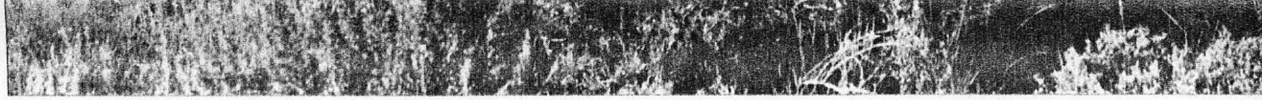

America. Maintenance work will start early August and full production shoul be resumed by the end of September.

Similco
887640

GIBRALTAR, PRINCETON, AFTON

Three Mines Set to Re-Open!

Gibraltar Announces Restart of McLeese Lake Mine

Gibraltar

MCLEESE LAKE, BRITISH COLUMBIA—Gibraltar Mines Limited has announced the resumption of full mining and milling operations at its McLeese Lake copper mine. The decision is primarily due to improved copper prices, the lower exchange rate and cost reductions. Operations were temporarily suspended on December 1, 1993.

The decision to re-open is welcome news to employees. Eighty-three hourly workers, currently on lay-off were called back on July 19. Employees will be brought back in stages as the work plan requires. About 127 new staff and hourly-paid employees will be hired. Together with 67 employees retained during the shutdown, the McLeese Lake operation will have 277 employees by October in order to meet the intended production schedule. When operations ceased last December there were 196 employees, down from 280 when production was cut by 50 per cent in September, 1993.

An agreement has been reached with the Government of British Columbia under the BC Job Protection Commission for a deferral of certain government levies. The agreement provides for a deferral in the payment of 50 per cent of hydro rates from October, 1994 to December 28, 1995, and a deferral of 50 per cent in 1995 and 1996 municipal taxes paid to the Cariboo Regional District. The deferred payments for hydro and municipal taxes are to be repaid by the end of 1998. Also included is an agreement with the Ministry of Energy, Mines and Petroleum Resources whereby the Company will fund its environmental bond at a rate of $1,000,000 per year for each of 1994, 1995 and 1996 rather than at the higher rate of 2,700,000 per year as previously agreed. The Company's long-term environmental bonding requirements will be established in October, 1997 at which time a new formal closure plan is to be submitted by the Company.

Recruitment of employees and work on recommissioning the mill and mobile equipment will begin immediately with production of concentrate scheduled for October, 1994. A new tailing line and pumping system will be installed before start-up. The Company will incur costs of about $10 million on capital projects and working capital before any cash flow is generated from the property.

Tom Milner has been hired as Mine Manager effective July 18, 1994. Mr. Milner worked at Gibraltar from 1972 to 1976 and later worked on the Equity Silver Mine project and for Placer Dome Inc. at the Marcopper Mine in the Philippines. He worked with Brinco Mining Ltd. from 1981 to 1992 where he took the lead role in the design, construction and operation of the Quinsam Coal property near Campbell River, B.C.

Fast Facts on Gibraltar

Gibraltar has been operating since June, 1972 (22 years).

Reserves are in excess of 187 million tons, approximately a 14-year mine life.

Gibraltar is located 37 miles north of Williams Lake.

The mine will have a work force of 277 people.

Gibraltar Mines Limited is in the process of establishing its corporate office in Williams Lake where a further 10 people will be employed.

Princeton Mining Corporation to Resume Similco Operation

SIMIL

Princeton Mining Corporation is pleased to announce that it has recently completed all necessary agreements to allow a production decision at the Similco Mine. Similco will recall personnel immediately for the resumption of operations of its copper mine in early August, 1994. The following agreements have recently been completed.

(continued on page two)

SIMILCO

(continued from page 1)

Similco Mines Ltd. has reached agreement with Mitsubishi Materials Corporation to provide Similco with a US $3.6 million Advance Payment Facility. The Advance is payable against the production and delivery of concentrate. The funds will be used to fund the start-up and for general working capital purposes.

In order to protect the economics of the operation, Similco Mines Ltd. has put in place a Price Protection Program for approximately 30 million pounds of copper over the first twelve months. Under this program, Similco is assured a minimum of US $1.00 per pound and receives 100 per cent participation of any price over US $1.10.

