Six Mile Placers test work, the property had received various scrutiny throughout the years but no comprehensive evaluation program was instituted before Collins-Becker and Becker-Johnson aligned a shafting test program. Old Comstock lode mill tailings deposited on various parts of the placer surface, some covered by cloudburst action and all contain values but mostly later tailings are so metallurgically complex that little or no recovery is expected from their tonnage. However, older stamp and amalgamation mill tailings deposited on the ground will, no doubt, carry economic values.

Previous test work analysis in the shafts, pits and cuts indicated economic values existing. However, no shafts reached bedrock, the deepest one being some 90'. No pattern drilling or shafting program was previously laid out to enable evaluating a surveyed block of cubic yardage.

A number of thousands of dollars and much time has been expended to arrive at the existing report data and ownership title by present and past owners. That work, however, has not been conclusive with regard to the amount of profitable cubic volume available.

Geology

Six Mile Canyon Placers constitute alluvial washed material which resulted from erosion. Mont. Davidson (7856 feet above sea level) on the footwall side of Comstock Lode is composed of diorite much more resistant to weathering than the altered, highly faulted and softer mineralized strike of the lode. The erosion was high on the strike of

the Comstock and as a consequence scoured out a basin at the Easterly base of Mont. Davidson. Weathering of the Star District Lodes, the Flowery Lode and minor mineralized zones displace cubics all went down the Six Mile Canyon. The canyon itself is steep, narrow and deep, (see herewith U.S.G.S. topo Sheet). Frequent cloudbursts after the late tertiary flows carried off several billions of tons of the areas' original elevation and "sluiced" the material through the canyon building the alluvial fan below the mouth. Slimes for the most part ended up in the Carson River, away from the placer deposit accounting for the lack of clays on the ground. As the flood waters lost velocity upon emerging from the canyon walls, the heavier materials and minerals had a tendency to stop and concentrate. Successive flows throughout the ages have resulted in various pay "streak stratification" as well as the various main channels have no doubt meandered to some considerable extent back and forth across the present Six Mile Creek channel.

Rock of the Comstock Lode footwall is diorite through to the hanging-wall side composed chiefly of hornblende-andesite, to augite-andesite on the East. Besides the Comstock Lode and its branches, there are in the Six Mile drainage the Star Lode, Flowery Lode, all made on major block faulting systems as was the Comstock. The country rock of the Comstock area is highly altered by hydrothermal action, propylitization having affected rocks on both sides of the lode. Exploration, development and production in the extensive Virginia City workings proved that the rich "bonanza" ore bodies were departed from one another by long irregular stretches of barren or low grade material, horizontally as well as vertically. A scrutiny of the accompanying longitudinal-vertical diagrammatic section showing the principle mines will disclose "blind ore bodies" which did not crop widely separated by low grade or barren zones. It is quite apparent that other ore bodies existed in the eroded zone above the present surface. All of this mineral would have proceeded down the Six Mile Canyon and a high percentage of it is concentrated in the alluvial fan which constitutes the Johnson-Ross Placers.

A major high volume, mechanized placer enterprise consideration is rock oversize as well as cementation. The fractured rock from the mineralized zones, action of weathering on rock characters with poor weathering resistance, lack of limestone and other basic rocks to produce cementation muds leads one to believe the deposit will not have excessive rock oversize and cementation as was experienced in the 18,000 Cu. Yds. per day Round Mountain placer gold project. The shafts now down on the placer deposit show no indication of rock oversize nor any cementation down to a depth of 90' below the surface.

The barren rock erosion which went through the canyon was mainly of a late tertiary period character.

Mineralogy

Normally, placer deposit scrutiny does not include much lode coordination with a particular property. In the case of the Johnson-Ross property, the values are related and were dependent upon the mineral occurrence of the Comstock Lode, related branches and parallel mineralized zones.

Generally the secondary mineral zones in the Comstock were of a shallow nature. The secondary ore was not found to any marked degree except within a few hundred feet of the surface. The chief secondary values occurred in native silver, pybasite, argentite, covellite and anglesite. Free gold of a pale yellow color in view of its silver content as a result of sulphide oxidation was produced. As the area was one of fast erosion some considerable sulphide slimes containing values would have been lost to the Johnson-Ross Placers. However, free gold released from zones above present surface out of oxide areas will be found concentrated in "pay streaks" as well as disseminated throughout the placer deposit.

Some byproduct recovery will no doubt be made from preliminary and later mill tailings deposited on the property. The first mills were quite primitive and as a consequence they had a high loss of amalgam which contains mercury, gold and silver, easily concentrated along with the gold recovery. The later mills used cyanide treatment and their tailings will be lean as far as gravity recovery is concerned. \$27,000,000 according to the Nevada Bureau of Mines was recovered out of the tailings piled from 1859 to 1882, in form of gold and silver.

Metallurgy

Lack of cementation and only minor amounts of clays will make gravity recovery of this placer property's values quite simple. However, the writer stresses all recovery alignment should be made along normal, proven lines, with good equipment and no experimentation. During the past ten years many, so called, "new" placer recovery devices have been promoted and none to my knowledge have successfully proved economically profitable. Many are entirely unsound; some are merely an adaption of a proven principle; some were actually set up on principles that had been used and rejected by the mining industry many years ago after improved methods were developed.

There is very little likelihood of any other product income excepting gold and silver from the property. However, all present minerals and metals will be evaluated. Due to the character of the rock types in the alluvial fan, it is not expected that any aggregate byproduct can be sold.

- a) High volume classification
- b) Plus 3/8" particle size to waste, excepting for nugget traps, should they be necessary
- c) Minus 3/8" over impulse riffle sections
- d) Riffle sections discharging over placer jigs
- e) Jig overflow to waste
- f) Jig hutchers continuously bled and concentrated
- g) Concentrates scrubbed and amalgamated
- h) Amalgam retorted, gold-silver sponge shipped to U.S. Mint, along with riffle recovery product.
- i) Should it be found that any byproducts exist in profitable quantity flow sheet layout will be made to effect recovery

Basic metallurgical principles of placer concentration from a mechanized standpoint have some 80 years of evolutionary history from which to design an efficient plant. Better industrial fabrication metals bearings, conveyor systems, electronic controls, all will assist smoothly functioning operation, lower labor requirement and cost.

Existing Exploration - Development:

Mr. Clyde Collins, Mining Engineer of good standing and Mr. Gus Becker, placer mining operator with international experience, sank some test shafts and pits on the property. See plan containing shaft values and depths reported. Mr. Becker planned to operate the property personally and was doing test work on it while successfully producing from another placer gold deposit at Dayton, Nevada some eight miles from the Six Mile Canyon. Mr. Becker died during the production movement at Dayton and the herein mentioned testing of the Johnson-Ross holdings. Several feeble attempts have been made to follow through on Mr. Becker's project but never got by the "talking and paper" stage.

Recommended Evaluation Drilling:

Evaluation drilling is suggested to be set up in two steps.

- a) 14 preliminary holes, not less than 6" in diameter, to bedrock. See herewith diagrammatic hole plan. It is estimated that the ground will be deep. For the sake of calculation, a 150' depth average on the first eleven holes is used as a factor. Holes 1, 2, 3, 9, 10, 11 block out 8,414,000 cubic yards as POSITIVE PRELIMINARY LONG HOLE CENTER RESERVES. Holes 4, 5, 6, coupled with the other holes add as PROBABLE PRELIMINARY RE-

SERVES an additional 8,414,000 cubic yards, making a total of 16,956,000 cubic yards.

