1995 Annual Report

Royal Oak Mines Inc.

425,000 ounces gold	470,000 ounces gold	800,000 ounces gold	1,075,000 ounces gold	1,140,000 ounces gold

Company Profile

Royal Oak Mines Inc. is a major North American gold mining company. Gold is produced in Canada by underground and open pit mining methods from the Company's wholly-owned mines, namely; Colomac and Giant in the Northwest Territories; Pamour and Nighthawk in Ontario; and Hope Brook in Newfoundland. In 1996, the Company plans to produce approximately 425,000 ounces of gold at a cash cost of US$306 per ounce.

Gold production, mineral inventory, revenue and net income have increased in each of the last five years since the Company acquired the Pamour and Giant Yellowknife Groups in 1990.

Royal Oak's growth has been achieved through inexpensive acquisitions of producing and inactive mines that the Company has returned to profitability. The Company has recently commenced development of several major projects that will increase annual gold production to approximately 850,000 ounces with an additional 60 million pounds of copper in concentrate (equivalent to a total of approximately one million ounces of gold) in 1999.

Royal Oak has one of the largest and most attractive land positions in Canada with 115 mineral properties covering a total of 662,000 acres of mining rights, the majority of which are in the vicinity of the Company's mines. At the end of 1995 the Company's mineable reserves were 9.3 million ounces of gold and 990 million pounds of copper. Total mineral inventory is 15.6 million ounces of gold and 1.6 billion pounds of copper.

Strategic investments in publicly-listed junior resource companies include a 41% interest in Asia Minerals Corp., a 45% interest in Mountain Minerals Co. Ltd., an 87% interest in Ronnoco Gold Mines Limited, and an 81% interest in Consolidated Professor Mines Limited.

The Company's common shares are listed on the Toronto and American stock exchanges under the symbol RYO. Exchange options are traded on the Trans Canada Options market in Toronto. There were 140,105,413 common shares issued and outstanding at March 11, 1996.

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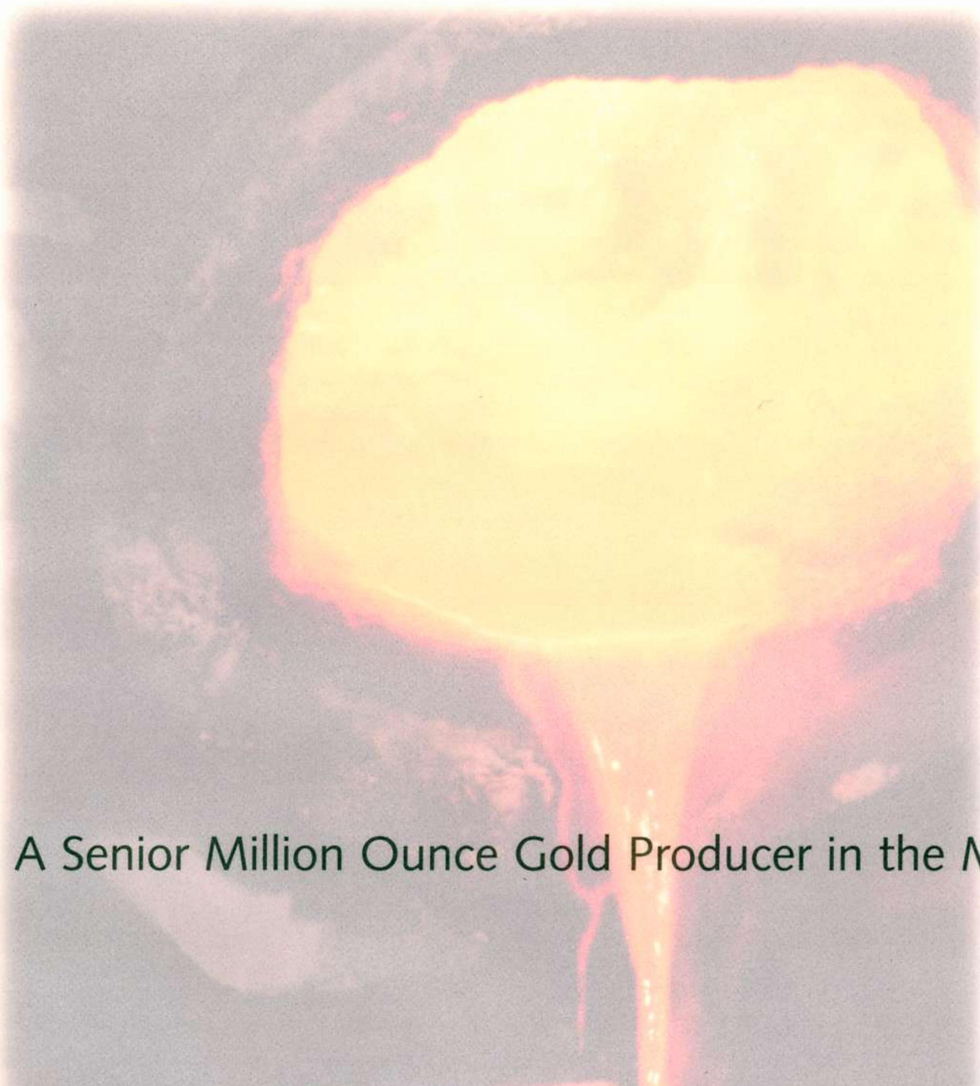
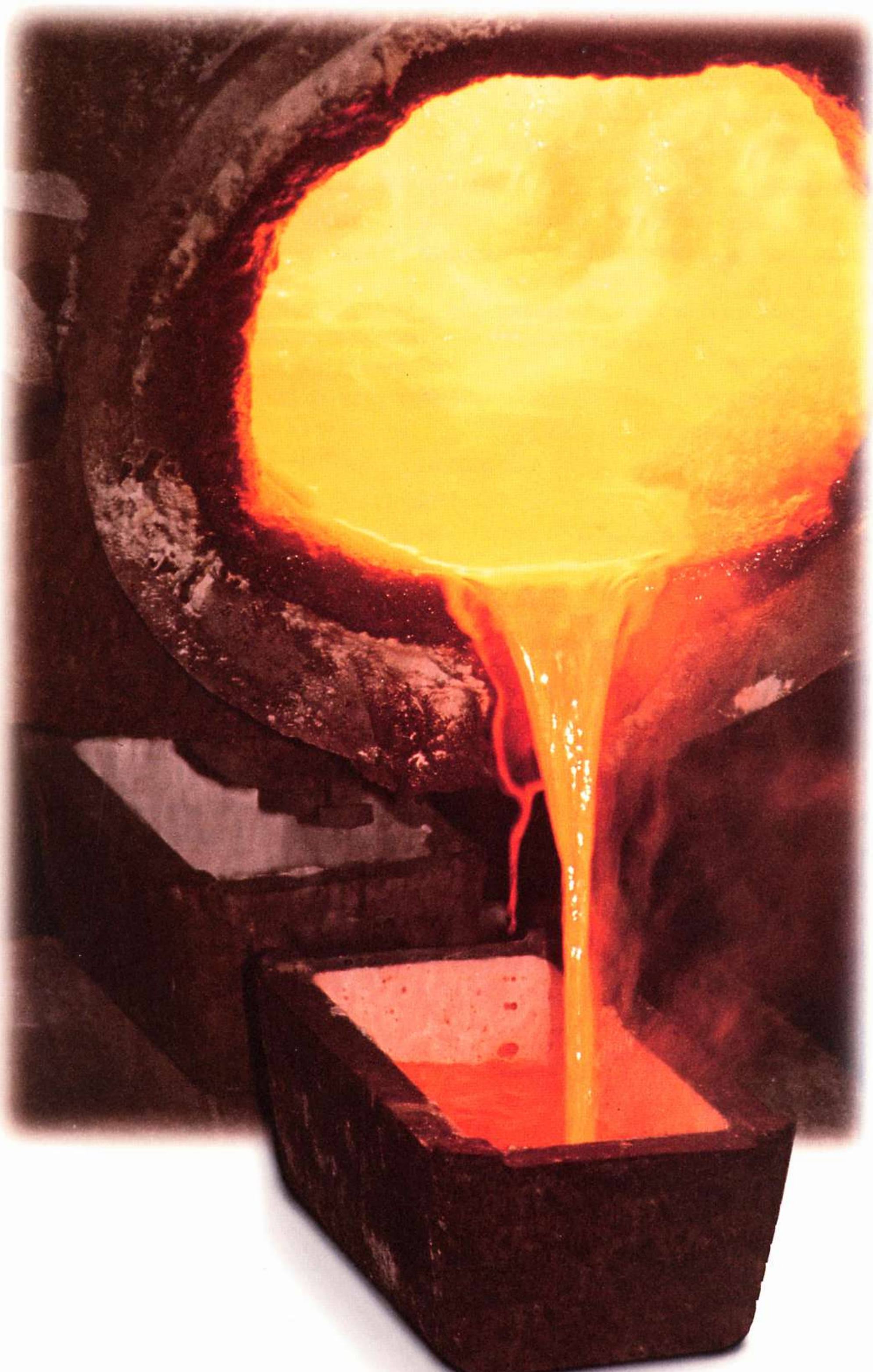
Royal Oak Mines Inc.



A Senior Million Ounce Gold Producer in the Making

Royal Oak Mines Inc.



Five-Year Summary of Results

Consolidated Production, Reserves and Financial Data

	1995	1994	1993	1992	1991
Production:					
Ore milled *(tons)*	5,556,450	3,992,472	2,892,891	2,160,230	1,649,935
Recovered gold & equivalent *(ounces)*	371,151	318,171	276,320	245,469	194,952
Cash cost *(US$ per ounce)*	$ 358	$ 311	$ 311	$ 304	$ 327
Total cost *(US$ per ounce)*	$ 410	$ 353	$ 340	$ 346	$ 367
Reserves:					
Gold *(ounces)*					
Mineable ore	9,263,000	2,516,000	2,682,000	2,133,000	1,106,000
Mineralized material	6,303,000	3,969,000	2,327,000	2,381,000	1,564,000
Total mineral inventory	15,566,000	6,485,000	5,009,000	4,514,000	2,670,000
Copper *(000's pounds)*					
Mineable ore	989,843				
Mineralized material	623,026				
Total mineral inventory	1,612,869				
Financial Results (C$000's):					
Revenue	$208,311	$162,111	$135,326	$113,673	$ 96,433
Operating income	5,362	12,768	15,411	14,561	14,556
Average spot gold price *(US$ per ounce)*	384	384	360	344	362
Net income	23,169	22,166	15,623	11,437	8,641
Operating cash flow	26,166	33,211	18,843	11,768	19,583
Additions to property, plant and equipment	66,018	52,461	26,803	19,889	6,513
Financial Position (C$000's):					
Cash and short-term investments	$142,381	$178,937	$ 79,644	$ 12,719	$ 4,935
Working capital	158,841	191,050	81,881	13,915	4,146
Total assets	428,963	384,074	217,226	111,670	74,484
Shareholders' equity	340,495	302,731	185,362	81,935	49,273
Per Share Data (C$):					
Earnings	$ 0.20	$ 0.22	$ 0.19	$ 0.18	$ 0.25
Cash flow	$ 0.22	$ 0.33	$ 0.22	$ 0.19	$ 0.56
Common shares outstanding *(year-end)*	119,118,714	114,494,747	96,956,213	69,946,751	56,118,045
Weighted average common shares	117,900,306	101,399,347	84,073,179	62,683,117	34,616,686

1995 Highlights

In 1995, Royal Oak posted record gold production, ore reserves, revenue and net income, surpassing the records established in 1994.

Financial

Increased revenue by 28% from $162.1 million to $208.3 million.

Increased net income by 5% from $22.2 million to $23.2 million.

Increased shareholders' equity by 12% from $302.7 million to $340.5 million.

Acquisitions

Acquired the Kemess (gold-copper) project in British Columbia which facilitated resolution of the claim for compensation for government appropriation of the Windy Craggy property from Geddes Resources Limited. (The Kemess transaction closed on January 11, 1996.)

Acquired an 87% interest in Ronnoco Gold Mines Limited and a strategic land position on the Nighthawk Lake Break in Ontario.

Acquired the Nicholas Lake gold property in the Northwest Territories.

Acquired the Red Mountain property in northern British Columbia.

Production

Increased gold production by 17% from 318,171 ounces in 1994 to 371,151 ounces in 1995.

Development Projects

Brought Nighthawk and Supercrest projects into production.

Continued development work on the Matachewan and Pamour Pit Expansion projects.

Reserves

Through acquisitions and exploration:

Increased mineable reserves by 268% from 2.5 million to 9.3 million ounces of gold.

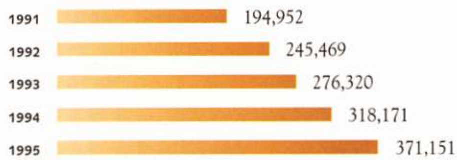
Increased mineralized material by 59% from 4.0 million to 6.3 million ounces of gold.

Increased total mineral inventory by 140% from 6.5 million to 15.6 million ounces of gold.

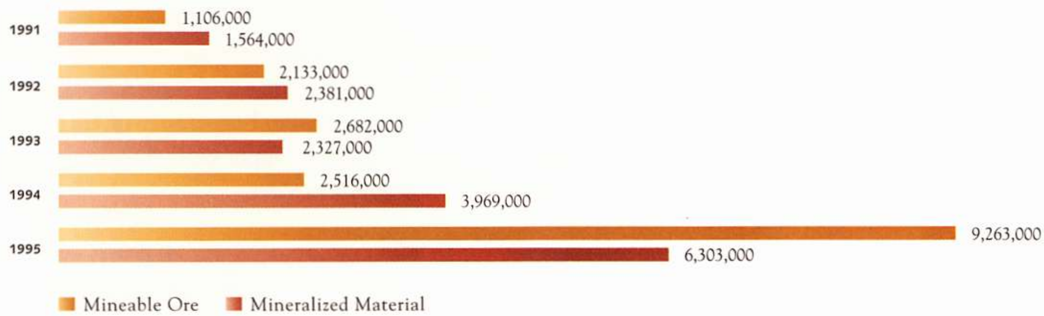
Acquired 990 million pounds of copper in mineable reserves and an additional 623 million pounds of copper in mineralized material for a total mineral inventory of 1,613 million pounds of copper with the purchase of the Kemess project.

Five-Year Statistics

Gold Production (ounces)

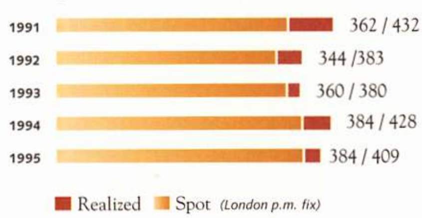


Mineable Ore Reserves and Mineralized Material (ounces gold)



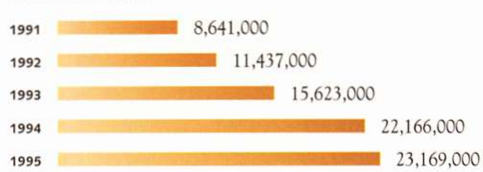
Total Mineral Inventory (ounces gold)

Average Gold Price (US$ per ounce)



Cash Cost (US$ per ounce)

Net Income (C$)



Earnings Per Share (C$)

President's Letter to Shareholders

Dear Fellow Shareholders:

A senior gold producer in the making

Royal Oak's profile is changing as we embark on a major expansion program that will result in the achievement of one of our strategic objectives set two years ago of being a senior-tier million ounce gold producer.

Our Company's growth to date, from the time we acquired the Pamour and Giant Yellowknife Groups in 1990, has been achieved by acquisitions of marginal producing mines and inactive mines which we have returned to profitability. While this strategy has been successful in giving us the foundation from which to build, we have lacked a large, long life, low cost core asset so essential to the long-term success and viability of a mining company. We now have that core asset with the recent acquisition of the Kemess gold-copper project in British Columbia.

Royal Oak's profile is changing as we embark on development of a series of projects that will result in the achievement of one of our strategic objectives set two years ago of being a senior-tier gold producer. The value of our Company will increase significantly as these projects progress through the development stage and come into production. This will enhance the value of our shareholders' investment in Royal Oak.

New records established in 1995

In my letter at this time last year, I mentioned that we expected 1995 to be another record year. We did surpass a number of the previous records set in 1994, but not without challenges at our mining operations.

Gold production increased to a record 371,151 ounces in 1995, an increase of 17% from 318,171 ounces produced in 1994. Record gold production in 1995 was attributable to production at the Colomac Mine at the Northwest Territories Division, which realized its potential after a number of design changes and improved maintenance procedures were implemented in the mill. Production at the Giant, Pamour and Hope Brook mines was lower in 1995 than in the previous year, mainly due to a combination of lower ore grades and tonnages of ore mined. As a result, cash costs increased to unacceptably high levels.

At the Ontario Division, we commenced limited production from development ore at the Nighthawk Mine in September. At the Northwest Territories Division, the Supercrest deposit contributed increasing quantities of ore to production at the Giant Mine throughout the year.

A well-funded exploration program and significant acquisitions resulted in mineable reserves increasing by 268% from 2.5 million to 9.3 million ounces of gold in 1995 and total mineral inventory increasing by 140% from 6.5 million to 15.6 million ounces of gold.

Revenue of $208.3 million in 1995 was 28% higher than $162.1 million generated in 1994. Net income increased by 5% from $22.2 million in 1994 to $23.2 million last year. The impact of lower ore grades and increases in operating expenses resulted in cash costs increasing by 15%, from US$311 per ounce in 1994 to an unacceptable level of US$358 per ounce in 1995. The Company realized a gold price of US$409 per ounce, which was among the highest in the North American gold mining industry and US$25 higher than the average spot price. This was the result of a continuing successful gold hedging strategy which contributed $13.3 million to revenues. On a per share basis, earnings of $0.20 in 1995 were slightly lower than the $0.22 per share recorded in 1994 and reflected a greater number of shares outstanding. Cash flow from operations in 1995 was $26.2 million, 21% lower than $33.2 million generated in the previous year.

Acquisition of Kemess and Red Mountain projects linked to compensation for government appropriation of Windy Craggy property

The most significant events in 1995 and in early 1996 that will have the greatest impact on the Company's future were the acquisitions of the Kemess and Red Mountain projects in British Columbia. These acquisitions were linked to resolution of the claim for compensation from the provincial government which, in 1993, appropriated the Windy Craggy copper property from Royal Oak's affiliate, Geddes Resources, and declared the area a provincial park. In a complex set of transactions, Royal Oak acquired the Kemess gold-copper project from its owners, El Condor Resources Ltd. and St. Philips Resources Inc., by purchasing the shares of both companies, as well as acquiring the shares of Geddes that it did not already own. The deal closed in January, 1996.

The provincial government will provide compensation and will fund the development of infrastructure and certain other costs for the Kemess project to the value of $166 million. We plan to put the Kemess South and Red Mountain deposits into production in 1998 and 1999, respectively.

The Kemess project will produce an average of approximately 213,000 ounces of gold and 58 million pounds of copper annually (equivalent to an estimated 450,000 ounces of gold per year) over the projected mine life of 20 years, at an average cash cost of approximately US$170 per equivalent ounce of gold. Engineering on the project has commenced and construction will begin in the spring of 1996.

We acquired the Red Mountain gold property from Barrick Gold Corporation for a $3 million work commitment over three years. A $9 million development program will be carried out on the Red Mountain project this year, followed by environmental permitting. The project is expected to produce 150,000 ounces of gold per year at an average cash cost of approximately US$150 per ounce.

We have established a British Columbia Division to develop and operate the Kemess and Red Mountain projects and to carry out an aggressive exploration program in the province. The additional exploration potential at both the Kemess and Red Mountain properties is considered to be excellent.

Acquisitions actively pursued

In my letter last year, I mentioned that in order to meet our growth objectives we would continue to aggressively pursue investment opportunities that meet our acquisition criteria. Our prime concern is that an acquisition must enhance the value of Royal Oak for our shareholders.

We established an acquisition team within the Company, and, together with various banking groups in the investment community, evaluated many opportunities both in North America and overseas. On occasion, we will purchase shares in certain gold mining companies to establish an equity position before initiating discussions with management regarding a merger or takeover.

Although these activities have not yet resulted in an acquisition, this work is on-going. The acquisition cost per ounce of gold must be carefully assessed against Royal Oak's low discovery costs resulting from the Company's exploration programs on its large land holdings in some of Canada's most prolific gold camps.

Asia Minerals signs first foreign gold mining joint venture in China

Asia Minerals, our 41%-owned affiliate, is the first foreign company to sign a joint venture agreement in China for the development of an operating gold mining project. In December last year, Asia Minerals and the Zhaoyuan Gold Industrial Group, China's largest gold-producing enterprise, signed the final contract to establish the Yingezhuang gold mining joint venture.

Establishment of the joint venture will facilitate the expansion of the Yingezhuang gold mine from a current 14,000 ounces of gold per year to at least 80,000 ounces per year following completion of a positive feasibility study. The ore body that supports the Yingezhuang gold mine has many similarities to the Company's Pamour Mine on the Destor-Porcupine Fault at Timmins, Ontario. The Company considers its investment in Asia Minerals as a strategic initiative to participate in the growth of the Chinese gold industry.

Margaret K. Witte

Chairman, President & Chief Executive Officer

Outlook

We are now in an exciting growth phase as we build our future on a solid foundation. We have acquired and are constructing the Kemess project, the core asset that will transform the Company into a large, low cost gold producer. The Company's gold output will continue to grow over the next few years as we bring into production our other projects which include Matachewan, Red Mountain, Kim-Cass and Nicholas Lake. At the same time, we have reverted to our tough management style of the early 1990s and cash costs are expected to be considerably lower than those of last year.

Improved operating margins and the cash flow from our new mines will enable the Company to finance future growth from internally generated funds, thereby minimizing the issue of additional equity and therefore dilution of shareholders' equity, which has been used to fund growth in the past. The Company's strong balance sheet, with no long-term bank debt at the end of 1995, will allow us to use debt financing for these projects and future acquisitions.

Royal Oak continues to acquire strategic interests in junior resource companies and development properties that will contribute to sustaining and increasing gold production at the Company's present facilities. We continue to pursue other opportunities that will provide growth and improve the profitability of the Company's gold production.

We believe that the strength in the gold market evidenced in 1995 will continue in 1996 as demand for the metal remains strong and problems in global financial markets are unresolved. Royal Oak has one of the most successful gold hedging strategies in the mining industry to maximize revenue per ounce.

Employee contribution and shareholder loyalty acknowledged

On behalf of the Board of Directors and my management team, I am pleased to acknowledge the contribution of our employees in what was a challenging year. The challenges will be equally great in the coming years as we develop new projects to maintain our growth and become a senior-tier producer.

I would also like to thank our shareholders for their loyalty and support of our commitment to continuing profitable growth of the Company.

On behalf of the Board of Directors,

Margaret K. Witte
Chairman, President & Chief Executive Officer
Kirkland, WA

March 11, 1996

1995 Performance Versus Objectives

In our 1994 Annual Report we outlined a number of objectives for 1995 which were mainly related to the long-term growth and profitability of the Company.

Increase gold production to 425,000 ounces, including 135,000 ounces from the Colomac Mine.

Gold production of 371,151 ounces was 53,849 ounces or 13% below our target of 425,000 ounces. Production at Colomac was 17,354 ounces or 13% below budget. The difficulties at Colomac were related to continuing start-up problems, particularly in the mill where a number of design changes were implemented and where breakdown of equipment and maintenance time limited throughput. The Giant, Pamour and Hope Brook mines collectively produced below budget, mainly the result of lower-than-planned ore grades and tonnages of ore mined.

