

Furnished to: \_\_\_\_\_

Memorandum No. \_\_\_\_\_

CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

**BLACKSTONE MINING COMPANY, LIMITED**

(An Idaho Corporation)

Up to \$3,000,000 in Private Placement Units

Price per Unit: \$25,000

One Unit = 25,000 Common Voting Shares combined with a Refinery Coupon and a like number of five-year Stock Purchase Warrants exercisable at \$5.00 per share.

The date of this Memorandum is April 7, 2014

This private placement memorandum (“**Memorandum**”) constitutes an offering of an equity interest (“**Offering**”) in Blackstone Mining Company, Limited (“**Company**”) only in those jurisdictions where, and to those persons whom, they may be lawfully offered for sale. You should make your own decision whether this Offering meets your investment objectives and risk-tolerance level. No federal or state securities commission has approved, disapproved, endorsed, or recommended this Offering, or confirmed the accuracy or completeness of this Memorandum. It is illegal for anyone to tell you otherwise.

**THESE ARE SPECULATIVE SECURITIES THAT INVOLVE A HIGH DEGREE OF RISK. ONLY INVESTORS WHO CAN BEAR THE LOSS OF THEIR ENTIRE INVESTMENT SHOULD CONSIDER AN INVESTMENT IN THESE UNITS.**

This Memorandum is confidential and is provided to assist you and your advisors in evaluating the securities of the Company, and is not to be construed as an advertisement or a public offering. You may not copy this Memorandum, in whole or in part, or deliver it to any person (other than your legal, tax, or financial advisors) without the Company’s prior written consent.

<b>Offering</b>	<b>Price To Investors<sup>1</sup></b>	<b>Maximum Fees<sup>2</sup></b>	<b>Proceeds<sup>3</sup></b>
Per Unit	\$25,000	\$2,000	\$23,000
Maximum	\$3,000,000	\$240,000	\$2,760,000

<sup>1</sup> This Offering is being conducted through the Company on a “best efforts” basis. There is no escrow; the proceeds from this Offering will be immediately available to the Company for the purposes set forth herein (see “Use of Proceeds”). The Company reserves the right to undertake additional offerings, provided that such offerings do not affect the Company’s right to rely on Regulation D of the *Securities Act of 1933*. The present Offering shall remain open for a period of 160 days from the date of this Memorandum and may be extended without notice by the Company. The Company reserves the right to accept oversubscription of the Units offered herein (see “Plan of Distribution”).

<sup>2</sup> At the discretion of the Company, a finder’s fee may be paid to certain individuals who introduce the Company to Accredited Investors who subsequently subscribe to the Units offered herein. In no instance will such finder’s fee exceed \$2,000 per \$25,000 unit. No officers or director of the Company will receive any compensation for the introduction of investors. Both finders and Company personnel may receive reimbursement for reasonable out-of-pocket expenses in connection with investor introductions.

<sup>3</sup> The proceeds to the Company do not take into account fees and expenses for legal, printing, and other costs, which are estimated to be \$50,000. See “Use of Proceeds” and “Terms of the Offering.”







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## INTRODUCTION

This Memorandum relates to the Offering of equity interests (“**Units**”) in the Company. Prior to consummation of the Offering, we will make available to you and each prospective investor the opportunity to ask questions of executive management concerning the terms and conditions of the Offering, and to obtain any additional information necessary to verify the accuracy of the information in this Memorandum, to the extent the Company possesses such information or can acquire it without unreasonable expense. No other persons are authorized to give any information or to make any representations in connection with the Offering.

The Units are being offered when, as, and if issued, subject to prior sale or withdrawal, cancellation, or modification of the Offering without notice and subject to the approval of certain legal matters by counsel and certain other conditions. No Units may be sold without delivery of this Memorandum.

**Neither the Company nor any of the Units have been or will be registered under the *Securities Act of 1933*, as amended (“*Securities Act*”),<sup>1</sup> the *Investment Company Act of 1940*, as amended,<sup>2</sup> or the securities laws of any of the state. The offer and sale of the Units is being made in reliance upon an exemption from the registration requirements of the *Securities Act* and under state securities laws for offers and sales of securities that do not involve any public offering. As a result, the Units may not be resold or transferred unless they are registered under the *Securities Act* or such resale or transfer is exempt from the registration requirements of the *Securities Act* and applicable state and other securities laws. Because of such restrictions, it is unlikely that a secondary trading market for the units will develop, and you must be prepared to bear the entire risk of your investment for an indefinite period of time.**

### **Memorandum is not tax or legal advice**

You must not construe the contents of this Memorandum or any communications from the Company, or any of its officers, employees, or agents, as legal, accounting, regulatory, or tax advice. Prior to investing in the Units, you should consult with your attorney and your investment, accounting, regulatory, and tax advisors to independently evaluate the appropriateness of such an investment for you, including the applicability of any legal restrictions.

### **No obligation to update**

This Memorandum does not include information relating to events occurring subsequent to its date. The delivery of this Memorandum does not imply that information herein is correct as of any time subsequent to its date and we undertake no obligation to update such information.

### **Confidentiality**

This Memorandum has been furnished on a confidential basis and may not be copied or used for any other purpose. By accepting delivery of this Memorandum, you agree to return it to us if you choose not to invest in the Company.

### **Restrictions on offer and sale of units**

The delivery of this Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Units. The delivery of this Memorandum does not constitute an offer to sell or the solicitation of an offer to buy Units in the Company in any jurisdiction in which such offer, solicitation or sale is not authorized, or to any person to whom it is unlawful to make such offer, solicitation, or sale.

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<sup>1</sup> 48 Stat. 74 (1933), codified at 15 U.S.C. § 77a *et seq.*

<sup>2</sup> 54 Stat. 841 (1940), codified at 15 U.S.C. § 80a-1– 80a-64

**Investment in the Company involves a high degree of risk and conflicts of interest that you should carefully consider before purchasing any Units (see “Risk Factors”).**

### **Forward-looking statements**

All statements other than statements of historical fact contained in this Memorandum are forward-looking statements within the meaning of section 27A of the *Securities Act*, and section 21E of the *Securities Exchange Act of 1934*, as amended,<sup>3</sup> and are made pursuant to the safe harbor provisions of the *Private Securities Litigation Reform Act of 1995*.<sup>4</sup> Forward-looking statements are characterized by terminology such as “anticipates,” “assumes,” “believes,” “estimates,” “expects,” “forecasts,” “future,” “intends,” “projects,” or “seeks” and similar expressions.

Forward-looking statements involve risks, uncertainties, and other factors that may cause the actual results of the Company to be materially different from that expressed or implied by the forward-looking statements. Such risks include, but are not necessarily limited to, the following:

- Fluctuating prices for metals, particularly gold, silver, copper, zinc, and manganese
- Failure of exploration efforts to expand mineral reserves around the Property
- Unexpected changes in business and economic conditions
- Variances in estimates of mineral reserves and non-reserves
- Unanticipated variations in ore grade
- Unanticipated recovery, production, or transportation problems
- Changes in mining and processing costs
- Availability of skilled personnel, materials, equipment, supplies, power, and water
- Inclement weather
- Results of future exploration activities and feasibility studies
- Receipt and maintenance of government approvals and permits
- Accidents, labor disputes, and other operational hazards
- Environmental liabilities, costs, and risks
- Unanticipated title issues
- Availability of additional capital at reasonable rates, or at all
- Insurance coverage, or lack thereof, for operating risks
- Limited operating history
- Other risks set forth in the section of this Memorandum headed “Risk Factors.”

These factors are not a complete list of factors that could affect the Company. More detailed information is provided in the “Risk Factors” section of this Memorandum.

Although we believe that the expectations reflected in forward-looking statements are reasonable, they may not prove to be correct. Accordingly, you are cautioned not place undue reliance on forward-looking statements. All forward-looking statements in this Memorandum are qualified in their entirety by the cautionary statements in this paragraph and we undertake no obligation to update or revise these forward-looking statements, whether as a result of new information, future events, or otherwise.

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<sup>3</sup> 48 Stat. 881 (1934), codified at 15 U.S.C. § 78 *et seq.*

<sup>4</sup> 109 Stat. 737 (1995), codified as amended in scattered sections of 15 U.S.C.

**Cautionary note regarding references to resources and reserves**

You are cautioned not to assume that all or any part of a mineral resource will ever be converted into “reserves,” as such are defined in *SEC Industry Guide 7*. Further, inferred resources have great uncertainty as to their existence and as to whether they can be mined economically. It cannot be assumed that all or any part of inferred resources will ever be upgraded to a higher resource category.

**Plain English**

In accordance with the Securities and Exchange Commission’s “Plain English” requirements,<sup>5</sup> words such as “we,” “us,” and “our” refer to Blackstone Mining Company, Ltd. Words such as “you” and “your” refer to potential investors in the Company. We have attempted to keep defined terms to a minimum, but you will find these terms capitalized, **bold-faced**, and placed in parentheses on first reference. Subsequent capitalized references indicate that term has the specific meaning given to it on first reference. For your convenience, we have also included a glossary of geological and defined terms used in this Memorandum beginning on page 46. We urge you to contact us if any terms, acronyms, or statements in this Memorandum are unclear to you.

**IMPORTANT INFORMATION FOR RESIDENTS OF CERTAIN STATES****For residents of all states**

In making an investment decision, investors must rely on their own examination of the company and the terms of the offering, including the merits and risks involved. The securities offered hereby have not been reviewed nor recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy of or determined the adequacy of this document. Any representation to the contrary is a criminal offense.

These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the *Securities Act of 1933*, as amended and applicable state securities laws, pursuant to registration or an exemption therefrom. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time and must be able to withstand a total loss of their investment.

The presence of a legend for any given state reflects only that a legend may be required by that state and should not be construed to mean an offer or sale may be made in a particular state. If you are uncertain as to whether or not offers or sales may be lawfully made in any given state, you are hereby advised to contact the company. The securities described in this Memorandum have not been registered under any state securities laws (commonly called “Blue Sky” laws). These securities must be acquired for investment purposes only and may not be sold or transferred in the absence of an effective registration of such securities under such laws, or an opinion of counsel acceptable to the company that such registration is not required.

**For Alabama residents**

These securities are offered pursuant to a claim of exemption under the *Alabama Securities Act*. A registration statement relating to these securities has not been filed with the Alabama Securities Commission. The commission does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this private placement memorandum. Any representation to the contrary is a criminal offense.

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<sup>5</sup> 17 CFR § 228 *et seq.*



**For Alaska residents**

The securities offered have not been registered with the Administrator of Securities of the state of Alaska under provisions of 3 AAC 08.500-3 AAC 08.504. The investor is advised that the administrator has made only a cursory review of the registration statement and has not reviewed this document since the document is not required to be filed with the administrator. The fact of registration does not mean that the administrator has passed in any way upon the merits, recommended, or approved the securities. Any representation to the contrary is a violation of 45.55.170. The investor must rely on the investor's own examination of the person or entity creating the securities and the terms of the Offering, including the merits and risks involved in making an investment decision on these securities.

**For Arizona residents**

These securities have not been registered under the *Arizona Securities Act* in reliance upon an exemption from registration pursuant to A.R.S. section 44-1844 (1) and therefore cannot be resold unless they are also registered or unless an exemption from registration is available.

**For Arkansas residents**

These securities are offered in reliance upon claims of exemption under the *Arkansas Securities Act* and section 4(2) of the *Securities Act of 1933*. A registration statement relating to these securities has not been filed with the Arkansas Securities Department or with the Securities and Exchange Commission. Neither the department nor the commission has passed upon the value of these securities, made any recommendations as to their purchase, approved or disapproved this Offering, or passed upon the adequacy or accuracy of this memorandum. Any representation to the contrary is unlawful.

**For California residents**

The sale of the securities which are the subject of this offering has not been qualified with Commissioner of Corporations of the state of California and the issuance of such securities or payment or receipt of any part of the consideration therefore prior to such qualifications is unlawful, unless the sale of securities is exempted from qualification by section 25100, 25102, or 25104 of the *California Corporations Code*. The rights of all parties to this offering are expressly condition upon such qualifications being obtained, unless the sale is so exempt.

**For Colorado residents**

The securities have not been registered under the *Securities Act of 1933*, as amended, or the *Colorado Securities Act of 1991* by reason of specific exemptions thereunder relating to the limited availability of the offering. These securities cannot be resold, transferred or otherwise disposed of to any person or entity unless subsequently registered under the *Securities Act of 1933*, as amended, or the *Colorado Securities Act of 1991*, if such registration is required.

**For Connecticut residents**

Shares acquired by Connecticut residents are being sold as a transaction exempt under section 36-409(b)(9)(a) of the *Connecticut Uniform Securities Act*. The shares have not been registered under said act in the state of Connecticut. All investors should be aware that there are certain restrictions as to the transferability of the shares.

**For Delaware residents**

These shares have not been registered under the *Delaware Securities Act* and are offered pursuant to a claim of exemption under section 7309(b)(9) of the *Delaware Securities Act* and rule 9(b)(9)(ii) thereunder. These shares cannot be sold, transferred, or otherwise disposed of to any person or entity unless they are subsequently registered under the act or an exemption from registration is available.

**For District of Columbia residents**

These securities have not been approved or disapproved by the Securities Bureau of the District of Columbia nor has the commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

**For Florida residents**

The shares described herein have not been registered with the Florida Division of Securities and Investor Protection under the *Florida Securities Act*. The shares referred to herein will be sold to, and acquired by the holder in a transaction exempt under section 517.061 of said Act. The shares have not been registered under said Act in the state of Florida. In addition, all offerees who are Florida residents should be aware that section 517.061(11)(a)(5) of the Act provides, in relevant part, as follows: “when sales are made to five or more persons in [Florida], any sale in [Florida] made pursuant to [this section] is voidable by the purchaser in such sale either within 3 days after the first tender of consideration is made by the purchaser to the issuer, an agent of the issuer or an escrow agent or within 3 days after the availability of that privilege is communicated to such purchaser, whichever occurs later.” The availability of the privilege to void sales pursuant to section 517.061(11) is hereby communicated to each Florida offeree. Each person entitled to exercise the privilege to avoid sales granted by section 517.061 (11) (a)(5) and who wishes to exercise such right, must, within 3 days after the tender of any amount to the company or to any agent of the company (including the selling agent or any other dealer acting on behalf of the Company or any salesman of such dealer) or an escrow agent cause a written notice or telegram to be sent to the company at the address provided in this confidential executive summary. Such letter or telegram must be sent and, if postmarked, postmarked on or prior to the end of the aforementioned third day. If a person is sending a letter, it is prudent to send such letter by certified mail, return receipt requested, to assure that it is received and also to evidence the time it was mailed. Should a person make this request orally, he must ask for written confirmation that his request has been received.

**For Georgia residents**

These securities are offered in a transaction exempt from the registration requirements of the *Georgia Securities Act* pursuant to section 9(m). The securities cannot be sold or transferred except in a transaction that is exempt under the Act, or pursuant to an effective registration statement under the Act, or in a transaction that is otherwise in compliance with the Act.

**For Hawaii residents**

Neither this prospectus nor the securities described herein have been approved or disapproved by the Commissioner of Securities of the state of Hawaii nor has the commissioner passed upon the accuracy or adequacy of this prospectus.

**For Idaho residents**

These securities evidenced hereby have not been registered under the *Idaho Securities Act* in reliance upon exemption from registration pursuant to section 301345(1) or (8) thereof and may not be sold, transferred, pledged or hypothecated except in a transaction which is exempt under said Act or pursuant to an effective registration under said Act.

**For Illinois residents**

These securities have not been approved or disapproved by the Secretary of the state of Illinois or the state of Illinois, nor has the Secretary of state of Illinois or the state of Illinois passed upon the accuracy or adequacy of the prospectus. Any representation to the contrary is unlawful.

**For Indiana residents**

These securities are offered pursuant to a claim of exemption under section 23-2-1-2 of the *Indiana Securities Law* and have not been registered under section 23-2-1-3. They cannot therefore be resold unless

they are registered under said law or unless an exemption from registration is available. Until such exemption is granted, any offer made pursuant hereto is preliminary and subject to material change.

### **For Iowa residents**

Iowa residents must meet the following standards: (1) you must have a net worth of \$450,000 (exclusive of home, automobiles, and furnishings), in conjunction with a minimum purchase; or (2) you must have a net worth of \$1,000,000 (exclusive of home, automobiles and furnishings), or \$10,000 (exclusive of home, automobiles and furnishings), and a 50 percent tax bracket, in conjunction with a minimum purchase; or (3) you must be an "accredited investor" as defined in section 203.501(a)(4), (5), (6) or (7) of the federal Regulation D.

### **For Kansas residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 81-5-6 of the *Kansas Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

### **For Kentucky residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under rule 808 of the *Kentucky Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such Act and applicable rules promulgated thereunder.

### **For Louisiana residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under rule 1 of the *Louisiana Securities Law* and may not be reoffered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

### **For Maine residents**

If you are a Maine resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that these securities are being sold pursuant to an exemption from registration with the Bank Superintendent of the state of Maine under section 874-a(3) of title 32 of the *Maine Revised Statutes of 1964*, as amended, which exemption relates to transactions by an issuer not involving any public offering within the meaning of section 4(2) of the *Securities Act of 1933*, as amended, and the rules and regulations thereunder, including transactions exempt from registration under rule 504 of the Securities and Exchange Commission or any successor rule adopted under the *Securities Act of 1933*, as amended, and any transactions which constitute non-public offerings under rules and regulations adopted by the Bank Superintended pursuant to section 106, 807 or 873, subsection 6 of said title 32. These securities may be deemed restricted securities and as such the holder may not be able to resell the securities unless pursuant to registration under state or federal securities laws or unless an exemption under such laws exists.

### **For Maryland residents**

If you are a Maryland resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that these securities are being sold as a transaction exempt under section 11-602(9) of the *Maryland Securities Act*. The shares have not been registered under said act in the state of Maryland. All investors should be aware that there are certain restrictions as to the transferability of the shares.

**For Massachusetts residents**

These securities have not been approved or disapproved by the Securities Division of the Commonwealth of Massachusetts nor has the secretary of the Commonwealth passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

**For Michigan residents**

These securities are being offered in a transaction exempt from the registration requirements of the *Michigan Securities Act*. The securities cannot be sold or transferred except in a transaction exempt under the Act, or pursuant to an effective registration statement under the act or in a transaction that is otherwise in compliance with the Act.

**For Minnesota residents**

These securities being offered hereby have not been registered under chapter 80a of the Minnesota securities laws and may not be sold, transferred, or otherwise disposed of except pursuant to registration or an exemption therefrom.

**For Mississippi residents**

The shares are offered pursuant to a claim of exemption under the *Mississippi Securities Act*. A registration statement relating to these securities has not been filed with the Mississippi Secretary of State or with the Securities and Exchange Commission. Neither the Secretary of State nor the Commission has passed upon the value of these securities, or approved or disapproved this offering. The Secretary of state does not recommend the purchase of these or any other securities. Each purchaser of the securities must meet certain suitability standards and must be able to bear an entire loss of this investment. The securities may not be transferred for a period of one (1) year except in a transaction that is exempt under the *Mississippi Securities Act* or in a transaction in compliance with the *Mississippi Securities Act*.

**For Missouri residents**

The securities offered herein will be sold to, and acquired by, the purchaser in a transaction exempt under section 4.g of the *Missouri Securities Law of 1953*, as amended. These securities have not been registered under said act in the state of Missouri. Unless the securities are so registered, they may not be offered for sale or resold in the state of Missouri, except as a security, or in a transaction exempt under said act.

**For Montana residents**

In addition to the investor suitability standards that are otherwise applicable, any investor who is a Montana resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of five (5) times the aggregate amount invested by such investor in the shares.

**For Nebraska residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under chapter 15 of the *Nebraska Securities Law* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

**For Nevada residents**

If any investor accepts any offer to purchase the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 49:3-60(b) of the *Nevada Securities Law*. The investor is hereby advised that the Attorney General of the state of Nevada has not passed on or endorsed the merits of this offering and the filing of the offering with the bureau of securities does not constitute approval of the issue, or sale thereof, by the Bureau of Securities or the Department of Law and Public Safety of the state of Nevada. Any representation to the contrary is unlawful. Nevada allows the sale of securities to 25 or fewer purchasers in the state without registration.

However, certain conditions apply, i.e., there can be no general advertising or solicitation and commissions are limited to licensed broker-dealers. This exemption is generally used where the prospective investor is already known and has a preexisting relationship with the company. (See NRS 90.530.11)

**For New Hampshire residents**

Neither the fact that a registration statement or an application for a license under this chapter has been filed with the state of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the state of New Hampshire constitutes a finding by the Secretary of State that any document filed under RSA 421-b is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of State has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security, or transaction. It is unlawful to make, or cause to be made, to any prospective purchaser, customer, or client any representation inconsistent with the provisions of this paragraph.

**For New Jersey residents**

If you are a New Jersey resident and you accept an offer to purchase these securities pursuant to this memorandum, you are hereby advised that this memorandum has not been filed with or reviewed by the Attorney General of the state of New Jersey prior to its issuance and use. The Attorney General of the state of New Jersey has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful.

**For New Mexico residents**

These securities have not been approved or disapproved by the Securities Division of the New Mexico Department of Banking nor has the securities division passed upon the accuracy or adequacy of this private placement memorandum. Any representation to the contrary is a criminal offense.

**For New York residents**

This document has not been reviewed by the Attorney General of the state of New York prior to its issuance and use. The Attorney General of the state of New York has not passed on or endorsed the merits of this offering. Any representation to the contrary is unlawful. The company has taken no steps to create an aftermarket for the shares offered herein and has made no arrangements with brokers or others to trade or make a market in the shares. At some time in the future, the company may attempt to arrange for interested brokers to trade or make a market in the securities and to quote the same in a published quotation medium, however, no such arrangements have been made and there is no assurance that any brokers will ever have such an interest in the securities of the company or that there will ever be a market therefore.

**For North Carolina residents**

In making an investment decision, investors must rely on their own examination of the person or entity creating the securities and the terms of the offering, including merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the forgoing authorities have not confirmed accuracy or determined adequacy of this document. Representation to the contrary is unlawful. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the *Securities Act of 1933*, as amended, and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

**For North Dakota residents**

These securities have not been approved or disapproved by the Securities Commissioner of the state of North Dakota nor has the commissioner passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.



**For Ohio residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 107.03(2) of the *Ohio Securities Law* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

**For Oklahoma residents**

These securities are offered for sale in the state of Oklahoma in reliance upon an exemption from registration for private offerings. Any filing with the Oklahoma Securities Commission is permissive only and does not constitute an approval, recommendation or endorsement, and in no sense is to be represented as an indication of the investment merit of such securities. Any such representation is unlawful.

**For Oregon residents**

These securities offered have not been registered with the Director of the Department of Insurance and Finance for the state of Oregon under provisions of O.A.R. 441-65-060 through 441-65-240. The investor is advised that the Director has not reviewed this document. The investor must rely on the investor's own examination of the company creating the securities and the terms of the offering including the merits and risks involved in making an investment decision on these securities. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the *Securities Act of 1933*, as amended, and the applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.

**For Pennsylvania residents**

Each person who accepts an offer to purchase securities exempted from registration by section 203(d), directly from the issuer or affiliate of this issuer, shall have the right to withdraw his acceptance without incurring any liability to the seller, underwriter (if any) or any other person within two (2) business days from the date of receipt by the issuer of his written binding contract of purchase or, in the case of a transaction in which there is no binding contract of purchase, within two (2) business days after he makes the initial payment for the securities being offered. If you have accepted an offer to purchase these securities made pursuant to a prospectus which contains a notice explaining your right to withdraw your acceptance pursuant to section 207(m) of the *Pennsylvania Securities Act of 1972* (70 PS § 1-207(m)), you may elect, within two (2) business days after the first time you have received this notice and a prospectus to withdraw from your purchase agreement and receive a full refund of all moneys paid by you. Your withdrawal will be without any further liability to any person. To accomplish this withdrawal, you need only send a letter or telegram to the issuer (or underwriter if one is listed on the front page of the prospectus) indicating your intention to withdraw. Such letter or telegram should be sent and postmarked prior to the end of the aforementioned second business day. If you are sending a letter, it is prudent to send it by certified mail, return receipt requested, to ensure that it is received and also evidence the time when it was mailed. Should you make this request orally, you should ask written confirmation that your request has been received. No sale of the securities will be made to residents of the state of Pennsylvania who are non-accredited investors if the amount of such investment in the securities would exceed twenty (20 percent) of such investor's net worth (excluding principal residence, furnishings therein and personal automobiles). Each Pennsylvania resident must agree not to sell these securities for a period of twelve (12) months after the date of purchase, except in accordance with waivers established by rule or order of the commission. The securities have been issued pursuant to an exemption from the registration requirement of the *Pennsylvania Securities Act of 1972*. No subsequent resale or other disposition of the securities may be made within 12 months following their initial sale in the absence of an effective registration, except in accordance with waivers established by rule or order of the commission, and thereafter only pursuant to an effective registration or exemption.

**For Rhode Island residents**

These securities have not been approved or disapproved by the Department of Business Regulation of the state of Rhode Island nor has the director passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

**For South Carolina residents**

These securities are being offered pursuant to a claim of exemption under the *South Carolina Uniform Securities Act*. A registration statement relating to these securities has not been filed with the South Carolina Securities Commissioner. The commissioner does not recommend or endorse the purchase of any securities, nor does it pass upon the accuracy or completeness of this private placement memorandum. Any representation to the contrary is a criminal offense.

**For South Dakota residents**

These securities are being offered for sale in the state of South Dakota pursuant to an exemption from registration under the *South Dakota Blue Sky Law*, chapter 47-31, with the director of the Division of Securities of the Department of Commerce and Regulation of the state of South Dakota. The exemption does not constitute a finding that this memorandum is true, complete, and not misleading, nor has the director of the Division of Securities passed in any way upon the merits of, recommended, or given approval to these securities. Any representation to the contrary is a criminal offense.

**For Tennessee residents**

These securities have not been registered with the Commissioner of Insurance of Tennessee. Such registration does not constitute a recommendation or endorsement of any security nor does the commissioner pass upon the accuracy or adequacy of the information contained in this memorandum.

**For Texas residents**

The securities offered hereunder have not been registered under applicable Texas securities laws and, therefore, any purchaser thereof must bear the economic risk of the investment for an indefinite period of time because the securities cannot be resold unless they are subsequently registered under such securities laws or an exemption from such registration is available. Further, pursuant to §109.13 under the *Texas Securities Act*, the company is required to apprise prospective investors of the following: a legend shall be placed, upon issuance, on certificates representing securities purchased hereunder, and any purchaser hereunder shall be required to sign a written agreement that he will not sell the subject securities without registration under applicable securities laws, or exemptions therefrom.

**For Utah residents**

These securities are being offered in a transaction exempt from the registration requirements of the *Utah Securities Act*. The securities cannot be transferred or sold except in transactions that are exempt under the Act or pursuant to an effective registration statement under the Act, or in a transaction that is otherwise in compliance with the Act.

