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Todd C. Hennis
(b) (6) [redacted]
(b) (6)
(b) (6)

U.S. Environmental Protection Agency
Region 8
Attn: Mike Rudy (8ENF-RC)
1595 Wynkoop St.
Denver, CO 80202-1129

Response to E.P.A. Information request Ref 8 ENF-RC

February 12, 2016

Gentlemen:

Please find enclosed the following documents:

Settlement, San Juan Corp. Vs. Sunnyside Gold Corp 2002CV3
Memorandum of Sunnyside- Gerber Joint Venture
Memorandum of Termination of Sunnyside- Gerber Venture Agreement
Memorandum of Operating Agreement Between Gold King Mines and San Juan County Mining Venture
Relevant section, Evaluation Report V by MPH Consulting, on ore production from Sunnyside's mining of the Gold King property
Evalation report IV, Gold King property, MPH Consulting
Map of joint venture workings on Gold King Property
Sunnyside Gold Corp. diagram of joint venture workings-plan
Sunnyside Gold Corp. diagram of joint venture working plan- hand annotated for actual workings.
Gold King- Sunnyside joint venture drill map
Approximately 41 pages of copies of deeds, inclusive of the Public Trustee Deed to San Juan Corp. of the Gold King property
Assessor's list of personal property at Pride of the West LLC's property
Bill of sale of equipment to the Gladstone Institute, Inc.
Bill of sale from Gold King Mines Corp. to San Juan Corp.
Lease between San Juan Corp. and Gold King Mines Corp.
Court of Appeals Ruling 11CA0061, Case 09CV3
Articles of Incorporation of the various legal entities, including Organization Consent, Pride of the West, LLC
Option Contract, Recreation Properties Ltd.
Filings, 2004 F.E.D. action against Gold King Mines Corp.
Foreclosure filings against Gold King Mines Corp., 05CV03 and 05CV04

Draft Copy of final decree quieting title in Gold King and Mayflower properties
Characterization of Environmental Hazards Identified at Mogul Mine, San Juan County, Colorado- Sven Edstrom
BLM Assistance Agreement 1422C950A70004- not executed due to large increase of water flows out of the Mogul Mine
Notarized Certficate

Responses to Information request #01:

1. Todd C. Hennis, C/O San Juan Corp., (b) (6) [redacted], copy to David Cook PC, 6 S. Tejon, Suite 400 Colorado Springs, CO 80903

2. Todd C. Hennis, (b) (6) [redacted]

3. For all questions, the only assistance received has been a review of this document by David Cook.

5. The land parcels owned by the listed entities in San Juan County, Colorado are numerous. Please refer to the San Juan County Assessor website http://www.sanjuancountycolorado.us/assessor.html for a list of each entity's holdings. The real estate holdings of San Juan Corp., consisting primarily of the

a. Mogul property block, was acquired by Salem Minerals Inc. for back taxes in approximately 1995, and was later transferred to San Juan Corp. in approximately in 1998. San Juan Corp. sold this to Gold King Mines Corporation in approximately 2002 under a deed of trust, which later defaulted, and the property was foreclosed upon by San Juan Corp.

b. Gold King property block was acquired in approximately December, 2005 by San Juan Corp acting as a secured lender preserving its security interest in the property.

6.
a. Black Horse Capital, Inc. Todd Hennis is President and the shareholder of this corporation.
b. Buckley Brothers. Salem Minerals Inc had a dba as Buckley Brothers General Store registered with the Colorado Secretary of State at one point in time. Believed expired.
c. Fly Fishing Euphoria. No knowledge of this purported entity.
d. Gladstone Corporation. Todd Hennis is the President and shareholder of this S Corp.
e. Green Energy Metals Corporation. Todd Hennis is the President and shareholder of this corporation.
f. Pride of the West, LLC. Todd Hennis is an 84.805% shareholder and managing member of this LLC. Salem Minerals Inc. owns 15.175% of this LLC.
g. The Gladstone Institute, Inc. Todd Hennis is president and the shareholder of this corporation.

7. Todd Hennis, as an individual, has never conducted any mining activities at the Site.
Salem Minerals Inc. has never conducted any mining activities at the Site.
San Juan Corp. has never conducted any mining activities at the Site.

8.
a. Black Horse Capital, Inc. has never conducted any mining activities at the Site.
b. Buckley Brothers has never conducted any mining activities at the Site.
c. Fly Fishing Euphoria. This purported entity to unknown to us.
d. Gladstone Corporation has never conducted any mining activities at the Site.
e. Green Energy Metals Corporation has never conducted any mining activities at the Site.
f. Pride of the West, LLC has never conducted any mining activities at the Site.
g. The Gladstone Institute, Inc. has never conducted any mining activities at the Site.

9. A copy of the known personal property from the records of the San Juan County Assessor of Pride of the West, LLC is enclosed. Two bills of sales for other equipment at the Site are enclosed. There are numerous small items and historic geological core stored in the buildings at Gladstone that cannot be inventoried at the current time due to winter conditions.

10.
a. Sunnyside Gold Corporation. San Juan Corp. filed a lawsuit in 2002 (San Juan District Court Case 2002CV3) concerning alleged water trespass from the Sunnyside Mine into the Mogul mine, resulting in a large increase in the water discharge from the Mogul No. 1 level portal. San Juan Corp. requested EPA to join this lawsuit in a telephone call with Carole Russell of the EPA. Ms. Russell informed San Juan Corp. that categorically EPA would not consider joining the lawsuit, and when San Juan Corp. pressed Ms. Russell to send a formal written request for EPA to join the lawsuit, Ms. Russell threatened "if you send that letter, you will be truly sorry." Facing such a threat, San Juan Corp. did not send the letter. Facing no support from the EPA, and very limited resources to prosecute the lawsuit against a subsidiary of one of the largest gold mining companies in the world (Echo Bay Mines Ltd.), San Juan Corp. had no choice but to accept a settlement dictated to it by Sunnyside Gold Corp. with the full involvement of the Colorado Department of Public Health and Environment. A copy of the settlement documents is enclosed. The settlement called for San Juan Corp. to sell the Mogul Mine property to Gold King Mines Corporation, to allow the Mogul Mine to be bulkheaded by Gold King Mines Corporation, and to lease part of the Herbert Placer (received from Sunnyside Gold Corp. in the settlement) to Gold King Mines Corporation for continued use as settling ponds. Almost the entirety of the relationship with Sunnyside Gold Corp. has been adversarial.

b. Colorado Goldfields Inc. San Juan Corp. optioned/leased the Gold King and Mogul properties to Colorado Goldfields Inc. in June, 2007, in pursuit of its duty to sell the Gold King property, which it had been trying to do since its acquisition as a secured lender. Colorado Goldfields Inc. had full control of the properties until they defaulted on the option in approximately March, 2009. The documents of the Option Agreement to

Colorado Goldfields Inc. are recorded with the S.E.C. as regulatory filings from June 2007, and are available on EDGAR.
The financing group of Colorado Goldfields Inc. insisted that Todd Hennis become President of Colorado Goldfields Inc., or there would be no Option Agreement. The directors of Colorado Goldfields Inc. directed the company's affairs in relation to the Gold King and Mogul properties, inclusive of the surface drilling event. During Mr. Hennis's tenure as President (until early Sept, 2008) one drillhole in Ross Basin was completed, and another one was started under relevant drilling permits from the Colorado Department of Reclamation and Mining Safety. To our knowledge, both of these drillholes were later plugged, inspected by DRMS to its satisfaction, and the permit completed. I do not have a permit file for the drilling.

In April, 2009 San Juan Corp., Salem Minerals Inc., and Todd Hennis initiated San Juan District Court Case 2009CV03 against Colorado Goldfields Inc., alleging monies due and other losses. The legal affairs are ongoing, and now include two other court cases (Jefferson County District Court 13CV31502 and 15CV31750). Since early 2009, the relationship with Colorado Goldfields has been adversarial. A copy of the Appeals Court ruling in 2009CV03 is enclosed, and is quite instructive of the relationship between the parties.

C. Gold King Mines Corporation. Reference the settlement agreement with Sunnyside Gold Corporation, November, 2002. San Juan Corp. sold the Mogul Mine property to Gold King Mines Corporation, which defaulted shortly after the Mogul Mine No. 1 level was plugged. Gold King Mines Corporation also defaulted on its lease of the portion of the Herbert Placer, which resulted in two F.E.D. actions in San Juan District Court. The State of Colorado (CDPHE) intervened in the first F.E.D. action. Gold King Mines Corporation then supplied San Juan Corp. and the court with an insurance certificate for the benefit of San Juan Corp. CDPHE Solid Waste Section then threatened San Juan Corp. with an emergency removal action after Gold King Mines Corporation had ceased water treatment and essentially abandoned the settling ponds. A second F.E.D. was done. Gold King Mines Corporation attempted to assume Sunnyside Gold Corp.'s reclamation permit at Gladstone, which San Juan Corp. successfully opposed by pointing out to the Colorado Mined Land Board that Gold King Mines Corp. was in already in default on the permit for the Gold King Mine, and could not legally secure another reclamation permit while a another permit held by it was in default. This left the reclamation permit for Gladstone with Sunnyside Gold Corp.

D. Recreation Properties, Ltd.

In March, 2014 San Juan Corp. and Todd Hennis entered into an agreement for the option to purchase the royalties and net profit interests held by Recreation Properties Ltd. on the Gold King and Mayflower properties. The retirement of these royalties was necessary to improve the chances of selling both properties. The option expires February 28, 2016 and will expire unexercised due to the impairment of value of the Gold King Mine by the E.P.A.'s actions in August, 2015. Pursuant to the Option Agreement, a quiet title action was filed in 2015 in San Juan District Court. A draft final decree is enclosed.

Recreation Properties Ltd. is a plaintiff in Jefferson County District Court Case 13CV31502.

11. Copies of court action documents have been enclosed, to the extent that our files can be accessed.

12. Per the informal meeting held with Mr. Way of EPA and Mr. Lewis of the BLM in January, 2015, verbal information was transmittedt o them regarding Sunnyside Gold Corp.'s mining of the Gold King property in 1989-1991.

Gold King Mines Corporation (under various entity names, partnerships, etc.) conducted operations on the Gold King property from approximately 1981 to 1995 inclusive of drifting and drilling (both surface and underground).

Sunnyside Gold Corporation (under the San Juan County Mining Venture) mined the Gold King property in 1990-1991 and produced 33,485 tons of ore grading 0.17 ozs/st Au, 3.3 ozs/st Ag, 3.8% Pb, 0.89% Cu, and 6.5% Zn. Documents and maps of this minng of the Gold King property By Sunnyside Gold Corp. are attached.

13. For any of the listed entities, no prior names, no corporate predecessors, and no subsidiaries exist.

14. No sole proprietorships, partnerships, limited partnerships or joint ventures have existed in any of the entities.

15. The only known release into the environment occurred on August 5, 2015 when EPA negligently blew out the Gold King 7 level and released 3+ millions of contaminated water into the Animas River watershed. The balance of the information on this release is held internally by the EPA and has not been provided to San Juan Corp.

16. EPA already has a digital copy of the Site evaluation report IV on the Gold King Mine by MPH Consultants, which was provided by San Juan Corp. approximately two years ago. A hard copy of this report is enclosed.

17. Almost all of the interactions since approximately 2001 with Echo Bay Mines Ltd., Echo Bay, Inc. and Kinross Gold are referenced in 10.a have been adversarial. These were conducted with Sunnyside Gold Corp. as the subsidiary of the entities of Echo Bay and Kinross Gold. We have had no interaction with White Pine Gold Corporation. At public meetings, Todd Hennis has been clear as the problems caused by the post 2003 bulkheading of the American Tunnel and has been insistent that Kinross Gold Corp. step forward and create a solution to the problems.

18. San Juan Corp. owns the interior portion of the American Tunnel that goes under the Gold King property. None of the entities has owned the portal, operated, remediated or otherwise been involved in the American Tunnel. Mr. Hennis has never been

underground on either the American Tunnel or Gold King property. San Juan Corp. did oppose the transfer of the mined land reclamation bond for the entirety of Gladstone to Gold King Mines Corporation, as referenced in 10.C

Notarized Certificate attached.

END of response.

ENCLOSURE 2

NOTARIZED CERTIFICATE

I, TODD C. HENNIS having been duly sworn and being of legal age, hereby state:

1. I am the person authorized to respond to the Environmental Protection Agency's (EPA's) Information Request #01 to Todd Hennis.

2. I have made a complete and thorough review of all documents, information and sources relevant to the request.

3. I hereby certify that the attached response to the EPA's request is complete and contains all information and documents responsive to the request.

Todd C. Hennis

(Signature)

TODD C. HENNIS

(Name)

INDIVIDUALLY

(Title)

(SEAL)

CHERYL L. HUGHES
NOTARY PUBLIC
STATE OF COLORADO
NOTARY ID 20044015707
MY COMMISSION EXPIRES 05-21-2016

Subscribed and sworn to me this 12th day of Feb., 2016.

Notary Public Cheryl L. Hughes

My Commission Expires 05/21/2016

My address is 1801 Jackson St

Golden, CO 80401

TARGET SHEET

EPA REGION VIII

SUPERFUND DOCUMENT MANAGEMENT SYSTEM

DOCUMENT NUMBER: 1771669

SITE NAME: BONITA PEAK MINING DISTRICT

DOCUMENT DATE: 02/12/2016

DOCUMENT NOT SCANNED

Due to one of the following reasons:

- ☐ PHOTOGRAPHS
- ☐ 3-DIMENSIONAL
- ☑ OVERSIZED
- ☐ AUDIO/VISUAL
- ☐ PERMANENTLY BOUND DOCUMENTS
- ☐ POOR LEGIBILITY
- ☐ OTHER
- ☐ NOT AVAILABLE
- ☐ TYPES OF DOCUMENTS NOT TO BE SCANNED
  (Data Packages, Data Validation, Sampling Data, CBI, Chain of Custody)

DOCUMENT DESCRIPTION:

MAP - Gold King Prospect
MAP #5 - Diamond Drilling Plan showing Drill Holes and Vein Traces
MAP - Layout 2150 Gold King Extinsion
MAP - Joint-Venture Shrink Stope

Contact the Superfund Records Center to view available document.
(303) 312-6473

Recorded at _____ o'clock _____ M., _____
Reception No. _____ _____ Recorder.

144657
Page 1 of 4
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
12-27-2005 03:32 PM Recording Fee $21.00

PUBLIC TRUSTEE'S DEED

Sale No. 05-05

THIS DEED is made December 22, 2005, ~~bx~~, between Beverly E. Rich as the Public Trustee, of the *County of San Juan, Colorado, and

San Juan Corporation, Grantee, the holder of the ☐ Certificate of Purchase, ☒ Certificate of Redemption issued to the lienor last redeeming, whose legal address is PO Drawer I, Silver Plume, CO. 80476

WHEREAS, San Juan Corporation did, by Deed of Trust dated Nov. 14, 2002, ~~xx~~, and recorded in the office of the Clerk and Recorder of the County of San Juan, Colorado, on Nov. 19, 2002, ~~xx~~, in Book, Page, (Film No., Reception No. 142213) *convey to the Public Trustee, in Trust, the property hereinafter described to secure the payment of the indebtedness* provided in said Deed of Trust; and

WHEREAS, a violation was made in certain of the terms and convenants of said Deed of Trust as shown by the Notice of Election and Demand for Sale filed with the Public Trustee (a duplicate of which was recorded in the office of said County Clerk and Recorder); the said property was advertised for public sale at the place and in the manner provided by law and by said Deed of Trust; Notice of Right to Cure and Redeem and Notice of Sale were given as required by law; said property was sold according to said Notice of Sale; and a Certificate of Purchase thereof was made and recorded in the office of said County Clerk and Recorder; and

WHEREAS, all periods of redemption have expired.

NOW, THEREFORE, the Public Trustee, pursuant to the power and authority vested by law and by the said Deed of trust, confirms the foreclosure sale and sells and conveys to Grantee the following described property located in the County of San Juan, State of Colorado, to-wit:

please see exhibit "A"

also known by street and number as

TO HAVE AND TO HOLD the same, with all appurtenances, forever.
Executed the day and year first above written.

Beverly E. Rich
Public Trustee of the State of Colorado — County of San Juan

By _____
Deputy Public Trustee

STATE OF COLORADO
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 22 day of December ~~xx~~ 19 2005 by Beverly E. Rich as the Public Trustee of the County of San Juan, State of Colorado.

My commission expires non-expiring
Witness my hand and official seal.
*If in Denver, insert "City and".

Dorothy A. Zanoni
Dorothy A. Zanoni, Co. Clerk

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

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EXHIBIT A

Gold King Mine Claim List

Eureka Mining District, San Juan County, Colorado

Name of Claim	Patent Survey No.	Acres
Alice	17371	5.164
American	14704	1.380
Anglo-Saxon	14875	8.890
A.P. Hill	1922	9.630
Gold King	5689	9.639
Gold King #1	14707	10.330
Gold King #2	11640	9.360
Gold King #3	14709	7.437
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	9.360
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497
Governor	17371	5.159
Harrison Mill Site	14710	4.848
I.X.L.	1923	10.330
Libbie Bauder	14704	5.805
Libbie Bauder Extension	17371	7.760
Sampson	1618A	10.038
Sampson #2	1619A	10.330

2\myfiles\rh\silverwing\gold king\gold king contract

EXHIBIT 1
PAGE 1 OF 2

By _____ Deputy Public Trustee

STATE OF COLORADO
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 22 day of December 19 2005 by Beverly E. Rich as the Public Trustee of the County of San Juan, State of Colorado.

My commission expires non-expiring
Witness my hand and official seal.
*If in Denver, insert "City and".

Dorothy A. Zanoni
Dorothy A. Zanoni, Co. Clerk

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

No. 30. Rev. 6-92. PUBLIC TRUSTEE'S DEED

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Soule	14704	5.882
Standard (part)	14704	5.681
Sunshine	14704	7.882
Waterville	14704	2.345
Sampson Mill Site	1618B	5.000
Sampson #2 Mill Site	1619B	4.960
Success Placer	1914	19.980
Total Acres		212.522

Together with any and all right, title and interest of Seller in and to that certain mining tunnel or adit generally known in the mining community as the American Tunnel, which daylights near Gladstone, Colorado, including any portion of such tunnel which may penetrate the above named lode mining claims, and any portions to which Seller has an easement or right of access as may penetrate or encumber the lands of third parties, including lands of the United States, together with such easements, rights-of-way (whether recorded or unrecorded, or at law) licenses or appurtenances to said American Tunnel, bar none, and *including the full right to negotiate the* disposition, if any, of such American Tunnel, and to convey the same; as well as the tramway from the American Lode Mining claim, U.S. Survey No. 14704 to the Harrison Millsite, U.S. Survey No. 14710 B.

It is specifically agreed and understood that any properties acquired from the negotiations to close the American Tunnel with any person shall also become additional collateral in the form of a first lien deed of trust in the manner provided in Section 2(b) of the Contract.

:\myfiles\jrb\silverwing\gold king\gold king contract

EXHIBIT 1
PAGE 2 OF 2

By _____ Deputy Public Trustee

STATE OF COLORADO
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 22 day of December 19 2005
by Beverly E. Rich as the Public Trustee of the
County of San Juan, State of Colorado.

My commission expires non-expiring
Witness my hand and official seal.
*If in Denver, insert "City and".

Dorothy A. Zanoni
Dorothy A. Zanoni, Co. Clerk

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

No. 30. Rev. 6-92. PUBLIC TRUSTEE'S DEED

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Filed for record the 11th day of Jan A.D. 19 99, at 9:00 o'clock A.M. Dorothy A. Moore Recorder
Reception No. 139715 By Ladonna L. Jaramillo Deputy

Know all Men by these Presents, That, whereas, the following described several parcels of real property, viz:

47750100050010
Grivitzka 2104 Eureka Mining District
Mountain Eagle 770 ""

47750150050004
Norman 2105 ""

situated in the County of San Juan and State of Colorado, were subject to taxation for the year (or years), A.D. 19 94;

And, Whereas, the taxes separately assessed upon said several parcels of real property, for the year (or years) aforesaid, remained due an unpaid at the date of the sale hereinafter named;

And, Whereas, The Treasurer of the said County did, on the 15 day of November, A. D. 19 95, by virtue of the authority vested in him by law, at the sale begun and publicly held on the 15 day of November, A. D. 19 95, separately expose to public sale at the office of the Treasurer, in the County aforesaid, in substantial conformity with the requirements of the statute in such case made and provided, the said several parcels of real property above described, for the payment of the taxes, penalty interest, and costs then due and remaining unpaid on said several parcels of property;

*And, Whereas, At the time and place aforesaid, Salem Minerals, Inc. whose street address is 610 Sunshine Parkway, City or Town of Golden, County of Jefferson and State of CO. bid separately on all of the above described several parcels of property, in all amounting to the sum of 110.32 Dollars, and Cents, being the whole amount of taxes, penalty interest, and costs then due and remaining unpaid upon all of said several parcels of property for that year (or years), and the said Salem Minerals, Inc. having offered in his said several bids to pay the sum of 20.00 Dollars and Cents in excess of said taxes, penalty interest, and costs, and the said bid being the largest amount which any person offered to pay in excess of said taxes, penalty interest, and costs so due upon said several parcels of property for that year (or years), and payment of the said sum having been made by him to the said Treasurer, the said several parcels of property were severally stricken off to him at that price;

*And, Whereas, The said Salem Minerals, Inc. whose street address is 610 Sunshine Parkway, City or Town of Golden, County of Jefferson and State of CO. did, on the 8 day of Sept., A.D. 19 98, duly assign the certificates of the sale of the several parcels of property as aforesaid, and all his rights, title, and interest in said several parcels of property, to San Juan Corporation whose street address is 610 Sun shine Parkway, City or Town of Golden, County of Jefferson and State of CO.;

*And, Whereas, At the sale so held as aforesaid by the Treasurer, no bids were offered or made by any person or persons for the said several parcels of property, and no person or persons having offered to pay the said taxes, penalty interest, and costs upon the said several parcels of property for that year (or years), and the said Treasurer having become satisfied that no sale of said several parcels of property could be had, therefore the said several parcels of property were, by the then Treasurer of the said County, stricken off to the said County, and certificates of sale were duly issued therefor to the said County in accordance with the statute in such case made and provided;

*And, Whereas, The said County, acting by and through its Treasurer, and in conformity with the order of the Board of County Commissioners of the said County, duly entered of record on the day of A. D. 19, (the said day being one of the days of a regular session of the Board of County Commissioners of said County), did duly assign the certificates of sale of said several parcels of property, so issued as aforesaid to said County, and all its rights, title, and interest in said several parcels of property held by virtue of said sale to whose street address is, City or Town of, County of and State of for the sum of Dollars and Cents.

*And, Whereas, the said whose street address is, City or Town of, County of and State of did, on the day of, A. D. 19, duly assign the certificates of the sale of the several parcels of property as aforesaid, and all his rights, title, and interest in said parcels of property, to

Bk 247
Pg 8

whose street address is....., City or Town of.....,
County of.....and State of.....;

*And, Whereas, The said San Juan Corp.
whose street address is 610 Sunshine Parkway, City or Town of Golden
County of Jefferson and State of CO. has paid subsequent taxes on said several parcels of property to the amount of 322.23 Dollars and Cents;

And, Whereas, More than three years have elapsed since the date of the said sale, and the said several parcels of property have not been redeemed therefrom as provided by law;

And, Whereas, The said several parcels of property were valued for assessment for that year (or years) at the amount of 4586.00

And, Whereas, All the provisions of the statutes prescribing prerequisites to obtaining tax deeds have been fully complied with, and are now of record, and filed in the office of the Treasurer of said County;

Now, Therefore, I Beverly E. Rich Treasurer of the County aforesaid, for and in consideration of the sum to the Treasurer paid as aforesaid, and by virtue of the statute in such case made and provided, have granted, bargained and sold, and by these presents do grant, bargain, and sell all of the above and foregoing described several parcels of real estate unto the said San Juan Corp.
whose street address is 610 Sunshine Parkway, City or Town of Golden
County of Jefferson and State of CO.
his heirs and assigns, forever, subject to all the rights of redemption by minors, or incompetent person, as provided by law.

(OFFICIAL SEAL)

In Witness Whereof, I, Beverly E. Rich Treasurer, as aforesaid, by virtue of the authority aforesaid, have hereunto set my hand and seal this 11 day of January, A. D. 19 99

Certificate No. 9486, 9487 Book No. 1 Tax Sale Record.

Beverly E. Rich (Seal)
Treasurer of San Juan County, Colorado.

STATE OF COLORADO,
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 11 day of January, 19 99 by Beverly E. Rich as Treasurer of said County.

Witness my hand and official seal. My commission expires non-expiring

(Official Seal)

Dorothy Ann Zanoni, Co. Clerk
Deborah Granillo Deputy

*Strike out in accordance with fact.

Mailing Address for Future Tax Notices
San Juan Corp.
610 Sunshine Parkway
Golden, CO. 80403

No.....

TREASURER'S DEED

From

County Treasurer
to

STATE OF COLORADO,
County of..... } ss.

I hereby certify that this Deed was filed for record in my office at.....o'clock.....M., ...19....., and is duly recorded in Book.....Page.....

Recorder.

By.....Deputy.

Fees, $.....

Certificate No.....Book No.....
Tax Sale Record.

THE C. P. HOSKINS CO., DENVER

(5)

QUITCLAIM DEED

THIS DEED, made this 2nd day of September, 1998,
between Salem Minerals Inc.,
717 12th Street #117
Golden, CO 80401
of the *County of Jefferson and State of Colorado, grantor(s), and

San Juan Corp.

whose legal address is 610 Sunshine Parkway, Golden, CO 80403

of the County of Jefferson and State of Colorado, grantee(s),

WITNESS, that the grantor(s), for and in consideration of the sum of U.S. Dollars Five Hundred thirty five and no/100ths ($535.00) DOLLARS, the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold and QUITCLAIMED, and by these presents do es remise, release, sell and QUITCLAIM unto the grantee(s), its heirs, successors and assigns forever, all the right, title, interest, claim and demand which the grantor(s) has in and to the real property, together with improvements, if any, situate, lying and being in the County of San Juan and State of Colorado, described as follows:

100% interest in the following patented mining claims:

E Pluribus Lode	Survey #520
Rob the Ranter	Survey #778
Side Dish Lode	Survey #5475
Theresa Lode	Survey #15968-A
Theresa M.S.	Survey #15968-B
Young Lode	Survey #16523

all situated in the Eureka Mining District.

also known by street and number as:
assessor's schedule or parcel number: 477500900050008 M 001

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claim whatsoever of the grantor(s), either in law or equity, to the only proper use, benefit and behoof of the grantee(s) its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

Todd C. Hennis, PRES

For Salem Minerals Inc.,

Todd C. Hennis, Pres.

STATE OF COLORADO
ss.
County of Jefferson

The foregoing instrument was acknowledged before me this 2nd day of Sept
by Todd C Hennis

Witness my hand and official seal.
My commission expires:

My Commission Expires 6-10-99

Notary Public

*If in Denver, insert "City and".

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

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QUITCLAIM DEED

THIS DEED, made this 2nd day of September, 1998,
between Salem Minerals Inc.
717 12th Street, #117
Golden, CO 80401
of the *County of Jefferson and State of Colorado, grantor(s), and

San Juan Corp.

whose legal address is 610 Sunshine Parkway, Golden, CO 80403

of the County of Jefferson and State of Colorado, grantee(s),

WITNESS, that the grantor(s), for and in consideration of the sum of U.S. Dollars Five Hundred twenty four ($524.00) DOLLARS, *the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold and QUITCLAIMED, and by these* presents do es remise, release, sell and QUITCLAIM unto the grantee(s), its heirs, successors and assigns forever, all the right, title, interest, claim and demand which the grantor(s) has in and to the real property, together with improvements, if any, *situate, lying and being in the County of* San Juan *and State of Colorado,* described as follows:

100% interest in the following patented mining claims:

Calumet	Survey #1203
Cross Cut	Survey No. 16523
Caucasus	Survey #468
Grand Mogul	Survey # 521
M E Harrison	Survey#469 (part)
Narrow Gauge	Survey #16523
Ross	Survey #491
N G	Survey #466
Winchester	Survey #467

All situated in the Eureka Mining District.

also known by street and number as:
assessor's schedule or parcel number: 47750100050009 M 001

***TO HAVE AND TO HOLD** the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise* thereunto appertaining, and all the estate, right, title, interest and claim whatsoever of the grantor(s), either in law or equity, to the only proper use, benefit and behoof of the grantee(s) its heirs and assigns forever.

***IN WITNESS WHEREOF,** the grantor(s) has executed this deed on the date set forth above.*

Todd C. Hennis, PRES

For Salem Minerals Inc.,
~~Todd C. Hennis, Pres.~~

STATE OF COLORADO
County of Jefferson } ss.

The foregoing instrument was acknowledged before me this 2nd day of Sept 1998
by Todd C Hennis

Witness my hand and official seal:
My commission expires:

Notary Public

My Commission Expires 8-10-99

*If in Denver, insert "City and".

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

INDEXED

Filed for record the 27th day of March, A.D. 19 95, at 10:30 o'clock A M.
Dorothy A. Zamarin RECORDER.
Reception No. 137416 BK 242 PG 420-421 By DEPUTY.

Know all Men by these Presents, That, whereas, the following described property, viz:

E Pluribus 520

Rob the Panther 778

Side Dish 5475

Theresa Lode 15968-A

Thereas MS 15968-B

Young Lode 16523

47750090050008

situated in the County of San Juan and State of Colorado, was subject to taxation for the year (or years) A. D. 19 90;

And, Whereas, The taxes assessed upon said property for the year (or years) aforesaid remained due and unpaid *at the date of the sale hereinafter named;*

And, Whereas, The Treasurer of the said County did, on the 26 day of November, A. D. 19 91, by virtue of the authority vested in him by law, at the sale begun and publicly held on the 26 day of November, A. D. 19 91, expose to public sale at the office of the Treasurer in the County aforesaid, in substantial conformity with the requirements of the statute in such case made and provided, the tax lien on *real property above described for the payment of the taxes, delinquent interest, and costs then due and remaining unpaid* on said property;

***And, Whereas,** At the time and place aforesaid; ..... whose street address is ....., City or Town of ....., County of ..... and State of ..... bid on the tax lien on all of the *above described property the sum of* ..... *DOLLARS* and ..... CENTS, being the whole amount of taxes, delinquent interest, and costs then due and remaining unpaid upon said property for said year....., and the said .... having offered in his said bid to pay the sum of ..... DOLLARS and ..... CENTS *in excess of said Taxes, delinquent interest, and costs, and the said bid being the largest amount* which any person offered to pay in excess of the said taxes, delinquent interest, and costs so due upon said property for said year....., and payment of the said sum having been made by him to the said Treasurer, the said tax lien on such property was stricken off to him at that price;

***And, Whereas,** the said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., did, on the ..... day of ....., A. D. 19....., duly assign the certificate of the sale of the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to .... *whose street address is* .....; *City or Town of* ....., County of ..... and State of .....;

***And, Whereas,** At the sale so held as aforesaid by the Treasurer, no bids were offered or made by any person or persons for the tax lien on said property, and no person or persons having offered to pay the said taxes, delinquent interest and costs upon the said property for said year 90, and the Treasurer having become satisfied that no sale of *the tax lien on said property could be had, therefore the said tax lien on said property was, by the then Treasurer of* the said County, stricken off to the said County, and a certificate of sale was duly issued therefor to the said County in accordance with the statute in such case made and provided;

***And, Whereas,** The said San Juan County, acting by and through its Treasurer, and in conformity with the order of the Board of County Commissioners of the said County, duly entered of record on the 20 day of August, A. D. 19 93, (the said day being one of the days of a regular session of the Board of County Commissioners of the said County), did duly assign the certificate of sale of the tax lien on said property, so issued as aforesaid to said County, and all its rights, title, and interest in said property held by virtue of said sale to Salem Minerals, Inc. whose street address is 233 Yank Ct., City or Town of Lakewood, *County of* ..... *and State of* CO. 80228 *for the sum of* 198.17 DOLLARS and ..... CENTS.

***And, Whereas,** The said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., *did on the* ..... *day of* ....., A. D. 19....., *duly assign the certificate of the sale of*

BK 242 pge 425

the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to.....

whose street address is....., City or Town of.....,
of the County of.....and State of.....;

*And, Whereas, The said Salem Minerals, Inc.,
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
has paid subsequent taxes on said property to the amount of 974.96 DOLLARS
and.....CENTS,

And, Whereas, More than three years have elapsed since the date of the said sale, and the said property has not been redeemed therefrom as provided by law;

And, Whereas, The said property was valued for assessment for said year 90, at the amount of 4860.00;

And, Whereas, All the provisions of the statutes prescribing prerequisites to obtaining tax deeds have been fully complied with, and are now of record, and filed in the office of the Treasurer of said County;

Now, Therefore, I, Beverly E. Rich, Treasurer of the County aforesaid, for and in consideration of the sum to the Treasurer paid as aforesaid, and by virtue of the statute in such case made and provided, have granted, bargained, and sold, and by these presents do grant, bargain, and sell the above and foregoing described real estate unto the said Salem Minerals, Inc.,
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
.....h..... heirs and assigns, forever, subject to all the rights of redemption by minors, or incompetent persons, as provided by law.

OFFICIAL SEAL

In Witness Whereof, I, Beverly E. Rich, Treasurer as aforesaid, by virtue of the authority aforesaid, have hereunto set my hand and seal this 27 day of March, A. D. 19 95.

Beverly E. Rich (Seal)

Certificate No. 6552 Book No. 1 Tax Sale Record

Treasurer of San Juan County, Colorado.

*Strike out in accordance with fact.

STATE OF COLORADO, }ss.
County of San Juan

The foregoing instrument was acknowledged before me this 27 day of March, 19 95, by Beverly E. Rich as treasurer of said county.

Witness my hand and official seal.

My commission expires non-expiring

(Official Seal)

Dorothy A. Zanoni
Dorothy A. Zanoni Co. Clerk

Mailing Address for Future Tax Notices
Salem Minerals, Inc.
233 Yank Ct.
Lakewood, CO. 80228

No.

TREASURER'S DEED

From

County Treasurer

to

STATE OF COLORADO, }ss.
County of

I hereby certify that this Deed was filed for record in my office at ..... o'clock ..... M., ... 19 ....., and is duly recorded in Book ..... Page .....

Recorder.

By ..... Deputy.

Fees, $.....

Certificate No. ..... Book No. .....
Tax Sale Record.

THE C. P. HOECKEL CO., DENVER

Filed for record the 27th day of March, A.D. 1995, at 10:40 o'clock A M. INDEXED

Dorothy A. Zanoni RECORDER.

Reception No. 137418 BK-242 pgs 424-425 By ..... DEPUTY.

Know all Men by these Presents, *That, whereas, the following described property, viz:*

47750100050009

Calumete 1203

Crosscut 16523

Caucacus 468

Grand Mogul 521

M E Harrison 469

Narrow Gauge 16523

Ross 491

N G 466

Winchester ~~487~~ 467

situated in the County of San Juan and State of Colorado, was subject to taxation for the year (or years) A. D. 1990;

And, Whereas, The taxes assessed upon said property for the year (or years) aforesaid remained due and unpaid at the date of the sale hereinafter named;

And, Whereas, The Treasurer of the said County did, on the 26 day of November, A. D. 1991, by virtue of the authority vested in him by law, at the sale begun and publicly held on the 26 day of November, A. D. 1991, expose to public sale at the office of the Treasurer in the County aforesaid, in substantial conformity with the requirements of the statute in such case made and provided, the tax lien on real property above described for the payment of the taxes, delinquent interest, and costs then due and remaining unpaid on said property;

***And, Whereas,** At the time and place aforesaid, ... whose street address is ....., City or Town of ....., County of ..... and State of ..... bid on the tax lien on all of the above described property the sum of ..... DOLLARS and ..... CENTS, being the whole amount of taxes, delinquent interest, and costs then due and remaining unpaid upon said property for said year....., and the said ..... having offered in his said bid to pay the sum of ..... DOLLARS and ..... CENTS in excess of said Taxes, delinquent interest, and costs, and the said bid being the largest amount which any person offered to pay in excess of the said taxes, delinquent interest, and costs so due upon said property for *said year....., and payment of the said sum having been made by him to the said Treasurer, the said tax lien on such* property was stricken off to him at that price;

***And, Whereas,** the said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., did, on the ..... day of ....., A. D. 19....., duly assign the certificate of the sale of the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to ..... whose street address is ....., City or Town of ....., County of ..... and State of .....;

***And, Whereas,** At the sale so held as aforesaid by the Treasurer, no bids were offered or made by any person or persons for the tax lien on said property, and no person or persons having offered to pay the said taxes, delinquent interest and costs upon the said property for said year 90...., and the Treasurer having become satisfied that no sale of the tax lien on said property could be had, therefore the said tax lien on said property was, by the then Treasurer of the said County, stricken off to the said County, and a certificate of sale was duly issued therefor to the said County in accordance with the statute in such case made and provided;

***And, Whereas,** The said San Juan County, acting by and through its Treasurer, and in conformity with the order of the Board of County Commissioners of the said County, duly entered of record on the 20 day of July, A. D. 1993, (the said day being one of the days of a regular session of the Board of County Commissioners of the said County), did duly assign the certificate of sale of the tax lien on said property, so issued as aforesaid to said County, and all its rights, title, and interest in said property held by *virtue of said sale to* Salem Minerals, Inc. whose street address is 233 Yank Ct., City or Town of Lakewood, County of ..... and State of CO. 80228 for the sum of 392.58 DOLLARS and ..... CENTS.

***And, Whereas,** The said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., did on the ..... day of ....., A. D. 19....., duly assign the certificate of the sale of

BK242pg 421

the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to.....

whose street address is....., City or Town of.....,
of the County of.....and State of.....;

*And, Whereas, The said Salem Minerals, Inc.
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
has paid subsequent taxes on said property to the amount of 541.17 DOLLARS
and.....CENTS,

And, Whereas, More than three years have elapsed since the date of the said sale, and the said property has not been redeemed therefrom as provided by law;

And, Whereas, The said property was valued for assessment for said year 90 at the amount of 2600.00;

And, Whereas, All the provisions of the statutes prescribing prerequisites to obtaining tax deeds have been fully complied with, and are now of record, and filed in the office of the Treasurer of said County;

Now, Therefore, I, Beverly E. Rich, Treasurer of the County aforesaid, for and in consideration of the sum to the Treasurer paid as aforesaid, and by virtue of the statute in such case made and provided, have granted, bargained, and sold, and by these presents do grant, bargain, and sell the above and foregoing described real estate unto the said Salem Minerals, Inc.
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
.....h..... heirs and assigns, forever, subject to all the rights of redemption by minors, or incompetent persons, as provided by law.

OFFICIAL SEAL

In Witness Whereof, I, Beverly E. Rich, Treasurer as aforesaid, by virtue of the authority aforesaid, have hereunto set my hand and seal this 27 day of March, A. D. 19 95

Certificate No. 6630 Book No. 1 Tax Sale Record Beverly E. Rich (Seal)

Treasurer of San Juan County, Colorado.

*Strike out in accordance with fact.

STATE OF COLORADO,
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 27 day of March, 19 95 by Beverly E. Rich as treasurer of said county.

Witness my hand and official seal.

My commission expires non-expiring

(Official Seal)

Dorothy A. Zanoni
Dorothy A. Zanoni Co. Clerk

Mailing Address for Future Tax Notices
Salem Minerals, Inc.
233 Yank Ct.
Lakewood, CO. 80228

No.....

TREASURER'S DEE

From

County Treasurer
to

STATE OF COLORADO,
County of..... } ss.

I hereby certify that this Deed was filed
record in my office at.....o'clock.....
.....19....., and is
recorded in Book.....Page.....
.....Recorde
By.....Deput

Fees, $.....

Certificate No.....Book No.....
Tax Sale Record.

THE C. F. HOECKEL CO., DENVER

10a

State of Colorado)
) ss.
County of San Juan)

Filed for record the 29 day of July, A. D. 2003. at 1:27 o'clock P M.

Reception No. 142750 Book — Page — Dorothy A Zamora, Recorder

QUIT CLAIM DEED

STATE DOCUMENTARY FEE
DATE 7/29/03
$ none

THIS QUITCLAIM DEED, made this 10 day of July, 2003 between **SUNNYSIDE GOLD CORPORATION,** a corporation duly organized and existing under and by virtue of the laws of the State of Delaware with its principle place of business in San Juan County, Colorado, Grantor and **SAN JUAN CORP.**, a Colorado corporation, Grantee, whose legal address is P.O. Drawer I, 611 Water Street, Silver Plume, Colorado 80476, of the County of San Juan and State of Colorado.

WITNESS, that the Grantor, for and in consideration of the sum of------Ten ($10.00)------- DOLLARS and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, has remised, released, sold and QUITCLAIMED, and by these presents do remise, release, sell and QUITCLAIM unto grantee, its successors and assigns forever, all of Grantor's rights, title, and interest, in the following mining claims, which are situated in the County of San Juan and State of Colorado, together with any improvements thereon or associated therewith, as more specifically identified as follows:

1. Herbert Placer U. S. Mineral Survey no. 13562, Eureka Mining District, together with the improvement commonly known as the "Quonset Building" associated therewith.
2. Unpatented Gladstone Millsite, CMC No. 82529.
3. Unpatented Bridge Millsite, CMC No. 167890.

RESERVING unto Grantor all water, water rights (direct flow, underground, well, storage and certificated and uncertificated water shares), ditches and ditch rights appurtenant to, belonging to, or currently or historically used in connection with any part of the American Tunnel Pipeline.

TO HAVE AND TO HOLD the same, subject to the reservations and exceptions herein, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claim whatsoever, of the Grantor, either in law or equity, to the only proper use and benefit Grantee, its successors and assigns forever.

IN WITNESS WHEREOF, The Grantor has executed this Deed on the date set forth above.

NOTARY PUBLIC
DEBRA D. JOHNSON
1010 Olympus Park Dr. #E101
Salt Lake City, Utah 84117
My Commission Expires
September 17, 2005
STATE OF UTAH

Sunnyside Gold Corporation

By: J. W. Danni
Name: Jerry W. Danni
Title: Vice President

CITY OF Salt Lake)
) ss.
)

The foregoing instrument was acknowledged before me this 10th day of July, 2003, by Jerry W. Danni, as officer of Sunnyside Gold Corporation, a Delaware corporation, on behalf of said corporation.

My Commission expires

Witness my hand and official seal. Debra D. Johnson
Notary Public

State of Colo, San Juan County
Filed Nov 22, 2002 at 3:50PM 5 pages
Reception No 142232 Dorothy A Zanoni, Recorder

10

QUITCLAIM DEED

San Juan Corp., a Colorado corporation, whose street address is 611 Water Street, Silver Plume, Colorado 80476, for the consideration of Ten and No One Hundredths Dollars ($10.00), in hand paid, hereby sells and quitclaims to Gold King Mines Corporation, a Colorado corporation, whose street address is 2201 CR2, Silverton, Colorado 81433, the real property in the County of San Juan and State of Colorado, more particularly described in Exhibit A-2 attached hereto and made a part hereof, and reserving to the Grantor an Eight Tenths of One Percent (0.8%) Gross Returns Royalty in and to the properties conveyed, which royalty shall be in the form and payable in the manner provided in Exhibit B-2 attached hereto and made a part hereof.

Signed this 14th day of NOVEMBER, 2002.

SAN JUAN CORP.

STATE DOCUMENTARY FEE
DATE 11/22/02
$ 3.45

By Todd C. Hennis
Todd C. Hennis, President

STATE OF COLORADO)
) ss.
COUNTY OF Clear Creek)

The foregoing instrument was acknowledged before me this 14th day of November, 2002, by Todd C. Hennis, President, San Juan Corp.

Witness my hand and official seal.

My commission expires: 3/30/05

Nikki Ward
Notary Public

NIKKI L. WARD
NOTARY PUBLIC
STATE OF COLORADO
[seal]
My Commission Expires 3/30/05

142232

EXHIBIT A-2

Mogul Mine Claim List No. 2

Eureka Mining District, San Juan County, Colorado

Name of Mining Claim	U.S. Mineral Survey No.
Rob the Ranter	778
Side Dish Lode	5475

142232

EXHIBIT B-2

GROSS RETURNS ROYALTY

a. Buyer shall pay Seller a royalty of eight tenths of one percent (0.8%) of the Gross Returns, from all ores, minerals, or other materials removed from the Property and sold (or deemed sold) by Buyer, (the **"Gross Returns Royalty"**).

b. (1) The Gross Returns Royalty shall be owed to Seller upon Buyer's receipt of Payments and segregated from Buyer's accounts, and paid by Buyer to Seller quarterly within sixty (60) days after the end of each calendar quarter.

(2) Payment of the Gross Returns Royalty shall be accompanied by a settlement sheet indicating and explaining the calculation of the royalty payment by Buyer, together with supporting documents from the smelter, refiner, or other purchaser showing the Payments, Sale Price of Product sold minus Deductions, or the record of deposit of Refined Material to Buyer's consignment account in case of a Deemed Sale. Each settlement sheet provided by Buyer shall conclusively be deemed correct and binding upon Seller unless Buyer receives a written objection from Seller, specifying the nature of Seller's objections, within ninety (90) days after Buyer's payment of royalty.

c. No Gross Returns Royalty shall be due on a one-time sample of less than 50 tons of ore extracted or removed from the Property for purposes of testing, analysis, or evaluation solely to determine mineral values of the Property or for metallurgical testing.

d. For the purposes of reporting to the Internal Revenue Service royalty payments made by Buyer to Seller, Seller's Tax Identification Number will be provided to Buyer.

e. **"Gross Returns"** means Payments (or Deemed Payments) to Buyer for Product sold (or deemed sold). Such terms, and other terms used in this Exhibit, are defined in subsection (g) below.

f. The Gross Returns Royalty on product other than gold or silver shall be based upon Payments received by Buyer for the Sale of that Product. The Gross Returns Royalty on gold and silver shall be based either upon Payments received by Buyer from the Sale or upon Deemed Payments received for the Deemed Sale of Refined Material. Buyer may sell concentrates or bulk concentrates in the ordinary course of business.

g. For purposes of calculating the Gross Returns Royalty, the following definitions shall apply:

142232

(1) **"Product"** means any crude ores, concentrates, dore, or refined metals including Refined Material, or other minerals or materials mined and/or removed from the Property.

(2) **"Refined Material"** means gold and silver mined and removed from the Property and refined to final gold and silver bullion standards of at least 99.95 percent pure gold and 99.9 percent pure silver.

(3) **"Payments"** means the gross amount of payments received by Buyer from the Sale of Product, other than Refined Material.

(4) **"Deemed Payments"** means the Fair Market Value of gold or silver minus Deductions upon a Deemed Sale of Refined Material.

(5) **"Deductions"** means penalties, smelter and or refining charges, transportation charges associated with producing final refined metal after delivery to the smelter or refiner, all umpire charges, whether made by the purchaser of the Product or a third party, and all taxes or import/export charges associated with smelting or refining taken from the Sale or Deemed Sale of the Product sold (or deemed sold).

(6) A **"Sale"** of Product, other than Refined Material, shall occur upon the passing of title from Buyer, in conjunction with the physical delivery of the Product, to a bona fide purchaser, such as a smelter, refiner, or concentrate buyer, at a fair market price.

(7) A **"Deemed Sale"** shall occur upon the deposit of Refined Material to Buyer's consignment account by a refiner.

(8) The **"Fair Market Value"** of Refined Material shall be determined as follows: for gold, the average of the daily London Bullion Brokers' Second Gold Fixing for the calendar month preceding the Deemed Sale; for silver, the average of the daily base price for the Handy & Harmon Noon Silver Quotation for the calendar month preceding the Deemed Sale.

h. Buyer shall account to Seller, and Seller shall have the right to inspect and audit, including any mining, processing, smelting or refining operations, but Seller shall have no interest or right to participate in any profits or proceeds of futures contracts,

142232

forward sales, hedging or any other similar marketing mechanism employed by Buyer or its affiliates with respect to any Product produced from the Property. Seller shall not participate in or be responsible for or bear any costs, expenses, or losses incurred by Buyer in connection with Buyer's marketing mechanisms. The Gross Returns Royalty shall be based solely on the Payments or Deemed Payments received by Buyer for Product produced from the Property. Buyer shall have no obligation to fulfill any futures contracts, forward sales, hedging or other contracts which Buyer or any of its affiliates may have by using Product produced from the Property.

State of Colo, San Juan County
Filed Nov 22, 2002 at 3:40PM 5 pages
Reception No 142230 Dorothy A. Zanoni, Recorder

QUITCLAIM DEED

San Juan Corp., a Colorado corporation, whose street address is 611 Water Street, Silver Plume, Colorado 80476, for the consideration of Ten and No One Hundredths Dollars ($10.00), in hand paid, hereby sells and quitclaims to Gold King Mines Corporation, a Colorado corporation, whose street address is 2201 CR2, Silverton, Colorado 81433, the real property in the County of San Juan and State of Colorado, more particularly described in Exhibit A-1 attached hereto and made a part hereof, and reserving to the Grantor an Eight Tenths of One Percent (0.8%) Gross Returns Royalty in and to the properties conveyed, which royalty shall be in the form and payable in the manner provided in Exhibit B-1 attached hereto and made a part hereof.

Signed this 14th day of NOVEMBER, 2002.

SAN JUAN CORP.

By Todd C. Hennis
Todd C. Hennis, President

STATE DOCUMENTARY FEE
DATE 11/22/02
$ 8.05

STATE OF COLORADO)
) ss.
COUNTY OF Clear Creek)

The foregoing instrument was acknowledged before me this 14th day of November, 2002, by Todd C. Hennis, President, San Juan Corp.

Witness my hand and official seal.

My commission expires: 3/30/05

Nikki L. Ward
Notary Public

NIKKI L. WARD
NOTARY PUBLIC
STATE OF COLORADO
[Seal]
My Commission Expires 3/30/05

142230

EXHIBIT A-1

Mogul Mine Claim List No. 1

Eureka Mining District, San Juan County, Colorado

Name of Mining Claim	U.S. Mineral Survey No.
Theresa Lode	15968-A
Young Lode	16523
Cross Cut Lode	16523
Narrow Gauge	16523
E Pluribus Lode	520
Grand Mogul	521
Caucasus	468
Calumet	1203
M E Harrison (part)	469

142230

EXHIBIT B-1

GROSS RETURNS ROYALTY

a. Buyer shall pay Seller a royalty of eight tenths of one percent (0.8%) of the Gross Returns, from all ores, minerals, or other materials removed from the Property and sold (or deemed sold) by Buyer, (the **"Gross Returns Royalty"**).

b. (1) The Gross Returns Royalty shall be owed to Seller upon Buyer's receipt of Payments and segregated from Buyer's accounts, and paid by Buyer to Seller quarterly within sixty (60) days after the end of each calendar quarter.

(2) Payment of the Gross Returns Royalty shall be accompanied by a settlement sheet indicating and explaining the calculation of the royalty payment by Buyer, together with supporting documents from the smelter, refiner, or other purchaser showing the Payments, Sale Price of Product sold minus Deductions, or the record of deposit of Refined Material to Buyer's consignment account in case of a Deemed Sale. Each settlement sheet provided by Buyer shall conclusively be deemed correct and binding upon Seller unless Buyer receives a written objection from Seller, specifying the nature of Seller's objections, within ninety (90) days after Buyer's payment of royalty.

c. No Gross Returns Royalty shall be due on a one-time sample of less than 50 tons of ore extracted or removed from the Property for purposes of testing, analysis, or evaluation solely to determine mineral values of the Property or for metallurgical testing.

d. For the purposes of reporting to the Internal Revenue Service royalty payments made by Buyer to Seller, Seller's Tax Identification Number will be provided to Buyer.

e. **"Gross Returns"** means Payments (or Deemed Payments) to Buyer for Product sold (or deemed sold). Such terms, and other terms used in this Exhibit, are defined in subsection (g) below.

f. The Gross Returns Royalty on product other than gold or silver shall be based upon Payments received by Buyer for the Sale of that Product. The Gross Returns Royalty on gold and silver shall be based either upon Payments received by Buyer from the Sale or upon Deemed Payments received for the Deemed Sale of Refined Material. Buyer may sell concentrates or bulk concentrates in the ordinary course of business.

g. For purposes of calculating the Gross Returns Royalty, the following definitions shall apply:

142230

(1) **"Product"** means any crude ores, concentrates, dore, or refined metals including Refined Material, or other minerals or materials mined and/or removed from the Property.

(2) **"Refined Material"** means gold and silver mined and removed from the Property and refined to final gold and silver bullion standards of at least 99.95 percent pure gold and 99.9 percent pure silver.

(3) **"Payments"** means the gross amount of payments received by Buyer from the Sale of Product, other than Refined Material.

(4) **"Deemed Payments"** means the Fair Market Value of gold or silver minus Deductions upon a Deemed Sale of Refined Material.

(5) **"Deductions"** means penalties, smelter and or refining charges, transportation charges associated with producing final refined metal after delivery to the smelter or refiner, all umpire charges, whether made by the purchaser of the Product or a third party, and all taxes or import/export charges associated with smelting or refining taken from the Sale or Deemed Sale of the Product sold (or deemed sold).

(6) A **"Sale"** of Product, other than Refined Material, shall occur upon the passing of title from Buyer, in conjunction with the physical delivery of the Product, to a bona fide purchaser, such as a smelter, refiner, or concentrate buyer, at a fair market price.

(7) A **"Deemed Sale"** shall occur upon the deposit of Refined Material to Buyer's consignment account by a refiner.

(8) The **"Fair Market Value"** of Refined Material shall be determined as follows: for gold, the average of the daily London Bullion Brokers' Second Gold Fixing for the calendar month preceding the Deemed Sale; for silver, the average of the daily base price for the Handy & Harmon Noon Silver Quotation for the calendar month preceding the Deemed Sale.

h. Buyer shall account to Seller, and Seller shall have the right to inspect and audit, including any mining, processing, smelting or refining operations, but Seller shall have no interest or right to participate in any profits or proceeds of futures contracts,

142230

forward sales, hedging or any other similar marketing mechanism employed by Buyer or its affiliates with respect to any Product produced from the Property. Seller shall not participate in or be responsible for or bear any costs, expenses, or losses incurred by Buyer in connection with Buyer's marketing mechanisms. The Gross Returns Royalty shall be based solely on the Payments or Deemed Payments received by Buyer for Product produced from the Property. Buyer shall have no obligation to fulfill any futures contracts, forward sales, hedging or other contracts which Buyer or any of its affiliates may have by using Product produced from the Property.

State of Colo, San Juan County
Filed Nov 22, 2002 at 3:45PM 5 pages
Reception No 142231 Dorothy A. Zanoni, Recorder

QUITCLAIM DEED

San Juan Corp., a Colorado corporation, whose street address is 611 Water Street, Silver Plume, Colorado 80476, for the consideration of Ten and No One Hundredths Dollars ($10.00), in hand paid, hereby sells and quitclaims to Gold King Mines Corporation, a Colorado corporation, whose street address is 2201 CR2, Silverton, Colorado 81433, the real property in the County of San Juan and State of Colorado, more particularly described in Exhibit A-3 attached hereto and made a part hereof, and reserving to the Grantor a One Percent (1.0%) Gross Returns Royalty in and to the properties conveyed, which royalty shall be in the form and payable in the manner provided in Exhibit B-3 attached hereto and made a part hereof.

Signed this 14th day of NOVEMBER, 2002.

SAN JUAN CORP.

STATE DOCUMENTARY FEE
DATE 11/22/02
8.05

By Todd C. Hennis
Todd C. Hennis, President

STATE OF COLORADO)
) ss.
COUNTY OF Clear Creek)

The foregoing instrument was acknowledged before me this 14th day of November, 2002, by Todd C. Hennis, President, San Juan Corp.

Witness my hand and official seal.

My commission expires: 3/30/2005

Nikki Ashland
Notary Public

142231

EXHIBIT A-3

Ross Basin Claim List

Eureka Mining District, San Juan County, Colorado

Name of Mining Claim	U.S. Mineral Survey No.
N G	466
Winchester	467
Ross	491
Mountain Eagle	770
Grivitzka	2104
Norman	2105

142231

EXHIBIT B-3

GROSS RETURNS ROYALTY

a. Buyer shall pay Seller a royalty of one percent (1%) of the Gross Returns, from all ores, minerals, or other materials removed from the Property and sold (or deemed sold) by Buyer, (the **"Gross Returns Royalty"**).

b. (1) The Gross Returns Royalty shall be owed to Seller upon Buyer's receipt of Payments and segregated from Buyer's accounts, and paid by Buyer to Seller quarterly within sixty (60) days after the end of each calendar quarter.

(2) Payment of the Gross Returns Royalty shall be accompanied by a settlement sheet indicating and explaining the calculation of the royalty payment by Buyer, together with supporting documents from the smelter, refiner, or other purchaser showing the Payments, Sale Price of Product sold minus Deductions, or the record of deposit of Refined Material to Buyer's consignment account in case of a Deemed Sale. Each settlement sheet provided by Buyer shall conclusively be deemed correct and binding upon Seller unless Buyer receives a written objection from Seller, specifying the nature of Seller's objections, within ninety (90) days after Buyer's payment of royalty.

c. No Gross Returns Royalty shall be due on a one-time sample of less than 50 tons of ore extracted or removed from the Property for purposes of testing, analysis, or evaluation solely to determine mineral values of the Property or for metallurgical testing.

d. For the purposes of reporting to the Internal Revenue Service royalty payments made by Buyer to Seller, Seller's Tax Identification Number will be provided to Buyer.

e. **"Gross Returns"** means Payments (or Deemed Payments) to Buyer for Product sold (or deemed sold). Such terms, and other terms used in this Exhibit, are defined in subsection (g) below.

f. The Gross Returns Royalty on product other than gold or silver shall be based upon Payments received by Buyer for the Sale of that Product. The Gross Returns Royalty on gold and silver shall be based either upon Payments received by Buyer from the Sale or upon Deemed Payments received for the Deemed Sale of Refined Material. Buyer may sell concentrates or bulk concentrates in the ordinary course of business.

g. For purposes of calculating the Gross Returns Royalty, the following definitions shall apply:

142231

(1) **"Product"** means any crude ores, concentrates, dore, or refined metals including Refined Material, or other minerals or materials mined and/or removed from the Property.

(2) **"Refined Material"** means gold and silver mined and removed from the Property and refined to final gold and silver bullion standards of at least 99.95 percent pure gold and 99.9 percent pure silver.

(3) **"Payments"** means the gross amount of payments received by Buyer from the Sale of Product, other than Refined Material.

(4) **"Deemed Payments"** means the Fair Market Value of gold or silver minus Deductions upon a Deemed Sale of Refined Material.

(5) **"Deductions"** means penalties, smelter and or refining charges, transportation charges associated with producing final refined metal after delivery to the smelter or refiner, all umpire charges, whether made by the purchaser of the Product or a third party, and all taxes or import/export charges associated with smelting or refining taken from the Sale or Deemed Sale of the Product sold (or deemed sold).

(6) A **"Sale"** of Product, other than Refined Material, shall occur upon the passing of title from Buyer, in conjunction with the physical delivery of the Product, to a bona fide purchaser, such as a smelter, refiner, or concentrate buyer, at a fair market price.

(7) A **"Deemed Sale"** shall occur upon the deposit of Refined Material to Buyer's consignment account by a refiner.

(8) The **"Fair Market Value"** of Refined Material shall be determined as follows: for gold, the average of the daily London Bullion Brokers' Second Gold Fixing for the calendar month preceding the Deemed Sale; for silver, the average of the daily base price for the Handy & Harmon Noon Silver Quotation for the calendar month preceding the Deemed Sale.

h. Buyer shall account to Seller, and Seller shall have the right to inspect and audit, including any mining, processing, smelting or refining operations, but Seller shall have no interest or right to participate in any profits or proceeds of futures contracts,

forward sales, hedging or any other similar marketing mechanism employed by Buyer or its affiliates with respect to any Product produced from the Property. Seller shall not participate in or be responsible for or bear any costs, expenses, or losses incurred by Buyer in connection with Buyer's marketing mechanisms. The Gross Returns Royalty shall be based solely on the Payments or Deemed Payments received by Buyer for Product produced from the Property. Buyer shall have no obligation to fulfill any futures contracts, forward sales, hedging or other contracts which Buyer or any of its affiliates may have by using Product produced from the Property.

145693
Page 1 of 1
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
05-18-2007 02:17 PM Recording Fee $6.00

Quit Claim Deed

5-18-07
NONE

This Deed, made this 22nd day of November, 2006 between San Juan Corp., whose legal address is P.O. Drawer I, Silver Plume, CO 800476 as Grantor,

And Todd C. Hennis, whose legal address is P.O. Drawer I, Silver Plume, CO 80476 as Grantee,

WITNESSETH, that the Grantor, for and in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold, conveyed and QUIT CLAIMED, and by these presents does remise, release, sell, convey and QUIT CLAIM unto the Grantee, their successors and assigns, forever, all right, title, interest, claim and demand, which the Grantor has in and to the real property situate, lying and being in the County of San Juan and State of Colorado, described as follows:

Improvements on the Anglo Saxon M.S. 14875 and Harrison Millsite M.S. 14710B patented mining claims, such improvements to specifically imclude the "Dry Room Building" and the "Water Treatment Building"

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges belonging or appertaining to, and all of the estate right, title, interest and claim whatsoever, of the Grantor, either in law or equity, to the only proper use and benefit of the Grantee, their successors and assigns forever.

IN WITNESS WHEREOF, the Grantor has executed this deed on this date set forth above.

Todd C. Hennis
TODD C. HENNIS, PRESIDENT
FOR SAN JUAN CORP.

State of Colorado
County of JEFFERSON ss.

The foregoing instrument was acknowledged before me this 22 day of November November, 2006 by Todd C. Hennis as President of San Juan Corp.

My commission expires: My Commission Expires 07/29/2008

(Official Seal)

Brett C. Wh
Notary

145692
Page 1 of 1
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
05-18-2007 02:16 PM Recording Fee $7.41

MINING DEED

THIS DEED, made this 27th day of December, 2005
between San Juan Corp.
P.O. Drawer I
Silver Plume, CO 80476
of the County of Clear Creek and State of Colorado grantor(s), and
Todd C. Hennis
whose legal address is P.O. Drawer I, 645 Water St., Silver Plume, CO 80476
of the County of Clear Creek and State of Colorado, grantee(s);

5-18-07
1.41

WITNESS, That the grantor(s), for and in consideration of the sum of $11,412.84
(Eleven thousand four hundred twelve and 84/100ths) Dollars
the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold, remised, released and forever quitclaimed, and by these presents does grant, bargain, sell, remise, release and forever quitclaim, unto the grantee(s), its heirs and assigns, the following described property, situate, lying and being in Eureka Mining District, in the County of San Juan, and State of Colorado, to wit:

Anglo-Saxon patented lode mining claim, M.S. 14875

Harrison Mill Site patented mining claim, M.S. 14710

also known by street and number as:
assessor's schedule or parcel number:

TOGETHER with all dips, spurs and angles, and all the metals, ores, gold and silver-bearing quartz, rock and earth therein, and all the rights, privileges and franchises thereto incident, appendant and appurtenant, or therewith usually had and enjoyed; and all and singular the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the rents, issues and profits thereof, and all the estate, right, title, interest, claim and demand whatsoever, as well in law as in equity, of the grantor(s), of, in or to said premises, and every part and parcel thereof, with the appurtenances.

TO HAVE AND TO HOLD, all and singular, the said premises, together with appurtenances and privileges thereto incident. Unto the grantee(s), its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

FOR SAN JUAN CORP.
Todd C. Hennis, PRES.
TODD C. HENNIS, PRES.

STATE OF COLORADO
County of JEFFERSON

The foregoing instrument was acknowledged before me on the 20th day of DECEMBER, 2005
By TODD C. HENNIS

My commission expires: 01/14/2009

Witness my hand and official seal.

SAM R. ALLEN
NOTARY PUBLIC
STATE OF COLORADO
My Commission Expires January 14, 2009

Sam R. Allen
Notary Public

Recorded at 8:14 o'clock A M., Oct 19, 2005
Reception No. 144508 Ladonna L Jaramillo Recorder. Deputy

PUBLIC TRUSTEE'S DEED

Sale No. 05-2

THIS DEED is made October 18, 2005, ~~19xx~~, between Beverly E. Rich as the Public Trustee, of the *County of San Juan, Colorado, and

San Juan Corporation, Grantee, the holder of the

☒ Certificate of Purchase, ☐ Certificate of Redemption issued to the lienor last redeeming, whose legal address is PO Drawer I, Silver Plume, CO. 80476

WHEREAS, Gold King Mines Corporation did, by Deed of Trust dated November 14, 2002~~xx~~, and recorded in the office of the Clerk and Recorder of the County of San Juan, Colorado, on November 19, 2002 ~~xx~~, in Book , Page , (Film No. , Reception No. 142214) convey to the Public Trustee, in Trust, the property hereinafter described to secure the payment of the indebtedness provided in said Deed of Trust; and

WHEREAS, a violation was made in certain of the terms and convenants of said Deed of Trust as shown by the Notice of Election and Demand for Sale filed with the Public Trustee (a duplicate of which was recorded in the office of said County Clerk and Recorder); the said property was advertised for public sale at the place and in the manner provided by law and by said Deed of Trust; Notice of Right to Cure and Redeem and Notice of Sale were given as required by law; said property was sold according to said Notice of Sale; and a Certificate of Purchase thereof was made and recorded in the office of said County Clerk and Recorder; and

WHEREAS, all periods of redemption have expired.

NOW, THEREFORE, the Public Trustee, pursuant to the power and authority vested by law and by the said Deed of trust, confirms the foreclosure sale and sells and conveys to Grantee the following described property located in the County of San Juan, State of Colorado, to-wit:

Rob the Ranter 778
Side Dish 5475
situate in teh Eureka Mining District, San Juan County, Colorado

also known by street and number as

TO HAVE AND TO HOLD the same, with all appurtenances, forever.
Executed the day and year first above written.

Beverly E. Rich
Public Trustee of the State of Colorado County of San Juan

By _____
Deputy Public Trustee

STATE OF COLORADO
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 19 day of October, 2005, ~~19xx~~, by Beverly E. Rich as the Public Trustee of the County of San Juan, State of Colorado.

My commission expires non-expiring
Witness my hand and official seal.
*If in Denver, insert "City and".

Ladonna L Jaramillo Deputy
Notary Public ~~xxxx~~
Dorothy A. Zanoni, Co. Clerk

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

Recorded at 8:18 o'clock A M., Oct 19, 2005
Reception No. 144509 Ladonna L. Jaramillo Recorder. Deputy

PUBLIC TRUSTEE'S DEED

Sale No. 05-1

THIS DEED is made Oct. 18, 2005, ~~xx~~, between Beverly E. Rich as the Public Trustee, of the County of San Juan, Colorado, and

San Juan Corporation, Grantee, the holder of the ☒Certificate of Purchase, ☐ Certificate of Redemption issued to the lienor last redeeming, whose legal address is PO Drawer I, Silver Plume, CO. 80476

WHEREAS, Gold King Mines Corporation did, by Deed of Trust dated Novemeber 14, 2002, ~~xx~~, and recorded in the office of the Clerk and Recorder of the County of San Juan, Colorado, on November 19, 2002 ~~xx~~, in Book , Page , (Film No. , Reception No. 142215) convey to the Public Trustee, in Trust, the property hereinafter described to secure the payment of the indebtedness provided in said Deed of Trust; and

WHEREAS, a violation was made in certain of the terms and convenants of said Deed of Trust as shown by the Notice of Election and Demand for Sale filed with the Public Trustee (a duplicate of which was recorded in the office of said County Clerk and Recorder); the said property was advertised for public sale at the place and in the manner provided by law and by said Deed of Trust; Notice of Right to Cure and Redeem and Notice of Sale were given as required by law; said property was sold according to said Notice of Sale; and a Certificate of Purchase thereof was made and recorded in the office of said County Clerk and Recorder; and

WHEREAS, all periods of redemption have expired.

NOW, THEREFORE, the Public Trustee, pursuant to the power and authority vested by law and by the said Deed of trust, confirms the foreclosure sale and sells and conveys to Grantee the following described property located in the County of San Juan, State of Colorado, to-wit:

NG	466
Winchester	467
Ross	491
Mountain Eagle	770
Grivizka	2104
Norman	2105

all situate in the Eureka Mining District, San Juan County, Colorado

also known by street and number as

TO HAVE AND TO HOLD the same, with all appurtenances, forever.
Executed the day and year first above written.

Beverly E. Rich
Public Trustee of the State of Colorado County of San Juan

By _____
Deputy Public Trustee

STATE OF COLORADO
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 19 day of October, 2005, ~~xx~~, by Beverly E. Rich as the Public Trustee of the County of San Juan, State of Colorado.

My commission expires non-expiring
Witness my hand and official seal.
*In Denver insert "City and".

Ladonna L. Jaramillo Deputy
Dorothy A. Zanoni, Co. Clerk ~~Notary Public~~

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

Bradford Publishing, 1743 Wazee St., Denver, CO 80202 — (303) 292-2500 — 7-93

SAN JUAN COUNTY FILED FOR REDORD MARCH 23, 2005 AT 1:12PM FEE $ 6.00
RECEPTION NO 144063 Fadesma L. Jaramillo Deputy

MINING DEED

THIS DEED, Made this 18th day of March, 2005,
between San Juan Corp.
P.O.Drawer I
Silver Plume, CO 80476
of the *County of Clear Creek and State of Colorado grantor(s), and
Todd C. Hennis
whose legal address is P.O. Drawer I, Silver Plume
CO 80476
of the County of ~~Clear Creek~~ and State of Colorado, grantee(s);

DOC. DOCUMENTARY FEE
DATE 3-23-05
$ 1.10

WITNESS, That the grantor(s), for and in consideration of the sum of $11,000.00 (eleven ********thousand and no/100ths)********** Dollars the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold, remised, released and forever quitclaimed, and by these presents does grant, bargain, sell, remise, release and forever quitclaim, unto the grantee(s), his heirs and assigns, the following described property, situate, lying and being in Eureka Mining District, in the County of San Juan, and State of Colorado, to wit:

Herbert Placer patented mining claim, M.S. 13562 excepting thereon the improvement known as "The Quonset Hut" and a noneclusive easement for road and utility access to The Quonset Hut, together with a nonexclusive easement for twelve parking spaces adjoining the Quonset Hut as long as San Juan Corp. owns the Quonset Hut.

also known by street and number as: 6801 Highway 110-A
assessor's schedule or parcel number:

TOGETHER with all the dips, spurs and angles, and all the metals, ores, gold and silver-bearing quartz, rock and earth therein, and all the rights, privileges and franchises thereto incident, appendant and appurtenant, or therewith usually had and enjoyed; and all and singular the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the rents, issues and profits thereof, and all the estate, right, title, interest, claim and demand whatsoever, as well in law as in equity, of the grantor(s), of, in or to the said premises, and every part and parcel thereof, with the appurtenances.

TO HAVE AND TO HOLD, all and singular, the said premises, together with the appurtenances and privileges thereto incident, unto the grantee(s) his heirs and assigns forever.

IN WITNESS WHEREOF, The grantor(s) has executed this deed on the date set forth above.

Todd C. Hennis

Todd C. Hennis

President, San Juan Corp.

JENNIFER ARMSTRONG NOTARY PUBLIC STATE OF COLORADO

STATE OF COLORADO
County of Clear Creek } ss.

The foregoing instrument was acknowledged before me on the 18TH day of March, 2005,
by Todd C. Hennis

My commission expires:
My Commission Expires
October 3, 2006
*If in Denver, insert "City and."

Witness my hand and official seal.
Jennifer Armstrong
Notary Public

Name and Address of person creating newly created legal description (§ 38-35-106.5, C.R.S.)

MINING DEED

144668
Page 1 of 1
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
12-30-2005 01:57 PM Recording Fee $8.50

THIS DEED, made this 27th day of December, 2005
between San Juan Corp.
P.O. Drawer I
Silver Plume, CO 80476
of the County of Clear Creek and State of
Colorado grantor(s), and
Todd C. Hennis
whose legal address is P.O. Drawer I, 645 Water St., Silver Plume, CO 80476

of the County of Clear Creek and State of Colorado, grantee(s);

DOC. DOCUMENTARY FEE
DATE 12/30/05
$ 2.50

WITNESS, That the grantor(s), for and in consideration of the sum of $24,872.63
(Twenty four thousand eight hundred seventy two and 63/100ths) Dollars
the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold, remised, released and forever quitclaimed, and by these presents does grant, bargain, sell, remise, release and forever quitclaim, unto the grantee(s), its heirs and assigns, the following described property, situate, lying and being in Eureka Mining District, in the County of San Juan, and State of Colorado, to wit:

Success Placer patented mining claim, M.S.1914

Sampson Mill Site patented mining claim, M.S. 1618B

Sampson #2 Mill Site patented mining claim, M.S. 1619B

also known by street and number as:
assessor's schedule or parcel number:

TOGETHER with all dips, spurs and angles, and all the metals, ores, gold and silver-bearing quartz, rock and earth therein, and all the rights, privileges and franchises thereto incident, appendant and appurtenant, or therewith usually had and enjoyed; and all and singular the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the rents, issues and profits thereof, and all the estate, right, title, interest, claim and demand whatsoever, as well in law as in equity, of the grantor(s), of, in or to said premises, and every part and parcel thereof, with the appurtenances.

TO HAVE AND TO HOLD, all and singular, the said premises, together with appurtenances and privileges thereto incident. Unto the grantee(s), its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

FOR SAN JUAN CORP.
Todd C. Hennis, PRES.
TODD C. HENNIS, PRESIDENT

STATE OF COLORADO
County of Jefferson }

The foregoing instrument was acknowledged before me on the 27TH day of DECEMBER, 2005
By TODD C. HENNIS

My commission expires: 01/14/2009

Witness my hand and official seal.

SAM R. ALLEN
NOTARY PUBLIC
STATE OF COLORADO
My Commission Expires January 14, 2009

Sam R. Allen
Notary Public

MINING DEED

144669
Page 1 of 1
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
12-30-2005 02:04 PM Recording Fee $16.45

THIS DEED, made this 27th day of December, 2005
between San Juan Corp.
P.O. Drawer I
Silver Plume, CO 80476
of the County of Clear Creek and State of
Colorado grantor(s), and
Todd C. Hennis
whose legal address is P.O. Drawer I, 645 Water St., Silver Plume, CO 80476

of the County of Clear Creek and State of Colorado, grantee(s);

STATE DOCUMENTARY FEE
DATE 12/30/05
$ 10.45

WITNESS, That the grantor(s), for and in consideration of the sum of $104,300.53
(One hundred four thousand three hundred and 53/100ths) Dollars
the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold, remised, released and forever quitclaimed, and by these presents does grant, bargain, sell, remise, release and forever quitclaim, unto the grantee(s), its heirs and assigns, the following described property, situate, lying and being in Animas Mining District, in the County of San Juan, and State of Colorado, to wit:

Argentine patented mining claim, M.S.11380
B.S.G. patented mining claim, M.S.20564
C.A.C. patented mining claim, M.S.20564
Dives Fraction patented mining claim, M.S.20059
Gold Bug patented mining claim, M.S.14393A
Gold Bug Mill Site patented mining claim, M.S.14393B
G.H.M. patented mining claim, M.S.20564
Huntington patented mining claim, M.S.15351
J.R. W. patented mining claim, M.S.20564
Kuroki patented mining claim, M.S.17788
Mayflower patented mining claim, M.S.1568
Mayflower No. 2 patented mining claim, M.S.16551
Mountain Quail patented mining claim, M.S.1157
North Star patented mining claim, M.S.297
Slide patented mining claim, M.S.1331
Terrible patented mining claim, M.S.272
Togo patented mining claim, M.S.17788
Yellow Jacket patented mining claim, M.S.311

also known by street and number as:
assessor's schedule or parcel number:

TOGETHER with all dips, spurs and angles, and all the metals, ores, gold and silver-bearing quartz, rock and earth therein, and all the rights, privileges and franchises thereto incident, appendant and appurtenant, or therewith usually had and enjoyed; and all and singular the tenements, hereditaments and appurtenances thereto belonging or in anywise appertaining, and the rents, issues and profits thereof, and all the estate, right, title, interest, claim and demand whatsoever, as well in law as in equity, of the grantor(s), of, in or to said premises, and every part and parcel thereof, with the appurtenances.

TO HAVE AND TO HOLD, all and singular, the said premises, together with appurtenances and privileges thereto incident. Unto the grantee(s), its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

FOR SAN JUAN CORP.
Todd C. Hennis, PRES.
TODD C. HENNIS, PRES.

STATE OF COLORADO
County of Jefferson

The foregoing instrument was acknowledged before me on the 27th day of DECEMBER, 2005
By TODD C. HENNIS

My commission expires: 01/14/2009

Witness my hand and official seal.

SAM R. ALLEN
NOTARY PUBLIC
STATE OF COLORADO
My Commission Expires January 14, 2009

Sam R. Allen
Notary Public

INDEXED

Filed for record the 27th day of March, A.D. 19 95, at 10:30 o'clock A.M. Dorothy A. Zamarin RECORDER.

Reception No. 137416 BK 242 pg 420-421 By DEPUTY.

