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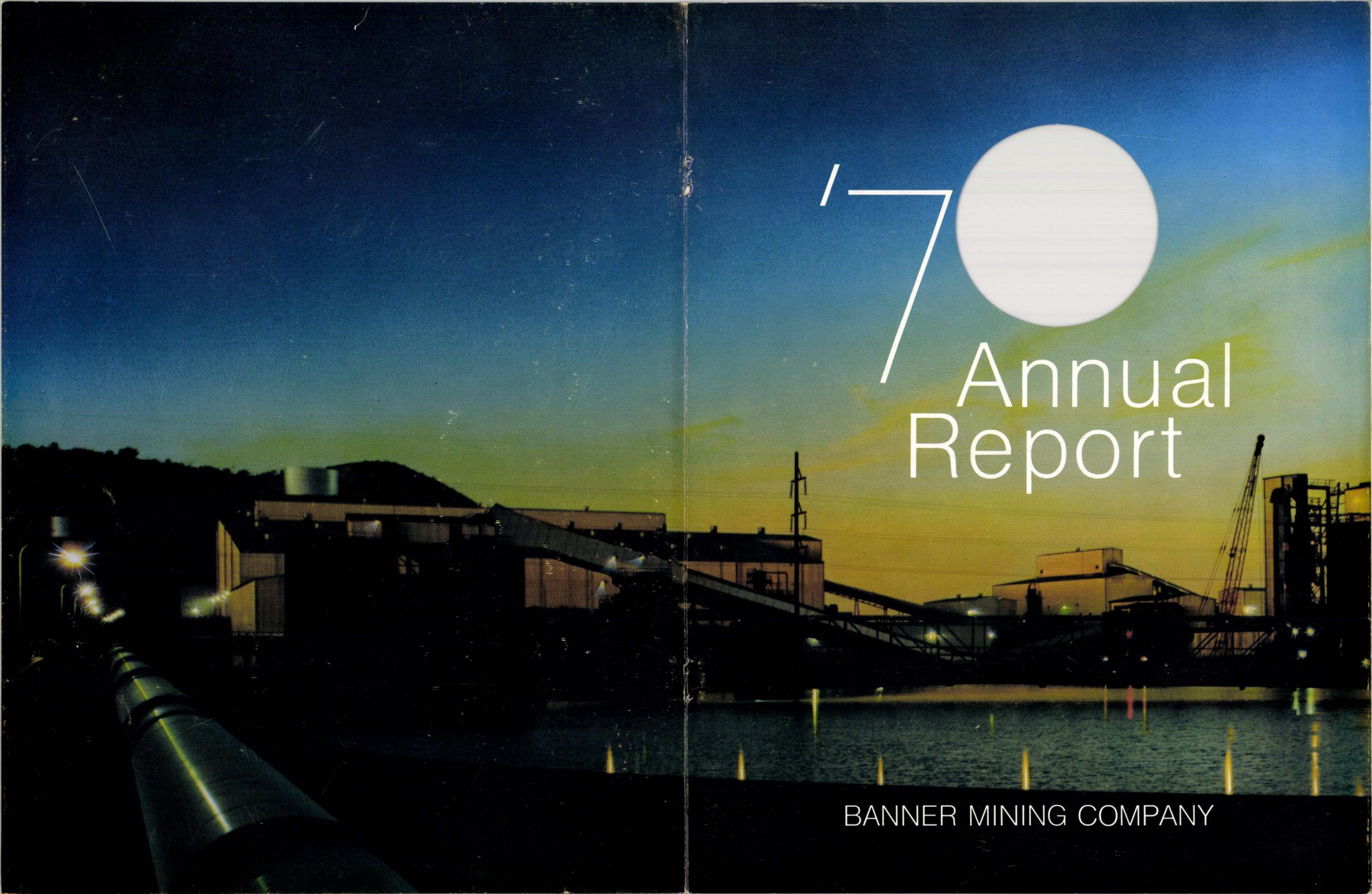
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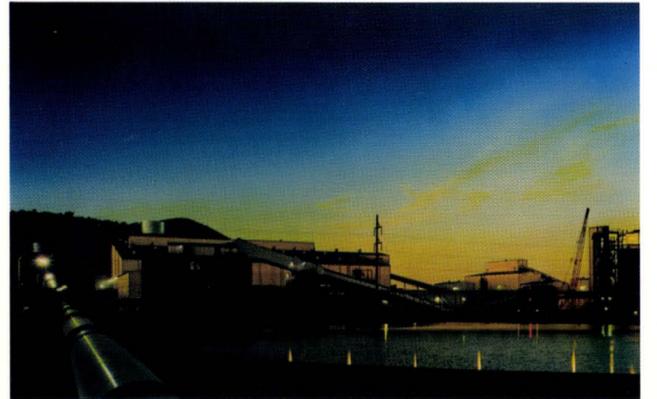
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70 Annual Report

BANNER MINING COMPANY

COVER:
This is an early-evening panorama of
The Anaconda Company's concentrator and production
complex on Banner's Twin Buttes property.





BANNER MINING
COMPANY

Annual Report

AS OF DECEMBER 31

1970

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Sunset at Twin Buttes silhouettes
the conveyor rushing ore to Anaconda crushers.

General Offices:
Tucson, Arizona **4320 85717**
P. O. Box ~~5605~~ (85703)

Executive Committee:
Harold E. Raddatz La Jolla, California
Jack G. Taylor Salt Lake City, Utah
Sherman B. Hinckley Salt Lake City, Utah
Allan B. Bowman Tucson, Arizona
John M. Wallace Salt Lake City, Utah

Transfer Agent:
Walker Bank & Trust Co.
Salt Lake City, Utah

Registrar:
Walker Bank & Trust Co.
Salt Lake City, Utah

Legal Counsel:
Titty, Siewright & Mills
Phoenix, Arizona

Officers & Directors:



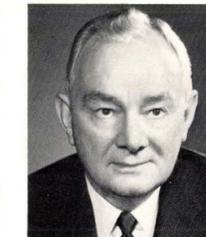
Allan B. Bowman
Tucson, Arizona
President & General Mgr.



John M. Wallace
Salt Lake City, Utah
Vice-President



James E. Hogle
Salt Lake City, Utah
Secretary-Treasurer



David C. Bintliff
Houston, Texas



Mrs. Amylee Travis
Chamberlain
Birmingham, Michigan



Sherman B.
Hinckley
Salt Lake City, Utah



Roy M. Jacobs
Milwaukee, Wisconsin



Stewart W. Mark
Oklahoma City, Oklahoma



Harold E. Raddatz
La Jolla, California

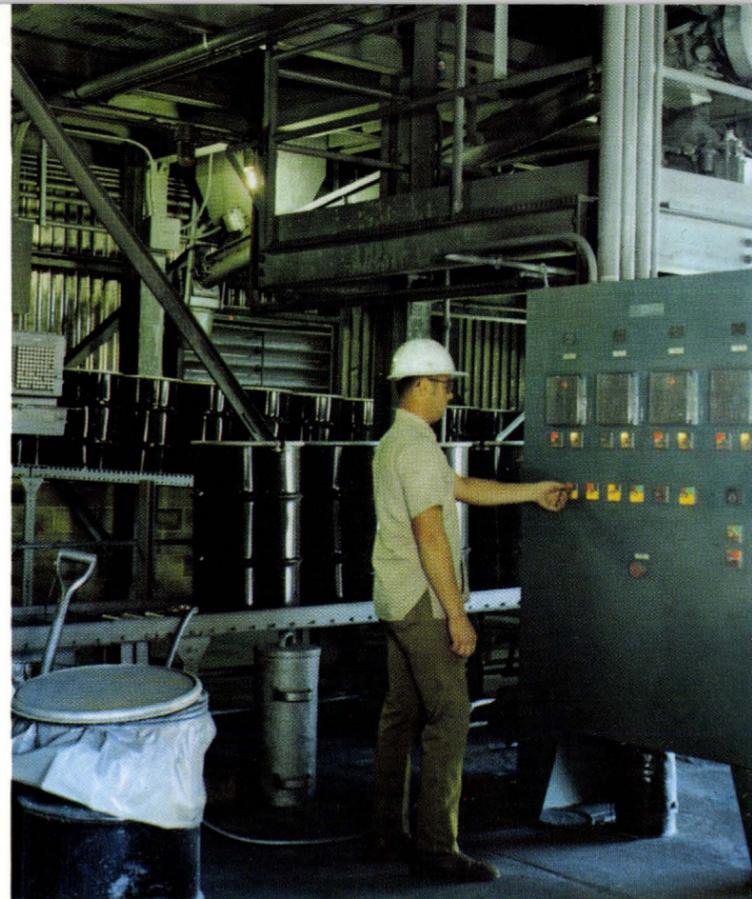


Jack G. Taylor
Houston, Texas

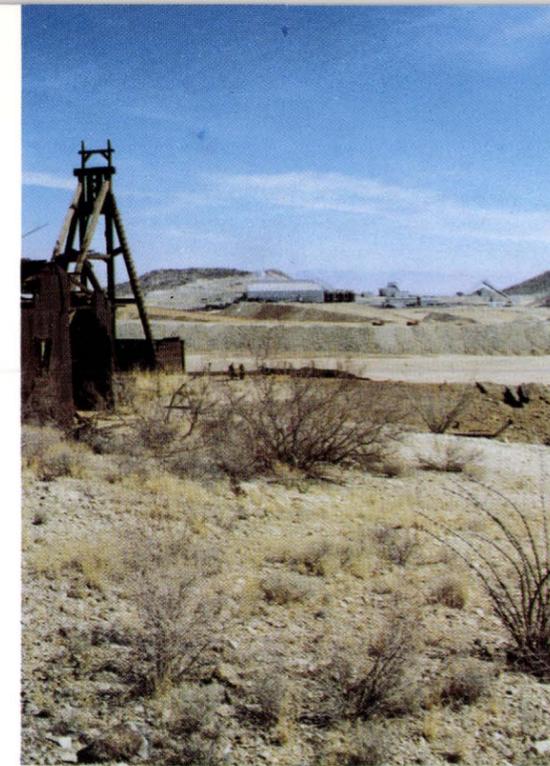
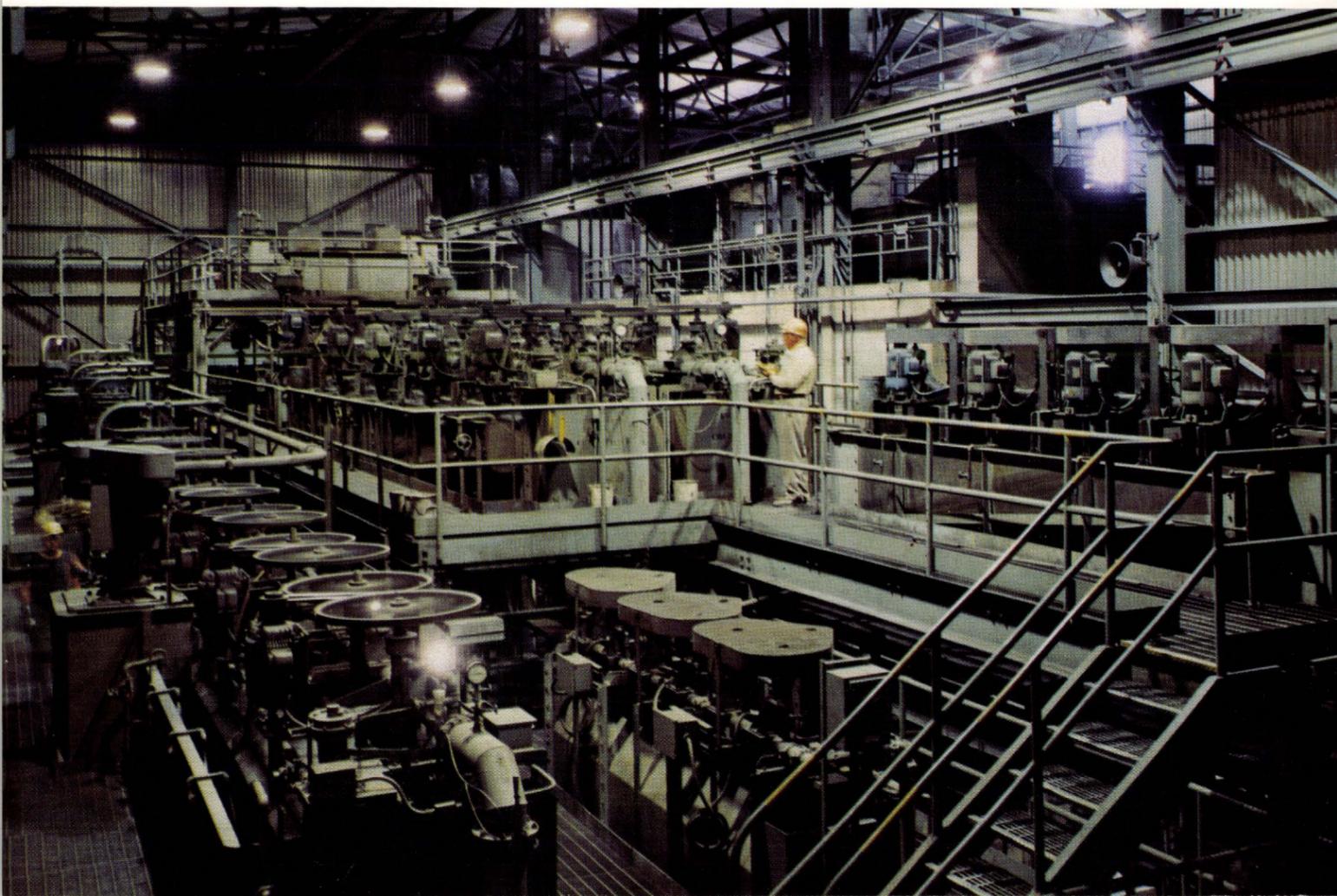


Prior to drying, much of the water is removed from the molybdenum concentrate in these thickner tanks.

