



STATE OF OREGON

INTEROFFICE MEMO

TO: FILE

DATE: JUNE 19, 1991

FROM: FRANK R. HLADKY/TOM WILEY

SUBJECT: TOUR OF CAMBIOR'S DRILLING ON THE MARTHA MINE

Introduction

On May 3, 1991, DOGAMI geologists Tom Wiley and Frank Hladky toured Cambior's drilling project at the Martha accompanied by Cambior project geologist Laurie Gaborit. Also visiting was Randy Lackey of Lackey Minerals Exploration of Williams, Oregon.

Location

SW $\frac{1}{4}$ Sec. 28, T. 33 S., R. 4 W., between 2400 and 3000 feet elevation, Greenback District, Josephine County

Current Status

Property held by Dragon's Gold.

Reverse circulation drilling in progress at time of tour.

Cambior exercised its work requirement of a joint venture with Dragon's Gold (Jim Schreiber, principal) to drill 10,000 feet and map the property. The JV was terminated June 11, 1991, and Ms. Gaborit indicated that the project fell short of Cambior's 1 million tons @ 0.3 opt corporate requirement.

Four levels exist. The first level is caved. The second is open for about 300 feet but dangerous. The third level, which was toured on May 3, is open for 836 feet. No data for the fourth level.

History

First operated about 1900. Purchased by the Greenback Company in 1904. Connected to the Greenback by an aerial tram in 1906. After closure of the Greenback, a five-stamp mill was erected at the mine. Production was not reported. Four claims are patented (Brooks and Ramp, 1968).

In recent years, Dragon's Gold has performed some drifting along the Martha Vein.

Cambior began a 10,000 foot ^{Core + reverse core} ~~core~~ drilling project at the Martha Mine in Josephine County's Greenback District in 1990, completing four holes for a total of 3000 feet, each

intercepting the primary vein. Fifteen holes were completed by June, 1991 when the JV with Dragon's Gold was terminated.

Regional Geology

The property lies in the Rogue Valley subterrane of the Western Klamath terrane of Silberling et al. (1987). They summarize the geology of the subterrane as 'Ophiolite overlain by an island-arc sequence of basaltic to andesitic flows, tuffs, breccias (Rogue Formation, in part), and mudstone and minor sandstone (Galice Formation) of Upper Jurassic (Oxfordian-Kimmeridgian) age (Garcia, 1982).' However, Porter Irwin of the USGS suggests this sequence might be part of the Rattlesnake Creek terrane (oral comm., 1990). Smith et al. (1982) include the Greenback Mine in their 'Ophiolite of Sexton Mountain area,' a Jurassic sequence including serpentized peridotite and dunite; layered and massive gabbro and metagabbro; and pillow basalt and pillow breccia, basalt flows, flow breccia, and agglomerate with gabbro, diabase, and metagabbro dikes and sills. Ramp (1979) includes the mine area in his Trav unit 'Applegate Group metavolcanic rock: Largely submarine basic to intermediate lava flow rock and tuff with areas intruded by dikes of gabbroic and diabasic composition. Includes minor interbeds of metasedimentary rocks. Mapped as greenstone by Diller and Kay (1924).

Precursors of the altered igneous rocks have been described as gabbro, diabase, diorite, andesite, and basalt in published and unpublished literature. Sampson (1988, unpublished report and map) shows the mine in greenstone of the Jurassic Galice Formation.

Local Geology

Country rock consists of greenstone. Epidotization is prevalent. The greenstone is considered andesite or basalt (L. Gaborit, 1991, pers. comm.) although most of the host rock is uniformly medium to coarse grained and more aptly termed gabbro. Contacts between greenstone and gabbro are abrupt in the underground workings and not necessarily accompanied by veining or brecciation.

Ore Bodies

The Martha Vein is generally 2 to 3 feet wide, up to 6 feet wide, trends S 80 E to N 70-75 E, dips 30-60° N, steepening with depth, but generally observed to be 55-60° on the third level. It is characterized by anastomosing gray quartz, carbonate, pyrite, and slickensided and brecciated wall rock. The Martha Vein is identified by a gold only soil anomaly (200 ppb). Ore chutes grade 0.283 opt over 278 feet of strike length "cut to 2 opt." Greater than 20% grades greater than 1 opt. Maximum known dip length is 600

feet. The Martha Vein (MV) is 3500 feet long, and terminated by faults on both ends. It cuts thru both andesite and gabbro. The MV displays normal and sinistral offset, as much as 3 feet of the latter in apparent offset. N-NE faulting cuts the MV, offsetting the MV by as much as 25 feet apparent, both sinistrally and dextrally. This N-NE faulting is thought to both pre- and post-date mineralization. En echelon, right-stepping sinistral faults yield low grades. MV-parallel dilational zones, internal to and delineated by N-NW and N-NE trending faults that cut the MV at a high angle, yield blocks of high grade ore.

Reserves

A resource of 100,000 tons of 0.3 oz/ton ore were blocked out by Dragon's Gold by projecting random sample data from the ore chute on the third level upward.

Cambior drilled 15 holes through the Martha structure. One hole yielded six feet of 0.699 opt Au.

A soil geochemistry grid indicated anomalies off the Martha structure. Three drill holes on the soil anomalies yielded subeconomic values (Laurie Gaborit, 1991, pers. comm.).

Equipment

No permanent equipment on site. Angle exploration drilling by reverse circulation.

Plan

Insufficient ore within the project boundaries terminated Cambior's interest. Potential at depth (>600 feet) and regionally is largely unknown.

References

Brooks, H. C., and Ramp, Len, 1968, Gold and silver in Oregon: Oregon Department of Geology and Mineral Industries Bulletin 61, 337 p.

Diller, J.S., and G.F. Kay, 1924, Description of the Riddle Quadrangle, Oregon: U.S. Geological Survey Geologic Atlas of the United States, Riddle Folio, no. 218.

Garcia, M.O., 1982, Petrology of the Rogue River island-arc complex, southwest Oregon: American Journal of Science, v. 282, p. 783-807.

Ramp, Len, and N.V. Peterson, 1979, Geology and mineral resources of Josephine County, Oregon: Oregon Department of Geology and Mineral Industries, Bulletin 100, 45 p.

