

J: Ya.

D: How come?

J: Simply because it didn't work, and secondly we changed the - well we changed the metallurgy and it wasn't really applicable to the cyanide without a deaeriation chamber.

D: Ya, but you could have added that as I understand it without disassembling the plant, right?

J: Well, I had a rather long discussion with Dusty and Al about that, and their way of thinking was it was not directly applicable.

D: Did they identify how it would be different than what Ernie and Louie or what Louie and Charlie are making?

J: Well, they - what Dusty did was simply put together what Dick described to him and the circuits are somewhat different on the Escapule plant. And so it is apparently not directly applicable to the cyanide leaching without complete redesign and de-bugging.

D: When was it disassembled?

J: Apparently before Dick left.

D: Because according to John, there were a lot of fairly expensive valves and connectors and stuff like that which basically had to be destroyed to take the thing apart.

J: Well, there hasn't been anything that has been destroyed, and no, I don't think that that is quite true. All the valves and all the assemblies are usable at some point in the future.

D: Ok.

J: So, all the components are there, it is simply a matter of what to do with them next.

D: But Dusty didn't think it would work for what reason again?

J: Well, a plant really has to be designed and put into a metallurgical circuit, and he felt as I do and Waterson does, that we simply ought to take the components we have, turn them over the the Escapules, and let them build one of their standard plants, for a variety of reasons, which I can summarize briefly, but it is fairly lengthy to go into. One, we can't build a plant exactly the same size because their plant is patented. Two, if we build a very large plant...

D: What about it is patented? Because my understanding from John Dean is that it is the whole process with cooling pool filters, and there is basically - and although it is clever, there is nothing proprietary about it. In fact John suggest to me that they would get very pissed off if we built one ourselves because it would demonstrate to people how easy it might be to do.

J: Well, I think that that is an over simplification, quite frankly. It is something that I don't know enough to really even make an educated guess, but I do know that plant construction is a involved project to make sure that it works right. It is just like you have a bunch of parts and put a car together but whether it works right or not is another thing. And my understanding is that that particular plant module is patented, and so that we really can't build one exactly like it.

D: Well, we would have to know what about it was patented before we could really determine that.

J: Ya, well, the other thing is that we don't really have the tools, nor the time, nor the man power to really do that, secondly, you are dealing - well you are dealing with a family, and the Escapule's are just giving us all kinds of help - which I will describe in more detail - for example, Charlie and his wife worked all day Sunday to get our samples analyzed...

D: Let me suggest this, Jim, why don't you start at the beginning and we can come back to this issue. Because I know you have sort of organized your thoughts on what you want to tell me.

J: Ok, well,...

D: And I can see we will start jumping around if I...

J: During this weekend, we essentially have all the barrel tests ready to go. Dusty and Al are working today rather than taking the first two days of this week off, and we are simply going to work through until we get things operative. They are tying in the Escapule geodesic - or Ernie's plant - right now so that we can - as soon as we can get material on the pad, we can start leaching the material. They are also starting barrel tests on material from the Contention open cut, and I will be leaving either this afternoon or this evening or early tomorrow morning to take more detailed samples down in the cut.

D: Were you down there all weekend?

J: Yes. We went ahead and used the large backhoe to take - make sampling cuts at right angles to the Contention open

cut. We also cut across the extension of the Contention vein to the north where it was opened up originally, and in an area that we previously trenched a little bit with the small backhoe. We ended up digging down about 20' and then running into a gob filled stope, and the first level drift at about - probably around 23' below the present surface. We believe that we have some rather high grade vein material there - and indeed we found some rather massive lead carbonate in the hanging wall of the stopes. We have yet to assay that material, but it looks like it could be of pretty interesting grade - how much is very hard to say, but I do have some sample results that run up to about \$40 per ton contained silver and gold. So I think that it is conceivable that we may actually have some material that is very high grade. But since it is very difficult to identify silver minerals and the gold is essentially invisible - it is very difficult to say. But I would say \$100 rock is not unreasonable. How much of it, again, it is too early to tell. But we have gotten all of the Contention open cut assayed on the east side. We are still getting results on the west side - which are probably going to be lower grade but...

D: Ok, just a second. All of the Contention on the east side has been assayed?

J: Yes. The drift samples, which I took at 20' intervals. And...

D: How many samples of that, Jim?

J: Oh, lets see...

D: Are you sending me a report on all this?

J: Well, when I can get it together.

D: Right.

J: Well, we got results back on 28 samples. They average \$12 per sample, and ranged in gross value from \$1.63 as the lowest to about \$40.38 at the highest.

D: Those are AA assays?

J: These are crushed samples that have been cyanide assayed - I think a 42 gram sample put in a wrist shaker test. This gives us an indication of what is cyanide soluble.

D: Ok, good.

J: It is what I would characterize as being semi-quantitative as it is always a little bit hard to tell what is specifically soluble since the longer you shake it, the more

soluble it would tend to be - but these were shaken for 1/2 an hour so they probably approximate what we should be able to dissolve in the heap.

D: How do you view the grades?

J: Well, Charlie was quite enthusiastic about them. We have got a 220' length in the pit - in the northeast part of the pit that averages \$18.54 per ton.

D: Give me that again... You got how much?

J: 220' that averages \$18.54 per ton.

D: And how many tons would be in that?

J: Oh, it is hard to say because we don't know how far back in the wall it goes - that is what the backhoe trenches accomplish - but lets assume for every 10' - lets see 10 x 220 - ok - for every 10' in width and 13' in depth, we would have 2,200 tons.

D: So there might be 20,000 tons?

J: Ya, could well be 20,000 tons x - ya, so about \$40,000 in gross metal value for every 10' in width by 13' in depth.

D: 10 x 13 x 20, right?

J: Ya.

D: Ok.

J: Well by 220.

D: Right. Ok. Go ahead.

J: Ok, so we have opened up an demonstrated that the backhoe can dig in the strongly altered and mineralized ground, we have demonstrated that there is probably some high grade mineralization there, how high we don't know because we have not assayed it yet - although those will be in process - some of which are still being assayed by the Escapules. And this weekend we should be ready to go ahead with the mining test. We can probably start...

D: How much of the backhoe did we use this weekend?

J: We used about 14 hours at this point.

D: That is quite a bit.

J: Well, that is practically free - really Dwight - for what they are charging us, Dwight. That is \$280 worth of backhoe

which is less than it would cost us - well to do something similar for a one week basis would have cost us around \$3,000.

D: I can't argue that that is a good deal.

J: Ok. Ok, we have located and have on hand the 1911 maps of the Contention workings. Charlie is willing to give to us all of the records for the heap for the first 640,000 tons of material.

D: How does he have those?

J: Well, because he was the superintendent of the operation and I think that he simply kept a copy for his own records.

D: Oh, 640,000 tons?

J: That, that is about 3/4 of the heap.

D: Right, wow.

J: So that alone is probably worth - who knows - maybe \$50,000 to \$100,000 to us. It is very hard to put a true value on it, but I think that plus the fact that he and his wife for no reason other than their knowledge that we were very very anxious to get those samples back worked all weekend to get them to us, and he called those into me this morning.

D: I assume there are more than 28 samples?

J: Oh, ya, we have turned in about 60 - I don't have an exact number yet because I am still getting some of the paperwork back on them.

D: Ok.

J: And starting tomorrow, we will be taking more samples along the - at right angles to the veins, which will be quite important to evaluating them. But what this shows is that the values are variable along the length which I, of course, pretty well knew anyway, but simply the way things go. Let me just read to you the values for the first 220' in 20' increments, and these are in just dollar values using a \$9.00 silver price and a \$300.00 gold price.

D: That is what you used in all of these?

J: Ya.

D: Ok, let's see, \$9.00 Ag and \$300 Au.

J: Right.

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D: Ok, and this is the 220' that ended up averaging 18.54?

J: Yes, that is right.

D: Ok, hang on one second.

J: Ok from 0-20 was \$11.58, 20-40 \$7.71, 40-60 \$29.46, 60-80 \$14.46, 80-100 \$12.12, 110-120 \$16.86, 120-140 \$7.35, 140-160 \$15.45, 160-180 \$34.68, 180-200 \$13.92, 200-220 \$40.38. \$5.91 and then \$1.63 and then \$1.99, \$3.12, \$5.19, \$13.83, \$29.82, \$6.58, \$13.98...

D: What are these going?

J: These are...

D: Could you have intersect?

J: They are cross cutting features on the vein. But that is pretty typical. So this is why we have got to take these shaker samples for orientation purposes so that we can figure out where to start digging because we are talking about seeing something that is only - well good values are only about 60 parts per million - if we are talking silver and less than 3 parts per million if we are talking gold. So it is essentially impossible to see these values in the rock except that you get an impression of whether the rock looks good or not good.

D: Ok.

J: Ok, so this week, the barrels are all set up or at least 20 of them are set up - I am sorry, 16 are set up. We have got 30 barrel test set ups and we are having to build another bench to set the barrels on, but we have got 16 set up now and ready for muck to be put in them.

D: You have the equipment for 14 more?

J: Right. And Dave Rabb was down and looked over the set up. He seemed to feel that we were going in the right direction. He took some samples back with him to the U of A and has called me this morning indicating that we did find this massive zone of or vein zone of massive lead carbonate. He is going to assay that for silver and gold. If this turns out to be high grade, it might be something that if we run into enough of it where we can segregate it, it could be direct shipping ore going to some smelter.

D: No kidding.

J: Could be quite high grade.

D: This is lead manganate?

J: No, it is lead carbonate.

D: Carbonate.

J: Ya, it is the mineral cerusite. But it is conceivable that it could run pretty substantial quantity of silver with it, although we simply won't know that until we analyze it.

D: And he is doing the assay of that?

J: Yes. Now he is also - we have also had some mineralogical testing, and we are having some x-ray work done to identify an unusual green mineral that we don't really know the origin of. Ok, we will be taking some samples of the gob from this old stope that we ran into...

D: That is different from this lead carbonate?

J: Well ya. The lead carbonate was in part of the vein that the old timers did not get to for one reason or another. We are not sure precisely why, but, again, we could have some very high grade values in this continuation of the vein. It is feasible to mine it with a backhoe. The backhoe works well, and we can operate safely using it, which is the big consideration. By any other method, we simply could not.

D: Were the old maps helpful in determining where the stopes are?

J: Well, yes, they will be. What we are going to have to do, is we are going to have to actually survey these in to some extent to determine precisely where they are. At some point, we will have to contract to get a good topographic surface map made and then we can simply superimpose this on the surface of shafts, and then we can we will have the trace of the underground workings on a map that we can relate to the surface features - geography, and know what areas are underlain by underground workings.

D: Ok.

J: Ok...

D: How would you say, Jim, - you were down there for three days. Was most of your time spent sampling?

J: Most of my time was really spent supervising and actually watching the progress - well no - I was simply down for Saturday afternoon and all day Sunday.

D: Oh, I thought you were leaving - I thought you went down Friday.

J: Well, I was going to but I got tied up with office work here and getting out - as a matter of fact - some of the reports that I sent out to you Saturday.

D: Ok. So the next step in your mind is the barrel tests?

J: Ya, well actually there are probably some underway this afternoon.

D: And you mentioned that you were going to start leaching a heap so you must have moved some stuff on to the pad?

J: No we haven't. There is already some stuff on the pad so what we are going to do is run barrel tests on it and see whether it is worthwhile to leach, and if it is, we are simply going to start leaching it and see if we can't get some kind of a cash flow going.

D: Good.

J: And we have got another dump up there that we are going to run barrel tests on and if that is worth taking, we will leach it, and if the gob from the old mine workings is worth leaching, we will leach it. The gob - we really can't tell where it is from so there is no point in trying to test it because the test really won't mean anything. But it is quite conceivable that we could get a fair amount of material into production quite rapidly on a small scale because that is the only plant that we have got is the small plant.

D: Sure. Did you have any talks with Charlie on what he might charge us if we gave him everything that we had?

J: There is probably around \$1,600 worth of material there - maybe \$2,000, which he can use, and so it would be their price less whatever parts he can put into his plant.

D: God, where is all the cost in this plant?

J: Well, a lot of research and a lot of putting together. I think that it is probably very reasonably priced. We would have to check on what a normal Merrill Crowe plant goes for, but I think that that is probably a pretty reasonable price. Ok, let me see if I can review for you the reasons why I think that we ought to go with the plant - or with their plant. For one thing, Dusty and Al are going to be completely occupied in the barrel testing and getting the mining operation under way. They have never put one of these plants together, they are not plant designers, and they simply don't feel capable of doing so.

D: They said that.

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- R: Right, ya, that is correct.
- D: They don't look forward to the concept of doing this?
- J: No, no they really don't. If we use our plant, I mean if we use the components that we have got, and if we build a stationary plant, it is going to have to be a rather large through put plant, which makes it non standard. It also means that it is non portable, and it is also non saleable unless except in some kind of a very special instance - there might be somebody that would come along that that would meet their criteria. The one very attractive thing about the Escapule plants is that you can go up incrementally by simply buying additional plants. If some component goes down in the plant, lets say you had three going - if we go on the heap, we probably have got enough ore to keep 2 or 3 going. We really don't have enough ore insite yet - that doesn't mean that we won't at some future point - but insite yet we don't have enough to keep a large plant going. But if we had two of the Escapule size plants, we could be leaching on one pad with ore from the Contention and one are on the existing heap. If, for some...
- D: In theory we could do that with our own too.
- J: Not really because...
- D: We could build two if we could build one.
- J: Ya. Ya, sure...
- D: Right? I mean...
- J: Theoretically...
- D: Well, if we can't build one, we can't build two.
- J: Ya, well, ok, they don't have the tools, and their feeling is that for us to tool up and build one might be more costly than to simply buy one, or they feel that it would be more costly.
- D: But Jim, didn't we have one - everything except the deaeriation tank and tower?
- J: Well, that is what Dick said but I don't believe that we did.
- D: Well, do you have some specific reason to think that there were other problems with our plant except that one?
- J: Well, the Escapule's have spent several years working the bugs out of theirs, and I am rather pessimistic that we can build a plant and get all the bug out of it - when it took

them several years to do that. Every time that I have started on something new, Dwight, and we sit down and figure out and calculate how long it is going to take and how much it is going to cost, invariably it ends up costing 25 to 100% more than we planned on simply because we have never done it before, and there are things that you simply don't anticipate. And that is the reason that I think that it is money well spent to simply go ahead and buy an Escapule plant. If a year from now we want to try designing our own and at a larger capacity, then I would say ya, great, maybe we can try it. But when you have got a cost of \$350 a day built in just for the lease payments, and labor to boot, I think that we just run into unforeseen delays, equipment availability, parts, and so forth. If we use their plant, for one thing, all the parts are going to be interchangeable, in all likelihood we can depend on them for parts rather than having to either stock emergency spare parts or trying to order them on a rush basis.

D: Right.

J: The third thing - or one of the major factors is that if for some reason we would want to sell that, there is no reason that we couldn't sell it at essentially the same price that we paid for it, and in fact, it may be more valuable. They were originally selling these plants for \$12,000, and the ones that they sold for \$12,000, are now worth what their going price is.

D: How do we find a buyer?

J: Well, I am sure that....

D: I mean Ernie and Louie aren't going to sell it - they want to sell a new one.

J: I think that they would probably give us a hand, for one thing.

D: Why?

J: Why? Just because they are that type of people. Same reason that they - that Charlie and his wife worked all weekend to get us assays out.

D: Well, in one case - we were paying them for it. I am not saying that that wasn't nice and beyond the call of duty - don't misunderstand me - but we were paying them for the samples, just as we would pay them if we buy a new plant - if we asked him to help us resale a plant - they don't make any money.

J: Ya, but there are people all over the west that are looking for these plants, and little operations going in all over.

D: Ya.

J: Quite frankly, it is my opinion that there will not be any problem in selling a plant.

D: Ok.

J: If the price of precious metals fell out of bed, that might change, but I don't foresee that either. So, I think that it is simply going to be a saleable commodity that is probably going to go up in value rather than down. And, of course, the other thing, we can ratchet ourselves up by easy increments by simply buying additional plants. If one component goes out, we simply shut off that circuit, and probably have another component that we can get easily.

D: Right.

J: Apparently, as a good example, the '71 Minerals plant burnt out a motor, and they were down for 23 days with their overhead running at \$63,000 a week or something like that. At any rate, everybody about had a canption when this thing went down. Some of my people have been through the Round Mountain, Nevada plant, which was designed - if you think their plants are expensive - this plant was designed by Mountain States and I think the total plant was something like 63 million dollars - but they have had continual problems with it because they can't get enough ore to match the capacity of the plant, and once a plant is designed, its throughput has to remain more or less constant.

D: Right.

J: And, therefore, it does not operate efficiently, and they simply cannot de-bug it, and they are having all kinds of problems because of that. So, it would be probably easiest to sit around with you and John Dean and discuss the reasons in more detail, but...

D: Ok, I think I got the picture

J: It is my gut feeling, inspite of - well in addition to all these specific reasons - that we would be a lot better off tending to what we can do, and simply buying Charlie and Louie's expertise - at what I think is a pretty reasonable price.

D: Ok, Jim, let me just go back to the - where we are kind of as an overview. In a sense, we don't know a lot yet. We will know a lot more as you get the results from the samples that you are going to take now of the cuts going perpendicular to the dike, right? And that will be in the next day or so?

J: Ya, I am not sure, it will probably be either Thursday or Friday before we get those back, but we should have them before we start getting ready to mine this weekend.

D: And then your plan this weekend would be to mine and do a heap leach test on what you mine?

J: Ya, we have already got some material on the heap and we are going to start leaching that as soon as we can verify that it is worth leaching. But we want to have a specific mine test of some material from the Contention cut in a measured quantity so that we can say ok, we will now test this and see what our recovery is and what this means in relation to blocking out ore reserves.

D: Right.

J: So our objective first is to - if we can do so easily - to just start leaching on ore that is already there, and get a cash flow. And then we will run a very controlled recoverability test on material that we are going to mine out using the backhoe.

D: You hope that that might start next week, right?

J: Well, we hope to - ya - we hope to have it one the test pad Sunday evening, and start leaching on it probably the first part of the week. I will probably give these guys a day or two off the first part of the coming week because they simply - after you get so fatigued, that was one of the things that Dick didn't focus on is that he had them down there working 9 or 10 hours a day, 7 days a week, week in and week out, and I think that everyone just got burnt out. And that gets counter productive. They are very willing to work, but I think occasional breathing spell is better.

D: Is Dick still in Tombstone?

J: He is taking a couple of weeks and going off someplace to scout him up a job or something, I guess. I have not seen him for a week or so.

D: Ok, Jim. Anything else?

J: No, hopefully we will have some cost figures today, and I will stick those off in the mail, but I think everything is really going very very well, I believe. So, hopefully we will have some hard facts and figures, and then we will be better able to evaluate precisely where we are.

D: Good.

J: But putting things in a thumbnail sketch, we have got everybodys cooperation from all of the Escapules and they

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are very very helpful, of course the TDC people continue to express good will, the towns people...

D: I wish the TDC people would extend the next payment.

J: Well, hopefully we will have something that will make it easier to swallow anyway. I am not sure that their goodwill is ever going to get that good. They have had other offers and inquiries on the property, Dwight...

D: How do you know, from them?

J: Ya, from them, and I am sure that they are not leading me astray on that.

D: Oh, they are a bunch of cagey guys. I mean, they may not be leading you astray, but there is no reason in the world that they wouldn't.

J: I just don't think that they are that type. They have sat down there and paid an awful lot on that for a good many years, and they are simply people - the whole western United States is just kind of bubbling with this kind of activity, so I would actually be surprised if they had not received offers.

D: Ok.

J: Ok, well, that is about all I can tell you.

D: I will speak to you probably tomorrow. Do you have the phone number yet?

J: No, as a matter of fact, that is one of the things that we have not pushed on simply because there has not been time to do it.

D: Ok, great.

J: So, I will let you know when we get one.

D: Ok, thanks a lot. Speak to you probably tomorrow.

J: Ok.

D: When are you going down, in the morning?

J: Well, it depends on how the rest of the afternoon goes. Either tonight or tomorrow morning.

D: Ok, great, thanks Jim.

3:13 - end of TC 7836 8/20/79 With Dwight Lee

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10:33, Tuesday, August 21, 1979
Toll Call 7849
From: Dwight Lee

J: Dwight, hello.

D: Jim?

J: Ya.

D: I could hear you fine, but you couldn't hear me before.

J: Oh, ok, I don't know what the problem was.

D: How ya doin'?

J: Pretty good, how about yourself?

D: Ok. Thought I would touch base with you and see what is new - if anything.

J: Well, lets see. Our report from Tombstone is that they have got barrel tests on the dump material that is on the south end of the pad underway. Barrel tests on the dump that we have to move in order to get up to the edge of the Contention open cut underway. They are going to be taking some barrel tests on the material that was off loaded off of the pad to see whether it is worthwhile putting it back on. This is the material that we actually ran a short test when John Dean and Tom were out here last. And they have got some barrel tests underway on some of the backhoe cut material and some of the underground gob that we pulled out Sunday. So, the barrel tests are set up, and underway. We should be getting some results back from those this afternoon. They are installing Ernie's plant today. They are also building another bench for putting up the additional barrel tests. We will have I think 30 barrel tests that we can run simultaneously.

D: Do we need that many, Jim. Because once you run it, you can clean it out and start all over again, right?

J: Right, but we felt that time was of the essence to be able to get these things underway so that we know what to do next.

D: Ya.

J: They are relatively - well as a matter of fact, each barrel set up, I think, costs \$18.00 - \$13.00 or \$18.00 - which is awfully inexpensive.

D: Right.

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J: Had we done it in a laboratory glass tube, the tube itself would have cost about \$35 or \$40. So I think it is a slick way of doing it.

D: Good.

J: There is a couple of unknowns. We don't know whether the plastic will react with the cyanide solution to any degree at all. However, we think that it will be very minimal if it does at all, so I don't think that that is a big factor.

D: Ok.

J: Of course the other thing is reusing plastic PVC pipe and plastic filters and a lot of other plastic with it does - its going to kind of cancel everything out - each other out.

D: Do we have any more assays from....

J: Ya, I do. I am not sure what they mean. These are substantially lower, and I have not had a chance to plot them up. We are running - and I also discussed with Charlie last night, what he felt they meant, and he runs barrel tests on everything thing that runs a couple of 10ths in silver simply because you tend to get a better analyses, and he seems to think that you get substantially higher values with the barrel test. I am not sure what the ins and outs of that means - but it is really kind of - its related to individual idiosyncrasies of specific ores, and I don't think that we know enough to be able to decide yet. But let me read these off quickly for you. I have not calculated dollar values on these, however.

D: Where are these samples from?

J: These are from the west side of the Contention cut. So, they are running about - oh, just let me run through these. Starting at the south end and working north, at 20' increments...

D: Hang on...

J: ...In silver - I will read silver first and then gold - .08 and trace gold,...

D: Wait this is - oh you are giving me silver and gold?

J: Ya.

D: Oh, ok, hang on.

J: Before I gave you dollar values, and I have just not calculated those out yet.

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D: Ok. Silver is .08...

J: And gold is a trace, .16 and nill, .17 and .008, .08 and trace, .16 and a trace, and 4047 is a trace and a trace, then .03 and nill, .11 and nill, .19 and trace, .3 and .008, .19 and trace, .84 and .017, .22 and trace, .30 and trace, .10 and trace, .24 and .005, .36 and .005. So what this indicates is that the hanging wall is substantially less mineralized than the foot wall of the down side of the vein.

D: Was that at all as expected or not?

J: Ya, it kind of - that is why I wanted to mine on the eastern side of the cut - I was kind of hoping that we would have better values on the hanging wall, but I think that it simply goes to show that Dick's idea about just taking everything was felacious, because I think that some things are not worth taking, and some are very much worth segregating out into a special high grade zone.

D: Ya. Have they started sampling the cuts at right angles to the dike?

J: No, we are going to do that this afternoon or tomorrow morning.

D: Ok. That should really tell us a lot because if for example, if the hanging wall cuts gave the same low values, it would give us a much better feel for what kind of tonnage we might really have.

J: Ya, ya, that's true. It is - well defining ore is a bit of a problem - well, it is the thing that makes or breaks mines. You have to keep enough ore ahead of you to justify expending money on it, and that is one of the assets that we have in having the heap there. Now let me - with that on tray - let me discuss a discussion that I had with Charlie Escapule last night. As I told you, he has all the data for the first 600,000 or 640,000 tons of material that went on there...

D: Right...

J: ... And there is a fella that worked for - that lives in Carlin, and worked for, I believe, the Cortez operation, and he has done some experimenting, apparently in relation to the Cortez ore deposit - or heap leach operation, and they feel that for the first 10', they are getting about 35% recovery...

D: Wait a minute, you are going to fast for me.

J: Ok, the first 10' of a heap - ok, keep in mind that there were about 30' lifts on the '71 Minerals dump...

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D: Right.

J: Ok, for the first 10' of that, they get about 35% recovery. For the next 10' - from 10' to 20', they are getting about 15 to 20% recovery, and for the plus - for anything over 30', recovery is essentially nil. This is because the oxygen content, which is required for the cyanide to actually do good things, simply sinks to such a low point, that nothing happens. Charlie feels that '71 Minerals may have recovered only 15% to 20% of the material that is available in the dump. Now, you know, these are kind of hearsay figures, but they are intriguing because these guys were intimately associated with that operation - Charlie and Al Waterson.

D: Jim, is that 15% to 20% of a 100%...?

J: Ya.

D: Or 15% to 20% of the potential up to 35%?

J: I think that what he is talking about - and he admits that he does not have any firm grip on that - but he is talking about the 100% that might be eventually recoverable - or that were contained in the dump.

D: Oh, contained - well there is a big difference.

J: Ya. So, you know, we are working in rather vague figures, and I think one of our objectives is to tie this down to something that is quantifiable...

D: So that would suggest that maybe half of the values were taken out?

J: Ya, or maybe less. Maybe even less than that. But lets say that if half of them were taken out - half of them are still there. Now Waterson feels that because the lifts were so large or so high, and because of the potential of blinding due to the fines in the dump - he figures that there may be areas of 2,000 or more tons that may never have been leached at all. And that simply reactivating the leach should get this. Now another thing that '71 Minerals didn't do - apparently during the last year of operation, they were not putting any money back in for - oh, the guy that was running it - whose name I can't think of off the top of my head - but had a real hard time getting cyanide and caustic soda - you know just enough money to keep the operation going. The week that they shut it down, he killed the dump with sodium hypochloride - chlorox essentially - and that week they made their highest recovery of any of the weeks that they had been operating.

D: He used what? Sodium...

J: Sodium hypochloride. Just normal clorox.

D: And with that...

J: Ok, that killed the cyanide, but that flushed out a great amount of silver - it was apparently, according to Al, their highest weekly silver production came the week that they shut it down. He tried to get them to continue but after Roland Harman died, apparently everything kind of went to pot.

D: Ya.

J: Ok, so Al is very positive towards retreating the dump. The other thing that they found, was that after - on their releaching - '71 Minerals did releach it - they let it set for 6 to 9 months and then came back in and releached it - and they got better recoveries again than they had on the first go around.

D: Why did they think was?

J: Well, because you tend to have oxidation and capillary action bringing dissolved silver and gold salts out to the outside edge of these little fragments, and then when you hit them again with another solution, it makes it easy for the material...

END OF SIDE TWO OF TAPE

Toll Call # 7849

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Joining an already in progress telephone call between JAB and Dwight Lee - Post Dick Hewlett

J: When you turn off the sprinkling system and let all the water drain, then you get, well for one thing you get a lot of oxidation just because the atmospheric oxygen can get into the heap, and you get heat build up because of oxidation of sulfides. You have the moisture going by capillary action again to the outer periphery of the rocks as the heat tends to dry, and it brings with it metal bearing salts. I don't know whether you have ever studied any geography courses, you may have had the development of laterites. Laterite soil, where we get our aluminum is a soil that develops in Savannah type climates where you have a very rainy season, interspersed with a very dry season, and it is exactly the same process of leaching by rainwater of all the constituents of rock save the aluminum and the iron, and it simply, during the rainy season everything is carried away by water.

D: Jim, hang on a second, ok?

J: Ok. Ok, so during the rainy season, all the soluble constituents are carried away by rain water, and then during the dry season, the ground is exposed to oxidation again, and these things oxidize and the next rainy cycle, they are carried away. Essentially the same thing happens in a heap leach. So, I think that we run a pretty good chance of simply turning on the leach solutions again on the heap and having a pretty fair amount of silver come out. If we can get a large bulldozer as Dick suggested, and move some of the material off so that we end up with a lower, less high leach lift, we can probably continue to get a cash flow. So what we have really got to do is decide what the economics are, and I think that one of the things we should do, and if we have 2 small plants, we would have the alternative of running one circuit onto the heap, and keeping one circuit busy on the stuff that we are mining out of the Contention.

D: Ya.

J: This is kind of our concensus here in Tucson and Tombstone and the discussions with Dusty and Al, and even discussions with Dave Rabb and Charlie Escapule. As a result of this we conceptually feel that if we can get a plant and simultaneous do two things, leach on, preferably what we need is two plants or a large plant and a small plant to start off with, do our test leaching of the rock mined from Contention and then go ahead and start spraying the heap because it is not, labor wise, it is not going to cost any more simply because one guy can watch both of them. If the heap turns out successfully, then we ought to buy a second plant and just use one plant on the heap and one plant on the new pad, which we are putting Contention ore on, and we might even want to have a third small pad on which we put the very high grade

ore material that we can monitor very closely and mix, and possibly crush, probably want to crush some of that, and we can use the small plant on that so that we can control it very carefully.

D: Ya.

J: It is conceivable that we might even want to go, if we end up with some very high grade ore, which of course we don't know until we do enough exploration testwork to define where it is, but lets assume that we might end up with something that is running \$50.00 or more per ton, that we can segregate out, we would probably want to crush that and put it in these old cement mixers that John Dean has suggested, and agitate it so that we get very good recovery on it.

D: Ya.

J: And, again, use a small plant to run that material through. But in this way, we can kind of ratchet our way up into more and more production in a variety of areas if the heap turns out to give us a good cash flow, then we can actually put in quite a few gallons per day through that, where in fact it will be difficult for us to mine enough material to get a high gallonage through.

D: Right.

J: So that we have...

D: Of course that depends what the leach cycle is too.

J: Right, ya. But one of the problems that they have run into in Round Mountain, Nevada, I was talking about this yesterday, is that they have not been able to mine enough ore to keep the plant at its proper through-put, and so therefore they are taking the, they are leaching the stuff for 30 days and then taking it off the pads and dumping it even though there is more gold to be extracted from it. That is not a very effective way of doing things, but they are locked into that because of their plant capacity size, and they can't lower their through-put of the plant.

D: Ok. Jim, you mentioned something that I am not familiar with. You said that there was a dump in the way of the Contention that had to be removed?

J: Ya, there is a small dump on the east side of the Contention open cut, which to get our equipment in to the edge of the cut, we will have to pick it up and move it. Now I have mentioned this dump before and I think that you probably just, either you probably weren't identifying with it or you had forgotten it... as a matter of fact, if you want, have you got that photo handy? T: I can get it, ya, hang on a

minute.

J: Ok, why don't you do that. You see there is a light colored patch that is kind of broad and then there is kind of an arm that goes out at about a 45 degree angle right up to the edge of the open cut.

D: Right.

J: Ok, that is the dump that I am talking about. And then at 5.8 north and 9.6 east, there is a round dark spot which is the, one of the shafts. Ok, that is where that dump has come from.

D: Ya.

J: Ok, so what we have got to do, Dwight, is drive the backhoe along the edge of the cut and right in the vicinity of where that dump is, is some of the better assay values that I gave you yesterday.

D: Jim, looking at this photograph for a second, do you see the yellow vehicle in the pit?

J: Ya.

D: Ok, is the highgrade stuff on the left side of that as you look at this, right?

J: No, it is not. It is on the northeast side of the open cut to the north of that dump for the most part.

D: Ok, wait, I am having a directional problem here.

J: Ok.

D: I have this map set up such that the heap is in the lower left and the contention is in the upper right.

J: No, that is the wrong way, you are looking south rather than north. The numbers should....

D: Ok.

J: See where the numbers are? The numbers should be on the left hand side in the lower portion.

D: Ok, ya, now I have got them. Now which way is north?

J: North is up, and the heap is in the upper right hand portion.

D: Ok, good, now I am squared away. Now, start all over again. The highgrade is on the right side of that yellow vehicle?

J: Ok, the yellow vehicle is located approximately 3.5 north and 7.2 east, or 7.3 east.

D: Right.

J: Ok, you have to go northeast along the length of the Contention open cut...

D: Ok.

J: And the higher grade material is, can you locate where that dump is that we just talked about about now.

D: Ya.

J: Ok, the higher grade material is about, oh, it is in, there is a square bounded by 6 to 7 north and 9 to 10 east....

D: Ok.

J: You start at 6 north and 9 east, which falls right on the east side of the open cut and proceed northerly, that is the area of the highest grade material.

D: Ok, that is interesting. But the high grade moves basically to the east, not to the west? Is that correct?

J: Well ya, the fault structure that the ore is located on, incline to the left or the west.

D: Ok.

J: In mining nomenclature, the hanging wall is the west and the foot wall is to the right.

D: And the lower values are on the hanging wall.

J: Yes, so far.

D: Right. Ok, and where are the backhoe cuts, roughly that are perpendicular to...

J: Ok, there is one right at the northern tip of that dump.

D: Ok.

J: There is a second one right at the north end of the Contention open cut.

D: The first white area going south?

J: No, to the north.

D: Ok, because Tom had drawn in a bunch of cross cuts and they

extend from... if you walk along the Contention dike, they extend from about 1.3 up to about 4.5, and what I assess as happening is you moved all those further northeast.

J: Well, those are cuts that Dick, I think, did with a bulldozer, and he sent those in to Tom. We will want to probably work on some of those with the backhoe because the only thing he had was just a ripper cut through there, which is not an adequate way of sampling. But you got to take things in a step-wise fashion. The first step was getting these assays on the open cut so that I now have some idea of where the high grade lies and for the time being, I will concentrate on the northeast end of the open cut rather than on the southwest, down towards the Little Joe.

D: The northeast end rather than the southwest end?

J: Right.

D: Now how far, you are 200 feet, look at the picture itself for a second.

J: Ok.

D: You've got that long sort of white area.

J: Ya.

D: That extends in a northeast, southwesterly direction, basically north-south.

J: Right.

D: Have you sampled the walls of that?

J: Yes, we have got the samples on both sides of the cut so, yes, that is correct, yes we do.

D: What is the scale of this?

J: Ok, that is 1" = 100', and if you start from essentially the coordinate of 8.2 north...

D: Hang on. 8.2 north, right.

J: And 10.1 east, you just put a dot on your map there.

D: Right.

J: Ok, and then go at 20' intervals from that dot south, along the edge of the cut, and those are going to be our sample intervals that I read off to you yesterday.

D: Ok, and where is 220'.....

J: Well, each one of those little squares is 10' on this photograph.

D: Oh, ok.

J: And each one of the big ones is 100, so 220' is going to take you just about down to the intersection at 6 north 9 east.

D: Right.

J: And as you can, well the cut gets considerably narrower beyond that point and that is where the, its narrow because it is lower grade and they didn't mine out as much.

D: Ok, based on the early conversations, Jim, that you and Todd had and you and with Dick, was this the expected area you would sample or did you think that you would be sampling further south?

J: Well, what Dick wanted to do was simply start picking up stuff from the base of the cut with a scraper and hauling it to the leach pad. Well, there is two problems with, there is three problems with that... or maybe there is two. Let me just see if I can itemize them. One is that we would never ever develop any ore ahead of ourselves because you can never be sure where the scraper was actually picking up things from. You couldn't project it. In other words, we could never get a test of anything that we could then say, ok, this is representative for 10' in every direction, and therefore we can block out "x" number of tons. Each scraper load would be kind of different. So you are just operating blindly hoping that what you are picking up was ore and that it wouldn't poop out for the next 6 inches down.

D: Right.

J: Ok, the other major thing was, well, you cannot be selective with a scraper so that is not the method to mine in anyway, because as these assays that I have just read to you show, there is a substantial difference from place to place in the ore grade, and what you want to do is selectively mine the good stuff and leave the stuff that is not worth picking up right where it is, I mean you don't spend money on it. But the big bugaboo is that the mine inspector looked at that and with good reason, he said "well, boy pretty quick you are going to dig yourself into a great big hole and everything is going to disappear, and I won't let you do that". I agree with him entirely. Now we still have yet to get back with Vernon Dale but I think when he sees what we have done and

the way this backhoe operates, I think that we can mine it in a safe, selective method, and find ore reserves as we go, and do it cost effectively and not risk anybody's life.

- D: Ok, Jim, let me ask you this. Have you done any sampling that you have confidence in that if you continue this line which ended at say 6.9 if you took it to about 3 1/2 7 1/2...
- J: Oh, well I have already taken it all the way south, Dwight, to 2 north, 7.3 east
- D: Oh, ok. So you have samples all the way down to there.
- J: Ya, and then we turned around and went up the west side of the cut, and those are the values that I read off to you this morning.
- D: 220' from 8.3 north to 6 north and you were talking about this 220' interval, now there is another almost 400' between 2 and 6, what kind of values, or do you not have the results from that yet.
- J: I do have the results, Dwight, and the average of the material all the way to the south end of the cut, is about \$12.31 in contained gold and silver. But, by taking the first 220', I can upgrade that average to \$18.54. Furthermore, I have some intervals that are running \$30.00 to \$40.00 a ton. So what I want to do when we get into this with this backhoe is I don't want to mine the stuff that is going to be running \$7.00 or \$10.00, I want to mine the stuff that is going to be running \$30 to \$40 a ton, and to get our 400 ton test, which is what I anticipate, I only need an area that is 10' wide and 40' long and 13' deep to get 400 tons, or lets put it this way, if I can mine this 20' interval and if I can verify that it goes back 20', there is one interval that runs \$40.38 and if I can mine that selectively, then we will have 400 tons go \$40.38 or what does that end up with
- D: 16 grand.
- J: Ya, ok, so for 2 days worth of work, and about 20 hours x 20, \$400 worth of backhoe cutting, we can get a gross contained metal value on the test heap of \$16,000.00, so that is what I want to shoot towards, is getting the highest grade material I possibly can.
- D: Ok, let me just make sure that I understand you because it is a little bit tough and you can get confused.
- J: Ya, I understand.
- D: When you were giving me the 220' samples, the first through 20 starting at eight three, and going to six, but you had sampled from six all the way down to two.

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Interruption on the tape.

J: I think that I did read those all the way off to you yesterday.

D: The 220' is 20' intervals.

J: Ok, I thought that I had read the whole list.

D: No, but you are going to send it to me anyway.

J: Ya. What I would like to do Dwight is as I get this caught up, I would like to send you a map of it which makes it an awful lot easier to understand what we are talking about. I will get you that when I can, but we are up to our ears in trying to get everything operative. I believe that they can get the plant set up today, and if our barrel test confirm the leachability of this material, we will start leaching probably tomorrow, and then we will go to our test the first part of next week.

D: So you will start leaching what, the stuff already on the pad?

J: Yes. So one of my main objectives here is to get some kind of cash flow from precious metals that we are essentially ready to go on.

D: What are you going to be leaching starting tomorrow?

J: The material that is on the south end of the pad that Dick mined using the scraper.

D: Ok, right, that sounds, ok, right. Ok, I think that I am up with you.

J: Well, if we can do that, it will give us something, well it will be making the plant operative for one thing while we are getting our definitive test ready, and then we can go to the definitive test, but we might be able to get some precious metal production in the interim, which I think is one of our objectives.

D: I guess where I really come out is, we know the plant works, I guess the big question is does the barrel test simulate enough what you can really recover, you can create the values, but they shouldn't be materially different than what you predicted from your barrel test during the leach. Do you follow me?

J: Yes, that is right. What we are going to do Dwight is we will begin to get a feeling of how accurate these barrel tests are. Now one of the things that we are doing on these

barrel tests, we are using 50 pound barrel tests, which is what the Escapule's are using at the State of Maine Mine, simply because the physical handling of 200 or 400 pounds of material gets awfully involved. We are going to have 5 barrel tests that will be of the 200 pound variety, but we have to kind of, for a purely logistical viewpoint, we have got to go at this in increments, small 8 or 10 pound samples shakers tests to identify where the values probably lie, and then the smaller barrel test to verify that we can get it out and then maybe some larger tests in the barrels and then the pad test. But going about it in very large barrel tests, we can't physically handle those in easy manner. In other words a 200 or 400 pound, well a 400 pound barrel is more than 2 people can move around.

D: Right.

J: And we just can't manhandle it around.

D: Jim, I guess what I am thinking in the back of my mind is if our barrel tests are working, should we be spending time and money right now on leach tests or should we be doing a little more sampling to determine do we really have enough available ore to make the operation economic.

J: Ok, well I think that is where the... if the barrel tests go, then I. we are going to start producing on this tonnage that we have on the pad, and we are going to have, by the time we get the dump that I just described to you a little bit earlier, which I assume is going to run, that is about 10,000 tons, I believe. We haven't measured it specifically. But if we get that on the heap, we have got another 200 tons and probably another 400 tons so we could have a pretty substantial amount on the heap so we will just go ahead and start leaching that. Then the one thing I have to do is I have to get some true cost figures of what the truck cycle time, how much this backhoe can mine out on a shift basis so I can then get some mining costs to plug into our operation so I can say well it is going to cost us \$1.00 a ton or \$5.00 a ton or whatever it is so we can then determine whether we do have some rock in place that we can afford to pick up, move and leach on the pad. In the interim, we have got all this dump material, you know the '71 heap, which I believe we can probably get a cash flow out of too, if we have a plant to do it with.

D: Right. Well, we are going to have to delay deciding what to do there probably until Tom gets back.

J: Ok, well...

D: But I am trying to get a hold of him to discuss it. It is kind of hard to do with the abstract, you can well imagine. But I think we need to proceed on the other things that we

are doing.

J: Ok, the only, I think that we will have some answers towards the first part of next week...

D: I can't argue with you...

J: ...that are pretty definitive. The only problem with delay on the plant, of course, is that that will run into a period in which we have no plant or anything to work with because I know that at some point Ernie is going to want his plant back.

D: Well, that is right, Jim, and that is another reason that I am saying... I guess where I come out is I understand that you want to leach the 10,000 tons to get some cash flow. I am, or course, enormously sympathetic to that, at the same time, the plant decision... to a major extent is determined by two factors that are still relatively unknown. 1. How much ore do we have in the Contention or at least do we have enough to make it appear economic, and 2. does it make sense to go forward with the heap. We I assume we aren't going to have any answers to the second one very quickly, which focuses me back to is there enough ore at the Contention to justify buying a plant.

J: Ok.

D: I may be wrong, but this is just sort of a quick way of thinking about this whole thing.

J: Ok, let me suggest this, Dwight. Why don't we go ahead and order a small plant which is \$3,750.00, or an expenditure of \$1,500.00 now because once Ernie takes his plant back, we are not going to have anything to work with.

D: Right.

J: Then, we can evaluate whether we have enough to justify the big plant next week, or whenever Tom gets back, or whenever we get enough data together so that I can feel like I can make a proper recommendation.

D: Ok, all I am saying, Jim, is I think we got to keep focusing on in the short time, what is the data we need to make longer decision?

J: Ok, well that is what we are really focusing on. We just have to do certain things in order to get that data, and one of them is we have got to get that dump out of the way. If the dump itself is not worth processing, we will simply bulldoze it out of the way. If it is worth processing, we will pick it up and put it on the heap. We are going to have the plant operating anyway, and we may as well be making some

money on it in the interim.

D: So that heap is actually in the way for where you need to mine?

J: Ya, right.

D: I mean that dump.

J: Ya, right, the dump. So we have got to do something with it at this point.

D: Does the dump have a name?

J: We have got some of the old records and we will put a name on it, but I think at this point, we can just name it by the coordinates 6 north, 10 east.

D: Good, the 6 north, 10 east dump. Ok, well I hope to talk to Tom today or tomorrow.

J: Ok.

D: Have you had any discussions with Charlie about whether or not we can get a better price from him in exchange for... you know there is some benefit to him of having somebody else right in the neighborhood using his plant that he can go show people.

J: He has already got somebody that is doing that, Dwight, plus himself so I don't think that that is going to be any attraction to him.

D: You don't think he is negotiable.

J: Well, you know we are already getting so much from him, I think that we run the risk of simply him getting P.O.ed and telling us to go to hell, and taking off, you know, just saying forget it.

D: Alright, you don't have to get a guy pissed off by asking him if he has got any room in his price.

J: Ya, I know but he has already knocked an awful lot of some of his other things. Quite frankly, we are getting so much help from him, I hesitate to do it and of course the other thing is, he is going to give us whatever help is necessary to make the thing run, which I think is another big plus.

D: Doesn't he give that to anyone that buys one from him?

J: Oh ya, but he might say ok, I will give it to you at "x" number of dollars less, but once it drives out of the driveway, it is your plant and don't darken by doorway any

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more type of thing.

D: Ok. You are going down this afternoon?

J: Yes.

D: Ok, great, so I guess the next big thing, are we rating more sample results or do we pretty much have this all now?

J: We have those. I am taking a crew of men down today to cut additional samples and get the next bench or barrel test bench set up, and that will probably take us tomorrow and then we will be done with everything and simply waiting the weekend to do the mining test.

D: We should have also the samples from the cross cuts evaluated by the weekend.

J: Yes, that is correct.

D: Good, ok Jim, I will speak to you probably tomorrow.

J: Ok, good enough, Dwight.

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Toll Call #7852
1:18 p.m.
8/21/79

J: Yes, this is Jim Briscoe in Tucson calling for Dwight Lee.

J: Hi Dwight

D: Hi Jim.

J: Real quickie here.

D: Ok.

J: We just got some readings from our barrel leach tests and the material on the 6 north 10 east dump...

D: Hold on, you are going to fast for me.

J: Ok.

D: Want me to call you back on the watts?

J: This will probably just take about 45 seconds if I can just...

D: Ok. You called it 6 north 10 east....

J: ...Dump. We have got, at this point, about 2 1/2 ounces of silver per ton of solution, and .04 ounces per ton gold.

D: .04

J: Ya. .04. On all the leach tests there seems to be about .04 ounces per ton going into solution in most everything. The gob that we pulled out is running about 2 ounces per ton and the material on the dump now.

D: That is .04 gold?

J: Ya. These are approximate because Al didn't have his figures with him. The material on the dump which Dick, from the bottom of the Contention open cut which Dick put down, is running about 2 ounce.

D: That is on the bottom of the Contention.

J: Yes, that is the stuff that is on the dump now.

D: Right. 2.0 Ag?

J: Ya.

D: And also .04 Are you surprised by the uniformity of the gold?

J: No it is probably not that quite uniform, he just said that it all seems to be running about that. This is in solution, not ounces contained per ton. We are still trying to get a conversion factor for that. But it means that the solutions are very high grade.

D: And it is per ton?

J: Right, per ton of solution, cyanide solution. What this is telling us is that the material dissolves very easily.

D: Ok. Sounds pretty exciting.

J: Ya, it really is. I think what this means is we will probably want to load up that dump and haul it down to the pad and start leaching on it. They figure that they will have their plant installed this afternoon and we are, right now, we are going out and buying 24 rainbird sprinkler tops, which is all of the supply in Tucson so that we will have the rainbirds to....

D: Do we have any rainbirds left?

J: No, well I don't think so or if we do...

D: We bought a bunch of them at one point.

J: I think Dick made the mistake of running acid through some of them and they wilted and dissolved.

D: Ok, ha ha.

J: At any rate...

D: Thank you Richard.

J: Ya.

D: Ok, how do we get a conversion factor?

J: I am going to ask Dave Rabb about that.

D: Dick always used 3 to 1.

J: Well, let me verify it.

D: Ok, John would probably have a good answer to that too.

J: Well, that's a thought.

D: I have to call him this afternoon anyway.

J: Ok, why don't you ask him.

D: I will do that.

J: It kind of depends on the concentration of cyanide and the number of liters that we are using in the tanks that we just simply have to work up a formula so that we can convert that to ounces per ton.

D: Ok, obviously that needs to be done pronto quickly.

J: Ya, right. So we will work on that. I just thought that you would be interested in those figures.

D: It sounds fascinating. I will call John and talk to you later then.

J: Ok, good. I am probably going to be here until late this afternoon, Dwight. If John can get back to me, why don't you have him do so.

D: Ok, find.

J: One other little tid bit, I have some stuff from Phelps Dodge mineralogist, Sid Williams, who has identified several new tellurium or tellurate minerals and written a paper on it for the American Mineralogist from the Tombstone dumps, and I am going to be passing that along to John Dean. It is of significance related to the extra action rates because tellurides are generally refractory. Now of course with the way we are doing it, it doesn't make any difference because if there were any tellurates there, we are not dissolving them, but it might, it will have some significance down the road when we get into more mining.

D: Ok, good.

J: Ok.

D: Talk to you later.

J: Ok, fine, bye bye.

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Monday, August 27, 1979
Toll Call #7876
To Dwight Lee at Famco in New York
7:33 to 7:50

J: Hi Dwight, this is Jim.

D: Hi Jim, how are you?

J: Pretty good, how are you this morning?

D: Good. You in your office?

J: Sure am.

D: Let me call you right back.

J: Ok.

D: Hi Jim, Dwight.

J: Ok, let me just give you a thumbnail sketch of what we have been up to.

D: Ok, just a minute let me put you on my speaker phone.

J: Ok Dwight, since I talked with you last, most of our time has been occupied with sampling and barrel tests and getting the plant, Ernie Escapule's plant set up and installed, and at this point, the plant is installed, the plumbing is essentially ready to go, we have moved the 6 north 10 east dump out of the way and down to a leach pad in which we now have a total of about 1,000 tons of ore that will run in the range of \$20 contained gold and silver.

D: Is this 1,000 tons from 6 north 10 east?

J: No, it is about 350 to 400 tons of material that Dick took from the bottom of the Contention open cut and the remainder of the material is from 6 north 10 east. And a couple of other little spots where there was material worth picking up. Excuse me just a minute... Ok, I am going to have to make this short, I have got to fly to Los Angeles this morning and will be leaving momentarily. Ok, at any rate, you got the location from where that material is from, 6 north 10 east. So that is essentially ready to go. This morning they are installing the spray, the rainbirds and the spray lines. Dusty and Al worked about 14 days straight. They just kind of worked themselves into exhaustion yesterday afternoon as did Tom and I, and I had two other young geologists down from my office taking samples along the Contention cut, but at...

D: Where along, cross ways to the cut?

J: Ya, we are getting cross cut samples to determine how wide the ore values are, which is really the significant factor.

D: Ok.

J: Ok, one of the things that was interesting is that the gob that we pulled out last week and were running barrel tests on, after about 36 hours got up to 7 ounces of silver per ton in solution and about .11 ounces gold. This translates to an assay value of about \$20 per ton contained gold and silver actually in the ore, but it is quite soluble and comes out very easily, probably due to the fine nature of the rock plus it is easy percolation. It appears that there is quite a bit of material of that type in the stopes that could be mined.

D: Ok.

J: Ok, now one zinger in this is that Ernie Escapule is continuing his mining operation and finding interesting vein material and he is going to want his plant back in about a week. So at this point, we have got about a weeks operation on the plant. Now, I found another plant owned by Steve Henderson who we have had doing some trucking up there in the last couple of days, and I think that we can probably rent his plant until he gets in the same situation that Ernie's is.

D: Ok.

J: But I think that this is simply indicative of our need for our own plant.

D: Well, we need our own plant once we determine where we are it seems to me, Jim.

J: Well, that is fine except every day we delay, Dwight, it is going to be that much more expensive when we get to waiting for it.

D: Well, we are not going to wait for it unless we determine that the economics justify it. Right?

J: We are not going to do what?

D: We are not going to be waiting for it. We are not going to order it unless we determine the economics justify it. That is what we are supposed to be determining right now.

J: Ya, I understand that.

D: Did we do the mining test?

J: We got hung up on that yesterday. They are going to finish

that up today.

D: Ok.

J: That pad is started but we will have probably about 200 tons on that rather than the 400 tons simply because the areas that are high grade are a little bit spread out and I would prefer not to mix them so we will just take 200 tons.

D: Do you have any results yet from additional sampling?

J: No, I don't. Those are still in process. I did get the samples back in this mornings mail from Charlie Escapule and also his procedure on the shaker tests, and I will mail those out to you and John Dean, well, it will probably be tomorrow since I am just about ready to flee the scene here.

D: You going to be in L.A. just today.

J: Ya, just today.

D: Ok. So, do you have any new data that you have studied that lead you to any new conclusions.

J: No really, except that the barrel tests are giving us a lot of information. We have simply been working on so many different things that we haven't had a chance to consolidate that data, which has been coming in slowly, but that is what we are going to be working on Tuesday and Wednesday, I am making the assumption that we are going to finalize the spray lines on the heap today and start spraying that.

