

LUXCOR GOLD, L.P.
FANCHER PROJECT
PLAN OF OPERATIONS MODIFICATION

Purpose and Scope. The Fancher Project (the Project) Plan of Operations was submitted in August 2011. BLM approval was granted April 25, 2012. This document is to request a Modification to the approved Plan of Operations. Please refer to the Fancher Project Plan of Operations of August 2011 for additional details.

Project Overview. The Fancher mine is located on federal lode mining claims in northern Yuma County, about 100 miles west of Phoenix, Arizona, as shown in Figure 1, Location Map. The area has been extensively disturbed by past mining and exploration, beginning in the 1930s and continuing until the present.

Luxcor Gold, L.P. (Luxcor) plans to extract about 60,000 tons of gold ore from the mine by underground mining methods and to haul the ore to a millsite for processing by gravity and flotation. Mill tailings will be disposed of on the millsite. Gravity and carbonate concentrates containing gold and silver will be sold to a smelter or concentrate buyer.

The Plan of Operations contemplated the use of a private millsite near Salome, Arizona, for processing the ore. This proposed Modification contemplates changing the millsite to a private millsite near Vicksburg, Arizona, which offers significant operational and environmental advantages, and a change to a portion of the haul route from the mine to the millsite.

Please refer to the Fancher Project Plan of Operations of August 2011 for additional details.

1.0 Claimant and Operator Information.

Luxcor owns the new millsite near Vicksburg and will use the property for milling and tailings disposal.

Please refer to the Fancher Project Plan of Operations of August 2011 for the remainder of the Claimant and Operator Information.

2.0 Claims, Location, Access, Area Description.

2.1 Claims. Please refer to the Fancher Project Plan of Operations of August 2011.

2.2 Location. Please refer to the Fancher Project Plan of Operations of August 2011.

2.3 Access. Please refer to the Fancher Project Plan of Operations of August 2011.

2.3.1 Mine site. Please refer to the Fancher Project Plan of Operations of August 2011.

2.3.2 Millsite. The Vicksburg millsite (the Millsite) is located $\frac{3}{4}$ miles west of Vicksburg Road approximately 1.9 miles north of I-10. The Millsite is located on 40 acres, the NW $\frac{1}{4}$ of the SW $\frac{1}{4}$ of Section 26, T4N, R15W, G&SRB&M. The proposed route uses 22 miles of Hovatter Road from the mine to I-10. Use of this portion of the route was authorized in the approved Plan of Operations. The new route leaves Hovatter Road at I-10 and continues west 8.6 miles on I-10 to Vicksburg Road, north 1.9 miles on Vicksburg Road to the Millsite turn-off, then west 0.75 mile on a private road to the Millsite. Figure 2 shows the mine, the new and old millsites, and the routes to the new and old millsites.

2.4 Area Description.

2.4.1. Mine site. Please refer to the Fancher Project Plan of Operations of August 2011.

2.4.2. Millsite. The Millsite is on private land located on the Ranegras Plain, a featureless, nearly-flat plain lying between the Granite Reef and Little Harquahala Mountains on the east, and the Palomas Mountains on the West. The area slopes gently to the northwest. Bouse Wash drains the area but is indistinct on the part of the plain near the Millsite. The elevation of the Millsite is about 1160 feet. Vegetation is sparse, consisting mainly of creosote bush.

2.4.3 Roads. Verdstone and Hovatter Roads have been in use for many years to support mining, ranching, recreational and other uses. The existing roads average 22 to 24 feet in width. Interstate 10 is a major interstate highway. Vicksburg Road is classified as a Rural Major Collector by the Arizona Department of Transportation. It is a two-lane paved road approximately 22 feet wide plus shoulders. Legal gross vehicle weight is 80,000 lbs. The Millsite road is a private 24 foot wide unpaved dirt road within a 33 foot wide easement. The Millsite road will be graveled to accommodate haul trucks.

