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George Cross News Letter

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The Kemess South gold-copper deposit, 300 km. northwest of Mackenzie, north-central B.C. contains mineable reserves of some 4,100,000 ounces of gold and 900,000,000 pounds of copper with a total mineral inventory of 4,700,000 ounces. The Kemess North property contains an additional estimated resource of 1,900,000 ounces of gold and 623,000,000 pounds of copper.

A pre-feasibility study completed by Kilborn Engineering Pacific Ltd. in 1993 provides for a milling operation of 44,000 tons per day to produce an average of 450,000 equivalent ounces of gold annually at an average cash cost of less than US \$170 per ounce. The capital cost of the Kemess South project has been estimated at \$350,000,000.

Royal Oak intends to start: a final feasibility study, financing, and building of the Kemess South project immediately with production forecast to start by late 1997. Production in 1997 is expected to be 100,000 equivalent ounces of gold increasing to over 400,000 equivalent ounces in 1998, and averaging 450,000 equivalent ounces of gold over the estimated mine life of 15 years. To take advantage of the current strong copper market, it is expected copper production for the first several years will be swapped for gold through a series of financial transactions.

The Kemess project, to be owned 100% by Royal Oak, will be the recipient from the B.C. Government of an economic assistance package to facilitate development which includes the following: 1) Royalty interest investment - \$50,000,000 to develop on and off

site mine infrastructure for Kemess. Royal Oak will pay the B.C. Government a royalty of 4.8% on all copper extracted from the Kemess property; 2) Power line installation - \$49,000,000 payable over three years to cover construction of a 320-km hydro line from the Kennedy substation to Kemess; 3) Regional resource infrastructure - about \$14,000,000 payable at the rate of \$1,000,000 per year for 14 years for emergency health facilities, airport facilities and for developing and maintaining the Sloane Connector Road; 4) Human resource development fund - \$4,000,000 payable over two years to facilitate recruitment, selection, relocation, mobility, training, upgrading and safety training for personnel working on Kemess; and 5) Facilitation and support - Government agreement in facilities and support favourable negotiations of rail transport, port and hydro charges and to facilitate the review and consideration of permits and other authorizations required for development of the projects.

In current dollar terms the Government's total compensation and economic development assistance is \$104,000,000.

The addition of the Kemess South and Red Mountain projects will increase Royal Oak's mineable reserves from 2,500,000 to some 7,500,000 ounces of gold, an increase of 100% and its total mineralized material to over 13,500,000 ounces from 6,500,000 ounces, an increase of 108%. Indications are that the geologic resource at Red Mountain could be even greater than 2,000,000 ounces of gold and that significant exploration potential exists at Kemess North.

In addition to the new projects, it is estimated Royal Oak's internal 1995 exploration program will result in the addition of over 2,000,000 ounces of mineable reserves to bring total mineable reserves to over 9,000,000 ounces by Dec. 31, 1995, a 260% increase from Dec. 31, 1994. Including gold production from committed internal development projects, such as Matachewan, Royal Oak's estimated total gold and equivalents production and cash cost profile over the next five years is as follows:

1996	500,000 OUNCES AT US \$290/OUNCE
1997	588,000 OUNCES AT US \$260/OUNCE
1998	960,000 OUNCES AT US \$227/OUNCE
1999	968,000 OUNCES AT US \$232/OUNCE
2000	1,050,000 OUNCES AT US \$217/OUNCE

(SEE GCNL NO.160, 21Aug95, P.1 FOR PREVIOUS RELATED INFORMATION)

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