

Avalon Ventures



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CANADA'S RHONDA BATTLES

DE BEERS SCHOOLYARD TACTICS IN THE BOARDROOM

Canadian Miner

Portrait Photography by A.J. Robichaud

Two-and-a-half years ago, Calgary-based diamond exploration company, Rhonda Corporation, was pleased and somewhat flattered when De Beers Canada indicated it would be prepared to do some exploration work on a small section of Rhonda's property in Nunavut.

Little did the company realize it was embarking on a strange and frustrating journey that would eventually end up in court. According to Rhonda's Chairman and CEO, John M. Alston, it all began in early 2000, when De Beers, part of the South African-based multinational whose name is synonymous with diamonds, received permission from Rhonda to investigate a single target on Rhonda's Knife claim, in the Coronation Gulf region of Nunavut.

"They wanted to have a look at a target they thought was on our property. It was late in the season, with breakup approaching, and they wanted to drill test a target that they had identified from till sampling," explains Mr. Alston.

To expedite matters Rhonda signed a letter allowing De Beers to proceed but stating that a formal agreement would be forthcoming. Under the letter, De Beers was to prepare the formal deal and submit it to Rhonda for negotiation.

De Beers went ahead with its drilling program, which confirmed the target was not only a kimberlite pipe but that it was also diamondiferous, although not spectacularly so.

Rhonda waited and waited for De Beers to get back with the proposed agreement.

"Nothing materialized for some time and we became tired of waiting for them to come up with a draft formal agreement, so we prepared one ourselves based on a pattern of an agreement that was pretty standard in Canada, adapted to fit the circumstances of diamond exploration."

Alston says when Rhonda submitted the proposed agreement to De Beers, they seemed surprised, but he says his company was merely trying to expedite the process of getting an agreement in place.

He did not want to go into detail about Rhonda's proposed agreement, other than to say it contained the essence of the informal accords outlined by the letter.

"We had discussed that they would be able to earn an interest in the property, but the property in the initial discussion was only the single target that they had described. It wasn't the whole of the Knife claim. At first they never identified what claim they wanted, they just wanted to make sure they could explore this one single target," says Mr. Alston.

Rhonda's proposal was a relatively standard agreement of its type, so the company was surprised when De Beers returned a revised version which had a number of things they felt were not appropriate.

"One of them was a reference to a schedule, which was to be attached, of a diamond sales agreement. Now, from their point of view I suppose they felt that was a standard thing, but, from our point of view, as it hadn't arisen in the initial discussions on the work they were going to do on the target and it didn't appear in the signed letter, its inclusion in De Beers' revised version of the joint venture agreement was not acceptable," says Alston.

Alston says there were several other points of contention where the De Beers proposal differed substantially both from Rhonda's understanding of the initial informal agreement and from the document it had submitted to De Beers. At this point, assuming the differences could be ironed out through negotiation, Rhonda was still confident the two sides would make a deal, eventually.

Because it had never negotiated a diamond joint venture with anybody before, Rhonda took the precaution of hiring a London-based consulting company, W.W. International Diamond Consultants Ltd., to assist with the discussions. The person they assigned to advise them was Charles Wyndham, formerly a senior diamond sales contract negotiator for the De Beers conglomerate.

Talks between the two sides dragged on into a second drilling season. Still, anticipating an eventual agreement, Rhonda allowed De Beers to continue its exploration work on the property. According to Alston, De Beers' actions since seem to have confirmed the property's promise. However, neither he nor anyone else in Rhonda knows for sure because when De Beers forwarded the results of its second round of drilling, Rhonda refused to look at them, and in fact sent them back.

"We decided, under legal advice, not to use the



information, or even to review it. We decided to ignore anything they supplied to us from this second round of work until we had an agreement in place." He says Rhonda and its advisors felt that to make any use at all of the information from the second round would be to imply that there was an agreement in place "which we hadn't acknowledged ... and nor had they, by the way.

Every piece of their correspondence always finished up with the statement that "the arrangement between the parties would not be binding on either of them until such agreement had been signed by both parties."

By this time, Rhonda was becoming frustrated because the negotiations appeared to be going nowhere.

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THE STORY OF LEECHTOWN

A SOUTHERN VANCOUVER ISLAND GHOST TOWN

Feature by Eric Jamieson

Photography courtesy of British Columbia Archives

There is nothing like a gold rush to cure inertia. Gold prospectors developed the province of British Columbia, carving roads from goat paths, hastily banging together shantytowns on the edge of hope, molding and shaping the culture and language of the people who sought it. The characters that rocked and washed this precious metal from the earth not only settled the land but also provided us with a history more colourful than the gold itself.

