

PROMET SERVICES, INC.
METALLURGICAL TESTING & PROCESSING
GEOLOGICAL EVALUATIONS

TECHNICAL OPERATORS
OF
WORLD WIDE REFINERIES

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Phoenix, Arizona 85034
(602) 268-3484

12-31-81

Mr. William Brawner
Gold Hill Mining Co.
807 E. Lemarche
Phoenix, AZ 85022

Dear Mr. Brawner:

Over the past six months we have been systematically re-examining the development potential of the Gold Hill property northeast of Cave Creek including geological reconnaissance and evaluation and preliminary sampling of ore exposed in the old workings and at outcrops.

The favorable preliminary geological evaluation prepared by our associate Marion E. (Mike) Price, dated November 6, 1981 has been sent on to you. Therein Mike confirmed my earlier judgment that this property does indeed have unusual potential for development together with very fortuitous circumstances of convenient location, access, clean old workings which reduce problems in studying the long range potential of the property.

In further endorsement of the excellent prospects of this property which make it a good target for detailed study and evaluation I submit the following background information and results of sampling done to date.

As you are already aware, I had investigated this property extensively some 17-18 years ago at my own expense, and had decided to return to serious reconsideration at some date when precious metals prices and economic situation would justify. So, when you contacted me earlier this year regarding its development I was happy to move this project back into active consideration. I do indeed feel that it is now timely to proceed with it in a systematic step-by-step manner.

Enclosed herewith are some copies of old documents from my file where you will observe that we obtained an option to purchase the property from the M.D. Brown estate through the trust department of the Valley National Bank in 1965. I had been contacted in 1963 by a Mr. Leo Farrington who then owned seven (7) claims called "Gold Dust" (1 through 7). Copies of some hand sketches of the layout of those claims relative to the patented claims you now have under lease are included. Farrington had requested a geological opinion of an elderly geologist named C.W. Gabrielson, now deceased. Copies of the brief 2 page report submitted by Gabrielson are also enclosed. Farrington had been unsuccessful in attempts to lease the patented claims because of his personal circumstances and reputation. I later obtained an option on Farrington's Gold Dust claims prior to obtaining the option on the patented land.

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All this will show that my present interest and favorable opinion regarding this Gold Hill project is not based on a quick short term evaluation since you contacted me. In those days I did not have my own lab and had to have assay work done by others which limited the extent of my sampling. In the intervening years I have developed metallurgical know-how very pertinent to economic exploitation of this type deposit.

You will note in Gabrielson's report (1963) a very strong opinion that the vein and ore deposit could run to significant depths, alluding to 5,000 foot depths in a similar structure. Although we prefer to be more restrained and conservative in our opinion until more detailed work is done, Mike and I both feel that a good target for development exists here.

At that period in 1963-1967 I was in contact with Mrs. Nelson (widowed) at the Nelson mine where she lived near one good spring now on the Carefree Ranch land. A hand sketch map she made for me relative to other mines her husband had been interested in in that area is also enclosed. The potentiality of extending activities eventually to this broader target is quite real. For example, Farrington was one of the earlier operators of the "Rackensack" mine just northeast of Gold Hill.

Sampling of the old workings carried out in the past few months has been summarized in an accompanying table, with an average gold content of 0.27 troy ounce per ton. I feel that the Set III samples as a group are low compared to my previous tests and expect that group to average over 1/3 ounce on repeat analysis. Not included in the table are some samples of quartz outcrops and remnants of old "ore" piles which show values in the vicinity of one troy ounce per ton. These values are conservative and assays were done by chemical extraction procedures comparable to eventual recovery procedures. In detailed sampling as recommended in Mike's report we will include comparison assays using both atomic absorption and fire assay. Samples I had done by fire assay 18 years ago averaged closer to 0.4 troy ounces per ton. Unfortunately I did not save interpretable tables and locations of that early sample work, expecting to do more detailed sampling while developing an access tunnel, etc.

Although Mike Price has completed the sketches of the underground mapping, etc., as late as Sunday evening (December 27th) he had not yet received the printed copies he has ordered. For your convenience in following the estimates on proven ore reserves and probable reserves, I have included a hand sketch (vertical profile) of the existing old workings. When the maps are available I expect to begin plotting in the assay values to assist in interpretation.

Calculating from the mapping, Mike Price reports that about 30,000 tons of proven ore exists. Using 0.27 troy ounce/ton and a current price of \$400.00

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per troy ounce this ore has a value of:

$$30,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$3,240,000$$

Estimates of "Probable" and "Possible" ore reserves lying below the existing old works provide targets of, respectively:

$$\text{PROBABLE ORE: } 150,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$16,200,000$$

$$\text{POSSIBLE ORE: } 200,000 \text{ tons} \times 0.27 \frac{\text{ounce}}{\text{ton}} \times \$400/\text{ounce} = \$21,600,000$$

Conservatively considering only "Proven" and "Probable" ore, a \$20,000,000 potential is very realistic. This certainly justifies proceeding step-by-step with the necessary details Mike has outlined and budgeted as Phase II in his report. In conversation with Mike he points out that there are two other items that should be included in this phase:

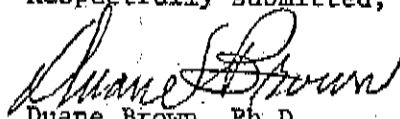
- 1) Repair, replace ladders in old works as necessary;
- 2) Check with local smelters, such as Inspiration Copper as to shipping records for the Nicholson Mining Co. production. The ore would have been highly desirable to them as flux, and was probably shipped locally.

Rejects from sample assay work have now been combined into a composite for laboratory recovery tests. On establishing a flow sheet for this, we will need to handle larger quantities. We will keep you posted on recovery efficiencies as we get some results.

So far as we can estimate by engineering rule-of-thumb, original estimates that a total capitalization of \$1.5 to \$2.5 million will still be required to establish a cost efficient operation. More precise evaluation of capital needs and economic projections would be Phase III of the program Mike laid out.

I continue to be enthused about this project and hope this interim report will assist you in arranging financial assistance necessary to accelerate our program.

Respectfully submitted,


Duane Brown, Ph.D
President, Metallurgist