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Capital Prize Mine II LLP and
Capital Prize Mine VII LLP
Griffith Mining District, Georgetown

Clear Creek County, Colorado

Valuation of Mining Claims

DONATED TO
HISTORIC
GEORGETOWN

ISSUED: December, 1996
COPY NO: 2 of 7
ISSUED TO: Diana E. Sterett

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1. INTRODUCTION

1.1 General

James Askew Associates, Inc. (JAA, Inc.) was retained by Mrs. Diana E. Sterett, General Partner of Capital Prize Mine II LLP and Capital Prize Mine VII LLP (CPM II and CPM VII, respectively) to provide a valuation of patented mining lode and located claim blocks held by CPM II and CPM VIII in Clear Creek County, Colorado, in close proximity to the town of Georgetown.

The Capital Prize Mine LLPs are limited liability partnerships registered in Colorado. CPM II and CPM VII have sold a total of 25 patented mining and lode claims to Historic Georgetown, Inc. for nominal sums, effective December 27, 1996.

1.2 Scope of Work

The Scope of Work, as agreed between Mr. W.K. Sterrett and J.A.A. James of JAA, Inc. is as follows:

(i) sight and compile documentation relating to the ownership of claims held by CPM II and CPM VII in the Griffith Mining District, Clear Creek County;

(ii) verify that all claims are in good standing and county tax assessment records were current, prior to the sales and transfers;

(iii) sight technical documentation relating to the geology and extent of mineralization and previous mine development in the mines covered by the claims;

(iv) conduct a limited search to possibly augment existing literature and reports provided by CPM II and CPM VII; and

(v) provide mineral valuations of the properties based on a suitable method determined by the level of past production history and geological knowledge for the properties. A site visit was not considered necessary as the claim ownership and location is well documented; previous underground workings are not safely accessible; and JAA, Inc. is familiar with the history and current status of the old mines close to Georgetown.

1.3 Location

The Griffith Mining District is located in Georgetown Colorado, approximately 60 miles west of Denver as shown on Figure 1.1. The claims sold by CPM II and CPM VII are located southeast and northwest of the town and in close proximity to US Interstate Highway 70.

1.4 History - Griffith Mining District

Initial mining began in the Georgetown area in the Argentine District in 1864. The initial boom was in 1867, followed by significant mining activity during the remainder of the 19th century throughout the Georgetown - Lamertine - Silver Plume mining belt. Mining continued intermittently through the 20th century, but not to the extent which occurred in the latter part of the 19th century. Prolific production emanated from the Georgetown District over an east-west belt approximately six miles long.

Silver was the predominant precious metal although richer gold ores were found at the eastern end of the belt. Base metals and other deleterious metals, as far as smelter penalties are concerned, were also contained in the ores.

2. LAND POSITION

2.1 Claims Considered

The claims considered for valuation are shown in summary form in Table 2.1. There are two blocks, identified as the Capital Group and the Doric Tunnel Group.

The Capital Group comprises 10 contiguous patented mining lode claims recorded under the one U.S. Survey and Patent Record. and eight located claims. Portions of six of the claims, four patented and two located, are in conflict with other U.S. Surveys and Patents. The Capital Group claims were held by CPM VII.

The Doric Tunnel Group comprises seven patented mining lode claims, six of which are recorded under one U.S. Survey and Patent. These claims form a criss-cross pattern on the northeastern limits of the Doric Tunnel and all claims have portions in conflict with other U.S. Surveys and Patents. The Doric Tunnel Group was held by CPM II.

2.2 Other Claims

There are numerous other claims held by CPM II, and CPM VII and other numbered Capital Prize LLPs. The efficacy of these other claims was not verified although it is clear that if mining was to be resumed in both the Capital Group and the Doric Tunnel Group agreements would be required to establish accesses through the other claims.