Although it became a cliché that one had to travel to great lengths and endure extreme physical hazards to participate in such an event, the gold was only an easy 40 kilometers northeast of comfort. I'm referring to Vancouver Island's only gold rush, the 1864 discovery of color on the Leech River, in those days no more than a good day's march from Victoria.

Victoria had been incorporated for only two years and had barely moved beyond the status of a Hudson's Bay Company Trading Post when gold fever struck. Talk of gold was not new, for twelve years earlier it had been discovered on the Queen Charlotte Islands. In 1858, the same year, the colony became a province, men were panning the Lower Fraser River and a year later they were in the Cariboo and as far north as Quesnel. The great rush to the Yukon was still a few years off.

The river's namesake and the man who ignited the fire was Lieutenant Peter John Leech. Posted to the northwest in the employ of the Royal Engineers after serving in the Crimea as an Astronomer to General Gordon of Khartoum, Lieutenant Leech was well suited to the task. Born in Dublin and educated at Trinity College where he earned a degree in placer mining, he arrived at the colony in the company of Colonel Moody aboard the Thames City in 1858.

When he found himself at the dark end of the empire in 1862 when the Royal Engineers were disbanded, he wasted no time in occupying himself as a civil engineer. He also managed the Hudson's Bay Company Trading Post for a time and then worked for Collins Western Telegraph, surveying the area around Telegraph Creek and Kispiox in preparation for the installation of a telegraph cable bound for Europe via Siberia. When the Trans-Atlantic cable was completed, the survey was abandoned. Following that he became Victoria's City Engineer.

When Leech made his discovery he was employed in the Vancouver Island Exploring Expedition, established by a few concerned Victoria businessmen to explore the island for gold. A botanist, Dr. Robert Brown, was chosen as its leader and included in the party were Leech, two of Leech's former colleagues from the disbanded Royal Engineers and seven others including two aboriginal guides. Leech made the discovery, ironically, while Brown was in Victoria trying to convince the expedition's benefactors that the party should have a broader mandate than just a search for gold.

The effect of Leech's news created a stampede for the gold fields and there was a general fear that Victoria would be vacated. All reason was abandoned. Men rushed to disembark from the Oregon and one man, who had saved enough to take his family to California, forfeited their tickets south for a chance to muck for gold. The boats Alexandria, Caledonia and Enterprise, were ferrying people from Victoria to Sooke daily. Compounding the frenzy, the Captain of the Alexandria, William Moore, announced that a \$70 nugget had been found.

Immediately upon hearing of the strike, Dr. Brown had maps and all the general information about the strike made available to the public, what was good for one was good for the whole community he reasoned.

In his July 21, 1864 dispatch, Dr. Brown described the situation, "The discovery with which I have to communicate is the finding of gold on the banks of one of the forks of the Sooke River, about twelve miles from the sea, in a straight line and in a locality never hitherto reached by white men, in all probability, not even by natives. I forward an eight of an ounce of the coarse scale gold washed out of twelve pans of dirt, in many places 20 feet above the river, and with no tools but a shovel and a gold pan. The lowest prospect obtained



was three cents to the pan, the highest, \$1 to the pan, and work like that with the rocker would yield what you can better calculate than I can, and the development of which with what results to the colony you may imagine. The diggings extend for fully 25 miles, and would give employment to more than 4,000 men. Many of the claims would take eight to ten men to work them. The diggings could be wrought with great facility by fluming the bed of the stream. The bank and benches can be sluiced or rocked. The timber on the banks will supply the whipsaw all the timber that can ever be required for the miner's purposes. The country abounds with game, and the 'honest miner' need never fear but that he can find food enough without much trouble. A sawmill could be erected at the head waters, or say the forks of Leech River, and lumber for flumes, pumps, wheels, sluices, etc., floated down to the miners, and on the whole the value of the diggings cannot be easily over-estimated. I may add that there is any amount of five cent dirt, and with proper tools the average prospect is about one bit to the pan. The gold will speak for itself."

The Leech River diggings were thought to be inexhaustible and because men were busy building permanent habitation it was believed that the strike would last for years. One speculator argued that the extent of the diggings would far exceed that of the Cariboo and another optimist opined to a Times reporter, "Loans sir, did you say? We shall next week if Leech River continues sending down its millions undertake to wipe out England's national debt, before the year expires pay off that trifle due to London. Lend Denmark enough to whip the Germans and then Sir, still have enough left to, Flume the Amoor River."

While some were speculating others were washing

gold and within a few weeks a town of tents known as Kennedy Flats sprang up at the confluence of the Leech and Sooke rivers. Among the tents was that of Richard Golledge, the Gold Commissioner, who was the former Governor Douglas' personal secretary and, it was rumored, the ghostwriter of his few public appearances. The men also looked up to him for an accounting of their profits. Following every few meters for five kilometers were the tents of the miners.

