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# George Cross News Letter

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NO. 120 (1997)  
JUNE 23, 1997

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## MISTY MOUNTAIN GOLD LTD.

[MGL-T, V] 9,549,489 SHS. 10,877,039 SHS. Fully Diluted  
HARMONY/ SPECOGNA/ CINOLA GOLD PROJECT REVIEW  
52,700,000 TONNES MINEABLE RESOURCE OF 1.7 GRAMS/  
TONNE CONTAINING 2,880,000 OZ. GOLD  
FUNDING BEING ARRANGED FOR PRE-FEASIBILITY  
ENGINEERING

Misty Mountain Gold Ltd. recently reported a mineable resource of 2,880,000 ounces of gold at its 100% owned Harmony Gold Project, formerly known as the Specogna/ Cinola, located on Graham Island, the northern Queen Charlotte Islands, about 50 miles off the northwest coast of BC. SEE LOCATION & GEOLOGY MAPS OVERLEAF P.1. The 172 square mile mineral claim covers the Specogna gold deposit which has been classified as an epithermal gold system with values distributed throughout a hydrothermal breccia unit. The deposit, discovered in 1970, is located at the flexure, or dilation (widening) of the major northwest trending Specogna/ Sandspit fault which created a pathway for the mineralized fluids to rise.

A stockwork system of veins has developed in the brittle Skonun sandstones on the east side of the fault, while on the west side, the less permeable Haida shales are barren. The mineralization generally occurs as free gold, with 3% to 6% being sulphides, of which 95% is pyrite. Mercury is present at an anomalous level, but occurs in an inert state.

Before Misty Mountain Gold acquired the project, the previous operator, City Resources (Canada) Ltd., had completed a considerable amount of diamond drilling and constructed a 1,300 foot adit, plus crosscuts, into the heart of the southern end of the gold deposit. While recognizing the deposit as epithermal, the former operators misinterpreted the specific geometry of the mineralization until an extension to the adit was completed as part of bulk sampling near the end of their program. Then, from underground, one could view the northeast trending vertical vein swarms in the hydrothermal breccia. The vertical holes of the former operator, while hitting some spectacular bonanza grades when intersecting veins, often missed them entirely. Using the more complete geological understanding of the Specogna deposit, Misty Mountain drilled holes angled to the southeast to intersect the vertical veins. SEE GEOLOGICAL CROSS SECTION OVERLEAF P.2.

The angled holes of this 34,627 metre program resulted in grades 25% higher than previous estimates. In addition to higher grades encountered in the vein systems, the country rock between the veins grades about 1.0 gram gold/tonne. Two examples of these high grade zones include 42 metres averaging 41 grams gold/tonne and 46 metres averaging 40 grams gold/tonne.

Independent Mining Consultants Inc. of Tucson, Arizona recently completed a mineable open pit resource estimate which

totals 2,880,000 ounces of gold contained in 52,700,000 tonnes grading 1.70 grams gold/tonne. Based on a total of 80,000 metres of drilling in 538 holes, the study used a 1.2 grams gold/tonne cut-off and provides for conventional processing of 33,500,000 tonnes grading 2.11 grams gold/tonne (2,270,000 oz.) to be followed by conventional processing of 19,200,000 tonnes of stockpiled material grading between 0.80 to 1.20 grams gold/tonne. In this scenario, the overall waste-to-ore stripping ratio is 1.2 tonnes of waste to 1 tonne of ore.

Based on Independent Mining Consultant's design, milling throughput would be 7,500 tonnes per day with 174,170 ounces of gold per year produced for each of the first five years. Over the projected 20 year mine life, production is forecast to average 110,625 ounces of gold per year. The current scoping studies will be completed by the fall and will provide the basis for a prefeasibility study. The scoping studies include environmental work, deposit modelling, resource estimates, various mine designs, mineralogy, metallurgy, site facility locations and infrastructure planning.

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CONTINUED FROM PAGE ONE - In addition to the Specogna gold deposit, two exploration targets will be drilled this summer. The first target is the potential for bonanza gold deposits at depth. Being an epithermal system, the gold values rose from deep in the earth, and indications from drilling to date point to gold mineralization at depths of more than 200 metres below the known Specogna deposit. Eight miles south of the Specogna deposit, a second target with coincident geophysical and geochemical anomalies will be drill tested.

In an effort to design the most effective extraction method, independent consultants Melis Engineering Ltd., Lakefield Research Ltd. and Oxidor Gold Corp. are studying gravity recovery, flotation and bio-oxidation recovery techniques. This test work suggests between 5% and 10% of the gold may be recovered in the gravity jigs. To date, flotation tests have indicated gold recoveries between 80% and 85%. Bio-oxidation tests on flotation concentrate recovered about 93% of the gold in the flotation concentrate. While much of the values occur as free gold, bio-oxidation uses bacteria to break down any sulphides encapsulating gold particles.

Misty Mountain is considering two types of processing methods involving bio-oxidation. Although it would be possible to barge concentrate by sea from nearby Ferguson Bay on Masset Inlet to a smelter somewhere, management views this possibility unlikely as the economics are not as favourable as pouring doré bars on site. Overleaf P.3 are flowsheets depicting the two bio-oxidation gold recovery methods currently under consideration.

