

please return

McFarlane

Aug 2 1965

24
PHONE CHAPEL 3-1250

(101)

ITEM 117

MID-CONTINENT URANIUM CORP.
URANIUM CENTER BUILDING
GRAND JUNCTION, COLORADO

3860 0082

September 6, 1965

Mr. Thomas McManus, President
Sunshine Mining Company
P. O. Box 1080
Kokomo, Idaho 83837

Re: Estimated development costs
projected for Sixteen-to-One Mine

Dear Mr. McManus:

Pursuant to your request I have endeavored to outline the proposed accelerated development program at the Sixteen-to-One mine so that actual production could begin within a two-year period. Cost figures are based upon developing the ore body, as it is known today, without regard to the fact that it is not delineated along the strike nor at depth. Also, the average height of the commercial ore zone above the main adit level is unknown, but for cost figures it is assumed to be approximately 200 feet.

16 to 1
Development drifts on the vein for cost estimates have been held to strike lengths of the presently known ore body, but, in all probability they may be several times greater when the main adit level and the 200 and 400 Levels are actually driven to the extremities of the vein. The 400 Level drifts should, for exploration and development purposes, be driven several thousand feet along the vein structure to determine if additional ore chutes exist. Diamond drilling has determined that the Sixteen-to-One vein is present at least 1000 feet westerly from the main cross-cut adit and at a depth 350 feet below the tunnel level - still showing a strong vein structure 25 feet wide.

Exploration information easterly along the vein is lacking, although the face of the hanging wall drift on the split vein, 220 feet easterly of the main

Mr. Thomas Williams

Page 2

September 6, 1965

adit, is still in ore as are the draw points being driven through the main vein in this drift on 35-foot centers. In fact the last completed draw point, No. 3, assayed \$24.72 over a vein width of 22.5 feet, or \$31.43 over a width of 12.5 feet, which is comparable to draw points Nos. 1 and 2 East.

In estimating the costs of the separate development programs an endeavor has been made to include only direct costs as applied to that particular development phase without pro-rating the cost of the required capital equipment items. The proposed method of mining the Sixteen-to-One vein is by shrinkage stopes without ore-passes or chutes, loading the broken ore on the levels by utilizing mucking machine draw points. Service raises will be driven in the hanging wall (or hanging wall split vein where feasible), with service to stopes downward through short raises driven from the stopes and connected to dog holes at 50-foot intervals. These service raises will serve a dual purpose as they will also be utilized for mining the hanging wall vein, after the main vein has been mined out and the stopes back-filled.

In any evaluation of the program several important factors must be borne in mind:

- (1) The actual extent of the ore body along the strike and at depth is not known.
- (2) The total cost estimates as outlined in this letter are for a program designed to completely develop the known ore body without considering concurrent production. Consequently, the total figures can be reduced by approximately 50 percent considering that actual production can begin long before the entire program is completed. The ore reserves above the adit level will be developed and ready for production prior to the completion of the lower levels.

September 6, 1965

- (3) The potential of the Nivloc mine has not been considered in this discussion, although it may have considerable merit in the overall program. As you know the ore reserves remaining in the Nivloc property have been estimated at 685,000 tons by Anaconda Mining Company engineers and, if these reserves can be developed and mined, then the logical location for a mill would be at the Nivloc - transporting the Sixteen-to-One mine ore, possibly by a gravity aerial-tram, from the portal to the Nivloc mill. Water for mill use would be piped from the Sixteen-to-One mine, a distance of approximately one and one-half miles.
- (4) When the overall program has progressed to a point that a mill is required, consideration should be given to the construction of a power line from Silver Peak to the mill site, and then, of course, to the Sixteen-to-One mine replacing the diesel-generating units. The cost of a power line would be approximately \$75,000, plus sub-station costs.

