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Carolin Mines Launches Program To Establish Data For Hope Gold Reserves

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Directors of **Carolin Mines Ltd.** plan to spend up to a million and a half dollars by the beginning of December on what they consider a good prospect that they can make their property near Vancouver not just a producing mine, but one of the major gold mines on the continent.

There has been much action over the years in the area of the mine, located at Hope, B.C., but no one ever developed a substantial producing mine. The Carolin project differs from the earlier ones in that they are not after veins of high-grade ore, but plan to mill a vast volume of replacement-type gold-bearing ore.

A year ago they had a report from their consulting geologist, after considerable diamond drilling, estimating 4.2 million tons of ore in one zone with an average of .098 ounce of gold a ton, or 1.7 million tons averaging .148 ounce a ton. Their estimate of total operating costs, including mining, crushing and milling, was $6.49 a ton, which would have returned a gross profit of $5.76 a ton from ore averaging .098 ounce with gold at $125 an ounce.

However, the gross profit would have to repay the capital cost of putting the mine and mill into production, which would be quite a few million dollars, and the price of gold was dropping.

On June 1 this year, with gold in the $140 range, Carolin announced a loan of up to $1,500,000 from Norvan Management, a group of Vancouver investors, to finance a minimum of 2,000 feet of tunnelling into the mine's mineral zone, with additional cuts up into the mine orebody and to the sides, and 40,000 feet of diamond drilling from inside the tunnels.

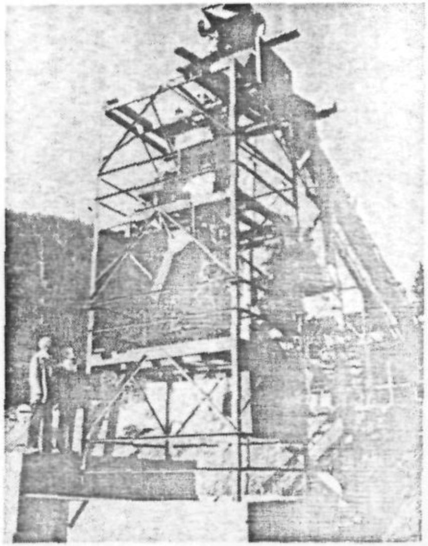
The object of the program is to establish with more accuracy the value of the orebody already located by diamond drilling, and to determine how much farther that orebody extends and whether there are others nearby that could be mined along with it.

It is hoped that, with this development program, as much as 10 million tons of ore will be located by year end, with additional reserves to be proven by 1978.

When, as anticipated, the mine goes into production, a mill will be built at the site. The gold can be removed from the finely crushed rock by a chemical process (flotation cyanide), so no smelting will be required and there will be no shipping of the concentrates. Gold bars will be poured right at the mill.

Dave Giffith, a resident geologist for Carolin, is in charge of operations at the mine. Don Cochrane, of Cochrane Consultants, is Consulting P.Eng., and Walter Clark, who has had many years of experience with underground operations, including some years with Giant Mascot in the 1960's, has also been retained.

R.J. Fry & Associates Ltd. has been contracted to do the tunnelling. Worthington & Associates Ltd. has the contract for designing and installing the crushing equipment. Contract for the diamond drilling has been given to Harvey Kendrick Drilling Ltd.



Bulk sampling plant designed to process 25 tons of gold ore per hour for feasibility studies at the B.C. property of Carolin Mines Ltd.

Carolin

produce a total of 3.3 million carats and a revenue of $675 million over a 15-year period.

IN ASIA

India

State-owned Pyrites, Phosphates, and Chemicals Ltd. (PPCL) has discovered large deposits of phosphate rock in Mussorie totaling an estimated 45 million mt. The discovery is expected to reduce imports of the mineral and save the Indian government $5 million.

PPCL mining operations at Bihar and Rajasthan contain estimated pyrite deposits of 275 million mt and 120 million mt, respectively.

