



February 13, 1987

Mr. Ursel S. Doran
Vice President, Operations
City Resources (Canada) Limited
Suite 440, 625 Howe Street
Vancouver, British Columbia
V6C 2T6

LOG NO:	02/19/87	VAN 64
ACTION:		
FILE NO:		

Dear Mr. Doran:

Re: Cinola Gold Project, City Resources
(Canada) Limited

Thank you very much for the informative meeting on January 29, 1987, respecting the Cinola Gold Project. It was a pleasure to meet you and the other company representatives.

I enclose for your information a record of the discussion at the meeting. Please advise me if you feel that there are any significant errors, omissions, or misinterpretations.

Respecting your Stage I Update report, fifty copies of this submission will be required for review by Mine Development Review Process participants. If high-cost fold-out maps/drawings form part of the submission, copying costs can be reduced by providing 35 complete copies, and 15 copies without fold-out maps/drawings. Agencies with socio-economic interests seldom require these details.

Thank you again for a productive meeting, and we look forward to working closely with you in the review of your proposal.

Yours sincerely,

Raymond L. Crook
Chairman
Mine Development Steering Committee
c/o Mineral Policy and Evaluation Branch
Mineral Resources Division

cc: Lorne Sivertson
Bruce McRae
MDSC
Ron Smyth

Lionel Munaweera
Keith Ferguson
✓ Tom Schroeter

PROPOSED AGENDA
CITY RESOURCES (CANADA) LTD. MEETING
WITH MINE DEVELOPMENT STEERING COMMITTEE,
JANUARY 29, 1987 IN VICTORIA

1. INTRODUCTION

- people
- purpose of meeting

2. COMPANY PRESENTATION

- background on company
- mining experience
- company policies on environmental issues, local benefits, etc.
- revisions to the mine plan and proposed project schedule
- engineering work underway
- environmental work underway
- Stage 1 Up-date report

3. REVIEW OF GOVERNMENT PERMITTING PROCESS AND STATUS OF THE CINOLA PROJECT

- guidelines process
- status of Cinola Project

4. DISCUSSION AND RECOMMENDATIONS

MINE DEVELOPMENT REVIEW PROCESS

CINOLA GOLD PROJECT

Minutes of Meeting

Time: 1987-01-29 at 0900

Place: Oak Room, Parliament Buildings, Victoria

Attendance: see attachment

Agenda: Provided by City Resources (Canada) Ltd.
- (see attachment)

Proceedings:

1. Purpose of Meeting

- (a) Introduce City Resources Ltd. project team to Mine Development Steering Committee (MDSC) reps and other key Mine Development Review Process (MDRP) participants;
- (b) Review project concept and company policies for Cinola development;
- (c) Review project scheduling and direction/status of studies;
- (d) Solicit initial government agency response to the proposal; and
- (e) Confirm the major steps in government's Mine Development Review Process.

2. Introduction of City Resources Ltd.
(Mr. Graham Balderson)

- (a) Corporate history/structure, investment facts, and mining exploration/development experience in other Pacific Rim countries were outlined.
- (b) Company is well established, well funded, rather than inexperienced and/underfunded.
- (c) City Resources acquired 29% interest in Consolidated Cinola Mines Limited and has an option to expand this interest to 44%.

Cinola Gold Project

January 29, 1987 - Meeting Attendance

<u>Name</u>	<u>Affiliation</u>	<u>Phone</u>
1. Graham Balderson	City Resources (Metallurgist)	669-1524
2. Ursel Doran	City Resources (Business/Marketing)	669-1524
3. Chip Nichols	City Resources (Consulting Geologist)	669-1524
4. Robin Tolbert	City Resources (Exploration Manager)	669-1524
5. K.G. Sanders	City Resources (Geological Consultant)	669-1524
6. Rob Hawes	Norecol (Environmental Consultant)	682-2291
7. Ray Crook	MEMPR (MDSC)	387-3787
8. Daryl Brown	MEMPR (MDSC)	387-3787
9. Ron Smyth	MEMPR (Chief Geologist)	387-0687
10. Bruce McRae	MEMPR (Director of Mineral Policy)	387-3787
11. T. Vaughan-Thomas	MEMPR (Manager, Mine Inspection)	387-3781
12. Vic Dawson	MEMPR (Chief Inspector of Mines)	387-3781
13. Bob Bone	MEMPR (Inspector of Mines)	387-3781
14. John Dick	Ministry of Environment & Parks (MDSC)	387-9661
15. Sylvia von Schuckmann	Ministry of Environment & Parks	387-4573
16. David Parsons	Ministry of Environment & Parks (MDSC)	387-9674
17. Cynthia Hawksworth	Ministry of Municipal Affairs (MDSC)	387-4002
18. Wayne Knapp	Fisheries & Oceans Canada (Vanc.)	666-0130
19. Bryan Kelso	Environment Canada (Vancouver)	666-5193
20. Keith Ferguson	Environment Canada (Vancouver)	666-2399