Know all Men by these Presents, That, whereas, the following described property, viz:

E Pluribus 520

Rob the Panther 778

Side Dish 5475

Theresa Lode 15968-A

Thereas MS 15968-B

Young Lode 16523

47750090050008

situated in the County of San Juan and State of Colorado, was subject to taxation for the year (or years) A. D. 19 90;

And, Whereas, The taxes assessed upon said property for the year (or years) aforesaid remained due and unpaid at the date of the sale hereinafter named;

And, Whereas, *The Treasurer of the said County did, on the* 26 *day of* November, A. D. 19 91, by virtue of the authority vested in him by law, at the sale begun and publicly held on the 26 day of November, A. D. 19 91, expose to public sale at the office of the Treasurer in the County aforesaid, *in substantial conformity with the requirements of the statute in such case made and provided, the tax lien on* real property above described for the payment of the taxes, delinquent interest, and costs then due and remaining unpaid on said property;

***And, Whereas,** At the time and place aforesaid, ... whose street address is ....., City or Town of ....., County of ..... and State of ..... bid on the tax lien on all of the above described property the sum of ..... DOLLARS and ..... CENTS, being the whole amount of taxes, delinquent interest, and costs then due and remaining unpaid upon said property for said year, ..., and the said ..... having offered in his said bid to pay the sum of ..... DOLLARS and ..... CENTS in excess of said Taxes, delinquent interest, and costs, and the said bid being the largest amount which any person offered to pay in excess of the said taxes, delinquent interest, and costs so due upon said property for said year, ..., and payment of the said sum having been made by him to the said Treasurer, the said tax lien on such property was stricken off to him at that price;

***And, Whereas,** the said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., did, on the ..... day of ....., A. D. 19....., duly assign the certificate of *the sale of the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to* ..... whose street address is ....., City or Town of ....., County of ..... and State of .....;

***And, Whereas,** At the sale so held as aforesaid by the Treasurer, no bids were offered or made by any person or persons for the tax lien on said property, and no person or persons having offered to pay the said taxes, delinquent interest and costs upon the said property for said year 90, and the Treasurer having become satisfied that no sale of the tax lien on said property could be had, therefore the said tax lien on said property was, by the then Treasurer of the said County, stricken off to the said County, and a certificate of sale was duly issued therefor to the said County in accordance with the statute in such case made and provided;

***And, Whereas,** The said San Juan County, acting by and through its Treasurer, and in conformity with the order of the Board of County Commissioners of the said County, duly entered of record on the 20 day of August, A. D. 19 93, (the said day being one of the days of a regular session of the Board of County Commissioners of the said County), did duly assign the certificate of sale of the tax lien on said property, so issued as aforesaid to said County, and all its rights, title, and interest in said property held by virtue of said sale to Salem Minerals, Inc. whose street address is 233 Yank Ct., City or Town of Lakewood, County of ..... and State of CO 80228 for the sum of 198.17 DOLLARS and ..... CENTS.

***And, Whereas,** The said ..... whose street address is ....., City or Town of ....., County of ..... and State of ....., *did on the* ..... *day of* ....., A. D. 19....., duly assign the certificate of the sale of

BK242 pg 421

the tax lien on the property as aforesaid, and all his rights, title, and interest in said property, to.....

whose street address is....., City or Town of.....,
of the County of.....and State of.....;

*And, Whereas, The said Salem Minerals, Inc.
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
has paid subsequent taxes on said property to the amount of 541.17 DOLLARS
and.....CENTS,

And, Whereas, More than three years have elapsed since the date of the said sale, and the said property has not been redeemed therefrom as provided by law;

And, Whereas, The said property was valued for assessment for said year 90 at the amount of 2600.00;

And, Whereas, All the provisions of the statutes prescribing prerequisites to obtaining tax deeds have been fully complied with, and are now of record, and filed in the office of the Treasurer of said County;

Now, Therefore, I, Beverly E. Rich, Treasurer of the County aforesaid, for and in consideration of the sum to the Treasurer paid as aforesaid, and by virtue of the statute in such case made and provided, have granted, bargained, and sold, and by these presents do grant, bargain, and sell the above and foregoing described real estate unto the said Salem Minerals, Inc.
whose street address is 233 Yank Ct., City or Town of Lakewood,
County of.....and State of CO. 80228,
.....h..... heirs and assigns, forever, subject to all the rights of redemption by minors, or incompetent persons, as provided by law.

OFFICIAL SEAL

In Witness Whereof, I, Beverly E. Rich, Treasurer as aforesaid, by virtue of the authority aforesaid, have hereunto set my hand and seal this 27 day of March, A. D. 19 95

Certificate No. 6630 Book No. 1 Tax Sale Record Beverly E. Rich (Seal)

Treasurer of San Juan County, Colorado.

*Strike out in accordance with fact.

STATE OF COLORADO,
County of San Juan } ss.

The foregoing instrument was acknowledged before me this 27 day of March, 19 95, by Beverly E. Rich as treasurer of said county.

Witness my hand and official seal.

My commission expires non-expiring

(Official Seal)

Dorothy A. Zanoni Co. Clerk

Mailing Address for Future Tax Notices
Salem Minerals, Inc.
233 Yank Ct.
Lakewood, CO. 80228

No.....

TREASURER'S DEED

From

County Treasurer
to

STATE OF COLORADO,
County of..... } ss.

I hereby certify that this Deed was filed for record in my office at.....o'clock.....M., ...19....., and is duly recorded in Book.....Page.....

Recorder.

By.....Deputy.

Fees, $.....

Certificate No.....Book No.....
Tax Sale Record.

THE C. F. HOECKEL CO., DENVER

Filed for record the 8 day of Sep A.D. 1998 at 1:07 o'clock P.M.
Reception No. 139491 Book 246 Page 669

QUITCLAIM DEED

THIS DEED, made this 2nd day of September, 1998,
between Salem Minerals Inc.
717 12th Street, #117
Golden, CO 80401
of the *County of Jefferson and State of Colorado, grantor(s), and

San Juan Corp.

whose legal address is 610 Sunshine Parkway, Golden, CO 80403

of the County of Jefferson and State of Colorado, grantee(s),

STATE DOCUMENTARY FEE
DATE 8/8/98
$ .05

WITNESS, that the grantor(s), for and in consideration of the sum of U.S. Dollars Five Hundred twenty four ($524,00) DOLLARS, the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold and QUITCLAIMED, and by these presents do es remise, release, sell and QUITCLAIM unto the grantee(s), its heirs, successors and assigns forever, all the right, title, interest, claim and demand which the grantor(s) has in and to the real property, together with improvements, if any, situate, lying and being in the County of San Juan and State of Colorado, described as follows:

100% interest in the following patented mining claims:

Calumet	Survey #1203
Cross Cut	Survey No. 16523
Caucasus	Survey #468
Grand Mogul	Survey # 521
M E Harrison	Survey#469 (part)
Narrow Gauge	Survey #16523
Ross	Survey #491
N G	Survey #466
Winchester	Survey #467

All situated in the Eureka Mining District.

also known by street and number as:
assessor's schedule or parcel number: 47750100050009 M 001

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claim whatsoever of the grantor(s), either in law or equity, to the only proper use, benefit and behoof of the grantee(s), its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

Todd C. Hennis, Pres

For Salem Minerals Inc.,
~~Todd C. Hennis, Pres.~~

STATE OF COLORADO
ss.
County of Jefferson

The foregoing instrument was acknowledged before me this 2nd day of Sept 1998
by Todd C Hennis

Witness my hand and official seal.
My commission expires:

Notary Public

My Commission Expires 8-10-99

*If in Denver, insert "City and".

Name and Address of Person Creating Newly Created Legal Description (§ 38-35-106.5, C.R.S.)

State of Colorado } ss
County of San Juan
Filed for record the 8 day of Sep, A.D. 1998, at 1:05 o'clock P.M.
Reception No. 139490 Book 246 Page 668

QUITCLAIM DEED

THIS DEED, made this 2nd day of September, 1998,
between Salem Minerals Inc.,
717 12th Street #117
Golden, CO 80401
of the *County of Jefferson and State of Colorado, grantor(s), and

San Juan Corp.

whose legal address is 610 Sunshine Parkway, Golden, CO 80403
of the County of Jefferson and State of Colorado, grantee(s),

STATE DOCUMENTARY FEE
DATE 9/8/98
.05

WITNESS, that the grantor(s), for and in consideration of the sum of U.S. Dollars Five Hundred thirty five and no/100ths ($535.00) DOLLARS, the receipt and sufficiency of which is hereby acknowledged, has remised, released, sold and QUITCLAIMED, and by these presents do es remise, release, sell and QUITCLAIM unto the grantee(s), its heirs, successors and assigns forever, all the right, title, interest, claim and demand which the grantor(s) has in and to the real property, together with improvements, if any, situate, lying and being in the County of San Juan and State of Colorado, described as follows:

100% interest in the following patented mining claims:

E Pluribus Lode	Survey #520
Rob the Ranter	Survey #778
Side Dish Lode	Survey #5475
Theresa Lode	Survey #15968-A
Theresa M.S.	Survey #15968-B
Young Lode	Survey #16523

all situated in the Eureka Mining District.

also known by street and number as:
assessor's schedule or parcel number: 477500900050008 M 001

TO HAVE AND TO HOLD the same, together with all and singular the appurtenances and privileges thereunto belonging, or in anywise thereunto appertaining, and all the estate, right, title, interest and claim whatsoever of the grantor(s), either in law or equity, to the only proper use, benefit and behoof of the grantee(s) its heirs and assigns forever.

IN WITNESS WHEREOF, the grantor(s) has executed this deed on the date set forth above.

Todd C. Hennis, PRES

For Salem Minerals Inc.,

Todd C. Hennis, Pres.

STATE OF COLORADO }
County of Jefferson } ss.

The foregoing instrument was acknowledged before me this 2nd day of Sept
by Todd C Hennis

Witness my hand and official seal.
My commission expires:

My Commission Expires 8-10-99

Notary Public

*If in Denver, insert "City and".

Name and Address of Person Creating Newly Created Legal Description (§ 38-35.106.5, C.R.S.)

Bradford Publishing, 1743 Wazee St., Denver, CO 80202 — (303) 292-2500 — 12-97

144775
Page 1 of 1
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
03-24-2006 02:12 PM Recording Fee $6.00

QUITCLAIM BILL OF SALE

STATE DOCUMENTARY FEE
DATE 3-24-06
$ NONE

THIS QUITCLAIM BILL OF SALE is made this 10th day of March, 2006 between

GOLD KING MINES CORPORATION, P.O. Box 299, Silverton, Colorado ("Grantor"),

And

SAN JUAN CORP., P.O. Drawer I, 645 Water Street, Silver Plume, Colorado 80476, ("Grantee"),

For and in consideration of ten U.S. dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which consideration are hereby mutually acknowledged, Grantor hereby quitclaims to Grantee all of Grantor's right, title and interest in and to all of the personal property described herein, to-wit:

All improvements located on the Harrison Mill Site patented mining claim, M.S. 14710, and on the Anglo Saxon patented lode mining claim, M.S. 14875, located in the Eureka Mining District, San Juan County, Colorado. Such improvements explicitly include the building known as the "Dry Room/Security Building", the building known as the "Water Treatment Building", and the building known as the "Office/Warehouse Building." The Office/Warehouse Building may encroach on adjacent property; however, this quit claim is for the entire building regardless of location.

The foregoing personal property is transferred in its present "AS IS" condition with all faults and without any warranties whatsoever.

In witness whereof, the Grantor has signed this instrument on the day and year first appearing above.

Stephen C. Fearn
GOLD KING MINES CORPORATION
By: Stephen C. Fearn, President

STATE OF COLORADO)
)ss.

COUNTY OF SAN JUAN

The foregoing was acknowledged before me on this 10th day of March, 2006 by Stephen C. Fearn, President Gold King Mines Corporation.

Witness my hand and official seal.

My commission expires: 8/23/08

MARISSA J. RAAB NOTARY PUBLIC STATE OF COLORADO

Marissa Raab
Notary Public

SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
03-24-2006 02:17 PM Recording Fee $11.03

SPECIAL WARRANTY DEED

STATE DOCUMENTARY FEE
DATE 3-24-06
$ .03

THIS DEED, dated March 10, **2006,** between **Gold King Mines Corporation,** Grantor, and **San Juan Corp,** Grantee, whose address is: **P.O. Drawer I, 645 Water Street, Silver Plume, CO 80476.**

WITNESS, that the grantor, for and in consideration of the sum of TEN DOLLARS, ($10), and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell, convey and confirm unto the grantee, its successors and assigns forever, all the real property, together with improvements, if any, situate, lying and being in the County of **San Juan** and State of Colorado, described as follows:

Eureka Mining District, San Juan County, Colorado

Mining ClaimU.S.	Mineral Survey No.
Theresa Lode	15968-A
Young Lode	16523
Cross Cut Lode	16523
Narrow Gauge	16523
E. Pluribus Lode	520
Grand Mogul	521
Caucasus	468
Calumet	1203
M E Harrison (part)	469

SUBJECT TO taxes unpaid for the year 2006.

TOGETHER with all and singular the hereditaments and appurtenances thereunto belonging, or in anywise appertaining, the reversion and reversions, remainder and remainders, rents, issues and profits thereof, and all the estate, right, title, interest, claim and demand whatsoever of the grantor, either in law or equity, of, in and to the above bargained premises, with the hereditaments and appurtenances;

TO HAVE AND TO HOLD the said premises above bargained and described, with the appurtenances, unto the grantee, its successors and assigns forever. The grantor, for itself, its heirs and personal representatives, does covenant, and agree that it shall and will WARRANT AND FOREVER DEFEND the above bargained premises in the quiet and peaceable possession of the grantee its heirs and assigns, against all and very person or persons claiming the whole or any part thereof by, through, or under the grantor.

The singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

IN WITNESS WHEREOF, the grantor has executed this deed on the date set forth above.

Grantor:

Stephen C. Fearn

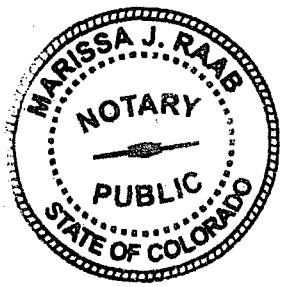
Gold King Mines Corporation
By: Stephen C. Fearn
loose certificate attached

Its: President

STATE OF COLORADO

County of San Juan

The foregoing instrument was acknowledged before me this 10th day of March, 2006 by **Stephen C. Fearn, President, Gold King Mines Corporation**, Grantor.



Witness my hand and official seal.
My commission expires: 8/23/08

Marissa J. Raab

Notary Public

CLIENT AT	PROPERTY AT	TAX DIST.	CLERK	PHONE NUMBER	PAGE	PARCEL
PRIDE OF THE WEST, LLC	2201 CR 2 - HOWARDSVILLE	101	KIMB	[303] 683-3338	1	30130
c/o TODD C. HENNIS		TAX YEAR	BUS. CODE	PRIOR YEAR VALUE		
(b) (6) [redacted]		2016	355	60,524		01/20/2016
(b) (6) [redacted]		LAST CHANGE OPERATOR & DATE			ASSESSED (29%)	
		KB	12/30/2015			

PROPERTY APPRAISAL RECORD

LINE	DESCRIPTION	ABSTRACT CODE	YEAR MADE	ORIGINAL COST	CLASS	CLASS FACT.	RCN	LIFE	COND	% GOOD	RCNLD	RIP	ACTUAL VALUE	ASSESSED VALUE
1	ELECTRIC MOTORS 7 1/2 H 1985	3410	1970	400		FD					73	99	72	21
2	ELECTRIC MOTORS 20 HP 1985	3410	1970	500		FD					92	1.00	93	27
3	ELECTRIC MOTORS 10 HP 1985	3410	1970	700		FD					129	1.00	128	37
4	AIR CANONS FINE ORE BIN 1986	3410	1970	725		FD					133	1.00	134	39
5	DRAFTING TABLE 1985	3410	1970	788		FD					145	1.00	145	42
6	DENVER DIAPHRAM PUMPS 1985	3410	1970	800		FD					147	1.00	148	43
7	MARBLE BALANCE TABLE 1986	3410	1970	800		FD					147	1.00	148	43
8	2 70 AMP SQ D BREAKER 2 1985	3410	1970	1000		FD					184	1.00	186	54
9	BLOWER DUST ARRESTER 1986	3410	1970	1000		FD					184	1.00	186	54
10	SAMPLE DRYING OVER 1986	3410	1970	1000		FD					184	1.00	186	54
11	RO-TOP SEIVE SHAKER 1986	3410	1970	1000		FD					184	1.00	186	54
12	FLOT CELL HOIST 1 TON	3410	1970	1000		FD					184	1.00	186	54
13	HEUSSER TLB 25 GOLD BAL 1986	3410	1970	1030		FD					190	1.00	190	55
14	AMALGATION DRUM 1986	3410	1970	1114		FD					205	1.00	207	60
15	CYANIDE FEED TANK & AGI 1986	3410	1970	1150		FD					212	1.00	214	62
16	CYCLONES 1986	3410	1970	1255		FD					231	1.00	231	67
17	DENVER DIAPHRAM PUMP 2" 1985	3410	1970	1400		FD					258	1.00	259	75
18	MAYNO LIME CIRCULA PUMP 1985	3410	1970	1400		FD					258	1.00	259	75
19	ELECTRIC MOTORS 50 HP 1985	3410	1970	1400		FD					258	1.00	259	75
20	225 AMP SQ D BREAKER 1985	3410	1970	1400		FD					258	1.00	259	75
21	PUMP SILENCER & VACUUM 1985	3410	1970	1500		FD					276	1.00	276	80
22	MORSE BRO JAW CRUSHER 1986	3410	1970	1500		FD					276	1.00	276	80
23	ATOMIC ABSORPTION BURNE 1986	3410	1970	1600		FD					295	1.00	297	86
24	4 X 5 LIME AGITATOR TAN 1985	3410	1970	1800		FD					332	1.00	331	96
25	DENVER DIAPHRAM PUMP 3" 1985	3410	1970	1800		FD					332	1.00	331	96
26	G CONVEYOR 1985	3410	1970	1800		FD					332	1.00	331	96
28	ASSAY &MET LAB CABINET 1985	3410	1970	2000		FD					369	1.00	369	107
29	CYANIDE MIXER PUMP TANK 1986	3410	1970	2500		FD					461	1.00	462	134
30	GALIGHER AGITAIR FLOTAT 1986	3410	1970	2500		FD					461	1.00	462	134
31	DAYTON 1 HP HOIST 1986	3410	1970	2549		FD					470	1.00	469	136
32	SPEED TROL MOTOR REDUCE 1985	3410	1970	2800		FD					516	1.00	517	150
34	5X6 AGITATOR TANKS & ME 1986	3410	1970	2950		FD					544	1.00	545	158
35	AUTO SMAPLER GAL SIZE 2	3410	1970	3000		FD					553	1.00	555	161
36	4 X 4 LIME AGITATOR TAN 1985	3410	1970	3300		FD					608	1.00	610	177
37	ROLL DRIVE BALL MILL W/ 1986	3410	1970	3391		FD					625	1.00	624	181
39	11 30 AMP SQ D BREAKER 11 1985	3410	1970	3600		FD					664	1.00	666	193
40	SPENCER COMPRESSOR BLOW 1985	3410	1970	3800		FD					701	1.00	700	203
41	AIR COMPRESSOR GD	3410	1970	4000		FD					738	1.00	738	214
42	WATER TANK 1986	3410	1970	4400		FD					811	1.00	810	235
43	SIMONS VIBRATING GRIZZL 1985	3410	1970	4500		FD					830	1.00	831	241
44	DINGS SUSPENDED MAGNET 1985	3410	1970	4500		FD					830	1.00	831	241
45	DUPLEX JIG 8 X 12 1985	3410	1970	4700		FD					867	1.00	866	251
47	4 EIMCO FILTER PUMP 1985	3410	1970	5000		FD					922	1.00	924	268
48	2 DENVER AUTO SAMPLERS 1986	3410	1970	5000		FD					922	1.00	924	268
49	DENVER DFC BULLION FURN 1986	3410	1970	5665		FD					1045	1.00	1045	303
50	SYMONS VIBRATING SCREE 1985	3410	1970	5700		FD					1051	1.00	1052	305

CLIENT AT	PROPERTY AT	TAX DIST.	CLERK	PHONE NUMBER	PAGE	PARCEL
PRIDE OF THE WEST, LLC	2201 CR 2 - HOWARDSVILLE	101	KIMB	[303] 683-3338	2	30130
c/o TODD C. HENNIS		TAX YEAR	BUS. CODE	PRIOR YEAR VALUE		
(b) (6) [redacted]		2016	355	60,524		01/20/2016
(b) (6) [redacted]		LAST CHANGE OPERATOR & DATE			ASSESSED (29%)	
		KB	12/30/2015			

PROPERTY APPRAISAL RECORD

LINE	DESCRIPTION	ABSTRACT CODE	YEAR MADE	ORIGINAL COST	CLASS	CLASS FACT.	RCN	LIFE	COND	% GOOD	RCNLD	RIP	ACTUAL VALUE	ASSESSED VALUE
51	DENVER VACUUM PUMP 1985	3410	1970	6000		FD					1107	1.00	1107	321
53	ELECTRIC JUNCTION BOX 1985	3410	1970	6300		FD					1162	1.00	1162	337
54	AUTOMATIC SAMPLER SIZE 1985	3410	1970	6400		FD					1180	1.00	1179	342
55	F CONVEYOR 1985	3410	1970	6400		FD					1180	1.00	1179	342
56	6'X 6' CONDITIONER 1985	3410	1970	6600		FD					1217	1.00	1217	353
57	CONTROL CABINET SINGLE 1985	3410	1970	6700		FD					1236	1.00	1234	358
58	DUPLEX JUG 16 X 24 1985	3410	1970	6800		FD					1254	1.00	1255	364
59	RING & PUCK PULVERIZER 1986	3410	1970	7393		FD					1364	1.00	1366	396
60	MISC OFFICE EQUIP 1985	3410	1970	8400		FD					1373	1.00	1372	398
61	3 GALIGHER VERT PUMP 2 1/	3410	1970	7500		FD					1383	1.00	1383	401
62	3 FILTER RECEIVER TANKS 1985	3410	1970	7800		FD					1439	1.00	1438	417
63	BRIDGE CRANE 22" 2 TON	3410	1970	8000		FD					1476	1.00	1476	428
64	TILTING BULLION FURNACE 1986	3410	1970	8500		FD					1568	1.00	1569	455
65	PIONEER APRON FEEDER 1985	3410	1970	8600		FD					1586	1.00	1586	460
66	FRONTIER BRIDGE CRANE 5 1985	3410	1970	8600		FD					1586	1.00	1586	460
68	D CONVEYOR 1985	3410	1970	11700		FD					2158	1.00	2159	626
69	STRIP UNIT[GENE BLOWER] 1986	3410	1970	11746		FD					2167	1.00	2166	628
70	H X 8' DORR THICKENER	3410	1970	12800		FD					2361	1.00	2362	685
71	2 CONCENTRATE TABLES 1986	3410	1970	13000		FD					2398	1.00	2400	696
73	H X 10 D DORR THICKNER 1985	3410	1970	13800		FD					2546	1.00	2545	738
74	FINE ORE BIN 140 TON 1985	3410	1970	14000		FD					2583	99	2583	749
75	H X 4 D DENVER THICKNER 1985	3410	1970	14200		FD					2619	1.00	2621	760
76	ROD CHARGER 1986	3410	1970	15625		FD					2882	1.00	2883	836
77	4 AUTOMATIC SAMPLER SIZE 1985	3410	1970	16000		FD					2952	1.00	2952	856
78	SPIRAL CLASSIFIER [AKIN 1986	3410	1970	16295		FD					3006	1.00	3007	872
79	MURPHY 65 TON TRUCK SCA	3410	1970	16400		FD					3025	1.00	3024	877
80	D X 2 DISC EIMCO FILTER 1985	3410	1970	16500		FD					3044	1.00	3045	883
81	DX4 DISC OLIVER FILTER 1985	3410	1970	16500		FD					3044	1.00	3045	883
82	C CONVEYOR 1985	3410	1970	17800		FD					3284	1.00	3283	952
83	CONTROL CABINET DOUBLE 1985	3410	1970	20000		FD					3690	1.00	3690	1070
84	B CONVEYOR 1985	3410	1970	20200		FD					3726	1.00	3728	1081
85	E CONVEYOR 1985	3410	1970	20700		FD					3819	1.00	3821	1108
86	FINE ORE BIN 300 TON 1985	3410	1970	21000		FD					3874	1.00	3876	1124
87	4 PHILADELPHIA AGITATOR 1986	3410	1970	22346		FD					4122	1.00	4124	1196
88	DENVER BALL MILL 5'X7' 1985	3410	1970	22500		FD					4151	1.00	4152	1204
89	PROPANE TANK 1986	3410	1970	23000		FD					4243	1.00	4245	1231
90	6 X 3 DISC EIMCO FILTER 1985	3410	1970	23500		FD					4335	1.00	4334	1257
91	13 GALIGHER VERTICAL PUMP 1985	3410	1970	25500		FD					4704	1.00	4703	1364
92	WESTINGHOUSE JAW CRUSHE 1985	3410	1970	28700		FD					5295	1.00	5297	1536
93	COARSE ORE BIN/GRIZZLY 1985	3410	1970	29400		FD					5424	1.00	5424	1573
94	SYMONS 3'CONE CRUSHER 1985	3410	1970	35000		FD					6457	1.00	6459	1873
96	30 AGITAIRE FLOTATION CELL 1985	3410	1970	51000		FD					9409	1.00	9410	2729
97	22 AGITAIRE FLOTATION CELL 1985	3410	1970	57200		FD					10553	1.00	10552	3060
98	16 CLARKSON REAGENT FEEDER 1985	3410	1970	65520		FD					12088	1.00	12090	3506
99	MARCY ROD MILL 1986	3410	1970	152476		FD					28131	1.00	28131	8158
100	DRY REAGENT FDR	3410	1985	750		FD					138	100	138	40

CLIENT AT	PROPERTY AT	TAX DIST.	CLERK	PHONE NUMBER	PAGE	PARCEL
PRIDE OF THE WEST, LLC	2201 CR 2 - HOWARDSVILLE	101	KIMB	[303] 683-3338	3	30130
c/o TODD C. HENNIS		TAX YEAR	BUS. CODE	PRIOR YEAR VALUE		
(b) (6) [redacted]		2016	355	60,524		01/20/2016
(b) (6) [redacted]		LAST CHANGE OPERATOR & DATE				ASSESSED (29%)
		KB	12/30/2015			

PROPERTY APPRAISAL RECORD

LINE	DESCRIPTION	ABSTRACT CODE	YEAR MADE	ORIGINAL COST	CLASS	CLASS FACT.	RCN	LIFE	COND	% GOOD	RCNLD	RIP	ACTUAL VALUE	ASSESSED VALUE
101	PH RECORDER MONITOR	3410	1985	1000		FD					184	1.00	186	54
102	WELDER LINCOLN RCR300	3410	1985	1400		FD					258	1.00	259	75
103	SAFETY DISC SWITCH400 A	3410	1985	1400		FD					258	1.00	259	75
104	AIR COMPRESSOR SPEEDAIR	3410	1985	1800		FD					332	1.00	331	96
105	PULVERIZER BICO DISC	3410	1985	1800		FD					332	1.00	331	96
106	METAL DETECTOR	3410	1985	2000		FD					369	1.00	369	107
107	CONE CRUSHER MARCY GYRO	3410	1985	2500		FD					461	1.00	462	134
108	SAFETY DISC SWITCH1200A	3410	1985	4000		FD					738	1.00	738	214
109	SWITCHGEAR DOUBLE SIDED	3410	1985	10000		FD					1845	1.00	1845	535
110	4 PROPELLOR BLADES DENVER	3410	1985	18000		FD					3321	1.00	3321	963
111	4 LEACH TANKS 15" DIA X 1	3410	1985	40000		FD					7380	1.00	7379	2140
112	KEROSENE HEATER	3410	2007	390	10	117	456	10	A	35	160	100	159	46
113	STANDING LIGHTS	3410	2007	480	10	117	562	10	A	35	197	100	197	57
114	CORE SPLITTER	3410	2007	1059	10	117	1239	10	A	35	434	100	434	126
115	HONDA WATER PUMP	3410	2008	500	10	112	560	10	A	43	241	100	241	70
116	HONDA WATER PUMP	3410	2010	500	10	109	545	10	A	59	322	100	321	93
	SUBTOTAL			1127697			3362				208658		208,708	60524
	TOTAL			1127697			3362				208658		208,708	60524

San Juan County Filed for Record February 7, 2005 at 1:18PM
Reception No 143982 Dorothy + Lanoni, Recorder

(9)

Bill of Sale

For the sum of $10 (Ten U.S. Dollars) and other good and valuable consideration, receipt of which is hereby acknowledged, Cortez Leasing Co., C/O Vann Energy Inc., 8088 McDaniel Road, Ft. Worth, TX 76126 does hereby sell, release, and convey all right, title and interest in the entirety of the equipment, milling machinery, personal property and miscellaneous items located on the May lode mining claim, U.S.M.S. 19125 and the Broullet (also known as Brouillet) lode mining claim, U.S.M.S. 19125 and/or located in the improvements thereon, in the Animas Mining District, San Juan County, Colorado to The Gladstone Institute, Inc. P.O. Drawer I, 645 Water St., Silver Plume, CO 80476, to include, but is not limited to, the following items:

all rail trackage
raw ore bin and grizzly
raw ore feeder
Pacific jaw crusher
gyratory crusher
electromagnet
screening mechanism
all conveyor belts and motors
fine ore bin
all tanks
Krebs cyclone
single jig
duplex jig
approx. 3' x 4' fine ore mill
all pumps
two four cell Denver float cells
welding table and welder
two Wilfley tables
explosive safe
all spare parts and scrap equipment
all electrical switchgear and distribution panels
all ventilation tube
all water supply equipment and piping
all electric cables, electric supply feed lines, controls and electric motors
all electrical transformers, including those with serial numbers 811128103, 811131352, 811128105
any other equipment and personal property not listed.

IT IS EXPRESSLY UNDERSTOOD THAT CORTEZ LEASING OR JOHN RUSH VANN ARE NOT LIABLE FOR ANY ITEMS ABOVE THAT MAY NOT BE PRESENT ON THE PROPERTY.

I hereby certify that I have clear title to the above items covered by this bill of sale and do hereby convey title. Date: January 31, 2005

John Rush Vann
For Cortez Leasing Co.
John Rush Vann, Sole Partner

John Rush Vann
John Rush Vann, as individual

State of Texas
County of } ss.

The foregoing instrument was acknowledged before me this 31 day of January, 2005 by John Rush Vann as President of Cortez Leasing Co. and by John Rush Vann individually.

MARY STALLINGS NOTARY PUBLIC STATE OF TEXAS EXPIRES 1-28-2008

Mary Stallings

Official seal

My Commission expires: 1-28-08

145802
Page 1 of 2
SAN JUAN COUNTY, COLORADO
DOROTHY ZANONI, RECORDER
06-28-2007 01:46 PM Recording Fee $11.00

(9)

BILL OF SALE

KNOW ALL MEN BY THESE PRESENTS, that Gold King Mines, Corporation of the first part, for consideration, the sufficiency of which is hereby acknowledged, in the State of Colorado, has bargained and sold, and by these presents does grant and convey unto San Juan Corp the following items of personal property to wit:

See Exhibit A

TO HAVE AND TO HOLD the same unto the said party of the second part forever.

IN WITNESS WHEREOF, The party of the first part has hereunto set his hand and seal, this 1 day of ~~March~~ May, 2007.

Stephen C. Fearn
President
Gold King Mines Corporation

STATE OF COLORADO)
) ss.
COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 1st day of ~~March~~ May, 2007 by Stephen C. Fearn, President, Gold King Mines Corporation.

My commission expires: 8/23/08

Witness my hand and official seal.

Notary Public

MARISSA J. RAAB NOTARY PUBLIC STATE OF COLORADO

(9)

EXHIBIT A

Water Treatment Equipment

Note: The following inventory is believed to be complete, but Gold King Mines Corporation does not warrant the following description is accurate or the condition of the equipment described below and located in San Juan County, Colorado and more specifically on the following mining claims Anglo Saxon, Mineral Survey No. 14875 and Harrison Millsite, Mineral Survey No. 14710B. As is, where is.

Reagent Feed System	Quantity	Location
Inclined Screw Conveyor	1	Water Treatment Building
Lime Silo – 50 ton	1	Outside @ Water Treatment Bldg.
Bag House Unit	1	Outside @ Water Treatment Bldg.
Day Feed Bin	1	Water Treatment Building
Lime Feeder	1	Water Treatment Building
Slaker	1	Water Treatment Building
Polymer Pump – HJ4195 Viking	1	Water Treatment Building
Polyblend Mix Unit	1	Water Treatment Building
Poly Tank – 3050 gallon	1	Water Treatment Building
Industrial Water heater (propane)	1	Water Treatment Building
Ingersol Rand air compressor – 5 hp	1	Water Treatment Building
1000 gallon Propane tank	1	Outside @ Water Treatment Bldg.
Dry Level Controls and Vibrators	1	Outside @ Water Treatment Bldg.
Control Panel	1	Water Treatment Building
Spare parts associated therewith		

10c

LEASE

This Lease dated January 23RD 2004, is between San Juan Corp., 611 Water Street, P.O. Drawer J, Silver Plume, Colorado 80476, Landlord, and Gold King Mines Corporation, 2201 CR 2, P.O. Box 299, Silverton, Colorado 81433, Tenant.

In consideration of the payment of the rent and the performance of the covenants by Tenant, Landlord leases to Tenant the northern 4.23 acres of the Herbert Placer, USMS 13562, more specifically described as: Beginning at Corner No. 1 of said Herbert Placer, whence USLM Florence bears S79 50' W 530.4 feet, Thence N74 15'E 740 feet to corner No. 2, Thence S11 17'E 293 feet along line 2-3 of said Herbert Placer, Thence N 81 10'E 516 feet, Thence S82 52'W 149 feet, Thence N86 56'W 99.5 feet to a point on the 5-1 line of the Herbert Placer, Thence N3 59'W 180 feet to the point of beginning, situate in San Juan County, Colorado, together with the access specifically described in paragraph 3 below (the "Premises"). The Premises contains settling ponds for a water treatment plant and associated piping and equipment.

The term of this lease shall be from the above date of the lease until September 30, 2006 for the purpose of Tenants operation of the American Tunnel water treatment plant and completion of reclamation work. Tenant shall have non-exclusive access to the Premises for an additional two years until September 30, 2008 for the purpose of maintaining the reclamation work on the reclaimed Premises. The rental shall consist of three payments of $500.00 with the first payment due on signing of the lease and the second and third payments due annually thereafter.

Upon signing, this Lease supersedes and replaces that Lease Dated November 14, 2002 and the tenancy under that Lease dated November 14, 2002 is hereby terminated. Claims or counterclaims under the old lease are to be hereby waived and released, and otherwise declared to be terminated with the exception that Tenant agrees to pay San Juan's reasonable attorney's fees and costs associated with the Tenant's breach of lease, the FED action, and post-trial matters as attached hereto as Exhibit A. Each party shall bear their own attorney's fees associated with the drafting of this lease. Tenant agrees to pay its own legal costs in the matter. Payment of these fees and costs shall be made within thirty days.

Tenant can terminate the Lease prior to the end of the term upon completion of all reclamation required by this Lease, and to the satisfaction of the Colorado Mined Land Reclamation Board in accordance with Permit number M77-378 as that permit is written as of

EXHIBIT
A

the date of this lease, a copy of which is attached hereto as Exhibit B and incorporated herein by this reference[1], and removal of all fixtures, equipment, materials and supplies, including petroleum products, solvents, and water treatment chemicals, and any storage tanks not wanted by Landlord, and termination of all permits. Tenant shall give Landlord 30 days notice of intent to terminate the Lease so that Landlord can inspect the Premises, weather permitting. Rent and tax payments shall be prorated to the termination date and paid by Tenant to Landlord.

1. Tenant agrees to perform the following covenants:

a. To Pay the rent for the described Premises, and to pay the general real property taxes assessed against the Premises and improvements, as well as any taxes assessed against fixtures, equipment or business personal property located on the Premises. Real Estate taxes on the property shall be pro-rated as to the area of land and shall not include the taxes assessed on the Quonset Hut or any improvements made by landlord after the date of this Lease . Landlord will pay the taxes assessed on the Premises and improvements each year and bill Tenant, which shall reimburse Landlord within 20 days.

b. Upon Termination or expiration of the Lease, to surrender the Premises in as good condition as when Tenant entered the Premises, initially, and not as of the date of this lease, ordinary wear and tear excepted, except that Tenant shall complete reclamation of the Premises in accordance with this lease, and with the requirements of the Colorado Mined Land Reclamation permit as set forth in Exhibit B (see footnote 1). The parties acknowledge that the Herbert Placer has been used for many years by the Sunnyside Gold Corporation (SGC) for mining and related purposes, and that the Premises may be contaminated, including by hazardous materials or substances, known or unknown, observable or not. The parties also acknowledge that the Premises have been used for many years for the operation of a water treatment plant, which Tenant intends to continue to operate for its purposes, and the operation of the water treatment plant by Tenant shall not be deemed to be a violation of the lease covenants. Tenant Accepts the Premises "AS-IS, WHERE-IS, WITH ALL FAULTS" based upon its own independent evaluation, using qualified consultants as it deems necessary, of all factors bearing upon risk of liability and limitations on use of the Premises, and SGC's informing Tenant that there are no UST's and that PCB's in transformers are below reportable quantities. Tenant shall advise Landlord and any governmental authority with jurisdiction regarding the presence, discovery, or release of hazardous materials or substance, or any pollutants, contaminants, or

[1] The terms of the MLRB permit number 77-378, as they exist at the signing of this lease will be the controlling permit for any provisions in this lease obligating Tenant to comply with its terms, notwithstanding any modifications that may occur to that permit after the signing of this lease. Additionally, it is the intent of the parties that the reclamation contemplated by this lease is the reclamation required by the MLRB permit, with the additional requirement that all sludges will be removed from the ponds as required under the WQCD permit.

other regulated materials not covered by existing permits, and take necessary prevention, control, and remediation measures, including obtaining permits or other regulatory compliance. The presence of ore, or concentrate from past mining and milling operations is not the responsibility of the Tenant. Waste rock on the property will be re-vegetated in accordance w/the HLR & Permit Requirement

c. Tenant shall substantially comply with all federal, state, and local laws, regulations, and ordinances, and obtain all required permits, furnish copies to Landlord, and comply with their terms. Copies of existing permits applicable to the Premises and held by SGC and used by Tenant shall be delivered to Landlord, and Tenant shall thereafter notify Landlord of any application to modify, transfer, or terminate any applicable permit. Tenant shall prevent the use, generation, manufacture, production, storage, or disposal of, on, under, or about the Premises, or the transportation or release or threat of release to or from the Premises, of any oil, gasoline, diesel fuel, flammable substances, explosives, asbestos, radioactive materials, hazardous wastes, toxic substances, or other injurious materials, whether injurious by themselves or in combination with other materials (collectively "hazardous materials"). The parties agree that the operation of the water treatment plant in its regular, permitted and historic manner to produce lime sludge and small amounts of metallic precipitates, which settle in the ponds, does not constitute the generation or disposal of hazardous materials in violation of the lease. Any sludge or waste products from Tenant's water treatment plant operations shall be removed from the Premises on a regular basis whether or not required by Tenant's CDPS permit. Tenant shall notify Landlord of any inquiry by or notice of violation or other information of the unlawful presence of hazardous materials on or migration from the Premises, or alleged non-compliance with any law, regulation or permit received from any governmental authority. Tenant shall promptly and effectively take all actions required to prevent or minimize environmental impact and liability to either Tenant or Landlord, and remove or remediate hazardous materials as required by law or government authority.

d. Tenant shall not sublet any part of the premises, nor assign the Lease nor any interest therein, without the written consent of the Landlord.

e. Tenant shall use the Premises only for operation of its water treatment facilities, and shall not use the Premises for any purposes prohibited by law, nor permit nor suffer any nuisance nor pollution nor contamination of the Premises, or any property of Landlord or third parties. The parties agree that the operation of the water treatment plant to produce lime sludges and small amounts of metallic precipitates is not, in and of itself, either "pollution" or "contamination" within the meaning of this section, provided they are removed as part of the reclamation required by this lease.

f. Tenant shall neither hold nor attempt to hold Landlord or its agents, contractors or employees liable for any injury, damage claims, or loss to person or property occasioned by the condition of the premises, known or unknown, observable or not, or occasioned by any accident, condition or casualty to, upon, or about the premises, including but not limited to any accident,

condition or casualty not directly caused by intentional or reckless acts or omissions of Landlord. Landlord is not responsible for damage or destruction to Tenant's personal property. In the event that improvements upon the premises are damaged by the acts or omissions of Tenant, its employees, agents, invitees, licensees, or contractors, Tenant shall repair or replace them promptly. Tenant shall hold Landlord, its agents, contractors, employees, successors and assigns harmless and shall indemnify them from and against all injury, loss, claims, suits or damages to any persons or property arising in any way out of Tenant's operations or occasioned by act or omission of Tenant, its employees, agents, invitees, licensees, or contractors. Damages as referenced in this paragraph may include damage to the transformer station, roads, or other physical facilities on the property.

g. Tenant shall be responsible for restoration of the Premises upon Lease termination and in compliance with the terms of the Colorado Mined Land Reclamation Permit. Tenant shall keep the Premises free of claims, liens or encumbrances, and forthwith resolve and remove any that are made or may attach. At Landlord's option, Tenant's modifications and improvements to the real estate shall become Landlord's property at Lease termination. Tenant shall keep posted conspicuously on the Premises a Notice of Lien Non-availability pursuant to C.R.S. 38-22-105.

h. Tenant shall take out and maintain broad form general liability insurance in the amount of at least $1,000,000 combined single limit. Landlord accepts the policy currently obtained by Tenant (policy No. 79544923 from Chubb Custom Insurance Co. for Commercial General Liability through Marsh USA Inc., 1225 17th Street, Suite 2100, Denver, Colorado 80202-5534) as satisfying the requirement. Tenant shall also provide worker's compensation and employer's liability insurance as required by Colorado law on all persons performing work on the Premises. Policies providing coverage shall not be subject of cancellation or material change except on 30 days written notice to Tenant and Landlord, and Landlord shall be named as an additional insured in all policies providing coverage, and Certificates of Insurance shall be furnished to Landlord by Tenant.

i. Tenant shall allow Landlord to enter upon the Premises at any reasonable hour.

2. It is understood and agreed between Landlord and Tenant as follows:

a. Tenant shall be responsible for paying for all utilities used on the Premises. Electrical power for operation of the water treatment ponds is supplied by an electrical feeder line from Tenants electrical substation (25kv/4.16kv), located on land owned by Tenant, to a Transformer substation (4.16kv/480v/110v) located next to the Quonset Hut on land not located within the Premises. This Transformer substation also currently provides electric power to the Quonset Hut. Tenant agrees to pay for electricity to the Quonset Hut in an amount not to exceed $100.00 per month. Landlord will reimburse Tenant for any costs of electricity that exceed $100.00 per month. Landlord also agrees to obtain approval from the electric company and to install a temporary meter to monitor the electricity usage by the Quonset Hut. All electrical power is

metered at Tenants electrical substation. The parties agree that Tenant has an easement to continue to operate and maintain the Transformer substation for operation of the water treatment ponds for the lease term. The Transformer substation will remain a fixture of the Herbert Placer upon termination of this lease. Tenant agrees to remove its feeder line to the Transformer substation by the end of the lease term. Landlord and Tenant have agreed to share equally the use of water which may be diverted and used under the American Tunnel Pipeline water right, which was decreed at 0.27 c.f.s. for domestic & industrial for mining purposes, with a priority of August 16, 1978, in Case No. W-1895-78 in the District Court for Water Division No. 7, on December 28, 1979. Each party has priority in 0.135 c.f.s of water, but in order to maximize use of the water right, either party may divert and use water not being diverted and used by the other party. The parties agree to cooperate with each other in sharing and maximizing use of water and Tenant does not oppose Landlord changing the place water is removed from the pipeline for its use. Tenant agrees to allow a water supply line from the American Tunnel pipeline with a suitable non-exclusive easement, at least twenty-five feet in width, across its property to a point at the eastern end of the leased area, pending water court approval. Tenant shall have the right to select the exact location of such pipeline and easement across its property.

b. Tenant agrees to keep all improvements upon the Premises in good maintenance and repair at its expense. Lining of the existing ponds or any other capital improvement shall not be required as part of the "good maintenance and repair" requirement.

c. No express or implied assent to any breach or default of any covenant or agreement shall be deemed or taken to be a waiver of any succeeding or other breach or default.

d. If Tenant shall remain in possession of the Premises after the expiration of this Lease, and shall continue to pay rent without a written agreement, at Landlord's option it shall be regarded as a month-to-month tenancy, at a monthly rental, payable in advance, equivalent to $5,000 per year, divided by 12, and subject to the terms and conditions of this Lease.

e. No later than sixty days after execution of this Lease, Tenant agrees to make application for, and to pursue diligently, the transfer of that portion of Sunnyside Gold Corporations Mined Land Reclamation Permit M77-378 relating to the area of the Premises to itself or to arrange for a new permit encompassing the requirements of M-77-378 Amendment 4 for the leased area. A failure of Tenant to diligently pursue the afore-stated application will be a breach of a material term of this lease. Tenant explicitly agrees to remove all pond sludges and precipitates from the Premises, and to comply with its CDPS permit or the MLRB permit, as set forth in Exhibit B, as those permits are written as of the date of this lease. Reclamation work, removal of fixtures and equipment, grading and planting of the "rangeland" Mined Land Reclamation Division reclamation standard and other requirements of the Mined Land Reclamation Division in compliance with terms of the MLRB permit shall be completed prior to September 30, 2006. After September 30, 2006, Tenant shall have the non-exclusive right to enter the Premises for the sole purposes of maintaining reclamation ground cover and erosion

control for a period of two years, until September 30, 2008. If reclamation of the leased portion (the "Premises") of the Herbert Placer is completed prior to September 30, 2006 then the lease shall terminate on that date. If Tenant receives a release of its bond prior to September 30, 2008 then Tenant shall be deemed to have completed all of its obligations to Landlord and Landlord shall have the exclusive use of the Premises at that time. In the event that Landlord should re-develop any portion of the leased property during the non-exclusive reclamation period, Landlord will provide a waiver of reclamation as to that portion of the leased premises, in a form acceptable to the MLRB, such that the bond could be released as to the waved portion of the leased premises.

f. If Tenant fails to pay any installment of rent, or, materially defaults in the performance of any term or covenant of this Lease, and the default remains uncured for a period of fifteen days (15 days) after Landlord has given written notice to tenant that rent due is unpaid, or, thirty days (30 days) after Landlord has notified tenant of any default other than the payment of rent, and such default remains uncorrected, Landlord may, at his option, initiate action to re-possess the premises under the Colorado Forcible Entry and Detainer statute, or, at his option, such other or additional remedies as may be available to him at law or in equity. In the event that Tenant's possession is terminated prior to the end of The Lease term, Tenant shall remain responsible for the rent reserved for the remainder of the lease term, subject to Landlord's obligation to mitigate damages. In the event repeated or substantial defaults under the Lease occur, Landlord may terminate Tenant's possession upon a written Notice to Quit, without a right to cure. Upon such termination, Landlord shall have available any lawful remedy including without limitation those listed above.

g. If the whole or any part of the Premises or improvements are destroyed by fire or avalanche, the elements, or other casualty, and if in Tenant's opinion, they cannot be repaired within a reasonable time and cost, Tenant may inform Landlord and terminate this Lease effective upon the complete reclamation of the Premises, removal of fixtures, equipment, materials and supplies, storage tanks not wanted by Landlord, and the transfer or termination of permits in consultation with Landlord. Tenant shall pursue these matters diligently to completion. Any property or equipment not removed within 30 days, weather permitting, may be removed and disposed of by Landlord, and the cost charged to the Tenant. If Tenant chooses to repair the Premises or improvements, this lease shall continue in full force and effect.

h. In the event of a dispute concerning the performance of the terms and covenants of this Lease by Tenant, or the payment of the rent and taxes, the prevailing party shall be entitled to receive reasonable attorney fees from the other party, in addition to any damages or costs.

I. In the event any payment is not made within 20 days after it is due a late charge in the amount of 10% of the payment will also be paid by Tenant. All unpaid amounts shall bear

interest at the rate of 1.5% per month, and Tenant shall be liable for Landlord's collection costs and reasonable attorney fees.

j. In the event of condemnation or other taking by any governmental agency, all proceeds shall be paid to Landlord, and Tenant shall waive any right to any payment.

k. If Tenant becomes insolvent, or if a voluntary or involuntary petition in bankruptcy is filed, Landlord may declare this Lease terminated, and all rights of Tenant shall cease.

3. The parties agree further that Tenant shall have the non-exclusive right to freely use the lower road on the remaining portion of the Herbert Placer to access Pond 3 and Pond 4 on the Premises from the western property line of the Herbert Placer. Tenant shall also have the non-exclusive right to freely use the road generally running between the Quonset Hut and Pond 1 and Pond 2 to access Pond 1 and Pond 2 on the Premises between Pond 3 and the upper access road. Landlord shall have the right to freely use the upper road on the Premises to the southern boundary of the Premises to access the remaining portion of the Herbert Placer. Tenant shall bear the responsibility for maintaining the upper road. Landlord shall bear the responsibility for maintaining the lower road. Either party may grade, expand or improve either road in a prudent and workmanlike manner if either party desires to improve road conditions to adequately serve uses of the respective parcels during the Lease term. Landlord's rights shall extend to its lessees, successors and assigns, and their invitees and permitees.

4. Until Tenant has completely vacated the premises, including during the period of non-exclusive access, Landlord shall have a right of first refusal to acquire Tenant's Anglo Saxon Lode, USMS No. 14875 and Harrison Millsite, USMS No. 14710B Tenant shall notify Landlord in writing of any offer to purchase which Tenant proposes to accept, which offer shall be open to Landlord for 30 days after notice is given. Landlord shall notify tenant in writing of its election to purchase on the same terms and conditions within the 30-day period, at which point a contract of purchase shall have been created. Closing shall occur within 45 days after acceptance unless a different time is specified in the offer. A failure to so notify of the election to purchase shall terminate the right of first refusal as to that offer, but not as to future offers.

5. This lease shall be subordinate to all existing and future security interests in the Premises. The Landlord agrees that the lease will not be subordinate in the event of a foreclosure between related entities. Landlord also affirms that there are currently no loans outstanding that are secured by the property. In the unlikely event of a foreclosure, Landlord agrees that it will make all reasonable efforts to allow an easement for Tenant to complete reclamation. All notices shall be in writing and shall be delivered personally or sent by first class mail or express delivery, unless otherwise provided by law, to the respective parties at the addresses listed above, Attention: Stephen C. Fearn for Tenant and Todd C. Hennis for Landlord. Either party may change its address by giving written notice to the other party. If any term or

provision of this Lease shall be invalid or unenforceable, the remainder of this Lease shall not be affected, but shall be valid and enforceable to the full extent permitted by law. This Lease shall only be modified by amendment signed by both parties. This Lease shall be binding on the parties, their heirs, personal representatives, successors, and assigns. When used in this Lease, the singular shall include the plural. This Lease may be executed in multiple counterparts, each of which shall be deemed an original, and all of which shall constitute one instrument. Facsimile signatures shall be accepted as originals.

GOLD KING MINES CORPORATION

By:_____
Stephen C. Fearn, President
Attest:

_____

SAN JUAN CORP.

By: Todd C. Hennis
Todd C. Hennis, President
Attest:

[signature]

10b.
11.

11CA0061 Hennis v. Colo. Goldfields 04-05-2012

COLORADO COURT OF APPEALS

Court of Appeals No. 11CA0061
San Juan County District Court No. 09CV3
Honorable Gregory G. Lyman, Judge

Todd C. Hennis; San Juan Corporation, a Colorado corporation; and Salem Minerals, Inc., a Colorado corporation,

Plaintiffs-Appellees,

v.

Colorado Goldfields, Inc., a Nevada corporation,

Defendant-Appellant.

JUDGMENT AFFIRMED, ORDER VACATED,
AND CASE REMANDED WITH DIRECTIONS

Division IV
Opinion by JUDGE FURMAN
Webb and Russel, JJ., concur

NOT PUBLISHED PURSUANT TO C.A.R. 35(f)
Announced April 5, 2012

David A. Cook, P.C., David A. Cook, Colorado Springs, Colorado, for Plaintiffs-Appellees

Highlands Ranch Law Center, P.C., Anne W. Gill, Robert D. Drost, Highlands Ranch, Colorado, for Defendant-Appellant

Colorado Goldfields, Inc. (CGI), defendant, appeals the district court's entry of partial summary judgment in favor of Todd Hennis, San Juan Corp. (SJC), and Salem Minerals, Inc. (SMI), collectively plaintiffs; the court's award of damages to Hennis after a bench trial; and the court's award of trial attorney fees and costs to plaintiffs. We affirm the judgment, vacate the court's order awarding trial attorney fees and costs to plaintiffs, and remand the case for the court to make further findings on the issue of trial attorney fees and costs.

I. Underlying Evidence and Proceedings

This case concerns Hennis' role in various corporate entities, including CGI, the deterioration of Hennis' relationship with other CGI employees, and the litigation that ensued.

A. Hennis' Interaction with CGI

In 1997, Hennis and SJC started to acquire mining properties in southwestern Colorado. On June 17, 2007, Hennis and SJC executed an Option Agreement with Garpa Resources, Inc. (Garpa), CGI's predecessor corporation, which provided in relevant part:

(1) if Garpa spent (in various installments) up to $15 million on the listed mining properties, all of which were owned by Hennis

and SJC, in the Option Agreement's first ten years of existence, Garpa could acquire up to an undivided 80% interest in certain mining claims and surface rights pertaining to the properties;

(2) Garpa had to make a series of option payments to Hennis and SJC "[i]n order to keep the Option in good standing"; and

(3) if Garpa defaulted on its obligations to spend money on the listed mining properties, the Option and the Option Agreement would terminate.

During negotiations for the Option Agreement, Garpa indicated repeatedly that, because of Hennis' knowledge of the listed mining properties, experience in Colorado mining, and ability to hire local contractors, it would be willing to enter into the Agreement only if Hennis became Garpa's president, a request which Hennis continually refused. As a result of later negotiations, Garpa's position became even stronger such that it imposed, as a non-negotiable precondition to entering into the Agreement, the requirement that Hennis become its president.

Hennis, who previously was not an officer, director, or shareholder of Garpa, finally acquiesced to Garpa's precondition, but only on condition that he become a significant shareholder of

Garpa. To this end, Hennis and Garpa's then president signed an "Executive Employment Agreement," which was entered into on the same day as the Option Agreement and in which Hennis received periodic wages and other benefits. Under this Agreement, Hennis privately purchased the shares of Garpa stock of Garpa's then president, on the condition that Hennis would refund the stock if Garpa or a successor corporation cancelled the Option Agreement in its first eighteen months of existence. Hennis, by virtue of this Agreement, acquired stock that, totaling 51,350,000 shares after two stock splits, gave him a 40% stake in Garpa at the time.

Sometime in late June 2007, Garpa changed its name to CGI. On February 14, 2008, CGI hired C. Stephen Guyer to be its CFO.

Per the Option Agreement, CGI was required to pay Hennis $100,000 by June 17, 2008, but it was having trouble raising the funds. CGI (with Guyer signing as CFO) and SJC (with Hennis signing as president) agreed in writing to four extensions of the due date for the $100,000 payment, with the final extension being on March 15, 2009. Also, as the extensions were being secured, CGI was in the process of raising $3 million in capital, and so it signed a memorandum of understanding with Hennis to the effect that

Hennis would return a majority of shares of his CGI stock to CGI so long as CGI raised the funds by a certain date.

In November 2007, CGI raised about $3 million through private investors. These funds were used for repaying CGI's loans, for general corporate expenses, for improvements to CGI's mill facility, and for an unsuccessful acquisition of a silver mining company in Mexico. Only a small fraction of the funds were used to improve the listed mining properties referenced in the Option Agreement.

On August 14, 2008, as part of CGI's ongoing efforts to raise capital and to make CGI more attractive to investors, Hennis and CGI's other officers and directors signed a Lockup Agreement that was drafted mostly by CGI personnel and that prohibited the signees from selling their CGI stock. An additional provision in this Agreement, included at the behest of an attorney advising CGI on corporate securities in response to Hennis' concerns, allowed the Agreement to be revocable "[i]f the undersigned becomes disassociated with [CGI] for any reason."

Around this time, CGI entered into an Invoice Agreement with plaintiffs, authorizing them to perform contract labor and incur

various other expenses for CGI. Plaintiffs submitted invoices to this effect, which CGI promised to repay.

On September 9, 2008 — about four weeks after the Lockup Agreement went into effect — Hennis, of his own volition, resigned from being president of CGI. Hennis' CGI stock still had a value amounting to a 40% stake in CGI at the time of Hennis' resignation.

On December 19, 2008, Hennis entered into a short-term Consulting Agreement with CGI (his former employer), which, according to a letter memorializing the agreement, needed his "specific expertise in the areas of: 1) potential acquisition properties in the district; 2) historical information regarding those properties; and 3) economics of gold and the markets." Hennis was to receive two million shares of CGI stock under this Agreement.

On February 10, 2009, Hennis attempted to sell some of his CGI stock, but CGI (through Guyer) successfully blocked the sale for the stated reason that Hennis, despite his resignation from CGI, "[was] nonetheless bound by the terms of the [Lockup Agreement] since he remain[ed] a control person and affiliate of [CGI]."

On March 15, 2009, CGI failed to pay Hennis the $100,000 he was due under the Option Agreement, in addition to the payments under the Invoice Agreement and various other inventory.

B. Beginning Stages of Litigation, Including Summary Judgment

On March 17, 2009, Hennis filed a complaint against CGI and alleged various claims, including breach of the Option Agreement, Executive Employment Agreement, Lockup Agreement, Invoice Agreement, and Consulting Agreement. SJC and SMI were also plaintiffs to the lawsuit — SJC under the Option Agreement and Invoice Agreement, and SMI under the Invoice Agreement.

In its answer, CGI admitted the following: (1) it entered into the Employment Agreement with Hennis; (2) it had not paid Hennis for his time as president for time allocated after July 16, 2008; (3) it entered into the Consulting Agreement with Hennis; (4) it had not issued the promised two million shares of stock to Hennis under that Agreement; (5) it entered into the Option Agreement with Hennis and SJC; (6) it had not paid Hennis and SJC the $100,000 due to them under that Agreement by the due date; and (7) "it [had] opposed a sale of 2,039,000 shares of its common stock," which referenced Hennis' unsuccessful attempt to sell some of his CGI

stock on February 10, 2009. Some two weeks after filing its answer, CGI filed verified counterclaims against Hennis and SJC, a verified motion for a temporary restraining order against Hennis, and a lis pendens against the listed mining properties. CGI's verified counterclaim provided at paragraph 17:

> Immediately prior to Hennis' resignation, Hennis entered yet another agreement with [CGI] on August 14, 2008, for a period of [two] years, where he agreed that he would not directly or indirectly offer or sell or grant any option, or otherwise encumber or dispose of any of the securities of [CGI] which he held. Then, having generated the agreement, Hennis made it revocable under certain circumstances, *including if he became disassociated with the company, which he then promptly did [three] weeks later of his o[w]n volition.* [sic]

(Emphasis added.)

On October 5, 2009, plaintiffs filed a motion for summary judgment, attaching both a memorandum brief in support of their motion and affidavits setting forth specific facts that they alleged entitled them to summary judgment. CGI then filed a response brief without attaching a counteraffidavit. Plaintiffs then filed a reply brief, and CGI filed a surrebuttal, attaching a one-paragraph affidavit.

During this time period, Hennis attempted three times to sell his CGI stock — once in May 2009, once in August 2009, and once in December 2009 — but CGI successfully interfered each time.

On July 22, 2010, the district court granted partial summary judgment for plaintiffs on the issue of liability and dismissed the counterclaims and the lis pendens.

C. Course of Litigation After Partial Summary Judgment

The day after the district court entered its order granting partial summary judgment for plaintiffs, Hennis telephoned a stock transfer corporation for information on CGI and was informed that CGI currently had more than 1.85 billion shares outstanding — which, in practical terms, meant that Hennis' 51.35 million CGI shares, a 40% stake at the time he purchased them, were diluted to less than a 3% stake. Hennis tried again to sell some CGI stock on August 10, 2010, but CGI again successfully blocked his attempt.

After a series of telephonic hearings with counsel for both parties, the district court

(1) entered a minute order reiterating that all of plaintiffs' claims and CGI's counterclaims had been resolved on summary judgment;

(2) entered an order releasing the lis pendens on the listed mining properties;

(3) set a one-day bench trial on the sole issue of damages to Hennis under the Lockup Agreement;

(4) entered judgment for plaintiffs in these amounts: for Hennis, $66,238.60 ($18,000 in accrued salary, $6,375 in accrued vacation time, $612.50 in accrued car allowance, $30,000 for the stock that CGI was supposed to give Hennis under the Consulting Agreement but did not, $2,970.25 for unpaid invoices, and $8,280.85 in pre-judgment interest); for SJC, $146,579.13 ($100,000 SJC had not received under the Option Agreement, $6,315.38 in interest on the option to March 15, 2009, $13,097.18 in interest from March 15, 2009 to August 26, 2010, $23,617.02 for unpaid invoices under the Invoice Agreement, and $3,549.55 for pre-judgment interest on the unpaid invoices); for SMI, $17,889.48 ($15,349.56 for unpaid invoices under the Invoice Agreement and $2,539.92 for pre-judgment interest); and for all plaintiffs, statutory post-judgment interest until the judgment was paid in full; and

(5) as part of its entry of judgment for plaintiffs, ordered CGI to return to plaintiffs all personal property associated with the listed mining properties.

In a series of transactions occurring from late August to early September of 2010, Hennis finally was able to sell his CGI stock without hindrance from CGI, but at a significant loss as compared with the stock price at the time of his earlier attempts.

On September 17, 2010, CGI filed a verified motion for post-trial relief relating to the grant of partial summary judgment and the concomitant award of damages to plaintiffs.

On September 22, 2010, the district court held the bench trial and received evidence on Hennis' damages stemming from CGI's repeated assertions of the Lockup Agreement to block Hennis from selling his CGI stock prior to August 14, 2010; and on CGI's position that Hennis had not been disassociated with CGI until the natural expiration of that Agreement. After the court had received all testimony and exhibits, it issued a ruling from the bench containing the following findings and conclusions:

(1) Hennis was entitled to a declaratory judgment that, under the Lockup Agreement's terms, he had been "disassociated" with CGI as of September 8, 2009, the date he voluntarily resigned;

(2) because Hennis had been disassociated as of September 8, 2009, Hennis was entitled to $101,761.65 in damages and $13,134.45 in prejudgment interest for CGI's wrongful blocking of his attempts to sell his CGI stock; and

(3) plaintiffs' complaint should be amended to conform to the evidence presented at the hearing.

The court confirmed the substance of this ruling in a one-paragraph minute order it entered later that same day.

On October 8, 2010, CGI filed a verified motion for post-trial relief relating to the declaratory judgment on the Lockup Agreement and the concomitant award of damages to Hennis. The district court did not rule on either this second post-trial motion or CGI's earlier post-trial motion within sixty days after CGI filed the second post-trial motion; hence, under C.R.C.P. 59(j), both motions were deemed denied.

On March 22, 2011, at the request of both parties, the district court filed a copy of the minute order it had issued after the

evidentiary hearing — six months before — to which it affixed a signature, creating a final appealable order for purposes of C.R.C.P. 58(a). Three days later, the court entered an order granting plaintiffs' motion for attorney fees and costs in the amount of $58,989.36.

On appeal, CGI contends

(1) the district court erred in granting partial summary judgment for plaintiffs on the issue of liability;

(2) the district court clearly erred in finding for Hennis on the Lockup Agreement, with respect to both the declaratory judgment and damages; and

(3) the district court abused its discretion in awarding plaintiffs their trial attorney fees and costs.

Separately, plaintiffs request appellate attorney fees and costs.

We address each contention in turn.

II. Partial Summary Judgment

We first consider whether the district court erred in granting partial summary judgment for plaintiffs on the issue of liability. We conclude it did not.

A party is entitled to summary judgment if, on the basis of the pleadings, depositions, answers to interrogatories, admissions on file, and affidavits, two conditions exist: (1) there is no genuine issue as to any material fact; and (2) the moving party is entitled to a judgment as a matter of law. C.R.C.P. 56(c). The district court may issue a partial summary judgment on the issue of liability only, even if there is a genuine issue as to the amount of damages. *Id.*

The moving party has the initial burden to show that there is no genuine issue of material fact. *AviComm, Inc. v. Colo. Pub. Utils. Comm'n*, 955 P.2d 1023, 1029 (Colo. 1998). Once the moving party has met its initial burden, the burden shifts to the nonmoving party to establish that there is a triable issue of fact. *Id.* The nonmoving party is entitled to all favorable inferences that may be drawn from the undisputed facts, and all doubts as to whether a triable issue of fact exists must be resolved against the moving party. *Id.*

When a motion for summary judgment is made and supported by affidavit, the party opposing the motion cannot rest on the mere allegations of its pleadings but must, by affidavit or otherwise, set forth specific facts showing a genuine issue for trial. C.R.C.P. 56(e); *McDaniel v. Laub*, 186 P.3d 86, 87 (Colo. App. 2008). "A motion for

summary judgment supported by an affidavit, to which no counteraffidavit is filed, establishes the absence of an issue of fact, and the court is entitled to accept the affidavit as true." *McDaniel*, 186 P.3d at 87 (citing *Witcher v. Canon City*, 716 P.2d 445, 457 (Colo. 1986)). Further, affidavits filed after the granting of a motion for summary judgment generally cannot be considered. *Bailey v. Airgas-Intermountain, Inc.*, 250 P.3d 746, 752 (Colo. App. 2010).

The supporting and opposing affidavits must be made on the basis of the affiant's personal knowledge. C.R.C.P. 56(e). Affidavits containing mere conclusions are insufficient to satisfy the burden of showing the existence or absence of a genuine issue of material fact. *White v. Jungbauer*, 128 P.3d 263, 264 (Colo. App. 2005); *see USA Leasing, Inc. v. Montelongo*, 25 P.3d 1277, 1279 (Colo. App. 2001)(affidavit did not support summary judgment where it did not affirmatively show that affiant had personal knowledge of the relevant facts and it set forth only conclusory allegations).

We review de novo a district court's grant of summary judgment. *Shelter Mut. Ins. Co. v. Mid-Century Ins. Co.*, 246 P.3d 651, 657 (Colo. 2011).

In the memorandum brief supporting the motion for summary judgment, and in the affidavits attached to the motion, plaintiffs contended CGI had breached the Option Agreement, the Executive Employment Agreement, the Lockup Agreement, the Invoice Agreement, and the Consulting Agreement.

Plaintiffs' three affidavits were as follows: one from Hennis on liability, one from Hennis' attorney during the Option Agreement negotiations, and one from Hennis on damages.

The affidavit of Hennis on liability contained, in relevant part, the following paragraphs:

> 8. At all times up to and including the execution of the Option Agreement, Hennis was not an officer, director or shareholder of Garpa.
>
> 9. Throughout the negotiations, Garpa insisted that, after the transaction was complete, Hennis accept the office of president of Garpa. At least three times, Hennis refused to become president or director of Garpa. Garpa persisted . . . . At the late stage of finalizing the Option Agreement, Garpa made the requirement of Todd Hennis becoming president a non-negotiable condition of signing the Option Agreement. Mr. Hennis reluctantly consented only on the condition of obtaining a significant shareholding in Garpa. Mr. Schellenberg agreed to sell Hennis his shareholding as a private transaction, but with

> the shares being refundable to Mr. Schellenberg if Garpa or its successor cancelled the Option Agreement at any time within 18 months of signing. As a result, Garpa and Hennis entered into a contract designated an "Executive Employment Agreement" dated June 17, 2007 . . . .
>
> . . . .
>
> 19. Hennis served the interests of the shareholders diligently, and in any matters having to do with his private interests, he recu[s]e[d] himself from Board of Directors discussions and voting. [sic] Hennis also offered to the Board on at least one occasion to resign if the Board felt he could not serve effectively. The Board rejected his offer of resignation.

The affidavit of Hennis' attorney during the Option Agreement negotiations contained, in relevant part, the following paragraphs:

> 4. During negotiations regarding the Option Agreement Garpa repeatedly indicated that because of Hennis' knowledge of the properties covered by the Option Agreement and the surrounding area, Hennis' experience working in mining in Colorado, and Hennis' ability to hire local contractors, etc., Garpa was only willing to enter into the Option Agreement if Hennis would agree to become CEO and President of Garpa after the Option Agreement was signed. Hennis repeatedly refused to agree to this request. However, after extended negotiations on the subject Garpa eventually put its request that Hennis become CEO and President in the form of an ultimatum: namely

> if Hennis did not agree to become CEO and President of Garpa after the Option Agreement was signed Garpa would not enter into the Option Agreement. Because Garpa was unwilling to enter into the Option Agreement unless Hennis agreed to become President and CEO of Garpa after the Option Agreement was signed, Hennis acquiesced to Garpa's request. As a result, simultaneously with the execution of the Option Agreement Hennis entered into an employment agreement with Garpa pursuant to which Hennis became President and CEO of Garpa.
>
> 5. The negotiations between Hennis and [SJC] on the one hand, and Garpa on the other, were arms['] length negotiations conducted through Garpa's Attorneys, were openly contentious, and came close to completely breaking down at times. At no point during these negotiations did Hennis or [SJC] control anything Garpa did.

The affidavit of Hennis on damages provided specific amounts of damages that plaintiffs alleged they had suffered as a result of CGI's wrongful conduct.

As previously noted, CGI filed a response brief without attaching a counteraffidavit. Plaintiffs then filed a reply brief, pointing out CGI's failure to respond and contending CGI's response brief was "an attempt to manufacture factual disputes without

facts." CGI then filed a "Surrebuttal to Position of Plaintiff" and attached an affidavit of Guyer with a single paragraph, which read:

> The undersigned is C. Stephen Guyer, the Chief Financial Officer, [a] director[,] and [a] shareholder of [CGI]. [sic] I am familiar with the corporation, its officers, [its] directors[,] and thousands of shareholders. [sic] I do not have personal knowledge of all activities, conduct[,] and words of Mr. Hennis; however, upon information and belief, there has been fraud committed, conflict of interest, and a breach of the fiduciary duty to shareholders by Mr. Hennis. [Hennis] has failed to fully disclose his acts, words[,] and conduct[,] which leads the undersigned to conclude that the Court needs to undertake detailed fact-finding, consistent with the *Kim* decision, to determine the underlying fairness of the activities of Hennis. In the role as CFO, I am responsible, not only for the financials, but also [for] SEC reporting and communications with shareholders[] and third parties involving [CGI]. [sic]

The district court granted partial summary judgment for plaintiffs on the issue of CGI's liability to them. Its order provided in relevant part:

> Plaintiffs filed a copy of the subject contracts and various affidavits regarding the parties' intent and [plaintiffs]' performance and [CGI]'s non-performance pursuant to the contractual terms with [their] briefs supporting [their] Motion, as well as affidavits evincing [Hennis]' good faith performance and other facts

> purporting to show the fairness of the transactions to [CGI]. [sic]
>
> In response[,] [CGI] briefed its opposition to the motion, but has not denied the existence or validity of any of the three contracts, denied [CGI]'s non-payment, nor identified in the record or elsewhere any evidence of disputes of material fact that would excuse its refusal to perform. . . . In essence, [CGI] responds that since [p]laintiffs have the burden of demonstrating good faith and fairness, its denial of [p]laintiffs' evidence, without more, is sufficient to establish disputes of material fact that preclude summary judgment. The Court disagrees.
>
> . . . .
>
> [Plaintiffs]' affidavits, together with the record evidence[,] are found to be reliable and relevant evidence of good faith and fairness to [CGI]. [sic] In the absence of any contrary **evidence** produced by [CGI], the Court GRANTS [p]laintiffs' Motion for Summary Judgment and dismisses [CGI]'s lis pendens action. The Court reserves final judgment in this case until after an evidentiary hearing on damages, and [it] orders the parties to submit position statements together with any relevant motions regarding damages to the Court by August 3, 2010. [sic]

(Emphasis in original.)

We conclude the district court did not err in granting summary judgment for plaintiffs on the issue of liability. As the

district court noted, when CGI was confronted with plaintiffs' affidavits and supporting documentation, it did not produce a single affidavit based on personal knowledge setting forth facts to respond to the specific facts plaintiffs set forth regarding their conduct and damages, but rather it relied on the allegations in its verified counterclaims. *See* C.R.C.P. 56(e). Hence, the court was entitled to accept plaintiffs' affidavits as true and, thus, as showing the absence of a genuine issue of material fact as to whether the relevant transactions were fair to CGI. *See McDaniel*, 186 P.3d at 87.

CGI nevertheless relies on *People v. Anderson*, 828 P.2d 228, 231 (Colo. 1992), and *Lantec, Inc. v. Novell, Inc.*, 306 F.3d 1003, 1019 (10th Cir. 2002), for the proposition that a verified pleading may be treated as an affidavit for purposes of summary judgment. Such reliance is misplaced.

In *Anderson*, even though the court stated that "[a] verified pleading or other verified legal document may under some circumstances be held to be an affidavit if the document otherwise meets the legal requirements of an affidavit," *Anderson*, 828 P.2d at 231, the verified pleading in that case contained conclusory

allegations that did not meet the legal requirements of an affidavit, *id.*

Similarly, in *Lantec, Inc.*, even though the court stated that "[a] district court may treat a verified complaint 'as an affidavit for purposes of summary judgment if it satisfies the standards for affidavits set out in Rule 56(e),'" *Lantec, Inc.*, 306 F.3d at 1019 (quoting *Conaway v. Smith*, 853 F.2d 789, 792 (10th Cir. 1988)), the verified pleading in that case contained conclusory allegations that the district court was free to disregard, *Lantec, Inc.*, 306 F.3d at 1019.

Assuming without deciding that CGI's verified pleadings could be treated as affidavits for purposes of summary judgment, we conclude that they do not contain facts, but rather only conclusory allegations that do not even contradict the amounts of damages that plaintiffs claimed. Because plaintiffs supported their motion for summary judgment by affidavits, CGI had to introduce a counteraffidavit setting forth specific facts that showed a genuine issue for trial to avoid the entry of summary judgment against it. *See McDaniel*, 186 P.3d at 87. It simply did not do so. And Guyer's statement in the affidavit attached to CGI's surrebuttal, to the effect

that "[he] d[id] not have personal knowledge of all activities, conduct[,] and words of Mr. Hennis; however, upon information and belief, there has been fraud committed," is insufficient, because affidavits must be based upon the affiant's personal knowledge. *See* C.R.C.P. 56(e); *White*, 128 P.3d at 264; *USA Leasing, Inc.*, 25 P.3d at 1279.

CGI nevertheless contends that we may consider Guyer's second affidavit that CGI filed almost a month after the district court entered partial summary judgment, and the minutes of CGI's board of directors attached to that affidavit, because we are "free to look at the entire record in deciding whether partial summary judgment is proper." We disagree. It is settled law that a district court generally does not consider affidavits filed after the granting of a motion for summary judgment. *See Bailey*, 250 P.3d at 752. Because CGI has not demonstrated any reason for departing from the general rule, the trial court acted properly in ignoring Guyer's second affidavit. *See id.*

III. Declaratory Judgment on the Lockup Agreement

We next consider whether the district court clearly erred in finding for Hennis on the Lockup Agreement, with respect to both the declaratory judgment and damages. We conclude it did not.

The Lockup Agreement was a contract. In interpreting a contract, we must examine and construe the language used "in harmony with the plain and generally accepted meaning of the words employed and by reference to all the parts and provisions of the agreement and the nature of the transaction which forms its subject matter." *Cheyenne Mountain Sch. Dist. No. 12 v. Thompson*, 861 P.2d 711, 715 (Colo. 1993)(quoting *Christmas v. Cooley*, 158 Colo. 297, 301, 406 P.2d 333, 335 (1965)).

The parties' intent must be determined from the contract and *not* extrinsic evidence, unless and until it is impossible to reconcile the provisions of the contract. *Gardner v. City of Englewood*, 131 Colo. 210, 220, 282 P.2d 1084, 1090 (1955). We must interpret the contract in its entirety, with the goal of harmonizing and giving effect to all provisions such that no provision is rendered meaningless. *Pepcol Mfg. Co. v. Denver Union Corp.*, 687 P.2d 1310, 1313 (Colo. 1984).

Because CGI appeals from a judgment entered after a bench trial to the district court, our review of the court's judgment is a mixed question of law and fact. *Padilla v. Ghuman*, 183 P.3d 653, 657 (Colo. App. 2007). We review de novo the court's application of the governing legal standards. *Id.*; *see Ad Two, Inc. v. City & Cnty. of Denver*, 9 P.3d 373, 376 (Colo. 2000)(interpretation of written contract is question of law reviewed de novo). We defer to the court's credibility determinations, though, and we will not disturb its findings of fact unless they are clearly erroneous and unsupported by the record. *Padilla*, 183 P.3d at 657.

A. Declaratory Judgment on the Lockup Agreement's Meaning

At the conclusion of the bench trial, and in its oral ruling from the bench, the district court said the following about the Lockup Agreement:

> My conclusions of law here — and again, I — this is pursuant to the declaratory judgment claim by plaintiff. [sic] I do declare that document — I find that Mr. Hennis was associated with CGI/Garpa from June of '07 through September of '08 and when he resigned, he reassociated with CGI during the period of the consulting agreement, which — mid-December or January 1st — mid-December of '09 [sic] or January 1st of 2010

> [sic] through early or mid-February of 2010. [sic]
>
> I don't find that — and again, I'm trying to construe the plain language of the document. It appears to me that he was disassociated, that there wasn't really a disagreement about that, that Mr. Hennis — I can't find that by holding claims or asserting claims against the company or holding a small percentage of its stock, that he was at that time — and I'm talking about the time the lawsuit was commenced at the beginning of March 2009 — that he was a control person or associated with CGI, particularly when these claims were ultimately resolved in his favor. [sic]
>
> So to the extent not totally delineated in my summary judgment motion [sic], I do resolve that claim in favor of Mr. Hennis . . . . That's my ruling for today.

