

KERR-ADDISON GOLD MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

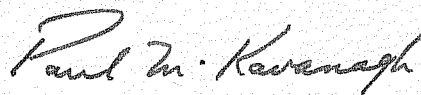
006012

To.....W. M. Sirola.....From.....P. M. Kavanagh.....

Subject.....Peso Silver Property, Mayo District, Yukon.....Date.....November 28, 1961.....

I wish that you would contact Mr. C. E. Walker by phone to advise him that when Aaro Aho visited me in my office yesterday I had an opportunity to come up to date on the work done on the Peso property since our visit to it. You can tell him that I (and I think yourself) continue to be very interested in the property, and that I have arranged with Aaro to contact me again in 11 or 12 days' time when he returns to Toronto from New York, at which time I am going to try and arrange for Mr. Row to have an opportunity to question Aaro directly re the property. In the meantime I hope to bring Mr. Row up to date on it.

Aaro is of the opinion that the Peso people would deal the property at any time - even when the adit drive is in progress. He thinks that they are in contact presently with some Japanese interests who appear to be not concerned about a possible high antimony content. When you contact Mr. Walker it would be well if you could determine what sort of deal Peso presently has in mind. Aaro thinks that they would like to have a continuing 30-40% interest and participation in the property's development. It would be well to find out the current corporate position of Peso; ie. re its issued stock, its current cash position etc. etc., and to determine under just what arrangements Peso is thinking that a company such as ours could enter the picture.



Paul M. Kavanagh
Chief Geologist - Exploration

PMK:ry

KERR-ADDISON GOLD MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To.....A. Kulan.....From.....P. M. Kavanagh.....

Subject.....1962 Yukon Exploration Programme.....Date.....December 13, 1961.....

- 2 -

Last week we took another close look at the Peso Silver situation and had lunch with Peso's head director. We consider that with the property as it is now the deal they want is too tough; i.e. to commit ourselves firmly to spend as much as they have spent; then for us to put all further exploration and development money (with the option to drop out of course anytime after the initial firm commitment) and Peso to receive a 35-40% interest in the total capitalization of a new company. We would be more interested if Peso in return for its desire to acquire a 35 to 40% interest in the final arrangement would be willing to put up some percentage of the further exploration and development money after we would fulfill our initial commitment to spend what they have already spent which is \$40,000 to \$50,000 to date. We are going to advise Peso of our present attitude. In the meantime you should continue to maintain as close contact as you can with progress on the Peso property and immediately report any major developments. The adit is expected to reach the No. 1 vein about December 15th to 20th.

I am writing this to let you know how our thoughts are currently running re. the Yukon. *They will be completely finalized no later than January 31, 1962.*



Paul M. Kavanagh
Chief Geologist - Exploration

PMK:ry

cc/W.M.Sirola

December 14, 1961

Mr. C. S. Walker, Vice-President,
Peso Silver Mines Limited,
202 - 633 Hornby Street,
Vancouver, B. C.

Dear Mr. Walker:

Last week Aaro Aho visited our president, Mr. W. S. Row, in Toronto, and reviewed the Peso property for him. Since returning to Toronto I have passed on to Mr. Row the substance of our conversation during the very pleasant lunch which you gave Bill Sirola and myself.

We consider that the presently indicated silver mineralization does not justify our entering into the arrangement suggested by you, which I remember to be as follows: Kerr-Addison to make a firm commitment to spend an amount equal to that expended to date by Peso; then Kerr-Addison on an option basis to provide all further exploration and development expenditures in return for a 60-65% equity in the property; Kerr-Addison's expenditures after the initial firm commitment to be returned out of 90% of earnings, the other 10% to go to Peso.

One point we question is the new company's ability to make 100% of its earnings available for these purposes. It would need working capital. What you undoubtedly meant was that of whatever percentage of earnings it was decided that the new company could release, 90% would go to Kerr until its expenditures plus interest on the development advances portion of the expenses were repaid.

