

DAN CREEK PLACER MINES

POLAR REALTY

Fall, 1999

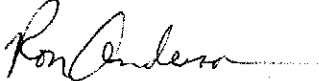
Greetings:

I would like to introduce you to the most beautiful mining property I have seen. Dan Creek is located in the Wrangell-St. Elias National Wildlife Preserve and bordered on the north by the Wrangell-St. Elias National Park.

The price for the patented 800 acres is \$1.5 million – a very reasonable amount for a property of this quality. Owner financing is available.

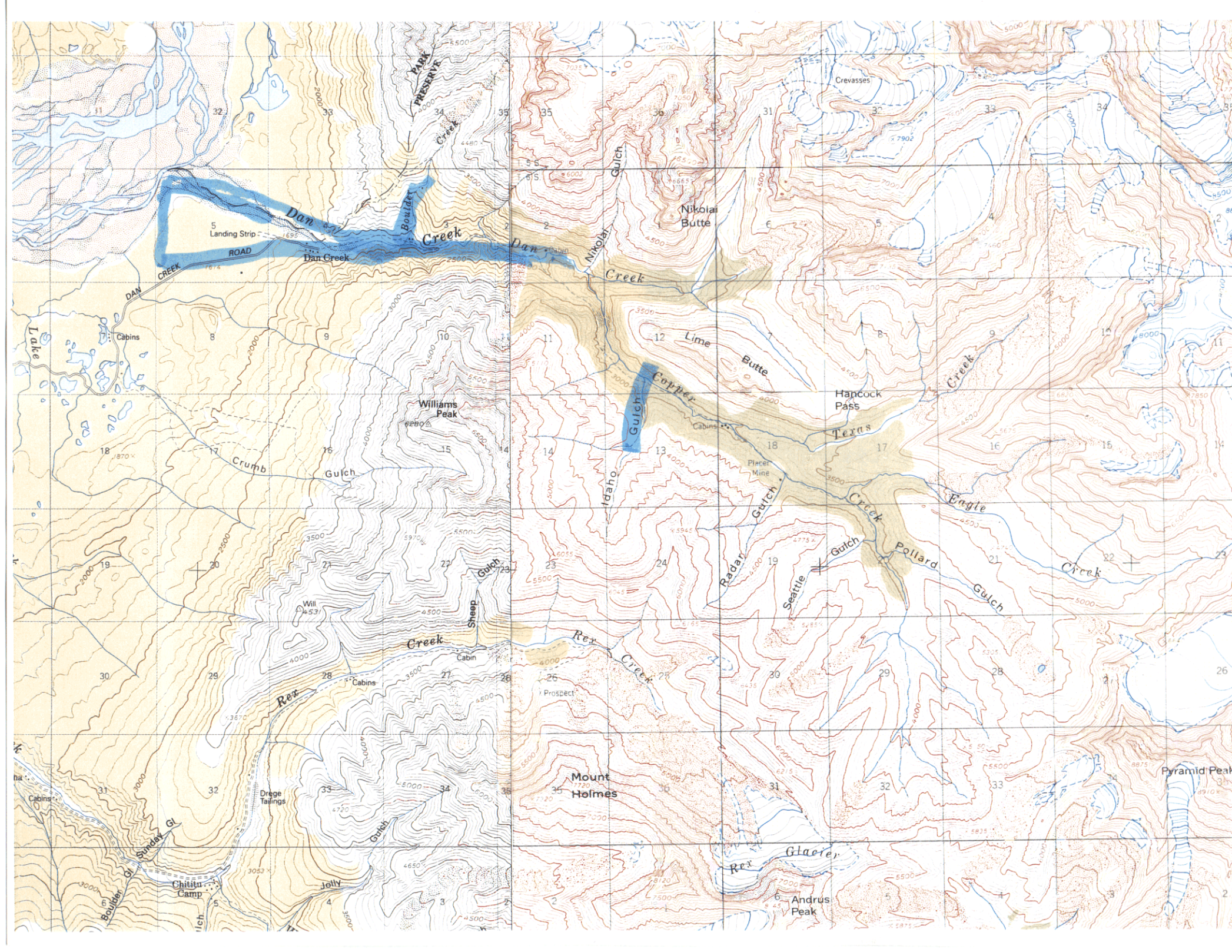
Perhaps the greatest potential value is in its beauty and location for an upscale wilderness lodge. For the prospector on vacation there is no better place. The Dan Creek drainage above the property is mineralized with copper – copper nuggets weighing thousands of pounds have been found in the mining operation. Copper nuggets were a problem to early gold miners, but now large ones would be a treasure hunter's dream. As all the thousand of acres upstream can never be mined or staked it will continue to be a place a vacationer can explore.