We conclude the district court did not err in concluding that Hennis was disassociated from CGI, within the meaning of the Lockup Agreement, as of "early or mid-February" of 2009. In our view, the plain meaning of the word "disassociated," and the meaning CGI appears to have adopted in its counterclaim, is that a person stops working for the business with which he or she previously had been associated. Thus, the plain meaning of the phrase in the Lockup Agreement, "[i]f the undersigned becomes disassociated with the Company for any reason," is that the

Agreement would be revoked and become inoperative as to any director who stopped working at CGI. *See Cheyenne Mountain Sch. Dist.*, 861 P.2d at 715. This means Hennis was "disassociated" under the Agreement at the time Hennis severed his employment relationship with CGI when the Consulting Agreement ended in February 2009, shortly before he gave notice that the Lockup Agreement was revoked as to him and tried to sell his CGI stock.

CGI nevertheless contends that "disassociated" does not mean that Hennis must have had to sever any employment relationship with CGI, but rather means that Hennis' properties had to be no longer subject to the Option Agreement, that Hennis must have no longer owed a fiduciary duty to CGI, and that Hennis must no longer have been engaged in litigation with CGI.

The gist of CGI's reasoning is that Hennis was on both sides of the deal in that, even after he resigned from his position with CGI, he stood to gain from the exercise of the options. CGI, however, cites no authority to support this view. Moreover, as we have concluded, the word "disassociated" concerned the severance of a director's employment relationship.

B. Award of Damages to Hennis Under the Lockup Agreement

During the bench trial, Hennis testified to the following:

- through his original acquisition of CGI stock after both the private transaction with CGI's former CEO and two later stock splits, he had been in possession of 51,350,000 shares of CGI stock;
- "on September 9th, 2008, [he] resigned all positions with [CGI]";
- in early February 2009, he "made the decision to start to sell [his] shares to the legal maximum allowed";
- on February 10, 2009, his securities attorney sent a letter to the stock transfer agency, which was admitted into evidence, that directed the agency to remove restrictions on Hennis' shares of CGI stock;
- CGI, through a series of letters that were admitted into evidence, successfully blocked Hennis' attempted sale of his CGI stock;
- he again attempted to sell his CGI stock in May 2009, August 2009, and December 2009, but he was thwarted each time by CGI's efforts;

- in several transactions occurring from August 17, 2010, to September 2, 2010, he was finally able to sell his CGI stock without hindrance from CGI;
- as set forth in Exhibit H, a chart admitted as a summary of his testimony, he realized a significant amount of loss on the 2010 sales of his CGI stock, with respect to the average price per share, as compared with the average price per share at the times he tried to sell the stock in 2009; and
- he had determined the average price per share of CGI's stock by accessing a website called BigCharts, "which is part of MarketWatch.com, [he thought] anyone in the securities industry would vouch for their reputation" and which, in his estimation, was "reasonably reliable."

Hennis testified to the specific amounts of his damages as follows:

- in February 2009, when the average market price per share of CGI stock was $0.015, he tried to sell, but was prevented by CGI from selling, 2,039,000 shares of CGI stock on which he would have realized a net gain of $30,571.05; but

that when he actually sold the stock, his net gain was $1,921.15, which meant he realized a loss of $28,649.90;

- in May 2009, when the average market price per share of CGI stock was $0.011, he tried to sell, but was prevented by CGI from selling, 3,000,000 shares of CGI stock on which he would have realized a net gain of $32,986.05; but that when he actually sold the stock, his net gain was $2,826.60, which meant he realized a loss of $30,159.45;
- in August 2009, when the average market price per share of CGI stock was $0.0039, he tried to sell, but was prevented by CGI from selling, 3,600,000 shares of CGI stock on which he would have realized a net gain of $14,026.05; but that when he actually sold the stock, his net gain was $3,391.92, which meant he realized a loss of $10,364,13; and
- in December 2009, when the average market price per share of CGI stock was $0.0017, he tried to sell, but was prevented by CGI from selling, 42,721,000 shares of CGI stock on which he would have realized a net gain of $72,569.90; but that when he actually sold the stock, his

net gain was $40,251.73, which meant he realized a loss of $32,318.17.

At the conclusion of the bench trial, and in its oral ruling from the bench, the district court reasoned that Hennis was entitled to the amount of damages to which he testified, and which was reflected in Exhibit H.

When an individual is wrongfully restricted from selling shares of stock in a corporation, the measure of consequential damages for his or her lost profits is the market value of the stock at the time it previously could have been sold, when it was under the wrongful restriction, minus the market value of the stock at the later time it actually was sold — so long as the individual does not also seek title to those shares. *See Shows v. Silver Shield Mining & Milling Co.*, 150 Colo. 592, 597-98, 375 P.2d 522, 524-25 (1962)(correct measure of value of stock is market value); *Thornburg v. Homestead Minerals Corp.*, 32 Colo. App. 299, 301, 513 P.2d 219, 220 (1973)(holding that the plaintiff, in a lawsuit stemming from wrongful restrictions on shares of stock, had to elect between remedies, because "it would be inconsistent to award [her] damages for the profits lost had the shares been sold during the time of the

improper restriction and also give her clear title to the shares"), *aff'd*, 184 Colo. 141, 518 P.2d 941 (1974).

We conclude the district court's award of damages was not clearly erroneous, because there is record support for the award, in both Hennis' testimony and Exhibit H. *See Padilla*, 183 P.3d at 657. Indeed, CGI did not introduce any testimony through Guyer, its only witness, to contradict any of Hennis' testimony on the damages he had suffered.

CGI nevertheless contends that Hennis' damages resulting from CGI's wrongful assertion of the Lockup Agreement against him were inherently speculative and, thus, he could not recover them. The rule precluding the recovery of uncertain and speculative damages, however, applies only where the fact of damages is uncertain, not where the amount is uncertain. *Vanderbeek v. Vernon Corp.*, 50 P.3d 866, 873 (Colo. 2002). In contrast, Hennis established not only that he had been damaged, but also that his damages amounted to an identifiable sum of money.

IV. Attorney Fees and Costs

We finally consider whether the district court abused its discretion in awarding plaintiffs their trial attorney fees and costs. We conclude a remand is required for further findings on this issue.

The district court, in a post-trial order entered six months after the bench trial, awarded both attorney fees and costs to plaintiffs on the following bases:

> 1. Pursuant to the Paragraph 6 of the Executive Employment Agreement and Paragraph 2.3 Option Agreement Gold King, Mayflower[,] and Mogul Properties dated June 17, 2007. [sic] Plaintiffs, Hennis and San Jean [sic] Corp.[,] are to be awarded their costs including attorney[] fees.
>
> 2. Even if the above contractual provisions do not apply, attorney[] fees and costs are awarded on the grounds that [CGI]'s counter claims and motions were frivolous and groundless. [sic]
>
> 3. The amounts of attorney[] fees and costs incurred by [p]laintiffs are reasonable . . . . [sic]

A. Attorney Fees and Costs on Basis of Contract

Attorney fees are not recoverable as damages or costs in civil litigation in Colorado unless recovery is authorized by contract, statute, or court rule. *City of Wheat Ridge v. Cerveny*, 913 P.2d

1110, 1114 (Colo. 1996). We review de novo the question of whether a contract by its language authorizes an award of attorney fees. *Morris v. Belfor USA Group, Inc.*, 201 P.3d 1253, 1259 (Colo. App. 2008).

Paragraph 6 of the Executive Employment Agreement reads:

> 6. INDEMNIFICATION
> Subject to the terms and conditions of the Articles of Incorporation and Bylaws of the Employer (in each case, as in effect from time to time), the Employer agrees to indemnify and hold Executive harmless to the fullest extent permitted by the laws of State of Nevada, as in effect at the time of the subject act or omission. Notwithstanding the foregoing, Employer shall not be required to indemnify Executive if a court or governmental tribunal of competent jurisdiction finds that the event triggering the indemnification right was caused by, or due to, the willful misconduct or gross negligence of Employee. In connection therewith, Executive shall be entitled to the protection of any insurance policies which Employer elects to maintain generally for the benefit of the Employer's directors and officers, against all costs, charges[,] and expenses whatsoever incurred or sustained by Executive in connection with any action, suit[,] or proceeding to which he may be made a party by reason of his being or having been a director, officer or employee of the Employer. This provision shall survive any termination of Executive's employment hereunder. To the extent that Employer has maintained insurance policies generally for the benefit of

> the Employer's directors and officers, Employer shall [sic] such coverage, or use commercially reasonable efforts to obtain tail insurance coverage for Executive, for a period of three years following termination of employment.

And Paragraph 2.3 of the Option Agreement reads:

> The representations and warranties hereinbefore set out are conditions on which the parties have relied in entering into this Agreement and will survive the acquisition of any interest in the Properties by Optionee[,] and each party will indemnify and save the other party harmless from all loss, damage, costs, actions[,] and suits arising out of or in connection with any breach of any representation, warranty, covenant, agreement[,] or condition made by the other party and contained in this Agreement.

If there is a fee-shifting provision in the contract at issue, it must specifically refer to attorney fees to be valid. *Morris*, 201 P.3d at 1260. No formulaic language is required to constitute a valid fee-shifting provision, but the provision must clearly inform the parties that a breach may result in an award of attorney fees. *Id.*

We conclude neither provision quoted above afforded the district court a basis to award plaintiffs attorney fees and costs, because neither provision specifically refers to attorney fees by containing either the word "attorney" or the word "fees." *See id.*; *cf.*

Butler v. Lembeck, 182 P.3d 1185, 1889 (Colo. App. 2007)(contract at issue specifically referred to attorney fees).

Plaintiffs nevertheless rely on *National Union Fire Insurance Co. v. Denver Brick & Pipe Co.*, 162 Colo. 519, 523-34, 427 P.3d 861, 867-68 (1967), for the proposition that attorney fees can be awarded under an indemnification clause that does not specifically refer to a fee-shifting agreement for attorney fees. Such reliance is misplaced. Our supreme court has declared that attorney fees and costs should not accrue to a non-breaching party under an agreement

> unless . . . the agreement expressly provides that remedy . . . .
>
> . . . .
>
> In the absence of a plain, unambiguous agreement for the award of attorney fees and costs, we will not create such a remedy for the parties. The existing law providing for the award of attorney fees and costs upon a finding that the litigation is frivolous or groundless is adequate to protect the prevailing party's interest in the truly unmeritorious case. But where, as here, the nature and scope of the agreement itself is ambiguous, award of attorney fees and costs in the absence of an express contractual provision would be unfair.

Bunnett v. Smallwood, 793 P.2d 157, 162-63 (Colo. 1990). Indeed, as a division of this court held in distinguishing *National Union Fire Ins. Co.*: "The present action involves a dispute between two contracting parties over the obligations imposed by the contract. The attorney fees for the prosecution of such a suit are not recoverable." *Key Sav. & Loan Ass'n v. Travelers Indem. Co.*, 32 Colo. App. 358, 363, 513 P.2d 737, 740 (1973).

B. Attorney Fees and Costs Under Section 13-17-102(4)

Section 13-17-102(4), C.R.S. 2011, provides in relevant part:

> The court shall assess attorney fees if, upon the motion of any party or the court itself, it finds that an attorney or party brought or defended an action, or any part thereof, that lacked substantial justification or that the action, or any part thereof, was interposed for delay or harassment or if it finds that an attorney or party unnecessarily expanded the proceeding by other improper conduct, including, but not limited to, abuses of discovery procedures available under the Colorado rules of civil procedure . . . that lacked substantial justification. As used in this article, "lacked substantial justification" means substantially frivolous, substantially groundless, or substantially vexatious.

An action, or part of an action, is "substantially frivolous" only if the proponent can present no rational argument based on the

evidence or law in its support. *Eurpac Serv., Inc. v. Republic Acceptance Corp.*, 37 P.3d 447, 453 (Colo. App. 2000). An action, or part of an action, is "substantially groundless" only if it is not supported by any credible evidence at trial. *Id.* An action, or part of an action, is "substantially vexatious" if brought or maintained in bad faith to annoy or harass another, and vexatiousness includes conduct that is arbitrary, abusive, stubbornly litigious, or disrespectful of truth. *Consumer Crusade, Inc. v. Clarion Mortg. Capital, Inc.*, 197 P.3d 285, 289-90 (Colo. App. 2008).

If a district court finds that an action, or part of an action, is substantially frivolous, substantially groundless, or substantially vexatious, and the court then grants attorney fees, it is required to make specific findings as to each factor set forth in section 13-17-103(1), C.R.S. 2011. *Munoz v. Measner*, 247 P.3d 1031, 1034 (Colo. 2011). Section 13-17-103(1) provides:

> In determining the amount of an attorney fee award, the court shall exercise its sound discretion. When granting an award of attorney fees, the court shall specifically set forth the reasons for said award and shall consider the following factors, among others, in determining whether to assess attorney fees and the amount of attorney fees to be assessed against any offending attorney or party:

> (a) The extent of any effort made to determine the validity of any action or claim before said action or claim was asserted;
>
> (b) The extent of any effort made after the commencement of an action to reduce the number of claims or defenses being asserted or to dismiss claims or defenses found not to be valid within an action;
>
> (c) The availability of facts to assist a party in determining the validity of a claim or defense;
>
> (d) The relative financial positions of the parties involved;
>
> (e) Whether or not the action was prosecuted or defended, in whole or in part, in bad faith;
>
> (f) Whether or not issues of fact determinative of the validity of a party's claim or defense were reasonably in conflict;
>
> (g) The extent to which the party prevailed with respect to the amount of and number of claims in controversy; [and]
>
> (h) The amount and conditions of any offer of judgment or settlement as related to the amount and conditions of the ultimate relief granted by the court.

Normally, we review for abuse of discretion a district court's decision on whether to grant attorney fees under section 13-17-102. *Consumer Crusade*, 197 P.3d at 289. But the district court has not

afforded us a basis to assess whether or not it abused its discretion in awarding plaintiffs their trial attorney fees and costs, in that the court's short order contains no findings under section 13-17-103(1).

Hence, we vacate the district court's order and remand the case for further proceedings. If the court believes that any of CGI's counterclaims and motions were substantially frivolous, substantially groundless, or substantially vexatious under section 13-17-102(4), it must separately set forth, in a detailed order, each counterclaim or motion that it believes fulfills those requirements; and it must make specific findings under section 13-17-103(1) as to each counterclaim or motion. *Munoz*, 247 P.3d at 1034. In addition, in its response to plaintiffs' motion for supplement of fees, CGI requested a hearing on the reasonableness and necessity of those fees. Because CGI has requested such a hearing, therefore, the district court shall schedule and hold such a hearing in accordance with the requirements of due process. *See Roberts v. Adams*, 47 P.3d 690, 700 (Colo. App. 2001).

V. Plaintiffs' Request for Appellate Attorney Fees and Costs

We finally consider whether plaintiffs are entitled to appellate attorney fees and costs.

We conclude plaintiffs are not entitled to their attorney fees on appeal, because neither the Executive Employment Agreement nor the Option Agreement allows for such an award at trial. Where attorney fees are due under a contractual provision, those fees include the reasonable costs of defending the judgment on appeal. *See Hartman v. Freedman*, 197 Colo. 275, 281, 591 P.2d 1318, 1322 (1979). The contrapositive, therefore, is also true: where a party requests that appellate attorney fees be awarded under a contract, but that contract does *not* provide a basis to award trial attorney fees, the party may not receive appellate attorney fees on the basis of that contract.

We also conclude, however, that plaintiffs are entitled to their costs on appeal, because they have prevailed on the substantive claims at issue on appeal. *See* C.A.R. 39(a). Therefore, on remand, the district court shall determine and award plaintiffs their reasonable costs incurred on appeal, which shall consist only of the docket fees and the expense of producing necessary copies of briefs filed with this court. *See Giampapa v. Am. Family Mut. Ins. Co.*, 12 P.3d 839, 842 (Colo. App. 2000), *rev'd on other grounds*, 64 P.3d 230 (Colo. 2003). If CGI requests a hearing on this issue as well,

the district court shall schedule and hold such a hearing in accordance with the requirements of due process. *See Roberts*, 47 P.3d at 700.

The judgment is affirmed, the order awarding plaintiffs their trial attorney fees and costs is vacated, and the case is remanded for further proceedings consistent with this opinion.

JUDGE WEBB and JUDGE RUSSEL concur.

Please include a typed self-addressed envelope

MUST BE TYPED
FILING FEE: $50.00
MUST SUBMIT TWO COPIES

Mail to: Secretary of State
Corporations Section
1560 Broadway, Suite 200
Denver, CO 80202
(303) 894-2251
Fax (303) 894-2242

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19981159020 C
$ 50.00
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09-01-1998 14:44:28

(6)

ARTICLES OF INCORPORATION

Corporation Name San Juan Corp.

Principal Business Address 610 Sunshine Parkway, Golden, CO 80403
(Include City, State, Zip)

Cumulative voting shares of stock is authorized. Yes ☐ No ☒

If duration is less than perpetual enter number of years _____

Preemptive rights are granted to shareholders. Yes ☐ No ☒

Stock information: (If additional space is needed, continue on a separate sheet of paper.)

Stock Class Common Authorized Shares 10,000 Par Value None

Stock Class Preferred Authorized Shares 1000 Par Value None

The name of the initial registered agent and the address of the registered office is:(If another corporation, use last name space)

Last Name Hennis First & Middle Name Todd Christopher

Street Address 610 Sunshine Parkway, Golden, CO 80403
(Include City, State, Zip)

The undersigned consents to the appointment as the initial registered agent.

Signature of Registered Agent Todd Christopher Hennis

These articles are to have a delayed effective date of: _____

Incorporators: Names and addresses: (If more than two, continue on a separate sheet of paper.

NAME	ADDRESS
Todd Christopher Hennis	610 Sunshine Parkway, Golden, CO 80403

Incorporators who are natural persons must be 18 years or more. The undersigned, acting as incorporator(s) of a corporation under the Colorado Business Corporation Act, adopt the above Articles of Incorporation.

Signature Todd Christopher Hennis Signature _____

CU. MX Revised 7/95

9899

MAIL TO:
Colorado Secretary of State
Corporations Office
1560 Broadway, Suite 200
Denver, CO 80202
(303) 866-2361

FOR OFFICE USE ONLY

FILED—COLO. DEPT. OF STATE
717812 MAR 27 '85

(6)

TOTAL OF PERSONS
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SECRETARY OF STATE
STATE OF C

ARTICLES OF INCORPORATION

I/We the undersigned natural person(s) of the [illegible] eighteen years or more, acting as incorporator(s) of a corporation under the Colorado Corporation Co[illegible] [illegible]pt the following Articles of Incorporation for such corporation:

FIRST: The name of the corporation is [illegible] Minerals Inc.

SECOND: The period of duration if other [illegible] perpetual: _____

THIRD: The purpose or purposes for which [illegible] corporation is organized if other than Any Legal and Lawful Purpose Pursuant to the Colorado Corporation C[illegible] _____

FOURTH: The aggregate number of shares [illegible]ich the corporation shall have the authority to issue is five million, and the par va[illegible] of each share shall be $0.001

FIFTH: Cumulative voting shares of stock i[illegible] _____ authorized.

SIXTH: Provisions limiting or denying to sh[illegible]olders the preemptive right to acquire additional or treasury shares of the corporation, if any, are:

SEVENTH: The address of the initial reg[illegible]ed office of the corporation is 1535 Poplar Drive, #12, Grand Junction, Colorado 81505.

and the name of its initial registered agent at so[illegible] address is Todd C. Hennis

EIGHTH: Address of the place of business _____

NINTH: The number of directors constit[illegible]ing the initial board of directors of the corporation is one, and the names and addres[illegible]s of the persons who are t[illegible]rve as directors until the first annual meeting of shareholders or until their successors are elected and shall [illegible]lify are:

The number of directors of a corporation shall be not less than three, e[illegible]pt that there need be only as many directors as there are, or initially will [illegible], shareholders in the event [illegible] the outstanding shares are, or initially will be, held of record by fewer than three shareholders.

NAME	ADDRESS (include zip code)
Todd C. Hennis	1535 Poplar Drive, #12
	Grand Junction, Colorado 81505.

TENTH: The name and address of each incorporator is:

NAME	ADDRESS (include zip code)
Todd C. Hennis	1535 Poplar Drive, #12
	Grand Junction, Colrado 81505.

Signed Todd C. Hennis

Signed _____

COMPUTER UPDATE COMPLETE

Document must be filed electronically.
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6

ABOVE SPACE FOR OFFICE USE ONLY

Articles of Incorporation for a Profit Corporation

filed pursuant to § 7-102-101 and § 7-102-102 of the Colorado Revised Statutes (C.R.S.)

1. The domestic entity name for the corporation is

Green Energy Metals Corp.

(The name of a corporation must contain the term or abbreviation "corporation", "incorporated", "company", "limited", "corp.", inc.", "co.", or "ltd.". See §7-90-601, C.R.S. If the corporation is a professional or special purpose corporation, other law may apply.)

*(**Caution:** The use of certain terms or abbreviations are restricted by law. Read instructions for more information.)*

2. The principal office address of the corporation's initial principal office is

Street address

645 Water Street
(Street number and name)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP Postal Code)*

(Province if applicable) — United States
(Country)

Mailing address
(leave blank if same as street address)

P.O. Drawer I
(Street number and name or Post Office Box information)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP Postal Code)*

(Province if applicable) — United States
(Country)

3. The registered agent name and registered agent address of the corporation's initial registered agent are

Name
(if an individual)

Thayer — David — A
(Last) *(First)* *(Middle)* *(Suffix)*

OR

(if an entity)
*(**Caution:** Do not provide both an individual and an entity name.)*

Street address

Jones & Keller, P.C.
(Street number and name)
1999 Broadway, Suite 3150

Denver — CO — 80202
(City) *(State)* *(ZIP Postal Code)*

Mailing address
(leave blank if same as street address)

(Street number and name or Post Office Box information)

(City) CO *(State)* *(ZIP Postal Code)*

(The following statement is adopted by marking the box.)

☑ The person appointed as registered agent above has consented to being so appointed.

4. The true name and mailing address of the incorporator are

Name
(if an individual)

Hennis *(Last)* Todd *(First)* C *(Middle)* *(Suffix)*

OR

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Mailing address

P.O. Drawer I
(Street number and name or Post Office Box information)

Silver Plume *(City)* CO *(State)* 80476 *(ZIP Postal Code)*

(Province if applicable) United States *(Country)*

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ The corporation has one or more additional incorporators and the name and mailing address of each additional incorporator are stated in an attachment.

5. The classes of shares and number of shares of each class that the corporation is authorized to issue are as follows.

(If the following statement applies, adopt the statement by marking the box and enter the number of shares.)

☑ The corporation is authorized to issue 50,000,000 common shares that shall have unlimited voting rights and are entitled to receive the net assets of the corporation upon dissolution.

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☑ Additional information regarding shares as required by section 7-106-101, C.R.S., is included in an attachment.

(Caution: At least one box must be marked. Both boxes may be marked, if applicable.)

6. *(If the following statement applies, adopt the statement by marking the box and include an attachment.)*

☑ This document contains additional information as provided by law.

7. *(Caution: Leave blank if the document does not have a delayed effective date. Stating a delayed effective date has significant legal consequences. Read instructions before entering a date.)*

(If the following statement applies, adopt the statement by entering a date and, if applicable, time using the required format.)

The delayed effective date and, if applicable, time of this document is/are _____.
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Notice:

Causing this document to be delivered to the Secretary of State for filing shall constitute the affirmation or acknowledgment of each individual causing such delivery, under penalties of perjury, that the document is the individual's act and deed, or that the individual in good faith believes the document is the act and deed of the person on whose behalf the individual is causing the document to be delivered for filing, taken in conformity with the requirements of part 3 of article 90 of title 7, C.R.S., the constituent documents, and the organic statutes, and that the individual in good faith believes the facts stated in the document are true and the document complies with the requirements of that Part, the constituent documents, and the organic statutes.

This perjury notice applies to each individual who causes this document to be delivered to the Secretary of State, whether or not such individual is named in the document as one who has caused it to be delivered.

8. The true name and mailing address of the individual causing the document to be delivered for filing are

Hennis (Last) Todd (First) C (Middle) (Suffix)

645 Water Street
(Street number and name or Post Office Box information)

Silver Plume (City) CO (State) 80476 (ZIP Postal Code)

(Province - if applicable) United States (Country)

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ This document contains the true name and mailing address of one or more additional individuals causing the document to be delivered for filing.

Disclaimer:

This form/cover sheet, and any related instructions, are not intended to provide legal, business or tax advice, and are furnished without representation or warranty. While this form/cover sheet is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form/cover sheet. Questions should be addressed to the user's legal, business or tax advisor(s).

ATTACHMENT TO THE ARTICLES OF INCORPORATION
OF
GREEN ENERGY METALS CORP.

The following articles are made a part of the Articles of Incorporation of Green Energy Metals Corp.

ADDITION TO ARTICLE V
Shares

5.1 Capital Stock Authorization. The total number of shares of all classes which the Corporation has authority to issue is 70,000,000 of which 50,000,000 shares shall be Common Stock, and 20,000,000 shares shall be Preferred Stock.

The designations and the preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications, and terms and conditions of redemption of the shares of each class of stock are as follows:

COMMON STOCK

Subject to all of the rights of the Preferred Stock as expressly provided herein, by law or by the Board of Directors pursuant to this Article, the Common Stock shall possess all such rights and privileges as are afforded to capital stock by applicable law in the absence of any express restrictions or grant of rights or privileges in these Articles of Incorporation as may be permitted under applicable law.

PREFERRED STOCK

The Preferred Stock may be issued from time to time by the Board of Directors as shares of one or more series. The description of shares of each series of Preferred Stock, including any preferences, conversion and other rights, voting powers, restrictions, limitations as to distributions, qualifications, and terms and conditions of redemption shall be as set forth in resolutions adopted by the Board of Directors and in Articles of Amendment to State Terms of Series Shares filed as required by law from time to time prior to the issuance of any shares of such series.

The Board of Directors is expressly authorized, prior to issuance, by adopting resolutions providing for the issuance of, or providing for a change in the number of, shares of any particular series of Preferred Stock and, if and to the extent from time to time required by law, by filing Articles of Amendment to State Terms of Series Shares to set or change the number of shares to be included in each series of Preferred Stock and to set or change in any one or more respects the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications, or terms and conditions of redemption relating to the shares of each such series. Notwithstanding the foregoing, the Board of Directors shall not be authorized to change the right of the Common Stock of the Corporation to vote one vote per share on all matters submitted for shareholder action. The authority of the Board of

Directors with respect to each series of Preferred Stock shall include, but not be limited to, setting or changing the following:

(a) the distinctive serial designation of such series and the number of shares constituting such series (provided that the aggregate number of shares constituting all series of Preferred Stock shall not exceed 20,000,000);

(b) the annual distribution rate on shares of such series, whether distributions shall be cumulative and, if so, from which date or dates;

(c) whether the shares of such series shall be redeemable and, if so, the terms and conditions of such redemption, including the date or dates upon and after which such shares shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(d) the obligation, if any, of the Corporation to redeem or repurchase shares of such series pursuant to a sinking fund;

(e) whether shares of such series shall be convertible into, or exchangeable for, shares of stock of any other class or classes and, if so, the terms and conditions of such conversion or exchange, including the price or prices or the rate or rates of conversion or exchange and the terms of adjustment, if any;

(f) whether the shares of such series shall have voting rights, in addition to the voting rights provided by law, and, if so, the terms of such voting rights;

(g) the rights of the shares of such series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation; and

(h) any other relative rights, powers, preferences, qualifications, limitations or restrictions thereof relating to such series which may be authorized or permitted under the Colorado Business Corporation Act.

The shares of Preferred Stock of any one series shall be identical with each other in all respects except as to the dates from and after which dividends thereon shall cumulate, if cumulative.

5.2 No Cumulative Voting. Cumulative voting shall not be permitted for the election of directors or otherwise.

5.3 Pre-Emptive Rights. Unless provided by contract, the holders of common stock shall have no pre-emptive rights to acquire additional or treasury shares of the Corporation or securities convertible into shares.

ARTICLE IX
Purpose and Powers

The purpose for which the Corporation is organized is the transaction of all lawful business for which corporations may be incorporated pursuant to Colorado law. The Corporation shall have and may exercise all of the rights, powers, and privileges now or hereafter conferred upon corporations organized under the laws of Colorado. In addition, the Corporation may do everything necessary, suitable, or proper for the accomplishment of any of its corporate purposes. The Corporation may conduct part or all of its business in any part of Colorado, the United States, or the world and may hold, purchase, mortgage, lease, and convey real and personal property in any of such places.

ARTICLE X
Actions Without a Meeting

Actions required or permitted to be taken by the shareholders may be taken without a meeting if shareholders holding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all of the shares entitled to vote thereon were present and voted consent to each such action in writing.

ARTICLE XI
Quorum

Unless otherwise ordered by a court of competent jurisdiction, at all meetings of shareholders of the Corporation, a majority of the shares of a voting group entitled to vote at such meeting, represented in person or by proxy, shall constitute a quorum of that voting group.

ARTICLE XII
Directors

The affairs of the Corporation shall be governed by a Board of Directors consisting of not less than one director, with the number of directors specified in or fixed in accordance with the Bylaws of the Corporation, as may be amended from time to time, or if the bylaws fail to fix such number, then by resolution adopted from time to time by the Board of Directors

ARTICLE XIII
Elimination of Personal Liability of a Director

To the fullest extent permitted by Colorado law, as the same exists or may hereafter be amended, a director of the Corporation shall not be liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duty as a director.

ARTICLE XIV
Indemnification of Directors

The Corporation shall indemnify and advance expenses to directors and officers of the Corporation to the fullest extent permitted by Colorado law, as the same exists or may hereafter be amended.

FILED
DONETTA DAVIDSON
COLORADO SECRETARY OF STATE

(6)

ARTICLES OF INCORPORATION
Form 200 ***NOT VALID AFTER JUNE 30, 2004***
Read about new Forms at www.sos.state.co.us
Filing fee: **$50.00**
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Copies of filed documents may be obtained at www.sos.state.co.us

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ABOVE SPACE FOR OFFICE USE ONLY

Pursuant to § 7-102-102 and part 3 of article 90 of title 7, Colorado Revised Statutes (C.R.S.), these Articles of Incorporation are delivered to the Colorado Secretary of State for filing.

1. The entity name of the corporation is: Gladstone Corporation

The entity name of a corporation must contain the term "corporation", "incorporated", "company", or "limited", or an abbreviation of any of these terms §7-90-601(3)(a), C.R.S.

2. The corporation is authorized to issue: (number) 100,000 shares of (class) C
(number) _____ shares of (class) _____
If more classes are authorized, include attachment indicating class(es) and number of shares in each class.

3. The street address of the corporation's initial registered office and the name of its initial registered agent at that office are: Street Address *(must be a street or other physical address in Colorado)*
414 Butte Parkway, Golden, CO 80403
If mail is undeliverable to this address, ALSO include a post office box address: _____
_____ ; Registered Agent Name: Todd C. Hennis

4. The address of the corporation's initial principal office is: 414 Butte Parkway, Golden, CO 80403

5. The name and address of the incorporator is:
Name Todd C. Hennis
Address 414 Butte Parkway, Golden, CO 80403

6. If applicable, these articles are to have a delayed effective date of _____
(not to exceed 90 days)

7. The (a) name or names, and (b) mailing address or addresses, of any one or more of the individuals who cause this document to be delivered for filing, and to whom the Secretary of State may deliver notice if filing of this document is refused, are: Todd C. Hennis
414 Butte Parkway, Golden, CO 80403

Please refer to § 7-90-301 (8), C.R.S

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Disclaimer: This form, and any related instructions, are not intended to provide legal, business or tax advice, and are offered as a public service without representation or warranty. While this form is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form. Questions should be addressed to the user's attorney.

MW

(6)

ARTICLES OF INCORPORATION
Form 200 Revised October 1, 2002
Filing fee: **$50.00**
Deliver to: Colorado Secretary of State
Business Division,
1560 Broadway, Suite 200
Denver, CO 80202-5169
This document must be typed or machine printed
Copies of filed documents may be obtained at www.sos.state.co.us

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DONETTA DAVIDSON
COLORADO SECRETARY OF STATE
20031331482 11
$ 50.00
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10-20-2003 15:01:58

ABOVE SPACE FOR OFFICE USE ONLY

Pursuant to § 7-102-102 and part 3 of article 90 of title 7, Colorado Revised Statutes (C.R.S.), these Articles of Incorporation are delivered to the Colorado Secretary of State for filing.

1. The entity name of the corporation is: The Gladstone Institute, Inc.

The entity name of a corporation must contain the term "corporation", "incorporated", "company", or "limited", or an abbreviation of any of these terms §7-90-601(3)(a), C.R.S.

2. The corporation is authorized to issue: (number) 100,000 shares of (class) Common
(number) _____ shares of (class) _____
If more classes are authorized, include attachment indicating class(es) and number of shares in each class.

3. The street address of the corporation's initial registered office and the name of its initial registered agent at that office are: Street Address *(must be a street or other physical address in Colorado)* 611 Water St., Silver Plume, CO 80476
If mail is undeliverable to this address, ALSO include a post office box address: P.O. Drawer I, Silver Plume CO 80476 ; Registered Agent Name: Todd C. Hennis

4. The address of the corporation's initial principal office is: 611 Water St., Silver Plume CO 80476

5. The name and address of the incorporator is:
Name Todd C. Hennis
Address 611 Water St., Silver Plume, CO 80476

6. If applicable, these articles are to have a delayed effective date of _____
(not to exceed 90 days)

7. The (a) name or names, and (b) mailing address or addresses, of any one or more of the individuals who cause this document to be delivered for filing, and to whom the Secretary of State may deliver notice if filing of this document is refused, are: Todd C. Hennis
P.O. Box Drawer I , Silver PLUME, CO 80476

Causing a document to be delivered to the secretary of state for filing shall constitute the affirmation or acknowledgment of each individual causing such delivery, under penalties of perjury, that the document is the individual's act and deed or the act and deed of the entity on whose behalf the individual is causing the document to be delivered for filing and that the facts stated in the document are true.

Disclaimer: This form, and any related instructions, are not intended to provide legal, business or tax advice, and are offered as a public service without representation or warranty. While this form is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form. Questions should be addressed to the user's attorney.

Document must be filed electronically.
Paper documents will not be accepted.
Document processing fee
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To access other information or print copies of filed documents, visit www.sos.state.co.us and select Business Center.

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$50.00

Colorado Secretary of State
Date and Time: 12/22/2010 02:15 PM
ID Number: 20101691721

Document number: 20101691721
Amount Paid: $50.00

6

ABOVE SPACE FOR OFFICE USE ONLY

Articles of Incorporation for a Profit Corporation

filed pursuant to § 7-102-101 and § 7-102-102 of the Colorado Revised Statutes (C.R.S.)

1. The domestic entity name for the corporation is

Black Horse Capital, Inc.

(The name of a corporation must contain the term or abbreviation "corporation", "incorporated", "company", "limited", "corp.", inc.", "co." or "ltd.". See §7-90-601, C.R.S. If the corporation is a professional or special purpose corporation, other law may apply.)

(Caution: The use of certain terms or abbreviations are restricted by law. Read instructions for more information.)

2. The principal office address of the corporation's initial principal office is

Street address: 645 Water St.
(Street number and name)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP Postal Code)*

(Province - if applicable) — United States
(Country)

Mailing address
(leave blank if same as street address)

P.O. Drawer I
(Street number and name or Post Office Box information)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP Postal Code)*

(Province - if applicable) — United States
(Country)

3. The registered agent name and registered agent address of the corporation's initial registered agent are

Name
(if an individual)

Hennis — Todd — C. —
(Last) *(First)* *(Middle)* *(Suffix)*

OR

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Street address: 645 Water St.
(Street number and name)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP Postal Code)*

Mailing address
(leave blank if same as street address)

P.O. Drawer I
(Street number and name or Post Office Box information)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP/Postal Code)*

(The following statement is adopted by marking the box.)

☑ The person appointed as registered agent above has consented to being so appointed.

4. The true name and mailing address of the incorporator are

Name
(if an individual)

Hennis — Todd — C. —
(Last) *(First)* *(Middle)* *(Suffix)*

OR

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Mailing address

P.O. Drawer I
(Street number and name or Post Office Box information)

Silver Plume — CO — 80476
(City) *(State)* *(ZIP/Postal Code)*

United States
(Province - if applicable) *(Country)*

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ The corporation has one or more additional incorporators and the name and mailing address of each additional incorporator are stated in an attachment.

5. The classes of shares and number of shares of each class that the corporation is authorized to issue are as follows.

(If the following statement applies, adopt the statement by marking the box and enter the number of shares.)

☑ The corporation is authorized to issue 10,000,000 common shares that shall have unlimited voting rights and are entitled to receive the net assets of the corporation upon dissolution.

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ Additional information regarding shares as required by section 7-106-101, C.R.S., is included in an attachment.

*(**Caution:** At least one box must be marked. Both boxes may be marked, if applicable.)*

6. *(If the following statement applies, adopt the statement by marking the box and include an attachment.)*

☐ This document contains additional information as provided by law.

7. *(**Caution:** Leave blank if the document does not have a delayed effective date. Stating a delayed effective date has significant legal consequences. Read instructions before entering a date.)*

(If the following statement applies, adopt the statement by entering a date and, if applicable, time using the required format.)

The delayed effective date and, if applicable, time of this document is/are _____
(mm dd yyyy hour:minute am pm)

Notice:

Causing this document to be delivered to the Secretary of State for filing shall constitute the affirmation or acknowledgment of each individual causing such delivery, under penalties of perjury, that the document is the individual's act and deed, or that the individual in good faith believes the document is the act and deed of the person on whose behalf the individual is causing the document to be delivered for filing, taken in conformity with the requirements of part 3 of article 90 of title 7, C.R.S., the constituent documents, and the organic statutes, and that the individual in good faith believes the facts stated in the document are true and the document complies with the requirements of that Part, the constituent documents, and the organic statutes.

This perjury notice applies to each individual who causes this document to be delivered to the Secretary of State, whether or not such individual is named in the document as one who has caused it to be delivered.

8. The true name and mailing address of the individual causing the document to be delivered for filing are

Hennis (Last) Todd (First) C. (Middle) (Suffix)

645 Water St. (Street number and name or Post Office Box information)

P.O. Drawer I

Silver Plume, CO (City) CO (State) 80476 (ZIP Postal Code)

(Province – if applicable) United States (Country)

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ This document contains the true name and mailing address of one or more additional individuals causing the document to be delivered for filing.

Disclaimer:

This form/cover sheet, and any related instructions, are not intended to provide legal, business or tax advice, and are furnished without representation or warranty. While this form/cover sheet is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form/cover sheet. Questions should be addressed to the user's legal, business or tax advisor(s).

Document must be filed electronically.
Paper documents are not accepted.
Fees & forms are subject to change.
For more information or to print copies
of filed documents, visit www.sos.state.co.us.

E-Filed

Colorado Secretary of State
Date and Time: 09/01/2015 10:18 AM
ID Number: 20151570965

Document number: 20151570965
Amount Paid: $50.00

6

ABOVE SPACE FOR OFFICE USE ONLY

Articles of Organization

filed pursuant to § 7-80-203 and § 7-80-204 of the Colorado Revised Statutes (C.R.S.)

1. The domestic entity name of the limited liability company is

Pride of the West, LLC

(The name of a limited liability company must contain the term or abbreviation "limited liability company", "ltd. liability company", "limited liability co.", "ltd. liability co.", "limited", "l.l.c.", "llc", or "ltd.". See §7-90-601, C.R.S.)

(Caution: The use of certain terms or abbreviations are restricted by law. Read instructions for more information.)

2. The principal office address of the limited liability company's initial principal office is

Street address: 15100 Foothill Rd.
(Street number and name)

Golden — *(City)* CO — *(State)* 80401 — *(ZIP/Postal Code)*

(Province – if applicable) United States — *(Country)*

Mailing address
(leave blank if same as street address)
(Street number and name or Post Office Box information)

(City) *(State)* *(ZIP/Postal Code)*

(Province – if applicable) *(Country)*

3. The registered agent name and registered agent address of the limited liability company's initial registered agent are

Name
(if an individual)

Hennis — *(Last)* Todd — *(First)* C. — *(Middle)* *(Suffix)*

or

(if an entity)
(Caution: Do not provide both an individual and an entity name.)

Street address
(b) (6) [redacted]
(Street number and name)

(b) [redacted] — *(City)* CO — *(State)* (b) [redacted] — *(ZIP Code)*

Mailing address
(leave blank if same as street address)
(Street number and name or Post Office Box information)

(City) CO (State) (ZIP Code)

(The following statement is adopted by marking the box.)

☑ The person appointed as registered agent has consented to being so appointed.

4. The true name and mailing address of the person forming the limited liability company are

Name (if an individual) Hennis (Last) Todd (First) C. (Middle) (Suffix)

or

(if an entity) _____

(Caution: Do not provide both an individual and an entity name.)

Mailing address [redacted] (Street number and name or Post Office Box information)

[redacted] (City) [redacted] (State) [redacted] (ZIP Postal Code)

(Province – if applicable) [redacted] (Country)

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ The limited liability company has one or more additional persons forming the limited liability company and the name and mailing address of each such person are stated in an attachment.

5. The management of the limited liability company is vested in
(Mark the applicable box.)

☐ one or more managers.

or

☑ the members.

6. *(The following statement is adopted by marking the box.)*

☑ There is at least one member of the limited liability company.

7. *(If the following statement applies, adopt the statement by marking the box and include an attachment.)*

☐ This document contains additional information as provided by law.

8. *(Caution: Leave blank if the document does not have a delayed effective date. Stating a delayed effective date has significant legal consequences. Read instructions before entering a date.)*

(If the following statement applies, adopt the statement by entering a date and, if applicable, time using the required format.)

The delayed effective date and, if applicable, time of this document is/are _____.
(mm dd yyyy hour:minute am pm)

Notice:
Causing this document to be delivered to the Secretary of State for filing shall constitute the affirmation or acknowledgment of each individual causing such delivery, under penalties of perjury, that the document is the individual's act and deed, or that the individual in good faith believes the document is the act and deed of the person on whose behalf the individual is causing the document to be delivered for filing, taken in conformity with the requirements of part 3 of article 90 of title 7, C.R.S., the constituent documents, and the organic statutes, and that the individual in good faith believes the facts stated in the document are true and the document complies with the requirements of that Part, the constituent documents, and the organic statutes.

This perjury notice applies to each individual who causes this document to be delivered to the Secretary of State, whether or not such individual is named in the document as one who has caused it to be delivered.

9. The true name and mailing address of the individual causing the document to be delivered for filing are

Hennis (Last) Todd (First) C. (Middle) (Suffix)

(b) (6) [redacted]
(Street number and name or Post Office Box information)

(b) (6) [redacted]
(City) (State) (ZIP Postal Code)

(Province – if applicable) United States (Country)

(If the following statement applies, adopt the statement by marking the box and include an attachment.)

☐ This document contains the true name and mailing address of one or more additional individuals causing the document to be delivered for filing.

Disclaimer:
This form/cover sheet, and any related instructions, are not intended to provide legal, business or tax advice, and are furnished without representation or warranty. While this form/cover sheet is believed to satisfy minimum legal requirements as of its revision date, compliance with applicable law, as the same may be amended from time to time, remains the responsibility of the user of this form/cover sheet. Questions should be addressed to the user's legal, business or tax advisor(s).

6

ORGANIZATIONAL CONSENT IN LIEU OF MEETING OF THE MEMBERS OF PRIDE OF THE WEST, LLC

September 1, 2015

The undersigned, being all of the Members of Pride of the West, LLC, a Colorado limited liability company (the "**Company**"), acting without notice or a meeting, hereby waive notice and the holding of such meeting and consents to, adopts and votes in favor of the following resolutions:

1.

RESOLVED, that the actions taken by the organizer on September 1, 2015 for the purpose of organizing the Company are hereby in all respects ratified, approved and confirmed.

2.

RESOLVED, that the Articles of Organization of the Company, having been filed in the office of the Colorado Secretary of State, attached hereto as Exhibit A, are hereby approved and adopted as the Articles of Organization of the Company and that such Articles of Organization be placed in the Company's record book.

3.

RESOLVED, that the Members may adopt a company seal in the form it shall choose, and that such seal, or a facsimile thereof, may be affixed to or impressed, when and as required, on any instrument or document of the Company by the Members or any officer of the Company.

4.

FURTHER RESOLVED, in connection with the contribution to the Company of the Pride of the West Mill in Howardsville, Colorado, and other valuable consideration, the issuance of one hundred units of membership interest to the persons and in the amounts set forth below is hereby authorized, approved and adopted, and, upon issuance will be duly authorized and validly issued.

Member	Units
Todd C. Hennis	84.805%
Salem Minerals, Inc.	15.175%
Diana G. Lawrence	0.02%

FURTHER RESOLVED, that such units shall be considered "restricted securities" as defined in Rule 144 adopted under the Securities Act of 1933.

5.

RESOLVED, on behalf of the Company and as the authorized signatory, Todd C. Hennis is authorized to establish, in accordance with these resolutions, such banking, borrowing, or other financial arrangements as from time to time become necessary or desirable, including arrangements with respect to establishing and maintaining checking and savings accounts, borrowing funds, establishing lines of credit and issuing guarantees; and

FURTHER RESOLVED, that the Members of the Company are hereby authorized to select such financial institutions and, subject to the limitations contained in the foregoing resolution, to enter into such financial arrangements as they deem appropriate, to complete and execute the standard form banking resolutions and other documents customarily required by any such institutions or as may be necessary or appropriate, including the designation of those parties authorized to act on behalf of the Company pursuant thereto, as the Members deem necessary and in the interest of the Company, and to take such other actions and negotiate and execute such other documents as may be required to establish any such arrangements; and

FURTHER RESOLVED, that the Members are hereby authorized to execute and furnish to any financial institution or other party requesting the same certificates of incumbency with respect to the Members authorized to act on behalf of the Company as provided in these resolutions and to certify to the adoption and continued effectiveness of these resolutions in such form as any such financial institution or other party may customarily require and that copies of any certificates or banking resolutions executed pursuant to these resolutions be placed in the Company's minute book.

6.

RESOLVED, that the Members be, and hereby are, authorized to sign and execute in the name and on behalf of the Company all applications, contracts, leases and other deeds and documents or instruments in writing of whatsoever nature that may be required in the ordinary course of business of the Company and that may be necessary to secure the operation of the company affairs, governmental permits, and licenses for, and incidental to, the lawful operations of the business of the Company, and to do such acts and things as such officers deem necessary or advisable to fulfill such legal requirements as are applicable to the Company and its business.

7.

RESOLVED, that the Members of the Company be, and hereby are, authorized and are directed to apply to the Internal Revenue Service for a tax identification number.

8.

RESOLVED, that the fiscal year of the Company shall commence on January 1 and end on December 31 of each year.

9.

RESOLVED, that the Members be, and hereby are authorized and directed to pay all fees and expenses incident to and necessary for the organization and qualification of the Company, including, without limitation, all legal and accounting fees and costs to procure proper company books and that the organizer be reimbursed all expenses incurred in the formation of the Company.

10.

RESOLVED, that the Members be, and hereby are authorized and directed to execute and deliver any and all documents necessary to effectuate the intent of the foregoing resolutions, the execution of such documents by such officers being a definitive determination of the necessity and appropriateness thereof, and further, that such officers are hereby authorized to do any and all such acts and deeds as they or legal counsel for the Company deem appropriate or necessary to effectuate the intent of these resolutions; and

FURTHER RESOLVED, that all acts and deeds heretofore done by the Members and Officers of the Company for and on behalf of the Company, as well as any and all actions taken or contracts entered into by said persons as individuals, acting for the Company, in entering into, executing, acknowledging, or attesting any arrangements, agreements, contracts, instruments, or documents, or in carrying out the terms and intentions of these resolutions, be and the same are hereby ratified, approved, and confirmed by the Company, and all such arrangements, agreements, contracts, instruments, or documents are adopted as though said individual had at such time full power and authority to act for the Company and in the same manner as if each and every act had been done pursuant to the specific authorization of the Company.

IN WITNESS WHEREOF, the undersigned has executed this Organizational Consent effective as of the date first written above.

MEMBERS:

By: _____
Todd C. Hennis

Salem Minerals, Inc.

By: _____
Todd C. Hennis, President

By: _____
Diana G. Lawrence

EXHIBIT A
Articles of Organization
[*see attached*]

106.
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DUFFORD & BROWN, P.C.

ATTORNEYS AT LAW

1700 BROADWAY
SUITE 1700
DENVER, COLORADO 80290-1701

303.861.8013 PHONE
303.832.3804 FAX
www.duffordbrown.com

jheronimus@duffordbrown.com

VIA FEDERAL EXPRESS

November 19, 2002

San Juan Corp.
Attn: Todd C. Hennis, President
P.O. Drawer I
611 Water Street
Silver Plume, CO 80476

Re: Execution of Agreement by and between San Juan Corp. and Sunnyside Gold Corporation

Dear Mr. Hennis:

We represent Sunnyside Gold Corporation with respect to the above referenced agreement. Your attorney, Jim Engelking, has asked that we send you the two enclosed original agreements for your signature. Please sign both agreements where indicated. Please also have your signature notarized on both agreements. Please send one fully executed and notarized original agreement back to my attention in the enclosed return envelope for our files. You may keep the second fully executed and notarized original agreement for your files.

Please feel free to contact me with any questions you may have.

Very truly yours,

DUFFORD & BROWN, P.C.

John R. Heronimus

JRH/ms

Enclosures

cc: James F. Engelking, Esq. (w/copy of enclosures, via regular mail)

AGREEMENT

This Agreement ("Agreement") is entered into by and between Sunnyside Gold Corporation, a Delaware corporation ("SGC"), P.O. Box 177, Silverton, Colorado 81433 and San Juan Corp., a Colorado corporation ("San Juan"), P.O. Drawer I, 611 Water Street, Silver Plume, Colorado 80476.

RECITALS

WHEREAS, in 1996, to facilitate the reclamation of an inactive mining property in San Juan County, Colorado, SGC, the owner, and the Colorado Department of Public Health and Environment, Water Quality Control Division ("Division") entered into a Consent Decree and Order ("Consent Decree"), Case No. 94 CV 5459, District Court, City and County of Denver, State of Colorado; and

WHEREAS, pursuant to that Consent Decree SGC has undertaken a number of projects related to the improvement of water quality in the Animas River basin from water discharging from the American Tunnel Mine, including but not limited to the operation and maintenance of a wastewater treatment plant ("Treatment Plant"), which also treats water from Cement Creek, while SGC installs a plug within the American Tunnel Mine to prevent further discharge of wastewater therefrom; and

WHEREAS, the parties to the Consent Decree contemplate that SGC will discontinue operation and maintenance of the Treatment Plant after SGC completes the American Tunnel Mine plug installation project, which project is near completion; and

WHEREAS, Gold King Mines Corporation, a Colorado corporation ("Gold King"), P.O. Box 299, 2201 County Road 2, Silverton, Colorado 81433 desires to pursue mining operations in the area near the American Tunnel Mine and, in order to facilitate such operations, desires (1) to acquire ownership of the Treatment Plant and the discharge permit associated therewith, which permit is more specifically referred to as CDPS Permit No. CO-0027529 ("Discharge Permit"), (2) to acquire the support facilities located on Gold King property and Joy Manufacturing Property, (3) to accept responsibility for and to treat any seepage from the American Tunnel Mine, (4) to accept the transfer of the Division of Minerals and Geology ("DMG") Mined Land Reclamation Permit No. M77-378 covering the American Tunnel Mine permit area ("MLR Permit"), either through the transfer thereof or the inclusion of the obligations associated with the MLR Permit under a Gold King Mined Land Reclamation permit and to replace SGC's Mined Land Reclamation bond associated with the American Tunnel Mine permit area, and (5) to acquire ownership of the Mogul Mine from San Juan; and

WHEREAS, SGC desires (1) to transfer ownership of the Treatment Plant, the associated buildings, and the Discharge Permit, (2) to pay for Gold King to undertake certain additional water quality improvement and treatment activities, including plugging the Mogul Mine which is now owned by San Juan, and (3) to facilitate Gold King's acquisition of the Mogul Mine from San Juan prior to execution of the Joint Petition to Amend Consent Decree and Order between SGC and the Division ("Joint Petition") which provides for SGC to fund four additional projects related to water quality improvement in the Animas River Basin, including plugging the Mogul Mine; and

WHEREAS, San Juan desires to transfer ownership of the Mogul Mine to Gold King prior to the execution of the Joint Petition and to allow the Mogul Mine to be plugged; and

WHEREAS, SGC desires (1) to transfer title to (a) the Herbert Placer U.S. Mineral Survey No. 13562, Eureka Mining District, San Juan County, Colorado, including the Quonset Building located on the property ("Herbert Placer Property"), (b) the unpatented Gladstone Millsite mining claim, CMC # 82529, the location certificate for which was recorded in Book D-3 at Page 356, on June 14, 1970, as amended in Book 217 at Page 122, on May 24, 1979 in the records of San Juan County, Colorado ("Gladstone Claim"), and (c) the unpatented Bridge Millsite mining claim, CMC # 167890, the location certificate for which was recorded in Book 219 at Page 945 on November 17, 1980 in the records of San Juan County, Colorado ("Bridge Claim"), to San Juan upon Court approval of the termination of the Consent Decree, and (2) to facilitate mutual agreement between San Juan and Gold King for Gold King to acquire by lease from San Juan a portion of the Herbert Placer Property, including the portion necessary for the water treatment; and

WHEREAS, San Juan has filed a lawsuit against SGC in the San Juan County District Court, Civil Action No. 2002 CV 03 ("Lawsuit") seeking injunctive relief and claiming damages in respect of the Mogul Mine, and SGC and San Juan desire to resolve the issues associated with the Lawsuit and to have San Juan dismiss the Lawsuit without prejudice upon filing of the Joint Petition and to execute a mutual release and covenant not to sue for all issues associated with the Lawsuit upon transfer of the Herbert Placer Property; and

WHEREAS, the parties contemplate this Agreement to be part of an overall, integrated resolution, involving numerous parties, to resolve issues between the various parties and to facilitate the achievement of the different goals of the parties; and

WHEREAS, each Party acknowledges the vital importance of the obligations made in this Agreement to the other Party.

NOW, THEREFORE, in consideration of the mutual promises set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

AGREEMENT

1. Title / Transfer of Ownership of Herbert Placer Property. SGC represents that to the best of its knowledge, it has sufficient title to effectuate a transfer of title to the Herbert Placer Property to San Juan as contemplated herein. SGC represents that to the best of its knowledge, it has not caused any liens or encumbrances to attach to the Herbert Placer Property during its possession thereof, and further represent that it will not allow any liens or encumbrances to attach to the Herbert Placer Property after the execution of this Agreement. Upon the execution of this Agreement, San Juan shall have the right to periodically access the Herbert Placer Property upon delivery of 48 hour notice to SGC of its intent to do so, for the sole purpose of inspecting the property to determine its physical condition and the nature and extent of Hazardous Materials that may exist on the property, if any, including a one time soil sampling

program to be performed by San Juan at its sole expense. San Juan agrees to share all sampling results with SGC. San Juan acknowledges and agrees that any inspection it makes of the Herbert Placer Property is for San Juan's own informational purposes only, and the results of such inspection or any testing related thereto shall not be a condition precedent to any of its obligations under this Agreement. Furthermore, any negative or adverse results of such inspection or testing shall not be considered to be a default of any of SGC's obligations under this Agreement. SGC represents that prior to its transfer of the Herbert Placer Property to San Juan, SGC shall not take any action to release or dump any Hazardous Material onto the Herbert Placer Property. After execution of this Agreement, SGC will provide San Juan reasonable access to its offices during normal business hours for the purpose of copying all files, including documents, maps and permits, applicable to the title and previous uses of the Herbert Placer Property, the Gladstone Claim, and the Bridge Claim. San Juan acknowledges that it shall be responsible for paying all costs related to such copying. SGC agrees that it will use its best efforts to expeditiously obtain court approval of the termination of the Consent Decree. The process will require the execution of the Joint Petition which is awaiting signature by the parties and then the approval of the modification to the Consent Decree as described in the Joint Petition. Thereafter, SGC will submit the requisite documentation and support for the termination of the Consent Decree for approval by the Court. SGC will diligently pursue with the Division the obtaining of the Court's approval for termination of the Consent Decree. Upon Court approval of the termination of the Consent Decree, as contemplated by the overall, integrated resolution of the various issues, SGC will transfer as-is, where-is, with all faults by quit-claim deed to San Juan title to (1) the Herbert Placer Property, (2) the Gladstone Claim, and (3) the Bridge Claim, with all appurtenances except the American Tunnel Pipeline Water rights

associated therewith, which SGC has agreed to transfer to Gold King, and San Juan shall accept such transfer. SGC and San Juan further contemplate that effective upon such transfer, San Juan will lease to Gold King a portion of the Herbert Placer Property necessary for operation of the Treatment Plant, and SGC will transfer all permits and water rights in its possession related thereto, including but not limited to the Discharge Permit and MLR Permit, to Gold King. Notwithstanding the foregoing, nothing contained in this Agreement shall be interpreted to have created an affirmative duty on the part of SGC to cause any mutual agreement or lease between San Juan and Gold King. SGC acknowledges that the appropriate remedy for breach of its duties under this paragraph shall be San Juan's right to enforce specific performance by SGC.

2. Transfer of the Mogul Mine / Consent to Installation of Plugs. SGC and San Juan contemplate, as part of the overall, integrated resolution of the various issues, that San Juan shall transfer ownership of the Mogul Mine to Gold King prior to, or contemporaneously with, the execution by SGC and the Division of the Joint Petition. However, notwithstanding whether San Juan transfers ownership of the Mogul Mine to Gold King, San Juan hereby unconditionally consents to and agrees to permit Gold King to install the plugs in the Mogul Mine in accordance with Paragraph 3 below as directed and approved by the Division. San Juan acknowledges that Gold King's installation of the plugs in the Mogul Mine is a key component of the overall, integrated resolution of the various issues, and that San Juan's failure to transfer the Mogul Mine or allow installation of the plugs therein would constitute an irreparable harm to SGC. Therefore, San Juan further acknowledges that the appropriate remedy for breach of its duties under this paragraph shall be SGC's right to enforce specific performance by San Juan.

3. Plugging the Mogul Mine. As contemplated as part of the overall, integrated resolution, SGC has agreed to fund and Gold King has agreed to perform, or cause to be performed, through contractors designated by Gold King and approved by the Division, the installation of plugs in the Mogul Mine similar in construction and performance to the plugs installed in the American Tunnel Mine and in the Terry Tunnel Mine as described in the Mogul Mine Work Plan dated September 24, 2002, as approved by the Division, and the separate agreement between San Juan and Gold King. Such design and work shall be performed in a good and workmanlike manner in accordance with work plans approved by the Division and to the satisfaction of the Division. The Division and the DMG will have the right to inspect any work being performed by or which Gold King causes to be performed. DMG and the design engineer will perform pre-pour inspections to provide independent performance reports. If available, the design engineer will also observe the pour and contact grouting stages of construction. A construction certification report, prepared by a Professional Engineer, will be submitted to the DMG and the Division in an acceptable form upon completion. In the event that Gold King fails to complete the work described in the Mogul Mine Work Plan, SGC agrees that it shall continue to fund the work as more specifically described in said Mogul Mine Work Plan through another contractor that is acceptable to the Division.

4. Dismissal of Civil Action No. 2002 CV 03 Without Prejudice/Release. Contemporaneously with the filing of the Joint Petition, counsel for the parties shall execute and cause to be filed with the San Juan County District Court an executed Joint Motion to Dismiss without Prejudice for Case No. 2002 CV 03 in the form attached hereto as Attachment A (the "Motion to Dismiss"). That Motion to Dismiss shall expressly provide that each party is to bear

its own costs and attorneys' fees. That Motion to Dismiss shall further provide that the running of the period of limitations contained in the applicable statute on any claim contained in the Lawsuit shall be tolled from July 23, 2002, until ten (10) days following the expiration of any applicable cure period contained herein. If SGC fails to meet its obligations under this Agreement and San Juan chooses to refile the Lawsuit, the period of time from July 23, 2002 until ten (10) days following the expiration of any applicable cure period contained herein will not be counted toward any statute of limitations defense that SGC could assert. The parties further agree that any defenses that SGC had as of July 23, 2002 will not be affected by the above-referenced tolling agreement and will remain available to SGC if the Lawsuit is refiled. The parties agree that simultaneously with SGC's transfer of the Herbert Placer Property to San Juan as contemplated herein, they shall execute and deliver a Mutual Release and Covenant Not To Sue Agreement substantially similar to the form attached hereto as Attachment B (the "Release").

5. Release of Liability. From and after the filing of the Joint Petition, San Juan hereby absolutely, unconditionally and irrevocably waives, releases, and covenants not to sue SGC, its parent Echo Bay Inc., and their past or present shareholders, directors, officers, employees, agents, attorneys, advisors, representatives, subsidiaries, affiliates, divisions or their affiliated predecessors against any and all claims, suits, actions, debts, damages, costs, losses, obligations, judgments, charges, licenses, permits, violations of local, state, and federal statues and regulations, and expenses, of any nature whatsoever suffered or incurred by San Juan, whether heretofore or now existing or hereafter arising, as a result of or with respect to:

a. The plugging work undertaken with respect to the Mogul Mine including liability for personal injury or property damage arising under any statutory or common law tort theory, including, without limitation, damages assessed for the maintenance of a public or private nuisance or for the carrying on of an abnormally dangerous activity, whether known or unknown, and whether existing on the date of this Agreement or coming into existence thereafter;

b. After San Juan's acquisition of the Herbert Placer Property, any discharge of Hazardous Material, the threat of a discharge of any Hazardous Material, or the presence of any Hazardous Material from any portion of the Herbert Placer Property that San Juan acquires from SGC, whether known or unknown, and whether existing on the date of this Agreement or coming into existence thereafter;

c. Any permits, licenses, authorizations, or studies required by the United States Government or any state, county or municipal governmental authority after execution of this Agreement, including, but not limited to, discharge permits required by the Division; provided however that with respect to the Herbert Placer Property, the terms of this paragraph shall only apply after San Juan's acquisition of the Herbert Placer Property;

d. After San Juan's acquisition of the Herbert Placer Property, any costs of removal or remedial action incurred by the United States Government or any state, county or municipal governmental authority, any response costs incurred by any other person or damages from injury to, destruction of, or loss of natural resources, including reasonable costs of assessing such injury, destruction or loss, incurred pursuant to any hazardous material laws, including but not limited to the Comprehensive Environmental Response Compensation and Liability Act of 1980 and its subsequent amendments; and/or

e. The term "Hazardous Material" means (i) any hazardous or toxic substance, material or waste, including, but not limited to, those substances, materials, and wastes listed in the United States Department of Transportation Hazardous Materials Table (49 C.F.R. § 172.101) or by the Environmental Protection Agency as hazardous substances (40 C.F.R. § Part 302) and amendments thereto and replacements therefore; or (ii) such substances, materials, or wastes as are regulated by The Resource Conservation and Recovery Act of 1976 or The Comprehensive Environmental Response, Compensation and Liability Act of 1980, any amendments thereto or orders, regulations, directions, or requirements thereunder; or (iii) such hazardous or toxic substances, materials or wastes that are or may become regulated under any other applicable county, municipal, state or federal law, rule, ordinance, direction, or regulation.

6. Failure To Perform by Either Party / Cure Period. In the event that either party, in the judgment of the Division or the other party, fails to perform any of its obligations herein, the non-defaulting party shall notify the defaulting party and the defaulting party shall have thirty days to correct the deficiency. If, in thirty days, the matter is not resolved to the satisfaction of the Division and/or the non-defaulting party, then all obligations of the non-defaulting party hereunder shall immediately cease, and the non-defaulting party can seek those certain specific performance remedies provided for in paragraphs 1 and 2 hereof.

7. Termination of Agreement and Obligations. The obligations of the parties hereunder are expressly conditioned upon the occurrence of the following actions contemporaneously with the execution of this Agreement: (1) the Joint Petition for Fourth Amendment to Consent Decree shall be fully executed by the state and approved by the Court, and (2) the agreements between the parties referred to in the Joint Petition shall be fully executed and approved. SGC agrees to deliver a copy of the filed Joint Petition to San Juan; provided however that any failure by SGC to so deliver such copy to San Juan shall not be a breach by SGC hereunder.

8. Further Assurances. Each party hereto agrees to execute and deliver all such other and additional instruments and documents and do all such other acts and things as may be necessary to more fully effectuate this Agreement.

9. Notices. Any notices required or allowed under this agreement shall be mailed, U.S. Mail, first class, postage prepaid and addressed as follows:

If to SGC, to:

Sunnyside Gold Corporation
c/o Echo Bay Mines Ltd.
Suite 1210
10180 101 Street
Edmonton, Alberta, Canada
T5J3S4

copy to:

Eugene F. Megyesy
Dufford & Brown, P.C.
1700 Broadway, Suite 1700
Denver, CO 80290

If to San Juan to:

San Juan Corp.
Todd C. Hennis, President
P.O. Drawer I
611 Water Street
Silver Plume, Colorado 80476.

copy to:

James F. Engelking
James F. Engelking, P.C.
2395 Creighton Drive
Golden, CO 80401

Any party may change the address for giving notice by notice mailed pursuant to this paragraph.

10. Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado. Any dispute arising from this Agreement or the transactions contemplated hereby shall be brought in the District Court, County of San Juan, State of Colorado and the parties hereby waive any claim against or objection to personal jurisdiction over the parties and venue being proper in that Court.

11. Counterparts. This Agreement may be executed in counterparts, with each counterpart being an original document, and all counterparts together constituting a single agreement. Facsimile signatures will be acceptable.

12. Authorizations. The parties hereto expressly warrant and represent to each other that they are duly authorized and empowered to enter into this Agreement and Release and perform and observe its agreements and obligations herein.

13. Execution and Binding Effect of Settlement Agreement and Release. This Agreement shall be binding upon and inure to the benefit of the parties hereto, their successors or assigns, provided that neither party hereto may assign its interest herein without the prior approval of the other party, which will not be unreasonably withheld.

14. Merger. This Agreement states the full understanding between the parties and supersedes all prior discussions or negotiations in connection therewith, and there are no further understandings or agreements between them, oral or written, relating to the subject matter of this Agreement except as provided herein. This Agreement may not be modified or amended except in writing signed by all parties hereto.

IN WITNESS WHEREOF, SGC and San Juan, on behalf of themselves and their respective officers, directors, shareholders, employees, agents, affiliates, associates, successors, assigns and legal representatives have approved and executed this Agreement on the dates set forth opposite their respective signatures. This Agreement is effective as of the last date executed.

EXECUTED by the parties as follows:

SUNNYSIDE GOLD CORPORATION

November 15, 2002

By: [signature]
Name: ROBERT L. LECLERC
Title: Chairman & Chief Executive Officer

SAN JUAN CORP.

November 15, 2002

By: [signature]
Name: TODD C. HENNIS
Title: PRESIDENT

STATE OF COLORADO)
)
COUNTY OF Denver)

Subscribed and sworn to before me this 18th day of November, 2002, by Robert L. Leclerc, as Chairman & CEO of Sunnyside Gold Corporation.

My Commission Expires: ***My Commission Expires July 30, 2003***

E. Kay Woodburn
NOTARY PUBLIC

NOTARY PUBLIC
E. KAY WOODBURN
STATE OF COLORADO

STATE OF COLORADO)
)
COUNTY OF Jefferson)

Subscribed and sworn to before me this 20th day of November, 2002, by Todd C. Hennis, as President of San Juan Corp.

My Commission Expires: 10-22-2005

BRIANC MAESTAS
NOTARY PUBLIC
STATE OF COLORADO
10-22-2005

[signature]
NOTARY PUBLIC

ATTACHMENT A
Motion to Dismiss

See attached Joint Motion to Dismiss Without Prejudice.

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1447 Greene Street, P.O. Box 441, Silverton CO 81433 **Plaintiff:** SAN JUAN CORP. **Defendant:** SUNNYSIDE GOLD CORPORATION	▲ COURT USE ONLY ▲
James F. Engelking, #3885 JAMES F. ENGELKING, P.C. 2395 Creighton Drive Golden, Colorado 80401 Telephone: (303) 279-2397 Fax Number: (303) 279-4978 E-Mail: JFELaw@aol.com Attorney for Plaintiff Eugene F. Megyesy, #1161 Joanne Herlihy, #17838 DUFFORD & BROWN, P.C. 1700 Broadway, Suite 1700 Denver, Colorado 80290-1701 Telephone: (303) 861-8013 E-Mail: jherlihy@duffordbrown.com Attorneys for Defendant	Case Number: 2002CV3 Div.: Ctrm.:

JOINT MOTION TO DISMISS WITHOUT PREJUDICE

The parties, by and through their respective undersigned counsel, hereby stipulate and jointly move the Court, pursuant to C.R.C.P. 41(a)(1), for an Order dismissing this case without prejudice. In support of this Motion, the parties state as follows:

1. The parties have entered into an Agreement to resolve all disputes between them, and upon complete performance of that Agreement, further proceedings before this Court will be unnecessary.

2. The parties have agreed that the running of the period of limitations contained in the applicable statute on any claim contained in the complaint shall be tolled from July 23, 2002, until ten (10) days following the expiration of any applicable cure period contained in the Agreement. If defendant fails to meet its obligations under the Agreement and plaintiff chooses to refile the complaint associated with this action, the period of time from July 23, 2002 until ten (10) days following the expiration of any applicable cure period contained in the Agreement will

not be counted toward any statute of limitations defense that defendant could assert. The parties further agree that any defenses that defendant had as of July 23, 2002 will not be affected by the above-referenced tolling agreement and will remain available to defendant if the complaint is refiled by plaintiff.

3. The parties stipulate that while this motion is pending, Plaintiff will not attempt to hold Defendant in default and no answer to the complaint shall be required by Defendant.

4. The parties agree that this action should be dismissed without prejudice, and that they shall each pay their own costs and attorneys' fees.

5. A form of Order is attached for the Court's convenience.

WHEREFORE, the parties respectfully request that the Court grant their Joint Motion to Dismiss Without Prejudice.

Respectfully submitted this ____ day of _____, 2002.

JAMES F. ENGELKING, P.C.	DUFFORD & BROWN, P.C.
_____	_____
James F. Engelking, #3885	Eugene F. Megyesy, #1161 Joanne Herlihy, #17838
Attorney for Plaintiff	Attorneys for Defendant

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1447 Greene Street, P.O. Box 441, Silverton CO 81433 **Plaintiff:** SAN JUAN CORP. **Defendant:** SUNNYSIDE GOLD CORPORATION	▲ COURT USE ONLY ▲ Case Number: 2002CV3 Div.: Ctrm.:

ORDER GRANTING JOINT MOTION TO DISMISS WITHOUT PREJUDICE

THIS MATTER is before the Court on the parties Joint Motion to Dismiss Without Prejudice and the Court having reviewed the Motion and thereby being fully informed on the matter.

IT IS ORDERED that the action and all claims asserted therein are dismissed without prejudice, the period of limitations set forth in the applicable statutes shall be tolled as provided for in the Joint Motion to Dismiss Without Prejudice, and any defenses Defendant had on July 23, 2002 shall not be affected by such tolling, each party to pay its own costs and attorneys' fees.

DATED this _____ day of _____, 2002.

BY THE COURT:

_____

District Court Judge

ATTACHMENT B
Mutual Release

MUTUAL RELEASE, COVENANT NOT
TO SUE, AND SETTLEMENT AGREEMENT

This Mutual Release, Covenant Not To Sue, And Settlement Agreement (sometimes hereinafter referred to as "the Agreement") is entered into effective upon its execution by all parties, by and between San Juan Corp. ("San Juan") and Sunnyside Gold Corporation ("Sunnyside"). San Juan and Sunnyside are sometimes referred to hereinafter as "the parties".

RECITALS

1. San Juan filed a lawsuit styled *San Juan Corp, plaintiff, v. Sunnyside Gold Corporation, defendant*, San Juan County District Court, Case No. 2002-CV-03 (the "Lawsuit"), raising claims related to the Mogul Mine;

2. Without admitting or denying any of the claims, counterclaims and allegations made in the Lawsuit, the parties now desire to compromise and settle all disputes between them, whether or not raised in the Lawsuit.

NOW THEREFORE, in consideration of the performance by each of the parties of their respective obligations contained in that certain Agreement between them dated November ___, 2002, the terms, covenants and conditions contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows.

COVENANTS

1. The Recitals set forth above are incorporated by reference herein.

2. San Juan, for itself and its successors and assigns, does hereby remise, release and forever discharge Sunnyside, respective officers, directors, employees, attorneys, representatives, parent, subsidiaries, affiliates, stockholders, agents, servants, successors and assigns, of and from any and all claims, actions, causes of action, demands, rights, covenants, contracts, controversies, agreements, damages, costs, promises, expenses, and compensation, at law or in equity, known or unknown (collectively "all claims"), which San Juan, its successors or assigns, or any of them, may now have or may in the future have, including without limitation all claims in connection with, on account of, or in any way related to the Mogul Mine, and all claims in any way related to, arising from, involved, or which could have been made in the Lawsuit.

San Juan, for itself and its successors and assigns, covenants and agrees henceforth not to commence or prosecute, or to cause, permit, or advise to be commenced or prosecuted, any action or proceeding against Sunnyside, its officers, directors, employees, agents, servants, attorneys, representatives, parent, subsidiaries, affiliates, stockholders, successors or assigns, based upon any claims dealing in whole or in part with any act, omission to act, transaction, practice or conduct of Sunnyside, its officers, directors, employees, agents, servants, attorneys, representatives, parents, subsidiaries, affiliates, stockholders, successors or assigns, which act, omission to act, transaction, practice or conduct arose, occurred or failed to occur prior to the date of the execution of this Agreement and which claims in any way relate to, arise from, or are involved or which could have been made in the Lawsuit, or San Juan's ownership of the Mogul Mine.

Sunnyside, for itself and its successors and assigns, does hereby remise, release and forever discharge San Juan, its officers, directors, employees, attorneys, representatives, parent, subsidiaries, affiliates, stockholders, agents, servants, successors and assigns, of and from any and all claims, actions, causes of action, demands, rights, covenants, contracts, controversies, agreements, damages, costs, promises, expenses, and compensation, at law or in equity, known or unknown (collectively "all claims"), which Sunnyside, its successors or assigns, or any of them, may now have or may in the future have, including without limitation all claims in connection with, on account of, or in any way related to the Mogul Mine, and all claims in any way related to, arising from, involved, or which could have been made in the Lawsuit.

Sunnyside, for itself and its successors and assigns, covenants and agrees henceforth not to commence or prosecute, or to cause, permit, or advise to be commenced or prosecuted, any action or proceeding against San Juan, its officers, directors, employees, agents, servants, attorneys, representatives, parent, subsidiaries, affiliates, stockholders, successors or assigns, based upon any claims dealing in whole or in part with any act, omission to act, transaction, practice or conduct of San Juan, its officers, directors, employees, agents, servants, attorneys, representatives, parent, subsidiaries, licensees, affiliates, stockholders, successors or assigns, which act, omission to act, transaction, practice or conduct arose, occurred or failed to occur prior to the date of the execution of this Agreement and which claims in any way relate to, arise from, or are involved or which could have been made in the Lawsuit, or San Juan's ownership of the Mogul Mine.

The undersigned agree that the intent of this Agreement is to make the releases and covenants not to sue contained in this Agreement all encompassing among themselves, their attorneys, representatives, agents, parents, servants, successors and assigns. In particular, this Agreement may be invoked in favor of Echo Bay Inc., a Delaware corporation, or Salem Minerals, Inc., a Colorado corporation, and all agents, representatives, officers, directors, subsidiaries, parents and affiliates of those companies.

3. Each of the parties warrants and represents that this Agreement is executed

voluntarily with full knowledge of the consequences and the implications of the obligations and covenants contained herein. The parties also warrant and represent that they have been represented by counsel of their choice throughout the Lawsuit, throughout negotiations which preceded the execution of this Agreement except for that certain meeting between the parties on August 5, 2002,, and in connection with the preparation and execution of this Agreement, and that each party has carefully and thoroughly reviewed this Agreement in its entirety with that counsel, and that their counsel has approved it.

4. With the exception of that certain Agreement between the parties dated November ___, 2002, this Agreement shall constitute the entire agreement between the parties relating to the subject matter hereof. There are no other agreements, representations, or warranties of any kind between the parties except as expressly set forth in this Agreement, that certain Agreement dated November ___, 2002, and except as constituted by the Joint Motion And Stipulation For Dismissal Without Prejudice which has been previously filed. The parties acknowledge that, in executing this Agreement, they have relied solely on their own judgment, belief and knowledge, and such advice as they may have received from their counsel and, except for representations expressly set forth in this Agreement and that certain Agreement dated November ___, 2002, they have not been influenced by any other representation or statement.

5. No modification of, or amendment to, this Agreement shall be valid unless in a writing signed by all of the parties hereto.

6. All terms and conditions contained in this Agreement shall inure to the benefit of, and be binding upon, the respective officers, directors, employees, parents, stockholders, subsidiaries, affiliated companies, successors, and assigns of the parties.

7. The undersigned individually warrant and represent that they are authorized to execute this Agreement and that, where applicable, all necessary corporate action has been taken to authorize the execution of this Agreement.

