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# PRELIMINARY INFORMATION ON SILVER QUARTZ-FLUX MINE

PROPERTY: 5 PATENTED MINING CLAIMS  
2 PATENTED MILL SITES  
33 UNPATENTED MINING CLAIMS

HISTORY: BETWEEN 1913 AND 1986, 401,063 TONS OF ORE WERE PRODUCED  
AT AN AVERAGE GRADE OF 8.27 OPT AG, AND .032 OPT AU.

RESERVE POTENTIAL:  
ESTIMATED TO BE AS MUCH AS 5 MILLION TO 10 MILLION TONS  
OF VEIN IN VICINITY OF EXISTING WORKINGS.

CURRENT OPERATIONS:  
PRESENTLY MINING 600-800 TONS PER WEEK WITH AN AVERAGE  
GRADE OF 7.3 OPT AG AND .025 OPT AU.

ECONOMICS: BASIS-- 2000TONS/WK.

## COSTS

\$/TON

PAYROLL	5.00
CONSUMABLES	2.30
UTILITIES	1.00
G&A	1.00
R&M	1.00
ROYALTY	2.50
FREIGHT	11.00
CONTINGENCY @25%	5.95

TOTAL

29.75

## INCOME

7.30Z/TON X \$6.30 X .75	34.49
FLUX PAYMENT	18.00

TOTAL

52.49

NET = \$52.49 - \$29.75

22.74

WEEKLY NET = \$45480 OR IN EXCESS OF \$2,000,000 ANNUALLY.

CONCLUSIONS:

THE PROPERTY IS AN ATTRACTIVE INVESTMENT FOR FOLLOWING REASONS:

1. IT IS A PRODUCING MINE.
2. AT 300 - 400 TONS PER DAY IT SHOULD PROVIDE FUTURE LONG TERM INCOME.
3. THE GEOLOGICAL POTENTIAL OF THE DEPOSIT IS LARGELY UNTESTED AND APPEARS TO BE VERY LARGE.

CONTACT: NU-GOLD  
RONALD E. ASHCROFT  
892-3318

M E M O

TO: A.F. Budge, R.R. Short, C.A. O'Brien, D.H. Allen  
FROM: Don C. White  
DATE: November 18, 1988  
SUBJECT: Ash Peak argentiferous silica flux mine visit.

I visited the Ash Peak Mine Nov. 14th with Ron Short and Dale Allen. We met with Les Billingsley, the project manager, and Wes Becker, the lessee and operator's representative. Our visit included a surface and underground tour, description of their present operations and one to two year development plans, some discussion of mining costs, freight, smelter contracts, and geology.

The purpose of the visit was to evaluate the merits of Budge's contributing capital toward further development and production rate increases in return for equity in the operation.

Ron and Dale can better speak for the engineering, managerial, and metallurgical merits of the project. Let me convey my observations of the geology.

First, it is a vein deposit. It is probably Tertiary, volcanic hosted (andesitic wall rocks observed) and epigenetic. The veins, for there are three parallel veins now known, are steeply dipping (about 80° to the SW) arcuate, and pinch and swell both along strike and down dip.

The veins are mainly chalcedonic quartz (excellent silica flux) with some calcite (3-6% CaO), minor sulfides and gold, and the key ore-forming mineral, argentite. Alumina and iron content is low and apparently no problem to the smelter (except when aluminous wall rock is included in shipping ore). There are no known trace element contaminants to thwart flux sales (such as Hg, As, Fl, Cl).

Silver varies from less than 2 oz/t to in excess of 40 oz/t. Shipments of late have averaged 6 to 7 oz/t from the 350 level up where stoping is now taking place. The vein being eyed for development between the 600 and 500 levels near the Shamrock shaft is about 30 ft. thick and supposedly contains 6-10 oz/t Ag.

The reserves Ash Peak Flux Mines has reasonably assured in upper level workings close to the Shamrock shaft are about 200,000 short tons at about 7. oz/t Ag. The various large reserve figures mentioned beyond that (oral and written report quotes of 1-10 million tons at various grades) and the speculation of "better grades at depth" are just that, only speculation. Tonnages at depths greater than the 600 level of the Shamrock shaft area have not been drilled and I've been shown no documentation of vein thicknesses or assays there. Thus they fall in the "possible" reserve category at best, and that only near the 600 level. Anything from about the 650 level on would be "inferred" only.

Those areas with exploration potential within the Ash Peak property are extensive. A drilling program could be conceived to test areas of multi-million ton potential. The likelihood would be both a surface and underground diamond



A.F. Budge, R.R. Short, C.A. O'Brien, D.H. Allen  
November 18, 1988  
Page 2

coring program. The target would be 1-5 million tons of 5 oz/t or better argentiferous silica flux.

Four copper smelters lie within a 100-mile radius of Ash Peak. Existing contracts with Chino and Hidalgo call for reimbursement of freight (about \$13/s.t.) and flux payment, all categorized as silica payment of \$16/s.t. (Chino) or \$18/s.t. (Hidalgo) and payment for 75% of the gross silver content. There is no gold payment for the average .025 oz/t gold content.

I recommend that Carole work through the numbers to compute whether there is any financial opportunity in the possible reserves. If Ron's concerns about engineering and the legitimacy of the mining costs can be appeased, then I believe the geology is worth a hard look.

Right now I have the fundamental data in hand. Wes Becker has sent smelter contracts and sample settlement sheets, P.D. drilling and assay data (from P.D.'s 1980-83 mining and exploration period) and historical data. Stephen Quin of Southern Gold in Vancouver has sent the Canamin plans, longitudinal and cross sections, and geologic reports. If and when it is determined to pursue this opportunity I will relish the chance to compile the available data and formulate an exploration plan with prediction of costs and what may be found.

DW:sk

ARIZONA FLUX MINES, INC.  
ESTIMATE OF OPERATING COSTS

MINE PAYROLL EXPENSE  
INCLUDING CRUSHING

CREW NEEDED TO PRODUCE 1,500 TO 2,000 TONS/WEEK:

12 MINERS @ \$10.00/HR.	4,800
2 SHIFT BOSSES @ \$12.00/HR.	960
2 HOISTMEN @ \$10.00/HR.	800
2 CRUSHERMEN @ \$8.00/HR.	640
1 MAINTENANCEMAN @ \$15.00/HR.	600
SUPERINTENDENT (WEEKLY)	800
	<u>\$8,600</u>
PAYROLL TAXES (15%)	<u>1,290</u>
TOTAL MAXIMUM WEEKLY PAYROLL	<u>\$9,890</u>

ROUNDED TO \$10,000 PER WEEK

UNDERGROUND

STEEL, BITS AND MACHINE REPAIR PARTS

BASED ON: 10,000 TONS/MONTH  
30 HOLES OR 60 TONS PER BIT  
200 HOLES PER STEEL

STEEL	\$2,500 PER MONTH
BITS	1,800
PARTS	2,000
MISCELLANEOUS	<u>500</u>
TOTAL	\$6,800 PER MONTH, OR \$1,569/WEEK
	ROUNDED TO
	<u>\$1,600 PER WEEK</u>

### POWDER, FUSES AND PRIMERS

BASED ON TWO TONS PER HOLE.

PRIMERS	\$1.50	EA INCL. FUSE FOR EACH HOLE
GELMAX (DETENATOR)	\$1.15	FOR EACH HOLE
CARBONITE (EXPLOSIVE)	\$ .44	FOR EACH HOLE
	\$3.09	PER HOLE, OR \$1.55 PER TON

DRIFITNG USES MORE POWDER PER TON SO WE ARE USING \$1.65/TON  
COMBINED STOPING AND DRIFTING.

