

This report does not require usual accomp. O.R. + geo. maps

801184

Burden Investors Services, Inc.

630 FIFTH AVENUE
NEW YORK, N. Y. 10020

Telephone: (212) 489-1200

November 5, 1971

Mr. William M. Sharp
171 West Esplanade
North Vancouver, B.C.
Canada

Dear Bill:

The evaluation of the production payment is understandably complicated by the present lack of proved ore reserves. We would still like, however, to have some estimate of what you believe this right to future income is worth at present. This could be presented on the basis that proven reserves are not sufficient to meet the capital repayment requirements and that in your opinion the chances of further developing future reserves are such that the property has no present meaningful value. On the other hand, if you feel that the chances of further development work (or exploration) are sufficiently good to assign some value to these you would so state the value in terms of a 50% chance (for instance) to which a further discount factor of 25% (to come to present worth) should apply to produce a current value of \$187,500, ($\$500,000 \times 50\% \times 75\%$).

I suggest that you discuss this matter with Bill Douglass and that you call me again before you finalize your report.

Sincerely yours,

Roy N. Figueroa

Roy N. Figueroa

RNF:h

*Nov/71 - W.S. did not think so
Feb/72, W.S. thinks so
in view of value of
estm of W. orebody +
up-dip extn on E.
orebody*

*- page 6 of calc sheet shows pos. + prob reserves adequate to meet cap repay.
probability of additional ore is sufficiently good (50% probability) to assign a value to these.
However, in view of the fact that there will be only a minor cash reserve left when pay back of cap is completed in 10 yrs, it is likely that some financing will be necessary.
Nevertheless I am optimistic in re to the chances for the discovery of additional w/o extensive exploration so that the op'n will be self-sustaining.
Walter expects that the requirements will be found by up-dip exploration (4550 x - C), by 4755 E - but 10 or the down dip extension of the west cut are gone.*

Burden Investors Services, Inc.

630 FIFTH AVENUE
NEW YORK, N. Y. 10020

Telephone: (212) 489-1200

December 27, 1971

Mr. William M. Sharp
171 West Esplanade
North Vancouver,
British Columbia, Canada

Dear Bill:

Transmitted herewith is a check of First National City Bank in Canadian funds for \$1,427.19 in payment of your invoice dated December 8, 1971. The billing is entirely satisfactory to us and the delay in paying has been occasioned by the pressure of other year-end work. I hope that you feel the fee is adequate for the time you had to spend on these matters.

The report is helpful in appraising the overall worth of the mine at Silmonac, but since the production payment is in the form of a royalty based upon tons mined after recovery of capital costs and is limited to a maximum of \$3 per ton (see copies of agreements attached) with a sliding scale up to such amount depending upon the yield per ton, I do not believe the report in its present form directly furnishes the desired valuation of only the production payment. I will write to you concerning this more fully at a later date. The report did, however, serve the purpose of allowing the Directors of Burden Investors Services, Inc. to conclude that the present value of the production payment is indeterminable since the present "proved" ore reserves are only sufficient to assure recovery of the Joint Venture's costs.

*net smelter net, per
ton of ore
= N.S.R. of Conc. &
Tons milled
low to high of 3/4.*

Sincerely yours,



Roy N. Figueroa
Treasurer

RNF:h
Enclosures

cc Marvin Lyons
W. C. Douglass

} prob also to a.s.