



937

822158

KERR

P.O.

Nichemin Resources: Coal

Prospect - Chetwynd area (found
Spieker) B.C.

Dec 5 1975

Mr. N. E. Roberts
Ste. 2020, Royal Center
1055 West Georgia Street
Vancouver, B.C.
V6E 3P3

Dear Eric:

As I regretfully advised by telephone on November 25, 1975, Kerr Addison does not wish to take a position in the Nichemin Resources Ltd. coal situation in the Mt. Spieker area of British Columbia.

We felt it a very attractive prospect and are sure that, in due course, production will be realized from the lease area.

Our basic problem is, as is fairly common at this particular time, that we do not wish to commit sizeable funds to such a project until economic and political conditions steady somewhat. We appreciate that basic expenditures required would amount to little more than lease rental payments for a year or two, but if taking a position we would wish to proceed with at least a minimal evaluation programme.

Another problem area lies in the 30% retained interest held by Brameda Resources. Measured against the risk involved in development by funding partners, we consider this holding unreasonably high.

So, we would like to thank you very much for bringing this matter to our attention, and it was a real pleasure meeting you here in Toronto.

Yours very truly,

KERR ADDISON MINES LIMITED

G. M. Hogg

GMH:jas



822158

KERR ADDISON MINES LIMITED

P.O. BOX 91 - COMMERCE COURT WEST

TORONTO, ONTARIO M5L 1C7

TELEPHONE 867-7270

I.D.B.
T.W.B.
J.K.C.
D.M.H.
G.M.H.
<u>E.C.J.</u>
W.J.
D.M.N.
S.P.
G.R.
<u>M.D.R.</u>
J.B.S.
C.K.W.

December 2, 1975

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Ste. 2020, Royal Center
1055 West Georgia Street
Vancouver, B.C.
V6E 3P3

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COAL ANALYSIS TO 3RD OCTOBER, 1975 - EAST BULLMOOSE

BOREHOLE E.B.1	THICKNESS FT.	ASH	VOLS	F.C.	CAL VALUE	S	SWELL	RECOVERY AT		RECOVERY AT		
								1.5	S.G.	1.6	S.G.	
							<u>Fluidity</u> <u>D.D.M</u>	<u>YIELD</u>	<u>ASH</u>	<u>GRINDABILITY</u>	<u>YIELD</u>	<u>ASH</u>
Upper GATES "D"	4.8	7.72	24.71	67.57	14,265	0.52	7½ 195 @ 453°	78.3	7.72	84	85.6	9.67
Lower	5.8	8.81	25.65	65.55	13,801	0.40	7½ 85 @ 456°	66.0	8.81	83	89.5	13.28
Upper GATES "C"	6.7	7.77	23.73	68.50	14,245	0.42	7½ 44 @ 458°	49.1	7.77	86	66.5	11.31
Lower	3.6	6.79	25.67	67.54	14,458	0.57	8 188 @ 451	73.0	6.79	82	74.0	7.60
GATES "B"	15.3	7.17	23.89	68.94	14,339	0.23	6½ 119 @ 451	76.8	7.17	88	86.5	9.35
GATES "A"	4.0	6.86	22.86	70.28	14,750	0.48	7½ 63 @ 456	82.8	6.86	84	92.6	8.37

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To..... M. D. Rowswell..... From..... G. M. Hogg.....
Subject..... Nichimin Resources Ltd. Date..... November 12, 1975
Mt. Spieker Coal

N. E. Roberts, Project Manager for Nichemin Resources Ltd., visited this office on November 11, 1975. He is located at Suite 2020, Royal Center, 1055 West Georgia St., Vancouver V6E 3P3 (phone 604-689-8561).

Nichemin, a Japanese concern (brochure attached) has optioned 28 Coal Licenses in the Mt. Spieker area of B.C. from Brameda Resources. A total of 19,745.02 acres are involved. These leases lie about 10 miles southeast of the Sukunka deposits which, in turn, lie about 30 miles south of Dawson Creek. They are accessible by road. The coal licenses area held by Denison Mines lies about 5 miles southeast of the Nichemin area.

