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TSAWWASSEN ENTERPRISES LTD. (N.P.L.)

1131 JACKSON WAY
DELTA, B.C. V4L 1W5

May 17, 1974

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

REC'D MAY 22 '74 700

REFERRED	TO	DATE	INITIAL
ACCTS			
G. C.			
G. G. C.			
G. I.			
G. M. B.			
G. P. E.			

Mr. J. E. McMynn
Deputy Minister of Mines
Department of Mines and Petroleum Resources
Parliament Buildings, Victoria, B. C.

FILE *mining properties*

Dear John:

This is in reply to your letter of April 24th. I am enclosing two white prints of :

- (1) A 200 scale composite map of the Edye Pass and Surf Point mines with a general north-south section.
- (2) A 50 scale map of the Surf Point mine. This shows the position of the several lenses that were mined through to the surface, the Timmins Mining Corp. diamond drill holes in the area and our proposed exploration work.

It is technically impossible for us to come up with a positive or even probable ore reserve figure at this stage. Upwards of 20,000 Ounces of gold and 7,000 ounces of silver ^{were obtained} from the lenses above the 100' or Timmins main level. The average backs (through to the surface) was 100'. A 50% downward extension of these values to our 400' level would produce 60,000 tons at 0.50 oz of gold per ton. This might be considered as a possible ore reserve.

The Timmins Mining Corp. did a limited amount of diamond drilling in 1936 to determine if their lenses carried to any depth. Only seven (7) down holes were drilled in the Surf Point mine area. Four of these gave very positive results. The two deep (-45°) holes are quite obviously under the rake or plunge of the lenses. Only the hole under the erratic 'B' lense was negative.

Late in 1939 the Edye Pass low level cross cut intersected a strong and high grade vein - probably the downward extension of the Surf Point 'G' lense.

The several reports made by Dr. Victor Dolmage, Dr. Alex Smith and Mr. N. E. Nelson, based on their studies of the property, are favourable

Based on the fore going our group is convinced that several of the main Surf Point ~~main~~ lenses will extend down to the 400 foot level in strength. Auguring for this is the fact that one of the 4th of July lenses has already been intersected on the 400 level horizon. The proposed cross cut extension and subsequent drifting is designed to substantiate these convictions.

PROPERTY FILE

103J/2E

103J-001

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J.E.McMynn:(2)

Your government has committed itself to fostering new industry in northwestern British Columbia . Based on this fact some real consideration should be given to assist us to get our operation onto its feet. We believe that financial assistance towards the construction of a small dock and access road can be expected. We also feel that some form of preferential tax adjustments would be justified up until such a time as sufficient funds have been generated from the shipment of crude ore to the smelter to enable us to install a small concentrator.

I would appreciate an opportunity to meet with you and the minister of mines to discuss and formulate such a plan - a plan that would enable us to proceed with our proposed rehabilitation and development program. I would want a member of our board of directors to accompany me.

We are anxious to get underway with our financing program so an early reply would be appreciated.

Yours very sincerely,



T.M. Waterland
President.

April 24, 1974

Mr. T. M. Waterland,
President,
Tsawwassen Enterprises Ltd. (N.P.L.),
1131 Jackson Way,
Delta, B. C. V4L 1W5.

Dear Tim:

Re: Your Porcher Island Operations.

First things first. Before we get involved with anything else, please send us your map showing your deposits or intercepts and calculations of ore reserves.

Yours very truly,

J. E. McMynn,
Deputy Minister.

JEM:DB

TSAWWASSEN ENTERPRISES LTD. (N.P.L.)

1131 JACKSON WAY
DELTA, B.C. V4L 1W5

April 11, 1974

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

530
REC'D APR 17 '74

REFERRED	TO	DATE	INITIAL
ACCTS			
C. C.			
C. G. C.			
C. I.			
C. M. B.			
C. P. E.			

Mr. J.E. McMynn, Deputy Minister of Mines
Department of Mines and Petroleum Resources.
Victoria B.C.

Dear John:

I have been advised that the B.C. tax on our proposed Porcher Island operations will be based on the Mineral lease act of 1973. This is because all production will come from crown granted claims. I would consider it a real favour if you would have someone in your department or who-ever, take the following production estimate and come up with our net earnings after both B.C. taxes and federal taxes.

1975 Production Estimate :

Tons direct shipping ore ----- 24,000
Shipping cost per ton ----- \$14.00
Treatment " " " ----- 6.00
Mining cost per ton ----- 32.00
Total cost per ton ----- \$52.00

Assume a grade of 0.50 Oz. Au per ton

" the price of Au. = \$140.00/oz.

Tacoma smelter pays 92.5 % of Au.

Operating profit before taxes = \$306,000.00

Cost of plant, initial investment and exploration - for use in calculating depletion & etc. - is \$300,000.00. -----

A copy of Mr. Nimsick's memo showing how to calculate the B.C. tax under this act would be appreciated.

Very sincerely

Jim
T.M. Waterland, Pres.

TSAWWASSEN ENTERPRISES LTD. (N.P.L.)

1131 JACKSON WAY
DELTA. B.C. V4L 1W5

March 8, 1974

Mr. J. E. McMynn
Deputy Minister of Mines
Parliament Buildings
Victoria, B. C.

Dear John:

I am enclosing a copy of a news report. It quotes your minister's statement re crown granted gold and silver mineral claims. It would appear that this would apply to our Porcher Island property's gold mining claims. The two key claims -the Trixie, lot No. 6515 and Western Hope Lot No. 6516 -Skeena Mining Division- were crown granted in 1927. The four front claims Nos. 6953, 6955, 7191 & 7192 were crown granted in 1950. The six claims have been held closely and all taxes paid to date.

All production will come from the Trixie and the Western Hope during the first few years of operation. These are the claims encompassing the old Surf Point mine, formerly operated by the Noah Timmins Corp.

We have a tentative smelter agreement to treat the ore direct as a silica flux. A 20% hand sorting operation can bring it up to +70 Au/ton and over 70% SiO2. Further we had arranged for a \$250,000 financing deal with a Calgary group - but- this fell down when the bomb shell fell over the super royalty tax.

This operation will create employment for approximately 30 men in the North West British Columbia area.

We wish to apply for a B.C. Government grant for a small dock and a mine road. Total cost of this is estimated to be \$50,000.00. Please advise us as to whom this application should be made. The main adit is near tide water so the dock is pretty much of a first thing.

Very sincerely,


T.M. Waterland, President.

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

398

REC'D MAR 12 '74

REFERRED	TO	DATE	INITIAL
ACCTS			
C. C.			
C. G. C.			
C. I.			
C. M. B.			
C. P. E.			
FILE			

BUSINESS

Mining session called

The B.C. and Yukon Chamber of Mines has called a special session of its 1,800 members to discuss the province's proposed Mineral Royalties Act for Monday, March 11.

The meeting will be held from 2 to 5 p.m. at the Hotel Vancouver.

Mines Minister Leo Nimsick has been invited to present the government's views.

The chamber said the meeting will discuss and act upon:

• "Bill 31, Mineral Royalties Act, which proposes a confiscatory tax on mine production to the detriment of all British Columbians, and

which will convert ore to waste, employment to unemployment, profits to losses and government 'resource dividends' to deficits.

• "Legislation which adversely affects prospectors, placer miners and small mining companies. Claim rentals, acreage taxes, assessment work requirements and regulations brought forward in the last year are crippling the activities of these important people."

Meanwhile, Colt Resources Ltd. announced that it has decided to go ahead with plans to begin shipping by mid-

March gold-silver ore from its mine near Greenwood to Cominco Ltd's mill at Trail.

J. Michael Mackey, president, had asked for clarification of government policy in regard to the new Mineral Royalties Act and any amendments to the Mineral Land Tax Act which was passed by the legislature last year.

In reply to this enquiry, Leo T. Nimsick, minister of mines and petroleum resources, told Mackey:

"Since your mine is situated on Crown granted mineral claims, this bill (Bill 31, the

Mineral Royalties Act) does not apply in your case. Any taxes that will be imposed on these mineral claims would have to be levied via the Mineral Land Tax Act."

Colt's claims are taxed under this act at \$2 an acre, and at a rate not to exceed 25 mills on each dollar of assessed value.

Mackey said a cross-cut has intersected the ore vein at the 250-foot level, 206 feet from the shaft. True width of the vein was 10 feet at this point. Initial assay results will be announced shortly, he said.

6642 Adera Street,
Vancouver 14, B.C.
May 4, 1974

Mr. T. M. Waterland,
Tsawwassen Enterprises Ltd.
1131 Jackson Way,
Delta, B.C. V4L 1W5

Dear Sir:

I am submitting herewith a brief resume of the past history and future potential of the gold deposits at the north west corner of Porcher Island near Prince Rupert, B.C. These deposits were mined and milled on a small scale during the years 1933-38. Early in 1938 the milling plant was destroyed by fire and there has been no production since that time, with the possible exception of a little direct shipping ore.

After World War II the area was of little interest to mining people as the price of gold was too low. Continuing higher wages over the years made these small gold deposits uneconomic for twenty five years. However, with gold having quadrupled in price during the past two to three years, and especially during the past six months, the area again becomes attractive, the degree of such attractiveness depending upon the taxation policy of the Provincial Government towards small operations.

The writer, now retired, was manager of this small gold producer for the Timmins Corporation of Montreal during the years 1933 to March 1937, when an offer to purchase the property was made by a Vancouver company, which offer was accepted. Production was continued for another year when the milling and power plants were destroyed by fire.

A few months prior to departing from this area, the writer recommended to the Montreal owners that a lower adit be driven for the purpose of extracting the ore found by diamond drilling below the existing adit level. Some of this ore was very high grade even in 1937. Approval was given to drive this adit, and it was planned to do this early in 1938. However, this was never accomplished as the property was sold in March of that year.

After the mill burned down, the new owners of the property pushed forward with a longer and even lower adit than that contemplated by the Timmins Corporation. This adit started just above sea level and when it had to be discontinued for financial reasons it had penetrated the Timmins claims and indeed had cut what appears to be the downward continuation of one of the ore bodies which they (the Timmins people) had mined for a shallow depth at the surface.

Some nineteen separate ore bodies had been found on the two claims owned by the Timmins Corporation. Probably others occur and have yet to be found. The Timmins adit is at an elevation of 350 feet above sea level, and no ore was ever taken out below the adit, except for a small tonnage from two shallow winzes. The long sea level adit is 300 feet vertically below the Timmins adit. What this means is that the downward continuations of the ore bodies mined by the Timmins Corporation will be made available for extraction

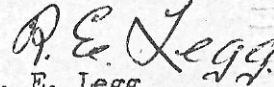
PROPERTY FILE

May 4, 1974

with a minimum of additional development work. I am in full agreement with your proposal that the sea level adit be extended an additional 500 feet so as to provide a suitable diamond drilling station from which to explore the ground between the two adits. In addition to locating ore, such drill holes could well determine the most suitable location for a raise connecting the two adits, which raise is essential for both ore extraction and ventilation purposes.

All diamond drill holes below the Timmins adit were drilled while the writer was manager at the property. The drill core was assayed at the mine assay plant, and the writer confirms that the results of these drill holes are accurate for both gold content and location.

Yours very truly



R. E. Legg

(formerly Consulting Mining Engineer)

PORCHER ISLAND GOLD MINES LTD., is the new name for our mining venture. We have decided to go public and are in the process of getting our prospectus accepted by the Securities Commission at Victoria. We do not anticipate any difficulty here. The prospectus is for the sale of 300,000 shares at one dollar (\$1.00) per share.

I have done a great deal of research work on the project during the past few months. I was very fortunate in being able to obtain a lot of Timmins Mining Corp. data from R.E. Legg, P. Eng. He managed the Surf Point Mine from 1933 to 1937. This data includes all the diamond drill logs, the monthly operating reports to Montreal, the smelter returns, the assay plans of the Surf Point Mine and considerable miscellaneous data.

The engineers report by Dr. Alex Smith contains many interesting points. Of particular import is his statement that all the lenses plunge (rake) easterly at 20° from the vertical. This latter is very pertinent in order to make a correct interpretation of Timmins' down hole diamond drilling - particularly in the north end of the Surf Point area. Alex Smith has recently retired after 30 years with Falconbridge Nickel.

The new mining tax measure (Bill 31) that was enacted by our N.D.P. government last spring is not too unfavourable to us. The enclosed calculation sheet, based on an estimated production figure, has been checked by our accounting firm. Any new federal tax measures are not likely to alter this to any great extent.

Negotiations with smelter officials at the Tacoma smelter of the A.S.&R. are favourable. If the silica content of our direct smelting ore can be maintained above 80%, as anticipated, there will be no smelter charge - maybe even a silica bonus.

There is a real possibility of utilizing the empty barges returning from the Alaska pipe-line job for our ore shipments to Puget Sound. This could give us a real break in freight costs. The mooted copper smelter at Kittimat would be a real break for us. Kittimat is just around the corner.

Our mining schedule need not be as rigid as indicated in the prospectus. We could readily cross-cut to the 'I' and 'J' zones to get some quick production. Similarly the several veins can be drifted on as they are intersected and placed into limited production during the interval that the cross-cut is being advanced and the ventilation raise driven. The narrow vein stoping method planned is expected to produce ore averaging 0.50 ounces of gold per ton. This mine run will be passed over a 6" grizzly at the ore dump. As noted by Alex Smith, the Quartz vein material breaks up much

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NOW

PORCHER ISLAND GOLD MINES LIMITED

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

REC'D *Dec 31 74*

REFERRED TO	DATE	BY
OBJECTS		
A. D. M.		
A. D. P.		
M. R.		
E. & P.		
A. D.		

Mr. J. E. McMynn, Deputy Minister of Mines
Department of Mines and Mineral Resources
Parliament Buildings
Victoria, B. C.

Dear John:

I have had a feasibility analysis made on a proposed production schedule and cost estimate on our proposed Porcher Island gold mining operation. It was made by the Vice President-Finances- of one of our leading British Columbia mining companies. It presented a very discouraging picture for us.

We have what is potentially a very sound little gold property. It is much more than a prospect. We believe that there is a good probability of 10 to 12 million dollars in gold values in the 300 foot block above our main low level adit tunnel. The damper that the Timmins Corporation placed on the potential downward extension with their down hole diamond drilling has been lifted. We have proven that, because of the easterly rake of the entire structure, most of their deep holes intersected the shears well below the lenses.

A careful cost analysis indicates that we can come up with a net cost of \$45.00 per ton. This includes the cost of exploration, development, stoping and sorting. This will produce a direct shipping ore which will average 0.62 ounces of gold per ton and 75% silica. This will be a fluxing ore that is very acceptable for base metal smelters. The smelting charge will be very low or even nil. We have a tentative agreement with Asarco at Tacoma for 7,000 tons per year and with Cominco for 6,000 tons per year. The average shipping and treatment cost is estimated to be \$24.00 per ton.

We are submitting a proposal for your consideration, which, if accepted, will permit us to move forward. I will want to have a session with you and Mr. Nimsik, in mid-January, to discuss this and get a ruling. I believe that you have room within your present mining legislation to grant it-i.e. a new mining operation on crown granted property.

The proposal is as follows:

- (1) Taxable income to be Gross value of production less:
 - (a) Mining costs -including exploration and Development.
 - (b) Shipping and treatment costs
 - (c) Depreciation @ 33%
 - (d) Depletion at 30%

FILE *mining properties*

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- (2) Taxes Payable:
- (a) Federal tax at 25%
 - (b) Provincial Liscence Tax at 12%
 - (c) Provincial Mining Tax at 12.75%
 - (d) Basic Royalty of 4% of Gross less Ship.& Treatment Cost.
 - (e) No super royalty during the premilling stage.
- (3) A Provincial grant of:
- (a) \$30,000.00 at once to do a limited amount of diamond drilling and preparatory work.
 - (b) \$20,000.00 to assist with the installation of a small dock and service roads. Early dock facilities are essential for the handling of direct shipping ore.

A copy of the feasibility analysis, previously referred to, is enclosed. On the right hand side of the same sheet is a revised feasibility analysis - showing what can be expected of the operation if our proposal is accepted by the provincial government. On this basis sufficient earnings will be created in 3 years time to permit a mill installation. Itv should be noted here that the first stage of operations will create 25 new jobs for north western British Columbia. The subsequent milling operation will be at a greater tonnage per day and as such - more jobs.

We hope that you and Mr. Nimsick will be favourable to our proposal. An early response will be greatly appreciated as we would like to keep several potential backers interested in our venture.

When I comev over to Victoria I will bring a full set of p. plans, sections and related data to demonstrate the viability of the project. You may arrange any date suitable to you and then advise me.

Very sincerely,


T.M. Waterland, President

Porcher Island Gold Mines Ltd.

Packa Island Gold Mine

Feasibility Analysis

	\$ 180	\$ 190	\$ 200
Net payable gold - oz per year	4862	4862	4862
Gross value of production	875,160	923,780	972,400
Less shipping and treatment \$15/ton	108,000	108,000	108,000
Production cost \$55/ton	767,160	815,780	864,400
Net operating profit	371,160	419,780	468,400
Depreciation 30% x 370,000	111,000	111,000	111,000
Taxable income	260,160	308,780	357,400
Federal income tax - 25%	65,040	77,195	89,350
Provincial tax - 12%	31,219	37,054	42,884
Mining tax - 12.75%	33,170	39,369	45,569
Basic royalty 5%	38,358	40,189	43,220
Super royalty	19,691	22,121	24,531
Total taxes	364,698	415,628	466,558
Net profit (loss)	(104,538)	(106,848)	(109,158)
Cash Flow			
Net operating profit	371,160	419,780	468,400
Less taxes	364,698	415,628	466,558
Net cash flow	6462	4152	1842
Super Royalty			
Price	180	190	200
Inventory	99	99	99
Subject to royalty	81	91	101
Royalty per oz - 50%	40.50	45.50	50.50
Production	4862	4862	4862
Total super royalty	19,691	22,121	24,531

	\$ 185
Net payable gold	8103
Gross value @ \$180/oz	1,499,055
Less shipping and treatment \$15/ton	180,000
Production cost \$55/ton	1,319,015
Net operating profit	540,000
Depreciation 30% of 370,000	111,000
Taxable income	668,015
Federal income tax - 25%	167,004
Provincial tax - 12%	90,162
Mining tax - 12.75%	100,202
Basic royalty 5%	65,951
Super royalty	348,429
Total taxes	827,699
Net profit (loss)	(159,684)
Cash Flow	
Net operating profit	540,000
Less taxes	827,699
Net cash flow	(48,699)
Super Royalty	
Price	185
Inventory	99
Subject to royalty	86
Royalty per oz - 50%	43
Production	8103
Total super royalty	348,429

REVISED FEASIBILITY ANALYSIS

USING THE

PROPOSAL SUBMITTED FOR A NEW MINING OPERATION ON CROWN GRANTS

BASIC DATA: ① 13,000 T/YR ② GRADE-0.62 OZ/T ③ GOLD \$180/OZ. (Costs as shown)

Net Payable Gold - oz/yr	7215
Gross Value @ \$180/oz	\$ 1,298,700
Less Ship. & Treat. Costs \$24/Ton	312,000
Production Cost (including Explor. & Develop.) \$45/Ton	986,700
Net Operating Profit	585,000
Less Depreciation (33% of 370,000)	401,700
Less Depletion (30% of above)	111,000
Taxable Income	290,700
Federal Tax Payable - 25%	87,210
Provincial Misc. Tax - 12%	29,070
" Mining " - 12.75%	20,349
" Basic Royalty - 5% of 986,700	49,335
Total Taxes	156,964
Operating Profit	133,736
Less Taxes	156,964
Net Earnings	\$ 251,176

Even on this basis the net earnings are only 19% of the gross income - a rather low figure for a mining venture of this nature.

This new operation will create 25 new jobs for N.W. British Columbia and a new tax revenue of \$100,000 for the province.

Funds for a mill will be created in 3 years time.