

**BARRACK MINE  
MANAGEMENT INC.**

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May 16, 1990

The Honourable Jack Davis  
Minister of Energy, Mines  
and Petroleum Resources  
#501 - 815 Hornby Street  
Vancouver, B. C.  
V6Z 2E6

Dear Mr. Minister:

Re: Cinola Project

Barrack Mine Management Inc. has now completed its review and feasibility study on the Cinola Project. While capital and operating costs were anticipated to be high due to the location and environmental sensitivity of the project, they in fact came in much higher than expected and as a consequence, it is our view that the Project cannot be financed nor advanced further under the present conditions. As such, we are suspending all activity on the Project at this time and evaluating options under which it could be viable.

As a result of this decision, we do not wish to proceed to Public Hearings at this time. We have been, and continue to be concerned over the length of time and the delays encountered in bringing the Project through the approval stage. Now that it is facing a major EARP Hearing, further delays are inevitable. While we are confident the Project will eventually be approved, we cannot justify further major expenses at this time unless we receive positive assurance that the Project will proceed on a timely basis. I appreciate that both Government(s) and ourselves have spent a considerable amount of money, time and effort in advancing the project to its present stage, however, under the circumstances, it is evident that the Project cannot support the high cost of the environmental obligations imposed upon it under the existing economic climate.

On behalf of Barrack and City Resources (Canada) Limited, I wish to thank you and your staff for the co-operation and support in advancing the Project through the Mine Development Review Process over the past few years. Hopefully, the Project can be brought back into the "process" in the future without losing its continuity

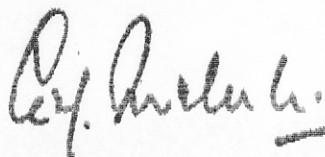
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and the major work which has been associated with it. Should you or your staff wish a personal meeting in order to discuss any aspect of the Project prior to "putting it on the shelf", we would be pleased to meet with you at your convenience.

For your information, I enclose a copy of a press release which was issued today re the above decision.

Yours truly

BARRACK MINE MANAGEMENT INC.



E.M. Berthelsen  
President

- cc: Honorable John Reynolds - Ministry of the Environment
- G. B. McRae - Ministry of Energy, Mines and Petroleum Resources
- E. A. Denhoff - Ministry of Native Affairs
- R. Hart - Ministry of the Environment
- K. Ferguson - Environment Canada
- W. Knapp - Fisheries and Oceans
- P. F. Scott - Federal Environment Assessment Review Office