1,500 TONS @ \$1.65	= \$2,475
2,000 TONS @ \$1.65	= \$3,300

USING \$3,000/WEEK AVERAGE

### UTILITIES AND FUEL

ELECTRIC (ESTIMATE)	\$6,000	PER MONTH
FUEL	500	
	\$6,500	PER MONTH

\$1,500 PER WEEK

### GENERAL AND ADMINISTRATIVE INCLUDING ASSAYS AND PROFESSIONAL

PAYROLL:	
BECKER	\$460 PER WEEKK
LOIS	100
OTHER	100
PAYROLL TAX	100
ASSAYS	100
ENGINEERING (RICHARD)	250
TELEPHONE	70
OFFICE SUPPLIES	30
PROMOTION	50
TRAVEL	150
INSURANCE	150
INTEREST	
	\$1,560 ROUNDED TO

\$1,500 PER WEEK

SURFACE

PARTS, REPAIRS, MISCELLANEOUS, CRUSHERS, SCREENS & HOIST:

BAR-MAC WEAR PARTS @ .30/TON	\$500
JAWS, SCREENS, BEARINGS, BELTS (EST.)	<u>900</u>
	\$1,400

\$1,400 PER WEEK

ROYALTIES

APPROXIMATELY \$2.50 PER TON WITH HIGHER VALUES.

1,500 TONS	=	\$3,750
2,000 TONS	=	\$5,000*

\*We have an accumulated excess of minimums paid to use up before anything above the present minimum of \$6,250 has to be paid.

PROJECTED INCOME WITH FULL PRODUCTION

Assume 5 oz. Ag @ \$6.50 (\$32.50)

@ 75% 24.37

Plus Fixed 18.00

\$42.37 Rounded to \$40.00/Ton

1,500 TONS PER WEEK:

1,500 TONS PER WEEK @ \$40.00

\$60,000

LESS FREIGHT AT \$11

16,500

GROSS AFTER FREIGHT

\$43,500

LESS OPERATING EXPENSE

20,000

AND ROYALTIES IF APPLICABLE

3,750

23,750

NET

\$19,750

2,000 TONS PER WEEK:

2,000 TONS PER WEEK @ \$40.00

\$80,000

LESS FREIGHT AT \$11

22,000

GROSS AFTER FREIGHT

\$58,000

LESS OPERATING EXPENSE

20,000

AND ROYALTIES IF APPLICABLE

5,000

25,000

NET

\$33,000

# TIME SCHEDULE FOR PRODUCTION

		<u>EST. WEEKLY EXPENSE</u>	<u>EST. WEEKLY TONNAGE</u>
2/22-26/88	2 Shifts drifting	\$8,000	200
2/29-3/4	2 Shifts drifting	9,000	500
3/7-11	2 Shifts drifting (@ 150')	9,000	500
3/14-18	2 Shifts drifting	9,000	500
3/21-25	2 Shifts drifting (@ 300')	9,000	500
3/28-4/1	Preparing 2 stopes & inst. haulage	9,000	500
4/4-8	Preparing 2 stopes & inst. haulage	10,000	500
4/11-15	Shrinking 2 stopes & addit drifting	12,000	500
4/18-22	Shrinking 2 stopes & addit drifting	15,000	1,500
4/25-29	Shrinking 2 stopes & addit drifting	20,000	1,500
5/2-6	Shrinking 2 stopes & addit drifting	20,000	1,500
5/9-13	Shrinking 2 stopes & addit drifting	20,000	1,500
5/16-20	Shrinking 2 stopes & addit drifting	20,000	1,500
5/23-27	Shrinking 2 stopes & addit drifting	20,000	1,500
5/30-6/3	Both stopes shrunk & 300' addit drift	20,000	1,500
6/6-6/10	Catch up week	20,000	1,500
6/13-	Start 2 new stopes and drift	20,000	2,000

## ADDITIONAL EQUIPMENT REQUIRED

APPROXIMATELY 4/1/88---TROLLYS  
CARS  
MUCKING MACHINE  
TRACK

ESTIMATED COST \$25,000

MAY 15, 1988--BALANCE DUE ON MAR-MAC--\$38,000

PHELPS DODGE CORPORATION  
2600 NORTH CENTRAL AVENUE  
PHOENIX, AZ 85004

PHELPS DODGE CORPORATION  
RAW MATERIALS DIRECTOR, D. K. FARQUHAR  
WESTERN OPERATIONS, c/o MORENCI BRANCH  
MORENCI, ARIZONA 85540

PURCHASE CONTRACT

DATE \_\_\_\_\_

SHIPPER Arizona Flux Mines, Inc.

ADDRESS P. O. Box 26706 Tucson, Arizona 85726

MATERIAL Siliceous Fluxing Ore

DELIVERY F.O.B. Chino Mines Company smelter. Truck haulage is acceptable within smelter determined quantities.

SECTION I - ECONOMIC

PAYMENT

Payment for payable silver content to be made within 30 days after the date of the exchange of assays. In the case of the shipper not submitting an assay receipt, the Chino Mines Company assay results will be used for the settlement. If a sample is sent to an Umpire, settlement will be delayed until after receipt of the Umpire results.

Ore: Pay \$16.00 per dry standard ton for sized (minus 1/4") flux two weeks following receipt of material.

Silver: Deduct 25% of the silver content, and pay for 100% of the balance at the weekly average Handy & Harmon quotation in Metals Week for the week ending Friday in which the shipment is received.

CHARGES

Silica: Ore less than 75%  $\text{SiO}_2$  will be charged at \$1.00 per unit (1 percentage point = 1 unit = 20 lbs.) fractions in proportion.

Alumina: Above 6 %, charge excess at \$1.00 per unit, fractions in proportion.

Economic - At any time Chino Mines Company net cost per ton flux exceeds \$6.80 before penalty deductions, based on 90% recovery of precious metals and example calculation described in appendix A, based on a minimum lot of 200 tons, then this excess amount shall be deducted from the next future shipments.

Above purchase terms are subject to the following non-economic section of this contract.

SECTION II - NON-ECONOMIC

TERMS

Agreement will be in force from 'Effective Date' until terminated by Chino Mines Company. Termination will require thirty (30) days written notice to the Shipper by Chino Mines Company. All terms of this Contract are subject to review and re-negotiation.

Basic weight units will be troy ounces, avoirdupois pounds and short dry tons. The word "unit" will mean "1 percentage point (1.0%)", or 20 pounds.

QUANTITY

The Shipper will be advised by Chino Mines Company on a monthly basis as to the quantity and lot size. Delivery to be within the contracted calendar month. This contract is for 750 tons, but may be increased by mutual agreement between Chino Mines Company and Arizona Flux Mines, Inc.

### WEIGHING, SAMPLING & ASSAYING

Weighing, sampling, moisture determination and assaying will be conducted in accordance with standard practices at the Smelter after receipt of material. The Shipper shall have the right to be present, or have his representative present, at the weighing and sampling procedures.

