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Faro Division
Annual District
Reserves
1992 starting**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. 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.

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

	Short		Dec. 31 1991	Average Grade			
	Tons (34)			Zinc	Lead	Silver	Gold
	Dec. 31 1990	Mined Adjust- ments (in thousands)	Dec. 31 1991	(Percentage)		(ounces per ton)	
Proven Reserves:(1) (2)							
Faro open pit and underground . . .	4,838	(1,796) (1,839)	1,203	4.53	2.47	0.55	0.003
Stockpiles	3,393	(318) (107)	2,968	2.91	1.92	0.44	0.003
Vangorda open pit . . .	6,935	(1,767) (534)	4,634	4.20	3.34	1.23	0.020
Grum open pit	27,735	- -	27,735	5.01	2.96	1.46	0.024
Probable Reserves: (1) (2)							
Faro underground . . .	697	(668) 248	277	6.95	4.67	1.81	0.004
Dy underground	<u>12,456</u>	<u>-</u> <u>-</u>	<u>12,456</u>	6.84	5.82	2.42	0.027
	<u>56,054</u>	<u>(4,549)</u> <u>(2,232)</u>	<u>49,273</u>				

- (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.
- (3) Adjustments to reserves reflect updated interpretations based on additional drilling information, revised estimation techniques and modified mine designs required to improve operational conditions.
- (4) 1 Short Ton equals 0.90718 tonne.

Currently, the Company's mining operations at the Faro and Vangorda pits 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 26 of the Annual Report.