Calculation:

43,560 Sq. Ft. = 1 acre

1 acre 1 Ft. deep = 1,613 Cu. Yds.

80 acres 150' deep = 16,956,000 Cu. Yds.

Holes 13 and 14 are so spotted in the preliminary exploration to throw light upon the Northerly and Southerly limits of the economic value of the alluvial fan. Results of holes #13 and #14 will designate whether farther Northerly and Southerly holes should be drilled for probable additional profitable yardage or the flanking limits drilled closer to the Six Mile Creek.

- b) If Step "a" proves the expected economic values to exist, a production pattern drilling program should be instituted to allow technical information to be compiled for detailed setup alignment data and additional yardage of positive reserves in order to setup efficient capacity scope. Drill hole spotting in Step "b" cannot be done until Step "a" has been evaluated.

Preliminary Evaluation Risk:

In view of the factual evidence concerning the value source of the Johnson-Ross Placers excellent evaluation incentive exists.

Previous shafting and pit testing (excepting for Shaft #4 obviously Northerly from the value flow), average without bedrock concentration in the gold recovery alone amounts to 47.66 cents per cubic yard. This is definitely a profitable value under 1962 cost. The 47.66 cents does not include black sand values listed under the shafting and pitting analysis. The black sand average reported value is 35.8 cents per cubic yard. A total of the free gold and the black sand results would amount to an average of 83.40 cents per cubic yard. Until further testing proves different, the writer discounts the black sand value 100% in the evaluation investment risk analysis. Reason for the discount: at least part of the fire assay value shown in the black sand will not be recoverable. There is also some concentration of heavy complex minerals which came from old tailing that cannot be recovered economically. The 100% black sand discount at this time is acceptable from a conservative risk evaluation standpoint but actually there will be some recovery out of that product as quite probably hemetite in the black sand may carry some unreleased gold values and, of course, free gold, silver and quicksilver lost by the old operations, finely "floured" will be recoverable. It is suspected that bedrock sampling will further increase sampling value.

Previous test work accuracy acceptance by this firm is estimated as follows: Personal knowledge of Mr. G. Becker's placer mining experience is known and he was testing for his own information to conduct a personal project. His preliminary work summary is assumed to be correct.

Mr. Clyde Collins is a highly experienced mining engineer with a long production background. His work and views are accepted without question.

The writer does not know the backgrounds of Mr. Otis A. Kittle, E.M. nor Mr. Stanley W. Johnson, E.M. and cannot give reference for their accuracy.

T. Johnson has had gold placer testing and production experience from a practical standpoint and observations from that source are credited.

Evaluation Drilling Procedure Control:

It is recommended that the drilling be contracted out to experienced gold placer contractors with equipment. It should be set up on a flat price per foot of advance under detailed contract specifications. The contractor will have no part in the evaluation testing. Their duties will merely be to make hole and save all possible material from the hole diameter without dilution.

Ventures Action, Inc. to run an evaluation of the test material.

A separate, independent, test evaluation should be run without collaboration with Ventures Action, Inc. field engineers on the work site using 1/2 of the pulp gained from the frill holes. The test pulp can be uniformly mixed and split for V.A.I. and the unprejudiced evaluators should be selected on the basis of wide placer experience and reporting acceptable to major mining companies and finance syndicates.

It is suggested to make Office of Mineral Exploration loan application for this evaluation work. The loans are very liberal and no obligation is placed against the property. Repayment is made out of a minor percentage of any net production achieved. It is probable that 50% of the evaluation cost can be obtained. Furthermore U.S. Government engineers will assist the evaluation and supervision inspection of the project.

In view of the Comstock Lode's spectacular history, no doubt, the U.S. Bureau of Mines and the Nevada State Mining Bureau will follow up on the evaluation tests. Consequently much seasoned technical assistance will be available.

Consequently much seasoned technical assistance will be available.

Evaluation Cost Estimate:

The first step in the evaluation project will be to drill:

No. 1 hole.....	150'
No. 3 hole.....	150'
No. 6 hole.....	150'
No. 7 hole.....	150'
No. 11 hole.....	150'
No. 12 hole.....	150'
No. 13 hole.....	150'
No. 14 hole.....	150'
	<u>1,200'</u>

A straight drilling contract bid can be solicited for the first 1,200 feet listed above. There will be no testing, surveying, mapping or any other duties of the contractor excepting the drilling and delivery of the drill hole pulp. A six inch diameter hole under the good terrain, and drilling conditions at the Johnson-Ross Placers will probably be bid in at some \$6 per foot.

Surveying, mapping, pulp evaluation by Ventures Action, Inc. and an independent firm of acceptable engineers will run some \$3 per foot.

Overhead, and contingency is estimated at \$1 per foot.

1,200' of drilling @ \$6 per foot	\$ 7,200.00
1,200' drill feet technical \$3 Ft.	3,600.00
Overhead-contingency \$1 per Ft.	<u>1,200.00</u>
	\$12,000.00

See following pages' tabulation of drill test evaluation from 44 major project researched by the U.S. Bureau of Mines and one from the Dayton Dredge Company whose ground was six miles Southwesterly from the Johnson-Ross Placers and subsequently owned by T. Johnson. It will be noted that the overall recovery average exceeded the drilling estimate. In the case of the 44 U.S. Government listings some 76% was recovered over the estimate. In the case of the Dayton, Nevada placer deposit 41.5% more was recovered than estimate. Consequently the recommended drilling and results at the Johnson-Ross property over the economic cut-off point will be safe to assume as minimum expectable returns.

Economics

Operating cost 1962 vs. the 1930s is higher but ratio of rise per yard of production is not the proportion of 1930s labor or equipment cost vs. 1962. Advancement in equipment, utilities, know how, supply availability, transportation, etc, will permit more cubic yardage run with the same labor and setup fabrication to some considerable extent—at least 50% and possibly 75% more with conventional earth moving and treatment units. If the deposit should prove over 200,000,000 cubic yards of economic reserves, then and in that even "German Wheel" type diggings equipment would be considered. That type of digging per single unit has been proven jobwise practically for over 120,000 tons per day, as well as intermediate capacities to that maximum.

Should the deposit prove to require selective mining of old meanders of the Six Mile Canyon flow, depth will govern whether 5,000 Cu Yd. dragline dredges, 10,000 cubic yard bucket lines or open pit setup similar to that used at 18,000 yards per day at the Round Mountain, Nevada pit which had oversize rock problem sand and cementation of unreleased values. In this latter operation shovels loaded a pit conveying system which in turn delivered pit run product to a treatment plant on the surface with tailings being transported away via conveyor lines.

Drilling results will designate the type of production setup most efficient to install. Following examples of production alignment under 1962 cost will serve as illustration of what is possible at the placer deposite. All estimates before taxes.

Single 5,000 Cu. Yd. per day dragline dredge unit:

Cost of amortization, and all operating cost not inclusive of royalty, not stripping	20	per yard
Possible recoverable gravel value	40	
Daily () production value recovered	\$2,000.00	
Royalty	90.00	
Production cost @ 20 cents per yard	1,000.00	
Possible daily net	910.00	
Possible 27 day month net	\$24,570.00	

Two 5,000 cubic yard dragline dredges would lower cost 3 cents per yard increasing net \$150 per day each totaling \$8,100 per month of 27 days.

If pattern drilling so indicates, below economic cutoff point yardage could be stripped at a total cost of 6 cents per yard. A one-to-one ratio, one yard of treatment product to one yard of stripped waste would cost \$300 per day lowering the 5,000 yard net to

designate.

Bucketline, single 10,000 Cu. Yds. per unit.

Note: Major bucketline companies in recent years have been able to produce for a cost of slightly under 10 cents per yard. However, their equipment had been amortized, utilities and staff built up so a cost of some 15 cents per yard would be necessary in the case of a single Six Mile Placer deposit bucket line. There are advantages between a bucketline and a dragline that work both ways. Until pattern drilling has thrown more light on the value occurrence, discussion at this time would not be warranted.

Single 10,000 Cu. Yds. per day bucketline unit:

Cost of amortization and all operational cost, not inclusive of royalty or taxes, no strip	15¢ per yard
Possible recoverable gravel value	40¢
Daily gross production value recovered	\$ 4,000.00
Royalty	\$ 180.00
Total yardage cost @ 15 cents per yard	\$ 1,500.00
Possible Daily net	\$ 2,320.00
Possible net per 27-day month	\$ 62,000.00

If pattern drilling so indicates, below economic cutoff point over-burden or lean stratas the unwanted material can be stripped off at 6 cents per cubic yard. Should the ratio be as high as one-to-one, waste can be stripped for 6 cents per cubic yard or \$600 per day lowering the daily net to \$1,720.00 and monthly to \$46,440.

Should the gravel prove to be excessively deep and of more than 100,000,000 economic volume, a production alignment similar to that set up at Round Mountain, Nevada might be used, along with a "German Wheel" conveyor loading device. If the yardage is 100,000,000 Cu. Yds. or more, a minimum of 20,000 yards per day should be treated.

20,000 Cu. Yds. per day deep it cost 15 cents is probable, providing gravel size is the same as that in the present test pits.

Gross production recovery @ 40 cents per yard	\$ 8,000.00 /day
Royalty, 4-1/2%	\$ 360.00 /day

Production cost	\$3,000.00 /day
Possible daily net	\$4,640.00 /day
Possible 27-day month net	\$125,280.00

The history of mechanized placer mining with use of bucketlines, dragline dredges, conveyor pits, etc. shows a better percentage of successful projects than even the U.S. average small to medium success percentages. With regard to gold production, statistics indicate that over 90% of all bucketline operations have been successful and some 80% of all dragline dredges. Lode gold mining has an entirely different record for the past 20 years with some 90% straight gold operations being unprofitable. Evaluation accuracy in the case of the placers is probably the chief reason for element of risk reduction plus the fact that all mechanized placer operations require limited labor shifts worked to produce high cubic yardage.

A thorough drill evaluation project usually removes all element of production risk as long as management is efficient and experienced. Following pages will show drilling records of a number of projects compiled by the U.S. Bureau of Mines. There is also an example of placer testing and the actual production gold sales from the tested ground from the Dayton Placers some six miles from the Johnson-Ross property.

Summary:

The Johnson-Ross Placer property on the Six Mile Canyon alluvial fan is one of the few high volume pieces of gold bearing placer property left in the Western U.S. that has had favorable preliminary test results and is in a region of spectacular gold and silver production.

Factual establishment of profit margin by the test work will eliminate any production risk providing project management is experienced and efficient.

Advancement in earthmoving equipment reliability and output will allow limited labor requirement against high production volume. This is mandatory in any mining project at this time in view of labor cost vs. \$35 per ounce gold.

There is no likelihood of the gold price going down. The writer does not expect our set fold price to rise but possibly a subsidy might be placed upon newly mined domestic production. Our gold reserves have been lowering seriously in recent years and some protective legislation may be forced upon U.S. in spite of the past reluctance to back our currency with gold. International balances are arrived at with gold being used as settlement, so on the present trend of outflow gold in U.S. a subsidy may become mandatory. All assistance for gold and silver is an asset to the Johnson-Ross property.

It is suspected that the property will hold a high percentage of silver to ratio in the gold recovery. The silver market has been raised recently and at this time silver is higher than an any year this century excepting 1919. It is expected to go higher by most economists as the world at large is using more than it is producing.

While byproducts aside from reclaimed amalgam are not counted upon, some chance of byproduct recovery is possible.

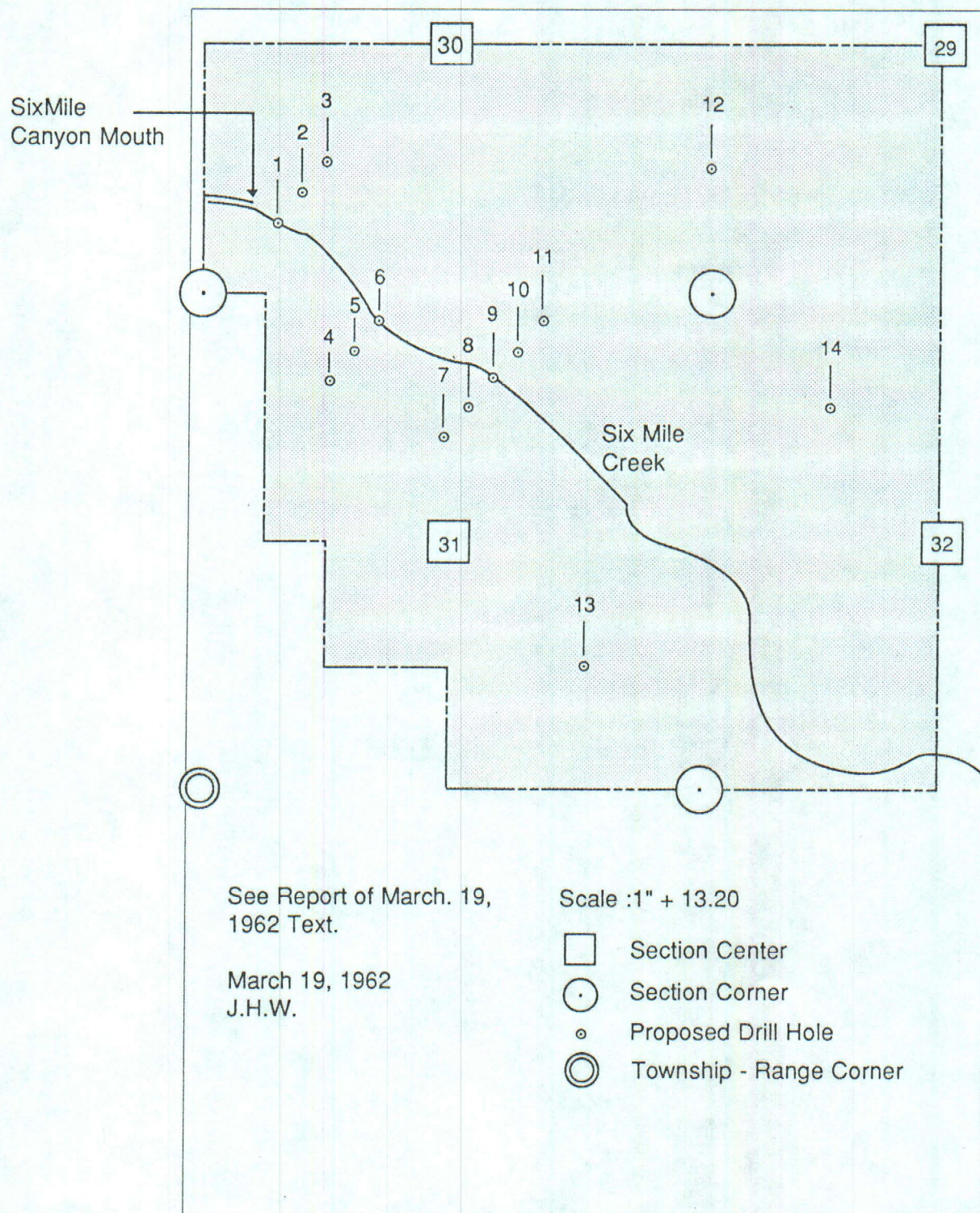
We strongly recommend completion of the preliminary drilling program at the Johnson-Ross property as its cost is nominal and will allow the probable proving of a multi-million dollar production reserve, whose chief products of gold and silver can be recovered on the site and sold for top legal market with out trucking, railroad freight or smelting charges which normally deplete the mining producers' property income.

