

Premier
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Stewart mine mothballed as price of gold hits new lows

The Premier gold mine in Stewart is being mothballed by owner Westmin Resources after weeks of falling gold prices.

The 80-year-old mine was revived by Westmin in the 1980s after being dormant three decades.

Full production as an open pit began in 1989, but the ore grade didn't justify continuing, and Westmin eventually went to an underground operation.

Company vice-president Bruce McKnight said the operation did little better than break even through the 1990s, forcing the company to gradually reduce production until mining halted altogether a year ago.

Continued exploration added to the mine's reserves and Westmin decided to put the operation up for sale in February of this year.

McKnight said the company and a prospective buyer were close to making a sale when twin catastrophes struck the industry.

The Bre-X Minerals scandal sent

junior mining stocks plunging in the spring and then the price of gold bullion tumbled in July. The metal now trades at around \$320 US an ounce, compared to \$500 when Westmin fired up Premier in the late 1980s.

"In February we expected to sell it fairly readily," McKnight said.

"But all of the gold equity markets have gone down the tubes and all our anticipated buyers we expected to sell properties to were unable to come up with the money at the end of the day."

At its peak, the operation employed about 185 people in Stewart. The number of jobs declined below 100 in the 1990s.

The decision to mothball operations means the remaining 10 employees have now been given layoff notices and they'll receive severance packages.

Stewart mayor Andy Burton says it's just the latest blow for the community.

"We're really disappointed," he

said. "We've got to dig in and hang on, just like we've done for the last year and a half or so.

"We hoped the sale would take place. It's not out of the question yet. But it's not very encouraging," McKnight says the company will continue efforts to find a buyer and it's possible a company with money might come forward and try to get a good deal while the markets are down.

"It's less expensive to buy things now than it is during a boom time," McKnight noted. "Cash is king." "We hope the gold markets won't keep going down forever," he added.

Westmin's stock price has held up well during the mining turbulence, primarily because of its focus on copper and zinc mining, both in B.C. and in Chile.

Westmin extracted nearly 260,000 ounces of gold and more than 5 million ounces of silver from the Premier operations since 1988. A total of 3 million tonnes of ore was milled during those years.

Westmin's Premier Gold Project

The Power and The Glory Hole

By William Annett

When a production decision was announced in January for the combined Silbak Premier - Big Missouri projects near Stewart B.C., it set an early-1989 target date for resumption of operations on a gold-silver property that has been around since at least 1910.

The companies involved in the recent effort to explore and develop the Silbak Premier and Big Missouri properties operated for some time under two separate joint venture deals, but they agreed early this year to "unitize" their interests and proceed to production under the name, Premier Gold Project. Final feasibility indicates that the 2,000 tonne per day production rate will yield 77,000 ounces of gold and 890,000 ounces of silver annually for the first four years.

Westmin Resources Limited, Calgary's hydra-headed oil and mining group, will be major shareholder (50.1%) and operating company for the project. Vancouver-based Pioneer Metals Corporation recently amalgamated with Silbak Premier Mines Ltd. to acquire its 40% interest, while Canacord Resources Inc. makes up the balance with its 9.9% holding. Tournigan Mining Explorations Ltd. has a 5% net profits interest in the Premier joint venture.

It all began in this century's first decade, when a prospector named George Bush discovered several ore veins that later became known as the Premier High Grade Shear Zone. Although he took in a couple of partners, the group went broke in short order, and the property lay idle until 1915.

According to Frank Keane, who usually has it right, there followed a long succession of operators. An Alaskan group im-



The Premier Gold millsite under construction, looking south toward the Silbak Pit.

ported a pundit from Spokane who told them where to drift. They did, and hit high grade ore three feet in - a mere seven ounces of gold and 220 ounces of silver per ton.

It's hard to believe anybody would sell such a gem, but they did - in 1919 it was picked up by Asarco, whose preliminary smelter shipments fell off to a mere four ounces of gold and 14 ounces of silver per ton. In 1921, Asarco got serious, built a mill and commenced commercial production, which operated continuously until 1935. Then just about everybody entered the act. It was leased for a time, a U.K.

mining company owned it for a time, and Bralorne Pioneer, the Bridge River operators, mined the ore reserves under contract.

In 1982, Henry and John Block of Vancouver, having parlayed their real estate company into a franchised empire later sold to NRS in Toronto, branched out into mining by acquiring a company called Silbak Premier, which at first glance had little to offer but a large debt load and a tired old mine.

But Henry's eye for real estate wasn't confined to the kind with lawn growing on it. When the first joint venture was signed

in 1983 with Westmin, the latter as operator, the fur began to fly around the Premier site. Within two years of exploratory drilling, Westmin had defined open pittable ore reserves of well over 4 million tons grading a respectable 0.07 ounces of gold and 3.2 ounces of silver per ton. Since that time, reserves at Silbak Premier have been extended to just over 5.9 million tons of ore grading an average of 0.063 oz/t gold and 2.34 oz/t silver.

