SILVER FALCON MINING, INC.,

A Delaware Public Corporation

2008

UPDATED HISTORY OF MINING ON WAR EAGLE MOUNTAIN

Silver Falcon Mining

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Preface

We have spent useful time updating, and improving our report on the history of mining on War Eagle Mountain to reflect additional historical information, data obtained regarding modern mining in the region, and our own Project activities.

Two important points reflected in the updated report are the generally good condition of underground facilities we have reentered which will allow us to use the reopened tunnels with over 17,000 feet of tunnels, adits, etc., and second, the information we gained regarding the minimum relative ratio of gold by weight to silver by weight in the ore mined from our property.

The good conditions we encountered underground are reassuring for our plans to conduct the underground mineral survey.

The ratio of gold to silver actually produced from our property allows us to better estimate the present value of ore remaining in the mines as described in historic reports about our property on War Eagle Mountain.

Finally, our mining engineer has advised us that based on what he now knows about the property and the project generally, the estimated cost of mining ore from our property using the Sinker Tunnel has been reduced very substantially from $185 per ton to $155 per ton for purposes of making our pro forma projections.

Introduction

"Silver City is the most important quartz mining district in Idaho, so far as gold and silver are concerned, over twenty million dollars worth of each of these metals having been produced in the aggregate from the three areas of War Eagle Mountain and Florida Mountain and DeLamar by 1926".[(1)]

There were historical cycles of gold and silver production in the Silver City region of Southwest Idaho from discovery in 1863 until imposition of WW II mining restrictions in 1942. Modern gold and silver production data from 18 years of successful open-pit mining at the Delamar Mine west of Silver City have not been published[(2)] Prospects for future large-scale mining on Florida Mountain were confirmed in June, 1995, when the Kinross-Delamar mine owner started a new open-pit mine to provide seven to ten more years of ore for the company's ore plant at DeLamar.

The following describes the historical record and our plans to renew underground mining on War Eagle Mountain which is east of and in line with Delamar and Florida Mountains along the Silver City mineral trend.

History, Discovery & Development And Operation Of Mining In The Region

The original gold "placer" discoveries in the Carson Mining District near the future site of Silver City were made on Jordan Creek in 1863. Gold and silver quartz lode discoveries on War Eagle Mountain above Jordan Creek followed quickly. Gold and silver production from the Silver City region between 1863 and 1866 are estimated at $4,000,000 (unadjusted to today's market prices).[3]

On the 19th century American frontier large-scale enterprises such as underground gold and silver mining depended on organization of labor and capital to overcome obstacles of remote, difficult terrain. Adjustments to circumstances and reversals of fortune were common. Individual placer and hard-rock miners on small claims of frontier tradition gave way to stock companies, capital investments in heavy equipment, and manpower[4]. Following the Civil War, "Western mining increasingly fell under the sway of corporations that mobilized Eastern and European capital to introduce the most advanced technology and replace the independent prospector, working a surface mine with his pick and shovel, with wage-earning deep shaft miners".[5]

Investment capital necessary for mining efforts in the remote Idaho Territory was not readily available from the East or Europe, but the Owyhee Mountains around Silver City held the interest of the San Francisco Stock Exchange second only to the “Comstock” of Nevada during a great mining speculative mania before a financial market collapse in 1875.[6]

The Owyhee Mountain mines were badly managed and wasteful. In perfect hindsight, common mine management and development practices were not appropriate to the unique value of the opportunity. Valuable ore was left behind while miners pursued only the richest deposits of gold and silver. The Idaho Bureau of Mines and Geology's Bulletin No. 11 of 1926 described the primitive early mining industry near Silver City. [7]

“It must also be remembered that the operators carried on very little exploratory work ahead of the demand for increased ore supply. The maps of the mines and such of the old workings very clearly indicated that many of the operators took out such ore as could be obtained with a minimum of development work, and when it was gone, they announced that the ore was exhausted and closed the mine. In fact, it is believed that never before, nor since, has so little real exploratory work been done in so important a mining district. [8]

A U.S. Treasury Department report written in 1876 related that the underground mines on War Eagle Mountain were caught mid-stride in the process of completing major mine refurbishments and installations of new power and mining systems to expand production from the Oro Fino/Golden Chariot vein system when financial disaster struck in August, 1875.[9]

"The Panic Of 1873" And Subsequent Collapse Of U.S. Industry And Finance

Post Civil War industrialization and speculative investments outpaced understanding of the economic “facts of life". A rapid expansion of the railroads and related steel industries was based on an outpouring of speculative credit which created a financial house of cards whose eventual collapse was only a matter of time.[10] The six and a half years following the Panic of 1873 remains the longest period of uninterrupted economic contraction in American history.[11] Times were hard: Throughout the western

world, the Panic of 1873 ushered in what was known [until the 1930s] as the Great Depression, a downturn that lasted nearly to the end of the century.

This first great crises of industrial capitalism permanently altered the nature of economic enterprise, and had profound political and ideological consequences, by shattering the mid-Victorian era's faith in the inevitability of progress and exacerbating class conflict, the depression propelled the 'labor question' to the forefront of social thought, undermined assumptions at the core of the free labor ideology, and reshaped the nation's political agenda and the balance of power between the political parties.

Collapse of the San Francisco Stock Exchange and the failure of the Bank of California on August 8, 1875, crippled the booming Silver City mining industry. Accustomed to waiting for their pay, unionized miners worked without wages for nearly two months in hope that the disaster wasn't real. On October 1st they stopped hoping or working, and the miners' union shut down the deep mines and water "hoists" on War Eagle Mountain.[(12)]

The Second Phase Of Mining Near Silver City

After nearly ten years of relatively non-productive mining activity in the Owyhee Mountains near Silver City, investment capital became available again in the mid 1880s.

"By 1886, Silver City was resuming operations on a major scale. Silver City became the scene of activity for a retired Dutch ship captain, Joseph R. DeLamar, who put Owyhee silver properties back on a paying basis between 1886 and 1890. He brought in British capital in large volume, and did much to make up extensive London losses in Idaho mines by his very profitable operations at Silver City. Silver production at Silver City and lead-silver on Wood River and in the Coeur d'Alene was eclipsing the older gold fields, and mining in Idaho was becoming more profitable in the process. After 1888 gold production in Idaho did not compare with lead and silver in value. The transition from early to modern mining was being made."[(13)]

From 1883-1914, significant production of gold and silver was obtained from new areas of the Owyhee Mountains. From 1888 to 1914, the DeLamar Mine (seven miles West of War Eagle Mountain) produced $12.4 million (unadjusted). Florida Mountain workings (two miles West of War Eagle Mountain) produced $12.85 million (unadjusted) between 1883 and 1914. Development and production of gold and silver from the damaged War Eagle mines was non-existent. As a practical matter, the mines of War Eagle Mountain were never exploited after 1875.

"The failure of the War Eagle Mountain mines to recover after the financial crash is not strange. As near as one can judge from the meager sources of information, the minimum value of profitable ore must have been at least $30 per ton. As each of the properties gained depth and encountered primary ore, the margin of profit vanished. None of the reports cite ore of less than $20 average value per ton, even from the deepest levels opened."[(14)]

"The mines operated against a steadily mounting cost of hoisting ore and water and a decreasing value of ore extracted. This condition was aggravated by the high unit costs of mining and milling and by the small area of ground operated by each organization. The mines had apparently reached such a depth in the early seventies that the margin of profit was very small, and production was declining.

The failure of the Bank of California, in 1876, swept away the financial support of the enterprises, and total collapse ensued. In 1885 the Oro Fino shaft was dewatered, and the mine was worked in a small way during that year and the next. In the same period there was some sporadic activity by leasers in the

upper levels of the other mines from which the water could be drained, but production was negligible and none were dewatered and prospected at depth.[15]

This is not to say that attempts were not made to reopen those mines. Circumstances, including international developments and the limitations of existing technology, caused big plans and huge efforts to go awry.

