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Regular Monthly Progress Reports with billing

July 17, 1990

Mr. Kelvin P.M. Dushnisky
Project Manager
Rescan Environmental Services Ltd.
Suite 510, Coopers & Lybrand Building
1111 West Hastings Street
Vancouver, British Columbia
V6E 2J3

Dear Kelvin:

**RE: PRELIMINARY TERMS OF REFERENCE FOR
DY DEPOSIT INITIAL ENVIRONMENTAL EVALUATION (IEE)**

This letter will authorize Rescan Environmental Services Ltd., pending an approved budget, to start a program of field work, data gathering and report writing to culminate in an environmental review under the Environmental Assessment and Review Process (EARP) Guidelines for the development of an underground lead-zinc mine in the Blind Creek drainage basin, Yukon Territory.

This review will require various written and verbal submissions to the Regional Environmental Review Committee (RERC), an intergovernmental and interest group committee which conducts EARP screenings in Yukon.

By September 15, 1990, a "Project Overview" document, similar in scope to a Prospectus for presentation to the Mine Development Steering Committee in British Columbia, should be submitted to RERC. It is expected that RERC will require an Initial Environmental Evaluation document which should be

prepared and submitted by March 31, 1991. It is anticipated that the EARP review will be completed after the IEE stage and not continue beyond that to the stage of public review by a FEARO panel. It is anticipated that an Addendum to the IEE may be required by RERC based on our previous experience.

After completion of the IEE, we will also require compilation of a volume of supporting documentation for a water licence application. This document will consist of selected excerpts from the IEE, particularly sections concerning baseline water conditions, fisheries resources, waste management issues that might affect water and the projected environmental impact on water and water related resources. The water licence application would be submitted to the Yukon Territory Water Board some time after the EARP screening process is completed, probably in mid-1991.

Mine Plan

The Dy deposit is a deep underground deposit. It is approximately 300m below the base drainage level of the region, thus we do not anticipate any significant closure problems or waste rock management problems. It is a massive sulphide deposit; its ores and some waste rock will be acid generating, however we anticipate most of the wastes will remain underground and the ore will be shipped to the mill. Mine water will require a thorough management plan.

The mill for processing the Dy deposit ores will be that utilized by the current Faro operations; tailings deposition will be to the mined-out Faro pit. Consequently, the environmental evaluation need only concern itself with the mine and the access road from the shaft or production portal to the

Vangorda-Grum mine site.

Two options of access are being considered:

1. by shaft;
2. by decline with a possible later shaft being raised from underground.

Production rate will be 3,000 to 5,000 tonnes per day. I am enclosing copies of some documents from Canadian Mine Development (CMD) which will give you some appreciation for the nature of the mine development proposed. I am also enclosing some maps which will help locate the deposit in relation to its surroundings.

Shaft sinking or decline excavation could begin later this year with production being achieved 1.5 years from that date.

Previous Work

We have, over the last few years, carried out some in-house investigation of water quality in Blind Creek and some overview studies of fisheries resources have been completed by P.A. Harder & Associates. To date, there has been no systematic benthic monitoring. We enclose what information we have on water quality and sampling sites.

What we have learned about Blind Creek so far is that it is a chinook salmon spawning stream and it appears to be, in Yukon terms, a rather productive stream. It will unquestionably be considered a significant fisheries resource. Zero impact on Blind Creek would be the objective for mine development

and I believe that this is within possible limits.

Paul Harder has been authorized to undertake some studies in Blind Creek this season to continue the work he has already started and particularly to tie it to the work in Vangorda Creek. I have attached a short summary of his proposed work in Blind Creek. He will be proceeding with this work and, to the extent possible, will cooperate with Rescan, although I appreciate the need for your in-house fisheries biologist to gain field experience and to be part of the fisheries investigation of this important fish resource. Please coordinate your activities with Mr. Harder and avoid unnecessary duplication.

Bio-Physical Studies

We wish this study to be a thorough bio-physical evaluation encompassing, though not necessarily limited to, the usual areas of terrain analysis; vegetation; climate; air quality; wildlife; hydrology; water quality and fisheries resources culminating in a proper solid and liquid waste management plan as an integral part of the Mine Plan.

The IEE also must consider geology and reserves, the mine development plan, and infrastructure. This will be mainly developed and reported on by Curragh and Canadian Mine Development or Kilborn Engineering. However, Rescan will acquire this information from Curragh or its other consultants and incorporate it into the overall document.

Socio-Economic Studies

This mine will be an extension of our existing mine operation, consequently, its socio-economic impact will be rather limited from the context of the town

of Faro. However, it is an expansion of the operation into another drainage basin and will lead to a new overlapping of the land use objectives of the mining company and First Nation interests.

This document should be very strong in its consideration of socio-economic issues. It must be a well documented socio-economic baseline study of the towns of Faro and Ross River. Careful consideration must be given to any positive, and potential negative, socio-economic impacts the mine development may have, both locally and Yukon-wide. As in any IEE, mitigation possible for any negative impacts must be considered. Particularly strong emphasis should be given to the interaction between the bio-physical aspects of the environment, land use and socio-economic issues. This will include, but not be limited to, aboriginal land use; heritage resources; hunting and trapping, as well as fishing by the First Nations and also recreational use of the land.

The Ross River Band offers us a source of expertise and information in dealing with these issues and I wish them to be fully consulted during both the field work and compilation stage for this Volume. It will be left to your discretion as to the best way to implement this liaison and consideration.

Fisheries Research Liaison

As we have discussed, Rescan will provide, at Curragh's expense, some additional liaison with the First Nations, both Ross River Dene Council and Selkirk First Nation, as well as assistance to them in translating the technical discussion of the Vangorda Creek metals toxicity research project and helping them to frame their contribution to the project in technical terms.

I have enclosed a preliminary outline of the proposed research program, put together by Paul Harder. This outline will be the subject of discussion at a mid-August Technical Advisory Research Committee meeting in Whitehorse. I would suggest, as part of the field investigation, that Rescan's fisheries biologist arrange a discussion of this project with both the Ross River and Selkirk Bands and plan to be at the TARC meeting in August.

I anticipate this liaison will require two meetings between Rescan and the First Nations representatives per year and that once the TARC is organized, it will meet twice a year, perhaps quarterly at the outset.

Conclusion

Please prepare a budget proposal for all of this work to be carried out within the schedule outlined. We have attached a sheet which gives the major budget headings. We would appreciate that your proposal be made according to this outline, however, if additional categories are required, that could be considered.

As usual, it is our policy not to pay mark-up on disbursements and your quote should reflect this policy.

Please indicate any individuals who will be participating in this Project along with C.V.'s and relevant experience for same.

I anticipate hearing from Rescan by the week of July 23-27 as it will become necessary to undertake field investigations relatively soon.

Yours very truly,

CURRAGH RESOURCES INC.

Gregg A. Jilson
Vice-President, Exploration

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Enclosures: