

**EXPENDITURE (AFE) PROPOSAL
SUMMARY**

Division: Faro Department :Exploration Date : 11-Apr-96

Nature and Purpose of Expenditure:

Four year, integrated geological and geophysical reassessment of Anvil Range Mining Corporation's Anvil District mineral property and the MM and JJ claims south of Ross River to discover new mineral deposits for exploitation by open pit or underground methods.

Type of Expenditure

Budgeted This Year (y/n)	Y	NOTE #1
Cost Reduction		
Development	Y	
Expansion	Y	
Mandatory/Emergency		
Replacement		
Expected Life Years		
CCA Tax Class		
Carry-over		
Supplementary		

Costs

Equipment Purchase	
Taxes and Duties	
Insurance and Freight	
Const. Labour	
Const. Overheads	
Equipment Rentals	
Anvil labour	1,073,000
Maint. Supplies	
Operating Supplies	
Contract Price	5,882,500
Contingency	
Total : NOTE #2	6,955,500

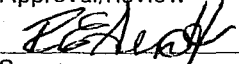

Planned Submission Date APRIL-96
 Approval Required By A.S.A.P.
 Timing of Spending 1996 - 1999
 Lead Time (months) 2

Revenue Increase N/A
 Cost (Increase)Decrease 6,955,500
 Depreciation / depletion -
 Net Earnings (6,955,500)

Payback Years NOTE #3

Net Present Value NOTE #3

Economic Justification LOCATE NEW, ECONOMIC MINERAL DEPOSITS
 NOTE #1: \$426,500 for Swim Basin and Faro Northwest exploration included in budget.
 NOTE #2: \$224,000 approved under AFE#96003
 NOTE #3: No revenues estimated.

Approval/Review	Date	Date
	<u>May 31, 96</u>	
Sponsor		Controller
	<u>96/06/01</u>	
Department Head		Chief Financial Officer
Director of Accounting		
General Manager		President and CEO

AFE Number Job Number Job Account

PROPOSAL

To undertake a four-year, integrated geological and geophysical reassessment of Anvil Range Mining Corporation's Anvil District mineral property and the MM and JJ claims south of Ross River (Figures 1 and 2) to discover new mineral deposits for exploitation by open pit or underground methods (this does not include work intended to extend known mining reserves in identified deposits). The program comprises district-wide studies incorporating geological research to develop new exploration concepts, geophysical programs, and diamond drilling, mostly deep drilling, in six target areas (Vangorda Plateau, Swim Basin, Faro Southeast, Faro Northwest, and the MM and JJ claims). The cost of the entire program is estimated at \$6,955,500 as outlined on the attached table. The major expenditure is for drilling.

JUSTIFICATION

Development and long-term viability of Anvil Range Mining Corporation as a major mining company is contingent on its ability to discover or acquire, develop and exploit mineral deposits beyond its known resources. In the last ten years approximately thirty-four million tonnes of ore have been mined from the Faro, Vangorda and Grum deposits; this has significantly eroded the reserve base of the district. In the same period relatively little exploration was carried out despite good potential for additional discovery. Consequently, there has been no replacement of this reserve base, a situation that is clearly not sustainable.

First and most critical in discovering new deposits, once a decision to undertake exploration has been made, is to decide what to look for and where to deploy corporate exploration resources. These decisions are made easier for Anvil Range Mining Corporation by virtue of owning a lead-zinc mining "camp" with inherent high-potential to yield new mineral deposits at reasonable cost. This potential exists for several reasons, including:

- The occurrence of five Pb-Zn-bearing deposits on the Anvil Range property along a "favourable" trend proves that the geological environment of the district is suitable to host additional, similar deposits.
- Untested, geologically-favourable targets exist on the properties.
- Improved geophysical techniques are available to supplement earlier, successful, geophysical surveys.
- Infrastructure in the area is well established and exploration logistics well understood.
- An exploration model has been developed and successfully applied through a long history of property exploration, and exploitation, past and current, of three deposits.
- There is no known reason ore could not occur off the trend.
- Despite the long history of exploration, there is a general lack of information regarding the district in the subsurface at-depth and in overburden covered areas, particularly in areas off the "favourable" trend.
- Geological research could develop new "guides" to ore for the district or enhance interpretation of existing geophysical and geochemical survey data.