The Sinker Tunnel

Along the axis of the Owyhee Range, the topographic prominences are characterized by dome-like or flattish summits bounded by steep smooth slopes. These steep slopes make the task of reaching many of the mining properties an arduous one, but they present excellent sites from which adit-tunnels may tap the veins as much as 2,000 feet below their outcrops.[16]

As early as 1868 an effort was made to organize and drive a production and drainage tunnel from the side of War Eagle Mountain to reach the targeted veins far below the mines near the summit. The project was not pursued for over thirty years.[17] Late in the 19th Century the War Eagle Consolidated Mining Company was organized to explore the Oro Fino/Golden Chariot vein system on War Eagle Mountain at great depth.

In 1899 the Sinker Tunnel (actually an adit, having only one portal) was started on the Northeast slope of the Mountain above Sinker Creek and driven toward the veins at a point below the Ida Elmore and Golden Chariot Mine shafts. The tunnel portal is more than 2,000 feet below the shaft collars. In 1902 the Oro Fino-Golden Chariot vein was reached deep inside the Mountain.[18]

Exploratory work was done and a “raise” (vertical shaft driven from below) was started from the Sinker Tunnel level up towards the “sump” of the Ida Elmore shaft. Piper and Laney's report for the State of Idaho in 1926 describes the subsequent development of the Sinker Tunnel Complex.

"Apparently, adequate survey had not been made to determine the position of the adit with respect to the base of the old shaft. Subsequent operations were a blind groping for the old workings above. In 1905, when the raise had been pushed to a height of 622 feet [above the level of the Sinker Tunnel], it was pronounced unduly hazardous by the State Mine Inspector, and further work was ordered suspended until the hazards were removed. At this time the top of the raise must have been about 400 feet below the bottom of the Ida Elmore shaft, and only 150 feet, or thereabouts, below the Golden Chariot, although their relative positions in the horizontal plane was not determined.

Shortly afterward the enterprise was suspended without further work. In the [1920s] a lease on the project was acquired by the Sinker Tunnel Mining Co., of Nampa, Idaho, and exploration of the adit level was inaugurated. Drifts were driven on two veins, and a third was disclosed by an extension of the adit so that the total exploratory work on this level was about 2,600 feet. Workable ore was not developed, although specific data are unattainable. In 1923, this enterprise collapsed and has remained dormant since."[19]

According to local tradition and speculation, it is likely that the long time taken to make "the raise," and the amount of exploratory work done in the process was due to the reluctance of the miners to actually reach their stated objective, the bottom of a mine shaft flooded with a thousand feet of water. No one has explained how the owners intended to make the connection safely in the first place.

Closing Of The Second Phase Of Mining In The Silver City District

The second phase of mining, near Silver City, wound-down before the beginning of the First World War. Several factors reduced the attraction for further investment to explore and develop new minable bodies of ore. Transportation to the Owyhee mines at Delamar and on Florida Mountain over a high pass presented a substantial cost of operation. Completion of a spur rail line to Murphy, ID on the North side of the Owyhee Range in 1898 reduced the distance to a railhead to 25 miles[(20)]. However, without successful completion of the Sinker Tunnel on the 'Murphy" side of the Owyhee Range, the location, terrain, and seasonal weather conditions in the high mountain passes impeded transportation of supplies, labor and mine product. As late as 1926, Piper and Laney indicate that transportation to and from Silver City's surrounding mines frustrated renewal.

“None of these routes of travel is at present feasible for the heavy duty truck service which would be a prerequisite for an extensive revival of mining activity in the region. The stage road from Murphy ascends and descends several low ridges and then gains Silver City by a grade which averages 15 per cent for three miles of its length, and in many places exceeds 20 per cent. It crosses a divide at an elevation of 6,700 feet which is snowbound for at least four months of the year and is usually closed to heavy vehicles for six months. It is obvious that this condition handicap's mining activity, and that low cost of transportation is indispensable for mine operation at reasonable cost."[(21)]

Given the necessities for both underground exploration and development of useful infrastructure, there was little attraction to financial markets mauled by the Panics of 1873 and 1893. Investors viewed “labor wars” in the mines of Northern Idaho with alarm, and other problems were appearing on the horizon such as the sudden acquisition of an “American Empire” after the defeat of colonial Spain in 1900, and the international arms race in Europe prior to World War 1.

After the devastation of the First World War, Europe's political and financial empires were focused on the reconstruction of the Continent. The Great Depression, World War 2, and the Cold War provided further distraction as industrial activity shifted from development of natural resources to service industries, and to manufacture of capital and consumer goods. The price of gold was raised from $20.67 to $35.00 per Troy ounce in 1934. It was not until Dec. 31, 1974, that the price of gold was freed from $35 per Troy ounce to reach international market prices.

Geological And Mineralogical Conditions

In December, 1926 the Idaho Bureau of Mines and Geology published Bulletin No. 11, “Geological and Metalliferous Resources of the Region About Silver City Idaho”. The report was the result of personal interest of the Secretary of the Bureau, Francis A. Thomson, who wrote the Preface to Bulletin No. 11.

"While on a professional visit to the Silver City area in 1905, and still more during a second visit in 1919, I was impressed with the improbability of certain of the ore bodies having been exhausted, and, on the second occasion, the conclusion was reached that Silver City should be included in the program of field work of the Idaho Bureau of Mines and Geology at the earliest possible date”.

"Bulletin No. 11 by Messrs. Piper and Laney represents, therefore, not only the fulfillment of a determination made several years ago, but it serves to confirm in detail earlier impressions of the likelihood of future profitable production. This report, carefully analyzes not only the area’s geology, but also the nature of the fissuring and the deposition of the ores. It shows that both structurally and genetically, there are excellent reasons for believing that careful, intelligent prospecting, laterally and at

depth, of the extensions of formerly productive ore bodies, is fully justified and that in certain instances at least, such a program presents less than the usual mining risk."

Piper And Laney's Findings

Piper and Laney's work, and the implications of their findings and conclusions for the possibility of further profitable development of possible mineral wealth are encouraging.

“All of the larger veins, such as the Oro Fino-Golden Chariot and others on War Eagle mountain, are remarkable for their continuity along both strike and dip so far as developments have gone. The Oro Fino/Golden Chariot vein has a development along its strike of nearly 4000 feet, and is strong and well developed where the Sinker tunnel cut it, 2500 feet below the outcrop. These facts seem to preclude any adverse conclusions as to the persistence of the main veins in the direction of strike and dip. The fissuring and fracturing which made possible the development of the veins are certainly continuous for long distances”.[(22)]

The authors of Bulletin No.11 took pains to describe the system of geologic faults encountered within the entire Silver City district. As those fault systems were gradually filled with minerals, certain of them received deposits of gold and silver which eventually brought the miners to the region.

“Although all the veins of the region are in one way or another filled fissures, they belong in four different groups or classes. The classification is based both on the kind of fissuring and the kind or type of filling. The recognition of the differences upon which the veins are grouped or classified does not preclude an equal recognition of their similarities. In fact, the similarities are probably more striking to the casual observer than the differences.

