

Deming Mill

Deming, New Mexico

Deming is located in the southwestern part of New Mexico on Interstate 10, 52 miles west of Los Cruces, 58 miles east of Lordsburg and 33 miles north of the Mexico border. The closest major airport is 109 miles to its east in El Paso, Texas. Deming was founded in 1881 and is the county seat of Luna County but the history of the area dates back nearly 1,000 years to when the Mimbres Indians lived and farmed along the Mimbres River. There are approximately 25,000 people in Luna County of which approximately 15,000 live in Deming. Luna County unemployment rate is the highest in New Mexico at around 9.5% leading to strong local and state encouragement for business startup. Deming is a full service community with low cost of living, affordable taxes, taxi service, municipal airport, hospital/ambulance service, nursing home, senior citizens center, library, over 40 churches, over 80 listed organizations, 18-hole golf course, civic center, public auditorium, schools and a community college.

Deming Mill

The property is located in and adjacent to Deming and is crossed by the ephemeral Mimbres River. It includes an existing flotation-type, ore-processing mill, ancillary buildings, shipping and utilities infrastructures and rail spur. The mill has an 800 ton per day capacity for ore and perhaps 1600 tons per day for previously pulverized material such as tailings.

The ore that is delivered from mines to the mill must be reduced in size by a series of steps before it can be put into the flotation cells. The ore is first sent to the crushing unit that has a large jaw crusher to first reduce particle size to 1" or 2" and a cone crusher that then reduces particle size (depending upon setting) to perhaps ¼" before the ore is sent to large holding tanks. The ore goes from these holding tanks to two ball mills that pulverize the ore to a very small size such as 65 minus. The mill is equipped with two separate sets of flotation cells providing the capability of processing two different ores at the same time.

ASARCO constructed the mill in 1949, and operated it with periodic shutdowns until 1979. It was designed as a custom mill and used primarily for the processing of lead and zinc ores from the ASARCO Groundhog Mine located approximately 50 miles north of the mill. During its early years of operation, the mill accepted and processed ore on a custom basis from non-ASARCO mines. From May, 1989 until August, 1995 when it was acquired by Phelps Dodge, Cyprus Pinos Altos Corporation leased the mill to produce copper-zinc concentrate from ore. At the time of this lease, ASARCO sold a tract of land to Cyprus for construction of a tailings impoundment which is across the road from the mill and now belongs to Freeport McMoRan.

In August, 2005, ASARCO filed for bankruptcy protection primarily because of the large number of environmental lawsuits that were being filed against them. In an agreement

negotiated by the bankruptcy court, ASARCO deeded on December 9, 2009 property that it no longer intended to operate to the ASARCO Multi-State Custodial Trust (Trust) and provided funds to be used for remediation of any environmental issues associated with these properties. Included in the property deeded to the Trust were 1193.84 acres of land that included the Deming mill and original ASARCO tailings impoundment. Geo Southwest, Ltd (GEO) purchased these 1193.84 acres from the Trust on April 10, 2014.

Also included in GEO's purchase were 120.15 acre feet of consumptive water rights which should be more than sufficient to operate the mill. A 12-inch city water line runs through the property should additional water be required.

The location and layout of the mill is shown in the attached drawings. The mill is completely fenced with a 6' tall chain link fence and includes the following components:

- Rail siding
- Ore receiving (grizzly)
- Conveyor system
- Ore crushing building
- Ore transfer building
- Fine ore storage bins
- Ore sampling building
- Mill building
- Reagent mixing building
- Temporary office building (mobile)
- Machine shop
- Office and laboratory building
- Change house building
- North and south siding buildings
- Two water wells with pumps
- Water tank, tower, and distribution system
- Electrical substation
- Rail and truck scales and scale houses
- Concentrate thickeners
- Concentrate load-out slab
- Lime circulating tank
- Pole barn

Environmental Status

ENVIRON on behalf of the Trust completed environmental reclamation of the mill and tailings impoundment. A completion report was accepted by the Mineral and Mining Division (MMD) of the New Mexico Energy, Minerals & Natural Resources Department. A New Mexico Voluntary Remediation Program (NMVRP) related to the tailings impoundment was previously completed by ASARCO to the satisfaction of the New Mexico Environment Department (NMED) with the Affidavit of Completion signed by the Trust and NMED. The acceptance of the NMVRP included from NMED a Covenant Not to Sue for environmental issues related to the old ASARCO tailings impoundment.

Subsequent to GEO's purchase of the property, MMD and NMED identified locations within the permit area east of Peru Mill Road with some exposed tailings. The source of these exposed tailings is believed to be from leaks in the overhead pipeline ASARCO used to transport tailings from the mill to its tailings impoundment on the north side of the Mimbres River. An area of exposed tailings directly across the road from the mill is just north of the Cyprus tailings and is within the area where a new tailings impoundment will likely be built which could remove this concern. The other areas of exposed tailings are on the river bank, on the north side of the river and in an area between the Cyprus tailings and the river.

