



CONTACT INFORMATION
Mining Records Curator
Arizona Geological Survey
416 W. Congress St., Suite 100
Tucson, Arizona 85701
602-771-1601
<http://www.azgs.az.gov>
inquiries@azgs.az.gov

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A. F. Budge (Mining) Limited

7340 E. Shoeman Lane, Suite 111 "B" (E)

Scottsdale, AZ 85251-3335

(Business Office)

Telephone: (602) 945-4630

Telex: 751739

April 6, 1987

James H. Lundy Jr.
Inspiration Mines Inc.
Mine Department
Box 4444
Claypool, Arizona 85532

Mr. Lundy:

This letter is to acknowledge our phone conversation of April 3. As we discussed, A. F. Budge (Mining) Limited is continuing with exploration at the UVX Mine located in Jerome, Arizona. Our objective is to develop sufficient quantities of material suitable as smelter flux.

The primary objective of my phone call was to determine your acceptable limits on undersize and oversize material. That is +1 3/4 inch and -1/4 inch material. Your response was that dust control in handling the material was of utmost importance. We feel that normal dry screening methods will produce a clean product and will not cause any problems in your plant.

As part of other metallurgical testing, samples are being crushed to determine the ore's tendency to produce fines. Screened fractions are to be assayed to determine if there is any concentration of values in the fines. Should this material produce a "high grade" fine fraction, I understand you may be interested in purchasing it as well.

As you can see, there are still a number of unanswered questions. We intend to keep the lines of communication open so that should our exploration results prove worthwhile, we can develop a mutually beneficial arrangement.

Regards,

A. J. Fernandez
Senior Mining Engineer



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A. J. Fernandez
Senior Mining Engineer



Inspiration Consolidated Copper Company

P.O. BOX 4444
CLAYPOOL, ARIZONA 85532

A Subsidiary of Inspiration Resources Corporation

Mining Division
Ph. (602) 473-7064

April 4, 1988

Ms. Carole O'Brien
A. F. Budge (Mining) Limited
7340 E. Shoeman Lane, Suite 111-B (E)
Scottsdale, Arizona 85251-3335

Dear Ms. O'Brien:

After receiving your telecopier enquiry of March 29, I pulled the "UVX" file for review. Apparently after our correspondence with Mr. A. J. Fernandez in April of 1987, we never did establish what the physical results might be if we crushed to -1 and $3/4$ ", $+ 1/2$ ", to produce a clean converter flux. You may recall I expressed some concern that the values might stay with the $+ 25$ percent "fines" so produced, thus leaving an impoverished coarse product which would be great flux, but would be, essentially barren of any precious metal content.

Have you made this determination, and concluded in fact, that the grade of both fractions will be nearly equal? We would like to have an approximate 10 pound sample of this coarse material, which you believe will be representative of run-of-the-mine ore.

As to your specific questions:

1. You may contact Flux Operations, Mining Division, Inspiration Consolidated Copper Company, P. O. Box 4444, Claypool, Arizona 85532. Samples should be sent to the I.C.C.Co. Open Pit Office, c/o #3 Warehouse, Miami, Arizona 85539 (UPS delivers to our warehouse daily).
2. A single truck load (10 wheeler at $+ 15$ tons, or semi-trailer at $+ 22$ tons) or a single railroad gondola would be sufficient for testing the actual suitability of the ore.
3. Since no shipment would be authorized prior to our executing a contract between UVX and Inspiration, should we agree to purchase flux from UVX, that detail would be spelled out, and dumping or unloading arrangements made well in advance.

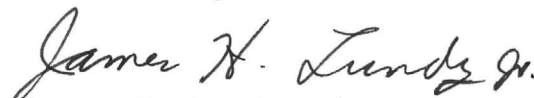
4. Since we are not soliciting any furnace products except concentrates, and this schedule is maintained well in advance, it is unlikely that we would ever have an interest in your "fines". Phelps Dodge, ASARCO, and Magma Copper all use a "fine" silica product in their furnaces. You might contact these corporations at their local smelter operations.

