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Scottie predicts good year in 1983 with gold output at Stewart doubling

VANCOUVER – Scottie Gold Mines predicts "the coming year will see most, or all, of our debt repaid," noting improved cash flow projections enabled the company to begin paying the principal on its $11 million loan from the Royal Bank last December.

In the annual report, Donald A. McLeod, president, also says Scottie is consistently performing near its 200-ton-per-day capacity and recovery rates have improved to 90% or more with an additional 2-3% improvment expected once a new drum filter is installed this February.

Anticipating improved gold prices in the coming year, Mr. McLeod contends that Scottie is "assured of a very profitable 1983 and many more years of success to come." And he adds that present reserves of 175,000 tons grading 0.75 oz. gold, which are all located in the main zone, "can be doubled" since there are several other zones remaining to be tested.

The mine produced 25,000 oz. of gold during the fiscal year ended Sept. 30, 1982, from 49,000 tons of ore, based on a 76.4% recovery rate. Direct production costs were $209 per ton while the cost of producing an ounce of gold was $404 and the average metal price for the year was $450 per oz.

Gold production in the 1983 calendar year should reach 50,000 oz. and the company points out sufficient stope preparation has been done to ensure adequate feed for the mill.

Scottie's working capital deficit as of Sept. 30, 1982, was $14.7 million while the loss for the year including interest expenses of $3.3 million amounted to almost $9.2 million or $2.22 a share fully diluted.

N MINER 7 JULY 1983

Northair loss reflects Scottie equity

Northair Mines President Donald McLeod says the company's $2-million net loss for the year "reflects the combined impact of soft metal markets, decreased production at our established mine, and the growing pains of our new one."

Although it recorded a cash loss for the year of $437,483 from operations, Northair's 21% equity in Scottie Gold Mines compounded that loss even further. But he notes in the annual report, during the 6-month period ended Mar. 31, there was a "substantial improvement" in operations at Scottie's Summit Lake gold mine near Stewart, B.C. Higher throughputs and recoveries resulted in a positive cash flow from operations there of approximately $4 million, before interest expenses of $1.6 million.

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Mr. McLeod says the Northair Mine remains on standby but extensive exploration and development work is planned to expand ore reserves which stood at 67,236 tons (diluted) grading 0.25 oz. gold, 0.77 oz. silver, 1.25% lead and 1.9% zinc four months before closure. The program will test several underground targets and one near-surface zone.

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The most exciting target appears to be an extension of the Warman zone on the 2,800 level where a 115-ft.-long section grading 0.25 oz. gold over a 5-ft. width is still open up and down dip.

Pointing out that Northair has investigated several opportunities to facilitate reopening, including joint venture milling arrangements with neighboring properties, Mr. McLeod conceded that Northair was unable to secure favorable terms to operate on a custom milling basis. At today's prices the mine is still uneconomic, he admits, adding: "There may yet be more profits to come from the Brandywine Creek operation."

In its six years of operation the mine produced 162,577 oz. gold, 786,971 oz. silver along with approximately 10.5 million lb. of lead and 13.4 million lb. of zinc — altogether worth some $60 million.

The company's 33%-owned subsidiary, **Northcal Resources**, recently added an "exciting new gold property" to its mineral portfolio. The Gold Cliff prospect, located 100 miles east of San Francisco, was leased from **New Jersey Zinc** which owns a similar property 20 miles to the south. That particular project has reached the pre-feasibility stage.

Northcal's property is thought to have good open pit potential with reserves averaging 0.1 oz. gold per ton, amenable to low cost heap leaching methods.

Only a limited geological program costing $100,000 is scheduled for the Bully Hill prospect in northern California, a joint venture with Northair. A mineral reserve of 558,000 tons grading 0.046 oz. gold and 1.9 oz. silver with base metal values has been outlined thus far. A major financial commitment would be required to outline fully its huge potential, says Mr. McLeod.

Only preliminary work is planned for properties held by **Brandy Resources** (28% Northair) all of which is contingent upon a public financing now being negotiated.

29