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...ning a letter of intent to op-...on four of their recently ac-...uired diamond exploration properties in Keewatin district to **Connecticut Development** (VSE).

Connecticut will pay $39,000 in cash, issue a total of 100,000 shares and undertake $250,000 in exploration work during the next two years to earn a 50% interest in the properties.

In the Dubawnt area of the N.W.T., Leeward says it has identified seven priority areas as possible diamond-bearing lamproite pipes. Skeena funded an initial staking program to acquire these targets.

Kingswood Resources (ASE) has signed an option agreement with **Acadia Mineral Ventures** (TSE) giving Kingswood the right to earn a 75% interest in a 52,000-acre property east of Echo Bay Mines' Lupin gold mine. Kingswood says geophysical surveys indicate kimberlite pipes, the host rock for diamonds, may be present on the property. It also says the property is prospective for gold exploration including a folded iron formation similar to the geological setting of the Lupin mine.

In north-central Saskatchewan, **Aaron Oil** (ASE) says it has entered into a joint venture agreement with **Rhonda Mining** (ASE) to explore for diamonds in the Sturgeon Lake, Fort a la Corne and Pasqua Hills areas.

In the Sturgeon Lake area, Aaron will earn a 20% interest in about 51,000 acres by paying $20,000 and issuing 150,000 common shares to Rhonda. A diamond drilling program is expected to be started up this October.

Aaron also owns other property (4,480 acres) at Sturgeon Lake and 103,600 acres in the Lac de Gras area of the Northwest Territories.

Along the Ontario-Quebec border, a low-level regional airborne survey is anticipated by **KWG Resources** (ME) in the Kirkland Lake, Ont., area.

The junior says the Quebec-based portion of its 70% controlled joint venture consists currently of nine claims acquired from a private British Columbia corporation. A further 70% interest in six claims was recently acquired by the joint venture through the acquisition of an agreement between the British Columbia corporation and **Strike Minerals** (CDN).

Drilling starts on North Kemess

VANCOUVER — Diamond drilling was started recently on the North Kemess property, 100%-owned by **El Condor Resources** (VSE).

The property covers about 11 square miles adjacent and north of the South Kemess property owned 60% by El Condor and 40% by **St. Philips Resources** (VSE), about 200 miles north of Fort St. James, B.C.

Based on a limited amount of previous exploration drilling on the North Kemess property, El Condor estimates geological reserves at about 128 million tons grading 0.19% copper and 0.011 oz. gold per ton.

The current drilling program will test four large copper-gold targets.

Two of the drill targets, the Sovereign and Nugget, cover an area of highly altered volcanic and intrusive rocks within a 9,800 x 3,300-ft. coincident IP chargeability and gold-copper soil geochemical anomaly.

The drilling will also test the Kemess East target, a 6,300 x 3,300-ft. IP and gold-copper soil anomaly.

El Condor notes that extensive gold-copper stockwork-style mineralization occurs within the zone, with individual samples grading up to 0.41 oz. gold.

Initial footage for the program will be about 15,000 ft. with 5-6 holes on each target. The company plans to follow up the work with further drilling on the most attractive areas.

Meanwhile, El Condor and St. Philips are still working out the details on exploration plans for the South Kemess property.

After an extensive infill and stepout drilling program on the property last year, the partners estimated reserves at 228 million tons grading 0.23% copper and 0.019 oz. gold based on a copper-equivalent cutoff grade of 0.40%.

El Condor had hoped to spend about $10.5 million this season on further diamond drilling, bulk sampling, metallurgical testing and engineering studies for the South Kemess property, but St. Philips' financing fell through.

Rio Algom (TSE), which already owns about 30% of St. Philips' outstanding shares, decided not to exercise a purchase option on an additional 1.26 million shares at $3 each.

Consequently, St. Philips is unable to come up with its share of the proposed budget. A clause in El Condor's property agreement with St. Philips stipulates that St. Philips can limit the exploration budget to $1 million per year.

While discussions are continuing on expanding this year's budget, the two companies recently approved a 3-month, $1-million engineering and permitting program.

The work will focus on collecting data required for governmental permitting as well as completing additional metallurgical test work in preparation for final pilot-plant operations.

