

NO. 220 (1998)
NOVEMBER 17, 1998

NO. 220 (19)
NOVEMBER 17, 1998

ROYAL OAK MINES INC.

[RYO-T, AMEX] 154,968,692 SHS.

THREE MONTHS ENDED SEPTEMBER 30, 1998	1997	
REVENUE	\$21,890,000	\$53,926,000
NET LOSS	107,392,000	2,362,000
LOSS PER SHARE	72¢	2¢
GOLD PRODUCTION (OZ)	44,633	94,505
CASH COST OF PROD. (US\$/OZ)	252	310
REALIZED GOLD PRICE (US\$/OZ)	324	412
WTD. AVERAGE SHARES OUT.	148,940,000	138,910,000

NINE MONTHS ENDED SEPTEMBER 30, 1998	1997	
REVENUE	\$66,940,000	\$160,772,000
NET LOSS	140,134,000	62,564,000
LOSS PER SHARE	98¢	45¢
GOLD PRODUCTION (OZ)	135,922	284,430
CASH COST OF PROD. (US\$/OZ)	263	344
REALIZED GOLD PRICE (US\$/OZ)	337	410
WTD. AVERAGE SHARES OUT.	142,274,000	138,880,000

THIRD QUARTER REPORT - Margaret Witte, president, Royal Oak Mines Inc., reports financial and production results for the three and nine month periods ended 30Sept98; see tables above. There was an operating loss of \$12,000,000 in the three months ended 30Sept98 compared with operating loss of \$200,000 in the same period last year.

The net loss of \$107,400,000 in the third quarter was due in part to an \$86,400,000 write-down of mine assets and strategic investments. Gold production of 44,633 ounces was from continuing operations at Giant and Pamour/Nighthawk mines in Ontario in the third quarter of 1998 compared with 48,630 ounces in the third quarter of 1997, a decrease of 8%. Total gold production from all operations in the third quarter 1997, which included the Hope Brook Mine in Newfoundland and the Colomac Mine, NWT that were closed in late 1997, was 94,505 ounces.

Production of 40,096 ounces of gold and 11,100,000 pounds of copper contained in concentrates in the year-to-date period from the Kerness South Mine in north-central BC were not included in the consolidated operating results. Kerness reached commercial production 7Oct98. Net deferred start-up costs during the commissioning period have been capitalized.

- Average realized gold prices in the third quarter of 1998 saw a premium of US \$35/oz, or 12%, above average spot price of US \$28 per ounce. Average year-to-date realized price was US \$337/oz, premium of US \$43/oz, or 15%, above average spot price of US \$294/oz.

Consolidated operating results for 1998 do not include production from the Kerness South Mine. In the third quarter during the start-up and commissioning period, Kerness produced 37,051

ounces of gold and 9,800,000 pounds of copper contained in concentrates. Total production since start-up was 40,096 ounces of gold and 11,100,000 pounds of copper. The Kerness South Mine began production in the concentrator 19May98 and reached commercial production 7Oct98. Revenues from the sale of gold and copper contained in concentrates during the start-up and commissioning period have been netted against start-up costs. Net deferred start-up costs have been capitalized on the consolidated balance sheet.

Operating results in the three months and nine months ended 30Sept98 compared with the same two periods in 1997 were impacted by the closure of the Hope Brook and Colomac mines in September and December of 1997, respectively. Both mines were placed on care and maintenance.

In the nine months ended 30Sept98, gold production from continuing operations saw a decrease of 7% from production of 145,917 ounces in the same period of 1997.

The decrease in revenue in the third quarter this year reflected a decrease in gold production of 49,872 ounces, mainly due to the closure of the Hope Brook and Colomac mines, and a decrease of 21% in the average realized gold price. Revenue in the third quarter of 1998 included hedging gains of \$2,400,000 compared with \$12,300,000 in the same period of 1997.

The decrease in revenue in the year-to-date period of 1998 was due to a decrease in gold production of 148,508 ounces, and a decrease of 18% in the realized gold price from US \$410/oz to US \$337/oz. Revenue in the period this year included hedging gains of \$8,300,000 compared with \$30,800,000 the same period 1997.

In the third quarter of 1998, the average cash cost of production for continuing operations at the Giant and Pamour/Nighthawk mines saw a decrease of 16% compared to the same period of 1997. The significant reduction in cash cost was attributed to sustained cost-cutting measures implemented in the fourth quarter of 1997 and a 9% decrease in the value of the Canadian dollar against the U.S. dollar. In the third quarter of 1997, Royal Oak reported an average cash cost for all operations of US \$310/oz, which reflected the impact of the high cost Hope Brook and Colomac mines that were subsequently closed toward the end of the year.

In the third quarter of 1998, the company reported an operating loss of \$12,000,000 primarily due to the impact of declining gold prices on revenue, a depreciation and amortization expense of \$6,200,000 and a loss of \$6,400,000 after terminating currency and commodity contracts.

Royal Oak reported an operating loss of \$25,900,000 in the nine-month period ended 30Sept98 compared with an operating loss of \$21,300,000 in the same period 1997. The company recorded depreciation and amortization expense of \$16,900,000 for the nine-month period of 1998 and \$15,900,000 in the same period last year and losses on currency and commodity contracts of \$9,900,000 and \$14,100,000 in each period.

In the third quarter of 1998, Royal Oak reported pre-tax charges against income of \$81,400,000 representing a write down of mine assets, and a \$5,000,000 write-down of long-term investments. There was no write-down in the third quarter of 1997. In the year-to-date period of 1998, the combined write-down was \$86,400,000 compared with a write down of \$39,700,000 in same period 1997.

Ms. Witte said, "We are pleased with operations at our Kerness South Mine. The mine has now been in commercial production for over a month and operating performance is meeting our expectations. In 1998, the company expects to produce a total of some 278,000 ounces of gold from all operations at an estimated

94E 94 ✓

p. 1 of 2

1710 - 609 GRANVILLE ST
PO BOX 10363
VANCOUVER BC
CANADA V7Y 1G5
(604) 683-7265 FAX 683-5306

George Cross News Letter

"Reliable Reporting"

WESTERN CANADIAN INVESTMENTS

COPYRIGHT
ALL REPRODUCTION
RIGHTS RESERVED
PUBLISHED DAILY
SUBSCRIPTION RATE
\$350.00 + GST

NO. 220 (1998)
NOVEMBER 17, 1998

NO. 220 (1998)
NOVEMBER 17, 1998

cash cost of US \$240/oz, net of copper by-product revenue credit of US 75¢ a pound. Royal Oak has produced a total of 176,018 ounces of gold to 30Sept98 including 40,096 ounces from Kemess during the start-up and commissioning period. The Timmins and Yellowknife operations are generating positive cash flow.

Due to continued weakness in the gold price, the company decided to revalue its assets at a gold price of US \$300/oz. This valuation resulted in an extensive write-down on all assets, except for our large Kemess property position, in the third quarter. Royal Oak does not anticipate a further write-down of assets at the end of this year. We are working actively with our financial advisors to refinance the US \$120,000,000 of short-term Senior Secured Debentures with a long-term conventional project finance facility at a significantly lower interest rate. We expect to complete this transaction early in the New Year." (SEE GCNL NO.214, 6Nov98, P.5 FOR DEBT SETTLEMENT INFORMATION)

94E 94 ✓

p. 20f2