Mineral Exploration Corp. Ltd., a government company, has signed a pact with Bureau de Recherches Geologiques Minieres of France for the transfer of mineral exploration technology. Several tin and tungsten projects are covered under the agreement.

Production of molten metal has been re-established in the first potline at Orissa-based National Aluminum Co. Ltd. (Nalco). This potline, with 194 of 240 pots already commissioned, went out of control in April, forcing the shut down of 64 pots.

In the past few months, pot room operations have been streamlined, and productivity per pot has reached 1.3 mt/d of metal, with purity levels of 99.7% to 99.8%. The company has received the go-ahead for recommissioning the 64 pots, and expects the entire line to be operating by April 1989.

The Gujarat Mineral Development Corp. Ltd. (GMDC) will proceed with development of its complex sulphide ore body near Ambamata; however, it has not yet determined the best method of concentrating the minerals. The company expects to produce 350,000 mt/yr of ore, grading 1.12% Cu, 3.0% Pb, and 5.33% Zn, from an open pit. Marginally lower-grade zinc will be extracted from the deeper portions of the mine by underground methods.

GMDC is considering three options for concentration: production of a bulk sulphide concentrate, production of a zinc concentrate and a Cu-Pb concentrate for a new ISP smelter being built by Hindustan Zinc Ltd., or production of three separate concentrates.

Associated talc presents a difficulty in processing the ore. GMDC seeks to employ a process consultant to determine the best methods for concentration, and at the same time, is looking for buyers of bulk concentrates.

Nepal

Nepal Orind Magnesite (Private) Ltd., a 50:50 joint venture between the Nepal government and Orissa Industries Ltd. of India, commissioned a plant in July. The plant, located 85 km from Kathmandu, will process high-grade magnesite mined on site. Output will be 50,000 mt/yr dead-burned magnesite between 92 and 96% MgO, plus about 10,000 mt/yr talc.

Technical consulting services were provided by Harbison Walker of the United States, while the dry grinding and classifying plant was supplied by SALA International, Sweden.

IN CANADA

British Columbia

A prefeasibility study at the Ladner Creek gold mine, near Hope, has concluded that the mine should go into production following formal feasibility studies. A joint venture, between Wright Engineers and Giant Bay Resources Ltd., is a junior partner in Carolin Mines Ltd.'s Ladner Creek mine. Reserves are estimated at 1 million st, grading 0.125 oz/st gold.

Cominco Ltd. reports that a mechanical failure put one of the zinc roasters at its Trail facility out of service for about one week, resulting in a loss in production of about 2,000 st. A scheduled July maintenance shutdown for roaster and stack repairs was expected to cause an additional production loss of 7,000 to 8,000 st.

Northwest Territories

Pine Point Mines Ltd. ceased milling permanently at Pine Point operations in April. Zinc concentrate sales were maintained at near-normal levels by inventory drawdown, but lead concentrate sales dropped due to the cessation of production. The operations and townsite are essentially shut down, but efforts to dispose of the remaining minsystem, many of the company's black employees have taken advantage of a project enabling them to buy their own homes. At Kuthlwanong, close to Freddies No. 1 shaft, 229 homes have been built and occupied and another 511 are planned for 1988.

Freegold is installing or plans to install the latest proven mining developments, incorporating in-stope trackless mining at Freddies No. 1 shaft, President Brand No. 6 shaft, and Saaiplaas No. 5 shaft.

Gush said that Freegold's intensive drilling program will continue to prove up reserves east of Free State Geduld and north of Erfdeel, where results to date have been encouraging.

The company's agreement with Free State Development and Investment Corp. on the exploitation of the Du Preez Leger and Jonkersrust farms has been signed, and granting of a lease and its incorporation within Freegold's lease area is now awaited. ■

CAROLIN

Preliminary findings favor development of Ladner Creek deposit

Joint venture partners Wright Engineers Ltd. and Giant Bay Resources Ltd. have notified Carolin Mines Ltd. that based on a first-stage analysis Carolin's gold deposit at its Ladner Creek mine near Hope, B.C., can profitably go into full-scale production. The decision is subject to confirmation of the grade and tonnage and additional metallurgical testing confirming earlier results.

