



January 3, 2008

CMC Metals Ltd.
Suite 205 – 369 Terminal
Vancouver, BC
V6A 4C4

Attn: Mr. Don Wedman

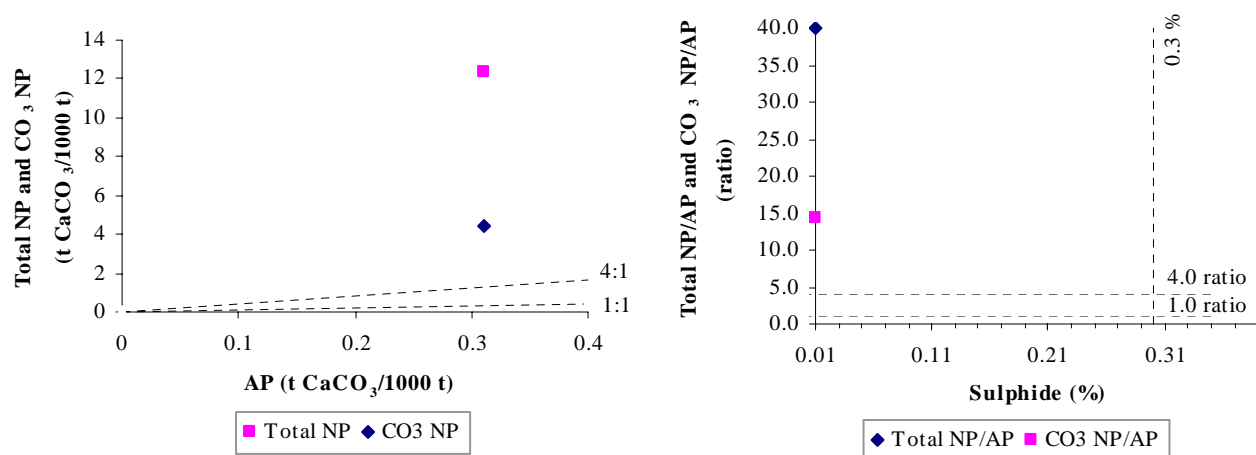
**Re: Re: Continuation/Decommissioning of TM Zone Humidity Cell Test
Silverhart Deposit
SGS Reference No. 11440-002**

Dear Mr. Wedman:

SGS has made a preliminary review of the data available to the end of the seventeenth week of testing for the humidity cell test currently in progress on the *TM Zone LCT* tailings at our facilities in Lakefield. This letter provides a brief summary of the results available to date and provides costs for continued testing beyond the originally proposed twenty weeks, should you require it.

Although the modified acid base accounting (ABA) test conducted on the *TM Zone LCT* tailings suggested an uncertain acid generation potential, the non detect sulphide (<0.01%) concentration determined indicates that acid generation from this sample is highly unlikely to occur. The total and CO₃ NP as compared to the AP and the total and CO₃ NP/AP ratio versus the sulphide of the sample are illustrated in Figure 1 below.

Figure 1 Total and CO₃ NP vs. AP



Based on the concentrations of SO_4 released into the weekly leachates, the sulphide content of the *TM Zone LCT* tailings was exhausted by Week 5. However, since the majority of the sulphur contained within this sample was sulphate (0.09%) rather than sulphide (<0.01%), this is the likely source for much of the SO_4 reported in solution. In comparison, after seventeen weeks of leaching, a calculated cumulative bulk NP depletion of 3.7% (from 12.4 to 11.9 t CaCO_3 /100 t total NP) was determined for the *TM Zone LCT* tailings. Although much of this bulk NP (~36%) is from less reactive sources, the CO_3 NP depletion calculated (10.6%) indicates that the sulphide (or sulphur) in the sample is depleting more than ten times faster than the carbonate (see Figure 3). Although a decrease of approximately 1.5 pH units and lesser concentrations of alkalinity were observed, the leachates have maintained near neutral pH values over the initial seventeen week test period. Free acidity has not been released and only minimal concentrations of SO_4 are evident in the weekly leachates. All controlled parameters are well within the limits dictated by the Metal Mining Effluent Regulations (MMER). These results suggest an excess of carbonate remaining available upon consumption of the sulphide. Based solely on ARD considerations, it is recommended that the *TM Zone LCT* humidity cell test be decommissioned following the Week 20 leach. A final 24-hour DI wash (3:1 ratio of DI to solids) and subsequent modified ABA and NAG tests of the washed residue to confirm any remnant acid generation potential is recommended.