That was in the area of the old Glory Hole that had seen so much of the high-grade action in the early years. Including the adjoining Big Missouri Property, which will be mined concurrently with the Silbak Premier property, the total reserves now run over 9 million tons.

By 1986, Westmin was prepared to move into its detailed feasibility phase, which was completed a year later in late 1987. Within that 1986 period, however, efforts continued to delineate known reserves, with the result that ore grade was increased by 15% and that of silver by 7%, for a gold equivalent grade of 0.105.

At the same time, waste-to-ore ratio was reduced from 5.2:1 to 4.4:1. Much of the drilling that took place in 1986 was underground, investigating many of the old workings. The West Ore section of the Premier property is limited in tonnage but with a much higher grade (475,000 tons grading 0.234 opt gold and 1.81 opt silver).

Big Missouri also grades higher on average than the main Premier property with 0.089 oz/t gold and 1.17 oz./t silver and waste-to-ore ratio of 2.34:1. Running true to form for new mining operations, it's likely that initial open pit and underground work will commence in the West Ore zone, just adjacent to the historic Glory Hole, and on Big Missouri.

Meanwhile, in mid-1987, there were several important corporate developments. First, British Silbak Premier Mines Ltd.'s name was officially changed by dropping the "British". And Pioneer Metals Cor-

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mineable reserves from the Kierens Zone,
 and to continue explorat' to define new
 reserves from the First C... lian Property.

Premier Gold Project

From Page 3

poration Ltd. successfully bid to acquire a
 controlling position in Silbak Premier.

But the corporate shuffling wasn't over
 yet. In May of this year, Silbak Premier and
 Pioneer Metals finalized the amalgamation
 of the two companies on the basis of one
 share of Pioneer for one share in the
 amalgamated company, and 3.5 shares of
 Silbak for one share in the amalgamated
 company. The board is comprised of in-
 dividuals from both companies, including
 Henry Block. The resulting entity is call-
 ed Pioneer Metals Corporation, thus call-
 ing a spade a spade but erasing one of the
 more unusual names in the game, at least
 part of which goes back to 1910.

The origin of the Silbak part of that an-
 cient name is lost in the tailings of the old
 Glory Hole, although it could have been a
 derivative of the Selukwe Gold Mining &
 Finance Company, a U.K. company that
 controlled the Premier workings commen-
 cing in the Thirties. No one knows, not
 even Vancouver mining scholar Frank
 Keane.

According to Bruce McKnight, vice-
 president, business development for
 Westmin's Mining Division in Vancouver,
 annual cash flow for the project (before
 financing and taxes) is estimated at \$30
 million subsequent to the commencement
 of production, calculated on the basis of
 current precious metal prices. Payback is
 expected in approximately 2.5 years. On
 the basis of currently defined ore reserves,
 the life of the project is about 10.5 years.

Westmin estimates that a production
 cost of \$134 an ounce for gold and just over

\$3 an ounce for silver can be achieved.
 Those calculations were made when gold
 was trading at just under US\$400 and ounce
 and silver US\$5.40.

\$3 million will be expended in the cur-
 rent year on additional exploration to
 upgrade existing geological reserves to the
 mineable category, to extend reserves and
 to explore new areas of indicated potential
 for both open pit and underground reserves.
 Evaluation of historical drill hole data and
 extensive underground workings at the
 Premier property is underway to define
 targets which will be tested later in the year.
 Diamond drilling will also test the deeper
 areas of the open pit zones of the Big
 Missouri orebody.

Exclusive of working capital, inflation
 and interest, total capital cost of the Premier
 Gold Project should total just over \$80
 million. \$5 million to date has been expen-
 ded on roads and site preparation and en-
 vironmental and regulatory studies. Finan-
 cing means are being explored, says
 McKnight, including the possibility of
 some form of bullion loan, combined with
 internal financing by Westmin.

"Total employment during the con-
 struction phase," adds McKnight, "will
 peak at 220 people, with subsequent
 operating staff to total 160."

Time waits for no man. And as
 Westmin and Pioneer move toward produc-
 tion, there's a natural question: is a
 moderate-sized producing mining organiza-
 tion at an advantage or otherwise as a divi-
 sion of a large company devoted to both
 petroleum and mining operations? Westmin
 Resources is based in Calgary, with
 understandable priorities in oil and gas ex-
 ploration and production. At the same time,
 for a project such as Premier Gold, the
 benefits of such an organizational structure
 are self-evident in the financial strength and
 senior management of Westmin.

