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PWO.

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 892-1036

They apparently have tremendous land holdings in some interesting areas, but their exploration expertise is lacking. Looking at some data on a few selected properties may be in order.
EGH.

June 17th, 1970

O'CONNOR — INFO ONLY FOR YOU AND LAWYER O'MALLEY 6-25-0.

Mr. W. F. Probst, Chairman
Essex International
1601 Wall Street
Fort Wayne, Indiana 46804

Dear Mr. Probst:

Frontier Resources and Prudential Minerals have decided to combine their New Mexico mineral land holdings to form the basis for a major state-wide exploration program for metals and uranium. The pooling of these properties has resulted in one of the largest geologically sound acreage spreads of its kind in the State, and we are now contacting selected companies regarding possible participation in the program.

Frontier-Prudential is offering participation in this program to a major company or fund that may desire mineral diversification through an experienced exploration group. We would be pleased to have you consider our proposal so a copy of our brochure is enclosed outlining the exploration program and the properties involved.

After you have read the brochure, I am sure you will agree that this venture represents a high quality exploration potential which warrants thorough professional development. Should you express an interest in possible participation in the program, I shall be glad to meet with you to discuss it in more detail.

Sincerely yours,

FRONTIER RESOURCES, INC.

Thor Gjelsteen

Thor Gjelsteen, President

TG:pme
encl as shown

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 892-1036

PROPOSAL

FRONTIER — PRUDENTIAL

NEW MEXICO EXPLORATION PROGRAM

June 1970

SUMMARY

Frontier Resources, Inc., and Prudential Minerals Exploration Corporation, Inc., own large holdings of mineral prospects totalling 166,880 acres located in some thirty mining districts within the State of New Mexico. Frontier and Prudential propose to combine their exploration efforts and mineral properties into a single exploratory program with a minimum duration of three years. The program will consist of geological reconnaissance, detailed geochemical and geophysical surveys, and drilling leading to development of potential ore deposits.

The proposed Frontier-Prudential New Mexico Exploration Program shall be operated by Frontier Resources under an exclusive contract as a joint venture with a major Participant. The Participant's minimum expenditure is estimated at $1,217,000 with an upper limit of $1,517,000 for the full three year program. Of this amount, almost 90% would be tax deductible to the Participant as structured in the proposal.

Frontier Resources has a professional staff with experience, technical skill and imagination to carry out an effective exploration program. Through the combination of mineral expertise and a favorable land position, Frontier Resources is able to reduce the inherent risk and increase the probability of success. The potential for discovery within the relatively neglected mineral belts of New Mexico fully justifies the proposed program.

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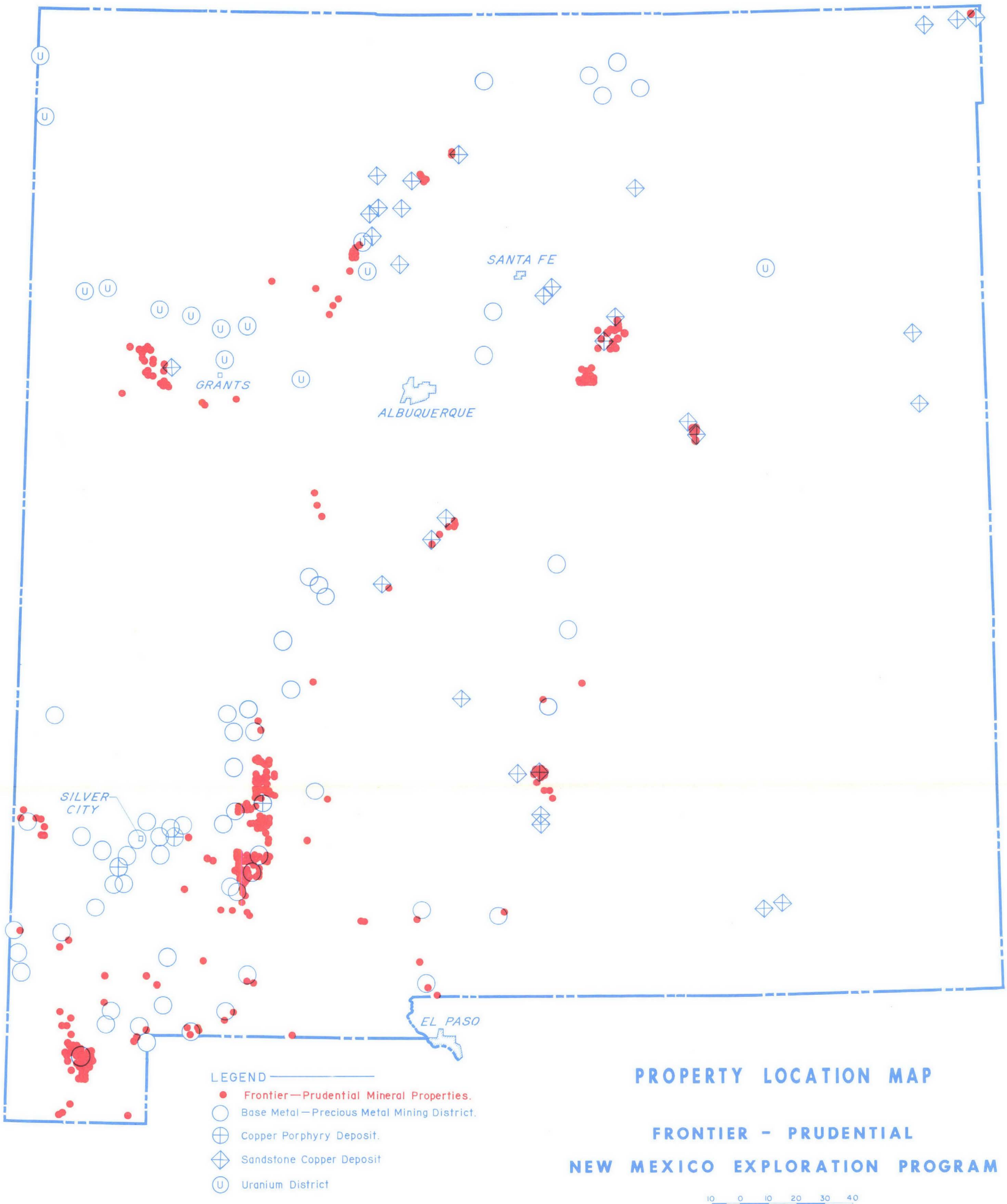


PROPERTY LOCATION MAP

FRONTIER - PRUDENTIAL
NEW MEXICO EXPLORATION PROGRAM

NEW MEXICO EXPLORATION PROGRAM

Frontier Resources, Inc., and Prudential Minerals Exploration Corporation, Inc. (PMEC), propose to combine their exploration efforts and mineral properties within the State of New Mexico into a single joint venture program with a major Participant. This broad program, which is designed for wide exposure to promising prospects throughout the state, obviously offers a greater chance for discovery than one restricted to any given area.

Frontier-Prudential offers participation in the proposed exploration program to a company or fund that may desire mineral diversification through an experienced exploration group without having to staff its own organization. Moreover, Frontier-Prudential is able to reduce the inherent exploration risk and increase the probability of success through its mineral expertise and selective land position.

Mineral exploration offers financial rewards commensurate with the risk. Mining companies indicate that only one major discovery every 30 years will return dividends on all previous expenditures. The risk in mineral exploration is further offset by the tax advantage since direct costs of mineral exploration and development are fully deductible from taxable income and the proposed program will be structured to provide maximum tax benefit to the Participant.

SCOPE

The proposed Frontier-Prudential New Mexico Exploration Program shall be operated by Frontier Resources under an exclusive contract as a joint venture with a major participant. It is essential that the program be continued for at least three years to offer the optimum chance for success. Therefore, the Participant will commit to a three year program with a minimum expenditure of $350,000 per year with a drawing reserve of an additional $150,000 per year in the second and third years for possible major drilling programs beyond the scope of the contemplated exploration program. The Participant will have the option to renew the exploration program on the same basis for an additional two years.

Frontier Resources feels that this budget arrangement is desirable to allow a flexible program to include exploration management, three full-time geologists, contract geophysical units, drilling programs, photo-geologic and geochemical surveys. Also, the budget would allow sufficient funds for an acquisition program consisting of leasing additional lands, staking claims, and optioning properties.

It should be emphasized that the minimum expenditures would place the proposed exploration program on a comparable basis with most mining and oil company budgets for minerals exploration within the State of New Mexico.

EXPLORATION OBJECTIVE

The objective of the proposed exploration program will be to seek reserves of specified minerals of high economic value within the State of New Mexico. Based on our commodity research, Frontier Resources has selected the following minerals as the basis for the proposed exploration program:

Copper — Since 1966 copper has been in extremely tight supply despite increasing production both in the United States and abroad. As a result, domestic producers have increased the price of copper from 36¢ a pound in 1966 to the current 60¢ a pound. In spite of the sharp rise, the domestic producers' quotation still represents the lowest price for copper in the Free World. There is little threat of a significant near-term decline in these quotations because of the very high level of economic activity in most of Western Europe and Japan, increasing consumption in the developing nations and uncertainties about the reliability of production in politically volatile areas such as Africa and South America. Moreover, nationalization is a major threat to producers of copper in Chile, Peru, Zambia, and the Congo which collectively account for one-half of the Free World's copper supply.

A major effort of the proposed program shall be oriented to the exploration for porphyry copper deposits in the southwest area

which represent multi-mineral targets. Valuable by-products obtained from U.S. porphyry deposits include gold, silver, molybdenum, nickel, lead, zinc and other metals. It is significant to note that only one porphyry copper deposit in the U.S. Southwest metallogenetic province has become depleted of commercial ore during the past 50 years.

Molybdenum — Excellent growth of U.S. consumption of almost 10% per annum since 1926 while the projected 5% growth rate to 1980 will likely prove conservative. Total free world production in 1969 was estimated to be 144 million pounds, of which 70% was produced in the U.S. Molybdenum is highly regarded because of its dynamic growth potential emphasized by increased research both in product use and extraction techniques.

Most prominent types of molybdenum deposits are the following:

1. Molybdenite — principal economic mineral of molybdenum.
2. Porphyry Copper — by-product molybdenum accounts for one-third production.
3. Contact metamorphic tungsten deposits that yield molybdenum as a by product.

Uranium — New Mexico is the leading producer and has the largest reserves of uranium in the United States. Although there is some current weakness in the uranium market, Frontier considers the outlook to be excellent for the long term and we expect that the market will strengthen again in the reasonably near future. In fact, the current slowdown has actually been beneficial to us since we have been able to secure leasehold positions at reasonable costs in areas in New Mexico that we consider geologically favorable for uranium deposition.

Fluorspar — Rapid growth in world fluorspar consumption has taken place in the past decade as a direct result of increasing demands in the aluminum, steel and chemical industries. Last year, world consumption reached an

estimated 3.8 million tons and indications are that this figure will at least double in the next five years. World fluorspar prices have responded to the accelerating demand with shortages now developing in some product lines. The discoverer of significant fluorspar reserves would be in a decidedly favorable position to capitalize on the increased demand and the rising values of fluorspar.

Lead and Zinc — Generally, lead and zinc have passed their maximum growth rates in the United States and future prospects primarily depend upon population gains and success in meeting competition from other materials. However, increased emphasis on market development has met with some success in such areas as die-casting applications for zinc. As a result of the metal's increasing penetration of die-casting markets, record production in the automobile industry (the largest market for zinc die-cast forms), and strong demand for galvanized steel (the second largest market for zinc), demand has generally exceeded supply during the past five years. A similar situation exists in lead, although consumption gains in the heavy metal have not been as great as those in zinc.

Both metals have experienced sharp price increases since mid-1963 because of shortages and, more recently, because of the rising cost of foreign concentrates, a major source of domestic lead-zinc supply. However, coincident increases in a number of demand factors may be inflating current volume somewhat, and the outlook for further consumption gains seems uncertain. Because of both metals' dependence on automobile markets, over-all usage will continue to reflect the level of activity in that major industry.

Lead and zinc minerals commonly are found under the same geologic conditions. Lead and zinc minerals may also be found associated with copper and other base sulphides and sometimes they occur separately; however, the mineralogic association of lead and zinc is so common that they are generally considered together. Important quantities of silver, gold, copper, cadmium, antimony, bismuth, arsenic and tellurium can be recovered from certain lead-zinc ores in the United States.

Precious Metals — Demand will continue for gold and silver resulting in an upward trend in prices for both metals. In view of the current financial condition of the United States, which sooner or later must adjust to the historical relationship of stable government and sound fiscal policies, a continuing exploration effort for both gold and silver is highly recommended.

Gold price fluctuations will come with balance of payment problems, the rate money is printed, and the resulting confidence in currency, South African and Russion sales. Special drawing rights are only a supplement to existing reserve assets. Gold will continue to play a major role in the international monetary system.

When the silver market is freed by cessation of Treasury sales, price will be the relentless disciplinarian and referee between supply and demand. The crux of the situation is the fact that both mining supply and industrial demand, in large degree, are inelastic or little affected by price change. We can expect to see a rising trend in the silver price with considerable volatility until the gap between supply and demand is eliminated.

Tungsten — The tungsten industry has been plagued with the long term problem of adjusting domestic and foreign producing and processing capacity to a stable level in harmony with supply and demand. Recent technological developments affecting both production and consumption, suggest an end to the erratic pattern of the past and indicate a favorable outlook for domestic tungsten.

Tungsten is essential in many lighting, electrical and electronics applications; its carbides and alloys are used in metal-shaping tools and in wear-resistant parts, in rock bits and hardfacing. The use of tungsten where extremely high temperatures are encountered is increasingly important. Demand for tungsten in 1969 rose approximately 15% and future demand has been forecast by the U.S. Bureau of

Mines to increase at an annual rate of between 4.2% and 5.6%. Prices have more than tripled since the early sixties to a current $65 per short ton unit as tungsten moved into short supply. This situation is expected to continue for some time thus creating an attractive incentive to explore for new reserves.

Most of these minerals are expected to appreciate in value at a significantly greater rate than the average of the economy, with rapidly expanding demand continuing to exceed the supply over the next decade. Based on this reason, and considering the size of the exploration targets we shall select, the potential rewards are great. Frontier's exploration emphasis shall be on base metals since most good base metal ore deposits have attractive investment returns to justify large exploration expenditures.

The disposition of any commercial mineral discoveries that may result from the program should be determined by the objective of the Participant. The optimum economic rewards may be achieved by an internal entity should the Participant possess the operating capabilities. In the case of a non-operating Participant, we would attempt to enter into an agreement with a third party for the further exploration and/or development of the property, particularly in the cases where substantial expenditures are required for such further exploration and/or development.

The demand for commercial mineral reserves is strong and there is currently a ready market for good metal deposits. The following three methods regarding the disposition on any commercial mineral discoveries would be considered to coordinate with the Participant's objectives:

1. Form a separate operating company either private or public.
2. Outright sale of deposit.
3. Joint venture with major mining company.

Examples of the outright sale and joint venture options are as follow:

1. Quintana Petroleum Company discovered the Kalamazoo copper ore body which is the downthrown block of the San Manuel deposit in Arizona. The Kalamazoo ore body was sold to Newmont for $27 million ($19 million cash and $8 million stock). Quintana's exploration and development drill cost was approximately $2.5 million.

2. El Paso Natural Gas Company discovered the Lakeshore copper ore body in Arizona. El Paso entered into a joint venture with Hecla Mining Company on the following basis:

   a. 1 million shares of Hecla stock (valued at $20 million).
   b. Hecla finances all mining and milling facilities estimated at $150 million. After Hecla recoups its investment, El Paso backs in for a 50% working interest.
   c. El Paso receives $1 million per year as an advance on future profits during the pre-operating period.

NEW MEXICO MINERAL POTENTIAL

New Mexico has a diversity of mineral deposits and the exploration potential for new discoveries is considered excellent. The gross value of mineral production, exclusive of oil and gas, was $332.6 million in 1967. The principal minerals produced were uranium, copper, molybdenum, coal and potash with minor lead, zinc and silver. New Mexico's mineral production is not restricted to one section of the State but is rather generally distributed, with copper and associated molybdenum, lead and zinc in the Southwest, molybdenum in the north-central, and uranium in the northwest. Most present mineral exploration is generally directed toward areas adjacent to known production.

Currently, Phelps-Dodge and Kennecott Copper operate large porphyry copper deposits near Silver City while U.S. Smelting has started production from its large replacement deposit of copper ore near Fierro. These deposits are found in

exposed "islands" of pre-Tertiary rocks that constitute less than 25% of the total land area in southwest New Mexico. The remaining 75% is covered by unknown thicknesses of Quaternary gravels or Tertiary volcanic rocks. In southwest New Mexico, there is a general feeling among many exploration geologists that a number of large porphyry and replacement copper deposits lie undiscovered in pediment or shelf areas covered by thin blankets of these beds.

Nearly 42% of the domestic uranium reserves are located in northwest New Mexico, mainly within the Grants mineral belt. The Grants mineral belt extends from Laguna to Gallup and includes the Jackpile and Paguate deposits near Laguna, the Ambrosia Lake deposits, the Blackjack deposits near Smith Lake, and the Northeast Church Rock deposits northeast of Gallup. In a ten year period from 1958-1968, the Grants mineral belt produced about $1.06 billion while the ultimate production from the district is estimated to exceed $2.5 billion. Previous work by Frontier indicates a strong possibility of discovering new ore deposits outside the Grants mineral belt and in entirely new environments not previously tested.

Molybdenum is produced in New Mexico as a by-product of porphyry copper operations and from a large open-pit mine operated by the Molybdenum Corporation of America near Questa. The Questa deposit is one of three in the United States currently being mined solely for molybdenum. Because of the rarity of large molybdenum deposits, exploration for molybdenum is usually conducted as part of a porphyry copper exploration program.

Contact-metamorphic deposits in the silicate zone between limestone and intrusive rocks are more abundant than in any of the other states except possibly Arizona. They carry copper ores in the Elizabethtown, San Pedro, Organ, Jarilla, Hanover, Magdalena, and Hachita districts; lead and zinc ores are developed in the Magdalena and Tres Hermanas districts. At least fourteen districts with such ores are known, of which the Magdalena, San Pedro and Hanover districts have yielded a considerable production of base metals.

Quartz veins almost invariably are associated with intrusives and are chiefly of the gold-bearing pyritic type, though in places they also carry silver, lead and copper. The principal producing districts of this kind are Elizabethtown, Ortiz, White Oaks and Pinos Altos. The silver veins form a smaller group, most of them occurring in Grant County. Replacement deposits of argentiferous galena or silver ores are found at some little distance from the intrusive contact and have been mined in the Organ, Hermosa, Kingston, Hillsboro, Lake Valley, Georgetown, Victoria, Chloride Flat and Granite Gap districts. Copper deposits occur in the Lordsburg district where Federal Resources recently made an important new vein-type discovery.

Tungsten minerals occur at a number of places, notably the Victorio district of Luna County; the White Oaks district of Lincoln County; the Apache No. 2 district, Hidalgo County; and the Iron Mountain district of Sierra County.

New Mexico usually ranks fourth among the fluorspar producing states behind Illinois, Kentucky and Colorado. The southwestern region is the oldest and the most consistently productive area in the state. Most of the fluorspar deposits lie within an elliptical area 70 miles long and 55 miles wide, with the Burro Mountains uplift at its center. The northwestern region includes the deposits within the core of the Zuni Mountains. The south central region contains fluorspar deposits in sedimentary rocks or in igneous rocks close to the contact with sedimentary rocks.

FRONTIER-PRUDENTIAL MINERAL PROPERTIES

Frontier-Prudential owns large holdings of mineral leases totalling 166,880 acres located in some thirty mining districts within the state of New Mexico. The acquisition of these leases over a three year period was based on their relative geologic potential primarily for base and precious metals and uranium. Geological, geophysical and geochemical surveys conducted to date have identified a number of highly favorable target areas.

To start the program, Frontier-Prudential shall transfer its New Mexico mineral properties, geological and geophysical data, and color aerial photo coverage (over 430,000 acres), to the program at $1.00 per net mineral acre, or $166,880. The mineral properties and related data will constitute an excellent base for the new program as well as eliminate any possible conflicts of interest between Frontier-Prudential and the joint venture.

Frontier-Prudential's mineral properties are shown on the enclosed map as related to the known mining districts in New Mexico. The properties are generally grouped into three sub-programs according to their mineral-geologic environment and a brief description of each follows:

SOUTHWEST NEW MEXICO METALS REGION

Southwest New Mexico is a relatively neglected part of the North American Copper Porphyry Province. Furthermore, a precious metals belt with widespread areas of altered rocks extends for over 75 miles along the east edge of the great volcanic field in southwest New Mexico. Past exploration of this belt has been very superficial. Through the use of modern exploration techniques, the southwest New Mexico region offers excellent possibilities for the discovery of important base metal and precious metal deposits hidden beneath thin volcanic or alluvial cover.

Frontier-Prudential presently has an unusual exploratory advantage in southwest New Mexico for the following reasons:

1. A basic land position consisting of over 100,000 acres located in geologically favorable areas.

2. Extensive geophysical and color aerial photo coverage (approximately 430,000 acres).

3. A highly experienced staff with accumulated geologic knowledge of the region.

4. Experience and contacts which allow for rapid and efficient mineral land acquisition at lowest possible cost.

5. The geological, geophysical and geochemical surveys that we have conducted in the area have identified a number of highly favorable drilling targets.

SANDSTONE COPPER PROSPECTS

Sandstone copper deposits, commonly called "Red Bed" copper deposits, are widely distributed throughout eastern, northern, and south-central New Mexico. Most of the deposits in New Mexico are in Permian and Triassic formations and deposits in each may only be a few miles from each other.

Although "Red Bed" copper deposits have been known for some time, high transportation costs and low-grade ores have discouraged much production. Improved leaching techniques to treat the oxidized ores together with the sharp rise in the price of copper have encouraged development of these deposits in the past two years. For example, Earth Resources is bringing the Nacimiento mine near Cuba into production next year at the rate of 3000 tons per day.

In general, previous mining operations of "Red Bed" copper deposits have concentrated on ores with a grade of 2% copper or higher. The amount of ore with a grade of 0.3%, which possibly would be a cut-off point for leaching operations, could be substantial. At present, as far as is known, no estimate of reserves of this nature has been made. Frontier-Prudential acquired some 38,809 acres of leases in order to obtain a basic land position in the "Red Bed" copper areas.

URANIUM PROSPECTS

The uranium prospects under lease by Frontier-Prudential are divided into two areas as follows:

1. Southeast San Juan Basin Prospects — Leases are located on a trend between the Jackpile district and the La Ventana district. The prospects are located downdip from outcrops of favorable host rocks which contain uranium mineralization on the east edge of the San Juan Basin. Land Position — 8,295 acres.

2. Pedernal Arch Prospect — Leases were acquired based on the geologic similarity to the Las Vegas Basin where American Minerals Company (19% owned by Frontier Resources) drilled a mineralized uranium zone in a completely new environment. In addition, the U.S. Geological Survey identified gold associated with the uranium in the core. The new environment, the Sangre de Cristo formation, is considered favorable for large uranium deposition with possible by-product gold. Land Position — 11,786 acres.

   It should be noted that uranium is known to occur in several "Red Bed" copper areas. As far as known, no consideration has been given to the possible by-product uranium value in leaching a "Red Bed" copper deposit.

   A table summarizing the Frontier-Prudential mineral properties by district and exploration potential is included in this brochure.

PARTICIPATION TERMS

The proposed Frontier-Prudential New Mexico Exploration Program will cost a minimum $1,217,000 over the three year program. Should the additional drilling reserve of $150,000 be required in both the second and third years, the total maximum cost would be $1,517,000. Of this amount, almost 90% would be tax deductible to the Participant as structured in our proposal.

