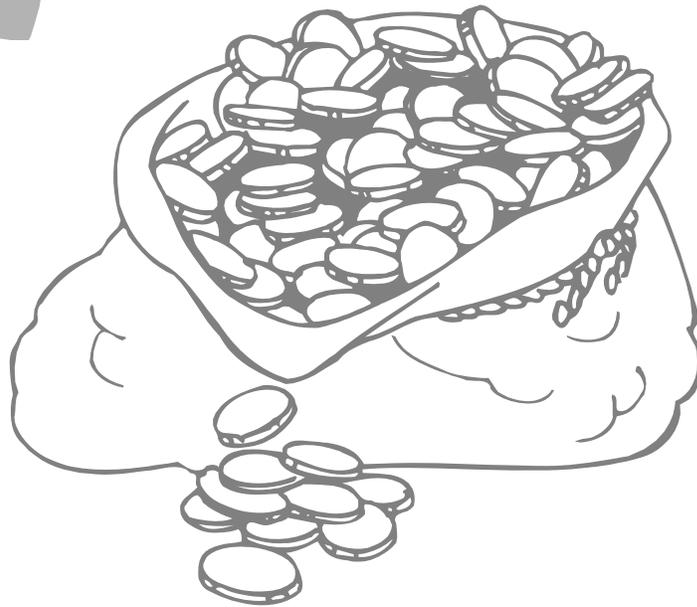
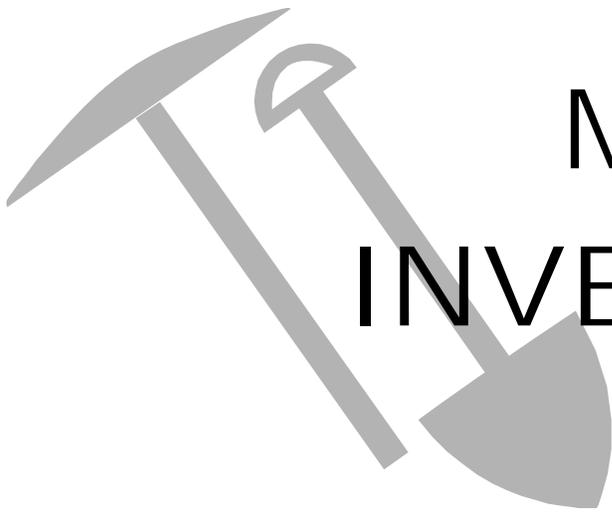


INVESTOR AWARENESS BULLETIN

A Guide to

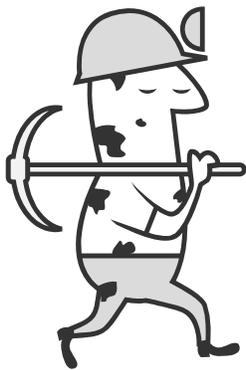
MINING INVESTMENTS



Securities Division
Arizona Corporation Commission

MINING INDUSTRY FRAUD

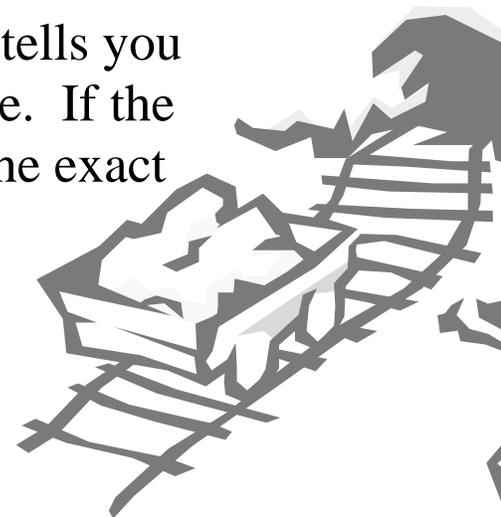
The problem of fraud in the precious metals mining industry continues to plague Arizona investors. The Arizona Corporation Commission's Securities Division has prepared this bulletin as a guide for the type of questions individuals should ask before investing in any mining program. All investments have risk, and no particular investment is guaranteed not to fail, no matter how diligently an investor has investigated the program prior to investing. Investigation prior to investment can reduce the risk of fraud.



One of the first questions you should ask before investing in a mining program is ...

WHERE IS THE MINE LOCATED?

