MME Form 9
Rev. Nov. 65

UNITED STATES
DEPARTMENT OF THE INTERIOR
Geological Survey

OFFICIAL DOCKET FILE Contract No. _____ Docket No. OME-6897

Application
- [ ] Denied
- [ ] Withdrawn

Contract
- [ ] Terminated - Not Certified
- [ ] Terminated - Certified
- [ ] Cancelled
- [ ] Royalty Agreement

The records contained in this file are marked (x) and arranged in this order:

Folder No. 1:

Left Side

- [ ] Royalty Audits
- [ ] Certification of Discovery
- [ ] Closing Letter
- [ ] Cost Audits
- [ ] Termination Notice or Agreement
- [ ] Recision Notice
- [ ] Assignment of Contract
- [ ] Contract Amendments
- [ ] Contract with all exhibits and annexes
- [ ] Owner's Consent to Lien and Subordination Agreement
- [x] Application and Attachments

Right Side

- [ ] Project Summary (final)
- [ ] Work Completed Analysis (final)

All other material filed in chronological order including the following reports if checked:

- [ ] Field Team Semiannual Report for Certified Project
- [ ] Final Field Team Report (Tab)
- [ ] Operator's Final Report (Tab)
- [ ] Interim Field Team Reports
- [ ] Operator's monthly reports and all attachments
- [ ] On-site Exam. Report (Tab)
- [ ] Settlement Sheets
- [ ] Drill Logs

Additional Folders:

Left Side

Folders No. _____: Reports

- [ ] Analysis of Semiannual Inspection Reports
- [ ] Project Summary (Interim) by MME Engineers

Right Side

- [ ] Field Team Semiannual Report for Certified Project
- [ ] Field Team Interim Reports
- [ ] Operator's Monthly Reports with Transmittal, Narrative and Maps

Folders No. _____: Maps (Use pocket folder or envelope)

Folders No. _____: Settlement Sheets

Folders No. _____: Drill Logs

Folders No. _____: Royalty Material

72195-65

MME Form 40
(Revised Nov. 68)

Budget Bureau No. 42-R1368
Approval expires Dec. 1971

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

APPLICATION FOR FINANCIAL ASSISTANCE IN MINERALS EXPLORATION

Pursuant to Public Law 85—701 (72 Stat. 700; 30 U.S.C. 641)

NAME OF APPLICANT *(Full legal name and mailing address as they should appear on contract if one is executed.)*

American Primary Resources, Inc.
P.O.Box 433
Redding, California, 96001

APPLICANT DO NOT USE THIS BLOCK

DOCKET NUMBER: 6897

DATE RECEIVED: Dec. 11, 1973

REGION: II

DIVISION CODE:

BUSINESS ORGANIZATION *(Check one)*

- INDIVIDUAL [ ]
- CORPORATION [X]
- PARTNERSHIP [ ]
- OTHER *(Specify)* [ ]

STATE IN WHICH FIRM IS ORGANIZED: Nevada

LIST CORPORATE OFFICERS OR PARTNERS HERE, IF APPLICABLE

NAME	ADDRESS	TITLE
D.JHoare	Box 433, Redding, California 96001	President
J.H.Paulsen	Rt. 4, DePere, Wisconsin 54115	Sec/Treas.
J.C.Carroll	Box 290, Lewiston, California.	1st VicePres.
F.Allstrom	Box 433, Redding, California.	2nd Vice Pres.

MINERAL(S) FOR WHICH YOU WISH TO EXPLORE: Gold and silver

ESTIMATED COST OF PROJECT: $46,140.00

PROPERTY NAME	LOCATION COUNTY	STATE
Halcyon Mine	Shasta	California

GENERAL INSTRUCTIONS

Before filling out this application, please read the *OME Regulations for Obtaining Federal Assistance in Financing Explorations for Mineral Reserves* (30 CFR Chap. II). To assure prompt action, your application must provide all applicable material and information specified on the back of this application form. Avoid unnecessary correspondence and delays by submitting complete and accurate information. *Please submit two copies of this application and all accompanying papers* except as otherwise noted. Place your name and address on each sheet. Each item of information, maps, and reports required as a part of this application is described on the back of this form. Identify each attached statement by the item number to which it applies. If an item does not apply to your application, show the item number on your statement and after it write "not applicable." Maps or sketches should be used to supplement narrative descriptions of the property location and boundaries in item 2, existing mine workings and geology in item 3, and the proposed exploration work in item 5. When this information is not too complex, all of it may be shown on one map or sketch. All documents and other attachments submitted as a part of this application, except those in item 3(g) which you mark to be returned, become the property of the Government and will not be returned to the applicant. Send true copies, *not originals*, of leases, contracts, and other documents which are an essential part of your business records. *File this application with the Department of the Interior: U.S. Geological Survey, Office of Minerals Exploration, Washington, D. C., 20242, or with the nearest OME Field Office.*

CERTIFICATION

The undersigned, whether as an individual, corporate officer, partner, or otherwise, both in his own behalf and acting for the applicant, certifies that the information set forth in this form and accompanying papers is correct and complete, to the best of his knowledge and belief, and that he would not ordinarily undertake the proposed exploration under current conditions and circumstances at his sole expense.

5 December 1973
DATED

D.J. Hoare
BY *(Signature)*

President, American Primary Resources, Inc.
TITLE

A wilfully false statement or certification to any Department or Agency of the United States Government is a criminal offense.
U. S. Code, Title 18, Sec. 1001.

INFORMATION REQUIRED WITH THIS APPLICATION

1. Financial Eligibility:

(a) Submit evidence of efforts made within 90 days preceding the filing of this application to obtain credit from your bank of account and at least one other banking institution or other private source of credit. Such evidence shall include (1) true copies of your letters to credit sources which show date of loan request, amount and terms requested, and proposed use of loan funds and (2) true copies of replies from credit sources. If the loan was offered under terms which you consider unreasonable, state why you consider them so.

(b) List names and addresses of affiliated, parent, or controlling companies or organizations and state extent and nature of their interest.

(c) State how you propose to furnish your share of the cost of the exploration work.

2. Applicant's Rights in Land:

(a) State your interest in the land and mineral rights, whether owner, lessee, purchaser under contract, or other. If you are not the owner, submit one true copy of the lease, contract, or other document (with address of owner) under which you control the property. Describe all liens, mortgages, or other encumbrances on the land and state book and page number and official place where recorded.

(b) State the legal description (section, township, and range; metes and bounds; patent number of claims) of the land upon which you wish to explore and all adjacent land which you own or control. Describe any part of the land or workings which should not be subject to Government royalty and liens. If the land consists of unpatented claims, state book and page number for each recorded location notice, including amended locations, and official place where recorded. State all the names by which you know the property.

(c) For all land or mineral rights encumbered or not owned, submit five copies of Lien and Subordination Agreements signed by owner on MME Form 52. If the agreements cannot be obtained, state reasons and whether you can furnish a performance bond.

3. Physical Description:

(a) Describe in detail and illustrate with maps or sketches all mining or exploration operations which you know have been or are being conducted upon the land. Include existing mine workings and all production facilities.

(b) State your interest, if any, in operations described in (a)

(c) State, if you know, the past and current production, supporting your statement with copies of settlement sheets, mine records, or published data if available.

(d) Describe known ore reserves, giving quantities and grades.

(e) Describe by narrative and maps or sketches the geologic features of the property, including ore minerals, geologic formations if known, and type of deposit (vein, bedded, etc.).

(f) If you have sampled the area you propose to explore, show where the samples were taken, describe sampling methods used, and provide copies of assay certificates. State your reasons for expecting to find ore.

(g) Send with your application at least *two* copies of all geologic or engineering reports, assay maps, or technologic information which you have, indicating whether you require their return.

4. Accessibility of Property:

(a) To aid the OME representative who may examine the property state name, address, and telephone number of person who will meet him; give directions for reaching the property; and describe accessibility of property and of any mine workings.

(b) Name the shipping and supply points and state the distances to the property.

5. Exploration Work:

(a) Describe fully the proposed exploration work giving individual footages and sizes of openings *for each item of work*. Use narrative, maps, plans, and sections as necessary. Show location of the proposed work as related to geologic features such as veins, ore-bearing beds, contacts of rock formations, etc. Show also the relation of the proposed work to any existing mine workings and to *land boundaries* or to the closest identifiable corner.

(b) If an access road must be built, show the proposed location on the property map and state the length, type and construction methods proposed.

(c) If an OME contract is executed, state how soon thereafter work would be started and finished. State your anticipated average daily or monthly rate of progress for each type of work.

6. Experience:

State your operating experience and background to conduct this exploration work and also that of the person who will supervise the work.

7. Estimate of Costs:

Furnish detailed estimates of the necessary costs for time and materials *for each item of the work proposed in 5(a)* under the headings listed below with a total for each heading and the estimated total cost of the work. Costs for any work to be performed by an independent contractor should be listed separately under category (a) below. Costs for any work that is not to be performed by an independent contractor should be listed under categories (b) through (g).

(a) Independent contracts. State the total cost of any proposed independent contract for all or any part of the work, and the number of units and the unit cost for each type of work, such as per foot of drilling, per foot of drifting, per hour of bulldozer operations, or per cubic yard of material moved. Cost estimates should be supported by bids from three contractors if possible. (*Note*—If none of the work is to be contracted, write "none" after this item.)

(b) Personal services. The cost of supervision, engineering and geological services, outside consultants, and labor should be itemized by numbers and classes of employees; rates of wages, salaries or fees; and periods of employment. State whether these services are available.

(c) Operating materials and supplies. List items of material and supplies giving quantity and price of each. Include under this heading power, water, and fuel, and units of equipment and tools costing less than $50 each.

(d) Operating equipment. List items of equipment and tools costing $50 or more per unit. Give specifications and indicate how each item is to be acquired—i. e., rented, purchased or provided by the applicant. If rented or purchased, state the estimated rental or purchase price. If furnished by the applicant, state condition and present fair market value.

(e) Initial rehabilitation and repairs. Describe the type and the cost of *initial* rehabilitation or repair of existing buildings, fixtures, installations (exclusive of mine workings), and movable operating equipment now owned by the applicant which will be used in the exploration work.

(f) New buildings, fixtures, installations. Describe each building, fixed improvement, and installation to be purchased, constructed, or installed for the exploration work, stating specifications and cost including labor, materials, and supervision.

(g) Miscellaneous. Describe the type and estimate the cost of repairs and maintenance of the operating equipment listed in 7(d). Do not repeat initial repairs listed in 7(e). Show also the costs of analytical work, accounting, workmen's compensation and employees' liability insurance, payroll taxes, and other required costs that do not fall within the previous categories. [*Note*—The Government will not contribute to costs incurred before the date of the contract, or to costs of or incident to: (1) acquiring, using, or possessing land and any existing improvements, facilities, buildings, installations, and appurtenances, or the depreciation and depletion thereof; (2) general overhead, corporate management, interest and taxes (other than payroll and sales taxes); (3) insurance (other than employees' liability insurance); and (4) damages to persons or property (other than authorized repair to or replacement of equipment or other property used in the work).]

LEASE AND OPTION

REC'D DEC 1 1973

THIS AGREEMENT, made and entered into this 1st day of November, 1973, by and between ROBERT S. SCOTT, hereinafter referred to as the Owner and AMERICAN PRIMARY RESOURCES, INC., hereinafter referred to as the Operator,

W I T N E S S E T H

WHEREAS, the Owner desires and intends to grant a lease and option to the Operator to purchase certain mining claims and the mill, mill equipment, and personal property on the mining claims known as the Washington Mine in the Deadwood-French Gulch Mining District, County of Shasta, State of California, which property is more particularly described in Appendix A attached hereto and by reference made a part hereof, together with all dips, spurs, angles, tailings, dumps, water rights, decreed or undecreed, privileges and franchises incident, appendant and appurtenant thereto, together with all rights of ingress and egress thereto and therefrom, and personal property thereon, and

WHEREAS, the following terms used in this agreement are defined as follows:

LEASE TERM. "Lease Term:" means the period of the time commencing as of date hereof, continuing until Noon, May 1, 1974.

PERCENTAGE ROYALTY. The term "Percentage Royalty" means ten (10%) per cent of the value of all ores, cencentrates, minerals or metals recovered from the aforesaid mining claims, less haulage, freight, and smelter charges, based upon the net returns from a smelter or from any other purchaser.

MINIMUM ROYALTY. The term "Minimum Royalty" is One Thousand ($1,000.00) Dollars paid monthly, ~~a sum computed at the end of the first calendar month and each month thereafter during the term~~ of this Lease. If the ~~percentage~~ MINIMUM royalty does not equal the

~~minimum~~ percentage royalty ~~reserved~~ for any calendar month referred to above, then Operator agrees to pay to the Owner the difference between the percentage royalty and the minimum royalty within 30 days after the end of any such calendar month. ~~If the percentage royalty exceeds the minimum royalty, then Operator agrees to pay such excess, if any, to the owner.~~

OPTION PRICE. The "Option Price" is the purchase price Eighty Five Thousand the 00/100 Dollars ($85,000.00), less the amount of all royalties in excess of seven hundred fifty ($750.00) dollars per month paid hereunder by the Operator to the Owner.

NOW, THEREFORE, for and in consideration of ONE DOLLAR paid by the Operator to the Owner, receipt of which hereby is acknowledged by the Owner, and in consideration of the mutual covenants and agreements on the parts of the respective parties hereto, it is covenanted and agreed as follows:

First: Owner hereby leases, lets, and demises unto the Operator for the aforesaid "Lease Term" all of the mining claims and property hereinabove described. Owner covenants that the Owner has the right to enter into this agreement and to dispose of the said property. That the Owner has good title ~~thereto~~ to the patented ground and that no third party has any interest therein. That said property is clear of encumbrances except as contained in OME DOCKET 6688 that neither Owner nor Owner's predecessors in interest or title have done anything whereby said property or any part of it may become encumbered and that no taxes, assessed against said property, are in arrears or delinquent.

Second: Owner hereby does give and grant unto the Operator sole and exclusive right to mine any and all of said claims and to retain or sell the valuable minerals and metals recovered therefrom by means of said mining.

Third: The Operator agrees to pay to the Owner the "Percentage Royalty" as hereinabove defined. Said royalty shall be payable

within thirty (30) days after the Operator shall have received any such returns. If the percentage royalty is less than the minimum royalty, Operator agrees to pay the minimum royalty hereinabove defined.

Fourth: The Operator shall have the exclusive and immediate possession and control of the aforesaid property during the continuance of this agreement and shall be solely responsible for any and all work done and all expenses incurred in or upon or about the same, and for all liabilities, claims, or demands of any kind or character arising and save said property harmless from liens or charges resulting from any acts of omission or commission of the Operator.

Fifth: All tools, supplies, or movable equipment, and any mining or milling machinery, placed on said lands by the Operator, shall remain personal property, and the property of the Operator and the same may be removed from said premises within ~~nine months~~ forty five days after any termination of this agreement.

Sixth: All notices, demands, and communications herein provided to be given or which either party may deem it desirable or necessary to give, and all agreements between the parties hereto shall be in writing. All such notices, demands, or communications may be served by personal service or my mailing the same by registered mail or certified mail, postage thereon fully paid, and directed to the Owner and to the Operator at the addresses set below their signatures to this agreement, until a different party or place is designated by the other party hereto in writing delivered to the other.

Seventh: Any and all payments herein provided to be made by the Operator to the Owner shall be made by the Operator to such bank or banks as the Operator and the Owner may agree upon. Such payments are to be made for the account of the Owner.

Eighth: The Owner will deliver to the Operator upon written demand of the Operator an ~~Abstract of~~ PRELIMINARY REPORT OF Title continued to date of any such demand unless waived in writing by the Operator.

Ninth: In consideration of the acceptance of the foregoing lease and the expenditures to be made hereunder, and the good and faithful keeping of the covenants thereof, the Owner does give and grant unto the Operator the exclusive right and option to purchase the aforesaid demised premises by payment to the Owner of its cash "Option Price" heretofore stated on or before May 1, 1974 and upon the tender by the Operator of the cash "Option Price" at the time of the acceptance of the option, the Owner will make, execute, acknowledge and deliver to the Operator such further assurances of title to the said property as may be ~~requisite~~ REASONABLY. The forfeiture, surrender, or termination of the above lease prior to the payment of the cash "Option Price," for any cause shall render the option terminated and the said payment cannot thereafter be tendered.

Tenth: Upon any termination of this agreement other than by the purchase of said premises as hereinbefore provided for, the Operator will immediately give to the Owner a good and sufficient quitclaim deed to all of the right, title, and interest of the Operator in and to the said described premises. Upon such termination, the Operator will give to the Owner copies of its geological and engineering reports, maps, and results of testing and exploring for ore bodies, if any, which the Operator may have concerning said property and will return to the Owner such ~~Abstracts~~ PRELIMINARY REPORTS of Title, if any, which have been delivered to the Operator by the Owner.

