11

INFORMATION SUMMARY

ON THE

QUEEN OF THE HILLS MINE

LEMHI COUNTY, IDAHO

SALMON REGION

FORMATION CAPITAL CORPORATION
425-744 West Hastings St.
Vancouver, B.C.
V5C 1A6

Telephone: (604) 682-6229
Fax: (604) 682-6250

QUEEN OF THE HILLS

Location, Access and Physiography

The Queen of the Hills Mine is located 6 miles northwest of the town of Salmon, Idaho within the Salmon River Mountain Range. The property is accessible from Salmon via Highway 93 north 3.5 miles to the Stormy Peak road (USFS 023), then west for 3 miles to the Queen of the Hills access road (USFS 023C), and from there 1500 feet west to the mine site.

The topography is gentle to moderate with relief ranging from 5700 feet to 5850 feet. Vegetation consists of Ponderosa Pine with minor underbrush. The open areas are covered by sage brush and grasses. Snow cover can be expected between late December and early March. Summers tend to be hot and dry with temperatures occasionally reaching 95 degrees F.

Land Status

The Queen of the Hills claims are located in the Eureka mining district of the Salmon National Forest approximately 4.5 miles west of Salmon, Idaho. Topographic map coverage is provided by the Salmon U.S.G.S. 7.5 minute quadrangle. The property is situated in T. 21 N.; R. 21 E. sections 11 and 14 (Boise Meridian). Formation Capital Corporation's current position of seven unpatented mining claims is held by lease option agreement with John Gaston. The current claims cover the former workings of the mine and 4000 feet of strike along the vein system. Further potential exists to extend the claim block to the east and south along northwest trending mineralized structures.

Competitor Activity

Several active exploration programs occur near the Queen of the Hills mine. These include: the Meridian\Canyon joint venture on the Beartrack property, the Meridian\American Gold Resources joint venture on Arnett Creek (both of these projects have announced reserves), the Corona/Formation Bobcat joint venture project, Asarco\AGR joint venture on Bird Creek, the Hecla/Formation Bowman joint venture, and the Morning Glory-Shark property of Formation Capital. Additional companies that are active in the Salmon region include Placer Dome, Echo Bay, Noranda, Goldfields, BHP-Utah and Teck.

Regional Geology

The Salmon - Leesburg region falls within the Trans-Challis structural system; a strong, deep seated, northeast trending fault system located near the Western Cratonic Margin. The area has been the focus of igneous and volcanic activity and associated mineralization from Precambrian to Tertiary time. The Trans-Challis system extends from Boise, Idaho to Helena, Montana and hosts several copper and molybdenum porphyry systems, numerous precious metals prospects and has produced over six million ounces of lode and placer gold.

The geology of the area is dominated by extensive Cretaceous to Tertiary granitic batholiths which have intruded thick sequences of Precambrian and Palaeozoic sediments. Regional thrust faulting transported slices of the Precambrian and Paleozoic sediments westerly during the close of the Cretaceous orogenic event. Large scale felsic volcanism associated with graben and caldera development occurred along the Trans-Challis system during Early Tertiary times.

Property Geology

The Queen of the Hills Mine area is contained exclusively in Precambrian monzonitic intrusive rocks containing large euhedral feldspars and biotites in a generally aphanitic groundmass. Mineralization occurs along prominent shear zones within the intrusive and as stockwork zones in areas of highest dilation. Three of the shears have been mined most extensively, the N12E to N30E tending Eva, Queen and Nellie veins. However, prospects and trenches explore a variety of mineralized fault zones.

The mine was discovered in the early 1890's during extensive placering of Deriar Gulch but active development did not commence until 1898. Initially mining was conducted from the Silver Queen shaft on the southern most exposure of the Queen vein. By the mid 1900's the main portal crosscut was driven to allow for deeper development. The crosscut intercepted the vein 10,000 feet north of the Silver Queen Shaft at the 400 foot level and a lateral was extended north from the crosscut to explore the vein along its northern extensions. By 1917 over 9000 feet of workings on five levels had been opened. A separate set of workings exposed the Nellie vein system. The workings were connected by track to a central mill. Work has been carried out intermittently from discovery to present. Total documented past gold production is approximately 75,000 ounces.

