

file

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)

007574

To..... D. A. Lowrie From..... D. M. Hendrick

Subject..... Cyprus Anvil - Vangorda, Grum, Swim Lake Properties
now held by Dome Petroleum Date..... August 26, 1983

I.D.B.
P.B.
J.K.C.
A.H.C.
P.S.C.
D.M.H.
D.A.L.
J.B.S.
FILE

Jack Winters - Land Administrator, Dome Petroleum, Calgary, (403-260-6167), and formerly Landman with Hudson Bay Oil & Gas, telephoned the following information during afternoon of Monday, August 15.

- (1) Dome Pete holds Cyprus Anvil through purchase of H.B.O.G.
- (2) The White Pass and Yukon Railway has had a dispute with C.A. over \$5.2 million owed by C.A. to W.P. & Y.
- (3) W.P. & Y. has filed mechanics and miners liens on properties and buildings, most or many of which are those assets sold by Grum (K.A. & A.E.X.) and Vangorda to C.A. and in which Kerr Addison retained a Net Profits Interest.
- (4) Winters indicates that the liens were improperly filed in that they were filed after the required time period to do so.
- (5) C.A. agrees that a debt is owed for freighting of concentrates and equipment, but not \$5.2 million.
- (6) Winters thinks that the action will be discharged and some settlement made.

A discussion concerning the troubles of Dome Pete followed.

Dome Pete wants out of the mining business completely, so that all of its mining assets will be sold. With present low interest rates and expected sale of assets, Dome Pete will survive but as a much smaller oil and gas operation.

The Cyprus Anvil assets (Faro, Grum, Vangorda, Cirque Zn-Pb-Ag deposits) were discussed and Winters suggested that control of C.A. could be acquired through relief to Dome Pete of \$140 million debt to Bank of Nova Scotia. If Dome Pete or C.A. retained some type of Net Profit Interest the discharge of debt would purchase the C.A. assets.

H.B.O.G.'s Joint Venture interest (40%) in Selco's Selbaie is also subject to a distress sale, although potential profitability is limited by size and grade of deposits.

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I suggest that our engineering exploration group assess this proposal re C.A.

Considering Dome Pete's almost mandatory divesting of mining assets during a weak base metal cycle which limits corporate competition, the acquisition appears to have similar potential to Noranda take-over of Brunswick for \$50 million in 1967.

Possibly Noranda or another group company would be interested in coventuring such an acquisition if a deal was right and could be made.

Also, concentrate buyers and the Governments might become interested financial supporters.

Winters indicated he would advise us on how to approach the matter if we were interested.



D. M. Hendrick

DMH/sm

cc: I.D. Bayer
P.S. Cross
J.K. Carrington

← Transportation subsidy necessary?

How many years to start of pay-back?

Mercury content and high power cost plus labour turnover rate make this area less attractive for investment than many areas dependent on land transportation of concentrates