D: Jim, let me as you a question about that. We effectively are going to have three different heaps.

J: No, just 2. Well if you are including the old heap, yes.

D: Well we have got the 300 to 400 ton from Dick, what we will call Dick's Contention heap, we have got the 6 north 10 east, and we have got the 200 tons that are going to be the result of the mining test.

J: Ya, however, the 6 north 10 east and the stuff that Dick got from the bottom of the Contention are one on top of the other.

D: Ok, so you are going to leach those together.

J: Ya, that will give us some important, well it will simply demonstrate that the ore is leachable but we can't be specifically sure where that stuff is from so it doesn't really make too much difference that it is co-mingled. The material that we are mining out, I do know, we will, of course, be able to determine specifically where it is from

and so forth, and so we will use that as a specific test.

D: Well my confusion is with one plant how can we leach two heaps simultaneously?

J: We can't. We will have to do it separately, and if we run out of plants, we won't be able to do anything.

D: Well, ya, I understand that is a problem, Jim, but are we going to start leaching the 6 north 10 east and then stop leaching it so that we can start leaching the heap from the mine test?

J: Ya, that is right. We will go ahead and start leaching 6 north 10 east, probably this afternoon, and then Dusty and Al are really exhausted so as soon as we start spraying on that, I am just going to let them circulate it, well it is going to take a while before it gets saturated, so we will just let that circulate for two or three days before we start precipitating.

D: Right.

J: And in the interim I will give them, let them alternate on checking on it and give them some time off where they can get rejuvenated for work later on in the week.

D: Ok, and then later on in the week we will start leaching the test heap?

J: Ya, probably. I think that it just depends on what day Ernie is going to want his plant back and whether we can get Steve Henderson's plant. These plants button in very quickly and they are interchangeable, which is of course the beauty of them, so I don't think it is going to be much more than pulling Ernie's out and sticking Steve's in and connecting the connectors. What we will do is simply spray on the 6 north 10 east heap until Ernie wants his plant back and then we will clean up the solution and shut off the intake from that particular heap and flush out all the precipitate out of Ernie's plant and then disconnect the plant and reinstall Steves and in the meanwhile, we will of course measure out and probably see if we can't get Charlie Escapule to melt down the precipitates from that period of leaching which ought to be about a week.

D: Jim, I guess the alternative would be to take a day off and then Wednesday, start leaching the 200 tons from the mine test.

J: Ya, I suppose so.

D: And, the benefit there is in the sense that we are still in a test mode, Tom is coming back the end of this week, I

would like to have the results or at least the, in the early stages of getting the results from that as quickly as possible. It would seem to me, one alternative would be to try to get a hold of Steves plant now, or maybe we could not start leaching that 6 north 10 east but take a day off and then start leaching the new Contention test heap.

J: Ok. Well, I think that we can get some cash flow out of 6 north 10 east, but that is kind of up to you.

D: Well, let see, if we have got 1,000 tons, with a little luck we might get \$12,000 to \$16,000, right?

J: Ya, I would say so.

D: That is obviously appealing, but we should get similar results from the Contention test, obviously it is less ore, but I think that we shouldn't loose sight of the testing thing. Maybe the approach is to try and get that other plant right away.

J: Ok, I am not sure that we can get set up. Our problem is we don't have enough... oh well, maybe that isn't a problem. I will check and see. If we can get that other plant right away, maybe we can sol it and get enough tankage to get underway on both of them.

D: Ok, because I really feel that we have got to not loose sight of this whole testing process where we have come so far, we are right down to the last stage, and I think we ought to follow through on that and find out what we come up with.

J: Ok. Fine, well I will see if we can't get Steve Hendersons plant and get set up. That will probably require some extra piping, but let me pursue that and I will get back with you probably tomorrow.

D: Ok, good. I will be here all week.

J: Ok.

D: Thanks Jim.

J: Good enough, talk with you later.

D: Right, have a good trip.

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10:28

Toll Call #7881

To Dwight Lee

A brief update on what has been happening at Tombstone

D: Jim, how are you.

J: Dwight, is that you?

D: Ya, it is with a mouthfull

J: Hold on just a second. Ok.

D: How are ya?

J: Good, how are you.

D: Good, I was wondering if I was going to hear from you and I was just about to call you.

J: Oh, well, things have been kind of hectic but I thought that this was a good time to call. Quite frankly I was too tired yesterday, and actually too busy, and I didn't have much to report anyway. But I still don't have a lot of hard data.

D: Jim, can I call you back in about 10 minutes?

J: Ok, well, ya. Let me just lay on you a couple of things here. We've gotten everything pretty much underway. We have encountered some quite high grade ore. We have some barrel tests which have gotten up to 80 ounces in the solution. This translates to 20 ounce ore, or \$200 per ton.

D: Jim, I really need to get all of this information from you in detail because it sounds fascinating. Are you not going to be around in 10 minutes?

J: Why don't you go ahead and call back and I will see where I am at that point.

D: Ok, if not, I will talk to you later in the day.

J: Ok. I will tell you what Dwight, it might be better, why don't you call late this afternoon.

D: That is great, no problem.

J: Like probably 5 ish my time would be best.

D: Ok, I will be home by then so I will talk to you from home. Good, thanks a lot.

J: Ok, talk to you then.

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Telephone call from Dwight Lee
10:46
Continuation of call #7881

J: Dwight?

D: Ya, hi Jim. I got done sooner than I thought I would so I thought I check with you and see if you wanted to talk now or if you still wanted to talk later.

J: Well, I hope that I will have some figures later, but...

D: Lets talk later then because I would love to combine the conversation with numbers.

J: Ok, hold on just a second. I am not going to have all of them until towards the end of the week, but we have just been completely overwhelmed workwise. We do have the plant in operation as of today. We probably have about, we are still calculating that too, but we probably have about 190 to 200 tons of material on the dump from the mining operation...

D: On the pad.

J: Ya, I'm sorry, on the pad. We don't know precisely what the total assay value of that is because we are still taking barrel tests on it, but that is the material that the 20 ounce assay came from.

D: That is 20 ounces of silver?

J: Right, and I don't have the gold assay at this point.

D: It sounds like something was wrong with the, somebody made a mistake. 20 ounces of silver is a shit load of silver.

J: Ya, it really is.

D: Is that per ton of solution or per ton of...

J: No, no, per ton of solution it is 80 ounces. We had 80 ounces in each ton of solution.

D: My god.

J: Which is, that is a hell of a deal.

D: I can understand that Briscoe.

J: Ok. Of course what this indicates is is that it is just super soluble. Now, we cannot see the silver minerals in that, or at least so far we have not been able to identify anything. And I am not terribly surprised. I think that we are going to run into this type of material as we go down in

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these stopes simply because that is the grades that they were mining in the early days, and we know that they didn't get all of it, and we have actually intersected some massive...

End of first side of tape.

J: ...ready, you know, he is going to end up reclaiming the plant so... The other thing is is that I am afraid that if we continue to delay on ordering something - placing an order with the Escapules, we are going to be way at the back of a very long line. As an example, the governor of Chiuauau Mexico has ordered 6 large plants from them within the last few days. I suspect that there is going to be other orders like this so we may be shut down for a period of months if we don't have anything to operate on.

D: Well, Tom is coming back day after tomorrow, so we are not talking about much of a time lag now. What I am going to need is as much data as possible to give him so we can reach an intelligent decision.

J: Well, the only problem is that you have to understand that the delay of even a day or so, if somebody comes in there with large orders may put us back one, two, I just simply don't know. We are talking about now of having... well we have got a hundred, lets use round figures, of probably 200 tons of material on the dump that may run as much as \$50 a ton, maybe it runs more than that, I just don't know. But if that is correct, that is \$10,000 in soluble silver there. We have got 1,000 tons that is running \$20 per ton as near as we can tell.

D: Jim, do you have the coordinates of where that 200 tons came from?

J: Ya, just a second and I will give them to you. Ok, it is 8 north 10.1 east.

D: Right.

J: Actually it is 8 north to 8.2 north and 10.1 east.

D: Whatever, that little circle right there.

J: Ya, right.

D: Ok. Listen, I will speak to you this evening. One thing I would also like you to think about, and maybe get Al to start thinking about because I think when Tom gets back it is something I want to be able to speak to him about. As you know, because you told me, everybody is still enthused about the heap, or at least the 2/3 of the heap that isn't manganese.

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J: Right.

D: And I would like some kind of thought to be given to a plan, you know, the most economic plan to try and determine whether or not we should do something there. Maybe the answer is just leach it.

J: Well, I think that that is really it, and if...

D: You got to invest the money for a larger plant, etc. in order to do that.

J: Well, ya but, you know, we have simply got, if we are going to continue, we are going to have to have a plant anyway. Of course the situation now is there is really getting to be quite a gold rush fever in the western states...

D: Right.

J: If we do not make progress or get into some kind of activity that these guys can see some progress, I think that there are several things that will happen. 1. We may end up at the back of quite a long line to get one of the Escapule plants, we could lose Dusty and Al, and not be able to replace them, and I don't know that we can afford to be sitting around for months waiting for some equipment to work with. We have within reach material that we can mine and put on the pad at a substantial profit, and I believe that probably the most profitable thing that we can do is re-leach the heap, simply because there is no labor involved in it.

D: Well, it is pretty clear we would have to move it around.

J: Well, we have already moved a fair amount of it around that we can start on.

D: Right.

J: So the only cost that is really involved, because we have to, if we continue doing what we are doing, which is the barrel leach tests, we have to have a man there anyway. He can easily run two plants as well as keep up with the barrel leach tests. So your labor costs are essentially zero. The only cost that you have got is going to be the plant and the electricity and chemicals to run it. Now, as far as selling one of those plants, I think they are going to be in great demand and that's not even going to be a problem.

D: Do you have any numbers yet, Jim, on the costs per ton to mine?

J: On the 6 north 10 east dump, it looks like it costs us about \$.86 per ton to pick up and move down to the heap. I don't have any figures on the mining test in the cut yet. I would

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imagine probably in the range of \$1.00 a ton.

D: Really, that cheap?

J: Ya, I think so.

D: God, that is much cheaper than I would have expected.

J: Ya, well, don't hold me to that because I don't have the hard figures, but that is what I am suspecting. Now, we have, in the time that I have spent down there, Dwight, I have obviously sat there and watched the operations and looked at the physical conditions and discussed it with Al and Dusty, and we think that the best way to mine the Contention area is by use of a dragline.

D: Ya, John has mentioned that.

J: Ok. If we set up a drag line, which Dusty thinks that we can do for about \$25,000, and we have got Lem of Modern Equipment working on getting us some equipment costs on that, we can probably pull, set up a bin and a crusher would be... the ideal thing to do is set up a bin and a crusher at the north end. Ok, let me give you the coordinates of where that would be. 11.3 north and 11.4 east...

D: Right.

J: Ok, that is at the north end of the Contention shaft area. Ok, we would start by setting up a bin with a crusher under it and a feeder which would feed onto a conveyor belt, and simply convey out to the pad from a distance of about 300', and have a stacking conveyor work on that. Ok, that would require 1 man to operate the dragline, and one guy to operate the crusher/feeder, and probably, I don't know whether he could operate the ending of the stacking conveyor or not, but I suspect that we might be able to mine for as low as... oh, the actual mining operation, or dragline operation, probably would be about \$.30 per ton. Now as we got down into the cut, we would have to be supporting ground with timbers or possibly cement pillars so that it didn't cave it, but we think that we might be able to mine as deep as 100 or possibly even 200' below the surface and simply drag out not only the old gob that is in there that we already know is very very soluble, and with pretty good gold content, but also mine out new ore by simply shooting it, or what they call in mining terms, slabbing it off of the walls of the stope, the material that was too low grade to mine in the early days. So that would probably, we would probably be able to mine gosh, at least probably 500 tons a shift like that. Again, these are just figures that I am just kind of plucking out of the air from just rough calculations. But we could have a very substantial cash flow from that at a very low operating cost. Furthermore, the mineralized material

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extends northward towards the leach pad and to the area just west of the leach pad, around 17, well centered on about 17 north 10 east...

D: Way up there.

J: Ya. In the Tranquility area - I have been looking at that recently, and I think there is every reason to believe that we fairly well disseminated values there, which we can mine. However, I think the easiest thing to do at this point is to start re-irrigating - to get a cash flow - is to start re-irrigating the heap as it stands. Now the other thing that we need to be doing is we need to work up a deal on the ground that is located at 23 east 12 north, which is just to the northeast of the heap...

D: Don't we own that?

J: No we don't. It was purchased for taxes by '71 Minerals and then they let it go back to the state and it was purchased by another guy. As a matter of fact, some of that ground goes under the heap so it is important that we start negotiation on that as soon as possible because I think probably the most reasonable way to treat the heap, if you will notice along the northeast edge of the heap, there is a dark zone which is a drainage.

D: Ya.

J: Ok, the heap is on the southwest side of the canyon, and the area to the northeast is on the northeast side of the canyon. In other words, all that flat area to the northeast slopes towards the canyon. So the slope is just about the same as it is under the heap. I think that probably the best way of retreating the heap is to again set up a dozer dozing into a feeder which would go into a crush and a screen plant and then screen and convey the crushed dump material onto a new leach pad which would occupy that area on the far side of the drainage, and then start leaching it immediately again. This would be done with a conveyor, and we would probably agglomerate the fines, separate out the coarse hard material from the fines because once we have done that, then we have created another value to the material after it is leached and that is for aggregate rock. So as we are doing this, we are probably going to be increasing the value to probably a couple of dollars per ton just in future values aggregate so we may have as much as probably half of that material or more would probably end us as aggregate rock so we might have as much as, well could have as much as a million dollars eventually, as just its value for aggregate rock.

D: I am surprised that uh, well I guess, ya, that is interesting. That is used in road construction and that sort of thing?

- J: Ya. Now of course some of that is dependent on the market. You know you simply don't haul aggregate very far, but it might be an asset that would pay out over quite a few years. Now I have concentrated on just perusing the geology from the data that we have got at present, and I am even more convinced that exploration in the Tombstone Basin is going to, it is really going to be kind of duck soup, simply because the exploration targets are relatively obvious. What we will need is a large amount of drilling money and I believe with that I can outline very very substantial dollar values in high grade gold and silver which will be mined underground. But you know that is going to be Phase IV or III, at least.
- D: Whatever, right. Hey Jim, have we done the work we need to do on those 8 unpatented claims?
- J: Well, not really. That is one of the things that I am going to be working on in the next few days. We are going to prepare documents stating that I have done the work that I am going to do, and essentially I think that we can charge the aerial photography off mostly to that, and that will cover a bit of it, and then we will simply do some photo interpretive work and cover that.
- D: Ok. I think the other thing that we need to focus on, just in the next couple of days, is trying to pull as much of this data together as possible. I mean, I still haven't received any report on any of the assays, nor has John, let along the barrel tests, etc. When you think about it, we have really done just about everything that we set out to do this month, but I don't think that we have all the data in one place so that we all can be talking about it.
- J: Well, that is right, and of course we have been, it has taken substantially more time than we anticipated, but then again, that is very typical for this type of an activity simply because you don't really anticipate all of the things that can get, that you can get involved with.
- D: I think that's right though I must say that since I only have reports from you through about the middle of the month, it is not clear to me where it has taken so much longer in a specific sort of hours on the job kind of perspective, and those are things that we need to know.
- J: Well that is what we are going to be working on over the next few days, to get caught up on.
- D: Good, because I think that then when Tom gets back, we can all be up to speed together, and go forward from there.
- J: Ok. Mike Miguel did stop by my office just a few minutes ago, which I understand that you knew about.

D: Yes.

J: Ok. What is his potential involvement in Tombstone?

D: I could see possibly, depending on what happens in the next month or so, putting together some kind of tax shelter program on Tombstone. I mean that is conceivable to me as a way of raising additional capital, particularly if we were to move into a larger scale mining operation. And since he was out there anyway, I figured I would just expose him to it.

J: Ya, ok, well good. Well he apparently has got tied up time wise and he cannot go down there but he did want his associate Jim Aspel to go down next week, which I said would be fine.

D: Great, I will speak to you later. Thanks Jim.

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Toll Call #7882
12:35 from Dwight Lee

J: Dwight?

D: Ya, hi Jim. I was going back through my notes and wanted to ask you one thing. On some of these sample results that Charlie and Louie have been running, they send you reports on presumably some kind of format?

J: It is pretty much a rough penciled format at this point.

D: And then what happens from that? You transfer that to some kind of format of yours?

J: Well, we haven't gotten that far yet, but that is probably what we will do. Actually what we have done is simply penciled a format on the NCR S.E.A. memo forms, which they have turned back to us.

D: Ok, because we started getting those back I guess about a week ago Monday, or you started getting them back a week ago Monday.

J: Ya.

D: ...and I was speaking to John and one of the things he was hoping to do was be able to have sort of a running commentary as opposed to trying digest all at one time.

J: Ya, of course assay data themselves taken in a vacuum are not terribly meaningful, and what I have been trying to do is get some kind of data that indicates what they are. Now the other thing that we are getting are assays of solutions from the barrel tests, and we are simply behind on catching up the paper work on those too. We have simply been doing things with both hands.

D: Ya, I understand. But lets see if we can't get some of that in the mail by tomorrow so that we can have it this weekend. Ok?

J: Good enough.

D: Thanks a lot.

Toll Call #7909
2:27 p.m., Tuesday, September 4, 1979
To Tom Schloss in New York

J: Welcome back from Italy.

T: Thank you.

J: How was your trip?

T: Terrific. How is everything with you?

J: In its usual hectic pace, but aside from that, reasonably good.

T: Can you talk.

J: Ya.

T: How is everything with Lexie?

J: Not very good, really kind of deteriorating.

T: Ya. And the kids?

J: Ya, they are all fine, back from camp and starting school today.

T: My kids start tomorrow. How is everything with Tombstone?

J: Well, it is coming along. We have had some difficulties with the plant this morning. They had a, well actually it turned out to be a ground wire that was broken on one of the sensing probes on the aeration tower which hung us up most of yesterday and the day before and this morning, but that seems to have been corrected so we are now sprinkling the 1,000 ton heap, which I assume Dwight described to you.

T: A 1,000 ton heap?

J: Ya. He didn't describe it to you...

T: Well, I thought it was a 200 ton.

J: No, we have run into problems with plant availability and Ernie is about to reclaim his plant to work on his own project any day, so we have gone ahead, and we have set up on the 1,000 ton heap and so that is where we are at this point - simply because it was in place before the 200 ton heap was.

T: Well, what is the objective of this.

J: Ok, the objective is to determine the leachability of this material related to cyanide, the percolation characteristics

and the plant operation characteristics, and the costs where we can obtain them.

T: Have we done barrel tests of this....

J: Oh ya.

T: And what do they indicate?

J: Well, they indicate that it is quite leachable. The barrel tests are still going on but it is cyanide leachable with no real problems.

T: What is the value? What is the value that we think is in there through the barrel test and what value do we expect to get out?

J: Well, at this point we are running about an ounce of silver per ton of solution and 2/100 of an ounce of gold, which boils down to, let me see if I can find my note pad here... about \$50 worth of precious metal per hour. Now the dump itself...

T: That would be \$8.50 plus what \$4.00, \$12.50? Using \$8.50 for the silver and \$200 for the gold...

J: \$200 for the gold?

T: What price do you use for the gold?

J: Well, I was using \$300.

T: Use \$250.

J: Well, it is now \$320 or \$330.

T: We have tried to use a consistent number figuring it is fluctuate back and forth.

J: Alright, well why don't we use 300 since that is an easy multiplicand, and \$9.00 for the silver, if you choose.

T: \$6.00 gold and \$9.00 of silver is \$15.00.

J: Well ya, that is per ton solution.

T: Right.

J: Ok. Quite frankly I don't have the figures on the top of my head, but we think that this is running about \$20.00 contained gold and silver per ton of material, which is from the Contention cut and from the 6 north 10 east dump, which we had to move to get into the edge of the Contention cut.

T: This is dump material?

J: Ya, so this is dump material. Now we have approximately 200 tons of material on the north end of the test pad which we are still running barrel tests on. Some material is bonanza grade, which I assume Dwight mentioned to you, which is running in the range of 40 ounces of silver per ton. We don't know how much we have of that, and we are running barrel tests on samples from each truck load and also samples of the dump itself as it now sits.

T: When is a convenient time for me to talk to you Jim. We got to start back further and then work up towards the completion because I have read all the notes, I have read everything here, and I am trying to determine where we are now. Is this a convenient time?

J: Well, unless you want to do it later on this evening.

T: Later on this evening would be tough for me tonight because it is my children's last day. They go back tomorrow. And also I am still suffering from a jet lag.

J: Well Ok.

T: 5:00 a.m. in the morning is fine with me. That is perfect.

J: Your time? That is a little bit too late for me, or early for me, definitive which ever way you look at it. Well, it is kind of up to you Tom. If you are tired, I think that it is kind of....

T: I am fine right now.

J: Ok.

T: But lets go back, you got 200 tons on there which is high grade, so what are you doing to determine how much of it is there?

J: How much of which is there?

T: The high grade.

J: We are doing barrel testing on material from that 200 tons.

T: Ok, that will determine the value of that 200 tons. What are you doing to determine the quantity?

J: They are one in the same, I am not sure what you mean.

T: Ok, you took the 200 tons from lets say six ten on the map. What are you doing to determine the quantity of that material? Not the quality, the quantity.

J: The quantity of the 200 tons?

T: No, we can see that, but there is some still left in the ground.

J: Ok, well we have done a fair amount of trenching on that in that area, and there is still more sampling and test work needed to block that out. That is going to be a fairly drawn out procedure to be precise. We are still getting assay results back from the sampling that we have done. We are still getting barrel leach tests back from the sampling that we have done. We are finding that we have not been leaching the barrels long enough to get a smoothing off of the curves, and we are making up some graphs now so that we can plot these as they go along, and some of them will probably... well we have taken our graph out to 144 hours of leaching, but we got up to, after 72 hours, we got up to 115 ounces per ton of solution in the very high grade material which corresponds to an assay of approximately of 40 ounces per ton. So we simply have to continue with the barrel tests and continue leaching them until we get a smooth curve on all of them. So that is a fairly lengthy procedure simply because 36 and 48 hours has apparently not completely done it, but we are beginning to get a pretty good handle on what the leachability of the rock is. Everything that we tested is fairly soluble. Are you still there?

T: Ok, I put you on speaker phone, I am here by myself.

J: Ok.

T: You were going to send to John Dean and to Dwight, a copy of the barrel test procedure. What has happened to that?

J: We are compiling those now and hopefully we will have those done, well that plus a bunch of other stuff tomorrow, I would expect.

T: Well, we were supposed to have a report in the office today, I thought, according to Dwight. I am not sure of all the details of that report. Is that in the mail to us?

J: No it is not, simply because we have not been able to get all the figures together. We are working on getting those, but we have done quite a bit of work, and it has taken just a while to get it together.

T: Ok, what will that report include?

J: Well, we are going to include all of our costs to date for one thing, the barrel test results that we have, the assay results that we have, a summary of what is on the pad, and what we are doing as of this moment.

- T: Ok, now, on the barrel tests and assay tests, are you going to relate those to a map?
- J: We don't have the map done at this point, Tom. That is going to take some additional time and hopefully, well we can probably have some of that data plotted up by the end of this week I suspect.
- T: I don't care if it is on a map, but I got to have some way of getting, of relating that to an area to relating that to a quantity because you know, you have \$15 rock or \$20 rock, how much do you have? How close are we to determining that?
- J: That is a question is, the more work we do, the more precise we can get, and we are still going to have to wait some of the assay results and barrel test results before I can be too precise on that. Using what we have seen to date of the assays, we think that we can probably mine the entire Contention zone which extends almost a mile in length using a drag line to probably a fairly substantial depth, possibly as much as 100' or more. We can relate that to general assay values that we have obtained so far in the cut and I think that we can say that it is very encouraging, but it is the degree of precision that is a problem.
- T: Well Jim, I am going to be critical. I mean I have obviously read the notes. I am not so sure that it is as encouraging as you think it is. You have got an unknown cost of mining costs and the values don't look that hot.
- J: You want to repeat that again?
- T: Unknown costs for mining. How much are mining costs, point 1, point 2, we have come across some high values, lets rule those out, lets talk about the average - which doesn't seem to be that high.
- J: Well, what figures are you sighting specifically?
- T: I don't have them all, that is what we are waiting for that report from you, which should have them in a concise summarized document so I can relate them to something. There are a bunch throughout there, some of them are high, some of them are low. The ones that are very high, I would like to know the quantity.
- J: Well, I would too but I am not sure that we can tell you that at this point.
- T: Well, that may be, but that is the question that I want to know.
- J: Well, I am very much interested in it too.

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- T: Oh, I am sure you are, that is not being critical, but that is the question that I am asking, and you know, what are we doing to get the answer.
- J: Well we are continuing to sample and do test work to determine the leachability and also the amount of material that is there.
- T: Ok, we are doing a 1,000 ton test, that is going to determine whether it is leachable, ok, but it won't determine the different types of ore, whether each one of those are leachable and the quantity thereof. In other words, if you were to throw that 200 tons of high grade stuff in with the 1,000, I don't know what that would tell you, or if you have got low grade mixed in, I don't know what it tells ya.
- J: Well, we don't know, we have not thrown in the 200 tons with anything. We very specifically segregated that.
- T: Well the 1,000 is dump material...
- J: Ya, the 1,000 is dump material that we had to move. The approximate truck costs on that were \$.86 per ton. The contained leachable metal values indicated by barrel testing is in the \$20 per ton range. What the plant operation costs are is going to be open to a great deal of debate until, well we simply have not had enough test time to really get an accurate figure on that, and of course we really need to relate it to a larger plant. But we will be able to put some kind of figures to that as far as costs per day and labor and electricity and so on. The amount of ore in the open cut and its relative grade and as far as the mining costs go are going to depend on the mining method, as well as what the values actually are, and we are still getting assay values back on those.
- Let me describe the sampling to date. At this point, we have drift samples which parallel the Contention vein system on 20' intervals on both sides of the Contention open cut.
- T: Ya, I have the map, Jim, in front of me, and the open pit - when Dick and I were out there we drew a sketch of that open area. 6 and 10, if I read it right, reading correctly is way away from there.
- J: Well, ok, hold on, let me get my map, hang on. Tom, Tom Waldrip has got my map and he is away from his desk and I can't seem to locate it so why don't you just go ahead and describe the point that you are looking at and let me see if I can...
- T: Six and ten
- J: 6 north, 10 east?

- T: Ya, let me just make sure that I know how to read this thing properly. I have the map and I have the numbers on the left. Ok?
- J: Ok, on the left side, the bottom side.
- T: That is up and I am going over to 10. Is that correct?
- J: Ya.
- T: Ok, now the road that Dick took out was more like 5 and 8.
- J: Ya, and in the south end.
- T: Ya, that is the south end, and then the north end, it was 6 and 9, 6 and 8 1/2. Well 6 and 10 is way to the east of there.
- J: 6 north 10 east is the location of the mine dump that we had to move to get into the edge of the pit. Ok.
- T: Right.
- J: But I am not sure what you are relating that to.
- T: I was just trying to figure... maybe my map, not my map but the drawing on my map is off, maybe that is the problem. It looks to me like Dick and I drew a road down there and it is way over there. I will wait until you get your map. The pencil drawing on it is off.
- J: Well, as long as you are looking at the map, if you just look at the north end of the Contention cut, and that photo was taken before the road was made down into the cut, you will notice a little spot at the northeast end which is a small shaft. Ok, starting on that, approximately in that area, we took drift samples over each 20' interval contiguously, in other words, one is contiguous to the other, around the Contention open cut. We have also done backhoe cutting towards the boom shaft which is the one probably about 400' north of the Contention open cut. What we have found, we actually dug into some old workings there, and actually pulled out some gob material, old gob that was used to hold up the open stopes. It turns out that that area that I thought was a trench is probably a stope which has been filled in with underground waste, or gob. We have done some trenching along that and then we have taken samples, again drift samples on every 20' interval that was exposed. Those samples we are still waiting for the results of. We have also taken some cross cut samples in areas where the vein was exposed in cross section and those analyses we are waiting for also. When we get all of this back, we will be able to plot all of this up and get an inkling of what the assay

values might run. However....

T: Now are the Escapules running that?

J: Yes, these are being run by cyanide shaker tests.

T: By the Escapules?

J: Yes, by the Escapules.

T: Ok, when do we expect to have the results back on them?

J: Well, I would imagine... they didn't work Labor Day, so I would imagine the next day or so.

T: Ok.

J: We will then have some data that we can plot up on a horizontal plan map that will give us an inkling of what the rock runs.

T: Ya, well will we have any idea of the quantity?

J: Well...

T: It will give us an idea of the quality but not the quantity.

J: The quantity we will have to surmise by the surface geology and the areas where we do have a cross section through the vein. But of course we are talking about exploration geology and sampling here, and until we get more backhoe cross cuts across the vein system, the precision on that is not going to be terribly great.

T: Have we defined any area where we have a known, or when we get the results back on the test, will we have defined any area of its quantity and its quality?

J: Ya, we will have a variety of areas with varying degrees of precision in which we will have an idea of quantity and quality.

T: Will we have any with a high degree of precision because there was adequate backhoe cuts made or it was visible because of the nature of the contour of the land?

J: Probably in the northeast portion of the existing Contention cut we will have some ore that we can get a calculated volume on. Probably, see since you have been gone, we have run into, well about the day you left I told you that the mine inspector was down there and was quite concerned about driving vehicles into the cut, and of course that simply is an impossibility because there is an awful lot of open space, or at least we think there is down there, verified some of

it, and we did end up getting the underground maps of the area which date back to about 1911. So we do know there are stopes below us. The work we have done with the backhoe suggests that they are filled with gob and that gob will form a significant reserve of leachable material. Furthermore, we know that the Contention vein extends from the area, actually quite a ways beyond where the current plant is, but from.... hang on, let me do grab one photo which I can help to relate to your photo.

Ok, do you have the small 10 x 10 photograph?

T: No I don't.

J: Ok, I thought you took one of those with you.

T: I may, but I don't have it in front of me.

J: Ok.

T: Having been away a month, I don't know where it is.

J: Ok, well, at any rate, I think that you can visualize where the...

T: Hold on just a minute.

J: I think that you can visualize where the test pad is and where the Contention open cut is. I have every reason to believe that we can mine that area well actually as far south as the Commonwealth shaft, which is south of the Little Joe shaft. All of that is underlain by the Contention vein zone dike zone. The indicated values are that we should have rock that would probably average in the \$20 per ton range with high grade zones of indeterminate extent, which will run possibly \$500, possibly even \$1,000 per ton. We simply don't know but the high grade zone that we intersected was missed by the underground miners. They had a drift that paralleled it, about 4' away, but they simply did not drill into it, so therefore they did not mine it. So, if we can go through a calculation using some easy figures of just a mile, lets say 5,280'...

T: Those figures are in the notes.

J: Oh, ok.

T: Now, I understand that, but what I am looking for is some hard data proving 1. the quality and quantity of certain ores in the Contention area, indicating, and then test work doing to prove that we can get that quantity out, or a percentage thereof. And my question to you is, alright, where is that, lets define it, because that is what we should have been doing all month in my opinion.

J: Well, that is essentially what we were doing, Tom.

T: Ok, I know that that is coming out critically, and I don't mean it in that way. I am just, I mean, having read the notes, it is difficult to relate that.

J: Ok, well at this point, look at the north end of the Contention cut on your photograph.

T: Alright.

J: Ok. Now at 6 north 10 east, you see a whitish dump there. Ok, that was approximately 7,000 tons of material which is now sitting on the test pad. Ok, and now just to the below that dump is a black hole, which is a shaft, an incline shaft about 200 or 300' deep, we don't know for sure... got that spotted?

T: Are we looking at the same one?

J: Ya.

T: I can't tell one hole from another. What you are saying is really that 5.8 and 9.8?

J: Ya, probably, unfortunately I don't have the overlay with me. Hold on just a second. Let me see if I can page Tom, maybe I can get that back, hold on. Still having trouble in locating that particular overlay, but at the very north end of the cut... are you still with me? Hello?

T: Ya, I was just talking to somebody else, Jim.

J: Oh, ok.

T: Goodnight everybody.

J: Ok, look at the very north end of the cut, and you will see a black hole. Do you see the black hole there?

T: Ya.

J: Ok, that is a shaft, which connected with underground workings, and then at the far north end of the photograph you see the Boom shaft with the white foundations on it. Those are the squared off rock foundations, I think maybe you have looked at that.

T: Give me the coordinates of that.

J: Well, I can't because I don't have my coordinate map with me.

T: I'll tell you what, why don't we wait until we.... Jim, I got

to pick somebody up tonight, what time are you getting in the office tomorrow?

J: Oh, probably around 7:30ish I would expect.

T: Do you want to give me a call?

J: Ya, I will do that.

T: Because I think that that would be better because I am not familiar enough with the map to make sure that I am talking about the same thing and we will have to go over the same thing again, which is kind of a waste.

J: Ok, hold on, it just arrived.

T: Ah.

J: Ok. The area that I am talking about Tom, and I guess that I was looking at a larger scale photograph, that was why it was a little bit difficult for you to...

T: I am looking at the big one, Jim.

J: Ya, ok, I am talking about 8 north, 10.1 east.

T: Now that is in a white area, like brown.

J: Ya. Ok, we actually have a road, at this point, down into the cut there, and of course that is what Vernon Dale is concerned about because that is all underground workings. Ok, from that point, on up to 11 north, 11 east,

T: Do you always give me the left hand scale first?

J: Ya.

T: 11

J: 11 north

T: Ya

J: 11 east.

T: Ok.

J: Ok, if you will flip up the overlay, you will see some squarish looking things which are rock foundations. Ok, that is where at least one of the old pumps was. Ok, between...

T: Just to be technical for a minute, because I will bet my heels off and that is part of the problem, ok, lets take that black hole to the north of there...

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J: Black hole to the north of where?

T: The square rectangular thing?

J: Well, actually that is a tree I think.

T: Ok, well you see the one rectangular block? I'll tell you what... do you see the tractor?

J: Ya.

T: I just want to check something. See the tractor 3 and 7.3. Where is that on yours?

J: 3, you say it is 3?

T: Ya.

J: No, on mine the tractor is 3.4 and 7.4.

T: Alright 7.4, I agree with that one and 3.0 exactly. The scales aren't the same.

J: Well that is very strange. Is the sheet loose on your photo? As long as it is lined up with the sides, it should be the same.

T: The center of it is exactly 3 and 7.35. That is part of the problem.

J: Exactly at 3?

T: Ya, let me check the other one.

Interruption in tape

J: Under heading Number 1, General Business, A. Establish rapport with locals, which includes: 1. TDC; 2. State of Maine Mine, Charles and Louie Escapule; 3. Escapule Geodesic; 4. Robert Callan; 5. Tom Pitcher who is the TDC Representative in Tombstone. B. Logistics: Establish an apartment in Tombstone, regain use of the '71 Minerals building.

T: Ok, can I ask you to slow down a minute? On that apartment, as you know Dusty and his wife were using that apartment.

J: Ya, that has been transferred to their own account, which Dick did not consult me before that was done, which I was not particularly pleased with, but at any rate, it was done.

T: What are the results of that now? Where is that?

J: Where is what?

T: That apartment. Who has got that, has Dusty got it?

J: Ya, Dusty has got that, we have got another one in the same complex.

T: Ok, is it similar?

J: Not nearly as comfortable.

T: Same price?

J: I don't even recall what the price of that one was

T: \$140 I think

J: Ya, ok, then same price.

T: I know the one that you have is \$140, I don't remember what the other one was.

J: Well, I don't either.

T: Ok.

J: Ok, regaing the use of the '71 Minerals building, and clean that out and patch up where necessary, had to put a door on.

T: Now I remember on that, I thought the deal with the Farmers was that we didn't have to pay for that. That was included in our lease.

J: Quite frankly, I have not gone back over the lease, and I thought that Dwight was going to pursue that. Do you know whether he has?

T: No, he has not.

J: Ok. They want \$165 or \$170 rent on it, and we will just have to see whether it is in the lease, and if is, remind them of that. If it is not, I expect that it is

End of tape

TC #7978

9/19/79

Time: 2:38

TO: Tom Schloss - returning his earlier call

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J: Hello, this is Jim Briscoe calling for Tom Schloss

T: I know that character well.

J: Hello - didn't recognize your voice.

T: Ya, I know. How are ya?

J: Pretty good, how are you?

T: Very well.

J: What's up?

T: Let me call you back on our watts, ok?

J: Ok. Ok, Tom.

T: Sorry. Busy day. What is happening with you?

J: Not much of anything. I am trying to get several things taken care of.

T: What I was calling you about is how are we coming on finishing up this report - not finishing up - getting the rest done on it?

J: Well, our printer has been down until actually late yesterday afternoon, and it is in the works. Hopefully it will go out this evening.

T: Ok, what will be going out this evening?

J: Ok, the report and the attachments.

T: Ok, because the report Harry has been working on now for a couple of days, and she has really basically re-written it.

J: Ok.

T: The attachments, I think wouldn't probably be a little antagonistic to her - you know - if it is the same report. Angie has been typing and she has gotten it about half typed. So we are at that point. The attachments, terrific, and I will probably have back to you - John will be out on Tuesday - I will probably be out Tuesday afternoon - similar to the flight that I took last time. So I will probably

hopefully have the report back to you on Tuesday. Hold on, let me pull out that sheet.

I am reading from what I will call the Apache report - where it lists on page 2, type of information they need. This is Warren Mallory? Ok, let me just refresh your memory. Topographic and general area map showing the location of your property, etc., 2, professional reports, 3, ore occurrences including geological structures, sampling and assay results, D. Production history, E. capital budgets for development and the time required, F. estimated profit potential, G. information on adjoining mineral properties including extensions of your deposit, such as size and location, H. any colored photos you may have, I. three copies of all maps, etc.

Have we answered any of these questions? Some of them I think that we have.

J: Well, that is a pretty extensive report, and I would say no, we have not - we have answered some, but not all. A report like that could run into the \$100,000 range.

T: Ok. How close can we come to it with the information that we have?

J: We can give them enough information to start them going.

T: Ok.

J: Ok, what is the situation with the cash you told me that you were going to send out on Friday?

T: To my knowledge I talked to Jane and it was sent out. I think that it was sent out. Jane says that the bank wires are tied up at her bank - which I heard about today.

J: Ok. On Friday we talked about \$7,000, she says that you sent out \$4,500.

T: I have to call and actually see how much. I looked at a sheet which said \$4,500, that wasn't from what we had discussed. I will verify it in the morning. If I said I was going to send \$7,000, I probably did. But I don't want to quote. I was looking at a sheet that said \$4,500 on it, because we were just trying to get the last dollar amount. She should have received it.

J: No, it has not come through.

T: Ok, now she says it is your banks fault.

J: Well, it is the wire service apparently.

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- T: Ya, but they are sitting on it. This happens all the time and you have got to ask for interest in order to stopd them from doing it. All you got to tell me - if it is happening on our end, we want to know about it that afternoon because it was sent the same day.
- J: Well, they say that the wire services are down and that they are flying it out.
- T: They are flying it out?
- J: That is what the information that we have got is.
- T: You are telling me that the wire services are down for the federal reserve?
- J: Said that the federal reserve wire services are down.
- T: Ok, well I will check it in the morning - it is too late - you know I can't check anything - all the banks are closed. I think I sent you what I said I was going to send you. Ok? But I have on this sheet \$4,500.
- J: Ok, well that is pretty critical point.
- T: Jim, you want to hold on, I will call Indianapolis and find out.
- J: Ya, well, there is no point in me holding on.
- T: If I said that is what I sent you, that is what I sent you. Hey, I know what I was looking at ok? I was looking at the bottom of your sheet, alright, because I wanted to pull it off to see where we were, and that is where I got the number - that is why I picked up, I think the incorrect number, and I really wasn't too worried about it because it was going to come out on another sheet. We weren't using it for that purpose. Now, maybe - well maybe I made a mistake - I sent it last Friday.
- Here it is - \$7,000.00, it is circled, I sent \$7,000. Not \$4,500.
- J: Ok. Well, I couldn't quite understand what the problem was.
- T: Don't get worried about it. I am saying if I make a mistake, I make an error - but I do as I say I am going to do.
- J: Ok. Ok well, we will see if we can't get some of this information out to you.
- T: Ya, Harry got Ron Kress - we'll edit it, which is terrific. I wouldn't want to drop a name on who was before us, but he

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is doing Kissinger's notes.

J: What is his name?

T: Ron Kress. He is a senior editor for Time Magazine.

J: K-R-I-S?

T: I think it is C-R - look in the front of Time Magazine. But he is doing Kissinger's notes, but he thinks he can get ours in this weekend, but I don't think that we are ready for it. That is why I am rushing it - I am rushing it for lots of reasons.

J: Ya.

T: But that is one of the reasons.

J: Ok, well I will see if we can't get this out.

T: Ok. Anything happening down in Tombstone?

J: No, I think that you have been communicating with them down there, haven't you?

T: Just yesterday concerning the crusher and the Foreman.

J: Ok, well that is the only information that I have got. They are down in Bisbee today.

T: Oh, they went down to Bisbee? Both of them?

J: Well, that is my understanding. My understanding was that you wanted one of them to go down there and look at equipment and one to - well we have got to get the records out of the courthouse related to these TDC claims.

T: Ok, but it doesn't take - Dusty said - well you know - he felt that Bisbee would have I forget the guys name - Bill Jeneto - he had a drag line for \$100,000, but he had a taggard drums - do you know what those look like?

J: More or less - Tugger drums? Ya.

T: Which he felt might work. And he wanted to look at that. And he felt that he might also be able to get a crusher.

J: Ok.

T: Do you disagree?

J: No, I don't know that I do.

T: Ok. I think \$100,000 for the drag line seems high but I

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don't know.

J: Without know the specifications, I can't even voice an opinion on it.

T: Ok.

J: Ok. How long do you plan on being out on Tuesday, and what do you hope to accomplish?

T: Well, I will be out on Tuesday. I want to see if we can't get this point closer to being finished - get that done, and if we do, I will leave Tuesday. I don't have any necessary desire to stay around.

J: Ok.

T: It depends on what there is to do. We really got to get this report done.

J: Does that require you coming out?

T: Well, probably not. Do you object to my coming out?

J: No, but I do have some other things that have come up that I have got to attend to, and I am probably going to have to be flying to Nevada, and I am not sure exactly when, so I am trying to get my schedule straightened around.

T: When do you think that you are going to go to Nevada?

J: Well, I don't know, depending on several factors related to some delivery of some maps so... something that I have just not been able to tie down yet.

T: Ok, well, I can tell you my plans are Tuesday - about what time I came in last time - John, as you know, is going to be out there...

J: Yes, that's right...

T: So - and I have to be out in Los Angeles at the end of the week so it is easy for me to stop on the way. And I thought it would be helpful is maybe we all met.

J: Ok.

T: Since we are all going to be out there. I do felt that it was important that I visit you last week or whenever it was - I think that it was a good trip and I think that if I have to be out next week - it doesn't take much time for me to stop.

J: Ok. Ok well good enough - I will look forward to seeing you

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on Tuesday, and we will see whether we can wrap it up.

T: Ok. And if you can send out those Exhibits that would be very helpful and then Harry can have a chance to tie the whole thing together for this next draft.

J: Well, those are not going to be ready before next week, Tom, that is a substantial amount of work that has to go into those.

T: Which ones is that, Jim?

J: Well are you talking about the maps or the written material?

T: The written material or the exhibits that you said was going out today.

J: Ok, ya I can get those rapidly.

T: Here is my idea and you can see what you think of it - I would like to have Ron work on as finished a copy as possible because he could also have some excellent leads - get him interested in it. So the better form we have it when it goes to him, I think the better off we are. That is my idea.

J: Ok. Sounds reasonable.

T: Ok, have a good day.

J: Ok, talk with you later.

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Conversation between Jay Kittle and JAB

J: Ok, could you read that from the top again?

J: Sure.

Item #1: Southwestern Exploration Associates, Inc. and S.E.A. Hydromet, Inc. to resign further management responsibilities from the Tombstone project.

Item #2: The effective date of the withdrawal to be an early, mutually agreeable date.

Item #3: Management responsibility to be transferred to a mutually agreeable individual or group of individuals.

Item #4: Mr. Al Waterson and Mr. Dustin Escapule, presently under the employ of S.E.A. Hydromet, Inc. to be employed directly by the new operating entity.

Item #5: Payroll and other expenditures to be handled from New York.

Item #6: Suitable arrangements to be made though coordinated bookkeeping operations with the various Arizona laws, which pertain to workman's compensation insurance and mine safety regulations.

Item #7: Southwestern Exploration Associates, Inc. to continue to be available to the project on a consulting basis when a suitable work plan and adequate funding have been obtained.

Item #8: As soon as practicable, all financial records to be turned over to the new operating entity.

Item #9: Suppliers and other interested parties to be notified concerning the change in management.

Item #10: Southwestern Exploration Associates, Inc. to retain a record on microfilm of all project documents presently in its office.

Item #11: Other miscellaneous details to handled as are necessary to effectuate the management transfer.

J: What was 11 again?

j: Other miscellaneous details to be handled as are necessary to affectuate the management transfer.

J: Ok.

j: Its kind of a catch-all category at the end.

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J: Ok. Sounds reasonable.

j: Ok. Now if it would be any help, I could read my short cover letter to you. It is pretty much along the lines that I mentioned a moment ago explaining why a couple of things were not included in the discussion proposal.

J: Ya, why don't you do that so that at least I have it in mind until I get a copy.

j: Fine. The letter reads:

Dear Jim: Enclosed herewith is a discussion proposal I have prepared which may serve as a basis for talks between you and Tom Schloss concerning a transfer of management responsibilities from S.E.A., Inc. and S.E.A. Hydromet, Inc. to Schloss or some other group you may agree upon. These proposals are based on the draft of a letter you had prepared to Tom Schloss dated September 20, 1979. You will be quick to note that the preliminary views and background information contained in your draft letter do not appear in the discussion proposal. It was my thought that these ideas could best be communicated to Tom Schloss verbally. Similarly, I have not shown on the discussion proposal, the very important point that S.E.A. would retain its present interest in the project without substantial modification or dilution. I believe at this point from the outline, not because it is not important, but rather because it is so important, I would like to lend to the appearance that all parties assume the arrangements in that regard remain unchanged. Undoubtedly, the subject will come up at some point or another in your discussions. In the event you have any questions concerning the contents of the discussion proposal, etc., please give me a call. Sincerely yours.

J: Ok, good. Let me pursue that and let me see if I can't get somebody to come out and pick it up post haste, and I will get back with you regarding if we are going to pick it up or whether it is better for someone to bring it out this way.

j: Good, and if I do happen to be tied up, just leave a message with the secretary.

J: Ok.

TC #8013 from Tom Schloss
Time 10:14
Saturday, September 29, 1979

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J: Hi, how ya doin?

T: Very well. Are you at the office?

J: Ya, I am.

T: Can I call you back in about 5 minutes?

J: I have got to leave here in about 10 so you can, but it won't leave me much time.

T: I just want to know if a geologist was able to make it down either this week or this weekend?

J: Well, I had planned on going down tomorrow afternoon to see how things were coming.

T: Ok. Well, hang up but I will call you back on our watts.

J: Tom?

T: Hi Jim.

J: Ok. Ok shoot. You were asking me about whether a geologist had a chance to...

T: Ya, what I am suggesting is there is a bunch of barrels down there and if they can go take their samples and the barrels, I can get Al and Dusty and the night man. I want the night man to run those barrel tests.

J: Well, what are we going to do about screening and crushing?

T: We can't because we don't have anything to crush it with. We don't have the screen - we don't have the motor for the screen. But we can do barrel tests with mine run which gives us - is a higher reliability than a shaker test - in my opinion. But it is not a screen. Wait a minute- I am talking about the open pit - you are talking about the heap.

J: Well, on both...

T: Well, I agree that we want to to screen analyses and crushing analyses but we don't have it. Can't squeeze water out of a turnip - or blood out of a turnip I should say.

J: Well, I think Tom that we have got to have the shaker tests too because the barrel test is - at this point - without any screening or anything is subject to a lot of unknowns, but

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certainly I think that we ought to - I am not in disfavor with going ahead...

T: I am not in disfavor of having shakers tests either. I just think that one confirms the other.

J: Ya, ok fine.

T: I think that you step up your co-efficient of reliability by having both, and we got all those barrel tests - as far as I can tell - I can't see whether the night people are doing that much. Let them run barrel tests. Maybe they can only run 10 - a 3 of them.

J: Oh, well, there is not all that much to running the barrels. Certainly if we can get all the samples back on, they ought to be able to run 30 simultaneously.

T: Fine. I just think that we now have people on 24 hours a day - those night people I bet you could run barrel tests.

J: Well, ya. There really isn't anything involved in running the barrel tests - we were running barrell tests when there wasn't anybody in there - they run - if you are there watching them, fine, but if your not, they are still going to run.

T: I know, I am not making a big deal out of it, but I just think that we ought to be running barrel tests constantly because I think that it is a check on your shaker tests, and you know, it is fairly inexpensive - we got the people there now.

J: Ya. Ok.

T: It is also - I feel more comfortable with the barrel tests confirming the shaker tests or shaker tests confirming the barrel tests.

J: I would agree with you.

T: We could also say - when you get a small plant - you do a small heap leach - that is a further test. Then you know you got something - otherwise we could be legitimately off. I am not saying bad geology, but I think you can be legitimately off.

J: Ok.

T: If I asked whether maybe Jim Blankenship - nice guy.

J: Ya, he is. He is unfortunately up in Nevada at this point, so I will probably see if I can get Tom to go down with me.

T: In May?

J: What?

T: You said Tom in May?

J: No, I said Tom and I will go down there if possible tomorrow afternoon. Now I assume that they are going to continue on doing the backhoe trenching.

T: Yes, you drew the lines - this is what I - you drew the lines - they will continue to excavate along those lines. They will not take any samples - we decided will not take any samples unless you guys are there - where you take the samples. But what I am suggesting because we have all those extra barrels - when you guys are down there - fill up all the barrels with tests and they will run them over the next week.

J: Ok.

T: So we can get that started. I was talking to Dusty on the other line. That is who I was talking to. Looks like they got the preg up - it looks like things are going well

J: Well my understanding was the preg was up to .5 ounces yesterday, with no additional cyanide. Is that correct?

T: I didn't hear that part of it. I had to get off because you were leaving. But there is a confrontation between Al and Dusty on how much cyanide should be put in. Al says .5 to .7 pounds - I think per ton of solution? - and Dusty says a pound. So they are going to go over on Monday morning - the two of them - to the Charlie and Louis and a cup of coffee and discuss it with them. Which is the way I think it should be handled. Do you agree? I know if you increase the concentration of cyanide, Charles and Louie have told me it doesn't help.

J: Ya, but you are only talking about 3/10 of a pound per ton - isn't that right?

T: 3/10 of a pound?

J: Didn't you say you are talking about....

T: Dusty is saying it should be a pound per ton, and Al is saying anywhere from .5 to .7 pounds per ton - 1/2 a pound to 3/4 of a pound - but they are not able to agree on it so they are going to go over and ask Charlie and Louie what their opinion is. I think that is probably a pretty good solution to the....

J: Well, certainly, no more should be added than is absolutely

necessary. So I would think that should probably be a relation of how much silver is in solution. We know that we can get 10 to 50 ounces into solution with a pound, so I would't think...

T: Well, the point is can you get down to a lower number?

J: Well, I would think that you should.

T: Well, ok, but there is some lower number where you are going to start loosing. Now it seems to me the Escapules are the only ones that really have any hard experience in experimenting with that.

J: Ya, but I think the basic idea of asking them and going by their opinion is not good scientific method, Tom. I think that what we ought to do - we know that we can get many ounces into solution with 1 pound, so half a pound is still going to get many ounces.

T: Well, we ought to do some barrel tests to really get the final answer, right?

J: Right.

T: Ok. But I think that we got to get John in on the barrel tests. Maybe he can do the barrel tests - you know I brought back barrels for him. And it will be a week before we have an answer to that question.

J: Well ya, but part of the answer to the question would be simply whether the solution is falling off. That is precisely how Charlie and Louie have answered it. In other words if you have....

T: You mean if the preg is falling off?

J: Ya. Right, if the preg is falling off. Obviously if you have 1/2 an ounce in solution and you add another pound per ton and still have 1/2 an ounce, you are simply waisting cyanide, and going the other way, if you add 1/2 a pound and you still have 1/2 ounce in solution, same thing holds. Probably what we ought to do is add a quarter pound, see what it gets up to and then add another 1/4 of a pound and see if it changes any, and when it stops changing, then we ought to stop adding cyanide.

T: Ya, but you know - fresh solution every time. You got to do it on a barrel test, is the only way really.

J: Well, you change your solution, and you know what is in the solution by titration. So you don't have to have a fresh solution all the time.

T: No, but you have to have fresh load after you have leached it, ok.

J: Why so?

T: Why so?

J: Ya.

T: Well, you start out with lets say with a quarter on lift number one - ok, that means you've got the easy stuff out because you have been spraying now for six hours, then you moved up to a half, then you moved up to three quarters, and then to a pound. Each time it is harder and harder, in my opinion, to get the silver and gold into solution.

J: Ya, but that doesn't have anything to do with the cyanide concentration.

T: Well, but you have got more cyanide concentrating in it.

J: Ya but the solvent qualities of the cyanide, if one pound will dissolve 100 ounces, which we know that it will...

T: Right.

J: ...putting in 1/2 a pound is probably not going - even if you decreased it to 50 ounces, we are still talking about so much over kill that it is kind of academic. Adding more cyanide doesn't increase its solvent capacity, it is simply a matter of the dissolving rate of whatever mineralogy we have - in all probability. But at any rate, that is not something that we have to determine immediately because the difference between 3/10 of a pound and 1 pound or 1/2 a pound per ton of solution is economic fine tuning at best. In other words, it is not going to kill us one way or the other. But I think that we should do that by experimentation rather than asking Charlie & Louie's opinion and following it by road. I am not against asking their opinion...

T: Well, lets get their opinion first and check out their opinion, and their opinion you can get on Monday, to check out their opinion is going to take some time. You can check it out but they have been doing this for now...

J: Sure, I agree, but probably what they are going to say is don't add any more cyanide than you absolutely have to.

T: Ya I know but they did some studies on it. Because I remember them telling me about it. Now I don't remember the numbers, but I remember them telling me that they did some barrel tests on it, and because they want to know well gee why not increase the cyanide because we will get a higher

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preg. That didn't work.

J: Ya, sure.

T: So lets get the benefit of their... my point is ok look, hey guys, get the benefit of their thinking, then lets check it out, but go to them first because we are now adding cyanide today, tomorrow.

J: Ya, well, of course you know cyanide - you will always have to add some cyanide because it oxidizes and there is also a small amount of cyanisi in the heap so there is always going to be some cyanide consumption, but I think that is reasonable.

T: I also prepared some budgets for them.

J: What's that?

T: I also prepared some budgets for them - and they are going to discuss that also with Charlie.

J: Budgets for...?

T: Bootstrap.

J: Ya, ok.

T: We are going to have two plants, the Bootstrap, ok which is what we are currently under, by the seat of your ass, and the other is a budget for raising money.

J: Ya, ok.

T: We are under two budgets.

J: Ya, ok, fine. I am going to have to split Tom, but just let me add one other thing. As you were leaving you mentioned worrying about the 5' heaps all over the countryside. I am going to write you a memo on this but I think that conceptually a 5' heap is fine, but again, that begs the point because what we are really talking about is porosity and permeability....

T: Well lets say its 10'... you know it is not going to be 25 right?

J: No, I don't, but...

T: You don't know?

J: ...let me continue on just a little bit. Because what is important is whether that rock is getting oxygenated and whether you can get porosity through it, and this is why I

am going to site some specific reasons related to petroleum geology and hydrology that relates to porosity and permeability, but I believe that if we segregate by screening this material, that we can probably make 30 or 40' lifts at least in coarse material, and in the fine material, we don't know how much of that we've got, but maybe 25% of that, and then we can treat it in an appropriate manner.

T: Well I have got a whole bunch of screen analyses that Al gave me, which I have not had a chance to read.

J: Ya, those are the ones that Charlie - ya, I've got those.

T: I don't know.

J: John Dean has them too, as a matter of fact.

T: Oh, he does?

J: Ya.

T: I was just going to send him copies.

J: Well, you have got a memo that - these are from the Tranquility and the Toughnut?

T: Ya.

J: Ya, he has had those for a month, and you have got a memo that says that.

T: He has them, I don't.

J: Ya, I didn't send them to you but I did send a memo to Dwight saying that I had sent them to John.

T: I didn't know that that was these.

J: Ok, well, look, I have got to run - let me give you a call after I have been down there and take a look and see what is happening.

T: Alrighty.

J: Ok, talk with you later.

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Thursday, October 18, 1979

Toll Call #8066

To Tom Schloss of Famco

Re: The Tombstone Project

I am returning his earlier calls, and will be discussing the switch over of management of the Tombstone Project to Famco

T: Tom Schloss.

J: Hi Tom, this is Jim.

T: Hi Jim.

J: How are you doing?

T: Very well, how are you doing?

J: Oh, pretty good. Have been busy as a cat on a hot tin roof, but aside from that, that is nothing abnormal.

T: Right.

J: I hear that things are going pretty well in Tombstone?

T: Ya.

J: Good.

T: I hope so - we are trying.

J: Well, I think that from what I have heard, it is going along pretty well.

T: Lets put our cards on the table.

J: Ok.

T: I saw that you wrote a check for \$11,000 to S.E.A.

J: Ya that is right.

T: You certainly had not discussed that with me at all, and I feel that I was really kind of conned.

J: Well, Tom, at this point I have got....

T: Maybe you should have asked me, maybe I would have said yes, maybe I would have said no, but you didn't ask me, and I felt that I was asked to put in money under false pretenses and then it was taken right out for S.E.A.

J: Well Tom, we have got \$75,000 in billable time, Tom, as well as a substantial amount of expenses that have been holding

on for 10 months now.

T: Ya but I wouldn't take money out of your account without asking you, or telling you that I am doing it. You certainly did it without telling me. Is that fair?

J: Well, I think that our discussions in relation to the time that I have put in were that we would be paid for our - at least for the time being, our time and expenses.

T: That would be something that you and I should certainly talk about, but I certainly wouldn't write the check without talking about it - hey I'm taking the money out now - today - I certainly would say something... wouldn't you?

J: Well, I believed that when that was done, I was out of town, I have really been very much out of pocket, I have been in areas where there were no telephones for the most part, and when I was where there were telephones, it was either after office hours and after - at some points - after midnight your time, or before your office hours in the morning, and...

T: Prior to my visit in Tucson, we have had no trouble communicating. After my visit, I have called a number of times, left messages with Tom to have you call me. Ok, this is maybe the first time that we have talked in maybe 3 or 4 weeks.

J: I would say probably 3 weeks.

T: Ok, however long it was since I was out there.

J: Well...

T: But somebody authorized that \$11,000 check - you are saying it was done without your authorization?

J: No, it was done with my authorization but that was to cover our expenses including parts, labor, transportation, gasoline, food and lodging, and all the things that...

T: But you are suggesting that money put in that account, you will just take out for your own purposes without discussing it. That is not a very workable relationship.

J: Well, I don't think that that is what I am saying at all. We did have some excess money in there for the first time in a good long while, and, quite frankly, I am concerned about getting those monies out because this whole thing has put us in a severe cash flow pinch, which I explained way back in February - we were not able to do.

T: Hey friend - I am not arguing about that. I understand you

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are under a lot of strain - and so am I. But I would not - I surely would never pull out \$11,000 - that is a lot of money - without saying hey, I am talking it out. Now, I was asked to put that money in by Tom Waldrip under what turned out to be false pretenses.

J: Well, this is part of our communications problem, Tom, because...

T: He didn't say put in \$11,000 so that we could pay S.E.A.

J: I am not even sure that he said \$11,000 or specifically asked for that. It kind of simply appeared at our doorstep, which I was very thankful for, but on the other hand, it was not specified.

T: I have the notes from that conversation. He said there was the check for \$8,000 which needed to go down to Tombstone for the plant. He said, and we will need about \$3,000 more - and I can look up my notes but part of it was for the salaries, etc. That is a total of \$11,000. I sent that money out, and lo and behold, yesterday or the day before, which is a long time later, I find out what that money really went for. I was set up Jim. Nobody even said to me hey look, we are going to take that \$11,000 and we are going to spend it on S.E.A., or hey Tom, I need S.E.A. paid.

J: Well, I have sent you bills, Tom, over a good long period, and they have simply been ignored. Now that is not - I don't know, is your intention not to pay us?

T: I never said that. Did you ever hear me say that?

J: Quite frankly I am not sure whether I have or not but the actions sometimes speak louder than words.

T: Would you say this project was started as a \$25,000 project? - maybe \$50,000 or \$100,000 - its changed completely?

J: I wouldn't argue that.

T: Ok. And that what we thought was going to be true turned out to be completely not true?

J: No, I wouldn't agree with that.

T: We have had to really do it - put 4 times, put 5 times as much money into it, all of us - you included, me included - now, you know, things have changed.

J: I can't argue that. I am not quite sure that everything has changed, but certainly things have changed.

T: Tom Waldrip came down on Sunday and picked up the manuals,

the typewriter etc. Are you all out of the project now?
Where are you all?

J: Well, I gave you this list of things that we wanted to do when you were out here, and I hoped that you were working towards your firm into the payroll, and getting those...

T: We are.

J: Pardon?

T: We are.

J: But that has not been done yet has it?

T: Well, we still have money in that account. Are you going to keep that money?

J: Keep the \$11,000?

T: Well - I will ask whether you are going to keep the \$11,000 - I think that I already know the answer - ok? There is money left in that account. Now would you wire the funds to me? So we can pay the payroll?

J: No, I won't wire those funds, Tom - until our debts are paid off - in fact you have hired all those people, and we have paid them off.

T: Paid which people off?

J: All the employees that are now employees of S.E.A. Hydromet.

T: Well, I am in the process of that, Jim. I am doing it as fast and as hard as I can. It is more difficult than you may appreciate - I don't know...

J: Tom, I have formed several companies, and I know the difficulties and problems of hiring people and the bookwork.

T: Ok, we are in the process of doing that this week, which you may or may not know.

J: No, quite frankly I don't know.

T: We can't move any faster.

J: What is holding things up?

T: I just got the cards from the bank today.

J: What does that have to do with hiring the people.

T: Well, how do you hire a people. Maybe I don't know that.

J: Well, what I want to do is get them off the S.E.A. Hydromet payroll and terminate them as employees because I cannot - as long as I am not...

T: I don't know how to do that, Jim.

J: Pardon?

T: I don't know how to do that. How do you do that physically? I thought that I would just hire them. I just start paying them out of my payroll.

J: Well, that is fine...

T: Is there something else I need do?

J: Well, I would strongly advise you to be sure that you are covered under Workman's Compensation...

T: I am working on that right now. I agree with you... you would want to make sure that I am too...

J: Yes, absolutely

T: What else do I need to do?

J: As long as they send in a termination pay, and we give them a final paycheck, and they turn in all their time and you put them on the payroll in an official manner which means turning in their W2 and all the other things...

T: Well, we are working on that now. We hired a secretary, and we will do that. We think that we are on the road of doing that. Before we could do that, we had to make sure that we are covered by insurance.

J: Well, I understand that...

T: Jim, we have taken over everything else. As far as we are concerned you all are doing nothing else, except the payroll, which probably isn't a very big deal at this stage, because that was the last thing and the most difficult thing for us to pick up.

J: Ok, well thats fine.

T: But I don't think thats - you know I doubt whether thats a big deal.

J: Well, no but I think that it is important that it be done as soon as possible.

T: I am, Jim, doing it as soon as possible. We have to work

out what our deal is and what your role is going to be because it is very clear to me that you want as little to do with this project as possible.

J: I want to help out in every way that I can, Tom. I put in something over 300 hours in August, September and the early part of October to little avail.

T: Ok, you are paying for it, or you are putting in a bill for it. I am not, and I am putting in my own dollars and not charging for my own time. Now that is the reality of the situation.

J: Well, at this point, aside from that \$11,000, I had not received one cent on that, which was not.

T: I have not received one - I - on the contrary, I have put more money into it. I have had to back the project no matter what which way it took in order to get this thing profitable.

J: Well, except that you could have stepped out.

T: I could have. And then you would have been left holding the bag.

J: Well, that is true.

T: I don't think that you would have wanted me to do that like that.

J: Well, I don't think so either, but on the other hand I think that neither one of us are well advised to get into a no win situation which is where I was.

T: Jim, if I can put this thing on the map...

J: Tom, I could have put this thing on the map in mid August, however, I did not get the support when it was necessary, and that is why I want you to take over the management because I think that psychologically that is what you want to do, that is what you can proceed on. Your actions in the last three weeks have indicated that. And that is fine. I am very much pulling for the project and will support it as much as I can but I won't as a matter of principle - get into a situation where I spin my wheels and furthermore, I cannot afford to do that, and I am sure that you must be able to see that.

T: Well, I hear what you are saying.

J: Now, I will do what I can and I think it is important that you realize that Arizona and Tombstone is not New York. You can either alienate the people down there...

T: Have I alienated?

J: Yes, I would say that you have.

T: Who?

J: Well, you have alienated me for one, you have alienated my staff, you have alienated the people that you deal with down there...

T: Who?

J: Who?

T: Who?

J: A variety of folks.

T: Who?

J: From the feedback I get when you talk to people on the telephone, you alienate them.

T: Who, how?

J: You have alienated Bill Hight, you have alienated the suppliers there...

T: Wait a minute, I have not talked to Bill Hight in three months.

J: Well, obviously that happened prior to three months ago.

T: Ok. And I asked for something from Bill..

J: Tom, people are often willing to supply things for you if you ask in the proper way. I don't think - I hope that you will take this constructively because a lot depends on whether you do, but maybe Westerners are a bit different, but many people do not regard the way your asking as a constructive way.

T: Well be constructive and maybe I can hear you. I can't hear you.

J: Well, I can't sit down and itemize...

T: Well unless you say - you know - Bill Hight - ya, I remember the conversation very well he and I had - it was most uncomfortable for both of us because I was asking him to bear with us, and he turned me down.

J: Ya.

T: Ok, that is the only conversation that we have had. Now if he felt uncomfortable about it, I can understand why he would.

J: Well, some of this is second hand and I am not running down there to find out and I am not asking people to come to me...

T: Are you suggesting that Dusty and Al are unhappy?

J: I think that they feel that their time is not being well spent. I know that the only reason, at least I have been told, and again, I am talking from second hand information and in some cases third hand, and quite frankly I care because I think it has a very important impact on the project, but I don't care related to any other reason than that so I am not running around - you know I don't have time to involve myself in that kind of foolishness, but my understanding of your conversations with the equipment dealer in Bisbee - the only reason he is holding or dealing at all is because of his relationship with Dusty, my understanding is that Robert Callan has retrieved his equipment, and my understanding is that a variety of suppliers in town will only deal on a cash basis, and largely out of their associations with Dusty. So all I would say is...

T: I hear entirely different things.

J: Pardon?

T: I hear entirely different things, Jim.

J: Well, that's fine then...

T: Why should the guy in Bisbee deal based upon me? He doesn't know me from Adam. Why should he? Ok?

J: Ok, well that's fine.

T: How could he deal any other way with me?

J: Well, you find that people out here will.

T: Well, I have not supplied him with any information, there is no earthly reason why he should.

J: Well, maybe that is the difference.

T: I mean, I wouldn't expect him to. I have only taken over the project since September - this is my second month. We have to build up our credibility.

J: Ya. Well, the first thing that I did when I took over in August was I went around and talked with all of those people, and they have all been very cooperative. I hope that you can maintain that cooperativeness because I think it is vital to the project.

T: I think I am. I think the guy from Bisbee - you know - I told him what my problem was. Now he needs - I suggested that he talk to Dusty - but I was not going to proceed on buying the property or buying what he was selling without a certain thing - which he has done for me. I paid him for it.

J: Which what now?

T: I needed a crusher ok? I said I could not commit to buy it without it. Now, if he took that the wrong way - that is tough. I am not willing to do it the other way.

J: Well, quite frankly, I don't even know what transpired except...

T: I said you have to talk to Dusty - so what you are saying makes sense because I said Dusty will tell you and you can go down and look at the property and you will see what I am saying is probably true, but I want to do it by hard facts. And he agreed with me. He said you are absolutely right, but he would like to sell the piece of equipment. I can see what you are saying, Jim, that he was relying on Dusty. Well that is what I told him to do. And he should.

J: I am not trying to quibble or bicker - what you are doing, the part, or anything else - I just thought that I would mention it because I think it is an important aspect of dealing in Tombstone. I have heard this repeatedly, and, you know, you can either rub everybody the wrong way and have them dig in their heels or you can rub them the right way and treat them fairly and with respect, and the feeling is that you do not treat people with respect down there. Now I don't know whether you do this intentionally, or unintentionally, but that is the feeling.

T: Well, again, alright I hear what you are saying and I will take it to heart and I will see what I can do. I obviously have the feel for what you are saying. I have the greatest respect for Al and Dusty, I mean they have done a fabulous job. I couldn't be more pleased with how they are handling it.

J: Well, I agree with you...

T: And I told them that. Now they may not believe me...

J: I think they have, I think I have told you pretty much all

along that I had great confidence in their abilities and I think that you are giving them the wherewithall to really show what they can do.

T: I am backing their judgement.

J: Ya. Ok.

T: So they may say that - gee what else can I do for them?

J: Well, I would give them as much leeway as you possibly can and until they indicate they cannot handle it but I think they will be able to.

T: I don't think they would agree and I certainly don't agree with that approach. I don't think those guys are of the - I don't think I am willing to pay them 50 or 100 or \$75,000 for that. Ok. Now whether I actually pay them or whether I think they are worth that, I don't think they are. Do you think Al is? A \$75,000 a year man?

J: I am not sure that that is what I said.

T: Well, I - but in order for me to give complete authority and responsibility and let them have their - let them go in which ever direction they wanted...

J: No, I don't think I said that either. What I said - if I can clarify it - is that I would give them as much leeway as possible until they find - until you get to the point where you find that they cannot handle it. Now I don't know what that point is, but the more leeway and authority you can give them, the less it takes up your time and probably the more quickly they will be able to handle things efficiently in a way that is appropriate to the situation at hand. In other words, you can't run everything from the seat of your pants in New York on a daily and hourly phone call basis.

T: Ok. Well, lets talk about how we work out our financial arrangement.

J: Alright.

T: How do you want to proceed on it?

J: Well, the first thing I think we need to do is readdress the written agreement that we had - that we have - which was carefully thought out to pretty well account for these probabilities. Quite frankly, I took great insult, Tom, that your parting shot at me, in which you told me that you would give me a 10% net profits interest, right prior to your departure - I didn't really focus in on that until after you were gone, but I am really pretty incensed about it.

T: Gee, Jim, you really shouldn't have been. You took it the wrong way, ok. You really did. You don't know me very well and we obviously are splitting far apart, ok?

J: Well, I will say that a 10% net profits interest is not very interesting to me. I can do that well and get my expenses paid immediately.

T: Ok. Go back over the whole conversation Jim. Because it is a problem that you and I have. I am speaking as in a financial sense and you are in geology, and what I was doing was helping you out of the problem. And maybe I was wrong, but it was not in intent to do you any harm.

J: Well, alright Tom...

T: Jim, you wrote a check for some \$4,000 to John Dean which you never called me about.

J: That was complete accidental... we...

T: Ya, but I never hear about it. I have to hear about it in the paper.

J: Well, that type of thing is precisely why I want you to do all the management and the disbursement because 90% of my problems in the last six months have been from Tombstone, which is about 10% or less of our activities, and as I am sure you recognize, that is a situation that simply cannot continue. I realize that you feel that you have invested a great deal, which I am not knocking that, on the other hand, the property is substantially enhanced under present conditions, it is a good property. We have had some problems with the metallurgy, but those will be worked out and are being worked out. In the interim through my lack of intention, I have lost at least \$300,000, possibly a million dollar contract and I cannot afford that break of attention span when I cannot see something being rapidly done.

T: Ok, lets try and work out our financial arrangements, and I will run the project. I have said I would, and I am in the process of doing that. I think that I am moving - I think that if you understood it - I don't think you can move any faster.

J: What is it that you feel I don't understand?

T: I don't know. I am just saying hey - I'm telling you, I can't move any faster, ok.

J: Alright, are you...

T: I mean we have made tremendous improvements down there.

J: I don't deny that...

T: I have been very active in that. I am not sitting here in New York...

J: The one thing that I would point out Tom is those - while you can be rightfully proud of those accomplishments, you are not showing me anything new. Those are things that we would have done had we had the leeway to do them. And that is why I want to step out of it completely, I want to give you the leeway to do what you think is right because I did not have that, and nothing that has been accomplished down there so far is nothing that we couldn't have done starting in mid-August.

T: It is a philosophical difference on how you manage a property. Nobody who we are associated with on this end agrees with you, Jim. But lets try and move ahead.

J: Alright, I think that that is fine.

T: Ok, now, I think we need to - when I said a carried interest, you should not have taken that the wrong way. You have a problem with Dick. I was trying to help you work that out. Now I will keep my mouth shut, and say hey Jim, how can we all work together, you come up with a solution. That is why I was trying to do, and you took it the wrong way. I really am - because it really wasn't meant that way.

J: Ok.

T: That was a way - boy it would solve every problem you know - I know that you had - and you take it as an insult... Jesus.

J: Well, I don't mean to be overly sensitive, but on the other hand, I am the guy that got the lease, I did fund the initial part of it. You took the attack at a different moment in that particular meeting to say that you were the guy that put in the initial money but it is simply not true. If it was not for me, the lease would not be available. It is a particularly good property...

T: I put in \$25,000.

J: No, you did not. I put in the money that got the lease, Tom.

T: How much was that?

J: Well, I put in the initial \$6,000. I footed the bill to examine the initial aspects of it, I paid all of the airfare, all of Dick's time there.

T: Ya, but you were looking to sell it to somebody else. I

mean, I can't pay for what you did for somebody else. You were trying to promote it for somebody else, Jim.

J: The thing is is that the lease was acquired by me at my expense...

T: But that is what you brought to the deal.

J: I am not arguing that. But I have the impression and you gave the distinct feeling that this was simply something that dissended from heaven.

T: Oh no, I am appreciative for you bringing the deal. But since that deal has been brought to us, ok, we both have had any amount of trouble.

J: I would agree, but on the other hand...

T: Smile, I mean it is a sense of humor ok?

J: Ya, but looking at it realistically, prices have increased very substantially, there are others that do want that lease, and are continually approaching TDC, and it is a very, very lucrative piece of property at this point.

T: Ok. I hope you are right.

J: Ok, well, so where do we go from here? I am not trying to rush you or be brief, but I have a whole list of meetings and this afternoon, and...

T: Jim, this is the first time that we have talked in three weeks, right? How do we get these things resolved so that - I have to go raise money.

J: Ok. What would you like to resolve first?

T: Our legal agreement and the amount we owe you - I think we ought to all put into one package. I think I would like to have you paid because I know that you are under financial problems. You will probably take that the wrong way. I don't mean it the wrong way, Jim.

J: Alright, well then why don't you make a proposal?

T: No, I made a proposal before, and you came back and said hey Tom, I was really insulted, my feelings were really hurt. I thought I was being helpful. I asked you to make a proposal because I thought I was being helpful.

J: Well, why don't you go back to this written lease, Tom, and lets get some kind of written proposal that follows the parameters that we set up because Leo Smith is a good mining attorney, those are realistic - that was a realistic

agreement..

T: When Dick left, the numbers have changed. Now if you want to stick to the form, lets talk about it. Are you - the form or the numbers?

J: Well, I think that we...

T: Silly to want to go back to those numbers. As soon as we fired Dick - before we fired Dick the number went way down.

J: Well, I think that we should go back to those numbers and lets see whether we can work out something, lets see if we can go back to the form and lets go from there.

T: Lets divide it into two areas, Jim. The form and the numbers. Because the form - you want to go back to a joint venture?

J: Pardon:

T: Fine with me. Do you want to go back to a joint venture?

J: As far as I am concerned, Tom, we are still in a joint venture. You know, we have never had anything detailed. We have been going from the seat of the pants, you have been putting in money, I have been putting in money, and none of this should have occurred had we stuck with that original document.

T: And we would have killed the project and everybody would have gone home.

J: Well, maybe we should have done that.

T: Maybe we should have. But we didn't. And the deal changed, we changed it with Dick. You and I did not want to put it in writing at that time because of the thing with Dick...

J: Well, no, I am not at all sure that that is the reason. As far as I am concerned, it was never put in writing. Whoever said it wasn't put in writing because of the deal with Dick? I don't regard that as a terribly substantial problem. I have already gotten legal advice on it, and I am not overly concerned.

T: Ok. Then we will - what are you suggesting - we will put in writing that the deal that we had worked out when Dick had left?

J: I don't know what kind of a deal we did work out, Tom. And I don't think that you do either. It didn't entail me putting in the amount of time that I have put in, it didn't entail all kinds of things.

- T: Well, it didn't entail me putting in the kind money that I thought - I didn't know that I would have to manage the project, I didn't know that you were going to quite.
- J: You were the guy that wanted to manage the project and told me so in no uncertain terms.
- T: Well, and that is why we changed the percentage of interest - because I was going to manage it.
- J: But, in fact, after that time, I put in many many hours as well as my staff did...
- T: Only one month.
- J: I am saying many many hours, Tom, I am not talking about months. And those are all itemized except this last bill which is still in process.
- T: Ok. And, Jim, as I said in the beginning - we would like to pay you - now I don't know whether the whole bill or part - how we are going to pay you, I don't know. We need money to develop the project. I am trying to raise money. It is not easy to raise money.
- J: I can understand that. In fact I have put in quite a bit of effort towards that, including dictating at least one draft of a document that was supposed to be used to make money. I put you in contact with two people who have an interest in the deal. I can put you in contact with others, but Tom, I am going to have to do it in some way that it makes sense to me because I have got a whole gammet of other things that I can spend my time on. Clients that are clamoring for my services - I had a guy from Switzerland in here two days ago that represents European interests that are vitally interested in gold mines, I have got a meeting with a major company in two hours, you know, I can do quite a variety of things that I think you that you have quite a tendency to ignore, and I tend to find that a little bit insulting.
- T: You can't have it - we are really far apart - you can't have it both ways. I am trying to stay out of your way. I am trying not to take you time. I am trying to take over the management, I am trying to do - we are not doing any geology - we are just working on the heap. I am trying not to get you involved, and now you are saying that I am insulting you because I am not. You can't do both, you are not being fair to me.
- J: No. You are taking that somewhat out of context, Tom. This is something that rather new, these are things that date back into August, and we both have copies in our files of material from a couple of contacts that I have made, and can

make more.

T: Ya, but I have choosen not to follow through on those at this time, because one, I don't have the brochure well enough done, I need maps etc. So I am not ignoring that. Your point is well taken, but I am not ignoring it. I think that I have some better solutions to the problem.

J: Well, that is fine, and that is why I brought you in in the first place, so that you could do the financial job. You choose to pretty much ignore every bit of technical advice that I and my staff gave, most of which can be verified as being relatively valid, and indicated in every way that until intimate proof was given, you could not depend on what we were saying.