Silberling, N.J., D.L. Jones, M.C. Blake, Jr., and D.G. Howell, 1987, Lithotectonic terrane map of the western conterminous United States: U.S. Geological Survey Miscellaneous Field Studies Map MF-1874C, 1:2,500,000.

FROM: Geoffrey Garcia
Garcia Consultants
12303 Galice Rd.
Merlin, OR 97532

TO: James Schreiber
Dragon's Gold, INC.
261 E. Barnett Rd. Suite 6
Medford, OR 97501

RE: PROGRESS REPORT AND ORE RESERVE ESTIMATE
SAINT PETERS MOUNTAIN PROJECT

RE-OPENING OF MINE

The upper level of the Martha Mine has been cleared to allow an inspection and sampling of the old workings. Most of the pillars had been removed by earlier miners allowing falling slabs of rock to cover the floor of the level. The eastern end of the level is blocked by a second rockfall which contained surface dirt indicating that it lies beneath a large sink structure which can be seen on the surface of the mountain. It appears that extensive mining was carried out at this level. The company has sampled and mapped these workings to develop ore reserve estimates.

An examination of the old workings indicates that a significant amount of mining was carried out on three upper levels of the mine between 2845' and 3136' elevation. The mined areas are roughly 115' high by 500' long at an average of 4' in width and extends another 220' in height, 500' long in the caved area; or approximately 450,000 cubic feet in total. (See Diagram 1)

The vein was mined to the surface from the level of the upper adit in two places approximately 450' apart - between these areas the vein has been selectively mined, with stopes 30-100+ feet in height and widths from 3' to 8'. The exact amount of ore mined from the two caved levels lying above the upper adit is unknown, however, estimates have been based on evidence and sampling in the reopened level.

The lower level was driven 450' parallel to the vein but did not intersect it. It appears that the slope of the vein was not taken into account. Further drifting of approximately 150' on this level should intersect the ore zone mined above.

ORE RESERVE DESCRIPTION

From observations and measurements taken on the recently opened upper adit it would appear that roughly 60-75% of the vein above this level has been stoped averaging approximately 4 feet in width. This would give an estimate tonnage of ore removed of between 22,500 to 28,125 tons, or a mean average of 25,000 tons.

The vein has been drifted on two levels beneath the uppermost reopened adit. The first of these, or middle level, lies approximately 210 feet below the upper level on the 45-55 degree plunge of the vein. The lowest level, approximately 230' below the middle level was driven parallel to the vein and failed to intersect it. If the ore zone mined above continues at depth to

the next level, then the total reserves that could be accessed from both levels would be approximately 50,000 tons of ore. The vein east of this area remains unexplored at this time. It is possible that reserves many times greater than those outlined above lie to the east and in extensions of the ore body at depth, in addition to those areas calculated herein.

CALCULATIONS

Mined Ore (Above Upper Adit)

$$\text{Area 1} = \frac{\left(\frac{500' \times 220'}{2} \times 4' \right) + (500' \times 115' \times 4')}{12 \text{ cubic ft/ton}} = \frac{450,000 \text{ cu.ft.}}{12 \text{ cubic ft/ton}}$$

= 37,500 tons @ 60-75% of area actually stoped

= 22,500 to 28,125 or a mean average: 25 M tons

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Additional Mined Ore (Extension of Drift/Above Upper Adit)

Since the adits to these workings remain caved, no accurate estimate of tonnage mined can be made. The area on which these caved adits are located is approximately 330' x 190', would have added very roughly 10 to 15 M tons to the ore removed, if mined as extensively as the reopened adit.

Probable Reserves (Middle Level Adit to Mined Area)

$$\text{Area 3} = \frac{500' \times 210' \times 4'}{12 \text{ cubic ft/ton}} = \frac{420,000 \text{ cu.ft.}}{12 \text{ cubic ft/ton}}$$

= 35,000 tons @ 60-75% of area actually mined

= 21,000 to 26,250 or a mean average: 23 M tons

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Possible Reserves (Extension of ore body to depth & length)

$$\text{Areas 4,5,6} = \frac{(230' \times 500' \times 4') + (625' \times 500' \times 4') + (1,065' \times 190' \times 4')}{12 \text{ cubic ft/ton}}$$

= $\frac{460,000 \text{ cu.ft.} + 1,250,000 \text{ cu.ft.} + 809,400 \text{ cu.ft.}}{12 \text{ cubic ft/ton}}$

= 209,950 tons @ 60-75% of area actually mined

= 125,970 to 157,463 or a mean average: 141 M tons

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TOTAL ESTIMATED RESERVES = 23 M + 141 M = 164 M TONS

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GRADE OF ORE

An initial series of 8 chip samples taken on exposed parts of the vein averaged 2.564 ounces per ton of gold. Later, 19 channel samples were taken on accessible parts of the vein left by earlier workers in the upper adit. The vein averaged 18" in width and the ore carried 0.637 oz/Au per ton on a weighted average basis. Stopes 3 to 8 feet in width indicate that the parts of the vein removed by the earlier miners greatly exceeded what was sampled. (See Assays)

Historic production records indicate that the ore produced at the Greenback Mill during the time the Martha was in production averaged better than 0.68 ounces of gold per ton. The actual grade of the ore in place on the levels below the area already mined will be known after detailed channel sampling of the vein upon the completion of the drift which is now in progress in the middle adit. Initial assays in the vein from this drift have shown gold values that range from 0.130 to 0.710 Au/ton, or an average of 0.288 Au/ton. The widest mineralization recorded to date has been a four foot width; a channel cut across this zone assayed at 0.327 on a five assay ton basis.

RESERVE VALUATION

Estimated probable reserves calculate to 23 M tons of ore above the middle level adit. By extrapolating the average assay results recorded in the old workings of 0.6 ounces per ton, and a

price of \$450 per ounce for gold, said reserves would have a calculated value of over \$6 million. The use of 0.6 as the assumed ore grade over an average of 4 feet in the stopes, is in my opinion conservative, on the basis of assays in the old workings and the present drift.

Confirmation of reserves at depth require additional exploration. Reserves above the middle level will become proven as ore is blocked out by confirming with assays commercial ore values as the drift progresses for at least an estimated 500 feet.