Underground Shaft

To completely develop the Sixteen-to-One ore body, as we know it today, without considering the fact that it is not delineated along the strike east or west or at depth, an underground shaft must be sunk to a depth of at least 400 feet. Allowing for the required head room for sheave wheels and ore pockets above the cross-cut tunnel level, and the necessary sump below the 400 foot level will mean at least 500 feet of shaft. If the ore is found to continue to greater depths, the shaft can be deepened at a later date.

Appreciation of the fact that a preliminary investigation by a large

Mr. Thomas Mellanus

Page 4

September 6, 1965

Bore diamond drill hole paralleling the proposed shaft location should be made prior to shaft sinking is apparent. This hole will test the rock formations to assure good shaft sinking conditions, and also serve as a pumping location to reduce the flow of possible water which may be encountered.

Factors affecting the selection of a location are not definitely known at this time, but all evidence points towards the location being in the foot-wall of the main vein and possibly 100 feet or so easterly of the main cross-cut tunnel. This site appears best suited from a geological standpoint and from the fact that the headings driven easterly from the main cross-cut are presently dry - all the water now flowing from the tunnel is coming from aquifers present in development heading located westerly from the main cross-cut. Also, this location is evidently nearly in line with the center of gravity of the ore body.

A shaft sunk in the hanging wall through the vein has the advantage of reducing the amount of cross-cutting necessary to reach the ore but this advantage is gained at the expense of safety. Such examples can be found in nearly every mining camp where large ore bodies have been partially lost due to shafts being wrecked by subsequent mining operations. These same arguments that have been used against hanging wall shafts apply to shafts sunk on the ore body, and an added damaging factor is the large amount of ore that is necessarily tied up and lost in shaft pillars.

The following cost analysis has been broken down for the various phases of the development program, and is designed to completely develop only the presently known ore reserves. A recapitulation is given on page #11.

September 6, 1965

1. Ventilation Bore Hole

Ventilation in the Adit level is bad to the extent that performance is handicapped and progress slower.

The ventilation bore hole is designed to alleviate this situation and should be completed before starting the shaft, drifting and raising included in the program. The site selected for the bore hole is on the ground surface 90 feet past the bend of an existing road and will require an estimated 20 hours of bulldozing.

The bore hole is designed to intersect the existing hanging wall drift of the Adit Level at a point 170 feet southwest of the Adit cross-cut.

Interplant Contract

Bulldozing 20 hrs @ \$25.00 = \$ 500.00
Bore Hole Drilling 310 ft. @ \$23.80 = 7,378.00

27,878.00

2. Tun-Around East, Main Adit Level

For proper train switching it will be necessary to drive a tunnel from the main cross-cut easterly to connect directly with the hanging wall east drift. Distance 60'. See drift costs Item No. 3, less timbering, fan line, air and water line, net \$48.55/foot.

2,913.00

3. Drifting and Cross-Cutting on Adit Level

It is planned to extend the main tunnel E and W Drifts on the hanging wall vein an additional distance of 200 feet plus 2 exploratory cross-cuts, average 50 feet in length, totaling 550 feet. The cost of driving 6' x 8' headings from the ends of the present tunnels is estimated as follows:

Cost
Per Foot

(1) Labor per 4' round: 2 miners @ \$2.50/hr.,
1 repair mechanic @ \$2.75/hr., 1 foreman @ \$6.00/mo.
Av./day w/overtime 6th day = \$91.74
\$91.74/shift plus 14.53% = \$105.07/4' advance

\$ 26.27

(2) Explosives
Powder 75# \$16.50 Fuse \$3.00 Caps \$0.70

5.05

(3) Rails (30") 5.5 tons @ \$250/ton (1 ton/100 ft.)

