

Depressed metal prices offset gains by Scottie

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While the company managed to increase production, improve recoveries and reduce costs quite dramatically during the year, **Scottie Gold Mines** says its fiscal performance, although significantly better, was not enough to offset the effects of a continued weak gold market. After depreciation and depletion allowances, Scottie reported a loss of \$2.5 million (62¢ per share) compared to a restated loss of \$8 million for the period ended Sept. 30, 1982.

Admitting that it's difficult under present conditions to be optimistic about the future, Donald McLeod, president, says a strong firming in gold prices will be required before the Scottie operation is sufficiently profitable to retire its debt.

With a 38% increase in the mill rate, plus a 22% increase in gold recoveries and a similar decrease in production costs, Mr. McLeod notes that cash flow from operations increased 61% to \$3.8 million compared to a \$2.2-million cash loss in 1982. Largely because of this, Scottie reduced its working capital deficit to \$11.2 million from \$13.6 million the year before.

The company milled 67,415 tons (185 tons per day) during the year which yielded 34,090 oz. gold for an average calculated grade of 0.548 oz.

Ore reserves stood at 130,824 tons grading 0.67 oz. gold compared to 126,366 at 0.775 oz. a year earlier. The drop in grade is attributable to narrower mining widths resulting in greater dilution, the report says.

Direct operating costs per oz. gold were \$421.20, much lower than the \$541.02 per oz. achieved in 1982. Production revenues jumped 61% to \$18.3 million based on an average gold price of \$528.69.

Underground development fo-

cused on the 3,500 and 3,600 levels where subsequent mining of the upper levels revealed a much more erratic and narrower ore deposition which was the main factor in the lower ore reserve grade. Surface exploration including mapping, sampling, trenching, geophysics and 4,710 ft. of diamond drilling delineated potential ore zones — adjacent to the immediate mine workings, says Scottie. Development crews are driving a crosscut to the "O" zone to open up reserves in this area.

Underground drilling to define additional reserves is continuing. Pointing out that operating profits are becoming more and more difficult to achieve, Mr. McLeod concedes that Scottie's success will be linked to a recovery in metal prices and "our ability to produce at competitive costs in a very competitive world market."

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Scottie anxious for gold price increase

Low gold prices continue to plague **Scottie Gold Mines'** high grade Summit Lake gold mine near Stewart, B.C.

"While the continued low prices for precious metals have been extremely onerous . . . in terms of generating net cash flow, the mine has continued to maintain production and at the same time taken an aggressive approach toward exploration and development," says President D. A. McLeod in an interim report to shareholders.

Ore reserves are estimated at 117,000 tons grading 0.55 oz. gold per ton, cut and diluted.

In 1983 Scottie reported a net loss of \$2.5 million despite a positive cash flow of \$3.8 million from the two-year-old mine. The company's fiscal year ends Sept. 30.

Scottie has had considerable success in developing three new ore zones to increase reserves.

Scottie is also working with **Esso Minerals** in a joint venture on property adjacent to the Scottie mine to the north.

"Despite the difficult economic conditions that continue to face the mining industry and particularly the Summit Lake property including high operating costs and low precious metal prices and the lower grades recently encountered at the mine, the company has continued operations," said Mr. McLeod.

"A long awaited increase in precious metal prices or the potential for increased grade will see a return to positive cash flow for the company."

TOT. PROS. + DEV. MAG
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Scottie has entered into a 50-50 joint venture with Esso Minerals to explore a 37 unit claim block adjacent to the north of its Summit Lake property. The claims cover major gold bearing showings that were discovered in 1983. Work to date indicates five separate showings, three of which have produced highly anomalous gold values and some high grade assays. A \$500,000 exploration program is scheduled to commence early spring. Scottie's Summit Lake drilling program below the 3,000 foot level continues to prove up additional high grade reserves with six intersections returning values ranging from 0.72 ounces gold over 2 feet to 2.33 ounces of gold per ton over 6 feet and has outlined 21,000 tons of reserves grading 1.0 ounce of gold per ton.

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