This is an overall view of the molybdenum plant's flotation sections.



Metal drums are filled with dried molybdenum concentrate on the assembly line and readied for shipment.



The mining ghosts of the past stand as silent sentries for today's vast activity at Twin Buttes.

To Our Shareholders:

1970 was the first full year of production at the Twin Buttes Mine. 8,975,192 tons of ore were processed in the mill from which 285,023.1035 tons of concentrate were produced having a copper content of 175,751,527 pounds of copper. Molybdenum concentrates containing 265,607 pounds of molybdenum were produced. Silver production totalled 1,206,310 ounces.

Sales of copper as concentrates or refined copper totalled about 125,678,221 pounds with a gross sales value of \$72,279,243.85. This total includes 1969 production which was not sold until 1970.

Sales of other metals were as follows:

Silver	\$1,352,408.23
Molybdenum	12,258.80
Gold	16,296.73

Grand total for all metal sales amounted to \$73,660,207.61.

Our information indicates that the unsold copper on hand in concentrates, in other stages of smelting and refining, and as refined copper, amounted to about 62,000,000 pounds as of December 31, 1970. This is the total after deducting the estimated smelting and refining losses. Demand for copper slackened materially in the last quarter of the year and between

Left: This aerial view shows the Anaconda Company's progress in the development of Banner's properties at Twin Buttes.

October 22nd and December 1, 1970, the price dropped in two steps from 60 cents to 53 cents per pound. As a result of the weakening demand, sales of copper dropped materially in the last two months of the year.

Net Profits and Royalties

Unaudited reports from Anaconda show the net profit from the Twin Buttes operation for the year of 1970 to be \$17,494,759.30. Our 55% share of this reported net profit as a production royalty amounts to \$9,622,117.62. Banner's share of the net profit would be substantially greater except that Anaconda has charged all stripping during 1970 at Twin Buttes to current operations. Part of this stripping was in excess of that required for normal mining operations and it is the contention of Banner that the agreement between it and Anaconda requires that these expenditures for excess stripping be deferred. Banner is communicating with Anaconda regarding this matter.

As reported to you in earlier annual reports, Banner received from Anaconda advanced royalties of \$1,750,000.00 each year commencing January 1, 1965 and yearly thereafter to and including January, 1970. These advanced royalties totalled \$10,500,000.00. Inasmuch as our production royalty for 1970 was \$9,622,117 our income was limited to the advanced royalty of \$1,750,000.00 already received in that year. At December 31, 1970, our account with The Anaconda Company was as follows:

Advanced royalties received from The Anaconda Company:

1965	\$ 1,750,000
1966	1,750,000
1967	1,750,000
1968	1,750,000
1969	1,750,000
1970	1,750,000
	<hr/>
	\$10,500,000

Less production royalty earned in 1970	\$9,622,117
	<hr/>
	\$ 877,883

Loans and interest payable to The Anaconda Company	\$ 3,890,888
--	--------------

Amount to be repaid to The Anaconda Company from future production royalties	\$ 4,768,771
--	--------------

In 1971, the Company has received advanced and minimum royalties totalling \$1,750,000 which will be reflected as 1971 transactions. Future earned production royalty payments to be received through 1977 will not be reduced to repay any part of the above below a royalty of \$1,750,000 as provided in the agreement.

The net earnings of your Company for the year 1970 were \$874,325.00 which compares with \$726,928.00 in 1969.

A dividend of twenty-two cents (\$0.22) per share on the common stock of the Company totalling \$1,531,279.00 was paid to the shareholders on January 20, 1970.



Every stage of operation in the Twin Buttes concentrator is monitored by the automated control center.

Proposed Merger Terminations

On March 29, 1971 it was determined that the proposed transactions providing in effect for the merger of the Company, Rico Argentine Mining Company, Tintic Standard Mining Company and Consolidated Eureka Mining Company into Houston Natural Gas Corporation had been terminated. As previously announced, your Company had entered into a letter of understanding with Houston Natural Gas Corporation in June 1970 under which Banner shareholders, together with shareholders of Rico, Tintic and Consolidated, would have received an aggregate of 3,480,180 shares of Houston Natural \$2 Cumulative Convertible Preference stock in the ratio of one share of the Preference stock for each two shares of Banner's outstanding common stock, including shares held by Rico, Tintic and Consolidated. The decision to terminate the proposed merger plan was due primarily to declines in copper prices and other

changes in conditions since the tentative arrangements were made in June 1970. Your management has at this time no plans for further discussions with Houston Natural.

Shortly after the proposed merger with Houston Natural was announced it was ascertained that Rico, Tintic and Consolidated by virtue of their ownership of the Company's shares, or a controlling relationship with the Company, might be "inadvertent investment companies" subject to regulation under the Investment Company Act of 1940. In September these three companies filed Applications with the Securities and Exchange Commission, among other things, seeking Orders under the 1940 Act to the effect that they are not



Twin Buttes production continues on an around-the-clock schedule.

"investment companies." Certain temporary exemptions from the provisions of the 1940 Act have been granted to these companies. Your management is advised that the three companies are pursuing their Applications under the 1940 Act to the effect that they are not "inadvertent investment companies." Your Company cannot predict when the Commission will take definitive action with respect to such Applications, whether the Orders requested will be granted, or the effect on your Company if such Orders are denied.

	December 31	
	1970	1969
The Anaconda Company:		
4¾% notes	\$2,480,308	\$2,480,308
5¾% note	100,000	100,000
6¼% note	100,000	100,000
6½% note	100,000	100,000
8¾% note	100,000	100,000
7¾% note	100,000	—
Accrued interest	910,580	728,970
	<u>\$3,890,888</u>	<u>\$3,609,278</u>
Contracts for purchase of mining properties	123,250	283,253
Other	12,024	16,080
	<u>\$4,026,162</u>	<u>\$3,908,611</u>
Less current portion	15,456	164,059
	<u>\$4,010,706</u>	<u>\$3,744,552</u>

The notes and accrued interest payable to The Anaconda Company are payable out of future production royalties.

NOTE F — DEFERRED INCOME TAXES

Deferred income taxes result from the deduction for tax purposes of exploration costs which are capitalized for financial reporting purposes and the sale of mining properties which is reported on the installment method for tax purposes and the cost recovery method for financial reporting purposes.

Ernst & Ernst

Tucson Federal Tower
Tucson, Arizona 85701

Board of Directors
Banner Mining Company
Tucson, Arizona

We have examined the financial statements of Banner Mining Company for the years ended December 31, 1970, and 1969. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheets, statements of income and retained earnings (deficit), and source and application of funds present fairly the financial position of Banner Mining Company at December 31, 1970, and 1969, and the results of its operations, changes in stockholders' equity, and source and application of funds for the years 1970 and 1969, in conformity with generally accepted accounting principles applied on a consistent basis.

Ernst & Ernst

Tucson, Arizona
February 24, 1971, except as to Note A,
as to which the date is March 29, 1971

NOTE G — COMMITMENTS AND CONTINGENCIES

The Company has certain mining properties under long-term leases with option to purchase. These leases provide for total payments of \$6,237,477 principally through the year 1986 in the form of royalties or minimum rentals. These agreements may be terminated without penalty to the Company. Payments made have been capitalized and are included in mining claims, leases, and properties. Under the agreement with The Anaconda Company certain of the Company's obligations under these lease-purchase agreements are paid by The Anaconda Company on a year-to-year agreement. Minimum payments of \$425,159 are due in the year ending December 31, 1971, of which \$381,159 will be paid by The Anaconda Company.

NOTE H — RENTAL INCOME

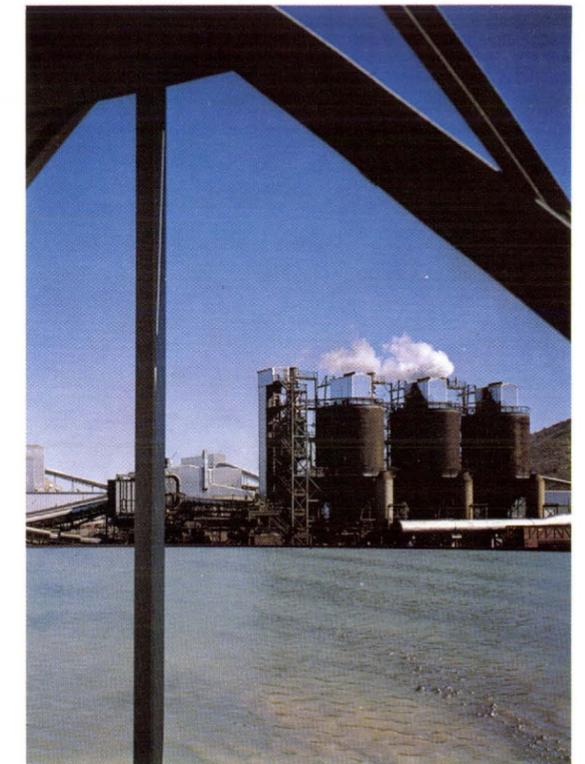
During 1970, the Company granted an option concerning certain of the Company's mining properties in Greenlee County, Arizona. For an initial payment of \$100,000, the Company granted a six-month option, which may be extended, at six-month intervals for up to two years. The contract calls for additional option payments if the option is extended. The payment of \$100,000 was recorded as 1970 income.

During the option period, the optionee has the right to buy the properties for \$7,500,000.

NOTE I — GAIN ON SALE OF MINING PROPERTIES

In 1967, the Company sold all its properties at Lordsburg, New Mexico, and recorded the sale on the cost recovery method. The Company recovered all of its costs by 1969 and accordingly recorded gains of \$78,336 in 1969 and \$96,769 in 1970. Additional quarterly installments due through 1975 will be recorded as gains on the sale when received. At December 31, 1970, the unpaid balance due on the contract was \$383,231.

Steam rises from the concentrate dryer complex.



Notes to Financial Statements

December 31, 1970

NOTE A — PROPOSED MERGER

The Company executed a letter of understanding during 1970 with Houston Natural Gas Corporation providing for the merger of the Company into Houston Natural Gas Corporation.

On March 29, 1971, the plan of merger was terminated by mutual agreement between Houston Natural Gas Corporation and the Company.

NOTE B — AGREEMENT WITH THE ANACONDA COMPANY

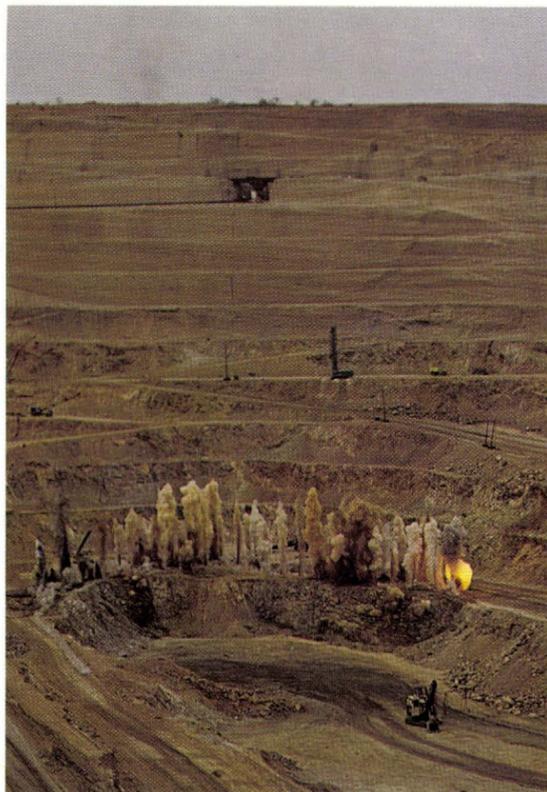
Under the terms of a 1963 agreement, the Company has leased to The Anaconda Company all mining properties of the Company located in Pima County, Arizona.

The Anaconda Company will lease these properties for an initial term of 60 years but may renew for such periods as are needed to exhaust the mineral deposits.

