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George Cross News Letter

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ROYAL OAK MINES INC.

[RYO-T, AMEX] 140,795,029 SHS.

KEMESS MINE BLOCKADE LIFTED - Margaret Witte, president, Royal Oak Mines Inc., reports the blockade was lifted July 4 on the Finlay Forest Road to the Kemess Mine in the Toodoggone region of north-central BC. Equipment and supplies are now flowing freely to the Kemess mine site. The blockade, which lasted several days, has not affected the construction schedule. The Kemess Mine is scheduled to start production in April 1998.

Royal Oak reported 27Jun97 it had reached agreement with the provincial government of British Columbia on the terms and conditions of the compensation, investment and economic assistance package that the government is providing. The capital cost of the Kemess project is estimated at about Cdn \$425,000,000. The increase from the previous estimate of Cdn \$390,000,000 includes all working capital necessary for start-up, payment of higher stamptage fees under the terms of the formal agreement with the provincial government, and design changes to the tailings dam based on geotechnical considerations.

The Kemess Mine is scheduled to produce an average of 250,000 ounces of gold and 60 million pounds of copper per year, equivalent to about 450,000 ounces of gold and gold equivalents. The average life-of-mine cash cost is estimated to be about US \$200 per ounce of

gold and US 50¢ per pound of copper. Based on current mineable ore reserves, mine life at Kemess is expected to be about 16 years.

Royal Oak completed the purchase of Kemess in January 1996 for Cdn \$202,000,000 and has invested to date an additional Cdn \$300,000,000 for a total of Cdn \$502,000,000. The current market capitalization of Royal Oak is about Cdn \$330,000,000 which is less than the current value of Kemess. The company currently has about Cdn \$80,000,000 in its treasury.

As a result of the high copper component at Kemess and the strong copper price which has risen over the last year from US 85¢ to about US \$1.15 per pound, the current depressed gold price has not affected the fundamental economics of the Kemess project. Kemess, combined with the Timmins and Yellowknife operations, are scheduled to produce some 480,000 ounces of gold and gold equivalent ounces in 1998 at an average cash cost of less than US \$240 per ounce. (SEE GCNL NO.105, 2Jun97, P.5 FOR VARIOUS PROJECT UPDATES)

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