The minerals are practically identical but the relative abundance of one or another varies from district to district. These facts are believed by the writers to indicate that mineralization of the Silver City region came from a common source”.[(23)]

Piper and Laney describe the veins in the Silver City district generally as follows:

“On the basis of weight or mass of the respective metals they are all silver-gold veins, the average ratio being approximately one ounce of gold to thirty ounces of silver for the total recorded production from the region.”[(24)]

The breccia veins consist of fragments of the country rock cemented by vein matter. That this type of vein is persistent is evident, the Oro Fino/Golden Chariot vein has been actually mined for more than 3000 feet in length, ***and where intersected by the Sinker Tunnel, it is as strong as in the upper levels.***[(25)] ***The relative ratio of gold by weight to silver by weight from even primary ore mined from the Oro Fino/ Golden Chariot vein system was substantially richer than the Silver City regional average.***

“Gold exceeded silver in value throughout the mines, but only in some of the oxidized surface ores did gold ever predominate by weight.”[(26)] This relatively rich ratio of gold to silver bullion obtained from our property along the entire developed length of the Oro Fino/Golden Chariot vein system is very important. During the period of mining the controlled price of gold per ounce ($20.67/oz.) averaged approximately sixteen times the market price of silver per ounce. Since the reported value of gold bullion exceed the value of silver bullion throughout our mines, the ratio of gold (by weight) to silver (by weight) produced from the ore mined along the Oro Fino/Golden Chariot vein system must necessarily have been greater than 1 ounce of gold to 16 ounces of silver.

That ratio is happy news given the much greater relative value of gold compared to silver at today's prices: $900 gold to $10 silver; or 90:1. [27]

Mineral Exploration Along The Oro Fino/Golden Chariot Vein System Is Necessary

Whether a system of quartz veins offer good prospects for minable concentrations of gold and silver depends on the mechanisms by which the gold and silver may have been deposited within those quartz veins. Within such veins there are zones which are found to contain valuable concentrations of gold and silver. Those zones are known as “ore shoots” or ˝ore chutes.” Ore shoots in a vein may extend for only a short distance or may be followed horizontally and vertically for great distances until exhausted or until concentrations of metal fall below the limits of profitable mining. [28]

The ore minerals are formed by ”supercritical” solutions of very hot, high pressure water which, according to modern theories of ore deposition, came from unknown depths and made their way upward within the vein and deposited the various minerals in accordance with chemical and physical laws of solution and precipitation.[29] The causes producing deposition of materials from solution are many and complicated: such as loss of heat; decrease in pressure; influence of wall rock; and mingling of solutions. There is no way of knowing what the dominating factors were; any one or all of them may have been active. [30]

In the Silver City district, Piper and Laney report their own conclusions concerning the likelihood of commercially viable ore deposits as follows:

When all the causal factors are considered, it appears that local influences, such as cross-fractures, porosity of vein matter, and perhaps others determined the localization of the ore shoots. Of these, cross- fracturing, since it would permit the mingling of solutions of different composition and possibly from different sources, is believed to have been the most important. [31]

“Unless the deposit at a contact, the intersecting fracture is the most likely to furnish a channel or conduit for the mineralizing solutions, and to be responsible for the precipitation, and thus determine the pitch of the ore shoot and to a great extent its richness. This line of reasoning appears to the writers to lead to the conclusion that: one ore shoot may in the direction of its pitch be followed by another, and yet others and that no mine should be abandoned as exhausted until such possibilities have been tested by actual exploratory work.” [32]

The circumstances encountered by miners on War Eagle Mountain support close attention to cross-fracturing as an agent in the formation of ore shoots as Silver Falcon Mining, Inc. makes its mineral survey.

“The richest ores in the Oro Fino/Golden Chariot veins in War Eagle mountain were found at and near places where small cross-fractures intersected the respective veins. It is, therefore, probable that cross fracturing, or shearing, was a dominant factor in determining both the location and the pitch of ore shoots in all the veins of the region. If this reasoning is correct, the apparently insignificant cross-shears and cross—fractures which in many instances are not distinguishable except by very carefully made observations, will prove to be of great value in further exploratory work and should be given most careful attention in all prospecting and development.”[33]

After the publication of Bulletin No.11, the significance of the work done by the Sinker Tunnel Mining Co. deep below the flooded mines between 1916 and 1923 became apparent. [34] There is relatively little

information available regarding conditions, results of exploration, operations and production history in the War Eagle Mountain mines. Until the mines were lost in 1875,

“The Oro Fino/Golden Chariot vein enclosed a large persistent ore body of medium precious metal content, a condition which gives distinct promise of further extension within the limitations created by the activity of supergene agents. The known ore body is developed in that portion of the vein fissures cross-fracturing and that the zone of ore deposition is controlled by these intersections. If this is the case, the ore body might have a considerable pitch in the vein, although conditions are not well enough known to predict. Such a possibility would have a very direct bearing on any future development of the deposit; in as much as ore bodies would not be expected, except in those zones in which there exist shear fractures secondary to the main vein fissure.” **(35)**

If Piper and Laney's conclusions are true, then the relative angle of intersection between crossing vein structures will control the position of deposits of valuable ores within the Oro Fino-Golden Chariot vein at depth. The relative "pitch" or "tilt" from vertical of the ore shoot will generally follow the direction of that critical intersection. Piper and Laney were unable to enter the flooded mine workings and they could not determine the relative angle of intersections of veins previously encountered nor could they predict what might be found at depth.

The relatively little exploratory work which was done in the Sinker Tunnel adit prior to 1916 may have failed to disclose workable ores because the work may have remained under an ore shoot pitched at an angle from the vertical, North or South down the length of the vein system. Subsequent work by the Sinker Tunnel Mining Co. between 1916 and 1923 and Copper Range Exploration in 1970 indicate that the ore shoots within the vein system above the Sinker Tunnel may dip to the South. **(36)**

“It has been shown that the large ore body of this group is probably controlled by the intersections of the main vein with secondary veins, and that it may have a marked pitch in the vein. Unfortunately this possible pitch cannot be predicted. It is quite possible that the relatively slight amount of exploratory work done on the adit level of Sinker tunnel may have been beneath a pitching ore body which it did not reach; exactly the condition that probably is true for the lower levels of the De Lamar mine. It cannot be concluded, therefore, that the development has exhausted the possibilities of the Oro Fino vein.” **(37)**

Piper and Laney persisted regarding the opportunities presented by the Sinker Tunnel and suggested a plan for exploration of our property.

“The Sinker tunnel constitutes an ideal site for mining and milling operations, with ample dump ground, ample water supply for milling purposes within two miles or less of the portal, a minimum snow hazard, and a route of approach which could easily made usable by trucks the year round.” **(38)**

The zone of primary ore bodies of the Silver City region may be expected to persist without great change in tenor to a depth considerably below any attained by the past mining activity. If it is true that the ore developed on the lowest levels of the mines of the Oro Fino group is hypogene or primary, which seems to be likely, and if it has the reported tenor cited in the preceding discussion, **there is considerable promise of future activity."**

The promise is sufficiently great to justify closing the gap between the Sinker tunnel raise and the old workings above, so that, with drainage and ventilation solved, these workings can be entered, the vein sampled and examined, and development extended downward as conditions may warrant. Obviously, however, a careful preliminary survey becomes an essential part of such a program in order that the raise may be extended with safety and certainty.

The Golden Chariot shaft is sunk in the granite wall rock, striking the vein at the ninth level, below which it has been sunk about 350 feet. It is probable that this shaft, although caved at the collar, is in good condition for the greater part of its depth, particularly below the water level.