In consideration for this agreement the Company has received advanced royalties and will receive minimum or production royalties based on certain provisions of the agreement and the net profits (as defined in the agreement) from the mining of the leased properties. The advanced royalties and loans (see Note E) from The Anaconda Company are deductible from production royalties to the extent that production royalties are earned. However, through the year 1977, production royalties earned will not be reduced by advanced royalties and loans below an annual minimum royalty of \$1,750,000. Under certain circumstances the Company may receive an additional advance with which to pay its income taxes.

From January 1, 1965, through December 31, 1969, the Company received advanced royalties of \$1,750,000 each year. In January 1970, the Company received an additional advanced royalty of \$1,750,000 which results in total advanced royalties of \$10,500,000.

This is the control tower and headend of the twin ore and waste conveyor interchange.



All other Twin Buttes pit activity comes to a brief halt when the high-explosive team takes over to blast for ore.

The year 1970 was the first year in which there were sales of copper under the agreement. The production royalty earned by the Company was \$9,622,000. No production royalty was payable, however, for the reason that the production royalty earned did not exceed the advanced royalties of \$10,500,000 and the Anaconda loans. Accordingly, the Company's royalty income for 1970 from the subject lease was limited to the advanced royalty of \$1,750,000 received in such year.

In 1971, the Company received royalties of \$1,750,000 which have been recorded as a 1971 transaction.

NOTE C — DEFERRED DEVELOPMENT COSTS

Deferred development costs relate to the Company's Palo Verde mining property which was last mined in 1963. It is the Company's policy to defer costs incurred in the development of mining properties and to amortize such costs on the basis of ore mined in relation to estimated ore reserves.

The Palo Verde mining properties are under lease to The Anaconda Company.

NOTE D — UNRECOVERED COSTS OF MINING PROPERTIES SOLD

In 1969, the Company sold certain of its mining properties located in Elko County, Nevada. The sale has been recorded on the cost recovery method. Monthly payments of \$3,000 through 1975 will be applied first against the unrecovered costs of the mining properties and subsequent payments through April 1979 will be credited to income. At December 31, 1970, the unpaid balance due on the contract was \$308,000.

NOTE E — LONG TERM DEBT

The following is a summary of long-term debt:

Production Highlights

During the latter part of 1970 the molybdenum recovery plant at Twin Buttes commenced operation. Sales of molybdenum in the year were about 13,000 pounds.

Stockpiling of oxide copper material from the pit continued during 1970. This material cannot be treated by the present Twin Buttes sulphide mill. Present stockpiles are adequate to maintain feed to an oxide plant of 10,000 tons daily capacity for a period of about six years. Costs of mining this material were charged to mining expense during the last quarter of 1969 and all of 1970. To our knowledge, Anaconda has not indicated that a decision has been made to build such a plant; nor have they indicated that they have decided upon the process to recover the copper from this oxide material.

During 1970 Federal Resources Corporation continued to produce from the properties at Lordsburg, New Mexico, which they hold under an agreement with Banner Mining Company dated May 17, 1967. Production royalties received by the

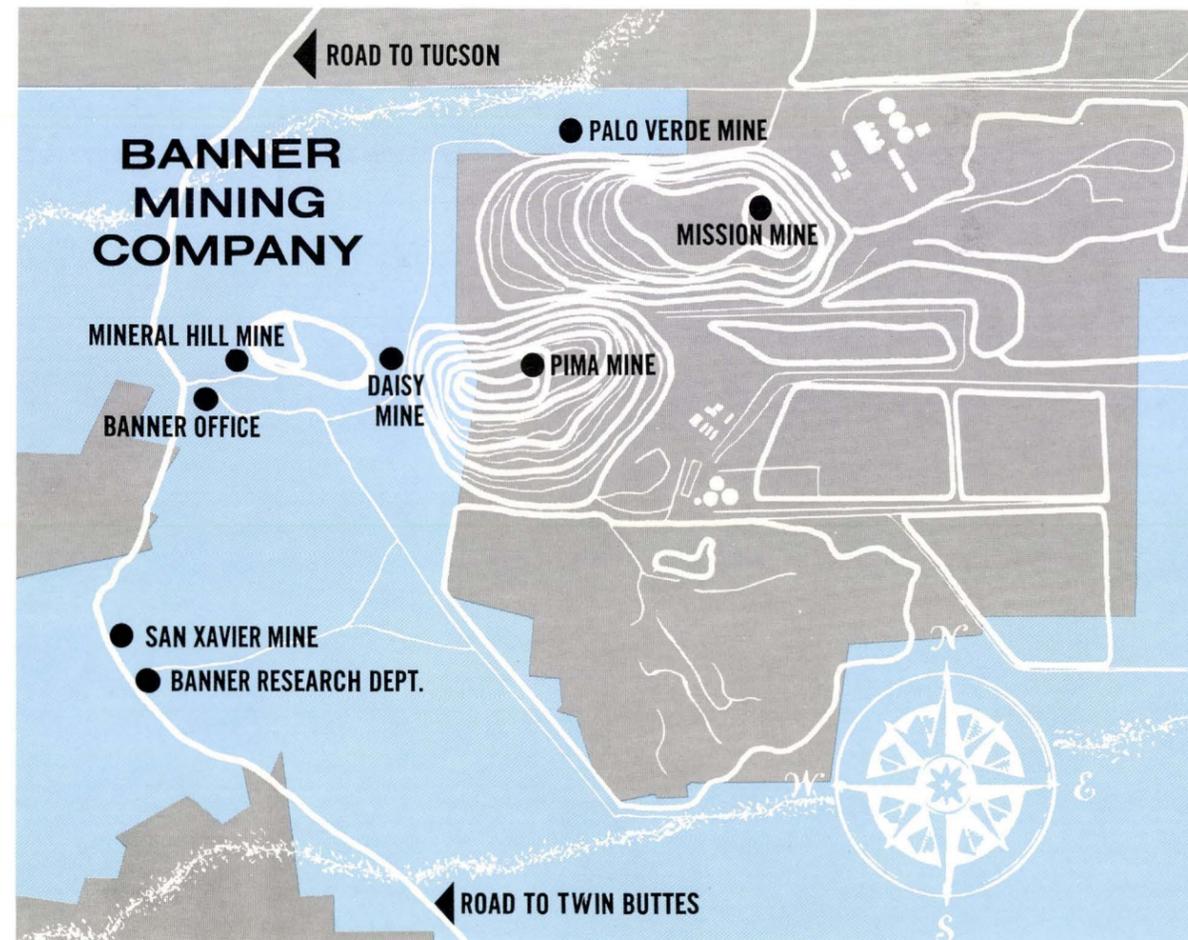
Company during the year amounted to \$96,769.57. Through 1970 Federal Resources has paid us a total of \$316,769.57 leaving a remaining balance of \$383,230.43.

Development work completed by Federal Resources Corporation at the Lordsburg, New Mexico property included 2,768 feet of longhole drilling, 1,319 feet of diamond drilling, 2,275 feet of drifting, 717 feet of raising and 7,424 cubic feet of excavation.

The Essex Agreement

In December 1970, the Company signed an Option-Contract of Sale Agreement with Essex International, Inc., pertaining to all of the Company's mining properties in Greenlee County, Arizona. For an initial payment of \$100,000.00 the Company granted a six-month option which may be extended in six-month intervals up to two years. The agreement provides for additional option payments each time the option period is extended.

This map indicates the Mineral Hill Subdistrict, Pima County, Arizona. Banner property is shown in blue.



Under the above agreement, Essex International, Inc., has the right to buy the properties for a total price of \$7,500,000.00. Option payments received will be applied to the purchase price.

In April, 1971, your Company agreed to sell its ninety-five (95) percent interest in five patented mining claims in the Mineral Creek Mining District of Pinal County, Arizona, to Kennecott Copper Corporation for a cash consideration of \$641,250.00. This event occurred after the end of the 1970 calendar year, but we felt it was of sufficient interest to be called to your attention.

You will recall that in 1969 the Company entered into a long term installment sale of certain mining properties in Elko County, Nevada, to Security Mining Company. This is to advise that in 1970 we received \$30,000.00 from Security to apply upon the purchase price.

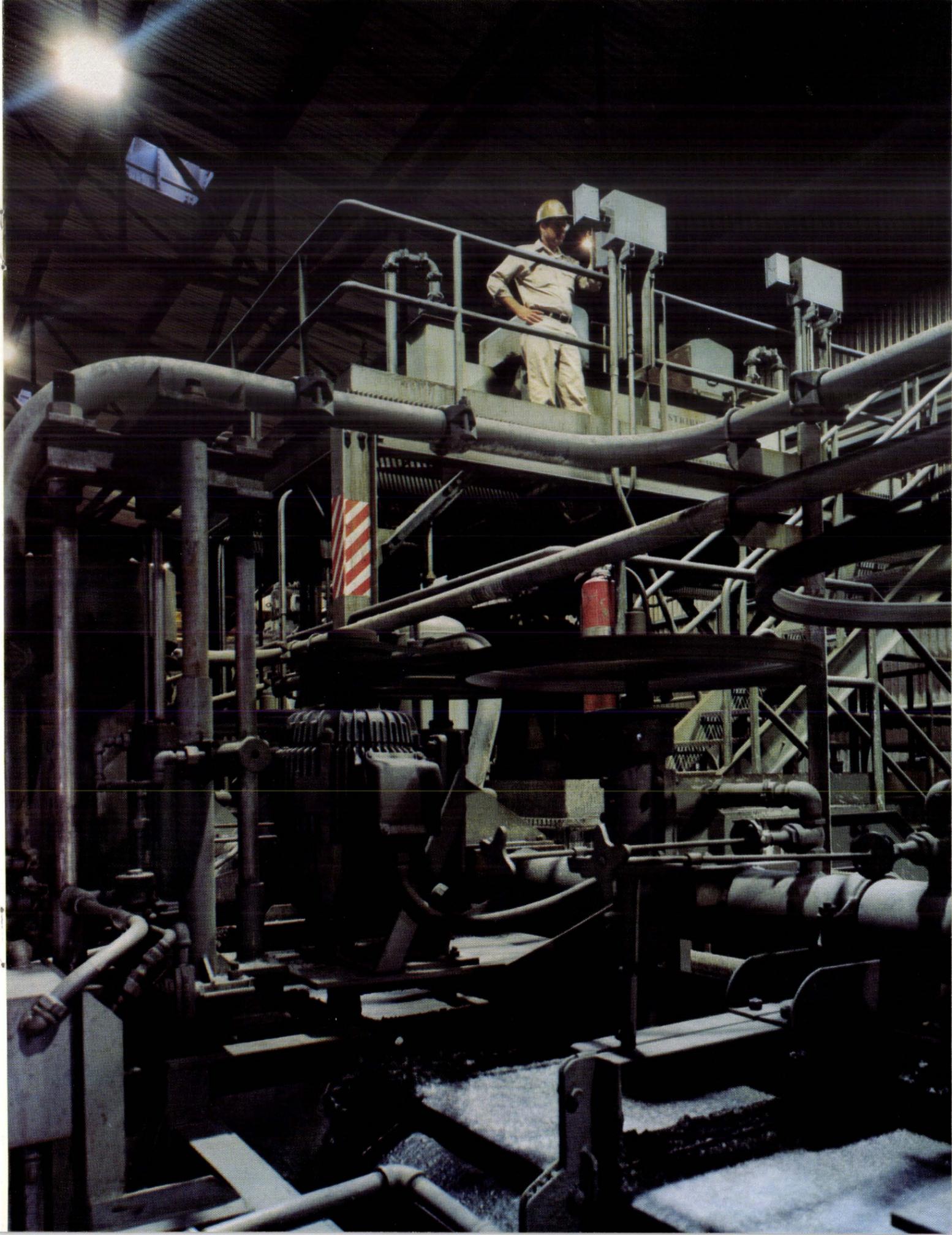
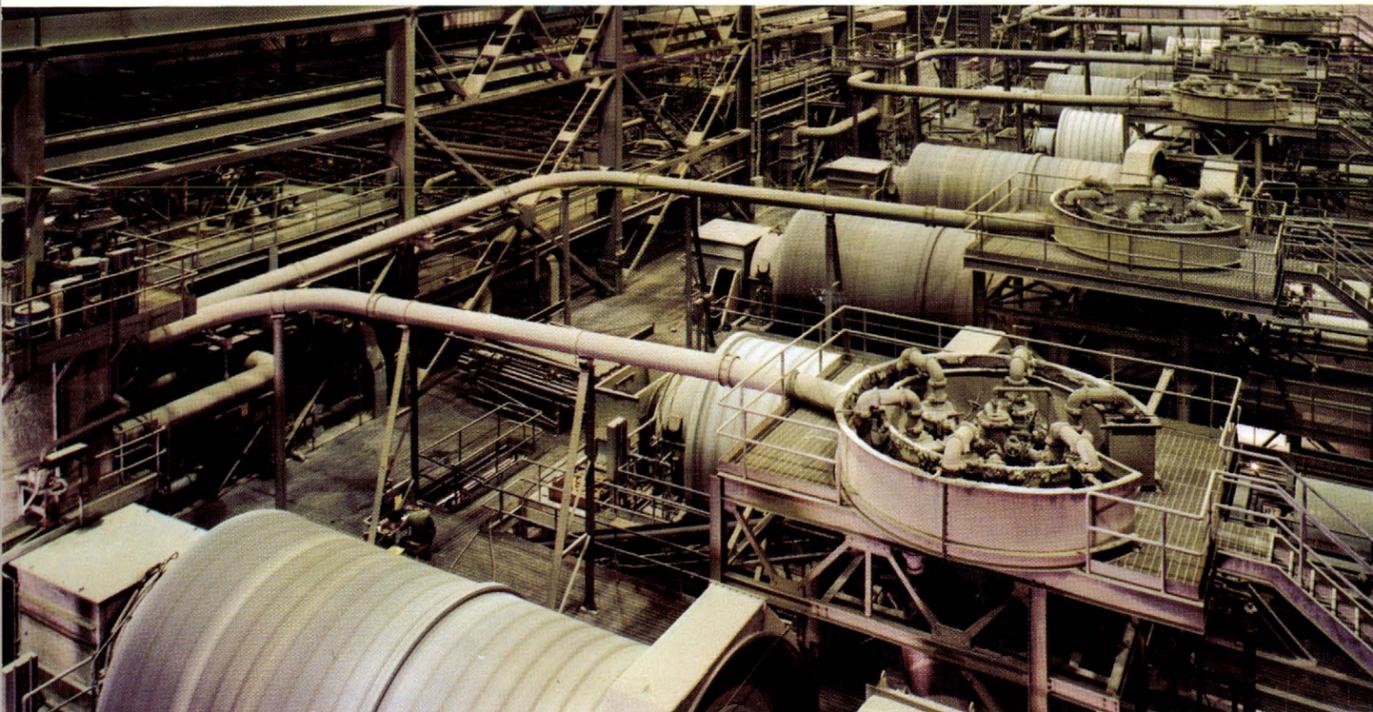
Your Company, as a matter of policy, is continually investigating possible mining areas in the western states. In 1970 our geological staff studied and mapped portions of twenty-one (21) different prospective mining areas. Several of these areas warrant further investigation which we plan to do in an orderly manner. Mining claims have been acquired at two locations.