Very truly yours.

J.H. WREN & COMPANY

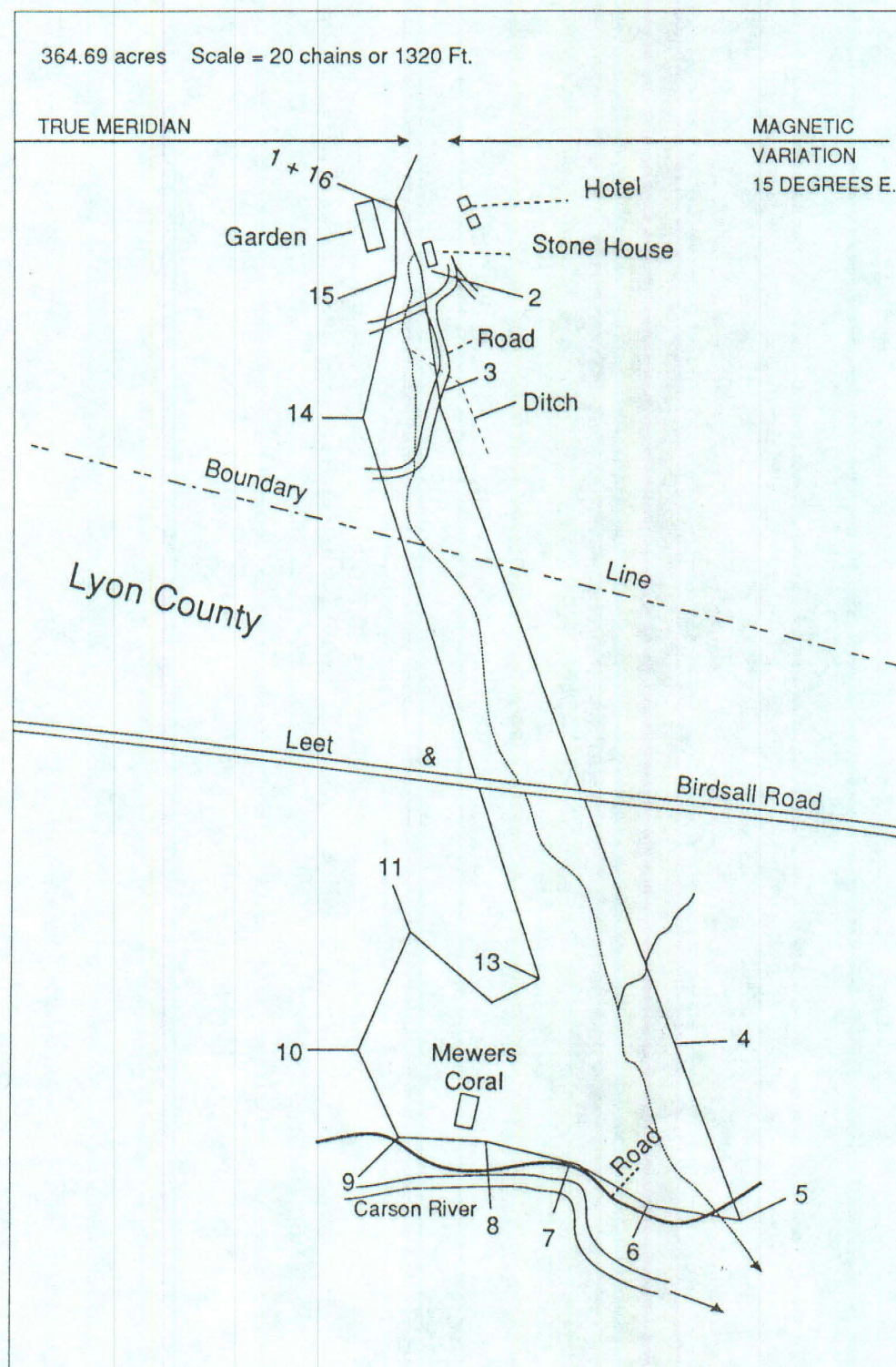
Johnson - Ross Placers