Participation is offered in the Frontier-Prudential New Mexico Exploration Program on the following basis:

1. Frontier-Prudential will provide the staff and management required to conduct the entire program. Frontier Resources shall be designated as Operator of the joint venture.

2. Participant will commit to the three year program and will contribute $350,000 per year, subject to a request by the Operator for an additional $150,000 per year for possible major drilling programs that may develop in the second and third years. In addition, Participant shall be charged $1.00 per net mineral acre transferred to the program by Frontier-Prudential which totals 166,880 acres.

3. The percentage breakdown of the joint venture partners would be as follows:

Participant	65% working interest
Frontier Resources	17.5% working interest
PMEC	17.5% working interest

4. Frontier Resources and PMEC will receive the following remuneration for supervision and transfer of its mineral properties.

a. Management Fee (first year)

Frontier	$77,500	(Operator)
PMEC	$57,500	

b. Management Fee (second and third years)

Frontier	$112,500	(Operator)
PMEC	$82,500	

c. Transfer of Acreage @ $1.00 per acre

Frontier	$81,753
PMEC	$85,127

5. Working interest contributions:

	First Year	Second and Third Years
Participant	$215,000	$305,000
Frontier	57,500	82,500
PMEC	57,500	82,500
Totals	$330,000	$470,000

6. Participant would have the option to extend the program for an additional two years on the same basis as the second and third years.

It should be noted that the above format is structured to provide the maximum tax writeoff to the Participant. To explain, the basic intent is that Frontier-Prudential would have a carried interest during the three year program; however, the Participant would then have to capitalize the 35% carried interest of Frontier-Prudential. By charging the Participant a management fee (deductible) for the equivalent carried interest, Frontier-Prudential then contributes it as a working interest with the resultant full tax write-off to the Participant. On this basis, the only capitalized item for the Participant is $166,880 for the transfer of properties. Of the total management fee, Frontier retains $20,000 the first year and $30,000 the second and third years as Operator which is a reasonable 6 percent of total expenditures.

TAXATION

A taxpayer may elect to deduct expenditures for the purpose of ascertaining the existence, location, extent or quality of any deposit of ore or any mineral, other than oil or gas, which are paid prior to the beginning of the development state of the mine. Such expenditures may be deducted without dollar limitation, provided the mine is located in the United States or on the Continental Shelf. If the taxpayer elects to deduct such expenditures he is required to "recapture" such expenditures when the mine reaches a producing stage by (i) foregoing depletion deductions to the extent of previous deductions for exploration expenditures with respect to the property involved or (ii) including such prior expenditures in gross income. Recapture is also required where the mining property is disposed of prior to the time there has been complete recapture through disallowance of depletion.

A taxpayer may also deduct in the year incurred expenditures that are made during the development or producing stage of a mine, and these deductions are not subject to the recapture rules outlined above for mining exploration. Such expenditures include drilling,

crosscutting, and similar operations to determine the location, extent or quantity of a known ore deposit in a mine or to locate or find another vein of ore of the mine. However, if the exploration project is for the discovery of a new mine, then the expenditure is to be treated as an exploration expense subject to recapture rather than as a development expense. Either cost or percentage depletion may be taken. Percentage depletion for the specified minerals ranges from 14% to 22% of Gross Income from the particular property not to exceed 50% of the taxable income. Cost depletion must be used if it would result in a greater deduction, but percentage depletion normally permits a greater recovery. It should be noted that the depletion allowances cited are based on the new rates in the recently passed tax bill. Of the specified minerals, the allowance on molybdenum was boosted to 22% from 15%, the current rate of 15% on domestic copper, gold and silver remains the same, while the rates for the other minerals were lowered slightly. Frontier Resources plans to structure the program so that the only capitalized item would be acquisition costs. Capital equipment used in exploration such as field vehicles, geological gear, etc., would be supplied by Frontier Resources and leased to the program in order to maximize tax savings to the Participant.

PROGRAM MANAGEMENT

The Frontier-Prudential New Mexico Exploration Program shall be operated by Frontier Resources, a mineral exploration company headquartered in Denver, Colorado. Frontier Resources is incorporated in New Mexico and became a public company through a successful underwriting on September 8, 1969. Most of Frontier's mineral operations are conducted through joint venture exploration and development programs with other companies.

Prudential Minerals Exploration Corporation is an operating oil and gas company headquartered in Dallas, Texas. Mr. Elliott Roosevelt, Jr., is Chairman and chief executive officer of the company. Under the direction of Ralph Barnard, Prudential concentrated its mineral exploration and acquisition program on New Mexico. Mr. Barnard is consultant to Prudential and shall be retained by the program.

Interesting

The proposed exploration program shall be conducted under the direct management of the following:

Thor Gjelsteen, President and a Director of Frontier Resources; is a graduate of the Missouri School of Mines and is a Registered Professional Engineer in the State of Colorado. He is Vice-President and a Director of American Minerals Company of New Mexico. For the four years preceding the founding of Frontier Resources, he was engaged as an independent mining consultant to companies including Tenneco Oil Company, Continental Oil Co., Arkansas-Louisiana Gas Co., Quintana Petroleum Corp., and AMC-Harrison, Ltd. From 1953 to 1965 he was employed by Geophysical Services, Inc., Vanadium Corporation of America, Superior Oil Company (Minerals Division) and the Colorado School of Mines Research Foundation. He is a member of the American Institute of Mining and Metallurgical Engineers and the American Institute of Professional Geologists.

H. Leonard Swords, Vice President and a Director of Frontier Resources; is a graduate of the University of California and has had 32 years of geological and geophysical experience in the oil and mining industries. He is Assistant Secretary-Treasurer and a Director of American Minerals Company of New Mexico. For the eight years preceding the founding of Frontier Resources, he operated as an independent geological consultant. From 1947 to 1961 he was employed by the Union Oil Company of California. His last position with Union was Division Geologist of the Rocky Mountain Division. He is a member of the American Association of Petroleum Geologists.

Competent man
I know him
EGH

Ralph M. Barnard, Consulting Mining Geologist; is a graduate of both the University of Southern California and Michigan State University. He has had 20 years of diversified experience in mineral exploration, mineral deposit evaluation and engineering geology in the United States, Canada and Mexico. He is presently consultant to Prudential Minerals Exploration Corporation and was previously manager of minerals exploration for Prudential. Other positions held were: Exploration Manager, Hooker Chemical Corp.; Senior Mine Geologist and Staff Geologist, United States Borax & Chemical Corp; Mineral Exploration Geologist, Superior Oil Company. He is a member of the American Institute of Mining and Metallurgical Engineers and is a Registered Professional Geologist in the State of California.

Frederick J. Smith, Mining Geologist for Frontier Resources; is a graduate of the Missouri School of Mines. He was formerly associated with the Uranium Exploration and Development Group of Atlantic Richfield Company. He had previous summer experience with American Zinc Company and Texas Gulf Sulphur Company while a student. He is a member of the American Institute of Mining and Metallurgical Engineers, Rocky Mountain Association of Geologists and the Wyoming Geological Association.

Frontier Resources is closely associated through stock ownership and management representation with Five Resources, Inc. of Houston, Texas. Through this relationship, the following personnel from Five Resources are available to Frontier Resources to assist the proposed exploration program in financial, tax and land matters:

William C. Bagby, a Director of Frontier Resources; is a graduate of the Graduate School of Business Administration, Harvard University, and of the Colorado School of Mines. He is President and a Director of Five Resources, Inc.

Ronald Suttill, is a British Chartered Accountant. He is the financial Vice President of Five Resources, Inc. Prior to joining Five Resources in 1969, Mr. Suttill was manager of North American Accounting for the Continental Oil Company in Houston, Texas.

Arthur E. Smith, Jr., is a graduate of the University of Texas and spent seventeen years with Continental Oil Company. He was Coordinator of Land Activities for North American Operations for Conoco prior to joining Five Resources as Land Manager.

With the exception of Ralph Barnard and Frederick Smith, no salaries of any of the above personnel will be charged to the proposed exploration program. To further facilitate the program, Frontier will staff a geological field office in Albuquerque with qualified explorationists, trained in the most sophisticated exploration techniques. Frontier Resources is able to attract outstanding personnel because of its ability to offer substantial stock options, and we are in contact with several additional geologists who would be available for the program.

SUMMARY OF FRONTIER-PRUDENTIAL NEW MEXICO MINERAL PROPERTIES

Property	Mining District	Acreage Holdings	Exploration Potential
SOUTHWEST METALS REGION — HIDALGO COUNTY			
Red Hill Prospect	Red Hill	10,421	Prospective for silver, lead, zinc, copper and molybdenum. Includes the Red Hill Mine, which produced silver and lead at various periods between 1908 and 1925. The property contains a color anomaly, a geochemical anomaly (molybdenum) and a pronounced magnetic anomaly. The property is located at the intersection of pronounced northwest and northeast fault trends of favorable age — an important control for the location of major ore bodies in adjacent areas of Arizona and New Mexico. A core hole is planned to explore favorable rocks expected to lie below the Red Hill Mine workings. A second core test will explore the magnetic anomaly.
Animas Mountains	Gillespie, Animas and areas outside of known mining districts	18,661	Prospective for copper, silver and manganese and other metals; also fluorspar possibilities.
Apache Hills	Apache No. 2 (Anderson)	623	Prospective for copper, gold, silver, lead, zinc, bismuth and tungsten. Property contains favorable fault intersection, geophysical anomaly and geochemical anomaly.

Property	Mining District	Acreage Holdings	Exploration Potential
Steins Peak	Steins Pass (Kimball)	640	Possible vein or disseminated deposits of gold, silver and copper.
Pyramid Mountains	Lordsburg	640	Possible base and precious metals prospect.
	GRANT COUNTY		
Dwyer Area		1,007	Possible replacement type sulfide deposits beneath volcanic rocks at favorable fault intersection.
Steeple Rock	Steeple Rock	4,160	Prospective for gold and silver deposits in fault breccia. Known major faulting and hydrothermal alteration on part of property.
Little Hatchet	Hatchita	640	Possible base metals prospect.
East Santa Rita		280	Prospective for replacement type sulfide deposits.
Other prospects		1,320	Selected on geologic interpretations as prospective for various metals.
	LUNA COUNTY		
Various prospects	Old Hadley, Tres Hermanas, Florida Mountains, Carrezalello, and areas outside of known mining districts.	13,028	Selected on geologic interpretations as prospective for various metallic and non-metallic deposits.

Property	Mining District	Acreage Holdings	Exploration Potential
	SIERRA COUNTY		
Lake Valley Prospects	Lake Valley, Macho, and areas outside of known mining districts	19,203	Preliminary geologic and geophysical interpretations have indicated a number of areas prospective for hidden metal deposits.
Hillsboro	Hillsboro, Kingston, Hermosa	28,098	Within well defined precious metal-base metal belt. Contains windows through volcanic cover to favorable host rocks and also areas of thin volcanic cover. Prospective for both replacement type sulfide deposits and copper porphyry.
Sierra Cuchillo	Cuchillo Negro	1,200	Within well defined precious metal-base metal belt. Near U.S.G.S. geochemical anomalies (U.S.G.S. Circ. 600). Prospective for vein and replacement type deposits.
	DONA ANA & OTERO COUNTIES		
Various prospects	Organ Mountains, Orogrande and areas outside of known mining districts	3,648	Selected from geologic interpretations as prospects for fluorspar or metallic deposits.
Southwest Metals Region — Sub-Total		103,569 acres	

Property	Mining District	Acreage Holdings	Exploration Potential
SANDSTONE COPPER PROSPECTS			
Tecolote	Tecolote	1,565	Numerous sandstone copper and uranium shows.
Ribera	Ribera	4,483	Sandstone Copper occurrences. Potential uranium prospect.
Tularosa	Tularosa	8,646	Sandstone Copper occurrences. Possible uranium prospect.
Zuni Mountains	Zuni Mountains	12,823	Sandstone Copper occurrences. Possible uranium prospect.
Chupadero	Chupadero	640	Offsets old copper mine.
Rayo	Rayo	3,678	Sandstone Copper mineralization covers large area.
Coyote — Abiquiu	Coyote — Abiquiu	3,420	Numerous sandstone copper shows. Favorable uranium target.
Pastura	Pastura	2,720	Adjoins Stauber Mine which produced over 13 million pounds of copper from high-grade oxide ores.
Caballo	Caballo Mountains	834	Sandstone Copper occurrences.
	Sandstone Copper Prospects — Sub-Total	38,809 acres	

Property	Mining District	Acreage Holdings	Exploration Potential
URANIUM PROSPECTS			
Pedernal Arch	San Miguel Co.	11,786	Similar geology to Las Vegas Basin uranium. Favorable for large uranium deposition with possible by-product gold.
SE San Juan Basin	Between Jackpile and La Ventana	8,295	Located downdip from outcrops of favorable host rocks which contain uranium mineralization.
Uranium Prospects — Sub-Total		20,081 acres	
Miscellaneous Prospects		4,421 acres	Selected on geologic interpretations for various metals.
	TOTAL	166,880 acres.	