**For Vermont residents**

These securities have not been approved or disapproved by the Securities Division of the state of Vermont nor has the commissioner passed upon the accuracy or adequacy of this document. Any representation to the contrary is unlawful.

**For Virginia residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction under section 13.1-514 of the *Virginia Securities Act* and may not be re-offered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

### **For Washington residents**

The Administrator of Securities has not reviewed the offering or private placement memorandum and the securities have not been registered in reliance upon the *Securities Act of Washington*, chapter 21.20 RCW, and therefore, cannot be resold unless they are registered under such act or unless an exemption from registration is made available.

### **For West Virginia residents**

If an investor accepts an offer to purchase any of the securities, the investor is hereby advised the securities will be sold to and acquired by it/him/her in a transaction exempt from registration under section 15.06(b)(9) of the *West Virginia Securities Law* and may not be reoffered for sale, transferred, or resold except in compliance with such act and applicable rules promulgated thereunder.

### **For Wisconsin residents**

In addition to the investor suitability standards that are otherwise applicable, any investor who is a Wisconsin resident must have a net worth (exclusive of home, furnishings and automobiles) in excess of three and one-third (3 1/3) times the aggregate amount invested by such investor in the shares offered herein.

### **For Wyoming residents**

All Wyoming residents who subscribe to purchase shares offered by the company must satisfy the following minimum financial suitability requirements in order to purchase shares:

- (1) a net worth (exclusive of home, furnishings and automobiles) of two hundred fifty thousand dollars (\$250,000.00); and
- (2) the purchase price of shares subscribed for may not exceed twenty percent (20 percent) of the net worth of the subscriber; and
- (3) "taxable income" as defined in section 63 of the *Internal Revenue Code of 1986*, as amended, during the last tax year and estimated "taxable income" during the current tax year subject to a federal income tax rate of not less than thirty-three percent (33 percent).

In order to verify the foregoing, all subscribers who are Wyoming residents will be required to represent in the subscription agreement that they meet these Wyoming special investor suitability requirements.

## **INVESTOR SUITABILITY STANDARDS**

### **Accredited Investors only**

Before purchasing Units, you must represent that you are an accredited investor (“**Accredited Investor**”) as defined in Rule 501(a) of Regulation D of the Securities and Exchange Commission.<sup>6</sup> In general terms, an Accredited Investor is defined as:

- A bank, insurance company, registered investment company, business development company, or small business investment company;
- An employee benefit plan, within the meaning of the *Employee Retirement Income Security Act*,<sup>7</sup> if a bank, insurance company, or registered investment adviser makes the investment decisions, or if the plan has total assets in excess of \$5 million;
- A charitable organization, corporation, or Company with assets exceeding \$5 million;
- A director, executive officer, or general partner of the company selling the securities;
- A business in which all the equity owners are Accredited Investors;

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<sup>6</sup> Codified at 17 CFR § 230.501 *et seq.*

<sup>7</sup> 88 Stat. 829 (1974), codified in part at 29 U.S.C. chapter 18

- A natural person who has individual net worth, or joint net worth with the person's spouse, that exceeds \$1 million at the time of the purchase;
- A natural person with income exceeding \$200,000 in each of the two most recent years or joint income with a spouse exceeding \$300,000 for those years and a reasonable expectation of the same income level in the current year; or
- A trust with assets in excess of \$5 million, not formed to acquire the securities offered, whose purchases a sophisticated person makes.

### **WHERE YOU CAN FIND MORE INFORMATION**

The rights and obligations that you and the Company have toward each other are governed by a number of documents described in this Memorandum, including but not limited to the investor suitability questionnaire and subscription agreement. From time to time, we reference certain information in this Memorandum, which means that we may disclose important information to you by referring you to other documents, such as geologists' reports, historical records, and the like. Although we have attempted to summarize some of these documents for your convenience, we encourage you to review the actual documents for a complete description and disclosure. We will provide copies of any such documents to you upon request. All document summaries are qualified in their entirety by this reference. You should not assume that the information in this Memorandum is current as of any date other than the date on the front page.

We will provide you and your advisors with the opportunity to ask questions about the terms and conditions of this Offering and to obtain any additional information that we may possess or can obtain without unreasonable effort or expense. Questions should be directed to:

Blackstone Mining Company, Ltd.  
Attention: Mr. James Hawley, President  
22522 Kellerman Drive, NE.  
Kingston, Washington 98346  
Telephone: (702) 204-7699  
[jimh@blackstonemine.com](mailto:jimh@blackstonemine.com)  
[www.blackstonemine.com](http://www.blackstonemine.com)

No other person has been authorized to give information or to make any representations concerning this Offering other than those contained in this Memorandum. If any such other information or representations are given or made, you must not rely on them.

## SUMMARY OF THE OFFERING

This summary of certain provisions of this Memorandum is intended for convenience only. It is not intended to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Memorandum, and any other documents incorporated by reference. Unless otherwise indicated, “Company” means Blackstone Mining Company, Ltd., an Idaho Corporation. This Offering involves a high degree of risk and is intended only for Accredited Investors as defined in Regulation D of the Securities and Exchange Commission and who are able to risk the loss of their entire investment.

We reserve the right to reduce the number of Units offered, to approve or disapprove each investor, and to reject any subscriptions in whole or in part, in our sole discretion.

### **Investment highlights**

The Property has generated substantial professional and commercial activity since 1870, including limited gold, silver, zinc, copper, and lead production from surface and near-surface mining.

Favorable terrain, elevation, and access from US Highway 26 and Elmore County Road 68.

Primary metals values are gold, silver, copper, zinc, and manganese with trace amounts of nickel, palladium, and rare earth elements.

Stockpile of 30,000 tons of previously mined ore valued from approximately \$20 to up to \$42 million if the metallic zinc is recovered and marketed as an oxide. The estimated values are based on April, 2014 prices.

Proven leach-grade reserves of 700,000 tons in the first 285 vertical feet of about five acres of the 100-acre mine complex developed by prior lessees.

Probable mill-grade reserves valued at \$320 million at current prices.

Near term development targets have a close proximity to the surface.

The 100-acre Blackstone Mine complex, patented in 1903 (US. Mineral Survey No. 1662) is owned in its entirety by the Company.

Refinery coupons, granting investors a 20 percent cash interest in the metals refined from the Blackstone ore stockpile. Refinery coupons i) cannot be diluted, (ii) are limited to Unit subscribers to this offering only, and (iii) applicable to metals and metallic oxides recovered from the Blackstone ore stockpile or such other areas of the Property the Company may, in its sole discretion, designate.

### **The Company**

Blackstone Mining Company, Limited, an Idaho corporation.

### **The Offering**

The Company is offering \$3,000,000 in Units of its common stock for Accredited Investors. One unit consists of 25,000 common shares of the Company, plus a five-year warrant to purchase a like amount of shares at an exercise price of \$5.00 per share, plus one Refinery Certificate.

### **Full-unit pricing**

\$25,000



<b>Units authorized</b>	120 Units (3,000,000 shares of Common Voting Stock).
<b>Minimum investment</b>	One Unit; no fractional units will be offered.
<b>Plan of distribution</b>	The Units are offered through the Company. At the discretion of the Company, a finder's fee may be paid to certain individuals who introduce the Company to Accredited Investors who subsequently subscribe to the Units offered herein. In no instance will such finder's fee exceed \$2,000 per \$25,000 Unit. No officers or director of the Company will receive any compensation for the introduction of investors. Both finders and Company personnel may receive reimbursement for reasonable out-of-pocket expenses in connection with investor introductions. There is no minimum number of Units required to be sold and there will be no escrow of offering proceeds.
<b>Risk factors</b>	The Units offered hereby involve a high degree of risk. See "Risk Factors" set forth in this Memorandum.
<b>Restrictions on resale</b>	This is a non-liquid investment. The Units are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the <i>Securities Act</i> and applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they could be required to bear the financial risks of this investment for an indefinite period of time. There is no public market for the Units and it is neither anticipated nor intended that one will develop.
<b>Who may invest</b>	The Units of the Company are being offered solely to persons who are "Accredited Investors" as defined by Regulation D of the Securities and Exchange Commission. The Company reserves the right to accept or reject any subscription, in whole or in part, in its sole discretion.
<b>How to invest</b>	Each investor must: <ul style="list-style-type: none"><li>(a) Execute and deliver an investor suitability questionnaire and subscription agreement provided by the Company.</li><li>(b) Wire or mail the total subscription funds to the Company. Wire instructions will be made available upon request.</li></ul>
<b>Use of proceeds</b>	The financing will be used for the installation and operation of a pilot-scale pyrometallurgical circuit for processing previously mined ore stockpiled at the Blackstone Mine. See "Description of Business."
<b>Term</b>	This Offering shall remain open for a period of 160 days from the date of this Memorandum and may be extended without notice by the Company. The Company reserves the right to accept oversubscription of the units offered herein (see "Plan of Distribution"). The Company reserves the right to undertake additional offerings, provided that such offerings do not affect the Company's right to rely on Regulation D of the Securities and Exchange Commission.

**Tax matters**

We have designated one-half (12,500) of the shares in each Unit as Small Business 1244 shares for tax purposes, which may carry tax benefits to qualifying investors (See “Certain Tax Considerations,” page 44).

**RISK FACTORS**

***Overview***

Ore processing can involve significant financial risks that even a combination of careful evaluation, experience, and knowledge cannot eliminate.

While the rewards of successfully processing the Blackstone ore stockpile can be substantial, the small size of the circuit could result in protracted amount of time in realizing a return on your investment, if any. Even if processing the ore stockpile exceeds our expectations the results may be insufficient to attract a major mining company to further develop the property into a producing mine. Also during the time frame involved in processing the ore stockpile the economics or viability of such a project may change. As such, investment in the Company entails a high degree of risk and is suitable only for sophisticated persons of substantial financial means who have no need of liquidity in their investments, and who fully understand and are capable of bearing the risks of an investment in the Company, up to and including a complete loss of their investment.

You should carefully consider the following risk factors together with other information in this Memorandum. If any of the following risks materialize, we may not be able to achieve our business objectives.

***Risks related to the Company***

- **Ore stockpile values may be significantly lower than expected.**  
While we have no reason to doubt the veracity of the historical data we have compiled from prior operators, it is possible that the overall values may be considerably lower than estimated. Lower stockpile values will have a negative effect on the return on your investment. Historical data from prior mining operations is not a guarantee that we will successfully recover the metallic values in the ore stockpile, or that such processing will be profitable.
- **Ore stockpile may contain less volume than expected.**  
In the event the ore stockpile does not provide a sufficient amount of feed ore with economically acceptable metallic values the Company would be forced to process ore from two secondary stockpiles, mine additional ore from the pit or previously identified ore zones. While we do not believe providing 15 tons of ore per day with sufficient values to sustain a profitable operation is a material factor, the time involved to reposition crushing, loading, and haulage equipment could adversely affect profits for an indeterminate period of time.
- **Geochemical components in the stockpiled ore may restrict or curtail the ore processing.**  
There have been a number of attempts to process the Blackstone ore using hydro-metallurgical circuits have failed to achieve any measure of economic success. The exception being the production of copper sulfate and electrolytic zinc dilute sulfuric leach displaying some limited success. In the case of the latter the most of the precious metals remained in the tailings while small levels of Palladium in the electrolyte caused the metallic zinc to eventually bond to the anodes stifling production. The prior results indicate the Blackstone ore mined in the 1980’s is not as oxidized as the mineralogy suggests, such as native silver and gold intertwined in the lattice of partially oxidized chalcopyrite.

Pyrometallurgy (smelting) is the only method that has demonstrated near-full recovery of the metals in Blackstone ore as in the case demonstrated by the Kennecott smelting tests. While smelting ore literally dates back centuries the selection of techniques, reagents, temperature, oxidation control, equipment, and other variables can significantly affect recovery results. A certain amount of trial and error will be required to fine-tune the pyrometallurgy circuit to achieve optimum recovery which could adversely affect the timing for a return on your investment.

- **We will depend on third-party refiners for processing.**

We plan to market our copper, gold, and silver matte to third-party refineries in the United States. We presently do not have smelting contracts with any of these refineries. If and when such contracts are in place, the loss of any single refinery could have a material adverse effect if alternative refineries are unavailable. We cannot assure you that alternative refineries will be available as the need arises, or that such refineries would offer sufficiently attractive terms for their services. In either event, we could experience delays or disruptions in sales that would materially and adversely affect operations.

We expect to market the zinc component of the Blackstone ore as an oxide to increase its market value and allow us to use single-pass processing. While we believe there are a number of viable markets for the sale of zinc oxide (ZnO) we do not have a sales contract in place. The time involved in securing such an agreement with acceptable terms or developing an alternate processing method for the zinc in the ore would have a materially adverse effect on our profitability and your investment.

- **Access to the Property may be restricted due to location and weather conditions.**

Although the Property is accessible by a road maintained by Elmore county at a relatively low elevation, the area is subject to snow in the winter. While we plan to operate nine months of the year, unseasonable weather conditions could hamper access to our facilities. As a result, processing of the ore stockpile could be delayed at times. Such delays could affect our anticipated business operations.

- **If we successfully process copper, zinc, lead, silver, gold or other metallics we may still be unable to achieve profitability.**

Even if commercial quantities of metals are processed, there can be no assurance that a ready market will exist for the sale of the metals. Numerous factors beyond our control may affect the marketability of any the metallics we recover, including:

- Market fluctuations;
- Proximity and capacity of markets and processing equipment; and
- Government or market regulations, including environmental protection.

The exact effect of these factors cannot be accurately predicted, but any combination of them could result in our not receiving an adequate return on invested capital.

- **Our operations may be adversely affected by hazards associated with the mining industry, some of which may not be fully covered by insurance.**

Ore processing involves significant production and operational risks, including those related to:

- Unexpected geochemical ore components;
- Difficulty in recovery of the metals;
- Interruptions due to inclement weather or unfavorable climate conditions;
- Equipment or service failures;
- Delays in installing and commissioning plants and equipment;
- Environmental hazards;
- Industrial accidents;
- Labor disputes; and
- Other general operating risks outside our control.

***Risks related to the metals market***

- **Our performance may be subject to variations in the prices of gold, silver, and other minerals.** Our revenues will primarily be derived from the sale of copper, zinc, silver, and gold and to a lesser extent, lead, and manganese. As a result, our earnings will be directly related to the prices of these metals. Silver and gold prices are particularly volatile. For example, during 2013 the price of silver ranged from a high of \$32.58 per ounce to a low on January 10, 2014 of \$20.17 per ounce,<sup>8</sup> and the price of gold ranged from a high of \$1,695 per ounce to a low on January 10, 2014 of \$1,248.60 per ounce.<sup>9</sup> In contrast, copper prices ranged between \$3.38 and \$3.32 per pound and zinc averaged \$0.17 per pound over the same period.

Metals prices, particularly gold and silver, are affected by many factors beyond our control. These factors include, but are not necessarily limited to:

- Expectations for inflation
- Speculation
- Relative exchange rate of the U.S. dollar
- Global and regional demand and production
- Global political and economic conditions
- Production costs in major producing regions
- Bullion sales by private and government holders
- Interest rates
- Returns on other asset classes
- Currency values.

In addition to the foregoing, precious metal exchange-traded funds (“ETFs”)<sup>10</sup> have substantially facilitated the ability of large and small investors to buy and sell precious metals and have thus become significant holders of gold and silver. Net inflows of investments into and out of these funds are amplifying the historical volatility of gold and silver prices.

The profitability of a mineral processing could be significantly affected by changes in the market price of the relevant minerals. In recent decades, there have been periods of both worldwide overproduction and periods of worldwide underproduction of many mineral commodities. A surplus or a shortage of any metal can result in significant price change for the various commodities. The lower the price of metals, the more difficult it is to make a profit. Because our processing costs are relatively fixed, the lower the market price of gold, silver, and other metals, the greater the chance we would have to idle our operations.

- **We expect to operate at a loss for the foreseeable future.** We expect to incur losses until such time we market recovered metals from the Blackstone ore stockpile sufficient to fund continuing operations. The development of our processing circuit will require the commitment of substantial resources for operating expenses and capital expenditures, which may increase in subsequent years if we add personnel and equipment necessary to increase production.

<sup>8</sup> As reported by Handy and Harman.

<sup>9</sup> As reported by the London Metal Exchange.

<sup>10</sup> Precious metal ETFs are securities that are traded as stocks on one or more stock exchanges, including Zurich, Mumbai, London, Paris, and New York. An ETF trades at approximately the same price as the net asset value of its underlying assets. ETFs have risen in popularity because they provide investors a way to take positions in precious metals without having to learn how to purchase futures or other derivative products. The number of ETFs grew from 19 in 1997 to almost 819 in 2009 (Robert Hum, “ETFs by the numbers,” CNBC.com, January 12, 2010).

The amounts and timing of expenditures will depend on a number of factors, many of which are beyond our control, including:

- Progress of ore stockpile processing;
- Results of engineering analyses and recommendations;
- Rate at which operating losses are incurred;

The cumulative effect of these factors makes it impossible to predict when, if ever, the Company will show a profit from operations on the Property.

- **Our operations may not be economically feasible due to the cyclical nature of certain factors.**

The economic feasibility of any development project is based upon, among other things:

- Completion of design, engineering, installation and government regulation;
- Volatile metals prices;
- Issuance and maintenance of necessary permits;
- Estimates of the size and grade of ore reserves;
- Proximity to infrastructures and other resources such as water and power;
- Metallurgical recoveries;
- Production rates;
- Capital and operating costs; and
- Receipt of adequate financing.

Consideration must also be given to the adequacy of infrastructure, including:

- Reliability of roads, and water supply;
- Unusual or infrequent weather phenomena; and
- Government or other interference in the maintenance or provision of such infrastructure.

All of the foregoing factors are highly cyclical. While the exact effects of these factors cannot be predicted, any one or a combination of them could cause our business to fail.

### ***Environmental and regulatory risks***

- **We are subject to certain governmental regulation at the federal, state, and local levels that could delay or suspend our operations.**

While the Blackstone processing project is a pilot size closed circuit processing operation located solely on private property we will nonetheless be subject to certain governmental regulations including Mine Safety and Health Administration inspections and occupational health regulations, slag management and disposal, fugitive dust control and Idaho Department of Environmental Quality emissions standards. Obtaining the necessary government permits can be a complex and time-consuming process involving numerous jurisdictions. With respect to the regulation of mineral processing, various jurisdictions have established performance standards, air and water quality emission standards, and other requirements for various aspects of the operations, including health and safety standards. Legislation and regulations also establish requirements for decommissioning, reclamation, and rehabilitation of mineral processing facilities following the cessation of operations and may require that some properties be managed for long periods of time.

Governmental authorities and private parties may bring lawsuits based upon damage to property and injury to persons resulting from the environmental, health, and safety impacts of prior and current operations, including operations conducted by other mining companies many years ago at sites located on the Property. These lawsuits could lead to the imposition of substantial fines, remediation costs, penalties, and other sanctions. Substantial costs and liabilities, including environmental restoration



are inherent in our operation. We cannot assure you that any such law, regulation, enforcement or private claim would not have a negative effect on our financial condition and operations.

- **We face substantial requirements for environmental compliance that could be cost-prohibitive.** Exploration activities are subject to various levels of federal and state laws and regulations relating to protection of the environment, including requirements for closure and reclamation of mineral processing. Some of the laws and regulations that could affect our operations include the *Clean Air Act*,<sup>11</sup> the *Clean Water Act*,<sup>12</sup> the *Comprehensive Environmental Response, Compensation and Liability Act*,<sup>13</sup> the *Emergency Planning and Community Right-to-Know Act*,<sup>14</sup> the *Endangered Species Act*,<sup>15</sup> the *Federal Land Policy and Management Act*,<sup>16</sup> the *National Environmental Policy Act*,<sup>17</sup> the *Resource Conservation and Recovery Act*,<sup>18</sup> and all related state laws in Idaho.

Environmental regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation, and set forth limitations on the generation, transportation, storage, and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner that will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for mining companies. We may incur environmental costs that could have a material adverse effect on our financial condition and results of operations. Any failure to remedy an environmental problem could require us to suspend operations or enter into interim compliance measures pending completion of the required remedy.

As part of our operating plan to address the preceding concerns, we intend to minimize surface disturbance and negative impact to the highest degree. We will not use cyanide heap leaching or mercury amalgamation. All surface operations will incorporate conventional equipment and methods enhancing those with current, proven, state-of-the-art equipment and technology. This will further reduce capital and operating costs and maximize the recovery of metals. Our goal is to exceed *Federal Mine Safety and Health Act*<sup>19</sup> rules and regulations, establishing the safest possible work environment. Despite these efforts, it is possible we could incur liability.

We do not anticipate discharging water into active streams, creeks, rivers, lakes or any other bodies of water. We also do not anticipate disturbing any endangered species or archaeological sites or causing damage to the Property. Recontouring and revegetation of disturbed surface areas will be completed pursuant to the applicable permits. The cost of remediation work varies according to the degree of physical disturbance. It is difficult to estimate the cost of compliance with environmental laws since the full nature and extent of our proposed activities cannot be determined at present.

Future expenditures related to closure, reclamation, and environmental expenditures are difficult to estimate due to:

- Uncertainties relating to the costs and remediation methods that may be required;
- Possible participation of other potentially responsible parties; and
- Changing environmental laws and regulations.

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<sup>11</sup> 77 Stat. 392 (1963), codified as amended at 42 U.S.C. § 7401.

<sup>12</sup> 86 Stat. 816 (1972), codified at 33 U.S.C. § 1251 *et seq.*

<sup>13</sup> 94 Stat. 2767 (1980), codified at 42 U.S.C. § 9601 *et seq.*

<sup>14</sup> 100 Stat. 1733 (1986), codified at 42 U.S.C. § 11004-11049.

<sup>15</sup> 87 Stat. 884 (1973), codified at 16 U.S.C. §1531.

<sup>16</sup> Pub.L. 94-579 (1976), codified at 43 U.S.C. § 1701-1787.

<sup>17</sup> 83 Stat. 852 (1969), codified at 42 U.S.C. § 4321 *et seq.*

<sup>18</sup> Pub.L. 94-580, codified at 42 U.S.C. § 6901 *et seq.*

<sup>19</sup> Pub.L. 91-173 (1969) as amended by Pub.L. 95-164 (1977), codified at 30 U.S.C. § 801 *et seq.*

Obtaining environmental protection permits, including the approval of reclamation plans, may increase costs and cause delays depending on the nature of the activity to be permitted and the interpretation of applicable requirements implemented by the permitting authority. We may also be required to maintain reserves for costs associated with mine closure, reclamation of land, and other environmental matters. There can be no assurance that all necessary permits will be obtained and, if obtained, that the costs involved will not exceed our estimates.

### ***Risks related to this Offering***

- **There is no firm commitment to purchase the Offering and the majority of the financial risk will fall on investors in this Offering.**

This Offering is being conducted through the Company. There is no firm commitment on the part of any underwriter or other third party to subscribe to the securities offered hereby, and there is no minimum number of Units required to be subscribed. If only a small number of Units are subscribed (and absent funding from any other source), the amount received from investors may not provide any significant benefit to the Company. Even if all Units offered are sold, the Company may need to obtain additional capital until the time, if ever, that the Company is able to earn a profit. Investors will not be entitled to any return of subscription proceeds accepted by the Company except in accordance with applicable law. Investors purchasing Units in this Offering will incur a majority of the financial risk associated with the Company.

- **The Offering price has been arbitrarily determined.**

The Offering price and other terms and conditions relative to the securities offered hereby have been arbitrarily determined by the Company and do not necessarily bear any direct relationship to assets, earnings, book value, or other objective criteria of value. Among the factors considered were estimates as to the future prospects of the Company and its operations. Such estimates were prepared by the Company based on its experience. There can be no assurances these projections will be achieved.

- **The Units are illiquid.**

There is no market for the Units and no market is necessarily expected to develop. As a result, the Units will be restricted securities upon issuance and cannot be resold without an applicable exemption from the registration requirements of federal and state securities laws. Furthermore, the Company has set forth significant restrictions on the transferability of a Unit. The Company is not obligated to repurchase, redeem or withdraw the Units from the investors, nor has it established a procedure or plan for such repurchase, redemption or withdrawal. Therefore, you will be required to hold the Units indefinitely and must be able to bear the loss of your entire investment.

- **The Units are offered under the private offering exemption; if it is later determined that such exemption was not available, purchasers would be entitled to rescind their purchases.**

The Units are being offered to investors pursuant to the private offering exemption from registration under Section 4(2) of the *Securities Act* and Rule 506 of Regulation D, promulgated by the Securities and Exchange Commission. If the sale of the Units fails to qualify for such exemption, investors might have the right to rescind their purchase of our Units. Since compliance with these exemptions is highly technical and quite difficult, it is possible that if an investor should seek rescission, such investor would succeed. A similar situation prevails under state law in those states where the Units may be offered without registration. If a number of investors were successful in seeking rescission, we would face severe financial demands that could adversely affect us and, thus, the non-rescinding investors. We will not receive a legal opinion to the effect that this offering is exempt from registration under any federal or state law. Instead, we will rely on the operative facts as documented by us as our basis for such exemptions.

***Risks related to the Company itself***

- **Shareholders will have no managerial control of the Company.**  
As a minority shareholder, you will have no voice in the management or conduct of the affairs of the Company. The Company will have the sole and absolute right and authority to act in connection with all aspects of the business. As a result, you should not invest unless you are willing to entrust all aspects of the Company to its directors and executive management.
- **The death or incapacity of an organizer would be extremely detrimental to the Company.**  
The Company has full discretionary authority to identify, structure, execute, administer, and liquidate Company assets. Accordingly, no person should invest in the Company unless such person is willing to entrust all aspects of the management and investment decisions of the Company to its management. Each of our officers and employees is important to our success. If any of them, particularly Mr. James Hawley, became unable or unwilling to continue in their respective positions and we were unable to find suitable replacements, our business and financial results could be materially negatively affected.
- **The Offering documents were not prepared at arm’s length.**  
The Offering documents were prepared at the direction of Company management and have not been negotiated by diverse parties in an arm’s length transaction.

**DESCRIPTION OF BUSINESS**

The Company is organized under the laws of the state of Idaho and is the sole owner in fee-simple-title of the Blackstone Mine in Elmore County, Idaho (“**Property**”). The Property consists of five patented claims<sup>20</sup> situated in the Bennett Mountains, approximately 80 miles southeast of Boise, Idaho in sections 13, 14, and 15, T.2 S., R.10 E., Boise Meridian.<sup>21</sup> The Property lies at an elevation of approximately 5,850 feet and extends along the crest of a low granite ridge that rises about 1,000 feet above the broad Camas Prairie valley to the north. The Property is accessed from U.S. Highway 26 and Elmore County Road 68.

