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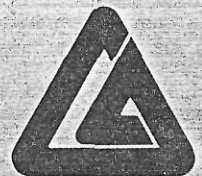
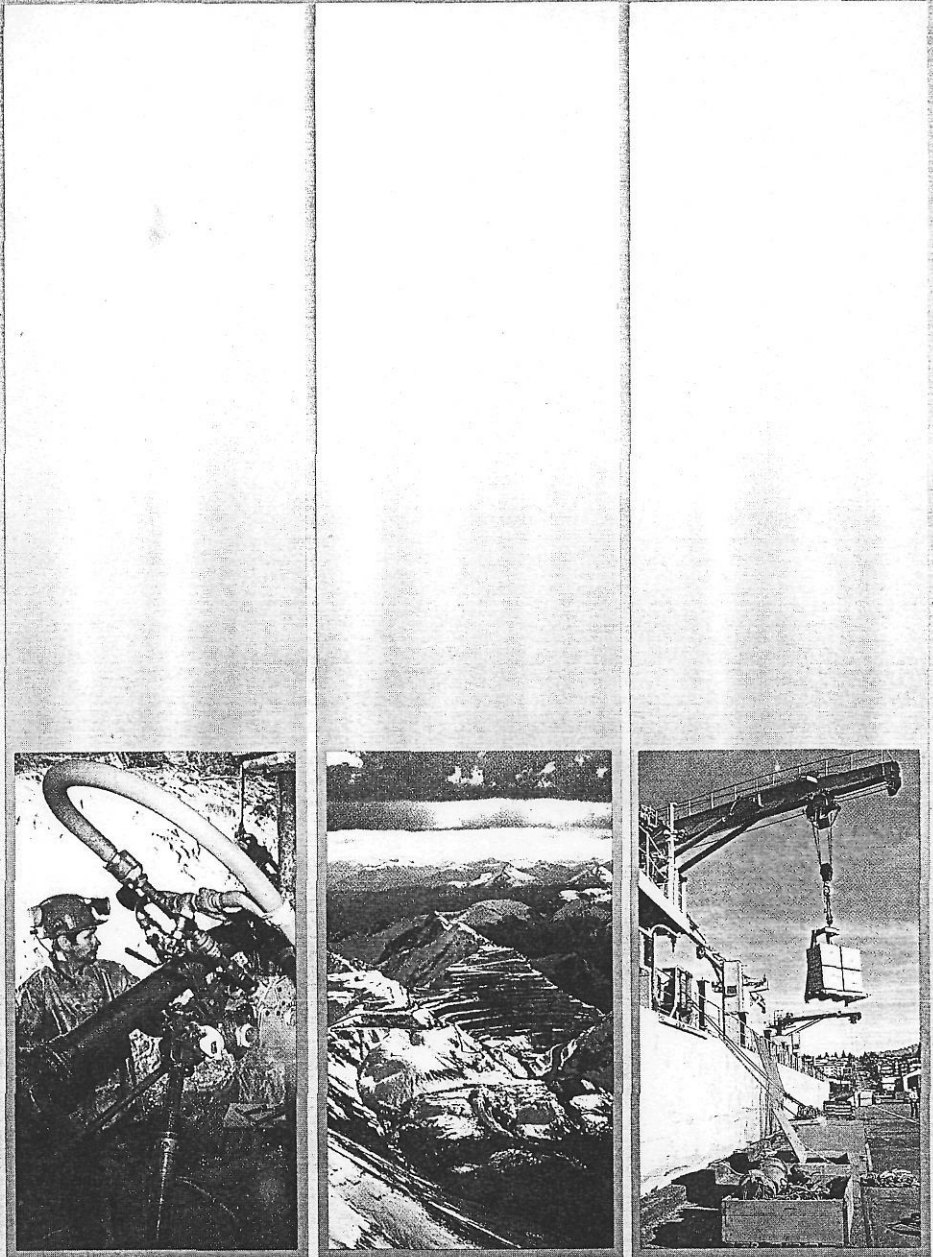
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Cassiar

1987 ANNUAL REPORT

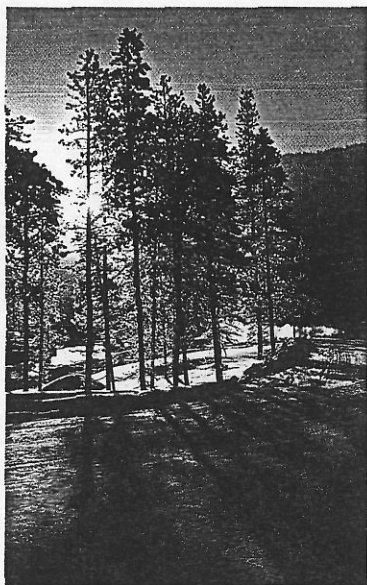
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McDermid



