

KERR ADDISON MINES LIMITED
P.O. BOX 91
COMMERCE COURT WEST
TORONTO, ONTARIO
M5L 1C7

COPY

823761

Dickenson Mines
Silvana Division's
Property, New Denver
82m

May 13, 1982

Mr. A. M. Storoniak
Dickenson Mines Limited
Suite 600
65 Queen Street West
Toronto, Ontario
M5H 2M5

Dear Andy:

Thank you for showing us the data on the
Silvana Mine near Sandon, B.C.

We looked at it in a more than cursory fashion,
reworked the profitability and came to the conclusion
that the risks are greater than we are willing to assume
at this time.

Deposits such as this will have a hey-day again,
but we may have to wait for much better market conditions.

Yours very truly,

KERR ADDISON MINES LIMITED

D. A. Lowrie
Vice-President, Exploration

DAL/sm

TO BE PICKED UP

KERR ADDISON MINES LIMITED

(FOR INTER-OFFICE USE ONLY)



To D. A. Lowrie From C. K. Wilton

Subject Silvana Division of Dickenson Mines, near
New Denver, Slocan District, B.C. Date May 12, 1982

This memo is based on an oral presentation by A. Storoniak and reading of two reports:

- (1) Report - Development and Production Feasibility Study, Silmonac Mine and Property, New Denver, B.C., May, 1977 by W.M. Sharp, P. Eng.
- (2) Valuation of Mineral Claims of Carnegie Mining Corporation by A. E. Buller, P. Eng., July, 1981.

Attached is the 1981-82 C.M.H. report on the Silvana Division of Dickenson Mines.

Production records, net smelter returns/ton, costs/ton and operating profit/ton and metal prices received are shown on attached sheets from Buller's report.

The camp was discovered in the 1890's and reached its production peak in the early 1920's. By the early 1930's production had almost ceased. Successful production was again achieved in the late 1940's by Violamac Mines. Main Slocan Lode production is shown on the attached Table 1. A longitudinal vertical projection is shown on the attached Fig. 1.

The Silvana claims were partially explored without success in the 1960's by a consortium of small companies and finally brought to production in 1970 by the Kam Kotia - Burkam Joint Venture which was succeeded by the current operator, the Silvana Division of Dickenson Mines.

The Main Lode is a shallow dipping complex, branching fault structure which cuts across a series of recumbent ^{Folded} sedimentary rocks, with horizontal axial planes, invaded by porphyry sheets and masses. The Main Lode is offset by cross faults across which the lode has not been correlated. Mining in the 70's has demonstrated that ore controls are not understood so that finding new ore has been slow, costly and often disappointing. It has never been possible to build up ore reserves during the 70's. Annual average operating profit has been about \$387,000/year during the 1970's giving a total of \$4.245 million from 224,000 tons of ore. Grade has averaged about 15 oz. Ag, 6.0% Pb and 5.0% Zn.

Ore indicated by underground and surface drilling was developed from the 4625 adit. In mid 1976 a decline was put down from the adit to develop down dip ore. Subsequently the 4000 level adit was developed

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To.....From.....

Subject.....Date. May 12, 1982.....

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to provide access to the ore in the decline area at a cost of about \$1,500,000 (which would have offset the operating profit for 4 years).

The attached plan of parts of Silvana and Carnegie properties shows three possible areas in which development might be expected to find a total of 140,000 tons at a grade similar to the average camp grade.

Buller used assumptions in his 1981 evaluation as follows:

- (a) that silver will reach a price of \$12/oz. in 3 years time;
- (b) lead and zinc prices will increase by less than 1% over the average inflation rate since 1970;
- (c) operating costs can be reduced to \$145/ton in 1981 and held at inflation plus 3½% thereafter. (Historically in the 70's operating costs increased at an annual compounded rate of 17%);
- (d) the first Carnegie ore will be available in 3 years and be mined at 24,000 tons/year for 5.8 years;
- (e) net smelter return will be 75% of gross metal content of ore milled.

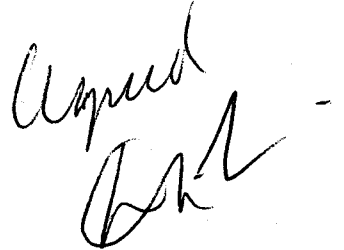
With these assumptions the present value of the possible ore is \$2,516,372.