The suit by an agricultural corporation in 1969 against the Company and other mining companies with operations south of Tucson, Pima County, Arizona, for an injunction to restrain the use of water by these companies has been dismissed as to Banner Mining Company. However, it is still



Above: Ore is ground to grain-size by steel rods and then to the fineness of flour in these huge grinding mills.

Below: The giant grinding mills whirl in action at the Twin Buttes concentrator.



Statements of Income and Retained Earnings (Deficit)

	Year Ended December 31	
	1970	1969
Advanced royalties — Note B	\$1,750,000	\$1,750,000
Rental income — Note H	100,000	—
Gain on sale of mining properties — Note I	96,769	78,336
Interest and other income	132,722	149,973
	<u>\$2,079,491</u>	<u>\$1,978,309</u>
Costs and expenses:		
Depreciation, depletion, and amortization	\$ 74,649	\$ 77,012
Research and experimental	55,618	68,982
Administrative and general	319,386	316,535
Interest	186,513	166,699
Unrecovered costs of abandoned properties	—	120,153
	<u>\$ 636,166</u>	<u>\$ 749,381</u>
INCOME BEFORE INCOME TAXES	<u>\$1,443,325</u>	<u>\$1,228,928</u>
Federal and state income taxes including deferred taxes (1970 — \$159,000; 1969 — \$92,000) — Note F	569,000	502,000
NET INCOME	<u>\$ 874,325</u>	<u>\$ 726,928</u>
Retained earnings at beginning of year	364,128	1,168,479
	<u>\$1,238,453</u>	<u>\$1,895,407</u>
Cash dividends on Common Stock	1,531,279	1,531,279
RETAINED EARNINGS (DEFICIT) AT END OF YEAR	<u>(\$ 292,826)</u>	<u>\$ 364,128</u>
Per share information:		
Net income	<u>\$.13</u>	<u>\$.10</u>
Dividends	<u>\$.22</u>	<u>\$.22</u>
See notes to financial statements		

Statements of Source and Application of Funds

	Year Ended December 31	
	1970	1969
Application of funds:		
Cash dividends	\$1,531,279	\$1,531,279
Additions to property, buildings, and equipment less carrying value of disposals	280,811	176,002
	<u>\$1,812,090</u>	<u>\$1,707,281</u>
Source of funds:		
From operations:		
Net income for the year	\$ 874,325	\$ 726,928
Provision for depreciation, depletion, and amortization	74,649	77,012
Provision for deferred income taxes	159,000	92,000
TOTAL FROM OPERATIONS	<u>\$1,107,974</u>	<u>\$ 895,940</u>
Decrease in deferred charges and other assets	31,637	—
Increase in long-term debt	266,154	192,397
	<u>\$1,405,765</u>	<u>\$1,088,337</u>
DECREASE IN WORKING CAPITAL	<u>\$ 406,325</u>	<u>\$ 618,944</u>
Working capital at beginning of the year	\$ 91,850	\$ 710,794
Working capital at end of the year	(314,475)	91,850
DECREASE IN WORKING CAPITAL	<u>\$ 406,325</u>	<u>\$ 618,944</u>
See notes to financial statements		

pending against The Anaconda Company which has leased the Banner properties in Pima County. Anaconda is resisting the suit.

The Balance Sheet of the Company as of December 31, 1970, Statement of Income and Retained Earnings for the Year 1970, and Notes to Financial Statements as audited by Ernst & Ernst, Certified Public Accountants appear on the following pages.



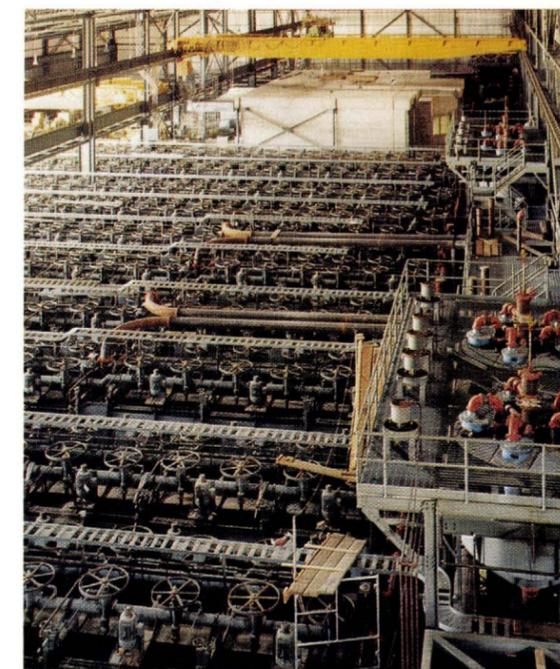
It is with regret that we announce the resignation of John M. Wallace on February 18, 1971, as Vice President, Director and member of the Executive Committee. Mr. Wallace has unstintingly served the interests of the Company and his progressive influence and contributions to the management and development of the firm are acknowledged with a deep sense of gratitude.

We wish to thank the employees of the Company for their untiring efforts and dedicated service in behalf of the Company.

On behalf of the Board of Directors

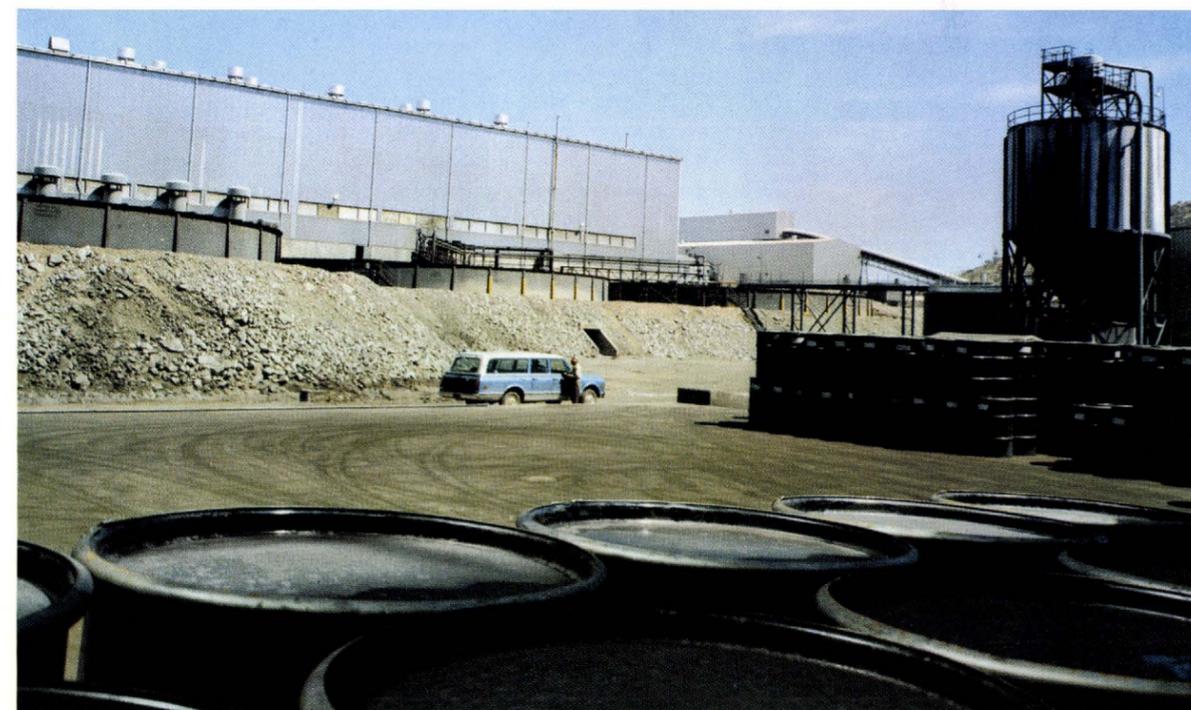
Allan B. Bowman

Allan B. Bowman
President and General Manager



This picture shows a portion of the vast flotation section of the Twin Buttes mill.

Barrels of molybdenum concentrate await shipment.



Balance Sheets / Banner Mining Company

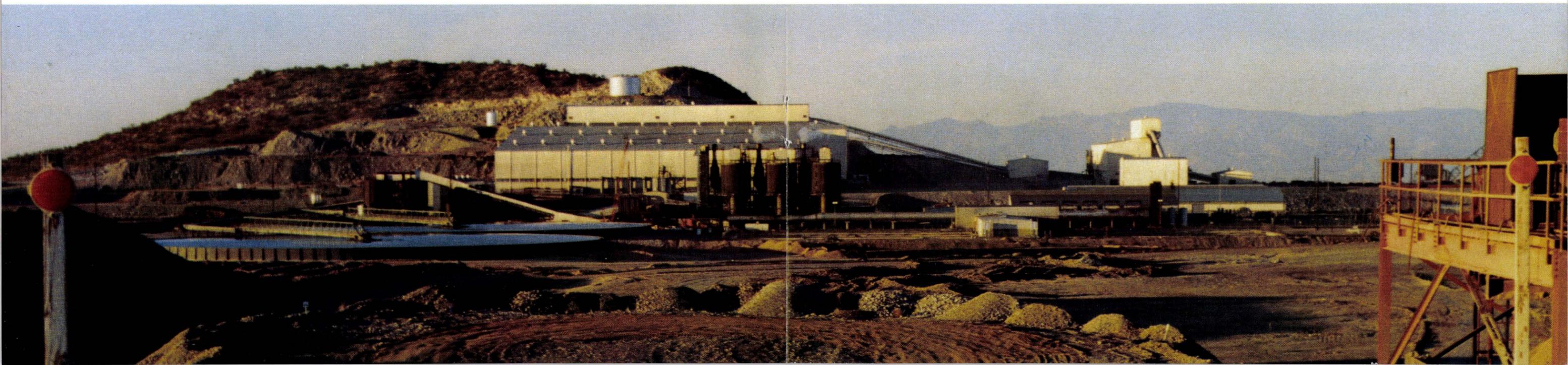
ASSETS	December 31	
	1970	1969
CURRENT ASSETS		
Cash	\$ 386,501	\$ 90,242
Certificates of deposit	1,100,000	300,000
U.S. Treasury Bills — at cost	—	866,893
Short-term marketable securities — at cost	—	583,559
Accrued interest and other receivables	15,507	38,630
Prepaid income taxes	—	168,695
Prepaid expenses	2,715	2,454
TOTAL CURRENT ASSETS	\$1,504,723	\$2,050,473
PROPERTY, BUILDINGS, AND EQUIPMENT — on the basis of cost		
Mining claims, leases, and properties (including exploration costs)	\$4,659,290	\$4,395,094
Oil properties	56,210	56,210
Buildings and equipment — depreciated primarily on the straight-line method	770,808	767,019
	<u>\$5,486,308</u>	<u>\$5,218,323</u>
Less allowances for depreciation and depletion	784,610	722,787
	<u>\$4,701,698</u>	<u>\$4,495,536</u>
DEFERRED CHARGES AND OTHER ASSETS		
Development costs less allowances for amortization (\$389,026) — Note C	\$1,094,100	\$1,094,100
Unrecovered costs of mining properties sold — Note D	168,137	198,137
Deposits and sundry deferred charges	24,547	26,184
	<u>\$1,286,784</u>	<u>\$1,318,421</u>
	<u>\$7,493,205</u>	<u>\$7,864,430</u>