The Queen Charlotte Islands are known as Haida Gwaii to the Haida Indian Nation and, since the area is within land claims, any mine development has to be designed in consultation with the aboriginal people. Misty Mountain management is sensitive to the needs and attitudes of the Haida people and wishes to work with them in a friendly and cooperative manner. With the decline of fishing and forestry, aboriginal unemployment in the region is close to 70% and a major mining project could provide much needed employment.

Although the mine site area has been logged, environmental responsibility remains an important consideration. The salmon-bearing Yakoun River passes about one km from the mine site. Robert Dickinson, president of Misty Mountain, says the operation will be designed to have no impact on salmon-bearing streams.

It is expected the completion of the prefeasibility study will lead to an application for mine development certification which will start the environmental assessment review with the BC government and all citizens in the region participating.

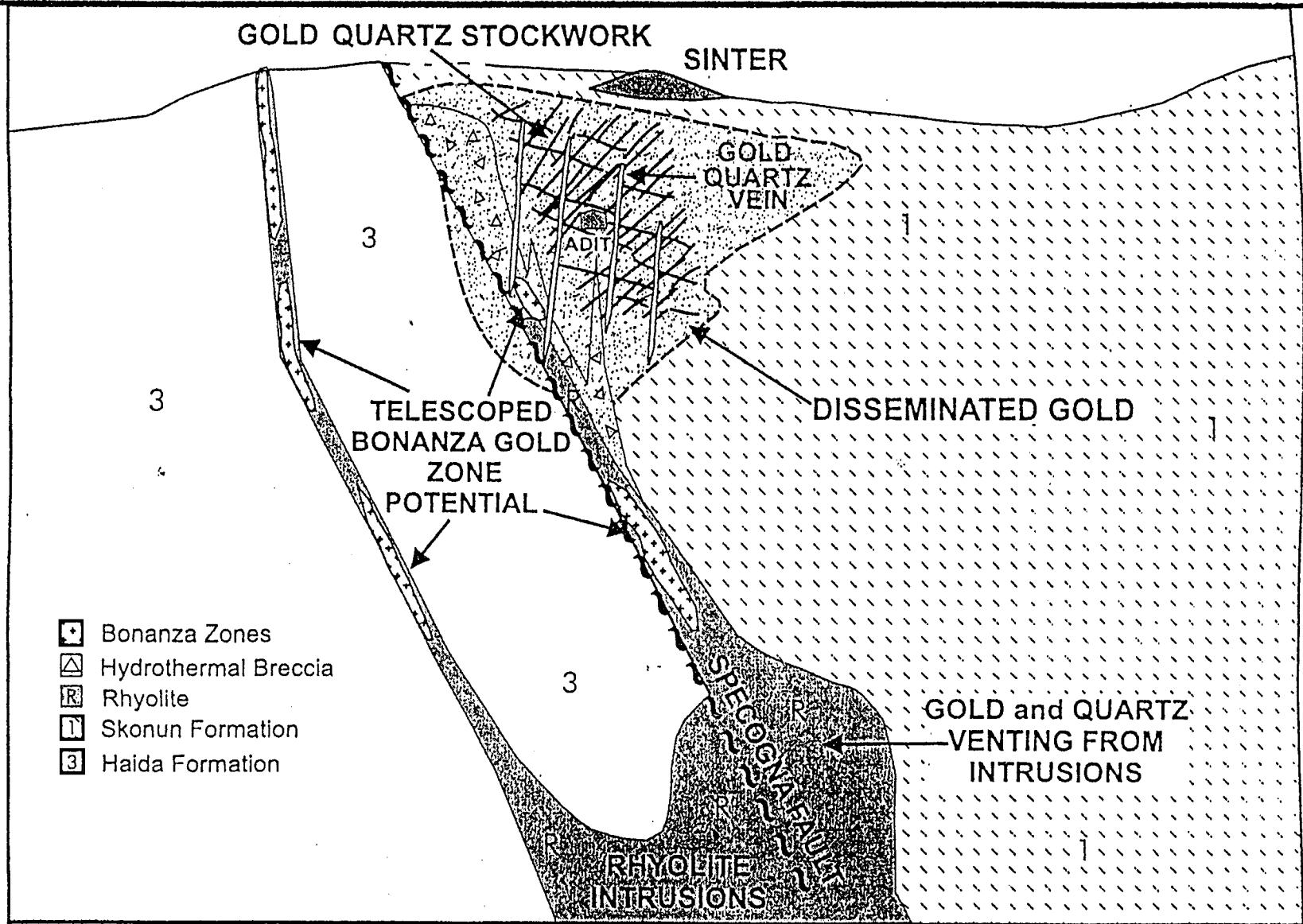
During the first quarter ended 31Mar97, Misty Mountain received \$402,000 from the exercise of options. At quarter end the company had a working capital deficiency of \$870,000. Misty Mountain is currently planning an equity financing to raise about \$6,000,000. Misty Mountain has been receiving expressions of interest from senior mining companies; however, no negotiations are underway at the present. (SEE GCNL NO.114, 13Jun97, P.4 FOR PREVIOUS HARMONY GOLD PROJECT INFORMATION)

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MISTY MOUNTAIN GOLD LTD.

HARMONY GOLD PROJECT  
GRAHAM ISLAND, QUEEN CHARLOTTE ISLANDS, BC



MISTY MOUNTAIN GOLD LIMITED  
SPECOGNA DEPOSIT MODEL

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MISTY MOUNTAIN GOLD LTD.

HARMONY GOLD PROJECT  
GRAHAM ISLAND, QUEEN CHARLOTTE ISLANDS, BC

