

FARO PROPERTY

Deloitte & Touche Inc.

(Interim Receiver until March 2009)
BCE Place, Suite 1400, 181 Bay Street
Toronto, Ontario M5J 2V1

Phone (416) 601-6150
Fax (416) 601-6390

Beginning March 1, 2009:

Assessment and Abandoned Mines
Energy Mines and Resources
Yukon Government
Room 210 - 419 Range Road
P.O. Box 2703 K-419
Whitehorse, Yukon Y1A 2C6

Phone (867) 393-7429
Fax (867) 456-6780
Website www.faromine.ca

Grum Deposit

Commodity

Zinc, lead, silver, gold

Ore type

Sulphide

Proven reserve (pre-production)*

1.589 million tonnes grading 3.56% Pb,
5.34% Zn, 58 g/t Ag and 0.83 g/t Au

Probable reserve (pre-production)*

17.06 million tonnes grading 2.6% Pb, 4.34% Zn,
44 g/t Ag and 0.74 g/t Au

*Historical resource; not NI 43-101 compliant,
Anvil Range Mining Corporation, Annual Report,
April 1996

PROJECT STATUS

Care and maintenance

Grizzly Deposit

Commodity

Lead, zinc, silver, gold

Ore type

Sulphide

Indicated resource*

17.24 million tonnes grading 4.85% Pb, 6.39% Zn,
71.6 g/t Ag and 0.75 g/t Au

*Historical resource; not NI 43-101 compliant,
Anvil Range Mining Corporation, Annual Report,
April 1996

Mining method

Underground

Swim Deposit

Commodity

Lead, zinc, silver

Ore type

Sulphide

Drill indicated resource*

4.3 million tonnes grading 3.8% Pb, 4.7% Zn and
42 g/t Ag

*historical calculation; not NI43-101 compliant



The Faro area lead-zinc deposits are located in the Anvil Mountain Range within the Selwyn basin, immediately northeast and adjacent to the Tintina Trench. The age of the stratigraphic sequence in the Anvil district ranges from late Precambrian to Permian. The sulphide deposits are located in a 150-m-thick stratigraphic interval straddling the Mt. Mye formation and the Vangorda Formation contact. Sulphide minerals are either massive or disseminated, occurring with quartz. The Cretaceous granodiorite-quartz monzonite Anvil batholith intruded and uplifted the sedimentary package.

There are five major lead-zinc deposits in the Vangorda plateau area. From northwest to southeast, they are Faro, Grum, Vangorda, Grizzly (formerly called the Dy deposit) and Swim. The status of each deposit is as follows.

Vangorda	mined out; within area to be reclaimed
Faro	mined out; within area to be reclaimed
Grum	open-pit mine, 4 to 5 years of reserves left; within area to be reclaimed
Grizzly	undeveloped
Swim	undeveloped

HISTORY

Prospector Al Kulan discovered and staked the Vangorda lead-zinc deposit in 1953. The property was optioned to Prospector Airways, and diamond drilling was carried out between 1953 and 1955. Kerr-Addison Mines Limited eventually acquired Prospector Airways, but interest in the property waned for a number of years because of depressed metal prices, declining metal markets and the remoteness of the area.

In 1962, Kerr-Addison resumed exploration in the Vangorda plateau area, and the Swim lead-zinc deposit, 8 km southeast of Vangorda, was discovered in 1963. At the same time, Dynasty Explorations, under the direction of Dr. Aaro Aho, commenced a detailed exploration program on several claim groups in the Faro area in 1964 and discovered the Faro lead-zinc deposit in 1965. Cyprus Anvil, a joint venture between Cyprus Mines (60%) and Dynasty (40%), was formed in December, 1965 to develop the Faro deposit.

Anvil Mining Corporation (later Cyprus Anvil Mining Corporation) commenced open-pit mining operations on the Faro lead-zinc deposit in late 1969, at rates of up to 10 000 tonnes/day. The mine was officially opened on January 28, 1970 and stayed open until 1982.

In 1973, the Grum lead-zinc deposit was discovered by a joint venture between AEX Minerals and Kerr Addison while testing a gravity anomaly. Cyprus Anvil Mining Corporation purchased the Grum property in 1979.

Concentrate production from the Faro deposit was halted in 1982 because of falling metal prices, low productivity, high operating costs and the added burden of the debt load brought about by expansion. Between June, 1983 and October, 1984, some open-pit waste stripping operations were carried out, but production ceased completely by the end of 1984.

The Anvil Range mineral assets of Cyprus Anvil, including the Grum and Grizzly deposits, were acquired in November, 1985 by a predecessor partnership of Curragh Inc. Curragh resumed operations at the Faro mine in the spring of 1986 and made its first shipment of concentrates in June, 1986. In 1989, development of the Vangorda Plateau was begun with stripping of the Grum and Vangorda deposits. Ore removal commenced at the Vangorda pit and supplemented the mill feed. Ore removal from the Grum pit continued, but was not significant.

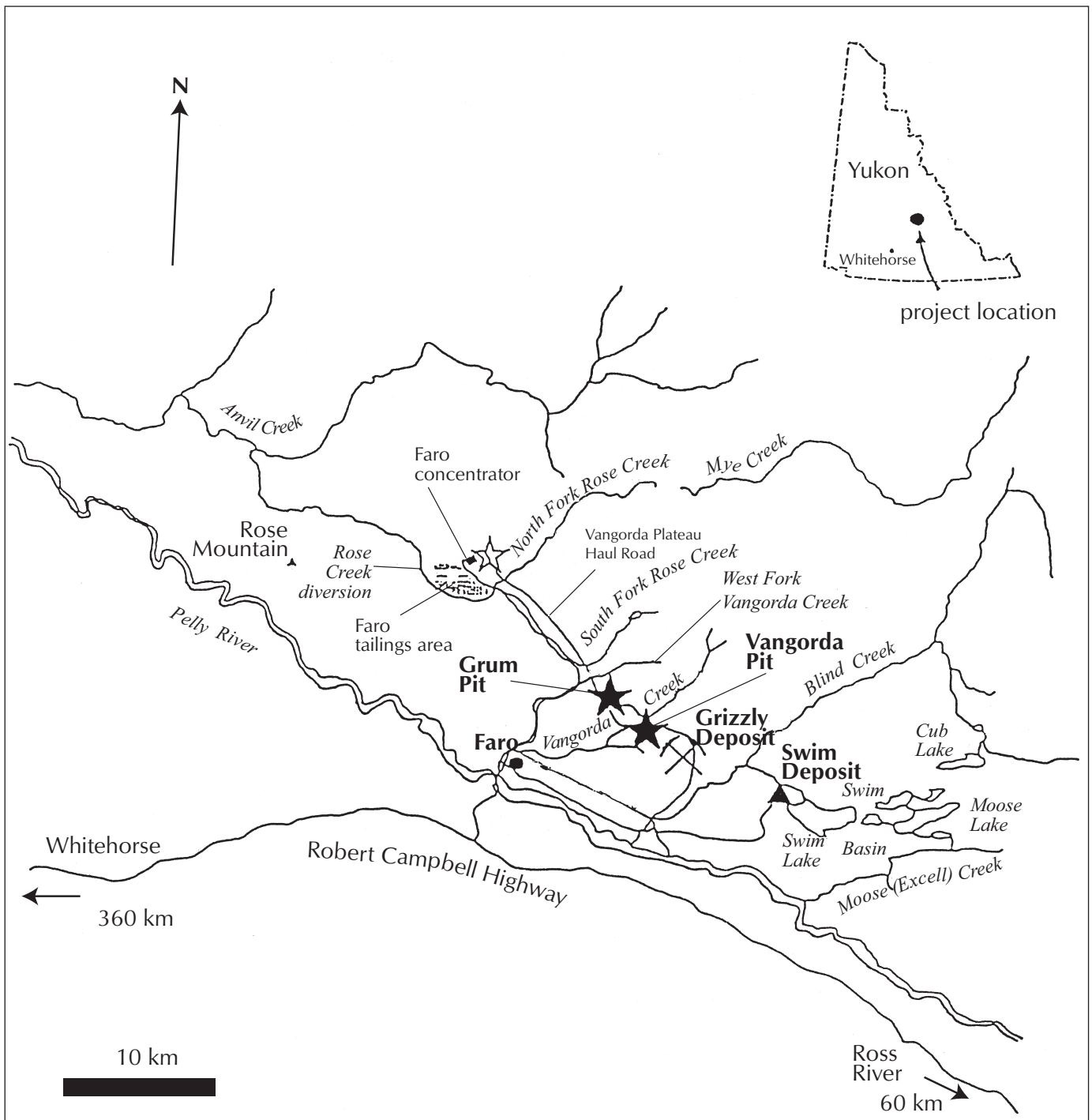
Curragh carried out an extensive program of surface drilling on the Grum deposit to delineate reserves and obtain samples for metallurgical testing in preparation for production. Preparation of the Grum deposit for mining commenced in 1989.

In early 1990, an underground operation was initiated just southwest of the Faro pit from a portal in the pit. This operation closed in October, 1992 after mining 1.8 million tonnes of ore.

In 1991, Curragh began stripping the Grum deposit. As of October, 1991, the total waste requiring stripping from Grum was 193.2 million tonnes for a stripping ratio of 6.70:1. The ore reserves in the Faro pit were exhausted in August of 1992 and remnant ore was salvaged by early 1993.

In late 1992, sufficient stripping in the Grum open-pit had been done to expose the top of the Grum deposit and to extract some 15 000 tonnes of mineralization for testing in the Faro concentrator. After removing 21.4 million tonnes, Grum stripping was suspended in December, 1992.

All mining operations ceased in April, 1993 due to low metal prices. Curragh was forced into receivership by its creditors.



Faro-area mineral deposits. Modified from an Anvil Range Mining Corporation figure.

Anvil Range Mining formed in 1994 to acquire the Faro properties from the receiver for a purchase price of \$27 million. A nine-month \$75-million pre-stripping and mill refurbishment program was carried out. Anvil Range Mining began concentrate production from the Grum open pit in August, 1995 and resumed production from the Vangorda open pit in September, 1995. The first concentrates were shipped from Skagway to Asia and Europe in September, 1995. The mining operation achieved commercial production on November 1, 1995.

By the end of 1996, the Vangorda pit was mined out, and mining operations were suspended because of low metal prices and other factors, including lower head grades, mechanical problems in the mill and lower metal recoveries, which contributed to less than planned production. The mill continued to process low-grade stockpiles at 50% capacity until March 31, 1997.

In February, 1997, Anvil Range Mining Corp. announced the closing of a private placement of 4.1 million common shares for a total of \$9.4 million with Cominco. ARM also secured a \$15 million loan at 8.5% interest from its principal shareholder, Cominco, in July, 1997. The loan was advanced to ARM in two tranches.

Stripping of the Grum pit started in August, 1997. The mine re-opened at full production in November, 1997 and operated until January 16, 1998, when Anvil Range announced that it planned to file for court protection from creditors. On April 21, 1998, an interim receiver was appointed to handle the company's assets and maintain the mine site.

The federal government is currently covering the costs for the interim care and maintenance of the Faro site. The total cost of maintaining the Faro site, as authorized by the court and paid by Indian and Northern Affairs Canada (DIAND) in Ottawa, was approximately \$10.7 million for the 2001-2002 fiscal year, of which \$5.4 million was spent on Yukon supplies and services.

On July 28, 2008, a new contract for care and maintenance at the Faro Mine Complex was awarded to Denison Environmental Services, following a six-month open and competitive public process overseen by the Government of Yukon. The company will take over responsibilities in March 2009, after a transition period with Deloitte and Touche Inc., the court appointed Interim Receiver for the Anvil Range Mining Corporation. Denison Environmental Services will be opening a Yukon office in 2009.

HISTORICAL PRODUCTION

When operating in 1989, the Faro operations supplied 3% of the western world's zinc and 5% of its lead concentrates, making Curragh Resources, the operator at that time, the sixth largest zinc producer in the world.

Anvil Range Mining Corporation

Production for the 14 months ending on December 31, 1996 was 345 700 tonnes Zn concentrate and 186 000 tonnes Pb concentrate. From September, 1995 to December 31, 1996, ARM loaded 25 ships for a total of 383 000 dry metric tonnes Zn concentrates and 181 000 dry metric tonnes Pb concentrates. The concentrate tonnage equates to 566.9 million lb. (257.7 million kg) of payable metal. To produce this amount of concentrate, 28.8 million tonnes of waste and 4.5 million tonnes of ore were moved. The mill processed 4.8 million tonnes of ore, at an average head-grade of 5.14% for zinc and 3.04% for lead. Recoveries in the mill averaged 71.3% for zinc and 76.7% for lead.

Concentrates were dried to approximately 7% moisture before being loaded into specially designed shipping containers for trucking to the port of Skagway, Alaska. The lead and zinc concentrates were loaded separately into pots which had a capacity of 11-12 tonnes of concentrate. Four pots could be carried on a tractor-trailer unit. Concentrates were transferred to a storage building prior to loading onto vessels for shipment to smelters in Europe and Japan.

Power for the Grum project, 22 MW, was provided from the Whitehorse-Aishihik-Faro grid.

The target recovery rates for the Grum open pit were 78% for zinc and 80% for lead.

Anvil Range investigated the feasibility of building a crushing and grinding unit adjacent to the Grum site and transporting the ground ore by slurry pipeline to the mill. They made significant improvements to the milling and concentrating facilities. Two 40-foot (12-m) high column cells were added (the largest in the western world), a Provox custom digital control system was installed, and improvements to the regrind circuit increased recovery.

Reclamation and environmental work

In 1995, Anvil Range Mining filed the Initial Comprehensive Abandonment Plan with the Yukon Water Board. Anvil Range Mining accrued the

FARO MINE DEVELOPMENT

- 1953 Vangorda lead-zinc deposit discovered and staked by prospector Al Kulan.
- 1953-1955 Prospector Airways optioned the property and conducted drilling programs.
- 1955-1962 Kerr-Addison Mines acquired the property but due to depressed metal prices, little work was done.
- 1962 Exploration resumed.
- 1965 Faro lead-zinc deposit was discovered; a joint venture between Cyprus Mines and Dynasty was formed to develop the Faro deposit.
- 1969 (late) Open-pit mining of Faro pit commenced (official opening January 28, 1970).
- 1969-1982 Cyprus Anvil Mining Corporation operated the mine.
- 1973 Grum lead-zinc deposit was discovered.
- 1975 In March, a tailings pond spill occurred when 245 000 cubic metres of tailings slurry contaminated Rose Creek.
- 1982 Concentrate production halted in June.
- 1983 Some open-pit waste stripping operations were carried out (June, 1983 to October, 1984).
- 1984 All production ceased completely by the end of 1984.
- 1985 Curragh Inc. acquired the property in 1985 and resumed operations in June, 1986.
- 1989 The Faro operations supplied 3% of the western world's zinc and 5% of its lead concentrates, making Curragh Inc. the sixth largest zinc producer in the world.
- 1990 Underground mining at Faro pit took place.
- 1991 Stripping of Grum deposit began.
- 1992 Ore reserves in Faro pit were exhausted; test work was done on Grum deposit.
- 1993 Mining operations ceased due to low metal prices and Curragh was forced into receivership by its creditors.
- 1994 Anvil Range Mining Corporation acquired the Faro property from the receiver and resumed production in August, 1995, from Grum, then Vangorda.
- 1996 Anvil Range Mining Corporation filed a decommissioning plan.
- 1996 By the end of 1996, the Vangorda pit was mined out but the mill continued to process low-grade stockpiles at 50% capacity until March, 1997.
- 1997 The mine reopened at full production in November, 1997 and operated until January 16, 1998.
- 1998 On April 21, 1998, an interim receiver was appointed to handle the company's assets and ongoing care and maintenance at the minesite.

cost of reclamation and closure monitoring at the rate of \$0.42 per tonne of mill feed.

To fund the closure and reclamation costs, Anvil Range Mining, after negotiating with DIAND, established a Reclamation Security Trust (RST). Payments to the RST were made under the provisions of a formula tied to the price of zinc, with a minimum quarterly payment of \$175 000 being required subject to available cash flow. The fund was managed by an independent trustee, who obtained independent counsel for investment decisions.

The Faro Mine Complex is a Type II site under the Devolution Transfer Agreement. A comprehensive reclamation plan is being developed by Canada and Yukon in partnership with affected Yukon First Nations. The total cost of reclamation is expected to be over \$500M, depending on the option chosen. Following regulatory approvals, reclamation activities are expected to commence in 2013.

Tailings

In 1996, Anvil Range Mining also filed the Tailings Reprocessing Feasibility Study. Over 50 million tonnes of flotation tailings accumulated from the Faro mill operation from 1969 to 1992.

Grizzly Deposit

The Grizzly (Dy) deposit was discovered in 1976 by Cyprus Anvil Mining Company (CAMC). For the next five years, CAMC drilled 52 holes and developed a preliminary interpretation and mineral inventory. Curragh Resources acquired the property in 1985 and, between 1989 and 1991, drilled an additional 21 holes. In 1991, three holes were drilled to test a fault in the Dy deposit, and five holes were drilled to test the path of a proposed decline. Ten holes were drilled through overburden to test the proposed portal site. The Dy deposit was renamed the Grizzly deposit in 1996.

The Grizzly deposit is similar to the other deposits in the Faro area. It is a multi-layered, polydeformed, sediment-hosted sequence of exhalative, massive and disseminated pyritic sulphide minerals.

There are two main mineralized horizons:

- "A" horizon: relatively lead-enhanced; and
- "B" horizon: relatively zinc-enhanced.

Collectively, the two horizons are referred to as the "AB" zone. The internal structure of the deposit is poorly understood, but the current thinking is that the structural complexity known to exist at Vangorda and Grum will be exhibited at Grizzly.

Geological reserves have been calculated by various parties. The most recent determination, by Curragh, by means of a polygonal method, suggests that the Grizzly deposit has probable and possible reserves of 21.3 million tonnes grading 5.54% Pb, 7.33% Zn, 81.1 g/t Ag and 0.87 g/t Au using a 9% Pb+Zn cutoff grade.

The ore reserves lie between approximately 500 m and 850 m below the surface. Mining would be only by underground methods. Additional exploration is required before this deposit would be mined.

Anvil Range commissioned a pre-feasibility study in 1996 for the Grizzly project. It is estimated that the initial development and underground exploration phase would take 27 months, cost approximately \$26 million, and include driving twin access ramps, drilling, metallurgical testing and a feasibility study. If a production decision results, shaft construction would take a further 34 months and cost an estimated \$52 million, plus an additional \$27 million for new and replacement mine equipment. It is estimated that at a production rate of 1.5 million tonnes of ore/year, the Grizzly mine's life would be 11.5 years, which could be extended by continued exploration.

Swim Deposit

The Swim is the easternmost of five synsedimentary stratiform lead-zinc-silver deposits located in an arcuate belt along the south flank of the Anvil Batholith. The Swim deposit strikes northwest and dips about 25° northeast. Drilling in 1996 outlined 4.75 million tonnes grading 4.7% Zn, 3.8% Pb and 42 g/t Ag (using a 6% Pb + Zn cutoff) with minor copper and gold values, within an 18 million-tonne deposit of massive sulphide minerals that is roughly 460 m long and 150 m wide. Average thickness is about 21 m, with a maximum thickness of 85 m.