

## **RUSTY SPRINGS PROPERTY**

There is, in the unglaciated Ogilvie mountains in the Yukon Territory, a large area containing extensive silver, lead, zinc and copper mineralization.

It was discovered and staked in 1975 by Rio Alto Exploration Ltd. and named Rusty Springs. During the years 1976 to 1978 Rio Alto spent \$1,000,000 on exploration of the property including geological mapping, metallurgical and geochemical sampling, and over 9,000 feet of shallow diamond drilling.

From 1979 to 1982 various exploration programs were carried out by Rio Alto, E&B Exploration Inc. and Kenton Natural Resources Corporation. These programs totalled about 1.5 million dollars and included geological, geophysical and geochemical surveys, and over 7,000 feet of diamond drilling.

In 1983, a 1400 foot airstrip was constructed and additional exploration was carried out, thereby improving the understanding of the geology and providing the basis for a more systematic evaluation of the property.

Subsequently, adverse economic conditions determined that during the period from 1983 to 1992 no exploration of consequence was performed. In addition, the companies that owned and operated the property began concentrating solely on oil & gas exploration. As a result they allowed the Rusty Springs claims to lapse in the summer of 1992.

On July 29, 1992 the writer staked 12 claims covering the essential mineralization, camps and equipment. The surface plant and equipment consists of a D7 Caterpillar tractor in excellent condition, 200 barrels of diesel fuel, six tent-frame buildings and a drill shack on skids. All drill core is stored in good condition on the site. The claims are in good standing until July 29, 1993 and are unencumbered.

The genesis and the extent of the Rusty Springs' mineralization is unknown at this time and the property remains to be systematically explored.

The mineralization is, however, similar to the Prairie Creek deposit in the N.W.T which is about to be put in production by San Andreas Exploration Corporation, and has many similarities to the Pioche deposit in Nevada which was discovered in the 1860s and has been producing continuously for over 100 years.

The Rusty Springs property is a potential elephant in elephant country and is now available for inspired and determined exploration.

In this regard, the owner is prepared to enter into an agreement whereby your company can earn a 100% interest in the Rusty Springs property by way of modest cash payments and by carrying out appropriate exploration programs to establish tonnage and grade.

For further information, please contact:

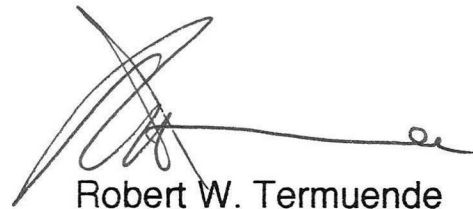
Tim Termuende (604) 426 3112 FAX (604) 426 6899 or

Bob Termuende (604) 426 6000

P.O. Box 7 Wild Horse Farm

Fort Steele, B. C. V0B 1N0

January 1, 1993



Robert W. Termuende

Enclosures

## ENCLOSURES

- 1) Summary of "Prospect Evaluation, Rusty Springs Prospect", by Ronald K. Netolitzky, November, 1981
- 2) Photographs and location map from Kenton Natural Resources Corporation Annual Report 1983
- 3) Property map, drill results, conclusions and recommendations excerpted from a Kenton Natural Resources prospectus March 2, 1984 prepared by Taiga Consultants Ltd
- 4) Pioche Deposit, Nevada
- 5) Claim data

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Y-81-1

SUMMARY

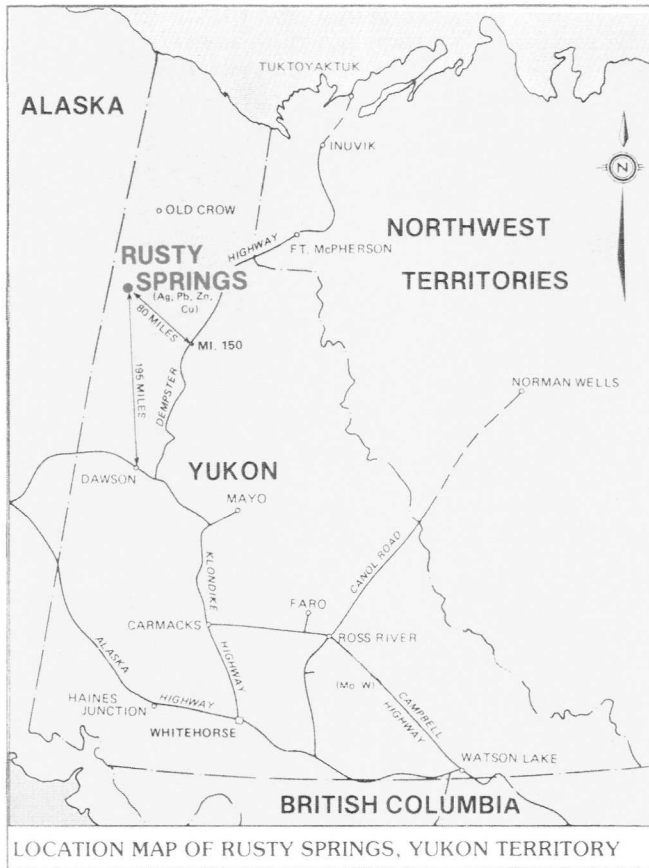
The Rusty Springs Ag/Pb/Zn/Cu prospect was briefly examined in the field and relevant reports reviewed in greater detail in the office. As this has been an on-going prospect since 1976, a considerable amount of data has been accumulated. To do the property justice, further detailed re-evaluation of the available data is still proceeding.