As stated in our earlier correspondence, we are always interested in a converter flux which will be more valuable to us than the near-barren local quartzite. However, we have grave doubts that your product can be mined underground, and shipped ± 200 miles and compete economically.

In 1987, our local converter flux averaged 93.18 percent SiO₂, 1.77 percent Al₂O₃, 1.48 percent Fe, 0.58 percent CaO, and 0.18 percent S. It also contained measurable amounts of copper, silver, and gold.

In summation, we are not prepared at this time to offer any encouragement for the sale of your product to ICCCo. However, if you now have confidence that you can compete economically in delivering a gold bearing coarse silica product at a rate of 500 tons per week for 50 weeks, then we will consider it. You may send several bulk samples (two gallon plastic buckets) to the mine for analysis, as indicated above, and we will give them serious consideration.

Yours truly,


James H. Lundy, Jr.
Sr. Process Engineer

xc: D. Prah1
A. Tittes
File
079/88

M E M O

TO: Carole A. O'Brien, A.F. Budge
 FROM: Don White
 DATE: April 10, 1988
 SUBJECT: Smelter terms for U.V.X. flux ores

I was able to glean some more information on smelter terms in the course of my own affairs in Tucson last week.

An important precedent I heard about is a tailings pile near Douglas which has been shipped to P.D.'s Hidalgo smelter. Hidalgo was so hungry for it that P.D. offered to pick up the truck freight charge and the operators got straight 95% terms for gold and silver. In other words, no deductibles.

Such terms are dramatically superior to their straight contract which specifies deductibles of the first .03 oz/t Au, 0.5 oz/t Ag, and 0.5% Cu, plus a 10% treatment charge taken on the payable Au, Ag, and Cu combined. And they make no payment for the flux itself.

I have summarized the advantages and disadvantages of Hidalgo versus the only other smelter known to be seeking flux within range of U.V.X., the Inspiration smelter. Also summarized are what is known of their specifications, payment terms, and contracts. The gaps in the charts ought to be filled in but, most importantly, face-to-face negotiations based upon the U.V.X. ore specifications ought to be commenced. The iron oxide (as opposed to sulfide) issue and iron maxima and penalties must be understood before we can figure what is ore at U.V.X.

The iron issue is tied to the alumina, volatiles, sizing, and flux payment issues, all of which are crucial to planning for the U.V.X.

In general, the 95% smelter payments for precious metals with no outlay for on-site plant (except perhaps sizing equipment) is almost surely better than the leaching recovery rates coupled with plant costs and permitting delays (average 18 months from time of application). That is despite the truck or rail haulage charges. The recoveries of silver by leaching are abysmally low, even for the silica grit (~ 20%) which is the only material well suited to gold leaching. The grit often has nearly half its value in silver (i.e., .15 oz/t Au, 10.0 oz/t Ag). So, as I see it, smelter dealings are crucial to all planning and progress at the U.V.X.

In lieu of anyone else getting to it, I would love to commence the smelter negotiations as soon as I can wrap up the now pressing section and plan compilations and reserve calculations. I believe I could plan to visit Hidalgo and Inspiration in May. Let me know if this is desirable.

Advantages & Disadvantages of
Hidalgo vs. Inspiration
for U.V.X. Flux Sales

Hidalgo

Advantages

- 1) No sizing by Budge
- 2) Can probably negotiate 95% straight Au & Ag payments
- 3) They need much flux

Disadvantages

- 1) No flux payment
- 2) Treatment charge of 10% of payable Au + Ag + Cu (if not eliminated by negotiation)
- 3) Fe penalty of .30/unit above 6 wt % Fe
- 4) Longer haul distance

Inspiration

Advantages

- 1) No specific Fe maximum stated in contract as long as $\text{SiO}_2 - \text{Fe} - \text{Al}_2\text{O}_3 \geq 75\%$. Since U.V.X. Al_2O_3 is near zero Fe could theoretically approach 25%
- 2) Flux is payed for at \$7.50/s.t.
- 3) Closer to U.V.X., shorter haul