Decrease the average minesite cash cost of production to under US$300 per ounce.

The average minesite cash cost increased from US$311 per ounce in 1994 to US$358 per ounce in 1995. The principal reasons were the impact of lower mill feed grades on production at all mines and higher-than-planned costs associated with attaining budgeted production at the Colomac Mine.

Increase mineable ore reserves.

Mineable ore reserves increased from 2.5 million ounces to 9.3 million ounces of gold, an increase of 268%. This was the result of the most successful exploration program in the Company's history and the acquisition of the Kemess and Red Mountain projects.

Bring the Nighthawk Mine into production and commence development of the Matachewan project.

At the Nighthawk Mine at the Ontario Division, production from development ore commenced in September when ore was trucked to the Pamour mill for processing. At the Matachewan project in Ontario, a substantial diamond drilling program for ore reserve delineation and exploration purposes was completed. Environmental and production permitting commenced during the year. In addition, at the Northwest Territories Division, production commenced at the Supercrest deposit where ore is trammed underground to the Giant Mine.

Pursue acquisitions that will bring the Company's annual gold production to 1,000,000 ounces within the next four years.

The acquisitions of the Kemess and Red Mountain projects in British Columbia increased the Company's mineable reserves significantly. Construction and start-up of these large projects, together with the Matachewan project and Pamour Pit Expansion in Ontario, are expected to increase Royal Oak's production to approximately one million ounces of gold and gold equivalents in 1999.

Increase shareholder value towards the market premium ascribed to senior producers.

After announcing the acquisition of the Kemess and Red Mountain projects in August 1995, Royal Oak's share price performed in line with the TSE Gold and Silver Index on a relative indexed basis. Over the year, the TSE Gold and Silver Index appreciated 12% while Royal Oak's share price increased by 10% on a relative indexed basis. As the large projects are developed over the next four years, Royal Oak will attain senior-producer status (one million ounces of gold) and its market valuation is expected to more closely approximate that of other senior producers.

1996 Objectives

> Return existing mines to previous levels of profitability, increasing gold production to 425,000 ounces at an average cash cost of US$306 per ounce.

> Continue an aggressive $12 million minesite exploration program to increase mineable ore reserves significantly.

> Complete engineering on the Kemess project and initiate construction with start-up in late spring of 1998.

> Carry out underground development work and drilling on the Matachewan and Red Mountain projects to bring them into production in 1998 and 1999, respectively.

> Pursue the acquisition of an intermediate-tier gold producer that will increase the Company's production and decrease the average cash cost prior to the Kemess project coming into operation.

> Increase shareholder value so that the Company's share price significantly out-performs the TSE Gold and Silver Index.

Strategies to Build Shareholder Value

Build Royal Oak into a senior-tier gold company so that shareholders benefit from the premium market multiples ascribed to these companies.

Pursue the acquisition of gold companies that will increase the Company's production and reserve base, and decrease costs.

Increase economic gold production at existing operations.

Develop the Company's portfolio of mineral deposits into profitable mines that will reduce the cash cost of production.

Invest in junior resource companies and continue to fund aggressive exploration that will lead to the discovery and development of new deposits.

Provide leadership in environmental compliance and health and safety in the workplace.

Operating Divisions

Development Projects

Introduction

Royal Oak's determination to grow into a million ounce producer requires the aggressive pursuit of acquisitions that will add substantially to its gold production. Over the next four years the Company plans to bring several projects on line that will result in 1,000,000 ounces of gold and gold equivalent production by 1999.

The construction of the Matachewan mill will start in 1997. Open pit production will commence in 1998 and underground production will be brought on stream in 1999. A flotation concentrate will be produced and shipped to the Pamour mill for cyanidation, contributing 100,000 ounces annually to the 250,000 ounces of gold to be recovered at Pamour.

Over the next four years the Company plans to bring several projects on line that will result in 1,000,000 ounces of gold and gold equivalent production by 1999.

In January 1996, Royal Oak acquired the Kemess project where it plans to commence production in 1998. The project will produce an average of 213,000 ounces of gold and 58,000,000 pounds of copper per year, which is equivalent to approximately 450,000 ounces of gold in total.

The Pamour Pit Expansion will also play a key role in reaching the million ounce goal. The 1,100,000 ounces of gold reserve placed in the mineable category by our exploration results in 1995 has justified the expansion of the Pamour mill and the purchase of large scale open pit mining equipment. The mill capacity will be increased from its current 4,200 tons per day to approximately 7,000 tons per day by 1998. With the addition of concentrates from the Matachewan Mine, the output of the Pamour mill is expected to increase to 250,000 ounces of gold per year by 1998.

The Red Mountain deposit in British Columbia is slated for production in 1999 at a rate of 150,000 ounces of gold per year. Further exploration and development of Red Mountain in 1996 is aimed at increasing the mineable reserves to 1,300,000 ounces of gold.

These projects, along with the further development of the lands currently held by the Company throughout Canada and the United States, will come together over the next four years to give Royal Oak a strong and vital future as a senior gold producer.

The Red Mountain deposit in British Columbia is slated for production in 1999 at a rate of 150,000 ounces of gold per year.

Kemess

Through the purchase of El Condor Resources and St. Philips Resources, which was completed on January 11, 1996, the Company acquired a 100% interest in two gold-copper ore bodies, Kemess South and Kemess North.

The Kemess South deposit, the larger of the two, was the subject of a prefeasibility study in 1993 by Kilborn Engineering Pacific Ltd. which showed mineable reserves of 221 million tons grading 0.22% copper and 0.018 ounces per ton (opt) of gold.

The deposit will be mined at an average rate of approximately 113,000 tons per day at an estimated cost of C$1.54 per ton. Milling at the rate of 50,000 tons per day will cost approximately C$2.11 per ton. At this mining rate the life of the project is estimated to be just over 20 years.

The Company, through an agreement with the British Columbia provincial government linking the settlement of compensation for Windy Craggy to the development of Kemess, will bring this deposit into production by the second quarter of 1998. The project development will be facilitated by $166 million of economic assistance and direct compensation which includes:

Economic Assistance

Royalty Interest Investment

$50 million to develop on- and off-site mine infrastructure for Kemess. The Company will pay the B.C. government a royalty of 4.8% on all copper extracted from the Kemess South property.

Power Line Installation

$49 million payable over three years to cover the cost of constructing a 200 mile power line from the Kennedy substation to Kemess.

Regional Resource Infrastructure

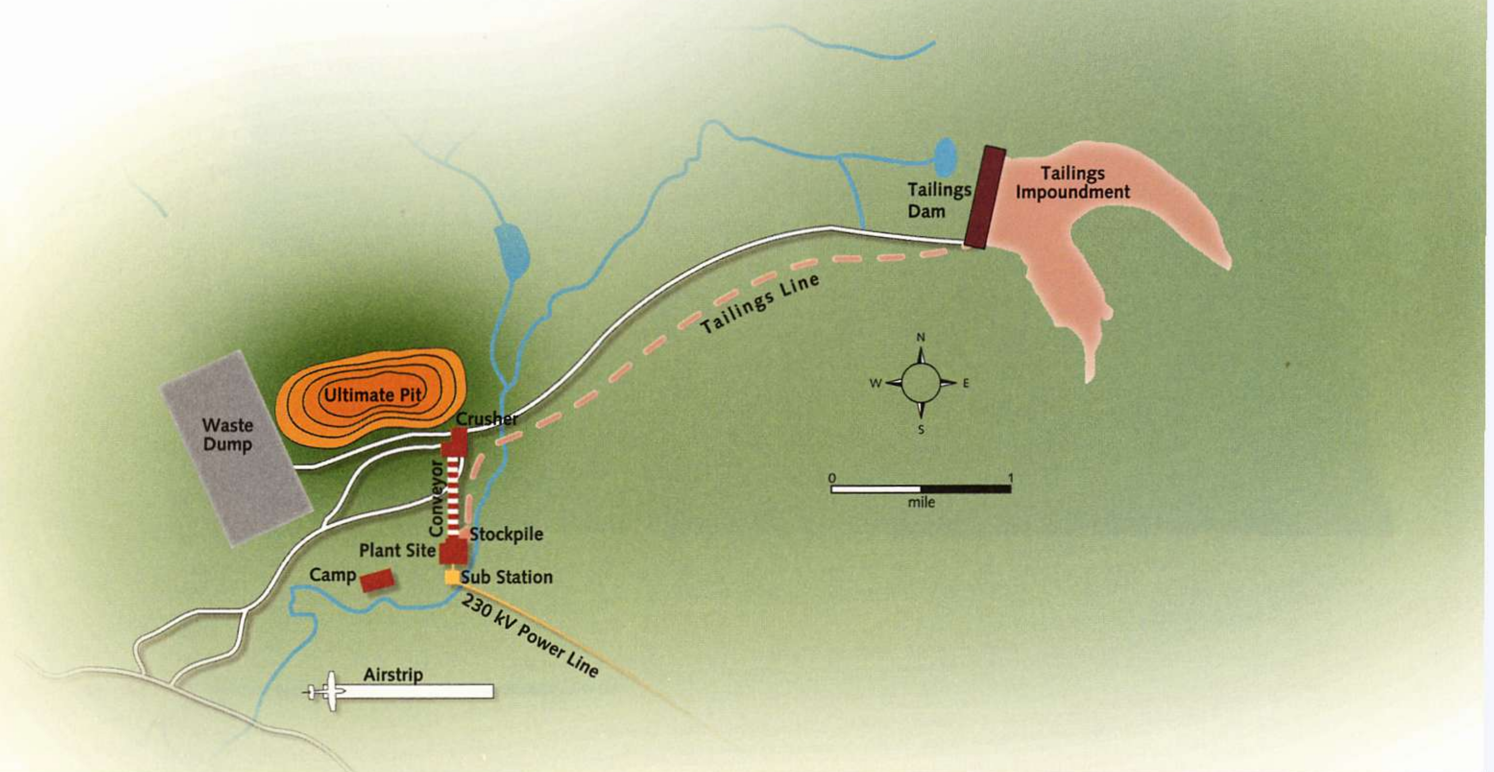
$14 million payable over 14 years for emergency health facilities, airport facilities and for developing and maintaining the connector road.

Human Resource Development Program

$4 million payable over 2 years to facilitate recruitment, selection, relocation, mobility, training, upgrading and safety training for personnel working on Kemess.

Facilitation and Support

The government agreed to facilitate and support favourable contracts of rail transport, port and power charges and to facilitate the review and consideration of permits and other authorizations required for the development of the project.



Direct Compensation

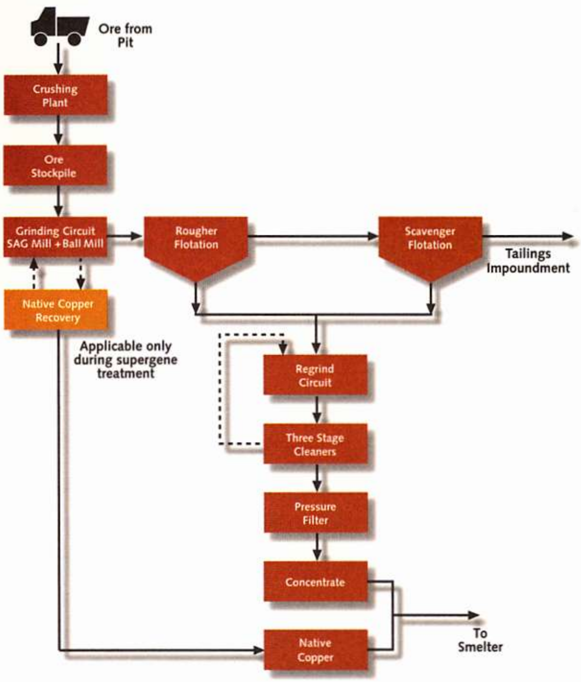
Cash Compensation

$29 million payable over two years.

Mining Development Fund

$20 million to be matched dollar for dollar for the development of properties in British Columbia, including the Kemess and Red Mountain properties and extensions thereof.

Kemess Flow Sheet (50,000 tons per day)



The source of capital for the project will be a combination of government funding, debt and funds from the Company's treasury.

The engineering of the processing facilities is being carried out by Kilborn which commenced work in November, 1995. Teshmont Consultants Inc. of Winnipeg will design the power line and Knight & Piesold has commenced engineering studies for the design of the tailings dam.

Two 75-ton bulk ore samples were taken from the property in December, 1995 and put through pilot plant testing at Lakefield Research. The testing, which was completed in January, 1996, confirmed the laboratory scale testing and provided the information needed to determine the size of the grinding mills.

Kemess

Reserves	Mineable	Mineralized Material	Total
Tons	220,947,000	173,063,000	**394,010,000**
Grade (opt gold)	0.018	0.011	**0.015**
Grade (% copper)	0.224	0.180	**0.205**
Ounces gold	4,056,000	1,918,000	**5,974,000**
Pounds copper	989,843,000	623,026,000	**1,612,869,000**

Estimated Project Capital Costs (C$million)

Mining	**51.9**
Site and general	**59.9**
Process facilities	**115.9**
Service buildings	**11.9**
Tailings and reclaim system	**26.1**
Infrastructure and off-site facilities	**25.7**
Other costs	**20.4**
Environmental permitting	**25.8**
Indirect costs	**14.6**
Contingency	**22.4**
Project Total	**374.6**

Project Schedule

Deal closed with El Condor and St. Philips: **January, 1996**
Bulk sample complete: **January, 1996**
Engineering commenced: **January, 1996**
Construction commences: **June, 1996**
Airstrip complete: **Mid-1996**
Process plant engineering complete: **August, 1996**
Connector/loadout complete: **December, 1996**
Crusher building/overland conveyors complete: **April, 1997**
Powerline/concentrator complete: **March, 1998**
Tailings dam/grinding equipment installation complete: **March, 1998**
Production start-up: **April, 1998**

Estimated Production Statistics

Stripping ratio	**1.26:1** (45° pit walls and 8% ramp)
Milling rate (LOM)	**50,000** tons per day
Mining rate (LOM)	**113,000** tons per day
Production copper (LOM)	**58,000,000** pounds per year
Production gold (LOM)	**213,000** ounces per year
Recovery (% copper) (LOM)	**85.0**
Recovery (% gold) (LOM)	**76.0**

(LOM) means life of mine

Estimated Operating Costs (C$/ton)

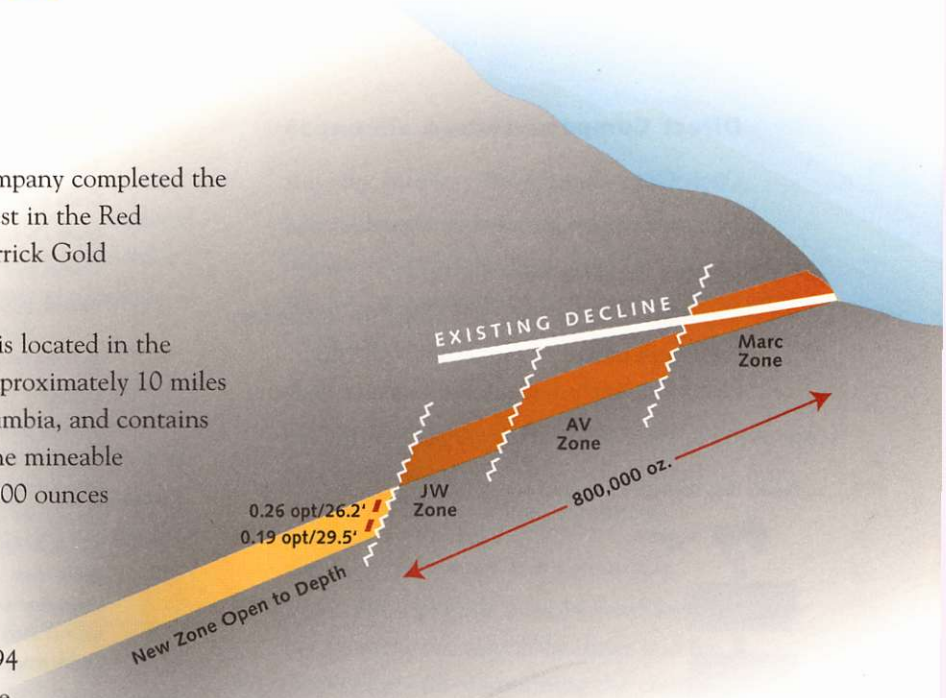
Mining	**$ 1.54**
Milling	**$ 2.11**
Administration	**$ 0.66**
Total	**$ 4.31**

Development Projects

Red Mountain

In September 1995, the Company completed the acquisition of a 100% interest in the Red Mountain property from Barrick Gold Corporation.

The Red Mountain deposit is located in the Coastal Mountain Range approximately 10 miles east of Stewart, British Columbia, and contains 800,000 ounces of gold in the mineable category and a further 106,000 ounces as mineralized material.



It is estimated that over US$30 million was spent between 1991 and 1994 outlining and developing the Marc, AV and JW zones, which included 300,000 feet of drilling. These zones remain open down-plunge and the exploration potential for the area north of the deposit is deemed to be excellent.

The main exploration and development focus for 1996 will be to expand the mineable reserves at Red Mountain by 500,000 ounces to 1,300,000 ounces of gold through underground and surface delineation drilling of the down-plunge extension of the ore body. The decline will be extended approximately 1,000 feet to facilitate the drilling.

In 1996, an updated feasibility study will be completed and the Company expects to file a development plan with the B.C. government in the third quarter.

The project is slated to produce approximately 150,000 ounces of gold per year commencing in the fourth quarter of 1999.

Red Mountain

Reserves	Mineable	Mineralized Material	Total
Tons	3,053,000	525,000	**3,578,000**
Grade (opt gold)	0.262	0.203	**0.253**
Ounces gold	800,000	106,000	**906,000**

Estimated Project Capital Costs

C$100,000,000

Project Schedule

File development plan with B.C. government: **September, 1996**
Complete updated feasibility study: **January - December, 1996**
Drill off minimum of additional 500,000 ounces: **March - August, 1996**
Receive mine development certificate: **Q3, 1997**
Construction: **1998 - 1999**
Production start-up: **Q4, 1999**

Estimated Production Statistics

Mining rate (LOM)	**700,000** tons per year
Annual gold production	**150,000** ounces per year
Recovery (% gold)	**90.0**
Mine life	**10 - 15** years

(LOM) means life of mine

Estimated Operating Costs

US$150 per ounce of gold, **C$44** per ton ore

Pamour Pit Expansion

The Pamour pit optimization program played a prominent role in the 1995 exploration program. The program focused on examining the low grade halo around the mined-out stopes at the Pamour Mine with the objective of placing 1,000,000 ounces of gold in the mineable category. This goal was exceeded by approximately 100,000 ounces.

Most of the drilling conducted in 1995 concentrated on outlining mineralization within greywacke and approximately 20% of the drill footage tested for volcanic-hosted mineralization. A total of 98,164 feet was drilled in 286 holes from both underground and surface, between the West pit and the old #4 pit. The drilling delineated mineralization within the spatial limitations of the program to a maximum depth of 800 feet. Over 95% of the holes returned significant gold values. The mineralization remains open to depth and along strike in both directions.

The current dimensions of the planned pit are approximately 6,000 feet long, 2,400 feet wide and 800 feet deep. However, the ultimate extent of the pit will be determined by incremental stages of drilling over the next few years with the goal of outlining an additional 200,000 ounces of gold per year. It is expected that the final open pit will contain over 2 million ounces of gold.

The mining of this pit will necessitate that Highway 101 be moved and the mill be expanded from 4,200 tons per day to approximately 7,000 tons per day at a cost of $10 million. A fleet of large scale mining equipment has been purchased and the existing #3 pit is being pre-stripped in readiness for mining to commence in 1998.

Pamour Pit Expansion

Reserves	Mineable
Tons	27,334,500
Grade (opt gold)	0.042
Ounces gold	1,143,279

Estimated Project Capital Costs

C$22,000,000 (equipment only)

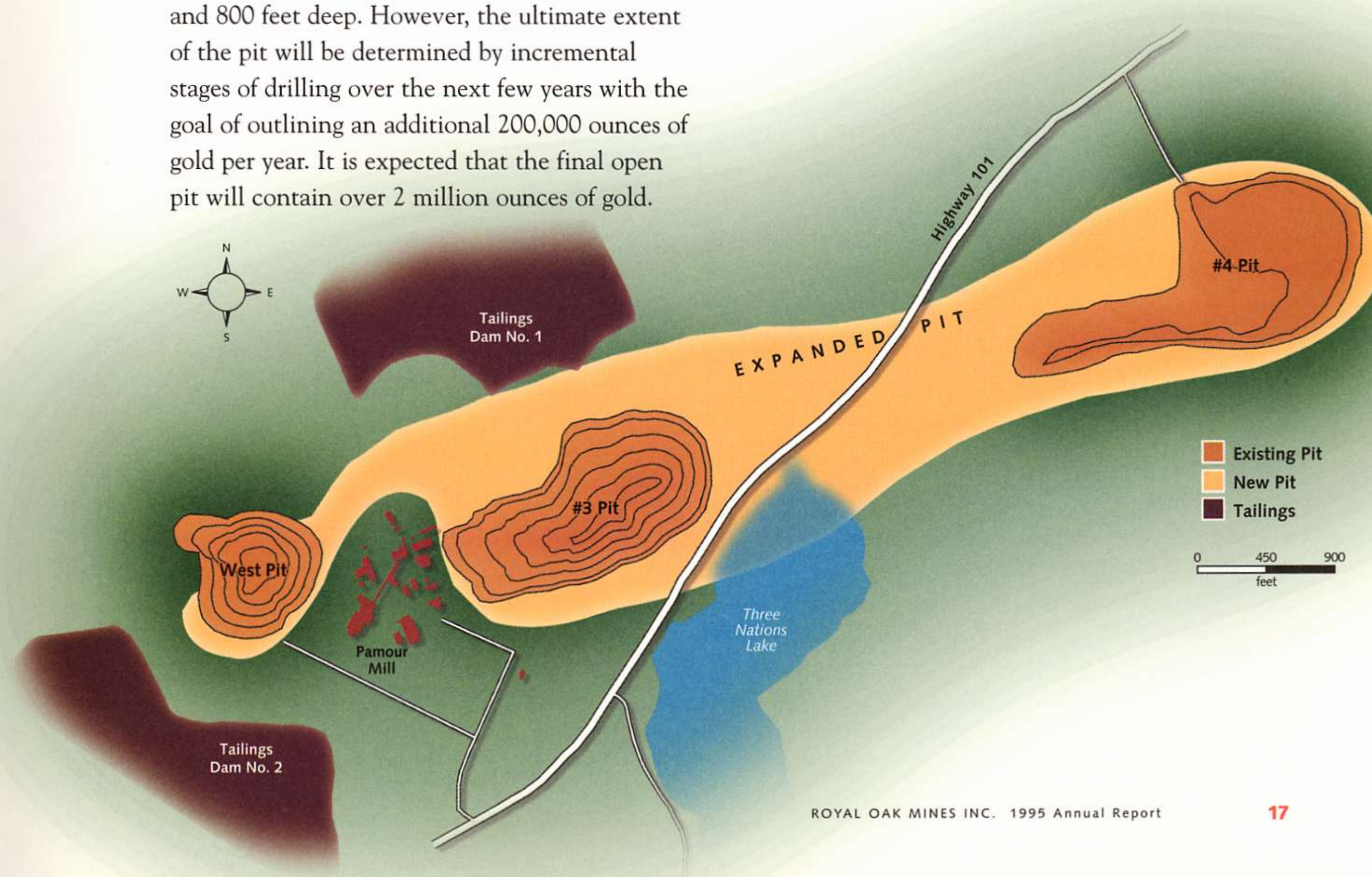
Estimated Production Statistics

Stripping ratio	**2.3:1**
Milling rate (LOM)	**6,575** tons per day
Mining rate (LOM)	**27,575** tons per day
Production gold (LOM)	**60,000** ounces per year
Recovery (% gold) (LOM)	**81.5**