There appears to be a lack of coherence in the overall exploration completed on the property in the past. This is in part due to changing personnel within the project and partially relatable to changing concepts in the type of mineralization being explored for. The original geologist to discover the prospect considered the mineralization to be structural vein related. Subsequent workers considered a Mississippi Valley model to be more appropriate. Work completed during 1980, especially the trenching program, clearly illustrated the hydrothermal nature of the mineralization on the Orma occurrence.

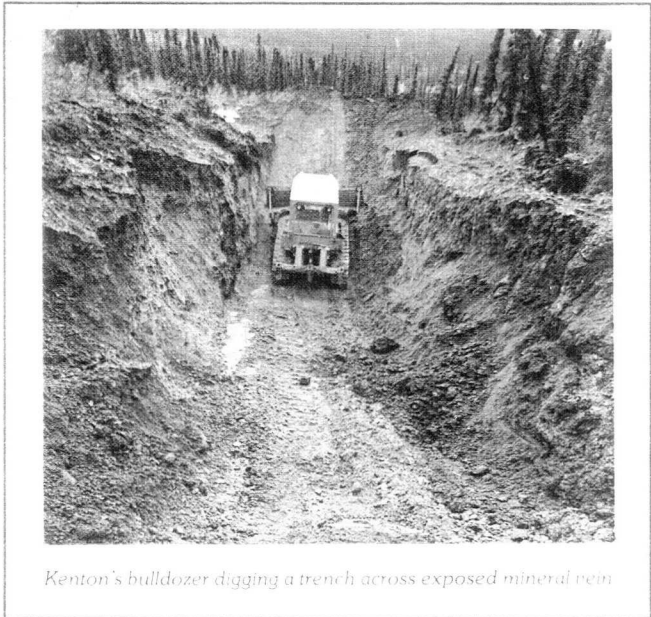
A program is proposed within this report which has the objective of placing the property back on a sound footing, preparatory for a more advanced program of diamond drilling and surface trenching to define the mineralized zones and to obtain width and grade information. The most similar deposit in Canada, the Cadillac Mines' Prairie Creek deposit, required underground exploration to develop tonnage. This possibility should be kept in mind in regard to future exploration on the Rusty Springs property.

A first-stage program has been designed for the winter months and early summer, which will require in the order of \$150,000 expenditure. Dependent upon favorable conclusions, a second-stage program is proposed to commence systematically exploring the best of the surface occurrences by trenching and drilling for the late summer and early fall period.

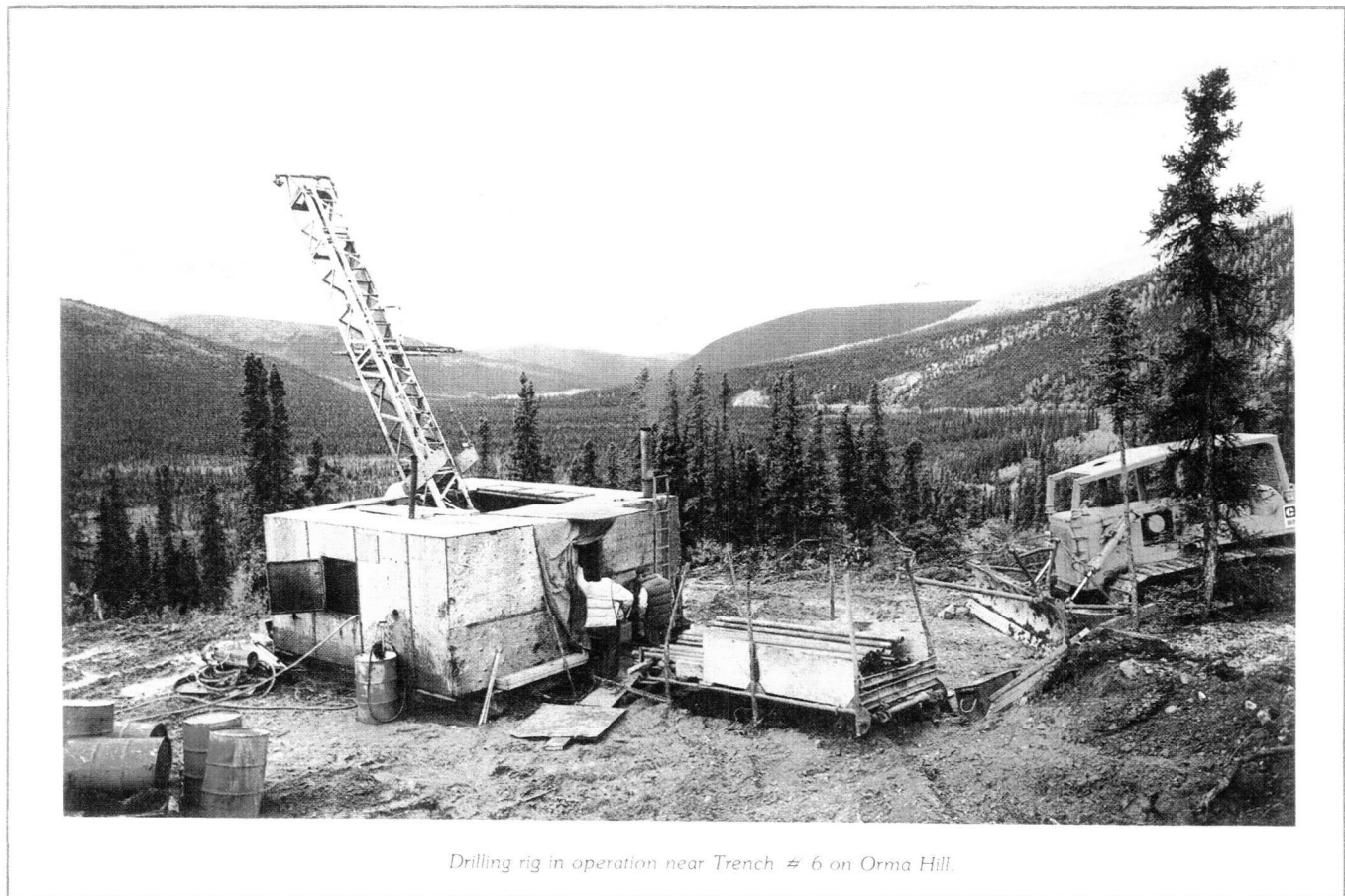
2) Photographs and location map from Kenton Natural Resources Corporation Annual Report 1983