8. Throughout this Agreement, masculine includes feminine and neuter, singular includes plural, and, when the context so requires, "and" means "and/or".

9. This Agreement may be executed in multiple counterparts, each of which, when executed, shall be deemed an original, and all of which, taken together, shall constitute one and the same instrument. The parties agree that as reasonably soon after the execution of this Agreement in counterparts, as is practicable, the parties will circulate and cause the execution of two originals of this Agreement, each of which will be, in turn, sent to each of the two parties.

10. This Agreement shall be governed, enforced and interpreted in accordance with the laws of the State of Colorado.

Dated this _____ day of _____, 20___.

SUNNYSIDE GOLD CORPORATION

By: _____
Name: _____
Title: _____

SAN JUAN CORP.

By: _____
Name: _____
Title: _____

10.d

DUPLICATE ORIGINAL # 1 OF 2

OPTION CONTRACT

THIS OPTION ("Option") is made this 17th day of March, 2014, by and between Recreation Properties, LTD("Seller"), and San Juan Corp ("San Juan Corp" and Todd Hennis ("Todd Hennis") (Collectively "Buyer").

RECITALS

WHEREAS, Seller owns, or controls entities that own, royalty, net profit interests, and participations on properties known as the Gold King and Mayflower Mines, located in San Juan County, Colorado, as more particularly described on the Exhibits A and B, hereinafter "the RP Property"; and

WHEREAS, the RP Properties are collectively referred to herein as "the Property"; and

WHEREAS, Buyer desires to purchase said royalty, net profit interests and participations from Seller; and

WHEREAS, the parties desire to enter into an Option Contract, to define the rights and obligations of each party with respect to an option to purchase the Property.

NOW THEREFORE, for mutual consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Grant of Option. a.** Seller hereby grants to Buyer an option (the "Option") to purchase all of Seller's interest in the Property, including but not limited to: (i) a 3% net smelter return royalty in the Alice/Gold King group of claims, as reserved under that certain warranty deed recorded at Reception No. 140703 in the records of the San Juan County Clerk and Recorder's Office; (ii) a 2½ % net profits interest in the Alice/Gold King Group as set out in deed recorded at Reception No. 140707; (iii) a 2% net smelter return royalty and a 2½% net profits interest in the Mayflower Group of claims as conveyed in deed recorded at Reception No. 141372 in the San Juan County public records; (iv) a 1.5% perpetual royalty interest which was conveyed to Liberty Trust Company, Trustee fbo Montgomery-Walker 1970 Trust recorded in Book 231, Pages 488 and 489 of the San Juan County records, and subsequently conveyed to Seller at Reception No. 149418, San Juan County records; and (v) a 2% royalty interest terminating on January 23, 2022, previously held by Liberty Investment Corporation and then High Mountain Properties, LLC, which was subsequently conveyed to Seller at Reception No. 149419, San Juan County records, for the purchase price of Two Hundred Ninety Thousand Dollars ($290,000), in accordance with and subject to the terms and conditions hereinafter contained, ("Option").

2. **Option Price.** Except as otherwise provided herein, the non-refundable Option consideration of Ten Thousand and 00/100 Dollars ($10,000.00) shall be paid by Buyer to Seller as provided herein (the "Option Consideration").

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The Option Consideration shall be non-refundable, except as otherwise provided below.

3. **Option Term.** The term of the Option ("Term") shall commence on the date of mutual execution of this Contract and shall continue until February 28,2016. Should Buyer fail to exercise the Option, as herein provided, then the Option granted herein shall terminate, and both parties shall be released from any and all obligations with respect to the Option of the Property. In the event of termination, the Option Consideration shall not be returned to Buyer.

4. **Exercise of Option.** At any time prior to the expiration of the Term, Buyer may notify Seller of its intent to exercise the option by delivering written notice to the Seller in the manner as set forth below. Thereafter, the option shall become effective, and closing shall occur no later than thirty days thereafter, unless mutually agreed upon by the parties. Upon said effective date, the Option shall become a contract for the sale and purchase of the Property in accordance with the terms and conditions hereof.

5. **Taxes and Other Prorations.** General real property taxes for the year in which the closing occurs shall be apportioned between the parties based upon the most recent mill levy assessment. Such apportionment shall be final. Fees for Closing Services shall be shared equally between Buyer and Seller.

6. **Title Documents.** a. In accordance with the Title Opinion letter issued by William F. Corwin, Attorney at Law, dated January 29, 2014 ("Opinion"), Buyer hereby acknowledges and agrees that Seller is the owner of, and has full power and authority to convey the Property, subject to those matters as set out in the Opinion.

b. Within ten days prior to the exercise of option, Seller will provide an updated Opinion from William F. Corwin, Attorney at Law ("Updated Opinion"). Buyer will then have an additional ten (10) days to make any objections to the Updated Opinion. Buyer's objections shall be limited to any new matters that were not previously accepted by Buyer pursuant to part (a) above. If Buyer makes an objection pursuant to the terms of this paragraph, Seller shall have until closing to clear the title back to the state of title per the Opinion set forth in subpart (a) above. If Seller fails to clear the title as provided herein, Purchaser shall have the option to either terminate this Option on or before the closing date, whereupon Seller will refund the Option Price to Buyer within ten (10) days after the Closing date; or Purchaser may waive its objection to the condition of title and closing shall occur on the closing date.

7. **Due Diligence.**

a. During the period of this Option Contract, Buyer shall have the right to conduct all inspections of the Property it deems appropriate, including, but not limited to, an evaluation of prior exploration and development of the mining claims. To that end Seller will provide to Buyer copies of all documentation related to prior exploration and development of the mining claims in its possession.

b. Seller hereby grants Buyer power of attorney to act in Seller's stead to commence and prosecute a quiet title action ("Quiet Title Action") to clear title to the Property prior to exercising the Option. If Buyer should choose to commence such an action, all costs will be borne by Buyer. The Quiet Title Action, if filed, will name Seller as Plaintiff, and may also include Buyer as a

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Plaintiff for Properties now owned or hereafter acquired by Buyer. If Buyer does not exercise the Option, all property rights quieted on behalf of Seller in the Quiet Title Action will remain in Seller's name. Seller will execute a real estate power of attorney to be attached as an exhibit to the Quiet Title Action. Buyer shall indemnify and hold Seller harmless against any judgment for attorney's fees, costs and damages if the Quiet Title Action is dismissed as a frivolous or groundless action.

8. **Warranties.** Buyer and Seller hereby represent and warrant to, and covenant with, one another that:

a. There are no actions, suits or proceedings of a material nature pending or to the best knowledge of Buyer or Seller threatened against or affecting Buyer or Seller which would affect Buyer's or Seller's ability to enter into this Option or consummate the transactions contemplated herein.

b. Buyer and Seller have full right, power and authority to execute, deliver and perform this Option without obtaining any consents or approvals from, or the taking of any other actions with respect to, any third parties and this Option constitutes the valid and binding agreement of Buyer and Seller, enforceable against Buyer and Seller in accordance with its terms.

9. **Closing.**

I. Closing Date. The purchase, sale and conveyance of the Property shall occur on a date mutually agreeable to Seller and Buyer, but in no event later than March 31, 2016

b. Conveyance of the Property. At the closing, Seller shall convey to Buyer fee simple title to the Property by Bargain and Sale Deed, subject to the Opinion that has been accepted by Buyer, as same may be revised at the conclusion of the Quiet Title Action. The conveyance is intended to include all royalty, net profits and participation now owned by Seller, or hereafter acquired by Seller, associated with the mining claims set forth on Exhibits A and B. Buyer shall have the right to designate which claims shall be conveyed to Hennis and San Juan Corp.

c. Payment of Purchase Price. The Purchase Price shall be delivered in cash or certified funds to the Title Company at the time of closing.

d. Possession of Property. Possession of the property shall be as of the Closing Date and time.

10. **Default Remedies.**

a. Failure to Exercise Option. If Buyer has not otherwise terminated the Option, as provided herein, in the event Buyer fails to pay the Option Consideration or to exercise the Option within the time periods provided herein, then in either event, the Option shall be null and void and of no further force and effect. In the event that the Option becomes null and void pursuant to this paragraph, the Option Consideration, unless otherwise to be refunded and paid to Purchaser as

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provided herein, shall be retained by Seller. In such event, Seller shall have the right to list the Property for sale.

b. Buyer's Failure to Close. If Buyer exercises the Option to purchase the Property, but thereafter fails to close on the purchase of the Property by the Closing Date, time being of the essence, then the Option shall be null and void and of no further force and effect. In the event of said termination, Seller shall retain all of the Option Consideration.

c. Seller's Failure to Close. If Buyer exercises the Option to purchase the Property, but thereafter, Seller fails to close on the purchase of the Property by the Closing Date, time being of the essence, then Buyer may elect to treat this contract as canceled, in which case the Option Price shall be returned, or Buyer may elect to treat this contract as being in full force and effect and Buyer shall have the right to specific performance, as well as appropriate damages.

12. **Miscellaneous.**

a. Recordation. A memorandum of this Agreement may be recorded with the County Clerk and Recorder of San Juan County, Colorado.

b. Real Estate Commissions. The parties warrant that neither party has utilized the services of a real estate agent, and that no commissions will be due and payable at Closing.

c. Notices. All notices, demands or other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been given five (5) business days after depositing in the United States mail, registered or certified, return receipt requested, to the address of the other party, as stated below, or when delivered to the other party by a nationally recognized overnight courier or when delivered to the other party if personally delivered. The addresses for notices are as follows:

Seller: Recreation Properties, Ltd
205 West 17th Street, Suite E
Tulsa, Oklahoma 74119-4645

With copy to: Michael D. Hockersmith
TLF, P.C.
PO Box 646
Ouray, CO 81427

Buyer: San Juan Corp and Todd Hennis
Attn: Todd Hennis
P.O. Drawer I
Silver Plume, CO 80467

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With copy to: Nancy Agro, P.C.
700 Main Avenue, Suite K
Durango, CO 81301

Either party may, by written notice, change its address for purposes of future notices.

d. Drafting. Both parties have had an opportunity to participate in drafting this Agreement, and in construing it, no relevance shall be given to the issue of who drafted it.

e. Assignability. This contract shall be assignable by either party.

f. Entire Agreement. This Agreement represents the entire and integrated agreement between the parties and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by the parties.

g. Counterparts and Faxes. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Faxed or electronic signatures shall have the same force and effect as original signatures.

h. Attorneys' Fees. If either party to this Option resorts to legal action to enforce any of the terms and provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees, court costs and other expenses of litigation. Venue and Jurisdiction for any action will be La Plata County, Colorado.

i. Headings and Captions. The headings and captions are intended for the convenience of the parties only.

IN WITNESS WHEREOF, the parties have executed this Option as of the date hereinabove written.Seller:

SELLER:
Recreation Properties, Ltd.

By: Thomas A. Warlick
Thomas A. Warlick, President

BUYER:
San Juan Corp

By: Todd C. Hennis
Todd C. Hennis, President

Todd C. Hennis
Todd Hennis, Individually

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DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** **v.** **Defendant(s): Gold King Mines Corporation, a Colorado Corporation**	▲**COURT USEONLY**▲
Attorney or Party Without Attorney: McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. Nancy Agro 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-9479 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04CV** **Div.:** **Ctrm.:**
Summons	

THE PEOPLE OF THE STATE OF COLORADO
TO THE DEFENDANT NAMED ABOVE: Gold King Mines Corporation, a Colorado Corporation

You are summoned and required to file with the Clerk of this Court an answer or other response to the attached COMPLAINT. If service of the summons and complaint was made upon you within the State of Colorado, you are required to file your answer of other response within twenty (20) days after such service upon you. If service of the summons and complaint was made upon you outside the State of Colorado, you are required to file your answer of other response within thirty (30) days after such service upon you.

If you fail to file your answer or other response to the Complaint, in writing within the applicable time period, judgment by default may be entered against you by the Court for the relief demanded in the Complaint, without any further notice to you.

The following document is also served with this Summons: COMPLAINT with exhibits, Summons for Unlawful Detainer, Motion for hearing on Temporary Restraining Order,

McDANIEL, BATY, MILLER ,AGRO, WALES & ROBBINS, L.L.C.

Date: September 28, 2004 By: _____
Nancy Agro

This Summons is issued pursuant to Rule 4, CRCP, as amended.

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DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970) 387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** **v.** **Defendant(s):Gold King Mines Corporation, a Colorado Corporation**	▲COURT USEONLY▲
Attorney or Party Without Attorney: Nancy Agro McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 382-0843 **Facsimile No.:** (970) 259-2690 **E-Mail:**agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04 CV** **Div.:** **Ctrm.:**

VERIFIED COMPLAINT

The Plaintiff, San Juan Corporation, states as its complaint against the Defendant:

I. JURISDICTION AND VENUE

1. This Court has jurisdiction over the parties and claims herein and venue is proper as the real property that is the subject matter of this action is located in San Juan County, Colorado, and the events and transactions giving rise to this case occurred in San Juan County.

II. PARTIES

2. San Juan Corp is a Colorado Corporation.

3. Gold King Mines Corporation, hereinafter Gold King, is a Colorado Corporation.

III. GENERAL ALLEGATIONS

4. On or about January 23rd, 2004, San Juan Corp. as Landlord, and Gold King Mines Corporation as Tenant entered into a lease agreement for the property described as the northern 4.23 acres of the Herbert Placer, USMS No. 13562, more specifically described as: Beginning at Corner

No. 1 of said Herbert Placer, whence USLM Florence bears S79° 50' W., 530.4 ft.; Thence, N74° 15' E., 740 ft. to corner No. 2; Thence, S11° 17E, 293 ft along line 2-3 of said Herbert Placer; Thence, N81° 10'E, 516 ft; Thence, S82° 52'W, 149 ft; Thence, N86° 56'W, 99.5 ft, to a point on line 5-1 of said Herbert Placer; Thence N3° 59'W, 180 ft, to the point of beginning, situate in San Juan County, Colorado, hereinafter the Premises. The lease is attached hereto as *Exhibit A*.

5. On or about May 25, 2004, Plaintiff caused a notice of default with a thirty day right to cure to be served on the Defendant pursuant to Paragraph 2(f) of the Lease. *See, Exhibit B, with attached return receipt evidencing service.*

6. The notice set forth distinct defaults under the lease. These defaults are as follows:

A. Failure to remove the sludges from the settling ponds on a regular basis (Paragraph 1(c)

B. Failure to notify the Landlord of any notice of violation or other information of any alleged non-compliance with any law, regulation or permit received from any governmental authority. (Paragraph 1(c). This default is presented upon the information that Gold King is being investigated for numerous violations of its permits, the Clean Water Act, and the Colorado Water Quality Control Act

C. Failure to substantially comply with all federal, state, and local laws, regulations, and ordinances, and to comply with the terms of all permits. (Paragraph 1(c) This default is presented upon the information that Gold King has had numerous violations of its permits, the Clean Water Act, and the Colorado Water Quality Control Act.

7. More than thirty days have passed without correction.

8. On or about April 15, 2004, Plaintiff served a Notice of Default on Gold King Mines Corporation regarding failure to provide electricity to the Quonset Hut. *See Exhibit C, attached hereto.*

9. On or about May 14, 2004, Defendant provided Notice of Cure of Alleged Default. *See Exhibit D, attached hereto.*

10. Defendant has had repeated defaults by failing to provide electricity.

11. On or about September 27, 2004, Plaintiff caused a Notice to Quit to be served upon the Defendant.

12. Gold King has certain discharge permits with the Colorado Water Quality Control Division. Pursuant to those permits, Gold King brings contaminated water onto the leased Premises, filters the water through several settling ponds, then discharges water off the premises. Certain particulates are left in the settling ponds.

13. Upon information and belief, once Gold King vacates the premises, the permits will be revoked. Thereafter, any discharge from the property will be in violation of the Federal Clean Water Act. Upon information and belief, the landowner may be held liable for these violations and subject to fines. In addition, there may be CERCLA liability if there are hazardous materials in the ponds, for which the landowner could be held liable.

IV. CLAIMS FOR RELIEF

A. FIRST CLAIM FOR RELIEF
(Forcible Entry and Detainer)

14. Plaintiff hereby incorporates by reference the allegations contained in the preceding paragraphs as though set forth fully herein

15. Defendant is guilty of an unlawful detainer pursuant to C.R.S. 13-40-104(1)(e) and (e.5)(I) and (II).

16. Defendant unlawfully and wrongfully holds possession of the said premises.

17. If personal service is had, pursuant to C.R.S. 13-40-115(2) and the terms of the lease, Plaintiffs request in addition to possession of the property, a judgment for damages, reasonable attorneys' fees, and any other necessary costs.

B. SECOND CLAIM FOR RELIEF
(Injunction - Prohibitive and Mandatory)

19. Plaintiff hereby incorporates by reference the allegations contained in the preceding paragraphs as though set forth fully herein.

20. Pursuant to C.R.C.P. Rule 65, Plaintiff seeks an order enjoining Gold King from the following actions:

(1) Allowing contaminated water to enter the Premises.

(2) Using the premises as a discharge point

21. Pursuant to C.R.C.P. Rule 65(f), Plaintiff seeks an order for a mandatory injunction requiring Gold King to remove all particulates from the settling ponds.

C. THIRD CLAIM FOR RELIEF
(Temporary Restraining Order)

22. Plaintiff hereby incorporates by reference the allegations contained in the preceding

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paragraphs as though set forth fully herein.

23. Pursuant to C.R.C.P. Rule 65, Plaintiff seeks a temporary restraining order prohibiting and mandating the same actions as set forth in the Second Claim for Relief.

24. Gold King's permit will terminate upon Gold King's eviction from the property. Any continued use of the settling ponds or the premises of as a discharge point will subject the Plaintiff, an innocent landowner, to penalties and fines. Additionally, said discharge may be injurious to the environment if conducted out of compliance with federal regulations. Plaintiff would thus suffer immediate and irreparable injury, loss, and damage.

V. PRAYER FOR RELIEF

Plaintiff requests that this Court enter an Order granting the following:

A. Injunctive relief as set forth above.

B. Order for Possession and Writ of Restitution for recovery of the premises

C. An award of damages, if warranted, in an amount to be determined.

D. Attorney's fees and costs in an amount to be determined.

E. Any other relief which the Court deems to be reasonable and just.

Respectfully submitted this 28 day of Sept, 2004.

McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C.

By _____
Nancy Agro
Attorney for Plaintiff

Plaintiff's Address
611 Water Street
Silver Plume, CO 80476

STATE OF COLORADO)
) ss.
COUNTY OF)

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DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** **v.** **Defendant(s): Gold King Mines Corporation, a Colorado Corporation**	▲ **COURT USEONLY** ▲
Attorney or Party Without Attorney: McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. Nancy Agro 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-9479 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04CV** **Div.:** **Ctrm.:**

SUMMONS IN UNLAWFUL DETAINER AND FOR PRELIMINARY INJUNCTION

The People of the State of Colorado
To the Defendant(s) named above:

YOU ARE HEREBY COMMANDED to appear before the District Court, located at 1060 East Second Avenue, Durango, Colorado, on October 8, at 10:00 a.m. to answer the Verified Complaint of the Plaintiff attached hereto, that you, the Defendant, are liable to the Plaintiff as set forth in the Verified Complaint resulting from your lease of the following described premises: described as the the northern 4.23 acres of the Herbert Placer, USMS No. 13562, more specifically described as: Beginning at Corner No. 1 of said Herbert Placer, whence USLM Florence bears S79° 50' W., 530.4 ft.; Thence, N74° 15' E., 740 ft. to corner No. 2; Thence, S11° 17E, 293 ft along line 2-3 of said Herbert Placer; Thence, N81° 10'E, 516 ft; Thence, S82° 52'W, 149 ft; Thence, N86° 56'W, 99.5 ft, to a point on line 5-1 of said Herbert Placer; Thence N3° 59'W, 180 ft, to the point of beginning, situate in San Juan County, Colorado.

The requirements of this Summons in Unlawful Detainer are in addition to the requirements of the attached Summons (which gives you 20 days to answer allegations and claims not related to the unlawful detainer action).

If you fail to file with the Court, at or before the time for appearance specified in the Summons in

Unlawful Detainer, an answer to the Verified Complaint setting forth the grounds upon which you base your claim for possession and denying or admitting all of the material allegations of the Verified Complaint, judgment by default may be taken against you for the possession of the property described in the complaint, for rent, if any, due or to become due, for present and future damages, and costs and for any other relief to which the Plaintiff is entitled.

Dated 9/28/04

McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C.

By _____
Nancy Agro
Attorney for Plaintiffs

This summons is issued pursuant to Rule 4, CRCP, and C.R.S. §13-40-111 as amended. A copy of the complaint must be served with this summons.

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** v. **Defendant(s): Gold King Mines Corporation, a Colorado Corporation**	▲COURT USEONLY▲
Attorney or Party Without Attorney: McDANIEL, BATY, MILLER, WALES & ROBBINS, AGRO, L.L.C. Nancy Agro 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-9479 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04CV** **Div.:** **Ctrm.:**
Motion for hearing on TRO/Injunction	

COMES NOW, the Plaintiff, by and through undersigned counsel, and moves this Court to hear Claims two and three at the time of the hearing for possession, and as grounds therefor states:

1. Claims two and three of the Complaint relate to an injunction sought after by Plaintiff.

2. Because of the nature of Defendant's activities on the property - that of moving contaminated water across the property, filtering it through settling ponds and discharging water off the property, the Federal Clean Water Act, and potentially CERCLA may have an effect on Plaintiff's property. To that end, Defendant has a permit to conduct these activities. However, that permit will, by its terms, be revoked upon eviction of the Defendant from the property. To avoid federal penalties and liability, Plaintiff believes the injunction must be in place at the time it is awarded possession of the premises.

3. Under these circumstances, Plaintiff would be entitled to a TRO, *ex parte,* which by its terms would expire ten days after issuance, and a hearing for a permanent injunction would be had. Plaintiff has not sought a TRO, *ex parte,* rather will wait for a hearing on possession to obtain its injunction.

4. No party will be injured by such hearing.

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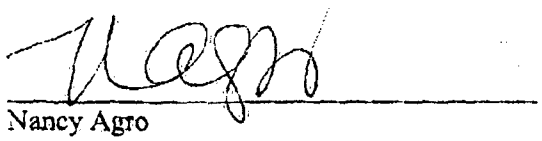
WHEREFORE, Plaintiff moves this Court for a hearing on its claims for an injunction at the time of the FED hearing on October 8, 2004.

McDANIEL, BATY, MILLER, AGRO,
WALES & ROBBINS, L.L.C.



Nancy Agro
Attorneys for Plaintiff

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DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** **v.** **Defendant(s): Gold King Mines Corporation, a Colorado Corporation**	▲COURT USEONLY▲
Attorney or Party Without Attorney: McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. Nancy Agro 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-9479 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04CV** **Div.:** **Ctrm.:**

ORDER SETTING HEARING

THIS MATTER, came before the Court upon the motion of the Plaintiff for a hearing on Claims two and three of its complaint. The Court having reviewed the motion, and finding good cause ORDERS that the hearing on Claims two and three will take place on October 8, 2004 at 10:00 a.m. when the Defendant is scheduled to appear for the FED hearing.

DONE and SIGNED this __ day of September, 2004.

BY THE COURT:

_____
District Court Judge

cc: Agro

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DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 **Plaintiff(s): San Juan Corp., a Colorado Corporation** **v.** **Defendant(s): Gold King Mines Corporation, a Colorado Corporation**	▲ **COURT USEONLY** ▲
Attorney or Party Without Attorney: McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. Nancy Agro 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-9479 E-Mail: agro@mcdaniel-law.com **Attorney Registration No.: 24910**	**Case No.: 04CV** **Div.:** **Ctrm.:**
Return of Service	

State of Colorado
County of La Plata

I declare under oath that I served the Summons, the Summons in Unlawful Detainer, and the Verified Complaint with attachments in this case on _____ in San Juan County, Colorado, on _____, 2004, at _____ o'clock __.m., at the following location:

_____

_____

by:

_____

_____

_____ I am over the age of 18 years and not a party to this case.

_____ Date_____

_____ Private process server
_____ Sheriff, _____ _____ County, _____
Service: $_____
Mileage: $_____
Other: $_____

Subscribed and sworn to before me this _____ day of _____ _,2003 by _____.

WITNESS my hand and official seal.

_____ _____ My Commission Expires: _____
Notary Public

COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

DIVISION OF ADMINISTRATION

WATER QUALITY CONTROL DIVISION

NOTICE OF VIOLATION / CEASE AND DESIST ORDER **NUMBER: IO-040923-1**

IN THE MATTER OF: **GOLD KING MINES CORPORATION**
CDPS PERMIT NO. CO-0027529
SAN JUAN COUNTY, COLORADO

Pursuant to the authority vested in the Colorado Department of Public Health and Environment's (the "Department") Division of Administration by §§25-1-109 and 25-8-302, C.R.S., which authority has been delegated to the Director of the Department's Water Quality Control Division (the "Division"), and pursuant to §§25-8-602 and 25-8-605 C.R.S., the Division hereby makes the following Findings of Fact and issues the following Notice of Violation / Cease and Desist Order:

FINDINGS OF FACT

1. At all times relevant to the alleged violations identified herein, the Gold King Mines Corporation ("Gold King") was a Colorado corporation in good standing and registered to conduct business in the State of Colorado.

2. Gold King is a "person" as defined under the Water Quality Control Act, §25-8-103(13), C.R.S. and its implementing permit regulation, 5 CCR 1002-61, §61.2(73).

3. Gold King owns and/or operates the American Tunnel wastewater treatment facility (the "Facility"), located in the Northeast ¼ of Section 21, Township 42 North, Range 7 West (Latitude 37° 53' 29" North, Longitude 107° 38' 46" West), near the town of Silverton, San Juan County, Colorado. The Facility treats mine related wastewater through a series of four unlined ponds utilizing pH adjustment and flocculation/settling treatment processes.

4. The Facility is the subject of the Colorado Discharge Permit System, Permit No. CO-0027529 (the "Permit"). The current Permit became effective on July 1, 2001 and is due to expire May 31, 2006.

5. On December 30, 2002 Sunnyside Gold Corporation ("Sunnyside") and Gold King submitted an "Application for Transfer of Ownership" to the Division, requesting the transfer of the Permit from Sunnyside to Gold King. The application was approved by the Division, and effective January 13, 2003, Gold King accepted the responsibilities, coverages, and liabilities of the Permit.

6. The Permit authorizes Gold King to discharge treated wastewater from the Facility through Outfall 004A, the outfall of the fourth treatment pond of the Facility, into Cement Creek. Outfall 004A is the only outfall permitted to Gold King. The discharge is subject to the specific effluent limits and conditions of the Permit.

7. Cement Creek is "state waters" as defined by §25-8-103(19), C.R.S. and its implementing permit regulation, 5 CCR 1002-61, §61.2 (101).

8. Pursuant to 5 CCR 1002-61, §61.8, Gold King must comply with all the terms and conditions of the Permit, and violations of such terms and conditions as specified in the Permit may be subject to civil and criminal liability pursuant to §§25-8-601 through 25-8-612, C.R.S. and the Federal Clean Water Act.

Failure to Comply with Permit Effluent Limitations

9. Pursuant to Part I.A.1. of the Permit, Gold King's permitted discharge shall not exceed the effluent limitations specified below:

EFFLUENT PARAMETER	DISCHARGE LIMITATIONS	
	30-Day Average	Daily Maximum
Flow (minimum-maximum) Units = MGD	N/A	Report
pH (minimum-maximum) Units = s.u.	N/A	7.0-10.0
Oil and Grease Units = mg/l	N/A	10
Total Suspended Solids Units = mg/l	20	30
Total Cadmium Units = mg/l	0.05	0.10
Total Copper Units = mg/l	0.15	0.30
Total Lead Units = mg/l	0.30	0.60
Total Zinc Units = mg/l	0.75	1.5
Total Dissolved Solids Units = mg/l	N/A	Report

10. Pursuant to Part I.B.1. of the Permit, Gold King is required to monitor defined effluent parameters at specified frequencies to provide an indication of compliance or non-compliance with the effluent limitations identified in the Permit.

11. Pursuant to Part I.B.1. and Part I.E. of the Permit, Gold King is required to summarize and report the analytical results of its effluent monitoring to the Division via monthly discharge monitoring reports. Each discharge monitoring report is to include a certification by Gold King that the information provided therein is true, accurate and complete to the knowledge and belief of Gold King.

12. Gold King's discharge monitoring reports for the months of January 2003 through June 2004 include, among other information and data, the following effluent concentration data for pH, Total Suspended Solids, Total Copper and Total Zinc, which exceed the effluent limitations imposed by the Permit.

GOLD KING / EFFLUENT SELF-MONITORING DATA		
DISCHARGE MONITORING REPORTING PERIOD	**SAMPLE MEASUREMENT**	**SAMPLE MEASUREMENT**
TOTAL SUSPENDED SOLIDS (IN MG/L)	**30-DAY AVG. LIMIT = 20 mg/l**	**DAILY MAX LIMIT = 30 mg/l**
May 1- May 31, 2003	-	40
TOTAL COPPER (IN MG/L)	**30-DAY AVG. LIMIT = 0.15 mg/l**	**DAILY MAX LIMIT = 0.30 mg/l**
April 1- April 30, 2003	-	0.540
TOTAL ZINC (IN MG/L)	**30-DAY AVG. LIMIT = 0.75 mg/l**	**DAILY MAX LIMIT = 1.5 mg/l**
February 1- February 28, 2003	1.67	6.46
April 1-April 30, 2003	-	4.29
January 1- January 31, 2004	4.33	8.2
February 1- February 29, 2004	1.18	1.79
March 1- March 31, 2004	.77	1.62
pH (IN STANDARD UNITS)	**MINIMIM DAILY LIMIT = 7.0 s.u.**	**MAXIMUM DAILY LIMIT = 10.0 s.u.**
February 1- February 28, 2003	-	10.8
March 1- March 31, 2003	-	10.7
April 1- April 30, 2003	-	11.5
January 1- January 31, 2004	6.2	-
May 1- May 31, 2004	3.7	-
June 1- June 30, 2004	4.5	-

13. Total Copper, Total Zinc, pH and Total Suspended Solids are "pollutants" as defined by §25-8-103(15), C.R.S. and its implementing permit regulation 5 CCR 1002-61, §61.2(76).

14. Gold King's failure to comply with the Permit effluent limitations, as identified in paragraph 12, constitutes violations of Part I.A.1. of the Permit.

Failure to Monitor Effluent Parameters

15. Pursuant to Part I.B.1. of the Permit, Gold King is required to monitor defined effluent parameters at specific frequencies. Part I.B.1. of the Permit specifies that all parameters except for Total Dissolved Solids are to be sampled weekly, while Total Dissolved Solids are to be sampled quarterly. Pursuant to Part I.C.6. of the Permit, a week consists of Sunday to the following Saturday, inclusive.

16. Division records, as provided by Gold King and supplemented by the discharge monitoring reports, establish that Gold King failed to monitor effluent quality at Outfall 004A of the Facility for the following periods and parameters.

Monitoring Period	Effluent Parameters
July 13 – 19, 2003	Flow, pH, Oil & Grease, Total Suspended Solids, Total Cadmium, Total Copper, Total Lead, Total Zinc
August 10 – 16, 2003	
September 28 – October 4, 2003	
November 9 – 15, 2003	
December 21 – 27, 2003	
December 28, 2003 – January 3, 2004	
January 4 – 10, 2004	
January 11 – 17, 2004	
January 18 – 24, 2004	
February 1 – 7, 2004	
February 8 – 14, 2004	
February 15 – 21, 2004	
February 29 – March 6, 2004	
March 14 – 20, 2004	
March 21 – 27, 2004	
March 28 – April 3, 2004	

Monitoring Period	Effluent Parameters
April 4 – 10, 2004	Total Suspended Solids, Total Cadmium, Total Copper, Total Lead, Total Zinc
April 11 – 17, 2004	
April 18 – 24, 2004	
April 25 – May 1, 2004	
May 2 – 8, 2004	
May 9 – 15, 2004	
May 16 – 22, 2004	
May 23 – 29, 2004	
May 30 – June 5, 2004	
June 6 – 12, 2004	
June 13 – 19, 2004	
June 20 – 26, 2004	
June 27 – July 3, 2004	
July 4 – 10, 2004	
2nd Quarter, 2004	Total Dissolved Solids

17. In a letter dated July 9, 2004, from Stephen C. Fearn (President of Gold King) to the Division, Gold King advised the Division that it did not have sample data for the monitoring periods covering April 1, 2004 to July 9, 2004 even though the Facility was in operation during this time period. In addition, in the letter, Gold King advised the Division that it would resume sampling during the week of July 11, 2004.

18. On August 20, 2004 the Division received discharge monitoring reports from Gold King for the monitoring periods of April, May, and June, 2004, containing monitoring data for the parameters pH, Oil & Grease, and Flow. In a subsequent phone conversation between the Division and Steven C. Fearn (President of Gold King), Mr. Fearn reported that he had conducted field sampling in that period for the above-mentioned parameters, but had not conducted testing for the parameters Total Suspended Solids, Total Cadmium, Total Copper, Total Lead, and Total Zinc.

19. Gold King's failure to perform effluent parameter monitoring, as identified in paragraph 16, constitutes violations of Part I.B.1. of the Permit.

NOTICE OF VIOLATION

Based on the foregoing Findings of Fact, you are hereby notified that the Division has determined that Gold King has violated the terms and conditions of the Permit as follows:

20. **Part I.A.1.**, which states in part, "...the permitted discharge shall not contain effluent parameter concentrations which exceed the following limitations..."

    a. The Daily Maximum effluent TSS concentration listed in paragraph 12 of the Findings of Fact constitutes a violation of the Daily Maximum effluent concentration limit of 30 mg/L.

b. The Daily Maximum effluent Total Copper concentration listed in paragraph 12 of the Findings of Fact constitutes a violation of the Daily Maximum effluent concentration limit of 0.3 mg/l.

c. The 30-Day Average effluent Total Zinc concentrations listed in paragraph 12 of the Findings of Fact constitute violations of the 30-Day Average effluent concentration limit of 0.75 mg/l.

d. The Daily Maximum effluent Total Zinc concentrations listed in paragraph 12 of the Findings of Fact constitute violations of the Daily Maximum effluent concentration limit of 1.5 mg/l.

e. The Daily Maximum effluent pH measurements listed in paragraph 12 of the Findings of Fact constitute violations of the Daily Maximum limit of 10.0 s.u.

f. The Daily Minimum effluent pH measurements listed in paragraph 12 of the Findings of Fact constitute violations of the Daily Minimum limit of 7.0 s.u.

21. **Part I.B.1.**, which states in part, "..the permitee shall monitor all effluent parameters at the following frequencies. Such monitoring will begin immediately and last for the lifetime of the permit unless otherwise noted."

a. The Failures to Monitor listed in paragraph 16 constitute violations of the requirements of the Permit, Part I.B.1.

CEASE AND DESIST ORDER

Based upon the foregoing factual and legal determinations and pursuant to §25-8-605, C.R.S., Gold King is hereby ordered to:

22. Cease and desist from all violations of the Colorado Water Quality Control Act, §§25-8-101 through 25-8-703, C.R.S., permit regulations promulgated thereto, and the Permit.

Further, the Division hereby orders Gold King to comply with the following specific terms and conditions of this Order:

23. Within thirty (30) calendar days after receipt of this Order, Gold King shall provide a written statement describing those actions that have been or will be taken to ensure that future effluent parameter monitoring and reporting will be performed as required by Part I.B.1. and Part I.B. of the Permit.

24. Within forty-five (45) calendar days of receipt of this Order, Gold King shall retain the services of a qualified individual specifically experienced in mine-related wastewater treatment to perform a detailed evaluation of the Facility's treatment methods and technologies. This evaluation shall be conducted consistent with the goal of identifying and rectifying the Facility's inability to produce effluent that is regularly in compliance with the Permit effluent limitations. The evaluation shall include, at a minimum, the following criteria:

a. An evaluation of the personnel requirements and qualifications for the operation and management of the Facility, including an evaluation of each individual's role, duties, and responsibility in ensuring the proper operation and maintenance of the Facility.

b. An evaluation of influent pollutant concentrations for all parameters/pollutants that could influence the treatment process, how each pollutant influences the treatment process, and what techniques or technologies (as they relate to the evaluated pollutants) may be utilized to produce effluent that is consistently in compliance with the Permit effluent limitations.

c. An evaluation of the differences between current and past operation and treatment techniques, and how those differences in techniques may be utilized to consistently produce effluent that is in compliance with the Permit effluent limitations.

d. An evaluation of the operating equipment, back-up/reserve equipment, treatment additives, treatment ponds, and other physical systems used in the Facility's treatment process and the impacts of each of these items on the Facility's ability to comply with the terms and conditions of the Permit. Concurrent with this shall be an evaluation of treatment options available to Gold King, but not currently utilized in the Facility treatment process. The evaluation should specifically address, but not be limited to, an evaluation of treatment pond #1, which a Division inspector found on September 8, 2004 to be full of sludge and bypassed by the waste stream.

e. An evaluation of monitoring/sampling procedures and methods at the Facility, including, at a minimum, the evaluation of laboratory and field sampling methods/procedures, sampling equipment, sampling locations, sampling frequencies and schedules for both process control sampling and compliance sampling.

f. An evaluation of whether the Facility's treatment system as a whole is adequate to properly treat the influent pollutants to a level that consistently complies with the effluent limitations of the Permit.

25. Within sixty (60) calendar days of receipt of this Order, Gold King shall provide documentation to the Division that it has retained the services of the qualified individual identified in paragraph 24. This documentation shall include at, a minimum, a copy of the written contract for such services and a copy of the scope of services to be provided.

26. Within one hundred and fifty (150) calendar days of receipt of this Order, Gold King shall submit in writing to the Division a final report on the findings of the evaluation identified in paragraph 24. Along with the findings of the evaluation, the report must identify, for each criterion, specific short-term and long-term measures that will be taken by Gold King to rectify deficiencies identified by the evaluation so that the Facility consistently produces effluent in compliance with the terms and conditions of the Permit, specifically the effluent limitations identified in the Permit. For each short-term and long-term measure identified, Gold King shall also submit a time schedule for completion of each measure. The time schedule submitted shall become a condition of this Order, and Gold King shall comply with the time schedule as submitted unless notified by the Division, in writing, that an alternate schedule is appropriate. If the Division imposes an alternate schedule, it shall also become a condition of this Order.

27. Within one hundred and fifty (150) calendar days of receipt of this Order, Gold King shall develop and submit to the Division a Facility Operations and Maintenance Manual. At a minimum the Operations and Maintenance Manual shall include the following:

    a. A written description of the personnel requirements and qualifications for the operation and management of the Facility, including a description of each individual's role, duties and responsibility in ensuring the proper operation and maintenance of the Facility,

    b. A copy of the Facility's records retention policy and/or procedures, which should specifically reference the following types of records; maintenance records, equipment inventory records, daily operation logs and both process and regulatory monitoring (sampling/analysis) records.

    c. A detailed description of the treatment processes utilized by the Facility, including, but not limited to, a description of each treatment process (Precipitation, Coagulation, Flocculation, pH control, ...etc.), operations, controls and process flow schematics and as built design drawings.

    d. A detailed description of the utility systems supporting the Facility, including backup systems.

    e. For each element of the manual that describes equipment, the manual should include copies of equipment operation manuals, user guides, preventive maintenance / trouble shooting procedures, a list of onsite replacement parts and the part storage location, and time schedules for the completion of each required maintenance activity.

    f. A detailed description of the Facility's compliance monitoring sampling/analysis procedures and monitoring schedules.

    g. A detailed description of the Facility's process testing and sampling/analysis procedures.

    h. Facility upset or emergency operation procedures, which include the following:
        i. An outline of the roles and responsibilities of the Facility operators during emergency operations.
        ii. Criteria for implementing emergency operations.
        iii. Internal and external notification procedures, including notification to the Division and downstream water users.

    i. Operator health and safety information and procedures.

28. Beginning sixty (60) calendar days from receipt of this order, and every sixty (60) calendar days thereafter, until such time as this Order is closed or the Division decrees so in writing, Gold King shall submit written progress reports to the Division. At a minimum, each report shall describe the activities undertaken in the previous sixty (60) calendar days and shall specify what activities will be undertaken within the next sixty (60) calendar days.

29. Gold King shall submit along with each written progress report, identified in paragraph 28, copies of the individual weekly laboratory and/or field sampling results of the Facility's effluent parameter monitoring required by the Permit. The first submittal shall include all monitoring data generated from April 1, 2004 to the date of the first report. Subsequent reports shall include all monitoring data generated during each applicable report period specified in paragraph 28.

30. If Gold King becomes aware of any situation or circumstances that cause Gold King to become unable to comply with any condition or time schedules set forth by this Order or by the Permit, Gold King shall provide written notice to the Division within five (5) calendar days of Gold King becoming aware of such circumstances. Gold King's notice shall describe what, if any, impacts will occur on Gold King's ability to comply with the terms and conditions of the Permit and any impacts on the remaining conditions and/or time schedules specified by this Order, and what steps are being taken to mitigate the impacts.

NOTICES AND SUBMITTALS

For all documents, plans, records, reports and replies required to be submitted by this Notice of Violation/Cease and Desist Order, Gold King shall submit an original and one copy to the Division at the following address:

Colorado Department of Public Health and Environment
Water Quality Control Division / WQCD-B2
Compliance Assurance / Enforcement Program
Attention: Jeffrey G. Coombe
4300 Cherry Creek Drive South
Denver, Colorado 80246-1530

OBLIGATION TO ANSWER AND REQUEST FOR HEARING

Pursuant to §25-8-603, C.R.S., you are required to submit to the Division an answer admitting or denying each paragraph of the Findings of Fact and responding to the Notice of Violation. Absent such an answer, the validity of the factual allegations and the Notice of Violation shall be deemed established in any subsequent proceeding.

Section 25-8-603, C.R.S. also provides that the recipient of a Notice of Violation may request the Division to conduct a public hearing to determine the validity of the Notice, including the Findings of Fact. Such request shall be filed in writing with the Division.

Both the answer and the request for hearing, if any, shall be filed no later than 30 calendar days after issuance of this order. The filing of an answer does not constitute a request for hearing.

FALSIFICATION AND TAMPERING

Be advised, in accord with §25-8-610, C.R.S., that any person who knowingly makes any false statement, representation, or certification in any application, record, report, plan, or other document filed or required to be maintained under the Colorado Water Quality Control Act or who falsifies, tampers with, or knowingly renders inaccurate any monitoring device or method required to be maintained under this article is guilty of a misdemeanor and, upon conviction thereof, shall be punished by a fine of not more than ten thousand dollars, or by imprisonment in the county jail for not more than six months, or by both such fine and imprisonment.

POTENTIAL CIVIL AND CRIMINAL PENALTIES

You are also advised that any person who violates any provision of the Colorado Water Quality Control Act (the "Act"), §§25-8-101 to 703, C.R.S., or of any permit issued under the Act, or any control regulation promulgated pursuant to the Act, or any final cease and desist order or clean-up order issued by the Division shall be subject to a civil penalty of not more than ten thousand dollars per day for each day during which such violation occurs. Further, any person who recklessly, knowingly, intentionally, or with criminal negligence discharges any pollutant into any state waters commits criminal pollution if such discharge is made without a permit, if a permit is required by the Act for such discharge, or if such discharge is made in violation of any permit issued under the Act or in violation of any Cease and Desist Order or Clean-Up Order issued by the Division. By virtue of issuing this Notice of Violation / Cease and Desist Order, the Division has not waived its right to bring an action for penalties under § 25-8-608, C.R.S, and may bring such action in the future.

RELEASE OR DISCHARGE NOTIFICATION

Pursuant to §25-8-601, C.R.S., you are further advised that any person engaged in any operation or activity which results in a spill or discharge of oil or other substance which may cause pollution of the waters of the state, shall notify the Division of the discharge. If said person fails to so notify, said person is guilty of a misdemeanor, and may be fined or imprisoned or both.

EFFECT OF ORDER

Nothing herein contained, particularly those portions requiring certain acts to be performed within a certain time, shall be construed as a permit or license, either to violate any provisions of the public health laws and regulations promulgated thereunder, or to make any discharge into state waters. Nothing herein contained shall be construed to preclude other individuals, cities, towns, counties, or duly constituted political subdivisions of the state from the exercise of their respective rights to suppress nuisances or to preclude any other lawful actions by the State.

For further clarification of your rights and obligations under this Notice of Violation / Cease and Desist Order you are advised to consult the Colorado Water Quality Control Act, §§25-8-101 to 703, C.R.S., and regulations promulgated thereunder, 5 CCR 1002.

Issued at Denver, Colorado, this 23rd day of September, 2004.

FOR THE COLORADO DEPARTMENT OF PUBLIC HEALTH AND ENVIRONMENT

Mark T. Pifher, Director
Water Quality Control Division

11
10c.

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: Address:1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 IN THE MATTER OF THE APPLICATION OF SAN JUAN CORP, FOR AN ORDER AUTHORIZING THE PUBLIC TRUSTEE OF THE COUNTY OF SAN JUAN, STATE OF COLORADO, TO SELL CERTAIN REAL PROPERTY UNDER A POWER OF SALE CONTAINED IN A DEED OF TRUST (GOLD KING MINES CORPORATION)	▲COURT USE ONLY▲
Attorney or Party Without Attorney: Nancy Agro McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-2690 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.:** 24910	Case No.: 05 CV 4 Div.: Ctrm.:
NOTICE	

TAKE NOTICE THAT YOU MAY BE AFFECTED BY THE FORECLOSURE OF A DEED OF TRUST ON THE REAL PROPERTY DESCRIBED BELOW.

San Juan Corp, Applicant, has filed a Motion with this Court, claiming to be the owner of a promissory note in the original amount of $80,500, dated November 14, 2002, and executed by Gold King Mines Corporation, and a deed of trust to the Public Trustee of San Juan County, Colorado, dated November 14, 2002, securing said note, executed by Gold King Mines Corporation, and recorded November 19, 2002, at Reception No. 142215 of the records of San Juan County, Colorado.

The Motion claims that San Juan Corp is entitled to foreclose the deed of trust and the indebtedness secured thereby is in default because the note described above is now past due and in default, for lack of annual interest installment.

The Motion requests a Court Order authorizing the Public Trustee to sell the following real property in San Juan County, Colorado:

The following Ross Basin Mine Claims
In the Eureka Mining District, San Juan County, Colorado:

NG, U.S. Mineral Survey No. 466
Winchester, U.S. Mineral Survey No. 467
Ross, U.S. Mineral Survey No. 491
Mountain Eagle, U.S. Mineral Survey No. 770
Grivitzka, U.S. Mineral Survey No. 2104

Norman, U.S. Mineral Survey No. 2105.

If you dispute the default or other facts claimed by Applicant to justify this foreclosure, or if you are entitled to protection against this foreclosure under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, you must make a written response to the Motion, stating under oath the facts upon which you rely and attaching copies of all documents which support your position. This response must be filed with the Clerk of this Court, at the Office of the clerk of the District Court, together with a response fee of $70.00, at San Juan County Courthouse, 1557 Greene Street, Silverton, CO, **no later than March 15, 2005, and a copy of the response must also be mailed or delivered by the same date to Nancy Agro, McDaniel, Baty, Miller, Agro, Wales & Robbins, L.L.C., 1040 Main Avenue, Durango, CO 81301.**

A hearing on the Motion is scheduled for March 19, 2005 at 11:00 A.M., in the District Courtroom of the Honorable Judge Lyman at the La Plata County Courthouse at 1060 East Second Avenue, Durango, Colorado. You may attend this hearing with or without an attorney.

IF NO RESPONSE IS FILED By MARCH 15, 2005, THE COURT MAY, WITHOUT A HEARING AND WITHOUT FURTHER NOTICE, AUTHORIZE THE FORECLOSURE AND A PUBLIC TRUSTEE'S SALE.

***NOTE:* IF THIS CASE IS NOT FILED IN A COUNTY WHERE YOUR PROPERTY IS LOCATED, YOU HAVE THE RIGHT TO ASK THE COURT TO MOVE THE CASE TO THAT COUNTY. YOUR REQUEST MAY BE MADE AS A PART OF YOUR RESPONSE OR ANY PAPER YOU FILE WITH THE COURT AT LEAST FIVE (5) DAYS BEFORE THE HEARING.**

DATED at Durango, Colorado, this 17th day of February, 2005

McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C.

Nancy Agro
Attorneys for Applicants

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: Address:1557 Greene Street, Silverton, CO 81433 Telephone No.: (970)387-5790 IN THE MATTER OF THE APPLICATION OF SAN JUAN CORP, FOR AN ORDER AUTHORIZING THE PUBLIC TRUSTEE OF THE COUNTY OF SAN JUAN, STATE OF COLORADO, TO SELL CERTAIN REAL PROPERTY UNDER A POWER OF SALE CONTAINED IN A DEED OF TRUST (GOLD KING MINES CORPORATION)	▲COURT USE ONLY▲
Attorney or Party Without Attorney: Nancy Agro McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C. 1040 Main Avenue Durango, CO 81301 **Telephone No.:** (970) 247-1113 **Facsimile No.:** (970) 259-2690 **E-Mail:** agro@mcdaniel-law.com **Attorney Registration No.:** 24910	Case No.: 05 CV3 Div.: Ctrm.:
NOTICE	

COPY

TAKE NOTICE THAT YOU MAY BE AFFECTED BY THE FORECLOSURE OF A DEED OF TRUST ON THE REAL PROPERTY DESCRIBED BELOW.

San Juan Corp, Applicant, has filed a Motion with this Court, claiming to be the owner of a promissory note in the original amount of $34,500, dated November 14, 2002, and executed by Gold King Mines Corporation, and a deed of trust to the Public Trustee of San Juan County, Colorado, dated November 14, 2002, securing said note, executed by Gold King Mines Corporation, and recorded November 19, 2002, at Reception No. 142214 of the records of San Juan County, Colorado.

The Motion claims that San Juan Corp is entitled to foreclose the deed of trust and the indebtedness secured thereby is in default because the note described above is now past due and in default, for lack annual interest installment.

The Motion requests a Court Order authorizing the Public Trustee to sell the following real property in San Juan County, Colorado:

The following Mogul Mine Claims
In the Eureka Mining District, San Juan County, Colorado:

Rob the Ranter, U.S. Mineral Survey No. 778
Side Dish Lode, U.S. Mineral Survey No. 5475

If you dispute the default or other facts claimed by Applicant to justify this foreclosure, or if you are entitled to protection against this foreclosure under the Soldiers' and Sailors' Civil Relief Act of 1940, as amended, you must make a written response to the Motion, stating under oath the facts upon which

you rely and attaching copies of all documents which support your position. This response must filed with the Clerk of this Court, at the Office of the clerk of the District Court, together with a response fee of $70.00, at San Juan County Courthouse, 1557 Greene Street, Silverton, CO, **no later than March 14, 2005, and a copy of the response must also be mailed or delivered by the same date to Nancy Agro, McDaniel, Baty, Miller,Agro, Wales & Robbins, L.L.C., 1040 Main Avenue, Durango, CO 81301.**

A hearing on the Motion is scheduled for March 18, 2005 at 11:00 A.M., in the District Courtroom of the Honorable Judge Lyman in the La Plata County Courthouse at 1060 East Second Avenue, Durango, Colorado. You may attend this hearing with or without an attorney.

IF NO RESPONSE IS FILED BY MARCH 14, 2005, THE COURT MAY, WITHOUT A HEARING AND WITHOUT FURTHER NOTICE, AUTHORIZE THE FORECLOSURE AND A PUBLIC TRUSTEE'S SALE.

***NOTE:* IF THIS CASE IS NOT FILED IN A COUNTY WHERE YOUR PROPERTY IS LOCATED, YOU HAVE THE RIGHT TO ASK THE COURT TO MOVE THE CASE TO THAT COUNTY. YOUR REQUEST MAY BE MADE AS A PART OF YOUR RESPONSE OR ANY PAPER YOU FILE WITH THE COURT AT LEAST FIVE (5) DAYS BEFORE THE HEARING.**

DATED at Durango, Colorado, this _____ day of February, 2005

McDANIEL, BATY, MILLER, AGRO, WALES & ROBBINS, L.L.C.

_____

Nancy Agro
Attorneys for Applicants

DRAFT COPY 10d.

DISTRICT COURT, SAN JUAN COUNTY, COLORADO Court Address: 1557 Greene Street, Silverton, CO 81433 Telephone No.: (970) 387-5790 TODD C. HENNIS, SAN JUAN CORPORATION, a Colorado Corporation, SALEM MINERALS, INC., a Colorado corporation, and RECREATION PROPERTIES, LTD., a Colorado corporation, Plaintiffs, v. WAYNE MOORE a/k/a Lee Wayne Moore, Wayne and Jo Ann Moore Charitable Foundation, Moore Loyal Trust, San Juan Gold King Mines, Inc., a Colorado corporation, Gold King Mines Corporation, a Colorado corporation, Pitchfork "M" Corporation, a Texas Corporation, Liberty Trust Company, Trustee fbo Montgomery-Walker 1970 Trust dated 12/30/70, William Michael Furman, Dan Field, High Mountain Properties, L.L.C., an Oklahoma limited liability company, Liberty Trust Company, Trustee, fbo "Undisclosed Trust" dated January 21, 1972, a Texas Corporation, Liberty Investment Corporation, Commonwealth Chartered Trust Company, Ltd., E.W. Ohlson, Apache Energy and Minerals Company, a Colorado corporation, the last known Board of Directors of Apache Energy and Minerals Company: Roland McEldowney, Dermot Ross-Brown and Gary Sims, Alamo Bancorp, Shenandoah, Ltd., Pearl Carter Moore, Edgar Buchanan, the Estate of Robert K. Gerow, the Estate of George A. Tromley, San Juan County Mining Venture, ASARCO, INCORPORATED, Public Trustee of San Juan County, Colorado, and all unknown persons who claim any interest in the subject matter of this action; and the heirs, devisees, executors, administrators, grantees, alienees and assignees of any of the individual defendants herein who may be deceased.	>COURT USE ONLY>
	15CV3000
DECREE QUIETING TITLE	

THIS MATTER came before the Court upon the Complaint to Quiet Title filed by Plaintiffs.

THE COURT FINDS:

That each Defendant herein has been properly served as required by law and rule of Court; that **Lindsey Nicholson, Reg. No. 28828**, Attorney at Law, has been heretofore appointed and appeared for any and all Defendants who are in, or who may be in, or who may have been ordered

to report for induction into, the military service as defined by the Service Member Civil Relief Act, 50 USC 520, as amended; that this is an action in rem affecting specific real property; that the Court has jurisdiction of all parties to this action and of the subject matter thereof; that the allegations of the Complaint are true; that every claim made by said Defendants is unlawful and without right; that no Defendant herein has any title or interest in or to the property described herein or any part thereof, therefore,

IT IS ADJUDGED AND DECREED THAT, Plaintiffs, at the time of the commencement of this proceeding, were, and they now are, the owners in fee simple with right possession of the following real property in San Juan County, Colorado

Claims owned by Plaintiff: San Juan Corporation[redacted]

Alice lode mining claim, U.S.M.S. 17371, Eureka Mining District;
Governor lode mining claim, U.S.M.S. 17371, Eureka Mining District;
Libbie Bauder Extension lode mining claim, U.S.M.S. 17371, Eureka Mining District;
Anglo Saxon lode mining claim, U.S.M.S. 14875, Eureka Mining District;
A.P. Hill lode mining claim, U.S.M.S. 1922, Eureka Mining District;
American lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Libbie Bauder lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Soule lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Standard lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Sunshine lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Waterville lode mining claim, U.S.M.S. 14704, Eureka Mining District;
Harrison Mill Site, U.S.M.S. 1471GB, Eureka Mining District;
Success placer mining claim, U.S.M.S. 1914, Eureka Mining District;
Gold King lode mining claim, U.S.M.S. 5689, Eureka Mining District;
Gold King No. 1 lode mining claim, U.S.M.S. 14707, Eureka Mining District; Gold King No.2 lode mining claim, U.S.M.S. 11640, Eureka Mining District; Gold King No.3 lode mining claim, U.S.M.S. 14709, Eureka Mining District; I.X.L. lode mining claim, U.S.M.S. 1923, Eureka Mining District;
Sampson lode mining claim, U.S.M.S. 1618A, Eureka Mining District;
Sampson millsite, U.S.M.S. 1618B, Eureka Mining District;
Sampson No. 2lode mining claim, U.S.M.S. 1619A, Eureka Mining District;
Sampson No.2 millsite, U.S.M.S. 1619B, Eureka Mining District;
Gold King Extension lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Gold King Extension No. 1 lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Gold King Extension No. 2lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Gold King Extension No.3 lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Gold King Extension No. 4lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Gold King Extension No. 5lode mining claim, U.S.M.S. 19965, Eureka Mining District;
Hoffman lode mining claim, U.S.M.S. 5782, Eureka Mining District;
Portland Consolidated lode mining claim, U.S.M.S. 13330, Eureka Mining District;

Paul lode mining claim, U.S.M.S. 2387A, Eureka Mining District; and the
Lizzie Deming lode mining claim, U.S.M.S. 2685A, Eureka Mining District;

Claims owned by Plaintiff: Todd C. Hennis/Salem Minerals Inc. (Mayflower group)

Argentine lode mining claim, U.S.M.S. 11380A, Animas Mining District;
B.S.G.lode mining claim, U.S.M.S. 20564, Animas Mining District;
C.A.C. lode mining claim, U.S.M.S. 20564, Animas Mining District;
G.H.M. lode mining claim, U.S.M.S. 20564, Animas Mining District;
J.R.W. lode mining claim, U.S.M.S. 20564, Animas Mining District;
Dives Fraction lode mining claim, U.S.M.S. 20059, Animas Mining District; Gold Bug lode mining claim, U.S.M.S. 14393A, Animas Mining District; Gold Bug millsite, U.S.M.S. 14393B, Animas Mining District;
Huntington lode mining claim, U.S.M.S. 15351, Animas Mining District;
Kuroki lode mining claim, U.S.M.S. 17788, Animas Mining District;
Togo lode mining claim, U.S.M.S. 17788, Animas Mining District;
Mayflower lode mining claim, U.S.M.S. 1568, Animas Mining District;
Mayflower No. 2 lode mining claim, U.S.M.S. 16551, Animas Mining District;
Mountain Quail lode mining claim, U.S.M.S. 1157, Animas Mining District;
North Star lode mining claim, U.S.M.S.297, Animas Mining District;
Slide lode mining claim, U.S.M.S. 1331, Animas Mining District;
Terrible lode mining claim, U.S.M.S. 272, Animas Mining District; and the
Yellow Jacket lode mining claim, U.S.M.S. 311, Animas Mining District.

together with the following royalty interests owned by Plaintiff Recreation Properties, Ltd:

the following royalty, net profits interests and participations on properties known as the Gold King and Mayflower mines situate in San Juan County, Colorado, as follows:

(i) a 3% net smelter return royalty in the Alice/Gold King group of claims as reserved under that certain warranty deed recorded at Reception No. 140703 (San Juan County records);
(ii) a 2 1/2% net profits interest in the Alice/Gold King group as set forth in deed recorded at Reception No. 140707;
(iii) a 2% net smelter return royalty and 2 1/2% net profits interest in the Mayflower group of claims as conveyed in deed recorded at Reception No. 141372 (San Juan County records);
(iv) a 1.5% perpetual royalty interest which was conveyed to Liberty Trust Company, Trustee fbo Montgomery-Walker 1970 Trust recorded in Book 231, Pages 488 and489 of the San Juan county records, and subsequently conveyed to Plaintiff at Reception No. 149418 (San Juan County records);
(v) a 2% royalty interest terminating on January 23, 2022 previously held by Liberty Investment Corporation and then High Mountain Properties, LLC which was subsequently conveyed to Plaintiff at Reception No. 149419 (San Juan County records).

"the Property".

The fee simple title in and to said real property be and the same is hereby quieted in the plaintiffs in the percentage set forth above, and that each of the Defendants has no right, title, or interest in or to the said real property or any part thereof.

SIGNED this _____ day of _____, 2016.

BY THE COURT:

_____
DISTRICT COURT JUDGE

Approved as to form.

_____
Military Attorney

State of Colorado
County of San Juan } ss
Filed for record the 11 day of Aug A. D. 19 85 at 1:00 o'clock P. M.
Reception No. 132561 Book 236 Page 187-202
Mary L Anderson, Recorder

(12)

INDEXED

MEMORANDUM OF SUNNYSIDE-GERBER VENTURE AGREEMENT

NOTICE IS HEREBY GIVEN of that certain Sunnyside-Gerber Mining Venture Agreement ("Agreement") made and entered into effective as of the 17th day of October, 1986 (the "effective date") by and between Gerber Minerals Corporation ("Gerber"), Springs Consultants, Inc. ("Springs"), Gold King Investors 1985, Ltd. ("Gold King 1985") Gold King Investors 1986 Ltd. ("Gold King 1986") and Sunnyside Gold Corporation ("Sunnyside"). The Participants to the Agreement have agreed to undertake mineral Exploration, Development and, if warranted, Mining of Products within the exterior boundaries of the area described in Part 1 of Exhibit A to this Memorandum (the "Properties"). The Agreement shall be the exclusive means by which the Participants, or any of them or any of their Affiliates, engage in any activity within the Properties; engage in marketing Products from the Properties; or engage in any other lawful purposes related or incidental to the foregoing. Unless the Agreement is earlier terminated according to its terms, the Agreement shall be from October 17, 1986 through the entire term of the Gold King Lease, as amended (which is described in Part 1 of Exhibit A to this Memorandum), and for so long thereafter as Products are produced from lands subject to the Agreement, including, but not limited to, the real property and interests described in Part 1 of Exhibit A to this Memorandum.

This Memorandum is executed for the purpose of affording notice of the existence of the Agreement and the terms and provisions thereof, which terms and provisions are incorporated herein by reference for all purposes. This Memorandum is not intended to alter or vary the terms of the Agreement, nor is it intended to list or summarize all of the pertinent terms and provisions of the Agreement. Persons needing access to a copy of the Agreement should direct their inquiries to the Manager at the address set forth below. All capitalized words in this Memorandum have the same meaning as assigned to them in the Agreement. Some of the pertinent terms and provisions of the Agreement are hereby summarized as follows:

1. The Gerber Group (which is comprised of Gerber, Springs, Gold King 1985 and Gold King 1986), as its Initial Contribution, has contributed the Properties described in Part 1 of Exhibit A for the purposes set forth in the Agreement. Sunnyside, as its Initial Contribution and Purchase Payment, has contributed monetary consideration and exploration and development work on the Properties as provided in the Agreement.

2. During the Exploration Phase, the Participants shall have the following initial Participating Interests in the Properties:

Sunnyside	33.33%
Gerber	18.99%
Springs	29.68%
Gold King 1985	12.00%
Gold King 1986	6.00%

If Sunnyside elects to proceed with the Development Phase, the Participants shall have the following Participating Interests in the Properties:

Sunnyside	51.0%
Gerber	12.1%
Springs	18.9%
Gold King 1985	12.0%
Gold King 1986	6.0%

The Participants will provide record notice of Sunnyside's election to proceed with the Development Phase.

3. A Participant's Participating Interest shall be changed in accordance with Article VI of the Agreement. In the event that the Participating Interests of the Participants vary from the percentages set forth in Paragraph 2 of this Memorandum, notice of such a change will be placed of record by the Participants.

4. Pursuant to Section 6.4 of the Agreement, if a Participant defaults in making a contribution or cash call required by the Agreement, and except as provided in Section 6.4(a) of the Agreement, the nondefaulting Participant may advance the defaulted contribution on behalf of the defaulting Participant and treat the same, together with any accrued interest, as a demand loan bearing interest from the date of the advance at the rate provided in Section 10.3 of the Agreement. The failure to repay said loan upon demand shall be a default. Each Participant shall have all rights, remedies, liens and security interests provided by law and by the

Agreement to secure any loan made under said Section 6.4(a), including interest thereon, reasonable attorneys fees and all other reasonable costs and expenses incurred in enforcing such lien or security interest, or both. Each Participant has irrevocably appointed the other Participants as its attorney-in-fact to execute, file and record all instruments necessary to perfect or effectuate the provisions of Section 6.4 of the Agreement.

5. Nothing contained in the Agreement shall be deemed to constitute any Participant the partner of any other (except for federal or state tax purposes), nor constitute any Participant the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the Participants to create, nor shall the Agreement be construed to create, any mining, commercial or other partnership. No Participant shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Participants, except as otherwise expressly provided in the Agreement. The rights, duties, obligations and liabilities of the Participants shall be several and not joint or collective. Each Participant shall be responsible only for its obligations as set out in the Agreement and shall be liable only for its share of the costs and expenses as provided therein, it being the express purpose and intention of the Participants that their ownership interests in the Properties and their ownership of the Assets and the rights acquired under the Agreement shall be as tenants in common.

6. Except as otherwise provided in the Agreement, no Participant shall permit or cause all or any part of its interest in the Properties or in the Assets of the Agreement to be sold, exchanged, encumbered, surrendered, abandoned, or otherwise terminated.

7. If any of the Properties are abandoned or surrendered pursuant to Section 14.1 of the Agreement, no Participant or its Affiliate shall acquire any interest (or rights to acquire interests) in such Properties for a period of one year following the date of such abandonment or surrender. If a Participant reacquires any interests in the Properties (or rights to acquire Properties) in violation of Section 14.2 of the Agreement, the other Participants shall have the right, within 45 days after they have actual notice of such reacquisition, to have such Properties made subject to the Agreement.

8. During the term of the Agreement, Sunnyside has the preemptive right to acquire the Participating Interest and other ownership rights of any other Participant in the Agreement, in the Assets, and in the properties described in Part 1 and Part 2 of Exhibit A to this Memorandum, upon the same terms and conditions of any bona fide offer which any other Participant has received from or proposes to make to a third party or Affiliate. If within 30 days after receiving notice that such an offer has been received by or will be made to another Participant, Sunnyside gives notice to the Participant that Sunnyside elects to acquire the Participant's

interest to which the offer applies upon the same terms and conditions offered by or to be offered to the third party or Affiliate, the interest shall be transferred to Sunnyside upon Sunnyside's tender of the purchase price. If Sunnyside fails to elect within the 30-day period to acquire the interest, Sunnyside shall have no rights in the transferred interest; provided that the Transfer to a third party or affiliate is consummated within 60 days following the expiration of the initial 30-day period, at a price and on terms no less favorable than those offered to Sunnyside. If the Transfer is not consummated within the said 60-day period, the preemptive right of Sunnyside in the interest subject to the offer shall be deemed to be revived.

9. As provided in the Agreement, paragraph 8 of this Memorandum shall not apply to the following:

(i) Incorporation of a Participant, or corporate merger, consolidation, amalgamation or reorganization of a Participant by which the surviving entity shall possess substantially all of the stock, or all of the property, rights and interests of the Participant, and shall be subject to substantially all of the liabilities and obligations of that Participant.

(ii) A grant by a Participant of a security interest in any interest in the Agreement, in any Participating Interest or in the Assets by mortgage, deed of trust, pledge, lien or other encumbrance or security agreement made in accordance with Section 15.2(g) of the Agreement and Paragraph 10(v) of this Memorandum.

(iii) A sale or other commitment or disposition of Products or proceeds from the sale of Products by a Participant upon distribution of the Products or proceeds from the sale of Products to it.

10. A Participant may Transfer to any third party all or any part of its interest in or to the Agreement, in any Participating Interest, or in its share of the Assets solely as provided in Article XV of the Agreement. If permitted by Article XV, all Transfers shall be subject to the following terms and conditions:

(i) No transferee of all or in any part of the interest of a Participant in the Agreement, any Participating Interest, or in the Assets shall have the rights of a Participant unless and until the transferring Participant has provided to the other Participants notice of the Transfer, and the transferee, as of the effective date of the Transfer, has committed in writing to be bound by the Agreement to the same extent and nature as the transferring Participant;

(ii) No Participant, without the consent of the other Participants, shall make a Transfer which shall cause termination of the tax partnership established by the Agreement;

(iii) In the event of a Transfer of less than all of a Participating Interest, the transferring Participant and its transferee shall act and be treated as one Participant;

(iv) No Participant shall Transfer any interest in the Agreement or the Assets except by Transfer of part or all of its Participating Interest;

(v) No Participant shall grant a security interest by mortgage, deed of trust, pledge, lien or any other encumbrance in, on or affecting the Properties or in any Participating Interest in the Properties listed in Parts 1 and 2 of Exhibit A to this Memorandum, the Agreement, any Participating Interest or the Assets, without the advance written consent of all other Participants. If the Transfer is the grant of a security interest by mortgage, deed of trust, pledge, lien or other encumbrance in any interest in the Agreement, in any of the Properties or in any Participating Interest in the Properties listed in Parts 1 and 2 of Exhibit A tc this Memorandum, any Participating Interest, or in a Participant's share of the Assets to secure a loan or other indebtedness of a Participant, such security interest shall be subject to and subordinate to the terms of the Agreement and the rights and interests of the other Participants thereunder. Upon any foreclosure or other enforcement of rights in the security interest, the acquiring third party shall be deemed to have assumed the position of the encumbering Participant with respect to the Agreement and the other Participants, and it shall comply with the terms and conditions applicable to a Transfer under Article XV of the Agreement;

(vi) If a sale of other commitment or disposition of Products, or of proceeds from the sale of Products by a Participant upon distribution to it pursuant to Article XI, creates in a third party a security interest in Products or proceeds therefrom prior to such distribution, such sales,

commitment, security interest or disposition shall be subject to and subordinate to the terms and conditions of the Agreement.

11. The Agreement shall terminate upon the mutual consent of the Participants, the expiration of the Agreement at the end of its term, and as otherwise provided in the Agreement. The Participants shall promptly provide record notice of the Termination of the Agreement following the occurrence of that event.

12. Sunnyside has been designated as the Manager under the Agreement. A copy of the Agreement is on file with the Manager whose address is:

Sunnyside Gold Corporation
1303 Snowden St.
Silverton, Colorado 81433
Attention: Dennis Krantz

13. This Memorandum may be executed in counterparts.

14. Subsequent to the effective date of the Agreement the name of Gerber Minerals Corporation was duly changed to "Gold King Mines Corporation," a Colorado corporation and Springs was subsequently merged into Gold King Mines Corporation pursuant to C.R.S. § 7-7-101, et seq.

EXECUTED effective as of October 17, 1986.

SUNNYSIDE GOLD CORPORATION

By: _____

GOLD KING MINES CORPORATION
for itself, Gerber Minerals
Corporation and Springs
Consultants, Inc.

By: _____

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GOLD KING INVESTORS 1985, LTD.

By: _____

GOLD KING INVESTORS 1986, LTD.

By: _____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 29th day of APRIL, 1987, by JOHN L. AZLANT, VICE PRESIDENT of Sunnyside Gold Corporation, for and on behalf of the corporation.

Carla S. Roman
Notary Public

My commission expires: January 3, 1988

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day of _____, 1986, by _____, _____ of Gerber Minerals Corporation, for and on behalf of the corporation.

_____
Notary Public

My commission expires: _____

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GOLD KING INVESTORS 1985, LTD.

By: Bernhard Free

GOLD KING INVESTORS 1986, LTD.

By: Bernhard Free

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this _____ day of _____, 1986, by _____, _____ of Sunnyside Gold Corporation, for and on behalf of the corporation.

_____
Notary Public

My commission expires: _____

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 11th day of April, 1988, by Bernhard Free, President of Gold King Mines Corporation, for and on behalf of the corporation, its predecessor corporation (Gerber Minerals Corporation) and its former subsidiary (Springs Consultants, Inc.).

CYNTHIA F. STEPHEN NOTARY PUBLIC STATE OF COLORADO

Cynthia F. Stephen
Notary Public

My commission expires: July 11, 1989

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STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 11th day of April, 1986, by Bernhard Free, as President of Gold King Mines Corporation, general partner of Gold King Investors 1985, Ltd.

CYNTHIA F. STEPHEN NOTARY PUBLIC STATE OF COLORADO

Cynthia F. Stephen
Notary Public

My commission expires: July 11, 1989

STATE OF COLORADO)
) ss.
CITY AND COUNTY OF DENVER)

The foregoing instrument was acknowledged before me this 11th day of April, 1986, by Bernhard Free, as President of Gold King Mines Corporation, general partner of Gold King Investors 1986, Ltd.

CYNTHIA F. STEPHEN NOTARY PUBLIC STATE OF COLORADO

Cynthia F. Stephen
Notary Public

My commission expires: July 11, 1989

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EXHIBIT A

PART 1 - Property Description

A. The Gold King Lease, as amended, located in San Juan County, Colorado, and described as follows:

1. Dated: September 16, 1979, amended September 16, 1985

2. Recorded: March 8, 1980, in Book 218 at Page of the records of San Juan County, Colorado, 374 and May 27, 1986 in Book 233 at Page 205 of the records of San Juan County, Colorado.

3. Parties: Pitchfork "M" Corporation, lessor, and Springs Consultants, Inc., and Gerber Minerals Corporation, lessees.

4. Properties Subject to the Agreement:

Claim Name	M.S. Number	Acres
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	7.506
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497

B. Nabob Claim

1. An undivided 1/2 interest in the Nabob mining claim - M.S. 16830, located in San Juan County, Colorado.

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PART 2 - Area Subject to Sunnyside Preemptive Rights

A. The following unpatented mining claims located by right of discovery and possession in the Eureka Mining District, San Juan County, State of Colorado.

Name of Claim	Location Certificate	Acres
Combustion 1		1.0
Combustion 2		1.0
G.M. 5	Book 229, Page 348	( )
G.M. 6	Book 229, Page 349	( )
G.M. 9	Book 229, Page 350	(approximately)
G.M. 10	Book 229, Page 351	(35.0)
G.M. 13	Book 229, Page 352	( )
G.M. 14	Book 229, Page 353	( )

B. The Gold King Lease, as amended, located in San Juan County, Colorado, and described as follows:

1. Dated: September 16, 1979, amended September 16, 1985.
2. Recorded: March 8, 1980, in Book 218 at Page 374 of the records of San Juan County, Colorado, and May 27, 1986 in Book 233 at Page 205 of the records of San Juan County, Colorado.
3. Parties: Pitchfork "M" Corporation, lessor, and Gerber Minerals Corporation and Springs Consultants, Inc., lessees.
4. Properties Subject to Gold King Lease:

Claim Name	M.S. Number	Acres
Alice	17371	5.164
American	14704	1.380
Anglo-Saxon	14875	8.890
A.P. Hill	1922	9.630
Gold King	5680	9.639
Gold King #1	14707	10.330
Gold King #2	11640	9.360
Gold King #3	14709	7.437
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	7.506
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497
Governor	17371	5.159
Harrison Mill Site	14710	4.848
I.X.L.	1923	10.330
Libbie Bauder	14704	5.805
Libbie Bauder Extension	17371	7.760
Sampson	1618A	10.038

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Sampson #2	1619A	10.330
Soule	14704	5.882
Standard (part)	14704	5.681
Sunshine	14704	7.882
Waterville	14704	2.345

Together with rights of Lessor in and to the American Tunnel and any unidentified claims, patented or unpatented, situate within the group of claims, except Golden Age, No. 16070, Hiawatha, No. 16070, Golden Crown, No. 16070, Harrison, No. 9028, and Iron Age, No. 16070. Together with the rights of Lessor in and to any eas ..ents or rights-of-way or other rights to uses of any portion of the properties described above. Together with any rights of Lessor in the tramway from the American lode claim to the Harrison Mill Site.

C. An undivided 9/18 of 100% interest in the patented mining claim known as the Nabob claim - M.S. 16830--located in San Juan County, Colorado.

D. The following patented mining claims:

Name of Claim	Patent Survey No.	Acres
Minnehaha	14425	10.331
Minnehaha #2	14425	10.331
Rouene #1	16393	10.331
Rouene #2	16393	10.331
Rouene #3	16393	10.331
Rouene #4	16393	10.331
Rouene #5	16393	10.331
Senator Hanna	16393	10.333
Senator Hanna #1	16393	9.689
Senator Hanna #2	16393	8.231
Senator Hanna #3	16393	8.231
Los Mountain	17035	1.920
Silver Gulch	17035	4.898
Rouene Lode	16393	9.501
Norman	2105	8.190
Mountain Eagle	770	7.910
Grivitza	2104	3.124
Lizzie Deming	2685-A	6.693
23rd 7th Ohio Lode Mining Claim	1429	10.330
American Eagle	13270-A	7.157
Letter B	2045	7.410
Belcher	2044	6.220
Quaker	16831	7.114
Hardluck #1	176613)	
Hardluck #2	176614)	Est 10.000
Minnehaha #3	193818)	
Paul 2787-A AM	6.900	

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Gold Chief	15535	)	
Tennessee	5985	)	
Sampson Double	15535	)	
Bucyrus Girl	15535	)	Est 58.945
O.D. & J.	15535	)	
Eastern Star	5985	)	

State of Colorado
County of San Juan } ss
Filed for record 2nd day of Oct A.D. 1989 at 10:30 A.M.
Reception No. 133582 Book 236 Page 543 - 553
Mary L. Anderson, Recorder

(12)

INDEXED

MEMORANDUM OF TERMINATION
OF
SUNNYSIDE-GERBER VENTURE AGREEMENT
BETWEEN
THE GERBER GROUP
AND
SUNNYSIDE GOLD CORPORATION
AND
ASSIGNMENT AND CONSENT

MEMORANDUM

This Memorandum shall give notice of the termination of the Sunnyside-Gerber Venture Agreement of October 17, 1986, a memorandum of which appears in the records of the Clerk and Recorder of the County of San Juan, State of Colorado at Book 236, Pages 187-202. As a result of its participation in the Sunnyside-Gerber Venture, Sunnyside Gold Corporation has earned and is entitled to retain a twenty percent (20%) undivided interest in and to the Properties that were subject to the Agreement, which Properties are more fully described in Exhibit A, attached hereto and made a part hereof. Further, Sunnyside Gold Corporation is obligated to re-assign to Gerber Minerals Corporation or its successor an undivided thirteen and one-third (13 1/3%) interest in and to the same Properties. The resultant ownership interests in the Properties after these transactions is Gold King Mines Corporation - 80% and Sunnyside Gold Corporation - 20%. The signatories hereto affirm the following for purposes of notice.