The Company intends to construct a 15-ton per day, pilot-size pyrometallurgical ore processing circuit for purposes of recovering values from a previously mined polymetallic ore stockpiled at the Property (see “Plant Capacity and Reaction Time”). The stockpiled ore contains mostly copper, lead, zinc, silver, and gold ore with an estimated value, at current metals prices, in excess of \$25 million dollars. The stockpile, as is the Property, is particularly rich in zinc which will be recovered and marketed as a metallic oxide. The price for zinc oxide (ZnO) is a significant multiple to that of zinc as metal ingots selling for approximately \$7 per pound for industrial grade to as much as \$190 per pound for reagent and pharmaceutical grade powders. The Company believes the economic multiple from the sale of zinc oxide can readily support operation of the processing circuit well beyond the foreseeable future and increases the estimated value of the stockpile in excess of \$40 million dollars. The recovery of copper, lead silver, and gold being a bonus to the Company’s overall profitability.

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<sup>20</sup> A patented mining claim is one which the federal government has passed title to the claimant, making the claimant the owner of the surface and mineral rights. An unpatented (“located”) mining claim is one that is still owned by the federal government, but which the claimant has a right to possession to extract minerals.

<sup>21</sup> The five patented claims are designated as the Kentucky, Ohio, Iowa, Illinois, and Oregon Lode Mining Claims (Mineral Survey No. 1662), more particularly described in Book 15 of Patents at page 407, *et seq.*, in the Office of the County Recorder, Elmore County, Idaho.

The Company will distribute 20 percent of the value of the refined copper, silver, gold, and zinc oxide produced from the pilot mill on a pro-rata basis to Unit holders in cash or metals. The terms of the cash distribution are defined in the Refinery Coupon attached to each Unit (see page 36).

Based on analytical reports on the Blackstone geology, mineralization, metallurgy, and ore stockpile from prior operators of the Property, Table 1 illustrates the economic values of the Blackstone ore stockpile as of April, 2014 along with yet-to-be-mined proven and indicated ore reserves.

The proven and indicated ore reserves developed by the exploratory drilling of prior lessees were used to compile Table 1.

TABLE 1: HISTORICAL AND PROVEN ORE RESERVES											
Indicated Stockpile and Reserve Ore Values						Indicated Leach Grade Ore Values					
Metal	Price	Qty	Unit	Stockpile	High Grade*	Metal	Price	Qty	Unit	Leach Grade	Unproven*
Copper	\$3.50	98	lbs	\$10,290,000	\$63,798,000	Copper	\$3.50	4	lbs	\$9,800,000	\$42,000,000
Lead	\$0.98	30	lbs	\$882,000	\$5,468,400	Lead	\$0.98	0	lbs	\$0	\$0
Zinc	\$1.50	170	lbs	\$7,650,000	\$47,430,000	Zinc	\$1.50	10	lbs	\$10,500,000	\$45,000,000
Silver	\$21.50	23.53	ozs	\$15,176,850	\$94,096,470	Silver	\$21.50	2.11	ozs	\$31,755,500	\$136,095,000
Gold	\$1,320.00	0.106	ozs	\$4,197,600	\$26,025,120	Gold	\$1,320.00	0.078	ozs	\$72,072,000	\$308,880,000
Tons				30,000	186,000	Tons				700,000	3,000,000
<b>Total</b>				<b>\$38,196,450</b>	<b>\$236,817,990</b>	<b>Total</b>				<b>\$124,127,500</b>	<b>\$531,975,000</b>

\*Source: Richard Kucera, PhD, FGAC, *Operations Report*, August 11, 1988. Metals prices have been adjusted to January 2014 averages.

At various times in its history, the Property has actively produced precious and base metals, but there is currently no commercial production. While we believe the prior historical information from past mining operations is highly credible, it should not be relied upon as an indication that we will have future success in developing commercial operations from processing the stockpile.

### History of the Property

The Blackstone Mine is one of the largest and most prominent properties in the Volcano Mining District. As early as 1870, prospectors in search of gold and silver discovered numerous strong mineral-bearing outcrops at the Blackstone.<sup>22</sup> Since that time the Property has been the subject of intense professional interest.<sup>23</sup> In 1903, the Property was acquired by former Idaho Governor James H. Hawley<sup>24</sup> and his partner, Samuel Rich, who patented the present claims in the name of Blackstone Mining Company, Ltd.<sup>25</sup>

The Property lies on the north flank of the Bennett Mountains at an average elevation of 5,850 feet. The surrounding terrain consists primarily of eroded hills cut by dry gullies. Vegetation is mainly sagebrush, mountain birch, with light scrub and alfalfa hay fields in the valleys. There is a small running creek and, additional water can be obtained from wells drilled in the valley north of the main Property.

<sup>22</sup> Frank E. Johnesse, M.E., "Report on the Revenue Group of lode mining claims in the Volcano Mining District, Elmore County, Idaho," Boise, Idaho: Unpublished manuscript, January 3, 1932. Johnesse was manager of the Lark Mining Company in the Wood River Mining District and a candidate for Idaho Inspector of Mines in 1920.

<sup>23</sup> See Robert N. Bell, "Another Butte in southern Idaho?" *Northwest Mining Truth* (November 20, 1930): 5–6.; Rhesa M. Allen, *Geology and ore deposits of the Volcano district, Elmore County, Idaho*, Moscow, Idaho: University of Idaho, unpublished M.S. thesis (1940); Rhesa M. Allen, "Geology and mineralization of the Volcano District, Elmore County, Idaho," *Economic Geology*, 47, 8 (1952): 815–821; Richard F. DeLong, *Geology of the Hall Gulch plutonic complex, Elmore and Camas counties, Idaho*, Moscow, Idaho: University of Idaho, unpublished M.S. thesis (1986); Earl H. Bennett, *The geology and mineral deposits of part of the western half of the Hailey 1°×2° Quadrangle, Idaho*, Washington, D.C.: U.S. Geological Survey Bulletin 2064-W, prepared in cooperation with the Idaho Geological Survey, Idaho State University, and the University of Idaho (2001).

<sup>24</sup> Governor of Idaho from January 2, 1911 to January 6, 1913.

<sup>25</sup> The Company, Blackstone Mining Company, Ltd, was formed as an Idaho corporation in 1987 and is the successor-in-interest to the corporation of the same name formed by Hawley and Rich in 1903.





In the early 1900s, the original Blackstone Mining Company began development by driving an approximate 60-foot crosscut tunnel. According to historical reports, this work is reported to have cut a six-foot wide vein from which three carloads of ore were shipped. The reported assay value was 15 percent copper, a like amount of zinc, 30 ounces of silver, and .04 ounces of gold per ton.<sup>26</sup> At January 2014 prices, the ore would be valued at about \$94,000.

In 1936, the Volcano Mining Company operated the Property under lease and shipped at least 54 tons of so-called “mine float” (ore left on the surface of the Property from prior mining) to the United States Smelter at Salt Lake City, Utah. Table 2 shows the returns from the smelter as shown in the company’s records.

Tons Shipped	Copper (%)	Silver (oz./ton)	Gold (oz./ton)
22.82	2.6	11.1	0.07
31.17	2.3	5.5	0.04

Source: Volcano Mining Company records

The Property’s known primary metals are copper, gold, lead, manganese, silver, and zinc. Small amounts of nickel, rare earth elements, and traces of palladium have been reported in some fire assays and atomic absorption spectrophotometer analysis.

### Blackstone geology

In 1984 Richard F. DeLong mapped about 11 square miles of the Bennett Mountain area which includes the Blackstone Property. The southern part of the map consists mainly of granodiorite intrusive of tertiary age in contact to the north and east with tertiary and quaternary volcanic magmas. The main mass of tertiary intrusive has several windows exposing older (cretaceous) intrusive consisting mainly of granodiorite and related rocks which form the main body of the Idaho Batholith. The tertiary intrusive is also cut by a number of east-west striking dikes and quartz veins of tertiary or later origin.

Mineralization exposed by exploration and development is confined to an east-west striking zone of structural weakness in the cretaceous intrusive, which lies mainly in section 13, 14 and 15 which is the location of the Blackstone Mine. Principal minerals present are chalcopyrite, galena, sphalerite, malachite, and magnetite associated with quartz monzonite, and carrying varying silver, copper, zinc, and gold values. Surface mineralization is highly oxidized but some chalcopyrite has been noted in the pit about 40 feet below the original surface.

Another large exposure of the cretaceous intrusive occurs mainly in sections 13 and 18, to the southeast of the known mineral zone, although this area has not been sampled in detail. DeLong considered it favorable for similar mineral deposition to the known zone at the Property.<sup>27</sup>

Surface development through 1987 consisted primarily of a 100 x 600 foot open pit located near the eastern end of the five-patented-claim block. The open pit is developed on two east-west trending structures. Quartz veins and stockwork are developed along these structures. The adjacent country rock is intensely altered.

At the surface, the southern structure hosts a stockwork that contains sulfides and intense alteration. The sulfides consist of pyrite, chalcopyrite, sphalerite, and galena as the major phases. In thin section, bornite or digenite rims can be seen around most of the chalcopyrite. Surrounding the stockwork are three distinct zones of alteration with mineralization. The zones from the stockwork outward are: a sulfide-epidote zone, a sulfide-sericite zone, and a sericite-manganese oxide zone.

<sup>26</sup> George I. Vasilhoff, M.M.E., P.E., “Preliminary report on the Blackstone Mine Property,” Boise, Idaho: Unpublished manuscript, October 1984.

<sup>27</sup> Vasilhoff (1984); DeLong, (1986).

The alteration in the sulfide-epidote zone is pervasive and extensive, with all original textures being destroyed. Alteration minerals include epidote, chlorite, and sericite. This alteration forms a ten foot (3 meters) wide zone around the stockwork. Silicification within this zone is relatively minor, but there are veins of quartz and epidote, with relict sphene.

The mineralogy and style of alteration is similar to that of the fragments in the stockwork. The epidote ranges in size from 25 microns up to 1 millimeter. The finer-grained epidote is spatially associated with the veinlets. Sericite occurs as a fine-grained felty mass evenly distributed through the rock, and ranges in size from less than 2 to 200 microns. Chlorite also occurs as fine-grained patches throughout the rock. Apatite is present in this zone of alteration and is associated with the quartz veinlets. Calcite is present in this zone and is associated with the epidote and iron oxides. Iron oxides are most abundant near the outer edge of this zone where they comprise as much as 35 percent of the rock. The sulfides are most likely pyrite, chalcopyrite, and galena.

The sulfide-sericite zone of alteration has an elongate, elliptical shape that varies in width from 10 to 42 feet (3 to 13 meters). Alteration is both selectively pervasive and veinlet-controlled. Alteration minerals include fine-grained patches that are up to two millimeters in diameter. The sericite is well developed and occurs as fine-grained masses in the rock. The grains are 1 to 40 microns in size. Some of the sericite is associated with the quartz stringers. Sericite also replaces epidote in this zone. The sulfides are primarily pyrite and chalcopyrite.

The sericite-manganese oxide zone is the most widespread alteration associated with the deposit. The zone encloses other zones of alteration, but is not uniform in width. The alteration is both selectively pervasive and veinlet-controlled. The former is dominant near the stockwork. Sericite is 1 to 500 microns in size and is an alteration product of the plagioclase and potassium feldspar. Manganese oxide occurs as disseminated grains throughout the zone. The manganese oxide is a soft, sooty material that does not have a distinctive X-ray diffraction pattern.

Electron microprobe analysis indicates a significant amount of zinc associated with the manganese. The biotite occurs as fine grain aggregates associated with the iron oxides. This type of alteration also forms a linear zone north of the main structure. Nine of the ten reverse circulation holes drilled by Hambro Resources intersected at least one of the two known mineral structures. Other minor, parallel mineral structures were intersected in several of the holes.

The south structure, which is exposed in the pit, hosts multiple well developed fifteen foot quartz veins at depth. Sericite-pyrite alteration forms halos around the veins. Several minor zones of sulfide-epidote were intersected in some of the Hambro drill holes. The geologic target for silver mineralization appears to be the quartz veins and adjacent altered host rock.

Cross-sections and plan views of the deposit show a series of at least 10 east-west trending structures, most of which have a significant amount of fault gouge. The quartz veins occurring along these structures have a pinch and swell structure. The veins generally have a greater vertical than horizontal extent forming shoots and pods. The structures and quartz veins strike in an east-west direction and dip north between 50° and 70°.

At the surface, the southern structure is about 70' wide and the northern structure is about 40' wide. At depth, the two structures converge with a well-developed zone of altered rock between them. The combined thickness of the structures is 90' to 130'. Horizontal extent of the body is about 600' in the drilling area. Faults and altered host rock are exposed at the surface, 200' to 300' west of the current development. The vertical extent of the structures is at least 300' to 400', down dip, as indicated by the drill holes.

The last exploratory drilling in 2002 was a small series of vertical holes from the outcrop's apex that yielded low metallic values of copper and zinc with heavy alteration indicating the bulk of the ore structures dip to the north of the outcrops towards the camas prairie.

The geological data indicates Blackstone ore body is most likely an intrusion from the Idaho Batholith, meaning the Property could have commercial ore values as deep as 6,000 below the outcrop. Exploratory drilling has been confined to the vadose (dry) zone of the Property, intercepting mostly oxidized ore.

An additional economic point of interest – Blackstone ore samples have yielded small amount of nickel with traces of palladium along with minor concentrations of rare earth elements in atomic absorption spectrophotometer analysis and smelting tests. Whether the presence of these metals is an anomaly, or might develop into meaningful quantities at depth has yet to be determined.

Reports, research papers, and stockpile valuations from professional geologists and mining engineers referenced in this memorandum are included in their entirety as Exhibits F through M

### **Development of the Property by prior lessees**

#### ***Circa, Incorporated (1982-1984)***

In 1982, Circa Incorporated (“**Circa**”), a Utah mining company, leased the Property from the Company and began initial development of the Blackstone pit. In the fall of 1982, Circa submitted a series of samples to Kennecott Copper's smelter in McGill, Nevada to determine if the ore contained sufficient silica and metallic values to warrant smelting without prior concentration. The tests resulted in a 92 percent recovery of the metals in the ore and an agreement to accept “mine-run” ore shipped directly from the Property to the McGill smelter.

Prior to commencing ore deliveries, a worldwide oversupply of copper sent prices plummeting and the Blackstone ore consignments were put on hold. In the spring of 1983, Kennecott closed its McGill facility and the ore purchasing contract was cancelled. With the closure of the McGill smelter, there were no custom ore processing facilities in proximity to the Property that were economically feasible to ship mine-run ore.

Facing soft metals-market prices, Circa turned to hydrometallurgical ore processing as an alternative for recovering the metallic values from the Blackstone ore. The strategy was to create refinery-grade metallic concentrates to reduce shipping expenses and widen the market for Blackstone metals. In 1984, Circa shipped about 4,000 tons of Blackstone ore to a small hydrometallurgy mill in Mountain Home, Idaho. The mill utilized a dilute sulfuric acid leach introduced to a finely ground ore slurry in series of agitation tanks. Unfortunately, this process left a high percentage of the base and precious metals in the tailings.

#### ***Hambro Resources, Inc. (1984-1985)***

In the fall of 1984, George Vasilhoff, M.M.E, P.E., a consulting engineer, compiled an initial engineering report on the Property for Hambro Resources, Inc., a Canadian resources company (“**Hambro**”). Vasilhoff examined the pit area previously developed by Circa, as well as the surface showings to the east of the pit. He reported the pit was an east-west striking trench about 600 feet long and an average of 100 feet wide about 25 feet below the original surface. About 180 feet at the east end of the pit had been cleaned sufficiently to permit sampling of the mineralization.

Vasilhoff cut six 20-pound channel samples from the floor of the pit in widths varying between 40 and 110 feet. The samples were crushed, split to about five pounds each, and submitted to Chemex Laboratories<sup>28</sup> in Reno, Nevada. The results are shown in Table 3.

Sample	Copper (%)	Lead (%)	Zinc (%)	Silver (oz./ton)	Gold (oz./ton)	Location
7751	1.48	0.24	0.36	12.00	0.003	W pit, 44' N-S channel
7753	0.64	4.24	3.01	3.90	0.003	E pit, 35' N-S channel
7754	0.4	0.13	0.27	2.80	0.003	E end, 90' W 37' N. channel
7755	0.51	0.1	0.17	3.90	0.003	E end, 90' W 16' N. S. channel
7756	0.76	0.18	0.11	5.07	0.006	E end+ 120' W, 30' N-S channel
7757	0.4	1.78	2.17	4.94	0.003	Grab discovery pit 1
7758	0.02	0.05	0.06	0.17	0.003	Grab discovery pit 2

Source: Vasilhoff, 1984

Based on the results of the preliminary samples, Vasilhoff ordered 10 more channel samples cut across the pit floor over a strike length of 180 feet with each sample being 45 to 60 feet in width. These samples were crushed and split in the same manner as the previous samples, with a split of each being submitted to Chemex Laboratories. The results are shown in Table 4.

Based on Vasilhoff's analysis, Hambro optioned the Property lease from Circa. Hambro drilled nine reverse-circulation exploratory holes in the pit region to determine the possibility of expanding pit development. The drill results confirmed Vasilhoff's analysis and the Hambro began exploring financing options to further develop the Property.

#### ***Richwell Resources, Ltd. (1986-1988)***

In 1986, Richwell Resources assumed Hambro's lease of the property, conducting an extensive diamond-core drilling program resulting in the calculation of proven and indicated reserves at the Property. Richwell further developed the pit by mining and stockpiling about 35,000 tons of ore reported by the company's chief consulting geologist to contain in excess of 4 percent copper, 12 percent zinc, 20 ounces of silver per ton, and .04 percent gold per ton.<sup>29</sup> the processing of which is the subject of this memorandum.

About 4,000 tons from the stockpiled ore were shipped to Richwell's hydrometallurgical mill in Gooding, Idaho. The mill used an ammonium thiosulfate leach with a dilute hydrochloric acid bath to separate the silver. The results were similar to those obtained by Circa, leaving most of the metals in the tailings.

Richwell then switched to a dilute ph2 sulfuric acid pond leach of minus 3/4-inch crushed ore. The leach dissolved enough copper to produce commercial amounts of agricultural grade copper sulfate (Cu<sub>2</sub>SO<sub>4</sub>) and electrolytic zinc, though as much as 65 percent of the base metals values and nearly all of the precious metal remained in the tailings.

Sample	Silver (oz./ton)	Gold (oz./ton)
1	2.57	0.008
2	2.57	0.012
3	4.33	0.006
4	5.91	0.01
5	8.51	0.012
6	7.53	0.016
7	4.82	0.02
8	7.84	0.016
9	17.28	0.018
10	8.52	0.003

Source: Vasilhoff, 1984

<sup>28</sup> Now known as ALS Group, a subsidiary of Campbell Brothers, Ltd.

<sup>29</sup>Richard E. Kucera, PhD, FGAC, "Gross value of proven ore reserves at the Blackstone Mine, Elmore County, Idaho," Vancouver, B.C.: Unpublished manuscript (May 16, 1996).

### **Pyrometallurgical processing**

The experience of previous Blackstone mine operators clearly demonstrates that hydrometallurgy, regardless of the reagent used, is an ineffective method for processing ore from the Blackstone pit. Conversely, tests on the lower-grade values in the granodiorite zone surrounding the pit indicate the ore is amenable to common leaching techniques; hence the designation of “leach grade” ore zones to describe the proven and indicated ore reserve calculations for the Property.

Notwithstanding the ore reserves at the Property, building a high capacity smelter or concentration mill is cost prohibitive without much larger proven ores reserves. Nonetheless, we believe the stockpiled ore presents a unique opportunity to:

- Potentially earn significant profits;
- Produce various grades of zinc oxide that can be marketed well above that of metallic zinc; and
- Expand development of the Property by using an on-site pilot-sized processing circuit.

The reported success of the Kennecott smelting tests in recovering 92 percent of the values in the Blackstone ore points to an obvious solution for treating the ore stockpiled at the Property. Smelting copper ore is an ancient process dating back to 5000 BC, and the underlying chemistry has not substantially changed. Over time, technology has improved the process, allowing us to install a small-scale, automated, single-step pyrometallurgical processing circuit that we believe will recover most of the values in the stockpiled ore.

While the daily processing volume of the proposed pilot mill is small we believe the operation will return a sizeable profit. Moreover, the Blackstone is rich in zinc affording an abundant supply of raw ore for the production of zinc oxide compounds as a primary product of the pyrometallurgical process. The simultaneous recovery of the copper, silver and gold is a bonus.

The proceeds of this Offering will be used to finance the installation and operation of the pilot facility. We believe the recovery results from the pilot operations will not only be instrumental in attracting a major mining company to the Property but also sustain a profitable ongoing business in the interim. While there can be no assurance a major mining company will step in, should such an event occur the value of the Company’s equity would most likely increase appreciably.

### **Proposed processing circuit**

Under the Company’s proposed processing circuit, ore from the stockpile will be crushed to  $\frac{3}{4}$  inch in a hydraulic crusher bucket attached to a track-type backhoe/loader. This equipment configuration eliminates the need to install a primary crushing circuit at the stockpile. The crushed ore will be loaded into a dump truck as it is crushed and hauled to a receiving hopper at the mill.

To ensure a balanced ore feed to the mill, the stockpile will be graded at the crushing site using a hand-held XRF spectrograph. XRF technology uses a unique set of characteristic X-rays for each metal, creating a metallic “fingerprint,” and allowing the operator to calculate the concentrations of specific metals in each of the ore samples. No special training or technician is required to operate the device. XRF is a proven technology for measuring of the metallic values of both in-situ and mined ore.

At the mill, the ore will be dry ground to -200 mesh, fired in a kiln at temperatures above 1,000° C vaporizing the zinc content in a process known as Zinc Fuming. The remaining roasted ore or calcine is mixed with reagents, fired in a one-ton graphite-lined electric kiln at temperatures above 1200° C (2192° F) and subsequently poured into molds as an agglomeration of metallic copper, gold, lead, and silver matte. The matte is sent to a refiner, such as Johnson-Matthey for final separation.







### **Plant capacity and reaction time**

The pyrometallurgical processing circuit involves more than just melting the metal out the ore. Blackstone ores are a mixture of metallic oxides, sulfides, and carbonates. To extract the metals, the ore has to undergo a series of chemical reaction to free the metals which we have designed as a two-step process: (i) vaporization, and (ii) matte production.

In the two-step process the ore is roasted at about 1000° C. As the temperature rises residual carbon and sulfur are driven off. When the graphite-lined kiln reaches above 907° C, the zinc content boils and the vapors are captured in a cooling duct. Oxygen is introduced to the vapor stream and the zinc precipitates as oxide particles that are captured on filters in an apparatus commonly known as a bag house. The zinc oxide process is commonly known as “Zinc Fuming” or Waelz Kiln Technology.

The remaining roasted ore (“calcine”) is mixed with reagents such as borax glass, soda ash, charcoal, and silica then fired at temperatures near 1300° C producing a metallic matte containing copper, lead, silver, gold, and manganese which will be further separated by a third party refiner such as Johnson-Matthey

The fluxes added to the ore collect the impurities into a slag that forms on top of the molten metals during the final processing step. Determining the optimum flux combinations is as much an art as a science, requiring a series of trial kiln firings to insure a metal rich matte grade with minimal metallic losses.

The amount of ore processed is a function of the time required to complete each processing phase. Five one ton electric kilns are currently specified to process up to fifteen tons of the ore in a twenty four hour period. The specification anticipates an eight hour duty cycle per ore feed, per kiln. If the duty cycle for each kiln can be reduced the plant capacity will increase, conversely if the cycle is longer the capacity diminishes.

If the latter proves to be the case additional kilns would be added to reach the design capacity. Another alternative would be to consolidate the processing phases into a single cycle provided the metallic losses and matte grades remain within the target limits.

### **Increasing the value of the zinc in the ore**

With the exception of cadmium, zinc has the lowest boiling point of the metals in the Blackstone ore stockpile. Though the ore contains trace amounts of cadmium we nonetheless expect to produce and market a high-quality zinc oxide powder. Prices for zinc oxide, depending on purity and particle size, range between \$5 to as much as \$190 per pound for reagent, and pharmaceutical grades. Zinc recovered as an oxide is expected to significantly increase the value of stockpile.

For example, in April, 2014, Amazon sold ZnO powder at \$13.48/lb. Chemical supplier Sigma-Aldrich markets reagent-grade ZnO at \$95/kg (\$43.50/lb.). Standards Ceramics markets 100-pound lots of ZnO for \$730. The Company believes recovering zinc from the ore stockpile as ZnO will be significantly more profitable than producing metal ingots.

ZnO is an inorganic white powder that is insoluble in water, and it is widely used as an additive in numerous materials and products including rubber, plastics, ceramics, glass, cement, lubricants, paints, ointments, adhesives, sealants, pigments, foods, batteries, ferrites, fire retardants, and first-aid tapes. The ZnO recovery method was developed in France in 1844 and is commonly known as the French process.

Worldwide consumption of Zinc Oxide is over 1.4 million tons per year; rubber manufacturers consume about 60% of the annual supply, while the electronics, ceramics, chemical, pharmaceutical, pigmentation, and agricultural industries account for use of the remaining 40%. The dominant supplier is China, .

Blackstone’s annual production of Zinc Oxide from the pilot size processing circuit is estimated at about 330 tons annually. The Company’s initial marketing target is \$7 per pound.

Electricity for the processing circuit will be generated on-site with twin 160 kW diesel generator, sized to produce sufficient electrical power for the electric kilns and all materials-handling equipment at the mill. A smaller 60 kW diesel generator will provide power for plant lighting, utilities, and laboratory appliances. Assuming 15 tons per day can be processed over a nine-month operating season, the Blackstone ore stockpile will provide enough ore feed to operate the planned pilot circuit for at least seven or more years.

### **Refinery Coupons**

To encourage potential investors to subscribe to the Units, the Company is assigning a 20 percent interest in the metals and oxides recovered from the stockpiled ore or such other areas of the Property as the Company, in its sole discretion, may designate as Refinery Coupon eligible to Unit holders on a pro-rata basis, payable in cash at the end of each calendar year (see “Refinery Coupon Description”). While there can be no assurance that Refinery Coupons will produce a return on investment, the instruments have been designed to create a near-term liquidity event for Unit holders.

### **Enhancing shareholder equity**

We believe the profitability of processing the ore stockpile will allow the Company to use the results to attract a major mining company into further developing about 4 million tons of proven and indicated ore reserves developed by prior operators of the Property. While beyond the scope of the pilot pyrometallurgical circuit and this Offering, we believe full-scale mining and milling could profitably recover base and precious metals from the leach and high-grade ore zones already identified, subject the expansion of additional reserve ores through core drilling and exploration of the deeper and most likely richer sections to the Property. We anticipate the stockpile recovery results will be instrumental in attracting a major mining company into fully developing the Property.

With regard to further development of the Blackstone, we envision a Property-wide diamond-core drilling program to block out additional proven ore reserves both in the identified mining zones and the yet-to-be-explored “zone of super-enrichment.” The latter is expected to contain a polymetallic ore body with significant commercial amounts of copper, zinc, silver, and gold beginning at the water table about 400 feet below the surface of the mine (see “History of the Property”). Even if the ore stockpile processing exceeds expectations and the ore reserves are further confirmed, there can be no assurance that we will be able to attract a major mining company to the Blackstone or develop our own plan of operation for enhancing shareholder equity and the value of the Property.

