

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

## George Cross News Letter

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NO. 139 (1993)  
JULY 21, 1993

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EL CONDOR RESOURCES LTD. [ECN -V; ECNCF-NASDAQ]  
ST. PHILIPS RESOURCES INC. [SPP -V]  
RIO ALGOM LTD. [ROM-T.M]

MAJOR MINE CONFIRMED - Robert G. Hunter, chairman, El Condor BY PREFEASIBILITY STUDY Resources Ltd., reports Kilborn Engineering Pacific Ltd. has provided the Kemess South Joint Venture a Prefeasibility Study on the design, construction, operation and viability of a 40,000 tonne per day open pit gold/copper mine-mill complex at the Kemess South property, located near Mackenzie in north-central B.C. The Kemess South Joint Venture is comprised of El Condor 60% (operator) and St. Philips Resources Inc. 40%. El Condor is project operator. Rio Algom owns 7.7% of El Condor and 30% of St. Philips Resources or a 16.62% indirect interest in the project.

The engineering work by Kilborn and associated consultants on the project determined the Kemess South gold/copper porphyry deposit is an attractive, low-cost, co-product mine. Kemess South, when in production, will rank among Canada's largest and lowest cost producers of gold and copper. The study evaluated all aspects of the project, including geology, ore reserves, mining, metallurgy, processing, concentrate handling, tailings disposal, infrastructure, ancillary facilities, environmental requirements and project economics. In particular, the study identified and described all aspects of the project and compiled all cost information required to construct and operate the proposed mine so a detailed economic analysis could be performed. In most cases, the level of detail in the database and its subsequent analysis is that of a feasibility study calibre. Only a portion of those sections on process facilities and tailing impoundment are at pre-feasibility level.

Gold production is projected to average 213,000 ounces per year for a 15-year mine life at a pro-rata average estimated cost of US \$206 per ounce, or expressed on a normal cost basis by applying copper as a credit, the estimated cost to produce an ounce of gold will be US \$48. During the first six years of operation gold production could average 259,000 ounces per year. Copper production is estimated to average 58,000,000 pounds per year for the 15-year life at a pro-rata average estimated cost of US 60¢ per pound. On a normalized basis applying gold as a credit, the estimated cost to produce a pound of copper is negative US 24¢.

The Kemess South deposit contains a mineable reserve of 200,440,000 tonnes of Hypogene and Supergene ore at an average grade of 0.22% copper and 0.63 grams gold/tonne (0.018 oz/ton). The geometry and continuity of the reserve makes it amenable to efficient open pit mining at a nominal extraction rate of 40,000 tonnes per day

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with an overall life of mine stripping ratio of 1.26:1 (waste:ore). Extensive metallurgical testing and process work have confirmed conventional crushing, grinding and staged flotation will recover on average 78.2% of gold and 88.3% of copper from hypogene material and 70.2% of gold and 70.1% copper from supergene material. The standard flotation process will produce a clean concentrate ranging between 22% to 28% copper, 1.5-3.0 ounces gold and 1.5-2.0 ounces silver.

Average annual production will be 213,000 ounces gold, 58,000,000 pounds copper and 170,000 ounces silver. Production levels emphasize the co-product nature of the deposit where 63% of the value is in gold and 37% is in copper. Cost engineering and economic analyses demonstrate the mine-mill complex will have an estimated average life of mine site operating cost of \$4.75 per tonne of ore and an average net smelter return (NSR) of \$10.32 per tonne. Total pre-tax cash flow produced by the 15-year mine life will be \$1,062,800,000. Cash flow in the first six years will total \$578,000,000 for an annual average of \$96,400,000. Capital costs for the mine, mill, ancillary facilities and infrastructure are estimated at \$374,000,000, resulting in a short project payback period of 3.8 years. The pre-tax net present value of the project, at US \$375/ounce gold, US \$1.00/pound copper, CDN \$0.77 exchange rate and at 10% discount factor, is \$180,385,000 with an IRR of 19.9%.

The Kemess South Joint Venture will now rapidly proceed with completion of mine permitting and planning. An application for a Mine Development Certificate will be submitted in September 1993 to the Provincial Government. Results from more than two years of studies completed to date covering the mine/mill areas and project infrastructure components indicate there are no environmental concerns to preclude granting of a Mine Development Certificate. Upon obtaining a Certificate, a production decision will be made. Detailed design, procurement and construction will follow.

The time for permitting, procurement and construction management activities to complete the Kemess South project is estimated to be 37 months. Start of large scale production of gold and copper is expected to begin during the last half of 1996. (SEE GCNL NO.84, 3May93, P.1 FOR PREVIOUS PROJECT INFORMATION)

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