Westar losses on the rise

VANCOUVER — Troubled coal producer **Westar Mining** (TSE) reported a loss of $9.3 million for the three months ended June 30, which pushes the company's loss for the first six months of the year to $15.7 million.

Westar is currently operating under court protection from its creditors while it attempts to restructure its finances by a Sept. 30 deadline.

The company noted that coal shipments in the second quarter dropped to 1.3 million tonnes, compared with shipments of 2 million tonnes in the second quarter of 1991.

Revenues for the quarter declined to $73.3 million from $111.6 million for the same period last year.

The drop in coal shipments was attributed primarily to the lockout of the Balmer mine on May 1, as well as a 140,000-tonne drop in production at the Greenhills operation because of what the company described as more difficult geological conditions encountered during the second quarter. Both mines are in southeastern British Columbia.

The company's restructuring efforts were recently sidetracked

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George Cross News Letter
"Reliable Reporting"
WESTERN CANADIAN INVESTMENTS

EL CONDOR RESOURCES LTD. (ECN-V; ECNCF-Nasdaq)
$7,200,000 FUNDING FINALIZED - Robert G. Hunter, chairman, reports El Condor Resources Ltd. has received regulatory acceptance for its prospectus of Oct.22/92 qualifying the distribution of 1,800,000 units resulting from the conversion of previously issued convertible promissory notes and flow-through unit purchase agreements. Each unit consists of one share and a warrant with two warrants exercisable into a share at $4.25 until 31Dec92. The company received gross proceeds from the issuing the promissory notes and flow-through unit purchase agreements of $7,200,000 on 30Jun92, of which about $2,000,000 has been spent to date on the exploration programs on the Kemess gold/copper project in the Toodoggone region 200 miles north of Smither, B.C. El Condor is a reporting issuer in B.C., Alberta and Ont.

El Condor also reports completion of the Kemess South Phase IV work program at a cost of $1,200,000. The claims are held El Condor 60% ST. PHILIPS RESOURCES INC. 40%. The work focused on project engineering for the Kemess South deposit and the gathering and development of environmental baseline data for mine permitting. A Kemess South joint venture meeting was held Oct.6/92 at which time a $1,000,000 Phase V work program was adopted, which is expected to advance the Kemess South deposit to prefeasibility status.

A field program was recently completed on certain areas in the Kemess North (El Condor - 100%) area. To date, El Condor has developed two deposits at the Kemess project: Kemess South with minable reserves of 203,000,000 tons grading 0.019 oz. gold/ton and 0.23% copper, and Kemess North with a geological reserve of 83,082,000 tons grading 0.015 oz. gold/ton and 0.21% copper. SEE GCNL No.148, 31Jul92, P.2 FOR PREVIOUS PROJECT INFORMATION)

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then new company, as the Denver-based gold giant released its first quarterlies, showing the full effects of its February merger with Franco-Nevada Mining and Normandy Mining.

So far so good: the company posted a net profit of US$64.8 million (or US16¢ per diluted common share) on revenue of US$712.3 million, compared with period last year.

In particular, gold sales rose 67% between the two periods to US$604.4 million, representing a record 1.8 million equity ounces sold at US$314 per oz. These ounces were produced at a total cash cost of US$195 per oz. and a total production cost of US$261 per oz., compared with costs of

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pany spent exploring for diamonds throughout the world.

Much of last year's budget was directed toward early-stage exploration, resulting in the discovery of 38 new kimberlites in nine different countries, including five in Canada.

"In spite of the much higher operating costs for mining in Canada compared with southern Africa, it is right and proper for De diamond mine project in the Northwest Territories, 220 km northeast of Yellowknife. In February, De Beers submitted an environmental assessment (EA) report for the project with the Mackenzie Valley Environmental Impact Review Board. The company remains optimistic that all necessary permits and approvals will be in hand by the third quarter of 2003. This would

over a 22-year span. Based on a total resource of 32.3 million carats, **as outlined in the EA, the Snap Lake kimberlite dyke contains indicated reserves of 22.8 million tonnes, giving a minable grade of 1.42 carats per tonne based on a 20% dilution rate. A further 20 million tonnes of kimberlite are inferred. The diamonds have a present estimated value of $121 per** carat.

Snap Lake has a projected capital cost of US$320 million. The project is currently idle, and will remain so until early 2003 when further trial mining and sampling resume.

De Beers operates 20 diamond mines throughout South Africa, Botswana, Tanzania and Namibia. Some are wholly owned, whereas

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Northgate reduces hedge position, posts loss

Earns majority stake in Canasil's Brenda property

BY THOMAS SCHUSTER

VANCOUVER — After closing out a large portion of its hedge position, **Northgate Exploration** (NGX-T) took a one-time US$9.8-million hit during the second quarter and slipped further into the red.

The company posted a quarterly loss of US$12 million (or 17¢ per share) on revenue of US$26.4 million, compared with a loss of US$660,000 (9¢ per share) on revenue of US$24.4 million during the second quarter of 2001.

Cash flow from operations totalled US$3.37 million in the recent quarter (before changes in working capital and a one-time loss of US$9.8 million as a result of closing out a large portion of its gold hedging position). During the second quarter of 2001, the company's cash flow amounted to US$4.34 million.

Total operating expenses during the recent quarter were US$19.3 million, 13% higher than the year-earlier period. The increase is due to a 30% increase in the mining rate and a 9% increase in mill throughput.

The Kemess mine, in north-central British Columbia, cranked out 67,360 oz. gold and 17.3 million lbs. copper during the recent 3-month period, compared with 68,028 oz. and 14.3 million lbs. a year earlier. Cash costs increased to US$216 from US$207 per oz.

The production shortfall stemmed from unresolved labour contract issues in April and the unscheduled downtime of two large semi-autogenous grinding mills. In addition, unplanned repairs were made to the two tailings lines.

Once these issues were resolved, operations resumed at full capacity through May and June, with gold production averaging 24,500 oz. per month. Cash costs during that same time averaged US$181 per oz. gold, net of byproduct credits.

Gold recoveries between the two second quarters increased to 71% from 65%; copper recoveries, to 83% from 72%. The improvements reflect the addition of two column flotation cells to the cleaner circuit of the Kemess mill.

The average metal prices Northgate received on sales during the quarter, before hedging, were US$310 per oz. gold and US72¢ per lb. copper, compared with US$268 and US75¢ in the year-earlier period.

In June, Northgate closed its C$125 million unit offering of common shares and warrants. The proceeds were put toward long-term debt. This year, the company has reduced its long-term debt and other obligations by more than US$170 million, to US$45 million.

"We have substantially reduced debt and improved the balance sheet," says President Ken Stowe. "In addition, the new column cells have demonstrated that higher recoveries and concentrate grade are attainable over the balance of the mine life, resulting in greater annual cash flow."

Meanwhile, at the Kemess North project, Northgate is using four dill rigs in a 34,000-metre drilling

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The increase reflects High River's increased stake in Buryat, which now stands at 51% on a fully diluted basis. The company can boost its stake in Buryat to 54.45%.

advanced Taparko project in Burkina Faso, West Africa, by picking up **Queenstake Resources'** (QRL-T) 18.5% stake for $1.2 million. High River then inked a deal with **Axmin** (AXM-V),

system. An audit of the reserves by Toronto's Roscoe Postle Associates is ongoing.

At the end of June, High River had working capital of $17.3 million, up from $1.9 million at the end of 2001.

Northgate

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campaign which began in mid-June. Initial results from the first 18 holes confirm the size and grade of the existing 5.7-million-oz. resource, as well as the presence of a higher-grade porphyry dome that measures 400 metres long.

Kemess North hosts a resource of 442 million tonnes grading 0.4 gram gold per tonne and 0.23% copper. This calculation is based on a gold-equivalent cutoff grade of 0.6 gram gold per tonne and on gold and copper prices of US$325 per oz. and US90¢ per lb., respectively. The deposit hosts a higher-grade core of 170 million tonnes grading 0.5 gram gold and 0.29% copper, based on a cutoff grade of 0.6 gram gold.

"The initial drill results from Kemess North are further confirmation of the potential size and scope of the mineral resource," says Stowe. "Over the balance of the year, we will focus on completing the tailings sand project, while receiving additional drill results from Kemess North.

The best intersections to date are as follows:

- Hole 01 cut 154.2 metres averaging 0.89 gram gold and 0.46% copper starting at 407.4 metres down-hole, including a 59.2-metre section that averaged 1.05 grams gold and 0.54% copper;
- Hole 03 cut 79.8 metres of 0.81 gram gold and 0.3% copper starting at 447.1 metres down-hole;
- Hole 04 cut 111.4 metres of 0.84 gram gold and 0.37% copper starting at 264 metres down-hole;
- Hole 05 cut 98.5 metres averaging 0.96 gram gold and 0.44% copper starting at 409.7 metres down-hole;
- Hole 09 cut 105.4 metres of 0.71 gram gold and 0.37% copper starting at 392.6 metres down-hole;
- Hole 13 hit 200.2 metres of 0.61 gram gold and 0.3% copper starting at 390.8 metres down-hole;
- Hole 16 intersected 206 metres of 0.54 gram gold and 0.29% copper starting at 407 metres down-hole, including a 45.5-metre interval of 1.25 grams gold and 0.47% copper.

Northgate's exploration program at Kemess North is designed to determine the ultimate extent of the porphyry dome structure that was discovered last year, as well as expand the size of the resource. The initial holes were collared within the boundaries of the resource. Additional drilling will gradually step out to the southwest. Drills will also target Kemess East, which is believed to be the faulted northeastern extension of the Kemess North deposit.

Brenda

In other news, **Northgate Exploration** (NGX-T) has inked a deal with **Canasil Resources** (CLZ-V) to earn a majority stake in Canasil's wholly owned Brenda gold-copper property, also in the Kemess-Toodoggone district.

'The new column cells demonstrate that higher recoveries and concentrate grade are attainable over the balance of the mine life.'

"The property fits perfectly into our regional exploration strategy of targeting attractive properties that could potentially benefit from the significant infrastructure already in place at Kemess," says Stowe. "We expect to begin exploration in August, utilizing knowledge gained at Kemess North over the past two summers. The program is expected to include geophysical surveys and diamond drilling."

Northgate stands to earn a 60% interest in the property by spending $2 million and paying $140,000 to Canasil over four years. Upon exercising the option, the parties will enter into a joint venture. If Canasil does not participate in the joint venture or fails to meet its share of planned expenditures, its interest will revert to a 2% net smelter return, half of which may be purchased by Northgate for $2 million.

The Brenda property consists of 178 mineral claim units covering 44 sq. km, about 25 km northwest of Northgate's Kemess South gold-copper mine. The property is in a belt of northwest- and northeast-trending block faults at the transition from porphyry-type gold-copper occurrences in the south to epithermal-type gold-silver vein and breccia deposits in the northwest.

Says Canasil President Bahman Yamini: "Northgate's technical capabilities, financial resources and proven track record of successful operation and exploration at Kemess ideally suit the exploration of this potentially large mineralized system."

Previous exploration by Canasil identified a large anomalous zone measuring 900 by 400 metres with coincident gold and silver geochemical anomalies, as well as induced-polarization chargeability anomalies. Diamond drilling in this zone encountered significant amounts of pyrite, copper sulphides and gold.

Previous drill results from this zone include the following:

- Hole 93-1 intersected 47.86 metres averaging 1.1 grams gold and 0.13% copper starting at 9.14 metres down-hole.
- Hole 93-3 cut 108.80 metres aof 0.48 gram gold and 0.14% copper starting at 12.2 metres down-hole.
- Hole 96-3 intersected 26.21 metres averaging 0.92 gram gold and 0.1% copper starting at 15.54 metres down-hole.
- Hole 96-7 cut 62.5 metres grading 0.84 gram gold and 0.14% copper starting at 7.3 metres down-hole.
- Hole 97-1 intersected 24.8 metres averaging 1.12 grams gold and 0.13% copper starting at 148 metres down-hole.
- Hole 07-2 cut 39.95 metres averaging 1.12 grams gold and 0.18% copper starting 65.35 metres down-hole.