2.50

September 6, 1965

(4) Ties, spikes, angle-bars, bolts	\$.60
(5) 1" Water Line	.35
(6) 4" Air Line and Couplings	1.50
(7) Drill steel - one interval 6' steel @ \$21.00/ea. Average 1-1/2 4' rounds or 6' cross-cut	3.50
(8) Air and Water Hose	.10
(9) Rock Drill repairs, oil, etc.	1.95
(10) Fan Line @ \$1.25/ft. plus \$2.00/ shift fuel 4'	1.75
(11) 2 240 gauge switches @ \$129.25 each \$258.50	.47
(12) Timbering	6.16
(13) Shop facilities, shop tools, maintenance of dump vents, main line track repair, etc.	.50
(14) Miscellaneous contingencies 15%	7.61

Total Direct Cost per Foot

\$58.31

550' of Tunnel on Main Adit Level \$32,070.00

Two shifts per day basis would require
approximately three and one-half months
to complete.

4. Raises and Cross-Cuts above Adit Level

It will be necessary to drive one service and ventilation raise from the main adit level 350 feet to connect with a winze in surface adit No. 2. In addition two service raises approximately 200 feet on either side of the main raise will be driven in preparation for stoping above the main cross-cut tunnel levels. It is planned to drive these three raises in the hanging wall (or hanging wall split vein). These service raises and the main raise will not necessarily be connected by a drift at the upper limits of the commercial ore zone above the adit level. Dog holes or service cross-cuts at 50-foot intervals will be driven into the ore body from the raises and connected to the stopes by raises driven from the stopes. Will require 12 @ 20' each, equal 240' total.

September 6, 1965

Raises

	<u>Per Foot</u>
(1) Labor per 5' Round: 2 miner-timberman @ \$2.50/hr. 1 repair mechanic @ \$2.75/hr., 1 foreman @ \$600.00/mo. Av./day w/overtime 6th day = \$91.74/shift plus 14.53% = \$105.07/5' advance	21.61
(2) Timber, wedges, etc.	12.83
(3) Nails	.50
(4) Explosives 75# \$16.50, Fuse \$4.00, Caps \$0.80	4.26
(5) 1" Water line, 4" Compressed air line	1.85
(6) Drill steel	3.50
(7) Air and water hose	.10
(8) Rock drill repair, oil, etc.	1.95
(9) Fan line @ \$1.25/ft. plus fuel	1.65
(10) Chute lips, gates, grizzlies, etc. (Materials and Labor \$850)	1.14
(11) Miscellaneous contingencies 15%	<u>7.41</u>
Total Direct Cost per Foot	\$56.80
750' of Raises	\$42,600.00

Gross-Cuts

5' x 6' dog holes 20' long, total twelve

Total Direct Cost per Foot	\$42.50
240' of Service Cross-Cuts	10,200.00
Total Direct Cost of Development above Main Adit Level	\$52,800.00

5. Gross-Cuts to Hoist Room, Station, and Pockets, Adit Level

6' x 8' drifts on Main Adit Level to
connect with above.
225' @ \$58.31/' (Refer to Item No. 3)

\$13,119.75

Mr. Thomas McKanus

Page 8

September 6, 1965

6. Shaft Station and Hoist Room, Main Adit Level

Station 25' x 25' x av. height 10', 6250 cu. ft. @ \$0.50/ft. \$3,125.00; plus timber, rock bolts, steel flooring, steel material, etc. \$2,000.00 = \$5,125.00

Hoist Room 20' x 20' x 10', 4,000 cu. ft. @ \$0.50/cu.ft. \$2,000.00; plus timber, rock bolts, flooring, steel material, etc. \$1,000.00 = \$3,000.00

Total

\$8,125.00

7. Rope Raise

Approximately 100' of 4' x 8' bald, @ \$24.00/'

Total

\$2,400.00

8. Main Shaft

Includes a 50' sump below Level and 100' raise for sheave wheel and ore and waste pockets above main Adit Level. Shaft dimensions: rock 8' x 17'; 5'10" x 15'8" outside 8 x 8 timbers; 3 compartment 4'6" x 5", 4'6" x 5', 4'6" x 3' inside timber.

