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MINING

Royal Oak set for Windy Craggy scrap with Falconbridge

ROD NUTT

Sun Business Reporter

Nickel giant eyes slice of compensation pie

Royal Oak Mines will fight any legal action launched by Falconbridge claiming part of the \$104-million Windy Craggy compensation settlement.

"There is no lawsuit but if one is filed we will defend it vigorously," Graham Eacott, Royal Oak investor relations vice-president, said Friday.

Falconbridge has a net 22.5-per-cent profits royalty interest in the huge copper deposit in northwest B.C. But Eacott said from Royal Oak headquarters in Kirkland, Wash., that Falconbridge is entitled to its interest only if a mine is developed.

Falconbridge chief executive Frank Pickard couldn't be reached for comment Friday.

"We don't believe there is any basis for a successful claim by Falconbridge," said Royal Oak president and CEO Margaret Witte.

In a circular to shareholders in September relating to its proposed takeover of El Condor Resources, St. Philips Resources and Geddes Resources, Royal Oak said it had received correspondence from Falconbridge lawyers saying they had instructions to sue Geddes, Royal Oak and the B.C. government unless an acceptable compensation offer was received by Sept. 8.

"Geddes and Royal Oak believe the claim by Falconbridge is without merit and intend to defend any legal proceedings that may be commenced by Falconbridge vigorously," the circular stated.

"Geddes and Royal Oak further believe even if Falconbridge is ultimately successful in its claim, the result will not be material to Royal Oak and is unlikely to be material to Geddes."

Geddes Resources, which owns the Windy Craggy deposit, is 39-per-cent owned by Royal Oak.

In August, the Harcourt government agreed to pay Royal Oak \$104 million in 1995 dollars as compensation after it included the Windy Craggy deposit in the Tatshenshini provincial park, thereby preventing development of the deposit containing copper worth about \$8 billion.

The government also agreed to help develop two new gold mines in northern B.C., including a \$50-million investment in the Kemess project, 300 km north of Smithers, in return for a royalty of 4.8 per cent on the copper extracted.

Red Mountain near Stewart is the other proposed mine.

Royal Oak has agreed to buy all the out-

standing shares of Vancouver-based El Condor in a cash-and-share transaction valued at \$93.1 million.

El Condor's principal asset is its 60-per-cent interest in the Kemess South deposit containing 4.1 million ounces of gold and 990 million pounds of copper. St. Philips Resources owns the remaining 40 per cent of Kemess South.

The Kemess North property, which is 100-per-cent owned by El Condor, contains an additional 1.9 million ounces of gold and 623 million pounds of copper.

El Condor chair Robert Hunter said Toronto-based nickel giant Falconbridge only spent about \$1.5 million on the Windy Craggy property and is on thin ice if it files a lawsuit against Royal Oak.

After a series of takeovers scheduled for later this month, Royal Oak will own all the outstanding shares of Geddes, El Condor and St. Philips, giving the Kirkland company a 100-per-cent stake in the Kemess project.