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NORTH AMERICAN METALS CORP.

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NEWS RELEASE
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GOLDEN BEAR REACHES PRODUCTION

Jack E. Thompson, President of North American Metals Corp. ("NAM"), told a group of shareholders in Portland, Oregon last night that the Golden Bear Project poured its first bar of gold on January 31, 1990. Speaking at a shareholders briefing, Mr. Thompson outlined how the Project had overcome typical start-up problems and was treating ore. Design capacity has not yet been reached and some other difficulties, such as roaster feed system inadequacies, need to be solved. He expressed confidence that these issues will be resolved in the near future. In the meantime, the plant is operational and producing gold. Mr. Thompson emphasized that the search for additional ore reserves will be the key to the success of the Golden Bear Project.

Mr. Thompson also announced that the proposed shareholder rights issue has been withdrawn. The fall in the stock price and other complications which would keep NAM's United States shareholders from participating in the rights issue were cited as reasons for the action. Alternative financing methods are being explored and an announcement will be made soon.

Mr. Thompson also announced with regret the death of Mr. John Parker, a director since 1988. He commented that Mr. Parker's presence and good humour will be missed. The NAM board of directors appointed Mr. Laurie Curtis to replace Mr. Parker on the board. Mr. Curtis, an independent geological consultant from Toronto, brings additional geological expertise to NAM's board.

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TALK BY J. E. THOMPSON, PRESIDENT
February 7, 1990 - Portland, Oregon

INTRODUCTION

Good evening. I am Jack Thompson, President of North American Metals Corp. (NAM). This meeting has been arranged in response to concerns expressed by certain U.S. shareholders over NAM's proposed financing strategy. As you know, NAM announced on November 27, 1989 its intention to proceed with a rights offering to raise the C$6M needed to cover further capital cost overruns at its Golden Bear Gold Project, which developed during the last weeks of construction.

Let me first say that the proposed rights offering has been withdrawn. We still have the opportunity to choose our course and use some other financing method. Thus, this meeting and your input today will be part of the final decision by the board of directors of NAM.

With me are two of our outside directors, Robert Hunter and Graham Scott. Also here are B. J. Gordon, the Company's treasurer, and Mr. William Langston, Homestake Mining Company's chief corporate counsel. Tonight, I will summarize for you the events of the last two years. I will describe the Project, the cost overruns and the efforts made to find an equitable way to finance our share of the Project costs. Before the night is over, I hope to persuade you that:

- Without the support of Homestake Mining Company (Homestake), NAM would have certainly forfeited the majority or possibly all of its interest in the Golden Bear Project and NAM's share price would have fallen accordingly.

- In all of its dealings with NAM, Homestake has always sought to be fair to the Company and the minority shareholders.

- What NAM needs is not more debt or other obligations, but more capital.

SLIDE SHOW

First, let me show you a few slides of the Project and let you see the progress made in 1989 [show slides].

NOTE: During the slide show, Mr. Thompson announced that the Golden Bear Gold Project poured its first bar of gold on January 31st. He described how the Project had overcome typical start-up problems and was treating ore. Design capacity has not yet been reached and some other difficulties, such as roaster feed system inadequacies, need to be solved. He expressed confidence that these issues will be resolved in the near future. In the meantime, the plant is operational and producing gold.

He also outlined the 1990 budget for the Project which shows a total gold production target of 59,800 ounces at a cash cost of US$269 and total cost, including depreciation, of US$400. These costs are at the Project level and do not include corporate activities such as financing costs, etc.

HISTORY

Now that you have an idea of how things look like at the site, let's turn our attention to NAM's recent difficult history. The fundamental problem is that the Golden Bear Project cost C$44 million more to put into production than was originally estimated in the July, 1987 feasibility report.

In March, 1988 NAM announced that the British Columbia Government had given approval for the construction of the mine access road, thus enabling NAM and Chevron Minerals Ltd. through the joint venture, Golden Bear Operating Company (G.B.O.C.), to proceed with the construction of the Golden Bear Project. Capital costs were estimated by a well-known engineering firm, Wright Engineers, at C$36 million and the mine was predicted to be among the highest grade and lowest cost gold producers in North America. Just before Homestake made its tender offer, NAM shares were trading around C$2.50 on the Vancouver Stock Exchange. The gold price was around US$480.

Based on available public information, North American looked like a good investment. Homestake acquired 73% of the shares through a takeover offer at C$5 per share for a total cost of C$29 million.

In July, 1988 G.B.O.C., which was then managed by an operating committee, contracted MINPROC (USA) Inc. to provide design engineering services and to assist in supervising other contractors at the mine site. MINPROC was also asked to review the construction cost estimate. It based its work largely on the existing feasibility study and reported near the end of the summer that capital costs would probably reach C$44 million, a 22% increase. In addition, it estimated that commercial production would not be reached until the last quarter of 1989 - a one year delay.

By this time, the joint venture had spent about C$11 million and NAM had exhausted the proceeds from an early 1988 private placement. The Company did not have credit with any lending institution and was in danger of forfeiting its interest in the Project if it could not meet the August, 1988 cash call. NAM management, with the help of Homestake, conducted discussions with four leading Canadian banks to secure financing. In the interim,with no other option available, Homestake lent C$900,000 to NAM at the prime rate of interest. At this point Homestake was getting up to speed on all aspects of the Golden Bear Project and discovering some very discouraging facts on both the engineering and financial fronts.

In early September, 1988 NAM obtained a loan for US$10 million from the Bank of Montreal. The loan was unsecured and was not guaranteed by Homestake. Interest rates were very competitive at LIBOR +0.3%. This loan facility bought NAM some time while it sought long-term financing. The search for such money was initiated at once.

In the months following the September estimate, detailed engineering was carried out. By December, 1988 MINPROC had completed a new cost estimate. This work was based on engineering which was 62% complete and included detailed equipment lists, etc. This estimate was as accurate as could be made prior to receiving firm bids for equipment and construction. The new estimate totaled C$70 million, almost twice the original Wright estimate. This latest increase in estimated costs was caused by:

ROAD: A C$3.2 million variance due primarily to underestimating the required fill costs, aggregate unit costs and the impact of government-mandated changes to the road design.

SURFACE FACILITIES: A C$7.1 million overrun attributed to errors of omission (i.e., site services, portal access road, airport road, decant return line, rentals), changes in scope (i.e., potable water, fire water, power generation, sewage treatment, tailings pond, etc.) and simple underestimation (i.e., power distribution, fuel storage, communications, sand plant, camp, mobile equipment, aerial tram, mill building, etc.).

MILL: A total of C$5.2 million in overruns was attributed to the following:

Grinding - a C$918K error in support steel costs.

Roasting - a C$1.3 million difference due to selection of a different roaster supplier, escalation of steel costs and additional heat recovery equipment.

Leaching - A C$285K increase in added concrete and steel required to allow for soil-bearing pressure and frost heave.

Gold Recovery - A C$832K overrun due to the increase in size and number of leach tanks following detailed metallurgical and economic calculations.

Tailings - More stringent environmental requirements led to a C$517K increase.

Plant Services/Reagents - MINPROC found a C$1.3 million omission in the feasibility study.

Indirects - A large underrun of C$3.9 million was found in this area.

MINPROC assisted NAM in preparing an operating cost update. Completed in December, 1988 this work indicated that operating cost estimates had also risen by 30-40%. In retrospect, it is now apparent that the Wright Engineers feasibility study was seriously flawed. NAM issued a press release on December 28, 1988 and the two partners commenced a re-evaluation of the economics of the Project. Financing efforts were severely hampered with most of the previously contacted banks declining further participation. Gold price had then fallen to US$409 per ounce Au. In light of these developments, the bridge loan with the Bank of Montreal was extended.

It soon became apparent that banks were no longer prepared to finance NAM's share of the Project costs. Although Project risks had discouraged the banks, NAM continued to search for financing. NAM engaged a finance house (Wood Gundy) to investigate commodity-linked securities and convertible debentures. By the end of January, only two offers to finance had been received. They were both for less than 30% of the amount needed. NAM's management recommended they not be accepted and that the search be continued. The bridge loan with the Bank of Montreal was increased and extended in maturity only after Homestake guaranteed, at no cost to NAM, the loan. Given the significant deterioration in the Project economics, this was a major concession by Homestake to keep NAM's options alive.

During this same period, the Golden Bear joint venture partners carried out a series of engineering studies examining alternative flow sheets, construction methods, etc., in an effort to reduce costs and improve Project economics. Our partner, Chevron, made a strong effort to sell its interest. The partners gave serious consideration to abandoning the Project. On January 27, 1989 the NAM Board of Directors approved a revised Project budget. Chevron delayed giving its approval to continue construction until March 28, 1989. The three-month delay reflected the deteriorating Project economics.

Approval for continuation of the Project was made by the partners contingent on NAM being appointed manager of the Project. A new Project agreement was negotiated in April and NAM took over on May 1, 1989. The General Manager was replaced and other changes made to place NAM in firm control of the Project. NAM contracted with Homestake to provide those services with funds provided by a management fee payable by G.B.O.C.

Meanwhile, NAM pursued permanent financing. A London-based firm, European Mining Finance Ltd., was approached for help. Financing and private placements were explored with a successful Vancouver mining entrepreneur. In all, fourteen financial institutions were approached. All this took time. A further extension of the bridge loan was required in April. Richardson Greenshields, a Canadian investment house, was approached for advice. It recommended a gold loan and efforts were shifted to explore such an approach. The First Boston Corporation was engaged to carry out studies on NAM's debt-carrying capacity. The results of that work indicated that normal commercial gold loans would not be possible without a major concession on repayment terms - something the banks would not provide. Specifically, First Boston's work showed that NAM would need a 12-year repayment schedule when it only had five years of ore reserve. It was clear that NAM was seriously undercapitalized and could not borrow its capital requirements.

Throughout this period, rejection letters to NAM's financing proposals continued to pour in. A further extension of the bridge loan was required as well as an increase to US$22 million. It was then clear that Homestake was the lender of last and only resort in order for NAM to preserve its original asset. Various types of intercompany loans were explored. In general, such loans ran into difficulty with Canadian "thin capitalization" rules and tax implications for both Homestake and NAM. A share rights issue or private placement was considered. NAM shares were trading in May, 1989 at about C$1.20. This low price coupled with the large sums needed would have led to high dilution. Finally, after much debate and opposition from some of its board members, Homestake agreed to purchase for future delivery 85,000 ounces of gold for C$31 million based on the existing market price of $368 per ounce of gold. The press release announcing the terms of the forward sale was issued July 13, 1989. By July 31st, the share price had risen to C$2.10. It continued to rise, reaching a peak in September, 1989 of C$4.45 before falling back to just under C$4.00 where it stayed for several months.

Richardson Greenshields advised NAM and its shareholders that the terms of the gold forward sale agreement were fair. The firm commented that the agreement provided a competitive cost of funds, lower transaction costs than a commercial transaction of this type, and more flexible terms for future gold delivery. In addition, it stated that under the circumstances it would be difficult for NAM to obtain production financing at acceptable rates without the direct support of Homestake. Further emphasizing this point is the fact that the yearly repayment installments are based on 1/12th of the total ounces sold. Ore reserves are sufficient for only five years of operation. Because of this, a large (43,000 ounces) balloon payment is due on December 31, 1995. This repayment schedule was based on First Boston's analysis of NAM's ability to carry debt and leave the Company with sufficient gold ounces each year to finance its operating requirements. Homestake was fully aware that if additional ore reserves are not found, the balloon payment would never be made.

Construction activity intensified. At the end of the third quarter of 1989, the joint venture had spent C$59 million and it became apparent that the capital costs would exceed the revised budget of C$70 million by 12-15%. This latest cost overrun is due to many factors. First, MINPROC underestimated the number of construction man-hours required to complete the job. Second, higher than anticipated road maintenance and repair costs were incurred to correct deficiencies left by the road contractor. Third, changes in scope such as the addition of a mine haul road added to the Project cost. Fourth, site condition problems required additional control measures such as groundwater drainage systems at the mill building and tailings ponds. Similarly, extra cable anchors were required for the aerial tram. Finally, the time taken by both partners in early 1989 to reassess Project economics increased Project costs more than expected. The Project schedule remained essentially unchanged but construction was compressed leading to higher than expected manning levels, overtime pay, etc.

By the end of October, 1989 NAM was again without cash and faced the prospect of losing its interest in the Project. Bank debt was out of the question. It would have been extremely difficult to raise funds through a private placement with third parties or rights offering to shareholders in a timely fashion. Homestake once again stepped into the breach and provided a short-term loan which was to be repaid ASAP from new capital. The directors again reviewed all the alternative financing methods and they decided that an equity infusion was the best course. A rights offering was seen as the most viable and equitable alternative. Management was instructed to prepare the documentation necessary and determine the costs involved. A press release was prepared and issued November 27, 1989. The NAM share price was then C$3.75.

It soon became apparent that the U.S. shareholders of NAM would be able to participate in the rights offering only if NAM complied with a long and expensive registration process with U.S. Securities and Exchange Commission (SEC). In addition, NAM would incur significant annual costs to maintain its registration. Further, it is not clear that registration would be successful given the state of affairs in NAM. All of this for a company with no business activity in the U.S. Incurring these costs for the specific benefit of the minority U.S. shareholders discriminates against all other shareholders who represent a large part of the ownership.

CURRENT SITUATION

As mentioned at the beginning of this talk, the opportunity still exists to choose our course. Circumstances change and your directors are willing to listen to suggestions on how to improve what is a difficult situation for all of us involved.

It is obvious that if Homestake had known in April, 1988 that the capital costs of the Project would eventually reach C$80 million by December, 1989, 222% of the Wright estimate, Homestake would not have made a bid for control of NAM. Homestake, NAM and the minority shareholders have all suffered.

Today production at Golden Bear is imminent. Operating the mine profitably will be a challenge, but management is optimistic that mining can continue despite the uncertainties and financial problems of the past. Further, we believe that additional high-grade reserves can be found which would secure the viability of the Project.

Homestake Mining Company has given NAM financial and technical support without which NAM would not have been able to maintain its interest in the Golden Bear Project. Homestake received no consideration from NAM for guaranteeing bank debt. The gold loan is on terms far more generous to NAM than it could have obtained in the commercial market. The C$6 million bridge loan is at prime plus 1%. The 469,974 warrants granted to Homestake for making the bridge loan were for two years at an exercise price of C$3.83 during the first year and C$4.40 during the second year. Exercise of the options will not be dilutive in an economic sense but will give NAM much needed additional capital.

The argument that the C$6 million bridge loan should remain a loan is without firm basis. What NAM needs is not more debt or other obligations but more capital. NAM just does not have the income to pay its operating costs and existing debt obligations and to also pay interest and principal on C$6 million in debt.

With those sobering thoughts, I will now answer questions from the floor.