

18 Interpretation and Conclusions (Item 21)

18.1 Interpretation

The Black Fox property is located within Precambrian age metavolcanics and metasedimentary rocks of the Abitibi Greenstone Belt. This is one of the worlds largest Archean greenstone belts believed to have formed by a complex history of paired arc volcanism and back arc sediments subsequently deformed during continental collision. The Black Fox mineralization is controlled by the Destor-Porcupine Fault Zone (DPFZ), a major, east-west trending, deep-seated, crustal fault zone. The DPFZ and its numerous splays are associated with many past and current producing gold mines and gold deposits in the Porcupine Camp. The deposits are located closest to Black Fox each host approximately the 800k to 1Moz of gold. The Dome-Hoyle Pond deposits located 65km west, have shown that gold bearing structures can be traced to 1,600m below surface where they remain open at depth. The Holt-Holloway Mine, located approximately 45km to the east has been developed down to 1,200m below surface.

The Black Fox deposit has currently been drill tested to 700m below surface where portions remain open at depth. The drilling density is sufficient to estimate mineral resources classified as indicated and inferred categories. The deposit contains 1,889 drillholes drilled from surface and underground totaling to 335,983m. QA/QC procedures were reviewed by an outside consultant and determined to be appropriate. Mineralization occurs as two main ore types. The “Flow Zones” show good geologic and grade continuity forming distinct lens shaped bodies, in contrast to the “Main Zone” where mineralization occurs as discontinuous stockwork zones defining smaller pods of mineralization. Each of these mineralization types have been modeled with unique estimation procedures.

18.1.1 Opportunities

The Black Fox deposit contains a significant gold Resource, parts of which are potentially exploitable by open pit and underground mining methods. The deposit is currently drill defined to approximately 700m below surface where portions remain unconfined. Black Fox is located midway between the Dome-Hoyle Pond and Holt-Holloway Mines, each of these have been developed and exploited to approximately 1,000m below surface. At the Dome-Hoyle Pond deposit, gold mineralization has been traced to a depth of 1,600m where it remains unconfined. The Black Fox deposit provides opportunity to be developed into a profitable gold mine with potential at depth for additional Resources.

The ability to mine the Black Fox orebody using open pit mining methods will dramatically increase the knowledge base surrounding the “Nuggety” nature of the orebody. In effect, a very large bulk sample will be taken which will quantify perceived assay problems associated with interpreting grade from small drillhole diameters. Since historical underground mining has suggested a significant, “mine call factor” the true quantity of contained gold ounces may increase significantly. An increase in contained gold will increase ore tonnages to extend mine life and/or allow stockpiles, which can be drawn from during high strip ratio mining periods. The lessons learned from open pit mining will also give confidence to underground operations and associated stope layout.

The cut and fill stopes are designed based on a 3m lift height. During the detailed design phase, there is an opportunity to optimize this stope height and to possibly mine to different design parameters in different areas of the orebody. In areas where the orebody is wide, the stope

height could be increased to between 4m and 5m to improve productivity and reduce the unit cost per tonne. An increase in the stope height would also increase the ore to waste ratio thus reducing the amount of waste to be hauled to surface.

There is a significant opportunity to mine a greater proportion of the orebody than has been presented in this design. A long-term gold price of \$650/oz has been used to calculate cut-off grade and hence the stoping limits. However, the current gold price is significantly higher and if used to plan the short-term production, would result in a cut-off grade of approximately 2gpt. This would lead to more material being included within the economic stope limits.

In the preparation of the ore reserve estimate, all inferred material had its grade zeroed and was in effect treated as waste dilution. In the current underground reserve design, approximately 100,000t of inferred material at 12gpt was set to zero grade but is included in the design.

18.1.2 Risks

The gold mineralization at Black Fox is relatively high grade and sporadic in distribution. This style of mineralization is common to many similar deposits both within the district and through out the world. Many of these have been exploited successfully by techniques unique to each deposit. At Black Fox, the near term risk resides in refining the appropriate development and exploitation techniques required to successfully accommodate the nature of the gold mineralization. Conversion of Inferred Mineral Resources to the Indicated category has proven to be of relatively low risk so far. A recently completed drilling program conducted by Apollo during 2007 tested 14% of the previously classified Inferred Resource. The results of the updated Resource estimation showed that 84% of the tested material was converted to the Indicated category and the remaining 16% was invalidated.

The geological model is a conservative estimate of grade and is the basis for the pit optimization, pit design and production schedule. Given the “Nuggety” nature of the deposit, the ratio of ore to waste governs fleet utilization assuming a consistent production rate. If more ore is actually mined than predicted in the model, less waste stripping will be required and equipment utilization will decrease.

Much of the bedrock material is known to contain arsenic, which can be leached when exposed to oxygen and water. While treatment plans have been designed, additional pre-emptive dump sequencing may be employed to encapsulate the “Dirty” rock increasing complexity in the dump scheduling of the deposit.

The pit is very close to a major highway and private properties. This may create noise, vibration, dust and generally affect the local area and the mining operations if any of these aspects become excessive.

The permitting schedule is a principal driver of the production schedule and while there is about 18 months of CEAA process to go through of flexibility in commencing phase 2 and 3, any more delay will mean trucks will be parked until the relevant permits are in place.

The overburden material is known to have poor geotechnical characteristics. Careful analysis of the “Till” face needs to be made on the NW corner of the pit close to the highway. If this area presents geotechnical stability issues, a retaining wall may need to be considered.

There is some noted concern about the geotechnical stability of the waste dump if it encroaches on “Till” material. If it were found that 10:1 slopes are required for these areas, the most

practical solution would be to remain within the stable dump footprint and make the waste dump higher. This would affect haul costs.

The open-pit comes within 15m of underground workings when mining phase 1. Care will be needed when blasting around this area as the underground workings in question will be the major haul route until an additional decline is constructed.

The costs for mining have been inflating at a rapid rate over a relatively short time span. Increased costs will adversely affect what material can be considered to be economic and hence also affect the quantity of contained reserves.

Historically, underground grade control has been challenging due to the complex nature of the mineralization. These challenges are expected to continue as mining progresses deeper. Geologists will have to visit the faces after each blast to mark up the ore contacts and to determine if faces should be advanced.

In the current market it is often difficult to attract skilled mining, technical, supervisory and management personnel to an operation. However, the Black fox Project is geographically located in a historical mining camp area in close proximity to a major town with a number of current operating mines. As such there should not be great difficulty in hiring suitably trained and qualified personnel.

As with all underground mining operations, ground conditions pose a significant risk. There is enough experience of mining in the upper areas to be confident that these risks are not excessive. The most effective defense against risk from poor ground conditions is sound engineering practice, good miner training, well-motivated supervision and a high degree of management focus on safety and standards.

18.2 Conclusions

The Black Fox deposit has been adequately drill tested to estimate grade and tonnes classified as Indicated and Inferred Resources. The estimation results have defined an Indicated Resource potentially exploitable by open pit mining at a 1gpt-Au cut-off, of 4.8Mt with an average grade of 5.3gpt-Au containing 0.8Moz of gold. Additionally, it defines an Indicated Resource potentially exploitable by underground mining at a 3gpt-Au cut-off, of 1.7Mt with an average grade of 11.4gpt-Au containing 0.6Moz of gold.

The open pit and underground mine design have defined a combined Indicated ore reserve of 6.5Mt at 6.4gpt-Au for 1.3Moz of gold.

The Feasibility Study demonstrates that the project is technically feasible and has a robust economic performance with the design and operating criteria used and the assumed gold price projections.

A key factor to the robust economic performance is the recent agreement to acquire the existing Stock Mill at a substantial discount to the cost of a new mill, notwithstanding the requisite permitting and equipment lead times for the construction of a new mill.