Recommended Preliminary Exploration Evaluation



Survey by John Day

June 2, 1966



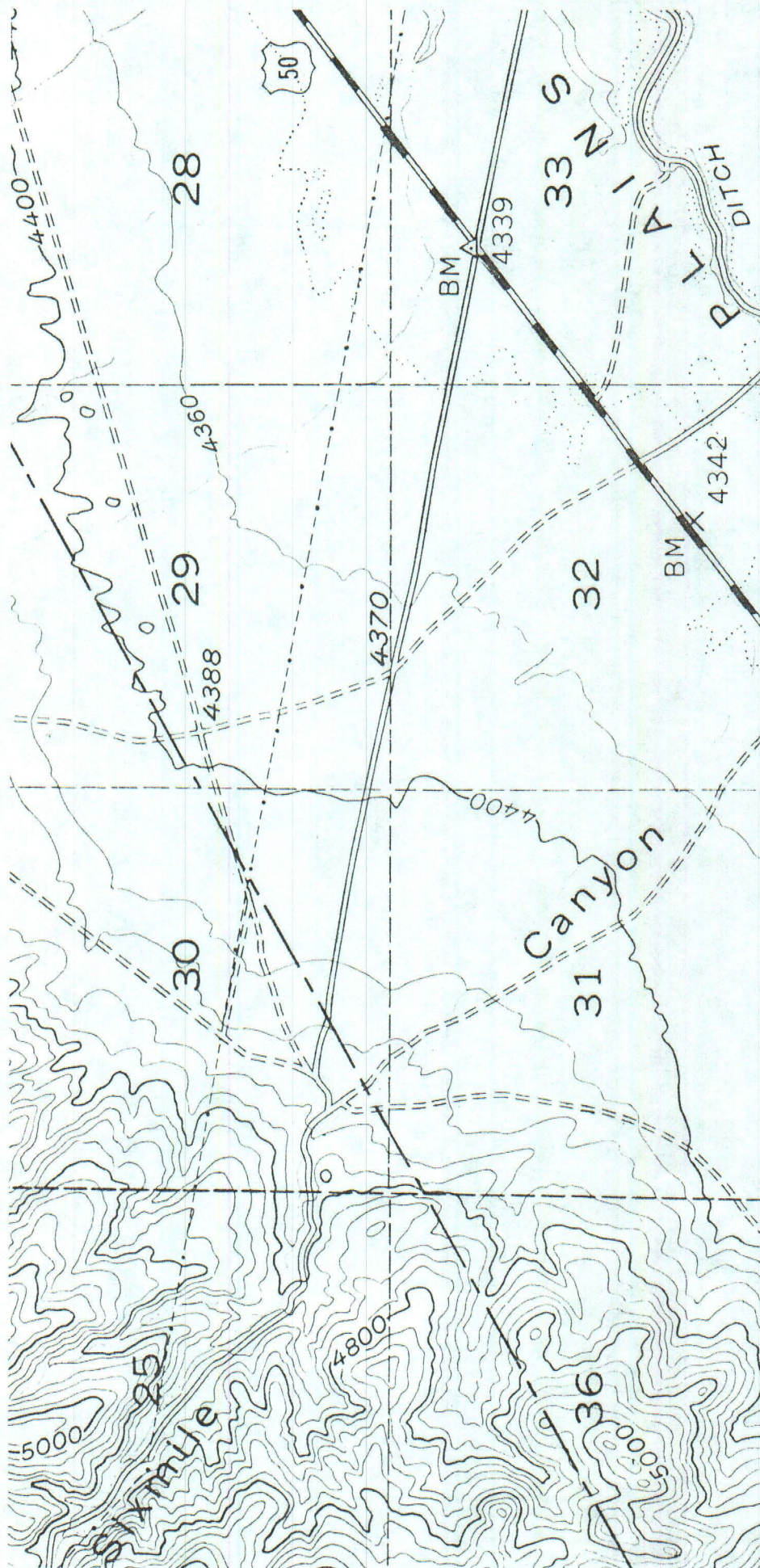