Not true

Mineralization

Higher grade gold ore tends to occur in shoots, of which, five supplied the majority of early production. Grades of ore from the shoots ranged between 0.20 opt - 0.41 opt Au with an average grade of 0.25 opt Au. The Eva vein follows a 5 foot wide brecciated zone in which gold bearing quartz veins from 8 to 14 inches wide are found. The zone surrounding this breccia is commonly sheared for up to 50 feet on either side and contains numerous individual gold bearing quartz stringers separated by potassiclly altered to fresh intrusive.

The Queen and Nellie veins occur as replacement zones in individual 12-15 foot wide shears in which strongly chloritized schistose monzonite is replaced by banded vein quartz containing rare scattered sulphide and their oxidation products. Gold occurs in native form, but it is rarely coarse enough to be visible. Distinct nugget effects have been noted in previous sampling. Sampling to date has returned gold values ranging between 128 ppb and 1883 ppb from 20 to 40 foot wide shear zones and has returned gold values upto 12,774 ppb from vein materal.

Zones containing anomalous gold values in strongly potassically altered and stockworked monzonite have been noted in the area. No ore grade exposures of these zones have been sampled, as poor exposure and strong surface leachment have prohibited sampling. These zones occur near the intersection of vein structures and along fault flexures. At least 4 areas of strong alteration and stockworking have been noted.

Potential exists for stronger vein structures below the 400 level, where intersections of oppositely dipping veins should occur. The Eva structure dips 70 degrees SE while the Queen Structure dips 80 degrees NW and their structural junction should occur 100-200 feet below the limit of present workings. Strike convergence between the Eva and Queen zones south of the Silver Queen Shaft is also expected.

Conclusions

The Queen of the Hills Mine is well situated in prime exploration country and offers an excellent opportunity for the discovery of a large gold deposit. Past production of over 75,000 ounces of gold gives some indication of the properties potential. Most of the underground workings are in good shape and are easily accessible allowing for efficient exploration and development.

FORMATION CAPITAL CORPORATION

MINERAL DIVISION
TEL: (604) 980-2420
FAX: (604) 986-7227
TELEX: 04352841

FOR IMMEDIATE RELEASE NOVEMBER 15, 1989

VSE SYMBOL: FCO

FORMATION CAPITAL CORPORATION ACQUIRES THE QUEEN OF THE HILLS MINE

Formation Capital Corporation is pleased to announce the acquisition of the Queen of the Hills Mine located in the Salmon Area of Idaho. Queen of the Hills has one of the largest records of gold production in the Salmon Area, second only to the Kitty Burton Mine presently owned by Noranda. The mine has produced approximately 75,000 ounces of gold at an average grade of 0.25 opt (300,000 tons) in the late 1800's and early 1900's. Samples taken across shear zones ranging in width from 10 to 12 feet returned grades up to .056 opt gold. Samples taken from the main Queen mine workings returned values from .046 opt to .378 opt gold.

In addition, the Company recently staked the Tram group of claims (approximately 1488 acres) located in the Gibbonsville mining district of Idaho, site of the 1876 gold rush. Sheared brecciated and hydrothermally altered quartzites and quartz veins carry values ranging from several hundred ppb up to .101 opt gold, and silver values up to 2.0 opt. Chip samples over 20 ft. have returned gold values of .048 opt and silver values of approximately 1.5 opt. Observed strike length to date is over 1000 feet and the observed width appears to range between 15 and 50 feet. Meridian Gold (Subsidiary of Burlington Resources - BR-NYSE) holds the claim group contiguous to the north and BHP Utah holds the ground immediately north of Meridian. Meridian's Beartrack deposit, reported to contain 2 million ounces of gold is located in the area of the Leesburg gold rush of 1866, some 20 miles to the south.

Formation's wholly owned Queen of the Hills and Tram properties are exciting new assets in the Salmon Area where the Company holds joint ventures with Corona Gold and Hecla Mining Company. The Company continues to be aggressive in the area and is actively acquiring additional properties.