Operating profit/ton in the 70's varied yearly from a loss of \$0.69/ton to a gain of \$58/ton but losses began in January, 1981 and continued each month until May, 1981 except for a gain in March. One assumes that Dickenson sees no prospect of turning this situation around. Storniak's presentation and Buller's report have not generated any feeling that this situation is attractive.

I recommend no further interest.



C. K. Wilton



CKW/sm

Attachments

INC: 1960, Ont chart, CAP: 30,000,000 CI A com shs, 6,000,000 CI B spec shs. Iss Apr. 20, 1981, 5,084,520 each of CI A & CI B shs. TR AG: National Trust, Toronto; Bank of New York, New York; First Jersey National Bank, Jersey City, N.J. Each CI A sh entitled to 1 vote & each CI B sh entitled to 10 votes, otherwise shs rank equally in all respects.

LONG TERM DEBT: Dec 31, 1980: \$6,600,000 term bank loan at prime rate plus 1%; \$2,000,000 7% notes, repayable Sept 1981 & Sept 1982; \$189,000 14% fin contract repayable monthly to May 1, 1985. Amount due in 1 yr \$1,043,000. Balance remaining \$7,746,000.

DIVID: Predecessor cos pd total \$14,876,700 from Feb 1954 to Dec 31, 1977 (Dickenson), & Nov 1972, to Dec 31, 1977 (Robin); last pymts Dec 28, 1977, 5¢ each. Initial divd by new co 1978, 10¢; 1979, 5¢; 1980, 5¢ on CI A & CI B shs.

History: Oct 31, 1980, amalg with Silvana Mines Inc, 3/4 Silvana shs for 1 CI A & 1 CI B sh of new co; Dickenson shareholders rec 1 CI A & 1 CI B sh for 1 old sh.

June 30, 1978, shareholders approved amalg of Dickenson ML & Robin Red Lake ML, sh for sh for Dickenson, & 1 new sh for 2 1/2 Robin shs. Predecessor Dickenson ML held 2,322,588 shs (77.4%) Robin Red Lake ML & formed Oct 1960, by amalg of New Dickenson ML (sh for sh) & Lake Cinch ML (1 new sh for 4 1/2 old shs). Robin Red Lake formed 1945.

Major Shareholder: Apr 20, 1981 Kam-Kotia Mines L held 927,325 CI A shs & 1,330,825 CI B shs (22.2%) of total CI A & B shs iss.

Properties & Development: (1) Gold prod, Dickenson mine, 32 pat cls, adj E side of Campbell Red Lake ML prop, Balmer twp, Red Lake div, NW Ont.

Dev by 3-compartment shaft to 3,589 ft; 1966-68, No. 2 internal shaft sunk from 3rd (3,365 ft) level, 2,960 ft SW of No. 1 shaft to bottom at 4,838 ft (30th level); 1975-76, d d below 30th level indic ore occurrence; 1978, No. 2 shaft deepening to 600 ft started allowing dev of further 5 levels below 30th; underground d d 55,281 ft from 800-ft drive on 30th level testing possible rich zone of adj Campbell zone dipping into Dickenson ground; also modifications to No. 1 shaft. Ore hoisting capacity will then be incr from 120,000 tons per yr to 300,000 tons. New m'g methods also will incr prod capacity to 900 tpd in 1982.

(2) Robin Red Lake prop: Gold prod, 12 cls, adj Dickenson mine, Balmer twp, Red Lake area, NW Ont. Robin orebody is extension at depth of the Dickenson ore structure & dev by extensions of Dickenson workings from 16th level down to 30th level. 1973-74, d d continued on 6 levels with drilling to dev indic ore sections. All prod mined via Dickenson prod shaft & treated at latter's mill

Milling & Production: 150-ton mill started Dec 1948, incr to 470 tons by 1959, & currently oper : 350 tons per day. Ore shipments from Robin prop began late 1970, with initial shipments of 50 tons per day, incr to 100 tons by Aug 1971.

Year to Dec 31:	1980	1979	1978
Tons milled	128,180	117,718	110,438
Tons per day	350	322	—
Gold prod, oz	29,281	44,367	59,957
Silver prod, oz	3,240	4,334	5,309
Total value	\$19,843,011	\$15,878,520	\$13,594,000

Ores Reserves: Dec 31, 1980: proven & probable 1,488,000 tons aver 0.32 oz gold per ton; possible 918,500 tons aver 0.17 oz per ton. Res as calculated by Derry, Michener & Booth on 2 zones.

(3) Silvana Div: Silver-lead-zinc prod, 62 cls, adj Carnegie prop near New Denver, Slokan dist, BC. Prop dev at 3,996-ft horizon from level extended from adj workings. Underground drifting & dd in 1968-67; 1968, tunnel driven 2,950 ft at 4,625-ft elev. Drifting from latter tunnel, & extensive underground drilling in 1969-70 dev substantial tonnage high-grade silver ore; decision May 1970 to bring prop to prod, ore shipped to nearby 150-ton mill of Carnegie M'g Corp L. Dev since Sept 1968 was jt vent of Kam-Kotia & Burkam

ML under agreement of 25-yr lease, Dec 1974, Kam-Kotia purch Burkam int & June 1977, Silvana purch lease agreement, mine plant & equip from Kam-Kotia for 850,000 shs, also purch Carnegie mill & equip for 600,000 shs & royalty. Silvana is now oper.

In 1977, reorganization & new fin provided \$845,000 for underground program incl rehabilitation at 4,000 ft level; 1978, drifting to W on level, explor drilling total 7 holes to yr-end, & to end of Apr 1979, additional 16 holes completed from 4,000 level, indic substantial mineralized zone; W lateral work advanced 1,450 ft crosscut S 170 ft early 1979, & raises to 4,300 E decline in May; drifting crosscutting continuing. Prod from 4,000 ft level begun late May, incr by end of yr to 3,000 tons per mo.

1979-80, lateral dev on 4,000 level; lateral work also in E decline area, & raising completed at 4,400 level, opening new sources of prod.

Production: In yr 1980, milled 31,110 tons to prod 268,560 oz silver, 1,996,000 lb lead & 1,882,000 lb zinc. Also treated 1,800 tons on custom milling basis.

Oil & Gas: Conventures L: At Dec 31, 1980, Dickenson held 2,041,168 shs (22.2%).

Co has other direct & indirect ints in oil & gas participations in Canada & US with other members of Dickenson Group, incl:

(1) 12.5% w i in 8,960 ac, Cutbank-Kakwa block of Elmworth area, Alta, where Dome Petroleum L is oper; in 1980, 2 wells drilled, for total 13 wells since 1979.

(2) Acq 10% w i in 51,000 ac, Lambton cty, SW Ont, oper by Camel Oil & Gas L (acq from Talcorp Services L); jt vent also has 15.7% int in farm-in on which drilled oil well.

(3) Acq 16 2/3% w i on 640 ac, Innisfail, Alta.

(4) In US: Acq 6.5% to 12.5% w i in 10,000 ac on which 3 successful wells completed 1980, Upshur cty, Tex, & 4th well in Gregg cty; 10% w i in 207,495 ac, Palo Duro Basin, Tex, on which wildcat drill program oper by Voyager Petroleum L; 16.67% w i in 7,690 ac, Bell cty, Tex; 22.23% w i in 104,665 ac, & 16.67% w i in 89,155 ac, all S Dakota; 8.33% w i in 1,581 ac, Comanche cty, Okla.

Investments at Dec 31, 1980

	Shares	%
Abino Gold ML	1,772,999	35.4
Cardiff Uranium ML	500,286	19.3
Conventures L	2,041,168	22.2
Craibbe Fletcher ML	983,300	26.1
Gateford ML	223,855	10.2
Jameland ML	2,025,000	40.5
Kam-Kotia ML	2,119,108	35.7
Kenwest ML	1,800,008	60.0
Laddie Gold ML	885,000	42.3
Langis Silver & Cobalt M'g	369,450	4.5
New Cinch Uranium ML	704,500	12.2
New Kelore ML	200,000	3.1
Nickel Rim ML	314,000	5.2
Parvus ML	856,125	46.1
Pidgeon Molybdenum ML	580,024	22.0
Redcon Gold ML	1,007,180	20.4
Rowan Gold ML	531,637	54.7
Tundra Gold ML	2,778,989	48.8

