

page Hecla tenders \$12M for B.C. silver explorer, Dolly Varden

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Coventry Resources drilled 22 holes at Caribou Dome in 2015, the best of which cut 14.1 meters averaging 9.9 percent copper. This year's planned 8,000-meters program will be nearly double the 4,300 meters drilled last season.

Second rig arrives, more surface copper found at Caribou Dome

Coventry Resources Ltd. June 23 reported the arrival of a second diamond core drilling rig to expedite an 8,000-meter drill program targeting zones of high-grade copper at Caribou Dome, a road-accessible property located about 155 miles north of Anchorage, Alaska. The first rig, which arrived earlier in June, is testing the Lense 3, 9 and 1 targets at Caribou Dome. Coventry reports that the first hole completed in this area hit mineralization where predicted. A second hole is progressing well. The second rig is testing Menel, a high-priority target on strike to the northeast of the 700-meter-long corridor of copper mineralization drilled to date Caribou Dome. Strong induced polarization and copper-in-soil anomalies have been identified at Menel. Additionally, significant copper mineralization was mapped directly above and immediately along strike from the IP anomaly, while preparing to drill the Menel target. Upon completion of initial drilling at Menel, the rig will test Guardian, another untested IP anomaly that was delineated during 2015. Very encouragingly, outcropping gossans were identified during follow-up mapping; with rock chip sam-

see **NEWS NUGGETS** page 12



By the spring of 2013, when this photo was taken, Contango Ore had narrowed its exploration primarily to the Peak Zone. According to a resource calculated later that year, this deposit hosts the equivalent of 1.2 million ounces of gold when you include the value of the copper and silver also found there.

EXPLORATION

Making the connection

\$11 million program targets area between high-grade gold zones at Tetlin

By SHANE LASLEY

Mining News

From a Texas oilman discovering rich mineral prospects at Tetlin while investigating the natural gas potential of these Native owned lands to a royalty company setting aside its business model to get in on the ground floor of what is shaping up to be a multimillion-ounce deposit of high-grade gold lying alongside the Alaska Highway, Contango Ore Inc. is adding some intriguing new entries to the annals of Alaska geology.

The latest chapter of the Tetlin story includes a US\$11 million exploration program – likely the largest such program in Alaska this year – that aims to prove that the Peak deposit and North Peak zone are actually one large continuous deposit of high-grade gold-copper-silver mineralization.

This robust exploration campaign is being funded by Royal Gold Inc., which is well on its way to earning up to a 40 percent interest in Tetlin by investing up to US\$30 million in this expansive and still underexplored project by October 2018.

Finding Peak

Contango Ore President and CEO Brad Juneau was not looking for gold when he ventured into Alaska in 2008. Instead, his privately held company, Juneau Exploration L.P., was investigating the natural gas potential of a large land package owned by the Tetlin Village Council, an Alaska Native group.

Juneau's exploration of Tetlin did not turn up much in the way of natural gas potential, but the

see **TETLIN** page 10



PETROLEUM NEWS • WEEK OF JULY 3, 2016 **NORTH OF 60 MINING**

NORTHERN NEIGHBORS





An indicated resource of 31.8 million ounces of silver contained within 3.07 million metric tons of material averaging 321.6 grams per metric ton (10.34 oz.) silver was calculated in 2015 for four deposits located near historic mines at Dolly Varden Silver Corp.'s namesake property in northwestern British Columbia.

Hecla makes bid to take over BC silver explorer

Hecla Mining Company June 27 reported a takeover bid for all of the outstanding shares of Dolly Varden Silver Corp. that it does not already own. At C69 cents per share, Hecla's offer reflects roughly a 97 percent premium based on the volume-weighted average price of the Dolly Varden shares on the TSX Venture Exchange for the 20 trading days ending on June 24. Assuming exercise of the 1.25 million warrants it currently holds, Hecla owns and controls 3,870,291 Dolly Varden shares, or roughly 19.8 percent of the shares calculated on a partially diluted basis. "To protect ourselves and other shareholders, we are offering to buy Dolly Varden shares for cash at C69 cents. If we acquire all shares we expect to spend about \$12 million." Earlier in June, Dolly Varden said it had entered definitive agreements with three lenders - Sprott Resource Lending Partnership, a second Sprott affiliate, and The K2 Principal Fund L.P. – for a C\$2.5 million loan. If finalized, roughly C\$2.1 million of the proceeds would be used to repay its existing senior secured loan from Hecla Canada Ltd. and Robert Gipson. "The new loans permit Dolly Varden to discharge the Hecla/Gipson loan and to complete an equity financing to repay the new loans prior to their maturity date without obtaining the consent of the new lenders," said Rosie Moore, interim president and CEO, Dolly Varden Silver. In connection with the new loan, Dolly Varden agreed to issue 2.5 million warrants to the trio of investors that would entitle the warrant-holder to purchase one Dolly Varden share for a period of two years for a price equal to the greater of C30 cents, or the minimum price permitted by the TSX Venture Exchange on the date of issue. "While we believe that Dolly Varden can one day be a significant silver producer, we are very concerned with the current board's value destruction for shareholders," said Hecla President and CEO Phillips Baker, Jr. "These directors are not acting in shareholders' best interests with a new loan arrangement that causes substantial dilution at a low share price. Their plan starts with issuing warrants with an 'option value' of C27.5 cents each and an exercise price of C30 cents, which is well below the current share price and our offer price. The warrants

