



Suite 301, 865 Hornby Street, Vancouver, B.C. V6Z 2G3

Telephone: (604) 660-2708

Fax: (604) 660-2

Memo To: Rick Meyers
From: Robert Pinsent
Date: September 29th, 1992
Subject: NWMA Talk: Comments on SW District

Quinsam
836740

The following points may be of general interest:

(1) The three mines in the district have all had trouble making ends meet over the past few years and all three have fought back:

(a) BHP-Utah went through a major "~~push-back~~" of its southern wall at ~~Island Copper~~ in 1990. The Company had to build a retaining wall along the old shoreline of Holberg Inlet. It now has somewhat marginal reserves of approximately 80,000,000 tonnes grading 0.35% Cu that should, metal price willing, keep it going until around 1996. Low-grade stockpile material should extend mine life until at least 1997.

The Company retains an interest in the Hushamu project (operated by Jordex Resources) and hopes that it will be feasible to custom mill ore from it and the neighbouring deposit at Red Dog (Owned by Crew Natural Resources).

(b) Hillsborough Resources recently acquired the Quinsam Coal Mine from Consolidated Brinco Ltd.. The Company is proceeding with a major restructuring of the operation in order to regain profitability. It was a small scale (<250,000 t/y) predominantly open-pit operator but it is currently changing into being a larger scale (1,000,000 t/y) predominantly underground operator. It has cut down on open-pit extraction and it now produces the bulk of its coal by means of two very efficient "continuous miners". It is looking to get a third.

The Company hopes to produce approximately 500,000 tonnes of thermal coal this year. Note that it has to blend its product to meet customer specifications. This requires careful consideration of what amount to mine where.

Hillsborough does not have a coal loading facility at Campbell River. It currently barges its coal to Texada for trans-shipment to ocean-going freighters. The Company is studying its options. It can either build a facility or increase the size of the handling facility on Texada. Either way, it needs to reduce transportation costs.

(c) Westmin has had a hard time of it at the Myra Falls Operation, however it should be past the worst of it. The

QUINSAM
COAL