

with the Company both the percentage of profit to be paid as royalty and the method of calculating the amount of profit on which the percentage is to be paid.

4. We have further advised the Company that our consent to modification of the terms of the Agreement in their favour will be (a) subject to your approval and (b) conditional upon their agreeing to a modification in our favour whereby the Company's obligation under Section 8 of the 1938 Agreement will be increased from \$50,000 to \$100,000 annually as from 1st January, 1944.

5. Telegraphic approval of the action so far taken would be appreciated in order that we may continue negotiations.

1314.

PRO DO 35 1152 602/2 X/J 9743

Le secrétaire aux Dominions au gouverneur de Terre-Neuve

Dominions Secretary to Governor of Newfoundland

TELEGRAM 346

[London,] July 6, 1943

Your telegram No. 65. Saving. Following for Woods from Clutterbuck. Begins. Your letter of 15th June¹ about the Agreement with the Labrador Mining and Exploration Company. We are consulting Imperial Institute in regard to Company's requests, (with particular reference to the question of royalties) and [shall] endeavour to send reply as soon as possible.

As regards request (4) we note your view that assessment of royalties on percentage of net profit is likely in practice to be only equitable method. Of the remaining requests those most open to question seem to be (5) and (6). As regards (5) objection was felt previously to so long a term for a mining lease unless accompanied by some provision for periodical revision of royalties. It would seem inappropriate that Government should be committed to a given scale of royalties for 90 years ahead and I take it you would agree that we ought to avoid this. Would possible solution be to make granting of Company's request conditional on the Government having the right to revise the royalty terms applicable during the extended period. As regards (6) it is not wholly clear to us why existing condition should be regarded as likely to hamper financing, having regard particularly to proviso that consent of Government should not be unreasonably withheld. On the other hand existing condition has always been regarded here as affording us some safeguard against disposal of leases to speculators. Any debenture issue would presumably be secured on the whole of the Company's undertaking and debenture holders would not we presume be regarded as third parties in relation to any particular lease.

Grateful for your further comments on (5) and (6) in the light of the above while we are consulting Imperial Institute on requests generally. Ends.

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¹ Not printed.