Independent consultants have estimated Carolin's known gold deposit at about 1 million mt grading 0.125 oz/st gold and 800,000 st of mine tailings grading 0.045 to 0.055 oz/st gold. Only about 5% of Carolin's total mineral claims have been explored, and the potential for discovery of additional gold deposits exists.

Currently, 1 st of mineral samples is being collected by Carolin to permit the next step of metallurgical testing. On Oct. 23, 1987, Carolin signed a Letter of Intent with Wright and Giant Bay to have the joint venture evaluate, test, and bring into production the Ladner Creek mine. With positive completion of this six-month program, a feasibility study will be carried out as a final step before production.

The Ladner Creek mine was developed in the 1970s and early 1980s at a cost of about $C50 million. Its assets include a 1,500-st/d production facility and related equipment. ■

Feasibility study is completed for Cinola gold project in B.C.

Wright Engineers Ltd. of Vancouver, B.C., has released a summary of a feasibility study on the Cinola gold project prepared for City Resources (Canada) Ltd. that indicates the deposit can be mined profitably. The project is on Graham Island in the Queen Charlotte Islands in British Columbia. The mine site is near the center of the island, about 18 km south of Port Clements.

The study envisages an open-pit mine extracting ore at a rate of 6,600 st/d, with a waste-to-ore ratio of 2.08:1. Gold production is projected at 175,000 oz in the first full calendar year of produc-

Toronto Globe & Mail Mon. Feb. 9/87

Test of Carolin's gold may need testing

BY BUD JORGENSEN
The Globe and Mail

The Carolin Mines situation has put the spotlight on how the regulatory process separates the glitter from the gold in claims made by junior mining companies.

In the case of Carolin Mines Ltd. of Vancouver, the question really is whether it has found fool's gold or real gold.

At issue is the credibility of a company statement that it has one ounce of gold and half an ounce of platinum to the ton in an 800,000-ton tailings pond — a pile of waste from ore that has already been processed through its gold mill.

This statement is based on test work done in the United States in a secret process by Intergold USA Inc. of New York. Its president, Martin Fife, describes the test results as "very conservative numbers."

The amount of gold claimed to be in the wastes is eight times what drilling indicated was in the ore, and grades that high would put Carolin among the richest mines in the world.

Michael Berns, who is taking over as president of Carolin, concedes that the company has done little checking on the technical competence of those doing the work for Intergold.

"Essentially, what we have done is put the bulk of our faith in the credibility of the president of that company, Martin Fife," Mr. Berns said. Intergold has a proprietary process and Carolin respects the confidential nature of that process, he said.

Mr. Berns, his brother James and Neil Blumstein, all of New York, are in the process of acquiring control of Carolin. They have bought $26.7-million in convertible debentures held by the National Bank of Canada and State Farm Mutual Automobile Insurance Co. of Bloomington, Ill.

Carolin began operating in January, 1982, but closed late in 1984. During that period it ran intermittently and it became clear that the metallurgy was much more complex than anticipated. The mill was recovering only about half the gold that drilling indicated was in the ore.

The New York group is buying the $26.7-million debentures for $3.5-million. An information circular says they will end up with 21 million shares. That circular was sent to shareholders with notice of a Feb. 23 meeting in Vancouver to approve the transfer of control, along with several other resolutions.

Mr. Berns said about 32 million shares will be issued by the time a variety of debts are settled and converted to stock. The control group intends to sell five million shares in a private placement, he said.

Trading in Carolin was suspended by the Vancouver and Toronto stock exchanges and by NASDAQ because it was delinquent in filing information. NASDAQ is a regulated over-the-counter market in the United States.

Trading has continued, however, on the U.S. "pink sheet" market, an unregulated market for trades between brokerage houses. There are seven pink sheet market makers in Carolin stock, including two Canadian companies, Richardson Greenshields of Canada Ltd. and McLeod Young Weir Ltd.

