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J. E. A. Law Sent
Tape Transcriptions
Original

J. A. BRISCOE/DWIGHT LEE

12/27/79 @ 12:25

- J: Dwight?
- D: Jim
- J: Ya, how ya doing? Sorry to keep you waiting so long.
- D: That's alright, how are ya?
- J: Good, how 'bout yourself?
- D: Good, thank you. Uh, a belated Merry Christmas.
- J: Thanks, how has your holidays been so far?
- D: So far, wet.
- J: Oh really? Is it wet or snow?
- D: Unfortunately rain. We have had a terrific amount of rain. How have you been?
- J: Very good.
- D: Good, I'm glad to hear it. It's been a long time since you and I have spoken, and basically, in fact I guess it goes all the way back to some conversations we had in late July and August.
- J: Ya, I expect it has.
- D: ...and a lot of things have happened in terms of the project, and we have continued without finalizing the discussions that we essentially agreed to in July and since then, I'm sure you are aware, a lot more money has gone into the project and so on, and I really think that it is in all of our best interests that we get the legal ends tied down so we know where the hell we are.
- J: I couldn't agree more.
- D: Uh, that's really the purpose of my call, to see if you and I can't make some progress in getting those ends tied up so we do know where we are, and also so that we are in a position if we need to to raise additional funds because we

have already, as I am sure you are aware, committed more to this thing than we thought we would have to.

J: Well, what is the status of the project at this point?

D: The basic status, I think Tom sent you a copy of a letter that was sent to Bill Hight.

J: Ya, although actually it didn't really say too much.

D: Well, though, it was a pretty good overview. We received delivery of the 300 ton per day plant, and we are still shaking it down, it's not yet working.

J: Really? What's causing the delay there?

D: We're not sure. There seemed to be some problems with the unit, itself, and we are not getting anywhere near the kind of through-put that we should be getting based on how the Escapules have rated its capacity.

J: That's a surprise because the small plant was putting through considerably more than it was rated at.

D: O.K., well, there is a problem, and the latest update that I had on it was a couple of days ago, and I can get you a more up-to-date answer, but as of a couple of days ago, it was not working properly. John Dean continues to be very involved, and is continuing to advise us on the metallurgy. Basically, the one other problems is that once we get some metal, we found a place here to refine it, which has been a big problem. Believe it or not, its hard to sell.

J: That is a surprise, I didn't know that, and I am surprised.

D: We were too, I think if we were dealing in hugh quantities, it, no doubt, would be less of a problem, but in the quantities that we are dealing in, its been a problem.

J: Have you seen today's Wall Street Journal?

D: Yes, I have.

J: Did you notice the article related to salvage of precious metals, which I believe is on Page 1.

D: I saw that article, Jim, I haven't had a chance to really go through it yet.

J: Well, quite frankly, I was afraid that I had thrown it out, but I guess I haven't. Well, there are, apparently, a variety of salvage companies, or people salvaging anything from dental caps to silverware and so forth that are finding a market. You know, I just can't imagine that it would be

that difficult. I think that you could probably retail it directly simply by advertising.

D: Well let me say that we have tried a bunch of different things, and take my word for it, it has not been as easy as one would expect. It has been a surprise to me as well.

J: Handy and Harman, I assume, is still on strike.

D: They just ended that strike, but they have raised their prices. Their payment schedule is something like 10 weeks. In the old days, they would give you 90% within a week, now they wait the full 10 weeks, apparently, before they will pay you anything, and they are not interested in buying small quantities of silver that they haven't processed.

J: What do they consider small quantities?

D: I don't know the answer to that, but I think that the kinds of quantities that we are talking about, they consider small.

J: O.K. Well, that ought to increase substantially when that larger plant is underway.

D: Well, I would hope so. We certainly would like some cash flow.

J: Well, what do you infer from John Dean as the metallurgical pronouncements at this point? It seems like things are progressing very very slowly for something that is right there at the surface.

D: Well, we have been spending most of our effort, as you may know, or as I think that that letter indicates, on the heap. I have a memo on my desk, which I haven't even read yet from John talking about the samples that he just worked with. But I think that there are a bunch of issues which remain questions, such as how much crushing, we have not been getting the kinds of values that we had hoped, in general, and.....

J: Have you simply tried re-irrigating the entire heap?

D: We have moved around and actually leached, re-leached, whole sections on separate pads,

J: On separate pads?

D: Right, or on the edge of of the main pad. Tom's been more involved really in a day-to-day sense on exactly, you know, which section of the heap has been reprocessed, at what point and so on, and I can get you an update on that. But, it has not given us what we had hoped for, that's for sure.

- J: Well, of course that is pretty non-specific. I can't imagine that if the whole thing was not irrigated at the present time, with the larger plant or plants, that there wouldn't be a substantial cash flow resulting with current metal prices.
- D: When you say the whole thing, you mean literally spraying the entire heap?
- J: Well, at least getting into a 1,000 ton per day solution through-put.
- D: 300 tons per day is the capacity of the plant, right?
- J: 800 ton?
- D: 300 ton
- J: 300, right.
- D: You said 1,000 tons
- J: Yeah, right, so I would say three of those.
- D: Three plants?
- J: Yeah right.
- D: Well, obviously, that is more investment.
- J: Well, you can't....you got to spend money to make money, of course.
- D: Well, we've been spending plenty Jim, and we haven't been making any.
- J: I know, but that is part of the problem Dwight, if your break even point has not been reached, you can go to talk to John or any number of mining engineers, or go to any number of publications, including Businessweek, Forbes and so forth, on the copper company profits which is a similar case in point, that when the price goes below their break even point, they loose a lot of money. But as soon as it passes that break even point, they make a lot of money.
- D: Jim, wait, I understand those kinds of economics, o.k., same thing is true in an airline. The point is, we don't even have the 300 ton per day the first one [plant] working properly yet.
- J: Has John been out to see what the problem is?
- D: We just have had it delivered I think within the last two

weeks. The Escapules have been working on it with Dusty, and John has not been out there yet. We want to try and get it working before he goes out again. Working in a basic way.

- J: Well, do they think that there is some mechanical problem with it, or what do they think the problem is?
- D: Well, they are not sure. Apparently there may be a problem with the de-aeriation tower. and that is what they are focusing on, that information is about 2 days old, but, last thing that I heard, that's what they were focusing on.
- J: I'll be darned. Did they have any explanation for that since the have put together a number of these things?
- D: Not yet. They thought there might be a pin hole someplace, or something like that, but, they are trying to find the answer.
- J: Well, certainly, that is a critical point to determine, to see what the final outcome is going to be, but I can't understand that type of problem. Has Tom or John calculated in relation to the data that we have, from the past production, what the current production would be by simply re-irrigating the heap?
- D: Don't know the answer to that. You mean under assumptions of what values are left.
- J: We have some data which was supplied by Charlie Escapule as to what the heap was yielding when it was under production before.
- D: Right
- J: And when they cut it off. Now the prices have simply skyrocketed. They are working on \$4.00 silver, and we are talking about something that is 5 times that. And the other economics have not changed that much. So I can't imagine that a substantial cash flow couldn't be obtained by simply getting the through put up, and re-irrigating the whole heap.
- D: I will get an answer to that question for. Again, that doesn't do us any good until we get the plant working in the first place.
- J: Yeah, well, that's true. Although I would suspect that that would just be a matter of a short time before finding out whatever the problem with it is. Well, what suggestions do you have on getting the legal business taken care of?
- D: Where I am really calling to see where you think we are on that, and to decide, if we can, how to go forward. As I say,

its been a long time since you and it have talked, we had a conversation in late July, and a lot of things have happened since then. Like to know where you think we are.

J: Well, I think that we are right where we were in July. I am not sure what you mean, but where do you think we are?

D: Well, its very clear to me what we decided in July, late July, which was we would go to a division of 81%-19%, and that you were going to handle Dick out of that, and we had some discussions about how you planned to do that. That was looking at our going to \$200,000, and we had an understanding that if we had to go above there, there would be further dilution, whereever we ended up getting the money.

J: Further dilution beyond what?

D: Beyond the 19%. Dilution, obviously to us too, if we went outside to get the money.

J: Well, why don't we see if we can't get all of the records up to date, and, I'll have to have some type of technical input because right to this point, I have no information at all, certainly no technical information. I don't understand why the plant isn't working, why its taking such a long delivery point, why we don't have calculations as to what the heap should yield if it were fully irrigated, what the breakeven point is, and what the current operation costs are. So, that type of information I have got to have before I can do any thinking at all.

D: Well, I am not suggesting that you can't or shouldn't have that kind of information, Jim, but I don't think that it is directly relevant to our getting the issue of our interests solved.

J: You know the other thing that has happened, Dwight, since July, is that the price of silver has gone from approximately \$6.00 an ounce to \$25.00 an ounce

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- J:You know I think that we do have to re-examine the whole situation and see where we are, and quite frankly, I am completely unaware of what technical and what financial things have gone on theretofore, or since essentially since September.
- D: Right. Well, basically, Jim, I think there have been two changes that relate to that, which are going to have to get factored into our equation. First is that we have put in significant amounts of additional money, which are easily documentable.
- J: Ya, well of course I have got a significant amount of money into it also.
- D: In terms of money transfers, etc. That is the first thing, Ok? The other thing that has happened is that we have had to incur the additional expense of basically taking over the running of the operation.
- J: Well, I don't know that that is any change.
- D: Well, it is a change from the conversation that you and I had in late July.
- J: Which was?
- D: Well, at that point in time, you were running it, remember.
- J: Ya but that didn't indicate that we were going to bear all the expense.
- D: I understand that, and I think perhaps part of getting all this resolved is coming to some kind of agreement with some of your outstanding charges, some of which I understand, some of which I don't. But that is a matter to be hashed out.
- J: Well, that, as I have said before, that is fine with me. I would suggest that you probably get everything down on paper, what your recommendations are, and lets go from there. I think that we should probably shoot for sometime in early February. January I have got completely booked up at this point. And if you can get those things for me plus some technical data on what is happening down there, I will be more than happy to see if we can't get this resolved.
- D: Well, Jim, I don't want to keep repeating myself, but, again, I don't think that the technical data is relevant at

this point to what our economic interests are.

- J: Well, I don't know that I agree with that, Dwight, because the way the operation has been run relates to how much money is going into it and the whys and wherefores of that money going into it. Now quite frankly I do not understand why the thing is not in a positive cash flow presently. You are telling me that buying an extra two plants costs additional money does not strike me as being any kind of an answer because it may be that with one plant, the thing is never even going to reach the break even point.
- D: Well, that is possible, Jim, but I must remind you that we felt that we would be in a highly profitable state with one plant with metals prices 1/2 what they are right now. So, each step along the way, we had expectations about how profitable this venture was going to be, and so far, they have been very illusive.
- J: Well, however, for the last three months and actually before that, Tom has been essentially in control 100%, and I don't - I have to understand what those reasons are from a technical point.
- D: Fine, and I don't have any problem with that, but again, I am not sure that that directly relates to our financial interest. I think that you should understand what the problems have been, and I certainly have no reluctance to sit down and document them for you, or have them documented or you, but we need to get this thing resolved so that we have some flexibility for our joint benefit if we need to go raise more money.
- J: Well, I am not arguing that at all. Why don't you sit down and go ahead and get everything - all these loose ends tied up and then lets get a proposal so that I can examine it. As I say, I would say the first part of February is the - if we can tie down some kind of a date, that is about as soon as I am going to have any time to do much consideration on it.
- D: You have another project that you are working on in January?
- J: Well, I have got a variety of things that have simply booked me up until then.
- D: Ok. Well let me ask you this because I have sort of related to you my sequence of events. Where do you think that we are, where do you think your financial interest is here?
- J: I can't even answer that, Dwight, without having some background. I have no idea what your daily operating costs are down there or anything.

- D: Jim, I don't understand, I am trying to understand before I can make a proposal how you are thinking about this thing, and I don't understand how our daily operating costs are relevant to how much of this thing you own and how much of it we own.
- J: Well, I think that we need to go back to our previous agreement and go from there.
- D: Our previous agreement being July?
- J: Well, I think that we need to go back to the written agreement, Dwight, because everything has changed so substantially that that is the only keystone that we have got that I think that we could make heads or tails of this on.
- D: Wait a minute Jim. That I find - I mean you and I have known each other for a long time - are you suggesting to me that you didn't agree to what you agreed to in July? I mean we had a series of conversations...
- J: Well, Dwight, you know we have had conversations and conservations, hours and hours and hours, and all of which are very very vague and illusive, and the only thing that we have got that is firm and we can start an intelligible back trace of what has happened is our agreement that we signed in March of last year.
- D: Wait a minute Jim. That is just not true. I mean we had a series of conversations, you know our words are our bonds, and we had a series of conversations where we agreed...
- J: Dwight, you are putting me in a bad position. I think that I am not at all sure that that is correct, because I have got approximately \$75,000 in here that I never intended to put in and was drawn in rather inexorably for the purpose of showing good faith on this thing. But I had advised against a great many things that were done so if you are calling me out of the blue to ask me where I stand on this, quite frankly I am not at all sure where I do stand, and I will not be sure until we have had a chance to examine the whole situation in its entirety, and I am not going to sit here and try and recall vague conversations that we had this last summer as to where it was that we stood. Did you take the reasonable step to sit down and put these things in some kind of writing where as we could agree with to what - you know, where we did stand?
- D: Well, Jim, let me say this, we have notes on all our conversations, yes.
- J: I have got notes on all our conversations too.

- D: Then it should be very simple to reconstruct what we agreed to.
- J: Well, why don't you go ahead and get your notes down in some kind of format, but I think that when we have conversations - I got sucked in very badly in this same situation which I am not going to repeat relating to the suggestion that I take a diluted interest when in fact in going back to the original agreement, those facts were very carefully laid out. The possibility of additional capital being input, was very carefully laid out and a plan of action specified if that were the case.
- D: Well, Jim, let me remind you that a lot of things changed as this project went along, a lot of things were misrepresented to us, and we have spent a lot of money on your advice and Dicks, as you know, that certainly was not very well spent.
- J: And you have spent a lot of money against my advice, which was also not very well spent.
- D: I would think that we spent very little money against your advice. I think that you would have a hard time really defending that.
- J: I am not at all certain, Dwight... but that something that...
- D: We have gone very much forward with your advice Jim, particularly as it relates to the heap and trying to process it.
- J: You have what now?
- D: Particularly as it relates to the heap and trying to process it. We followed your advice very much.
- J: Well, I think that that is certainly open to interpretation, let me put it that way.
- D: Ok. Well we will get something together, and get it out to you, and sort of reconstruct some of this for you, and be in touch very soon.
- J: Well, ok, by being in touch, can you define that a little bit more closely because I have got a very heavy schedule coming up and...
- D: Well, I think that we need to get some things in writing as you suggest. Are you basically going to be in the country? Or are you available to that extent?
- J: I will probably be here through the 11th, and beyond that through the end of the month, I will probably not be here.

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D: Ok. Hang on a second.

J: Ok, well, ok why don't you go ahead and get that stuff to me and then we can go from there.

D: Ok, I will speak to you later.

J: Ok, thanks for calling.

D: Ok, bye.

JIM BRISCOE/JOHN DEAN
10/21/80 @ 5:51

Wife: He'll be here in just a minute.

J: Oh, O.K., fine.

Wife: How's the deal with Lexie going?

J: Uh, well, kind of so, so. She is undergoing some further test work, and so forth.

Wife: I guess that is awfully rough. She is such a remarkable human being. I have great admiration for her.

J: Ya, she is really a very dynamic person and always in a pretty good mood, so.... I kind of forget did she explain to you what her problems were when you were out here?

Wife: No, she didn't mention it, but John.... here he is

J: Oh, O.K.

Wife: Please give her our love.

J: O.K., fine.

j: Hi Jim

J: Hi John, how are you?

j: I'm O.K., how are you?

J: Pretty good, I hope I am not disturbing you too late at night, I guess it is getting pretty late.

j: No I was just in the shower and had to dry before.....

J: Oh, well, I'm sorry if it....., had I known, I could have called back. Uh, I was talking with Jay Kittle, who is my lawyer in the situation with Tom, which I assume you are aware of.

j: Haven't heard anything in months. I knew he was starting some kind of action, but he doesn't ever discuss it.

J: Oh, he doesn't? Well, O.K., well, at this point he is suing me and I am suing him, so..... you know its the worst of all possible situations, I guess, and we tried to approach him with what both Jay and I thought was reasonable, and I think his lawyer thought was reasonable, and he wouldn't

have anything of it so...., I guess we are going to continue to be at logger-heads, but, you know, which is unfortunate because I think he's being....

j: Well, those things nobody usually wins and they are usually hard on somebody. I don't have much stomach for it, as you know.

J: Well, I don't either, quite frankly, and I have not really pursued anything up until Tom really forced the issue, but there is kind of a point at which you simply can't roll over and play dead. I have, quite frankly, not even been down in Tombstone in a year, and, lets see, well, just about a year I guess. I guess this is just about the time that we pulled up stakes through lack of payment down there and left, and I have not been back since. But, what I've got to find out from you is whether you are going to be in Arizona any time in the foreseeable future because we are going to subpoena you as a witness and take a deposition from you regarding the whole series of events, and I thought whatever we could do to make that as painless as possible would simply be worth doing.

j: Well, Kyle is out there now, and I packed up. Well I wanted to come out to that Reno symposium on gold and silver at the mines in November.

J: Ya, that's a good one.

j: It sounded like a good program, and I thought Cel? would learn something. That would be the week, in that week.

J: O.K.

j: How long do you think this will take.

J: Oh, probably 2 or 3 hours, something like that. Not very long. At this point, I have given a deposition and Tom's given a deposition, and they each were 2 or 3 hours, and so I would expect that yours would be something in the same range. But it is something that because of your knowledge of what's gone on down there is a necessity. What is going on down there at this point. Is your thing straightened out?

j: Well, there is always one crises after another, and I'm never thrilled with the way things are handled, and I am always somewhat of a log-head, but it always looks as though it is about to get better. We did have quite a little assist from a crack mineralogist of Phelps Dodge, named Sid Williams. Did you ever meet him?

J: Well, I never have met Sid personally, but I know of Sid, and certainly he is a very excellent man. He had done some work and identified a new mineral down there, which I was

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aware of when I was working down there.

j: Well, he is very interested, in fact, he's made it kind of a hobby out of looking for new minerals in the area. I think he has found several. His wife also found some, so he wanted to come down and have some help in moving, I guess it was the Emerald dump, and so I stayed over Saturday morning, we had a great time, and he got some, we got a whole truck load of samples, and he sent me some of them with either identification of the minerals. It was the first time I have been able to get any real technical help in terms of what was there you know you can get a chemical assay but it doesn't tell you what form things occurred in. So this is turning out to be very helpful, and so it always keeps looking better. Dusty Escapule sort of has a straddle hold on everything, and its pretty hard to do anything if it doesn't suit his fancy because we're not there, so he has been pretty much running this. So, its not nearly in the black, its very hard to get a figure, but I just couldn't begin to say, but I'm pretty sure its already in the red, but always looking like it is coming around.

J: Well, that's unfortunate. With the prices up and so forth, I would think that things ought to look substantially more positive.

j: Absolutely. I don't know what the explanation is.

J: Is it a technical problem with the ore, or is it continued management problems.

j: It seems to be nothing wrong with the ore, but they have been concentrating on the Contention Cut, and, of course, this has to be crushed, and, you know, they tried to buy and old crusher and do it, and it was broken down more than it was operating, and so now, after incredible delays, there is somebody coming in, an independent, operator is coming in and crushing the ore, and even he is having trouble, but I think that he's gonna manage it alright.

J: Well, is that simply because he's incompetent? Perhaps?

j: I don't know, its supposed to be his business, acid crushing is supposed to be his business, and he brings in his own equipment and does it for so much a ton. This looks like a big step forward because he can keep his equipment running, and he looks like he could do it cheaper than we could. Maybe he will. He hasn't been there too long, maybe two weeks. So, as far as I know, if he is able to produce, that part of it ought to come on score, the heap has a new pad being prepared, and it seems to take a lot of time and there has been a lot of people fired and a lot of resignations, and its not an easy town to run something like that in and try to pay the minimum that you have to and try to use old

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equipment, a so on.

J: So it sounds kind of like the same old problem. Trying to make due with equipment that's too tired to do it.

j: I'd say so. Tom seems undaunted, he hangs in there.

J: Well, I guess that's a positive flight. Do you think that there is any chance that he would sell it to a major company.

j: Sure, I think he might. I think he is always interested in putting deals together, and I think it might make a lot of sense because I don't think that he could possibly handle it. You know, he just doesn't have the experience. It is so refreshing to visit Phelps Dodge and see how things are done.

J: Isn't that the truth. They have everything that Sid Williams needs. We left a heap sample, sample from the heap, we left it with him at 12:00, and we were on our way back to Tombstone, we did stop for lunch in Bisbee. We got back at 2:00, and the complete analyses had already been phoned in. He has got the most elaborate equipment, and on top of that, he can understand the mineralogy. It would be a great pleasure to work with somebody like that with the facilities like that.

J: Now I have used Sid Williams before myself for determinations, but part of my problem was whether Tom was going to pay him. Did Tom pay him or did he just do it gratis.

j: He did it gratis.

J: Ya, well.....

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T.E.I. LAWSUIT TAPE TRANSCRIPTIONS

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have taken it over"
Questionable as to whether TS is going to cover bills
JAB has not been to Tombstone
TS "I don't think that this ought to be recorded"

TC #7709..... 79
 J A Briscoe/T Schloss
 7/30/79
 8:32

JAB thinks project is worthwhile - need help
 TS questioning financial relationship
 JAB wanted to get rid of RFH
 TS claimed impossible without someone else

TC #7715..... 91
 J A Briscoe/T Schloss
 7/31/79
 8:20

TS conversation with Bill Hight
 Asking JAB for \$7,500 to pay lease

TC #7717..... 94
 J A Briscoe/T Schloss
 7/31/79
 8:53

Bill Hight coming to Tucson

TC #7718..... 95
 J A Briscoe/T Schloss/D Lee
 7/31/79
 10:32

Financial interests
 Review of activities for month of August
 JAB going to fire RFH
 JAB and staff to do sampling etc.
 Problems with RFH & JAB interest in project

TC #7720..... 135
 J A Briscoe/R F Hewlett
 7/31/79
 12:52

Budget discussion
 Progress

TC #7725..... 143
 J A Briscoe/D Lee
 8/1/79
 8:57

Re-do sampling performed by RFH
 Overdue bills in Tombstone
 Requesting definitive cash flow

TC #7760..... 149
J A Briscoe/D Lee
8/7/79
8:06

JAB needs metallurgical help when he needs it
Meeting with Dave Rabb
Need for AA unit

TC #7771..... 158
J A Briscoe/D Lee
8/9/83
9:49

Review of JAB in Tombstone
Firing of RFH
JAB wants to have orders coming just from him
DL reiterates TS position of operator

TC #7782..... 166
J A Briscoe/D Lee
8/13/79

Progress report of Tombstone activity
Clean up of morale and dealings
Money required to set up lab for sample testing
JAB request for a plant

TC #7790..... 189
J A Briscoe/D Lee/H Dean/D Rabb
8/13/79
2:14

Contention open cut is dangerous
Sampling procedure and metallurgical go-ahead
Wrist shaker vs. rotating bottle
Dean discusses poor and used equipment - inadequate

TC #7799..... 198
J A Briscoe/D Lee
8/14/79
3:30

DL conversation with JD - go-ahead
Consolidation of district etc. with cash flow
Turning up visible gold and silver
Values getting better with depth

TC #7802..... 209
 J A Briscoe/D Lee
 8/15/79
 6:37

Re-do sampling
 Request for funds

✓ TC #7817..... 214
 J A Briscoe/D Lee
 8/17/79
 8:06

Need for a plant - Escapule plant

✓ TC #7836..... 221
 J A Briscoe/D Lee
 8/20/79
 2:40

DL needs progress reports
 Old plant no longer exists
 Assay results
 Dwight wants to save money and build own plant
 Discusses TDC having other offers on the property

TC #7849..... 235
 J A Briscoe/D Lee
 8/21/79
 10:33

Basic progress report
 Dwight questions number of barrel tests necessary
 JAB responds that time is of the essence
 JAB having difficulty getting anything done because
 of TS absence

TC #7852..... 252
 J A Briscoe/D Lee
 8/21/79
 1:18

Progress report
 Assay results

TC #7876..... 255
 J A Briscoe/D Lee
 8/27/79
 7:33

Ernie needs plant back
 Dwight feels not enough data to warrant plant purchase

TC #7881..... 260
 J A Briscoe/D Lee
 8/29/79
 10:28

Progress report - high barrel test values
 Necessity of plant - hold off until TS returns
 Mine test results
 Tombstone basin should produce results
 Necessity to get all progress reports written up

✓TC #7882..... 268
 J A Briscoe/D Lee
 8/29/79
 12:35

DL wants reports in writing

✓TC #7909..... 269
 J A Briscoe/T Schloss
 9/4/79
 2:27

TS questioning no reports of barrel tests received
 TS concerned about quantity of rock, not quality
 TS has no mining costs to date
 JAB - difficult to determine mining costs with no
 figure on a plant
 Quantity determined by surface geology - backhoe cuts,
 etc. involved

✓TC #7978..... 282
 J A Briscoe/T Schloss
 9/19/79
 2:38

Question of funds sent from New York
 JAB questioning TS involvement in calling guys in
 Tombstone and giving them directions
 TS planning a trip to Tombstone

TC #7981..... 288
 J A Briscoe/J S Kittle
 9/20/79
 11:25

Change of venue for Tombstone operation to be
 directed from New York

TC #8013..... 290
 J A Briscoe/T Schloss
 9/29/79
 10:14

TS taking over operation and direction
 Have people on staff 24 hours a day
 Possibility of getting a small plant to determine values
 TS wants a geologist down there to set up barrel tests
 Determining of amount of cyanide to use

TC #8066..... 297
 J A Briscoe/T Schloss
 10/18/79

TS questioning JAB authorization of \$11,000 check to SEA, Inc. without his approval
 TS concerned about JAB concern and lack of time and effort to project
 JAB wants employees transferred from Hydromet payroll
 JAB feels that he has not gotten proper support to get project off the ground
 Need to re-address the written agreement for ownership
 TS taking over because JAB is busy with other projects, and the project cannot afford to pay JAB to stick with it.

TC #8077..... 320
 J A Briscoe/T Schloss
 10/22/79
 2:25

TS ready to take over payroll

TC #8268..... 322
 J A Briscoe/D Lee
 12/27/79
 12:25

Discussion of activities at Tombstone
 Still working on the heap with inadequate plants
 DL stating financial strain
 JAB reiterating break-even point
 DL main reason for calling is to determine percentage of ownership in operation
 JAB feels that he does not have adequate technical data of operations to date to determine anything

TC #8365..... 332
 J A Briscoe/Bill Hight
 1/30/80

Bill Hight questioning Jim as to what he knows of
 the operation in Tombstone
 Bill Hight doesn't feel that he is getting the
 truth of things
 Bill feels that they recognize that JAB still has
 an interest in the project
 Bill discusses his opinion of TS

TC #11748..... 344
 J A Briscoe/Bill Hight
 9/25/80
 1:03

Discussion of legal situation with project
 Bill thinks that he is spending large amounts of money
 TS wants to be full partners with Farmers and get
 oil and gas rights
 Bill thinks that TS has his "own" people doing assays
 and melts

TC #11901..... 340
 J A Briscoe/John Dean
 10/21/80
 5:51

JD feels that there is always one crises after another
 Is never thrilled the way that things are handled
 Has gotten some free help from Sid Williams, Phelps
 Dodge
 JD says lots of people resigning and lots of firing
 Problems with trying to use old equipment

VARIOUS..... 352
 J A Briscoe/J S Kittle

Various telephone calls with Jay Kittle on depositions,
 sequence of events, etc.

TC #..... 366
 J A Briscoe/Ken Allen
 3/22/83
 4:12

J A Briscoe requesting information necessary to decide
 what a reasonable settlement might be

NOTES ON TELEPHONE CALLS

TC #7280
3/27/79
11:35 - 11:47
To: Tom Schloss, San Francisco

He mentions Clinton Milne DeTerra Mine and the Flowery Lode - Bill Clem, Geologist. Also in Reno, Fred L. Humphrey involved in a tax shelter deal in Lander County - Schloss apparently looking at various deals similar to Tombstone.

TC #7287 & #7288
3/30/79
From: Dwight Lee

Dwight Lee arrives to meet me in Las Vegas, TWA Flight 191 at 6:53 p.m.

TC #7295
3/30/79
4:35 - 4:50
From: Richard F. Hewlett, Tombstone Arizona

He is meeting with Tom Schloss. #1, meeting going well, and are testing ore and agglomeration technique. #2, they are not circulating pregnant fluid as Arizona Public Service is still working on installing electrical system. #3, RFH discusses signing of lease with Tom Schloss, and generally decided that J. A. Briscoe and R.F.H. shouldn't be on lease. (I assume that this refers to the lease with Tombstone Development Company).

TC #7304
4/2/79
7:55 - 7:58
To: Richard F. Hewlett

Touring Dwight Lee around Tombstone. Dwight Lee appeared to be pleased.

TC #7307
4/2/79
8:40 - 9:03
From: Richard F. Hewlett

Meeting with Dwight Lee went well. Reviewed reports and heap leach with him - somebody suggested we needed an AA unit - not clear whether RFH or DL. Also, Hewlett suggests sulphuric acid to be used in manganese oxide treatment available from Apache Powder Company.

TC #7329
4/3/79
From: Richard F. Hewlett

Circulate on heap tomorrow.

TC #7753
4/10/79
10:40 - 10:51
From: Dwight Lee

#1 is illedgible. #2 I talked with RFH about progress report - Dwight Lee expecting mid-week. #3, entity for Tomstone Sub Chapter S corporation between JAB and RFH. #4, Tombstone mint is Sub Chapter S corporation for Schloss which was filed yesterday. I should get our corporation under way as soon as possible.

TC #7358
4/10/79
7:00 - 7:26
To: Richard F. Hewlett

Got 20 tons yesterday and 60 tons today. Will send report on Thursday. Apache Powder charges \$6.00 per pound for acid.

TC #7360
4/11/79
10:51 - 11:19
To: Richard F. Hewlett

George Jewett truck broke. RFH will get report in on Friday, and will precipitate metal tomorrow.

TC #7365

Messages for JAB Ed Speer reports a 5 minute wash on 80 tons averaged .014 gold and .35 silver for \$6.50 per ton.

TC #7366
4/13/79
10:17 - 10:52
To: Richard F. Hewlett

He talked with Tom Schloss and Dwight Lee - reported good results on heap leach. They will wire check Monday or Tuesday. Dick now sold on just using H2So4 on heap without IPS screen and crush later - should get \$50,000 per week.

TC #7399
4/23/79
10:19 - 10:29
To: Dwight Lee

#1, Money wired. #2, get subscription to the Mining Record for Famco. #3, Leo's operating agreement will be ready on Tuesday.

TC #7407
4/26/79
8:25 - 8:45
To: John Dean

#1, clean and straight forward seeming - RFH has thought through very carefully - John Dean uneasy though that there could be some surprises. '71 Minerals heap could be some cyanide still lurking within it. #2, Straight cyanidization with best feed material using IPS to start cash flow. Pilot scale - chemical snow job H₂SO₄ leach on manganese oxide ore - Dean is cool on this idea.

TC #7416
4/27/79
From: Tom Schloss

#1, he met with George Jewett - may work out a joint venture with understanding that Dick may use lab. Dick will get key too. Dick amenable to working something out with John Dean. Things going very well. #3, Polygraphs will be necessary for anyone working with precious metal - including JAB, RFH, TS, and DL.

TC #7418
4/22/79
To: Tom Schloss

Tom in Tombstone Thursday and Friday. John Dean and George Jewett.

TC #7432
5/3/79
9:04 - 9:07
From: Dwight Lee

He will fly in early Friday and then drive to Tombstone. Would like reservation at Lodge on Desert for Friday night.

TC #
5/7/79
10:52 - 9:38
From: Richard F. Hewlett

Arizona Department of Health has visited. #2, spraying 200,000 tons, and should have return by Wednesday. Will work from 5:00 a.m. to 8:00 p.m. by staggering shift. #3, have not paid apartment rent - need to get reconcilliations of report up to present time. \$6,200 in salary and wages.

TC #7748
5/7/79
2:48
To: R. F. Hewlett

\$25,000 working capital

TC #7453
5/8/79
11:29 - 11:32
From: R. F. Hewlett

RFH estimates \$25,000 per month required, \$10,000 labor, \$5,000 equipment and fuel, \$10,000 chemicals, plus \$7,000 to Farmers, plus S.E.A. fees and overhead. Will generate \$100,000 per month cash flow.

TC #7455
5/8/79
12:12 - 2:16
From: Tom Schloss

#1, RFH bill out of pocket expenses. #2, S.E.A. at normal billing rates.

TC #7476
5/11/79
12:19 - 12:23
To: Tom Schloss

#1, returning his call. Tom Schloss out to lunch. Did talk with Dwight Lee who talked with Dick Hewlett this morning. Disapointing results from pregnant solution.

TC #7479
5/11/79
1:05 - 1:17
From: Tom Schloss

Just received package. Fair on north - no problem with manganese ore. 400,000 tons being leached (this indicates direct communication between Tom Schloss and Dick Hewlett).

TC #7481
5/12/79
2:59 - 3:37
To: R. F. Hewlett

#1, will now be spraying 3 areas. Northwest area, northeast sector ripping it and will put in pond. Put in pond to give better mixing. #2, got a \$3 gold pregnant solution in northwest sector of entrance of northwest dump. #3, 140' square area will yield \$25,000 per foot in depth. Surface samples behind dozer average \$40 in precious metals - #4, end of next week should have precipitates - many changes to date but RFH feels that he is working them out.

TC #7502
5/16/79
From: R F Hewlett

#1, just inspected by Vernon Dale, Arizona Bureau of Mines Inspector. #2, is perculating 9 birds on Emerald dump. Since the inspector was there he couldn't start yet. Changing pump on precipitation plant - just started spraying yesterday. Should get circulation by Wednesday. Couldn't get salt for a week.

TC #7507
5/16/79
7:07 - 7:08
From: R F Hewlett

Rained hard today but they still sprayed and will get more area tomorrow.

TC #7509
5/17/79
2:39 - 2:56
From: Tom Schloss

Three points he wants to talk over. #1, lie detector business. Tom Schloss has no channels to get one. #3, TDC pump broke down, they are getting it fixed. #4, \$10 per ton solution is coming out. #5, illedgible - (this does indicate that Tom Schloss is talking directly with Dick Hewlett and going around James A. Briscoe).

TC #7524
6/13/79
To: Tom Schloss, Tombstone

Will meet Monday night with John Dean 7:30 to 8:00 p.m. Is RFH salting samples? Should be melting precipitates.

TC #7555
6/19/79
11:58 - 12:12
To: Dwight Lee

I voiced opinion that if we don't have some hard answers as to why we don't have metal, we should stop, re-group - run tests, and devise flow sheet that will work.

TC #7565
6/20/79
From: Tom Schloss

Tom Schloss - \$10,000 - can only account for \$7,500 but \$1,200 overdrawn - \$2,000 not accounted for. Right on razors edge - melting precipitates. Have been 3% of total. Check didn't come down today.

TC #7566
6/20/79
11:33 - 1:46
To: R. F. Hewlett/Tom Schloss in Tombstone

Benching on north side of heap. Should have \$200,000 in silver in next two to three weeks. Read off list of expenses to Tom Schloss - payroll taxes main items didn't figure on. Many items didn't figure on.

TC #7572

6/21/79

10:54 - 11:05

To: Tom Applegate, Assistant Manager, Hays Research

Have assay and agitation leach columns and so forth that would be applicable to Tomsbtone test work.

TC #7577

6/21/79

10:19

To: R F Hewlett

Filters in today but came in late and will have to be installed tomorrow. Pregnant at 0.2, barren pond 0.15. Spraying since 9:30 a.m. Can get pregnant up to 0.3 to 0.4 but would get it higher by adding more hypo.

TC #7580

To: Tom Schloss

Review letter to R. F. Hewlett only minor changes areas I, II, and III, vs. lifts I, II, & III. Also put Dusty Escapule in charge. R. F. Hewlett to concentrate on budget and metallurgy.

TC #

6/22/79

8:39 - 8:43

To: R. F. Hewlett

Talked with wife Mickey - pointed out that it was quite important that I get in contact with him.

TC #7582

6/23/79

9:19 - 9:59

To: R. F. Hewlett

Review of Tom Schloss and John Dean visit and read directive letter of 6/22/79 of same subject. Circulating on a 24 hour basis - 8 filters - 2 tons per minute - 400 gallons per minute - about 0.15 preg at present. Sample before leach or sample size 200 lb. sample.

TC #7583
6/23/79
10:05 - 11:00
To: Tom Schloss

Discuss my phone call with R. F. Hewlett. Long review of all Tombstone problems. Conversation with Dick, etc. - recorded on tape. Tom Schloss will call R. F. Hewlett and review.

TC #7586
6/23/79
2:20 - 2:25

#1, JAB wanted to see what Tom has heard from Dick. #2, Tom called RFH right after our conversation. RFH not around. He talked with Mickey who said that she would pass the message along.

TC #7587
6/23/79
7:05 - 7:16
From: W. E. Speer

Review of Ed Speer idea of what is happening at Tombstone.

TC #7588
6/23/79
7:16 - 7:45 a.m.

May want to go to cyanide.

TC #7590
6/24/79
1:15 - 2:08, 4:00 - 4:30
To: R. F. Hewlett

#1, budget unacceptable because of no transmission and letter stating what it is - no signature - pages are to be numbered. #2, silver ingots unacceptable because there is no documentation - location - dates produced - weight - resulting from what section of leaching.

TC #7592
6/24/79
4:37 - 5:04
To: R. F. Hewlett

Circulating today. Preg 0.15, barren 0.01. Tom said lets just wait and see how many ounces you pour on Monday from first filter. Lift on area #1 is very shallow - only about 3'. The material sent up by Ed Speer is weekly budget. All filters in parallel so throughput is 400 gallons per minute. Haven't reached saturation - keeping flow records. Melts will be finished by tomorrow p.m.

TC #7593
6/24/79
5:08 - 6:09
To: Tom Schloss

#1, want to have all calls and talks with R. F. Hewlett to be conference calls or let Tom Schloss take over management 100%. #2, must have \$10,000 wired by tomorrow p.m., or will furlough everyone as of 5:00 p.m. Monday.

TC #7594
6/25/79
9:51 - 10:08
To: Tom Schloss/Dwight Lee

#1, John Dean wants to work on his samples in his lab and doesn't want to be disturbed more than necessary, but didn't work some this weekend. Talked briefly with Tom Schloss but R. F. Hewlett hasn't called as of 10:06 Tucson time. Tom and Dwight wanted to get the samples taken by Ed Speer, assayed as soon as possible and have split sent to John Dean.

TC #7609
6/29/79
11:55 - 12:20
From: Tom Schloss

RFH will handwrite reports and send to FAMCO for typing and Tom Schloss will send back here. #2, precipitates that I brought back were examined and didn't contain much silver. #3, John Dean will take 2 days at \$300/day and field and \$150/day in his home lab. #4, JET - checks in three accounts #1 main account, #2 salary account #3 operating account.

TC #7619
7/79
8:30 - 9:51
From: Tom Schloss

#1 hypo-amonia leach - 20% success potential. #2 cyanide - 100% success potential. #3, JAB and WES - will make out a budget and procedure on sampling. #4, what cost of deaeriation tower to crushing and screening.

TC #7621
7/2/79
11:00 - 12:58
From: Tom Schloss

Apparently a conference call with Tom Schloss, JAB, and RFH. Cyanide - sodium sulfite needs further testing. RFH suggests using dozer and scraper to sample pad. \$750/month rent with fuel approximately \$1,000/month. 1,000' width of trench to 6'. From 12:00 to 12:58, Dick Hewlett got off the phone and continued with the call to Tom Schloss and John Dean.

TC #7624
7/3/79
7:15 - 8:33
From: Tom Schloss

#1, discuss options on Tombstone. I suggest that we bring in Phil Rivera. Tombstone leached 4 times. 8:00 a.m. conference with RFH in Tomsbtone. 8:34 sign off with Tom Schloss. Estimate cost of 1,500' of sample trench to 5' depth with composite assay over 100' intervals - estimate of time 2 weeks.

TC #7625
7/30/79
8:38 - 8:58

#1, Tom Schloss came up with idea of scraper and test work. Scraper '71 Minerals did engine overall and replaced transmission. So in good condition except for tire. Discussed dimension on dump.

TC #7642
7/5/79
To: Jane Talley

#1 confirm that Jane sending accounting off to Tom Schloss. Tom Schloss upset that checks weren't sent off until confirmation of wire from New York as per my direction. I have reconfirmed that direction with Jane Talley and said that I will take care of Tom Schloss.

TC #7666
7/13/79
9:30 - 9:50
From: R. F. Hewlett

RFH reports assays from channel samples in the Contention open cut.

TC #7669
7/14/79
4:31 - 5:09
To: Tom Schloss

#1, RFH told Tom Schloss that I was still in favor of working on the heap. That was not what I said. Tom Schloss wants to run a test on the 400 tons and not - emphasize not - getting a cash flow.

TC #7672
7/18/79
7:18 - 8:00
To: Tom Schloss

Discussed R. F. Hewlett situation. John Dean is concerned about copper in the dump.

TC #7681
7/16/79
8:21 - 8:38 p.m.
To: R. F. Hewlett

Review deal with Perry Durning. Want to re-establish clear, concise written report which Dick has been slack on.

TC #7682
7/17/79
8:23 - 8:37

John Dean has concern for mineralogy study. John Dean suggest Dave Rabb at Arizona Bureau of Mines.

TC #7683
7/17/79
8:32 - 8:50

Discuss mineralogy with John Dean. One sample sent by Ed Speer ran 3% copper as malachite. Review JAB ideas over need for representative sampling before doing metallurgical work. John agrees. Review ways to do, and discuss origins of the ore zone. JAB tells JD of belief that it is a porphyry copper system.

TC #7684
7/17/79
9:22 - 9:47
To: John Dean

#1, zinc and copper carbonates are almost instantly soluble in cyanide and consume 1.5 to 2 times their weight. Leach dump - John Dean doesn't simply want to start pushing without knowing what values are economic. I describe testing and stripping dump to lower 1/3 where we again have better values may be.

TC #7685
7/17/79
9:48 - 10:06
To: Tom Schloss

#1, review conversation with John Dean. I express pleasure at working with John Dean and optimism at getting project straightened around. I invite Dave Rabb down to Tombstone for lunch and dinner.

TC #7687
7/17/79
2:13 - 2:32
To: John Dean

#1, will tenorite or melaconite dissolve in cyanide. #2, U. S. Bureau of Mines - agglomeration - we should rejuvenate and use to treat heap. He has done U.S. Bureau of Mines research 1978 review page 30 through 31.

TC #7701
7/19/79
10:34 - 10:44
From: R. F. Hewlett

Report of progress. Scraper has blown fuel line. R. F. Hewlett purchasing things without purchase order numbers. I reprimand him on that.

TC #7706
7/29/79
3:43 - 4:38
To: Tom Schloss

Give up date on Tombstone. Tom wants to do two things - work on leaching and the other not specified. Same old problems with RFH.

TC #7709
From: Tom Schloss

Suggestions for a mineralogist from Dave Rabb.

TC #7715
From: Tom Schloss

Tom suggested that I come up with \$7,500 for tomorrow

TC #7723
8/1/79
8:57 - 8:59

S.E.A. will be reimbursed for direct costs.

TC #7732
8/3/79
8:35 - 8:38
To: Dwight Lee

Report on Tombstone. #1, all sampling stop until JAB has chance to do geologic mapping, layout sampling, #2, mineral work on brushing out sampling trenches for JAB work, #3, RFH working on reports or will do geologic mapping on TDC claims to satisfy work requirements for 78-79 assessment year - ok with Bill Hight and Frank Gallup. #5, Hight wants payment immediately. #6, must pay Ernie for backhoe and future use \$751.00. #7, must settle with dozer payments - bill Bobby Callan, and short payroll bills up to present time. #8, JAB will set up cash flow budget - wants cash in bank before proceeding.

TC #7733
8/3/79
To: Dwight Lee

JAB requirement for money to be in on Monday. Reviewed deed for paying bills and mending fences. AA unit available August 15. Will be shipped. Recommend hire Al Waterson at 3.50 with salary of \$2,500 per month to be paid if and when project pays a dividend.

TC #7738
8/3/79
11:40 - 12:15
To: Dave Rabb

#1, can run 5 barrel roll tests per day. #2, services rendered with consultant 1/2 day per week - will keep track of hours worked and charge Tombstone what state pays Rabb - i.e. \$15/hour - in his case may ask for \$21/hour plus \$.17 per mile.

TC #7760
8/7/79
8:30 - 8:45
To: Dwight Lee

Dwight loathe to pay Dick 2 weeks severance pay.

TC #7771
8/9/79
9:32 - 10:10

Daily report. #1, slope danger in Contention. #2, mining method - suggest front end loader or backhoe. #3, Callan bill. #4, Dusty Escapule truck rate \$.20/mile, \$10/day. #5, chain of command. #6, Contention work.

TC #7772
8/9/79
9:34 - 9:48
To: John Dean

Review situation at Tombstone. No need for him to fly out right now.

TC #7782
8/13/79
8:46 - 9:40
To: Dwight Lee

#1, must go on pre-paid basis. #2, mine inspector won't allow mining from inside Contention open cut with good reason.

TC #7793
8/14/79
To: Dwight Lee

#1, to see what progress is being made on decision regarding my proposed test mining at Tombstone. Answer - seems ok to Dwight Lee and John Dean - only change from previous objective is my mining plan. John Dean thinks that this makes sense. Dwight Lee is trying to reach Tom Schloss in Italy and will get back.

TC #7794
To: Charlie Escapule

Get prices on cyanide plants. #1, what delivery date on plant - 45 days - tanks will be \$800 - everything is \$16,500. Small plant 30 days - cost \$3,750. #2, charge on shaker test samples \$6/sample. #3, have written description of procedure - yes. #4, can we rent front end loader and how much - \$25/hour. \$35/hour for everything else.

TC #7836
8/20/79
2:40 - 3:14

#1, report on work over weekend - barrel tests, broke into old stopes with backhoe - will have sample results on 30 samples today. Also consensus is by Escapule plant - we shouldn't try and build. Their's is patented and we would have to redesign ours.

TC #7852
8/21/79
1:18 - 1:24
To: Dwight Lee

#1, results on the 6 north 10 east dump running 2.5 ounces per ton and 0.04 ounces gold. Other assays discussed.

TC #7897
8/31/79
2:06 - 2:22
From: Dwight Lee

Wired \$600 on 8/16/79 - hasn't arrived. #2, discussed about leach operation - emphasized that we need to get our own plant. #3 Jim Bishop of SBM offered to send results on '71 Minerals heap leach.

TC #7910
9/4/79
5:06 - 5:41
From: Carl Ronstadt

Carl wants to follow up on Tombstone progress. Plant in Douglas and would like to work on the Tombstone project but they don't have any free cash to participate. Would be interested in doing work

TC #7920
9/6/79
11:32 - 11:49
From: Tom Schloss

#1 Reviewed ore reserve situation with Tom Schloss in Contention Area. He is continuing to press for reserve figures. I suggested that using an average figure for width of the Contention open cut of 40' and length of 600' equals 24,000 square feet plus for every 13 feet of depth, 24,000 ton will be developed at \$12 gross metal value equals \$288,000

TC #7921
9/6/79
12:09 - 12:40

General review of work. I mention land available in Robber's Roost area. Tom said I should buy from my own account.

TC #7948
9/12/79
8:55- 9:57 p.m.
To: John Dean

#1 review barrel test procedure on heap. #1, need facilities, #2, AA. #3, a definite plan. Don't improvise and sacrifice the proper way. Metallurgy could cost up to \$100,000. Must have two precipitation plants but could start with one.

TC #7960
9/15/79
11:18 - 11:26
From: Al Waterson

State of Maine hasn't been paid for excavating at their end and they are concerned.

TC #7961
9/15/79
4:57 - 5:04

Review Tombstone. No backhoe this weekend available. I suggest we pay for the backhoe for weekends. \$1,200. I also recommend that we pay for 2 months rental on the plant - first and last. Tom Schloss would rather just pay one month - but I insist that it would be a good deal and reassure the Escapules who haven't been paid properly.

TC #7977
9/19/79
1:16 - 1:17

Confirm that Schloss sent \$4,500, not the \$7,000 promised.

TC #7978
9/19/79
2:21 - 2:38

Has sent \$7,000.

TC #7980
9/20/79
10:41 - 10:44
To: Tom Schloss

Money hasn't arrive. Tom will put tracer on it. Will get the name of a bank officer. (These calls indicate problems that we have had in receiving even a minimum amount of money).

TC #8043
10/10/79
5:17 - 5:45
From: John Dean

#1 discuss possible association in Tucson with John Dean.
#2, Tom Schloss has good response to raise additional capital.

TC #8046
10/10/79
To: Tom Schloss

#1, return to our original agreement is mandatory. #2, take over management by Famco within 10 working days. #3, must have adequate reporting both financial and technical. #4, S.E.A. will supply.

TC #
10/18/79
11:01 - 1:58
To: Tom Schloss

#1, must get all employees off Hydromet as soon as possible, but will terminate all in any case if the next weeks payroll is not deposited to Tucson account by start of that work week. #2, must adhere to our previous written agreement. #3, must have assay data on all precipitates before it leaves Tombstone.

TC #8268
12/27/79
12:25 - 12:52
From: Dwight Lee

#1, would like to get legal ramifications straightened out. #2, John Dean very involved. #3, hard times selling small quantities of silver.

TC #8372
1/31/80
3:14 - 4:34
To: John Dean

#1 work on Tombstone report complete date. #2, interest in association with S.E.A. - interest in programs - yes. This was taped on #275 on the tape. He talks about Schloss being a crook, #280 default, #3, reference of my work at Tombstone. #664 working agreement never honored by payment.

TC #8462
5/4/80
11:36 - 11:48
From: John Dean

#1 John would like to have Tom and I get together tomorrow before Tom flies back to New York at noon. This overture is at Tom's behest. I said ok as long as a meeting didn't drag out. Tom wants to get on to other things, and wants to work with us.

TC #8514
3/20/80
6:48 - 7:45
To: John Dean

Review property in northern California exploration program and get resume from John. Two big companies - Anaconda and ----- want to talk with Tom Schloss - even Eocene group may be interested - including Crocker National Bank. Tom Schloss in strange moods since Tucson trip. Paid John Dean off.