Sincerely yours,

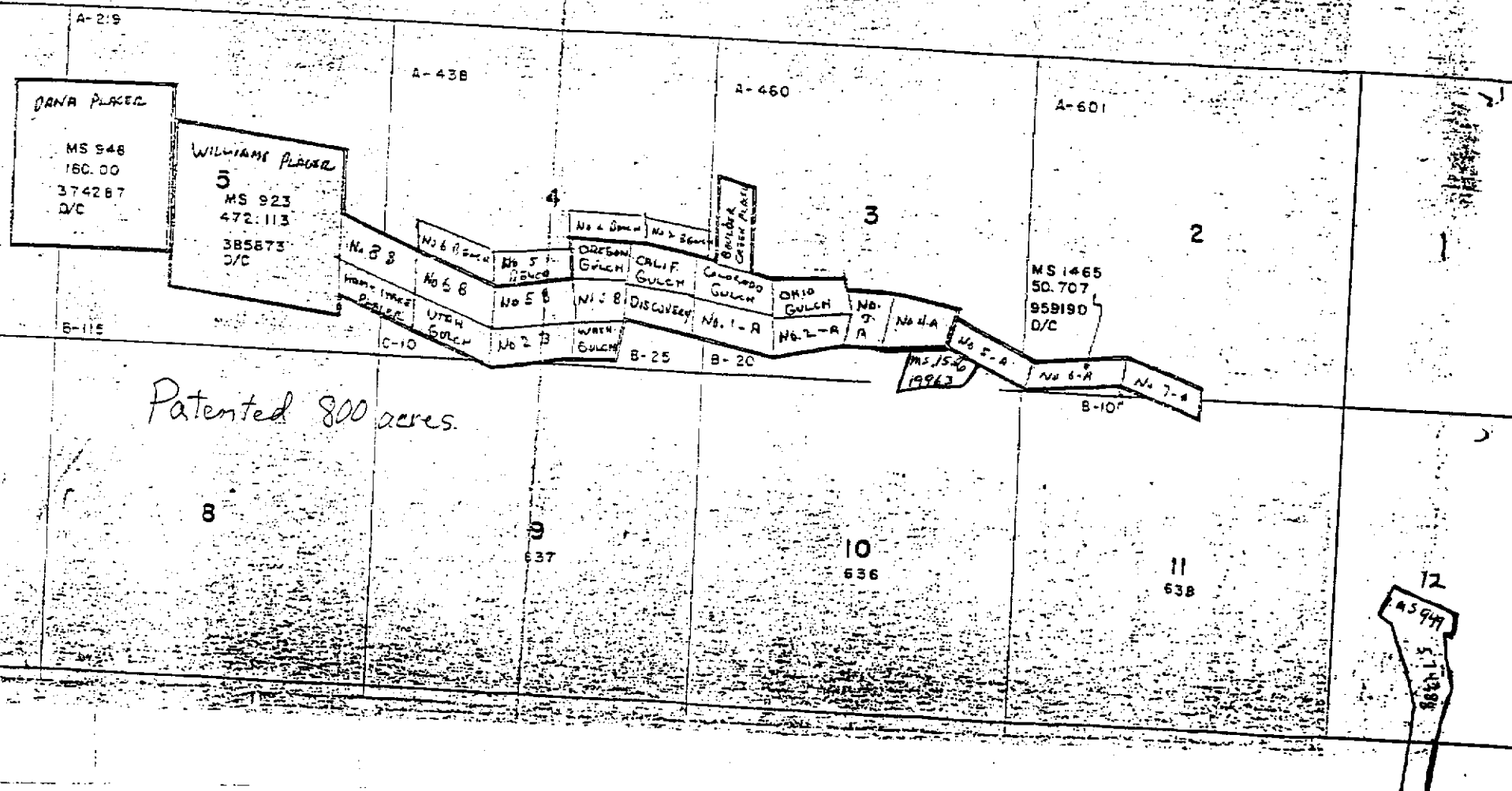


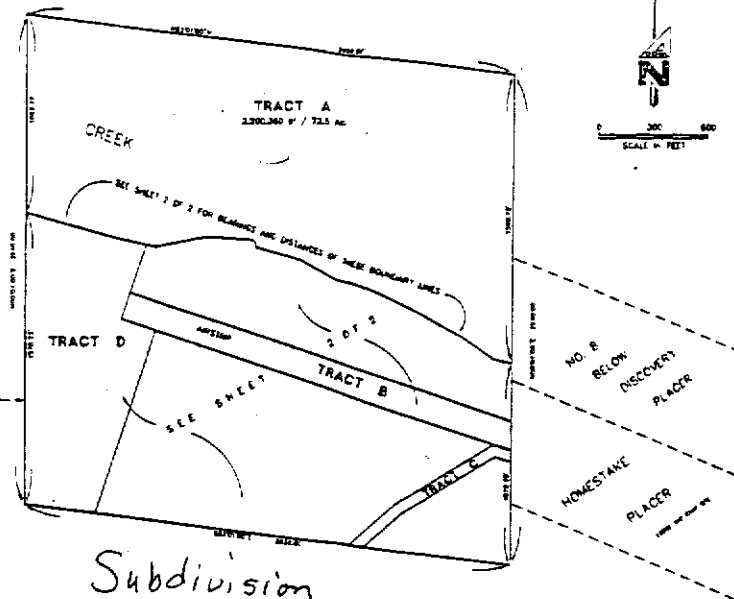
Ron Anderson
907-244-6449
907-248-4476
email: goldmine@arctic.net