Liabilities and Stockholders' Equity

	December 31	
	1970	1969
CURRENT LIABILITIES		
Note payable to bank	\$ 100,000	\$ 150,000
Trade and other payables	68,429	51,168
Salaries, wages, and payroll taxes	4,118	14,730
Taxes other than income taxes	5,119	6,046
Dividends payable	1,531,279	1,531,279
Federal and state income taxes	94,797	41,341
Current portion of long-term debt	15,456	164,059
TOTAL CURRENT LIABILITIES	\$1,819,198	\$1,958,623
LONG-TERM DEBT, less portion classified as current liability — Note E	4,010,706	3,744,552
DEFERRED INCOME TAXES — Note F	356,000	197,000
STOCKHOLDERS' EQUITY		
Common Stock:		
Par value — \$.0833 a share		
Authorized — 12,000,000 shares		
Issued and outstanding — 6,960,360	\$ 580,030	\$ 580,030
Additional paid-in capital	1,020,097	1,020,097
Retained earnings (deficit)	(292,826)	364,128
	<u>\$1,307,301</u>	<u>\$1,964,255</u>
COMMITMENTS AND CONTINGENCIES — Note G		
	<u>\$7,493,205</u>	<u>\$7,864,430</u>

See notes to financial statements

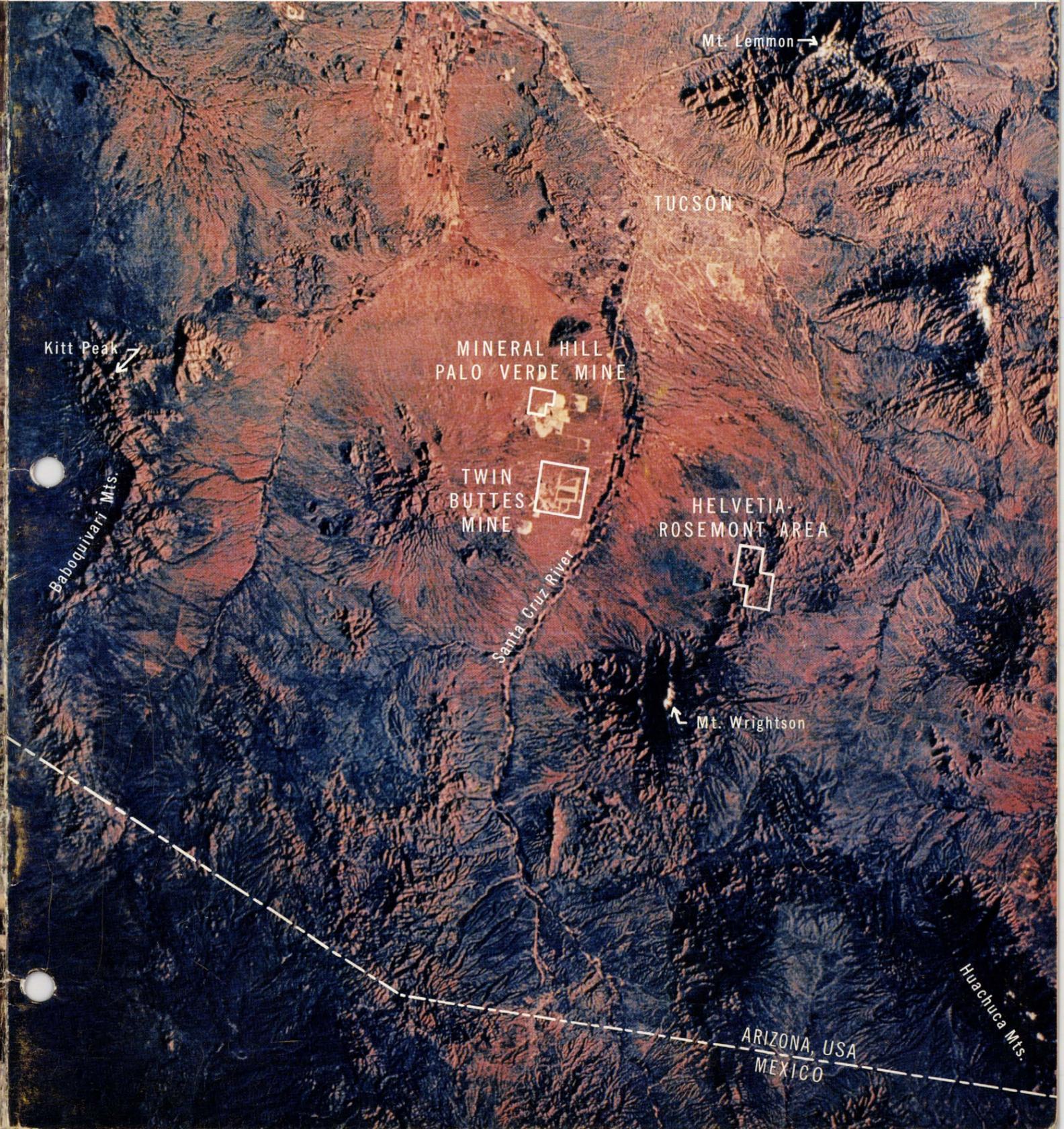
The rugged beauty of modern mining is captured in this view of Twin Buttes at sunset.



W. B. B.

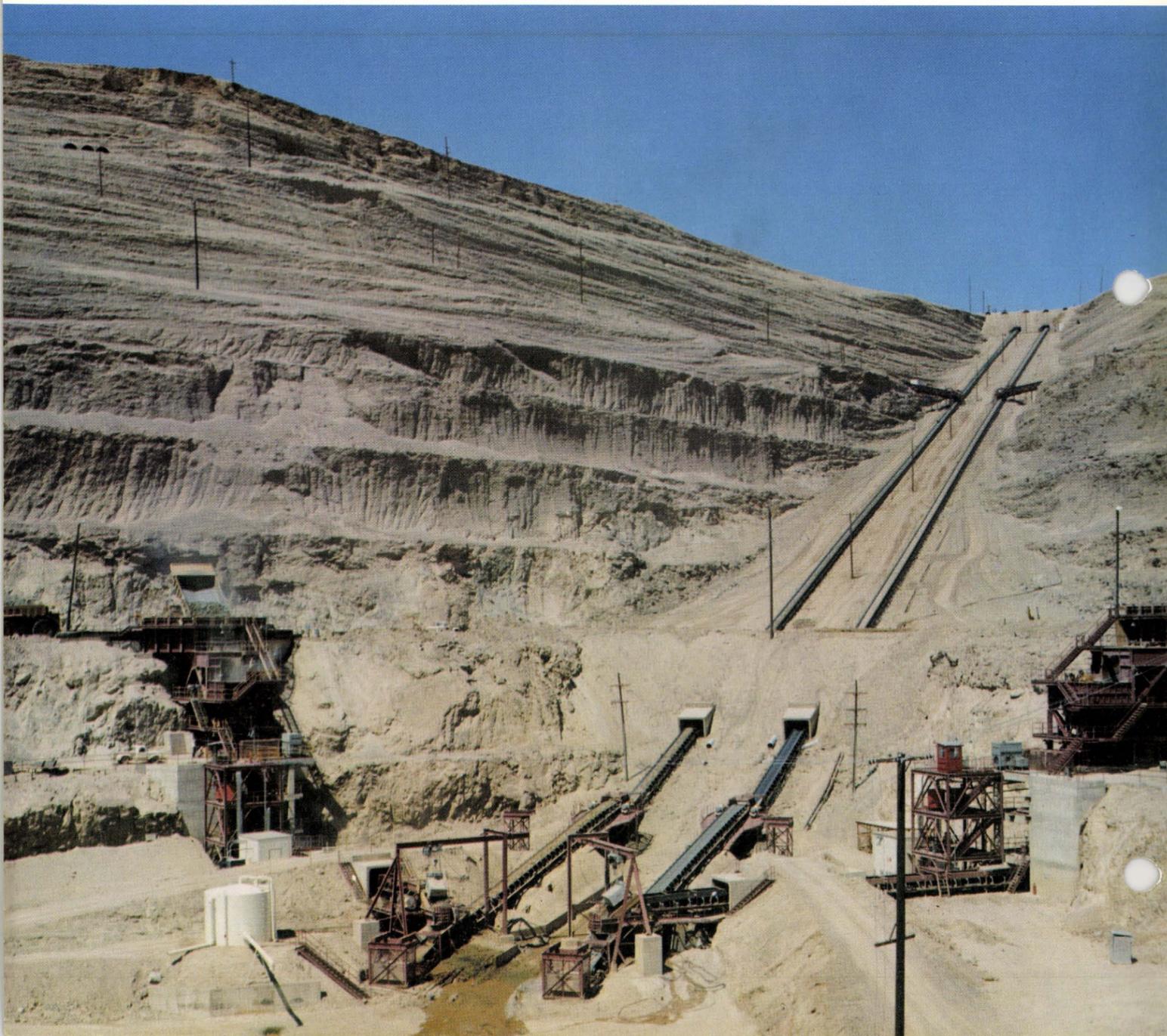
BANNER MINING COMPANY ANNUAL REPORT 1968

Giant shovels scoop the Twin Buttes alluvium in 25-ton bites and fill trucks with 75 to 100-ton capacities.

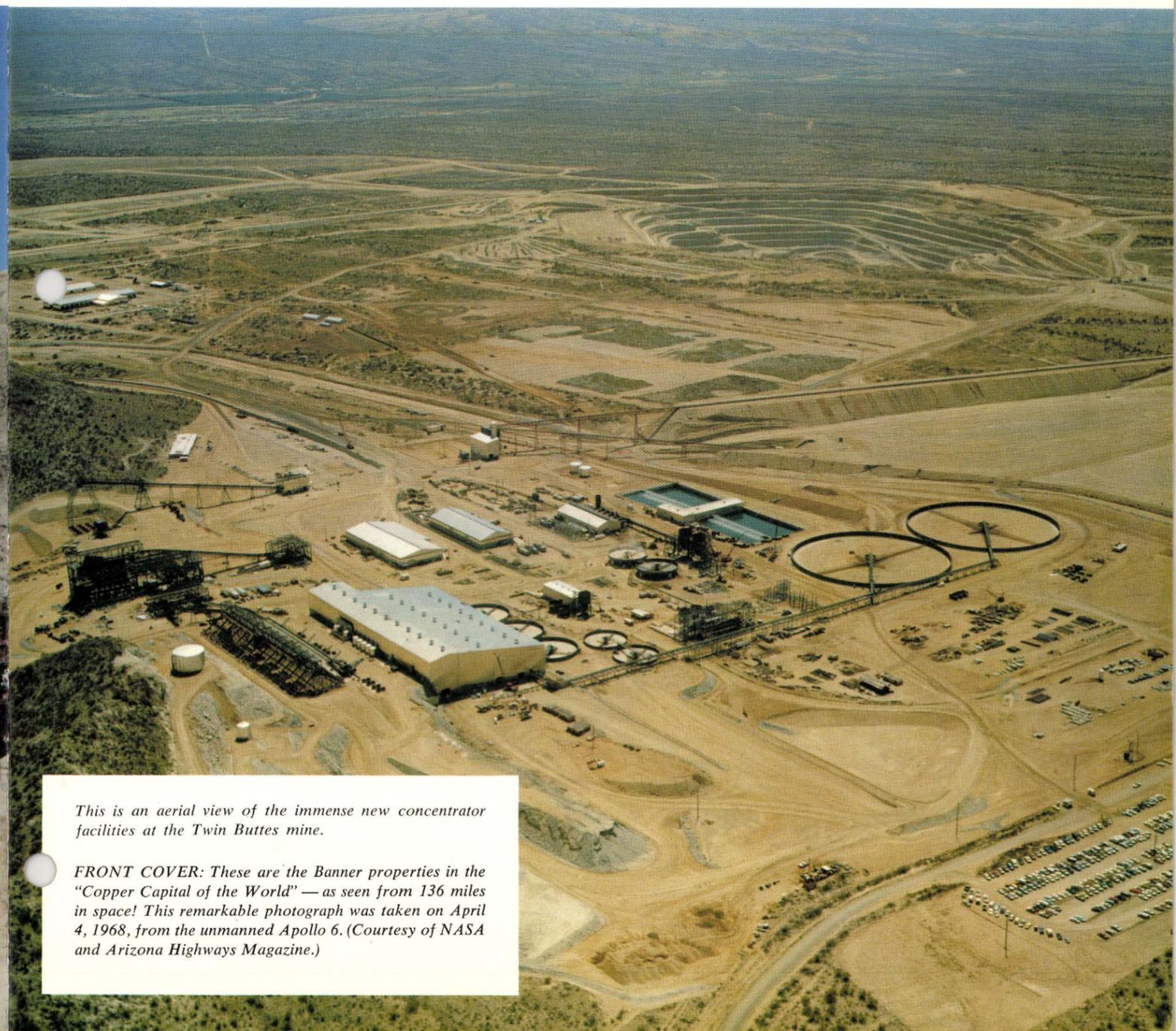


A view of the head end of the twin waste and ore conveyors shows the control tower and belt interchange. From this point belt systems go to the secondary crusher, stock-pile area and waste dumps.