(LOM) means life of mine

Estimated Operating Costs (C$/ton)

Mining	**$1.10**
Milling	**$5.75**



Matachewan

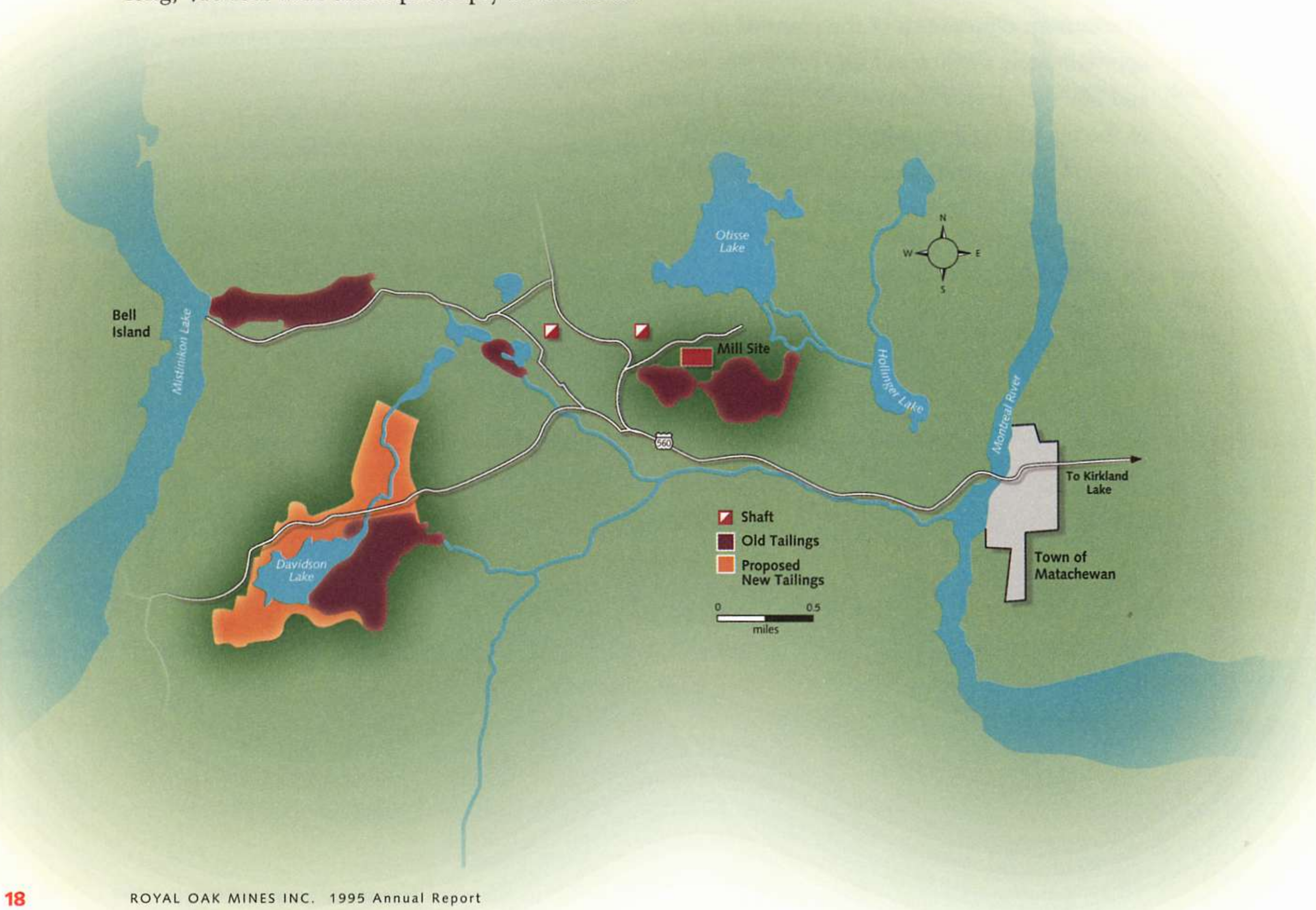
The Matachewan project is located at the town of Matachewan, 56 miles south of the City of Timmins, Ontario.

In 1995, a prefeasibility study was completed on the project along with 83,700 feet of diamond drilling. The focus of this work was to place 800,000 ounces of gold in the mineable category. More than half of the ounces were originally in the mineralized material category. However, the fact that the mineralization was wider than expected at surface and formed two parallel systems was not previously known. This resulted in a sharp increase of open pit mineable ore on the property.

The deposit is hosted within a syenite body which has intruded along and near the highly deformed contact between Timiskaming Group sedimentary rocks and Larder Lake Group volcanic rocks. The main syenite body is approximately 2,460 feet long, 410 feet wide and dips steeply to the south.

Many of the 1995 drill holes intersected significant mineralization within the syenite as expected, but they also intersected two new zones of mineralization - a hanging wall zone and a foot wall zone. The foot wall mineralization is associated with quartz-pyrite breccias and stockworks. This mineralization strongly resembles that which occurs in the main syenite body.

The property was previously mined between 1933 and 1957 by Young Davidson Mines Limited and Matachewan Consolidated Mines Limited. These companies produced a combined total of 956,117 ounces of gold from 9.6 million tons of ore grading 0.10 opt gold from both underground and open pit developments.



The deposit was milled historically using flotation and cyanidation which achieved excellent recoveries. The current plan is to produce a concentrate on site that would be transported to the Pamour mill for cyanidation. The presence of free gold and the results of metallurgical testing at Lakefield Research has necessitated the addition of a gravity circuit to the mill design. A very coarse cost-effective grind was used historically and it is expected that this will not change.

The development plan calls for milling of the open pit ore to commence by the second half of 1998 while the underground mine is being developed. Production is targeted for 100,000 ounces per year at a cash cost of US$275 per ounce. The existence of a 2,450 foot deep shaft will allow the underground mine to be economically developed. Examination of the shaft in 1995 showed it to be unobstructed. Water samples taken from the shaft show that little or no treatment will be required prior to discharge of the water to the environment during the dewatering operation.

In the preliminary environmental survey a suitable site for the new tailings pond was located. It currently holds old tailings from previous production and is large enough to contain the entire mine life tailings production. It is planned to deposit the new tailings here in a manner that will secure the old tailings and make the area environmentally more acceptable.

Environmental data gathering and applications were also initiated during 1995 in order to establish a baseline for future reference. This work will continue into 1996 along with planning and engineering studies with the goal of placing the project into production in 1998. The development plans are expected to be submitted to the government during the first quarter of 1996.

Matachewan

Reserves	Mineable	Mineralized Material	Total
Tons	13,253,000	1,976,000	**15,229,000**
Grade (opt gold)	0.067	0.139	**0.076**
Ounces gold	884,000	274,000	**1,158,000**

Estimated Project Capital Costs (C$million)

Mining	**$ 30**
Processing	**$ 35**
Infrastructure	**$ 10**
Total	**$ 75**

Project Schedule

Development plans submitted to government: **March, 1996**
Environmental permits received: **December, 1996**
Construction starts: **April, 1997**
Production start-up: **July, 1998**

Estimated Production Statistics

Stripping ratio (open pit)	**3.1:1**
Mining rate	**1,310,000** tons per year (combined open pit and underground)
Annual gold production	**100,000 - 120,000** ounces per year
Recovery (% gold)	**90.0**
Mine life	**10 - 15** years

Estimated Operating Costs

US$275 per ounce of gold

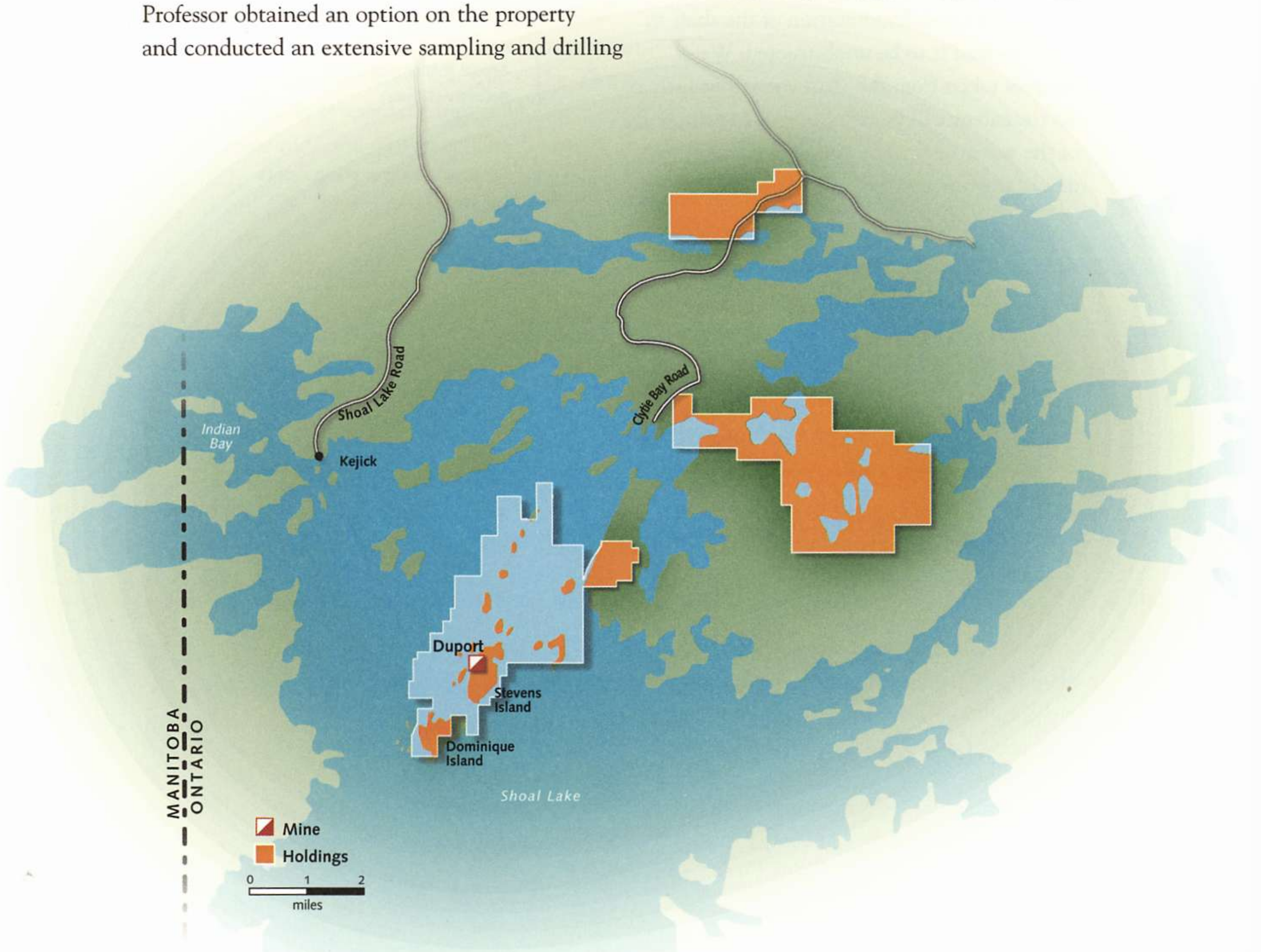
Duport

On February 27, 1996 the Company acquired 81.2% of the outstanding shares of Consolidated Professor Mines Limited.

The main asset of Consolidated Professor is the Duport gold project located in western Ontario, 28 miles southwest of the town of Kenora. The property consists of 67 claims covering 3,012 acres and contains a geologic resource of 2 million tons at an average grade of 0.35 opt gold. Excellent potential exists to significantly increase the resources.

Intermittent exploration of the deposit was carried out by various parties during the 1930s and '40s, including underground exploration by Duport Mining Company. In 1973, Consolidated Professor obtained an option on the property and conducted an extensive sampling and drilling program in 1973-74. In 1981, Consolidated Professor acquired ownership of the property through its amalgamation with Duport Mining Company.

Exploration resumed in 1980 and the property was worked intensely over the next 9 years. Work included almost 9,900 feet of underground development and approximately 197,000 feet of surface and underground diamond drilling. Development on the property consists of a shaft to 125 feet, a winze to 325 feet, a 4,500 foot access ramp to the 660' level plus several thousand feet of lateral and vertical development. In 1989, a positive feasibility study was completed by Wright Engineers which recommended a mining rate of 150,000 tons per year. The feasibility study estimated capital costs at C$52.8 million.



The Duport project is situated in the environmentally sensitive area of Shoal Lake, the source of Winnipeg, Manitoba's residential and commercial water supply. Environmental concerns were raised in 1989 by local cottagers and the City of Winnipeg, after Consolidated Professor announced its plans to advance the project to the permitting stage. The main concern was the perception of potential environmental hazards associated with the processing of the refractory gold ore and the disposal of cyanide treated tailings.

For the past six years, Consolidated Professor has conducted impact and sensitivity studies related to these concerns. All aspects of mining, ore transport, milling, tailings disposal and site reclamation were reconsidered and re-engineered with the objective of alleviating the fears of all concerned parties. Among other features, the redesigned development plan involved transporting the ore by truck to the mainland via a year-round ferry to a mill site located 5.2 miles inland, outside of the Shoal Lake watershed. The new design concept effectively addressed every concern brought forth during the consultation process. Consolidated Professor has since submitted a detailed environmental study of the project to the Ontario, Manitoba and Federal governments for review.

The Company plans to continue the environmental permitting process initiated by Consolidated Professor. Development of the project is anticipated shortly after the permitting process is completed.

Duport

Reserves*	Mineable*	Mineralized Material*	Total
Tons	1,007,500	1,006,700	**2,014,200**
Grade (opt gold)	0.38	0.32	**0.35**
Ounces gold	382,850	322,144	**704,994**

**Not included in the Company's Year-End Estimates of Mineral Inventory as this acquisition occurred in 1996.*

Estimated Production Statistics

Annual mining rate	**150,000** tons per year
Annual gold production	**40,000** ounces per year

Ore Reserves

Royal Oak reports a mineral inventory consisting of mineable ore and mineralized material. Mineable ore is the sum of proven ore plus probable ore. It includes dilution and allowances for mining losses.

Detailed monitoring of the accuracy of ore reserve estimates compared to actual mined and milled results is constantly undertaken at all operations to ensure that ore reserve estimation techniques are appropriate, consistent and accurate. The gold price used in the December 31, 1995 ore reserves was C$517 per ounce (US$383 per ounce), compared to C$507 (US$360 per ounce) used at the end of 1994.

Reserves have increased dramatically in 1995 due to the acquisition of the Kemess and Red Mountain deposits in British Columbia, and successful delineation drilling programs at Pamour and Matachewan in Ontario.

The new British Columbia Division consists of the Kemess and Red Mountain deposits. The Kemess deposit contains mineable reserves of 220,947,000 tons grading 0.018 opt gold and 0.224% copper. The reserves contain 4,056,000 ounces of gold and approximately one billion pounds of copper. The project will be in production within three years. The Red Mountain deposit contains mineable reserves of 3,053,000 tons grading 0.262 opt gold and is expected to be in production by the fourth quarter of 1999.

The Northwest Territories Division includes the Colomac Mine and the Giant Mine. The Colomac reserves that were mined in 1995 were replaced by mineable reserves at nearby Kim-Cass. The Kim-Cass reserves are estimated at 2,211,000 tons grading 0.082 opt gold.

The Ontario Division includes the Pamour and Nighthawk mines at Timmins and the Matachewan property. The Nighthawk Mine began production in 1995 and will reach full capacity in May, 1996. The ore is being trucked to the Pamour mill for treatment.

An engineering study of the economics of potential large scale open pit mining at Timmins, followed by a successful delineation drilling program, has increased the Pamour operation's mineable reserves by over 1.1 million ounces. This is the fourth consecutive year that there has been an ore reserve increase at Pamour that was directly related to open pit expansion. Further potential exists and drilling will continue to delineate further reserves in 1996.

The mineable reserves at Matachewan have increased by 800,000 ounces from 1994. Open pit mineable reserves are 9.3 million tons grading 0.044 opt and underground mineable reserves are 3.9 million tons grading 0.122 opt. Advanced stage exploration and engineering design will be carried out in 1996 with commencement of production planned for 1998.

The Newfoundland Division consists of the Hope Brook Mine which was acquired in 1992. The mineable reserves were reduced after the Company implemented a new mining method in late 1994. This was done to improve ground stability after the collapse of several sill pillars. Minor additional reserve reductions were necessary in 1995 as a result of ground failures in some of the low grade salvage stope areas that were not scheduled for immediate mining.

The Company reported 417,000 ounces of gold in mineralized material at the Copperstone property in Arizona at the newly-established United States Division. The Copperstone Mine produced in excess of 500,000 ounces of gold from an open pit between 1987 and 1992. Royal Oak is currently evaluating the underground potential of this deposit.

Year-End Estimates of Mineral Inventory

Gold	1995			1994			1993			1992	
	Tons (000's)	Grade (oz/ton)	Ounces (000's)	Tons (000's)	Grade (oz/ton)	Ounces (000's)	Tons (000's)	Grade (oz/ton)	Ounces (000's)	Tons (000's)	Grade (oz/ton)
British Columbia Division											
Mineable Ore	224,000	0.022	4,856								
Mineralized Material	173,587	0.012	2,024								
Mineral Inventory	397,587	0.017	6,880								
Northwest Territories Division											
Mineable Ore	14,721	0.104	1,537	15,449	0.094	1,457	16,235	0.095	1,549	2,821	0.319
Mineralized Material	10,481	0.150	1,577	13,800	0.129	1,780	10,197	0.148	1,510	6,132	0.216
Mineral Inventory	25,202	0.124	3,114	29,249	0.111	3,237	26,432	0.116	3,059	8,953	0.249
Ontario Division											
Mineable Ore	51,725	0.051	2,656	10,798	0.066	716	3,993	0.097	386	3,825	0.099
Mineralized Material	21,904	0.086	1,885	17,632	0.097	1,712	5,615	0.090	506	7,399	0.097
Mineral Inventory	73,628	0.062	4,541	28,430	0.085	2,428	9,608	0.093	892	11,224	0.098
Newfoundland Division											
Mineable Ore	2,448	0.088	215	3,936	0.087	343	7,300	0.102	746	8,255	0.104
Mineralized Material	3,960	0.101	399	4,389	0.109	477	2,673	0.116	311	2,996	0.112
Mineral Inventory	6,408	0.096	614	8,325	0.098	820	9,973	0.106	1,057	11,251	0.106
United States Division											
Mineralized Material	2,424	0.172	417								
Mineral Inventory	2,424	0.172	417								
Royal Oak Mines Inc.											
Total Mineable Ore	292,893	0.032	9,263	30,183	0.083	2,516	27,527	0.097	2,682	14,901	0.143
Total Mineralized Material	212,356	0.030	6,303	35,821	0.111	3,969	18,485	0.126	2,327	16,527	0.144
Total Mineral Inventory	505,249	0.031	15,566	66,004	0.098	6,485	46,012	0.109	5,009	31,428	0.144

Copper	1995		
	Tons (000's)	Grade (% copper)	Pounds (000's)
British Columbia Division			
Mineable Ore	220,947	0.224	989,843
Mineralized Material	173,063	0.180	623,026
Mineral Inventory	394,010	0.205	1,612,869

Tons and ounces are rounded to the nearest thousand.

Review of Operations

Record gold production in 1995

The Company produced a record 371,151 ounces of gold in 1995, an increase of 17% from the 318,171 ounces produced in 1994. The increase reflected a full year of production at the Colomac Mine; 117,646 ounces compared to 40,568 ounces in 1994.

In 1995, production at the Giant, Pamour and Hope Brook mines declined by 24,098 ounces of gold, or 9%, from 277,603 ounces in 1994 to 253,505 ounces. The principal reasons were a combination of lower mill feed grades and fewer tons of ore mined and milled.

Gold production in 1995 included 55,537 ounces of recovered silver (37,591 ounces in 1994) expressed as 758 ounces of gold equivalent (534 ounces in 1994) as well as 835 ounces of gold recovered during clean-up of the inactive Schumacher mill at Timmins (2,142 ounces in 1994).

The Hope Brook Mine produced 1,202,533 lbs of copper in concentrate, 253,485 pounds or 17% less than in 1994.

The concentrate is shipped to a smelter for processing. Revenue from the sale of the concentrate is credited to minesite cash costs.

Average cash costs increased by 15% from US$311 per ounce in 1994 to US$358 per ounce in 1995. The increase reflected lower mill feed grades and tonnages mined and milled, and costs at Colomac that were significantly above budget as a result of overcoming the difficulties associated with the start-up of the mill.

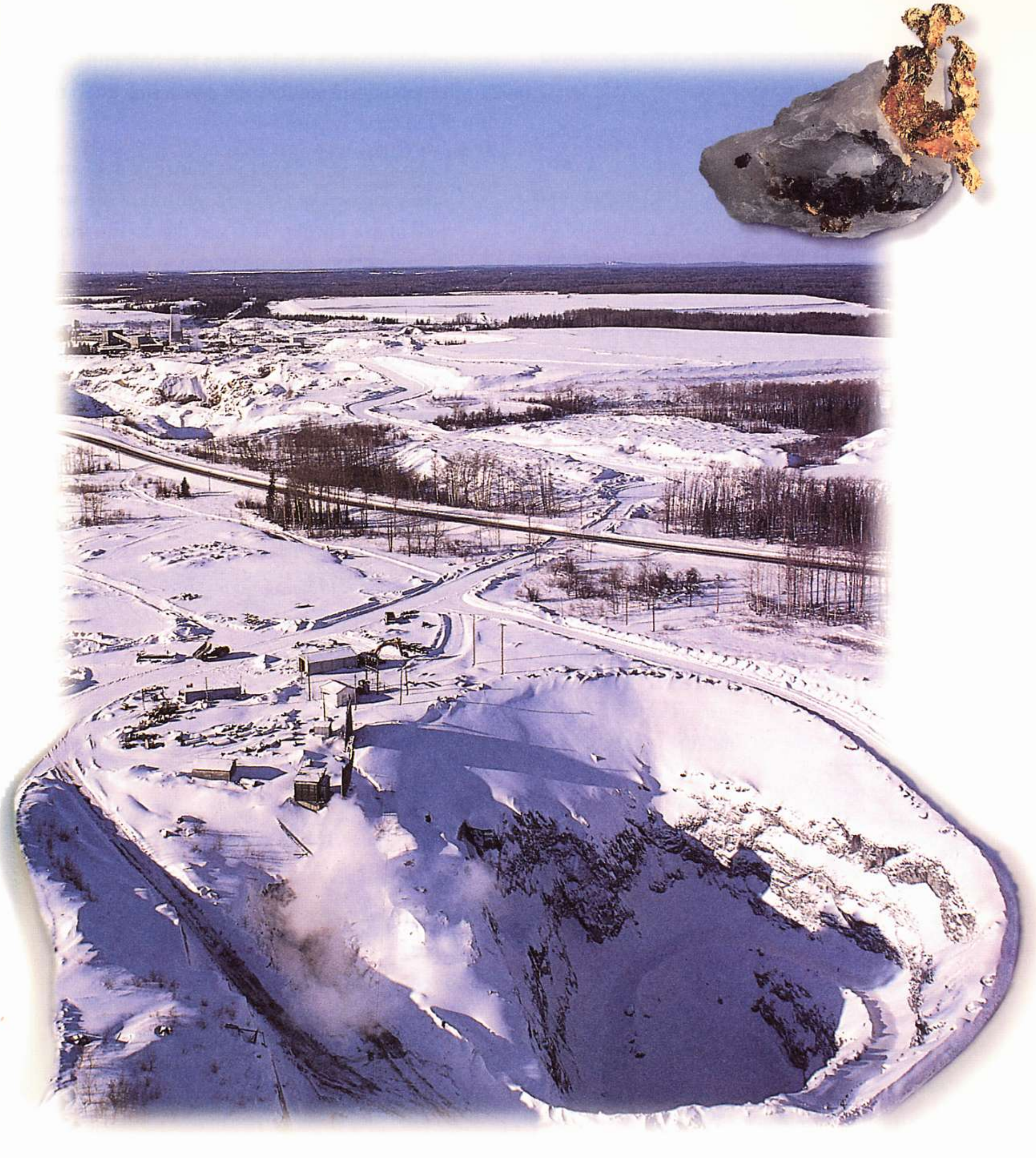
On a per-ton of ore milled basis, production costs decreased from C$39.17 per ton in 1994 to C$32.79 per ton in 1995, a decline of 16%. This decrease reflected the lower mining costs associated with the large tonnage open pit operation at the Colomac Mine. At the other mines, production costs increased in 1995, largely due to lower operating efficiencies and inflationary cost increases.