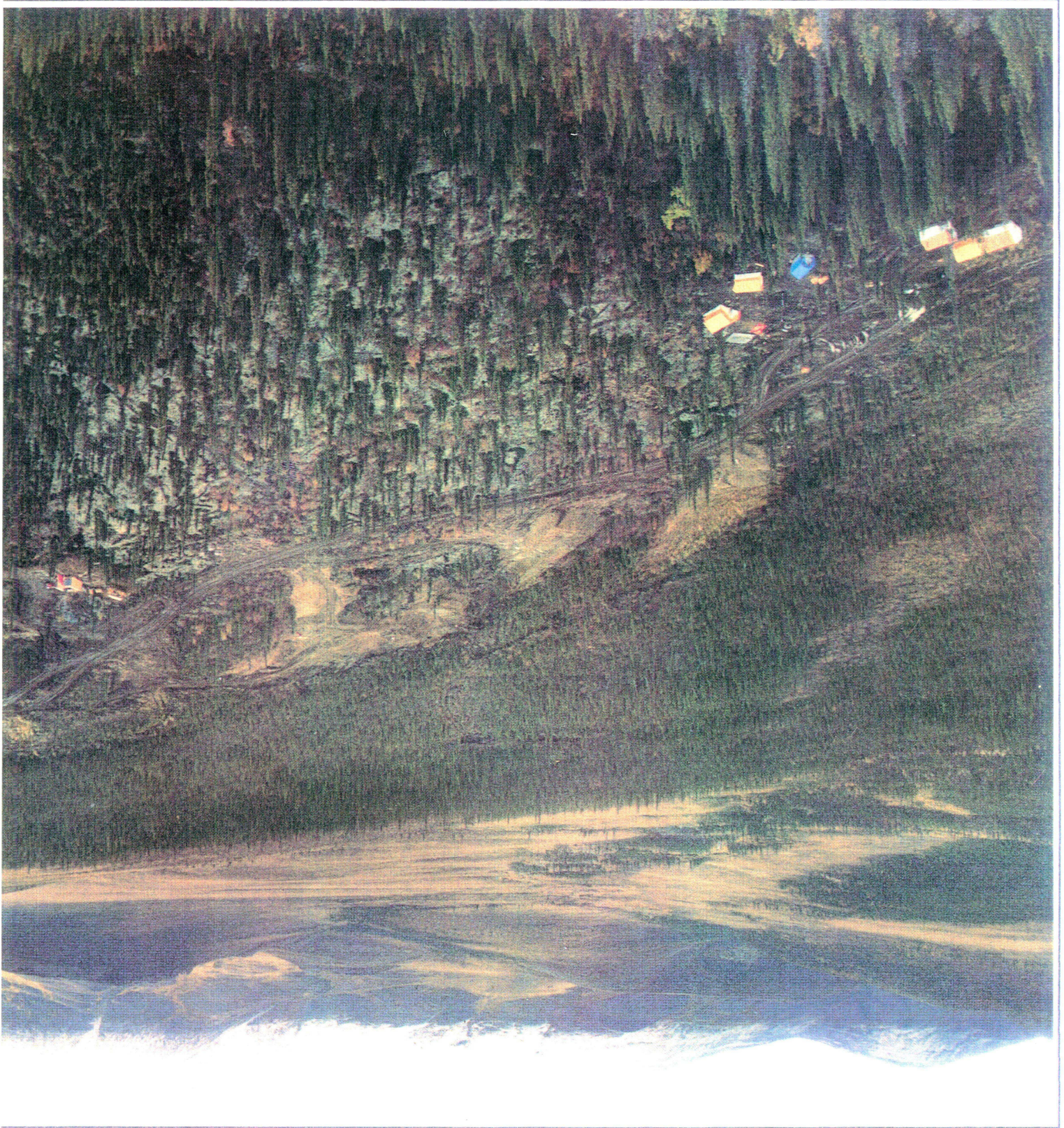
*Twin Otter aircraft used for mobilizing drill and equipment at airstrip on Orma Hill.*