PROGRAM DESCRIPTION

The components of the program are as follow:

- **District-Wide Exploration** (\$1.97 million): reassessment and compilation of the geology and exploratory surveys of the entire Anvil District. This phase will include a detailed airborne magnetic and electromagnetic survey of the district and tests of various ground geophysical methods. Provision is made for geochemical, isotopic and/or mineralogical research to develop new exploration tools to guide deep drilling.
- **Vangorda Plateau** containing the Grum, Vangorda and Dy mineral deposits (\$1.76 million): mainly deep diamond drilling (12,500 m) in the areas between the known deposits.
- **Swim Basin** containing the Swim mineral deposit and the S.B. and Sea occurrences (\$1.22 million): mostly bedrock diamond drilling (5,700 m) and lesser overburden drilling with some geophysical fill-in work (mainly gravity, possibly some EM, pending results of test work).
- **Faro Southeast** containing the mined-out Faro deposit (\$0.64 million): mainly deep diamond drilling (4,200 m) in the area between Faro and Grum, but also includes a geophysical program with follow-up drilling south of the Ski Hill.
- **Faro Northwest** (\$1.05 million): mainly deep diamond drilling (approximately 7,500 m) on the north side of the lower Rose Creek valley where favourable stratigraphy is deeply buried beneath a thick layer of calc-silicates.
- **MM and JJ Claims**, the only component of the program outside the Anvil District (\$0.32 million): diamond drilling (approx. 2,000 m) and related exploratory surveys on a property 75 km south of Ross River with potential to host volcanogenic Cu-Pb-Zn-Ag mineralization.

Details of proposed program components are provided in Report 96-01, "Geology and Exploration Potential of the Anvil District - Yukon", by Access Mining Consultants Ltd. dated January 1996. Table 4 from that report has been modified (Table 1, attached) to show two projects already included in the 1996 exploration budget, one of which (Swim Basin drilling) has been completed and AFE 96003 has been issued.

RECOMMENDATION

It is recommended that the proposed program be undertaken, starting in the spring-summer of 1996. The program is conceptual and requires considerable additional planning. Some rescheduling of program components will be required to efficiently execute the program. For example, if geophysical tests are successful then additional geophysical survey work would cause follow-up drilling to be deferred.

Table 1

1996 Exploration AFE
Proposed Exploration Expenditures - Anvil District

	1996	1997	1998	1999	Total
District Wide Exploration					
geological re-interpretation	319,000	254,000	-	-	\$ 573,000
geological staff + overhead	-	-	250,000	250,000	\$ 500,000
airborne geophysics	420,000	-	-	-	\$ 420,000
exploration research	125,000	75,000	25,000	-	\$ 225,000
geophysical tests	250,000	-	-	-	\$ 250,000
Sub-total	1,114,000	329,000	275,000	250,000	\$ 1,968,000
Vangorda Plateau					
Grum block - extensions to Grum	252,000	-	-	-	\$ 252,000
Grum block - southwest to Grum	336,000	-	-	-	\$ 336,000
Vangorda block	336,000	-	-	-	\$ 336,000
Dy block - northeast of Dy	150,000	-	86,000	100,000	\$ 336,000
Dy block - southwest of Dy	150,000	-	100,000	250,000	\$ 500,000
Sub-total	1,224,000	-	186,000	350,000	\$ 1,760,000
Swim Basin					
Trend south of Moose Lk.	240,000	-	-	-	\$ 240,000
Overburden Drilling	-	300,000	-	-	\$ 300,000
magnetic anomaly east of Moose Lk.	-	-	144,000	-	\$ 144,000
South of Swim Lk.	150,000	140,000	120,000	-	\$ 410,000
geophysical followup	125,000	-	-	-	\$ 125,000
Sub-total	515,000	440,000	264,000	-	\$ 1,219,000
Faro Southeast					
Valley south of Ski Hill - geophysics	50,000	-	-	-	50,000
Valley south of Ski Hill - drilling	112,000	-	-	-	\$ 112,000
Deep drilling west of Ski Hill	-	100,000	124,000	250,000	\$ 474,000
Sub-total	162,000	100,000	124,000	250,000	\$ 636,000
Faro Northwest					
Below calc-silicate panel, NW of Faro	120,000	-	-	-	\$ 120,000
Below calc-silicates down Rose Creek	82,500	-	-	-	82,500
Deep drilling elsewhere	-	250,000	250,000	350,000	\$ 850,000
Sub-total	202,500	250,000	250,000	350,000	\$ 1,052,500
MM and JJ Claims					
Sub-total	320,000	0	0	0	\$ 320,000
Total	\$3,537,500	\$1,119,000	\$1,099,000	\$1,200,000	\$ 6,955,500

