

CURRAGH INC.
Inter-Office Memorandum

TO: See Attached Distribution List

FROM: Gregg A. Jilson
Vice-President, Exploration
Whitehorse Office

cc: C.K. Benner, President, Operations
M.H. Pelley, President, Corporate Development &
Projects
J. Hendry, VP, Engineering

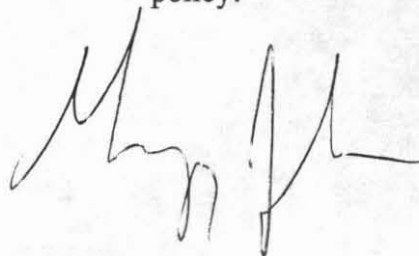
RE: Corporate Policy on Ore Reserves and Mineral Inventory

DATE: 08 11 1992

In order to avoid confusion and misuse of the term 'reserves', the attached policy has been prepared. The policy has been approved by the Chairman. Adherence to this policy will ensure that the company can meet its reporting requirements to the SEC and OSC more readily than as been the case in the past.

You will note that the policy will cause us to revise the use of certain terms and generally changes some of the ways we operate in this area. In particular note the following:

- 1) The term reserves is to be used in the context of its strict definition only.
- 2) Use of 'geological reserves' is to be discontinued in favour of 'mineral inventory'.
- 3) All reserves and inventories must be classified into proven, probable or, if relevant, possible mineralization.
- 4) The classification of proven-probable-possible must be retained in mine schedules and separate totals of each class kept.
- 5) A possible reserve does not strictly exist. Any such poorly defined material, if included in a mine plan, must be separately quantified and clearly identified in mine schedules as well as plans and sections.
- 6) All consultants working on reserves or mine plans for the Corporation should be given a copy of the technical specifications for reserves and informed that their product must adhere to this policy.



CORPORATE POLICY ON RESERVES AND MINERAL INVENTORY

In order to ensure compliance with SEC and OSC regulations which govern Curragh's activities the following conditions must be met in any future reserve estimate:

- 1) the tonnage and grade quoted must be for extractable ore,
 - tonnage and grade must be adjusted to reflect dilution,
 - the ore must be in a mineable configuration and a plan to mine the material must exist;
- 2) the favourable economics of ore extraction must be established;
- 3) the legal right to extract the ore must exist,
 - this includes valid mineral title and authority to mine but does not go so far as environmental permits; and
- 4) the ore may include proven and probable classes only.

Estimates of in place material are acceptable provided that they are qualified to show anticipated losses due to mining and beneficiation. The feasibility of the operation is expected to be established using estimates based on prices at the time the calculation is done. Operating mines are, however, not required to regularly revise their reserves in light of fluctuating prices. Ore must be either proven or probable, possible does not exist as a category. It is acceptable to combine proven and probable if the classes cannot be reliably separated in this case the combined material may be referred to as demonstrated. In order to use the term **reserve** in reports, estimation of no other type of mineralized material is acceptable. The definition of proven and probable to be followed is:

(1) Proven (Measured) Reserves: Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings, or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of reserves are well-established.

(2) Probable (Indicated) Reserves: Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measured) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.

In applying the definition of probable "continuity" should be assumed to have its usual geological as opposed to geostatistical definition.

Any other estimates of tonnage and grade that do not qualify as a reserve should be termed a **mineral inventory** rather than a reserve. The use of the term "geological reserve" is not acceptable.

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Any reserve estimate as defined above should be accompanied by a statement of the additional mineral inventory and the total mineral inventory for the property. If a portion of this resource is sterilized by previous mining or other considerations that portion should be identified and separately quantified where possible.

Reserve Estimate Documentation

All mineral inventories or reserve statements should be presented in the form of a concise summary table containing the following information, by mining area within a specified mine design, by classification, subtalled and totalled as appropriate:

- In situ Ore Volume
- In situ Bulk Density
- In situ Tonnes
- In situ Grade Values
- Mining Recovery Estimate
- Mining Dilution Estimate
- Ore Reserve Tonnes
- Ore Reserve Grade Values

This table should include, as footnotes or otherwise, the following:

- Date that the estimate was prepared
- Exploration information base - drill programs included, etc.
- Geology interpretation base - model id., section reference, etc.
- Grade cutoff values used
- Minimum mineable thickness used
- Mine design basis - pit design, mine layout reference
- Name of person or group that prepared the estimate and the mine design
- If applicable, the portion of the deposit estimated

The table should contain all information to function as a stand alone document. All quantities should be unequivocally identified as tonnes or tons, percent, ounces per ton, grams per tonne or any other relevant measure. It should become practice to round reserve quantities upon final reporting commensurate with the level of accuracy of estimation.