2.3 Verification

Verification of the ownership and transfer of the claims described in Sub-section 2.1 above and Table 2.1, was carried out by reviewing;

(i) copies of the U.S. Survey Plats for Mineral Survey Nos. 19249 (which refers to Mineral Survey No. 18694 covering the Golden Eagle claim), 11300 (which refers to Mineral Survey Nos. 88, 367A, 1711, 1908, 2031, 2056 and 2370 covering the Mt. Diablo, Eclipse Tunnel No. 1, Ben H. Hill, Captain Jack, Caesar A. Roberts. Morning Star and Alexander Claims) and 1711;

(ii) copies of records in Clear Creek County's register for the non-patented claims of the Capital Group;

2.3 Verification (continued)

(iii) copies of the Policies of Title Insurance and Schedules with backup documentation prepared by the Clear Creek - Gilpin Abstract and Title Corporation, Georgetown;

(iv) copies of real estate property tax notices issued by the Clear Creek County Treasurer, Georgetown; and

(v) copies of Special Warranty Deeds between CPM II, CPM VII and Historic Georgetown, Inc. regarding the transfer of the 25 claims.

The documentation indicated that the claims are in good standing, properly recorded, insured and with taxes paid through 1995. The taxes for 1996 were not payable until 1997 and are not in arrears.

3. GEOLOGY

3.1 Griffith Mining District

Regional and local geology of the Griffith Mining District and the Georgetown area is recorded in many technical documents. Previously exploited mineralization, including the Griffith Mining District, comprised multiple veins which were the product of fissure filling. The pre-dominant host rock is a black biotite-gneiss with large quantities of intrusive pegmatites. The veins show significant pinching and swelling along strike and dip, varying from 4 feet (ft) to 6 ft (1.22 meters (m) to 1.83 m) thicknesses where veins swell, to 0.5 ft (0.15 m), or less, where the veins pinch. The principal silver and gold bearing mineralization contains pyrite, chalcopyrite, galena and sphalerite. In addition to gold and silver values, the lead, copper and zinc values in the sulfide minerals can be significant. The vein gangue is predominantly quartz and siderite. Small amounts of barite are commonly found in the higher grade zones of the veins. In general, the Griffith veins are narrow, high grade veins that are vertically continuous for at least 1,200 ft and are still open at depth.

3.2 Capital Prize Mine

The principal vein exploited during operations at the Capital Prize Mine was the Comet-Aetna vein. A description of the genesis of the mineralization and the veins, adapted and abbreviated, from a report by Mr. Fred C. Carstarphen, Consulting Engineer, in 1934 follows.

3.2.1 Genesis of Ore Deposits

There were at least three principal stages of deposition of mineralization in the fissures along the zones. During the first period, lead and zinc sulfides, lean in silver, predominated. The silver ore found in the Capital Prize is associated with these original base sulfides. The first period of deposition was followed by iron and copper pyrites with notable gold content. The final period of deposition brought in antimonial and arsenical compounds with quantities of silver associated with galena and other sulfides. This period of mineralization is related to east-west fractures. At their junction with the Northeast vein sheeting many important commercial ore bodies were found.

3.2.1 Genesis of Ore Deposits (continued)

In the Colorado Central Mines the second period of deposition seems to be absent. In the case of the Freeland Mine the first period of deposition is slight or missing. In the Colorado Central, gold values are low, and in the second, silver. The Capital Prize exhibited mineralization of the three stages.

Copper pyrite is found at depth and also at the surface of the Aetna vein. Shortly after the discovery, in 1867, of the Comet mine it was visited by mining men who mentioned the presence of yellow copper. A pamphlet published in the seventies, describing the mines of the Georgetown district, gives a list of the minerals of the different mines. Chalcopyrite is mentioned as occurring in the Comet vein, but there is no mention of its occurrence at other properties.

In the Comet-Aetna vein the second period of mineral deposition has been identified, most often, on the hanging wall. This great zone of fracture is more than 100 ft (30 m) wide and is enriched with ore bodies that are found on the foot and hanging walls and in between.

3.2.2 The Comet-Aetna Vein

The Comet-Aetna vein of the Capital Prize Mine, which has a strike varying North 47° East to North 52 ° East is the paramount one of several in Griffith Mountain. The vein dips to the north at 85° and has been traced for 3,000 ft (914 m).

The only other vein fracture of importance on Griffith Mountain is the Griffith vein, which lies to the north of the Aetna. It swings to the southwest and leaves the mountain east of the Capital adit.

The vein in the Capital workings lies between a hanging wall of the Silver Plume granite and a foot wall of dark colored gneisses and schists. The foot wall has been invaded by numerous dikes and intrusions of pegmatite. The "pay streaks" (i.e. economic mineralization) do not, however, always follow these contacts, but are also found in between them.