Disadvantages

- 1) Sizing specifications are rigid
- 2) Moisture content maximum is 5%

Smelter Flux Specifications

Company	<u>P.D.</u>	<u>ASARCO</u>	<u>Inspiration</u>	<u>Magma</u>
Smelter	<u>Hidalgo</u>	<u>Hayden</u>	<u>Inspiration</u>	<u>San Manuel</u>

Smelter type: All are base metal (principally copper-molybdenum) sulfide oriented

Capacity (typ)		720,000		800,000
----------------	--	---------	--	---------

Silica Flux Consumption (typ)			≤ 60,000	
-------------------------------	--	--	----------	--

Sizing	None required Done on-site(?)	Converter -3/4" +1/4" Furnace 100% -10 mesh	≤ 4,000 tpm -2" + 1/4" ≤ 800 tpm - 1/4"
--------	----------------------------------	--	--

Minimum and maximum chemical specifications and monetary penalties (parentheses) per unit (1%)

Min SiO ₂ %	75 (.50)	85	75 (SiO ₂ - Fe - Al ₂ O ₃)	
Max Fe %	6 (.30)	3		
Max Al ₂ O ₃ %	4 (.30)	5		
Max CaO %	3 (.30)			
Max Pb %	.3 (.30)			
Max Zn %	.3 (.30)			
Max As%	.3 (.30)			
Max Sb+Bi+Cd %	.2 (8.00)			
Max F1 %	.05 (2.00)			
Max Cl %	.05 (2.00)			
Max H ₂ O %	10 (.30)		5	
Flux Status	Needed	Not needed	Needed	Unknown

Inactive Smelters:

P.D.'s	Douglas smelter	- shut down permanently
P.D.'s	Morenci smelter	- inactive
P.D.'s	New Cornelia	- inactive
Kennecott's	Hayden	- inactive

Smelter Settlement Terms

P.D.

Inspiration

Hidalgo

Inspiration

Percentage payment above deductible (parenthesis) in ounces Au, Ag; percent Cu

Gold	95 (.03)	85 - \$4.00/oz Min. .05 oz/t for payment
Silver	95 (0.5)	85 (0.35) Min. 1.0 oz/t for payment
Copper	95 (0.5)	90 (0.25)
Silica pmt (\$/s.t.)	None	7.50
Treatment charge	10% of payable Au + Ag + Cu	None

Smelter Contacts

1) Phelps Dodge Corporation - Hidalgo Smelter

Don Farquhar - negotiates flux contracts
Morenci, AZ office - 602/865-4521

Eric Partelpoeg - Ast. Supt., Hidalgo Smelter
Hidalgo, NM - 505/436-2211

Pat Ryan - Senior V.P. - Phoenix, AZ
2600 North Central Ave.
Phoenix, AZ 85004
602/234-8100

2) ASARCO, Inc. - Hayden Smelter

Lawrence W. Lindquist - Manager
David J. Parker - General Superintendent
Thomas L. Aldrich - Material Handling Supt.
K.C. Newman - Purchasing Agent
P.O. Box 98
Hayden, AZ 85235
602/356-7804

3) Inspiration Mines, Inc. - Inspiration Smelter

Kenneth Larson - Mgr. Smelter Operations Div.
James H. Lundy, Jr. - Senior Process Engineer
Al Binegar
Globe-Miami Hwy.
P.O. Box 1559
Claypool, AZ 85532
602/473-7000

4) Magma Copper Company - San Manuel Smelter

J.D. McCain - Supt., Smelter Operations
P.O. Box M
San Manuel, AZ 85631
602/385-3100

PHELPS DODGE CORPORATION
2600 NORTH CENTRAL AVENUE
PHOENIX, AZ 85004

PURCHASE CONTRACT

DATE _____

SHIPPER

ADDRESS

MATERIAL

Siliceous Fluxing Ore

ANALYSIS

Au	_____ oz/ton	S	_____ %	As	_____ %
Ag	_____ oz/ton	Fe	_____ %	Sb	_____ %
Cu	_____ %	CaO	_____ %	Bi	_____ %
SiO ₂	_____ %	Al ₂ O ₃	_____ %	Cd	_____ %
		Pb	_____ %	F	_____ %
		Zn	_____ %	Cl	_____ %

DELIVERY

F.O.B. _____ 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.

Gold: Deduct 0.03 tr. oz. per dry ton and pay for 95 % of balance at the weekly average Handy and Harmon quotation in Metals Week; for the week ending Friday in which the shipment is received.

Silver: Deduct 0.5 tr. oz. per dry ton or 10% of the silver content, whichever is the greater, and pay for 95 % of balance at the weekly average Handy & Harmon quotation in Metals Week for the week ending Friday in which the shipment is received.

Copper: Deduct 10 lbs. per dry ton and pay for 95 % of the balance at the average U.S. Prod. Ref. quotation in Metals Week less 15 ¢ per pound of copper, for the week ending Friday in which the shipment is received.

CHARGES

→ Treatment Charge: 10% of the payable gold, silver and copper content.

Silica: Ore less than 75% SiO₂ will be charged at \$0.50 per unit (1 percentage point = 1 unit = 20 lbs.) fractions in proportion.

X Iron: Above 6 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Lime: Above 3 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Alumina: Above 4 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Determination for the following impurities shall be made on a weighted monthly composite sample.

Lead: Above 0.3 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Zinc: Above 0.3 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Arsenic: Above 0.3 %, charge excess at \$ 0.30 per unit, fractions in proportion.

Antimony:) Combined,
Bismuth:) Above 0.2 %, charge excess at \$ 8.00 per unit, fractions in proportion.
Cadmium:)

Fluorine: Above 0.05 %, charge excess at \$ 2.00 per lb., fractions in proportion.

Chlorine: Above 0.05 %, charge excess at \$ 2.00 per lb., fractions in proportion.

Moisture: Above 10 %, charge excess at \$ 0.30 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 lbs.

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 _____ 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 _____ 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 variations 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 _____ 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 _____ Branch, Phelps Dodge Corporation, hereunder, and that it will have good title to all siliceous material delivered to the _____ Branch, Phelps Dodge Corporation, and the Shipper agrees to indemnify and hold the _____ Branch, Phelps Dodge Corporation, from any and all claims, demands, obligations and liabilities of any kind whatsoever that may be asserted against the _____ Branch, Phelps Dodge Corporation, for or on account of siliceous material delivered hereunder, or the purchase thereof.

FORCE MAJEURE

Either party hereto 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 _____ 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 _____ Branch, Phelps Dodge Corporation are suspended or curtailed on account of any such cause.

Payments 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 _____

Title _____

Date _____

Accepted:

(Shipper)

by _____
(Authorized Rep. For Shipper)

Title _____

Date _____

John M. Robertson

Ore Buyer-
Western Operations

***phelps
dodge***
U Corporation

Phelps Dodge Tower, 2600 N. Central Ave.
Phoenix, Arizona 85004-3015

Telephone: Phoenix (602) 234-8138

Ajo (602) 387-7510

7/3/86

Carole:

Its a toss up as to whether my
handwriting or typing is the worst,
however handwriting is faster.

Attached is our standard contract
for Dlx for your information. I've
also included John Duhamel's
report

Hope your venture pans out.

Sincerely
Jim Johnston

DMEA LTD.

JUL 5 1986

RECEIVED

Don
FARQUHAR
Mormon

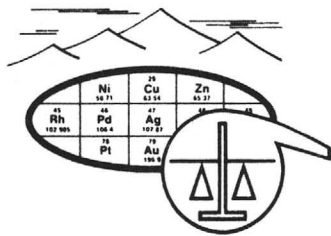
PHELPS DODGE CORPORATION
NEW CORNELIA BRANCH
P.O. DRAWER 9
AJO, ARIZONA 85321

Flux pay schedule
(metal)
0.25 oz/Au at \$335/oz

$$\begin{aligned} \text{PO } (0.25 - 0.03) \cdot 95 \times 335 \\ = 70.01 \\ - 7.00 \text{ treatment charge} \\ \hline 63.00 \end{aligned}$$

$$\begin{aligned} \text{Insp. } 0.25 \times 95 \times 331 \\ = 70.33 \end{aligned}$$

