Changing prices breed born-again mines

By John Bermingham

Everybody is saying it, so it must be true. Gold is set to maintain its price revival in the early nineties after a dull decade's end. While a slower world economy has base metal prices foundering, rising precious metal prices have, like a man buying a low-cut, red dress for his wife, given a new lease of life (temporarily, perhaps) to the relationship between man and metal.

The recent rise in prices has certainly made gold stocks more attractive. In addition to a host of dormant mines receiving a pre-dawn reprieve, new mines are getting the rapid go-ahead signal by eager-beaver mining companies who want to cash in on the uptrend 'a.s.a.p.' Some producers are enjoying beneficial forward sales contracts, while others are rapidly expanding output to meet the demand.

Analysts forecast that gold will average US$420 an ounce this year, up from last year's US$380, as slower economic growth in the U.S. and Canada will probably weaken both dollar currencies.

While earnings for mining companies will not raise the roof, they promise to be attractive enough to push into production mines that otherwise would have remained as mere balance sheet entries.

In Canada, several new mines have either opened or are about to open due to the allure of higher metal prices. The year-long slump in prices last year, in fact, did nothing to prevent a new crop of gold mines from sprouting up across the country.

Among the newest batch are the Dona Lake mine of **Placer Dome** and the Magnacon mine, owned by **Flanagan McAdam Resources, Muscocho Explorations** and **Windarra Minerals** in northern Ontario.

In September, **Cambior Inc.** opened the Beliveau gold mine in Quebec, while **NovaGold Resources** opened its Murray Brook mine in New Brunswick in October. In August, **Cheni Gold** poured its first gold/silver dore bars from its Lawyers mine in central British Columbia.

In B.C. **Skyline Gold**'s Johnny Mountain mine is currently enjoying a change of fortunes, as lower production costs and better recoveries prompt more exploration on the property. Vancouver-based **Bethlehem Resources Corp** hopes to have the Goldstream copper mine producing again by the spring. The mine closed in April, 1984 due to low prices.

The majors too are looking to resurrect mines out of their reserve banks. **Noranda** is currently reviewing its Tribag property, 65 miles north of Sault Ste. Marie, Ontario. The property was once a small but high-grade underground copper operation that ran for ten years.

Owner **Sunburst Exploration** of Toronto has granted an option to Noranda to earn a 60 per cent interest. In return Noranda will make a series of cash payments totalling $200,000 and spend $2 million on exploration work over a five-year period ending December 1994.

Skyline Gold REG

A year ago, Ron Shon, the major shareholder in Skyline Gold Corp, sought in vain to sell his company, which was fast becoming his undoing. A former property developer, Shon could find no acceptable bids for the Johnny Mountain mine, located in the snowy regions of the Iskut, northwestern B.C.

Since the official opening in 1988, one storm after another buffeted the mine, ranging from the punitive costs of running a fly-in/fly-out mine, to production problems, to a poor share price performance.

Faced with the prospect of a diminishing return on investment, the company witnessed a management upheaval which saw Bill Price, a former general manager of the Blackdome mine in B.C., become operating manager (and later president), replacing Reg Davis, who is now chairman of **Gulf International Resources.**

Mill improvements have included modifications to the processing system that have improved both throughput and recoveries. Better still, the company last year embarked on a $2 million exploration program on its 18,800-acre Reg property.

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Metal price squeeze hits majors

Base-metal companies are enduring the effects of a price plunge that has already led to production cutbacks, employee layoffs and smaller exploration budgets.

In British Columbia, Cominco closed its Sullivan zinc mine in Kimberley, due to lower zinc prices and higher production costs. The sudden closure maddened the provincial government, which was on the brink of a hasty intervention. However, later press reports revealed the extent of industrial relations problems at the 80-year-old mine, and the B.C. ministers lowered their cudgels.

The Western World's big two nickel producers, Falconbridge and Inco, also announced cutbacks in the wake of tumbling prices.

Inco plans to cut 1990 output from 420 million pounds to 400 million and eliminate overtime at its Ontario and Manitoba divisions. Falconbridge, meanwhile, is reviewing layoffs, early retirements and capital spending reductions. It plans to reduce planned 1990 output by 10 per cent to 135 million pounds.

Copper and aluminum prices have also felt the brunt; aluminum dropped sharply from US$1.11 a pound at the end of December to $0.66 cents a pound barely a month later.

Analysts are predicting Alcan Aluminium should be the next giant to groan and reduce production.

Rio Algom is closing two uranium mines in Northern Ontario in 1991, with over 1,500 job losses. Overproduction and high inventory levels have halved uranium prices to around US$9 a pound.

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"Over a year ago, the mill wasn't working at all the way it was designed. So we had to cut back on our previously reported ore reserves," says Price, who ordered the removal of the high-cost cyanide circuit in its entirety and the installation of a new three-stage cleaning system. From there, Skyline got the production up from 500 oz per month to 4,000 and recoveries up to 86 per cent. "But we couldn't go any further than that because the fine material wasn't around to liberate the gold from the rock," he says.

The company put in a regrind mill, in operation since November, which has increased recoveries further to 90 per cent. Production is now at 350 tpd, nearly twice the throughput envisaged back in the feasibility stage, when the company predicted an average grade of 1.0 oz/ton gold. Currently, the average grade is 0.5 oz/ton gold. Skyline is expecting a 16 per cent increase in gold production, and gold recoveries are 91 per cent.

Bill Price is bullish about the price of gold. How bullish? "I don't predict gold prices, but we traditionally take a conservative price when budgeting." The company does not sell any gold forward "as a matter of policy."

No great changes in production are planned in 1990, but the summer exploration will continue to basic work done on the property. "We are going to have a lot of good targets to drill and we expect some good results," Price says.

Bill Price, left, discusses a $2 million exploration program with chief geologist Dave Yaeger.

From a peak of over $17 a year ago, the share price has been in the doldrums of late. Price assents that it's undervalued, but "as the public becomes aware of our output, our exploration program and the price of gold going up," the share price should rise.

Transport costs were "extraordinarily high" because of the severe winter in 1988/89, which led to a two-month shutdown at the mine. "Even under normal conditions, we use around 3,000 gallons a day and 2,000 tons of concentrate a month. Quite often, you simply can't fly in or out," he says.

The Iskut Road plan, which involves a 72-kilometre, all-weather road connecting Highway 37 and the Iskut River mining camp, would save Skyline a massive $200,000 per month in operating costs. Existing operating costs were US$203 per oz in the last quarter of 1989, with a potential saving of $50 per oz, the difference between flying and trucking, should the road be constructed.

Skyline wants a logging-style road that would cost $7.5 million, while the provincial government will likely approve a higher class of road for $12.5 million, but at a later stage. "The study only included two mines over a period of 15 years, which is not too realistic. It also downplayed the value of the road to the forestry and tourism industries. The government seem to want to get away from the conventional idea that it is their responsibility to build roads," he comments. Price suggests a toll road scheme to recover costs, but "they are gun-shy of the tree huggers; they lack the backbone to make the decision," he comments.

Bethlehem Resources

If it can raise the capital, Vancouver-based Bethlehem Resources Corp intends to re-open the Goldstream copper mine, which has been closed since April,