Consolidated Working Capital Dec 31

ASSETS:	1980	1979	1978
Cash & deposits	—	—	\$597,000
Bullion, conc	\$1,561,000	\$2,943,000	849,000
Accts recvble	580,000	343,000	240,000
Inc taxes recovble	314,000	—	—
Securities	347,000	731,000	703,000
Prepaid exp.	110,000	53,000	32,000
Total curr assets	2,912,000	4,070,000	2,421,000
Investments	22,881,000	15,826,000	1,782,000
Total curr liabs	9,832,000	4,735,000	1,782,000
Working cap (deficit)	(6,920,000)	(665,000)	639,000
*Mkt value	383,000	965,000	705,000

1979 restated.

DICKENSON MINES LIMITED, SILVANA DIVISION
DATA ON PRODUCTION COSTS AND OPERATING PROFITS.

1. Production Record - Sept. 1st, 1970 to May 31st, 1981.

Year	SDT Milled	Head Assays			Net Smelter Return	Operating Profit
		Ag.oz.	Pb%	Zn%		
1970	12,930	19.56	7.51	6.75	\$ 639,000	\$ 302,000
1971	39,184	17.82	6.38	6.58	1,581,600	601,900
72	27,429	16.44	5.81	6.66	1,131,000	209,500
73	14,015	14.44	5.40	5.41	742,000	(9,500)
74	12,034	13.16	3.51	4.21	847,900	242,000
75	12,045	18.81	5.66	4.83	1,176,000	291,000
76	18,402	13.36	5.31	4.86	1,325,400	24,400
77	17,504	19.03	7.15	6.04	2,027,800	610,300
78	17,600	14.84	5.81	4.34	1,896,000	246,000
79	21,633	13.96	4.89	4.51	3,580,000	1,255,000
1980	31,110	8.63	3.21	3.03	5,662,262	703,069
1981 Jan.	2,539	9.17	3.07	2.96	339,700	(92,662)
Feb.	2,662	10.58	3.14	3.43	378,480	(5,739)
Mar.	3,025	11.95	3.51	3.32	465,742	85,915
Apr.	2,554	8.60	2.68	2.83	261,650	(105,652)
May	<u>2,697</u>	<u>10.66</u>	<u>3.17</u>	<u>2.76</u>	<u>328,487</u>	<u>(54,042)</u>
	<u>237,345</u>	<u>14.91</u>	<u>5.01</u>	<u>5.12</u>	<u>\$22,383,021</u>	<u>\$4,571,084</u>
						Less <u>267,595</u>
						<u>\$4,303,489</u>

Note: The term "Net Smelter Return", as used in this Appendix and in the text and tables is identical with "Production Value after Marketing" in the Silvana Prospectus and other reports.

Sources: 1) Silvana Mines office data
2) Silvana Information Booklet dated October 1980.
3) Silvana monthly Accounting Reports.

2. Unit Net Smelter Returns, Costs & Operating Profits

<u>Year</u>	<u>Net Smelter Return /ton</u>	<u>Operating Cost /ton</u>	<u>Operating Profit /ton</u>
1970	\$ 48.29	\$ 25.47	\$ 22.82
71	40.39	25.02	15.37
72	41.23	33.59	7.64
73	53.21	53.90	(.69)
74	70.63	50.35	20.28
75	97.63	73.47	24.16
76	72.00	70.70	1.30
77	115.88	81.00	34.88
78	107.73	93.75	13.98
79	165.49	107.48	58.01
1980	182.91	160.31	22.60
1981 Jan.	135.35	171.84	(36.49)
Feb.	142.62	144.77	(2.15)
Mar.	155.25	126.85	28.40
Apr.	103.81	145.16	(41.17)
May	125.36	145.40	(20.04)

Sources: 1) Silvana Prospectus dated 22 Nov., 1977
 2) Silvana Information Booklet dated Oct., 1980
 3) Silvana monthly Accounting Records.

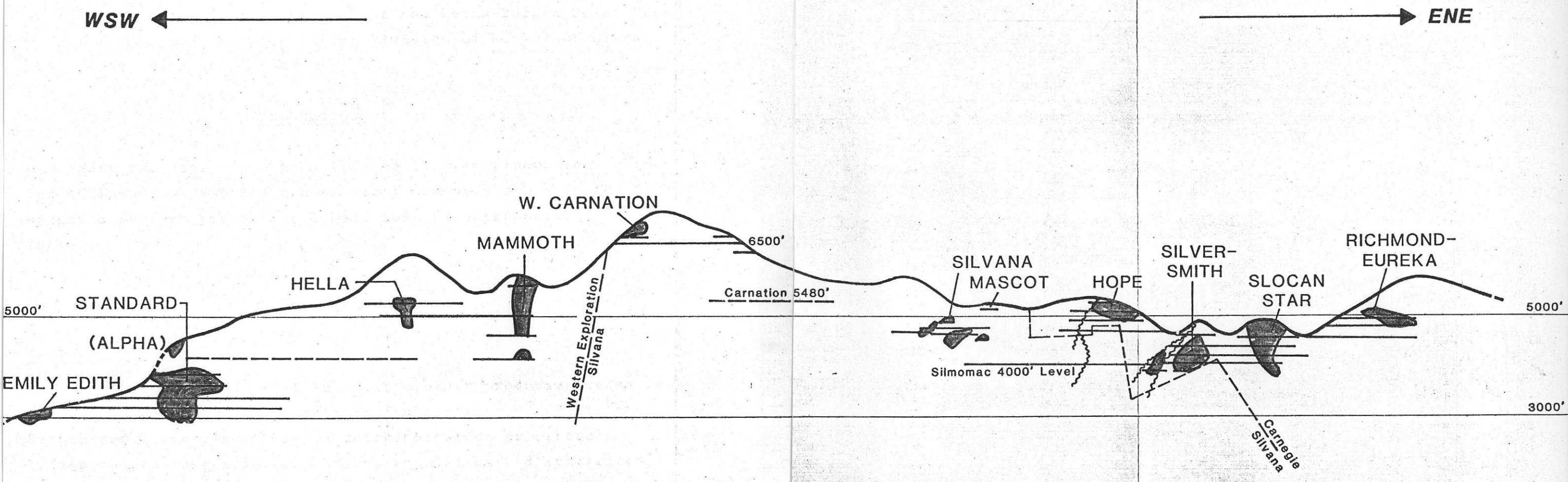
3. Metal Prices Received

<u>Year</u>	<u>Silver</u>	<u>Lead</u>	<u>Zinc</u>
1970 ¹	\$ 1.670	\$ 0.148	\$ 0.153
1971	1.570	0.139	0.159
72	1.660	0.148	0.175
73	2.580	0.186	0.233
74	4.730	0.233	0.361
75	4.469	0.200	0.371
76	4.270	0.232	0.352
77 ²	4.820	0.310	0.340
78	n.a.	n.a.	n.a.
79 ³	13.03	0.584	0.412
1980	22.43	0.484	0.426
1981 Jan.	15.99	0.430	0.455
Feb.	14.26	0.400	0.466
Mar.	13.70	0.400	0.461
Apr.	13.08	0.420	0.473
May	11.97	0.420	0.482


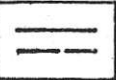
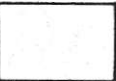
- Notes: 1) Sept. - Dec.
 2) Jan. - Sept.
 3) Jan. - Nov.

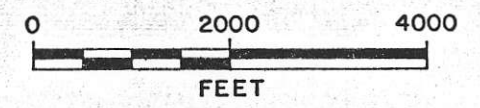
- Sources: 1) Silvana Prospectus dated 22 Nov., 1977
 2) Silvana Monthly Accounting Reports

FIGURE 1



LEGEND

-  Former Orebodies
-  Principal Drifts & Laterals Along Lode Trend
Secondary Drifts & Laterals Along Lode Trend
-  Bedding Dips - Principally F.W. Sect.



LONGITUDINAL VERTICAL PROJECTION
on the
MAIN SLOCAN LODGE
showing
FORMER OREBODIES & SILVANA AND CARNEGIE
INTERVALS OF MAIN LODGE

To Accompany Report By: A.E. Buller Ltd. July 1981
Source: Report by W.M. Sharp P.Eng.