Carolin last traded at 50 cents in Toronto — on May 5, 1986 — but the pink sheet price has gone as high as $6 (U.S.) in recent days. The price range on Friday was from $4 to $4.50.

In Canada, a cease-trading order has been issued by the Ontario Securities Commission, which means that the transfer agent is prohibited from registering a change in ownership.

The British Columbia Superintendent of Brokers has not put a cease-trading order on the stock, but the transfer agent, Central Trust Co. of Halifax, has agreed to stop all transfers of Carolin stock.

The pink sheet market continues to operate, however, because brokers had assembled large pools of small-denomination Carolin stock certificates in street name —

SEC'S— Page B3

SEC's ability to investigate is limited

• From Page B1

stock not registered to an individual that can be passed on like currency.

The value of that stock will ultimately depend on the results of Intergold's work.

Carolin has not been getting the word out. Late last month it ran an advertisement in *Barron's*, a widely read U.S. business publication. The rate for the ad was about $2,500.

Regulators in the United States and in Canada all say their mandates allow them to investigate the technical merits of Carolin's claims. They would not comment on whether a specific company is being investigated.

Securities industry sources say the U.S. Securities and Exchange Commission has made some preliminary inquiries about Carolin.

However, the SEC's ability to chase down information is limited. The agency has two staff geologists, both in Denver, and a mining engineer in Washington to do all of the technical checking required on all mining and oil and gas companies operating in the United States. They also do some work on holdings of U.S. companies abroad.

David Abbott, one of the geologists, said claims of the ability to find platinum where conventional assay techniques have failed have been relatively common in recent years in the western United States.

Certain types of assay tests will make iron look like platinum or gold and further work is necessary to sift out the false readings.

Fool's gold is iron pyrites, and Mr. Berns has said there is a variety of iron in the Carolin ore body. Mr. Fife said "there is no way" that iron could have shown up in tests done by Intergold.

John Leybourne, deputy director of enforcement at the Ontario Securities Commission, said the OSC has a contract engineer who would look at technical issues if there were questions about adequate disclosure. Evaluating the technical nature of company claims is "an ongoing subjective situation."

Gordon Mulligan, deputy superintendent of brokers in British Columbia, said his office also has an engineer on contract and would send him outside the country to check on technical questions if it were believed necessary.

"Where there is some question as to the impact of what is being announced . . . in all situations we must always verify that there is true disclosure."

He said British Columbia has not issued a cease-trading order because the transfer agent's B.C. branch voluntarily complied with the Ontario order and because most trading in Carolin is done outside British Columbia.

Mr. Berns said about 80 per cent of Carolin's stock is held by Americans.

Vol.10, No.3

Gold Stocks Advisory

March 1, 1996

$15.00

This Junior Gold Is My Silver Stock For The Year 2000 AD.

By: Paul Sarnoff, Editor

GSA subscribers know I am a dedicated silver bull. In fact, some of you very nice people may have enjoyed my book, *Silver Bulls*, which told my version of silver's rocket-rise to $50 an ounce, back in January 1980 — and its subsequent collapse that same year.*

In that book, I envisioned that the silver price someday would surpass its old high of $50 an ounce. The main impetus for this, I wrote, would be the Chinese need for silver. Silver demand is a function of population. The United States uses the most silver-per-person of any country of the world: approximately ¾-ounce of silver-per-person a year. Now, by the year 2000 AD, there will be over 2-billion Chinese in mainland China. I have calculated that, by then, there would be a per-capita demand in that country of at least ½ ounce of silver a year. Thus the Chinese alone would require over a billion silver ounces annually. This need would arise when the Chinese demand the same kind of modern amenities we enjoy in our culture. Yes, while western civilization can exist industrially without gold, we certainly cannot thrive without silver.

GSA subscribers also know I have recommended a number of penny gold stocks that have turned into dollar-gold stocks. But I never before recommended a penny silver stock slated to become a multi-dollar one. So now I'm making up for the past — and recommending a company that should become a multi-dollar silver stock well before the end of this century.

