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EL CONDOR RESOURCES LTD. (ECN-V)

COVENANT RESOURCES LTD. (CVS-V)

KEMESS CLAIMS INTERESTS ACQUIRED - David J. Copeland, president, reports El Condor Resources Ltd. and merger partner Covenant Resources Ltd. have agreed to buy all of Kennecott's interests in the Kemess area of the southern Toodoggone region of north-central B.C. for \$3,500,000 with \$350,000 payable 13May91 and the balance by 23May91.

By agreement 10May91 among R. G. Hunter, D. B. Forster and Robert Dickinson, as guarantors, El Condor as borrower, and Covenant as lender, the guarantors have agreed to advance Covenant \$3,500,000 to enable that company to lend El Condor sufficient funds to pay Kennecott. El Condor will grant a debenture to Covenant containing a first mortgage on all its properties and Covenant will issue 75,000 shares to each of the guarantors. Interest will be paid at prime plus 2% with the loan due on demand after 30Sep91. If the merger of El Condor and Covenant does not proceed, the debenture may be converted after 30Sep91 into El Condor shares at \$2.52 each.

Shareholder meetings have been called for 24Jun91 to approve the amalgamation of El Condor and Covenant on a one-for-one basis with completion expected 15Jul91. Management of El Condor and Covenant have entered into a shareholders' agreement to vote in favour of the merger.

The purchase of the Kennecott interest will give the merged El Condor/Covenant a majority and controlling interest in the Kemess area properties. The ground covers a disseminated gold/copper sulphide system 12 km long and five km wide. Preliminary drilling has outlined over 2,000,000 ounces of gold in two deposits with potential for expanding reserves. Potential reserves are estimated at 85,000,000 tons grading 0.26% copper, 0.019 oz. gold/t.

As a result of this acquisition, El Condor and Covenant are re-evaluating the takeover bid to be made for the shares of ST. PHILIPS RESOURCES INC. (SPP-V) as reported in GCNL No.85, 2May91, P.2. Under the proposed offer the merged El Condor and Covenant may offer one share of the merged company for each two shares of St.Philips. St. Philips Resources has appointed Yorkton Securities Inc. as fiscal agent. Yorkton will assist management with the solicitation of proxies for the shareholders meeting to approve the future possible change of control to Rio Algom Limited.

The Rio Algom proposes to: buy private placements for up to 3,800,000 shares of St. Philips for proceeds of \$10,650,000; for Rio Algom to buy shares from certain St. Philips shareholders; plus appoint two members to the St. Philips board. Under certain circumstances Rio Algom has agreed to buy up to 200,000 shares of St. Philips from the open market. St. Philips could also apply up to \$1,500,000 of the total proceeds for open market buying of its shares.

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