Opening and dewatering it sufficiently to permit accurate surveying should not, if the expected condition prevails, be an extremely difficult task and should not be shirked. As has been pointed out already, the base of the shaft and the top of the raise are not much more than 150 feet apart vertically and perhaps even less horizontally, if the available data are at all trustworthy. This program offers the most expeditious and economical solution of the problem. Should this development prove the existence of workable primary ore, the Sinker tunnel should be extended to cross cut the entire vein system since the maximum of economy and efficiency may be gained by working the system as a unit." [39]

Piper And Laney's Recommendations

Messrs. Arthur M. Piper and Francis B. Laney reached an encouraging conclusion to their investigation. Their encouragement was repeatedly reflected in the text of their report. They state their favorable opinions one last time to close their report:

"The re-examination of the Silver City mining region, upon which this report is based has established two fundamental facts: first, the veins of the Silver City region have contained large persistent ore bodies of medium and rather uniform tenor; second, there is no reason to expect that the ore bodies will fail to continue in depth. Moreover, a rather complex fault system has been analyzed as completely as the dearth of accessible mine workings permits, and the relations of the several sets of earth fractures to the ore deposits has been established. It is to be expected, therefore, that the lateral extensions of ore bodies beyond faults, and their extensions downward beyond the deep prospecting of the past, may be disclosed by further mining development."

The revival of mining activity in the region must depend upon the outcome of certain exploratory projects designed to test the application of theoretical conclusions to the problems of mining. In the expenditure of the large sums that will be necessary to prove or disprove the region, the utmost in boldness, tempered by technical conservatism, will be required of operators, lest the solution of fundamental problems be forgotten in the search for immediate profitable operation. It cannot be too strongly urged that detailed geologic mapping be made an essential cart of every development grogram. and that the best geologic advice be made of use. Given means adequate to the extensive exploratory programs outlined, proper technical skill, and the courage and foresight that spring from a sound analysis of geologic conditions, it is likely that future development will revive this region, once a premier silver-gold mining camp of the West. **(40)**

The Sinker Tunnel

Piper and Laney did not know that Sinker Tunnel Mining Co.'s efforts had provided a significant clue to conditions deep within War Eagle Mountain.

"In the present decades [1920s] a lease on the project was acquired by the Sinker Tunnel Mining Co., of Nampa, Idaho, and exploration of the adit level was inaugurated. Drifts were driven on two veins, and a third was disclosed by an extension of the adit so that the total exploratory work on this level was about

2,600 feet. Workable ore was not developed, although specific data are unattainable. In 1923, this enterprise collapsed and has remained dormant since." [41]

In 1928, Mr. T.D. Babbitt reported the results of the Sinker Tunnel Mining Co.'s work in the Sinker Tunnel. He reported on findings and development work along the vein discovered in 1902, and he described the results of exploration west from the 1902 vein:

"In 1916 the Sinker Tunnel Mining Company secured a lease and extended the main tunnel [from station 6177 feet] to station 6715 feet on the theory that the Golden Chariot vein had not been reached by the former company. This theory proved to be correct but the vein when found at the main tunnel station 6455 did not prove to be as important as was expected and the development work at this point is very limited. The vein is a fissure, 12 to 18 inches wide, and where developed carried values of $5 per ton in free gold while in spots iron and copper sulphides were plentiful". [42]

Sinker Tunnel Mining Co.'s findings lead to two points of interest: first, "$5 per ton in free gold" reflects approximately 1/4 ounce of gold per ton of ore at 1923 prices. Second, expectations of $100 to $200 per ton ore reflect a misunderstanding of the character of the primary ore body at depth on the Oro Fino/Golden Chariot vein system. [43] Sinker Tunnel Mining Co.'s findings west of the 1902 vein were confirmed, though apparently unrecognized, by tests made for Copper Range Exploration in 1970 while that company searched for evidence of low-grade, broadly disseminated deposits of gold and silver suitable for an "open-pit" mine operation.

"Of the samples taken on 100 foot intervals along the main drift, one ran 2.7 ppm gold, with all the others 0.62 ppm and below. <u>We obtained an excellent indication of rising values from the north end to the south end. However, with the values so low in scale. the trend is of doubtful importance</u>."

"One sample from the second raise level vein showed 88 ppm though we noted no mineralization at the time. All other raise samples showed unimportant gold and silver values, even those from the 6th level which is only about 150 feet below the bottom of the Golden Chariot shaft.

It is not probable that this is any part of the shoot. In fact it may be 200 or 300 feet distant."[43] The Golden Chariot ore shoot should show values of $100 to $200 per ton and

"One sample of gouge with quartz, from the fault west of the main vein, ran 14 ppm gold and 3.4 ppm silver, but three other samples from the same structure gave only very low values. [44]

The Copper Range Exploration report of 1970 and the Sinker Tunnel Mining Co. report of 1928 provide independent confirmations of interesting deposits of gold at depth below the flooded mines. 88 parts per million translates to 2.55 troy ounces of gold per ton (= 2.829 troy ounces of gold per metric ton) of ore. At the official price of gold in 1970, $35/oz., that amounted to $89.32 worth of gold per ton of ore ($99.02 worth of gold per metric ton). 14 parts per million translates to .4 troy ounces of gold per ton (= .45 troy ounces of gold per metric ton) in the Oro Fino/Golden Chariot vein system 200 feet above *the* level of the Sinker Tunnel. At the official price in 1970, that amounted to $14.21 worth of gold per ton of ore ($15.75 worth of gold per metric ton). The market price of gold is now more than twenty five times the official price of 1970."

Recent consultations with the author of the Copper Range Exploration report, James Browne, indicate that while valuable ore probably exists within the property, it is simply not possible to estimate what ore shoots may remain between the flooded workings above and the Sinker Tunnel based on the limited data collected from "chip samples" collected every one hundred feet along the exposed vein.

Assets And Improvements In Place

"The underground workings of the mines on our property covering the Oro Fino/Golden Chariot vein system from the Mahogany Mine on the south to the Oro Fino Mine on the north are not well described in the historical record. There are descriptions and drawings found in the archives, but source and reliability are untested. Due to the primitive exploration, development and mining techniques used in the mines before they were lost after 1875, there simply is not much detailed description of the workings or the geological conditions found underground. General Description of the Oro Fino/Golden Chariot Vein: By 1866 the mines on the Oro Fino/Golden Chariot vein system and nearby mines were producing ore for twelve reduction plants operating 132 stamps." **(45)**

The Oro Fino/Golden Chariot vein was opened up for a total length of 3,350 feet and worked, through shafts, to depths of 300 to 1,100 feet. The daily output averaged 40 to 50 tons of ore per mine and from half a ton to one ton per man. The cost of reduction by wet crushing and amalgamation averaged $12 per ton, and a maximum $40 is recorded for roasting, chloridizing, and amalgamation combined. Complete operating costs were from $40 to $60 per ton." **(46)**

The exact silver to gold ratio of the production from the Oro Fino Group of mines is not recorded, but Piper & Laney report:

"In the Oro Fino mine the upper levels yielded $150 per ton of ore, with gold and silver contents nearly equal; the ore mined at a depth of 220 feet was worth $40 to $45 a ton; and the silver content was six times as large, by weight, as the gold content. The Golden Chariot found $21 ore on its sixth and seventh levels and then entered $30 ore on the eighth. The experience was the same in other mines as the zone of primary ore was developed." (47)

Through the history of operations on the Oro Fino/Golden Chariot vein, the value of gold produced was never exceeded by the value of silver. Based on the relative differences in prices of gold and silver during the period, the weight of gold to weight of silver recovered from Oro Fino vein ore was never less than 1:16 in ratio. **(48)** The existing record in the form of reports prepared in subsequent years recite estimates based, in turn, on information which is unknown.

The Authors Of Bulletin 11
Describe Their Information As Follows

"The gross output of gold and silver from Owyhee County may be ascertained with reasonable accuracy, and, since the Silver City region embraces all the important producers, its output is essentially that of the county. The figures for the years prior to 1890 are based in part upon the reported production from some of the mines, and, in part or in whole, upon estimates, they are therefore, subject to some uncertainty."

Gerry **(49)** has recently estimate that Owyhee County during the period of 1863-1923, produced gold valued at $21,674,700 (1,048,515 fine ounces) and 24,529,712 ounces of silver. These estimates differ slightly from the totals reached by the writer, but it is impossible to reconcile this difference without knowledge of the source of Gerry's data. **(50)** Production reports from individual mines or related groups of mines, are based on official records and on estimates by knowledgeable observers.