Not to miss an entrepreneurial opportunity, on the heels of the miners came the real gold seekers, the merchants. Supplies were first packed in by local aboriginals and later by C. A. Bayley who ran a packhorse service from Thompsons Landing, a hastily erected town at the mouth of the Sooke River. The shortest route to the gold fields was by boat to Thompsons Landing and up the Sooke River on foot.

The trip could be made in a day and was the most popular of three routes. Alternately, there was the long and arduous trek over the Goldstream Mountains to Wolfe Creek, down the creek to the Sooke River and on foot to the gold fields from there. A third route entered from the northeast and skirted the shores of Sooke Lake. One of the swamps near the lake was known as Whiskey Swamp and there one could procure a glass of its namesake, providing, of course, that the temperate Reverend Dundas was nowhere in sight. His imposing caricature better matched that of a fighter than a preacher and he was often seen standing on a box delivering a thundering reproof to those he thought needed redemption.

Within six weeks, six general stores had opened as well as three hotels and thirty saloons where whiskey was sold for twelve and a half cents a glass - an ingenious marketing scheme where two bits bought



Photos and Illustration courtesy of The Provincial Archives of British Columbia

two drinks. One hotel, the Arrarat, was generally known as the only establishment fit for ladies even though there were precious few among this hard bitten lot. H. Henley, proprietor of the Berks Hotel, boasted in a letter to his brother that, "I have opened a house for whiskey and general store on the mouth of the river. I expect you will see it in the Illustrated London News shortly." Comfortable dwellings they were not, but as a place to flop for the night and as a repository for cheap whiskey, they came highly recommended.

There was no shortage of customers, for within a few weeks as many as 1,200 claims were registered, some with names like the Butcher Boy, the Wake-Up Jake Company or the Last Chance, and at the stampede's height the diggings boasted a population of around 5,000. Finds like the 130-gram nugget discovered by Samuel Booth of the Industry Claim just 15 cm below the surface, not only swelled the population but as well the hope that all would be rich.

The nugget, which Governor Kennedy later bought for \$73.00, was described as smooth and about the size of a small hen's egg. But for most, the significant pay dirt was elusive. In the beginning, it appeared just the opposite. The Times newspaper reported that three men thirteen miles up the Leech dug down about two meters and produced a \$12.00 pan. Reports of \$100.00 days and nuggets of between \$4.00 and \$10.00 were not uncommon.

The gold that gave rise to the Leech River strike, according to N.L. Barlee in his Guide to Gold Panning in British Columbia, emanates from a geologic anomaly known as the Leech River Formation that feeds two thirds of the gold streams on Vancouver Island. Gold that is eroded from lode deposits through the action of water and weather ends up in streams eventually finding its way into crevasses in the bedrock. Washing the gravel caught in these interstices is a particularly rewarding practice, gravity being the key to the placer deposit as well as to the mining method. The gravel was either washed with a gold pan, sluiced with a long, riffled trough-like affair, popular during the California gold rush, or rocked in a wooden box-like device that employed riffles or baffles to catch the gold. It was common to work old river channels but water was still necessary for the mining process. Drifting was also employed by tunneling into the riverbank to access gravel or bedrock. In the case of the Leech River, gold was discovered in the soil well above the river making this practice profitable.

The mining laws prevalent at the time followed those in effect in Australia and the miners thought them grossly unfair. A general complaint was dividing the river in half, each miner laying claim to only one side. And then there was the \$5.00 mining license and the \$2.50 claim fee required before a miner could prospect. Most had to find gold before they could pay that fee. A common trick for the experienced was to wait behind an unsuspecting greenhorn who was grubbing for his license fee. As soon as sufficient gold was discovered and the dupe departed to record his claim and pay the fees, his workings would be appropriated. Another law that gave rise to complaint was that a miner could not leave a claim for more than 72 hours before it could be legally jumped.

The men thought this unfair because it took at least that long to get to Victoria and back with supplies.

The strike was only a few months old when winter

set in and due to high water all operations ceased.

When news came that the Big Bend strike on the Columbia River was in full progress many departed.

That strike petered out quickly but the men didn't return to Leechtown thinking that the river would be completely staked. Little did they know that the town was almost totally abandoned and would remain so.

With only about \$175,000 to \$200,000 in gold produced, approximately 9,500, 10,900 ounces at \$18.40 per ounce, the river still had more to give.

John Cragg certainly thought so. He was the so-called mayor of Leechtown of the late 1920s, and in addition to being a prospector was a poet and probably the most romantic figure the town ever knew.

