$73 million on new mine
Page 13

but prices unlikely to collapse
Page 21

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e Northern Miner

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75TH YEAR CANADA'S MINERAL RESOURCES NEWSPAPER October 16, 1989

# rs Val d'Or smelter

on tons of proven ore, it will
at the costs and economics
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sed on drill results at the
icourt Twp. property which
n as a 50/50 joint venture
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l by Aur and Louvem, poten-
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nd 2.8% zinc. According to
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e next batch of holes to be
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e decision on whether or not
ild a smelter will come down
simple question, says McNeil
ha mining analyst Alex Doulis.
v big is the orebody?"

'Louvicourt ends up at 70 mil-
tons of proven ore, it is quite
ble to put a smelter in there," he said. He was referring to the fact that when **Texas Gulf** elected to build a flash smelter and zinc refinery at its Kidd Creek, Ont., mine, it had 75 million tons of copper/zinc reserves.

However, experts warn that smelters are extremely expensive. "When mine construction and contingency costs are taken into account, Aur and Louvem would be looking at $300-350 million for a smelter complex," said Bert Wasmund, vice-president base metals at Toronto-based Hatch Associates Consulting Engineers.

"Someone would have to be very sure of their supply source before making such a decision," said Wasmund who claims that a 15-year to 20-year ore supply would be a minimum requirement.

"They would have to be producing one million tons annually of economic ore to make it economically interesting," he said.

Also to be considered are the carrying costs of a $300-million loan, the lengthy payback period, and the inevitable pollution that smelters usually produce.

By contrast, the average cost of building an 1.3-million-ton-per-year underground mine without a

See AUR, Page 2

# Mt. Milligan focus of lawsuit between BP and Continental

by Vivian Danielson

VANCOUVER – The Mt. Milligan bulk tonnage gold-copper project near Fort St. James, B.C., has become the focus of a legal dispute between joint venture partners, **Continental Gold** (VSE) and **BP Resources Canada**.

BP Resources has already filed a writ and statement of claim in the Supreme Court of British Columbia against Continental Gold for breach of contract.

The company said the breach arose as a result of the transfer of the interest in Lincoln Resources in certain mineral claims in the Mt. Milligan area to a numbered company which has since changed its name to Continental Gold.

Continental's amalgamation with United Lincoln, its 69%-owned subsidiary, took place in March. The key asset of the resulting company is a 70% interest in a porphyry gold-copper deposit that is currently estimated to contain a probable reserve of 200 million tons grading 0.3% copper and 0.02 oz gold per ton. BP Resources has a 30% interest.

Continental is about 40% through an infill drill program to prove up the main Mt. Milligan deposit. However, ongoing exploration has resulted in the recent discovery of three new deposits. On the basis of wide-spaced drilling, Continental estimates these new deposits contain a mineral inventory of an additional 100 million tons of similar grade material.

Having advanced the project to this stage, officials of Continental reacted immediately to BP's notice of legal action.

According to Continental, BP's allegation is that a "simple corporate procedural step" which was part of its amalgamation with subsidiary United Lincoln "somehow gave rise to a first right of refusal in favor of BP to acquire an additional interest in the Mt. Milligan property."

After conferring with legal advisers, Robert Hunter, chairman of Continental, said BP's position is "wholly without merit on the basis that it is clearly contrary to the intent of the agreement and relies on taking a word out of context within the agreement and unreasonably applying it to the procedural step."

Hunter said BP was supplied with all documentation relating to the amalgamation six weeks before it took place. During this period, and for six months afterward, Hunter said BP raised no objections and continued to act in accordance with the joint venture terms before raising a complaint.

He also stated that the "com-

See BP, Page 2

# Glimmer benefits from drill results near Matheson

A significant gold discovery has been made by **Noranda Inc.** (TSE) on property held under option from **Glimmer Resources** (VSE). The 14-claim property is in Beatty and Hislop twps., about 45 miles east of Timmins, Ont.

Drilling by Noranda has intersected multiple zones of gold-bearing mineralization within the Destor-Porcupine fault, a major structural feature striking across the area. Results from six of the latest holes are listed below.

| Hole | Core Length (ft) | Grade (oz Au/t) |
|---|---|---|
| 89-04 | 3.28 | 0.57 |
| 89-05 | 6.56 | 0.14 |
| | 7.22 | 0.11 |
| | 9.84 | 0.17 |
| 89-06 | 6.56 | 0.29 |
| | 3.28 | 0.09 |
| 89-07 | 3.61 | 1.15 |
| | 18.04 | 0.69 |
| 89-08 | 45.92 | 0.34 |
| | 11.15 | 0.43 |
| | 2.30 | 0.67 |

Drilling has tested the zones along strike for 500 ft and to a depth of about 500 ft. One of the mineralized units appears to demonstrate continuity across 500 ft of strike.