Per Foot

(1) Labor cost on contract, 3 shift basis, 12 shaft men av. \$40.00/'; 12 top men av. \$26.00/'; av. 2.5'/shift, 7.5'/24 hrs.	\$ 105.60
(2) Timber sets, installed	24.50
(3) Explosives	4.35
(4) Steel	.40
(5) 2", 4', & 6' pipe lines	2.10
(6) 18' vent, pipe	3.25
(7) Rock drill repair, oil, etc.	1.15
(8) Diesel cost, oil	3.85
(9) Sinking skips, irons, etc.	3.50

Mr. Thomas McNamee

Page 9

September 6, 1965

(10) Ridel or Brydeman mucker rental	\$ 5.33
(11) Miscellaneous contingencies 15%	23.10
Total Direct Cost per Foot	177.13
550' of Main Shaft	97,421.50
9. <u>One and Waste Pockets above Main Adit Level</u>	
Total 150' of 6'x6' average raises, bald @ \$28.50/' = \$4,275.00; plus dumping irons, air gates and necessary timbering \$1,700.00	
Total	5,975.00
10. <u>Shaft Stations 200 and 400 Levels</u>	
Require 160' of slusher troughs on each level, 10,200 cu.ft. @ \$0.50; plus 4 2-ton measuring boxes with air gates and grizzles, w/timber \$1,800 = total \$7,200.	
Shaft stations, 20,160 cu.ft. each @ \$0.50 = \$20,160; plus timber, rock bolts, flooring, steel material, etc. = \$1,500. Total \$21,660	
Total	28,360.00
11. <u>Cross-Cuts from Shaft 200-400 Levels to Vein</u>	
200 Level 150', 400 Level 200', total 350' less 150' included in Shaft Stations above. Net 200' @ \$58.31/' plus 10% = \$64,14/'	12,828.20
12. <u>Drifts on Vein on 200-400 Levels</u>	
500' each level. Total 1,000' @ \$58.31/' plus 10% = \$64,141/'	64,141.00
13. <u>Cross-Cuts thru Vein from Drifts 200-400 Levels</u>	
Require 30 mucking machine draw points, av. length 40 feet. Total 1200' @ \$48.55/' plus 10% = \$53,400/'	64,080.00
14. <u>Service Raises from 200-400 Levels to Adit Level</u>	
Require 3 service raises 200' centers, total 1200 feet, plus 20 dog holes to service stopes av. 15' each, total 300'. Total 1,500' @ \$56.80/' plus 10% = \$62,280/'	93,420.00

September 6, 1965

1. Bore Hole prior to Shaft Sinking

400' of 5 1/2" diamond drill hole @ \$18.40/'

\$ 8,280.00

2. Additional Units or Equipment Required

To accelerate the development program at the Sixteen-to-One mine so that steady production of 300 tons per day could be maintained within a two year period the following equipment will be required:

- | | | |
|---|-------|-----------|
| (1) Two 600 CFM compressors. These can be acquired under a rental-purchase agreement for \$600.00 per month with 93% of the rent to apply to the purchase price. (Worthington Mono-Poto or equal) 24 months rental. | | 28,800.00 |
| (2) One double-drum electric hoist, 250 HP (Used) (With skips) | | 28,000.00 |
| (3) One 350 KW diesel-generator for pumps and hoist (New). (These units can be acquired under a rental-purchase agreement for approximately \$1,600.00/month, 90% to apply on purchase price) New Price | | 30,000.00 |
| (4) One 75 KW diesel-generator (New) (Auxiliary for pumps, vent fans, and rotor-generator sets. Rental-purchase \$650.00/mo. 90% applied) New Price | | 11,500.00 |
| (5) Three 2-1/2 ton battery locomotives, reconditioned. (One immediately, and other two after one year) | One | 4,800.00 |
| (6) Six 128 Winco muckers, reconditioned. (Two immediately, and other four after one year.) | Two | 6,400.00 |
| (7) Four stopers (Will require six more after mining begins) | Four | 4,600.00 |
| (8) Six jack drills (Two now, rest in 6 months) | Six | 7,380.00 |
| (9) Three strings of mine cars, new or used, if available. (One string of 8 2 1/2-ton cars new, Balance after one year) | Eight | 6,400.00 |

