

Schroeter, Tom EM:EX

From: Stone, Kim EM:EX
Sent: Tuesday, May 18, 2004 7:51 AM
To: Schroeter, Tom EM:EX
Cc: Lefebure, Dave EM:EX; McKillop, Greg EM:EX; Conte, Rick EM:EX; Emery, Kristy EM:EX; German, Gerald EM:EX
Subject: RE: Red Bird (Haven Lake) Expropriation - Heads Up (again)

Tom:

Thanks for the head's up. I've cc'd Gerald and Kristy so they are also aware of the situation.

(Mrs.) Kim Stone
 Manager, Mineral Titles Recording Office
 Mineral Titles, Titles Division
 (250)952-0567

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Sent: Monday, May 17, 2004 2:25 PM
To: Stone, Kim EM:EX
Cc: Lefebure, Dave EM:EX; McKillop, Greg EM:EX; Conte, Rick EM:EX
Subject: Red Bird (Haven Lake) Expropriation - Heads Up (again)
Importance: High

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I would appreciate any comments/updates on this, at your earliest convenience.

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TGS → Red Bird

From: Emery, Kristy EM:EX
Sent: Tuesday, May 18, 2004 11:22 AM
To: German, Gerald EM:EX
Subject: FW: Red Bird (Haven Lake) Expropriation - Heads Up (again)

Gerald, I have looked into this issue and found out the following:

When Tweedsmuir (North) Provincial Park was established in 1989, 13 mineral tenures owned by Ashfork Mines Limited (Phelps Dodge Corp) were adversely affected. Ashfork Mines Limited entered into compensation negotiations with the Province (MEM), pursuant to the Mining Rights Compensation Regulation, in December 2000.

Section 6, Schedule B of the Regulation states:

Group of titles:

6(1) If the expropriated mineral titles are part of a group of titles, and the group of titles is determined by the minister's evaluator to include the probability of a mineral deposit that is partially expropriated and the expropriation eliminates the feasibility of exploiting the remaining portion of the deposits in the area, the holder may elect to have the value determined based on the value of either:

- (a) the expropriated mineral titles, or
- (b) all the mineral titles in the group of titles.

(2) If a holder makes an election under subsection (1) (b), the minister must offer to acquire each title in the group of titles, other than the expropriated titles, for a price of \$1 each, and the holder must accept the offer of the minister and agree to sell the titles on that basis.

This was the situation with Ashfork Mines Limited. At the time of expropriation, the 13 mineral tenures were grouped with an additional 32 mineral tenures.

Upon confirmation of the Park boundary, it was determined that the impact of the Park eliminated the economic feasibility of exploiting any of the mineral tenures contained within the group. Ashfork Mines elected to have the value of its property determined under section 6(1)(b); the Minister therefore bought back those tenures outside the Park boundary for \$1 a piece.

There has been past discussion as to whether or not a no-staking reserve should be put in place over those compensated tenures located outside the Park boundary. Some feel that the Province would look 'foolish' compensating a company for a loss if the same company then went out and restaked the same ground the next day. Establishment of an NSR would protect the ground from re-staking once the compensated tenures had been abandoned.

I think it is important to keep in perspective the reasoning behind the Compensation Regulation with regards to compensating claims, and portions thereof, that are outside the park: 1) green shadow affect; and, 2) as demonstrated in the situation above, the economic feasibility of exploiting the area has been depleted. Because of these issues, I think re-staking by the same company is highly unlikely and therefore an NSR is not warranted. If another company/individual wishes to go into the area and stake, I don't see any problem with that at all.

The Ashfork Mines claim group (known as the Redbird Property) was located around the Haven Lake/Bone Creek area of the Skeen/Omineca Mining Divisions. On May 7, 2003, Andris Kikauka located the RED BIRD 4-Post Claim (402146) on the northeast shore of Haven Lake. The owner of this claim is William E. Pfaffenberger of Victoria, BC.

Please let me know if you require additional information or clarification.