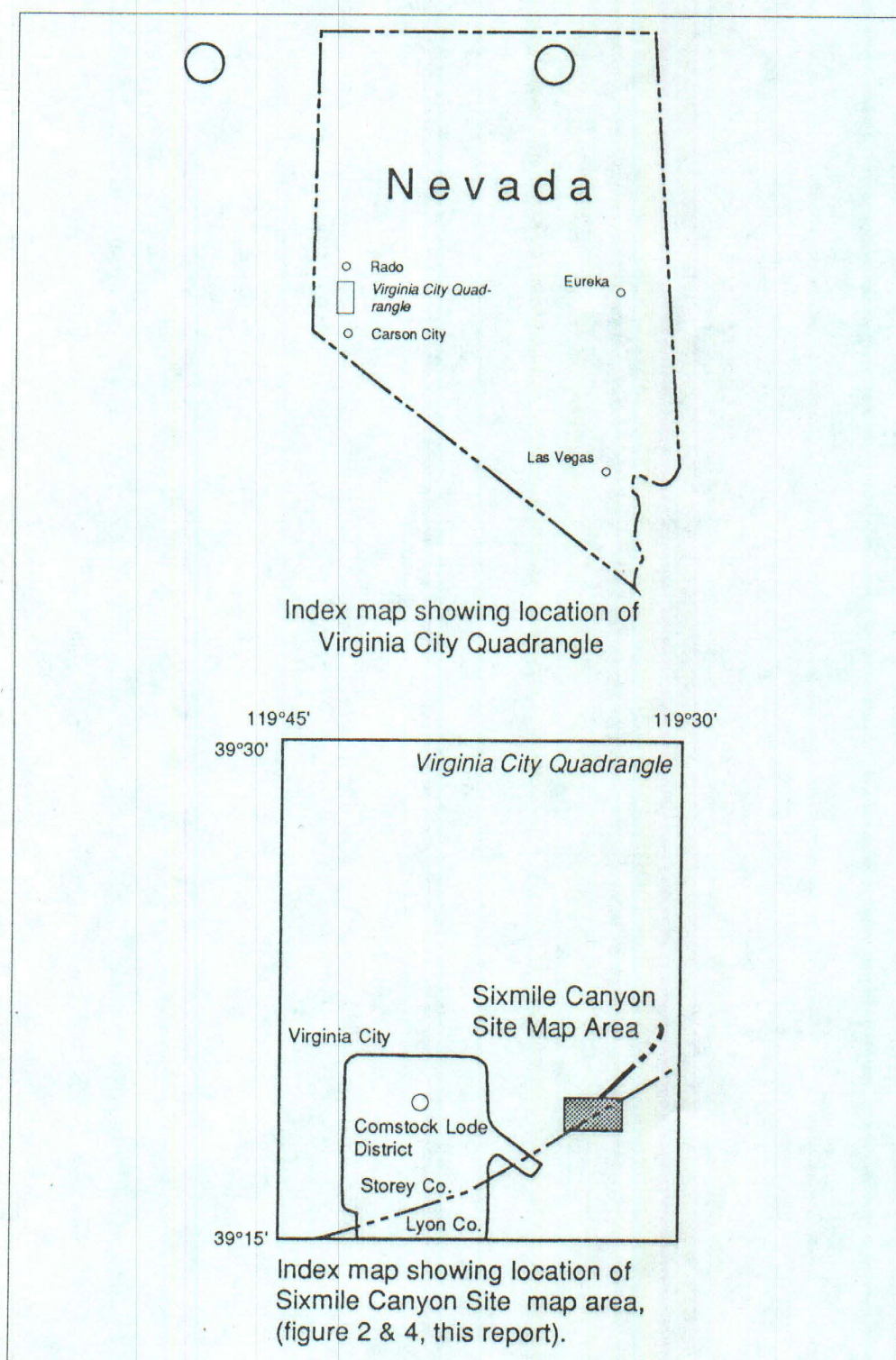
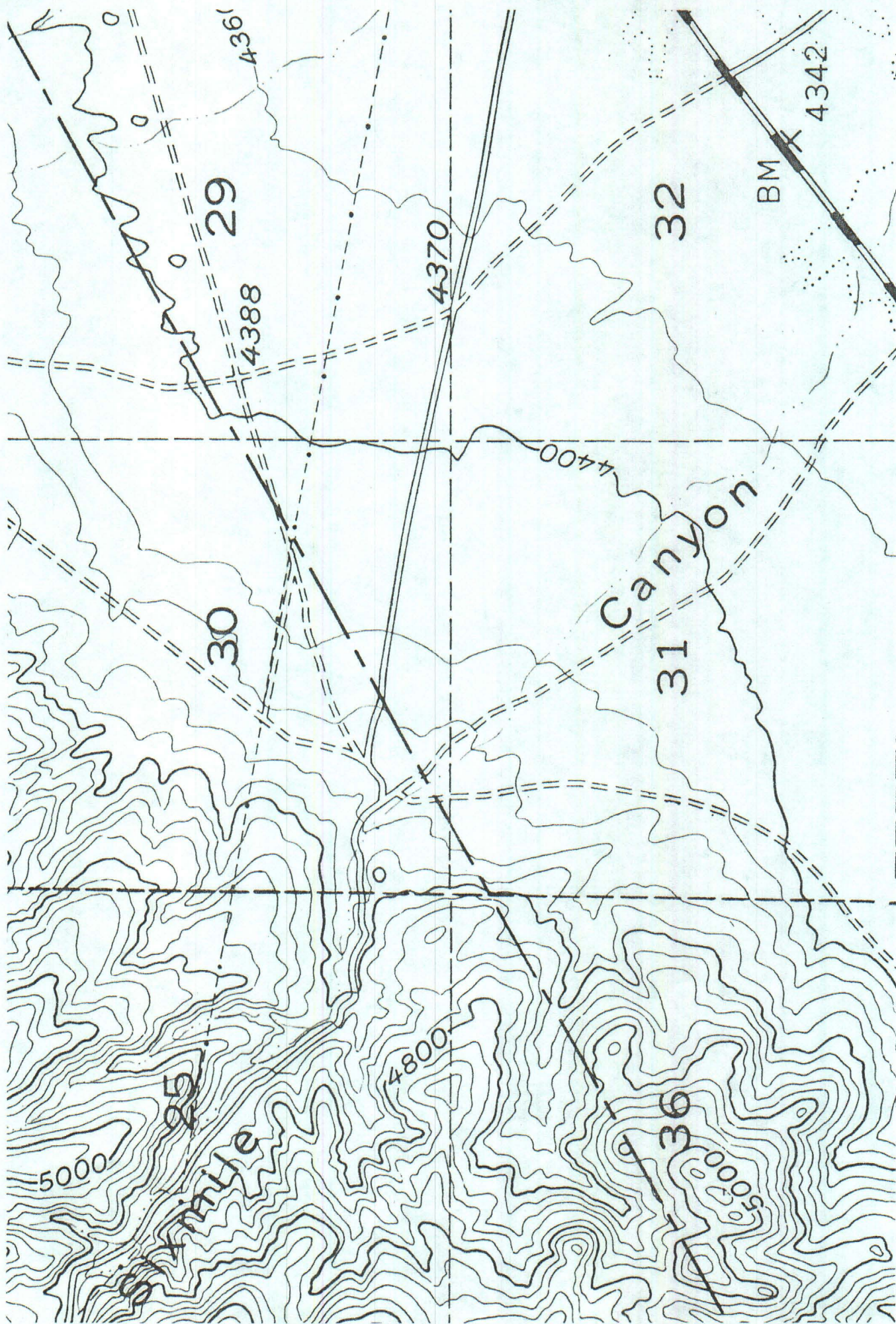
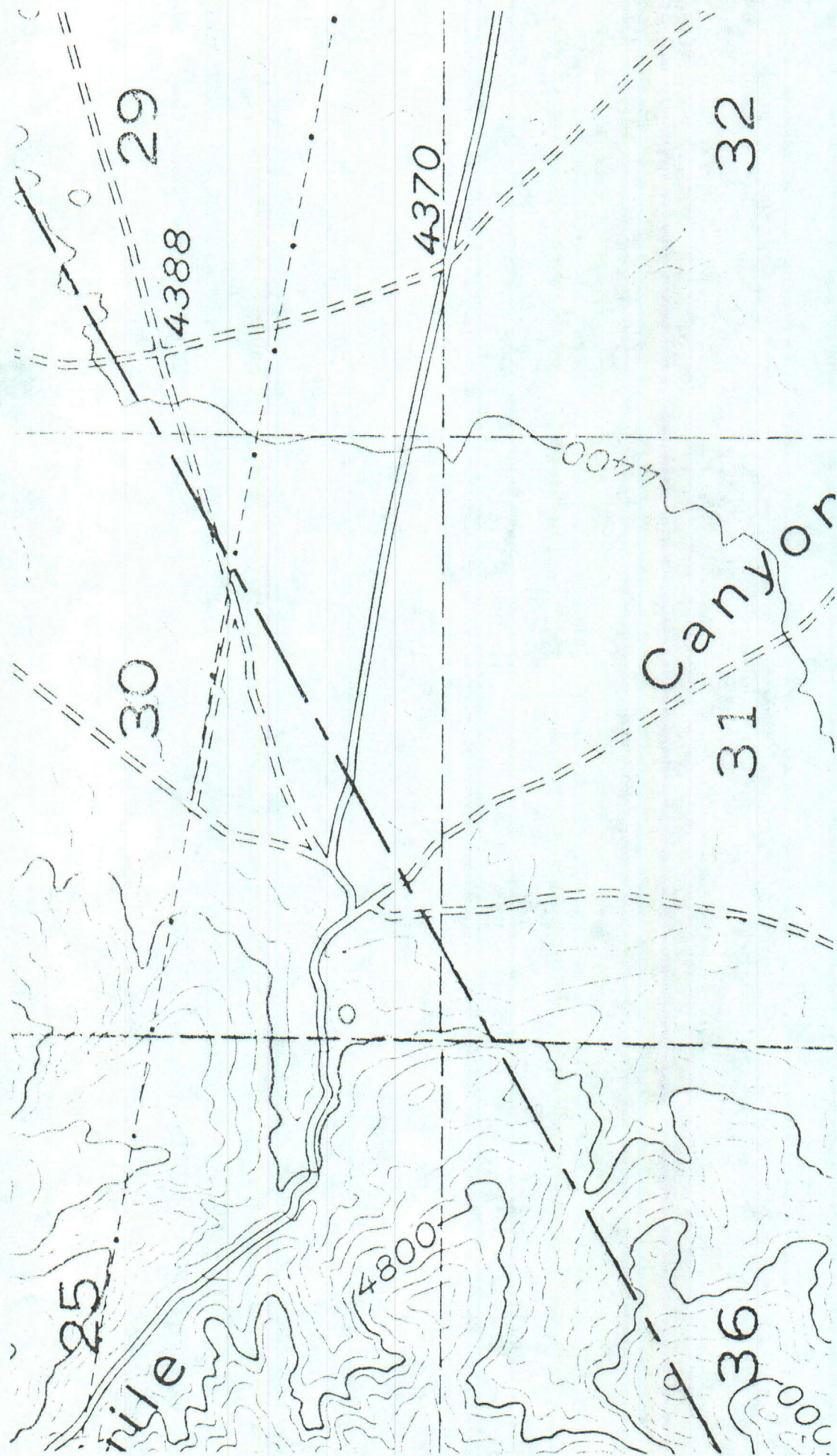


