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CITY RESOURCES (CANADA) COMPLETES FEASIBILITY STUDY FOR MAJOR GOLD PROJECT IN BRITISH COLUMBIA

Ron Longstaffe, President and Chief Executive Officer of City Resources (Canada) Limited, announced today that Wright Engineers Limited of Vancouver, B. C. has released a summary of the feasibility study on the Cinola Gold Project which shows that the deposit can be mined profitably.

The highlights of the study are:

- . Open pit mine. 6,600 short tons per day. Overall waste to ore stripping ratio 2.08:1.
- . Capital costs of \$110 million (Cdn.) including working capital of \$5.4 million and contingencies of \$14.4 million.
- . The after tax discounted cash flow rate of return for the project is 19.18% at a gold price of U.S. \$450 per oz. and an exchange rate of \$1.00 Cdn. = \$0.76 U.S.
- . Under these conditions, if the project is financed on a 20% equity, 80% debt basis, the debt can be repaid within 2 years.

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- . Gold production is expected to be 175,000 oz. in the first full calendar year of production, 192,000 oz. in the second year and an average of 114,600 oz. per year over the remaining ten years of mine life.
- . At 90% recovery, total gold production will exceed 1.5 million oz.
- . Production is scheduled to commence in October 1989.
- . The mineable ore reserves are 27.3 million short tons of gold ore at an average grade of 0.062 oz/st using a 0.032 oz/st cut-off grade.
24.76 million tonnes
- . Operating costs vary from U.S. \$207 per oz. for years 1 - 2 of production at design capacity to U.S. \$322 per oz. for years 3 - 12.
- . Further refinements to the metallurgical process which are being tested in a pilot plant may reduce the indicated capital and operating costs.
- . Ore treatment will utilize the proprietary Arseno process which uses nitric acid to catalyse the oxidation of the sulphide minerals which otherwise render the gold refractory to conventional cyanidation.
- . Gold recovery is anticipated to be 90%.
- . The cash flow summaries allow for a six month startup period when production will be lower and operating costs higher than when the plant is operating at its design capacity. From April 1990, the operation is assumed to have reached its design capacity.
- . Environmental work on the project has been performed by Norecol Environmental Consultants Ltd. of Vancouver. Norecol is currently preparing a "Stage II report" which will be submitted to the Mine Development Steering Committee of the Government of British Columbia early in 1988.

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- . Control of potential acid mine drainage, control of water quality impacts and protection of the high value fish habitats of the Yakoun River system are the key environmental issues for the Cinola Gold Project. This has necessitated special measures in project design. The proposed mining and reclamation plans, the mill process selection, the location and layout of the plant site, and water and waste management plans all reflect this priority.
- . The total mine labour force is estimated at 188 persons, of whom 120 - 130 will likely be current Queen Charlotte Island residents.
- . Royalties and taxes payable directly to the Province of British Columbia during the 12 years of operation total approximately \$51 million.

"City Canada's management has reviewed the Wright study", Longstaffe said, "and believe there is scope for significant improvements in capital and operating costs.

"For example, the feasibility study is based on one manual pit design and mineable ore reserve calculation. Further geostatistical work will make it possible to optimize the pit design and increase mining selectivity. This will improve both operating costs and revenues".

Longstaffe further noted that there is economically attractive ore at the bottom of the pit which could be mined by bulk underground methods thereby extending the life of the mine beyond 12 years.

The Company plans to raise a substantial portion of the project financing by way of a gold loan.

Development of the Cinola Gold Project is subject to financing and Government permitting.

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The Cinola Gold Project is located on Graham Island in the Queen Charlotte Islands in British Columbia. The mine site is near the centre of the island, approximately 18 km south of Port Clements which is located on Masset Inlet.

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The Vancouver Stock Exchange has neither approved nor disapproved the information contained herein.