- 30 -

The Vancouver Stock Exchange has neither approved nor disapproved the form or the content of this release.

J. Scott Bending, President

119 - 255 WEST FIRST STREET
NORTH VANCOUVER, B.C.
V7M 3G8

age (p. 152). Like the Mackinaw deposits, those of the Eureka district are thought to be genetically related to the granitic intrusion.

MINES.

QUEEN OF THE HILLS MINE.

The Queen of the Hills mine, owned by the Copper Queen Mining & Smelting Co., is situated 7 miles northwest from Salmon at an elevation of 5,800 feet on Dryer gulch. Location was made in the early eighties but active development did not commence until 1898. Since then, about 9,000 feet of work has been done, the mine being opened on five levels and to a maximum depth of 400 feet. The production is about $80,000 in gold bullion, most of which has been extracted by a 15-stamp mill situated on the property.

Three veins, all in granite, have been explored. They strike N. 27° E. and one (Queen vein) dips 80°–85° SE.; the other two (Nellie and Eva veins) dip in the opposite direction at about the same angle. The Eva, the most westerly vein, occurs as a band of quartz 8 to 14 inches wide, following one or the other wall of a 5-foot brecciated zone. The Queen (the central vein) follows a zone about 12 feet wide, possibly one-half of which is made up of quartz, either as distinct bands or filling interstices between granite fragments. The Nellie vein is similar to the Queen.

The ore occurs in shoots, five of which have been found—two in the Nellie vein, two in the Queen, and one in the Eva. They all pitch from 45° to 55° S. In them the quartz is of the coarsely crystalline variety common to all parts of the vein, but scattered through it irregularly are crystals of pyrite, chalcopyrite, and a little galena, together with their oxidation products, chief of which are limonite and malachite. Gold is thought to be associated with the pyrite, for it is said to vary in amount with that mineral. The average gold content for the Eva shoot is said to be $3.50 per ton, though in a small stope near the surface the average was $18 and in another on the fifth level it was $19.40 per ton. The better ore in the Nellie vein is said to run from $5 to $8.

U. P. & BURLINGTON MINE.

The U. P. & Burlington mine is situated at an elevation of 8,600 feet on the mountain slope west of Salmon. Development includes six tunnels, distributed up the mountain side at elevations 100 feet apart, and a shallow shaft beyond the upper one, in all about 2,000 feet of work. A 10-stamp mill, which has treated a small tonnage of ore, is situated on the property. The total production is perhaps a few thousand dollars, $800 having been derived from the last mill run of 40 tons.

Umpleby 1913

Chemex Labs Ltd.

Analytical Chemists * Geochemists * Registered Assayers
212 Brooksbank Ave., North Vancouver
British Columbia, Canada V7J 2C1
PHONE: 604-984-0221

MINOREX CONSULTING LTD.

11967 - 83 A AVE.
DELTA, BC
V4C 2J5

A9028313

Comments: ATTN: DOUG BLANCHFLOWER

CERTIFICATE A9028313

MINOREX CONSULTING LTD.

Project: QUEEN OF THE HILLS
P.O. # :

Samples submitted to our lab in Vancouver, BC.
This report was printed on 8-JAN-91.

SAMPLE PREPARATION

CHEMEX CODE	NUMBER SAMPLES	DESCRIPTION
208	50	Assay ring to approx 150 mesh
294	50	Crush and split (0-10 pounds)
238	50	NITRIC-AQUA REGIA DIGESTION
287	50	Special dig'n with organic ext'n

