

GCNL #178 15-09-80 SCOTTIE GOLD MINES LTD. 104B/IE 104B 074F

PRODUCTION FINANCING SECURED - Donald A. McLeod, president of Scottie Gold Mines Ltd., has announced completion of \$15,000,000 production financing for the mine near Stewart, B.C., at a rated capacity of 200 tons of ore per day or 70,000 tons per year.

This major funding has been realized through two agreements, a \$3,750,000 private placement by Brink Hudson Lefever Ltd. and Northair Mines Ltd. and an \$11,250,000 loan from the Royal Bank of Canada. The private placement agreement calls for 25 loan units at \$150,000 per unit to be secured by debentures at prime rate plus 2% payable quarterly, as well, the participants will receive 1,500 Class A common shares of Scottie for each unit and will also have warrants attached to purchase 15,000 shares at \$7.00 each over a period of two years. The loan units are to be repaid within 24 months but are subordinated to the bank loan. The Royal Bank demand loan totals \$11,250,000 and can be drawn from Oct. 1/80 with loan repayments to begin not later than 1 Sep 81. The agreement also calls for a stock bonus of 10,000 shares to the Royal Bank prior to drawdown of funds and a \$100,000 loan fee, \$25,000 payable upon execution and the balance from positive cash flow after production. Both agreements are being submitted to the regulatory authorities for approval.

Arrangements of the major financing for Scottie follows completion of the final feasibility study on the company's Summit Lake property which is scheduled to begin production 1 Jun 81. Some of the study's highlights are:

Reserves in all categories total 226,000 tons of mine grade of 0.65 oz. gold per ton and minor amounts of silver.

Once full production is reached, output will total approximately 4,500 oz. gold and 2,800 oz. silver per month.

Cash flow projections based on the price of gold at \$650 Cdn. per oz. would see the loans (with interest) paid off within eight to nine months of full production.

The first 12 months after the loan is repaid, Scottie will earn about \$19,000,000 after taxes or approximately \$6.00 per share fully diluted.

As at 11 Sep 80, the price of gold in the world markets was \$790 Cdn. per ounce.

The mine and mill will employ 70 people with an annual payroll in excess of \$3,000,000. Initially, most employees will reside in the new Atco complex at the mine. Application has been made to purchase 72 land lots in the town of Stewart where eventually 25 to 30 single dwelling residences will be constructed with some house trailers and possibly a small apartment complex.

Work on the Summit Lake property has been progressing well with the 7,000-foot access adit at the 2,800 foot level 95% complete and ready for breakthrough within the week. Mill excavation is also well under way as part of a complete underground production complex including powerhouse and maintenance shop. The access adit, mill, crushers, plant excavation and all underground development are under contract to Canadian Mine Enterprises of Vancouver. To be constructed on surface are shops, warehouse and a modern, 80-man camp.

In addition to offering living quarters and cookhouse, the surface camp features a comprehensive recreation centre and engineering offices. The total costs of bringing the Scottie property to production including road construction, exploration, development, engineering, metallurgy and all related costs, are estimated at \$19,000,000, approximately \$5,000,000 of which has been expended to date. Some of these funds were raised from a private financing of \$1,750,000 announced in May, 1980, whereby TRV Minerals Corporation gained an 8.77% interest in the company with the purchase of 250,000 shares and Northair Mines purchased 100,000 shares.

Scottie Gold Mines is managed and approximately 17.5% controlled by Northair Mines Ltd.

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#### Scottie Gold Mines gets

#### \$15-million financing

A \$15-million financing will be used by Scottie Gold Mines Limited to bring its gold property near Stewart, BC into production by mid 1981. The financing came through a private placement by Hudson Lefever Ltd and Northair Mines plus an \$11.5-million loan from the Royal Bank of Canada.

The 200 ton/day operation is expected to produce 4500 oz gold and 2800 oz silver a month when in full production. Cost of the project is \$19-million, of which \$5-million has already been spent. Reserves stand at