If the Shipper so desires, and notifies the Chino Mines Company, prior to the receipt of the siliceous material, then he shall have the right to assay or cause to be assayed by a reputable and qualified assayer his quarter of the sample of his shipment. The Shipper, on receipt of his assay certificate, shall present same to the Chief Accountant of the Branch or his representative, who shall then present at that time the Smelter's assay certificate for comparison. If the variation between the two certificates do not exceed the following splitting limits:

Copper	=	0.15%
Silver	=	0.15 oz/ton
Gold	=	0.010 oz/ton
Lead	=	0.05%
Zinc	=	0.2%
Arsenic	=	0.4%
Antimony	=	0.4%
Bismuth	=	0.1%
Fluorine	=	0.005%
Chlorine	=	0.01%

then the settlement will be established on the average between the respective assays. In the case of the variation exceeding the splitting limits, a mutually acceptable Umpire shall be chosen from the following assayers:

Mountain States Research & Development, Tucson  
Metallurgical Labs, San Francisco  
American Analytical, Tucson  
Skyline Labs, Tucson

The Umpire's assay result shall be final, providing it is not higher than the highest result or lower than the lowest result of the Shipper and Smelter assay certificates. Settlement shall be based on the assay nearest to the Umpire's. Cost of the Umpire analysis shall be borne by the party whose assay result is the furthest from the Umpire's.

### WITHHOLDING

If any third party should make claim to any of the siliceous material or the purchase price for the same, payment may be withheld for aforesaid material until such time as the dispute has been resolved by:

a) Arbitration pursuant to the provisions of SS 12-1501 et seq., Arizona Revised Statutes,

or,

b) Mutual agreement among the parties by which the claims of all contesting parties are resolved and the Chino Mines Company, is released from any and all liability in connection with the purchase of and payment for said siliceous material.



WARRANTIES

The Shipper warrants that it has the right to mine and ship siliceous material to the Chino Mines Company, hereunder, and that it will have good title to all siliceous material delivered to the Chino Mines Company, and the Shipper agrees to indemnify and hold the Chino Mines Company, from any and all claims, demands, obligations and liabilities of any kind whatsoever that may be asserted against the Chino Mines Company, for or on account of siliceous material delivered hereunder, or the purchase thereof.

FORCE MAJEURE

Either party herto shall be excused from performance during any period such performance is prevented by governmental action, war, fire, flood or other force majeure cause beyond the control of such party, or by strike, lockout, or failure of transportation facilities, and the Chino Mines Company, shall not be required to order, accept or receive any siliceous material hereunder during any period when the operations of the Chino Mines Company, are suspended or curtailed on account of any such cause.

Payment for siliceous material sampled during a period when force majeure has been declared shall be extended by a period of time equivalent to the number of days which force majeure was in effect.

CHINO MINES COMPANY

by C. K. Vance  
C. K. Vance  
Title Manager, Chino Mines Company  
Date 7-1-87

Accepted:

ARIZONA FLUX MINES, INC.  
(Shipper)  
by [Signature]  
(Authorized Rep. For Shipper)  
Title President and General Manager  
Date 7/6/87

# APPENDIX A

## Example Calculations

### Assumptions:

Silver = 3.0 oz/ton  
 Silver = \$5.50 per oz  
 Gold = 0.015 oz/ton  
 Gold = \$400 per oz  
 Silica = 74% SiO<sub>2</sub>  
 Al<sub>2</sub>O<sub>3</sub> = 4%

### I. Calculation of payments per ton due Ash Peak Mines:

	<u>Payments</u>	<u>Penalties</u>	<u>Net</u>	<u>Notes</u>
Ore	\$16.00	-	\$16.00	-
Silver	\$12.375	-	\$12.375	3 oz/ton x 0.75 x \$5.50
SiO <sub>2</sub>	-	<1.00>	<\$1.00>	(75%-74%) x \$1.00/ton
Al <sub>2</sub> O <sub>3</sub>	-	0	-	within specification
Total	\$28.375	<\$1.00>	<u>\$27.375</u>	

### II. Calculation of Net flux profit <cost> - excluding penalties:

	<u>Costs</u>	<u>Smelter Credits</u>	<u>Notes</u>
Ore:	<\$16.00>	-	
Silver:	<\$12.375>	\$14.850	credit = 3.0 x 0.9 x \$5.50
Gold:	-	\$ 5.40	credit = 0.015 x 0.9 x \$400
Totals	<\$28.375>	\$20.25	

Costs/ton = <28.375>

Credits/ton = 20.25

Net cost/ton = <\$8.125>

Allowed net costs/ton = <\$6.80>

Amount reduction on future shipment = (\$8.125 - 6.80) x tons  
 = \$1.325 x tons

PHELPS DODGE CORPORATION  
2600 NORTH CENTRAL AVENUE  
PHOENIX, AZ 85004

PHELPS DODGE CORPORATION  
RAW MATERIALS DIRECTOR, D. K. FARQUHAR  
WESTERN OPERATIONS, c/o MORENCI BRANCH  
MORENCI, ARIZONA 85540

PURCHASE CONTRACT

DATE October 12, 1986

SHIPPER Arizona Flux Mines, Inc.

ADDRESS P. O. Box 26706 Tucson, Arizona 85726

MATERIAL Siliceous Fluxing Ore

DELIVERY F.O.B. Tyrone-Hidalgo smelter, Phelps Dodge Corporation in drop bottom cars S.P. Series 464 thru 467 or equivalent. Truck haulage is acceptable within smelter determined quantities.

SECTION I - ECONOMIC

PAYMENT

Payment to be made within 30 days after the date of the exchange of assays. In the case of the shipper not submitting an assay receipt, the Phelps Dodge assay results will be used for the settlement. If a sample is sent to an Umpire, settlement will be delayed until after receipt of the Umpire results.

Silver: Deduct 25% of the silver content, and pay for 100% of the balance at the weekly average Handy & Harmon quotation in Metals Week for the week ending Friday in which the shipment is received.

CHARGES

Silica: Ore less than 75%  $SiO_2$  will be charged at \$1.00 per unit (1 percentage point = 1 unit = 20 lbs.) fractions in proportion.

Alumina: Above 6%, charge excess at \$1.00 per unit, fractions in proportion.

Above purchase terms are subject to the following non-economic section of this contract.

SECTION II - NON-ECONOMIC

TERMS

Agreement will be in force from 'Effective Date' until terminated by Phelps Dodge Corporation. Termination will require thirty (30) days written notice to the Shipper by Phelps Dodge. All terms of this Contract are subject to review and re-negotiation.

Basic weight units will be troy ounces, avoirdupois pounds and short dry tons. The word "unit" will mean "1 percentage point (1.0%)", or 20 pounds.

QUANTITY

The Shipper will be advised by Phelps Dodge on a monthly basis as to the quantity and lot size. Delivery to be within the contracted calendar month. This contract is for (see addendum) tons/month.

### WEIGHING, SAMPLING & ASSAYING

Weighing, sampling, moisture determination and assaying will be conducted in accordance with standard practices at the Smelter after receipt of material. The Shipper shall have the right to be present, or have his representative present, at the weighing and sampling procedures.

If the Shipper so desires, and notifies the Tyrone-Hidalgo branch, Phelps Dodge Corporation, prior to the receipt of the siliceous material, then he shall have the right to assay or cause to be assayed by a reputable and qualified assayer his quarter of the sample of his shipment. The Shipper, on receipt of his assay certificate, shall present same to the Chief Accountant of the Branch or his representative, who shall then present at that time the Smelter's assay certificate for comparison. If the variation between the two certificates do not exceed the following splitting limits:

Copper	=	0.15%
Silver	=	0.15 oz/ton
Gold	=	0.010 oz/ton
Lead	=	0.05%
Zinc	=	0.2%
Arsenic	=	0.4%
Antimony	=	0.4%
Bismuth	=	0.1%
Fluorine	=	0.005%
Chlorine	=	0.01%

then the settlement will be established on the average between the respective assays. In the case of the variation exceeding the splitting limits, a mutually acceptable Umpire shall be chosen from the following assayers:

Mountain States Research & Development, Tucson  
Metallurgical Labs, San Francisco  
American Analytical, Tucson  
Skyline Labs, Tucson  
North American Assay, Tempe

The Umpire's assay result shall be final, providing it is not higher than the highest result or lower than the lowest result of the Shipper and Smelter assay certificates. Settlement shall be based on the assay nearest to the Umpire's. Cost of the Umpire analysis shall be borne by the party whose assay result is the furthest from the Umpire's.