ANALYTICAL PROCEDURES

CHEMEX CODE	NUMBER SAMPLES	DESCRIPTION	METHOD	DETECTION LIMIT	UPPER LIMIT
998	50	Au oz/T: 1 assay ton	FA-AAS	0.001	20.00
6	50	Ag ppm: HNO3-aqua regia digest	AAS-BKGD CORR	0.2	100.0
13	50	As ppm: HNO3-aqua regia digest	AAS-HYDRIDE/EDL	1	10000
23	50	Bi ppm: HCl-KClO3 digest, extrac	AAS-BKGD CORR	0.1	1000
2	50	Cu ppm: HNO3-aqua regia digest	AAS	1	10000
7	50	Cd ppm: HNO3-aqua regia digest	AAS-BKGD CORR	0.1	200
20	50	Hg ppb: HNO3-HCl digestion	AAS-FLAMELESS	10	100000
3	50	Mo ppm: HNO3-aqua regia digest	AAS	1	1000
4	50	Pb ppm: HNO3-aqua regia digest	AAS-BKGD CORR	1	10000
22	50	Sb ppm: HCl-KClO3 digest, extrac	AAS-BKGD CORR	0.2	1000
16	50	Se ppm: HCl-KClO3 digest, ext	AAS-BKGD CORR	0.2	100.0
5	50	Zn ppm: HNO3-aqua regia digest	AAS	1	10000

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Analytical Chemists * Geochemists * Registered Assayers
212 Brooksbank Ave., North Vancouver
British Columbia, Canada V7J 2C1
PHONE: 604-984-0221

To: MINOREX CONSULTING LTD.

11967 - 83 A AVE.
DELTA, BC
V4C 2J5

Project : QUEEN OF THE HILLS
Comments: ATTN: DOUG BLANCHFLOWER

Invoice Date: 8-JAN-91
Invoice No. : I-9028313
P.O. Number :