see NORTHERN NEIGHBORS page 11

Petroleum

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continued from page 9

TETLIN

Texas oilman was convinced this roughly 675,000-acre land package was prospective for more solid minerals, such as gold and copper.

To confirm his hunch, Juneau set out to find a geologist familiar with Alaska and willing to take a look at this geologically unknown property. While dubious that an important mineral deposit was hiding in plain sight, Fairbanks-based geologist Curt Freeman agreed to take a look at the property.

It did not take long for Freeman and his team at Avalon Development to get excited about the discovery potential of this enigmatic property. Over the next couple of years, Avalon and Contango Ore identified numerous precious and base metal targets across what is now a roughly 774,000-acre land package made up of the original lands that Juneau leased from Tetlin Village and adjoining State of Alaska lands that the Texas-based company staked to cover similar prospective lands to the west.

While the property turned out to be rife with prospects worthy of serious geological investigation, by 2012 the search was narrowed to a zone in the heart of the Tetlin lease named Peak, after co-founder and original CEO of Contango Ore, Kenneth Peak.

By the end of the 2013 exploration season, 6 million metric tons of indicated resource averaging 3.46 grams-per-metric-ton gold, 11 g/t silver and 0.25 percent copper had been identified at Peak. Additionally, the resource calculation published early in 2014 included 3.9 million metric tons of inferred resource averaging 2.07 g/t gold, 14.28 g/t silver and 0.23 percent copper. In total, this equates to 1.2 million oz. of gold when you calculate in the value of the copper and silver.

As it turns out, Peak is a unique type of skarn deposit that was formed when metal-laden magmatic fluids came in contact with carbonate-enriched sandstones, causing the metals to quickly drop out and result in high-grade concentrations of gold and copper suspended in acidic fluids.

Attracted by the growth potential of the high-grade gold-copper-silver deposit resulting from this process, along with prospects for discovering other similar deposits across the district-scale land package, Royal Gold agreed to become an active partner in Tetlin exploration early in 2015.

Peak Gold, the resulting limited liability joint venture forged between Contango Ore and Royal Gold, completed US\$6.8 million of exploration in 2015, a program that expanded the breadth and depth of the Peak deposit as well as discovering Peak North, a seemingly parallel zone of mineralization with similar grades and thicknesses about 250 meters to the north.

"We really like the Royal Gold people, and we really like the joint venture and how it is functioning," Juneau told Mining News in May. "They have done everything they said they would do, and are very straightforward and open."

The Contango Ore CEO said Royal Gold's contribution to Tetlin goes beyond the nearly US\$20 million the Denverbased royalty company will have invested in the project by the end of 2016.

"The folks at Royal Gold have definitely made a material impact, both with their capital and their work," he said.

Making the connection

Peak Gold got an early start on 2016 exploration by kicking off the first-ever winter drill program at Tetlin in February, a program focused on drilling at and around the Peak and North Peak zones.

Using a single rig, the road-supported winter program completed 4,040 meters of diamond core drilling in 19 holes.

"We continue to be impressed with the efficiency of the drilling operations, as we are seeing significant improvements in the cost per foot drilled, which stands currently at approximately \$115 per foot," Juneau continued. "In addition, the number of holes that encounter skarn material, a prerequisite for finding gold in this area, has improved such that most holes find this type of mineralization."

The partners had budgeted US\$4.4 million for the first phase of 2016 exploration, but between the efficiency of the program and an early spring, only US\$1.9 million was spent before breakup.