TOWNSHIP 6 SOUTH RANGE 16 EAST OF TH





SUBVY DATA SUMMARY

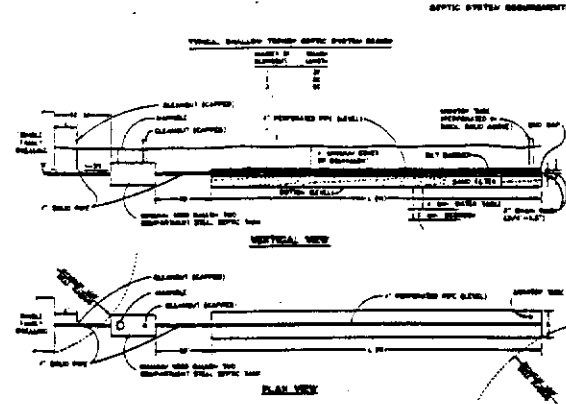
STATION: 1. (UNRECORDED) PROFESSIONAL: LANE SURVEYOR: DR. HENRY + CHERRY
TWA: 101.1417 KNOWN: REASON: IS = VALUE: ARE: CORRECT: CORRELATION: OF
LANDS: ACTUALLY: SURVEYED: ARE: THE: DISTANCES: AND: BEHIND: ARE: APPROX
CORRECT: AND: SO: (UNRECORDED) NAME: RES: ST: AND: STAKE: IS: SHEET: 2

[illegible]

NOTICE: AGENCY POLICIES
SUBSCRIBERS ARE BOUND TO OBEY: IN THE 1st DAY OF February 1968
BY James A. [illegible]
AT Washington, D.C.
BY Commissioner [illegible]

- 4. LOT LINES NOT RADIAL TO INTERFERED CITIES ARE NOTED BY (H), RADIAL LINES BY (R)
- 5. PRIVATE ACCESS EASEMENTS ARE FOR PEDESTRIAN AND VEHICULAR ACCESS TO LOTS WITHIN THE SUBDIVISION
- 6. TRAILS IS RESERVED FOR AN ARETHIN AND PEDESTRIAN AND VEHICULAR CIRCULATION FOR THE OWNERS OF LOTS WITHIN THE SUBDIVISION
- 7. TRACT - IS RESERVED FOR BAY CREEK ROAD FOR THE LOTS OF THIS SUBDIVISION AND FOR ACCESS TO INDISTINCT PLACES TO THE EAST.
- 8. TRAILS & C AND PRIVATE ACCESS EASEMENTS IN BLOCK SHALL ALSO BE RESERVED FOR FUTURE UTILITY SERVICES
- 9. A. AT THE TIME OF PREPARATION OF THIS PLAT, THIS SUBDIVISION IS SERVED WITH A COMMUNITY WATER SYSTEM
- 10. FOR PURPOSES OF EQUIPARISON WITH LOTS WITHIN THIS SUBDIVISION, BE IT NOTED, THAT ONE ACRES EQUALS 43,560 SQ. FT.
- 11. REMOVED/PLATTED HEREON ARE SUBJECT TO SEVERAL RESTRICTIONS, NOTED HEREON AND RECORDED IN THE PUBLIC RECORDS SEPARATELY AND PART FROM THIS PLAT.
- 12. DAMAGERS EASE TO THE AIRSTRIP, EASEMENT AREAS AND LARGES TRACTS OF LAND WITHIN THIS SUBDIVISION ARE PROPERTY OF THE STATE OF TEXAS AND ARE NOT TO BE USED FOR ANY PURPOSES EXCEPT FOR THE PURPOSES OF THE AIRSTRIP, EASEMENT AREAS AND LARGES TRACTS OF LAND WITHIN THIS SUBDIVISION. IN CASE OF ANY ACCIDENT OR LEGAL INCIDENT REGARDING ANY AREA OF THIS PROPERTY OR SUBDIVISION,

