

B.C. RECOVERY SYSTEMS & TECHNOLOGY

May 25, 1995

To: Exmo. Sr. Don Alejandro Hales Jamarne, Abogado
Chief Chilean Representative of B.C. Recovery Systems
011 562 698 3484, Santiago, Chile

Re: Status Report, Decontamination Program for the Chañaral Bay
Our willingness to work with PRACH and CODELCO to achieve it.

Dear Mr. Hales:

Further to our last meeting in Santiago with you, with Ana Maria Ibacache, and Mr. Jorge Sibisa, regarding our mutual interest to work under the umbrella of PRACH in cooperation with CODELCO to finally decontaminate the Bay of Chañaral in northern Chile; we are pleased to inform you the following developments:

1) That we have amalgamated a number of positive results in regards to the Pilot Plant and initiation of activities in the Bay of Chañaral, Chile.

a) We have executed contractual obligations with the "C Claims" at Chañaral Bay, through the purchase of Francisco Geras Kerekes' 43% majority interest in the "C Claims", through a Net Profit Interest Agreement, which was endorsed by all the owners of the claims. In short, the most intensely contaminated area has been acquired and is now ready to be included in our Decontamination Program of the Bay of Chañaral on this "Pilot Plant" Phase in cooperation with PRACH.

In the viewpoint of B.C. Recovery Systems, "Decontamination" is defined as the removal of copper and iron from the Chañaral Tailings to the extent that the decontaminated sand contain more or less 207 ppm copper and more or less 3980 ppm iron.

(b) In addition to the above, several areas that hold undersea deposits of mine tailings mineralized with oxides and sulfides of copper and iron are currently in the process of being placed under the protection of the Chilean Mining Code regulations. These measures will help us execute our tasks more efficiently.

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- (c) A separate agreement is presently being negotiated and discussed with Mr. Miguel Nenadovic through his telephone lawyer, Mr. Hernan Helizalde Prado in Santiago, (633-8673). We expect to reach a legally binding Agreement with Mr. Nenadovic in the near future which will allow us to consolidate all the properties on Chañaral Bay.
- (2) Presently, a contract is being finalized to empower Minera Rorec Ltda. of Copiapo, Chile to utilize under contractual agreement the rights to operate B.C. Recovery Systems' Technology and equipment in the Decontamination Program of the Bay of Chañaral. (See attachment)

We request that all levels of government, local, regional and national to join our efforts to assemble adequate funds for the Decontamination Program and to exercise their influence and assistance to process and obtain all necessary permits, water licences, etc. as required by Chilean law in order that the Decontamination Program can start as soon as possible.

- (a) The Ministry of Mines' and PRACH's role in the project will be the project's general coordination and public relations in Chile. They will be partly instrumental in procuring financing from CODELCO, the Government of Chile, Ministry of Education for UDA, etc. to ensure the success of our future endeavours.
- (b) CODELCO's role in the Project will be to supply \$3 million US (non-refundable) funds as a contribution to PRACH and the UDA for technology and the tests facilities required by B.C. Recovery Systems' clean-up operations.

CODELCO will also provide funding to B.C. Recovery Systems for the "Production Phase" cleanup operations and these funds will be repaid at a rate of US \$1 million per year and the balance due on completion of the project. Of course the terms and conditions will be open for negotiations of the parties concerned. These funds will be allocated to the pool of funds already invested by B.C. Recovery Systems in the preliminary steps of the project. A major portion of these funds will be invested in technology, which includes the installation of the gravity ore dressing laboratory at the UDA.

It should be understood that the length of time needed to install the new laboratory facilities in the UDA, constructing the Pilot Plant in Chañaral, and the commencing of the "Production Phase" will ultimately depend on the ability of the Chilean parties involved to provide timely and sufficient funding.

- (c) We have met and established a good basic Agreement in Principle with Mr. Mario Maturana Claro, Rector de la UNIVERSIDAD DE ATACAMA. He informed us that the University is agreeable to a Joint Venture Metallurgical Laboratory and Testing Facilities that will make available B.C. Recovery Systems' technology to students of the UDA. We were guided diligently by Dr. Jose Palacios Guzman, Director de Investigaciones of UDA, at the request of Mr. Maturana.

The University has indicated that they can provide space for the research and experimental laboratory that will also serve as training facilities for the UDA students to prepare them for future commercial application of B.C. Recovery Systems' technology.

- (d) Thanks to Mr. Palacios's intervention, we had a positive reception from Mr. German Caceres Arenas, director of IDICTEC of the UDA, (Instituto de Investigaciones Cientificas y Tecnologicas de la UDA).
- (e) To implement (c) above, the engineers connected with B.C. Recovery Systems' will advise and cooperate in the establishment a modern gravity ore dressing laboratory facilities in the UDA in Copiapo. To facilitate our research and analyses of the project's data, there are several areas of cooperation that can benefit greatly IDICTEC Laboratories and UDA's testing facilities in Copiapo.
- (f) An alternative source of income can be created for the UDA by having it pioneer B.C. Recovery Systems' technology, both from experimental and testing laboratory enhancement, as well as potential income from services rendered to the mining community at large.
- (g) Through these negotiations, we assume that CODELCO will contribute financially to our goal of enhancement and operation of the existing testing facilities now available at the University of Atacama and finally to achieve the decontamination of the Bay of Chañaral. Together - CODELCO, PRACH, Ministry of Mines, Regional and local authorities, UDA, IDICTEC, B.C. Recovery Systems and ourselves - we have this great opportunity to implement a Decontamination Program that will clean the Bay of Chañaral of major heavy metal pollutants and allow "New Life" to regenerate in an area considered "Dead" to silence once and for all the environmental and scientific critics of today.

- 3) The Decontamination Program under PRACH's initiative will result in job creation for the local people of Chañaral. Assistance has been pledged by the Chañaral authorities to provide locally available crews to clean Chañaral Bay area of human and animal debris to facilitate the pilot plant start-up.

Most of the "non skilled" jobs will be handled through the City of Chañaral as required; "skilled jobs" will be allotted preferably to UDA trained personnel after training and exposure to the technology has been successfully completed with the UDA.

- 4) CODELCO is a direct player in the clean up operation and it is invited to take advantage of this opportunity to provide to the community a potentially prime tourist resource if Chañaral Bay is cleaned up properly.

According to our initial laboratory findings we have reason to believe that CODELCO will recover all of its invested funds. CODELCO will benefit as main contributor to the cause of PRACH and the Decontamination Program. CODELCO will become as well a contributor and supporter of the new laboratory facilities at the UDA.

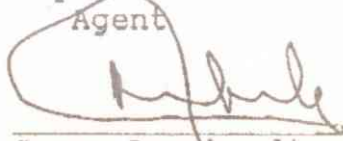
CODELCO can benefit from our technology and the UDA trained talent to reprocess and extract values from the tailings of Potrerillos. Our technology is capable of decontaminating the sands and the channel which extends from Potrerillos to the Bay of Chañaral and we are ready to joint Venture with CODELCO our abilities and capabilities for a strictly Commercial Venture.

A number of jobs may be created in Potrerillos as the potential is very good and warrants further considerations from CODELCO and B.C. Recovery executives for an in-depth review of a joint venture project. The potential for profits is there and the opportunity is unique.

Respectfully submitted,

Ray Bartlett

Agent



Jorge Lopehandia

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