

ANVIL RANGE MINING CORPORATION

INTEROFFICE MEMO

Date: January 24, 1996
To: Don Hindy
From: Dick Arndt
Subject: Summary of Fritz Prugger's work while on Site

*Dick I
 See what you
 me by Grum U/G*

*However I think
 he was just classifying
 an opportunity. He
 does however owe
 you a Dy report
 Dick*

Fritz Prugger arrived on site on Monday, January 8, 1996 and left on Monday, January 22, 1996. The reason for his visit was to familiarize himself with all the data Anvil Range had on the Dy underground deposit. He was asked by this writer to prepare an outline of future work necessary to complete a pre-feasibility study of the deposit and to recommend further work Anvil can do prior to initiating a full Feasibility Study.

After my initial meeting with Fritz outlining the Dy deposit, I asked him to stay in Faro until I came back from my trip so we could have a "debriefing" session on what he had found and what he was proposing to prepare for the Dy. We discussed his visit before he left and gave me a very brief outline of his proposed report (see attached list of contents). This was not what I had asked for and he said all his data was packed away for his trip.

I asked him that we would need him to come back in March, after he had time to look into all the data he had collected. In this way, I feel, he cannot get off the main thrust of what we require from his study. Also, we will be in telephone and fax contact as he progresses with his study.

During our discussion on his first day, I asked that he also look at the Grum underground to get an idea of what has been done and to recommend a plan for mining the Grum underground (see attached memo to Ian Horne). From this memo, he agrees with our underground ramp dewatering program as well as the urgency of evaluating the Grum underground potential.

As far as the Dy is concerned, he has only very general thoughts on the mining scheme. This is as much as can be expected from such a short introduction.

I have picked Ian to be the technical contact with Fritz until such time as either Quimo or a in-house Contractor is brought on board. Regardless, by early summer, Fritz will present his completed study to Anvil so we can proceed with any field work or plans necessary to start to exploit the Dy.

He will send me a complete trip report, as I asked for, when he returns to Spain.

Fritz Brugger

Jan 22, 96

DV

LIST OF CONTENTS.

1. Preamble
2. Introduction
3. Executive Summary
4. Recommendations
- X 5. Action Plan
- ✓ 6. Ore Reserves
- ✓ 7. Orebody Characteristics
- 8 Hydrology
- ✓ 9. Underground Access
10. Underground Exploration and Delineation of Orebody
11. Mining Methods
12. Environmental Considerations
- X 13. Information Review and Comments

To : Ian Horne, Acting Chief Engineer
From : Fritz F. Prugger, Consultant

January 15, 1996

Re: Grum Deposit - Proposal for Underground Mining.

A concept of underground mining for the Grum Deposit has been developed in collaboration with Quimo Perez.

It is proposed to exploit ore North of the open pit and below the pit bottom of Phase III from underground while open pit operations are still in progress.

Consideration should be given to the exploitation of parts of Open Pit Phase III by underground means as well.

Detailed planning for underground mining operations should start immediately to allow production of high grade ore (9 % to 12 % Pb+Zn) from underground to be added to the production from the open pit as soon as possible.

Data presented here is in rough form for a discussion on the Grum Underground Project and must be further developed and fine tuned considering all the details.

An extension of open pit ore is known to occur in depth to the Northwest. Information is available from core drilling at a drill pattern of 30 m. Three areas of interest for underground mining that require only a small amount of development work can be delineated from this data.

Using a 9% Pb+Zn cut-off grade, the following three mining blocks can be established for a preliminary rough estimate of ore in situ:

| | | |
|----------------------|------------------|---------------|
| * Main Block | 988,245 | tonnes |
| * Upper West Block | 326,450 | tonnes |
| * Lower Block | 56,450 | tonnes |
| Total in-situ | 1,371,145 | tonnes |

It is proposed to rehabilitate and dewater the existing underground ramp and drive an underground ramp extension in the hanging wall to the known ore blocks.

A connecting raise from the underground workings to the open pit can serve as emergency exit and for ventilation.

Underground production as well as underground exploration to the Northwest can be carried out simultaneously.

The tonnage of in-situ ore for the three blocks under consideration has been calculated from the information available from core holes that have been drilled at a drill pattern of 30 m.

Section : Refers to the Number given to a drill section
 Units : Number of units of 6.0 m x 7.5 m x 1.0 m
 tpm : tonnes per meter = units x 3.5 tonnes per m³
 Distance : Distance between drill sections in m
 Tonnage : Tonnage between two drill sections

| Section | Units | tpm | Distance | Tonnes | Remark |
|-------------------------|-------|-------|----------|----------------|--------------------|
| Main Block (mb): | | | | | |
| 76 | 11 | 1,733 | 30 | 51,975 | |
| 77 | 13 | 2,047 | 30 | 61,425 | |
| | 3 | 470 | 30 | 1,400 | East |
| 78 | 17 | 2,675 | 30 | 80,250 | |
| | 8 | 1,260 | 30 | 36,800 | East |
| 79 | 21 | 3,300 | 30 | 99,225 | |
| | 10 | 1,575 | 30 | 47,250 | East |
| 80 | 26 | 4,095 | 30 | 122,850 | |
| | 6 | 949 | 30 | 28,850 | East |
| 81 | 35 | 5,510 | 30 | 165,300 | Main + East |
| 82 | 39 | 6,142 | 30 | 184,260 | " |
| 83 | 19 | 2,992 | 30 | 89,760 | " |
| 84 | 8 | 1,260 | 15 | 18,900 | " |
| Total Main Block | | | | 988,245 | Main + East |

Upper Block West (UBW):

| | | | | | |
|----|----|-------|----|--------|-----|
| 84 | 16 | 2,520 | 30 | 75,600 | UBW |
| 85 | 9 | 1,417 | 30 | 42,510 | UBW |
| 86 | 21 | 3,300 | 30 | 99,000 | UBW |
| 87 | 18 | 2,835 | 30 | 85,085 | UBW |
| 88 | 9 | 1,417 | 15 | 21,255 | UBW |

Total Upper Block West **323,450** **UBW**

Lower Block (LB):


| | | | | | |
|----|---|-----|----|--------|----|
| 75 | 4 | 630 | 45 | 28,350 | LB |
| 76 | 4 | 630 | 30 | 18,900 | LB |
| 77 | 4 | 630 | 15 | 9,450 | LB |

Total Lower Block **56,700** **LB**

This presentation has been prepared in haste and without the inside knowledge of the people on the property.

However, the possibility of obtaining high grade ore from underground within a short lead time and at reasonable cost does exist at the Grum Orebody.

It is, therefore, strongly recommended to work out further details immediately and start the actual work without delay.


Fritz F. Prugger