DEPOSITS/PROSPECTS

Beartrack south ore body - (2500 ft. x 250 ft. x 500 ft. ave. grade 0.068 oz/ton)
hosted in Yellowjacket quartzites, the mineralization is pyrite and arsenopyrite associated with stockwork quartz veining, structurally controlled the by Panther Creek Liniment a (Trans-Challis). Oxide reserves presently announced are 20 million tons grading 0.07 opt Au

Beartrack north ore body - (3400 ft. x 300 ft. x 500 ft. ave. grade 0.044 oz/ton)
hosted in quartz monzonite, the mineralization is the same as the south ore body, at intersection of Panther Creek Liniment (trans-Challis) and Jeese Creek Fault (Trans-Lemhi)

(Beartrack Deposit owned by Meridian Gold a subsidiary of Burlington Northern Railway, has an announced total of 65.0 million tons @ .044 opt of Au. to a depth of 550 feet. Sulphide mineralization is known to a depth of 1500 feet grading between 0.1 and 0.5 opt Au. with a total announced contained ounces of Au greater than 2.6 million ounces.)

Redrock - 11 claims 227 acres, Formation/Corona JV hosted in quartz monzonite, similar to the Beartrack north ore body in mineralization and structural control (intersection of trans-Challis and trans-Lemhi shears)

(the three above targets sit at the juncture points of a triangle formed by the intersection of the Panther Creek Fault and the Jeese Creek Fault)

Bobcat - Formation/Corona JV controls the entire northeast strike potential of the Beartrack Deposit

targets: approx. 1008 claims (20,826 acres) as of Jan. 89

Napoleon Hill - Porphyry Copper system, drilled by Cominco in 1978-80 (10,000 plus drilling) returned copper grades of 326' @ .37% (which included 111' @ .56%) and 150' @ .26%

Lang Mine - 1 patented claim, past producer of 4,000 ounces of gold, precious metals hosted within shear zone

Daily Creek - extensively placered in the early 1900 producing over 100,000 ounces of gold, shear zone similar to Beartrack - splay of the trans-Challis, Panther Creek fault

Sims Mine - 4 patented claims, past producer 4,000 oz. Au., precious metals hosted within shears contained in the Yellowjacket

Moose Creek - extensively placered in the early 1900, produced more placer gold than Napias Creek (ie.Beartrack) approx. 500,00 oz. Au.

Dump Creek - extensively placered in early 1900, produced 100,000 oz. Au.

Sawpit Ridge - no records, prospect pits, old workings, and past placer production

The Formation/Corona Joint Ventures is currently permitting drill roads and pads for 1990.

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<u>Bowman</u> - 75 claims (1550 acres), Hecla/Formation JV which surround 5 patented claims owned by the JV, past producer of copper (approx. 29,000 lbs.), 1989 trenching program completed by Hecla for the JV, drill program planned for 1990

<u>Queen Of The Hills Mine</u> - 7 claims (145 acres) 100% controlled by Formation, lease/optioned by Formation, past producer (75,000 oz. Au) second only to the Kitty Burton Mine in historical production, 9,000 feet of underground workings exploiting three veins which averaged 0.25 opt Au., surface expression of veins indicates strike lengths of 2500 feet, 1989 surface sampling returned gold values up to 0.056 opt Au. and underground sampling returned values ranging from 0.046 to 0.378 opt Au.

<u>King Soloman Mine</u> - 4 claims (82.6 acres) 100% controlled by Formation, lease/optioned by FCC, past producer, 4.5 miles east of Beartrack, series of adits and shafts from early 1900's which follow northwest trending shears with strike lengths of approximately 5,000 feet and widths of up to 20 feet, these shears intersect the Sharky Creek Fault a persistent splay of the Panther Creek Fault (trans-Challis), intense tourmanalization of Yellowjacket and Precambrian granites, on a parallel structure to the Beartrack deposit, surface sampling in 1989 returned values averaging 0.053 opt Au.

<u>Morning Glory</u> - 86 claims (1777 acres) 100% owned by Formation, no records of historical work, series of old adits and shafts also prospect pits along a shear that has been traced for approximately 2500 feet with a width of approximately 20 feet, 1988 surface sampling returned values averaging 0.05 opt Au. and as high as .171 opt Au

<u>Silverton</u> - 4 claims (82.6 acres) 100% controlled by Formation, lease/optoined by Formation, past producer late 1800 to early 1900 internal to Morning Glory Claim Block, series of adits shafts and prospect pits on shear traced for 3500 feet with a width of 20 feet, 1988/1989 surface sampling returned values averaging 0.113 opt Au.