See GLIMMER, Page 2

# edstone picks up interest Falconbridge Dominicana

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1% interest in Falconbridge
inicana has been purchased
**dstone Resources** (TSE). The
gives Redstone an interest in
of the world's largest nickel
g operations controlled and
ted by **Falconbridge Ltd.** (TSE)
Dominican Republic.

dstone paid $1.5 million(US)
e interest which is about one
earnings, according to David
uail, Redstone's president. In
the payback period will be
t 12 months, *The Northern*
r estimates.

**Falcondo, as the company is called, made a profit of $82 million(US) after taxes, during the first half of this year. Long-term debt of $44 million should be completely paid down this month, Harquail told The Northern Miner. After that, Falcondo will be in a position to pay out its first dividend in its 18-year history.**

Although the mining operation has made money in the past, the company was burdened by excessive debt which precluded the payout of any earnings to its shareholders.

See REDSTONE, Page 2

# projects alive despite price decline

led certain companies to re-
ine just about every previously
n nickel deposit in the coun-
More recently, however, base
l analysts have been predicting
rice of nickel will ease to about
S) per lb over the next year,
well above the depressed
vel experienced throughout
of the early 1980s.

me of the nickel deposits
amined during the 1988-89
metal price boom were in the
ttest of locations, such as
ern Quebec's Ungava region
he Yukon Territory. Another
r exploration venture created
nzied flurry of activity in a
lion tons averaging 3.11% nickel and 0.79% copper. The company concluded that the area is so far away from infrastructure that the deposits are rendered essentially uneconomic at a nickel price of less than $4 per lb. The company said the price of nickel would have to remain above $4 for at least six years to make mining the Raglan deposits economic.

But, even as nickel prices ease, Vancouver-based **All-North Resources** (VSE) still remains bullish on the prospect of exploiting its Wellgreen deposit in the Yukon. The company is undaunted by past failures at making a mine out of the a $5-million feasibility study on the Wellgreen deposit. The property hosts some 55 million tons averaging 0.35% nickel and 0.35% copper along with platinum and palladium values. The majority of the reserves are accessible by open pit. **Chevron Minerals** has a 25% interest in the project.

Dwarfed by other big nickel projects across the country, Toronto-based junior **McNickel Inc.** (COATS) took a gamble this summer on a new copper-nickel prospect in the Lac St. Jean of Quebec. A multi-million dollar drilling campaign is under way, but the project is still a long way from having an established

# projects

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with small

reserves and exploration potential near its producing mine.

In northern Manitoba's nickel belt, **Black Hawk Mining** (TSE) is drilling its 100%-owned Minago project, where a small deposit hosting geological reserves of 2.2 million tons grading 1.64% nickel is reported. The mineralization also contains minor amounts of copper and precious metals, according to Black Hawk. A drilling program to further define reserves is expected to reach completion later this year.

Two-thirds of all nickel currently mined in Canada comes from Ontario's Sudbury camp, with the remaining third from northern Manitoba. As the world's leading producer of nickel, Canada accounts for about 24% of total world production, and last year churned out $3.3 billion worth of the white metal.



# Aur

From Page 1

smelter is usually around $50 million-$100 million.

Nevertheless, there are definite advantages to building a smelter, according to a Toronto mineral economist who declined to be identified. In most cases a company which sends out zinc or copper concentrates to be custom-smelted faces a treatment fee of around $250 per ton of concentrate. Typically, those companies are paid for only 85-90% of the recovered metal and they are almost never reimbursed for other metals.

While smelter owners also charge a fee for bringing concentrates into their complex, having ore custom smelted is still the least expensive route to go, according to the economist. "It seems incredible that someone would consider building a smelter that close to an established complex like the Horne," he said. "With a work force of 500-1,000, smelters can't be stopped and started on a whim," added Wasmund.

Because the cost of transporting ore to either Rouyn-Noranda or the Kidd Creek smelter near Timmins, Ont., would be so low, some observers say that Gill may be posturing when he talks about the possibility of building a smelter.

However, when he was asked about his recent speech to the institutional buyers, Gill replied: "We don't have enough knowledge about the custom smelting business to be able to make a decision without the advice of a consultant. But if it makes economic sense, we will do it."

**Sellectek Industries Inc.** has changed its name to **Global-Pacific Minerals Inc.** (GPJ:VSE) on a share-for-share basis.