TC #8659
4/17/80
10:25 - 11:15
To: Tom Schloss

#1, good news and bad news. Lawyers not getting anywhere.
#2, John Dean says we are trying to raise \$125,000 with silver at \$15 and gold at \$500.

TC #8660
4/17/80
11:58 - 12:07
From: J. S. Kittle

Tom Schloss called - will want data. Their own counsel has stated that if they got into litigation, they wouldn't be in a real strong position.

NOTES ON TELEPHONE CALLS

TC #7280
3/27/79
11:35 - 11:47
To: Tom Schloss, San Francisco

He mentions Clinton Milne DeTerra Mine and the Flowery Lode - Bill Clem, Geologist. Also in Reno, Fred L. Humphrey involved in a tax shelter deal in Lander County - Schloss apparently looking at various deals similar to Tombstone.

TC #7287 & #7288
3/30/79
From: Dwight Lee

Dwight Lee arrives to meet me in Las Vegas, TWA Flight 191 at 6:53 p.m.

TC #7295
3/30/79
4:35 - 4:50
From: Richard F. Hewlett, Tombstone Arizona

He is meeting with Tom Schloss. #1, meeting going well, and are testing ore and agglomeration technique. #2, they are not circulating pregnant fluid as Arizona Public Service is still working on installing electrical system. #3, RFH discusses signing of lease with Tom Schloss, and generally decided that J. A. Briscoe and R.F.H. shouldn't be on lease. (I assume that this refers to the lease with Tombstone Development Company).

TC #7304
4/2/79
7:55 - 7:58
To: Richard F. Hewlett

Touring Dwight Lee around Tombstone. Dwight Lee appeared to be pleased.

TC #7307
4/2/79
8:40 - 9:03
From: Richard F. Hewlett

Meeting with Dwight Lee went well. Reviewed reports and heap leach with him - somebody suggested we needed an AA unit - not clear whether RFH or DL. Also, Hewlett suggests sulphuric acid to be used in manganese oxide treatment available from Apache Powder Company.

TC #7329
4/3/79
From: Richard F. Hewlett

Circulate on heap tomorrow.

TC #7753
4/10/79
10:40 - 10:51
From: Dwight Lee

#1 is illedgible. #2 I talked with RFH about progress report - Dwight Lee expecting mid-week. #3, entity for Tomstone Sub Chapter S corporation between JAB and RFH. #4, Tombstone mint is Sub Chapter S corporation for Schloss which was filed yesterday. I should get our corporation under way as soon as possible.

TC #7358
4/10/79
7:00 - 7:26
To: Richard F. Hewlett

Got 20 tons yesterday and 60 tons today. Will send report on Thursday. Apache Powder charges \$6.00 per pound for acid.

TC #7360
4/11/79
10:51 - 11:19
To: Richard F. Hewlett

George Jewett truck broke. RFH will get report in on Friday, and will precipitate metal tomorrow.

TC #7365

Messages for JAB Ed Speer reports a 5 minute wash on 80 tons averaged .014 gold and .35 silver for \$6.50 per ton.

TC #7366
4/13/79
10:17 - 10:52
To: Richard F. Hewlett

He talked with Tom Schloss and Dwight Lee - reported good results on heap leach. They will wire check Monday or Tuesday. Dick now sold on just using H2So4 on heap without IPS screen and crush later - should get \$50,000 per week.

TC #7399
4/23/79
10:19 - 10:29
To: Dwight Lee

#1, Money wired. #2, get subscription to the Mining Record for Famco. #3, Leo's operating agreement will be ready on Tuesday.

TC #7407
4/26/79
8:25 - 8:45
To: John Dean

#1, clean and straight forward seeming - RFH has thought through very carefully - John Dean uneasy though that there could be some surprises. '71 Minerals heap could be some cyanide still lurking within it. #2, Straight cyanidization with best feed material using IPS to start cash flow. Pilot scale - chemical snow job H₂SO₄ leach on manganese oxide ore - Dean is cool on this idea.

TC #7416
4/27/79
From: Tom Schloss

#1, he met with George Jewett - may work out a joint venture with understanding that Dick may use lab. Dick will get key too. Dick amenable to working something out with John Dean. Things going very well. #3, Polygraphs will be necessary for anyone working with precious metal - including JAB, RFH, TS, and DL.

TC #7418
4/22/79
To: Tom Schloss

Tom in Tombstone Thursday and Friday. John Dean and George Jewett.

TC #7432
5/3/79
9:04 - 9:07
From: Dwight Lee

He will fly in early Friday and then drive to Tombstone. Would like reservation at Lodge on Desert for Friday night.

TC #
5/7/79
10:52 - 9:38
From: Richard F. Hewlett

Arizona Department of Health has visited. #2, spraying 200,000 tons, and should have return by Wednesday. Will work from 5:00 a.m. to 8:00 p.m. by staggering shift. #3, have not paid apartment rent - need to get reconciliations of report up to present time. \$6,200 in salary and wages.

TC #7748
5/7/79
2:48
To: R. F. Hewlett

\$25,000 working capital

TC #7453
5/8/79
11:29 - 11:32
From: R. F. Hewlett

RFH estimates \$25,000 per month required, \$10,000 labor, \$5,000 equipment and fuel, \$10,000 chemicals, plus \$7,000 to Farmers, plus S.E.A. fees and overhead. Will generate \$100,000 per month cash flow.

TC #7455
5/8/79
12:12 - 2:16
From: Tom Schloss

#1, RFH bill out of pocket expenses. #2, S.E.A. at normal billing rates.

TC #7476
5/11/79
12:19 - 12:23
To: Tom Schloss

#1, returning his call. Tom Schloss out to lunch. Did talk with Dwight Lee who talked with Dick Hewlett this morning. Disappointing results from pregnant solution.

TC #7479
5/11/79
1:05 - 1:17
From: Tom Schloss

Just received package. Fair on north - no problem with manganese ore. 400,000 tons being leached (this indicates direct communication between Tom Schloss and Dick Hewlett).

TC #7481
5/12/79
2:59 - 3:37
To: R. F. Hewlett

#1, will now be spraying 3 areas. Northwest area, northeast sector ripping it and will put in pond. Put in pond to give better mixing. #2, got a \$3 gold pregnant solution in northwest sector of entrance of northwest dump. #3, 140' square area will yield \$25,000 per foot in depth. Surface samples behind dozer average \$40 in precious metals - #4, end of next week should have precipitates - many changes to date but RFH feels that he is working them out.

TC #7502
5/16/79
From: R F Hewlett

#1, just inspected by Vernon Dale, Arizona Bureau of Mines Inspector. #2, is perculating 9 birds on Emerald dump. Since the inspector was there he couldn't start yet. Changing pump on precipitation plant - just started spraying yesterday. Should get circulation by Wednesday. Couldn't get salt for a week.

TC #7507
5/16/79
7:07 - 7:08
From: R F Hewlett

Rained hard today but they still sprayed and will get more area tomorrow.

TC #7509
5/17/79
2:39 - 2:56
From: Tom Schloss

Three points he wants to talk over. #1, lie detector business. Tom Schloss has no channels to get one. #3, TDC pump broke down, they are getting it fixed. #4, \$10 per ton solution is coming out. #5, illedgible - [this does indicate that Tom Schloss is talking directly with Dick Hewlett and going around James A. Briscoe].

TC #7524
6/13/79
To: Tom Schloss, Tombstone

Will meet Monday night with John Dean 7:30 to 8:00 p.m. Is RFH salting samples? Should be melting precipitates.

TC #7555
6/19/79
11:58 - 12:12
To: Dwight Lee

I voiced opinion that if we don't have some hard answers as to why we don't have metal, we should stop, re-group - run tests, and devise flow sheet that will work.

TC #7565
6/20/79
From: Tom Schloss

Tom Schloss - \$10,000 - can only account for \$7,500 but \$1,200 overdrawn - \$2,000 not accounted for. Right on razors edge - melting precipitates. Have been 3% of total. Check didn't come down today.

TC #7566
6/20/79
11:33 - 1:46
To: R. F. Hewlett/Tom Schloss in Tombstone

Benching on north side of heap. Should have \$200,000 in silver in next two to three weeks. Read off list of expenses to Tom Schloss - payroll taxes main items didn't figure on. Many items didn't figure on.

TC #7572

6/21/79

10:54 - 11:05

To: Tom Applegate, Assistant Manager, Hays Research

Have assay and agitation leach columns and so forth that would be applicable to Tomsbtone test work.

TC #7577

6/21/79

10:19

To: R F Hewlett

Filters in today but came in late and will have to be installed tomorrow. Pregnant at 0.2, barren pond 0.15. Spraying since 9:30 a.m. Can get pregnant up to 0.3 to 0.4 but would get it higher by adding more hypo.

TC #7580

To: Tom Schloss

Review letter to R. F. Hewlett only minor changes areas I, II, and III, vs. lifts I, II, & III. Also put Dusty Escapule in charge. R. F. Hewlett to concentrate on budget and metallurgy.

TC #

6/22/79

8:39 - 8:43

To: R. F. Hewlett

Talked with wife Mickey - pointed out that it was quite important that I get in contact with him.

TC #7582

6/23/79

9:19 - 9:59

To: R. F. Hewlett

Review of Tom Schloss and John Dean visit and read directive letter of 6/22/79 of same subject. Circulating on a 24 hour basis - 8 filters - 2 tons per minute - 400 gallons per minute - about 0.15 preg at present. Sample before leach or sample size 200 lb. sample.

TC #7583
6/23/79
10:05 - 11:00
To: Tom Schloss

Discuss my phone call with R. F. Hewlett. Long review of all Tombstone problems. Conversation with Dick, etc. - recorded on tape. Tom Schloss will call R. F. Hewlett and review.

TC #7586
6/23/79
2:20 - 2:25

#1, JAB wanted to see what Tom has heard from Dick. #2, Tom called RFH right after our conversation. RFH not around. He talked with Mickey who said that she would pass the message along.

TC #7587
6/23/79
7:05 - 7:16
From: W. E. Speer

Review of Ed Speer idea of what is happening at Tombstone.

TC #7588
6/23/79
7:16 - 7:45 a.m.

May want to go to cyanide.

TC #7590
6/24/79
1:15 - 2:08, 4:00 - 4:30
To: R. F. Hewlett

#1, budget unacceptable because of no transmission and letter stating what it is - no signature - pages are to be numbered. #2, silver ingots unacceptable because there is no documentation - location - dates produced - weight - resulting from what section of leaching.

TC #7592
6/24/79
4:37 - 5:04
To: R. F. Hewlett

Circulating today. Preg 0.15, barren 0.01. Tom said Lets just wait and see how many ounces you pour on Monday from first filter. Lift on area #1 is very shallow - only about 3'. The material sent up by Ed Speer is weekly budget. All filters in parallel so throughput is 400 gallons per minute. Haven't reached saturation - keeping flow records. Melts will be finished by tomorrow p.m.

TC #7593
6/24/79
5:08 - 6:09
To: Tom Schloss

#1, want to have all calls and talks with R. F. Hewlett to be conference calls or let Tom Schloss take over management 100%. #2, must have \$10,000 wired by tomorrow p.m., or will furlough everyone as of 5:00 p.m. Monday.

TC #7594
6/25/79
9:51 - 10:08
To: Tom Schloss/Dwight Lee

#1, John Dean wants to work on his samples in his lab and doesn't want to be disturbed more than necessary, but didn't work some this weekend. Talked briefly with Tom Schloss but R. F. Hewlett hasn't called as of 10:06 Tucson time. Tom and Dwight wanted to get the samples taken by Ed Speer, assayed as soon as possible and have split sent to John Dean.

TC #7609
6/29/79
11:55 - 12:20
From: Tom Schloss

RFH will handwrite reports and send to FAMCO for typing and Tom Schloss will send back here. #2, precipitates that I brought back were examined and didn't contain much silver. #3, John Dean will take 2 days at \$300/day and field and \$150/day in his home lab. #4, JET - checks in three accounts #1 main account, #2 salary account #3 operating account.

TC #7619
7/79
8:30 - 9:51
From: Tom Schloss

#1 hypo-amonite leach - 20% success potential. #2 cyanide - 100% success potential. #3, JAB and WES - will make out a budget and procedure on sampling. #4, what cost of deaeration tower to crushing and screening.

TC #7621
7/2/79
11:00 - 12:58
From: Tom Schloss

Apparently a conference call with Tom Schloss, JAB, and RFH. Cyanide - sodium sulfite needs further testing. RFH suggests using dozer and scraper to sample pad. \$750/month rent with fuel approximately \$1,000/month. 1,000' width of trench to 6'. From 12:00 to 12:58, Dick Hewlett got off the phone and continued with the call to Tom Schloss and John Dean.

TC #7624
7/3/79
7:15 - 8:33
From: Tom Schloss

#1, discuss options on Tombstone. I suggest that we bring in Phil Rivera. Tombstone leached 4 times. 8:00 a.m. conference with RFH in Tombstone. 8:34 sign off with Tom Schloss. Estimate cost of 1,500' of sample trench to 5' depth with composite assay over 100' intervals - estimate of time 2 weeks.

TC #7625
7/30/79
8:38 - 8:58

#1, Tom Schloss came up with idea of scraper and test work. Scraper '71 Minerals did engine overall and replaced transmission. So in good condition except for tire. Discussed dimension on dump.

TC #7642
7/5/79
To: Jane Talley

#1 confirm that Jane sending accounting off to Tom Schloss. Tom Schloss upset that checks weren't sent off until confirmation of wire from New York as per my direction. I have reconfirmed that direction with Jane Talley and said that I will take care of Tom Schloss.

TC #7666
7/13/79
9:30 - 9:50
From: R. F. Hewlett

RFH reports assays from channel samples in the Contention open cut.

TC #7669
7/14/79
4:31 - 5:09
To: Tom Schloss

#1, RFH told Tom Schloss that I was still in favor of working on the heap. That was not what I said. Tom Schloss wants to run a test on the 400 tons and not - emphasize not - getting a cash flow.

TC #7672
7/18/79
7:18 - 8:00
To: Tom Schloss

Discussed R. F. Hewlett situation. John Dean is concerned about copper in the dump.

TC #7681
7/16/79
8:21 - 8:38 p.m.
To: R. F. Hewlett

Review deal with Perry Durning. Want to re-establish clear, concise written report which Dick has been slack on.

TC #7682
7/17/79
8:23 - 8:37

John Dean has concern for mineralogy study. John Dean suggest Dave Rabb at Arizona Bureau of Mines.

TC #7683
7/17/79
8:32 - 8:50

Discuss mineralogy with John Dean. One sample sent by Ed Speer ran 3% copper as malachite. Review JAB ideas over need for representative sampling before doing metallurgical work. John agrees. Review ways to do, and discuss origins of the ore zone. JAB tells JD of belief that it is a porphyry copper system.

TC #7684
7/17/79
9:22 - 9:47
To: John Dean

#1, zinc and copper carbonates are almost instantly soluble in cyanide and consume 1.5 to 2 times their weight. Leach dump - John Dean doesn't simply want to start pushing without knowing what values are economic. I describe testing and stripping dump to lower 1/3 where we again have better values may be.

TC #7685
7/17/79
9:48 - 10:06
To: Tom Schloss

#1, review conversation with John Dean. I express pleasure at working with John Dean and optimism at getting project straightened around. I invite Dave Rabb down to Tombstone for lunch and dinner.

TC #7687
7/17/79
2:13 - 2:32
To: John Dean

#1, will tenorite or melaconite dissolve in cyanide. #2, U. S. Bureau of Mines - agglomeration - we should rejuvenate and use to treat heap. He has done U.S. Bureau of Mines research 1978 review page 30 through 31.

TC #7701
7/19/79
10:34 - 10:44
From: R. F. Hewlett

Report of progress. Scraper has blown fuel line. R. F. Hewlett purchasing things without purchase order numbers. I reprimand him on that.

TC #7706
7/29/79
3:43 - 4:38
To: Tom Schloss

Give up date on Tombstone. Tom wants to do two things - work on leaching and the other not specified. Same old problems with RFH.

TC #7709
From: Tom Schloss

Suggestions for a mineralogist from Dave Rabb.

TC #7715
From: Tom Schloss

Tom suggested that I come up with \$7,500 for tomorrow

TC #7723
8/1/79
8:57 - 8:59

S.E.A. will be reimbursed for direct costs.

TC #7732
8/3/79
8:35 - 8:38
To: Dwight Lee

Report on Tombstone. #1, all sampling stop until JAB has chance to do geologic mapping, layout sampling, #2, mineral work on brushing out sampling trenches for JAB work, #3, RFH working on reports or will do geologic mapping on TDC claims to satisfy work requirements for 78-79 assessment year - ok with Bill Hight and Frank Gallup. #5, Hight wants payment immediately. #6, must pay Ernie for backhoe and future use \$751.00. #7, must settle with dozer payments - bill Bobby Callan, and short payroll bills up to present time. #8, JAB will set up cash flow budget - wants cash in bank before proceeding.

TC #7733
8/3/79
To: Dwight Lee

JAB requirement for money to be in on Monday. Reviewed deed for paying bills and mending fences. AA unit available August 15. Will be shipped. Recommend hire Al Waterson at 3.50 with salary of \$2,500 per month to be paid if and when project pays a dividend.

TC #7738
8/3/79
11:40 - 12:15
To: Dave Rabb

#1, can run 5 barrel roll tests per day. #2, services rendered with consultant 1/2 day per week - will keep track of hours worked and charge Tombstone what state pays Rabb - i.e. \$15/hour - in his case may ask for \$21/hour plus \$.17 per mile.

TC #7760
8/7/79
8:30 - 8:45
To: Dwight Lee

Dwight loathe to pay Dick 2 weeks severance pay.

TC #7771
8/9/79
9:32 - 10:10

Daily report. #1, slope danger in Contention. #2, mining method - suggest front end loader or backhoe. #3, Callan bill. #4, Dusty Escapule truck rate \$.20/mile, \$10/day. #5, chain of command. #6, Contention work.

TC #7772
8/9/79
9:34 - 9:48
To: John Dean

Review situation at Tombstone. No need for him to fly out right now.

TC #7782
8/13/79
8:46 - 9:40
To: Dwight Lee

#1, must go on pre-paid basis. #2, mine inspector won't allow mining from inside Contention open cut with good reason.

TC #7793
8/14/79
To: Dwight Lee

#1, to see what progress is being made on decision regarding my proposed test mining at Tombstone. Answer - seems ok to Dwight Lee and John Dean - only change from previous objective is my mining plan. John Dean thinks that this makes sense. Dwight Lee is trying to reach Tom Schloss in Italy and will get back.

TC #7794
To: Charlie Escapule

Get prices on cyanide plants. #1, what delivery date on plant - 45 days - tanks will be \$800 - everything is \$16,500. Small plant 30 days - cost \$3,750. #2, charge on shaker test samples \$6/sample. #3, have written description of procedure - yes. #4, can we rent front end loader and how much - \$25/hour. \$35/hour for everything else.

TC #7836
8/20/79
2:40 - 3:14

#1, report on work over weekend - barrel tests, broke into old stopes with backhoe - will have sample results on 30 samples today. Also consensus is by Escapule plant - we shouldn't try and build. Their's is patented and we would have to redesign ours.

TC #7852
8/21/79
1:18 - 1:24
To: Dwight Lee

#1, results on the 6 north 10 east dump running 2.5 ounces per ton and 0.04 ounces gold. Other assays discussed.

TC #7897
8/31/79
2:06 - 2:22
From: Dwight Lee

Wired \$600 on 8/16/79 - hasn't arrived. #2, discussed about leach operation - emphasized that we need to get our own plant. #3 Jim Bishop of SBM offered to send results on '71 Minerals heap leach.

TC #7910
9/4/79
5:06 - 5:41
From: Carl Ronstadt

Carl wants to follow up on Tombstone progress. Plant in Douglas and would like to work on the Tombstone project but they don't have any free cash to participate. Would be interested in doing work

TC #7920
9/6/79
11:32 - 11:49
From: Tom Schloss

#1 Reviewed ore reserve situation with Tom Schloss in Contention Area. He is continuing to press for reserve figures. I suggested that using an average figure for width of the Contention open cut of 40' and length of 600' equals 24,000 square feet plus for every 13 feet of depth, 24,000 ton will be developed at \$12 gross metal value equals \$288,000

TC #7921
9/6/79
12:09 - 12:40

General review of work. I mention land available in Robber's Roost area. Tom said I should buy from my own account.

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8:55- 9:57 p.m.
To: John Dean

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6:48 - 7:45
To: John Dean

Review property in northern California exploration program and get resume from John. Two big companies - Anaconda and ----- want to talk with Tom Schloss - even Eocene group may be interested - including Crocker National Bank. Tom Schloss in strange moods since Tucson trip. Paid John Dean off.

TC #8659
4/17/80
10:25 - 11:15
To: Tom Schloss

#1, good news and bad news. Lawyers not getting anywhere.
#2, John Dean says we are trying to raise \$125,000 with silver at \$15 and gold at \$500.

TC #8660
4/17/80
11:58 - 12:07
From: J. S. Kittle

Tom Schloss called - will want data. Their own counsel has stated that if they got into litigation, they wouldn't be in a real strong position.

JAB Interpretation of the T.E.I. tape transcriptions...

Page 11:

JAB.....we can never be sure that all of these things are going to, or we can never be sure that these things are going to come out with a positive cash flow.

TS.....ya right".

JAB.....Or at least with enough positive cash flow to repay the investment.

Page 32

JAB.....I have recorded, and as a matter of fact I am recording this, Tom. I frequently record things simply because it helps me to keep things straight

Page 35 & 36

TS.....If we don't get some results, I think that there is one choice. I think that is to shut it down and sample the bottom of the dump by whatever means necessary.

Page 38

JAB.....It might not hurt for you to give Dick a call and reiterate some of these things yourself, simply because you have been communicating with him on a daily basis.

TS.....Don't mind at all.

[This sequence indicates that Tom has, indeed, been running the operation]

Page 39

TS.....I understand, I am knowledgeable...

Page 41

TS.....Its a business and you put the money in the front door and hopefully it comes out the back door. You got to do the experimentation along the way. It is not a quick way to make a fortune, we are going to have to work like a dog to make a fortune.

JAB.....No doubt about that.

Page 43 & 44

TS.....[John Dean] He would love to pull this off. It is intellectually challenging and he thinks that Dick is the right man.

JAB.....Oh he [John Dean] does?

TS.....Oh ya.

JAB.....That really didn't come across to me

TS.....Dick is the right man there if we can get Dick to do it properly. He understands. George Jewett doesn't know his ass from a hole in the ground. Dick knows whether the proper sample is.

TS.....And that is why I say it is a management problem. It is a management problem that you and I have known about for years, and we though we blamed it on SBM.

Page 49

TS.....We all know we can go back and use cyanide, but we are running an experiment, we are trying to see whether hypo will work.

Page 51

JAB.....Then I would prefer to go down there and fire everybody tomorrow and call it a halt because I can't afford to pay them, and I can't afford to have them on my neck.

Page 54

JAB.....If you want to pay for it, but otherwise I would prefer to cut it off tonight because quite frankly if the meltdown is not favorable, there is no way I can pay those folks period.

(Final reference to me wanting to close it down and not finance it personally)

Page 56 & 57

(Reference to confusion between what Schloss is saying and what Hewlett is saying)

Page 66

JAB.....And I am recording this, by the way, and have recorded every conversation I have had with you and Dick

TS.....I better watch my language

Page 67

TS.....What I am really worried about is chemistry, and I say I really want to run things like a business and I am not satisfied.

Page 68

JAB.....We have got to have somebody else down there.

TS.....Well, I don't know about that.

Page 73

JAB.....I think that we ought to go ahead and melt but after that shut it down and find out what is happening.

Page 74

(Long exchange on Briscoe saying that he is going to shut it down if Schloss doesn't send a check. Schloss avoiding saying whether he will or won't.

Page 75

TS.....As far as I am concerned, you have done a very poor job. I have taken it over. Now I will tell you when to shut it down

JAB.....No, not as long as I am responsible for paying these bills.

TS.....You have not been responsible for four weeks on the thing. I have been the one who has been responsible for this.

(This is particularly important)

Page 79

TS.....I am going to be the operator

Page 81

JAB.....Well, you have also taken over the position of operator

TS.....Absolutely

Page 82

JAB.....Ya, my biggest mistake was not getting rid of Dick immediately, and part of that was because you had stepped in essentially as operator, and I told you, I think a month ago, that I thought we should have gotten rid of Dick.