Exploration at the lowest level adit and drilling should greatly increase the reserves, but requires even more extensive exploration. Sampling and drilling of a parallel vein structure on the property and on at least one anomaly on the projected extension of the vein, are also warranted at this time. Field exploration to date indicates a high probability that additional ore can be located on the property adjacent to the mine.

RECOMMENDED PLAN OF OPERATIONS

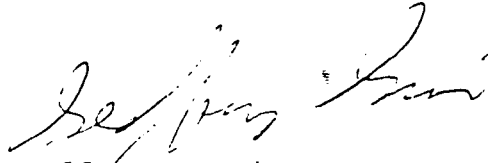
An inspection of the upper workings confirms that an ore zone occurs for a distance of at least 500 feet. Initial results from samples taken on this level indicate the presence of gold in economic quantities. In view of these two facts, drifting beneath this part of the vein on the middle level is justified. The company should plan for bulk testing of the vein as drifting progresses to determine both the amount of gold and the best method of recovery. Preliminary evaluation of a mill design

should be under taken to establish preliminary costs and efficiency of a 50 to 100 ton per day mill. Ore realized from present drifting should be decked at the mill site. A geochemical grid on 100 foot centers should be undertaken on the balance of the property, and a drilling program to expand reserves elsewhere on the property is also warranted when economically feasible.

PROJECTED MINING COSTS PHASE II

Drifting on the middle level 500' ore @ \$100/foot	\$50,000
Drilling (2,500' @ \$10 per foot, reverse circulation)	25,000
Sampling, bulk testing and analysis (Surface drift assays plus grid)	12,000
Used Equipment Purchases (Trucks, Backhoe, Compressor, Drill, Etc.)	10,000
Geologic work and field supervision (Geochemical Grid & Mill Analysis)	13,000
<hr/> TOTAL	<hr/> \$110,000

At the completion of phase II, enough should be known about the ore body to allow planning for a mill and define a production schedule.


Geoffrey Garcia
5/2/88

December 10, 1993

Mr. Allan R. Young
New Projects Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Dear Allan:

As the year winds down the pace quickens with Christmas activities and shopping. I am desperately trying to tie up a host of loose ends in a number of directions before the end of the year. I hope that you will find a few moments to scribble out a status report on the submittals that we have pending.

Cumberland/Kentucky Favorite/Maginnis- Spotted Horse has been dealt away but these three adjacent mines are part of the large Spotted Horse vein system...they are available and may present an opportunity for a 100 TPD higrade precious metal operation. Before going belly-up at Spotted Horse, Chelsea Resources drove ramps into extensions of known ore at both Kentucky Favorite and Maginnis mines and are reported to be in ore.

Golden Armells/Armells Favorite/Iron King- These three prospects outline another higrade vein system just a few miles northeast of Spotted Horse and, as such, may represent another opportunity for a 100 TPD higrade gold operation

Green Campbell- The owners of this prospect will be meeting with me during the Christmas week. They have negotiated a deal with Kennecott at their Kersearge prospect and are debating whether to open up Green Campbell on their own. I'll know more by the end of the year.

Martha- This prospect appears to meet Sunshine's acquisition criteria.

Tototlan del Oro- This prospect also appears to have potential to product a relatively small tonnage of very higrade ore fairly quickly at a minimum cost. The district has other higrade veins.

Los Reyes- While shy on gold, this prospect has sufficient seed reserves to offer the potential to be a substantial silver producer.

Magistral- This old timer is being drilled, is available, and should be looked at.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 79715

October 08, 1993

Mr. Allan R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Re: Martha Prospect, Josephine County, Oregon

Allan:

Back in 1989, the President of the small company holding the subject prospect spoke with me on several occasions with concerns about his exploration program that was being funded by eastern investors.

A consultant, Geoffrey Garcia, in May, 1988, wrote a summary report in which he cites an 18" wide vein with Proven-Probable Reserves of 23,000 tons averaging 0.60 OPT gold.

A second consultant, Tom Ferrero, in Jan 1989, wrote a report listing reserves of 38,000 tons @ 0.411 OPT gold.

Following an underground sampling program, a third consultant, Maurice Magee, wrote another report in which he says that the vein ranges from a small fracture to about five feet in width averaging 24". He lists Proven-Probable Reserves at 37,613 tons plus Possible-Potential Reserves of 181,373 tons all at an average grade of 0.50 OPT gold.

I suspect that Sunshine may already have this prospect in its file. If not and if interested, let me hear from you and I can send copies of the Garcia, Ferrero, and Magee reports.

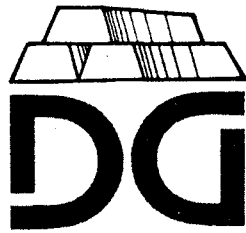
I have not been on the property and it is likely that the holding company no longer exists.

Sincerely,

Charles P. Seel

Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 59715
(406) 586-0734

*Probably too small
Permitting a problem
AKY 3/24/95*



Dragon's Gold Inc.

261 East Barnett Road, Suite 6, Medford, Ore. 97501
Phone (503) 776-7777 Fax (503) 770-Gold

May 16, 1989

Mr. Charles P. Seel
1333 Bluebird lane
Bozeman, Montana 59715

Dear Mr. Seel

Thank you for your interest in our project and we look forward to hearing from you again after you have had a chance to review the enclosed material. Please feel free to call me directly if you have any questions and/or need any further information to do your evaluation.

Enclosed please find a copy of the preliminary confirmation by Maurice Magee, independent consulting geologist, showing total reserves of 96,053 tons and an average ore grade of .500 oz Au/ton over a 4 foot mineable width. A copy of his resume is attached for your review. Please note the fourth page which lists the companies for which he is presently providing professional services; his credentials are exceptional and his calculations are based on conservative assumptions.

Also enclosed is a brief corporate profile and mine model diagram which depicts the basis for calculation of the reserves. We have delineated the calculation of recoverable reserves, and gross profit from operations based on our preliminary feasibility study. This document is followed by a series of potential resource calculations which extrapolate the orebody to logical limits basis geological analysis to date, and a topographical map of the area. Detailed maps of the mine and the vein are available upon request.