May 27, 1971

Mr. Thor Gjelsteen, President
Frontier Resources Inc.
Suite 511-899 Logan St.
Denver, Colorado 80203

Dear Mr. Gjelsteen:

Thank you for your letter of May 25, 1971.

We have an extensive file on the area you submitted, and agree that it is an interesting exploration area deserving further work. Due to prior commitments, it would not presently fit into our exploration program, but we appreciate your considering us for a joint project and hope that you will submit further possible joint projects to us.

Best regards,

Paul I. Eimon
Manager of Exploration

ESSEX INTERNATIONAL, INC.

PIE:td
cc: H. Lanier

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203

FRONTIER Resources

ANNUAL REPORT 1970

Frontier Resources, Inc.

OFFICERS

Thor Gjelsteen, President and Treasurer

H. Leonard Swords, Vice President and Secretary

DIRECTORS

Thor Gjelsteen, President of Frontier Resources, Inc.

H. Leonard Swords, Vice President of Frontier Resources, Inc.

William C. Bagby, President of Five Resources, Inc., of Houston, Texas

J. F. Freel, President of Kiowa Minerals Company, of Houston, Texas

CORPORATE HEADQUARTERS

Suite 511, 899 Logan Street

Denver, Colorado 80203

GEOLOGICAL OFFICES

Albuquerque, New Mexico

Grand Rivers, Kentucky

BANKERS

United Bank of Denver, Denver, Colorado

AUDITORS

Arthur Andersen & Co., Denver, Colorado

TRANSFER AGENT

United Bank of Denver, Denver, Colorado

ACCOUNTANTS' OPINION

To the Board of Directors of
Frontier Resources, Inc.:

We have examined the consolidated balance sheets of FRONTIER RESOURCES, INC. (a New Mexico corporation) and subsidiary as of December 31, 1970, and December 31, 1969, and the related consolidated statement of cash receipts and disbursements for the year ended December 31, 1970. 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.

As set forth in Note 2 to the accompanying consolidated financial statements, a significant part of the assets of the Companies consists of natural resource assets and organization and deferred administrative costs. Realization of the investment in these assets (shown in the accompanying consolidated balance sheets as $187,176 in 1970 and $174,702 in 1969) is dependent upon the success of future operations.

In our opinion, subject to the realization of the investment in natural resource assets and organization and deferred administrative costs, the accompanying consolidated balance sheets present fairly the financial position of Frontier Resources, Inc. and subsidiary as of December 31, 1970, and December 31, 1969, in conformity with generally accepted accounting principles consistently applied during the periods and the related statement of cash receipts and disbursements presents fairly the cash receipts and disbursements for the year ended December 31, 1970.

Denver, Colorado,
February 10, 1971.

Arthur Andersen & Co.

Report to Shareholders

The philosophy of operating through joint venture programs enabled Frontier Resources to pursue an active exploration effort during 1970 despite the general softness in the national economy. Drilling on one of the Company's programs has indicated the existence of a zinc-fluorspar deposit in western Kentucky, while drilling on another program encountered encouraging zinc mineralization in central Tennessee. Furthermore, the Company ended the year in good financial condition with an expanded acreage position in several geologically interesting areas.

The Company's basic strategy combines exploration expertise with a favorable land position to provide the basis for the continued search for mineral deposits. It is anticipated that financing for future exploration programs shall continue to be generated through joint ventures. In this regard, financial contacts have been broadened by the Company's association with Five Resources, Inc., of Houston, which resulted in the formation of several current programs. Moreover, Management is optimistic that the zinc-fluorspar discovery in western Kentucky may develop into a commercial mining operation, thus providing an important source of future funds for Frontier Resources.

Frontier Resources' mineral holdings are located in six states and currently total approximately 240,746 gross acres (net 111,179 acres), of which some 40% is committed to five joint venture programs now in progress. Geological offices are located in Kentucky and New Mexico to facilitate those joint venture programs that are operated by Frontier Resources. In addition, the Company holds 3300 net acres of oil and gas leases in Colorado and Montana.

The consolidated financial statements reflect the write-off of the oil and gas drilling program in Saskatchewan and the Sheep Creek (Nevada) mineral venture, both of which were terminated during fiscal 1970. The two oil and gas discoveries in the 15 well Saskatchewan program failed to produce in commercial quantities and were abandoned.

You will have noticed in the Proxy Statement and the Notice of Annual Meeting that Mr. Jere F. Freel is not standing for re-election to the Board. Mr. Freel requested this change because of the demands of his other business obligations. His judgment and experience will be missed by the Board.

Respectfully submitted,

Thor Gjelsteen
President

May 3, 1971

Operations Review—Minerals

Mid-Continent Area

KENTUCKY: Frontier Resources manages the exploration program for a joint venture composed of the Company and its associates (Five Resources, Inc., of Houston, and J. Fred Landers, of Nashville) and Cerro Corporation, of New York. Under the joint venture agreement, Cerro Corporation may acquire up to a 70% interest in the joint venture by making incremental payments up to $600,000 for bonus and exploration expenditures. In this case Cerro would become the operator and Frontier Resources and its associates would hold 30% in the joint venture.

A letter to shareholders dated December 17, 1970, reported the results of seven diamond drill holes which encountered zinc and fluorite mineralization along 2550′ of a large vein structure. Fifteen additional holes have been drilled on the structure which has extended the mineralized zone another 2000′. Some bedded zinc and fluorite mineralization outside the vein has also been cut. Drilling is being continued and feasibility studies are being made to determine whether the mineralization found can be commercially exploited.

World fluorspar prices continued to rise during 1970 because of accelerating demands in the aluminum, steel and chemical industries. The Company's decision to move into fluorspar exploration in late 1969 proved very timely since the joint venture program now holds a key leasehold position of over 17,000 acres in the important Kentucky-Illinois Fluorspar District which historically has produced over 80% of domestic fluorspar.

TENNESSEE: Early last year, Frontier Resources and its associates entered into joint venture agreements with Cerro Corporation on the south half and with United States Borax and Chemical Corporation on the north half of a 30,000 acre lease block in the Central Tennessee Zinc District. Each agreement provided for a three-phase program with incremental payments of up to $1.6 million for bonus and exploration expenditures.

Recently, Cerro Corporation informed the Company and its associates that they elected to proceed with phase two of the joint venture agreement. Furthermore, Cerro reported that their drilling has encountered some encouraging zinc mineralization and that the drilling will be continued. Frontier Resources' net interest in this program is now 13.3%.

Based on the results of eight scattered drill holes, Borax has decided not to proceed with phase two of the joint venture agreement. The drilling encountered a few zinc

shows: however, no additional exploration is planned for the near future. The Company's net interest in this program is now 15%.

Late last year, Frontier Resources entered into a 50-50 joint venture program with Continental Oil Company to explore for zinc on several leases totaling some 8,000 acres in north-central Tennessee and south-central Kentucky. Frontier Resources operated a recently completed, three-hole drill program. Drilling encountered favorable ground structure containing several zinc shows and the results are being evaluated to determine future exploration.

Western Area

NEW MEXICO: Last year, Frontier Resources entered into an agreement with Prudential Minerals Exploration Corp., of Dallas, providing for the pooling of all the mineral interest held by the two companies in the State of New Mexico. The resultant large holdings of 174,755 acres are principally prospective for base and precious metals and uranium. The combined holdings have been broken into three segments for program purposes: 1) Sandstone copper, 2) Southwest metals and 3) Uranium. Frontier and PMEC contemplate forming joint ventures with others to provide the financing for comprehensive exploratory efforts on these programs.

Frontier Resources and PMEC have recently entered into a joint venture agreement with Mineral & Chemical Resource Company (a subsidiary of Alaska Interstate Company) of Houston, to explore and develop approximately 40,000 acres of mining leases that constitute the sandstone copper program. Frontier will manage the exploration program that involves four defined areas of interest, while Mineral & Chemical Resource Company may acquire up to a 70% interest in the joint venture and become the Operator, in which case Frontier and PMEC would hold 30%.

For the past two years, Frontier and PMEC have conducted independent exploration and land acquisition programs within areas of southwest New Mexico considered favorable for the occurrence of major metal deposits. The pooling of interests has created a basic land position of approximately 125,000 acres and participation is now being offered to others in an overall southwest New Mexico exploration program or in individual prospects within the region. Extensive geophysical and color aerial photo surveys over some 430,000 acres have identified a number of highly favorable drilling targets within the lease holdings.

The balance of the New Mexico acreage jointly held by Frontier and PMEC consists of about 10,000 acres of uranium prospects within the southeastern part of the San Juan Basin. Although interest in uranium is at a low point, two major oil companies have recently acquired acreage within the immediate vicinity of the pooled holdings.

MONTANA: The Company continues to maintain its position of 9,735 acres of uranium leases in the southeast corner of Montana. Drilling by others on adjoining properties has defined two uranium "roll fronts" in the Lakota formation and one in the Fall River formation downdip off the northeast plunge of the Black Hills Uplift. It is anticipated that some drilling will be conducted on Frontier's holdings this year.

Oil and Gas

ROCKY MOUNTAINS: The Company now owns 3,300 net acres of oil and gas leases in Colorado and Montana. One dry hole was drilled last year on a farmout in the Denver-Julesburg Basin in Colorado at no cost to Frontier.

Oil and gas prices have improved considerably during 1970, which should result in an upward trend in exploration in the Rocky Mountain area. Therefore, the Company is hopeful of formulating at least one drilling deal to test part of the acreage during the remainder of the year.

Frontier Resources, Inc. and Subsidiary

Notes to Financial Statements

December 31, 1970

(1) Principles of Consolidation

The financial statements include the accounts of the Company and its wholly-owned subsidiary, Frontier Resources, Inc. of Nevada.

(2) Investments in Natural Resource Assets and Organization and Deferred Administrative Expenses

At December 31, 1970, substantially all of the Company's mineral leases and costs of the mineral exploration venture, $105,000 and $21,966 respectively, have not been tested. These costs and organization and deferred administrative costs of $60,210 will be amortized by the unit-of-production method, if the venture is productive, or will be written off when the property is determined to be non-productive. In 1970, costs of $76,656 were written off as non-productive, resulting in a retained earnings deficit of $76,656. Realization of the investment in the natural resource assets and the organization and deferred administrative costs is dependent upon the success of future operations.

(3) Changes in Common Stock and Paid-In Surplus

During the year ended December 31, 1970, the following transactions which have an effect on the Company's common stock took place.

	Common Stock		
	Shares	Amount	Paid-in Surplus
(a) Capital stock accounts—			
Beginning balance	785,000	$7,850	$503,651
Shares issued in exchange for a 50% interest in certain mineral leases	15,000	150	29,850
Shares issued in exchange for options to purchase 150,000 shares of the common stock of American Minerals Company, recorded in the accounts at the predecessor owners' cost	15,000	150	—
Ending balance	815,000	$8,150	$533,501

(b) Stock option plan—

At December 31, 1970, 100,000 shares of the Company's common stock were reserved for issuance to officers and key employees of the Company, under the terms of a qualified stock option plan. The option price is the market price at date the option is granted. An option to purchase 10,000 of these shares on or before October 1, 1975, at $1.25 per share, has been granted.

(4) Income Taxes

At December 31, 1970, the Company had a net operating loss for income tax purposes of $183,000 which may be carried forward to offset future taxable income. The net operating loss benefit expires, if not used to offset taxable income, in the following years:

1974 — $108,000

1975 — 75,000

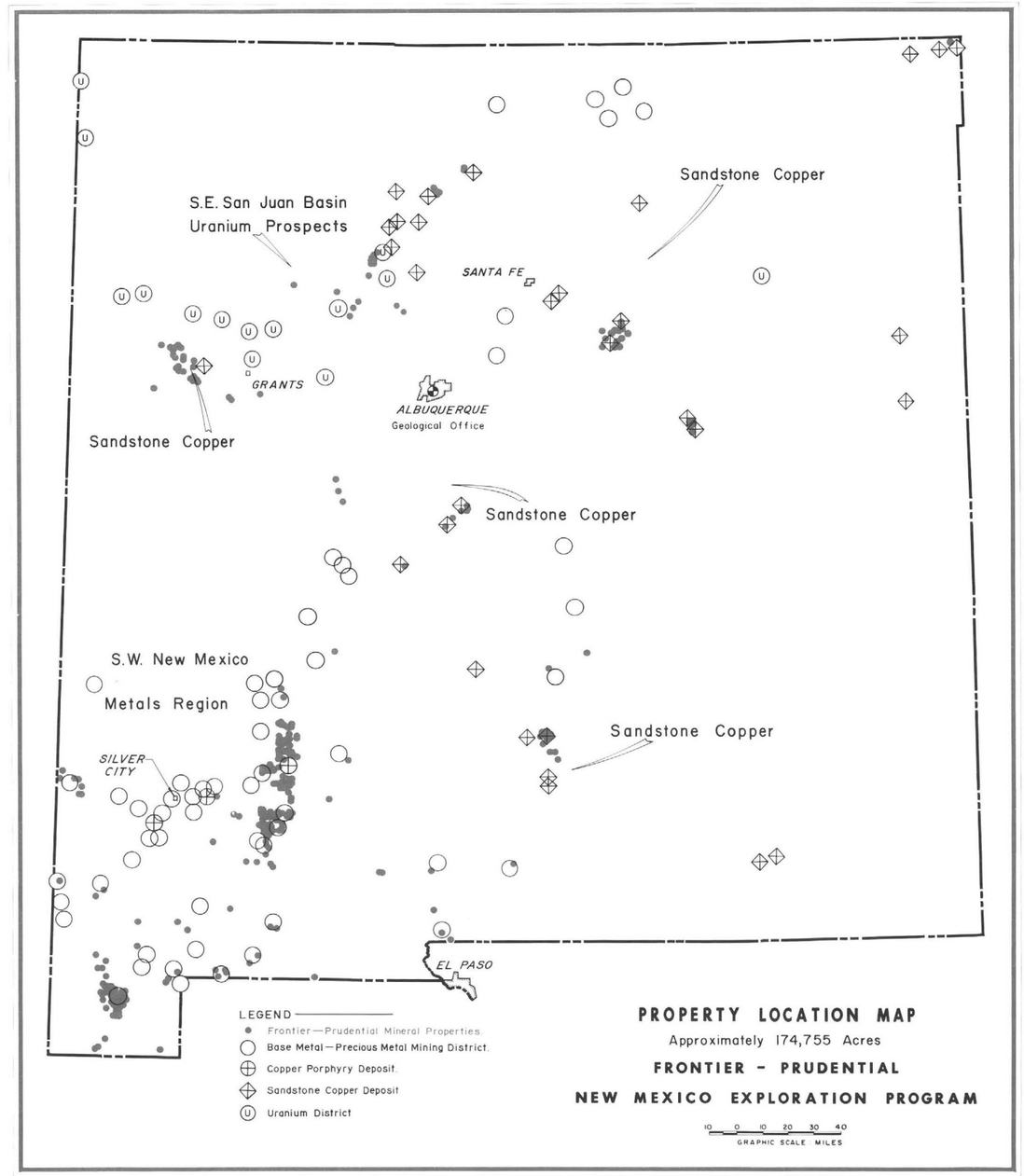
Frontier Resources, Inc. and Subsidiary

Consolidated Statement of Cash Receipts and Disbursements

For the Year Ended December 31, 1970

CASH BALANCE, December 31, 1969		$164,185
Receipts:		
Sales of marketable securities, net of reinvestments	40,210	
Bonus payments for right to participate in joint ventures	27,500	
Interest on marketable securities	20,916	
Reimbursement of lease rental	20,517	
Other income	9,952	119,095
Disbursements:		
Acquisition of mineral leases (Note 2)	38,001	
Mineral exploration venture costs (Note 2)	20,559	
Purchase of mining equipment	1,961	
Purchase of truck	1,800	
Purchase of furniture and fixtures	344	62,665
Organization and administrative costs (Note 2)—		
Salaries and wages	41,261	
Office rent and supplies	15,354	
Travel and entertainment expenses	7,240	
Legal and accounting	6,683	
Geological expenses	3,038	
Maps, photos and reproduction	2,779	
Other	925	77,280
Decrease in current liabilities	28,632	
Increase in accounts receivable	2,550	
Increase in prepaids	303	
Purchase of stock in American Minerals Company	300	31,785
Total Disbursements		171,730
CASH BALANCE, December 31, 1970		$111,550

The accompanying notes to financial statements are an integral part of this statement.



Frontier Resources, Inc. and Subsidiary

Consolidated Balance Sheets

December 31, 1970, and December 31, 1969

ASSETS	December 31, 1970	December 31, 1969
Current Assets:		
Cash, including certificates of deposit of $100,000 in 1970 and 1969	$111,550	$164,185
Marketable securities, at cost which approximates market	156,070	196,280
Accounts receivable	8,403	5,853
Prepayments	628	325
TOTAL CURRENT ASSETS	276,651	366,643
Natural Resource Assets, at cost (Note 2):		
Mineral leases	105,000	85,172
Canadian oil and gas drilling venture	—	56,869
Mineral exploration venture	21,966	5,625
	126,966	147,666
Other Assets:		
Organization and deferred administrative costs (Note 2)	60,210	27,036
Office and mining equipment, net of depreciation of $2,617 in 1970, and $443 in 1969	12,200	10,270
Investment in American Minerals Company	3,080	2,630
	$479,107	$554,245

LIABILITIES AND STOCKHOLDERS' INVESTMENT	December 31, 1970	December 31, 1969
Current Liabilities:		
Accounts payable	$ 1,097	$42,744
Advance from joint venture participant	13,015	—
TOTAL CURRENT LIABILITIES	14,112	42,744
Stockholders' Investment:		
Common stock, no par value (aggregate stated value $50,000), 5,000,000 shares authorized, and 815,000 and 785,000 shares outstanding in 1970 and 1969 respectively (Note 3)	8,150	7,850
Paid-in surplus	533,501	503,651
Retained earnings deficit (Note 2)	(76,656)	—
	464,995	511,501
	$479,107	$554,245

The accompanying notes to financial statements are an integral part of these balance sheets.

We should look @ data without any committments if time allows EGH

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 892-1036

May 14, 1971

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

H. LAWIER SXM

MAY 19 1971

RECEIVED

Dear Mr. O'Malley:

This letter is to inquire of your possible interest in an exploration program in SW New Mexico with a major emphasis on copper. I am enclosing a brochure on this program in which we are offering an undivided 70% interest to a major participant.

Frontier Resources is a minerals exploration company presently engaged in several joint ventures in other areas with major companies including Cerro (2), U. S. Borax and Continental Oil. Enclosed is a copy of our latest annual report to acquaint you with our company.

We feel that we have an unusual exploratory advantage in southwest New Mexico for the following reasons:

1. A basic land position consisting of over 125,000 acres located in geologically favorable areas.

2. Extensive geophysical and color aerial photo coverage (approximately 430,000 acres.)

3. A highly experienced staff with accumulated geologic knowledge of the region.

4. Extensive experience with mineral land acquisition problems.

5. The geological, geophysical and geochemical surveys that we have conducted in the area have identified a number of highly favorable drilling targets.

The descriptive brochure provides sufficient information for you to determine your initial interest in the program. Our geological and geophysical data is available for inspection and I would be pleased to meet with you to discuss the proposed program in greater detail.

Sincerely yours,

FRONTIER RESOUCES, INC.

Thor Gjelsteen

Thor Gjelsteen, President

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 892-1036

PROPOSAL

FRONTIER - PRUDENTIAL

SW NEW MEXICO EXPLORATION PROGRAM

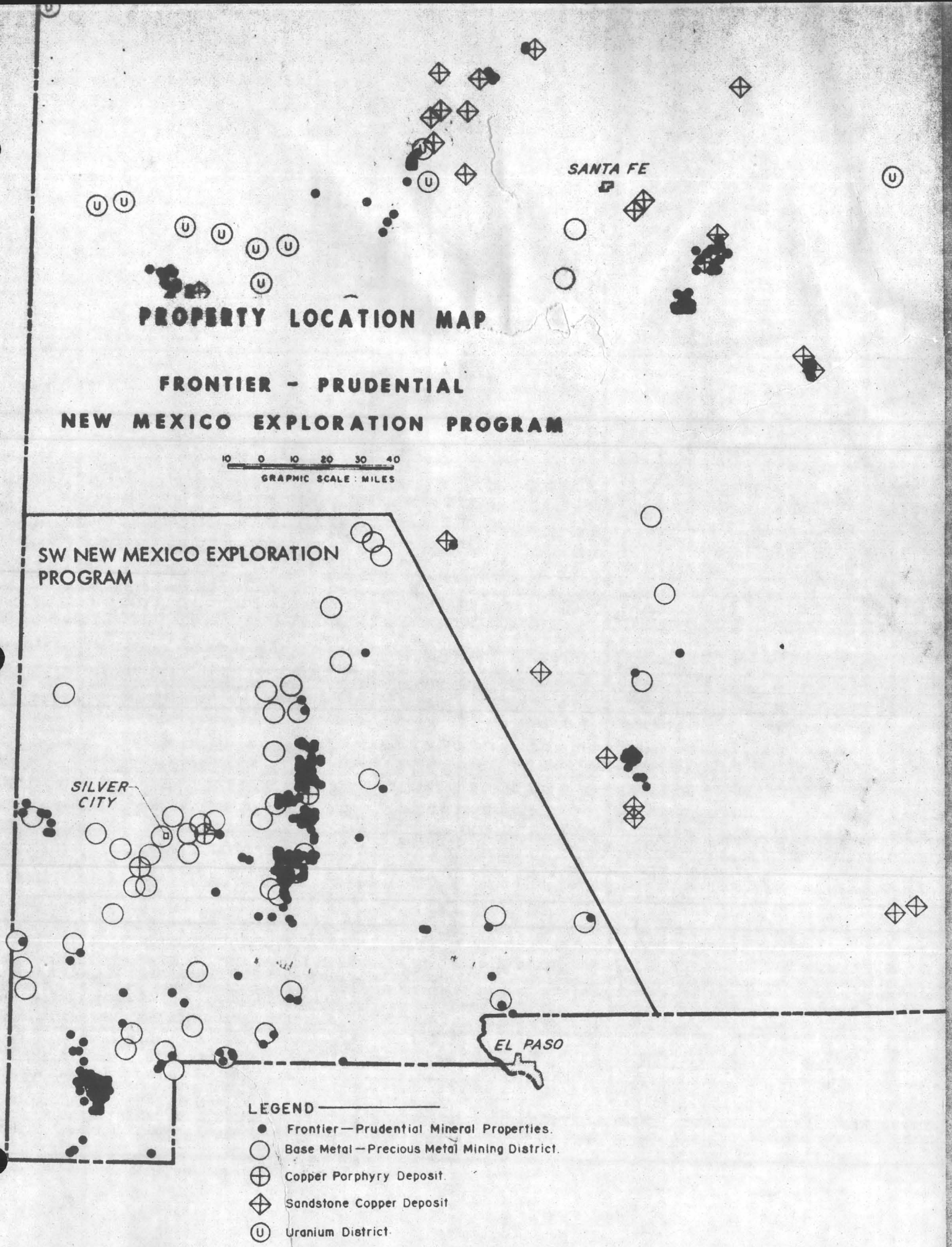
May 1971

SUMMARY

Frontier Resources, Inc., and Prudential Minerals Exploration Corp. own large holdings of mineral prospects totalling 128,044 acres located within the southwest metal region of the State of New Mexico. Frontier and Prudential have pooled their mineral properties and exploration data for the purpose of forming a single exploratory program with a major Participant. The program will consist of geological mapping, detailed geochemical and geophysical surveys, and drilling leading to development of potential metallic ore deposits.

