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PEGASUS AND EL CONDOR RESOURCES PROPOSE MERGER AGREEMENT

SPOKANE, WASHINGTON - January 28, 1994 - Pegasus Gold Inc. and El Condor Resources Ltd. of Vancouver, Canada (ECNCF.NASDAQ, ECN.VSE) announced today that they have reached an agreement in principle to merge. Pegasus will offer C\$7.50 (US\$5.70) payable in common shares of Pegasus for each common share of El Condor for a total transaction value of C\$108 million (US\$82.3 million).

El Condor's principal asset is its 60 percent interest in the Kemess South gold/copper deposit in northcentral British Columbia, Canada. The remaining 40 percent of Kemess South is held by St. Phillips Resources Inc. (SPP.VSE), also of Vancouver. El Condor is the project operator. A prefeasibility study conducted in 1993 by Kilborn Engineering Pacific Ltd. calculated a minable reserve of 220.9 million tons at an average grade of 0.018 ounces of gold per ton (4 million contained ounces) and 0.22 percent copper with a life-of-mine stripping ratio of 1.26:1. The study envisaged a milling operation of 44,000 tons per day to produce an average of 213,000 ounces of gold and 58 million pounds of copper annually over a 15 year mine life. Metallurgical studies conducted to-date show average recoveries of 78.2 percent for gold and 88.3 percent for copper from hypogene ore and 70.2 percent gold and 70.1 percent for copper from supergene ore. Total capital costs, including working capital, are estimated at C\$374 million (US\$285 million). Permitting of Kemess South for mine development is well advanced.

El Condor also owns 100 percent of the Kemess North deposit, located approximately 4 miles to the north of Kemess South. This deposit contains a drill indicated resource of 190.7 million tons at an average grade of 0.01 ounces of gold per ton (1.9 million contained ounces) and 0.18 percent copper and is open to expansion. In addition, the company has a land package of approximately 30,000 acres in the area adjacent to the two deposits.

The agreement in principle has been approved by both the Pegasus and El Condor Boards of Directors but is still subject to further due diligence by Pegasus, a definitive agreement, and approval of El Condor's shareholders.

Werner Nennecker, President and Chief Executive Officer of Pegasus stated that, "Kemess South will be a long-lived, low-cost mining operation that will substantially increase our reserve base. This is the kind of project that will enable us to reach our goal of producing 1 million ounces of gold per year by the end of the decade."

Pegasus Gold Inc. is an international mining company which produces in excess of 400,000 ounces of gold annually from its five mines and proportional interests in other companies. The common shares of Pegasus are traded on the American Stock Exchange, the Toronto Stock Exchange, and the Montreal Exchange under the symbol PGU. Options on the company's common shares are traded on the Chicago Board Options Exchange and the Montreal Exchange.

For further information, contact:
Michael A. Steeves
Director, Investor Relations
509-624-4653

Robert A. Dickinson, President
El Condor Resources Ltd.
604-684-6365