Although we believe we have the expertise to assemble a team to take the Property into full scale production, the costs and time frame for doing so are considerable, and the subsequent return on investment would be long-term. Therefore, there is a distinct possibility that we might sell or lease the Property to a major mining company if we are able to attract such an entity.

Conversely, we believe that selling or leasing the Property to a major mining company would provide an immediate return to our shareholders without the long time frame and cost of putting the mine into operation ourselves. However, we cannot assure you that any major mining company would be interested in partnering in the Blackstone on reasonable commercial terms, if at all.

### **Environmental regulations**

While the planned processing circuit is confined solely to private property, we will nonetheless be required to obtain permits from the Idaho Department of Environmental Quality (“DEQ”) for fugitive dust and particulate emissions. By design, the pilot mill will be closed-circuit for the recovery of zinc as an oxide; therefore, emissions from operations should be negligible and well within those defined as permis-



sible by DEQ. Other than the receiving hopper and the ore crushing at the stockpile, the processing circuit will be contained completely within the 6,000 ft<sup>2</sup> steel building that will house the processing circuit.

Final design and installation of the processing circuit will be under the direction of a professional engineering firm familiar with state environmental regulations and meeting the requirements of the permitting process. Engineering firms in Boise such as Forsgren Associates, Hildebrand & Associates, or Brown & Caldwell are fully qualified to oversee the permitting process with DEQ. Subject to negotiations, the Company intends to retain one of the above firms to direct installation of the processing circuit.

### **Staffing**

The automated materials handling and electric kiln operation are not labor intensive. The processing circuit can be operated with a four-person daytime staff, plus a manager and two workers to reload the kilns on the night shift. There are a number of communities within a 15- to 80-mile radius of the mine, including Boise, Idaho (metro-population 630,000) that have skilled labor pools sufficient to staff the mill.

A professional chemist with extensive experience in pyrometallurgical reactions will manage the copper/silver/gold matte and zinc oxide production. Executive management will negotiate and oversee the refinery and zinc oxide sales agreements, execute the Company's administrative duties, manage the Company's finances, and provide on-site oversight of metals production.

The pilot plant will operate 22 days each month. The remaining days of the month, the circuit will be idled for regular maintenance, inspections, repairs, and staff time off. Subject to weather conditions, the annual operating cycle will typically be mid-March through November.

### **Product shipping, security, and communications**

The pilot mill is estimated to produce about seven tons of copper/silver/gold matte bi-monthly, which will be shipped to a refinery, most likely in Salt Lake City, Utah, on a Company-operated flatbed truck. Salt Lake City is about a five hour drive from the mine, primarily on Interstate highways. The mill will also produce about twelve tons of zinc oxide each month, which will be staged in Boise until there is sufficient weight to use a common carrier semi-tractor trailer to ship to a buyer, most likely on the West Coast. As the zinc oxide production matures, the Company believes it will produce higher grade specialized zinc oxide compounds which will be shipped in smaller lots at prices above the Company's average \$7 per pound target. Company-operated vehicles used to ship product will be GPS monitored for location, mileage, and speed.

Broadband satellite will be the primary communications link, although cellular telephone service is available in certain spots on the Property. The pilot plant and surrounding area will be under 24-hour closed circuit television (CCTV) surveillance and digital video recording. Live and recorded video will be accessible by local monitors in the plant and as a live stream over the Internet. Entrance to the processing plant, reagent and product storage areas, laboratory, and overhead roll-up doors will be controlled by touch pad security locks.

## SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT

Table 5 sets forth information relating to the beneficial ownership of the Company's common stock held by the Company's management and those persons beneficially holding more than 5 percent of its issued and outstanding common stock as of April 7, 2014.

TABLE 5: SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT					
Owner's Name and Address	Title of Class	Number of Shares Owned	Percentage of Shares Owned Prior to Offering*	Percentage of Shares Owned After Offering**	Percentage of Shares Owned After Giving Full Effect to Exercise of Warrants***
Hawley Family Trust 22522 Kellerman Drive, NE Kingston, Washington 98346	Common Stock	12,000,000	100.0%	80.0%	66.6%

\* Percentage based upon 12,000,000 shares of common stock issued and outstanding as of April 7, 2014.

\*\* Percentage based upon 15,000,000 shares of common stock issued and outstanding upon closing of the Offering, assuming all Units are sold and no Warrants are exercised.

\*\*\* Percentage based upon 18,000,000 shares of common stock issued and outstanding after Offering, assuming all Units are sold and all Warrants are exercised.

The shareholders listed in Table 5 are not eligible to receive Refinery Coupons. Pro-rata Refinery Coupons are reserved exclusively for Unit holders who subscribed to this Offering. The Company does however reserve the right to use unissued Refinery Coupons in subsequent offerings, if any, provided the coupons do not exceed the number, in the aggregate, that are offered herein.

## DESCRIPTION OF CAPITAL STOCK

The Company is authorized to issue up to 50,000,000 shares of common voting stock. As of April 7, 2014, there were 12,000,000 common shares outstanding and owned by four shareholders of record. All common shares have identical rights, including voting rights of one vote per common share on all matters to be voted upon by the shareholders.

Holders of common shares are entitled to ratably receive such dividends, if any, as may be declared by the board of directors. Upon the liquidation, dissolution, or winding up of the Company, the holders of common shares are entitled to share ratably in all its assets that are legally available for distribution after payment of all debts and liabilities. Holders of common shares have no preemptive, subscription, redemption or conversion rights. All shares will be fully paid and non-assessable.

Table 6 sets forth the capitalization of the Company (a) as of the date of this Memorandum and (b) adjusted to give effect to the current Offering, assuming all Units are sold.

TABLE 6: SECURITY OWNERSHIP OF BENEFICIAL OWNERS AND MANAGEMENT		
Title of Class	Shares Outstanding Prior to Offering	Shares outstanding after Offering
Common Stock Issued and Outstanding	12,000,000	15,000,000
Warrants Outstanding	-	3,000,000
Total Common Stock and Warrants	15,000,000	18,000,000

## USE OF PROCEEDS

After deducting potential maximum finder’s fees of \$240,000 and offering costs of approximately \$50,000, the net proceeds from the Offering are estimated to be approximately \$2,710,000, assuming all Units are sold. However, we reserve the right to reduce the size of the Offering and to accept or reject any subscription in whole or in part, in our sole discretion. Sales of the Units are being made on a “best efforts” basis, and all funds paid to the Company will be available for immediate use. There can be no assurance that any or all of the Units offered will be sold.

We intend to use the net proceeds to engage a professional engineering firm and on-site chemist, construct and operate the pilot mill, hire necessary staff, obtain appropriate permits, and for general corporate purposes, which may include working capital, capital expenditures, research and development, and regulatory affairs. While we anticipate using the net proceeds of this Offering as described herein, we may reallocate the net proceeds from time to time depending upon market and other conditions. Thus, the proposed use of proceeds is only an estimate, and management will have broad authority to reallocate funds as it deems necessary in the best interests of the Company. Pending application of funds, the Company intends to invest the proceeds in short-term, interest-bearing, investment-grade securities.

Sources and uses of proceeds	Line item expense	Expense subtotal	Balance
<b>Net Offering proceeds</b>			\$2,710,000
<b>Capital costs</b>			
Crushing and grinding equipment	125,000		
Loading, hauling, and lifting equipment	175,000		
Physical plant (mill) construction	350,000		
Analytical equipment	60,000		
<b>Total capital costs</b>		\$720,000	\$2,080,000
<b>Labor and consulting costs (per month)</b>			
Mill management and staffing	30,000		
Engineering and environmental consultants	10,000		
Legal, regulatory, and accounting	4,000		
Executive management	9,000		
<b>Total labor costs for five months*</b>		\$265,000	\$1,815,000
<b>Operating costs (per month)</b>			
Reagents, fuel, transportation, and security	40,000		
<b>Total operating costs for five months*</b>		\$185,000	\$1,630,000
<b>Working capital</b>			
<b>Total allocation to working capital</b>		\$1,630,000	-

\*Pro-forma financials assume production will commence within six months of initial development. It is anticipated that production revenues for the remainder of the first year will significantly offset the estimated \$90,000 monthly labor and operating costs beginning in the sixth month of activity. Shortfalls, if any, will be covered from working capital.

## DILUTION

“Net tangible book value” is the amount that results from subtracting the total liabilities and intangible assets of an entity from its total assets. “Dilution” is the difference between the offering price of a security, such as our common stock, and its net tangible book value per share immediately after the Offering, giving effect to the receipt of net proceeds in the Offering. Giving effect to the sale of all offered Shares at the Offering price, present shareholders would receive an immediate increase in net tangible book

value and new investors would experience an immediate dilution. Should some portion of the shareholders elect to exercise their warrants, the dilution could be even more substantial.

In addition, we may enter into agreements with securities broker-dealers who are members of the National Association of Securities Dealers whereby the broker-dealers will be involved in the sale of the shares to the investors and will be paid a commission by us. The net proceeds identified assumes payment of a fee or commission not to exceed 8 percent of the aggregate purchase price paid for the shares sold through such brokers. Broker-Dealers may be paid in the form of cash, cash equivalent, or shares in connection with this Offering.

If broker-dealers are paid their commissions in the form of shares in the company, both present shareholders and new investors would experience an immediate dilution. In all cases, an investment in this Offering will undergo immediate dilution when compared with the net tangible assets of the company.

## COMPETITION

We have no direct competition for the extraction of the metals from the Blackstone ore stockpile or the Property. Since metals are traded in the open market and therefore, we have no control over the competitive conditions in the industry. The price of zinc oxide varies widely. The Company will use its best efforts to maximize the value of the product while exercising discretion in its selection of buyers based on demand, shipping distance, cash flow, and terms of sale. There is no backlog of orders.

## MANAGEMENT

Blackstone Mining Company, Limited is a closely held family corporation, its primary asset being the Property held by the Hawley family for 111 years since former Idaho Governor James H. Hawley obtained a patent for the mine complex in 1903.

### **James H. Hawley III**

Mr. Hawley is extremely knowledgeable about the Property, having served as an officer and director of a publicly traded entity that operated the Property from 1984 to 1988. During his tenure he structured two successful public offerings, raising over \$3.5 million dollars for drilling, and pit development at the Blackstone including the management of the operator's securities aftermarket from its beginnings as a penny stock to market highs in the \$3.00 range.

His business experience includes positions as an executive officer and director of two publicly traded corporations, director of operations in the restructuring of two international insurance companies, a real estate developer specializing in the construction of planned unit developments, and CEO of a privately held high-speed Internet distribution enterprise. Mr. Hawley is also an experienced senior computer technology executive skilled in the design, development, and distribution of nationwide IPTv digital video networks and software applications (including an original prototype), digital pay-per-view and video-on-demand systems for the hospitality and multi-family housing industries.

Mr. Hawley attended Seattle University for four years with a double major in political science and journalism, and a fifth year at Boise State University. He also studied French language and culture as an exchange student at Cité Internationale Universitaire de Paris.

**Marilyn K. Green**

Ms. Green is also highly knowledgeable about the Property, having served as an officer and director with Mr. Hawley for a prior lessee of the Property. She has extensive experience in the securities industry and in risk management assessment, working with Mr. Hawley in the reorganization of two international insurers writing re-insurance, specialized risks, and surplus lines coverage.

Ms. Green’s experience in the securities industry includes serving as a National Association of Securities Dealer’s licensed Financial Principal, including positions as Managing Executive for Royal Alliance, a Sun America Company and member of the New York Stock Exchange, The William J. Green Company, and Paulson Investment Company.

**Kaili A. Hawley**

Ms. Hawley has a strong background in professional services marketing, with experience as marketing manager for Cal-Med in Newport Beach, California, and most recently as a clinical informatics specialist with Saint Alphonsus Health System in Boise, Idaho. She holds a B.A. in communications and an M.A. in organizational management and international business from Antioch University.

**Christopher S. Hawley**

Mr. Hawley is the principal of C.S. Hawley & Associates, a marketing and public relations practice he founded in 1984. His major clients have included Oregon Steel, Ore-Idaho Foods, J.R. Simplot, and Boise Cascade, as well as numerous small and medium-sized businesses in the Portland, Oregon metropolitan area. Prior to launching his consulting practice, he was an instructor in communication and political science at Boise State University and the University of Idaho.

**DIRECTOR AND EMPLOYEE COMPENSATION**

As of the date of this Memorandum, the Company does not have any full-time or part-time employees. We do not currently pay director fees to any of our directors, but may begin compensating outside directors at a reasonable fee for meetings attended at such time as we may have one or more outside directors. Meetings of directors are generally held quarterly.

We have not entered into any employment agreements and there can be no such assurances that we will be able to enter into such agreements upon terms and conditions sufficient to attract and retain key personnel. We may enter into written employment agreements with other later retained management personnel and possibly other later retained key personnel on such terms and conditions as we deem reasonable.

**TERMS OF OFFERING**

The Units in this Offering have not been registered under the *Securities Act* or any state securities laws. The availability of exemptions from the securities laws depends to a large extent upon the investment intent of the investors. Accordingly, you will be required to acknowledge, among other things, that the purchase is for investment, for your own sole account, and without any view to resale or other distribution thereof. Since the sale of the securities is not registered, the securities will be restricted and may not be resold without registration, except under specific exemptions from the securities registration requirements.

There is no firm commitment by any person to purchase or sell any of the Units and there is no assurance that any Units offered will be sold. There is no minimum number of Units that are required to be sold in

this Offering. All proceeds from the sale of the Units will be delivered to the Company. We may terminate this Offering at any time.

## INTELLECTUAL PROPERTY

The Company has no intellectual property such as patents or trademarks. It has not incurred any research or development expenditures since inception.

## LITIGATION

The Company is presently not a party to any material litigation, nor to our knowledge is any litigation threatened or contemplated that might materially affect the business or its assets. However, there can be no assurance that we will not, from time to time, be involved in various claims, lawsuits, or disputes with third parties incidental to the normal operations of the business. We may also become involved in administrative proceedings and regulatory government investigations in the ordinary course of conducting our business.

## TRANSFER AGENT AND REGISTRAR

The Company will act as its own transfer agent and registrar for all Units sold pursuant to this Offering.

## LIMITATION ON DIRECTORS' LIABILITY

Our officers and directors are indemnified as provided by Idaho statutes and our bylaws. Pursuant to *Idaho Code* §30-1-852, we are required to indemnify a director who was wholly successful, on the merits or otherwise, in the defense of any proceeding to which he was a party because he was a director of the corporation against reasonable expenses incurred by him in connection with the proceeding.

Under Idaho law, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's articles of incorporation. Our articles of incorporation do not contain any limiting language regarding director immunity from liability. Excepted from this immunity are:

1. A willful failure to deal in good faith with the company or its shareholders;
2. Receipt of a financial benefit to which the director is not entitled;
3. An intentional infliction of harm on the corporation or its shareholders;
4. Assenting to a distribution of assets or dividends in excess of that permitted by law; or
5. A knowing and intentional violation of criminal law.

Our bylaws provide that we will advance to any person who was, is, or is threatened to be made a party to any legal action by reason of the fact that he is or was a director or officer of the Company, all expenses incurred in connection with such proceeding. To qualify for this advance, the director or officer must deliver a written undertaking to repay said amounts if it should be determined ultimately that he or she is not entitled to be indemnified under our bylaws or otherwise.

Regarding indemnification for liabilities arising under the *Securities Act*, which might otherwise be permitted to directors or officers under Idaho law, we are informed that, in the opinion of the Securities and Exchange Commission, such indemnification is against public policy and is, therefore, unenforceable.

## PLAN OF DISTRIBUTION

This Offering is being conducted on a “best efforts” basis through officers and directors of the Company. There is no escrow. The proceeds from this Offering will be deposited directly into the Company’s treasury and be immediately available to the Company for the purposes set forth in this Memorandum.

At our sole discretion, Units may be offered and sold through placement agents registered with the National Association of Securities Dealers. We will determine the commission to be paid, provided it does not exceed 8 percent of the Offering price. Officers or directors of the Company will not receive any commission for sales of securities, but they may receive reimbursement for reasonable out-of-pocket expenses in connection with sales.

We reserve the right to undertake additional offerings, provided that such offerings do not affect the Company’s right to rely on Regulation D of the *Securities Act*. The present Offering shall remain open for a period of up to 120 days from the date of this Memorandum and an additional 120 days if extended by the Company, unless the maximum proceeds are earlier received or we determine to cease selling efforts. There can be no assurance that all or any of the Units will be sold.

## RESTRICTIONS ON TRANSFER OF SHARES

The Units offered hereby are “securities” as defined in the *Securities Act* and state securities laws. The *Securities Act* provides, among other things, that no sale of any securities through the use of federal jurisdictional means may be made except pursuant to a registration statement that has been filed with the Securities and Exchange Commission and has become effective, unless such sale (or the security sold) is specifically exempted from registration. State securities laws have analogous provisions.

The Units in this Offering have not been registered under the *Securities Act*. Neither the Securities and Exchange Commission nor any state securities commission or regulatory authority has passed upon or endorsed the merits of this Offering. The Offering will be made privately to a limited number of investors:

- In reliance upon the “private placement” exemption from registration provided in section 4(2) of the *Securities Act* and Regulation D of the Securities and Exchange Commission; and
- Where available, upon appropriate exemption from state registration or qualification under such state requirements.

To assure requirements for such exemption, the Units will be offered and sold only to persons who meet the qualifications set forth in the section titled “Investor Suitability Standards.”

Units may not be transferred except in compliance with applicable federal and state securities laws. Such compliance may require one or more filings with federal and state authorities. The Company has no obligation to assist or to participate in such transfer.

## REPORTS TO SHAREHOLDERS

Within 90 days after the end of each calendar year, we will furnish you with an annual report containing financial statements of the Company. The Company has adopted a fiscal year ending on December 31.

We may in the future elect to deliver such notices and documents by e-mail to the address in the Company’s records or by posting them on a password-protected website. When delivering documents by e-mail,

the Company will generally distribute them as attachments to e-mails in Adobe's Portable Document Format. If you do not wish to receive such documents electronically, or wish to change the method of notice, you should notify us in writing.

### **PATRIOT ACT REQUIREMENTS**

Before making an investment, all investors will be required to warrant that they are not, nor are they acting as an agent or representative, intermediary, or nominee for, a person identified on the list of blocked persons maintained by the Office of Foreign Assets Control, U.S. Department of Treasury. In addition, investors must comply with all applicable U.S. laws, regulations, directives, and executive orders relating to anti-money laundering, including *The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*,<sup>30</sup> and Executive Order 13224 of September 23, 2001, blocking property and prohibiting transactions with persons who commit, threaten to commit, or support terrorism.

### **ANTI MONEY-LAUNDERING PROVISIONS**

As part of our legal responsibility for preventing money laundering, we may require detailed verification of your identity and source of payment. We reserve the right to request such information as we deem necessary in this connection. In the event of delay or failure to produce any information required for verification purposes, we may refuse to accept the subscription or require mandatory redemption of your Units. In the event of a mandatory redemption, subscription monies will be returned to the originating account from which the funds were received. In such case, you will bear the results of any decrease in the net asset value of the Company from the date of subscription to the date of mandatory redemption. You will have no claim whatsoever against the Company for any form of losses or other damages incurred as a result of such refusal to accept the subscription or redemption.

We also reserve the right to refuse to make any withdrawal payment to a subscriber if we suspect or are advised that the payment of withdrawal proceeds to such subscriber might result in a breach of applicable anti-money laundering or other laws or regulations. If this occurs, you would have no claim whatsoever against the Company for any form of losses or other damages incurred as a result of such refusal to pay.

### **CERTAIN TAX CONSIDERATIONS**

We have not sought or received any opinion of counsel or ruling from the Internal Revenue Service with respect to the income tax consequences of this offering. As such, we cannot assure you that the Internal Revenue Service would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. Moreover, Future legislation, administrative actions, or court decisions may significantly change the conclusions expressed herein, and any such legislation, actions, or decisions could have a retroactive effect with respect to the contemplated transactions.

You must not construe the contents of this Memorandum or any communications from the Company, its officers, employees, or agents, as legal, accounting, regulatory, or tax advice. Prior to investing in the Units, you should consult with your attorney and your investment, accounting, regulatory, and tax advisors to independently evaluate the appropriateness of such an investment for you, including the applicability of any legal restrictions.

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<sup>30</sup> Pub.L. 107-56 (2001), 115 Stat. 272.



### **Classification as a “C” corporation**

The Company will be classified as a “C” corporation under the *Internal Revenue Code*. This means that the Company will be taxed on its own income before making any distributions to its shareholders. Shareholders are not taxed on the Company’s income but are instead taxed on certain distributions they may receive from the Company. An investor who receives a distribution constituting “qualified dividend income” may be eligible for favorable federal income tax rates. Investors are urged to consult their tax advisors regarding the characterization of corporate distributions as qualified dividend income.

### **Section 1244 designation**

We intend to manage the Company so that a portion of its securities qualify as a small business corporation stock as defined in *Internal Revenue Code* §1244(c)(1), as amended, during the first year of operation. A section 1244 exemption allows you to deduct up to \$50,000 (\$100,000 for joint returns) in losses on your shares as an ordinary loss on your personal income tax return. Any losses in excess of these amounts must be reported as capital losses and are subject to the annual limits on such losses.

Federal tax rules state that any corporation issuing section 1244 stock cannot have aggregate capital receipts in excess of \$1 million at the time the stock is issued. To the extent that a corporation’s capital receipts exceed that amount, the corporation must designate which shares (up to \$1 million) are to be treated as section 1244 stock. As the amount of this Offering is \$3 million, the Company has designated one-third of the shares sold in this Offering as section 1244 stock. This means that 8,333 shares of each Unit sold will be so designated.

In order to qualify for the section 1244 exemption, the Internal Revenue Service requires that investors keep sufficient records to substantiate the designation. Upon issuance of your stock certificate, we will provide you with the necessary documentation to support the section 1244 exemption on that portion of your investment that is so eligible.

## GLOSSARY OF GEOLOGICAL AND DEFINED TERMS USED IN THIS MEMORANDUM

**Accredited Investor:** An investor who meets the net asset and sophistication requirements set forth in Rule 501(a) of Regulation D of the Securities and Exchange Commission, codified at 17 CFR § 230.501 *et seq.*

**Baghouse:** An air pollution control device that removes particulates out of air or gas released from commercial processes. Industrial companies often use baghouses to control emission of air pollutants.

**Biotite:** Sheets of iron, magnesium, aluminum, silicon, oxygen, and hydrogen that are weakly bound together by potassium ions. It is sometimes called “iron mica” or “black mica.” Biotite is used extensively to determine ages of rocks.

**Chalcopyrite:** A copper iron sulfide mineral with a brassy to golden yellow color. On exposure to air, chalcopyrite oxidizes to a variety of oxides, hydroxides, and sulfates.

**Chlorite:** A group of minerals consisting of hydrous silicates of aluminum, ferrous iron, and magnesium. Chlorites resemble micas and are usually green in color. Also known as salts of chlorous acid, the main application of sodium chlorite is the generation of chlorine dioxide for bleaching and stripping of textiles, pulp, and paper.

**Circa:** Circa, Incorporated, a domestic natural resource exploration company, which operated the Blackstone Mine from 1982-1984.

**Company:** Blackstone Mining Company, Limited, an Idaho corporation and owner of the five patented claims comprising the Blackstone Mine.

**Cretaceous:** In the geologic timescale, the Cretaceous follows the Jurassic period. It is the last period of the Mesozoic Era, spanning approximately 79 million years.

**Dike:** A sheet of rock that forms in a crack in a pre-existing rock body.

**Epidote:** A mineral consisting of a silicate of calcium, aluminum, and iron. The color can be green, grey, brown or nearly black, but usually a characteristic shade of yellowish-green.

**ETF:** Precious metal exchange-traded fund. Precious metal ETFs are securities that are traded as stocks on one or more stock exchanges, including Zurich, Mumbai, London, Paris, and New York. An ETF trades at approximately the same price as the net asset value of its underlying assets.

**Granodiorite:** An intrusive igneous rock similar to granite, containing greater than 20 percent quartz by volume. It is often used as crushed stone for road building or as ornamental stone.

**Hambro:** Hambro Resources, Incorporated, a Canadian natural resource exploration company, which operated the Blackstone Mine from 1984-1987.

**Hydrometallurgy:** A technique within the field of extractive metallurgy involving the use of aqueous chemistry for the recovery of metals from ores, concentrates, and recycled or residual materials.

**Idaho Batholith:** A large body of intrusive igneous rock exposed over an area of at least 100 square kilometers in central Idaho. It is approximately 200 miles long in the north-south direction and averages about 75 miles wide in an east-west direction.

**Intrusion:** An intrusion is liquid rock that forms under Earth's surface. Magma from under the surface is slowly pushed up from deep within the earth into any cracks or spaces it can find, sometimes pushing existing country rock out of the way, a process that can take millions of years. As the rock slowly cools into a solid, the different parts of the magma crystallize into minerals. Many mountain ranges, such as the Si-

erra Nevada in California, are formed mostly by intrusive rock. A well-known example of an intrusion is Devils Tower.

**Memorandum:** Private placement memorandum of Blackstone Mining Company, Limited, dated April 7, 2014.

**Offering:** Private offering of \$3,000,000 in private placement units as described in the private placement memorandum of Blackstone Mining Company, Limited, dated April 7, 2014.

**Outcrop:** A visible exposure of bedrock or ancient superficial deposits on the surface of the Earth.

**Patented Mining Claim:** A claim for which the federal government has passed its title to the claimant, making it private land. A person may mine and remove minerals from a mining claim without a mineral patent. However, a mineral patent gives the owner exclusive title to the locatable minerals. It also gives the owner title to the surface and other resources.

**Polymetallic:** An ore that is the source of more than one metal suitable for recovery.

**Property:** A land parcel consisting of five patented claims situated in the Bennett Mountains, approximately 80 miles southeast of Boise, Idaho in sections 13, 14, and 15, T.2 S., R.10 E., Boise Meridian. The five patented claims are designated as the Kentucky, Ohio, Iowa, Illinois, and Oregon Lode Mining Claims (Mineral Survey No. 1662), more particularly described in Book 15 of Patents at page 407, *et seq.*, in the Office of the County Recorder, Elmore County, Idaho.

**Pyrometallurgy:** A branch of extractive metallurgy consisting of the thermal treatment of minerals and metallurgical ores and concentrates to bring about physical and chemical transformations in the materials to enable recovery of valuable metals.

**Reagent:** A substance or compound that is added to a system in order to bring about a chemical reaction, or added to see if a reaction occurs.

**Richwell:** Richwell Resources, Limited, a Canadian natural resource exploration company, which operated the Blackstone Mine from 1987-1989.

**Securities Act:** The *Securities Act of 1933*, 48 Stat. 74 (1933), codified at 15 U.S.C. § 77a *et seq.*

**Sericite:** A fine-grained mica typically associated with copper, tin, or other hydrothermal ore deposits.

**Shoot:** A large and more or less vertical rich body of ore that can be profitable to extract.

**Silicate:** A chemically resistant dioxide of silicon that can be prepared artificially as a fine white powder and used in making glass, ceramic products, abrasives, adsorbents, and fillers.