Frontier Resources is prepared to operate the proposed Frontier-Prudential SW New Mexico Exploration Program under an exclusive contract as a joint venture with a major Participant. A three-phase financial plan is proposed whereby the Participant can earn and acquire up to an undivided 70% working interest in the joint venture over a two year period.

Frontier Resources has a professional staff with experience, technical skill and imagination to carry out an effective exploration program. Through the combination of mineral expertise and a favorable land position, Frontier Resources is able to reduce the inherent risk and increase the probability of success. The potential for discovery within the relatively neglected mineral belts of New Mexico fully justifies the proposed program.


SANTA FE
PROPERTY LOCATION MAP
FRONTIER - PRUDENTIAL
NEW MEXICO EXPLORATION PROGRAM
10 0 10 20 30 40
GRAPHIC SCALE : MILES
SW NEW MEXICO EXPLORATION PROGRAM
SILVER CITY
EL PASO
LEGEND
Frontier—Prudential Mineral Properties.
Base Metal—Precious Metal Mining District.
Copper Porphyry Deposit.
Sandstone Copper Deposit
Uranium District.

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SW NEW MEXICO EXPLORATION PROGRAM

For the past two years, Frontier Resources, Inc. and Prudential Minerals Exploration Corp. have conducted independent exploration and land acquisition programs within areas of SW New Mexico considered favorable for the occurrence of major metal deposits. Frontier and Prudential have polled their mineral properties and exploration data and now propose a single joint venture program with a major Participant.

Southwest New Mexico is a relatively neglected part of the North American Copper Porphyry Province. Furthermore, a precious metals belt with widespread areas of altered rocks extends for over 75 miles along the east edge of the great volcanic field in southwest New Mexico. Past exploration of this belt has been very superficial. Through the use of modern exploration techniques, the southwest New Mexico region offers excellent possibilities for the discovery of important base metal and precious metal deposits hidden beneath thin volcanic or alluvial cover.

Frontier-Prudential presently has an unusual exploratory advantage in southwest New Mexico for the following reasons:

1. A basic land position consisting of over 125,000 acres located in geologically favorable areas.

2. Extensive geophysical and color aerial photo coverage (approximately 430,000 acres.)

3. A highly experienced staff with accumulated geologic knowledge of the region.

4. Extensive experience with mineral land acquisition problems.

5. The geological, geophysical and geochemical surveys that we have conducted in the area have identified a number of highly favorable drilling targets.

SW NEW MEXICO MINERAL POTENTIAL

New Mexico has a diversity of mineral deposits and the exploration potential for new discoveries is considered excellent. The gross value of mineral production, exclusive of oil and gas, was $332.6 million in 1967. The principal minerals produced were uranium, copper, molybdenum, coal and potash with minor lead, zinc and silver. New Mexico's mineral production is not restricted to one

section of the State but is rather generally distributed, with copper and associated molybdenum, lead and zinc in the Southwest, molybdenum in the north-central, and uranium in the northwest. Most present mineral exploration is generally directed toward areas adjacent to known production.

PORPHYRY COPPER - Currently, Phelps-Dodge and Kennecott Copper operate large porphyry copper deposits near Silver City while U. S. Smelting has started production from its large replacement deposit of copper ore near Fierro. These deposits are found in exposed "islands" of pre-Tertiary rocks that constitute less than 25% of the total land area in southwest New Mexico. The remaining 75% is covered by unknown thicknesses of Quaternary gravels or Tertiary volcanic rocks. In southwest New Mexico, there is a general feeling among many exploration geologists that a number of large porphyry and replacement copper deposits lie undiscovered in pediment or shelf areas covered by thin blankets of these beds. This opinion is reflected in the following quote from Mineral and Water Resources of New Mexico, Bulletin 87:

"On the basis of past production, the southwestern corner of New Mexico, in the counties of Grant, Hidalgo, Luna, Dona Ana, and Sierra, clearly is the most likely area to contain other major copper deposits. This region lies along the eastern extremity of the Arizona copper province, which annually accounts for more than 50 percent of the copper mined in the United States. The most likely areas, concealed beneath pediments, should be prospected by geophysical and geochemical methods utilizing the gravimetric, magnetic, electric, seismic, and thermic properties of rocks and minerals. The projection of mineralized trends in the exposed areas of the mountains and pediments beneath young gravel or volcanic deposits should be given priority. In the prevailing climate the granitic host rocks of the disseminated copper deposits are generally less resistant to erosion than the carbonate rocks that contain the replacement deposits, thus low ground adjacent to all such replacement deposits should be systematically prospected, utilizing modern techniques.

J. R. Cooper pointed out (1956, written communication) that the major metal districts in southwestern New Mexico fall along a northeast trending line; two major copper districts, Bisbee, Ariz., and Cananea, Mexico, plus two minor districts, are points on the southwestern projection of this lineament. Although this distribution may be fortuitous, deep-seated flaws in the crust do exist over long distances in many parts of the world, and it is along such flaws that magmas and fluids are most likely to ascend. This belt deserves careful exploration.

Large, geologically young, northwest trending, basin and range type normal faults cross this alinement essentially at right angles and their possible effect on the localization of ore deposits must be considered in assessing the geologic possibilities of any particular area."

Molybdenum is produced in New Mexico as a by-product of porphyry copper operations and from a large open-pit mine operated by the Molybdenum Corporation of America near Questa. The Questa deposit is one of three in the United States currently

being mined solely for molybdenum. Because of the rarity of large molybdenum deposits, exploration for molybdenum is usually conducted as part of a porphyry copper exploration program.

OTHER DEPOSITS

Contact-metamorphic deposits in the silicate zone between limestone and intrusive rocks are more abundant than in any of the other states except possibly Arizona. They carry copper ores in the Elizabethtown, San Pedro, Organ, Jarilla, Hanover, Magdalena, and Hachita districts; lead and zinc ores are developed in the Magdalena and Tres Hermanas districts. At least fourteen districts with such ores are known, of which the Magdalena, San Pedro and Hanover districts have yielded a considerable production of base metals.

Quartz veins almost invariably are associated with intrusives and are chiefly of the gold-bearing pyritic type, though in places they also carry silver, lead and copper. The principle producing districts of this kind are Elizabethtown, Ortiz, White Oaks and Pinos Altos. The silver veins form a smaller group, most of them occurring Grant County. Copper deposits accur in the Landsburg district where Federal Resources recently made an important new vein-type discovery.

Replacement deposits of argentiferous galena or silver ores are found at some little distance from intrusive contacts and have been mined in the Organ, Hermosa, Kingston, Hillsboro, Lake Valley, Georgetown, Victoria, Chloride Flat and Granite Gap districts. The possibility is considered good to locate new replacement deposits of silver ore. One promising area is mentioned in Bulletin 87 as follows:

"Many established mining companies and others are beginning or planning a search for silver deposits. New Mexico can be expected to share in these activities and to share as well in the discovery and development of silver deposits that may result from such work. At present, certain areas stand out as being especially favorable for exploration in New Mexico. Ranking first among these is the region comprising the old Black Range and Apache (chloride) districts, which includes an area of nearly 350 square miles. It extends from above the north boundary of Sierra County southward along the east slope of the Black Range for a distance of 30 or more miles. No appreciable amount of exploration at depth has been conducted in the area, nor is it believed that all possibilities near the surface have been exhausted. As the geology of the region becomes better understood more promising prospects can be drilled and otherwise examined by conventional, or yet-to-be-developed exploration methods. It can be hoped that silver production in this area will again play an important role in the region's economy. Other regions of the State, such as the mineralized belts of Grant, Hidalgo, Socorro and Lincoln Counties, also may hope to benefit by the knowledge gained from more extensive and detailed geologic studies and from the application of new exploration techniques in the search for ore bodies."

Tungsten minerals accur at a number of places, notably the Victorio district of Luna County; the White Oaks district of Lincoln County; the Apache No. 2 district, Hidalgo County; and the Iron Mountain district of Sierra County.

New Mexico usually ranks fourth among the fluorspar producing states behind Illinois, Kentucky and Colorado. The southwestern region is the oldest and the most consistently productive area in the state. Most of the fluorspar deposits lie within an elliptical area 70 miles long and 55 miles wide, with the Burro Mountains uplift at its center.

SCOPE OF EXPLORATION PROGRAM

Frontier Resources is prepared to operate the proposed Frontier-Prudential SW New Mexico Exploration Program under an exclusive contract as a joint venture with a major Participant. Frontier recommends that the program be continued for at least two years to offer the optimum chance for success with a minimum expenditure of $200,000 the first year and $300,000 for the second year for additional drilling on targets defined during the first year.

In order to conduct an effective exploration program, Frontier Resources proposes the following budget to allow a flexible program to include exploration management, two full-time geologist, contract geophysical units, drilling programs, photo-geologic and geochemical surveys. Also, the budget would allow sufficient funds for an acquisition program consisting of leasing additional lands, staking claims, and optioning properties:

SW New Mexico Metals Exploration Program
Estimated Budget for the Two Year Program

	First Year	Second Year
Salaries: two full-time geologists Ralph Barnard 1/2 time	$45,000	$45,000
Land Acquisition: options, claim locations, property purchase	35,000	30,000
Lease Rentals & Assessment Work	10,000	30,000
Geochemical Surveys & Assays	15,000	5,000
Geophysical Surveys	15,000	10,000
Field & Office Expenses	15,000	15,000
Legal & Land Expenses	10,000	10,000

	First Year	Second Year
Vehicle Expenses	7,500	7,500
Travel Expenses	6,000	6,000
Insurance	1,500	1,500
Drilling Programs:*		
Red Hill Prospect	30,000	
5-6 Targets (may incl. Red Hill)		125,000
Management Overhead & Fee @ 5%	10,000	15,000
TOTAL	$200,000	$300,000

* Note - The first year's program is to define major drilling targets for the second year; however, drilling the Red Hill prospect is included in the first year's budget since the target has been defined by color, magnetic and geochemical anomalies.

PARTICIPATION TERMS

Frontier-Prudential proposes to offer an undivided 70% working interest in the SW New Mexico mining properties and exploration program on the following basis:

Phase 1 - Participant will pay $50,000 cash to Frontier-Prudential plus expend $150,000 on exploration to earn a 25% undivided interest. Exploration expenditures over $150,000 to be contributed by Participant and Frontier-Prudential on a 50-50 basis. Maximum budget of $200,000 to be approved for Phase 1 which shall be completed within one year from the date of contract signing.

Phase 2 - Within 60 days of the end of Phase 1, Participant may elect to increase its interest to 50.5% by an additional payment of $100,000 cash to Frontier-Prudential plus an additional expenditure of $200,000 for exploration. Exploration expenditures over $200,000 to be contributed by Participant and Frontier-Prudential on a 50-50 basis. Maximum budget of $300,000 to be approved for Phase 2 which shall be completed within one year from the end of Phase 1.