Mr. Thomas McManis

Page 11

September 6, 1965

(10) One 10" air driven slusher w/scraper (Two electric-driven 15 HP slushers after one year, \$5,000.00 reconditioned)	\$ 2,500.00
(11) One 20 HP electric fan for Shaft	1,600.00
(12) Additional shop building, 30' x 40'	3,500.00
(13) Additional shop tools	3,000.00
(14) Miscellaneous supplies not included in separate development phases: Power cables, receivers, dumb bents, shop inventory of supplies, etc.	2,850.00
Total	\$141,330.00

Recapitulation:

(1) Ventilation Bore Holes 316'	7,878.00
(2) Run-around Fast on Main Adit Level	2,913.00
(3) Drifting and Cross-Cutting on Adit Level 1600'	32,070.50
(4) Raises and Drifts above Adit Level 750' of Raises, 640' Drifts	52,800.00
(5) Cross-Cuts to Hoist Room, Station and Pockets Main Adit Level	13,119.75
(6) Shaft Station and Hoist Room, 10,250 cu.ft.	8,125.00
(7) Bore Raise 100'	2,400.00
(8) Main Shaft 550'	97,421.50
(9) Ore and Waste Pockets above Main Adit Level 150'	5,975.00
(10) Shaft Stations 200-400 Levels	28,860.00
(11) Cross-Cuts from Shaft 200-400 Levels to Vein	12,828.00
(12) Drifts on Vein on 200-400 Levels	64,141.00
(13) Cross-Cuts thru Vein from 200-400 Level Drifts	64,080.00
(14) Service Raises from 200-400 Levels to Adit Level	93,420.00
(15) Bore Hole 5 1/2"	8,280.00
Total	\$494,311.75
(16) Additional Units of Equipment Required	141,330.00
Total	\$635,641.75

Mr. Thomas McManus

Page 13

September 6, 1965

Projected Profit

		<u>Per Ton</u>
Development Cost	1635,641.75	\$ 1.95
300 T/D Mill Construction Cost	450,000.00	1.38
Estimated Mining and Milling Cost		<u>10.50</u>
Total		13.83

Margin of Profit on 325,932 tons of ore:

$$\$20.28 - 13.83 = 6.45 \times 325,932 = \$2,102,261 \text{ Net (Before Taxes)}$$

One important consideration that would have a direct bearing on the size of a mill is the future of the price of silver. In the event that the price of silver doubled within the next two years, the tonnage of ore now considered as commercial, within the confines as used in the above calculations, would increase well over 100%. It would be profitable then to mine vein thicknesses up to 50 feet in width. For instance Diamond Drill Hole No. 8 penetrates a true vein width of 49.4 feet having an average grade of \$12.05 per ton at the present price of silver. A larger milling and mining operation results, of course, in a lower overall cost per ton, and with the increased tonnage a larger mill should be considered.

Reference is now made to my letter of July 14, 1965 to Mr. John Edgar, who at that time was general manager of Sunshine. Considering that the O.M.E. application has been turned down, and is unlikely to be reconsidered (mainly because the O.M.E. funds are for all practical purposes exhausted for the fiscal year) the burden of financing the proposed development work falls back on the operators.