At the request of MMD and NMED, GEO completed a test-pitting study of the areas of concern to determine the extent of the exposed tailings and provide data needed to develop a reclamation plan. A professional geologist performed the test-pitting study and identified approximately 6.7 acres in need of reclamation. GEO will now, in consultation with MMD and NMED, develop a reclamation plan to be implemented within the next 12 to 24 months.

Operating Permits

A mill operating permit (LU009RE) in standby mode was transferred to GEO by MMD along with a request for submission of a mill closeout plan (likely never to be implemented) and Financial Assurance (FA) adequate to implement this plan. A final closeout plan has been accepted by MMD and FA is provided by a collateral bond secured by land GEO owns outside of the permit area. The operating permit is currently in reclamation mode and would need to be reactivated by application to MMD before the mill is operated.

An air quality permit issued by NMED will need to be reinstated before the crushing unit can be operated. A business permit from the City of Deming will need to be renewed.

Mill Activation

Activation of the mill will require the renovation of the physical plant including the laboratory, the construction of a new tailings impoundment and the upgrade to active status of the MMD operating permit. The tailings impoundment will be located on the east side of Peru Mill Road.

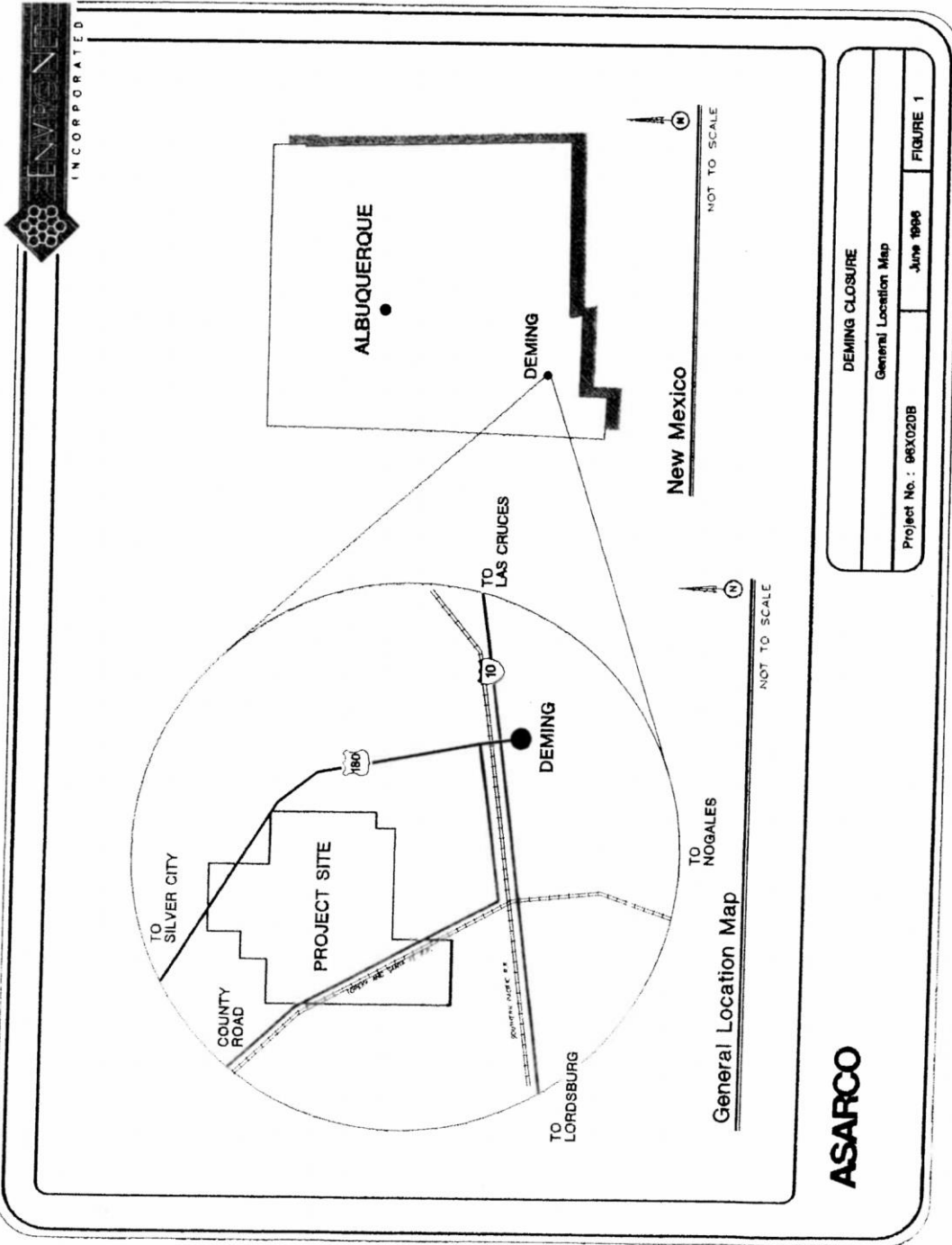
It will likely require at least one year to renovate and activate the mill once a concerted effort to do so is begun.

Sale Offer

The mill including 298.417 acres of land plus 120.15 acre feet of consumptive water rights are offered for sale. A survey plat dated 04/04/24 shows the land to be included in the sale. More information about the land on the east side of Peru Mill Road is shown in a survey plat dated 10/4/18. Tracts 12 and 13, which contain a total of 79.163 acres, are within GEO's permit area. Also shown on this plat is a Tract 2 which includes the 99.467 acre recovered tailings area and borrow pit. GEO will retain the tailings area which includes 77.267 acres recently released from the permit area. The sale offer includes the borrow pit (22.0 acres) and approximately 136.2 acres not currently within the permit area. This extra acreage will provide room should additional tailings impoundments be required in the future.

Opportunity Zone

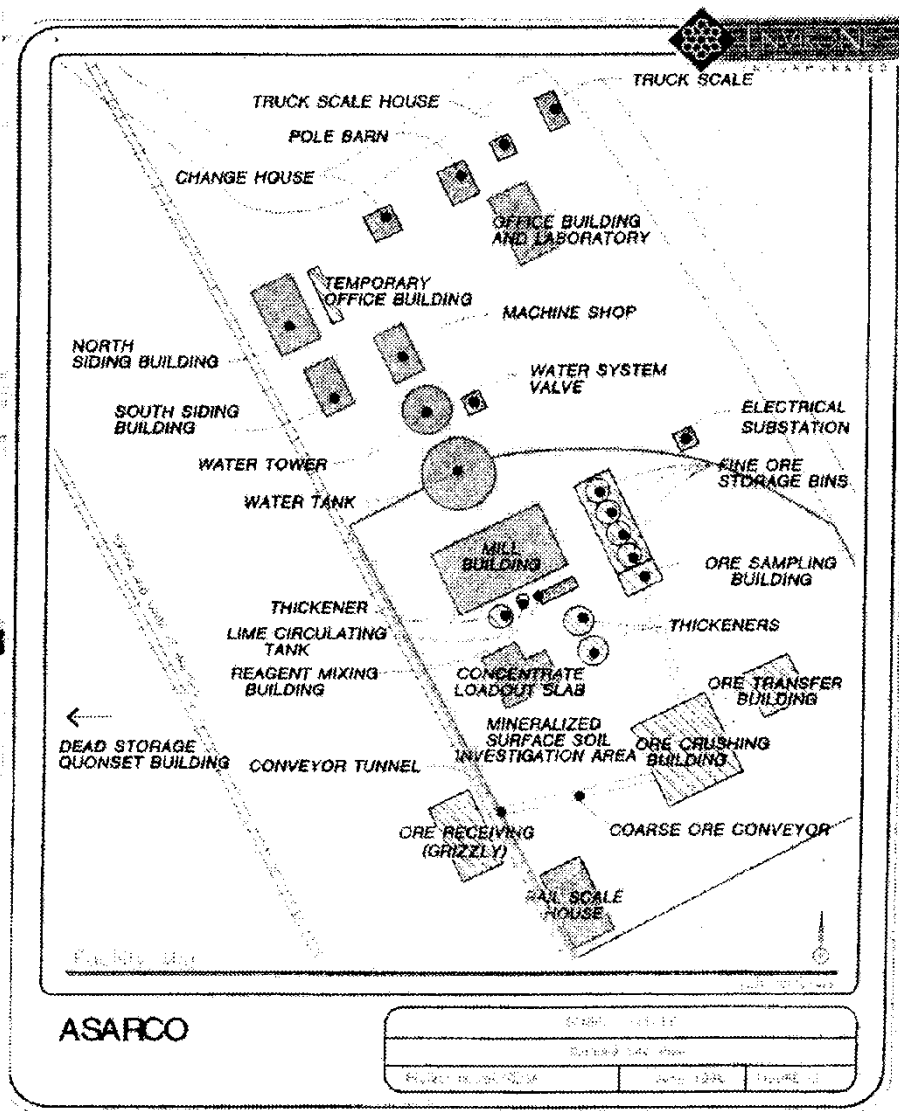
This property is located within a designated opportunity zone which offers the possibility of considerable tax benefits for an investor.



ASARCO

DEMING CLOSURE
 General Location Map

Project No. : 96X020B
 June 1996
 FIGURE 1



ASARCO

CAMEL MOUNTAIN		
SHELF 142		
Project: 18-000000	Date: 12/95	Figure: 10