Gold King Mines Corporation, a Colorado corporation has succeeded by name change to the interests of Gerber Minerals Corporation. Springs Consultants, Inc., formerly a Colorado corporation, has been merged into Gold King Mines Corporation.

The signatories hereto further affirm that together they represent all the participating interests in the Sunnyside-Gerber Venture and that they are duly authorized to terminate the aforesaid Sunnyside-Gerber Venture Agreement and that by mutual agreement they have terminated said Agreement.

The properties affected by said termination are within San Juan County, Colorado and are more specifically described on Exhibit A attached hereto and made a part hereof.

ASSIGNMENT

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Sunnyside Gold Corporation hereby assigns, transfers and conveys to Gold King Mines Corporation an undivided thirteen and one-third percent

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(13 1/3%) interest in and to the properties described in Exhibit A, attached hereto and by this reference incorporated herein. In addition, Sunnyside Gold Corporation hereby waives, surrenders and extinguishes its preemptive right described in Sections 15.2 through 15.6 of said Sunnyside-Gerber Venture Agreement to the properties listed in Exhibit "E" attached to said Agreement, a copy of which is also attached hereto.

CONSENT TO ASSIGNMENT OF LEASE INTERESTS

This Consent is given and made this 21st day of July, 1989, by Pitchfork "M" Corporation, lessor of the First Amended Gold King Lease, a memorandum of which is recorded in the records of the Clerk and Recorder, San Juan County, Colorado, at Book 233, Page 205.

Pitchfork "M" Corporation acknowledges and consents to the termination of the Sunnyside-Gerber Venture Agreement of October 17, 1986, a memorandum of which is recorded in the records of the Clerk and Recorder of San Juan County, Colorado, at Book 236, Page 187. In connection with said termination, Pitchfork "M" Corporation gives its consent to the re-assignment of an undivided thirteen and one-third percent (13 1/3%) interest in and to that portion of the leasehold interest affecting the property described in Exhibit A attached hereto and incorporated herein by and from Sunnyside Gold Corporation, a Delaware corporation to Gold King Mines Corporation, successor in name, title and interest to Gerber Minerals Corporation and Springs Consultants, Inc., both Colorado corporations that are the named lessees in said First Amended Gold King Lease. Pitchfork "M" Corporation also consents to the surrender of preemptive right referred to hereinabove.

Pitchfork "M" Corporation further acknowledges and consents to that certain Operating Agreement of the 21st day of July, 1989, between and among Gold King Mines Corporation, a Colorado corporation, Gold King Investors 1985, Ltd., a Colorado limited partnership, Gold King Investors 1986, Ltd., a Colorado limited partnership (all referred to collectively as "Gold King") and the San Juan County Mining Venture ("San Juan"), pursuant to which from time to time, depending on operations, and contributions to the funding of operations, and until the termination of said Operating Agreement, a dilution of interests or accretion of interests of Gold King or San Juan or its members in portions of the leasehold and the properties that are subject thereto (which are the same properties as those described in Exhibit A), may occur. Pitchfork "M" Corporation further acknowledges that, as a result, Gold King or San Juan, or either of them or their members may become entitled to assignments, in whole or in part, of the undivided interests of the other in such leasehold interests in the course of their

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operations on the said properties, to which Pitchfork "M" Corporation hereby gives its consent.

This consent is granted pursuant to Section 24 of the First Amended Gold King Lease in consideration of the assurances and covenants of the parties to the aforesaid transactions that each has covenanted to assume and be bound by the terms and provisions of the First Amended Gold King Lease to the full extent of its interest therein.

In witness whereof the undersigned have caused this Assignment and Memorandum to be executed as of this 21st day of July, 1989, for themselves, their successors and assigns.

GOLD KING MINES CORPORATION,
FOR ITSELF AND AS GENERAL
PARTNER OF GOLD KING
INVESTORS 1985, LTD., and
GOLD KING INVESTORS 1986, LTD.

By: _____ President

Attest: _____ Secretary

[SEAL]

SUNNYSIDE GOLD CORPORATION

By: _____ Vice President

Attest: _____ Secretary

[SEAL]

The undersigned hereby acknowledge and consent to the foregoing notice and assignment.

ALTA GOLD CO.
Manager of Alta Bay Venture

By: _____ President

[SEAL]

ATTEST:

_____ Secretary

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WASHINGTON MINING COMPANY
Manager of San Juan County
Mining Venture

By: R. W. Graeme
Vice President

[SEAL]

ATTEST:

Secretary

In witness whereof, Pitchfork "M" Corporation has caused this Consent to be executed as of the date first written above by its duly authorized officers or agents whose signatures appear in the spaces hereinafter provided.

PITCHFORK "M" CORPORATION

By: Wm Michael Furman, President
President

ATTEST:

Secretary

[SEAL]

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ACKNOWLEDGEMENTS

STATE OF COLORADO)
) ss.
City & COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 12th day of June, 1989, by Ronald J. Hattovy, its _____ President, and by James P. Garrett, Jr., its _____ Secretary, of Gold King Mines Corporation, a Colorado corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: 2-5-93.

Tracy L. Massey
Notary Public

Address:
633-17th Street
Denver, Co 80202

TRACY L. MASSEY NOTARY PUBLIC STATE OF COLORADO

STATE OF COLORADO)
) ss.
City and COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 21st day of July, 1989, by JOHN L. AZLANT, its VICE President, and by ROBERT L. LECLERC, its _____ Secretary, of Sunnyside Gold Corporation, a Delaware corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: 5/20/91.

Marjorie A. Bates
Notary Public

Address:
~~MY COMMISSION EXPIRES 5/20/91~~
11765 W. 74th AVE.
ARVADA, COLORADO 80008

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STATE OF Texas)
) ss.
COUNTY OF Ector)

The foregoing instrument was acknowledged before me this 15th day of September, 1989, by Wm. Michael Farman, its President, and by _____, its _____ of Pitchfork "M" Corporation, a Colorado corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: 9/21/91.

Henry O. Freund
Notary Public, State of Texas
My Commission Expires
September 21, 1991

Henry O. Freund
Notary Public

Address:
P.O. Box 7159
Odessa, Tx 79760

STATE OF Utah)
) ss.
COUNTY OF Salt Lake)

The foregoing instrument was acknowledged before me this 5th day of July, 1989, by Stuart Havenstrite, its President and by Duane Moss, its _____ Secretary of Alta Gold Co., Manager of Alta Bay Venture, on behalf of the company.

Witness my hand and official seal.

My commission expires: 12-1-91.

R L Bandy
Notary Public

Address:
Salt Lake County, Utah

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STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 12th day of June, 1989, by R.W. Graeme, its Vice President, and by James M. Newcomb, its Vice ~~Secretary,~~ President of Washington Mining Company on behalf of the company, and as Manager of the San Juan County Mining Venture.

Witness my hand and official seal.

My commission expires: 2-5-93.

NOTARY PUBLIC

Mary G. Massey
Notary Public

Address:
633-17th St
Denver, Co 80202

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EXHIBIT A

to

MEMORANDUM OF TERMINATION
OF
SUNNYSIDE-GERBER VENTURE AGREEMENT
BETWEEN
THE GERBER GROUP
AND
SUNNYSIDE GOLD CORPORATION
AND
ASSIGNMENT AND CONSENT

THE PROPERTIES

Properties and Title Exceptions

A. DESCRIPTION OF THE GOLD KING LEASE

1. Dated: September 16, 1979, amended September 16, 1985.

2. Recorded: March 8, 1980, in Book 218 at Page 374 and May 27, 1986 in Book 233 at Page 205 of the records of San Juan County, Colorado.

3. Parties: Pitchfork "M" Corporation, lessor, and Springs Consultants, Inc., lessee.

4. Current Owners: Gold King Mines Corporation and San Juan County Mining Venture or its members as co-tenants.

5. Properties Subject to this Agreement:

Claim Name	M.S. Number	Acres
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	7.506
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497

6. Royalties.

a. Minimum Royalty. Section 5 of the Lease provides for the payment of a minimum royalty of $50,000 to be made to the Lessor annually on or before the anniversary date of the Lease, during the primary term, with escalated payments in secondary term.

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b. Production Royalty. Section 6 of the Lease provides for a production royalty of 6% of the net smelter returns (NSR), as defined.

c. Special Royalty. Section 6(e) of the Lease provides for a special royalty of $0.50 per ton for any ore milled on the property subject to the Lease which was not mined from the mining properties subject to the Lease, not to exceed $2,500 per month.

7. Other Burdens.

a. A non-participating royalty interest equal to 2% of the net smelter returns of any ores and minerals produced, saved and sold from an undivided one-half (1/2) interest in the Lease up to a total value of $4,000,000 payable to E.W. Ohlson pursuant to Alternative I in paragraph 10 of that certain agreement dated June 1, 1984, among E. W. Ohlson, Directors, Inc. and Gerber Minerals Corporation.

b. A term royalty interest of 2% of the net market value of any mineral or ore found or produced as milling concentrate from any milling operation in or under the claims, until January 1, 2022, was reserved to Wayne Moore of the County of Midland, State of Texas, but made payable to San Juan Gold King Mines, Inc., P.O. Box 7159, Odessa, Texas 79760. Said term royalty interest has subsequently been merged into the 6% production royalty described above in Section 1.b. of this Appendix "A."

8. Term. The term of the Lease is from September 16, 1979, through September 15, 1982, and from year to year thereafter as long as the minimum royalties provided for in Section 5 of the Lease are paid.

9. Any assertion or claim whether or not of record made by or on behalf of E.W. Ohlson, Directors, Inc., their successors or assigns, or by Edward C. Cleveland, as attorney for the same and any pending or threatened litigation by E.W. Ohlson, Directors, Inc., their successors or assigns against Sunnyside Gold Corporation, Gold King Mines Corporation, Gold King Investors 1985 Ltd., Gold King Investors 1986, Ltd., or any of their affiliates.

B. An undivided 1/2 interest in the Nabob claim - M.S. 16830, San Juan County, Colorado.

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Exhibit "E"

to

SUNNYSIDE-GERBER VENTURE AGREEMENT

1. PROPERTIES SUBJECT TO PREEMPTIVE RIGHTS.

A. The following unpatented mining claims located by right of discovery and possession in the Eureka Mining District, San Juan County, State of Colorado.

Name of Claim	Location Certificate	Acres
Combustion 1		1.0
Combustion 2		1.0
G.M. 5	Book 229, Page 348	( )
G.M. 6	Book 229, Page 349	( )
G.M. 9	Book 229, Page 350	(approximately)
G.M. 10	Book 229, Page 351	(35.0)
G.M. 13	Book 229, Page 352	( )
G.M. 14	Book 229, Page 353	( )

B. The Gold King Lease, as amended, located in San Juan County, Colorado, and described as follows:

1. Dated: September 16, 1979, amended September 16, 1985.
2. Recorded: March 8, 1980, in Book 218 at Page 374 of the records of San Juan County, Colorado, and May 27, 1986 in Book 233 at Page 205 of the records of San Juan County, Colorado.
3. Parties: Pitchfork "M" Corporation, lessor, and Springs Consultants, Inc., lessee.
4. Current Owners: Springs Consultants, Inc. - 50%
   Gerber Minerals Corporation - 50%
5. Properties Subject to Lease:

Claim Name	M.S. Number	Acres
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American	14704	1.380
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Gold King	5680	9.639
Gold King #1	14707	10.330
Gold King #2	11640	9.360
Gold King #3	14709	7.437
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	7.506
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497
Governor	17371	5.159
Harrison Mill Site	14710	4.848
I.X.L.	1923	10.330
Libbie Bauder	14704	5.805
Libbie Bauder Extension	17371	7.760
Sampson	1618A	10.038
Sampson #2	1619A	10.330
Soule	14704	5.882
Standard (part)	14704	5.681
Sunshine	14704	7.882
Waterville	14704	2.345

Together with rights of Lessor in and to the American Tunnel and any unidentified claims, patented or unpatented, situate within the group of claims, except Golden Age, No. 16070, Hiawatha, No. 16070, Golden Crown, No. 16070, Harrison, No. 9028, and Iron Age, No. 16070. Together with the rights of

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Lessor in and to any easements or rights-of-way or other rights to uses of any portion of the properties described above. Together wih any rights of Lessor in the tramway from the American lode claim to the Harrison Mill Site.

C. An undivided 9/18 of 100% interest in the patented mining claim known as the Nabob claim - M.S. 16830--located in San Juan County, Colorado.

D. The following patented mining claims:

Name of Claim	Patent Survey No.	Acres
Minnehaha	14425	10.331
Minnehaha #2	14425	10.331
Rouene #1	16393	10.331
Rouene #2	16393	10.331
Rouene #3	16393	10.331
Rouene #4	16393	10.331
Rouene #5	16393	10.331
Senator Hanna	16393	10.333
Senator Hanna #1	16393	9.689
Senator Hanna #2	16393	8.231
Senator Hanna #3	16393	8.231
Los Mountain	17035	1.920
Silver Gulch	17035	4.898
Rouene Lode	16393	9.501
Norman	2105	8.190
Mountain Eagle	770	7.910
Grivitza	2104	3.124
Lizzie Deming	2685-A	6.693
23rd 7th Ohio Lode Mining Claim	1429	10.330
American Eagle	13270-A	7.157
Letter B	2045	7.410
Belcher	2044	6.220
Quaker	16831	7.114
Hardluck #1	176613	
Hardluck #2	176614	Est 10.000
Minnehaha #3	193818	
Paul 2787-A AM	6.900	
Gold Chief	15535	
Tennessee	5985	
Sampson Double	15535	
Bucyrus Girl	15535	Est 58.945
O.D. & J.	15535	
Eastern Star	5985	
Nabob Claim	16830	

State of Colorado
County of San Juan
Filed for record at 2nd Oct. 89 1030 A
Reception No. 133588 Book 236 Pages 554-560
Mary L. Andersen, Recorder

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MEMORANDUM
OF
OPERATING AGREEMENT
BETWEEN
GOLD KING MINES CORPORATION
AND
SAN JUAN COUNTY MINING VENTURE

June 12, 1989

I. Parties: Gold King Mines Corporation, a Colorado corporation and successor to Gerber Minerals Corporation by corporate name change and Springs Consultants, Inc. by merger;

Gold King Investors 1985, Ltd., a Colorado limited partnership;

Gold King Investors 1986, Ltd., a Colorado limited partnership;

San Juan County Mining Venture, a venture of Washington Mining Company, a Maine corporation (Manager), and the Alta Bay Venture, a venture of Alta Gold Co., a Nevada corporation (Manager), Pacific Silver Corporation, a Hawaii corporation, Silver King Mines, Inc., a Nevada corporation, (collectively called the PSK Group); White Pine Gold Corporation, a Delaware corporation, Sunnyside Gold Corporation, a Delaware corporation, and Echo Bay, Inc., collectively successors in interest in the Properties to the interests of Sunnyside Gold Corporation arising under the terms of the Sunnyside-Gerber Venture Agreement of October 17, 1986, as amended, a memorandum of which appears of record at Book 236, Pages 187-202 in the records of the San Juan County Clerk and Recorder.

II. Effective Date: June 12, 1989

III. Term: Until expiration of the Gold King Lease, as amended, recorded at Book 218, Pages 374-390 and at Book 233, Pages 205, et seq. or until parties unanimously agree to terminate.

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IV. Interests of Parties:

Gold King Mines Corporation and Gold King Investors 1985, Ltd. and Gold King Investors 1986, Ltd., collectively: 80%
San Juan County Mining Venture: 20% (Title held in the name of Sunnyside Gold Corporation.)

V. Operator: Gold King Mines Corporation

VI. (A) Agreement contains provisions for adjusting ownership interests of the parties in the properties from time to time based on proportionate commitments of each to funding programs and budgets.

(B) Gold King parties grant to San Juan County Mining Venture preemptive right to purchase Gold King parties' entire interest in properties described in Exhibit "G" upon the same terms and conditions offered by a third party to Gold King parties or to be offered to a third party by Gold King parties for a period of 10 days (30 days to close) following notice to San Juan County Mining Venture that an offer has been or will be made. If San Juan County Mining Venture fails to elect to exercise preemptive right or to close within specified time period, Gold King parties may consummate transfer to third party at a price and on terms no less favorable than contained in notice to San Juan County Mining Venture within 90 days after expiration of preemptive period, failing in which, preemptive right is revived. Exceptions to preemptive right are provided for reorganizations of Gold King parties; the grant by a member of Gold King of a security interest in any interest in the Agreement, any Participating Interest or the Assets by mortgage, deed of trust, pledge, lien, or other encumbrance as provided in Agreement; or a sale or other commitment or disposition of Products or proceeds from sale of Products by a member of Gold King upon distribution to it.

VII. Properties subject to the Agreement are described in Exhibit A attached hereto; Properties subject to the preemptive right are described in Exhibit "G" attached hereto.

VIII. This Memorandum is made by the parties to the operating agreement for the purpose of giving notice of the agreement and the interests of the parties thereto. Further inquiries may be directed to Gold King Mines Corporation, 7555 East Hampden Avenue, Suite 413, Denver, Colorado 80231.

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GOLD KING MINES CORPORATION

(Seal)
Attest

Secretary

By: Ronald J. Hottovy
President

SAN JUAN COUNTY MINING VENTURE

Washington Mining Company

By: R. W. Graeme
Vice President

(Seal)
Attest

~~Secretary~~ Vice President

STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 12th day of June, 1989, by Ronald J. Hottovy, President and James P. Garrett, Jr., the Secretary, of Gold King Mines Corporation, a Colorado corporation, on behalf of the corporation and by R.W. Graeme, the Vice President, and by James M. Newcomb, the Vice ~~Secretary~~ President of Washington Mining Company, a Maine corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: 2-5-93.

Notary Public

NEDDY L. MASSEY NOTARY PUBLIC STATE OF COLORADO

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Exhibit "A"

to

OPERATING AGREEMENT

THE PROPERTIES

Properties and Title Exceptions

A. DESCRIPTION OF THE GOLD KING LEASE

1. Dated: September 16, 1979, amended September 16, 1985.

2. Recorded: March 8, 1980, in Book 218 at Page 374 and May 27, 1986 in Book 233 at Page 205 of the records of San Juan County, Colorado.

3. Parties: Pitchfork "M" Corporation, lessor, and Springs Consultants, Inc., lessee.

4. Current Owners: Gold King Mines Corporation and San Juan County Mining Venture or its members as co-tenants.

5. Properties Subject to this Agreement:

Claim Name	M.S. Number	Acres
Gold King Extension	19965	9.485
Gold King Extension #1	19965	10.136
Gold King Extension #2	19965	7.506
Gold King Extension #3	19965	6.519
Gold King Extension #4	19965	4.549
Gold King Extension #5	19965	6.497

6. Royalties.

a. Minimum Royalty. Section 5 of the Lease provides for the payment of a minimum royalty of $50,000 to be made to the Lessor annually on or before the anniversary date of the Lease, during the primary term, with escalated payments in secondary term.

b. Production Royalty. Section 6 of the Lease provides for a production royalty of 6% of the net smelter returns (NSR), as defined.

c. Special Royalty. Section 6(e) of the Lease provides for a special royalty of $0.50 per ton for any ore milled on the property subject to the Lease which was not mined from the mining properties subject to the Lease, not to exceed $2,500 per month.

7. Other Burdens.

a. A non-participating royalty interest equal to 2% of the net smelter returns of any ores and minerals produced, saved and sold from an undivided one-half (1/2) interest in the Lease up to a total value of $4,000,000 payable to E.W. Ohlson pursuant to Alternative I in paragraph 10 of that certain agreement dated June 1, 1984, among E. W. Ohlson, Directors, Inc. and Gerber Minerals Corporation.

b. A term royalty interest of 2% of the net market value of any mineral or ore found or produced as milling concentrate from any milling operation in or under the claims, until January 1, 2022, was reserved to Wayne Moore of the County of Midland, State of Texas, but made payable to San Juan Gold King Mines, Inc., P.O. Box 7159, Odessa, Texas 79760. Said term royalty interest has subsequently been merged into the 6% production royalty described above in Section 1.b. of this Appendix "A."

8. Term. The term of the Lease is from September 16, 1979, through September 15, 1982, and from year to year thereafter as long as the minimum royalties provided for in Section 5 of the Lease are paid.

9. Any assertion or claim whether or not of record made by or on behalf of E. W. Ohlson, Directors, Inc., their successors or assigns, or by Edward C. Cleveland, as attorney for the same and any pending or threatened litigation by E. W. Ohlson, Directors, Inc., their successors or assigns against Sunnyside Gold Corporation, Gold King Mines Corporation, Gold King Investors 1985 Ltd., Gold King Investors 1986, Ltd., or any of their affiliates.

B. An undivided 1/2 interest in the Nabob claim - M.S. 16830, San Juan County, Colorado.

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Exhibit "G"
to
OPERATING AGREEMENT
BETWEEN
GOLD KING MINES CORPORATION
AND
SAN JUAN COUNTY MINING VENTURE

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A. The Gold King Lease, as amended, located in San Juan County, Colorado, and described as follows:

1. Dated: September 16, 1979, amended September 16, 1985.

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4. Current Lessee: Gold King Mines Corporation

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Claim Name	M.S. Number	Acres
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American	14704	1.380
Anglo-Saxon	14875	8.890
A.P. Hill	1922	9.630
Gold King	5680	9.369
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Sampson #2	1619A	10.330
Soule	14704	5.882
Standard (part)	14704	5.681
Sunshine	14704	7.882
Waterville	14704	2.345

Together with rights of Lessor in and to the American Tunnel and any unidentified claims, patented or unpatented, situate within the group of claims, except Golden Age, No. 16070, Hiawatha, No. 16070, Golden Crown, No. 16070, Harrison, No. 9028, and Iron Age, No. 16070. Together with the rights of Lessor in and to any easements or rights-of-way or other rights to uses of any portion of the properties described above. Together with any rights of Lessor in the tramway from the American lode claim to the Harrison Mill Site.

B. An undivided 9/18 of 100% interest in the patented mining claims know as the Nabob claim - M.S. 16830 -- located in San Juan County, Colorado.

State of Colorado
County of San Juan
Filed for record on 2nd day of Oct. A.D. 89 1030 A
Recorded No. 133588 Book 236 Pages 554-560
Mary L. Andersen, Recorder

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MEMORANDUM
OF
OPERATING AGREEMENT
BETWEEN
GOLD KING MINES CORPORATION
AND
SAN JUAN COUNTY MINING VENTURE

June 12, 1989

I. Parties: Gold King Mines Corporation, a Colorado corporation and successor to Gerber Minerals Corporation by corporate name change and Springs Consultants, Inc. by merger;

Gold King Investors 1985, Ltd., a Colorado limited partnership;

Gold King Investors 1986, Ltd., a Colorado limited partnership;

San Juan County Mining Venture, a venture of Washington Mining Company, a Maine corporation (Manager), and the Alta Bay Venture, a venture of Alta Gold Co., a Nevada corporation (Manager), Pacific Silver Corporation, a Hawaii corporation, Silver King Mines, Inc., a Nevada corporation, (collectively called the PSK Group); White Pine Gold Corporation, a Delaware corporation, Sunnyside Gold Corporation, a Delaware corporation, and Echo Bay, Inc., collectively successors in interest in the Properties to the interests of Sunnyside Gold Corporation arising under the terms of the Sunnyside-Gerber Venture Agreement of October 17, 1986, as amended, a memorandum of which appears of record at Book 236, Pages 187-202 in the records of the San Juan County Clerk and Recorder.

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GOLD KING MINES CORPORATION

(Seal)
Attest

Secretary

By: Ronald J. Hottovy
President

SAN JUAN COUNTY MINING VENTURE

Washington Mining Company

By: R. W. Graeme
Vice President

(Seal)
Attest

~~Secretary~~ Vice President

STATE OF Colorado)
) ss.
COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 12th day of June, 1989, by Ronald J. Hottovy, President and James P. Garrett, Jr., the Secretary, of Gold King Mines Corporation, a Colorado corporation, on behalf of the corporation and by R.W. Graeme, the Vice President, and by James M. Newcomb, the Vice ~~Secretary~~ President of Washington Mining Company, a Maine corporation, on behalf of the corporation.

Witness my hand and official seal.

My commission expires: 2-5-93.

Notary Public

NEDDY L. MASSEY NOTARY PUBLIC STATE OF COLORADO

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Exhibit "A"

to

OPERATING AGREEMENT

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8. Term. The term of the Lease is from September 16, 1979, through September 15, 1982, and from year to year thereafter as long as the minimum royalties provided for in Section 5 of the Lease are paid.

9. Any assertion or claim whether or not of record made by or on behalf of E. W. Ohlson, Directors, Inc., their successors or assigns, or by Edward C. Cleveland, as attorney for the same and any pending or threatened litigation by E. W. Ohlson, Directors, Inc., their successors or assigns against Sunnyside Gold Corporation, Gold King Mines Corporation, Gold King Investors 1985 Ltd., Gold King Investors 1986, Ltd., or any of their affiliates.

B. An undivided 1/2 interest in the Nabob claim - M.S. 16830, San Juan County, Colorado.

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Pg 559

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to
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B. An undivided 9/18 of 100% interest in the patented mining claims know as the Nabob claim - M.S. 16830 -- located in San Juan County, Colorado.

(12)

EVALUATION REPORT V

on the

GOLD KING MINE PROPERTY
SAN JUAN COUNTY
SILVERTON, COLORADO

for

GOLD KING CONSOLIDATED, INC.
(Gold King Mines Corporation)
Las Colinas Tech Center
2112 Hurd Drive
Irving, Texas 75038

Denver, Colorado
April 10, 1992

E. D. Black, P.Eng.
MPH Consulting, Inc.

8.0 PRODUCTION

8.1 Past Production

The US Bureau of Mines reported total past production for the Gold King mine to be 665,000 tons of ore averaging 0.47 opt gold, 2.39 opt silver, 0.71% lead and 0.52% copper. Zinc production was not reported. Production from the Sunnyside mine is believed to have totalled 5,100,000 tons of ore, to 1975. Ore grade data for past production from the Sunnyside was not available to the writer, at the time of this report.

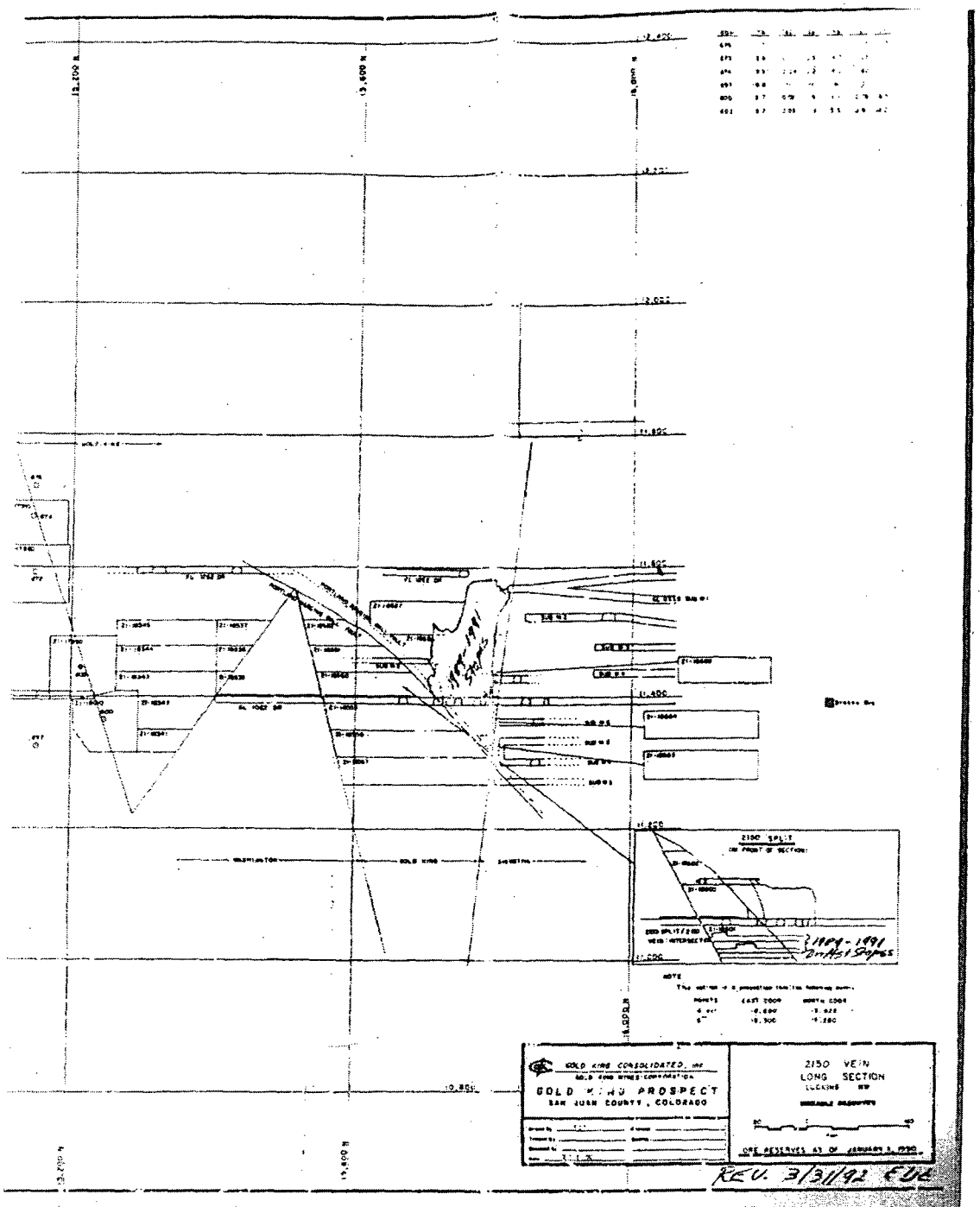
8.2 Recent Production

The main Gold King Mine claims have not been seriously mined since 1910 and therefore there are no production records since that time. During the recent rehabilitation period, Gold King Mines Corporation produced only a few hundred tons of muck that was milled at the Sunnyside (Mayflower) mill.

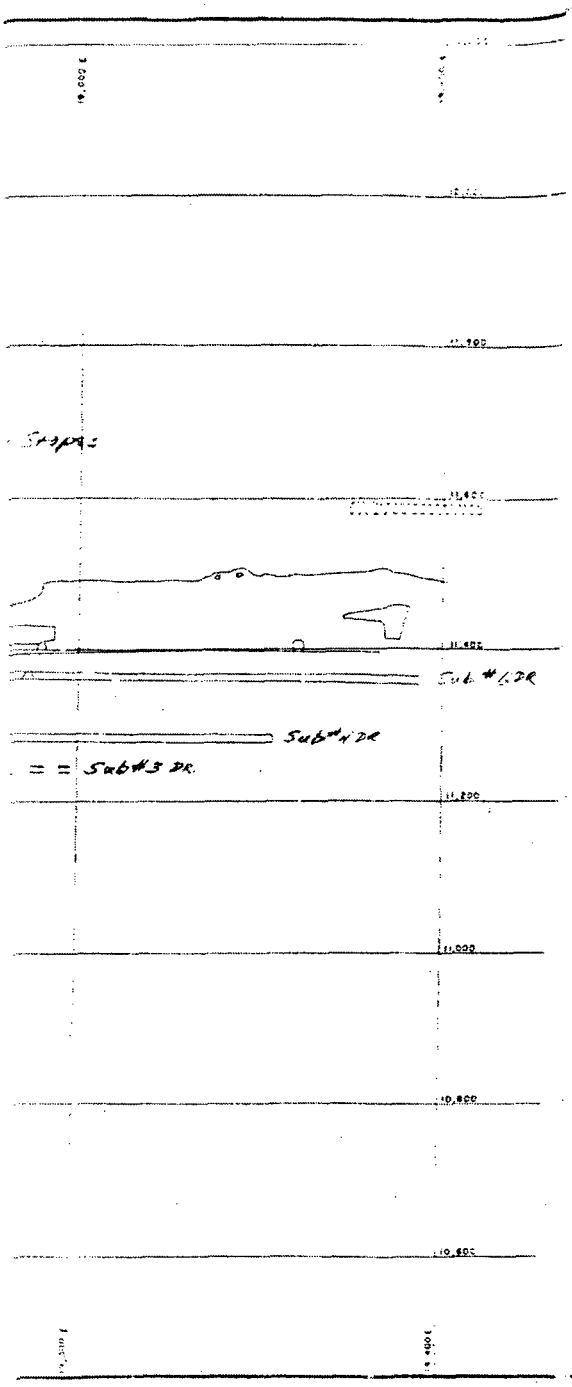
On the other hand the Gold King Extension claims experienced considerable recent development and production in the hands of various Sunnyside/Gold King partnerships and joint ventures - laterally, the San Juan County Mining Venture.

Ore production from the Gold King Extension claims was originally scheduled for late 1988 or early 1989; however, delays were experienced because of numerous organizational changes within the Sunnyside Gold group and extra time required to complete the ore-pass, develop sub-level mining drifts and carry out stope preparation. Shortly after completion problems developed in the new ore-pass, causing further delay. Production from the Gold King Extension claims did not finally begin until July of 1989.

Principal development drifts in this new mining zone were established on the "G" level and the "H" sub-levels (ie. above and below 11,500' asl). Three sud-levels were developed off the "H" level: ie. sub-3, sub-4 and sub-6, (See Dwg # 10 & Dwg # 11). Approximately 54 % of the production came from the Portland and approximately 37 % came from the 2150 vein. The 9 % balance was from vein splits and incidental development ore from raises and stope preparation on these two main vein structures, (See Table VIII).



2150 SPLIT
1989-1991
GOLD KING CONSOLIDATED, INC
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO
2150 VEIN
LONG SECTION
ORE RESERVES AS OF JANUARY 1, 1990
REV. 3/31/92 EDL



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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
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[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Diamond Drill

NOTE

The mining grid is derived using the following data:

POINT	EAST COORD	NORTH COORD
P1	10,200	[illegible]
P2	10,400	[illegible]

GOLD KING CONSOLIDATED, INC.
GOLD KING MINES CORPORATION

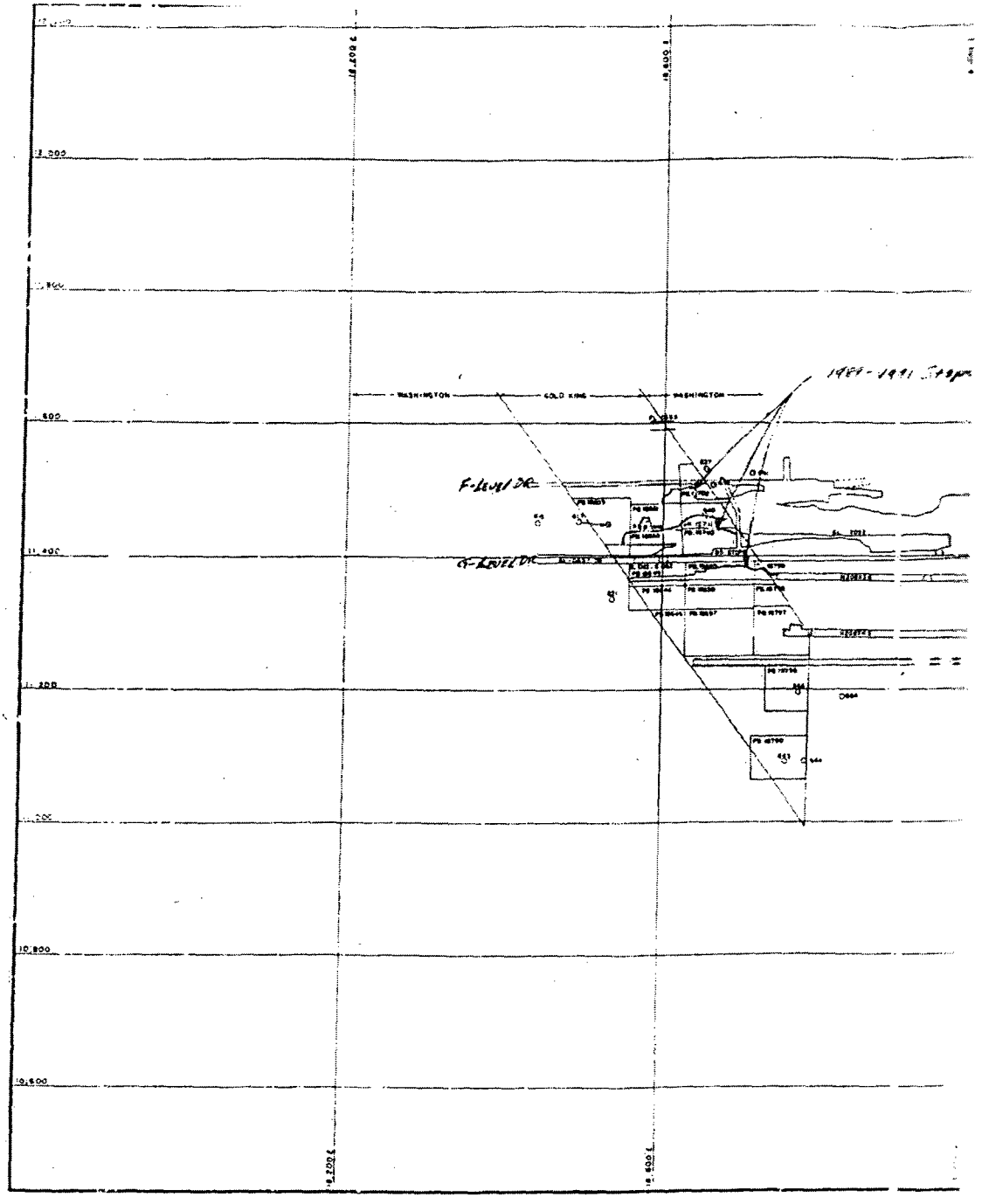
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

PORTLAND BRECCIA
LONG SECTION
LOOKING W
MINEABLE RESERVES

ORE RESERVES AS OF JANUARY, 1992

REV. 3/31/92 EDK.

DWG # 11



WASHINGTON
GOLD KING
WASHINGTON
F-LEVEL DR
G-LEVEL DR

TABLE VIII

SICM PRODUCTION RECORD

GOLD KING EXTENSION CLAIMS

SUMMARY OF PRODUCTION - UG SAMPLES & NET SMELTER VALUES

Vein Source	Wet	Dry	Au	Ag	Pb	Cu	Zn	NSV
(ore)	(st)	(st)	(%)	(%)	(%)	(%)	(%)	$
2150	12,281	11,911	0.29	3.9	3.3	0.91	5.3	132.65
Portland	17,943	17,313	0.10	2.9	4.2	0.85	7.2	79.65
Split	1,738	1,684	0.09	4.0	5.6	1.36	11.2	69.63
Incidental	1,523	1,474	0.15	2.4	2.0	0.59	3.2	76.20
Totals & Averages	33,485	32,382	0.17	3.3	3.8	0.89	6.5	98.41

N.B. st-short tons, %-percent, Au-gold, Ag-silver, Pb-lead, Cu-copper, Zn-zinc, NSV-net smelter value at time of production.

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Characterization of Environmental Hazards Identified at Mogul Mine, San Juan County, Colorado

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ABSTRACT

Currently, the Mogul Mine in San Juan County, Colorado, is suspected to be a possible producer of acid mine drainage. To determine if this is the case, a number of field and laboratory investigations were performed. These included, reporting on specific characteristics of the site, sampling and chemical analysis of water, construction of a geologic map, and lastly, sampling and acid-base accounting of three waste rock samples. From these investigations a full characterization of the site was completed. With the characterization, identification of environmental hazards associated with the mine was possible. These hazards included, high concentrations of metals and acidity in the effluent water from the main adit as well as from four separate seeps located at the base of the largest waste rock dump. The waste rock dump located at the site is also considered to be a hazard due to its discovered high acid generating capacity. To resolve the hazards identified at the mine, a remediation strategy has been proposed. This strategy includes the continued lining of the main adit drainage, diversion of the mine drainage into three newly developed wetlands, and finally making use of the current natural wetland that exists at the site.

INTRODUCTION

Within the last two decades, there has been an increasing awareness both in the public and scientific communities of the potential environmental hazards associated with mining, particularly acid mine drainage (AMD). It has been suggested that AMD has become one of the most persistent industrial pollution problems in the United States (Howard et al, 1989). For this reason, the Animas drainage basin located in the southern San Juan Mountains of Colorado, has become a region of concern as an area with AMD. With one of the highest concentrations of historical mining in Colorado, the Red Mining District and surrounding area have been targeted as a major producer of AMD. This is

due to the abundant amount of sulfide mineralization found within the geologic formations of the region.

Acid mine drainage is the result of natural oxidation of sulfide minerals contained in rock which is exposed to air and water (Gray, 1997; Hedin 1994b; Kilburn et al, 1995; Wildeman et al, 1991; Barton-Bridges and Robertson, 1989). The result of this oxidation is a low pH, sulfate rich water with high amounts of total acidity. Total acidity consists of hydrogen ion acidity and mineral acidity that is predominately iron with smaller concentrations of manganese, zinc, copper, aluminum and other metals varying with geologic deposit (Skousen et al, 1994).

Previous field studies have suggested that the Mogul Mine, located in the North Fork of Cement Creek drainage, is discharging detectable amounts of acid mine drainage into the surrounding environment (Todd Hennis, oral communication). To determine if the mine is emitting AMD, this study was initiated to characterize the site. Specifically, investigations were made to identify environmental hazards associated with the abandoned mine. The study included a thorough characterization of the mine site, done by collecting data on-site, as well as in the laboratory.

Initial investigations done at the Mogul Mine included mapping the local geology and sampling of water and waste rock found at the site. Forty water samples taken throughout the drainage associated to the mine were chemically analyzed. Metals analyzed for were iron, manganese, zinc, copper, lead, and arsenic. Methods for analysis used an atomic adsorption spectrometer from the Fort Lewis College Chemistry Department. To determine the acid generating and neutralization potential of the dumps located at the mine the three waste rock samples were analyzed by acid-base accounting (ABA) methods. ACZ Laboratories did these ABA analyses in Steamboat Springs, Colorado. By characterizing the mine site according to existing environmental hazards identified, it was possible to suggest what remediation methods should be employed to help resolve the existing problems.

Location

The Mogul Mine is located approximately fifteen kilometers north of Silverton, Colorado, in the central San Juan Mountains. The three adits and associated workings of the mine are exposed east of the North Fork of Cement Creek, west of and topographically below Ross Basin. Figure 1 shows the location on the Ironton 7.5-minute quadrangle.

Local Geology and Mineralization

The mine lies within the boundary of a middle Tertiary volcanic field. The volcanic field developed from 35-22 m.y., and was responsible for the deposition of many large volume pyroclastic rocks found throughout the San Juan region. Associated with the Tertiary volcanic activity was the collapse of numerous calderas in the area. Much of the geology surrounding the Mogul Mine is associated with this volcanic activity, including massive lava flows and flow breccias of the Burns Formation. Also found near the mine are numerous zones of faulting and fracturing caused by the collapse of the Silverton caldera (Panze et al, 1983).

The mineralization found within the Mogul Mine originated due to the development of the Silverton caldera. The complex vein system that occurs at the mine is

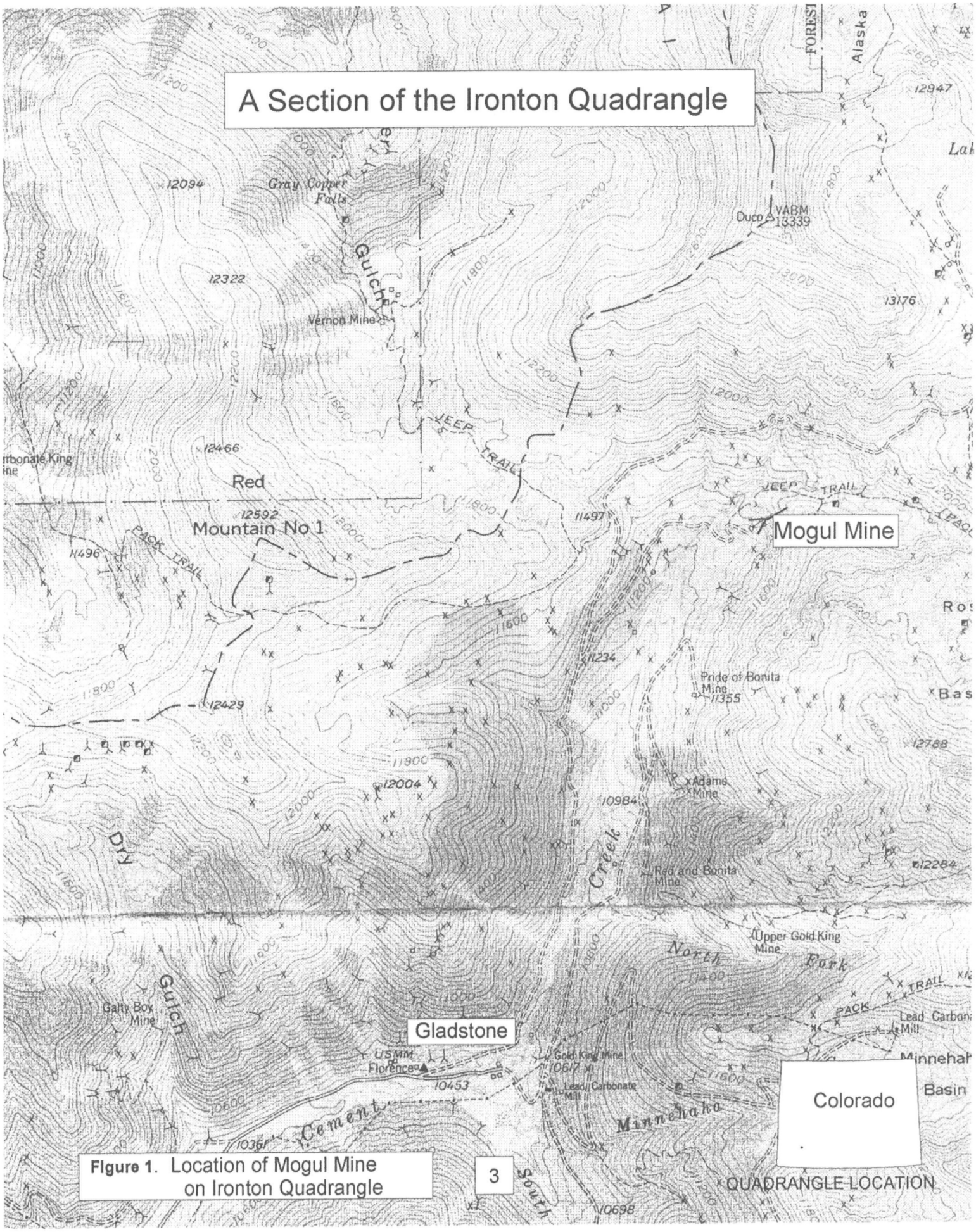

Figure 1. Location of Mogul Mine on Ironton Quadrangle

primarily associated with hydrothermal mineralization. Following the caldera formation, mineralization was formed by the circulation of hydrothermal liquid through the fractured rock. The host rock for the vein system consisting of rhyodacitic massive flows and breccias is located in the Burns Formation.

The ore extracted from the mine came primarily from the George Washington vein deposit (Hennis, 1997, oral comm.). It is a tributary vein of the more complex high-sulfide, low sulfidation base/precious metal epithermal vein system that encompasses the region (Westervelt, 1998, oral comm.). The grades of individual metals extracted from the ore had the following percentages and/or weight per short ton, 7-8% zinc, 4% lead, ½-1% copper, 4 oz. silver and 0.03 oz. gold.

History of Mogul Mine

The mine was claimed by F. M. Snowdon in the 1870's, and operated for a short time. The years 1906-1909 are the most productive era for the mine. Operation ceased in 1909 due to ore treatment not being profitable. All mine workings were found within 15 claims, many of which extend into Ross Basin. The workings of the mine extended approximately 6100 meters into the mountain and connected with the Sunnyside Mine in Eureka Gulch (Reidhead, 1995). Since the early 1900's, there has been no significant mining activity at the mine site. The mine and associated claims are currently owned by Todd Hennis, a representative of Salem Minerals Inc.

In the last few years, water quality has become a rising concern in the Animas watershed. The Environmental Protection Agency, the State of Colorado, and the Stakeholders group of the Animas Watershed are interested in what effect abandoned mining has on the water quality of the Animas watershed. They have began to characterize each mine located in the San Juan region to help determine what factors are contributing to the degradation of water quality. Recently, it was discovered that the Mogul Mine appears to be contributing a considerable amount of contaminant to Cement Creek, a tributary of the Animas River. Investigations of my project have helped to determine what characteristics of the Mogul Mine drainage are adversely effecting the water quality of Cement Creek.

OBSERVATIONS

The mine site consists largely of waste rock dumps, with three associated adits and other abandoned surface structures including cart rails and cables from the tram system. The dumps consist of approximately 38,250 m^3 of highly mineralized waste rock, primarily containing sulfide and siliceous based minerals. The waste rock is primarily holocrystalline vein material, containing mostly pyrite hosted in white microcrystalline gangue quartz.

The three adits located at the mine site have portal entrances oriented in a northeast to east direction. The two most southern adits are collapsed. According to the small amount of waste rock at the foot of the portal, it appears that these were only used as prospect pits. Only adit 1 and 3 have substantial amounts of effluent water running from them. Adit 2 (see plate I for geologic map), has a drift of approximately 18 meters. Field observations indicate there is no evidence of water running this adit. The only water found was a small amount (1-3 cm) standing on the floor of the drift. From the

most southern of the three adits (adit 3), there is a minimal amount of water flowing from beneath the collapsed structure. The flow rate of this effluence was estimated at 0.3-0.8 L/s, with related water chemistry shown in table 1. The main adit (adit 1) that produced the bulk of the ore, is located in the northern section of the site (see plate I). This adit remains open, and has a considerable amount of water flowing from it at a rate of 3.359 L/s. Its water chemistry is shown in table 1.

A final characteristic of the Mogul Mine is the presence of a natural wetland. Adjacent to the mine drainage, the wetland is located approximately half way between where the effluent water from adit 1 begins and its confluence with Cement Creek. The wetland is assumed to be an aerobic system, with an area of 13,808 m^2. It encompasses a small section of adit 1 drainage then spreads south for approximately 92 meters.

To help identify environmental hazards associated with the mine, a number of field and laboratory investigations were made. These helped in characterizing the site as well as giving direction toward remediation methods that maybe employed to mitigate the identified environmental hazards.

Water sources for the Mogul Mine Drainage

At the mine site, there are a number of surface water sources. Two of the sources include the effluence from adits 1 and 3 (see plate I, ss#1, ss#17 respectively). Other water sources include numerous seeps flowing from the toe of the largest waste rock dump (see plate I, ss#12, #2, #4).

Effluent water from adit 1

The water flowing from adit 1 is the largest source of surface water at the mine site. This effluence, flowing from the open adit at a rate of 3.359 L/s, originates from unknown sources. The owner of the mine suggested that a possible source of the effluence from adit 1 is from a crosscut located 335 meters inside the mine drift, in a section of the underground workings. At the crosscut location, a number of joints and fractures are found in the surrounding rock, allowing water to flow into the underground workings (Todd Hennis, oral communication). The source of the water is unknown, with possible origin either from groundwater or Cement Creek. If the water originates from Cement Creek, it travels from the surface near Ross Basin, down through fractured and jointed rock for approximately 350 meters to the mine workings. This theory of the water coming from Cement Creek is speculative; Therefore, I assume the source of the water at the crosscut to be from ground water flow. The water chemistry at the crosscut is unknown, and assumed to be similar to the chemistry observed at adit 1 (table 1, ss#1).

Another source of water within the mine workings may be percolation of regional groundwater into stopes located throughout the mine. This is a common occurrence in abandoned mines, and is possibly a contributing factor to the effluence coming from the mine. If so, the effluence flowing from adit 1 could be a combination of water from the crosscut and groundwater flowing into the stopes within the mine.

The effluence from adit 1 was recently diverted from flowing over the waste rock to a lined drainage east of the waste rock dump. The diversion was done by lining a new drainage with geosynthetic material, beginning at the adit and following contour along the boundary of the waste rock dump and talus for 36 meters until it ends. At the mine site, this section of geosynthetic material is the only part of the drainage that is lined. At

the location where the diverted drainage ends, water is then allowed to flow through talus, then eventually a small

	pH	Fe	Mn	Cu	Zn	Pb	As	SO_4^{2-}
SS #1	3.075	10.04	16.64	6.048	36.25	0.248	4.832	525
SS #2	3.1	87.63	18.06	8.118	53.39	0.4	4.72	
SS #3	3.35	ND	12.524	4.658	29.245	ND	4.689	
SS #12	2.5	94.309	18.357	9.944	75.312	0.44	5.195	
SS #15	3.4	5.432	13.99	5.068	29.76	0.32	5.085	
SS #17	3.6	1.041	1.111	0.345	2.2353	0.23	4.815	
SS #18	2.9	0.817	9.615	3.555	24.361	0.2	4.75	
SS #20	4.3	ND	0.369	0.0415	2.458	0.26	4.415	

Table 1. Inherent water chemistry of samples taken at Mogul Mine. Metal concentrations are given in mg/L (ppm), and pH is given in standard units. ND = No Detection of analyte in sample. Data values for metal concentrations obtained by atomic adsorption spectroscopy; pH values obtained through use of field water tester.

portion of the waste rock. From the point where the effluence is released into the natural drainage, it continues downstream 40 meters, eventually reaching an abandoned road. That section of the natural drainage consists mostly of talus, with the effluence then coming in contact with a small portion of waste rock(see plate I, ss#15). Chemical characteristics of water samples taken at sample site 15 are shown in table 1. Throughout this portion of the drainage, stream bedrock consists mostly of large cobbles(generally 10-40cm in dimension). Due to the large grain size of the material in the streambed, it is possible that the effluent water may be percolating through this material, only to resurface somewhere down hill as a seep. Field evidence suggests that this is likely the case, at least in two locations. One example of where water disappears into the subsurface is shortly after where the adit 1 effluence reaches an abandoned road (see plate I). At this location, the water disappears into the cobble-sized talus, traveling underground for nearly 40 meters where it resurfaces at sample site 3. Chemistry for this site is given in table 1.

From sample site 3, the mine drainage continues to the southwest, with a more gentle gradient, compared to the gradient upstream. The next sample site in the drainage is site 4, located 94 meters downstream from site 3. In several places between these two sites, three different seeps from the waste rock dump contribute to the adit 1 drainage from the north side. The characteristics of these seeps will be discussed later in the paper.

Sample site 4 marks the beginning of the natural wetland that is adjacent to the Mogul Mine drainage. The chemical signature of water sampled at site 4 is given in table 2. Starting at site 4, the drainage separates into two different streams, one continuing through the wetland, the other following a drainage path north of the wetland. The main flow of the two streams continues in the southwestern direction from site 4, coming in contact with the wetland for a distance of 94 meters. Where both streams converge at site 6, most of the flow borders the wetland to the confluence with Cement Creek, immediately downstream of site 8. Quantitative chemical values for water at both sites 6 and 8 are shown in table 2.

Total distance of the effluent drainage from adit 1 (ss#1) to the confluence with Cement Creek is approximately 572 meters. Of this distance, the streambed consists of 25.2% alluvium, 23.8% colluvium, 23.1% wetland/organic substrate, 21.7% talus, and 6.3% geosynthetic material. Observation of the adit 1 effluent water, from where it surfaces (ss#1) to where it discharges into Cement Creek (ss#8), shows a definite fluctuation of metal concentrations and acidity. Overall, average decrease in metal concentrations is by 63.95%, with individual metal decreases being 90% for Fe, 53.5% for Mn, 57.7% for Cu, 75.7% Zn, 100% for Pb, 6.8%for As, and an increase in pH by 3.6%. A study of the drainage path (see plate I) indicates that each consecutive sample site, going down stream, shows a decrease in metal concentration and increase in pH. This observation is not apparent at the three seeps (ss #18, seep # 4, ss #2), which contribute high concentrations of metals and acidity to the adit 1 drainage.

	PH	Fe	Mn	Cu	Zn	Pb	As	SO_4^{2-}
SS #4	3.03	2.381	13.23	5.348	41.21	0.09	5.11	630
SS #5	4.6	ND	0.277	0.0055	0.598	ND	5.225	
SS #6	2.9	4.22		5.03	35.34	ND	5.125	
SS #8	3.19	1.0345	8.89	3.486	27.45	ND	4.505	530
SS #9	4.825	ND	0.524	0.168	1.674	0.13	4.67	
SS #10	4.4	ND	1.033	0.3505	3.187	0.21	4.67	
SS #11	4.2	ND	1.1935	0.4113	3.328	0.265	4.511	
SS #13	4.3	ND	1.495	0.284	3.139	0.24	4.72	

Table 2. Inherent water chemistry of samples taken at Mogul Mine. Metal concentrations are given in mg/L (ppm), and pH is given in standard units. ND = No Detection of analyte in sample. Data values for metal concentrations obtained by atomic adsorption spectroscopy; pH values obtained through use of field water tester.

Observations at the confluence of the Mogul Mine drainage with Cement Creek

At the location where the Mogul Mine drainage flows into Cement Creek, three different confluence's were identified. The water forming the uppermost confluence originates from adit 1, and is recognized as the largest contributing flow into Cement Creek. The source of water for the two other confluences observed at this location comes from the adjacent wetland. The volume of water coming from the wetland source is considerably smaller than what is observed at the upper most confluence. The water chemistry for the first (ss#8) and last (ss#13) confluences is given in table 2.

A number of water samples from Cement Creek were analyzed, including sites before and after the confluence of the mine drainage. Samples were taken from a short distance above the confluence at sample site 9, immediately after the first confluence at sample site 10, and at site 11, located just after all the confluences associated with the mine drainage. These samples were analyzed to determine how much the Mogul Mine drainage is deteriorating the water quality of Cement Creek, according to metal and acidic concentrations. See plate I for location of these sites on the local map. Related water chemistry for sample sites 9,10, and 11 are given in table 2.

There is a significant decrease in metal concentrations and pH values between sample site 8 and 10. Most of the decrease is accounted for by the dilution occurring when the relatively small flow rate of mine drainage (3.359 L/s) enters the larger flow rate of

Cement Creek (52.1 L/s). In addition to dilution, there are a number of other mechanisms that may explain the decrease in metal and acidic concentrations.

Shortly after the confluence of the mine drainage with Cement Creek, it was discovered that the presence of precipitated metals within the streambed dramatically increases. This observation supports a possible theory that a percentage of the decrease may be due to metal precipitation and adsorption onto the streambed rock. These processes of precipitation and adsorption are made possible when the pH increases, decreasing the solubility of metals in solution. When a decrease in solubility occurs, metals in solution will be forced to precipitate out or adsorb into open lattice sites located throughout organic and inorganic material. The amount of precipitation and adsorption occurring at the confluence was undeterminable. To determine the exact reasons for metal and acidity decrease at this location, a more in-depth geochemical study will be required.

In comparing the water chemistry of the three sample sites in Cement Creek (ss#9, 10, 11), a significant increase in metal and acidic concentrations occurs in the downstream direction. The percent increase of metals and acidic concentrations between sample sites 9 and 11 are as follows, 13% Hydrogen ion, 0% Fe, 56% Mn, 59% Cu, 49.7% Zn, 47.5% Pb, and –3.4% As. These calculations identify copper as the greatest metal contributor to Cement Creek, with other metals also contributing a significant amount. The only metal that was shown to decrease in concentration is arsenic. This empirical data supports the original hypothesis that the Mogul Mine drainage is polluting Cement Creek.

Effluent water from adit 3

From adit 3, there is a minimal volume of water flowing from the collapsed portal structure (ss#17). The water remains on the surface before disappearing into subsurface flow, nearly 30 meters down slope from its emergence at the remnant adit (water chemistry for ss#17 is shown in table 1). On the surface, the water travels over mostly waste rock before it disappears into the talus. The waste rock present at adit 3 is of a relatively small volume, and is in contact with the effluence for a distance of approximately 18 meters. The mineralogy within this waste rock dump is typical of that of other waste rock at the mine site, with a high concentration of sulfides, and pyrite being predominate.

Due to lacking subsurface hydrological studies at the site, the subsurface flow of the adit 3 effluence is unknown. The subsurface flow direction of adit 3 effluence is estimated to be in a westerly direction, from the point of entry into the talus. From this point in the talus, the water flows underground for approximately 120 meters. At sample site 20 (see plate I), the water resurfaces with what appears to be the same flow rate.

Quantitative measurements of flow rates were unattainable for sample sites 17 and 20. Flow rates for these two sites were estimated values of 0.65-0.95 L/s, which were based on the comparison to the flow rate from adit 1 where the flow was accurately measured. The water chemistry for both sample site 17 and 20 are shown in table 1. Comparison between the analytical values of water from sample sites 17 and 20 show a major decrease in metal concentrations. It is thought that the majority of the decrease occurs in the subsurface because of the large decrease that was observed between site 17 and 20.

Seep water

In a number of locations at the Mogul Mine site there are active seeps contributing water to the drainage of adit 1. The seeps identified at the site are located near the base of the waste rock dumps. In this area, four seeps are present, and all contain various flow rates and water chemistry. Sample site 2 (see plate I for location on geologic map) identifies the seep with the largest contribution of water to the main drainage of adit 1. Other seeps recognized in this area include sample sites 12 and 18, and seep 4 (see plate I for location). All three of the seeps observed at these three sites contain similar flow rates, with the lowest flow rate coming from sample site 12 and seep 4. Flow rate from each of these seeps was estimated to be 0.2-0.6 L/s.

After field investigation, it is concluded that the seep at sample site 12 continues to flow down the adjacent road and return to subsurface flow for a short distance. After approximately 40 meters, the water reappears at the location of seep 4. The origin of the water coming from sites 12 and 18 is unknown. Sources for these seeps are most likely from groundwater that resurfaces at these locations.

Origin of the water supplying the seep found at site 2 may have originated from the effluent water exiting adit 1. Although speculative, a small percentage of the water from adit 1 may be percolating through the waste rock, resurfacing at sample site 2. If water does percolate through the waste rock, metal concentrations will dramatically increase due to the release of ions during the oxidation of pyrite and other sulfides present within the dumps (Wildeman, 1991). The high metal concentrations found at site 12 (see table 1) suggests the water source for this seep comes into contact with the oxidized material that is present within the waste rock. The location of the water sample taken from site 12 signifies the highest concentration of metals and acidity (H^+) at the entire Mogul Mine site.

As mentioned before, it is thought that the effluent water observed at sample site 12 eventually flows out at seep 4. Water samples were unavailable from seep 4 due to inadequate amounts of water on the surface. Without water samples from this location, chemical data of the water is unavailable. Without chemical data, it is unknown if there is a decrease in metal and acidic concentrations between site 12 and seep 4. It is thought that because of the small volume of water observed at seep 4, it is diluted once it reaches the larger volume of water in the main drainage of adit 1. If this is the case, the amount that seep 4 contributes to the whole mine drainage is considered to be minimal.

The water chemistry signatures for the water flowing from the seep at site 18 is average compared to other water chemistry found throughout mine drainage. The volume of water flowing from site 18 is minimal, but is considered to be significant because it is contributing an estimated 0.5 L/s of water into the adit 1 drainage.

Although any three of the seeps directly entering adit 1 do not individually pose a major environmental hazard, all together introduce a considerable quantity of contaminants to the adit 1 drainage. Therefore, all of the seeps at the base of the waste rock should be considered as a whole when proposing a remediation for the Mogul Mine site.

Waste rock dump

Ore from the mine that was not economical to process during operation was discarded as waste rock at the foot of the mine. Although it was not economical to process, the waste rock still contains relatively high amounts of mineralization. Pyrite is the predominant element of the sulfide minerals in the waste rock, with small amounts of chalcocite, chalcopyrite, galena, sphalerite, and rhodochrosite also present. The host material for these minerals consists of microcrystalline gangue quartz.

The geologic map (plate I) shows the geographical and spatial orientation of the waste rock at the mine. Over 90% of the waste rock associated with the mining operation is located at the foot of adit 1. The volume main dump at the foot of adit 1 is approximately 38,250 m^3. Grain size of this material ranges from silt to boulder size with the majority of the material being gravel size. Typically, the average piece of waste rock found in the dumps consists of 40-50% pyrite, and 50-60% gangue quartz, with trace amounts of rhodochrosite and other sulfides.

Waste rock at the mine is well exposed to surface conditions, particularly storm water runoff and atmospheric gases. Being exposed to these elements, the material making up the half the waste rock (i.e. sulfides) is easily oxidized and weathered away. Previous studies suggest that this situation creates an optimal environment for generation of sulfuric acid and release of heavy metals due to the oxidation of pyrite and other sulfides (Wildeman et al, 1991).

To help characterize the waste rock dump at the Mogul Mine, a technique known as acid-base accounting was done on three waste rock samples. Acid-base accounting (ABA) is a method used to assess the acid generating potential and neutralization potential of waste rock and tailing material. ABA analyses were done at the mine to help quantify the entire waste rock dump to determine acid generating and neutralization potentials.

The waste rock samples were analyzed to obtain the acid and neutralization potentials characteristic of mine dump. For location of each waste rock sample site, see plate I. The individual potential values for waste rock sample #1 was found to have an acid generation potential of 48 tons of acid per kiloton of wasterock and an undetectable neutralization potential as $CaCO_3$. The potential values for waste rock sample #2 were found to have an acid generation potential of 164 tons of acid per kiloton of wasterock and an undetectable neutralization potential as $CaCO_3$. The potential values for waste rock sample #3 were found to have an acid generation potential of 856 tons of acid per kiloton of wasterock and an undetectable neutralization potential as $CaCO_3$. To create an overall acid/neutralization potential for the whole dump, the mean of the potential values at each site was calculated. These values gave an overall acid generating potential of the waste rock pile to be 356 tons of acid per kiloton of wasterock, and the overall neutralization potential to be zero. The average values confirm that the waste rock d[illegible]

Natural Wetland

South of the Mogul Mine site there is a small depression that has allowed a natural wetland to form. The size of the wetland is calculated to be 13,808 m^2, with the northern border near the adit 1 drainage. The main flow of the adit 1 drainage bisects the

northern half of the wetland for a distance of 94 meters. It is unknown if any of this drainage remains in the wetland
for a longer time than is required for it to travel the 94 meters. With only visual observations to go by, it appears that the drainage's resident time in the wetland is only as

	WASTE ROCK SAMPLE #1	WASTE ROCK SAMPLE #2	WASTE ROCK SAMPLE #3
Acid Generation Potential	48 tons/KT	164 tons/KT	856 tons/KT
Acid Neutralization Potential	Not detected	Not detected	Not detected
Acid-Base Potential	-48 tons/KT	-164 tons/KT	-856 tons/KT
Neutralization potential	Not detected	Not detected	Not detected
Sulfur Forms			
Sulfur Organic (residual)	0.81%	2.86%	17.90%
Sulfur Pyritic (HNO3 extractable)	0.44%	1.26%	7.90%
Sulfur Sulfate (HCL extractable)	0.29%	1.14%	1.60%
Sulfur Total	1.54%	5.26%	27.40%

Table 3. Data from acid base accounting tests done on three waste rock samples. Location of the sample sites are shown on plate I. All data obtained from ACZ Laboratories in Steamboat Springs, Colorado.

long as it takes the water to travel through it. If this is the case, it can be assumed that the overall interaction between the wetland and the adit 1 drainage is relatively short.

Plant diversity in the wetland is somewhat limited. The types of plants observed in the wetland are mostly grass-like, including a species of sedge, Corex aquatilis, another species Deschampsia atropurea, and an abundant amount of moss genus Bryum. This vegetation appears to be healthy, and is abundant throughout the wetland. An accompaniment with the moss is a thick cover of cohesive peat-like substrate, consisting of both moss and roots from the nearby grasses.

Within the wetland there are several areas of standing water. Most of this standing water is associated with the drainage from adit 3. One other small area of standing water is located at the north edge of the wetland (see plate I, ss #5). The associated water chemistry of this site is given in table 2. The low concentration of metals and acidity is most likely explained by two scenarios. One may be that this pond is strictly a collection of rainwater. The water supplying this pond might also originate from the adit 1 drainage entering the wetland near site 4. If the water source is the adit 1 drainage, the decrease in metal concentration and acidity will need to be explained. The decrease in metals may possible be caused by the water movement being still, allowing the metals to precipitate out. Also, the lack of water movement may allow the contaminated water to interact with the wetland substrate.

DISCUSSION

Environmental hazards associated with Mogul Mine Site

With field and laboratory investigations finished on the Mogul Mine site, a sufficient amount of data was gathered to make some pertinent observations. The observations pertain to the physical characteristics recognized at the site, and how they are effecting the surrounding environment. Each characteristic identified at the mine has been classified according to its individual threat to the environment.

Contaminated Water

Three sources of contaminated water flowing into Cement Creek were identified. To characterize each source of water according to effluent discharge limits, drinking water standards from the EPA were used. These standards consider effluent water to be a pollutant if concentrations of each constituent exceed these limits in mg/L, 0.3 Fe, 0.05 Mn, 1.0 Cu, 5 Zn, 0.05 Pb, 0.05 As, pH with standard units values of 6.5-8.5, and 250 for Sulfate (Wildeman et al, 1991).

The first and most contaminating source consists of highly acidic metal-rich seeps located at the base of the WR dumps, the water from these seeps flowing directly into the adit 1 drainage, contributing significant amounts of metals and acidity. The second source comes from adit 1, with moderate to high concentrations of metals and acidity. The effluent water from adit 1 flows downhill 384 meters before discharging into Cement Creek, 72.3 meters below the mine entrance.

A third and least contaminating source was identified as flowing from adit 3. A small volume (~0.65 L/s) flows from this adit, eventually reaching the natural wetland. Due to the relatively small flow rate and low metal concentrations of the adit 3 effluent, that water is not considered to be a major environmental hazard. At the point of inception of adit 3 effluent into the wetland (ss#20), the observed chemistry is close to being below effluent discharge standards.

The most concerning aspect of the Mogul Mine contamination problem, according to environmental degradation, is the effluent water from adit 1. This is due to the poor quality of the water (i.e. Low pH and high metal content), and relatively large volume at which it flows from the mine opening (3.359 L/s).

Environmental degradation caused by the seep water from below the WR dumps is definitely a concern. Increased contamination of adit 1 drainage is apparent after studying the observed chemistry above and below the discharge from the seeps. Concentrations of all metals increase by 2.381 mg/L Fe, 5.4% for Mn, 13% for Cu, 29% for Zn, 0.09 mg/L for Pb, 8.2% for As, and a decrease in pH by 0.32 standard units. Although the amount of water from the seeps is relatively small, the high concentration of metals and acidity definitely deteriorates the water quality of the adit 1 drainage. The acidic, metalliferous seep water should be recognized as one of the constituents degrading the overall water quality of the entire Mogul Mine drainage. Because of this, the seep water from sample sites 18, 2, and 12, and seep 4 are considered to be a environmental hazard. Also, it should be recognized that the seep water from these sites has the largest capability of contaminating the adit 1 drainage.

Another constituent that is possibly contaminating the adit 1 drainage is the large volume of waste rock adjacent to the mine. The heavily mineralized waste rock dump makes available a considerable source of pyrite and other sulfides, providing an unusually high acid-generating capacity (Wildeman et al, 1991). After the weathering of pyrite and sulfide materials done primarily by oxidation, water draining into the dumps is capable of dissolving and transporting exceedingly high concentrations of metals and acidity (Smith et. al. 1994 from Kilburn et. al. 1995). If this is the case, the discharge by-product of the oxidation and dissolution of sulfides from the dump poses a potential source of acid and metal loading into the surrounding environment. Observations of seep water flowing from the waste rock dumps give evidence that this occurrence is happening at the site of study. Ultimately, the acid and metal loading from the dumps (ss #2, ss #12)

can adversely affect local water quality as well as local biota. (Plumlee and Edelmann, 1995, from Kilburn et al, 1995). The high acid-generating potential determined by the ABA analysis also supports the theory that the waste rock dumps at the Mogul Mine are a major source of acid and metal loading into the mine drainage.

By separating out and characterizing each component contributing to the mine drainage, the identification of the most troublesome spots was possible. During the characterization of any AMD site, this is a requirement to help determine what methods should be used to remediate the environmental problems identified.

Proposed Remediation Methods for Environmental Hazards Identified

The final step for this project suggests what remediation methods will best resolve the environmental hazards identified at the mine. Due to the constraining budget of the mine owner, the most cost-effective and least labor-intensive methods have been investigated. It has been well documented (Wildeman, 1991) that the cost of remediating the environmental hazards associated with AMD can exceed $500,000.

Current Treatment of Acid Mine Drainage

Within the last 10-15 years there has been an increased knowledge of how to remediate AMD. All the methods that have been developed fit into one of two categories, passive or active AMD treatment. Active treatment includes conventional methods for treating mine drainage by adding highly alkaline chemicals such NaOH, $Ca(OH)_2$, CaO, Na_2CO_3, or NH_3 (Skousen et al, 1990, from Hedin et. al. 1994a). These reagents promote the removal of metals and the decrease of acidity, but are expensive, potentially dangerous, and require regular addition of materials for adequate remediation. Active systems require the mine drainage being treated must be contained in some type of storage facility, allowing enough time for proper neutralization to occur. Also, the use of active systems requires regular operational attention and maintenance (Hedin et al, 1994b).

Passive in contrast to active treatment, remediates AMD without the continual addition of chemicals and neutralizing reagents (Skousen, 1991). Use of wetlands is the most prominent passive treatment. Wetlands are capable of generating alkalinity and in most cases of decreasing metal concentration and acidity in AMD. Wetlands are capable of doing this by filtering and cation exchange, oxidation, and reduction reactions and microbiological processes within the substrate (Skousen, 1991). Two types of wetlands used to treat mine drainage have been recognized, one primarily including aerobic substrate and the other anaerobic organic substrate. The two different types of substrate are utilized for specific removal capabilities, according to what needs to be removed from the mine drainage. Aerobic substrates are associated with surface flow through a wetland, and primarily are responsible for removal of Fe, Cu, Zn and Pb. Anaerobic substrates are utilized when water contaminates can only be removed when in an anaerobic environment. Sulfate is one component that is removed specifically in an anaerobic environment. This is due to a process of sulfate reduction creating sulfides by the interaction of mine drainage with sulfate reducing bacteria only found in anaerobic substrates. Many studies have show that the metal manganese, known to be difficult to remove, can be removed in an anaerobic substrate (Wildeman et al, 1991, Hedin et al, 1994a). To help develop either an aerobic or anaerobic substrate, many AMD treatment

projects are required to construct a wetland. In contrary, some documentation shows that a number of natural wetlands in Colorado have shown to reduce metal concentrations of AMD (Emerick, 1988 from Howard, 1989).

Another passive technique to help abate AMD is the use of an anoxic limestone drain (ALD) (Hedin et al, 1994a, Skousen, 1991, Turner & McCoy, 1990). ALD's are utilized when mine water is acidic and there is a need for added alkalinity. Limestone represents the best source for increasing alkalinity in AMD, which in turn allows the removal of metals through precipitation, due to a raise in pH (Skousen, 1991). To apply the use of an ALD treatment on AMD, the chemistry of the water must be determined. For an ALD to work sufficiently, iron III concentrations must be lower than 10%, dissolved oxygen may not exceed 2 mg/L, and aluminum concentrations must be lower than 25 mg/l. These parameters must be met before acid mine drainage is treated by an ALD. If they are not, coating of the limestone within the drain will occur due to precipitation of metals. If this happens, the longevity of the drain will decrease dramatically.

Acid Mine Drainage Treatment at Mogul Mine

Before deciding what methods of treatment will be necessary to remediate the environmental hazards at the Mogul Mine, the most concerning factors should be determined. The primary concern at the mine site is the adit 1 effluent. Due to lack of space, there is no feasible method for treating the water directly at the adit. Therefore, it has been determined that the best location at which to treat the water would be near the beginning of the wetland (see plate I, ss#4). Thus, all calculations pertaining to chemistry and flow rates of the mine drainage will directly correlate to what is observed at sample site 4. Other hazardous areas located at the mine site include seep water, percolation of adit 1 effluent water through waste rock, and adit 3 effluent,; they will be dealt with on a secondary basis.

To help determine what AMD treatment systems should be used for the adit 1 effluent, a combination of approaches from Skousen et al (1994), and Hedin et al (1994b) were utilized. Also, the approach of Howard et al (1989) and Wildeman et al (1991) were of assistance when deciding what type of treatment systems should be used at the Mogul Mine.

Both Hedin et al (1994b) and Skousen et al (1994) have similar approaches to treating AMD. In this literature, a flow chart was adapted from Hedin and Nairn (1992) to help select the appropriate passive remediation method for each situation that was presented to them. The flow chart adapted from Skousen et al (1994), is shown in figure 2. Before using the chart, flow rate, water chemistry, and loading factors of the AMD must be determined. Once the chemistry of the drainage has been determined, the chart in figure 2 can be of help determining what remediation methods should be used.