Dual conveyors with a capacity of 12,000 tons per hour carry ore and waste out of the west end of the Twin Buttes pit. Large gyratory crushers are located on either side of the conveyor belts. This view was taken at the pit's 560' level.



**BANNER MINING
COMPANY**
ANNUAL REPORT 1968



This is an aerial view of the immense new concentrator facilities at the Twin Buttes mine.

FRONT COVER: These are the Banner properties in the "Copper Capital of the World" — as seen from 136 miles in space! This remarkable photograph was taken on April 4, 1968, from the unmanned Apollo 6. (Courtesy of NASA and Arizona Highways Magazine.)

Included in Superfund

TO THE SHAREHOLDERS OF BANNER MINING COMPANY

The net earnings of your Company for the year 1968 were \$1,609,594.00 which compare with \$2,099,333.88 for 1967.

A dividend of \$1.10 per share on the common stock of the Company totaling \$1,276,066.00 was paid to stockholders on January 15, 1968.

At a special meeting of the shareholders held on February 23, 1968, the shareholders approved a change in authorized Common Stock of the Company from 2,000,000 shares, par value \$.50, to 4,000,000 shares, par value \$.25 a share. At the same time the shareholders approved the issuance of one additional share of Common Stock for each share held, through a two for one stock split as of the close of business on April 2, 1968.

As of March 31, 1969, the stripping to uncover the Twin Buttes orebody and prepare it for mining totals over 236,000,000 tons. This huge stripping job is being completed by The Anaconda Company at a very high daily rate under its profit-sharing lease from Banner. Some oxidized ores are being stockpiled at this time from some of the lower benches in the pit.

The Ralph M. Parsons Company, contractor, under contract with The Anaconda Company has rapidly proceeded with the construction of the concentrator throughout the full year 1968. It is expected that the first unit of this mill will be ready for operation in the fourth quarter of 1969. Photographs on the facing page of this report give an idea of the huge size of the milling equipment being installed, and the present stage of completion of this large construction project. Good examples of equipment size are the pebble grinding mills which have an inside diameter of 15 feet, are 29 feet long, and are driven by 2250 HP motors. Six pebble mills and three rod mills, 15 feet inside diameter by 19½ feet long, make up the grinding section of the concentrator.

During 1968 the west ore and waste conveyor system at Twin Buttes and the first phase of the truck stockpile loading bin project were completed and put into operation.

The mill reservoir, three wells, the water pumping station and pipeline components of the plant water system were also completed and began operation during 1968.

Other major construction projects completed during the year included the purchasing department warehouse, the central shops at the millsite, and rock excavation for the concentrator.

Through January 31, 1969, under its agreement with Banner Mining Company covering the Lordsburg, New Mexico properties, Federal Resources Corporation has extended the 4-compartment No. 2 Shaft 464.8 feet, bringing the total depth to 2,309.4 feet; completed 1,369 feet of raising; and 4,574 feet of drifting, crosscutting, and station excavation.

Payments received from Federal Resources Corporation as of December 31, 1968, amounted to \$140,000.00 and apply against the \$700,000.00 purchase price.

The properties that Banner holds under lease and option in Elko County, Nevada, were leased to Security Mining Company of Boise, Idaho, in 1967 with an option to purchase. This is to advise you that Security Mining Company notified us on March 28, 1969, that they were exercising the option to purchase these properties.

Under terms of the Custom Mining and Milling Agreement, Banner Mining Company received during 1968 from Pima Mining Company a net of \$1,445,892.00. 1968 was the final year of our custom mining and milling agreement with Pima Mining Company.

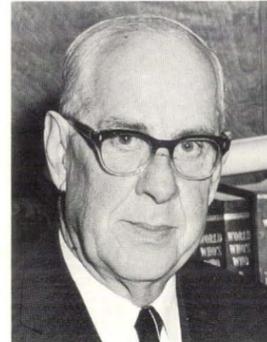
The Company's geological department investigated numerous mining properties and prospects throughout Arizona, Nevada, and New Mexico, during the year. Exploratory drilling was done on four of the more promising areas. The other properties examined were either of no promise or too small to warrant further consideration.



LEE L. TRAVIS



ALLAN B. BOWMAN



JOHN M. WALLACE



JAMES E. HOGLE



SHERMAN B. HINCKLEY



HAROLD E. RADDATZ



DAVID C. BINTLIFF



ROY M. JACOBS



STEWART W. MARK



JACK G. TAYLOR



BANNER MINING COMPANY

General Officers

- LEE L. TRAVISPresident
- ALLAN B. BOWMANVice President and General Manager
- JOHN M. WALLACEVice President
- JAMES E. HOGLESecretary-Treasurer

Executive Committee

- HAROLD E. RADDATZLa Jolla, California
- LEE L. TRAVISDallas, Texas
- SHERMAN B. HINCKLEYSalt Lake City, Utah
- ALLAN B. BOWMANTucson, Arizona
- JOHN M. WALLACESalt Lake City, Utah

Board of Directors

- DAVID C. BINTLIFFHouston, Texas ✓
- ALLAN B. BOWMANTucson, Arizona
- SHERMAN B. HINCKLEYSalt Lake City, Utah
- JAMES E. HOGLESalt Lake City, Utah
- ROY M. JACOBSMilwaukee, Wisconsin
- STEWART W. MARKOklahoma City, Okla.
- HAROLD E. RADDATZLa Jolla, California
- JACK G. TAYLORHouston, Texas
- LEE L. TRAVISDallas, Texas
- JOHN M. WALLACESalt Lake City, Utah

Operating Mine

- DAISYTucson, Arizona
- GENERAL OFFICES — P.O. Box 5605
Tucson, Arizona

Transfer Agent

- WALKER BANK & TRUST CO.
Salt Lake City, Utah

Registrar

- WALKER BANK & TRUST CO.
Salt Lake City, Utah

NOTE H — CONTINGENCIES

The Company has certain mining claims and leases under option-to-purchase agreements providing for the payment of \$5,885,796 over various periods through 1986 in the form of royalties or minimum rentals. These agreements may be terminated without penalty to the Company. All payments made through December 31, 1968, in accordance with the terms of these agreements have been capitalized and are included in mining claims, leases, and properties. Minimum payments of \$409,634 will be due in the year ending December 31, 1969, of which \$381,159 will be reimbursed by The Anaconda Company.

ERNST & ERNST
TUCSON FEDERAL TOWER
TUCSON, ARIZONA 85701

Board of Directors
Banner Mining Company
Tucson, Arizona

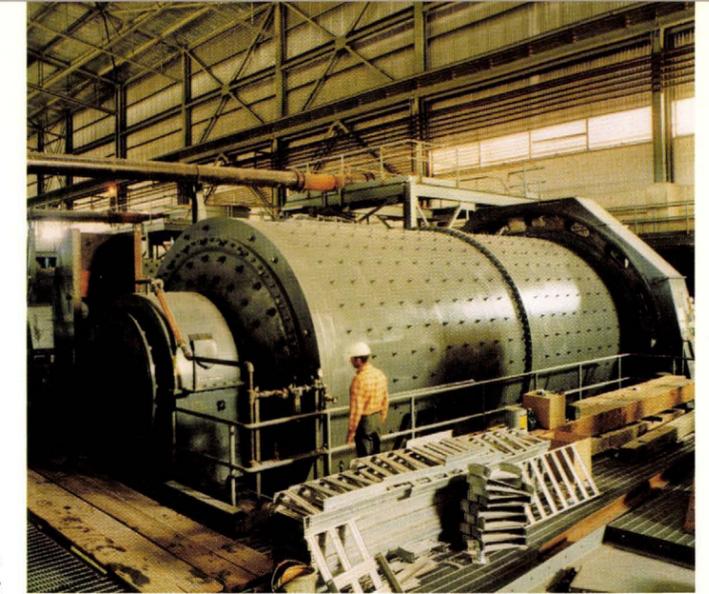
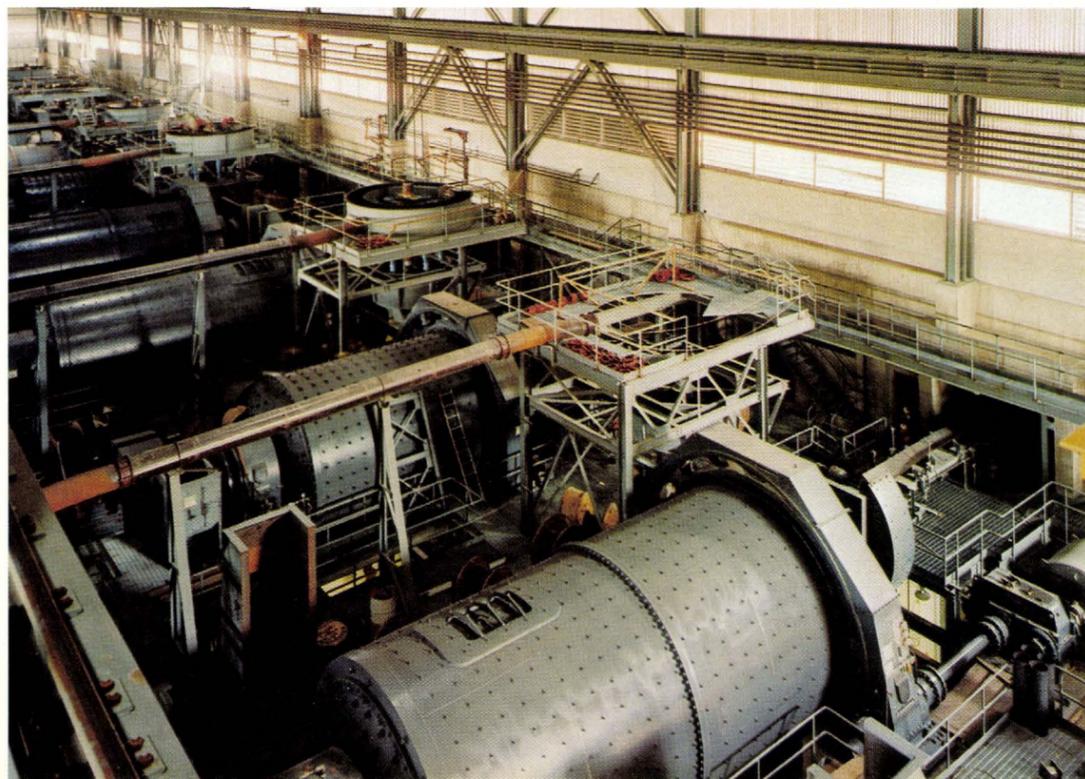
We have examined the balance sheet of Banner Mining Company as of December 31, 1968, and the related statement of income and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously made a similar examination of the financial statements for the preceding year.

In our opinion, the accompanying balance sheet and statement of income and retained earnings present fairly the financial position of Banner Mining Company at December 31, 1968, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Ernst

Tucson, Arizona
March 17, 1969

This is an overall view of the bank of grinding mills at the Twin Buttes concentrator.



This is one of the huge ore grinding mills at Twin Buttes. It measures 15' x 29' and is driven by a 2,250 h.p. motor.

When completed by The Anaconda Company, the Twin Buttes concentrator will be one of the mining industry's largest and most modern.



Could not agree
in a price

In August, 1968, the Company started the tedious task of constructing access roads and drill sites on its rugged mountainous property in the Clifton-Morenci mining district of Greenlee County, Arizona, adjacent to the Phelps Dodge Corporation Markeen Mountain property. Drilling commenced at the first site in November, 1968, and is still proceeding at this date. We plan on drilling to a depth of at least 3000 feet at this location. Low grade sulphide copper mineralization is being encountered in this hole.

The shareholders were informed by letter of February 10, 1969, regarding the proposal to merge with Newmont Mining Corporation. Further discussions toward a merger were terminated on March 26, 1969, by mutual consent of the parties, as you were advised by letter on that date.

