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May 30, 1975

Mr. Paul O'Malley
Chairman and President
Essex International Inc.
1601 Wall Street
Fort Wayne, Indiana 46804

Personal and Confidential

Dear Paul:

Further to our phone conversation of today, I am enclosing herewith my preliminary report on the Commonwealth property. Several of the maps are not yet completed but the report will serve to acquaint you with the project.

I would appreciate having your comments on the report and will be in touch with you in several weeks.

Yours Sincerely,

Paul Ennis

SEE 2002
PEARCE PROJECT

PAPER FOR THE NEW MEXICO-ARIZONA GEOLOGIC MEETING IN SILVER CITY, MAY 22, 1975 by PAUL I. EIMON, Mining Geologist, Tucson, AZ.

"Silver mine production has failed to meet reported industrial need for sixteen consecutive years. During this period, industry consumed an estimated 5.2-billion ounces of silver...while mine production totaled 3.8-billion ounces --- or 1.4-billion ounces less than industry used.

"This void was filled via sales of silver from "other sources." The passing of time has seen this shortfall continue to widen. During nine of the past ten years, annual production deficits have exceeded the 100-million-ounce level. During the past three years, average annual deficits have exceeded 180-million-ounces. In addition, since 1972, mine production has filled only 57% of industrial needs as compared with filling 70% during the three prior years. This most recent figure - 57% of need - represents the smallest percentage filled since production deficits were recorded. Indeed, the sharply higher overall price levels, evidenced since the U.S. treasury lifted the $1.29 price ceiling in May 1967, have failed to change a worsening silver production picture when contrasted with use."

"Domestic mine production covers only about 20% of industrial needs."

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These are not statements from a geologist interested in silver. They come from a silver review released two weeks ago by Merrill, Lynch, Pierce, Fenner & Smith. The report continues and I quote:

"Based upon figures from Handy & Harmon and other sources, we estimate total potentially available silver, including metal from India, at between 1 - to - 1.5-billion ounces. This seemingly large figure tends to shrink when considering it might fill production deficits for perhaps only five or six years. In this context, the need to develop silver resources seems more apparent.

"Assuming that a cyclical economic recovery begins later this year, we believe silver values could work higher during the second half of 1975 and perhaps reach or exceed the $5.00 level by year's end.

"Thereafter, CONTINUALLY DIMINISHING SUPPLIES OF SILVER - because of production deficits and likely growing demand by industry and speculative interests - SUGGEST A MARKET ENVIRONMENT THAT COULD SUPPORT A $6.00, $9.00, OR EVEN HIGHER PRICE LEVEL during the years ahead." End quote.

Accompanying the Merrill-Lynch text are excellent charts showing silver use, historic price patterns, production, consumption, and changing stock positions. I suspect that this booklet reflects a REAL SHIFT IN COMMODITY INVESTMENT THINKING ON SILVER. On a much smaller scale than oil, there will be a new industry and government emphasis on the geology of silver and the search for new deposits to fill the deficit between production and industrial use.

Silver occurs in a wide variety of deposits and contributes varying economic force to a mine or mining venture. Silver can contribute a major part of the gross sales (75%-100%) of a specific mine and such a mine would be classified as a SILVER MINE. For example - Kongsberg in Norway, Guanajuato and Pachuca in Mexico, the early development of Cerro Rico de Potosi in Bolivia and a number of the bonanza camps in Nevada.

Silver may contribute a significant part of ore value as in many lead-zinc mines or may be a minor by-product as in the porphyry copper deposits.

Silver's greatest contribution to world economic development came in the period 1870-1930 from enriched epithermal "bonanza type" deposits characterized by near-surface, very rich concentrations that sparked the early camps of Mexico, the western USA, and the South American cordillera.

Early world silver production came from mines whose major economic product was silver and/or gold. As industrial demand grew for metals such as lead, copper and zinc, multi-metal mines were created and silver became a by-product. The bonanza silver deposits, high-grade and near-surface, were found and worked out. Base metal mines with minor silver content became the principal sources of silver. Currently, less than one-third of the silver production of the USA comes from silver ores...most of this from Idaho from deep mining of lead-silver veins.

THE INFLEXIBILITY OF U.S. SILVER PRODUCTION - the fact that it has not increased in response to increases in the price of silver - derives from this fact -- that silver comes as a by-product rather than as the principal product of U.S. Mines.

Geologically, Silver occurs in a great variety of deposits - mostly in combination with other metals. Many silver-bearing deposits are in or near igneous rocks to which they probably are genetically related. Because of this relationship, the principal locus of western hemisphere silver deposits is the volcanic intrusive provice along the western margin of the North and South American continents. Ore deposits containing silver range in age from pre-Cambrian to late Tertiary with more deposits in the western hemisphere being Laramide or Tertiary in age

because of the prevalence of igneous activity during this geologic time span. Approximately three-quarters of the world's silver production comes from the Cordillera.