The exact location of the mine site is often not disclosed in many mining investment scams, yet surprisingly people continue to invest in these programs without knowing where the actual mining is to take place. Press the people who are offering the investment to you (the offerors) for the exact legal descriptions of the site—do not accept a lay description such as “the proposed mine site is located approximately twenty-five miles northwest of Flagstaff, Arizona.” That type of description tells you nothing at all about the true location of the site. If the offerors cannot or will not provide you with the exact location of the mine, **DO NOT INVEST!!**





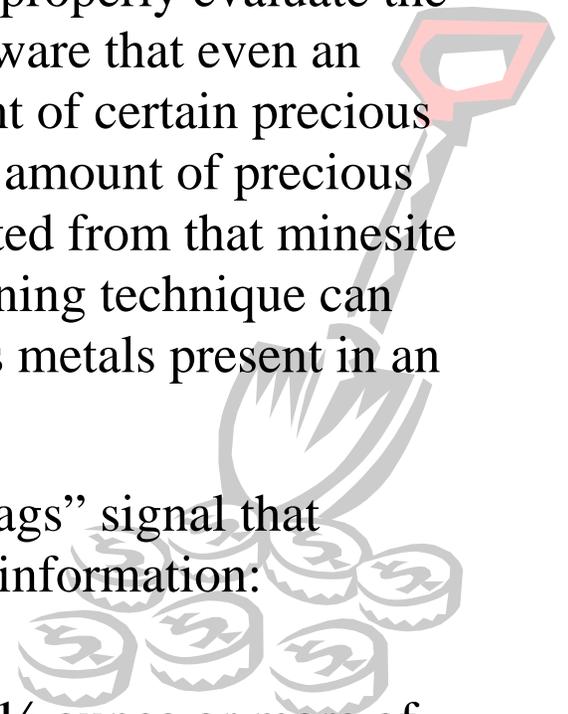
Once you know the exact location of the mine site, your next question should be ...

HAVE ANY ASSAYS BEEN PERFORMED ON THE ORE?

Usually, offering materials do provide what the offerors claim to be assays, but beware. Assays are only meaningful if they are based upon a systematic and scientific program of ore sampling. An assay based upon one or two ore samples is essentially meaningless—it takes literally hundreds or thousands of separate ore samplings to properly evaluate the true potential of a mine site. Also be aware that even an accurate assay only tells you the amount of certain precious metals in a specific ore sample, not the amount of precious metals that can be economically extracted from that minesite or even that sample. No mining or refining technique can economically extract all of the precious metals present in an ore body.

In reading assay reports, certain “red flags” signal that perhaps you are not receiving accurate information:

- 1** Reports indicating the presence of $\frac{1}{2}$ ounce or more of gold per ton of ore. A mine site with ore values consistently this high would represent one of the richest finds of the century!
- 2** Reports of precious metals not normally found together in the same ore. For example, while gold and silver are commonly found together, gold and platinum group metals are not.



3 Reports that traditional “fire assay” methods will not give an accurate reading of the precious metals content of the ore, while the offerors’ “secret” or “revolutionary” methods will. A fire assay performed in a correct manner will give an accurate reading of the precious metals content of any ore sample.

4 Assayers who meet certain qualifications are registered with the Arizona Board of Technical Registration; call the Board (602-364-4930) to see if the assayer is registered, and if there is any information available concerning public actions against the assayer.

If mining is currently going on at the site, be sure to get copies of all production reports.

Once you are satisfied that the ore at the mine site has commercial value, you are ready to ask the next question:

WHAT IS THE PRIOR MINING OR REFINING EXPERIENCE OF THOSE WHO WILL BE IN CHARGE OF THE MINING OPERATION?

Do not trust your money with people who have no prior experience in the mining industry. Mining is a highly skilled and technical profession, a field that cannot be profitably pursued by amateurs. If possible, check out ALL of the mining and business references provided by the offerors. If they have not provided you with any references, require them. If they have no references they can give you, or if their references are so vague that you cannot check on them, then the operators may not have any mining or refining experience.

You should next ask ...

WHAT IS THE FINANCIAL CONDITION OF THE PEOPLE WHO WANT MY MONEY?

Are the people to whom you will be giving your money financially solvent? Are they a newly created company with little or no assets? Do they personally have any financial stake in the venture, or are they merely a group of people who want to enter a high risk venture using other people's money? You don't know the answer to these questions until you see balance sheets, profit and loss statements, and other audited financial documents. Once again, if these types of financial statements are not provided to you, require them. Remember that the most meaningful financial statements are those that have been prepared by an independent certified public accountant.

Your next question is ...

HAVE ANY OF THE PERSONS ASSOCIATED WITH THE OFFERING BEEN THE SUBJECT OF PAST ACTION TAKEN BY A GOVERNMENTAL AGENCY OR PRIVATE PARTY?

Obviously, you want to know whether the people to whom you will be giving your hard-earned money have a history of law violations, civil lawsuits, or bankruptcies. Just as obviously, if the people who want your money do have such histories, they will naturally be reluctant to reveal their prior legal problems to you.

Contact the Securities Division for information about federal or state securities law actions. Also, contact the mining department, any other appropriate state agencies, and the



Better Business Bureau. If the mine site is located on public land, contact the state's land department, or federal agencies such as the Bureau of Land Management or the Forest Service. Review civil and bankruptcy court records. (Important numbers are listed on the last page of this bulletin.)

Having satisfied yourself that the people to whom you may be giving your money do not have a history of law violations, you should next ask ...

WHAT ARE THE COSTS AND OBLIGATIONS INVOLVED IN INVESTING IN THE PROGRAM?

How much is the investment going to cost you? What are you to receive for your money? A certain tonnage of ore? A certain number of ounces of precious metals? Stock? A pure cash return on your investment?

How is your investment to be made? In a lump sum, or in the form of periodic payments? Could you be required to provide additional money at some time in the future?

Under the terms of the offering, must you meet any obligations or perform any duties other than making the investment?

Once you understand the costs and obligations involved in investing in the program ask ...

WHAT ARE THE RISKS INVOLVED IN INVESTING IN THE PROGRAM?

All investments have some amount of risk involved in them, and the general rule is this: the greater the potential profit, the greater the potential risk.

-  What assurance do you have that the offerors will not simply take your money and run? Is your investment secured by real property or equipment? (NOTE: It is a “red flag” if the promoters are guaranteeing that you will not lose money, whether they are offering your money back on demand or guaranteeing that a certain amount of gold is available.)
-  If the price of gold drops suddenly, would it still be feasible to mine? Does the mining program depend upon a continuous stream of investment capital in order to operate the mine? If it does, what if the stream of money decreases or is cut off? It can take millions to begin a viable mining operation.
-  Do the mine operators have any conflicts of interest that could cause them to devote less than their best efforts to the mining project?
-  Mining is inherently dangerous. If a worker gets injured at the mine site, could you be held financially responsible? If an injured worker sues the mine, is there enough liability insurance to cover the worker’s claims?

If you are satisfied that you completely understand the risks involved in investing in the program, your next question is ...

EXACTLY HOW ARE THE OFFERORS GOING TO USE INVESTOR PROCEEDS?

You need to know just where your money will be going. Would some of your investment funds be used to pay sales commissions to the offerors or others? Towards salaries, legal fees, or other administrative expenses? How much of your investment money is actually going directly into the mining or refining of ore? What types of fees are going to be paid to the offerors? For what services? Arizona securities law requires that full disclosure be made to investors of the exact uses of proceeds in the venture. Finally, before you reach for your checkbook, you need to ask one more question...



CAN I AFFORD TO MAKE THIS INVESTMENT?

Be guided by your head, not your heart. Do not let “gold fever” lead you down an empty mine shaft. The basic warning to keep in mind when considering any investment, including mining investments, is this:

IF YOU CAN NOT AFFORD TO LOSE ALL OF YOUR INVESTMENT, YOU CAN NOT AFFORD TO INVEST!



IMPORTANT TELEPHONE NUMBERS

Arizona Corporation Commission's Securities Division (Toll free within Arizona)	602-542-0662 1-866-VERIFY-9
Arizona Attorney General's Office Complaint & Information Center	602-542-5763
Arizona Department of Mines and Mineral Resources	602-255-3795
Arizona Mine Inspector's Office	602-542-5971
Arizona Department of Environmental Quality	602-542-4791
Arizona Board of Technical Registration	602-364-4930
U.S. Bureau of Land Management (Phoenix)	602-417-9200
U.S. Forest Service (Phoenix)	602-225-5200
Better Business Bureau (Phoenix, Flagstaff, Yuma) (Tucson and Southern Arizona)	602-264-1721 520-888-5353

For additional information on how to investigate any offering before you invest, see "How Do I Verify Before I Buy Investments?," available on the Securities Division's web site at: www.azinvestor.gov (Click on Investor Info Center) or call 602-542-0428.



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