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33-7QR

OPERATIONS REVIEW

QR MINE

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1996 OVERVIEW

PRODUCTION

43,629 ounces of gold; (21,215 ounces of gold in 1995.)

TOTAL ORE MINED/MILLED

400,986 tonnes; 382,400 tonnes milled.

AVERAGE GRADE

3.93 grams of gold per tonne.

CASH OPERATING COST

\$267 per ounce (\$231 in 1995).

OPERATIONAL REVIEW

1996 was the first full year of production at the QR mine. Ore mined came primarily from the original Main Zone pit. A small pit was opened approximately one kilometre to the west, producing 60,649 tonnes at 6.48 grams of gold per tonne. Severe cold weather during January and February 1996 impacted overall production, and lower than expected stockpile grade also affected the total number of ounces produced. Improved blasting techniques increased tonnes produced and ore grade to the mill. As well, improved crushing productivity and the winterization of the crushing plant helped maintain productivity through a very cold November and December. Capital expenditures for the year totalled \$3.8 million. The largest expenditure was to develop underground access to the Midwest Zone for evaluation of the resource and to provide metallurgical groundwork for the milling of the ore zone.



THE QR MINE IS LOCATED IN SOUTH-CENTRAL BRITISH COLUMBIA. APPROXIMATELY 70 KILOMETRES FROM QUESNEL. THE OPERATION BEGAN MILLING OPEN PIT ORE IN MAY 1995.



OPERATIONS REVIEW

Reclamation activity was on schedule and on budget. Waste from the West Zone will be placed in the Main Pit to reduce future reclamation costs. There was one lost time accident in 1996.

ANALYSIS

Total tonnes mined and processed at the QR mine were above forecast for much of 1996 to offset the shortfall in production experienced in the first half of the year. However, total ounces produced during 1996 came in slightly below plan. Extreme weather conditions and a shortage of reagents slowed production in December. However, improvements in open-pit mining techniques reduced dilution and increased grade. As a result, cash operating costs per ounce were reduced from an average of \$313 for the first six months of 1996 to \$239 for the remainder of 1996.

OUTLOOK

Throughout 1996, modifications were made to the mill crushing circuits to increase production from 816 tonnes per day to an average of 1,056 tonnes per day. In 1997, the mill will increase throughput to 1,235 tonnes per day for an annual total of 450,780 tonnes at 3.79 grams per tonne. Total gold production for 1997 is budgeted at 50,000 ounces of gold at cash operating costs of \$244 per ounce. The Main Zone open pit will be mined very aggressively through the first half of the year. Capital expenditures for 1997 should total \$4.6 million, with the majority committed to continued underground development of the Midwest and West Zones, to raising of the tailings dam and to exploration. The Main Zone open pit will be completed by mid 1997. As mining there is completed, development and mining of the underground Midwest Zone will begin. The mine's new and aggressive management team is committed to ensuring that improved efficiency experienced in 1996 will carry through to 1997.

TECHNICAL BACKGROUNDER

Recently released British Columbia geological maps of the QR mine site and surrounding area indicate there is a granite intrusion on the eastern portion of the property. This suggests that the QR stockwork mineralization and related intrusive are much larger than originally believed and there is considerable potential for the discovery of additional ore bearing skarns. A capital expenditure of \$740,000 will be used for diamond drilling to identify the existence of skarn alteration on the east end of the property while a mapping and soil sampling program will evaluate the siltstone and basalt contact south of the Quesnel River.

QR MINE ORE RESERVES

AT DECEMBER 31, 1996

RESERVES: INPLACE, MINEABLE, DILUTED	ORE TONNES	GRADE		CONTAINED		CONTAINED	
		GOLD (G/T)	SILVER (G/T)	GOLD (KG)	SILVER (KG)	GOLD (OZ)	SILVER (OZ)
PROVEN ORE:							
UNMINED	401,000	3.99	-	1,599	-	51,000	-
STOCKPILES	124,000	4.17	-	517	-	17,000	-
TOTAL PROVEN ORE	525,000	4.03	-	2,116	-	68,000	-
PROBABLE ORE:							
TOTAL PROBABLE ORE	1,049,000	3.97	-	4,161	-	134,000	-
TOTAL PROVEN & PROBABLE:	1,574,000	3.99	-	6,277	-	202,000	-
POSSIBLE ORE:							
TOTAL POSSIBLE ORE	21,000	5.52	-	116	-	4,000	-
DRILL INDICATED RESOURCES:							
TOTAL	109,000	6.50	-	708	-	23,000	-