Prosperity-Idaho- Silverado Property
Portland Canal. BC
825745
103.P/13W

KERR-ADDISON GOLD MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

W.S.R.
M.C.G.
P.M.K. ✓
✓ C.K.W. ✓
G.H.M.
R.D.S.
B.C.B.
D.W.P.
G.C.R.
E.L.D.
J.I.B.
L.C.J.

To W. M. Sirola *From* P. M. Kavanagh

Subject Prosperity-Idaho-Silverado Property, Cassiar Mines *Date* December 15, 1961
Portland Canal, B. C. (103P)

This is to confirm our verbal understanding in Vancouver that we will take no further interest, at least for the present, in this situation. It may be that Skerl, or possibly yourself, will think of a more reasonable approach to a further investigation of this property, and if so we should renew our interest.

PMK.

Paul M. Kavanagh
Chief Geologist - Exploration

PMK:ry

103 P

A		N
	W.S.R.	
	K.C.G.	
	P.M.K.	
	C.K.W.	✓
	G.H.M.	
	R.D.S.	
	B.C.B.	
	D.W.P.	
	G.P.R.	
	E.L.D.	
	J.I.B.	
	E.C.J.	

KERR-ADDISON GOLD MINES LIMITED

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To P. M. Kavanagh *From* C. K. Wilton

Subject Prosperity-Idaho-Silverado Property, Cassiar Mines, Portland Canal, B. C. (103P) *Date* December 1, 1961

The Prosperity-Porter-Idaho mine produced 30,000 tons of 70 ounce silver ore and if we add to this the 100,000 tons of indicated ore calculated by Skerl to average 22½ ozs. silver we get a total of 130,000 tons of 33½ ounce ore which was found by driving numerous drifts on many of the veins at various elevations along a north-south length of about 3000 feet. If a proportional tonnage of ore were indicated by 2500 feet more drifting (as proposed by Skerl) along the zone and drilling from it the total indicated ore would then be about 210,000 tons of 28½ ounce silver ore (gross value $34 per ton including the base metals) which would give a per ton profit of about $5 or $10 using Sirola's figures or Skerl's.

In addition there are subsidiary blocks of ore below the bottom levels of the Blind and Prosperity veins and some medium grade ore in dumps and stope fill.

The above suggests that the probable additional grade which could be developed is about 33½ ounces per ton rather than the 22½ ounce figure used by Skerl in his calculations on the economics of his proposal.

I suggest that a discussion with Sirola and perhaps with Skerl may help in our evaluation of this project.

C K Wilton

C. K. Wilton
Senior Geologist - Exploration

CKW:ry

103 P

KERR-ADDISON GOLD MINES LIMITED

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REC'D NOV 23 1961

To P. M. KAVANAGH From WILLIAM M. SIROLA

Subject PROSPERITY-IDAHO-SILVERADO PROPERTY, CASSIAR CONSOLIDATED MINES, PORTLAND CANAL, B.C. 103-P Date November 21st, 1961.

A. N W.S.R. K.C.G. J.M.K. C.K.W. G.H.M. R.D.S. D.W.P. G.P.R. E.L.D. J.J.B. E.C.J.

In the accompanying report, Dr. Skerl has come up with a proposal for re-opening this group of mines. These properties have been held for the past seven years by Cassiar Consolidated Mines of Vancouver.

Dr. Skerl feels that there exists some 100,000 tons of silver ore averaging 22.5 ozs. of Ag. per ton from surface to 100' below the D level. This tonnage in itself is non-economic, but Dr. Skerl feels that by doing sufficient additional development another 300,000 tons of ore might be found. He thinks that a profit of $10.00 per ton could be made on this ore. Capital costs are estimated at $2,300,000.00 and net profit before taxes would then be $700,000.00, which represents a 30% return on the investment.

Dr. Skerl envisions a 300 ton mill which would be connected to the known ore by a tunnel 7,000' long. This tunnel would be driven 2,000' in the first two years and if sufficient ore were found in the course of this development the tunnel would then be extended an additional 5,000' to the mill site. The concentrates could then be trucked to Stewart over a four (?) mile road.

Dr. Skerl's version of capital costs breaks down as follows:

Mill		$ 500,000.00
Ore Pass and Tunnel		1,000,000.00
Pre-Production Development . . .		800,000.00
	Total -	$2,300,000.00

Much as I like the thought of developing a silver property, and much as I like some of Dr. Skerl's work, I disagree with his version of these deposits for the following reasons:

(1) Stage I of his proposal involves the driving of 1,500' of drift in the hope of picking up additional ore. The cost of doing this, together with the cost of rehabilitating the camp by helicopter, is estimated at $350,000.00. Since no assurance exists of any additional ore being found, I feel that this Stage I cost is too high.

103 P

KERR-ADDISON GOLD MINES LIMITED

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To P. M. KAVANAGH *From* WILLIAM M. SIROLA

Subject PROSPERITY-IDAHO-SILVERADO PROPERTY (Cont'd) *Date* November 21st, 1961.

(2) The likelihood of developing 300,000 tons of ore with 2,500' of lateral development seems unlikely when we consider that some *1,4000 of similar development were required to develop 30,000 tons of ore in the past. The ratio of development in ~~and~~ waste to development in ore has been approximately 12 to 1.

(3) I think that Dr. Skerl's estimate of profit per ton might be ambitious. I say this because I do not feel that he has made adequate allowance for smelter deductions. If we start with a gross value of $33.00 per ton, which would represent the total values in silver, lead and zinc, the net smelter return would probably be no more than $19.80 per ton. Since Dr. Skerl estimates costs at $14.80 per ton, I would suggest that we would be wiser to use $5.00 per ton as a more realistic margin of profit. Were this the case, 460,000 tons of ore would have to be found purely as amortization tonnage. The probability of locating this tonnage seems remote.

(4) Some tonnage of low grade ore was undoubtedly left in the stopes by the miners of the 1920's and 1930's, but these miners were great sorters and costs were quite low in comparison with present day costs. Consequently, I feel that most of the ore would have to come from newly developed ore shoots rather than from old leavings.

I have forwarded Gus's maps in a tube under separate cover. Would you please return the report and maps when you have finished with them. Maybe you can see this thing in a rosier light than I have.

R.L.

pp. William M. Sirola.

* 14,000

Enc.

WMS:rl