

FARGO RESOURCES LIMITED (FR-V)

FUNDING SOUGHT FOR UNDERGROUND BULK- Lauch F.Farris, president of Fargo Resources reported on a number of developments concerning the 100%-owned, 7,300-acre, Kaolin project, 15 km south of Powell River, 90 km north of Vancouver, B.C. The objective is to establish the kaolin can be mined from underground at a cost and in a purity which can be marketed profitably to the pulp and newsprint manufacturers at a profit.

Testing of drill core samples by Atlas Copco-Eickoff and Voest Alpine have confirmed a roadheader type of mining equipment can be used in mining the kaolin beds. David Neil, mining consultant in Denver, Colorado, has calculated a 240,000 tonne per year operation could produce 60,000 tons of low brightness kaolin filler product at a mining cost of \$33.00 per ton, substantially lower than previous estimates. This new mining costs permit an estimate of \$116 per tonne cost including processing, tailings and transportation. Fargo's estimated delivered selling price is \$180 per tonne. Mr. Farris is optimistic the project will be economic with these new cost estimates.

George M. Ionides, Ph.D., M.B.A. of Temanex Consulting, a paper industry expert, has reported there is a market for 60,000 to 70,000 tonnes per year of Lang Bay kaolin as a cost effective substitute for wood fibre. The use of kaolin improves the quality of the opacity and printability of the paper.

Fargo has applied for a loan from the Western Diversification Fund plus a number of other federal and provincial funding programs to assist in a \$750,000 full-scale paper mill trial with Lang Bay kaolin. The trial is planned to include: driving a decline to mine 1,500 tonnes of kaolin to produce 200 tonnes of product which will be used in a mill run test. If this test is successful, then a decision could be made to start full scale production at a capital cost of \$14,500,000. The application to the Western Diversification fund meets the tests with a reply expected near the end of March/91.

The 1989 study by Kilborn Engineering found the project to be uneconomic owing to the high stripping ratio and a 15% kaolin recovery. Recent work indicated lower costs by underground mining and recovery of 25%. An updated study from Kilborn is under negotiation.

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