At sample site 4, the water has been characterized as net acidic, due to the low pH and high metal concentrations. Following the procedure outlined by the flow chart in figure 2, the water was found to have a dissolved oxygen (DO) content of 9.38 mg/L and an estimated ferrous/ferric iron ratio of 25/75. Because both of these values exceed 5 mg/L DO and 25% ferric iron content, the path followed on the chart is to the far right. The red highlighted path in figure 2 shows what the corresponding path for the water

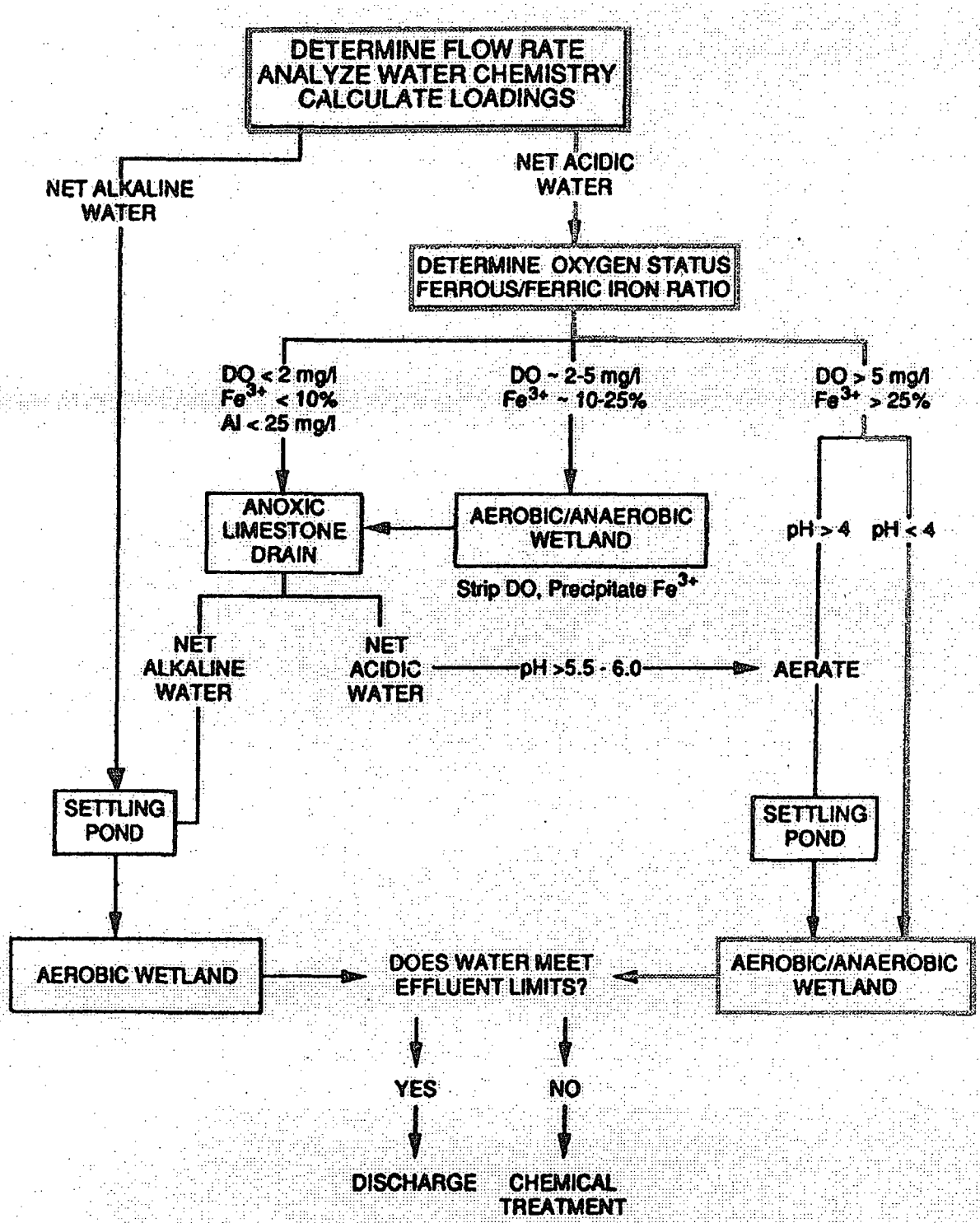

Figure 2. Flow chart for selection of a passive acid mine drainage treatment system or combination of systems (adapted from Skousen et al, 1994).

chemistry found at sample site 4 is. The last determination of pH shows that the value found at sample site 4 is less than 4. The suggested remediation according to this chart includes the use of both an aerobic and anaerobic wetland for water with the characteristics found in sample site 4.

After determining the need for a combination of anaerobic and aerobic wetland to treat the mine drainage and sample site 4, a number of calculations were made, concerning loading factors of the drainage, and the loading capacity of the nearby wetland. These calculations were done primary to determine whether the natural wetland at the Mogul Mine site would be capable of remediating the contaminated mine drainage. Adapted from Wildeman et al 1991, these calculations consider the remediating capability of a wetland according to only aerobic processes. Because the wetland at the Mogul Mine site is considered to have mostly aerobic qualities, determining the remediating capability of the aerobic natural wetland present at the site is considered pertinent. This is also supported by the documentation of natural wetlands being capable of remediating AMD by only aerobic interaction (Howard, 1989).

Area requirements

To determine if the wetland present at the Mogul Mine site is capable of remediating the AMD present, a guideline was developed from Brodie et al, (1988), and Wildeman, (1991). This guideline determines the treatment area requirements for the desired wetland discharge concentrations. They are, Fe = 3 mg/L or less and Mn = 2 mg/L or less as follows: for Fe: 2 m^2/mg < pH 5.5 > 0.75 m^2/mg; Mn: 7 m^2/mg < pH 5.5 > 2 m^2/mg. These loading values for Fe and Mn suggest a treatment area consisting of an aerobic wetland with Fe loading of 2 m^2/mg/minute, and with Mn loading of 7 m^2/mg/minute, when pH is less than 5.5. Applying these loading values to the drainage of the Mogul Mine at sample site 4, with an estimated discharge from the natural wetland of 3.5 L/s (210 L/min), and concentrations of Fe and Mn of 2.381 mg/L and 13.23 mg/L, respectively, the area requirement for the Fe and Mn loading values can be estimated. For iron the loading factor is 2 m^2/mg/min, therefore the area requirement is (2 m^2/mg/min)(201.54 L/min)(2.381 mg/L) = 959.7 m^2. The manganese loading factor is 7 m^2/mg/min and the area requirement is (7 m^2/mg/min)(201.54 L/min)(13.23 mg/L) = 18,664.61 m^2. Under these conditions, Mn becomes the limiting component the area required. In order to reduce Mn to concentrations of 2 mg/L, the treatment area (area of natural wetland) would have to be at least 18,664.61 m^2. Because the natural wetland present at the Mogul Mine site is only 13,808 m^2, it would not adequately remediate the Mn concentrations found in the mine drainage according to these calculations.

Proposed remediation strategy

After discovering that the wetland at the Mogul Mine site is not capable of remediating the drainage by purely aerobic means, exploring other remediation methods was necessary.

The suggested remediation solution is a combination of various methods of remediation. This is done with the hope of successfully remediating the AMD present at the mine.

Before exploring the different options, it must first be realized that there is a possibility that the AMD at the mine may not be completely remediated without the use of a more conventional approach. A more conventional approach may include the introduction of a constructed wetland designed specifically for the characteristics of the

Mogul Mine drainage. If the AMD at the mine is to be treated, strictly following the suggestions implied by the flow chart of Hedin and Nairn (1992), a constructed wetland will be required. The following suggestions are based primarily on the fact that there is not adequate funding for what may be thought to be a more satisfactory method of remediation.

The first characteristic that must be dealt with from a remediation standpoint is the effluent water from adit 1. A possibility for decreasing metal content in the water would be to create a number of aerobic and anaerobic wetlands near the beginning of the existing wetland. By directing all of the drainage found at sample site 4 into an aerobic wetland, water circulation would be greatly decreased. This would allow for particulate matter to settle, and metals to precipitate out. The wetland would act as a settling pond, primarily concentrating on the removal of particulate matter and allowing for iron to precipitate out. The wetland would also be the initial stage for removing dissolved oxygen from the water through the processes of precipitation of oxides and hydroxides.

From wetland 1, the drainage will flow into a second wetland, which will consist of mostly an aerobic environment. At this location, any particulate matter or dissolved iron still remaining in the water will be continually removed. Also, by making this wetland deeper than the first, an anaerobic environment will begin to develop at the bottom of the wetland. Water would only flow from below the water surface, near the floor of the wetland, into a third wetland. This could be done by burying PVC pipe a meter below the surface in a number of locations between wetlands 2 and 3. Use of the PVC pipe would discourage any oxygen from returning to solution. The third wetland will be the deepest of the three wetlands, utilizing the depth of the water to create an anaerobic environment within the water column. Also, to help develop an anaerobic zone, cow manure and other organic material will be added to the water to introduce bacteria that establishes anoxic environments. By establishing an anoxic environment, sulfate-reducing bacteria will be able to sustain themselves, allowing the removal of sulfate through processes of reduction. The reduction of sulfate creates sulfides, which settle out of the water column, discontinuing the transport of sulfate as a polluting element in the mine drainage (Wildeman et al, 1991). In the anaerobic environment, manganese can be removed through the formation of sulfide, one of the few ways of removing manganese, documented as being very difficult to remove from AMD (Wildeman et al, 1991, Skousen et al 1991). Other metals such as copper, zinc, lead, arsenic, will also form sulfides if they have not been removed by precipitation in the first two wetlands. From the third wetland, water will flow into what is now the existing wetland, where it will interact with the substrate as a final polishing stage. Figure 3 shows a condensed geologic map of the area with the remediation designs described above.

Outlook for the Mogul Mine Drainage

The limiting factor for designing the wetlands should be to develop each wetland with adequate area, forcing the drainage to have a residence time of at least 18 hours in each wetland. The extended resident time will further encourage the settling of material out of the water. To allow for an increased residence time, the banks of each wetland should be a minimum of 0.5 meters above the surrounding ground. This increase in bank height will also allow for increased depth in each wetland. The depth of the first wetland

GEOLOGIC MAP OF MOGUL MINE

Remediation Map

Cement Creek Drainage

San Juan County, Colorado

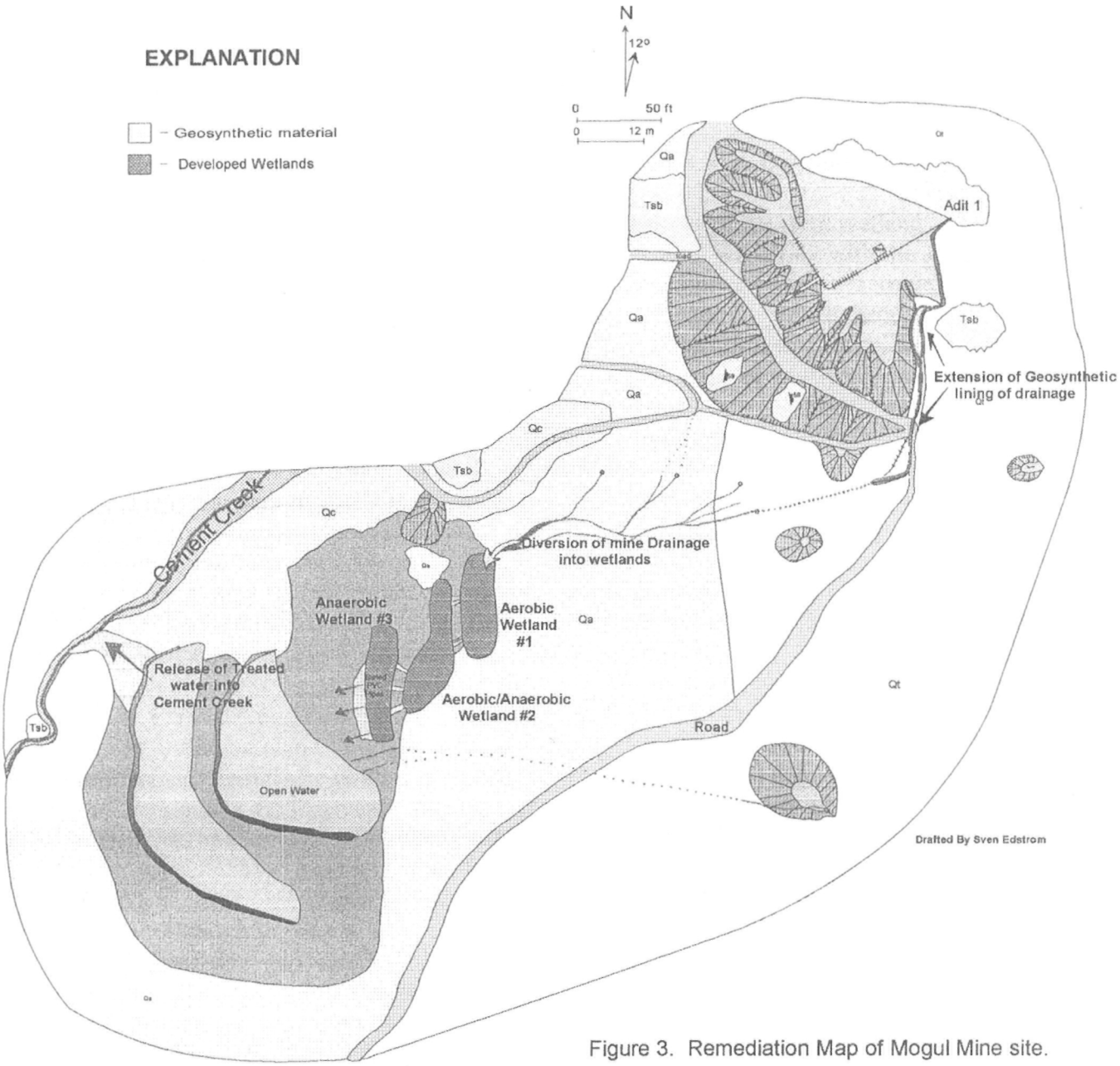

Figure 3. Remediation Map of Mogul Mine site.

should be approximately 0.5-1 meter deep, with a large enough area to allow for continual precipitation of metals and settling of particulate matter. The drainage between wetland 1 and 2 should be open, with a low gradient to oppose any water turbulence that may introduce oxygen to the drainage. The second wetland should be deeper that the first, approximately 2-3 meters in depth. This depth will help begin the formation of an anaerobic zone at the bottom of the water column. Drainage from wetland 2 to wetland 3 would be transported by use of a PVC pipe placed near the floor of the wetland. Using PVC pipe will encourage the transport of anoxic water from wetland 2 to wetland 3 by not allowing for any oxygen to come in contact with the water. By submitting mostly anoxic water to wetland 3, an
anaerobic zone can easily develop within the water column of the third wetland. The depth of wetland 3 should be no less than 2 meters. This depth, along with the addition of organic material, will also further encourage the development of an anaerobic zone. Water from wetland 3 will be released into the adjacent natural wetland through a gently graded open channel. The natural wetland will act as a final polishing stage, where any remaining metals in solution will be removed by precipitating or adsorbing onto organic substrate. Finally the remediated drainage will be released into Cement Creek.

These proposed steps for remediation are an optimistic approach to the possible abatement of the AMD found at the Mogul Mine site. Many factors are involved with the proposed treatment of AMD at the mine, and any one of them could adversely effect the remediation attempted by the proposed methods. A few of these factors may include inability of aerobic wetlands to allow precipitation of metals, increase of pH values in the treatment system due to release of hydrogen ions during the precipitation of oxides and hydroxides, and the lack of a developing anaerobic zone in wetland 3 that allows the continued transport of sulfate and manganese.

Other environmental hazards identified at the Mogul Mine include the waste rock dump, seeps flowing from beneath the dump, effluent water from adit 3, and percolation of adit 1 effluent water through the waste rock. For now, due to budget restrictions, nothing can feasibly be done to the waste rock to prevent it from damaging the quality of the surrounding environment. Any type of cover for the waste rock would be too expensive, and removal would be nearly impossible from an economic and physical standpoint. A way to avoid further dissolution of sulfides within the waste rock would be to take as many precautions as possible to not allow for any water from the adit 1 effluent to drain through the dump. This could be done by increasing the length of the drainage that is lined with geosyntetic material. Ideally, the drainage should be lined from as far into the mine as feasible, the entire distance of the drainage to a point where further contact with the dumps is not possible (see figure 3 for location of this liner on the geologic map). By lining this section of the drainage, it may be possible to decrease the quantity of effluent that is exiting the dump at sample site 2 and 12.

Concerning the effluence from adit 3, it may be possible to reroute the water through pipes into the proposed wetland design. Because chemistry at sample site 20 is not overly polluted, it may be possible to leave this water untreated.

It has not been determined what the results will be if the proposed methods of remediation are employed to treat the contaminated drainage found at sample site 4. Optimally, the methods would improve the water quality compared to its current analysis. To confirm the capability of the proposed methods of remediation before applying them

to the actual drainage, a pilot study will be required. Due to lack of time, this is not possible. At this time, the methods should be employed with the positive optimism that they will have a maximum benefit toward reducing the AMD found at the Mogul Mine site.

CONCLUSION

By characterizing the Mogul Mine, it has been determined that the site represents a locality of acid mine drainage in the San Juan Mountain region. In-depth investigations both in the field and laboratory have helped in choosing what the most appropriate remediation methods, economic impacts taken into consideration, would be to abate the identified environmental hazards. The environmental hazards identified are comprised of effluent water from adit 1, effluent water from adit 3, presence of a mineralized waste rock dump, and seep water flowing from below the dump. The proposed remediation methods include development of three wetlands near sample site 4, and lining of adit 1 drainage with geosynthetic material.

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16

TASK-ORDER WORK PLAN PROPOSAL

WATER-QUALITY CHARACTERIZATION and SOURCE CONTROLS PROJECT,

MOGUL MINE COMPLEX

CEMENT CREEK, SILVERTON MINING DISTRICT

BLM Assistance Agreement 1422 C950A70004

SCOPE OF WORK

As requested by BLM in the "Mogul Complex Action Items" Memo on 12-MAR-99, the Colorado Division of Minerals and Geology, (CDMG), is proposing to supply all labor, materials, equipment ,instruments, supplies, and contractors to complete water quality sampling, flow measurements, underground surveying and mapping objectives, and drilling and installation of groundwater and mine-pool monitoring wells, and optionally, a Phase II grouting project, as described below. The principal objectives and scope of work to be completed under a Task Order to the assistance Agreement referenced above by CDMG include:

A. Underground Water Sampling in the Mogul Tunnel:- Measure undergound inflows, and sample and analyze water chemistry to identify metals loading sources in the accessible workings of the Mogul Tunnel; Determine any relationships of observed inflows to faults, fractures, and rock jointing and fabric in the study area.

B. Underground Mine Survey of the Mogul Tunnel:- Complete an underground mine survey of the accessible parts of the Mogul Tunnel workings; tie underground mapping to existing surface topographic maps, and establish surface reference control points to tie underground workings to future site-specific cadastral surveys to be conducted by others.

C. Drill and Complete Groundwater Monitoring Wells and sample and characterize groundwater at the Grand Mogul Mine Dump:- Install one horizontal and up to 3 vertical monitoring wells to characterize the potential mine pool inside the Grand Mogul collapsed adit, as well as surface waste- groundwater interactions at the mine dump. Sample water quality in the installed wells to develop an understanding of mine-pool- groundwater interaction, and how the waste rock may be affecting groundwater and/ or portal outflow quality.

OPTIONAL PHASE II

D. Design and execute an underground or surface Poly-Urethane Foam Grout water sealing and control project to divert groundwater inflows from entering the Mogul Mine workings. It is most likely that execution of the grouting program will take place in summer 2000.

DETAILED TASK DESCRIPTIONS

Objective A: **Measure undergound inflows, and sample and analyze water chemistry to identify metals loading sources in the accessible workings of the Mogul Tunnel**

Task 1. Conduct an underground reconnaissance of accessible workings with the assistance of the mine owner. Identify locations of groundwater inflows and determine necessary equipment and supplies for flow measuring and underground sample collecting; do any hand-scaling or minor work to allow safe access to sampling sites. *(Note: if possible, underground sampling will be performed during the reconnaissance visit, however, ice build-up at the portal may prevent flow measurements, requiring sampling to be conducted later in June)* (late to mid-MAY)

Task 2. Collect up to 4 underground water samples of identified inflows for laboratory analysis. For data consistency, all underground flows will be measured, and sampled for total and dissolved Cd, Cu, Fe, Mn, and Zn and field parameters including pH, conductivity, and temperature, following current CDMG procedures, and equipment standards. Chosen methods will be consistent with current Animas Basin study parameters. (June 28-July 1)

Task 3. Contract laboratory analyses out to an EPA -Certified Lab. (July 6th)

Task 4. Input the analyses and flow data into a spreadsheet program to develop a loading model for the Mogul Tunnel. Metals loading inflows to the Mogul Tunnel will be quantified to help decide if a surface or underground grouting project would help to eliminate a potential loading source. (early August)

Cost: $6,545.96

Objective B: **Underground Mine Survey of the Mogul Tunnel**

Task 1. Conduct underground reconnaissance of accessible workings with mine owner at same time as Objective A task 1. Select suitable underground instrument stations and survey control points; determine underground equipment needs.(late May)

Task 2. Perform underground survey of accessible workings on the Mogul portal level*. All control and instrument points will be set in the back with stainless-steel spads, marked with aluminum tags. Existing mine survey points will be used wherever practicable. A Third-Order, Class II,Open Traverse will be run using an electronic-total-station instrument (closure in position will not exceed 1 part in 5,000). Data will be reduced to rectangular coordinates on an arbitrary "property grid". If BLM coordinates for a surface reference point at the portal are available from cadastral surveying prior to beginning the underground traverse, they will be used as the basis of beginning. *(*Note: It is not anticipated that carrying an azimuth to a second mine level through a vertical opening, via coplaning or Weisbach methods, will be required. If transferring an azimuth to another mine level is required, there will be extra costs in labor, materials, and equipment*). (June 28-July 1st)

Task 3. Map geologic features, focusing on identification and characterization of faults, joints, fracture patterns, rock fabric, and mineralized veins and alteration halos exposed in the workings, during the survey work. Any relationships to groundwater inflows, particularly in the "cross-cut" part of the workings, will be detailed. (early July)

Task 4. Compile and plot underground mapping at a scale of 1 inch to 50 feet, and tie in to surface topographic maps at a scale of 1" = 2,000 ft. Any additional larger-scale surface mapping which becomes available through cadastral surveying will also be tied in to. A vertical cross-section will be constructed from the survey and geologic data to show the depth and position of the workings with respect to Cement Creek and the VLF/EM anomalies. This will help to determine the association of Cement Creek and possible water-conducting fractures to the underground workings. This relationship, along with dye tracing studies performed by others, will be used to determine the feasibility of using a streambed or underground PUF grouting approach to control or eliminate a metals loading source. (July-August)

Cost: $5,737.34

Objective C. Drill and Complete Groundwater Monitoring Wells and sample and characterize groundwater at the Grand Mogul Mine Dump-

Task 1. Prepare bid specifications and bid out monitoring well installation contract. It is anticipated that the contract will include drilling, completing, and developing/ pumping one horizontal 4" probe or boring into the Grand Mogul collapsed adit, followed by up to 3 conventional groundwater quality monitoring wells in the waste rock dump, if necessary based on the adit probe results. Wells will be completed with 2" PVC well pipe and 0.10 in. screens. Well specifications and standards will follow current EPA procedures, including steel surface casings with lockable caps. (April-May)

Task 2. Prepare and submit Notice-of-intent-to-construct, and monitoring well permit applications to State Engineer's Office. Permit applications will be finalized and re-submitted upon completion of the work to secure permits. (May)

Task 3. Drill and construct 4" dia. steel probe/ well into the Grand Mogul workings. The well will be pump tested to determine if the outflow is equal to the flow at the base of the waste pile. If the flows are equal, the other monitoring wells in the waste pile may not be required. Water samples will be collected from the toe seeps and portal for chemical comparison. If necessary, drill and construct up to 3 additional 2" PVC-cased monitoring wells in the waste rock pile. Work will be done under a contract to a drilling firm, selected through existing State procurement and contracting procedures. Drilling will be monitored by CDMG staff geologists. (July)

Task 4. Purge and sample groundwater from wells at least twice during the 1999 field season (high flow/ low flow), using EPA protocols, and procedures as outlined in Objective A-Task 2 and 3 above .(July, September)

Task 5. Submit samples to contracted labs for analyses, as described in Objective A-Task 2 and 3 above. (July and September)

Task 6. Analyze and interpret data to develop an understanding and characterization of the loading sources associated with the potential mine pool inside the Grand Mogul collapsed adit, as well as surface waste-groundwater interactions at the mine dump. Determine how the waste rock may be affecting groundwater and/ or portal outflow quality. Include findings in a Field Report of Investigations. (August/ September 1999)

Cost: $23,857.58

OPTIONAL PHASE II PROJECT:

Objective D. **Design and execute an underground and/ or surface Poly-Urethane Foam Grout water sealing and control project to divert groundwater inflows from entering the Mogul Mine workings**

Task 1. Evaluate VLF/ EM anomalies along Cement Creek in comparison to surveyed location of underground workings, and geologic and hydrologic data collected from the Mogul Mine. Combine metals loading data from the underground workings with survey data, and groundwater tracer studies conducted by others, to develop an understanding of the groundwater and mine-pool hydrology which may be associated with water-bearing fractures hydraulically connected to Cement Creek. In consultation with BLM and FETC staff, this information will be used to determine the feasibility of grouting and fracture sealing applications, and prepare a cost-benefit analysis of specific groundwater inflow/ outflow control alternatives for construction in Task 2. (September 1999)

Task 2. Based on the feasibility and cost-benefit analysis developed in Task 1, prepare bidding specifications and contract bidding documents for a Poly-Urethane Foam (PUF) grouting approach. Based on our experience with the geology of the area, it is anticipated that underground fracture sealing might be more cost effective and have greater chances for success than a surface approach, however, surface techniques may be applicable. A contract for the Source Water Control PUF grouting project will be issued through existing State of Colorado procurement rules and procedures. A site showing could be conducted in the fall.(September/ October 1999)

Task 3. Manage underground and/ or surface PUF grouting project. Keep accurate records and document the applied technologies for use by others. Compile final report including costs and discussions of problems/ solutions encountered in using the technology. (Spring/ summer 2000)

Costs: **Underground only:$46,814.30; Surface only: $71,814.30; Both surface: & Underground $109,502.30**

NOTE: Costs associated with underground and surface PUF grouting are estimated based on our experience with similar projects. Estimates will be revised upon completion of sampling and surveying work in 1999. Estimates shown in the budget for these optional items include CDMG staff time and costs for contract development, administration, and supervision of the work. Project Budget Totals are shown for 1999 work alone, as well as for the optional Phase II grouting project.

PROJECT SCHEDULE

April 1999 Contract for monitor well drilling and construction will be developed and put out to bid to permit early July completion of the monitoring wells at the Grand Mogul.

May 1999 Reconnaissance of underground workings as soon as adit site is accessible. Prepare equipment and obtain underground survey and water sampling supplies, as determined from reconnaissance. Prepare monitor well permit applications and submit to State Engineers office to receive early drilling permission.

June 1999: 28th to July 1st-Underground surveying and water sampling work in the Mogul workings, samples turned in to contract labs.

July.1999: Monitor well drilling at the Grand Mogul, in conjunction with other DMG work in the area. Underground geologic mapping would be completed in the Mogul using the preliminary base map of the workings developed in June. Water samples collected from completed wells, turned in to labs.

Aug. 1999: Sample results back from lab (hopefully). Mapping would be compiled, and plotted back in the Denver office, including cross sections. A report and loading calculations and interpretations would be written, and maps and cross sections drafted for presentation to BLM/FETC, and ARSG.

Sept.1999 Low-flow sampling of Mogul underground flows and monitoring wells at Grand Mogul. Cost-benefit analysis and decision on proceeding to PHASE II Grouting Project. Project could be designed and bid out in fall 1999, with construction to proceed in spring of 2000.

SCHEDULE OF DELIVERABLES

Objective A

1. Raw Data set
2. Report characterizing inflows to Mogul Mine workings

Objective B

1. Map of accessible parts of underground workings on the Mogul adit level at a scale of 1 in. = 50 ft., with overlay on surface topography at a scale of 1 in. = 2,000 ft.

2. Scaled cross section of Cement Creek valley and relationship of VLF/EM anomalies to underground workings on the Mogul, including projections of surface and underground faults or fractures mapped during the work.

Objective C.

1. Bid specifications, Drilling Contract Documents, and monitoring well permits
2. Completed Drilling Program at the Grand Mogul mine dump
3. Data sets and interpretation/ analysis of metals loading sources at the Grand Mogul

OPTIONAL Objective D.

1. Cost benefit analysis of proceeding with a source controls grouting project.
2. Designs and specifications for underground and/ or surface grouting program.
3. Completed grouting program, with detailed records and field reports for transfer of technology to others.

PROVISIONS

BLM agrees to provide the following items under this Task Order:

1. Written consent for right of entry from Landowner, to perform the work as described.

2. NEPA/ Historical and cultural clearances, if required by County or BLM.

3. CERCLA "Action Memo" to cover the project, if required.

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
COLORADO STATE OFFICE
2850 YOUNGFIELD STREET
LAKEWOOD, COLORADO 80215-7076

In Reply Refer To:
CO-933
1010-ANMS

To: State Director, Colorado State Office

From: Field Manager, San Juan Field Office

Subject: Justification For Mogul Project, PL 104-208, Section 124 (Wyden Amendment)

BACKGROUND

The Mogul is an abandoned mine located in the headwaters of the Animas River. The mine discharges acidic heavy metal laden water from its underground workings and from runoff seeping through its waste dumps. Because the Mogul represents a significant portion of the pollution loads in the upper Animas River, the Animas River Stakeholder Group selected this mine as a priority for cleanup.

The Mogul is located on private land; however, the polluted discharge flows off the mine and through public land. Approximately three quarters of the lands in the upper Animas River watershed are Federal lands. The current landowner, Todd Hennis, purchased the Mogul lands in _____. Hennis has not operated the mine, its last know production was _____.

Several Federal and State agencies and the landowner are cooperating in cleanup of the Mogul mine, as follows:

- Colorado Division of Minerals & Geology will close the mine openings and provide construction management services.
- Department of Energy will provide geophysical and grouting expertise.
- Environmental Protection Agency will provide cleanup funding.
- Bureau of Land Management will provide remediation expertise and funding.
- Hennis will provide mine engineering expertise and the use of his construction equipment.

Section 124 of Omnibus Consolidated Appropriations Act of 1997, PL 104-208 provides a framework by which the Bureau of Land Management (BLM) may enter into Watershed Restoration and Enhancement Agreements. These agreements permit funding work on private land that has direct benefit to biotic resources on public land. The BLM issued guidance on the implementation of these agreements in Washington Office Instruction Memorandum (WO IM) No. 97-66, "Implementation Criteria for Section 124 of PL 104-208", Attachment 2. Attachment 2 is the draft Watershed Restoration and Enhancement Agreement. This agreement is not specific to the Mogul project. It is a general agreement for the Mogul landowner intended to cover additional projects in the event the need arises. This memorandum fulfills the WO IM 97-66 requirement for justification documentation of only the Mogul project.

PROJECT SELECTION CRITERIA

Funding for the Mogul cost-sharing project meets the following Project Selection Criteria as outlined in WO IM 97-66.

Minimum Requirements:

a) BLM has $200,000 available to enter into this proposed agreement for fiscal year 1999. These funds were appropriated for the Abandoned Mine Land/Watershed Initiative, budget code CO-038-1010-ANMS.

b) The Mogul cleanup project will have a direct benefit in reducing the acidity and metal loading that impair aquatic resources of the Animas River and its headwater tributaries. The project is a high priority for the Animas River Stakeholder Group (see Attachment 3), and is a more critical cleanup than other similar cleanup opportunities on public lands.

c) The landowner is a willing, voluntary participant in the Mogul cleanup project and is willing to sign the attached draft Watershed Restoration and Enhancement Agreement and a grant of easement and right-of-way. In addition, the taxpayer's investment in the project is protected by Colorado mine reclamation statutes and the Clean Water Act. If mining operations resume, the mine operators must comply with the environmental protection regulations promulgated under those laws.

d) The landowner, upon signing the Watershed Restoration and Enhancement Agreement, agrees to comply with all applicable Federal, State, and local laws, regulations, policies, and permit requirements prior to any construction work. BLM will authorizes its portion of the project either through the National Environmental Policy Act processes or the Comprehensive Environmental Response and Liability Act processes. The planned cleanup work only involves source control, and for this type of construction, the Colorado Department of Public Health and Environment does not require National Pollution Discharge Elimination permits.

Evaluation Criteria:

a) The Mogul project together with numerous other cleanup projects in the upper Animas River

watershed are expected to improve and re-establish healthy downstream fisheries.

b) The Mogul project is one part of a one million dollar per year BLM program that supports the much larger investment of the Animas River Stakeholder Group in restoring the upper Animas River watershed. In addition, the upper Animas River restoration is a showcase project of Vice President Gore's Clean Water Action Plan.

c) The BLM and US Forest Service manage about three quarters of the lands within the upper Animas River watershed. The balance is private lands. See Attachment 4 for land status in the upper Animas watershed.

d) Attachment 5 contains tables and charts that show the commitment of other cooperators in the restoration of the upper Animas River watershed. The BLM's total expenditure in the watershed through fiscal year 1998 is $1,330,759 compared to the total expenditure of all partners of $9,265,855, a leverage ratio of 1:7. For the Mogul project in particular, the cooperators include the landowner, Colorado Division of Minerals and Geology, Department of Energy, and Environmental Protection Agency.

e) The Mogul project is a high priority for the Animas River Stakeholder Group, refer to Attachment 3. The water quality and beneficial use standards are set by the Colorado Water Quality Control Commission. These standards determine the cleanup goals for both the BLM and the Animas River Stakeholder Group. Beyond these standards, many of the partners in the Animas Stakeholder Group are committed to reducing the mining induced pollution discharges for the benefit of the fisheries, the health of the land, and other downstream uses.

f) In general, much of the private funding and funding by other government agencies benefits Federal lands because such a large portion (three quarters) of the watershed is Federal lands. For the Mogul project in particular, the expected ratios of funding are BLM __, Colorado Division of Minerals and Geology __, Department of Energy __, and Environmental Protection Agency __.

g) The landowner is willing to donate easement interests to BLM. The project will not proceed without an easement conveyance and execution of the Watershed Restoration and Enhancement Agreement.

_____ _____

Stephanie Odell
Animas Project Manager Date

Cal Joyner
Field Manager - San Juan Field Office Date

Approved by:

Ann Morgan
State Director - Colorado State Office Date

Attachments:

1. WO IM No. 97-66, "Implementation Criteria for Section 124 of PL 104-208."
2. Draft Watershed Restoration and Enhancement Agreement with Todd Hennis.
3. Animas River Stakeholder Group, List of Priority Mines, Cement Creek.
4. Land Status, Upper Animas River Watershed.
5. Source and Application of Funds, Upper Animas River Watershed Cleanup

EVALUATION REPORT IV

on the

GOLD KING MINE PROPERTY
SAN JUAN COUNTY
SILVERTON, COLORADO

for

GOLD KING CONSOLIDATED, INC.
(Gold King Mines Corporation)
One Tamarac Square Building
7555 East Hampden Avenue
Suite 413
Denver, Colorado
80213-4835

Denver, Colorado
February 15, 1990

E.D. Black, P. Eng.
MPH Consulting, Inc.

SUMMARY

The Gold King property is located in the San Juan mountains near Silverton, Colorado, and comprises 56 patented and 17 unpatented lode mining claims totalling approximately 488 acres. The property is controlled by Gold King Mines Corporation, majority owned by Gold King Consolidated, Inc., a Colorado public company. All patented claims are held under lease and unpatented claims are held by "location" on BLM lands, subject to Federal Government statutes. The Gold King claims are contiguous with the Sunnyside Mine claims, formerly controlled by Sunnyside Gold Corporation, a subsidiary of Echo Bay Mines, Ltd. and now held by the San Juan County Joint Venture, a joint venture between Echo Bay Mines, Ltd., Washington Mines Corp. and Silver King/Pacific Mines Ltd.

Historically, the Gold Kind mine is reported to have produced 665,502 tons of ore containing 0.471 oz/ton gold, 2.39 oz/ton silver, 0.71% lead and 0.52% copper. The ore also contained zinc in amounts comparable to lead.

The claims are near the summit of a 13,000 foot (400 m.) ridge eight miles (12 kilometers) to the north of the town of Silverton, Colorado. The local terrain is mountainous and rugged.

Geologically, the property is underlain by a Tertiary volcanic tuff sequence derived from eruptions within the Silverton-Lake City collapsed calderan complex. The Gold King mine is situated in the southwestern extremity of this complex, within the Silverton caldera. Faulting and fracturing of the volcanic rocks permitted and controlled emplacement of a number of episodes of mineralization - carrying gold, silver, copper, lead, and zinc. Associated guangue minerals are quartz, pyrite and rhodonite. Mineralized veins, faults and fracture systems are found within and parrelling a complex graben structure, in the northeastern quadrant of the Silverton caldera.

Principal mineralized vein systems are the Davis and Gold King veins in the Gold King mine claims, the Sunnyside 2150 and Portland-Extension vein systems in the Gold King Extension claims and the Minnehaha veins in the Durango Gold claim group, all owned by Gold King Mines Corporation.

Within Gold King mine claims, the Davis/Gold King vein system is the most important and most extensively mined structure. This vein trends northeasterly and dips 75° to 85° to the southwest. Four other veins have been mined in the Gold King mine. A total of eleven levels were developed to varying degrees during the mine's productive history, between 1883 and 1925. Approximately 32,000 feet (1,000 m.) of underground drifts and crosscuts are reported to have been excavated in this mine. The 7th level, accessible via a side-hill portal, is the lowest level of the mine (11,400 ft. - 3,450 m. asl). Internally, access between levels is by way of a main winze, between the 1st and 7th levels. Mine levels are at approximately 100 to 125 foot (33 to 38 m.) intervals. The main drainage and haulage tunnel for the Sunnyside mine, the Gladstone-American tunnel, portals about one half mile to the west and 850 feet (257 m.) below Gold King mine's 7th level adit. This tunnel serves as the principal access and haulage level for the Sunnyside mine, passing beneath the Gold King workings over most of their length. There is no underground connection between the Gold Kind 7th level and the Gladstone-American tunnel.

In the evaluation reports prepared by MPH Consulting, Inc. for Gold King Mines Corporation, August 31, 1987 and May 15, 1988, it was estimated that gross probable possible and potential ore reserves for the Gold King holdings could amount to between approximately 1,459,000 and 1,562,000 tons, with an expected average grade of 0.32 to 0.35 oz/ton gold and 2.67 to 2.90 oz/ton silver. No proven reserves were calculated at that time. Current total ore reserves are estimated at approximately 1,496,000 tons, grading 0.28 oz/ton gold and 2.62 oz/ton silver. Within this new total are approximately 30,400 tons of proven mineable reserves, grading 0.08 oz/ton gold, 3.75 oz/ton silver, with 5.0% lead, 0.97% copper and 8.2% zinc.

During the latter part of 1987 and early 1988, Gold King Mines Corporation proceeded with rehabilitation and extension of the 7th level in the Gold King mine. The objectives of this work was to render the mine accessible to LHD equipment and to carry out exploration on the Davis/Gold King vein system -- east from the former limits at the main winze, toward the Kid vein, which was thought to be its compliment in the Sunnyside mine. This work was continued to May of 1989 and included completion of 1100 feet (333 m.) drifting and 350 feet (106 m.) of crosscuts on the 7th level. From two crosscuts, the

Company completed nine diamond drill holes designed to intersect and check the width and mineralization of the Davis and Gold King veins at points 650 feet (197 m.) and 1,100 feet (333 m.) apart along the strike of the vein system.

During the same period of time, Sunnyside Gold Corporation continued its underground exploration and development efforts on the 2150 and Portland-Extension vein systems, where these veins passed into the Gold King Extension claims - between the old Gold King and Sunnyside mines. This work has resulted in establishing "proven" mineable reserves of 30,387 tons of ore grading 0.08 oz/ton gold, 3.70 oz/ton silver, 5.00% lead, 0.97% copper and 8.20% zinc. Total mineable reserves in this sector now appeared to amount to 103,779 tons of ore averaging 0.09 oz/ton gold, 2.9 oz/ton silver, 3.7% lead, 0.80% copper and 6.0% zinc, between the "H", "G" and "F" levels of the Sunnyside mine. Production from this joint venture ore zone is planned for 1990.

In 1988, Sunnyside Gold Corp. became Alta Gold as a result of a joint venture between Echo Bay Mines Ltd. and Silver King/Pacific Silver Mines Ltd. In 1989 Washington Mines Corp., owners of the Sunnyside claims, entered the joint venture and formed the San Juan County Joint Venture which took over operations. Exploration, ore pass installation and pre-production development were undertaken on the 2150 and Portland-Extension veins within the Gold King Extension claims. Production is underway at the time of this writing.

In the August 31, 1987 and May 15, 1988 MPH reports, a long-range comprehensive exploration program was put forth, recommending that Gold King Mines Corporation carry out a five-year plan, involving some 48,000 feet (14,500 m.) of underground diamond core drilling, and approximately 23,000 feet (approximately 6,900 m.) of drifting, raising and crosscutting, plus 5,000 feet (approximately 1,500 m.) of surface diamond core drilling, geological mapping and geophysical surveys. Estimated cost of this total program was approximated at $12,000,000.

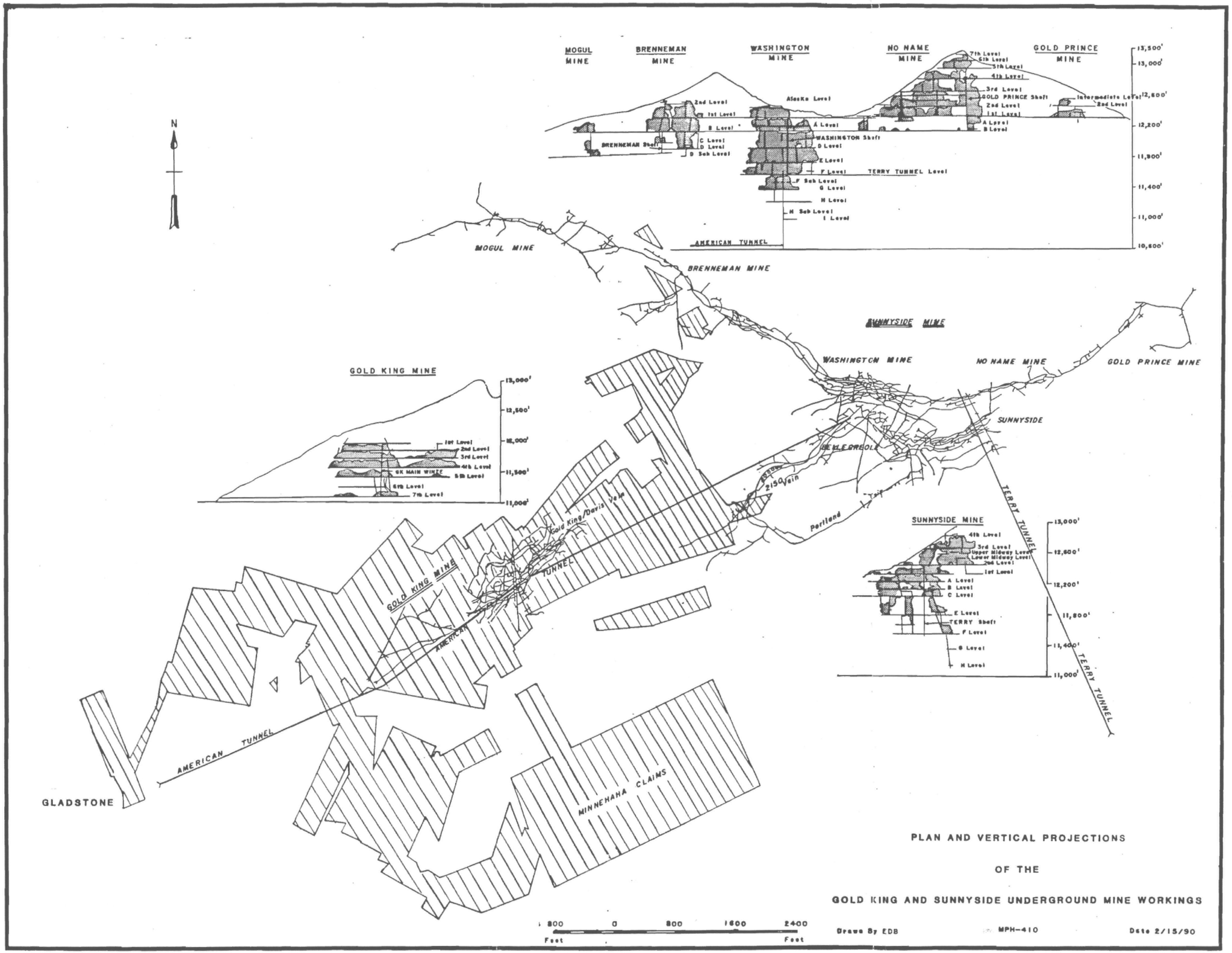
Considering exploration and development completed to date, this overall plan can still be adhered to, with minor program reductions. <u>The program is now reduced to 43,000 feet (13,100 m.) of drifting and 21,000 (6,400 m.) of drilling at an approximate cost of $10,000,000</u>. In lieu of crosscutting and long hole drilling, as was carried out on the Davis/Gold King vein system, it may be more productive to do underground

drifting the length of the vein system on the 7th level and raising at regular intervals to the 6th, 5th and even the 4th levels; or, alternatively, ramping from the 7th to 4th level directly. The cost of drifting-and-raising or drifting-and-ramping will undoubtedly be more than the cost of drifting-and-crosscutting for drill stations, however, the resulting muck (ore) from the raises and/or ramps could be milled and produce some revenue. Moreover, the results of drilling and raising or drifting and ramping will be more definitive for ore reserves and grade definition. Underground budget for the 1990 fiscal year should be in the order of $1,600,000.

It is also, once again, recommended that Gold King Mines Corporation carry out a 1990 summer surface program designed to check for and evaluate the possibilities for open-pit heap-leachable ore within the upper parts of the Gold Kind and Minnehaha structures. To the depth of the 1st level of the Sampson zone in the Gold King Mine (approximately 100 feet or 33 meters), a geological potential could exist for a minimum of 2,000,000 tons of oxidized, heap-leachable ore, grading in the order of 0.05 oz/ton gold and 1.00 oz/ton silver. The Minnehaha could contain over 1,000,000 tons of similar leachable oxidized low-grade ore. Should these zones extend to a depth of 300 feet (100 m.), the combined potential could reach over 10,000,000 tons of leachable material. Although these potential pits would be at high elevations, the ore could be trucked downhill to a suitable pad area at an elevation of 10,500 feet (3200 m.), within a mile or two of the mine sites. Once established, leaching operations could be carried out for six to eight months of the year, despite the high elevations involved.

A summer program of geochemical sampling and rotary percussion drilling is recommended to test the open-pit heap-leaching ore possibilities within the Gold King and Minnehaha claim groups. Initial phases of this program would cost in the neighborhood of $300,000 to $400,000. If successful, detail drilling, testing and engineering would be required in 1990.

Total budget for the 1990 recommended surface and underground exploration program should be in the order of $2,000,000.



PLAN AND VERTICAL PROJECTIONS

OF THE

GOLD KING AND SUNNYSIDE UNDERGROUND MINE WORKINGS

REPORT

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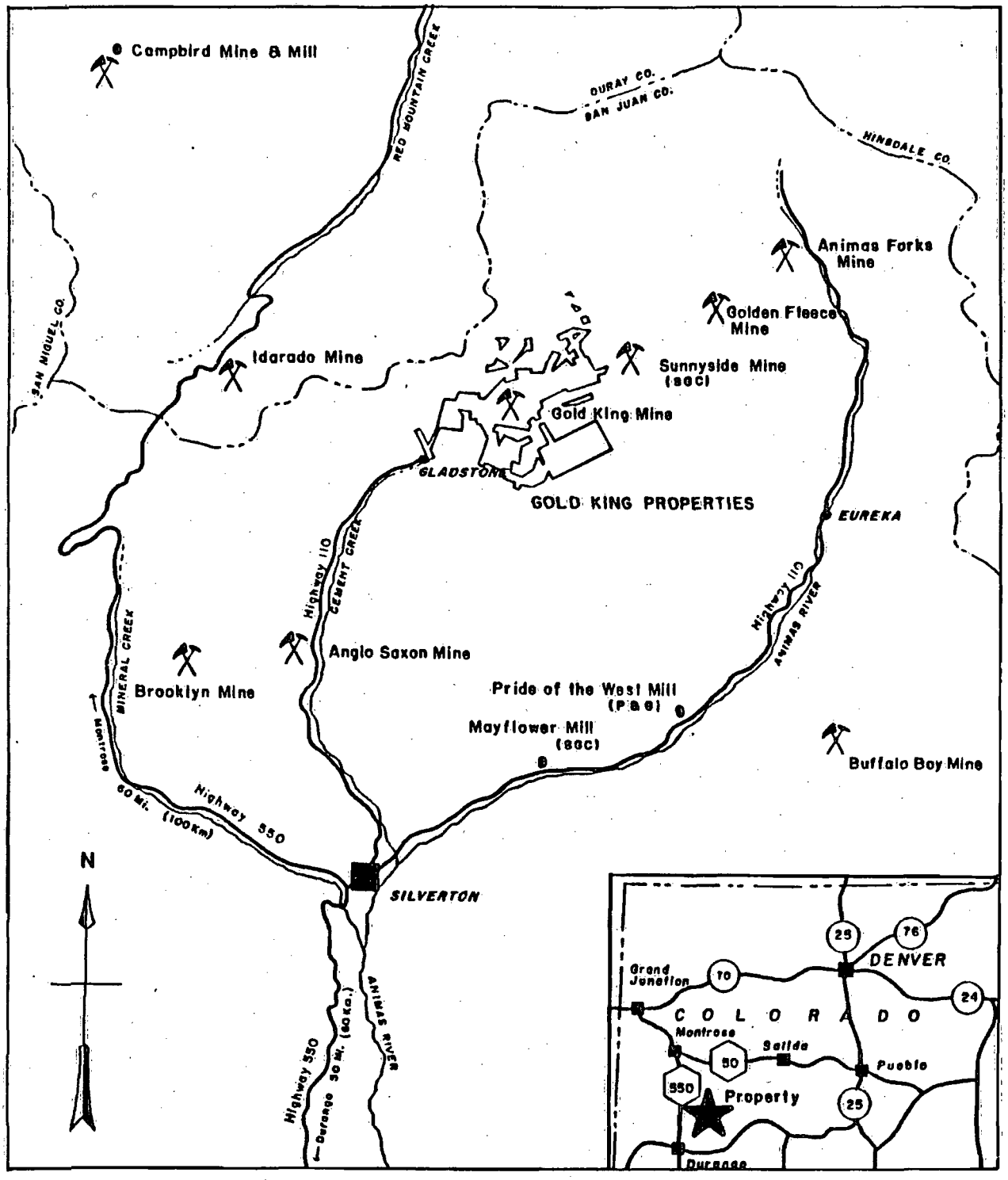

LOCATION MAP

SCALE

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MILES

MPH-410

DWG #1

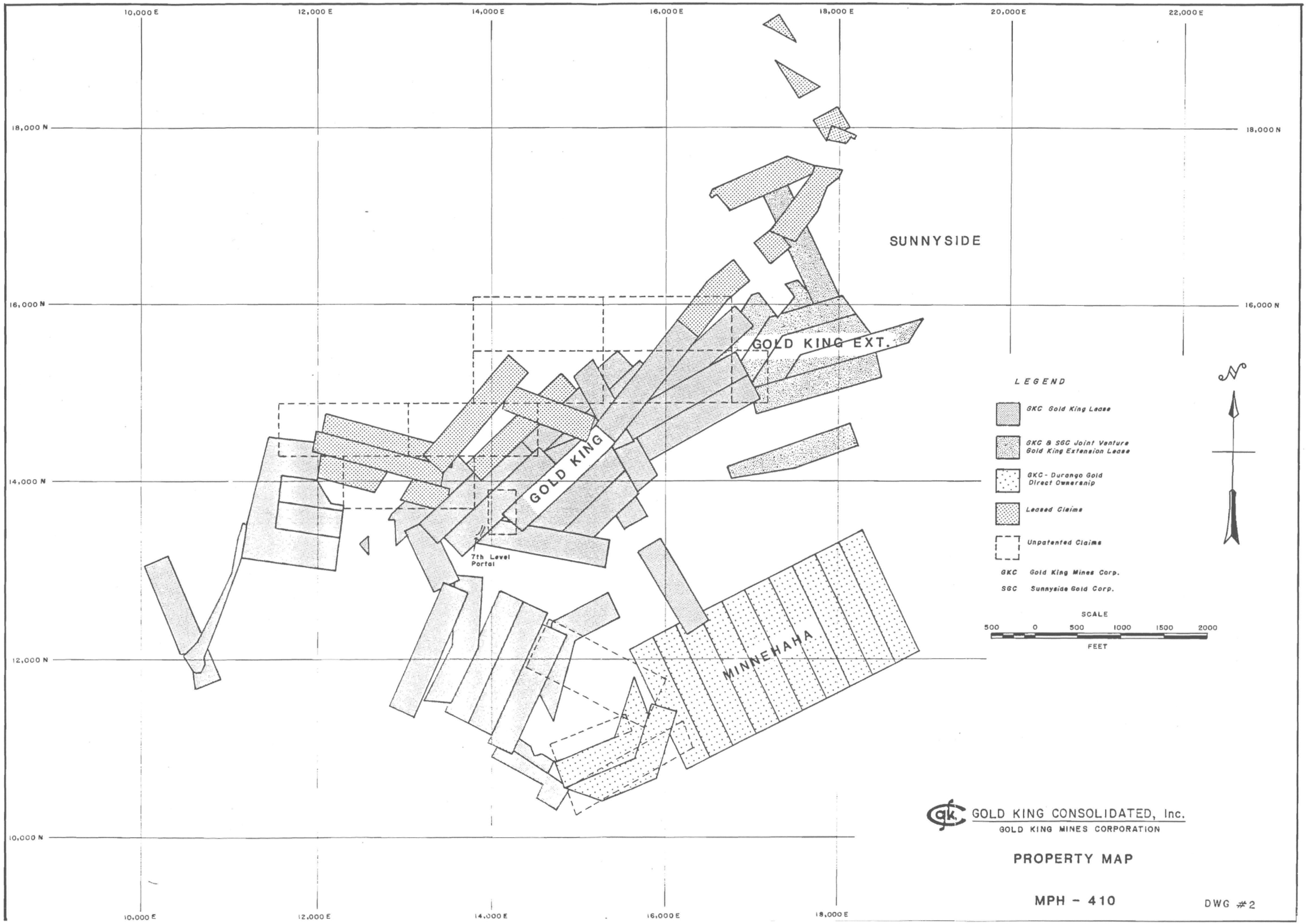
1.0 INTRODUCTION

On February 1, 1990, MPH Consulting, Inc. was commissioned by Gold King Mines Corporation (GKM) to prepare a status evaluation report on Gold King Mines Corporation's mining property in Silverton, Colorado. Accordingly, the writer has reviewed pertinent files and data from the Company's head office in Denver and mine office in Silverton, and was granted access to information and plans for development of ore reserves within Gold King's Extension claims being exploited by the San Juan County Joint Venture on behalf of Gold King Mines Corp.

MPH Consulting, Inc. and the writer appreciate the opportunity to review and report on exploration and development of Gold King Mines Corp.'s first mining venture in the Silverton district of Colorado.

This report summarizes the general aspects of the project as it was first detailed in our August 31, 1987 and May 15, 1988 MPH reports. It also reviews progress since that time and provides recommendations for the Company's long range exploration and development programs for its Silverton properties.

Wherever possible, liberal use has been made of tables, maps and cross-sections, to abbreviate and illustrate data and exploration results, and to provide background for conclusions and recommendations in this report. For an in-depth understanding and more complete picture of the project, and its progress to date, the reader is referred to the earlier MPH reports sited above.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SUNNYSIDE
GOLD KING EXT.
GOLD KING
7th Level Portal
MINNEHAHA
LEGEND
GKC Gold King Lease
GKC & SGC Joint Venture Gold King Extension Lease
GKC - Durango Gold Direct Ownership
Leased Claims
Unpatented Claims
GKC Gold King Mines Corp.
SGC Sunnyside Gold Corp.
SCALE
500 0 500 1000 1500 2000
FEET
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
PROPERTY MAP
MPH - 410
DWG #2

2.0 PROPERTY

2.1 Location and Access

The Gold King mine property is contiguous to the Sunnyside mine property, both situated approximately eight miles north of the town of Silverton, in San Juan County, Colorado (See Drawing #1). The property consists of 56 patented and 17 unpatented lode mining claims, totalling approximately 488 acres; and, is controlled by Gold King Mines Corporation, majority owned by Gold King Consolidated, Inc., a Colorado public company (See Drawing #2).

Silverton lies 50 miles north of Durango and 60 miles south of Montrose, Colorado. These communities can be reached by commercial aircraft from Denver (See Drawing #1).

From Silverton, the property is accessible by an all-weather gravel road which leads to the old town of Gladstone, site of the portal to the Gladstone-American tunnel. From Gladstone, a 1.5 mile (2.4 km) access road leads State Highway #110 to the 7th level portal, lowest level in the Gold King mine. Beyond this point, the upper workings of the property can be reached via a steep mountainous roadway.

Also, from the Gladstone-American tunnel portal, a two-mile narrow-gauge underground railroad leads to the internal shaft in the Sunnyside property. This tunnel, controlled by Gold King Mines and leased to the Sunnyside Mine Corporation, passes beneath all of the old Gold King underground mine workings, approximately 850 feet (257 m.) below the 7th level of the Gold King mine, and serves as the principal access and egress to the Sunnyside mine.

Present operating stopes of the Sunnyside mine are separated from the Gold King workings by the Gold King Extension claims, a distance of approximately one-half to one mile.

2.2 Topography, Climate and Local Resources

Silverton is situated in a local topographic depression at the headwaters of the Rio Grand River. The town is at an elevation of approximately 9,300 feet (2,800 m.) above sea level, and is surrounded by mountains that reach heights of 13,000 to 13,500 feet (3,900 to 4,100 m.) asl.

The roadway to Gladstone rises over a thousand feet (300 m.) in eight miles and the road to the Gold King 7th level portal climbs steeply to 11,400 feet (3,400 m.), in a few miles. The upper workings and the surface of the Gold King and Sunnyside properties are beneath the high rocky ridges of Bonita Peak, where the summit reaches an elevation of 13,300 feet (approximately 4,000 m.)

Total annual precipitation in the area is about 40 inches (approximately 100 cm.). Snow storms are common from October through May, and snow fields can linger on the north side of the high peaks throughout the year. Heavy rain showers occur frequently, in late afternoons, all summer long. Because of the level of precipitation, the steep mountainous slopes are subject to solifluction and soil creep in the summer and snow slides and avalanches during the winter months.

Silverton is at an elevation where the mountain forests are dense. Good stands of fir, spruce and aspen cover most of the lower slopes - up to elevations of approximately 11,000 feet (3,333 m.). The 7th level portal of the Gold King mine is above timberline and from there up the ground is covered by flowering plants, arctic grasses, and low growing shrubs, such as heather, heath and willow.

Since the late 1800's, mining has been the primary occupation of the inhabitants of Silverton. There is, therefore, a general interest in the well-being of mining in the community and a good supply of capable and experienced miners exists in the district. The owners of the local stores, restaurants, bars and hotels, and most of the town's property owners, seem to have a healthy regard for mining and the employment it provides for the community. Even the local newspaper is pro-mining.

The narrow gauge railroad from Durango to Silverton is a very substantial source of summer tourism and seasonal income to the town of Silverton. With two to three trains per day, between May and October, the town gets pretty active and its facilities are somewhat strained during the height of the tourist season. This makes the town vibrant and interesting after the long, cold winter months.

The population of Silverton is about 850 during the winter and it increases to somewhere in the neighborhood of 1200 during the summer months. The mines are the primary source of year-round employment and the backbone of the winter population.

Silverton is supplied with electrical energy from the state-wide grid and a local water treatment plant provides potable municipal water. Supplies are brought in mainly by truck and rail transport. Schools, libraries and churches are adequate and the town has a good local newspaper and good shops, restaurants, motels, hotels, auto garages and filling stations.

Fishing, hunting and hiking are the principal local recreational sports.

3.0 HISTORY

3.1 History of the District

The Silverton mining area is part of the Eureka Mining District of Colorado. The area was first explored in 1860 by the Baker prospecting party. Little mining took place until the early 1870's, after revision of the Federal treaty with the Ute Indians.

Important mineral discoveries were made and mining began in 1874. A smelter was built and put into operation in Silverton in 1875.

Wagon roads first reached the area in 1879 and rail transportation began in the early 1880's.

The Silverton branch of the Denver & Rio Grande narrow gauge railroad was completed in 1882 and the district became a viable mining camp when the first lead-zinc floatation plant was built in Silverton, in 1917.

Also, in 1917, a smelter was installed in Durango and the railway was extended from Silverton to Eureka, Animas Fork and Gladstone.

Mineralization was first discovered on the Gold King property in 1882, by a prospector named Sampson. Shortly thereafter, a 60-stamp mill was installed on the property and mining and production continued until 1888. In 1889, the Sampson mill was destroyed by an avalanche and production did not resume until 1898, when the 7th level was developed and a new 80-stamp mill was installed at Gladstone.

Production from the Gold King mine, between 1894 and 1909, is reported to have been 433,971 tons of ore, yielding 226,106 ounces of gold (0.52 oz/ton Au) and 968,920 ounces of silver (2.27 oz/ton Ag). Lead production amounted to 7,253,802 lbs and 4,241,524 lbs of copper was recovered at the AS&R smelter in Durango.

The Gladstone-American tunnel was started in 1909 and the Gold King property was leased in 1910. Thereafter, production was intermittent and mine records are scarce; however, smelter sheets from the AS&R smelter (from 1910 to 1920) showed 200,792 tons of ore treated, with average head grades of 0.36

oz/ton gold, 1.70 oz/ton silver, 0.52% lead and 0.45% copper.

Production records from 1920 on, to the time the Gold King mine shut down in 1925, are not available.

Details of the Sunnyside mine's history are beyond the scope of this report, however, suffice to note that this mine was in production to 1926, was closed from 1926 to 1937, re-opened in 1937, and closed again in 1938. It remained closed thereafter until it was leased from the owners (Washington Mines) by Standard Metals in 1959 and has produced almost continuously ever since. Echo Bay Mines Ltd. acquired the Sunnyside Mine from Standard Metals in 1985, and continued production, rehabilitation and exploration since that date. In 1988, Echo Bay formed the Alta Bay joint venture with Alta Gold. Alta Gold took over operations in the same year and, more recently, turned operations over to a joint venture with Washington Mines, Inc., owners of the property. The Sunnyside Mine is currently being managed and operated by the San Juan County Mining Venture, consisting of Echo Bay Mines, Alta Gold and Washington Mines (Sharon Steel Resources, Inc.).

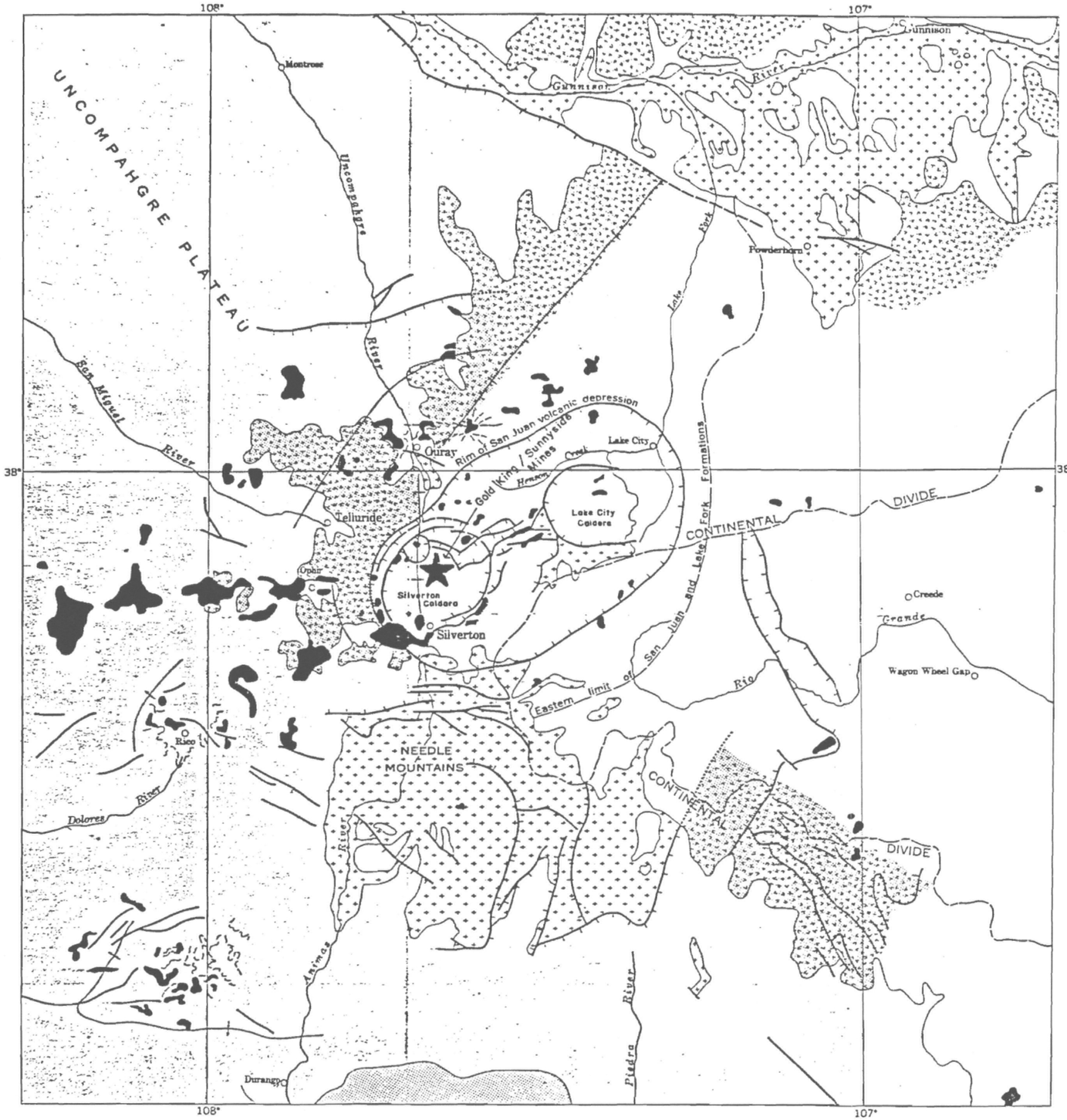
Meanwhile, the Gold King mine lay idle from 1925 to the 1960's, when it was acquired in a tax sale by Pitchfork "M", a private Texas Corporation.

In the spring of 1979, Springs Consultants, Inc., of Colorado Springs, leased the Gold King property from Pitchfork "M" Corporation and assigned a half interest to Apache Energy and Minerals, Inc. In the fall of 1984, Gerber Minerals Corporation (now Gold King Mines Corporation) gained control of the lease as a result of the bankruptcies of Apache and Springs Consultants. Gold King Mines Corporation now controls 100% of the property subject to an advance royalty payment applicable against an NSR production royalty.

During 1984, Gerber Minerals followed-up with late season drilling, and in 1985/86 with rehabilitation of the 7th and 1st level portal and exploration drilling from surface on the Gold King claims and Gold King Extension claims. Underground rehabilitation, mapping and drilling were combined to advance the project.

In May of 1987, Gerber Minerals Corporation reorganized and became Gold King Mines Corporation, majority controlled by Gold King Consolidated, Inc. In 1987 and until June of 1988

this new organization benefitted from a joint venture with Echo Bay Mines, Inc.. The GKM/SGC joint venture carried out underground exploration and development on extensions of the Sunnyside 2150 Vein and Portland-Extension Vein - into and within the Gold King Extension claims. Development and production of this vein system is currently being initiated under an operating agreement between Gold King Mines Corp. and the San Juan County Mining Venture at a fixed mining and milling cost to Gold King Mines Corp. Underground mine preparation and production from the Gold King Extension claims are taking place at the time of this writing.



EXPLANATION

Tertiary and Quaternary sedimentary rocks and alluvium undifferentiated
Only larger areas shown

Tertiary volcanic rocks
Pattern indicates underlying sedimentary rocks; blank area indicates underlying Precambrian or unknown basement formations

Lower and upper Tertiary intrusive rocks
Prevolcanic and postvolcanic intrusive rocks not differentiated by symbols

Paleozoic and Mesozoic sedimentary rocks undifferentiated

Precambrian rocks

Contact

Principal high-angle faults
Hachures on downthrown side where known; dashed where approximately located; dotted where concealed

Monoclinal fold
Arrows point to downfolded side

GENERALIZED GEOLOGIC MAP SHOWING PRINCIPAL STRUCTURAL FEATURES OF THE WESTERN SAN JUAN REGION, COLORADO

0 10 20 30 MILES

MPH-410

4.0 GEOLOGY

4.1 General Setting

The northern San Juan mountains are underlain by a sequence of Middle to Late Tertiary volcanic rocks, approximately 4,000 to 6,000 feet (1,200 to 1,800 m.) in thickness. These rocks are gently dipping and lie, unconformably, over Mesozoic, Paleozoic and Precambrian basement (See Drawing #3).

Locally, from top to bottom, the Tertiary sequence includes the following: the Potosi Volcanic group of welded ash-flow tuffs of rhyolite and quartz latite composition; the Silverton Volcanic Group, composed of flows, tuffs and breccias of rhyodacite and quartz latite composition; and, the San Juan Formation, composed primarily of rhyodacitic tuff breccias.

In general, these volcanic rocks are believed to have been derived from eruptives within the northeast trending San Juan volcanic depression, a calderan complex measuring approximately 15 by 30 miles (24x48 km.) in its greatest dimensions. Within this eruptive depression, there are two distinct calderas, each about 10 miles (16 km.) in diameter - the Lake City caldera to the northeast and the Silverton caldera to the southwest.

Within the Silverton caldera, a boot-shaped graben and extensive fault-fissure system formed as a result of subsidence and resurgence of the local volcanics.

Younger andesites, porphyritic quartz latites and rhyolites invaded the Tertiary volcanic sequence and formed dikes, sills, plugs and irregularly shaped plutons. A few of these occupy late conduits and near-surface vents.

Mineralization of several types and stages appear to be related to the latter intrusives. These deposits are generally distributed within fracture and fissure faults that developed contemporaneously with the eruption and collapse phases of the caldera. Separate and intermixed base metal and precious metal deposits occur within this system. Where these mineralized veins are wide, persistent and of adequate tenor, they form economically mineable gold-silver or gold-silver-lead-copper-zinc ore bodies.

4.2 Local Stratigraphy

The local rock sequence consists primarily of the Silverton Volcanic Group which is divisible into the Henderson, Burns Eureka and Picayune formations. These rocks, are composed of rhyolite, rhyodacite and basaltic flows, flow breccias and ash-fall tuffs.

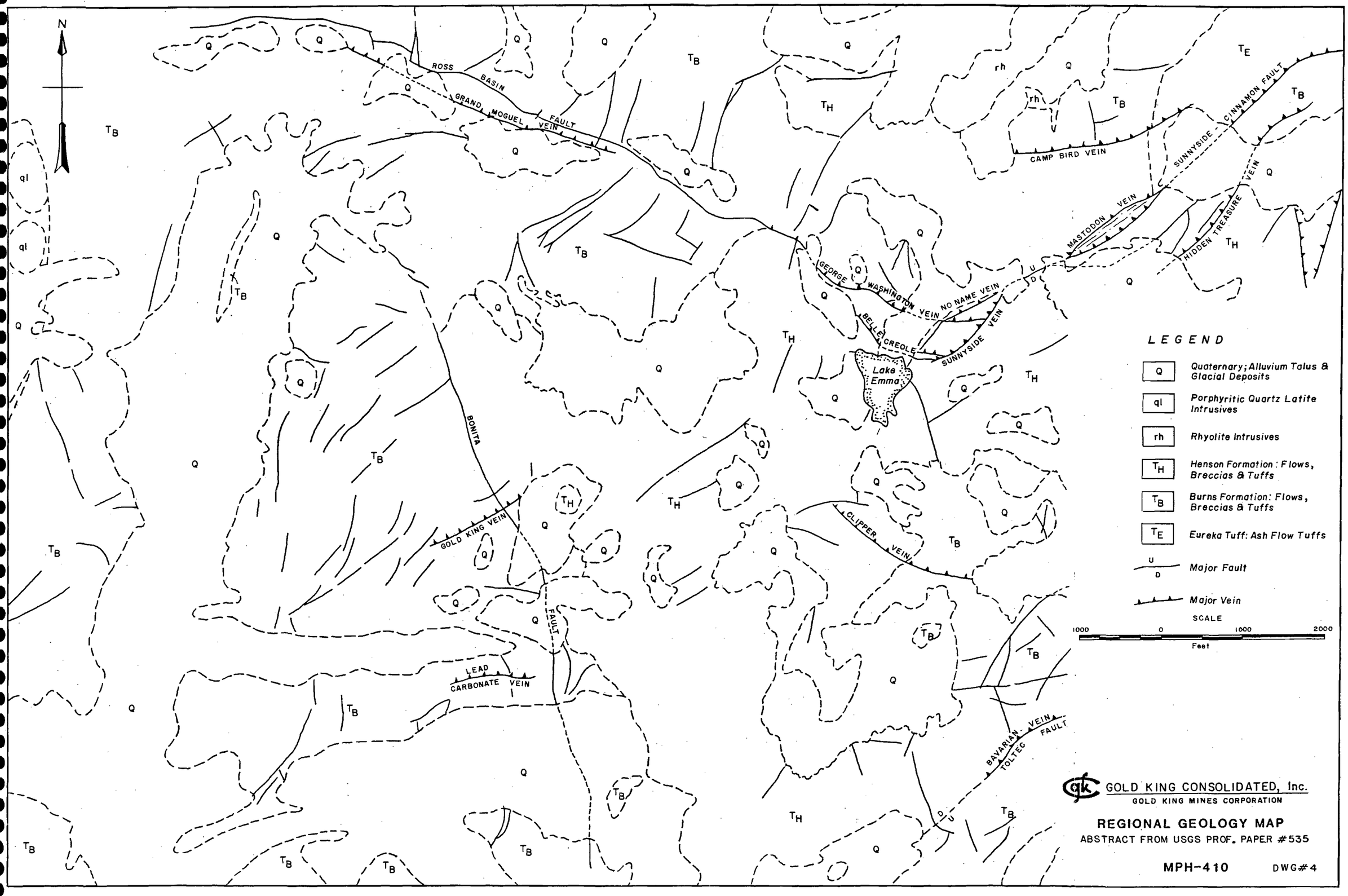
Principal rocks are the Burns and Henderson formations which host the vein and pipe-like base metal and precious metal deposits around Silverton. The upper member of the Burns Formation is the prime host for the Gold King and Sunnyside mineral deposits described herein. In places, these rocks have been strongly deformed and intensely silicified. Widest veins and richest mineralization zones occur within the fractured and altered portions of the upper Burns Formation.

The Henson Formation overlies the Burns. Because of its structural competence and low permeability, it is thought to have indirectly contributed to orebody development; by damming the upward migration of mineral-bearing vapors and solutions, and by causing the mineralization to accumulate within fractures and fissures within the upper Burns Formation.

A transitional zone lies at the contact of the Burns and Henson Formations, comprising Burns agglomerate in a matrix of Henson tuff. Mineralization in the transition zone tends to be weak.

4.3 Local Structures

Within the Silverton caldera, four sub-parallel northeast and northwest trending faults bound the Eureka graben feature. In plan, the graben is roughly boot-shaped - with the toe pointing northwestward and the leg of the boot running to the northeast. The structure is bounded by four major faults - the


N
ROSS BASIN
GRAND MOGUEL VEIN
FAULT
CAMP BIRD VEIN
SUNNYSIDE
CINNAMON FAULT
MASTODON VEIN
HIDDEN TREASURE VEIN
GEORGE WASHINGTON VEIN
NO NAME VEIN
BELLE CREOLE
SUNNYSIDE VEIN
Lake Emma
BONITA
GOLD KING VEIN
FAULT
CLIPPER VEIN
LEAD CARBONATE VEIN
BAVARIAN VEIN
TOLTEC FAULT
LEGEND
Q Quaternary; Alluvium Talus & Glacial Deposits
ql Porphyritic Quartz Latite Intrusives
rh Rhyolite Intrusives
TH Henson Formation: Flows, Breccias & Tuffs
TB Burns Formation: Flows, Breccias & Tuffs
TE Eureka Tuff: Ash Flow Tuffs
U D Major Fault
Major Vein
SCALE
1000 0 1000 2000
Feet
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
REGIONAL GEOLOGY MAP
ABSTRACT FROM USGS PROF. PAPER #535
MPH-410
DWG#4

Bonita (Mineral Creek), Ross Basin, Sunnyside-Cinnamon and Tolec faults (See Drawings #3 and #4).

The Mineral Creek and Ross Basin faults are northwest trending systems, bounding the "toe" of the Eureka graben and forming the conduits for northwest-trending veins ("northwesterlies"), in the underground workings of the Gold King and Sunnyside mines. The very strong base metal mineralized Washington vein, in the Sunnyside mine; the Portland Extension vein in the Sunnyside/Gold King joint venture claims, and the weakly mineralized Red vein in the Gold King mine, are all fault-related "northwesterlies".