**Stockwork:** A complex body or tract of rock so charged with veinlets, nests, or impregnations of ore that it can be profitably mined.

**Sulfide:** a compound of sulfur analogous to an oxide with sulfur in place of oxygen.

**Tertiary:** A geologic period from 65 million to 1.806 million years ago, a time span that lies between the superseded Secondary period and the Quaternary.

**Units:** A security interest equal to 25,000 shares of Common Voting Stock of Blackstone Mining Company, Limited.

**Vadose:** The part of Earth between the land surface and the top of the water table, it is also known as the unsaturated zone.

**Veinlet:** A small vein; specifically, the smallest or terminal branch of a vein.

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**EXHIBIT A**  
**ARTICLES OF INCORPORATION OF BLACKSTONE MINING COMPANY, LIMITED**

The undersigned, acting as incorporators of a corporation under the *Idaho Business Corporation Act*, adopt the following Articles of Incorporation for such corporation:

**Article One**  
**Corporate Name**

The name of this corporation is, and shall be: Blackstone Mining Company, Limited

**Article Two**  
**Corporate Existence**

The corporate existence of this corporation shall be perpetual.

**Article Three**  
**Purposes**

This corporation is, and shall be, organized for the purpose or purposes of transacting any and all lawful business for which corporations may be incorporated under the *Idaho Business Corporation Act*.

**Article Four**  
**Authorized Capital\***

The aggregate number of shares which this corporation shall have authority to issue is fifty million (50,000,000) shares of a single class of Common Voting Stock at an initial par value of one cent (\$0.01) per share, or such par value as may, from time to time, be determined and fixed by the Board of Directors. All stock shall be non-assessable.

**Article Five**  
**Denial of Preemptive Rights**

This corporation shall make no provision for the denial of preemptive rights.

**Article Six**  
**Governance of Internal Affairs**

The internal affairs of this corporation shall be governed by the corporate bylaws in a manner not inconsistent with the provisions of these Articles of Incorporation.

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\*As amended by the Board of Directors, February 5, 2014.

**Article Seven**  
**Registered Office and Registered Agent**

The address of the initial registered office of this corporation is 3114 Kipling Road, Boise, Idaho 83706-2729. The name of the initial registered agent residing at such address is James H Hawley, Jr.

**Article Eight**  
**Board of Directors**

The Board of Directors shall consist of at least three (3) and not more than nine (9) members, as may be determined from time to time by the bylaws of this corporation. The names and addresses of the persons who are to serve as the Board of Directors of this corporation until the first Annual Meeting of the Shareholders, or until their successors are elected and shall qualify are:

- James H. Hawley, Jr., 3114 Kipling Road, Boise, Idaho 83706
- Patricia M. Hawley, 3114 Kipling Road Boise, Idaho 83706
- Jess B. Hawley, Jr., 700-999 Main Street, Boise, Idaho 83702

**Article Nine**  
**Incorporators**

The names and addresses of each incorporator are:

- James H Hawley, Jr., 3114 Kipling Road, Boise, Idaho 83706
- Patricia M. Hawley, 3114 Kipling Road, Boise, Idaho 83706

These Articles of Incorporation are signed and dated at Boise, Idaho this, the twenty-eighth day of August, nineteen hundred and eighty-seven.

/s/ James H. Hawley, Jr.

/s/ Patricia M. Hawley

## EXHIBIT B INVESTOR SUITABILITY QUESTIONNAIRE

The offer and sale (“Offering”) of Common Stock, par value \$0.01 per share (“Stock”), of Blackstone Mining Company, Limited, an Idaho corporation (“Company”), is not being registered under the *Securities Act of 1933*, as amended (the “Act”), and it is the intention of the Company that the offer and sale of the Stock be exempt from registration under the Act. The following information is needed in order to determine:

- Whether an investment in the Company by the investor is suitable in light of the investor's personal and financial positions; and
- Whether the investor, either alone or with a representative, has sufficient knowledge and experience in financial and business affairs to evaluate the merits and risks of the prospective investment.

The undersigned understands that this questionnaire is intended to enable the Company to discharge its responsibilities under an exemption from registration under the Act and thus the Company and its advisers will rely upon the information contained herein. Accordingly, the undersigned represents as follows:

- The information contained herein is complete and accurate and may be relied upon by the Company and its advisers; and
- The undersigned will notify the Company immediately of any material change in any such information occurring prior to the acceptance or rejection of my subscription.

The undersigned also understands and agrees that, although the Company will use its best efforts to keep the information provided in the answers to this questionnaire strictly confidential, the Company may present this questionnaire and the information provided in it by the prospective investor to such parties as they deem advisable if called upon to establish the availability under any federal or state securities laws of an exemption from registration or if the contents thereof are relevant to any issue in any action, suit or proceeding to which the Company is a party or by which it is or may be bound.

The undersigned realizes that this questionnaire does not constitute an offer by the Company to sell the Stock, but is a request for information.

### SECTION A: GENERAL INFORMATION

(All Investors must complete this section)

- ITEM A.1. Name: \_\_\_\_\_  
 Additional investor (e.g., joint tenant, tenant in common): \_\_\_\_\_  
 Home address (Street, City, State, ZIP): \_\_\_\_\_  
 Home telephone: \_\_\_\_\_ Social Security/Tax ID: \_\_\_\_\_  
 Date of birth: \_\_\_\_\_ Country of citizenship: \_\_\_\_\_
- ITEM A.2. Name of employer: \_\_\_\_\_  
 Business address (Street, City, State, ZIP): \_\_\_\_\_  
 Business telephone: \_\_\_\_\_  
 Occupation: \_\_\_\_\_ Length of time in present position: \_\_\_\_\_  
 Primary duties: \_\_\_\_\_
- ITEM A.3. Send mail to (check one):  Home  Office

**Complete Item A.4 through A.6. for joint tenants and tenants in common ONLY if the information differs from that given above.**

ITEM A.4. Home address (Street, City, State, ZIP): \_\_\_\_\_

Home telephone: \_\_\_\_\_ Social Security/Tax ID: \_\_\_\_\_

Date of birth: \_\_\_\_\_ Country of citizenship: \_\_\_\_\_

ITEM A.5. Name of employer: \_\_\_\_\_

Business address (Street, City, State, ZIP): \_\_\_\_\_

Business telephone: \_\_\_\_\_

Occupation: \_\_\_\_\_ Length of time in present position: \_\_\_\_\_

Primary duties: \_\_\_\_\_

ITEM A.6. Relationship, if any, between or among tenants: \_\_\_\_\_

**SECTION B: ACCREDITED INVESTOR PAGE**

ITEM B.1. **ALL Accredited Investors must initial the following statement.**

I understand that the representations contained in this Section B are made for the purpose of qualifying me as an accredited investor as that term is defined by Regulation D for the purpose of inducing a sale of securities to me. I hereby represent that the statement or statements initialed below are true and correct in all respects. I understand that a false representation may constitute a violation of law, and that any person who suffers damage as a result of a false representation may have a claim against me for damages.

Initials: \_\_\_\_\_

ITEM B.2. **Accredited individual investors must initial ONE OR MORE of the following statements.**

(a) I certify that I am an accredited investor because I had individual income (exclusive of any income attributable to my spouse) of more than \$200,000 in each of the most recent two years and I reasonably expect to have an individual income in excess of \$200,000 for the current year.

Initials: \_\_\_\_\_

(b) I certify that I am an accredited investor because I have an individual net worth, or my spouse and I have a combined individual net worth, in excess of \$1,000,000. For purposes of this questionnaire, “individual net worth” means the excess of total assets at fair market value, including home and personal property, over total liabilities.

Initials: \_\_\_\_\_

(c) I certify that I am an accredited investor because I have subscribed for the purchase of at least two Units, and I have an individual net worth, or my spouse and I have a combined individual net worth, of at least five times the aggregate amount for which I subscribed. For purposes of this paragraph (c), “net worth” means the excess of total assets at fair market value, including home and personal property, over liabilities.

Initials: \_\_\_\_\_

ITEM B.3. **Accredited partnerships, corporations, or other entities that are not trusts must initial AT LEAST ONE of the following statements:**

(a) The investor certifies that it has subscribed for the purchase of at least two Units and it has a net worth as defined below of at least five times the amount subscribed and the investor was not formed for the specific purpose of investing in the Partnership. As used in the foregoing sentence, “net worth” means the excess of total tangible assets at current value less total liabilities.

Initials: \_\_\_\_\_



(b) The investor certifies that all of the equity owners of the investor are accredited individual investors as defined in either Item B.2(a) or B.2(b) above. Item B.5 must be completed by all equity owners.

Initials: \_\_\_\_\_

**ITEM B.4. Accredited trusts must initial AT LEAST ONE of the following statements:**

(a) The investor certifies that it has subscribed for the purchase of at least two interests, and it has a net worth of at least five times the aggregate amount subscribed for and the investor was not formed for the specific purpose of investing in the Company. As used in the foregoing sentence, “net worth” means the excess of total tangible assets at current value over total liabilities.

Initials: \_\_\_\_\_

(b) The investor certifies that it is a revocable trust which may be amended or revoked at any time by the grantors, and all the grantors are accredited individual investors as defined in either Item B.2(a) or Item B.2(b) above.

Initials: \_\_\_\_\_

**Item B.5 must be completed by all grantors as equity owners of the trust.**

ITEM B.5. Accredited corporations, partnerships, trusts or other entities choosing Item B.3(b) OR Item B.4(b) above must provide the following information:

I hereby certify that set forth below is a complete list of all owners of equity in \_\_\_\_\_, a \_\_\_\_\_ [type of entity] formed pursuant to the laws of the State of \_\_\_\_\_. I also certify that each such owner has initialed the space opposite his name and that each such owner understands that by initialing that space he is representing that he is an accredited individual investor satisfying the test for accredited individual investors.

Name of Equity Owner	Is equity owner an accredited investor?	Initials
1.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
2.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
4.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
5.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
6.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
7.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
8.	<input type="checkbox"/> Yes <input type="checkbox"/> No	

**SECTION C: INVESTMENT EXPERIENCE OF INVESTOR, TRUSTEE, OR REPRESENTATIVE**

(All Investors must complete this section)

ITEM C.1. Indicate by checkmark which of the following categories best describes the years of experience you have in the areas of investment listed below:

	5+ years	2 to 5 years	1 year	No experience
Corporate stocks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Corporate bonds	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Real estate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limited partnerships	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stock in privately held companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

ITEM C.2. Do you make your own investment decisions with respect to the investments listed above?  Yes  No

ITEM C.3. What are your principal sources of investment knowledge or advice? (Check all that apply.)  
 First-hand experience  Financial publication(s)  Broker(s)  
 Investment Adviser(s)  Attorney(s)  Accountant(s)

ITEM C.4. Please set forth your educational background and list any degrees you have received:

School/Institution	Years attended	Field of Study	Degree or Diploma

ITEM C.5. Please list the professional licenses or registrations (including bar admissions, accounting certifications, securities analysts' certifications and broker-dealer or investment advisory registrations):

License or registration	Year received	Still effective?
		<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No
		<input type="checkbox"/> Yes <input type="checkbox"/> No

ITEM C.6. Please briefly describe any additional investment experience in business ventures, experience with the Company, or any other investment experience that would indicate your ability to evaluate an investment in this venture.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ITEM C.7. Bank reference

Name of bank: \_\_\_\_\_

Branch and address: \_\_\_\_\_

Account No.: \_\_\_\_\_ Banking Officer: \_\_\_\_\_ Phone: \_\_\_\_\_

ITEM C.8. Broker-dealer reference

Name of broker-dealer: \_\_\_\_\_

Branch and address: \_\_\_\_\_

Account No.: \_\_\_\_\_ Broker: \_\_\_\_\_ Phone: \_\_\_\_\_

Type of accounts (Check all that apply)

Cash account  Margin account  Other: \_\_\_\_\_

**SECTION D: FINANCIAL STATUS OF INVESTOR, TRUSTEE, OR REPRESENTATIVE**

(All Investors must complete this section)

ITEM D.1. Indicate your estimated net worth *exclusive of* principal residence, furnishings of principal residence and personal automobiles (computation of net worth may be accomplished with reference to fair market value of assets).

- More than \$5 million
- \$1,000,001 - \$4,999,999
- \$500,000 - \$1 million
- \$250,000 - \$499,000
- Less than \$250,000

ITEM D.2. Indicate your estimated net worth, *including* principal residence, furnishings of principal residence and personal automobiles (computation of the value of the subscriber's principal residence may be accomplished with reference to fair market value of residence).

- More than \$5 million
- \$1,000,001 - \$4,999,999
- \$500,000 - \$1 million
- \$250,000 - \$499,000
- Less than \$250,000

ITEM D.3. Gross Income

Please provide your actual or projected individual annual adjusted gross income for the past two years, the current year, and the next year. Gross income for these purposes means adjusted gross income (as reported for federal income tax purposes) increased by the following amounts: (i) the amount of any tax exempt interest income received, (ii) the amount of losses claimed for depletion and any amount by which income from long term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the *Internal Revenue Code*. Amounts for 2014 and 2015 should be estimates based on the information available to you.

2012	2013	2014	2015
\$	\$	\$	\$

ITEM D.4. What is your total anticipated investment in the Company? \$ \_\_\_\_\_

ITEM D.5. Do you have adequate liquid assets (defined as cash, cash equivalents, and marketable securities) to meet your current needs and personal contingencies without considering the assets you propose to invest in the Company?

- Yes       No

ITEM D.6. Have you filed for or been involved in personal bankruptcy within the past five years?

- Yes       No

ITEM D.7. Are there any lawsuits outstanding or threatened against you, or are there any claims against you that could materially affect your net worth as reported in this questionnaire? If yes, please provide details in item D.17 below.

- Yes       No

ITEM D.8. Have you invested in securities offered through private placements before?

- Yes (If yes, indicate approximate amount invested: \$ \_\_\_\_\_)       No

ITEM D.9. Is an investment in the Company suitable and appropriate for you?

- Yes       No

ITEM D.10. Have you read the Confidential Private Placement Memorandum, dated April 7, 2014 of the Company (including all exhibits), together with all written supplements, which the Company has furnished you?  
 Yes       No

ITEM D.11. Do you understand the nature of this particular investment in the Company and the risks associated with it?  
 Yes       No

ITEM D.12. Do you understand that there is no guarantee of any financial return on this investment?  
 Yes       No

ITEM D.13. Do you understand that this investment is not liquid, and, therefore, must be held indefinitely?  
 Yes       No

ITEM D.14. Are you purchasing the shares of Stock for investment and not with the intent to resell them?  
 Yes       No

ITEM D.15. Do you understand that the Stock has not been registered and, therefore, cannot be sold unless it is registered under the Act or an exemption from registration is available?  
 Yes       No

ITEM D.16. Do you understand that the Stock will bear a legend stating that it has not been registered and is restricted from transfer?  
 Yes       No

ITEM D.17. Please note any other matter of a financial nature that is relevant to an analysis of your financial position:

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IN WITNESS WHEREOF, I have executed this Investor Suitability Questionnaire this \_\_\_\_\_ day of \_\_\_\_\_, 2014, and declare that it is truthful and correct.

\_\_\_\_\_  
Signature of Investor

\_\_\_\_\_  
Print name

## EXHIBIT C STOCK PURCHASE AGREEMENT

**In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this document. Any representation to the contrary is a criminal offense. These securities are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the securities act of 1933, as amended, and the applicable state securities laws, pursuant to registration or exemption therefrom. Investors should be aware that they will be required to bear the financial risks of this investment for an indefinite period of time.**

Name of Subscriber: \_\_\_\_\_ Memorandum no. \_\_\_\_\_

To: Blackstone Mining Company, Limited  
22522 Kellerman Drive, NE  
Kingston, Washington 98346  
Attention: Mr. James Hawley, President

### SUBSCRIPTION AGREEMENT

1. **The Offering.** Blackstone Mining Company, Limited, an Idaho corporation (the “Company”) up to 3,000,000 shares of its common voting stock in units of 25,000 shares each (the “Units”), in a private placement (the “Offering”) on the terms and conditions set forth in this Subscription Agreement (the “Agreement”). Each Unit consists of one share of Common Stock of the Company, par value \$0.01 per share (the “Common Stock”), and one warrant to purchase Common Stock (a “Warrant”). Each Warrant entitles the Holder thereof to purchase one share of Common Stock of the Company for \$5.00 per share. The Warrants are in the form included in the Warrant Agreement (the “Warrant Agreement”) attached to this agreement as an Exhibit, together with all amendments and supplements thereof and annexes and exhibits thereto, the “Memorandum”).
  - a. **Placement Agent.** Company officers, directors, and one or more entities (the “Placement Agent”) is or have been retained by the Company as non-exclusive placement agents for the offer and sale of the Units pursuant to the terms of this Memorandum Offering on a “best efforts” basis.
  - b. **Termination of Offering.** This Offering will expire on the earlier to occur of (i) August 15, 2014 (the “Termination Date”), or (ii) the sale of all Units offered hereby, unless the Company, in its sole discretion, shall elect to extend the time of the Offering. Notwithstanding the foregoing, the Company reserves the right to terminate this Offering and cancel this Agreement at any time even if all conditions to Closing have been satisfied.
2. **Subscription.**
  - a. **Agreement to Purchase.** The undersigned, intending to be legally bound, hereby irrevocably subscribes for and agrees to purchase the number of Units indicated on page 62 of this Agreement, on the terms and conditions described in this Agreement and in the Memorandum. The undersigned has previously received and reviewed the Memorandum.
  - b. **Acceptance/Rejection of Subscription.** The Company’s acceptance of the undersigned’s subscription will be evidenced by the Company’s execution of this Agreement. The Company

- reserves the right to reject this subscription for the Units in whole or part, at its sole discretion, at any time prior to the Closing (as defined in paragraph 3.2 hereof), notwithstanding prior receipt by the undersigned of notice of acceptance of the undersigned's subscription.
- c. **Termination of Agreement.** If the Company rejects this subscription, or if the sale of the Units subscribed for by the undersigned is not consummated by the Company for any reason (in which event this Agreement will be deemed to be rejected), this Agreement and any other agreement entered into between the undersigned and the Company relating to this subscription will thereafter have no force or effect, and the Company will promptly return or cause to be returned to the undersigned the purchase price remitted to the Company by the undersigned, without interest.
3. **Payment of Purchase Price.** The purchase price to be remitted to the Company in exchange for the Units is \$25,000 per Unit (the "Subscription Price"). Payment for the Units must be made by bank or certified check or wire transfer in accordance with the instructions of the Company, together with an executed copy of this Agreement and any other required documents.
  4. **Closing.** The closing (the "Closing") of the subscription contemplated by this Agreement, following the acceptance by the Company of this Agreement, will take place at the offices of Blackstone Mining Company, Limited, 22522 Kellerman Drive NE, Kingston, Washington 98346 or such other place as determined by the Company, on such date as is set by the Company.
  5. **Delivery of Units.** Within ten (10) business days after the Closing of the purchase and sale of the Units subscribed to by the undersigned, the Company will issue and deliver to the undersigned the certificates for the Units to be issued and sold to the undersigned, duly registered in the undersigned's name after payment in full by the undersigned of the aggregate purchase price of the Units.
  6. **Investor Representations and Warranties.** The undersigned hereby acknowledges, represents and Warrants to, and agrees with, the Company and its affiliates as follows:
    - a. **Investment Intent.** The undersigned is acquiring the Units for his own account as principal, not as a nominee or agent, for investment purposes only, and not with a view to, or for, resale, distribution or fractionalization thereof in whole or in part and no other person has a direct or indirect beneficial interest in such Units. Further, the undersigned does not have any contract, undertaking, agreement or arrangement with any person to sell, transfer or grant participation to such person or to any third person, with respect to any of the Units for which the undersigned is subscribing;
    - b. **Authority.** The undersigned has full power and authority to enter into this Agreement, the execution and delivery of this Agreement has been duly authorized, if applicable, and this Agreement constitutes a valid and legally binding obligation of the undersigned;
    - c. **Investment Representations.** The undersigned acknowledges his understanding that the offering and sale of the Units is intended to be exempt from registration under the Act by virtue of Section 4(2) and the provisions of Regulation D promulgated thereunder ("Regulation D"). In furtherance thereof, the undersigned represents and Warrants to and agrees with the Company and its affiliates as follows:
      - i. The undersigned realizes that the basis for the exemption may not be present if, notwithstanding such representations, the undersigned has in mind merely acquiring the Units for a fixed or determinable period in the future, or for a market rise, or for sale if the market does not rise. The undersigned does not have any such intention;
      - ii. The undersigned has the financial ability to bear the economic risk of his investment, has adequate means for providing for current needs and personal contingencies and has no need for liquidity with respect to an investment in the Company;

- iii. If the undersigned has appointed a Purchaser Representative (which term is used herein with the same meaning as given in Rule 501(h) of Regulation D), the undersigned has been advised by such Purchaser Representative as to the merits and risks of an investment in the Company in general and the suitability of an investment in the Units for the undersigned in particular; and
- iv. The undersigned (together with the Purchaser Representative(s), if any) has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of the prospective investment in the Units. If other than an individual, the undersigned also represents it has not been organized as a trust for the purpose of acquiring the Units.
- v. The information in the Investor Questionnaire completed and executed by the undersigned in the form of the Investor Questionnaire included as an Exhibit to this Agreement (the “Investor Questionnaire”) is accurate and true in all respects and the undersigned is an “accredited investor,” as that term is defined in Rule 501 of Regulation D.
- vi. Due Diligence. The undersigned and the Purchaser Representative, if any:
  - 1. Have been furnished for a reasonable period of time prior to the date hereof with a copy of the Memorandum and any documents which may have been made available upon request (collectively with this Agreement, the “Investment Materials”) and the undersigned or the Purchaser Representative(s) have carefully read and evaluated the Investment Materials and understand the risks involved in an investment in the Units, including the risks set forth under the section titled “Risk Factors” in the Memorandum and the considerations set forth in the Investment Materials, and have relied solely (except as indicated in subsections (b) and (c) below) on the information contained in the Investment Materials (including all exhibits thereto);
  - 2. Have been provided an opportunity, for a reasonable period of time prior to the date hereof, to obtain additional information concerning the Offering of the Units, the Company and all other information to the extent the Company possesses such information or can acquire it without unreasonable effort or expense;
  - 3. Have been given the opportunity, for a reasonable period of time prior to the date hereof, to ask questions of and receive answers from, the Company or its representatives concerning the terms and conditions of the Offering of the Units and other matters pertaining to an investment therein, and have been given the opportunity for a reasonable period of time prior to the date hereof to obtain such additional information necessary to verify the accuracy of the information contained in the Investment Materials or that which was otherwise provided in order to evaluate the merits and risks of a purchase of the Units;
  - 4. Have not been furnished with any oral representation or oral information in connection with the Offering of the Units which is not contained in the Investment Materials; and
  - 5. Have determined that the Units are a suitable investment for the undersigned and that at this time the undersigned could bear a complete loss of such investment.

- d. **No Reliance; Purchaser Representative.** The undersigned is not relying on the Company, or its affiliates with respect to economic considerations involved in an investment in the Units. The undersigned has relied on the advice of, or has consulted with only those persons, if any, named as Purchaser Representative(s) herein and in the Investor Questionnaire. Each Purchaser Representative is capable of evaluating the merits and risks of an investment in the Units on the terms and conditions set forth in the Investment Materials and each Purchaser Representative has disclosed to the undersigned in writing (a copy of which is annexed to this Agreement) the specific details of any and all past, present or future relationships, actual or contemplated, between the Purchaser Representative (or related party) and the Company or any affiliate or subsidiary thereof.
- e. **Restrictions on Transfer.** The undersigned represents, warrants and agrees not to sell or otherwise transfer the Units without registration under the Act or an exemption therefrom and fully understands and agrees to bear the economic risk of any purchase because, among other reasons, the Units, the Common Stock and Warrants comprising the Units, and the Common Stock issuable upon exercise of the Warrants have not been registered under the Act or under the securities laws of any state and, therefore, cannot be resold, pledged, assigned or otherwise disposed of unless, inter alia, they are subsequently registered under the Securities Act and under the applicable securities laws of such states or an exemption from such registration is available. In particular, the undersigned is aware that the Units are “restricted securities,” as such term is defined in Rule 144 promulgated under the Act (“Rule 144”), and they may not be sold pursuant to Rule 144 unless all of the conditions of Rule 144 are met. The undersigned also understands that, except as otherwise provided herein, the Company is under no obligation to register the Units, the Common Stock and Warrants comprising the Units, and the Common Stock issuable upon exercise of the Warrants on the undersigned’s behalf or to assist the undersigned in complying with any exemption from registration under the Act or applicable state securities laws. The undersigned further understands that U. S. securities laws, applicable state securities laws, and the provisions of this Agreement further restrict sales or transfers of the Units and the underlying securities.
- f. **Representations.** No representations or warranties have been made to the undersigned by the Company, or any officer, employee, agent, affiliate or subsidiary of the Company, other than the representations of the Company contained herein and in the Investment Materials, and in subscribing for Units the undersigned is not relying upon any representations other than those expressly contained herein or in the Investment Materials.
- g. **Financial Information.** Any information which the undersigned has heretofore furnished to the Company with respect to his financial position and business experience is correct and complete as of the date of this Agreement and if there should be any material change in such information the undersigned shall immediately furnish such revised or corrected information to the Company.
- h. **Restrictive Legends.** The undersigned understands and agrees that the certificates for the Common Stock and Warrants comprising the Units will bear, substantially, the following legend until (a) such securities will have been registered under the Act and effectively been disposed of in accordance with an effective registration statement; or (b) in the opinion of counsel for the Company such securities may be sold without registration under the Act, as well as any applicable “Blue Sky” or state securities laws:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), AND ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AS SET FORTH IN THIS



CERTIFICATE. THE SECURITIES REPRESENTED HEREBY MAY NOT BE OFFERED, SOLD, PLEDGED, HYPOTHECATED, ASSIGNED, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT WHICH IS CURRENT WITH RESPECT TO THESE SECURITIES OR PURSUANT TO A SPECIFIC EXEMPTION FROM REGISTRATION UNDER THE ACT BUT ONLY UPON A HOLDER HEREOF FIRST HAVING OBTAINED THE WRITTEN OPINION OF COUNSEL, REASONABLY ACCEPTABLE TO COUNSEL FOR THE COMPANY, TO THE EFFECT THAT THE PROPOSED DISPOSITION MAY BE EFFECTUATED WITHOUT REGISTRATION UNDER THE ACT.