Notes:

Note 1: \$224,000 of the amount in the lightly shaded box is the Current Swim Lake Drill Program included in the 1996 budget covered by AFE 96003. Therefore, only \$16,000 is in the request.

Note 2: The amount in the darker shaded box is included in the 1996 budget as the Faro Northwest Project but no AFE has been submitted.

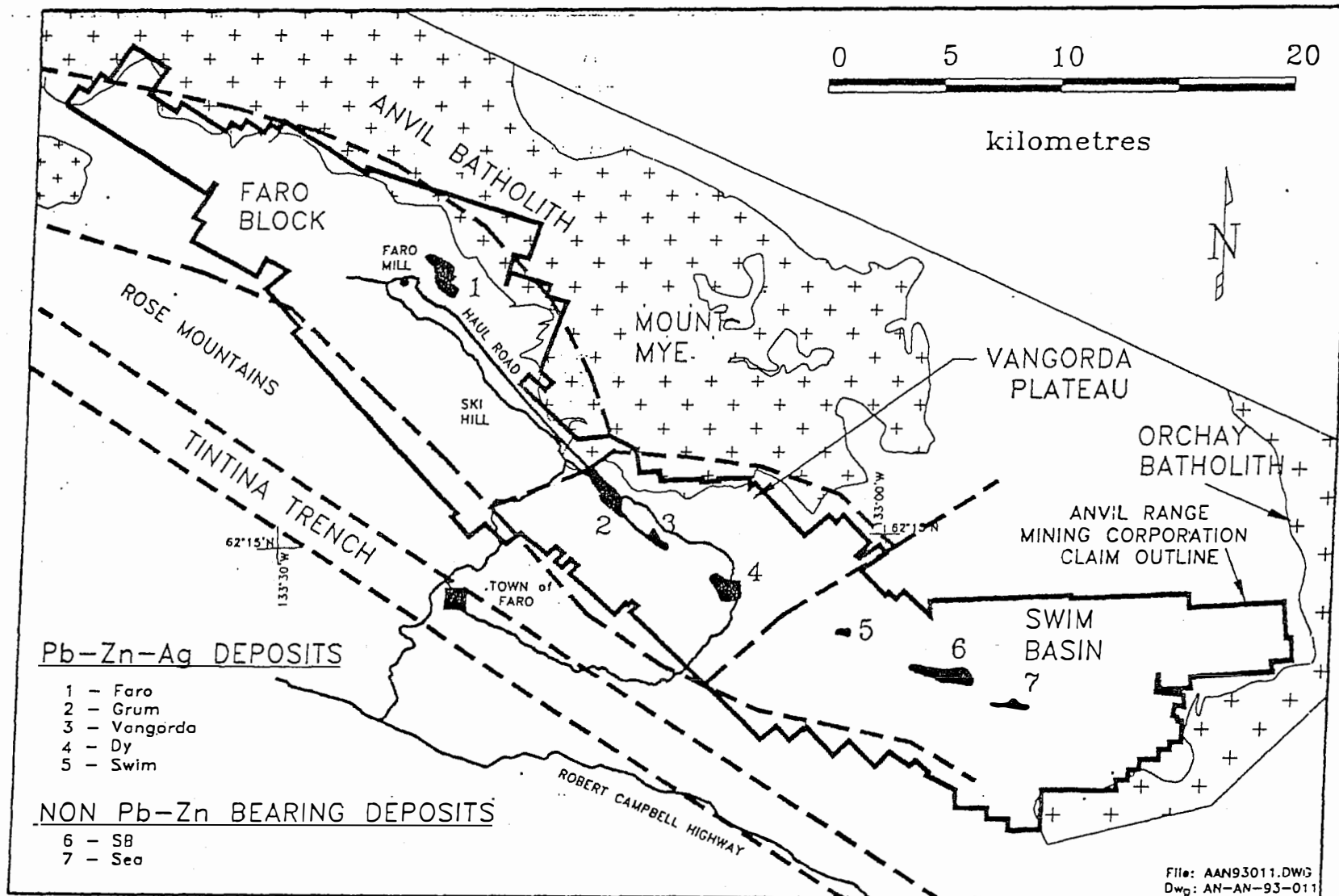


Figure 2: Anvil Range Mining Corporation's Anvil Range Lead-Zinc-Silver property near Faro.