*Kenton's bulldozer digging a trench across exposed mineral vein*

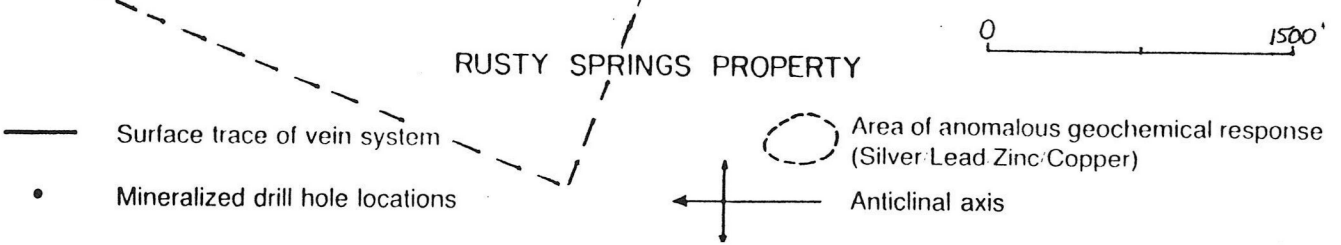
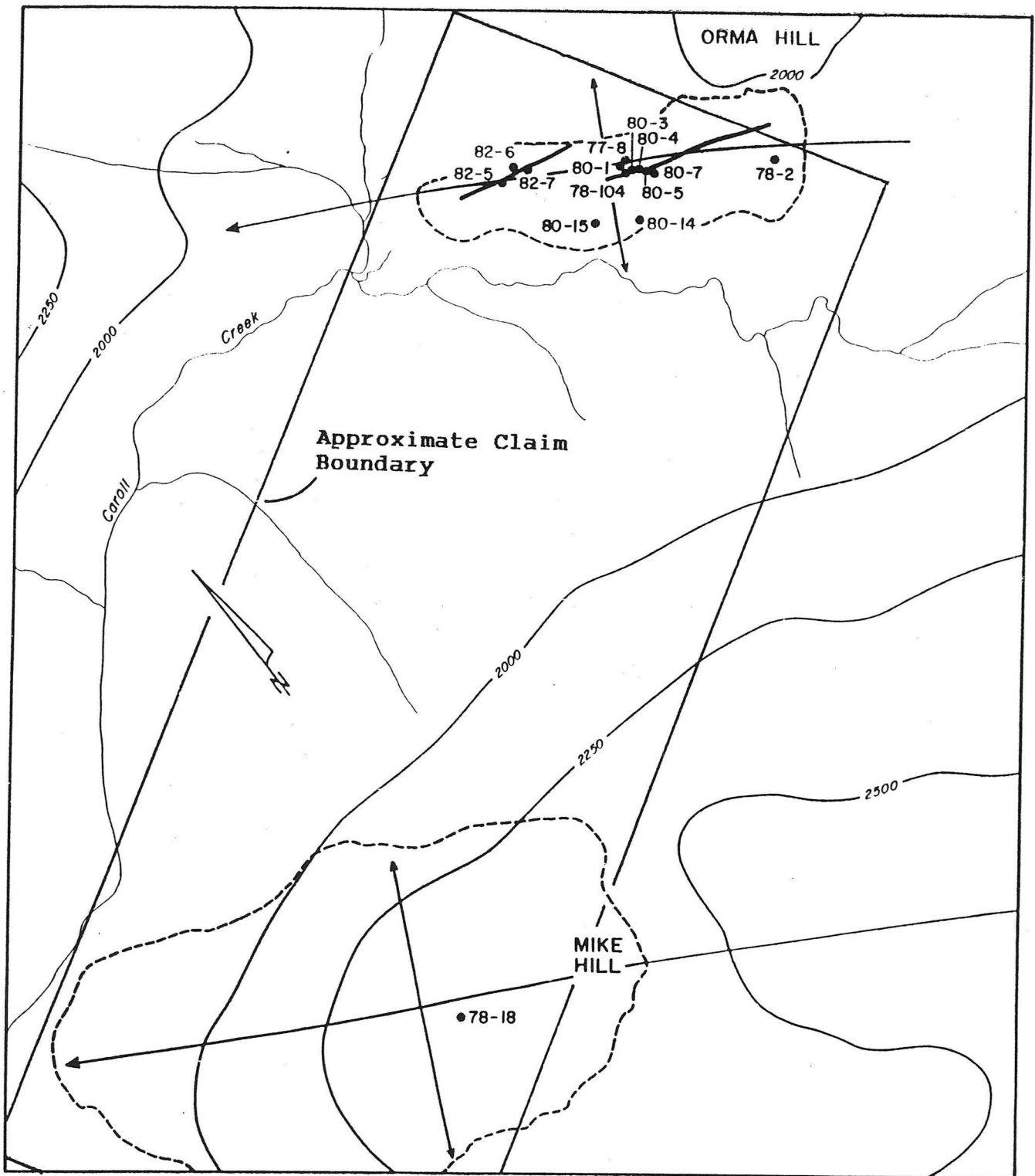


*Drilling rig in operation near Trench # 6 on Orma Hill.*



Rusty Springs, Yukon — 1983 drilling and trenching operations exposing Silver/Lead veins on Orma Hill. Road leads from main camp to airstrip (not shown) at upper right. Photo taken in early September, 1983.