Cheers,
KME

Kristy M. Emery
Manager, Titles Programs
Titles Division
Ministry of Energy and Mines

Rob Cameron
Park boundaries
"2 of 3 deposits
sterilized"

Park - boundaries!
- recent (PD) 2001
surveying!
(does not show
clearly on
1:20,000
from)

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FYI - I should have mentioned that compensation negotiations and settlements are considered confidential so please do not discuss any details with people outside of the ministry.
thanks
Gerald

Gerald German
Executive Director, Titles Division
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Phone (250) 952-0334 Fax (250) 952-0331
e-mail Gerald.German@gems7.gov.bc.ca

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Tom, I have attached an e-mail from Kristy Emery which explains how the Mining Rights Compensation Regulation applies in situations like this. Fred/Greg, you may remember this particularly large settlement as the program was in your Division at the time.

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I do not see any problems with this. Ashfork could have kept the ground outside of the park but chose to give it up and was compensated (handsomely I may add) for it. The new group believes the property outside the park is still a viable prospect and have staked the ground.

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One last followup. I know that when this Phelps Dodge issue was being examined/decided, a GPS survey (by both government officials and PD) was carried out (particularly in an area of low (i.e. 'pass') relief), which 'refined' the actual Park boundary. I gather this 'refinement' was acceptable to both parties and assume that the appropriate change/revision was made to the various government maps, particularly the claim map. Depending on the scale of the map being used, this change may not be obvious (i.e. width of line); however, given the proximity to the mineralized zones that were the subject of study, this is very important. I remember being informed that the new survey 'sterilized' 2 of the zones, but left 1 'available'. I hope that the current owners are aware of this scenario, so they don't waste their (and government's) time and \$.

Tom

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To: Wojdak, Paul EM:EX
Subject: RE: Red Bird (Haven Lake) Expropriation - Heads Up (again)

Thanks, Paul. By the way -I just ran into Bob Carmichael who told me that Mitch was trying to set up a mini-meeting in Atlin in early August. Might this fit in with our schedule (i.e. hit Kiniskan + Red Chris + Galore + etc. on way 'up' during last week of July; then 'blow into' Atlin in first week for visits (e.g. Thorn + Adanac + Fire Mtn. + etc.)(+ mini-conference)?
CONFIDENTIAL: Frank Callaghan staked >1000 units a few weeks ago and is/has just completed an additional 200-300 units, all in the area SE of Atlin (down to/bounded by O'Donnell River]

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Fundamental Resources' recent assessment report for Red Bird (#27306) includes a crude map that shows the moly zone of interest. It is 750 m long by 100 m wide, a broad arc subparallel to the park boundary. It is 15 to 250 metres from the park- the scant 15 m distance is at the higher grade eastern end. The report includes a recommendation for drilling to prove up the higher grade area for a starter pit.

Quite an engineering challenge without the pit extending into the park - a flippant (or unethical?) recommendation to be made by a registered professional!

Paul

Paul Wojdak, P.Geol.
Regional Geologist, Smithers
BC Ministry of Energy and Mines

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-----Original Message-----

From: Schroeter, Tom EM:EX
Sent: Wednesday, May 19, 2004 9:51 AM
To: Schroeter, Tom EM:EX; German, Gerald EM:EX
Cc: Lefebure, Dave EM:EX; McKillop, Greg EM:EX; Conte, Rick EM:EX; Emery, Kristy EM:EX; Freer, Geoff EM:EX; Stone, Kim EM:EX; Hosking, Byron EM:EX; Hermann, Fred EM:EX; Wojdak Paul (E-mail)
Subject: RE: Red Bird (Haven Lake) Expropriation - Heads Up (again)

One last followup. I know that when this Phelps Dodge issue was being examined/decided, a GPS survey (by both government officials and PD) was carried out (particularly in an area of low (i.e. 'pass') relief), which 'refined' the actual Park boundary. I gather this 'refinement' was acceptable to both parties and assume that the appropriate change/revision was made to the various government maps, particularly the claim map. Depending on the scale of the map being used, this change may not be obvious (i.e. width of line); however, given the proximity to the mineralized zones that were the subject of study, this is very important. I remember being informed that the new survey 'sterilized' 2 of the zones, but left 1 'available'. I hope that the current owners are aware of this scenario, so

Schroeter, Tom EM:EX

From: Schroeter, Tom EM:EX
Sent: Friday, June 29, 2001 2:29 PM
To: Conte, Rick EM:EX
Subject: RE: Haven Lake Claims

Thanks, Tom.

-----Original Message-----

From: Conte, Rick EM:EX
Sent: Friday, June 29, 2001 12:01 PM
To: Schroeter, Tom EM:EX
Subject: FW: Haven Lake Claims

Tom, here is a picture of the titles map, click on the icon below then hit zoom to 50%.

-----Original Message-----

From: Leedham, Jack EM:EX
Sent: June 29, 2001 11:52 AM
To: Lieutard, Denis EM:EX; Conte, Rick EM:EX
Subject: RE: Haven Lake Claims

Denis/Rick

Here is a picture of the area. The map numbers are:

NTS 093E06
BCGS 093E025, 026, 035, 036

<< File: haven.jpg >>

Jack Leedham
Mineral Titles Branch, Ministry of Energy and Mines

Phone 250 952 0556 Fax: 250 952 0541
e-mail Jack.Leedham@gems1.gov.bc.ca

-----Original Message-----

From: Lieutard, Denis EM:EX
Sent: Friday, June 29, 2001 8:53 AM
To: Conte, Rick EM:EX; Leedham, Jack EM:EX
Subject: FW: Haven Lake Claims

FYI. See our offer to solve the problem below.

Denis Lieutard
Director & Chief Gold Commissioner,
Mineral Titles Branch, Ministry of Energy & Mines
PO Box 9322 STN PROV GOVT, Victoria, Canada, V8W 9N3
Tel: 250 952 0544; Fax: 250 952 0541;
Email: Denis.Lieutard@gems2.gov.bc.ca
<http://www.em.gov.bc.ca/mining/Titles/default.htm>

From: Lieutard, Denis EM:EX
Sent: Friday, June 29, 2001 8:52 AM
To: Markides, Hugh PRK:EX; 'Ken Davidson'
Cc: Castillo, Talitha EM:EX; Grant, Brian EM:EX
Subject: RE: Haven Lake Claims

Thanks Ken, We will examine the situation and shed more light on the boundary matter. Our Technicians are proficient in GPS survey and can nail down the boundary to within a metre or so. We will need to talk to Talitha

about reimbursement of inspector travel etc. The Tech is capable of doing a quick, quiet and accurate assessment. So before we go with a blind option we should narrow down the facts. If the park encroaches the claim...then the options are either pay or amend the boundary. If the park does not encroach, then we have less of a problem and your settlement task becomes easier.

Denis Lieutard

Director & Chief Gold Commissioner,
Mineral Titles Branch, Ministry of Energy & Mines
PO Box 9322 STN PROV GOVT, Victoria, Canada, V8W 9N3
Tel: 250 952 0544; Fax: 250 952 0541;
Email: Denis.Lieutard@gems2.gov.bc.ca
<http://www.em.gov.bc.ca/mining/Titles/default.htm>

From: Ken Davidson[SMTP:kdavids@TSL-Solutions.com]
Sent: Thursday, June 28, 2001 4:50 PM
To: Markides, Hugh PRK:EX
Cc: Castillo, Talitha EM:EX; Grant, Brian EM:EX; Lieutard, Denis EM:EX
Subject: RE: Haven Lake Claims

We agree, 254701 and 254690 are not negotiable.

Our first thought was to confirm the west boundary of the park.

We tried the "cheap" solution of just having a DM tell Phelps Dodge that the "map is right". MAG supports Phelps Dodge's position that this would not be a real solution. A third party could still claim there is an encroachment, so the letter solution doesn't work.

Our second thought was your current proposal; survey the boundary to determine which claims are affected.

We moved away from this idea because there is a risk of bad news.

If we survey the boundary and Phelps Dodge is correct, the Framework Process could lead us to a very big settlement number. In the face of this new reality (knowing that we expropriated the valuable part of the claim group), if we then ask your Ministry to move the boundary, the perception would be that we did so only to save the money.

If we ask you to move the boundary, before we really know where the boundary is, then we are moving the boundary to deliver tennure certainty and to support the co-management of mineral and ecological resources.

Seeing this risk, prompted me to call you to ask the question.

I don't think this decision should even consider the cost of the survey. I haven't asked the Ministry of Energy and Mines specifically, but the survey is not expensive and is a cost of running this process. The cost of the survey would be small in relation to the settlement amount.

So, the recommendation would flow with the following logic:

Option 1) if the two ministries are confident the green map and the position of the claims are correct, and if we can produce the same map with a smaller scale, that's what we should do.

(I can never remember if its "small scale" or "large scale".....we need a map with small area and big detail....is that a "small scale" map?)

