



218 WEST PAXTON AVENUE
SALT LAKE CITY, UTAH 84101
801-706-3462

TELEGRAPH MINERALIZATION SUMMARY

- .488 oz Au/ton (avg vein width 5.5')
- .21 oz Au/ton (vein and footwall silicified zones – avg width 30')
- Low sulphidation epithermal boiling deposit
- Mineralization consistent to a depth of 1500'
- Vein is traceable along strike for 3200', mineralized throughout its length
- 3 patented claims, 5 unpatented claims

VEIN DRILLING AVERAGES:

TELEGRAPH CLAIM

- 64 drill intercepts
- .51 oz Au/tn average width 8'

TELEGRAPH SOUTH CLAIM

- 23 drill intercepts
- .45 oz Au/ton, average width 5'

TELEGRAPH EXPLORATION SUMMARY

The USGS Office of Mineral Exploration (“OME”) funded a drilling and sampling program (USGS-OME 6727) at the Telegraph Mine in 1968 directed by Mr. Tomo Ito, a geologist and metallurgist. Mr. Ito in his report describes the many surface samples (outcrops, cuts, and holes), samples from underground workings and drilling samples that were taken from which he arrived at an acceptable average gold content of .51 oz/to. He reported that the OME drilling results evidenced a good vein structure to at least a depth of 200 feet on the dip from shaft No. 3 southward to No. 1. This sampling result was later confirmed by Joseph Owens, who extensively sampled the property in 1980-1981 and Dr. Meade LeRoy Jensen who took representative samples in late 1981 and confirmed the same results.

In December 1981 through September 1982, twenty four (24) 45° angle holes were drilled along the 950 feet of silicified (vein) outcrops on the Telegraph and Telegraph South patented mining claims. Fourteen (14) of these holes were drilled on the Telegraph claim and ten (10) holes were drilled on the Telegraph South claim. The drill cuttings were sampled and assayed at 2 ft intervals.¹ Geologist Peter Lange (1985) sorted these drilling samples for alteration and other studies and used the information obtained in formulating his opinions respecting the five stages of mineralization that occurred in mineralizing the Telegraph Mine gold deposit. The Cascade drilling results were published by Mr. Lange and are appended hereto. These assay results of where the 1981 and 1982 drilling intercepted the Telegraph Vein are set out below:

TELEGRAPH PATENTED CLAIM GRADES AND WIDTH (LANGE DRILL HOLES):

| | Au/pp | Au/oz/ | Propos |
|------------|--------|------------------------|--------|
| CDH-B B | 9.943 | 0.29 | 8 |
| | 125.48 | 3.7 | |
| | 2.057 | 0.06 | |
| | 11.314 | 0.33 | |
| CDH-C C | 17.486 | 0.52 | 10 |
| | 5.829 | 0.17 | |
| | 6.857 | 0.2 | |
| | 46.286 | 1.37 | |
| | 11.657 | 0.34 | |
| CDH-D D | 9.943 | 0.29 | 8 |
| | 4.114 | 0.12 | |
| | 5.143 | 0.15 | |
| | 12.343 | 0.36 | |
| CDH-9 | 16.457 | 0.49 | 16 |
| | 9.257 | 0.27 | |
| | 6.857 | 0.2 | |
| | 10.629 | 0.31 | |
| | 14.743 | 0.43 | |
| | 16.114 | 0.47 | |
| | 20.914 | 0.61 | |
| | 24 | 0.7 | |
| | 42.858 | 1.14 | |
| | 76.458 | 2.28 | |
| 39.086 | 1.25 | See Exh X Invoice # | |
| CDH-1 1 | 4.8 | 0.14 | 10 |
| | 7.2 | 0.21 | |
| | 3.086 | 0.09 | |
| | 5.143 | 0.15 | |
| | 21.6 | 0.64 | |
| CDH-1 2 | 12.686 | 0.37 | 10 |
| | 6.171 | 0.18 | |
| | 52.115 | 1.537 | |
| | 42.172 | 1.23 | |