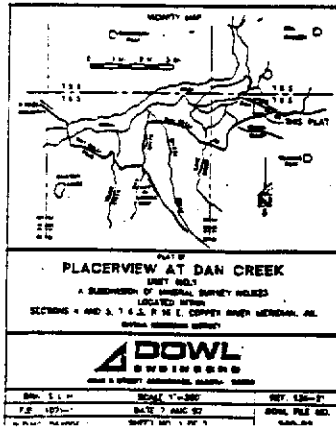
PAGE 1 OF 2

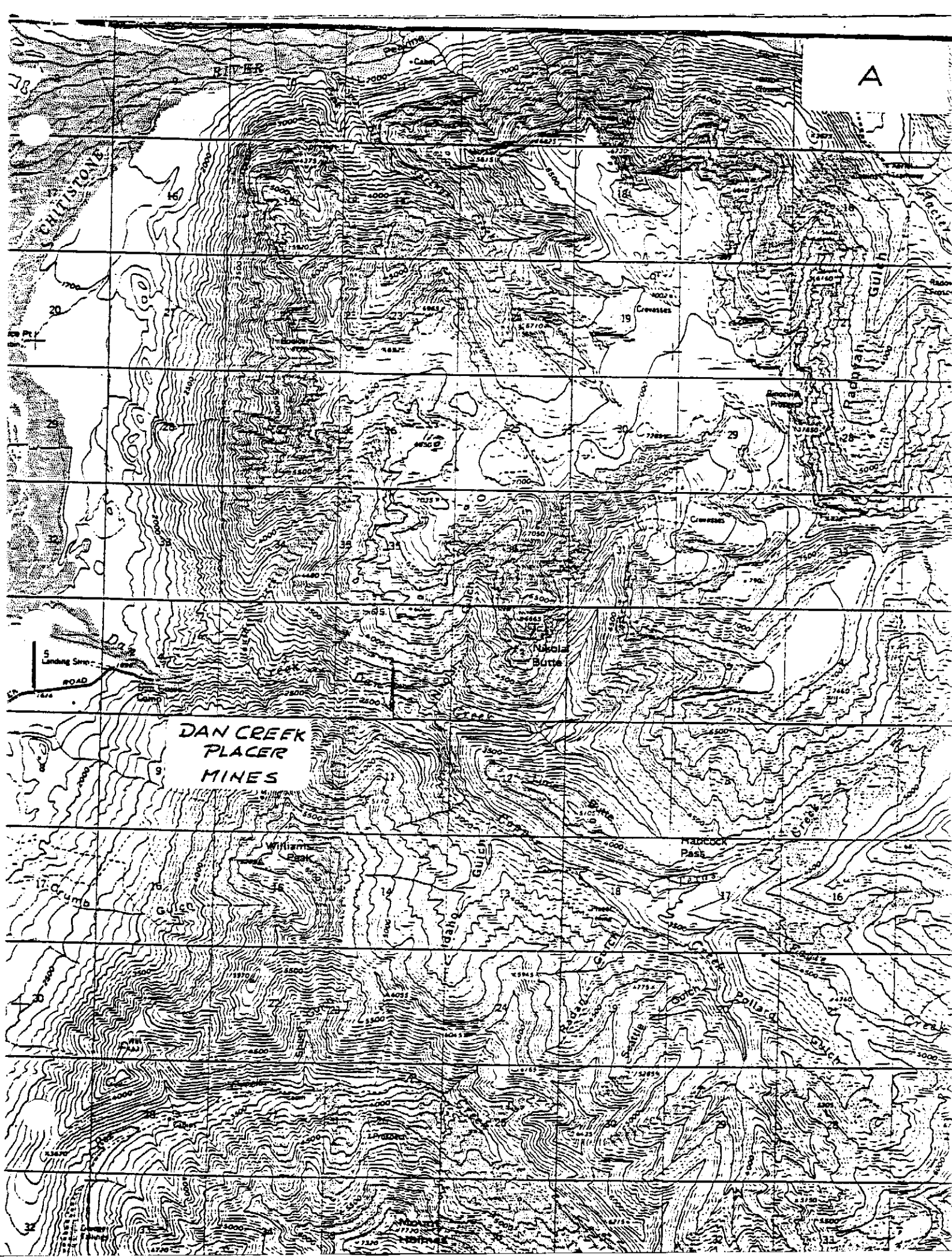
[illegible]

07-22
25 02
RECEIVED-FILED
CARTWA
DEC 30 1966
FBI - NEW YORK

[illegible]

James Earl Ray 12-24-92
JAMES EARL RAY, JR.
JAMES EARL RAY, JR.





Charles F. Herbert

MINERALS CONSULTANT
4058 HOOD COURT
ANCHORAGE, AK 99517

907-243-4547

December 15, 1987

NAME AND LOCATION OF MINE

Dan Creek gold placer mine on Dan Creek, a tributary of the Nizina River, in Sections 2, 3, 4, 5; T6S; R16E; Copper River Meridian, Alaska. Refer to US Geological Survey Maps B4 and B5.

OWNERSHIP

Dan Creek Placer Mines, PO Box 401, Gig Harbor, Washington 98335. Telephone contact is James O. Tallman, President, 206 857 6151, or Lawrence Ryan, 711 SW Alder, Portland, Oregon 97205, 503 223 2120.

The property consists of 27 patented claims containing 758 acres. US Mineral Survey numbers are MS 923, 948, 1465 and 1595.