The Sunnyside-Cinnamon Fault bounds the northwest side of the "leg" of the Eureka graben and forms controls for many of the important northeast-trending veins in the Sunnyside mine workings. Southwestward extensions of several of the Sunnyside mine veins appear to be along this southwest-northeast trending structural system. The principal vein system in the Gold King mine (i.e. Gold King & Davis Veins) appear to be the southwest extensions of this important northeasterly trending structural system, as it passes across the junction between the "toe" and "leg" of the graben. These southwest-northeast trending veins are locally referred to as the "northeasterlies".

4.4 Veins, Alteration and Mineralization

All of the volcanic rocks in the Silverton district have been heavily altered by hydrothermal solutions, related to the various episodes of local volcanism. Propylitization is the most widespread alteration and is considered to have occurred prior to the emplacement of the economic vein deposits. Products of the alteration include iron hydroxides, alunite, diaspore and quartz.

Veins within the Silverton caldera can be traced for distances from a few hundred feet to several miles in length (i.e. tens of meters to over three kilometers). Variations of dips and strikes are common. Some of the veins have formed as a result of periodic fracturing, fracture-filling, refracturing and refilling, of the same faults and fissures, with ore and guange minerals.

The most common vein minerals are pyrite, chalcopyrite, sphalerite, galena, and tetrahedrite. Native gold is widely

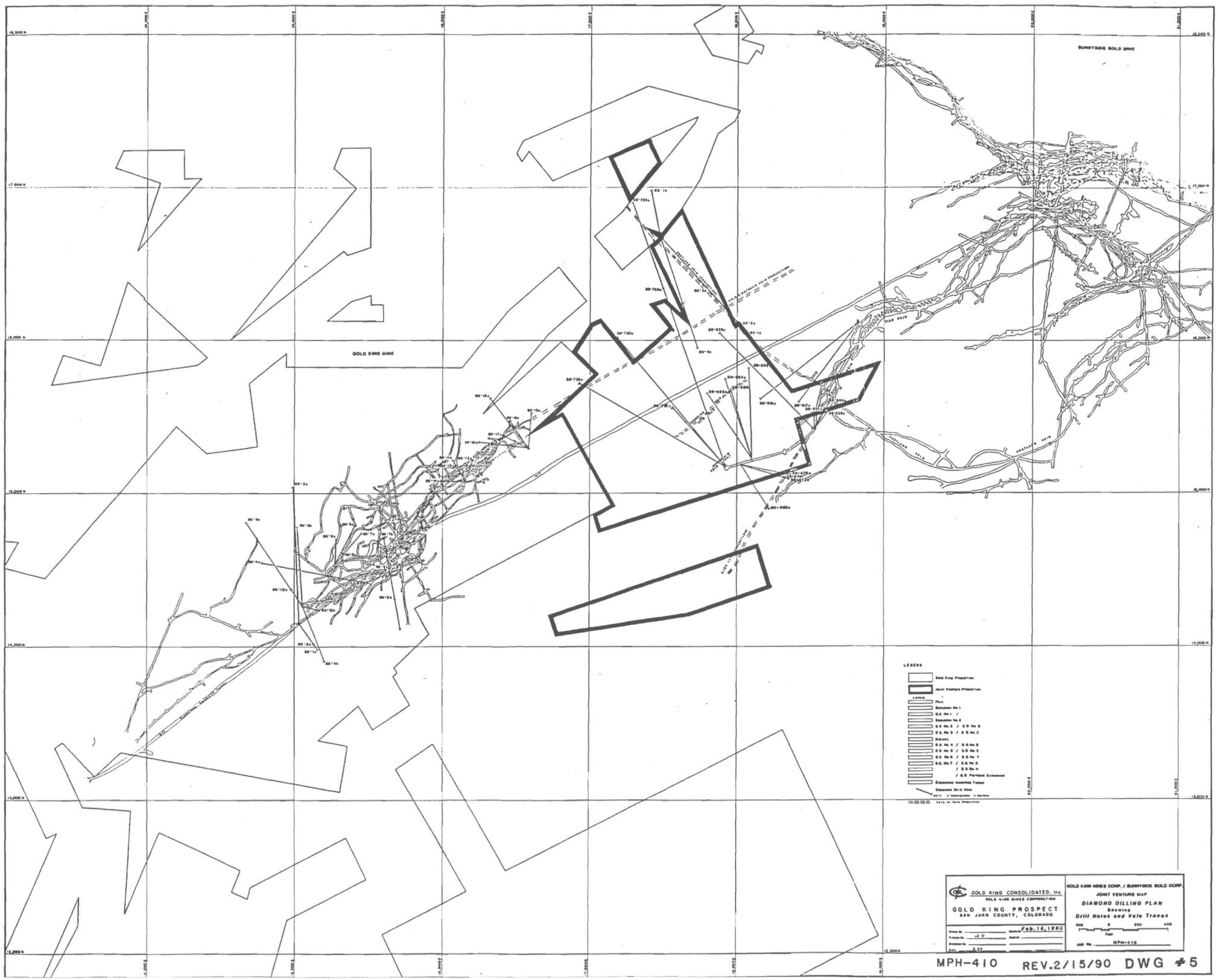
distributed in siliceous gangues and gold and silver are mainly found within galena and tetrahedrite crystals. Gangue minerals are primarily quartz, calcite, fluorite and barite. Some of the veins, particularly the northwesterlies, contain rhodonite and rhodochrosite.

For the most part, the mineral deposits and ore bodies in the Silverton district occur within faults, fracture systems and pipe-like breccias - primarily as veins and chimney-like deposits. The vein systems are frequently intersecting and inclined, one-to-another at various angles, from near vertical to shallow dipping - often with dips in opposite directions. In the Gold King mine, the main structure is a series of intersecting veins that appear to converge upward, roughly describing a conical-shaped fracture system with its apex in the old Sampson workings, near the present surface.

Recent diamond core drilling (by Gold King Mines Corporation and Sunnyside Gold Corporation) tends to strengthen and confirm the thesis that the northeasterly trending veins in the Gold King claims are extensions of the southwesterly trending Sunnyside vein systems. Sunnyside Gold Corp. has discovered and worked at least five "northeasterlies" on its side of the common Sunnyside/Gold King claim boundary. Several of these appear to extend into the Gold King Extension claims and/or into the main Gold King claim group to the southwest. The 2150 vein has been traced well to the southwest of the common boundary, into the Extension claims and back out into the adjacent Sunnyside claims (See Drawings #5 and #6).

Vein widths generally vary from three to thirty feet (1 to 10 m.) and the average true vein width (thickness) is about five feet (1.5 m.). There is a strong tendency for the veins to split and rejoin along strike, enclosing small to large horsts of country rock. In fact, the Gold King and Davis veins, which roughly parallel one another, may simply be part of the same vein system - variously separated by lenses and blocks of wall rock along their strike length. At times, these veins coalesce and become a single wide vein system.

For the most part, the veins within the Gold King mine property are pyrite-quartz bearing - their mineralization occurring as irregular or banded stringers with numerous inclusions of country rock. Base metal zones develop at times and appear to be more abundant in the "northwesterlies" as well as at <u>depth</u> in most of the vein systems.



MPH-410 REV.2/15/90 DWG #5

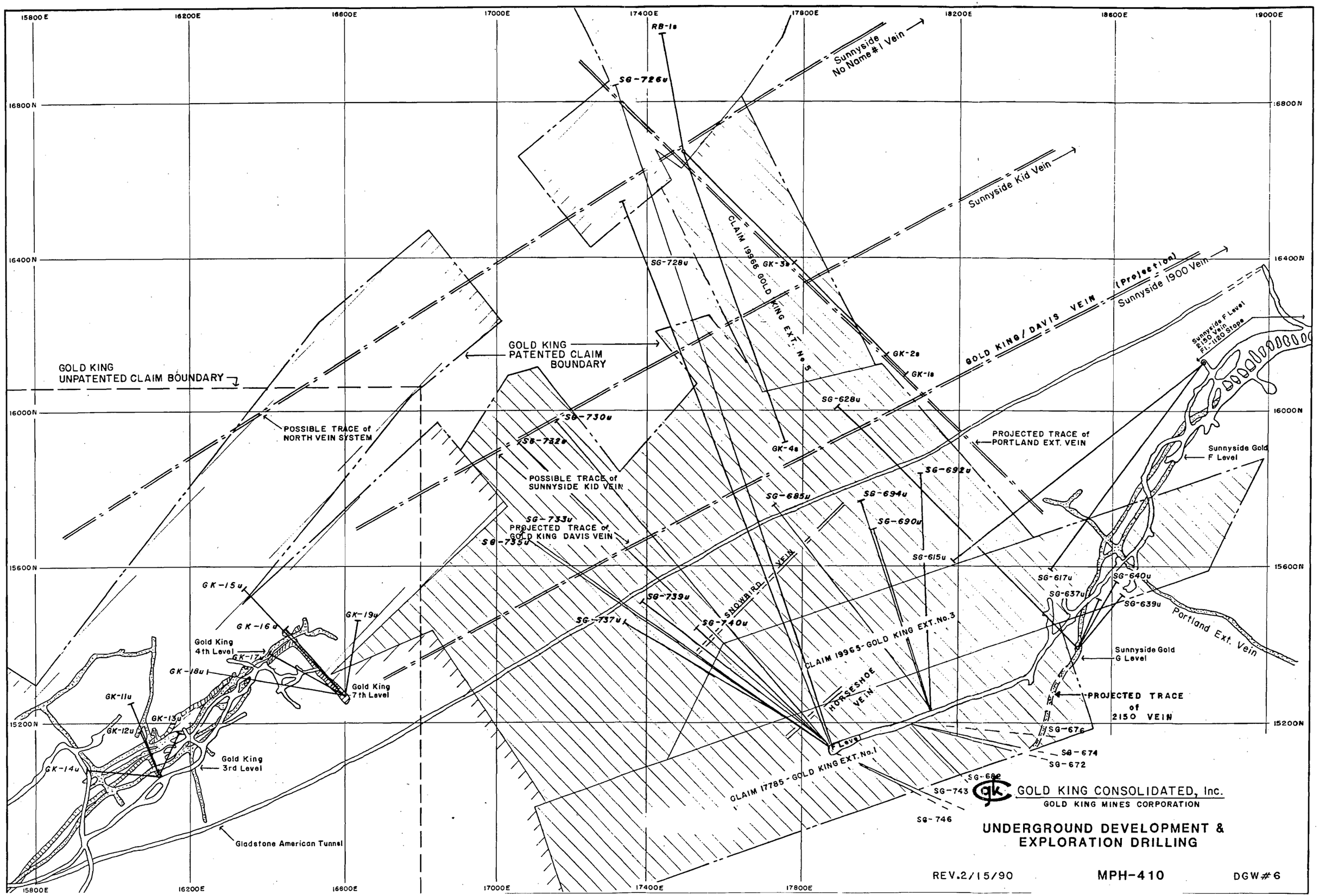
The Gold Kind and Sunnyside vein systems appear to have been involved in at least six episodes of mineralization, resulting in pronounce banding textures. Evidently, quartz and pyrite were deposited during the first two mineralizing periods. This was followed by sphalerite, galena and tetrahedrite emplacement. Gold, in free state or in the form of tellurides, came in in the fourth phase and manganese entered the system in the fifth stage of mineralization. Finally, during the sixth and last invasion, calcite and barite were deposited in the veins.

Historically, the average grade of ore produced from the Gold King mine is estimated to have been 0.471 oz/ton gold and 2.39 oz/ton silver. Lead and copper content averaged 0.71% and 0.52%, respectively. Zinc content was not reported, but is believed to be in the same order of magnitude as the lead.

The Gold King mine has been, primarily, a producer of gold and silver. The Sunnyside mine, on the other hand, has mainly produced base metals - with substantial quantities of lead, copper, zinc and cadmium and minor amounts of gold and silver. Gold/Silver-rich veins are only lately being pursued within the Sunnyside mine, particularly in the direction of and into the Gold King and Gold King Extension claims (See Drawings #5 and #6).

As exploration and development work on the Gold King and Sunnyside mines progresses, continuity of the veins is becoming more apparent and the original expectation of co-extension of the veins from one mine to the other has been borne out. For instance, the northwesterly extension to the Portland vein is now well established and the Sunnyside 2150 vein has been followed several hundred feet (100 m.) into the GK Extension claims, lying between the two mines. Additionally, recent underground drilling by the Gold King Mines/Sunnyside Gold Corporation joint venture encountered the Horseshoe (No. 1) and Snowflake (No. 3) veins within the Gold King Extension ground. These new veins could equate to the southwestward extensions of the Sunnyside Kid vein and 1900 vein, respectively. Also, the North vein and the Davis/Gold King vein(s), in the Gold King workings, could be extensions of the same vein system (See Drawings #5 and #6).

With respect to the distribution of gold and silver values in these veins, Gold King's geologists have earlier suggested


15800E
16200E
16600E
17000E
17400E
17800E
18200E
18600E
19000E
16800N
16400N
16000N
15600N
15200N
RB-1s
SG-726u
Sunnyside No Name #1 Vein
Sunnyside Kid Vein
SG-728u
CLAIM 19965 GOLD KING EXT. No 5
GK-3s
GOLD KING/DAVIS VEIN (Projection)
Sunnyside 1900 Vein
GOLD KING PATENTED CLAIM BOUNDARY
GOLD KING UNPATENTED CLAIM BOUNDARY
GK-2s
GK-1s
SG-628u
SG-730u
SG-732u
POSSIBLE TRACE of NORTH VEIN SYSTEM
GK-4s
PROJECTED TRACE of PORTLAND EXT. VEIN
Sunnyside F Level 2150 Vein Fl.-1120 Stope
Sunnyside Gold F Level
SG-692u
POSSIBLE TRACE of SUNNYSIDE KID VEIN
SG-685u
SG-694u
SG-690u
SG-733u
PROJECTED TRACE of GOLD KING DAVIS VEIN
SG-735u
SG-615u
SG-617u
SG-637u
SG-640u
SG-639u
Portland Ext. Vein
GK-15u
GK-16u
GK-19u
SG-739u
SG-737u
SG-740u
SNOWBIRD VEIN
CLAIM 19965-GOLD KING EXT. No. 3
Gold King 4th Level
GK-17
GK-18u
Gold King 7th Level
Sunnyside Gold G Level
HORSESHOE VEIN
PROJECTED TRACE of 2150 VEIN
GK-11u
GK-13u
GK-12u
SG-676
F Level
SG-674
SG-672
Gold King 3rd Level
GK-14u
CLAIM 17785 - GOLD KING EXT. No. 1
SG-743
SG-746
Gladstone American Tunnel
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
UNDERGROUND DEVELOPMENT & EXPLORATION DRILLING
REV.2/15/90
MPH-410
DGW#6

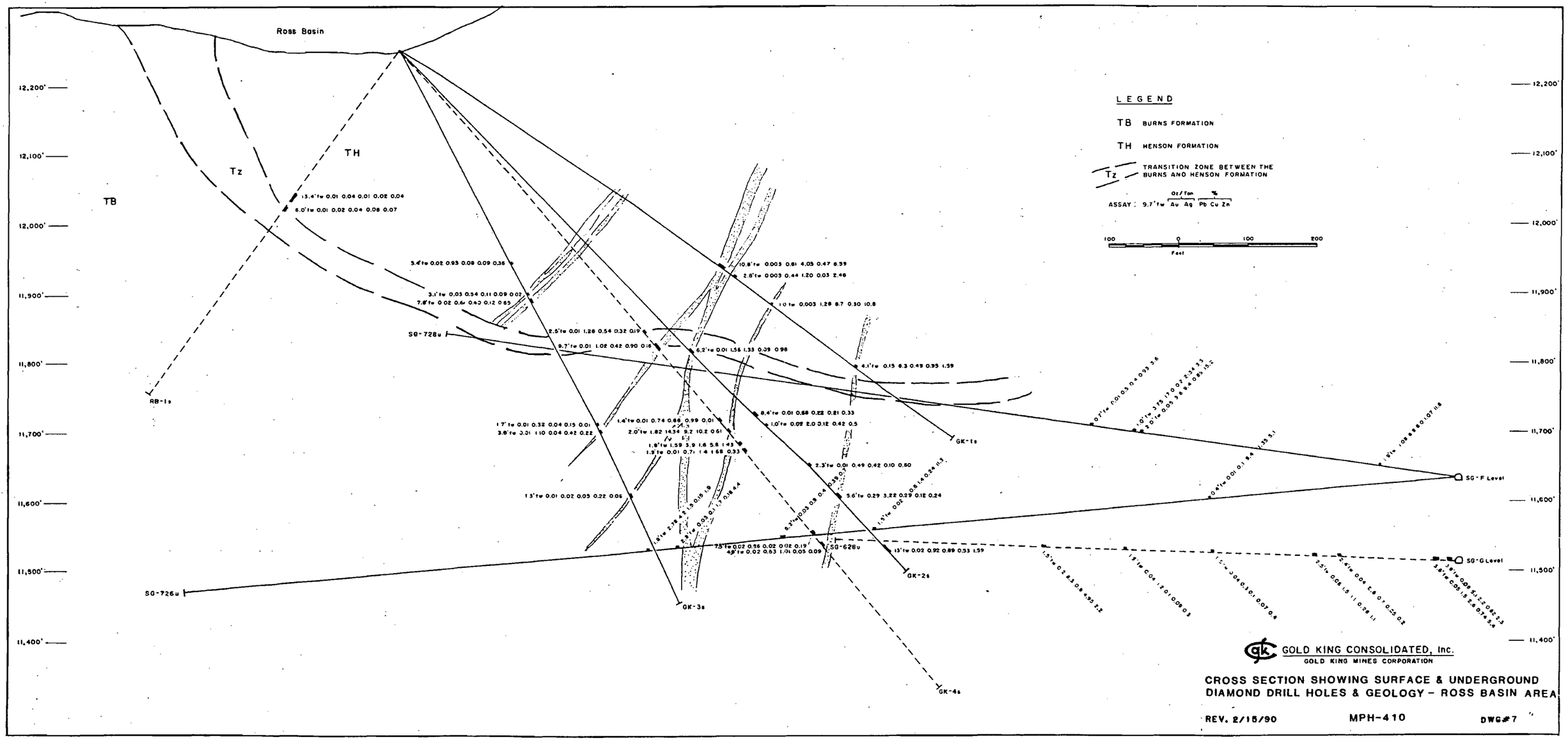
that there may be an upper and lower vertical limit to this mineralization; and, that such vertical zonation seems to bear a relationship to the transitional boundary between the Henson and Burns formations. Important gold/silver values appear to develop some 50 to 100 feet (15 to 30 m.) below the Henson-Burns contact. Because it had been thought that there was a northeastward downward bulge in this contact, the favorable gold/silver zone was expected to be deeper in the joint venture ground than in the Gold King and Sunnyside mines. To date, this hypotheses has not been refuted, however, evidence is mounting to indicate that the higher grade gold/silver zones occupy irregular shoots within the main vein systems; and, these shoots tend to lens both vertically and horizontally - their vertical axes being the longer. They may also display varying rake angles, as is common to most precious metal vein deposits.

As yet, nothing definitive has been found with respect to the patterns of these vein systems which would make the search for gold/silver distribution more predictable - except, of course, the strong northeast-southwest trend, mentioned above, and general parallelism of the "northeasterlies". The swing of Sunnyside's northeasterly trending Portland vein into the northwesterly trending Portland-Extension vein, remains an anomaly. Also, the inter-relationship of low-angled "flat" veins and low angled faults, to the main high-angled vein systems, remains to be worked out on both the Gold King and Sunnyside properties.

4.5 Mineralized Veins - Gold King Mine

Within the Gold King Mine property, to date, the Davis/Gold King veins remains the most important gold/silver-bearing vein system. Underground this sub-parallel, near-vertical, composite vein system has been followed in a northeasterly direction for approximately 1,100 feet (333 m.) beyond the internal shaft in the Gold King mine. Evidence is mounting that this vein system persists to at least as far northeastward as the Ross Basin drill holes; and, perhaps as far east as the Sunnyside mine. In fact, the latest Sunnyside underground drill holes help to confirm this northeastward continuity (See Drawings #6 and #7).

Underground drilling by Gold King Mines and the Alta Bay Joint Venture in 1988-89 intersected the Davis/Gold King vein system above the 7th level, 1100 feet (333 m.) to the east of the


Ross Basin
12,200'
12,100'
12,000'
11,900'
11,800'
11,700'
11,600'
11,500'
11,400'
TB
Tz
TH
LEGEND
TB BURNS FORMATION
TH HENSON FORMATION
Tz TRANSITION ZONE BETWEEN THE BURNS AND HENSON FORMATION
ASSAY : 9.7'tw Oz/ton Au Ag % Pb Cu Zn
100 0 100 200
Feet
SG-728u
RB-1s
GK-1s
GK-2s
GK-3s
GK-4s
SG-726u
SG-628u
SG-F Level
SG-G Level
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
CROSS SECTION SHOWING SURFACE & UNDERGROUND DIAMOND DRILL HOLES & GEOLOGY - ROSS BASIN AREA
REV. 2/15/90
MPH-410
DWG#7

internal shaft - confirming vertical continuity to this point, as high as the 4th level in the Gold King mine (See Drawings #6, #8 through #15).

Of the other veins found underground in the Gold King workings, (e.g. the West Flat vein, Flat veins #1 and #2, Red vein, Becker/4-55 vein and the North vein) only one stope, in the Becker/4-55 vein, has been encountered in recent Gold King Mine's underground drilling (See Drawing #9). Considering the sites and angles of the latest drill holes, this is about as expected - the flat veins being predicted to be a short distance beyond the reach of these local underground holes.

4.6 Mineralized Veins - Sunnyside Mine and Gold King Extension Claims

With respect to Gold King Mine's ore production interests; at this juncture, the most important veins are the Sunnyside Extensions to 2150 and Portland-Extension veins. These vein systems have persisted southwestward and northwestward, respectively, from the Sunnyside mine workings into the Sunnyside/Gold King Extension claims.

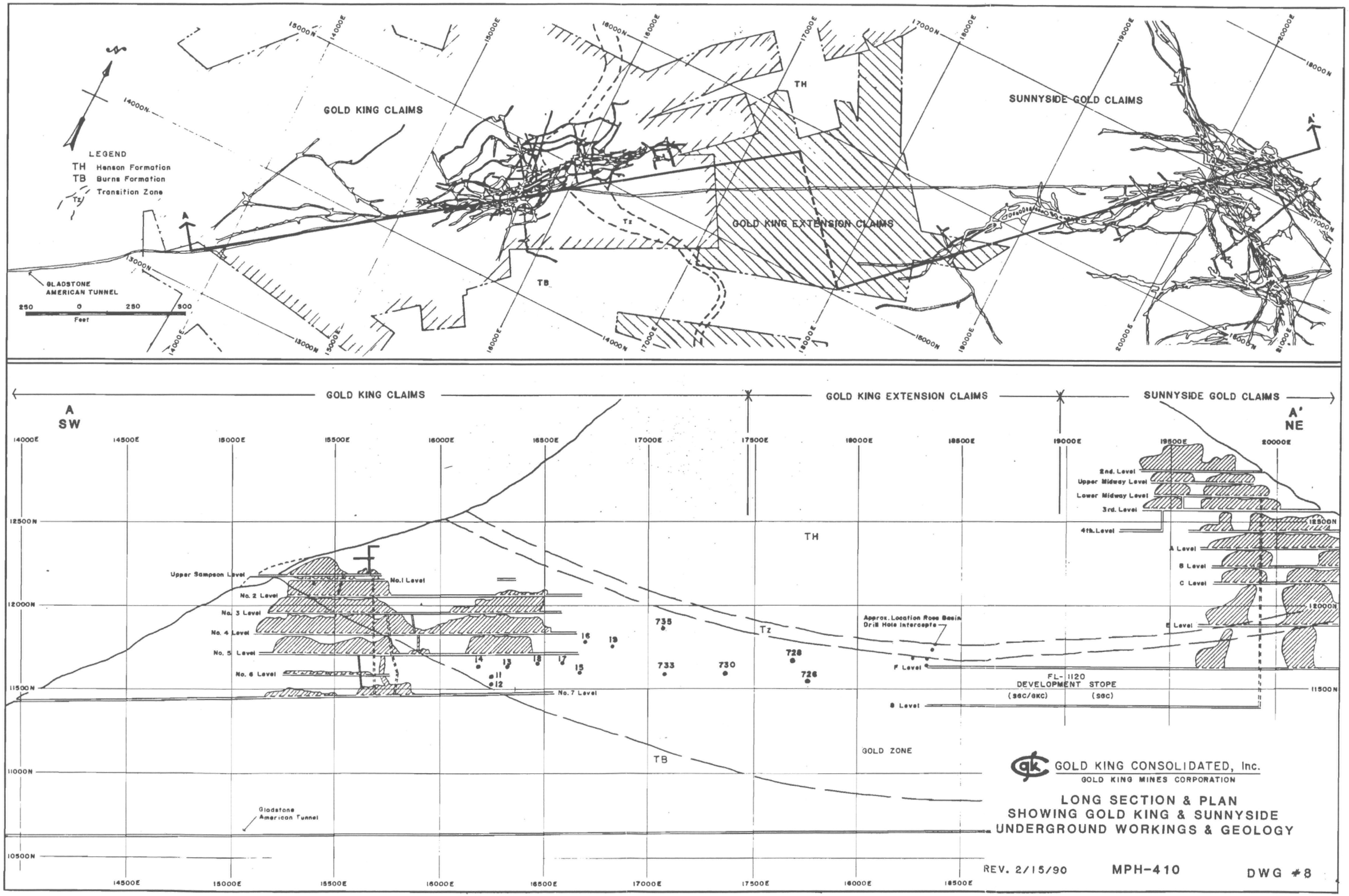
The 2150 vein is a near-vertical structure that has recently been developed on three levels, for a distance of approximately 300 feet (100 m.), obliquely, across the Extension #3 joint venture claim and approximately 200 feet (170 m.) across the Extension #1 claim (See Drawings #16 and #17).

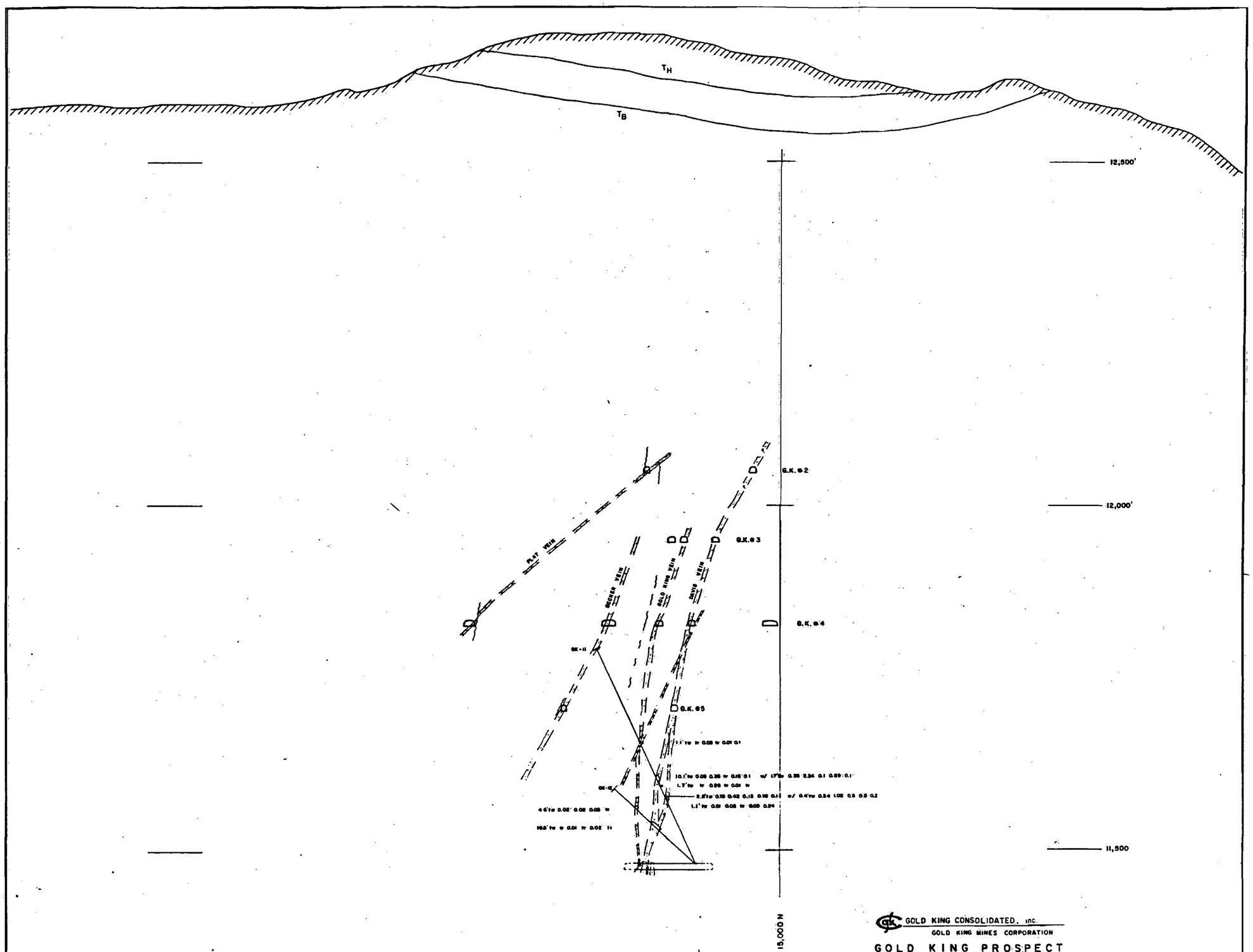
The 2150 vein dips 85° to the north, varies from 3 to 9 feet (1 to 3 m.) in thickness and has a mineable vertical extent of at least 300 feet (100 m.). The Mineable reserves have been blocked out and prepared for extraction in 1990. The ore shoot within the 2150 vein appear to have a southwesterly rake and the mineralization recurs beyond the intersecting Portland-Extension vein (See Drawings #18 and #18a).

The Portland-Extension vein begins as a "northeasterly" in the west part of the Sunnyside mine property. As it progresses westward, it takes a very sharp bend to the northwest and becomes a "northwesterly" vein - whereupon, it crosses the #3 Gold King Extension claim in its eastern extremity. Approximately 200 feet (69 m.) of the vein lies within this Gold King Extension claim (See Drawing #16).

The Portland-Extension vein dips 45° to the east and has an average thickness of approximately 6 feet (2 m.). Mineable ore reserves have also been blocked out in this vein and are being readied for extraction in 1990 (See Drawings #19 and #19a).

Some complexity exists with the continuity of the Portland-Extension vein. The hanging wall part of this vein cuts the 2150 vein and the 2150 vein seems to cut the footwall part of the Portland-Extension vein. A displacement in the Portland-Extension vein also appears to exist at this junction. As yet, the relative ages and displacements of these two vein systems have not been adequately resolved. Nevertheless, enough is now known about their size, grade, shape and form to render them mineable within the Sunnyside and Gold King Extension claims.


GOLD KING CLAIMS
SUNNYSIDE GOLD CLAIMS
GOLD KING EXTENSION CLAIMS
LEGEND
TH Hanson Formation
TB Burns Formation
Tz Transition Zone
GLADSTONE AMERICAN TUNNEL
250 0 250 500
Feet
A
A'
SW
NE
Upper Sampson Level
No. 1 Level
No. 2 Level
No. 3 Level
No. 4 Level
No. 5 Level
No. 6 Level
No. 7 Level
2nd. Level
Upper Midway Level
Lower Midway Level
3rd. Level
4th. Level
A Level
B Level
C Level
E Level
F Level
Approx. Location Rose Basin Drill Hole Intercepts
FL-1120
DEVELOPMENT STOPE
(SGC/GKC) (SGC)
GOLD ZONE
Gladstone American Tunnel
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
LONG SECTION & PLAN
SHOWING GOLD KING & SUNNYSIDE
UNDERGROUND WORKINGS & GEOLOGY
REV. 2/15/90
MPH-410
DWG #8



GOLD KING CONSOLIDATED, INC.
GOLD KING MINES CORPORATION

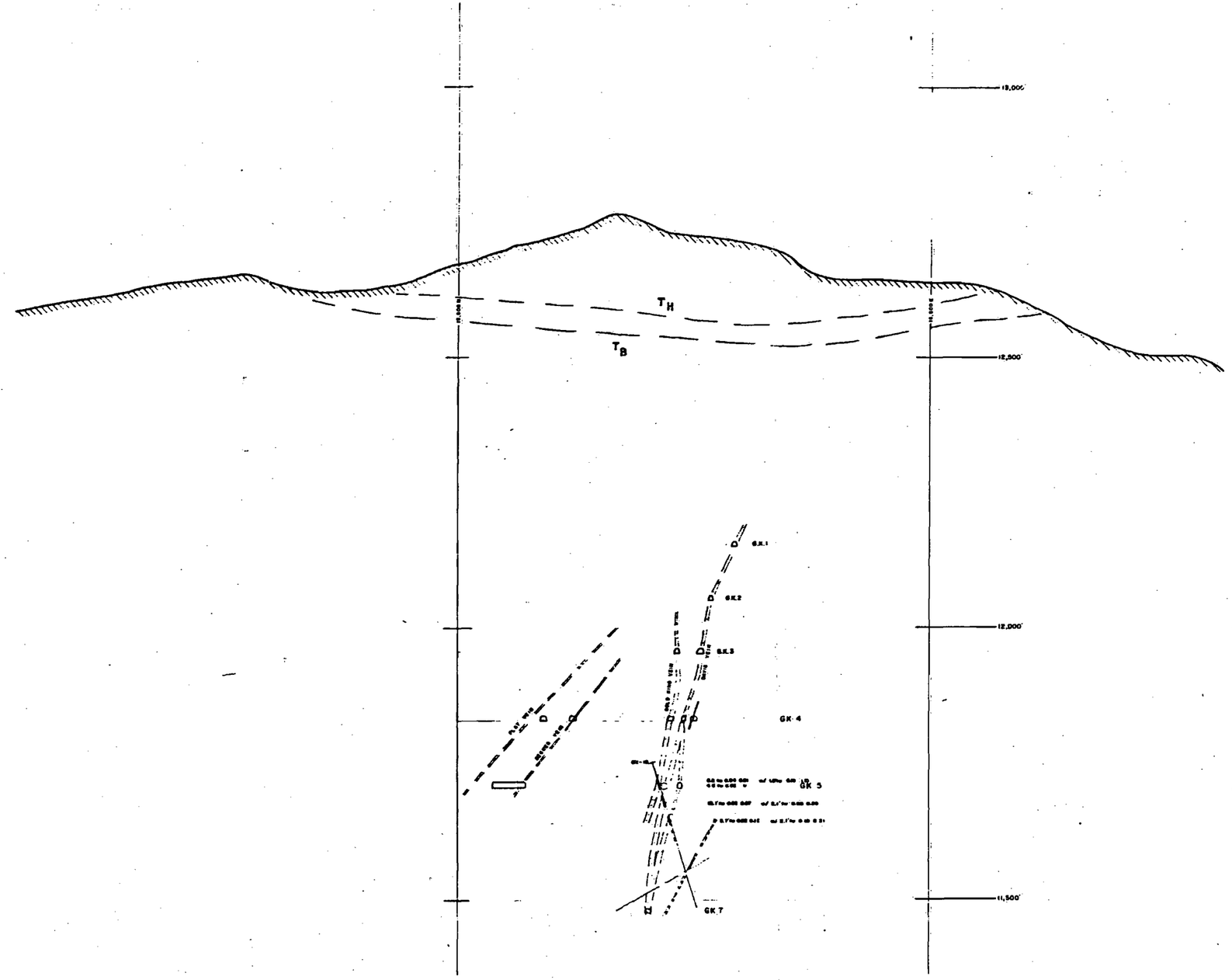
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

CROSS SECTION 28-28'
LOOKING NE

2/87

MPH-410

DGW #9



GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

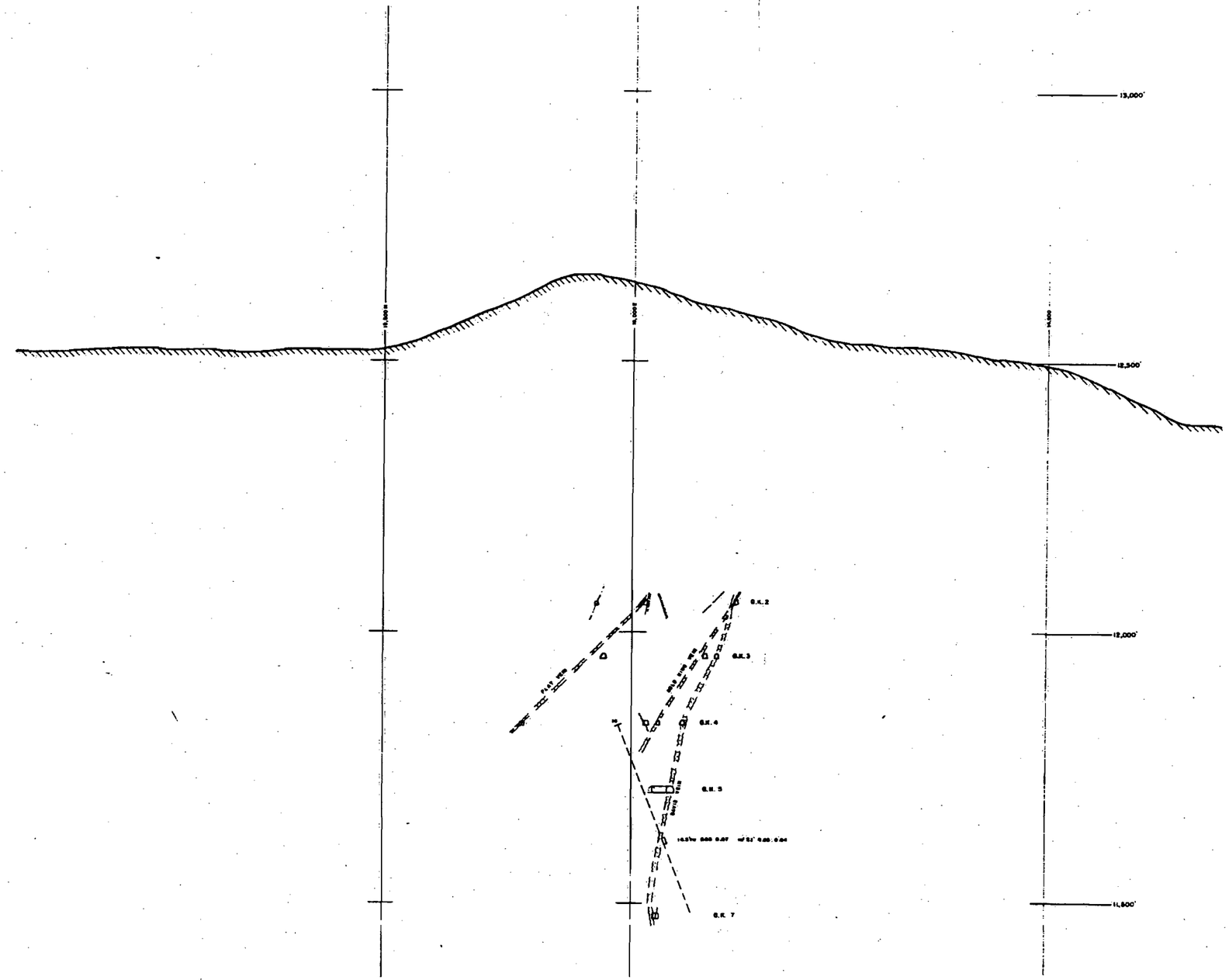
LOOKING NE
CROSS SECTION 29-29'

100 0 100 200
FEET

12/89

MPH-410

DWG #10



GOLD KING CONSOLIDATED, Inc
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

LOOKING NE
CROSS SECTION 27-27'

100 0 100 200 12/85
feet

MPH-410

DWG 411

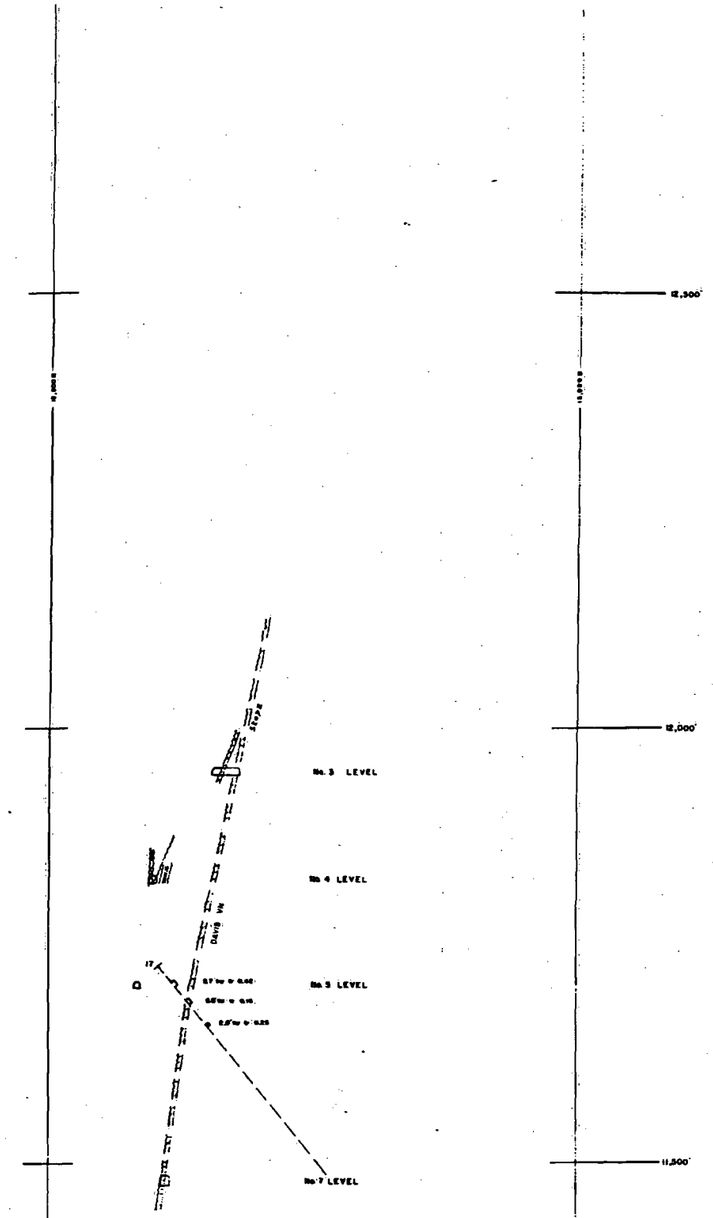
GOLD KING CONSOLIDATED, Inc
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

LOOKING NE
CROSS SECTION 33-33'

90 0 90 180 11/88
FEET

MPH-410

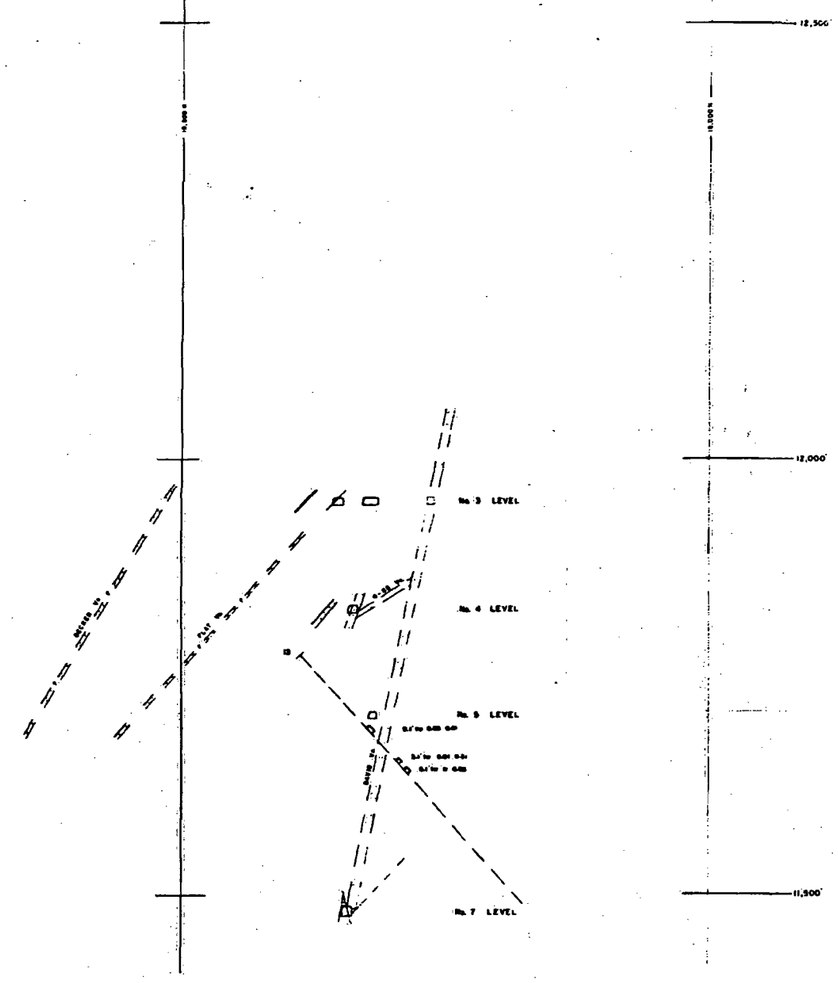


GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

LOOKING NE
CROSS SECTION 32-32'

DWG #13



GOLD KING CONSOLIDATED, INC
GOLD KING MINES CORPORATION

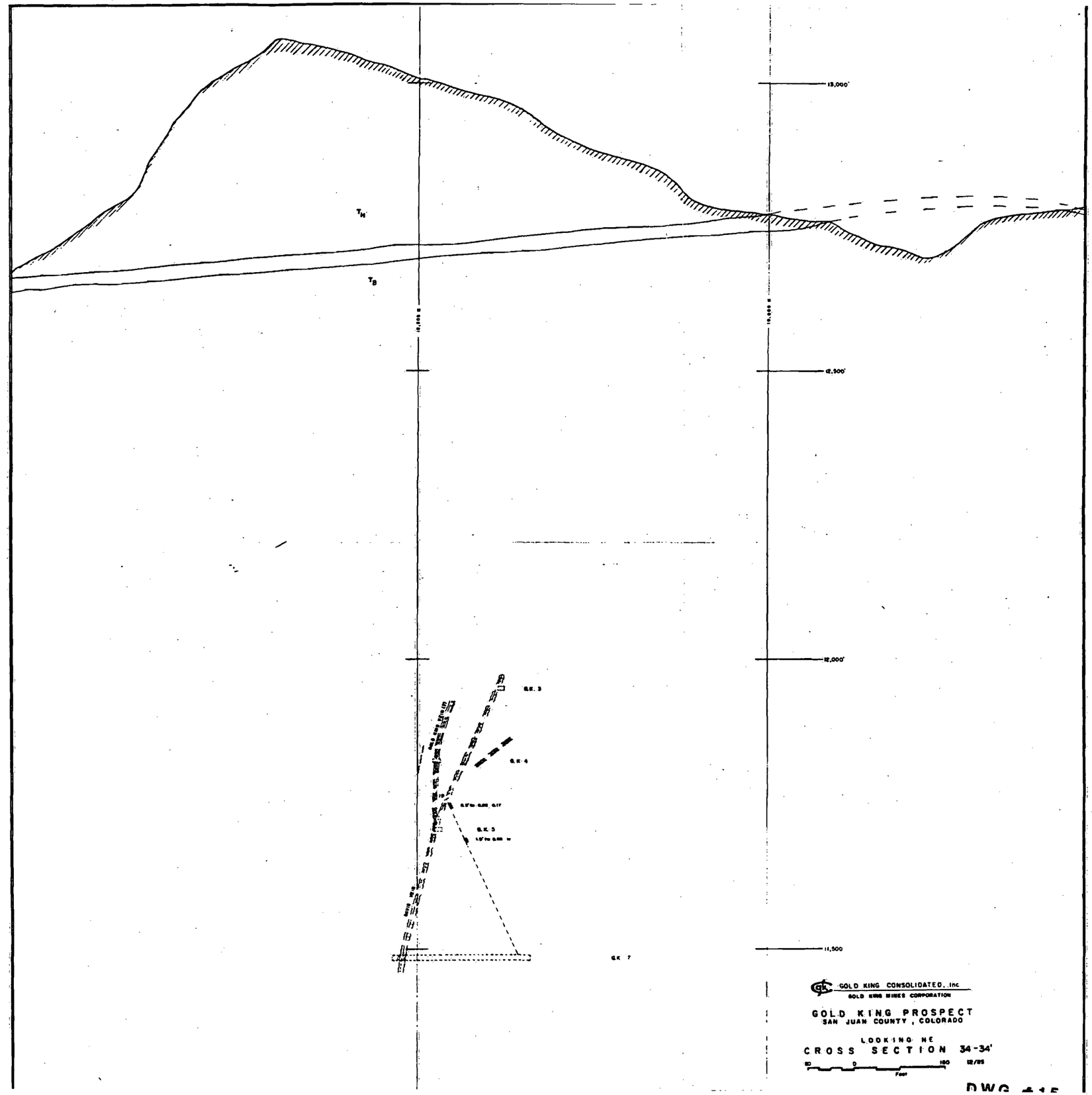
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

LOOKING NE
CROSS SECTION 31-31'

20 0 20 40 12/89
feet

MPH-410

DWG #14


13,000'
12,500'
12,000'
11,500
T_H
T_B
G.K. 3
G.K. 4
G.K. 5
G.K. 7
GOLD KING CONSOLIDATED, Inc
GOLD KING MINES CORPORATION
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO
LOOKING NE
CROSS SECTION 34-34'
50 0 100
Feet
12/85
DWG #15

5.0 EXPLORATION AND MINE DEVELOPMENT

Historically, underground development of the Gold King mine took place on eleven drift levels. Most of the work and ore extraction came from the #1, #2, #3, #4, #5, #7 and Sampson levels. In total, approximately 32,000 feet (approximately 10 km.) of drifts and crosscuts were excavated on these seven levels. Dimensions of the old workings averaged 6.5 feet by 6.0 feet (2.1 x 2.0 m.)and stoping was carried out on the veins between levels (See Drawing #8).

Hillside portals accessed three of the underground levels, level #7 being the lowest and most important mining and haulage level. Because the 7th level was portal-accessible, Gold King Mines selected this level for rehabilitation and underground exploration, a project that took place between 1986 and 1989.

The 3rd, 4th and 5th levels of the old mine were the most extensively worked. Development took place to the northeast, perhaps to within 1,500 feet (450 m.) of the Gold King Extension/Sunnyside mine common claim boundary. 2,000 feet (610 m.) of drifts and raises are reportedly developed on the 4th level. Although the 4th level is presently accessible, it has not been rehabilitated.

Vertical accessibility within the old Gold King mine is by way of a two-compartment internal shaft ("main winze"), between the 7th and 1st levels. In the past, ore was transported by rail on each level and by two ore passes between the levels, down to the 7th level. On the 7th level, it was rail hauled to the portal and aerial trammed down the mountain to the mill at Gladstone.

Stoping in the old Gold King mine was principally on the Gold King/Davis vein system, over a strike length of approximately 1,600 feet (488 m.). Old stope plans indicate that ore extraction was almost complete between the 1st and 5th levels. Examination of the old mine workings indicates that cut and fill and vein resueing methods were employed. It also appears, from the nature of the residue in the drifts, that some hand sorting was carried out in most of the stopes.

The Gladstone-American tunnel, 850 feet (260 m.) below the 7th level in the Gold King mine, runs beneath the Gold King property over its entire length - a distance of a mile or more to the Sunnyside mine. This 10x13-foot (3x4 m.) rail-equipped tunnel is presently used to transport men and equipment to the Sunnyside mine workings; and, to backhaul ore from the Sunnyside mine to the portal at Gladstone. Although the tunnel runs from the Gladstone portal to the internal shaft in the Sunnyside mine, it has no present access to the Gold King workings. In 1987/88 Echo Bay Mines, Inc. raise-bored a waste and ore pass from the Gladstone-American tunnel to the Sunnyside "H" level, adjacent to the joint venture ore reserve blocks being prepared for development within their own claims and within the Gold King Extension claims, on both the 2150 and Portland-Extension veins.

Also, in 1988 Alta Gold completed the ore pass in the Sunnyside Mine and prepared ore blocks for exploitation, within Gold King's Extension claims. Problems in the ore pass precluded its use, thus the 2150 and Portland ores will be extracted via the Sunnyside "G" level, the "old" Sunnyside ore pass and the Gladstone-American tunnel - a complex handling procedure and a long 2.5 mile (4,100 meter) hauling distance.

5.1 Gold King Mine - Underground Rehabilitation and Exploration

To date, exploration by Gold King Mines on the Gold King claims has comprised; surface and underground geological mapping, diamond drilling, vein sampling and structural interpretation. All assaying for gold and other metals has been undertaken at the Silverton laboratory of Root and Norton. Check assays were run at Chem Assay Laboratory in Denver. Assay confirmations have proved to be in the order of +/- 10%.

Rehabilitation of the old Gold King workings on the 7th level have been carried out by Gold King Mines Corp. under contract to a local mine contractor. Initially, the rehab was carried from the 7th level portal to the internal Gold King Mine shaft (GK main winze), a distance of approximately 1,700 feet (520 m.). Beyond the main winze, Gold King Mines Corp. has extended the drift to its present point, approximately 1,100 feet (333 m.) to the northeast of the main winze. Two southeasterly crosscuts have been excavated to provide drill stations; one

at 650 feet (197 m.) the other 1,100 feet (333 m.) to the northeast along the drift. The crosscuts run 110 feet (33 m.) and 250 feet (75 m.) to the southeast from the 7th level drift, at the 650-foot and 1,100-foot points, respectively. To allow for LHD access, all of the rehab and new drifts are 10x10-foot (3x3-m.) internal dimensions.

Four diamond core holes have been drilled from the "650" crosscut and five drill holes from the "1100" crosscut. These underground holes are all at positive (up) angles, in north, northeast or northwesterly directions from the 7th level, and numbered #11 through #19 inclusive (See Drawing #6 and Table #1).

Coinciding with the underground rehabilitation work and the drilling on the 7th level, Gold King Mine's geological staff carried out drift sampling and drill core sampling at regular intervals. Drift face samples were taken after each mining round and drill hole samples were recovered at five-foot intervals.

5.2 Gold King Mine - Underground Rehab and Exploration Drifting Results

Routine sampling of the advancing faces in the 7th level drift, northeastward from the main winze, provided data at approximately six-foot intervals all along this 1100 foot (333 m.) 7th level extension. A total of some 450 samples were taken and analyzed for gold and silver. Results tend to show that the vein varies in width from less than a foot to as much as twelve feet, in drift width, averaging approximately 6 feet (2 meters) over the 1,100 foot (333 m.) drift length. Gold and silver values tended to be low, reminiscent of what has been experienced at this lower level of the mine. Gold grades range from trace (tr) amounts to 0.09 oz/ton and silver ranged from trace to 4.11 oz/ton. Generally, the golds runs in the .01 to .02 oz/ton range and the silvers are in the 0.10 to 0.30 oz/ton range. All of this drifting and sampling is believed to be on the Davis vein (See Drawings #8 and #9 through #15).

5.3 Gold King Mine - Underground Exploration Drilling and Drilling Results

Since October of 1987, four underground diamond drill holes have been bored by Gold King Mines, northward from the southeast end of the "650" and "1100" crosscuts, on the 7th level. Drill hole #11 was drilled perpendicular to the 7th level drift at an azimuth of 326° and an up angle of 64°; drill hole #12, drilled (in the same direction) was collared at a positive angle of 41° above the horizontal; drill hole #13 was driven in a N20°E direction at a positive angle of 61° to the horizontal, and hole #14 was drilled on a 272° azimuth at a +61° angle (See Drawings #9 through #11 and Table 1).

From the "650" crosscut, drill hole #11 made four vein intersections: two thought to represent a split in the Davis vein, the third cutting the Gold King or a rhodonite vein; and, the fourth interpreted as a "hit" on a raise on the Becker vein. Hole #12 cut two veins; the Davis vein and the Gold King vein. Hole #13 had three intercepts thought to represent separate Davis and Gold King veins. Because of its angle to the vein system, hole #13 fell short of reaching the Becker vein. Hole #14 had two intercepts on the Davis vein only.

From the "1100" crosscut hole #15, drilled on a 315° azimuth, and up at 34°, had one mineralized interception on the Davis vein; hole #16, on the same azimuth and drilled up at 59°, also cut the Davis vein at one point; hole #17, on an approximate 300° azimuth and up angled 47°, encountered an old stope where the Davis vein was anticipated; hole #18, drilled in an approximate 280° direction and upward at 39°, intersected the Davis vein at only one point; and, hole #19, on a 10° azimuth and an approximate plus 55° angle, encountered a stope where the Davis vein was expected (See Drawings #12 through #15).

Table II provides data on the results of former surface diamond core drilling from the Ross Basin (See Drawing #7).

TABLE I

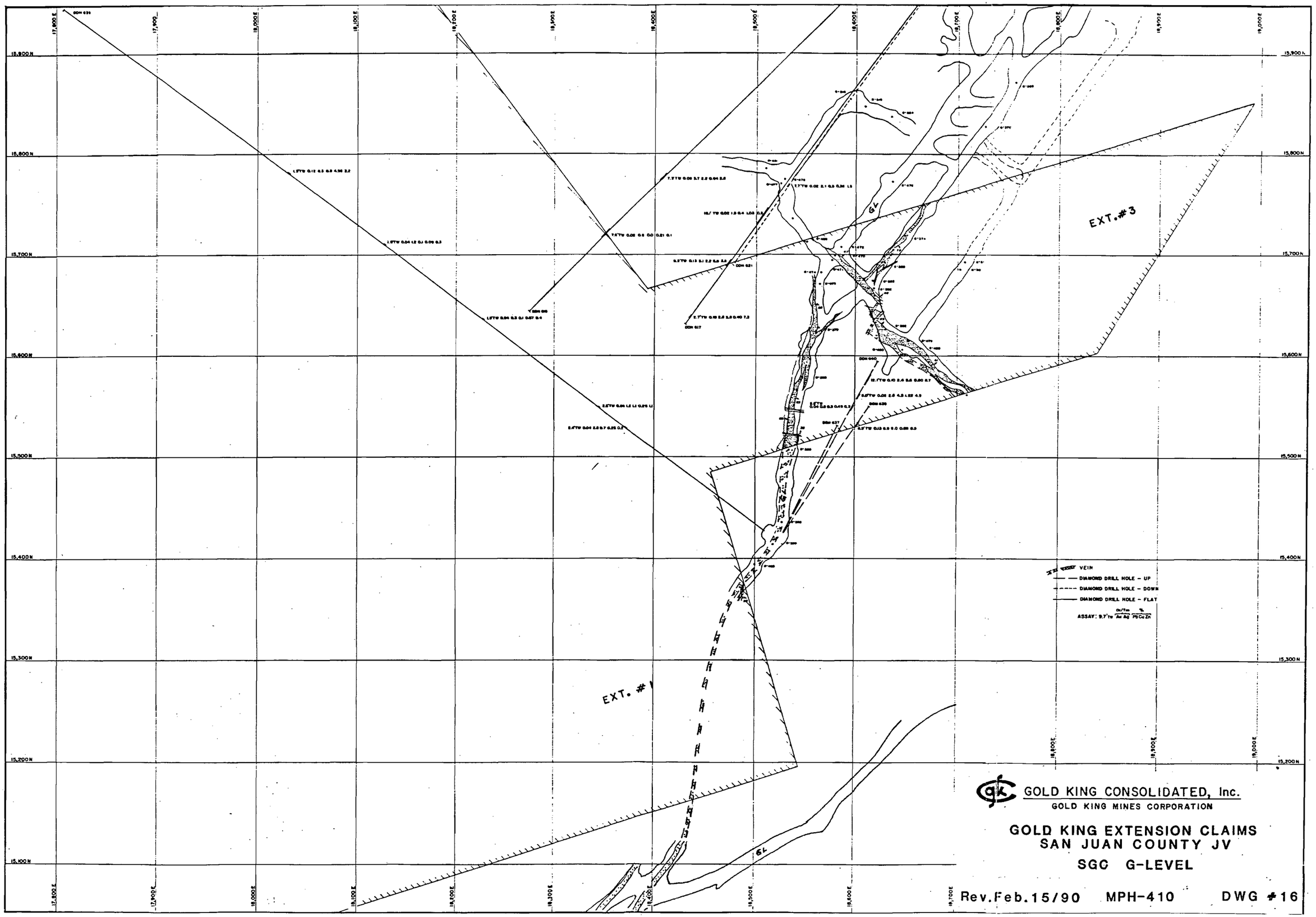
GKM UNDERGROUND DRILLING RESULTS

MINERAL INTERCEPTS

Hole No.	Vein	Azim.	Angle	Intercepts (from-to)	True Width (ft)	True Width (m)	Gold (opt)	Silver (opt)
GKU-11	Davis	326°	+64	102.5-106.2	2.8	.12	0.13	0.43
	Davis		+64	125.8-139.0	10.1	.05	0.05	0.35
GKU-12	Davis	326°	+41	71.0-87.5	10.6	3.2	Tr.	0.01
	GK			114.7-120.0	4.6	1.4	0.02	0.02
GKU-13	Davis	20°10′	+61	173.0-176.0	2.3	1.7	0.10	0.31
	Davis			211.6-215.7	3.6	4.6	0.05	0.39
	GK			251.0-263.0	8.8	5.7	0.04	0.31
				260.5-263.0	1.9		0.10	1.10
GKU-14	Davis	272°28′	+61	173.5-174.4	0.7	0.2	0.05	Tr.
	Davis			186.0-188.5	2.1	4.3	0.15	0.04
GKU-15	Davis	314° 56′	+34	236.7-240.0	3.3	1.0	0.01	0.26
GKU-17	Davis	298°19′	+47°	310.0-325.0	15.0	4.5	NS-("Stope")	
GKU-18	Davis	279°51′	+39°	308.0-318.7	9.1	3.2	0.03	0.61
GKU-19	Davis	10°12′	+54°49′	303.0-326.5	23.5	7.1	NS-("Stope")	

Total Underground Drilling - 9 Holes

Notes: NS - no sample
GK - Gold King Vein


EXT.#3
EXT.#1
GL
VEIN
DIAMOND DRILL HOLE - UP
DIAMOND DRILL HOLE - DOWN
DIAMOND DRILL HOLE - FLAT
ASSAY: 9.7'tw Oz/Ton Au Ag % Pb Cu Zn
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
GOLD KING EXTENSION CLAIMS
SAN JUAN COUNTY JV
SGC G-LEVEL
Rev.Feb.15/90 MPH-410 DWG #16

Generally, the results of the Ross Basin surface drilling provided strong encouragement of the continuity of the Gold King/Davis vein system to at least 1,500 feet (454 m.) east of the mine.

The underground drilling gives evidence that good Gold King/Davis vein widths occur 100 to 200 feet (30 to 60 m.) above the 7th level and the gold content of the vein system appears to increase upward from the drift level, as previously postulated. However, the actual Gold King/Davis vein intercepts in the underground drilling were somewhat disappointing considering the stope sampling assays in levels 4 and 5, above. On the other hand, the higher the intercept (e.g. GKM #11, #13, #14 and #16) the better the grade, supporting Gold King's geologists' theory that grades are expected to be better above the 5th level of the mine. The "stope" encounters were encouraging for vein presence but provided no samples for assaying. Core recoveries tended to be on the low side, which could explain some lower grades.

As can be seen from Table II, good Davis vein widths and some very good gold/silver intercepts have been encountered in the Ross Basin area. It is interesting, also, that the base metal values are higher and quite notable in this sector, closer to the Sunnyside Mine.

5.4 Gold King Extension Claims - Underground Exploration and Development

In 1986 Sunnyside Gold Corporation (under the Sunnyside Gold/Gold King JV) actively undertook a program of underground exploration and development, within the Gold King Extension claims. In 1988 this ongoing program was taken over by Alta Bay (a Sunnyside Gold Corp./Alta Gold joint venture) under a JV agreement with Gold King Mines Corp. and, in 1989 the latter joint venture was dissolved and a new mining contract was drawn up between the San Juan County Mining Venture and Gold King Mines Corp., to exploit the ore within the Gold King Extension claims. All previous work was to the account of Sunnyside Gold Corporation and/or its various corporate entities, joint ventures and partnerships. The original Sunnyside Gold/Gold King joint venture agreement obligated Sunnyside Gold Corporation to a total expenditure of $4,000,000. According to Sunnyside Gold Corporation's management, approximately $1,800,000 of this commitment was made to May of 1988. From May, 1988 to December, 1989

TABLE II

GKM ROSS BASIN SURFACE DRILLING RESULTS

MINERAL INTERCEPTS

No.	Vein	Azim.	Angle	Intercepts (from-to)	True Width (ft)	True Width (m)	Gold (opt)	Silver (opt)
GKS-1	Davis	134°	34.5°	562.0-572.5	10.6	3.2	Tr.	0.81
				585.8-589.8	2.8	0.8	Tr.	0.44
GKS-2	Davis	134°10′	45°	603.5-609.8	6.2	1.9	0.01	1.56
GKS-3	Davis	134°10′	62.5°	None				
GKS-4	Davis	160°31′	49°	725.0-726.6	1.4	0.4	0.01	0.74
				745.2-747.5	2.0	0.6	1.82	14.34
				770.5-772.3	1.8	0.5	1.59	3.90
				781.4-783.6	1.9	0.6	0.01	0.90
RBS-1	Davis		-58°57′		15.0	4.5	0.01	0.09

Total Surface Drilling - 5 Holes

Notes: Tr - trace amounts
NA - not assayed

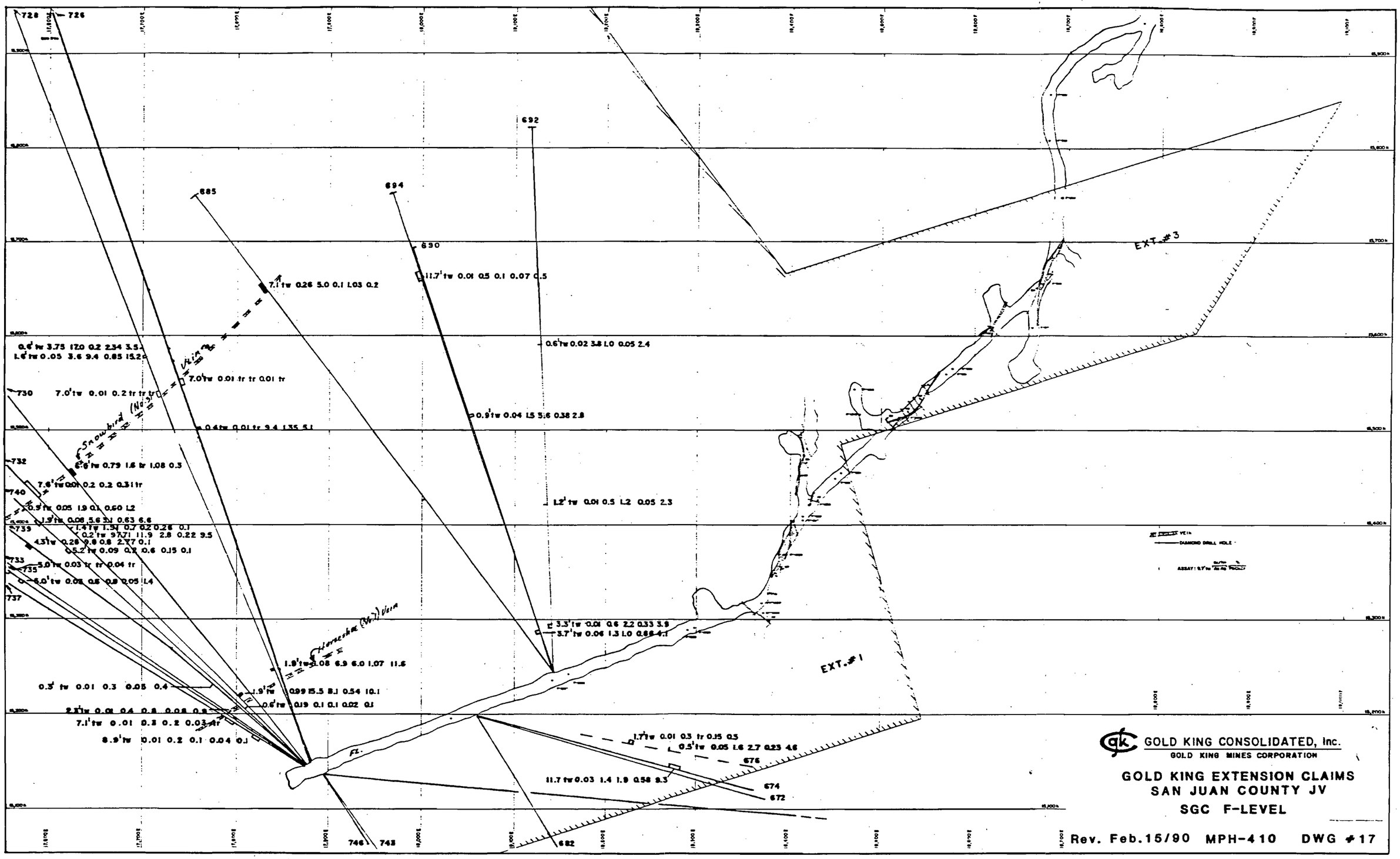
approximately $7,000,000 was spent on the project.

As a result of this large exploration program, some 25 underground core holes were drilled into the Gold King Extension claims. Table III displays the principal results of this drilling and shows the many precious metal and base metal vein intercepts. Some of these intercepts were on the 2150 and Portland-Extension veins, but the majority encountered the newly discovered No. 1 (Horseshoe) and No. 3 (Snowbird) veins and several, as yet, unnamed veins. As a result, mineable grade ore reserves have now been outlined on the Horseshoe and Snowbird veins and exploration targets have been found in between and beyond these new veins. Additionally, extensions to the 2150 vein have been encountered (See Drawings #16 and #17).

To date, in the Gold King Extension claims, underground development has been restricted to the 2150 and Portland-Extension veins.

All of the foregoing underground exploration has been carried out on or from the "F", "G" and "H" levels, on the 2150 and Portland-Extension veins, from the Sunnyside mine. The objective of this operation was to explore and prepare for development, all mineable ore within these two vein systems to help sustain production at the Sunnyside mill, in Silverton. This mill has a production capacity of approximately 1,000 tons per day (TPD) and is currently being operated at approximately 900 TPD. It is anticipated that the 2150 and Portland-Extension veins, within the joint venture claims, will provide about 100-200 tons per day of mill feed.

Underground development in this sector has been mainly on the "G" and "F" levels of the Sunnyside mine, at elevations of 11,400 ft. (3,455 m.) and 11,600 ft asl (3,515 m.), respectively. Level #7 in the Gold King mine is at approximately 11,500 ft. asl (3,485 m.); and, therefore, this level is roughly at an equivalent elevation to the Sunnyside Mine development. In order to facilitate mining this portion of the claims, Sunnyside Gold Corp. et al, developed an ore and waste pass from the Gladstone-American tunnel level (10,600' (3,212 m.) elevation) to the "H" level (11,200' (3,394 m.) elevation). A crosscut of approximately 500 feet (150 m.) was also installed at the Gladstone-American tunnel level, to provide access and a haulage way to the raise and ore pass system. Unfortunately, a collapse of this ore pass necessitated its abandonment and ore haulage and handling will



GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION

GOLD KING EXTENSION CLAIMS
SAN JUAN COUNTY JV
SGC F-LEVEL

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be via Sunnyside's Terry shaft and American-Gladstone tunnel (See Drawing #20).

In advance of its development, Sunnyside Gold Corp. et al, has continued an extensive underground drilling program, in the vicinity of the 2150 and Portland-Extension veins, and is presently probing the structure to the southwest of these workings. At least twenty-five drill holes are within or extend into the Gold King Extension claim ground. Details of the results of these holes have been made available to Gold King Mines, only for those parts of the holes probing the Gold King Extension claims. Table III provides a list of these drill holes and the pertinent mineralized intercepts. Because the vein structures pass in and out of the Gold King Extension claims, there are a number of intercepts that have been deleted from the data, presented herein but are pertinent to the geological continuity. Sunnyside Gold Corp.'s geologists have, of course, used these additional pieces of information to develop the geological picture and the continuity of the veins and to establish the mineable reserves that straddle their claims and the Gold Kind Extension claims, at the common boundary.

TABLE III

SUNNYSIDE/GOLD KING JOINT VENTURE — PRINCIPAL UG DRILLING RESULTS

Number	Vein	Azim.	Angle	Footage (from) (ft)	Footage (to) (ft)	True Width (ft)	True Width (m)	Gold (oz/ton)	Silver (oz/ton)	Lead (%)	Cooper (%)	Zinc (%)
SSU-615	Portland	225°	+5°	605.0	614.5	7.3	2.2	0.08	3.70	2.20	0.64	2.80
	Unknown	225°	+5°	737.0	740.0	7.9	2.4	0.02	0.60	0.25	0.02	0.39
SSU-617	Unknown	215°	+5°	563	583.6	15.1	4.6	0.02	1.90	0.40	1.03	0.80
	Portland	215°	+5°	627.0	641.0	9.2	2.8	0.13	3.10	2.20	0.55	3.80
	2150	215°	+5°	695.3	699.3	2.7	0.8	0.18	3.80	3.90	0.40	7.30
SSU-621	Portland	215°	-6°	530.0	540.0	7.7	2.3	0.02	2.10	0.50	0.38	1.80
SSU-628	2150	306°	+2°	11.2	15.0	3.8	1.1	0.06	5.10	2.20	0.82	2.30
	Unknown	306°	+2°	26.0	3.0	3.8	1.1	0.05	1.50	2.60	0.74	5.40
	Unknown	306°	+2°	169.0	172.7	2.4	0.7	0.04	2.80	0.70	0.25	0.20
	Unknown	306°	+2°	203.0	205.5	2.5	0.7	0.06	1.50	1.10	0.25	1.10
	Unknown	306°	+2°	592.0	595.0	1.3	0.4	0.12	8.30	0.80	4.95	2.20
	Unknown	306°	+2°	721.5	722.2	0.2	0.06	0.12	1.70	3.60	5.70	7.30
	Unknown	306°	+2°	94.5	796.0	1.3	0.4	0.16	3.20	0.10	2.37	0.10
SSU-637	Portland	27°	+55°	NA		2.6	0.8	0.05	1.30	4.00	0.28	6.30
SSU-639	Portland	34°	+39°	164.0	171.0	6.9	2.0	0.13	5.90	6.00	0.66	8.90
SSU-640	Portland	29°	+18°	142.7	148.7	5.6	1.7	0.04	0.80	0.30	0.49	0.30
	Portland	29°	+18°	156.5	162.3	5.0	1.5	0.05	2.50	4.30	1.22	4.90
	Portland	29°	+18°	177.2	190.3	12.1	3.7	0.10	2.40	5.60	0.80	8.70
SSU-643	Portland	221°	-58°	360.0	364.0	2.4	0.7	0.05	1.20	1.60	0.67	3.90
SSU-644	Portland	213°	-59°	NA		2.3	0.7	0.02	0.80	3.40	0.10	5.30
SSU-646	Portland	213°	-30°	524.0	529.0	8.6	2.6	0.15	4.70	2.90	0.42	4.20
SSU-726	Snowbird	340°	-5°	409.0	416.0	7.0	2.1	0.01	0.10	0.20	0.01	0.40
	Unknown	340°	-5°	730.7	731.4	0.6	0.2	0.09	1.60	Tr	1.45	Tr
	Unknown	340°	-5°	853.6	855.1	0.9	0.3	0.02	0.60	1.40	0.24	11.30
	Davis	340°	-5°	973.9	986.6	8.2	2.9	0.03	0.90	0.40	0.39	0.70
	Unknown	340°	-5°	1134.2	1137.0	2.8	0.8	0.03	0.10	1.70	0.16	4.40
	Portland	340°	-5°	1181.0	1182.8	0.6	0.2	2.59	4.30	1.50	0.15	1.50
SSU-728	Horseshoe	340°	+8°	104.5	107.0	1.9	0.6	1.00	6.90	6.00	1.07	11.60
	Snowbird	340°	+8°	411.0	418.0	7.0	2.1	0.01	0.20	Tr	Tr	Tr
	Unknown	340°	+8°	452.2	454.2	1.6	0.5	0.05	3.60	9.40	0.85	15.20
	Unknown	340°	+8°	463.0	464.0	0.6	0.2	3.75	17.00	0.20	2.35	3.50
	Unknown	340°	+8°	746.2	748.3	2.1	0.6	0.03	2.30	2.00	0.34	3.70
	Davis	340°	+8°	991.0	993.6	2.6	0.8	0.12	5.70	0.30	1.92	1.20
	Portland	340°	+8°	1374.0	1376.4	1.8	0.5	0.03	0.90	1.20	0.28	7.80
SSU-730	Snowbird	320°	0°	387.7	396.3	6.6	2.0	0.79	1.60	Tr	1.08	0.30
	Unknown	320°	0°	868.0	868.4	0.3	0.1	0.09	5.40	1.10	3.91	2.30
	Unknown	320°	0°	878.9	881.0	1.1	0.3	0.06	1.50	2.80	0.54	11.20
	Davis	320°	0°	1078.5	1081.0	1.8	0.5	0.20	0.20	Tr	0.08	Tr
SSU-732	Horseshoe	314°	+8°	102.3	104.5	1.9	0.6	0.99	15.50	8.10	0.54	10.10
	Snowbird	314°	+8°	349.2	349.4	0.2	0.1	97.71	11.90	2.80	0.22	9.50
	Snowbird	314°	+8°	357.0	359.0	1.4	0.4	1.91	0.70	0.20	0.26	0.10
SSU-733	Horseshoe	300°	0°	101.0	103.4	2.3	0.6	0.01	0.40	0.80	0.08	0.90
	Snowbird	300°	0°	419.0	426.2	5.1	1.5	)0.01	0.50	0.10	0.11	0.10
	Davis	300°	0°	1024.5	1025.1	0.5	0.2	0.05	1.50	0.10	0.35	Tr
	Davis	300°	0°	1030.6	1033.3	1.6	0.5	0.04	1.50	0.30	0.27	Tr
	Davis	300°	0°	1041.2	1044.0	2.8	0.8	0.01	0.40	0.10	0.05	Tr
SSU-735	Horseshoe	300°	+12°	92.0	102.0	7.1	2.1	0.01	0.30	0.20	0.03	Tr
	Snowbird	300°	+12°	368.0	373.0	5.0	1.5	0.03	0.60	0.80	0.50	1.40
	Unknown	300°	+12°	822.0	827.0	1.8	0.5	0.03	0.60	0.80	0.13	0.70
	Unknown	300°	+12°	847.0	852.0	0.3	0.1	0.11	2.40	0.90	0.12	1.50
	Davis	300°	+12°	1069.5	1086.0	15.1	4.5	0.01	0.20	Tr	0.03	Tr
SSU-737	Horseshoe	300°	-10°	59.5	68.8	8.9	2.7	0.01	0.20	0.10	0.04	0.10
	Snowbird	300°	-10°	439.0	443.0	3.1	0.9	0.01	0.10	0.10	0.14	0.10
SSU-739	Snowbird	311°	+5.5°	375.6	380.0	4.3	1.3	0.28	9.80	0.80	2.77	1.10
SSU-740	Unknown	311°	+18°	95.0	95.6	0.6	0.2	0.19	0.10	0.10	0.02	0.10
	Snowbird	311°	+18°	353.0	359.3	5.6	0.8	0.09	0.20	0.60	0.15	0.10
	Snowbird	311°	+18°	400.0	402.0	1.9	0.6	0.08	5.60	3.10	0.63	6.60
	Snowbird	311°	+18°	421.7	422.7	0.9	0.3	0.05	1.90	0.10	0.60	1.20
SSU-800	Snowbird	250°	-15°	321.7	327.5	3.7	1.1	0.02	1.90	10.90	0.78	16.30
	Unknown	250°	-15°	468.0	477.0	6.0	1.8	0.42	2.10	Tr	1.78	0.60
SSU-803	Snowbird	250°	0°	370.0	378.0	5.7	1.7	0.03	1.90	3.30	0.91	14.00

Notes: Tr- trace amounts NA-Information not available

5.5 Gold King Extension Claims - UG Exploration and Development Results

Twenty five holes have been completed on the joint venture ground. Generally speaking, the results are favorable -- tending to confirm the vertical extensions of the 2150 vein and Portland-Extension vein above and below the Sunnyside "G" and "F" levels. Additionally, and perhaps more importantly, a number of these holes have intersected good widths and good gold/silver-bearing veins that are new to the picture. Good to very good gold/silver intercepts in holes 615, 617, 628, 726 and 728 are examples of "new" veins of significance, well within the Gold King Extension claims. These represent good targets and are now well enough drilled to allow for estimates of potential mineable reserves, therein (See Sect. 7.0 - Mineable Ore Reserves).

