

Letters to the Editor

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[Aller au sommaire du numéro](#)

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Letters to the Editor

Sir,

I am writing with respect to certain allegations concerning Pine Point Mines Limited contained in a recent article, entitled "Metallic Mineral Potential of the Western Interior Platform of the Northwest Territories", written by Walter Gibbins (*Geoscience Canada*, v. 15, p. 117-119). In specific, I wish to address the allegation contained in the article that Pine Point Mines Limited is "highgrading" its Pine Point property.

In the traditional sense, highgrading means removing only the richest portion of a deposit and leaving an economic, but depleted, remnant. This was not the case at Pine Point. The entire economic ore resource at Pine Point was mined prior to shutdown. The orebodies mined during the last years of the operation were mined in their entirety to the same cutoff criteria as the other deposits (48 in total) mined throughout the life of the operation.

The grade of ore milled during the run-out of the operation was 13.1% Pb + Zn versus the mine life average of 10.1% Pb + Zn. This higher ending period grade arose on account of mining the 21.1% Pb + Zn N-81 orebody without which the average ore grade during the run-out was 9.9% Pb + Zn.

The Company removed fifteen million tons of mineralized material (not ore!) from its ore reserves in 1985 and 1986 because the W-85, H-02, G-03, and other deposits were not economically or practically mineable given the high stripping ratios and excessive dewatering requirements, not to mention the cost and adverse environmental impact of relocating the Buffalo River. These deposits are still available in their entirety should anyone wish to submit a proposal to mine them.

It is a shame that good mines must come to an end. The economics and practicality of mining must determine when that end is, not the availability of uneconomic mineralization. Most professionals understand that mines are in business to earn a profit for shareholders. For social reasons, there is also an obligation to extract all currently economic resources. We have accomplished both of these objectives at Pine Point.

You should also know that Pine Point Mines spent over \$20 million exploring the property after 1981 when the N-81 deposit was found. This exploration work failed to locate any significant ore reserves on which to base a continuing operation. The decision was then taken to run out the existing ore reserves in the most cost-effective manner, and this has now been done.

Accordingly, anyone who calls this highgrading displays a lack of understanding of the specific situation, the economic factors involved and the term itself.

Equally unsupportable is the puzzling allegation made in this article that "... Decreased zinc demand, increased production from other deposits and imminent production from very large high-grade deposits in Alaska and Australia have made the used equipment at Pine Point more valuable than five years of zinc production." The author offers no evidence to support this statement which some may read as suggesting that the Directors of this Company have breached their fiduciary duty to Pine Point's shareholders.

In addition, if Mr. Gibbins would check the 1986 Pine Point Mines Limited Annual Report, he would find that my words were "The operation is going out in fine style as a *great* producer", not as a "*healthy* producer", as misquoted. [emphasis added]

I therefore request that you print this letter at the first available opportunity to correct the misinformation and errors contained in the article in question.

D.L. Johnston
President and Chief Executive Officer
Pine Point Mines Limited

Sir,

Thank you for the opportunity to respond to Mr. Johnston's comments.

First of all, he contends that I have alleged that Pine Point Mines Ltd. is "highgrading" its Pine Point property. I feel I have not made any allegation, but simply acknowledged the opinion of others. For example, page 6 in the March/April 1987 issue of *World Mining Equipment* states "At the beginning of last year Cominco reversed a previous decision to cut output at Pine Point by 50% and decided instead to high grade the deposit, recovering as much metal as possible in a last rush of activity".

Mr. Johnston also objects to my comments about used mining equipment. He is quoted in the April 11, 1988, issue of *The Northern Miner* as saying, "When we looked at winding up the operation, we thought we could probably pay for the complete windup of the place by sale of assets, and this is proving to be the case" and this amount is "fairly close" to 15 million dollars. The five years of zinc production in the context of the paragraph refers to the 15 million tons removed from the ore reserves as not economic. This is about the same quantity and metal content as 1977-1981 mill feed. I think it reasonable to assume that this has a current value of less than 15 million dollars.

The statement was made to express the difficulties and irony of conditions in the mining industry, particularly the zinc industry. I find it difficult to understand that this may suggest a breach of duty by anyone.

I would like to thank Mr. Johnston for pointing out the error in the statement attributed to him. I take responsibility and apologize for this error. Pine Point certainly has been a *great* producer.

Walter Gibbins
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