

V.B.
August 7 1973

15/8/73

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To John E. McInnes
Deputy Minister Mines

Bill Peck
Chief Mines Inspector

C.H. Mitchell
B.C. Mining Association

Spokane
Hanson
Killog
Inc. Incubation

DEPUTY MINISTER OF MINES
& PETROLEUM RESOURCES

REC'D AUG 10 1973

REFERRED	TO	DATE	INITIAL
ACCTS			
C. C.			
C. G. C.			
C. I.			
C. M. B.			
C. P. E.			

FILE

REEVES MACDONALD MINES LIMITED

REMAC, B. C.

August 7, 1973

Director of Pollution Control
Parliament Buildings
Victoria, British Columbia

Attention: W. N. Venables, P. Eng.

Dear Sir:

Regards: File #0262100-AE-1242, Reeves MacDonald, Remac
Progress Report

In regards to the report for the extension made on August 20, 1972, and your reply of January 29, 1973, outlining conditions of permit.

The development and compliance plan progress are as outlined:

1-a. The 1250 orebody now has 30,000 tons of ore developed for mining and a potential of 40,000 additional tons that with reasonable expenses could be developed for milling. This 70,000 tons with present metal prices has marginal value and is at best, break even.

1.b. The exploration on the 240 level ("Old Reeves") at an elevation 50 feet higher at the present time is similiar in grade and value of the intersections on the 240 level. This zone with the present geological information and present metal prices is not an orebody. However exploration is continuing in this area.

It has now been determined that the mineralization intercepted in the west drift on the Annex 800 level, as reported in the May 23, 1973 letter, is not the faulted-off part of the Annex orebody.

The geologists have always indicated that the offset of the Annex orebody could be further to the west and exploration is continuing in this direction.

From the report to the shareholders on July 30, 1973, "A tentative agreement to explore the adjoining Redbird Property has been reached with Hecla Mining Company. Reeves will conduct the exploration for Hecla, on a contract basis and will have an option to operate the property if the exploration is successful. The Company also has received a letter of intent from Day Mines Inc. on an agreement to explore and operate the Diem Mines Ltd. property, which also adjoins Reeves. If not successful, an approximate \$900,000 extraordinary writedown in asset values will be charged to third quarter, 1973, operating results."

The exploration program was started on August 1, 1973, and should be completed in about 4 months time. It will include approximately 1,000 feet of westerly lateral drifting in the Redbird ground from the Annex 800 level and approximately 3,000 feet of diamond drilling. This exploration program could disclose the ore zone at an early date, at the end of 4 months, or be unsuccessful.

If the exploration program outlines sufficient ore reserves at an early date, it is possible that the tailings-pond area could be completed prior to October 1, 1973.

If the exploration program does not outline sufficient ore reserves until the end of 4 months it would be undesirable to proceed with the construction of the tailings pond during the winter months.

During the 4 month exploration program it is our desire to continue with the development and mining of the present known marginal zones. It is also our desire to employ as many men as long as possible. The future of the Reeves MacDonald Mines Limited depends not on the marginal ores, but on discovering another Annex-type ore zone. If the Redbird program is unsuccessful the Reeves MacDonald Mines Limited will proceed with an orderly suspension of operations.

A program for mining marginal ores from various area while exploration is proceeding on the Redbird ground is enclosed.

A long section showing the 240 K zone, Annex area, 1250 West area and exploration prospect on the Redbird property scale 1"=500' is also enclosed.

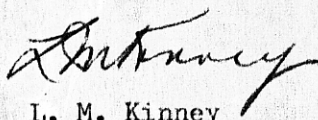
The clearing of the tailings-pond area and burning of the brush is 95% completed.

The actual construction of the dykes and placing of orders for equipment have been suspended due to limited ore available.

Due to the uncertainty of the time to reach and evaluate any offset of the Annex-type orebody, it is the desire of the Company to have some relief on the October 1, 1973 completion and operation schedule on a tailings impoundment.

If you have any questions in regards to the matter, I will be happy to visit your office and discuss them with you.

Yours very truly,



L. M. Kinney
Vice President, Mining

IMK;md
Enc.

July 30, 1973

To The Shareholders of
REEVES MacDONALD MINES LIMITED

An announcement was made on June 25, 1973, that operations at the Reeves MacDonald property at Remac, B.C. would be discontinued on or before October 1, 1973. Exploration activities have been unsuccessful in locating sufficient ore reserves to justify mine development and compliance with pollution control regulations that would cost approximately \$200,000.

Negotiations to permit exploration on two contiguous properties have been undertaken and are continuing. If not successful, an approximate \$900,000 extraordinary writedown in asset values will be charged to third quarter 1973 operating results.

A tentative agreement to explore the adjoining Redbird Property has been reached with Hecla Mining Company. Reeves will conduct the exploration for Hecla, on a contract basis and will have an option to operate the property if the exploration is successful. The Company also has received a letter of intent from Day Mines Inc. on an agreement to explore and operate the Diem Mines Ltd. property, which also adjoins Reeves. If not successful, an approximate \$900,000 extraordinary writedown in asset values will be charged to third quarter 1973 operating results.

Respectfully yours,

FRANK G. WOODRUFF
President

REEVES MACDONALD MINES LTD.

COMPARATIVE STATEMENT OF OPERATING RESULTS

	THREE MONTHS ENDED		SIX MONTHS ENDED	
	June 30, 1973	June 30, 1972 (Restated)	June 30, 1973	June 30, 1972 (Restated)
OPERATING REVENUES:				
Sale of Concentrates	\$557,980	\$635,330	\$1,350,154	\$1,268,177
Deduct Transportation Charges	33,597	36,146	82,543	88,650
Net Sales	524,383	599,184	1,267,611	1,179,527
COSTS & EXPENSES:				
Cost of Production	571,725	510,562	1,168,257	1,026,263
General & Administrative Expenses	17,306	16,465	34,945	32,997
Interest on Long-Term Debt	13,426	9,007	25,002	21,722
Amortization of Deferred Charges	25,290	25,290	50,580	50,580
Depreciation	60,825	60,825	121,650	121,650
Depletion	9,434	8,944	20,278	18,631
	698,006	631,093	1,420,712	1,271,843
NET LOSS	\$173,623	\$ 31,909	\$ 153,101	\$ 92,316
LOSS PER SHARE OF CAPITAL STOCK OUTSTANDING	8¢	1¢	7¢	4¢
PRODUCTION DATA:				
Tons Ore Milled	45,502	43,138	97,815	89,890
Tons Lead Concentrate	1,052	228	1,767	518
Tons Zinc Concentrate	3,017	5,380	8,009	11,495
AVERAGE METAL PRICES:				
Lead (lb.)	\$.164	\$.156	\$.159	\$.152
Zinc (lb.)203	.176	.198	.174
Silver (oz.)	2.40	2.56	2.29	1.53
Cadmium (lb.)	3.75	2.60	3.53	2.39

Subject to audit and year end adjustment.

REEVES MACDONALD MINES LTD.

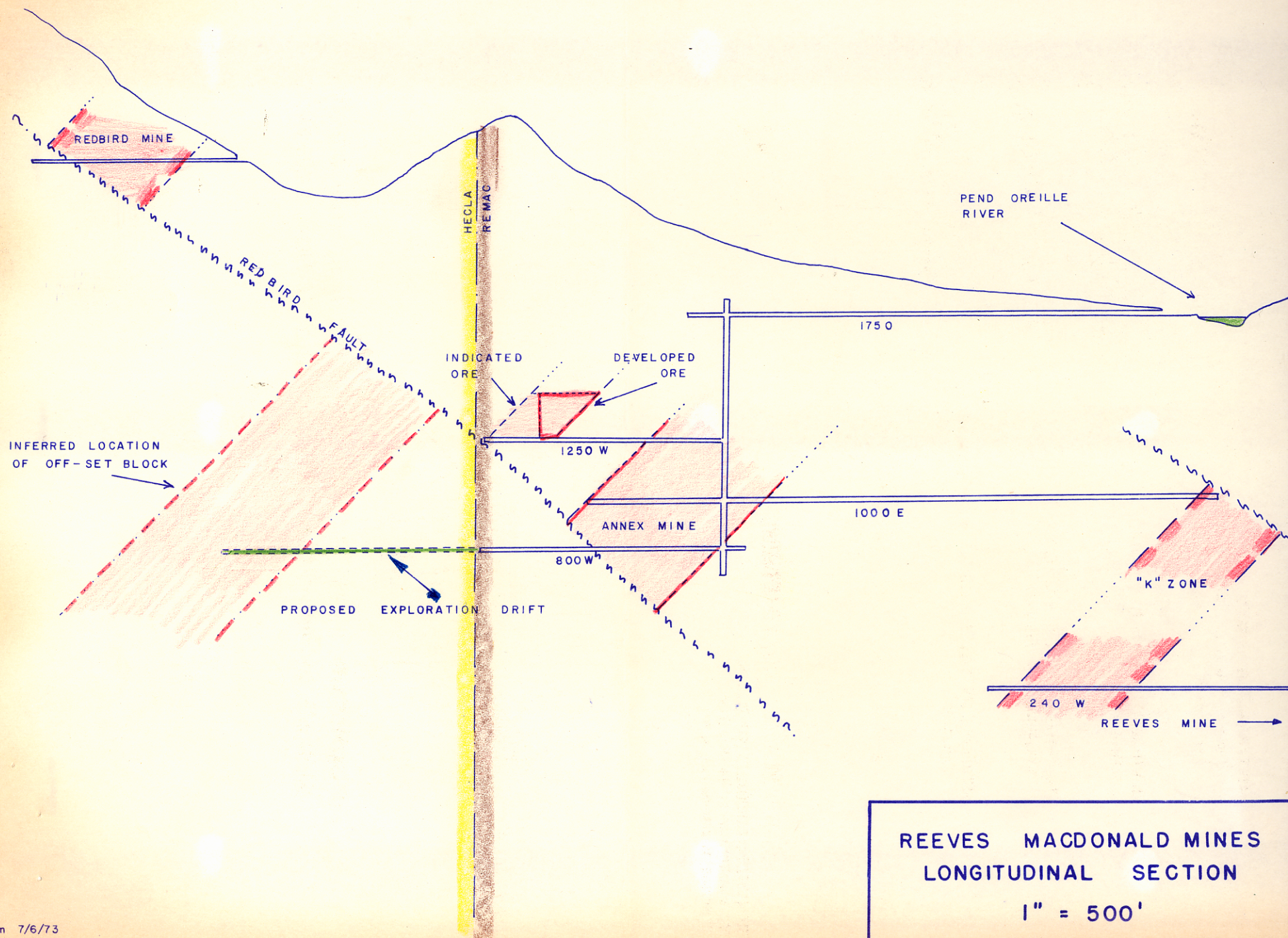
COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	SIX MONTHS ENDED	
	June 30, 1973	June 30, 1972
		(Restated)
SOURCE OF FUNDS:		
From Operations		
Net Income for Period (Loss)	\$(153,101)	\$ (92,316)
Depreciation	121,650	121,650
Amortization of Deferred Charges	50,580	50,580
Depletion	20,278	18,631
	39,407	98,545
APPLICATION OF FUNDS:		
Expenditure on buildings, plant and equipment	13,617	30,894
INCREASE (DECREASE) IN WORKING CAPITAL	25,790	67,651
WORKING CAPITAL (DEFICIENCY) AT BEGINNING OF PERIOD	(437,389)	(585,902)
WORKING CAPITAL (DEFICIENCY) JUNE 30	\$(411,599)	\$(518,251)

Subject to audit and year end adjustment.

REEVES MACDONALD MINES LTD.
923 OLD NATIONAL BANK BLDG.
SPOKANE, WASHINGTON 99201

COMPARATIVE OPERATING RESULTS FOR THE THREE MONTH AND SIX MONTH PERIODS ENDED JUNE 30, 1973 AND 1972



1973 SCHEDULES FOR MINING & DEVELOPMENT
TO CONTINUE OR SUSPEND OPERATIONS

August 2, 1973

TONS


1250 WEST AREA

800 WEST AREA

1000 E ANNEX

240 K ZONE

REDBIRD

<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
13,300	13,300	12,000	10,000	10,000	58,600
700	700	700			2,100
		500	500	500	1,500
1,200	1,200	?	?	?	2,400
_____	_____	500	1,000	2,000	3,500
15,200	15,200	13,700	11,500	12,500	68,100
					

- (I) (a) Complete mining developed ore 1250W
 (b) Develop additional ore 1250W
 (c) Continue exploration 240
 (d) Complete mining ore 800W
 (e) Start exploration west in Redbird property on 800 level
 (f) If ore evaluated early start construction tailings impoundment
- (II) (a) Continue exploration west in Redbird property on 800 level
 (b) Mine additional ore developed 1250W
 (c) Start exploration 1000E Annex
 (d) If ore not evaluated early August continue to mill marginal ores without tailings impoundment
 (e) Mill exploration ore from Redbird property without tailings impoundment
- (III) (a) If no ore from Redbird exploration start orderly suspension operations
 (b) If ore from Redbird exploration start development to prepare for mining

1974 SCHEDULE FOR MINING & DEVELOPMENT
TO CONTINUE OR SUSPEND OPERATIONS
August 2, 1973

	<u>Jan</u>	<u>Feb</u>	<u>Mar</u>	<u>Apr</u>	<u>May</u>	<u>June</u>	<u>July</u>	<u>Aug</u>	<u>Sept</u>	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Total</u>
1250 WEST AREA	10,000	?	?										
1000 E ANNEX	500	?	?										10,000
240 K ZONE	?												500
REDBIRD	<u>2,000</u>	<u>4,000</u>	<u>6,000</u>	<u>8,000</u>	<u>12,000</u>	<u>12,000</u>	<u>12,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>16,000</u>	<u>136,000</u>
	12,500	4,000	6,000	8,000	12,000	12,000	12,000	16,000	16,000	16,000	16,000	16,000	146,500
	<u>IV</u>			<u>V</u>			<u>VI</u>						

- (IV) (a) Continue development Redbird ore
(b) If no ore Redbird complete mining marginal ores
- (V) (a) Start construction tailings impoundment and operating June 30
(b) Continue development Redbird Ore
- (VI) (a) Tailings disposal area in operation

