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RECD. OCT 31 1952
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 INTER-OFFICE CORRESPONDENCE

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FROM: Evan Just

CITY: New York

DATE: 10/29/52

TO: Henry T. Mudd

SUBJECT: Sunshine Lardeau Property, B. C.

This is a rather small but quite high-grade lead-silver-zinc property which, through a combination of poor management and over-optimistic financing, is now in financial trouble. Legg thinks that the property is promising and his conversations with the owners make him believe that for granting a \$250,000 loan we can obtain an option to purchase approximately one-third of the equity on favorable terms, plus a management contract. Based on this apparent situation, I endorsed his going up to inspect the property which he is currently doing. If this inspection checks the apparent picture, our plan is that I will join him in Vancouver to work out a proposal. If we are successful to that point, I hope that the Los Angeles office will digest the information I send them meanwhile so as to be in a position to make a quick decision. Legg states that in his opinion this opportunity will be quickly snapped up if we do not stay on top of the situation.

This appears to be a smaller mine than the company in general would like to have, but it seems to me that the high-grade and the profit potential therein offset that factor. There are several articles in the Northern Miner since last March, the most comprehensive of which is on page 17 of the issue of June 12. See also page 11 of July 3. #

Location

At Beaton, B. C., which is south of Revelstoke on upper Arrow Lake. This is approximately 100 miles directly north of Trail and is in the Lardeau district. The property is approximately 10 miles from the C.P.R. at Arrowhead, south of Revelstoke.

History

The property was partially developed several years ago as the Spider Mine. In the last few years exploration was resumed on the fifth level. This work exposed the promising ore now shown in the fifth and sixth levels of the property. After promising exploratory results, a 50-ton mill was put into operation in May. The capacity of this mill has apparently been increased since to 100 tons. Legg states that this is probably the logical mill capacity for the property unless further development indicates larger orebodies. However, Rutherford's report indicates that a minor portion of the ore is of direct shipping grade.

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Orebody

is this on 8th level workings or in drill hole?

The orebodies occur in two carbonatized zones of massive chlorite schists in a zone some 20 to 50 feet wide. The ore has apparently been intersected in drilling to 140 feet below the sixth level. Legg states that the developed length of the principal orebody is approximately 100 feet and Rutherford gives it an average width of 10.5 feet. Approximately half of this width is high-grade. Rutherford's estimates only include ore down to 50 feet below the sixth level, but Legg states that ore has been intersected on the eighth level, some 270 feet below the sixth level, since Rutherford's report was made. Legg quotes the company's secretary as stating that this level found an 18-foot width.


Rutherford gives the property 37,145 tons of ore showing 0.11 oz. gold, 32.1 oz. silver, 10.1% lead and 7.1% zinc, after allowing 15% for dilution. He estimates that the ore reserves indicated can show a profit of \$778,153.20. However, this estimate does not include capital charges in the allowance of \$26 per ton for mining, milling and administration.

Structure and Finances

It is E.J. →

The organization is a \$3,000,000 share company with all shares outstanding. It owes \$100,000 plus \$70,000 still owing on machinery. It is a going operation with mill, road and apparently most of the necessary camp. Legg states that the current market quotation on the stock is about 35¢ per share. I have not been able to find any quotation on this company and presume it must be an over-the-counter security in Vancouver. He anticipates that for taking a \$250,000 mortgage, reflecting a loan of this amount to the organization, we will be able to purchase approximately 1,000,000 shares at about 35¢ per share.

Copies of memorandum from Legg and report of Rutherford are attached. If the head office takes a dim view of this one, I would greatly appreciate an immediate wire, so as to avoid a wild goose chase out there principally on this account.


Evan Just

EJ:CV

P. S.

10/30/52

I just talked to Legg on the phone. He has just returned from his examination and reports that the property

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CITY:

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Add P. S.

looks somewhat better than Rutherford's report indicates. This is based principally on his own observation that an 18-foot width of good ore is showing on the eighth level, which adds substantially to Rutherford's tonnage estimates. He is meeting with the owners this afternoon in an effort to work out a mutually advantageous deal. He also states that their financial difficulties are due to debt and lack of capital, as the operation is currently in the black despite present metal prices.

REC'D OCT 29 1952
Action Date

INTER-OFFICE CORRESPONDENCE

A C		
F I		
H K		
L W		

A = Action C = Comment

I = Information B.C. DATE: 10/26/52

FROM: R. E. Legg

CITY: Vancouver, B.C.

To: Evan Just

SUBJECT: Sunshine Lardeau Mines Ltd.

Attached hereto is a copy of report dated October 10, 1952 by C. Rutherford, mining engineer of Vancouver. It is because of the information given in this report that I am leaving tonight to examine the mine. You will note that Rutherford refers on page 4 to the 8th level intersecting the ore. This intersection has been made since Rutherford made his examination, and the company secretary, A. Johnston, states that an 18-foot width of very good ore has been found.

I will wire you as soon as my examination is completed, and in the meantime I have done what I could to ensure that the company officials here in Vancouver do not approach any other mining people for assistance.

If the ore shoot on the 8th level is continuous to the 6th level, then there could be a very considerable increase in the ore reserves. These two levels are 270 feet apart. Almost all of the tonnage estimated by Rutherford lies above an horizon 50 feet below the 6th level.

As I intimated to you over the telephone, the finances of Sunshine Lardeau are in a very bad way. Now is the time to enter the picture. If the full details, as reported by Rutherford, are correct and were well known, then this property would be quickly snapped up.

R. E. Legg
R. E. Legg