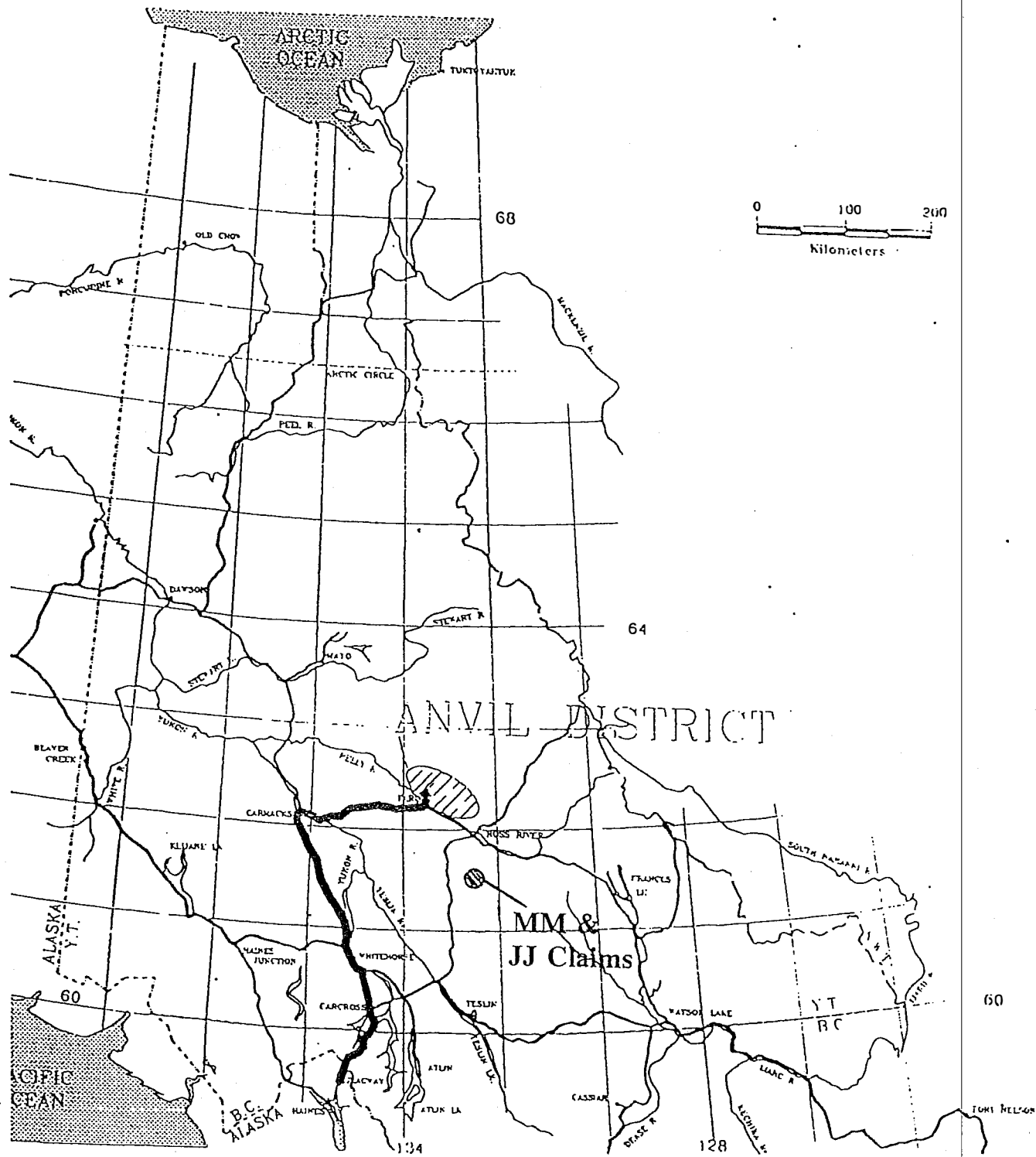


Figure 1: Location of the Anvil Range Lead-Zinc-Silver district near Faro and the MM and JJ claims located approximately 75 km south of Ross River.

Facilities

Although the operations at the Faro Properties were suspended in April, 1993, all structures and facilities were reasonably intact at the closing of the purchase of the Faro Properties in November 1994, had been reasonably well maintained and were capable of being re-started on relatively short notice. Anvil Range dewatered the Vangorda open pit in the late summer/early fall of 1995 following the pre-stripping of the Grum ore body between November, 1994 and July, 1995. Processing of ore from the Grum ore body commenced in August, 1995. Mobilization steps included the take-over of site security; the re-opening of offices and shops at Faro; establishing the Whitehorse and Toronto head offices with staff recruitment and the leasing of office space; recruiting operating management and staff; deployment of an initial contractor workforce; establishing accounting and financial control systems; ordering key equipment and re-establishing relationships with key suppliers. Anvil Range entered into agreements with Alaska Industrial Development and Export Authority ("AIDEA") in August, 1995 and various other suppliers of goods and services for facilities to transport its products to the port at Skagway, Alaska.

The mine plan contemplates the production of more than 3,700,000 tonnes of zinc and lead concentrate over the next 10 years. Ore reserves in each of the three ore bodies of the Faro Properties consist of both zinc and lead sulphide ores. The Grum ore body will provide the majority of the mill feed to the Faro Concentrator through the year 2002.

Mineral Inventory and Exploration

At Anvil Range's planned rate of production, the Faro Properties' proven and probable reserves have an estimated life of more than 10 years.