The following is a list of the volumes which Tom Chandler has in his office:

- # 1 Is a velo bound volume labled on the spine Hewlett/Tombstone Report, 1979, and on the frontice piece, Hewlett Original Report, Tombstone, Circa January '79.
- # 2 On the spine is labled S.E.A. Hydromet, Inc., and on the frontice piece, it is labled S.E.A. Hydromet, Inc., November 1978 through April, 1981.
- # 3 Is labled Austin Exploration and Mining, Inc. on the spine, and on the front, it is labled Austin Exploration and Mining Corporation, April 1979 through July 1981.
- # 4 Is an unbound copy to Pangea Limited of Arizona, 14 Willow Lane, Witchita, Kansas - hand delivered to Dr. Greenbaum by JAB at Arizona Biltmore Hotel, Scottsdale, Arizona, regarding proposal submitted during the meeting of January 18, 1979, Tombstone, Arizona, Matrix, California and Randsburg, California.
- # 5 Is T.E.I. vs JAB law suit computer data base reference on the spine, and the same on the front - in an S.E.A. notebook.
- # 6 Another S.E.A. notebook labled Tombstone Mining District, Project 418, January, 1979 to April 1979. Volume #1 - same thing on the front.
- # 7 Unlabled on the spine and on the front is Tombstone Progress Report, April 13, 1979, prepared for Tom Schloss and Dwight Lee by Richard F. Hewlett
- # 8 Tombstone Mining District, Project 418, chronological file May through June 1979, Volume #2. On the front, it is labled May 1979 to June 1979, Volume #2.
- # 9 Tombstone Mining District, Volume #3, August through September, 1979. Same thing on front
- #10 Tombstone Mining District, Volume #4, October to December, 1979.
- #11 Tombstone Mining District, Volume #5, January 1980 to December, 1981.
- #12 Copy from Ken Allen of Tom Schloss - Tombstone file. And that is apparently a xerox copy of their files - that is velo bound with a transparent front starting with a July 15, 1978 letter to Dwight Lee

#13 Unlabeled on the spine, on the front - Indices of legal transactions for Tombstone Exploration, Inc., Tom Schloss and Dwight Lee vs. Southwestern Exploration Associates, Inc. That is S.E.A., S.E.A. Hydromet, Austin Mining Exploration, James A. Briscoe and R.F. Hewlett

#14 T.E.I. vs. Austin Mining, Tombstone Mining District, Telephone tape transactions - in a 3" black binder.

Yellow velo bound entitled letter to Harold Warnock, Attorney at Law, July 16, 1982, regarding transmittal of information of T.E.I. vs. James A. Briscoe.

Also one copy of the Tombstone Development Company lands in the Tombstone Caldera Complex - a geologic appraisal and estimates of mineral poential by James A. Briscoe, November, 1982

NOTES ON TELEPHONE CALLS

TC #7280
3/27/79
11:35 - 11:47
To: Tom Schloss, San Francisco

He mentions Clinton Milne DeTerra Mine and the Flowery Lode - Bill Clem, Geologist. Also in Reno, Fred L. Humphrey involved in a tax shelter deal in Lander County - Schloss apparently looking at various deals similar to Tombstone.

TC #7287 & #7288
3/30/79
From: Dwight Lee

Dwight Lee arrives to meet me in Las Vegas, TWA Flight 191 at 6:53 p.m.

TC #7295
3/30/79
4:35 - 4:50
From: Richard F. Hewlett, Tombstone Arizona

He is meeting with Tom Schloss. #1, meeting going well, and are testing ore and agglomeration technique. #2, they are not circulating pregnant fluid as Arizona Public Service is still working on installing electrical system. #3, RFH discusses signing of lease with Tom Schloss, and generally decided that J. A. Briscoe and R.F.H. shouldn't be on lease. (I assume that this refers to the lease with Tombstone Development Company).

TC #7304
4/2/79
7:55 - 7:58
To: Richard F. Hewlett

Touring Dwight Lee around Tombstone. Dwight Lee appeared to be pleased.

TC #7307
4/2/79
8:40 - 9:03
From: Richard F. Hewlett

Meeting with Dwight Lee went well. Reviewed reports and heap leach with him - somebody suggested we needed an AA unit - not clear whether RFH or DL. Also, Hewlett suggests sulphuric acid to be used in manganese oxide treatment available from Apache Powder Company.

TC #7329
4/3/79
From: Richard F. Hewlett

Circulate on heap tomorrow.

TC #7753
4/10/79
10:40 - 10:51
From: Dwight Lee

#1 is illedgible. #2 I talked with RFH about progress report - Dwight Lee expecting mid-week. #3, entity for Tomstone Sub Chapter S corporation between JAB and RFH. #4, Tombstone mint is Sub Chapter S corporation for Schloss which was filed yesterday. I should get our corporation under way as soon as possible.

TC #7358
4/10/79
7:00 - 7:26
To: Richard F. Hewlett

Got 20 tons yesterday and 60 tons today. Will send report on Thursday. Apache Powder charges \$6.00 per pound for acid.

TC #7360
4/11/79
10:51 - 11:19
To: Richard F. Hewlett

George Jewett truck broke. RFH will get report in on Friday, and will precipitate metal tomorrow.

TC #7365

Messages for JAB Ed Speer reports a 5 minute wash on 80 tons averaged .014 gold and .35 silver for \$6.50 per ton.

TC #7366
4/13/79
10:17 - 10:52
To: Richard F. Hewlett

He talked with Tom Schloss and Dwight Lee - reported good results on heap leach. They will wire check Monday or Tuesday. Dick now sold on just using H2So4 on heap without IPS screen and crush later - should get \$50,000 per week.

TC #7399
4/23/79
10:19 - 10:29
To: Dwight Lee

#1, Money wired. #2, get subscription to the Mining Record for Famco. #3, Leo's operating agreement will be ready on Tuesday.

TC #7407
4/26/79
8:25 - 8:45
To: John Dean

#1, clean and straight forward seeming - RFH has thought through very carefully - John Dean uneasy though that there could be some surprises. '71 Minerals heap could be some cyanide still lurking within it. #2, Straight cyanidization with best feed material using IPS to start cash flow. Pilot scale - chemical snow job H2So4 leach on manganese oxide ore - Dean is cool on this idea.

TC #7416
4/27/79
From: Tom Schloss

#1, he met with George Jewett - may work out a joint venture with understanding that Dick may use lab. Dick will get key too. Dick amenable to working something out with John Dean. Things going very well. #3, Polygraphs will be necessary for anyone working with precious metal - including JAB, RFH, TS, and DL.

TC #7418
4/22/79
To: Tom Schloss

Tom in Tombstone Thursday and Friday. John Dean and George Jewett.

TC #7432
5/3/79
9:04 - 9:07
From: Dwight Lee

He will fly in early Friday and then drive to Tombstone. Would like reservation at Lodge on Desert for Friday night.

TC #
5/7/79
10:52 - 9:38
From: Richard F. Hewlett

Arizona Department of Health has visited. #2, spraying 200,000 tons, and should have return by Wednesday. Will work from 5:00 a.m. to 8:00 p.m. by staggering shift. #3, have not paid apartment rent - need to get reconciliations of report up to present time. \$6,200 in salary and wages.

TC #7748
5/7/79
2:48
To: R. F. Hewlett

\$25,000 working capital

TC #7453
5/8/79
11:29 - 11:32
From: R. F. Hewlett

RFH estimates \$25,000 per month required, \$10,000 labor, \$5,000 equipment and fuel, \$10,000 chemicals, plus \$7,000 to Farmers, plus S.E.A. fees and overhead. Will generate \$100,000 per month cash flow.

TC #7455
5/8/79
12:12 - 2:16
From: Tom Schloss

#1, RFH bill out of pocket expenses. #2, S.E.A. at normal billing rates.

TC #7476
5/11/79
12:19 - 12:23
To: Tom Schloss

#1, returning his call. Tom Schloss out to lunch. Did talk with Dwight Lee who talked with Dick Hewlett this morning. Disappointing results from pregnant solution.

TC #7479
5/11/79
1:05 - 1:17
From: Tom Schloss

Just received package. Fair on north - no problem with manganese ore. 400,000 tons being leached (this indicates direct communication between Tom Schloss and Dick Hewlett).

TC #7481
5/12/79
2:59 - 3:37
To: R. F. Hewlett

#1, will now be spraying 3 areas. Northwest area, northeast sector ripping it and will put in pond. Put in pond to give better mixing. #2, got a \$3 gold pregnant solution in northwest sector of entrance of northwest dump. #3, 140' square area will yield \$25,000 per foot in depth. Surface samples behind dozer average \$40 in precious metals - #4, end of next week should have precipitates - many changes to date but RFH feels that he is working them out.

TC #7502
5/16/79
From: R F Hewlett

#1, just inspected by Vernon Dale, Arizona Bureau of Mines Inspector. #2, is perculating 9 birds on Emerald dump. Since the inspector was there he couldn't start yet. Changing pump on precipitation plant - just started spraying yesterday. Should get circulation by Wednesday. Couldn't get salt for a week.

TC #7507
5/16/79
7:07 - 7:08
From: R F Hewlett

Rained hard today but they still sprayed and will get more area tomorrow.

TC #7509
5/17/79
2:39 - 2:56
From: Tom Schloss

Three points he wants to talk over. #1, lie detector business. Tom Schloss has no channels to get one. #3, TDC pump broke down, they are getting it fixed. #4, \$10 per ton solution is coming out. #5, illedgible - (this does indicate that Tom Schloss is talking directly with Dick Hewlett and going around James A. Briscoe).

TC #7524
6/13/79
To: Tom Schloss, Tombstone

Will meet Monday night with John Dean 7:30 to 8:00 p.m. Is RFH salting samples? Should be melting precipitates.

TC #7555
6/19/79
11:58 - 12:12
To: Dwight Lee

I voiced opinion that if we don't have some hard answers as to why we don't have metal, we should stop, re-group - run tests, and devise flow sheet that will work.

TC #7565
6/20/79
From: Tom Schloss

Tom Schloss - \$10,000 - can only account for \$7,500 but \$1,200 overdrawn - \$2,000 not accounted for. Right on razors edge - melting precipitates. Have been 3% of total. Check didn't come down today.

TC #7566
6/20/79
11:33 - 1:46
To: R. F. Hewlett/Tom Schloss in Tombstone

Benching on north side of heap. Should have \$200,000 in silver in next two to three weeks. Read off list of expenses to Tom Schloss - payroll taxes main items didn't figure on. Many items didn't figure on.

TC #7572

6/21/79

10:54 - 11:05

To: Tom Applegate, Assistant Manager, Hays Research

Have assay and agitation leach columns and so forth that would be applicable to Tomsbtone test work.

TC #7577

6/21/79

10:19

To: R F Hewlett

Filters in today but came in late and will have to be installed tomorrow. Pregnant at 0.2, barren pond 0.15. Spraying since 9:30 a.m. Can get pregnant up to 0.3 to 0.4 but would get it higher by adding more hypo.

TC #7580

To: Tom Schloss

Review letter to R. F. Hewlett only minor changes areas I, II, and III, vs. lifts I, II, & III. Also put Dusty Escapule in charge. R. F. Hewlett to concentrate on budget and metallurgy.

TC #

6/22/79

8:39 - 8:43

To: R. F. Hewlett

Talked with wife Mickey - pointed out that it was quite important that I get in contact with him.

TC #7582

6/23/79

9:19 - 9:59

To: R. F. Hewlett

Review of Tom Schloss and John Dean visit and read directive letter of 6/22/79 of same subject. Circulating on a 24 hour basis - 8 filters - 2 tons per minute - 400 gallons per minute - about 0.15 preg at present. Sample before leach or sample size 200 lb. sample.

TC #7583
6/23/79
10:05 - 11:00
To: Tom Schloss

Discuss my phone call with R. F. Hewlett. Long review of all Tombstone problems. Conversation with Dick, etc. - recorded on tape. Tom Schloss will call R. F. Hewlett and review.

TC #7586
6/23/79
2:20 - 2:25

#1, JAB wanted to see what Tom has heard from Dick. #2, Tom called RFH right after our conversation. RFH not around. He talked with Mickey who said that she would pass the message along.

TC #7587
6/23/79
7:05 - 7:16
From: W. E. Speer

Review of Ed Speer idea of what is happening at Tombstone.

TC #7588
6/23/79
7:16 - 7:45 a.m.

May want to go to cyanide.

TC #7590
6/24/79
1:15 - 2:08, 4:00 - 4:30
To: R. F. Hewlett

#1, budget unacceptable because of no transmission and letter stating what it is - no signature - pages are to be numbered. #2, silver ingots unacceptable because there is no documentation - location - dates produced - weight - resulting from what section of leaching.

TC #7592
6/24/79
4:37 - 5:04
To: R. F. Hewlett

Circulating today. Preg 0.15, barren 0.01. Tom said lets just wait and see how many ounces you pour on Monday from first filter. Lift on area #1 is very shallow - only about 3'. The material sent up by Ed Speer is weekly budget. All filters in parallel so throughput is 400 gallons per minute. Haven't reached saturation - keeping flow records. Melts will be finished by tomorrow p.m.

TC #7593
6/24/79
5:08 - 6:09
To: Tom Schloss

#1, want to have all calls and talks with R. F. Hewlett to be conference calls or let Tom Schloss take over management 100%. #2, must have \$10,000 wired by tomorrow p.m., or will furlough everyone as of 5:00 p.m. Monday.

TC #7594
6/25/79
9:51 - 10:08
To: Tom Schloss/Dwight Lee

#1, John Dean wants to work on his samples in his lab and doesn't want to be disturbed more than necessary, but didn't work some this weekend. Talked briefly with Tom Schloss but R. F. Hewlett hasn't called as of 10:06 Tucson time. Tom and Dwight wanted to get the samples taken by Ed Speer, assayed as soon as possible and have split sent to John Dean.

TC #7609
6/29/79
11:55 - 12:20
From: Tom Schloss

RFH will handwrite reports and send to FAMCO for typing and Tom Schloss will send back here. #2, precipitates that I brought back were examined and didn't contain much silver. #3, John Dean will take 2 days at \$300/day and field and \$150/day in his home lab. #4, JET - checks in three accounts #1 main account, #2 salary account #3 operating account.

TC #7619
7/79
8:30 - 9:51
From: Tom Schloss

#1 hypo-amonia leach - 20% success potential. #2 cyanide - 100% success potential. #3, JAB and WES - will make out a budget and procedure on sampling. #4, what cost of deaeriation tower to crushing and screening.

TC #7621
7/2/79
11:00 - 12:58
From: Tom Schloss

Apparently a conference call with Tom Schloss, JAB, and RFH. Cyanide - sodium sulfite needs further testing. RFH suggests using dozer and scraper to sample pad. \$750/month rent with fuel approximately \$1,000/month. 1,000' width of trench to 6'. From 12:00 to 12:58, Dick Hewlett got off the phone and continued with the call to Tom Schloss and John Dean.

TC #7624
7/3/79
7:15 - 8:33
From: Tom Schloss

#1, discuss options on Tombstone. I suggest that we bring in Phil Rivera. Tombstone leached 4 times. 8:00 a.m. conference with RFH in Tomsbtone. 8:34 sign off with Tom Schloss. Estimate cost of 1,500' of sample trench to 5' depth with composite assay over 100' intervals - estimate of time 2 weeks.

TC #7625
7/30/79
8:38 - 8:58

#1, Tom Schloss came up with idea of scraper and test work. Scraper '71 Minerals did engine overall and replaced transmission. So in good condition except for tire. Discussed dimension on dump.

TC #7642
7/5/79
To: Jane Talley

#1 confirm that Jane sending accounting off to Tom Schloss. Tom Schloss upset that checks weren't sent off until confirmation of wire from New York as per my direction. I have reconfirmed that direction with Jane Talley and said that I will take care of Tom Schloss.

TC #7666
7/13/79
9:30 - 9:50
From: R. F. Hewlett

RFH reports assays from channel samples in the Contention open cut.

TC #7669
7/14/79
4:31 - 5:09
To: Tom Schloss

#1, RFH told Tom Schloss that I was still in favor of working on the heap. That was not what I said. Tom Schloss wants to run a test on the 400 tons and not - emphasize not - getting a cash flow.

TC #7672
7/18/79
7:18 - 8:00
To: Tom Schloss

Discussed R. F. Hewlett situation. John Dean is concerned about copper in the dump.

TC #7681
7/16/79
8:21 - 8:38 p.m.
To: R. F. Hewlett

Review deal with Perry Durning. Want to re-establish clear, concise written report which Dick has been slack on.

TC #7682
7/17/79
8:23 - 8:37

John Dean has concern for mineralogy study. John Dean suggest Dave Rabb at Arizona Bureau of Mines.

TC #7683
7/17/79
8:32 - 8:50

Discuss mineralogy with John Dean. One sample sent by Ed Speer ran 3% copper as malachite. Review JAB ideas over need for representative sampling before doing metallurgical work. John agrees. Review ways to do, and discuss origins of the ore zone. JAB tells JD of belief that it is a porphyry copper system.

TC #7684
7/17/79
9:22 - 9:47
To: John Dean

#1, zinc and copper carbonates are almost instantly soluble in cyanide and consume 1.5 to 2 times their weight. Leach dump - John Dean doesn't simply want to start pushing without knowing what values are economic. I describe testing and stripping dump to lower 1/3 where we again have better values may be.

TC #7685
7/17/79
9:48 - 10:06
To: Tom Schloss

#1, review conversation with John Dean. I express pleasure at working with John Dean and optimism at getting project straightened around. I invite Dave Rabb down to Tombstone for lunch and dinner.

TC #7687
7/17/79
2:13 - 2:32
To: John Dean

#1, will tenorite or melaconite dissolve in cyanide. #2, U. S. Bureau of Mines - agglomeration - we should rejuvenate and use to treat heap. He has done U.S. Bureau of Mines research 1978 review page 30 through 31.

TC #7701
7/19/79
10:34 - 10:44
From: R. F. Hewlett

Report of progress. Scraper has blown fuel line. R. F. Hewlett purchasing things without purchase order numbers. I reprimand him on that.

J: Hi Tom.

T: How are ya?

J: Good, how are you?

T: Very well.

J: I finally got Leo Smith's letter agreement about 6:00 or 6:30 last night.

T: Ya.

J: And have looked it over a couple of times, and it looks pretty good to me.

T: Good.

J: Have you had a chance to discuss it with him at all?

T: He just read it to me, and you know, it looked alright to me. I read an earlier draft and, you know I don't know what this one says.

J: Ok. Do you hear me alright?

T: Yes I do.

J: Ok, I am on a new speaker phone so I just thought that I would check. Ok, there are several things which I think will make it a little bit nicer from my point of view, and I don't think will be objectionable to you. Shall we go through these?

T: Sure. Just a second.... let me get set up. Ok. I am ready for you.

J: Do you want me to go completely through it? Just to give it continuity?

T: Ya, go ahead and tell me what you had in mind.

J: Ok.

T: Lets see where that gets us, whether I can follow you or not.

J: Ok, well skip down to paragraph 4 where it says "operating unity", and let me just read the first sentence there. "It is anticipated that the project will be conducted by an entity formed by investors...."

T: Ya, I have that all in front of me.

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J: Alright. "...formed by investors and Briscoe whereas investors individually shall assume no personal liability. Ok, lets stop right there. I would like to read that "where under investors and Briscoe individually shall assume no personal liability" since I don't want to shoulder all the liability any more than you do.

T: Ah shucks. Alright, but here is the problem, we have got to have some entity, has got to sign that lease, and see, Dick wanted me to sign the lease. Well I don't want to sign the lease. If he wants to sign the lease, he can go ahead and sign it, but I don't want to sign that lease. Do you see the problem?

J: No.

T: The lease says that we have to spend \$200,000 in "x" period of time, and \$90,000 advance royalties before you can pull out of the lease.

J: Ya.

T: Well, I don't want to be liable for that. You don't either.

J: Well, lets let Dick sign it then, as he already has.

T: Or, let us, I think we may have another way of working it.

J: Well, that's fine except I just don't want to be placed in the position of having all the liability.

T: We will work it out, no problem.

J: Ok, fine, I didn't really figure it would be. Lets see, let me flip forward here a little ways.

T: I mean if there is one, I would come back and figure out some other way of doing it.

J: Ya, ok, ya, I think that that is just fancy footwork or something or other, but I think you can see my point. You know, if you don't want to assume it, I don't want to assume it either. Because the only thing that would make it a real problem is is if indeed we don't get this cash input, and that is out of my hands really.

T: Yes.

J: Under #6, interest acquired by the investors, I don't know whether there is a typo in here or not, but he has got 6/30/79, rather than May 30, 79.

T: I don't know, I think that it is something that we have to discuss. I think the May 31, 1979, may be too early to

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complete it, but that is something that I think you Dwight and I ought to discuss on Monday. Ok, so just put a note to be discussed.

J: Alright.

T: But I don't know whether that is a typo or not.

J: Ok. Well, I don't mind that extra lee-way, but the way it is written, it is June 30 plus 20 plus 20, which makes it August 10, which is substantially different than May 31 or 30.

T: I don't have this in front of me, go ahead read it to me.

J: Ok. On that same page, #3, investors shall have the right at any time to elect not to make further investments in the project in which event the equity interest of the investors shall then have to remain at the percentage specified in the table above.... Ok, I would say fine except that if further investment is deemed to be required, investors will be diluted by the amount of further capital input required by the investment committee. Upon investment of the \$200,000, investors will be considered to be fully vested, and should any further capital be required, then Briscoe and investors will have the option to make such necessary investment. Should a party elect not to make such investment, they will be diluted on a pro-rata share by those making the required investment.

T: I got to think about what that means.

J: Ok, well let me simplify it as to what it means to me. If you come in and invest \$25,000, and get 25% interest, that is not in the spirit of the agreement to invest the \$200,000 to really get the whole project off the ground, and therefore, further investment is undoubtedly going to be required. If, in fact, that \$25,000 gets it off the ground and no further investment is required, then that is great, and we will go ahead and invest in a pro-rata share of the, of whatever is necessary. But if further investment is required, then I think we have to go out and search for outside capital.

T: After the \$200,000?

J: Well, we can't predict, but if you get fully vested, as is your intention, and then we go out and look for, or for some reason we need more capital....

T: Right.

J:again, which we can't predict, lets say the copper market really looks hot and we want to get \$150 million

dollars to get a plant, then we might want to go out and invest that.

T: And then we get diluted porportionately.

J: Ya right.

T: I agree. That's no problem. I wasn't sure, fine if that is what it is saying, fine, ya, that's fine.

J: Maybe I didn't say it properly, but at least that is the idea that I have in mind.

T: Ok, is that what it is saying?

J: I think so.

T: Ok. The problem is not having it right in front of you. I don't have that part in front of me.

J: Ok, well.

T: If that is what it is saying, ya, because, ya, conceptionally, there is no question about it.

J: Well, I haven't passed the Bar yet so. At any rate, that is what I have in mind. Ok, lets see, termination, unless, oh lets see, oh, Ok, lets go back up to in the same paragraph that the further investment thing came. The first part of that paragraph reads "the project shall make no calls at intervals more frequent than 20 days per call, and no call shall be made prior to the establishment of the entity described in paragraph 4 above". Well, I would like to make an addition to that. That's fine, except that it gets us in, potentially into a time bind, and I would like to say "except that such entity shall be formed within 20 days of signing this document, which date can be extended by mutual agreement. If so extended, the next call can be immediately made, if not extended by the investors, then the agreement becomes null and void."

T: Well I think the problem comes, Jim, is, alright, the first monies are to be used, as far as I am concerned to establish the hyperchloritic method, and to do some small amount of crushing to make sure that Dick's system works.

J: Ya.

T: When that is done, and or the agreement is signed, Ok, and more funds are needed, then that is fine. Conceptually, are we saying the same thing?

J: I think so. The only thing that I don't want to do is have some hangup that is not due to either one of those things,

not due to the thing being tested, nor anything within our control. In other words, I just don't want for some reason someone in the investors to simply be dragging their heels because whoever signs this paper that you don't want to sign, is then obligated to make these payments come hell or high water, and if we don't sign the, don't get the, what is it called, the entity organized, then we are in a state of limbo, at great expense to whoever signed the agreement. So I don't mind not signing it as long as we do so by mutual agreement, and if that is mutually agreeable, then there must be some mutually agreeable reason, and then we should be able to go ahead and continue on without mining and processing.

T: I am having a little trouble following you. What you are really saying is, Ok, you don't want to hold up the agreement because we haven't signed the agreement, is that what you are saying?

J: No, I don't want to hold up....

T: The payment of funds because we haven't signed the agreement?

J: Right, nor the progress of the mining. See, what I get the bind on Tom, is all of these things cost me money directly out of my pocket.

T: Right.

J: We have got more contracts and more work than we can hardly handle, and I am extending myself to get around these. But, if at any point, I am held up through no fault of my own, then I am out a substantial amount of money due to things beyond my control, and I really don't intend to get myself in that position. Now....

T: I am not sure I understand. Is the thing that is not in your control the signing of the agreement?

J: Ya, right. Or the establishment of the entity. In other words, what we are saying is that we've spent, or what could be the situation is that we have spent \$25,000, we need another \$25,000 to continue on at a economic rate to get this thing underway, yet there is some hangup on the establishment of the entity. Now it could be because Leo Smith stepped out in traffic and was run down by a bus, and therefore we have got to start from scratch, or something like that. But, that has the effect of holding everything up.

T: I understand what you are saying, obviously no problem. But, lets break it into parts. I can see where it can take a while, this agreement is going to get pretty complicated

because we are going to have a Sub Chapter S corporation, I don't know what we are going design on your side, we are going to design something on your side to limit your liability, probably with a joint venture agreement tying the two of us together is the way I see it today.

J: Ya, right.

T: Ok, now, the real meat of the thing, ok, is in the joint venture agreement on how we will progress. That has to be done lets say in the next period of time before the next money is advanced.

J: Well, that is fine, but if it is not, then lets simply agree to go ahead or to terminate because we neither are going ahead, nor terminating, then I end up being the fall guy, and I really can't afford that.

T: Ok. I think I know how to compromise it so that.... what I want..... There is nothing like incentive to get these damn agreements done. Ok?

J: I think what we both want is to go forward, I just don't want to.....

T: There are parts of it that are more difficult that we just need everybody focusing in on to get them done. The other part that the lawyer is going to have to draw up, which, Jesus, it may take him longer, I don't really care, alright?

J: Ya, I don't really care if it takes him 6 months.

T: I mean to draft up this Sub Chapter S corporation, I don't really care how long it takes him. You know I mean we want to get it incorporated, get it started so.... but I don't really care. So, let me just make a note, ok?

J: Well I think that he can probably see what I am getting at, and if we can just....

T: You want to....

J: I don't want to have it go into a period of limbo where we can neither go forward nor go back. Obviously, at this point we both want to continue and if we both want to continue, we can continue by a letter agreement.

T: Right.

J: And if we don't want to continue, then we should quit and..

T: Just move aside.

J: Ya, right.

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T: I don't have any problem with that. I think that timing is what is going to worry us and we are going to talk about that on Monday.

J: Ok, well that is why I say we can mutually agree to extend it for 20 days, and I don't care if we want to go on 20 day increments until 19- or to the year 2,000. Just as long as we continue along.

T: Ok, I don't think that that is going to be... you know we're working on that.

J: Ok, super, that sounds great. Lets see. Ok on termination, it says "unless extended in writing by investors and Briscoe, this letter agreement of the liabilities and obligations of the parties hereunder shall terminate on April 5, 1979, unless on or before such date the conditions described in paragraph 1 have been met". Well, I think that we also ought to say that we can extend by mutual agreement.

T: Ok.

J: Provided, however, that investors shall be entitled to the reimbursement of the initial \$25,000 payment described in paragraph 3 from first proceeds obtained by Briscoe or his assigns from production from the TDC lease. Well, I am certainly interested in your getting your money back, but I am also interested in getting my money back. So I have worked out a general procedure of operation for just this eventuality in that we can never be sure that all of these things are going to, or we can never be sure that these things are going to come out with a positive cash flow.

T: Ya, right

J: Or at least with enough positive cash flow to repay the investment. So what I have said in other agreements is that we have an order of priority of payment, and so I would like to say that the partners will be reimbursed for expenses in the following order of priority until all cash resources are expended: 1. Out of pocket expenses will be reimbursed. Ok, now this should be attractive to you too because I assume you are getting some outside investors, or at least outside of your corporation or partnership, so out of pocket expenditures will be reimbursed. This will include telephone calls, legal expenses, food & lodging, travel, etc., you know anything that is cash out of....

T: So what about \$25,000?

J: Well, Ok, 2. Time will be reimbursed at an agreed upon billing rate, and investment capital will be reimbursed.

T: Ok. So time and dollars invested is #2.

J: Right, because my time is valuable to me as your money is to you. At any rate, I want to get it on equal footing.

T: Ok.

J: Ok, after payment of the above remaining profits will be reimbursed as per the ownership ratios.

T: Ok. Let me think about that. Ok, I understand what you are saying.

J: What that really means is that everybody that is putting time and input into this should be reimbursed first, regardless of the ownership interest because sometimes certain people have a substantially greater amount of time than the agreed on, or time and expenses than the agreed on ownership ratios.

T: Ok. What else.

J: Well, that's it.

T: That's it?

J: Ya.

T: I think that it is a pretty reasonable agreement.

J: Ya, I do too.

T: Good

J: I don't see any problem with it at all, aside from those little items, which I don't think you'll have any problems with at all, or will have any problem in getting those editions made.

T: What was your first point Jim? Oh, you didn't want the liability.

J: Ya, I didn't want all the liability on me.

T: Ya. Thought that I could get away with that one.

J: You don't think that I am that naive, you wouldn't want to work with me if I was.

T: Oh no. No, we thought you might assign it on your side to a S.E.A. Corporation, we have to, its one of those things that Leo is very aware of, and he should be pretty good at working those things out.

J: Ok, well, now for obvious reasons I guess I don't want to do that any more than you want to.

T: No, I don't have any problem with that.

J: Ok.

T: Well, we may have to have somebody, and if it is, it ought to be Dick.

J: Well, I guess so because he is the only one that...

T: He has got nothing to loose.

J: He has got nothing to loose, really. I guess that he could declare bankruptcy and it wouldn't hurt him any.

T: Ya.

J: Whereas, conceivably it could be very painful to either you or I.

T: Ya, we don't want to do that, you don't either. No we will work that out. Ok, I will talk to Leo first thing in the morning and get these changes and draft them in, and I will talk to Dwight and get back to you.

J: Ok.

T: Good, I think that those changes are reasonable.

J: How prepared are you to go ahead with some of our other exploration areas?

T: I had a super meeting last night.

J: Did ya? Well you tell me about your super meeting, then I will tell you about some of our super developments.

T: Ok, I just, the guy that I had dinner with last night I have known for, I am 36, for 34 years. He is recently taking a job with one of the wealthiest guys in the world, and what I call R.E.A., if we can get him, he hasn't taken it yet, alright? But if we can get him to get interested in this, it would significantly impact his net worth, and there are very few investments that I think can do that.

J: That's great.

T: I want to get him involved in the Tombstone project, personally. My friend is not nearly that wealthy, but he would take a small participation, but the guy who he is going to be working for, unbelievably wealthy. This is a perfect investment for him. Those are the kind of guys that

we should be going after.

J: Ya. Absolutely.

T: I got to put it together. He was certainly positive.

J: Well, let me say the time is of the essence. Dana was in Denver all of last week and we have put together, I believe, a consortium of petroleum companies including Phillips, Texaco, Mobil, Anchutz and several others, all of whom I can't name, to fly immediately, and these are verbal commitments so we certainly feel will go through, fly immediately the area bounded by the Mexican border on the south, lets say Phoenix on the north, Tucson on the west and the RioGrande River on the east to fly color aerial photography over this whole region. As an area II, we will be flying a similar region, similar block to the north which will probably be bounded by the Colorado River and Area III will encompass the remainder of the Basin & Range Province in Arizona. So, if we go ahead with all three areas, which Phillips has said well, lets go ahead with all of them, we will have color aerial photography, matching color and color infrared over the entire Basin and Range of Arizona. Ok, the reason these people are interested is that this is the newest, newest, most recently recognized portion of the overthrust belt, and this part of Arizona is the hottest oil exploration area within the Continental United States now. I have said that S.E.A., or R.E.A., or some entity like that will participate in this. What this means, ok the next step will be, or the next part of our proposal, which an even stronger interest was expressed in is the accumulation of a literature data base over this area, and interpretation of the aerial photography. This, the aerial photography, if everyone goes ahead and gets prints, will be approximately 1/2 a million dollar piece of business for us. The interpretation and literature accumulation, if we do it in a detailed manner, which I think is meaningful, could run in the range of about 2 million dollars.

T: The interpretation and literature?

J: Yes.

T: Wow.

J: We hope to get as many as 20 companies but no more than that interested in this. That means that it will run about \$100,000 per company. What this will mean is that S.E.A. will probably know more about this region than any other on entity because of course we will have the geologist that and the people that did all of this. Ok, related to oil exploration, it is of course going to be great. That also covers the largest porphyry copper province in the world with potential for porphyry molys and precious metals such

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as Tombstone. Of course Tombstone lies in this area as do other camps. So what it means is that we will probably have a better crack at any mineral commodities within this, particularly using the S.E.A. approach of looking for anything that is profitable, wherein most of these other partners are oil companies and they are looking for the oil potential. Ok, so I think it is terribly exciting and I certainly.

T: It is what we were talking about.

J: Ya, ok, so this is precisely it. For \$100,000, or \$120,000, or no, about \$103,000, we will have the opportunity of having about 2 million bucks worth of information.

T: Why do you say it is \$100,000? You buying in a share for \$100,000, is that what you are saying?

J: Ya, because that is what it would cost to buy into the whole thing.

T: Why are you charging R.E.A. \$100,000 to do this?

J: Can't do anything different. It would be a partnership deal with the....

T: With the other 20 companies?

J: With the other 20 companies.

T: Why don't they keep that as their equity interest in it? S.E.A. Because you want to raise another \$100,000 to exploit whatever you find out. When you start to deal with the 20 companies.... you are going to retain an interest or an ownership, or whatever, of 1/20 or 1/21 of this property, and not pay \$100,000 for it.

J: Ya, but I want to keep arms length from S.E.A., and secondly, I don't think that anyone is going to want to go for that. It is going to have to be an entity because I cannot release that to anyone else, which is again part of the deal. These companies are not going to buy it without having that proprietary.

T: Aren't the 20 companies in competition with each other?

J: Ya, as a matter of fact, they don't even want to know who the other one is.

T: They don't?

J: No, that is part of the deal too. That is standard oil company procedure. If you will look back at about 3 months ago in Fortune Magazine, you can read an article about

bidding on the off shore.

T: I did, I read the article.

J: Well, ok, if you will go back and review that, I think that you will see references to essentially the same type of operation. Now the other thing is that we think we have pinpointed what may be another Dade Creek Basin uranium occurrence. It has one problem with it, it happens to be on a government bombing range, however, that is supposed to come back into the public sector soon, but let me just put in round figures what that means. This area has identical descriptions of what the Anderson Mine, which is northwest of Phoenix had in the literature. The Anderson Mine is now owned by Union 76 Minerals. It has contained metal value in Uranium of approximately 1 billion dollars, and the remainder of it is owned by a combination of companies, Urangesellschaft of Germany, Cypress Mines, and a whole slug of others. So, then there is probably at least another billion dollars, I expect on the Urangesellschaft/Cypress ground. We thought that it was off of the bombing range, and I told Tom to leave yesterday to start putting in claims, but unfortunately it is on the bombing range, so we simply want to be ready to move if and when it becomes open to mineral entry. So that is a super, super exciting target of several hundred square miles in extent.

T: Can you get me a write up on this Jim?

J: Ya, I expect.

T: Ok, because I'll move with it. We have to wrap up, you know we have a lot of work to do. We have got to wrap up R.E.A. too, how we are going to approach that.

J: Well, I guess that all I am saying is that now is the hour so lets press ahead, and we keep getting these things that are really pressing time-wise. There is another fella that has a small organization that works with literature research, and he has been out there recently. Recent flooding cut away a cliff which collapsed exposing some fresh ground with carnotite and bonadinite, actual uranium mineralization exposed in this stuff. This is, well, a few claims on that would simply be well, worth their weight in gold is one way to say it. Could be immediately optioned to a variety of companies.

T: Ok, we want to have an approach to this thing. You want to do it by District. I think you ought to do it by opportunity.

J: Well, I don't want to be so bound up that we can't move on opportunities.

T: No but that is what I think is going to happen. Is you are going to get interested in opportunities, I can sell an opportunity better than I can sell a concept.

J: Ya, however, you find your opportunities....

T: Put it in an overall conceptual framework.

J: Ya, that is fine, except your opportunities come much more rapidly when you are doing things on a district wide basis. This has come about because we have been doing things on a very systematic basis for a good long while now. This is just not something that dropped in out of the sky.

T: But it is hard to raise money on a contract. We might find minerals in this area by doing the basic research.

J: Ya, but that is really, from a practical standpoint, the only way we are ever going to make any headway.

T: I don't think that is what we really got to sell, but here is the reason why, because the aerial photography we've done in here, here is why we think this is a good area for us to start at. If we started out with an overall conceptual framework, ok, now here is the aerial photography from the U-2 and this is why the area we ought to concentrate in. Alright, then we have married both of them.

J: The only thing is we have got to have the capitalization to get that initial stuff. We have already got pretty close to half a million dollars worth of work involved in just this type of thing.

T: Ok.

J: Alright, well, do you want to get together, lets see, you are going to talk with Leo Smith tomorrow morning then?

T: First thing tomorrow morning, ya. I don't know whether he has an answering service but do you want to call him and ask him to call me first thing in the morning?

J: Well, I think that he gets there about 8:30, why don't you give him a call.

T: Fine, no problem. You going to be around?

J: Ya, I have got a bunch of other irons in the fire, but I will be here so just call me whenever you are ready.

T: Great, have a good evening, Jim.

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Toll Call #007205 to Tom Schloss

D: Jim?

J: Hi.

D: Dwight, how are you?

J: Good, how are you, Dwight?

D: Good. Tom has stepped out for a second, and I know he just got off the phone with Leo. We didn't receive the stuff he sent us on Saturday yet.

J: Ok. Does that mean that we are not making any progress, or are you doing something with Leo via telephone.

D: Well, we are doing it by phone and we are going to see if... it should come in tomorrow mornings mail.

J: I thought that you guys were going to be here tomorrow.

D: I think that Tom is going to be there Wednesday. Today is Monday right?

J: Right. Ya, I thought that he was going to be here tomorrow.

D: The day that he has been talking about is Wednesday, now I don't know when he was planning to go out.... have your travel plans gotten confused?

J: I don't know. Obviously there must be some confusion. Ok, well, why don't you find out what the total situation is.

D: Ya, I will have him back to you. He literally just got off the phone and I had stepped out when he was on with Leo, and he should be back any minute. How was your meeting with Miguel?

J: Very nice. We had lunch and showed him around our facilities. He was impressed with that and discussed some of the things that we were doing. He showed a strong interest in all of that. He has got some kind of a patent for precipitation of copper or electrolytically refining it.

D: The Majala process?

J: Right. Which he sent us the data on, and it is sitting on my desk. So, ya, he seemed to be quite well disposed of the whole situation.

D: He is a nice man.

J: Ya, he seems very personable. How did you happen to first

make contact with him?

D: I have known Michael now for three or four years. I met him originally through a mutual friend here in New York. He and I are directors together of this national fishing conservation organization, and we have become friends.

J: He felt that it was no problem to raise limited partnership capitals to the tune of 1/2 to 3/4 to 8/10 of a million dollars on specific projects such as Tombstone, although we didn't really talk about that specifically, but just the general concept.

D: I think Michael tends to make statements like that and then go try and do them.

J: So, in other words, you think that thats.....

D: I think that it is possible, having looked at a lot of Michaels deals, some of which have not gotten done. I know it is not always as easy as suggested. He has shown me specific deals that he has tried to raise money for, and I don't mean that in any way disparagingly, I just... Hang on a minute....

J: Tom?

T: How are you?

J: Good, how are you?

T: Very well.

J: What's our current status?

T: Well, we are waiting for the document to get here from Leo Smith, and we are hoping that it will come in the afternoon mail, but I don't think it will. If not, it will be here at 8:00 in the morning. I just talked to Leo Smith, and he objected to having the legal bills paid so early.

J: Huh?

T: I am just kidding Jim.

J: Ok.

T: He wasn't even sure whether.... he thought it was your legal bills and not ours.

J: Oh, I see.

T: I said "no", it includes all the legal stuff. I am coming out tomorrow afternoon. I arrive on the 8:30/9:00 flight.

J: Ok. 8:30 tomorrow evening.

T: Ya. I was considering coming out tomorrow morning, which I could if need be. It doesn't really make any difference to me. I have to be out on Wednesday. We have an investor coming out on Wednesday who I would like to have her see your operation in the morning, and then I will drive her down to Tombstone, you need not go with us unless you want to, and then we will go to Dick Hewlett's house, and take her back to the airplane. And then I am going to stay on and meet with Leo Smith in the afternoon.

J: Alright. Well, why don't I suggest that you come in tomorrow as early as possible so we can get this thing towards getting underway. Are you prepared to wire some money or bring some, or what is the situation there?

T: How about I bring a check?

J: Alright. By all means then, come tomorrow morning.

T: I didn't know I was so popular. I thought it was the color tie that I wore.

J: What is this about a colored tie that made you so popular?

T: I didn't know that it was the color of my tie.

J: I would prefer us getting together as soon as possible just because I am getting into a real time crunch.

T: I don't see any problem at this point.

J: Good, well I don't either.

T: Alright, then I will take an early flight out tomorrow.

J: Ok, we will make.... and you are going to be here through... are you going to attend that seminar with us?

T: I thought I might attend Thursday and see whether it is beneficial, if not I will just come on back.

J: Thats fine. Well, why don't we make reservations for you then through Friday evening, and if you decide to stay, you can, and if you decide not to, we can just simply cancel it.

T: Fine. Any place convenient. I don't need a fancy place.

J: Ok, fine, well.

T: But it would be nice if it had a phone.

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J: A phone? I don't understand why, but ok, we will get a suitable accomodation for you. Close as possible. Are you a running, gym enthusiast type, because if you are, I can make your reservations at the Rodeway which has access to a racketball club and so on.

T: That would be very nice. Whatever, it doesn't make any difference.

J: Ok, fine.

T: Knowing you, I won't have any time to do it.

J: Well, that is true. We might get in the sauna or something or other and discuss business. Ok, well, I will make arrangements for you then, and we will expect to see you sometime tomorrow. Will you get here before or after noon?

T: I will let you know when I get my reservations.

J: Ok, sounds good.

T: Talk to you later Jim.

J: Ok.

JAB 18
Telephone conversation between JAB and Mickey (RFH's wife)

J: Hi Mickey, this is Jim. How are you?

M: Pretty good, how are you?

J: Is Dick around?

M: No, he is probably out. Did you try the office?

J: No, I haven't yet, I thought I would try home first.

M: No, he usually goes straight out with the men and you have to call early to catch him. Then he said that he wouldn't be at the office as much today though, at all, because I think he is going to do some lab work. You might try down there.

J: O.K., what is the number there?

M: Let me see, I have to look it up, but I doubt if he would even be there yet because they were going to smelt some more this morning, I think.

J: Oh, they were?

M: I think so. So, I am looking it up now. 3907, or I can have him call you, he said that he would be home at noon.

J: Ya, as soon as you see him, do have him call me because it is quite important that I get in contact with him.

M: O.K., well I don't think that it will be, I probably won't see him until noon, and I don't have the car to go find him. O.K., then if you haven't gotten him by noon, I will have him call you at noon. Will you be in the office then? Cause when he says noon, it might be after 12:00

J: Well, just tell him that if he doesn't reach me first, I do have an errand to run at about noon, I will probably try and call him from wherever I end up, but have him get hold of me sometime around noon because it is quite important.

M: O.K., but you can try that lab, but I would wait a little while.

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JAB & RFH

J: What was your impression of the visit of Tom and John?

R: Kind of hard to tell. John is a very, I don't know, very negative type person. It seemed to me that Tom as reasonably satisfied with everything.

J: What is the status at this point?

R: Well, we are still circulating on a 24 hour basis, and we have got, we are smelting about every day. We are not going to smelt today or tomorrow, we are upgrading the precepts, and so we will smelt on Monday and Tuesday, and ship then. We are knocking down, we just got this other row of filters in, so that can precipitate in eight filters or at about 2 tons a minute, and our preg has been running, you know this crust is not as high a grade as the stuff below it because Ralph and the rest have been leaching it and leaching it, but we are maintaining about a 1,500 preg. In the pond, you know, with the dilution that we get, you know the preg is higher than that, but we have to, you know we don't have our pond liners and we can't control very well the water saturation or the evaporation that we have so we have to make that up.

J: Why do you make it up in the pregnant pond?

R: We don't have the liner yet for the other pond. Do you follow me? That is in Tucson now, ready to be picked up, and it will cost about \$1,000.00. So far we have just been able to use that one pond that you remember seeing. So then, of course, we always have to get dilution when we add the fresh water. But anyway, just on that basis with these aid filters now, we are generating even at a low preg, about \$2,000.00 a day.

J: And you are putting through how much water?

R: Now we are putting through the plant 2 tons a minute, over 400 gallons a minute. And we have pushed on, which will start leaching out on Monday, some, you know, we are getting higher grade ores, we have pushed down into the heap, and on the east side, so we have got some, very, well we got a preg of 4/10 when Tom was here. It was between 3,500 and 5/10, and averaged about 4/10, well we have pushed a lot more of that down over the last couple of days, and we will have the rest of it finalized, pushed down and leveled on Monday, so that we would have a considerable tonnage to leach, oh gee, that would give us a preg of 2 to 3/100 for oh, a couple of weeks.

J: Now this is....

R: This is on the far northeast corner, on that old Contention

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letter
Post Tom & John Visit
Letter of Instructions Read
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ore, close to the plant.

J: In relation to what Tom and you mapped out, this area is what?

R: 1.

J: 1. O.K. Well, why are we still weeks behind your original projections?

R: Oh, one of the things, we have not been able to push as much ore with this 6 as we, you know Tom had talked about getting a bigger dozer. We were, on this first pour, the preg was averaging 13/100, coming into the plant, you know the preg minus the barren, so we were recovering 13/100, and in an 8 hour shift and one filter, we should have theoretically recovered 13 ounces. Do you follow that? It is 1/10 divided by, or multiplied, or 13/100 times the rate of the flow rate of that filter, which is 50, and then you got to convert that to a tons per gallon so you divide that by 240 to get the number of troy ounces per minute. And then you multiply that by 60 to get it to hours and then by 8 to get it to one shift. So that is 480, you know the 60 times 80, I am sorry, 60 times 8, and that is 480 divided, and then there is that 240, you know gallons per, tons per gallon, or gallons per ton, in the denominator, so that is 2 times your 50, so that is 100 times your heads, do you follow me? So we should have recovered 13 ounces, and we only recovered 10.5, and the difference there is due to the fact that we had quite an awful lot of unspent zinc. You know, we didn't have the right efficiency. But that is still 80% efficiency, which isn't too bad, I don't think. And so we are able to recover 10 ounces in each filter every shift. And that is what we are doing. Now, what we are doing now, yesterday, we built a system whereby we put the precepts back into the system, and use up that unspent zinc. Do you follow what I am saying? We put the precipitate back into the zinc feeder instead of putting in fresh zinc because we have a high percentage of unspent zinc is what we have been smelting, and that way, we use up the unspent zinc, we don't lose anything, in other words, the metallic silver that goes back in doesn't go into solution at all, you know you need hot nitrate to dissolve metallic silver, so the silver is just recollected again and upgrades the precipitate, and then we don't have to take as long to smelt the silver, for a larger number of pounds of silver, so we have made that modification yesterday, and that is working very well. I have taken, I looked at the silver beads under Charlie and Louis microscope, and you can determine, compare it with their precipitates that they have smelted down, and it is really increasing the amount of silver, the ratio of silver to the De, and in a filter, there is only about 4 pounds of De and the rest should be silver, but on our first pours, because of the grade of the preg, well we had a lot of unspent zinc.

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J: What do you think about the fact that the preg is only at 15/100 rather than.....

R: Well take those fire assays from Skyline you know on the crust, did you see those?

J: Ya.

R: On that very initial crust that we have been able to push down so far, you know we are using Bobby Callens D6, well everybody, Ralph has leached the crust, that upper 5 feet you really wouldn't expect an awful lot in it, would ya?

J: Well, that goes back to a basic question. Our original plan was to leach the sides of the heap. Why are we leaching on the top at all?

R: Well, because what we are pushing down percolates very well, and we are past that initial crust now, and we are getting that side slope material, do you follow me.

J: What?

R: We are getting that side slope material mixed in with the crust on the top because we doze into the bank, do you follow me? To level it out and then we push some down from the top and doze into the bank again. That allows us to get into the bank, and get better percolation of the material than when we were just directly spraying the slope.

J: Ok, so realistically, what you are saying is spraying the slope didn't work?

R: Didn't give us the right percolation. That is right. We got a good preg, but we weren't able to maintain it long enough because it wouldn't saturate in far enough or percolate into the slope far enough.

J: Ok, I think the final line Dick is that we are in a very serious situation, simply because we are way over budget, and we are way beyond projected times. Wouldn't you agree with that?

R: Ya.

J: Ok, and I think that at this point, we are either in a do or die situation, regardless of what the reasons are.

R: That is true.

J: And I think that you have got to do a lot better job in clarifying and documenting what you are doing, because quite frankly, I don't feel that I am getting adequate reports, and

if it is not clear to me, it certainly is not clear to me whether it is clear to you, and we have done a bunch of different things, which we don't even have clear negative information on. Now, in my own personal work, I exert literally hundreds, if not thousands of hours, I and my staff, to make things so incredibly clear to any other geologist that if there is any bones of contention, they are quite easy to work out or discuss, and I think that you are falling down in that aspect. Be that as it may, we simply have got to change things or the whole thing is going to fold up in a matter of days realistically. I know that there have been problems, but our original intent was to run a \$25,000 test, which should have yielded some cash flow, and verify the method but we are using different methods now and have gone through several without really carefully testing. So, at any rate, I spent about 8 hours with Tom and John, and regardless of John's qualifications, which I really don't know anything about except verbal discussions with Tom, he is the umpire shall we say at this point, although it is certainly conceivable that you might have to deal with other umpires in the future, but whatever, the situation is you absolutely have to have clear concise records of what has been done and what is planned, so, at any rate, that is the ultimate goal aside from making the whole thing work, which of course I am very concerned about because I have got a hell of an investment in it that I am not recouping at all, as well as Tom, as well as you do too. Ok, I have written you a letter which relates to my discussions with Tom and John, which I want to read to you and I am also having Ed bring a copy down, he ought to be there in about an hour. Let me read it to you, and then I will be happy to discuss it with you, and Tom is in his office this morning and he can discuss it with you too. Ok?

R: Ya.

J: This is addressed to you and it is

RE: Tom Schloss, John Dean visit - evaluation of progress, setting of objectives, activities, record keeping for the next week and plans for the future

Dear Dick:

Since yesterday afternoon, I have spent approximately 8 hours reviewing progress at Tombstone with Tom Schloss and Metallurgy Consultant, John Dean. John was engaged by Tom to help us with what appear to be definite problem areas, but particularly because of unsatisfactory performance at Tombstone to date. Without going into a great deal of detail, we are at least four weeks behind your projections, and 400% over budget. Our original objectives at Tombstone were to expend in the range of \$25,000 to make insitu tests of your metallurgical techniques, which you warranted would verify the techniques and put us into

profitable production with a substantial cash flow. Up to this time we have:

1. Expended approximately \$100,000
2. Changed metallurgical approaches several times with inadequate documentation
3. Have not scientifically verified not documented even the negative results to my knowledge.

Obviously it is imperative that we do the following.

1. Pick one metallurgical test at a time and follow it through to completion with careful documentation that can be corroborated by other engineering or metallurgical investigators - negative as well as positive information to be reported in an unbiased manner.
2. Lay out the goals and specific objectives of a meaningful, concise and reproducible metallurgical program.
3. Lay out a tight operating budget for such a testing program.
4. Determine a realistic time table and action plan for the above.

If the above is carefully done and realistic, I am sure that I will be able to endorse it, and I feel that Tom will underwrite it, assuming John Dean's technical approval. Without such a careful reevaluation and plan, I would have no option but to recommend termination of further work. The above summarizes only in brief form, our problems to date and the intermediate term solution to these problems. Of even more critical importance is what we do in the next 7 days. Tom, John Dean and I have discussed this in great detail. It is absolutely imperative that you carry out to the best of your ability and highest professional manner the following seven day action plan to meet the stated objectives. I think that it is obvious that the continuation of the program depends on this, I think that it is also obvious that no changes should be made without documentation and verbal Ok from Tom, and/or myself. The activities and objectives to be reached are as follows:

Activities

1. As a maximum, construct the following:
 - A. Area 1, three lifts
 - Area 2, two lifts
 - Area 3, two lifts

R: Area 2 is 2 lifts?

J: 2 lifts, right

R: 3 lifts is 2 lifts?

J: 2 lifts

R: Now that is to construct that?

J: Ya, now this is what, I have already gone over with Tom and John, and you will have a copy of this in your hands within an hour so we don't have to take detailed notes.

R: Is this, now I want to be sure on this area, that is to add another three lifts to area 1, or.....

J: I'll tell you what, let me go through the whole thing and then lets go back to any specific points so that we don't loose the continuity.

B. Set up test leaches exactly like the U.S.B. in Reno for:

1. North slope dump ore.

2. Manganese dump ore.

C. After completion of the above, terminate the dozer for the present

D. Prepare documented proposal of chemistry to be used and wait for approval.

(And that is for the manganese and north slope dump)

2. Do not work on any other pads until written notification from Tom or myself.

3. Put Dusty in charge of the heap. Have him do all the physical work there during the day, and have Ed Rice take over the night shift and report to Dusty. Dusty should report to you. You are not to take any physical part of the heap activities, but only concern yourself with engineering work, i.e., 1. Chemistry/Metallurgy; 2. Budget; 3. Engineering and quantification.

4. Leach areas 1, 2, and 3 for melt precipitates daily. Mail these to Tucson daily by return receipt requested mail.

5. Keep accurate concise records which can be checked by any independent professional. This should be done on a form or forms of your own design, to include, but not limited to the following:

a. Daily record of dimensions of dump under leach and

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tonnage calculated for that area plus supporting measurements, etc.

(Quite frankly, I would use your camera and take pictures of that at specific times every day, and furthermore, to verify the date, I would enclose a daily newspaper of that date.

- B. Record of throughput, hours of leach per shift, downtime, etc.
 - C. Titrate return, hypo solution to determine bearing strength and for presence of zinc.
 - D. Determination of water balance per shift, i.e., water added to replace that lost to evaporation, absorption in dump, or loss through pad.
 - E. Weigh out zinc used per shift.
(Note, material balance is the key)
- 6. Ed Speer will take a sample of Emerald ore and North ramp ore.
 - 7. Prepare a two page memo specifying your opinion of the best option for leaching the manganese ore.
 - 8. Come up with a realistic budget for the above.

Objectives

- 1. Document silver production from a specific amount of heap ore, specifically from areas 1, 2 and 3 processed from 6/22 through 6/27.
- 2. Have documented budget for the above by the evening of 6/23.
- 3. Have test leach pads as in activities 1B, sections 1 & 2, and an action plan with proper mining like record keeping forms and budget by 6/26.
- 4. Have a two page best options report on metallurgy to use on the manganese oxide ore by 6/26.

On or before the dates specified above, mail by registered, return receipt requested mail, one copy of all paper work required above to Tom Schloss in New York, one copy to John Dean in Rhode Island, and one copy to myself in Tucson. Also be prepared to discuss all material in concise, brief terms on the morning of June 27.

Dick, I don't expect to have to tell you the details of how to do and document your job. I do expect, at minimum, the above outlined documentation, but it should not be limited to the

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above. It is your responsibility to do what is necessary for documentation, and you will be held accountable for any omissions.

Very truly yours,

James A. Briscoe

J: Ok, that is fairly hard and specific letter Dick, but I think that the situation demands it. Now, lets go back to the activities that you had a question about and lets see if we can review those things, or you can give me your comments on it.

R: We should have, I hope what you mean there, is to have a total of three more lifts on area 1, two more lifts on area 2, and 2 more on 3,

J: Ya, that is precisely it.

R: We can't be leaching what we have already leached and expect to get anything. It doesnt test anything so, I just wanted to be sure of that.

J: That is precisely....

R: You need ore to test.

J: Apparently that is just what you and Tom discussed, but that is going to have to be the last remaining test and we have to run that though the plant and melt the precipitates, and that is going to be the proof of the pudding.

R: That's fine.

J: Now the other critical thing is that you work, not on any of the physical things, which you can delegate to Dusty, but simply concern yourself with getting these budgets down, the metallurgy squared away and the forms made out and adequate documentation. We simply cannot fly by the seat of our pants. We could have done that for one \$25,000 test, maybe, but we are way beyond that.

R: Now down towards the end of your letter, you have item #2, I think it was, anyway, you know where you have the dates for completion. The budget was 6/23, isn't that tomorrow.

J: No, it is today as a matter of fact. We would like to get a budget for what we are going to spend on..... 1, 2, 3

R: Everything that we have talked about. O.K., what is 1, 2 & 3.

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J: Well, that is essentially doing areas 1, 2, 3, setting up the test leaches on the manganese ore on the north slope dump ore.

R: O.K., that was what you call B. Ok so it is just really activities A & B, pushing down and leaching, the three lifts on 1, the 2 lifts on 2 and the 2 on 3, plus the manganese test.

J: Actually, it is everything through 7. You don't have to worry about the cost of Ed coming down to take samples, but everything else, and it doesn't have to be in typed up detail, but it should be pretty precise for the next, through next Wednesday, the 26th.

R: We won't be able to finish all of that by next Wednesday.

J: Well you will have if you melt everyday, we are going to be getting something out.

R: I am saying, pushing down this ore and leaching it won't be through by this coming Wednesday.

J: Ok, well that is precisely.....

R: The leaching of it will take at least a week, after it is down, so it would be a week from Wednesday.

J: Then lets get a precise daily budget that we can monitor on a day by day basis, but we will know how much metal we are getting out on a daily basis. And you will also, the other thing that I have specified is that we have a daily record of the dimensions of the dump under leach and the tonnage calculated for the area under leach. So you should end up with...

R: And then we will sample that too, before it is leached. What I would do is sample after we rip it, go along a sample behind the dozer, taking a large, really large quantity, and then that gives us a really good idea of what, and then running the tests on what we should recover from it, then we can compare that with what we actually do recover. So that is something that we would add too, but that is just something that I would do.

J: What size sample you getting?

R: One lift in area 1 would have about a 200 pound sample, but I would take at least 20, or probably 40 10 pound samples or maybe 5 pound samples. 40, 5 pound samples, you know, all along that, and that would be about 200 pounds. Then barrel test it. First run cone and quarter it and buck it down and run solvent tests to determine what the effectiveness of area

solvents are on it, and then barrel leach the rest of it to see what you should recover.

J: Are you crushing that or just using.....

R: No, as is. Because that is how we leach it.

J: I think that you ought to essentially cone and quarter that 200 pound sample and put it in a sample bag without doing anything else to it and send it up here via whatever the best method is. Let us run an independent assay on that.

R: It would help to have a fire on it.

J: It is quite important that you lay it out in a good environment where is it not contaminated with anything and essentially go through a pretty good coning and quartering procedure since we are going to be taking a split of something that is not crushed, but even so, it will be a split of a 200 pound sample, which is a composite of various 10 pound samples from a larger area.

R: And then what you should do up there is not only, is have Ed or somebody, screen. Take 20 pounds, cone and quarter it, have it crushed and grind, pulverized one section to see what the fire assay of the total heads would be and then screen the fines, and then have them just run the fines because you know that is what you are going to be leaching. That would give you an estimate of what percentage recovery you could get upon leaching.

J: Lets put this in your recommendations that I want you to start working on immediately, and this will be essentially part of the engineering work.

R: That gives you a good estimate of what you should be able to recover with any solvent. Then the selection of the solvent is independent of what the recovery is. Then you are working towards selecting the right solvent or combination of solvents to yield you that

J: Well, I certainly agree with that. Now lets pinpoint, spend your time in pinpointing the problem areas, I want to get this thing on a really professional basis, and I am sure that you do too. We ran the danger of trying to do this on a low budget with all the ramifications of that, I think Tom is obviously interested in making the thing go, he is obviously not interested in loosing his \$100,000+, and that is largely up to you.

R: That is understandable. No one can argue with that.

J: So lets pinpoint the problems that we have got, lets get it back in shape, but we have got to do it in a super

professional manner, and we have got to realize that we are going to be under scrutiny by, at minimum, John Dean, quite probably, others. You have got to leave careful tracks that can be interpreted by anyone.

R: Are you going to ever have any time next week to come down for a half a day?

J: I am sure that I will, but I am sure that it won't be until the end of the week. I have got some other things that I simply have got to attend to also.

R: That will help bring you up to date on everything that has gone by. I think that it will be a lot more obvious to you when you come down and look at it than trying to guess from Japan or someplace.

J: I have no doubts of that, and I certainly know some of the things that you have been up against.

R: Then you can have some suggestions too. I will spend as much time with Ed today as he...., I am going to try and point all of these things out to Ed, although he is quite familiar with that, I would say, and then he can discuss it with you, and whenever you do get time to come down, you can do that.

J: Ok, the most important thing, though, is being able to get the metallurgy down, I want you to tell me, specifically, as well as Tom, if something doesn't work, why it doesn't work. I want you to collect negative information as well as positive, and I don't think that I have been getting the feedback on that properly.

R: No, you haven't. Now what about all those records they took. Are they xeroxing them and sending them back?

J: They are sitting here, a shit, Ed didn't bring them down. Quite frankly, I just overlooked it.

R: I need those. Now getting back to making out this budget today, boy that is going to be hard to do.

J: It shouldn't be, you have been in operation for 4 months.

R: But I don't have a lot of that information from Tucson. You know, I have wanted to get a copy of all of our expenditures.

J: Why don't you just go ahead and make it without that record.

R: For example, I don't know exactly how much the payroll runs. I don't honestly know. I know it is over \$1,500 a week now, and it is probably closer to \$2,000, but that particular detail, I don't exactly know, and we can be specific about it.

- J: Well, why don't you make it out and then I will see if I can't search that up and get it to you.
- R: How do you want me to translate this budget. In other words, you say to have it finished by today.
- J: Write it up and stick it in the mail this afternoon, and then simply call it in to me, and I will have it transcribed.
- R: Then you are going to call Tom and tell it to him?
- J: Either that or you can.
- R: Well, I am just wondering how you would like to have it done because, if I have to, I will come up there this afternoon, or late tonight, if that would help you in any way.
- J: No, I think that it is better that you stay right where you are and work on all the other details. You can just read it off.
- R: Then, would you just prefer that I read it to you and you can read it to Tom. I don't care.
- J: You read it to me and I will talk to Tom about it, and if he wants to, he can call you. I may try and give Ed a call and see if he is completely out of town or not. Why don't you go ahead and work on that. Do get Dusty squared away, take all of that burden off yourself, it is important that you do the engineering but not the day to day dirt shoveling type of thing. Sit down and start working on the budget and this record keeping pages.
- R: You are going to be there all afternoon?
- J: Ya, and all day tomorrow.
- R: So I will be able to get a hold of you then.
- J: Tom did tell me to tell you that he would be in all day today, however, he is going to take the day off tomorrow.
- R: I wonder if you should mail those files back down to me.
- J: I can if you like. If I can't get a hold of Ed.
- R: I have given then all the results of the test work that I haven't submitted, but that is all in there.
- J: Well, you have got to organize it more carefully Dick, there is 800 pages of the stuff.
- R: I know, but the data is there and I need it. I would like it

by Monday. When is Ed going to take these samples, today?

J: Ya.

JAB AND TS FOLLOWING ^{Jim's} RFH CONVERSATION ? 6/23

J: Obviously, I spent the last 30 minutes talking with Dick, and he was not terribly surprised and very cooperative, so I think the proof of the pudding is whether he will perform on that.

T: It always worries me, Jim, I get the same reaction, I make a suggestion, he is not surprised, he is not angry, he is kind of a yes person.

J: Well, at this point he could have reacted in two ways, he could have say gee, I can't do that and I am going to quit, which I thought that there was maybe a 50/50 chance of him doing, or said ya, we'll go ahead. The real question is whether he is going to sit down and do that, and of course, where Dick went astray and I was somewhat remiss in letting it go on this long was, again, we over optimism as far as he kept saying and I kept assuming that he was right, that things were just around the corner, where, in fact, we should have stopped when we hit about \$35,000, and gone back to square 1.

T: Remember when I kept saying it doesn't make sense to order a large dozer? ??????????????

J: Ya, unfortunately, you were talking directly with Dick, but I would agree that was a turnaround in what he had been previously saying.

T:tape cannot be heard

.....so why don't we order a new..... if we are going to make all this money. That is his style. You got to be aware of it. It is very difficult. Go ahead.

J: What we were talking about prior to that, the days, possibly weeks prior was that we did need a well equiped laboratory, and so on. Now, inspite of the expense, and of course that is the reason for the expense, we can do laboratory test work at Hayes or Mountain States, or there maybe possibly another place in Tucson that we might be able to do that. There are several other metallurgical consultants. Long range, that district does have a great deal of potential regardless of the metallurgy, you know, as we previously discussed, but obviously, we have got to decide the present, resolve the present problem, and I have recorded, and as a matter of fact I am recording this, Tom, I though that I would essentially mention that to you because it is essentially continuity with Dick's conversation which I recorded, which I will be happy to have you listen to, but..

T: Inaudible question

Letter to
RFH 32

Consistent
w/ RFH
comment
Prescribed
LONU.

6/2/73

J: Quite frankly, I forgot to do so.

T: Inaudible

J: I frequently record things simply because it helps me keep things straight.

T: Inaudible

J: At any rate, because I really wasn't sure what reaction I was going to get, and I certainly wanted to have it for the record. But I did point out to him that if we didn't get it straightened out, that is is finished within the next few days, and I think that I got that across, on the other hand, I tried to not be belligerent or demeaning to him, because I think that that would have been counter productive, and he was considerably more mullified than his usual self, which I think, considering its Dick, that is really something. I carefully went over and read verbatim the letter, Ed is within 45 minutes of Tombstone with a hand delivered letter, and there is a letter going by registered mail, so there won't be any doubts about him getting the details in the letter and, you know, he did agree with the documentation, I told him specifically that I didn't think that there was proper documentation, and whether it is John Dean or some other metallurgical consultant, I actually spent hundreds if not thousands of hours of mine and my staff's time in doing all of our geologic work crystal clear so at least it could be discussed in a professional manner between other professionals, and I told him that that is what I expected him to do too.

T: Inaudible

J: With the documentation

T: Inaudible

J: Did he have any objections to it?

T: Ya.

J: No, as a matter of fact, he agreed that it had not been properly documented, and he did say that it was all documented in that material that he gave to you and John Dean. And I say well that may be true, but you have got to consolidate that type of thing.

T: Inaudible..... it is not documented

J: Its not documented properly if the data is not in an easily retrievable fashion, that is like cutting up a whole deck of encyclopedias, page by page, mixing them in a big bin and then saying everything you want to know is there, all you got

to do is find it. That, by definition is not proper documentation. That is an extreme example, but I think that Dick has a tendency to do that, or at least that may be a ploy, and I....

T: It is probably a subconscious ploy.

J: Ya, I tend to think so. But, I think that I made it quite clear that that wasn't acceptable.

T: Ok, now let me tell you what I think, have gone through the paces at..... which was well worth the time,

J: Probably, this is what I should have had you done to begin with because I think that you can see kind of what is required in a well organized lab, and realistically, in spite of John's pretty negative comments on Dick, I think you have to see the handicap that he has been working with.

T: Unaudible..... John understands that very well. Dick is not attempting to do anything properly, nor putting on the piece of paper, for example, the sample size, how far he split it, there is a screen in the lab, there is ok, but how valid are the results? Would you invest \$100,000 based upon inadequate sample sizes? No. There are other ways of doing it. I think the test in that small leach pad that we have sitting out there..... inaudible

J: Precisely, what he was supposed to be doing was doing barrel tests, and so forth. Well, if he has, they are not documented. Now I had assumed that he had been doing tests.

T: Inaudible

J: Well, even if he has, if he doesn't have proper documented, it doesn't mean a thing, which I guess is the critical point. Because then all he says is I have, and somebody else says that he hasn't. I said, you said situation, which is a waste of everybody's time.

T:

J: Ok, where that leads us

T:

J: Well, now, we did get straight the areas that he is talking about leaching on.

T:

J: What were the size? Well, I assume that the size was determined when you and John Dean were down there. I specifically went through the lifts, 3 lifts on area 1, two

lifts on area 2 and 2 lifts on area 3.

T:

J: No I did not because again I didn't really want to get involved in a long conversation and transmission of data by telephone. That is hard to take notes on the phone at best, and that is the type of thing that I have already got listed in here under Item #5, keep accurate concise records which can be checked by any independent professional and then under Sub A, daily record of dimensions of dump under leach and tonnage calculated for that area plus supporting data, measurements, etc., and I suggested that he photograph with him camera that every day and put a daily newspaper in the frame so that we can substantiate the date.

T:

J: So, that is the

T:

J: He is running 0.15 preg. Now one thing that he did say was that it will take a week to leach those lifts, and I said well that is fine, but if you melt daily and so forth, you will be getting a continual reading on that. I pointed out that that was the important thing

T: Inaudible

J: Again, I asked him about that, and he said that this would come up as they got more material off of the crust, then as he got below the crust and into the other material that it should go higher, up to about .3

T:

J: Why are you saying that the sides should be good, aside from assuming that that is what he has told you?

T:

J: Describe to me what criteria you are using for that.

T: Iaudible..... look at all this pretty red stuff... nothing could go through there in a leaching process. He made a lot of sense but, you know, I am not a geologist, and not could he, I find out, unless you take it over there and you run a test on it, so he didn't know either. But that is what he says. So then he can't come back and say well, gee we are still on the crust. We are not on the crust.

J: Well, I think that that is precisely what we are going to see over the next few days, Tom, and if we don't get some

results, I think that there is one choice, and I think that that is to shut it down and sample the bottom of the dump by whatever means are necessary, where there should be some values. If there aren't, then we will determine what we are going to do next, sublease the ground, develop the open pit, develop some of the high grade ore that has got to exist in the ground that we had options on. There is lots of geologic evidence for that. Further work is just, if these lifts are not putting out any silver, then further work is simply going to be wiggling in quick sand. I think that that is specifically the problem is that Dick should have a sense for what is ore and what is not, and if these tests are not proving it then that sense does not exist or has not been demonstrated, and therefore, we go back to the scientific miner like way of doing things, which I happen to be particularly adept at doing, but.....

(end of first side of tape)

The ore potential of the zone, but if we don't get anything within the next 5 to 7 days, I think that Dick's test on the heap was a complete wash out at this point, or we certainly should not continue because it has been negative, much as I hate to say that. Coming to any other conclusion

T: Did he think that he could get it up?

J: Well, I didn't ask him to get it up, I simply told him to do these things and what we got out in the next few days was going to determine whether we continued or not. I don't want him to, you know there is always the danger if the direction is to get it up rather than do what is right is that he might go dump a 10 pounds of silver chloride on the dump, which you can buy at any variety of places, then we would be afar afield. The typical thing of salting, which we don't want to get involved in that. But, of course, I don't think that Dick would do that, but I think its clear that we either get something out of this or quit.

T: What did he say about the.....?

J: Well, he didn't say anything about it. I went through that and the way this letter reads, I haven't read you the final draft of that but under Item #2, I said A. Do not work on any other pads until written notice from Tom or myself; B. Put Dusty in charge of the heap, have him do all the physical work there during the day and have Ed Rice take over the night shift and report to Dusty. Dusty should report to you. You are not to take any physical part of the heap activities but only concern yourself with engineering work, i.e., chemistry/metallurgy; 2. Budget; 3. Engineering and quantification.

T: That's excellent. You worked on it last night.

J: Ya, I had it typed up after we talked, and he didn't object to that at all, and then I again reiterated it that it was important for him to be out there doing that type of work, but it was important to for him to sit down and get all the budgets in, and he asked about the first budget which is due this afternoon, and he was concerned that he didn't have some of the figures from Tucson, and quite frankly I was going to send down that list, and when they left I just overlooked it so I said well you go ahead and put in all the figures that you know about and then I will get the other figures together. He said, well should I drive those up to Tucson? I said no, by all means don't, simply call them in and I will transcribe them, and then make the additions and talk with Tom. He said well do you want me to call them in to Tom. I said well, that's not necessary, but you can if you like, and Tom said to say that he would be in the office all day today, and that I'll translate the budget to Tom. So that's about where we are now. I think its pretty clear that he should simply concern himself with those three items, the chemistry, metallurgy, budget and engineering and quantification, and design these forms so that we can get all this down and in good shape.

T: Well, I guess that there is nothing more to do, except I will work on that memo here with John's help we should have something, I will work on it over the weekend, get it to John, let John write it up, alright? As I see the problem and the problem is really an engineering problem

J: I'm sorry, talk just a little bit louder.

T: Engineering problem.

J: They are engineering problems?

T: They sure are. Ya know, you are putting water back into the pregnant, into the preg.

J: Ya, we did discuss that and of course his excuse was of course he didn't have a barren pond, and you know I don't know how to put my finger on that, except that I guess Dick should have jumped up and down and rolled around on the ground and turned purple and kicked his feet and screamed and cussed and done whatever necessary to get a pregnant, I mean a barren solution pond.

T: He's got a little tank. But he's got two tanks up on top.

J: Those are what he is storing the acid in.

T: But he's not using acid so bring it down. It is not my decision to make, its his, but he is stupid to put water back into the preg, or in the pit, to put fresh water in the preg.

That is really stupid. I understand the problem but it is again where do you spend money, where do you not spend money? You are not going to be using the acid for a while, so bring the acid tank down, but if you can't do that, he says, you will ruin the acid tank. So he says, I can't do that. You have some creative guys in there, figure it out, do you know what I mean? That's the problem, I don't want any more water going into the preg pond, you figure out how to do it, and they will. They are clever, but I don't know whether Dick really understood the significance of it, that is what worries me, its a real management problem.

J: I couldn't agree with you more, and that is why I, as much as I want to get the thing underway, and as serious as the ramifications are of stopping it, if we don't get these things solved post haste, I think that we ought to put a stop to the whole thing, there is no question about it. There simply isn't any real good excuse for putting water dilution in the preg pond, I am not sure that it wouldn't be better to simply spray fresh water on top of the dump, and add it that way.

T: That could very well be.

J: Just so that we don't have any further excuses, it might not hurt for you to give Dick a call and reiterate some of these things yourself, simply because you have been communicating with him on a daily basis. *substantive change*

T: Don't mind at all. I do but you know.

J: Well, I have tried to take all the steps that I can to be sure that there is no recriminations at some later point like I didn't get the letter or I didn't understand or this wasn't the consensus or whatever, so that might be the last nail of that final board on being sure that that is the consensus.

T: I think you wrote a good letter, I liked it a lot.

J: Well, I have delivered it verbally, by hand and by registered mail.

T: Is Ed going to pick up some samples?

J: Yes. Now Dick, thats another thing that we did talk about, Dick says well I am taking samples of the lifts behind the dozer, and I said well tell me how you are taking those. He said I am taking up, picking up 10 to 20 pound samples behind the dozer after it has pushed off the lifts, and combining that into a 200 pound bulk sample, and then we will be doing a leach test on that. I said, well, that's fine, but the other thing that I would like you to do is lay that down on a clean surface where there is no chance of contamination and cone and quarter it. Coning and quartering is the standard way of dividing a sample and making sure its a homogenous

thing.

T: I understand. I'm knowledgeable

J: Ok, and then take a split or split it by coning and quartering, then send me a sample up to Tucson. We will then run some check assays on it and then take the remainder of the sample and do whatever you are going to do with it.

T: How is he going to crush it?

J: He is not, he is doing a barrel leach test on it. Now the obvious thing is that it would be nice to have a crusher that you could crush the whole thing down and take a sample as far as our sample goes to get a homogenous sample, however, then the leach test would not mean anything.

T: Right.

J: Or least not unless we could crush the dump. But that is a much better sample and should be fairly representative, again depending on what size fraction he takes. I assume that he is excluding very large chunks, but I will be able to see that when we get it up here. It is not the ideal sample, but then again ideal sampling is quite laborious and even some of the mining companies go astray on that.

T: Sure.

J: But, if we go to a sampling program, yes, then we should go to a very careful screen analysis and assay of the various fractions because in all probability, by screening out the coarse we can considerably upgrade the ore and then apply the agglomeration IPS business, but I don't see how Dick can have any misunderstandings on this. I think under the circumstances, rather than leaving any stone unturned, I would really like to see you call him up and review it with him to be sure that he does not have any misunderstandings and that you are satisfied that he doesn't.

T: Fine.

J: One thing I think you might reiterate to him is the necessity of melting every day because of course first I just got his general impressions of your visit, and he said that he was not going to melt today or tomorrow but let the material circulate.

T: He is wrong.

J: The pregnant solution.

T: Ok, that's wrong. Let me tell you why. The quantity coming out of the filters is so great that with a little melter, the

little kiln, is so small that he has got to melt every day. What he is really telling you is that there isn't any silver in there.

J: Ok, now one of the things that he has done is they are have gotten those other 8 filters installed and he is putting the zinc containing silver bearing material back in the lead filters to decrease the zinc consumption and increase the grade of the filtrate.

T: Ok, John doesn't know whether that is effective. See, John feels, John's complaint is that Dick is shooting from the hip. The definition of shooting from the hip, have you ever shot with a pistol?

J: Ya, lots.

T: I can't hit the barn, but from the hip, that is if I stick it up there and eye, I might hit the barn, but if you do it from the hip, it is luck, and that is what he feels Dick is doing on the metallurgical part, and half the time John says some of the chemistry makes sense, but some other is wrong.

J: Talk just a little bit louder, I can't hear you.

T: I am sorry, I have a tendency to talk quietly. John feels that some of the chemistry is correct and some of it is wrong, and its all mixed in together, and John does not know whether that will work. What Dick is doing, is he is doing a 24 hour experiment to see whether it will work. He doesn't call it that, and that is what is tricky, and I have only learned that this trip. What he says this is what he is doing, he is doing an experiment, fine, if you are going to do an experiment, I don't object to doing experiments, but document it properly, set it up so that you know - do you have the zinc before you ran it though the second time, do you have the zinc after you ran it through? You are only going to know if you melt down every day. Or take three of your filters and double it, do you see what I mean? He has got to start thinking that way. J: Well, I can't agree with you more, now this is what he told me....

T: I got to communicate with him I think.

J: Well, I think that that is important, but this was told to me before I read him the letter, so of course the way I think that the letter obviously would have circumvented any foregoing discussion about what he was going to do. Maybe its a good idea that you reiterate the necessity of melting every day.

T: See, he wouldn't understand, this is the part that worries me, he doesn't understand that what he is doing is an experiment. He is running the zinc through twice, that is

what he thinks he is doing. I don't think so, I think that he is doing an experiment, which may work, there is some logic to it, I mean Dick is not an illogical person, he is very intelligent, but it may not work too. Well since you don't know, you got 8 filters out there, every other one of them do it one way, Ok, and on the others do it another way, and then melt them and see whether you get double. Set it up as an experiment. Start thinking experimentally. Quit thinking about getting that fast god damn silver or gold. I wish that we were working in wheat, every body gets ennamored with oh, we are going to get silver. Its a business and you put the money in the front door and hopefully it comes out the back door. You got to do experimentation along the way. It is not a quick way to make a fortune, we are going to have to work like a dog to make a fortune.

J: No doubt about that. Well, in most metallurgy there is a lot of tinkering and experimentation that goes on, but I agree with you, it has got to be documented, and you have got to report the negative information as well as the positive, and if you don't do that, you are not using the scientific method so certainly that is a point well taken.

T: John is as smart as Dick, although they are in different fields, and let John cogitate on the chemistry cause he may be able to point something out, and if we don't have it in a form which John can understand it, we are wasting our money. Why pay him if you don't give him anything to work on.

J: This is, again, another point I did go over with Dick independently is that he has got to get the information in a form that can be understood by any professional, and I said I don't know whether it is going to be John Dean in the future it may be somebody else, but it doesn't make any difference who it is, it has got to be interpretable by anyone, clear, consise, and I used that language again. So I think there is very little room for misunderstanding.

T: Oh, I don't agree. I think zinc thing is a misunderstanding. He won't look at that as an experiment. But that is a clear, proper experiment. I think that he should do that, I think that it is a good idea, but it is an experiment. So then run it as a test. I don't care the quantities of silver you get, it is what is it telling us? What are our problems? Otherwise we are never going to solve this thing.

J: Well my last sentence to Dick was it is your responsible to do whatever is necessary for documentation and you will be held accountable for any ommissions, so that is a pretty strong sword right there.

T: Did you send him down a photostat of that textbook section?

J: Oh, you mean on the sampling?

T: Ya.

J: No, I didn't. I think, Tom, again addressing this situation of the pregnant solution concentration, part of the problem is that we don't have an adequate sampling of the lists, ^{lifts} although Dick is getting a substantial sample if he is sampling it in the way that he is describing he is doing, and I don't know whether he has been doing that regularly. Apparently you and John did not see any documentation that showed that he was doing that.

T: That he was doing what? Sampling the lifts?

J: Sampling the lifts, a 200 pound samples.

T: Forget it. I mean you can say we don't have any documentation that he is doing it, Ok, I am intuitive, he isn't.

J: Well, Ok, so what he is probably doing is instituting something new, and all I was saying, kind of asking an interrogative, you didn't see any evidence of this done, and of course you said, just told me that you didn't believe it had.

T: I know that, I am just re-emphasizing really what you are saying in a delicate way, I am saying I know he hasn't done it.

J: Well, Ok, so the only way that we can get a feeling for what is in there is what he gets out, and if his pregs remain at .15, that is due to one of two reasons that is difficult to arrive at: 1. There is not enough in there to get them higher, or 2. The chemistry is not dissolving what is in there. Now if he continues to take those samples and sends them up to Tucson as I have requested that he do, we will have a better handle on that. However, as far as I am concerned, the idea of leaching the sides of the dump was a failure, which we were supposed to get a substantial amount of silver out of. Ok, that is failure #1 because it has simply not worked.

T: He never did it.

J: Well, that is what I asked him. I said you know Dick the first thing you are going to do is leach the sides of the dump and he said well we are doing that as well as leaching the other. I said well what you are really saying is that it didn't work. And he said ya, that's right. So, Ok, that did not work. We were going to leach the manganese, that did not work, or Dick got frightened of it, one or the other.

T: He is frightened of it. No, it doesn't work.

J: Ok, so that doesn't work. Ok, we were going to leach the north ramp but that can't be done without a pad, well we should have known that back at the \$30,000 mark. That should have, that was the ore that was never leached so that shouldn't have been any problem with that.

T: That is manganese ore.

J: No.

T: North ramp is mag.....mag....

J: Manganiferous?

T: Yes, and it is high quality. It has been assayed and I did the sampling. A poor sampling technique was used by me, but whatever those results were, they were high.

J: Well, I didnt think that that was that manganiferous. Not nearly as much as the Emerald ore on the south.

T: No, we figure there is a million dollars there in the north ramp. Very high quality.

J: And Dick feels that it is manganiferous and that he is worried about that too?

T: Yes, anything manganiferous he doesn't want to get into. That is one thing, I want that sample going out to John Monday without fail because....

J: You mean the data he is picking up.

T: Whoever. Or whatever. I am not being as critical to you all, but I want that sample going to John so he can work on it.

J: Ya, right.

T: He will do some barrel testing, he doesn't really want to because he doesn't have any help, he is by himself.

J: Does he have a laboratory?

T: Oh, he has a very extensive laboratory. There are some very funny stories about how he got all the equipment, but he has a very extensive laboratory. He is semi-retired, he doesn't have to work, and he is doing this because he is really challenged. He would love to pull this off.

J: He what?

T: He would love to pull this off. It is intellectually

challenging, and he thinks Dick is the right man.

J: Oh, he does?

T: Oh ya.

J: That didn't really come across to me.

T: Dick is the right man there if we can get Dick to do it properly. He understands. George Jewett doesn't know his ass from a hole in the ground. Dick knows whether the proper sample is.

J: Well, the whole situation has really kind of blown me away because of course what I represented to you was that Dick had changed, and this is not very good evidence of that at all because Dick has a much better educational background than I do, if the truth be known. Of course, I always take a very jaundiced view of college professors and others that rely on their educational background because that is a four or eight year period and all the intervening time is more important, but at any rate, Dick has taught mining, geology, computers and has got a hell of a lot, has got more degrees than I do and more time in the classroom. But it doesn't make any difference if he doesn't perform right, and he is not performing up to snuff.

T: I agree with you. He is not doing what I think he knows.

J: I think that that is precisely right.

T: And that is why I say it is a management problem. It is a management problem that you and I have known about for years. And we thought, we we blamed it on SBM.

J: And I think that that is not 100% true. Now of course Dick may have, may still be shell shocked from that whole experience cause he was doing good technical work up to that point, or at least publishing things up to that point. But I think that he is reacting in a frantic manner, and of course we have been trying to do things on a low budget, admittedly spending a lot of money, but still trying to keep the cost down and I am sure that he feels that he has been hampered in some ways, but.

T: But you see that is not valid. Because he would submit a budget and the budget would be implemented to the penny, so that is not true, he had, one time he had a whole bunch of lab equipment, he took it out, we didn't. Felt the money could be better spent someplace else. Up until this time, he had a free hand.

J: Well, at this point, summarizing what I said a little bit earlier, I think that the experiments have not been

productive, the sides of the dump did not contain what Dick felt they did, or wouldn't come out for whatever reason, he is worried about the manganese problem on both the north ramp and the Emerald, or if this experiment on the areas 1, 2, 3 does not work, then I think that we better call a halt. I do think that there is probably silver precipitated in the lower third of that dump, but we have to verify that before fussing around with any more production experiments, which are quite expensive.

T: Ok, and I think that I disagree with you to a degree.

INTERRUPTION FROM ANOTHER PHONE CALL

J: OK, Tom?

T: Ya.

J: Ok, well we got side tracked for where we are. You were telling me that you didn't agree with me.

T: Yes. Let me see if I can remember where.

J: Ok, I would say the only chance, Tom, is to get down to the bottom third of the dump where we have a chance for re-precipitation of silver values if this current experiment of Dicks does not work. But we have to take a real hard look at the costs of doing so and get some samples of that material and see whether the metallurgy works on it.

T: Ok, the part where I disagree with you is I have a feeling the the chem..., there may be enough, it may be low quality up on top for the first 2/3 of it, but you have to get your chemistry, you have to get your plant running like a, really fine in order to make it worthwhile. We don't know yet. I don't know, or I don't have an answer to that question, and that is of course where we are. Did you ask how much hypo is coming through in the barren? and how much zinc is coming through?

J: No, but those are all things that change practically on an hourly basis, and I think that regardless of what he told me now, I think that what we have got to do is look at the records.

T: I don't disagree with you, I am just saying that those are the things that we need to focus in on, that is what your letter focuses in on.

J: Precisely. But I think that there is a danger in looking at any one assay result or any one titration or anything, because it is kind of like judging a house by looking at the bricks, and gosh, we have just run some big geochemical surveys on this Crescent project that you saw, and we ran, oh

gosh, I think we have got 600 samples. I see geologists all the time scanning their sample return sheets to see what the assays were, well, gosh you can pick out the high ones and you can pick out the low ones, but you really don't know what they all mean, and we got them all plotted up and contoured with the computer program, and they all mean a hell of a lot when you get them together. But separated, they are just a jumble of bricks, and they don't mean anything, and I don't want us, I don't want to get involved in a daily question and answer period with Dick with a bunch of disjointed data when in fact what we need is careful record keeping and getting the whole thing together. So I guess that is why I tend not to get too specific about that type of thing, where in fact it gives you a little bit of information which might be dangerous, and it also tends to give Dick the excuse of well gosh I already told you that on whatever it was.

T: You've had that huh?

J: I have that from a variety of people including my kids, on up, and so I don't like to be, quite frankly, I don't even like to waste my time on that kind of data transmission because by the time I have had 15 people give me 15 pieces of separated data, then I have got 15 times 15, and you know, I get very confused. I am easily confused, I don't like to consider overly brilliant so I like to see things broken down into very very elementary clear, easily understandable way that doesn't tax my mental powers.

T: What you are really saying is that you are a mortal man.

J: Precisely.

T: Ok, do you know where Dick is?

J: He was at the office, now do you have that number?

T: I'm sure.

J: I'm sure you do. So, he should still be there, unless he is getting Dusty lined out.

T: Ok.

J: Failing that, he should be at his house at noon. Failing that he is also going to spend some time at Eosin Labs, and I assume you have that number. *Scene*

T: Ya.

J: Why don't you give me a call after you have had a chance to talk with Dick, just to reassure me that we do have the message across, and if there is anything else that you have....

T: I'm glad I came into the office today. It means I get to use the Watts. We had a funny deal, we cleared through Paine Webber, you know, a large brokerage firm, and we are keyed into their system, and I don't think they know we are there. I ain't going to tell them.

J: Depending on how they have their watts set up, I guess it doesn't make any difference really.

T: It saves us a hell of a lot of money.

J: Boy, I'll say. You know, we have looked into watts lines several times, but we can't justify the cost because actually direct dialing is cheaper, particularly if you talk for a long period of time.

T: Ya, it depends on the quantity you use it.

J: Well, if you make a whole lot of little short calls, then a watts is cheaper, but every time we have really had some pretty definitive cost analyses done, and we could never say that we would save anything.

T: When I worked for my uh, when we were in Indianapolis, we had one. We only had one, so you would spend half the day waiting for your chance to use it, which was a waste of time.

J: Ya

T: I never knock on wood have any trouble getting on this line. Sometimes I may have to wait a minute, big deal.

End

TELEPHONE CALL FROM TOM SCHLOSS FOLLOWING HIS CONVERSATION WITH
DICK HEWLETT

T: 2 on #3. Ok.

J: Ya.

T: He thought that you had directly said the opposite. I said I don't care what Jim said, this is what he meant.

J: Wait just a minute, let me get letter because I very carefully did that just so that there, I don't see how there could be any.... what I have said, and of course this is without your specific, or without knowing precisely where you guys were, although Ed is down there and is picking up samples and I have a little bit better idea at this point.

T: Is Dick going to call you before he leaves?

J: I just talked with him just a few minutes ago. Ok, I said "activities, 1. As a maximum, construct the following, Area 1, 3 lifts, Area 2, two lifts, Area 3 two lifts.

T: You are absolutely correct, Jim.

J: How can you possibly misunderstand that?

T: I don't know. We will proceed... next. On lifts 2 and 3, he says he doesn't have full lifts on there, its only 3 feet. I said it may be 3 feet but it goes back further into the heap and you already started spraying on it. I thought those lifts were completed. He says, no they are not, then why are you spraying on it? Ok. That's B. C., on putting on the 3rd lift on Area 1, how many days will it take?

J: Now tell me that again? C is how many days what?

T: How many days will it take you to put on the lift on Number 1, the third lift? Ordinarily it should take one day, that is what he has always told me, to put on a lift with that small tractor or whatever. He said it would take two days because he obviously wants to put twice as much on - make sure he gets rate of return. And I said, no, one day, that is what I have been told in the past. He said well that would be alright except the guy that drives the Cat didn't show up on Saturday. I said Ok, well then have him do it on Monday. He doesn't have enough diesel fuel. I said well go get some diesel fuel. He said well I don't know whether I can get it, you know they are blocking up you know and all that sort of bullshit.

INTERRUPTION

J: O.K., that was Dick as a matter of fact.

Friday
met
Hewlett

6/27
6/28
Saturday

T: Oh really? Let me finish. He said well, he doesn't have any diesel fuel. I said well if you don't have any diesel fuel, then what was he going to do on Saturday? I was going to send him for diesel fuel. I said you are going to send a guy who makes \$5.00 an hour to get diesel fuel, send somebody who makes 3. That is why I don't want you up on the heap, you know I think these things out. If he had shown up on today, he wouldn't have anything because there wasn't any diesel fuel. Ok? Talked about he is 100% sure that the chemistry will work, and I said well I am really glad to hear that. He said because you can always use cyanide, and I said Dick, it's not, I know we can always go back to cyanide, I am talking about the chemistry that we are using now, you don't loop cyanide in there with it. We all know we can go back and use cyanide, but we are talking, we are running an experiment, we are trying to see whether the hypo will work. Whatever number I am on. I said you are loosing part of the preg and part of your barren in the heap. And he says, I think he called it evaporation or something, and I said ya, what in the hell is the definition of it. He says well you are loosing 10% on the in the pond because of the dryness, Ok, and you are loosing 10% on the heap because the rain birds are spraying on the back, he has got a list down there, and they are spraying on the back, and that is probably not draining out, that is just being absorbed by the heap. I said, Dick, maybe we shouldn't spray back there if it is not coming out because all we are doing is loosing our barren, and our preg too for that matter. And I don't know where that is resolved, but he now admits that we may be loosing some of the heap. I said how much? He said well you are probably loosing 10% in the pond and 10% in the heap. And I said, you are not measuring, its not 10%, well it averages 10%.

INTERRUPTION

J: Some creep with the wrong number.

T: We usually get the plumbing supply. So it was a long conversation and he says I know I am loosing my credibility or I am loosing my credibility. I said no hard feelings, I know the pressure that you are under and all that sort of shit. And he would like John Dean to come out on Monday or Tuesday in order to establish the credibility. I thought that that was rather interesting. I said Ok., Oh, he didn't know, he said what kind of test leach do you want? And I said I want the same type as before for the U.S. Bureau of Mines. He said 100 tons. And I said well what was the study. Did you read that study by the way?

J: Which study was that?

T: U. S. Bureau of Mines, I'll say Hypo Leach. I am sure that I

haven't got the right name for it. And that John Dean showed me, and that's exactly what Dick is doing, and that is why John wanted to go up to Reno, but I am glad he didn't, but that is why he wanted to go up there. But you know, they did 5 tons, well that is all you need to do is 5 tons. They had it down to the penny, and I don't think that we have to go to the extremes that they do, but certainly within the ball park. Well I said, call John directly, but wait until Monday, give the guy a break over the weekend, you know, he is older than we are and I think that he is probably pretty tired. So he is going to call him on Monday. I said if you want him to come out, I will pay for it, I don't object to paying for it, but you have got to convince him that it is worth it for him to come out there. That is where we are Jim.

J: Ok.

T: And I would like to think that it isn't me.

J: Well that is precisely why I wanted to talk with you before I talked with Dick again about coming to Tucson because....

T: the zinc, and I said Ok, I will be interested to know what the return is. I said I want you to melt first thing Monday morning, and he said fine.

J: And you did agree not to melt today? or tomorrow I mean.

T: Tomorrow is Sunday, I don't know if everybody is working on Sunday.

J: Ok.

T: I said.... he started going through the, well you were unaware as much as John and I are, the formula, .13 times 8 hours a day, you know, three shifts, all that sort of bullshit, it nets down to, you'll see it when he comes up with Ed Speer, that is \$2,000 a day. I said fine, then I expect 2,000 for Friday, 2,000 for Saturday, 2,000 for Sunday, and then on Monday I expect that when you melt down, you have 6,000 or whatever that is dollars worth of silver. That is all I am interested in. And, you know, I said that is the only thing that means anything to me. I said now if its less, I am not going to say I am going to cut off the project, but I want to know, I want to know where we stand, we are trying to prove out the chemistry. I don't know where I am, Jim. I don't know whether, and then I, I mean you know, the tension around this house is pretty raw says Harry, because I don't know whether I am going crazy or what.

J: Well, I feel like I am in the same boat. Now Ed was quite enthusiastic and felt that Dick had accomplished quite a bit. On the other hand he is not aware of all of Dicks predictions

and prognostications, so there is a lot of work I am sure that has been done for \$100,000

T: Oh ya.

J: But I don't feel that that is where the problem is and I am sure that you don't feel that way either, and I think that the fact that Dick is now talking about cyaniding again is particularly frightening as far as.....

T: Oh he admitted it.... excuse me for interrupting, he admitted that the manganese ore he couldn't do, alright?

J: Ya, but see we haven't gotten our report or anything saying that. We are dragging admission out of him.

T: Literally dragging it out of him, and that is the first time that he has admitted it. I said Ok, fine, lets get a sample off to John, and the two of you sit on the phone, John in his lab and you out in Tombstone, and you guys figure it out.

J: Ya.

T: You know because he has felt that maybe John was going out there as a hatchet man, which was not the case, in my opinion. But, you know, the two of them should work together. Dick saying he would like to have John come out so that they could work together. I don't know whether John should come out. Do you know? I am not sure he would, but lets forget about that.

J: At this point of criticalness, I think he should, Tom, quite frankly, because there seems to be some unresolved problems I think we can't seem to put our finger on why that barren solution pond was not built, but I think that that may be a critical thing, but on the other hand, even if we have to stop everything at this point and go back to some bench tests, which are quite easy to do, I am not sure that we should even go ahead and build a barren solution pond. I am in a real quandry. And of course the other thing is is that I certainly can't afford payroll for these guys, and I would prefer to call the whole thing off tomorrow unless you want to warrant to me that you want to cover these extra days worth of work.

T: I don't want to warrant anything. I want some answers here.

J: Well, if that is the case, then I would prefer to go down there and fire everybody tomorrow and call it to a halt because I cannot afford to pay them, and I can't afford to have them on my neck.

T: Well, Jim, I think that we ought to carry it through until Monday or Tuesday, Ok. I mean gee you got to see what the

melt down looks like.

J: Well...

T: Don't you?

J: Well, ya, if you want to pay the bill for it, but otherwise I would prefer to cut it off tonight because quite frankly if the melt down is not favorable, there is no way that I can pay those folks.

T: Well I think that that would be cutting it prematurely before you have the melt down. You know, I have taken all of last week in effect off, taking all last week and going out to Tombstone, certainly at my own expense, and probably have paid for John Dean at my own expense with the risk that it may be been a waste of time taking John out. You know, you never know.

J: No, I know, but I do know one thing that is certain, I cannot pay any of those expenses out there, so if we are dealing in certainties and uncertainties, that is a certainty.

T: Well, I think that we have to continue until Monday. Now I don't think you can go down there on Sunday and fire everybody.

J: Well, I would imagine that nobody is going to be working on Sunday anyway.

T: That probably a pretty good time to go down and fire everybody then.

J: You know, if the funding on this is on me, it certainly is beyond my capabilities and I am the first to admit that and I want to terminate everybody Monday morning if that is the case.

T: Well, I think that you got to go through the melt down, and I would not tell Dick that you are going to fire him on Monday. That is too great of incentive to play around.

J: I would agree with that, but

T: I think on Monday night, I told Dick to keep me informed during the day and we will talk to John Dean. I do not want to call John over the weekend, I think he needs a break. It would be inconsiderate to call him over the weekend. I think that we would wear out our welcome. It is just not fair. So on Monday Dick is going to call me as soon as he gets everybody set up and I will talk to John Dean. They are going to melt down on Monday, and....

J: You are kind of fading away.

- T: I'm sorry, I have that tendency to talk more quietly when, depending on what I am saying..... The more important it is, the quieter it is. I am saying on Monday, Dick and I are going to talk in the morning, we are going to talk to John, and we'll make a decision Monday afternoon.
- J: Now Dick is aware that he is to melt on Monday.
- T: Oh, is he aware of it. Yeah, verly, yeah. I mean, if, and you see the advantage of my having been there is hey there is no excuse for not melting down. I understand it, and I understand it very well. I have learned, I know quite a bit about the mining business now. It is harder to pull the wool over my eyes, and, how big is a lift, what is the definition of a lift?
- J: Well there isn't any.
- T: Ok, I didn't think there was. But what he wanted to do was to shove more tailings onto the lifts. Do you follow me?
- J: Ya.
- T: I don't want him doing that. I don't want him playing those games with me. Now if he wants to put more tailings on the lift, then lets discuss putting more tailings on the lift. Don't say that the lift is because it is only 3 feet thick is inadequate. If you were starting to spray on it, it was adequate.
- J: What Ed is saying is one of the reasons that they are making up in the water, lost fluid, is that the thing is not saturated itself yet, now did Dick tell you that?
- T: No.
- J: Well, of course that may not be Dick's opinion, it may simply be Ed's.
- T: It could be, you know they have only been doing it for two days. But their hypo is way low. I mean it is endless. Their hypo is low, well they have ordered more hype, I said when is it going to be there, Tuesday or Wednesday?
- J: Is that what they said?
- T: Ya. \$2,000. He says do you want me to cancel the hypo and I said no, I authorized it, go ahead. You can always cancel it on Monday. You got to let it go through this stage. We know there is plenty of value there, we could always go back to the cyanide. I don't want to go back there. Not, because I don't think we haven't disproved Dick's theory, and I don't know half the time whether Dick is telling me the truth or

not, that is the trouble. That is why I asked John to come out. Boy, we did get some action. It was the cheapest money the two of us ever spent. We are focusing in on the right problem, and we are getting some action and we are going to get some decisions made. So it is the right decision, I feel good about that. Sometimes I know it would be more pleasant to be ignorant, do you know what I mean?

J: Ya, no doubt. Well I would say that we ought to melt down Monday, but if you don't want to put any more money into it, I was never going to get personally into the financing end, and I am already over extended, so I will shut her down on Monday unless you want to continue.

T: Well, I don't think, I am a businessman

Conversation between JAB and RFH, no introduction

J: What's up?

R: Ed told me I should call you.

J: Oh, ok. Well he said that you were going to come up to Tucson tomorrow.

R: Ya.

J: That is the last thing that I want you to do.

R: Ok.