Also enclosed is a projection of reserves assuming we continue to drift on ore at the present rate in the middle adit, and intersect the orebody in the lower adit for the periods ending 6/30/89 and 12/31/89.

Next, there is an unaudited balance sheet for the year ended 12/31/88 and a schedule of projected production with estimates of earnings, taxes, market price and capitalized market value based on a 6,000,000 share capitalization. This is pro forma an additional private placement and a public offering, and includes a scheduled use of proceeds. Since a joint venture partnership is being aggressively pursued simultaneously with other funding alternatives, several different appraisal formulas have also been calculated to determine our relative value from various perspectives. The key to establishing a value under both assumptions, i.e. joint venture and public company, is the ability to move possible and potential reserves in the proven and probable categories, and ultimately into gold bullion.

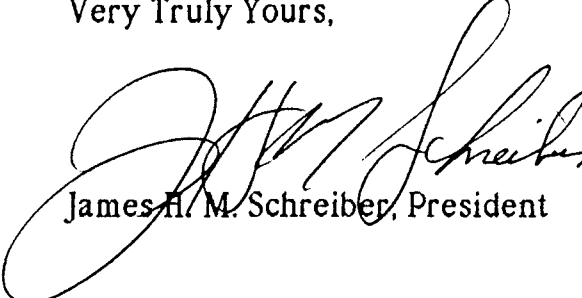
We have developed significant reserves with only 8 months of drifting on the vein in the middle adit. Each month of continued drifting adds \$464,400 to proven reserves. This is calculated as follows: 3 rounds per week x 5 ft/round = 15 feet advance; 15' x 150' (100' above and 50' below the drift) x 4' (average mineable width) = 9,000 cubic feet; 9,000 cu ft/12 cu ft per ton = 750 tons; 750 tons x .8 (mine recovery factor) x .9 (mill efficiency factor) x .500 (average ore grade over 4' mineable width) = 270 oz Au; 270 oz x \$400 per oz = \$108,000 x 4.3 weeks/month = \$464,400.

These figures double once the orebody is intersected on the lower level, and drifting in ore takes place simultaneously at both levels. Therefore, an asset is being created at the rate of \$464,400 (1 level) to \$928,800 (2 levels) per month, and future earnings (assuming a cost of extraction and processing of \$174 per oz) at \$262,386 and \$524,772 per month respectively. This compares with an expense of approximately \$30,000 per month based on current operations, or 875% and 1,750% R. O. I. respectively, for whatever period drifting can be maintained in commercial grade ore. We believe our internal projection of drifting an additional 615 feet in the middle adit by 12/31/89 has a high probability of being achieved.

Much has been accomplished in the last 18 months; however, there is still much to be done. Our growth can be accelerated with the right joint venture partner with reduced downside risk; never-the-less, the insurance that such an approach would provide must be at a reasonable cost in relation to the alternative of an independent private or public entity.

The finished report from Maurice should be available within the next couple of weeks and will be forwarded to you as soon as possible. I look forward to hearing from you and hope that there is a way that we can help each other capitalize on our project.

Very Truly Yours,



James H. M. Schreiber, President

Martha



SUNSHINE
MINING
COMPANY

815 Park Boulevard
Suite 100
Boise, Idaho 83712
(208) 345-0660
FAX (208) 342-0004

June 18, 1993

Mr. Charles P. Seel
250 Old Yellowstone Trail
Bozeman, Montana 59715

Dear Mr. Seel:

This letter will confirm our phone conversation of today, regarding Mexican gold opportunities. The following terms of our agreement shall apply:

1. Sunshine's specific interest is in high-grade, underground gold properties as described in the criteria list which is attached.
2. You will utilize your own files and contacts to come up with submittals from time to time on specific properties which fit these criteria. You will supply Sunshine with up-to-date information on the status, production, grade, drill results, reserves, etc. of these properties. Sunshine may follow up on these submittals at their sole discretion.
3. If Sunshine elects to acquire a property which was submitted by you and this property is placed into production, you will receive a net profit royalty from Sunshine. The amount of this royalty shall be negotiated at the time of acquisition but will not be less than 5% nor more than 20%. You will be responsible for your own expenses in gathering and submitting data on these properties. Unless other special arrangements are made, no other fees will be paid to you by Sunshine.
4. Your relationship to Sunshine shall be that of a vendor, not as a consultant, contractor or employee. You have no power or authority to act for, represent or bind Sunshine in any manner. You are responsible for your own medical coverage and insurance.

Mr. Charles P. Seel
June 18, 1993
Page 2

5. Either party may terminate this Agreement at any time upon notification of the other. However, the terms of this Agreement shall continue to apply to properties which are submitted prior to termination and which are acquired within two years from the date of termination.

I will be looking forward to hearing from you.

Yours truly,



Allan R. Young
Operations Manager

Attachment

c.c. RHP

ARY:rh

April 14, 1993

Mr. Allan R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Re: Mexican Exploration Joint Venture Proposal

Dear Mr. Young:

Yesterday I called as your April 8th response requested and was told that you had left your office...probably for the day...and that you would not be in your office tomorrow. Because scheduling is beginning to tighten up, I am hurrying to reply so that you will have my comments on your desk upon your return.

The tone of your letter is satisfying because of the several companies that I considered, Sunshine Mining best dovetails with a number of Mexican prospects in my files. Moreover, your Acquisition Criteria are realistic and manageable.

As you point out, a formal agreement at this point may not be necessary. Further, I agree that a twenty percent net profit carried interest may, in some instances, be a bit steep.

All I really need at this point is a letter from you outlining the intent of our working relationship; i.e., that for any Mexican prospect not already controlled by Seel and that Seel submits to Sunshine Mining and that Sunshine Mining subsequently acquires and brings into production, Seel will receive a net profits interest in that property. The net profit interest shall be twenty percent unless feasibility studies show that to be unreasonably high in which case it can be negotiated downward.

At this point I also need to know how Sunshine Mining Company is set up to treat submittals in Mexico.

I can cull a few submittals from my files in a matter of a few days.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, Montana 59715
(406) 586-0734

July 07, 1993

Mr. Allen R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Dear Mr. Young:

This will acknowledge receipt of your letter agreement regarding Mexican gold opportunities dated June 18, 1993.