The gold in the ores of the Aetna vein occurs in part in the native state. It is coarse enough to be seen by the naked eye when crushed and panned, but seldom reaches pin head size. The gold does not always occur with the other minerals but may be alone in veins and stringers.

3.3 Doric Tunnel

The geology of the Doric Tunnel workings is similar to that described for the Capital Prize Mine and Griffith Mining District. The general description. which follows, is adapted from the report by Carstarphen (1934).

The Doric Tunnel lies east of the Capital Adit. It is 3,000 ft (914 m) long and is of such a grade that if extended 2,400 ft (732 m) it will intersect the east drift of the Capital Tunnel.

The tunnel cuts eight veins and extensive drifting was carried out on several but further development was not warranted at the low price of gold then extant. Practically all the veins intersected in the tunnel belong to the east-west system. These veins have not been intensely developed but they do show that the proportion of silver to gold is greater than in the Comet-Aetna vein at depth.

The Doric Tunnel is of interest as a future access to the Comet-Aetna vein when development calls for such an entry. It will penetrate the Comet-Aetna vein about midway between the old Aetna Tunnels and the Comet Shafts.

4. VALUATION

4.1 Methods

Common methods of valuation of exploration mineral assets (adapted from Lawrence (1994)) are listed below:

(i) Multiple of Exploration Expenditure Method

The use of this method involves allocating a premium or discount to the past or future expenditure by use of a factor directly related to the success, or failure, of the exploration completed to date and to an assessment of the future prospects of the exploration area(s).

(ii) Joint Venture Terms Method

This method takes into account the existing Joint Venture (JV) agreements or JV terms for nearby and/or similar properties, and is another method of valuing mineral properties at the exploration stage.

(iii) Geoscience Rating Method

This method originated as a systematic geoscience factor rating system for the British Columbia Securities Commission (Canada). It has been reviewed and modified by numerous individuals and for such entities as the Toronto Stock Exchange (Ontario, Canada).

The method involves deriving a geoscience ranking using a points system, by combining various factors such as known geology; ground location; presence of alteration; grade and width of mineralization; intensity, continuity, type and size of geochemical anomalies; and coincidence, size and intensity of geophysical anomalies.

(iv) Comparable Market Value Method

The Comparable Market Value (or Real Estate) Method uses transaction prices from recent sales of, or partial interests in, similar or nearby properties as a guide to current value. The value of the resource asset may be calculated from a comparative value per ton, or ounce of gold (oz Au), for Reserves or Resources.

4.1 Methods (continued)

(v) Rules of Thumb

Rules of Thumb methods can include techniques based on earnings such as multiples of turnover, or capitalization of future earnings. Other techniques are asset-based, using book value, replacement cost or current market value. The techniques can be extended to In Situ Values, where some data on tonnage and grade exist, and arbitrary value is ascribed to Resources or Reserves.

The extension of the In Situ Value can be to develop a Discounted Cash Flow/Net Present Value (DCF/NPV) Model, effectively a hypothetical model of the exploitation of Resources or Reserves.

4.2 Method Selected

The method selected for the valuation of the claim blocks of CPM II and CPM VII is a combination of the Comparable Market Value and simplified Rule of Thumb approach. The method considers:

(i) the lengths of the claims;

(ii) assumed strike length of mineable vein(s);

(iii) a realistic minimum mining width;

(iv) conservative limitations of mineralization above and below the access horizons;

(v) historic grades and recoveries for gold and silver;

(vi) comparable operating costs;

(vii) revenue from gold and silver only, based on prevailing prices for these precious metals;

(viii) establishing a net operating margin; and

(ix) applying a percentage realizable factor based on arbitrary assessment of the likely existence of Resources and Reserves from historical data.

4.3 Valuation of Capital Group

It is known that the Capital Prize Tunnel extended through the Millie/Alice and Mary/Ethel Lode Claims and close to the southeastern extremity of the Martha/Jennie Lode Claims. Limited development was carried out on a vein across the junction of the Alice and Ethel claims. Assumptions made are as given below:

(i) overall length of claim blocks, as contiguous unit, ± 3,000 ft (914 m);

(ii) assumed strike length of mineable vein, or total of mineable lengths of more than one vein, 2,627 ft (800 m);

(iii) mineable width, 6.6 ft (2 m);

(iv) limit above access horizon, 100 ft (30 m);

(v) limit below access horizon, 50 ft (15 m);

(vi) density, 2.5 tonnes/cubic meter (t/m^3);