Oddly enough, my "silver stock" recommendation is actively traded as a "junior gold exploration/development company." But there are dramatically improving events looming in its silver future, which will lift its shares to multi-dollar levels.

So my recommendation is: buy shares of **Athabaska Gold (AHB on Toronto) — and HOLD for long-term gains.** The 52-week range for Athabaska has been C$1.40 high and C$0.30 low. AHB closed on February 13th at C$0.72 (about 53-cents a share in American money).

But before calling your broker to buy stock, kindly read on . . .

Overview of Athabaska Gold

Right from its start in 1987, Athabaska has been an exploration/development company, primarily seeking gold deposits. Initially it confined its exploration to areas north of Yellowknife, in Canada's Northwest Territories. Led by one of the best mine finders in the business, President Jim Kermeen, two great gold prospects were discovered and developed at Damoti Lake and at Nicholas Lake. The Damoti Lake holding was sold to Consolidated Ramrod (CYN on Toronto) and the Nicholas Lake holding went to Royal Oak. Armed with more than $6-million in assets, Athabaska, in 1995, decided to focus on two areas: the revival of a former gold producer in British Columbia; and the development of a massive silver/base metals project in China.

In this regard, Athabaska's 34%-owned subsidiary, **Breckenridge (BKD on Vancouver)** recently signed an "agreement in principle" with the Chinese government to develop the Xiacun metal project in Sichuan Province.

I'll discuss both this silver project in China and Athabaska's British Columbia gold mine a bit later. But I want you to know that the President of Athabaska is also the President of Breckenridge — and the companies are inter-locked**.

In essence then, Athabaska is coming out of the closet in Canada as a gold producer on the one hand; and on the other it is bringing into production an advanced-stage silver deposit in China, through a subsidiary. I look for AHB to advance sharply

continued on page 2

*NOTE: *Silver Bulls*, Arlington House, 1980 is out of print. I am making reprint arrangements with another publisher. Among other items, it shows clearly how the Hunt Brothers got shafted. If you have an interest in this book, let me know. I'll tell you how to get a copy.

**NOTE: AHB has the right of first refusal for all future financing of Breckenridge. It also stands to profit handsomely from its gold mine development at Ladner Creek, BC. I feel GSA subscribers have the best of both worlds (gold and silver) with Athabaska. Breckenridge shares closed on Vancouver February 13th at C$0.45. So by buying Athabaska, for a few cents more, you are also getting the upside benefit of a future gold price rise. Ed.

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Junior Gold . . . continued from page 1

in price as both the gold mine in Canada and the silver mine in China proceed to production.

Moreover, real mines are made by dedicated people — experienced mining people, not necessarily promoters. And that's one of the main reasons I have chosen Athabaska as my silver stock for 2000 AD and beyond.

Athabaska Has Great Mining People

Jim Kermeen, President of Athabaska, has more than forty years experience in mining. He began his career in the early 1950's as an exploration geologist. Since then he has acted as a consulting geologist for major mining companies and foreign governments. He is — in my opinion —one of the best geologists and mining company administrators in the industry. I first met Jim four years ago, when Athabaska was exploring the Damoti Lake and Nicholas Lake digs. And I was greatly impressed with his accomplishments and outlook. So I recommended Athabaska to my *Red Hot Penny Gold* subscribers. At the time the company wasn't much more than a mine finder. But now the company not only has the ability to find mines, but also to finance and operate them. And Jim Kermeen, one of the nicest people in the mining business, will see to it that his shareholders benefit as his company grows.

Working closely with Jim is Thomas Adamson, VP Administration, who holds a BSc in geology from the University of British Columbia and is a professional geoscientist. Tom has more than 28-years experience in management of publicly-traded resource companies. Incidentally, Jim is President of both Athabaska and Breckenridge; and Tom is VP of both companies.

In addition to skilled geologists, Athabaska can call on its directors when help is needed. For example, Ian Burgess, is a director and financial advisor to Athabaska. He has had 16-years of experience with Barclay's Bank, where he was a Vice President and head of "structured finance", which means financing for junior and intermediate mining companies.

