

# INTER OFFICE MEMORANDUM

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DATE March 25, 1975 TO J. H. Halley  
SUBJECT See Below FROM W. J. Lampard

Re: Reeves MacDonald - Hecla - B.C. Government Joint Venture

Following up on J. H. Halley's telex of March 20 to Mr. J. E. McMynn, Deputy Minister of Mines and Petroleum Resources, a meeting was set up for March 25 in Victoria between Mr. McMynn and myself. We had, of course, invited Hecla Mining Company to send a representative. On Monday, March 24, George Wilhelm of Hecla informed me that he could not be available until early April. Because any discussions with the B.C. Government would be of little value without Hecla representation, and because the layoff schedule at Reeves involves releasing over half the personnel on March 31, we set up a conference call with Mr. McMynn to review the situation. The telephone connection was poor but we think Mr. McMynn said Mr. Hart Horn was with him. The conference developed the following points:

- 1/ Hecla does not wish to deed its Red Bird property to the B.C. Government. A long-term lease could be negotiated, however, with a duration of, maybe, 25 years.
- 2/ Broken and readily available ore in the Reeves mine is, maybe, 5,000 tons. Future production will have to come out of the K zone, which is only partially prepared for production. It would take at least three and possibly up to four or five months to get into full production in the K zone. Expenditures during this period would probably average \$200,000 per month. Thus, the Government would have to put up at least \$600,000 to keep the operation going before a break-even operation could be established again. This, clearly, seriously discouraged the Government.
- 3/ The smelter contract was a serious stumbling block. The 62% pay on gross metal value was quite unacceptable to Bunker Hill. Relative to current zinc contracts it would represent a \$600,000 to \$800,000 subsidy from Bunker Hill to the operator(s) at Reeves. Even the offered 55% gross metal pay represents a \$250,000 to \$350,000 subsidy. Lampard quoted, with Hecla's permission, the percentage pay of gross metal value in the previous and in the recently put into effect Lucky Friday zinc contracts: 53.5% and 47%, respectively. Bunker Hill would be willing to have its recent contracts independently audited as to percentage pay if Mr. McMynn would be interested. It was clear that no compromise was attainable on this issue.
- 4/ Mr. McMynn's alternative proposal was discussed. Reeves and Hecla are not interested because analysis showed that deferral of royalties, until the \$750,000 had been repaid, would only build up a royalty burden on future mining profits that the mine would have difficulty paying off. The two companies would, in effect, have put up their properties and seen them mined out for no return. Also, the scheme provides no funds for the deep level exploration project.

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Following these discussions the three parties concluded that we had reached the end of the road. In effect, Mr. McMynn told us that we could not expect any further consideration from the B.C. Government.

Messrs. Wilhelm and Lampard thanked Mr. McMynn for his kind interest and consideration.

L/i