### WITHHOLDING

If any third party should make claim to any of the siliceous material or the purchase price for the same, payment may be withheld for aforesaid material until such time as the dispute has been resolved by:

a) Arbitration pursuant to the provisions of SS 12-1501 et seq., Arizona Revised Statutes,

or,

b) Mutual agreement among the parties by which the claims of all contesting parties are resolved and the Tyrone-Hidalgo Branch, Phelps Dodge Corporation is released from any and all liability in connection with the purchase of and payment for said siliceous material.

WARRANTIES

The Shipper warrants that it has the right to mine and ship siliceous material to the Tyrone-Hidalgo Branch, Phelps Dodge Corporation, hereunder, and that it will have good title to all siliceous material delivered to the Tyrone-Hidalgo Branch, Phelps Dodge Corporation, and the Shipper agrees to indemnify and hold the Tyrone-Hidalgo Branch, Phelps Dodge Corporation, from any and all claims, demands, obligations and liabilities of any kind whatsoever that may be asserted against the Tyrone-Hidalgo Branch, Phelps Dodge Corporation, for or on account of siliceous material delivered hereunder, or the purchase thereof.

FORCE MAJEURE

Either party herto shall be excused from performance during any period such performance is prevented by governmental action, war, fire, flood or other force majeure cause beyond the control of such party, or by strike, lockout, or failure of transportation facilities, and the Tyrone-Hidalgo Branch, Phelps Dodge Corporation, shall not be required to order, accept or receive any siliceous material hereunder during any period when the operations of the Tyrone-Hidalgo Branch, Phelps Dodge Corporation are suspended or curtailed on account of any such cause.

Payment for siliceous material sampled during a period when force majeure has been declared shall be extended by a period of time equivalent to the number of days which force majeure was in effect.

PHELPS DODGE CORPORATION

by

  
Donald K. Farquhar

Title Raw Materials Director, Western Operations

Date

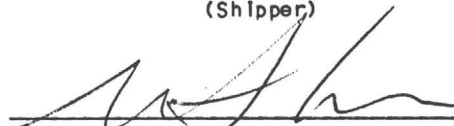
September 30, 1986

Accepted:

ARIZONA FLUX MINES, INC.

(Shipper)

by

  
(Authorized Rep. For Shipper)

Title President and General Manager

Date

10/2/86

Letter of Addendum  
for  
Arizona Flux Mines, Inc.  
Siliceous Fluxing Contract  
Dated: October 12, 1986

Section I. Economic provisions

- a. Payment: In addition to the contract terms, the sized (1/4 - 3/4 inch converter flux and minus 10 mesh flux) will be paid for at the rate of \$18.00 per dry standard ton two weeks following receipt of material.
- b. Charges: (minus 10 mesh flux only) For each percent above 10% which does not pass a Tyler 10 mesh screen, a charge of \$1.00 per unit, fractions in proportion, will be made.

Any time Phelps Dodge net cost per ton for flux exceeds \$8.80 before penalty deductions, based on 90% recovery of precious metals and example calculation, based on a minimum lot of 200 tons, then this excess amount shall be deducted from the next future shipments.

Example Calculations

Assumptions:

Silver = 3.0 oz/ton  
Silver = \$5.50 per oz  
Gold = 0.015 oz/ton  
Gold = \$400 per oz  
Silica = 74% SiO<sub>2</sub>  
Al<sub>2</sub>O<sub>3</sub> = 4%  
-10 mesh = 95%

I. Calculation of payments per ton due Ash Peak Mines:

	<u>Payments</u>	<u>Penalties</u>	<u>Net</u>	<u>Notes</u>
Ore	\$18.00	-	\$18.00	-
Silver	\$12.375	-	\$12.375	3 oz/ton x 0.75 x \$5.50
SiO <sub>2</sub>	-	<1.00>	<\$1.00>	(75%-74%) x \$1.00/ton
Al <sub>2</sub> O <sub>3</sub>	-	0	-	within specification
-10 mesh	-	0	-	within specification
Total	\$30.375	<\$1.00>	<u>\$29.375</u>	

II. Calculation of Net flux profit <cost> - excluding penalties:

	<u>Costs</u>	<u>Smelter Credits</u>	<u>Notes</u>
Ore:	<\$18.00>	-	
Silver:	<\$12.375>	\$14.850	credit = 3.0 x 0.9 x \$5.50
Gold:	-	\$ 5.40	credit = 0.015 x 0.9 x \$400
Totals	<\$30.375>	\$20.25	

Costs/ton = <30.375>

Credits/ton = 20.25

Net cost/ton = <\$10.125>

Allowed net costs/ton = <\$8.80>

**Amount reduction on future shipment** = (\$10.125 - 8.80) x tons  
= \$1.325 x tons

Section II. Non-Economic Provisions

1. Quantity

- a. Converter flux (sized 3/4" - 1/4") to be delivered at the rate of 1500 tons per month.
- b. Minus 10 mesh flux to be delivered at the rate of 1500 tons per month.

Accepted:

Phelps Dodge Corporation

by

Title

Date

W. K. Langdon

Raw Materials Director

September 30, 1986

Accepted:

Shipper: Arizona Flux Mines, Inc.

by

Title

Date

[Signature]

Pres.

10/8/86

# SAMPLE ANALYSIS REPORT

HIDALGO SMELTER

DATE June 26, 1988

	% Cu	oz/ton Au	oz/ton Ag	% SiO <sub>2</sub>	% Al <sub>2</sub> O <sub>3</sub>	% Fe	% CaO				
Ash Peak Fines(*) 6-25-88	0.05	0.025	5.69	72.1	4.5	3.2	6.7				
(*) Contains material from the following shipper's IDs:											
					47450	6011					
					47467	6013					
					47490	6014					
					47421	"					
					47513	6016					
					47529	"					
					47532	"					
					47589	6019					
					47612	6021					
					47631	6023					
					47632	"					
					47684	7001					
					47698	7003					
					47728	7005					
					47732	"					
					47733	"					
					47731	7021					
					47753	7007					
					47785	7009					
					47834	7012					
					47835	"					
					47850	7013					
					47880	7016					
					47927	7019					
					47971	7023					
					48014	7024					