"Complete segregation of the data of precious metal output to show the production of each individual mine is not possible, on account of the incompleteness of the record. The data which can be segregated,

however, constitute the estimates for the mines of War Eagle Mountain are based upon Lindgren's published figures." [51]

The production of gold and silver from the Oro Fino/Golden Chariot mines changed as the shafts were driven deeper into War Eagle Mountain. Although excellent tunnel sites were afforded by the steep slopes of Sinker Creek canyon, the mines were developed through shafts sunk on the vein. These shafts vary in depth from 350 feet or less (Oro Fino) to 1,250 feet (Golden Chariot). The Mahogany shaft, which is 1,180 feet deep, reaches the least elevation above sea level, or 6,160 feet. Plans of the underground workings are not available at the present time, so that the amount of development is unknown.

The Ida Elmore and the Golden Chariot shafts are situated about 75 feet apart and the workings were in part continuous. With this exception, it is not known whether the working of the several properties made connection with one another nor that the vein was continuous and without structural offsets. Lindgren notes that the sixth level of the Golden Chariot connected with the seventh level of the Minnesota, thus proving the continuity of the vein between these two. [52]

The shallowest development on the Oro Fino-Golden Chariot vein was at the northern end of the workings at the Oro Fino shaft, 350 feet deep. The Oro Fino Mine was later described as follows:

*In the Oro Fino, 80 tones extracted near the surface in 1869 returned $160 per ton, the gold to silver ratio being 1.1 by weight, although the average of the 2,050 tons mined prior to 1867 is given as $27 per ton. At a depth of 220 feet the ore returned $40 to $45 per ton, the bullion carrying 1 part gold to 7.3 parts silver. In 1871 the mine produced 958 tons averaging $28.09, and 2,262 tons averaging $17.35, and it is reported that little pay ore was found in the lower levels. In 1885 leasers extracted ore worth $66,870 in gold, and $12,553 in silver, and, in the following year, ore worth $18,327 in gold, and $6,464 in silver; the gold to silver ratios for the two years are 1 to 3.7 and 1 to 7.4 respectively. The increase of the relative amount of silver at depth is due to relative decrease in the intensity of enrichment by supergene agencies. A ratio of 1 to 7.3 exists for ore at a depth of 220 feet, and the maximum known ratio is 1 to 7.4, but in absence of complete information, this should not be interpreted to mean that the effect of supergene agents has not extended much below 220 feet.

An examining engineer reported in 1886 that at the shaft station on the lowest level of the mine, 307 feet from the surface, the ledge was 16 feet wide and that a 4 tone lot of ore, taken across the ledge from wall to wall, averaged $20 per ton. This agrees closely in value with ore developed in the deepest levels of the other mines on the vein, ore which may be strictly primary. It may be, therefore, that in the Oro Fino, supergene enrichment has not extended much below 300 feet." [53] More was reported about the primary ore found below the surface zone of supergene enrichment in the other mines along the Oro Fino/Golden Chariot vein system.

Less is known about the other mines of the Oro Fino group. The highest reported value per ton is $268 for a small lot of surface ore from the Golden Chariot; the least is $20 per ton for 5,965 tones taken from the same mine in 1872, when the shaft was approximately 700 feet deep. On the Ida Elmore the ore averaged $140 per ton at a depth of 150 feet, $101 per ton in 1869, and $26.67 per ton in 1871. The following year it is reported that the mine 'after a long period of almost hopeless prospecting is at last giving promise of a heavy body of ore in depth. It has just been reached on the ninth level. The ore produced that same year averaged $44 per ton for 779 tones.

At the Golden Chariot the ore averaged less than $30 per ton on the seventh level, but "good ore" was found on the eighth level in 1871. The production that year was 13,751 tons at $55.36 per ton. The following year the statement is made that the mine 'has been in low-grade ore for the last eighteen months. In the last two months, however, they have sorted the ore closely, and it is now paying about $36 per ton.

It was for this same year that the minimum recorded value of ore, as noted above, is reported $20,114 In the Minnesota the ore yielded $38 to $44 per ton. No notes are available for the South Chariot. At the Mahogany, the southernmost shaft of the group, the ore averaged $60 per ton in 1870, $50.08 in 1871 for 1,126 tons, and $40 in 1872, when the shaft was about 700 feet deep. In 1875 the shaft had attained its maximum depth of 1,180 feet, and it is reported that the eighth, ninth and tenth levels had been opened in good ore. [(54)]

Description Of Development On The Oro Fino/Golden Chariot And The Sinker Tunnel

Piper & Laney were unable to enter the mines on War Eagle Mountain during their 1923 field investigation. The upper shafts were caved-in and the lower levels *were* flooded with water. [(55)]

If the section is authentic, ore has been extracted almost without interruption for a horizontal length of about 3,600 feet, and to depths between 300 and 1,100 feet. Between the Ida Elmore and the South Chariot shafts, a distance of about 1,400 feet, stoping has ceased uniformly at the eighth level of the Minnesota. If the true condition is accurately depicted, the ore body was not bottomed by the operations, prior to 1876." [(56)]

There are also drawings from the work done by the Sinker Tunnel Mining Co. between 1916 and 1923, and drawings and questionable survey results of the work done by Copper Range Exploration in 1970.

Modern Digital Map Of War Eagle Mountain

Until Silver Falcon Mining, Inc. commenced surface and underground surveys of our property on War Eagle Mountain in 2008, reliable descriptions of the work in the Sinker Tunnel had not been made. By the beginning of Winter, 2008, Silver Falcon Mining, Inc. has opened and partially explored over 6,200 lineal feet of shafts, raises, tunnels, adits and stopes on or adjacent to our property to allow us to obtain access to over six thousand feet of mineralized vein.

A computer generated, a two dimensional map of War Eagle Mountain, the Sinker Tunnel, the surface and accessible underground features of our mines near the summit, and the exposed mineralized veins is being completed at this time based on the results of surface and underground survey work done to date. Silver Falcon Mining, Inc. "digital" map will be continually updated, and, when coupled with mineral survey work done and anticipated through 2010, will be both the first modern mineral survey of our mines, and the indispensable means for making the planned link-up of the two underground systems to drain and ventilate the lost mines.

Silver Falcon Mining Inc.'s Work Plan

Silver Falcon Mining Inc.'s effort to establish a valuable underground gold and silver mine on War Eagle Mountain has been pursued by phased attacks on particular problems. Our initial objective was to obtain control over privately owned, "patented mining claims" covering the heart of the historic mining center along the length of the Oro Fino/ Golden Chariot vein system. We:

1) Took control of the open portal to the historic Sinker Tunnel, and located necessary mill sites to obtain use of public lands necessary to work in the Sinker Tunnel and the mines we hoped to establish;

2) Obtained a long-term mining lease on eighty two patented mining claims covering the historic mine workings we planned to explore; [57]

3) Purchased two patented mining claims immediately adjacent to the leased property providing working space, access, and mineral property along an historically productive quartz vein closely paralleling the Oro Fino/Golden Chariot vein system.

Our task is to secure our property and obtain reasonable early assurance that the underground facilities necessary for exploring the vein at depth were in reasonably useful condition. We have been assured that numerous hazardous shafts and adit portals within the leased and purchased patented mining claims near the summit of War Eagle Mountain have been located, opened, closed or otherwise secured and we will construct a new portal, and commence ventilation and safety refurbishment of the Sinker Tunnel to assure underground access to our property.

Silver Falcon Mining, Inc. Established Oct., 2007

During the Summer of 2007 Silver Falcon Mining, Inc., was reorganized as a Delaware public corporation, to manage the financial and operational elements of the GoldCorp Holdings Co. Property on War Eagle Mountain.

