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George Cross News Letter

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WESTERN CANADIAN INVESTMENTS

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NO. 221 (1998)
NOVEMBER 18, 1998

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HILLSBOROUGH RESOURCES LTD.

[HLB-T] 17,699,368 SHS.

THREE MONTHS ENDED SEPTEMBER 30, 1998		1997
REVENUE	\$5,700,000	\$11,700,000
NET INCOME (LOSS)	(2,000,000)	100,000
EARNINGS (LOSS) PER SHARE	(11¢)	1¢
INCOME FROM OPERATIONS	100,000	1,900,000
TONNES COAL SOLD	128,000	281,000
CLEAN COAL PRODUCED	129,000	284,000

NINE MONTHS ENDED SEPTEMBER 30, 1998		1997
REVENUE	\$22,800,000	\$34,700,000
NET INCOME (LOSS)	(5,900,000)	1,200,000
EARNINGS (LOSS) PER SHARE	(34¢)	7¢
INCOME FROM OPERATIONS	(1,100,000)	6,200,000
TONNES COAL SOLD	528,000	809,000
CLEAN COAL PRODUCED	547,000	819,000

THIRD QUARTER REPORT - David Slater, president, Hillsborough Resources Ltd., reports financial and production results for the three and nine month periods ended 30Sept98. Hillsborough manages and owns 63% of Quinsam Coal Corporation, located near Campbell River, Vancouver Island, BC, and has an option to develop the nearby T'Sable River Coal project in which it has a 77% interest.

During the third quarter of 1998 the company's principal subsidiary, Quinsam Coal Corp., laid off 130 employees representing 2/3 of the workforce. This reduction in personnel which took place in July was due to disappointing productivity and slumping coal prices. Corporate restructuring costs amounting to \$2,200,000 were recorded in the nine months ended 30Sept98. These one-time costs include severance costs for employees and senior executives. However, as a result of enhanced productivity and a weaker Canadian dollar, 21 of the employees were brought back to work in September. The amount of clean tonnes of coal produced per manhour has increased to 4.06 tonnes in the third quarter from 2.53 in the first quarter. In the fourth quarter the company is targeting to produce 158,000 tonnes of clean coal at a production rate of 4.80 tonnes/manhour.

An in-depth analysis of Quinsam's proven and probable coal reserves was completed during the quarter. This has resulted in an increase in amortization of \$100,000 per quarter based on 15,000,000 tonnes of mineable reserves.

The company is committed to continuous change to improve productivity. In this regard additional mining equipment has been ordered which will be delivered in early February 1999. (SEE GCNL NO.178, 16Sept98, P.3 FOR PREVIOUS INFORMATION)

92F 319