HELPS-DODGE CORPORATION  
 RECEVE.DAT PRINT OUT

DATES: 16-May-88 THRU 30-Jun-88  
 ASH PEAK FLUX

HIDALGO SMELTER  
 11:50 AM  
 18-Jul-88

REC	INBND DAY #	RECV DAY #	MAT. CODE	LOT NUMBER	GROSS WEIGHT	TARE WEIGHT	NET WEIGHT	% H2O	SHIPPER'S ID NUMBER	BED
1309	88137	88137	59	6011	80320	28710	51610	3.00	47450/3305	F
1384	88138	88138	59	6012	77010	28080	48930	0.90	47466/3306	C
1386	88138	88138	59	6013	77530	27570	49960	1.50	47467/3307	F
1387	88138	88138	59	6012	80390	30040	50350	0.90	47469/3308	C
1435	88139	88139	59	6014	76710	28220	48490	2.00	47490/3311	F
1436	88139	88139	59	6014	80850	30050	50800	2.00	47491/3312	F
1474	88140	88140	59	6015	78340	27420	50920	1.70	47506/3313	C
1475	88140	88140	59	6015	79650	28560	51090	1.70	47511/3314	C
1476	88140	88140	59	6016	75760	28200	47560	4.60	47513/3315	F
1477	88140	88140	59	6015	80290	29920	50370	1.70	47514/3316	C
1519	88141	88141	59	6016	77950	28030	49920	3.40	47529/3318/5220C	
1521	88141	88141	59	6016	79020	28570	50450	3.40	47532/3319	Week Ending 5/20/88
1522	88141	88141	59	6017	79220	30110	49110	2.50	47533/3320	C
1667	88145	88145	59	6018	76630	28010	48620	1.30	47587/3321	C
1668	88145	88145	59	6018	78660	27520	51140	1.30	47588/3322	C
1670	88145	88145	59	6019	79950	29930	50020	2.80	47589/3323	F
1671	88145	88145	59	6020	79800	30030	49770	1.00	47591/3324	C
1731	88146	88146	59	6021	79630	28590	51040	3.50	47612/3327	F
1789	88147	88147	59	6022	80080	29930	50150	1.10	47628/3328	C
1792	88147	88147	59	6022	75040	26700	48340	1.10	47630	C
1793	88147	88147	59	6023	79750	28640	51110	4.00	47631/3330	F
1794	88147	88147	59	6023	80710	30060	50650	4.00	47632/3329	Week Ending 5/27/88
1824	88148	88148	59	6024	78050	27640	50410	2.40	47649/3332	C
1826	88148	88148	59	6024	80270	30130	50140	2.40	47651/3334	C
1961	88151	88153	59	7001	81110	28760	52350	3.70	47684/3337	F
1985	88152	88153	59	7002	78480	27480	51000	1.60	47694/3338	C
1987	88152	88153	59	7002	80060	30000	50060	1.60	47697/3339	C
1988	88152	88153	59	7003	80470	30080	50390	2.80	47698/3340	F
2003	88153	88153	59	7004	77130	28040	49090	1.40	47711	C
2005	88153	88153	59	7004	79890	28650	51240	1.40	47714/3343	C
2017	88153	88153	59	7004	79790	29990	49800	1.40	47726/3344	C
2055	88154	88154	59	7005	80730	28610	52120	3.30	47728/3345	F
2057	88154	88154	59	7020	76920	28130	48790	3.30	47734/3340	F
2058	88154	88154	59	7005	75300	26860	48440	3.30	47732/3350	F
2059	88154	88154	59	7005	80920	29970	50950	3.30	47733/3349	F
2060	88154	88154	59	7021	78130	29500	48630	2.70	47731/3346	C
2072	88154	88154	59	7006	79250	28770	50480	2.70	47748/3351	C
2130	88155	88155	59	7007	72140	26660	45480	3.50	47753/3355	Week Ending 6/3/88
2300	88158	88158	59	7008	80170	30490	49680	1.60	47784/3356	C
2301	88158	88158	59	7009	80740	30180	50560	3.30	47785/3357	F
2303	88158	88158	59	7008	80660	28760	51900	1.60	47787/3350	C
2358	88160	88160	59	7010	79500	28600	50900	2.30	47821/3359	C
2368	88160	88160	59	7010	78930	29830	49100	2.30	47822/3360	C
2398	88161	88161	59	7011	78680	27390	51290	2.00	47832/3361	C
2399	88161	88161	59	7012	79250	28930	50320	5.20	47834/3363	F
2400	88161	88161	59	7012	80020	29790	50230	5.20	47835/3362	F
2402	88161	88161	59	7011	79150	28460	50690	2.00	47836/3364	C
2439	88162	88162	59	7013	75860	27810	48050	5.40	47850/3365	Week ending 6/10/88
2442	88162	88162	59	7014	76440	26870	49570	2.80	47854/3368	C
2449	88162	88162	59	7014	78710	28730	50980	2.80	47861/3369	C
2572	88165	88165	59	7015	79630	29880	49750	2.40	47881/3373	C

Ag = 6.617  
 Au = 454.950

Ag 6.657  
 Au 454.73

Ag 6.8925  
 Au 457.663

Ag 1.201  
 Au 459.9  
 459.920

WHELPS-DODGE CORPORATION

RECEIVE.DAT PRINT OUT

DATES: 16-May-88 THRU 30-Jun-88  
ASH PEAK FLUX

HIDALGO SMELTER

11:50 AM

18-Jul-88

REC	INBND DAY #	RECV DAY #	MAT. CODE	LOT NUMBER	GROSS WEIGHT	TARE WEIGHT	NET WEIGHT	% H2O	SHIPPER'S ID NUMBER	BED
5573	88165	88165	59	7016	79860	28460	51400	3.00	47880/3372	F
5667	88166	88166	59	7017	80850	29880	50970	2.70	47891/3374	C
5743	88168	88168	59	7018	77040	27800	49240	2.20	47928/3376	C
5744	88168	88168	59	7019	79660	29720	49940	5.60	47927/3375	C
5819	88172	88172	59	7022	77980	27210	50770	1.40	47970/3378	C
5820	88172	88172	59	7023	77710	28860	48850	4.60	47971/3379	F
5821	88172	88172	59	7022	79560	29880	49680	1.40	47972/3380	C
5924	88175	88175	59	7024	80030	28120	51910	4.80	48014/3384	C
5925	88175	88175	59	7025	80130	29560	50570	1.80	48013/3383	C
6039	88179	88179	59	7026	80340	29640	50700	3.80	48062/3390	F
6055	88179	88179	59	7027	80440	28260	52180	2.40	48079/3391	C

Week Ending 6/17/88  
Ag 7.078  
Au 450.3

Week Ending 6/24/88  
Ag 7.07  
Au 449  
449.038

\*\*\* TOTALS \*\*\*

Total net weight (tons) = 1,554.5000  
Total net dry weight = 1,512.4468

Total loads = 62

PHELPS DODGE CORPORATION  
 HIDALGO SMELTER  
 ASH PEAK FLUX  
 SILVER PAYMENT WORKSHEET

Date Received	Lot No.	Weight Pounds	% Moisture	Dry Pounds	Dry Tons	Settle Silver	Silver Ounces	Payment
5-16-88	6011	51,610	3.00	50,062	25.03	5.69	142.42	
5-17-88	6013	49,960	1.50	49,211	24.61	5.69	140.03	
5-18-88	6014	99,290	2.00	97,304	48.65	5.69	276.82	
5-19-88	6016	47,560	4.60	45,372	22.69	5.69	129.11	
5-20-88	6016	100,370	3.40	96,957	48.48	5.69	275.85	
5-24-88	6019	50,020	2.80	48,619	24.31	5.69	138.32	
5-25-88	6021	51,040	3.50	49,254	24.63	5.69	140.14	
5-26-88	6023	101,760	4.00	97,690	48.85	5.69	277.96	
6-1-88	7001	52,350	3.70	50,413	25.21	5.69	143.44	
6-1-88	7003	50,390	7.80	46,460	23.23	5.69	132.18	
6-2-88	7005	151,510	3.30	146,510	73.26	5.69	416.85	
6-2-88	7021	48,630	2.70	47,317	23.66	5.69	134.63	
6-3-88	7007	45,480	3.50	43,888	21.94	5.69	124.84	
6-6-88	7009	50,560	3.30	48,892	24.45	5.69	139.12	
6-9-88	7012	100,550	5.20	95,321	47.66	5.69	271.19	
6-10-88	7013	48,050	5.40	45,455	22.73	5.69	129.33	
6-13-88	7016	51,400	3.00	49,858	24.93	5.69	141.85	
6-16-88	7019	49,940	5.60	47,143	23.57	5.69	134.11	
6-20-88	7023	48,850	4.60	46,603	23.30	5.69	132.58	
6-23-88	7024	51,910	4.80	49,418	24.71	5.69	140.60	
		1,301,230		1,251,747	625.90		3,561.37	\$16,497.55

