

maintenance. Gold production in the fourth quarter of 1997 was 38,629 ounces less than produced in the same period a year earlier, and mainly reflects the closure of the Hope Brook/Colomac mines.

Revenues in 1997 included hedging gains of \$33,700,000 and was 25% less than record the revenue in 1996 when hedging gains were \$51,300,000. The decrease in revenue in the three month and year end periods was due to the combined impacts of lower production and lower average realized gold prices.

The loss in 1997 reflected a provision for loss on currency and commodity contracts of \$46,300,000, (about \$22,000,000 of realized losses and about \$24,000,000 of unrealized losses) of which \$32,200,000 was incurred in the fourth quarter; a \$34,100,000 loss on investments in gold mining companies, of which \$33,000,000 was reported in the fourth quarter; and a write-down of \$39,700,000 on the Colomac assets, which was reported in the second quarter.

In 1997, cash costs were 4% lower than the prior year. The reduction in cash costs reflected closure of the high cost Colomac and Hope Brook mines in the latter part of the year, as well as the implementation of cost control measures such as reducing the workforce at the Pamour and Giant mines in the fourth quarter. In the fourth quarter of 1997, cash costs were 23% lower than in the same period a year earlier.

Royal Oak reported estimated mineable ore reserves of 7,000,000 ounces of gold at 31Dec97 compared to 9,900,000 at the end of the previous year. The decrease reflects a gold price of US \$350 per ounce compared to US \$390 per ounce a year earlier. The company reported a total resource of about 19,500,000 ounces of gold at the end of 1997 compared to 17,300,000 ounces at the end of 1996. In addition, Royal Oak reported an estimated mineable copper ore reserve of 996,000,000 pounds at Kemess, BC at the end of 1997, calculated at a copper price of US 95¢ per pound, compared to 990,000,000 pounds of copper, calculated at a copper price of US \$1.10 per pound, at the end of 1996. The estimated total copper resource at the end of 1997 was 10.7 billion pounds and includes the resource at the Namosi deposit in Fiji, which was not included in the resource of 1.6 billion pounds of copper reported at the end of 1996.

Royal Oak expects to start production at the Kemess Mine 180 miles northwest of MacKenzie, BC in May 1998. In 1998, the company plans to produce a total of 363,000 ounces of gold at an estimated cash cost of US \$208 per ounce, net of copper credits at US 80¢ per pound. In 1999, when the Kemess Mine is expected to be in full production, budgeted total production is some 477,000 ounces of gold at an estimated cash cost of US \$182 per ounce, net of copper credits at US 90¢ per pound. The company currently does not have any gold production sold forward.

Subsequent to the end of the year, on 25Mar98 Royal Oak obtained US \$120,000,000, subject to various approvals and completion of documentation, to refinance and fund the completion of the Kemess Mine. The financing is in the form of Senior Secured Notes arranged by Trilon Financial Corporation of Toronto.

Royal Oak is of the opinion a press release issued by the Tsay Keh Dene Indian Band 30Mar98 with respect to the Band's petition to the Supreme Court of BC to appeal an earlier decision to set aside the Project Approval Certificate for the Kemess project is without merit and is a frivolous attempt by the Band to interfere with the company's financing plans. In the company's opinion, the Tsay Keh Dene Band was reacting to the decision issued March 26 by the Honourable Justice Grist of the Supreme Court of BC which favoured Royal Oak regarding the application by the Band to overturn an injunction obtained by the company last summer. This injunction prevented the Band from placing a blockade on the only access road to the Kemess site. The Tsay Keh Dene Band sought to overturn the

earlier injunction on the basis there had not been full disclosure to the court and that the province did not have full authority over the road because it was built in a different area than had been contained in the surveys which were leading to the establishment of a First Nations Reserve. Mr. Justice Grist found in favour of Royal Oak and did not overturn the injunction. As a result of this decision, the First Nation cannot lawfully block access to the Kemess site. (SEE GCNL NO.61, 27Mar98, P.1 FOR PREVIOUS FINANCING DATA)

NO. 66 (1998)
APRIL 3, 1998

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