He was once an actor and lived in a one-room cabin decorated with gold pans known as the Gold Pan Cabin. His only visitors were the odd hunter and Robert Henderson, known to have made significant gold discoveries in the Klondike. Cragg was particularly fond of showing people around the mostly demolished town, for fire had leveled all but a few cabins. The C.N.R. freight was operational in those days and people could hitch a ride to Leechtown where Cragg would greet them. Although he was killed in a car accident in Victoria in 1930, he left a few writings to be remembered by. This is the first stanza of one, titled Leechtown.

"This story now is growing old, how Peter John discovered gold. Found a river which brought him fame, evermore will bear Leech name."

As with any self-respecting ghost town, Leechtown has its share of unsolved mysteries, one is the Leechtown ghost. If you spend a night there, don't be surprised to hear the wailing of an old man. The story goes that an old miner is counting his wealth by the fire when out of the dark appears an intruder. There is a scuffle, a scream and then a moan as the roar of the river muffles the old man's dying gasp. It is said that he returns every year looking for his stolen gold.

Another tale, told to James K. Nesbitt by William Lubbe, one of Leechtown's last citizens, and recorded by Nesbitt in the BC Digest, concerned a certain Rattlesnake Dick Barter, or Rattlesnake Dick as he was known. Rattlesnake, originally from Quebec City, had had a run in with the law at Rattlesnake Bar on the American River in 1851 during the California gold rush.

Although he was eventually cleared of any wrongdoing, he did spend a year in Folsom Prison.

Upon release he found that he couldn't escape his reputation as a two-bit thief and therefore decided to become what he never was. After performing a number of solo robberies, he assembled a gang to take on larger heists.

In 1885 Rattlesnake's gang attacked a Wells Fargo stagecoach in California and made off with \$80,000 worth of gold, Rattlesnake was not in on the heist as he was languishing in an Auburn Jail for stealing mules. Forty thousand was buried on the spot due to its 90-kilogram weight, this was to be Rattlesnake's share, and the other \$40,000 was split up and carried away by the gang. Now here is where the story takes off on a rather bizarre tangent.

The Leechtown version is that Rattlesnake felt that spending the gold in California was too risky, so he and his gang went to the coast and bought a small schooner that they sailed north to Vancouver Island.

In time all but three of the gang either died or were

murdered. The remaining three arrived at Leechtown and buried the gold about half a meter below the surface in a knee-high leather or rubber boot covered with an inverted frying pan, their idea being to remove the gold in small amounts to make it look like it came from the local diggings. But gold has its own imprint and the stolen gold could not have matched the coarse gold of the Leech River. To add to the drama, one of the bandits then murdered the other two.

Many years later, on his deathbed, the surviving robber confessed to knowing the location of the buried loot. "It's buried," he said, "130 to 230 meters northeast of the largest building," but the question was, what was the largest building, the Gold Commissioner's cabin or the dance hall? And to make matters worse, all had been raised by fire. Shortly after, three men were seen entering Leechtown with tools. One week later they departed without them.

Whether the gold was recovered or not no one is sure.

William Lubbe didn't think so after he heard the story as a boy from a friend of his father's, William Ralph. Ralph picked up the story in a Victoria saloon, the perfect environment for a tall tale. Lubbe spent more than forty years looking for the gold and died in July 1953 still believing it was there. A life spent in exploration may not be a wasted life if it is the journey that is important, but the facts are that the stolen gold never left California and Rattlesnake Dick ended his miserable life face down in the California dirt with a couple of slugs in his back.

The rest of the gang never left California either, having died equally well or having been incarcerated.

Many years passed before Leechtown and its gold were even thought of except for the odd prospector washing a few colors. Then on September 15, 1928, the BC Historical Association erected a cairn in memory of Peter John Leech on the site of the old Gold Commissioner's cabin using rocks from the cabin's chimney. The honorable Randolph Bruce unveiled the monument with Leech's daughter, Mrs.

Faucault of Walachin, in attendance. The cairn was graced on either side by two old and knarled apple trees planted by Governor Kennedy's daughter in 1864.

During the depression a few hungry men made a meager living panning for gold, but the extent of their diggings was small. Then in 1938, K.N. Nordlund, an engineer and graduate from the University of Helsingfors in Sweden, in the employ of the Vanisle Mining Company began to wash the gold from the riverbanks with hydraulic equipment. A 110-foot dam was built just below the west fork of the Leech to provide water for the hydraulic pumps. The project failed due to the size of the boulders that constantly broke the shovel, but it is said that he mined \$300,000 before he quit. Bits of Nordlund's shattered equipment still lie scattered about, mute testimony to his defeat.

Since Nordlund's operation only, minor attempts have been made to mine the gold, most ending in failure.

Perhaps the river that attracted hundreds of miners over a century ago will keep the rest of its gold.

Sunday prospectors still line its banks, happy for a few traces of colour and mostly oblivious to the history that gave the Leech River its name.