# BP sues Continental

From Page 1

plaint of procedure" did not in any way "reduce or adversely affect" BP's continuing rights under the agreement.

But BP is insisting that the contract between it and Lincoln Resources "prohibited sales, transfers and other dispositions by a party without the consent of the other party and without giving the other party the right of first refusal."

The company claims the transfer was made "in complete disregard for its rights, without its consent, and that the transfer gave rise to the right of first refusal."

In recent months Continental has made no secret of its intent to sell its stake in the project through the sale of its shares, rather than by selling its interest in the property directly.

Earlier this year **Rio Algom** (TSE) acquired an 8.6% toehold equity interest in Continental from open market purchases and by acquiring shares held by Homestake Mining. Rio Algom already has one representative on Continental's board and it can acquire an additional 8% of future share issuances.

In a Sept 18, 1989, research report on Continental Gold, G.T. Komlos of ScotiaMcLeod wrote: "The company is considered to be an attractive takeover candidate for several mining companies."

The report said a reasonable takeout value would be "in the range of $12-16 (per share) and possibly higher depending upon the results of future drilling activity."

Continental has 8.2 million fully diluted shares outstanding and is currently trading at about $10 in a 52-week range of $3.65-11.

An earlier report by ScotiaMcLeod dated August 22 mentioned a number of possible contenders aside from Rio Algom; notably Noranda with its large, nearby Bell mine closing down operations in 1992. Cash-rich Placer Dome was also mentioned because of its presence in British Columbia and its expertise in large-scale mining operations.

But because Continental directors collectively hold a 40% fully diluted control position, they are in the driver's seat with respect to negotiating a deal for shareholders.

According to Hunter, the BP position caused a major Canadian mining company to suspend discussions with senior officers of Continental "relating to a proposed offer for all the outstanding shares at a substantial premium over current market price."

Hunter said a multimillion dollar counter-suit would be prepared "in the event that BP's actions cause damage to the company's shareholders."

Despite the legal problems looming on its corporate horizon, Continental is continuing what must rank as the largest development project currently under way in Canada.

The company has six drill rigs on the Mt. Milligan property turning out 35,000 ft of core a month; a sizeable contract for Vancouver-based Quest Canada Drilling. So far, 300 holes have been drilled for a total of 210,000 ft.

The main Mt. Milligan deposit was drilled on 100-m centres and is being infill drilled on 50-m centres. The open-pittable deposit is estimated to be 4,500 ft long, 3,500 ft wide and 600-800 ft thick. Based on the geometry of the deposit, Continental expects the overall strip ratio will be about 1:1.

Continental's engineering work is currently modelled on a 50,000-ton-per-day mining scenario that would require capital costs in the order of $300 million. Environmental and socio-economic studies to support permitting requirements are already in progress.

The company anticipates better than average recoveries because of the simple metallurgy and the presence of free gold in the deposit. Gold recoveries are estimated to be 80% for gold and 90% for copper.

If Continental's prefeasibility projections on mineable tonnage, grade and recoveries hold up, a potential buyer would be acquiring a deposit with sufficient reserves to produce about 290,000 oz gold and 98 million lb copper annually for at least 11 years of mine life.

"The potential here is for a Bougainville-size deposit," said Continental President Robert Dickinson, who also stressed the property's moderate topography and favorable logistics.

To ensure rapid payback, Continental is also working to prove up a "starter pit" of some 35 million tonnes grading 0.35% copper and 0.027 oz gold per ton in the centre of the deposit where a higher grade gold zone and a higher grade copper zone converge.

The company also has several drill rigs systematically working to outline three new deposits that were recently discovered to the south and west of the main Mt. Milligan deposit; Southern Star, Atlas and Goldmark.

Dickinson also noted that numerous other exploration projects remain to be tested in other areas of the 42-sq-mi property, including seven gold-bearing veins that radiate from the main Mt. Milligan deposit.

# Redstone into nickel

From Page 1

Redstone's 1% represents more than 650,000 lb of nickel per year. At a price of $5(US) per lb after all-in costs of $1.85 per lb, that leaves Redstone with cash flow of about $2 million(US) per year.

To finance the acquisition, Redstone's largest shareholder **Franco-Nevada Mining**, will take down a private placement of 1.5 million Redstone shares at 70¢ per share. That placement will increase Franco's interest in the company to 40%.

The deal was well received by the investment community which immediately bid Redstone's shares to a high of $1.10 – up from 70¢ before the deal was announced.

# Glimmer

From Page 1

However, in-fill drilling will be required to confirm continuity as most of the holes drilled to date are on 160-ft centres.