The unionized workers have been very supportive of the start-up and have ratified, by close to a 90 per cent vote, a two year extension of their existing agreement to July 4, 1996.

The price of copper in Canadian dollars has increased by more than 40 cents per pound since the mine operation was suspended last November 30.

Similco Mines Ltd. is a 100 per cent subsidiary of Princeton and has produced an average of 55 million pounds of copper, 25,000 ounces of gold and 350,000 ounces of silver annually over the last five years.

Afton Mine

AFTON/AJAX

Teck Corporation confirmed that it will reopen the Afton/Ajax copper-gold mine located near Kamloops, British Columbia.

Afton Operating Corporation, a wholly-owned subsidiary of Teck Corporation, has concluded a collective agreement with the United Steelworkers of America (Local 8637) as well as concentrate sales agreements. Maintenance work will start in early August and full production should be resumed by the end of September. Operations were suspended nearly three years ago because of depressed metal prices as well as the high value of the Canadian dollar.

The mine will employ 150 people and will generate $30 million annually in economic activities in the province, largely in the Kamloops area. ■

Price Waterhouse Releases Report on Industry

MINING INDUSTRY LOSSES CONTINUE

Although British Columbia's mining industry continues to operate at a loss, the industry is reporting some signs of financial improvement, according to the Annual Report on the British Columbia Mining Industry, compiled by Price Waterhouse. However, under current economic conditions, approximately two-thirds of the industry still remains unprofitable.

Overall industry losses for 1993 were $14 million. That compares with losses of $119 million in 1992 and $485 million in 1991. Net mining revenues for 1993 are reported at $1.7 billion compared with $1.9 billion in 1992 and $2.2 billion in 1991. According to Price Waterhouse partner Mike Smith, a rejuvenated coal sector and the decline in the Canadian dollar played a major role in the apparent turnaround of B.C.'s second largest resource industry. Smith was responsible for compiling the report.

in this sector is mostly a result of the resumption of full operations at three mines: Fording River, Fording Greenhills and Elkview.

Decline of the Canadian Dollar

The decline of the Canadian dollar against the U.S. dollar increased net mining revenues by approximately $122 million in 1993.

Copper Prices Drop

A significant drop in copper prices had an adverse effect on 1993 results. International copper prices fell almost 17 per cent in 1993, decreasing net copper revenues by $207 million. Exploration and development expenditures rose from 1992 levels of $29 million to $39 million this year, mostly as a result of the Eskay Creek development. However, primary exploration expenditures in British Columbia by survey participants were only $9 million in 1993,

> *"The mining industry made payments of $347 million to the three levels of government in taxes and other charges in 1993."*

million to the three levels of government in taxes and other charges in 1993. While direct taxes increased, payment to government related to employment declined in 1993 as overall industry employment levels dropped. Direct employment from mining continues to decline, falling to 8,899 this year.

The report notes the encouraging cooperation and consultation between industry and government through the Premier's Forum on Mining. One result was the 1994 budget incentive for the mining sec-

SIMILCO — The Prospector Sept/Oct. '94

best bets

Strong copper leverage

Princeton Mining Corporation ("Princeton") has emerged from a period of restructuring as a pure copper producer with no ties or liabilities to the asbestos business. The company is now debt free.

The key asset of the company is the Similco copper mine in south-central B.C., which has the capacity to process 25,000 tons of ore per day.

DOUGLAS HURST
mining analyst
Sprott Securities Limited

Princeton has announced its intention to restart Similco in the third quarter of 1994 as a consequence of higher copper prices, a lower Canadian dollar, and projected reductions in operating expenses. The primary source of the operating savings will be lower smelter charges, with additional cost reductions through better mining conditions.

Operations should begin using a combination of material from its existing stockpile and from the Ingerbelle East Deposit. These two sources of ore can sustain for at least two years. The Alabama Deposit is now being confirmed through drilling and is expected to generate ore in 1995. Both deposits are open for reserve expansion.

The planned capital cost of the start-up is $5 million, which includes $1.5 million in working capital and $1.5 million for capital improvements to the mill. Princeton will likely be able to fund the majority of these costs through a loan facility to be extended by its principal concentrate customer.

