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→ Ladner Ck.

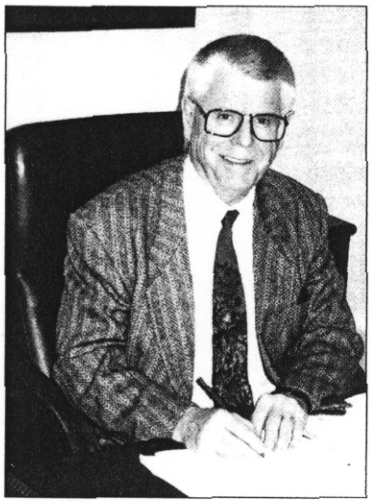
Athabasca Revives Carolin Mine

by Julie Domvile

Athabaska Gold Resources Ltd. is putting a shiny new spin on an old tarnished tale. The company has an option agreement to acquire 100 per cent interest in the old Carolin Mine at Ladner Creek, B.C. and all reports indicate a much happier ending this time round.

The root of the problem that felled the previous owners had a lot to do with management and technical mistakes which resulted in disappointing recoveries in the 53-per-cent range. Carolin Mines focused on promotion rather than production. They were beleaguered by operational problems which in turn led to the ultimate disaster, a cyanide spill into Ladner Creek, which flows into the Coquihalla River.

A comparatively young player, Athabaska Gold has been an exploration and development company mainly seeking gold deposits in the NWT. They got off to a great start with their Damoti Lake and Nicholas Lake gold discoveries. These projects were developed and sold to Consolidated Ramrod Gold Corporation and to Royal Oak Mines, respectively. Athabaska then had more than $6 million in assets to work with and turned their attention to the revival of the Carolin Mine and the development of a huge silver and base metals project

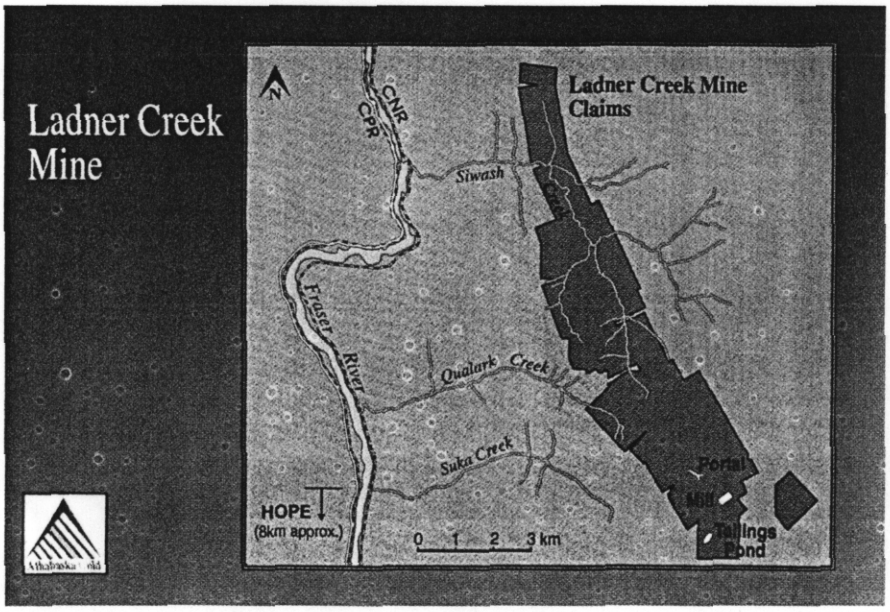


James S. Kermeen, President & Director, Athabaska Gold.

in China, through the company's investment in Breckenridge Resources Ltd.

The option agreement between Athabaska and Ladner Creek Gold Mining Corp. includes the underground mine, a 1,500 tpd mill, and permitted tailings pond. The whole operation was built in 1981 at a cost of $40 million. The deal also includes a 15-km strip of highly prospective claims along the Coquihalla Gold Belt. Athabaska can acquire this by issuing 4,000,000 shares to the vendors. Ladner Creek is located 125 miles east of Vancouver in the Cascade Mountains, has good roadways in from the Coquihalla Highway and is on the B.C. Hydro power grid. The climate is favourable for year-round operation and when in full swing the work force should be about 160 people, many of whom will come from the nearby town of Hope.

The mining and other operational permits issued to Carolin Mines are



still valid, sparing Athabaska the onerous task of going through a new, full environmental review process. This will allow Athabaska to commence production very quickly once the final feasibility study is completed and a production decision is made. The cyanide spill was, according to Athabaska, "completely avoidable". The tailings were dumped into Ladner Creek when the pumps that move the tailings from the mill to the tailings pond were out of commission. The whole messy, highly publicized accident was another indication of poor management by the previous landlords.

A repeat of the accident is unlikely as the studies done by Melis Engineering Ltd. indicate that the optimum mill process is a flotation-only circuit, with the gold bearing flotation concentrates shipped to a custom smelter. Athabaska expects a 85.1 per cent recovery without the use of cyanide thereby removing them even further from the environmental hangover of Carolin Mines. The decision to go with the flotation-only process was very significant as it dispels any concerns with respect to meeting environmental standards.

The results from the metallurgical testing program also determined that existing tailings (tailings reserve totals 660,000 tons grading 0.051 ounces gold per ton containing 34,000 ounces of gold) can be reprocessed through the mill. The first order of business for the mill will be to reprocess these tailings and the ensuing profits will finance the entire cost of retrofitting the mill for the new operation. According to Steve Jackson, Vice-President, Investor Relations, "the capital cost to rehabilitate the mine and mill for full scale production is estimated at less than $7 million."

So, why has this company decided to sell off their other projects and focus on a mine with a bad reputation? Simply because they believe it has a heart of gold. They have done their own homework and have scrutinized the data from the previous operators. Athabaska has addressed the issues and resolved them. A company news release dated May 15, 1996 states: "The existing reserve of underground ore and tailings, totaling 226,000 ounces of contained gold, will feed the mill for four years and the nature of the mineralization is such that the probability of defining ongoing underground reserves is very high. Additionally, a planned major surface exploration program will focus on defining reserves on the company's contiguous 15-km claim holdings along the Coquihalla Gold Belt, to the north and south of the Ladner Creek Mine." The most recently completed drilling program discovered a 360-foot zone of continuous gold mineralization west of the main zone and adjacent to the East Hozameen fault which is the main structure controlling gold mineralization in this productive gold belt.

Completion of the feasibility report is targeted for this year, with gold production to commence in early 1997. ■