

003279

To R. Tolbert, R. Lopaschuk

From D. Gregoire

Date May 28, 1984

Subject Wall of No. 3 Pit

I assume this was discussed with Rik Visagie on May 24 at the Guesthouse.

Please let me know what was decided:

i.e. diamond drilling - where start  
                                  where end  
                                  etc.

mining plans - start  
                          end  
                          implications  
                          delays  
                          etc.

*design or actual production?*

Thanks.

*for* Brenda  
D. Gregoire

DB/DBC  
encls.



**INTERNAL CORRESPONDENCE**

To J. H. McKIBBON, R. TOLBERT,  
R. LOPASCHUK, ~~XXXXXXXXXXXXXXXXXXXX~~  
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Date 84 05 14  
YEAR MONTH DAY  
From H. M. Visagie  
Business Development  
DEPARTMENT AND LOCATION  
File CCF 03

Subject: WALL OF NO. 3 PIT

The recent sectional calculations of the Faro reserves by I. Hall indicates that the current pit plans excludes 3.3 million tonnes of 8.2% combined lead and zinc grade (Exhibit 1) which occurs in the northeast wall of the Faro Pit. Based on a rock volume of 200 by 800 by 1800 feet, the stripping ratio is roughly 6 tonnes of waste for every tonne of ore and first pass economics indicate these reserves will add \$4.7 million value to CAMC (Exhibit 2).

In order to determine whether or not these reserves are mineable, the following program is proposed.

- o The mine geologists review the sectional calculation and determine if the reserve estimate is valid or should be upgraded. They should also determine if further drilling is required.
- o The mine engineers should determine whether or not this reserve is mineable and identify what problems will be either created or eliminated by mining this reserve.
- o A plan should then be developed to ensure that the economic reserves will be recoverable and not compromised by current mine plans.
- o Finally, the northeast wall reserve, ramp zone and any economic open pit mineable reserves on the west wall must be incorporated into the mining plan. The addition of reserves, new geologic information, economic changes and new milling rates, etc. probably means that the current mine plans of the Faro No. 3 pit should be reviewed in order to determine if a more optimal plan exists.

HMV/rdp  
Attach.

FARO



## ECONOMICS OF RESERVES IN NORTHEAST WALL

## CYPRUS ANVIL

YEAR	REVENUE	OPERATING COSTS	ROYALTIES		INTEREST	TAXES	CAPITAL	DEBT	WORKING CAPITAL	CASH FLOW
			PRIVATE	GOVERNMENT						
1984										
1985										
1986										
1987										
1988										
1989		11 502				(2 976)				(8 525)
1990		12 192		(1 077)		(5 198)				(5 916)
1991		12 923		(1 255)		(4 458)				(7 210)
1992	512 552	362 291		5 043		48 575	3 408			93 235
PV 0	512,552	398,907		2,711		35,942	3,408			71,583
PV16	145,159	118,580		606		8,996	965			18,013

INTERNAL RATE OF RETURN IS 89.8 PERCENT

## Notes:

- o The above cashflow was calculated using the following assumptions
  - 4073 million tonnes of mineable reserve at combined grade of 7.8%
  - stripping ration 6.7 tonnes waste to 1 tonne of ore
  - base case assumptions per DSA
  - opportunity cost of delaying production of other reserves not considered

- o Adjustments to value of above reserves

$$\text{Reduce reserves: } \$18013 \times \frac{3324}{4073} = 14,700$$

$$\text{Opportunity loss } \$134,000 \times .091 \times \frac{3324}{4073} = 9,951$$

$$\text{Net} = 4,749$$