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Curragh Resources Inc.

Inter-Office Memorandum

TO: M. H. Pelley, Executive Vice President, Mining
FROM: V. V. Jutronich, Vice President, Mt. Hundere & Cirque
SUBJECT: Clear Lake DATE: April 23, 1990

This memo supports the information provided in Gregg's memo dated April 12, 1990.

Based upon the contained economics and allowing \$4.00/tonne to cover G & A it is estimated that payback is less than 3 years. The following assumptions were used:

- Annual Production 500,000 tonnes
- Revenue/tonne = \$27.86
- Capital Cost \$37 million (average as shown in memo).

It is recommended that we evaluate the impact of this production on that of the Faro operation, as additional savings (or improvements) are also affected. This exercise should also be completed as soon as possible as Gregg and I should meet with Energold in the very near future.

Before meeting with Energold Gregg and I will develop a strategy with the objective of reducing our overall risk. The proposed plan to encompass:

- 1) Examine the available geological information.
- 2) Construct an economic model showing defining the requirements for future development. (Drill results will be consistently applied against this item).

Note: By constantly monitoring diamond drilling results against the economic model will permit early decisions. In other words, before spending \$2.5 million we should be able to decide whether the project is a "go".

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- 3) Select an area that contains the higher grade ore. (Based upon my previous work the thickest zone contains the higher grade zone that can be selectively mined).
- 4) Drill off sufficient tonnes for 3 years of production (drill proven category).
- 5) Additional drilling may be required to prove ore reserve extensions (possible ore reserves).
- 6) If project economics remain attractive follow on with decline development.

cc. G. Jilson