2.5 Previous Operations.

2.5.1 Mine site. Please refer to the Fancher Project Plan of Operations of August 2011.

2.5.2 Millsite. The millsite is essentially undisturbed except for a few informal roads and a small amount of scattered trash. The area offers marginal grazing for cattle and wildlife.

2.5.3. Roads. Please refer to the Fancher Project Plan of Operations of August 2011 for a discussion of Hovatter Road and Verdstone Road.

Interstate 10 (I-10) is a major east-west interstate highway, connecting Phoenix to Los Angeles. The haul route will use 8.6 miles of I-10 between the Hovatter Road and Vicksburg Road exits.

Vicksburg Road is a Rural Major Collector, which connects Interstate 10 to U.S. Highway 60 and State Route 72. It primarily serves the agricultural industry in the Vicksburg area. The haul route will use 1.9 miles of Vicksburg Road between I-10 and the Millsite turnoff.

The Millsite road is a ¾ mile long private dirt road that serves only the Millsite.

3.0 Description of Operations.

3.1 Roads. Ore will be hauled from the mine to the mill over Verdstone Road, Hovatter Road, I-10, Vicksburg Road and the Millsite road. Please refer to the Fancher Project Plan of Operations of August 2011 for a discussion of Hovatter Road and Verdstone Road.

The haul route also uses I-10, Vicksburg Road and the Millsite road. I-10 is maintained by the Arizona Department of Transportation. Vicksburg Road is maintained by La Paz County. The Millsite road will be maintained by Luxcor.

3.2 Mine Development. Please refer to the Fancher Project Plan of Operations of August 2011.

3.3 Mining. Please refer to the Fancher Project Plan of Operations of August 2011.

3.4 Ancillary Facilities. Please refer to the Fancher Project Plan of Operations of August 2011.

3.5 Processing. Ore from the mine will be hauled approximately 34 miles to the Millsite. The Millsite is located on 40 acres of patented land west of Vicksburg Road, near Vicksburg, Arizona, as shown in Figure 2. Figure 3 shows the Millsite layout.

Dewatered mill tailings, classified as inert material by the ADEQ, will be used to construct a portion of a county-required flood control berm around three sides of the Millsite, open to the north. The tailings will be coated with a non-petroleum based binder as they are placed to prevent erosion and dust.

Luxcor has several options for milling equipment. The equipment given in the table below is appropriate for the crushing, grinding, gravity recovery and flotation process. Actual equipment may be slightly different although the process will not change.

TABLE 1. MILLING EQUIPMENT LIST

NO.	MILLING EQUIPMENT
1	Mobile crushing/screening plant including:
	Crusher
	Screen
	Internal conveyors
	Output conveyor
1	Ball mill, 6' x 6'
1	Spiral classifier
2	Concentrating tables, 6' x 15'
1	Centrifugal concentrator

4	Agitated flotation cells
1	Vacuum concentrate filter
1	Vacuum tailings filter
3	Centrifugal pumps and piping
1	Front-end loader, 4 yd.
1	Dozer, 185 hp
1	Emergency generator, 815 hp
1	Office/lab trailer
1	Fuel tank, 7000 gal. above-ground dual containment
1	Water tank, 30,000 gal.

About 34 gallons per minute (gpm) of new and reclaimed water will be required at the planned throughput of 200 tons per day. Water losses include about 15% in tailings and 10% evaporation. About 75%, 26 gpm, will be recovered and re-used in the process. New water required will be about 8 gpm, continuous, which will be obtained from an on-site well. Agricultural wells in the vicinity yield hundreds of gallons per minute,

Electrical power will be obtained from an Arizona Public Service power line along Vicksburg Road.

Gravity and carbonate concentrate will be sent to a smelter or sold to a concentrate buyer. About 10 tons of concentrate are expected to be produced per day at 200 tpd mill feed.