Figure 1.
Index maps showing location of SixMile Canyon Site.







GOLD BUG MINING INC.

MINING AND PROCESSING OF
PRECIOUS METALS



**FINANCIAL
STATEMENTS**

Financial Statements

March 31, 1987

Gold Canyon, Inc.
(A Development Stage Company)

Balance Sheet

March 31, 1987

Assets**CURRENT ASSETS**

Cash	\$ 31,799
Total current assets	31,799

EQUIPMENT

at cost, less accumulated depreciation of \$70,693	312,656
--	---------

MINING LEASE - Note	250,000
---------------------------	---------

Total assets	<u>\$ 594,455</u>
--------------------	-------------------

Liabilities and Stockholders' Equity

CURRENT LIABILITIES	\$ -0-
---------------------------	--------

STOCKHOLDERS' EQUITY:

Capital stock, common, authorized 100,000 shares of \$0.001 par value; issued and outstanding 35,810,000 shares	35,810
Additional paid-in capital	805,482
Deficit accumulated during development stage	(246,837)
Total stockholders' equity	<u>594,455</u>

Total liabilities and stockholders' equity	<u><u>\$594,455</u></u>
--	-------------------------

See notes to financial statements.

Statement of Revenues and Expenses

	Total Accumulated During Development Stage	Three Months Ended March 31, 1987
REVENUES:		
Gold & silver sales	\$ 46,000	\$ -0-
EXPENSES:		
Depreciation	70,693	11,678
Administrative and development expenses	214,644	3,201
Total expenses	<u>285,337</u>	<u>14,879</u>
NET LOSS		
DURING DEVELOPMENT STAGE	<u><u>\$(239,227)</u></u>	<u><u>\$(14,879)</u></u>
NET LOSS PER SHARE		
OF COMMON STOCK OUTSTANDING		
(based on weighted number of shares outstanding)	\$ (0.01)	\$ -0-

Statement of Stockholders' Equity

	<u>Common Stock</u>		<u>Additional</u>	<u>Deficit</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Accumulated</u>
			<u>Capital</u>	<u>During</u>
				<u>Development</u>
				<u>Stage</u>
Balances				
January 1, 1987	35,810,000	\$35,810	\$770,482	\$(231,958)
Capital contributed by officer for operating capital			35,000	
Net loss for three months ended March 31, 1987				(14,879)
Balances				
March 31, 1987	<u>35,810,000</u>	<u>\$35,810</u>	<u>\$805,482</u>	<u>\$(246,837)</u>

See notes to financial statements.

Statement of Changes in Financial Position

	Total Accumulated During Development Stage	Three Months Ended March 31, 1987
SOURCES OF WORKING CAPITAL:		
Capital stock issued for cash, equipment and lease	\$339,600	\$ -0-
Capital contributed by officer	<u>494,132</u>	<u>35,000</u>
Total sources of working capital	833,172	35,000
USES OF WORKING CAPITAL:		
Net loss	239,337	14,879
Less depreciation which did not require use of funds	70,693	11,678
Funds used in operations	168,644	3,201
Acquisition of equipment	383,349	-0-
Acquisition of lease	<u>250,000</u>	<u>-0-</u>
Total uses of working capital	<u>801,993</u>	<u>3,201</u>
NET INCREASE IN WORKING CAPITAL	<u>\$ 31,799</u>	<u>\$ 31,799</u>
INCREASES OR (DECREASES) IN COMPONENTS OF WORKING CAPITAL:		
Current assets - CASH	\$ 31,799	\$ 31,799
Current liabilities	<u>-0-</u>	<u>-0-</u>
NET INCREASE IN WORKING CAPITAL COMPONENTS	<u>\$ 31,799</u>	<u>\$ 31,799</u>

See notes to financial statements.

Notes to Financial Statements

March 31, 1987

Note A - Organization and Summary of significant Accounting Policy:

The Company was incorporated in the State of Utah as Medical Maintenance, Inc. on September 1, 1978. The Company was involuntarily dissolved for failure to file annual reports and remained dormant until December 31, 1983, when the corporation was reinstated. On February 14, 1984, stockholders approved changing the capitalization to 50,000,000 common shares of a par value of \$0.001 from 50,000 common shares of no par value, changing the name to Gage Enterprises, Inc. and a forward split of the stock outstanding of 125 for 1. On June 20, 1984, the articles of amendment were filed with the State of Utah to effect the changes approved by the stockholders.

On June 27, 1984, the shareholders approved further amendments to the articles of incorporation which changed the name to Gold Canyon, Inc. and increased the authorized capitalization from 50,000,000 common shares of \$0.001 par value to 100,000,000 shares of \$0.001 par value. The articles of amendment were filed with the State Of Utah on July 10, 1984.

The Company has been engaged, since 1984, in developing a placer mining property (See note C). Development costs have been expenses as incurred. Costs incurred in the acquisition and installation of equipment have been capitalized and are being depreciated using a useful life of ten years on a straight-line method. At such time as production commences, a determination will be made of the method and period to be used in amortizing mining lease costs.

The Company is considered a development stage company as defined in SFAS 7. The Company has, at the present time, not paid any dividends and any dividends that may be paid in the future will depend upon the financial requirements of the Company and other relevant factors.

Other accounting policies will be determined as needed.

Note B - Acquisition of Assets for Stock:

On July 9, 1984 the Board of Directors authorized the issuance of 21,250,000 shares (of which 1,350,000 shares were returned) of restricted common stock in exchange for cash, equipment and assignment of a placer mining lease.

Subsequently, 7,160,000 shares have been issued for payment of debt and acquisition of equipment.

Note C - Placer Mining Leases:

On May 17, 1985, the Board of Directors approved the acquisition of 800 acres of Placer Claims located in Lyon County, Nevada from Gold Canyon Placers, Inc. The claims were acquired for 2,500,000 shares of restricted common stock at an agreed price of \$.10 per share.

In addition to the purchase price, a royalty of 10% of net smelter returns is payable until a total of \$250,000 has been paid. The royalty is payable out of production only.

On March 26, 1985, the Company acquired a lease on 320 acres of patented land located in Lyon County, Nevada. The lease is for a period of ten years and royalty payments are 10% on net smelter returns.

According to the report of an independent mining engineer, the properties shown above contain 135,519,999 tons of sand and gravel containing an estimated quantity of 2,710,000 oz. gold and 54,208,120 oz. silver.

Note D - Commitments:

See note C for royalty commitments.

The Company has no lease commitments and no commitments for payment of salaries or other compensation to officers or directors.

Note E - Options and Warrants:

There are no options or warrants outstanding to acquire the common stock of the company.

Note F - Income Tax Returns:

All required tax returns and reports have been filed. The Company has an operating loss of \$224,458 which may be carried over and used against income, if any, in future years.

**MYRON K. BERRYMAN
CERTIFIED PUBLIC ACCOUNTANT**

2099A DOUGLAS STREET
SALT LAKE, UTAH 84105

May 27, 1987

Board of Directors
Gold Canyon, Inc.

I have examined the balance sheet of Gold Canyon, Inc. (a development stage company) as of March 31, 1987 and the related statements of revenue and expenses, stockholders' equity and changes in financial position for the three months then ended. My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

To date, the Company has been in the developmental stage and none of the Company's activities have produced significant operating revenues. Recovery of assets and continuation of future operations are dependent upon the Company's ability to continue to obtain sufficient financing and generate sufficient revenues to sustain operations.