	<u>Inspiration</u>	<u>Phelps Dodge</u>	<u>C-I-L Plant</u>
Gold	pay 85 percent minus \$4.00/oz	minus 0.03 oz/t pay 95 percent treatment charge of 10 percent	85 percent recovery
Silver	pay 85 percent minus \$0.35/oz	minus 0.5 oz/t pay 95 percent treatment charge of 10 percent	70 percent recovery
Silica	over 75 percent pay \$7.50/t	no pay penalty if under 75 percent	no pay
Iron	no penalty as long as silica content at 75 percent	penalty if iron over 6 percent	
"Gross" per ton 0.172 oz/t Au 2.68 oz/t Ag 75% silica \$400/oz Au \$6/oz Ag	\$78.27	\$59.75	\$69.74
Mining	(\$60.00)	(\$60.00)	(\$60.00)
Transportation	(\$15.00)	(\$13.00)	\$0.00
Capital	\$0.00	\$0.00	(\$3.00)
Processing	\$0.00	\$0.00	(\$9.00)
"Net" per ton	\$3.27	(\$13.25)	(\$2.26)
"Gross" per ton 0.267 oz/t Au 3.31 oz/t Ag 75% silica \$400/oz Au \$6/oz Ag	\$113.27	\$95.47	\$104.68
Mining	(\$60.00)	(\$60.00)	(\$60.00)
Transportation	(\$15.00)	(\$13.00)	\$0.00
Capital	\$0.00	\$0.00	(\$3.00)
Processing	\$0.00	\$0.00	(\$9.00)
"Net" per ton	\$38.27	\$22.47	\$32.68



SKYLINE LABS, INC.
1775 W. Sahuaro Dr. • P.O. Box 50106
Tucson, Arizona 85703
(602) 622-4836

REPORT OF ANALYSIS

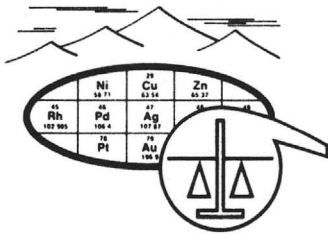
JOB NO. UQX 043
July 2, 1986
PAGE 1 OF 1

A.F. BUDGE (MINING) LIMITED
Attn: Mr. Ben F. Dickerson, III
DMEA Ltd.
7340 E. Shoeman Lane, 111-B (E)
Scottsdale, Arizona 85251

Analysis of 13 Pulp Samples

ITEM	SAMPLE NUMBER	MnO (%)	Hg (ppm)	As (ppm)
1	806-1-518-522	<.01	1.00	360.
2	806-1-544-546	<.01	1.30	120.
3	806-1-552-554	.02	3.10	2200.
4	806-1-560-562	<.01	1.30	630.
5	806-1-576-578	<.01	.78	30.
6	901-3-268-272	.01	.20	90.
7	901-3-272-274	<.01	.24	740.
8	901-3-300-302	<.01	1.00	140.
9	901-3-314-316	<.01	2.40	80.
10	901-3-339-343	.02	.26	210.
11	1104-1-245-250	<.01	1.80	220.
12	1104-1-280-285	<.01	.22	30.
13	1104-1-285-290	<.01	.15	250.

cc: Mr. Don White
521 East Willis St.
Prescott, AZ 86301



SKYLINE LABS, INC.
 1775 W. Sahuaro Dr. • P.O. Box 50106
 Tucson, Arizona 85703
 (602) 622-4836

REPORT OF ANALYSIS

JOB NO. UQX 043
 July 2, 1986
 PAGE 1 OF 1

DMEA LTD.

JUL 5 1986

RECEIVED

A.F. BUDGE (MINING) LIMITED
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 DMEA Ltd.
 7340 E. Shoeman Lane, 111-B (E)
 Scottsdale, Arizona 85251

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4	806-1-560-562	<.01	1.30	630.
5	806-1-576-578	<.01	.78	30.
6	901-3-268-272	.01	.20	90.
7	901-3-272-274	<.01	.24	740.
8	901-3-300-302	<.01	1.00	140.
9	901-3-314-316	<.01	2.40	80.
10	901-3-339-343	.02	.26	210.
11	1104-1-245-250	<.01	1.80	220.
12	1104-1-280-285	<.01	.22	30.
13	1104-1-285-290	<.01	.15	250.