CERTIFICATE OF ANALYSIS A9028313

SAMPLE DESCRIPTION	PREP CODE		Au oz/T	Ag ppm Aqua R	As ppm	Bi ppm	Cu ppm	Cd ppm	Hg ppb	Mo ppm	Pb ppm	Sb ppm	Se ppm	Zn ppm		
9022-01	208	294	< 0.001	< 0.2	22	0.5	20	1.2	300	1	24	11.8	< 0.2	96		
9022-02	208	294	< 0.001	< 0.2	< 1	0.1	13	< 0.1	470	< 1	17	0.6	< 0.2	45		
9022-03	208	294	0.023	2.0	6	0.9	1200	< 0.1	810	5	>10000	18.4	< 0.2	56		
9022-04	208	294	0.028	3.4	20	22.0	700	0.2	780	2	>10000	19.2	< 0.2	36		
9022-05	208	294	0.002	< 0.2	2	0.3	34	< 0.1	140	1	450	5.4	< 0.2	45		
9022-06	208	294	0.192	1.0	10	14.0	1200	0.5	160	2	>10000	2.6	< 0.2	17		
9022-07	208	294	0.017	0.8	1	13.0	460	0.1	120	2	5500	2.0	< 0.2	12		
9022-08	208	294	< 0.001	< 0.2	1	0.5	20	< 0.1	420	< 1	140	0.4	< 0.2	31		
9022-09	208	294	< 0.001	< 0.2	< 1	0.6	10	< 0.1	410	< 1	500	1.4	< 0.2	25		
9022-10	208	294	< 0.001	0.4	4	1.0	23	< 0.1	130	2	74	3.0	< 0.2	86		
9022-11	208	294	0.041	0.6	1	14.0	30	< 0.1	70	2	450	0.6	< 0.2	61		
9022-12	208	294	0.001	0.7	< 1	4.0	32	< 0.1	70	1	198	< 0.2	< 0.2	37		
9022-13	208	294	< 0.001	0.3	< 1	8.5	36	< 0.1	80	< 1	215	0.6	< 0.2	69		
9022-14	208	294	0.001	< 0.2	2	2.6	42	< 0.1	50	< 1	440	0.6	< 0.2	43		
9022-15	208	294	< 0.001	< 0.2	< 1	2.0	48	< 0.1	60	1	240	3.0	< 0.2	24		
9022-16	208	294	< 0.001	0.3	1	0.2	15	< 0.1	30	2	26	1.4	< 0.2	94		
9022-17	208	294	< 0.001	< 0.2	1	0.1	6	< 0.1	30	1	4	0.2	< 0.2	18		
9022-51	208	294	< 0.001	< 0.2	1	0.3	6	0.2	80	< 1	22	0.2	< 0.2	44		
9022-52	208	294	0.002	0.2	16	0.7	10	< 0.1	150	1	60	1.0	< 0.2	122		
9022-53	208	294	0.004	0.4	15	0.9	8	< 0.1	90	2	10	2.4	< 0.2	285		
9022-54	208	294	< 0.001	0.3	11	0.5	7	< 0.1	70	< 1	10	1.4	< 0.2	240		
9022-55	208	294	< 0.001	0.2	2	0.2	5	< 0.1	90	1	2	0.4	< 0.2	210		
9022-56	208	294	0.001	2.2	2	0.2	24	< 0.1	60	2	22	1.8	< 0.2	45		
9022-57	208	294	< 0.001	0.9	5	0.2	22	< 0.1	70	2	280	1.8	< 0.2	38		
9022-58	208	294	0.001	0.7	1	0.3	10	0.7	120	1	16	1.0	< 0.2	92		
9022-59	208	294	0.003	2.1	1	19.0	12	< 0.1	50	9	60	0.2	< 0.2	9		
9022-60	208	294	0.001	< 0.2	1	4.3	136	< 0.1	80	1	970	0.6	< 0.2	23		
9022-61	208	294	< 0.001	< 0.2	2	0.3	14	< 0.1	50	1	160	1.2	< 0.2	20		
9022-62	208	294	< 0.001	1.4	< 1	0.1	4	< 0.1	30	1	5	0.4	< 0.2	5		
9022-63	208	294	0.009	0.2	2	0.2	8	< 0.1	50	1	88	0.4	< 0.2	20		
9022-64	208	294	0.001	< 0.2	1	1.5	30	< 0.1	30	1	500	1.8	< 0.2	28		
9022-65	208	294	0.001	0.5	< 1	1.3	69	< 0.1	40	1	820	0.2	< 0.2	36		
9022-66	208	294	< 0.001	0.2	< 1	0.3	18	< 0.1	20	1	280	< 0.2	< 0.2	16		
9022-67	208	294	0.002	0.4	1	2.0	192	< 0.1	20	< 1	820	0.2	< 0.2	45		
9022-68	208	294	< 0.001	0.7	1	1.2	350	< 0.1	150	2	6800	0.8	< 0.2	49		
9022-69	208	294	< 0.001	0.5	< 1	0.1	50	< 0.1	40	< 1	280	0.2	< 0.2	16		
9022-70	208	294	< 0.001	< 0.2	< 1	< 0.1	24	< 0.1	20	1	150	0.2	< 0.2	6		
9022-71	208	294	< 0.001	< 0.2	< 1	0.1	7	< 0.1	90	< 1	10	0.8	< 0.2	24		
9022-72	208	294	< 0.001	0.5	1	< 0.1	6	1.6	70	< 1	6	0.4	< 0.2	33		
9022-73	208	294	0.245	10.8	4	2.7	76	0.4	1500	1	800	30.0	< 0.2	37		

CERTIFICATION: Ian Bichler

Chemex Labs Ltd.

Analytical Chemists * Geochemists * Registered Assayers
212 Brooksbank Ave., North Vancouver
British Columbia, Canada V7J 2C1
PHONE: 604-984-0221

MINOREX CONSULTING LTD.

11967 - 83 A AVE.
DELTA, BC
V4C 2J5

Project : QUEEN OF THE HILLS
Comments: ATTN: DOUG BLANCHFLOWER

Invoice Date: 8-JAN-91
Invoice No. : I-9028313
P.O. Number :

CERTIFICATE OF ANALYSIS A9028313

SAMPLE DESCRIPTION	PREP CODE		Au oz/T	Ag ppm Aqua R	As ppm	Bi ppm	Cu ppm	Cd ppm	Hg ppb	Mo ppm	Pb ppm	Sb ppm	Se ppm	Zn ppm		
9022-74	208	294	0.002	0.2	< 1	0.1	4	< 0.1	40	1	9	0.2	< 0.2	5		
9022-75	208	294	0.001	0.8	< 1	0.3	12	0.5	220	1	200	2.2	< 0.2	44		
9022-76	208	294	< 0.001	0.3	< 1	< 0.1	7	0.8	140	< 1	55	0.6	< 0.2	30		
9022-77	208	294	< 0.001	< 0.2	< 1	0.4	5	0.4	90	< 1	9	0.2	< 0.2	39		
9022-78	208	294	< 0.001	0.2	< 1	0.4	7	< 0.1	100	< 1	8	0.6	< 0.2	38		
9022-79	208	294	0.003	< 0.2	3	9.7	8	< 0.1	170	3	7	1.8	< 0.2	28		
9022-80	208	294	0.319	2.2	< 1	340	620	< 0.1	110	< 1	78	2.0	< 0.2	14		
9022-81	208	294	0.019	0.2	< 1	1.0	66	< 0.1	40	< 1	4	0.6	< 0.2	16		
9022-82	208	294	< 0.001	0.2	< 1	1.3	56	< 0.1	110	< 1	12	0.6	< 0.2	31		
9022-83	208	294	< 0.001	0.3	1	1.5	82	< 0.1	100	< 1	8	0.6	< 0.2	28		

CERTIFICATION: Ian Bichler

Chemex Labs Ltd.

Analytical Chemists * Geochemists * Registered Assayers
212 Brooksbank Ave., North Vancouver
British Columbia, Canada V7J 2C1
PHONE: 604-984-0221

To: MINOREX CONSULTING LTD.

11967 - 83 A AVE.
DELTA, BC
V4C 2J5

A911025

Comments: ATTN: DOUG BLANCHFLOWER

CERTIFICATE A9110252

MINOREX CONSULTING LTD.

Project: 90-22QUEENOFTHEHILLS
P.O. # :

Samples submitted to our lab in Vancouver, BC.
This report was printed on 16-JAN-91.

SAMPLE PREPARATION

CHEMEX CODE	NUMBER SAMPLES	DESCRIPTION
207	10	Assay pulv, screen -150, roll
294	10	Crush and split (0-10 pounds)

ANALYTICAL PROCEDURES

CHEMEX CODE	NUMBER SAMPLES	DESCRIPTION	METHOD	DETECTION LIMIT	UPPER LIMIT
880	10	Au oz/t: Total, metallics calc	FA-AAS/GRAV	0.001	20.000
884	10	Au- oz/t: Metallics calculation	FA-AAS/GRAV	0.001	20.000
887	10	Au+ mg: Metallics calculation	FA-AAS/GRAV	0.001	50.000
889	10	Weight- g: Metallics calculation	BALANCE	1	N/A
888	10	Weight+ g: Metallics calculation	BALANCE	0.01	N/A

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British Columbia, Canada V7J 2C1
PHONE: 604-984-0221

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11967 - 83 A AVE.
DELTA, BC
V4C 2J5

Project : 90-22QUEENOFTHEHILLS
Comments: ATTN: DOUG BLANCHFLOWER

Invoice Date: 16-JAN-91
Invoice No. : I-9110252
P.O. Number :

CERTIFICATE OF ANALYSIS A9110252

SAMPLE DESCRIPTION	PREP CODE		Au tot oz/t	Au - oz/t	Au + mg	Wt. - grams	Wt. + grams
9022-03	207	294	0.024	0.024	0.003	231	2.11
9022-04	207	294	0.036	0.034	0.020	263	2.19
9022-06	207	294	0.161	0.084	0.832	282	15.20
9022-07	207	294	0.042	0.028	0.121	212	14.59
9022-67	207	294	0.004	0.004	< 0.002	240	11.45
9022-68	207	294	< 0.002	< 0.002	< 0.002	184	11.36
9022-73	207	294	0.182	0.173	0.158	250	12.71
9022-75	207	294	< 0.002	< 0.002	< 0.002	252	8.21
9022-80	207	294	0.380	0.351	0.290	220	5.23
9022-81	207	294	0.021	0.022	< 0.002	212	7.93

CERTIFICATION: W. Ken Bradshaw