NOTE This report includes pages 2 through 6 of my report of July 11, 1986.

POTENTIAL RESERVES

Dan Creek was discovered in 1901 and has had some production in every year since that date. Total production is probably over 70,000 ounces of gold plus some copper in nugget form. The recorded production of the Nizina Mining District, which includes Dan Creek and Rex-Chitutu Creek, is 143,500 troy ounces of gold.

The development targets on Dan Creek are:

Lower Dan Creek: 1,400,000 cubic yards at 0.024 ounces per cubic yard.

Upper Dan Creek: 260,000 cubic yards at 0.046 ounces per cubic yard.

Total target: 1,660,000 cubic yards at 0.027 ounces per cubic yard,
a total target of 45,600 ounces of gold.

At the current price of gold (now over \$490 per ounce) the gross value of the potential reserve is about \$ 22,000,000.

DEVELOPMENT

Preliminary drilling on lower Dan Creek should be done on four drill lines spaced 2,000 feet apart with drill holes at 100 foot intervals. About 25 drill holes would be required to indicate the probable size and gold tenor of the property. If the initial drilling indicates a potential reserve of sufficient size and gold content to sustain a profitable operation, drilling would continue with an additional 100 drill holes. Very probably, the presence of rather coarse gold particles, the expected variability of concentration within the old hydraulic pits, and the possibility of deeper channels will require a total of 200 drill holes for complete development.

It is recommended that drilling equipment be flown to Dan Creek in March or April and removed by air if drill results are not satisfactory. Thus it is essential that the initial drilling be evaluated immediately by a competent engineer so that additional drilling, if warranted, can be continued without remobilization.

If initial drilling is not satisfactory, the cost of mobilization and demobilization, drilling and sampling operations and supervision should be about \$25,000. Elapsed time for drilling and evaluation should be 6 days plus 2 or 3 days for mobilization and demobilization (excluding weather delays for flying). If the initial drilling is satisfactory, another 175 holes could be drilled at a probable cost of \$100,000, bringing total development cost to \$125,000 and total development time to six or seven weeks.

The following have provided estimates for drilling and air transport:

Drilling: Alsine, 919 Commerce St., Fairbanks AK 99701, 907 479 0402

Air Service: Stebbins/Ambler Air Transport, 4340 Satellite Drive, Anchorage Alaska 99502, 907 248 6862

Engineering, Sampling and Evaluation: Karl L. Hanneman, PO Box 81467, Fairbanks, Alaska 99708, 907 452 6700

The property is accessible by road in the fall and in the summer months during times when two river crossings are fordable. Access in the spring is possible but snow removal from the road is required.

OPERATIONS

It is difficult to determine the choice of equipment and to accurately predict mining costs until development is completed. If a substantial portion of the upper gravels are barren and can be stripped to waste, the investment and operating costs will be less than if all gravel must be sluiced. If gold particles are finer than reported, a more elaborate washing plant would be required.

Relying on comparable mining operations, the probable cost of a mine plant capable of mining 2,000 cubic yards per 20 hour day should be between \$1,500,000 and \$2,000,000. Since the ground is thawed and the reported mining season is 150 days, the annual volume mined should be 250,000 cubic yards in 125 operating days on lower Dan Creek.

Upper Dan Creek is difficult and operations will be subject to delays caused by high water and large boulders. Probably the average daily production will be about 750 cubic yards per 20 hour day or 90,000 cubic yards per year.

If the full potential of 1,660,000 cubic yards is developed, the postulated mine life for the upper and lower Dan Creek is $8\frac{1}{2}$ years.

The direct mining cost on lower Dan Creek should be about \$4.50 per cubic yard. On upper Dan Creek, the direct mining cost should be about \$12 per cubic yard.

If the full potential of the property is realized and the gold price remains near its current level of more than \$490 an ounce, the Dan Creek gold placer deposit could yield an annual pre-tax profit of \$1,000,000 or more per year for a period of $8\frac{1}{2}$ years, as is suggested on the following page.

Gold Production

1,400,000 CY @ 0.024 oz/CY= 33,600 oz.

260,000 CY @ 0.046 oz/CY= 12,000

1,660,000 CY @ 0.027 oz/CY= 45,600 oz @ \$490/oz. \$22,300,000

Operating Costs

1,400,000 CY @ \$4.50/CY= \$6,300,000

260,000 CY @ \$12= 3,100,000

1,660,000 CY @ \$5.66/CY= \$9,400,000

Overhead

10% x \$9,400,000= \$ 940,000

Amortization

Development \$ 125,000

Other pre-production 75,000

Mine Plant 2,000,000

\$2,200,000

Total Cost\$12,540,000Pre-tax Profit

9,760,000

Estimated total cost per cubic yard	\$7.55
Estimated cost per troy ounce of gold	\$275
Estimated mine life	8½ years
Estimated pre-tax profit per year	\$1,148,000

DESCRIPTION OF PROPERTY

The property extends for about three miles from the lower part of the Dan Creek canyon, where the valley bottom is less than 100 feet wide, into the Nizina River valley where the valley width of Dan Creek is over 2,000 feet wide. Gravel benches, which occur intermittently on both valley walls, range in gravel depths from 40 feet to as much as 400 feet above creek level.