Access has recommended in the Access Report a four-year, exploration program for Anvil Range's mineral properties adjacent to the Faro Mine (the "Anvil District Mining Properties") and the MM and JJ claims south of Ross River. This program is designed to discover new mineral deposits for exploitation by open pit or underground methods. The cost of the entire program is estimated at \$6.95 million (of which \$.955 million has been included in the operating budget of Anvil Range for fiscal 1996). The potential for discovery on the Anvil District Mining Properties exists for a number of reasons, including:

- (a) The occurrence of five lead and zinc bearing deposits on the Anvil District Mining Properties along a favorable trend shows that the geological environment of such Anvil District Mining Properties is suitable to host additional, similar deposits.
- (b) An exploration model has been developed and successfully applied through a long history of property exploration and exploitation, of the three deposits on the Anvil District Mining Properties.
- (c) Despite a long history of exploration there is a general paucity of information regarding the Anvil District Mining Properties in the subsurface at depth and in overburden covered areas, particularly in areas off the favorable trend.
- (d) The absence of any known reason that ore could not occur off the favorable trend.
- (e) Improved geophysical techniques available to supplement earlier geophysical surveys.
- (f) Potential for development, by geological research, of new guides to ore for the Anvil District Mining Properties or to enhance the interpretation of existing geophysical and geochemical survey data.
- (g) The existence of untested geologically favorable targets on the Anvil District Mining Properties.
- (h) Infrastructure on the Anvil District Mining Properties is well established and exploration logistics well understood.