Potential permits for the Millsite and their status are:

- The Millsite is located in Flood Zone A, as identified on Federal Emergency Management Agency Flood Insurance Rate Map No. 04012C1375C (08/28/08). La Paz County Flood Control District requires a site grading plan with contours and elevations for foundations and roads. A flood control berm is also required. Luxcor has prepared the required grading plan.
- Air Quality Permit. The Millsite will require a Class II Air Quality Permit due to the potential to emit quantities of particulates above the permit threshold and the presence of an emergency generator exceeding the permit threshold of 325 brake horsepower (bhp). These permits are issued by the Arizona Department of Environmental Quality (ADEQ). Regulated pollutants emitted at the mill are particulate matter (PM) and fine particulates (PM₁₀ and PM_{2.5}), plus nitrogen oxides (NO_x), sulfur dioxide (SO₂) and carbon monoxide (CO). Mill emissions modeled using USEPA AERSCREEN model are shown in the table below. As shown in the table, pollutant levels at the property boundary are well below National Ambient Air Quality Standards.

TABLE 2. MILL AIR EMISSIONS AT PROPERTY BOUNDARY

POLLUTANT	CONC. ($\mu\text{g}/\text{m}^3$)	NAAQS ¹ ($\mu\text{g}/\text{m}^3$)
Annual NO _x	1.25	100
24 hr. PM ₁₀	91.31	150
24 hr. PM _{2.5}	19.14	35
Annual PM _{2.5}	2.01	15
1 hr. SO ₂	0.18	200
Annual SO ₂	0.00	80
1 hr. CO	271.58	40,000
8 hr. CO	244.42	10,000

Note: Standards no longer in effect are not included in the table.

¹ National Ambient Air Quality Standards, USEPA Office of Air and Radiation 7/1/2011

Mill emissions rates for criteria pollutants, greenhouse gasses (GHG), volatile organic compounds (VOC) and total hazardous air pollutants (HAPs) are shown in the table below.

TABLE 3. MILL EMISSIONS RATES

POLLUTANT	SITE-WIDE EMISSIONS	
	(lb/hour)	(tons/year)
NO _x	12.33	3.08
PM ₁₀	1.34	0.14
PM _{2.5}	0.94	0.01
SO ₂	0.01	0.002
CO	15.27	3.82
VOC	1.74	0.44
GHG	933.57	233.39
Total HAPs	0.01	4.26

The concentrations and rates shown in the above tables are uncontrolled. PM and PM₁₀ emissions will be controlled by water sprays at key material transfer points, which will lower actual emissions by about 90%. An Air Quality Permit application has been submitted to the ADEQ. The permit will be submitted to the BLM when received.

- Aquifer Protection Permit (APP). Luxcor applied for and received a Determination of Applicability from the ADEQ stating that the ore and tailings are inert materials and do not require a permit under the APP program. Please refer to the Fancher Project Plan of Operations of August 2011.
- AZPDES Mining MSGP 2010. Coverage under this permit is required for precipitation runoff from the mill area. Coverage is obtained by preparing a Storm Water Pollution Prevention Plan (SWPPP), controlling potentially

impacted runoff as stated in the SWPPP, and filing a Notice of Intent (NOI) with the ADEQ. The SWPPP is retained on site and is not submitted to the ADEQ unless state-designated impaired or outstanding waters could be impacted, which is not the case at the Millsite. Luxcor is preparing a SWPPP for the Millsite and will submit a NOI for coverage under MSGP 2010 once runoff control measures have been installed. A copy of the NOI will also be submitted to the BLM.

- **Section 404 Permit.** Although the Millsite is in a designated flood zone, it is not located within Waters of the United States, as defined. Luxcor will not dredge or fill Waters of the United States under the jurisdiction of the Corps of Engineers so a 404 Permit is not required.

3.6 Water Management Plan.

3.6.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011.

3.6.2 Millsite. About 34 gpm of new and reclaimed water will be required at a throughput of 200 tons per day. Water losses include about 15% in the tailings and 10% evaporation. About 75%, 26 gpm, will be recovered by the tailings filter and re-used in the process. New water required will be about 8 gpm, continuous. New water will be obtained from an on-site well. Runoff will be handled in accordance with the SWPPP.