In addition to the Twin Buttes property now under active development by Anaconda, Banner owns two other mining properties in Pima County, Arizona, (also leased to Anaconda) each of which contains, in our opinion, major deposits of low grade copper-molybdenum ores. These properties by name are (1) the Palo Verde Mine in the Mineral Hill area, and (2) the Helvetia mining claims about 20 miles east of Twin Buttes in the Santa Rita Mountains. We do not expect any production from

Aerial Photo of Twin Buttes Area



The costs applicable to the fourth quarter production for 1966 and 1967 were recorded on the balance sheet of each year as copper inventory in transit because delivery of the refined copper was not made by Pima Mining Company until after December 31, of each year. Sale of the fourth quarter production for 1966 was not recorded until 1967 and resulted in a profit of approximately \$540,000. Sale of the fourth quarter production for 1967 was not recorded until 1968 and resulted in a profit of approximately \$361,000. Accordingly the statement of income for 1967 includes twelve months of the results of operations from the Pima Pit, whereas the statement of income for 1968 includes fifteen months of the results of operations from the Pima Pit.

Production under the agreement with Pima Mining Company was completed with the sale of the fourth quarter production for 1968.

NOTE C — DEFERRED DEVELOPMENT COSTS

It is the Company's policy to defer costs incurred in the development of properties and to amortize the costs on the basis of ore mined at a rate which will spread the costs over the estimated ore reserves of the properties.

The unamortized deferred development costs of \$1,094,100 are costs relating to the Company's Palo Verde mining property. No ore has been mined from the property since June 1963, and consequently no amortization of related deferred development costs has been recorded since that date. This property is under lease to The Anaconda Company.

QUESTION ON UNAMORTIZED DEVELOPMENT COSTS
IS THIS BEING DONE?

NOTE D — SALE OF LORDSBURG, NEW MEXICO PROPERTIES

In May 1967, Federal Resources Corporation exercised an option to purchase the Company's properties (including inventories, buildings, machinery, equipment and mining properties) at Lordsburg, New Mexico. The Company received \$100,000 in 1967 with an additional \$600,000 to be paid in quarterly installments of \$20,000 beginning in September 1968. The agreement may be terminated by Federal Resources Corporation after 60 days notice.

Due to the right of termination, the sale has been recorded by the Company on the cost recovery method. The \$100,000 received in 1967 and \$40,000 received in 1968 have been recorded as a reduction of the carrying amount (\$141,664) of the assets sold. Subsequent payments received will be applied against the unrecovered costs. After the costs have been recovered, payments received will be credited to income as a gain on the sale of properties.

600 P.

NOTE E — LONG-TERM DEBT AND OTHER LIABILITIES

The details of long-term debt and other liabilities are summarized as follows:

	December 31, 1968		December 31, 1967	
	Current Portion	Long-term	Current Portion	Long-term
The Anaconda Company:				
4¾ % notes payable	LOW	\$2,480,308		\$2,480,308
5¾ % note payable		100,000		100,000
6¼ % note payable		100,000		100,000
6½ % note payable		100,000		—
Accrued interest		564,114		433,207
Non-interest bearing advances	\$ 75,000	—	\$225,000	75,000
Contracts for purchase of royalty interest, payable to stockholder	45,453	33,503	63,264	78,956
Contracts for purchase of mining properties, payable to others	36,400	158,150	37,000	198,500
Other liabilities	4,056	16,080	4,056	20,136
	<u>\$160,909</u>	<u>\$3,552,155</u>	<u>\$329,320</u>	<u>\$3,486,107</u>

The notes and interest payable to The Anaconda Company are payable out of future production.

The non-interest bearing advances are unsecured.

NOTE F — DEFERRED INCOME TAXES

Deferred income taxes result from the deduction for tax purposes of exploration costs incurred; whereas these costs are capitalized in mining claims for financial reporting purposes.

NOTE G — COMMON STOCK

During 1968, the shareholders approved a change in authorized Common Stock of the Company from 2,000,000 shares, par value \$.50 a share, to 4,000,000 shares, par value \$.25 a share. At a special meeting on February 23, 1968, the shareholders approved a 100% stock distribution of one additional share of Common Stock for each share issued through a two for one stock split.

For comparative purposes, the net income per share and cash dividends per share on Common Stock for 1967 have been adjusted to reflect the stock split.

STATEMENT OF INCOME AND RETAINED EARNINGS

	Year Ended December 31	
	1968	1967
Sales — Note B	\$4,007,972	\$4,055,814
Advanced royalties — Note A	1,750,000	1,750,000
Other income	156,142	155,830
	<u>\$5,914,114</u>	<u>\$5,961,644</u>
Costs and expenses:		
Mining, milling, smelting, and refining	\$2,485,044	\$1,832,988
Depreciation, depletion, and amortization	91,804	92,217
Research and experimental	67,191	114,387
Administrative and general	318,947	418,822
Interest	139,599	126,336
Unrecovered costs of abandoned properties	29,935	27,560
	<u>\$3,132,520</u>	<u>\$2,612,310</u>
NET INCOME BEFORE INCOME TAXES	\$2,781,594	\$3,349,334
Federal and state income taxes including deferred taxes (1968 — \$105,000; 1967, -0-) — Note F	1,172,000	1,250,000
NET INCOME (per share; 1968 — \$.69; 1967 — \$.90) NOTE G	<u>\$1,609,594</u>	<u>\$2,099,334</u>
Retained earnings at beginning of year	950,957	127,689
	<u>\$2,560,551</u>	<u>\$2,227,023</u>
Cash dividends on Common Stock (1968 — \$.60 per share; 1967 — \$.55 per share) — Note G	1,392,072	1,276,066
RETAINED EARNINGS AT END OF YEAR	<u>\$1,168,479</u>	<u>\$ 950,957</u>

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1968

NOTE A — AGREEMENT WITH THE ANACONDA COMPANY

The Company leases to The Anaconda Company all mining and other real properties of the Company located in Pima County, Arizona, except that part of the Company's property which is part of the Pima Pit, the ores from which have been mined and milled under contract by Pima Mining Company. The Anaconda Company will lease these properties for an initial term of 60 years with option to extend the term of the lease by giving notice for such additional periods as The Anaconda Company may deem necessary to exhaust the mineral deposits in these properties. The Company will receive advanced or minimum royalties and additional royalties based upon future production by The Anaconda Company. Advanced royalties of \$1,750,000 were received during 1968. The lease may be terminated by The Anaconda Company by giving the Company not less than 180 days notice.

NOTE B — RECORDING OF INCOME FROM OPERATIONS OF PIMA PIT AND COPPER INVENTORY IN TRANSIT

Under terms of an agreement dated November 23, 1959, Pima Mining Company has been mining and milling ores from the Company's property which is part of the Pima Pit. The Company reimbursed Pima Mining Company for mining, milling, smelting, and refining costs. The agreement provided for partial settlement quarterly with final settlement for the production of each calendar year to be made by March 15 following the end of the year. For each quarter's production the Company had the option of receiving cash payment or refined copper from Pima Mining Company.

The Company elected to receive refined copper rather than cash payments for the fourth quarter production for 1966 and 1967. When the Company elects to receive refined copper, it then contracts to sell the refined copper to be delivered when received from Pima Mining Company. The Company elected to receive cash payment for the fourth quarter production for 1968.

either of these two areas by Anaconda until some time after the Twin Buttes concentrator is placed in operation.

The Balance Sheet of the Company as of December 31, 1968, Statement of Income and Retained Earnings for the year 1968, and Notes to Financial Statements, as audited by Ernst & Ernst, Certified Public Accountants, appear on the following pages.

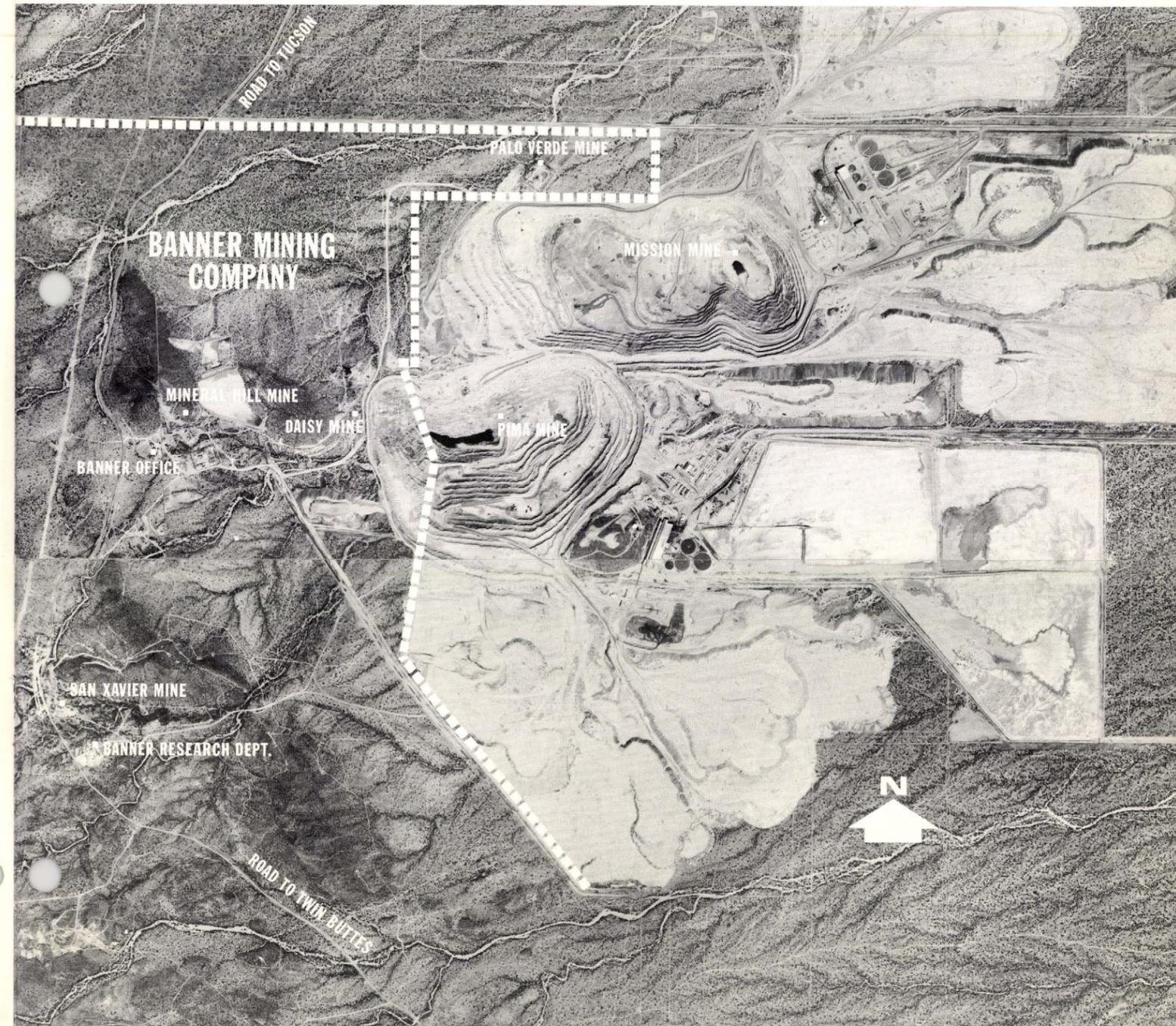
Our research personnel during 1968 continued studies into further improvements of our existing processes for the recovery of copper from oxidized ores in limestone gangue and additional new approaches to recovery of copper from these problem ores.

We again would like to extend our thanks and appreciation to the stockholders for their support; to the directors for their advice and assistance; and to the Company employees for their loyal support and devoted efforts toward Company progress and growth during the year.

