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Dimac tungsten operation on stream in anticipation of improved prices

By David Duval

CLEARWATER, B.C. — There's more to Silence Lake now than peace and quiet. That tranquillity still exists but several miles away Dimac Resource Corp. has assembled a small but carefully integrated mining operation which could make a significant contribution to the free world's tungsten supply.

Originally slated for production last November, construction delays (mostly relating to equipment deliveries) forced the company into a winter startup situation — until then an undesirable scenario because of historically cold weather and heavy snow at the 3,700 ft. high mine site.

But it's something which ultimately could impact heavily on the operation's profitability. Instead of operating eight months per year as originally intended, the mill should be able to function on a 12-month basis, a successful winter work program has suggested.

Demand for tungsten is strong and most metal analysts agree once the economic situation improves, a major price escalation is due.

The first ore from Dimac's small open pit arrived around mid-March. However, problems were encountered with the original screening system in the plant forcing a conversion to mechanical vibrating screens. A "trial and error" process followed which saw an increase in mesh size largely resolved. The mill had been operating above design capacity for two weeks prior to The Northern Miner's recent visit.

After visiting Canada Tungsten's highly successful (and profitable) mining operation on the Yukon/N.W.T. border (N.M., June 10/82) it's hard to resist comparing this country's only two tungsten mines. (Number three will be Billiton Canada and Brunswick Tin's Mount Pleasant, N.B., mine (N.M., June 24/82) scheduled to be in production by year-end).

Canada Tungsten is an underground mine (room and pillar) and has a mill rate of 1,000 tons per day. At 1.5% WO₃ the ore grade is slightly higher than Dimac's (by 0.02%) but the mine is located in the north where infrastructure costs are very high. Also, its original orebody was mined by open pit until new reserves were discovered and underground mining initiated.

Dimac's Silence Lake project, on the other hand, is about 80 miles north of Kamloops, a short distance off provincial highway No. 5, with a millrate of 120 tons and very little infrastructure costs. Most hourly-paid employees live in Clearwater while supervisory staff stay in trailers at the mine. (Thirteen Dimac personnel are on the property and four contract employees.)

Mining is by open pit although most of the future potential is underground. Many observers feel Dimac's property would be the equivalent of at least a 300 tpd or more underground operation at Canada Tungsten and during the last year of uninterrupted production (1980) the company reported a net profit of almost \$23 million based on approximately \$US7 per lb. WO₃. Prices have fallen since to the \$US5.00 range but the potential of Dimac's property was so apparent that the Royal Bank loaned the company \$1.6 million to get the project off the ground.

According to Robert A. Dickinson, president, the total cost of bringing the mine into production was about \$3.6 million and he notes Dimac has a long term debt of about \$2 million and a \$1 million convertible debenture. Concluding the project will have an "operating profit this year," he says "our main aim is to reduce the bank loan as soon as we can." At present Dimac is running the operation from production revenues.

Union Carbide discovered the property in 1972 but its true potential came to light after Murray McClaren, now a director and principal shareholder along with Mr. Dickinson, reinterpreted the geology after Dimac obtained the prospect. Both are geologists.

Ore reserves are limited and the feasibility study was based on 51,000 tons grading 1.48% WO₃. However, Mr. Dickinson predicts that another \$200,000 in exploration expenditures could prove up a similar amount of underground reserves or possibly additional open pit material. Two major Skarn zones exist and new potential exists along strike.

One percussion hole drilled 16 m into the pit face returned ore grade material throughout its entire length.

Diamond drilling is scheduled for the end of July and as cash flow permits, "Dimac will get as far ahead as it can with ore reserves," said Mr. Dickinson, who concedes a small exploration drift would be needed to prove up underground reserves and provide drill stations for detailed assessment work.

"We feel the initial reserves will be duplicated once we get into the hill," he remarked.

Dimac's main concern was to get into production quickly said Tad van Wollen, vice-president operations, who prior to his appointment worked with Wright Engineers, a highly respected Vancouver consulting firm.

He said design and construction of the plant was completed in a year and it's now operating above the rated capacity of 110 tons. On occasion the plant has managed 146 tons and Mr. van Wollen concludes the mill capacity could be increased to 180 tons without any "major" modifications.

According to Dimac, mill costs total about \$100,000 each month and mining costs account for \$19 per ton or about \$60,000 monthly. The gross value of the ore is about \$180 per ton and based on a 120 ton mill rate Dimac expects to gross about \$300,000 each month based on a 22 day work schedule. Mr. Dickinson said the break-even point is approximately 15 metric tons WO₃ and about 30 tons per month should be produced. The gravity concentrate (75% WO₃) is free of impurities, no leaching is required and it is sold to U.S. customers on a spot basis although "we have been approached by three American buyers for long-term contracts," he said.

Dimac has two other properties in the area with good tungsten showings and Mr. Dickinson predicts stockpiled ore "will give us enough lead time to find new ore."

Denison Mines has property nearby as well as Noranda which is reported to be involved in a trenching program.

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