During the 2008 season starting in March, we have accomplished the following tasks:

1. We purchased the entire Sinker Tunnel Complex and are in the process of securing it**;** [58]
2. We commenced minor reconditioning and improvements necessary for work in the Sinker Tunnel Complex;
3. We are making plans to open and survey all of the underground facilities in the historic mines near the summit and at the Sinker Tunnel level of War Eagle Mountain;
4. We obtained the professional services of experts of highest regard in the industry who are intimately acquainted with the Project site, and the geology and mineralization of the region to aid in the evaluation and planning of work at the Project;
5. We near completion of the necessary surface and underground survey of our property to serve as the “framework” for our underground mineral survey, and for making our drainage and ventilation connection between the Sinker Tunnel Complex and our mines above;

Silver Falcon Mining Inc.’s 3 Year Work Plan

Silver Falcon Mining, Inc. is raising additional capital in the amount of necessary to complete the first stage of underground exploration of our mines on War Eagle Mountain. During the period from May, 2009 through April, 2012 we expect to accomplish the following:

- We will complete access to the Sinker Tunnel "raise," will commence “bulk sampling” of mineralized vein material wherever exposed, and will use our Melba "pilot mill" to process the bulk samples for the mineral survey and for “flow sheet" information necessary to design a large production mill for the mountain;
- We will drill a drainage connection from the top of the Sinker Tunnel “raise” to the sump of the Golden Chariot shaft to continually drain the flooded mines without further resort to submersible pumps;

- We will incorporate new underground surveys and bulk sampling results with the 1995 survey to obtain professional estimates of “proven”, “probable”, and “possible” reserves of minable ore;
- We will use the analytical results estimating minable ore reserves and the “pilot mill” flow-sheet data to plan the establishment of a surface or underground mill to process the "proven reserves" to be mined, and all additional ore proven by “follow-on” exploration of connected and adjacent mines.

Possible Ore Reserves Within The Oro Fino/Golden Chariot Vein System

Indispensable mineral exploration work is required for Silver Falcon Mining, Inc. and its professional advisors to determine if commercially minable ore is available on our property along the Oro Fino/Golden Chariot vein system on War Eagle Mountain.

This report has described the historical circumstances which motivate us to pursue this Project from one phase to the next. Frequently, we are asked to explain the “magnitude" of our motivation. "How good a prospect do you <u>really</u> think it might be?”

In answer we can only say that, “We know that we <u>don't know</u> how valuable an underground mine can be on our property."

What We Do Know Is What Our Work Has Revealed

A potentially large return based on prior production from our property over 120 years ago (>$10.3 million) coupled with modern means available to overcome historic constraints and inefficiencies;

A documented history of closure of our mines before exhaustion of identified bodies of apparently valuable gold and silver ore;

A long history of published professional consideration and speculation about our property in the public (official) and private press;

The remarkably sound condition of underground facilities we have opened to date based on the quality of War Eagle Mountain granite, and the beneficial effects of water to preserve flooded mine workings; and

The favorable market price of gold and silver today in relationship to the reported characteristics of ore ignored, abandoned, or otherwise reported to remain within our prematurely closed mines along the Oro Fino/Golden Chariot vein system.

The following speculation indicates the **<u>possible</u>** magnitude of an underground mine and mill if actually proven to be commercially viable.

According to the data developed in researching the history of mining on the Oro Fino/Golden Chariot vein system, the average ratio of weight of silver to weight of gold produced in the entire Silver City mining region before 1923 was 32.7 to 1. **(59)**

According to the Idaho Bureau of Mines' report of 1926 the ratio by weight of lower value silver to higher value gold obtained from the Oro Fino/Golden Chariot veins within our property on War Eagle Mountain was much better than the regional average and never more than 16 to 1. **(60)**

The official price for gold until 1934 was $20.67 per Troy ounce. The average price for silver per Troy ounce during the period of interest was approximately $1.30. **(61)**

The production of gold and silver from the mines along the Oro Fino/Golden Chariot vein system during the period is estimated to be >$10.3 million without adjustment to today's prices. [(62)]

An estimate (by weight) of historic gold and silver production from the Oro Fino/Golden Chariot vein system is obtained as follows:

1934 Production (Troy Oz.)

- Gold (Au)
  - Total production = $10,300,000 [(63)]
  - ÷ [(1 Troy oz. Au x $20.67/Troy oz. Au)+(16 Troy oz. Ag x $1.30/Troy oz. Ag)];
  - $10,300,000 ÷ ($20.67 + $20.80) =
  - **248,372 Troy oz. gold (Au).**

- Silver oz. (Ag) [(64)]
  - -1/16 x 248,372 =
  - **3,973,957 Troy oz. silver (Ag)**

The present day market value of the estimated minimum production of gold and silver from the mines on our property is calculated as follows:

1934 PRODUCTION VALUE (ADJUSTED TO 2009 $)

Value of "Oro Fino/Golden Chariot vein"

- 248,372 Troy oz. Au x $925/ Troy gold oz.
- 3,973,957 Troy oz. Ag x $12.00/ Troy oz.
- ($229,744,100 + $47,687,484)

TOTAL : $277,431,584.00

Only limited information is available about the relative weights of gold and silver recovered from ore mined on our property except that the historic market value of gold as produced from the mines on our property was reportedly never exceeded by the historic market value of silver produced from our property. [(65)]

Because of the cost of mining, hoisting, and milling ore from deep underground was so high in the 1870's, the minimum "value" of minable ore at the base of the flooded mines was reported to be approximately "$30 ore," meaning $30 of gold and silver per ton at historic market prices.

The least valuable ore encountered and usually left deep in our mines was in the range of $20 per ton. (66)

A broad, minimum estimate of the gold vs. silver content in "$30 ore" may be calculated based on historic production experience reported for the mines along the Oro Fino/Golden Chariot vein system:

GOLD/TON (1:16) IN $30/TON ORE

- ((1 Troy oz. Au x $20.67/Troy oz. Au) + (16 Troy oz. Ag x $1.30/Troy oz. Ag));
- $30/Ton ore ($20.67 + $20.80);
- $30/Ton ore = $41.47
- 0.723 Troy oz. gold/Ton in $30 ore.

SILVER/TON IN $30 ORE

- 0.723 Troy oz. Au/Ton x 16 Troy oz. Ag = 11.575
- 11.575 Troy oz. Ag/Ton in $30 ore

$30 ORE – GOLD AND SILVER CONTENT IN ORO FINO VEIN

- 0.723 Troy oz. gold (Au), and 11.575 Troy oz. silver (Ag)

2009 CASH VALUE OF $30 ORE / TON

Gold	0.723 oz. gold x $925.00/oz.		$668.78
Silver	11.575 oz. silver x $12.00/oz.		$138.90
		TOTAL:	$807.68

If one accepts the "estimated" values and ratios described above for the sole purpose of calculation, then the 1995 value of metals from 1 ton of minimum-value 1875 $20 ore would be approximately $221.74 per ton of ore [67] though it is likely that ore which produced $20 or $30 worth of gold and silver by the primitive milling and smelting processes of 1875 would yield substantially more gold and silver to modern milling and smelting methods.

There is no dependable information regarding the reserves of ore remaining within the Oro Fino/Golden Chariot vein system. The “Hewlett drawing” published in the Idaho State Bureau of Mines and Geology's Bulletin #11 is the only record which is even remotely contemporaneous which was intended to describe the relative “area” of "stoping" for ore within the lost mines. The Hulitt drawing and map shows a longitudinal transverse section of the old workings drawn from memory by a former Idaho State and U.S. mineral surveyor years after the mines were flooded. It is a "recollection" of the relationship between the old workings, the War Eagle Mountain, the Sinker Tunnel, and certain patented mining claims.