Phase 3 - Within 90 days of the end of Phase 2, Participant may elect to purchase an additional 19.5% from Frontier-Prudential by a payment of $300,000 cash. If Participant exercises its right to acquire the additional 19.5% interest in the program, Participant shall be the Operator of the program and shall assume the responsibility to finance and operate a mine (or mines) and associated facilities in the area with Frontier-Prudential participating in the joint venture on the following basis:

Frontier-Prudential shall have the right to contribute up to 30% of the capital and expense requirements to earn a proportionate working interest. The amount that Frontier-Prudential does not elect to contribute shall be furnished by Participant who shall recoup this amount plus a 10% interest charge out of cash flow. After recoupment by Participant, Frontier-Prudential backs in for that interest.

The above outlines the basic terms of the proposed participation terms. In addition, Frontier-Prudential would like the following provisions:

1. Phase 1 is a firm commitment by both Participant and Frontier-Prudential. We feel that this is essential to planning and conducting an intelligent exploration program.

2. Should Participant elect not to proceed with Phases 2 & 3, Frontier-Prudential shall have the right to purchase Participant's interest by reimbursing Participant its full cost of Phase 1 & 2 within 90 days of the end of each phase.

3. Additional land acquisitions and exploration contemplated in the SW New Mexico program shall be limited to specific areas of mutual interest to be defined in negotiations with Participant. Any mineral interests acquired by Frontier-Prudential or Participant within the area of interest shall be subject to the terms of the agreement.

4. Phases 1 and 2 could be performed by Frontier Resources as Operator for the Joint Venture. For its services, Frontier Resources shall receive 5% of the exploration expenditures as a management fee.

5. During the program, the joint venture shall pay rentals that become due on the leases which shall be applied against exploration expenditures.

6. All data shall be supplied to and continuous consultation shall be had with Participant personnel or designees during the program.

7. Frontier-Prudential shall have a six month notice to contribute capital and expenses in excess of $300,000. Also, if Frontier or Prudential does not elect to contribute his share of capital and expense requirements then the other may elect to pick up his share.

PROGRAM MANAGEMENT

The Frontier-Prudential New Mexico Exploration Program could be operated by Frontier Resources, a mineral exploration company headquartered in Denver, Colorado. Frontier Resources is incorporated in New Mexico and became a public company through a successful underwriting on September 8, 1969. Most of Frontier's mineral operations are conducted through joint venture exploration and development programs with other companies.

Prudential Minerals Exploration Corporation is an operating oil and gas company headquartered in Dallas, Texas. Mr. Elliott Roosevelt, Jr., is Chairman and chief executive officer of the company. Under the direction of Ralph Barnard, Prudential concentrated its mineral exploration and acquisition program on New Mexico. Mr. Barnard is consultant to Prudential and shall be retained by the program.

The proposed exploration program shall be conducted under the direct management of the following:

Thor Gjelsteen, President and a Director of Frontier Resources; is a graduate of the Missouri School of Mines and is a Registered Professional Engineer in the State of Colorado. He is Vice-President and a Director of American Minerals Company of New Mexico. For the four years preceding the founding of Frontier Resources, he was engaged as an independent mining consultant to companies including Tenneco Oil Company, Continental Oil Co., Arkansas-Louisiana Gas Co., Quintana Petroleum Corp., and AMC-Harrison, Ltd. From 1953 to 1965 he was employed by Geophysical Services, Inc., Vanadium Corporation of America, Superior Oil Company (Minerals Division) and the Colorado School of Mines Research Foundation. He is a member of the American Institute of Mining and Metallurgical Engineers and the American Institute of Professional Geologists.

H. Leonard Swords, Vice-President and a Director of Frontier Resources; is a graduate of the University of California and has had 32 years of geological and geophysical experience in the oil and mining industries. He is Assistant Secretary-Treasurer and a Director of American Minerals Company of New

Mexico. For the eight years preceding the founding of Frontier Resources, he operated as an independent geological consultant. From 1947 to 1961 he was employed by the Union Oil Company of California. His last position with Union was Division Geologist of the Rocky Mountain Division. He is a member of the American Association of Petroleum Geologists.

Ralph M. Barnard, Consulting Mining Geologist; is a graduate of both the University of Southern California and Michigan State University. He has had 20 years of diversified experience in mineral exploration, mineral deposit evaluation and engineering geology in the United States, Canada and Mexico. He is presently consultant to Prudential Minerals Exploration Corporation and was previously manager of minerals exploration for Prudential. Other positions held were: Exploration Manager, Hooker Chemical Corp.; Senior Mine Geologist and Staff Geologist, United States Borax & Chemical Corp.; Mineral Exploration Geologist, Superior Oil Company. He is a member of the American Institute of Mining and Metallurgical Engineers and is a Registered Professional Geologist in the State of California.

Frederick J. Smith, Mining Geologist for Frontier Resources; is a graduate of the Missouri School of Mines. He was formerly associated with the Uranium Exploration and Development Group of Atlantic Richfield Company. He had previous summer experience with American Zinc Company and Texas Gulf Sulphur Company while a student. He is a member of the American Institute of Mining and Metallurgical Engineers, Rocky Mountain Association of Geologists and the Wyoming Geological Association.

Frontier Resources has recently established a geological field office in Albuquerque staffed with qualified explorationists, trained in the most sophisticated exploration techniques. With the exception of Ralph Barnard and Frederick Smith, no salaries of any of the above personnel will be charged to the proposed exploration program.

SUMMARY OF FRONTIER-PRUDENTIAL NEW MEXICO MINERAL PROPERTIES

Property	Mining District	Acreage Holdings	Exploration Potential
SOUTHWEST METALS REGION - HIDALGO COUNTY			
Red Hill Prospect	Red Hill	10,421	Prospective for silver, lead, zinc, copper and molybdenum. Includes the Red Hill Mine, which produced silver and lead at various periods between 1908 and 1925. The property contains a color anomaly, a geochemical anomaly (molybdenum) and a pronounced magnetic anomaly. The property is located at the intersection of pronounced northwest and northeast fault trends of favorable age - an important control for the location of major ore bodies in adjacent areas of Arizona and New Mexico. A core hole is planned to explore favorable rocks expected to lie below the Red Hill Mine workings. A second core test will explore the magnetic anomaly.
Animas Mountains	Gillespie, Animas and areas outside of known mining districts	18,661	Prospective for copper, silver and manganese and other metals; also fluorspar possibilities.
Apache Hills	Apache No. 2 (Anderson)	623	Prospective for copper, gold, silver, lead, zinc, bismuth and tungsten. Property contains favorable fault intersection, geophysical anomaly and geochemical anomaly.

Property	Mining District	Acreage Holdings	Exploration Potential
Steins Peak	Steins Pass (Kimball) & Peloncillo Mts.	1,028	Possible vein or disseminated deposits of gold, silver and copper.
Pyramid Mountains	Lordsburg	640	Possible base and precious metals prospect.
	GRANT COUNTY		
Dwyer Area		1,007	Possible replacement type sulfide deposits beneath volcanic rocks at favorable fault intersection.
Steeple Rock	Steeple Rock	4,800	Prospective for gold and silver deposits in fault breccia. Known major faulting and hydrothermal alteration on part of property.
Little Hatchet	Hatchita	1,920	Possible base metals prospect.
East Santa Rita		280	Prospective for replacement type sulfide deposits.
Other Prospects		2,760	Selected on geologic interpretations as prospective for various metals.
	LUNA COUNTY		
Various Prospects	Old Hadley, Tres Hermanas, Florida Mountains, Carrezalello, and areas outside of known mining districts.	14,624	Selected on geologic interpretations as prospective for various metallic and non-metallic deposits.
	SIERRA COUNTY		
Lake Valley Prospects	Lake Valley, Macho, and areas outside of known mining districts	25,688	Includes a number of highly prospective areas with strong structural intersections and intense alteration of surface rocks. Both sulphide replacement and hidden porphyry intrusive targets are present.

Property	Mining District	Acreage Holdings	Exploration Potential
Hillsboro	Hillsboro, Kingston, Hermosa	28,098	Within well defined precious metal-base metal belt. Contains windows through volcanic cover to favorable host rocks and also areas of thin volcanic cover. Prospective for both replacement type sulfide deposits and copper porphyry.
Sierra Cuchillo	Cuchillo Negro	5,362	Within well defined precious metal-base metal belt. Near U.S.G.S. geochemical anomalies (U.S.G.S. Circ. 600). Prospective for vein and replacement type deposits.
	SOCORRO COUNTY		
Magdalena	Magdalena & Ladron Mtns.	1,280	Possible sulfide prospect.
	DONA ANA & OTERO COUNTIES		
Various Prospects	Organ Mountains, Orogrande and areas outside of known mining districts	4,488	Selected from geologic interpretations as prospects for fluorspar or metallic deposits.

SOUTHWEST METALS REGION - TOTAL 121,678 ACRES as of February 15, 1971

May 27, 1971

Mr. Thor Gjelsteen, President
Frontier Resources Inc.
Suite 511-899 Logan St.
Denver, Colorado 80203

Dear Mr. Gjelsteen:

Thank you for your letter of May 25, 1971.

We have an extensive file on the area you submitted, and agree that it is an interesting exploration area deserving further work. Due to prior commitments, it would not presently fit into our exploration program, but we appreciate your considering us for a joint project and hope that you will submit further possible joint projects to us.

Best regards,

Paul I. Eimon
Manager of Exploration

ESSEX INTERNATIONAL, INC.

PIE:td

cc: H. Lanier

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 892-1036

May 25, 1971

SXM

MAY 27 1971

RECEIVED

Mr. Paul Eimon
Essex International, Inc.
1704 West Grant Road
Tucson, Arizona 85705

Dear Mr. Eimon:

Frontier Resources and Prudential Minerals Exploration Corporation are seeking a joint venture partner to evaluate an unusual metals prospect in extreme southwestern New Mexico. Mr. Howard Lanier suggested that I submit this proposal to you. The enclosed brochure describes the Red Hill prospect and our proposal.

The property is located at a very favorable structural junction in a neglected area bearing geologic similarities to the adjacent southeastern Arizona-northern Sonora Copper region.

Should you have any questions regarding this proposal, please contact me or Ralph Barnard at our office. Our geophysical, geochemical, geologic and photographic data is available for inspection.

Sincerely yours,

FRONTIER RESOURCES, INC.

Thor Gjelsteen

Thor Gjelsteen, President

TG:bjm

Property has some merit if we are interested in G.P. Target. One of the better promotional groups around. They have large amounts of data, & land tied up

Frontier Resources Inc.

SUITE 511-899 LOGAN STREET
DENVER, COLORADO 80203
PHONE 303 894-1096

May 15, 1971

RED HILL - ANIMAS MOUNTAINS EXPLORATION PROGRAM

Hidalgo County, New Mexico

LOCATION

The Animas Mountains are located in the extreme southwest New Mexico "panhandle". The area of interest extends from 15 to 40 miles north of the Mexican Border and is approximately 9 to 15 miles in width.