To condense the correspondence covering this subject the pertinent parts of the July 14 letter, brought up to date, are quoted:

Mr. Thomas McNamee

Page 12

September 6, 1965

Fifteen-to-One Main Vein - Thickness and Average Grade

	<u>Thickness</u>	<u>Oz Au</u>	<u>Ft. x Oz</u>	<u>Oz Ag</u>	<u>Ft. x Oz</u>
Main Cross-cut	13.3	.078	1.037	15.53	206.55
1st	12.0	.198	2.376	18.41	220.92
2nd	12.5	.096	1.200	12.59	157.38
3rd	20.0	.05	1.000	17.40	349.60
1st	11.0	.023	0.253	10.43	114.73
2nd	7.0	.02	0.140	16.73	117.11
1st No. 1	11.3	.053	0.599	12.65	142.95
2nd No. 2	13.7	.198	2.713	11.93	163.44
3rd No. 4	<u>11.5</u>	<u>.118</u>	<u>1.352</u>	<u>9.60</u>	<u>110.40</u>
	112.30		10.675		1503.08
	<u>12.48' Av.</u>				

Wt. Av. .005 oz. Av. 14.10 oz. Av.

\$21.52/Ton *

$$\frac{294,550 \text{ sq. ft.} \times 12.48'}{12} = 295,932 \text{ Tons}$$

Fifteen-to-One (HW) Vein

Length of ore chute 310 feet

Average width of vein 3.84 feet

Estimated: 30,000 tons

Average height, est. 300 feet

Average grade of ore: 0.028 oz. av. 14.51 oz. ag.

Value per Ton = \$19.70

Recap

Main Vein 295,932 * 21.52 = \$6,368,457

HW Vein 30,000 * 19.70 = 591,000

325,932 \$6,959,457

Wt. Av. \$21.35/ton

\$21.35 * 95% Recovery =

\$20.28/Ton

* \$35.00 per oz. for gold and
\$1.29 per oz. for silver.

Mr. Thomas McManus

Page 34

September 6, 1965

Sixteen-to-One Mine

A review of the weekly and the monthly reports sent to Sunshine will point out the fact that the actual development program being carried out at the Sixteen-to-One mine has been on a very small scale. The bulk of the money advanced to date by Sunshine has been spent on the underground exploration program at the Mohawk mine (approximately \$62,000); the surface plant and investigation of the Nevloc mine (approximately \$32,000); the surface and underground diamond drilling at the Sixteen-to-One mine (approximately \$31,000 through June 30; and for property acquisition and minimum royalty payments (approximately \$30,000).

The underground crew at the Sixteen-to-One mine has never exceeded four men, plus the mine superintendent and mechanic, and probably has not averaged three miners per shift. Naturally the advance of the hanging wall drifts and the draw-points cross-cutting through the main vein has been slow. At the present employment level it would take many years to extend the limits of the ore shoots on the various levels, complete the raises above the cross-cut level and to complete the shaft work and sublevel development required to place the property in a mineable shape.

To accelerate the program so that the mine would be sufficiently developed, say in a year and a half or so, to produce 300 or 500 tons per day continuously over a period of several years, it would be necessary to increase our surface plant considerably, triple or quadruple our underground haulage and mining equipment, and increase our labor force to 35 or 40 men per shift. This can be done, but naturally not on the present budget of \$20,000 per month.

September 6, 1965

1. Will Sunshine approve the program as outlined in this letter-report for the complete development of the Sixteen-to-One mine, and carry the program to the production and milling stage?
2. Under an accelerated program of exploration and development at the Sixteen-to-One, would Sunshine consider taking in a third party to help finance the program? Several companies have evidenced a desire to acquire an interest in the Sixteen-to-One and Nivloc properties.
3. According to the terms of the letter-agreement between Sunshine and Mid-Continent, Sunshine is required to spend a total of \$350,000 before earning any interest in the properties. If a third party was interested in taking Sunshine entirely out of the picture at this point (\$250,000 spent to date by Sunshine) what would be Sunshine's position?

Nivloc Mine

Some decision should be made in the near future regarding the further exploration and development of the Nivloc mine. The surface plant installed this last spring is complete in every detail and, with the exception of a larger compressor, the plant is sufficient to carry out underground development work.

It was our understanding that a separate O.M.E. application would be submitted on the Nivloc property subsequent to the action taken by the O.M.E. on the Sixteen-to-One application.