The Dan Creek basin covers an area of 45 square miles; valley walls are steep, with topographic relief as much as 5,000 feet. Generally, the course of Dan Creek follows a major fault along the northern valley wall. That fault separates Cretaceous black shales on the southern side from Triassic volcanics. Source of gold in Dan Creek is attributed to small veins entirely within the black shales, while the numerous copper and silver nuggets are derived from the Triassic volcanics, which are known to contain numerous small copper prospects.

Gold occurs in largely flattened particles in the valley bottom and on the benches, where it is usually concentrated close to bedrock but may also be found in the upper gravels on clay layers (false bedrock). Probably, most of the gold in the valley is derived from the formerly more extensive system of high benches that were developed when ice in the Nizina valley blocked the flow of Dan Creek. However, mining operations in 1985 show that at least one ancient stream channel, now deeply buried, had bedrock at the elevation of the present creek. Undoubtedly, the erosional history of Dan Creek is complex, so there remains the possibility of discovering other gold bearing deposits away from the valley floor (an important bench was not discovered until 1983, in spite of 80 years of prospecting).

Unlike most of the Pre- or Early Pleistocene gold-bearing creeks in Alaska, concentration of gold in the Dan Creek valley occurs to the present. Heavy rains sometimes cause floods that reach the valley rims, destroying bench remnants and eroding auriferous black shales from the valley walls. Not infrequently, gold particles may be found on boulders. This phenomenon raised the possibility that, to some extent, portions of Dan Creek may be similar to the gold "farms" of the eastern Andes in Peru and Bolivia where the Indians have mined the same places, year after year, for centuries.

Within the Dan Creek valley, reported depths to bedrock vary from a few feet at the upper end of the patented claims to about 18 feet at the lower end. Most of the gravel is well rounded to sub-angular and fairly small. There are, however some boulders and a few large glacial erratics. On the benches, the overlying gravel (glacial outwash) is small but there are a few glacial erratics up to six feet long. Near bedrock, the bench gravels are coarse, with numerous boulders. Bedrock is uniformly black schist with nearly vertical cleavage.

HISTORY

Dan Creek is said to have had the longest, continuous history of mining of any placer deposit in Alaska, dating from 1901 to 1985.

Dan Creek was discovered in 1901 and named after its co-discoverer, Daniel L. Klein. Early mining was done by using automatic dams. Water, intermittently released from the dams, was directed against gravel banks to wash away the finer gravel; larger rocks were piled by hand in win-drows and the remaining gravel and upper few inches of bedrock were shovelled into elevated sluice boxes in which the gold was recovered. Most of this type of mining was done between 1902 and 1909, at which time the claims were consolidated and came under control of a single company. Gold production from 1902 through 1909 is believed to have been 12,000 ounces.

Preparations by Nikolai Placer Mines for an hydraulic plant were begun in 1908 by sinking prospect shafts. The shaft work indicated that gold was well distributed across the entire valley and, essentially, all gold was in the form of flattened nuggets - there was no fine gold. Absence of fine gold indicates that deposition was by high energy streams and raises the possibility of fine gold enrichment in the lowermost parts of Dan Creek. Finally, after construction of the Copper River and Northwestern Railroad was completed to the nearby Kennicott copper mines, the hydraulic plant was installed in 1912, but was soon destroyed in the following year - the pipe had been laid in the creek bottom.

In 1913, the hydraulic plant was rebuilt and the pipe was placed on the hillside. Gold production increased substantially in the following year. Reportedly, 80,000 square feet were mined and recovery was about 2,500 ounces., a production rate that appears to have been about average for the years up to 1937. However one or two years of low production intervened because of water damage and relocation of the pipe line in order to mine the high bench gravels, which had been discovered in 1914.

Since a large part of the valley floor had been mined by 1926, the hydraulic plant was again rebuilt in order to mine the high benches. Since the bench gravels contained cemented gravel, it became necessary to provide higher water pressure. Although records are not clear, it seems that mining in the valley floor had been discontinued by 1937 and all subsequent mining had been done on the benches.

In 1934, the property was leased to Pardner's Mines, a successful lode mining company that had had little placer mining experience. Production by the lessee dropped to under 1,500 ounces in 1935 and the lease was returned to Nikolai Mines.

By Federal order, gold mines were forced to close during World War II. Production in 1942 was negligible but, in 1943, the Dan Creek operation was permitted to reopen because of the copper that could be recovered from the deposit. In fact, 1943 was the best year in the history of the deposit - 4,000 ounces of gold and 40 tons of copper were recovered. The copper production probably included a 3 ton copper nugget that had actually been found in 1939. However, wartime shortages forced closure until the end of the war.

In 1946 and 1947 there was a brief revival of gold mining but the hydraulic plant had been neglected and was essentially ruined. The low gold price and closure of the railroad discouraged any major mining effort, although there appears to have been some production in every year. In the 1980's Dan Creek Placer Mines resumed operations on its own account and with lessees.

RESERVES

Arbitrarily, the reserve estimate is divided between the lower Dan Creek valley and the upper Dan Creek valley, which includes the lower portions of the Dan Creek canyon. The bench deposits are not included in the estimate although it is highly probable that re-mining the benches that had been mined by hydraulic methods may be profitable and there are some bench remnants that have not been mined.

Lower Dan Creek

This is an area 9,500 feet long from the lower end of Claim Number 3 Above Discovery to the prospect shafts in the eastern half of the Williams Placer. The average width is about 475 feet, giving an area of some 4,500,000 square feet, probably about 1,500,000 square feet of which had been mined by the hydraulic plant.

It appears that the average annual production from the hydraulic plant was \$50,000 (with gold at \$20 an ounce), and that the average area mined during a year was 80,000 square feet (excluding some years when pipeline repairs or relocation forced reductions). The apparent gold recovery was 0.03 ounces per square foot, a figure that is consistent with other hydraulic operations during the pre-war period.

Since the fissile shale bedrock has a near-vertical cleavage it is very hard to clean with an hydraulic giant. Gold continually works down into the cracks in bedrock, so it is sometimes necessary to dig into bedrock for several feet in order to obtain a good gold recovery. Because of inefficient bedrock cleaning with water, ground that has been worked hydraulically will always be profitable when mined with modern earth-moving equipment, unless the bedrock is very soft or covered with a clay layer.

From past experience at other Alaskan mines with bedrock that is difficult to clean it is estimated one half of the gold originally recovered remains in the bedrock (in other words, the original recovery was 75% of the total gold content). This would indicate from the 0.03 ounce per square foot recovery that the remaining ground would carry 0.015 ounces per square foot. Besides gold left in bedrock after hydraulic mining, there is certain to be gold on the sides of the hydraulic cuts and below the cuts (where the missing finer gold might appear).

It is estimated that half of the 4,500,000 square feet area considered to be favorable may contain 0.015 ounces per square foot and that the average depth, as reported, is 17 feet. On these premises, the probable reserves on lower Dan Creek are:

2,250,000 square feet @ 0.015 ounces per square foot, or
 1,400,000 cubic yards @ 0.024 ounces per cubic yard
 Total gold content - 33,600 ounces

Upper Dan Creek

This is an area 5,700 feet long from the lower end of Claim Number 3 Above Discovery to the upper end of Claim Number 7 Above Discovery. The average width is 100 feet.

This area includes some of the very rich ground that, in the early days, had been mined with automatic dams and shovelling into boxes. Gold production up through 1909 was about 12,000 ounces from the primitive mining. It is practically certain that a similar quantity of gold remains in the area since the methods employed were very inefficient and were subject to losses of dams, sluice boxes and gold during high water periods. Furthermore, at a few places, exposed bedrock on the sides of the creek are gold-bearing.

The area is very similar in geology, glacial history and former mining to the Cache Creek canyon area in the Yentna District of Alaska. On Cache Creek, a single operator using modern equipment recovered 5,000 ounces in one year. Also, if the possibility of recent enrichment from storm action on old benches and auriferous bedrock has merit, a gold concentration should be found.

Bench mining has dumped many cubic yards of barren or low grade gravel on the surface, much of which has been washed down the creek. Since the original depth to bedrock is reported to have been 7 feet, it is logical to assume that the total of original depth and waste from bench mining will give an average depth of 14 feet (although there are places devoid of gravel).

The estimated reserve on upper Dan Creek is:

500,000 square feet @ 0.024 ounces per square foot, or

260,000 cubic yards @ 0.046 ounces per cubic yard

Total gold content - 12,000 ounces

Benches on both sides of Dan Creek

On the northern side of Dan Creek benches are covered by 60 feet to as much as 400 feet of low grade gravel and, in at least one instance, a bench that has been profitably mined seems to swing into the adjacent National Park boundary.

On the southern side, a bench that has also been mined profitably may be extended but that is not certain.

A rather extensive bench that has been mined hydraulically may possibly be re-mined at a profit, but hydraulic mining on a bench is generally more efficient than it is in a creek bottom.

Quite probably, reserves on the benches are not exhausted but there is insufficient evidence to support an estimate of reserves.

MINING CONDITIONS

Lower Dan Creek

This area has a very good water supply, a good gradient, generally small gravel but some boulders are present; there is no clay problem. The ground is all thawed and there is practically no silt overburden. High water can cause some difficulty but there is room to confine the stream away from operations except during rare floods.