Eleventh: This agreement shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the Owner has hereunto set his hand and seal, and the Operator, pursuant to resolution of its Board of Directors, has caused its corporate signature and seal to be affixed hereto, all being done as of the day and year first hereinabove written.

THE OWNER

Robert S. Scott

Witness:

Thomas A. Griffin

THE OPERATOR

AMERICAN PRIMARY RESOURCES, INC.

By David J. Hoare, President

Address of the Owner:

[illegible] 19th St
Richmond Ca 94804

Address of the Operator:

P.O. Box 433
Redding, California 96001

STATE OF CALIFORNIA)
: ss
County of CONTRA COSTA)

On this 3rd day of December 1973, before me, the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared ROBERT S. SCOTT, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same freely and voluntarily for the uses and purposes therein stated.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

OFFICIAL SEAL
LUCILLE WEINBROCK
NOTARY PUBLIC CALIFORNIA
COUNTY OF CONTRA COSTA
My Commission Expires December 6, 1975

Lucille Weinbrock
Notary Public in and for said County and State

STATE OF CALIFORNIA)
: ss
County of CONTRA COSTA)

On this 3rd day of December 1973, before me, the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared D. J. HOARE', known to me to be the President of AMERICAN PRIMARY RESOURCES, INC. and acknowledged to me that he executed the foregoing instrument on behalf of said corporation by authority of its Board of Directors as the free and voluntary act and deed of said corporation for the uses and purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

OFFICIAL SEAL
LUCILLE WEINBROCK
NOTARY PUBLIC CALIFORNIA
COUNTY OF CONTRA COSTA
My Commission Expires December 6, 1975

Lucille Weinbrock
Notary Public in the for said County and State

APPENDIX A

Page 1 of 2

all those certain pieces or parcels of land situated in the French Gulch Mining District, Shasta County, California, and described as follows:

QUARTZ MINE PATENTED Lode No. 38B

WASHINGTON PLACER MINE PATENTED Lode, No. 38A

all recorded in Book 2 of Patents, page 1, Official Records of Shasta County, California, and the following mining claims held by location situated in the French Gulch Mining District, County of Shasta, State of California, and described as follows:

WASHINGTON GROUP:

SILVER GRAY (also known as PICK UP) the original Notice of Location being recorded in Volume 44 Miscellaneous Records, Page 443, in the Office of the County Recorder, Shasta County, California, locator, W. C. BLAGRAVE, date of location October 16, 1922. Amended Notice of Location recorded June 29, 1942, in Volume 197 Official Records, Page 98, Shasta County Records.

SILVER GRAY EXTENSION, the Notice of Location being recorded in Volume 129, Official Records, page 95, Shasta County Records.

SOUTH SIDE. Original Notice of Location recorded in Volume 100, Official Records page 123, in the Office of the County Recorder, Shasta County, California, date of location April 2, 1935, locator, GEORGE A. GROTEFEND. Amended Notice of Location recorded June 29, 1942, in Volume 196 Official Records, Page 95, Shasta County records.

CROSS ROADS, the amended Notice of Location being recorded June 29, 1942, in Volume 197, Official Records, page 97, Shasta County Records.

ANNEX or WASHINGTON ANNEX the amended Notice of location being recorded June 29, 1942, in Volume 197, Official Records, Page 96, Shasta County Records.

EVENING STAR, located November 21, 1887, the Notice of Location being recorded March 9, 1897, in Volume 10, Miscellaneous records, page 336, Shasta County Records.

DAA

Washington Group, contd.

EAST SIDE FRACTION, the notice of location being recorded January 24, 1946, in Volume 85, Official Records, page 489, Shasta County Records.

TRI-COON MINE, amended location of which said mine was made November 26, 1923, and recorded in the office of the County Recorder of Shasta County, November 30, 1923, in Volume 43 of Miscellaneous Records, page 344.

HALCYON GROUP:

HALCYON GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 54, Shasta County Records, on the 22nd day of December 1941.

RUBY PEARL GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December 1941.

MIDWAY GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December, 1941.

MIDWAY FRACTION QUARTZ MINING CLAIM, the location being recorded in Volume 186, Official Records, page 127, on the 16th day of January, 1942.

GLOBE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records of Shasta County, page 56, on the 22nd day of December, 1941.

LONE PINE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 52, Shasta County Records, on the 22nd day of December, 1941.

IN WITNESS WHEREOF, I have [illegible]

March 19, 1970

Office of Mineral Exploration
345 Middlefield Road
Menlo Park, California

Attention: Mr. Howard Stager

Subject: Halcyon Mine, Shasta County, Calif.
Docket No. OME 6688
Contract No. 1423-090 dated May 21, 1968

Gentlemen:

1. In 1968, the group of claims known as the Halcyon Mine were under an agreement of sale from my sister-in-law, Mrs. Thelma Scott, to Mr. Floyd G. Robinson.

2. Mr. Robinson made certain representations to your office relative to exploration on the property, and entered into a contract with the government to crosscut, drift, timber and sample the property to explore its possibilities as a gold and silver mine.

3. Under terms of the contract, Mr. Robinson was to crosscut and drift a total of 1000 feet, timber an estimated amount of 500 feet, and take for assaying 100 samples to a total cost of $50,000. The government participation was 75 per cent, or $37,500.

4. Pursuant to the government requirements, and in order to facilitate the ends of the two parties (government and Robinson) involved, Mrs. Scott signed a lien and subordination agreement.

5. As time passed, Mr. Robinson became more and more in arrears in his payments under the agreement of sale. In addition, Mrs. Scott and the writer learned that Mr. Robinson was well in arrears on his payments to local merchants for supplies used, and in addition, had in a number of instances failed to pay miners and other workmen involved.

6. On the basis of the conditions outlined in item 5 above, and other breaches of the agreement of sale on the part of Mr. Robinson, Mrs. Scott repossessed the property in the spring of 1969. Throughout this time,

Mrs. Scott, through the undersigned, attempted to maintain liason with your office.

7. Mrs. Scott is a widow with very restricted income, whose primary assets are restricted to the Halycon group of claims mentioned herein, the adjacent non-operating Washington Mine, and the non-operating Plumas property in Siskiyou County, California. Since she would not be able to maintain the property, let alone continue exploration work, the undersigned, Robert S. Scott, entered into an agreement of sale with Mrs. Scott for the purchase of the Halycon property.

8. I then discussed the situation with Mr. Stager of the Office of Mineral Exploration, and prepared to continue the exploration work set forth under the government contract, to conclusion. I was advised that this was agreeable to the government, provided Mr. Robinson would sign off and I would assume all of the obligations under the contract.

9. At the conclusion of the contract, the property was to be examined by the government, and either certified that either mineral or metal production from the land covered by the contract was possible as a result of the exploration work, or not certified. In the event of certification, all monies advanced plus interest from the date of advance, were to be repaid by royalties over a period of ten years. In the event the property was not certified, then any government lien was extinguished.

10. When we were finally able to contact him, Mr. Robinson was not willing to sign a requisite release.

11. On August 18, I learned that Mr. Robinson had committed fraud, not only against Mrs. Scott, the local merchants, and the people who had worked for him, but also against the government. I therefore wrote to Mr. Robinson, per copy attached.

12. Since that time, the matter has been in the hands of your office, and the Department of Justice.

13. This poses a sizeable and I believe unfair financial burden on me, since I have been forced to maintain a watchman on the premises, as well as have a lien hang over the head of the property, which was incurred fraudulently by Mr. Robinson, with whom the government had contracted.

14. In view of all of the above, and in the interest both of the goal for which the government originally entered into the contract, and of equity, I propose the following:

a. Upon acceptance of this proposal by the government, I will individually, at no additional expense to the government, continue the exploration program begun until the originally contracted total of $50,000 has been expended.

b. In doing this, I shall appreciate and abide by the suggestions and recommendations of the geologists of your office. During last conversations, they recommended 100 feet further ahead in the cross cut, 100 feet to the east drifting, 100 feet to the west drifting if a new vein is found 90 feet east or west, or if no vein is found, then two 45 foot raises to check through the slate porphory contact.

c. Upon completion of the total work, I shall notify your office and ask for an examination to determine whether the property should be certified under the terms of the original contract.

d. If the O.M.E. engineer makes timely determination that certification is warranted, then I shall accept in good grace and with thanks the obligation under terms of the contract to repay the monies advanced Robinson for actual work performed, plus interest.

e. If, however, after examination, the engineer determines that certification of the property is not warranted, then I feel that the property should not be unfairly burdened through a continuing lien because the government was defrauded by the same man who also defrauded my family.

I shall appreciate your early response, so that appropriate action can promptly be taken, either to turn the property up as a gold and silver mine, or to cut the heavy financial drain by salvaging the mill and releasing the caretaker.

Yours very truly,

Robert S. Scott

enclosure
RSS:st

cc: Mrs. Thelma Scott
Mr. Fred Lundberg

United States Department of the Interior

GEOLOGICAL SURVEY
Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

April 2, 1970

Mr. Robert S. Scott
500 Ralston Avenue
Mill Valley, California 94941

Re: OME-6688 (Gold-Silver)
Floyd G. Robinson
Halcyon, et al., Claims
Shasta County, California
Contract 2261

Dear Mr. Scott:

Your letter of March 19, 1970, in which you proposed to complete the work on the subject contract at your own expense was forwarded to Washington, D. C., for review on March 20, 1970.

As I stated to you in our telephone conversation of March 28, the Government cannot accept your proposal. A memorandum dated March 30, 1970, from the Chief, Office of Minerals Exploration, states in part as follows:

> "Mr. Scott's proposal is a reasonable one, but the Government cannot accept it because the contract was terminated on December 23, 1969, and Mr. Scott had no contract responsibility prior to termination. He was not involved in any way with the contract and any work he may conduct at the property cannot influence any decisions by the Government with respect to the contract with the Operator. Therefore, the Government looks first to the Operator for payment of any royalties due on production and, if unpaid, to the owner, Mrs. Thelma Scott, under terms of the Lien and Subordination Agreements signed by her on January 10, 1968. As the new owner of the property, Mr. Scott has acknowledged responsibility for making royalty payments on any production.
>
> "In order to protect its interest in this contract, the Government issued a Certification of Possible Production on March 26, 1970, and a referral of the account for collection is in preparation for transmittal to the Department of Justice.

"In conclusion, we must decline with thanks Mr. Scott's offer. We hope he understands that the certification refers only to payment of royalties on any production as stated therein. There are no other financial responsibilities. If there is no production, no royalty payments are involved."

If you have any questions, please call me or Mr. Smith at this office.

Sincerely yours,

H. K. Stager
Field Officer
OME, Region II

Received 12/26

WILLIAM B. MURRAY
ATTORNEY AND COUNSELOR AT LAW
1606 STANDARD PLAZA
PORTLAND, OREGON 97204
(503) 226-3819

December 6, 1973

OME—
Halcyon mine

Mr. Harold Stager
United States Geological Survey
345 Middlefield Road
Menlo Park, California 94025

Dear Mr. Stager,

At the request of Mr. David J. Hoare of American Primary Resources, Inc., we enclose herewith two copies of the Lease and Option entered into by American Primary with Robert S. Scott for the Washington Mine and Mill in the Deadwood-French Gulch Mining District, Shasta County, California.

Very truly yours,

William B. Murray

WBM:k

cc to Mr. David J. Hoare

RECEIVED
DEC 10 1973
OFFICE OF MINERALS EXPLORATION
U.S. GEOLOGICAL SURVEY
MENLO PARK, CALIF.

LEASE AND OPTION

DEC 1 1973

THIS AGREEMENT, made and entered into this 1st day of November, 1973, by and between ROBERT S. SCOTT, hereinafter referred to as the Owner and AMERICAN PRIMARY RESOURCES, INC., hereinafter referred to as the Operator,

W I T N E S S E T H

WHEREAS, the Owner desires and intends to grant a lease and option to the Operator to purchase certain mining claims and the mill, mill equipment, and personal property on the mining claims known as the Washington Mine in the Deadwood-French Gulch Mining District, County of Shasta, State of California, which property is more particularly described in Appendix A attached hereto and by reference made a part hereof, together with all dips, spurs, angles, tailings, dumps, water rights, decreed or undecreed, privileges and franchises incident, appendant and appurtenant thereto, together with all rights of ingress and egress thereto and therefrom, and personal property thereon, and

WHEREAS, the following terms used in this agreement are defined as follows:

LEASE TERM. "Lease Term:" means the period of the time commencing as of date hereof, continuing until Noon, May 1, 1974.

PERCENTAGE ROYALTY. The term "Percentage Royalty" means ten (10%) per cent of the value of all ores, cencentrates, minerals or metals recovered from the aforesaid mining claims, less haulage, freight, and smelter charges, based upon the net returns from a smelter or from any other purchaser.

MINIMUM ROYALTY. The term "Minimum Royalty" is One Thousand ($1,000.00) Dollars paid monthly IN ADVANCE ~~a sum computed at the end of the first calendar month and each month thereafter during the term~~ of this Lease. If the MINIMUM ~~percentage~~ royalty does not equal the

~~minimum~~ percentage royalty ~~reserved~~ for any calendar month referred to above, then Operator agrees to pay to the Owner the difference between the percentage royalty and the minimum royalty within 30 days after the end of any such calendar month. ~~If the percentage royalty exceeds the minimum royalty, then Operator agrees to pay such excess, if any, to the owner.~~

OPTION PRICE. The "Option Price" is the purchase price Eighty Five Thousand the 00/100 Dollars ($85,000.00), less the amount of all royalties in excess of seven hundred fifty ($750.00) dollars per month paid hereunder by the Operator to the Owner.

NOW, THEREFORE, for and in consideration of ONE DOLLAR paid by the Operator to the Owner, receipt of which hereby is acknowledged by the Owner, and in consideration of the mutual covenants and agreements on the parts of the respective parties hereto, it is covenanted and agreed as follows:

First: Owner hereby leases, lets, and demises unto the Operator for the aforesaid "Lease Term" all of the mining claims and property hereinabove described. Owner covenants that the Owner has the right to enter into this agreement and to dispose of the said property. That the Owner has good title ~~thereto~~ to the patented ground and that no third party has any interest therein. That said property is clear of encumbrances except as contained in OME DOCKET 6688 that neither Owner nor Owner's predecessors in interest or title have done anything whereby said property or any part of it may become encumbered and that no taxes, assessed against said property, are in arrears or delinquent.

Second: Owner hereby does give and grant unto the Operator sole and exclusive right to mine any and all of said claims and to retain or sell the valuable minerals and metals recovered therefrom by means of said mining.

Third: The Operator agrees to pay to the Owner the "Percentage Royalty" as hereinabove defined. Said royalty shall be payable

within thirty (30) days after the Operator shall have received any such returns. If the percentage royalty is less than the minimum royalty, Operator agrees to pay the minimum royalty hereinabove defined.

Fourth: The Operator shall have the exclusive and immediate possession and control of the aforesaid property during the continuance of this agreement and shall be solely responsible for any and all work done and all expenses incurred in or upon or about the same, and for all liabilities, claims, or demands of any kind or character arising and save said property harmless from liens or charges resulting from any acts of omission or commission of the Operator.

Fifth: All tools, supplies, or movable equipment, and any mining or milling machinery, placed on said lands by the Operator, shall remain personal property, and the property of the Operator and the same may be removed from said premises within ~~nine months~~ forty five days after any termination of this agreement.

Sixth: All notices, demands, and communications herein provided to be given or which either party may deem it desirable or necessary to give, and all agreements between the parties hereto shall be in writing. All such notices, demands, or communications may be served by personal service or my mailing the same by registered mail or certified mail, postage thereon fully paid, and directed to the Owner and to the Operator at the addresses set below their signatures to this agreement, until a different party or place is designated by the other party hereto in writing delivered to the other.

Seventh: Any and all payments herein provided to be made by the Operator to the Owner shall be made by the Operator to such bank or banks as the Operator and the Owner may agree upon. Such payments are to be made for the account of the Owner.

Eighth: The Owner will deliver to the Operator upon written demand of the Operator an ~~Abstract of~~ PRELIMINARY REPORT OF Title continued to date of any such demand unless waived in writing by the Operator.

Ninth: In consideration of the acceptance of the foregoing lease and the expenditures to be made hereunder, and the good and faithful keeping of the covenants thereof, the Owner does give and grant unto the Operator the exclusive right and option to purchase the aforesaid demised premises by payment to the Owner of its cash "Option Price" heretofore stated on or before May 1, 1974 and upon the tender by the Operator of the cash "Option Price" at the time of the acceptance of the option, the Owner will make, execute, acknowledge and deliver to the Operator such further assurances of title to the said property as may be ~~requisite~~ REASONABLE. The forfeiture, surrender, or termination of the above lease prior to the payment of the cash "Option Price," for any cause shall render the option terminated and the said payment cannot thereafter be tendered.

Tenth: Upon any termination of this agreement other than by the purchase of said premises as hereinbefore provided for, the Operator will immediately give to the Owner a good and sufficient quitclaim deed to all of the right, title, and interest of the Operator in and to the said described premises. Upon such termination, the Operator will give to the Owner copies of its geological and engineering reports, maps, and results of testing and exploring for ore bodies, if any, which the Operator may have concerning said property and will return to the Owner such ~~Abstracts~~ PRELIMINARY REPORT of Title, if any, which have been delivered to the Operator by the Owner.

Eleventh: This agreement shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the Owner has hereunto set his hand and seal, and the Operator, pursuant to resolution of its Board of Directors, has caused its corporate signature and seal to be affixed hereto, all being done as of the day and year first hereinabove written.

THE OWNER

Robert S. Scott

Witness:

Norman A. Griffin

THE OPERATOR

AMERICAN PRIMARY RESOURCES, INC.

By David J. Hoare', President

Address of the Owner:

800 Sc 19th St
Richmond Ca 94804

Address of the Operator:

P.O. Box 433
Redding, California 96001

STATE OF CALIFORNIA)
: ss
County of CONTRA COSTA)

On this 3rd day of December 1973, before me, the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared ROBERT S. SCOTT, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same freely and voluntarily for the uses and purposes therein stated.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

OFFICIAL SEAL
LUCILLE WELLBROCK
NOTARY PUBLIC CALIFORNIA
COUNTY OF CONTRA COSTA
My Commission Expires December 6, 1975

Lucille Wellbrock
Notary Public in and for said County and State

STATE OF CALIFORNIA)
: ss
County of CONTRA COSTA)

On this 3rd day of December 1973, before me, the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared D. J. HOARE', known to me to be the President of AMERICAN PRIMARY RESOURCES, INC. and acknowledged to me that he executed the foregoing instrument on behalf of said corporation by authority of its Board of Directors as the free and voluntary act and deed of said corporation for the uses and purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

OFFICIAL SEAL
LUCILLE WELLBROCK
NOTARY PUBLIC CALIFORNIA
COUNTY OF CONTRA COSTA
My Commission Expires December 6, 1975

Lucille Wellbrock
Notary Public in the for said County and State

APPENDIX A

Page 1 of 2

all those certain pieces or parcels of land situated in the French Gulch Mining District, Shasta County, California, and described as follows:

QUARTZ MINE PATENTED Lode No. 38B

WASHINGTON PLACER MINE PATENTED Lode, No. 38A

all recorded in Book 2 of Patents, page 1, Official Records of Shasta County, California, and the following mining claims held by location situated in the French Gulch Mining District, County of Shasta, State of California, and described as follows:

WASHINGTON GROUP:

SILVER GRAY (also known as PICK UP) the original Notice of Location being recorded in Volume 44 Miscellaneous Records, Page 443, in the Office of the County Recorder, Shasta County, California; locator, W. C. BLAGRAVE, date of location October 16, 1922. Amended Notice of Location recorded June 29, 1942, in Volume 197 Official Records, Page 98, Shasta County Records.

SILVER GRAY EXTENSION, the Notice of Location being recorded in Volume 129, Official Records, page 95, Shasta County Records.

SOUTH SIDE. Original Notice of Location recorded in Volume 100, Official Records page 123, in the Office of the County Recorder, Shasta County, California, date of location April 2, 1935; locator, GEORGE A. GROTEFEND. Amended Notice of Location recorded June 29, 1942, in Volume 196 Official Records, Page 95, Shasta County records.

CROSS ROADS, the amended Notice of Location being recorded June 29, 1942, in Volume 197, Official Records, page 97, Shasta County Records.

ANNEX or WASHINGTON ANNEX, the amended Notice of location being recorded June 29, 1942, in Volume 197, Official Records, Page 96, Shasta County Records.

EVENING STAR, located November 21, 1887, the Notice of Location being recorded March 9, 1897, in Volume 10, Miscellaneous records, page 336, Shasta County Records.

RA
DGH

Washington Group, contd.

EAST SIDE FRACTION , the notice of location being recorded January 24, 1946, in Volume 85, Official Records, page 489, Shasta County Records.

TRI-COON MINE, amended location of which said mine was made November 26, 1923, and recorded in the office of the County Recorder of Shasta County, November 30, 1923, in Volume 43 of Miscellaneous Records, page 344.

HALCYON GROUP:

HALCYON GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 54, Shasta County Records, on the 22nd day of December 1941.

RUBY PEARL GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December 1941.

MIDWAY GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December, 1941.

MIDWAY FRACTION QUARTZ MINING CLAIM, the location being recorded in Volume 186, Official Records, page 127, on the 16th day of January, 1942.

GLOBE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records of Shasta County, page 56, on the 22nd day of December, 1941.

LONE PINE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 52, Shasta County Records, on the 22nd day of December, 1941.

IN WITNESS WHEREOF, I have hereunto

1. Financial Eligibility

a) Within 90 days preceding the filing of this application, efforts have been made to borrow funds for exploration from banks with which the company does business; the North Valley Bank, Redding and the Bank of California N.A., Redding, California.

1) The applications for loan are dated 4 December 1973.

2) The amount of loan requested was $46,140.00.

3) The proposed use of funds was to finance exploration on the Halycon Mine on Washington Mining property in Shasta County, California.

b) American Primary Resources, Inc. has no affiliates, parents or controlling companies or organizations.

c) The company proposes to finance its share of the cost of the exploration work through the use of its own assets and the funds contributed by its shareholders.

Appendix 1 Application for loan to North Valley Bank, Dec. 4, 1973

Appendix 2 Rejection of application for loan by North Valley

Appendix 3 Application for loan to Bank of California, Dec. 4, 1973

Appendix 4 Rejection of application for loan by Bank of California

American Primary Resources, Inc.

BOX 433 · REDDING, CALIF. 96001

TELEPHONE
(916) 778-3801

BROWN BEAR MINE
DEADWOOD ROAD
LEWISTON, CALIF.

Dec.4,1973

H.Mueller, Manager
North Valley Bank
Market at South St
Redding, Calif. 96001

Dear Mr Mueller;

We wish to formally apply for a loan of $46,140.00 for the purpose of mineral exploration on the Halcyon mine located on the Washington Mining Property , Shasta County, California, which we have a lease option on.

Your standard interest rates will apply for the loan to be repaid in three years.

Yours truly

D. J. Hoare

David J. Hoare, President

North Valley Bank

December 6, 1973

American Primary Resources, Inc.
Box 433
Redding, CA 96001

Attention: David J. Hoare, President

Dear Mr. Hoare:

With regard to your application of recent date for a loan in the amount of $46,140.00, the proceeds of this loan proposed to be used for mineral exploration on the Halcyon mine located on the Washington Mining Property, Shasta County, California.

After considering all of the information available to us we regret that we will not be able to accomodate your company with this loan request. Primarily there is a lack of adequate source of repayment indicated in financial statement. The liquid assets of the corporation are extremely limited and because of heavy exploration and development costs the operation is still not operating at a profit.

If you wish to discuss this with me further please do not hesitate to contact me.

Very truly yours,

Herb F. Mueller
President

HFM:bw

P. O. Box 4008 Redding, Ca. 96001 (916) 243-8600

2. Applicant's Rights in Land

a. On November 1, 1973, a lease and option was granted to American Primary Resources, Inc. on the Washington patented property and Halcyon Mine, Incorporated.

b. The legal description of Washington and Halcyon property is described in Appendix A of the lease agreement.

c. The company will submit under separate cover five (5) copies of Lien and Subordination Agreement on MME Form 52 signed by lessors, or lessee will exercise his option to purchase and thus own the legal and equitable titles and will enter into an indemnity agreement with the government to guarantee the repayment of the exploration funds.

Appendix V - Lease-Option to Purchase Agreement.

LEASE AND OPTION

THIS AGREEMENT, made and entered into this 1st day of November, 1973, by and between ROBERT S. SCOTT, hereinafter referred to as the Owner and AMERICAN PRIMARY RESOURCES, INC., hereinafter referred to as the Operator,

W I T N E S S E T H

WHEREAS, the Owner desires and intends to grant a lease and option to the Operator to purchase certain mining claims and the mill, mill equipment, and personal property on the mining claims known as the Washington Mine in the Deadwood-French Gulch Mining District, County of Shasta, State of California, which property is more particularly described in Appendix A attached hereto and by reference made a part hereof, together with all dips, spurs, angles, tailings, dumps, water rights, decreed or undecreed, privileges and franchises incident, appendant and appurtenant thereto, together with all rights of ingress and egress thereto and therefrom, and personal property thereon, and

WHEREAS, the following terms used in this agreement are defined as follows:

LEASE TERM. "Lease term:" means the period of the time commencing as of date hereof, continuing until Noon, November 1, 1983, and as long thereafter as the Operator is operating and producing commercial quantities of ores, concentrates, minerals or metals from the aforesaid mining claims.

PERCENTAGE ROYALTY. The term "Percentage Royalty" means ten (10%) per cent of the value of all ores, concentrates, minerals or metals recovered from the aforesaid mining claims, less haulage, freight, and smelter charges, based upon the net returns from a smelter or from any other purchaser.

MINIMUM ROYALTY. The term "minimum royalty" is One Thousand ($1,000.00) Dollars paid monthly, a sum computed at the end of the first calendar month and each month there-

after during the term of this Lease. If the percentage royalty does not equal the minimum royalty reserved for any calendar month referred to above, then Operator agrees to pay to the Owner the difference between the percentage royalty and the minimum royalty within 30 days after the end of any such calendar month. If the percentage royalty exceeds the minimum royalty, then Operator agrees to pay such excess, if any, to the Owner.

OPTION PRICE. The "Option Price" is the purchase price Eighty Five Thousand and 00/100 Dollars ($85,000.00), less the amount of all royalties paid hereunder by the Operator to the Owner.

NOW, THEREFORE, for and in consideration of ONE DOLLAR paid by the Operator to the Owner, receipt of which hereby is acknowledged by the Owner, and in consideration of the mutual covenants and agreements on the parts of the respective parties hereto, it is covenantanted and agreed as follows:

First: Owner hereby leases, lets, and demises unto the Operator for the aforesaid "Lease Term" all of the mining claims and property hereinabove described. Owner covenants that the Owner has the right to enter into this agreement and to dispose of the said property. That the Owner has good title thereto and that no third party has any interest therein. That said property is clear of encumbrances, that neither Owner nor Owner's predecessors in interest or title have done anything whereby said property or any part of it may become encumbered and that no taxes, assessed against said property, are in arrears or delinquent.

Second. Owner hereby does give and grant unto the Operator sole and exclusive right to mine any and all of said claims and to retain or sell the valuable minerals and metals recovered therefrom by means of said mining.

Third. The Operator agrees to pay to the Owner the

"Percentage Royalty" as hereinabove defined. Said royalty shall be payable within thirty (30) days after the Operator shall have received any such returns. If the percentage royalty is less than the minimum royalty, Operator agrees to pay the minimum royalty hereinabove defined.

Fourth. The Operator at his expense may prepare and file with the United States Department of the Interior, Office of Minerals Exploration, application for financial assistance and Owner agrees to sign a Lien and Subordination agreement to enable the lessee to obtain financial assistance in the exploration of said property.

Fifth. The Operator shall have the exclusive and immediate possession and control of the aforesaid property during the continuance of this agreement and shall be solely responsible for any and all work done and all expenses incurred in or upon or about the same, and for all liabilities, claims, or demands of any kind or character arising and save said property harmless from liens or charges resulting from any acts of omission or commission of the Operator.

Sixth. All tools, supplies, or moveable equipment, and any mining or milling machinery, placed on said lands by the Operator, shall remain personal property, and the property of the Operator and the same may be removed from said premises within nine months after any termination of this agreement.

Seventh. After the first year of the term of this lease the Operator will pay before delinquency all taxes, if any, accruing thereafter, levied against the said claims, and against the improvements thereon, if any. The Operator agrees to perform the assessment work necessary to hold all unpatented claims, if any, in the group of claims hereinabove described.

Eighth. This agreement shall terminate: (a) At the end of the day on which any royalty referred to in this agreement is payable, if such royalty has not been paid; (b)

Upon failure of the Operator within thirty (30) days after the service of notice by the Owner to remedy any breach by the Operator of a condition or covenant herein contained and on its part to be observed or performed; or (c) Upon the expiration of ten (10) days after the Operator within thirty (30) days after the service of notice by the Owner to remedy any breach by the Operator of a condition or covenant herein contained and on its part to be observed or performed; or (c) Upon the expiration of ten (10) days after the Operator has given notice of termination to the Owner.

Ninth. No termination of this agreement by either party shall have the effect of releasing the Operator from any duty, obligation or requirement which shall have accrued or matured hereunder before the effective date of such termination. Neither any provision of the agreement nor the grant of any postponement for the doing of anything provided for in this agreement, shall be construed as obligating the Operator to exercise the exclusive right under option to purchase the aforesaid demised premises, or to take or hold possession of the said demised premises, or to carry out any mining operations excepting as hereinabove stated.

Tenth. All notices, demands, and communications herein provided to be given or which either party may deem it desirable or necessary to give, and all agreements between the parties hereto shall be in writing. All such notices, demands, or communications may be served by personal service or by mailing the same by registered mail or certified mail, postage thereon fully paid, and directed to the Owner and to the Operator at the addresses set below their signatures to this agreement, until a different party or place is designated by the other party hereto in writing delivered to the other.

Eleventh. Any and all payments herein provided

to be made by the Operator to the Owner shall be made by the Operator to such bank or banks as the Operator and the Owner may agree upon. Such payments are to be made for the account of the Owner.

Twelfth. The Owner will deliver to the Operator upon written demand of the Operator an Abstract of Title continued to date of any such demand unless waived in writing by the Operator.

Thirteenth. In consideration of the acceptance of the foregoing lease and the expenditures to be made hereunder, and the good and faithful keeping of the covenants thereof, the Owner does give and grant unto the Operator the exclusive right and option to purchase the aforesaid demised premises by payment to the Owner of its cash "Option Price" heretofore stated on or before May 1, 1974, and upon the tender by the Operator of the cash "Option Price" at the time of the acceptance of the option, the Owner will make, execute, acknowledge and deliver to the Operator such further assurances of title to the said property as may be requisite. The forfeiture, surrender, or termination of the above lease prior to the payment of the cash "Option Price", for any cause shall render the option terminated and the said payment cannot thereafter be tendered.

Fourteenth. Upon demand of the Operator after the execution of this agreement, the Owner shall convey the aforesaid property to the Operator, free of encumbrance, and the Operator shall be at liberty to record the conveyance. If the Operator records the same, then the Operator shall reconvey said property to the Owner by a conveyance which shall be held in escrow by an escrow agent designated by the respective parties, on condition that, should this agreement terminate prior to exercise by the Operator of the option hereinafter referred to, then the Bank shall deliver

the conveyance from the Operator to the Owner, and the Operator shall pay all proper fees in connection with recording the conveyance. If the Operator exercises the said option, then said Bank shall redeliver the Operator's conveyance to the Operator. If the Operator does not record the conveyance from the Owner and this agreement should terminate prior to exercise of the option, or options, herein by the Operator, then the Operator shall redeliver to the Owner the undrecorded conveyance from the Owner to the Operator. The parties hereto shall join in complying with the said Bank's requirements in connection with holding in escrow the conveyance from the Operator to the Owner, and the Operator shall pay the Bank's escrow charge therefor.

Fifteenth. Upon any termination of this agreement other than by the purchase of said premises as hereinbefore provided for, the Operator will immediately give to the Owner a good and sufficient quitclaim deed to all of the right, title, and interest of the Operator in and to the said described premises. Upon such termination, the Operator will give to the Owner copies of its geological and engineering reports, maps, and results of testing and exploring for ore bodies, if any, which the Operator may have concerning said property and will return to the Owner such Abstacts of Title, if any, which have been delivered to the Operator by the Owner.

Sixteenth: This agreement shall inure to the benefit of and be binding upon the heirs, executors, administrators, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, the Owner has hereunto set his hand and seal, and the Operator, pursuant to resolution of its Board of Directors, has caused its corporate signature and seal to be affixed hereto, all being done as of the day and year first hereinabove written.

THE OWNER

Witness: _____

_____
Robert S. Scott

The OPERATOR

AMERICAN PRIMARY RESOURCES, INC.