1. Is Sunshine still planning to submit an O.M.E. application to finance the exploration of the Nivloc mine?
2. If so, can Sunshine supply an engineer or geologist to prepare the application? Mid-Continent's staff will cooperate in determining the most feasible approach to re-opening the property.
3. Would Sunshine be interested in taking in a third party to help finance the re-opening and development of the Nivloc mine?
4. Would Sunshine be interested in selling its one-half interest in the Nivloc property and, if so, upon what terms?
5. A decision should be made regarding the acquisition of the Ingersoll-Rand electrically driven 365-CFM compressor located at the Mohawk and belonging to Foote Minerals. Foote Minerals

September 6, 1965

has agreed to let us apply 95% of all payments made to date (on both the compressor and the trammer) on the compressor alone. Through June we have paid a total of \$1,650 rental on the two units. Thus, the balance remaining would be \$3,655 to acquire the compressor, which could be utilized at the Nivloc mine. The diesel-generating unit at the Nivloc is of sufficient capacity to operate both the compressor and the hoist.

Mohawk Mine

We have discussed sub-leasing the Mohawk property with two different mining groups but nothing definite has been worked out as yet. The next payment on minimum royalty is due October 1, 1965, and according to the terms of the Mohawk agreement the payment this time would amount to \$5,000.

An excerpt from the agreement reads as follows:

1. The yearly minimum payments to Optionors will be Twenty-five hundred Dollars (\$2,500.00) per year, beginning on October 1st, 1964 and payable on every October 1st thereafter, providing the Optionee is expending or causing to be spent on the property a sum of at least Two Thousand Dollars (\$2,000.00) per month in exploration, development or mining. If for any six month period beginning October 1st, 1964 (October through March and April through September) of each year Optionee expends or causes to be spent less than Twelve Thousand Dollars (\$12,000.00) in such work on the property then the minimum payments to the Optionors for that period will total Five Thousand Dollars (\$5,000.00)."

Work was recessed at the Mohawk at the end of March and we actually spent only \$546 during the month of April in removing equipment, etc. It would appear advisable to terminate the Mohawk lease and option Agreement prior to October in the event we are unsuccessful in obtaining a sub-lease.

1. What is Sunshine's attitude regarding the Mohawk mine?
2. Would Sunshine agree to sub-leasing the property with the idea of recovering some of the money spent in the recent exploratory diamond drilling program?

General Policy

It would be appreciated if you could obtain from Sunshine a statement as to Sunshine's general policy regarding the acquisition and exploration of

Mr. Thomas Hoffman

Page 17

September 6, 1965

additional properties in the Nevada area. Probably because Mid-Continent has been active in Nevada for over two and one-half years, we are frequently approached by individuals and mining companies who have properties which they wish us to investigate. Several of these properties which we have checked out appear to have considerable merit.

Another situation exists which is opposite to the above. We are frequently contacted by mining companies who are interested in acquiring properties that appear to warrant an exploration and development program.

1. Is Sunshine presently interested in acquiring additional properties in Nevada that justify either exploration or development?
2. Does Sunshine feel that Mid-Continent should offer Sunshine the right of first refusal on Nevada properties that Mid-Continent believes to have merit, or is Mid-Continent free to deal with outside parties?

From Mid-Continent's standpoint it is imperative that a decision on these matters be made at once by Sunshine, as otherwise it will be necessary to shut down all operation in Nevada immediately. It is impossible to continue operations with Mid-Continent's limit funds, and the balance remaining from Sunshine's total advances of \$250,000 will only cover the expenses incurred through August 1965. In other words, the operation now is being carried on with Mid-Continent's funds.

Mid-Continent is having a board of directors meeting in Silver Peak, Nevada Tuesday, September 14th., so I will be leaving Grand Junction, Colorado on the 12th.

Yours very truly,

MID-CONTINENT URANIUM CORP.

Norman E. Ebbley, President