Production in 1996 is forecast at approximately 425,000 ounces of gold at an estimated cash cost of US$306 per ounce.

Production, Reserves and Cost Data

	1995	1994	1993	1992	1991
Production:					
Ore milled *(tons)*	5,556,450	3,992,472	2,892,891	2,160,230	1,649,935
Recovered gold & equivalent *(oz)*	371,151	318,171	276,320	245,469	194,952
Reserves:					
Mineable ore *(oz gold)*	9,263,000	2,516,000	2,682,000	2,133,000	1,106,000
Mineralized material *(oz gold)*	6,303,000	3,969,000	2,327,000	2,381,000	1,564,000
Total mineral inventory *(oz gold)*	15,566,000	6,485,000	5,009,000	4,514,000	2,670,000
Costs:					
Operating cost/ton milled *(C$/ton)*	32.79	39.17	38.27	41.74	44.23
Cash cost *(US$/oz)*	358	311	311	304	327
Depreciation & amortization *(US$/oz)*	29	22	14	14	22

Mining of the mineralized halo around these pits at the Pamour Mine will contribute substantially to gold production at the Ontario Division by 1998.



Northwest Territories Division

Colomac Mine

Gold production at the Colomac Mine increased from 40,568 ounces in 1994 (milling commenced in July), to 117,646 ounces in 1995. Production fell short of the budget of 135,000 ounces, in part due to the milling of low grade ore from the stockpile and a number of problems associated with the start-up of the mill.

Grade control at the open pit improved during the year which resulted in less dilution of ore with waste material. A number of changes were made to the drilling and blasting pattern in the open pit later in the year to improve operating efficiencies and reduce mining costs.

The mill processed 2,725,388 tons of ore at an unchanged average grade of 0.047 ounces of gold per ton. Average gold recovery of 92.34% improved significantly from the 87.10% in 1994 and exceeded the target of 93% when the mill operated under equilibrium conditions for long periods of time.

In 1995, design changes and plant modifications were made in the mill to optimize throughput and gold recovery, continuing the work started after commissioning. Improvements to maintenance standards resulted in increases to both equipment utilization and mill availability. By the end of the year, a daily mill throughput in excess of the design tonnage of 10,000 tons was achieved regularly. Further modifications in the spring of 1996, which will include the direct feeding of pebble crusher discharge to the ball mills, are expected to facilitate the processing of up to 12,000 tons of ore per day.

Cash costs of US$383 per ounce of gold and an operating cost of C$22.72 per ton of ore were well above budget. This was due to the shortfall in production; low equipment availability in the open pit; higher-than-planned reagent usage, higher maintenance costs and other costs in the mill due to non-steady state operations; and high site administration costs, including costs associated with high turnover of personnel.

The mineable ore reserve grade at Colomac remains at 0.053 opt. Mineable reserves at Colomac declined by 165,000 ounces of gold from the end of 1994. This was offset by 182,000 ounces of gold being taken into mineable reserves at the nearby Kim-Cass deposit.

Production, Reserves and Cost Data

	1995	1994	1993
Production:			
Ore milled *(tons)*	2,725,388	985,091	—
Head grade *(oz/ton)*	0.047	0.047	—
Recovery *(%)*	92.34	87.10	—
Recovered gold & equivalent *(oz)*	117,646	40,568	—
Reserves:*			
Mineable ore *(oz gold)*	711,000	694,000	709,000
Mineralized material *(oz gold)*	260,000	467,000	179,000
Total mineral inventory *(oz gold)*	971,000	1,161,000	888,000
Costs:			
Operating cost/ton milled *(C$/ton)*	22.72	—	—
Cash cost *(US$/oz)*	383	—	—
Depreciation & amortization *(US$/oz)*	46	—	—

Note: In 1994, revenue from production at Colomac was netted against start-up costs and deferred as pre-production expenses.
Includes Kim-Cass in 1994 and 1995

Plans have been implemented to operate the Colomac Mine profitably in 1996 with a production forecast of approximately 144,000 ounces of gold at an estimated cash cost of US$291 per ounce. In 1997, ore from the Kim-Cass deposit will contribute to mill throughput at Colomac.

Giant Mine

In 1995, gold production of 91,423 ounces was 10% below the 101,176 ounces produeed in 1994. A 4% decrease in mill feed tonnage and a 4% decrease in mill feed grade, from 0.264 to 0.254 opt, were responsible for the lower gold output which was 13% below budget. The lower grade of ore mined was a function of excessive dilution in certain areas and the mining of lower grade ore prior to full production at the Supercrest deposit being reached.

Production at the Giant Mine was affected by an upturn in the industry which resulted in a shortage of skilled underground miners. Fewer blocks were available for mining as development in new mining blocks fell behind schedule. The workforce was restored to the required level after an aggressive recruiting campaign which included a relocation allowance.

Increasing amounts of ore from the Supercrest deposit were trucked to C shaft at the Giant Mine as development progressed. The 1500 level tramway to haul ore from Supercrest to C Shaft will be completed in the spring of 1996.

Cash costs of US$329 per ounce were 14% higher than US$289 per ounce incurrred in 1994. On a per-ton of ore basis, the operating cost of C$100.59 per ton was 8% higher than in 1994. Higher costs reflected lower ore grades and tons of ore processed as well as inflationary cost increases such as the cost of power. Reserves were replaced through the purchase of the Nicholas Lake property which added 149,000 ounces of gold to mineable ore.

The production forecast for 1996 is approximately 100,500 ounces of gold at a cash cost of US$295 per ounce. Higher production levels will be met by developing and mining higher grade ore in the Supercrest, Lower B, LAW and 750 Level Mid C zones that are currently under development. Estimated average mill head grade for 1996 is projected at 0.262 opt.

Production, Reserves and Cost Data

	1995	1994	1993	1992	1991
Production:					
Ore milled *(tons)*	410,966	430,238	413,098	395,018	429,973
Head grade *(oz/ton)*	0.254	0.264	0.264	0.286	0.274
Recovery *(%)*	86.73	86.95	85.86	84.12	86.52
Recovered gold & equivalent *(oz)*	91,423	101,176	92,948	95,878	102,335
Reserves:*					
Mineable ore *(oz gold)*	826,000	763,000	840,000	899,000	727,000
Mineralized material *(oz gold)*	1,317,000	1,313,000	1,331,000	1,326,000	773,000
Total mineral inventory *(oz gold)*	2,143,000	2,076,000	2,171,000	2,225,000	1,500,000
Costs:					
Operating cost/ton milled *(C$/ton)*	100.59	92.71	95.86	95.06	92.69
Cash cost *(US$/oz)*	329	289	330	324	340
Depreciation & amortization *(US$/oz)*	10	11	9	14	23

**1995 reserves include Nicholas Lake.*

Ontario Division

Pamour Mine

In 1995, gold production of 80,120 ounces at the Pamour Mine included 1,617 ounces attributable to production from the nearby Nighthawk Mine from which ore is trucked to the Pamour mill for processing, as well as 835 ounces recovered during clean-up of the inactive Schumacher mill. Production was below the budget of approximately 91,000 ounces, and was 7% lower than the 85,755 ounces produced in 1994 which included 2,142 ounces of gold recovered from the Schumacher mill. The tonnage of ore milled in 1995 was 1% below the level in 1994 while mill feed grade of 0.067 ounces per ton was 3% lower than in the previous year. Furthermore, 51 Vein, a high grade narrow vein zone that improved grades at the Pamour Mine over the last 15 years, was depleted in 1995.

In September, production from development ore commenced at the Nighthawk Mine where access underground is gained by ramp. Mining of stopes commenced in December, 1995, several months ahead of schedule.

The Pamour mill operated close to capacity throughout the year. The mill head grade of 0.067 opt was slightly lower than in the previous year and reflected lower-than-budget ore grade mined from the Hoyle underground where the sub-level cave mining method resulted in low productivity and high rates of dilution.

The shortfall in production led to an increase in average cash cost from US$327 in 1994 to US$368 per ounce in 1995, an increase of 13%. On a per-ton basis, the operating cost increased by 7% from C$28.34 in 1994 to C$30.39 per ton of ore last year and reflected higher expenses incurred in surface mining and milling.

In 1996, production at the Ontario Division is forecast to increase to approximately 98,900 ounces of gold at an estimated cash cost of US$307 per ounce. The increase is largely due to approximately 30,000 ounces of production at the Nighthawk Mine where the average grade is expected to be approximately 0.166 ounces of gold per ton. A temporary suspension of mining operations for two months in the spring of 1996 in the Upper Hoyle will permit development on the 22nd level and provide access so the higher grade Pamour Lower Shoot can be mined.

Production, Reserves and Cost Data

	1995	1994	1993	1992	1991
Production:					
Ore milled *(tons)*	1,329,846	1,350,007	1,330,722	1,224,797	1,219,962
Head grade *(oz/ton)*	0.067	0.069	0.072	0.089	0.084
Recovery *(%)*	90.20	89.20	89.60	90.10	89.50
Recovered gold & equivalent *(oz)*	80,120	85,755	87,346	98,898	92,617
Reserves:*					
Mineable ore *(oz gold)*	2,656,000	716,000	386,000	378,000	379,000
Mineralized material *(oz gold)*	1,885,000	1,712,000	506,000	719,000	790,000
Total mineral inventory *(oz gold)*	4,541,000	2,428,000	892,000	1,097,000	1,169,000
Costs:					
Operating cost/ton milled *(C$/ton)*	30.39	28.34	26.25	30.25	27.15
Cash cost *(US$/oz)*	368	327	310	310	312
Depreciation & amortization *(US$/oz)*	20	37	20	15	19

**Reserves include Pamour Mine, Nighthawk Mine, Matachewan and Nighthawk Lake properties.*

Newfoundland Division

Hope Brook Mine

In 1995, the Hope Brook Mine in Newfoundland produced 81,962 ounces of gold, 10% less than the 90,672 ounces produced in 1994. The decline in production was attributable to an 11% reduction in ore milled as both mill head grade and recovery increased marginally from 1994. Tons of ore mined were below budget mainly because of poor ground conditions in the operating stopes which resulted in smaller stopes being mined, and lower-than-planned availability of the Kiruna haul trucks. Furthermore, the quantity of heap leach material processed in the mill was reduced because of its adverse impact on gold recovery.

The average cash cost increased by 7% from US$320 per ounce in 1994 to US$343 per ounce last year. Operating costs on a per-ton of ore basis increased by 9% from C$32.30 to C$35.35 in 1995, reflecting the lower throughput.

The ore reserves at Hope Brook continue to decline. An aggressive property acquisition and exploration program has been implemented to provide mill feed beyond the time when the Hope Brook ore body is depleted. In 1996, planned production is approximately 84,000 ounces of gold at an estimated cash cost of US$344 per ounce.

In the spring of 1996, milling operations at Hope Brook will be suspended for two months while the mine operates at capacity and a stockpile of ore is built. This will allow the mill to run more economically at full capacity on restarting.

Production, Reserves and Cost Data

	1995	1994	1993	1992
Production:				
Ore milled *(tons)*	1,090,250	1,227,136	1,149,071	540,415
Head grade *(oz/ton)*	0.090	0.089	0.101	0.109
Recovery *(%)*	84.43	82.10	82.48	86.17
Recovered gold & equivalent *(oz)*	81,962	90,672	96,026	50,693
Reserves:				
Mineable ore *(oz gold)*	215,000	343,000	746,000	856,000
Mineralized material *(oz gold)*	399,000	477,000	311,000	336,000
Total mineral inventory *(oz gold)*	614,000	820,000	1,057,000	1,192,000
Costs:				
Operating cost/ton milled *(C$/ton)*	35.35	32.30	31.48	28.90
Cash cost *(US$/oz)*	343	320	292	254
Depreciation & amortization *(US$/oz)*	32	23	13	10

Exploration

Introduction

1995 was the busiest year in the history of exploration at Royal Oak. The exploration programs were focused on outlining additional reserves proximal to our mines. A total of 526,000 feet of drilling was completed in 1995 which located 2.1 million ounces of gold in reserves and 1.4 million ounces of gold in resources.

Based on exploration expenditures of $15.3 million the unit costs translate to C$7.29 per ounce of gold in reserves discovered or C$4.37 per ounce of gold in reserves plus resources. The discovery rate of 6.7 ounces of gold per foot drilled was possible due to the large amount of previous data that guided the 1995 drilling.

Exploration of the Nighthawk Lake properties, 9 miles east of Pamour, outlined 800,000 ounces of gold in mineralized material in four zones bringing the total resources at Nighthawk Lake, including the Nighthawk Mine and the Ronnoco property, to 1.4 million ounces of gold.

The Copperstone project in Arizona also had a successful drill program outlining 417,000 ounces of gold in mineralized material beneath the open pit.

The past year has also been a year of acquisitions. The major ones, Kemess and Red Mountain, have doubled the company's mineable reserves.

A total of 526,000 feet of drilling was completed in 1995 which located 2.1 million ounces of gold in reserves and 1.4 million ounces of gold in resources.

The threshold number of ounces for both the Pamour Pit Expansion and the Matachewan project were outlined by the 1995 exploration program and will allow those projects to be developed into production. Further drilling is required to examine the total potential of both of these projects which is anticipated to be at least double the current reserve. This will be undertaken on an incremental basis as the projects proceed to production.

The Hoyle North and South properties were successfully drilled in 1995 locating the high grade 95-2 vein on Hoyle North and outlining the Lower Ore Shoot for an additional 1,900 feet down-plunge on Hoyle South.

The exploration potential both on and proximal to these properties is significant as both properties are large and have large amounts of mineralized material plus very significant showings or drill hole intersections.

A total of 409,000 acres was added to the company's land holdings through both staking and acquisitions. This has increased the mineral rights held by the company from 260,000 acres to 669,000 acres or 1,045 square miles.

With an exploration budget of C$12 million in 1996, the main exploration objective will be to expand the reserves by 1.2 million ounces of gold, before depletion by mining.

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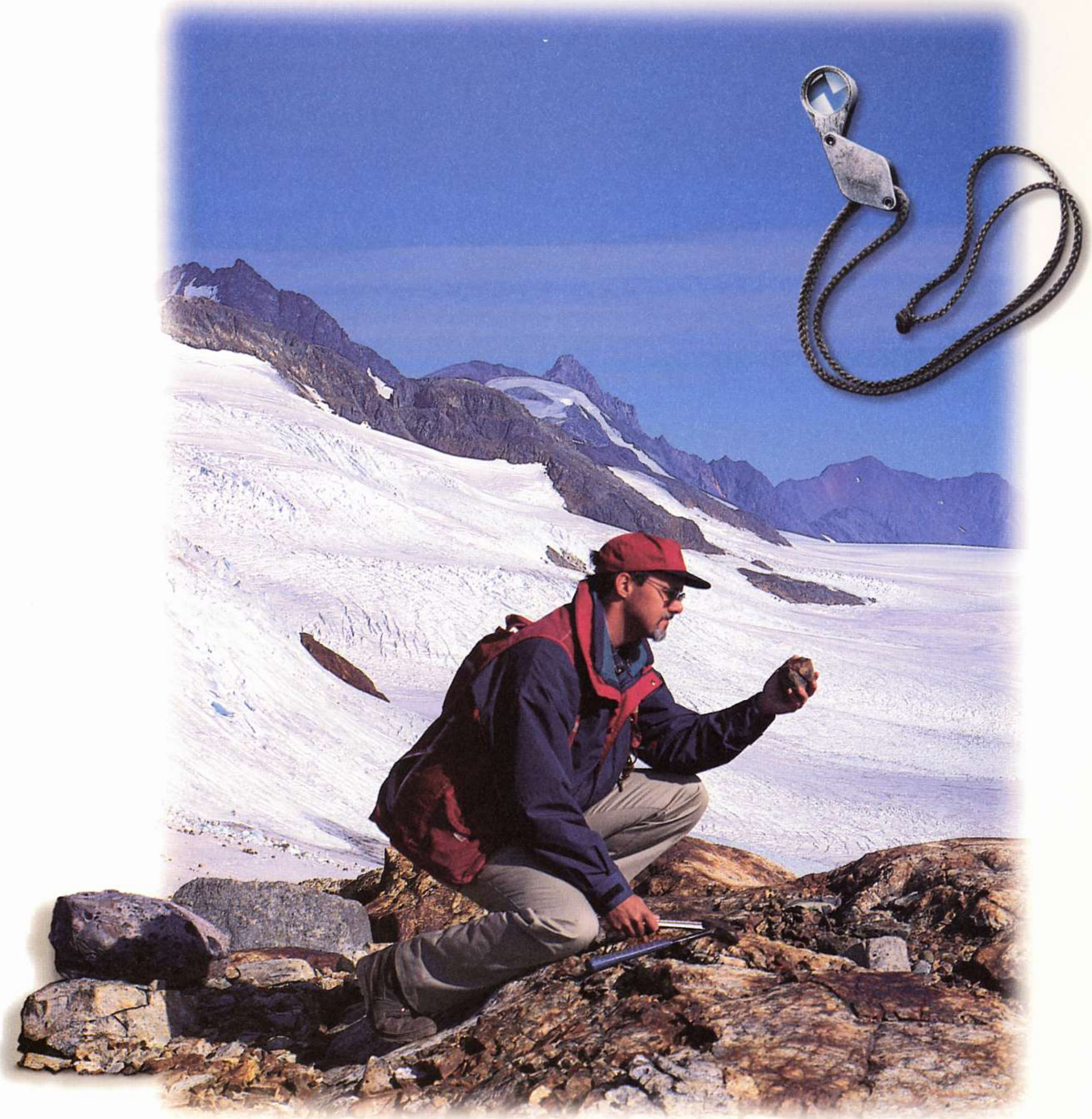
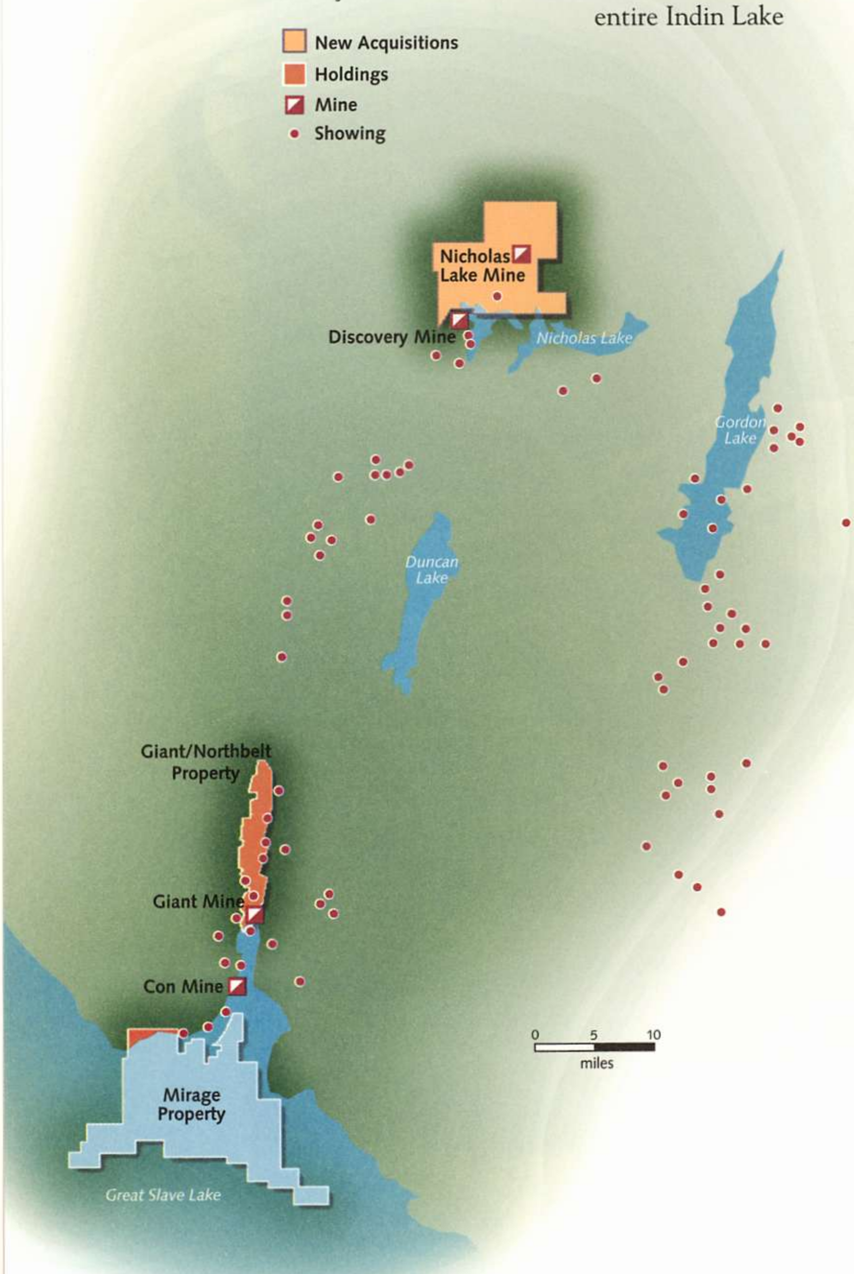


Northwest Territories Division

The 1995 exploration program at Indin Lake was designed to systematically evaluate the large land position acquired in the area in 1994 and 1995.

A large program of geophysics, soil sampling, prospecting and geological mapping was completed during the year which included a 6,250 line mile airborne geophysical survey and airborne photographic survey being flown over the Company's entire Indin Lake land package. This work will provide the base for future programs and is still being assessed for possible target generation. Four months of mapping, prospecting and soil sampling plus on-going compilation identified more than 15 areas of anomalous gold and/or potential gold-bearing structures. Several of these targets were trenched during the summer with one previously unidentified iron formation returning samples of up to 0.5 opt gold. The remaining targets will be followed up in 1996.

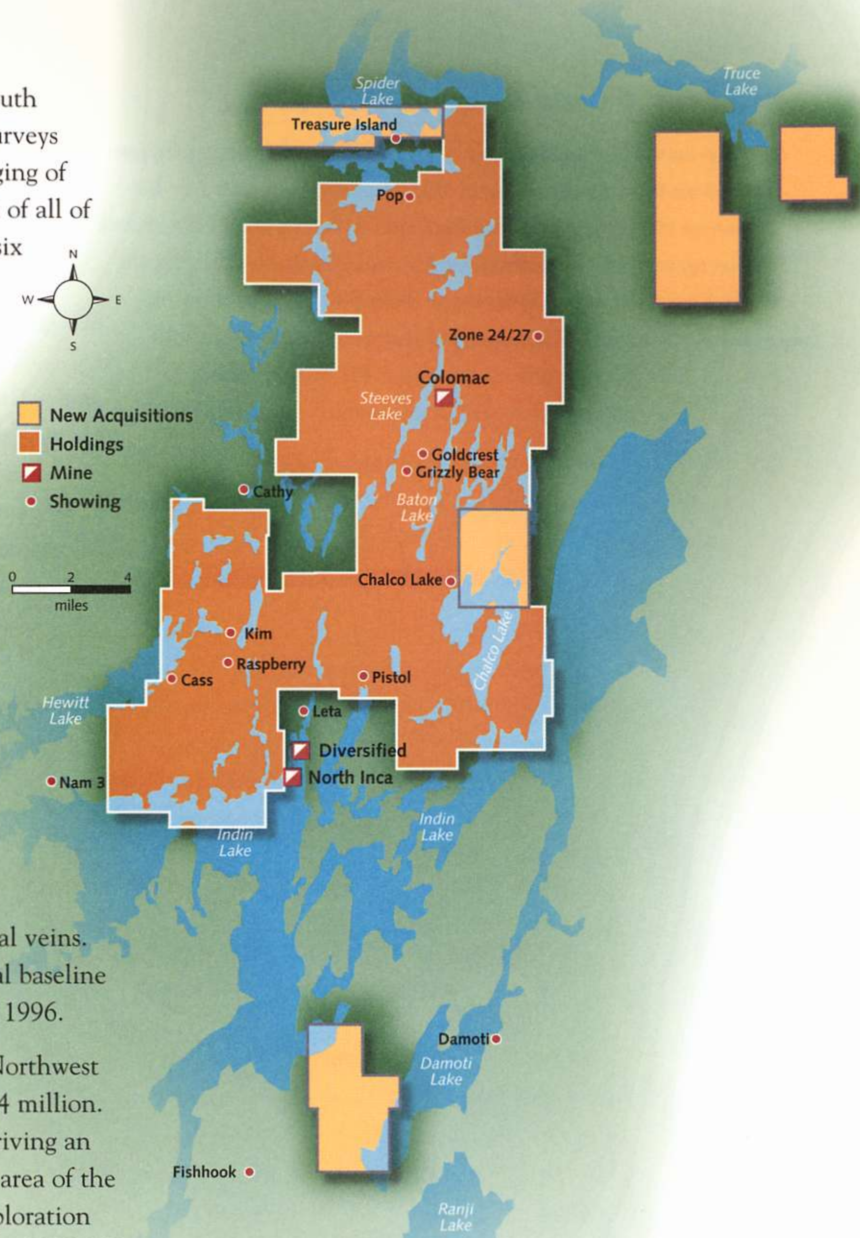


The Company's land position in the Indin Lake area was further enlarged in 1995 with over 17,000 acres being staked. Some of these newly staked claims have showings with reported values of up to 1.0 opt gold that have not been followed up since originally prospected.

A drilling program on the Kim-Cass property expanded the Main and Cass Zones and confirmed a reserve of 182,000 ounces of gold in the two zones which are mineable by open pit methods. Permitting for an all-weather road between the project site and the Colomac Mine and a bulk test has been initiated for the project. Plans for 1996 include both drilling and geophysical work in order to expand this resource and test additional mineralized zones.

At the Giant Mine the majority of the exploration drilling was focused on the Upper Brock Contact area west of the main shear zone. Mineralized structures in this area, such as the UBC stope and Brock Pit, have produced about 20,000 ounces of gold in the past. However, little exploration has been undertaken on these structures north of Baker Creek and to depth. Drilling in 1995 on one of these structures, known as the Horseshoe, resulted in the partial definition of a small high grade zone, which is located close to existing underground infrastructure.

Exploration on the Mirage property, south of Yellowknife, included geophysical surveys coupled with short-hole drilling, relogging of historical drill holes and a compilation of all of the known data. This work has led to six major targets in the area that have both gold and base metal possibilities. The 1996 program will investigate three of the six targets.



The Company acquired the Nicholas Lake deposit from Athabaska Gold Resources Ltd. in September of 1995. This deposit contains mineable reserves of 339,000 tons at a grade of 0.44 opt gold with excellent potential for additional reserves at depth. Development on the deposit consists of a 2,000 foot decline tunnel to a depth of 300 feet below surface and sill drifts that were driven to take bulk samples from several veins. The establishment of an environmental baseline for future reference will be initiated in 1996.

The 1996 exploration budget for the Northwest Territories Division is approximately $4 million. A total of $1.5 million will be spent driving an exploration drift into the Lower LAW area of the Giant Mine and conducting initial exploration drilling from the new heading. A further $600,000 will be allocated to a drill program on the Mirage project. The remainder of the budget will be spent in the Indin Lake area. Drilling is planned for those showings in the Indin Lake Belt prospected in 1995, the Kim Zone and the north-east Cass Zone.

Exploration

Ontario Division

The main focus of the 1995 exploration program concentrated on the advancement of a few key projects. These included Matachewan, Nighthawk Lake, the Pamour Pit and Hoyle North. A total of 448,000 feet was drilled at this division in 1995. This resulted in both the Matachewan project and the Pamour Pit project being advanced to the development stage in 1995.

A total of 148,413 feet was drilled in 182 holes on several target areas on the Company's holdings at Nighthawk Lake. Of the 182 holes drilled, 140 holes or 77% returned significant intersections.

The acquisition of control (87% interest) of Ronnoco Gold Mines Limited in July, 1995, has allowed exploration to proceed on the surrounding properties. Drilling on the down-plunge extension of the Ronnoco Main Zone into Royal Oak ground returned significant intersections in areas previously not drilled and established a western plunge to the deposit which is open to depth. The 1995 drill program was also successful in extending the Hopson Zone a further 2,000 feet along strike.

These zones of mineralization occur along the Nighthawk Lake Break which is a southwesterly trending splay off the Destor-Porcupine Fault. In the Nighthawk Lake area the Break is marked by ultramafic and syenitic intrusives with gold contained in thick quartz-carbonate zones or in quartz-filled stockworks within syenites.

A geological resource of 1.2 million ounces of gold has been outlined on the Nighthawk Lake Break structure in five separate zones.

Drilling on the Hoyle North property completed the earn-in requirements for the property with Royal Oak now owning 51% and operatorship of the property. A total of 129 holes was drilled totalling 101,313 feet, with most of the holes testing volcanic stratigraphy adjacent to an unconformity from both surface and underground. The surface drilling targeted mineralization in the volcanic rocks adjacent to the lower shoot in the Hoyle South which is hosted by conglomerates and greywackes. This drilling was extended into Hoyle South and outlined mineable grades and widths within the shoot for 1,900 feet down-plunge. The closer-spaced underground drilling was concentrated near the Pamour/Hoyle boundary and outlined a high grade vein (95-2 vein) within the Hoyle North property that is close to present development. Resource estimates of the vein total 30,000 tons at a grade of 0.40 opt gold.

At the west end of the Pamour Mine, drilling was conducted to test the down-plunge extension of the 51 vein at depth. Twelve holes comprising 30,380 feet were drilled and successfully intersected the 51 vein as well as several other moderate to high grade narrow vein systems within the volcanics that warrant further drilling.

Further work around the Company's mine sites in 1995 included magnetic and I.P. surveys at the Coniaurum property, lake sediment surveys at the McIntyre Mine and general compilation of data from the Broulan, Pamour and Hoyle properties.

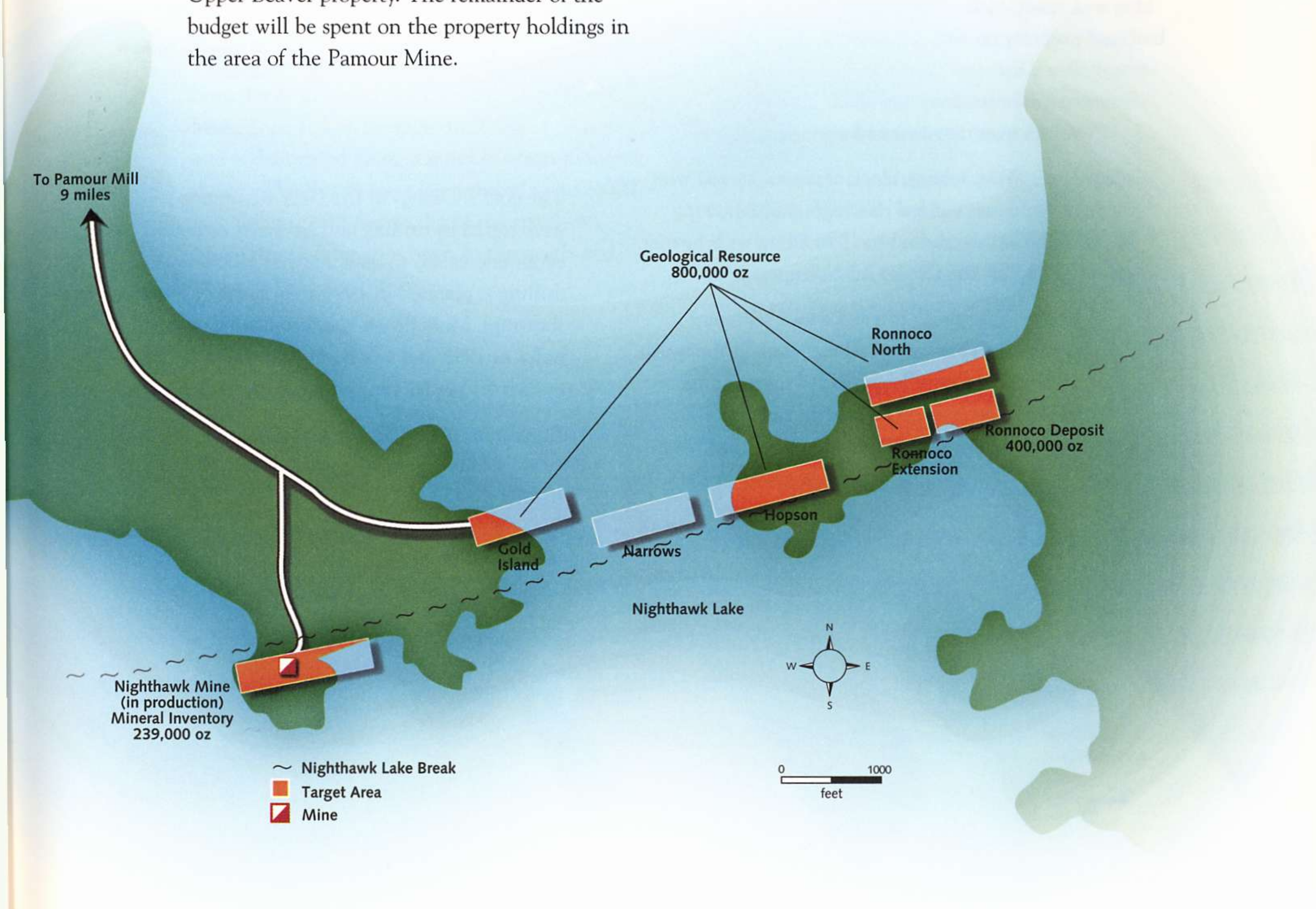
In 1995, the Ontario Division exploration group acquired almost 35,000 acres (55 sq. miles) of land representing both new exploration projects and expansion of current project areas. One of the largest projects acquired was the Middleton Option which comprises 18,520 acres located due south of the Nighthawk Lake Hopson Zone within the Cross Lake Fault Zone.

For 1996, the Ontario Division exploration budget is set at $5.5 million. In the Nighthawk Lake area, $1.0 million has been budgeted for drilling on the East Peninsula area in order to advance the open pit reserves at Ronnoco and Ronnoco North into the mineable category. Drilling, geophysics and geological mapping will be completed on the Middleton Option.

In the Kirkland Lake area, further work, such as prospecting, mapping and geophysics, is planned to follow up on a new deposit model on the Upper Beaver property. The remainder of the budget will be spent on the property holdings in the area of the Pamour Mine.

Target Area	Drill Hole	Best Intersection
Hopson	HP95-202	0.089 opt Au/188.8′
Gold Island	S-34 (historic)	0.073 opt Au/152.5′
Narrows	HP84-1 (historic)	0.074 opt Au/71.0′
Ronnoco Extension	RN95-125	0.184 opt Au/95.1′
Ronnoco North	RN95-104	0.137 opt Au/110.0′

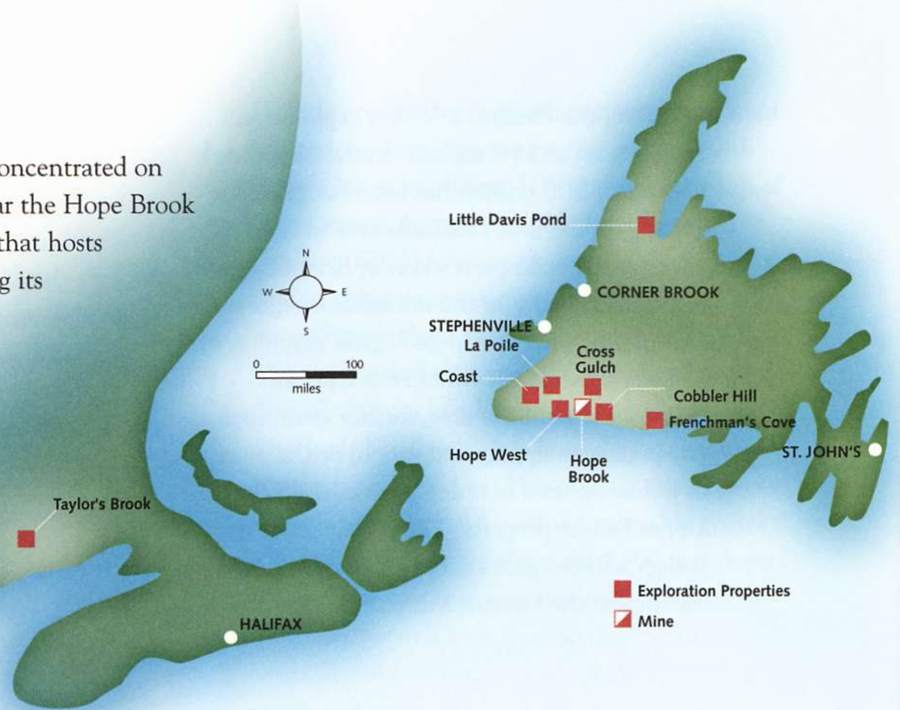
(Note: Both Ronnoco Extension and Ronnoco North are 100% Royal Oak owned ground.)



Exploration

Newfoundland Division

Exploration in Newfoundland concentrated on examination of all prospects near the Hope Brook Mine. The Cinq Cerf structure that hosts Hope Brook was examined along its length as was the Bay d'Est structure which is parallel and 3 miles to the north. No encouragement was received on the Cinq Cerf structure. However, the Cross Gulch property on the Bay d'Est structure returned low gold values over narrow widths.



Hope West, a large block of claims staked west of the mine, yielded one high grade showing which will be drilled in 1996 along with further drilling on the Cross Gulch Property.

In the early spring of 1995 a lake sediment geochemistry survey of a large area on the south coast of Newfoundland yielded several targets which were prospected later in the year. The main target, however, proved to be located on ground already held by the Company in the Grey River area. Examination of these properties yielded several gold showings and a low grade porphyry molybdenum-copper deposit that has been named the Moly Brook deposit.

The gold showings in the Grey River area were tested by drilling and have not returned economic values to date. Further follow-up drilling is planned in 1996 to test one of these showings. Moly Brook was tested with two drill holes in 1995 and will be further tested in 1996 by two drill holes centred on a magnetic anomaly.

A program of staking was undertaken in late 1995 for molybdenum-gold associated targets close to the coast that could yield gold ore amenable to shipping to Hope Brook. These properties will be assessed in 1996 through a regional geochemical survey.

The 1996 exploration budget for the Newfoundland Division is $1.5 million.

United States Division

In June, Royal Oak entered into a lease agreement with the owner of the Copperstone property located 250 miles west of Phoenix in southwestern Arizona.

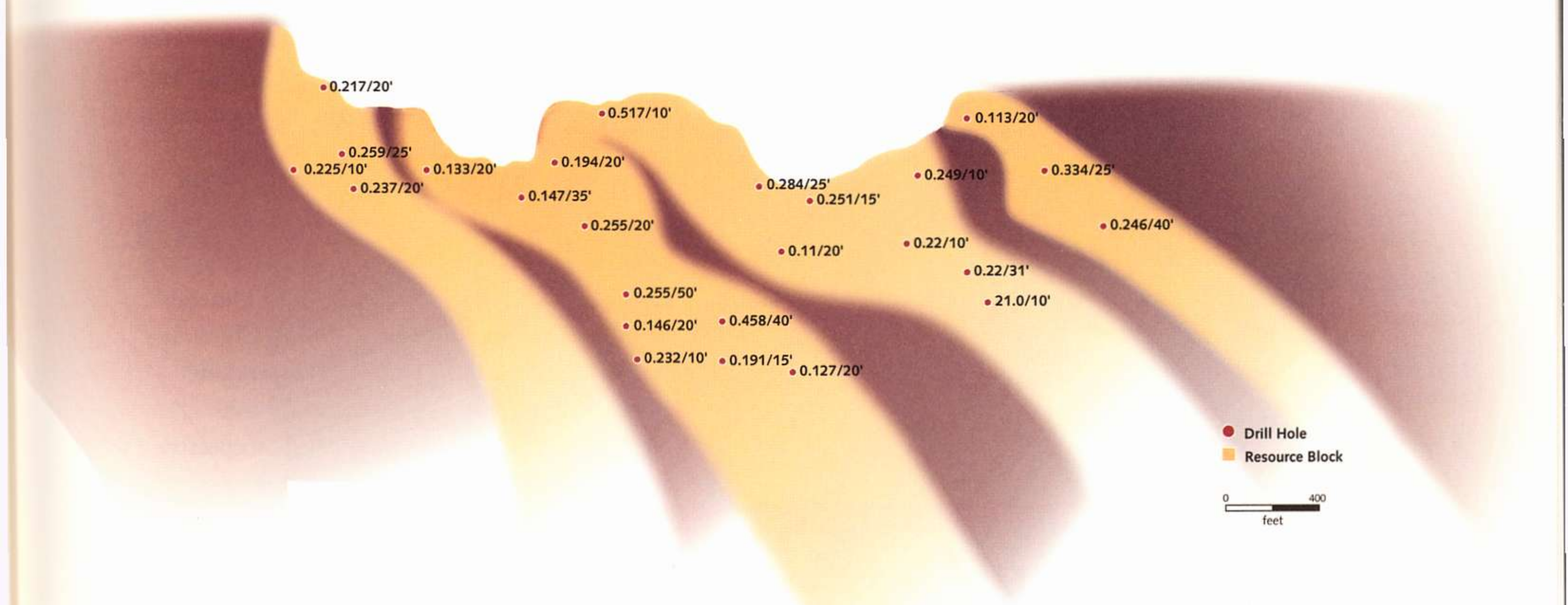
The property covers a former open pit operation where in excess of 500,000 ounces of gold were produced between 1987 and 1992. Royal Oak carried out a drill program consisting of 13 holes totalling 10,600 feet in order to develop continuity and expand the existing mineral inventory below the pit floor.

Gold mineralization occurs in a breccia zone hosted within quartz latite welded tuffs. The Main Zone has an average thickness of 40 feet and is delineated along a series of north-plunging shoots. The shoots have been traced up to 1,000 feet along the 45 degree dip of the structure. Mineralization remains open to the north and at depth.

The results of the 1995 drill program were most encouraging, indicating excellent continuity of the Main Zone, and resulted in an increase in the geologic resource.

A number of high grade gold values were intersected including 21.0 ounces of gold per ton over a core length of 10 feet, occurring at the intersection of a high angle quartz vein structure containing visible gold and the Main Zone. Another hole intersected 0.334 opt gold over a core length of 25 feet in altered, sheared limestone. This represents a significant new gold target north of the Copperstone pit. Two hundred and fifty feet north of this intersection an historical hole cut 0.246 opt gold over 40 feet within the prospective limestone unit.

The Company has estimated a resource totalling 2,423,514 tons with a gold content of approximately 417,000 ounces using a cut-off grade of 0.10 opt gold. A US$250,000 follow-up exploration program is planned for 1996.



The Company has made a number of strategic investments in junior resource companies, most of which are publicly listed. In the long term, these companies are expected to contribute to the growth of Royal Oak by increasing ore reserves and gold production while reducing cash costs.

The two most significant companies are Asia Minerals Corp. and Mountain Minerals Co. Ltd.

Asia Minerals Corp. (41.1% interest)

In November 1993, the Company formed a strategic alliance with Asia Minerals to identify and acquire gold mining projects in China. The Company purchased its interest in Asia Minerals, a public company that trades on the Alberta Stock Exchange under the symbol AMP, for $2 million in cash. In 1995, the Company exercised options and increased its interest in Asia Minerals to 41.1%, and by the exercising of additional options can increase its interest to 51%.

After evaluating a number of gold and base metal projects in China, Asia Minerals has focused its attention on acquiring gold projects. In December 1995, Asia Minerals and the Zhaoyuan Gold Industrial Group, China's largest gold producing enterprise with an annual output of approximately 300,000 ounces of gold, signed the final contract to establish the Yingezhuang gold mining joint venture. This is the first foreign joint venture on an operating gold mine in the Chinese gold mining industry.

The joint venture contract provides for the formation of a new Chinese company to own and operate the Yingezhuang Mine located in Zhaoyuan, Shandong Province. Asia Minerals and the Zhaoyuan Gold Industrial Group will each own 50% of the US$72 million equity in the new company. Asia Minerals will invest US$36 million in two stages. In the first stage beginning in 1996, a US$4.3 million investment will fund a mine expansion feasibility study and production optimization program. Subject to completion of a positive feasibility study, a second-stage investment of US$31.7 million in 1997-98 will provide the expansion capital required to increase gold production to approximately 80,000 ounces per year.

The Yingezhuang Mine was opened in 1992 and currently produces approximately 14,000 ounces of gold per year at a cash cost of approximately US$200 per ounce. The geological reserves contain an estimated 1.76 million ounces of gold. The similarity in mining methods at Yingezhuang and at the Company's Pamour Mine will facilitate a transfer of mining technology and expertise to the benefit of the Chinese company. The strategic alliance between Royal Oak and Asia Minerals provides Asia Minerals with access to the Company's financial, technical and management resources to assist in the implementation of the expansion plan.

Asia Minerals and the Zhaoyuan Gold Industrial Group also signed a Strategic Alliance Agreement that provides for joint exploration of a 36 sq. km. permit that includes the northern strike extension of the Yingezhuang Mine shear zone, and also a first right of offer to participate in new mine exploration, development and expansion projects in Zhaoyuan and other areas in China. This agreement is a key component of Asia Minerals' long-term strategic plan for growth in China. It is Royal Oak's intention to continue working closely with Asia Minerals to develop gold mining interests in China and other prospective areas in the Far East.

Asia Minerals signed the first foreign joint venture on an operating gold mine in the Chinese gold mining industry. Royal Oak will work with Asia Minerals to develop gold mining interests in China.

Mountain Minerals Co. Ltd. (45.1% interest)

The Company owns a 45.1% interest in Mountain Minerals, a public company that trades on The Toronto Stock Exchange under the symbol MIM. Mountain Minerals is recognized as a leading source of barite drilling mud used in the western Canadian oil patch. In addition, higher quality barite is supplied to the industrial filler market. Mountain Minerals owns a 55% interest in a joint venture company in China which supplies commercial quantities of a range of micronized high brightness barite filler and extender products to the Chinese and other Asian markets. In 1995, Mountain Minerals staked claims in British Columbia and undertook an aggressive search for barite reserves in North America.

Mountain Minerals' silica deposit near Golden, British Columbia, contains approximately 10 million tons of high grade silica, which is used primarily in the glass container industry. Silica products produced at the Moberly plant are among the highest quality in North America. Sales volumes in 1995 exceeded those of the previous year and are expected to increase again in 1996.

In April, 1995, Mountain Minerals completed the purchase of Limeco Products Limited, a producer and marketer of limestone and gypsum products, for $3.2 million. Limeco operates an open pit mine 19 miles west of its processing plant located at Rocky Mountain House, Alberta. The plant has been expanded to facilitate the processing and warehousing of zeolite from Mountain Minerals' deposit located near Cache Creek in British Columbia.

Following extensive product and market development work, Mountain Minerals plans to produce zeolites on a commercial scale in 1996. Zeolites have a number of environmental applications as adsorbents and absorbents.

In October 1995, Mountain Minerals entered into an arrangement with Miranda Mining Development Corporation to jointly pursue industrial minerals opportunities in Mexico.

In February 1996, Mountain Minerals agreed to purchase Conwest Exploration Company Limited's 34.7% interest in Highwood Resources Limited for $3.4 million. Highwood Resources has significant interests in a number of mineral holdings, in particular the rare earth metals beryllium, zirconium and yttrium.

Highwood has a 100% interest in the Thor Lake beryllium property which consists of approximately 28 square miles of claims and leases located 62 miles southeast of Yellowknife in the Northwest Territories. The property contains a mineral inventory of approximately 550,000 tons grading 1% beryllium oxide with potential for a further 1,100,000 tons at a grade of 0.6% beryllium oxide. Several hundred tons of material have been tested on a pilot plant scale and a proprietary flotation process was developed to produce a beryllium oxide concentrate suitable for further processing. Gross expenditures on the property amount to approximately $11.5 million.

Highwood has a 75% joint venture interest in the Ilimaussaq zirconium and yttrium property located in southwest Greenland, and also has an interest in a sodalite property in Greenland.

The acquisition of Conwest's interest in Highwood Resources and its rare earth properties will enable Mountain Minerals to expand and diversify into the production and marketing of specialty metals and chemicals and exploit the opportunities presented by the growing use of high value-added products.

Royal Oak manages the environmental performance of its mining operations according to its Environmental Code of Practice, which was instituted in 1994.

In 1995, the Company strengthened environmental staffing at its operations. Each Division has local staff dedicated to and responsible for implementation of the environmental management programs and compliance monitoring. In 1995, each of the Company's mines operated in substantial compliance with all of the environmental regulatory requirements in their respective jurisdictions. No environmental charges or orders were issued against any of the Company's operations during the year.

At the new British Columbia Division, environmental permitting for the Kemess Mine is well advanced in anticipation of the commencement of construction in June of 1996. Collection of environmental baseline data was initiated in support of the first stage of environmental assessment of the Company's Red Mountain project.

At the Northwest Territories Division, the Colomac Mine continued to operate its tailings impoundment as a "zero discharge" facility. The rate at which water was recycled to the mill from the tailings impoundment fell short of expectations resulting in the consumption of more fresh water than originally planned. Plant modifications are continuing in 1996 to reduce fresh water consumption in compliance with new requirements contained in the mine's Water Use Licence.

At the Division's Giant Mine, the effluent treatment plant achieved total compliance with the discharge standards established by the Northwest Territories Water Board. The Company continues to work in cooperation with the Northwest Territories Department of Renewable Resources to investigate technical options to reduce ground level concentrations of sulphur dioxide in the Yellowknife area resulting from operation of the roaster facility at the Giant Mine.

At the Ontario Division, the Company obtained an amended Certificate of Approval from the Ontario Ministry of Environment and Energy authorizing a 22% increase in milling capacity at the Pamour mill.

Reclamation of the Company's inactive properties in the Timmins area continued in 1995 with the demolition of the Schumacher mill, and revegetation of most of the McIntyre tailings impoundment area and of Little Pearl Lake. In a cooperative program with Ontario Hydro, the shoreline of Little Pearl Lake, formerly a tailings impoundment, was replanted with native trees and bushes.

Environmental baseline data collection was initiated at the Matachewan project in support of permitting in 1996.

At the Newfoundland Division, a treatment facility was commissioned to neutralize acid rock drainage produced by the oxidation of sulphide minerals contained in the open pit waste rock. All run-off from this waste rock dump is being collected, treated and transferred to the mine's tailings impoundment.

A multi-disciplinary study was initiated to investigate ammonia chemistry and pond mixing dynamics in the mine's tailings impoundment. In the interim, the Newfoundland Division has been reducing the toxicity of the final effluent to aquatic life by converting un-ionized ammonia into the ionized state at the final point of discharge.

Reclamation plans for the Hope Brook Mine were updated in 1995.

At year-end 1995 our employees numbered 1,287 persons, comprising 313 salaried staff and 974 hourly paid employees. The average age of our employees rose to 41.1 years and average service increased to 5.6 years.

The Company has a working partnership with two primary labour unions: the United Steelworkers of America which represents members at our Colomac, Pamour and Hope Brook Mines and the Canadian Auto Workers (CAW) which represents members at the Giant Mine.

Contract negotiations, started in 1995 with the United Steelworkers of America at our Colomac Mine, continued into 1996. The majority of the non-monetary issues have been resolved and it is anticipated that an agreement may be reached in the near future.

The collective labour agreement with the United Steelworkers of America at our Pamour Mine expires on June 30, 1996. It is anticipated that negotiation meetings will commence in the spring of 1996.

The collective labour agreement with the United Steelworkers of America at our Hope Brook Mine does not expire until May 1, 1997.

The current collective agreement with CAW at the Giant Mine which expires on November 16, 1996, provides for no strikes or lockouts through to 1999.

In keeping with Royal Oak's rapid growth, the Company strengthened its management team during the past year by recruiting a number of experienced persons at the corporate level. In addition, project teams have been established to manage the engineering and construction of the Kemess, Red Mountain and Matachewan projects.

Royal Oak's management team is committed to increasing the profitability of its existing operations and to building the Company's new projects on budget and on schedule. The team is dedicated to managing a team effort in reducing costs, controlling overhead and improving the Company's mining and processing operations to meet, as a minimum, our stated production, construction, cost and safety objectives in the coming years.

As we proceed on schedule to our objective to become a senior-tier million ounce gold producer by 1999, our continued success will be determined by our ability to build on this strong employee foundation by recruiting other high performing individuals, both salaried staff and hourly employees, who are capable of working as members of the Royal Oak team and producing superior performance for our shareholders.

The following discussion of the financial results of the Company's operations for the years 1993 through 1995 should be read in conjunction with the financial data and the Company's consolidated financial statements included elsewhere in this report. The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. In all material respects they conform with those principles generally accepted in the United States, except as described in note 13 to the Company's Consolidated Financial Statements.

Analysis of Results of Operations

Net income for the year ended December 31, 1995 increased 5% to $23.2 million, or 20 cents per share on revenues of $208.3 million. This compares with $22.2 million or 22 cents per share on revenues of $162.1 million in 1994 and $15.6 million or 19 cents per share on revenues of $135.3 million in 1993.

Cash flow from operations decreased 21% to $26.2 million or 22 cents per share compared with $33.2 million or 33 cents per share in 1994 and $18.8 million or 22 cents per share in 1993.

Revenue – Gold Sales

The majority of the Company's revenue is derived from gold sales. Revenue varies with the volume of gold produced and the price received for that production. The price of gold is affected by many factors which are beyond the Company's control. To minimize the impact of fluctuation in gold prices, the Company engages in hedging transactions which include spot deferred contracts, forward sales contracts and option contracts.

Revenue from gold sales of 371,151 ounces was $208.3 million in 1995, 28% higher than $162.1 million in 1994, and was $135.3 million in 1993, when gold production was 318,171 ounces and 276,320 ounces, respectively. Production in 1994 included 40,568 ounces from the Colomac Mine. Because it had not reached commercial levels of production by year-end 1994, revenue from this production was netted against start-up costs which were deferred as pre-production costs in 1994.

Set out below is the impact on revenue of increased production and of prices for the years 1993 through 1995.

	($ Millions)		
	1995	1994	1993
Impact on revenue due to:			
Increased Production	52.5	0.7	15.1
Increased (Decreased) Prices	(6.3)	26.1	6.5
Incremental revenue from prior year	46.2	26.8	21.6

In 1995, an increase in the gold price of US$10 per ounce would have increased revenue by approximately $5.1 million.

Revenue in 1995 includes a full year of production from the Colomac Mine of 117,646 ounces. The increase in production at Colomac in 1995 from the level in 1994 was offset by 24,098 fewer ounces of production at the Company's other four operating mines (Giant, Pamour, Nighthawk and Hope Brook).

The 1993 increase in gold production from the level in 1992 was the result of a full year of operation of the Hope Brook Mine.

The Company's average realized price decreased to US$409 per ounce in 1995 as compared to US$428 per ounce in 1994 and US$380 per ounce in 1993. The weakening of the Canadian dollar during the past few years, except for 1995 when the Canadian dollar strengthened, has also contributed to increased revenues.

Other Income

Interest and other income increased 195% to $20.9 million in 1995 from $7.1 million in 1994, and was $2.3 million in 1993. (See note 9 to the Consolidated Financial Statements for a breakdown and comparison of these amounts.)

Interest income has been significantly higher in the past two years as a result of the Company's high cash balances which increased due to equity issues in both 1993 and 1994. Interest income in

1995 includes $1.3 million of interest received on a refund of 1988 Ontario mining taxes. Surplus cash is primarily invested in highly liquid, low risk financial instruments with relatively short maturities. This strategy gives the Company maximum flexibility should funds be needed for acquisitions or other purposes.

The gain on sale of securities was $8.3 million in 1995 compared to $1.2 million in 1994. In 1994 the Company acquired approximately 1,830,000 Barrick Gold Corporation shares in exchange for shares of Lac Minerals Ltd. which it tendered to the Barrick Gold bid for Lac Minerals Ltd. While the Company made a partial disposition of the Barrick Gold shares in 1994, it sold the remaining 978,000 shares it held during 1995.

In 1995 the Company established an acquisition team to evaluate many opportunities in North America and overseas. Consistent with the approach taken in 1994 when the Company bid for Lac Minerals Ltd., the Company purchased shares in certain companies to establish an equity position prior to holding discussions with management regarding a merger or takeover. These positions were subsequently sold when discussions and negotiations with such companies were terminated, resulting in gains on sale of securities.

Other income in 1995 includes a $2.0 million refund of 1988 Ontario mining taxes previously paid. Other income in 1994 includes dividends and option premiums earned on the shares of both Lac Minerals Ltd. and Barrick Gold Corporation.

Interest and other income is expected to decline significantly to approximately $3 million in 1996 as the Company's cash balances are reduced as a result of the acquisition of Geddes Resources Limited, El Condor Resources Ltd., St. Philips Resources Inc. and Consolidated Professor Mines Limited. (See note 14, "Subsequent Acquisitions" to the Consolidated Financial Statements.) The 1996 capital expenditure program detailed in the cash flow and liquidity section will further decrease cash balances.

Expenses

Cash operating costs increased to $182.2 million in 1995 from $117.8 million in 1994 and $110.3 million in 1993. The inclusion in 1995 of the Colomac Mine operating costs contributed approximately $61.5 million to this increase. In 1994, because the Colomac mill had not reached commercial levels of production, start-up costs net of revenue generated from gold sales were deferred to pre-production costs. Operating costs at both the Giant and Pamour Mines increased slightly while the operating cost at the Hope Brook Mine decreased in 1995.

Operating costs include mining and processing costs for gold. The most significant of these costs are labour, consumable materials, repairs of machinery and equipment, fuel and utilities. The costs of transporting personnel and freight to the Colomac and Hope Brook mines are also significant costs for those operations.

Average cash costs increased by 15% to US$358 per ounce in 1995 from US$311 per ounce in 1994 and US$311 per ounce in 1993. The increase reflected lower mill feed grades and tonnages mined and milled, and costs at Colomac that were significantly above budget as a result of overcoming the difficulties associated with the start-up of the mill. For an analysis of operating costs on a mine by mine basis see "Operations" on pages 24 to 29 of this report.

Royalties and marketing expenses increased marginally in 1995 as a result of increased marketing costs related to increased production at the Colomac Mine. Should the average selling price of gold exceed US$400 in 1996, an additional $1 million in royalties would be payable under the terms of the Colomac Mine Asset Purchase Agreement. (See "Operating Royalties" in note 11(d) to the Consolidated Financial Statements).

Administrative and corporate expenses increased 62% in 1995 to $8.5 million from $5.3 million in 1994, and were $3.4 million in 1993. The corporate office relocated from Vancouver, British Columbia, to Kirkland, Washington in March 1995. Costs associated with this relocation were approximately $0.5 million. Salary and benefit costs increased as a number of personnel were added in both 1994 and 1995 to strengthen the corporate office and position the Company for future growth.

Travel, telephone and professional fees increased in 1995 as the Company examined various acquisition and merger opportunities and dealt with bringing cash operating costs under control. In 1994 much of the travel costs related to the Lac Minerals acquisition were netted against the gain on sale of securities when the shares were sold.

Corporate expenses are expected to decrease in 1996 as many of the one-time costs associated with moving the corporate office will be eliminated.

Depreciation and amortization increased in 1995 to $14.9 million (US$29.24 per ounce) from $8.5 million (US$22.48 per ounce) in 1994 and $5.0 million (US$14.02 per ounce) in 1993. Increases in capital assets and deferred mining costs over the past several years, combined with adjustments to mining reserves on specific properties, have led to these increases. Depreciation and amortization are provided on the unit-of-production method. Higher production in 1995 associated with the Colomac Mine increased depreciation and amortization by $7.4 million in 1995, while lower production at the other three mines in 1995 reduced the difference to $6.4 million.

Provision for Loss on Foreign Currency Contracts

In prior years, to protect the Company from foreign currency fluctuations and to provide a minimum Canadian dollar conversion rate for its U.S. dollar gold sales revenue, the Company entered into foreign currency contracts for conversion into Canadian dollars. These contracts were associated with the Company's contractual obligarion to deliver future gold production at specified prices in U.S. dollars. The status of these contracts is described in note 6(b) to the Consolidated Financial Statements.

Income Taxes

The Company continued to pay only minimal income taxes in 1995. The Company has tax deductions, including earned depletion and mining exploration depletion, available to be utilized in future years totalling $183 million. Because of past reorganizations undertaken by the Company, utilization of some of these tax deductions may be restricted. The Company does not expect to pay cash income taxes or mining taxes in Canada for at least the next two years. However, the Company is subject to capital taxes and minimum taxes in certain Canadian jurisdictions. The Company's U.S. operations are taxable, however, the total of 1996 U.S. taxes is not expected to be material.

The balance of the Company's unrecognized deferred income tax assets is decreasing. Accordingly, the Company expects to report a deferred income tax provision in 1996 which will increase the Company's effective tax rate above the 6% in 1995. For further information regarding the Company's tax accounts and tax position, see notes 8 and 13(c) to the Consolidated Financial Statements.

Cash Flow and Liquidity

Cash flow from operations decreased 21% in 1995 to $26.2 million from $33.2 million in 1994, and was $18.8 million in 1993. The Provision for (Recovery of) Loss on foreign currency contracts has been a significant non-cash item in the past two years. In 1994 this provision made a favorable contribution of approximately $15.3 million, while the $5.2 million recovery recorded in 1995 resulted in a reduction to cash flow. This represents a $20.5 million change between the two years. Increased depreciation recorded in 1995 partially offsets this negative change.

Working capital declined to $158.8 million in 1995 from $191.1 million in 1994. Working capital had increased significantly in 1993 and 1994 as $183 million in new common share equity was issued in these years. Working capital is expected to continue to decline in 1996 as the Company uses its cash to finance its growth to the million ounce level by 1999. This growth will be by way of acquisitions and major capital expenditures on existing projects. See note 14 to the financial statements and "Development Projects" on pages 12 to 21 of this report.

In 1995, the Company's hedging program (note 11(c) to the Consolidated Financial Statements) provided $5.6 million ($22.8 million in 1994) to cash flow. An additional $14.5 million was provided in 1995 by the exercise of the Series 2 warrants.

Additions to Property Plant and Equipment were $66.0 million in 1995 compared to $52.5 million in 1994 and $26.8 million in 1993.

Included in the 1995 expenditures is approximately $9 million spent bringing the Nighthawk Mine into production by year-end. This compares favorably with the $10 million which was budgeted.

The Company has budgeted $107.0 million for capital expenditures and exploration in 1996. Approximately $80 million will be spent on development projects outlined on pages 12 to 21 of this report. The balance of the budget will be used for exploration and sustaining capital for the existing operations.

In 1995, the Company and Geddes Resources Limited reached agreement with the government of British Columbia on compensation for loss of development opportunities on the Windy Craggy property. To facilitate compensation for the Windy Craggy claims, a linked package between compensation and economic development for mining in British Columbia was agreed to. The value of the economic assistance package and compensation is $166 million and is more fully described on pages 14 and 15 of this report.

The Company expects that its current cash position, the government compensation and economic assistance program outlined above, and the cash flow from existing operations will be sufficient to fund its capital expenditure programs in 1996. The Company is currently assessing several financing proposals to fund the additional $150 - 200 million needed in 1997 and 1998 to complete its development programs.

The Company has also recently negotiated a $28 million unsecured, revolving line of credit with a major Canadian bank. This line will be used as necessary to finance working capital for current operations.

In 1994, during the recommissioning of the Colomac mill, the Company experienced a major fire. Costs and lost profits experienced as a result of the fire are covered by the Company's business interruption insurance policy. Due to delays experienced in 1994 and early 1995 in the Colomac mill reaching normal operating levels, the Company and the insurance company mutually agreed to delay finalizing the business interruption portion of the claim until 1996. To date, the Company has been reimbursed $5.5 million for the property damage portion of the claim.

Risk Management

The Company's profitability is primarily dependent on the quantity of gold produced at its operations; the selling price of gold; the Canadian/U.S. dollar exchange rate; and the capital and operating costs to produce the gold. The selling price of gold and the exchange rate are beyond management's control and are therefore considered to present the greatest risk to maintaining profitability. The Company employs hedging strategies to minimize the risk of these two variables.

The Company sells its gold production in U.S. dollars which are converted to Canadian dollars, the currency in which the majority of the Company's costs are incurred. The Company also reports in Canadian dollars. From 1991 to 1994, sales revenues have been favourably impacted by a weakening Canadian dollar. There can be no assurance that this favourable trend will continue, as evidenced in 1995 when the Canadian dollar strengthened against the U.S. dollar. The Company has US$/C$ foreign currency contracts in place, the status of which are described in note 11(c) to the Consolidated Financial Statements.

The Company has consistently realized among the highest revenues per ounce of gold in the mining industry through successful hedging strategies which take advantage of the volatility in the spot gold price and the contango on future gold prices. Hedging gains are generated from spot deferred, forward sales and call option contracts which are employed to provide price protection as well as the benefits from increases in the gold price. The status of these contracts is described in note 11(c) to the Consolidated Financial Statements. The Company is confident that it will realize a gold price significantly higher than the average spot price although there can be no assurance that the premiums of US$25 in 1995, US$44 in 1994, and US$20 per ounce in 1993 can be maintained.

Operating and capital costs are subject to inflationary factors. The financial statements of the Company reflect historical costs; hence they do not show the cumulative effects of increasing costs and changes in the purchasing power of the dollar.

Unit cash costs are also dependent on maintaining ore grades and production tonnages in order that the mines and mills can operate optimally. In recent years ore grades have declined due to a number of factors including ore dilution. The Company has implemented plans to restore mined ore grades to former levels, and in certain cases to increase mill feed grades by bringing nearby projects with higher ore grades into production.

Certain of the Company's costs have increased because of inflation. Overall, costs may increase more or less than general inflation rates as a result of factors inherent in the mining industry and geographic location. On the other hand, the selling price of gold is influenced primarily by international markets and other political and economic events and may not rise with inflation. Consequently, the Company cannot counter rising costs of production by increasing selling prices, but must rely upon controlling costs within its power by continually searching for and implementing more cost efficient methods of mining and processing.

All of the Company's mining operations are located in Canada and as such the Company is not exposed to the political and economic risks associated with operating in foreign countries. The Company has an exploration project (Copperstone) in the United States. The Company's interest in China is through Asia Minerals Corp., a 41%-owned affiliate.

Outlook

The outlook for Royal Oak over the next few years is most encouraging as the Company develops a number of major projects that are expected to increase production to approximately one million ounces of gold and equivalent ounces in 1999. This will achieve a major strategic objective set two years ago.

Each year since the acquisition of the Pamour and Giant Yellowknife Groups in November 1990, the Company has increased its gold production, mineral inventory, revenue, net income, and total assets through a number of astute acquisitions. This growth has been reflected in the market capitalization of the Company which has increased significantly, from $90 million at the end of 1991 to $578 million at the end of 1995. This growth has been funded by issuing new equity while the Company has maintained a strong balance sheet with no long-term or short-term bank debt. This 542% increase in market capitalization has been accompanied by a 112% increase in the number of common shares outstanding.

The Company recognizes that further dilution of shareholders' equity is not desirable and has no plans to issue more equity to fund the development and construction of the projects that will increase production to the million ounce level by 1999. Approximately $500 million (net to Royal Oak) will be required to fund these projects over the next four years and will come from cash in treasury, operating cash flow, economic assistance and compensation from the B.C. government, and from the issue of non-convertible debt.

Gold production has increased since 1990 primarily through the acquisitions of the Hope Brook Mine and the Colomac Mine. Gold production is scheduled to increase from 371,151 ounces in 1995 to approximately 425,000 ounces in 1996. This increase will come from the Colomac Mine and Kim-Cass Mine in the Northwest Territories, and from additional production at the Ontario Division's Nighthawk Mine. Thereafter, increases in production to the million ounces of gold-equivalent level will come from the Pamour Pit Expansion, and the Kemess, Matachewan and Red Mountain projects.

The Company will continue to actively pursue acquisitions to increase its growth at an even greater pace than that achievable by bringing into production its current portfolio of development projects.

The Company's ore reserves increased significantly in 1995 as a result of the Kemess and Red Mountain acquisitions and a successful exploration and definition drilling program. The $15.3 million exploration program in 1995 was the largest in Royal Oak's history. The Company plans to maintain an active exploration program on its properties to increase ore reserves with expected expenditures in excess of $10 million per year. In 1996, exploration expenditures of $12 million are planned with a further $8 million allocated for the Red Mountain project.

Accounting Responsibilities, Procedures and Policies

The Board of Directors which, among other things, is responsible for the consolidated financial statements of the Company, delegates to management the responsibility for the preparation of the financial statements. Responsibility for their review is that of the Audit Committee. Each year the shareholders appoint independent auditors to audit and report directly to them on the consolidated financial statements.

In preparing financial statements, great care is taken to use the appropriate generally accepted accounting principles and estimates considered necessary by management to present fairly and consistently the consolidated financial position and the results of operations. The significant accounting policies followed by the Company are summarized on the following pages.

The accounting systems employed by the Company include such appropriate controls, checks and balances to provide reasonable assurance that the Company's assets are safeguarded from loss or unauthorized use as well as facilitating the preparation of comprehensive, timely and accurate financial information. There are limits inherent in all systems based on the recognition that the cost of such systems should not exceed the benefits to be derived. The Company believes its systems provide the appropriate balance in this respect.

The Company's Audit Committee is appointed by the Board of Directors annually and comprises three members including two non-management directors. The Committee meets with management and with the independent auditors (who have free access to the Audit Committee) to satisfy itself that each group is properly discharging its responsibilities and to review the financial statements and the independent auditors' report. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial statements for issuance to the shareholders.

February 16, 1996

M.K. Witte

M.K. Witte
President and Chief Executive Officer

James H. Wood

James H. Wood
Chief Financial Officer

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Royal Oak Mines Inc. as at December 31, 1995 and 1994 and the consolidated statements of income and retained earnings and cash flow for the years ended December 31, 1995, 1994 and 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1995 and 1994 and the results of its operations and its cash flows for the years ended December 31, 1995, 1994 and 1993 in accordance with generally accepted accounting principles.

Arthur Andersen & Co

Vancouver, B.C.,
February 16, 1996 *Chartered Accountants*
(except as to note 14(b), which is as of February 27, 1996)

Financial Section

Consolidated Balance Sheets

	(in thousands of Canadian dollars)	
	December 31	
	1995	1994
Assets		
CURRENT ASSETS		
Cash and cash equivalents	$139,410	$148,524
Short-term investments *(note 2)*	2,971	30,413
Receivables	7,138	6,842
Inventories *(note 3)*	46,136	36,250
Prepaid expenses	5,620	4,821
	201,275	226,850
PROPERTY, PLANT AND EQUIPMENT *(note 4)*	191,381	137,954
LONG-TERM INVESTMENTS *(note 5)*	36,307	19,270
	$428,963	$384,074
Liabilities		
CURRENT LIABILITIES		
Accounts payable	$ 13,640	$ 12,654
Accrued payroll costs	5,267	5,650
Deferred revenue *(note 6)*	4,523	1,282
Income taxes payable *(note 8)*	3,350	2,415
Other current liabilities	15,654	13,799
	42,434	35,800
DEFERRED REVENUE AND OTHER LIABILITIES *(note 6)*	40,800	39,742
DEFERRED INCOME TAXES *(note 8)*	5,064	5,064
MINORITY INTEREST IN SUBSIDIARY COMPANIES	170	737
	88,468	81,343
CONTINGENCIES AND COMMITMENTS *(note 11)*		
Shareholders' Equity		
CAPITAL STOCK *(note 7)*		
Common stock		
Authorized – unlimited		
Outstanding – 119,118,714 (1994 – 114,494,747)	261,957	247,362
RETAINED EARNINGS	78,538	55,369
	340,495	302,731
	$428,963	$384,074

The accompanying notes are an integral part of the Consolidated Financial Statements.

Approved by the Board

Director *Director*

Consolidated Statements of Income and Retained Earnings

	(in thousands of Canadian dollars except per share amounts)		
	Years ended December 31		
	1995	1994	1993
REVENUE	$208,311	$162,111	$135,326
EXPENSES			
Operating	182,214	117,790	110,258
Royalties and marketing	2,535	2,490	1,248
Administrative and corporate	8,549	5,271	3,411
Depreciation and amortization	14,895	8,525	4,998
Provision for (Recovery of) loss on foreign currency contracts *(note 6(b))*	(5,244)	15,267	—
	202,949	149,343	119,915
OPERATING INCOME	5,362	12,768	15,411
OTHER INCOME (EXPENSES)			
Interest and other income, net *(note 9)*	20,902	7,074	2,289
Write-down of resource properties and other assets	(891)	—	(388)
Gain on issuance of shares by associated company *(note 5)*	—	3,020	—
Other	(619)	(85)	(1,508)
NET INCOME BEFORE UNDERNOTED	24,754	22,777	15,804
Income taxes *(note 8)*	(1,542)	(636)	(215)
Minority interest	594	—	136
Equity in income (loss) of associated companies	(637)	25	(102)
NET INCOME	23,169	22,166	15,623
RETAINED EARNINGS – BEGINNING OF YEAR	55,369	33,203	17,580
RETAINED EARNINGS – END OF YEAR	$ 78,538	$ 55,369	$ 33,203
EARNINGS PER SHARE – BASIC *(note 7)*	$ 0.20	$ 0.22	$ 0.19
EARNINGS PER SHARE – FULLY DILUTED	$ 0.20	$ 0.22	$ 0.18

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Cash Flow

	(in thousands of Canadian dollars)		
	Years ended December 31		
	1995	1994	1993
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Net income for the year	$ 23,169	$ 22,166	$ 15,623
Items not affecting cash:			
Depreciation and amortization	14,895	8,525	4,998
Provision for (Recovery of) loss on foreign currency contracts	(5,244)	15,267	—
Write-down of resource properties and other assets	891	—	388
Gain on issuance of shares by associated company	—	(3,020)	—
Other	43	187	(595)
	33,754	43,125	20,414
Net change in non-cash working capital *(note 12)*	(7,588)	(9,914)	(1,571)
CASH FLOW FROM OPERATIONS	26,166	33,211	18,843
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES:			
Increase in deferred revenue, net	5,593	22,768	78
Issue of common shares *(note 7(a))*	14,595	95,203	87,804
Accrued reclamation on acquisition *(note 4)*	3,000	—	—
Other	(300)	1,037	—
	22,888	119,008	87,882
CASH USED IN INVESTING ACTIVITIES:			
Net additions to property, plant and equipment	(66,018)	(52,461)	(26,803)
Investments, net of sales	(19,025)	(415)	(12,746)
Other	(567)	(50)	(251)
	(85,610)	(52,926)	(39,800)
INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS DURING THE YEAR	(36,556)	99,293	66,925
CASH AND SHORT-TERM INVESTMENTS AT BEGINNING OF YEAR	178,937	79,644	12,719
CASH AND SHORT-TERM INVESTMENTS AT END OF YEAR	$142,381	$178,937	$ 79,644
Cash paid for:			
Income taxes	$ 1,542	$ 636	$ 215
Interest expense	$ 298	$ 62	$ 97

The accompanying notes are an integral part of the Consolidated Financial Statements.

Notes to Consolidated Financial Statements

YEARS ENDED DECEMBER 31, 1995, 1994 AND 1993

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

1. Summary of Significant Accounting Policies

The consolidated financial statements of Royal Oak Mines Inc. (the "Company"), amalgamated under the laws of Ontario, have been prepared by management in Canadian dollars in accordance with accounting principles generally accepted in Canada. In all material respects, these accounting policies are in conformity with accounting policies generally accepted in the United States except as disclosed in note 13.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The Company's principal subsidiaries include: Arctic Precious Metals, Inc., Beaverhouse Resources Ltd., 934962 Ontario Inc. and Witteck Development Inc. (all 100% owned); Ronnoco Gold Mines Limited (87% owned).

Joint ventures are accounted for on the proportionate consolidation method.

Cash equivalents

The Company defines cash equivalents as highly liquid financial instruments purchased with a maturity of ninety days or less.

Short-term investments

Short-term investments are recorded at the lower of cost or quoted market value.

Inventories

Bullion which is in process but not yet in deliverable form is recorded at estimated realizable value. Stores and operating supplies are recorded at the lower of average cost or replacement cost.

Property, plant and equipment

(i) Plant and equipment and mining properties are recorded at cost.

(ii) For underground operations, development expenditures incurred to expose ore, increase production or extend the life of a mine which is currently in production are capitalized.

(iii) For open pit operations, mining costs are deferred when the ratio of waste tons mined to ore tons mined exceeds the estimated life-of-mine strip ratio. These deferred costs are charged to operating costs when the actual ratio is below the life-of-mine strip ratio.

(iv) Exploration, development and other pre-production expenditures incurred on projects under development are capitalized.

(v) Costs relating to the acquisition and exploration of non-producing properties on which economically recoverable ore reserves have yet to be identified are capitalized. The ultimate recovery of these costs depends upon the discovery and development of economic ore reserves or the sale of the mineral rights. When it has been established that a mineral property has development potential, the exploration costs incurred are reclassified to the category of mining properties. If an exploration property is abandoned, the capitalized costs for that property are charged to income. The amounts shown for non-producing properties do not necessarily reflect present or future values.

(vi) Depreciation and amortization of plant and equipment, mining properties and capitalized expenditures are provided on the unit-of-production method based upon estimated total mineral inventory.

(vii) Reviews are undertaken regularly to evaluate the carrying values of operating mines and development properties. If it is determined that the net recoverable amount is significantly less than the carrying value and the impairment in value is permanent, a write-down is made with a charge to income.

Investments in associated companies

Investments in associated companies in which the Company has significant influence are accounted for by the equity method.

Reclamation and site restoration costs

Estimated reclamation and site restoration costs are charged against income on the unit-of-production method based upon estimated total mineral inventory. Ongoing reclamation activities are charged against income as incurred.

Revenue recognition

Revenue from gold production is recognized when the ore is mined and processed at the on-site facility. Revenue is subject to adjustment on final settlement to reflect changes in metal prices, weights and assays.

Hedging transactions

Hedging transactions include spot deferred contracts, forward sale contracts and option contracts. Contracted prices on spot deferred and forward sales contracts are recognized in revenue as production is delivered against the commitment. If actual delivery is not made against a particular spot deferred contract at the time of maturity, losses, if any, are recognized at that time.

Gains and losses arising from the early liquidation of hedges are deferred and are recognized in revenue when the original contract would have matured.

Net proceeds realized on the sale of options are deferred and are recognized in revenue on the expiry date for options which expire or are repurchased, or on the delivery date for options which have been exercised and for which the settlement of the underlying ounces has been deferred.

Income taxes

The Company follows the deferral method of applying the tax allocation basis of accounting for income taxes. Under this method, timing differences between the period when income or expenses are reported for tax purposes and the period when they are recorded for accounting purposes result in provisions or recoveries of deferred income taxes.

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

Foreign currency translation

Financial statements of the Company's principal United States subsidiary, Arctic Precious Metals, Inc., are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the year-end exchange rate and non-monetary assets and liabilities and operating results are translated at the historical exchange rate prevailing at the date of the transaction. Gains and losses arising from the translation of the financial statements are included in the results of operations.

Segmented information

The Company operates within one dominant industry segment, gold mining, carried out in the Northwest Territories, Newfoundland, and Ontario, Canada.

Comparative figures

Certain of prior years' amounts have been reclassified to conform with the current year's presentation.

2. Fair Values of Certain Financial Instruments

The carrying amount and fair value of the following financial instruments are:

	December 31			
	1995		1994	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**$139,410**	**$139,410**	$148,524	$148,524
Short-term investments	**$ 2,971**	**$ 4,536**	$ 30,413	$ 30,594

The fair value of short-term investments is based on quoted market values.

3. Inventories

	December 31	
	1995	1994
Bullion in process	**$18,574**	$16,386
Stores and operating supplies	**27,562**	19,864
	$46,136	$36,250

4. Property, Plant and Equipment

	December 31			
	1995			1994
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Plant and Equipment	**$ 75,391**	**$14,570**	**$ 60,821**	$ 53,500
Mining Properties and Deferred Development	**127,058**	**22,061**	**104,997**	62,732
Exploration Costs and other Non-producing Properties	**25,563**	**—**	**25,563**	21,722
	$228,012	**$36,631**	**$191,381**	$137,954

Mining Properties and Deferred Development includes $20,890,000 (1994 – $5,898,000) which comprises mining properties that are under development and are expected to be put into production over the next five years. Depreciation and amortization of these costs will be provided in the future based on the unit-of-production method.

The following is a summary of the net book value of the Property, Plant and Equipment by location:

Division	**Plant and Equipment**	**Mining Properties and Deferred Development**	**Exploration and Other**	December 31 **1995**	1994
NWT – Giant	**$18,258**	**$ 17,458**	**$14,220**	**$ 49,936**	$ 38,384
NWT – Colomac	**15,630**	**29,692**	**596**	**45,918**	44,121
Ontario	**13,376**	**39,735**	**4,106**	**57,217**	33,881
Newfoundland	**8,420**	**9,228**	**2,049**	**19,697**	18,983
British Columbia	**850**	**8,884**	**996**	**10,730**	—
U.S.	**4,287**	**—**	**3,596**	**7,883**	2,585
	$60,821	**$104,997**	**$25.563**	**$191,381**	$137.954

During the year, the Company acquired 100% of the Red Mountain property located in northwestern British Columbia for $1. The Company assumed the environmental liabilities, estimated at $3.0 million, as part of this purchase. The Company is committed to spend $3.0 million in exploration and development on the Red Mountain property over three years. The vendor will receive a 1% net smelter return royalty on all production from the property and on production over 1.85 million ounces, an additional $10.00 per ounce is payable.

5. Long-term Investments

	December 31	
	1995	1994
Partially-owned companies fully acquired subsequent to year end *(note 14)*:		
Geddes Resources Limited	**$12,143**	$ 9,769
El Condor Resources Ltd.	**7,408**	—
St. Philips Resources Inc.	**7,331**	—
	26,882	9,769
Mountain Minerals Co. Ltd.	**7,056**	6,419
Other	**2,369**	3,082
	$36,307	$19,270

In 1994, Mountain Minerals Co. Ltd. ("Mountain Minerals") issued additional share capital which reduced the Company's equity interest from 51% to 41%. As a result of this share issuance by Mountain Minerals, the Company recorded a gain on dilution of $3,020,000. During 1995, the Company increased its interest in Mountain Minerals to 45% by way of open market purchases.

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

6. Deferred Revenue and Other Liabilities

	December 31 1995	1994
Deferred revenue	**$29,711**	$24,118
Provision for loss on foreign currency contracts	**10,023**	15,267
Accrued reclamation costs	**4,852**	602
Other	**737**	1,037
	45,323	41,024
Less current portion	**4,523**	1,282
	$40,800	$39,742

(a) *Deferred Revenue*

The following table summarizes the years in which the deferred revenue is expected to be recorded in income.

Year	Amount
1996	$ 4,523
1997	7,293
1998	7,612
1999	10,283
	$29,711

(b) *Provision for loss on foreign currency contracts*

In prior years, to protect the Company from foreign currency fluctuations and to provide a minimum Canadian dollar conversion rate for its U.S. dollar gold sales revenue, the Company entered into foreign currency contracts for conversion into Canadian dollars. These contracts were associated with the Company's contractual obligation to deliver future gold production at specified prices in U.S. dollars. At the end of 1995, the Company had contracts to deliver approximately US$116 million (1994 – US$119 million) at an average exchange rate of 1.2806 (1994 – 1.2744) C$/US$. In 1994, the Company began marking to market these foreign currency contracts because of the significant weakening of the Canadian dollar since the time these contracts had first been entered into. The Company follows a policy of rolling forward these contracts as they mature and expects to delay delivery of U.S. dollars against these contracts.

7. Capital Stock

(a) *Changes in Capital Stock*

Authorized: An unlimited number of special shares issuable in series and an unlimited number of common shares.

Issued, outstanding and fully paid – special: nil (1994 – nil)

Issued, outstanding and fully paid – common:

	Number of shares	Amount
Balance, December 31, 1992	69,946,751	$ 64,355
Issued via special warrants	9,000,000	25,200
Acquisition of Colomac Mine	3,500,000	7,875
Acquisition of gross production royalty on Colomac property	1,000,000	4,000
Issued via unit offering	6,000,000	42,000
Exercise of warrants – Series 1	6,941,393	11,453
Exercise of warrants – Series 2	5,000	16
Employee gain sharing program	78,102	152
Issued for share purchase options	484,967	600
Share issue costs	—	(3,492)
Balance, December 31, 1993	96,956,213	152,159
Issued via public offering	17,400,000	100,050
Exercise of warrants – Series 2	19,000	61
Issued for share purchase options	119,534	132
Share issue costs	—	(5,040)
Balance, December 31, 1994	114,494,747	247,362
Exercise of warrants – Series 2	4,475,300	14,545
Issued for share purchase options	148,667	190
Issued to acquire Witteck Development Inc.	1,924,816	8,854
Share issue costs	—	(140)
Balance, December 31, 1995 issued and outstanding	121,043,530	270,811
Company shares held by Witteck Development Inc. *(note 7(b))*	(1,924,816)	(8,854)
Balance, December 31, 1995 for financial reporting purposes	119,118,714	$261,957

(b) *Acquisition of Witteck Development Inc.*

During the year, the Board of Directors and the shareholders approved the acquisition of all of the shares of Witteck Development Inc. ("Witteck") whose sole asset is an investment in the Company of 1,924,816 shares. This investment has been recorded as a reduction of capital stock on the balance sheet. Consequently, the shares of the Company that are held by Witteck have been excluded from the determination of earnings per share information.

(c) *Warrants*

During the year, 4,475,300 Series 2 warrants were exercised and converted into common shares at a price of $3.25 per share.

At December 31, 1995, the Company had 3,000,000 Series 3 warrants outstanding which were issued in 1993. Each warrant entitles the holder to purchase one common share of the Company at a price of $8.75 per share until May 30, 1996.

(d) *Weighted Average Number of Common Shares*

Earnings per share has been calculated on the basis of the weighted average number of common shares outstanding for the year which was 117,900,306 shares (1994 – 101,399,347; 1993 – 84,073,179).

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

(e) *Stock Options*

The Company grants stock options to employees and directors in recognition of their service to the Company.

The following table outlines activity with respect to the Company's stock options:

	Number of Shares	Price per Share
Outstanding, December 31, 1992	1,103,834	$0.48 – $2.04
Granted	1,360,000	
Exercised	(484,967)	$0.48 – $3.95
Cancelled/Expired	(572,500)	
Outstanding, December 31, 1993	1,406,367	$0.48 – $6.25
Granted	1,100,000	
Exercised	(119,534)	$0.48 – $2.85
Cancelled/Expired	(166,000)	
Outstanding, December 31, 1994	2,220,833	$0.48 – $6.25
Granted	605,000	
Exercised	(148,667)	$0.90 – $2.85
Cancelled/Expired	(215,000)	
Outstanding, December 31, 1995	2,462,166	$0.48 – $6.25

8. Income Taxes

The provisions for income tax are analyzed in the following table to show the taxes that would be payable by applying statutory tax rates to the Company's pre-tax earnings, and the taxes actually provided in the accounts:

	December 31		
	1995	1994	1993
Pre-tax income, as reported	**$24,754**	$22,777	$15,804
Combined statutory tax rates	**43%**	43%	44%
Tax at combined statutory rates	**$10,644**	$ 9,794	$ 6,954
Adjust for tax effect of:			
Resource allowance	**(771)**	(3,782)	(2,233)
Non-taxable portion of capital gains	**(829)**	(547)	—
Deductible financing costs	**(1,152)**	(860)	(393)
Other	**43**	—	—
Utilization of previously unrecognized deferred tax assets and net adjustment to deferred taxes	**(7,157)**	(4,605)	(4,328)
Foreign earnings subject to different tax rates	**(117)**	—	—
Large corporation capital tax	**639**	336	215
Corporate minimum tax	**242**	300	—
	$ 1,542	$ 636	$ 215

For income tax purposes, the Company has tax deductions available to be utilized in future years totalling $167 million. When claimed, a substantial portion of these tax deductions will result in the creation of deferred income tax liabilities.

The Company also has $16 million of earned depletion and mining exploration depletion base carry forward available to be deducted against certain future resource profits.

Because of reorganizations undertaken by the Company, utilization of tax deductions and earned depletion base may be restricted.

9. Interest and Other Income, net

Interest and other income is comprised of:

	December 31		
	1995	1994	1993
Interest income	**$10,640**	$4,078	$2,194
Gain on sale of securities	**8,309**	1,290	19
Other, net	**1,953**	1,706	76
	$20,902	$7,074	$2,289

10. Employee Benefit Plans

The Company has defined benefit and defined contribution pension plans covering substantially all of its regular full-time employees. Pension benefits are based, in defined benefit plans, on employees' earnings and years of service. Most of the plans are funded currently by contributions from the Company, based on periodic actuarial valuations. Contributions to its defined contribution plan are based on a specific percentage of base earnings. The market related value of the defined benefit pension plans' assets was $35,359,000 at December 31, 1995 (1994 – $32,226,000) and the actuarial present value of accrued pension benefits was $31,321,000 at December 31, 1995 (1994 – $30,789,000). The total pension expense for the year was $1,324,000 (1994 – $1,163,000; 1993 – $908,000).

11. Contingencies and Commitments

(a) *Legal Claim*

On September 18, 1992, nine miners were murdered in an underground explosion at the Company's Giant Mine. A member of the union which was on strike at the time was charged and convicted of nine counts of second degree murder. In September, 1994, dependents of the deceased miners sued the Company and two of its officers and directors, along with 23 other named defendants including Procon Miners Inc., Pinkerton's of Canada Limited, the Government of the Northwest Territories, and National Automobile, Aerospace and Agricultural Implement Workers Union of Canada, for losses allegedly suffered as a result of the explosion. The claim against the Company and all defendants but one, totals approximately $10.8 million plus taxes, interest and costs. The claim against the two officers and directors and all other defendants, excluding the Company, totals approximately $33.65 million plus taxes, interest and costs.

The claim is being vigorously defended. Counsel for the Company's insurer has stated that, based on allegations in the amended Statement of Claim – being the only pleading filed to date, any liability that might be imposed would be within the Company's liability insurance coverage. The Company believes that the claim is without merit.

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

(b) *Laws and Regulations*

The Company's current and proposed mining and exploration activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and are generally becoming more restrictive. The Company conducts its operations so as to protect its employees, the general public and the environment and believes its operations are in compliance with all applicable laws and regulations, in all material respects. The Company has made, and expects to make in the future, submissions and expenditures to comply with such laws and regulations.

Where estimated reclamation and closure costs are reasonably determinable, the Company has recorded a provision for environmental liabilities based on management's estimate of these costs. Such estimates are subject to adjustment based on changes in laws and regulations and as new information becomes available.

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company is also subject to reassessment for income and mining taxes for certain years. It does not believe that adverse decisions in any potential tax reassessments or any amount which it may be required to pay by reason thereof will have a material adverse effect on the financial condition or future results of operations of the Company.

(c) *Forward Sales and Hedging Contracts*

The Company engages in hedging transactions to minimize the impact of fluctuations in gold, oil and foreign currency prices.

The credit risk related to hedging activities is limited to the unrealized gains on outstanding contracts based on current market prices. The Company believes it has minimized credit risk by dealing with large credit-worthy institutions and by limiting credit exposure to each.

(i) At December 31, 1995 the Company had contractual arrangements, in U.S. and Canadian (C) dollars, to deliver the following ounces of gold:

Year	Gold Forward Sales (oz)	Price of Forward Sales (per oz)
1996	39,028	US$385
1997	140,000	C$614
1998	140,000	C$629
1999	140,000	C$654
2000	—	—
	459,028	

Delivery under these contracts can be deferred at the Company's option for up to five years depending on the individual contract.

(ii) The Company's call option position as at December 31, 1995 was as follows:

Year	Gold Call Options Sold (oz)	Strike Price (per oz)
1996	305,000	US$410
1997	187,792	C$624
1998	200,000	C$639
1999	200,000	C$664
2000	—	—
	892,792	

If called, the Company has the ability to delay delivery of these ounces by entering into fixed forward or spot deferred contracts originating with the same number of ounces and strike prices as in the exercised option.

(iii) At December 31, 1995, the Company's obligations to sell U.S. dollars were as follows:

Year	U.S. Dollars (000's)	Exchange Rate (C$/US$)	Carrying Amount	Fair Value
1996	US$106,229	1.2807	$ (9,190)	$ (9,190)
1997	US$ 9,636	1.2801	(833)	(833)
1998-2000	—	—	—	—
	US$115,865	1.2806	$(10,023)	$(10,023)

The Company marks to market these contracts based on the applicable exchange rate at the date of the balance sheet. See note 6(b).

(iv) At December 31, 1995 the Company had oil swap agreements to hedge the cost of Western Texas Intermediate ("WTI") crude oil to be used for the operations of the Colomac Mine. These agreements call for settlement as follows:

Year	Barrels of WTI Purchased	Price per Barrel
1996	200,000	US$17.40
1997	200,000	US$16.85
1998-2000	—	—
	400,000	

(d) *Operating Royalties*

(i) Under the terms of the Hope Brook Mine Asset Purchase Agreement, the Company is obligated to pay an operating royalty when the average price of gold exceeds US$380 per ounce. Amounts payable vary between $1,300,000 and $3,300,000 annually depending on the average price of gold. In respect of 1995, the Company was obligated to pay $1,300,000 (1994 – $1,300,000; 1993 – nil). Obligations under this agreement expire in 1996.

(ii) Under the terms of the Colomac Mine Asset Purchase Agreement, the Company is obligated to pay an operating royalty when the average price of gold exceeds US$400 per ounce. Amounts payable vary between $1.0 million and $2.0 million annually depending on the average price of gold. In respect of 1995, no amount was payable under this royalty (1994 – nil; 1993 – nil). Obligations under this agreement expire in 1999.

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

12. Net Change in Non-Cash Working Capital

	December 31		
	1995	1994	1993
Cash provided by (used for):			
Receivables	**$ (296)**	$ (3,905)	$ 2,973
Inventories	**(9,886)**	(17,530)	(6,862)
Prepaid expenses	**(799)**	(1,533)	(427)
Accounts payable	**986**	(1,498)	2,922
Accrued payroll costs	**(383)**	1,717	(63)
Income taxes payable	**935**	802	(115)
Other current liabilities	**1,855**	12,071	1
Mountain Minerals deconsolidation	**—**	(38)	—
	$(7,588)	$ (9,914)	$(1,571)

13. Reconciliation to United States Generally Accepted Accounting Principles

Reconciliation of net income in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") to net income in accordance with United States generally accepted accounting principles ("U.S. GAAP") is as follows:

	December 31		
	1995	1994	1993
Net income in accordance with Canadian GAAP	**$23,169**	$22,166	$15,623
Decrease:			
Depreciation and amortization	**(5,633)**	(2,188)	(1,683)
Employee benefit plans	**(359)**	—	—
Net income in accordance with U.S. GAAP	**$17,177**	$19,978	$13,940
Earnings per share in accordance with U.S. GAAP:			
Primary earnings	**$ 0.15**	$ 0.19	$ 0.17
Fully diluted earnings	**$ 0.15**	$ 0.19	$ 0.16

The effects on the balance sheets of the Company at December 31, prepared in accordance with U.S. GAAP, are:

	December 31		
	1995	1994	1993
Decrease:			
Property, plant and equipment	**$11,794**	$6,161	$3,973
Prepaid expenses (pension asset)	**$ 359**	$ —	$ —
Retained earnings	**$12,153**	$6,161	$3,973

(a) *Depreciation and Amortization*

Under U.S. GAAP, depreciation and amortization are calculated on the unit-of-production method based upon proven and probable reserves, whereas under Canadian GAAP, total mineral inventory may be used in the calculations.

(b) *Employee Benefit Plans*

Under U.S. GAAP, for defined benefit pension plans, the projected benefit obligation should be discounted using interest rates at which the obligation could be effectively settled whereas under Canadian GAAP, the projected benefit obligation may be discounted using interest rates which are consistent with long-term assumptions. Also, under U.S. GAAP, experience gains and losses as well as adjustments arising from changes in assumptions must be amortized only if it exceeds a specified range. Under Canadian GAAP, these amounts must be amortized over the expected average remaining service life of the employee group regardless of the amount.

Pension expense is determined each year based on actuarial recommendations. The actuarial assumptions applied in determining the expense in accordance with U.S. GAAP include a discount rate on the benefit obligation, rate of compensation increases and long-term rate of return on the plan assets of 8.5%, 7.0% and 8.5%, respectively. Assets of the plans are held in a range of investments, which include fixed-income securities, equities and money market securities. At January 1, 1987, as a result of an actuarial valuation of the plans, a surplus was identified which is being amortized over the estimated average remaining service lives of the employees (EARSL) which, for the Company's defined benefit pension plans, ranges from 12 to 18 years.

The components of pension expense, for the Company's defined benefit pension plans, calculated in accordance with U.S. GAAP are as follows:

	December 31		
	1995	1994	1993
Service cost – benefits earned during the year	**$ 1,374**	$ 1,292	$ 944
Interest cost on projected benefit obligation	**2,541**	2,445	2,267
Return on assets	**(4,999)**	(169)	(2,448)
Other	**2,575**	(2,586)	(92)
	$ 1,491	$ 982	$ 671

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

The funded status and differences between amounts expensed and amounts funded calculated under U.S. GAAP for the Company's defined benefit pension plans are as follows:

	December 31			
	1995		1994	
	Plans where assets exceed accumulated benefits	Plan where accumulated benefits exceed assets	Plans where assets exceed accumulated benefits	Plan where accumulated benefits exceed assets
Plans' assets at market value	$29,912	$8,743	$27,070	$7,657
Projected benefits based on:				
Employment service to date and present pay levels				
Vested	20,144	8,787	18,731	8,323
Non-vested	68	42	983	40
Additional amount related to compensation increases	3,246	—	2,712	—
Projected benefit obligations	23,458	8,829	22,426	8,363
Plans' assets in excess of (less than) projected benefit obligations	6,454	(86)	4,644	(706)
Unamortized January 1, 1987 surplus, net	(1,932)	(774)	(2,148)	(863)
Unamortized net experience (gains) losses	(3,055)	1,029	(1,243)	1,320
Unamortized prior service cost	—	1,408	—	1,515
	$ 1,467	$1,577	$ 1,253	$1,266
Difference between amounts expensed and amounts funded	$3,044		$2,519	

In addition to the defined benefit pension plans noted above, the Company maintains a defined contribution pension plan for certain of its hourly employees. Under this plan, the Company contributes 2.5% of each member's base earnings to the pension plan. The pension expense for the year under this pension plan was $192,000 (1994 – $181,000; 1993 – $237,000).

(c) *Income Taxes*

In accordance with the Financial Accounting Standards Board Statement No. 109 ("SFAS 109"), U.S. GAAP requires that income taxes be accounted for by the liability method. Under this method, deferred tax assets and liabilities are determined based on differences between the financial statement reporting and the tax bases of the assets and liabilities and are measured at the enacted tax rates that will be in effect when the differences are expected to reverse. Such differences principally arise from the timing of income and expense recognition for accounting and tax purposes. The application of SFAS 109 would have no material effect on the assets, liabilities or operations for the years presented in these consolidated financial statements as additional deferred tax assets arising from the table of reconciling items have been offset by the recording of an additional valuation allowance. The following additional disclosures with respect to income taxes are required by U.S. GAAP:

	December 31		
	1995	1994	1993
Deferred Tax Liabilities:			
Exploration expenditures	$ 4,643	$ 5,519	$ 5,985
Mining properties and deferred development	6,979	941	(835)
Pension asset	985	997	957
Investments	1,057	1,057	—
Other	—	58	—
	$13,664	$ 8,572	$ 6,107
Deferred Tax Assets:			
Provision for loss on foreign currency contracts	$ 3,567	$ 5,343	$ —
Operating losses	—	—	1,043
Property, plant and equipment	7,670	6,126	10,569
Accrued reclamation costs	648	163	49
Other	1,030	571	595
Valuation allowance	(2,134)	(4,838)	(9,034)
	$10,781	$ 7,365	$ 3,222

The net change in the valuation allowance from prior year-end was a decrease of $2,704,000. The Company decreased its beginning-of-the-year balance of the valuation allowance by approximately $3,063,000 to reflect changes in circumstances.

14. Subsequent Acquisitions

(a) *Acquisition of Geddes Resources Limited, El Condor Resources Ltd. and St. Philips Resources Inc.*

On January 11, 1996, the Company acquired all of the outstanding shares of Geddes Resources Limited ("Geddes"), El Condor Resources Ltd. ("El Condor") and St. Philips Resources Inc. ("St. Philips") not already owned by the Company pursuant to a series of signed agreements (the "Plan of Arrangement") on the following terms:

Geddes: 0.30 shares of the Company for each share of Geddes.

El Condor: 0.95 shares of the Company plus $2.00 cash for each share of El Condor.

St. Philips: $3.40 cash for each share of St. Philips.

The Company issued 19,011,883 common shares and paid approximately $56 million in cash pursuant to the Plan of Arrangement. The January 11, 1996 closing price on The Toronto Stock Exchange for the Company's common shares was $6.00. This price was used to value the common shares issued under the Plan of Arrangement.

(tabular amounts in thousands of Canadian dollars unless otherwise stated)

The following outlines the details of the purchase price and its allocation to the assets and liabilities acquired:

	Geddes	El Condor	St. Philips	Total
Purchase price:				
Cash paid, including open market purchases	$ 3,220	$ 34,222	$38,562	$ 76,004
Issue of common shares	37,650	76,421	—	114,071
	$40,870	$110,643	$38,562	$190,075
Allocated to:				
Cash and cash equivalents	$ 561	$ 1	$ 378	$ 940
Property, plant and equipment	40,619	111,407	38,336	190,362
Other assets	31	151	9	191
Total liabilities	(341)	(916)	(161)	(1,418)
	$40,870	$110,643	$38,562	$190,075

The Company incurred transaction and other costs totalling $3,649,000. In May, 1993, the Company had purchased an approximate 39% interest in Geddes. See note 5 for the year-end carrying amount. These transaction and other costs together with the carrying amount of the initial purchase of Geddes have been allocated to property, plant and equipment.

The following is a condensed consolidated balance sheet of the Company as at January 11, 1996, after giving effect to the acquisitions:

	January 11, 1996	December 31, 1995
Cash and cash equivalents	$ 79,982	$139,410
Other current assets	62,057	61,865
	142,039	201,275
Property, plant and equipment	394,583	191,381
Long-term investments	9,445	36,307
	$546,067	$428,963
Current liabilities	$ 43,852	$ 42,434
Long-term liabilities and other	47,649	46,034
	91,501	88,468
Capital stock (Outstanding: January 11, 1996 – 138,130,597)	376,028	261,957
Retained earnings[(a)]	78,538	78,538
	$546,067	$428,963

(a) Income for the interim period has been ignored for the purposes of this comparative balance sheet.

These acquisitions were linked to the resolution of the claim for compensation from the Government of British Columbia (the "B.C. Government") which, in 1993, appropriated the Windy Craggy property from Geddes and declared the area a provincial park. Under the terms of an agreement among the B.C. Government, the Company and Geddes, the B.C. Government has agreed to an economic assistance package and compensation valued at $166 million. The majority of these funds are payable to the Company over the next three years.

(b) *Offer to Purchase Consolidated Professor Mines Limited*

On February 5, 1996, the Company made a public offer to purchase all of the outstanding common shares of Consolidated Professor Mines Limited ("Consolidated Professor") at a cash price of $0.80 per share for a total purchase price of approximately $16 million. On February 27, 1996 the Company acquired 16,135,891 common shares of Consolidated Professor representing 81.2% of the outstanding common shares and extended its offer to purchase all of the common shares until March 29, 1996.

Supplemental Information Quarterly Data (unaudited)

(Income Statement – in thousands of Canadian dollars except per share amounts)

		First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
		1995	1994	**1995**	1994	**1995**	1994	**1995**	1994
Production									
Ore milled *(tons)*		1,296,999	728,911	1,428,168	757,015	1,412,304	1,189,258	1,418,979	1,317,288
Average grade *(oz/ton)*		0.077	0.108	0.079	0.104	0.073	0.085	0.076	0.079
Gold production *(ounces)*									
Northwest Territories Division									
Colomac		29,375	—	31,454	—	30,319	15,909	26,498	24,659
Giant		21,133	25,440	23,243	26,572	22,159	25,319	24,888	23,845
Ontario Division		18,000	20,990	21,042	20,745	19,578	22,433	21,500	21,587
Newfoundland Division		18,452	19,843	21,507	22,652	20,103	24,730	21,900	23,447
TOTAL GOLD PRODUCED		86,960	66,273	97,246	69,969	92,159	88,391	94,786	93,538
Income Statement									
REVENUE		$47,386	$36,698	$53,453	$43,997	$52,258	$41,484	$55,214	$39,932
EXPENSES									
Operating		44,064	28,063	45,650	28,824	45,678	29,974	46,822	30,929
Royalties and marketing		219	261	889	876	609	703	818	650
Administrative and corporate		1,622	743	3,323	1,520	2,101	1,295	1,503	1,713
Depreciation and amortization		3,183	1,455	2,889	2,165	3,575	2,138	5,248	2,767
Provision for (Recovery of) loss on foreign currency contracts		—	—	(3,772)	—	(3,271)	—	1,799	15,267
		49,088	30,522	48,979	33,385	48,692	34,110	56,190	51,326
OPERATING INCOME (LOSS)		(1,702)	6,176	4,474	10,612	3,566	7,374	(976)	(11,394)
OTHER INCOME (EXPENSES)									
Interest and other income, net		5,778	733	6,357	578	3,400	346	5,367	5,417
Write-down of resource properties and other assets		—	—	—	—	(51)	—	(840)	—
Gain on issuance of shares by associated company		—	—	—	—	—	—	—	3,020
Other		(212)	(63)	(240)	(35)	(302)	267	135	(254)
NET INCOME BEFORE UNDERNOTED		3,864	6,846	10,591	11,155	6,613	7,987	3,686	(3,211)
Income taxes		(316)	(78)	(653)	(86)	(279)	(236)	(294)	(236)
Minority interest		—	—	9	—	85	—	500	—
Equity in income (loss) of associated companies		(45)	283	(199)	(58)	(191)	24	(202)	(224)
NET INCOME (LOSS)		$ 3,503	$ 7,051	$ 9,748	$11,011	$ 6,228	$ 7,775	$ 3,690	$(3,671)
EARNINGS (LOSS) PER SHARE		$ 0.03	$ 0.07	$ 0.08	$ 0.11	$ 0.05	$ 0.08	$ 0.03	$ (0.03)
Prices and Costs									
AVERAGE SPOT PRICE	**(US$/oz)**	379	384	388	382	384	386	385	386
AVERAGE REALIZED PRICE	**(US$/oz)**	387	413	401	455	418	417	430	422
	(C$/oz)	545	554	550	629	567	572	583	580
CASH COST*	**(US$/oz)**	360	317	342	298	366	301	364	327
	(C$/oz)	507	423	469	412	496	413	494	450
EXCHANGE RATE *(average for quarter)*	**(US$1 = C$)**	1.4070	1.3424	1.3711	1.3824	1.3554	1.3712	1.3555	1.3751

**Includes all minesite direct costs.*

Shareholder Information

Issued Capital and Number of Shareholders

December 31, 1995

Issued and outstanding shares:	**121,043,530**
Outstanding for financial reporting purposes:	**119,118,714**
Registered shareholders:	**7,759**
Weighted average number of shares:	**117,900,306**
Fully diluted shares:	**126,505,696**

The difference between issued and outstanding shares and outstanding shares for financial reporting purposes represents 1,924,816 shares of the Company, which cannot be voted, held by Witteck Development Inc., a wholly-owned subsidiary of Royal Oak.

December 31, 1994

Issued and outstanding shares:	**114,494,747**
Registered shareholders:	**8,293**

Quarterly Trading Statistics

The Toronto Stock Exchange (Canadian dollars)
Common Shares, Trading Symbol RYO

Quarter	Volume	High	Low	Close	Trades
1995					
First	18,746,454	4.90	4.00	4.70	3,229
Second	5,560,567	4.90	4.05	4.30	2,629
Third	18,539,841	6-1/8	4.10	5-7/8	5,461
Fourth	18,747,748	5-7/8	4.75	4.85	3,780
Year	61,594,610	6-1/8	4.00	4.85	15,099
1994					
First	5,855,289	7-1/8	5-3/8	6-3/8	2,232
Second	4,256,234	6-1/2	5-1/8	5-3/4	1,347
Third	13,002,746	6-3/8	5-1/4	6-1/8	2,610
Fourth	9,566,673	6-1/8	4.00	4.60	2,786
Year	32,680,942	7-1/8	4.00	4.60	8,975

American Stock Exchange (U.S. dollars)
Common Shares, Trading Symbol RYO

Quarter	Volume	High	Low	Close	Trades
1995					
First	32,106,400	3-1/2	2-13/16	3-5/16	3,797
Second	24,324,500	3-5/8	2-7/8	3-1/8	2,960
Third	31,119,500	4-1/2	2-15/16	4-5/16	3,717
Fourth	22,376,400	4-3/8	3-1/2	3-9/16	3,117
Year	109,926,800	4-1/2	2-13/16	3-9/16	13,591
1994					
First	37,066,000	5-3/8	4-1/16	4-9/16	6,229
Second	21,414,500	4-11/16	3-3/4	4-1/16	3,641
Third	29,009,300	4-11/16	3-13/16	4-1/2	4,580
Fourth	28,194,300	4-5/8	2-15/16	3-1/4	4,633
Year	115,684,100	5-3/8	2-15/16	3-1/4	19,083

Market for the Company's Securities and Related Shareholder Matters

The Company's common shares are listed on The Toronto Stock Exchange and on the American Stock Exchange in New York under the symbol RYO. Trading in the common shares commenced on July 25, 1991.

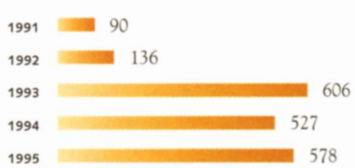
The Company has one series of warrants:

Series 3 – Symbol RYO.WT.A which trades on The Toronto Stock Exchange. The sum of $8.75 plus one warrant entitles the holder to purchase one common share of Royal Oak up to and including May 30, 1996.

Royal Oak Mines Inc. Exchange Options trade on the Trans Canada Options Market in Toronto.

Relative Market Performance in 1995

Year-End Market Capitalization (C$million)



Directors and Management

Directors

Ross F. Burns
Vice-President, Exploration
Royal Oak Mines Inc.
Bellevue, Washington, U.S.A.

Matthew Gaasenbeek[2,3]
Chairman, Ontario Development Corporation
President, Northern Crown Capital Corp.
Toronto, Ontario, Canada

J. Conrad Lavigne[3]
President, JCL Corporation
Timmins, Ontario, Canada

John L. May[1,2]
Mining Executive, Retired
Tucson, Arizona, U.S.A.

George W. Oughtred[1,3]
President, Privatbanken Holdings Inc.
Calgary, Alberta, Canada

William J.V. Sheridan[2]
Partner, Lang Michener
Toronto, Ontario, Canada

Margaret K. Witte[1,2]
Chairman, President & Chief Executive Officer
Royal Oak Mines Inc.
Medina, Washington, U.S.A.

Committees

[1]Audit
[2]Compensation
[3]Governance and Nominating Committee

Officers and Senior Management

Margaret K. Witte
Chairman, President & Chief Executive Officer

John R. Smrke
Senior Vice-President

Ross F. Burns
Vice-President, Exploration

Sadek E. El-Alfy
Vice-President, Operations

James H. Wood
Chief Financial Officer

J. Graham Eacott
Vice-President, Investor Relations

Edmund Szol
Vice-President, Human Resources

Catherine M. Siscoe
Treasurer

Douglas W. G. Yee
Controller

William J.V. Sheridan
Corporate Secretary

Nancy M. Deshaw
Corporate Counsel

Directors

Corporate Information

Corporate Office

5501 Lakeview Drive
Kirkland, Washington
98033 U.S.A.
Telephone: (206) 822-8992
Fax: (206) 822-3552

British Columbia Division

P.O. Box 3519
Smithers, British Columbia
V0J 2N0 Canada
Telephone: (604) 847-5667
Fax: (604) 847-5606

Northwest Territories Division

Giant Mine

P.O. Bag 3000
Yellowknife, Northwest Territories
X1A 2M2 Canada
Telephone: (403) 873-6301
Fax: (403) 873-2980

Colomac Mine

Telephone: (403) 873-6301
Fax: (403) 920-2133

Ontario Division

Pamour Mine

P.O. Bag 2010
Timmins, Ontario
P4N 7X7 Canada
Telephone: (705) 235-3311
Fax: (705) 235-2086

Newfoundland Division

Hope Brook Mine

P.O. Box 294
Stephenville, Newfoundland
A2N 2Z4 Canada
Telephone: (709) 695-5211
Fax: (709) 695-5288

Auditors

Arthur Andersen & Co.
Vancouver, Canada

Solicitors

Lang Michener
Toronto and Vancouver, Canada

Registrar & Stock Transfer Agents

Questions regarding change of stock ownership, consolidation of accounts, lost certificates, change of address, and other such matters should be directed to:

Montreal Trust Company of Canada
510 Burrard Street
Vancouver, British Columbia
V6C 3B9
Telephone: (604) 661-0222

The Company's transfer agent in the U.S.A. is listed below. However, all enquiries should be addressed to Montreal Trust Company of Canada in Vancouver.

Bank of Nova Scotia Trust Company of New York
1 Liberty Plaza
New York, N.Y.
10006, U.S.A.
Telephone: (212) 225-5422

Bankers

The Bank of Nova Scotia
Scotia Plaza
44 King Street West
Toronto, Ontario
M5H 1H1

Stock Exchange Listings

Common shares,
Trading Symbol RYO
The Toronto Stock Exchange
Toronto, Canada
American Stock Exchange
New York, U.S.A.

Series 3 Warrants,
Trading Symbol RYO.WT.A
The Toronto Stock Exchange
Toronto, Canada

Options Traded
Trans Canada Options
Toronto, Canada

Annual Meeting

The Annual Meeting of Shareholders of the Corporation will be held on Friday, May 17, 1996 at 9:00 a.m. in the Alberni Room of the Pacific Palisades Hotel, 1277 Robson Street, Vancouver, B.C., Canada.

Form 10-K

A copy of the Company's Annual Report and Form 10-K, as filed with the Securities and Exchange Commission in the United States for the fiscal year 1995, is available free of charge upon written request to the Corporate Office.

Shareholder Inquiries and Investor Relations Contact

J. Graham Eacott
Vice-President, Investor Relations
Telephone: (206) 822-8992
Fax: (206) 822-3552

Officers and Senior Management

Clockwise from top left:
John R. Smrke, Margaret K. Witte, J. Graham Eacott, Sadek E. El-Alfy, Ross F. Burns, James H. Wood, Catherine M. Siscoe, Edmund Szol, Douglas W.G. Yee and Nancy M. Deshaw.

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