Figure 2 Depletion Rates

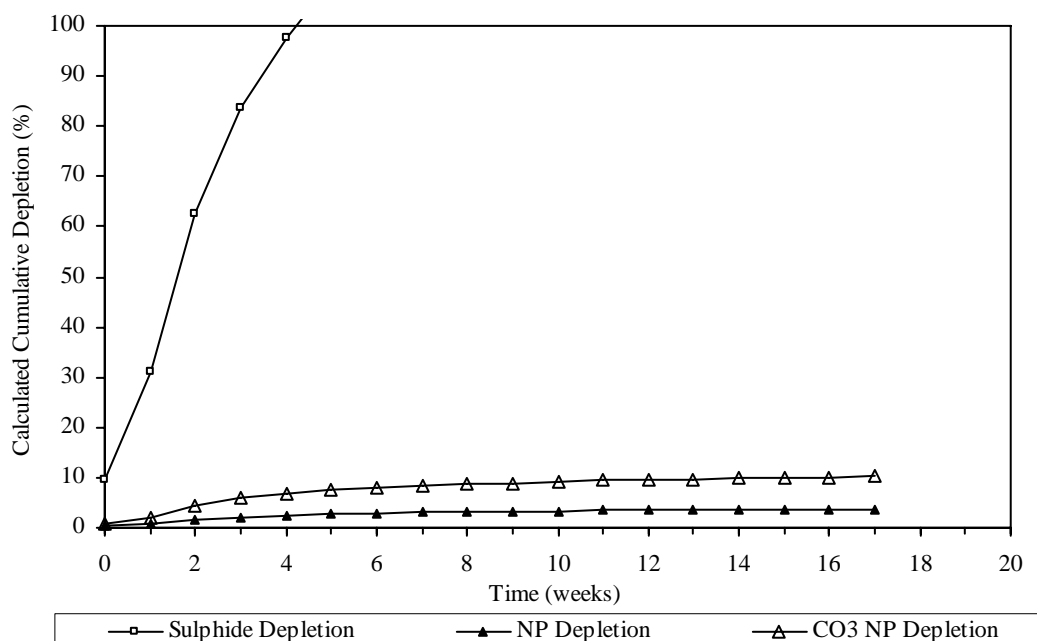
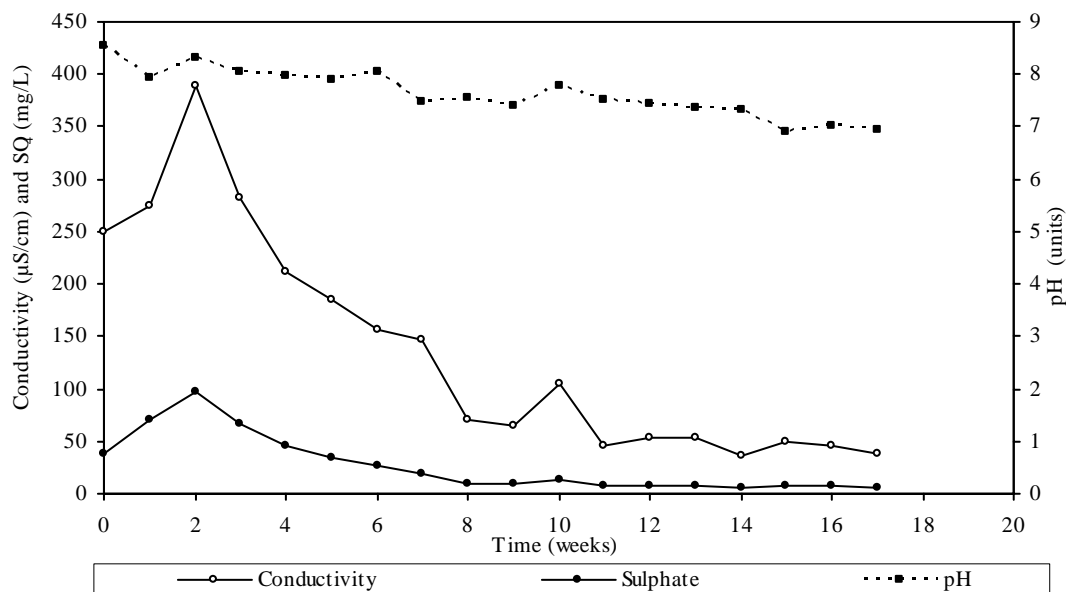


Figure 3 pH, Conductivity and Sulphate Concentrations



It has been recommended that CMC Metals Ltd. may wish to consider decommissioning the *TM Zone LCT* humidity cell test and conducting a final 24-hour DI wash (3:1 ratio of DI to solids) and subsequent modified ABA and NAG tests. Costs associated with decommissioning the *TM Zone LCT* humidity cell test are summarised in Table 1. If continued testing of the *TM Zone LCT* is required, the costs for a further 20 weeks of testing utilizing the current suite of analyses completed on a monthly basis have been quoted in Table 2.

Table 1 Humidity Cell Discontinuation Costs

Service	Cost	Notes
1 Final 24 hr DI at 3:1 ratio	\$250	Assumes one cell.
2 Modified ABA	\$145	Assumes one cell.
3 NAG	\$145	Assumes one cell.
4 Data management, project management and data reporting	\$500	
<i>Total Project Charges</i>	<i>\$1,040</i>	<i>plus GST (if applicable)</i>

**Table 2 Costs for Additional Twenty Weeks of Humidity Cell Testing**

Service	Cost	Notes
1 Continued maintenance and weekly analysis of pH, conductivity, alkalinity, acidity, Ca, Cl and Fe for 20 weeks	\$3,680	<i>Assumes one cell.</i>
2 Full metal scans (Weeks 25, 30, 35 and 40)	\$440	<i>Assumes one cell.</i>
3 Data management, project management and data reporting	\$1,250	
<i>Total Project Charges</i>	<i>\$5,370</i>	<i>plus GST (if applicable)</i>

Please advise SGS to continue or cease the humidity cell testing upon completion of the approved twenty week test duration. The Week 20 leachate extraction for the *TM Zone LCT* humidity cell is scheduled to occur on January 16, 2008.

If you have any question regarding the contents of this letter please contact the undersigned at (705) 652-2000 (ext. 2524) or by email at barbara_bowman@sgs.com.

Best regards,

SGS LAKEFIELD RESEARCH LIMITED

Minerals Services

Barbara Bowman

Environmental Testing

Attachment

c.c. Rob Caldwell, SGS

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Sample Storage/Disposal

It is the policy of SGS Lakefield Research Limited (SGS) that the client retains ownership of all samples shipped to Lakefield for a test program, as well as all products created during test work. At the completion of a test program, the client will have the option of requesting return of all samples, storage at SGS facilities in Lakefield, or disposal by SGS.

SGS strives to comply with all environmental regulations. One of our legal obligations is to characterize all material (greater than 500 kg) that leaves our site, as either a hazardous or a non-hazardous waste. This distinction is based on the results of an Ontario Reg. 347 leachate test. In this regard, it must be borne in mind that, while many samples may pass the Ontario Reg. 347 test, products generated from the same sample during test work may fail the leachate tests, and require either further treatment or management and disposal as a hazardous waste. SGS will process material as efficiently as possible to minimize the mass for disposal. If the samples for disposal pass the regulatory requirements, they will be forwarded to a local landfill site. If the samples do not pass, they will either be shipped to a licensed hazardous material storage facility, or returned to the client.

While a project is active, samples will be stored under ambient conditions at no cost to the client. If heated storage or freezer storage is required, these costs will be passed on to the client from the date the samples are received at SGS facilities in Lakefield.

At the end of a project, in the month following the issue of the final report, clients will be invoiced for the costs of on-going storage, disposal or return shipment of samples and test products. At this time, the SGS project manager will provide the client with a list of all unused samples and test products pertaining to the project, as well as the costs relating to the various disposal options. The client will be requested to review the list and instruct SGS how they would like the sample(s) handled (return to client, store or dispose). If no instructions are received, the samples will be stored at the client's cost for three months, and then disposed of at the client's cost. Every effort will be made to solicit specific instructions from the client prior to disposal of the material, preferably at the project proposal stage.

SGS's schedule of fees for storage and/or disposal of samples is presented below. The storage/disposal costs are not included in the budget for the project (unless indicated), but an estimate of these costs can be made if requested.

Sample Storage Fee Schedule 2006

A - Short Term Storage (invoiced monthly) - \$150 minimum		B - Long Term Storage (invoiced annually)	
1. Freezer Storage (controlled low temperature) – billed upon receipt		1. Inside Storage (ambient temperature)	
1.1. Drums (200 L)	\$100.00/drum/month	1.1. Boxes (45 L)	\$100.00/box/year
1.2. Cardboard containers (45 L)	\$30.00/container/month	1.2. Pails	\$100.00/pail/year
1.3. Pails and coolers	\$30.00/container/month	1.3. Rubber bins	\$300.00/bin/year
1.4. Carboys / Super Sacks (1 cubic meter)	\$400.00/carboy/month	2. Outside Storage (ambient temperature)	
2. Heated Storage (temperature controlled at above 5°C)		2.1. Drums (200 L)	\$200.00/drum/year
2.1. Drums (200 L)	\$125.00/drum/month	2.2. Super sacks	\$750.00/supersack/year
2.2. Skids (super sack or carboy)	\$400.00/skid/month	2.3. Skids	\$750.00/skid/year
2.3. Boxes and pails	\$20.00/box/month	2.4. Crates	\$300.00/crate/year
3. Refrigerated Storage (year round temperature between 2-10°C)		2.5. Carboys (1 cubic meter)	\$750.00/carboy/year
3.1. Drums (200 L)	\$150.00/drum/month	2.6. Core box	\$75.00/core box/year
3.2. Cardboard containers (45 L)	\$50.00/container/month	3. Refrigerated Storage (year round temperature between 2-10°C)	
3.3. Pails and coolers	\$50.00/container/month	3.1. Drums (200 L)	\$1500.00/drum/year
3.4. Carboys (1 cubic meter)	\$400.00/carboy/month	3.2. Cardboard containers (45 L)	\$600.00/container/year
		3.3. Pails and coolers	\$600.00/container/year
		3.4. Carboys (1 cubic meter)	\$3000.00/carboy/year
		4. Freezer Storage (controlled low temperature)	
		4.1. Drums (200 L)	\$750.00/drum/year
		4.2. Boxes (45 L)	\$300.00/box/year
		4.3. Pails and coolers	\$300.00/container/year
		4.4. Carboys (1 cubic meter)	\$3000.00/carboy/year
C - Sample Disposal			
1. Regulation 347 test (Schedule 4 Limits)		\$200.00/sample	
2. Disposal of Reg. 347 (passing material at Landfill)		\$150.00/tonne	
3. Disposal of Reg. 347 (failing material to disposal company)		\$600.00/tonne	
4. Disposal of toxic materials (cost plus handling)		\$1000.00/drum minimum	
5. Disposal of radioactive material (NORM)		\$5000.00/drum	
(Handling costs included)			

Note: Fees Subject to Change

Revised Date: January 1, 2006