

## Item 2. Properties

### Faro Division

The Faro Division located in Yukon, Canada mines and concentrates zinc and lead sulphide ores from its open pit and underground mining operations. The zinc and lead concentrates are then transported to world markets, primarily smelters in Asia and Europe. The Company's mine at Faro is currently the largest open pit zinc and lead mine in North America based on total concentrate production. Currently, all ore production at the Faro Division is from a combination of ore from the Faro open pit and underground mine and the Vangorda open pit, while the nearby Grum open pit will be developed in 1992 for 1993 production. The Company is currently evaluating the appropriate method for development of the Dy underground mine. For a further description of Faro Division properties, reference is made to pages 133 and 134 of the Annual Report, which is incorporated herein by reference.

The following tables present the Company's estimates, of diluted ore reserves for the Faro Division as of December 31, 1991:

**Diluted Ore Reserves  
Faro Division - Company Estimates**

	Tonnes			Average Grade			
	Dec. 31 1990	Mill Feed		Adjust- ments	Dec. 31 1991	Zinc (Percentage)	Lead (Percentage)
<b>Proven Reserves:(1) (2)</b>							
Faro open pit.....	4,389						
and underground							
Stockpiles.....	3,078						
Grum open pit.....	25,161						
<b>Probable Reserves: (1) (2)</b>							
Faro underground....	632						
Vangorda open pit....	6,291						
Dy underground.....	<u>11,300</u>						
	50,851						

- (1) The combined cut-off grade of zinc plus lead is 4% for open pit and stockpile reserves and 9% for underground reserves. Combined grade means the combined amount of zinc and lead metals in the ore. Thus, ore with the same combined grade may contain various combinations of zinc and lead grades.
- (2) In 1991, the average mill recovery was 76.74% for zinc, 76.35% for lead and 48.05% for silver. The percentages and amounts set forth in the table do not reflect these mill recovery rates.

Currently, the Company's mining operations at the Faro mine are conducted primarily by open pit techniques, which involve the drilling, blasting, loading and hauling of a large enough horizontal slice of the ore deposit to allow the mining equipment to operate in a cost-efficient and effective manner. In order to gain access to 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 waste dumps outside and, to a lesser extent, in the mined out area of the Faro pit. The ore is loaded and hauled to the primary crusher at the concentrator. Open pit mining techniques will also be used for the Grum deposit. Underground mining methods are also in use to obtain residual ore out of the Faro open pit. This work will be completed in April 1992. Underground mining methods are also contemplated for the Dy deposit. In respect of the 1991 capital expenditure program, reference is made to page 133 of the Annual Report.

Sulphide zinc and lead ores from the open pit are transported by large off-highway trucks from the Faro open pit and underground mine to the primary crusher at the concentrator. The concentrator crushes, grinds and upgrades ("concentrates") the ores by standard flotation methods to produce a zinc concentrate with a zinc metal content of approximately 50% and a lead concentrate with a lead metal content of approximately 60%, along with silver and gold metals content.

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**Diluted Ore Reserves  
Sã Dena Hes Mine**

Tonnes			Average Grade				
Dec. 31-- 1990	Mill Feed	Adjust- ments	Dec. 31 1991	Zinc (Percentage)	Lead	Silver (Grams per tonne)	Gold

**Jewelbox Hill**

**Gribbler Ridge**

**Burnick**

**Atila**

**Total**

**Mining**

During the life of the Sã Dena Hes Mine, both underground and open pit methods will be used.

**Open Pit Mining**

At the site of the discovery outcrop on Jewelbox Hill, approximately 90,000 tonnes of high grade ore was mined during June and July 1991. This ore has provided the bulk of the mill feed to date. Part of the Burnick zone on the eastern flank of North Hill is to be mined by open pit methods as well. Although the pit design has yet to be optimized, approximately 1.1 million tonnes of ore will be moved from Burnick pit.

**Underground Mining**

Underground development commenced in November, 1990 in Jewelbox Hill. The program involved collaring a portal at the 1408 metre elevation and developing the JP-1 mining zone. Following a definition drilling program, initial stope preparation was completed and a ventilation system and mine services were installed. Variations in the ore zone thickness and orientation in all four deposits will require the use of three main stoping methods: room and pillar, cut and fill, and longhole stoping.

Room and pillar mining methods will be employed in the relatively narrow (up to 10 metres) and tabular portions of the orebody with extraction and dilution varying with the thickness of ore and hanging wall rock types. A recovery of 80% with a 10% dilution is used for serve determination, although ground conditions indicate a higher recovery will be achievable. This method will account for one-third of the Jewelbox underground and 40% of North Hill production.

Mechanized cut and fill mining will be employed in the thicker, steeply dipping and irregular portions of the orebody. Screened waste from the open pit will be utilized as fill material. Cut and fill will be the predominant method in the Jewelbox and Burnick deposits.

Various longhole methods will be employed in the near vertical portions of Jewelbox (less than 12% of the total tonnage). When longhole stoping has been completed in the Jewelbox Hill, the stope will be filled with waste from the open pit or from waste development. This waste will also be used for distribution to the various cut and fill stopes in the mine.

In the Jewelbox Hill zone, production and development mining is carried out by two boom electric-hydraulic drill jumbos. Ore or waste is loaded by scooptrams into 26 tonne capacity low profile haulage trucks which delivery the material to designated surface stockpiles near the 1408 adit.