<u>Wallace Creek</u> - 16 claims (331 acres) 100% controlled by Formation, lease/optioned by Formation past producer, shafts, adits and trenches, reported underground samples returned values of up to 30 opt Au., 1989 surface sampling returned values of up to 0.05 opt Au. over 60 feet

<u>Shark</u> - 77 claims (1591 acres) 100% owned by Formation, follows the Sharky Creek Fault a splay of the Panther Creek Fault (trans-Challis), prospect pits and adits, 1988 surface sampling returned values of greater than 0.40 opt Au. over 5 foot widths

<u>Tram</u> - 72 claims (1488 acres) 100% owned by Formation, located in the historical mining district of Gibbonsville, workings include adits and prospect pits, 1989 surface sampling returned values ranging up to 0.101 opt Au., observed strike length of shears to data is over 1000 feet with widths ranging between 15 and 20 feet, sampling across the sears has returned values of pu to 0.04 opt Au. and 1.5 opt Ag. over 20 feet

<u>Pony</u> - 75 Claims (1550 acres) 100% owed by Formation, intersection of Sharky Creek Fault (parallel to Panther Creek Fault) and the Arnett Creek Fault

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<u>Ditch Creek</u> - FMC, hosted in Yellowjacket, 1989 drilling program, fault junctions mineralized, located across the valley from Formation's Tram claims

<u>Freeman Creek</u> - Private, proven reserves of 30,000 to 50,000 oz., grade of ore 0.06 opt Au. with a strip ratio of .25/1, Placer Dome is conducting exploration in the vicinity on BHP/Placer JV

<u>Arnett Creek</u> - AGR/Meridian JV, on going drilling, Cambrian deposit related to alkalic intrusive

<u>Kitty Burton</u> - Noranda/Echo Bay, largest historical production in the Salmon area, on going exploration

<u>Blackbird</u> - Noranda Copper/Cobalt mine, in process of being sold to Blackbird Mines a private NY company for $8 million (Blackbird Mines are planning a hydro metallurgical facility for the area)

<u>Bird Creek</u> - AGR/Asarco JV, active drilling during 1989, located east of Formations Wallace Creek property

<u>Pine Creek</u> - Total Energold, active drilling during 1989

<u>Wagonhammer Gulch</u> - Goldrite, active surface work during 1989

<u>Lick Creek</u> - Meridian option from ECM, active surface program during 1989

<u>Lost Trail Pass</u> - Goldfields option from ECM, active surface work and trenching during 1989

<u>Gold Bug</u> - Corona, active drilling during 1989

<u>Kenney Creek</u> - Corona, active drilling during 1989

<u>Arn</u> - Corona, surface work geophysics during 1989

Numerous other programs being run by other major companies in the region including BHP Utah, Placer Dome, WestGold (Inspiration/Minorco), and Homestake

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COMPETITOR ACTIVITY

Mineral exploration within the Salmon Gold Belt is dominated by major mining companies, with the exceptions being Formation Capital Corporation and American Gold Resources (AGR). Four companies each control claim holdings greater than 20,000 acres (1000 claims) in the region. These companies are AGR, Meridian Gold (FMC Gold), Newmont, and Formation Capital. Active exploration for gold began in 1986, Formation, AGR, FMC Gold, Meridian Gold (FMC Gold) and Canyon Resources were the first companies to enter the belt. Other companies that are active in the region include Cominco, Independence, Hecla, Homestake, Noranda US Antimony and Pathfinder (see Fig. 4).

Drilling by Meridian Gold during 1988 outlined substantial gold reserves on their Beartrack property. Meridian Gold was subsequently purchased from Burlington Resources by FMC Gold for $94 million. Current plans are to heap leach over 1,000,000 ounces of gold from ore located in two known ore deposits, the north and south ore bodies. Meridian is presently exploring other oxide targets on the property and is investigating the potential of extensive sulphide reserves. Some estimates of contained gold ounces have been as high as 5,000,000, however, no official reserve figure has been published since November 1988 when 36.9 million tons @ 0.055 opt gold was announced (see Fig. 5).

Hecla's Grouse Creek project has entered the mine construction phase. This most southerly deposit in the belt contains 750,000 ounces of gold and 20 million ounces of silver. Plans call for open pit production to begin in the fall of 1993.

US Antimony is currently producing gold from their mine at Yellowjacket. They have a 200 ton per day mill and are producing 9000 ounces of gold per year, form an open pit deposit containing plus 100,000 ounces of gold.

Newmont Exploration Ltd. recently entered into a Lease Option agreement on the Musgrove Mine with Atlas Precious Metals in a combination deal involving two properties. The 35 year lease was acquired for $22.5 million cash, a $7.5 million advanced royalty and is subject to a 5% NSR. Atlas had completed an initial 23 drill hole program and was in the process of permitting additional work involving the disturbance of 47 acres for the establishment of drill pads. Newmont has subsequently posted a $50,000 bond with the USDA Forest Service and may commence operation aa soon as practicable.

American Gold Resources' 1992 drill program on their Arnett Creek project completed the outlining of 10 million ton of 0.04 opt Au. The Arnett Creek project encompass the Italian and Haidee mines. AGR is presently undertaking a feasibility study