It is indeed a pleasure to find a small mining company with such mining and financial talent. But while people do make a mining company go, it can only grow if the properties are economically viable. So it's now time to turn to . . .

Athabaska's Future Promise

First The Gold:

AHB's principal Canadian property is its Ladner Creek gold project. The former company that operated this mine spent over C$40-million to create the infrastructure, building both a mine and a mill — and operated the property for 27 months. During that period, the mine produced 45,000 ounces of gold. But the mine closed because of technical and operational problems. Athabaska is convinced that by combining modern technology and its experienced management, the previous problems can be solved. In fact, AHB has already anticipated that the mine will not only be reopened, but also will profitably produce at least 56,000 ounces of gold a year.

Right now AHB is conducting a program of drilling and drifting from both surface and underground workings. This program, which will cost more than a million dollars, is designed to outline additional reserves. At the same time, a large scale metallurgical testing program is under way. During the past few months, results of drilling have emerged — and the fire assays clearly reflect very promising high grade gold intercepts.*

At the present time, the proven and probable ore that can be accessed from the mine's underground workings exceed 110,000 gold ounces. In addition, AHB intends to reprocess the tailings at the mine, which could add as much as 31,000 ounces, while new reserves are being proved up. The infrastructure is in place. Previous milling, by the former mine operator, resulted in only a 52% gold recovery from the ore. This made the mine uneconomic. AHB is convinced that with proper metallurgical testing and mill modifications, satisfactory gold recovery (85-90%) will ensue.

The mine is located about 80 miles east of Vancouver. It is readily accessible from a 3-mile road connecting with the Trans Canada Highway.

If all works out, as Athabaska's executives believe, the mine could be in operation by next year. And, of course, by then the AHB share price will not be under C$1.

Now Athabaska's Silver Future:

In the fall of 1995, Athabaska financed Breckenridge, a Vancouver-traded company that has a Placer Gold property in Costa Rica and a "memorandum of understanding" with the Chinese government, enabling Breckenridge to acquire a 67% interest in an advanced stage high grade silver/base metals project. This massive silver property, called the Xiacun Project in Sichuan Province, is, in my opinion, the gift for investors in Athabaska's silver future. You see, Jim had a "prefeasibility" study conducted by Rescan Engineering, a highly qualified

*NOTE: For copies of recent releases detailing AHB's Ladner Creek drill progress and fire assays, call Stephen Jackson, AHB Investor Relations VP, at 604/521-3005.

Canadian engineering firm specializing in mining projects. And the results were sensational.

In the first place, current reserves are 8,173,000 tonnes grading 224 grammes per tonne silver; 0.61 grammes per tonne gold; 9.15% zinc; 5.65% lead; and 1.04% copper. This translates to an annual anticipated production of 5,895 gold ounces, 118 tonnes of silver (multiply by 31,115 troy oz. per tonne), 26,075 tonnes of lead, and 4,560 tonnes of copper.

The economics of the project are, of course, very viable because of low labor and power costs; and low smelter costs. At current commodity prices, the study indicates (after all smelting, refining and concentrate hauling costs) a net smelter return of US$117 a tonne in the early years of mine operation, and US$92 a tonne over the initial fifteen-years of life of the mine. Thus, the study concludes that annual pre-tax operating profit will be "US$46-million in the early years and US$31 over the life of the mine." This is a pre-tax discounted rate of flow of 37% — and a very rapid payback of capital, in 1.9-years. It is expected that the joint venture between Breckenridge, which will hold a 67% interest in the operation, and the Chinese partners, 33%, will be exempt from Chinese income tax for the first two years, and be taxed at a 50% reduced rate for at least the following three years".