The reports published and still available concerning mining in the region describe the richest ore as being within 300 feet of the surface in a zone of "supergene enrichment" caused by natural weathering and groundwater processes. Below the enriched ore zone, primary ore was encountered which varied in value. Any number of estimates can be made of the ratio of ore mined before 1875 to the amount of ore left remaining within the patented claims?

We are advised by a professional mining engineer of good reputation that a "best guess" estimate of anticipated cost of underground mining, milling, and transport of ore via the Sinker Tunnel is $155/Ton. On the basis of estimated value vs. cost and solely for purposes of this speculative illustration of the possible magnitude of the ore body remaining within the Oro Fino/Golden Chariot veins on our property, we assume a profit before taxes of approximately $657.68 per Ton/ore.

That sum would, of course, be subject to decrease or increase depending on many different factors such as market price of gold and silver, cost of mining, or rate of recovery of precious metals. [68]

Pro Forma Projection

Economic Magnitude Of Silver Falcon Mining's Resource Development Project

Silver Falcon Mining, Inc. predicts the scale of a mine on our property suggested by the circumstances described in this memorandum. It does not consider the potential benefits arising from use of the Sinker Tunnel Complex to serve mines outside of our property but within reach of future extensions of the tunnels. Most important for the reader, however, is to keep in mind that the estimates are far too general and the assumptions are far too broad to be relied upon as projections of potential return.

The projections are only useful as a description of our own view of the scale of the potential opportunity. Silver Falcon Mining, Inc. continues to pursue the Project because, in our view, the scale of magnitude of the potential mine is significant enough to warrant further efforts to obtain more definitive information. The net present value of the pre-tax profit over the 15 year production life of the 15 year mineral lease on the flooded mines is calculated depending on three assumptions of the total weight of ore remaining within the leased property.

Ore Mined From 1863 To 1875

33%	50%	66.70%	% OF ORIGINAL LODE
587,060 Tons	343,530 Tons	171,785 Tons	Tons ore remaining
57,255 Tons	28,628 Tons	14,314 Tons	Production per year

Fifteen Year Production Estimates For Three Alternative Models

2010 – 2013 Production Estimates

66.70%	50%	33.30%	Assumed % of ore remaining in three different mine from original content
$807.68	$807.68	$807.68	Assumed Minimum Value of Metal in Ore @ Au/Ag/1oz/ton
57,255	28,628	14,314	Ore load remaining per year of future production
$46,243,718	**$23,122,263**	**$11,561,132**	Assumed Annual Marketable Value of Gold and Silver
$155/ton	$155/ton	$155/ton	Mining, milling & mine development cost per ton of ore
$657.68	$657.68	$657.68	Pre tax net income per ton of ore mined and milled
$37,655,468	**$18,828,063**	**$9,414,032**	**Total annual PRE TAX NET INCOME**

Summary

If the weight of ore remaining to be mined amounts to 1/3 of the original lode deposit (which is thought to be grossly underrated), a net present value of $141,210,472 is obtained for a fifteen year average total annual pro forma income stream before taxes of $9,414,032.

If the weight of ore remaining to be mined amounts to 1/2 of the original lode deposit (a more favorable and hence less likely result), an only slightly less arbitrary discount rate of 15% is used and a net present value of $282,420,945 is obtained for a fifteen year average annual pro forma income stream before taxes of $18,828,063.

In the most favorable and least likely event that 2/3 of the original ore remains for our mine, a discount of 18% is used, for no justifiable reason, and a net present value of $564,832,020 is obtained for a fifteen year average annual pro forma income stream before taxes of $37,655,468

Estimated annual production of ore varies between the three scenarios in anticipation that a smaller mill would be used for smaller reserves available during the term of the lease. Larger mill facilities could shorten the time taken to mine and process discovered ore reserves and would, consequently, improve the net present value of the income stream.

TAILINGS

In Addition, SFMI was contracted by GoldCorp Holdings Co. to assay and, if worthwhile, mill the 16 piles of tailings (dumps) on the 172 acres on War Eagle Mountain sold to GoldCorp Holdings Inc. by Laoshan in 2007.

After assaying 6 samples taken at random on the properties, it was determined that average quantities of 5.1 G/T Gold AU and 72.7 G/T Silver AG were present in the Tailings and warranted the building of a small temporary mill at the foot of the mountain to begin pulling in revenue in the earliest possible delay and allowing the underground mining to proceed at a sure and secure pace.

Starting in 2009, our Melba mill is expected to produce the following revenues:

Melba Mill – 2009 Tailings Production Estimate (Based On Processing 100 Wet Tons Of Ore Per Day)

Forward-Looking Information

The following pro forma includes certain statements and numbers that may be deemed "forward-looking ". All statements and numbers in this release, that address events or developments that Silver Falcon Mining Inc. expects to occur, are forward-looking. Forward-looking statements and numbers are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential" "planned" and similar expressions, or that events or conditions "will", "would", "may", "could" or "should" occur. In this pro forma, predictions about the numbers used whether they be numerical or currency are forward-looking statements. Although the Company believes that the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results may differ materially from those in the forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include the price of precious metals, government regulations and permitting, weather and world events. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments and may differ materially from those projected in the forward-looking statements. Forward-looking statements are based on the beliefs, estimates and opinions of the Company's management on the date the statements are made. The Company undertakes no obligation to update these forward-looking statements in the event that management's beliefs, estimates or opinions, or other factors, should change.

	GOLD	SILVER
Gr/ton	5.1	72.7
Oz (Based on 28 gr/oz)	0.182143	2.596429
Planned Tons per day (Dry)= 100 wet tons	400	400
Expected Price per Oz	$880.00	$12.40
Planned Production Value (per day)	$ 64,114.29	$ 12,878.29
Expected Total Revenue (based on 240 production days for 2009)	$15,387,428.57	$ 3,090,788.57
Less Daily Production costs (incl 40% futa Suta etc)	$3,991.00/day	
Expected 2009 Net Return	**$17,520,377.14**	

[1] Piper, Arthur M. & Laney, Francis B., Geology and Metalliferous Resources of the Region About Silver City. Idaho, Idaho Bureau of Mines and Geology Bulletin, No. 11, Dec., 1926. Id. Bur. of Mines and Geo., Moscow, ID. (Univ. of Idaho, Moscow, ID, 1926); Preface by Francis A. Thomson, Secretary, Idaho Bureau of Mines and Geology. **Note: Throughout report, historical reports of values and prices in terms of dollars are not adjusted for inflation to 2008 dollars unless otherwise stated.**

[2] Asher, R.R., "Geology and Mineral Resources of a Portion of the Silver City Region Owyhee County, Idaho," Pamphlet 138, Idaho Bur. of Mines and Geology, June 1968, fig. 7.; Abstract of the United States 1992 (112th ed.), U.S. Dept. of Commerce, p. 692, Table 1173, "Selected Mineral Products - Average Prices: 1970 - 1990;" , Commodity Book 1980, Commodity Research Bureau, Inc. (1980), p. 172; The Knight- Ridder CRS Commodity Year Book. 1993, Commodity Research Bureau, Inc., J.Wiley & Son, NY, 1993, p. 105; and , Historical Statistics of the United States. Colonial Times to 1970.Part I, Bicentennial Edition, Dept. of Commerce, p. 577. Reports have been received that since the Delamar open-pit mine was started in 1977, continuous mining in disseminated silver and gold deposits have produced 67 million ounces of silver and 1 million ounces of gold. Further, estimated reserves for Kinross-Delamar's new (6/95) open-pit mine on Florida Mountain two miles West of War Eagle Mountain are for 27 million ounces of silver and 600,000 ounces of gold.