Dollar Reduction of Future Payments

0.00

Total Due

\$16,497.55

Silver \$/oz. 96.617  
 Silver \$/oz. 96.657  
 Silver \$/oz. 96.893  
 Silver \$/oz. 97.201  
 Silver \$/oz. 97.078  
 Silver \$/oz. 97.072

METALS WEEK MAY 20  
 METALS WEEK MAY 27  
 METALS WEEK JUNE 3  
 METALS WEEK JUNE 10  
 METALS WEEK JUNE 17  
 METALS WEEK JUNE 24

3,764.41 Underpayment

20,257.96

1462.03 Weight

19,795.93

Overpayment

26.35

SHIPPER: ASH PEAK FLUX  
PRICES: METALS WEEK :

MAY 20	Ag	=	\$6.617
MAY 27	Ag	=	\$6.657
JUNE 3	Ag	=	\$6.893
JUNE 10	Ag	=	\$7.201
JUNE 17	Ag	=	\$7.078
JUNE 24	Ag	=	\$7.072

DRY TONS:

MAY 16-20	169.46
MAY 24-27	97.79
JUNE 1-3	167.30
JUNE 6-10	94.84
JUNE 13-17	48.50
JUNE 20-24	48.01

Totals 625.90

Payable Silver:

MAY 16-20	964.23	X
MAY 24-27	556.42	X
JUNE 1-3	951.94	X
JUNE 6-10	539.64	X
JUNE 13-17	275.96	X
JUNE 20-24	273.18	X

3,561.37

Less Penalties:

Silica	-	75.0%	-
x>75.0%			
Alumina	-	4.5%	-
x<6.0%			

DRY POUNDS:

MAY 16-20	338,906
MAY 24-27	195,563
JUNE 1-3	334,588
JUNE 6-10	189,668
JUNE 13-17	97,001
JUNE 20-24	96,021

Totals 1,251,747

75% =	723.17	X	\$6.617 =	\$4,785.22
75% =	417.32	X	\$6.657 =	2,778.10
75% =	713.96	X	\$6.893 =	4,920.97
75% =	404.73	X	\$7.201 =	2,914.46
75% =	206.97	X	\$7.078 =	1,464.93
75% =	204.89	X	\$7.072 =	1,448.98

\$18,312.66

2.9%	X (tons)	625.90 =	18.1511
18.1511 tons X 2000 (lbs./ton) /20	lbs	=	1815.11

Penalties applicable: \$1.00 per unit  
One unit = 20 lbs.

\$1.00

TOTAL PAYMENT:

\$1,815.11

\$16,497.55

PHELPS DODGE CORPORATION

HIDALGO SMELTER

CONTRACT PAYMENT FORM

NET COST CALCULATION

Shipper: ASH PEAK

PRICES: METALS WEEK :

MAY 20	Ag	=	\$6.617	MAY 20	Au	=	454.950
MAY 27	Ag	=	\$6.657	MAY 27	Au	=	454.730
JUNE 3	Ag	=	\$6.893	JUNE 3	Au	=	457.663
JUNE 10	Ag	=	\$7.201	JUNE 10	Au	=	459.970
JUNE 17	Ag	=	\$7.078	JUNE 17	Au	=	450.330
JUNE 24	Ag	=	\$7.072	JUNE 24	Au	=	449.080

DRY TONS RECEIVED:

MAY 16-20	169.46
MAY 24-27	97.79
JUNE 1-3	167.30
JUNE 6-10	94.84
JUNE 13-17	48.50
JUNE 20-24	48.01

Totals -----  
===== 625.90 =====

PAYABLE SILVER:

MAY 16-20	964.23	X	75% =	723.17	X	\$6.617 =	\$4,785.22
MAY 24-27	556.42	X	75% =	417.32	X	\$6.657 =	\$2,778.10
JUNE 1-3	951.94	X	75% =	713.96	X	\$6.893 =	\$4,920.97
JUNE 6-10	539.64	X	75% =	404.73	X	\$7.201 =	\$2,914.46
JUNE 13-17	275.96	X	75% =	206.97	X	\$7.078 =	\$1,464.93
JUNE 20-24	273.18	X	75% =	204.89	X	\$7.072 =	\$1,448.98

-----  
3,561.37  
-----

SILVER COST PER TON:

MAY 16-20	\$4,785.22	/	169.46 =	\$28.24	/ ton
MAY 24-27	\$2,778.10	/	97.79 =	\$28.41	/ ton
JUNE 1-3	\$4,920.97	/	167.30 =	\$29.41	/ ton
JUNE 6-10	\$2,914.46	/	94.84 =	\$30.73	/ ton
JUNE 13-17	\$1,464.93	/	48.50 =	\$30.20	/ ton
JUNE 20-24	\$1,448.98	/	48.01 =	\$30.18	/ ton

CREDIT CALCULATIONS:

SILVER							
MAY 16-20	5.690	ounces/ton	X	90% =	5.121 X	\$6.617 =	33.89 / ton
MAY 24-27	5.690	ounces/ton	X	90% =	5.121 X	\$6.657 =	34.09 / ton
JUNE 1-3	5.690	ounces/ton	X	90% =	5.121 X	\$6.893 =	35.30 / ton
JUNE 6-10	5.690	ounces/ton	X	90% =	5.121 X	\$7.201 =	36.88 / ton
JUNE 13-17	5.690	ounces/ton	X	90% =	5.121 X	\$7.078 =	36.25 / ton
JUNE 20-24	5.690	ounces/ton	X	90% =	5.121 X	\$7.072 =	36.22 / ton

CREDIT CALCULATIONS:

GOLD							
MAY 16-20	0.025	ounces/ton	X	90% =	0.0225 X	\$454.95 =	10.24 / ton
MAY 24-27	0.025	ounces/ton	X	90% =	0.0225 X	\$454.73 =	10.23 / ton
JUNE 1-3	0.025	ounces/ton	X	90% =	0.0225 X	\$457.66 =	10.30 / ton
JUNE 6-10	0.025	ounces/ton	X	90% =	0.0225 X	\$459.97 =	10.35 / ton
JUNE 13-17	0.025	ounces/ton	X	90% =	0.0225 X	\$450.33 =	10.13 / ton
JUNE 20-24	0.025	ounces/ton	X	90% =	0.0225 X	\$449.08 =	10.10 / ton

		Costs	Credits	Net Cost
MAY 16-20		18.00	0.00	
Silver		28.24	33.89	
Gold		0.00	10.24	
Total		\$46.24	\$44.13	\$2.11
				\$8.80
				-----
				(\$6.69)

Dollar Reduction of

Dollar Reduction of Future Payments

(\$6.69)X 169.46 = (\$1,133.69)

