

Anvil Reserves

CURRAGH RESOURCES INC.

007876

Inter-Office Memorandum

TO: C.K. Benner
 President, Base Metals
 Toronto Office

FROM: Cam Reed
 Geologist
 Whitehorse Office

RE: **Starting 1992 Reserves reconciled to starting 1991 10K reserves**

DATE: 02 14 1992

Grum, Swim and Dy reserves have not changed since December 1, 1991. Pit reserves are reported at 4% Pb+Zn cutoff. Underground reserves at 9% Pb+Zn cutoff.

**FARO DEPOSIT
PIT & UNDERGROUND**

	Tonnes	% Pb+Zn	%Pb	%Zn	Pb Metal	Zn Metal
Mining Reserve Jan 1, 1991 (10K)	4,389,000	7.78	2.77	5.01	12,158	21,989
Mined during period	2,222,164	8.13	2.93	5.20	6,511	11,555
Net	2,155,836	7.42	2.61	4.82	5,647	10,434
Mining Reserve Jan 1, 1992 (10K)	1,342,000	7.87	2.88	4.99	3,865	6,697
Difference to be reconciled	(824,836)	6.69	2.16	4.53	(1,782)	(3,737)

Explanation

Starting reserve January 1, 1991 was calculated by subtracting 8.8 million tonnes total mined at Faro in period from July 1989 (Initial Offering Prospectus) to that date. This total includes low grade and underground production.

Initial offering mining reserve July 1, 1989, is 13,189,000 tonnes. Since July 1989 there have been several changes to the reserves and mine plan which were not reflected in the reported January 1, 1991 mining reserves. These are detailed below:

Sept 1989 New ultimate pit design (FIV Pit) replacing Cloutier's revised

ultimate pit. NE wall moved in, could account for up to 300,000 tonnes of low grade marginal ore loss.

May 1990 Completion of 117 diamond drill holes

August 1990 New conservative geological interpretation and grade interpolation. Densities were reduced by 2%, assays were clipped to 95th percentile which was not done previously. This would account for at least a further reduction of 300,000 tonnes from the starting 13,189,000 tonnes.

Dec. 1990 Redesign of FIV pit due to stability problems in the NE wall. Accounts for approximately 180,000 mt ore loss.

VANGORDA DEPOSIT

	Tonnes	% Pb+Zn	%Pb	%Zn	Pb Metal	Zn Metal
Mining Reserve Jan 1, 1991 (10K)	6,291,000	8.02	3.46	4.56	21,767	28,687
Mined during period	1,601,813	9.05	4.13	4.92	6,615	7,881
Net	4,689,187	7.67	3.23	4.44	15,151	20,806
Mining Reserve Jan 1, 1992 (10K)	4,204,000	7.54	3.34	4.20	14,041	17,657
Difference to be reconciled	(485,187)	8.78	2.29	6.49	(1,110)	(3,149)

Explanation

Reported 10K starting reserve January 1, 1991 was calculated by subtracting reported production from initial offering prospectus reserves quoted on July 1, 1989.

Initial prospectus reserves were 6,935,000. Since that date there have been many changes to the reserve estimate and mine plan. These changes include:

1. Completion of 183 additional drillholes, mostly, in the SE part of the deposit.
2. New conservative geological interpretation and grade interpolation. Assays were clipped to the 95th percentile and S.G.'s were reduced by 2% to account for ore porosity which had not been done previously. This

alone will account for at least a 140,000 tonne ore loss.

3. Mining loss increased from 5% to 10%. This alone will account for all the lead metal to be reconciled. However, this does not account for all the zinc metal to be reconciled.
4. Zinc to lead ratio has decreased within the SE part of the deposit in the new reserve calculation. The decrease is due to more and better samples collected in the 183 drillholes completed since 1988. The prospectus reserve calculation utilized unreliable rotary drill chip samples for much of the reserves in the SE part of the deposit. This will account for most of the zinc metal to be reconciled.

The conservatism built into the new Faro and Vangorda reserve calculations give better estimates based on previous mining experience. I recommend using the new reserve calculations rather than continuing the practice of subtracting reported mined ore from the original prospectus reserves.

Another alternative would be to report in-situ geological reserves rather than mining reserves. Geological reserves are not subject to frequent updates and reconciliations due to changing mine plans and would be easier to defend in the long run.

A handwritten signature in cursive script, appearing to read "C. Reed".