Princeton Mining Corporation
(PMC:TSE - $0.80)
Recommendation: Speculative Buy

Similco is projected to produce 11.0 million pounds of copper and 8,000 ounces of gold this year. In 1995, the operation should yield 47.0 million pounds of copper and 32,000 oz. of gold to generate cash flow of $15.3 million or about $0.20 per share.

Although Similco is high at US$0.80 per lb. copper, it makes Princeton a very high leverage producer. A US$0.10 change in the copper price produces a $0.10 change in cash flow per share. Revenues are protected to a degree through a hedge strategy. Princeton has sold 30.0 million pounds of copper futures to provide a base price of US$1.00. It is structured such that they can participate in any increases in the price of copper above US$1.10.

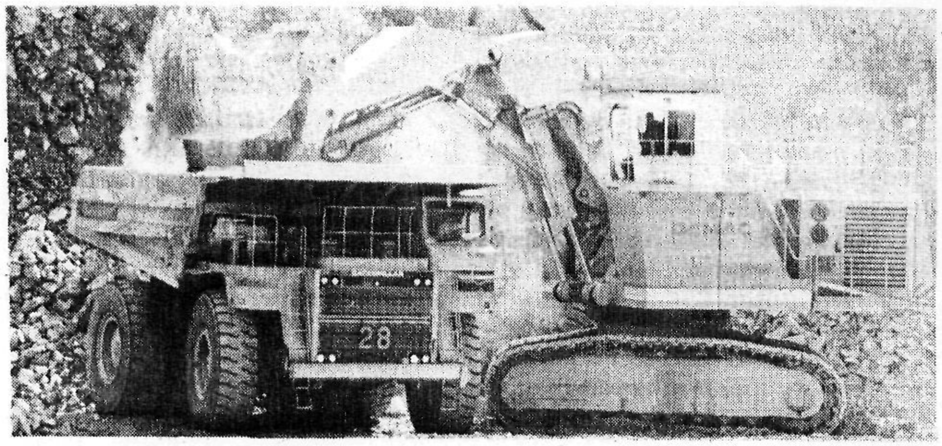

Photo: Princeton Mines

Operations at the Similco Mine: restarting.

from CON page 8

clave, and new water treatment and CIP recovery plants. By 1990, production was up to 1,350 tpd.

In early 1993 Nerco's parent corporation sold Nerco Minerals and the Con Mine to Kennecott Corporation. Shortly after, Kennecott opted to sell the mine and all of Nerco's non-coal assets.

Red Lion Management

Enter Berukoff and the substantial credit rating of his private company Red Lion Management. In June 1993, with help from geologist and future Miramar vice president of operations Michael L. Surratt, Berukoff negotiated purchase of the Con assets for US$25 million. He Miramar paid $25 million plus shares worth only $4,773,000. The shares are now worth about $22 million. As part of the deal Miramar also obtained the Con's recent $120 million in losses, which will protect the company from income taxes for some time.

Because of the depth of most of the reserves in the Con holdings, recovery is expensive. Miramar's ability to reduce the cost per ounce will be one of the key elements in the performance of the asset. During the first quarter the team brought costs down to $294 per ounce (from an estimated $345 under Nerco's management), and the company's goal is to keep costs under $300 per ounce until the capital programme is completed.

BRITISH COLUMBIA & YUKON CHAMBER OF MINES PLENARY SESSION - SNAPSHOT '95 BRITISH COLUMBIA/ YUKON/CORDILLERA
A LOOK AT TOMORROW'S PRODUCERS - Pacific Ballroom

Chairman: *Lindsay Bottomer, Director Canadian Exploration, Echo Bay Mines Ltd.*

8:55 Geology and Exploration of the Copper Mountain Camp, B.C. A Century of Exploration and Development

Peter Holbek, Senior Geologist, and Steve Blower, Princeton Mining Corporation

The porphyry copper-gold deposits of the Copper Mountain Camp, located in southwestern British Columbia, are hosted by volcanic and associated intrusive rocks of the Late Triassic to Early Jurassic Nicola Group. Mineralization is primarily structurally, but also lithologically controlled, giving rise to a variety of different mineralogical, grade, and alteration characteristics among the deposits within the camp. The strong structural control presents a challenge to both the exploration and mining departments.

Mineralization was discovered in 1897 and commercial production, using underground mining methods, was achieved in 1925. Open pit mining methods have been employed since 1972. Production, which has been carried out for 57 of the last 70 years, has come from five pit areas and totals approximately 1.7 billion pounds of copper, 0.7 million ounces of gold and 9 million ounces of silver. Internal cut-off grade during open pit mining has ranged from 0.2 to 0.35% Cu, depending upon metal prices, with average head grades of between 0.4 to 0.6% Cu. Similco Mines Ltd. is currently processing ore at the rate of 27,000 tons per day from the ten year old Ingerbelle low-grade stockpile with an average copper grade of 0.26% Cu.

Until recently, future production for Similco was anticipated to come from the Pit 3 area which contains 50 million tons grading 0.48% Cu at a strip ratio of 2.6:1. Recent exploration has indicated potentially economic, low strip ratio, reserves in the Alabama and Ingerbelle East areas. Definition drilling within the Alabama deposit is in progress while the Ingerbelle East deposit and Ingerbelle pit expansion are undergoing feasibility studies. The large amount of production data allows previously mined ore deposits to be "reconstituted" allowing more optimum design of exploration and reserve estimation procedures. However, after nearly a century of exploration, and more than half a century of production future discoveries within the camp remain to be made.

→ Similco

THIS MONTH IN MINING continued from page 16

New York

Asarco Inc. took an $80M after-tax charge in its fourth-quarter 1995 earnings, which were expected to be a loss overall. Included in the charges were the closure costs for the lead refinery in Omaha, Neb., a new accounting basis, and additions to reserves for previously closed operations.

IN CANADA

British Columbia

Similco Mines Ltd. (Princeton Mining Corp.'s wholly owned subsidiary) will receive a $1M loan from Mitsubishi Corp. to fund a first-phase diamond drilling program on the Alabama target area. The site is adjacent to the existing Copper Mountain open-pit operations. Efforts underway are based upon a recent helicopter-borne geophysical survey and some new geological interpretations. Copper/gold miniaturization has been found in 15 shallow drill holes.

Several mines in the province were awarded safety honors by the Minister of Mines: Greenhills operations (Fording Coal), Highland Valley Copper, and the Premier gold mine (Westmin Resources).

Imperial Metals Corp. has reached an agreement-in-principle with Sumitomo Corp. on $C102M financing for the Mount Polley copper-gold porphyry project. Sumitomo will acquire a 35% interest by funding in excess of $C85M of project expenditures. Debt financing will be $C47.7M and cost share payments will exceed $C32M.

The geological reserve at Mount Polley, which lies 56 km northeast of Williams Lake, is reportedly 231M mt grading 0.26% copper and 0.01 oz/mt gold, although the initial pit design contains 49M mt of higher grade material at 0.38% copper and 0.016 oz/mt gold. A Mine Development Certificate has been received from the Ministry of Energy, Mines, and Petroleum Resources and all other necessary authorizations are expected to be in place shortly.

All major process equipment has been purchased from the surplus inventory of Noranda Mining and Exploration at the Bell, Brenda, and Gaspé mines and production is expected to start in early 1997.

Ontario

Barrick Gold reported record earnings and production for 1995. It earned $292.3M, up 17% from 1994, from 3.14M oz gold produced (2.32M oz in 1994). Overall cash cost of production was $183/oz. Year-end reserves were 43.28M oz (44.03M oz for 1994).

Separately, the company altered its hedging policies in late January. It reduced the gold sold forward from 8.9M oz to 5.9M oz. Barrick said that market rate changes made hedging contracts less attractive. Until last year, commercial banks paid central banks a fee of about 1% for use of their gold. The fee rose to 2.5% in fourth-quarter 1995, and the rate rocketed to 8% one day. Barrick CEO Munk indicated that there was a supply/demand imbalance of 600-700 mt compared than only 150 mt two years ago, so he believes that fewer producers are going to be willing to sell their gold forward. This should push gold prices higher. ■