		Costs	Credits	Net Cost
MAY 24-27		18.00	0.00	
Ore		28.41	34.09	
Silver		0.00	10.23	
Gold				
Total		\$46.41	\$44.32	\$2.09
Contract Net Cost Per Ton				\$8.80
				-----
				(\$6.71)

Dollar Reduction of Future Shipments

Dollar Reduction of Future Payments

(\$6.71)X 97.79 = (\$656.17)

	Costs	Credits	Net Cost
JUNE 1-3			
Ore	18.00	0.00	
Silver	29.41	35.30	
Gold	0.00	10.30	
Total	\$47.41	\$45.60	\$1.81
Contract Net Cost Per Ton			\$8.80
			(\$6.99)
Dollar Reduction of Future Shipments			
Dollar Reduction of Future Payments			
	(\$6.99)X	167.3	= (\$1,169.43)

		Costs	Credits	
JUNE 6-10	Ore	18.00	0.00	
	Silver	30.73	36.88	
	Gold	0.00	10.35	
	Total	\$48.73	\$47.23	\$1.50
	Contract Net Cost Per Ton			\$8.80
				-----
				(\$7.30)

Dollar Reduction of Future Shipments  
Dollar Reduction of Future Payments  
(\$7.30)X 94.84 = (\$692.33)

		Costs	Credits	Net Cost
JUNE 13-17	Ore	18.00	0.00	
	Silver	30.20	36.25	
	Gold	0.00	10.13	
	Total	\$48.20	\$46.38	\$1.82
	Contract Net Cost Per Ton			\$8.80
				-----
				(\$6.98)

Dollar Reduction of Future Shipments  
Dollar Reduction of Future Payments  
(\$6.98)X 48.5 = (\$338.53)

		Costs	Credits	
JUNE 20-24	Ore	18.00	0.00	
	Silver	30.18	36.22	
	Gold	0.00	10.10	
	Total	\$48.18	\$46.32	\$1.86
	Contract Net Cost Per Ton			\$8.80
				-----
				(\$6.94)

Dollar Reduction of Future Shipments  
Dollar Reduction of Future Payments  
(\$6.94)X 48.01 = (\$333.19)



CHINO MINES COMPANY SMELTER  
SHIPPER: ARIZONA FLUX MINES, INC.

ASH PEAK CONVERTER FLUX

	SILVER PAYMENT	Lot	SILVER PAYMENT
WEEK 07/15		65-68C	\$3,587.95
WEEK 07/22		69-74C	\$5,688.24
WEEK 07/29		75-80C	\$4,852.25
WEEK 08/05		81-87C	\$3,669.96
WEEK 08/12		88-89C	\$1,056.60
			<u>\$18,855.00</u>

ASH PEAK FLUX FINES

WEEK 07/15	SILVER PAYMENT	Lot 30-31F	\$1,063.52
WEEK 07/22	SILVER PAYMENT	Lot 32-34F	\$1,685.88
WEEK 07/29	SILVER PAYMENT	Lot 35-37F	\$1,562.70
WEEK 08/05	SILVER PAYMENT	Lot 38F	\$481.46
			<u>\$4,793.56</u>

TOTAL PAYMENT

\$23,648.56

INO MINES COMPANY SMELTER  
IPPER: ARIZONA FLUX MINES, INC.

						SETTLEMENT ASSAYS:				PAYMENT:				PENALTIES:				NET PAYABLE:	
DATE	TRUCK	NET	H2O	DRY	TONS	OZ/TON GOLD	OZ/TON SILVER	% SI02	% AL2O3	OZS GOLD	OZS SILVER	LESS 25%	OZS PAYABLE SILVER	SILVER PAYMENT	SI02 UNITS	AL2O3 UNITS	TOTAL UNITS	COST	
H PEAK CONVERTER FLUX and/or +1/4", -3/4"																			
ek 07/11/88 - 07/15/88																			
-Jul-88	65 C	51,240	2.38	50,020	25.0100	0.035	6.830	76.30	3.80	0.875	170.82	42.71	128.11		0	0	0	\$0.00	913.03
	66 C	50,760	3.58	48,943	24.4715	0.035	6.830	76.30	3.80	0.857	167.14	41.79	125.35		0	0	0	\$0.00	893.36
-Jul-88	67 C	50,480	2.73	49,102	24.5510	0.035	6.830	76.30	3.80	0.859	167.68	41.92	125.76		0	0	0	\$0.00	896.29
-Jul-88	68 C	49,840	2.69	48,499	24.2495	0.035	6.830	76.30	3.80	0.849	165.62	41.41	124.21		0	0	0	\$0.00	885.24
EK 07/15		202,320		196,564	98.282								503.43	\$3,587.95				\$0.00	\$3,587.95
														H&H/OZ=					
														\$7.127					
ek 07/18/88 - 07/22/88																			
-Jul-88	69 C	54,200	2.06	53,083	26.5415	0.035	6.830	76.30	3.80	0.929	181.28	45.32	135.96		0	0	0	\$0.00	
	70 C	50,400	2.66	49,059	24.5295	0.030	6.850	75.50	5.00	0.736	168.03	42.01	126.02		0	0	0	\$0.00	
	71 C	49,880	4.12	47,825	23.9125	0.030	6.850	75.50	5.00	0.717	163.8	40.95	122.85		0	0	0	\$0.00	
-Jul-88	72 C	49,940	3.27	48,307	24.1535	0.030	6.850	75.50	5.00	0.725	165.45	41.36	124.09		0	0	0	\$0.00	
-Jul-88	73 C	48,020	3.09	46,536	23.2680	0.030	6.850	75.50	5.00	0.698	159.39	39.85	119.54		0	0	0	\$0.00	
	74 C	49,860	2.83	48,449	24.2245	0.030	6.850	75.50	5.00	0.727	165.94	41.49	124.45		0	0	0	\$0.00	
EK 07/22		302,300		293,259	146.6295								752.91	\$5,688.24				\$0.00	\$5,688.24
														H&H/OZ=					
														\$7.555					
ek 07/25/88 - 07/29/88																			
-Jul-88	75 C	50,000	2.67	48,665	24.3325	0.025	6.240	77.00	4.50	0.608	151.83	37.96	113.87		0	0	0	\$0.00	
	76 C	51,640	1.75	50,736	25.3680	0.025	6.240	77.00	4.50	0.634	158.3	39.58	118.72		0	0	0	\$0.00	
	77 C	49,840	1.98	48,853	24.4265	0.025	6.240	77.00	4.50	0.611	152.42	38.11	114.31		0	0	0	\$0.00	
-Jul-88	78 C	49,200	2.32	48,059	24.0295	0.025	6.240	77.00	4.50	0.601	149.94	37.49	112.45		0	0	0	\$0.00	
	79 C	50,140	2.80	48,736	24.3680	0.025	6.240	77.00	4.50	0.609	152.06	38.02	114.04		0	0	0	\$0.00	
	80 C	50,580	2.86	49,133	24.5665	0.025	6.240	77.00	4.50	0.614	153.29	38.32	114.97		0	0	0	\$0.00	
EK 07/29		301,400		294,182	147.0910								688.36	\$4,852.25				\$0.00	\$4,852.25
														H&H/OZ=					
														\$7.049					
ek 08/01/88 - 08/05/88																			
-Aug-88	81 C	51,000	3.10	49,419	24.7095	0.020	5.280	77.6	4.8	0.494	130.47	32.62	97.85	670.27	0	0	0	\$0.00	
-Aug-88	82 C	50,480	2.15	49,395	24.6975	0.020	5.280	77.6	4.8	0.494	130.4	32.60	97.80	669.93	0	0	0	\$0.00	
-Aug-88	83 C	49,700	2.80	48,308	24.1540	0.020	5.280	77.6	4.8	0.483	127.53	31.88	95.65	665.20	0	0	0	\$0.00	
-Aug-88	84 C	50,580	2.62	49,255	24.6275	0.020	5.280	77.6	4.8	0.493	130.03	32.51	97.52	668.01	0	0	0	\$0.00	
-Aug-88	85 C	47,900	3.22	46,358	23.1790	0.020	5.280	77.6	4.8	0.464	122.39	30.60	91.79	628.16	0	0	0	\$0.00	
-Aug-88	86 C	51,240	2.99	49,708	24.8540	0.020	4.200	77.5	3.5	0.497	104.39	26.10	78.29	526.28	0	0	0	\$0.00	
-Aug-88	87 C	49,260	3.70	47,437	23.7185	0.020	4.200	77.5	3.5	0.474	99.62	24.91	74.71	511.76	0	0	0	\$0.00	
EK 08/05		350,160		339,880	169.9400								535.76	\$3,669.96				\$0.00	\$3,669.96
														H&H/OZ=					
														\$6.850					
ek 08/08/88 - 08/12/88																			
-Aug-88	88 C	50,760	0.91	50,298	25.1490	0.020	4.200	77.5	3.5	0.503	105.63	26.41	79.22		0	0	0	\$0.00	
-Aug-88	89 C	50,860	1.88	49,904	24.9520	0.020	4.200	77.5	3.5	0.499	104.8	26.20	78.60		0	0	0	\$0.00	
EK 08/12		101,620		100,202	50.1010								157.82	\$1,056.60				\$0.00	\$1,056.60
														H&H/OZ=					
														\$6.695					

