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**INTER OFFICE MEMO**

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**CYPRUS EXPLORATION CORPORATION LTD.**

**VANCOUVER OFFICE**

Date: March 8, 1973

To: C. A. Mark Ref. 2236-CVL

From: J. B. P. Sawyer

Subject: Brinex - Robb Lake Area, B. C. Proposal

As mentioned to you on the phone yesterday, we have been approached by Neil Westoll of British Newfoundland Explorations here in Vancouver regarding a possible joint venture with them on their holdings in the Robb Lake area of B. C. You may recall that I had mentioned earlier that I thought there might be a chance of a joint venture with these people.

The Robb Lake area of B. C. lies in the northeastern part of the province and is in a reef-type environment similar to Pine Point. We did try to acquire the Vestor-Redfern Lake property but missed out and have been offered other properties in this area which we have rejected on the basis of geology. Some of the most favourably located ground in the whole belt is held by Brinex and if one had a choice of acquiring any ground in the Robb Lake belt, certainly parts of the Brinex ground would be first choice. Brinex holds a large number of claims, approximately 1,200 in several groups in the area. Approximately 350 of these must be retained under option agreements negotiated by Brinex, however, they will probably keep, after the 1973 season, about half of their present total. Two areas are regarded as very high priority drill targets for 1973 on the basis of geochemistry, geological mapping, and prospecting completed in 1972, and exposures of significant mineralization in outcrop on at least one of these. A good part of the most southerly claim block based on present information can probably be abandoned, however, a fair amount of work remains to be done fully to evaluate it. Similarly, some of the smaller blocks at the northern end of the belt are of relatively low priority at this stage. The two prime areas are referred to as Perkins Prospect in the central part of the belt and the Zenith ground (Dodson submittal) which Brinex has optioned from Zenith Mining.

Neil Campbell whose expertise in this type of environment is well known, has done some consulting for Brinex and although he was not on the ground in 1972, did make an office study and put together an interesting report for them which comes out very strongly in favour of a major program on the Brinex holdings.

I am enclosing herewith copies of Neil Campbell's report, a report by G. J. Dickie who did most of the field mapping last summer for Brinex, a summary report by Neil Westoll, and a fairly detailed geochemical report by Matti Tavela. The loose maps showing the general geology of the Brinex ground in relation to the main part of the belt accompany Dickie's report. I am also enclosing an outline of a proposed agreement which is pretty tough and which sets out the thinking of the Brinex people on a joint venture. Westoll emphasizes that all of the details in this summary are negotiable, however, it is obvious that they feel justified in putting a substantial premium on the initial money which they have invested to acquire this ground and to get the project to its present stage. In view of the favourable geology and known mineralization, and the fact that Westoll has been pretty astute in selecting the right ground and tying it up, I feel that this is probably not unreasonable. We would certainly try to reduce the amount of the premium which at the moment looks like 30% on the first one million dollars. Only 40% is available to a partner at this time since Brinex want to keep control and, of course, are able. They have not presented this data to many people being, apparently, very fussy about who they deal with, however, we do know that Chevron have been given the same data and would be a desirable partner as far as Brinex is concerned. I happen to know that this is very much the kind of thing that Chevron would go for in terms of geology. There is, I think, a possibility of a three-way joint venture between Brinex, Cyprus and Chevron.

My recommendation would be strongly in favour of Cyprus taking a position in this opportunity. There seems to me little doubt that the ground involved includes some of the most favourable in the Robb Lake area. The known mineralization and Neil Campbell's very positive stance are strong points in its favour. Whether or not we can afford \$300,000 in 1973, as set out in the summary of proposed agreement, is I suppose, a big question mark, however, I do feel that this amount of money is probably not unreasonable for the next stage of investigation. We can perhaps explore the possibility of spreading this over a longer period or alternatively, talking Brinex in to putting up part of the 1973 costs. I would appreciate receiving your comments as to the extent of Cyprus's interest and ability to participate at an early date. I plan to meet with Peter Grimley who is Brinex's Vice President - Exploration in Montreal this Friday to get his thoughts at firsthand. I have promised Neil Westoll that we would give him some indication of our interest by the end of next week or early the week after.

JBPS/jel

Encls.

(Miss) Blavigne  
for JBPSawyer

**CYPRUS EXPLORATION CORPORATION, LTD.**

**510 WEST HASTINGS STREET  
VANCOUVER 2, BRITISH COLUMBIA**

**TELEPHONE: 683-9304**

March 27, 1973

Dr. N. D. S. Westoll,  
Regional Geologist - Western Canada,  
British Newfoundland Exploration Ltd.,  
#704 - 602 West Hastings Street,  
VANCOUVER 2, B.C.

Dear Dr. Westoll:

Further to our discussions of March 23rd regarding a possible joint venture between Cyprus and Brinex on your Robb Lake area claims, I am writing now to confirm our interest in pursuing this possibility further.

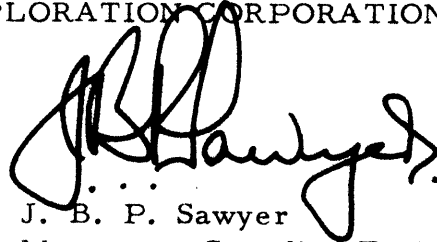
Purely on the basis of geology and technical merit, I can say that we are favourably impressed with the location of the Brinex claims, and congratulate you for the excellent work in obtaining this position for your Company. As we discussed, we do feel that the deal which you outlined is a little tough and it would certainly strain our budget resources too greatly at this time. As I mentioned to you, the reaction I got from my superiors was that they would prefer to see Brinex continuing to participate in expenditures since they feel that, even though the claims are favourably located and you do have mineralization in place on some of the claims, this is still strictly an exploration project. At the present time we have no assurance from our senior Vice-President that funds will be made available for this project, however, it appears at this time to be a reasonable possibility that we might be able to contribute to a 1973 program in the \$75,000 to \$100,000 range. If this level of expenditure could be fitted into a suitable arrangement, either with yourselves entirely or perhaps with Brinex and a third company, we would be very interested to join with you. As you are aware, we have worked with Chevron in the past and have a high regard for that Company's ability and approach to exploration. We would be happy to consider them as a possible third partner, however, we would certainly leave the choice of participants to Brinex in the final analysis.

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This note will perhaps serve formally to assure you that we do have a serious interest in working with you in the Robb Lake area and would welcome further discussions at your convenience.

Yours very truly,

CYPRUS EXPLORATION CORPORATION, LTD.

A handwritten signature in black ink, appearing to read "J. B. P. Sawyer". The signature is stylized with large, overlapping loops and a long horizontal stroke at the end.

J. B. P. Sawyer  
Manager - Canadian Exploration

JBPS/jel

c.c. Mr. C. A. Mark, C.M.C., Los Angeles

INTER OFFICE MEMO

CYPRUS EXPLORATION CORPORATION LTD.  
VANCOUVER OFFICE

Date: May 14, 1973

To: C. A. Mark

Ref. 2315-CVL

From: J. B. P. Sawyer

Subject: Brinex Proposed Joint Venture - Robb Lake Area

I enclose herewith a revised summary report received from Neil Westoll on May 11th which sets out, among other things, his revised proposals for a 1973 program. As you will see, the revised budget is considerably below the original \$300,000 proposed, the chief difference being that he has reduced considerably the amount of drilling for this year. It is apparent from talking with Westoll and also from discussions with both Westoll and Grimley during the C.I.M. meeting here in Vancouver that this is the minimum budget they are prepared to live with for this year. Considering the amount of ground they hold and the work to be done, I think it is probably realistic.

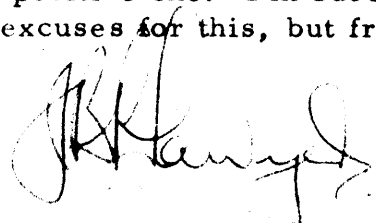
Since talking to you this morning, I have had another call from Neil Westoll of Brinex to advise that he has just been told by Peter Grimley that, should it be found impossible for Cyprus and Chevron to put a deal together, Brinex is interested in making a joint venture solely with Cyprus and would be prepared to finance their part of the program this year. This is interesting in two ways, first it comes part way to meeting one of our points made earlier, that we would like to see Brinco putting some of their own money in, and secondly, it perhaps add some weight to their feelings about having us in with them. I mentioned again to Westoll that we were unhappy with the original proposal in regard to the heavy premium they were putting on their first dollars. He simply noted this and agreed that should we get to this stage, i. e., a Brinex/Cyprus joint venture, there would be need for some further negotiations.

I would like to make a couple of points regarding availability of budget for this and other projects in Canada, further to our telephone conversation of this morning. I feel that we should involve ourselves in both the Bee Lake proposal with Selco and Rock Ore, and the Robb Lake proposal with Brinex. I realize they are both fairly high budget projects, but would like to comment that I think both budgets are realistic and both projects worth while. I think perhaps part of Cyprus's exploration problem is that because of restricted budgets, we tend to get forced into low budget projects and this, in itself, in my opinion, puts some restriction right away

on the probability of success. I believe we should look at projects from their technical merit first and if they are worthwhile, then if we are serious about being in the exploration business, we should find the money for them. I believe it follows that the projects which have most going for them, such as Robb Lake and Bee Lake, will necessarily have a higher price tag because the people that are doing the selling have a strong enough basis on which to place a high price. This being so, the question really resolves into how serious are we about doing exploration with the intention of coming up with a winner as opposed to just doing exploration for the sake of doing exploration. There's no question in my mind what the answer is and I'm sure that there is little in yours also. Having said this, I would hasten to add that I am, of course, aware that the pot is not bottomless, however, I would suggest that it perhaps is not quite as shallow as some people in our organization tend to try and make us think. The original budget for this year I regarded as a minimum. If we're going to cut back much lower than that figure and try to maintain a realistic exploration program, then I think we're probably fooling ourselves. The withdrawal of \$200,000 from that original figure was hard to accept and even harder to justify, in my opinion. When that money was re-allocated, allegedly to the Bagdad acquisition, the statement was made that the situation would be reviewed and that if earnings were favourable, this money would be returned to the exploration budget. Looking at the first quarter figures, and the outlook for metal prices in general, I would certainly expect to have this money reinstated in the Canadian exploration budget. Failure to do so would simply widen the already considerable credibility gap between financial management and regional exploration offices.

We have recently been talking with a number of other major companies, such as Selco, Brinex and others who have been active over a period of years in exploration in Canada, and it is rather interesting to make the comparison between the effects of finding a producer on Cyprus's exploration effort and on those of other companies. In the case of Selco, for example, the discovery of the South Bay ore deposit, even though it is quite small, was the key to solution of most of their problems. This deposit gave them the basis for establishment of a meaningful Canadian identity and provided funds for considerable exploration effort. In the case of Brinex, although their actual mines have not been very large or great in number, they have through the Churchill Falls project established for themselves a source of income and again, have a viable Canadian identity and an assured source of exploration funds. In the case of Cyprus, the Anvil deposit is an exploration department discovery and the deposit itself is considerably more attractive than anything either Brinco or Selco have come up with, and, what is the effect this has had on Cyprus? All of a sudden we have another faction to compete with, a lot of internal political bickering, a lot of inefficiency of effort, a considerable cash flow to Cyprus which promises to increase even further, and the result to the exploration effort is a negative one rather than a positive one. I'm sure somebody in the organization can make up some excuses for this, but from where we sit, I'm afraid it's hard to appreciate.

JBFS/jel  
Encl.



**CYPRUS EXPLORATION CORPORATION, LTD.**

**510 WEST HASTINGS STREET  
VANCOUVER 2, BRITISH COLUMBIA  
TELEPHONE: 683-9304**

May 16, 1973

Dr. N.D.S. Westoll,  
Manager - Western Exploration  
British Newfoundland Exploration Ltd.,  
#704 - 602 West Hastings Street,  
VANCOUVER 2, B.C.

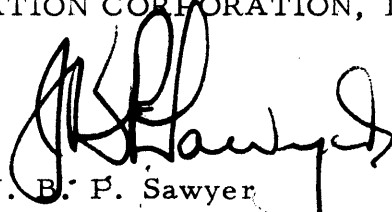
Dear Neil:

This is to confirm our earlier telephone conversation of this date concerning Cyprus's decision not to make funds available for our participation with you on your Robb Lake area claims. As I mentioned to you, the chief reason given is the political climate in B.C. at the present time. Apparently our management feels uncomfortable about spending fairly large sums of exploration money in this area under the existing political uncertainties. While I have no quarrel with their evaluation of the politics, I feel very strongly that this decision is a short-sighted one and although it is not much consolation, it isn't the first time an opportunity like this has been passed up and, knowing Cyprus, I am sure it won't be the last either.

We do appreciate your interest in working with us and your co-operation in our discussions to date. I sincerely hope that we will be able to continue a favourable relationship with Brinex and will be able to work with you in other areas of Canada.

Yours very truly,

CYPRUS EXPLORATION CORPORATION, LTD.

  
J. B. P. Sawyer  
Manager - Canadian Exploration

JBPS/jel

c.c. Mr. C. A. Mark, C.M.C., Los Angeles