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- (d) City Resources became involved in the Cinola property because it is an epithermal type deposit, with which the company has experience, and due to the world-class size of the deposit (over 1 million ounces of gold).
 - (e) Although \$3 billion has been expended on gold exploration in the free world in the last twenty years, only about two dozen deposits of this size have been discovered.

3. Project Overview (Mr. Ursel Doran/Mr. Graham Balderson)

- (a) Mr. Doran emphasized that the company has the financial wherewithal and commitment to responsibly and cooperatively develop the property.
- (b) The former ore reserve data base consisted of 100,000 feet of drilling (225 drill holes) and 15,000 fire assays. City Resources has drilled an additional 30,000 feet (100 holes), is re-logging all earlier drill core, has almost completed 2000 re-assays, is about to begin underground aditing to collect bulk samples.
- (c) Mr. Doran indicated that the former project had raised major concerns partly because of highly anomalous samples showing high mercury levels. He suggested that the former work on metals was unnecessarily alarming, and that methods such as washing the concentrate with bleach or hydrogen peroxide would allow recovery of problem metals.
- (d) The project schedule was reviewed. City plans to submit a Stage I Update report in mid-February, complete final feasibility in August, and file its Stage II report in September/October, 1987.
- (e) Projected power requirements for a 5000 tonne/day mill and associated facilities is 15 MW. This represents three times the currently available grid power on the island. A study will evaluate power options. Tentatively, the preference is for a project-specific hydro development, given its low long-term operating costs.
- (f) City Resources has discussed plans for Native employment and training with INAC. They have asked INAC to arrange a meeting with the Masset Band.

- (d) If approval-in-principle is granted, the project enters Stage III of the MDRP, which is the point where the proponent deals directly with the various agencies and authorities to obtain licences, permits, etc., as required by legislation. Applications for these authorizations can be submitted prior to approval-in-principle in order to expedite project scheduling. Final approvals will not be issued, however, until after overall project approval-in-principle.

Compiled by Daryl Brown
Secretary

Mine Development Steering Committee
c/o Mineral Policy and Evaluation Branch
Mineral Resources Division

1987-02-02

Attachments: - meeting attendance
- proposed agenda (provided by City Resources)

Note - other documents provided by City are not attached, but included:
- George Cross News Letter, 86-11-27
- write-up on City Resources Ltd. by T.C. Coombs & Co. of London Stock Exchange, December, 1986
- company annual report, 1986.

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- (g) The mine will be open pit, with a potential daily milling rate of 5-6000 tpd. There will be a 6 - 12 month construction period. Operations will be on a 24 hour/day - seven day/week basis (three shifts). Operating staff will be 200-250 personnel that commute from Port Clements, Queen Charlotte City and Masset. The company policy is to train and hire a local workforce. INAC funds are available for Native manpower assessment/ evaluation study. Capital cost is \$50 - \$90 million.
- (h) This compares to the original Consolidated Cinola/ Energy Resources proposal of 14000 tpd., \$170 million capital cost, based on higher gold prices, and involving expensive milling (e.g. roasting) rather than simple flotation concentration now proposed.

4. Environmental Program (Dr. Rob Hawes)

- (a) Rob Hawes suggested that the initial draft Stage II report supplied a good deal of data, but lacked focus on environmental management practices.
- (b) The current environmental research program includes:
- o water quality monitoring (22 sites, some re-activated from earlier work);
 - o hydrology monitoring (re-initiated);
 - o acid mine drainage tests (including field tests of waste piles);
 - o arsenic and mercury analysis in fish/shellfish tissues, stream sediments, water, soil and vegetation;
 - o review of earlier mercury data; and
 - o site selection study for waste rock/tailings disposal.
- (c) The novel proposal for combined waste rock/tailings disposal requires 35 million tonnes of storage over the life of the mine, and a multi-factoral site selection study has been initiated; all sites east of Yakoun River now dropped; the selected site may have to be permanently submerged on abandonment to control acid mine drainage.
- (d) Norecol is aware of the environmental sensitivity of the area, and is committed to close consultation with government environmental agencies, leading to a thorough Stage II submission.

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- o projections of indirect job creation and total population impacts on the island;
 - o assessment of local government ability to handle population impacts;
 - o manpower recruitment and training policies (including target groups for employment/training e.gs. juveniles, Natives, women); and
 - o policies respecting worker housing and housing assistance.

- (b) Ray Crook explained that government policy is that the proponent is responsible for documenting impacts on social and other services provided by local governments, but is not responsible for documenting impacts on provincially-provided social services (e.gs. health care, education, judicial, human resources).

10. Summary of MDRP (Ray Crook)

- (a) The Stage I Update report will be reviewed by MDRP participants within approximately six weeks after it is submitted to the MDSC. Review comments will be compiled and will act as a terms-of-reference for Stage II studies, and preparation of the Stage II document. Stage II studies should be conducted in close consultation with the key agencies.
- (b) The Stage II submission will be subject to a two-week screening period by the MDSC to ensure that the document is sufficiently complete to warrant a full detailed review by MDRP participants. This review will take approximately 10 weeks, and there may be an indefinite period thereafter for negotiations/information exchanges if there are outstanding agency concerns.
- (c) After all concerns are resolved, the Environment and Land Use Committee of Cabinet will be briefed on the proposal and will be asked to make a decision on approval-in-principle for the Cinola project.

5. MDSC General Comments (Ray Crook)

- (a) Ray Crook indicated that Cinola development will no doubt be a controversial and difficult challenge for all concerned. This perception is based primarily on the importance of the Yakoun salmon fishery, earlier Haida opposition, and the previously high profile of the project in local communities.
- (b) The role of the MDSC is to try to facilitate solutions to issues so that Cabinet can make a relatively non-politicized approval-in-principle decision.
- (c) Government policy is that it is the proponent's responsibility to undertake public consultation. MDSC reps may attend public meetings to receive direct local input. Based on past MDSC experience, it is an unlikely possibility that Cabinet will require public hearings on the project.

6. Federal Government Comments (Keith Ferguson)

- (a) Keith Ferguson summarized the Federal Government view of the extreme sensitivity of the environment and the importance of the fisheries resources in the potentially impacted area. Management of water quality impacts is a critical condition precedent to approval of the project.
- (b) Keith Ferguson stressed that federal review of proposal will focus on these inherent sensitivities. Technical solutions to issues may not be easy, and the proposed timing of project development may be affected by the need to satisfy environmental concerns.
- (c) It was agreed that Norecol will meet with environmental agency representatives to discuss details of existing data and studies. Meeting(s) will occur following agency review of the Stage I Update report, and prior to MDSC finalization of Stage II study direction.
- (d) A commitment was made for open and frequent dialogue between the proponent and the regulatory agencies.

7. Ministry of Energy, Mines and Petroleum Resources,
Inspection and Engineering Branch Comments
(Vic Dawson, Bob Bone, Terry Vaughan-Thomas)

- (a) The primary concern of the Branch is worker health and safety during construction and operation, geotechnical stability of works, prevention of sterilization of ore reserves, and mine reclamation.
- (b) Approvals under the Mines Act are issued at Stage III of the MDRP.
- (c) The 100-tonne bulk sample extraction will be handled by the Reclamation Advisory Committee as a permitting matter. It is not subject to the MDRP.

8. Ministry of Environment and Parks Comments
(John Dick, Dave Parsons, Sylvia von Schuckmann).

- (a) John Dick stressed that the Stage II document should outline impact management practices for both the operations and abandonment periods.
- (b) John Dick explained that Stage II approval-in-principle means that impact issues have all been identified and are known to be resolvable, although there may be a need for post-approval-in-principle studies. The goal of the process is to eliminate uncertainties and provide the politicians who make the approval-in-principle decision with reasonable assurances that future problems will not emerge.
- (c) Dave Parsons provided the company with a copy of Ministry criteria for water quality for selected contaminants, and suggested that a site visit for key government review personnel could be valuable.
- (d) Sylvia von Schuckmann indicated the need to provide ample lead time for regional involvement in processing permit applications.

9. Ministry of Municipal Affairs Comments
(Ray Crook on behalf of Cynthia Hawksworth)

- (a) Ray Crook indicated that Stage II information requirements of this Ministry will be:
 - o employment breakdown for construction and operations phases;