[3] Beal, M.D. and Wells, M.W., History of Idaho, (Lewis Historical Pub. Co., N.Y., 1959), v. 1, p. 298

[4] Ibid pp. 79-80

[5] Foner, Eric, Reconstruction - America's Unfinished Revolution. 1863-1877, "Perennial Library" ed., Harper & Row, N.Y.,1989; p. 464

[6] Beal and Wells, pp. 417-418. Note: “Owyhee” is an archaic spelling of Hawaii. The Owyhee Mountains of Southwest Idaho were named by American fur trappers in memory of a group of the strong swimming Hawaiian Islanders hired by the fur trading company to recover beaver and lost traps from deep, cold rivers and streams. The “Owyhians” were killed by resident Indians.

[7] Ibid pp. 419-420

[8] Piper and Laney, pp.71-72

[9] Raymond, R.W., Statistics of Mines and Mining in the States and Territories West of the Rock Mountains, U.S. Treasury Dept., Eighth Ann. Report., 1877, pp. 223-225

[10] Foner, E., p. 512

[11] Ibid pp. 512-513

[12] Beal and Wells, pp. 420-421

[13] Ibid p.575

[14] Piper *and* Laney, p. 141. See, text p. 68 -72 and 74 for estimated present value of '$20 ore' and '$30 ore’.

[15] Ibid p. 139

[16] Ibid p. 10

[17] Ibid pp. 53-54

[18] Subsequent work by the Sinker Tunnel Co. *between* 1916 and 1923 raised questions about the identity of the "1902 vein; but Copper Range Exploration in 1970 concluded that

the 1902 vein was the Oro Fino-Golden Chariot vein, that a Southerly trend of increased value was apparent from mineral samples collected from the vein, and that the subsequently discovered "West vein" may be part of the "Central" vein system dipping Northeast to intersect the Oro Fino-Golden Chariot vein system from *near* the surface to great depth.

[19] Piper and Laney, pp. 146-147

[20] Asher, p. 16

[21] Piper and Laney, pp. 7-8

[22] Ibid p. 67

[23] Ibid pp. 63-64

[24] Ibid. p.63

[25] See text with ftns. 15, 27, and 68 through 72 for estimated present value of primary ore.

[26] Wit, p. 140 (emphasis added).

[27] See text with ftns. 15, 27, and 68 through 72 for estimated present value of primary ore.

[28] Piper and Laney, pp. 68-69.

[29] Ibid. p.68

[30] Ibid. p.68

[31] Ibid. p.69

[32] Ibid. p.69

[33] Ibid. p.70

[34] Babbitt, T.D., 'The War Eagle Consolidated Mines. Nampa, Idaho, September 30, 1928," p. 1 (Report describing efforts in the Sinker Tunnel between 1916 and 1923) and see text with ftn. 41; and Browne, J.L., 'FINAL REPORT ON THE SILVER CITY PROJECT, Owyhee County, Idaho," Aug., 1972, p. 16 (Report for Copper Range Exploration Project, 1970).

[35] Ibid. p.142

[36] See text with tin. 20.

[37] Piper and Laney, p. 147

[38] Ibid. p. 149

[39] Ibid. p. 148-149

[40] Ibid. p. 162

[41] Ibid, p. 147. In fact our entry into the exploratory adits on the Sinker Tunnel in the summer of 1995 confirmed rumors that a substantial body of silver and copper ore had been removed from the Oro Fino - Golden Chariot vein system at the Sinker Tunnel level at sometime after the Sinker Tunnel Mining Co. had entered the property.

[42] Babbitt, p. 1. However, consultation with Copper Range Exploration geologist in 1993 indicates that "West vein" is not the Oro Fino-Golden Chariot system, but probably part of the "Central System" of veins which run Northwest-Southeast between the Oro Fino-Golden Chariot system and the "Poorman" system approximately one-half mile to the west.

[43] See text with fins. 16, 48, 55 and 56

[44] Browne, pp. 15-16

[45] Piper and Laney, p. 53

[46] Ibid.

[47] Ibid. See text with ftns. 15, 55 and 56.

[48] See text with ftns. 27 and 55.

[49] Gerry, C.N., Gold. silver. cower. lead. and **zinc in** Idaho and Washington in 1923: U.S. Geol. Survey **MM.** Res, of the United States. 1923. pt. 1, 1925, at p. 395.

[50] Piper and Laney, p. 57.

[51] Ibid. p. 59. Citing, Lindgren, Waldemar, The gold and silver veins of Silver City. DeLamar. and other mining districts in Idaho: U.S. Geol. Survey Twentieth Annual Report. ot. 3, pp. 75-254, 1900.1

[52] Ibid. p.140

[53] Ibid. p.140-141

[54] Ibid. p. 141. The Mahogany claim, on the extreme southern end of the Oro Fino lode... is a solid two-foot vein from the surface to a depth of 1,030 feet that will yield $50 per ton. From 1872 to 1876 about $1,200,000 were produced from the Mahogany. At the latter date the crash ... stopped development and the mine is now full of water. Between the 600 and 1,000- foot levels no ore has been removed although well enough prospected to establish the fact that hundreds of thousands of dollars' worth are there.' Strahorn, Robert E., Attractions of Idaho Territory, Univ. of Idaho Press Reprint 1990, p. 32; originally published in 1881 in Boise City by direction of the Idaho Territorial Legislature, Special Act of the 11th Session. This was a promotional publication commissioned by the Territorial Legislature and written by a railroad staff member whose job was to promote development along the railroads.

[55] Ibid. p.142

[56] Ibid. Mr. Hulitt was the locator of the Sinker Tunnel in 1899 according to the Tunnel Location Notice filed in official records.

[57] We anticipate that the 16 year lease agreement will require Silver Falcon Mining Inc. to expend more than $250,000.00 for exploration within the leased claims.

[58] Work in the upper 400 feet of the "raise" from the Sinker Tunnel toward the Ida Elmore shaft was postponed until the Winter of 1996 to take advantage of favorable working condkions near the summit of War Eagle Mountain during the summer and fall of 1995.

[59] See Table 2, Production of Gold Silver From Silver City Dist., 1863-1923" at p. 6.

[60] See text with ftns. 27 and 55.

[61] Total market value of silver produced divided by total silver production for period from 1866 to 1875.

[62] See Table 1 Production from Mines of Owyhee County, 1863-1923' at page 5.

[63] Troy oz. Au,' Troy ounce of gold = 31.1035 grams * 28.3495 grams! Avoirdupois weight ounce which we normally use for standard weights and measures.

[64] "Troy oz. Ag" Troy ounce of silver. See ftn. 65 regarding difference between Troy system of weights and `normal" Avoirdupois system of weights.

[65] See text with ftn. 27.

[66] See text with fins. 15 and 47. Cf. ftn. 74, the reported value per ton is based on recoveries using inefficient 19th Century milling and smelting processes. Recoveries from minable '$30 ore" would be greater now due to substantial improvements in milling and smelting technology.

[67] See text with ftn. 55. $221.74 per T_{ore} = 0.482 Troy oz. Au at $380/Troy oz. Au + 7.716 Troy oz. Ag at $5/Troy oz. Ag. But Cf. ftn. 74 regarding anticipated additional gold and silver recovery due to improved mill technology.

[68] An important fact to remember is the mill recoveries of silver and gold in the 1860's through the close of the War Eagle mines was normally lower than recoveries by modern processes. Depending upon the ore, historic text implies metallurgical recoveries were a full 10% lower than recoveries normally recorded from similar ores mined today. This lower recovery would ultimately effect minable cutoff grades applied by the old time miners, many times resulting in material left in the mountain that would be of value to a modern operation? Cupp, Barrett L, 'War Eagle Mountain Geologic Summary: