

on them, nothing. I thought they had performed another melt. So, you know...

T: I don't understand that.

73

JAB & TS Continuation of conversation re RFH silver ingots and shutting down

J: Well I don't know how much it ways, but I would guess it must be half a heavy as the piece that you have.

T: What is it, maybe 5 ounces?

J: Ya.

T: Well, that could be. There were some pieces left there but they were in the water.

J: Pieces of silver?

T: Ya, but I wouldn't think they were 5 ounces.

J: Well, I don't know - since you have got the other piece and I don't have a weight on...

T: Is it in the form of an ingot?

J: Well, ya, kind of rough ingots, ya.

T: I mean similar to what I have.

J: There are two - ya, right - two of them.

T: Two of them?

J: Ya, one larger one and one smaller one.

T: Well, I think that John Dean and I will take care of that tomorrow morning.

J: Ya.

T: Because John has had an awful lot of experience - you know - off the record on this sort of thing.

J: Ya.

T: And I would say that that kind of worries me.

J: Well, the whole thing is just so complex at this point, as far as I am concerned, that I am very concerned as obviously you are too, but one thing - well I think that we ought to go ahead and melt tomorrow and then I think regardless of the results I think we better shut it down, put these guys on furlow, and find out what the hell is going on down there because I can't warrant you one iota, and every time that I talk with Dick, it sounds like you have said something different than what I talked to you about 2 hours before,

6/24/9

and gosh, I deal with all kinds of people, and I never have communication problems like that.

T: Ya. And I think that I am being very clear what I am saying. And I think that I am making logic - logical sense. I even think that I am making engineering sense.

J: Well, ya, I think so too. Obviously you have spent a lot of time working on this, and I - as I think you know - am a person who very much is a man of my word, and quite frankly, I cannot warrant you what is going on and I am supposed to be the guy that is responsible, and I just don't like the situation at all. Now the other thing is, we do have a cash problem. Regardless, I want you to either decide that you want to go ahead and foot the bills on this, or certainly I have got to shut it down tomorrow afternoon, regardless.

T: Well, lets talk tomorrow, Jim, ok? I will be working on this project all day tomorrow. Lets see how the melt down, lets see how the conversation goes with Dick, I want to see what the explanation is on those ingots, etc.

J: Well...

T: I may agree with you.

J: Pardon?

T: I may agree with you.

J: Well, I guess the question is are you going to cover the costs up to date?

T: I don't know.

J: Well, in that case, I will allow them to melt, but I will shut it down tomorrow if I don't have a check for next week's work. I don't really have any choice in that, Tom.

T: I meant I will give you my verbal answer tomorrow. You don't need the check... You know, my word is good, I presume.

J: Well, I don't know, it depends on what you are telling me.

T: If I tell you something - what I tell you is good. Right?

J: Well, ok, what I am telling you is....

T: You and I have know each other long enough...

J: Ya, I know, but I am telling you that I have got to have a check for next week's work and the back stuff that we have ordered by tomorrow or I am going to cancel everything.

T: Jim, I am not going to wire funds out tomorrow morning. That is flat.

J: Well, ok, then I will shut it down tomorrow afternoon.

T: Now Jim, you are the one who is supposed to be the operator here. As far as I am concerned, you have done a very poor job. I have taken it over. Now I am not wiring funds out tomorrow morning until I find out what is going on. We may close down Monday afternoon, but I am going to wait until Monday afternoon. The funds that are owed can wait until Tuesday, believe me, they can.

J: I am not worried about the funds that are owed, Tom. I am worried about the bills we are putting up.

T: Fine, we will make that decision on Monday.

J: Ok, but if I don't have any cash in the back on Monday, I am going to have to shut it down.

T: I am not going to wire any funds out on Monday.

J: Well, in that case I will have to shut it down and cancel all the stuff.

T: Jim, listen, you tell me what you have been doing over the last 2 weeks, or 3 weeks. If I hadn't gone out there, ok, we would still be putting money into this God damn project.

J: Good, well I understand that.

T: Ok, now I will tell you when to shut it down.

J: No, as long as I am responsible for paying these bills...

T: You have not been responsible for 4 weeks on this thing. I have been the one who has been responsible for this.

J: Ok, but you have just told me, Tom, that you are not going to pay any more bills.

T: I didn't say that.

J: You told me that Friday night before you left.

T: I want to know what is going on. I will know more on Monday.

J: No, if your words of Friday night are still correct, which you said you were not going to send any more money to Tucson, then I simply cannot run up those bills on that...

T: What bills are you running up on Monday?

J: We have got a whole 'nother days wages.

T: Are you saying cut off the wages on Monday?

J: Monday afternoon after they have melted that down.

T: Fine, I am saying you can cut them off on Monday afternoon. I may agree with you on Monday afternoon, but I am not going to agree with you on Monday morning. Now if you are not a business man or a gambler enough to wait, Jim, then maybe this is not your cup of tea.

J: No, you are going back on what you agreed to, Tom.

T: What did I agree to?

J: Which was to fund this thing.

T: Ok, what happens if I stop funding it?

J: Well, that is essentially what you have said.

T: Ok, and how long do I have? I have 7 days. I am not playing that game with you.

J: You have 7 days for what?

T: Oh, I don't know - it is 7 days I guess from when you called for it or something like that. But I am not playing that game. I mean you know that is going by the letter of the agreement.

J: Well, ok.

T: I am not playing that game, Jim. That is...

J: Well ok, but

T: I mean lets don't play that game against each other.

J: I would agree with that, but you must be able to see the position that I am in.

T: I am, and I am saying you wait until Monday afternoon.

J: Well, ok, I want you to tell me whether you are going to stand behind the bills that we have run up so far.

T: Well, which bills are we talking about? Wages?

J: Wages and equipment that we have ordered to date.

T: What equipment have we ordered?

J: Well, we have got bulldozing fees, we have got \$2,000 worth of hypo coming, we have got back wages, which I have got taken out of my account, and whatever other lingering expenses there are.

T: Well I will stand by some of them - you are really - it is not very wise to ask me at this time. I am telling you you are better to ask me Monday afternoon. And it isn't going to make that much of a difference. I will stand by Monday's wages. I will make no further commitments because there is no reason for me to make it today.

J: Well, except for...

T: Its Sunday evening, there is no reason for me to make it.

J: Except for the expenses up to date.

T: Fine, Jim, I am saying that I am making a commitment for Monday's wages, alright? Now I don't intend to walk away from this project. I wouldn't have come out there if I was walking away from the project. I may have to get on the God damn plane next week and fly out again.

J: Well, ok, but what you told me when you left has given me a great deal of concern, and I think that that is unwarranted.

T: This whole thing has given me a great deal of concern. It gives me a great deal of concern that there is nobody out there who I can depend upon to really understand this deal. Now, I have not come down upon you on this.

J: Well, I understand that Tom, and my recommendation is after they melt Monday, is just shut it down.

T: But you may not be right. You have not been down there - for reasons that I don't understand - you haven't even gone down there. You sent Ed Speer who I do not consider the most qualified manager around.

J: Yes, I understand that.

T: Do you disagree with that?

J: Well, I am probably the most qualified here.

T: Right, ok, but I don't think that Ed is. Now I have nothing against Ed, except that he is probably a good geologist.

J: Agreed, I am not arguing with any of that Tom, but what I am saying is is that I put Dick down there for somebody that I could depend on to take care of it. I do have other things, and I never warranted that I didn't. At this point, I have

no confidence in Dick's decision making capability nor projections, therefore,...

T: But you don't even take the time to go down there and find out.

J: Gee, Tom, I have got another emergency project that is just about as equally important.

T: Well, I don't care about that one.

J: Ya, I realize that you don't.

T: In all due respect, I don't care about it..

J: Ya, I realize you don't.

T: You know, I don't think that this thing ought to be recorded, Jim. Ok?

End of discussion on tape.

occurring prior to 1st trip (Right before)

79

First side of tape - conversation between TS and JAB in progress

J: Well, I don't know whether there is any point in going over spilt milk, Tom, what I am telling you is that I think that we can pull this out, I think that we can - should bring in some added help on it, if you so desire - are you there?

T: Ya, I am here. But I want to have - you know I have been backing this project for the last \$50,000 to \$75,000

J: Ya.

T: Ok, and I want it very clear before I leave town or I am not paying one God Damn thing - Ok - starting as of today - Ok - until there is an understanding of what the financial relationship is. Because you and I had reached a deal - now as far as I am concerned, we are going to have to pay something to Dick - Ok - and then John Dean wants his share - you know - wants part of it - he was talking about a big cash flow with what he wants - when you bring in this new guy, you are probably going to have to pay him something, and the capital budget is higher.

J: Ok.

T: Look it - we have gone through about 150.

J: Alright. Well lets take it from the point that we are - I think that at this point or at at \$150 I believe the deal was you earning 50%, I think that was it.

T: Listen, I would have dropped out. When I went down there and I saw what was going on, I came back and I said look, as an operator, I am going to be the operator - I want you to be the geologist. I don't want you to be the operator because - and I feel strongly, Jim, and I hope you can hear me - Ok - as an operator you were not doing the job that needed to be done. You didn't - we had Rabb - who wouldn't charge us one God Damn cent was never even called in. Now we found Rabb - not you - and you should of because you knew him and we didn't. Your job as an operator is to find those guys, and you haven't done it.

J: Ok, Tom. I think that I would have been down there had I been able to justify my expense which I told you in detail that I could not, if I was not reimbursed, and that is in our original written agreement.

T: Fine. That is what it was in the past. We can't afford - that was when for \$25,000 we get into production or for \$50 we get into production. We didn't see dog shit.

J: Alright - all I am saying is that...

*TS
Right before
1st trip*

80

T: Which meant that your analyses was off. You said that you did some geological surveying of that heap. I would like to see those results and I would like to see you reproduce one of those.

J: I did some geologic surveying...

T: Yes? Justifying - backing up - checking Dick's numbers.

J: No, I don't think that that was the case. I said that I believed that his numbers were correct.

T: But did you do any checking of his numbers? Any checking of his geological assays?

J: There wasn't - there was not any assay or check procedure done, Tom. What we were supposedly going to do was run a \$25,000 test.

T: Alright, and we ended up running a \$100,000 test, and I stepped in. Now how much room do I need to give you?

J: Well, you had kind of stepped in and taken over direct control with Dick...

T: Ok, because I became more and more concerned, and as it turns out - its justified, Jim.

J: Ya, and I have never gotten any reimbursement for any of my ongoing expenses Tom.

T: Either have I.

J: Well, I know, but the agreement was that you were going to...

T: The agreement - what was the agreement? The agreement was we were going to put in \$25,000, we were going to turn the machine on that was going to start producing.

J: Ya, that's right.

T: Ok, now, what happened? The deal has changed completely.

J: Well, I think the realism of it, Tom, is that we are talking about something that will probably get underway, will probably produce lots and lots of revenue, and for an initial error, I think that its unfair to expect that kind of a demonition in my interest - all things considered....

T: Why didn't you complain then - when I was willing to fund it? You had a month to complain.

J: Well, in part because I have not had the opportunity to sit

down and really think the thing through clearly.

T: Well Jim, thats - you know - what pisses me off is that I have been funding it - taking money out of my pocket and you say you haven't had the chance to sit down and really think it through. Well, I have, and I have paid for it.

J: Well, you have also taken over the....

T: You are darn right...

J: Position of operator...

T: Absolutely. And I would like your help as a geologist - I would like your help in finding the Rabbs of the world, because I think that it is going to make you and I a lot of money.

J: Ok, I would agree. What I would certainly agree with, Tom, is that you go ahead and get that additional expenditure back - but I think that we are going to make literally lots and lots of money down there if it is done geologically and metallurgically properly.

T: Alright - who put in the sampling technique? No you - I did. Ok. Who put in that we switched from hypo to cyanide? I did. Who put in that we switch from the heap to the Contention? Who went from one de-aeriation tower to two? I did. Now that is what an operator does. I am not convinced, Jim, that you can be an operator. You have not convinced me at all.

J: Well, Tom, my original agreement was never simply to operate that on my own string, and I cannot be an operator on my own string. Now what I will do is I will...

T: You haven't proved to me that you have got the ability to do it as an operator.

J: Tom, I have got plenty of ability. Now whether....

T: No, I don't mean ability in that way...

J: Ya, ok...

T: And I don't mean that...

J: But I have got plenty of ability...

T: Ya, but you have got a lot of fish to to fly, Jim, - Ok - we are just one fish that you are flying and you haven't sighted for seven months.

J: Ya, my biggest mistake was not getting rid of Dick

immediately, and part of that was because you had stepped in as essentially operator - and my big mistake actually...

T: I stepped in and got the information so we could get rid of him. I stepped in and got the information so that we would have alternatives. Your alternative was Jack - whatever Jack's last name is - ok - and Tom Waldrip - who I don't really know. But Jack I do know, and the answer is absolutely no. I think that he is....I don't know - maybe I shouldn't knock him that much but he...

J: Well, I don't think that you should either because he has been involved in mills and milling. I don't think that he is the one that we need down there.

T: He doesn't have the personality to carry it off.

J: I am not arguing with you on that.

T: Ok. But I am saying - alright now Rabb should be able to find us somebody - or - you know - or a couple of guys on that list - calling them. We'll find somebody but we can't look at the S.E.A. organization - that is such a small population to look at - our sample isn't large enough.

J: Well, I don't - Dick was supposedly the metallurgist, and he has completely washed out.

T: Ok, but Dick as been suspect for at least a month.

J: And I told you, I think a month ago, that I thought that we ought to get rid of him - didn't I?

T: But you didn't have an alternative. We are not looking for that alternative. You didn't have a way of getting an alternative. That is what an operator does.

J: Well, you didn't agree with me at that point - I think was the big problem.

T: Well when we talked about Jack, we talked about Tom Waldrip, Ok - I didn't necessarily disagree about getting rid of Dick, I said lets give him - you know - lets keep our eye out. I said looking for somebody else. I remember saying that to you, Jim. I doubt whether that would be in my notes, but I would say that to you. But I remember saying yes, lets keep on, lets look for somebody. I have been looking - we should be looking for somebody for a couple months in the past, and I think we have. I have. I mean that is why I jumped at the opportunity when John Dean called me about Rabb.

J: Ok, well...

T: You see my point?

J: Ya, but Tom, you have kind of hit me in my Achilles Heel in a bad time, and you know, I am not particular happy about it, but it has resulted in a great deal of expense to you and a great deal of consternation for me. And I am not trying to find fault, and I am not even trying to tell you that I am going to take any cash out of your pocket, but the one thing that is clear - if there is more reserves discovered down there, in all likelihood, it is going to be me that is going to be responsible for outlining them.

T: But you know, Jim, the reality is - I mean - you know - I sent down Ed Speer - ok - and I don't think he did a very good job at all. I think that it was a waste. You came down...

J: I don't really agree with you Tom. That is really pretty typical for a very quick one or two day examination. I think that he spent a total of 2 days...

T: Fine.

J: On the project.

T: Ok, but the point was he didn't - you know we did a barrel test - Ok - we indicated that there really wasn't probably much there. He came up with a high value - we could never reproduce it, and my point is that I can't use the Ed Speers with these very high values - they are too expensive. I have got to hire my own geologists. Not at an overhead rate of S.E.A., but as I said, I got to hire the guy on a part time or a full time basis.

J: Well, I think that what you are going to find is that the cost is pretty close to being the same. You know, there is a reason for the overhead - that is that it is supporting a lot of facilities. Now, you know, the geology is not that complex down there - well its complex - but it is not going to be that time consuming now that we have a photographic base map to...

T: Did that 1' to 20' get done? 1" to 20'?

J: It is not yet. I am not even sure what status it is at. I will check into it.

T: Ya, because I - Dick said ya, he was looking for that because he had reworked all the old workings - underground workings - and he wants to put that on that photograph. I said how long will it take - I said you really ought to do that before you talk to Jim - I am trying to get him to impress you so that he doesn't get fired. You know, there is a side of me that is sympathetic to Dick.

J: Ya.

T: So he says, ah, it will take me 5 minutes. Oh?

J: Jesus. Well, ok, I am not even sure what he is talking about when he says the underground workings - but - do you?

T: What?

J: Do you understand what he is talking about when he says he has plotted all the underground workings?

T: Well, there is a map of the underground workings of the Contention area - I am seen it. And he wants to plot it on the photograph. But when he said it would take maybe 15 minutes - well - you know - I mean - what is the value of that?

J: Well there is no reason that he can't plot it on the 1" = 100' map that he has already got.

T: But he says he has.

J: He has?

T: Ya, but it is so close, you can't really tell anything.

J: Well, I would agree with that, but I am not sure that the added scale is going to make much difference.

T: Could be, could be.

J: Well, I don't know. I can't argue that one way or the other.

T: It is just that - you know - it like he is always shooting from the hip, and...

J: Well I am not sure what value that is going to be. Is there some reason he even wanted to do it - at this point? Something that should be done?

T: It indicates where there were old values in the past.

J: Ya, ok, I would agree with that, but I haven't seen any copies of the hundred scale stuff, and furthermore, I haven't seen any daily reports either so...

T: Ya, well why don't you call Dick and get brought up to date. Call me in the morning - Ok - because the financial arrangement has to be resolved before I leave town.

J: Well, since it is not really coming out of your pocket, Tom,

what are your...

T: I got a summary of the expenses and \$4,000 for this week and who is going to pay it?

J: Well, I expect if you don't pay it, I will simply shut things down there and pay it myself.

T: Alright - but that is just - I am telling you - the budget is so big - ok -

J: No, I agree with you 100%.

T: That obviously does not include the \$7500 for the Farmers.

J: Ya, I agree with that too.

T: So, that is what I am saying. It has got to be resolved before I leave town. I mean I am very unhappy that the night before I leave you bring it up. I wanted to make sure before I left that there was an understand because it isn't in writing - you know - its our word.

J: Well, and, you know, we...

T: I am glad you are not dis-acknowledging our agreement. That would make me very unhappy - I am not - you know - what you are saying is I want to re-negotiate it again.

J: Well, now what you are saying is you wanted to re-negotiate it, but after looking back at that, Tom, - now of course I was in Nevada and did not have the chance to review that, but...

T: You had a month, Jim.

J: Pardon?

T: You had at least a month.

J: Agreed. But reviewing that thing - you know - I am already being penalized as any expenditures go on. Now...

T: When there is a cash flow - I mean, look, Jim, there would make me nothing happier than to pay you all sorts of money. I don't object to paying you money.

J: Ok, then that's fine.

T: But I can't pay you right now, and right now we are so far behind that - you know - we are in jeopardy of loosing the whole deal - not paying you the money we need.

J: Ok, lets do it this way, Tom. Lets just simply - we will go

86

ahead and find somebody to hire. I will go down and put in the necessary time, but since I have not been paid anything at this point - and you are simply reimbursing Dick on his - essentially on a salary basis - lets go ahead and lets keep that thing at the agreed on point because I feel very strongly that we are going to make lots and lots of money down there, and I also feel very strongly that it is going to be largely up to me to pull the whole thing off geologically. That is the basic thing that has to go in there. And - you know -...

T: I am not willing to go back to a 60-40 deal. And that is final.

J: Well, Ok, lets hang the whole thing up then because I don't...

T: You want to go back for a 60-40 deal? You know, that is just fucking rude. Because one, Dick was getting 20% - we know he is not going to get 20%, and you are asking for his 20.

J: Why are you saying he is not going to get his 20%?

T: Are you going to give him 20%?

J: Well, that is what I told you this morning.

T: That you were going to give him 20?

J: It is written into our contract, Tom, that he gets half of whatever I make.

T: Fine. Then go drop down to 12, and take it as a - not a retainer - but as a consultant - take it that way. I mean I can get you around that one. God Damn, after he has fucked me over - you better believe that he is not getting 20.

J: Ok, well then lets see if we can't...

T: In other words, I will work with you because I don't think that you have ever, Jim, tried, knowingly to do me - you know - to hurt me in any way.

J: Well, I sure haven't Tom...

T: I know that so I will work with you anyway you want - I don't have any problem with that. But - no wait - Dick has tried to - I mean if you put the things together - what I told you - hey, he has really - no, I really think that he is crazy.

J: Well, I think he is too. I think that he is absolutely not right. So, fine, lets....

- T: In other words, I will pay you 12% - ok - which you can split with Dick, which gives you 6 - 6 and 6, and then we will accrue a retainer fee for something and we will figure out what the percentage of that will be. It will get you right back where you want to be.
- J: Ok, as long as we can get me right back where I want to be.
- T: But if you want to be at 40%, forget it.
- J: I want to be at 20%, and then we can negotiate with Dick whatever is necessary. I think that Dick has offered us a service in getting us the deal with the Farmers, and that is about it.
- T: That's right. And he has cost us a lot of money and time.
- J: I certainly agree with that. Not only you, but me. I am sure that I have got \$50,000 worth of time involved in this and God knows how much in expenses.
- T: That is 6 months of time in here.
- J: Ya. You know it has damn near sunk my operation too so I am not any happier than you are, and it is going to strain the hell out of me to continue to put in the effort necessary, and I will do it, I have said that I will.
- T: Jim, lets get back tomorrow morning. As soon as you get into the office, give me a call because I am on a very tight schedule tomorrow.
- J: Ok, what do you want to do about Bill Hight, Tom?
- T: I don't want to call his - John Meselp? just died.
- J: Oh balls.
- T: And I have written him a letter and I have a draft of it, and I will read it to you tomorrow.
- J: When did he die?
- T: About a week ago. So you can't call and discuss - you know - we have to put something in writing to him, I think.
- J: Ya, I think so too. I don't know what the ramifications of that are. That is unfortunate because Mefelt?, according to Dick, was more reasonable than Hight was. And I don't mean to be bringing bad news on top of an already complex situation, but...
- T: Oh, I know that, and I have written a letter to Gallup, who

was supposed to be out in the Tombstone area - I asked him to stop in and see you, etc.

J: Ok.

T: Ok, and I will work on that and I will read it to you tomorrow. Maybe I will send it out to you and it can come from the two of us.

J: Ok.

T: Ya, I have written the first draft. That guy was really kind of an interesting guy.

J: Ya.

T: That is a shame from every way you look at it.

J: Ya, what are your feelings as far as that being thrown into probate. I don't know how that is going to affect the negotiations. I guess that it is a corporation though so Hight should have jurisdiction, isn't that right.

T: Excuse me?

J: It is a corporation and Hight is the President, is he not?

T: Ya.

J: So that shouldn't really affect things.

T: But Hights nemis was Mefel? so it should really help Hight. I mean he was always looking over his shoulder - what would John say.

J: Right.

T: That is pretty fucked up.

J: Ok, well lets go ahead and review this tomorrow. What time do you want to get together.

T: Jim, you are not going back to the status that you were before because things have changed entirely. Lets discuss it, we will get Dwight on the phone, get his opinion in the morning - and I am fresher in the morning - I haven't had dinner yet.

J: Ok, that is fine.

T: But lets get it resolved before I leave town, and - you know - lets get it resolved.

J: Well, I agree with that, Tom. You know, I am not going to

simply push over either. I don't want you to get that mis-information.

T: But listen - you know - where have you been for the month? You are not going to push over while I - you know - forget it. I am not either. And just because - you know - the night before I leave town, you want to say well gee I have been thinking about it - well, so have I. And when we find the little reserves, now you have been thinking about it. When we were back on the heap you weren't thinking about it. You know it is really not very fair. I want you to give that some thought, Jim. Now lets go back two weeks where we were when we were still on the heap, and I didn't see you wanting to come in here and be the operator - at all.

J: Well now, you said that you were going to be regardless, Tom.

T: That is right, and I am still going to be, regardless.

J: Alright then, lets make it worth my while to continue on.

T: Well, lets make it worth your while not to.

J: Alright.

T: Because - you know - we can find another geologist - I don't want to - I want to start a business with you that is going to go on for a long time - Ok - but at the rate that you were charging us, we couldn't afford it.

J: Well, I think that that is very questionable because had I been down there and had I been being reimbursed where I would have not had these other problems... we probably would not have had the problems that we have already go.

T: Jim, you tell me what contributions you have made to this project.

J: You tell me how much pay I have got on it so far.

T: You tell me how much pay I have got on it. Now I want to talk about what contributions you have made. Lets forget about - anybody can bill out at any rate they want. What contributions have you made to this project? I want you to give that some thought.

J: Ok, well lets get together tomorrow. You set the time and I will get together with you.

T: As soon as you get in the office. Lets say 8:00, that is 11:00 my time.

J: Ok, you are generally in at 9:00 aren't you?

T: Ya, I am in early, but I have got - you know I am catching a plane tomorrow night.

J: Ya, ok, good enough. I will talk to you then.

T: Bye.

Conversation between JAB and Tom Schloss - day of departure for Tom

J: Hello

T: Hi, Jim.

J: Hi, how ya doin?

T: Fine. Would you call - I just talked to Bill Hight.

J: Oh, you did?

T: Ya.

J: Ok.

T: I brought him up to date. He does not want to - he wants us to pay the money today. Ok, he will be in Tucson tomorrow, arriving on Frontier Flight 109.

J: Frontier Flight 109.

T: At 10:46 in the morning. He and a Frank Gallup - Frank Gallup is a hell of a guy. A good businessman. He is about our age - I mean it is all relative out there. Ok. And he is the only guy that has got any business sense.

J: Ok.

T: Ok. I guess that he is going to be doing more work on this project. I said hey we need your help here. And so, typical Bill Hight said tough shit, we will take it back and give it to our children. So you got \$7,500?

J: Do I have \$7,500?

T: Do you have \$7,500?

J: I am sorry, say that one more time.

T: Do you have \$7,500.00?

J: No, I sure don't.

T: Ok, well you are the operator, you better come up with it. Call me back when you get that done. Dwight and I are here talking - I am trying to bring him up to date before I leave town.

J: Well in that case I guess we probably ought to let it go, then.

T: Well, you let it go, and I will pick it up by myself. I am

*Wait of depen here
1
2 Aug 1961*

very unhappy with our conversation last night. Now, I am going to bring Dwight up to date - call Hight, Bill Hight at 308-382-3147.

J: Ok, hold it, give me that again.

T: 308-382-3147.

J: 308-382-3147.

T: Right.

J: Ok. Now you want me to call him up and tell him what?

T: Well I suggest that you go down to Tombstone with him.

J: Ok, well I don't object to that, but what was the - why don't you run through the jest of your conversation again.

T: I told him that we had made a lot of mistakes on top of the heap - we probably have to crush the heap in order to get anything out of it - that is the capital expenditure - unknown how much is there - we have been working on the Contention ore - we think that we have discovered high value, but it is going to take a lot of capital in order to bring it into production. We are going to need the following pieces of equipment. We are going to need a dozer, a front end loader, a 30 ton off the road truck, a water truck, etc. We are going to have to build a plant in order to meet those productions - that is going to take a lot of time. We are taking the month of August and we are going to be doing sampling. The month of September, we hope to start it into production. I need his help in putting off those payments - now.

J: Ok. And what you would like me to do is convince him that he should?

T: Yes, unless you have got \$7,500.00.

J: Ok.

T: You got \$7,500 - you don't have to talk to him.

J: Ok, well I will give him a call and see what he has to say.

T: Ok, and he is going to come in with Frank Gallup tomorrow, and I don't think you want to say much today.

J: What's that?

T: I don't think you want to say much today. I think you either want to meet him down there or drive down there with him, etc. - but he is not the guy that you really want to

talk to.

J: Frank Gallup?

T: You want to talk to Frank Gallup. Bill Hight is 75 years old, Frank Gallup is probably 40 - 45. Sharp businessman. Not in a good sense of the word. Now you know John Mefelt died?

J: Ya, you told me that last night.

T: So you want to say how sorry you are about that.

J: Ok, well let me give him a buzz, and I assume that you just got off the phone with him. And then you would like me to call you back?

T: Right.

J: Ok, good enough, I will do that.

T: Thank you.

Conversation with Tom Schloss following calling Bill Hight

J: Ya, Tom?

T: Ya Jim.

J: Ok. You want to call me back on the watts or what do you want to do?

T: Just bring me up to date on Bill Hight and then I will call you back in 10 minutes.

J: Ok. I am going to meet with him tomorrow as soon as he gets in, and we will review everything at that point.

T: Great. And that's it?

J: Ya, that's it.

T: Ok, are you going to be around this morning?

J: Ya. Right.

T: Ok, I will get back to you in a few minutes.

J: Well, ok, shortly or...

T: Shortly - within a 1/2 hour.

J: Ok, well I have got another meeting I can attend then, so I will just wait for your call.

T: Ok.

Conversation between Tom Schloss, Dwight Lee and JAB - just prior to Tom's departure for Italy

RE: Termination of Dick and percentages - determination of operator

J: Tom?

T: Hi Jim.

J: Hi, how ya doin?

T: Oh my God...

J: Hectic.

T: Jesus - the guy still hasn't called me back on that AA.

J: Well, for Christs sakes. Uh, is that the one from Phoenix or is that the one from...

T: Located another one - I may have - we may have - there may be a - we may have more than we think. I don't know - trying to leave - you know, you are having a cut off to your time...

J: Ya.

T: If you leaving the country - is extremely difficult.

J: I know what you mean.

T: Somebody has got to call the Arizona Bank. I will try and do that.

J: Got to call them?

T: Ya, we got to switch our accounts over there. You know they won't do business with your bank any more.

J: Who won't?

T: The Arizona Bank in Tombstone.

J: Ok, what is the reason for that?

T: They won't cash the checks because they have had to do too much work, and they haven't been compensated.

J: Ok.

T: I have had Jane start the process of getting the signature cards signed - or I guess maybe he hasn't started because I

haven't had a chance to follow it up.

J: Ok.

T: It is just endless - this project.

J: Ya, I know what you mean. Well, Ok, Jane's already got that in hand, I assume.

T: Well, I don't know. Give me the status on the pictures.

J: Well, ok, which pictures are you talking about?

T: The ones I asked - Slaymaker's partner.

J: Robin Brown - is that who you asked?

T: Yes.

J: Ok.

T: Do you know the status?

J: No, I don't. Are those photographs already taken?

T: I don't know - we will have to figure it out with Dick. You are going to go down to Tombstone anyway tomorrow, right?

J: Ya, maybe tomorrow evening. I have got an important appointment at - or had one at 11:00, which I pushed forward so that I can take Bill Hight and Frank Gallup through the office - go over that with them and then probably go on down to Tombstone later on that evening.

T: Ok. Ok, now you know they are going to be spending there maybe until Saturday. I don't want Dick tied up - or I want everybody working down there. Which is going to be difficult.

J: Ya.

T: Especially if we pay them the money. Dwight and I have been talking over what you suggested last night.

J: Ok.

T: And, quite frankly, I think that we will decline, and we will continue with the offer that we have which is that 24% goes to you and to Dick, and 76% to the financial interests - and to the operators.

J: Ok, what specifically are we talking about, Tom, because that is probably not clear. I think the operating agreement that we lined out is good and clear - tell me specifically

what you are suggesting - again - because we...

T: It is the agreement that you and I had reached when I took over being - when Famco took over being the operator of the Tombstone property down in Tombstone, Arizona, witnessed by a operating agreement which was in draft form - and that was that Dick's interest would be reduced to 12%, Jim Briscoe's interest would be reduced to 12% - and we would put up the money needed, and we will probably have to raise additional funds in excess of that. We will probably have to get in a partner - either some people that you know that you mentioned last night or quite a few people that we know here that are interested in this project. And we will have to - it is not - well one we have already spent \$150,000 - so we only have \$50,000 more to go, and that is not enough to get us through the month of August - maybe the month of August and September - especially when you put in the \$7,500 that is owed today.

J: Ok. Well, you know I certainly want to work with you guys and I want to do whatever is fair. What is not clear is - what that means is that a diluted - is that a working interest, is that a carried interest, gross interest - what is it that we are specifically talking about.

T: Lets combine the two. It is a 24.76% interest. If we have to raise additional money, it is diluted with ours. Now lets say we had to raise over \$200,000 - an additional \$200,000, then we are all diluted - we are all in this together. I am not asking to be carried or is this operator asking to be carried any more than I would ask you. It is a dilution for everybody in the same proportion as their interest. And then, of course, you would take it down to the - maybe the provision that we had in there - so that you are not diluted down below zero or 1%?

J: So we end up with a 10% profit carried....

T: Put that in, you can't be diluted down lower than 10%. Ok?

J: That is fine except I don't think that that applied to us at all.

T: I don't know, Dwight? We didn't cover that point. Well, do you want to be diluted down all the way?

J: Well, obviously I certainly don't.

T: Before we were talking that we would be the minority interest. We would own 25% and you would own 75% of it. You didn't want to be diluted. Now it is the other way around, and I am suggesting to you that you could be diluted down to nothing in here - I will make you the same deal that you made us - I think that it is fair.

J: Ok. Then what are you suggesting we do about our costs and contributions?

T: Well, if the project is successful - ok - I think legitimate costs that are charged to the project certainly should be paid - back as soon as possible. I have no objections to that. Now that is not costs for negotiating these legal agreements. That is - that is an equity owner. You know, that is for geological time. Ok? You know, for your professional - you want to pay me for a - I am more of a lawyer than you are - pay me for my professional help - with a sense of humor, Jim.

J: Ya, ok.

T: You know - I mean - for geological time spent - ok? In other words, you are a professional at what you do - well I have no objections to paying for that out of the earnings of this operation. And, therefore, it is in your best interest - every way you look at it - to get this thing as profitable as soon as possible - it is also in your best interest to keep the capital expenditures down as low as possible so you don't get diluted.

J: Ok, I will tell you what, Tom, at this point, from what I figure I have got into it cost wise, we are at about - and assuming you put in another \$50,000 cash - we are at about 75%-25%. I don't want to - because it complicates my position because of the agreements and documents that I have already got with Dick - I don't want you to negotiate separately with Dick.

T: Fine. You and I will work - look, let's decide what we want to accomplish, and then we will work together.

J: Ok, that's fine. What I - I want to think about this a little bit - but let me just throw it out as a suggestion. No, I don't think that I will. Ok, so what you are really suggesting is that we be penalized - or I be penalized - by 20% of the \$200,000 expenditure.

T: Can you put in \$200,000?

J: No, no, no, no.

T: You said it was 75-25 - that is the 75.

J: Well, at this point - where are we saying that the 24% that you are talking about really begins?

T: Now, I suppose, I don't really know what you mean by the question.

J: Well, because we are talking about both of us taking further dilution, and...

T: From the point of 200, Jim. At 200 we take further dilution. In other words, we agreed to put in 200, but we will put in that \$200,000, but that - God damit, we have got to prove up some more so that we can go raise some money. We got to document it. I mean we have got so much work to do in the month of August that it - I am not sure August is going to be long enough, and I would - if there was a way that I could cancel my trip - I would. But I would be disowned.

J: Ok. What - alright then that puts me right back in the position of operator does it not?

T: No, Dwight is here. You are in the position - remember when we discussed this I said look, I want to pay you Jim 5% as a finder and 7% as a geologist? - I want your input as a geologist, and I want Dwight when I am out of town - now I will be talking to Dwight - Dwight and I have worked very well together - we have already been together for what 10 years? - He has got to make a number of decisions - now what are they? How much money and time do we spend on the sampling, two, how much money and time do we spend on the metallurgy, three, what are the capital requirements - what capital do we need, four, how are we going to raise the money - how are we going to set up a program to actually raise that money? Five, six, and seven. But that is what he has got to do, and that is really not your strong suit, sir?

J: Ok, well that's fine.

T: What we need you concentrating on is the geology, two, who is good in the area to replace Dick, and start interviewing a packet of people, three just keep your eyes and ears open looking for things that are going wrong. I mean, I don't know what it is going to be, but don't you don't get involved - in all due respect to you - in areas that probably Dwight can do maybe as well or better than you can do.

J: Well, I think thats

END OF SIDE 1 OF TAPE

T: ...his demise on that property is difficult.

J: Well, I am not sure that I agree with you that it is as difficult as it is. One thing - I think that our sampling and our ore reserve calculation is the most critical thing to do right now, and as long as he is in charge of it - I

think that we continue to put that under a shadow, and I am not sure that we are not doing a lot of work that may need to be re-done because I don't know that we can depend on anything that Dick...

T: Well that is why I tried to get Bailey Escapule down there.

J: Ok.

T: And I got to have somebody who is....

J: Ok, well lets take the first step first, Tom, lets boost Dick out of there as rapidly as possible.

T: Ok.

D: How would you suggest doing that Jim?

J: Well, I talked with Jay Kittle yesterday, and as far as I am concerned, Dick really has not - there is no reason that I can't fire him on the spot. I want to do it where he remains - retains his cool, if that is possible, and I don't want to get embroiled in any future legal hassels with Dick - which is simply consumptive of time and money, and generally doesn't do anyone any good. But I think the sooner we get him out, the better, and I am having Jay write up a letter of termination for Dick to be sure that we have covered all bases, and as I have mentioned to you, Tom, I think that it is reasonable to reward Dick for the part that he has play here - which might include crucifying him or tarring and feathering him, but I have considerably more control over that reward than I had realized. And I don't think that that need concern the two of you - in other words, I do want to make it worth my while to pursue this in a enthusiastic manner, and I prefer that you let me deal with Dick on terms that are reasonable. And I am going to be fair to the guys which is more than he was to me in Cordeiro - for example - but I am not going to be overly generous.

T: Well, can you tell you what you have got in mind?

J: Well, unfortunately, the way that we worked things out, Dick is a 50% - or I am sorry - a 49% owner in both S.E.A. Hydromet and The Austing Mining & Exploration Company. However, since he is a minority owner, there is no reason that I cannot call a Board of Directors Meeting and terminate him. However, our agreement is written such that the income flows to Austin Mining and thence to Dick. However, I am under a variable degree of requirement to declare dividends at any particular time, and I can do pretty much with that money pretty much what I see fit. I have the option of investing it, doing research with it, paying myself a large bonus with it - within reason - before

declaring any dividends. So that gives me a great deal of flexibility. And I think that I will simply use that flexibility in a way that will reward Dick for his input, but not make it so lucrative to him that he is not penalized for his shenanigans - if we can call them that.

D: Are you going to dismiss him entirely from your organization?

J: Absolutely, I want nothing more to do with Dick.

T: I would put in a caviar. He will get whatever you are willing to pay him, based upon the following: that he not do anything to disrupt, etc. either your organization or the Tombstone organization.

J: Ya, absolutely.

D: And Jim, I think the other thing we have to do is determine whether he would have a course of action against us in that circumstance.

J: Ok, well I would certainly be happy to have you, Dwight, talk with Jay and I on this, but I don't think that there is. As a matter of fact, I think he has no leg to stand on whatsoever. But certainly we want to assure ourselves of that. The last thing we need to do is get to haggling with Dick either now or at some future date. Now one thing I would suggest, is that we go ahead and give him 2 weeks worth of pay -

T: Wait until all the bills are in.

J: Well, ya, I want to say that we will give him two weeks worth of pay, but I want to deduct whatever he can't account for properly. Which includes rent on his house.

T: Well there is going to be rent, telephone bills, utility - you'll be surprised at what comes out of the woodwork.

J: Ya, I am sure.

T: Now, what are we going to do - Dick gets 12%. What are we going to do with that 12%? Now part of it is going to go to - has the potential of going to him. What happens to the rest? Well, my understanding is - and what I think I would certainly be willing to do is have 24% go to the Austin Company, and then Dick may get 12% of that, but that is literally pretty much up to my control, I believe.

T: Well, ok, but what I say on that, Jim, - I am not saying - hear me out on that. I say he ought to get lets say 5% as a finder, and that 7% that I am paying you as a geologist, theoretical - ok? - well - and I discussed this with Dick -

I am paying 7% to him as on site operator - now that 7% that he is not entitled to since he will no longer be the operator down there, goes to the new guy we find - or a part thereof. Because we are going to have to pay him percentage points. Now we are not going to be able to pay anybody we bring down there enough salary to get him to go down there. We are going to have to pay him a percentage. I would say you have got those 7 points to work with. Now that is how I envision it. You may have to - there is nothing magical on the 5 and 7 that I worked out - you may have to compromise with Dick - you know - at 6 or 4 or whatever, but he has raked all of us over the coals.

J: Ya, no I agree, but see what complicates that is my agreement with Dick, Tom, and...

T: I can handle that another way. I can always pay you a consultants fee. I can pay S.E.A. for supervising the contract, and nothing ever goes to Austin.

J: Well, I am not sure that that is not going to get us in some real legal hassels.

T: Well, when we bring in this new operator - whoever he is...

J: You mean the new employee.

T: Operating officer on location.

J: Ok, well first I think that we ought to think about that very carefully. Because I am not sure that we need somebody of an extremely high degree down there. In other words if it is Dusty Escapule or Charlie - I think thats - I am not sure that that is in order.

T: No, it is not in order. You cannot hire Dusty to do this. It is way over Dusty's head. So far over Dusty's head it is frightening.

J: Did I say....

T: Charlie has got other fish to fry.

J: Ok.

T: You got a whole list of people that you discussed with Rabb - anybody look interesting?

J: Except in one case, they all currently have jobs.

T: Ya, I know - you are going to have to offer them something.

J: So, that is a bit of a tough nut to crack.

T: Why is that a tough nut to crack?

J: Well, because you are offering somebody something that is very ephemeral and...

T: Sold us - sold it to us, we ought to be able to sell somebody else.

J: Ya. Well, it is a little bit harder to sell that type of thing to a young college student, which is what we are talking about.

T: I am talking about somebody that is in his 30's. Been out of school - not wet behind the ears - and you pay him - you see 5% of the net profit. In other words, you figure out some system. That is what it is going to take to get somebody good. Dusty Escapule cannot do it. He doesn't have the - he can't do it.

J: Well, ok, I don't think that during August we even need somebody down there because all we are doing is sampling.

T: No you don't understand what we are doing in August.

J: Well, obviously I don't.

T: Ok, I would like to review it so - I have gone over it with Dwight - but I would like to go over it again.

J: Ok.

T: We are doing a sampling program. We are doing three different things - the way I see it. We are doing a sampling program where we have taken a hell of a lot of chip samples. We are only able to do a chemical test to that because we don't have an AA. Two, we have scraped the alluvium off of the ore body, and have ripped it. We are going back with a backhoe and pick it up and we are going to run a lot of barrel tests.

J: Ok.

T: Three...

J: Until we get the AA, what good are the barrel tests going to do us?

T: Because you can save the pregnant from it, and you can run them all in a day when you get the AA.

J: Well, I don't think that we better do that until we get Dick out of there, Tom.

T: That may be. Let me just tell you what the program is.

D: Why do you say that, Jim?

J: Well because salting of that type of sample is the easiest thing in the world to do, and I certainly wouldn't put that past Dick. It is hard enough to keep somebody from sampling a rock sample - but a liquid sample - it would simply take a little pipet of silver bearing solution.

T: Ok, well let me just tell you what the program is, and then you guys tell me how to implement it.

J: Ok.

T: Ok, anyway, so we do the barrel tests. We then take some of the ore and we do a screen analyses and do barrel tests on those screen analyses to determine the crushing.

J: Ya. Wait - we are still talking about stuff from the Contention.

T: Only the Contention.

J: Ya, ok.

T: Nothing gets done to the heap. Absolutely nothing. Ok. Then we do a barrel test, then we do barrel tests on crushed ore to determine whether we should crush it or not, and how far we should crush it down. Ok. That is one little area. That is called the sampling area. Part two, is you document that, which is what your specialty is in such a way so that it has some meaning to it. Ok.

J: Ya, ok, the documentation has to go before - well at the time of sample collection.

T: Fine, at the time, during or whatever, but it is an intregal part. Roman numeral three - we have ore that is on the pad, half of that should be crushed, and half of that should not be crushed. Two separate - underlined - small heap leach tests should be run. Dwight, and or you, should go down there to receive the gold and silver in your hands when it is poured.

J: Ok.

T: That is Roman Numeral Two, Roman Numeral Three is planning - how much measured ore do we have, what do we think the anticipated amount we are going to get back from it is. What is the capital budget needed to accomplish it, how much time, how many people, what is the overhead, etc.

J: Ya, ok.

T: I would like this all done by August 31 on my desk. Dwight, put your finger down.

J: Ok, do you have this written out, Tom?

T: No, but Dwight has got it.

(Dwight talking in background)

T: Dick knows all the sampling. He knows all the sampling areas - the documentation - he is working on it today, Jim, and I can't tell you whether it is adequate or not. You are going to go down there tomorrow and find out. Alright?

D: Was it your plan to fire him when you went down there?

J: Not until I get a specific document from Jay. Now I may tell him verbally that, but I am not sure that I am going to give him any documents until I make sure that they are correct.

D: You can't separate those events. I mean once you tell him - it is all over.

J: Ya, I agree.

D: And you don't know what - I mean once you tell him, you basically - when you have to have all stuff he has done to date - otherwise he has taken 400 chip samples - or some number - according to Tom - which are going to be meaningless. So you don't want to fire him yet.

J: Wait a minute. Why do you say that these chip samples are going to be meaningless?

D: Well, unless you have the documentation that goes with them - I don't think that you fire him right now.

J: Well, if he has done it correctly - they should be marking in the field...

D: Fair enough. Then you want to determine that before you fire him.

J: Ya.

T: Jim, I don't think that you are going to want to fire him right now, sir.

J: Well, Tom, I....

T: I got to have a replacement down there before you fire Dick.

J: I don't agree with you, Tom.

T: Your point well taken - how can you have him do anything if you don't trust what he is doing?

J: Ya, no I think that we simply ought to get Dick out of there, and until we get a replacement - to simply either close things down or...

T: But \$7,500 a month - it is kind of hard to close things down.

J: Ya, ok.

T: But - ya know - you need somebody on site all the time to watch what is going on. Now you are down in Tombstone, Arizona, which is the sticks - I mean you have not got self motivating, highly creative individuals. You have got the salt of the earth.

J: Ya.

T: I mean, you give any one of the three of us a project, and we will get it done by golly - in what we like to think is the shortest time. Now do you know an Al Waterson?

J: Is that - ya - is that the guy that Dick has got down there?

T: Ya, he is coming down in a couple days.

J: Ok, I think that we ought to tell him to turn around and go back.

T: Ok.

J: He is Dick's man - I don't know him. Dick says he is highly qualified - that is great - but Dick is supposedly highly qualified. Al Waterson apparently worked down there, worked on the dump - that is well and good, but until I interview him and know what his qualifications are - I don't think that we ought to have him come down.

T: Jim, I don't disagree with you at all. I mean - yes - I agree with you completely - but I wanted to tell you - I didn't have his name before.

J: Ok.

T: But, he still may be good - you want to interview him. Ok?

J: Ok.

T: What I am saying is that I need somebody in there.

D: I am pulling out that list of Rabb's...

J: Ok, lets go through what we want to accomplish again, Tom.
What do - do you have it noted down?

T: I can give them to you again. Let me give them to you and
just take notes.

J: Alright - hold on just a second. Ok, shoot.

T: Roman numeral one - Sampling - take rock chip samples on the
faces - on the faces - period. You know what I mean...

J: Exposed faces in the cut.

T: Exposed faces in the cut. Two - by the way which has already
been done -

J: And this is where we have got 400 already taken?

T: Ya.

J: Boy, oh boy, I don't like that.

T: Not all 400 of them are there. Two, take a dozer and scrape
off the alluvium. It has been done. Three - just tell me
when you are ready -

J: Ok.

T: Three - take the ripper and rip it so that you can take a
backhoe to it. Its been done. Four - this is being done
today - take a backhoe and make a backhoe cut. Five - take
from the backhoe cuts, a sample and run barrel tests. Six -
take some of those barrel tests, or some of that ore - and
do a - you know, a crushing analyses?

J: Ya.

T: I don't know what you call it.

J: Screen analyses.

T: A screen analyses - but using barrel tests.

J: Wait a minute - screen analyses of what.

T: Of some of the ore from those backhoe cuts.

J: Ok, so we are on...

T: You gotta determine which ones to do, Jim.

J: Ok, we are on seven - screen analyses...

T: From ore from some of the backhoe cuts.

J: Screen analyses of ore - of crushed ore - right?

T: Yes. And you and John I am sure will agree on a technique.

J: Ok, now I understand that somebody - or Dusty - or somebody is making up a screen.

T: Exactly.

J: Ok.

T: You are part of the way there - I haven't left you in the lurch.

J: Ok, can you hold on just a minute? I will be right back with you - I will put you on hold. Ok, are you with me?

T: Jim?

J: Ya.

T: I went to the bathroom.

J: Ya, well, ditto.

T: That is where Dwight is.

J: Ok, we are on seven now and we are talking about screen analyses of crushed ore.

T: Right. I got another one too. Put down at the top of your paper Employees, ok? We will come back to that. Ok. So crushing a screen analyses. Screen analyses done with barrel tests. Do you follow what I mean?

J: Ok.

T: The only thing that is valid are barrel tests. Everything else you want a yea or nay.

J: John feels that way.

T: Ya. You don't care what I feel, right?

J: (chuckle, chuckle)

T: Anyway, ok, that is the sampling, and then again you document it and you are measuring out the ore - trying to come up with - gee - the objective is there enough ore to justify capital expenditure? And today, we don't know that. We are really in the blind. Now everybody thinks, and everybody is thinking that there is a lot of ore - gee - we

thought that about the heap.

J: Ya, absolutely.

T: So, I don't think - I am not going to listen to anybody's thoughts -

J: You shouldn't.

T: And then, all I really want done in August - I want other things - but that is really the most important thing. Because prove that, we can all - I mean we can approach your guys, we can approach our guys to raise money - ok - but without it, you can't do anything.

J: Ok.

T: Ok, now that is Roman Numeral One. Roman Numeral II...

J: Wait, wait, wait - how did we get to Roman Numeral I?

T: Sampling is Roman Numeral One.

J: We were up to Roman Numeral Seven.

T: No, that was number seven.

J: Oh, ok.

T: You don't know how to outline.

J: I just didn't hear what you were saying.

T: Now, Roman Numeral Two - which is a separate area - which is why we need so many people - I am going to ask you to do an analyses of the employess - have we got too many or too few. Hopefully we have too many. But anyway Roman Numeral Two is the metallurgy test that John and I went out for - ok - was it inconclusive - don't write yet - was it inconclusive in its conclusions and disastrous in its implementation? I want to re-do it. There is enough ore there.

J: Ok, now are you talking about the heap leach test?

T: Yes.

J: Ya, ok.

T: Ok. I mean it was really poorly done. As far as I am concerned, you can fire Dick on that one. I mean there is no excuse for what was done there. And - boy - anyway - you have got about another 200 tons there - take half of that - split it in half - mix it up, do whatever you want to do. Take 1/2 of it and crush, the other half put into a heap so

that you have got two heaps - and run two - underlined - separate tests with that small plant.

J: Ok, crush 1/2 and mine run - test both.

T: Yes, right.

J: Heap leach both..

T: But separately for God's sake. I mean it is obvious to you - but to put them together is so stupid - and - document it - on what the throughput on the plant is, how much cyanide you are putting in, how much zinc - you know, the whole thing. I think these are obvious - should be obvious.

J: Well, ok. What I would like to do, is I would like to get specific directions from John.

T: Fine, you will have no trouble in getting that from John. I mean John will do anything.

J: I am sure of that.

T: I mean, there is no problem. But I understand what we are trying to do, and he can give you the details of how to implement them. And then, still on Roman Numeral Two, I asked Dick to do an analyses of the pad to determine whether the pad is leaking. Now you should discuss this all with Dick when you are down there - so you can get brought up to date. He wrote a memo on it - ok - and what he wants to do is put diesel fuel on it as a binder.

J: Ya, I know.

T: I said well Jesus - what will that do chemically? Well, you know Dick doesn't know.

J: Well, as a matter of fact, have you talked that over with John Dean?

T: Yes. He doesn't know.

J: I would think that cyanide reaction - tends to react with organics - diesel fuel is an organic - I think it might be death - I mean we might get a layer of silver on the diesel fuel.

T: Ok, check it out with John or Rabb - but I talked with John this morning - John feels that Rabb is not as much a metallurgist as he is a mining engineer.

J: Well, now I don't know whether he told you or not - but he did a thesis on cyanide leaching when he was in school, and actually did some work down in Tombstone.

///

T: Remember John's partner wrote the book.

J: Ya.

T: The two of them are not in competition as far as I am concerned. John feels that by the way he answered his questions, that he is better as an engineer than he is as a metallurgist, although he is knowledgeable in metallurgy. You might want to ask them both.

J: Well, his title is mining engineer - however, his degree is in metallurgy.

T: I know. But ask both of them whether if you put diesel fuel on that - is that going to cause problems. You cannot trust anything that Dick tells you. But you know that. Ok, Roman Numeral Three - is really - you have to supply the information to the mining engineers - gee, what is the throughput of our plant? What size equipment do we need? How long is it going to take us to get it into production? When can we expect a cash flow? How many people. I will go slower - ok - One, how much ore have we - ok - under Roman Numeral I think Three - One, how much ore have we measured out; two, the value of the ore; three, the throughput on the plant; four, the size of the pad; five, the equipment needed to move the ore onto the pad in such a manner...

J: Ok, hold on a minute - the plant throughput...

T: to be utilized 12 hours a day - two sun up shifts - see you don't work at night but you work from 5 in the morning until 7 or 8 at night. Do you follow me?

J: I am sorry - now tell me that again. You are talking about the size of the pad...

T: In relationship to the equipment. In other words, lets say you have a dozer, front end loader and a truck - and it takes 5 hours to fill the pad and you have all that equipment sitting there doing nothing - you know - while you are leaching it? That makes no sense. Get smaller equipment. Ok. This is what an engineer should do for us.

J: Mine planning.

T: Ya, to me it is basic. I mean why we are having so much trouble on this, I don't know. But it is basic.

J: Ya, it is, no problem.

T: You know, Jesus, I am not even sure that my friend Jack couldn't do that part?

J: Who?

T: Your friend Jack.

J: Ya, I think that he probably can because I think he has done that type of thing before.

T: Ya, I mean that is not really difficult. Once you give him the raw information - he should be able to do that. Or Rabb could do that because he is an engineer. Or he could check Jack's work. Do you follow me?

J: Yes, absolutely.

T: I mean there is some combination. Ok, Roman Numeral - we are still on Three - I don't know what number...

J: You are on six. I have got pad requirements as four and mine equipment as five.

T: And six is what capital are we going to need.

J: Capital requirements.

T: And seven is what are we going to have to give up to get it. And eight, what are our alternatives. I think that that is all I can think of. Now these can be expanded. Ok. Next Roman Numeral - I think it is Four - is the employees. For each stage, how many people do you need? Now Dick seems to forever be adding to his payroll.

J: Ya.

T: And I have very little ability to control that from here - because I don't trust Dick. Very difficult to work with somebody you don't trust.

J: Absolutely. How many employees, how many people do we need.

T: That is for each of the stages - to do the sampling program, lets say you needed three people. On the barrel tests I think you only need one. Use somebody like Scruggs to run it - or no not Scrugs - OC to run it under a professional supervision.

J: Ok, fine - have you got anything else here?

T: No, I don't.

J: Ok, let me make these suggestions, Tom. One, lets get rid of Dick, lets turn Waterson around - I will be happy to interview him if he wants - and if you want to do that, then I would suggest that we pay his way down here to talk to him. Maybe he is the guy, maybe he isn't - but I am very

very leary because he and Dick are friends - Dick has a way of mesmerizing folks, as we unfortunately know - I think that it would be very dangerous to have him involved at all.

T: I agree. I mean - no further discussion. If he wants to come down to interview you, Jim Briscoe, fine - otherwise forget it.

J: Ok. Lets get rid of everybody except Dusty Escapule as soon as possible. Let me put people from my staff on doing these things on an as needs basis and I will charge you their daily pay rate and burden - which is essentially their salary plus 26% - which covers FICA and all the other things the government requires - but only have them work on an as needs basis - then we will go ahead and start looking for somebody to work permanently, but that is going to take a while - for one thing - anybody that we get that already has a job is not going to leave on less than two weeks notice if that. So if you decide tomorrow - it would be two weeks down the road before they could be on stream. There isn't anything in here that can't be handled particularly if we can get Rabb's help. Ok. What do you think about his proposal as far as a vehicle goes?

T: How much is his vehicle?

J: I am getting a bid on a small vehicle now on a lease basis, and I would think that that would be the way to go.

T: How much would that be?

J: Probably - a '79 Chevrolet Luv pickup 4 speed transmission, with an air conditioner - 36 month lease would be \$132.00 per month.

T: Ya, but that is a full pay out lease.

J: Well - that - your out of pocket costs on the lease. Now I don't know...

T: Ya, but you own the truck.

J: Ya, well there isn't any other way to do it, really. That I can see - you may have some suggestions. But I don't know what they would be. What we would be doing is we would be getting 4 days a month of a guys time for \$132.00

T: Well, obviously that price is right but you have got a contract there for a long time. Have you got a piece of equipment that you are not using that you would like leave to it? Do you see what I mean? Lets take one of your Blazers. I am not picking on that piece of instrument - but lets take a Blazer. Lease it to me, and then if we decide he isn't being helpful to us - we turn it back to you - or

lease it from a kid going away to college - you know what I mean?

J: Why don't we.

T: Or are you going to need a Blazer in 6 months - maybe.

J: I really can't predict that. We are already short on vehicles so I simply can't give you one of mine - and anyway, a Blazer is very expensive.

T: I picked on a Blazer because I know that is what you drive. But a vehicle that you might have a use for, Jim. Do you see what I am saying.

J: Ya. We are already tight on vehicles. How about simply doing this. How about simply buying it and then we will sell it when we don't need it.

T: I don't want to buy a new one - can you get a used one?

J: Oh, I am sure that we can.

T: Fine.

J: Ok, let me have Jack look into that and see if we can't get a used Chevrolet Luv pickup or something or other. I think that that is a reasonable thing to do.

T: Because I want to see how he works with everybody before we go into a real obligation here.

J: Ya, ok, well, we are going to need some kind of a - well we are going to need a vehicle - or vehicles as needed - which I can supply on a mileage basis - but I don't think that we want to get - he didn't ask for something that is expensive as a four wheel drive vehicle, and a Blazer is about a \$12,000 vehicle.

T: I will send out one of my volkswagons - I got four in my yard now.

J: That would be ideal - as a matter of fact that is one of the things that he suggested - except that volkswagons are pretty expensive too.

T: Ya, but if he got a volkswagon - I would buy it - alright? Because it has got a resale value. A high resale value.

J: Well, that is fine with me. Do you want to buy a volkswagon - I am sure that it would be fine with him.

T: Well see if you can look around - I think those volkswagon are going to be more and more valuable.

J: Probably.

T: I got one I bought for \$200.00 five years ago - still running. I don't know how good it is on the road down there.

J: Well, he does have to have something that is dependable - we are talking about driving back and forth the 100 miles or so.

T: Does he not have a car? Is that the problem.

J: That is the problem. They don't have any budget for gasoline or a vehicle so what it does is it comes out of their overhead operating expenses and so forth.

T: How about we lease his car?

J: Well, that is a thought. What he wants is a vehicle and gasoline - whether it is his car or something else - so maybe we could have him get whatever he wants and we will lease it from him for as long as it is required.

T: Ya, I think that that is a better way.

J: Ok, well let me talk with him - he is off - he is out of town until Thursday, but let me talk with him on that. Ok. Secondly, everything that we have talked about is not very difficult.

T: I know.

J: What I would like to do is I would like to get rid of Dick for one thing...

T: Ya, but how can you do that until the Farmers leave town?

J: Well, I don't see anything wrong with telling the Farmers what we are doing.

T: Ok, my discussion with them, they probably won't object. They said to me when I said I brought in John Dean - well John Dean and everybody else is going to have trouble working with Dick.

J: Ya, well - I told them we have been having trouble with Dick and Bill Hight said well I told you so. So what can I say? He doesn't object - I am sure that he doesn't object.

T: Ok.

J: So, I don't think that we are going to have any static from them at all. Ok. Then there is no point in having anybody down there except Dusty, as far as I am concerned. And

Dusty only for continuity. I think that we can supervise...

T: It has got to be thought out better than that, Jim.

J: Ya, but I can't....

T: A lot of it can be supervised and done by these very cheap individuals - OC is very cheap, Ed Rice is good and a steady guy.

J: Well, then lets hire them on an as needs basis, but I think that Dusty...

T: Lets say we want to hire them on an as needs basis to be supervised by S.E.A. people. Lets don't lay them off, lets hire them as an as needed basis.

J: Alright - but let me evaluate who we need and what we need to do this. Because I don't think we need anybody by Dusty, quite frankly.

T: Well, how many people are you going to use from your office?

J: Probably 1 guy at a time, and depending on what is necessary to be done...

T: Can you get all this work done by the end of August?

J: I think so. I think that if I plan it out - I want to go down there and see what has been done on the sampling and how it has been taken.

T: Ok. My opinion, Jim. Don't fire Dick yet. Dick - find out everything that he has done - or everything that he has done will be wasted. Get it documented and then fire him if you want.

J: Ya, ok, well, as I told you, I am not going to have any documents until tomorrow for sure - but...

T: And talk to Dwight before you do it.

J: Well, ok, Tom but...

T: I am not questioning...

J: Dick is my employee, and I don't want to have him down there any longer than is absolutely necessary. It is absolutely chaotic and no damn good.

T: Ok, but I don't want you jumping the gun until you get the information from him.

J: Ya, well that is fine.

T: That is my point.

J: I will simply probably pick up these samples when I am down there - these 400 that have already been taken. I see no reason to leave them down there at this point - I can always haul them back - that is no big deal. Ok, lets go through these things very briefly, and let me see if I can think off the top of my head what we can do. Ok, under sampling, one, we have already got the 400 samples.

T: But is it documented? Put a question mark. By the way, part of those 400 samples are the backhoe cuts. Go ahead.

J: Then my notes say take dozer and scrap off surface soil, and that has been done?

T: To my knowledge it has. Now they didn't get it done as much as they would have liked but they got a lot of it done.

J: At this point - ok - rip at right angles to the cut.

T: It has already been ripped.

J: And the backhoe cuts are in process.

T: Right.

J: So then it is just a matter of sampling and running barrel tests, right?

T: Right.

J: Ok. Two, we have got the heap leach test - ok - so most of all that has already been done - to your understanding.

T: Ya.

J: Ok, so we don't need the bulldozer any more - or least not until we need it on an as need basis - is that right?

T: Right.

END OF SIDE TWO OF TAPE

Conversation between JAB and Tom Schloss - no introduction

T: ...well in the cookbook of the barrel test...

J: Ya.

T: Its music to his ears.

J: Pardon?

T: Now who are you going to put in from S.E.A. to supervise that?

J: I am thinking very strongly about Tom Waldrip, and I want to do a little more thinking about it and see where see our other responsibilities lie and where Tom is at this point.

T: Ok, now, on Tom, you really shouldn't do it. You should just supervise it and have OC do it.

J: Well, again, I think that it can be done with Dusty. I don't see any reason...

T: What else you got Dusty doing? He can't do everything.

J: Well, ok, lets go through what else we are doing, but we don't want to start heap leaching until we run the barrel tests.

T: Ok, keep going.

J: Ok, so you got #2 heap leach test, the 200 tons of the pad and the... we are going to crush a half and leach...

T: Ok, now how long with that take you? That will take you two or three weeks.

J: To test the...

T: Let me tell you what you have to do. You have to take the dozer, the little dozer and push it around, and then you have to take the backhoe or something and lift it up and put it into the crusher. It is a little crusher, it isn't a big crusher. So you are going to have to have a guy do that.

J: Ok.

T: Ok, now that is something that Dusty could do.

J: Alright then lets hire somebody to do that on an as needs basis.

T: Fine. The thing is, that is at least a weeks work there.

J: For one man?

T: Ya.

J: Alright.

T: I mean I don't know, that is what I want you to determine.

J: Alright, but lets just determine it as we go. You know, we will find out, but lets don't have a bunch of people hanging around on the payroll.

T: I agree with you Jim. But I think that it is more work than you think it is.

J: Alright, fine, if it is, we will put them on, but at this point, I don't know what all these people are doing and I don't see the reason for getting Al Waterson down here, and I think that we are over staffed.

T: I agree.

J: I would rather have two or three people from my staff go down for a week and then split, if that is all that is necessary to get done. Or we can hire appropriate people down there. If we have to have 15 one week, that is fine, but lets bail them out of there the next week.

T: Ok. Jim, you can't hire people and fire them that easily in Tombstone. It is hard to find good people there.

J: Well, I am sure it is.

T: What I am suggesting is that you do a number of these things simultaneously with somebody like Tom Waldrip watching and supervising.

J: Ok, thats fine.

T: Tom Waldrip is honest and is meticulous in his approach.

J: Impeccably so.

T: Ok, so he can supervise everybody and use these young kids to do the work. Ok, lets go through each one of them. What is the next?

J: Ok, then we have got 1. Calculating the ore reserves; 2. Getting the values; 3. Calculating the plant through put; 4. Pad requirements and mine equipment; 6. The capital requirements; 7. What is necessary to raise the capital.

T: You skipped the roman numeral II. We are on number III. We will do that when you get I and II done.

J: Why did you say that I skipped something?

T: Maybe you didn't.

J: Ok, lets go through them one more time. One is the sampling. We have got the rock chip samples take a dozer and scrape all the surface soil off, rip at right angles to the cut, take the backhoe and sample on barrel tests. Number two heap leach tests with 200 tons on the pad, crush a half and test a half... a hundred ton sample each. Ok, that I think we should do on the floor of the plant. Do you agree?

T: No comment. Talk to John.

J: Ya, ok. That is kind of what we decided last Friday but at any rate we will do what is appropriate.

T: Ya, whatever you guys think, I don't know.

J: Three, calculate the ore reserves, which is related to sampling. We arrive at the value of the ore reserves, we calculate the necessary plant throughput and pad requirements and mine equipment which is essential mine and mill planning, and then we calculate the capital requirements, what is necessary and raise additional capital, and then what kind of a deal we want to cut.

T: Right. You are going to send a photostat of this to Dwight, right?

J: Unless you want to send me a photostat.

T: Jim, I haven't written it out.

J: Ok, fine. What is necessary to raise additional capital and then eight, I guess, is what kind of a deal.

D: Ok, how are we going to implement without Dick one, two and three?

T: Jim and I... Tom Waldrip is probably a pretty good guy to handle it, I don't know him that well, I have seen him in the parking lot. Jim says he is meticulous and he is honest.

J: Well, we don't have anybody that is not honest on our staff. I think that we can handle this. The thing is that it is going to take us at least, well we will be lucky if we can find somebody in three weeks to a month to run this thing.

T: I agree.

J: We might find somebody sooner but I will tell you finding

121

good people is tuff and I am on a continual search as it is.
I don't think that there is anything all that complicated.

TAPE CANNOT BE HEARD

J: ...lets hire them on an as need basis.

D: Jim, is it your plan... well you will know more once you are down there tomorrow in terms of the timing of getting rid of Dick and where he really is in terms of what he has done and so on. Correct?

J: Ya, I would say so.

D: But you and I should probably talk on Thursday.

J: Well I am going to go down tomorrow evening, Dwight, and I think that I will spend 1/2 day down there, maybe a full day on Thursday, and make my decision at that point.

D: Ok. So lets just you and I talk after you have done that.

J: Ya, I would say so.

D: And particularly with a plan for I and II since III will follow that.

J: Ya, that is right. Now lets emphasize what I think is most important. I don't think that you are going to find any different opinion from either John Dean or Dave Rabb and that is the sampling has to be done properly. If you don't do the sampling properly, steps 2, 3, 4, you know the whole ball of wax, everything after that is no good.

D: We only need to do so much sampling as a first step because simultaneous with some of that sampling should be the leach tests and the barrel tests.

J: Sure, that is fine with me.

D: Because it is conceivable that there will be enough ore to do... lets assume that the leach tests works. You may know very quickly that there is enough ore to move down there and go through a leach cycle, and that may be economical by itself without creating our preverbial cash flow.

J: Ya. However, Dwight, we should sample as much as is practicable as soon as is practicable because we can sell ore reserves. You know, once they are measured, they are a saleable commodity, therefore, what we call bankable, and that is going to help us raise any additional capital.

D: Who are you going to sell them to?

J: To who ever wants to put in additional money. Whoever. The opposite is true if you don't know what they are, then you don't have anything at all to sell except a conceptual thing.

D: Ok, my response to that Jim, would be right now we are not trying to find somebody as a first step or buy the idea. What we are trying to do is find out if we have got enough to get started leaching to try to create some cash flow, and I think that it is important that we end up agreeing on what the steps are of the sampling so we don't end up spending more time and money than we have agreed to at a given point in time to do that.

J: Ok, well that is fine. One of the things that I am working on now, Dwight, is the is 1. A summary of what has been spent on a monthly basis, item by item, and then we will make a cash flow projection probably day by day, week by week, month by month so that we will have an increasingly accurate idea of what it is we want to spend down there. What is necessary and when those expenses will come.

T: Ok, but Jim, don't, you have a tendency to spend too much time on this sort of thing.

J: Well, I don't think so. I think that that is part of the problem...

T: That is past oriented... the more present oriented ????

J: Ok, that is fine, however... it is difficult without some sort of past history to know where we are going.

T: Where we have been in the past has no relationship to where we are going.

J: Ya, but it does relate to some of the expenses and things.

T: We were using hydrochloride.

J: I am trying to think about bulldozer costs and so forth...

T: I mean heap has nothing to do with bulldozer on the Contention. It is not related.

J: Ya, they are on an hourly basis, Tom. We have got a...

T: Alright, we can give you the hourly rate, but Dusty can give you that in a conversation.

J: Ya, ok.

T: You don't have to spend 10 hours to figure that out.

J: I am not going to spend 1 hour to figure it out. It is simply being done right now and I will have it shortly.

T: Ok.

J: Now this will be one of the things that Tom will do, is simply keep track of costs like this so we will see what the mining costs, we will just approach it from a professional standpoint.

D: Ok, Jim, we will talk probably late Thursday.

J: Ok before we hang up, lets go back to this situation of the participation. Is it my understanding that S.E.A. et al will be reimbursed at 24%...

D: We are talking about now going forward and what you do, right?

J: Ya, that is right.
24%

D: Yes, Jim, but with a caviat that we have got to be clearly in touch so that we know how money is being spent on a very current basis. Ok?

J: No, I am talking about, I think that we are talking about two different things.

D: Oh, we are...

J: I am talking about the 24% interest in the project.

T: Say it again.

J: 24% to S.E.A. rather than 40%.

D: Hang on a minute Jim, ok?

J: Ok.

T: The original conversation was 12% was to go to Dick Hewlett and 12% to Jim Briscoe. Is that correct?

J: That is part of the problem, Tom. It has got to go to S.E.A. and let me worry about getting Dick his interest.

T: Was that our agreement?

J: That is what we discussed in our conversation when I was in Searchlight.

T: What was the agreement that we agreed.

J: Ya, but when I go back and look...

T: Directly to Dick that he would get 12% and he said that was fine. He has never negotiated the price anyway, he thought it was too high. Everybody had agreed to it. Now we have a place where Dick is not going to be around, we are going to have to pay him something. Now if you want to take that 24% and take, you have that 24% the money that has been spent would go to S.E.A. to pay back their overhead, that is another change in the deal.

J: Well, no after reviewing the agreements with Dick and I, it is impossible for you all to make separate deals with Dick.

T: I am not making a separate deal with him. Lets just try and determine what we want to do and then we will figure out how to handle the matter. Believe me, I am not trying to make a separate deal with him.

J: I wasn't necessarily suggesting that you were, but since I have already got... the agreements and details of things Dick could care less for because he doesn't abide by them anyway, so, therefore, whatever you would say, he would agree with regardless of the fact that we already have a very definitive legal agreement between he and I which has to potential for resulting in all kinds of legal hassels which I by no means want to get involved in.

T: Ok.

J: Ok, so the only thing that I want is that 24% go to S.E.A., and then let me take care of Dick.

T: Ok, but what I am saying, you see I think that Dick ought to get my proverbial 5 cents, and that, and again, the part that he doesn't get, part of it has got to go to John, which hey it could all fall through S.E.A., I don't care about that, it has got to go to John, part of it has got to go to Tom Waldrip to go down there. Tom has got to get something. And if it is not Tom, it has got to be somebody else. And if it is Tom, I would like him to have a percentage, not just work for wages here.

J: Well, ok, what, if I get diluted at this point down so low, there is no point...

T: I am stopping your dilution in this area to 12%. If it exceeds 12% - if we have to give up more than 12%, ok, then we all get diluted accordingly. And we will take our share.

J: Well, we are going from 40%, Tom,...

T: No, we went from 40% a couple months ago. We are now at 24.76, we are not at 12 and 12.76. That is where we are

today. Now, alright, the characters are changing again. Ok, Dick is going to be out, with Dick's 12%, we are going to have to let him retain part of that, part of that goes to John Dean and part of that is going to go to Tom Waldrip, maybe not him, maybe somebody else. Somebody has got to have a percentage interest.

J: Why is that coming out of essentially my hide?

T: It isn't your hide. You are continuing to get the 12% as according to agreed. It is not coming out of your hide.

J: Tom, I cannot do that because I am legally bound to give Dick 50%.

T: No, I will figure out a way around that. Don't worry about that right now. Lets agree in principle and I will figure out a way to do it. Please. I understand what you are saying, Jim, and I got a way around that.

J: That is something that I can control. I can't, that just leaves all kinds of legal loop holes open that I am going to have to contend with and quite frankly I don't want to do the things that I have got to do for 12%, or 6%.

T: No, no 12, not 6, 12.

J: At this point, Tom, you all have got \$200,000, alright? Or \$150,000.

T: Well, it is \$200,000 when you add up, not counting any of our time, we are not counting a nickel of our time, we are talking about out of pocket expenses that FAMCO has advanced. We are close to say \$175,000 and you add Dwight's and my time, we are way over \$200,000. Six months of my time, and you got at least probably 2 months of Dwight's time.

J: You got what now.

T: What do you want to bill us out at, what hourly rate? We get your billing rate, Sir?

J: What do you think is reasonable?

T: Twice your billing rate is what I am worth. What can I get? We don't want to discuss what I am worth. Dwight bills himself out at \$500 a day, and was paid \$500.00 a day.

J: I am sorry that I didn't understand that.

T: When we have done it, Dwight just did one for \$500 a day.

J: I think that that is reasonable.

T: I thought that he was over paid but you know. Jim, the agreement is 12%, I am saying you are not going to get diluted down any more than 12% because that was the deal. Now then you can be diluted down by no more than 10% through raising of additional funds, and I think that the raising of additional funds is considerable, so you can always be diluted down those 2% points, not very great. You are in a pretty good position, because we are going to have to raise a lot more money. Right? Now, on the 12% that Dick has, I am saying that part of it is going to him, part of it is going to John and part of it is going to Tom Waldrip, or whoever is going to fill that spot. And how will we handle that? Well, we will handle that by paying the 24% to S.E.A., 24% of the profits goes to S.E.A., and out of that 24%, 12% goes to Jim Briscoe, lets say 5% goes to John Dean, 5% goes to Dick Hewlett, and 2% goes to Tom Waldrip.

J: Well that is very confusing, Tom, and I have to seek the advice of my lawyer because it stands to get me in a bind with Dick.

T: That is not the intent of these parties in New York to get you in that bind. So if your lawyer has another suggestion, I am certainly willing to listen, but that is the intent. Now that is how I solve it.

J: Well, I don't know that it can be solved that easily. You know I can't agree to it until I can determine that it can be. Otherwise, I am simply doing a hell of a lot of exercise...

D: Buy out Dick's interest in exchange for 5%.

J: Ya, but there is no reason that he has to... in exchange for 5%?

D: Ya.

T: Buy his 5% out.

D: Lets say, because of the situation, you do have a certain amount of sway and pressure that you can bring to bear on him because of what has happened. As a result he is probably going to want to be out of your life, and I know that you would like him out of yours. You might be able to make a deal with him where for 5% carried interest in the project, he gives you back his stock in Austin.

J: Ya, I precisely don't want to do that because that means that I have 5% and it is not worth all the hassle for me to do it.

D: You don't have 5%, you have 19% at that point.

J: I don't follow you.

D: You start out with 24, right?

J: Alright.

D: Ok, of that 24, considering you have got 12 and Dick has got 12, right?

J: That is right.

D: Ok, through moral wages, convince Dick that he no longer wants to be the 49% owner of Austin in exchange for his stock, he will get 5 of his 12% of the carried interest.

J: He is going to get 5%.

T: His 12% will be reduced to 5%, not of Austin but of the project, as a carried interest.

J: Ya, but then what this really means at this point, more capital is going to have to be put in and I am going to have to be diluted down to 10% with quite obviousness, and so we are going to end up.

D: You got that problem either way. Right. We all have the dilution problem... When we go raise more money, others have it worse You can only be diluted 2%.

T: What would we have to raise to reduce it 2%? You know, your dilution really becomes insignificant.

D: Ya, we are the ones that really get diluted when we go out and raise additional money.

J: Well, as long as I am getting 24%, let me deal with Dick, which is fine with me.

D: That doesn't solve the problem of, 1. of your and Tom's earlier agreement, and 2. how we handle people like John Dean, people like....

J: Take it out of your 76%.

D: Why? It is already... under the agreement that you had with Tom, that was already taken care of.

J: Well, I think that under re-consideration, that agreement was silly.

T: Well, you know, it is a hell of a, I have to leave in a very few minutes, it is a hell of a time to tell me that it was a silly... you are saying 12% was silly and you agreed to it,

and for a month you have not said anything. You have gone on vacation and you come back and you talk to me last night and you say it is a silly agreement today at 3:00, and I got to leave town. It is a hell of a time to say that it is silly.

J: I did not have the opportunity...

T: Now the agreement is 12% to you and 12% to Dick.

J: Ya, I know but Tom, after reviewing the documents that I have got, I couldn't make that agreement.

T: What documents do you have?

J: My agreements with Dick.

T: No, no, we have solved that problem, Jim. Now if you want to go back and use that as a negotiating tool...

J: What do you mean we have solved it? You were simply talking about possible amities, we haven't solved anything.

T: But there is a way of solving that. There are lots of ways. Solving the problem with Dick can solved. We will solve it and we will solve it together.

J: Well, Ok, now I don't want to sit here and agree to something and then have you badger me that I have agreed to it when in fact it is something that is very difficult to do and putting me in a bind by you indicating that you were going to negotiate with Dick separately.

T: I didn't say, I never negotiated with Dick separately. I was always aware of your Austin relationship, I am not going to negotiate with Dick separately. Dwight offered you a methodology of negotiating with Dick. Now that was a pretty good one. My advice to you Jim since I am going to be out of town, Dwight is very good at these things.

129
J: Well then, Dwight, why don't you and I get together on that.

T: This is Dwight's speciality - these types of negotiations and figuring out avenues to accomplish this - I mean he is really good at this - he is much better than I am. So, I mean, he will figure out a way to work Dick out of your hide and out of our hide. You know, we are in this, you know, even though, its a partnership really - we will figure it out. We will decide what we want to do and then we will figure out the best way to accomplish it.

J: At this point.

T: You are not in this alone. We will all have to work out how to work him out, and I thought Dwight's solution was a very good one. If I were him, I would take it.

J: Well, I simply cannot perceive what legal ramifications that has, and I am not sure that it gives me the leeway that I need.

T: But do you want to cut him out entirely?

J: Cut Dick out entirely?

T: Ya.

J: No, but I do want to be able to have some leverage with Dick.

T: Alright that doesn't give you the leverage with Dick, that is true, but that is the alternative - you think of which alternative you want to go.

J: Ok, but we are talking about several different things here. Now you are telling me that we are going to be paying John Dean out of that 24%...

T: No, out of Dick's 12%. Not out of the 24, out of Dick's 12, doesn't touch yours.

J: Well now wait a minute... are we agreed that S.E.A. is getting...

T: Doesn't touch yours. It is not the intent of the parties.

J: Ok, are we agreed that S.E.A. has got 24% then?

T: Depends on how you look at it. We are going over the same grounds, Jim. We agreed that Jim Briscoe has 12. We agreed that Dick has an unknown percentage, and what I am suggesting is that unknown percentage, which was 12 be reduced down. And that part that is unallocated to Dick goes to both John Dean and whoever Tom Waldrip is going to

130
be. That is what I suggest. Now, all of that is called S.E.A. or Austin or whatever you want to call it.

J: Alright so what have you offered John Dean?

T: What have I offered him?

J: Ya.

T: I have offered him 3. He turned me down.

J: Well so at this point I am not assured of getting anything - possibly 3%.

T: No, you are assured of the 12.

J: I am not either because that is legally bound, I have got to split that with Dick.

T: No, no, no, no. Forget about that. Jim, just talk about what we are trying to accomplish, and Dwight and...

(Inaudible discussion with Dwight)

Jim lets work it out. I am saying my intent is not to dilute you down below 12. I am not trying to dilute you down to six, ok? If that is the result, that wasn't my intent. We will just figure out another approach.

J: Well, see, Tom, we have already got several agreements in writing and I want to get Dick out of the picture as soon as possible. If we get in to protracted arrangements that are counter to this, it is going to cause all kinds of problems and have all kinds of ramifications to me. The only thing that I can see is that I am getting squeezed out completely.

T: No.

J: I can see that I am getting squeezed out where it doesn't make it worthwhile for me to continue.

T: Jim, you are not squeezed out. You are down in the place that we were when you left to Hawaii - way before you left for Hawaii. We did 12%. I am not trying to change that at all. Do you agree with me that I am not trying to change it? Then we have to figure out how to legally implement it. It may be legally impossible to implement.

J: I don't want to say 12% because I have gone from S.E.A. 40% down to 12% by the agreements that are standing on the books.

T: Are you denying our agreement? Because if you are, I am walking out right now. You and I had an agreement, we were

going to be the operator, and with 12 and 12, I mean you know... we are now trying to work it out so that everybody really is happy. If this deal is as big as we think it is, everybody is going to make so much money, it really isn't going to make any difference.

J: Well then why are you haggling about the percent.

T: That is the agreement we had and if the shoe had been on the other foot, I would never have come back and re-negotiate the deal.

D: The other side is we are haggling because we are putting up the money now when it is a long way from a sure thing and we are \$150,000 into it, we are \$125,000 further into it than we thought we were going to be for what we know right now.

T: We don't know anything right now.

J: Well...

T: We have a bunch of filters out there - that's it. And they don't even work.

J: Ok, lets go back to our agreement as we understood it over the telephone, which did you ever write me a confirmation letter on that?

T: No, I was afraid if I put it in writing, it would cause - I knew Dick was going to be leaving, and I was afraid if we did.... by the way, I have the agreement in writing because I have written it up with Leo Smith, and I have it here on my desk, and that was the piece of paper that I was trying to pick up at the airport, remember? And I was going to have you sign it and then, my God, we got into so many other problems and then you went to Hawaii. This week, you got back.

J: Ok.

T: You can pick it up from Leo today. But it has got to be rewritten because we got to figure out what to do with Dick. I still don't know what to do with Dick, and you don't either.

J: Well, ok, what I am suggesting is that lets make that 24% to S.E.A. because that accomplishes what you had with Dick, and then let me work out the differences with applying Dick's interest in whatever equitable manner is reasonable with him.

T: Ok, well what do you want to do about Tom Waldrip and John Dean?

J: Ok, if it turns out to be Tom, let me work out the profit sharing in a reasonable way.

T: And what do you want to do about John Dean?

J: Ok, why should that come out of that 24%?

T: Because it is coming out of Dick's 12, not the 24. Why should it come out of my pocket? If you had, if I had not called him, we would have been in serious trouble.

J: Alright, so at this point...

T: He is entitled to it more than anybody else. Certainly I feel he is more entitled to it, as far as I am concerned, than Dick Hewlett. He saved my ass, and yours.

J: Ok, at this point, what is the maximum that John is going to get?

T: Well, somewhere between 3 and 5%.

J: Ok, so then lets...

T: Ok, I mean, lets top it out at 5 and we will negotiate at 3 and see where we get. You know, he hasn't agreed to anything. I offered him 3 and he said no.

J: Ok, give him 5%, I will take 19 and let me worry about Dick.

T: 19 to S.E.A. Now what happens, lets go back to the Tom Waldrip. Do you think that Tom is the guy that we could put down there? See, I don't want to be limited to a choice of just one guy. I want to have a choice of three or four guys. Dwight is going to go out there sometime in August, I want him to interview Tom... Have you ever met him Dwight?... I have never met him. And I can't invest money if I have never even met the guy.

J: Well, I am not at all sure that he is the guy.

T: I am not either.

D: I can see this now... you make a deal with Tom, but nobody would make the same deal with somebody else right? You said that you would take care of Tom.

J: Ya, but, you know, it gets to the shrinking point, I am beginning to wonder whether I would ever get paid back now matter how much money the thing made.

D: I am using your own statement. You said that you would take care of Tom, right?

J: Ya. Right.

D: So I am saying if you take care of Tom then presumably you would take care of somebody else who is in the same position as Tom would be.

J: Ya, that is correct.

D: How is that 19?

J: Ya, which is probably going to be diluted to 10%. What are we going to do about John Dean if we undergo dilution?

T: Well, he gets diluted too because you want the incentive to keep people from dilution, I mean that is why you dilute. If you have no incentive not to dilute to go raise a million bucks, what do I care, I still get this 10%. I don't give a shit, that is why you have that in.

J: Ok. Well, alright, let me handle whatever is necessary for whoever ends up running the thing out of that 19%, which is a hell of a long ways from the 40% regardless.

D: How are you going to handle your problem with Dick in that ?

J: No, I don't think so, Dwight. Simply because as long as I keep it in the corporation, I can award salaries or anything. I don't think that I am ever legally required to declare a dividend unless I pile up large amounts of cash so I can either pay Dick or not pay him as I feel is warranted, within certain constraints. There are certain legal constraints that he would have some legal recourse to require me to pay dividends, but if I got somebody else that is working on the project, and I may want to give him a bonus of lets say we make lots and lots of money and maybe I want to give him a bonus of \$100,000 a year to make it worth his while... and that just simply leaves that smaller amount for dividends.

D: Ok, let Tom and I talk about it and I will get back to you on this.

J: Ok, but I don't want you guys to hamstring me where my incentive for going down there and tossing everything else aside is completely sapped.

D: Well, listen, we have all got a lot of incentive there, Jim, I mean just think, you know as well as I do that because of the way it has come about none of us should be having this conversation.

J: Yes, I would certainly agree with that.

D: So that I think that there are all kinds of incentives here.

We want your economic incentive to be real, if it works, it will be. If it doesn't work, it doesn't matter.

J: Ya, ok, well, if we keep it in that context, Dwight, I can get rid of Dick with no legal ramifications that can't be handled at some point down the road, and I can also use a variety of methods to keep Dick's fingers out of there, which is what to do. If we get into something else, I don't have that flexibility, I don't believe.

D: Ok, we will talk later.

J: Ok, good enough.

D: Thank you.

J: Have a good trip Tom.

T: Thanks Jim.

Conversation between JAB and RFH

*dg 35
171 needs
move
before al*

J: How are ya doin?

R: Well fine.

J: What's up?

R: Oh, I just, I wanted to find out when you might be coming down so that I could schedule showing you all of the different things that we have sampled and these structures. And I also, I am just mailing today these progress reports, and I have gone into detail...

J: The daily reports you mean?

R: Ya.

J: Ok.

R: You know I have one there that you have through the 27th. You found that?

J: Ya, but I want a daily report too.

R: I have got those, I am putting those in the mail. I just got the typewriter the middle of the week, so I am just...

J: Well, you don't even have to type them. Hand written is fine.

R: Ya, ok, well, anyway, I have got them done and they are quite lengthy, but they discuss what I have come up with on the study of all these maps, you know, that Tombstone Development had, and they have got the surface geology map to a 1:300 inch scale, which as you will recall is the scale of that small photo that you had made for the Contention area?

J: Ya.

R: And then the other one that you had made was the 1:100, and of course all of their detailed underground mapping is on that scale, 1:100. So I would like to have some additional photos throughout the area from the Toughnut down to the Grand Central, just extending the area that you have here to the 1:300 which is your initial one and then 1:100 for more of a general study to show all of the - they have plotted all of the structures and I want to correlate those with the surface. Now, Tom talked to I think it was Robin about having this present photo that we have to the 1:100 blown up to 1:20 so that I can plot all of these results on that.

J: Well, that is simply unrealistic.

R: Is it? I didn't have a chance to talk to Robin about it and I just wondered if it would be practical.

J: I don't know whether it is or not - let me talk with him.

R: Ok, well I didn't know how that conversation came out and I want to be starting to plot these on something like that so either we would make them - you know on a lot of the intervals they are 10' intervals and on lets say the trenches that are going back away from the dike, and so 1:20 is not bad because then we have got a sample location every 1/2" and similarly along the dike or in the railroad cut and in the walls of the dike, you know, a lot of those intervals are quite small when in fact they are a particular strata so the smallest interval might be 3 or 4 feet, like that one that you took in the railroad cut was about 3 feet, 2 1/2 feet, something like that.

J: Are you taking a complete channel chip sample?

R: Yes, and then we have it marked where the sample was taken and I photographed them all. We have got about 300 or 350. I am just overwhelmed by it, and I couldn't - you know what Tom wants to do - now I don't know if he has told you, I guess he has talked to you today hasn't he?

J: Ya, right.

R: He was going to talk to you after he was talking to me around 9:00 or so, and then I just caught him just a moment ago before he left. Anyway, he has got that double A, I guess he has got it bought - you know that 303?

J: Ya, ya I think so.

R: That was what he indicated so I am just going to take the sodium sulfide tests until we get those, but I got a big storage problem. Until we get that double A.

J: Well, I am going to probably be down there Thursday, and...

R: Oh, that would be fine.

J: What I would like to do is pick things up for the time being and simply store them up here. I don't know, I forget what he thought the delivery on that AA would be...

R: Three weeks, but he said he was trying to speed it up to two weeks.

J: Ok.

R: But you see I am going to need to take samples - see we are

going to be able to move in to that '71 Minerals building in the morning.

J: Ok.

R: And there would be plenty of room for storage there. I am going to need to take my samples for the sodium sulfide test and then I am just going to keep those and run them on the Double A when we get it set up so we can go over that and organize it any way you would like, but there would be storage facilities here depending on what you want to do with the samples up there. Tom didn't sound very anxious to make fire assays.

J: Ya. ya.

R: Because of the cost. So that is up to you, how you would like to handle it, but I am still going to need to be taking - now we are working on getting this crusher put together and everything and taking additional samples, so now after we get moved in tomorrow, start making a lot of the sodium sulfide tests and plotting the results because we are way ahead of ourselves on samples. I made a lot as we made cuts with the dozer and so everything is well exposed for you. Along the entire Contention dike area. We have only had that dozer effectively one day, Saturday afternoon and Sunday morning.

J: This is the bigger dozer...

R: Ya, that 20 E, but it ripped everything, and we have made some really deep cuts that I think you will really find it interesting in the Contention dike we followed that dike, you know that dike to the north there, along that gouge or that kalenite, and then we ripped a trench to the west on the north part, you know across where we were talking about drilling where that little hole was, you know, that little subsidence area?

J: Ya.

R: We exposed that for about 10' in depth, and then have our trenches in, going away from the dike for about 100'. Those are all sampled, and like I say, they are all photographed.

J: Ok. You have been taking that with the transparency film that I sent down?

R: Oh ya, ya, ya. Then I already sent those in. We still got more sampling to do on the north part of the dike, well, there is just a lot of things to do.

J: Ok. Tom tells me that you have sent word up to Al Waterson.

R: Ya, that is right.

J: Ok, well, I want you to cancel that and he can come down and I will interview him if necessary, but I don't want to hire anybody else on at this point.

R: Ok.

J: And I have discussed that with Tom so it is really kind of up to him.

R: Pardon me.

J: I say it is really kind of up to Al, I am sorry, I didn't make that clear - ...

R: It is up to Al whether he wants...

J: Wants to come down. But, it would be solely for an interview with myself, and I have got to know what his background is and what his capabilities are.

R: Ok.

J: So you are through with the bulldozer at this point?

R: Yes, that is correct. They took it yesterday morning.

J: And that is going over to Charlie's, is that right?

R: No it came from Charlie's and it is going to Benson for some fellow who rented it there on a sewer job. And he has it rented for a month or two. But they do have a comparable dozer in their yard there at Modern Equipment there in Tucson, which is a 6700. I got the rental prices in the daily progress report.

J: Ok, the backhoe work is progressing, or is it done?

R: Well now which backhoe?

J: On the bulldozer cuts.

R: Well, we have got more to do. One of the things that I didn't get to talk to Tom about was the budget. We always eluded away from that and Bobby Callan wants to be paid his full price for that dozer, and then Ernie wants to be paid for the backhoe - we haven't been using it very much, but he is pushing on that. Did Tom discuss the budget or anything with you?

J: No, he didn't.

R: I have got it all made out. I gave him a copy, the one we

made out here, and then he supposedly left you a copy of it for August and September? Have you found that?

J: Was it on a yellow sheet?

R: I think so. On a carbon or something?

J: I haven't found it yet.

R: Well, I don't know - anyway, I don't have a copy, and I have made up another one which is essentially - well, will really be more accurate.

J: I have got something that says Tombstone budget proposal 7/22/79 on a yellow sheet.

R: Ya, that would be it. That's what Tom would have left, and then I have updated that but Tom wanted me to discuss it with him but I just didn't - we always kept eluding away from it. So I will send that up today with all these progress reports to you.

J: Ok.

R: So you will have that first thing in the morning.

J: Ok.

R: And that is by week for the entire month of August. For each item.

J: This is what you are sending up...

R: Yes.

J: Ok. Who have you got working down there?

R: Just Dusty, Ed Rice, OC Miller as a laborer, and Scruggins as a laborer.

J: Dusty, Ed Rice, who?

R: O.C. Miller and Scruggins. Both of those two are laborers.

J: And what specifically are they doing?

R: Well Dusty and O.C. are working on getting the crusher and the vibrating screens put together. They should have it pretty well finished today, and Ed Rice and Scruggins are sampling. Tom felt he wanted to have Ed Rice take over grade control so he wanted him to work with Scruggins on the sampling.

J: Ok, so Ed Rice and Scruggins are sampling?

R: Yes, that's right. And then there are backhoe trenches to be made so Ed Rice would be, you know he has been doing the backhoe trenches that are across along those trenches away from the dike. We don't have many of those to do though.

J: What are you cutting those in? I mean what rock type are they in?

R: It is just that loose material. It is in the dike material itself, within the confines of the walls of the dike, and then it grades out from the porphyry, going out on those trenches into the sediments again - largely hornfels. There aren't too many different stratigraphic units that we are in right now. It is that hornfel group and that east wall of the railroad cut, where you sampled, where you took your sample, I have only found four distinctive stratigraphic units. One of which you sampled, which of course was another alteration facies of that upper unit, that is all a hornfel, and then a couple of other units. Again they look like they are some sort of facies of sediments and they could be a structural contact too. I just haven't - Tom and Dr. Dean talked to Dave Rabb, and he suggested Bailey Escapule do some geologic work on there, and he quit last Thursday, but he hasn't really been able to do an awful lot on it. And he isn't that experienced. I think it would be so much better to have you spend whatever little time you could to look at the units that at least I have identified and correlate it that way. Because there really doesn't seem to be that much difference so far. We are not that far down in vertical depth.

J: Ok.

R: Which again I think you can recognize from when you have looked at the dike before. Then we are in limbo on getting into the building and doing our leach tests. You know the barrel tests. And the crusher - by that I mean I don't know if Tom mentioned to you, but Bill Hight

(End of side one of Tape)

Tom has an awful lot of obligations and he said well Bill thought that was Tom's responsibility to talk to him about that if he wanted to put it aside or push it back or something so Tom told me this morning that he was going to be calling Bill Hight discussing it with him. Do you know if he did?

J: I think he did, and I think Bill said "no soap". So that is where we stand at this point.

R: Trying to see if there was anything I could do further when Bill comes down here tomorrow. How did Tom leave it? Did

he discuss it with you?

J: Well, they are going to stop in the office here tomorrow and I am going to talk with them before they go down.

R: I suggested to Bill that I would like for him to look at your office. Well I am glad that you are going to do that.

J: Ok, well I have got a meeting that is about starting so I will plan on seeing you down there probably Thursday.

R: Ok, and if you can, I would like to have whatever photos might be available and remember the ones for the 18 claims on that assessment part.

J: Ok. Where are maps of all that? Have we got all the maps in the vault?

R: No, I took them down here.

J: I see, so you have got all of them down there.

R: I have got all of the maps that I am compiling because I wanted to go over it with you when you got here. I picked them up on Friday. And then like I say in my daily progress reports that you will receive in the morning, I discussed different things - what they are basically and what they mean and how I think that we can use them so that we could go over those when you come down.

J: What is here at this point?

R: Excuse me?

J: What is here from those maps at this point?

R: Nothing of the flat maps. Just the ones that were folded. These were the ones that they - you have all of the flat maps, copies of thoses, but what I took were the ones that were rolled up because I had never really looked at them after Ed picked them up, and I wanted to go through them so I could see how we could use them, and I want to - I have got to make an inventory of them for the Farmers. And then you can decide - you can take back whatever you want to have prints made of and things like that - because I am just making the inventory right now. There is a lot of them that we should have prints made of. So then really you can take all of them back with you.

J: Those are all blacklines, bluelines, transparencies?

R: A lot of them - no there are some transparencies that was from the B.S. Butler stuff that Arizona Bureau of Mines that I would like to have some of those prints made. But most of

142

it is that Newmont stuff, you know prints, and they are tough. They are going to be hard to make reverse sepias or whatever from. That is why I wanted to kind of go over them to see what might may or may not be important, and then I will give you my suggestions and you can take them back and then have done what you think would be most useful for us. But I wanted to have them here so that we could go over them in the field if you like, and, again, I have got to inventory them, I have never done that before. So I will have that done by the time you get down here, and then like I say, you can take them all back and get whatever copies you think would be appropriate. I am sorting the ones out that I think would be useful to have copies of so that will all be done.

J: Ok.

R: Ok. Fine

J: Good enough, I will talk to you when I get down there.

Aug 1-4 143
CONVERSATION BETWEEN DWIGHT LEE AND JAB
(Very poor audible)

D: Is that accurate?

J: Yes, he gone.

D: And you consider that a marginal value?

J: Some of them will be of use, some of them I think we will simply store for the time being. There is possibly a future interest, it is a situation in which you have got a marble cake and if you want to find out how much angel food there is in relation to devils food, you have got to take a sample of all the angels food and a sample of all the devils food. If you get the two mixed, you don't get anywhere. And fortunately, it is not black and white down there

????

to take samples that are meaningful. I have got the ability to do that, and Dick does not, it is as simple as that.

D: Well, ok. Tom left me with a sampling plan which was an overlay on the aerial photograph.

J: That is the small thing with the railroad track at right angles?

D: Yes, that's right.

J: Ok.

D: Now, are you suggesting that we deviate from that?

J: Well, I don't know precisely what went on when John Dean and Tom were down there, I am not suggesting that we deviate from that, but a lot of samples have been taken parallel to the strike from the mineralized feature and they can be misleading. You need a few samples like that, most of them need to be taken at right angles. Dick did understand that, you will be getting in his reports which describe the problem with the bulldozer which relates mainly to the old well generating down there

?????

But at any rate, used the big bulldozer for one day and accomplished getting those right angle cuts ripped so that we could then get in a cut them with a backhoe. However, they have not been cut with a backhoe and he has gone ahead and taken samples from the rip tritis which is not the way I think it should be done.

Aug 2013

????

D: Taken from the rip what?

J: Well, you know how a ripper works don't you? Do you know what a ripper is on the back of a bull dozer?

D: Yes.

J: It is just a big tooth. They put that in and the bull dozer pulls it along and even though the tooth may be down about 3 feet, it tears up the rock. Some of the rock comes to the surface, but most of it is just fractured in place and remains there. Ok, well Dick has taken or has directed his people and got us down there to take samples of that, which under the circumstances was all he could do because he didn't have the backhoe..??? On the other hand,.....?? misleading....

What I want to do is get the backhoe down there where I can get something that I know what it is so that we can make some meaningful determination as to what the ore reserves are...

D: Your plan would be to use the cuts made by the ripper or get the backhoe down there and continue as planned.

J: Yes, that is correct. Now Ernie, with good reason, would not allow us to use the backhoe to do this without it being ripped first.

D: It has now been ripped?

J: Ya, several cuts have been made and I think that those are sufficient for the time being. I don't think any more work has to be done at this point.

D: Do you know whether or not Tom was aware that we owed Calan as much as \$3,000?

J: I suspect he was because it has been discussed. Calan was actually down there and apparently asked Tom or Dick about it in Tom's presence, and quite frankly I can't tell you for sure because the thing that I have got says August budget says \$3,000. I don't know whether you have seen that or not.

D: \$3,000.00, you mean that was what was already owed him?

J: Ya, that was past budget. But it was more or less discussed while I was down there too. The thing is, Dwight, we simply have to have a definitive cash flow budgeting over a long period on a long ledger sheet which we do typically for all kinds of cash flow control purposes. We will do that and

then it will be clear precisely what we are doing.

D: Jim, I agree with that, but I might disagree, I don't know what time frame you are talking about. I think that right now we have got three projects ahead of us, and we shouldn't budget any further than those three projects.

J: Well, I would agree with that, but we want to be sure that we have those covered. Obviously we can't budget too far ahead because we don't know precisely what we are going to be doing.

D: Exactly.

J: Ok, but I want to have it all crystal clear to you what all we are spending and I want to know on a day to day basis what we can anticipate spending and what we indeed spend. I am going to have daily reports from people down there with that type of thing.

D: Did you basically lay everybody off?

J: I have not at this point because it was the end of the week, and it wasn't clear what the situation was going to be related to the '71 Minerals building, what was going to happen to the crusher and so forth. Ok, let me go on to that because I think that we can get into the '71 Minerals building which is absolutely a necessity as far as I am concerned. The Farmers do want rent on that. They want \$180 a month, however, when we get that building, we can dispense with the \$130 truck body that we are using now, so all in all, we come out considerably ahead.

D: Do we still have the office?

J: Do we still have the office?

D: Ya, that we are renting down there?

J: Dusty Escapule moved into that and we have dispensed with the office, however, because I am going to be down there myself and Tom Waldrip, I have asked Dick to see whether there isn't another apartment that we can get, and we will simply rent that so we can have some place to stay when we are down there.

D: Ok.

J: Rather than pay motel bills.

D: Ya, I thought we were going to get that building for nothing.

J: I did too, but the Farmers say it is a matter of principle

and I don't think that that amount of money is worth arguing about and not having the building. Because quite frankly we cannot do anything that is meaningful in the environment that we have got.

D: How would you propose using the building? Would you do leach tests on the floor there?

J: Well, we have got to set up a sampling lab as soon as we get that AA unit, which I assume is on its way. Is that correct?

D: That is incorrect. That AA is not available until around the 15th of this month. It then has to be packed and shipped. I am trying to get a hold of the guy who is the dealer in Phoenix, he is out of town this week, I will speak with him on Monday. He has got the used one out there that we can get more quickly.

J: Ok, fine, well, that is also a critical piece of equipment and we can't make much difference without. In the interim I just got off the phone a couple of hours ago with Dave Rabb. He says that there is an AA unit available at the University which would have to be assembled and shaken down and so forth as long as we have somebody to operate it. We do have somebody that can operate it I believe. So we have a method of assaying these samples. Now unfortunately gold silver cyanide solutions deteriorate and he says that it is unwise to keep them for more than a couple of hours without running assaying them because gold and silver precipitate off - if it is plastic bottles, they precipitate on the plastic, if it is glass, they precipitate on the glass, so you really can't tell where you are if you let them sit down. So we really have to have an AA unit down at the site. So we need to put in an AA unit in that '71 Minerals building, we need to have barrel testing facilities inside, some small bottle roll testing facilities to get a better feeling on the assays, and then heap leaching I think we can do on the floor, you have 100 ton type of things on the floor...

D: How do we get it to drain downhill?

J: The slab in the building is already set up to drain because there is always - the way they - the filters that they were using, there was always leakage and it would have to be drained away and collected so it is just beautifully set up. We couldn't ask for anything better.

D: Ok.

J: To build a building like that I would suspect it would cost \$30,000 to \$50,000.

D: Jim, would you call Rabb this afternoon and ask him if he

knows of a used AA that we could buy.

J: Ok, I can't get him - I will call him Monday morning and ask.

D: Thank you. I don't believe that we are going to get this one until 2 1/2 to 3 weeks at best case.

J: Well, I think that that is very critical, Dwight and we should do whatever we can to do so. Now I have some people here that can run it, I believe. I am interviewing Dick's guy Sunday who has run the AA so that is not much of a problem. Getting the unit is, getting some place to put it in is, being sure that we have samples that mean something after we process them is important. But all of those are in the process of being taken care of. Ok, lets go to Dave Rabb. I talked with him. He has talked with the Dean of the School of Mines and the Director of the Arizona Division of Mines and Metallurgy. They are agreeable to having Dave work with us. Dave is agreeable to having - to using his car - and agreeing to pay him \$.17 a mile for the use of it, which includes its use and gasoline. Ok, two sticklers in there. They don't want him to spend 1/2 day per week on the project, although I pointed out to him that it was critical that more time be spent now. He said well he thought he could fit more time in initially, and I am planning on meeting him Friday morning in Tombstone for four hours to review everything that is going forward.

D: Next Friday?

J: Yes, that is Friday, the 10th. I would suggest that you and John Dean come out. I will just throw that out. Ok, now the other zinger is that the Dean feels that the best way to do this is to reimburse Dave for his salary, and on an hourly basis, and the University tax of 40% markup on that to cover their expenses, and that comes out to \$21.00/hour.

D: Does that strike you as being reasonable?

J: I think that that is a good deal quite frankly. A consultant would charge you \$50 an hour.

D: Right. I want to talk to Tom about that when I speak to him this week, but for the moment that sounds ok.

J: Ok. The one thing I want to do, I am preparing papers via the lawyer to terminate Dick. Dick is being super agreeable - it is painful to do it to him, but I think that the requirement is there. I am sure it is going to be a blow to him and a wrench to me, but at any rate, we will be done. I am going to go down there Wednesday simply because I have a Doctors appointment on Tuesday and I can't change that. In the interim, Ernie - with this check that I sent down, Ernie

148

is working - Dusty is working on the crusher and hopefully we can get things - the other thing I asked Dick to do is inventory everything. If we can get the agreement with the Farmers which I have asked Dick to get today, we can start moving in to the '71 Minerals building and send the trailer back to Tucson. So everthing is pretty much on the road.

D: Ok, Jim. What about the backhoe to clear those trenches?

J: Well, what I am going to do Dwight, we have got a main account and cash requirement sent off to you in the mail today, which you should have Monday. The approximate amount needed to cover payroll is \$1,200. I am going to be working this weekend and on Tuesday on getting this cash flow analyses and I will send that to you what our true cash needs are going to be to get this underway.

D: What about the \$5,000 that was sent to you on Wednesday?

J: That was \$4,731.10 or something like that? That has been fully expended for payroll, payroll taxes, FICA and so forth. Also to Ernie to Johnny Escapule and to Robert Callan - a \$500 payment on the bulldozer.

End of Tape

JPB
Tuesday
AUGUST 7, 1979

TIME 8:06

TOLL CALL #7760

FROM DWIGHT LEE

J: Dwight?

D: Hi Jim.

J: Good Morning.

D: How are ya?

J: Good, how are you?

D: Ok.

J: Tried to call you yesterday, but never did make contact.

D: I didn't get a message, I would have called you back.

J: Well, I called your office and they said you were at your country home. I called there and I didn't get any answer and then I called your New York home, and didn't get any answer there either.

D: I was up there, you must have just caught me out.

J: Well there wasn't any real problem, I just wanted to give you an update of what was happening.

D: Right, I was about to call you infact.

J: Ok. Yesterday we moved most of everything into the 71 Minerals building and got all the stuff out of the trailer that we have been renting. The rent on that 71 Minerals building will be, I believe, \$174.00 a month. We are spending about \$140 on the trailer, so we will turn that back and we are going to be about \$50 difference. At any rate, that is a real good deal.

D: Ok.

J: I interviewed Al Waterson for approximately 3 hours on Sunday, and I think he has all the necessary qualifications to be lead man down there. I don't know whether he can handle the management or not, I tend to think that he can, I was very candid with him and questioned him regarding his honesty, his drinking habits, and of course in great detail on his background. He is a fellow that is about 57 years old, and he has got a high school education, spent 6 years

149

in the Navy as a machinist, got out as a machinist mate, his work in underground and open pit mining, small mines and larger mines, he has worked in mills, has both ball mill operator and milling superintendent. He was involved as mine superintendent and I think general superintendent for a while for 71 Minerals and actually ran some of their plants. He is a surveyor, although not a registered professional surveyor, but worked for approximately 10 years with Nevada Highway Department and ran surveying crews. He is also done pavement test work, which that type of experience is very applicable towards building the leach pads that we have to have. He was involved in the building of the pad for the 71 Minerals dump and other pads in Cripple Creek, Nelson, Nevada and elsewhere. So he is a fellow with no formal education but lots of on the job experience. He can run a drill rig and run a bull dozer and run a scraper. Knows enough about diesel mechanics, he also got a certificate in the Navy for marine diesels which are somewhat different than equipment diesels, but, you know, the principles are similar. And so he can evaluate maintenance programs and so forth. I think that he can keep records, I think that he is honest.

D: Do you know that he did have a drinking problem?

J: No, no, I just wanted to be sure that I didn't hire somebody that would end up spending all their off time hours in the bars in Tombstone. I just told him that, that you know Dick has a pension for enjoying sitting on a bar stool, there is nothing wrong with that as long as you don't carry it to extremes, however, it gives us a bad image, and I am as much concerned with getting things done while simultaneously improving our image, so I was just clear to him that I didn't expect to hear that his hobby as sitting in the Crystal Palace every afternoon. What I am trying to do, is I am trying to be very frank and clear with him and everyone else, farmers, you, Tom and anybody that I come in contact with so that we don't have any misunderstandings for lack of candor, and so he told me that when he got out of the Navy like most young guys, he tied one on frequently, but he has gotten away from that. So I really don't believe that he has any drinking problem. Really, as a matter of fact, there was no necessity of even bringing it up, except that I wanted to be sure. Ok, what I have done is that I have offered him \$350 a week with a proviso that if the operation turns a profit, he will be paid back wages at a monthly salary of \$2,500/month so it will be back wages plus interest. That seemed to be very acceptable to him.

D: As I listen to you describe him, it sounds like a lot of his capabilities to some extent mirror Dusty's.

J: Well, ya, except he has had substantially more experience, Dwight, and I think that he can, I think that you are right.

{ Now I think that it may not be necessary for John to be out there, but indeed, if he is going to be getting a 3% or 5% participation in this thing, and if he is going to be the advisor, then he is going to have to be out here when I need him to advise, and if he doesn't, then I suggest that we get somebody else.

D: Well, I understand that Jim. I understand that he hasn't yet agreed to that 3% to 5%.

{ J: Ok well that's fine, but all I am saying is that when I need advice I am going to have to have it or the whole thing is going to, or I am going to stop.

D: I am not sure, do you really think that this one cannot be done over the phone?

J: It may work out just fine, particularly with Dave Rabb helping out. Now the other thing is that Al Waterson set up and monitored all of the sampling for 71 Minerals and the barrel leach tests and the whole thing, so he has already done all this before so I think that we can get along probably without any trouble. I just want to continue to emphasize that metallurgy is not my forte and I can set everything up, but I do want to have some definitive corroboration that it is being done just precisely it should be done, and also if John is going to continue to play an important role in this, I don't want to get two weeks work in and find out that there is some piece of menusha that was important, but that we did not get done properly, in other words throwing out that whole two weeks worth of work, and that is easy to have happen. As a good example, Dick's sampling of the pit down there so far I think is inadequate, not through anything but my judgement because the thing was sampled on what would normally seem to most observers a reasonable way, but there are certain peculiarities that my experience background allows me to evaluate that as not being correct, and I just want to be sure that I have the proper advice when we are down there.

D: Ok.

J: Now that may well be handled by Dave Rabb, and that is why I want to be sure that he is down there on Friday. So...

D: I will talk to John today and get back to you on that subject.

J: Ok. After Wednesday and Thursday, I will probably be able to give you a little bit better advice, as a matter of fact, maybe it will be better to probably put it off until this succeeding Friday, that might be more convenient for all concerned if I can get advice from Dave Rabb and if everything goes the way I expect. However, I just want it to

Now we don't want to get ourselves into a situation where we don't have any backup because when you do that, then if he gets sick, hurt, mad and quits, whatever, then we are left in the lurch, so I think its an asset rather than a duplicity of effort to have somebody with those capabilities - both Dusty and Al Waterson - and having those capabilities, however I think that Al Waterson has substantially greater depth than Dusty has.

D: Ya.

J: Al has worked for, well the predecessor to Union Carbide at the Pine Creek Mine, which is a large underground operation, he has worked as an underground miner, and all of these talents we will be needing as things progress, whereas Dusty is a competent worker, he just hasn't had that depth of experience.

D: Ok.

J: Ok. My intention was to lay off everyone except Dusty today, this morning, I just got off the telephone with Dick and they are still moving stuff over and getting the trailer ready to haul. Dusty is working on records and so forth, Ed Rice is working on records and OC and Scruggins are still doing some brushing in the area that I want to start mapping in tomorrow, so I am going to let them continue on for today doing that, I am having a meeting with Dick in Tucson tonight, or this afternoon, around 4:30, at which point I am going to inform him of his termination with two weeks notice, in which he will not be required, as a matter of fact I am going to ask him that he not appear on the property from tonight forward, and that he does turn over all records and data to us post haste. So I will be down in Tombstone tomorrow. What I intend on doing is terminating Scruggins and OC and Ed Rice and replacing them and Dick with Al Waterson and keeping Dusty Escapule. Tom Waldrip will be going down there with me, and he will be working as long as is necessary, as will I to make sure everything is going the way it needs to be going. Now we will be meeting, as I told you earlier, we will be meeting Dave Rabb down there on Friday, and I hope that we can meet you and John Dean down there at that point.

D: I am trying to get a hold of John this morning, Jim, so I don't know anything. My preference, I think, would be once you and Rabb have been down there and had a chance to look it over, try to get us all on a conference call, because I expect John will be wanting to come out when we do the test, the leach test, I am not sure that I am going to be able to get him twice.

J: Well, I want to be sure that I have enough metallurgical help to have everything set up just the way it should be.

153
} be crystal clear that if I need advice, and it is critical, it has got to come rapidly, and if John is the one to give it, then we will have to get it from him. Otherwise we will have to get some other consultants out or something so that we don't end up spinning our wheels again.

D: No, we are in agreement.

J: Ok. Now have you wired the \$1,200 that we requested for this weeks payroll?

D: That will be done today. I just got this thing in the mail this morning.

J: Ok. Now I have not had a chance to get the other expenses together, but...

D: I was going to send something in today's mail from 7/27 through 8/3.

J: Ya, Ok, that is the estimated payroll for last week's work and for tomorrow.

D: Ok, right, amount needed to cover payroll \$1,200. Now it shows wired to the account on 8/1 4715, now I thought \$5,000 was wired in.

J: Well, apparently not, that is what we got.

D: I will double check that.

J: Ok. The only possibility of change there would be that the bank has gotten something fouled up. Now I would request you Dwight to send us something like \$3,000 or \$4,000, because I know that we have got that many bills pending, and I cannot itemize that at this point, but it is certainly going to get us off to a better footing if we can get all those wrapped up poste haste. I am trying to get everybody's good will, which we don't have down there now, and we have got at least, as I have told you, \$2,500 in bulldozer expenses backed up and other miscellany which will probably add another couple thousand dollars onto that. I will get....

D: If I wired that \$5,000 today that would get....

J: Ok, I think that that would go a long way towards getting us back in the groove there.

D: Ok.

J: Ok, now the other thing I have done, I have asked Dick to get me a furnished apartment down there which he tells me is completed at the Nellie Cashman apartments, Dusty Escapule

moved into the other one that we were using as an office without my prior notice, but I didn't see any point of making a big issue about it. However, we have sent them notice that we are no longer responsible for that rent.

D: Ok.

J: But rather than using a motel down there, Tom and I will simply live in the apartment for \$140 rather than \$25 a day, or whatever the motel rates are.

D: Right.

J: Lets see, what else.

D: Have you worked up that cash flow that we were talking about on Friday?

J: No, I have not, I plan on working on that some today, and having Tom work on it too, but it is underway, we are just kind of continually a bit behind.

D: Ok. You are going to be down there Wednesday and Thursday?

J: Ya, ya. Going to be down there tomorrow and then there is a professional meeting, Mining Engineering meeting in which Mountain States is giving a talk on gold and silver leaching tomorrow night so I am going to drive back to Tucson to catch that, and then I will drive back down the next morning, and stay through Friday, and probably, quite possibly, Saturday and Sunday. I am going to just have to play it by ear.

D: Is it you plan or will you be able do you think to get most of the sampling done in that period?

J: Well, that is what I am going to do, is take Tom, who is a geologist, and Dusty Escapule and Al Waterson, and Waterson has had lots of experience sampling and we probably spent an hour talking about how the sampling was done down there for 71 Minerals, so he is not a geologist but he has spent so much time in underground and open pit mines, as well as the sampling that he is a good sampler, I believe, and understands the intricacies and pitfalls of sampling. So I am going to work with them, all four of us on sampling this open cut until we get proper samples that I am satisfied with and also to be sure that everybody understands the techniques that I want followed, and then I think that they can proceed with the geologic, well Tom can work on the geologic mapping under my supervision and Dusty and Al can work on the sampling under my supervision and Tom's supervision, and I think that we can start to accomplish something really meaningful. Now, I think that I told you that we had access to an AA unit but it is very critical

that we get ours as soon as possible. Now the other thing, one reason I want to get our bills wrapped up over there, Dwight, is because Charlie and Louis Escapule have an AA unit and will do test work on a contract basis. They won't have anything to do with us for a couple of reasons, 1, being Dick, 2, our history of bill paying down there, and so if we can get that straightened around, I want to get their goodwill so that we can have a backup through contracting with them. But, what is the status on that AA that Tom was working on.

D: I think that it is not going to be available until around the 19th or 20th, and then it has got to be shipped and they won't pack it or anything so I have got to find somebody to pack it and ship it.

J: Where is it?

D: Its in New Jersey. That is one of the reasons I mentioned to you on Friday was if you knew of a source out there that we could try and look to for a used one.

J: Let me start looking or get someone on looking around.

D: I have to commit to this guy in the next day or so.

J: Boy, there isn't any way I can do any looking around in that amount of time. Well, let me see what I can do.

D: Ok.

J: I think that we can probably scrape by using the University's or the Escapules, but that is not cost effective at all, as I am sure you can well imagine. Ok, the crusher is also apparently completed, although again that is a jerry-rigged device and I am not too keen on it, but we will use it until we are able to see our way clear to do something better. But the really critical thing is getting that building and having a reasonable environment to work in.

D: It sounds like that will be done today.

J: Ya, that is done, so we are pretty well all set.

D: Ok.

J: Ok, well I think that that is about everything, Dwight.

D: Do you think that you will have any problems with Dick or do you just have no way of knowing?

J: I just have no way of knowing. I think that he is kind of in a position of waiting for the other shoe to drop. Its

conceivable that he could go complete beserk. I am sure that he is not going to understand the reasoning, simply because I feel that about Dick, but.

D: I think that that's right. What are you going to tell him?

J: I am just going to make it short and simple. I have to, he is on the Board of Directors of S.E.A. Hydromet, and the Austin Mining Company, so I have to go through some legal measures, including a Board of Directors meeting and so forth, which I already have the paperwork on relieving him of his position as Vice President and General Manager and on the Board, Director on the Board, or on the Board of Directors. And then I am simply going to tell him that "Dick, things are just not working out, and you haven't come through on anything that you have promised, and I am simply going to have to terminate you". Now, as I told you, I would like to give him 2 weeks pay at this point, and then it is going to be up to him to find himself some other income.

D: Well, are we supposed to pay the 2 weeks?

J: Well, ya, I would say so, Dwight, because we have not made any, the bills that you have been paying are direct to Dick Hewlett and have no profit or hardly even any, or no overhead, so they are way below my costs.

D: Here is a guy that we have basically blown a hundred grand on, and I don't know how Tom is going to feel about paying him 2 more weeks salary. I am trying to call Tom in the next 1/2 hour and I will ask him.

J: Ok.

D: I think that you can understand that. Dick has been for us a rather expensive experience.

J: Ya, I understand. But, of course, that leaves me in the lurch too, because I have zero to pay him with.

D: I am not sure you owe him anything.

J: Well, it is.....

D: I feel he owes you something.

J: Could be, however,.....

D: As far as I am concerned, he should consider himself lucky he is not being sued.

J: Well, it is generally pretty standard to give somebody 2 weeks remuneration and that is kind of what I felt was fair,

all things considered. Well, why don't you guys think about it and....

D: Ok, I will be back to you. And I am also going to try and get John Dean.

J: Ok, fine.

D: Good.

J: Ok, well I will talk with you later, and if you would just fill John Dean in with what we are doing, he may have some suggestions that he might want to call me about.

D: Good. Thank you.

J: Ok, talk with you later.

JAB
Thurs Aug 9
158
CONVERSATION WITH JAB & DWIGHT LEE. AUGUST, 1979, FOLLOWING RFH
TERMINATION AND JAB MANAGEMENT TAKEOVER IN TOMBSTONE

J: Dwight?

D: Hi Jim.

J: Hi. How ya doin?

D: Fine, how are you?

J: Good. Ok, let me give you a thumbnail sketch. You have got a daily report that is in the press that will summarize these same items, but it probably won't arrive there before Friday or Saturday. You should be getting something in the mail today, if you haven't already.

D: Have not yet.

J: Ok. I think that I had not terminated Dick when I talked with you last.

D: That's right. We spoke around noon your time on Tuesday.

J: Ok. Well, I did, he took it pretty well, turned over quite a bit of data and the keys and so forth. I still have some material to get from him. When I left him Tuesday night, he expressed a willingness to help in the changing of the guard and so on, so he is being cooperative. I don't know whether I told you this, but I did discuss that pending action with the Farmers and there is no problem there. They are fully willing to cooperate with us. There is a confusion with them of exactly who to talk to, and I think that it would probably be best if they communicated directly with me and then I passed it on to you and Tom, but we can certainly discuss that. At any rate, they have a confusion as to where to go for the information they need, and we will have to get them periodic reports, that is not of immediate concern, however. Ok, yesterday I spent about 1/2 the day in Tombstone and the other half doing things related to the Tombstone work. It was essentially a day of fence mending, introducing Tom Waldrip to everyone, and getting the new people underway, including Al Waterson. I talked with Dusty and explained the situation with Dick to him. There is no problems with Dusty, he is an enthusiastic worker and is going to work well with Tom and I. I explained the situation with Al Waterson. He and Dick are apparently long time friends. He said that he didn't want it to affect his friendship with Dick, but on the other hand it didn't affect his ability to work for me, so I don't see any problems there, and if any occur, then I will simply take appropriate action.

D: Did you lay everyone else off?

J: Pardon? Ed Rice will leave today. OC and Scruggins had not made as much progress on the brushing as I had hoped. We are going to get that in hand today, and they need a couple more hand tools. I think what we are going to do is offer them a piece work basis, in other words we are going to analyze how much work is left to be done, figure out how rapidly they should do it, and say well we will give them "x" number of dollars for the job and they can get it done in 2 days or 2 weeks but they have got to get it done. It is just another example of relatively poor morale and a little bit of management so we will get that squared away by Friday for sure. I wouldn't pursue that any further except that I think that it is critical for my sampling and geologic mapping in the immediate area of the cut. We met with Charlie and, well I met with Louis Escapule yesterday. He has got a backhoe that he is using down there which I think is the type of equipment that we should be using for a couple of reasons. 1. One of the things that came up is that we have a very dangerous situation that Dick had glossed over in relation to the underground openings, the underground stopes under the Contention open cut. And it is very difficult to evaluate because there are no records that we have, but old timers in the area and other just general records indicate that there are substantial openings underground that could swallow up a bulldozer and a man very easily, which would result in the loss of a \$100,000 piece of equipment, as well as a life, so.

D: Hang on one second Jim. Go ahead.

J: Ok, so I want to go carefully and cautiously into that, and I think that that alone indicates that we can simply not drive a heavy scraper and a heavy bulldozer out across that open cut. Regardless of that consideration, I don't think that that is the way to mine that anyway. I believe that there are some high grade streaks, and that we should either mine it with a front end loader and a truck or even preferably even a backhoe and a truck because we can put the backhoe on solid rock and reach out with this long boom and selectively mine material. The backhoe is used in the Wyoming uranium mines and is finding a lot of acceptance all over the work. But that is something that I will simply have to do some more evaluation on. I just want to touch base with you on that.

D: Ok.

J: I attended a conference last night, American Institute of Mining and Metallurgical Engineers conference in which the speaker was from Mountain States Engineers and the title of his talk was technology for processing low grade gold and silver ores. Very appropoe, and we gained some additional insight and some ideas, which I have been discussing with

16

John Dean before you called. Also met Charlie Escapule down there and told him of the changes. He expressed great enthusiasm for working with me. He said anything that they could do that they would be more than happy to do. He said that he would run samples for us and make his other equipment available on whatever basis was convenient, and of course that certainly means at his convenience. Ok, I have also located via Charlie, an AA unit. He has got several people in Mexico that need one and he wants to buy 4 and if we can go ahead, he will put in the order in which we will get a fairly substantial cost break. That will be about \$2,500, and I am going to get more details today, but it can be air freighted in and we can probably have it set up very shortly.

- D: Ya, would you, because Tom, the work that Tom has done, he has found that the Perkin Elmer unit, which was going to cost us 23, certainly go 25 to get it sooner assuming that its comparable or a better unit than what we were going to buy. So ya, keep talking, but that sounds great.
- J: Well I think that time is of the essence, and that is just, I feel, its an absolute necessity. I just don't think we can make any headway without it.
- D: Ya, I agree. I think, you know, there are probably also advantages, well, will Charlie keep one too? Why would he buy 4?
- J: Well, because he has got other people that want them so he is going to buy, he has already got 2 that he will simply turn around and pass on to other people and if we go it will be three, and then he has some other people that will take the 4th one.
- D: Ok, see what you can find out about it, warrantee, and that kind of thing.
- J: Ya, ok. Ok, we, I paid off Cowan except we found out that his timer on the machine indicates that we still owe him another \$875, which I am sure is valid. I told him that I would get him that next week. But I think that the most important thing is that within 24 hours I think that I made a complete turn around in everybody's attitude, and we are underway and back on track, or at least we have the support of everyone, if we can keep our bills paid and if we can, you know, just do the normal things that a businesslike operation does. Today Dusty and Al Waterson are working on a list of equipment that we need and prices for that equipment. Tom and I are doing some paperwork here related to getting the power switched over, the trailer back so that we don't have to pay on that, telephone in the office there and in the apartment that we will be living in, and some daily reports.

D: Jim, what kind of equipment?

J: Well, we are going to need barrels, testing equipment, nothing particularly costly or complicated, but simply equipment so that we can run these barrel leach tests and leaching tests and set up the AA, and do the crushing and do the screening and do the heap leach test.

D: Ok.

J: So in other words, we have to essentially set up a small laboratory and the testing equipment so that we can go forward.

D: Right.

J: And we have to carefully evaluate what we need, when we need it, and how much it is going to cost and where to get it, and you know, all those little nitty gritty details.

D: Right. Now you are going back down there this afternoon?

J: No, I am going to go back down there just as soon as I can get everything in the car and get away from here. But there is just some paperwork that I had to do related to that project.

D: Ok, and Rabb is going to meet you tomorrow, right?

J: Ya, Rabb. Ya, he is going to be down there tomorrow. He is being very cooperative, by the way, and very helpful, and enthusiastic.

D: Ok, good. So I should, you and I should talk again tomorrow some time.

J: Ya, probably after I get through with our meeting with him. I will be down there probably all day through Saturday, and then I will be back up here Sunday and Monday and then back down there Tuesday, I expect.

D: Ok, when will, when is he going down, in the morning?

J: Rabb?

D: Ya.

J: Ya, he is going to meet us down there tomorrow morning, and he is going to have to leave about 2:00 he said, but we should, that is all that is really necessary.

D: Ok. Should we try and figure out when to try and set up a conference call with he and you and John?

- J: Ya, I am going to talk with John about that probably after the meeting and we can, ya, then discuss it.
- D: Go from there. Ok. I will be at my cabin starting Friday night, and then I will be back in the office Monday morning. I will be here all day tomorrow.
- J: Ok, fine, well I think it is simply going to take us a while to get everything in order and until we do, there is probably not much point in a lot of telephone calls because I think that I can get everything down in black and white and make it a lot more clear than a lot of lengthy conversations.
- D: Ya, I agree with that. Any thing else you want to tell me about Dick? And how that unfolded and so on. Is he going to stick around Tombstone do you think?
- J: I suspect he will for the time being, I just don't know. I didn't really ask him, there isn't any way that I can coerce him to do anything one way or the other.
- D: That's right.
- J: He did want to do compilation work on the geology and the underground and his ideas, and I said well I would be happy to receive a proposal from you on what you want to do, and we can evaluate it. Now is not the time to do that type of work, but possibly in the future it would, and if you want to communicated directly with Tom and Dwight, that is fine with me too, but I am not going to Ok any of that, and I want to get all of the records back immediately, and then if we decide to do it later, we can do so and we will provide you with the records if necessary. So, he said Ok that he did want to get some of his material together and he said that he would have it ready by noon yesterday, and I simply did not have a chance to get by and talk with him or pick anything else up.
- D: Ok, what did you give him as a basic reason, Jim?
- J: For his termination?
- D: Yes.
- J: Simply incompetent management, the fact that his processes did not work.
- D: Ok. You told it to him straight.
- J: Pardon?
- D: I said you told it to him straight.

J: Ya, I did. I don't pull any punches Dwight.

D: Dick, you fucked up.

J: That is essentially it. Two other things, Dwight. Dusty Escapule, with good reason, wants to be compensated for the use of his truck which is the only pickup that we have got down there and is completely adequate. I suggested \$10 a day and \$.20 a mile for days worked and business mileage. He said that was fine. I think that that is a fair rate, and I suggest that we pay him that.

D: What are we using it for?

J: Everything. It is the only vehicle that we have got down there to move things around in, aside from our vehicles, and our vehicles are more expensive.

D: Ok. What have we been doing now. He has been doing it for nothing?

J: Oh no, he hasn't been doing it for nothing, Dick has been furnishing him gasoline, oil and repairs on the vehicle, which is very difficult to keep track of and I don't think is satisfactory. In other words, if he blows up an engine, then we would be liable for the engine, or if he has a transmission failure, we would be liable for that. It is a very cloudy uncertain relationship, whereas mileage and a daily rate is very easy to review and control.

D: Ok.

J: And that is a fair rate for his pickup.

D: Ok. So you feel that a lot of the problem with Louis and Ernie was Dick.

J: Ya, and fuzzy dealing. They want to be helpful but they also want to be paid, and they want to be friendly, but being friendly doesn't mean doing favors. This project is interesting to them but they don't have any vested interest in it and if they do work they want to be paid in a clear manner and Dick had so many different deals going that pretty soon it was just like all his other technical work, pretty soon nobody new who was doing what to whom and why, and we can handle things on a very straight forward clean basis for fair prices and get their enthusiastic support. That is what Dusty said, he just wanted to handle things on a business-like basis, and doing favors and trading and horse dealing and so forth is simply not an acceptable way to do business in Tucson, New York or Tombstone.

D: Right.

J: And you know, it is just as clear cut as that. Dick was...

D: Anything else?

J: One last point regarding the chain of command, Dwight, that we talked about very briefly as I was rushing off the day before yesterday.

D: Right.

J: I set up a chain of command down there that from me goes to Tom Waldrip, from Waldrip to Al Waterson and Al Waterson to Dusty Escapule. I would prefer to have New York talk with me or Tom Waldrip, simply because those guys get confused when they have more than one thing to focus on at a time. I don't object to you or Tom talking with them in any way, but I think that, well I just don't want to have directions coming from anyone by myself.

D: Let me say this. Obviously, the point your making is a legitimate one I think on the other side, based on my conversation with Tom the other day, he doesn't feel that he wants to give up the operating role either. I think that we are in a transition period, lets keep it a little loose. We have got three projects to get done this month, and that is really going to tell us where we go from there, and I think that this is a kind of problem, you know, you're on notice that there is another side to the issue, and we will resolve it later.

J: Well, Ok, that's fine, but you know I can get things going down there, and I don't have any problems with that. However, if it gets to the point of you know trying to have two bosses, I will simply create one by stepping completely out of the picture, and....

D: Ya, I think that that is a little too extreme, Jim. You and Tom have had discussions about the role that Tom wants to take in an operating sense here, and you have got to keep that in mind.

J: Well, I do, but I also have gotten into, we have gotten into this problem for that very reason, and I have also had other problems related to that type of thing.

D: Wait a minute, we've gotten into this problem for what very reason?

J: Too many cooks in the soup.

D: No, I don't think that that is right, Jim. I think that we have gotten into this problem because maybe there haven't been enough cooks, number 1, and number 2, the cooks we have

had have been stirring with some pretty screwed up ingredients.

J: Well, could be, but at any rate, lets see what happens, but I don't want to get involved in multiple directions, and however we can avoid that is fine with me.

D: Ok, good. Good, listen, good luck down there. I assume that this next couple of days you will be able to really start some mapping and sampling.

J: Oh ya.

D: So we are about to where we are going to get started?

J: Ya.

D: Let me know as soon as you can on this AA.

J: I will try and get back with you this afternoon on that.

D: Ok, super.

J: Are you going to be at the office, lets see, its now about what, 1:00?

D: 1:10. I have a 6:15 dinner and I should be here until then.

J: Ok. Fine, I will try and get back with you later on this afternoon, as soon as I can get the details.

D: Otherwise, first thing in the morning is fine.

J: Ok, now, well sure, that's plenty of time. Ok, I'll talk with you later.

D: Thank you Jim.

J: Alright, bye, bye.

MONDAY, AUGUST 13, 1979

TOLL CALL #7782

TO: DWIGHT LEE

Famco Trading

J: Yes, this is Jim Briscoe in Tucson calling for Dwight Lee.

Ok, one minute please

D: Good morning.

J: Hi Dwight, how are ya doin?

D: Good, how are you? You in the office?

J: Ya.

D: I'll call you right back.

J: Ok, fine.

Dwight?

D: Hi Jim.

J: Ok. Let me give you a resume of what's happening at Tombstone. Have some bad news and good news, but I am considerably encouraged and really quite excited that we can go ahead and get something really accomplished down there very quickly. The real bad news, I assume by this time you have gotten my daily reports that I sent off mid-part of last week.

D: I haven't even looked at today's mail, unless they are in today's mail, I haven't gotten them.

J: Oh, that's a surprise. Ok, well they will be along shortly. Ok, the big thing is, Vernon Dale who is the inspector from the Arizona Bureau of Mines and his bag is looking for safety and health violations, was apparently down there a week or so back, and has looked at the Contention open cut and is just absolutely scared to death as am I after re-looking at it and talking with people, that we are going to drop, or that we have the chance of dropping everyone down a bottomless hole. What the situation is that that is in the area that was stoped in the early days down to about the 600 level and the consensus of opinion is that there are, in large parts of that open cut, there are simply timbers below that are holding everything up and they are

coming loose and that the cut itself has caved in and so you have got a bunch of loose rock filling the open cut to the current surface, but it is essentially hanging on nothing. And so we run the risk, every time we drive a heavy piece of equipment over it of having the whole thing come undone and simply dropping everything out of sight, including the equipment and operators. Ok, so the obvious thing is that until we determine where precisely those workings are, it is infeasible to work from the inside of the cut. However...

D: Hang on just a second, I am making some notes.

J: Ok.

D: What did you call them?

J: Well, ya the technical term is stopes, and when they have a vein, they essentially mine out the vein and depending on what the width of the vein is, that leaves in the type of mining that they were doing, which was prevalent at that time, its called square setting, and what it means is that they had timbers that simply held the earth apart where they removed the vein material, so what happens is in ensuing years, those timbers start to rot and they fall out without continual maintenance so the ground is probably quite unstable there and some of those timbers have probably criss-crossed and when they fell out and as they criss-crossed, then they would back up rock and so forth, but at any time, that could come out and simply create a big open void. In the stopes are probably 40' wide there and may go down to the 600 level so we are talking about a hole that is 40' wide and 600' deep...

D: Right.

J: Usually enough to swallow bulldozer, scraper and God knows what else. So we simply can't take the risk of driving out across there. However, the good news is....

D: Ha. Ha.

J: Is that I think that I have a method whereby we can mine that safely. In any event what we have to do is we have to get the underground maps if they still exist, and I have got several people in several different areas looking for those, and they were surveyed in, so we have to find out where they survey control point was, and then take a, plot them on a surface map, and then take a transit and start out from their survey point and survey in the location on the surface that is underlain by open workings and then we will know pretty accurately where they are, and then probably the next thing that we have to do is we should take a drill and drill to be sure that there either is or isn't...

D: Is this a big job?

J: Pardon?

D: Is this a big job?

J: Well, it is not inconsequential but it is not overwhelming. It is going to cost some money and I don't know precisely how much until we see what the maps look like but.

D: Can we do the sampling before we do that?

J: Oh ya.

D: To find out whether it or not its worth doing at all?

J: Oh ya, oh ya, absolutely.

D: Ya, ok.

J: Ok. Secondly, I found, I think that we have got a method whereby we can mine that safely. I have got to go, or at least some of it safely, and I have got to go over this with the mine inspector, but the Escapules, the State of Maine Mine, have an International Harvester hydraulic backhoe with about a 1 cubic yard bucket on it which they are leasing for this month from Modern Equipment Company, Lem, the guy that Tom has been talking to. Ok, that is a very good, it is brand new, it is a nice piece of equipment, and I think that we can use that to sit up on the top of the open cut, and mine below us without actually getting on bad ground.

D: Ya.

J: Ok, so I have talked with Charlie, and they are not using it on the weekends, and he has agreed to let us use it this coming weekend to run a mining test, which again is quite critical. What I propose to do is use this backhoe for two days, and the price that he is giving us is \$20 to \$25 an hour which is the best deal we will ever see, I suspect if we were going to rent it from somebody else, it would probably be \$60 an hour plus probably \$500 just to get it down there, but it is already over there so it is really a super opportunity. I think that we have got some things breaking for us that are now going to let us make some progress. At any rate, what I propose to do is on Saturday and Sunday, get the backhoe and rent 2 10 ton trucks and go ahead and make a test mining operation in which we keep track of, well, 1. to see how the backhoe does, until you actually.....

~~First two weeks of August - around~~

Monday
8/13/79

169

Conversation between JAB and Dwight - believed to be toll call #
#7782 - continued with toll call #7784

J:But using the two trucks, what we will do is keep track of the dipper loads and how rapidly they are able to dig on it, and how long it takes to load a truck, and what the cycle time from the open cut to the pad is so that we can project that into a mining operation and determine what the cost would be.

D: Right.

J: Ok, what I think is that this backhoe is the smallest that International makes of a track mounted hydraulic type. There are two others that are larger that are apparently on hand, the next size and then the next size up from that, and they can be equipped with a larger bucket. What I tend to think is that we should probably get the third larger size up, which is going to run us probably \$6,000 a month, I would estimate. This is running the Escapule's \$3,000 a month. But this is an unknown factor. However, if the Escapules find that this is useful, they will split it with us so that we can - you know, they can have it 3/4 of the time, or we can, whatever it works out with. So it would be a slick deal and would give us an opportunity to get a real good piece of mining equipment that we could get some production on. Whether this goes or not is going to be dependent on how the test runs.

D: Well, I guess my first question to you, Jim, since you have a lot more facts than I do, it all sounds premature to me in terms of the sampling and the leach tests and so on, but maybe you know a bunch of things that...

J: Well, ok.

D: ...We are getting deeply into one section of the report, and I don't have the benefit of the rest of it.

J: Ya, ok, I am going to be a little bit fractionated here. Let me go back a little bit and tell you what I spent most of last week doing because that was really the major problem area - is the fact that we simply can't go in as we had estimated, or assumed, and mine the open cut with a front end loader or a scraper. Ok, most of last week I spent mending fences and there has been a real amount of animosity down there related to the way Dick was running thing, poor payment on bills, lack of ability of the workers to cash their checks promptly, and just a lot of animosity built up. So at any rate, I have gotten...

D: Last Wednesday when you were down there, right? We talked I

170

think on Thursday when you were back in the office, and that you were going to go back down on Friday and meet Rabb, so I don't know what has really happened since.

J: Ya, Ya. I'll tell you what, Dwight, I have got a meeting that I have got to get to, could we get back in about 15 minutes?

D: Sure.

J: Ok.

D: You call me, and I will call you back.

J: Ok, fine.

End of conversation - resumed two toll calls later

Time is 9:37, this is Toll Call #7784, continuation of #7782

J: Ok.

D: Hi.

J: Lets see.

D: Your stuff, in fact, arrived this moment.

J: Oh, well, alright. Since I talked with you, I have talked with my literature research staff, and we have already got a search underway through the Arizona Bureau of Mines in their archives for the underground maps, and we do have some. They don't have the stope maps, which are the most critical, but we have a search going in Palo Alto, I believe, in the U.S.G.S. archives for F. L. Ransome's maps, which dated back to about 1912, and so I am optimistic that we will end up with some. When we get those, if we can locate their original survey points - then it will be a relatively simple surveying problem to figure out where the stopes are. Ok. Let me diverge again to the end of last week. It was very fortunate that you got that money out because we are now more or less back in the good graces of the people that we have got to deal with in Tombstone, and I think that it simply is a turning point in the whole operation. However, we will have to go on a cash up front basis, and be sure that we get - meet all of our payrolls, and all of our other obligations in a timely manner, which I don't think should be any real problem because we have spent a lot of time now planning out what we need to do and getting costs together, and I will transmit those - we are still working on it, but its not going to be very long before I will be able to transmit those on to you. Tom probably talked to you - well I think that we were on a conference call relating to crushing of material, and we were supposedly going to use

171
Ernie Escapule's crusher for that purpose. Turns out Ernie Escapule is working on another little mine as of about the last week, and he is going to be using it full time.

D: After we paid to fix it?

J: Well, ya, but there are some other bills that we didn't pay, so he figures that we are even.

D: Oh, Jesus. Are we, do you think?

J: I think that we are. I think it is counter productive to even argue about it. Dick's...

D: We must have had Dusty working on the thing for about a week.

J: I will check back and see. Probably 4 or 5 man days I expect. But I am trying to do what we can to make that come out even, but we also used all of his tools, and his furnace, and you know, a whole list of items without any compensation to him at all. So, the whole thing has gotten very complex, but I think what it really boils down to is that we can't expect to do horse trading down there, nor to fix up other peoples equipment without - well I think that it is just a bad way to go. I think that if we want to use something, then we have got to sign a definitive rent or lease agreement, and so that we have something that we can all stick by, and what Dick was doing was trying to trade one thing and another, and it just got so complex that finally everybody just got pissed off and exasperated and said that they wouldn't deal with him at all. Ok, so, we cannot use that equipment, however, Charlie Escapule and Louie Escapule are setting up precisely the type of thing that we need, in actually a better set up so we can use theirs under a verbal agreement that I have got now, which will follow up with a written agreement.

D: Let me put you on hold just a second.

J: Ok.

D: My lunch has arrived so I am going to eat while we talk.

J: Ok, fine. Ok, at any rate...

D: Charlie and Louie have a crusher?

J: Well they are getting one set up that we will be able to use on a toll basis. Furthermore, after all my fence mending operations, both Charlie and Louie are just bending over backwards to help us, and the big problem was really Dick's mechanations and so forth. So they have agreed to do - until we get our lab set up, all of our AA analyses, all of

192

our crushing and shaker tests for cyanide assaying of our initial samples, and then we will run our barrel test solutions through their AA. We are going to work out some kind of a price on that and Charlie is working on that this morning. I guess he is going to call me later on. But this will allow us to get our assays so we can figure out what we are doing in the pit together, and allow us to get quick returns - well, its the only way we can get any returns on our barrel tests without running the risk of the solutions deteriorating and then not knowing really what we have got. So, that is a real good deal, and of course their other commitment on Charlie's part was to cooperate with us on the use of this backhoe, and even split its use between the two operations if we, indeed, decide to use it or go to a larger backhoe. So that is worth an awful lot of money to us.

D: Right.

J: Ok, Dusty, Al, and Tom spent most of Thursday, Friday, and Saturday between running around and talking with all these people and then getting figures together on the laboratory equipment, how to set it up, and so forth. We discussed that with Dave Rabb. I took Dave Rabb completely through the operation as it exists now and got him familiar with both the heap and the Contention open cut. We are essentially moved into the '71 Minerals building.

D: Jim, you were cutting off.

J: Ok.

D: So lets try again.

J: Ok, we are essentially moved into the '71 Minerals building, although we have got to still build - or we have got to put a door on it where the gun runners left a door off the hinges - or simply just cut a whole in the wall so we have got to have a door there. And we have got to have some office equipment and so forth. Excuse me just a second...

J: Ok, were you asking me a question?

D: Ya, you were telling me about the building and you said Rabb went through the operation.

J: Oh, ok.

D: You were starting to tell me what Dusty, Al, and Tom did on Wednesday, Thursday and Friday.

J: Ok. Thursday they worked on figures - Tom and I didn't get down there until late Thursday afternoon. Friday we met Rabb. Went through the operation, the guys cleaned out the building, and we are in that building although we need some

173

office equipment and so forth, desks, file cabinet, and that type of thing. We will be in the process of building the benches required for the barrel tests and so forth on Tuesday. The guys are going to take Monday and Tuesday off, I am sorry - and we will start on Wednesday again so that they can work through Saturday and Sunday - working on the mining tests. We need a few things in the building. One of the main ones is we need to frame a door in where the gun people cut one in the side of the wall and it is open so we have to get that closed off.

D: Jim, what kind of numbers did they work on? I mean did all three of them work?

J: Ya. It is just a matter of sitting down and figuring what is needed, what we have to do and so forth, and getting equipment lists and everything to set up the lab and go about this thing in a workman like fashion. So, and some of it - I took Al Waterson and Tom with me around to meet Callan who I had not met and Dusty went with us on that, and then we also took a tour through the State of Maine Mine operation Friday morning with Rabb, after he had gone over ours, and just looked at how they were doing things. They have a very very nice professional set up - I am really quite impressed, and I don't think Tom has really had an opportunity to see it in the way - in the same way that we did. So, it is very pertinent to our operation because the ore is quite similar, and it was time well spent. So we actually talked with Rabb and Ernie and Louie Escapule from about 10:30 in the morning or 11:00 till about 2:30, we had lunch with them, and discussed various problems in the District, and the general situation. Then Rabb took off to Tucson, and Tom and I and Al - Dusty went ahead with our work. So at this point, we have got some pretty extensive lists of things that - of parts and equipment that we have got to have to set up the lab - they are prioritizing that and getting prices on that - trying to get the total together so that we can go forward.

D: Is there really that much stuff that we need, Jim?

J: To really do any good, Dwight, we have got to set up our own laboratory - operation there - including the barrel tests and so forth so that we can have a continual monitoring of the whole operation. It is - well there is just a bunch of little things, some big things - in order to get the thing on track. Now, one of the things that we discussed with Rabb is where do we go from here. What is the thing that we ought to do next. And, of course, we spent - Dusty and I and Al - spent a lot of time discussing that. Al was intimately involved in the '71 Minerals situation, as well as involved in other leaching operations so he had some interesting ideas on what should be done. What Rabb feels is that there is leachable material left in that dump, and...

174
D: You mean the heap or...

J: Ya, in the heap, excuse me. And that we can probably go ahead and get some values out of it. Now we discussed this with - in context with the operation that Charlie and Louie are doing and also in relation to Rabb's background on a variety of things - but just putting it in a nut shell, after the dump has set around for as long as that one has, material comes to the surface of the particles and this would include copper and zinc. What he feels is that we should go through a leach operation in a portion of the dump, and we will probably get a lot of copper and zinc which we will simply - we will go ahead with one precipitation run until the values fall off, and then discard the leach solution, and then go in with a fresh leach solution and he thinks at that point we will probably get a substantial amount of additional silver out. Ok. Now let me re-trace a little bit because with my mining test plan, if we go ahead with this backhoe test, which I strongly recommend, we will have about 400 tons of material from the Contention that we can leach and get a definitive test on. Obviously we will be taking a lot of samples off of this starting Wednesday but it will be a definitive mining test as well as a leaching test. I don't want to - I hesitate to quote figures, if Dick's suppositions are right, and if there were \$25.00 in recoverable metal in that 450 tons, we could end up with about \$11,000 worth of silver and gold. I don't want to pre-suppose that until it is actually done, but at any rate, it was certainly worthwhile procedure, and that would certainly more than pay for the test. Now the other thing - there are two things that I would recommend, Dwight - that we purchase immediately one of Charlie Escapules large plants - this is approximately 300 a ton per day of solution plant, and...

D: Hold it, Jim.

J: Well it will process 300 tons per day of solution.

D: Ya, and what do those go for?

J: They are \$16,500. I can't seem to find it in my notes right off hand. Ok, I also think that we ought to purchase a small plant, which is a test plant, and that sells for \$3,750.

D: Three thousand seven hundred and fifty.

J: Three thousand seven hundred and fifty. Ok, now by doing this, we have something that is a tested and proven plant. We can incorporate all the equipment that Dick purchased into those plants which will - so that we don't waste any of our initial or our investment in existing equipment. I have

175

already talked this over with Charlie. That will probably lower the cost by \$1,500.00 to \$2,000.00, and we will have something that will work. It is a tested product. If, for some reason, the whole project does not go forward, and I think there is every reason it should, then it is a saleable commodity, you are not loosing anything, except for the use of that money for a period of time. Now if we try and do it ourselves, I think it is an unwise expenditure of labor because I am not sure that we can get it together the way they have and secondly, well I just don't think that we can do it for the same amount of money. Charlie and Louie are way underpricing themselves on these plants, I believe, and that is Dave Rabb's opinion too. Ok, if we do that, we can then start, as soon as we get the plant, we can start spraying on the heap, after taking some definitive samples and being sure that that is the way to go, but everybody seems to feel that it is - because Dick never ended up trying to cyanide leach on that - he was simply fooling around with the hypo - which has all kinds of problems, which John Dean has already explained. So we have really never made a definitive test of that. Ok. Assuming we go ahead with that plant, we can start leaching the heap immediately, and it is not going to cost us anything additional in labor simply because the people that are doing the test work, the barrel testing and so forth - that is probably going to be Al Waterson or Dusty - either one which can run it while the other does something else. They have got to be there anyway. They can run the plant at no additional cost until we get our own ore on the heap, and, in fact, everyone seem to think that we need to reprocess the heap anyway, which I tend to agree with. So that we should be able to get a cash flow from the heap even though it might be relatively small initially - using the Escapule plant, we can then buy - if everything goes well - we can incrementally buy a second plant, a third plant and a fourth plant, and put them in parallel so that we have the same through put that '71 Minerals actually had - which was pretty substantial. Their filters, alone, cost about \$40,000 - not including the rest of the plant. The other advantage of this is that if one unit breaks down, it does not shut down the whole operation - you simply let the other three units go and repair the one that has a problem. It is a very slick way of operation, and we can buy them as the need arises. Ok, if my experimental mining works on this 450 tons, we will begin to get results on that by the middle of next week, and it will probably take us a couple of weeks of - or a couple of - well a couple of weeks to be sure of what we are getting, and then lets assume it is positive, then we can actually go into a mining operation on the heap and - I am sorry - a mining operation on the Contention - and if we decide to switch over the big plant to the material that we are mining off of the Contention cut. I feel that we are probably going to end up with some high grade zones which we can selectively mine using this

backhoe, and probably what we will want to do is put in a cement or asphalt pad so that we can very carefully leach the material that might be quite high grade. We will probably want to treat that with the small plant, which I have recommended that we also get - that way we can continue with a leach of high grade selectively mined material that might run - gosh could run well over \$100 a ton with the small test type plant. We can leach mine run material of lower grade stuff from the Contention using the bigger plant, and if we can go ahead and get a third plant, we can continue on with the heap leach. So we should end up with a pretty substantial cash flow. Ok. In the interim, there are no plants available right now. What I have done is I have negotiated with Ernie to rent his plant for \$200 for the coming month to work on the test heap leach that will result from our mining plan - the mining test using the backhoe.

D: Ernie's small plant?

J: Yes, that is Ernie's small plant that we used before. And that was the one that we used when we did successfully leach material when Tom and John Dean were out here.

D: And that is for next month or do we have it when we want it?

J: No, no, we have it when we want it. My objective is to have it installed on Monday and leaching by Tuesday of next. That is assuming that we go ahead with the mining test. Ok. Also, there is a fella by the name of Gabriel Heday who is has leased some of Charlie Escapules claims, which are surrounded by our ground - TDC claims - in an area that we are not particularly interested in right now. He wants to use part of our ground to put on a pad for his leach tests. It would be a small pad and the ground is too steep where he is - on the claims that he has under lease - interestingly enough, he is just taking delivery as of probably the first part of this week, for another small plant from Charlie. What I propose to do, is negotiate with him, the use of our area to build his pad on in return for the use of his small plant for a month, which will double our capacity on the 400 ton leach on the material from the Contention open cut. So if we go through with all of these things, we will have - and if, of course, I can negotiate this with Gabriel Heday - we will have two small plants which will speed up the leach of the test leach so that we are running 120 tons of solution per day through on that test leach.

D: Ernie's is 60 tons per day?

J: Ya, 65 tons per day is the way I understand it. Ok, the other advantage of having the two plants is that if one breaks down, we just continue until it is fixed, and then continue with 2. In other words, you have a back up.

D: Right. You were down there what, through Saturday or Sunday or what?

J: Ya, I came back here Sunday morning. It rained all Sunday, and it was raining today, I believe.

D: So we haven't done any sampling yet?

J: Yes, that is correct. We haven't - we just have not had the ability to do so, but we are going to start sampling Wednesday morning. I have got two men from S.E.A. that are going to help on that Wednesday and Thursday. We ought to be getting assay shaker tests back from Charlie and Louie's lab Thursday and Friday, and then we can just go ahead with the mining test on Saturday and Sunday.

D: Ok, have you done the mapping that you wanted to do as your first step?

J: We started some mapping but simply ran out of time, and weather conditions... so I will start on that again on Wednesday.

D: Ok. Is that about it?

J: Ya, that is about it. Let me review for you the costs that we have got to this point. Let me find my sheet here.

D: Let me respond to you first ok? Just to raise some questions in my mind, and so on. It seems to me that, and I may be wrong, but as I listen to you, that we are moving far afield rapidly. How Rabb know whether or not the heap is worth leaching or not, I don't know that anybody knows, and I know Tom's feeling - when he left was he didn't want to do anything with the heap until we followed this Contention thing through. Now if you have got some new evidence about the heap, well then obviously that is something to consider. But short of new evidence, what is different?

J: Ok. Let me just cover that very quickly. One, it is a suggestion to start leaching on the heap, and we are not going to be able to do it until we get a large plant, which is going to be 30 to 45 days if we act today - so that is quite a ways in the future. In the interim we will do some testing to be sure that it is leachable - barrel testing and so forth. However, it's my gut feeling and Rabb's gut feeling and Dusty and Al Waterson's gut feeling as well as the guy feeling of both Charlie and Louie that there are values left in there. We have never given that a good test because of Dick's metallurgical techniques which didn't work, however, apparently we did have one period where we had the areas 1 and 2, almost an ounce of silver using an ammonium - I can't think of it - well let's say ammonia leach on it. Everybody

feels that if we go back in with cyanide, that we will get something out. Now we can test that, and that is our objective. However, the tests are going to take a while, and its also contingent on getting one of these plants, which I really think we should do because even if we don't do the heap, we have got to have a plant for doing the Contention ore.

D: Jim, we have only got to have a plant if the Contention tests work.

J: That is right.

D: Otherwise we don't need a plant.

J: Well, except that we feel that the heap will probably go too.

D: So lets say you go leach the heap - how are you going to solve the percolation problem?

J: We will simply start moving it around with a bull dozer and work towards testing the heap to see what the costs involved in crushing and screening are. But I think that that is probably the way to go - is to do both simultaneously as soon as we get enough test results on the heap to see precisely what rate and what screen fraction should be re-leached and wha the cost is of course.

D: Ok. But we are not going to do anything on the heap until we all agree exactly what we are going to do. Right?

J: Oh ya. Sure. But this is the results of my work to date, Dwight, is that these are my feelings and until we get some negative information, those are kind of my recommendations.

D: Well I have obviously got to talk to Tom about that because that means spending money away from the Contention. He left with the idea that we were going to do 3 things. Sample the Contention, do a leach test and do a barrel test.

J: Ok. That is precisely what we are working towards. However, we cannot get into the Contention, as Dick had told him we could because of the problem with the very dangerous underground stopes.

D: Right, that is a new curve. I understand that. But does it make sense - you know if we can't find the valuable ore, we aren't going to have to worry about our mining techniques.

J: Well I believe that there is plenty of ore there, as a matter of fact, we feel that, again, it is very difficult without having done the testing - which we are going to do in the middle of this week, now that we have some means to

do it. Up until this point, we had absolutely no means at all to accomplish any of this thing. That is what I have accomplished at the end of last week, is that we can now use all of the test facilities at the Escapule operation, prior to that, we simply didn't have access to it.

D: Right, no, I understand that, and that is terrific.

J: Ok. So we will go ahead and run the - well do the geologic mapping and sampling on the open cut but the other thing that I was up against at the end of last week was that - well regardless of any assay work we did, we couldn't use any equipment to get in and mine it until after we had mapped the workings, and then we might not have been able to get in and do any mining. Ok, now, because Charlie is being so cooperative, we have got a massive piece of equipment at practically no cost, as a matter of fact, the cost for using that for 2 days next week is about \$500, which is less than it would cost us just to haul one from Tucson down here.

D: Right, I understand that that is clearly a good deal.

J: Ok, so by going ahead with that test, we accomplish all of those objectives - small sample testing, barrel testing, a heap leach test, and furthermore, we will have a mining test to see what the costs of mining are - which I could use in an engineering sense to extrapolate what our profitability should be using similar equipment - which is at this point, an unknown. Until we do it, we don't really know how easily the rock is going to be dug, how rapidly we can load it into trucks, what the cycle time is, etc.

D: Jim, I guess the only problem that I have, and maybe it is also simultaneous that I am wrong, but it is not going to matter what the cost of mining are if we can't identify enough ore that is going to be worth leaching in the first place.

J: Ok, ya, I would agree, although rough calculations, if we can recover \$10 per ton in the material that is readily available in the Contention open cut, we should be able to recover about \$300,000 in the mining of that, and of course that is again - my assumption was that it would be \$25 rock, \$15 per ton would go to equipment, laboratory, sampling, truck, mining, metallurgy, etc., and \$10 would be left.

D: So we would recover 100%?

J: Well, no, that is simply recoverable - \$25 recoverable.

D: Oh, ok.

J: So, again, these are just...

140

D: So I guess that is \$40 rock.

J: Quite possibly. These are hip pocket figures that I don't even want to comment on the reality of them until we accomplish the testing. But if we go ahead with this test, we will have something that we can really get our hands on.

D: Ok.

J: So I think that we should be able to accomplish everything that Tom and you were looking for by the end of August if we proceed with this test.

D: Ok, what - where can John be helpful to us now?

J: John Dean?

D: Ya.

J: Well, I would be very happy if you guys would like to come out this weekend and observe the whole procedure. I think that that would probably be most meaningful. By that time, we should have our barrel testing set up, installed, and our sampling procedure down, and I think that we can just discuss where we are. At this point, there simply isn't any real problem with the metallurgy as long as we stick with cyanide and as long as we use the Escapule's plant. I think it is absolutely ridiculous that we ever did anything rather than simply buy their units to begin with - but then that is spilt milk. But we have got that availability - they are just bending over backwards to help us, and we can get things underway for a pretty low cost.

D: Ok. This test, this 450 tons, are we going to crush half of that and not crush half of it and so on?

J: I think that we ought to just go ahead and run most of that as mine run. Now we can take say something like 10 tons or so and crush it, but I think that the crushing is very premature at this juncture. We don't know even where we can get a crusher. I think that we can recover a substantial amount uncrushed, and if we get a crushing unit, probably what we need is something that is large enough to crush the - crush and screen the heap at a probably a 3,000 ton per day rate or something like that - which makes it feasible.

D: That is a very large capital cost.

J: Yes it is. Although. Yes it is. That is why I say it is very premature.

D: Right. Ok. Lets see...

J: The other thing, Dwight, I guess it is not clear - I always

181

assume - kind of forget some of the subtleties that I have in the back of my mind simply because they are obvious to me - but one of the things that I hope to accomplish in this mining test is that whenever you mine rock, the mining method tends to dictate what size the rock comes out at, and what I want to do is find out how finely divided this rock is, and we can't tell that until we actually use that piece of equipment to mine it with. In other words, different types of equipment dig out bigger chunks.

D: Right.

J: If we blast it, we run the chance of blasting out big chunks. If we dig it with a backhoe using no blasting, which I believe we can do, I think that we are going to end up with a very fine material anyway, which might negate the need for crushing.

D: Ok. Hang on a second, I want to make a note on something. For whatever reason, you are coming to the table with a pretty high degree of convictions that we are going to find plenty of ore that we can get to in the Contention.

J: Ya, I am really quite optimistic, Dwight....

D: The reason I say that - for example - I would think that the mapping and the spending the money to do that research, again would come after we determine whether or not there was enough ore to do anything with.

J: Which mapping?

D: The mapping of the stopes. The research, you know - start that process.

J: Well, yes and no because what I have got - the other thing that I have got to contend with is I think what is really critical at this point, while we have got that piece of equipment down there, and secondly simply so that we can go forward - you know time is really of the essence here - is to go ahead with that test mining operation so that I can get some concrete cost figures to plug in to see whether the ore that we might end up with is economic to mine using that method - which is about the only feasible way to do it. The other thing is I don't - why we have got to get some of these maps, is that I run the risk of Vernon Dale coming down there - the mine inspector coming down there and saying well gosh, you can't do that either because there are some stopes under there. So I want to be able to say no the stopes are here and there, and if we do it thus and so, we don't risk either the men or the equipment.

D: Well, but you see what is happening, Jim, is one thing is leading to another, to another, to another. If we back up

to square one and say ok, lets sample first and do a barrel test and see what the results are, then we don't have those problems. And if the barrel tests are unsuccessful and if the sampling suggests that we don't have the kinds of values that you think we do, we haven't spent nearly as much money.

J: Well, what I am suggesting, Dwight, is only going to cost us approximately \$1,520.00 for this test. All the people and all the other equipment are required anyway. So the test itself...

D: Ok, but Jim, that is not true for the research on the stopes. I mean that is going on outside of the people down there. Right?

J: Ya, ya, but we, you know we safely can't go ahead until we know where those stopes are, regardless of what the values are.

D: Right, but if there aren't enough values, they we aren't going ahead, right?

J: Well, ok, understood, but I, quite frankly, just don't see that in the cards. That is a value judgement on my part.

D: Well we thought the heap was going to work a lot faster than it did too, Jim.

J: Ya, I agree, but - you know - I am on the scene, and I am just telling you what I think is reasonable now.

D: Ok, another question, why would Rabb think - I mean what does he know about the heap that would lead him to believe that it makes sense to do something on it today?

J: Well, simply because of his knowledge of the physical characteristics of heap leaching operations. Everything points to the fact that there should be some additional material in there that could be gotten out, and these are the fact that it has been sitting for a year, and also the fact that the material that we pushed off, we actually got a pretty reasonable amount of silver in solution. Now the other pre-supposition is that it is not going to cost us all that much to simply go ahead and start spraying it. What has really cost is Dick's poor management, trying to build his own plant when we should have gone ahead and purchased one of the Escapule plants, and just use straight cyanide with zinc precipitation, and just go ahead with the leach. Also, the fact that we were trying to use poor quality pipes that had been sitting out there. You know, it is just this situation that I have talked about before - if you are going to do something, you have got to get the right equipment, and go ahead and do it, and not run up your labor costs by simply having some things that you can't do anything with.

183

In other words, that was a Chinese fire drill down there from the word go when...

End of first side of tape

...that it is economic to operate and that we do have a reasonable amount of ore. Now, let me just describe to you, on the west side of the Contention open cut, I have a feeling that there is probably about at least 10' of material that will be relatively high grade. If we go ahead and mine that 10', that is approximately 700' long, and about 26' deep, so let me see if I can go through those calculations - hold on just a second. What that boils down to is 10' by 700' by 26' is 14,000 tons of ore. Lets assume that we do have \$10 of margin, then that means that we can get \$140,000 worth of silver and gold out of that. By the time that we get down to that point, I think that we can go ahead - we will then have plotted the location of the underground stopes, and we could have as much as another 10' of ore. If we had that, then we would end up with another \$140,000, again using this assumption that we are going to have \$10 margin in each ton. When we get down to the bottom, we will then probably have about 40' or more of material that we can mine selectively using this large backhoe concept. So lets just use that figure. Forty feet times 700', which is the approximate length of the cut, times for every 13' in depth would give us a ton of rock so 40×700 is 28,000 tons, and if we had the same \$10 unit, and I think that there is going to be some higher grade material in there - but that is difficult to say, and I don't want to warrant this until we get samples - but we have got - on any journey you have got to take the first step, and this is the first step. So we could have about \$280,000 of net for every 13' in depth using the backhoe.

D: Right.

J: Ok, so all these figures mean to me is that its certainly worth pursuing, and doing the sampling to determine if that is realistic or not. And this is the best, most expeditious procedure that I can see towards doing precisely that.

D: Ok, you had some numbers you wanted to give me, Jim.

J: Ok. Let me just quickly review the mining test. The equipment which is going to be the backhoe, is going to cost \$25 an our, and I assume 20 operating hours for \$500.00. Two 8 ton end dump trucks will cost about \$400 for the weekend, and the bulldozer, which we will have to have to get a starting pad, is going to cost about \$140.00. We need two truck drivers, and that will cost about \$280.00.

D: What about Dusty and Al?

J: Well, unfortunately we have got places for 4 people so they can't split themselves.

D: Ok.

J: Dusty will operate the backhoe and Al is going to sample each truck load and supervise the stacking operation on the heap. The metallurgical plant is going to cost \$200, oh and then we will have to rent Charlie and Louie's front end loader to unload the material that is on our test pad and repair the pad from where we did some excavating to see whether it was leaking or not. That will probably run another, lets say - well lets say that plus miscellaneous, lets say \$500. So we are talking about \$2,000 for the test. Al and Dusty are going to be working anyway, and everything else is going to go on as as it would whether we do the test or not.

D: Well, really we are planning to do the test anyway. I guess the question is should we be doing the barrel test and all the sampling first.

J: Well, we will be doing that first.

D: Ok.

J: Ok. Summary of expenses at this point, and I am going to send these off to you as soon as we get them completely compiled - Tom has been working on those yesterday and today - but one is the \$1,200 payroll for last week, which you have already got an indication of. Dick submitted what looks like rational expenses, although we are going to go back and check them.

D: The payroll last week we paid didn't we?

J: Well, no, that was for the preceeding week. We had \$1,200 in payroll for last week, which will have to be paid day after tomorrow.

D: Ok.

J: And that - we approximated at \$1,200.00. Ok, Dick has turned in expenses for gasoline and a variety of things that amount to \$1,321.17. We owe Callan for the bulldozer another \$875.00. I would estimate that there is about \$800 of S.E.A. charges for labor, and \$200.00 for expenses. Now those are just rough estimates because we don't have anything in at this point.

D: Right.

J: Ok, that would total \$4,396.17. Ok, expenditures for next week...

D: Next week meaning this week?

J: Ya, I am sorry, for the week of 8/13/79, ok, we cannot get telephones in until we put in a \$600 deposit on them, and we require a telephone for safety purposes, and I think that is a mine inspector requirement...

D: We got a phone before and we paid our bills didn't we? So why should...

J: Well, I am just telling you what the phone company by edict has said, that they want \$600 advance payment.

D: Well did we put up \$600 for the phone in the apartment?

J: I am not sure how we got that, and I have not gotten the straight story on it but...

D: Lets figure that out because thats...

J: Well, ok, so we need \$1,200 for telephone deposits for two telephones. The mining and leach test is going to be - well I had \$1,520 - we ought to change that to \$2,000. I am assuming \$500 for assays and crushing from Charlie Escapule. \$300 to Ernie Escapule for backhoe rental....

D: Isn't that already in the mine?

J: No, this is for his small backhoe, and I am assuming that we need that.

D: What for?

J: Well, we use it for a variety of things. Moving of any heavy equipment around, digging some test openings in - well lets see, in the open pit area, we have got to do some trench work so that I can get in and take samples on Wednesday.

D: I thought that that had already been done.

J: What had been done was Dick used the bulldozer to make a ripper cut at right angles to the pit, and he took samples along those ripper cuts. But that is simply not adequate. We have got to have a backhoe cut. There is also a dump up there that we think is probably pretty high grade, and probably is about 10,000 tons which we want to sample and do our barrel test work on so we will need the backhoe.

D: Is this another dump?

J: Ya, it is a dump that has never been touched right up on the Contention, and one of the things that we want to do is

186

probably set it on the pad, and leach it.

D: In addition.

J: Ya, right. After we test it, we have to see if there is something worthwhile in it. Ok, then \$1,000 in miscellaneous - in work capital which would include putting the door on the plant, and I don't know, just miscellaneous items that I am sure are going to come up. So that would be \$5,520.00.

D: Ok.

J: Which leaves us with, I believe, with about \$10,000 worth of cash requirements.

D: Ok, Jim, I am going to have to look at the stuff that you gave me, and I assume that there is some financial stuff in that because we sent - I think I sent you \$10,000 - five each in the last two weeks.

J: Yes, that is correct.

D: And I thought we were about caught up, so I guess that I am kind of confused.

J: Well, ok, the things that we are not caught up on with - related to those particular expenditures are the \$875 we still owe Robert Callan that I didn't know about, and the \$1321. of expenses that we owe Dick related to gasoline purchases, purchases of equipment that he put on his personal checking account.

D: I thought we stopped having him pay anything.

J: Well, we had, but this is more of the stuff...

D: I want to see the details of those before anything is paid.

J: Ok, well, I agree with you entirely, and we are getting those details together.

D: Ok.

J: Ok, so that's - the \$4,396.17 are essentially for the work done last week, and the Hewlett expenses. The \$5,520 would be for this coming weeks work, which we have to pay in advance for the tests as I have described them to you.

D: Ok. Is Rabb coming down again on Friday?

J: I have not made specific arrangements with him yet. One of the things that we are going to do, possibly today, was get on a conference call with you and John Dean, but yes, I am

sure that it will be possible for him to come down Friday or Monday, or possibly both.

D: Ok, I guess it is pretty hard for you and Rabb to be in the same place at the same time.

J: Well, he has got all kinds of other ongoing projects, and in and out of town, so yes, that is difficult, why?

D: Well, I was thinking in terms of a conference call.

J: Oh, ya. I think the easiest thing to do is probably simply arrange it though the operator if you can. If you want to do that.

D: Do you know when he is available?

J: I have not talked with him this morning, so no, I don't.

D: Why don't you touch base with him and lets you and I talk later this afternoon.

J: Ok, that's fine.

D: Ok, good. Because I have got to go, and I have got to meet somebody and I am late.

J: Ok. However, if we are going to do this stuff this weekend, we have to know very quickly so that we can reserve the trucks and do the other things.

D: Right. I understand that. Really, I have got to talk to John Dean, I have got to try and talk to Tom, so I have got some work cut out for me too.

J: Well, let me just finalize this by saying, inspite of the problems that we have had, I am really quite optimistic after seeing what the situation is, and I think that this is a worthwhile thing to pursue.

D: Just to expand on that for a second, what did you learn that makes you feel that way? - while you were down there. You spent three days down there - 2/3 of one day were just sort of shot with Rabb...

J: Well, not really, that was...

D: Well in the sense that you were taking him around and getting him acquainted, there is an education process.

J: Ya, it was an education process but we discussed some of the problems that were involved down there, and I think that most of them were metallurgical, and managerial, and related to not having enough cash at the right time - probably.

Which gets back to the managerial problem.

D: I don't think that not having cash at the right time had very much to do with the problem down there, Jim.

J: Well, I think that that was a managerial problem on Dick's part. I am not suggesting that it related to Tom's unwillingness to....

D: I mean he had four times as much money as he thought he was going to need to get where we never got.

J: Ya, I agree, but I think that that was a managerial problem - because - well, I am just tell you - synopsizing without trying to go into every last little detail. But what he should have done was he should have purchased a plant from Charlie and Louie, he should have gone directly to cyanide, and gotten everybody paid carefully, and gotten everybody's cooperation - none of which happened.

D: Right.

J: However, I think I have completely turned that whole situation around, and as long as we can pay people reasonable amounts of their equipment, and get our debts and everything paid on time, we have really got a great deal of support, and a great deal of good things going for us.

D: Okie doke. I will speak to you later today probably.

J: Ok, good enough.

D: Thank you.

J: Bye, bye.

189

Conference call between JAB, John Dean and Dwight Lee *r DAVE RABB*
August 13, 1979

J: Hello?

Operator: Hello conference call for you from Mr. Lee.

J: Alright, fine.

D: Jim, it is your ball game, why don't you shoot.

J: Ok. John, I think you are probably the only one that I have not talked with today, so let me just kind of give you a thumbnail sketch of what...

D: Let me just interrupt you - John's line was busy because I was trying to bring him up to date, so he has an overview - which is not to say that you shouldn't give him a summary, but I just wanted you to know that I had spoken to him.

J: Ok. Well, let me then make it very short and sweet as far as the managerial problems that we have had there, and if you have any questions, John, don't hesitate to ask. Most of the problems that we have had, I think, are really managerial in nature. I have had to do a lot of fence mending - that is pretty well accomplished. We have the, I think, pretty enthusiastic support of Charlie & Louie Escapule, Ernie Escapule, and I infer both the leassors and - the TDC folks - and other towns people. This is quite important because we really didn't have much support for a variety of reasons, which you are more or less familiar with, and there is no point in going into detail on. But that really occupied most of my time last week, as well as trying to ascertain what in the devil is the problem and what to do next. One of the real things that I did not anticipate because of the communications problem with Dick, was the fact that the Contention open cut is exceedingly dangerous. As a matter of fact, it is so dangerous it has just given me nightmares about it. It relates to the fact that that was a very active mining area, and there are probably stopes below there that go from someplace below the current level down to probably the 600' level, and they may be up to 40' in width.

j: Oh.

J: So we probably have been driving heavy equipment over broken ground that is only supported by a maze of square set timbers below us, and we don't know how far below us, but we could have a situation where that ground would suddenly open up to possibly as much as 40' wide and 600' deep and everything would simply disappear. Probably beyond retrieval. Obviously, no one is enthusiastic, including the Arizona mine inspector to have us running equipment back and

forth over that open cut. I didn't feel that using a scraper was the way to do it anyway, but at this point, I don't even think we can safely get on with a front end loader, which is the next way I thought was reasonable. However, the Escapules have got a large backhoe working on their ground which they are renting for \$3,000 a month from Lem, the guy from Modern Equipment, who I have never met. I have watched this backhoe operate, I think it is the ideal piece of equipment for us to use on an experimental basis to see if we can get on the east side of the Contention open cut, and reach over the edge and simply mine what I believe is relatively high grade material off of that flank.

j: How far can it reach, Jim?

J: Well, this particular unit I think can probably reach about 10', I believe.

j: 10' out and 12' down I guess.

J: Ya. I would say something about like that. Maybe even a little bit further. It has got about a 20' boom on it, and this is one of the things that I really didn't use a measuring device to find out, but I think what we can do - I believe that there is a strip of altered and mineralized rock that is at least 10', and maybe if we are lucky - 20' wide. Now we have to establish this by sampling, but if it is 10' wide - oh gosh, I don't have my notes right in front of me - but I calculated that we would have, I believe, about...

j: How far along the strike, Jim?

J: About 700' is the length of that open cut. Now there may be more ore available, but, again, that is subject to sampling. But what I had estimated is that if there is an average of 10' over 700' in length, that cut is probably 25' to 30' deep, and that would yield us about 14,000 tons of material. If Dick's hypothetical suggestions are correct - and you got to really hesitate to rely on that - but it is just for guess work factors - we might have something in the range of \$25 of precious metal recoverable out of that rock. If so, and if we assume that the cost is going to be \$15 per ton, we could see a cash flow of that material of about \$140,000. And then we would be on a level where we could - well I think if the backhoe works out, I think the reasonable thing to do will be to get a somewhat larger backhoe with a longer reach, and what we can do, as my preliminary discussions with Charlie Escapule - which would be subject to some kind of a written agreement - we could use cooperatively that piece of equipment so that we might use it 30% to 40% to 50% of the time, and they would use it the remainder, or vice versa, whatever turned out to be a reasonable use. And I think that working cooperatively, we could get a pretty

substantial mining operation off the ground, again making the assumption that the initial test proves feasible - that would get us where we want to be, and that is in a positive cash flow position. And then we can go about carefully outlining additional reserves in the District.

D: Well, Jim, when you talk about 14,000 tons, what would be the maximum that you think might be available in the Contention area. I mean do you foresee the number or could it be a 100,000 tons or 50,000 tons - at 350 tons per day or something - I haven't gone through the numbers - but you can get 14,000 tons pretty fast.

J: Yes, that is correct.

D: Then you would be done.

J: That is right, Dwight, but I think the main potential of the District is in going back and discovering more veins like were mined in the old days, and that is going to take some exploration, but there is really lots and lots of exploration potential there. I think what we want to do, at this point, is cut the expenses and get into some kind of a positive stature, rather than this being a drain on your resources.

D: Right.

J: Ok, lets assume that - well we may have a structure in the Contention area that is as much as - oh, it is about 30' wide in places. If we get another 10', which I believe we can on either side pretty easily, that would be 50' by 700' - of course there is extensions. The material goes - in the stoped area - I believe probably continues - or the mineralized material - so let me just quickly calculate that out. Ok, using that 50' width by 700' in length, for every 13 feet in depth, which is the cubic feet per ton - that gives us 35,000 tons. So in 26 feet we would have 70,000 tons, and if we could mine it another 13 feet, which I think is certainly feasible, we could have 100,000 tons, and if we - I think that there is going to be some really high grade streaks in that that might yield quite a bit of results - which we want to put on a - probably something like a concrete or asphalt pad where we can be absolutely assured of getting all of our solutions back, and so that we can go in and stir up or whatever might be necessary to get optimum results. But if we ended up with 100,000 tons at \$10.00, we would end up with about a million dollars cash flow. Now, lets preface that by saying you all know the risk in taking tonnages and assumed grades and assumed recoveries and say ok, we are going to put a million dollars in our pocket. That isn't what I am trying to say at all, but I think that that is the potential, and so I think that it is worth pursuing at this time. And I think the first step in that

pursuit is this mining test that I am talking about with the backhoe, which I would like to perform this weekend in the interest of time and equipment availability, which will give me the hard and fast figures that I need as far as one, whether the backhoe works, and if it does how fast it works, what is the cycle time of the trucks, what is the cycle time of the backhoe itself in filing up the trucks, and so on. Then we can determine whether that is the backhoe to use, or maybe we would get one that is twice as big. Now, as an adjunct to this, on Wednesday we will plan on starting to set up our barrel tests and shaker tests to determine where these values are and so that we can go on with barrel leach tests, and so we can determine the ore grade.

D: Jim, can you describe in a little more detail the sequence of events when you are down there from the sampling - what these barrel tests are going to be like, and then I would like to talk about the leach test itself based on the conversation that you and I had this morning.

J: Ok, the sequence of events that we have discussed, and up until Saturday we really didn't have any facilities to work with at all, but as I explained to you, Dwight, and assume you explained to John - but briefly, the Escapules have a complete set up, and will run crushing, pulverizing and shaker cyanide assay tests for us for small samples so we can tell where to start the barrel testing. We will set up the barrel tests starting Wednesday morning, assuming that we can buy the equipment, and start barrel testing almost immediately. They will run our cyanide solutions for us on their AA on a toll basis, and so we don't immediately have to have a laboratory, although, assuming this test is positive this weekend, I would suggest we get one just as soon as possible too, because the inadvisability of relying on someone else's facilities. Ok, so the sequence of events is early Wednesday morning I will start laying out samples, and I will preface that by saying that the samples that Dick laid out are inadequate for a variety of reasons. So I am going to lay out samples. I will have a crew of 2 or 3 people working right behind me picking up samples. I would say by noon we will have enough samples to start getting some definitive tests as far as just where we are in relation to small samples. And then from those, as soon as we get those back from the Escapules, which ought to be sometime during the next day, we will start taking samples to put in barrel tests. We may go ahead Wednesday afternoon taking samples for barrel tests, and if we can get it underway, we will have the barrel tests going Thursday morning. By Friday we ought to start getting some results back on those, and I think that we can go ahead on Saturday morning with the mining test, which will use the backhoe and two eight ton trucks. Ok, then we will - assuming - I have used some assumed rates on the size of the backhoe and the time that it is going to take to cycle the trucks, etc., and

743

I expect that we will be able to get between 400 and 500 tons on our test pad. Now there may be something that I am unaware of that will mean that we will only get 100 to 200 tons, or maybe things will go very well and who knows, maybe we will get 800 to 1,000 tons. But at any rate, we will have a definite tonnage in which we will have samples taken before its mined and then we will get samples out of each truck load that is trucked to the pad, and we will run barrel tests on those, and then leach the material using Ernie's small plant and the small plant of this Dutch geologist, if I can negotiate its accessibility - Gabriel Heday. If, again, lets assume that the material that we will be mining is in the \$25 recoverable range, and it is going to cost - well the costs are a little bit hard to ascertain right now, but assuming that we could get \$10 back, we would have a fairly substantial run of precious metals off of that - again making the assumption that it is recoverable.

D: What kind of leach time would you expect on that, Jim?

J: Well.

D: Would you start leaching before you got say the entire 400 tons?

J: No, no, we wouldn't want to do that because we would want to be sure and get the dump completely prepared, but I believe that we could start leaching on Monday morning if we can get everything - if we can get started on it very soon - which means like tomorrow morning - getting all the ground work laid. Then I would imagine that we are looking at about a months worth of leach time to get everything that is going to come out out. Now, again, we don't know that for sure, but we have Ernie's small plant for a month and I think on the last test, John, you probably have the information better in hand on this, but I think we only leached for about 6 hours and we ended up with a fairly good chunk of silver in precipitate form

j: There were several things that were off on that. One was the pumping rate was much less than we thought and the time was very short, but it was shaping up to be a very promising test, I thought.

J: Ok, ya, I think - well, the problem was we didn't know what the pumping rate was, obviously I think we need to be sure and have a flow meter on this test, and adequate paper work and so on. I have got everybody working on those. The big question is the ok from Dwight to go ahead. And also being sure that we have everything set up in a way that is acceptable to everyone - metallurgically speaking - lets put it that way.

j: Ok, well, you're mentioning these small tests that the Escapules are going to run on a toll basis?

J: Yes.

j: You will deliver them - what - 5 pounds of ore or something like that and they will...

J: One of those sacks full of material, John, probably 5 to 8 pounds - whatever they contain.

j: And what will they do - crush it and pulverize?

J: Ya, they will go ahead and crush the whole thing and pulverize it and put in an aliquot of cyanide solution, and then they have got a shaker - I don't know whether you have seen that or not.

j: I think I have, ya.

J: It is called a wrist...

j: A simulated wrist shaker.

J: Ya, wrist shaker. And then they will simply give back to us the analyses of what is cyanide soluble in that material. And then I will guide our larger barrel tests from that - which we will either take with a backhoe or by hand initially.

j: Would it be possible to have them or somebody send me a standard operating procedure with quantities and so on?

J: I don't see why not. It might be up to me to get that data down.

j: Because - you know - Dick had an absolutely terrible test. He only used 30 grams and every time a different spoon size and he made hundreds of tests and it didn't mean anything - and I want to avoid that if we can.

J: Ok...

DR: Jim, let me make a comment here. I believe the Escapule's have a very standardized test on the weight of the material, the fines of the grind, the amount of sodium hydroxide they add, the pH they operate at - you know - it is a standardized - it compares very easily with tests of other ores and things.

j: Well, don't you imagine that they have it written up somewhere?

DR: I don't know whether they will have it written up, but it

195

wouldn't be hard to get it down on paper in a...

j: Have you had experience with the shaker instead of the rotating bottle?

DR: Yes, the wrist shaker is a little better aeration than the rotating bottle on the rolls. Really the best aeration is the pachuka where you introduce a rising air column and get better aeration that way - but the shakers are considered superior aeration to bottle roll - it doesn't give you as much bubbling through the pulp - a cement mixer type mixer is better than the bottle roll.

j: Well the only thing that worried me about shaker is segregation of the heavy down at the bottom.

DR: That is why it is better. It is like holding the Erlinmar on your wrist and shaking it 20 times a minute.

j: Oh, it is really flopping over then.

DR: Chuuu-chuuu-chuuu-chuuu yes. Really flopping over and cascading and droplets throwing around in the flask.

j: Ok, well I haven't seen that one operating, but as long as its better - I am used to the gallong jugs on the rolls...

DR: That is my standard test here at the Arizona Bureau...

j: We have always used that and as long as it is better than that, why I can't complain.

J: Ok, well...

j: I would like the standard procedure for practical. I felt that this would save a lot of back tracking as we went along if each major thing - if we just had written out what was really the basic cook book recipe of a standard way of doing it, and then the operator will have it to refer to and he won't drift off and do something crazy - like experiences I have had with Iocene. So, if we have - the other advantage is instead of always having to describe the test, you can give it a standard operating procedure number and then everybody knows what it is supposed to be.

J: John, that is an interesting thing that you brought up. I fully agree with you and yes, I think that we should do that and I will do so as soon as I possibly can so no problem there. Regarding that qualitative sodium sulfide test that Dick was doing, my impression was that that was something that you had described to him and the methodology of doing it.

j: No, that isn't the one. The one that - over at Ernie

196

Escapule's little lab, he had a whole bunch of meter flasks set up with - just sitting on a bench. And he periodically took them by hand when he thought of it - but there was no uniformity of grind, and he was only using 30 grams of ore. He was trying to match the fire assay quantity, but he wasn't matching the fire assay grind and so he was putting out samples that didn't conform to that Richards Table, and the results are whimsical - you don't know what they mean.

J: Ok. The one thing that really upset me when I came down and saw - that was the 30 grams that they were getting was not from any uniform grind, it was just the fines that fell down to the bottom of the bag.

j: Right out of the bag. And those tests didn't mean anything.

J: Ok, well, as soon as...

j: That was one reason why I keep harping on this point because if Dick had put in the procedure way back when supplied us with reams of data, if he put in a procedure we could have picked it up, but he never told how he did it. He just gave the results.

J: Ya.

j: And he got away from ounces to dollars as fast as he could, and you were never sure how he got there - from one to the other - and so much of that great volume of material couldn't be interpreted to mean anything.

J: Ya. Ok, well when I got down there a week and a half ago, I just told him stop all that and store the samples, which they have done and actually I think that all the samples have to be re-taken too - well at any rate, that is where we are today. Now, John, the other thing that - well my recommendation - and certainly I would be more than willing to have your input on it or I certainly want to have your input on it - but I think that assuming that we have a positive reaction from this test this weekend using the small plant that we are renting, I think that we should immediately go ahead and buy one of the Escapule large plants, and one of the small ones too. Dick's motus operandi was to build the plant so we have a bunch of filters around and theoretically we could build it but I think that that is silly when we have got a completely tested production line method at a quite resonable cost, I believe.

j: Is this a 50 gallon per minute?

J: Ya, ya, it is a 300 ton per day unit. 65 gallons per minute, I believe.

j: 65?

J: Ya. And we can incorporate the equipment that we now have into that plant so that we are not simply tossing ours aside, but...

j: I think that that is probably pretty essential because my impression of the borrowed or rented - what ever that was that Ernie - wasn't a very good deal. The pump burned out, and we didn't get the right flow, but maybe there was something wrong, and I don't have any confidence in these improvised, borrowed, or uncertain situations - and it is too important to have the tests fails because of some deficiency at the critical point of recovering the product.

J: Ok. Well, I think that we are thinking along the same lines. Now because there are no plants available right now, we will be using Ernie Escapule's plant for one month, and a brand new small plant - if I can come to an agreement with the fella who is just taking delivery on one as of this week, and who is not quite ready to put it into production in another area in the Tombstone district.

j: What size is the small plant?

J: It is the same size. So what we could do, is by using both plants, increase the amount of spray on that test leach, and thereby decrease the total retention time, or putting it another way - if one plant breaks down, we can continue without interruption whereas if we depend on one plant and something breaks, then we are dead in the water until we get it repaired. However, lets assume that we start leaching on Monday, and everything looks pretty positive. Then I think that we ought to go ahead and order a small plant and a large plant, because the delivery time is going to be 30 to 45 days. And that will get us...

j: The only suggestion that I have is that if we had two plants of the same size - preferably the 50 to 65 gallons - that would make for a very efficient operation and real production...

J: Sure would.

j: Because they are interchangeable and...

END OF TAPE

148
Toll Call 7799
Time: Approximately 3:30
Returning Dwight Lee's call

J: Dwight?

D: Hi Jim.

J: Hi.

D: Sorry that I haven't gotten back to you - it has been one of those kinds of days.

J: Ya, I can understand.

D: I got my head salesman on vacation in addition to Tom not being here, and the stock market is going crazy, so its a...

J: Is it going up or down?

D: It has been going up. It wasn't up today as much as it has been, but it has been a period that has gotten very active - the kinds of people that we deal with. Not enough hours in the day - but I know that you know all about that.

J: Ya. Unfortunately.

D: I was in the process of having a conversation with John when he had to get off, and I am supposed to start talking with him again around 8 this evening. So that is one of the reasons that I haven't gotten back to you. The quick overview on that is he is in favor of progressing with this stage that we have been talking about. He has a sort of longer range concern, which I share, which is if you take the best case of your estimates on the Contention, where do we go from there. If everything went perfectly - which it won't, because it never does - then where do we go. And we started talking about the heap, which is where it thinks - for a variety of reasons - if there is potential here - that it is economic for us to pursue as opposed to a bigger mining company and a real operation in terms of full scale mining because of the change in prices. It is going to be on the heap, and we were just starting to talk about that when he had to get off.

J: Ok.

D: I went back and looked through some of your reports, and based upon - he assumes that the fines have been pretty well leached. That is obviously from the hip kind of statement - and he would be the first to admit that because you don't know how much percolation was there.

J: Ya, right.

D: He feels that the manganese is essentially unleachable by any technology that we have got. And if you take those two categories - that is 45% of the heap by Dick's reckoning. So that leaves you 55% of the heap, which by Dick's reckoning turned out to be the lowest grade - roughly \$12 or \$13 a ton.

J: Ya.

D: Now I came up with those numbers after John had to get off the phone so I haven't had a chance to pursue that yet. So to get the average of \$23 a ton at the prices that we were using at that time, you had to include the manganese and the fines, which probably was a terrible assumption.

J: Well, could be. I think that we simply don't know what is recoverable from the manganese. There may be some that is recoverable.

D: That's right - once you crush it - who knows - but John's basic feeling is that what you learn from a fire assay of manganese is basically meaningless.

J: Oh, well I don't think that we ought to do any fire assaying.

D: No, I know you don't - but I mean - therefore - and he adds to that that nobody really has the technology to get the real values or the values that are indicated by the assays.

J: Yes.

D: Which is not to say you might get something, but who knows and at what cost.

J: Well, I think the heap to me was always only a means to an end of developing the remainder of the district. And I think that it is a means to gain a cash flow position, which I believe we should then plow back into exploration in the central part of the district and consolidating the Tombstone Extension area and, I believe, we are going to find lots and lots of exploitable silver and gold mineralization. There are several ways to go. I believe that you can probably sell your interest in the district now - and probably get your money back, but I think that it might be more profitable to pursue exploration. Now the Contention zone itself continues on for another probably 1,000' to the south and 1,000' to the north - whether it is as wide as it is where we are talking about mining, is questionable, although there is quite a red halo on strike with it, in which there might be some lower grade values which would be amenable to larger tonnage operations, which give you a lower unit

profit - but a greater dollar volume - or at least that is the normal situation.

D: That extension is on property that we control, right?

J: Yes, that is right. And then there is all kinds of targets that would be underground targets that have not even been touched. I think that is where the main dollar volume would come from - is from underground workings such as have been exploited to date. However, I have a feeling...

D: Jim, hang on one second, ok?

J: Alright. Dwight?

D: Ya.

J: Ok. Let me continue on. So I think that the best promise is in the underground of the old district. However, there may be some relatively near surface veins that we can exploit using a large backhoe. I don't know that for sure, but it is a possibility. But the district has produced lots and lots of dollars at present prices for metal, and there is every reason to expect that there is at least as much there now as there was mined out before.

D: Jim, when you talk about things like these stope problems, aren't you talking about pretty major kinds of mining activities? I mean you almost would need a joint venture partner to really - a major mining company to do it, wouldn't you?

J: To do what?

D: To seriously mine this area.

J: I would say yes and no. The more money you put in, the larger an operation you are going to have and the less chance you have simply gamblers ruin from lack of staying power - which is essentially what we have got at this point. Again, I think the most lucrative way to leverage money is to do an amount of exploration that thoroughly enhances the value - which is a rather low cost proposition in relation to building an underground mine plant - or the underground workings themselves, and a surface mining plant.

D: Hang on just a second, Jim.

J: Dwight?

D: Hi Jim.

J: Ok. While we were mutually doing our thing here, I got a call from Charlie Escapule, and have some prices and kind of

some interesting information too that I think is appropoe to what we were discussing. First off, let me run down the prices. These guys are really just bending over backwards to help us.

D: This is Charlie?

J: Ya, right. I got a price of \$25 per hour on his front end loader. He cautioned me not to mention that to anyone else because he generally charges \$35.00 an hour. He does - he is going to write up a description for John Dean on their shaker test proceedure and for crushing and pulverizing our 8 to 10 pound sample sacks, and providing us silver and gold assay, he will charge us \$6.00 per sample and for an AA determination on our barrel leach tests...

D: Excuse me, Jim, the \$6.00 per sample includes crushing, pulverizing and running?

J: Right.

D: Ok.

J: And for just the AA determination on cyanide solution off of our barrel test, \$1.75 for gold and silver.

D: Ok.

J: Ok. For the large plant - delivery is 45 days - simply because - from whatever time it is ordered - because of the delivery time on accessories and parts. And for the small plant, it is 30 days. The large plant is \$16,500, and the small plant is \$3,750.00.

D: Ok.

J: And it looks at this point like I will not be able to get the second plant from that other fellow that I was talking about.

D: Ok.

J: Ok, now the other interesting thing from a geologic point of view is that they have been using this backhoe to dig some quite deep trenches, and they are down about 14' in one area, and they have started turning up visible gold and quite a bit of horned silver. The significance of this is something that I have been trying to prove since 1973, and of course, '71 Minerals simply never pursued anything diligently, and so even though I had the suspicion, I was never able to prove it, but my suspicion was that in the igneous rock, such as there is in at the State of Maine - and is rather similar to what we are in in the Contention area, the silver values leach out of the surface, and so the

material you get very near the surface is not as high grade as it is lower down, were it has not been quite so affected by surface leaching. This - my suspicion is - that the material that has been exposed to a lot of weathering at the Contention - or in the Contention open cut - the surface, which is the only thing that we can sample, using anything besides a backhoe, will probably be a lower grade than the material more protected by depth of cover. That is the other reason that I want to get in a do this mining test. So they are finding disseminated values that I actually suggested - or I should say richer values with depth that I suggested in 1973, would be present, and I think that this is indicative of the type of thing that we may be fortunate enough to find in and on the claims of the TDC ground. Further, this also indicates potential richness in the sedimentary units which underly the igneous rock that they are mining in presently. Charlie is pessimistic that they will ever have the money to test this thoroughly - I believe that we could and should work up some type of a joint venture with them at some point where we have enough financing behind us to do so to test this potential because it could be another complete area of mineralization like the Tombstone Basin under the State of Maine area.

D: Jim, I guess what I don't understand is what has suggested that?

J: Well, a rather extensive report that I did in 1973, including a lot of geologic mapping and so on.

D: No, I thought you meant something that Ernie has done has suggested that there are values in the sedimentary rock.

J: No, all that their recent trenching shows, is that the surface values are leached, and simply confirms my suspicions that they are getting better with depth.

D: Ok.

J: What this really does is simply lend reinforcement to the idea that there may be some very high grade ore bodies underneath the layer of ignimbrite - that is what the Uncle Sam Porphyry is - is a volcanic ash flow - which is tabular. Ok, so that is simply indicative of some of the unexpected ore that lies hidden within the District.

D: Jim, let me ask you two questions because I have got to move from the office to the house pretty soon. You were going to send me Waterson's resume. Did you send that?

J: No, I have not simply because I have misplaced it someplace, and I will as soon as I can relocate it.

D: It was my understanding and it was confirmed by John today

that part of the least agreement included the building that they are now asking us for rent on.

J: Could be. At this point I hardly think it is worth arguing about because we are only spending another \$40...

D: Well we could be spending \$180 less, right - so it is not another \$40. In the sense that if, in fact, it is part of the lease, we would be saving \$180 a month.

J: Yes, I think that that is correct. And if you feel up to dickering with them on it, well then I would certainly do so.

D: Ok.

J: But, quite frankly, I have not gone back and re-read the lease.

D: I haven't either but I will do that tomorrow.

J: Ya. I think that it is kind academic but...

D: In think at this stage that \$180 is \$180.

J: Well, I would agree but that isn't getting us any further to the sampling and I just have too many other things that I didn't want to spend my time on that particular thing.

D: Right, I understand that. Ok. When are you planning to go down?

J: Well, about 6:15 tomorrow morning.

D: Ok.

J: However, if I don't get the go ahead - it is kind of - well, again, we are spinning our wheels.

D: Right. No, I think that we should go ahead with this test, Jim.

J: Ok.

D: With the understanding lets try and not loose control of any costs.

J: Ok, well that is precisely what I want to do. However, I do have to make advance payments so you are going to have to get some money in the account for me.

D: Ok. Why don't we talk first thing tomorrow morning before you go down there and figure out what the amount is.

J: Well, I can pretty well tell you. It is the amount that I quoted to you the other day.

D: Less the \$1,200? So it is about \$4,000.

J: You mean for Dick?

D: No not for Dick...

J: The telephone...

D: Well...

J: Ok, I am not sure which \$1,200 you are talking about.

D: I think that we should not have to put up \$1,200 for the telephones. Ok, that is a large enough amount of money that we should fight that.

J: Well...

D: I mean you have phones in the same telephone system, we had a phone down there.

J: Well that is fine except they are quite adamant and we have also compromised ourselves by people know that there has been problems in collecting pay checks and so forth. So...

D: Well, what about - lets make them S.E.A. phones.

J: Well, that is precisely what they were. They have had so much trouble down there Dwight with people running off and not paying, that they are simply adamant about it, and...

D: Do they pay interest on the deposit?

J: I don't know whether they do or not.

D: Give me the name of the person and I will call them tomorrow.

J: Ok, fine.

D: Now, I was talking about the \$1,200 that I sent out this morning for the payroll.

J: Oh, ya, ok, fine. That is right.

D: Now what about Dick's \$1,200 in expenses?

J: Well, we are still adding up and trying to figure out where everything is.

D: You know the more I think about what has happened, the

205

madder I get, and the less sorry I feel.

J: Ya, well...

D: You know what I mean?

J: Ya, I know what you mean.

D: 150 grand pretty much down the rat hole is a lot of money.

J: I can't argue that - so - I don't know what to say, except I expect.

D: I will say that I don't want a dime paid until approve by Tom or myself.

J: Ok. We will simply compile that, figure out where we stand, and pass it on to you.

D: Ok, why don't you give me a buzz first thing tomorrow morning. I will be in here by about 8:15 probably.

J: Ok.

D: Also I am trying - I have got the stuff - the most recent package I got which had your report of I think it was 8/8 in it, and had a sheet which showed how the \$5,000 I sent was spent - or how \$4,400 of it was spent.

J: Right.

D: There was another \$5,000 which went in, and I don't remember if it was the \$5,000 before that or after that, which - maybe I have an accounting and it is something that Dick sent me and I haven't read yet.

J: Ya, I think you do.

D: Ok well I will check that tonight, ok?

J: Ok. The amount that I read off to you yesterday was \$8,900 less the \$1,200 would leave us with about \$7,000.

D: Ok, hang on a minute, let me find that, Jim.

D: Equipment was \$2,000 for the mine test, ok?

J: Ok.

D: Maybe I am looking at the wrong set of numbers.

J: Ok, that is approximately right.

D: Payroll last week \$1,200 - which was paid today. Dick's

206

\$1,300 which doesn't count. Calan \$875, which I thought had already been paid.

J: Well, we paid some but no it has not been paid, and I have got to have that post haste so we can use some of his equipment.

D: Ok, you have S.E.A. about \$1,000, so that is 2, 3, and how much do we own Callan - \$500 left?

J: No, we owe him \$875.

D: Ok. Then we have the Escapule assays \$500, telephone deposit which I am going to work on tomorrow...

J: Ok, now the thing is on that Dwight - we can get the phone installed on Tuesdays and Fridays, so I would pursue that diligently.

D: Ya, get me the name and I will call them tomorrow.

J: Ok.

D: So I have got 2,000 for the mine and leach test based on your numbers, ok.

J: Well, we also need \$500 for assaying and crushing for Charlie Escapule and \$300 for their backhoe - I am sorry, that is Ernie Escapule's backhoe...

D: We have got that number up in the...

J: No, that is a separate number.

D: I have got equipment, backhoe \$500, two eight ton trucks 400, dozer 140, two drivers 280, plant 200, loader and miscellaneous 500 for \$2,000. The I have got S.E.A. for \$1,000. So that makes \$3,000. Escapules for the assays so that is \$3,500. Callan for \$800 is \$4,300.

J: Ok, well I will tell you what, I am getting confused here - lets run through the way that I have got it organized here. This is for last week. \$1200 for the payroll - which we have got. Ok, Dick has submitted \$1321 expenses - which we are going to hold off on that. Callan we are going to need \$875, and then S.E.A. -and these are approximate simply because we have been so busy we have not been able to get them together - \$800 for labor and \$200 for travel expenses - \$1,000. Ok, so that is - let me total that up - are you still there?

D: Ya, I am, I just put you on the speaker phone.

J: Ok, so that is \$1875. Prepaid expenses required for next

week - the telephone - you are going to work on - I wish you luck. \$2,000 for the mining and leach test...

D: Ok, hang on. Ok

J: Ok 500 for the assays and crushing for the State of Maine mine.

D: Right

J: 300 for Ernie Escapule backhoe.

D: How long is that for?

J: That is just a rough estimate - I don't now precisely.

D: Ok.

J: \$1,000 for miscellaneous and working capital for the things that I simply cannot anticipate.

D: Right.

J: Lets see -

D: That is \$5,700.

J: Well it is \$3,800 plus what we had before - ok there is another 500 - lets add 500 in there for that I cannot identify here but I am sure that it is valid. Ok, I come up with \$6,175.

D: Ok, you have added 500 right?

J: Ya.

D: Right, \$6,175.

J: Right.

D: Ok, lets figure out what the 500 is.

J: Well, lets chalk that up to equipment to get the leach operation - I mean the barrel tests underway - motors and so forth. We are still working on some of these items, Dwight, but I think that 500 is a realistic item.

D: Jim, on that basis, there is no way that we are going to get these barrel tests done this weekend is there? Is all that equipment that readily available?

J: Well, we are going to scurry around but until we get the money we can't even start scurrying, so it is my intention to get them and I think that we can - but we have got to

have the money tomorrow.

D: Ok, give me a call first thing in the morning, ok?

J: Ok.

D: You can assume that we are going to go ahead - I have to have another talk with John, but I think that we are going to go ahead. It is the only way we are going to know anything, right?

J: Well, ya, I think that it is either go ahead or stop here.

D: Ya, I agree.

J: Ok, well alright, I will give you a call first thing tomorrow morning then.

D: Thanks Jim, talk to you later.

J: Ok bye bye

209

DWIGHT LEE AND JAB - Morning after toll call #7799

D: How are you doing this morning?

J: Good.

D: Good.

J: Got the name of the gal at Mountain Bell - but I unfortunately didn't write her name down - but I am sure that you can get to her. Let me give you the phone number. It is area code 602 457 3411, and that is in Douglas, Arizona.

D: Ok. And this is for two phones in Tombstone?

J: Right.

D: Did we have to put up the \$600 for the phone that Dick had installed in the first office?

J: Well, apparently not, although I have not been able to dredge that out for sure. I just haven't had the time to follow up on it.

D: Ok. Have those bills not been paid. Are there outstanding phone bills?

J: I don't think that there are. We may have been late on some of them - but I don't believe that there are any outstanding bills.

D: Ok. Good enough. I will give them a call later this morning.

J: Ok, if you can make arrangements - then we can get it installed on Friday, which is the next installation time in Tombstone.

D: Ok, do we need phones in both places immediately?

J: Well, would say ya, we really do. It is the only way that I have got of getting any communication - otherwise we have got to chase around and be someplace else when we should be on the job - even though we are on the phone.

D: You have a phone in your car, right?

J: No. Well, one, I am not using that car and secondly it is not very effective in Tombstone - simply a little bit too far away from the transmitter.

D: Oh, so you can't even use it for local calls?

- J: No. No, the car phone has to come from Tucson, anyway. So for local calls it would be a long distance phone call from Tucson back to Tombstone.
- D: Ok. Two quick questions, Jim. Did Dick basically follow your instructions on the sampling that he did, or did he just do his own thing?
- J: He basically followed the instructions. I am trying to think of a simlie that I can explain how he followed my instructions. He followed my instructions in a very sophmoric manner. I was, quite frankly, overwhelmed because I think that he was really trying. However, he followed the instructions in an unsophisticated manner and I suspect that he was probably thinking in his mind I am following these instructions right to the letter of what Jim said, when in fact, it was done in a very unsophisticated manner. One particular example - he sampled about a 10' stretch of face parallel to the structure in which he was actually sampling something that was about - a sheet about 10' long and maybe 10 to 50' high because it went underground - but it was only about 3" thick, and so - I have given up trying to think of Dick's mental - what Dick's mental processes might be. I assume that he didn't understand that. But I suspect what he would have done was project it at 10' back into the face, when in fact I could see geologically that the thing that he was sampling was about 3" to 6" thick.
- D: Ok, I sort of follow you - but aren't some of his samples of value to you, I mean do you really have to go and completely start over? Can you save any time by using...
- J: No, I feel that I have got to completely start over.
- D: How come. I don't understand - if he followed your instructions in general... There are places where the sampling may not be of value to you, but if he took 400 samples, there ought to be some places where they are of value.
- J: Well, I am not going to throw his samples out - lets put it that way, and I may use them where applicable, but they were way to detailed to start off with, and I will simply - what I have got to do is I have got to locate each one to determine whether its worthwhile or not. In other words, it is the type of thing that I just can say - well yes they are semi ok, or 10% are or 50% are, I have to look at each one to see whether it was done properly.
- D: So you just don't know yet really.
- J: Ya. But many of them are not - I don't think that they are worth putting - well, when you get right down to it, Dwight, the sampling and the geology is the basis for everything

211

that follows, and it - they are probably the least expensive, but may be the most important because everything you do thereafter is based on that initial work.

D: Right.

J: So it is not a good place to economize because you are making decisions that involve really a lot capital from here on - or from that point on. So I will use Dick's samples where possible, and we do have some information from them. Now the thing - another symptom of which whole situation is that Dick told me that the methodology that he was using - the sodium sulfide test, was specified and directed by John Dean. Quite frankly I thought that it was so much bull shit when I got down there and told him to quit doing anything further on it - which they did - I find out from John Dean in our conversation yesterday that John thought that it was complete bull shit too. And that was not what he was - or had described, or at least as near as I can tell.

D: Ya, I didn't pick that up as part of the conversation, but I will ask John about that when I speak to him later.

J: Ya, well, it was the conversation where we were talking about taking 30 grams of fines out of the sample sack and running a sulfide test which is qualitative to begin with. I simply don't even know where that surfaced from.

D: I thought that that was John's idea.

J: Well, I don't know. He - the sulfide test may have been his idea, but the way that it was being done was apparently not.

D: Oh, ok.

J: So, it is again, like the sampling - it was my idea but the way that it was being done was not. And it is the professionalism of the way things are done that is important. You know, for example, the stock market is not the act of buying and selling stocks, it is which ones you buy and sell. And the same way with sampling.

D: Jim, let me ask you one other question here because I have got to run and I know you want to get started going down there, we have got some amount on that heap. I don't know if it is 150 tons or 250 tons on the test heap. And, originally we were going to split that, crush 1/2 of it, and run a test on it. That got started I think when Tom and John were originally down - were last down, and then was stopped. Why aren't we leaching that as part of the test as opposed to moving that off the pad and bringing new stuff on?

J: Well, we have got two bunches of ore on there, one from the

Little Joe shaft, and then one from the bottom of the open cut. Ok, neither one of those I can specifically identify their distinct origin. Therefore, the test is not very meaningful at best.

D: But can't you tell exactly where Dick took it from?

J: No. No, you can't. Because the stuff that he picked up from the bottom of the open cut, was picked up with a scraper, and I have no way of projecting that to anything but - you know - we may test precisely how much is in that batch, but repeating that batch or projecting it to some other specific tonnage is completely impossible.

D: Ya.

J: So, what I want to do is we can still go ahead and leach that material at some point in time, but what I want to do is get a very specific amount from a specific area that I know what it represents so that I can say this is representative of this unit, and I can project this unit and I can say that there is 10 tons or 1,000 tons or 100,000 or whatever there happens to be.

D: Right. Ok, I will be wiring some money down this morning.

J: Alright.

D: I will talk to this girl - lets get as much done as economically as we can in the shortest period of time.

J: Well, I have got a crew that is sitting outside of my office now - we are all set to roll. How much are you wiring down?

D: I have got to look at the numbers. I will probably be 6. I think that's enough, based on our conversation last night, less the telephone and Dick.

J: Ok. I would wire down \$6,200 quite frankly. The one thing that will stop us - at possibly a critical point - is not having a little bit of slack if we need it.

D: Ok, \$6,200 is fine. I will wire that down this morning.

J: Ok. Good enough. You are going to get right on that?

D: Yes.

J: Ok.

D: My secretary isn't in, but she will be in in any minute and I will get started.

J: Ok. Well, I do want to start greasing the ways with getting

people paid off so I will simply depend on that.

D: Ok. And, actually all you have to pay off is Callan, right?

J: Well, I want to get Charlie and the State of Maine Mine \$500 deposit towards assaying and crushing and I want to get Ernie's backhoe bill, a deposit on that.

D: Ok. Until we get the phone, still give me a call and we can talk later on this afternoon or something.

J: Ok.

D: Since I can't get in touch with you - in case I have got something that I need to tell you.

J: Ok. Ok, fine. Well I am going to be busier than a cat on a hot tin roof for a while so I may call you this evening.

D: That's fine. Otherwise, first thing in the morning.

J: Ok, goodenough - talk to you then.

D: Bye.

gzb

Friday - August 17, 1979
Time: 8:06
Toll Call #7817
To Dwight Lee.

D: Hi Jim, how are ya?

J: Pretty good, how are you?

D: Good. Wondering when I would hear from you.

J: Ha, Ha. Well, I have been kind of staying busy out in the Tombstone wilds. We are progressing, however....

D: Hang on a second, I want to get some paper.... I'm here.

J: Ok, we are progressing, however, we are probably a day or two behind schedule that I had wanted to maintain, and therefore, I want to postpone our mining test until the following weekend so that we have a chance to get our barrel tests and so forth back before we start moving anything.

D: Ok. One second. Why don't you bring me up to date on what has been done.

J: Well, at this point, we have taken samples around the perimeter of the open cut and turned those into the State of Maine Mine. However, they are getting their power switched over to three phase power, and the R.E.A. has sent them the wrong connectors, and therefore, they have been out of power except for an auxillary generator for about the last three days. They are getting it hooked up today, but that is delaying their processing of our samples. So we won't have those results back - well the most urgent ones we will have back today, probably around 2:00, but we won't have all of them back until Monday - which is one of the critical reasons that I wanted to delay.

D: How many samples did you give them?

J: At this point, I have given them about 60.

D: Ok.

J: And I still have got a sampling crew working down there - working on some cross cuts and some backhoe cuts. We simply want to be certain that we know where to pick up the best material. Let see, we have off loaded the pad with the previous test material and will be putting - so that we can put out mine test material on it.

D: Right.

227
J: We have sampled, or we have made a backhoe cut for sampling in the dump that is on the east side of the Contention open cut that we will have to move anyway to get in a mine it, and as soon as we get our barrel tests set up - which will be done this afternoon - we will start barrel testing that material. Dusty and Al and myself, and Tom Waldrip are going to work over the weekend, and then Dusty and Al are going to take off Monday and Tuesday, and we are going to go back and work on Wednesday so that they can work over the weekend to do the mining.

D: Ok, what are you going to do this weekend?

J: We are working on the - well yesterday we worked on the Hall Road and the truck turnaround area, and also bulldozed off the soil overburden on the edge of the cut so I can do geology and sampling. We are going to run the big backhoe over on Saturday and make some backhoe cuts through the area that we propose mining on so that we can again be sure that we are getting something that is worth picking up.

D: Can we use the smaller backhoe so we don't have to rent it for a third day?

J: Well, actually I think that it is going to be cheaper using the big backhoe because their price that they are giving us is practically - well it is really kind of incredible - but I think that it is as cheap as the small backhoe.

D: Ok.

J: And it works considerably more rapidly. But we are going to do that as rapidly as we can, and then as soon as we have done enough for control, we are going to quit.

D: Ok, good.

J: We still have to get the barrel test material set up. All of that stuff is kind of hard to round up and Tom Waldrip has spent the last couple of days getting pumps, barrels, and baby bathinets to do the test work in, and glass ware to hold the solutions in and just a bunch of stuff. But he has essentially got all of that rounded up with the exception of a few little items that remain and he is going to haul that down to Tombstone today.

D: Ok.

J: And then I am going to go back down there this afternoon, and so I can be ready to go to work tomorrow.

D: Ok. I wired out \$600 yesterday for the pump.

J: Ok. Have you and John made a decision as to when your next

trip out here is going to be?

D: No. I need to talk to Tom about it. You know I think that it depends on how things go. Obviously this weekend doesn't make sense.

J: No, it doesn't. That is why I wanted to contact you this morning.

D: I had a long discussion with John yesterday afternoon, and he wanted me to discuss the following with you.

J: Ok.

D: This sounds very familiar and I think that you will get a kick out of it. But he has given a lot of thought to where we are going and so on, and thinks that we should try cyanide leaching the lifts.

J: The who?

D: The lift on the heap. The lift along the side.

J: Ok. Are you talking about the ones that Dick pushed off?

D: Right. The theory that he thinks that there are still some values there, that with the number of people that we have down there with the exception of perhaps a plant - and I will come back to that issue in a second - we have everything, except maybe the cyanide that we need to do it, so there is really no incremental costs. We have got at least one person in Al who is very familiar with the process seeing as he was in charge of it for '71, and it might create some cash flow, and it is really the only way that John feels to test the heap because the sampling program could be so expensive in the short run. And he wanted to run that by you. I have not spoken to Tom, and have to before we do anything, but he thought you may want to think about it this week and talk to Al, or have him talk to Rabb and see what your thoughts are.

J: Ok. I can tell you already that Al Waterson is convinced that there are more recoverable values in the heap, just through gut feel. He feels that, in all probability, because of channeling problems, some of that material is probably not touched, and even the stuff that was probably still has some material in it. The point that John makes about the man power is well taken. To do those barrel tests, we have got to have somebody sitting there on a rather continuous basis monitoring them. If we can get a large plant, they can run the large plant while they are monitoring the tests. So what we are talking about is no extra costs, except the electricity to pump the water around.

D: Right.

J: And of course the cyanide charge. But, ya, for those reasons, ya, we think that we should go ahead and start leaching that just as soon as we can possibly get to it. We should do some barrel tests on the material I think that has been pushed off by Dick, and to be sure of what we are doing. But it is simply isn't that costly an item and it is probably just worth a try just to start spraying the sides of the heap.

D: Is there any chance of renting from Charlie and Louie, a larger plant?

J: Well, unfortunately not because they have sold everything that they have made and they don't have any.

D: Do they have one of their own that they are not using?

J: No, they are using theirs on an around the clock basis. It is stationary. What I would recommend, is I think we should put in an order for a large plant and a small plant just as soon as possible.

D: I know you do Jim, but that is a big expenditure and I have really got to talk to Tom about it first, and I think we need some results from what we are in the process of doing right now before we make that kind of commitment. Now John....

END OF FIRST SIDE OF TAPE

D:To make our plant work reasonably well. He thinks that there is an awful lot of R & D and overhead and margin in Charlie and Louie's plant.

J: Well, I don't know. I tend to think that that is a pretty good price for everything that they have got into it but because - you know - once it is together, it does work. I think the thing, Dwight, that both you and Tom ought to think carefully about is that possibly - I am just going to say possibly because I don't know - possibly we can get the thing together if we buy a deaeriation tower from them. I think that we would be a lot better off simply contracting with them to buy and plant and letting them make sure that it is operative. If we order one now, and for some reason something goes ary, I don't think that there would be any problem with either one canceling it or two, selling it to someone else because they are selling these things like hot cakes and I don't think that that is going to change. Furthermore, I think you should look at it like buying a car. If you buy a car and use it for 6 months, and sell it, you may take a bit of a loss because of the depreciation on it, although, in some cases recently, cars have gone up in

value - for example a Mercedes...

D: Well Jim, it is pretty easy to find somebody to buy a used Mercedes.

J: Ya, but it is also very easy to find somebody to buy one of these plants.

D: Ok. I don't know that.

J: Ya, well, I mean we are in the market for one, and we can't find one, and they are selling everyone...

D: We have only talked to the manufacturer, right?

J: Well, ya, but well, that is my analyses at any rate that it would be...

D: Look, I will talk to Tom about it. Anyway, I am not sure that we don't have a plant except for the deaeriation tower. And I am reflecting John's view, not my own.

J: Ya, well, we have got some swimming pool filters and a zinc feeder, but I am not sure that that...

D: Well, what else does Charlie and Louie's unit have once you get done with the deaeriation tower?

J: I don't know...

D: I am not sure that there is anything more there.

J: Well, I am not sure either, but that is almost like saying what is a computer but a bunch of solder and copper wire too.

D: Well, I think the technologies are a bit different, Jim.

J: Well, could be but I don't want to

D: I think you guys ought to discuss it this weekend - you know you and Al and maybe Dusty, and see what would be involved in getting that plant to work. At least then we could do something with the lifts - we might also be able to do something with the lift - well, not really because we have only got Ernie's plant and we are going to need that on the tests, but we won't need it for a week and a half.

J: Well, if we move this - if we can do the barrel tests to find out that this dump has got something in it, we may simply go ahead and pick that up and move it onto the pad and start leaching it - well I doubt that we can get to that before mid-week - so we are talking about at least a week.

D: Ok, but I think that it is something that you ought to think about over the weekend. I need to talk to Tom because he left not wanting to do anything to the heap, and I don't want to over rule that without talking to him.

J: Ya. Ok.

D: But I think that we ought to be focusing on it and thinking about it - whether we could make our plant work for us, etc.

J: Ok, now, remember that we have Ernie's plant for one month and after that he is going to take that back and use it himself.

D: Right.

J: And at the delivery rate, if we can't get a plant made, then we are looking at a 45 day delay.

D: Well, that is one more reason I guess to see if we can't also make our work, regardless of what we do, right?

J: Ya, except we are going to have to buy a deaeriation tower for sure.

D: Right. John suggested to me that those are pretty simple and shouldn't be very expensive.

J: Well...

D: I don't know, but lets look into it, ok?

J: I don't know either, but I think that that is an over simplification.

D: Do you know what the terms of Charlie and Louies plant are - do they require a deposit on order?

J: I don't know, I will find out.

D: Ok.

J: And get back with you.

D: Ok, good.

J: Ok.

D: I will be at my cabin this weekend...

J: Ok.

D: If you want to get me.

232

J: Ok. I don't really see that there is or will be any reason to so I will probably talk with you Monday, I expect.

D: Ok, well I sort of would like to know what is happening with the barrel tests and so on... I mean you got to have some results by Sunday, right?

J: I don't know, it just depends on whether we get everything set up and running, and we will just have to kind of play that by ear. We will shoot for that.

D: Do you feel that they are operating pretty efficiently down there - Dusty and Al?

J: Oh ya, ya, ya they are operating very nicely. There is just - you know a lot of these thing are simply not something you can just run down to the corner store and pick up. You have really got to search around, and that is what is talking time, and we won't have any results on the barrel tests, Dwight, because the Escapules don't work on Saturday and Sunday.

D: What is wrong with them?

J: What is wrong with them? Well, I don't know, I guess that they have got it down to such a science that they don't have to.

D: God Damn.

J: But at any rate, so we won't get any AA work until during the week. But at any rate, I will give you a call sometime during the week and let you know what's happening.

D: Ok, Jim, thanks a lot. If you do hear something - I do want you to focus on this plant thing, and I will speak to you later.

J: Ok.

D: Great, bye, bye.

8:26 end of toll call #7817 of 8/17/79 to Dwight Lee

233

Monday, August 20, 1979
Toll Call #7836
From JAB TO Dwight Lee

J: Dwight?

D: Hi Jim.

J: Hi, how ya doin?

D: Pretty good, thanks, how are you?

J: Oh, pretty good.

D: Sorry that I couldn't talk earlier. It was one of those days.

J: Ya, well, I know how that is. Ok, let me review what we have done over the weekend, and where we are right now.

D: Ok, before you start that, Jim, are you planning to still send me sort of short daily reports?

J: Yes.

D: Ok, because I haven't received any since about - oh it must be nearly 2 weeks ago. And also a compilation of expenses.

J: Ok. We are still working on the compilation of expenses - you should get a set of reports tomorrow if it didn't arrive in today's mail.

D: What I got from you was the letter from that company that is looking for projects.

J: Apache Oro?

D: Ya, right. Waterson's resume.

J: Oh, ok, quite frankly I have stuck that away someplace and I have not run across it again. I will ask him for a second copy.

D: Good, because John wanted to see it too. One other quick question that John asked me when I talked to him late Friday - are our filters still joined together? Apparently - I haven't seen it - but apparently the - our plant that never worked, the filters had all been joined together in some rather complicated fashion.

J: Well, that has more or less been taken down.

D: It has been taken down?