UQX

cc: Mr. Don White
 521 East Willis St.
 Prescott, AZ 86301

REGISTERED ASSAYER
 CERTIFICATE NO.
 9425
 WILLIAM L.
 LEHMBECK
 SIGNED
 William L. Lehmbek
 Manager
 Arizona U.S.A.

473-7072

400
.23

$\frac{1}{36}$

Doug Modrow -

6
-10 mark

$\frac{10}{91}$

gold coin - .02 x 95%
hard pine - \$6.00

no more
- 1/4 6-7%

no more 3/4" for 6-7%

S. Tom - - 10¢ 95%
hand H - 30¢

maybe EL PASO -

+ .25 OPT New York registries - contact

ASARCO

Hayden Plant

Lawrence W. Lindquist
Manager

David J. Parker
General Superintendent

Robert A. Moon
Accounting Manager

DMEA LTD.

MAY 23 1986

RECEIVED

May 22, 1986

Carole A. O'Brien
DMEA Ltd.
7340 E. Shoeman Lane
Suite 111 "E" (E)
Scottsdale, Arizona 85251

*How does this
compare w/last?
Steve Jones*

Dear Ms. O'Brien:

Enclosed is a copy of Hayden Hand Sample #3881 which reportedly is from the United Verde Mine at Jerome, Arizona. The sample was mailed to the Hayden Plant by Mr. Don White.

General flux specifications at the Hayden Plant are as follows:

Converter Flux

Size: 3/4" + 1/4"
SiO₂: 85%
Fe: 3%
Al₂O₃: 5%

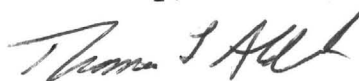
Furnace Flux

Size: 100% - 10 mesh
SiO₂: 85%
Fe: 3%
Al₂O₃: 5%

Naturally, any gold and silver contained in an ore is a benefit. At this time, the Hayden Plant is not in any need of flux. However, if a need does arise, we will contact you.

Thank you,

Sincerely,



Thomas L. Aldrich
Material Handling Superintendent

TLA:anl

cc: D.J. Parker
S. Gasser, New York Office
D. White, Prescott, Arizona

Aldrich

ASARCO INCORPORATED
HAYDEN PLANT
ASSAY CERTIFICATE

DATE ASSAYED 5/7 19 86

MARKED Hand Sample #3881

LOT NO.	GOLD OUNCES PER TON	SILVER OUNCES PER TON	LEAD %	COPPER %	SiO ₂ %	FE %	CaO %	Zn %	S %	Al ₂ O ₃ %	
	.071	.66	.05	.04	91.4	2.0	1t.1	18.01	1t.1	.3	
					As %	Sb %	Bi %	Cd %	Ni %		
					1t.01	.02	1t.01	1t.01	1t.01		

BY 
 REGISTERED ASSAYER
 CERTIFICATE NO. 10618
 GLENN DREW
 Date Signed.....
 APR 1986 U.S.A.

CHEMIST



A. F. Budge (Mining) Limited

7340 E. Shoeman Lane, Suite 111 "B" (E)

Scottsdale, AZ 85251-3335

(Business Office)

Telephone: (602) 945-4630

Telex: 751739

June 25, 1987

Mr. James H. Lundy, Jr.
Senior Process Engineer
Inspiration Mines, Inc.
P.O. Box 1559
Claypool, AZ 85532

Dear Mr. Lundy:

Enclosed per your telephone request today, is a copy of your original letter of May 5, 1986, and a compilation of analyses from 3 of our drill holes from the UVX Mine in Jerome. The back-up assay sheets are also copied for your information, and as a cross-check to my list.

As you can see we have some pretty high iron values. We think it is possible to blend our mine run material in order to produce an acceptable iron content for the smelter.

We are currently renovating our hoist and making a pocket and loading facility underground. We hope to be able to send you a test shipment sometime in August or early September.

Sincerely,

Carole A. O'Brien

encls.



