

Property File

103A 010

Black Lead

(21)

017105



RESIDENT ENGINEER'S OFFICE

THE GOVERNMENT OF THE PROVINCE OF BRITISH COLUMBIA

PRINCE RUPERT, B.C. Oct. 22nd., 1929.

Mr. Thomas F. Hurley,
Barrister & Solicitor,
1209 Dominion Bank Bldg.,
VANCOUVER, B. C.

Dear Sir:- Re Western Canada Graphite Ltd.

I find on my return from the field, the initial form of prospectus of the Western Canada Graphite Co., and also your letter of Oct. 13th., with the amended and proposed final form.

The matter has received my immediate and careful attention.

There are, unfortunately, several items on pages 2, 3, and 4, in the proposed final form of prospectus that I am unable to endorse.

In this connection, I would firstly refer you to my letter of July 5th., a copy of which was also forwarded to the Minister of Mines.

With reference to the amended form of Prospectus submitted to me, I would draw your attention to the following:

1. On page 2, fourth line from top, the impression given by the word "masses" with reference to the graphite deposit is apt to be very misleading. Dr. V. Dolomaga, Geological Survey 1921, Part A, report, describes the graphite occurrence of the Mussel Inlet area as finely disseminated graphite in schist.

2. On page 2, lines six and seven from top refer to assays of samples showing "15% to 100% pure graphite." These assays I cannot help but question as being unlikely to be representative of the average mining grade of graphite ore resultant from a disseminated deposit that is represented in the prospectus as being of such proportions as to suggest mining operations by Quarry (p.2, fifth line from top).

In this connection, I would also point out to you that even the best grade of refined crucible flake graphite, resultant from a long and intricate process of milling and refining, never contains 100% graphitic carbon. Ceylon refined #1 flake crucible graphite contains only slightly over 85% graphitic carbon. (By graphitic carbon is meant the carbon remaining after the dried sample has been burned for 3 minutes at 800 C.)

3. On page 2, fourth line from bottom, reference is made to the steadily increasing demand for graphite in all manufacturing countries. In this connection, I would refer you to the Mines Branch, (Ottawa), report, regarding the status of graphite in 1928, Canadian Mining Journal issue, May 17th., 1929. This report does not support the aspect of a steadily increasing demand, and reiterates the reference to the influence of Madagascar graphite, contained in my letter of July 5th.

4. On page 3, fifth line from top, with reference to the Vancouver retail price of one dollar; (\$1.00), per pound for prepared graphite; in order for this reference to be exempt from misleading interpretation, the number of pounds of prepared graphite retailed annually in the city of Vancouver should also be definitely stated.



.2.

5. On page 3, lines ten and eleven from top refer to a comparison of the Mussel Inlet deposits with the proven mines of Madagascar and Ceylon. This comparison infers that the Mussel Inlet deposits, as yet unworked, unproductive and unproven, are the equal in commercial and profitable aspect to those of Madagascar and Ceylon. This is not the case.

6. Page 3, lines thirteen and fourteen, regarding the importation and home production of graphite by United States. The statement may lead to the inference that United States graphite deposits could not produce sufficient graphite for their own industrial uses. The basic reasons however, for the wide margin between United States domestic production and importation were that the quality of domestic product did not meet the requirements of domestic industry, and the cost of producing such material in the United States could not compete with the price of the Madagascar and Ceylon product.

This aspect would have an equally important bearing on profitable graphite production in British Columbia.

7. Page 3, lines fifteen and sixteen. The graphite deposits of Alabama, New York, Pennsylvania, and Texas are mined largely by open pits and steam shovelling.

8. Page 3, line twelve from bottom refers to a great and continuing use for crucibles.

The Mines Branch, (Ottawa), report, (referred to above), states: "due to the increasing use of electric furnaces for the melting of metals, the demand for graphite crucibles has fallen off markedly, and a number of American Crucible Makers have gone out of business.-----Whereas ten years ago, about 75% of the world's production of graphite was estimated to go into crucibles, it is now believed that less than 15% is so employed."

9. Page 3, line four to one from bottom, refers to the use of graphite with asbestos in Quebec. The Quebec Asbestos mines and mills are at Thetford. Quebec graphite deposits within close and direct rail connection of this market.

10. Page 4, lines three to seven, offers a general statement of comparison between modern machinery as proposed to be used on the Mussel Inlet property, and the cheap coolie labour of Madagascar and Ceylon. In this connection, I would refer you to Bulletin No. 112, Bureau of Mines, Washington, D. C., page 41: "If imports were unrestricted, the domestic, (U.S.), mining industry could not compete with the industries of Madagascar and Ceylon. On both of these islands, the deposits are of large extent and of such high grade that a simple cobbing or washing represents the only milling necessary.-----In spite of the great distance from market, graphite from these islands could be placed on the docks in this country at prices which at present would provide no profit for domestic producers. Also, overproduction abroad might tend to force prices still lower through dumping of surplus production on the American market."

The general statement in the prospectus is contradictory to the true condition, not based on actual calculation, and is misleading.



THE GOVERNMENT OF
THE PROVINCE OF BRITISH COLUMBIA

RESIDENT ENGINEER'S OFFICE

PRINCE RUPERT, B.C.,19.....

3

11) Page 4 ,lines ten to eighteen from top ; - based on the general intricate status of Graphite mining ,milling, ~~and~~ refining and marketing ,and the purely prospective condition of the proposed undertaking of Western Canada Graphite Ltd. at Mussel Inlet ,the statements contained in these lines embody excessively extravagant promise and are apt to be absolutely misleading .

12) Page 4 ,last paragraph . The intent of this paragraph is relative to item 11). The promise conveyed by the wording is not born out by fact ,which indicates an extremely speculative undertaking .

Whereas the Department of Mines would certainly like to see ,and would foster ,a successful Graphite operation in British Columbia,I am impelled to again advise extreme caution and calculation before embarking on the enterprise under present conditions .

Graphite mining ,milling and refining ,is a very intricate business ,demanding expert and specialized guidance and operation. In its conduct there are many pitfalls hidden from those not conversant with its technical complications .This applies very particularly to the Milling ,Refining and Marketing of Graphite products . The specifications of the trade are very severe .

Where an enterprise initiates its embarkation into the Graphite mining ,milling and refining business ,without first going thoroughly into these matters under the guidance of an accredited expert thoroughly conversant with the intricacies of the business ,it is fore-doomed to much grief and very probable failure .

Where the Public is to be invited to participate in the financing of such an undertaking ,that public should certainly be thoroughly informed,through the medium of the prospectus, of the speculative aspects of the business .In lieu of that ,those speculative aspects should be carefully calculated by an accredited Graphite specialist ,whose findings and advice should be laid before the public in the body of the prospectus to be issued .

In view of these considerations ,I cannot endorse the prospectus of Western Canada ~~Inc~~ Graphite Ltd.(N.P.L) in its present form .

In order to get the property in operation and thoroughly tested ,may I suggest the possibility of your interesting in its operation one of the eastern Graphite companies who are thoroughly conversant with the business and its devious angles .

I am , Yours faithfully

Joseph T. Mandy

Resident Mining Engineer . . .