The table should be accompanied by a reserve report which includes all of the information necessary to judge compliance with regulations. The minimum information listed below must be provided with the reserve in a report.

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- The names of all ore zones with a brief description of the zone including its size, orientation, mineralogy, zoning, weathering, contacts, internal variation and a illustrative plan or section of the zone.
- A brief description of the major ore types especially as used in the reserve calculation.
- The geologic interpretation followed, spacing and type of sections or levels.
- The sample base for the geologic data and assays, including information on sampling density, sample size, sampling methodology, sample preparation and assaying.
- For each zone, an outline of the method of calculation (with an illustrative example) including assay compositing calculations and assay weighting methods, weighting of drillhole composite and blocks, range of influence and interpolation method.
- Discussion of all assumptions used.
- The method and limits of projection used.
- The minimum thickness and cutoff grade used.
- Details of the treatment of statistical outliers.
- The density or tonnage factor used and the rationale for its choice.
- Treatment of special conditions such as oxidation, weathering or core recovery.
- Tonnage and grade of various zones and for all the zones together.
- Classification of the reserve as proven, probable or for additional material as possible along with definitions of the classification as applied to the property.
- A brief description of the mine plan and mining method with illustrative sections and/or plans
- An explanation of the mining recovery for each zone.
- An explanation of the mining dilution for each zone.

Reserve Review and Approval

Before reserve estimates are adopted as official corporate reserves, they will be scrutinized by a review process. Submissions will be checked for compliance with SEC and OSC regulations, appropriateness of interpretation and ore classification, methodology of estimation, accuracy of calculations and the appropriateness of the mine design including dilution and recovery factors used. The review process will be carried out by a committee incorporating geological, surface and underground mining expertise as well as site knowledge. The Review Committee will have the following members:

- 1) Vice-President, Engineering

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- 2) Vice-President, Exploration
- 3) General Manager of property or project concerned
- 4) Chief Geologist of the property or project concerned

The Committee will review reserves in light of production for all operations quarterly and update reserves by subtraction of production and adjustments. On an annual basis a more exhaustive re-examination of reserves will occur. In conjunction with the mine staff the quarterly update will include an assessment of the applicability and performance of the existing reserve and a recommendation for a change if required. The Committee will assume responsibility for advising various offices and mines of the needed annual revisions as well as the schedule for completion and work with the relevant General Manager to allocate human resources appropriately. On an annual basis there will be a recalculation of the reserve base by year end or the agreed re-acceptance of the existing reserve and mineral inventory base if warranted.

The quarterly review must be complete and a summary presented to senior management in time for incorporation into 10K or 10Q submissions if judged relevant. The deadlines will be January 30th for the annual review and April 25, July 25, and October 25 for the quarterly updates.

The Committee will prepare a concise summary of the current reserve and resource base of the company. For the convenience of users, and to avoid unit conversion and rounding convention discrepancies, both a metric and imperial version of the summary will be prepared. The Reserve Summary will be submitted to Chairman and President, Operations and President, Corporation Development & Projects for approval. The approved Reserve Summary will be distributed as follows:

- o Chairman and C.E.O.
- o President, Operations
- o President, Corporate Development & Projects
- o Vice-President, Engineering
- o Vice-President, Exploration

Reserve and inventory information that may be released to persons outside the company will only be that tabulated in the approved summary. Individuals who may release reserve information to the public are:

- o Chairman and C.E.O.
- o President, Operations
- o President, Corporate Development & Projects

CORPORATE POLICY ON RESERVES AND MINERAL INVENTORY

The release of reserve and mineral inventory information to auditors and consultants working on behalf of the corporation and, where required, to government regulatory bodies must be approved by one of the above and must be restricted to information on the approved summary.

No person should quote any reserve estimates other than those in the approved summary. No person other than the above should release reserve information to the public. Information requests from government agencies must be routed through one of the people authorized to release this information.