By_____

D. J. Hoare, President

Address of the Owner: _____

_____

Address of the Operator:

P.O. Box 433

Redding California 96001

STATE OF CALIFORNIA)
:ss
County of)

On this day of 1973, before me, the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared ROBERT S. SCOTT, known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same freely and voluntarily for the uses and purposes therein stated.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary Public in and for said
County and State

STATE OF CALIFORNIA)
:ss
County of)

On this day of 1973, before me the undersigned Notary Public in and for the said County and State, residing therein, duly commissioned and sworn, personally appeared D. J. HOARE, known to me to be the President of AMERICAN PRIMARY RESOURCES, INC. and acknowledged to me that he executed the foregoing instrument on behalf of said corporation by authority of its Board of Directors as the free and voluntary act and deed of said corporation for the uses and purposes therein stated.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.

Notary PUblic in and for said
County and State

APPENDIX A

Page 1 of 2

all those certain pieces or parcels of land situated in the French Gulch Mining District, Shasta County, California, and described as follows:

QUARTZ MINE PATENTED Lode No. 38B

WASHINGTON PLACER MINE PATENTED Lode, No. 38A

all recorded in Book 2 of Patents, page 1, Official Records of Shasta County, California, and the following mining claims held by location situated in the French Gulch Mining District, County of Shasta, State of California, and described as follows:

WASHINGTON GROUP:

SILVER GRAY (also known as PICK UP) the original Notice of Location being recorded in Volume 44 Miscellaneous Records, Page 443, in the Office of the County Recorder, Shasta County, California; locator, W. C. BLAGRAVE, date of location October 16, 1922. Amended Notice of Location recorded June 29, 1942, in Volume 197 Official Records, Page 98, Shasta County Records.

SILVER GRAY EXTENSION, the Notice of Location being recorded in Volume 129, Official Records, page 95, Shasta County Records.

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CROSS ROADS, the amended Notice of Location being recorded June 29, 1942, in Volume 197, Official Records, page 97, Shasta County Records.

ANNEX or WASHINGTON ANNEX, the amended Notice of location being recorded June 29, 1942, in Volume 197, Official Records, Page 96, Shasta County Records.

EVENING STAR, located November 21, 1887, the Notice of Location being recorded March 9, 1897, in Volume 10, Miscellaneous records, page 336, Shasta County Records.

Washington Group, contd.

EAST SIDE FRACTION , the notice of location being recorded January 24, 1946, in Volume 85, Official Records, page 489, Shasta County Records.

TRI-COON MINE, amended location of which said mine was made November 26, 1923, and recorded in the office of the County Recorder of Shasta County, November 30, 1923, in Volume 43 of Miscellaneous Records, page 344.

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HALCYON GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 54, Shasta County Records, on the 22nd day of December 1941.

RUBY PEARL GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December 1941.

MIDWAY GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December, 1941.

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GLOBE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records of Shasta County, page 56, on the 22nd day of December, 1941.

LONE PINE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 52, Shasta County Records, on the 22nd day of December, 1941.

IN WITNESS WHEREOF I have hereunto

3. Physical Description

a. There is a description of the Washington Mine on Pages 30 and 31 of Special Report 85, "French Gulch Quadrangle" by J.P. Albers, California Division of Mines and Geology. The report has a plan and section of the main underground levels called Plate 6. The lower levels are partially accessible, needing some rehabilitation before mining operations could resume.

J.H. Scott produced $540 M. during the 1930's to 1942 from the H & I levels, (i.e., net smelter returns were $548,876.24 from 39,398 tons of ore.)

Subsequent lessees included J. Merrill (1950's), Lyman and Floyd Robinson (1960's), and the last named person had an O.M.E. contract in 1968 which was only half completed due to his financial problems. This consisted of a new tunnel on the Ruby Pearl claim 550 feet long.

On August 7, 1973, American Public Resources obtained a lease on the Washington Mill, on all electric 40 ton/day flotation mill, for the purpose of testing the dumps and underground ore of the Brown Bear Mine in Trinity County. Surface evaluation followed and is in progress on the Washington Mine property, which has several open pit prospects and several major parallel vein structures, namely a N.S. assemblage and a roughly E.W. group.

The mine camp is well equipped, with other buildings beside the mill including a workshop, office/caretaker's house, bunk house and change room in good condition and in current usage.

b. American Primary Resources, Inc. has been operating the Washington Mill as noted above for the past four months for test purposes and has milled about 1500 tons of low grade ore from the Brown Bear Mine and on several occasions milled on a 24-hour basis.

The company is presently evaluating the H and I level dumps, and re-opening the I level portal and rehabilitation work in the "Government tunnel". Test milling on the dumps is scheduled to begin December 7 by loading with the company's Case 1000D crawler loader and hauling to the mill in International trucks.

c. Production from the Washington/Halcyon Mines is estimated at up to 100,000 ounces of gold. The mill produced 25 oz. Au, 20 oz. Ag, 29 lb. Ca by bulk tests on Brown Bear dumps ore in 1973, shipped to the COMINCO smelter. Another similar size shipment is ready.

d. There are no known ore reserves.

e. Mining in the past was done on the N.S. vein first, then placer mining, probably from float on the hillside from erosion of outcropped veins. Subsequently major operations have been on the two E.W. veins, the Washington and Dean veins strike about N. 70° E.

The main mineralized zone is between the Copley Greenstone and the Bragdon Formation (slates). Sills and dykes of quartz porphyry and birdseye porphyry sometimes intruded the contact. The greenstone is overlain by the slates. The mineralization includes galena, sphalerite, pyrite and arsenopyrite as well as free gold and silver. Fine gold is also associated with the sulphides and

amenable to flotation.

The Bragdon formation consists of highly sheared black graphite material.

f. Sampling has thus far been by pannings for free gold to date from surface exposures as in the open pits.

The reasons for expecting to find ore are based upon the previous work under an O.M.E. contract which intersected one mineralized vein and was certified as a discovery. However, the work was incomplete as the second vein was not intersected, needing some 30 ft. additional drifting and raising to the contact with slate from both veins for optimum geologic conditions for economic ore.

g. There is no need to return this data.

WASHINGTON MINE

The property consists of 5 U.S. Patented Claims and 8 Location Claims in the French Gulch Mining District, Shasta County, California, together with all water rights and ditches located, constructed or acquired by the Washington Quartz and Placer Mining Co.

The mine is situated 24 miles northeast from Redding. Good roads extend over the entire 24 mile distance. The first 18 miles from Redding to Tower House is State highway, 4 miles from Tower House to French Gulch is an excellent County road, 2 miles from French Gulch to the mine is narrow but free from steep grades. The road between the mine and Redding is maintained throughout the entire year.

Climatic conditions are exceptionally favorable for mining continuously. The elevation of the portal of the lowest tunnel near the creek is 1,800 ft. above sea level, whereas the outcrop of the north-south vein is about 800 ft. higher. Considerable mining timbers can be secured either on the property or from saw mills in the near vacinity. The mine owns the oldest water right on French Gulch Creek and maintains a 4,000 ft. long ditch from the intake to the present concentrating mill.

The mill is equipped for 75 ton ore storage, with a jaw crusher, a 4' x 8' Colorado Iron Works rod mill, 4 flotation cells, a classifier, amalgamator, motors, generators and all other equipment necessary for a 50 ton per day operation.

Skilled miners are available in the district. Since the mine was closed down by Government order in 1942, a watchman and assistant caretaker have been constantly employed, and if required the mine and the mill would be ready to resume operations within one week's time.

WASHINGTON MINE PRODUCTION

PERIOD	PRODUCT	NET SMELTER RETURNS	TONNAGE
Nov. 1937 to Oct. 1938	Broken ore shipped	$ 15,229.40	130
Sept. 1938 to Dec. 1938	Concentrates	53,202.87	2,776
Year 1939	"	179,140.43	9,732
Year 1940	"	160,840.57	10,552
Year 1941	"	107,857.05	12,519
Year 1942	"	32,605.92	3,689
		548,876.24	39,398

(Operations ceased on October 15, 1942 on Government Order)

REPORT

on the

WASHINGTON MINE

French Gulch, Cal.

by

R. C. Eisenhauer
Mining Engineer

1923

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R E P O R T

on the Property of the

WASHINGTON MINE

General

Location and Extent:

The property of the Washington Gold Mining Company is located in Sections Sixteen (16) and Seventeen (17) of Township Thirty-three (33) North, Range Seven (7) West M.D.M., in the French Gulch Mining District, Shasta County, California.

Following is a list of the claims which comprise the holdings of the Company:

Washington Quartz Mine	Patented
Washington Placer Mine	Patented
Washington Mill Site	Patented
Shea and Kearn Quartz Mine	Patented
Shea and Kearn Mill Site	Patented
Providence Quartz Mine	Location
Fisher Mine (CrossRoads)	Location
Gold Bug Mine	Location
Last Link Mine	Location
Little Triangle Mine (Annex)	Location
Gold Dollar Mine	Location
Pick Up Mine (Silver Grey)	Location
Pick Up Mill Site	Location

Together with all water rights, and ditches located, constructed or acquired by the Washington Quartz and Placer Mining Company.

Accessibility:

The mine is situated 24 miles Northwest from Redding, a city of 3,500 inhabitants, located on the main line of the Southern Pacific Railroad (San Francisco to Portland). Good roads extend over the total distance (24 miles); the first 18 miles, Redding to Towerhouse, is State Highway; 4 miles from Towerhouse to French Gulch is an excellent country road; 2 miles from French Gulch to the mine is narrow, but free from steep grades; automobile traffic is maintained between

the mine and Redding throughout the entire year. The trip from San Francisco to the mine can be made by train and automobile in one day, or by automobile alone in one day.

Freight from Redding to mine costs $7.00 per ton, which item can be materially lessened if trucks are owned by operating company.

Climate:

Climate conditions are exceptionally favorable for mining operations. The summers are warm and the winters very mild as the temperature rarely registers zero. Snow falls to a depth of 12 inches at times, but remains only during brief periods at the elevation of the mill.

Topography:

The elevation of the portal of the lowest tunnel, near the creek, is 1800' above sea level, while the outcrop of the North South Vein is about 800' higher, 2600' above sea level. In general the district is marked by a rugged topography, which proves favorable for operation, as several tunnels tap the veins.

Timber:

Suitable mine timbers cannot be secured on the property, but can be purchased and hauled to the mine at low cost. Many varieties of bushes, such as wild plum, blackberry, huckleberry, manzanita and Christmas berry cover the hillsides. Some few pine trees remain standing and alder fringes the sides of the creek.

Water:

Ample water for operating a 30-stamp mill from the creek during the entire year. The company owns the oldest water right on French Gulch Creek, in addition to which it owns and controls certain other rights and ditches. The domestic water supply from springs is excellent.

Power:

A 2200 volt transmission line is complete from the main line to the property, together with transformer equipment

installed (on the property) sufficient for all present requirements. This can be increased as demand warrants. Good service is maintained at a cost of $.0055 per Kilowatt Hour.

Labor:

Skilled miners can be easily secured in the district at a daily wage of $4.50 to $5.00 per day, under the very favorable living conditions. The California State "Eight hour" law is observed and the "Employers Liability" law enforced. Labor unions are inactive throughout this district.

GEOLOGY

General:

The rock formations predominate within the district. A sedimentary series, which O. O. Hershey has designated as the Bragdon Slates, is continuous through sections of Shasta and Trinity Counties. An extensive andesite porphyry formation intrudes the sedimentary formation (Bragdon Slates).

Vicinity of the Mine:

Within the area under discussion the Bragdon Slate is represented by an extremely black, shiny, graphite schist or slate. Near the andesite contact it is frequently interlain with narrow seams of quartz approximately parallel to the plane of contact.

Three variations in the porphyry have been noted, but these undoubtedly represent three facies of the same flow.

A series of normal faults striking easterly and westerly and dipping at 75° to 85° to the south traverse both andesite and slate.

VEINS

Two systems of veins prevail within the district. The North, South or Slate-Andesite Contact Veins and the

East-West or Fissure Veins.

North South Veins:

The North South Veins occur along the slate andesite contact. They strike northerly and southerly with a dip of 45° easterly. Within the property this vein has been mined in sections along the outcrop and the Loadhouse tunnel level for a distance of upwards of 500 feet. A similar vein located parallel to and about 1500 feet easterly (in the Milkmaid Mine) has been traced along its outcrop for a distance of 5000 feet and mined at eight different sections.

In this Slate-Andesite Contact Vein the ore is a mineralized quartz, either in the form of a single vein (or body) or a series of stringers following along the contact. Pyrite, occasional crystals of Galena, minute quantities of chalcopyrite and metallic gold were observed in the ore. Another distinctive feature of these veins is the characteristic "pinches" and "swells" which have been observed both along the dip and strike. Such enlargements are undoubtedly due to the undulations and contortions occurring along the footwall of the slates. Ore from such enlargements or lenses has proven to be of exceedingly profitable nature.

East West Veins:

These are "fissure" veins, that is, they have resulted from the filling of extensive fissures or fractured zones with quartz containing metallic gold, pyrite, occasional crystals of galena, chalcopyrite. Both hanging and footwall is marked by a distinct gouge, varying in thickness from a thin selvage to almost one inch.

The fissure along which the most important vein of this type occurs strikes easterly and westerly, with a dip of 75% to 85% to the south. It is exposed in the hanging wall of the North South Vein in the Milkmaid Mine and is continuous through that vein, the andesite porphyry intervening between that and the North South Vein of the Washington, through the Washington North South Vein and continues into the footwall porphyry for an unknown distance, but has been exposed for a known distance of over 2--- ft. There is a relative displacement of the south segment, in an easterly direction.

The enclosing andesite formation, on both hanging and footwall side of the vein, is characterized by an impregnation of pyrite, which extends from 2 feet to 6 feet away from

the vein. Special concentrate tests, on the mineralized wall rock, revealed a pyrite content varying from 1% to 3%, having an assay Gold Value varying from $8.00 to $40.00 per ton. Throughout the length of the vein exposed, quartz filled veinlets, containing auriferous pyrite, have been observed extending into both hanging and footwall formation.

Such a gradation in values from the material of the vein is a most favorable condition for mining.

History and Production:

The Washington Mine was located in 1852 as a 50 foot claim on the North South Vein, at that date designated "Big Vein". This was operated until 1865, during which period it is reported to have been stoped 500 feet along the vein and to a depth of 150 feet. In some places the stope was 12 feet wide with a maximum width of 25 feet.. Approximately 2000 feet of drift was opened along the vein. Only a few hundred feet of which is accessible. It is reported that low grade material ($5.00 to $10.00 value) probably averaging $6.00 per ton, continues both north and south beyond the section mined. Mr. George Statton of Baird, Calif. and Pollock, Calif., mine foreman during early operations states that several thousand tons of ore ranging in value between $10.00 and $20.00 per ton was opened up, but was not profitable under existing conditions at that date. This block is located north beyond the caved section and below the Loadhouse Level. (This could be explored to the best advantage from the H Level).

Early operations were necessarily inefficient and the recovery low compared. In addition to opening long drifts and workings by means of hand steel, the ore was broken in a similar manner, trammed or wheeled to the surface, transported by wagon over one and one-half miles of steep road to the mill, where it was crushed by stamps and treated by plate amalgamation only, with a total recovery of 50% of the values. Conceding the superiority of the old tim e miner, his development, stoping, and transportation costs can undoubtedly be decreased 50% by utilizing modern equipment, and his recovery increased 50% by means of modern metallurgy.

Heavy sulphide ore encountered during early operations was thrown into the "gob", because it could not be advantageously treated at the mill. I have sampled some of the massive (sulphide) pyrite occurring in the quartz vein and it assayed $100.80 per ton.

Later than 1865 various small leasers operated the mine intermittently. H Adit Tunnel was projected from the surface for the purpose of exploring and working the North South V ein, but the East West Vein was discovered and produced $100,000.00.

I Adit Tunnel was driven in order to operate ore exposed below H Level and approximately $50,000.00 was produced. Obviously the ore must be good grade in order to pay when only 60% of the values were recovered. Apparently the ore was sorted to a product of very good grade($50.00, $100.00 per ton), the material of lower grade being thrown into the "gob".

The present owning company worked for a few years on the East West Vein. They sorted to a very high grade product.

Total Production:

All detailed records at the mine were destroyed when the office was burned some years ago. Mr. Fox, a most reliable man and one of the owners most familiar with the record of operations, advises that the total production from the mine was over $3,000,000.00. A very noteworthy feature is that this amount represents not exceeding 60% of the contained gold values; that the principal vein (North South Vein) was only operated about 250 feet below the outcrop and is unexplored virgin ground for 598 feet above the creek level; that the East West Vein has only been partly mined down to about 350 feet above the creek level and very little exploration work.

Production from other Mines in the District:

The Milkmaid Mine adjoining this property to the east has produced more than $1,000,000.00 and only worked about 250 feet below the outcrop. (Refer report on Milkmaid Mine). Gladstone Mine, located 4 miles to the east along the same belt, has been a steady producer for years and paid good dividends to the 1600 level. The Brown Bear, located along same belt in a westerly direction, has also produced several millions from shallow workings. The earlier operations were all discontinued at sulphide zone.

Equipment:

The property equipment consists of 2 water leyney machines; 1 Sullivan Piston; 3 one ton mine cars; 2000 feet

of track; 1 five stamp mill with plates; 2 Johnson Concentrators; Bunkhouse and Cookhouse suitable for 20 men.

It should be noted, however, that the Milkmaid Mine, which is being offered in conjunction with this property, has sufficient mining and milling equipment, installed in good operating condition, with which to prosecute a development campaign on both properties.

Description of Mine Workings:

In following the description of mine workings and sampling, attention is directed to the maps which accompany the reports.

Loadhouse Level (725 feet above creek level):

Entrance to the mine is possible at several horizons, by means of five Adit Tunnels. The Loadhouse tunnel is located at 120 feet below the outcrop or 725 feet above the level of the creek. It is reported that the North South Vein is exposed along 2000 feet at this horizon and has been mined in several sections, the longest of which is 500 feet. Only about 95 feet near the intersection of tunnel and vein could be observed as the balance was inaccessible due to caving. Evidently the workings extended both northerly and southerly beyond caved portions. Stoping width in the section varied between 5 and 6 feet.

Trimbath Tunnel Level (715 feet above creek level):

This level is 20 feet vertically and 35 feet along the dip of the vein, below the Loadhouse. From the portal to the intersection of the North South Vein, the distance is 210 feet. Evidences of stoping operations above the level are visible for a distance of 180 feet north, beyond which point the workings were inaccessible, but according to reports they extend several hundred feet northerly.

The first exposure of the East West Vein was observed on the level at 170 feet north from the tunnel, but owing to the disturbed condition of the area resulting from stoping and fracturing, little could be learned of dip, strike, nature or value of ore. There is not any evidence of development southerly from the tunnel along the North South Vein. According to the report, stoping on the North

South Vein was discontinued at this horizon during early operations, owing to increase in percent of sulphides and decrease of free gold content. A fractional sample across the bottom of the drift, however, evidences values ranging: 6", $20.00; 6", 60", $2.90; 60", 92", $5.80; 3", $67.60. A section of vein observed consisted of quartz containing bunches of massive pyrite. A sample of the latter assayed $100.80.

Trimbath Sub level (680 feet above creek level):

This level, located at 35' below the Trimbath Level, is not connected with the surface. Evidences of stoping operations along the East West Vein were observed, but apparently there had not been any stoping of the North South Vein. Three samples taken in the North South Vein over a distance of 70 feet averaged $22.78 over an average width of 4 to 5 feet. On the north the section was caved at the intersection of the East West Vein, while on the south work had been discontinued at a rise to the level above. However, the vein continues strong in the south face.

G Tunnel Level (598 feet above creek level)

Access to the level of the mine was impossible owing to caves in the Adit Tunnel also the rises to Trimbath Level.

H Tunnel (491 feet above creek level)

This tunnel intersects the North South Vein at 240' west from the portal, but there is not any evidence of development work in either a northerly or southerly direction along the vein. At 460' west from the portal the East West Vein is exposed and former stoping operations evidenced over a distance of 240 feet. Apparently the intersection of the North South and East West Veins occur within the area stoped approximately along the direction of Stations 2 and 3 as shown on the map.

A drift was projected westerly along the East West Vein a distance of 310 feet beyond the point of intersection. In general, the vein at this horizon is narrow but assay indicate low grade values throughout entire distance. From 70' to 100' back from the face the vein splits and evidences a considerable increase in values. This is a very promising

area for development, also the North South vein noted in the previous paragraph at 240' west from the portal.

I Tunnel Level (270 feet above creek level):

Very little development work has been done along the veins at this horizon. The East West Vein was encountered at 470 feet from the portal, and apparently the branch evidenced on H Level has continued down. Three cut samples over 10 feet long and 3 feet wide average $61.90 per ton. This presents a very attractive condition for development. Reference to the map will show the area to be west of the indicated stopes above as marked by the Van Meter Raise. One feature of especial interest is the appreciable flow of water from the vein as exposed at and near the face.

J. Tunnel Level (13 feet above creek level):

Local authorities claim that this tunnel has been advanced 500 feet, but thus far has not intersected the vein. The working was not accessible. It presents a very attractive development condition, inasmuch as any ore exposed would have a possible upward extent or back above creek level of 832 feet. Furthermore by advancing this tunnel along the vein and projecting raises to connect with the upper levels, very considerable known tonnage of gob, pillars, dumps can be delivered at the mill at low cost. Pilot samples indicate values for these ranging from $2.50 to $5.50 per ton. In addition to this other appreciable tonnage of material of much higher grade can best be transported in the same manner.

Values:

A total of 94 samples were taken from various sections of the mine. Concentrate tests on I of the above reveal the fact that major portion of the values is associated with pyrite.

Results of sampling are tabulated on sheets attached herewith, also plotted on the plans of the various levels. In plotting, the following notation has been made; widths in inches; values, gold in U.S. Dollars and Cents; material indicated as Q- quartz, F.W.- mineralized footwall formation, H.W.- mineralized hanging wall formation.

Ore Reserves:

A study of the results of the above noted samples reveals the following: (I) On the Trimbath Sub Level 3 samples taken along 70 feet of vein over an average width of 4.5 feet wide average $22.78 per ton. This block extends 35 feet above the Sub Level to the Trimbath main level above which it has been stoped. It may be assumed to extend 25 feet below the Trimbath Sub Level. Therefore, we assume as developed ore.

70' long x (35' + 25') high x 4.5' wide = 18,900 cubic feet ore.

12 cubic feet = 1 ton; 18,900 ÷ 12 = 1,575 tons @ $22.78 per ton = $35,878.50.

This ore occurs along the North South Vein, which reliable authorities state has not been mined below the Trimbath Level. Elsewhere in this report, under "History and Production", it has been noted that the oxidized portion of the vein was extensively worked down to the Trimbath Level, but owing to the increasing per cent of the sulphide content of the vein, the ore could not be treated by existing metallurgical methods. In the latter stages of operation much of the sulphide ore was thrown in the "gob". Furthermore, only a limited amount of development work has been performed on this vein on the lower horizons, "G", "H" and "I", Tunnel Levels. A properly directed development campaign along this North and South Vein on these lower levels presents an extremely attractive development possibility.

2. Reference to the assay map of "H" tunnel level reveals three sections along which the quartz of the East West Vein assays gold values between $3.00 and $31.60 per ton. Of these sections the most promising is revealed along the vein exposed by the F. W. crosscuts, over a distance of 70 feet. This vein merits further development.

3. Under the description of "I" Tunnel Level has been noted the occurrence of values near the face. While the data at hand does not permit of estimating ore reserves, these faces certainly present favorable geological conditions upon which to continue drifting.

4. In addition to the possibilities of developing ore along unexplored sections of known profitable veins there are certain other very considerable tonnages of low grade material that can be mined at a very low cost. They may be

studied to best advantage on the maps showing the sections parallel to the North South Vein and the East West Vein. Of these the most important is the block extending from the Trimbath Tunnel Level to the surface. Preliminary sampling along the surface (refer surface assay plan) has indicated appreciable values over 40 feet wide. Reports of the early method of operations warrants belief that some pillars of high grade ore remain in the old stope and that some good grade ore will be included in the "gob". This block could be mined by the Glory Hole method and transported to J Tunnel Level by connecting raises. Some further sampling and development will be required to definitely prove its value, but it is believed that 50,000 to 80,000 tons would yield a profit of $1.00 per ton.

Probable Ore:

5. The dump at G Tunnel was sampled by 5 cuts 20 feet long across the face. These average $3.28 per ton and possibly more detailed sampling will reveal higher values. Above this ore the dumps of the Trimbath Level and Sub Level known to contain higher values. They represent total of more than 10,000 tons that may be expected to yield a profit of $1.00 per ton.

6. One other source of possible low grade ore is from the pillars and "gob" in the old stopes. These represent a total of 30,000 tons, about which little is known beyond the reports of "old timers" who state that much heavy sulphide ore was thrown in the filling rather than sent through the mill, which at that time was equipped with amalgam plates only. During later operations two Vanner Concentrators were added to the mill equipment.

A tabulation of Developed, Probable and Possible Tonnages, together with values and estimated profits, cannot be attempted herein, owing to the limited number (94) samples. The possibilities have been noted in paragraphs 1-6 and for the readers' consideration and a more extensive development campaign.

Recovery:

Of the total extraction, 60% is recovered by means of amalgamation and concentration, while 25% or 30% more can be recovered by cyanidation. Gold constitutes 95% of the total recoverable values. Mr. Roy Leach, who is a competent cyaniding engineer, advises me that the problem does not present any particular difficulties beyond that of fine grinding and that a total extraction of 88% to 90% of the values can be expected

and possibly more.

There is a five stamp mill on the property. It is not in good condition, but for a reasonable expenditure it can be repaired sufficiently to treat ore from development. A better plan will be to treat such ore in the Milkmaid mill, which is in good working condition and much more easily accessible.

Cyanidation of any portion of the product has not previously been practised, hence there is not any available plant. Construction of a plant will be necessary, as tests have indicated an increased recovery of 30% above the 60% recovered by amalgamation and concentration. However, this expenditure should not be attempted until sufficient ore has been proven to warrant the investment.

SUMMARY

Physical conditions, location, accessibility, climatic conditions, water, timber, power and labor are all most favorable for conducting mining and milling operations at a low cost.

Topographical conditions are very favorable, inasmuch as the vertical distance above the lowest tunnel (J Tunnel Level) to the outcrop of the North South Vein is 845 feet. Assuming that this vein maintains its average inclination of 45°, then the inclined distance from J Level to outcrop is 1180 feet. Similarly, the distance on the East West Vein is 860 feet to outcrop. Such a condition will eliminate hoisting of ore and pumping of water for a considerable period at the start of operations. J. Tunnel has been advanced a reported distance of 500 feet west from portal (not accessible) and there still remains a distance of approximately 500 feet to advance. Development work necessitates only occasional timber, as the ground stands well.

Geological conditions warrant belief in the continuity of the veins and most certainly the history of production from the limited stoping warrants further development, both along the veins and below the stoped section described.

Inasmuch as early mining transportation and milling operations were insufficient and resulted in recovering

approximately 50% of the gold content of the ore, only material of higher value was taken. Therefore, it is reasonable to believe that there still remains considerable tonnages of payable ore along the horizontal and vertical extensions of their stopes.

The North South Vein was stoped a distance of 500 feet along the vein and drifted in at the Leadhouse Tunnel Level for a distance of 2000 feet, while at the H Tunnel Level this vein was not explored for a distance to exceed 100 feet along the vein. Early operations were discontinued at G Tunnel, because at this horizon the gold values were largely combined with pyrite and could only be recovered by shipping to a smelter.

Mr. Roy Leach has made several cyanide tests on the ore and assures me that the metallurgy does not present any difficult problems; that 60% of the contained gold values can be recovered by amalgamation and concentration and that 30%, total 90% more can be recovered by cyanidation.

Operating costs have been considered carefully and under economic management will not exceed $3.50 per ton.

Plans have been considered for satisfactory disposal of tailings.

Frequent reference has been made to the Milkmaid Mine. This property consisting of 8 patented mining claims and 4 location quartz mining claims adjoing the Washington property on the east. Geological, topographical conditions, also early history, is similar to that of the Washington.

This property is equipped with a 10 stamp mill in good operating condition, 600 cubic foot compressor, motors, cars, track, etc. Both Washington and Milkmaid properties are held under option by the same parties, so that suitable arrangements can be made for conducting a development campaign on an economic basis. A combination of these two properties presents a very attractive proposition.

CONCLUSION

It is my firm opinion, based on the various conditions as exposed in the mine workings, that the properties warrant a well directed development campaign, to be conducted in accordance with careful study of geological conditions accompanied by proper sampling. I believe that such a campaign will expose sufficient ore to prove very profitable to the investors.

RECOMMENDATION

I, therefore, recommend that, in order to secure the most economic conditions for a successful development campaign, that the Washington and Milkmaid Properties be combined under one ownership and management; that the work be directed by a technically trained man who has had sufficient experience to properly direct the work; that all development work should be directed in accordance with the geological conditions exposed and mapped; that careful sampling and assay plans supplement the study of the geology; that economy shall prevail throughout these operations.

I furthermore recommend the following sections as presenting the most favorable conditions for exposing ore;

1. Driving westerly on the East West Vein as exposed on "H" and "I" Tunnel Levels.

2. Driving (northerly and southerly) on the North South Vein on "H" Level.

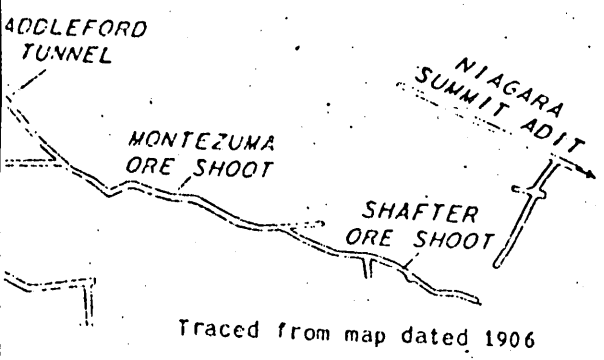
3. Drive southerly on North South Vein on Trimbath and "G" Tunnel Levels.

4. Investigate possibilities of mining near surface by Glory Hole Method.

5. When sufficient ore has been exposed on "H" and "I" Levels to warrant development at a lower horizon, open "J" Tunnel and advance this level under the valuable sections; connect all upper workings by raises through ore can be dumped and transported to the mill along the "J" Tunnel Level.

Respectfully submitted,

s/d R. C. Eisenhauer



Trinity County, California.

Washington mine

The Washington mine is in the eastern end of a prominent ridge on the west side of French Gulch, across from the Milkmaid and Franklin mines. The mine was discovered in 1852 and is one of the oldest in the state (Ferguson, 1914, p. 64). It is developed by about six principal levels extending through a vertical distance of about 450 feet (pl. 6), and by numerous pits and trenches. Data on total production from the Washington mine are incomplete and contradictory; estimates range from 50,000 to 100,000 ounces of gold. Ferguson's (1914, p. 64) report of production of 28,500 ounces by 1890 seems fairly definite.

During 1956-1957 only the I level was accessible and was mapped. Mr. J. H. Scott, owner of the mine, kindly furnished additional maps, sections by K. C. Eisenhauer and A. H. Merrill, and reports. Mr. Henry Carter, caretaker, was most helpful in guiding us around the property and in recounting some of the history of the area.

The Washington mine is on the south flank of the arch that exposes the Copley Greenstone in French Gulch just to the north; the main mineralized zone is along the contact between the Copley Greenstone and the Bragdon Formation. Sills and dikes of quartz porphyry and "birdseye" porphyry are intruded along this contact in many places and also cut the underlying greenstone and overlying shale.

As at the Franklin mine, two veins have been worked at the Washington. One along the contact between greenstone and shale strikes generally north and dips irregularly eastward at an average angle of about 45°. Just below the I level, at an altitude of about 2,200 feet, the dip becomes more gentle and the contact between the greenstone and shale intersects the hillside and clearly projects eastward across French Gulch to the Franklin and Milkmaid mines area. The Bragdon Formation near the greenstone contact in the Washington mine is reported to be

shiny black, highly sheared graphitic material that commonly contains thin layers of quartz arranged about parallel to the contact. This was the most highly mineralized zone but virtually none of it was seen during field studies in 1956-1957. It was worked along a strike length of about 500 feet in the upper levels and downdip for about 700 to 800 feet, nearly to the I level (pl. 6). From the information at hand it appears that a large percentage of this strongly mineralized eastward-dipping contact zone was worked, and that prospects for additional ore at this horizon would be mainly south of the present workings.

A second vein system strikes about N. 70° E. and dips on the average almost vertically. It is well exposed for about 1,000 feet on the I level and was drifted on for an even greater distance on the H level. It is almost entirely in the Copley Greenstone and, where seen on the I level, ranges from a few inches to about 3 feet thick. It was stoped in a few places where small pockets of ore occurred at the intersection of two or more veins.

The I level was reportedly driven mainly to recover ore exposed below H level, and about 2,400 ounces of gold was taken from the interval between H and I levels.

Sparse pyrite and calcite are present locally in the vein, and pyrite is disseminated in the adjacent greenstone. Ferguson (1914, p. 65) also reports the presence of galena, sphalerite, and arsenopyrite. As in the Milkmaid and Franklin mines, visible gold was found mostly in association with galena; thus galena may generally be regarded as a favorable indicator of gold.

The oxidized outcrop first mined in the Washington area was extremely rich and ran as high as 28.5 ounces of gold per ton (Ferguson, 1914, p. 66).

