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## Low gold price pins Royal Oak into writedown

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Royal Oak Mines said Tuesday it is writing down the carrying value of certain assets by \$81 million as a result of the low price of gold.

"It is prudent to take the writedown in the third quarter as we do not expect the gold price to increase significantly in the near term," said Royal Oak president and chief executive officer Margaret Witte.

The Kirkland, Wash., company said it has completed an analysis of the carrying value of its assets at a gold price of \$300 US an ounce to determine the recoverability of its investments. Gold has averaged \$294 an ounce in 1998.

In the past, Royal Oak has sold gold forward, resulting in a higher realized price but the company currently it has no production sold forward and is selling all its output on the spot market.

"The company is limited in its ability to hedge its production because of certain covenants related to its indebtedness," Royal Oak said.

The writedown affects operations in Timmins, Ont., and Yellowknife, N.W.T., but Royal Oak's new Kemess South mine in northern B.C. isn't affected.

"Although we have been successful in reducing average cash costs at our Timmins and Yellowknife operations to below \$270 an ounce, the current gold price is expected to decrease the amount of gold contained in mineable ore reserves and could affect mine life," Witte said.

"Despite the current weakness in the gold price, Kemess South has started to make a positive contribution to the company's cash flow." The \$470-million mine is expected to produce 250,000 ounces of gold a year at a cost of \$128 US an ounce over 20 years.