I concur with your outline with two exceptions (items 2 and 3) plus one recommended addition.

- . Item 2...I agree to cull from my file specific prospects which appear to fit the Sunshine Acquisition Criteria. I do not agree however to commit to supply Sunshine with up-to-date information on the status, production, grade, drill results, reserves, etc. on those properties. In those instances where I do have competent personnel in place on a part time basis and who can easily pursue such information, I will do so at no cost to Sunshine. Currently, for example, I can fairly easily conduct property investigations in areas around Hermosillo, Sonora and around Guadalajara, Jalisco. Of the two enclosed submittals (Alaska/Susana/Veta Grande in Sonora and La Resurreccion in Sinaloa) updated data on the Alaska/Susana property can be pursued if desired at no cost to Sunshine but I do not at the moment have a qualified person in-place in the State of Sinaloa (La Resurreccion).

Should any of my submittals whet your appetite to the point where you require and request additional updated data, you may do so directly or my part-time Mexican geologist in Guadalajara can be made available to you at cost.

- . Item 3...Because of on-going costs related to my prospect generation activities coupled with the long lead time prior to production, I should like to suggest that the first of my submittals acquired by Sunshine would involve no fee to me. However, all subsequent submittals acquired by Sunshine should be accompanied by a modest payment to help sustain my prospect generation program on an aggressive basis
- . Recommended addition...In those instances where Sunshine conducts additional technical surveys; i.e., geology, sampling, geochemistry, surveying, metallurgy, economic studies, etc. on any of my submittals and then declines the property, copies of such technical data will be shared with me.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, Montana 59715

SUNSHINE
MINING
COMPANY



815 Park Boulevard
Suite 100
Boise, Idaho 83712
(208) 345-0660
FAX (208) 342-0004

December 13, 1993

Mr. Charles Seel
250 Old Yellowstone Trail
Bozeman, MT 59715

Dear Mr. Seel:

I finally had a chance to review Hector's report on Totolan del Oro and go over some of the other information which you have sent over the past couple months.

First of all, after reading your letter regarding Hector's billing, I have decided to authorize payment of one additional day of consulting. I have also authorized payment of your phone and wire transfer expenses. You should be getting a check for \$450 in the near future. As for Hector, I would like to do more, but I cannot get over thinking I was being taken advantage of, with so many more days on his billing than was estimated. I was pleased with his report, however. Totolan del Oro, in combination with the Lo de Pelayo property, appears to be worthy of some further work, including drilling. Unfortunately, Sunshine's acquisition philosophy has undergone some modifications in recent weeks which causes us to be less interested in this property than we might have been. There is now much more emphasis on advanced stage projects, those with established reserves, which are or can be placed into production quickly. I'm afraid this one does not fit that criteria at this time.

With respect to Spotted Horse, the "discouraging information" came from a geologist who had previously worked on the property. He said that the ore was extremely pockety and erratic and would be very difficult to establish much of a dependable reserve figure. The report on the Spotted Horse is enclosed with this letter. The Maginnis/Kentucky Favorite/Cumberland is also being dropped from consideration for now for the same reason as the Spotted Horse. Likewise, the Golden/Armells/Armells, Bonanza/Iron King property is reported to be similar to Spotted Horse in geology and is too grass-roots to be of interest at this time.

Other properties which you brought to our attention are discussed below:

Honduras- Sunshine has looked at gold properties here but to-date has not been to encouraged. Most are probably too grass-roots given our new criteria.

Magistral- Again, may be a bit early-stage. Would be interested to see results of current drilling program. Please send particulars on operating company.

Martha Prospect- This one may also not be well enough advanced, but it is somewhat intriguing. I will attempt to find out more.

Given the Company's current emphasis on more advanced-stage projects, I believe that it is in Sunshine's best interests to terminate our agreement with you at this time. Although your files have turned up some interesting prospects, much of the information is rather dated and many of the properties have been idle for some time. Should we renew our interest in undeveloped properties at a future date, we may consider re-establishing our relationship.

Thank you for your patience and consideration

Yours truly,



Allan R. Young
Operations Manager

Enclosures

ARY:rhb

October 13, 1993

Mr. Allan R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Re: Martha Project, Josephine County, Oregon

Allan:

Your phone request for more information on the Martha Mine was relayed to me. Find enclosed...

- . James Schreiber letter to C.P. Seel, 05/16/89
- . Dragon's Gold Inc., Corporate Profile, 03/17/89
- . Progress Report, Saint Peters Mountain Project, Geoffrey Garcia, 05/02/88
- . Topo Sheet & Estimated Reserves, 12/31/89 & 06/30/89
- . The Martha Mine Geologic Report, T. Ferrero, 01/12/89
- . M. Magee letter to J. Schreiber, 03/08/89
- . M. Magee resume

I must now run to town to get two maps copied that will be sent to you tomorrow along with M. Magee's report of May, 1989.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 59715
(406) 586-0734

October 08, 1993

Mr. Allan R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Re: Martha Prospect, Josephine County, Oregon

Allan:

Back in 1989, the President of the small company holding the subject prospect spoke with me on several occasions with concerns about his exploration program that was being funded by eastern investors.

A consultant, Geoffrey Garcia, in May, 1988, wrote a summary report in which he cites an 18" wide vein with Proven-Probable Reserves of 23,000 tons averaging 0.60 OPT gold.

A second consultant, Tom Ferrero, in Jan 1989, wrote a report listing reserves of 38,000 tons @ 0.411 OPT gold.

Following an underground sampling program, a third consultant, Maurice Magee, wrote another report in which he says that the vein ranges from a small fracture to about five feet in width averaging 24". He lists Proven-Probable Reserves at 37,613 tons plus Possible-Potential Reserves of 181,373 tons all at an average grade of 0.50 OPT gold.

I suspect that Sunshine may already have this prospect in its file. If not and if interested, let me hear from you and I can send copies of the Garcia, Ferrero, and Magee reports.

I have not been on the property and it is likely that the holding company no longer exists.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 59715
(406) 586-0734

October 14, 1993

Mr. Allan R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Re: Martha Project, Josephine County, Oregon

Allan:


Following the subject informational packet shipped to you yesterday, enclosed find...

