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# George Cross News Letter

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NO. 85 (1996)  
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## ROYAL OAK MINES INC.

[RYO-T, AMEX] 119,007,714 SHS.

KEMESS GOV'T APPROVAL RECEIVED - Royal Oak Mines Inc.

reports it is proceeding with the construction of its Kemess gold-copper project, about 300 km northwest of Mackenzie, north-central BC. The company has now received the Project Approval Certificate (formerly known as the Mine Development Certificate) for the Kemess South Project from the provincial government of BC following resolution of the permitting matters. The Kemess project was acquired by the purchase of all the shares of El Condor Resources and St. Philips Resources.

The Kemess Mine will become Royal Oak's core asset and, together with the concurrent development of other projects, will increase the company's production to that of a senior-tier gold producer of about 1,000,000 ounces of gold and equivalent ounces in 1999 from an estimated 425,000 ounces this year. Royal Oak's cash cost will decrease significantly to about US \$230 per ounce in 1999 from an estimated US \$306 per ounce this year.

The Kemess Mine is scheduled to start production in April 1998. The average annual production rate is forecast at about 213,000 ounces of gold and 58,000,000 pounds of copper (a total of 450,000 equivalent ounces of gold) at an estimated cash cost of US \$175 per ounce of gold and equivalent ounces. Kemess will have a mine life of about 20 years based on current reserves and forecast production rates. The potential to increase ore reserves significantly is considered to be excellent. The mineable ore reserves at year-end 1995 contained some 4,100,000 ounces of gold and one billion pounds of copper, with an additional 1,900,000 ounces of gold and 623,000,000 pounds of copper in mineralized material.

Engineering on the project is about 30% complete. Purchase orders for long-delivery items of equipment, specifically the crusher, grinding mills, and flotation cells have already been placed and will be followed shortly by the issuance of purchase orders for the remaining items of equipment. Construction contracts for the plant and infrastructure facilities will be awarded in the next few weeks. Construction on the project will start mid-June.

The capital cost of the Kemess project has been estimated at Cdn. \$390,000,000, including contingency and start-up costs. Financing for the Kemess project will include Cdn. \$166,000,000 by way of an economic assistance and compensation package from the province of BC. The company's wholly owned subsidiary, Kemess Mines Inc. (formerly Geddes Resources Ltd.) received the first of two equal compensation payments of Cdn. \$14,500,000 earlier this month, the final payment being due in April 1997. Royal Oak will fund the balance of the capital cost from cash in treasury, future operating cash flow and debt. The company will issue no new equity.

The Kemess project will create up to 550 jobs during the construction phase and about 350 permanent jobs thereafter when the mine is in full production. Royal Oak has established a BC

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Division with headquarters in Smithers to develop and operate its Kemess and Red Mountain projects and to carry out an exploration program in the province. (SEE GCNL NO.10, 15Jan96, P.1 FOR DETAILS OF KEMESS PROJECT & TAKEOVERS)

In another development, Royal Oak reports more than 90% of the outstanding shares of **CONSOLIDATED PROFESSOR MINES LTD.** [CPF-T] have been tendered to its 5Feb96 offer. The offer at Cdn. 80¢ per share expired on April 26. Royal Oak has taken up all the shares tendered and will acquire all remaining shares in accordance with compulsory acquisition procedures.

The acquisition is part of Royal Oak's plan to increase ore reserves and production at its Ontario Division. Consolidated Professor has a 100% interest in the Duport Gold project in the Kenora mining district in northwest Ontario.

The Duport property consists of 67 claims covering 3,012 acres and contains a total mineral inventory of 2,000,000 tons at an average grade of 0.35 oz.gold/ton, or about 705,000 ounces of gold. Excellent potential exists to significantly increase the resource. Royal Oak intends to review production plans and continue the environmental permitting process started by Consolidated Professor. (SEE GCNL NO.66, 2Apr96, P.5 FOR PREVIOUS CONS. PROFESSOR TAKEOVER INFORMATION)

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