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Rodenskiold Coal Area

Division Mountain Y T

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May 11 1977

KERR ADDISON MINES LIMITED

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MAY 13 1977

To D.A. Lowrie From W.M. Sirola
c.c. M.D. Rowswell
Subject NORDENSKIOLD COAL AREA - DIVISION MOUNTAIN Date May 11, 1977
(115H8) - YUKON TERRITORY


Pursuant to my memorandum of May 9 on this subject, I have talked with Doug Hilland who represents the Italian interests and he has come up with the following tough proposal:

- (1) \$10,000 for examining the option - good to August 1, 1977.
- (2) If option exercised, \$150,000 cash.
5% Royalty at market prices at place of sale
\$50,000 per year advanced royalty
- (3) If production ensues, 15¢ per ton royalty to R.J. Kirker until capital costs recovered, then increasing to 25¢ per ton.

Hilland suggests that alternatively, after examining the property, we might wish to make a cash offer to purchase the property outright.

The above terms are patently based on the assumption that there are established reserves of coal on the three areas held under lease. I pointed out to Hilland that there really are no established reserves in the sense that only two drill holes, 1,500 ft. apart, have been completed to the best of my knowledge. Knowing something about the nature of Yukon coal deposits, considerable more drilling would be required before we could speak of reserves. In addition, the ash content is high and beneficiation would be necessary to produce a better product.

As far as I am concerned, the terms stipulated above are pretty steep for the amount of coal that has been indicated by the drilling but it is at least a point to start from and we will try very quickly to decide whether or not to recommend further pursuit of this situation in the light of the proposed terms.


W.M. Sirola

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M.D.R. → *DL*
MAY 16 1977

pls discuss

To Mr. D.A. Lowrie From Mr. W.M. Sirola
Subject NORDENSKIOLD COAL AREA - DIVISION MOUNTAIN Date May 9, 1977
(115H8) - YUKON TERRITORY

During his last visit here on May 6, Bud Rowsell mentioned that the Anvil people had advised that their coal exploration at Carmacks had not been very rewarding and it may well be that Anvil would not be able to supply the coal required for a thermal plant for the Grum Joint Venture. Apparently John Bruk is still optimistic and implied that the estimates made by the Engineering Department were very conservative. Since it is possible that the engineering estimates reflect the true picture, Bud has now suggested that I investigate the possibility of optioning some of the known properties in the coal area.

I had mentioned previously the possibility of looking into the Nordenskiold coal area because some very optimistic figures have been put out in the past by Arjay Kirker Resources Limited and Teslin Exploration. For example, in the Archer Cathro Mineral Inventory (1972), Teslin Exploration claimed to have inferred strip mineable reserves in excess of 40 ml. tons of good quality, low sulphur thermal coal in licence #11. In pursuing the possibilities of this somewhat improbable reserve, I have obtained two more reports: a Preliminary Geological Report by Kirker in 1971 and a 1972 Drilling and Trenching Report done by Mike Philips of Archer Cathro & Associates.

The 1971 report, which again must be considered optimistic, maintains that the coal reserves are 45 ml. tons with the possibility of double or triple that number.

The 1972 report by Mike Philips, based largely on the results of two diamond drill holes 1500 ft. apart, mentions proven reserves totalling 2.8 ml. tons of bituminous coal on the Cairnes seam. These reserves are on coal licence #10. The average analyses of the two drill sections was 31.3% ash, 19.7% volatile matter, 47.1% fixed carbon, 0.48% sulphur, 9,400 btu's/lb. The seam varies in width from 15 to 30 ft. and dips 70°. *high*

Philips felt that the potential for increasing the reserves appeared to be excellent but recommended no further work until markets for coal could be found.

Since there is obviously some fairly thick coal on the Arjay Kirker licences (which, by the way, have been converted to three leases), I called Kirker in Calgary this morning to see if he was interested in optioning the ground. He advised that in 1972 he had made a deal with Braeburn Coal who had actually paid for the drilling of the two holes in 1972. It turns out, however that

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Kirker and the Italians who own Braeburn Coal are at war over the non-payment of \$5,600 to Kirker. It also turns out that the assignment of Kirker to Braeburn is invalid because Kirker did not actually have title to the ground when he made the deal with Braeburn. Apparently the date of the transaction between Kirker and Braeburn was prior to the date when Kirker acquired the ground from Fred Welter, the original staker. Kirker is now using this as a club to get the Italians to pay the \$5,600 that remains unpaid.

I called the Italians' lawyer, Doug Hilland, in Calgary, and Hilland said that he thought this matter would be cleared up very easily and that Braeburn would indeed be interested in farming out the coal leases to Kerr Addison. He is going to check the type of deal made by Braeburn on other coal areas in Alberta and will let us know. In the meantime, he is looking for suggestions from us regarding the type of option agreement we would be prepared to make. Since I am an ignoramus on the subject of dealing with coal, I will wait for Mr. Hilland's proposal and we can take it from there.

In my present state of limited knowledge on this situation, if a suitable deal could be made with Braeburn, it would appear that technically this ground is deserving of considerably more exploration than it has had to date.

I had hoped to get together with Gordon Davis today to go over the information he gave Bud Rowswell and John Carrington on the Carmacks coal reserve, but he was out of town and I will try him again tomorrow. In the meantime, perhaps you would be good enough to pass this information on to Bud Rowswell.


W.M. Sirota