Winter drilling at North Peak, a deposit not included in the resource but extensively drilled in 2015, continued to return good results:

•TET16192 cut six mineralized intercepts at North Peak, including 13.27 meters averaging 49.19 g/t gold, 4.5 g/t silver and 0.035 percent copper from a depth of 78.5 meters;

•TET16204 cut three mineralized intercepts at North Peak, including a silver-rich 1.82-meter zone averaging 16.34 g/t gold, 328.4 g/t silver and 0.157 percent copper from a depth of 60.95 meters;

•TET16206 cut 43.43 meters at the North Zone averaging 3.6 g/t gold, 2.08 g/t silver and 0.108 percent copper from a depth of 78.5 meters.

•The most intriguing and potentially the most important intercept came in hole TET16210. Drilled about 200 meters southeast of North Peak and 200 meters northeast of Peak, TET16210 cut two mineralized intercepts, including 43.96 meters averaging 3.28 g/t gold, 30.6 g/t silver and 0.402 percent copper.

Drilled in a zone dubbed Connector, this final hole of the winter program tested an idea that Peak and North Peak may be two parts of a continuous band of skarn mineralization.

Given the grades and thickness of the mineralization are similar to the other Peak zones, the geological model seems to hold up.

"The winter drilling program was successful in expanding the known limits of both the Peak and North Peak zones, and perhaps most importantly found new, significant mineralization in its first drill hole in the Connector Zone that may lead to a better understanding of the relationship between Peak and North Peak and possible further expansion of the mineral system," explained Juneau.

New entries

As soon as the snow melted and the ground dried, the Peak Gold partners set out to further test their idea that the Peak, Connector and North Peak zones link up to form a roughly 2,000-meter arc of contiguous high-grade skarn mineralization. This would be roughly three times the footprint of the Peak deposit outlined in a resource estimate calculated in 2013.

On June 27, Contango Ore released results from 11 more holes drilled at North Peak and West Peak, a zone immediately west of the Peak deposit.

Highlights from North Peak include:

•TET16211 cut four mineralized intercepts, including 10.31 meters averaging 3.5 g/t gold from a depth of 16.11 meters;

•TET16220 cut three mineralized intercepts, including 26.03 meters averaging 4.67 g/t gold from a depth of 30.2 meters; and

see **TETLIN** page 11

continued from page 10

TETLIN

•TET16221 cut four mineralized intercepts, including 17.92 meters averaging 8.23 g/t gold from a depth of 21.61 meters.

All three highlighted intercepts were to the southeast of North Peak, in the direction of the Connector zone. Highlights from West Peak include:

•TET16218 cut five mineralized intercepts, including 15.01 meters averaging 7.1 g/t gold from a depth of 191.47 meters; and

•TET16219 cut two mineralized intercepts, including 9.9 meters of 1.37 g/t gold from a depth of 37.65 meters.

These holes represent the most northwesterly drilled at Peak-West Peak and other holes are planned further northwest during the second phase 2016 program at Tetlin.

"With the new drill-hole data, we are continuing to find significant thickness and impressive grades of gold," Juneau commented. "Our immediate goal is to extend the known limits of the deposits we have found, and to provide enough information to provide reliable data on the continuity of the gold distribution in each area."

The results from this year's drilling and the more than 14,000 meters of drilling completed in 2015 is anticipated to be included in an updated resource estimate to be calculated after the phase 2 drilling is complete. Considering that drilling has expanded Peak at depth and the lateral extension of the skarn mineralization beyond the deposit, a significant increase in resource should be expected.

Prospecting, meanwhile, continues to identify and prioritize drill targets beyond Peak.

"We are continuing our surface recon program and

may carry out additional soil geochemical sampling work to develop new drilling targets this summer" Juneau said. "Our cumulative drilling from 2011 through the present has tested less than one percent of the acreage that we currently have under lease."

Given the large number of prospects across the huge Tetlin property with geochemical and geophysical signatures similar to Peak that have yet to be drilled, it is likely that at least one of these future drill targets will be the topic of Contango Ore's next entry in the annuls of Alaska geology.

Or as Juneau put it when Mining News asked about the future of Contango Ore, "I see no reason to do anything different."

Considering that the Contango Ore share price has rocketed from a low of US\$2.43 in February to US\$13.49 on June 29, the market seems to agree that staying the course is good policy. ●

continued from page 10

NORTHERN NEIGHBORS

are issued in exchange for a loan with maturity only three months longer than the existing loan and (that add) little to the treasury." Hecla has notified the TSX Venture Exchange of its concerns and requested that the exchange not approve the issuance of warrants to Dolly Varden's proposed new lenders. Moore contends that "the warrants issued with the new loans are no more dilutive than the same number of warrants with a lower exercise price issued to Hecla and Gipson under the Hecla-Gipson loan." The Hecla-Gipson loan is set to expire in September. Hecla, however, said it has been willing to extend the loan and offer Dolly Varden a loan with a longer maturity date, lower interest rate and double the new funding. Restrictions on equity financings, however, seem to have been a sticking point in the negotiations. "We've had a number of discussions this year with Hecla regarding options for Dolly Varden to repay the Hecla-Gipson loan. Dolly Varden, Hecla and Gipson were not able to come to terms on converting debt to equity, a loan extension or an equity financing," Moore explained. Dolly Varden said it will seriously consider Hecla's takeover proposal and notify shareholders of its recommendations. Hecla has already entered into support agreements with shareholders who collectively hold 2.5 million Dolly Varden shares and 1.25 million Dolly Varden warrants. Hecla and the supporting shareholders hold 5.12 million shares and 2.5 million warrants, or about 34.4 percent of Dolly Varden's shares on a fully diluted basis. Each warrant entitles the holder to acquire one additional share at a price of C30 cents per share.

BHP funds C\$4 million exploration program at Storm copper project

Aston Bay Holdings Ltd. June 28 said a C\$4 million exploration program at its Storm copper project is set to begin in early July. The program includes roughly 2,000 meters of drilling; re-logging of existing core mapping; soil sampling; and prospecting. "As the operator of the project, Aston Bay is excited to test highpriority targets while advancing additional targets for future drill programs," said Thomas Ullrich, executive vice president, exploration, Aston Bay. Under the terms of an option agreement finalized in May, BHP Billiton Ltd. can earn a 75 percent interest in Storm by spending a minimum of C\$40 million on exploration of the property over a period up to nine years. This year's program is to be included in the earn-in.



Since going into production in 1998, the Ekati diamond mine in Northwest Territories has become world-renowned for its premium diamonds. A recent fire in the processing facility is expected to curtail the production of these gem-quality diamonds in 2016.

Fire forces shutdown of Ekati's production for next three months

Dominion Diamond Corp. June 27 said the processing plant at its Ekati diamond mine in Northwest Territories is out of operation due to a June 23 fire. The blaze was quickly extinguished and all personnel were safely evacuated from the plant without injury. The damages were limited to a small area of the process plant, with no damage to the main structural components. Repairs will require the replacement of one of the main degritting screens and associated components, as well as some electrical wiring and related infrastructure. The repairs to the plant are expected to take about three months, after which the plant is expected to resume operations at full capacity. Dominion has initiated a plan to reduce operating and capital costs during this time, which includes an adjustment of mining operations to pause mining at lower priority and lower value ore bodies, a deferral of non-essential sustaining capital, and a temporary layoff of affected staff across the company. The company will continue to mine higher value material during the process plant shutdown. Ore mined during the process plant downtime will be stockpiled, with the intention to prioritize the processing of the highest value material when the plant restarts. Dominion said it will provide further updates as information becomes available. In addition to owning controlling interest and operating Ekati, Dominion owns a 40 percent stake in the Diavik diamond mine, also in Northwest Territories.

Seabridge to remediate old workings at Iskut while seeking new finds

Seabridge Gold Inc. June 28 reported that it has begun robust environment remediation of historical mining activity at its newly acquired Iskut property in northwestern British Columbia, including the historical Johnny Mountain Mine. The Tahltan Central Government, the administrative governing body of the Tahltan First Nations, has expressed its support of this environmental work. "We have a strong interest in the remediation of the Johnny Mountain mine site on our traditional territory," explained TCG President Chad Day. "We expect to work

closely with Seabridge to ensure that Tahltan citizens benefit from this work and that we are kept fully informed of the progress that is being made in the planned clean-up programs. During the eight- year Environmental Assessment Process for KSM, Seabridge demonstrated (its) willingness and openness in addressing environmental issues, and we look forward to continuing our excellent working relationship with (the company)." Seabridge's planned environmental and engineering work for this summer will begin the evaluation and development of remediation programs to mitigate the impacts of past mining activity at an estimated cost for this year of C\$750,000. This program will include a comprehensive evaluation of best practices for future remediation on the property, drawing from the Seabridge environmental team's experiences at KSM and other North America sites and input from the Tahltan First Nation and British Columbia regulators. Work will begin with a general site cleanup in the vicinity of the Bronson Slope Airstrip. The environmental work will be completed in conjunction with Seabridge's planned 2016 exploration program for the property. Seabridge Chairman and CEO Rudi Fronk said, "We take pride in being a responsible mineral exploration and development company. Integrating a substantial environmental work plan into this year's exploration program sets us on a path to improving site conditions. Going forward, exploration will go hand in hand with remediation."