- . Review & Evaluation of the Martha Mine, Magee Geological Consulting, May 1989
- . Plate 1A & Plate 1B, Martha Mine Vein Maps, T. Ferrero, March 1989

After rereading these reports, the Martha prospect appears to have some potential as a small highgrade gold producer.

Let me know as soon as convenient whether Sunshine is interested or not interested. If not interested I may try to acquire.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 59715
(406) 586-0734

November 17, 1993

Mr. Allen R. Young
Operations Manager
Sunshine Mining Company
815 Park Boulevard
Boise, Idaho 83712

Allan:

As the year winds down perhaps it is time to recapitulate. There has been no word from you since September. The attached Submittal Chronology shows that seven submittals are still in various stages of consideration...

Spotted Horse- You were going to visit this property on 10/25/93.

Cumberland/Kentucky Favorite/Maginnis- These three prospects become important and should be pursued in the event that Sunshine decides to proceed with Spotted Horse.

Golden Armells/Iron King/Armells Bonanza- These three prospects may stand on their own merit and should be examined but they become especially important should Sunshine decide to pursue Spotted Horse.

✓ Martha- This project appears to meet Sunshine's acquisition criteria.

Green Campbell- I have not as yet been successful in obtaining copies of the Pegasus drill results but will continue to prod.

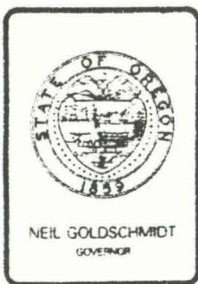
Los Reyes- For anyone thinking of establishing a mining operation in Mexico, a districtwide exploration concept should be considered. While Los Reyes does not meet all of Sunshine's acquisition criteria, it was submitted because Sunshine is a major silver producer and because Los Reyes is an advanced project with significant seed reserves is a large well-mineralized precious metal district.

Tototlan del Oro- This project may not ever be a large mine (tonnagewise) but appears to have potential to produce significant number of ounces of gold over the near term with a minimum investment. Incidentally, when I last spoke with Hector, he told me that sample number 08 Tototlan 17 was a barren check sample and therefore correctly returned a 0.0 gold/silver assay.

Sincerely,



Charles P. Seel
250 Old Yellowstone Trail
Bozeman, MT 59715
(406) 586-0734



Department of Geology and Mineral Industries

1534 QUEEN AVENUE SE, ALBANY, OREGON 97321 PHONE (503) 967-2039

March 7, 1989

James Schreiber
Dragon's Gold Inc.
261 E. Barnett Road #6
Medford, Oregon 97501

Dear Mr. Schreiber:

Gold mining activity planned by you in Section 28, Township 33S, Range 5W, in Josephine County and elsewhere, may exceed that limit which may be conducted without compliance with Oregon state surface mining law. The crossing of Coyote Creek that apparently you recently built on tax lot 806 most likely needs to be covered by a permit from the Division of State Lands. Adequate steps to prevent turbidity in Coyote Creek are not being taken; immediate improvements in your road construction techniques are needed.


The surface mining law provides that up to one acre of ground and/or 5000 cubic yards, whichever comes first, may be surface mined during any given year without the need to apply for and receive an Operating Permit from the Department of Geology and Mineral Industries. Enclosed is a copy of that law. From what I have been told, you are planning to significantly exceed those limits.

If your mining operation will exceed those limits stated above, you need to file the enclosed application for an Operating Permit. The application must be accompanied by a fee of \$535 (ORS 517.800). Annual renewal fees are \$385. In addition, you will need to prepare a site plan which will demonstrate how the mined area will be reclaimed following the conclusion of mining activity.

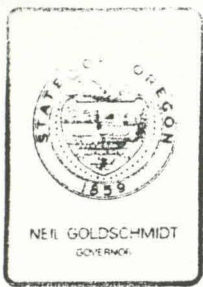
Section ORS 517.810 also requires that any land subject to the reclamation requirements must be bonded to assure the faithful completion of the reclamation work. The amount of the bond and the area to be bonded will be determined by on-site inspection after the application for the permit has been received. Considerable baseline data may be required prior to start-up. An early start on data collection is recommended.

If you have any questions concerning the information provided above or need any assistance, please contact me.

Sincerely,


Allen H. Throop
Reclamationist
Mined Land Reclamation

AHT/deb
Enclosure: Div 35 packet
c: DSL-Salem
Josephine Co Forestry
Josephine Co Planning Dept
Fish & Wildlife-Central Point



Department of Geology and Mineral Industries

1534 QUEEN AVENUE SE, ALBANY, OREGON 97321 PHONE (503) 967-2039

March 14, 1989

James Schreiber
Dragons's Gold Inc.
261 E. Barnett Road #6
Medford, Oregon 97501

Dear Mr. Schreiber:

Thank you for your call on March 14. Now that I know more about your proposed gold mining operation at the Martha Mine, I can give a better outline of the permits that will be required for this proposal.

The following agencies will be involved in permitting: Josephine County Forestry (JCF) as landowner; Josephine County Planning (JCP); this department (DOGAMI); Department of Environmental Quality (DEQ); Oregon Department of Forestry (ODF); Division of State Lands (DSL); and Water Resources Department (WRD). This collection of alphabet soup means a lot of headaches, but we will try to help coordinate the effort and work with you to get through the process. Let's look at the area of concern of each agency.

Department of Environmental Quality is charged with protecting the quality of Oregon's air, surface and groundwater, and noise levels. The mill will most likely need an air contaminant discharge permit. The mill and mine discharges will also need to be permitted by DEQ. Initial contact should be to DEQ's Medford office (776-6010). Baseline data required to establish background levels of water quality and the potential for acid or trace metal drainage from the tailings ponds and waste dumps will be coordinated between DEQ and DOGAMI.

Josephine County Forestry As I understand the situation, they own part of the Martha Mine. As such, whatever lease provisions you and JCF agree to are as valid as any other lease. They have expressed concerns about enlargement of the existing glory holes and asked me to look at them a few weeks ago. Due to snow, we didn't get there.

Josephine County Planning The decision as to permit or not permit mining and milling anywhere in the county is made by JCP. All land affected, including the county and private land at the mine and the mill site need proper zoning authority. Contact Rick Riker at 474-5421.

