

ARGUS GOLD PROJECT
INYO COUNTY, CALIFORNIA
REVISED PROGRAM and BUDGET to DECEMBER 31, 1989
for
CHILDS INTERNATIONAL, INC.
by
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RIDGECREST, CA

MARCH 15, 1989

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I SUMMARY OF PROGRAM

1.0 Introduction

This document is a revision of the budget proposed in the report by the writer dated November 30, 1988. The main objective is to incorporate the financial obligations of Childs, International Inc. in order that they are able to earn their equity interest in the project by December 31, 1989. In addition, the technical objective is to bring the project to final permitting approval by the respective regulatory agencies by late 1989 and allow construction to commence for small scale production as soon as possible.

This budget has assumed that, after previous expenditures and 1989 property payments, Childs is required to expend \$521,365.71 plus property payments by December 31, 1989 to satisfy their financial commitments. In order to achieve the required technical objectives, the balance of the budget would be on a 60% (Childs) : 40% (Queenstake) basis as documented in the Agreement between the two parties.

This program and budget assumes Childs to be Operator of the project commencing January 1, 1989 and is subject to internal corporate decisions.

2.0 Preliminary Engineering Studies

Computer modelling of the pits, access roads, mill site and infrastructure commenced in October 1988 and were completed in February, 1989. These will be continued by a selected consulting engineering

engineering firm. Recommended water well testing should commence as soon as possible as this is a critical commodity for the project. Preliminary well site locations have already been determined by the writer. Hydrological pump down tests and hydro-geochemical testing will also be required. Groundwater testing at the mine site is not necessary during this program.

3.0 Drilling

The core drilling at Davenport is required to verify assay results of previous reverse circulation drilling, provide structural/mineralogical data, and also sample material for rock mechanics studies. Condemnation drilling to test the leach pad areas will also be necessary.

4.0 Surveying

Underground surveying previously recommended at the Davenport to update the presently available information will not be possible due to poor shaft conditions. The planned surface surveying will be significantly more accurate with the availability of new base maps derived from the 1988 air photographic survey.

5.0 Metallurgical Testing

Bateman Laboratories have strongly recommended a minibulk test on the Davenport ore for plant design purposes. This would involve a 6' x 15' column test to be carried out at their Sparks laboratory rather than an onsite test which would require BLM permitting approval.

A normal (12' x 8') column test on the West Davenport material is warranted because of higher clay content, a critical factor in the heap leaching extraction process of gold.

6.0 Environmental Baseline Studies

These matters are outlined in detail in the document by Steffan, Robertson and Kirsten (SRK), dated March 1988, and have been modified in follow-up discussions during February 1989. An additional high priority item for SRK in conjunction with the final feasibility study is the design of the leaching pads and cyanide solution ponds.

7.0 Final Feasibility Study

This is an engineering study of major importance for permitting and eventual financing requirements. This matter has been described in previous reports.

The final feasibility study will be tendered on a cost-efficient basis to a reputable firm with local expertise. Discussions have been held with Wright Engineers and Kilborn Engineering of Vancouver, BC and these firms will submit bids when advised of the required project specifications in conjunction with SRK.

8.0 Program Priorities

The foregoing suggested work program should be conducted with individual items in the following priority:

- i) Location of a suitable water supply

- ii) Core drilling for assay confirmation and rock mechanics studies; condemnation drilling of the leach pad sites
- iii) Metallurgical testing of West Davenport ore; East Davenport bulk sample to be obtained from exploration adits near the Davenport shaft.
- iv) Environmental baseline studies as recommended by Steffan, Robertson and Kirsten (SRK) as part of the permitting procedure.
- v) Further preliminary mine engineering studies as recommended by consulting engineers.
- vi) Commission final feasibility study based on program results and as a necessary part of the permitting procedure.
- vii) Finalize Plan of Operation (POO) and Conditional Use Permit (CUP) Application.

9.0 Personnel Requirements

Project Manager	Childs
Mining Engineer	contract
Field Geologist (1)	contract
Field Assistant (1)	contract
Expeditor/Field Assistant (1)	contract
Queenstake Representative	part-time

10.0 Required Support Facilities

Ridgecrest/Trona business sub-office for control, accounting, filing and communications

Assaying - Hunter Laboratories, Sparks

Metallurgical testwork - Bateman, Sparks

Environment - SRK, Reno/Denver
Engineering - Wright or Kilborn
Surveying - Leckey (Ridgecrest)
Drafting - Ridgecrest
Typing/Xerox/Fax - Ridgecrest

PROPOSED BUDGET - REVISED

1.0 Water Well Drilling

Drilling: 10 wells x 150 ft. @ \$20/ft.	=	\$	30,000
Pump tests (SRK)	=		5,000
		\$	<u>35,000</u>

2.0 Engineering Studies

Rock mechanics studies (SRK)		\$	5,000
Pad/pond design (SRK)			20,000
		\$	<u>25,000</u>

3.0 Confirmation and Condemnation Drilling

Davenport core drilling 1500 feet @ \$40/ft.		\$	60,000
Condemnation drilling - pad site 2000 feet @ \$12/ft.			24,000
Catwork for drill sites, access and trenching			15,000
Assaying - drill holes, trenches			20,000
		\$	<u>119,000</u>

4.0 Surveying

Drill sites, property grid		\$	<u>7,000</u>
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5.0 Metallurgical Testing (Bateman Quote)

Davenport 20 ton, 6'x15' column test and sample preparation		\$	30,375
West Davenport 400 pound, 12' x 8' column test and sample preparation			3,047

Onsite sample collection and transport to Reno	15,000
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	\$ 48,422
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6.0 <u>Environmental Studies (SRK)</u>	
Surface water	\$ 2,500
Groundwater (pad sites)	later
Wildlife - Mojave squirrel	3,000
Geochemistry - ore and waste tests on core	5,000
Archeology	2,000
Socio/economic land use	1,000
Visual resources	1,000
Noise	1,000
Air quality monitoring	3,000
Meetings/Travel	5,000
CEQA/NEPA Compliance	4,000
CUP/Reclamation plan	3,000
POU/EA Preparation	5,000
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	\$ 35,500
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7.0 <u>Final Feasibility Study</u>	
Estimated bid	\$ 100,000
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8.0 <u>Project Personnel and Field Expenses</u>	
Project Manager - Childs - 6 months @ \$5,000/month	\$ 30,000
Mining Engineer - (contract) - 4 months @ \$5,000/month	20,000

Geologist (contract)	
- 6 months @ \$3,000/month	18,000
Field Assistant/Expeditor (contract)	
- 6 months @ \$2,300/month	13,200
Field Assistant (contract)	
- 6 months @ \$2,100/month	12,600
Queenstake Representative (part-time)	
- 6 months @ \$2,500/month	15,000
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	\$ 108,800
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9.0 Field Expenses and Support Costs

Personnel living expenses	
- 30 man/months @ \$1,000	\$ 30,000
Office - Ridgecrest	
- 6 months @ \$1,500/month	9,000
Transportation	
- 15 vehicle months @ \$2,000	30,000
Communications - telephone, FAX	7,000
Field Supplies	10,000
Drafting/prints/Xerox	7,000
Accounting/typing	8,000
Storage - Reno/Ridgecrest	1,000
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	\$ 102,000
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GRAND TOTAL

\$ 580,722

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