Muletown district

A small gold mining area in the vicinity of Mule Mountain, east of Clear Creek, is known as the Muletown district. The principal mines are the Potosi and Great Western, but production has been small. Most of the veins trend northeast and seem to show a spatial relationship to the Clear Creek plug and another small apophysis from the Shasta Bally batholith. A genetic relation to the batholith and its apophyses, as is also inferred for the French Gulch-Deadwood district, seems likely.

Great Western mine

This mine is in veins along two northeast-trending vertical fractures 15 feet apart, associated with a fine-grained mafic dike in the Mule Mountain stock. The location and strike of the deposit suggest that it may be along the same fracture system as the Potosi vein. According to Averill (1933, p. 29) the Great Western vein is a few inches to about 3 feet thick and was traced for about 1,000 feet along strike. It is composed of quartz and contains pyrite and free gold. The ore mined averaged about ¼ ounce of gold per ton but

4. Accessibility of Property

a. Mr. D. H. Hoare or Mr. J. Carroll, Box 433, Redding at Brown Bear Mine, telephone (916)778-3801, or Mr. Frank Allstrom or C. Robinson at Washington Mine, telephone (916)359-2295.

The government tunnel portal on the Halcyon Mine can be reached from the French Gulch road or the Washington Mining property some three miles west of French Gulch, Shasta County.

b. Redding, the county seat of Shasta County, is 20 miles away by road.

5. Exploration Work

a. Rehabilitation work is needed to spile through caved portions in the Government Tunnel. This is caved because in 1968 when driven, only 6 x 6 timber was used instead of 8 x 8, and heavy ground persists in the tunnel.

This will then have to be spiled, mucked out and re-timbered with 8 x 8's at a cost of about $15,378.46.

b. The exploration work consists of completing the previously approved (1968) O.M.E. contract on the tunnel. A further 500 ft. of drifting is needed to intersect the second vein and drift along the veins to the contact between porphyry and slate for optimum geologic conditions for economic mineral deposits. Alternatively, a combination of drifts and raises would achieve the same objectives.

The drifting is estimated to cost $46,140.00, i.e. 501 ft. at $83.24 per foot.

6. Experience of Operator: American Primary Resources, Inc. has existed for two years as a mining and exploration company.

a. J.C. Carroll, V.P. & Mining Engineer, B.S. in Geological Engineering - Michigan Tech. University 1960; M.S. in Mining Engineering, University of Nevada, 1971. Ten years experience in exploration and development, mine geology and mining engineering. Companies worked for included: Hudson Bay Mining & Smelting, Ltd.

Eagle-Picher Industries, Inc.

Hecla Mining Co.

Consolidation Coal Co.

Registered engineer in Ohio, Oklahoma and Nevada.

b. F. Allstrom, V.P. & B.S. in Mining Engineering from Lehigh University. Six years experience in mining and geophysical exploration.

7. Drifting - Cost Estimate Breakdown

Cycle - drill, blast, muck, tram, advance pipe and track and timber. Drill 2 hours, timber 2 hours, muck 4 hours, load and blast 1/2 hour, smoke 1/2 hour, pipe track 1/2 hour, = 10 hours per cycle.

Assumptions: 30% overhead on labor cost, 6' x 7' drift, 6 ft. drill round, 12 ft^3/ton, 0.2 lb. explosive/ft^3 0.8 round/shift, depreciation over 3 yr. straight line,

Vol/round = 6' x 6' x 7' = 252 ft^3 = 21 tons

lb. explo/round = 50, 1-1/4" x 8" 40% powder

a. Drill

18 holes x 6' = 108' of hold

Drilling cost/ft of hole $.18 x 108"	$19.44
Depreciation/shift $1.92/machine x 2 mach ÷ 0.8	4.80
Total	$24.24

b. Blasting

50 lb. explos x $.3375/lb + 5% tax	$17.72
18 caps x $.08/cap + 5%	1.51
144' safety fuse x $.02/ft + 5%	3.02
Total	$22.25

c. Mucking - 1 Eimco 12B mucker

Depreciation/round

$6019 ÷ 780 days/depreciation/round ÷ 0.8 $ 9.65

d. Tramming - 1 - 1-1/2 ton Mancha Loco + 6 cars + battery charger

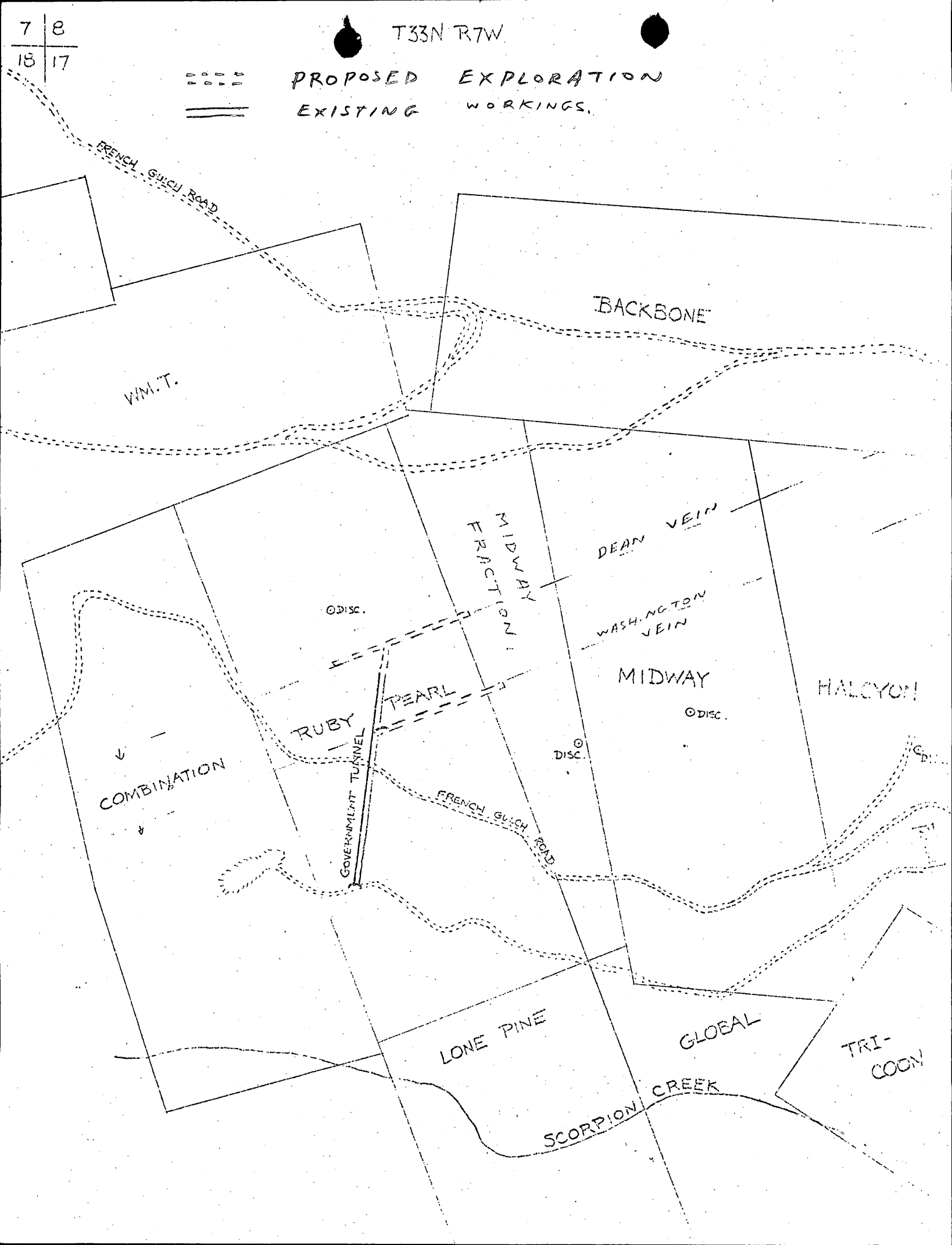
Depreciation/round

$10,000 ÷ 780 days/deprec/round ÷ 0.8 $16.02

Drifting Cost Estimate (Continued)

e.	Compressed Air - 600 CFM I.R. diesel rotary compressor	
	equipment rental ($700/mo) $32.31/day ÷ 0.8	$40.39
	operating cost/shift $24.12 ÷ 0.8	30.15
	airline 6' x $.71/ft + 5% tax	4.47
	Total	$75.01
f.	Track - 6 ft. x $2.50/ft.	$15.00
g.	Labor - 2 men, miners and helper	
	$5.00/hr x 8 hrs. x 130% OH ÷ 0.8	$65.00
	$3.50/hr x 8 hrs. x 130% OH ÷ 0.8	45.50
	Total	$110.50
h.	Overhead	
	Engineering, geology & management ÷ 0.8	$90.00
	Sampling 2 ea. x $5.00/assay	10.00
	Office & equipment @ 20% of labor	9.00
		$109.00
i.	Timbering 6' x $20/ft ($100/5 ft. set)	$120.00
	Grand Total Estimated Cost	$501.67
	Cost/ft. $501.67 ÷ 6 ft.	$83.62/foot

J. C. Carrol
4 December 1973


7 | 8
18 | 17
T33N R7W
PROPOSED EXPLORATION
EXISTING WORKINGS.
FRENCH GULCH ROAD
BACKBONE
W.M.T.
MIDWAY FRACTION
DEAN VEIN
WASHINGTON VEIN
DISC.
MIDWAY
HALCYON
PEARL
RUBY
COMBINATION
GOVERNMENT TUNNEL
FRENCH GULCH ROAD
LONE PINE
GLOBAL
TRI-COON
SCORPION CREEK

Field Office Copy

MMS Form 51
July 1965

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR
U. S. Geological Survey

EXPLORATION CONTRACT
(Short Form)

Docket	Commodity	Contract No.	County	State
OME -6663	Gold-Silver		Shasta	California

It is agreed _____ (Date), between the United States of America, acting through the Department of the Interior, U. S. Geological Survey, hereinafter called the "Government," and

Floyd G. Robinson, an individual

_____,

whose mailing address is 160 Plesment Valley Drive, Walnut Creek, California 94596 hereinafter called the "Operator," as follows:

ARTICLE I. Authority and scope.--(a) This contract, entered into under the authority of Public Law 701, 85th Cong., 2d sess. (72 Stat. 700; 30 U.S.C. § 641 - 646), consists of this form, the attached Annex I (land description), Exhibit A (work and costs), and the maps and documents listed. The work is a search for new or unexplored deposits of the commodity designated above. The Operator shall begin the work on or before JUN 1 1968 (Date), and, subject to the provisions of Article 7 and Exhibit A, shall complete the work within 18 months from the date of the contract.

(b) The description of the work and the fixed cost for each unit of work to be performed (per foot of drilling, per foot of drifting, per hour of operations, etc.) are hereby agreed upon as specified in Exhibit A. The estimated total cost of the work is $ 50,000.00. The Government will contribute 75 percent of the total fixed unit costs of the work performed, not in excess of $ 37,500.00 in accordance with the provisions of Articles 4 and 5.

(c) Interest computation.--Simple interest at the rate of 7-3/4 percent shall accrue from the dates Federal funds are made available until the period specified for payment of royalty expires, or until the amount of Federal funds contributed is fully repaid with interest.

(d) The Operator shall not transfer or assign this contract or any right or obligation thereunder without the written consent of the Government.

ARTICLE 2. Operator's rights in land.--(a) The Operator represents and undertakes that Annex I correctly describes the land which is the subject of this contract and the nature of the Operator's right of property and possession therein (whether as owner, lessee, or otherwise), and that such right, title, or interest is subject only to the following claims, liens, or encumbrances:

SEE ANNEX I

(b) The Subordination Agreement of the holder of any claim, lien, or encumbrance listed above and (if the Operator does not hold the legal title) the Lien Agreement of any holder of the legal title of the land (lessor, seller, optionor, etc.) are attached as follows:

SEE ANNEX I

(c) The Operator shall preserve and maintain his right, title, or interest in the land and his right to the possession thereof for the purposes of this contract, and shall devote the land and all existing improvements, facilities, buildings, installations, and appurtenances to the purposes of this contract. The Operator shall neither transfer, convey, nor surrender the land nor any right, title, or interest therein, nor permit nor suffer any claim, lien, or encumbrance thereon, without expressly referring to and providing in the instrument of conveyance, lien, or encumbrance for the preservation of the Government's right to a royalty on production and liens for the payment thereof. Two true copies of such instrument shall be furnished to the Government. If the Government's rights to royalty as provided in Article 6 have been terminated, the provisions of this paragraph (c) shall become inapplicable.

ARTICLE 3. Performance of the work.--(a) Operator's responsibility.--The work shall be performed diligently, efficiently, in a workmanlike manner in accordance with good mining standards, and in compliance with State laws governing health, safety, and liability insurance covering employment. The Operator shall provide suitable and adequate equipment, facilities, materials, supplies, and labor to complete the work as specified in Article 1(a).

(b) Government may inspect.--The Operator shall consult with and inform the Government on all phases of the work as it progresses. The Government may enter at all reasonable times to inspect the work under the contract and production operations during the period that royalty is payable to the Government. The Operator shall provide the Government with all reasonable means of access for such inspections.

ARTICLE 4. Contribution by the Government.--The Government will make its contribution on the basis of the monthly vouchers referred to in Article 5(b), but all payments by the Government are provisional only, subject to audit. Until the account between the Operator and the Government is finally audited and settled and the Operator's final report has been received, the Government may withhold such sums as are necessary to protect its interests. To the extent that amounts in excess of fixed unit costs or in excess of the estimated total cost may be necessary for the performance of the work, the Operator shall incur and pay such amounts for his own account without contribution by the Government. The Government will not contribute to the cost of any work performed prior to the date of this contract. The Government may make payments for the account of the Operator directly to independent contractors and suppliers rather than to the Operator.

ARTICLE 5. Reports, accounts, audits.--(a) Operator's records.--The Operator shall keep suitable records and accounts of the units of work performed and of any production in which the Government may have an interest; and shall preserve those with respect to work performed for at least three years after final payment by the Government, and those with respect to production for at least three years after any obligation to pay royalties to the Government has terminated. The Government may inspect and audit said records and accounts at any time, either by itself or by a certified public accountant. The Comptroller General of the United States or his representative, until the expiration of said three-year periods, shall have access to and the right to examine all pertinent books, documents, papers, and records of the Operator.

(b) Monthly reports.--The Operator shall provide the Government with four copies of monthly reports in three sections as follows:

(1) Operator's Monthly Voucher claiming costs for work performed;

(2) Operator's Progress Report showing the number of units of the various types of work performed; and

(3) a narrative report of the work performed during the reporting period, including adequate engineering-geological maps or sketches, drill hole logs and locations, and assay reports on samples taken concurrently with advance in mineralized ground.

(Forms for reporting under (1) and (2) above will be provided by the Government.)

(c) Final report.--Upon completion of the work or termination of the Government's obligation to contribute to costs, the Operator shall furnish the Government with three copies of a final report (in addition to the final monthly report). This final report shall include a geological and engineering evaluation of the results of the work performed under the contract with an estimate of the ore reserves resulting from such work, complete assay data, adequate geological and engineering maps or sketches, and a summary of the work performed and the unit costs thereof.

(d) Report of sales.--The Operator shall provide the Government with suitable accounting and documentary evidence covering all production to which the Government's royalty relates, such as two copies of smelter or concentrator settlement sheets and certified accounts of production and sale or other disposition of production.

(e) Compliance with requirements.--If the Government determines that any of the Operator's reports, records, or accounts are insufficient or incomplete, or if the Operator fails to make them, the Government may procure the preparation or completion of same with suitable attachments as an expense of the work to which the Operator shall contribute. The Government may withhold approval and payment of any vouchers relating to insufficient or incomplete reports, records, or accounts.

ARTICLE 6. Repayment by Operator.--(a) Certification.--If the Government considers that mineral or metal production from the land covered by the contract may be possible as a result of the exploration work, it shall so certify in writing to the Operator at any time not later than six months after a sufficient final report and final accounting (see Article 5) have been furnished.

(b) Royalty on production.--The Operator, whether or not the producer (for example, if the Operator either transfers or does not retain his interest in the land), shall pay to the Government a royalty on all minerals and metals mined or produced from the land as follows:

(1) irrespective of any certification of possible production--from the date of the contract until the lapse of the time within which the Government may issue such certification or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first; or

(2) if the Government issues a certification of possible production--for a period of ten years from the date of the contract or until the total net amount contributed by the Government is fully repaid with interest, whichever occurs first.

(c) Payment of royalty.--(1) The Government's royalty shall be five percent of the gross proceeds (including any bonuses, premiums, allowances, or other benefits) from the production sold, in the form sold (ore, concentrate, metal, or equivalent), at the point of delivery (the f.o.b. point); except, that charges of the buyer arising in the regular course of business and shown as deductions on the buyer's settlement sheets (such as treatment processes performed by the buyer, sampling and assaying to determine the value of the production sold, and freight payable by the buyer to a carrier (not the Operator or producer)), shall be allowed as deductions in arriving at the "gross proceeds" as that term is used herein. No costs of the Operator or producer are deductible in arriving at the "gross proceeds" as that term is here used.