The exploration program consists of an integrated geological and geophysical reassessment of the Anvil District Mining Properties including research to develop new exploration concepts together with drilling and geophysical programs. The major expenditure will be for diamond drilling. There are three major components of the program as follows:

- ✓ (a) exploration (\$1.96 million) to compile and reassess the geology and exploratory surveys of the Anvil District Mining Properties. This phase will include a detailed airborne magnetic and electromagnetic survey of the Anvil District Mining Properties and tests of various ground geophysical methods. Provision has been made for geochemical, isotopic and/or mineralogical research to develop new exploration tools to guide deep drilling.
- (b) There will be intensive work done in the following four geographic sub-divisions of the Anvil District Mining Properties:
- ✓ (i) Vangorda Plateau (\$1.76 million), containing the Grum, Vangorda and Dy mineral deposits, which will consist principally of deep diamond drilling (12,500 m.) in the areas between and around the known deposits.
- ✓ (ii) Swim Basin (\$1.22 million), containing the Swim mineral deposit, which will consist principally of bedrock diamond drilling (5,700 m.) and lesser overburden drilling with some geophysical fill-in work surveys.
- ✓ (iii) Faro Southeast (\$0.64 million), containing the mined out Faro mineral deposit, which will consist principally of deep diamond drilling (4,200 m.) in the area between Faro and Grum mineral deposits and also including a geophysical program with follow-up drilling.
- ✓ (iv) Faro Northwest (\$1.05 million) which will consist principally of deep diamond drilling (approximately 7,500 m.) in an area where favorable stratigraphy is deeply buried.
- (c) An additional component of the program will take place on the MM and JJ claims (\$0.32 million) located 75 km south of Ross River which will include diamond drilling (approx. 2,000 m.) and related exploratory surveys. The claims have a potential to host volcanogenic copper, lead, zinc and silver mineralization.

Anvil Range will allocate \$5 million raised by the issue of the Debentures to the foregoing program which will fund the program until December 31, 1998. The balance of the foregoing program will be funded from cash flow of Anvil Range.

In addition to the ore reserves scheduled for extraction in the mine plan, Anvil Range also holds leases or claims in respect of mineralized materials located in or near the Faro Properties which are not currently scheduled for development. Anvil Range has also entered into an arrangement with the Ross River Dena which affords Anvil Range certain privileges in the event the Ross River Dena determine to assess the mineral potential of their lands in the Faro region. See "Ross River Dena Arrangement".

Mining

Mining at the Grum ore body is being conducted by open pit techniques, which involve the drilling, blasting, loading and hauling of what could be broadly conceived of as a large horizontal slice of the ore body sufficient to allow the mining equipment to operate in a cost-efficient manner. In order to access the ore in an open pit, the waste or uneconomic material is first removed. After blasting, the waste material is loaded and hauled for permanent disposal to nearby waste dumps. The ore which is thereby made accessible is loaded and hauled to the primary crusher at the Faro Concentrator.

The intended approach to the Dy ore body is based upon underground mining using trackless room and pillar methods with diesel and electric equipment. This method uses drilling and blasting to drive tunnels to and through the ore and construct rooms or stopes from which ore may be extracted. The underground mining methods Anvil Range plans to use are ones commonly used in the underground mining industry.

Concentrate Production

Zinc and lead sulphide ores from the open pit are transported by large off-highway trucks from the Vangorda open pit and Grum open pit to the primary crusher at the Faro Concentrator. The Faro Concentrator crushes, grinds and upgrades the ores by standard flotation methods to produce a zinc concentrate with a planned zinc metal content of approximately 50%-53% and a lead concentrate with a planned lead metal content of approximately 60%-64%, containing silver and gold payable metal.