(vii) resultant tonnage, 180,000 t;

(viii) recorded grades of ore sold from the mine in 1918 ranged from 5.00 ounces of gold per short ton (171.4 grams of gold per tonne (g/t Au)) to 11.60 ounces of gold per short ton (397.7 g/t Au). Silver grades ranged from 308.6 g/t to 634.3 g/t. It is thought that the ore was hand sorted rather than being run-of-mine as the grades are high. As a consequence the run-of-mine "ore" for valuation purposes was assumed to grade 7.78 g/t Au and 155.52 g/t Ag;

(ix) metal prices of $350/oz Au ($11.25/g Au) and $5/oz Ag ($0.16/g Ag);

(x) recoveries of 90% for gold and 80% for silver;

(xi) operating costs per tonne of ore:

Mining	45.00
Toll Treatment and Smelting	23.00
Transport	20.00
Total	$88.00

4.3 Valuation of Capital Group (continued)

(xii) gross value per tonne of ore treated:

$$(7.78 \times 11.25 \times 0.90) + (155.52 \times 0.16 \times 0.80)$$
$$= 78.80 + 20.00$$
$$= \$98.80$$

(xiii) net value per tonne of ore treated:

$(98.80 - 88.00) = \$10.80$

(xiv) net value of 180,000 t ≡ $1,944,000, assume that 30% of net value is realizable ≡ **$583,200**

4.4 Valuation of Doric Tunnel Group

Eight veins were intersected by the Doric Tunnel and the overall assumption for the valuation is that one, or more veins, are commercially exploitable for a total strike length of ± 1,500 ft (450 m). Other assumptions are:

(i) mineable width of 6.6 ft (2.2 m);

(ii) limit above access horizon, 100 ft (30 m);

(iii) density, 2.5 t/m^3;

(iv) resultant tonnage, 67,500 t;

(v) same grades as for the Capital group, i.e. 7.78 g/t Au and 155.52 g/t Ag;

(vi) metal prices of $350/oz Au ($11.25/g Au) and $5/oz Ag ($0.16/g Ag);

(vii) recoveries of 90% for gold and 80% for silver;

(viii) same operating costs and gross value per tonne of ore treated as for the Capital Group, i.e. $88.00 and $98.80, respectively, resulting in a net value of $10.80; and

(ix) net value of 67,500 t ≡ $729,000, assume that 20% of the net value is realizable ≡ **$145,800**.

4.5 Clarifications and Qualifications

4.5.1 Overall Valuation

The overall valuations placed on the blocks of claims are:

	($US)
Capital Group	**583,200**
Doric Tunnel Group	**145,800**
Total	**$729,000**

The "realizable" factors of 30% for the Capital Group and 20% for the Doric Tunnel Group are to cover the uncertainties of the geological environment, accesses to the mining areas and other difficulties which may be encountered in commencing mining operations in the Georgetown area.

It should be noted that the metal prices used in the valuations are approximately those pertaining at the time of writing and currently in use for valuation purposes. As with all valuations and projects involving extraction of precious metals, the results are very sensitive to the prices of the metals under consideration. In the case of the Capital Group and Doric Tunnel Group, regardless of the above valuations, which are believed to be fair and reasonable, market conditions would prevail and any transaction would be concluded on the basis of willing buyer and willing seller.

4.5.2 Qualifications

The valuations covered within this report are not intended, nor suitable for:

(i) any prospectus, information memorandum or similar document;

(ii) compensation for compulsory acquisitions;

(iii) the valuation of a vendor's consideration in an initial public offering;

(iv) protection of the rights of stockholders in transactions between associated companies;

(v) other public valuations likely to affect the market price of securities; and

(vi) justification for raising debt or equity finance from an outside party.

5. BIBLIOGRAPHY

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(ii) *Report on the Capital Mine located at Georgetown, Colorado*, Etienne A. Ritter, Colorado Springs, Colorado, January 25, 1915.

(iii) *Report on the Capital Prize Mine, Georgetown, Clear Creek County, Colorado*, Fred C. Carstarphen, Consulting Engineer, 1934.

(iv) *An Overview of Valuation Methods for Exploration Properties*, M.J. Lawrence, Proceedings of Mineral Valuation Methodologies 1994, Second Edition pp 205 through 221, The Australasian Institute of Mining and Metallurgy.