Department of Geology An operating permit is required for any mine or mill producing or processing more than 5000 cubic yards per year or affecting more than one acre. In the proposal as outlined to me, we

CONT ON PAGE TWO

PAGE TWO

LETTER - JAMES SCHREIBER

would look mainly at preserving the water quality in Coyote Creek and Scholey Gulch, stabilizing and revegetating the tailing pond, proper closure of the mine and its entries, and decommissioning and removal of the mill. A bond or bonds will be required to guarantee completion of reclamation.

The current permit fee is \$535 for the first year and \$385 annually thereafter. Processing costs of the application above the \$535 level must be paid by the applicant.

The Oregon Department of Forestry requires notification when power equipment is used in a forested area. ODF can be reached at 474-3152 in Grants Pass.

Division of State Lands should be contacting you about the culvert across Coyote Creek without a DSL permit. You could contact Ken Franklin at 378-3805 in Salem to discuss the matter.

Water Resources Department is involved with water rights, dam safety, and drill hole standards. The watermaster is in Grants Pass (474-5385) and will handle water rights. Any dams over 10' high must be approved by WRD (378-8455) in Salem. We will work with WRD on well construction standards.

This is a long list. Obviously much work is required to work through the permits. Once we have received an application from you, we will set up an interagency meeting if you so desire. We look forward to working with you.

Sincerely,



Allen H. Throop
Reclamationist
Mined Land Reclamation

AHT/deb

c: DEQ-Medford
DEQ-Kent Ashbaker
Josephine Co Planning-Rich Riker
Josephine Co Forestry-Virgil Witcher
DSL-Ken Franklin

JOSEPHINE COUNTY FORESTRY DEPARTMENT



February 23, 1989

Len Ramp
Oregon Department of Geology and Mineral
Industries
312 S.E. H Street
Grants Pass, OR 97526

Dear Mr. Ramp:

Enclosed is the information on the James Schreiber mining operation. Please call Virgil Witcher after you have had a chance to look it over. Thank you.

Sincerely,

Connie Blanchard

Connie Blanchard

Secretary

RECEIVED

FEB 15 1989

JOSEPHINE COUNTY
FORESTRY DEPARTMENT



Dragon's Gold Inc.

261 East Barnett Road, Suite 6, Medford, Ore. 97501
Phone (503) 776-7777 Fax (503) 770-Gold

February 12, 1989

Virgil Witcher
Josephine County Forestry Dept.
County Courthouse Rm. 68
Grants Pass, OR 97526

Dear Virgil:

I've enclosed a copy of a report by Tom Ferrero, registered geologist, which analyzes the Martha vein structure, within the Dragon's Gold portfolio of properties. Part of this ore body is on the Josephine County land which Dragon's Gold has been exploring and developing pursuant to a Mineral Exploration Permit and Agreement. A surveyor's map is enclosed indicating where the county property line intersects a projection of the vein on the surface, and an estimation of the point underground in the middle adit where we have extrapolated the intersection of county ground.

It is clear from the enclosed report there is a commercial grade of gold ore on the property. Furthermore, based on our analysis, it would seem that both the estimate of total reserves of 38,000 tons (including BLM and County land) and average ore grade over a mineable width of .411 oz Au per ton in Tom Ferrero's report is very conservative. Another geologist, Maurice Magee, who previously worked on our project for Pincock, Allen & Holt, is preparing a separate and more current analysis. This report will reflect additional development work consisting of 70 feet of new drift on two levels.

We estimate as the result of the exploration and development to date that total reserves should be approximately 100,000 tons, with about 40,000 tons in the proven and probable categories. Average ore grade should be at least .5 oz Au per ton, and very possibly .6 to .7, based on our assay results to date.

The average mineable ore grade is very critical in projecting profits, especially when the price of gold is below \$300 per oz. If ore grade through the mill is not maintained at above .25 oz au per ton or better, and the price of gold declines below \$300 per oz, operations could rapidly become unprofitable. Ferrero projected \$55 gross profit per ton, at .411 oz Au per ton and \$400 spot gold price; his calculations did not factor in a gold brokerage discount of 2.5% (\$3.60 per ton) nor a county royalty of 5% (approximately \$7 per ton), which would have resulted by his calculations in an adjusted gross profit of about \$40 per ton.

We estimate profits can be materially improved by running the mill 24 hours a day, 7 days per week; which is common in gold milling operations. Ferrero's adjusted \$40 gross profit assumption above is calculated assuming a 10 hour per day operation, 5 days per week. Therefore, based on an around the clock operations, profitability would increase to about \$70-77 per ton, (compared to Ferrero's \$55) before discounts and royalties of \$10 to \$12, or about \$60 to \$65 per ton net (compared to Ferrero's \$40), assuming \$400 gold, and .411 average ore grade. Each increase of .1 Au per ton would increase profits by approximately \$30-\$35 per ton. Please keep in mind that these figures are preliminary based on our feasibility studies to date, and could vary materially for actual operations.

Economic feasibility dictates that the business plan realistically address these issues. Therefore, the Uniform Mining Lease with the County, should be ammended (especially paragraph 16) to address the possibility that operations could conceivably need to be suspended for some period of time, should economic conditions prevail that would make it uneconomic for anyone to mine the property. The minimum royalty should still be payable, but the terms of the contract should be revised rather than the issue of performance left to interpretation, to provide for these contingencies.

Realistic contract terms are especially important because an additional \$250,000 to \$500,000 in funding will be required to complete installation of the mill and development of the mine, and investment bankers need assurance that Dragon's Gold will have exclusive and unconditional rights to mine the county land, and that the contract cannot be cancelled except for specific reasonable nonperformance.

Flotation as well as gravity circuits are needed to efficiently recover the gold. Without a sophisticated mill, a major uncontrolled variable would be entered into the equation which could easily turn a potential profit into a loss. Ferrero's numbers assume 95% recovery(90% is probably more realistically obtainable in actual operations), which is based on the results of metallurgic analysis that has been performed by 3 seperate independent laboratories.