Now get out your pencils and figure what's in it for Athabaska, which now owns (diluted) about 34% of Breckenridge — and will be supplying financing for the future. You may not hit the figure precisely on the head, but I suspect Athabaska's share of this venture will escalate with the future financings. By the way, the Chinese partners in the joint venture with Breckenridge are four government agencies as follows: 1) China Non-ferrous Metals Corporation; 2) Xichuan Provincial Bureau of Geology and Mineral resources; 3)Ganza Non-Ferrous Metals Industrial Corporation; and 4) Baiyu County Industrial Resources Corporation. On January 10, 1996, Breckenridge managed to proceed to step 2 in the process, that started in 1995 with the signing of the memorandum of understanding, by achieving the signing of the "Agreement in Principle" by the "partners." Now Breckenridge can vest a 67% interest "by completing a bankable feasibility study and matching, pro-rata prior Chinese project expenditures in the amount to be finalized by future agreement". After this important piece of paper is signed, parties to the venture will share all project costs and proceeds "in proportion to their respective project interests."

Since the Chinese wish to proceed "as expeditiously as possible towards a final joint venture agreement," I hope to be around to look at the mine when it goes into production.

So far, Athabaska has fulfilled most of my criteria for inclusion on the GSA "Also Recommended List." The final criterion involves money.

Can Athabaska Raise Breckenridge's Future Financing Needs?

Right now, Athabaska has plenty of money. When it disposed of its holdings in Damoti Lake and Nicholas Lake to Consolidated Ramrod and Royal Oak, respectively, Ramrod had no money, so they gave AHB 630,000 shares of stock. But Royal Oak sent over $3.8-million in cash. So Athabaska has plenty of money for the foreseeable future. But Breckenridge is going to need plenty of money to advance to step 3, the finalizing of the joint venture with the Chinese. Since AHB has a financial advisor-director, former VP of a global bank, and since AHB has first refusal rights for future Breckenridge financing, and since I forgot to mention that the chairman of Breckenridge (and also its largest shareholder) is based in Singapore and speaks Chinese fluently, I have little doubts about future financing, either for Breckenridge or for Athabaska, if and when the need arises.

So having met all my criteria for inclusion in GSA, it is my pleasure to tell you I'm putting AHB on the list with this issue. So if you can buy Athabaska at around current levels, do so. And hold your shares for future profits.

And now here's...

Athabaska Gold At-A-Glance

Symbol & Where traded: Athabaska trades on the Toronto Exchange under the symbol "AHB".

Type of Company: Junior exploration/development company with gold properties in Canada and prospects in Voisey's Bay. AHB also owns 30% (34% diluted) of Breckenridge Resources (BKD on Vancouver) which has a chance to earn a 67% interest in a very rich silver/base metals prospect now nearing production in China. Key officers of AHB and BKD are the same and the companies are "inter-locked".

52-week Share Price Range: High: C$1.40 and low C$0.30. Closing price February 13, 1996 = C$0.72 (about US$0.53).

Capitalization: 50-million shares of common stock authorized.
22.7-million issued (26.7-million fully diluted).
No debt.

Financials: Company has not sent me recent reports of financial condition. But even without balance sheets, etc. its financial ratios have to be great. It had at start of this year over $4-million in cash, securities worth more than a million dollars (US) and very little current liabilities. You can ask for the next financial report directly from the company president, if you like. But I'm confident the company has plenty of money to fulfill its foreseeable goals.

Special Situations: AHB has optioned the Ladner Creek Mine and is spending $1-million to see if it is worthwhile to acquire the mine. If it exercises its option, AHB will issue up to $6-million worth of its shares to the mine owners. But I'm convinced Athabaska's future is interlinked with that of Breckenridge, a massive silver/base metals prospect in China nearing production. The first two steps have already been met by the joint-venture partners, After step 3, a finalized joint-venture agreement, it will be gung-ho and AHB will not be trading in the pennies. For that matter, neither will Breckenridge. But for GSA subscribers, I believe AHB will provide the best of both worlds: gold — with a silver lining.