T: As a matter of fact, we never got - we don't have the map - we would like to have it, we need it. Dwight asked for it...

J: For what?

T: For a map in.. - we have gone all over that, lets don't go over that again.

J: I also specifically asked that John Dean come out in August which he did not do.

T: Prior to August, Jim, we had received a lot of verbal indications from a number of different people - all of it turning out to be bad. Now we are a product of our most recent experience - Dick Hewlett. You can't expect us in 30 days to believe everybody - now you are not being fair to us.

J: I am quite cognisent of that problem with Dick Hewlett, and as I have stated on fairly numerous occasions, I understand where you are coming from. On the other hand, there is a variety of things that were simply poo-pooed as far as I am concerned, on the technical end of it, and am more than happy to work with John Dean in any way that I possibly can, at any time, but there are certain things that could be accomplished very very quickly, but those same things were very very much drug out - we have made no progress whatsoever.

T: Which ones are those? I mean I don't know what you mean - just give me...

J: Well, numerous meetings, numerous telephone calls, numerous false starts.

T: Which. On the open pit? I don't know what you are talking about.

J: Well, we are doing the same thing now that I suggested during the first part of July, which...

T: Ok, if we had not followed through in August, we wouldn't know, or have, something to talk about in the open pit area. I think that that was a good move, and I still think it was a good move. Then we came back and we did a test on the heap and that was a good move. I have a criticism, Jim, I am being very frank, I don't want to spread myself too thin.

J: I would agree with that. I don't want to spread myself too thin either.

T: Ok, and therefore, I am not going to. Therefore, we are now working on the heap, period.

J: That's fine, however, I did make those suggestions some time back. However, all of this is really pretty much spilt milk, and there is no point in discussing it in great detail because in less than 15 minutes I have another meeting scheduled so lets see if we can...

T: Ok, now how do we proceed to get these things worked out. Jim, I think - can you - you want to stick with the same form - I don't object. I thought the other form I had was a much better form for you, but fine...

J: Well, I don't even know what that other form is, Tom. These things are too complex to simply discuss verbally because then nobody knows what in the world we are talking about. And I think that this has been a real problem. Way too much time spent in telephone conversations and talking - not enough time setting things down on paper in an itemized way - too much running around shooting from the hip, and I don't want to do that. It is very consumptive of your time and it is very consumptive of my time, and I - while we have not talked over the last three weeks, I have been - probably covered around 3,000 miles in a variety of convances from charter airplane to four wheel drive to foot to, in Greyhound Bus, in three different western states and I have been away from telephones, and I will probably be away quite a bit in the future - lets get this down to where it is not consumptive of our time because that is the one commodity that I have that is not replaceable.

T: Fine. Could you please write out the proposal.

J: Well, I am the geologist, and you are the business manager. Why is it that I am writing a proposal? You are the financial guy. You are the guy with the lawyers and the background on Wall Street.

T: Because the last time I did it in a verbal way, Jim, you

took offense to it. And I - I am leary of having you take offense to the next thing that I do because our relationship - which we have known each other for 10 years, and I wish to continue it, believe it or not, I do not wish to damage it for the future.

J: Ok, well, I don't either, but I don't want to - I don't want you to take offense at anything that I am going to say - I don't know where that leaves us, I think that we are both very productive, very energetic, but we do have a very definite difference in the way we work, and your speciality is business management/finance, my speciality is geologic exploration and raw materials. I think that in balance, you are closer to the legal-managerial-financial end of it than I am - I hire advisors to do that. For that reason, I would prefer that you write up the agreements.

T: I will write up the other deal that we arrived at with Dick, and I think that there could be improvements - and I will send it to you. I got to get this... And I would ask until these matters are resolved don't take any more money out of the account.

J: Alright.. I don't...

T: And then we can be more straight forward. It's really uncomfortable having you take money out of the account.

J: Well I can tell you it is very uncomfortable for me to spend \$75,000 in money that I reiterated time and time again that I would not do in the beginning of the year.

T: Ok, I didn't think that it was going to take this...

J: Well, I didn't either...

T: Well, lets both agree that we both have been put in an uncomfortable position causing us - hopefully - to have it tougher on each other than we ordinarily would. Is that fair?

J: I think that that is probably fair, and, Tom,...

T: We are both under strains, Jim.

J: Alright...

T: I think is as great as it was the last time I was out there.

J: What's that?

T: Your financial strain is as great as it was the last time I was out?

J: Is my financial strain that great?

T: Ya. I can tell when it is and when it isn't. You know, it is like when you are fighting with your wife...

J: Yes, the financing is very important, and obviously I have to meet a very large payroll every week. We have got lots and lots of business, we also need a pretty good slug of money and when - and I simply cannot like anyone else with limited finances - I will point out Tom that in the interim, and you have got a complete report that is probably worth \$30,000 in consulting fees sitting someplace in your library relating to a general exploration plan, but when we parted companies the last time, I had \$6,000 in capital, period, and I have accomplished what I have accomplished from that point. If you are asking is money a strain? Money has been a strain since 1973 for me, and I expect it will probably be a strain for the foreseeable future because I intend to accomplish a lot and, just like you...

T: Jim, the reason that I want to get this thing solved, ok, the guy I am talking to is the guy that was going to fund your big one.

J: What's that?

T: The guy that I am talking to, is the guy that is going to fund the big one. Alright? But I got to get it resolved. And if I don't, well, ok, I will continue to fund it. But I am on your road and you and I have to stop fighting because I can't afford to use the Briscoe approach in Tombstone. It may be the best - I won't argue the point, in fact I would even say it is...

J: I think that you are even getting confused on the Briscoe approach, Tom, because as I pointed out just now, I started with \$6,000. I have taken \$100,000 of a clients money and given him \$4.00 in outside investment for every dollar of that, plus given him a shot at a variety of very large projects. I can do the same thing again.

T: Jim, we are not a large mining company. Now, I am not trying to argue with you, I am trying to say this is the way I see it. This is the way John sees it. We are not a large mining company. Now we hope to be - then we can be easier on the expenses. But we can't now.

J: Well that is fine, and I am telling you that I am willing to work with you in that framework, but I am not willing to sit down in Tombstone or have any of my people sit down there unless we are getting something accomplished. We could accomplish just one hell of a lot and quickly, and as cheaply as anybody else can. However, my expenses are fixed, they are ongoing, the price of gasoline is \$1.13 out

here. It doesn't make a difference how much we are poor boying it if you got to buy a dollars worth of gasoline that gets you 9 miles, that is what you have got to pay for it so those are fixed costs. If we can't do it within those fixed costs, lets bow out now and cut our losses. Now I will be happy to work with you - I will admit that I have been gripped, insulted, and really unhappy about this whole situation, and I am sure that you have too - but don't feel that it is one-sided. On the other hand, I will warrant that I will work with you, I will do anything that I can, as long as I can do it efficiently.

T: Ok, and - the same thing that you said, I can say it also. I have been taken advantage of, I have been hurt, I have been practically raped, and I have received, as far as I am concerned, in the beginning stages, when I thought you were managing the project - you weren't.

J: The very first thing you did, Tom, was renig on the agreement, which we made, which was to pay S.E.A.'s consulting fees. Immediately I had to back off because I could not do it in any other way. You paid Dick Hewlett a very minimal salary.

T: Jim, Dick Hewlett, a \$100,000 a year? I couldn't - the project couldn't afford that. You are right - it was a misunderstanding, I certainly had not intention of doing it that way - that was not my understanding and the project absolutely could not afford it. In fact, our paying any money to Dick has been part of our whole problem.

J: I would certainly agree with that, but...

T: It would certainly have improved our relationship if we hadn't had Dick.

J: I would agree with that.

T: Because I am still suffering from Dick. Probably will be for a long time - and we are both guilty by association.

J: I agree with that, and you are suffering and I am suffering - I am sure that neither one of us regrets it more than the other, but...

T: Do you know what Dick is doing?

J: Pardon?

T: Do you know what Dick is doing?

J: I heard that he was leaching on a thing with Colvin or whatever his name is.

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T: Ya, and Ed Rice is financing it.

J: Ya, that is kind of overwhelming.

T: Ya, isn't it?

J: Apparently Ed Rice's wife is financing it. I wish them luck. Well, ok, Tom, I will do whatever I can, and I think that you know that I am honest, I am a hard worker and I will try and do the best job possible.

T: Yes, and I hope you know that I am, Jim. I am a hard worker, and I am honest, and I was not trying to take advantage of you. I thought I was helping you. So...

J: Well, ok, lets see if we can start afresh. I think that...

T: I was not taking advantage of you - it is a better deal than you had, I thought.

J: Well, ok. Lets see if we can't get an agreement whereby we can work together on this thing, certainly I will help out with this report in anyway that is possible. I am not kidding you in that I have just been overwhelmed with a variety of things of a very pressing nature and have been traveling extensively in the last three weeks, and...

T: That is why I have to take it over, ok? We have to work together, Jim. You can't do it from - I can't afford to pay you, and I can't afford to have you traveling. Somebody has got to watch it. I can't let those guys - I don't have the confidence in them that you do that they could put this project on the road without advice.

J: Well, that is fine, Tom, and I am not going to argue about any of that, and I very much want you to take it over.

T: I don't think that you disagree either. We haven't got a Jim Briscoe down in Tombstone. He is up in Tucson.

J: Well, I am not going to argue with that.

T: So you can't just let it go. I am not knocking Al and Dusty, I think they are just doing - I couldn't be happier with them, could not be happier with them. The communication is accurate, it is going to be shorter so that we waste much less time - but I have had to get to know them. I am not there so it takes more time. But is is good.

J: Ok, well that is fine.

T: But there are problems.

J: Oh, Tom, I have got problems, as I am sure you do, every day

T: Those in Tombstone just need to be worked out.

J: Oh, I am sure there are.

T: It requires a lot of time.

J: I have no doubt. One thing that I am concerned about is getting the thing switched over from S.E.A. Hydromet and...

T: Who do I talk to Tom? I mean it could be done any time. We will be ready by the end of the week. Now that is very fast.

J: Ok. Fine.

T: I am very pleased.

J: Good, well, that is great.

T: For the last two weeks we have taken over everything else that I know of. The only thing that we left is the payroll because it was easier. Leave one area, complete area, and take care of everything else - the little things - because they are the ones that really take up the time, because everthing has to be specially handled. And because things had to be specially handled, we took those - and those are the big dollars - so take those over first.

J: Ok. The only thing that I am concerned about is not being left holding the bag for these guys termination wages, or their wages period, insurance, or what have you - because that is a substantial payroll that you have down there - I have absolutely no -

T: We are working on it this week, Jim. I can't have, we don't have enough people that we can have everybody doing everything, and I think you want us to keep the plant running. Maybe you do disagree with our priorities, but then I think you don't have the project in mind.

J: I am not sure that I have had any disagreement at all about priorities - I am looking out for my....

T: Ok, the insurance we are taking care of this week. We will have all the insurance in our name.

J: Alright.

T: The telephone bill, I am trying to get that switched over - well, we have got a deposit there, would you have the deposit transfered to our name so that they will bill us directly, and we are going to find other little things like that. Each one of them has to be specially handled. And the insurance, Dusty was supposed to have a report to me

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today on that, so we will have that. I don't want to go without insurance - and you don't want me to because you could get sued.

J: Well, I certainly don't want to...

T: We are doing that as best as we can, but that - you have to be careful.

J: Ok, fine. Well, I will do whatever I can to facilitate that, and we will go from there.

T: Ok.

J: Ok, and you are going to get me a written proposal? Is that how we are leaving this?

T: Yes.

J: Ok, good enough, I will talk with you later, bye, bye.

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TIME: 2:25
DATE: October 22, 1979
CALL: 8077
From Tom Schloss

J: Tom?

T: Hi Jim.

J: Hi, how ya doin?

T: Very well.

J: Good.

T: Intimating our conversation of last week, can you transfer the funds that are in the account down to the account in the Arizona Bank?

J: Down to the Arizona Bank? T: Right, so we can pay the salary this week. We will pay it this week, we'll start this week.

J: Well, I would prefer to go ahead and pay it until we can get everybody transferred because there is going to be certain...

T: You didn't want to pay it. It is fine with me.

J: Well, what I want to do is I want to get it switched over, but until we get everybody off the payroll and give them a termination check, we are still responsible for their wages and insurance, and so forth.

T: Why don't we do that then? Lets terminate them.

J: Alright.

T: I don't know how to do that, but lets terminate them and lets transfer the money down, and we will pay it.

J: Well, for the payroll at this point, Tom, I want to go ahead and pay them because we are liable for it, and then we can pick up after we disperse our liability, then you can pick up further payrolls from that point on.

T: Ok. What I am saying is hey, I don't know how to implement it, but lets start implementing it. Pay the payroll this week, please, and...

J: Ok.

T: ...and start the termination process, and then I guess next

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week, we pick it up?

J: Ya, I would say so. What we will do is simply include termination notices in our payroll this week, and finalize whatever insurance payments - now, do you have insurance set up for the employees?

T: We have workman's compensation, ok?

J: Right.

T: As of today.

J: Ok.

T: And I want to make sure we have liability insurance, ok? But we are working on that also.

J: Ok.

T: As I say, we are moving as fast as I know how.

J: Ok, well, that is super. So your Workman's Comp. is in force, and you are also working on liability insurance?

T: Yes.

J: Ok.

T: And I don't have a day to give you on that one, ok? But we are working on it.

J: Ok.

End of Tape

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DATE: 12/27/79

TIME: 12:25

TOLL CALL #8268

TO: JAMES A. BRISCOE (J)

FROM: DWIGHT LEE (D)

J: Dwight?

D: Jim

J: Ya, how ya doing? Sorry to keep you waiting so long.

D: That's alright, how are ya?

J: Good, how 'bout yourself?

D: Good, thank you. Uh, a belated Merry Christmas.

J: Thanks, how has your holidays been so far?

D: So far, wet.

J: Oh really? Is it wet or snow?

D: Unfortunately rain. We have had a terrific amount of rain. How have you been?

J: Very good.

D: Good, I'm glad to hear it. It's been a long time since you and I have spoken, and basically, in fact I guess it goes all the way back to some conversations we had in late July and August.

J: Ya, I expect it has.

D: ...and a lot of things have happened in terms of the project, and we have continued without finalizing the discussions that we essentially agreed to in July and since then, I'm sure you are aware, a lot more money has gone into the project and so on, and I really think that it is in all of our best interests that we get the legal ends tied down so we know where the hell we are.

J: I couldn't agree more.

D: Uh, that's really the purpose of my call, to see if you and I can't make some progress in getting those ends tied up so we do know where we are, and also so that we are in a position if we need to to raise additional funds because we

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

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

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

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

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

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

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

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

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

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

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

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

D: Yes, I have.

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

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

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

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

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

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

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

J: What do they consider small quantities?

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

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

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

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

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

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

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

J: On separate pads?

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

J: Well, of course that is pretty non-specific. I can't imagine that if the whole thing was not irrigated at the present time, with the larger plant or plants, that there wouldn't be a substantial cash flow resulting with current metal prices.

D: When you say the whole thing, you mean literally spraying the entire heap?

J: Well, at least getting into a 1,000 ton per day solution through-put.

D: 300 tons per day is the capacity of the plant, right?

J: 800 ton?

D: 300 ton

J: 300, right.

D: You said 1,000 tons

J: Yeah, right, so I would say three of those.

D: Three plants?

J: Yeah right.

D: Well, obviously, that is more investment.

J: Well, you can't....you got to spend money to make money, of course.

D: Well, we've been spending plenty Jim, and we haven't been making any.

J: I know, but that is part of the problem Dwight, if your break even point has not been reached, you can go to talk to John or any number of mining engineers, or go to any number of publications, including Businessweek, Forbes and so forth, on the copper company profits which is a similar case in point, that when the price goes below their break even point, they loose a lot of money. But as soon as it passes that break even point, they make a lot of money.

D: Jim, wait, I understand those kinds of economics, o.k., same thing is true in an airline. The point is, we don't even have the 300 ton per day the first one (plant) working properly yet.

J: Has John been out to see what the problem is?

D: We just have had it delivered I think within the last two

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

J: Well, do they think that there is some mechanical problem with it, or what do they think the problem is?

D: Well, they are not sure. Apparently there may be a problem with the de-aeriation tower, and that is what they are focusing on, that information is about 2 days old, but, last thing that I heard, that's what they were focusing on.

J: I'll be darned. Did they have any explanation for that since the have put together a number of these things?

D: Not yet. They thought there might be a pin hole someplace, or something like that, but, they are trying to find the answer.

J: Well, certainly, that is a critical point to determine, to see what the final outcome is going to be, but I can't understand that type of problem. Has Tom or John calculated in relation to the data that we have, from the past production, what the current production would be by simply re-irrigating the heap?

D: Don't know the answer to that. You mean under assumptions of what values are left.

J: We have some data which was supplied by Charlie Escapule as to what the heap was yielding when it was under production before.

D: Right

J: And when they cut it off. Now the prices have simply skyrocketed. They are working on \$4.00 silver, and we are talking about something that is 5 times that. And the other economics have not changed that much. So I can't imagine that a substantial cash flow couldn't be obtained by simply getting the through put up, and re-irrigating the whole heap.

D: I will get an answer to that question for. Again, that doesn't do us any good until we get the plant working in the first place.

J: Yeah, well, that's true. Although I would suspect that that would just be a matter of a short time before finding out whatever the problem with it is. Well, what suggestions do you have on getting the legal business taken care of?

D: Where I am really calling to see where you think we are on that, and to decide, if we can, how to go forward. As I say,

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

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

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

J: Further dilution beyond what?

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

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

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

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

Tape of conversation between JAB and Dwight Lee already in progress... ~~8268~~ *TONICALL # 8268 12/27/75*

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J:You know I think that we do have to re-examine the whole situation and see where we are, and quite frankly, I am completely unaware of what technical and what financial things have gone on theretofore, or since essentially since September.

D: Right. Well, basically, Jim, I think there have been two changes that relate to that, which are going to have to get factored into our equation. First is that we have put in significant amounts of additional money, which are easily documentable.

J: Ya, well of course I have got a significant amount of money into it also.

D: In terms of money transfers, etc. That is the first thing, Ok? The other thing that has happened is that we have had to incur the additional expense of basically taking over the running of the operation.

J: Well, I don't know that that is any change.

D: Well, it is a change from the conversation that you and I had in late July.

J: Which was?

D: Well, at that point in time, you were running it, remember.

J: Ya but that didn't indicate that we were going to bear all the expense.

D: I understand that, and I think perhaps part of getting all this resolved is coming to some kind of agreement with some of your outstanding charges, some of which I understand, some of which I don't. But that is a matter to be hashed out.

J: Well, that, as I have said before, that is fine with me. I would suggest that you probably get everything down on paper, what your recommendations are, and lets go from there. I think that we should probably shoot for sometime in early February. January I have got completely booked up at this point. And if you can get those things for me plus some technical data on what is happening down there, I will be more than happy to see if we can't get this resolved.

D: Well, Jim, I don't want to keep repeating myself, but, again, I don't think that the technical data is relevant at

this point to what our economic interests are.

J: Well, I don't know that I agree with that, Dwight, because the way the operation has been run relates to how much money is going into it and the whys and wherefores of that money going into it. Now quite frankly I do not understand why the thing is not in a positive cash flow presently. You are telling me that buying an extra two plants costs additional money does not strike me as being any kind of an answer because it may be that with one plant, the thing is never even going to reach the break even point.

D: Well, that is possible, Jim, but I must remind you that we felt that we would be in a highly profitable state with one plant with metals prices 1/2 what they are right now. So, each step along the way, we had expectations about how profitable this venture was going to be, and so far, they have been very illusive.

J: Well, however, for the last three months and actually before that, Tom has been essentially in control 100%, and I don't - I have to understand what those reasons are from a technical point.

D: Fine, and I don't have any problem with that, but again, I am not sure that that directly relates to our financial interest. I think that you should understand what the problems have been, and I certainly have no reluctance to sit down and document them for you, or have them documented or you, but we need to get this thing resolved so that we have some flexibility for our joint benefit if we need to go raise more money.

J: Well, I am not arguing that at all. Why don't you sit down and go ahead and get everything - all these loose ends tied up and then lets get a proposal so that I can examine it. As I say, I would say the first part of February is the - if we can tie down some kind of a date, that is about as soon as I am going to have any time to do much consideration on it.

D: You have another project that you are working on in January?

J: Well, I have got a variety of things that have simply booked me up until then.

D: Ok. Well let me ask you this because I have sort of related to you my sequence of events. Where do you think that we are, where do you think your financial interest is here?

J: I can't even answer that, Dwight, without having some background. I have no idea what your daily operating costs are down there or anything.

D: Jim, I don't understand, I am trying to understand before I can make a proposal how you are thinking about this thing, and I don't understand how our daily operating costs are relevant to how much of this thing you own and how much of it we own.

J: Well, I think that we need to go back to our previous agreement and go from there.

D: Our previous agreement being July?

J: Well, I think that we need to go back to the written agreement, Dwight, because everything has changed so substantially that that is the only keystone that we have got that I think that we could make heads or tails of this on.

D: Wait a minute Jim. That I find - I mean you and I have known each other for a long time - are you suggesting to me that you didn't agree to what you agreed to in July? I mean we had a series of conversations...

J: Well, Dwight, you know we have had conversations and conservations, hours and hours and hours, and all of which are very very vague and illusive, and the only thing that we have got that is firm and we can start an intelligible back trace of what has happened is our agreement that we signed in March of last year.

D: Wait a minute Jim. That is just not true. I mean we had a series of conversations, you know our words are our bonds, and we had a series of conversations where we agreed...

J: Dwight, you are putting me in a bad position. I think that I am not at all sure that that is correct, because I have got approximately \$75,000 in here that I never intended to put in and was drawn in rather inexorably for the purpose of showing good faith on this thing. But I had advised against a great many things that were done so if you are calling me out of the blue to ask me where I stand on this, quite frankly I am not at all sure where I do stand, and I will not be sure until we have had a chance to examine the whole situation in its entirety, and I am not going to sit here and try and recall vague conversations that we had this last summer as to where it was that we stood. Did you take the reasonable step to sit down and put these things in some kind of writing where as we could agree with to what - you know, where we did stand?

D: Well, Jim, let me say this, we have notes on all our conversations, yes.

J: I have got notes on all our conversations too.

D: Then it should be very simple to reconstruct what we agreed to.

J: Well, why don't you go ahead and get your notes down in some kind of format, but I think that when we have conversations - I got sucked in very badly in this same situation which I am not going to repeat relating to the suggestion that I take a diluted interest when in fact in going back to the original agreement, those facts were very carefully laid out. The possibility of additional capital being input, was very carefully laid out and a plan of action specified if that were the case.

D: Well, Jim, let me remind you that a lot of things changed as this project went along, a lot of things were misrepresented to us, and we have spent a lot of money on your advice and Dicks, as you know, that certainly was not very well spent.

J: And you have spent a lot of money against my advice, which was also not very well spent.

D: I would think that we spent very little money against your advice. I think that you would have a hard time really defending that.

J: I am not at all certain, Dwight... but that something that...

D: We have gone very much forward with your advice Jim, particularly as it relates to the heap and trying to process it.

J: You have what now?

D: Particularly as it relates to the heap and trying to process it. We followed your advice very much.

J: Well, I think that that is certainly open to interpretation, let me put it that way.

D: Ok. Well we will get something together, and get it out to you, and sort of reconstruct some of this for you, and be in touch very soon.

J: Well, ok, by being in touch, can you define that a little bit more closely because I have got a very heavy schedule coming up and...

D: Well, I think that we need to get some things in writing as you suggest. Are you basically going to be in the country? Or are you available to that extent?

J: I will probably be here through the 11th, and beyond that through the end of the month, I will probably not be here.

D: Ok. Hang on a second.

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

D: Ok, I will speak to you later.

J: Ok, thanks for calling.

D: Ok, bye.

JANUARY 30, TOLL CALL #8365 FROM BILL HIGHT

J: Bill?

B: How are ya?

J: Good, how are you?

B: Fine. Do you, do I know anything that you don't?

J: Well, about all I know is zero, and so I'm not sure. Maybe you do. If you know more than that, then you know more than I do.

B: Well I am over here at this Best Western motel on North Stone, I think I came up Speedway partway and tried to get in at the Ramada, Holiday Inn. I don't know if there is anything we got to talk about. I am gonna meet Frank Gallup at a quarter to 12.

J: Well, why don't you come on over and let me buy you lunch.

B: Well, I just wonder if we have got anything we could do each other any good on.

J: Well, I don't really know. I assume you did get that one letter from Tom Schloss about a month ago.

B: Three pages?

J: Ya.

B: Ya, he thought that that took care of the report. Jesus.

J: Well, I am glad to see that your opinion of that was about like mine was.

B: Well, anyway he was out here down in Tombstone a week or two ago, and I knew he was coming out, I've talked to him and after he got down there he was supposed to give us a report and when he got back in the meantime I was down here, I've been down here about a month over in Phoenix, and I just came down here last night. So that letter finally got here and I got a hold of Gallup and I asked Gallup if he had read it and I don't know whether he had or hadn't but I think he had. So I said what are we going to do with him? So in the meantime I called him and he wasn't there, he was on his way back from Tombstone. This gal in the office, she knows pretty well what's going on see, she said could I help you. I said ya, one thing, we haven't got our check. Oh, she said you should have, we've changed it around now and we sent it from Tombstone. Well they messed up in the office there someplace due to being in a different envelope, anyway, they didn't get it open, Gallup didn't know that it

was there, but after I found out, I let him know that. Then I asked Gallup to write him a letter and tell him that we got his three page letter but we are talking about weekly reports on what they are getting and what they are finding. I said Frank, ya know, when we were down there there were a whole bunch of samples in white bags, if they ruined them, which I think they did, they've got to report on what they had and we just want a copy of all of it. So I talked to Gallup yesterday or the day before, anyways, I said he's coming in at quarter to 12, and I don't think that we have heard any more, but this Dusty Escapule, you know Dusty?

J: Sure do.

B: Well he is supposed to be running it, a guy by the name of Al Waters, he doing something but I don't know which is which, do you know what Al Waters does?

J: Well, as near as I can tell, Bill, I think Dusty is in charge of the mining and Al is in charge of the milling operation. But.....

B: You mean cyanide? Probably that's right, that was kind of my impression. Tom Pitcher, I asked Tom to go up and see what was going on and he said that Dusty was very cooperating and he said we will give you any information you want. He said lets you and I work up a report something that maybe we could fill in and make a go of. Pitcher told me he was gonna do that, well I don't think its our deal to get a report ready, and all we want is just what they are doing. We want a copy of returns on, I understand they've shipped some stuff to the east, how much I don't know, but we are going to have to know or we are going to shut him down.

J: Well, I understand and agree with you 110% about that Bill. I sent him a letter about three months ago or maybe its about four months ago now, saying that I insisted on having that information. I sent it certified so they know my opinion on it, and there is no excuse as far as I am concerned.

B: You don't have anything yet huh?

J: No, I don't have anything at all, absolutely nothing. They called me up and wanted to get together and talk about redoing our lease or our agreement, and I said well you know we've got a written agreement and I won't even consider it until I get some written information as to what is happening, what's been spent and so on, and he said well, this is Dwight Lee, Schloss' associate, and he said well, we are still not making money down there. I said, well, I can't imagine why not. He said well several excuses, one of them being that they don't have a large enough precipitating

plant.

B: Well I understand that they've got a new one or additional ones that they can do about 300,000 through a day. Is that right? 300,000

J: 300 tons per day.

B: 300 tons per day. Maybe a little more than that?

J: Ya, they should be, well they've got a lot of people down there, but they should be making money. Now, however, I don't know what their breakeven point is but I told them they ought to get another 300 ton plant and they said well, gosh that would cost money. I said well my heavens, if you don't ever get above your breakeven point, how do you ever expect to make money.

B: It takes some money to get into operation, if they are too dumb to start with why thats the problem. Well, Jim, as I say, I don't know if it would do any good, I would like to sit down and visit with you but I don't think that we can do it here over the phone. You can go ahead and work, I can sit around here until Gallup comes in, after we go down there, if we find out anything different, you know now, we will be glad to keep you posted if we do find anything.

J: I've been meaning to get down there but I have just got more than enough to keep me busy here and I just have not been able to get away.

B: Your man...

J: Tom Waldrip?

B: According to Gallup he sent all that November stuff to Bisbee the proof of labor and in the mean time we got a letter that told us that ahead of time, quite a little while ago. He got something from Phoenix referring us to a number if we ever wanted to convert those claims so I am quite sure that they have been filed so I think that that is all taken care of. Before too long into the summer, I would like to visit with you a little as to what we should have them do and they are supposed to do it, you know, take care of those 18 unpatented claims and then I would like to know from you what you think would be the best thing to do to tie those ends and you said maybe we ought to buy out one or two wholes. Now would that be very complicated?

J: No, its not very complicated at all, I think that we ought to, we need to get a property map down on a topographic base map because that has never been done. We have a good property map but it is not related to anything that you can see on the ground.

B: You do have a map of those 18 claims though?

J: Oh ya, ya, we sure do.

B: Pitcher has got that, he is pretty handy at getting things done, I don't know if he would be capable of doing it or whether someone in your office can do it or somebody that knows more about it than Tom Pitcher. It should be done and I don't think that we ought to wait until July to get started on it. Time gets to flying it just don't get done. Now, if you haven't got any information but you said something that sure indicates that they are recognizing your interest in the deal, what you said about the lease

J: Yes, that is correct.

B: There is no arguement about that part?

J: Well.....

B: Probably will be when they start having to pay you something.

J: Ya, I think that that is right, there isn't any arguement right now but I would suspect that they are probably staying up late nights trying to figure how to get me out.

B: Well, as I understood you feel that Dick Hewlett has still got some percentage there.

J: Ya, I think so.

B: And you have, and I just don't know, I mean these thoughts are running through my mind. You and Tom agreed to disagree and you was going to write what he wanted to know, what you want to do indicated to me that he thought he was gonna get everything and go on with his own operation. So I know what he figured about that too what do you want to do and I said I don't know and it isn't any of my business but if a fella has got a deal with somebody, I think he ought to take care of obligations. Whether he will or not, I doubt it, I think that if anything cam up between us and him, I think you ought to just pee out the window as to try to get it.

J: I am afraid that that is right, but you have been getting your checks however.

B: Ya, that's right. We got the January check and got it pretty well on time. I didn't think so because Gallup didn't open it until I told him. And he is paying the building rent the way I understood Gallup, but I don't think that he has paid it for 2 or 3 months. A lot of hell, but we agreed to it. Do you know if Hewlett is still down there?

J: No, I don't know what has happened to Dick. He, I believe, has moved out, but I don't know that for sure.

B: Last I heard he was still in town and had this little house rented and was working someway with this Tom Golden.

J: I just don't know. There are a, well I don't know whether you've been getting any inquiries on the district, but I have talked with a variety of geologist from a variety of companies and there is certainly an interest in the district.

B: Now there is one pretty good sized outfit that is definitely interested, but all those big ones, all they want to do is go down there and spend some money on your property and I can understand that. But this group that we've got, they want some money to let anybody get in a do very much exploratory work or snooping around during the time that they are doing anything. Now is that kind of general now? As I understand it, where I first heard about front money was Cordelain, a guy tried to get some and didn't and when we made this deal with Dick and 71 Minerals, we asked for front money and got it, then I have heard of a lot of them since then that I am sure don't know whether its kind of customary or whether it isnt.

J: Well, the big mining companies will do practically everything they can to get away from it, but I think that it is fairly reasonable.

B: They said well maybe something will happen and it will wind up and I they have heard some stories, I don't what they heard and I didn't come out and ask them, I think that I can get them on the phone again and maybe they would say what they have heard, but this hearing things don't mean a hell of a lot, you hear a hell of a lot of stories down here in Arizona, especially around Tombstone. But I think they would do something and I think that they would write you up a contract that they had spent so much money each year and their thing about doing quite a lot of drilling. That's maybe what you gotta do. They are pretty well familiar with this Contention deal that they are doing down there. Just like everybody else, you or I can go out to any place and it ain't too hard to get your information. Now I understand that they are pushing that pad off and leaching it in one place and I heard they were leaching the Contention and another but I don't know. You sure think that they would be selling some stuff though. Do you know this John Dean? Have you ever heard of him.

J: Yes, I do know John Dean. I think that he has been an honorable man and probably a good theoretical metalurgist.

B: Well, that's what I heard. And this George Jewitt who is over there with the Escapules on their property, he has kind of kept me posted a little, and he told me that he had known John Dean a long time and he had gotten Tom Schloss acquainted with John Dean, I guess John Dean went with Tom down there last time he was down there and I got the information from somebody along the line that they wasn't recovering over about 25% as much as the Escapules are recovering from their operation over at the other place. Now what that might mean, I have no idea. What is your opinion on that?

J: I just don't know.

B: I've heard this, that they dumped something over to neutralize that acid that Dick put on.

J: Hydrochloric? Oh, the sulfuric acid

B: Ya. I know a little about it from years and years ago, it damn powerful, but I think that it can be neutralized pretty easy with water. I have hear that they had done that but maybe they put a seal over it so that they don't get a return to that cyanide, but I did hear that this John Dean told that they was getting about 25%. So if that is the case, that would make it a little tough.

J: Ya, sure would.

B: Well, Jim, I don't think that you can help me much and I don't think that I can help you much, but if I get down there and there is anything that I think would be of any advantage to ya, I will get in touch with ya.

J: Well that sounds real good, Bill. I have been meaning to call you but I have just been snowed under with one thing and another. Tom Waldrip did say you were out in Phoenix so I wasn't really sure how to get a hold of you. But if you do find anything out down there, let me know, and ya know, I will be happy to do whatever I can, but my hands are pretty well tied at the current time unless I want to get involved in some kind of litigation with them.

B: That is pretty hard when they are in New York and we are out here.

J: Ya.

B: Are you making some money now, you got all you can do, you ought to be getting a little. I asked somebody about you and they knew about you and they said that you were supposed to be a real honorable geologist, that was a mining company. Your getting a good reputation. You had that before. This is Homestake Mining do you know anything about them? Are

they fairly large? I know they've got....

J: Ya.

B: I know they've got a lot of activities.

J: Ya, I do know a bit about Homestake. They are getting a very large and very aggressive exploration program underway now and they have got just a whole lot of geologists working for them and they have got quite a bit of cash.

B:

J: I'll tell ya, I could kick myself for not investing in a little bit of silver. I thought I was being optimistic when I thought it would go to \$10.

B: Maybe in the next few months, I ought to have 3 times as much as I had because I was always sure about silver doing 1/2 of what it has done or maybe 2/5 of what its done. Jim, I won't bother you any more and anything that I hear and I have made up my mind that if Schloss don't go ahead and do what he is supposed to do, we aren't going to get along very good anyway, so if anybody is big enough and wants something or if you hear of anybody, we will at least talk to him. I don't know what we can do with them but..

J: O.K. Bill, give my regards to Frank and if you guys feel like stopping by, just give me a holler.

B: O.K. thanks a lot Jim.

TELEPHONE CONVERSATION BETWEEN JAB AND BILL HIGHT
ESTIMATED END OF SEPTEMBER BEGINNING OF OCTOBER 1980

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J: Bill?

B: Jim, ya, how are you?

J: Pretty good, how are you?

B: By god, you was in South America last time I heard of ya.

J: Well, that's right, I was down there.

B: Got a good deal going down there?

J: Well, I think we do, we've got a pretty sizeable proposal to about three different countries and that is what I am working on right now. We think that they are going to come through for a pretty good size contract.

B: How are you and Schloss making out?

J: Not at all

B: Stall in the law suit, one guy will stall it and then the other one will.

J: That is really not the case. We tried to make a settlement with him a week or so back, but he wasn't interested. So.... it looks like he is interested mainly in trying to squeeze me out, and

B: That would be my opinion, I mean, I have never said a word to him about any of this, and since I've seen you, and but I mean he seemed like that's kind of like the route he would take, and has he given you any information on what he's shipped, Jim?

J: Well, he has been sending, well Dusty has been sending the, those little one page reports, which I assume you are getting.

B: The last one we've got here is Lot #144, and that was for the 8th and the 29th of 80.

J: I see

B: But it don't amount to much, Jim.

J: You mean the production or the report?

B: Ya, the amount of money. In other words, that page that I've figured it up, I've figured it roughly, its 125 pounds which I figured at 12 ounces instead of 16, that would make 1500 ounces at \$16 per ton would make \$24,000.

J: Well, I can't figure out what they are doing or what they are trying to accomplish. Have you been down there recently?

B: Well, when we came through there and stopped at your office and talked with Tom.

J: When was that? That was

B: July, I think. That was when you was in South America. And, I don't know, we have got to do something different, and we have got to because that contract that we've got, you can't pay on it, I don't think. He's heap leaching it, and its written up on a percentage of ore that you'd ship to a smelter. So, I don't know how we are going to arrive at that, but I was talking to Gallup after we came back from down there and I said maybe you could put us next to somebody, I don't think we ought to get one of your men, that would cause trouble right off the bat. But somebody that wasn't connected with you that would be capable of going down there for 2 or 3 days and finding out what the hell they are doing. I think you'd like to know that too.

J: Well, as you may recall, I suggested that some time back.

B: Ya, that's right. But we didn't talk about who. I know ASARCO pretty well, they might put somebody next to me. A fellow by the name of Don Hargrove that worked for Newmont Mining Co. years and years ago, I've gotten well acquainted with him, and I think he would be capable, but I don't know where he is, and I don't know if he would have time to go if I asked him.

J: Well, I'll tell ya what, there is a fellow here in town that is a mining engineer by the name of Jack Splane. Now I haven't even talked with Jack in several years, but he's knowledgeable in mining

B: Heap leaching?

J: I'm not so sure that he knows much about heap leaching.

B: We have got to get somebody that knows what the hell they are doing on that, I think. In other words a fellow could be pretty familiar with the mining, but if he didn't know how they tested that stuff out and so forth, I don't know where it would leave him, I just don't know.

J: Ya, well that is true. Of course some of it is simply the economics of the operation down there. I haven't been down there in a year, when I left, well it's been almost a year, when I left in October, I simply have never been back.

B: Jim, you can't believe the way the thing is going. You now he was tighter than hell and didn't want to spend any money, and of course he said that he would spend anything that Dick wanted that he showed him he needed. But you know he didn't give Dick things, or I don't think he did.

J: No.

B: Now then, Christ, they spent all kinds of dough. He's got a pelletizer down there that I think he runs it through the crusher and gets it all crushed up and then he runs it through a pelletizer, you're more familiar with that, but that would look to me like it would give him a pretty clean leach job. And the old pelletizer they bought, its junk, and the last time I talked with him, it wasn't working very good, and he was going to lease one, but God, he has spent a lot of money down there where at first he just wouldn't do nothing. Any no more than I think they are getting out of it, so there may be things I don't know, and maybe just a good like this Jack Splane. Do you think I ought to contact him or what?

J: I don't think it would hurt Bill, now the one thing you say that they are spending a lot of money, but then you said that they got junky equipment again.

B: Well that old crusher they got and they didn't think it was too good to start with but I think they went ahead and got it. And it's breaking down all the time. I broke down, in fact, when we were down there. But they was getting it fixed. But that is pretty rough work I guess and I guess you work them out so long and they wear out. But, he's bought things and they have got quite a payroll there. I just don't see how they are making ends meet with the way he felt at first, I am surprised that they have gone ahead with things as much as they have. But we have no idea, and we don't have any assays on this open pit deal there that I think has got some pretty fair ore. I know its got some very rich veins, but they are very small too. But I think that I ought to get somebody to go down there that knows more about it than I do.

J: Well, I don't think that it would hurt at all. One of Tom's problems that I was never able to get across to him, and we talked about it a bit when you were here, is that when you want to get something done, you get some equipment that is going to work, that at least has enough life in it where it is not down all the time. I wonder if that isn't a continuing problem with him. Is anything going smoothly.

B: Oh, I think so, and people that have been down there that know a little bit more about it than I do, not too much, have said that it looks businesslike, looks like they know what they are doing, that it is going along pretty good.

J: Well, good, that's great.

B: And they've got a big dirt mover, I forget what the hell you call it, it isn't a catapillar, but it is similar to that. It carries a big load and they are making different pads around there and putting that heap there, and putting it in different places, I don't know why so many different places, but when I say different, I'd say at least 5 or 6 smaller pads are moving from the big one over to these others. So far as compared to when you went down there, why I'd say they've got it on a much better basis.

J: Well, that's good because.....

B: And it looks to me like they might do some good, but I got to find out, and I'm sure you want to.

J: Ya, I'm quite interested in doing that because I have actually got a pretty good chunk of money into it.

B: You can't even get him to listen to ya.

J: Ya, he seems to think that my money is not as valuable as his money, nor time, nor anything.

B: Well, I would say that he is pretty competent, he knows the answers to whatever he decides on, I think that would be about the way it would be. Course he talked to us, I don't want you to mention this, but he mentioned this, Jim, that he would like to get this worked out so that we could be full partners. I said what do you mean by that. Well, we ought to have this oil and gas part of it, and we ought to have the water part of it. I said ya, but we ought to have some things too, so when we get that worked out, why we'll let the other go. But I understand now whether there is anything to it or not. One of these outfits has leased some ground from the city on the airport which is only 400 acres, well they've got a lot of land tied up surely more than that and they are supposed to drill one of those deep well.

J: Deep oil wells?

B: Ya. But I don't know how authentic it is and I don't know who is going to do the drilling. Do you know how deep it is up there by Chandler or.....

- J: Well, last time I heard, they were down about 18,000 feet, but that was kind of a third party, so I don't know whether it is accurate or not.
- B: God, they are hitting wells in that overthrust up further north in the state of North Dakota which used to be a blank if there ever was one, God they are hitting some good wells up there, Jim.
- J: Ya, no I know they are. I've been talking with quite a few of the oil people in Denver, Houston and Dallas, and its pretty hot. I would sure advise you to hang onto the oil and gas on that.
- B: Ya, we got pretty good acreage there.
- J: That Tombstone area is right in the heart of some of the target zones, and so I think you are sitting in a very good position.
- B: Do you think that you could get a hold of this Jack and talk to him a little and find out what his ideas were? What he would charges us and if he is available, and do you think in two or three days a fella could go down there and size it up pretty good?
- J: Well, I think so. Jack is not a geologist, but he is a good savy mining engineer, and he has been working with a lot of the major companies over a good many years...
- B: Find out where you can get a hold of him, and then talk to him and ask him if he would be interested at what kind of a, roughly, what kind of a deal, and then you pass that information to me, and I will get in touch with you.
- J: Well, I'll tell you what, Bill, I can give you his telephone number and you can contact him directly.
- B: Oh, you got it now huh?
- J: Ya, its John L. Splane, and he goes by Jack, he is at 624-8025.
- B: That's his home number.
- J: That's his business number. And he doesn't have his home number listed. But he is in the Transamerica Building downtown, and I think that he would be able to give you an idea of the economics and what they are doing and so forth, and if others are necessary then I would suggest, or I would imagine that he would suggest that. But I think that he would be able to give you an overall idea of what's happening and what they are doing.

B: Any recommendations that he thought of would be done.

J: Ya.

B: I'll get in touch with him.

J: Are they paying things down in Tombstone? I know that Tom was notoriously slow paying, is he beginning to.....

B: You mean the people in Tombstone? I haven't heard a thing. Haven't heard a thing. He is paying us just as regular as can be, no questions or anything else. Keeps that right up to date, first of the month.

J: Well, that's great. Well, I actually hope for him that it goes well.

B: I think that they've got possibilities, I don't know whether he is going to have enough equipment, whether he is gonna spend enough money or whether he isn't, I just don't know, but all I know is you go down there and you talk to him and its this and that and the other, sure he gives us these reports of what he is shipping, but Gallup and I just talked about it here about a week ago and he said I had to follow up with Tom and get more information, we gotta work out something different, so I don't know whether this Jack Splane will come in before that or after we get something worked out a little better than we got, we are going to do something.

J: Well one of the things that I am concerned about, Bill, is well, you don't have any idea of what the gold content of that is. And that is a very very significant number, I suspect.

B: Well, the last report we got, I had asked him before this and this letter was written September the 9th and I told him we wanted the gold and silver separate, was there any reason why we couldn't have. He said oh no. So this last report that he got his 8th and the 28th, that would be August wouldn't it?

J: I haven't gotten that one myself.

B: He shows amount 1839 and I don't know whether that's pounds or ounces, but 18 oz., ya, its \$11,554, and the shipment just before that, or the ounces before that is silver is 3,000, the silver before that is 3,000 and the one before that is 5 for a total of 29,000 on this one report that is September 9 is when he mailed it out.

J: What does that cover? Shipments for about a month.

B: The following is an itemization of metal sold since my last report of August 11 and this is for the 8th and the 14th, 8th and the 28th, that's two weeks.

J: You know, the one thing that I would also say is that I don't know where those assays are from, but for that type of shipment you absolutely have to have an umpire assay because it was without that, you just don't know.....

B: I don't know if I told you or not, but he tried to get Handy and Harman and different people to give him refining on it to start with, well as I understand and I don't know whether it was true or it wasn't, Jim, but everybody that is supposed to be so covered up those refineries with all the pots and pans that everybody was selling for silver, and whether that was true or not, he said he couldn't get it done so when he gets a hold of somebody, and works out a deal where this fella is going to refine it, and of course he just workin for Tom. I am sure of that but he, they've got another name and I think they do some other work for some other people too, their address is in New York, but I haven't talked to them because I know you might just as well talk to Tom as him because I know Tom's rung. So its going to be a little difficult. We told him that we might want to ship some to somebody else. No, no, no objections whatever. But you've had dealings with him so you know what I am talking about.

J: That whole situation is fraught so much with potential for absolute fraud that it is very sure troubling to me because I don't see that there is any way of verifying what has come out of that.

B: No, I don't think so, but if we could find out from somebody what they are producing down there a week and what the samples are really running and if they are running right according to what Dusty is sending us, if that is the way it is, why that is the way it is but I would like to know that for sure.

J: Well, I think that Jack would be the guy to make an initial run down there because he has had a good deal of.....

B: As we get a little further into this, why we'll get back to you. I'll get a hold of him. Now these things that we stopped to get and this Tom handled himself I thought beautiful, and he said, well I'm a kind of a crack, he said I don't think that Mr. Briscoe would object, but I don't want to give anything away, so he didn't give us anything, and we didn't pursue it. But there is quite a few little things we would like to have, and I wouldn't think that you would have any objection to giving them to us if you wanted to make copies of anything, or all of it, or whatever you want to do.

J: O.K., well let me do this Bill, let me see if I can get to even seeing what we do have because I haven't even looked at it or anything.

B: Well, one thing that we wanted in particular was abstracts that we had sent Hewlett and they was in I believe 2 folders, 11 or 1200 pages of it, but I had made copies of here and sent to him. And Tom Pitcher wanted to get them to pursue some information on Bisbee, but anyway, when... I can see Tom's position on it, your Tom, so we didn't pursue it, had a nice lunch with him. I think he is a real fine fella.

J: Ya, Tom is.

B: I think you are lucky to have him, and I think he is lucky to have you. You ought to be a good combination.

J: Now, will this go on to Tom Schloss?

B: No, I just wanted this stuff that I wanted for Pitcher.

J: O.K., well I might have my lawyer draft up a little agreement to that effect because until I get my \$40,000, or whatever we have got comming, I don't want to.....

B: Well I don't know what it would do for Tom Schloss to start with, and I don't know what all you've got but, just like you, if you want some information, you'd like to have all the information the company had before you started in on something and we have had that proposition two or three times, we give maps to people and they don't give them back and we just got so we quit given them out. I don't think this is.... fact of the matter I took my copy down to Tom, I mean Tom Pitcher, so he has got it and he went down to the courthouse and he's put that all together. Now he has got it on a sheet, each page and the book where it's registered in. Before that we just had to tell him we had bought it, we didn't have anything really showing it so he has put that all together for us from the same copy that I tried to get, or didn't try, I just asked him and he didn't know where it was, we didn't pursue it.

J: At this point, I quite frankly am not sure where it is either, but....

B: Trying to get lined up so that you know next time we are down there, we'll stop in and see ya. Thank you so much.

J: O.K., talk with ya later, bye, bye.

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Casset #15, Side #2, Count #565

TO: John [j]

FROM: Jim [J]

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

J: Oh, O.K., fine.

Wife: How's the deal with Lexie going?

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

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

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

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

J: Oh, O.K.

Wife: Please give her our love.

J: O.K., fine.

j: Hi Jim

J: Hi John, how are you?

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

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

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

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

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

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

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

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

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

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

J: Ya, that's a good one.

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

J: O.K.

j: How long do you think this will take.

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

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

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

aware of when I was working down there.

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

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

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

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

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

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

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

equipment, a so on.

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

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

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

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

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

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

j: He did it gratis.

J: Ya, well.....

Hi Jay

Ya.

Ya.

Ok.

Ya.

Well, we really needed crushing equipment, which I got an estimate on way back in April or May from New Pueblo Constructors, as a matter of fact, I had Carl Ronstadt and his Vice President here in my office and they made a specific proposal, which wasn't acceptable to Tom, and furthermore, in some of Hewlett's reports, we proposed that \$20,000 as a test. Now, indeed, Hewlett did say that he thought that we could get it underway for \$20,000, but it was stated in writing in one of his reports that this was a test of the procedures, and if it didn't work, I think what was committed by the test was that we should quit. Now, also, his consultant, Dr. Dean stated some time in May, if not in April, that he thought that some of the most important were indeed the IPS system, induced percolation process that Hewlett wanted to institute. So, whereas we were positive, his consultant was also positive. But, part of the IPS required crushing to uniform size, which he was not willing to put up the money for, so....

I think that it was clear, and furthermore, I had Ed Speer go down and write a report, which Tom was very very incensed about, although which I agreed with, but Ed Speer said that they were frittering money away by hap-hazard used equipment operation in which parts and things were not prepared before they were doing them.....

Ya, that's correct.

Or the, I guess more basically, you couldn't do it without a well laid out, reasonably financed plan. Ya know that became apparent quite early, and the \$20,000 test was just if we could start circulating cyanide solution on the dump, as had been done in the past to see whether we could get the pregnant solution out, and that didn't work, we thought there were some other things that would, but at any rate, none of my suggestions were really ever carried out.

Ok, that is really inconvenient this Thursday. Is it possible or feasible to put it off until Monday or Tuesday. I have a very important meeting coming up on Saturday, or possibly Thursday.

Ok, what time is that Thursday?

Ok, ya I got a presentation tomorrow, well, just call me at

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10:00 and I will simply break away.

I am not sure that there is any good time so you may as well call when it is convenient for you and if its right in the middle of something, I may have to call you back, but I will simply try and break away.

TELEPHONE CALL BETWEEN JAY KITTLE AND JIM BRISCOE (DATE UNKNOWN)
CAN ONLY HEAR JIM SPEAKING

Well, I would say the first thing is that I paid all the initial expenses, plus \$6,000 initial bonus payment to the property owners that solidified the deal, and that is substantially different from the broker. Furthermore, the reason I brought it to Schloss in the first place vs. any number of other people, was that I thought that they would go out and raise money to do other things, which has not happen at all, as a matter of fact, they simply ruined a major part of the deal which was the other part of the district, and because they did not keep up their end of the bargain, we had lost out on what was probably a major ore body, that may well be equivalent to the Tombstone Basin to Occidental Petroleum, or Oxidental Minerals.

Oh really....

That's interesting

Well, I think that that was the major downfall on their part, and by not aggressively pursuing the District, we simply lost out on a major play, which could have been sold to any number of people, Oxy included, but by not

The very first part of the operation agreement where we state that we were going to work on the Tombstone Basin and other things that I had brought to their attention, specifically, the State of Maine, I believe it was even specifically mentioned, the Fox Ranch area.

I am a co-signator on the lease.

I think that the lease is executed jointly, and I am trying to find that now.

We probably could have realized as much from the consolidation of the district, and that was the whole purpose, my whole purpose was to consolidate the whole district. Had we done that, we could have dealt with any number of national or international mining companies.

We ought to find out why I haven't been informed, considering the fact that we verbally stated to somebody, at least I think we did.....

As a matter of fact, I received a letter from Europe last week, in which the major mining company in Finland indicated an interest in this type of thing, another major mining company the name of which wasn't revealed by my agent there is interested in the same thing, and I have been in contact with a guy in Canada who has a large oil company that is interest in this specific thing. So, because they have embroiled this thing in a whole bunch of complications, and furthermore missing a major

opportunity, which was to consolidate the district, which is now a lost opportunity. I think that.....

Well, I don't mind sharing anything with him at all.

Unfortunately then you have to send him less than 10% of what?

