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ENVIRON TECHNOLOGIES INC

TEL
FAX

DATE: 12·3·91 TIME:

ATTN: Mr. Jorge Hernandez

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CITY / STATE: S.L.P. Mexico

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MESSAGE

Asunto:

Resumen de Platicas sostenidas en la reunion Internacional de Ecologia y Medio Ambiente en San Luis Potosi.

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ENVIRON TECHNOLOGIES INC.

TO: J. Hermosillo
J. de la Fuente
J. Campos
J. Rodriguez
G. Kesler
R. Robertson

FR: R.T. Warnick
J.T. Douglas

LOCATION: Salt Lake City, Utah

DATE: December 3, 1991

SUBJECT: **SUMMARY OF NOVEMBER 28, 1991 DISCUSSIONS IN SAN LUIS POTOSI**

INTRODUCTION

This memorandum will summarize the discussions we had at ECO Administracion's offices on November 28, 1991, as Terry and I understood them. Present at these discussions were:

Jorge Hermosillo	Jaime de la Fuente
Javier Campos	Jose Rodriguez
Reed T. Warnick	J. Terry Douglas

G. Kessler and R. Robertson were in the USA and not able to be present at these discussions.

This summary represents Terry's and my view of these discussions. I write it so that all might read it and determine to what extent we are all in basic agreement on the items discussed.

1. Basic Understanding

All parties present agreed that we should pursue environmental and other related projects in Mexico on a 50-50 ownership basis between the Mexican and USA partners. A USA operating company will be organized to identify and provide technology and technical services to such Mexican projects. This USA company will be owned 50-50 between the Mexican and USA partners. R. Warnick will proceed with the organization of the USA operating company, but will review and submit such organization and structure to all partners prior to proceeding with formal incorporation or registry in the USA.

Unclear at this point is who the USA partners will be. Terry and Reed are in agreement and desire to participate in this Mexican and USA interface. G. Kesler and R. Robertson have expressed a desire not to participate in such a USA operating company.

2. San Luis Potosi Incineration Project

Eco Administracion must decide what technology it will initially proceed with for the incineration facility. Present options are MMT, rotary slagging kiln, and the moving of Ensco's already-completed facility in Arizona..

G. Kesler advocates that ECO proceed with the MMT technology as a primary focus for the incineration facility at San Luis Potosi. T. Douglas and R. Warnick advocate a technical review of what the Ensco system is to see if any part of it is usable, and, to the extent it isn't usable to proceed with a rotary slagging kiln system to be designed and supplied by a consortium of companies put together by the USA operating company.

R. Warnick explained the recent steps taken by G. Kesler, R. Robertson, R. Warnick and T. Douglas in selling Environ Technologies, Inc. to Metalclad in return for Metalclad assuming responsibility for providing the interim financing for the incinerator project, the permit and the acquisition of the site. Metalclad also assumed responsibility for R. Warnick's and T. Douglas' past expenses incurred and salary draws earned from July 1991 through November 1991 of $50,000.00 each.

R. Warnick and T. Douglas clarified their role in future projects in Mexico beyond the San Luis Potosi incinerator facility. The Mexican partners had previously mistakenly understood that Reed and Terry were no longer partners in the further development of projects in Mexico. We indicated what was to be with Environ Technologies, Inc. on the San Luis Potosi project was done in order to provide the necessary available financing to move this project forward. How everyone participates on further projects in Mexico needs to be finalized between the partners, but the basic principle is that stated above, a 50/50 ownership arrangement.

3. Landfill Projects in Mexico

Everyone present agreed we should proceed as quickly as possible with the development of a landfill at the San Luis Potosi site to receive hazardous, non-radioactive wastes. Secondarily, we should pursue the permitting and construction of a landfill site within the State of Mexico, and further a landfill site in the state of Tamalipas.

Reed and Terry provided Jorge some engineered drawings of a USA RCRA permitted landfill site to further indicate what the design of such a facility might look like. Further, Reed and Terry have made contact with a USA engineering firm which has designed and engineered landfill facilities and is willing to interface with Mexican engineers in the finalization of a design and the detail engineering for the San Luis Potosi and other landfill projects in Mexico. Everyone was in basic agreement with this approach. Yet to be determined is a total installed cost for the San Luis Potosi landfill and how the money for completing this facility is to be raised. Very likely, the S.L.P. hazardous waste receiving and storage facility, which is to be part of the incinerator facility, can be designed and constructed at the time the San Luis Potosi landfill is completed, providing the venture with a further early source of revenue.

4. PEMEX/Vera Cruz

At present Jorge and the other Mexican partners want to proceed with these two projects as a [illegible] project--at least initially. Terry and I agree with this approach.

The initial focus is to reach an agreement with PEMEX for the development of a facility to destroy their "hexes" and recover a substantial percentage of clorine from the off-gasses. Terry and Reed agree that neither the rotary slagging kiln nor other thermal treatment technology which we are aware of at present can meet these PEMEX criteria. We therefore agree with the Mexican partners that we should take MMT into PEMEX as a possible technology. First, however, the venture must reach agreement with MMT on how we will interface. To the extent our joint venture can provide PEMEX with a viable remediation technology, we believe there is funding from within PEMEX to develop a commercial scale facility for treatment of the PEMEX "hexes".

Jorge has also identified three possible sites in or near the State of Vera Cruz for the placement of a further incineration facility by the venture. Whether this Vera Cruz site becomes an initial "hexes" treatment facility site or other technology is first installed there will depend upon the extent to which everyone can get comfortable with MMT's commercial capabilities. As an alternative to MMT [illegible] and Terry and Javier are exploring some Japanese technologies which PEMEX has indicated some [illegible] in

5 Industrial Waste Water Projects in Mexico

Several possible industrial waste water projects have been identified by the Mexican partners. These include the pulp and paper mill in San Luis Potosi, the Nissan plant at Aguas Calientes, and a Cummins Diesel plant in Mexico. There is also a very large river clean-up project in Vera Cruz.

Conceptually, all present at the San Luis Potosi November 28 meeting agreed that we would attack these industrial waste water projects as follows:

1. The Mexican partners would identify the projects and clients and introduce the USA operating company to them.

2. The USA operating company, owned 50-50 by the USA and Mexican partners, would contractually tie up the technical expertise (through subcontracts or hiring of personnel) and equipment required to solve the Mexican client's waste water problems and contract with the Mexican client for the execution of the project. It is possible that this USA operating company may need to interface with a Mexican operatiny company owned 50-50 by all partners for the actual execution of the projects. The final legal structure for this operating company will have to be explored with Mexican and USA tax and legal consultants.

c. Mexican Fabrication Capability for Large International Construction and Supply P...

Reed and Terry again explained the opportunity for bringing international construction fabrication work into a Mexican fabrication facility. If we can tie-up a larg... technically-modern Mexi... fabrication facility in Monterrey or elsewhere, there is a good chance we can bring a multi-million dollar fabrication project in through our 50-50 venture for fabrication and supply ... Mexico. Other such possibilities exist for taking advantage of low-c... Mexican fabrication ... which we need to further explore as a 50-50 venture together.

7. On-going Office and Salary Expenses

... of the on-going expenses resulting from the oper... the ... necessity of appointing ... of the recent ... acknowledged by all that those who are ... paid for their time and involvement ... problem and finding ... and meeting