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McCoy

For Immediate Release

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ECHO BAY ANNOUNCES LOWER 1989 EARNINGS.

INCREASED RESERVES BUT LOWER "OTHER MINERALIZATION"

TORONTO -- Echo Bay Mines Ltd. today reported 1989 net earnings of US\$16.0 million (US\$0.16 per share) after a US\$20.0 million (US\$0.20 per share) write-down of an investment. This compares with 1988 net earnings of US\$54.4 million (US\$0.56 per share). Revenues rose to US\$297.0 million in 1989 from US\$267.7 million in 1988.

Higher 1989 production levels were offset by lower gold prices. Gold production rose 23% to 717,000 ounces from 585,000 ounces in 1988, and silver output more than doubled, to 2.36 million ounces in 1989 from 1.01 million ounces in 1988. But the average gold price realized per ounce sold by Echo Bay during the year fell by US\$40, to US\$400 in 1989 from US\$440 in 1988. The price decline reduced net earnings by US\$21.4 million (US\$0.22 per share) and revenues by US\$28.3 million.

Consolidated cash production costs rose by 3.8% to US\$220 per equivalent ounce of gold produced in 1989, up from US\$212 per ounce in 1988.

Despite the gold price decline, operating cash flow increased to US\$96.1 million in 1989 from US\$90.3 million in 1988 (to US\$0.97 from US\$0.93 per share). The year-end write-down of the company's equity investment had no effect on cash flow.

The investment write-down produced a fourth quarter net loss of US\$11.2 million (US\$0.12 per share) in 1989, compared with net earnings of US\$17.7 million (US\$0.18 per share) in the fourth

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Resources, Inc. In December, Echo Bay agreed to exchange its approximate one-third ownership of the common shares of the three companies, plus Cdn.\$10 million in cash and a Cdn.\$5 million loan facility, for a direct undivided 37.5% ownership of the Magnacon gold mine and 50% ownership of the group's Magino gold mine. Echo Bay will become the operator. The transaction, subject to various approvals, is expected to be completed about April 30.

Both Magnacon and Magino have taken much longer than planned to be brought into production. The two properties were originally expected to produce 75,000 ounces of gold in 1989. Magino actually produced about one-third of that, and Magnacon is not yet in commercial production.

Kettle River, Washington

Commercial production is expected to be declared as of the beginning of February at this new gold property in northeastern Washington state. Startup of the 1,500-ton/day mill has been very smooth so far. Echo Bay owns a direct 70% interest in Kettle River. Annualized production of about 110,000 ounces is targeted for the first two years of operation (Echo Bay's 70% share, 77,000 ounces).

McCoy/Cove, Nevada

Production at McCoy/Cove more than doubled in 1989, to 214,566 ounces of gold and 2.3 million ounces of silver. Production costs rose by 4.5%, to US\$211 per gold-equivalent ounce from US\$202 in 1988.

A major expansion was completed at midyear. Commercial production began July 1st at the McCoy/Cove mill, designed to process 7,500 tons/day of ore, and the mill has been successfully operating at 7,900 tons/day since October.

The mill ran on oxide ores in 1989. Earlier this month, McCoy/Cove also began running batches of sulfide ore through the mill's sulfide circuit. The sulfides are being mined from

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gold and silver mineralization in the area of soft fault zones is probably being "washed out" of the walls of the reverse-circulation drill holes and contaminating the lower portions of the holes. This would give gold and silver values over a greater length than confirmed by core samples.

As a result, based on its 1989 core-drill program, the company elected to eliminate portions of 137 reverse-circulation drill holes from its calculations of year-end 1989 reserves and other mineralization because it believes those portions may be contaminated.

Costs and Expenses

The reduction in reserves and other mineralization at McCoy/Cove added US\$1.9 million to the company's 1989 amortization expense and US\$1.4 million to production costs, or US\$8 and US\$7 per ounce respectively for the 246,800 gold-equivalent ounces produced at McCoy/Cove in 1989. For the 750,800 gold-equivalent ounces produced company-wide in 1989, the effect was an increase of US\$3 per ounce in amortization expense and US\$2 per ounce in production costs.

The company's general and administrative expenses were reduced by US\$3 per ounce in 1989, from US\$16 to US\$13, due to the higher production levels achieved in 1989.

Financial results benefited from a US\$10.2 million reduction in 1989 income and mining taxes, along with US\$6.7 million lower exploration expense. Depreciation and amortization increased by US\$15.1 million and interest expense grew by US\$2.6 million, mainly as a function of the growth throughout the company, particularly expansions at McCoy/Cove and Round Mountain in Nevada.

The investment write-down, as previously announced, was made in December in order to reduce to the realizable value Echo Bay's investment in three Canadian gold mining companies: Muscocho Explorations Ltd., Flanagan McAdam Resources Inc., and McNellen