Let me suggest this, Jay, I guess the question is we are talking about a sale to a major mining company, and Schloss is concern is that he has put in all this money, I would think that we ought to say, O.K., that we, that I settle on a 10% carried interest until Schloss has been paid back all invested money, less profits, obviously, until he has had his investment plus interest at let's say 20% or something like that back, and then we go 20-80, which means that he has got all of his money back plus interest, which pays him for the use of that money for that period. Then we go 20-80. Now I think that that recompenses me for the loss of 2/3 of the things that I was interested in because on Page 2, we were talking about approximately 85 patented and 18 unpatented lode mining claims owned by TDC, that's line #1, #2 any additional mining claim, mineral interests or mineral properties, etc. etc. etc....including without limitations claims in areas known as the Tombstone Extension, Tombstone Mineral Reserve, State of Maine areas, it being understood that claims and properties within the State of Maine area are owned principally by the Escapule family and the project may find to its advantage to enter into some type of joint venture with the Escapules, and #3, any potential porphyry copper targets located in the south corner of the Robber's Roost area lease option or otherwise acquired on or in the behalf of the parties..... so, out of three things, they have concentrated on one of them, and completely embroiled us to the exclusion on the other two.

Oh you mean the fees

Oh no, I think that they have to pay me my fees right off because I was supposedly supplying professional services, so I have \$40,000 in fees plus \$6,000 which secured the property originally, plus all the expenses related to that security, which was several thousand dollars on top of that.

He is going to be getting my \$40,000 plus interest on it at 20%, which is alright with me, since that is substantially more than the.....

.....vs. the 64 we had originally gone on, I think there is some rational in going back to that 64, particularly if he's paid all of his money plus a substantial interest amount.

Are you going to meet with him personally or on the phone?

JAY KITTLE AND JAB

j: Well, one of the advantages that I see is it would really take the wind out of their sails if midway through the litigation we got a court to decide, well Mr. Schloss there are many elements to your complaint and one of them is that Briscoe's percentage interest should be reduced to nothing, but as we read the documents in effect, Briscoe's interest is 40%. Now we can go ahead and litigate on other matters, but that matter is settled.

J: Oh, Christ, I think that that would absolutely kill em. Tom would probably go slash his wrists or something.

j: Well, we can always hope.

J: I'll buy you a beer if that happens, or a bottle of Champaign. Well, that's a, sure lets do it. What is entailed?

j: We want to get a copy of the written deposition, and when I have one, of course I will send a copy over to you, and I want to get that language out of the deposition, which I can use as evidence in this motion that I would come up with. Now I would say again that they are tough to get, but it is worth going after because if we could prevail on that one point, that would give us, I mean we would be in the drivers seat on this thing.

J: Ya, we sure would. Absolutely. I assume that his attitude is that he is in the drivers seat?

j: His attitude is a very self righteous sort of thing. He is saying when we got involved there, we were being told things that made us think that god damn, if we just put \$25,000 in there and got the thing rolling, it would begin spitting out money so fast we wouldn't know what to do, and that didn't turn out to be the case, and son of a bitch, we feel like we have been cheated, and those guys are wrong and we are right, and we are going to make them burn. Ya know, that is pretty much I think the way the guy looks at this thing. He does not seem to recognize the possibility that many people thought that this would be more successful than it is, but he has statements in his deposition where he says that they want to expand further, so, evidently, whatever he has got down there, he likes well enough to make it bigger. And, of course, I think we established in general terms, and I will seek to clarify this some inerogatories that you know the amount of money he had invested in this thing when he took over the management was relatively small, and you haven't coerced him to put all this additional money in, hell, he spent it on his own. You know, and one other thing came out that I wasn't aware of, you might have referred to it at one time or another, but here in the early summer of '79, all

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{ kinds of trouble with Hewlett, all kinds of down there at the plant, Schloss is trying to make it sound like Christ he's got his life savings tied up in it, what does he do?... he takes an extended trip to Italy. Well, you know, if this gets before a jury, that kind of information is not going to make Schloss look like a frantic fellow. Its going to make him look like well, you know, shit, relax, let the thing bubble along, why should I take my time to go down and ride herd on these problem, I think I'll take my trip to Italy.

J: In the meanwhile, I was riding herd on them and not getting paid.

j: Ya, ya.

J: Is it, would it be meaningful to file some kind of a mechanic lien on for these fees?

j: Yes.

J: O.K., because if we could shut them down or do something like that, I think it would just be one more shot to screw them up.

j: Ya. Let me pow-wow with some of the guys in the office to see how that would be coordinated with the suit that we have already brought to... they might say that if we brought a law suit to forclose that lien, that, well, I guess the worse they could do is say its to be consolidated with this present case. My first reaction is that that is a pretty good idea.

J: OK, well I certainly tend to think so because I think what we have been doing all along is try to be very very reasonable, and it is not getting us any where at all, so whatever we can fanagle to give him heartache, I think the farther along we will get.

j: One thing we are going to have to double check is to see if the time period for filing a lien has elapsed. But I will check and then we also look into this possibility of a motion for partial summary judgement.

J: OK, well that sounds good.

j: Alright, and then when I have a copy of Schloss' deposition, I will send it over to you and you canb read through it, but nothing came out in there that I felt hurt us, and a couple things came out that I thought were pretty helpful. Also, I was thinking about it later, Ken Allen was pretty glum the whole time.

J: Oh, he was?

j: And even a little bit edgy, and I don't know, maybe he didn't feel good about the stuff that was coming out.

J: I wonder if Tom had really come clean with him on everything, do you suppose that was part of it?

j: Oh, probably he hadn't.

J: He is not known for that, apparently. One other point, which is in their evidence and in my deposition is my contribution cash wise which is essentially \$90,000. So, up to the time that I relinquished all activity at all, we were almost equal partners in the thing, maybe equal.

j: Very true. Tell you something else that was an impression that I had, and I don't think that it is unduly colored by my bias, but when your deposition was taken, you were pretty open, pretty candid, pretty relaxed, there was a little bit of joking going back and forth, which I think is always a good sign. And I would characterize you as an excellent witness in the court room. In contrast, Schloss looked like we were there to extract turds with fire tongs, he just, he was tight, he was turse, he was skeptical, cynical, snippy, you know I would say things like Tom, when you send that dry precipitate back to New York, how do you ship it? In containers. Alright, what kind of containers do you use? You know he would just give a totally minimal response. Ken will probably work with him, but if that kind of guy gets up in front of a courtroom, jurors are inclined to say hey this guy doesn't really look like he is being open and informative, it looks like he is clamming up, not really trying to help us understand what went on there. So I would not characterize him as a good witness. That is part of the burden that they are going to have to carry.

J: Did you get into his previous history of knowledge of Dick Hewlett and their involvement with the McDermitt Mine?

j: A little bit, ya, that was the mercury mine?

J: Yes

j: Ya, also got some information in there that back in the early 70's that he had been talking to you about doing a heap leach project. You know and part of his story is well heap leach, I don't know much about heap leach, you know, and I am just a poor rich boy. But that is kind of disproved by his long standing interest in the subject.

J: So he mentioned that, or brought it out?

j: Ya. Yes he did.

J: Did he tell you that I recommended against it at that time?

j: No, No.

J: Well that might be important to remember at some point because I was not at all enthusiastic because of the, at the then current price of precious metals, it didn't make any sense. So, I recommended against the program and recommended towards generally exploration, which was that report that Ken Allen pulled out, you know that brown one.

j: When I send Tom's deposition to you, I am going to suggest that you sit down with your little tape recorder and as you read through it, just record your reaction and your comments and observations to those various statements because there are going to be a lot of things that will catch your eye and I think there are a fair number of things that came out that are quite a bit more favorable to us than to him.

J: You were going to mention something about Leo Smith.

j: That was kind of interesting because I did pursue this business about when he was paid and has he been paid in full and where did the money come from. He was only partially paid in '79.

J: Oh, that's interesting.

{ j: Ya. What portion, I don't know, and we can get more specific information. He was finally paid the balance in 80, he was paid from project funds, you know, in which you have an interest. And so that is not confidential stuff that they can keep from us, it is stuff that was done on behalf of the Tombstone Heap Leach project. So, at some point we may be calling Leo because I did inquire into... Mr. Schloss, it says here in your letter agreement that you are going to go ahead and have an operating agreement, how come that wasn't done? And there are a few little hints in there that it was costing too much money.

J: You mean to get the operating agreement?

j: Ya, and he said things like well I was beginning to have trouble with Jim and I figured that I might be spending money uselessly that Jim wouldn't sign it. So, it didn't sound very persuasive to me, but I think that there is something where, you know, he had a chance to clarify a lot of these things, and passed it up, and now he wants to turn ambiguity to his advantage.

J: How do you mean?

j: Well whatever ambiguity there exists in this March 7 agreement, you know, he is trying to say well when in doubt, it should be interpreted to the advantage of Schloss.

J: Oh, I see, in other words, by not doing the agreement, he wanted to perpetuate the ambiguity to his favor.

j: Ya, that is kind of the way it looks.

J: Ya, ya, absolutely. Well, you know, its also kind of funny that since Leo Smith is a mining attorney and familiar with the details why Smith isn't representing him unless that would be a conflict.

j: I think it would be a conflict.

J: I see OK, OK.

j: You know, part of what has unfolded here, I think, lends to a fairly reasonable inference that there was really a great deal of arrogance on Tom's part in continuing to put money in this thing and blithely assuming that he could just snuff you out, regardless of what you thought or did. }

J: Would this be a jury trial?

j: It could be and its one of those things that the parties could request a jury or they could require or request that it be tried by a judge alone. The way Ken Allen was talking, he probably would think it would be an advantage to have a jury trial to let the folks see well here is Briscoe with a modest, relatively modest contribution, here is Schloss with a big heavy contribution and how should it be handled equitably, fairly, reasonaby? And he thinks that any right thinking person would automatically say well gosh, it should be perponderantly Schloss' operation. But, I don't know, I could be mistaken and in anticipating how jurors would react. Maybe, maybe Ken is beginning to re-evaluate some of his preliminary thinking.

J: I tend to think that, well are you saying that Ken is positive, now positive towards a jury trial thing?

j: No, maybe less positive.

J: Well, quite frankly, I would be very happy to go before a jury, I believe, with Tom, because he really comes across as quite an asshole.

j: He really does, he really does.

J: For a variety of good reasons. And, I think, that we might just come out very well in that case.

j: I think that that is a real possibility, and I think that although I would probably encourage a settlement today on the terms that we explored with them, I think that there is

a possibility that at litigation that we will do better than that, and I conversely would have to say that there is a possibility they'll do worse.

J: Well, I certainly think that that possibility is always there, but I think the more money that he puts into that on his own volition, and the better the precious metal price gets, it seems to be like he is only reinforcing the fact that its a pretty good deal anyway, and.....

j: Talks about what's going to be done with the \$25,000, and it says after these results have been obtained and analyzed, the decision will be made by the project management committee or group to continue or terminate the program. So, you know, its, with the stuff that everybody has signed, it doesn't say that \$25,000 gets it rolling and the money just keeps pouring in and you sit back and start counting. Another thing, and this is going over some old ground, but Schloss would like to have it both ways. On the one hand he would like to say look, I know a lot about management and I should take this thing over and you are screwing it up and your judgement is poor, on the other hand, he wants to be able to say, look, I am just a passive money investor here, and I am not the mining expert and here this guy filled me with a bill of goods, and now I am really being taken to the cleaners. When you review his investment activities and his involvement in mining and his personal conversations with the bureau of mines personnel and so forth, he just does not come across as a babe in the woods. When you got a guy with an MBA, graduate degrees in accounting and business, not the mom and pop type that somebody is going to take advantage of....

J: Say, would it, an interesting thing, and I don't know whether it would be worthwhile or not, but it just popped into my head, if this should go to a jury trial, would it be worthwhile having a picture of Tom out in the McDermitt open pit mine, driving a bulldozer?

j: Yes. Sure it would.

J: I think that that might be kind of neat.

j: Let me make this suggestion to both of us, that we begin keeping exactly the kind of notebook that Ken Allen is already keeping, and that we have little divisions in there, and that when an idea does occur to us, we put notes in there and materials, and when we gather information, start organizing it here right at the beginning so that these little gems don't slide away from us.

J: OK, that sounds fine.

j: Say, another thing occurs to me, I have got this assignment

ready for you, how about if I bring it out early some morning before either of us gets tied up. What's Thursday look like?

J: Well, I am trying to get to Texas so I don't know whether I will be here, but right now its clear.

j: OK, lets see, I am kind of coming and going, are you going to be there Wednesday afternoon?

J: Possibly, you know, again, it depends on my contacts with some of these Texans.

j: Well, I will give you a call and see if I can come by there maybe 3:30 in the afternoon on Wednesday, but I will call first.

J: Ya, that sounds fine. Did you happen to get any information from Tom about his involvement in McDermitt.

j: Some, he made it sound like that he was a passive investor in that, but he did say that he went around and talked to a lot of different people, face to face, and that their advice turned out to be uniformly bad, and that the McDermitt Mine was not a satisfactory investment.

J: Strange.

j: I thought it was interesting to have it in there because if he said oh, I've been in 10 mining investments and everyone gave me 100% profit per year, then it makes it a little tougher to say, well, you know, you are going to have one that doesn't make you 100% occasionally, but, he has been in them before, and they haven't turned out fully to his expectation and so whats new?

J: Did he say specifically why it wasn't a suitable investment?

j: Made it sound like he didn't get much of a return on his money.

J: Of course that could be ²so, I suppose, to a variety of reasons the way the deal was structured, but I don't quite understand that because it should be quite profitable. Well, that is neither here nor there, except that it is a little perplexing.

j: Well, read the portion of the deposition that deals with that and some thoughts may occur to you that we should try to put to him again, because we have the right to take his deposition again, just as they have a right to take yours.

J: Ok, talk with you later.

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J: Real good

J: Oh, Jay, how is the work on that limited partnership stuff progressing?

J: Progressing, ya, and why don't I have a status report for you when we get together.

J: Ok, talk with you later.

JAB & JAY

j: Sounds like he would prefer doing, is, he said, rather than Jim or S.E.A. have an interest here prior to the time of a sale, he didn't seem to balk very much at a percentage interest in the proceeds of a sale. But he seemed to be sticking in this throat that he would be operating this thing in conjunction with you until that time. He said see if Briscoe will just name a dollar figure and he can be out of the thing until such time as it would be sold. And I said to Ken, well, ya, I can go back to Jim with that and we know the money isn't going to be any less than the amount of his bills and we were never really sure how much that 10% interest was going to be prior to sale, but I said we are going to have to have some kind of time limit on this thing because if Jim's primary benefit is something that would accrue upon sale, I would suggest maybe something like 5 years or something, but you can't just leave that completely open ended. I said, I'll talk it over with him and we will get back to you in a while and I will let you know what he thinks.

J: OK, well, that's a big question because I don't have any idea of what they are doing or what production they might get or whether they ever will get to a sale. Did he make any comments about production figures or anything?

j: No, no, I said, well, Ken, as things stand right now, I think that Tom obviously has an active duty to report to Jim and share information with him, wouldn't you agree? And he said ya, ya, I agree. Maybe what I should do is say, fine, give us some updated production figures and a estimate of what you see there for the next few years, the same kind that you would give any other investor, actual or prospective, then we will have some basis for giving you a dollar figure.

J: He has been reporting on a monthly basis and I just got the last report, and calculated out at \$17 silver, but I don't have a handle on the gold since the way they are reporting it makes it impossible to determine what in the world it is we are talking about, but at just using the silver, it looks like about \$30,000 a month is what they are making, which isn't any great shakes. But, on the other hand, if there is some substantial amount of gold, maybe it would be \$45,000 or \$60,000.

j: That is a gross income figure?

J: Ya, gross income. And so immediately off of that comes \$7,000 lease payments plus their overhead, you know their employees and so on, they have got something like 50 people working down there, so it sounds to me like they are going further into the whole, rather than making money, but you know, who knows.

j: Why don't you do this, rather than snap something off the top of your head, why don't you mull that around a little bit

and if there is additional information that you feel that you need before you could give them some kind of a dollar figure, let me know what that additional information is.

J: What, was he intimating that they just wanted to pay me my fees and then forget it at that? Or was he talking...

j: No, no, he maintained that what Schloss really wanted was to just pay you a bunch of money and have you go away and never be heard from again. And Ken said well, Schloss, he is not going to do that, if this thing goes to trial, no jury is going to give him less than 5% or 10% carried value and maybe higher than that, and he is not just going to give that away. And Schloss said well, find out what he will take just to get out of the picture, then if we ever sell thing, then he can have a percentage of it then. And I said to Ken, well you know we have to have some kind of understanding that a sale would be within some specified period of time.

J: Gee, I might, I guess the big questions is how much he thinks he wants, but, I don't know, I could use \$250,000 right now.

j: Well, I think that that is exactly what he is thinking, and I think that he is thinking well I believe that Jim is vulnerable right now, I think that he believes that Jim needs money and this thing 5-10 years from now may be a multi-million thing, lets just see if we can sprinkle a couple hundred thousand on him and get him out of the picture. And you know from your point view, that may be just wonderful.

J: Ya, I already figured that at 20% interest, \$100,000 now is worth \$3.4 ten years from now, 3.4 million I meant to say.

j: Using what kind of discount rate?

J: That's at a 20% discount rate. Now, of course, I guess what Schloss may be thinking is maybe I can give Briscoe \$55,000 and have him disappear.

j: Ya, well obviously that isn't going to work. Mull it over, I got somebody holding on the line and I got a guy coming into the office, but why don't we shoot this around a little bit tomorrow.

J: Ok, any chance of you calling me later on this afternoon? I have got some other things that I have really got to run by you.

j: Ok, I am going out after I meet with these people to our old friend Dr. Pier and let him look me over and I should be getting back here around 5:30, why don't I try to call you then.

J: Ya, that sounds good.

DATE: March 22, 1983

TIME: 4:12

TO: Ken Allen (K)

FROM: James A. Briscoe (J)

K: Hello

J: Hi Ken

K: Hi Jim

J: O.K., are you ready to go over this

K: Oh sure.

J: O.K. what I need is data if I am going to come to some kind of a reasonable suggestion on a settlement here. And, I don't know whether it is going to be possible for you to give it to me verbally, but, I'll try if you want to try.

K: Well, I'll give it a try because, you know, what I know, I gave Chandler most of the things that I know, and anything other than that, you probably know more about it than I do, because you worked the property, I didn't.

J: Well, yeah, I doubt it, but I'm not sure that that is going to fit the bill. You know, I have got all kinds of figures of what probably could be produced or should be produced or might have been produced, but if we are going to come down to something that is reasonable, I am going to have to have some pretty good information that is on the target. Well....

K: Well, lets try because this call isn't for arguments, like I mean, you know, I am looking at something that we never, I have never had any authority on for any money because I don't feel that they owe you any money. O.K., that's number 1. Now, we are in a process of either we are going to try this damn lawsuit, or we are going to get rid of it, and I've been asked to get a figure from you, and then I have an alternative if the figure is unacceptable, so, I mean we are not really looking here to buy anything out that we think is horrendously valuable, it is just to get rid of a lawsuit. So I am going to try my best to give you whatever information it is that you need if I've got it. So, why don't we start with that, and we will see what we can do.

J: Well, really, the first thing that I need is all the monthly reports since inception so that I can come up to something that relates to what has been mined so far. K: What has been mined or what has been taken out? I mean, o.k., so you

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don't have, you haven't seen the ones that have gone to TDC?

J: No, no. No, I haven't seen any monthly reports for probably a year and a half.

K: O.K., well I don't know when you say monthly reports and whats been mined, I don't know whether you mean rock that has been moved or values that have been taken out.

J: Well, you know its standard operating procedure in that type of report to show rock that has been moved and ore vs. waste, tenor of the ore, and stripping ratios, that type of thing. So, I was getting monthly reports for some period time but that ceased a long time ago, a long time back.

K: Two years past, I don't have monthly reports, all I've got is whats been taken out of the ground.

J: Really need the selling price of all concentrated doray from 1979 to the present.

K: I don't know about, we've got the averages of over a given year, what it was sold for. Well, maybe I've got that, I've got it from '81, and '81 is when we lumped everything in, from '81 we weren't making reports on selling 3 ounces or 10 ounces of the stuff. '81 is when we started getting something worthwhile out of the ground. But, I'll see what we got from '79.

J: O.K., we need the total mining costs per ton, and any fluctuations on a monthly basis, which I hope those monthly reports will give us.

K: O.K.

J: And total milling costs per ton, and monthly fluctuations. and total tons of ore mined, with a cutoff grade, mined and processed, I guess we should put in there. Total tons waste mined. And the total gross from '79 to the present time.

K: I think that I have already given that to...total gross of what we sold?

J: Yeah. And total expenses. Total salary and other remuneration paid to Tom Schloss or other management.

K: I imagine that a lot of this will be total expenses, but...

J: O.K., then total taxes paid, and net before taxes and net after taxes.

K: After you get all this then I am going to want to know how much you are going to want to pay me? Feeling sorry for me.

Chuckle, chuckle, chuckle

J: You mean Tom isn't paying you yet?

K: No, no, I don't have any problem with Tom paying me, and I don't mean me, I mean my client for all the money we want to pay us just because tears will be in your eyes. Go ahead. What a shame.

J: Well, I think that that is probably....

K: With all that information, you can put this together and probably sell it for us for \$20 million.

J: Well, you know, you've already seemed to have received an offer for \$5 million.

K: Ya, well that's a shitty offer you know. I hope you wouldn't have taken that....chuckle, chuckle.

J: Well I would agree with that, but there is better things in the offing.

K: Well, that is really the alternative because, you know, I don't know what, its always easy if we can get rid of what's going to cost them thousands of dollars to litigate with with fees and stuff, that is one thing, but I think that the alternative that I have that is viable, I believe, may be the best route because I don't know what you are going to come up with figures, but, you know, if its anything real horrendous, why, you know, that's, you know, its probably not worth wasting our time with, but I certainly see with the property that you have, potential of putting this thing where you would receive a fee of selling it or something like that, that I've come up with an idea that I think is a good idea, I just don't know whether we can put figures on it to make sure that you have something to gain and you also have a chance at selling your property, and this project is a saleable thing now, but that may be the best out because, you know. nobody is going to be coughing up whole bunches of money, but I guess, I better follow my instructions, and see what figure you have, and then I'll lay this other thing on you.

J: O.K., well that sounds reasonable.

K: Alright, I will see what I can get on these things, and maybe the fastest way is if I can get these monthly reports, that may be the best thing.

J: Ya, may well be.

K: And because, but I'll get a call in first thing in the morning and see whether I can get it, and if this is

offensive, why then I'll get permission to come back with my alternative.

J: O.K., let me ask you one other thing, Ken. I've been told that you did not receive the Summary Report on the District, which I sent out in November. Is that correct?

K: I got that, and, you know, Tom was saying something to me the other day that TDC was saying that we had that. I don't know whether Tom understood what they were talking about. I am positive that I sent that on to him. I know I sent it on to him. What you sent me anyhow.

J: Ya, well O.K., well, I know that you got it because I've got a return receipt on it.

K: Ya, well no, I got it. Hell, I even read it. So I know I got it too, and I know I sent it to him.

J: O.K.....

K: I don't know whether he knew what, this obviously came from their meeting with TDC because that is what he was talking to me about. Those folks said something to him about a presentation by you, and I am not sure that, we didn't consider it a presentation, we thought it was a report. We may have misconstrued what they were saying that he got, I don't know. But anyhow, we have that.

J: Well, if you want a presentation, all Tom has to do is contact me, or send me a representative and I will present it.

K: Well, they are pretty well aware of what you have done. This business nobody keeps secrets in. Except the well guarded one that Hewlett had on this process that he had. See, that's the only secret I've known that has been kept, but, I'm kidding....seriously though, they know and we think that this other maybe, you know it maybe a real plausible one, and I don't know, but I wanted to take it a step at a time.

J: Well that's fine. The other thing that I thought might be worthwhile was me taking a look at the operation which, I sure you are aware, I have not had the ability to do, and that may help me along. But, you know, I have not really bugged Tom in any way, but I am not going to roll over and play dead, as I think you are aware of, and, however, there is a lot of interest in the District, and there is a great deal of potential there. Enough to last a good many decades.

K: Well I think so and I have to say a lot of people in industries, their attitude about my client has changed over the years so they have tried, and they haven't walked away like most people would, I think. But, its got some

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potential, there is no question about it. The whole area down there, and I think with the system that they have, why, it makes everybody else's property more valuable, and I think there may be some, you know, some working, hopefully some working methods on this so that nobody has to.... cause litigation is, shit, they ain't gonna be over no matter who wins for years, and the only one that is going to make any money is Chandler and I, and I told him that I didn't really need it, I got more important things to do like throwing out my kids and things. And I said I know you don't need it except to cover your overhead over there so let's see what we can do.

J: What's the timing on this public offering?

K: Well, there isn't any public offering at this time. I mean that is just one of the alternatives for continuing expansion as is to go public, and they have not made any public offering. Our idea is to, if anybody wants to buy an interest in it, why that could interim financing, but the possibly alternate goal is public financing. But we don't have to have it now if there is no big push for it, it's just a matter of when and if Tom is going to get his money out of it. That \$5+ million is a lot more than 25 thou. So we got to look at it that way, and right now he is, you know, the reason it's been able to survive is that he hasn't been going back to hit the company for what he has put in it. I guess that would be considered, at least in my opinion, be considered risk capital, which he hasn't received anything on.

J: He's still got all that in there.

K: Well, why don't you make me aware of that in good, clear, concise language, which I haven't been to this point.

K: Oh, well, that is a problem, I don't have any problem with it because it's in the financial statements and everything else. It couldn't have survived if he had had debt service on it. That is one thing about being private individuals, we can, if we keep the faith, and we've got the money, we can keep our businesses going. That is in there, and that is of course the reason any kind of offer that is going to get much of the company by an outside company, it's going to have to take out his investment.

J: Well, of course, one of the questions is that whether it's been well placed, and unfortunately, nobody pays for bad investments, as we all know. You know, I am interested in that too, and I think that everyone else is.

K: What do you mean well placed? Have they spent it on warehouses in Las Vegas, that is not well placed.

J: Well, if they spent it in wheel spinning too, that is not well placed, and I am not in a position to know, but I do know that one of the problems is ore reserves that are not identified but should be there, and the problem is is that any of the major mining companies or any of the active mining companies, whether they be major or smaller groups, Canadian groups, whatever, will pay for reserves but simply won't recognize investments that don't enhance the value of the property. So, I guess, I am curious as to where that has gone, and I think that that is an important facet of the whole situation also. But as I have been all along, I am interested in seeing the whole thing go forth, or I wouldn't have expended as much time and money that I haven't received reimbursement for.

K: Alright, let me see what I can get for ya, and we'll see if we can take this, go anywhere with this, if not, we'll lay the other one on the table, O.K.

J: O.K. sounds good. Talk to ya later