For the purpose of assessing world silver reserves, the following classifications have been selected:

1 - Vein, Manto, or Scarn
2 - Stratabound-volcanic
3 - Stratabound-sedimentary
4 - Porphyry or stockwork
and 5 - Other

Because silver occurs in such a wide variety of deposits., these classifications are of necessity generalizations. Estimated production reserve percentages and examples of each classification are as follows.

(1) VEIN, MANTO OR SCARN 35%

Pachuca, Guanajuato, Catorce, Texco, Zacatecas
The bonanza camps of the western USA
Cobalt, Ontario, Keno Hill
Many of the Bolivian and Peruvian deposits
Kutna Hora in Czechoslovakia
Coeur d'Alenes

(2) STRATABOUND - VOLCANIC 15%

Kidd Creek....a number of Japanese deposits

(3) STRATABOUND-SEDIMENTARY 30%

Polish deposits - Lubin
Chanarcillo in Chile
Mt. Isa in Australia
Larium, Greece
Kongsberg, Norway

(4) PORPHYRY OR STOCKWORK 15%

Cerro Rico de Potosi, Bolivia
Sam Goosley, British Columbia
Known porphyry copper deposits

(5) OTHER

Waterloo - Calico District, California
Sudbury, Canada
Tsumeb, Africa - pipe in sediments

In classifying the largest past silver producers in the world, one is confronted with extremely inaccurate data. My estimate shows the following deposits with OVER ONE-HALF-BILLION OUNCES of production:

| | |
|---|---|
| 1 - Cerro Rico de Potosi | 2-BILLION OUNCES |
| 2 - Larium in Greece | plus 1-BILLION OUNCES |

In 483 BC, production from Larium financed the Athenian fleet which defeated the Persians. Athen's strength in history was greatly aided by production from Larium.

| | |
|---|---|
| 3 - Pachuca, Mexico | 1-BILLION |
| 4 - Broken Hill, Australia | 630-MILLION OUNCES |
| 5 - Butte, Montana | 620-MILLION OUNCES |
| 6 - Various Mexican deposits | 1/2-BILLION OUNCES |

WHERE WILL THE SILVER RESERVES BE FOUND TO FILL THE GROWING PRODUCTION-DEMAND GAP?

Geologically, the directions are many: many rock types, hydrothermal systems, sedimentary environments, structural types.

Known silver-producing environments, areas, or districts that should produce new discoveries or increased silver production include:

1 - Mexican deposits (Zacatecas)
2 - Porphyry copper deposits - Sam Goosley, BC
3 - Stratabound sedimentary deposits - Lubin, Poland
4 - Volcanogenic deposits - Kidd Creek
5 - The Coeur d'Alenes - ASARCO
6 - Pb-Zn deposits in carbonate rocks - Missouri
7 - Mt. Isa - Hilton - Broken Hill
8 - Western USA silver camps - Delemar, Candalaria
9 - Potosi and other Bolivian camps
10 - Peru - Chile Chancarillo
11 - Other - Waterloo

Other areas that might be profitably investigated include:

- Silver-rich shales and other sediments
- Silver-uranium associations
- Silver in Red Sea muds
- Silver porphyry deposits WITH minor copper and molybdenum

Now let's take a look at silver distribution. These slides were made from a map that Gene Demeter and I have been working on for a number of years. The copy used for these slides is not edited...but contains most of the known reserves and past production figures.

(show slides and comment)

CONCLUSION

A FACT, as we talk about future reserves of silver ores, is that HOARDED AND BY-PRODUCT SILVER CAN NOT BE RELIED UPON TO COVER THE GROWING DEFICIT.

The U.S. Bureau of Mines has predicted a 400-MILLION-OUNCE global annual deficit by 1985.

To make up the deficit, if we consider that a 3-thousand-ton-per-day mine yielding 2-OUNCES of silver a ton as commercial, WE WOULD HAVE TO BRING INTO PRODUCTION SUCH A MINE - starting next week - EVERY 19 DAYS FOR THE NEXT TEN YEARS!

AC-016

avoid verbal orders

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TO P. W. O'Malley LOCATION Fort Wayne, Ind.

FROM R. A. Kelly LOCATION Fort Wayne, Ind.

SUBJ. Commonwealth Mine DATE June 23, 1975

COPY TO

P

I would not recommend an investment in this silver exploration for these reasons:

1. This report does not indicate the size if investment required nor the percentage ownership available. However, I would assume the drilling, sampling, surveying, etc., would require a minimum total investment commitment between $300-$500,000.

2. Although mining and concentrating cost estimates are not included, present reserves of "from 5-25 million tons of ore with values between $10-$18 per ton and a 3-1 stripping ratio" would put recovery per ton at $2.80 to $5.20. I would guess costs to be in the $3 to $4 range.

3. Present silver prices (at about $4.00 an ounce) are being held at this level by speculators (particularly Hunt of Texas). This price has been fairly constant even though U.S. industrial usage has dropped greatly. In any event, I do not expect gold or silver prices to increase in the next two years.

4. If I were inclined to invest in exploration at this time, I believe coal, gas or oil to have better market potentials for the next few years.

Dick

Dick Kelly

RAK:nd

Gentlemen
for the file