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MR. JOHN E. MCMYNN  
DEPUTY MINISTER OF MINES  
DEPARTMENT OF MINES AND PETROLEUM RESOURCES  
PARLIAMENT BUILDING  
VICTORIA, B. C., CANADA

THANK YOU FOR YOUR TELEX OF MARCH 18, 1975, IN WHICH YOU OUTLINE TWO POSSIBLE PROPOSALS FOR GOVERNMENT PARTICIPATION TO KEEP THE REEVES MACDONALD MINE IN OPERATION. WE HAVE DISCUSSED YOUR PROPOSALS WITH THE HECLA MINING COMPANY AND RESPOND AS FOLLOWS;

WE ARE INTERESTED IN THE FIRST OF YOUR TWO PROPOSALS AND ARE STUDYING IT FURTHER. HOWEVER, BEFORE COMMITTING OURSELVES WE WOULD WANT TO CLARIFY CERTAIN POINTS WITH YOU; SEE BELOW. WE ARE NOT INTERESTED IN YOUR SECOND ALTERNATIVE BECAUSE IT WOULD, IN OUR OPINION, BE UNLIKELY TO PROVIDE A FAIR RETURN TO HECLA OR REEVES FOR THEIR CONTRIBUTION AND FURTHERMORE DOES NOT PROVIDE FUNDS FOR THE DEEP LEVEL EXPLORATION, WHICH IS, AFTER ALL THE MAIN OBJECTIVE OF THE ENTIRE PROGRAM.

REGARDING PROPOSAL NO. 1, BOTH PARTIES CONSIDER THAT YOUR SUGGESTIONS ON PAYING REEVES AND HECLA THE ROYALTIES OR MINERAL LAND TAX IS A WORTHWHILE BASIS FOR FURTHER DISCUSSION. IN RELATION TO ITEM 3, HECLA INDICATES THAT THEY ARE UNWILLING TO DEED THEIR RED BIRD PROPERTY BUT WOULD CONSIDER A LONG-TERM LEASE. REEVES WOULD ALSO PREFER A LONG-TERM LEASE TO A SALE. ON ITEM 4, BUNKER HILL CANNOT AGREE TO A 62 PERCENT GROSS METAL VALUE SMELTER CONTRACT. THE ZINC CONTRACT ALREADY OFFERED IS EQUIVALENT TO A 55 PERCENT PAYMENT FOR GROSS METAL VALUE AS AGAINST AN APPROXIMATE 50 PERCENT IN CURRENT SMELTER CONTRACTS, AND THUS REPRESENTS A SUBSIDY OF \$25 PER TON OF ZINC CONCENTRATE TO REEVES OR FROM \$250,000 TO \$350,000 PER YEAR DEPENDING ON TONS OF CONCENTRATE PRODUCES. BUNKER HILL CANNOT OFFER MORE THAN THIS. FINALLY, YOUR PROPOSAL FAILS TO PROVIDE ASSURANCE AS TO CONTINUITY OF EXPLORATION AND DEVELOPMENT OF THE PROPERTIES AND THEREFORE THE COMPANIES WOULD WANT THE GOVERNMENT TO PROVIDE SOME FORM OF MINIMUM WORK COMMITMENT OR MINIMUM ANNUAL ROYALTY PAYMENT.

25 yrs.

WE MUCH APPRECIATE YOUR CONTINUING INTEREST AND WE WOULD LIKE TO PURSUE YOUR FIRST PROPOSAL FURTHER TO WORK OUT SOLUTIONS TO THE PROBLEMS INDICATED ABOVE. WE WILL BE PLEASED TO MEET WITH YOU OR YOUR REPRESENTATIVES AT THE EARLIEST OPPORTUNITY. WE SEE THIS AS URGENT AS THE REEVES' SHUTDOWN SCHEDULE INVOLVES THE RELEASE OF 40 HOURLY AND 10 SALARIED PERSONNEL ON MARCH 31ST.

J. H. HALLEY, VICE PRESIDENT  
REEVES MACDONALD MINES, LTD.

TWX MESSAGES TO THE BUNKER HILL COMPANY  
510-776-1256 BNKR MAIN OFC  
MARCH 20, 1975  
/ML  
END

DEPUTY MINISTER OF MINES  
& PETROLEUM RESOURCES  
REC'D MAR 20 '75  
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REFERRED	TO	DATE	INITIALS
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