Mining costs should be about \$4.50 a cubic yard.

Upper Dan Creek

Boulders and occasional very hard bedrock will be troublesome but danger from high water in the narrow valley bottom will be the major problem. Often there is no room to safely confine the stream, consequently equipment must be capable of being moved when a heavy rainstorm threatens.

Mining costs should be about \$12.00 a cubic yard.

Gold Recovery

Since there is no fine gold, a sluice box, rather than an elaborate washing plant, will effect a good recovery.

The foregoing report was prepared by me at the request of Dan Creek Placer Mines and is based on examinations of the Dan Creek property on July 27, 1984, August 28, 1984 and September 4, 1985, plus a review of reports published by the US Geological Survey, as indicated on the following page.

I do not have and have never had any interest, financial or otherwise, in the mining claims located on Dan Creek in the Nizina Mining District, nor do I have any interest, financial or otherwise, in Dan Creek Placer Mines, or in its associates or affiliates.

Charles F. Herbert

Charles F. Herbert 12/15/87



REFERENCES TO LITERATURE

All references are to publications by the United States Geological Survey

Professional Paper 15, 1903, pp 59-61

Bulletin 374, 1909, pp 45, 91-92 97-99

- " 379, 1908, p 156
- " 442, 1909, pp 158, 162-163
- " 448, 1911, pp 76, 80, 98-103
- " 520, 1911, p 107
- " 542, 1912, p 54
- " 622, 1914, pp 105, 115-116
- " 714, 1919, p 196
- " 722, 1920, p 39
- " 755, 1922, pp 27, 68-71
- " 783, 1924, p 12
- " 797, 1926, pp 16-17
- " 824, 1929, p 28
- " 836, 1930, p 27
- " 857A, 1932, p 26
- " 865A, 1934, p 31
- " 880A, 1935, p 34
- " 880B, 1935, p 98
- " 897A, 1936, p 40
- " 910A, 1937, pp 38-39
- " 917A, 1938, p 37
- " 926A, 1939, p 34
- " 947F, 1946, pp 98, 119-120
- " 1374, 1973, pp 30-31

Charles F. Herbert

MINERALS CONSULTANT
4058 HOOD COURT
ANCHORAGE, AK 99517

907-243-4547

RESUME

- 1934 BS in Mining Engineering, University of Alaska
- 1934-35 Underground miner and millman, Willow Creek Mining District, Alaska
- 1935-36 Engineer-in-charge of exploration. Alluvial Golds, Inc. and Gold Placers, Inc. - Developed two gold dredging properties, Alaska
- 1937-40 Supervising Engineer and Engineering Examiner, Reconstruction Finance Corporation Washington, DC; Colorado; Alaska
- 1941-42 Owner-operator, gold dredging, Alaska
Member of Alaska Territorial Legislature
- 1942-46 US Naval Reserve, Corps of Engineers. Active duty in US and South Pacific. Rank - Lt. Jg to LCDR
- 1946-56 Partner in gold placer operations, Alaska and Yukon Territory. Mine exploration - Alaska, Canada, Latin America
- 1957-63 Mining consultant - Alaska, Canada, Latin America
- 1963-67 Deputy Commissioner - Alaska Department of Natural Resources
- 1967-70 Mining Consultant - Alaska, Canada, Latin America
- 1971-74 Commissioner - Alaska Department of Natural Resources
- 1975-77 Minerals Manager - BP Alaska Exploration, Inc.
- 1977-80 Consultant - BP Alaska Exploration, Inc.
- 1980- Mining consultant - Alaska, Canada, Latin America, New Zealand

Date of birth - February, 1910

Membership in:

American Institute of Mining and Metallurgical Engineers
Alaska Miners Association (past president and director)
British Columbia and Yukon Chamber of Mines
American Mining Congress
Resource Development Council of Alaska (past president and
director)
Commonwealth North (past vice-president and director)

Charles F. Herbert

MINERALS CONSULTANT

4058 HOOD COURT

ANCHORAGE, AK 99517

907-243-4547

CLIENTS

Alaska Apollo Gold Mines, Inc.
Aleut Corporation
Asamera Oil Company
Bear Creek Mining Company
Bethlehem Copper Company, Ltd.
Bijou Mines and Oils, Ltd.
Callahan Mining Corporation
Dillingham Mining Company
Ely, Guess and Rudd
Faulkner, Banfield, Eastaugh & Bradley
Freeport Minerals Company
Goldfields Mining Corporation
Goodnew Bay Mining Company
Hanover Manufacturer's Trust
R. A. Hanson Company
Kennecott Copper Corporation
Merrill Lynch (Whiteweld Group)
Molycorp
Newmont Exploration Company
Noranda Exploration Company
Shell Oil Company
Ukpeagvik Inupiat Corporation
US Small Business Administration
UV Industries (now Sharon Steel)

