

Royal Oak's new Kemess gold, copper mine in the Toadoggonc region of north-central BC began production on 19May98.

Commissioning and operations are proceeding as planned. During the pre-production stripping phase of the project, which started in July of 1997, over 9,000,000 tons of overburden and waste were removed from the open pit. From the start of operations in mid-May to 11Aug98, some 2,700,000 tons of hypogene ore at a grade of 0.22% copper and 0.016 oz. gold/ton has been mined. The availability of the fleet of mobile equipment in the open pit has exceeded 90%. The average strip ratio for the project is estimated to be about 1.18 to 1 over the estimated 16 year life of the mine.

The concentrator has processed about 2,200,000 tons of ore at a head grade of 0.211% copper and 0.016 oz. gold/ton during this period. Design throughput was reached after about two months of operation. A sustainable milling rate of between 50,000 and 60,000 tons/day has been achieved for many consecutive days. About 9,261 tons of concentrate containing between 25% and 26% copper and between 1.3 and 1.7 oz. gold/ton have been produced. The concentrate is transported to the Far East for smelting and refining to recover metal values.

Throughput has been curtailed somewhat during the month of August as the company is making design and operating modifications to the flotation circuit in the concentrator to optimize gold and copper recoveries. Royal Oak estimates 1998 projected

recoveries of 78% copper and 71% gold should be achieved by the end of September 1998. The average life-of-mine recoveries are estimated to be 82% copper and 78% gold.

The Kemess Mine is in compliance with environmental regulations. The impoundment of tailings from the concentrator is operating successfully as a zero discharge system. Measures adopted to control sediment in streams have been successfully implemented, and the re-vegetation of areas disturbed during construction is proceeding well. The company estimates commercial production will be achieved about 30Sept98. As of 30Jun98 all proceeds from the sale of concentrates during the commissioning period have been credited against Kemess capital costs.

Ms. Witte said, "We are pleased with the start-up of operations at our new Kemess Mine. Our main focus at present is to increase the gold and copper recoveries in the concentrator. We have already exceeded the design throughput of the mill on a consistent basis. We are gaining a better understanding of the mineralogy of the ore and of the metallurgy of the flotation circuit and have made some design and operating modifications that have resulted in improvement in recoveries. We anticipate achieving design recoveries on the hypogene ore by the time we start processing supergene ore near the end of August. We expect commercial production to begin around the end of September, at which time production is expected to reach full capacity on an annualized basis.

At our Giant and Timmins operations, production costs continue to decrease as a result of cost cutting measures we implemented toward the end of last year. Cash costs at these operations continue to remain below the spot gold price. We are concerned about the continuing weakness in gold and copper prices and their impact on cash flow from operations. If spot gold and copper prices continue at current levels, the company will examine the carrying value of its assets to determine the recoverability of its investments. Royal Oak is working with its financial advisors in seeking a long-term refinancing alternative to ensure it will be able to meet principal payments on debt as they fall due and other financial obligations beyond the end of this year. (SEE GCNL NO.152, 10Aug98, P.6 FOR ARIZONA PROJECT INFORMATION)

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