At first, Holes 637, 639 and 640 seemed to provide some room for re-interpretation of the vein structures, at the junction between the 2150 and Portland-Extension veins. Now, additional drilling and drifting has demonstrated the definite southwestward continuity and wandering nature of the 2150 vein. Because most of the drilling to the north more-or-less parallels the direction of the Portland-Extension vein, continuity of this vein, beyond the present development area, is not clear.

6.0 DEVELOPMENT

6.1 Past Production

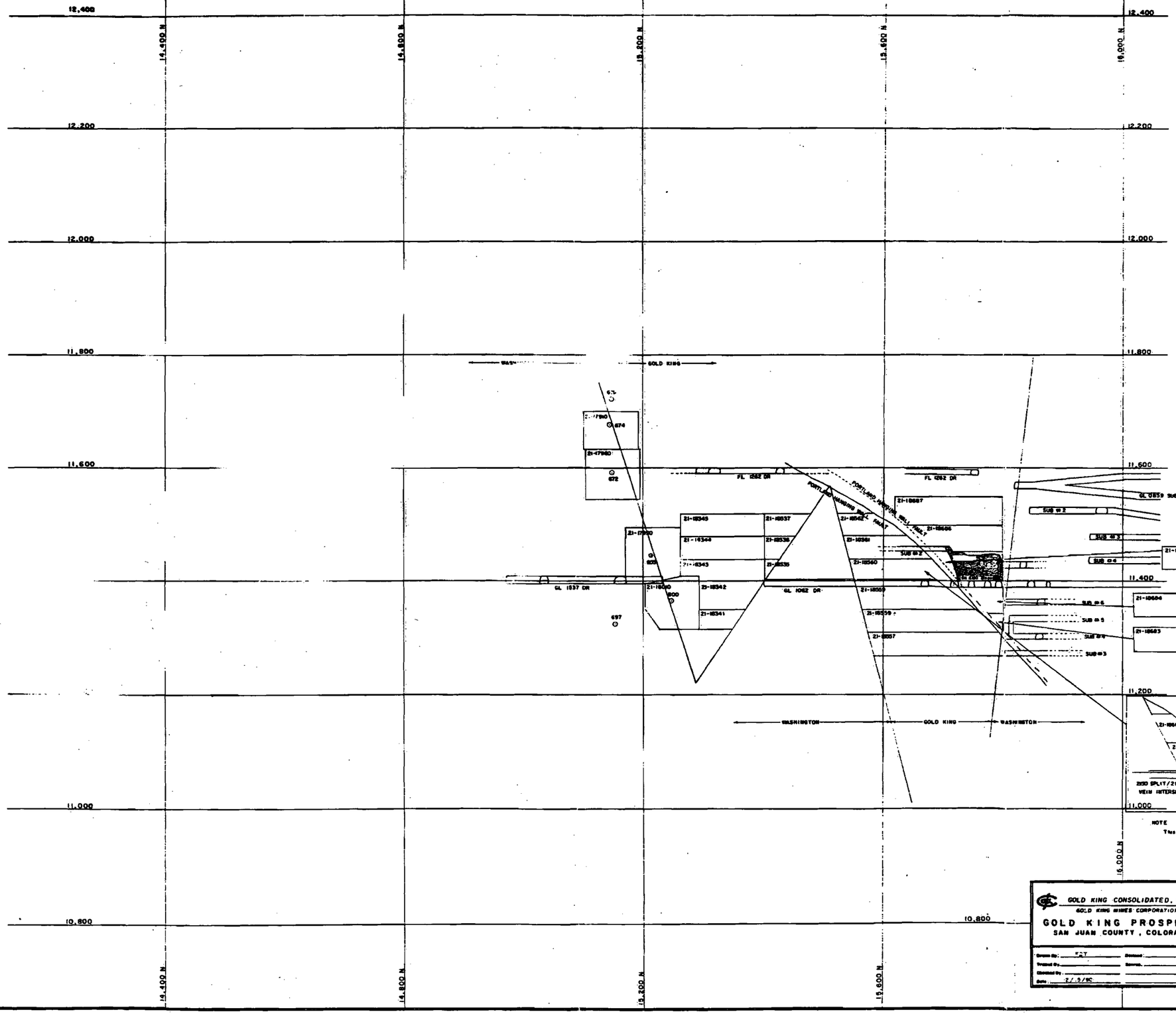
According to a USBM compilation, the recorded past production from the Gold King mine totalled 665,000 tons of ore averaging 0.471 oz/ton gold, 2.39 oz/ton silver, 0.71% lead, 0.52% copper. Zinc content was not recorded. Output for the Sunnyside mine is stated to have amounted to 5,100,000 tons to 1975. More recent figures are not available.

6.2 Current and Planned Production

Because the original Gold King claims are still in the exploration stage, there is no current production from this mine. On the other hand, progress toward production from the Gold King Extension claims is continuing well. It was originally thought that the Sunnyside Gold/Gold King joint venture would be producing ore by the end of 1988, or early 1980. Delays were experienced because of the numerous changes in the Sunnyside Gold organization and extra time required to put in the ore pass and carry out sub-levels and stope preparation, needed to efficiently access and mine the ore therein.

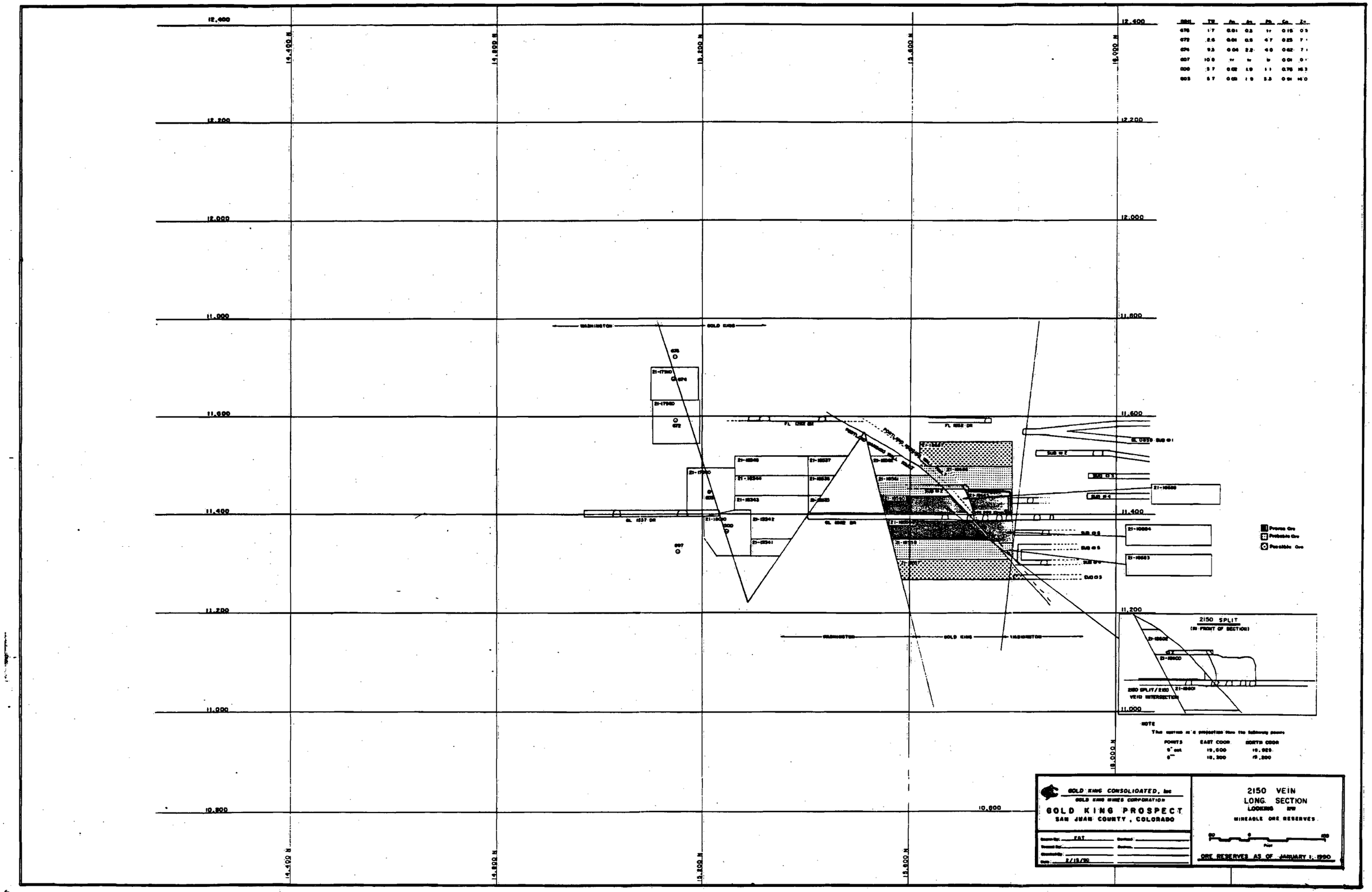
The principal development drift is the Sunnyside "G" level - 11,400' (3,434 m.) asl. Sub-level drifts are being prepared below the "G" level to access the ore on the 2150 vein and Portland-Extension veins, for shrink-stope and/or cut-and-fill mining, respectively. Sunnyside Gold estimates 30,387 tons of ore is presently proven and available for mining within the Gold King Extension claims.

It is further estimated that 220 feet (67 m.) of strike length on the 2150 vein and 150 (45 m.) feet on strike length of the Portland-Extension vein lie within the boundaries of the Gold King Extension claims. Because the 2150 vein is nearly vertical and the Portland-Extension vein intersects the former at a flattish 45° or less, there are difficulties in the definition of the intersecting ore blocks. The situation is further complicated by the fact that the mineable grade material in the 2150 vein tends to rake at an oblique angle, in shoot-like fashion within the vein. Most of the variables have now been more-or-less worked out in the development plan. At the 1989 year end these reserves were being prepared for development with drifts, manways and raises in place. Mining is planned for early 1990 (See Drawings #18a and #19a).



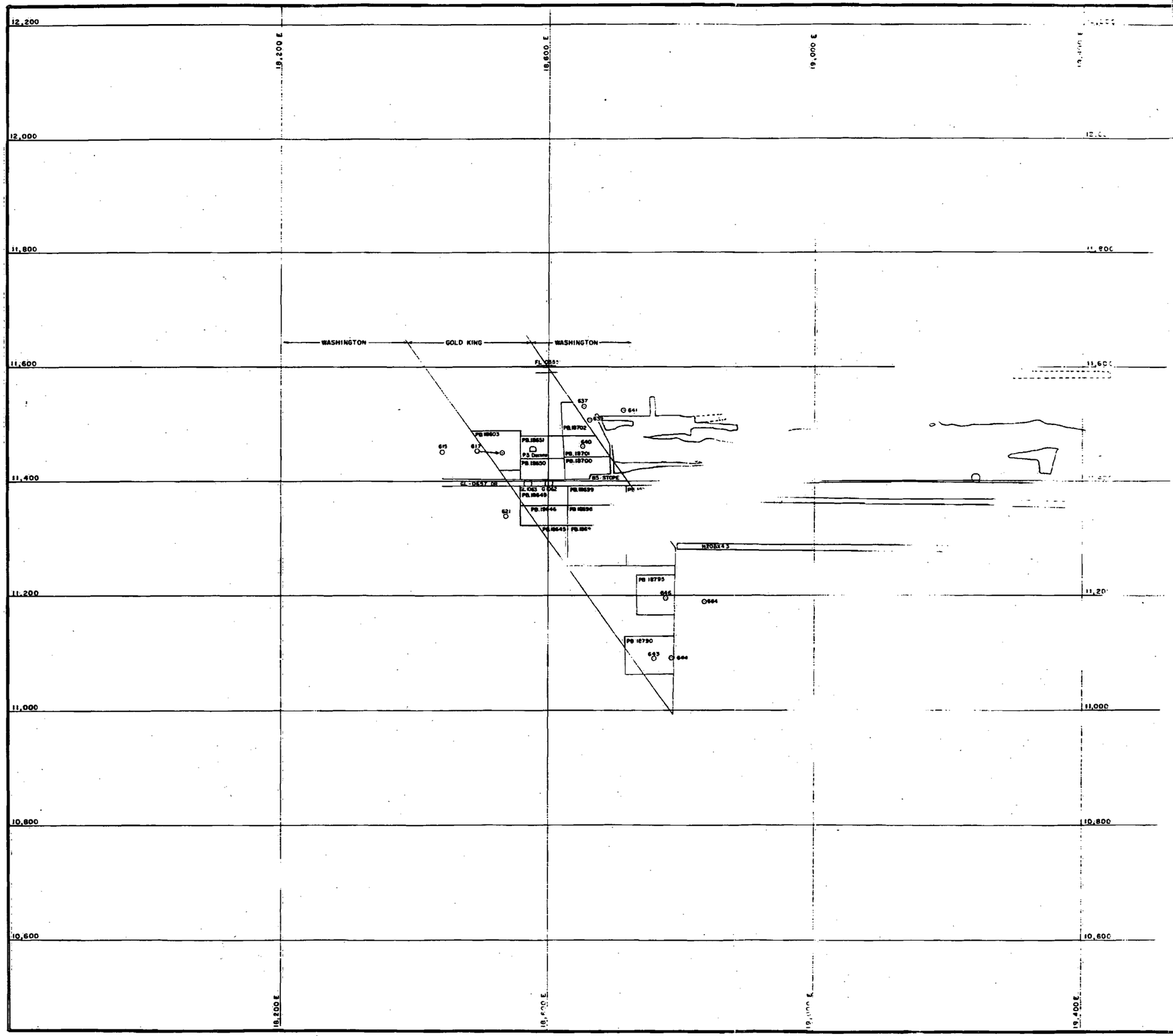
DDH	TW	Au	Ag	Pb	Cu	Zn
676	1.7	0.0[illegible]	2.3	[illegible]	0.15	[illegible]
672	2.6	0.01	3.5	4.7	0.22	[illegible]
674	9.5	0.34	2.2	4.0	0.62	[illegible]
697	10.8	[illegible]	[illegible]	[illegible]	0.01	0
800	3.7	0.02	1.9	1.1	0.78	16.3
803	5.2	0.03	1.9	3.5	0.91	14.0

DWG# 18a



12,400
12,200
12,000
11,800
11,600
11,400
11,200
11,000
10,800
14,400 N
14,800 N
15,200 N
15,600 N
16,000 N
WASHINGTON
GOLD KING
2150 SPLIT
(IN FRONT OF SECTION)
2150 SPLIT/2150 VEIN INTERSECTION
Proven Ore
Probable Ore
Possible Ore
NOTE
POINTS
EAST COOR
NORTH COOR
GOLD KING CONSOLIDATED, Inc
GOLD KING MINES CORPORATION
GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO
2150 VEIN
LONG. SECTION
LOOKING NW
MINEABLE ORE RESERVES
ORE RESERVES AS OF JANUARY 1, 1990

DWG#18



DDH	TW	A1	A2	Ft	Cu	Zn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	2.2	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
64[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
64[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64[illegible]	[illegible]	[illegible]	4.2	2.8	0.42	4.2
664	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Broken Ore

NOTE

This section is a vertical section thru the following points

POINT	EAST COOR	NORTH COOR
PE	18,200	15,916
PE	19,400	15,14[illegible]

GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

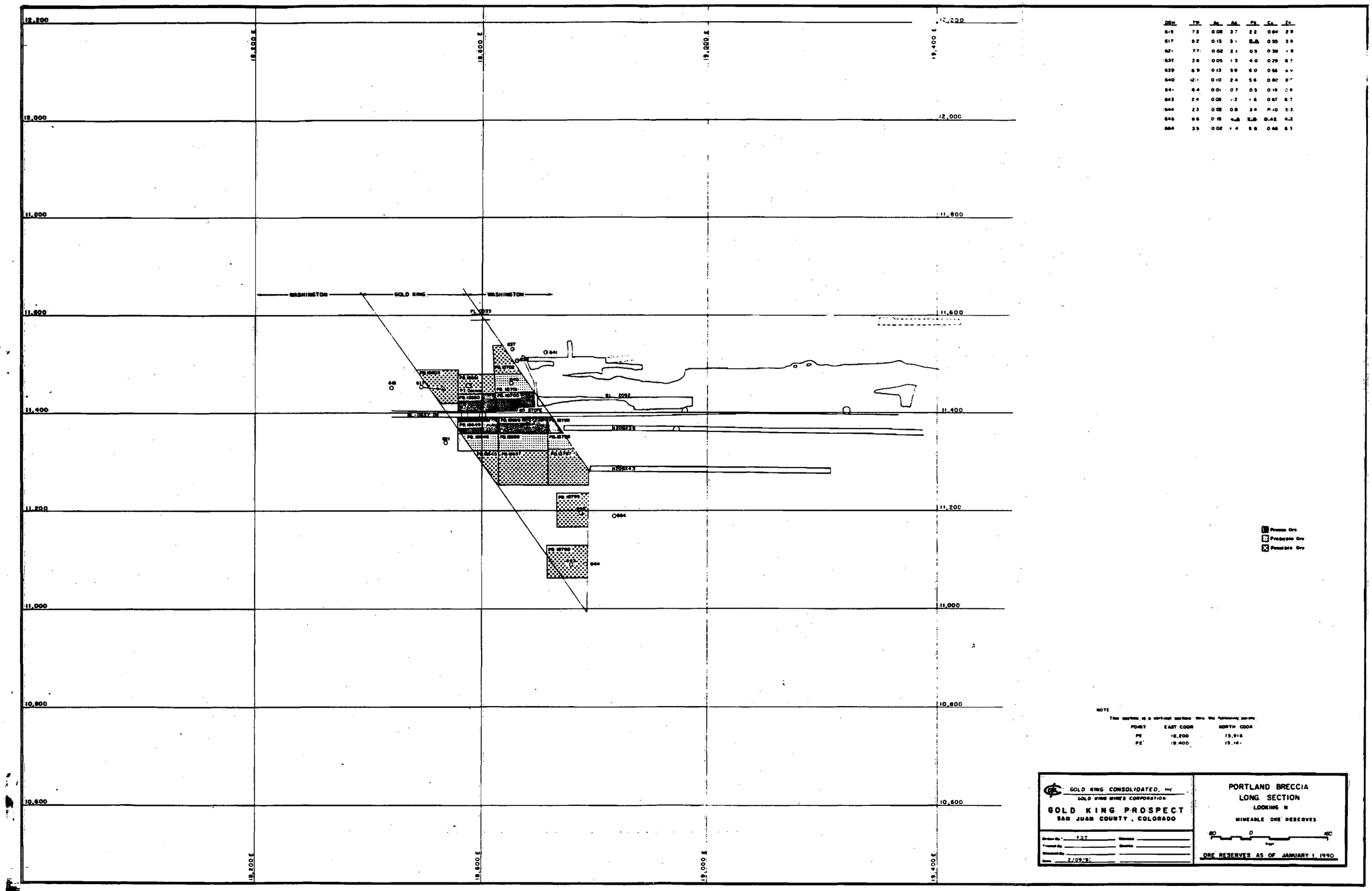
Drawn By: FDT
Traced By:
Checked By:
Date: 2/09/9[illegible]

PORTLAND BRECCIA
LONG SECTION
LOOKING N
MINEABLE RESERVES

80 0 160
Feet

ORE RESERVES AS OF JANUARY 1, 1990

DWG19a



DDH	TW	Au	Ag	Pb	Cu	Zn
615	7.3	0.08	3.7	2.2	0.64	2.9
617	9.2	0.13	3.1	[illegible]	0.55	3.8
621	7.7	0.02	2.1	0.5	0.38	1.9
637	2.8	0.05	1.3	4.0	0.29	6.3
639	6.9	0.13	5.9	6.0	0.66	[illegible]
640	12.1	0.10	2.4	5.6	0.80	[illegible]
641	6.4	0.01	0.7	0.5	0.19	[illegible]
643	2.4	0.05	1.2	1.6	0.67	6.3
644	2.3	0.02	0.8	3.4	0.10	5.3
646	9.6	0.19	[illegible]	[illegible]	0.42	4.2
664	3.5	0.02	1.4	5.8	0.46	6.3

NOTE

This section is a vertical section thru the following points.

POINT	EAST COOR	NORTH COOR
PE	18,200	15,916
PE'	19,400	15,14[illegible]

GOLD KING CONSOLIDATED, Inc
GOLD KING MINES CORPORATION

GOLD KING PROSPECT
SAN JUAN COUNTY, COLORADO

Drawn By: FDT
Traced By:
Checked By:
Date: 2/09/91

PORTLAND BRECCIA
LONG SECTION
LOOKING N
MINEABLE ORE RESERVES

80 0 160
Feet

ORE RESERVES AS OF JANUARY 1, 1990

DWG# 19

Sunnyside Gold Corp. et al are currently operating their mine and mill at the rate of 850 to 900 tons per day. It is expected that they will mine and treat 100 to 200 tons of ore per day from the Gold King Extension claims.

7.0 MINEABLE ORE RESERVES

Mineable "Ore Reserves" as used in this report refer to ore reserves within the vicinity of the existing Sunnyside mine workings and their projections into the Gold King Extension claims, only including ore with a net current diluted value of greater than $100 per ton.

7.1 Proven Mineable Ore Reserves

To date, the only ore reserves in the "proven" category are the "proven mineable" reserves outlined and being prepared for extraction by the San Juan County Joint Venture (Sunnyside Gold Corp. et al), within the Gold King Extension claims. These total 30,387 tons, grading 0.08 oz/ton gold, 3.70 oz/ton silver, 5.00% lead, 0.97% copper and 8.20% zinc (See Tables IV, V and VI Drawings #18 and #19a).

7.2 Probable Mineable Ore Reserves

Included in the "probable" category are ore reserve blocks indicated within or immediately above or below the present development levels in the joint venture zone, presently being prepared for mining. It is estimated that an additional 24,973 tons of ore will be available for mining from the development stopes once extraction of the "proven" reserves begins. Grade of this material should be 0.09 oz/ton gold, 3.40 oz/ton silver, 4.50% lead, 0.94% copper and 7.40% zinc (See Tables IV, V and VI and Drawings #18a and #19a).

7.3 Possible Mineable Ore Reserves

"Possible" mineable ore reserves include extensions to the 2150 and Portland "proven" reserves estimated at 48,419 tons. These reserves grade, on the average, 0.09 oz/ton gold and 2.1, 2.40% lead, 0.63% copper and 4.00% zinc (See Table V).

Also, Gold King's geologists have identified additional possible mineable ore reserves in the 2150, the Horseshoe or No. 1 and the Snowbird or No. 3 veins. The No. 1 vein is estimated to contain 3,064 tons, grading 0.16 oz/ton gold, 1.90 oz/ton silver, 1.30% lead, 0.17% copper and 1.90% zinc (See Table VII and Drawing #17). The Snowbird vein is estimated to contain 60,868 tons of potential mineable ore grading 0.24 oz/ton gold, 1.40 oz/ton silver, 0.20% lead, 0.52% copper and 0.30% zinc (See Table VII and Drawing #17).

TABLE IV

GOLD KING MINES CORPORATION

TOTAL ORE RESERVES ESTIMATE

SUMMARY

Category	Confidence	Vein System	Tonnage	Grade Au (opt)	Grade Ag (opt)
Proven	+75%	2150/Port-Ext.	30,387	0.08	3.70
Probable	+75%	2150/Port-Ext.	24,973	0.09	3.40
Probable	+75%	GK/Davis	338,800	0.41	2.50
Probable	50-75%	GK/Davis	99,200	0.23	3.99
			462,973	0.35	2.87
Possible	50-75%	Snowbird (No. 3)	60,868	0.24	1.40
Possible	50-75%	Horseshoe (No. 1)	3,064	0.16	1.90
Possible	50-75%	GK/Davis	248,500	0.35	2.87
Possible	50-75%	2150/Port-Ext.	48,419	0.09	2.10
Possible	50-75%	2150 Vein	24,875	0.02	1.50
Possible	50-75%	Becker/Vein	20,650	0.12	0.51
Possible	50-75%	4-55 Vein	5,000	1.00	4.00
Possible	50-75%	Flat Veins	119,700	0.14	1.50
Total Possible			531,076	0.24	2.17
Potential	50-75%	North Vein	243,750	0.40	3.00
Potential	50-75%	GK North Vein	61,000	0.20	2.00
Potential	25-50%	Portland Exten.	166,600	0.06	3.00
Total Potential			471,350	0.25	2.81
Total Reserves			1,495,786	0.28	2.62

TABLE V

SGC/GKM JOINT VENTURE

TOTAL MINEABLE ORE RESERVES - CATEGORIES

Category	Tonnages s. ton	Gold oz/ton	Silver oz/ton	Lead %	Copper %	Zinc %
Proven						
2150	12,435	0.10	3.5	4.3	1.18	6.7
Portland	17,952	0.06	3.8	5.4	0.82	9.2
	30,387	0.08	3.7	5.0	0.97	8.2
Probable						
2150	12,280	0.11	3.6	4.3	1.17	6.7
Portland	12,693	0.08	3.2	4.7	0.72	8.0
	24,973	0.09	3.4	4.5	0.94	7.4
Possible						
2150	14,311	0.10	3.5	4.3	1.18	6.6
Portland	34,108	0.08	1.5	1.6	0.40	2.9
	48,419	0.09	2.1	2.4	0.63	4.0
Totals						
2150	39,026	0.10	3.5	4.3	1.18	6.7
Portland	64,753	0.07	2.5	3.2	0.58	5.6
Total Reserves	103,779	0.09	2.9	3.7	0.80	6.0

TABLE VI

SGC/GKM JOINT VENTURE

2150/PORTLAND VEINS

MINEABLE ORE RESERVES - BLOCKS

Vein	Block	Tonnage (tons)	Gold (oz/ton)	Silver (oz/ton)	Lead %	Copper %	Zinc %
2150	18561	355	0.05	2.60	4.10	1.19	5.40
	18560	2,789	0.05	2.60	4.10	1.19	5.40
	18559	5,166	0.05	2.60	4.10	1.19	5.40
	18558	7,232	0.05	2.60	4.10	1.19	5.40
	18557	9,298	0.05	2.60	4.10	1.19	5.40
	18684	1,792	0.20	5.10	4.70	1.15	8.90
	18687	5,013	0.20	5.10	4.70	1.15	8.90
	18685	2,688	0.20	5.10	4.70	1.15	8.90
	18683	1,109	0.20	5.10	4.70	1.15	8.90
	18686	3,584	0.20	5.10	4.70	1.15	8.90
		39,026	0.10	3.50	4.30	1.18	6.70
Port Ext.	18790	11,782	0.02	0.60	0.90	0.19	1.70
	18697	1,279	0.06	3.50	5.70	0.79	8.10
	18798	2,267	0.04	2.60	5.80	0.71	9.30
	18799	1,133	0.04	2.60	5.80	0.71	9.30
	18698	4,760	0.06	3.50	5.70	0.85	10.10
	18699	4,851	0.06	3.50	5.70	0.85	10.10
	18700	4,397	0.06	3.50	5.70	0.85	10.10
	18701	3,173	0.08	2.70	5.40	0.78	8.80
	18702	2,543	0.06	2.80	3.20	0.39	4.90
	18645	697	0.06	4.30	4.90	0.79	8.10
	18646	2,493	0.19	8.30	6.30	1.05	10.10
	18649	3,672	0.06	4.30	5.70	0.79	8.10
	18650	3,899	0.06	4.30	5.70	0.79	8.10
	18651	3,989	0.06	4.30	5.70	0.79	8.10
	18603	2,607	0.13	3.10	0.20	0.55	3.80
	18795	9,932	0.15	0.50	0.30	0.42	0.40
	18797	1,279	0.04	2.60	5.80	0.71	9.30
Subtotal		64,753	0.07	2.50	3.20	0.5	5.60
Total Ore Reserves		103,779	0.09	2.90	3.70	0.80	6.00

The 2150 vein continues through the southeast corner of Gold King Extension claims for a length of approximately 200 feet. Gold King Mines Corp.'s geologists estimate possible mineable ore reserves available in this claim to be 24,875 tons, containing 0.02 oz/ton gold, 1.5 oz/ton silver, 2.70% lead, 0.63% copper and 5.30% zinc (See Table IX and Drawing #16).

7.4 Total Mineable Ore Reserves

From the foregoing, it can be calculated that Gold King Mines Corp. has total estimated mineable ore reserves of 192,586 tons, with an average grade of 0.13 oz/ton gold, 2.22 oz/ton silver, 2.38% lead, 0.68% copper and 4.05% zinc (See Table X).

TABLE VII

SGC/GKM JOINT VENTURE

HORSESHOE (NO. 1) VEIN ORE RESERVES

Location	Block Dimension and Attitude	Dilution		
Vein: Horseshoe (#1)	Length: 100.0 ft.	Mining Width:	2.61 ft.	
Level: 11.600	Vert. Ht.: 100.0 ft.	Mining TW:	2.61 ft.	62.19%
Loc.: GK Ext. #1	Slope Ht.: 141.0 ft.	FW Overbreak:	0.50 ft.	31.09%
Block: 17330	Area: 14,100 cu. ft.	HW Overbreak:	0.50 ft.	31.09%
Class: PO	True Width: 1.61 ft.	Total Vol.:	36,773 cu.ft.	62.19%
Mine: Sunnyside	Horz. Width: 2.27 ft.	Tonnage Factor:	12 cu. ft./ton	
Method: Shrink	Dip: 45			

Assay Line/ DDH (s)	Length	Width	Au	Ag	Pb	Cu	Zn
728-735	100	1.6	0.26	2.84	1.87	0.22	2.70

Reserves	Total Tonnage	Au	Ag	Pb	Cu	Zn
Geologic	1,889	0.26	2.8	1.9	0.22	2.7
Mineable	3,064	0.16	1.9	1.3	0.17	1.9

TABLE VIII

SGC/GKM JOINT VENTURE

SNOWBIRD (NO. 3) VEIN ORE RESERVES

Location	Block Dimension and Attitude	Dilution		
Vein: Snowbird (#3)	Length: 510 ft.	Mining Width: 6.20 ft.		
Level: 11,600	Vert. Ht.: 200.0 ft.	Mining TW: 6.20 ft.		19.23%
Loc: GK Ext. #1	Slope Ht.: 231.0 ft.	FW Overbreak: 0.50 ft.		9.62%
Block: SB.10001	Area: 117,810 cu. ft.	HW Overbreak: 0.50 ft.		9.62%
Class: PO	True Width: 5.20 ft.	Total Vol: 730,422 cu.ft.		19.23%
Mine: Gold King Mine	Horz. Width: 6.00 ft.	Tonnage Factor: 12 cu.ft./ton		
Mineable: Yes	Vein Vol.: 612,212 cu.ft.			
Method: Shrink	Dip: 60			

Assay Line/ DDH (s)	Length	Width	Au	Ag	Pb	Cu	Zn
685-687	510	5.2	0.28	1.56	0.21	0.60	0.29

Reserves	Total Tonnage	Au	Ag	Pb	Cu	Zn
Geologic	51,051	0.28	1.6	0.2	0.60	0.3
Mineable	60,868	0.24	1.4	0.2	0.52	0.3

TABLE IX

SGC/GKM JOINT VENTURE

2150 VEIN ORE RESERVES

Location	Block Dimension and Attitude	Dilution
Vein: 2150	Length: 200.0 ft.	Mining Width: 6.46 ft.
Level: GL	Vert. Ht.: 200.0 ft.	Mining TW: 6.46 ft. 18.31%
Location: 1062	Slope Ht.: 231.0 ft.	FW Overbreak: 0.50 ft. 9.16%
Block: 21.10001	Area: 46,200 sq. ft.	HW Overbreak: 0.50 ft. 9.16%
Class: PO	True Width: 5.46 ft.	Total Vol: 298,504 cu.ft. 18.31%
Mine: Sunnyside	Horz. Width: 6.31 ft.	Tonnage Factor: 12 cu.ft./ton
Mineable: Yes	Vein Vol.: 252,304 cu.ft.	
Method: Shrink	Dip: 60	

Assay Line/ DDH (s)	Length	Width	Au	Ag	Pb	Cu
74325-74519	92	6.3	0.03	2.05	2.44	0.94
80775-80648	115	4.5	0.04	3.35	4.70	1.05
803-748	120	5.7	0.02	1.18	3.30	0.50
		0.0	0.00	0.0	0.0	0.00
		0.0	0.00	0.0	0.0	0.00
		0.0	0.00	0.0	0.0	0.00

Reserves	Total Tonnage	Au	Ag	Pb	Cu	Zn
Geologic	21,025	0.03	2.1	3.4	0.82	6.9
Mineable	24,875	0.02	1.5	2.7	0.63	5.3

TABLE X

SGC/GKM JOINT VENTURE

TOTAL MINEABLE ORE RESERVES ESTIMATE

Vein	Tonnage (tons)	Gold (oz/ton)	Silver (oz/ton)	Lead %	Copper %	Zinc %
2150	39,026	0.10	3.50	4.30	1.18	6.70
Port-Ext.	64,753	0.07	2.50	3.20	0.58	5.60
Snowbird	60,868	0.24	1.40	0.20	0.52	0.30
Horseshoe	3,064	0.16	1.90	1.30	0.17	1.90
2150-Ext.	24,875	0.02	1.50	2.70	0.63	5.30
Total and Avg.	192,586	0.13	2.22	2.38	0.68	4.05

8.0 GEOLOGICAL ORE RESERVES

"Ore Reserves" as used in this category are defined in Appendix I, hereto attached. For in-depth details of the various geological ore reserve estimates, the reader is referred to the August 31, 1987 and May 15, 1988 MPH reports -- changes and additions are incorporated in the pertinent tables herein.

8.1 Proven Geological Ore Reserves

To date, there are no geological ore reserves taken into the "proven" category. As noted in Section 7.1, the only proven ore reserves are the "proven mineable" reserves outline and being prepared for extraction by Sunnyside Gold Corp. et al, within the Gold King Extension claims ground.

8.2 Probable Geological Ore Reserves

Included in this "probable" category are only the probable geological ore reserves. No probable mineable ore reserves estimated for the Gold King Extension claims, in the zones immediately above or below the present development levels in the Gold King Extension ground, being prepared for mining are involved.

Some 438,000 tons of "probable" geological ore reserves were previously estimated for the Gold King mine itself between the 7th and second levels, primarily to the northeast of the internal shaft, and within the Davis/Gold King vein system. Average grade of these reserves were expected to be 0.41 oz/ton gold and 3.02 oz/ton silver. Grades of recent Gold King/Davis underground drilling intercepts have been somewhat lower and, therefore, the adjusted average gold/silver content of these reserves have been reduced to 0.37 oz/ton gold and 2.84 oz/ton silver (See Tables XI, XII and XIII). More drilling and/or drifting is required to fully evaluate these probable geological reserves.

8.3 Possible Geological Ore Reserves

Changes in the "possible" geological ore reserves reported in August 31, 1987 and May 15, 1988 include mainly a deletion of the 2150 vein's 125,000 ton "probable" geological reserves because, the vein has been found to deviate southward out of the Gold King Extension #1 claim, and does not now appear to

TABLE XI

GOLD KING MINES CORPORATION

PROBABLE GEOLOGICAL ORE RESERVES
(+75% Confidence)

Block	Levels	Length (ft.)	Ht. (ft.)	Width (ft.)	Factor (cu.ft/tn)	Tonnage (ton)	Grade Au (opt)	Grade Ag (opt)
#1	7 to 5	680	180	5	12	51,000	0.30	1.98
#2	7 to 5	480	220	5	12	44,000	0.29	1.00
#3	7 to 5	230	220	5	12	21,000	0.30	0.96
#4	5 to 4	400	105	5	12	17,500	0.37	1.62
#5	7~~6~~ to ~~4~~5	900	220	5	12	82,500	0.45	3.63
#6	5 to 4	900	110	5	12	41,300	0.48	3.81
#7	4 to 2	850	230	5	12	81,500	0.49	3.95
						338,800	0.41	2.50

TABLE XII

GOLD KING MINES CORPORATION

PROBABLE GEOLOGICAL ORE RESERVES
(50-75% Confidence)

Block	Levels	Length (ft.)	Ht. (ft.)	Width (ft.)	Factor (cu.ft/tn)	Tonnage (ton)	Grade Au (opt)	Grade Ag (opt)
#1	2 to 1	350	100	4	12	11,700	0.20	3.00
#2	2 to 1-1/2	650	150	4	12	32,500	0.18	3.25
#3	2 to 1-1/2	1100	150	4	12	55,000	0.27	3.55
						99,200	0.23	3.39

TABLE XIII

GOLD KING MINES CORPORATION

GEOLOGICAL ORE RESERVES ESTIMATE

SUMMARY

Vein	Category	Tonnage (tons)	Gold (oz/ton)	Silver (oz/ton)
GK/Davis	Probable	338,800	0.41	2.50
GK/Davis	Probable	99,200	0.23	3.99
Total Probable		438,000	0.37	2.84
GK/Davis	Possible	248,500	0.35	2.87
2150/Port-Ext.	Possible	48,419	0.09	2.10
2150 Vein	Possible	24,875	0.02	1.50
Becker Vein	Possible	20,650	0.12	0.51
4-55 Vein	Possible	5,000	1.00	4.00
Flat Veins	Possible	119,700	0.14	1.50
Total Possible		467,144	0.25	2.27
NW Vein	Potential	243,750	0.40	3.00
GK North Vein	Potential	61,000	0.20	2.00
Portland Ext.	Potential	166,600	0.06	3.00
		471,460	0.25	2.81
Total Reserves		1,376,494	0.29	2.64

continue, as previously believed, westward within the claim, for the total claim length. The other change is in the estimated grade of the 248,500 ton ore reserves in the Gold King/Davis vein system where the Gold King Mines Corp. drilling results have enabled GKM to use more accurate grades for the estimated silver/gold values previously used. Revisions are from 0.50 oz/ton gold and 3.00 oz/ton silver, down to 0.35 oz/ton gold and 2.87 oz/ton silver. Net effect of these changes is a total possible geological reserves of 467,144 at 0.25 oz/ton gold and 2.27 oz/ton silver (See Table XIII).

8.4 Potential Geological Ore Reserves

Ore reserves in this category are maintained at the August 31, 1987 and May 15, 1988 estimated level of 471,350 tons, with an expected average grade of 0.25 oz/ton gold and 2.81 oz/ton silver (See Table XIII).

8.5 Total Geological Ore Reserves

The foregoing provides a revised estimated of total geological ore reserves of 1,376,494 tons containing 0.29 oz/ton gold and 2.64 oz/ton silver, slightly reducing the previous (1988) estimates (See Table XIII).

9.0 TOTAL ORE RESERVES

9.1 Total Ore Reserves

Total ore reserves include all estimated mineable and geological ore reserves for the combined Gold King and Gold King Extension claims. These are now estimated to be 1,495,786 tons, averaging 0.28 oz/ton gold and 2.62 oz/ton silver. Up marginally from the 1987 total reserves of 1,459,100 at 0.355 oz/ton gold and 2.90 oz/ton silver; and down about 100,000 tons from the 1988 total of 1,561,700, which averaged 0.32 oz/ton gold and 2.67 oz/ton silver (See Table IV).

The principal changes in the total ore reserves have come about largely as a result of additional exploration drilling data on the Gold King/Davis vein and underground development and drilling on the 2150 and Portland-Extension veins.

9.2 Summary of Ore Reserves

Table IV summarizes the currently revised total ore reserves estimates for the Gold King and Gold King Extension claims. From this table, it can readily be seen that ore reserves of 1,495,786 tons grading 0.28 oz/ton gold and 2.62 oz/ton silver, could be present in the combined proven, probable, possible and potential mineable and geological reserves categories, with varying degrees of confidence. Of these 1,495,786 tons of total reserves, 30,387 tons are now classified as "proven, 462,973 tons are classified as "probable", 531,076 tons are in the "possible" category and 471,350 tons are considered "potential" ore reserves (See Table IV).

10.0 EXPLORATION TARGETS

10.1 Overall Potential

The relatively unexplored Gold King mine and the Gold King Extension claims group, continue to display good potential for surface and underground deposits of economic gold/silver/base metal ore bodies. The probability that substantial additional tonnages of mineable gold/silver ore bodies will be discovered in these properties remains very good (See Drawings #5 and #6).

10.2 Underground Vein Targets

Four principal target areas remain to be fully explored: 1) the Davis/Gold King vein system and its northeasterly extension, between the 4th and 7th levels - from the Gold King underground main winze to the eastern boundary of the Gold King Extension claims; 2) the Sunnyside 2150 vein system on the "F", "G" and "H" levels from the present southwestward heading possibly into the Gold King Nabob claim; 3) the Portland-Extension vein system, northwestward into the Gold King Extension claims; and 4) the areas between the 2150 vein extension and the Gold King/Davis vein system.

It is presently estimated that the 1988 total of 43,000 feet (approx. 13,100 m.) of drilling and 21,000 feet (approx. 6,400 m.) of drifting would still be required to fully explore these vein targets (See Table XIV).

TABLE XIV

GOLD KING MINES CORPORATION

RECOMMENDED EXPLORATION PROGRAM

DRILLING AND DRIFTING REQUIREMENTS

Target Vein System	Reserves Category	Tonnage	Grade Au (opt)	Grade Ag (opt)	Drilling (ft/m)	Drifting (ft/m)
Davis/Gold King	Probable	438,000	0.37	2.84		
	Possible	248,500	0.35	2.87		
	Potential	61,000	0.20	2.00	10,000(3053)	7,000(2135)
2150/Port-Ext.	Proven	30,387	0.07	3.60	2,000(606)	1,000(303)
2150/No. 1 & 3	Probable	88,905	0.20	2.00	3,000(916)	2,000(606)
2150/Port-Ext.	Possible	73,294	0.07	1.90	3,000(916)	3,000(916)
Becker 4-55	Possible	25,650	0.29	1.19		
Flat Veins	Possible	119,700	0.14	1.50		
North Vein	Potential	243,750	0.40	3.00	20,000(6106)	6,000(1832)
Port-Ext.	Potential	116,600	0.06	3.00	5,000(1525)	2,000(606)
Totals		1,495,786	0.28	2.62	43,000(13122)	21,000(6403

10.2.1 Davis/Gold King Vein Target

As anticipated, the Davis/Gold King vein system (mined over a length of some 1,600 feet (488 m.) in the old mine) continues northeastward from the end of the drift where it has recently been followed for an additional distance of 1,100 feet (333 m.) on the 7th level. This vein system is expected to continue for an additional 1,000 feet (303 m.), within the Gold King and Gold King Extension claims before reaching the Gold King/Sunnyside claim boundary. Mineralized drill hole intersections in the surface drill holes from the Ross Basin (GKS #1, 2 & 3) and, more recently, underground holes from the Gold King 7th level and the Sunnyside "F" level (drilled northward into this zone) have encountered what appears to be the northeastward extensions of the Davis/Gold King vein system. Some interpretive work and vein sorting remains; however, the prospect for vein continuity and ore shoots are good. High to medium confidence probable geological ore reserves of 438,000 tons, averaging 0.37 oz/ton gold and 2.84 oz/ton silver, estimated in the August 31, 1987 report, continue to be a reasonable reserve target for this sector.

Medium confidence possible geological ore reserves of 248,500 tons, grading 0.35 oz/ton gold and 2.87 oz/ton silver, estimated earlier for the Davis/Gold King vein system, continue to be a good target as well.

Also, parallel and intersecting vein systems, such as the Becker/4-55, North vein and Flat veins, with possible and potential geological reserves of 389,100 tons of 0.31 oz/ton Au and 2.42 oz/ton Ag, remain good targets.

Exploration for extension of the Davis/Gold King vein system by drifting on the Gold King mine 7th level, together with crosscutting and exploration drilling above and below the drift level have been temporarily discontinued. In order to more fully explore this important vein system and its overall ore reserves potential, it has been proposed and estimated that a further 7,000 feet (2,200 m.) of drifting and some 10,000 feet (3,000 m.) of underground drilling will be required. Ramping-and-drifting or drifting-and-raising may prove more feasible than drifting-and-drilling, as a more definitive means of sampling and evaluating these vein systems; and, at the same time, producing millable muck (ore) during this exploration effort (See "Recommendations" and Drawing #20).

10.2.2 Becker, Flat/North Vein Targets

Exploration of the Becker, Flat and North vein systems could require an additional 20,000 feet (approximately 6,000 m.) of drilling and 10,000 feet (approximately 3,000 m.) of drifting from the present underground workings in the Gold King mine (See Drawing #6).

10.2.3 Horseshoe (No. 1) and Snowbird (No. 3) Vein Targets

Drilling from the "F" level of the Gold King Ext. No. 1 claim has identified and delineated these targets. It is estimated that 3,000 feet (approx. 950 m.) of additional drilling and 2,000 feet (approx. 600 m.) of drifting will be needed to explore these fully (See Drawing #17).

10.2.4 Sunnyside 2150/Portland-Extension Mine Target

Exploration on the Sunnyside 2150 and Portland-Extension vein systems above and below their present development on the Sunnyside "F", "G" and "H" levels, could require an additional 1,000 feet (approx. 300 m.) of drifting and some 2,000 feet (approx. 600 m.) of underground drilling. This should be carried out on behalf of the Sunnyside/Gold King joint venture. Present total reserves of "proven" and "probable" mineable ore are estimated at 30,387, tons grading 0.08 oz/ton Au and 3.70 oz/ton Ag with a good base metal content. Notwithstanding these "established" reserves, additional reserves of mineable-grade ore could exist in these vein systems (See Drawings #16, #17, #18 and #19).

10.2.5 2150/Portland Vein Extension Target

Northwestward extensions to the Portland-Extension vein system and southwestward extensions to the 2150 vein system need to be fully explored. It is estimated that some 8,000 feet (approx. 2,400 m.) of additional underground drilling and approximately 5,000 feet (approx. 1,500 m.) of drifting and level exploration will be needed to continue testing these vein extension targets to their fullest. This will be required to continue to explore for the high to medium confidence probable and possible geological ore reserves, in the 2150 vein sector, estimated at approximately 73,000 tons, with an expected grade of 0.07 oz ton Au and 190 oz/ton Ag and the potential geological reserves of 116,600 tons, averaging 0.06 oz/ton Au and 3.00 oz/ton Ag on the Portland vein system (See Drawings #6, #16 and #17).

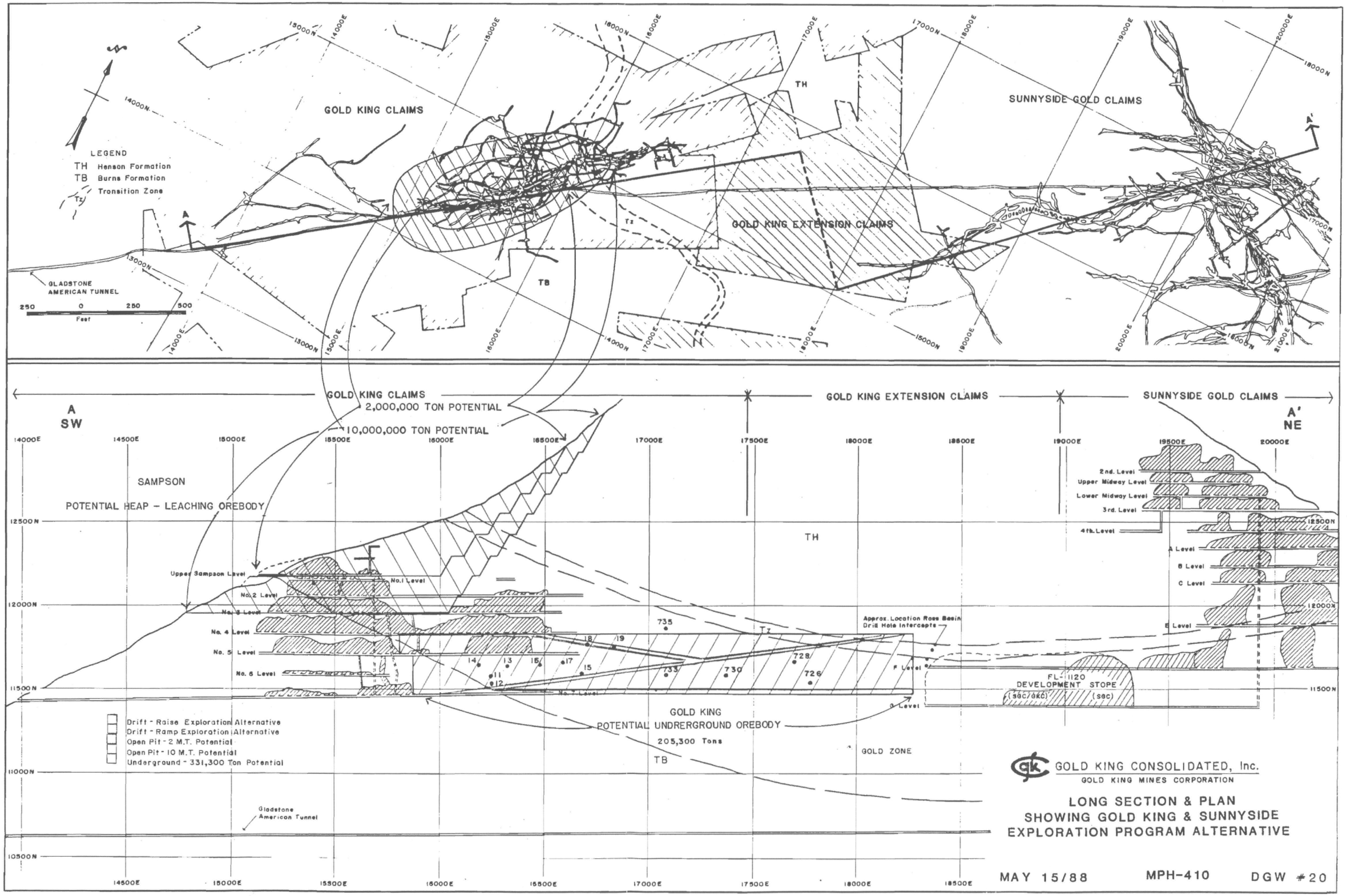
10.2.6 Potential Heap-Leaching Open-Pit Targets

The potentiality for open-pit heap-leachable ore bodies within the Gold King property holdings was put forward in the MPH May 15, 1988 report. As yet, no exploration has been initiated to test these important potential targets. Dimensionally, there appears to be a reasonable possibility that the old Sampson workings area may contain a minimum open-pit mineable zone of 2,000,000 or more tons of material. Similarly, the Minnehaha prospect to the south could contain a minimum of 1,000,000 tons of open-pit material. Grades in the order of 0.05 oz/ton gold and 1.00 oz/ton silver could be expected, suitable for heap-leaching deposits in this size range. Base metal content should be low. Alteration clay can be expected and agglomeration may therefore be required (See Drawings #20 and #21).

It is generally thought by the writer that these two targets could contain suitable grades of oxides ore to depths of as much as 300 feet (approximately 100 m.). Surface geochemical soil sampling and rotary down-hole reverse-circulation drilling would be required to test these targets. Initially, some 2-5 line-miles (1.2-8 km.) of geochem survey, and 5,000 to 10,000 feet (1,500 to 3,000 m.) of drilling would be needed.

These targets tend to be part of two well-fractured and mineralized zones over moderate to high-grade gold/silver vein systems, within low-grade altered tufaceous rocks. Wall rock mineralization tends to be pervasive with tenors only in the 0.005 to 0.02 oz/ton Au range. However, high-grade fracture-fillings and veins might prove adequate in gold and silver content to bring the average grade up to the 0.05 oz/ton Au - 1.00 oz/ton Ag level, suitable for open-pit heap-leachable grade ore.

Provisionally, it is geologically conjectured that the near surface portion of the old Gold King mine could contain a reserve target of 2,000,000 tons, within a zone 1,000 feet long by 300 feet wide by 100 deep (33 m. x 100 m. x 33 m.) i.e. about the length, width and depth of the old Sampson workings. Because of the terrain, the waste-to-ore stripping ratio for such an open pit zone should not be much greater than 2:1. Clearly, if the zone is of suitable grade and up to 500 feet wide, the potential to 300 feet (the Gold King mine 3rd level) could reach 10,000,000 tons, with a corresponding


GOLD KING CLAIMS
SUNNYSIDE GOLD CLAIMS
GOLD KING EXTENSION CLAIMS
LEGEND
TH Henson Formation
TB Burns Formation
Tz Transition Zone
GLADSTONE AMERICAN TUNNEL
250 0 250 500
Feet
A
A'
SW
NE
2,000,000 TON POTENTIAL
10,000,000 TON POTENTIAL
SAMPSON
POTENTIAL HEAP - LEACHING OREBODY
Upper Sampson Level
No. 1 Level
No. 2 Level
No. 3 Level
No. 4 Level
No. 5 Level
No. 6 Level
No. 7 Level
Approx. Location Ross Basin Drill Hole Intercepts
F Level
G Level
FL-1120 DEVELOPMENT STOPE
(SGC/GKC)
(SGC)
GOLD KING
POTENTIAL UNDRERGROUND OREBODY
205,300 Tons
GOLD ZONE
Drift - Raise Exploration Alternative
Drift - Ramp Exploration Alternative
Open Pit - 2 M.T. Potential
Open Pit - 10 M.T. Potential
Underground - 331,300 Ton Potential
Gladstone American Tunnel
2nd. Level
Upper Midway Level
Lower Midway Level
3rd. Level
4th. Level
A Level
B Level
C Level
E Level
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
LONG SECTION & PLAN
SHOWING GOLD KING & SUNNYSIDE
EXPLORATION PROGRAM ALTERNATIVE
MAY 15/88
MPH-410
DGW #20

increase in the waste-to-ore stripping ratio related to the size and shape of such a larger deposit.

Conservatively, a tonnage factor of 15 cu. ft. (0.56 cu. m.) per tons has been used to determine these conjectural open pit tonnages.

Either the Gladstone placer claim or the Success placer claim, both within approximately one to two miles (0.62 to 1.2 km.) of the Gold King Sampson and Minnehaha zones, could serve as acceptable areas for heap-leaching stock piles and a suitable plant.

Preliminarily, it is estimated that detailed geochemical surveys involving some 500 soil and/or rock samples would be collected over the two 2,000x500-foot (600x150 m.) grids. This, if warranted, would be followed by approximately 5,000 to 10,000 feet (approximately 1,500 - 3,000 m.) of surface rotary-percussion reverse-circulation drilling, over each grid. Drilling would be at 100-foot (30 m.) intervals, and to depths of 100 to 300 feet (30 to 100 m.). Successful results could be followed by in fill drilling at 50-foot (15 m.) intervals; and, bulk sample material could be extracted for heap-leach testing. The rotary drill holes may have to be inclined in order to intersect the high-angled vein systems as perpendicularly as possible.

SAMPSON
Potential
Heap Leaching
Orebody
SUCCESS
Potential
Leaching Site
GLADSTONE
Potential
Leaching Site
MINNEHAHA
Potential
Heap Leaching
Orebody
19,000N
18,000N
17,000N
16,000N
15,000N
14,000N
13,000N
12,000N
11,000N
10,000N
9,000N
7,000E
8,000E
9,000E
10,000E
11,000E
12,000E
13,000E
14,000E
15,000E
16,000E
17,000E
18,000E
19,000E
20,000E
21,000E
22,000E
23,000E
GOLD KING CONSOLIDATED, Inc.
GOLD KING MINES CORPORATION
PROPERTY MAP WITH TOPO
SHOWING POTENTIAL HEAP LEACHING
OREBODIES & LEACHING SITES
MAY 15/88
MPH-410 DWG #21

11.0 CONCLUSIONS

Surface and underground exploration by Gold King Mines and Sunnyside Gold Corporation (et al) has amounted to 19,673 feet (5,962 m.) of drilling and 6,460 feet (1,957 m.) of drifting, crosscutting and level development. Estimated total cost of this exploration and development campaign to date is approximately $9,700,000. The direct result of this to Gold King Mines Corp. is an estimated combined total geological and mineable ore reserves (all categories) of 1,495,786 tons, averaging 0.28 oz/ton gold and 2.62 oz/ton silver. Within these reserves estimates are proven-mineable reserves of approximately 30,387 tons of ore averaging 0.08 oz/ton gold, 3.70 oz/ton silver, 5.00% lead, 0.97% copper and 8.20% zinc; and, probable and possible mineable ore reserves of approximately 73,392 tons of ore grading 0.09 oz/ton gold, 2.57 oz/ton silver, 3.16% lead, 0.73% copper and 5.82% zinc. These proven mineable ore reserves are currently being prepared for extraction by San Juan County Joint Venture under a custom mining and milling agreement between Gold King Mines and the former Sunnyside Gold Corporation, the ores are to be treated at the Sunnyside mill in Silverton.

Cooperation between Gold King Mines and Sunnyside Gold Corporation's San Juan County JV has continued to improve the understanding of the complex local vein and ore-forming systems and has increased confidence in ore reserves estimates within the know vein structures. Moreover, indications are that there are additional veins in the system that have good ore-making possibilities.

Exploration in the Gold King mine and San Juan/Gold King joint venture ground is expensive, but it is beginning to prove rewarding. Should current exploration efforts continue to be successful, production from Gold King's holdings should grow in 1990, with present gold and silver prices in the $400-$425/oz gold and $5.00-$5.25/oz silver range.

Exploration drifting on the Davis/Gold King vein system in the Gold King mine successfully followed the veins northeastward, toward the common Sunnyside/Gold King property boundary. Moreover, underground drilling has confirmed the presence of these veins above the 7th level drift and has established continuity of the vein's strike, dip and thickness. Gold/silver tenor of some of the drill core intercepts have

been lower than expected; however, considering the small number of drill holes and the erratic nature and distribution of precious metals experienced in these veins, in the past, it is not surprising to find "weak zones" within the system. Experience in the drift sampling has confirmed this situation. Consideration is being given to altering the exploration methods to attempt to improve sampling of these vein systems, perhaps leaning more toward drifting-and-raising or drifting-and-ramping rather than drifting-and-drilling as carried out in the past.

Gold King Mine Corp.'s management is constantly monitoring progress by the San Juan County Mining Venture, within its Gold King Extension claims, and is encouraged by their success in developing mineable ore reserves on the 2150 and Portland-Extension veins, and discovery of the No. 1 (Horseshoe) vein and No. 3 (Snowflake) vein between the 2150 and the Gold King Davis vein system. The San Juan County JV has outlined an estimated 103,779 tons of mineable ore in this sector, and is currently preparing 30,387 tons of these reserve for extraction and treatment through their mill. The possibilities of exploiting, mining and treating the 63,932 ton reserve in the Snowflake and Horseshoe veins appears to be worthy of consideration at current precious and base metal prices. Also, once the complexities of the vein structures are worked out, there could be an increase in the ore reserves picture in this sector.

Based on the extent of the underground workings, the general knowledge of the Gold King mine and the geology and mineralization of the Minnehaha structures, there appears to be a good chance that these zones could yield sizeable reserves of open-pit heap-leachable ore-grade material as previously suggested by MPH Consulting Inc. Serious consideration should, therefore, be given to beginning a 1990 surface exploration geochemical and rotary reverse-circulation drilling program, designed to check out this potential. The general targets are zones of 0.05 oz/ton gold and 1.00 oz/ton silver open pit reserves, in the 1,000,000 to 2,000,000 ton class. This appears to be entirely within the realm of possibility, between the surface and 100 feet (33 m.) in depth, over the old Gold King Mine - and, perhaps in the Minnehaha Durango claims as well. Should these targets prove to exist and extend to 300 feet (100 m.) in depth, better than 10,000,000 tons of open-pit material could become available for heap-leaching.

12.0 RECOMMENDATIONS

Given the success of Gold King's own and the Sunnyside/Gold King joint venture's exploration programs to date, it is recommended that the Company continue its general policy of exploring and evaluating the potential of its Silverton holdings. The long-term exploration program, detailed in the August 1987 and May 1988 MPH reports, should be carried out with only minor variations, to take advantage of results so far and as they are forthcoming, hereafter.

Within Gold King's own exploration program, on the Gold King/Davis vein system, serious consideration should be given to resuming (but altering) the exploration effort on the 7th level of the Gold King mine - changing to a drifting-raising or drifting-ramping program from the 7th to the 4th level. Although the cost of either of these two procedures will undoubtedly be more than the past methods of drifting-crosscutting-drilling, they should be much more effective as a means of following the veins and gaining detailed vein information, while producing and recovering millable muck (ore). Either of these methods would be much more definitive and more productive - towards improving the underground access while proving-up ore reserves.

A geochemical and follow-up rotary-percussion exploration drilling program was recommended in the 1988 MPH report for the Sampson zone over the Gold King mine, and for the Minnehaha zone within the Durango claims. The objective being to find and outline sizeable reserves of open-pit mineable heap-leaching ore. This program is still highly recommended and should be staged to test and, hopefully, prove the merits of this proposition. The initial target is 2,000,000 tons of 0.05 oz/ton Au and 1.00 oz/ton Ag mineralization over the old Gold King Mine and 1,000,000 tons of similar material in the Minnehaha-Durango claims. Ultimate targets could be over 10,000,000 tons of similar grade leachable material.

The 1990 recommended underground exploration program for the Gold King Mine of drifting-raising or drifting-ramping could cost in the neighborhood of $1,600,000, and the recommended surface exploration program should be kept in the order of $300,000 -$400,000. Therefore, the total 1990 program could be covered by a budget of $2,000,000; i.e. one fifth of the total five year $10,000,000 recommended exploration program budget.

The underground exploration program should find and define additional ore reserves along the length of the Davis/Gold King vein system, from the main Gold King Mine winze to the Ross Basin zone, i.e. east boundary of the Gold King Extension claims. This underground program could also, possibly, identify and define other veins paralleling the Gold King/Davis vein systems, as good or better than the Snowbird and Horseshoe veins.

The surface program should appropriately explore and provisionally evaluate the potential for low-grade heap-leaching ore bodies over the Gold King and Minnehaha mine zones.

Both of these are surface and underground programs are considered high priority objectives which should be met within the recommended $2,000,000 budget. The results, therefrom, could determine the future and economic destiny of the Gold King mine project.

Exploration and development of the Snowbird (No. 3) and Horseshoe (No. 1) veins should be left to the San Juan County Joint Venture and integrated into development of the 2150 and Portland vein extensions. This work would, therefore, probably not be a Gold King Mines Corp. 1990 budgetary item.

Respectfully Submitted,

E.D. Black, P. Eng.
MPH Consulting, Inc.
February 15, 1990

CERTIFICATE

I, Ernest D. Black, Geologist and Professional Engineer, President of MPH Consulting, Inc., 5541 South Jamaica Way, Englewood, Colorado, 80111, do hereby certify that:

1. I am a graduate of McGill University in Montreal, Quebec, Canada, and hold a degree of Master of Science in Geology.

2. I am a member and designated consultant of the Professional Engineers of the Province of Ontario and have practiced my profession for a period of thirty-five years.

3. I have based my conclusions and recommendations, contained in this report, on studies of the technical reports, maps and plans supplied to me by Gold King Mines Corporation, and examination of the surface and underground workings of the Gold King Mine and examinations of the underground workings of the Sunnyside Mine.

4. I have not directly, or indirectly, received, nor do I expect to receive, any interest, direct or indirect, in Gold King Consolidated, Inc. Gold King Mines Corporation nor any of the Gold King properties, nor in any company that may ultimately be incorporated to mine and produce from the Gold King properties.

E.D. Black, P. Eng.

APPENDIX I
ORE RESERVES DEFINITIONS

APPENDIX I
ORE RESERVES DEFINITIONS

Definition of Ore Reserves Categories

The following definitions have been employed in identifying the categories of ore reserves estimates at the Gold King property.

"Proven Ore" or "Measured Ore" is that material for which tonnage is computed from dimensions revealed in outcrops or trenches or underground workings and/or drill holes and for which the grade is computed from the results of adequate sampling. The sites for inspection, sampling and measurement are so spaced and the geological factor so well defined that the size, shape and mineral content are established. The computed tonnage and grade are judged to be accurate within limits which must be stated. It must be stated whether the tonnage and grade of "Proven" or "Measured" ore is in situ or extractable. Dilution factors, if used, should be clearly explained.

"Probable Ore" or "Indicated Ore" is that material for which tonnage and grade are computed partly from specific measurements, samples or ore production data, and partly from projection for a reasonable distance on geological evidence. The sites available for inspection, measurement and sampling are too widely spaced to outline the material completely or to establish its grade throughout.

"Possible Ore" or "Inferred Ore" is that material for which quantative estimates are based largely on broad knowledge of the geologic character of the deposit and for which there are few, if any, samples or measurements. The estimates are based on an assumed continuity or repetition for which there are reasonable geological indications; these indications may include comparisons with deposits of similar type. Bodies that are completely concealed may be included if there is specific evidence of their presence.

"High Confidence" - co-notes an estimate greater than 75% (i.e. + 75%) chance that the related categories of ore reserves will hold up as to average grade, thickness, length and width as used in its calculations.

"Medium Confidence" is used for ore reserves category estimates that only have adequate sample representation to support a 50% -75% chance that the reserves will maintain their assigned average grades and dimensions.

"Low Confidence" - applies to ore reserve estimates where the average grade is uncertain because the sampling and dimensions are inadequate and their representation uncertain. In this case, it is considered that there is less than a 50% chance that the assigned grade, length, width and thickness will meet expectations. Naturally, most extrapolated, projected and potential ore zones fall into this class.

APPENDIX II
EVALUATION OF MINEABLE ORE RESERVES

GOLD KING MINES CORPORATION
GOLD KING MINE

MINEABLE ORE RESERVES - TOTAL (DEC. 31, 1989)

CATAGORY/ BLOCK #	TOTAL TONNAGE	GKM TONNAGE	GRADES * GOLD oz/ton	SILVER oz/ton	LEAD %	COPPER %	ZINC %	NDRV /ton	NDRV $
BROKEN									
2150	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
PORTLAND	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
PORTLAND FW	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SNOWBIRD	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
HORSESHOE	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
BECKER	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
4-55	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
WEST FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SW FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
	0	0	0.00	0.0	0.0	0.00	0.0	ERR	$0
PROVEN									
2150	12,435	9,948	0.10	3.5	4.3	1.18	6.7	$188.23	$2,340,611
PORTLAND	17,952	14,362	0.06	3.8	5.7	0.82	9.2	209.52	3,761,287
PORTLAND FW		(INCLUDED IN PORTLAND VEIN RESERVES)						0.00	0
SNOWBIRD	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
HORSESHOE	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
BECKER	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
4-55	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
WEST FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SW FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
	30,387	24,310	0.08	3.7	5.1	0.97	8.2	$200.81	$6,101,897
PROBABLE									
2150	12,280	9,824	0.11	3.6	4.3	1.17	6.7	$192.13	$2,359,304
PORTLAND	12,693	10,154	0.08	3.2	4.7	0.72	8.0	190.19	2,414,138
PORTLAND FW		(INCLUDED IN PORTLAND VEIN RESERVES)						0.00	0
SNOWBIRD	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
HORSESHOE	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS/GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS/GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
BECKER	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
4-55	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
WEST FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SW FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
	24,973	19,978	0.09	3.4	4.5	0.94	7.4	$191.14	$4,773,442

GOLD KING MINES CORPORATION
GOLD KING MINE

MINEABLE ORE RESERVES - TOTAL (DEC. 31, 1989)

CATAGORY/ BLOCK #	TOTAL TONNAGE	GKM TONNAGE	GRADES * GOLD oz/ton	SILVER oz/ton	LEAD %	COPPER %	ZINC %	NDRV /ton	NDRV $
POSSIBLE									
2150	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
PORTLAND	34,108	27,286	0.08	1.5	1.6	0.40	2.9	90.88	3,099,895
PORTLAND FW		(INCLUDED IN PORTLAND VEIN RESERVES)						0.00	0
SNOWBIRD	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
HORSESHOE	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS/GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
BECKER	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
4-55	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
WEST FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SW FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
	34,108	27,286	0.08	1.5	1.6	0.40	2.9	$90.88	$3,099,895
TOTALS									
2150	39,026	31,221	0.10	3.5	4.3	1.18	6.7	$188.23	$7,345,773
PORTLAND	64,753	51,802	0.07	2.5	3.2	0.58	5.6	140.12	9,073,153
PORTLAND FW		(INCLUDED IN PORTLAND VEIN RESERVES)						0.00	0
SNOWBIRD	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
HORSESHOE	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
DAVIS/GOLD KING	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
BECKER	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
4-55	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
WEST FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
SW FLAT	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
NORTHWEST VEIN	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
GOLD KING NORTH VN	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
PORTLAND EXT.	0	0	0.00	0.0	0.0	0.00	0.0	0.00	0
TOTAL RESERVES	103,779	83,023	0.09	2.9	3.7	0.80	6.0	$161.86	$16,797,510

NOTE:
NDRV "NET DILUTED RECOVERABLE VALUE"
adjusted for mining dilution and metal recovery -
does not include mining/milling/smelting and related costs.

GOLD KING MINES CORPORATION
GOLD KING MINE

2150 VEIN - MINEABLE ORE RESERVES (DEC. 31,1989)

CATAGORY/ BLOCK #	TOTAL TONNAGE	GKM TONNAGE	GRADES * GOLD oz/ton	SILVER oz/ton	LEAD %	COPPER %	ZINC %	NDRV /ton	NDRV $
BROKEN									
21.	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
PROVEN									
21.18685	2,688	2,150	0.20	5.1	4.7	1.15	8.9	$261.38	$702,596
21.18559	5,166	4,133	0.05	2.6	4.1	1.19	5.4	148.64	767,804
21.18560	2,789	2,231	0.05	2.6	4.1	1.19	5.4	148.64	414,562
21.18684	1,792	1,434	0.20	5.1	4.7	1.15	8.9	261.38	468,397
	12,435	9,948	0.10	3.5	4.3	1.18	6.7	$188.23	$2,353,430
PROBABLE									
21.18558	7,232	5,786	0.05	2.6	4.1	1.19	5.4	$148.64	$1,074,978
21.18561	355	284	0.05	2.6	4.1	1.19	5.4	148.64	52,768
21.18683	1,109	887	0.20	5.1	4.7	1.15	8.9	261.38	289,873
21.18686	3,584	2,867	0.20	5.1	4.7	1.15	8.9	261.38	936,794
	12,280	9,824	0.11	3.6	4.3	1.17	6.7	$192.13	$2,354,413
POSSIBLE									
21.18557	9,298	7,438	0.05	2.6	4.1	1.19	5.4	$148.64	1,382,072
21.18687	5,013	4,010	0.20	5.1	4.7	1.15	8.9	261.38	1,310,309
	14,311	11,449	0.10	3.5	4.3	1.18	6.6	$186.98	$2,692,381
TOTAL RESERVES	39,026	31,221	0.10	3.5	4.3	1.18	6.7	$188.23	$7,400,232

	Au /oz	Ag /oz	Pb /lb	Cu /lb	Zn /lb
GMV	$402.30	$5.29	$0.39	$1.05	$0.69
NRDV	$366.09	$4.23	$7.29	$18.61	$12.46

NOTE:
NDRV "NET DILUTED RECOVERABLE VALUE"
adjusted for mining dilution and metal recovery -
does not include mining/milling/smelting and related costs.

GOLD KING MINES CORPORATION
GOLD KING MINE

PORTLAND VEIN - MINEABLE ORE RESERVES (DEC. 31,1989)

CATAGORY/ BLOCK #	TOTAL TONNAGE	GKM TONNAGE	GRADES * GOLD oz/ton	SILVER oz/ton	LEAD %	COPPER %	ZINC %	NDRV /ton	NDRV $
BROKEN									
PB.	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
	0	0	0.00	0.0	0.0	0.00	0.0	$0.00	$0
PROVEN									
PB.18649	3,672	2,938	0.06	4.3	5.7	0.79	8.1	$197.37	$724,740
PB.18650	3,899	3,119	0.06	4.3	5.7	0.79	8.1	197.37	769,543
PB.18699	4,851	3,881	0.06	3.5	5.7	0.85	10.1	220.02	1,067,331
PB.18700	4,397	3,518	0.06	3.5	5.7	0.85	10.1	220.02	967,441
PB.18799	1,133	906	0.04	2.6	5.8	0.71	9.3	197.05	223,255
	17,952	14,362	0.06	3.8	5.7	0.82	9.2	$209.63	$3,752,310
PROBABLE									
PB.18646	2,493	1,994	0.19	8.3	6.3	1.05	10.1	$296.03	737,992
PB.18698	4,760	3,808	0.06	3.5	5.7	0.85	10.1	220.02	1,047,309
PB.18701	3,173	2,538	0.08	2.7	5.4	0.78	8.8	204.27	648,146
PB.18798	2,267	1,814	0.04	2.6	5.8	0.71	9.3	197.05	446,707
	12,693	10,154	0.08	3.2	4.7	0.72	8.0	$190.19	$2,880,154
POSSIBLE									
PB.18603	2,607	2,086	0.13	3.1	0.2	0.55	3.8	$119.76	312,205
PB.18645	697	558	0.06	4.3	4.9	0.79	8.1	191.53	133,500
PB.18651	3,989	3,191	0.06	4.3	5.7	0.79	8.1	197.37	787,306
PB.18697	1,279	1,023	0.06	3.5	5.7	0.79	8.1	193.98	248,105
PB.18702	2,543	2,034	0.06	2.8	3.2	0.39	4.9	125.47	319,070
PB.18790	11,782	9,426	0.02	0.6	0.9	0.19	1.7	41.14	484,762
PB.18795	9,932	7,946	0.15	0.5	0.3	0.42	0.4	72.02	715,272
PB.18797	1,279	1,023	0.04	2.6	5.8	0.71	9.3	197.05	252,024
	34,108	27,286	0.08	1.5	1.6	0.40	2.9	$90.88	$3,252,245
TOTAL RESERVES	64,753	51,802	0.07	2.5	3.2	0.58	5.6	$140.12	$9,884,709

	Au /oz	Ag /oz	Pb /lb	Cu /lb	Zn /lb
GMV	$402.30	$5.29	$0.39	$1.05	$0.69
NRDV	$366.09	$4.23	$7.29	$18.61	$12.46

NOTE:
NDRV "NET DILUTED RECOVERABLE VALUE"
adjusted for mining dilution and metal recovery -
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APPENDIX III
REFERENCES

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REFERENCES

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