- i. **Speculative Investment.** The undersigned understands that an investment in the Units is a speculative investment that involves a high degree of risk and the potential loss of the entire investment.
  - j. **Overall Commitments.** The undersigned's overall commitment to investments that are not readily marketable is not disproportionate to the undersigned's net worth, and an investment in the Units will not cause such overall commitment to become excessive.
  - k. **Survival.** The representations, warranties and agreements of the Undersigned set forth in this Agreement will survive the Closing.
7. **Indemnity.** The undersigned agrees to indemnify and hold harmless the Company, its officers and directors, employees and its affiliates and each other person, if any, who controls any thereof, against any loss, liability, claim, damage and expense whatsoever (including, but not limited to, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon any false representation or warranty or breach or failure by the undersigned to comply with any covenant or agreement made by the undersigned herein or in any other document furnished by the undersigned to any of the foregoing in connection with this transaction.
8. **Modification.** Neither this Agreement nor any provisions hereof will be modified, discharged or terminated except by an instrument in writing signed by the party against whom any waiver, change, discharge or termination is sought.
9. **Notices.** Any notice, demand or other communication which any party hereto may be required, or may elect, to give to anyone interested hereunder will be sufficiently given if (a) deposited, postage prepaid, in a United States mail letter box, registered or certified mail, return receipt requested, addressed to such address as may be given herein, or (b) delivered personally at such address.

**If to Company:** Blackstone Mining Company, Limited, 22522 Kellerman Drive, NE  
Kingston, Washington 98346

**If to Purchaser:** \_\_\_\_\_

10. **Counterparts.** This Agreement may be executed through the use of separate signature pages or in any number of counterparts (and by facsimile signature), and each of such counterparts will, for all purposes, constitute one agreement binding on all parties, notwithstanding that all parties are not signatories to the same counterpart.
11. **Binding Effect.** Except as otherwise provided herein, this Agreement will be binding upon and inure to the benefit of the parties and their heirs, executors, administrators, successors, legal representatives and assigns. If the undersigned is more than one person, the obligation of the undersigned will be joint and several and the agreements, representations, warranties and acknowledgments herein contained will be deemed to be made by and be binding upon each such person and his heirs, executors, administrators and successors.

12. **Entire Agreement.** This Agreement and the documents referenced herein contain the entire agreement of the parties and there are no representations, covenants or other agreements except as stated or referred to herein and therein.
13. **Assignability.** This Agreement is not transferable or assignable by the undersigned.
14. **Applicable Law.** This Agreement will be governed by and construed in accordance with the laws of the State of Idaho, without giving effect to conflicts of law principles.
15. **Pronouns.** The use herein of the masculine pronouns “he,” “him” or “his” or similar terms will be deemed to include the feminine and neuter genders as well and the use herein of the singular pronoun will be deemed to include the plural as well.

Units Subscribed For		Per Unit		Purchase Price
	x	\$ 25,000	=	\$

**Manner in which title is to be held (check one only):**

- Individual  Tenants in Common  
 Joint Tenants with Right of Survivorship  Corporation/Partnership  
 Community Property  Other (\_\_\_\_\_)  
 Married with Separate Property

**IN WITNESS WHEREOF**, the undersigned have executed this Agreement this \_\_\_\_ day of \_\_\_\_\_, 201\_\_.

**EXECUTION BY INDIVIDUAL SUBSCRIBERS**

Exact name in which title is to be held	Name of additional purchaser
Residence address	Address of additional purchaser
Social Security number	Social Security number
Signature	Signature

**EXECUTION BY ENTITY SUBSCRIBERS**

- Corporation  Partnership  Limited Liability Company  Trust  Other (\_\_\_\_\_)

Exact name of entity in which title is to be held	State of incorporation or organization
State of principal office	Federal taxpayer identification number
Authorized signature	Authorized signature
Title	Title

**ACCEPTED** this \_\_\_\_ day of \_\_\_\_\_, 20\_\_ on behalf of Blackstone Mining Company, Limited.

Authorized signature	Title
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**EXHIBIT D****FORM OF WARRANT TO PURCHASE COMMON STOCK OF  
BLACKSTONE MINING COMPANY, LIMITED**

**This warrant and the securities issuable upon the exercise hereof have not been registered under the *Securities Act of 1933*, as amended (“Securities Act”). They may not be sold, offered for sale, pledged, hypothecated, or otherwise transferred except pursuant to an effective registration statement under the *Securities Act* or an opinion of counsel satisfactory to the company that registration is not required.**

Warrant No.: \_\_\_\_\_

Date: \_\_\_\_\_

**BLACKSTONE MINING COMPANY, LIMITED  
WARRANT TO PURCHASE SHARES**

This Warrant is issued to \_\_\_\_\_ (“Holder”) by Blackstone Mining Company, Limited, an Idaho corporation (“Company”), in connection with units of securities purchased under the Company’ private placement memorandum dated April 7, 2014 (“Memorandum”).

1. **Purchase of Shares.** Subject to the terms and conditions hereinafter set forth, the Holder of this Warrant is entitled, upon surrender of this Warrant at the principal office of the Company (or at such other place as the Company shall notify the Holder hereof in writing), to purchase from the Company up to \_\_\_\_\_ fully paid and nonassessable shares of the Company’s Common Stock (each a “Share” and collectively the “Shares”) at an exercise price of \$\_\_\_\_\_ per Share (such price, as adjusted from time to time, is herein referred to as the “Exercise Price”).
2. **Exercise period.** This Warrant shall be exercisable, in whole or in part, during the term commencing on the issuance date of this Warrant and ending at 5:00 p.m. Mountain Time on \_\_\_\_\_ (“Exercise Period”).
3. **Method of exercise.** While this Warrant remains outstanding and exercisable in accordance with Section 2 above, the Holder may exercise from time to time, in whole or in part, the purchase rights evidenced hereby. Such exercise shall be effected by:
  - a. the surrender of the Warrant, together with a notice of exercise to the Secretary of the Company at its principal offices; and
  - b. the payment to the Company of an amount equal to the aggregate Exercise Price for the number of Shares being purchased.
4. **Certificates for shares; amendments of warrants.** Upon the exercise of the purchase rights evidenced by this Warrant, one or more certificates for the number of Shares so purchased shall be issued as soon as practicable, and in any event within thirty (30) days of the delivery of the subscription notice. Upon partial exercise, the Company shall promptly issue an amended Warrant representing the remaining number of Shares purchasable thereunder. All other terms and conditions of such amended Warrant shall be identical to those contained herein.
5. **Issuance of Shares.** The Company covenants that:
  - a. the Shares, when issued pursuant to the exercise of this Warrant, will be duly and validly issued, fully paid and nonassessable and free from all taxes, liens, and charges with respect to the issuance thereof; and

- b. during the Exercise Period the Company will reserve from its authorized and unissued Common Stock sufficient Shares in order to perform its obligations under this warrant.
6. **Adjustment of exercise price and number of Shares.** The number of and kind of securities purchasable upon exercise of this Warrant and the Exercise Price shall be subject to adjustment from time to time as follows:
- a. *Subdivisions, combinations and other issuances.* If the Company shall at any time before the expiration of this Warrant subdivide the Shares, by split-up or otherwise, or combine its Shares, or issue additional Shares as a dividend, the number of Shares issuable on the exercise of this Warrant shall forthwith be proportionately increased in the case of a subdivision or stock dividend, or proportionately decreased in the case of a combination. Appropriate adjustments shall also be made to the purchase price payable per share, but the aggregate purchase price payable for the total number of Shares purchasable under this Warrant (as adjusted) shall remain the same. Any adjustment under this Section 6(a) shall become effective at the close of business on the date the subdivision or combination becomes effective, or as of the record date of such dividend, or in the event that no record date is fixed, upon the making of such dividend.
  - b. *Reclassification, reorganization, and consolidation.* In case of any reclassification, capital reorganization, or change in the capital stock (other than as a result of a subdivision, combination, or stock dividend provided for in Section 6(a) above), then the Company shall make appropriate provision so that the Holder of this Warrant shall have the right at any time before the expiration of this Warrant to purchase, at a total price equal to that payable upon the exercise of this Warrant, the kind and amount of shares of stock receivable in connection with such reclassification, reorganization, or change by a Holder of the same number of Shares as were purchasable by the Holder of this Warrant immediately before such reclassification, reorganization, or change. In any such case, appropriate provisions shall be made with respect to the rights and interest of the Holder of this Warrant so that the provisions hereof shall thereafter be applicable with respect to any shares of stock or other securities and property deliverable upon exercise hereof, and appropriate adjustments shall be made to the purchase price per share payable hereunder, provided that the aggregate purchase price shall remain the same.
  - c. *Notice of adjustment.* When any adjustment is required to be made in the number or kind of shares purchasable upon exercise of the Warrant, or in the Exercise Price, the Company shall promptly notify the Holder of such event and of the number of Shares or other securities or property thereafter purchasable upon exercise of this Warrant.
7. **No fractional shares or scrip.** No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant, but in lieu of such fractional shares the Company shall make a cash payment therefor on the basis of the Exercise Price then in effect.
8. **Representations of the Company.** The Company represents that all corporate actions on the part of the Company necessary for the sale and issuance of this Warrant have been taken.
9. **Representations and warranties by the Holder.** The Holder represents and warrants to the Company:
- a. This Warrant and the Shares issuable upon exercise thereof are being acquired for its own account, for investment and not with a view to, or for resale in connection with, any distribution or public offering thereof within the meaning of the *Securities Act of 1933*, as amended (the “Act”). Upon exercise of this Warrant, the Holder shall, if so requested by the Company, confirm in writing, in a form satisfactory to the Company, that the securities issuable upon exercise of this Warrant are being acquired for investment and not with a view toward distribution or resale.

- b. The Holder understands that the Warrant and the Shares have not been registered under the Act by reason of their issuance in a transaction exempt from the registration and prospectus delivery requirements of the Act pursuant to Section 4(2) thereof, and that they must be held by the Holder indefinitely, and that the Holder must therefore bear the economic risk of such investment indefinitely, unless a subsequent disposition thereof is registered under the Act or is exempted from such registration.
- c. The Holder has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the purchase of this Warrant and the Shares purchasable pursuant to the terms of this Warrant and of protecting its interests in connection therewith.
- d. The Holder is able to bear the economic risk of the purchase of the Shares pursuant to the terms of this Warrant.
- e. The Holder is an “accredited investor” as such term is defined in Rule 501 of Regulation D promulgated under the Act.

10. **Restrictive legend.** The Shares (unless registered under the Act) shall be stamped or imprinted with a legend in substantially the following form:

- a. THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE *SECURITIES ACT OF 1933*, AS AMENDED (THE “ACT”). SUCH SECURITIES MAY NOT BE TRANSFERRED UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER OR SUCH TRANSFER MAY BE MADE PURSUANT TO RULE 144 OR IN THE OPINION OF COUNSEL FOR THE COMPANY, REGISTRATION UNDER THE ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT.
- b. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER AS SET FORTH IN AN AMENDED AND RESTATED VOTING AGREEMENT AND AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT BETWEEN THE ISSUER AND THE ORIGINAL HOLDER OF THESE SECURITIES, A COPY OF WHICH IS AVAILABLE UPON REQUEST FROM THE COMPANY. THESE TRANSFER RESTRICTIONS ARE BINDING UPON ALL TRANSFEREES OF THE SECURITIES. THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD OR TRANSFERRED FOR A PERIOD NOT TO EXCEED 180 DAYS FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT FILED BY THE COMPANY FOR ITS INITIAL PUBLIC OFFERING IF REQUESTED BY THE UNDERWRITERS IN ACCORDANCE WITH SUCH AGREEMENT.

11. **Warrants transferable.** Subject to compliance with the terms and conditions of this Section 11, this Warrant and all rights hereunder are transferable, without charge to the Holder hereof (except for transfer taxes), upon surrender of this Warrant properly endorsed or accompanied by written instructions of transfer. With respect to any offer, sale or other disposition of this Warrant or any Shares acquired pursuant to the exercise of this Warrant before registration of such Warrant or Shares, the Holder hereof agrees to give written notice to the Company prior thereto, describing briefly the manner thereof, together with a written opinion of such Holder’s counsel, or other evidence, if requested by the Company, to the effect that such offer, sale or other disposition may be effected without registration or qualification (under the Act or any applicable federal or state securities law then in effect) of this Warrant or the Shares and indicating whether or not under the Act certificates for this Warrant or the Shares to be sold or otherwise disposed of require any restrictive legend as to applicable restrictions on transferability in order to ensure compliance with such law. Upon receiving such written notice and reasonably satisfactory opinion or other evidence, if so requested, the Company, as promptly as practicable, shall notify such Holder that

such Holder may sell or otherwise dispose of this Warrant or such Shares, all in accordance with the terms of the notice delivered to the Company. If a determination has been made pursuant to this Section 11 that the opinion of counsel for the Holder or other evidence is not reasonably satisfactory to the Company, the Company shall so notify the Holder promptly with details thereof after such determination has been made. Each certificate representing this Warrant or the Shares transferred in accordance with this Section 11 shall bear a legend as to the applicable restrictions on transferability in order to ensure compliance with such laws, unless in the aforesaid opinion of counsel for the Holder, such legend is not required. In order to ensure compliance with such laws, the Company may issue stop transfer instructions to its transfer agent in connection with such restrictions.

12. **Rights of stockholders.** No Holder of this Warrant shall be entitled, as a Warrant Holder, to vote or receive dividends or be deemed the Holder of the Shares or any other securities of the Company which may at any time be issuable on the exercise hereof for any purpose, nor shall anything contained herein be construed to confer upon the Holder of this Warrant, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive dividends or subscription rights or otherwise until the Warrant shall have been exercised and the Shares purchasable upon the exercise hereof shall have become deliverable, as provided herein.
  
13. **Notices.** All notices and other communications required or permitted hereunder shall be in writing, shall be effective when given, and shall in any event be deemed to be given upon receipt or, if earlier:
  - a. five (5) days after deposit with the U.S. Postal Service or other applicable postal service, if delivered by first class mail, postage prepaid;
  - b. upon delivery, if delivered by hand;
  - c. one business day after the business day of deposit with Federal Express or similar overnight courier, freight prepaid; or
  - d. one business day after the business day of facsimile transmission, if delivered by facsimile transmission with copy by first class mail, postage prepaid, and shall be addressed as follows:
    - i. If to Holder: \_\_\_\_\_
    - ii. If to Company: \_\_\_\_\_
    - iii. or at such other address as either party may designate by ten (10) days' advance written notice to the other party pursuant to the provisions above.
  
14. **Governing law.** This Warrant and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the laws of Idaho, without regard to the conflicts of law provisions of Idaho or of any other state.
  
15. **Rights and obligations survive exercise of Warrant.** Unless otherwise provided herein, the rights and obligations of the Company, of the Holder of this Warrant, and of the Holder of the Shares issued upon exercise of this Warrant, shall survive the exercise of this Warrant.

**Blackstone Mining Company, Limited**

By: \_\_\_\_\_, President

**EXHIBIT ONE TO SHARE PURCHASE WARRANT  
NOTICE OF EXERCISE**

TO: Blackstone Mining Company, Limited

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Attention: President

The undersigned hereby elects to purchase \_\_\_\_\_ shares of Common Stock of Blackstone Mining Company, Limited (the “Shares”) pursuant to the terms of the attached Warrant.

The undersigned elects to exercise the attached Warrant by means of a cash payment, and tenders here-with payment in full for the purchase price of the Shares being purchased, together with all applicable transfer taxes, if any.

Please issue a certificate or certificates representing said Shares in the name of the undersigned or in such other name as is specified below:

Name:

\_\_\_\_\_  
Address:

\_\_\_\_\_  
The undersigned hereby represents and warrants that the aforesaid Shares are being acquired for the ac-count of the undersigned for investment and not with a view to, or for resale, in connection with the dis-tribution thereof, and that the undersigned has no present intention of distributing or reselling such shares and all representations and warranties of the undersigned set forth in Section 9 of the attached Warrant (including Section 9(e) thereof) are true and correct as of the date hereof.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

**EXHIBIT TWO TO SHARE PURCHASE WARRANT  
FORM OF TRANSFER**

(To be signed only upon transfer of Warrant)

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the right represented by the attached Warrant to purchase \_\_\_\_\_ shares of Common Stock of Blackstone Mining Company, Limited, to which the attached Warrant relates, and appoints \_\_\_\_\_ as attorney to transfer such right on the books of Blackstone Mining Company, Limited, with full power of substitution in the premises.

\_\_\_\_\_  
Signature (must conform to name of Warrant Holder)

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date



## EXHIBIT E

### ANOTHER BUTTE IN SOUTHERN IDAHO?

#### **Volcano Mining District in the Heart of a Productive Agricultural Area has Received Little Attention from State and U.S. Geologists**

Robert N. Bell, M.E., Idaho Inspector of Mines  
Transcribed from *Northwest Mining Truth*, November, 1930

*Can the Butte copper district be duplicated?* The answer to the above question by an experienced Montana geologist familiar with the history of Montana's famous copper camp would be a decisive "no," and he would be right unquestionably, for as a matter of experience in metal mining development, there are no exact duplicates in nature as nature abhors a straight line.

Broad experience teaches that there is an individuality to every mining district and in fact to almost every separate ore body in a district. It has been pointed out, however, by such authorities as Dr. Spurr and other noted geologists, that there is a genetic or blood relationship or type characteristic among mining districts and ore deposits, especially in the Cordilleran area of the west, which should have some value in an economic forecast based on surface outcrop and shallow development conditions if such conditions are of sufficient strength, and evidence closely comparable to magmatic activity.

#### **Butte's Unique Position**

The Butte district probably carries the highest concentration of copper values of any district in the world in a similarly constricted area. Its production of copper and other metals during the past fifty years is said to have exceeded two billion dollars and is unique in this respect as well as in many others, especially in the primary character of its predominant ore: chalcocite.

For many years Butte was the only important productive copper ore district in the world whose enclosing formation was eruptive granite. This formation is now the source of more than half the copper production of the United States.

The outstanding characteristic of the Butte granite or quartz monzonite is its local association with a zone or belt of later igneous differentiates, originally of basic andesite formations, but more conspicuously with siliceous dike rocks in association with the ore bodies.

In forecasting the development of another mineral district star of the Butte magnitude, the writer recognizes that he is dealing with very shallow phases of raw material, but believes that this material is of such blood relationship to the surface expressions of the Butte ore deposits as to justify this comparison.

#### **Surface Was Unattractive**

The Butte district in Montana is situated within the southwest edge of the main lobes of the Boulder granite batholith - a magma chamber of 2,200 square miles in exposed surface area. The surface evidence of the great ore bodies at Butte was decidedly unattractive.

The general formation of highly altered and disintegrated eruptive granite or quartz monzonite was traversed by lean quartz pyrite veins carrying low silver values and a little copper carbonate stain.

These together with the manganese gossan veins of the old silver mines are associated with strong dikes of aplite, rhyolite and quartz porphyry and in only one instance, I believe, did commercial copper exhibit a surface outcrop crest.

To plant a new industrial unit of the capacity of Montana's great copper camp practically in the lap of the productive agricultural area of Southern Idaho is a consummation devoutly to be wished, and a forecast not devoid of material substance.

The Idaho district under consideration in this forecast is known as the Volcano Mining District. It is situated in Camas and Elmore Counties in south central Idaho within fifteen miles of the Union Pacific Railway at Glenn's Ferry on the south and within five miles of the branch terminal of the same line at Hill City on the north.

In spite of its attractive comparison with Butte conditions, the Volcano district has so far escaped the attention of the U.S. Geological Survey and Idaho Bureau of Mines and Geology, except in its outlying edges.

One of the old reports on the geology and water resources of the Snake River Valley by Russell covers the rhyolite feature of Mount Bennett at the west end of the district, and a recent paper by the State Bureau on ground water for irrigation on Camas Prairie by Piper is confined to the artesian water possibilities of the valley, with little reference to the general geology of its borders other than their magmatic and volcanic character.

Geologically this district is located at the extreme southern edge of the magma chamber known as the Idaho granite batholith, which has ten times the volume of the Boulder Batholith in Montana, with an exposed surface area conservatively estimated at 22,000 square miles.

The granite formation of this district shows the same characteristically weathered and disintegrated surface as does the Butte district, with occasional patches of wind carved, weathered bouldery and monolithic pillars of harder formation.

### **Parallels Flat Valley**

This interesting mineral district lies parallel to the broad flat-floored intermountain valley of Camas Prairie, a notable dry farming wheat section of Southern Idaho, ten miles broad and thirty miles long. Viewed from one of the grain fields in the valley, the mineral belt looks like a low weathered granite ridge rising to an elevation of a thousand feet above the valley floor, within a distance of a mile and a half. Its straight east-west contour and fairly uniform northern slope suggests a false scarp of regional proportions.

The northern slope of the ridge is scored by numerous short shallow erosion channels, usually carrying springs and patches of brushwood such as willows and quaking aspen. Several of these shallow gulleys are without doubt roughly north and south lines of cross faulting as they conspicuously displace the vein.

The elevation of the valley floor opposite the central part of the mineral belt is 5,200 feet and along the crest of the ridge 6,200 feet above sea level.

### **Area's Geology Described**

Following the crest of this ridge which is in reality the southern edge of a remnant plateau area, varying from a mile to two miles broad, the disintegrated granite formation over approximately a mile in width and for a N. 70° E. strike length of five or six miles, is conspicuously traversed by a close set series of

nearly vertical aplite dikes of equal proportion in size to the Butte formations of this character, then by a series of more or less cellular quartz pyrite veins.

One of these, the Revenue, while it may not make Daly's original snake – the Anaconda – look like an angle worm in comparison, is to say the least a very worthy duplicate of that noted mineral outcrop, and consists in this instance of an opaque white quartz vein, in places intensely brecciated to a boxwork silica expression that is from forty to eighty feet wide in almost continuous low outcrops above the plateau surface for a distance of two miles, with short intermissions of siliceous banded shear zone structure and intensely sheared and sericitized granite walls.

This great vein is succeeded in the central cross-section under discussion by a highly altered and intensely mineralized quartz porphyry or feldsite porphyry dike or stock that is 180 feet wide, its exact petrographic determination being difficult on account of the highly mineralized condition of the surface outcrop, which carries bands of light spongy gossan several feet wide with considerable copper carbonate staining and giving light values in silver up to three or four ounces.

#### Chalcopyrite Near Surface

This is succeeded by three narrower quartz filled fissures. One of them, with a continuous outcrop of 1,000 feet, is five to ten feet wide and in some shallow surface pit development has afforded specimen values in small kidneys of clean chalcopyrite ore of \$80 per ton in copper, gold and silver.

This series, a few hundred feet farther south, is succeeded by a parallel dike of igneous rock that is probably a basaltic andesite, and again by other parallel dikes up to fifty feet thick of rhyolite or quartz porphyry. The whole series is cut at an oblique angle by occasional cream-colored narrow dikes of fine grained aplite two to three feet wide.

A little farther west on this interesting belt, the rhyolite appears as a surface flow or capping to the copper-bearing quartz veins and dikes over a short stretch of their course. These formations together with remnant patches of basalt indicate former extensive coverage of the formation that has been removed by erosion.

As rhyolite dikes are so conspicuously associated with the Butte ore bodies, whatever their function may have been in connection with the primary supply of the ore solutions, it is interesting to record the occurrence of this type of igneous rock in the district under discussion, which occurs in such volume as to make the rhyolite butte for which the famous Montana copper camp was named, together with its continuous dikes and flows, look like a small knot on a big log by comparison.

#### **Possible Influence of Dikes**

The Butte geologists give little credence to the influence of the Butte rhyolites, one way or another, on the ore deposition of that district. A more liberal view of this particular item of Butte geology is worth considering, as these great siliceous dikes were doubtless stokers and conditions to the ore bearing granite wall rocks of the district, and probably are responsible in a measure at least for the conditioning and faulting of the granite formation.

They also evidence a silex condition of differentiation and liquid flux and phase of deep-seated magmatic activity, that seems to be favored by the authorities to be one of the essential factors of final segregation of metallic mineral values prior to their ascent as gases or other solutions into the fissure courses in which they are deposited as ore bodies.

*In this respect the Volcano district ore zone has a superior advantage over the Butte district.*

The rhyolites of the Volcano district are most conspicuously exhibited at the west end of the belt in the round-topped summit of Mt. Bennett, which has an elevation of 6,700 feet and is made up entirely of immense rhyolite dikes. Mt. Bennett probably constitutes one of the principal centers of eruption and extrusion of this class of siliceous magmatic slags which forms a belt of these acid lavas eight miles wide and thirty miles long by probably 10,000 feet in vertical cross section. These rocks, by reason of their hard resistant character, comprise the more prominent outcrop formation along the plateau area of the mineral belt, whose general surface is covered with a deep mantle of coarse sandy soil supporting rich growth of wild grasses and sagebrush and is largely fenced and covered by enlarged dry-farm homesteads on which the mineral rights are reserved to the government.

#### **Watching Butte Since 1884**

The writer first visited the Butte district in Montana in the spring of 1884 when its surface conditions were not so badly scarred as at present. He has since had repeated opportunity to note these conditions of the Montana camp, both at the surface and underground, and is highly impressed with the similarities of this Idaho district, not only of the mother magma formation but also of the conspicuous comparative character of its later intrusive vein and dike conditions.

#### **The Blackstone Group**

There is very little development in the Volcano district on which to base a forecast of similar phenomenal ore development at depth to that which resulted at Butte from similar shallow surface tests and outcrop conditions.

One of the few shallow prospect developments of this Idaho district is an old discovery near the west end of the mineral zone, known as the Blackstone Mine, which was located forty years ago by two noted jurists of Idaho - the late Joseph J. Rich of Paris, Idaho, and Hon. James H. Hawley of Boise.

The Blackstone Group, consisting of five claims patented many years ago and idle since the patent was issued, carries a sheared quartz fissure richly stained with manganese oxide and copper carbonate. It was developed by a short crosscut tunnel at a face depth of 100 feet where the oxidized condition still prevailed but disclosed some fair-sized kidneys of chalcopyrite ore which together with the richer carbonate materials is said to have afforded three small carload shipments of hand-picked ore that gave smelter returns of 15% copper and \$20 per ton in gold and silver. These old workings are long since caved and the evidence of values is the surface outcrop cuts where a vein of green and black stained shelly quartz five feet wide gives average values of 2.5% copper and \$5 gold and silver per ton.

#### **Shaft at the Opportunity**

About a mile west of this development, the Opportunity Mine has a vertical shaft 150 feet deep on a siliceous copper carbonate and manganese stained shear zone 10 to 20 feet wide, which exhibits the same deep oxidation as was common in the early history of the Butte mines. This dry shaft revealed no sulphide mineral but gave a gradual increase in the associated silver values in the gangue of the vein. A band of soft, sooty manganese on the hanging wall at the shaft bottom, six inches wide, gave an assay of 5% copper, 12 ounces silver and 60¢ gold per ton.

Extending east on the zone from this point for a distance of three miles, the numerous outcrops carry shallow prospect pits, in no place exceeding thirty feet in depth.

The thirty-foot prospect shaft of the Revenue Group of claims is now badly caved but its dump ore from a five foot quartz vein exhibits selected specimens of hard quartz containing pyrite, chalcopyrite and occasionally coarse crystals of both galena and sphalerite. The lead-zinc association is found at several other shallower prospect pits on this and other quartz veins of the zone.