J: I want you to stay right there and get all those things done. That is absolutely critical. You can call all that stuff into me but I don't want you wasting 4 hours driving back and forth.

R: Ok. Did you get that accounting? He said that that wasn't done, and I thought that if that was ready, then I could just pick it up in the morning. I hate to have a day or two delay on getting that. But if you can get it done and send it out, fine.

J: It is all set.

R: Has he done it?

J: No I sent off your records today. Quite frankly I did not include that accounting, but that is something that I can read to you over the phone in 5 minutes.

R: Ok.

J: Are you talking about the...

R: Well Tom wanted a breakdown of the expenditures all the way to date, what percentage was capital, what was labor and all these breakdowns. According to the budget that I have made up and gave copies to Ed of.

J: But that is just the recent thing.

R: He wanted to go back to, you know, zero for all the money he has invested, and I couldn't give him that. I talked to him

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Telephone conversation between JAB & RFH

J: Hi.

R: Hi.

J: How are you doing today?

R: Fine.

J: How are things coming?

R: Oh, pretty good.

J: Ok, I got the stuff that you sent back with Ed.

R: Oh, ya.

J: The budget and...

R: Ya.

J: Dick, that really isn't acceptable. There was no letter of transmittal of that, and no signature on it indicating even what it was. I do want you to - in all future things of that nature, send me a letter of transmittal stating what the thing is, and sign it. Ok. The pages should be numbered on the thing, one of whatever it happens to be, in that case it was three pages, so you ought to have one of three, two of three, three of three, so that we know that we have got your official budget and estimate. Now I also got two silver ingots and that form of transmittal is unacceptable too. No label on either one of them. I don't know what they represent, no location, no dates, no weight, I don't know what they result from, you know that is what I was referring to when I said that you have got to document these things. Do you see any - do you have any difficulty understanding what I am after?

R: No.

J: Well, it is absolutely critical - do you understand why that doesn't do me any good.

R: Well there is two - ya, I do, I understand what you are saying - that isn't - you know Tom wants some kind of a different budget than that. And I was mislead with a letter as to what we were really going to do according to what Tom said we were going to do, you know, yesterday. He said he wants to just see tomorrow how much silver we pour, and that he doesn't want to put a lot of additional lifts down on the south end - on areas two and three.

J: Well, we discussed that in great detail, and is that

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for journal

different than what...

R: Totally. Totally different from what your letter says compared to what Tom said what he wanted. And I told him that I had - you know - had prepared that monthly - well its a monthly budget, but on a weekly basis which can be related on a daily basis. And he says, well I have got that pretty much from you. It would be nice just for Jim to be sure he has a copy, but he said really all he wants to do right now is to see tomorrow how much silver we produce.

J: Well, what was the silver you sent me from?

R: Oh, that was just from that clean up pour that we had done before, and I gave it to Ed just to see how fine it was. Because I think Tom probably took that other ingot, didn't he?

J: Well, he had an ingot with him.

R: Ya. And I don't know what the fineness is, and this is what was left in the crucible, you know, from that pour - you know you never get it all out. And so I gave it to Ed to find out what the fineness was.

J: Well, it is really important that we get all that stuff documented. You know, I just can't over emphasize that. Tom thought that he had all of it that there was.

R: Ya. Well, no he was told - you know - that went into the - between the brick and the crucible it broke when they were pouring it, and he was there - I wasn't. He was there when they poured it so... he knew that that happened.

J: Well, Ok, I think that we better have future calls, as conference calls between you and Tom and I because there seems to be a real...

R: You know on that - what I had prepared for Ed there on - by way of a sequence of leaching - you know - for areas one, two, and three - you know - I had the dozer, how much dozer time was required, how much level and rip, and then going down to the next one - well he wants to modify the lift that he wants to do, and so he said he was going to talk to John Dean about that the first thing Monday morning. So I still don't honestly know if he wants to do any more on the south end. You know, to finish up what we had talked about. So he said that he was going to talk to John Dean about that first thing in the morning, and then he wanted me to call him. And have a conference call with him and John to be specific as to what that meant, or exactly what they wanted to do. Same way with what was specified as the leaching test by the U.S. Bureau of Mines method. You know, it doesn't quantify how many tons. I am not sure if that means a barrel test,

if it is to be on that separate pad that we have - Tom said that he actually didn't know so that he was going to find that out from John and we could discuss it in the morning, and then quantify specifically how much more he wanted to do. I can't really make a - you have what would be an ongoing budget on a weekly basis that is valid on a monthly basis but to do as your letter specifies, the testing that Tom wants - it is still not clear how much he wants to do. That is to say, he wants to discuss it with John Dean on Monday, and see what John felt or would think about that Areas 2 and 3, and so right now, I just don't know how much dozer time or how much anything else would be required. So like I am saying, as we ended our conversation last night, he said well lets just put it off, or lets just see - you know, for example - I have got hypo on order which Tom told me to order. He said well, I would really rather just wait until Monday - this was yesterday - and see how many ounces you pour. And so that has left me kind of in a state of limbo. In other words, I have got - we have got some bills which I had on one page there that are to the best of my knowledge the only ones, but there are probably a few more, but the ones that I am aware of that we still owe, and so like I say, Tom left it that he just wanted - said well its hard to plan all of this, and I can see the letter isn't clear because he couldn't tell me what was really meant by some of the things. So he said lets just see how many ounces are gonna be poured on one filter tomorrow - I am sorry, that was Saturday - he said on Monday. He wanted us to pour the first thing Monday morning. So that is basically the way that he left it.

J: Ok.

R: And I don't know any more on how to quantify - you know - how long anything will take than that.

J: So the directions to put three lifts on Area 1, two lifts on Area 2, and two lifts on Area 3 are not clear?

R: No. And he wasn't sure - you know - he didn't really know how much was really on Areas 1, 2, & 3, as a result of his visit. And so he said he wanted to - he said he had those pictures coming back that I sent him, or gave him - that he had took, and he wanted to look at those. I told him that that lift on Area 2 & 3 was very shallow, only about a foot and a half, and that isn't a complete lift, and the same way on Area 1. So he wanted to discuss that with John on Monday morning, and see what John's - how much really he would like to do, and then like I say, he wanted me to call him first thing in the morning tomorrow and discuss it with him.

J: Ya.

R: So I can't really say much more than that. After I talk

with him, then I will know exactly what the costs will be, and like I say, you have a copy of what our weekly expenses are.

J: Is that what you sent up with Ed?

R: Yes. But until I know really what they want to do in this test program, I can't be any more precise than just scaling down that weekly budget on a daily basis - do you follow me?

J: Ya.

R: And I pointed that out to Tom and he said well I know - he said I have got to be more sure on what we want to do on those extra lifts because that is of course what takes time - pushing it down and leaching it. So then, like I say, he left and then he said well I guess this probably wouldn't be too important to any of this if you get a good melt on Monday. We know how many ounces we should have in the filter - Tom suggested we just clean one, you know, just melt one because we can't melt all 8 in one day, and...

J: If you just melt one and he has got 8, which one are you going to melt? That is not going to tell you anything.

R: Melt the precips - oh, they would be basically the same. Melt the precips, and....

J: Why should they be the same? They are in series.

R: No, they are individual. You don't pass from one filter to another filter.

J: They are all in parallel?

R: Ya. Ya they are all completely in parallel.

J: Why aren't they in series, I thought that was the normal way of doing things.

R: No. Then if you put them in series, your capacity would be 50 gallons a minute.

J: Ok.

R: That plant throughput would be then the capacity of one filter which would be 50 gallons a minute. We are getting over 400 gallons a minute through the whole system. And so we are recycling the zinc - that is the precip - so the unspent zinc is being constantly re-precipitated as far as replacement with the silver vial sulfides system and is precipitating as silver, so we are constantly upgrading that, instead of adding fresh zinc is what I am saying.

J: Ok. Now you are circulating today, is that correct?

R: Oh yes. Ya, we circulate 24 hours a day.

J: What is your preg running?

R: 1500.

J: Ok. What is the barrens running?

R: Oh, 0 or 01. Essentially a zero barren.

J: Is there zinc in it?

R: No there is hardly any zinc at all in the barren.

J: Ok. What is you loss into the heap, or have you reached saturation at this point?

R: No, we haven't, but we loose about 10% a day by evaporation, but we are still in saturation right now, and again, it takes about 10% of the saturation.

J: Are you keeping records of that in any way.

R: Ya.

J: How do you do it?

R: Measure the flow.

J: And how do you do that?

R: Well, the only one that we can't measure indirectly is our return so we had to do that with a bucket, but the spray pump has a pressure meter on it, and we calibrated that to get gallons per minute. Again, we don't have any flow meters so we have to measure them with buckets.

J: Are you keeping track of that with a record keeping system?

R: Yes.

J: Ok. When will you be melting tomorrow.

R: Well, we will start but see it takes us - you know it takes quite a while to get the furnace heated up, so we will be finished by tomorrow afternoon.

J: Ok. What do you think about John's comment that fifteen hundredths preg is way too low?

R: Well, it is low. It is low - you know this very initial crust material that we pushed down has been leached by

everybody. But when you multiply - if we get a zero barren, Jim... You know that budget that Ed brought up?

J: Right.

R: Which is our expenditures on an expanded basis - not really during this test period, but I gave Tom a copy of it and I thought you should have one. Again, like I said, as Tom said, well you know - he can scale that down on a daily basis. But anyway, if you take a fifteen hundredths preg, that is 15 ounces every eight hours, isn't it - assuming the plant doesn't go down - that is 15 ounces every 8 hours, right?

J: Well, I don't know - what was your throughput?

R: 50 gallons a minute in each filter.

J: Ok.

R: So that is fifteen hundredths times 50 times 60 times 8 divided by 240. Are you with me?

J: Ya, ok, go ahead.

R: You understand that?

J: Ya.

R: Ok, so it really reduces to get how many you have in a filter in 8 hours and multiply your heads by 100. Because the 240 you divide by, the denominator goes into the 480 - that is the 60 by 8 twice so that is two times... past the filter of 50 or 100 so it is 100 times your preg so that is 1500ths, so that is times 100 is 15 ounces in 8 hours. That is times 3 for that particular filter, and that is times \$8.00 an ounce, that is \$360.00 for the 24 hours, that is three shifts for that filter. That is times 8, that is twenty eight eighty a day.

J: Well, is that what you think you are going to get?

R: Ya. Sure.

J: So you think that you will have that melted down tomorrow?

R: Well, what we are going to do is...

J: Or you will have 1/8 of that.

R: Ya. That is right, we will melt down - we should have 100 ounces to be in the ball park. Now if you multiply that by your 30 working days in a months, that is \$86,400 a month. You with me?

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J: Ya.

R: You know, and its like I say, if we - as you'll notice on that itemized list of expenditures on a weekly basis, which is \$10,000, that that includes a bigger dozer and a lot more things that we are not doing now. But anyway I am saying that is \$40,000 a month for the expenses. And that is awfully accurate. So at this rate, at 1500ths, that would be at least a net profit of \$40,000 \$46,000 I mean. So I can't argue with the fact that 1500ths preg is low, but on the other hand that is not - you know when you are just starting up on the lowest grade ore first - that isn't a bad rate when you have 8 filters, and for \$2,500.00, we'd put in that extra bank of filters. So all we have in the plant is \$5,000 so far, just the physical plant now, not the pumps or anything else. Now if we put in another bank, you see that pump, and Ed noticed that, you know our preg pump? That is only operating on the first notch from dead closed, and there is nine notches. We could support a plant three or four times the size of 8 filters. Now even at a 1/10 preg, that would make you some darn good money, wouldn't it.

J: Well, if you can recover all of it.

R: Ya, we are recovering it. Ok, so if you recover it, sure.

J: Well, ok, well lets see how things go tomorrow then. You don't see any hitches at this point?

R: No. See, we are recovering - you see that 10 ounces - that 10.5 ounces that Tom had - represented 25 pounds that were recovered in 8 hours in one filter, and of course 25 pounds is all you can get in one filter, isn't it.

J: Well, I don't have the faintest of ideas.

R: Ok, but anyway, that is the maximum capacity of those filters. It doesn't matter what it is, that is all you can get out of it. So we melted that 25 pounds down and all we got was 10.5 troy ounces, and that was disappointing to Tom. But he failed to recognize that at the heads we were averaging, 1300ths, you know 1500ths preg and 02 barren? We were netting 1300ths. Using my simple equation that I related, you know, multiplying your heads by hundred, we should have if the filters at the plant was working 8 hours, without stopping, we should have recovered 13 ounces - right? 1300ths times the hundred, and so it couldn't have possibly have recovered more than 13 ounces so we got 10.5. That is not too bad.

J: Ok.

R: Then one of the other things I was - you know, like Tom

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wants to see the metal, so that is all there is to it. That is why he is - at least in the conversation with me, which was very very lengthy last night - kind of diverted away from all this budgets and all of this and that and saying well lets just see what you can melt tomorrow. He just wants to see the metal from one filter so I said alright, fine, we are going to do that anyway - you know because we have been upgrading them for three days now, you know, running them right back through, and it really is working - we have to clean the filters a lot more often. We cleaned them - well lets see - what was it - 5:30 when I went out, and then again at 9:30, but it is constantly upgrading them and you see more metallic silver in the precipitates each time that you keep putting them back through. That is, you are using up the spent zinc. So anyway, now we can push with the dozer that I have on that budget, more of a D8 type than the D6 that we have - easily 15,000 tons, off of the top of the heap onto a pad, a little bigger area than what we are leaching on those narrow benches now on the east slope - we can push 15,000 a day easily with that dozer - if we would only recover 1/8 of an ounce of silver per ton each day, no more, that is \$15,000 gross a day. And if we can't recover 1/8 of an ounce per ton of the ore - we are doing that now - that is not hard. That is where the future cash flow is.

J: Ok. Well lets see what we get on Monday then.

R: Ok. Well the way Tom left it, it just kind of gave up on trying to get all these other things done because he said well it is so complicated - he is not sure where they stand on these lifts, and I told him about some of the complications I had on getting diesel fuel and you know, we always have completion problems, and I am almost out of hypo. I haven't really been able to add any. So, etc. etc., well anyway, he focused in on seeing what kind of silver we have, and we should have around 100 ounces - that is just very simple. Anyway, I did - took some of that manganese ore that is from the north ramp that Ed - Ed took some samples of it, and used a 1/2 strength sulfuric and 1/2 strength ferrous chloride solution on it, and in about 15 minutes of just hand swirling it, the silver precipitate was 2.5 troy ounces of silver per ton of solution. That ferrous is reducing the manganese dioxide, and I have been doing it with just plain sulfuric and in a much longer period of time, I only got .7 troy ounces per ton, and that stuff should run 6, 7, 8 ounces.

J: Ok, so that will be part of your recommendations on the manganese metallurgy.

R: Ya, that really works.

J: Ok. Will you have that ready.

R: Ya. Well I have really completed - I am going to do some more work on it, but I have really completed it to my satisfaction today. I have been running the digest for quite a while and comparing different solvents and nothing really works like this ferrous chloride.

J: Ok. Well I will look forward to seeing your report then on that. In the interim, keep me posted on what happens tomorrow.

R: Oh, I will call you as soon as we get our melt because that is really the critical thing, and that is really all I can get any quantitative feels from on Tom, as far as really all the things that are in your melt. In other words, he wanted to modify how much he puts on the different lifts, and he said yes, we need the hypo, and yes we need to get the liner, and I don't know if I - ya I put that on there as one of the things that I didn't have on there - its about \$1300 - its in Tucson - for our pond, but then he said - so he knows he has made those obligations, that is he has told me to order those things, and so his posture was that well if you can get what you should have according to the preg, and like I say, it is close to 100 ounces - if you can get that from 1 filter, it doesn't matter which one you clean - which would be then the upgraded, that would be the cumulative - that would be the total for the four days - that he would be satisfied with that part of it. So that is about as best as I can express what his feelings were, because they had changed some, and I don't know if he had actually forgotten what they had, what you all had discussed about the lifts and about that Bureau of Mines test or not - but anyway, he said I just can't remember and he said we will have a conference call with John Dean on Monday on that.

J: Ok, well keep all this stuff documented.

R: Ok.

J: Alright, talk with you later.

Conversation between Tom Schloss and JAB

J: How was your swim?

T: Oh, terrific.

J: Good. I just got off the phone with Dick, and tried to get him most of the afternoon. Finally did around 4:15. You haven't talked with him since I talked with you have you?

T: No, I haven't.

J: Ok. He told me that you were indecisive about the lifts and told him not to really bother with those.

T: No. Just work on the first lift.

J: Well, he said that you decided that you really didn't know what you meant and therefore there really wasn't too much that he could do.

T: Listen, God damn it, God Damn it isn't you - on the first lift - there were two lifts on it - on the second lift, there were 2 lifts, and on the third lift there were 2 lifts. On Friday, he was supposed to be putting the 3rd lift on the first lift - on the first section. Now, he said on the second lift and on the third lift he didn't put a full lift on there. I said why are you spraying? - meaning I don't believe him. Now Ed Speer was down there - what does he think?

J: Well, it is hard for him to determine what it was that you all talked about. But he says that he doesn't have very much material there. Ok, you know this....

T: Then why did he stop pushing it on and go to another lift?

J: Well...

T: Then he is not using good God damn sense.

J: Ok. Well, Tom...

T: It doesn't make any sense.

J: I think what is happening is that you and I are being whipsod, and I would suggest that neither one of us have any further conversations with Dick without being on a conference call.

T: Fine.

J: Because we are in a you said, I said, he said situation.

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T: Do you have the ability to conference call at your office?

J: Yes.

T: Ok, because I have one at my office - obviously I am not at my office. See what doesn't make any sense then, if he doesn't have enough material, then why did he start on a new lift? That doesn't make any sense.

J: Well, what he is telling me, and I am recording this, by the way, and I have recorded every conversation I have had with you and with Dick...

T: I better watch my language.

J: Ha, ha. I don't think a few four letter expletives will interfere with anything. But at any rate, I think they may be, in fact, in order at this point. But, you know, I can't get it straight at this point what Dick thinks you are talking about and what I am talking about. It is quite clear he said that you felt that the letter - that I just got through sending to him - was unclear.

T: That I thought it was unclear?

J: Ya.

T: I haven't received the letter.

J: Ok, no well, ok, but he...

T: I said if it is unclear, here is what Jim meant. Ok, now I will put on my recorder, which I don't have on now, ok, but if that is what Jim meant - or if that what.... here is what he meant, or here is what I meant - which was exactly what I think your letter said.

J: Well, that was my understanding too, and I am not trying to brow beat you, I am just repeating...

T: You can brow beat me all you want...

J: Ya, well, I am just repeating what....

T: I am telling you what I think is going down. See what doesn't make any sense is - then he is using poor engineering. You finish the lift before you start spraying. And then don't go back and start putting more spray on the first lift - on the first section. Let me repeat that... so you understand me...

J: Ya, ok, at this point I am not sure that that is the critical problem, Tom. I am really...

T: Oh, I agree with you...

J: Ya. I am really concerned about what we are doing.

T: Ya, but he can't do anything until Monday anyway - do you see?

J: Ya.

T: And Monday he said he couldn't do anything because he didn't have diesel fuel. So continue spraying on sections 2 and 3 and build up section 1 which we know has been played out because that was really a lot of crust.

J: Ya.

T: Which would seem to me would make engineering sense.

J: Ya, ya. Ok, what is our criteria going to be as far as continuing at this point? Now, again, Dick feels that we are going to have - should have 100 ounces tomorrow - I have got that on tape and also in my notes.

T: 100 ounces times.... is \$1,600.00?

J: Ya.

T: Good, I hope he is right.

J: Ok, of course he says that he can't melt all that down tomorrow. He can just melt the precipitates.

T: He can melt half of it so he has 50 ounces on half the precipitates.

J: Ya.

T: Terrific.

J: He says that he can only melt the contents of one filter so it is going to be 100 ounces divided by 8 or 12 1/2 ounces.

T: Fine - that is fine with me. I mean I can multiply and divide. It isn't a question - I mean I don't want the money or I don't want the silver. I want the - I am worried about the chemistry. I am not as worried about the amount of ore in the heap. That doesn't worry me. What worries me is the chemistry and I am also worried about the engineering.

J: Ok. Well, I am super dissatisfied with this whole situation. It is not the way I run my business, it is not the type of thing that I would like to be associated with, and I want to get it back on a reasonable basis.

T: Ok.

J: I do think, at this point, Dick has so compromised himself that I think we have got to have somebody else down there. If that is John Dean, fine, if it is somebody else, I think we have to do that.

T: Well I don't know about that.

J: Well, I am not...

T: Who do you have other than John Dean? John Dean won't go down there - won't live there.

J: Well, he may not even have to be there full time. But I think that we have got to set up a very carefully structured program which Dick has not done. I depended on him to do this, and - you know - as far as I can tell, he has simply copped out on the whole thing - you know - for whatever reasons.

T: I am planning on doing that on Monday with John Dean. Ok, so, I am saying I am doing that Monday.

J: Ok.

T: I didn't want to call John over the weekend because that is not fair to him, and I am liable to lose his good will. That isn't worth it. Ok?

J: Ya.

T: So on Monday morning, my first call will be to John, appraise him of what has gone on over the weekend, and get him working on how we approach it. Get him talking directly to Dick, and explain to John what's gone on about what hereinafter is called the lift problem, and ask his opinion - you know - what is the right way.

J: Well, ok, now, well Dick's comment was that you wanted to have a conference call with him and Dick to discuss the lift situation as well as the chemistry.

T: Fine.

J: Well, I mean, was that the conversation you had with Dick?

T: I guess so. I don't mean - yes it was.

J: Ya.

T: I had - you know - I have been thinking of survival today.

J: Ok.

T: Ya, no, that was. And I don't think - ya, I think that will go smoothly, I don't - you know - I don't understand what Dick is saying, and maybe John can - maybe Dick is right. I'll give him the benefit of the doubt.

J: Ok. You know, when I can't understand what somebody is saying, then I have the feeling that I am being mislead or...

T: Ok, do you understand what I am saying?

J: Yes, I am not having any trouble with what you are saying.

T: Ok, because I don't want to make - you know I always have a problem when I feel people don't understand what I am saying. I am trying to be very clear to you what I am saying.

J: Ok. My question is we have sent what I thought was an extraordinarily explicit letter to Dick - now the other thing was that he sent me up essentially the same budget he sent you, which he said that - as a matter of fact, I haven't even compared them - they may be exactly the same thing...

T: Well, we did them together.

J: Ya. But... that is his response to having the budget for the above prepared by the 23rd.

T: Ok.

J: Ok, and he said that that was fine with you. Is that correct?

T: (no answer)

J: Ok, let me go on, obviously we are getting into a he said, I said, you said situation...

T: Well, when we were talking about it down in Tombstone, that was the budget we were looking at. I didn't approve it or disprove it. Thinking about it - I wanted to think about the whole thing together and make a plan.

J: Ok. The next thing....

T: And the key thing in there - I don't know what he has got on the top part of that paper but he has probably got point thirteen times eight times - oh, I don't remember - times something....

J: Ya.

T: If that works, then hell yes we will go ahead with that budget. Alright?

J: Ya, well, ok, he gave me no - these are just written down on three sheets, no letter of transmittal, no signature on them or anything - so that is about as unofficial as you can get, and I really don't like that kind of communication because it is not obligatory - in order words, it could have been from anyone, or some of his notes, or anything.

T: Did he even date it?

J: No. Undated. Undated, unsigned, untransmitted with any kind of a note.

T: Ok, I would phrase it that this is not dated and not signed and - you know - no description. It is the same problem that John Dean has. It is slightly different but it is the same sort of thing...

J: Well, it is the same thing - if you never date anything, never sign anything and never transmit it with any kind of verbage, then obviously you never have any responsibility.

T: That's right.

J: Ok. I also got two small silver ingots, unlabeled, unweighed, no explanation.

T: Where are they from?

J: Well, they were from, supposedly, the cracked liner in the bottom of the crucible, which he said that you were aware of - or should have been aware of.

T: The cracked liner... What do you mean the cracked liner?

J: Well, apparently there was some silver...

T: How much was it - oh give me an approximation.

J: Oh, I would expect they are probably almost as much as you brought back with you.

T: Really?

J: Ya.

T: You know I brought back 10 ounces.

J: Ya, well I would imagine there must have been another 5 ounces at least.

T: Where did they come from?

J: Well, that is what I asked him, and he said the cracked liner in the crucible - and I said well Tom thought that he had every bit of it. And he said well he was there and I wasn't. So...

T: And so what did Dick say to that?

J: Well, no that was Dick's comment - that you were there and Dick was not - when it was melted.

T: Well, let me ask a technical question. You melt, you pour it into a triangular shaped - pyramid shaped form...

J: Ya.

T: It cools, you turn it over, and it drops out.

J: Ya.

T: You have a rectangular square, which is the silver.

J: Ya.

T: There could be a small amount of silver dispersed at other places. Small amount...

J: Well, ya, apparently what happened was the lining in the crucible had cracked and allowed a substantial amount of silver to fall down in there - or leak down in there.

T: So we didn't get all the silver out...

J: Apparently not.

T: Jim, that is strange.

J: Well, you know thats....

T: You got all these professionals standing around - when I went back there the next morning - I did not look at the crucible, but nobody had moved anything. If we had found double - everybody was very disappointed about only finding 10 ounces - ok...

J: Ya.

T: If we actually found 20 - don't you think that I would get a phone call?

J: Well, you can imagine my surprise when I got two more chunks of silver in Ed Speer's hand with no explanation - no label