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OPPORTUNITY TO ESTABLISH A SUBSTANTIAL  
POSITION IN THE COPPER MINING BUSINESS

Phase 1

Purchase Newmont Mining Company's 51% equity in VEKOL HILLS COPPER COMPANY (V. H. C.), estimated cost 10 - 15 million dollars, which is equivalent to approximately 1.5¢ per lb. of copper in the ground. (See attached particulars on ore body)

Phase 2

Build a custom copper smelter to accomodate the V. H. C. concentrate and designed to handle other custom ores that would be available. (See attached information on copper smelters)

Advantages that would make this proposal economically viable include the following:

1. Public bond financing coupled with possible federal financing.
2. Unique tax advantages could substantially reduce taxes over current operating smelters in Arizona.

July 1976

PRELIMINARY PROPOSAL FOR COPPER SMELTER AND REFINERY

- (a) 1,000,000 tons concentrate per year containing 25% recoverable copper and 30% sulfur\*
- (b) Treatment scheme includes flash smelting, oxygen converting, acid plant to meet E. P. A. requirements, electrolytic refining to cathode copper and possibly a continuous cast rod facility
- (c) Investment in land, plant, interest during construction, break-in period and working capital \$225,000,000 split into loan capital \$175,000,000 @ 9% and equity capital of \$50,000,000
- (d) Operating costs, interest on loan and loan repayment over ten years estimated at \$73,000,000/year or 14.6 cents per pound of copper
- (e) If toll charges are 18 cents/pound of copper, return on equity investment would be over 30% per year, (including extra copper recovered over what is paid for)
- (f) Profits on gold, silver, acid and other by-products not taken into account

\*VEKOL HILLS COPPER MINE would account for approximately  $\frac{1}{4}$  of the feed for the smelter and the balance would come from a combination of the following:

- (1) Toll arrangements with existing properties in Arizona some of which are presently sending their concentrates outside Arizona and as far away as Japan
- (2) Prospects and properties of promise known to the "group" and in the U. S. and abroad

July 1976

June 6, 1975

VEKOL HILLS COPPER CO.

Investment by Superior	to date	\$ 4,373,000.00	
Investment by Newmont	to date	<u>6,000,000.00</u>	
		\$10,373,000.00	Total

51% Newmont

48.97% Superior  
.03% OTHER

105,000,000 Million Tons  
0.54% Cu with dilutions normal 10%  
.051 Mo  
35¢ Ag @ 4.00/oz.  
No Au  
87.8% recovery

Drilled & Bulk Sampled  
Engineering by Nordberg, Handings, Newmont

Cost to put in Production  
85 to 90 Million Dollars

Prestrip 40 to 65 Million Tons Gravel & Alluvium

Waste to Ore 1.87:1

Smelting Charges highest in world 4¢ more than any other costs  
as quoted by other Companies, if tolled through Newmont's present  
smelter at San Manuel.

Societe Generale Group  
Rep. of Mechim

Bill Denehower N.A. Rep.  
of Mechim

(201) 467-0781

Mr. Heinrichs is out ~~of~~  
~~of~~ of the office till about  
noon Mountain time. He would like  
to setup an appointment to phone  
at ~~between~~ <sup>between</sup> 2:00 p.m. <sup>-3:00</sup> eastern time,

3:00

3:30

HB  
2168

Vektor

2 weeks

~~with you~~

## Vekol Hills Deposit

### Estimated Investment to date

Superior \$4,400,000.00  
Newmont 6,000,000.00

### Estimated Size etc.

105,000,000 Tons

0.54% Cu

0.051% Mo (this is high according  
to Newmont)

Some Ag credits

No Au

> 85% recovery

Drilled by Newmont

Engineering by Nordberg &  
Associates

Total estimated cost to put into production  
\$90,000,000.00

Pre-strip est. 50,000,000 Tons of alluvium  
Waste to ore 1.87 : 1

Royalty to Papago Indians escalating on grade  
but in area of 0.54% Cu would be 5%

**NORANCON EXPLORATION LIMITED**  
(NO PERSONAL LIABILITY)

1033 Davie St., Suite 405  
Vancouver, B.C., Canada  
604-684-9246

P.O. Box 45, Commerce Court West  
Toronto, Ont., Canada M5L 1B6  
416-867-7260

June 28, 1977

Mr. Grover Heinrichs  
Essex International  
1802 West Grant St  
Tucson, Arizona 85705

Dear Grover,

I have contacted Mr. O. Heinds vice-President of exploration, Noranda mines re any interest in Uchhol Hills. Mr. Heinds got in touch with Bob Miller who informed him Bill Payne of the Noranda Tucson office had studied this deposit some two years ago. I gather they consider there are mining difficulties. In view of this Noranda would not wish to become involved in your proposal to approach Newmont or Superior. Mr. Heinds says if you have further questions on the matter to give him a call. His phone is area code 416-867-7220.

