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George Cross News Letter

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NO. 224 (1994)
 NOVEMBER 23, 1994

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MISTY MOUNTAIN GOLD LTD.

[MGL-T,V] 32,396,242 SHS.

ROMULUS RESOURCES LTD.

[RRU-V] 9,900,368 SHS.

NEW PLANS FOR CINOLA - Robert G. Hunter, chairman, Romulus Resources Ltd., and Robin A.

Slaughter, president, Misty Mountain Gold Ltd., report the companies have agreed to explore the Cinola gold project using radically different development concepts than proposed by former operators. The Cinola gold deposit is located 18 km south of Port Clements, Graham Island, Queen Charlotte Islands, off the northwest

coast of B.C. Following the immediate initiation of an open and ongoing consultation process with local citizens, a major, large diameter, exploration drilling program will start in 1995. The objective of the drill program is to delineate high grade gold reserves and collect appropriate material for definitive metallurgical testing of high grade gold zones. Successful results from this program could lead to engineering, planning and applying for permits for a substantial high grade gold mine using underground or other low impact mining methods. SEE CROSS SECTIONS OVERLEAF P.3.

Under the agreement Romulus has acquired, subject to regulatory approval, the right to earn a 50% interest in the Cinola property and be the operator of a joint venture with property holder Misty Mountain. Romulus will spend up to \$15,000,000 on exploration and development within a staged period to earn its 50% interest. Following earn-in, Romulus and Misty will advance the project on a 50/50 joint venture basis. Romulus will be preferentially reimbursed up to \$9,000,000 of its expenditure from cash flow from a mine and in certain other events.

Since 1970 when the Cinola deposit was discovered, over \$40,000,000 has been spent by former operators on trenching, drilling, underground development, bulk sampling, pilot mill testing, environmental surveys and feasibility studies. This work determined a mining reserve for the deposit of 31,300,000 tonnes with a diluted grade averaging 2.2 grams gold/tonne (0.06 oz/ton), mineable in an open pit at a stripping ratio of 1.7 tonnes waste to one tonne of ore. The resource delineated contained over 3,000,000 ounces of gold.

<u>CUT-OFF</u> <u>G/T</u>	<u>RESOURCE</u> <u>TONNES</u>	<u>GRADE</u> <u>G/T</u>	<u>GRADE</u> <u>OZ/T</u>	<u>CONTAINED</u> <u>GOLD (OZ)</u>
0.0	112,000,000	1.1	0.03	3,800,000
0.6	69,000,000	1.7	0.05	3,400,000
1.1	32,000,000	2.5	0.07	2,600,000
2.0	11,000,000	4.4	0.13	1,600,000
3.0	5,000,000	6.8	0.20	1,100,000

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Previous work conducted at Cinola focused almost entirely on outlining a low grade gold resource amenable to large scale open pit mining methods without fully considering the potential to develop high grade gold zones by alternative mining methods. Review of past drill results, however, indicates excellent potential to develop high grade gold reserves. Furthermore, recent structural and geological analysis of the Cinola property has revealed previously unrecognized areas of high exploration priority. The known gold deposit is located near surface at the top of a hydrothermal hot spring system that developed along a fault structure. Gold grades in this type of system typically increases with depth and often culminate in very high grade bonanza ore bodies. At Cinola, past drilling intersected high grade gold zones, within and below the previously proposed open pit, adjacent to the associated fault structure, with some of the deepest drilling encountering the highest gold grades. Intersections such as 72 feet grading 0.76 oz/ton, 66 feet grading 0.26 oz/ton, 72 feet grading 0.33 oz/ton, 20 feet grading 1.1 oz/ton, 26 feet grading 0.36 oz/ton and 7 feet grading 4.4 oz/ton point to high grade gold potential.

The principal factors which have precluded development of the

Cinola deposit to date are environmental concerns about potential acid rock drainage which might be produced by a large scale, open pit mine and low metallurgical recoveries from low grade gold ore. Review of the project's extensive data base, however, indicates both the metallurgical and environmental difficulties may have resulted from the former operator's assumption that the Cinola project was best developed as a large scale, open pit mine treating low grade ore.

Previous metallurgical test work has shown the amount of gold not recovered by processing is fixed irrespective of the grade, suggesting gold recoveries should improve with the processing of high grade material. Also, previous test work on samples composited to represent the low grade ore expected from the large open pit planned at that time may not have properly evaluated the fact there are at least two main ore types; low grade disseminated ore and higher grade vein type ore. Recoveries of gold from low grade ore were below 80%; however, laboratory scale test work on high grade samples produced gold recoveries in excess of 90%.

Unfortunately, in the past, industrial interests have not worked in co-operation and consultation with local community members. Their principal environmental concern, the potential for acid rock drainage, was compounded due to the significant amounts of potentially acid generating waste rock which would have been produced by the previously proposed large scale, open pit mine plan. The location of waste rock sites proposed in that plan, in relatively close proximity to the Yakoun River, an important salmon resource, was a legitimate concern of First Nation and other community people. Local citizens have, however, not prevented any developmental work at Cinola. The area has been extensively logged and permitting by former mine development proponents was advanced.

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