NMINER 24 JAN 1985

Operations suspended at Scottie mine

I hold some shares of Scottie Gold Mines bought at higher than current prices. This looks like a good candidate for dollar averaging. However, I note they have considerable debt and wonder if operations at the present price of gold will provide adequate cash flow to amortize the debt. In other words, bankruptcy seems a good possibility. Also, from the Canadian Mines Handbook, reserves appear only adequate for 2-3 years' production.

R.O.R., Franklin, Va.

Events seem to have provided some of the information you are looking for regarding **Scottie Gold Mines.**

104B/1E,W (104B 074)

The company has announced that it will suspend operations at its high grade Summit Lake gold mine near Stewart, B.C., at the end of January because of the current low gold price.

In that sense, depending on how long the mine is closed, cash flow from operations will be reduced and it will be a struggle to make the payments on its heavy debt load. However, costs will be reduced, too, so it's probably too early to talk about bankruptcy.

James Perrone, an analyst with Walwyn Stodgell Cochran Murray, suggests that the strategy of averaging down is only advisable when the viability of the company is not in doubt and you're not concerned with its financial health.

"Otherwise, you may just be throwing good money after bad."

As far as ore reserves go; yes, proven reserves at the Summit Lake mine of 117,000 tons grading 0.55 oz. per ton (N.M., Sept. 13/84) are enough for less than two years production at a rate of 700 tons per day.

Scottie, however, has embarked on an aggressive exploration and development program to try and increase those reserves. Three new ore zones could help, as could a joint venture with **Esso Minerals** to explore on property adjacent to the mine to the north.

Remember the Dome gold mine in South Porcupine, Canada's premier gold producer in continuous production for 75 years. In 1919 it reported that ore reserves were adequate for it to continue operations for three or four years, and its proven ore reserves have never really exceeded that conservative estimate.

We're not suggesting that the Summit Lake mine is another Dome and we acknowledge that Scottie is facing some tough times. Gold mines, however, seem to have a habit of bouncing back.

GGNL #67 4 APRIL 1985

SCOTT, SUMMIT LAKE

SCOTTIE GOLD MINES LTD. (SDL-V) 104B/1E,W (104B 074)

ATTEMPTS TO RESTRUCTURE DEBTS ARE UNDERWAY - Subsequent to the 4Jan85, declaration by the Royal Bank of default by Scottie Gold Mines Ltd., the orderly closure of the mine near Stewart, B.C. was completed and the Royal Bank of Canada allowed for payment of essential services. A review by the Bank will be made in six months time. The remaining assets are the mining and milling plant and equipment, camp, and ore reserves estimated at 132,000 tons of 0.56 oz.gold/t. Direct costs of recovering one ounce of gold during 1983-84 averaged $498 before depreciation, depletion or costs of winter road maintenance. It is estimated that start up costs would be in the order of $1,000,000.

Scottie has been attempting to re-organize the debt structure totalling approximately $14,250,000. This amount in includes the bank, Serial Debentureholders, general trade accounts, Receiver General of Canada, District of Stewart and Northair Mines Ltd. The company is in default to all the obove creditors. In order to maintain the assets for the future, all creditors will be required to defer their claims for an indefinite period or to participate in an overall re-organization plan.

In consideration for extending the due date of principal and interest to 30Sep85 to allow the company time to develop a plan to restruture the debt, the Serial Debentureholders will be issued 250,000 common shares of Scottie, subject to regulatory approval.

Management intend to continue to pursue alternative means of structuring the corporate debt. However, Mr. McLeod stressed that the company remains vulnerable to the possible action of any of the creditors which could result in default proceedings being initiated at any time.