

WESTERN CANADIAN INVESTMENTS

\$350.00 + GST

NO. 219 (1999)  
NOVEMBER 16, 1999

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**REDHAWK RESOURCES, INC.**  
**[RDK-V] 4,558,155 SHS.**

C ZINC PROJECT ESTABLISHED - Kristian Ross, president, Redhawk Resources, Inc., reports the simultaneous option to purchase land and mineral titles adjacent to the company's Redbird property in southeast BC from EEVES MACDONALD MINES LTD. and the signing of a letter of intent with BILLITON METALS CANADA INC., a wholly-owned subsidiary of London-based Billiton Plc, to explore for zinc on the Redbird property and adjoining Reeves property collectively the Remac project). Both transactions are subject to due diligence by Billiton and Redhawk and are subject to regulatory approval.

The Reeves property is located 35 km southeast of the Cominco zinc-lead smelter complex at Trail and consists of about 31,500 hectares of Crown granted mineral rights and Crown granted and fee simple land. The purchase agreement allows Redhawk to consolidate a package of mineral claims covering about 4,430 hectares or 17 square miles.

Billiton and Redhawk see the zinc oxide project at Remac as a potential source of low cost zinc metal due to recent metallurgical advances. The inferred oxide resource for the consolidated ground holdings are independently estimated on behalf of Redhawk by Ralph Westervelt, P. Eng., at 4,600,000 tons grading 16.3% zinc. Calculations were made in accordance with the Vancouver Stock Exchange code of reporting Mineral Resources, Appendix 19C.

Redhawk have offered to buy the Reeves property for \$1,395,000. Under the terms of the offer, Redhawk has made an irrevocable payment of \$150,000 to Reeves. In exchange, Reeves granted Redhawk the exclusive right for 45 days to conduct a due diligence study and, at its election, to buy the property for the remainder of the above purchase price. Billiton on a non-recourse basis, has provided funds equal to the \$150,000 irrevocable payment.

As part of this agreement Reeves will subscribe for a \$100,000 part and parcel" private placement of 250,000 shares of Redhawk at 40¢ per share. These shares are subject to a one-year hold.

Coincidental with this announcement, Redhawk also reports a letter of intent with Billiton Metals Canada Inc. for funding of the Reeves property acquisition and for the exploration and development of the entire Remac zinc project.

To fund the property acquisition Billiton would subscribe for a four-year \$1,395,000 non-interest-bearing limited recourse convertible debenture, inclusive of the initial \$150,000 payment with a conversion price of \$1.35. Billiton would hold a second

right, at its sole election, to convert the debenture into a 100% interest in non-mining portions of the Reeves property. During the first 18 months Billiton would be restricted from converting the debenture but Redhawk would be permitted to pay out the debenture at face value.

In the second part of the proposed agreement, Billiton would subscribe for two private placements in Redhawk, totaling \$500,000 in exchange for the right to option the Reeves and Redbird properties. The first private placement would consist of 333,333 flow-through shares and 83,333 shares at 60¢ per share for a total of \$250,000. A full warrant would be attached to each share for an aggregate of 416,666 warrants, exercisable for one year at 75¢.

The second \$250,000 private placement would be at the higher of market or 60¢ and would consist of a \$200,000 flow through common share component and a \$50,000 share component. A full one-year warrant at 15% above the share market price would be attached to each share. Redhawk would be the initial operator. The private placement funds will be used to conduct the \$400,000 first program of trenching and drilling on the properties during 2000.

Following delivery of the initial results, Billiton may earn a 50% interest in the project by investing \$6,000,000 over four years, after which Billiton and Redhawk will establish a joint venture to spend an additional \$4,000,000 on the properties. Prior to the joint venture having spent this \$4,000,000, Billiton may elect to earn a further 20% interest in the project, for an aggregate 70% interest by providing Redhawk with project financing to the start of commercial production. Should Billiton elect not to proceed with its 70% election, the project would remain a joint venture with both parties being responsible for maintaining their interest, subject to a standard dilution formula. Billiton has agreed to vote their shares in favour of Redhawk management for five years from the date of the first private placement.

As part of Redhawk's due diligence and as a requirement for regulatory approval of the Reeves purchase, Redhawk commissioned Ralph Westervelt, M.Sc., P.Eng., to prepare a summary review report on the Remac zinc project. Mr. Westervelt's report dated 12Oct99 covers both the longer term zinc sulphide potential and the near term zinc oxide potential of the Remac project.

The purchase of the adjoining property from Reeves will allow Redhawk and Billiton to concentrate on exploring and developing the projects near term zinc oxide potential (of which the known resource exists approximately equally on the Redhawk owned and on the to be purchased from Reeves portion of the Remac properties).

Based on the known information Mr. Westervelt calculates an inferred current oxide resource of about 4,500,000 tons averaging 16.3% zinc. Quoting from his report:

"The inferred oxide resources outlined in the previous section are quite conservatively estimated and are based solely on the projection of the high grade 'cores' of the known sulphide zones. Considerable potential exists for adding significantly to this oxide potential".

Mr. Westervelt recommends a Phase I program costing \$400,000 consisting primarily of trenching, mapping and sampling and initial drilling of several of the known zones. Quoting further from Mr. Westervelt's Report:

"In 1998 the Beer Bottle showing was re-trenched using a backhoe and was re-sampled by Mr. G. H. Klein, P. Eng., the new sampling of the totally oxidized zone gave:

- 1) a footwall section grading 21.93% zinc, 3.11% lead, and 0.74 oz. silver/ton over 33.1 feet (estimated true thickness 21.5 feet), and 2) an immediately overlying hangingwall section grading 5.27% zinc, 1.82% lead, and 0.10 oz. silver/ton over 31.8 feet

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# George Cross News Letter

**"Reliable Reporting"**

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(estimated true thickness 20.7 feet)".

Details of the program will be agreed between Redhawk and Billiton, which, subject to the due diligence and closing details above, will be funded by the Billiton private placement.

Michael Foster, who was the managing director of Reunion Mining, a company with Namibian experience in zinc oxide beneficiation, has been appointed a director of Redhawk. Mr. Foster is the representative of Zincox Resources BV which owns 600,000 Redhawk shares and has a warrant to increase their holdings to 1,200,000 shares.

The main oxide mineral at Remac is hemimorphite, a hydrated zinc silicate. Although much detailed testing will be necessary to ensure success, preliminary metallurgical testing is encouraging and indicates the material should be amenable to beneficiation. As historically these oxide resources were not of interest due to the inability to remove the zinc economically from the rock, no effort was made to look for oxides beyond what was discovered during sulphide mining operations. With this in mind, Redhawk management is of the view there is considerable potential to expand this already significant potential resource by exploration.

The significance of the new zinc oxide beneficiation technology is that, unlike with sulphide production, it allows pure zinc metal to be produced without the need to send a concentrate to a conventional smelter. Given all things being equal, this allows for a significantly lower operating cost per tonne of zinc metal produced from oxides than from sulphides. The Remac project is located close to infrastructure for an operation of this kind.

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