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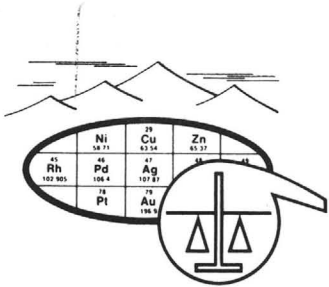
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Sincerely,

Carole A. O'Brien

encls.



SKYLINE LABS, INC.
1775 W. Sahuaro • P.O. Box 50106
Tucson, Arizona 85703
(602) 622-4836

INVOICE
NET 30 DAYS

JOB NO. UQX 047A
May 15, 1987
M1-120-122 TO
M3-181-185
RECEIVED 3-16-87

A.F. BUDGE (MINING) LIMITED
Attn: C. A. O'Brien
DMEA Ltd.
7340 E. Shoeman Lane, 111-B (E)
Scottsdale, Arizona 85251

Analysis of 5 Pulp Samples

5 SiO ₂ (%) @ \$ 7.50.....	\$ 37.50
5 Al ₂ O ₃ (%) @ \$ 5.25.....	\$ 26.25
5 FeO(%) @ \$ 7.00.....	\$ 35.00
5 Fe ₂ O ₃ (%) @ \$ 5.25.....	\$ 26.25
5 CaO(%) @ \$ 5.25.....	\$ 26.25
5 MgO(%) @ \$ 5.25.....	\$ 26.25
5 K ₂ O(%) @ \$ 5.25.....	\$ 26.25
5 Na ₂ O(%) @ \$ 5.25.....	\$ 26.25

TOTAL \$ 230.00

Inspiration Mines Inc. (IMI) agrees to purchase and _____ agrees to deliver for IMI's requirements of silica flux material (flux) for the smelting operations at Inspiration, Gila County, Arizona, for the period, at the price, and upon the terms and conditions herein set forth.

1. Term. The term shall commence on _____ and shall be for one year to and including _____

2. Quantity. _____ may furnish IMI's requirements of flux for the smelting operations at Inspiration, Gila County, Arizona up to 50,000 tons annually at a rate of 4,000 tons per calendar month of coarse flux (larger than 1/4", but not more than 2" screen mesh size) and up to 10,000 tons annually at a rate of 800 tons per calendar month of fine flux (less than 1/4" screen mesh size). If these quantities cannot be delivered, IMI may at its sole option, substitute those amounts from another source.

3. Quality. The flux to be furnished by _____ to IMI will be a minimum grade of % SiO_2 - % Al_2O_3 - % Fe = 75%. If at any time the quality of the flux is incompatible with Inspiration's smelting operation for any reason, whether or not it meets this quality specification, IMI may terminate this agreement without prior notice.

_____ will make every effort to keep moisture at minimum levels. IMI shall have the right to refuse flux with over 5% moisture.

4. Delivery. _____ will deliver the flux to IMI at Miami, Gila County, AZ., or its smelter yard, as specified from time to time by IMI. _____ will be responsible for and pay all costs and expenses for shipment of product including, but not limited to, freight and insurance insofar as these costs and expenses apply thereto.

5. Price. IMI will pay _____ for flux an amount determined as follows:

A. Copper. If copper assay is more than 0.25%, pay for 90% of the copper content in excess of 0.25% (5 lbs. per ton) at Inspiration's quoted price for copper cathodes on date of settlement less 15 cents per pound. No payment will be made for copper in flux assaying 0.25% or less copper.

B. Silver. Pay for 85% of silver content at the average Handy & Harman refined quotation as published in "Metals Week" for the second calendar month following the calendar month product is considered received, less \$0.35 per troy ounce. No payment will be made for silver in ore assaying less than one troy ounce per dry ton.

C. Gold. Pay for 85% of gold content at the Handy & Harman monthly average final price as published in "Metals Week" for the second calendar month following the calendar month product is considered received, less \$4.00 per troy ounce. No payment will be made for gold in ore assaying less than 0.05 ounces per dry ton.