The distaff side might include, as com-
 pared with an autonomous mining com-
 pany, less flexibility to move quickly and
 expertise in evaluating mining oppor-
 tunities. One obvious response theory is the
 fact that Westmin's board includes three
 senior mining figures in Jack McLallen,
 Gordon Montgomery and Harold Wright.

And on performance, Westmin's min-
 ing division doesn't seem to have suffered
 from being part of the organization. Min-
 ing revenue as a percentage of oil and gas
 revenue, has risen from 23% in 1984 to
 over 90% by the third quarter of 1987. Nor
 do those figures project the revenue from
 the Premier Gold Project.

As a comparison, oil and gas proper-
 ties compared with mining properties car-
 ried on Westmin's balance sheet have con-
 sistentlly been in a ratio of 5:3 in recent
 years. In the uncertain oil and gas industry,
 Westmin's sizeable position will no doubt
 continue strong but subject to change.
 Meanwhile the outlook for mining revenue,
 given stable metal prices, will be at the
 least substantial.

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Production Decision Nears For Big Missouri/Silbak

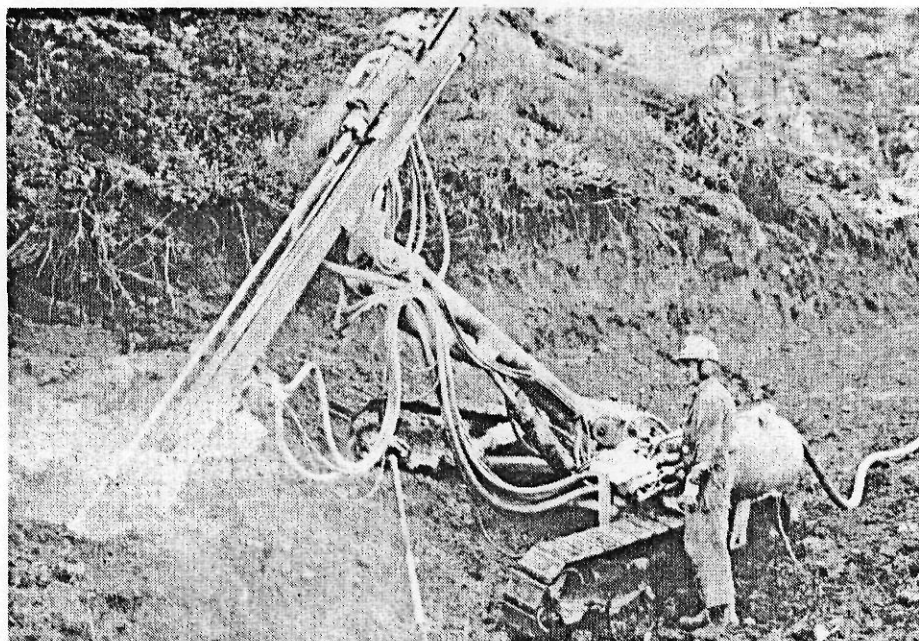
A new major gold mining operation in northern British Columbia - projected to rank among the lowest cost gold producers in North America - appears to be shaping up on the corporate drawing boards of Westmin Resources Limited. The blue-chip mining company is currently underway with a detailed feasibility study on the combined Big Missouri and British Silbak gold-silver properties near Stewart, B.C.

By Vivian Danielson

The feasibility study followed an extensive diamond drilling program and is expected to be completed by mid-year for board approval. Westmin is contemplating building a \$62 million mill to process ore at a rate of 2,000 tons per day from both properties in order to optimize the profitability of the operation.

With a projected target date to begin mill construction by mid-1987, current talk is of gold production by late 1988 with a projected annual output during the first three years of higher-grade production at an impressive 80,000 ounces of gold and 560,000 ounces of silver. Both properties are amenable to low cost open-pit mining methods and have excellent reserve tonnage potential to operate well beyond ten years. Westmin recently announced that based on \$US 390 gold and \$US 5.40 silver and cash operating costs of \$US 134 per ounce and \$US 3.06 per ounce respectively, it has estimated that the capital (C\$62 million) and operating costs can be paid back within two years.

The detailed feasibility and design engineering for the project has been awarded to Wright Engineers Limited. Completion of the study is expected in early June, with the production decision expected to follow shortly thereafter.



Air trac drilling, diamond drill site preparation at the Big Missouri/Silbak gold-silver project currently the focus of a feasibility study by Westmin Resources Limited.

The project is shaping up to be an impressive one, with many similarities to Mascot Gold Mines' Nickle Plate Project near Hedley, B.C., due for official start-up this summer.

All this is good news for two Vancouver-based juniors involved in joint ventures with Westmin on the combined project - British Silbak Premier Mines Ltd. and Tournigan Mining Explorations Ltd. - and both have recently attracted considerable investor interest.