3) Property map, drill results, conclusions and recommendations excerpted from a Kenton Natural Resources prospectus March 2, 1984 prepared by Taiga Consultants Ltd



## Drilling Results

Two main areas of potential high mineralization, the Mike Hill area and the Orma Hill area, were established by the exploration activities between 1976 and 1982, and the drilling was primarily concentrated in these areas.

A total of 56 holes were drilled in the Orma Hill area. Of these, 20 holes intersected significant mineralization. These intersections were encountered over a distance of 450 metres. The relevant intersections along this trench are tabulated below.

Hole #	Dip	Interval (ft)	Length	Silver oz/ton	% Copper	% Lead	% Zinc
77-8	270°/-45°	0.0-123.0'	123'	33.30	2.30	4.72	—
78-2	240°/-70°	58.0-63.0'	5'	8.47	0.25	17.72	—
78-104	060°/-60°	93.0-98.0'	5'	17.58	0.01	0.01	Trace
80-1	vertical	29.0-50.0'	21'	17.50	1.49	8.37	—
80-3	vertical	72.0-77.0'	5'	25.47	3.34	13.72	—
80-4	vertical	112.5-115.0'	2.5'	8.97	0.90	9.94	—
80-5	vertical	124.0-129.0'	5'	36.50	1.65	23.30	0.24
80-7	45°/-60°	149.0-155.0'	—		minor tetrahedrite		
80-14	vertical	175.0-190.0'	15'	27.20	0.69	5.30	0.07
80-15	vertical	0.0-25.0'	25'	1.39	0.05	0.41	0.11
82-5	120°/-45°	17.0-68.3'	51.3'	0.90	—	2.66	—
82-5	120°/-45°	107.0-115.0'	8'	8.02	0.16	6.60	0.07
82-6	120°/-60°	43.0-47.0'	4'	9.80	0.11	1.19	0.05
82-7	284°/-45°	59.5-65.0'	5.5'	1.95	0.01	0.20	0.01

Ten exploratory holes were drilled in the Mike Hill area. Traces of secondary copper and zinc minerals were apparently encountered in the majority of the drill holes. Only one hole (DDH-78-18) encountered significant mineralization with key results tabulated below:

Interval	Length	Ag oz/ton	% Cu	% Zn	% Pb	Sample Type
33-38'	5'	5.08	0.14	0.09	0.93	core
10-13'	3'	2.15	0.24	0.24	2.40	sludge
13-28'	15'	2.15	0.24	0.24	2.90	sludge
28-33'	5'	9.40	0.41	4.60	1.63	sludge
33-38'	5'	10.63	0.19	0.22	2.23	sludge
38-43'	5'	14.07	0.46	1.80	2.23	sludge
avg 28-43'	15'	11.37	0.35	2.21	2.03	sludge

## 1983 Exploration Program

In June, 1983, an additional 1,400 foot airstrip was constructed on the top of Orma Hill. A drill road was built from the old camp at the base of Mike Hill to the top of Mike Hill in preparation for a future drill program.

Soil samples were collected to detail several anomalies detected on the margins of the grid on Mike Hill. This additional data refined and extended the geochemically anomalous areas previously outlined on Mike Hill. In addition, nine km of VLF-EM survey lines were completed on Mike Hill detailing the main area of anomalous silver in the soil. A number of weak to moderate strength conductors, with coincident anomalous soil geochemistry, were delineated by the survey near the top of Mike Hill. These coincident geochemical anomalies and conductors provide locations for drill targets on Mike Hill.

In September, 1983 two drill holes totalling 1,600 ft (487 metres) were drilled on Orma Hill. Although subsurface mineralization was not encountered, these holes provided structural data relative to determining the continuation and source of the mineralized veins that are exposed. Because of this improved understanding of the geology, a more systematic evaluation of the property is now possible.

There is no underground plant or equipment on the Rusty Springs Property. Surface plant and equipment currently consists of a D7 Caterpillar tractor, approximately 300 barrels of fuel and six tent frame buildings owned by the Corporation, and a diamond drill rig owned by a third party.

### *Taiga Report*

At the request of the Corporation, Claude H. Aussant, B.Sc., P. Geol., of Taiga Consultants Ltd., independent geological consultants, of Calgary, Alberta, prepared a report (the "Taiga Report") dated January, 1984 on the Rusty Springs Property. The following are the Conclusions, Recommendations and Proposed Budget for 1984 contained in the Taiga Report:

#### (a) **Conclusions**

1. The Rusty Springs property encompasses numerous high-grade Ag/Pb/Zn/Cu occurrences exposed in outcrop and in float of apparent hydrothermal "fissure-vein" type setting in a mid-Devonian carbonate sequence.
2. The property has been actively explored since 1976. This exploration has consisted of 67 kilometres of cut-and-picket grid, an Induced Polarization survey, a gravity survey, a VLF-EM survey, soil geochemistry, detailed mapping and prospecting, "cat" trenching and 5,642 metres of diamond drilling.
3. The Cadillac Mines' deposit at Prairie Creek, N.W.T., which is presently going into production, is apparently very similar to Rusty Springs, aside from the secondary minerals present. Both consist of quartz vein systems with galena, tetrahedrite and sphalerite within the Devonian strata well removed from any known intrusive activity.
4. On Orma Hill, mineralization is exposed at the surface in trenches, in samples of diamond drill core, and inferred from geochemical surveys, over a distance of 760 metres in north-northwest direction. A steeply dipping north-south epithermal vein system appears to be the primary source of the mineralization. Grade and tonnage of this zone has not yet been defined.
5. On Mike Hill, at least two possible fissure-vein systems are indicated on the basis of surface showings, coincidental geochemical anomalies and very limited drilling. These require further investigation.
6. A number of gravity and Induced Polarization targets have been outlined; however, none of these has been trenched nor diamond drilled.
7. A program of diamond drilling will be required to test the geophysical anomalies and the mineralization present on the Rusty Springs property.