Commander cuts deal to acquire Flume, other Bearing gold properties

Commander Resources Ltd. June 23

see NORTHERN NEIGHBORS page 12



continued from page 9

NEWS NUGGETS

ples assaying up to 16.5 percent copper. In the past week, while constructing drill pads to evaluate the Lense 9 IP Target, geologists identified outcropping copper mineralization, including bornite, immediately to the southwest of the Guardian IP anomaly. In addition to drilling, a geophysical survey crew has been collecting new IP data at Caribou Dome Project since midJune. This work began by targeting a deeper response at the Menel and Guardian targets. The geophysical surveying will be extended to the northeast of this area, where no IP data has been acquired previously, but where extensive copper-in-soil anomalies were identified in 2015. This IP survey is expected to take around a month to complete, and the company is prepared to

reprioritize drill targets based on the results. Coventry expects to report initial assay results from the current drilling before the end of July.

MSHA to stiffen enforcement of 'Rules to Live By' standards

The U.S. Department of Labor's Mine Safety and Health Administration June 27 unveiled plans to begin enhanced enforcement of "Rules to Live By," an initiative focused on preventing mine fatalities. Joseph Main, assistant secretary of labor for mine safety and health, said "mine operators need to conduct better site inspections and take appropriate action to improve compliance with" MSHA's Rules to Live By and other safety standards. An agency analysis of hundreds of U.S. mining fatalities in a 10-year period shows that fatalities associated with Rules to Live By standards have

decreased an average of 23 percent, and significant and substantial citations and orders issued for violations of these standards have declined an average of 37 percent. Beginning July 1, MSHA will employ its web-based Rules to Live By calculators more extensively to determine the number of citations and orders issued during the most recent completed inspection periods



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for which data are available. Inspectors will provide mine operators with a copy of the results, encouraging them to use the tools to monitor their own compliance and take action to eliminate violations. The results will be added to criteria for consideration of impact inspections, particularly targeting mines with elevated non-compliance of these standards.

continued from page 11

NORTHERN NEIGHBORS

said it has finalized an agreement to acquire four mineral exploration properties from Bearing Resources Ltd., including the Flume gold property in Yukon Territory, two in British Columbia and one in Mexico. Three royalties, including a production-defined royalty on a portion of the Boundary Zone deposit at Imperial Metals' Mt. Polley Mine in British Columbia, is also part of the agreement. Situated about 60 kilometers (35 miles) southwest of Dawson City, the Flume property was recently explored by Ryan Gold Corp. The best intercept of nine holes drilled by Ryan gold was two meters averaging 5.76 grams per metric ton gold. Commander reports that a 10-kilometer- (six miles) long gold-in-soil anomaly targeted by this drilling has only been partially drill-tested in one area. The acquisition also will include the October Dome gold-copper property in central B.C. and the Pedro gold property in Durango, Mexico. Under terms of the acquisition pact, Commander will issue 12 million shares and pay to Bearing C\$15,000 for all the assets.

Mount Polley tailings dam repaired, back in use

Imperial Metals Corp. June 23 reported that the British Columbia Ministry of Energy and Mines and the Ministry of Environment have authorized the Mount Polley Mine to return to normal operations making use of its repaired and buttressed tailings storage facility. Imperial said the management and staff at Mount Polley worked in close cooperation with regulatory agencies, First Nations and members of the local communities, to repair and reinforce the tailings facility in accordance with best applicable practices identified by a panel of independent engineers. Thorough investigations by an independent engineering review panel, the B.C. Ministry of Energy and Mines, and a team from Golder Associates Ltd. - the engineer of record retained by Mount Polley – all concurred on the failure mechanism that led to the breach of the tailings dam in 2014. The updated design of the embankment in the area where the failure occurred reflects the results of these investigations. Furthermore, all the existing TSF embankments were investigated, and foundation conditions throughout were comprehensively characterized. These investigations led to modification of the embankments to assure

The updated design of the embankment in the area where the failure occurred reflects the results of the investigations.

that the stability of the structure meets or exceeds all applicable legislative requirements and guidelines. "A return to normal operations is important to the region as Mount Polley is a significant contributor to the economy, directly providing about 350 jobs, as well as supporting the local communities of Likely, Williams Lake and the surrounding region, said Imperial Metals President Brian Kynoch. "Mount Polley is committed to working with First Nations and local communities to complete rehabilitation of the areas impacted by the breach, and we thank all those involved in the rehabilitation for the excellent work that has been completed to date." Since the breach of the Perimeter Embankment, Mount Polley has completed significant rehabilitation of the areas that were affected by the breach, and will continue necessary rehabilitation and monitoring of those areas. Imperial said research and monitoring indicates the environment impacted by the tailings breach is recovering rapidly and no long-lasting effect is anticipated.