Considering the property's presently indicated character, we would be more inclined to take a definite interest in it if, in wanting to retain a 35 to 45% total equity in it, Peso would be willing to contribute some portion of the continuing expenditures after Kerr-Addison would have fulfilled an initial commitment to expend an amount equal to Peso's expenses to date, which I remember you said were in the order of \$40,000 to \$50,000. This is a thought which I expressed during our lunch, and in which Mr. Row has concurred.

I would appreciate it very much if you would let me know what your reaction is to our proposed basis for a deal.

I very much enjoyed seeing you again in Vancouver.

Yours sincerely,

KERR-ADDISON GOLD MINES LIMITED



Paul M. Kavanagh
Chief Geologist - Exploration

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P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, YUKON TERRITORY

January 23rd, 1962.

I have had several lengthy telephone conversations with Aaro Aho regarding the Peso operation. Yesterday I had lunch with C. S. Walker.

Peso recently acquired an option on the one hundred and twenty-six claim Barker group. They paid \$30,000.00 for this option. I do not know the total purchase price nor do I know their schedule of payments. Mr. Walker appears convinced as does Aho that the Barker claims have great possibilities in view of the placer gold which has been found thus far.

Peso has expended the sum of \$8,000.00 to date and by the end of February will have expended approximately \$30,000.00 more for a total of \$110,000.00. This will have opened up 150' to 200' of the No.1 vein.

They have drawn up a budget through September of 1962 which involves a total expenditure of \$219,000.00 and are seemingly prepared to increase this figure to \$325,000.00. This would involve, in addition to the underground work, sinking a 50 foot shaft on the Rex vein, stripping with two bulldozers which they have purchased, and carrying out geological mapping of both properties. It might also involve some form of geophysics. Seemingly it is their intention to do a very thorough job on both properties.

They do not take kindly to the idea of a major company participating to the tune of \$75,000.00 and then pulling out because they feel that this would give both properties a black eye. At one stage this morning Aho was quite receptive to this type of expenditure but had to change his mind after talking to Walker. Walker's thinking seems to be that any participating company would have to be prepared to advance the difference between what Peso has spent to date and what they would ^{alternatively} like to spend, which would presumably be somewhere between \$250,000.00 and \$300,000.00. In other words, if Kerr were to ^{give in} at the end of February, they would then have to commit for a minimum of \$140,000.00. Obviously, it is difficult at this time for us to justify a commitment like this. Conceivably, however, it would be justified if the No.1 vein shows sufficient promise.

I can only suggest that we keep in very close touch with the situation and be prepared to negotiate very quickly if need be. In the meantime I have been assured by both Aho and Walker that they will give the matter ²⁻²³⁻⁶² consideration to see if there is some other basis on which we might participate.

There will come a time, of course, when Walker will be reluctant to release any more Peso shares because he will then begin to lose control of the situation but that time will not be before the end of 1962 or perhaps later. If the underground work is promising it becomes a relatively simple matter to justify the type of participation they are seeking and I hope this will come to pass.

William M. Sirola.

WMS:nb

P. M. KAVANAGH

W. M. SIROLA

PASO SILVER MINES

January 19th 1962

I telephoned C. S. Walker this morning and will have lunch with him on Monday, January 22nd.

Mr. Walker sounded as though there might now be a framework round which a mutually acceptable situation could be pieced together. They anticipate reaching the No:-1 vein by January 25th.

W. M. SIROLA

WMS:cg

P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, YUKON TERRITORY

January 24th, 1962.

I have had several lengthy telephone conversations with Aaro Aho regarding the Peso operation. Yesterday I had lunch with C.S. Walker.

Peso recently acquired an option on the one hundred and twenty-six claim Barker group. They paid \$30,000.00 for this option. I do not know the total purchase price nor do I know their schedule of payments. Mr. Walker appears convinced as does Aho that the Barker claims have great possibilities in view of the placer gold which has been found thus far.

Peso has expended the sum of \$8,000.00 to date and by the end of February will have expended approximately \$30,000.00 more for a total of \$110,000.00. This will have opened up 150' to 200' of the No.1 vein.

They have drawn up a budget through September of 1962 which involves a total expenditure of \$219,000.00 and are seemingly prepared to increase this figure to \$325,000.00. This would involve, in addition to the underground work, sinking a 50 foot shaft on the Rex vein, stripping with two bulldozers which they have purchased, and carrying out geological mapping of both properties. It might also involve some form of geophysics. Seemingly it is their intention to do a very thorough job on both properties.

They do not take kindly to the idea of a major company participating to the tune of say \$75,000.00 and then pulling out because they feel that this would give both properties a black eye. At one stage this morning Aho was quite receptive to this type of expenditure but had to change his mind after talking to Walker. Walker's thinking seems to be that any participating company would have to be prepared to advance the difference between what Peso has spent to date and what they would ultimately like to spend, which would presumably be somewhere between \$250,000.00 and \$300,000.00. In other words, if Kerr were to come in at the end of February, they would then have to commit for a minimum of \$140,000.00. Obviously, it is difficult at this time for us to justify a commitment like this. Conceivably, however, it would be justified if the No.1 vein shows sufficient promise.

I can only suggest that we keep in very close touch with the situation and be prepared to negotiate very quickly if need be. In the meantime I have been assured by both Aho and Walker that they will give the matter every consideration to see if there is some other basis on which we might participate.

There will come a time, of course, when Walker will be reluctant to release any more Peso shares because he will then begin to lose control of the situation but that time will not be before the end of 1962 or perhaps later. If the underground work is promising it becomes a relatively simple matter to justify the type of participation they are seeking and I hope this, will come to pass.

William M. Sirola.

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P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, MAYO DISTRICT, YUKON.

February 5th, 1962.

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I talked with C. S. Walker again this morning regarding admission to the Peso project. Walker advised that Dr. Aho is on the property and has advised against permitting anyone into the adit until he has completed his own report. Apparently stringers of sulphides have been encountered, but the vein has not yet been reached. Walker also said that Aho advised him against dealing with anyone for the time being. This can be interpreted in various ways of course. One possibility is that the vein has dispersed into small stringers and they could not make a favourable deal at the present time. However, this is merely guess work on my part and means very little.

I have advised Al Kulan of the situation and will keep him posted as soon as I hear further from Walker, who, in turn, has promised to keep me posted.

William M. Sirola.

WMS:rl

P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, YUKON TERRITORY

February 27th, 1962.

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I have enclosed today's George Cross Newsletter which describes the Peso cross-cut intersection in some detail.

Aaro Aho advises me that the Peso people are still receptive to participation by major mining companies. Apparently, their concern over the type of deal proposed by Kerr-Addison was that they could visualize a situation developing where capital requirements reached a point at which they were unable to participate further, and their interest then might be reduced beyond a point they thought desirable. They would like to have a proposal presented to them which would spell out more definitively the ultimate position of Peso Silver at the completion of financing.

I did not discuss the situation with any of the Directors today, but the intimation given me by Aaro was that any major company participating at this time would have to commit for at least as many dollars as Peso had already spent in order to gain a majority position.

The property is obviously still a question mark and I have no particularly strong convictions about it personally. I have not heard the results of any metallurgical testing and do not know what percentage of the lead and silver would be recoverable. Possibly the drifting on the No. 1 vein could be completed for the sum of \$50,000.00, but the exploration of the Rex vein would probably prove to be costly because it is more difficult to get a satisfactory edit into the vein.

William M. Sirola.

Enc.

WMS:rl

KERR-ADDISON GOLD MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To..... W. M. Sirola..... From..... P. M. Kavanagh.....

Subject..... Peso Silver Mines..... Date..... February 28, 1962.....

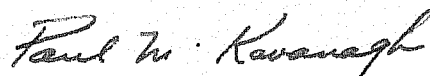
Thank you for your memorandum of February 27th with the enclosed George Cross News Letter account which I am returning herewith.

The mineralization encountered in the adit intersection is substantially below ore-grade calibre for the Yukon. (United Keno's operating costs in the 1960 fiscal year on a 400 ton per day basis were in excess of \$35.00 per ton milled). An analysis of the assay data indicates that the central 11 odd feet of the vein zone is barren.

I presume that nothing of interest was encountered in the 300 feet of adit driven before the vein intersection.

I would hesitate, based on the evidence to date, to recommend our being willing to go firm for a \$150,000 expenditure, which is the amount Peso had spent to the middle of February.

PMK:ry
encl.



Paul M. Kavanagh
Chief Geologist - Exploration

P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, SECRET CREEK, YUKON.

April 13th, 1962.

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I have enclosed George Cross News Letter No. 72 which deals with Peso Silver on Page 3.

I talked to Aaro Aho this morning about the property and he said that they had drifted 130' in a Northwesterly direction and 60' to the Southeast. There are no significant values other than those shown in the George Cross News Letter.

The shaft on the Rex vein is now 26' deep and at that depth shows 16" of vein material with considerable galena.

William M. Sirola.

Enc.
WMS:rl

P. M. KAVANAGH

W. M. SIROLA

40 CLAIMS LOCATED ON 3 SIDES OF PESO SILVER

May 4th, 1962.

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These claims belong to Messrs. Strebchuck, Smith and Mukens, who are seeking \$10,000.00 in the first six months following a free examination. They are also seeking 300,000 of the vendor's shares in a new company. They would like to have a work commitment of \$4,000.00 under this Agreement.

There is a rusty outcrop on one of the claims which is said to assay 6.2 ozs. of silver to the ton. In other words, the values are about the same as those encountered over portions of the Peso veins on surface.

William M. Sirola.

WMS:rl

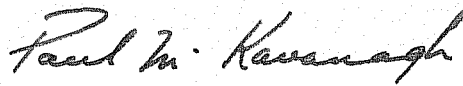
KERR-ADDISON GOLD MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

To.....W. M. Sirola.....From.....P. M. Kavanagh.....

Subject.....Forty Claim Located on Three Sides of.....Date.....May 22, 1962.....
Peso Silver Property, Yukon

With reference to your May 4th memorandum on these claims,
and in line with my comment on your Buttle Lake and Eagle
Asbestos submissions, what do you recommend concerning this
40 claim group property?



Paul M. Kavanagh
Chief Geologist - Exploration

PMK:ry

Sirola

May 30, 1962

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Mr. S. E. Cropper,
Managing Director,
Peso Silver Mines Ltd.
202-633 Hornby Street,
Vancouver 1, B. C.

Dear Mr. Cropper:

Thank you for your letter of May 25th with attached data re your property in the Yukon.

In answer to your request for comments I would say that it appears that the indicated small 37.4 oz. silver zone is the only zone of any real interest found to date. The rest of the mineralization found in the underground workings is low grade for that part of the country. It is worthy of note that the above zone is contained within what Read has mapped as an oxidized vein zone.

We would appreciate your continuing to send us data on your property.

Yours sincerely,

KERR-ADDISON GOLD MINES LIMITED



Paul M. Kavanagh
Chief Geologist - Exploration

PNK:ey

cc/W.M. Sirola

P. M. KAVANAGH

W. M. SIROLA

PESO SILVER MINES, MAYO DISTRICT, YUKON TERRITORY

June 21st, 1962.

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I talked at some length with Aaro Aho this morning regarding the intersection of No. 1 vein in the cross-cut. He was not quoting any assays at this time, but said that he would tell me in confidence that a 2' to 3' width on one side of the vein had economic values in silver. This particular section of the vein was essentially devoid of arseno pyrite and he felt that it would not be too difficult to concentrate. The remaining 16' to 17' of width in the vein presumably has low silver values and minor values in copper and lead. The situation is still quite intriguing as far as I am concerned, particularly because the presence of a heavy volume of sulphides at cross-cut depth would probably make it possible to delineate similar veins in this area geophysically. On the other side of the ledger, I suppose we could argue that there are no known silver deposits associated with jamesonite in any quantity in this country. As a matter of fact, I do not even know whether such silver as may be contained in the jamesonite is extractable therefrom.

As soon as I have further data, I will send it to you.

William M. Sirola.