In my opinion, subject to the matter described in the preceding paragraph, such financial statements present fairly the financial position of Gold Canyon Inc. at March 31, 1987 and the results of its operations and changes in financial position for the three months then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Voluntary Broker - Dealer Information Statement

Pursuant to rule 15C2-11
Securities Exchange Act of 1934

- ITEM 1: The exact name of the issuer and its predecessor:
GOLD CANYON, INC. F/K/A/ GAGE ENTERPRISES, INC.
F/K/A MOBILE MEDICAL MAINTENANCE, INC.
- ITEM 2: The address of its principal executive offices:
Route 8, Box 158
Ringgold, Georgia 30736
Telephone number: (404) 937-3361
- ITEM 3: The state of incorporation, if it is a corporation:
Utah
- ITEM 4: The exact title and class of the security:
Common stock
- ITEM 5: The par or stated value of the security:
\$0.001
- ITEM 6: The number of shares or total amount of the securities outstanding as of
the end of the issuers most recent fiscal year:
35,810,000 as of May 27, 1987
- ITEM 7: The name and address of the transfer agent:
INTERWEST TRANSFER CO, INC.
P.O. BOX 17561
Salt Lake City, Utah 84117
- ITEM 8: The nature of the issuer's business:
The Company was originally incorporated in the state of Utah on September 1, 1978, and went public via the 3(a)11 exemption of the Securities Act of 1933, see exhibit B. The Company intends to engage in a start-up gold and silver mining operation on certain unpatented mining claims owned and leased by the Company in Lyon County, Nevada. According to reports of an independent mining consultant the most conservative or minimum evaluation of the in-place values is estimated as:

Total deposit of Sand/Gravel: 135,519,999
Average Grades: .02 oz/ton Au and .40 oz/ton Ag
Total Gold = 2,710,000 ozs.
Total Silver = 54,208,000 ozs.
AT \$459.50/oz Gold and \$7.39/oz Silver prices
Gold : \$1,245,245,000 in-place value

Silver : \$400,597,120 in-place value
Total : \$1,645,842,120 in-place value

ITEM 9: The nature of the products or services offered:
See Item 8

ITEM 10: The nature and extent of the issuer's facilities:
The Company presently owns 800 acres and leases 320 additional acres of mining properties. The lease runs for a period of 10 years with an option to renew for ten consecutive five-year periods (see Note C, Financial Statement). The Company also owns the necessary equipment to mine said lease.

ITEM 11: The names of the chief executive officers and members of the Board of Directors:

M.C. Haggard	President, Treasurer & Director
Helen W. Moser	Secretary & Director
Dean G. Tonkin	Director - Operations
Robert W. Craig	Director - Mining
T. Ross Nichol	Director - Finance

ITEM 12: The issuer's most recent balance sheet and profit and loss and retained earnings statements:
See exhibit C, Financial Statement, March 31, 1987

Voluntary Broker - Dealer Information Statement

Pursuant to rule 15C2-11 Securities Exchange Act of 1934

ITEM 1: Business:

The Company is engaged in a start-up of gold and silver mining operations on certain unpatented mining claims owned by the Company in Lyon County, Nevada. According to reports of an independent mining consultant, the aforementioned claims contain a minimum of 135,519,999 tons of stream channel gravels containing an average of .02 ounces of gold and .40 ounces of silver per ton which can be processed.

ITEM 2: Summary of operations:

See Item 1.

ITEM 3: Properties

The Company presently owns 800 acres and leases 320 acres of certain mining properties. The lease runs for a period of 10 years with an option to renew for ten consecutive five year periods (see note C, Financial Statement).

ITEM 4: Parents and subsidiaries:

The Company has no parents or subsidiaries.

ITEM 5: Principle security holders and security holding of management:

According to the transfer records of June 30, 1985, the following individuals own more than 5% of the outstanding shares.

Name	Amount of Shares
Gold Canyon Placers, Inc.	2,500,000
M.C. Haggard	17,700,000

ITEM 6: M.C. Haggard (age 52), President and Director. His highest educational degree is a grade school diploma. He additionally completed three years of high school. Mr. Haggard has been self-employed since 1955. From 1955 to March, 1972, he owned and operated motels in the State of Tennessee. From March 1972 to November 1973 he was involved in coal mining in Kentucky and Alabama, where he owned and operated various small coal properties. From November 1983 until the present time he has been overseeing a gold mining and processing operation in Dayton, Nevada.

Helen W. Moser (age 58), Secretary and Director. Her highest educational degree is a high school diploma from Chatanooga, Tennessee, obtained in 1954. Her work experience consists of the following: from 1961 she was head cashier at the Baptist Hospital of South Miami, Florida. From 1968 until 1981 she worked for the city of South Miami

as a secretary of the Recreation Department, and retired in 1981 as director of the Recreation Department.

Robert W. Craig (age 75), Director. 1950-1975, operated gold, silver and tungsten mines and mills in Mexico. 1975-to-present, operated gold and silver placer properties in Nevada. Set up two 1,000 ton mill operations on properties located in Nevada owned and leased by Gold Canyon, Inc. which are now in operation.

- ITEM 7: Remuneration of officers and directors:
(A) No officer or director of the Company has received direct or indirect remuneration in excess of \$40,000.
- ITEM 8: Management options to purchase securities:
No officer or director has an option to purchase securities of the corporation
- ITEM 9: Interest of management and others in certain transactions:
None.
- ITEM 10: Pending legal proceedings:
None.
- ITEM 11: Number of equity security holders:
The transfer records of the corporation show that on May 27, 1987, there were 279 equity security holders in the company, all of the same class, common.
- ITEM 12: Nature of trading market:
O.T.C.
- ITEM 13: Recent sales of unregistered securities:
None.
- ITEM 14: Indemnification of directors and officers:
There are no provisions in the corporation's articles of incorporation or by-laws for indemnification of directors and officers.
- ITEM 15: Financial statements and exhibits:
Exhibit B - Financial Statement, March 31, 1987.

GOLD BUG MINING, INC.

**MINING & PROCESSING
OF PRECIOUS METALS**

A UNITED STATES
OVER THE COUNTER
PUBLIC COMPANY

Route 8 • Box 158
Ringgold, Georgia 30736

NEWS

Lyon County, Nevada, July 22...Mining superintendent reports to shareholders, investors and brokers on new production plant operations and increased gold and silver recovery on Gold Bug Mining, Inc., claims in Nevada.

Robert W. Craig, Director and Superintendent of Mining Operations, has reported to the Board of Directors that capital

invested by the joint venture partner, Harlesk Management, Inc., has upgraded the production and milling operations on two Gold Bug placer mining properties to a capacity of 5,000 tons per day of placer sands and gravels. The estimated recovery of 100 ounces of gold per day or 30,000 ounces per year is based upon recent test runs which are showing as high as two ounces per ton in the black sand concentrates.

Recent delays in production were caused by a water shortage brought upon by drought conditions in Nevada. However, Gold Bug has applied for a well drilling permit. The production goal for this season is to expand as much as 10,000 tons per day.

At this time, no officer or director of Gold Bug has received any remuneration from operations or the joint venture capital. In fact, considerable monies have been advanced as loans by officers to sustain operations.

Investors are invited to inspect the production operations by appointment—call (206) 441-2646 or (404) 937-3361.

Gold Bug Market Makers are:
General Securities at 800-458-3251
Greentree at 800-328-1035
Dillon at 800-622-6602
Guilford at 800-223-1988
Nash—Weiss at 800-526-3041
Hill—Thompson at 800-631-3083
Wein at 800-624-0050
M.H. Meyerson at 800-333-3113
Carr at 800-221-2243
Troster—Singer at 800-327-7001
and Allstate at 800-526-3037
at this time through your broker.

Gold Bug Mining, Inc. is a Unit State Public O.T.C. Company (pink sheets).

For more information call:
(206) 441-2646 or
(404) 937-3361.