The term "treatment processes" means those processes (such as milling, concentrating, smelting, refining, or equivalent, but excluding fabricating or manufacturing) applied to the crude ore or other production after it is extracted from the ground to put it into a commercially marketable form.

(2) The Government's royalty shall be computed and paid currently upon each lot sold, held, or used in integrated operations, as the case may be.

(d) Unsold production.--If any production (ore, concentrate, metal, or equivalent), after the lapse of six months from the date the ore was extracted from the ground, remains neither sold nor used in integrated manufacturing or fabricating operations (for instance if it is stockpiled), the Government, at its option, as long as it so remains, may require the computation and payment of its royalty on the value of such production in the form (ore, concentrate, metal, or equivalent) it is in when the Government elects to require computation and payment. If any production is used in integrated manufacturing or fabricating operations before the Government makes its election, the Government's royalty on such production shall be computed on the value thereof in the form in which and at the time it is so used. "Value" as here used means what is or would be gross income from mining operations for percentage depletion purposes in Federal income tax determination, or the market value, whichever is greater.

(e) Lien for payment.--To secure the payment of royalty (see Article 6(b)), the Operator hereby grants to the Government a lien upon his interest in the land and upon any production of minerals and metals therefrom until the royalty claim is extinguished by lapse of time or is fully paid.

(f) Notice to purchasers.--The Operator or producer shall give notice of the Government's claim for royalty to any purchaser of the production, and shall authorize and direct such purchaser to pay the royalty directly to the Government and to furnish the Government with copies of the settlement sheets. If the records of any production and sales or other disposition of production, whether the production is by the Operator or by others, are not made available to the Government, the amount of the royalty may be estimated by the Government, and this estimate shall be final and binding upon the Operator or producer.

(g) No obligation to produce.--Nothing in this contract shall be construed as imposing any obligation on the Operator or the Operator's successor in interest to engage in any production operations.

(h) Government not obligated to buy.--Nothing in this contract shall be construed as imposing any obligation on the Government to purchase any minerals and metals mined or produced from the land.

ARTICLE 7. Termination of the Government's Obligations.--(a) If the Government determines that operations at any time have failed to achieve anticipated results and further work is not justified, the Government may give the Operator written notice thereof, and thereupon:

(1) the Government shall be free of all obligation to pay on account of units of work not then performed; and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

(b) If the Government determines that the Operator is in default under the terms of the contract, the Government may give the Operator written notice of such default with a specification of reasonable time within which the default must be cured; and if the Operator fails to cure such default as required, thereupon:

(1) the Government shall be relieved of all obligation to pay on account of units of work not performed when the notice was given, and

(2) the Operator shall be free of all obligation to prosecute the work other than such as may be necessary and incidental to final accounting and reporting.

The Government may also avail itself of any other remedy the law may provide for breach of contract, including the right to rescind the contract and to demand repayment of all moneys contributed by the Government under the contract.

(c) The giving of any notice by the Government under the provisions of this Article 7 shall not affect the Government's rights as provided for in the contract with respect to royalty and liens to secure the payment thereof, and such rights shall be fully preserved.

(d) The determinations of the Government are subject to appeal under Article 11.

ARTICLE 8. Notices to be given by the Government may be delivered to the Operator or may be sent by certified mail addressed to the Operator at his mailing address stated in this contract. If mailed, notices are deemed to have been delivered five days after the date of mailing.

ARTICLE 9. Officials not to benefit.--No member of or delegate to Congress or resident commissioner shall be admitted to any share or part of this contract or to any benefit that may arise therefrom; but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit.

ARTICLE 10. Nondiscrimination in Employment.--The provisions respecting nondiscrimination in employment which are required by section 301 of Executive Order 10925, dated March 6, 1961, as amended and supplemented, are attached hereto as Exhibit B and are hereby incorporated in and made a part of this contract.

ARTICLE 11. Disputes.--Any dispute arising under this contract which is not disposed of by agreement shall be decided by the Director, U. S. Geological Survey, who shall reduce his decision to writing and mail or otherwise furnish a copy thereof to the Operator. The decision of the Director, U. S. Geological Survey, shall be final and conclusive unless, within 30 days from the date of receipt of such copy, the Operator mails or otherwise furnishes to the Director, U. S. Geological Survey, a written appeal addressed to the Secretary of the Interior. The decision of the Secretary or his duly authorized representative for the determination of such appeals shall be final and conclusive unless determined by a court of competent jurisdiction to have been fraudulent, or capricious or arbitrary, or so grossly erroneous as necessarily to imply bad faith, or not supported by substantial evidence.

The term "Director, U. S. Geological Survey," as used herein includes his duly authorized representative.

ARTICLE 12. Work Hours Act of 1962 - Overtime Compensation.--This contract, to the extent that it is of a character specified in the Work Hours Act of 1962 (Public Law 87-581, 76 Stat. 357-360) and is not covered by the Walsh-Healey Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and to all other provisions and exceptions of said Work Hours Act of 1962.

(a) Overtime requirements.--No Operator or subcontractor contracting for any part of the contract work which may require or involve the employment of laborers or mechanics shall require or permit any laborer or mechanic to be employed on such work in excess of eight hours in any calendar day or in excess of forty hours in any workweek unless such laborer or mechanic receives compensation at a rate of not less than one and one-half times his basic rate of pay for all hours worked in excess of eight hours in any such calendar day or in excess of forty hours in any such workweek, as the case may be.

(b) Violations; liability for unpaid wages; liquidated damages.--In the event of any violation of the clause set forth in subparagraph (a) of this paragraph, the Operator and any subcontractor responsible therefor shall be liable to any affected employee for his unpaid wages. In addition, such Operator and subcontractor shall be liable to the United States (in the case of work done under contract for the District of Columbia or a territory, to such District or to such territory), for liquidated damages. Such liquidated damages shall be computed, with respect to each individual laborer or mechanic employed in violation of the clause set forth in subparagraph (a) of this paragraph, in the sum of $10 for each calendar day on which such employee was required or permitted to work in excess of eight hours or in excess of the standard workweek of forty hours without payment of the overtime wages required by the clause set forth in subparagraph (a) of this paragraph.

(c) Withholding for unpaid wages and liquidated damages.--The U. S. Geological Survey may withhold or cause to be withheld, from any moneys payable on account of work performed by the Operator or subcontractor, such sums as may administratively be determined to be necessary to satisfy any liabilities of such Operator or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in subparagraph (b) of this paragraph.

ARTICLE 13. Copeland (Anti-Kickback) Act--Nonrebate of wages.--The regulations of the Secretary of Labor applicable to contractors and subcontractors (29 CFR, Part 3), made pursuant to the Copeland Act, as amended (40 U. S. C. 276c) and to aid in the enforcement of the Anti-Kickback Act (18 U. S. C. 874) are made a part of this contract by reference. The Operator will comply with these regulations and any amendments or modifications thereof and will be responsible for the submission of affidavits required of independent contractors thereunder. The foregoing shall apply except as the Secretary of Labor may specifically provide for reasonable limitations, variations, tolerances, and exemptions.

ARTICLE 14. Changes and added provisions.--

Executed in quintuplicate the day and year first above written.

FLOYD C. ROBINSON
(Operator)

By Floyd C. Robinson

Title Operator

THE UNITED STATES OF AMERICA

By Arthur A. Baker

Acting Director, U. S. Geological Survey

Arthur A. Baker

I, _____ (Name), certify that I am the _____ secretary of the corporation named as Operator herein; that _____ (Name), who signed this contract on behalf of the Operator, was then _____ (Title) of said corporation; that said contract was duly signed for and in behalf of said corporation by authority of its governing body, and is within the scope of its corporate powers.

_____

CORPORATE SEAL

EXPLORATION CONTRACT
FLOYD G. ROBINSON
OME-6668

ANNEX I

The land, including all rights thereto, referred to in Article 2 of the contract consists of six unpatented lode mining claims in sec. 17, T. 33 N., R. 7 W., MDB&M, Deadwood (French Gulch) Mining District Shasta County, California. It is shown outlined in green on Figure 1 entitled, "Property map showing location of proposed exploration," attached and made part hereof.

The claims are recorded in the Office of The Shasta County Recorder, Redding, California as follows:

Name	Book	Page
Lone Pine	186	52
Midway	186	53
Ruby Pearl	186	53
Halcyon	186	54
Globe	186	56
Midway Fraction	186	127

The Operator is in possession of the claims under the terms of an Agreement of Sale dated July 27, 1966, from Thelma Scott, the owner, c/o Simon E. Sheffey, Suite 717, 300 Montgomery Street, San Francisco, California.

A Lien and Subordination Agreements executed by the owner of the claims on January 10, 1968 is attached and made part hereof.

A special "Agreement Concerning Royalty" is added as follows:

Notwithstanding the certification provisions of Article 6, and with no further action required on the part of the Government, the Operator, as principal if the Operator is the producer, or as surety if the Operator is not the producer, or his successor, shall pay to the Government a royalty

on any production, regardless of origin, that is transported through any new workings to the cost of which the Government has contributed, or any portion of said workings, for the same period as is described in Article 5 (b)(2) of the contract and pursuant to the terms of Article 6(c) et seq. However, in no event shall more than one royalty be due or paid on the same production.

Annex [2(c)]

MME Form 52
Jan. 1959

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF MINERALS EXPLORATION

FOR GOVERNMENT USE ONLY
Operator
Docket No. OME –
Contract No. 14-23-090 –
Contract Date MAY 21 1968

LIEN AND SUBORDINATION AGREEMENTS 1/

To the United States of America:

That certain land in the County of SHASTA, State of CALIFORNIA

described as follows: 2/ MINING CLAIMS IN SEC. 17 T33 R7W, MOUNT DIABLO MERIDIAN, DEADWOOD MINING DISTRICT, AS DESCRIBED IN ANNEX

hereinafter called the "land", is the subject of a proposed exploration contract, hereinafter called the "Contract", between the United States of America, hereinafter called the "Government" and

FLOYD G. ROBINSON 3/

hereinafter called the "Operator". In consideration for and as an inducement to the Government executing the Contract, the undersigned:

1. (a) Being the owner of an interest in the land, hereby grants to the Government a lien upon all of his right, title, and interest in the land and upon any production of minerals therefrom to secure the payment to the Government of the royalty on production provided for by the Contract, and agrees if the Operator's interest should be surrendered or terminated at any time prior to the expiration of the rights of the United States under said Contract to pay royalty to the Government according to the terms of said Contract; or

(b) Being the holder of a claim, lien, or encumbrance against the land, hereby subordinates his claim, lien, or encumbrance in or against the land and in any production therefrom to the rights of the Government under the Contract with respect to royalty on production and liens to secure same. 4/

2. Undertakes and agrees that property in which the Government may acquire an interest or equity under the Contract may be dismantled, severed from the land, and removed as may be provided in the Contract; and the Government's interest and equity in such property shall be prior and superior to any adverse right or claim of the undersigned.

3. Represents and undertakes that there is no claim, lien, or encumbrance upon the undersigned's right, title, claim, or interest in or against the land other than the following: (If "none" insert the word "none". Do not leave blank.)

None

1/ Production from the land is not required, and in the absence of production there is no obligation to pay royalty to the Government.

2/ Either (a) insert the legal description of the land, or (b) strike out the words "as follows" and insert "in a lease /or contract, deed, or other document/ dated _____, and recorded in Book _____, Page ____, official records of said county". If (b) is used, the book and page of recordation must be inserted above. If the space provided is insufficient, use an Annex and refer to the Annex in the space.

3/ Insert name exactly as it appears in the Application MME Form 40.

4/ Subparagraph 1(a) does not apply to the holder of a claim, lien, or encumbrance.

4. Undertakes and agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice; and

5. Consents to all amendments (including an agreement of termination) and assignments of the Contract without notice thereof, and undertakes and agrees that this agreement shall extend and apply thereto.

6. Added provisions None (State "None" or "See Annex No. ____".)

Dated this 10 day of Jan, 1968.

Helma Scott (Seal)	11 En Cardo (Street) San Rafael Calif (City & State)	
_____ (Seal)	_____ (Street) _____ (City & State)	
_____ (Seal)	_____ (Street) _____ (City & State)	
_____ (Seal)	_____ (Street) _____ (City & State)	
_____ (Seal)	_____ (Street) _____ (City & State)	
_____ (Seal)	_____ (Street) _____ (City & State)	

I, _____ (Name), certify that I am the _____ (Title—Secretary, etc.) of the corporation named herein; that _____ (Name), who signed this agreement was then _____ (Title—Pres., Vice-Pres., etc.) of said corporation; that said agreement was duly signed for and in behalf of said corporation by authority of its governing body, and was within the scope of its corporate powers.

_____ (Corporate Seal)

HALCYON GOLD QUARTZ MINING CLAIM, the amended notice of loca on being recorded in Volume 186, Official records, page 54, Shasta County Records, on the 22nd day of December 1941.

RUBY PEARL GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December 1941.

MIDWAY GOLD QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 53, Shasta County Records, on the 22nd day of December, 1941.

MIDWAY FRACTION QUARTZ MINING CLAIM, the location being recorded in Volume 186, Official Records, page 127 on the 16th day of January, 1942.

GLOBE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records of Shasta County, page 56, on the 22nd day of December, 1941.

LONE PINE QUARTZ MINING CLAIM, the amended notice of location being recorded in Volume 186, Official Records, page 52, Shasta County Records, on the 22nd day of December 1941.

Thelma Scott

EXPLORATION CONTRACT
FLOYD G. ROBINSON
OME-6688

EXHIBIT A

The purpose of the project is to explore by crosscutting and drifting for gold-and silver-bearing ore bodies in quartz-carbonate veins along faults that cut shale and graphitic shale of the Bragden Formation of Devonian age.

General Provisions

The Government will not contribute to the costs of any work performed closer than 100 feet to the outer boundaries of the project area.

All drifts and crosscuts shall be not less than 5 by 7 feet in cross section and shall be timbered as necessary. Drift sets shall be of not less than 8- by 8-inch timber, or equivalent round timber. Mine rails shall be not less than 16-pound size, air lines not less than 2-inch diameter, water lines not less than 1-inch diameter, and vent lines not less than 8-inch diameter.

All significantly mineralized areas traversed by the drifts or crosscuts, shall be sampled normal to the trends of the deposits at intervals not exceeding 5 feet.

All samples shall be split as necessary and one split assayed. The Operator shall store one split of each sample in a suitable container properly labeled. Stored samples shall be made available for Government inspection and possible use, and may be disposed of with prior Government approval.

All splits of samples assayed shall be analyzed for gold and silver.

True copies of assay certificates and maps or sketches showing the work completed, the location, width, and assay value of all samples assayed, and the geological formations and structures traversed by the workings shall be furnished monthly to the Government.

The Operator shall provide such supervision, labor, and technical services as may be required to perform the work in a satisfactory manner.

The location, direction, and extent of each work item shall be subject to Government approval.

Description of the Work

From the existing portal site nearest the south end line of the Ruby Pearl claim drive a crosscut adit northerly for a distance of approximately 500 feet or until it intersects the two vein structures indicated in red on Figure 1.

With prior Government approval, drive drifts an aggregate of approximately 500 feet on the two best showings in the crosscut. This footage shall include any auxiliary crosscutting necessary to follow the course of the veins.

Estimated Costs of the Work

Fixed Unit Costs 1/

Crosscutting and drifting 1000 feet @ $45.00/foot	$45,000.00
Timbering 500 feet @ $9.00/foot	4,500.00
Sampling and assaying for gold and silver 100 samples @ $5.00/sample	500.00
	$50,000.00
Government participation @ 75%	$37,500.00

1/ The Government retains no equity in any of the equipment or materials used.

DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

OME-6688
(Gold-Silver)

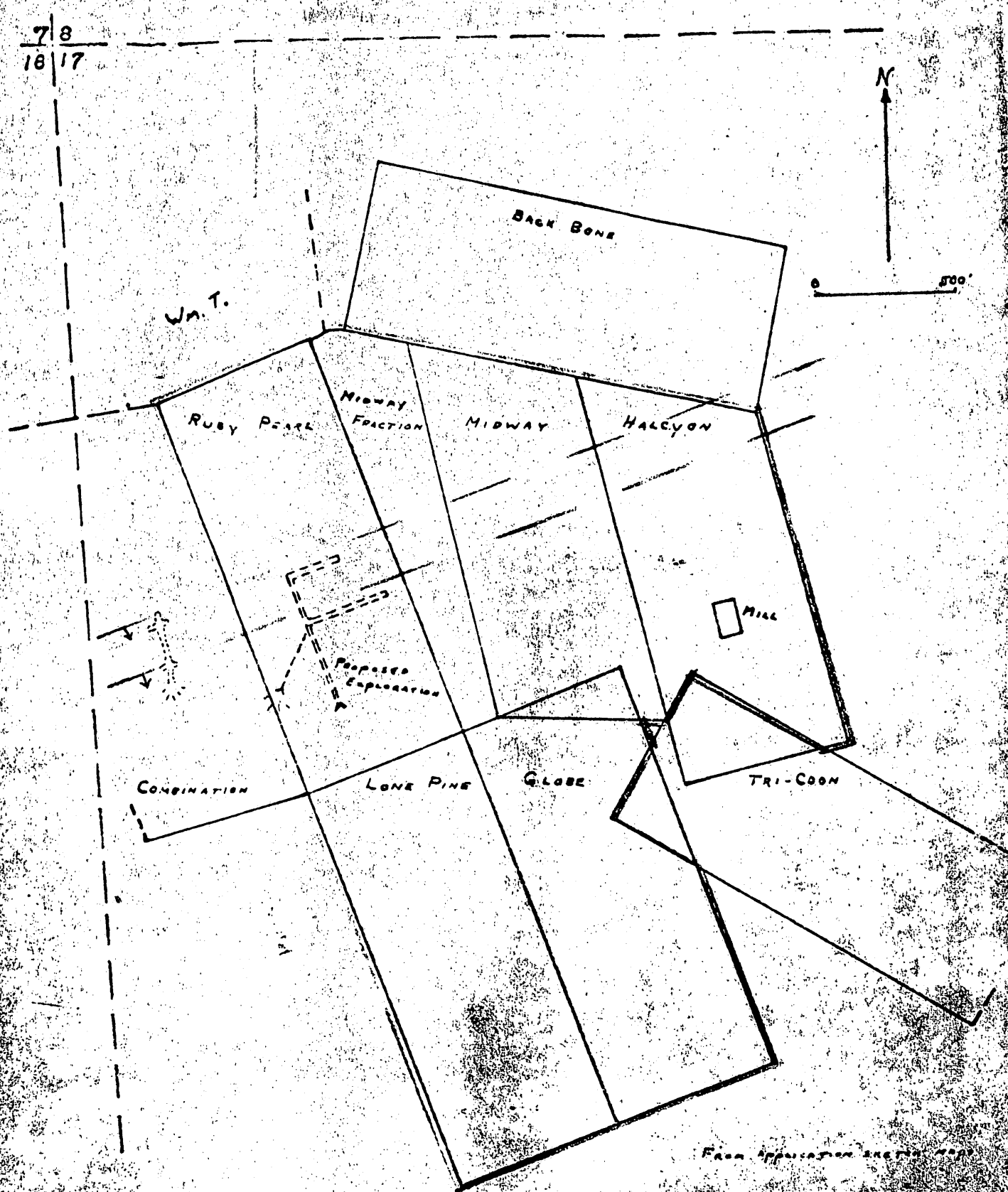


Figure 1.--Property map showing location of proposed exploration, Halcyon Mine, Shasta County, California.

Field Office's Copy

EXPLORATION CONTRACT
FLOYD G. ROBINSON
OME-6688

Amendment No. 1

It is agreed this 11th day of April, 1969, between the United States of America, acting through the Department of the Interior, U.S. Geological Survey, hereinafter called the "Government," and Floyd G. Robinson, an individual, hereinafter called the "Operator," that Exploration Contract 2261 (OME-6688), dated May 21, 1968, is amended effective December 17, 1968, as follows:

1. (a) Work under the contract may be suspended during the period beginning December 18, 1968, and ending not later than March 14, 1969.

(b) No costs incurred by the Operator during the period of suspension shall be allowable for contribution by the Government.

(c) The Government shall not contribute to any cost of rehabilitation or repair incurred by the Operator which in its opinion would not have occurred had there been no suspension of the work.

(d) The Operator at its own cost and expense, and without contribution by the Government, during the period of suspension shall preserve and protect the project work.

2. The time fixed by Article I(a) of the contract for the completion of the work is extended from 10 to 16 months from the date of the contract, or until September 21, 1969.

This amendment shall not be construed to increase the estimated total cost of the contract, the aggregate amount which the Government may be required to contribute, the amount of any item designated as maximum, nor the fixed unit cost of any item of work.

Executed in quadruplicate the date and year first above written.

THE UNITED STATES OF AMERICA

By Harold Kirkemo
Acting Chief, Office of Minerals Exploration

FLOYD G. ROBINSON

By Floyd G Robinson

Title Operator

Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

January 23, 1974

Mr. Robert S. Scott
500 Ralston Avenue
Mill Valley, California 94941

Re: New Application (Gold-Silver)
American Primary Resources, Inc.
Halcyon Mine
Shasta County, California

Dear Mr. Scott:

Thank you for your letter of January 14, 1974, enclosing a photocopy of the Lease and Option granted to American Primary Resources, Inc., copies of letters relating to OME-6688 (Contract 2261--Halcyon Mine), and your views on the propriety of the Government's right to royalty if any ore is produced from the land covered by the previous contract.

I have reviewed my letter of December 10, 1973, to American Primary Resources, Inc., and concur that it contains one error of substance; namely, that "The Lease and Option makes no reference to the Government's lien ...." Although this statement was true at the time it was made, it was based on an unsigned draft, submitted with the new application, without the inserts that are inked in on the signed copy which we received later.

I am, of course, thoroughly familiar with the itemized statements of "facts" in paragraph 3 of your letter, but I most sincerely regret, and I do not understand, your conclusion that this office is attempting to treat honest citizens in a cavalier manner.

Although I do not intend to enter into an argument with you over the accuracy of the "facts" as you state them, I feel some clarification is warranted. First, although Mr. Robinson claimed, and was reimbursed for, work in excess of that actually completed, it was not "fraud" unless it was done willfully. Mr. Robinson stated that his claims for crosscutting, drifting, and timbering were based on measurements supplied to him by his miners and he did not check them personally.

Second, the U.S. Attorney's Office concluded that criminal proceedings were not warranted, under the fraud against the Government statutes, but the U.S. Attorney still has not disposed of the civil aspects of the case.

Third, monthly vouchers claiming reimbursement for work completed are approved for payment by the OME subject to field inspection and verification. Out of more than 2,000 contracts this is only the second instance, to my knowledge, where an operator was paid for work not done. At the time of my interim inspection on October 26, 1968, all work previously claimed had been completed. The overpayment resulted from work claimed on the November and December 1968 vouchers. I was unable to make another interim inspection that fall because of heavy snowfalls during mid-December that forced a closing down of the project and a recess until the spring of 1969, at which time Mrs. Scott repossessed the property and the contract was terminated. Work was not resumed, but on my next inspection trip to northern California during the summer of 1969, I visited the property and, upon making my usual measurements, discovered the shortages and immediately reported them to OME and to Mr. Robinson.

Fourth, although I did not routinely measure the dimensions of each timber used in the crosscut, I do recall that it appeared to be adequate for the job with sets on 3½- to 5-foot centers and solidly lagged on sides and back. I do not recall any round timber. The workings were fully open and accessible a year after the work was completed, the last time I inspected them. The State Mine Inspector did not report the timbering to be inadequate or any of the work to be in an "unminer-like manner."

Fifth, I was personally eager for you to complete the work, and the OME was willing to have the contract assigned to you, but Mr. Robinson refused to consent to the assignment at the time, and he vanished shortly thereafter.

Sixth, the Government could not accept your offer for the reasons contained in my letter of April 2, 1970. This office has no authority to violate a contract or the law of contracts.

Seventh, the partial quote from Annex I that you are concerned with is a standard statement contained in many exploration contracts and serves to protect the Government's royalty rights during the period of the exploration and until such time as a decision is made to issue a Certification of Possible Production or not. You will note that the first line of the paragraph from which you quote says, "Notwithstanding the certification provision of Article 6, ..." Article 6(a) of the contract provides for certification, and as I pointed out to you in my letter of June 22, 1973, a Certification of Possible Production was issued on March 26, 1970, and stated that royalties shall be paid to the Government on <u>all</u> production from the land described in the contract. The certification (copies of which were sent to you and Mrs. Scott at the time of issue and again to you with my letter of June 22, 1973) was required to protect the taxpayers' interest in their investment because a vein was found containing gold and silver that may indicate the nearby presence of higher grade ore shoots. Mr. Hoaré, president of American Primary Resources, Inc., has had past experience with two OME contracts on

other properties and is fully aware of the provisions of OME contracts, Lien and Subordination Agreements, and Certifications of Possible Production. In the event a new tunnel is driven to veins on any of the claims covered by the certification, the producer is required by law to pay royalties to the Government, and I am confident that Mr. Hoaré is aware of and will abide by this law.

The purpose of the OME is to find ore. Please be assured that we will do everything we can within the law to assist American Primary Resources, Inc., and you in that endeavor.

Sincerely yours,

H. K. Stager
Field Officer
OME, Region II

cc: American Primary Resources, Inc.
✓OME, Wash., D.C.
DRF
ACG RF
MP RF
Docket

HKStager:mkh

ROBERT SINCLAIR SCOTT
500 RALSTON AVENUE
MILL VALLEY, CALIFORNIA

January 14, 1974

Mr. Harold K. Stager
Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

Re: New Application (Gold-Silver)
American Primary Resources, Inc.
Halcyon Mine
Shasta County, California

Dear Mr. Stager:

Thank you for including me as an information addressee to your letter of December 10 addressed American Primary Resources, Inc. I believe that there are several errors of substance in your letter. It is my hope that the following will correct those errors.

Paragraph 2. Attached is a photocopy of Page 2 of the Lease and Option to Purchase Agreement between American Primary Resources, Inc. and myself. You will note that the words "To the patented ground" and "Except as contained in OME Docket 6688" were added to the proposed agreement as drawn up by American Primary Resources counsel. These additions and corrections should lay to rest any qualms which you might have had.

Paragraph 3. I feel that I have reached the end of the line in going along with the cavalier treatment with which the government as represented by your office is attempting to treat honest citizens and taxpayers. Both of us are fully aware of the following facts:

1. Floyd G. Robinson committed fraud against the Government of the United States.

2. The U.S. Attorney's office decided that that fraud was small enough so that they refused to prosecute.

3. The fraud occurred because Robinson filed claims for work which he did not do, which information should have been relatively easily ascertained in the periodic checks by your office.

4. In addition to failing to perform the work for which he made claim and was paid, Robinson used sub-sized timber in an unminer-like manner resulting in extensive caving throughout the tunnel.

5. I personally offered in writing, R.S. Scott letter March 19, 1970, copy attached.

6. This fair offer was rejected by your letter of April 2, 1970, copy attached. For the outsider, after wading through the bureaucratic gobbledygook, this letter appears to say to hell with fairness, equity or even the development of the mineral resources of the country. The answer to anything out of the ordinary is automatically "no".

7. On January 10, 1968, Mrs. Thelma Scott, previous owner of the property, signed a lien and subordination agreement, copy attached. A condition of which was that it be subject to those restrictions and conditions which were set forth on the final contract in Annex 1, which read in part "Shall pay to the Government a royalty on any production, regardless of origin, that is transported through any new workings to the cost of which the Government has contributed, or any portion of such workings".

What you did not know is that I informed Mr. Hoare, President of American Primary Resources, Inc. of this clause at the time of noting the exceptions listed under Paragraph (2) above. It was his thought that it would possibly be cheaper to reopen the Government sponsored workings (where Robinson used 6" round timbers rather than the 8 x 8 square timbers specified in the contract despite your inspection) than to develop new portals for haulage. In the event he should wish, however, to drive new tunnels, the Government has no right to royalties and I would be perfectly willing to defend his position in that regard. Perhaps I'm unlike the U.S. Attorney in that I believe that certain things are worth fighting for as a matter of principle.

Yours very truly,

R.S. Scott

RSS:lw
Enclosures
cc: Office of Minerals Exploration
Washington, D.C.
American Primary Resources, Inc.

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Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

December 10, 1973

Mr. David J. Hoare
American Primary Resources, Inc.
P.O. Box 433
Redding, California 96001

Re: New Application (Gold-Silver)
American Primary Resources, Inc.
Halcyon Mine
Shasta County, California

Dear Mr. Hoare:

The subject application was received in the Field Office on December 7, 1973, and a copy was forwarded to Washington, D.C., for further processing. You will receive additional acknowledgment from Washington, D.C., with a docket number and notification as to additional information required.

The purpose of this letter is to inform you that the Lease and Option agreement between the owner, Mr. Robert S. Scott, and American Primary Resources, Inc., dated November 1, 1973 (application copies unsigned), is not acceptable to the Government. On page 2 of the agreement, included in paragraph "First", are the following statements: "That the Owner has good title thereto and that no third party has any interest therein.", and "That said property is clear of encumbrances, that neither Owner nor Owner's predecessors in interest or title have done anything whereby said property or any part of it may become encumbered and that no taxes, assessed against said property, are in arrears or delinquent." These statements are incorrect.

As you are aware, the former OME Contract No. 2261 (Floyd G. Robinson, Docket No. OME-6688) resulted in a discovery and certification (dated March 26, 1970). All production from the Lone Pine, Midway, Ruby Pearl, Halcyon, Globe, and Midway Fraction Claims (known as the Halcyon Group) is subject to a 5 percent royalty to the Government regardless of where it comes from on these claims or through which mine opening, old or new, until May 21, 1978, or until the sum of $24,334.00 is fully repaid with interest at the rate of 7-3/4 percent per annum, whichever occurs first. The Government's rights are protected by Lien and Subordination Agreements signed by Mrs. Thelma Scott on January 10, 1968. Paragraph 4 of these Agreements states that the Owner: "Undertakes and

agrees (a) neither to commit any act nor assert any claim in conflict with the provisions of this Agreement; and (b) to give advance notice of the Government's rights under this agreement to any subsequent transferee, mortgagee, encumbrancer, or lessee of any of the undersigned's right, title, claim, or interest in or against the land or any production therefrom, furnishing the Government with two true copies of such notice." The Lease and Option makes no reference to the Government's lien and rights to royalties.

A copy of this letter is being sent to Mr. Robert S. Scott.

Sincerely yours,

H. K. Stager
Field Officer
OME, Region II

cc: Robert S. Scott
500 Ralston Avenue
Mill Valley, California 94941

Chief, OME, Wash., D.C.
DRF
ACG RF
MP RF
Docket

HKStager:mkh

6897

UNITED STATES
DEPARTMENT OF THE INTERIOR

GEOLOGICAL SURVEY
Office of Minerals Exploration
345 Middlefield Road
Menlo Park, California 94025

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December 7, 1973

Memorandum

To: Chief, Office of Minerals Exploration
Washington, D. C.

From: Field Officer
Region II

Subject: New Application (Gold-Silver)
American Primary Resources, Inc.
Halcyon Mine
Shasta County, California

Enclosed is one copy of a new application received in this office December 7, 1973. A duplicate copy is retained in our file.

The applicant proposes to complete the work started under a previous contract, OME-6688, Contract 2261.

The application is incomplete with respect to the following items:

1. Financial Eligibility. Only one set of bank letters is included whereas two sets are required.

2. Applicant's Rights in Land. The applicant states that his lease was granted on November 1, 1973, but the copies submitted are unsigned. The applicant also states that it will furnish Lien and Subordination Agreements, buy the property, or furnish a performance bond. None of these has been accomplished.

4. Accessibility of Property. The applicant neglected to point out that Mr. C. Robinson now at the Washington Mine is not a relative of Floyd G. Robinson, who defrauded the Government on the previous OME contract.

5. Exploration Work. The previous contract had 397 feet of crosscutting and drifting remaining. The present applicant proposes to crosscut and drift 501 feet, and states that this is needed to test "... optimum geologic conditions ...", but he does not explain or illustrate those conditions.

6. Estimate of Costs. The previous contract allowed $45.00 per foot for crosscutting and drifting and $9.00 per foot for timbering. The applicant estimates that at current inflated prices costs will total $83.62 per foot including everything. The following comparison indicates the differences:

Work item	Cost per foot	
	OME-6688	This application
Crosscutting and drifting	$45.00	$45.45
Timbering	9.00	20.00
Assays @ $5.00	0.50	1.67
Office expense	---	16.50
	$54.50	$83.62

The applicant's estimate is too high. Timbering throughout is not needed, two assays for every round are not needed, and depreciation on equipment on a 3-year basis is not allowable. Moreover, a full box of powder per 6-foot round suggests retimbering after each blast.

We favor the completion of this project at a more realistic cost. The applicant is qualified to do the work, although we suggest a short form contract with a minimum of items. If the applicant completes the application satisfactorily, and if you so instruct us, we shall compile a revised estimate of the costs.

R. M. Smith

for H. K. Stager

Enclosures