D. Silica. If the silica content is sufficient for the net of silica less the percent of alumina plus iron to equal 75%, or more; pay \$7.50 per ton. No payment will be made for silica if the content of silica less the alumina and the iron content is less than 75%.

6. Weighing and Sampling. Weighing, sampling and moisture determination shall be performed at IMI's expense in accordance with its standard practice at its smelter, and weight and moisture contents so determined shall be final. _____ at its own risk and expense, may have a representative present. After weighing and sampling, flux delivered by _____ may be placed in process or otherwise disposed of by IMI.

Samples shall be divided into three parts, one for IMI, one for _____ and one for use of an Umpire in the event of disagreement on assays. If _____ does not submit an assay to IMI, IMI's assay shall control. Silver and gold assays shall be determined by fire assay and reported on an uncorrected basis. IMI's determination of silica will be final. If the assays of the parties for such metals do not differ by more than the following splitting limits:

Copper	0.20%
Silver	0.20 oz. per ton (opt)
Gold	0.01 oz. per ton (opt)

The average of such assays for that metal shown governs. If any such assay differs by more than the applicable splitting limit, an assay for that metal shall be an Umpire from the Umpire sample. In such event, the Umpire's assay (if it falls between the assays of the parties) or the assay of the party nearer that of the Umpire (if the Umpire assay does not fall between the assays of the parties) shall be the controlling assay of such metal and shall govern. Charges for the Umpire shall be paid by the party whose assay is further from that of the Umpire. If the Umpire assay falls exactly between assays of the parties, the cost shall be borne equally by each party. The Umpire shall be determined by mutual agreement of IMI and _____, but if parties cannot agree, the umpire shall be sent to Root & Simpson, of Denver, Colorado, or Union Assay Office, Inc. of Salt Lake City, Utah at the election of IMI.

IMI shall have the right to dispose of any lot immediately after weighing, sampling and moisture determination.

7. Definitions. As used in this letter of agreement, the term "ton" shall be understood to be dry ton, or two thousand pounds avoirdupois; the word "Ounce", in connection with gold and silver is understood to mean a troy ounce.

8. Settlement and Payment. Settlement and payment will be made upon approval of IMI's smelter office promptly after the determination of final weights, settlement assays, and prices for quotational period.

9. Force Majeure. If the performance of any obligation hereunder by either party is prevented, hindered, or delayed by reason of Act of God, fire, breakdown or destruction of plant or equipment, shortage of or inability to secure fuel, power, materials or labor, delay in or shortage of transportation, labor difficulties (without regard to whether such difficulty can be resolved by acceding to the demands of unions), government acts or regulations, or any other cause, whether or not the character or nature is herein specifically enumerated, which is beyond the reasonable control of the party affected and from which that party cannot reasonably relieve itself by giving security or otherwise, the party affected shall be excused from such performance to the extent and for the period that such performance is so prevented, hindered, or delayed.

10. Risk of Loss. Risk of loss for the flux shall be for the account of _____ up to delivery F.O.B. IMI's unloading area, or its smelter yard.

11. General. (a) Any notice, request, demand, consent, or other communication required or permitted to be given pursuant to the Agreement shall be in writing and shall be sufficiently given if deposited in the United States Mail (registered or first class), postage prepaid, addressed to the party intended as recipient as follows:

If to IMI: Inspiration Mines Inc.
 P.O. Box 1559
 Claypool, Arizona 85532

If to _____

or to such address as such party shall be specified in a notice given to a sender as provided in this paragraph (a). Any notice so given shall be deemed to have been received on that date of delivery in the event of being delivered by hand and on the fourth business day following mailing in the event of being mailed.

12. Non-Assignment. IMI is relying upon _____
for the performance of this agreement, and it may not be
assigned to any other party without the prior written consent of
IMI and any purported assignemnt shall void and shall constitute
a default under this agreement.

If _____ accept the terms of this
agreement, and wishes to negotiate a specific contract for the
sale of silica flux containing a minimum of 0.05 opt gold or the
equivalent value in a combination of gold and silver, please
indicate by signing this letter below.

Yours truly,

INSPIRATION MINES INCORPORATED

BY _____

Its _____

By _____

Its _____