There has been more good news recently. The first drilling by Westmin designed to test the underground reserve potential on the British Silbak property encountered numerous significant precious metals intersections. Westmin says that during the first two months of 1987, 11 holes totalling 3,423 feet were drilled in the 602 XC and 609 DR zones on 6 Level. The best intersections were 34 ft. (25 ft. true thickness) grading 0.70 ounces per ton gold and 0.85 oz/ton silver in hole 87-260.

Underground drilling on two level to test the lower part of the proposed Glory Hole open pit, returned encouraging gold values in the north part of the proposed open pit where the company says earlier results tended to be silver-rich. Reverse circulation rotary drilling within a previously upper caved part of the Glory Hole area returned some particularly high grade intersections which will be mined in the early stages of operation. These results included; a 40 ft. length running 1.107 oz/t gold and 8.33 oz/t silver; a 65 ft. length running 0.625 oz/t gold and 9.44 oz/t silver and a 50 ft. length running 0.428 oz/t gold and 0.88 oz/t silver.

British Silbak's property produced more than \$100 million worth of gold (at current prices) between 1921 and 1935. In 1982, well-known Vancouver realtor Henry Block undertook to finance exploration on the property for 53 percent of Silbak's Class A voting shares and then formed a joint venture with Westmin Resources. British Silbak is now a diversified company with a healthy real estate portfolio and several subsidiaries.

Westmin has vested a 50 percent working interest in the Silbak Premier property and British Silbak Premier Mines has elected to have Westmin continue making expenditures to a total of \$6.7 million. At feasibility British Silbak may elect a 50/50 joint venture or undergo dilution to a 20 percent carried net profits interest.

Recently, the Westmin/British Silbak joint venture announced a significant increase in geological and mineable reserves and said drilling is continuing on the Silbak Property to further define the Glory Hole Zone.

Based on results of drilling completed to December 31, 1986, geological reserves in the Glory Hole Zone total 6,380,157 tons grading 0.069 ounces per ton gold and 2.69 ounces per ton silver or a gold equivalent grade of 0.105 ounces per ton, using current metal price ratios.

This is an increase of 15 percent in gold grade and 7 percent in silver grade from January 1986 estimates. The waste-to-ore ratio for mineable reserves has been reduced to 4.4:1 from 5.2:1. Underground drilling during the first two months of 1987 on two levels are expected to increase open pit reserves. The higher grade West Zone includes 474,260 tons averaging 0.234 ounces per ton gold and 1.81 ounces silver.

Tournigan's most valuable asset is their optioned Big Missouri gold-silver property which comprises approximately 8,500 acres about 16 miles north of Stewart. Tournigan acquired the core of the property in 1970 and added 23 additional properties contiguous to their holdings over a nine year period for a total of 110 claims. The company spent over \$1 million on exploration and began surface drilling on the Dago Zone, one of four open pit "ore zones" outlined on the property. It was optioned to Westmin in 1978 who have spent over \$3 million on the property, primarily to evaluate near surface gold-silver zones amenable to open pit mining. Based on drilling results in the 1985 program, geological reserves were reported at 3 million tons of 0.102 oz./t gold equivalent.

Mineable reserves within the four open pit zones at Big Missouri are estimated at 1,860,000 tons grading 0.089 ounces per ton gold and 1.17 ounces per ton silver (0.105 ounces per ton gold equivalent) with a waste-to-ore ratio of 2.34:1. The 1986 drilling has better defined the distribution



Surveying ore zone with Silbak mine portal in background.

of higher grade mineralization in the S-1 and Province Zones and increased the mineable reserves. Some pits remain open to expansion of reserves in various directions.

Because of its elevation, Big Missouri would be a seasonal open pit mining operation, but would include stock piled ore to supply a conventional 2000 tpd flotation leaching cyanide plant operating year round on the Silbak Premier property. The mining cash operating costs are projected at C\$22.70 per ton and a hydro-electric facility will be re-established to produce electric power very economically.

Westmin expenditures at Big Missouri total \$3 million which has earned them a 70 percent working interest. Tournigan retains a 30 percent net profits interest from which Westmin may purchase an additional 7.5 percent interest for \$1 million within 90 days of commercial production.

During the period January 1986 to February 1987, approximately \$3.2 million was spent on exploration on the two properties. Total expenditures now approximate \$5.3 million at Silbak Premier and \$3 million at Big Missouri.

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Missouri/Silbak

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Canacord Resources Inc. provided \$3 million for the 1986 exploration program and in return has earned 18.75 percent working interest in Westmin's interest in the project.

Tournigan Mining Explorations Ltd. trades on the Vancouver Stock Exchange; trading symbol TGN and on NASDAQ; TGNXF. British Silbak Premier Mines Limited trades on the Vancouver Stock Exchange; trading symbol BSK. Westmin Resources trades on the VSE, TSE and ME; trading symbol WMI.