| | | | |
|------------|--------|------|-----|
| | 9.257 | 0.27 | |
| | 16.114 | 0.47 | |
| CDH-1 3 | 9.257 | 0.27 | 4.5 |
| | 19.2 | 0.56 | |
| CDH-1 4 | 7.2 | 0.21 | 8 |
| | 4.457 | 0.13 | |
| | 32.572 | 0.95 | |
| | 57.943 | 1.69 | |
| CDH-1 5 | 11.314 | 0.33 | 10 |
| | 4.8 | 0.14 | |
| | 13.714 | 0.4 | |
| | 10.629 | 0.31 | |
| CHD-1 7 | 11.657 | 0.34 | 6 |
| | 8.229 | 0.24 | |
| | 7.543 | 0.22 | |
| CDH-1 8 | 4.457 | 0.13 | 8 |
| | 17.829 | 0.52 | |
| | 10.972 | 0.32 | |
| | 27.429 | 0.8 | |
| CDH-1 9 | 6.857 | 0.2 | 8 |
| | 17.829 | 0.52 | |
| | 3.086 | 0.09 | |
| | 4.457 | 0.13 | |
| CDH-2 1 | 2.743 | 0.08 | 6 |
| | 6.857 | 0.2 | |
| | 3.429 | 0.1 | |
| CDH-2 0 | 6.857 | 0.2 | 8 |
| | 2.057 | 0.06 | |
| | 5.486 | 0.16 | |
| | 7.543 | 0.22 | |

The above 64 samples have an average grade of .49 Au/oz pr ton (31.40 / 64 = .49).

The average width of the vein in this silicified zone is shown to be 8 feet. (113 / 14 = 8 feet).

ADDITIONAL VEIN SAMPLING ON THE TELEGRAPH VEIN

In March 1982, an 8 ft. chip samples was taken across the vein at coordinate 2185 So., which averaged .50 Oz/Au. At coordinate 2222 South, three drill samples taken from the vein yielded an average of .46 oz/Au. At coordinate 2300 So., a sample was taken across the vein which assayed .89 oz/Au. (See Exh X Cemcorp Certificate of Analysis, work orders No. 25, 41 and 62.)

In June of 1982 drilling was conducted across the vein at coordinates 2185, 2188, 2194, on the Telegraph Claim, which yielded the following results (See Exh X Cemcorp Certificate of Analysis, Invoice 179, 178 and 177):

| Drill Hole Coordinate | Au/oz/ton |
|--------------------------|-----------|
| Exh X Inv. 179 | 0.29 |
| | 0.34 |
| | 1.35 |
| | 0.2 |
| | 0.17 |
| | 0.51 |
| Exh X Inv. 178 | 0.23 |
| | 0.25 |
| | 0.33 |
| | 0.06 |
| | 3.66 |
| | 0.29 |
| Exh X Inv. 177 | 0.71 |
| | 0.35 |
| | 0.33 |
| | 9.07 |

These 15 samples averaged .60 oz/Au in grade ($9.07/15 = .60$ oz/Au)

In August and September of 1982 Cascade drilled a series of holes across the silicified zone on the Telegraph Claim along the strike of the vein and took samples every two feet which yielded the following results (See Exh X Cemcorp Certificate of Analysis, Invoices No. 206 and Exh V pg 104):

| Drill Hole Coordinate | Au/oz/ton |
|----------------------------------|------------------|
| 2268 | 0.51 |
| 2277 | 1.1 |
| 2277 | 0.49 |
| 2277 | 0.1 |
| 2280 | 0.42 |
| 2291 | 0.59 |
| 2291 | 0.24 |
| 2291 | 0.42 |
| 2292 | 0.32 |
| 2292 | 0.47 |
| 2292 | 0.49 |

These samples average .47 oz/Au pr ton (5.15 / 11)

TELEGRAPH SOUTH PATENTED CLAIM GRADES AND WIDTH

| Lange Drill Hole Ident. | Au/ppm | Au/oz/ | Estimated Vein Width |
|--------------------------------|---------------|---------------|-----------------------------|
| CDH-24* | 27.086 | 0.79 | 6 |
| | 36.686 | 1.07 | |
| | 14.743 | 0.43 | |
| | 4.114 | 0.12 | |
| CDH-25* 2970 | 16.114 | 0.47 | 4 |
| | 5.486 | 0.16 | |
| CDH-23 | 11.657 | 0.34 | 4 |
| | 3.429 | 0.1 | |
| CDH-27 | 21.943 | 0.65 | 4 |
| | 3.771 | 0.11 | |
| CDH-28 | 4.8 | 0.17 | 4 |
| | 20.229 | 0.71 | |
| CDH-29 | 10.286 | 0.3 | 8 |
| | 21.257 | 0.62 | |
| | 14.743 | 0.43 | |
| CDH-31 | 16.457 | 0.49 | 4 |
| | 16.8 | 0.5 | |
| CDH-33 | 9.943 | 0.29 | 4 |
| | 4.457 | 0.13 | |
| CDH-34 | 19.543 | 0.57 | 4 |
| CDH-38 | 13.029 | 0.38 | 4 |
| | 8.229 | 0.24 | |

Tomo Ito took a 4 foot channel cut across Telegraph vein exposed north of No. 1 Shaft (Telegraph South claim) which yielded .66 oz/Au/pr ton.

The 23 samples set out above have an average grade of .423 Au/oz pr ton and an average vein width of 4.9 feet.

ADDITIONAL SAMPLING ILLUSTRATING GRADE AND VEIN WIDTH

The surprise shaft (located near Shaft No. 2) opened into an underground working approximately 15 feet in depth with 20 feet of drift and a vein width of 5 feet. Dr. Jensen took 2 samples yielding 2.44 oz/Au per ton and .90 oz/Au per ton from this location. Tomo Ito took a 5 ft channel sample across the vein exposed within the Surprise underground workings which yielded 1.10 oz/Au pr ton.

In August and September of 1982 a series of 10 foot blast holes were drilled into the vein along its strike north of the No. 1 shaft on the South Telegraph claim. Each five feet of the blast hole drill cuttings were made into a composite sample. Drill holes 16 and 17 were drilled into the side of the Telegraph vein at coordinates 3000 to 3025 So. yielding the following results (See Exh X Invoice # 207 and Exh V. Pg. 105):

| Drill Hole Coordinate | Au/oz/ton |
|----------------------------------|------------------|
| D.H. 16 | 0.11 |
| | 0.64 |
| D.H. 17 | 0.48 |
| | 0.49 |

SUMMARY OF CASCADE DRILL RESULTS PUBLISHED BY LANGE

The average Au/oz pr ton for both drilling zones on the Telegraph and South Telegraph claims reported by geologist Peter Lange is .47 oz/Au pr ton and the average vein width is 6.75 ft. This average is consistent with the 6 - 8 ft width reported in USGS Professional Paper 275 (1956) by Hewitt and the average vein width of 5.5 ft. as a result of Tomo Ito's 1969 drilling.

MINING FROM 1932 TO 1948 RESULTS

The Telegraph Mine was mined from 1932 to 1948 and the results were published by the US. Bureau of Mines. During this period 2749 tons of crude ore containing 2559 ounces of recoverable gold was shipped to a smelter and averaged .93 oz/Au per ton. During the driving of the Hill No. 1 incline shaft it was reported by Tomo Ito that in the footwall two (2) inches of high grade gold was removed valued at \$674 pr ton (19.25 oz/Au per ton - gold at \$35.00). A majority of the fourteen years of production is believed to have come from the No. 1 Shaft located on the Telegraph South claim. As described by Tomo Ito and confirmed by Harrison Salsbury of the U.S. Bureau of Mines, the No 1 shaft had a reported depth of 275 feet with drifts to the north of 465 feet and to the south of 115 feet with some stopes near surface.

Set out below is the yearly average grade of the ore produced during each year of production as reported by the US Bureau of Mines.

| Year | Tons | Gold Yield | Au/oz/Ton |
|-------------|-------------|-------------------|------------------|
| 1932 | 65 | 117 | 1.78 |
| 1933 | 511 | 298 | 0.58 |
| 1934 | 99 | 50 | 0.50 |
| 1935 | 44 | 17 | 0.36 |
| 1936 | 442 | 232 | 0.52 |
| 1937 | 285 | 29 | 0.10 |
| 1938 | 32 | 12 | 0.37 |
| 1939 | 199 | 286 | 1.43 |
| 1940 | 452 | 931 | 2.05 |
| 1941 | 119 | 188 | 1.57 |
| 1942 | 216 | 261 | 1.20 |
| 1946 | 155 | 74 | 0.47 |
| 1947 | 117 | 47 | 0.40 |
| 1948 | 13 | 18 | 1.38 |

A dump of waste rock was created just west of the No. 1 Shaft from the by-products of the early shaft creation and mining from the No. 1 incline shaft. In January of 1982 3 ft grab samples were taken across the waste dump on the coordinates shown below which yielded the following results: (See Exh X Cemcorp Certificate of Analysis, invoice No. 126)

| Coordinates | Au/oz/ton |
|--------------------|------------------|
| 3162-215 | 0.31 |
| 3183-231 | 0.19 |
| 3173-245 | 0.04 |
| 3155-251 | 1.26 |
| 3148-270 | 0.11 |
| 3141-248 | 0.58 |
| 3127-240 | 0.13 |
| 3100-223 | 0.1 |
| 3085-230 | 0.48 |
| 3068-246 | 0.11 |
| 3052-261 | 0.19 |
| 3037-277 | 0.01 |
| 3049-258 | 0.17 |
| 1643-242 | 0.09 |
| 3076-226 | 0.18 |
| 3060-228 | 0.42 |
| 3045-229 | 0.17 |

This dump material had an average grade of .27 oz/Au pr ton. When compared with the .93 average of the select high grade ore that was shipped this would suggest a possible estimate of the average of the grade of the ore mined from the workings on the Telegraph South claim of .66 oz/Au per ton.