Nichemin's agreement with Brameda, also attached to this memorandum, in essence provides for the following:

- 1) Nichemin pays the annual rental of \$19,754.02 (\$1.00/acre) and keeps the ground in good standing (\$3.00/acre work 1st year; \$4.00/acre work 2nd year; \$5.00/acre work 3rd year and thereafter).
- 2) Nichemin retains a 70% interest, and Brameda retains a 30% carried interest.
- 3) There is a 15¢ to 20¢/ton royalty payable to the Pine Pass Coal Company Ltd. (N. E. Roberts).
- 4) Payback is out of 90% of all proceeds with the royalty treated as a production expense.
- 5) Nichemin has until May 1, 1980, to give notice of intent to bring the property to production at no less than 300,000 tons annually.

General comments relevant to the area and coal production made by Mr. Roberts are as follows:

a) The B.C. government is considering extending a railway line from the existing rail at Dawson Creek into the Sukunka River valley. Road access is available now, but no other infrastructure. Townsite, etc., in the vicinity could be constructed in conjunction with Denison.

b) A one-million-t.p.d. operation is the initial production scope visualized by Roberts. Capital cost is estimated at \$50 million. He feels an operating profit of \$11 million per year is a reasonable projection, with payback in 10 years at the one-million-ton operating rate.

I.D.B.
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KERR ADDISON MINES LIMITED

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To.....From.....

Subject.....Date.....

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c) Roberts places the price of product at \$48-\$50 per long ton F.O.B. Vancouver. He mentioned a \$16-\$18 per long ton operating cost, and a presently estimated \$20/ton shipping cost to Vancouver.

During the 1975 field season, Mitsui geologists on loan to Nichimen and under the direction of Roberts, mapped the area and sampled coal exposures. A road was built across the property, and three holes were drilled. About \$200,000 was spent (giving 2 to 3 years' work credit). Most of the work was concentrated in the western portion of the property and was designed to determine the character of coal available, and the limits and thickness of the seams. A report will be available in a few weeks, but the findings were reported essentially favourable and may be summarized as follows:

A) The Gates formation of Cretaceous age contains four main seams up to 15 feet in thickness in a large synclinal structure plunging gently to the southeast. The seams are monoclinaly folded and so would exhibit steep local dips, but in general are relatively gently dipping (say 10° - 15°).

B) The Gates formation coal is of the high grade coking variety, and thickens to the southeast. This is the ore horizon on the Denison ground where thicknesses up to 30 feet are reported. Analyses of drill core are attached.

C) The Sukunka coal horizons are present below the Gates formation, but not much is known about them on the Nichimen ground. In general, they are believed to thin to the southeast.

D) On an area basis, 100 million tons of high-grade coal would appear available in the Gates "B" seam within the limits as presently estimated.

E) In the area tested faulting does not appear developed to any critical extent.

The deal available to Kerr Addison from Nichimen is negotiable, but basically would involve Kerr earning interest on an expenditure basis. Assuming that we would wish to have a 51% equity, it would be possible to acquire this from Nichimen (who hold 70% and have spent \$250,000) for the expenditure of $\$250,000 \times .51$, or \$672,000 on the ground. Thereafter, expenditures would be on a pro rata basis between Kerr and Nichimen at 72.9% Kerr

KERR ADDISON MINES LIMITED

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To.....From.....

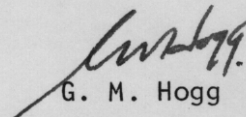
Subject.....Date.....

Page 3

and 27.1% Nichimen. Also, considering the 30% interest held by Brameda, we could theoretically spin off 30% of our interest to foreign concerns, such as British Steel, and still conform to Canadian ownership guidelines.

As to recommendations, I feel the picture is technically attractive, and there is an excellent possibility that considerable mineable tonnages of high-grade coking coal exist on the Nichimen license areas. However, on several counts, especially regarding the 30% carried interest, the agreement with Brameda is unacceptable. If renegotiations with Brameda could produce an arrangement whereby the 30% interest were participating with dilution to a maximum 10% carried interest on non-payment of Brameda's share, the situation would be much more attractive.

We should await receipt of the Mitsui report which Mr. Roberts indicated should be available next week. If consideration of this detailed data is encouraging, and if we desire to acquire a position in coal, we should then make an effort to renegotiate terms with Brameda.


G. M. Hogg

GMH:jas



BRAMEDA RESOURCES LIMITED

1199 WEST HASTINGS STREET
VANCOUVER, B. C. V6E 2K5

TEL: (604) 681-1392
TELEX: 04-507709

June 12, 1975.

Nichimen Co. Ltd.,
11-1 Nihonbashi 3 Chome,
Shuo-Ku,
Tokyo, Japan

Dear Sirs:

We ("Brameda") are the holder of a 100% interest in certain coal licences ("the licences") located in the area of Chetwynd, British Columbia, granted under the Coal Act (which term includes the regulations thereunder) in accordance with the provisions thereof and in the licences set out. Each of the licences has a one-year term which is renewable upon compliance with the requirements of that Act. The designations and periods of the licences are more particularly described in Schedule A. Brameda has paid the annual rental in advance to September 23, 1975 in respect of the licences amounting to \$19,745.02, and the licences are free and clear of any liens, charges or encumbrances which would have priority over the rights and benefits of Nichimen hereinafter provided for. Brameda hereby agrees, in consideration of the payment by you ("Nichimen") of the sum of \$19,745.02, in reimbursement of the above rental, henceforth to hold and deal with the licences upon the trusts and subject to the terms and conditions hereinafter set out, namely:

1. Nichimen shall have exclusive and complete access to and control of the licence areas to explore for and develop coal deposits therein, subject to Brameda's right of inspection at its own risk and subject to the Coal Act and any other requirements at law, during the period while these trusts exist. Brameda shall at Nichimen's sole cost make such applications as may be reasonably required by Nichimen from time to time for any government permits or consents required by any law or regulation for exploration and development. Nichimen shall undertake all work on and off the licence areas in such manner as to expeditiously evaluate the coal deposits therein for their suitability for establishment of a viable coal mining operation, and shall comply with all requirements of law in performing such work. Nichimen shall

indemnify and hold harmless Brameda against all claims, actions and liabilities arising directly or indirectly as a result of any such work and otherwise under these trusts save those resulting from the negligence or wilful default of Brameda.

2. Nichimen shall during the first year of the licences to September 23, 1975 undertake sufficient exploration thereon to satisfy the requirements in that regard of the Coal Act and shall provide Brameda with all evidence and records relating thereto to enable Brameda to record such work against and, at Nichimen's sole cost which shall be reimbursed to Brameda prior to the foregoing date, to renew the licences, which Brameda shall timely use its best efforts to do.
3. Not later than May 1 in 1976 and in each succeeding year as applicable, until and including 1979, (or if by May 1 in any such year official confirmation of licence renewal from September 23 of the previous year has not been received, then within 10 days of such receipt), Nichimen shall notify Brameda in writing if Nichimen requires the exploration period to be continued for a further successive year from the next renewal date and if so in respect to which licences, comprising not less than 50% of the total area thereof, any such notice applies. As to those of the licences for which such notice or successive notices shall be given, these trusts shall continue and Brameda shall timely apply for renewal thereof, subject to Nichimen's liability for and prompt reimbursement of all rentals therefor and other costs incurred at Nichimen's request, and Nichimen shall be obligated to and shall perform exploration work thereon for record purposes as aforesaid in each such year. Nichimen's rights hereunder shall absolutely terminate with respect to any of the licences upon which it shall not give such notice of continuation in any year.
4. At any time before May 1, 1980 (or if by that date official confirmation of licence renewal from September 23, 1979 has not been received, then within 10 days from such receipt), Nichimen may give Brameda notice in writing of its intention to establish a coal mining operation within the area of the licences having an annual production of at least 300,000 long tons. Forthwith upon such notice being given the parties hereto shall enter into a joint venture agreement, hereinafter referred to, providing inter alia as follows:
 - (a) Brameda shall assign to Nichimen a 70% undivided interest in the licences then subject to the trusts but Brameda's remaining 30% interest shall be absolutely non-assessable and Nichimen shall be obligated for all expenditures thereafter made or accruing, of whatsoever nature or kind, including without limitation all costs and liabilities

assessable against Brameda by reason of the joint venture agreement in respect of the area of such licences and the entire costs of financing the property to production and of initial working capital therefor.

- (b) The management by Nichimen of the said coal mining operation shall be subject to the direction and control of an executive committee on which Brameda shall be represented in proportion to its said interest.
- (c) Nichimen shall have exclusive marketing rights of all coal produced subject to requirements of law and provided that the sale price thereof and terms of payment shall be at least equivalent to those for the average Western Canadian coal of similar quality, for export or domestic use as applicable, and provided further that all coal produced shall be sold as soon as economically feasible.
- (d) All third party debt (including interest thereon) shall be a first and specific charge against the relevant licences and other property and the operation and proceeds therefrom, and Brameda shall so acknowledge by appropriate documentation. Such debt shall be repayable out of 90% of all net proceeds of production until paid, but any premium (including price discount) or equity or like participation granted to obtain the same or other financing shall, unless consented to by Brameda (which consent shall not be unreasonably withheld), be assessable only against the interest of Nichimen. After repayment thereof, the parties hereto shall be reimbursed proportionately to the respective amounts expended by them for all other exploration, development and preproduction expenditures, including expenditures prior to the giving of such notice, out of the said 90% of all net proceeds of production and for these purposes it is agreed that Brameda's expenditures amount to \$50,000. As to the remaining 10% during the foregoing periods and as to all net proceeds thereafter, distribution shall be made at least yearly to the parties proportionately to their respective joint venture interests. The royalty of 15¢ per long ton (but not any other payments) which may be payable to Pine Pass Coal Company Ltd., pursuant to the agreement dated July 21, 1970 between that company and Brameda, shall at all times be treated as a production expense of the joint venture.
- (e) The agreement shall terminate and all property interests shall revert to Brameda, free of any adverse claim or liability, if a capability for an annual production and delivery to market of at least 300,000 long tons of coal from the subject property shall not be attained by the end of the year 1983 subject to usual force majeure provisions.

- (f) There shall be included appropriate and adequate security and audit provisions for the protection of the parties, provisions covering the maintenance of adequate working capital and necessary replacement of plant and equipment and designation of an area of joint interest surrounding the operation (excluding any areas in which Brameda presently holds an interest).

Within six months from the date hereof the parties will commence negotiations, which will be carried out diligently and in good faith, to determine, before May 1, 1976 unless extended by mutual consent or the necessity for arbitration, the exact form of the joint venture agreement (even though it may never be entered into). If during such negotiations the parties fail to agree on the form of the joint venture agreement it shall be determined by three arbitrators, one to be appointed by each party and the third by the two so appointed, and the Arbitration Act of B. C. shall apply. If Nichimen gives notice of intention aforesaid before the exact form of the joint venture agreement has been agreed upon or determined, the provisions contained in this letter shall bind the parties, and the joint venture shall be expeditiously proceeded with hereunder, in the meantime.

5. If no notice of intention be given in accordance with paragraph 4 or if Nichimen, having given such notice, shall default in establishing the coal mining operation under the provisions of sub-paragraph (e) of such paragraph or under the joint venture agreement provided for therein, and if such default is not remedied within six months after Brameda has given written notice to Nichimen to rectify such default, this agreement (save in respect of the indemnity of Brameda hereinbefore provided) or the joint venture agreement as the case may be, shall thereupon be terminated.
6. At the time of its application to renew the licences for the 1975-1976 year Brameda shall also apply for and use its best efforts to obtain the consent of the Minister under the Coal Act to and registration of this agreement in respect of the licences, and if such consent and registration be not obtained Nichimen may terminate this agreement (save in respect of the indemnity of Brameda hereinbefore provided) provided that Nichimen has duly complied with its work obligations pursuant to paragraph 2 hereof. From the date hereof and until the 70% interest referred to in paragraph 4(a) has been subsequently registered, Brameda shall hold the licences in trust in accordance with this agreement or the joint venture agreement, as the case may be, and if Brameda shall default in applying for such consent or for either such registration, or if any thereof shall be refused by reason of acts, omissions or matters involving

negligence or wilful disregard of the terms hereof by Brameda, Nichimen shall, without restriction upon any other of its rights or remedies, have the right to recover forthwith from Brameda all its costs and expenses incurred pursuant to this agreement up to the date of any such default or refusal. From and after the time of either of such registrations Nichimen shall be obligated to deliver to Brameda in registerable form a release of its interest in any of the licences in which the interest of Nichimen shall be terminated or abandoned hereunder or under the joint venture agreement, as the case may be, coincidentally with such termination or abandonment.

7. (a) This agreement shall also be subject to the approval of the Vancouver, Toronto and Montreal Stock Exchanges which Brameda shall promptly apply for and use its best efforts to obtain. Nichimen shall give Brameda all reasonable assistance to obtain such approval if requested by Brameda. If any such approval is not applied for promptly or is refused by reason of acts, omissions or matters involving negligence or wilful default by Brameda, or the failure of Brameda to use its best efforts to obtain the same, the remedial provisions of the second sentence of Paragraph 6 shall apply mutatis mutandis.
- (b) When Nichimen seeks approval with respect to this agreement under the provisions of the Foreign Investment Review Act of Canada, Brameda will co-operate with and provide Nichimen with all such information and statements as Nichimen may reasonably request in connection with the application.
8. This agreement and the joint venture agreement shall enure to the benefit of and be binding upon the successors and assigns of each of Brameda and Nichimen, and time shall be of the essence. Without limiting the generality of the foregoing Nichimen shall have the right to assign its interest under this agreement or the joint venture agreement, in whole or in part, to any company incorporated under the laws of Canada or any province or territory of Canada, whether a subsidiary or not.

Notwithstanding anything hereinbefore contained, Brameda makes no representations or warranties as to the licences (other than their present status as previously set out), the continuation in good standing thereof under law, the right of renewal or replacement by a production lease thereof, the right of assignment of any interest therein or of the creation of these trusts under the Coal Act or under any other legislation of Canada or the Province of British Columbia, the right to produce or export coal from the area thereof or any other right, benefit or status in relation

thereto not presently or hereafter wholly within the control of Brameda. All risks and expenses in this regard shall be that of Nichimen absolutely, to the complete exclusion of both Brameda and any cost to Brameda, as if Brameda were merely a bare trustee of the licences for the benefit of Nichimen.

Upon redelivery to us of a copy of this letter containing your acknowledgement in writing of these trusts upon and subject to their terms and conditions in the form provided below together with payment of the initial consideration recited, the same shall constitute a binding and enforceable agreement between us in accordance with its provisions.

Yours truly,

BRAMEDA RESOURCES LIMITED

Per: 

The undersigned hereby acknowledges, agrees to and accepts as of the date first set out the trusts in the foregoing letter upon their terms and conditions and in accordance with the other provisions therein contained.

NICHIMEN CO. LTD.

Per: 

S. Hirota for
A. KANEDA, Director and
General Manager,
Iron & Steel Materials Division

SCHEDULE "A"

LIST OF LICENCES - MT. SPIEKER GROUP

3027	730.36	acres
3030	730.64	"
3031	730.64	"
3032	730.64	"
3034	730.96	"
3035	730.96	"
3036	730.96	"
3037	730.96	"
3039	731.28	"
3040	731.28	"
3041	731.28	"
3042	731.28	"
3044	731.56	"
3045	731.56	"
3046	731.56	"
3047	731.56	"
3049	731.84	"
3050	731.84	"
3051	731.84	"
3052	731.84	"
3053	730.96	"
3054	731.28	"
3055	731.28	"
3056	731.56	"
3057	731.56	"
3058	365.78	"
3059	731.84	"
3060	365.92	"
	<hr/> 19,745.02	acres

June 11/75