### **Tunnel Cut Rich Silver**

At the extreme east end of the mineral belt where it strikes the flat floor of the Camas Prairie valley, a series of closely parallel quartz veins and mineralized porphyry dikes outcrop conspicuously above the surface. On one of the smallest of these veins, some very rich silver ore was found and a shallow tunnel was extended in 200 feet a number of years ago. This tunnel is now caved and inaccessible, but is reputed to have marketed small shipments of from five to thirty tons of crude ore carrying 200 to 500 ounces of silver per ton, with several dollars gold.

There is a good sized dump of cobbings at the portal of this old tunnel that gives assay sample values of 60 ounces of silver from a brown-stained granular quartz with corroded segregations of soft chalcopyrite, and the walls of a caved discovery shaft ten feet deep on the same vein exhibit stringers of quartz and brown hematite.

One of these stringers several inches wide gives an assay sample result of 110 ounces silver and \$10 gold per ton, and in harder quartz bands some scattered crystals of chalcopyrite and a blue sulphide material, probably argentite.

### **Development Now Under Way**

The most promising and important development on this interesting belt is now underway and is likely to shortly reveal its economic possibilities within a few months. This development is on the Revenue Group of claims, covering the central section of the mineral zone for a distance of a mile and a half over its most conspicuous quartz and copper stained porphyry outcrops. It consists of a crosscut tunnel starting at an elevation of about 600 feet above the valley bottom, in one of the more favorable erosion channel depressions. The tunnel is now 1300 feet long, will shortly penetrate the big Revenue quartz vein at the face depth of 400 feet, and will be continued across the system for an additional 800 feet.

The accompanying cross section of the formation penetrated by this tunnel is of keenest interest, and while the maximum depth to be obtained under the mineralized outcrop is comparatively shallow, it is to be expected that an unaltered sulphide condition of the veins, as indicated by their gossany outcrops, may be anticipated, in a degree at least, by reason of the fact that the tunnel has been very wet since it was started.

The first 400 feet of the course of the tunnel from the portal is through rotten, decomposed, blue granite of fairly coarse texture, and a thin section of this rock gives the following: "Orthoclase and quartz in close euhedral plagioclase crystals. Biotite, hornblende, magnetite and a little augite are accessories. The feldspars are somewhat cloudy."

### **Tunnel Cuts Dike Series**

This granite is succeeded along the course of the tunnel with an equal volume of aplite dike formation alternating with bands of altered granite, as shown in the section. One of these aplite dikes is 150 feet broad and intensely brecciated, so much so as to involve heavy timbering and spiling for that distance.

At the 750-foot station, an aplite dike was intersected about 150 feet wide, carrying a hanging wall band five feet wide that had been intensely fractured and its fine network of fracture or shrinkage planes completely saturated with molybdenite, giving the rock a general blue cast. This dike is succeeded by another zone of granite, and again another fifty foot aplite dike, extremely siliceous and fine grained, resembling quartzite to the unaided eye, was passed through and again altered granite was encountered.

In a petrographic determination of this fresh phase of the aplite, according to thin section studies, the rock was found to consist essentially of quartz, orthoclase and a little albite, with beautiful spherulites around the corroded quartz phenocrysts and zone of micropegmatitic structure.

### **Big Vein 100 Feet Ahead**

It is expected that the big north vein of the series, forty to eighty feet wide, will be encountered within 100 feet of the present face of the tunnel if its dip of a few degrees from the vertical exhibited in its surface outcrop is maintained at this depth.

The contacts of these aplite dikes with the granite vary from an irregular intermeshing of the two formations to distinct talc gouge partings.

The tunnel has been wet overhead since the first big brecciated aplite dike was cut, and occasional big rushes of water were encountered after passing through the talcy contact gouges. The back of the tunnel dries as the face advances, which, however, continues wet, and the tunnel drain is now carrying approximately thirty gallons a minute of water flow.

These conditions evidence the probable upper surface of the ground water circulation but should mean some unaltered sulphide conditions when the big quartz vein and its parallel highly mineralized porphyry dike are encountered.

### **May Be Largely Pyrite**

It is to be expected that these sulphides will be largely pyrite, but should have commercial association of chalcopyrite mineral and probably some zinc and lead, judging from the shallow pit development in the surface outcrop of these ore bearing fissures.

If the development at this level should reveal associated chalcocite mineral, the identification of the zone as a geologic blood relation of the Butte district in Montana will be substantially completed and will justify the economic forecasts of its probable great economic importance for more extensive and deeper development.

The Revenue Group of claims is owned by the Consolidated Mines Syndicate, a development enterprise supported entirely by widespread public stock subscription. Frank E. Johnesse, First National Bank Building, Boise, Idaho is manager.

The company owns three other properties in other Idaho districts, on all of which extensive preliminary development work has been performed, and some large ore resources proven on each property. Mr. Johnesse has the reputation of getting more results in underground work for the money obtained from his stockholders than is common from such speculative development investments.

### **Eight Men Now Working**

The present Revenue tunnel was started last January. It is 5x7 in the clear inside the timber portion. It is equipped with a portable two-drill compressor, and the camp consists of a blacksmith shop, cook shanty, dining room and a frame bunk house for the accommodation of ten men. A crew of eight men is now employed.

The tunnel carries an 8-inch galvanized ventilation pipe with an elbow and a vertical standpipe thirty feet high at the portal. A small jet of compressed air is injected into the standpipe at the elbow and gives excellent ventilation at the face, exhausting powder gasses in about fifteen minutes after a round. This simple contrivance has been fully effective so far and may be of interest to other enterprises of this nature.

The overall cost of the tunnel to date has averaged \$13.00 per foot. The cost was increased by the 150-feet of ground encountered, some of which had to be breast boarded and top spiled with short lengths of track iron.

The cost is a credit to the operator and emphasizes the altered character of the formation encountered, which is a favorable augury of the general geological conditions of the ore-bearing zone and is comparable to the conditions encountered at shallow depths in Butte. The character of the ore occurrence to be shortly proven by this interesting piece of development is awaited with keenest interest and anticipation.

**EXHIBIT F****REPORT ON THE REVENUE GROUP OF LODE MINING CLAIMS  
IN THE VOLCANO MINING DISTRICT, ELMORE COUNTY, IDAHO**

Frank E. Johnesse, M.E., Consulting Geologist  
January 3, 1932

***Editor's note***

*The original text from which this report was drawn contains several obsolete references to costs of constructing power lines, maintaining camp accommodations, etc. Because these references and cost estimates are well over 80 years old and no longer have any relevance to the geology or mineralogy of the area, they have been omitted.*

**Property**

This property is situated in Section 20, 21, and 22, T.2S., R.11E., B.M., in the Volcano Mining District, Elmore County, Idaho, 10 miles southwest of Hill City, Idaho, a station of the Camas Prairie branch of the O.S.L. Railroad, at an altitude of 6,200' above level. This group of eleven claims embraces an area of a little over 180 acres of lode claim locations, as per the accompanying map which was constructed from plats of preliminary surveys made by the owners of the three merged properties included in the group.

**History**

The Volcano District has been known since 1870 when prospectors in search of gold and silver discovered that it contained many strong mineral-bearing outcrops. Numerous old prospect holes bear evidence of their search for rich pockets of these precious metals, but the ore proved to be mostly of a milling grade which, due to the high cost of milling and lack of transportation facilities, did not prove attractive at the time.

The Webster Mine, about 1.5 miles east of this group, consisting of a small vein of copper/silver ore, has had limited development, and has produced several car loads of high grade ore from a shallow depth. It has not been developed below the water level, is on the strike of the south vein of the Revenue group, and is the easterly extension of same.

The Blackstone Mine, about 2.5 miles west in the same mineral belt and having the same general geological occurrence, has been developed to a depth of about 60' exposing a 6.5' vein of high grade silver/gold ore, carrying a little copper. A 200' shaft has been sunk on the Opportunity vein, which is nearby in the same district and has the same general occurrence. The vein at this depth is still oxidized, but is strong, well defined, and carries average values across 5.5' of 7 ounce silver, \$2.60 in gold, and a little copper. This is considered a good showing under existing conditions, and will no doubt carry good copper values in the sulphide zone.

**Veins and Development**

The outcrop of three well defined veins and a strong porphyry dike are visibly traceable throughout the entire length of the group. These veins are nearly parallel and strike north 50° east, and have an apparent dip of about 65° to the northwest. The outcrop of the north vein, which is very prominent, and in places stands up boldly for several feet above the surface, will average from 16' to 80' wide; the middle or Divide vein from 4' to 6' wide; and the south or Revenue vein from 10' to 16' wide. The mineralized porphyry dikes lying between the two main quartz veins are from 59' to 300' wide, and can be traced on the surface for 6,000'. They have about the same general strike and dip as the quartz veins. The surface



development is limited to the several shafts and cross-cuts shown on the blueprint, none of which are more than 35' in depth.

The driving of the proposed tunnel has been underway the past 2 years and is now in a distance of 1400'. It is 5.5' by 8', and has already penetrated the first or north vein where it was found to carry the disseminated iron and copper sulphides by the geophysical test and surface outcrop.

### **Geology**

This mineral zone follows the apex of a granite range of mountains about 20 miles in length and from 5 to 7 miles wide, lying between the Snake River Valley and Camas Prairie, being separated by the latter from the main Sawtooth-Teton ranges. It has an east and west course and a main elevation of about 6,000' above sea level. This range is flanked on the south by sedimentary rocks forming the River Valley. Camas Prairie on the north is covered by a lava flow which skirts the foothills forming the North Slope of the range. The general formation of this mineral zone, which is from 1 to 2 miles in width, is a dark greyish, coarse-grained granite, which differs somewhat in appearance from that composing the range in which it occurs. This is interspersed with dikes of aplite, a light cream colored, fine grained granite, from 20' to over 200' wide. These dikes follow the general foliation paralleling the range, and the vein system is likewise parallel. It occurs as contacts between the granite and aplite dikes, usually on the north side of the dikes. These can be readily traced by the outcrop as they are harder and have resisted disintegration better than the coarser-grained granite in which they occur.

The slick and well-defined walls of the several veins developed in the camp give evidence of extensive plain faulting. With depth, the veins assume a more or less banded structure, and usually carry several inches of kaolinite or talc on either wall. The main water level as indicated by the general topography and climate conditions, should be anywhere from 75' to 200'. On this particular group, it is probably in neighborhood of 100'.

The gangue matter in the veins is principally quartz and sericite, and the oxidation products are linonite, hematite, pyrolusite, manganite and wad. The pyrolusite is strong in all the veins in the oxidized zone. The undecomposed ores are made up of chalcopyrite, pyrite and galena, but principally of the former. Of the gold and silver values, the ratio is 80% silver to 20% gold, with the percentage changing in favor of the gold with depth, and containing more or less copper and lead values. On the whole, geological conditions are very similar to that of the Butte District in Montana.

The south or Revenue Vein is a lively looking iron stained quartz extensively honeycombed and showing some little copper and lead stain. It crops boldly, like a stone wall in places. The surface cropping carries low silver-gold values on the average, while in places they are quite pronounced. A 14' shaft revealed some specimens of copper sulphides carrying high silver values encased in a hard strata of unaltered quartz. It is an exceptionally promising looking vein and will undoubtedly carry the original copper sulphides in abundance below the zone of oxidation.

The Divide vein which shows only on the Divide and Tip Top claims is similar to the Revenue, but shows less iron stain and honeycombed conditions. It crops less boldly although it is easily traced and where opened is 9' wide. One foot of the opening is somewhat altered, with lead and copper sulphides evenly disseminated and carrying about 1 ounce of silver for each unit, along with lead, copper and a little gold to the ton.

The north vein is much larger than either of the two above mentioned. It is practically all brecciated quartz of a fine grain and along the wall is somewhat of a ribbon structure. It is not so uniformly well mineralized throughout the two other veins, although in places where it is softer and shows more erosion,

it carries iron oxides and some copper and lead carbonates. At one place where it extends over onto the High Up claim, a 12' shaft exposes a strong vein, over 16' wide, heavily stained with copper and carrying appreciable values in silver and gold.

The two boldly cropping porphyry dikes between the north and south veins can be easily traced for more than 4,000' in length and from 50' to 300' wide. The capping is of a soft, porous spongy nature heavily charged with iron oxide and pyrolusite. In places it is heavily stained with copper and lead and carries low silver values of 1.5 to 5 ounces to the ton with a little gold in the leached surface capping.

There are at least two heavily vertical cross faults within the end boundaries of the group which show distinctly in the throw of the surface outcrop of the several veins. In view of the encouraging results obtained by the limited development of other veins in the district of like nature, systematic development of this group will undoubtedly terminate in the opening up of a mine of great value. The strong indications of the porphyry dikes alone justify the extensive development now underway.

Between the tunnel level and the surface there should be a zone of secondary enrichment that will yield large quantities of high grade ore.

All these veins are persistent on the strike, which is evidence that they will extend down to a considerable depth. The porphyry dike and north vein promises to develop an immense tonnage of good grade milling ore. The Revenue vein will in all probability produce high grade shipping ore.

### **Development Plans**

To properly prospect and develop this group, good judgment would first suggest sinking on one of the veins where the surface showing is the best. However, it was deemed advisable to drive a tunnel to the first vein. This was done in view of the fact that the nature of the veins is identical with those of the Blackstone, Opportunity and Falun Veins which have all shown up so favorably at depth when developed. Consideration was also given to the fact that the group is situated in the same district and mineral zone as these other claims, and the fact that the topography affords an ideal cross-cut tunnel site.

As a result of this program, the tunnel has, within 1,400', cut the first or north vein at a depth of 400' and will, within 2,160', cut all the veins in the group at approximately the same depth.

### **Treatment and Possible Tonnage**

The character of the ore is such that it will yield a high recovery from simple flotations, requiring no complicated metallurgical process. The several claims show strong for a distance of 3' to 5000' on the surface and should produce an ore tonnage that will supply a reduction plant of large capacity for many years to come.

### **Conclusion**

The potential value of this group of claims lies in its system of exceptionally large veins and the strong probability that the very highly stained gossins or cappings of the sericite porphyry dikes overlie the valuable ore bodies. This conclusion is drawn from the fact that a 32' shaft sunk on a smaller parallel vein revealed lead and copper sulphides of a good grade. While the gossin may be much thicker in the larger veins, there is no doubt that they will show large quantities of commercial ore at a comparatively shallow depth.

In the Butte Mining District no ore of commercial value was found at the surface, and the vein croppings which but slight copper stain with low silver values, were found to extend down to a depth of 100' to as deep as 300' in the extreme. Below this leached or impoverished zone and above the original sulphides,

there was always a zone of secondary enrichment making a very high grade ore. The geological occurrence of the vein system of this property is identical with that of the Butte District. A geophysics examination which was made 2 years ago at a cost of \$5,000 indicates large bodies of sulphide ore underlying the leached outcrops. This is a new and scientific method of prospecting by electrical methods that has proven of great value and has been approved by the U.S. Geological Survey.

One very significant indication is the prevalence of pyrolusite (manganese oxide) in the veins of the district. In the famous Butte, Montana and Virginia City, Nevada Districts, where the vein occurrences are of a very similar nature, this usually found led to a valuable ore body and is, in fact, considered an almost infallible sign.

The property bears all the ear marks of a large mine; every indication points to large bodies of commercial ore with depth. Even the big dike carries an iron gossan with lead stain which is a good indication for finding sulphides of commercial value below the oxidized zone, and which the big tunnel now underway will soon determine.

## EXHIBIT G

### PRELIMINARY ENGINEERING REPORT ON THE BLACKSTONE MINE PROPERTY

George I. Vasilhoff, M.M.E., P.E.  
October, 1984

#### **Executive summary**

The Blackstone Mine property, consisting of five patented claims and 32 located claims is situated in the Bennett Mountains, 42 miles northeast of Mountain Home in Elmore County, Idaho. It is accessible from Boise by 80 miles of paved highway and six miles of graded county road.

The claims lie in a large area of tertiary granodiorite in contact with tertiary and quarternary volcanics. The main body of tertiary intrusive has been eroded to expose outcroppings of cretaceous intrusives consisting of granodiorites, quartz monzonites and related rock types which compose the core of the Idaho batholith.

The known mineralization on the claims is confined to an east-west striking zone of structural weakness in the cretaceous intrusive covering a strike length of about 7,500 feet. Economic minerals present in order of importance are silver, lead, zinc and copper with lower values of gold.

Since the discovery of the property in 1878, some small scale mining and shipping of high grade ore has been carried out by several companies. In 1980 Circa, Incorporated started to open up a surface pit and treat the ore by a leaching process in a plant in Mountain Home. No production figures are available to assess the results of this work, but mining was confined to the known high grade showing and no systematic exploration has been done to develop the potential of the area.

Recent sampling of the pit area suggests a grade of five ounces per ton silver might be achieved with sufficient tonnage to support an economic, low cost open pit mining and processing operation, subject to favorable metallurgical test results.

The exploration program proposed in this report consists initially of the drilling of eight reverse circulation percussion drill holes across and below the pit area to establish mineral grade and width. This would be followed up by a systematic exploration program over the claim area incorporating geochemical surveys, geological mapping and sampling, trenching and drilling. Phase I of the program is estimated to cost \$400,000. Phase II is budgeted at \$800,000.

#### **Introduction**

This report covers the results of a preliminary examination of the Blackstone Mine property located near Mountain Home, in Elmore County, Idaho. The writer conducted the examination on October 24, 1984 accompanied by Mr. James H. Hawley III. Background information and other data incorporated in this report was obtained from reports, files, maps and copies of correspondence provided by the mine owners.

#### **Location and access**

The mine property, which consists of five patented claims, four full claims, and 22 fractional claims, is situated 42 miles northeast of Mountain Home, Elmore County, Idaho in sections 13, 14, and 15, T.2 S., R.10 E., Boise Meridian.

Access to the property is by way of Interstate 84 southeast for 43 miles to Mountain Home, then east via U.S. Highway 20 for 37 miles. The property can then be accessed by six miles of graded dirt road.

### **Topography, water, etc.**

The property lies on the north flank of the Bennett Mountains, at an average elevation of about 5,850 feet. The surrounding terrain of Elmore County consists primarily of eroded hills cut by dry gullies. Vegetation is mainly sagebrush, with light scrub in the valleys. There are no running creeks, but ample water can be obtained from wells drilled in the flatter country to the north of the main property.

<b>Blackstone Patented and Located Mining Claims (1984)</b>			
<b>Claim</b>	<b>Type</b>	<b>Full/Fractional</b>	<b>Mineral survey/IMC No.</b>
Aggie	Located	Full	56148
Bert	Located	Fractional	54777
Bobby	Located	Fractional	54778
Bren	Located	Fractional	54776
Buz	Located	Fractional	54781
Carol	Located	Fractional	54773
Chris	Located	Fractional	54772
David	Located	Fractional	56152
Deedle	Located	Fractional	56145
George	Located	Fractional	54782
Governor	Located	Fractional	56151
<b>Illinois</b>	Patented	Full	Mineral Survey No. 1662
<b>Iowa</b>	Patented	Full	Mineral Survey No. 1662
Jan	Located	Fractional	54768
Kay	Located	Full	54775
<b>Kentucky</b>	Patented	Full	Mineral Survey No. 1662
Krystal	Located	Fractional	56146
Lee	Located	Full	54769
Maggie	Located	Fractional	54779
<b>Ohio</b>	Patented	Full	Mineral Survey No. 1662
<b>Oregon</b>	Patented	Full	Mineral Survey No. 1662
Pam	Located	Fractional	54774
Pat	Located	Fractional	54780
Patty	Located	Fractional	54766
Rachel	Located	Fractional	56150
Ruby	Located	Fractional	56149
Ryan	Located	Fractional	56147
Sammy	Located	Fractional	56153
Will	Located	Full	54771
Zip	Located	Full	54770

### Regional and economic geology

During the summer of 1984, Richard DeLong, M.Sc., geologist from the University of Idaho, mapped about 11 square miles of the Bennett Mountain area which included the Blackstone Mine claims. The southern part of the map consists mainly of granodiorite intrusive of tertiary age in contact to the north and east with tertiary and quaternary volcanics. The main mass of tertiary intrusive has several windows exposing older (cretaceous) intrusive consisting mainly of granodiorites and related rocks which form the main body of the Idaho batholith. The tertiary intrusive is also cut by a number of east-west striking dikes and quartz veins of tertiary or later origin.

Known mineralization as exposed by exploration and development is confined to an east-west striking zone of structural weakness in the cretaceous intrusive which lies mainly in section 14 and extends into sections 13 and 15. Principal minerals present are chalcopyrite, galena, sphalerite, and magnetite associated with quartz monzonite, and carrying varying silver and gold values. Surface mineralization is entirely in the oxide form of the base metals but some chalcopyrite has been noted in the pit about 60 feet below the original surface.

Another large exposure of the cretaceous intrusive occurs mainly in sections 13 and 18, to the southeast of the known mineral zone. Although this area has not been sampled in detail, DeLong considers it favorable for similar mineral deposition to the known zone.

### History of the property

The following historical antecedents have been summarized from information provided by the owners of the property. The Blackstone Mine was discovered in 1878 by gold and silver prospectors and initial development consisted on some shallow pits and crosscut tunnels. The property was acquired by James H. Hawley and Samuel Rich. These two men later formed the Blackstone Mining and Power Company which patented the present claims in 1903.

The Blackstone Mining Company began development by driving a 330 foot cross cut tunnel which is reported to have cut a six foot wide vein from which three carloads of hand sorted ore were shipped. This ore returned assay values of 15% copper, 30 ounces silver, and .04 oz gold per ton. A 40 foot winze was sunk, but was later closed due to bad ground conditions.

In 1936, the Volcano Mining Company operated the mine under lease, and shipped 54 tons of ore to the United States Smelter at Salt Lake City, Utah. According to Blackstone Mining Company records, this shipment returned:

Tons shipped	% Copper (%)	Silver (oz/ton)	Gold (oz/ton)
22.82	2.60	11.0	-
31.17	2.30	5.5	0.01

Work since 1980 has consisted of a legal survey of the patented and located claims. Old surface cuts and trenches were examined and an open cut was made on the mineral zone indicated by the old workings on the Kentucky and Ohio claims.

Ore has been stockpiled at the mine and some tonnage has been transported to Mountain Home and processed in a recovery plant using an ammonium thiosulphate leach process. Production and recovery figures are incomplete, but recovery is said to be in the range of 80% for gold and silver.

### Description of the mine

The Blackstone Mine property was visited and sampled by the writer on October 24, 1984, the examination being confined to the pit area and a surface showing to the east of the main pit.

The pit itself is an east-west striking trench about 600 feet long with a width at the bottom of about 60 feet, with the deepest part of the pit at the east end, being about 60 feet below the original surface.

The main ore zone under exploration appears to be about 45 to 50 feet wide, but accurate assessment of the boundaries was difficult due to the slough of low grade material and waste from the sides of the pit and of the pit floor itself. About 180 feet at the east end had been cleaned sufficiently to permit sampling of in situ mineralization.

### Sampling

Six samples were cut from the pit floor over varying widths using a light sample pick. The samples, each 15 to 20 pounds, were crushed to 1/4" size in the Mountain Home plant, split to about five pounds each and then submitted to Chemex Laboratories for assay. The results are tabulated below.

Sample	Copper (%)	Lead (%)	Zinc (%)	Silver (oz)	Gold (oz)	Location
7751	1.48	0.24	0.36	12.00	.003	W. pit, 44' N-S ch.
7753	0.64	4.24	3.01	3.90	.003	E. pit, 35' N-S ch.
7754	0.40	0.13	0.27	0.27	.003	E. end 90'W37'N.ch.
7755	0.51	0.10	0.17	0.17	.003	E. end 90'W16'N.S.
7756	0.76	0.18	0.11	0.11	.006	E. end+120'W,30'N-S
7757	0.40	1.78	2.17	2.17	.003	Grab from ore clump
7758	0.02	0.05	0.06	0.06	.003	Grab from discovery pit

After the writer's examination, the mine staff cut ten channel samples across the pit floor over a strike length of 180 feet with each sample being 45 feet in a north-south direction. These samples were crushed and split in the same manner as the previous samples, with a split of each being submitted to Chemex Laboratories. The results are tabulated below.

Sample	Silver (oz/ton)	Gold (oz/ton)
1	2.57	0.008
2	2.57	0.012
3	4.33	0.006
4	5.91	0.010
5	8.51	0.012
6	7.53	0.016
7	4.82	0.020
8	7.84	0.016
9	17.28	0.018
10	8.52	0.003

The material mined from the pit to date has been entirely oxidized, but a few small pockets of unoxidized chalcopyrite have been found in the lowest part of the pit. The transition zone from oxide to sulphide mineralization is expected at the water table horizon, expected to be from 300 to 500 feet below the present surface.

### **Ore reserves**

Insufficient exploration has been completed to formulate anything but a very rough estimate of the total mineral potential and silver grade. The five potential claims cover a strike length of 7,500 feet. It is assumed that to qualify for patent each must have some indication of a mineralized structure exposed in the discovery pit. As far as probable width of the structure is concerned, there is a north-south section plan through the Kentucky claim drawn up from the results of several rotary drill holes put down by the company in 1982. These have been certified by Lee F. Miller, M.E., P.Eng., and show the ore grade mineralization to be at least 150 feet wide to a depth of 90 feet below the pit floor at the time.

Using the above data, an inferred block of 3,600 feet (about one-half of the strike length) with a width of 100 feet and a depth of 100 feet would represent 36 million cubic feet, or three million tons at 12 cubic feet per ton.

The arithmetic average of the five channel samples cut by the writer was 5.53 ounces silver per ton. The average of the ten other samples was 6.99 ounces silver per ton. Thus, an overall average for the entire inferred block of 5.0 ounces silver per ton would not be unrealistic and should be economic for a low cost open pit operation.

### **Conclusions**

The economic viability of the Blackstone mineral deposit is contingent upon two factors: (a) tonnage and grade of deposit, and (b) An effective metallurgical recovery process.

Tonnage and grade prospects have been dealt with in the previous section and it appears that there are reasonably good expectations that an ore body of two to three million tons could be developed with an average grade of five ounces silver per ton. This would represent a gross metal value of approximately \$35.00 per ton in silver values alone, plus recoverable values in gold, copper, lead and zinc. On the scale with which an open pit mine could be operated with the above reserves, mining and processing costs should be low enough to leave a good margin of profit.



**EXHIBIT H****REPORT ON THE WINTER 1986 DRILLING PROGRAM,  
BLACKSTONE MINE, ELMORE COUNTY, IDAHO**

Richard F. DeLong, M.A., M.Sc.

March 29, 1986

This report summarizes the drilling program at the Blackstone Mine, Elmore County, Idaho. The project was planned and financed by Richwell Resources Limited of Seattle, Washington. Drilling commenced on February 3, 1986 by Layne Drilling Services of Tempe, Arizona. The author contracted to summarize the geology and mineralization of the Blackstone, based on surface and recent drill data.

**Methodology**

A total of 10 inclined, reverse-circulation rotary drill holes were completed to test the horizontal and vertical extent of the structure, alteration and mineralization. Three thousand and ten feet of drilling was completed; however, 250' were completed prior to the author's arrival.