3.7 Rock Characterization and Handling Plan. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8. Quality Assurance Plans. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8.1 Ore grade and characteristics. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8.2 Waste rock characteristics. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8.3 Tailings characteristics. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8.4 Precipitation runoff quality. Please refer to the Fancher Project Plan of Operations of August 2011.

3.8.5 Concentrate quality. Please refer to the Fancher Project Plan of Operations of August 2011.

3.9 Spill Contingency Plan.

3.9.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011.

3.9.2 Millsite. Please refer to the Fancher Project Plan of Operations of August 2011.

3.10 Fire Plan.

3.10.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011.

3.10.2 Millsite. Please refer to the Fancher Project Plan of Operations of August 2011. The McMullen Valley Fire District (Salome Fire Department) is located in Salome, 15 miles from the Millsite.

3.11 Emergency Response Plan. Please refer to the Fancher Project Plan of Operations of August 2011.

3.12 Storm Water Pollution Prevention Plans. Please refer to the Fancher Project Plan of Operations of August 2011.

3.13 Surface Disturbance. Please refer to the Fancher Project Plan of Operations of August 2011.

3.14 Waste Management. Please refer to the Fancher Project Plan of Operations of August 2011.

3.14.1 Solid Waste. Please refer to the Fancher Project Plan of Operations of August 2011 for solid waste handling at the mine site. At the Millsite, mill tailings will be used to build a portion of the required flood control berm.

1.14.2 Hazardous Waste. Please refer to the Fancher Project Plan of Operations of August 2011.

3.14.3 Sanitary Waste. Please refer to the Fancher Project Plan of Operations of August 2011.

3.14.4 Specific Waste Management Activities, Mine and Mill. Please refer to the Fancher Project Plan of Operations of August 2011.

3.15 Noxious Weeds. Please refer to the Fancher Project Plan of Operations of August 2011.

3.16 General Schedule. Please refer to the Fancher Project Plan of Operations of August 2011.

3.17 Public Safety and Site Security. Please refer to the Fancher Project Plan of Operations of August 2011 for mine site security. For the Millsite, a gate will be installed across the Millsite road at the property boundary and will be kept locked when workers are not present. Warning signs will be installed at the gate. The main electrical power breaker will be turned off and locked out when workers are not present to prevent unauthorized starting of electrical equipment.

4.0 Transportation.

4.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011.

4.2 Millsite. Please refer to the Fancher Project Plan of Operations of August 2011.

5.0 Interim Management Plan.

Please refer to the Fancher Project Plan of Operations of August 2011.

5.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011.

5.2 Millsite. Please refer to the Fancher Project Plan of Operations of August 2011.

6.0 Reclamation Plan.

6.1 Mine Site. Please refer to the Fancher Project Plan of Operations of August 2011. The estimated cost of reclamation is \$62,075. Please refer to the attached Reclamation Bond Calculation Spreadsheet.

6.2 Millsite. Reclamation will be decided by Luxcor as property owner to suit the future use of the site.

7.0 Monitoring Plan.

7.1 Wildlife. Please refer to the Fancher Project Plan of Operations of August 2011.

7.2 Archaeological Sites. Please refer to the Fancher Project Plan of Operations of August 2011.

7.3 Surface Water Quality. Please refer to the Fancher Project Plan of Operations of August 2011.

7.4 Reclamation Success. Please refer to the Fancher Project Plan of Operations of August 2011.

8.0 Occupancy.

Please refer to the Fancher Project Plan of Operations of August 2011.

9.0 Acknowledgements.

Please refer to the Fancher Project Plan of Operations of August 2011.

Signatures.

SUBMITTED BY:
LUXCOR GOLD, L.P.

_____ Date _____
Jim W. Clark, President

PREPARED BY:
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