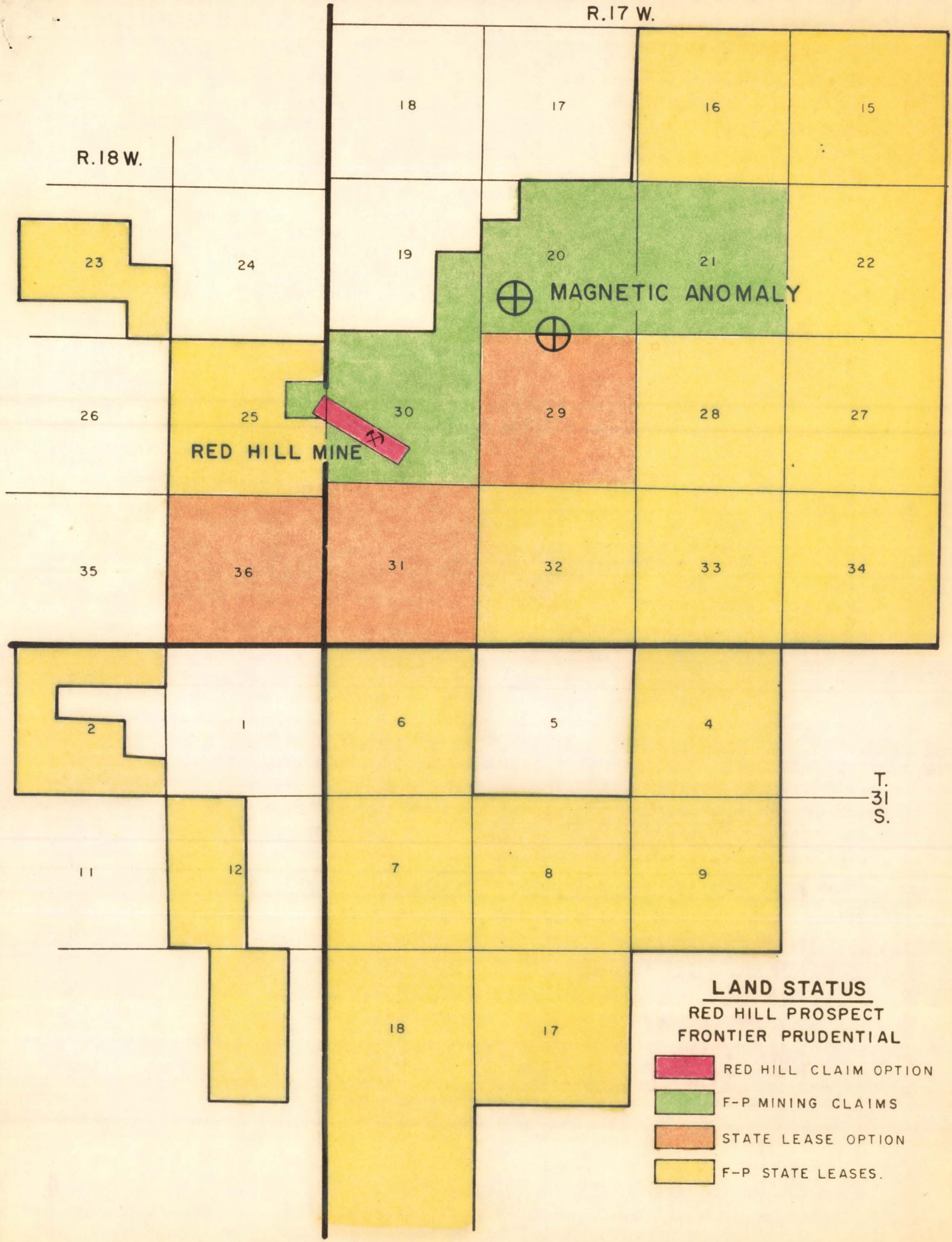
The Red Hill prospect is located on the east flank of the Animas Mountains some 25 miles southwest of Hachita, New Mexico. The property is accessible by good gravel and dirt roads.

ACREAGE HOLDINGS

Frontier-Prudential holds leases, claims and options comprising a contiguous block of approximately 10,421 acres on the Red Hill prospect. These holdings are shown on the enclosed land status map and are summarized as follows:

1. 104 unpatented mining claims - no royalty.
2. Ten New Mexico State Leases - 2% net smelter royalty.
3. Option on the two Red Hill claims - $10,000 purchase price plus 3% net smelter royalty.
4. Option on three New Mexico State Leases - $9,833 purchase price plus 4% net smelter royalty.

In addition, Frontier-Prudential holds about 16,100 acres of New Mexico Mining Leases within the proposed area of interest. The base royalty is 2% net smelter on minerals except for rare earths and uranium which is 5% net smelter.


R.17 W.
R.18 W.
T. 30 S.
T. 31 S.
MAGNETIC ANOMALY
RED HILL MINE
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11
12
7
8
9
18
17
LAND STATUS
RED HILL PROSPECT
FRONTIER PRUDENTIAL
RED HILL CLAIM OPTION
F-P MINING CLAIMS
STATE LEASE OPTION
F-P STATE LEASES.

RED HILL-ANIMAS MOUNTAINS EXPLORATION PROGRAM
Hidalgo County, New Mexico

INITIAL EXPLORATION

Frontier-Prudential has conducted aerial color photographic and magnetic surveys covering some 131,000 acres in the northern Animas Mountains. A ground magnetometer survey coupled with EM, geochemical and geologic traverses were performed in the Red Hill area. This work has defined two distinct drilling targets; one in the vicinity of the old Red Hill Mine and another in the vicinity of a pronounced magnetic anomaly.

A limited amount of encouraging geochemical, geological and EM reconnaissance work has also been conducted in other parts of the proposed area of interest.

EXPLORATION POTENTIAL

The Red Hill area is prospective for copper, molybdenum, lead and silver. The inactive Red Hill Mine is located on the two Red Hill claims. This mine produced silver and lead ore during various periods of operation for many years; however, production records are very incomplete and the dumps have been reworked in recent years.

Frontier-Prudential obtained the Red Hill prospect to explore for metallic deposits beneath the present mine workings and at other locations on the Red Hill group of properties. The Red Hill property is considered an attractive metals prospect for the following reasons:

1. The property is located near the intersection of pronounced northwest and northeast structural lineaments. Zeller and Alper point out that this structure is pre-Tertiary. Zeller's surface mapping and EM traverses conducted by Prudential indicate a series of northwesterly trending faults and folds in the vicinity.

2. A pronounced magnetic anomaly is located on the property approximately one mile northeast of the Red Hill mine in an alluvial covered area. The presence and location of this anomaly has been confirmed by both airborne and ground level magnetometer surveys. This locality is probably on the upthrow side of a northwest trending fault and geophysical interpretation suggests a shallow drilling target.

3. Rock alteration, a pronounced color anomaly and a pronounced molybdenum anomaly are present in the vicinity of the Red Hill Mine.

4. The ore deposit in the Red Hill Mine is a breccia and fissure filling in the Oak Creek tuff. Mine workings to the 400 foot level were reportedly still in volcanics; however, geologic mapping and structural studies indicate that older rocks which are more favorable hosts for replacement sulphide deposits, may be present not far below the present mine workings. Favorable Cretaceous and Paleozoic limestone are exposed southeast of the Red Hill Mine. Limestone host rocks and

conceivably, an intrusive porphyry may lie at shallow depths below the pediment at other localities on the property.

5. Silver mineralization occurs in Paleozoic limestone about four miles southwest of Red Hill along a structural lineament that projects into the Red Hill area.

In addition to the Red Hill prospect, the proposed area of interest, which comprises the north Animas Mountains, contains localities that are considered prospective for base metals, silver, manganese and fluorspar. Frontier-Prudential's aerial color photographic and magnetic surveys cover most of these prospective areas.

PROPOSED AREA OF INTEREST

Too big area

Since Frontier-Prudential's geological and geophysical coverage of some 131,000 acres will be included in the program, it is important that a definite area of mutual interest be agreed to. Therefore, the following area of interest is proposed by Frontier-Prudential:

T27S, R18W:	S½	T30S, R17W:	All
T27S, R19W:	SE¼	T30S, R18W:	All
T28S, R18W:	All	T30S, R19W:	E½
T28S, R19W:	E½	T31S, R17W:	All
T29S, R18W:	All	T31S, R18W:	All
T29S, R19W:	E½	T31S, R19W:	E½

PROPOSED EXPLORATION

Frontier Resources is prepared to operate the proposed Red Hill-Animas Mountains Exploration Program under an exclusive contract as a joint venture with a major Participant. Frontier recommends a two phased exploration program to include the following steps:

1. Drill below Red Hill Mine workings.

2. IP survey between Red Hill Mine and magnetic anomalies.

3. Drill magnetic anomalies east of Red Hill Mine.

4. Additional geochemical surveys over other geologically favorable areas.

5. Geophysical surveys over geochem anomalies.

6. Drill defined anomalies.

RED HILL - ANIMAS MOUNTAINS EXPLORATION PROGRAM

Hidalgo County, New Mexico

PARTICIPATION TERMS

Frontier-Prudential proposes to offer an undivided 50% working interest in the Red Hill-Animas Mountains mining properties and exploration program on the following basis:

PHASE 1 - Participant will expend $50,000 on exploration to earn a 20% undivided interest. Phase 1 shall be completed by August 1, 1971, prior to the option date on the two Red Hill claims of September 2, 1971.

PHASE 2 - Within 15 days of the end of Phase 1, Participant may elect to increase its interest to 50% by an additional expenditure of $100,000 for exploration. Exploration expenditures over $100,000 to be contributed by Participant and Frontier-Prudential on a 50/50 basis. Maximum budget of $150,000 to be approved for Phase 2 which shall be completed within one year from the end of Phase 1.

EXERCISE OF OPTIONS

Frontier-Prudential's option on the two Red Hill claims expires on September 2, 1971. To exercise the option would require a purchase price of $10,000 and a decision regarding the two Red Hill claims would have to be made by all parties at the end of Phase 1. Should the Participant elect to proceed with Phase 1 and all parties agree to exercise the option, the purchase price would be paid on a 50/50 basis. Otherwise, those parties that desire to exercise the option share bear the expenses according to their proportionate interest. This same procedure would also apply to the option on the three New Mexico Mining Leases that expire on December 31, 1971.

The above outlines the basic terms of the proposed participation terms. In addition, Frontier-Prudential would like the following provisions:

1. Phase 1 is a firm commitment by both Participant and Frontier-Prudential. We feel that this is essential to planning and conducting an intelligent exploration program.

2. Should Participant elect not to proceed with Phase 2, Frontier-Prudential shall have the right to purchase Participant's interest by reimbursing Participant its full cost of Phase 1 within 90 days of the end of the phase.

3. After the Participant has earned the undivided 50% interest upon the completion of Phase 2, should any party elect not to participate in any proposed exploratory operation within the area of interest, such exploratory operation may be carried out at the sole cost and expense of the party or parties electing to participate. For each $10,000 spent on such exploratory operation which would have been borne by such non-participating party if such party had elected to participate, such non-participating party shall lose one percent (1%) participating interest in the program; provided that, the participating interest of a non-participating party shall not be reduced below the following:

Participant	- 10%
Prudential Minerals	- 5%
Frontier Resources	- 5%

Such lost interest shall become owned by the party or parties participating in such exploratory operation.

4. Additional land acquisitions and exploration contemplated in the Red Hill-Animas Mountains exploration program shall be limited to specific areas of mutual interest to be defined in negotiations with Participant. Any mineral interest acquired by Frontier-Prudential or Participant within the area of interest shall be subject to the terms of the agreement.

5. Phases 1 and 2 could be performed by Frontier Resources as Operator for the Joint Venture. For its services, Frontier Resources shall receive 5% of the exploration expenditures as a management fee.

6. During the program, the joint venture shall pay rentals that become due on the leases which shall be applied against exploration expenditures.

7. All data shall be supplied to and continuous consultation shall be had with Participant personnel or designees during the program.

8. Frontier-Prudential shall have a six month notice to contribute capital and expenses in excess of $300,000. Also, if Frontier or Prudential does not elect to contribute his share of capital and expense requirements then the other may elect to pick up his share.

May 19, 1971

Mr. Thor Gjelsteen, President
Frontier Resources, Inc.
Suite 511-899 Logan Street
Denver, Colorado 80203

Dear Mr. Gjelsteen:

Your letter to Mr. O'Malley dated May 14, 1971, has been referred to me.

We have previously reviewed this proposal and decided the time was not appropriate for Essex to enter a program of this type. Our plans have not changed since our last review.

We would be interested in considering selected prospects that are compatible with our exploration. Please contact Paul Eimon, Manager of Exploration for Essex at the above address.

Very truly yours,

ESSEX INTERNATIONAL, INC.

Howard Lanier, General Manager
Copper Operations

HL:td

cc: P.W. O'Malley
Ft. Wayne, Ind.