CASSIAR MINING CORPORATION

Highlights



1987 RESULTS

	1987	1986
FINANCIAL		
	(In thousands)	
Revenue	\$ 58,129	\$ 48,739
Net earnings (loss)	\$ 3,719	\$ (547)
Indebtedness net of short-term deposit (at year end)	\$ 27,043	\$ 34,680
Return on average Common shareholders' equity	11.6%	—
Basic earnings (loss) per share		
Before extraordinary items	\$ 0.23	\$ (0.27)
After extraordinary items	\$ 0.23	\$ (0.11)
Book value of shareholders' equity - fully diluted	\$ 2.11	\$ 1.84
PRODUCTION		
CASSIAR MINE		
Fibre production, tonnes	96,014	80,676
Ore mined, tonnes	1,100,262	794,015
Waste removed, bank cubic metres	1,416,000	729,000
Ore reserves, proven, tonnes	3,492,500	4,570,300
Waste to be removed, bank cubic metres	1,954,500	3,450,000

NEW PROJECTS

FEASIBILITY REPORT SUMMARIES

McDAME

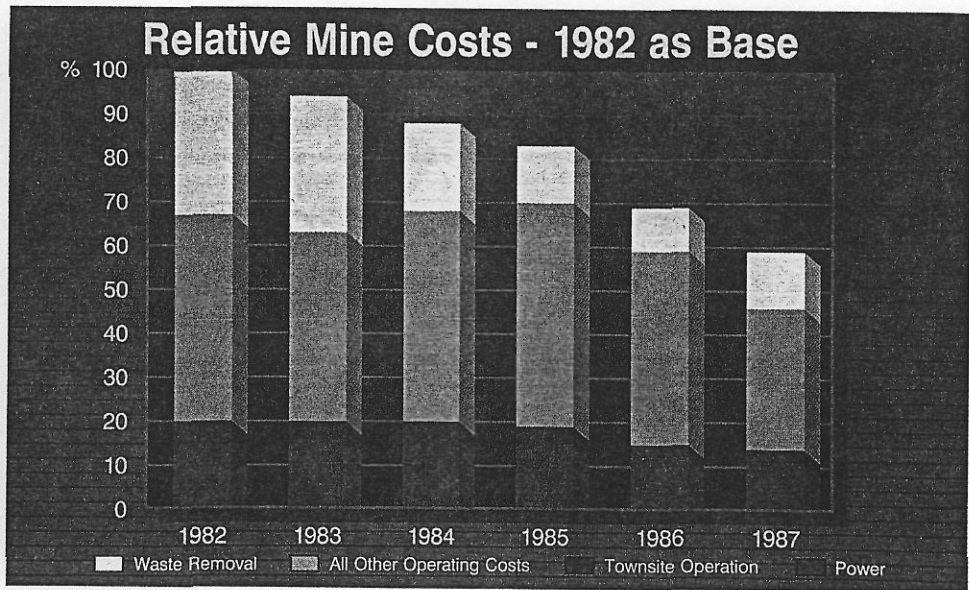
Mineable reserves (Phase I), tonnes	16,000,000
Capital costs	\$38,800,000
Pre-Production cost	\$ 4,600,000
Fibre production per year, tonnes	90,000

BISSETT GOLD

Mineable reserves, tons (Grade 0.223 oz./ton gold)	1,320,000
Capital costs	\$11,200,000
Production of gold, average per year, oz.	35,000
Production cost, average, per oz. of gold (\$U.S.)	\$ 257

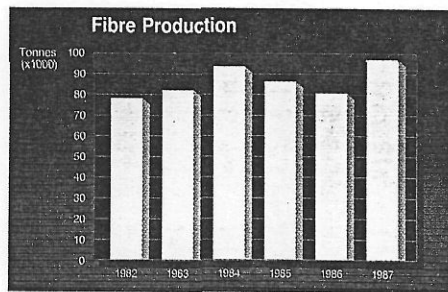


Province of B.C. Ministry of Tourism



Fibre output increases

Fibre production at the Cassiar Mine was 96,014 tonnes compared to 80,676 in 1986. The higher production was due to increases in mill recoveries, head grade and operating time. A planned two month summer shutdown was reduced to five weeks in response to increased sales for most grades of fibre. Production levels for the past six years are shown on the graph below.



Costs

Mine site operating costs have decreased steadily over the last six years. This trend is expected to continue through 1990.

The Company has achieved reductions in the cost of production through operating efficiencies in a number of areas despite rising costs for most materials and labour. The chart of costs highlights the fixed costs associated with the power plant and townsite and the reducing waste and operating costs. Since Cassiar does not have access to the B.C. Hydro grid and has to generate

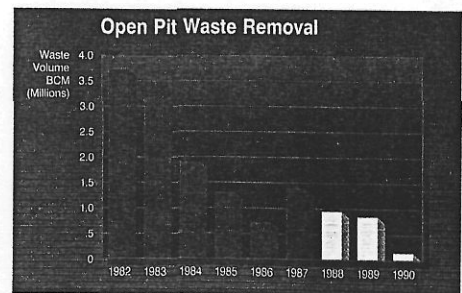
its own power using diesel electric generators, power costs are five times higher than costs for other industrial users. The price of fuel oil has a significant impact on overall costs.

Reserves

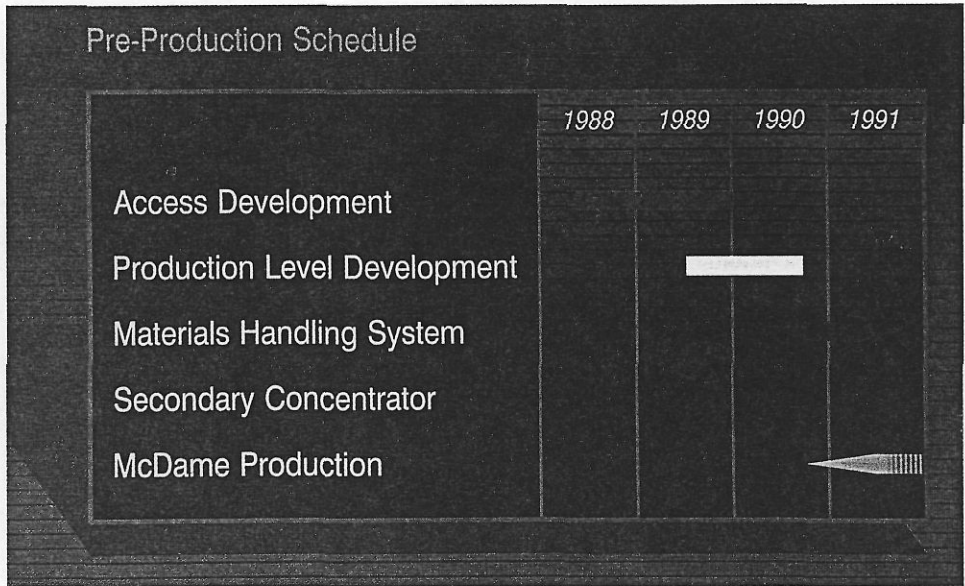
Proven mining ore reserves in the Cassiar open pit are 3,492,500 tonnes. These reserves will sustain operations until the beginning of 1991, at which time the mill feed will be supplied from the McDame underground deposit.

Future waste stripping reduced

Waste rock removal of 1.4 million bank cubic metres ("BCM") over an eleven-month period in 1987 was double that mined over six months in 1986. This extra waste removal in 1987 was scheduled to provide the most efficient utilization of the crews and equipment. The bar chart below indicates the significant reduction in waste rock removal requirements over the remaining life of the open pit.



5801 321 mt
9861 4 5/1988



modified for this purpose once mining of the open pit is complete.

Milling

The existing concentrator facilities will be modified and expanded in order to handle the McDame ore. The current milling facilities are adequate to handle the projected feed tonnage and will produce 90,000 tonnes of fibre per annum.

Capital costs

A summary of the estimated \$38.8 million capital costs for mine development, equipment and plant, as detailed in the feasibility report, is shown in the accompanying table. In addition, a cost of \$4.6 million will be incurred for pre-production development. The overall capital costs of the McDame development are substantially lower than those required for a new operation of this scale because the existing plant, townsite

and other services of the current Cassiar operation will be utilized.

Labour

In order to ensure uninterrupted development of this project, a new three-year collective agreement has been signed with the employees. The McDame operation will require approximately 70 additional employees. In conjunction with the transition to underground mining, a comprehensive employee training program will be initiated.

McDame Project		
Pre-Production Capital Costs		\$ Millions
Access Development	[Bar]	11.67
Production Level Development and Equipment	[Bar]	12.49
Materials Transport and Utilities	[Bar]	9.87
Secondary Concentrator	[Bar]	4.80
Total		38.83