Sampling was on 5 foot intervals. A 1/8 split of the sample was taken. This was further split into two samples. One of these was sent off for geochemical analysis and assay. The other was kept for further analytical work and in-house use. Chemical analysis of the samples was carried out by Mr. Dana Barclay, Mountain Home, Idaho, Hibbs Laboratory, Boise, Idaho, Bondar-Clegg and Company, Ltd., Vancouver, B.C., and Universal Laboratories, San Francisco, California. At the time of this report, values were available for the surface samples. A portion of the drill hole samples are reported herein and the balance are currently under analysis.

**Mineralization**

Surface development at the Blackstone consists of a 100' x 600' open pit located at the eastern end of the five patented claims. The open pit is developed on two east-west trending structures. Quartz veins and stockwork are developed along these structures. The adjacent country rock is intensely altered. At the surface, the southern structure hosts a stockwork that contains sulfides and intense alteration. The sulfides consist of pyrite, chalcopyrite, sphalerite, and galena as the major phases. In thin section, bornite or digenite rims can be seen around most of the chalcopyrite. Surrounding the stockwork are three distinct zones of alteration with some mineralization. The zones from the stockwork outward are: a sulfide-epidote zone, a sulfide-sericite zone, and a sericite-manganese oxide zone.

The alteration in the sulfide-epidote zone is pervasive and extensive, with all original textures being destroyed. Alteration minerals include epidote, chlorite, and sericite. This alteration forms a three-meter wide zone around the stockwork. Silicification within this zone is relatively minor, but there are veins of quartz and epidote, with relict sphene. The mineralogy and style of alteration is similar to that of the fragments in the stockwork. The epidote ranges in size from 25 microns up to 1 millimeter. The finer-grained epidote is spatially associated with the veinlets. Sericite occurs as a fine-grained felty mass evenly distributed through the rock, and ranges in size from less than 2 to 200 microns. Chlorite also occurs as fine-grained patches throughout the rock. Apatite is present in this zone of alteration and is associated with the quartz veinlets. Calcite is present in this zone and is associated with the epidote and iron oxides. Iron oxides are most abundant near the outer edge of this zone where they comprise as much as 35% of the rock. The sulfides were probably pyrite, chalcopyrite, and galena.

The sulfide-sericite zone of alteration has an elongate, elliptical shape which varies in width from three to thirteen meters. Alteration is both selectively pervasive and veinlet-controlled. Alteration minerals include fine-grained patches that are up to two millimeters in diameter. The sericite is well developed and

occurs as fine-grained masses in the rock. The grains are 1 to 40 microns in size. Some of the sericite is associated with the quartz stringers. Sericite also replaces epidote in this zone. The sulfides were probably pyrite and chalcopyrite.

The sericite-manganese oxide zone is the most widespread alteration associated with the deposit. The zone encloses other zones of alteration, but is not uniform in width. The alteration is both selectively pervasive and veinlet-controlled. The former is dominant near the stockwork. Sericite is 1 to 500 microns in size and is an alteration product of the plagioclase and potassium feldspar. Manganese oxide occurs as disseminated grains throughout the zone. The manganese oxide is a soft, sooty material that does not have a distinctive X-ray diffraction pattern. Electron microprobe analysis indicates a significant amount of zinc associated with the manganese. The biotite occurs as fine grain aggregates associated with the iron oxides. This type of alteration also forms a linear zone north of the main structure. Nine of the ten holes intersected at least one of the two known structures. Data from the tenth hole was not available to the author. Other minor, parallel structures were intersected in several of the holes.

The south structure, which is exposed in the pit, hosts well developed quartz veins at depth, up to 15' wide at depth. Sericite-pyrite alteration forms halos around the veins. Several minor zones of sulfide-epidote were intersected in some drill holes. The geologic target for silver mineralization appears to be the quartz veins and adjacent altered host rock. Cross-sections and plan views of the deposit show a series of at least 10 east-west trending structures, most of which have a significant amount of fault gouge. The quartz veins occurring along these structures have a pinch and swell structure. The veins generally have a greater vertical than horizontal extent. These quartz bodies form shutes and pods. The structures and quartz veins strike in an east-west direction and dip north between 50° and 70°.

At the surface, the southern structure is about 70' wide and the northern structure is about 40' wide. At depth, the two structures converge with a well-developed zone of altered rock between them. The combined thickness of the structures is 90' to 130'. Horizontal extent of the body is about 600' in the drilled out area. Faults and altered host rock are exposed at the surface, 200' to 300' west of the current development. The vertical extent of the structures is at least 300' to 400', down dip, as indicated by drill holes nine and ten.

### **Mapping**

Six plan views of the drilled out area have been compiled from the drill hole data. These maps give a horizontal view of the veins, structures and alteration encountered in the drill holes.

The mineralization occurring in the pit is best seen at depth in the 5,750' and the 5,700' plan views. This zone increases with depth, as seen in the 5,650' and 5,600' plan views.

A previously unknown structure was found south of the southern structure. Using the cross sections and plan views to develop a three dimensional model of the quartz veins, structures, and altered rock, a body of rock can be outlined which is approximately 600' x 200' x 400'. This body of altered and mineralized rock has been partially blocked out, has barren zones within it, and is possibly between three and four million tons.

### **Values**

Values from the exposure of mineralization in the pit contain 3.8 to 11.3 ounces silver per ton in the stockwork; 5.1 to 11.2 ounces silver per ton in the sulfide-epidote zone; 3.3 ounces silver per ton in the sulfide-sericite zone, and 0.25 to 1.0 ounces silver per ton in the sericite manganese oxide zone. Base metal values ranged from 0.66% to 6.40% lead; 0.46% to 5.4% copper, and 0.38% to 6.95% zinc. Down hole analysis is under analysis by the previously mentioned labs.

### **Conclusions and implications**

The data gathered thus far indicates a potential for mineralization at depth. Additional work is needed to determine the size and shape of the outlined zone of quartz veins and altered host rock. This would include a minimum of 1,500 feet of drilling, as well as trenching in several localities. These trenches should be mapped and sampled to help correlate surface geology and mineralization to that in the drill holes. In addition to the work in the pit area, evaluation of several areas to the west and north are needed. Initial work would include sampling and mapping. If anomalies are found in the first survey, it should be followed with a geophysical survey and trenching, as well as additional mapping and sampling to delineate the structures and select drill targets.

## EXHIBIT I

### GEOLOGIST'S REPORT ON THE BLACKSTONE MINE PROJECT

Richard E. Kucera, M.Sc., Ph.D., F.G.A.C.  
July 21, 1986

The purpose of this report is to describe the results of an earlier geological exploration and drilling program of the Blackstone Mine area, Elmore County, Idaho and discuss recommendations for further work.

#### **Location and access**

The Blackstone property consists of 5 patented claims and 32 located claims in Sections 13, 14, and 15, T2S, R10E, and Section 18, T2S, R11E, about 60 miles southeast of Boise, Idaho. Access is via the Hill City County Road, 6 miles south of U.S. Highway 20.

The Blackstone property lies at an elevation of approximately 5,800 feet and extends along the crest of a low granite ridge that rises about 1,000 feet above the broad Camas Prairie valley to the north. Surface development consists of a 100 x 600 foot open pit located near the eastern end of the five patented claim block.

The claims are held by Richwell Resources Ltd. under a lease agreement with Blackstone Mining Company Ltd., the property owner. It is understood that Richwell has an option to obtain a 100% leasehold interest subject to a 4% net smelter return in favor of Blackstone.

#### **Sources of information**

The primary sources of information on which the report is based included geologic data, maps, drill logs, cross sections and other information obtained from Mr. Richard F. DeLong of Reno, Nevada. In his report of March 29, 1986, he summarizes the drilling of a total of nine inclined, reverse circulation rotary drill holes on the extreme eastern portion of the Blackstone property. The drill holes (3,010 total footage) tested the vertical and horizontal extent of the geologic structure, rock alteration and mineralization. In addition, the writer has drawn upon other appropriate sources including assays, petrographic analyses, publications pertaining to the geology of Elmore County, Idaho, and discussions with Richwell Resources Limited.

#### **Geology**

The Blackstone property lies within the Volcano Mining District, which contains a number of gold-silver base metal veins and pods grouped along a zone of structural weakness near the southern edge of the Idaho batholith.

Silver-rich quartz veins of the Blackstone Mine are intimately associated with granitic dikes and are localized by an east-west shear zone in a quartz monzonite facies of the Idaho batholith. Surface development on the Ohio and Kentucky patented claims exhibit quartz veins and stockwork, and the adjacent country rock is intensely altered.

DeLong (1986) states that three zones of alteration with some mineralization surround the stockwork. The zones from the stockwork outward are: a sulfide-epidote zone, a sulfide-sericite zone and a sericite-manganese oxide zone which is the most widespread alteration associated with the deposit. Nine drill holes intersected east-west structures that host quartz veins and altered rock at the eastern end of the property. The structures and associated quartz veins dip north between 50° and 70°. Two major structures at the surface converge at depth with a combined thickness of 90' to 130' and have a well-

developed zone of altered rock between them. The vertical extent of the structure is at least 300' to 400' downdip.

DeLong, using cross-sections and plan views from drill hole data, developed a three dimensional model of the quartz veins, structures and altered rock. A body of rock can be outlined which measures approximately 600' x 200' x 400'. According to DeLong this body of altered and mineralized rock, partially blocked out by drilling, possibly contains between three to four million tons.

## Results

DeLong reported on surface samples taken from the open pit at the eastern end of the property. They contain 3.8 to 11.3 oz/ton Ag in the stockwork, 5.1 to 11.2 oz/ton Ag in the sulfide-epidote zone, 3.3 oz/ton Ag in the sulfide-sericites zone, and 0.25 to 1.0 oz/ton Ag in the sericite-manganese oxide zone. Base metal values range from 0.66% to 6.40% Pb, 0.46% to 5.4% Cu, and 0.38% to 6.95% Zn. Assays obtained from drill holes S4 and S7 show the following (sampling at 5' intervals; Ag by fire assay; base metals by atomic absorption):

Drill Hole S4	Drill Hole S7
Footage 400' to depth of 300', angle 45°	Footage 400' to depth of 312', angle 50°
Ag - 55 to 345'= 0.3% to 6.4 oz/ton (3.31 oz Ag average)	Ag - 60-75, 95-115, 255-295'= 2.25 to 10.40 oz/ton (4.68 oz. Ag average)
Cu - 55 to 330'= 0.3% to 2.96%	Cu - 60-75, 95-115, 160-200, 255-295'= 0.9 to 2.7%
Zn - 55 to 295'= trace to 1.6%	Zn - 60-75, 95-115, 160-20, 255-295'= 0.39 to 2.3%

Data from drill holes S4 and S7 indicate silver-rich ore lies at depths of less than 300' having average values ranging from 3.31 oz to 4.68 oz Ag/ton with significant copper values as well.

Although only a small area located at the eastern end of the patented claim block has been drilled, drill hole data outline a silver deposit that shows excellent potential for lateral and depth extension. Additional work is needed to determine the size and shape of the zone of silver-bearing quartz veins and altered host rock, especially in areas on strike to the west.

## Recommendations

I recommend a rotary drilling program on that segment of the patented claim block situated in Sections 14, T2S, R10E, work to start adjacent to the previously drilled area. The program would consist of 400' holes on 100' centers for a minimum of 28,000' of drilling. Trenches excavated at several localities should be mapped and sampled to help correlate surface geology and mineralization to that in the drill holes. Drilling toward the south at a dip of 45° would intersect the northward dipping, east-west trending, fractures, quartz veins and alteration zones. There should be flexibility in the choice of drilling sites, based on geologic data gathered during the drilling program. In addition, I recommend two exploratory holes be drilled in that segment of the claim block that is situated in Sec. 15.

A rotary reverse-circulation drill should be used with samples taken at 5-foot intervals. Since the reverse-circulation drill rig will not effectively produce clean samples in wet ground, it will be necessary to change to a coring operation when ground water is encountered. Selected holes should be cored to a depth of 400' to 600' to determine if a zone of enrichment exists at the water table. I would recommend fire assay of samples by Universal Laboratories of San Francisco, California.

## EXHIBIT J

### REPORT ON THE 1987 SUMMER DRILLING PROGRAM

James Zarubica, B.Sc.  
December 17, 1987

#### Introduction

This report covers the mineral development work on the ore deposits of the Blackstone Mine located in sections 13, 14, and 15, T2S, R10E, Boise Meridian, Elmore County, Idaho. To date, the company has drilled a total of 10 incline reverse circulation holes totaling 3,030', and 15 diamond core drill holes totaling 4,600'. In addition to the developmental drilling, a series of deep trenches, discovery pits and dozer cuts have delineated portions of the mineralization zone (alteration) as they traverse the 7,500' of patented claims that compose the primary area of the Blackstone Mine. The developed ore reserves are being mined based on the drilling results.

#### Ore

Ore mineralization at the Blackstone occurs as a stockwork system of quartz veins containing high grade massive sulfide zones and an extensive alteration halo of low grade gold mineralization. Mineralization is associated with eleven east-west shear zones adjacent to tertiary granite and rhyolite dikes spanning a width of 850 feet which cross-cut a cretaceous granodiorite roof-pendant for its entire length of approximately 7,500 feet.

Alteration associated with the stockwork vein systems includes an epidote-chlorite halo that hosts the high grade zones and a sericite/manganese oxide zone that hosts leachable grade gold-silver and base metal mineralization and an argyllic zone which contains leachable gold-silver mineralization. The vertical horizon of the zones has yet to be determined, although core drilling has established a minimum depth of 400 feet.

Based on the development work, a mining zone has been proven containing 700,000 tons of leachable reserves having an average grade of .078 oz. gold, 2.11 oz. silver, .2% copper, .2% manganese, .25% lead and .5% zinc. A high grade zone of 35,400 tons of high grade ore containing .106 oz. gold (minimum average; see "Geochemical Analysis"), 23.58 oz. silver, 4.94% copper, 1.15% manganese, 4% lead and 8.5% zinc has also been proven. In addition to the proven reserves, drilling is being completed on three million tons of probable (drilled on three sides) leach grade ore and an additional 186,000 tons of high grade ore. The zones are expected to contain values similar to that of the proven ore.

#### Geochemical analysis

It is expected that poor core recovery, particularly in the heavily sheared (high grade) zones may result in the loss of a portion of the precious metals values. To test this probability, portions of the drilled areas have been mined and are being processed to compare drill results against actual recovery. With respect to the leach grade ores, gold and silver concentrates will be produced to further test the extent, by comparison, of the precious metals content of the leach grade reserves.

Analysis of the ore indicates the presence of high levels of metallic zinc. Based on the electrochemical properties of zinc, it has been determined that substantial portions of the metals precipitate out of solution and therefore cannot be completely read by atomic absorption. Removal of the base metal from the samples by hydrochloric acid has greatly improved the

analysis of the gold and silver values. Analysis by this improved methodology was underway at the time of this report. Average values will be reported subsequently.

### Geophysics

In addition to the drilling, an induced polarization orientation (resistivity) survey has been completed, indicating strong sulfide anomalies (expected high grade mineralization) below the current development area.

The drilling program is continuing to outline the bulk tonnage gold and silver mineralization. A grid has been established to block out reserves in a 50' x 50' linear pattern. Drill holes will continue along strike of the identified shear zones (mineralization) at 50 foot intervals (up to 200 feet depending upon terrain) to determine further reserve ores.

Summary		Reserves			
Activity	Results	Type	Grade	Amount (tons)	Value
Total drilling	7,600'	Proven	Leach grade	700,000	\$45,400,000
Total trenching	1,500'	Proven	Mill grade	35,000	\$17,912,000
Discovery cuts	30	Probable	Leach grade	3,000,000	\$195,000,000
Geophysical survey lines	18,000'	Probable	Mill grade	186,000	\$93,116,000
Tons mined	6,000				
Value	\$3,036,000				
Tons shipped	3,600				
Value	\$1,820,000				

**EXHIBIT K****REPORT ON THE BLACKSTONE MINE PROJECT  
ELMORE COUNTY, IDAHO**

Richard E. Kucera, M.Sc., Ph.D., F.G.A.C.

August 11, 1988

This report was prepared at the request of Mr. James Hawley, President of Richwell Resources Ltd. (herein "Richwell"). The purpose of this report is to describe the results of the 1987 geological exploration and drilling program of the Blackstone Mine. The writer makes certain recommendations for further work.

The Blackstone property consists of 5 patented claims and 27 located claims in sections 13, 14, and 15, T.2S., R.10E., Boise Meridian, Elmore County, about 60 miles southeast of Boise, Idaho. Access is via the Hill City County Road, 6 miles south of Highway 20. Richwell holds a 100% leasehold interest in the claims under an agreement with Blackstone Mining Company Ltd., owner of the property.

Present surface development consists of a 100 x 600 foot open pit located near the eastern end of the five patented claim block. During 1987 the company mined, shipped and crushed mill-grade ore which was processed at Richwell's mill located at Fairfield, Idaho.

**Sources of information**

The primary sources of information on which this report is based include geologic data, maps, drill logs, cross sections and other information obtained from Mr. Richard F. DeLong, consulting geologist of Reno, Nevada. In his report of March 29, 1986, he summarizes the work in the drilling of 9 inclined, reverse circulation rotary drill holes on the extreme eastern portion of the Blackstone property. Richard E. Kucera, consulting geologist, reviewed the geology and work program and made certain recommendations in his report of July 21, 1986. In addition, the writer has drawn upon information from James Zarubica, consulting geologist, Ketchum, Idaho. In his report of December 17, 1987, he summarized the results of the winter drilling program and calculated proven ore reserves. The writer visited the property in 1986 and the mill site at Fairfield in 1988 and has had numerous discussions with Mr. Zarubica and Mr. Hawley III.

**Exploration program - 1987**

This phase of the exploration was under the direction of James Zarubica, consulting geologist. The program included 27 diamond core drill holes totaling approximately 11,500 feet. A grid was established to block out reserves in a 40' x 50' linear pattern along the strike of mineralized shear zones. A series of deep trenches, pits and cuts delineated a wide altered zone containing low grade gold and silver mineralization. This development program has greatly expanded the scope of the area identified by the 1986 drilling.

**Mineralization**

According to Zarubica, mineralization at the Blackstone occurs as a system of quartz veins containing high grade massive sulfide ones and extensive halos of low grade silver and gold mineralization. The drill holes have confirmed that mineralization is associated with 11 shear zones adjacent to tertiary granite and rhyolite dikes. The shear zones crosscut a cretaceous granodiorite roof pendant within a zone 850 feet wide and approximately 7,500 feet long. The shear zones and associated quartz veins strike in an east-west direction and dip north between 50° and 70°.

Zarubica noted that 3 zones of alteration are associated with the vein stockwork and include:

- Epidote-chlorite halo hosting a high grade ore zone



- Sericite - manganese oxide zone hosting leachable grade gold/silver and base metal mineralization
- Argyllic zone containing leachable gold/silver mineralization

Core drilling has established the minimum depth of these zones to be 400 feet.

### **Mining zones**

Based on the development, Zarubica calculated that a high grade mining zone has been proven to contain 35,500 tons of 0.106 oz. gold, 23.58 oz. silver, 4.94% copper, 1.15% manganese, 4% lead and 8.5% zinc. A low grade mining zone contains 700,000 tons of leachable reserves having an average grade of .078 oz. gold, 2.11 oz. silver, 0.2% copper, 2% manganese, 0.25% lead and 0.5% zinc.

In addition to proven reserves, drilling suggests that as much as 3 million tons of probable leach grade ore and an additional 186,000 tons of high grade ore may exist on the Blackstone property. Additional drilling is required.

### **Mill operations**

Richwell has mined and stockpiled 4,000 tons of mill grade ore and begun test milling at its Fairfield facility in Camas County, Idaho, approximately 16 miles from the Blackstone Mine. The mill utilizes an environmentally safe ammonium thiosulphate leaching circuit to process the oxidized portion of the ore. To recover the non-leachable sulfide values remaining in the tailings, the Company will add a flotation circuit.

At the time of this writing, the mill equipment is being installed in Richwell's new facility located at Gooding, Idaho. The Company anticipates processing mill grade ore at approximately 35 tons per day, to begin production in September 1988. It is understood that the Company plans to sell concentrates from the milling operation to the Johnson Matthey refinery in Salt Lake City, Utah and the American Smelting and Refining Company in Montana.

### **Summary**

Richwell has completed a second phase drilling and development program at the Blackstone Mine in Elmore County, Idaho. Present surface development consists of a 100 x 600 foot open pit near the eastern end of the property.

The existing workings at the Blackstone consist of 221,500 tons of mill grade ore, of which 35,500 tons have been proven. The average grade of the mill grade ore is .106 oz. gold and 23.58 oz. silver per ton. Drill holes have proven 700,000 tons leach grade ore containing .078 oz. gold and 2.1 oz. silver per ton. During 1987 the Company mined, shipped and crushed 4,000 tons of mill grade ore. The ore was removed from the proven ore block delineated by the drilling program. Processing has been done at Richwell's hydrometallurgy mill located in Fairfield, Idaho and will continue in new facilities in Gooding, Idaho.

The 35,500 tons of mill grade ore will provide approximately 3.8 years of mill feed based on a production capacity of 35 tons per day (assuming 22 operating days per month). Should the larger 186,000 ton ore block have the same grade, these reserves would add an additional 20 years of mill feed.

### **Recommendations**

1. Richwell is in an enviable position to mine and mill proven ore reserves for several years. Revenues generated from the milling can be used to fund further exploration and development work at the Blackstone Mine. I recommend that Richwell mine and process the 35,500 ton ore block and bulk sample the probable 186,000 ton ore block to determine grade and metallurgical characteristics.

2. Add a flotation circuit in the mill to recover non-leachable sulfides remaining in the tailings.
3. Bulk sample the 700,000 ton leach grade reserves found associated with the sericite-manganese oxide zone. Conduct experimental leach tests using ammonium thiosulphate (or other solvent). Determine the optimum processing methodology in anticipation of commencing large scale heap leaching at the Blackstone Mine in early 1989.
4. Additional drilling is essential to outline the bulk tonnage of gold and silver mineralization. A grid should be established to block out reserves in a linear pattern along the strike of identified shear zones. A rotary reverse circulation drill utilizing a 50 foot grid pattern is recommended.
5. An adequate base map of the Blackstone property is important. I recommend that low level aerial photographs be obtained to be used for photo interpretation and compilation of a topographic base map. A scale of 1" = 200' will provide optimum coverage. Because the photographs will be taken for geologic use, the flight-line should be laid out in an east-west direction in consideration of the geologic "grain" of the Blackstone property.

Careful stereoscopic interpretation of the aerial photos could help delineate rock types on the property and locate very subtle fractures, many of which are probably inconspicuous on the ground.

A topographic base map should be compiled from the aerial photos having a scale of 1" = 200' and a contour interval of 20 feet. Using this map as a base, the geologic information on the aerial photos can be transferred to the map, including all mineral outcroppings, trenches, pits and drill hole locations.

#### **Certificate of qualification**

I, Richard E. Kucera, hereby certify:

1. That I am an associate of Kucera and Associates Consultants of #201, 810 West Broadway, Vancouver, B.C. V5Z 4C9.
2. That I am a fellow of the Geological Association of Canada, and a member of the American Association of Petroleum Geologists and Geological Society of America.
3. That I hold B.Sc. and M.Sc. degrees from Ohio State University, U.S.A. and a Ph.D. from the University of Colorado, U.S.A.
4. That I have been practicing my profession as a geologist for over 25 years.
5. That I have no direct or indirect interest nor do I expect to have any direct or indirect interest in the properties or securities of Richwell Resources Ltd.
6. That the statements made in Kucera and Associates Consultants report of August 11, 1988 on the Blackstone Mine project were based on information obtained as specified in the report.
7. That the report has been prepared for the exclusive use of the participants of the project and no part of it shall be reproduced, distributed or made available to any other person, company, regulatory body or organization without the complete context of the report or without my permission.
8. Consent is hereby granted to use the report, in its complete form only, in a Filing Statement, Statement of Material Facts, or Prospectus by Richwell Resources Ltd.

**EXHIBIT L****GROSS VALUE OF PROVEN ORE RESERVES,  
BLACKSTONE MINE – ELMORE COUNTY, IDAHO**

Richard E. Kucera, M.Sc., Ph.D., F.G.A.C.

May 16, 1996

This report, prepared at the request of Mr. James Hawley III, will calculate the gross value of proven ore reserves at the Blackstone Mine, located in Elmore County, Idaho, USA. These reserves are polymetallic ore containing commercial quantities of gold, silver, copper, manganese, and zinc.

**Previous work**

The author has drawn upon information from James Zarubica, Consulting Geologist of Ketchum, Idaho. In his report of December 1987, Zarubica summarized the results of the 1987 drilling program, and he calculated proven and probable ore reserves.

The present writer visited the property in 1986 to review the geology in the field, study the work progress and make certain recommendations, resulting in two reports, dated July 21, 1986 and August 11, 1988, In addition, the writer summarized the development work taking place at the Blackstone Mine and discussed the processing metallurgy, and mill operations located at Gooding, Idaho, March 14, 1990.

**Estimated proven ore reserves**

Based on the results of the development work, Zarubica has calculated that a high grade ore zone (mill grade) has been proven to contain 35,500 tons of .106 oz. gold, 23.58 oz. silver, 4.94% copper, 1.5% manganese, and 8.5% zinc. He has estimated that the low grade (leach grade) deposits contains 700,000 tons of leachable reserves having an average yield of .078 oz. gold, 2.11 oz silver, 0.2% copper, 2% manganese, 0.25% lead, and 0.5% zinc.

To calculate the gross value of ore reserves at the Blackstone Mine, I have referred to current commodity prices published in the *Wall Street Journal*, May 7, 1996.

<b>High grade ore (mill grade) (35,500 tons)</b>	<b>Assay/ton</b>	<b>Price</b>	<b>Value/ton</b>	<b>Total value</b>
Gold	0.106	\$394.10	\$41.77	\$1,482,998
Silver	23.530	\$5.44	\$128.00	\$4,544,114
Copper	4.94%	\$1.25	\$123.01	\$4,366,713
Manganese	1.15%	\$1.16	\$26.68	\$947,140
Zinc	8.50%	\$0.50	\$85.34	\$3,029,570
<b>Total</b>				<b>\$14,370,535</b>
<b>Leach grade (700,000 tons)</b>				
Gold	0.078	\$394.10	\$30.74	\$21,511,860
Silver	2.110	\$5.44	\$11.48	\$8,029,000
Copper	0.20%	\$1.25	\$4.98	\$3,486,000
Manganese	2.00%	\$1.16	\$46.40	\$32,480,000
Lead	0.25%	\$0.50	\$25.35	\$17,745,000
Zinc	0.50%	\$0.50	\$5.02	\$3,514,000
<b>Total</b>				<b>\$86,765,000</b>

In addition to proven reserves, drilling results suggest to Zarubica that as much as three million tons of probable leach-grade ore and an additional 186,000 tons of high grade ore may be proven by further development of the Blackstone property. Therefore additional drilling and computer modeling of the area surround the pit is recommended, to expand the tonnage of proven reserves. All figures in this report are subject to fluctuations in metal prices.