I hope you succeed in interesting another party in investigating the possibilities of a deal.

yours truly  
A.M. Bell

Grover:

Re: Vekol

My uncle called and indicated that B.H.P. is mounting a P.R. offensive in U.S.A only and is looking for stable markets for its iron ore and is not interested in entering Cu market in any capacity.

I mentioned the whole sit. to U. Krol and he passed it on in confidence to J. Camberidge of Hanna. John will be calling you, as Vic thinks that Hanna might be very interested, well funded and imaginative

John

Vekol Hills Copper Co.

Investment by Superior 4,373,000.<sup>00</sup>  
by Newmont ~~6,000,000~~ 6,000,000 ~~Investment~~  
10,373,000.<sup>00</sup> Total

51% Newmont

48.97% Superior

105,000,000 million tons

0.54% with dilutions reserve 10%

.051 Mo

354 Ag @ 4.00/oz.

No Au

~~80% or 83% recovery~~

87.8% recovery

drilled & Bulk sampled

Engineering by Nordberg, Harding, Newmont

Cost to put in production

85 to 90 Million dollars

Pre-strip 40 to 65 Million tons  
gravel & alluvium

Waste to ~~ore~~ 1.87 : 1

~~Smelting~~ Smelting charges highest in world  
at more than any other costs as quoted by  
other companies.

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AN OPPORTUNITY FOR CONSIDERATION

A possible significant opportunity for Essex has developed on a property known as the Vekol Hills deposit in Pinal County, Arizona, approximately sixty miles to the northwest from Tucson.

We hear that Newmont has approached some Japanese firms to sell them a percentage of the Vekol Hills Deposit. Superior Oil Co. has suggested, unofficially, that Essex, rather than the Japanese, buy in. Newmont is in a unique bind on the property because of existing agreements with the Papago Indians, who control a portion of the property. The agreement, reportedly requires that Newmont commence development within a three year period and failure to do so could jeopardize their position.

Superior Oil, a Newmont partner would favor a major copper fabricator as another partner, likely because Superior and Essex (?) could dominate the consortium.

Newmont reportedly is over committed on other projects and is not prepared to meet its estimated \$45,000,000. share of the required capital to put the mine into production.

Coupled with the Vekol Hills Deposit development is the possibility of building a Copper Smelter and Refinery on the Papago Reservation to handle Vekol Hills concentrates as well as Lakeshore concentrates.

Financing could be arranged via municipal bonds, provided the Papagos, for putting up the land and water, would get a minor equity interest.

The significant point in the economics of this venture is the avoidance of State taxes because of the Smelter's location on Papago land. Enclosed is a summary on the known information on Vekol Hills Deposit and a summary on the smelter refinery complex.

If you wish me to proceed on the Vekol developments I can arrange for some preliminary discussions with Newmont and yourself.

July 1976

PRELIMINARY PROPOSAL FOR COPPER SMELTER AND REFINERY

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## PROPOSAL

Establish a small office in Tucson to pursue the objectives as outlined on a two year contract basis with month to month reports on progress at a cost of \$150,000.00 per year and an option to renew for additional periods of one year each.

The \$150,000.00 per year would include salaries of two full time professional men with proper office, consulting, legal and transportation support to realize the objectives on a step by step basis.

Equity would remain in Pullman-Torkelson's name and all design-engineering would be channeled through Pullman-Torkelson.

If the entity proves successful, a 1% ownership in the package would accrue to our group.

July, 1976

Preliminary Proposal for Copper Smelter and Refinery

- (a) 1,000,000 tons concentrate per year containing 25% recoverable copper and 30% sulfur
- (b) Treatment scheme includes flash smelting, oxygen converting, ~~contact~~ acid plant to meet E.P.A. requirements, electrolytic refining to cathode copper & possibly a continuous cast rod facility
- (c) Investment in land, plant, interest during construction, break-in period and working capital \$225,000,000 split into loan capital \$175,000,000 @ 9% and equity capital of \$50,000,000
- (d) Operating costs, interest on loan and loan repayment over ten years estimated at \$73,000,000/year or 14.6 cents per pound of copper
- (e) If toll charges are 18 cents/pound of copper, return on equity investment would be <sup>over 30%</sup> 20% per year, (including extra copper recovered over what is paid for)
- (f) Profits on gold, silver, acid and other by-products not taken into account