Received Check  
for \$670.27  
8-10-13-88

CHINO MINES COMPANY SMELTER  
SHIPPER: ARIZONA FLUX MINES, INC.

ASH PEAK FLUX FINES (Minus 10 mesh )																			NET PAYABLE:	
DATE	TRUCK	NET	%H2O	DRY	TONS	OZ/TON GOLD	SETTLEMENT ASSAYS: OZ/TON SILVER	% SI02	% AL2O3	OZS GOLD	PAYMENT: OZS SILVER	LESS 25%	OZS PAYABLE SILVER	SILVER PAYMENT	PENALTIES: SI02 UNITS	AL2O3 UNITS	TOTAL UNITS	COST		
Week 07/11/88 - 07/15/88																				
11-Jul-88	30 F	50,440	5.67	47,580	23.7900	0.050	5.420	68.00	4.00	1.19	128.94	32.24	96.70		7	0	7	\$166.53		
13-Jul-88	31 F	51,220	3.87	49,238	24.6190	0.050	5.420	68.00	4.00	1.231	133.43	33.36	100.07		7	0	7	\$172.33		
WEEK 07/15		101,660		96,818	48.4090							TOTAL	196.77	\$1,402.38				\$338.86	\$1,063.52	
														H&H/OZ=						
														\$7.127						
Week 07/18/88 - 07/22/88																				
20-Jul-88	32 F	49,260	4.53	47,029	23.5145	0.050	5.420	68.00	4.00	1.176	127.45	31.86	95.59		7	0	7	\$164.60		
	33 F	51,360	5.3	48,638	24.3190	0.050	5.420	68.00	4.00	1.216	131.81	32.95	98.86		7	0	7	\$170.23		
22-Jul-88	34 F	49,000	5.05	46,526	23.2630	0.050	5.420	68.00	4.00	1.163	126.09	31.52	94.57		7	0	7	\$162.84		
WEEK 07/22		149,620		142,193	71.0965							TOTAL	289.02	\$2,183.55				\$497.67	\$1,685.88	
														H&H/OZ=						
														\$7.555						
Week 07/25/88 - 07/29/88																				
25-Jul-88	35 F	50,500	5.26	47,844	23.9220	0.050	5.420	68.00	4.00	1.196	129.66	32.42	97.24		7	0	7	\$167.45		
	36 F	50,000	5.06	47,470	23.7350	0.050	5.420	68.00	4.00	1.187	128.64	32.16	96.48		7	0	7	\$166.15		
	37 F	51,660	5.1	49,025	24.5125	0.050	5.420	68.00	4.00	1.226	132.86	33.22	99.64		7	0	7	\$171.59		
WEEK 07/29		152,160		144,339	72.1695							TOTAL	293.36	\$2,067.89				\$505.19	\$1,562.70	
														H&H/OZ=						
														\$7.049						
Week 08/01/88 - 08/05/88																				
11-Aug-88	38 F	48,540	4.83	46,196	23.0980	0.050	5.420	68.00	4.00	1.155	125.19	31.30	93.89	\$643.15		0	7	\$161.69	\$481.46	
														H&H/OZ=						
														\$6.850						
														Penalty						
														\$1,503.41						



**A.F. Budge (Mining) Limited**

P.O. Box 143  
Clarkdale, AZ 86324  
(602) 634-7712

4301 North 75th Street  
Suite 101  
Scottsdale, AZ 85251-3504  
(602) 945-4630  
FAX (602) 949-1737

P.O. Box 20878  
Wickenburg, AZ 85358  
Mobile (602) 376-9056

October 26, 1988

Mr. Ronald Ashcroft  
1652 E. Grove  
Mesa, AZ 85204

Re: Silver Quartz-Flux Mine

Dear Mr. Ashcroft:

Thank you for taking the time to meet with us last Tuesday and to discuss the merits of the Silver Quartz-Flux Mine.

A.F. Budge (Mining) Limited would like to pursue this matter further. We would specifically like to make some arrangements for our personnel to visit the operation and meet with the operators. It is our understanding that if this visit results in a continuing interest on our part, an option agreement would be negotiated.

Also, by this letter, A.F. Budge (Mining) Limited would, contingent upon the successful acquisition of an equity position in this operation, enter into good faith negotiations with you and your associates for an equitable arrangement or reasonable finder's fee in consideration of your bringing this opportunity to our attention.

Sincerely,

Carole A. O'Brien  
Mining & Financial Coordinator

c: A.F. Budge

MEMO

To: A.F. Budge  
R. Short  
C. O'Brien  
D. Allen  
J. Norby

Date: May 21, 1989

Copies: File

From: John McKenney

Subject: Ash Peak Drill Program Update

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A two hole diamond drill program at Ash Peak was completed on May 17, 1989. The purpose of the second hole, D.D.H. B-2 was to test the continuity and tenor of the Ash Peak vein system at approximately 2,000' below the surface and, more importantly, to search for favorable sedimentary rocks that could host major silver/base metal/manto type ore deposits. Hole B-2 was begun on April 21, 1989 and completed on May 17, 1989. The hole was drilled 2,564' at an average angle of 72.5°. This represents a verticle penetration of 2,444.06' below the collar of the hole. A hanging wall vein of the Ash Peak structure was penetrated at 2,184.7' and had a true width of 0.42'. A second and final vein was penetrated at 2,184.3' and had a true width of 1.43'. A weak to moderately brecciated and silicified footwall zone of 44' (true width) was then penetrated. Eight feet of core (3.4' true width) of this footwall zone was lost due to unavoidable drilling problems. Assay results from this hole are expected by the end of this week. The hole bottomed in volcanic rock. No potentially favorable sedimentary host rocks were encountered. A summary report will follow this memo after all assay results are received.