I will provide you with a copy of Maurice Magee's report when available; it should be completed in March. He plans to visit

the property between the 13th and 17th of February, should you or any of the commissioners wish to speak with him. He will have to spend most of his time at the mine supervising sample taking, but arrangements can be made to get together. Should you or any of the commissioners wish to speak directly to Tom Ferrero, please feel free to do so; his telephone number is (503)488-2452.

I hope you now have all the information you require to begin processing our Uniform Mining Lease. Please send me a draft that is acceptable to Josephine County at your earliest convenience.

There is one related issue which should be addressed, and that is would Josephine County consider selling its interest, and if so, on what basis. This question has been asked by several individuals with whom we have been negotiating for additional capital to develop the mine and install the mill. Since the subject property went back to the County for nonpayment of taxes, I'm not sure the county really wants to be in the gold mining business, and thought there might be some basis for negotiation.

I've also enclosed a copy of an unaudited year-end balance sheet which provides some perspective on what has been invested in the project to date.

Please call me after you have had the opportunity to review this material.

Very truly yours,


James H. M. Schreiber, President
Dragon's Gold, Inc.

*P.S. I've also enclosed A preliminary
letter report from Maurice Magee.*

MINE EVALUATION
ORE RESERVES
MINERAL EXPLORATION
PROPERTY EVALUATION
GEOLOGICAL MAPPING
GEOCHEMICAL SURVEYS

MAURICE MAGEE
CONSULTING ECONOMIC GEOLOGIST
5184 EAST PASEO DEL BAC
TUCSON, ARIZONA 85718
(602) 299-5822

REGISTERED GEOLOGIST ARIZONA
AMERICAN INSTITUTE OF
PROFESSIONAL GEOLOGISTS
SOCIETY OF ECONOMIC GEOLOGISTS
SOCIETY OF MINING ENGINEERS
CANADIAN INSTITUTE OF MINING

February 13, 1989

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FEB 15 1989

RECEIVED
FORESTRY DEPARTMENT

Mr. James Schreiber, President
Dragon's Gold Inc.
261 East Barnett Road, #6
Medford, OR 67501

Dear Jim,

I have completed my preliminary assessment of the reserves of the Martha Mine and am preparing a report of my work on the project. This letter is a summary of my assessment to date. My report will be submitted to you later. I plan to rewrite the report after my site visit this month and will incorporate the results of the new assay information from new drift development on the middle and lower levels.

In summary, I am estimating the reserves based upon the work to date from sampling by Tom Ferrero, Tom Billings and Geoff Garcia with mine development work completed over the past year. Their work and reports should become a part of the total report and presented as an appendix to my report, since the sampling done incorporates the work of all three men using different approaches and sampling techniques.

My estimate on the size of the Martha mine deposit is based on the information received to date and is summarized below and presented on Table 1 attached. This summary and Table 1 are qualified in the entirety by the notes following Table 1.

<u>Class</u>	<u>Tons</u>	<u>Au Oz/Ton</u>	<u>Contained Ounces Gold</u>
Proven	8,600	0.356	3,062
		(assumed grade and ounces)	
Probable	19,507	0.356	6,944
Possible	<u>54,453</u>	<u>0.356</u>	<u>19,385</u>
Total	82,560	0.356	29,391

Potential resources can be projected to the east beyond the possible category and below the lower level. These two areas may

contain an additional 73,000 tons of potential geologic resource. These geological projections of the vein for 300 to 500 feet east of the middle level development and 200 feet below the lower level development are done with much less confidence. Projections of tons and grade in a narrow vein beyond about 200 feet is very uncertain. While the vein may extend over a much greater distance than found to date and there may be multiple veins in this system, the possible reserves and potential resources must be considered very uncertain until drilling or development drifting have penetrated these areas and permit sampling and assaying.

Economic parameters of the Martha Mine are not addressed in this letter report and have not been reviewed in developing the reserve estimate stated herein. A reserve cutoff grade has not been established. The project economics will be developed by Dragon's Gold Inc. at a later date and will be reviewed at that time.

A major concern in any reserve estimation and mining plan, particularly in the mining of a narrow vein deposit is the sampling and grade of the deposit. While the vein may continue for some distances, the grade of gold in the vein may range widely. The continuity of the economic levels of gold content must be established with proper sampling.

Regarding the sampling by Tom Billings for Dragon's Gold Inc., it will be necessary to arrive at some reasonable explanation for the difference in assay results from samples by Billings and that taken by Ferrero. The difference on average of 70 percent with Billings being higher than Ferrero (0.70 opt versus 0.41 opt) is probably a function of bias in the sampling technique. It is possible that Billings sampled more of the vein material and less of the wallrock, while Ferrero appears to have channel sampled across both vein and wallrock to arrive at a diluted mineable vein width of four feet. This difference may be resolved after I visit the property and take additional samples in the recent mine development area.

The stockpile samples also indicate grades in the 0.60 ounce gold per ton (opt) range. The stockpiles were also sampled by Billings for Dragon's Gold Inc. I will review the sampling of the stockpiles when I next visit the property and plan to take some stockpile samples at that time. An area of possible error is in the results of the two laboratories used. You may want to send a suite of sample pulps from Shasta Labs to Bondar Clegg for check assays to compare the two laboratories.

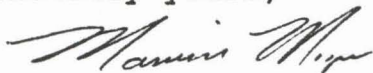
Approximately 70 feet of new mine development has been done in the past two months. Assay results are not complete, but the vein continues to be found. This may add significantly to the overall reserve estimate and should move some probable reserves

into the proven category. I plan to sample this area on my next trip to the mine. Assay results that you have sent to me from samples taken by Billings for Dragon's Gold Inc. look quite favorable in this recent mine development.

At this time, the proven, probable and possible reserves total about 29,391 ounces of gold contained in the in-place reserve. This is based on the average grade of the proven reserve and projecting that same grade throughout the probable and possible areas that have not been sampled. We have no assurance that the grade of the ore will continue as that found to date. The estimated potentially recoverable ounces are projected at about 21,160 assuming 80 percent mine, and 90 percent mill recoveries.

I believe that a surface drilling program to find extensions of the vein along strike and to depth below the lower level would assist significantly in adding to the potential of the deposit. You may want to consider the purchase of a small "Winkie" drill for use underground for core drilling the deposit in select areas to explore for vein extensions and parallel and cross vein structures.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Marvin Meyer".