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George Cross News Letter

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HILLSBOROUGH RESOURCES LTD.

[HLB-T] 17,744,668 SHS.

| THREE MONTHS ENDED JUNE 30, 1998 | | 1997 |
|----------------------------------|-------------|--------------|
| REVENUE | \$9,091,137 | \$12,200,000 |
| NET INCOME (LOSS) | (3,074,792) | 500,000 |
| EARNINGS (LOSS) PER SHARE | (17)¢ | 3¢ |
| INCOME (LOSS) | | |
| FROM OPERATIONS | (700,000) | 2,800,000 |
| TONNES COAL SOLD | 216,000 | 282,000 |
| CLEAN COAL PRODUCED | 231,000 | 285,000 |

| SIX MONTHS ENDED JUNE 30, 1998 | | 1997 |
|--------------------------------|--------------|--------------|
| REVENUE | \$17,100,000 | \$23,000,000 |
| NET INCOME (LOSS) | (3,903,690) | 1,109,127 |
| EARNINGS (LOSS) PER SHARE | (22)¢ | 7¢ |
| INCOME (LOSS) | | |
| FROM OPERATIONS | (1,200,000) | 4,300,000 |
| TONNES COAL SOLD | 400,000 | 529,000 |
| CLEAN COAL PRODUCED | 418,000 | 535,000 |

SIX MONTH REPORT - David J. Slater, president, Hillsborough Resources Ltd., reports financial and production results for the three and six month periods ended 30Jun98. Hillsborough manages and owns 63% of Quinsam Coal Corporation, located 27 km west of Campbell River, Vancouver

Island, BC, and has an option to develop the nearby T'Sable River Coal project 15 km south of Courtenay in which it has a 77% interest. Second quarter 1998 coal revenues were 12.5% higher than the first quarter's level, but 25% lower than the comparable period in 1997. Revenues at an average of \$42.06/tonne were down from \$43.27/tonne in the comparable 1997 quarter. This, together with increased costs per tonne associated with lower productivity at the Quinsam mine and \$1,100,000 in one-time costs associated with settlements payable under personal service contracts to two former executives, resulted in a loss for the quarter.

Negative cash flow of \$4,031,461 together with an increase of \$5,802,406 in non-cash working capital items (principally unbilled revenue), was financed by a \$5,000,000 convertible debenture plus a utilization of cash and short-term bank lines. As of the date of this report, all unbilled revenue has been collected.

Hillsborough's results will continue to be adversely impacted by the economic malaise in East Asia, historically its principal market. Because of difficult conditions for most commodities, management of Hillsborough will be re-evaluating the proven and probable coal reserves of the Quinsam mine based on the current world price of the commodity. (SEE GCNL NO.140, 22Jul98, P.3 FOR PREVIOUS QUNSAM COAL MINE INFORMATION)

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