Company Address: Athabaska Gold, 1185 West Georgia St. Suite 1200, Vancouver, BC V6E 4E6, Canada

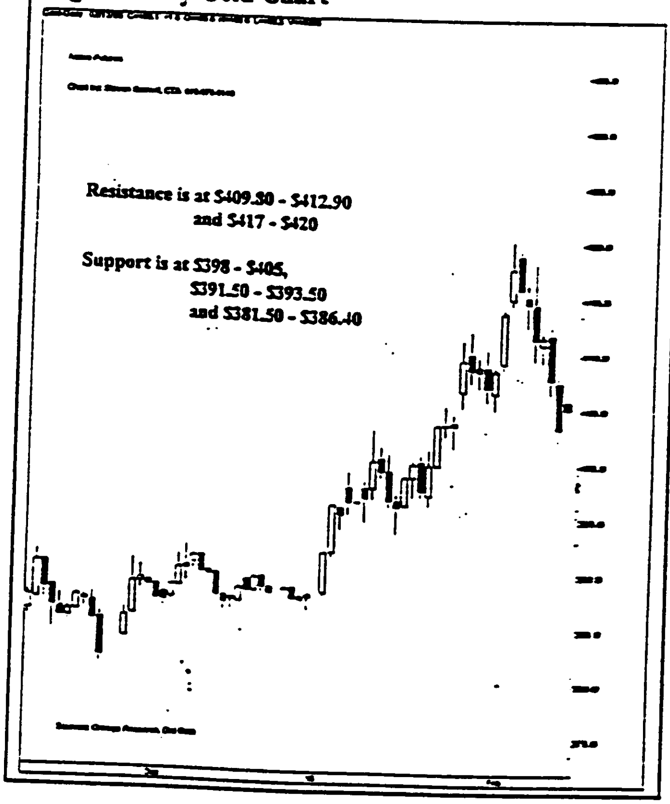
Contact: Stephen Jackson, VP Investor Relations
Phone: 604/521-3005 - Fax: 604/684-4601

An Update On The Gold Price: The End Of The Beginning

In mid-December of 1995, I wrote an analysis and outlook on the gold price for GSA subscribers. With the actively traded gold futures price stuck in the mid-380's, I forecast that in the first quarter of 1996, you could expect the Midas metal to move against the resistance awaiting buyers above $400. I stated that, "If gold can defeat resistance at the $425 level, $500 becomes a reasonable price objective for 1996."

As you can see in the candlestick chart of daily gold (Figure 1), the new year brought, as expected, a return to volatility in the form of an upside surge. Gold caught many market participants flat-footed, as the yellow metal rose to an early-February high of $420.20, basis the April futures.

Fig. 1: Daily Gold Chart



Mining shares, which led the surge, got too far ahead of themselves. Gold was getting positively glowing coverage in the financial press — this always sets my contrarian senses tingling. With April gold at $417.70, I published a sell signal, telling my Samurai subscribers that "...producers and professionals would be foolish not to sell at these currently rich prices."

To my bloodshot eyes, the $415-$425 area marked a selling zone, with support at $398-$405. I instructed Samurai traders to cover their shorts at $405.30, which they were able to do on February 12th. As of this writing, April gold has found support at $402.50 and is now trading at $405.10.

So Sarnoff, what now?

Gold's bounce, from current support, should tell the tale. I see key overhead resistance at $409.80-$412.90 and $417-$420. So many analysts are saying that the $400 level will hold and gold is going to $500 — it's a bit scary — that it leads me to suspect that gold's correction will need to be deeper and last longer than the crowd expects.

Below $398, the next support (buying) levels I see are $391.50-$393.50 and $381.50-$386.40. If gold were to reach those levels, the psychology of the market would be so pessimistic — excitable bulls would have been bashed — that the way would be paved for a strong resumption of gold's bull market trend. You could then expect resistance in the $420's to be overcome, possibly by the end of the year.

Over the next couple months, while gold has the potential to be under pressure, note that gold shares may retrace a great portion of their recent advance. A continuation of the "silly season" in stocks and bonds should weigh on gold. You can expect your select mining shares to rocket, as the investment environment changes during the year and gold really gets moving to the upside. The driving force should simply be the relatively small number of quality companies and the huge amount of institutional money that will desperately want to own them.

Thank you.
Steven Sarnoff, CTA