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CURRAGH RESOURCES INC.

INTER-OFFICE MEMORANDUM

TO: Kurt Forgaard  
President & Chief Operating Officer  
Toronto Office

FROM: Gregg Jilson  
Vice-President, Exploration  
Whitehorse Office

RE: Investigations carried out at Faro with regards to shortfalls  
of grade ore tonnage and grade

DATE: 1989 08 24

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INTRODUCTION

Mine planning information has been examined to investigate the persistent shortfall of high grade ore tonnage and grade. This investigation focused on a comparison of ore blocked out in the pit by blastholes compared to that predicted by computer models.

A number of questions were addressed including:

- 1) Does MAXIPLAN misrepresent PCMINE data?
- 2) Does the F8805 PCMINE model accurately represent the ore deposit grades?
- 3) Does any difference between design and dig limits account for tonnage variances.

Items not investigated were issues of stockpile quantities and millfeed. The question here was simply limited to how does ore of each grade class as blocked out in the pit, compare to ore expected to be blocked out in the pit.

CONCLUSIONS

- 1) The F8805 model is a reasonably accurate representation of the ore body at a 5% Pb + Zn cutoff grade. In BZ phase on 3410 to 3310 bench 1.73 million tonnes averaging 7.3% Pb + Zn was predicted, 1.63 million tonnes averaging 7.5 % Pb + Zn was actually blocked out by blastholes.
- 2) The blasthole grade distribution and the model grade distribution are very different. The blastholes peak in the 5-6% Pb + Zn class while the model peaks in the 8-9% Pb + Zn class. This

results in the poor model performance at a 7% Pb + Zn cutoff.

- 3) The grade distribution problem results in fewer tonnes of high grade ore being realized than predicted but substantially more medium grade. Both the high grade and medium grade categories as blocked out by blastholes are higher grade than indicated by the model.
- 4) The grade distribution problem is thought to be due to the layering thickness in the ore body being close to the bench height. This results in high grade ore being combined with lower grade to produce a larger medium grade class when blocked out by 20' long blasthole samples. As the cutoff grade decreases ore layers become thicker, easier to sample, and more reliably predicted.
- 5) The 3410 bench showed major (200,000 tonnes) high grade ore losses due to a large sulphide waste lens that was not drilled in exploratory holes. The presence of this lens caused large amounts of high grade to be downgraded to medium grade by blastholes. This lens also affected the 3390 bench. As an illustration of the grade distribution phenomenon, on this bench the +5% material actually shows more tonnage than predicated at a higher average grade than predicted. At a 7% cutoff the predicted versus realized tonnage and grade is very different. (See figure 1)
- 6) The 3390 bench was also particularly bad in comparison to the mineplan because approximately 50,000 tonnes of high grade was lost due to variance in design versus actual limits (temporary wall); an addition 80,000 tonnes of high grade was downgraded to medium grade by blastholes.
- 7) Hand calculations of July, August, and September 1990 reserves were carried out as a check on the model tonnage and grade. The comparison was good. (See table I and II)
- 8) Checks between reserves calculated for the same portion of a bench from PCMINE and MAXIPLAN using the F8805 model as the database in both cases showed good correlation well within reasonable limits of rounding and error.
- 9) Accurate use of MAXIPLAN becomes particularly difficult near the current mining surface where good fit with topography is needed and previously mined then backfilled areas must be taken into account. One area of JB phase mining contributed extra non-existent reserves in an area of backfilling.
- 10) The cause of the grade distribution difference is not currently certain, but it is thought to be due to very restrictive rock type matching during interpolation which enhances grade distinction between ore types. A looser rock matching is being tried as a remedy. The Vangorda and Grum block models use a loose matching scheme rather than the highly restrictive one used

for the F8805 model. Composite type (geological unit versus bench composites) may also be a significant factor.

- 11) The global reserve estimate for all Curragh deposits is unaffected by these considerations since a low cut off grade is used for such estimates. Mine plans employing a 5% Pb+Zn cutoff should not be affected, but plans that use a high cutoff and stockpile medium and low grade may be affected depending on the model.
- 12) The original 1989 budget used preliminary model files which had higher grades than the final model files used for the April 1989 plan.
- 13) Comparing actual blocked out quantities to the original 1989 budget is complicated by the fact that large quantities of ore were left in the temporary SW wall of the BZ phase. The difference here is larger than that between the April 1989 plan and the actual dig limits.
- 14) Blasthole calculations that use an average density of 3 tonnes/cubic yard. (SG-4.0) may be underestimating tonnes of high grade ore blocked out as all data indicate that high grade ores are heavier than low grade ores. At an average for all material over 4% Pb + Zn 3.0 tn/bey is an excellent average. For high grade ore 3.3 tn/bey more likely but for low grade 2.7 may be useable.

#### RECOMMENDATIONS

- 1) Caution should be exercised with predictions of high grade ore greatly in excess of medium grade ore if predicted by the F8805 model.
- 2) The model should be recalculated with a number of different interpolation algorithms and compared to blastholes. These should include less restrictive geological matching, bench composites and extreme valve clipping.
- 3) The practice of adjustment for dilution and mining loss should be changed to better reflect pit operations, especially with regard to high grade ore where a large mining loss to the medium grade category is more realistic than a 10% dilution by ore grade and 5% mining loss.
- 4) Use of average density of 3 tonnes per cubic yard should be scrutinized as it applies to high grade and low grade ore when calculating blasthole quantities.

TABLE I

CURRAGH RESOURCES INC. - FARO MINE 07-Aug-89

COMPARISON OF MAXIPLAN AND PCMINE CALCULATION OF JULY 1 TO SEPT 30  
1989 MINING RESERVES

FOR COMPARISON  
IN JULY 1989

ALL BUT BLASTHOLES DILUTED BY 10% AT ZERO GRADE WITH 95% MINING RECOVERY

		TONNES	LEAD	ZINC	Pb METAL	Zn METAL	TOTAL METAL
	5% TO 7%	8,888	1.74	3.66	155	325	480
	PLUS 7%	163,967	3.43	5.74	5,624	9,412	15,036
MAXIPLAN	PLUS 5%	172,855	3.34	5.63	5,779	9,737	15,516
PCMINE	PLUS 5%	178,229	3.20	5.40	5,709	9,623	15,332
HAND CALC OF HI GRADE		180,917	2.44	5.27	4,414	9,534	13,949
BLASTHOLES		<i>178,616</i>	<i>3.77</i>	<i>5.66</i>	<i>6,734</i>	<i>10,110</i>	<i>16,843</i>

FOR COMPARISON  
IN AUGUST 1989

	5% TO 7%	5,503	1.87	3.68	103	203	305
	PLUS 7%	360,150	3.84	5.75	13,830	20,709	34,538
MAXIPLAN	PLUS 5%	365,653	3.81	5.72	13,933	20,911	34,844
PCMINE	PLUS 5%	361,514	3.84	5.74	13,874	20,739	34,613
HAND CALC OF HI GRADE		336,736	3.77	6.06	12,695	20,406	33,101

FOR COMPARISON  
IN SEPTEMBER 1989

	5% TO 7%	42,558	2.10	3.74	894	1,592	2,485
	PLUS 7%	332,951	4.78	6.23	15,915	20,743	36,658
MAXIPLAN	PLUS 5%	375,509	4.48	5.95	16,809	22,335	39,143
PCMINE	PLUS 5%	NA	NA	NA	NA	NA	NA
HAND CALC OF HI GRADE		360,981	4.33	6.13	15,622	22,145	37,767

CURRAGH RESOURCES INC.  
FARO MINE

HAND CALCULATION OF RESERVES FOR FALL 1989

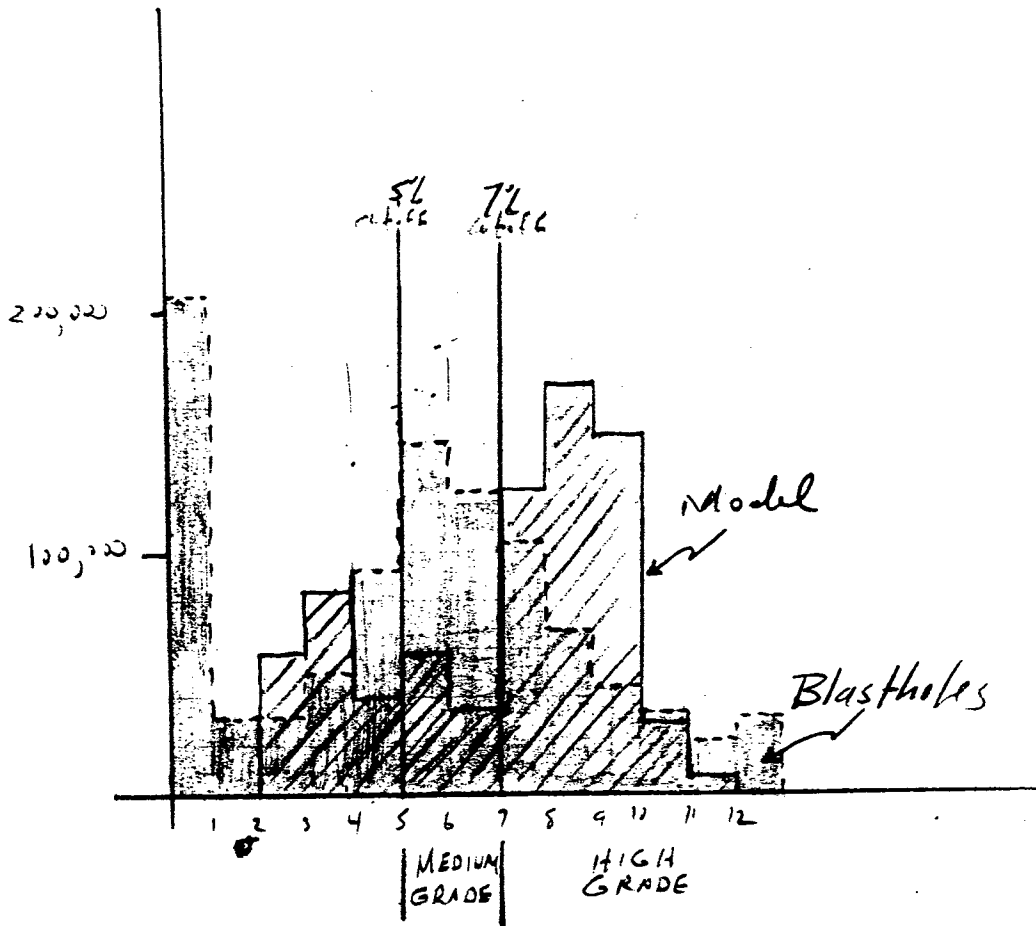
MONTH OF AUGUST

3670	0	0	0
3650	37,296	2.33	5.25
3630	144,131	4.06	6.27
3610	107,130	3.78	6.89
3590	0	0	0
total	288,557	3.73	6.37

MONTH OF SEPTEMBER

3710	0		
3690	13,076	2.82	3.70
3670	28,594	2.37	4.33
3650	0	2.33	5.25
3630	0	4.06	6.27
3610	33,678	5.97	6.45
3590	163,636	5.74	7.65
3570	106,452	3.75	6.49
3550	0		
total	345,436	4.76	6.75

FIGURE I



Comparison of Blasthole and Block Model grade distribution for 3410 Bench of BZ phase. This distribution is similar to that for all other benches of the BZ phase. The area under the histogram, above a cutoff, is proportional to metal content. Thus, it is clear why above a low cutoff, the model prediction of tonnage and grade is valid but at a 7% cutoff these are major differences.