#### (b) **Recommendations**

1. Additional trenching should be conducted to aid in defining the extent and style of the mineralization.
2. A Pulse-EM survey should be conducted (21 line kilometres of coverage on Orma Hill and 33 line kilometres on Mike Hill) to determine the depth to and the continuity of the VLF-EM conductors delineated by the previous surveys. A Geonics instrument capable of a 250 to 300 metre depth determination should be employed.
3. Concurrent with the Pulse-EM survey, additional geochemical surveying and prospecting of the remainder of the property should be undertaken to explore for additional mineralization.
4. Approximately 915 metres (3,000 feet) of diamond drilling should be completed on Mike Hill in order to further evaluate the nature and distribution of the lead/zinc/copper/silver mineralization present there.

#### 4) Pioche Deposit,

### Pioche, Nevada, Lead-Zinc Limestone Replacement Deposits

The limestone replacement deposits of lead-zinc in the Pioche district, Lincoln County, Nevada (Figure 4-31), offer a good example of a chemically controlled zone of deposition. Since operations began in 1869 (Westgate and Knopf, 1932), the district had produced about \$100 million worth of ore by the Great Depression and has produced sporadically since World War II. The principal ore deposits are in the Pioche Hills, a northwesterly striking range; related ore has been recovered from small mines scattered along the length of the Highland-Bristol Range to the west. Lower and Middle Cambrian rocks make up most of the mountain ranges, though Tertiary lava flows and tuffs cover large areas on all sides of the district. The Cambrian sequence grades from quartz sandstones and quartzites at the bottom to carbonates at the top. A quartz monzonite stock of probable Tertiary age

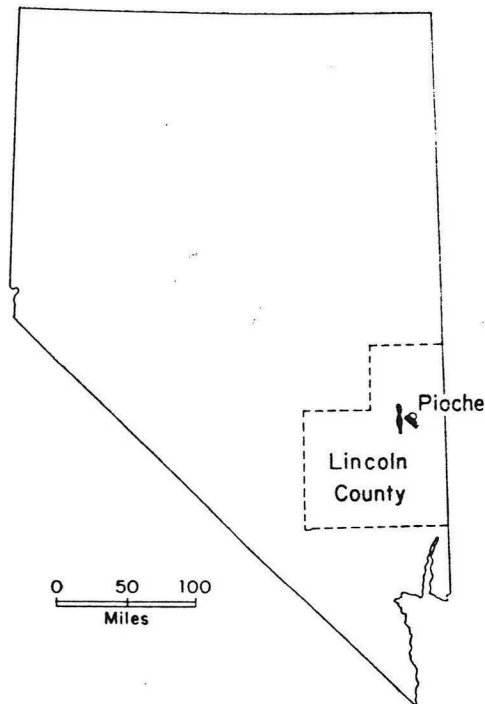


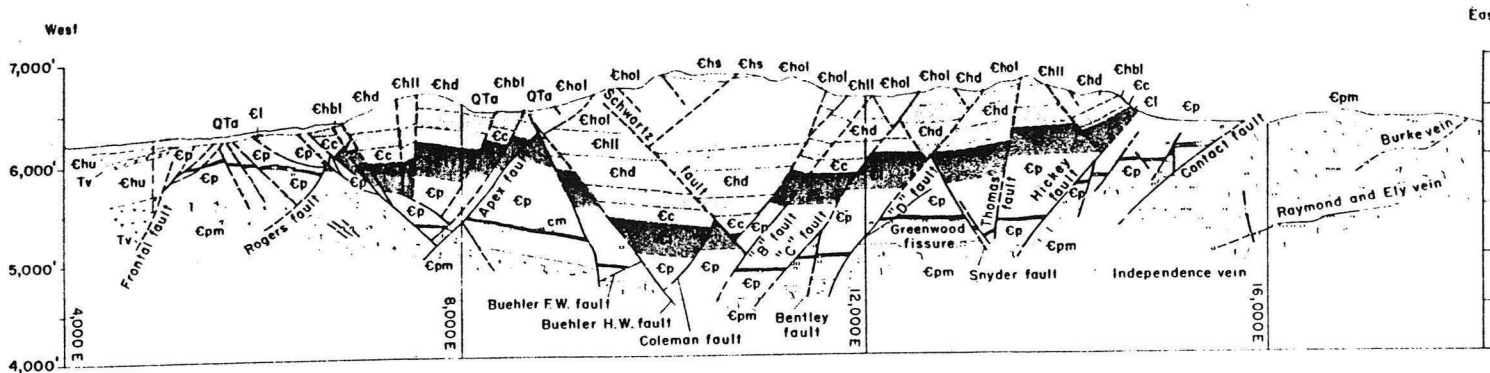
Figure 4-31. Map of Nevada, showing the location of the Pioche district.

intruded the Highland-Bristol Range along its west-central edge, and numerous granite porphyry and diabase dikes are found near the mining areas.

The mountain ranges are typical basin and range structures and are thoroughly broken by normal faulting (Figure 4-32). Ore-bearing solutions appear to have ascended along these faults. In fact, most of the high-grade ore mined in the early days came from structurally controlled fault veins in Lower Cambrian quartzites. Deposition was by replacement, where the mineralizing fluids passed through the quartzites and into the overlying carbonate rocks, generally in the first limestone intersected. Nearly all production since 1924 has come from deposits in these lower limestone beds.

The principal ore-bearing beds are in the Pioche Shale, of Lower to Middle Cambrian age. This formation contains several thin limestone beds that have undergone selective replacement by ore minerals. Carbonate formations overlying the Pioche Shale were also mineralized, but the limestone beds within the shale were the first carbonates met by ascending solutions and were the most abundantly mineralized.

The response of reactive limestone to ore-bearing solutions is strikingly shown by the concentration of ores within the Pioche Shale. The lowermost bed of limestone, known locally as the Combined Metals (CM) Limestone, has provided more than 90% of the replacement ores in the Pioche Hills and is also an important ore producer elsewhere. This limestone stratum is as much as 20 meters thick; although the lower half contains



**Figure 4-32.** East-west cross section through the Pioche Hills, Nevada. Remarkably, the relatively thin CM Limestone unit just above the basement (black in the cross section) was replaced extensively and selectively by sphalerite-galena. Cpm = Prospect Mountain Quartzite; Cp = Pioche Shale, which includes the CM Limestone member (cm) Cl = Lyndon Limestone; Cc = Chisholm Shale; Chbl, Chd, Chll, Chol, and Chs are oldest to youngest members of Highland Peak Limestone (Chu) mapped in this section; Tv = Tertiary volcanic rocks; QTa = Tertiary and Quaternary clastics. (After Park, Gemmill, and Tschanz, 1958.) A similarly selective replacement of a favorable bed occurs at the Magma mine (Figure 11-39), where the O'Carroll Bed, a reactive layer in a nonreactive sedimentary sequence, is widely replaced.

most of the ore, in places the whole bed is replaced by sulfides. Scores of replacement orebodies are localized along fractures that acted as channels for the orebearing solutions. Elongate, "bedded" orebodies, which stretch laterally from steep faults up to 150 meters in the plane of the CM horizon, persist along single fissures as much as 3 km along strike, although the CM bed and hence the ore zone is offset at many places along this distance by preore crossfaults (Young, 1948).

The bedded orebodies, or mantos, consist of an intimate mixture of pyrite, argentiferous galena, and sphalerite-calcite gangue. Near the edges of the orebodies manganosiderite is abundant, suggesting that manganese traveled farther from the source faults before being deposited. Similarly manganese concentrations have been mined from some of the zones above the Pioche Shale. Many of the replacement textures described earlier are found. James and Knight (1979) described the ores as averaging about 8% Pb, 18% Zn, and 275 ppm (9 oz/ton) Ag in the discovery area.

At the Bristol mine, 22 km northwest of Pioche, most of the orebodies are in limestones and dolomites above the Pioche Shale. Nevertheless, drilling has shown that the CM Limestone is mineralized with lead and zinc at depth, emphasizing that the bed is exceptionally receptive to ore deposition wherever it is cut by the ore-fluid-conduit fissures. In fact, the limestone beds in the Pioche Shale contain replacement deposits of lead-zinc in other Nevada mining districts, such as the Groom district, nearly 150 km southwest of Pioche (Humphrey, 1945). The fluorite-tungsten-beryllium deposits in the Snake Range, about 100 km to the north, are also in the same lithologic and stratigraphic position (Whitebread and Lee, 1961). Selective replacement of specific lithologies like the CM is not uncommon—the O'Carroll Bed in the Superior district, Arizona (Figure 11-39), is similarly regionally receptive to mineralization.

Where the ore-bearing solutions were confined to quartzite, they deposited their metals in veins. Where these fluids ascended beyond the quartzite without depositing all their dissolved metals, they encountered beds of limestone in the overlying Pioche Shale and younger formations. Since the carbonates were more permeable than the shales, the solutions were able to move laterally. Even more important, they were reactive to the rock and deposited their metals by reactions like Equations (4-5), (4-6), (4-7), and (4-8). If localization of the ore had been a direct function of the permeability of the limestone, mineralization would be concentrated along the upper half of the CM bed, rather than along its lower half. However, the ore-bearing fluids ascended along structures and formed the orebodies where these structures intersected the limestone beds. Thus any mineralized fissures found in rocks above the Pioche Shale are strong evidence of the possibility of replacement deposits along the same structures where they intersect the CM Limestone at depth. James and Knight (1979) suggest that the fluids responsible for mineralization may have been metal-rich brines expelled from laterally adjacent Paleozoic basin sediments themselves, and that the ores are of Mississippi Valley deposit affinity (Chapter 20). Earlier workers have assumed a more conventional Cordilleran Vein type relationship with an igneous hydrothermal source.

5) Claim data

Compliments of the  
Yukon Chamber of Mines

QUARTZ MINE DOCUMENT  
NUMBER RD 10676

TRANSFER OF QUARTZ MINING CLAIM(S) OR INTEREST THEREIN

YUKON TERRITORY

(Submit in duplicate to the District Mining Recorder)

The TRANSFEROR, TIM J. TERMUENDE Occupation GEOLOGIST  
Postal Address 2720-17<sup>th</sup> ST. S., S51 SITE 7-95, CRANBROOK, BC VIC-4H4  
hereby transfer to

The TRANSFEREE, R<sup>obert</sup> W. TERMUENDE Occupation GEOLOGIST  
Postal Address Box 7, Fort Steele, BC V0B-1W0

100 % (ONE HUNDRED per cent) interest in each and every  
mining claim named below, and I hereby acknowledge receipt of the sum of  
\$ 1.00 (ONE dollars) therefore I am entitled to  
transfer the above unencumbered interest.

Name of Claim(s)	Record (Claim Tag) Number(s)
<u>ERIC 1</u>	<u>YB41182</u>
<u>ERIC 2</u>	<u>YB41183</u>
<u>ERIC 3</u>	<u>YB41184</u>
<u>ERIC 4</u>	<u>YB41185</u>
<u>ERIC 5</u>	<u>YB41186</u>
<u>ERIC 6</u>	<u>YB41187</u>
<u>JESSICA 1</u>	<u>YB41188</u>
<u>JESSICA 2</u>	<u>YB41189</u>
<u>JESSICA 3</u>	<u>YB41190</u>
<u>JESSICA 4</u>	<u>YB41191</u>
<u>JESSICA 5</u>	<u>YB41192</u>
<u>JESSICA 6</u>	<u>YB41193</u>

Located in: 116K/9 Mining District DAWSON

Located under: Yukon QUARTZ Mining Act

Particulars of Location: Salmon Cr Area

DATED at Dawson City, on the 29<sup>th</sup> day of JULY, 1992

[Signature]  
Witness (Signature)  
(Complete Affidavit)

[Signature]  
Transferor or his recorded agent  
(Signed in the presence of Witness)

AFFIDAVIT OF WITNESS

YUKON TERRITORY

CANADA

TO WIT;

I, Anne Goshore, of Dawson City, YT

witness to the within Instrument, make oath and say:

THAT I was personally present and did see the within Instrument and duplicate  
signed, sealed and executed by Tim J. Termunde the party  
thereto.

THAT the within Instrument and duplicate were executed at the place and on the  
date shown in the said Instrument.

THAT I know the said party and that he is, to the best of my knowledge and  
belief, of the legal age for the execution of the within Instrument.

THAT I am of legal age for the witnessing of the within Instrument.

SWORN and subscribed to at the City of Dawson this 29<sup>th</sup>  
day of July, 1992.

[Signature]  
Notary Public

[Signature]  
Witness (Signed in the presence of  
Notary Public)

## San Andreas focuses on reserves

With a 1,200-ton-per-day mill almost ready to turn over and two million tons of ore reserves, **San Andreas Resources** (VSE) could have a mine operating at the Prairie Creek mine project in the Northwest Territories in months. But that's not the way President Peter Tsaparos wants it.

"The property has far greater potential than the previous owners realized and we want the reserves for running a 2,000-ton-per-day mill," he said in Toronto recently.

Five million tons of reserves is the threshold Tsaparos is seeking, and drilling, set to resume in January, could reach that figure in a matter of months if the results are as dramatic as they were this year.

Prior to San Andreas moving on to the property in early 1992, proven, probable and possible reserves were two million tons grading 11.75% zinc, 10.8% lead, 0.42% copper and 5.3 oz. silver per ton. Since then, an additional 1.5 million tons of preliminary reserves have been outlined.

The year's dramatic discovery was the location of flat-lying Mississippi Valley type (MVT) zinc and lead sulphides. Until then, exploration was directed toward proving out a steeply dipping vein structure with an average width of 12 ft.

Now the picture has changed. MVT sulphides are the target. They are the type of deposits worked at Nanisivik, Polaris and until recently, Pine Point, in Canada's North. They have major tonnage implications, and if the structure is there, the separate orebodies can take the form of beads on a string. Pine Point's MVT orebodies extended 30 miles, with the largest carrying five million tons of ore. San Andreas' vein structure is intermittently traceable for 12 miles.

So far, the company has 11 holes in the MVT mineralization. Thicknesses range from six feet to 78 ft. and average about 30 ft. Combined zinc and lead content is in the 20-25% range, with a zinc-to-lead ratio of 2-to-1. Copper is negligible and silver values are about half

that of vein material.

The Prairie Creek project is 186 miles north of Fort Nelson, B.C., and 310 miles west of Yellowknife, N.W.T. Road access is from Watson Lake, with the last 62 miles by winter road (to be upgraded to all-weather status prior to production).

Prairie Creek, known formerly as the Cadillac property, was financed to within two months of production largely by the Hunt brothers of Texas. Silver almost reached US\$50 per oz. in 1980. The silver market collapsed during the following months and the property was put on hold in 1982. Litigation stymied any resumption of work until September, 1991, when San Andreas signed an agreement to acquire 60% of the property and 60% of the plant.

The agreement requires San Andreas to spend \$1.8 million on development by August, 1995, to make a cash payment of \$100,000 in 1995 and to issue 100,000 shares to the present owners between 1994 and 1995.

If the owners decide not to pursue their 40% working interest, San Andreas can buy 100% less a 10% net profit interest by spending an additional \$700,000 on development and making cash payments totalling \$900,000 by August, 1998.