L. L. Travis,
President

A. B. Bowman,
Vice President & General Manager

Aerial Photo of Mineral Hill Subdistrict, Pima County, Arizona



Depletion
allowance - credit

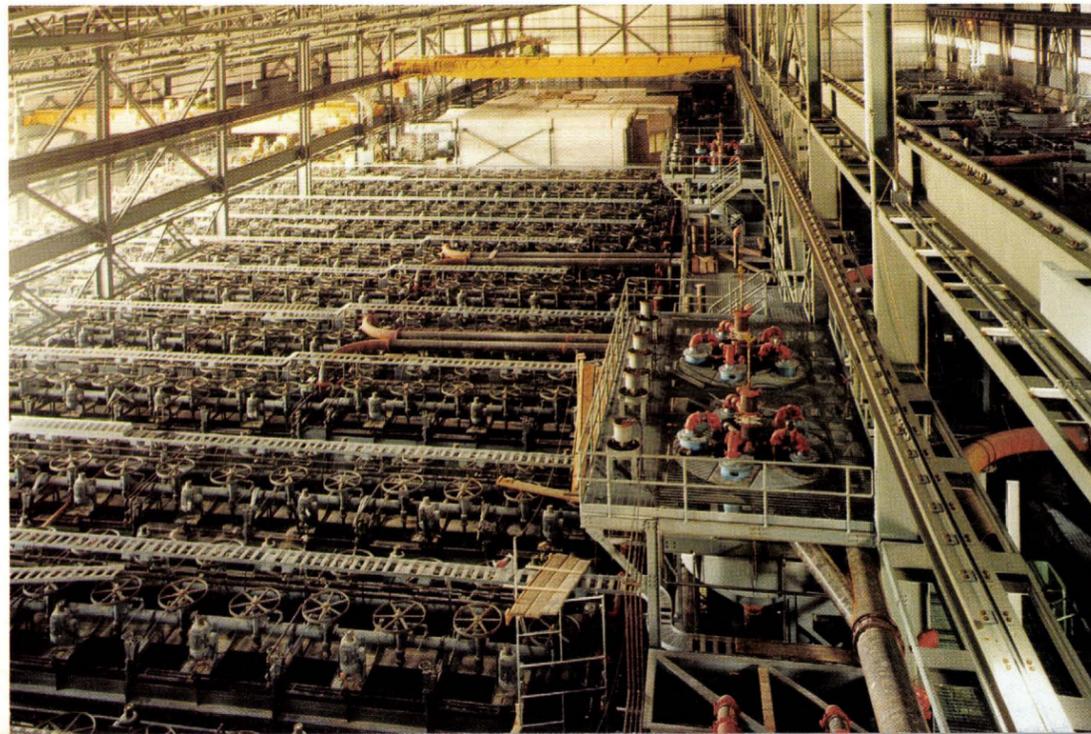
at what price →

BALANCE SHEET/BANNER MINING COMPANY

ASSETS

	December 31	
	1968	1967
CURRENT ASSETS		
Cash and certificates of deposit:		
Demand deposits	\$ 720,778	\$ 546,352
Savings deposits	—	20,000
Certificates of deposit	2,000,000	1,900,000
	<u>\$2,720,778</u>	<u>\$2,466,352</u>
United States Treasury bills — at cost	96,880	—
Accounts receivable and accrued interest	72,076	109,484
Copper inventory in transit — Note B	—	330,528
Prepaid expenses	2,111	2,295
TOTAL CURRENT ASSETS	<u>\$2,891,845</u>	<u>\$2,908,659</u>
PROPERTY, BUILDINGS, AND EQUIPMENT — on the basis of cost:		
Mining claims, leases, and properties (including exploration costs)	\$4,421,503	\$4,197,600
Oil properties	56,210	56,210
Buildings and equipment — depreciated primarily on the straight-line method	766,647	761,707
	<u>\$5,244,360</u>	<u>\$5,015,517</u>
Less allowances for depletion and depreciation	649,186	559,851
	<u>\$4,595,174</u>	<u>\$4,455,666</u>
DEFERRED CHARGES AND OTHER ASSETS		
Development costs less allowances for amortization (\$389,026) — Note C	\$1,094,100	\$1,094,100
Unrecovered costs of assets sold — Note D	1,664	41,664
Deposits and sundry deferred charges	24,029	16,794
	<u>\$1,119,793</u>	<u>\$1,152,558</u>
	<u>\$8,606,812</u>	<u>\$8,516,883</u>

This is the flotation section of the Twin Buttes mill.



LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31	
	1968	1967
CURRENT LIABILITIES		
Note payable to bank	\$ 400,000	\$ 150,000
Trade and other payables	21,203	7,832
Salaries, wages, and payroll taxes	12,922	14,611
Taxes other than income taxes	16,177	11,762
Dividends payable	1,392,072	1,276,066
Federal and state income taxes	177,768	690,101
Current portion of long-term debt	160,909	329,320
TOTAL CURRENT LIABILITIES	<u>\$2,181,051</u>	<u>\$2,479,692</u>
LONG-TERM DEBT AND OTHER LIABILITIES, less portion classified as current liability — Note E	3,552,155	3,486,107
DEFERRED INCOME TAXES — Note F	105,000	—
STOCKHOLDERS' EQUITY		
Common Stock — Note G:		
Par Value: 1968 — \$.25 a share; 1967 — \$.50 a share		
Authorized: 1968 — 4,000,000 shares;		
1967 — 2,000,000 shares		
Issued and outstanding: 1968 — 2,320,120 shares;		
1967 — 1,160,060 shares	\$ 580,030	\$ 580,030
Additional paid-in capital	1,020,097	1,020,097
Retained earnings	1,168,479	950,957
	<u>\$2,768,606</u>	<u>\$2,551,084</u>
CONTINGENCIES — Note H		
	<u>\$8,606,812</u>	<u>\$8,516,883</u>

See notes to financial statements

The east alluvium conveyor has an hourly capacity of 8,000 tons.



ESSEX

ESSEX INTERNATIONAL, INC.

1704 WEST GRANT RD., TUCSON, ARIZONA 85705
PHONE (602) 624-7421

NOV. 18, 1971

*All data
returned
11-18-71*

Banner Mining Company
P.O. Box 4220
Tucson, Arizona 85717

Gentlemen:

Under separate cover we are returning to you the following maps and other information pertaining to your Morenci Property.

Geological Logs of Diamond Drill Holes Number 302, and CM-1 through CM-8.

Assay Logs of Diamond Drill Holes CM-1, CM-5, CM-6, CM-7, and CM-8.

1 - 39" x 42" Aerial Photograph of the Phelps Dodge Morenci Pit, Metcalfe Area, and other Phelps Dodge Property showing roads and drillsites; and and the western part of Banner Mining Comaany Property in the Morenci area

2 - 9" x 9" Aerial Photographs of the Phelps Dodge Morenci Pit and all adjoining Banner Mining Company Property. Photos are numbered FL4-1 and FL4-1A. Scale: 1:24,000.

MAPS:

- B-1 PARROT MINING CLAIMS
Greenlee county, Arizona
Scale: 1" = 300' Oct. 29, 1960
Surveyed by Harvey W. Smith, E.M.
- B-2 Workings & Stopes of the COPPER KING MINE
Greenlee county, Arizona
1909 - 1910 L.W. Armstrong
- B-3 Triangulation System Map
Greenlee Gold Mt. Mining Dist.
Greenlee county, Arizona
Scale: 1" = 400' Aug. 58
- B-4 Property Map BANNER MINING CO.
BANNER MINING CO.
Clifton, Arizona
Locke & Cramer,
Topo & Geology
Scale: 1" = 400' Nov. 1942
- B-5 BANNER MINING CO.
Cliff Area
Locke & Cramer
Scale: 1" = 50" Nov. 1942

- B-6 BANNER MINING CO.
Cliff Tunnels
Clifton, Arizona
Locke & Cramer
Nov. 1942
- B-7 H. C. Grimes, Clifton Property
Colorado Shaft
200" Level Scale: 1" = 40"
- B-8 BANNER MINING CO.
Geologic Map of Silver Creek and
Sycamore Creek Areas
Greenlee, Arizona
Scale: 1" = 632" Approx.
- B-9 CLIFTON DISTRICT
Greenlee, Arizona
Composite of U.S.G.S. & Locke & Cramer
Scale: 1" = 1000" Nov. 1942
Locke & Cramer
- B-10 BANNER MINING CO.
Gold Standard No. 24
Clifton, Arizona
Locke & Cramer
Scale: 1" = 50"
- B-11 BANNER MINING CO.
Feature Map
Clifton, Arizona
Locke & Cramer
Scale: 1" = 400' Nov. 1942
- B-12 BANNER MINING CO.
NE 200 Scale Map
Clifton, Arizona
Locke & Cramer
Nov. 1942 Scale: 1" = 200"
- B-13 BANNER MINING CO.
SE 200 Scale Map
Clifton, Arizona
Locke & Cramer
Scale: 1" = 200" Nov. 1942
- B-14 BANNER MINING CO.
SW 200 Scale Map
Clifton, Arizona
Locke & Cramer
Scale: 1" = 200" Nov. 1942
- B-15 BANNER MINING CO.
NW 200 Scale Map
Clifton, Arizona
Locke & Cramer
Scale: 1" = 200" Nov. 1942

In addition to returning your original maps we are including the following maps, photos etc.

- 1 ESSEX INTERNATIONAL
PHOTO MOSAIC of the Morenci Area
✓ 41" x 51"
Cooper Aerial Survey Co.
Scale: 1" = 1000' Approx. 11/21/70
- 2 ESSEX INTERNATIONAL
Morenci Area
✓ Drainage, Geology & Property Boundary
Scale 1" = 500' 4/2/71
- 3 ESSEX INTERNATIONAL
Morenci Area
✓ Colored map showing drainage & (Scale: 1" = 500')
Generalized Geology in the
King, Standard Metcalf, Hanna & BY U Area
- 4 ESSEX INTERNATIONAL
Morenci Area
Photo Overlay
showing drill roads & property boundary
Scale: 1" = 500' 1/12/71 1" = 1000' (11)
- 5 ESSEX INTERNATIONAL
Morenci Area
✓ showing drainage
Scale: 1" = 500' 1/12/71
- 6 BANNER MINING CO. 12/16/66
with additions by
ESSEX INTERNATIONAL 12/16/70
✓ Morenci Area
Topo & Claim map showing Positions for
Cross Sections A₁-A₁[!], A₂-A₂[!], B-B[!], C-C[!], D-D[!] & E-E[!]
Scale: 1" = 500'
- 7 BANNER MINING CO. 12/16/66
with additions by
ESSEX INTERNATIONAL 12/16/70
✓ Morenci Area
Topo & Claims
Scale: 1" = 500'
- 8 BANNER MINING CO. 12/16/66
with additions by
ESSEX INTERNATIONAL 12/16/70
Morenci Area
Topo, Claims & Roads
Scale: 1" = 500'
- 9 Zerox Vellum of number 8
(8) in 3 peices, not spliced.

10 ESSEX INTERNATIONAL

Morenci Area

Geologic Base Map

(9)

by Knox, Bergman & Shearer

revised by P. Eimon 1/28/71

Scale: 2" = 1mi.

11 ESSEX INTERNATIONAL

Morenci Area

showing drill roads, & property boundary

Scale reduced from 1" = 500' to 1" = 1000' 1/12/71

12 4 - AERIAL PHOTOS

Morenci Area

(10)

No. 2-4, 2-6, 3-4, & 3-5

Scale: 1" = 500' 11/21/70

13 ESSEX INTERNATIONAL

Morenci Area

(11)

6 - Cross Sections

A₁-A₁[!], A₂-A₂[!], B=B[!], C-C[!], D-D[!] & E-E[!]

14 ESSEX PROCEDURE FOR SPLITTING, SAMPLING,

AND ASSAYING OF BYU AND BANNER DIAMOND

(12) (12)

DRILL CORES FROM MORENCI DISTRICT

15 ESSEX INTERNATIONAL

Morenci Area Report

by John C. Balla

(14)

5 - 8 1/2 x 11 sheets

a Land Status & Drill Hole Location Map

(13)

b Geology Map

c Mineralization Map

d Alteration Map

e Cross Section through Markeen Mountain

Scale: 1" = 1000' 1 / 4 / 71

VERY TRULY YOURS,
ESSEX INTERNATIONAL, INC.



PLEASE ACKNOWLEDGE RECEIPT OF THE ABOVE DESCRIBED MATERIALS AND DATA BY
SIGNING AND DATING IN THE SPACE PROVIDED BELOW ON THE ENCLOSED COPY

BANNER MINING CO.

BY

M. Hall

TITLE

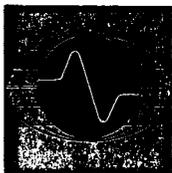
NONE

DATE

11/18/71

Banner

CONFIDENTIAL MEMO



HEINRICHS GEOEXPLORATION COMPANY

806 WEST GRANT ROAD, TUCSON, ARIZONA, 85703. P.O. BOX 5671. PHONE: (AREA CODE 602) 623-0578

May 15, 1970

Re: ESSEX Special Problem B.

Dear Mr. ^{Don} Gentry:

Pursuant to our meeting of May 15th, I will turn over to you copies of a letter-memo to W.F. Probst dated 11/24/69 and which Howard Lanier asked me to review with you certain information from that letter. Your assignment will be to come up with an estimated cash flow from 3 ore bodies as described below:

ANACONDA - BANNER PROPERTIES

- (a) Twin Buttes
- (b) Palo Verde
- (c) Helvetia

The information we have is sketchy and broad assumptions were made on our part and it should be understood are ball park figures only.

The estimated production is indicated in the memo and for the purposes at the moment, until we get further information we should use an ore grade of 0.6 % Cu. Total tonnage of the 3 ore bodies is 1 billion tons and it should be prorated at the basis of the estimated daily tonnage of the 3 different properties.

At the moment I do not have the figures on molybdenum and so I think it worthwhile in this exercise to add a statement to the effect that molybdenum and copper leaching constitute a significant added benefit or, another possibility I would suggest/that you come up with a ball park proportioned increase in dollars per year based on values of Mo. on other properties in the district.

Cont'd.....

With respect to the price of copper I suggest figuring 3 ways as follows:

1. 40¢/lb.
2. 60¢/lb.
3. 80¢/lb.

As you know the proportion of gross sales is split as follows:

A = 45%

B = 55%

If you need any assistance please let me know.

Very truly yours,
HEINRICHS GEOEXPLORATION COMPANY

E. Grover Heinrichs
Vice President

cc: Mr. Howard Lanier ✓

Enclosure:

EGH/re: