

008889

ab 7/5-30.
COPY

cc Y/7E
cc Area 105.
Anvil.

August 28th, 1967.

MEMORANDUM:

TO: Mr. J. H. Stovel.

FROM: P. M. Kavanagh.

Activities and Data Re The Vangorda Region, Yukon.

| |
|--------|
| W.S.R. |
| K.C.G. |
| J.H.S. |
| E.F. |
| R.D.S. |
| B.C.B. |
| P.M.K. |
| G.W.M. |
| R.O.M. |
| C.K.W. |
| J.B.S. |
| G.P.R. |
| K.F.L. |
| E.C.J. |

On August 3rd in Whitehorse I paid a courtesy visit to Mr. James Smith, Commissioner of the Yukon. While talking confidentially about the Vangorda region he gave me to understand that Anvil had satisfied its three conditions necessary to go to production, i.e. satisfactory financing, concentrate sales contracts, and Government assistance in power, transportation, and townsite arrangements, etc. He stressed that Government plans were based solely on Anvil requirements, particularly the expansion of the Government's hydro power plant at Whitehorse, for which he stated that a definite expansion cost figure had been set. He mentioned that below the Minister of Indian Affairs and Northern Development, Arthur Laing, Digby Hunt was the senior official in Ottawa most involved in the Government's planning.

Later I visited Ken Thompson, a member of the Yukon Territorial Council, who had been our expeditor in the Yukon last year. He said that the Commissioner had told him earlier in the day that a Government announcement re Anvil production plans was imminent. He also mentioned that plans called for Anvil's Government-sponsored townsite to be close by Anvil's property rather than in a potential joint Kerr-Anvil location such as on the south side of the Pelly River in the vicinity of Blind or Vangorda Creeks.

That evening a great many Anvil and Parsons Engineering (Anvil's engineering consultants) personnel were pointed out to me, and I became very impressed with the apparent extent of Anvil's activities; there seemed little doubt that Anvil was proceeding to production.

Being of the opinion that whenever conditions would be such as to make Anvil's deposits ore, our deposits would be ore also, and concerned that a narrow Government outlook would be detrimental to everyone including ourselves, I phoned you early on August 4th to report my conversation with the Commissioner and Thompson, and to recommend that we contact Digby Hunt in Ottawa to ascertain the Government's intentions and to remind the Government of our potential capabilities. You agreed.

Continued . . .

Mr. J. H. Stovel

August 28th, 1967.

Later on August 4th while in Ross River I had a talk with Al Kulan, a director of Anvil. He provided the following information:

- Anvil is planning on production in late 1969 or 1970 at an initial rate of 5,500 tons per day, to be increased in time to 7,500 and more.
- power is to be provided initially from Whitehorse but later from a new hydro setup, possibly at the Five Finger Rapids near Carmacks.
- transportation initially is to be by truck to Whitehorse and rail to Skagway, but later might be by truck to Haines, Alaska, or a rail extension might be put in to the Vangorda region from Whitehorse.
- Parsons Engineering estimates that Anvil can break even with 7.4¢ zinc and lead (presumably American prices).
- an 8-year concentrate sales contract Anvil has made with the Japanese calls for purchases at prevailing prices but with a floor of 9.7¢ for both zinc and lead.
- Anvil is predicting an 11¢ price for both zinc and lead in the early 1970's.
- Anvil plans to build 300 homes in a Government-sponsored townsite on the south side of the Pelly River across from Vangorda Creek (this refuted Thompson's information), and to build a bridge across the Pelly River at Vangorda Creek and a road up Vangorda Creek to connect with its present one.
- Anvil expects union problems during the construction phase.

On my return to Whitehorse I flew over the Anvil property. A large construction camp has been built near the plant site which was being prepared by a lot of heavy earth-moving equipment. Although there was no activity on the deposit itself, I noticed the portal of the exploratory adit put in last year.

Upon my return to the office on August 9th I told you about my talk with Kulan and my flight over the Anvil property. You agreed with the recommendation I made that, in addition to contacting Ottawa, we have a complete feasibility study made of our Vangorda and Swim deposits.

Since you had not been able to get through to Digby Hunt in Ottawa, you instructed me to try to visit him. After finally contacting him in the evening I flew to Ottawa the following morning, August 10th, and spent several hours talking with the following senior personnel of the Resource and Economic Development Group of the Department of Indian Affairs and Northern Development:

Continued . . .

Mr. J. H. Stovel

August 28th, 1967.

A. D. Hunt, Director
G. H. Caldwell, Chief, Resource Management Division
(took him to lunch)
Dr. T. Wise, Chief, Economic Staff Group
B. J. Trevor, Head, Mining Section (saw him only briefly).

They imparted the following information:

- Anvil has virtually solved its three conditions necessary to go to production, although some more horse-trading with the Government has to be completed before an official announcement can be made.

- the Government feels strongly that it is entitled to be treated as a full active partner in Vangorda region developments because of its power, transportation, and serviced townsite - education - social services contributions. The Government considers that it has been given a copy of every report Anvil has received from its various consultants - engineering, metallurgical, etc., etc.

- concerning at least the early 1970's period, the Government has been planning solely on the basis of Anvil, being of the opinion that we had decided against production for some time. Hunt implied in a rather resentful way that his Group, in requesting large funds to support Anvil's early production decision, had met considerable reluctance from senior echelons of Government who were aware of the Noranda Group's hesitant attitude about the Vangorda region for the near-term.

- the Government will provide power at a cost. The Government intends to sell serviced lots in the townsite Kulan referred to (Hunt mentioned 65' x 100' lots at a cost of \$3,000 each but he didn't want to be held to those figures). The Government is freely providing the Ross River - Carmacks road, and will provide financial assistance for access roads.

- although the Government has recently awarded an \$85,000 contract to T. Inkledow and Associates of Vancouver to make a study of the Yukon's long-term power requirements, it plans to supply Anvil's initial requirements, and additional ones of New Imperial, by expanding the present 2-unit, 11.2 KW hydro plant in Whitehorse to 19 KW⁺ by adding a third unit (a third penstock was installed when the plant was originally built in the 1950's). There is a difference of opinion between Anvil and the Government re Anvil's initial 5,500 tpd power requirements; Parsons Engineering has advised Anvil that it requires 8.5 KW whereas the Government, based on its knowledge of Cominco's power situation at Pine Point for a similar tonnage rate, considers that 6 KW would be adequate. The solution may be that the Government will provide the difference at Anvil's total cost.

Continued . . .

Mr. J. H. Stovel

August 28th, 1967.

Before I left Toronto in the morning you had advised me through Ted Jacka of your off-the-cuff estimate of a 7-10,000 HP power requirement on our part for a 3,000 tpd operation. In Ottawa, without referring to the note I had made, I wrongly mentioned a 5-7,000 HP figure but corrected my mis-reporting of your estimate by phoning Hunt from the Toronto airport upon my return in the evening.

Hunt thought that to satisfy our power needs a fourth unit could be installed in the Whitehorse plant which would increase the plant's capacity to 24KW^t.

- late in July the Government received the report on the Yukon's transportation requirements which it had commissioned from Travacon (Engineering) of Calgary, but asked Travacon to expand it particularly concerning Haines vs Skagway as a future main tidewater outlet.

No doubt based on the Travacon report, Hunt and Dr. Wide mentioned that with just an Anvil operation in the Vangorda region a railroad extension from Whitehorse was not even feasible with Government financial assistance, let alone on a completely privately-financed basis; however they said that if we were able to make a production decision in the near future then, although a privately-financed railroad extension would still not be feasible, one having Government assistance would definitely warrant serious consideration; in this respect Hunt cautioned me that if no decision to build a railroad extension could be made in the near-term Anvil would have to commit itself to a considerable purchase of truck equipment and would have to amortize it.

- the Government is initiating an economic study of the whole Yukon; Slim Monture is to handle the mining development section.

- the Government will probably have a town planning study made.

Hunt stressed that the Government would want to be satisfied about the justification of any long-term concentrate sales contracts which would prejudice a possible smelter in the Yukon. I gently reminded him that Anvil has made an 8-year concentrate sales contract, undoubtedly with the Government's awareness. He said that the Government would want an operating company to emphasize the training and employment of local people. Several times he and his associates mentioned that in the Government's opinion the Pine Point development has fallen short of fulfilling the Government's goals for northern development.

With reference to the purpose of my visit to Ottawa I said that although we had doubted that conditions would be such as to enable Anvil to proceed to production in the near-term, having become aware that Anvil is apparently proceeding to production without delay we have decided to make a thorough study of our own capabilities; we wanted the Government

continued . . .

Mr. J. H. Stovel.

August 28th, 1967.

to be aware of our current thinking and we also wanted to come up-to-date with the Government's intentions. Based on Anvil's reserves of 40 to 50 million tons and assuming that we have 15 million tons in our two deposits, I suggested that although we could not be in production for as long as Anvil, during those years that we could be in production we could probably be producing at at least 50% of Anvil's rate.

The following day, August 11th, I reported to you on my Ottawa visit before leaving on a 2-week vacation.



Paul M. Kavanagh
Vice-President - Exploration.

PMK:sw

cc: W. M. Sirola.

of Y/TE

TR. MK. RE

F.

attach to
PMK memo

Call to Joe from WH Aug 4/67

- show calls from Al Oliver
- visit with Commissioner & then with Ken Thompson Aug 3.

re power - expand WH installations but only for Avril's requirements. - 10,000 tons a day (1,000 tons down the road/day)

- firm figures put on power installation costs & they only include Avril requirements

- transp. sea rd to WH & then by rail at least for first years

- 1969 prod'n start up.

- said that ^{Avril's} 3 conditions have been solved.

- suggested contacting Digby Head in Ottawa.

- Thompson:

- Commissioner had been there to be an Avril announcement within the month

- Avril hearing to be right at their property

Cus:

Cypress went up 7 bucks yesterday? (over)

- 2000 JAN 10 10 50
- ~~and doubt~~ if we were in order
it might be at 5,000/yr
ie \$500,000 tone/yr for 10 years
- that would be 50% of Rev.

JUNE 1967

Talk With Kulan

7.44 Breakfast ~~15 4/67~~

9.78. floor

Thur. ~~16/67~~

5500 top to start

16

Fri.

Jew Etzel

300 hours

17

Sat.

5500 AP. Animal
requirement

Memo.

Animal
production 11/8
Pb-2a

1967

JUNE

18 Father's Day

Sun. 1969 - 1970

6 mos behind schedule

19 - anticipate trouble
Mon. with various unions

during construction

20

Tues. ^{period} \$80 million

in marine area

21

Wed. 8 year gap case.
contract

JUNE

1967

626.5 miles

22

831 $\frac{1}{2}$

Thur.

bridge to be
built by Auer
at Vargonda Creek

23

Fri.

power to come
from WTT at first

24

Sat.

Memo. then from Fee
Engines Rapids

ORIGINAL COPY. 1910 BY J. C. PARKER

| |
|--|
| |
| |
| |
| |

Visit to Ottawa Thurs. Aug. 167
 Harry Caldwell - Chief, Resources
 Management Div.
 T. Sukledow & Assoc.
 of Va. \$85,000 +
 power study
 Clark J.O.S. (Joe)

Travacon (Eng) - Calgary based

Study of transp & best route to Tidewater
 - report finished 2 weeks ago & then they
 were asked to expand - Heavies vs Stevedoring

housing - education - social services & welfare

Economic Study of whole Yukon
 Main Venture - mines

- town planning study probability
 - suggestion writing a letter to Commission
 re our possible requirements

- got impression that a lot of bargaining has been going on between Amel & Gov

- Heat indicated that if we are to
 say we were going it could well tip
 the scales in favor of a rail ^{extension} road with
 Gov't assistance. * - ties to their
 recently getting transp. study report.

LEFAX, PHILADELPHIA 7, PA., MADE IN U.S.A.

*

*

ORIGINAL COPY. 1910 BY J.

- Gov't people have had tough ^{over} pessimistic attitude ^{shown by senior people.}
- power provision by Gov't at a cost
- transit provided by Gov't which will sell lots 3,000 (serviced)
 - cover cost of subdividing & servicing
- transportation - Ross H. Carmichael at no cost.
 - assistance in access roads

- Gov't would be concerned about prod'n going away from possible smelter in the Yukon.

- re-employing & training local people
- WH plant - now 11.2 KW
 - 3rd unit → 19 KW + enough for Arvil + W.L.
 - 4th unit → 24 KW + " " " "

problem of Parsons telling Arvil that they will need more than Gov't thinks they need, based on his Pt experience

- Gov't has told Arvil that they can have the extra if they pay for it

Parsons says Arvil needs 8 1/2 KW

Gov't claims they have been given every Arvil report.

- they like this - in accord with wanting to be considered a partner

LEIFAX, PHILADELPHIA 7, PA., MADE IN U.S.A.