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MEMORANDUM TO: Mr. J. N. Hyland, President
and
Mr. P. I. Conley, Secretary Treasurer
Granduc Mines, Limited (N.P.L.)

FROM: Erik Ostensoe, Chief Geologist

SUBJECT: Mitchell Creek Claims

April 27, 1976

E. W. KIRKHAM

The object of this memorandum is to place on record details of a conflict concerning a small portion of the Sulphurets Creek project mineral claims and to recommend a procedure for clarifying the problem. Lengthy background information is included.

In 1959 Don Ross of Ketchikan, Alaska carried out prospecting activities in Northwestern B.C. and Southeastern Alaska. He was financed, at least in part, by several Ketchikan people. Ross's method of search involved reconnaissance from a small high performance airplane which he piloted. Upon finding an area of apparent interest he would land his plane as close as practical and carry out normal prospecting. Stan Bishop of Ketchikan who had lived at Burroughs Bay, Alaska at the mouth of Unuk River, and who had worked in the Sulphurets Creek - Mitchell Creek area during the 1930's was an associate. I surmise that Bishop either directed Ross to the Sulphurets Creek area or was contacted by Ross after the latter had found the large gossan zone by his own efforts in 1959. In any event, Don Ross approached a Vancouver representative of a major U.S. mining company late in 1959 with a very guarded, somewhat vague proposal regarding the then-unstaked Mitchell Creek area. Nothing further was done but early the following spring Newmont Mining Corporation of Canada, on behalf of Granduc Mines, Limited, commenced a helicopter-borne magnetometer survey of the entire Unuk River drainage area. The survey was completed and staking of anomalies including the Sulphurets Creek zone commenced in mid-May. The airborne survey was incomplete in the Mitchell Glacier portion of the area due to almost total snow cover which made flight path recording impossible. Sufficient data was gained however to indicate some magnetic anomalies both north and south of Mitchell Glacier and as a consequence a double row of claims, the Ray 1 - 14, was run from the north side of Mitchell Glacier south to the crest of the Sulphurets - Mitchell Creek ridge. All the claims in the area were recorded on May 31 and June 3, 1960.

At about the same time (i.e. late May or early June 1960) Don Ross and Stan Bishop, either in response to news that Newmont was busy, or perhaps as they had previously planned, arrived on the scene, landed at the toe of Mitchell Glacier and commenced staking the entire Mitchell Glacier area. Claims were recorded on June 16, 1960. With the exception of the Ray 1 - 14 claims they

acquired the whole area of interest but did not do much work on their claims that year. Major companies seem to have shied away due to Newmont's commanding position and activity. However, in early summer 1961 the Ketchikan group had a problem regarding assessment work on their claims. It seems that Wendell Dawson, a Ketchikan prospector and the original finder (in 1931) of what became the Granduc Mine, was brought in to the group to help them out and, as an alternative to paying cash-in-lieu or letting them lapse, to re-stake certain of the claims on which they had not done sufficient work. We do not know how the Ketchikan group determined the locations of their common boundaries with the pre-existing GML claims nor have we ever been able to locate certain of the critical claim posts in Mitchell Glacier area. Wendell Dawson died in 1965 or 1966. In 1962 Phelps Dodge optioned the Ketchikan group's claims. In 1964 Meridian Syndicate optioned them and in 1968 - 1971 GML optioned them. The ground has not had any substantial work since 1968 when Granduc drilled two holes in the molybdenum area on Dawson-Ross 3 claim. By summer 1974 when GML crews were again working in the Mitchell Glacier area, the Ketchikan group had broken up; Stan Bishop's claim, the Arbee 54, was transferred by Bill of Sale to Don Ross on June 11, 1974 and Mrs. Grace Dawson separated her remaining claims from those of Ross. She subsequently permitted all but six of her claims to lapse.

As a result of work during 1974, GML determined that the many uncertainties and problems related to their claims, including overlapping of claims, missing claim posts, divergence of adjacent claim location lines resulting in creation of large fractions of unstaked ground, should be resolved by abandoning and relocating the area under provisions of the then recently amended Mineral Act. The objective was to acquire best possible title to a "solid" block of claims covering the entire area thought to be of interest.

In May 1975, Ed Kruchkowski and the writer visited the Prince Rupert office of the Mining Recorder for Skeena Mining Division in order to search the claim records for any data, mainly claim sketches and affidavits submitted when the claims were recorded, that would help us locate any of the Ross, et al or Dawson claim markers. We found that the data was not sufficiently detailed to be of any assistance and concluded that it would be impossible to re-stake just the Granduc owned ground and be assured of closing the gaps around the Ross and Dawson claims. We subsequently proceeded to make application for permission to abandon and relocate the GML claims and to plan not only their relocation but also additional staking to deliberately over-stake the existing Ross and Dawson claims wherever they might lie.

On one and possibly two occasions early in June, I reminded J. H. Montgomery, Mrs. Dawson's agent in Vancouver, that her Mitchell Glacier claims were due to expire later that month (on June 22nd) and he assured me that Mrs. Dawson was sending him funds to pay cash in lieu. This advice was in part as a

gesture of goodwill and in recognition of the fact that Mrs. Dawson living in the Seattle area, might not have been vigilant regarding the necessity to keep her filing up to date and in part to forestall complications that could arise if her claims were inadvertently permitted to lapse and had to be restaked on her behalf. Dr. Montgomery assured me that the matter was being attended to.

Nonetheless and to my consternation, the cash-in-lieu was not paid by the anniversary date (June 22nd) and the claims were forfeited. By this time the abandonment etc. procedure was moving along and when Dr. Montgomery requested that either myself or Ed Kruchkowski re-stake Mrs. Dawson's claims for her while in the area, primarily to save her the considerable expense of having Montgomery do the job, I, without mentioning our planned staking activities, immediately agreed to do so although I could see an awkward situation emerging whereby Granduc employees would stake the claims, hold them for the mandatory 12 months then transfer them to Mrs. Dawson who, along with Ross, was a direct competitor. The alternative, declining to help Mrs. Dawson, would have resulted in her agent (presumably Montgomery who is very familiar with the area) going in and restaking the ground plus, of course, the very real risk not only of his establishing Mrs. Dawson's title in an area not previously held, it being seemingly impossible to find the original (1961) claim markers, but also of throwing in a number of additional new claims in areas that we were planning to acquire as soon as the abandonment, etc. could be affected. For these reasons I agreed that we would "help Mrs. Dawson out" by staking six claim units for her approximately coincident with her pre-existing claims. It was also agreed that Mrs. Dawson would reimburse GML for all related costs.

Without further discussion of the matter we proceeded to restake the GML ground plus additional previously unstaked ground, and to deliberately overstake the Ross claims exact limits of which could not be determined. It should be emphasized that none of our actions have in any way infringed upon rights attached to the mineral claims then held by Ross. Parenthetically I would note too that under the Modified Grid System of staking, it is extremely difficult to tie on to pre-existing claims without some degree of over-staking occurring as a result of the MGS claim units being larger, having to be oriented in the cardinal directions and there being no provision for fractional claims. All the GML claims were recorded at Stewart B.C. on August 26, 1975.

As a consequence of the above, it is now necessary to establish a procedure that will permit us to provide for eventual transfer of ownership from GML to Mrs. Dawson of claim units approximating her former claims and for charging her for our expenses incurred. On the accompanying Sketch I have shown the position of Ross's claims for which field data is available. The positions of Mrs. Dawson's former claims are entirely hypothetical as no claim posts have been found.

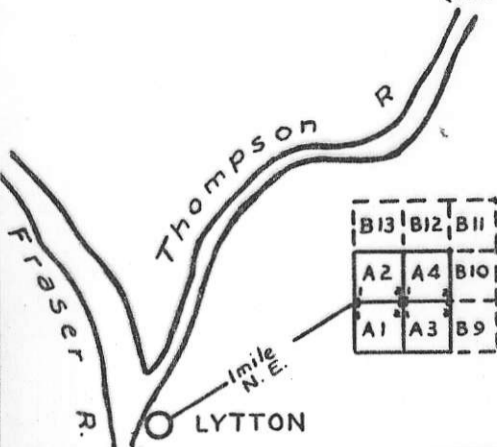
At a meeting in GML's Vancouver office on April 14, 1976 Mrs. Dawson undertook to provide all material that she has, mainly her late husband's field notes and diaries, that might help us in determining the position of her claims. This material is not yet available to us. If the claim locations can be determined our course of action is obvious: dedicate the appropriate claim units to her. If the claim locations cannot be determined we are presumably forced to accept the Mining Recorder's maps as being accurate. In as much as these maps have been extant since 1961 without, to our knowledge, being challenged, one presumes that a challenge without hard evidence would be most difficult; a circular argument devolves immediately: we would be unable to debate the subject without producing some rather persuasive evidence to discredit the official maps and that evidence could only be proof of where the claim posts were actually placed. Even though I am not proposing any precipitous action, pending the search for further evidence of the claim positions, this memorandum will put the subject on record. I would caution that although this topic is viewed as important I do not foresee it becoming a difficult one. Mrs. Dawson has agreed not to stand in our way in the event of further development of the area and in fact has offered us her utmost cooperation.

In the event of a transfer of ownership taking place I would suggest that we insert a first refusal or buy-back clause into the agreement in return for which we would agree to maintain her claims as long as we were actively involved in the area or the agreement was in force. Mrs. Dawson no longer holds a British Columbia Free Miner's Certificate and is not eligible to hold one. Therefore the subject claim units, if transferred, would have to go to an agent in B.C.

EXAMPLE of
type of sketch
required

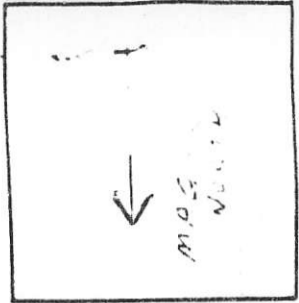


Indicate North
(True or Mag.)



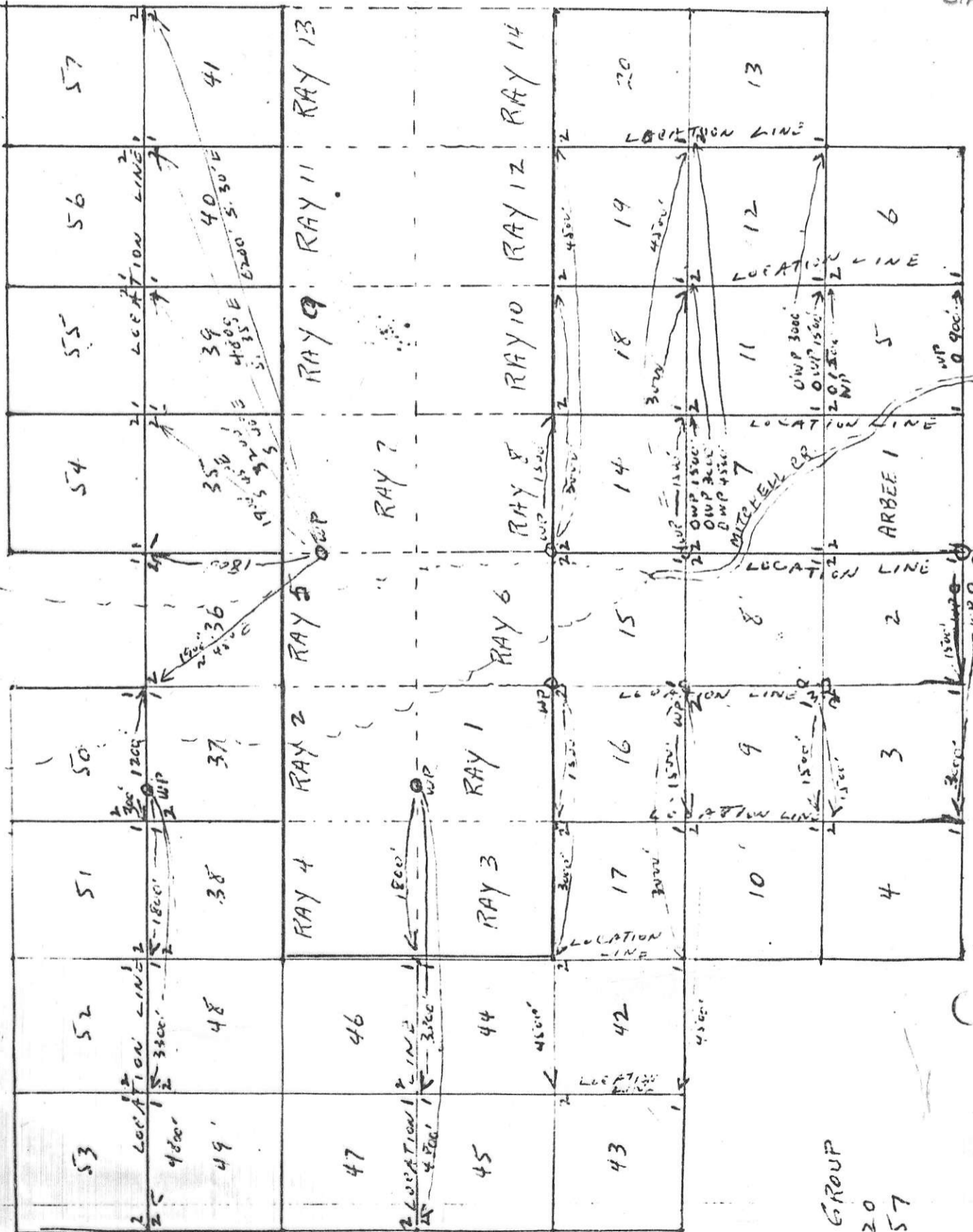
Claims must be tied by direction and distance to at least one, preferably more than one, topographical feature, or to a land lot, section, township, or other recognizable point on printed maps of the district. Relationship of previously located claims should also be shown.

N.B. — The sketch for a group of claims may be placed on one affidavit.



INDICATE NORTH
(True or Magnetic)

This is a copy
of Don Ross, et al's
staking sketch
regarding his Mitchell
Glacier area claims - 1960
S.A.O



MITCHELL CR
GLACIER

NORTH

ARBEE GROUP
1-20
35-57