If the map is right, the extent of the expropriation is minor and does not

include any of the defined mineralization. Settlement could be in the range of their costs to date (~\$20k) and a little more for the inconvenience of losing the adjacent "barren" land....say ~\$50-60k in total)

Option 2) if we are not sure the map is correct and that the expropriation is minor and does not include any of the defined mineralization, then we need to confirm our financial "pain" threshold.

If we confirm the boundary and Phelps Dodge is correct, I think we are going to pay \$1+ million, maybe as much as \$3 million.

Putting aside for the moment that we are sensitive to any change of any park boundary, I understand that this potential change in the boundary would not impact the "original ecological premise" for the park.

.....so this really isn't an environmental or ecological issue. This issue is simply program integrity (we don't want to change boundaries) vs financial pain (\$1+ to \$3 million).

Option 2a) If financial pain wins, we shouldn't run the risk, and we should move the boundary right now.

Option 2b) If program integrity wins, we do the survey and stop talking about moving boundaries.

If the answer is Option 2b), we should ask the question whether there is a financial impact number where Option 2a) would win.

It is best that we never have to choose between 2a) and 2b). So, I need the two ministries to tell me we are right, and lets get on with the survey of the boundary.

Can I ask you the find the best "map person" in both ministries and get them to agree?

If they don't agree, I'm afraid the choice between Option 2a) and 2b) rests somewhere in your ministry.....

-----Original Message-----

From: Markides, Hugh PRK:EX [<mailto:Hugh.Markides@gems2.gov.bc.ca>]

Sent: Thursday, June 28, 2001 3:43 PM

To: 'Ken Davidson'

Cc: Munn, Bill PRK:EX; Gawalko, Lyle PRK:EX; Bawtinheimer, Brian PRK:EX

Subject: RE: Haven Lake Claims

Ken: Yesterday, Lyle and I flew the area and particularly the contentious boundary on the west side of the upper Bone creek.

The 'core of the ore' from your map seems to be located under the existing roads on the hillside and hence they are all west of Bone Creek.

The 7 claims: (254687,254688,244168,243839,243840,243841 and the NW corner of 243842) east and north of the Park boundary MAY impact on the drainage and potential environmental issues into Tweedsmuir Park.

The claims in the NW (254701,254690 and small portions of the two below these) are not negotiable, given the viewscape from Eutsuk Lake.

The real issue I believe, comes down to who's map of this boundary is

correct (the claim-holder or Park's?) You suggested that a letter from the ADM or higher might resolve the issue, but not Phelps Dodge preferred solution. I believe we need to confirm the boundary of the Park, relative to the claims, to the satisfaction of all. Is a legal boundary survey economically do-able? This would also be our first preference.

Hugh

-----Original Message-----

From: Ken Davidson [<mailto:kdavidson@TSL-Solutions.com>]
Sent: Wednesday, June 27, 2001 12:24 PM
To: Markides, Hugh PRK:EX
Subject: RE: Haven Lake Claims

have you had a chance to think about this?

-----Original Message-----

From: Markides, Hugh PRK:EX [<mailto:Hugh.Markides@gems2.gov.bc.ca>]
Sent: Wednesday, June 13, 2001 3:49 PM
To: 'kdavidson@tsl-canada.com'
Cc: Munn, Bill PRK:EX; Gawalko, Lyle PRK:EX; Glinz, Gary PRK:EX
Subject: FW: Haven Lake Claims

Ken: this is the test you requested. You will note that Bill Munn in our Victoria office has similar indications about the exact boundary location.

We await the map you will be sending.

cheers,
Hugh

> -----Original Message-----

> From: Munn, Bill PRK:EX
> Sent: Wednesday, June 13, 2001 3:35 PM
> To: Markides, Hugh PRK:EX
> Subject: Haven Lake Claims
>
> Hugh:
>
> Ken Davidson is a contractor working for Energy and Mines on this issue.
>
> From the map I fwded. to you, beginning in the northwest, the following
> claims have been expropriated:
> 254701, 254702, 254690, 254949, 254689, 254687, 254688, 254686, 254684,
> 244168, 243839, 243840, 243841, and 243842.
>
> A map I obtained from Mineral Titles shows a different park boundary which
> impacts different claims as follows;
> not impacted: 259949, 254689,
> additional impacts: 254947, 254682
>
> Kens phone number is 250-414-3302; his office is on Fort Street in
> Victoria.
>
> He will be in contact with you.
>
> Regards
>
> Bill