George Cross News Letter
"Reliable Reporting"
NO.20(1988)
JANUARY 29,1988

## CANADIAN-UNITED MINERALS INC. (CUN-V)

**DRILLING INTERSECTS MINERALIZED ZONES** - Michael Callahan, president of Canadian-United Minerals, Inc., reports that diamond drilling on the company's Fireweed property, some 10 miles north of Granisle in central B.C., has encountered two pyritic sandstone units similar to the silver-rich sandstone outcrop that the drill program is testing at depth.

The surface showing of the pyritic sandstone unit assayed about 10.0 oz. silver per ton over a distance of 9 meters. (GCNL18(88) p.1 also refers). Geophysical survey work has indicated a distinct continuous anomaly running from this outcrop for about 1,000 metres to the east and 600 metres west. The first hole in the drilling program was completed on 27Jan88 about 40 metres east of the outcrop along the anomaly and intersected 2 sandstone units of apparent widths of about 13 metres and 4 metres. Visible fine-grained pyritic mineralization occurs in both units. Samples are currently being split for assay analysis and results are expected shortly.

Canadian-United plans 5,000 feet of drilling in this preliminary program to establish the mineralization associated with the strong magnetic and I.P anomalies indicated in this zone. I.P surveys to extend the zone to the east are also continuing.

## CHAPLEAU RESOURCES LTD. (CHI-V)

**SULLIVAN TYPE TARGET SOUGHT** - R.T. Banting, P.Eng., consultant, has reported the structural geology and physical occurrences on the Chapleau Purcell Camp properties displayed a coincidence of features that expressed potential orebodies: lead/zinc - replacement;gold deposits- vein type;gold- replacement.

His theory on a replacement lead-zinc occurrence is substantiated by the correlation of geological structures that exist on Chapleau's properties which are similar to those existing and influential to the Sullivan deposit. In particular, similar transverse fault zones, which are active structural features influencing both sedimentary and mineral deposits, occur on both the Sullivan area and the Bar claim.

To test this theory, a Vancouver company is preparing to drill a 1,500 meter hole adjacent to Chapleau's Bar claim. Their target is a magnetic anomaly which is interpreted as a possible Sullivan type deposit. Compatible geological formations exist on Chapleau's property.

There are also strong indications of a gold replacement system such as Carlin -type deposits (disseminated high fineness gold particles at a certain geological horizon), plutons (intrusions), steeply dipping shear zones, associative elements (e.g. arsenic), argillaceous beds rich in carbonate. Exploration is planned for 1988.

## HOUSTON METALS CORPORATION(HML-V)

CURRENT 30 MAN WORK TO SPEND $2,200,000 BY FEB. 29, 1988
CURRENT 30 MAN WORK TO SPEND $5,200,000 BY JUNE 30, 1988
FEASIBILITY STUDY TO BE COMPLETED BY MAY 30, 1988
POLYMETALLIC RESERVES TO SUPPORT 500 TONS DAY PRODUCTION
ERECTION DECISION & FUNDING TO BE COMPLETED JUNE 30,1988
FIRST CONCENTRATE PRODUCTION SCHEDULED FOR MID 1989
MINING - ENVIRONMENTAL PERMITTING NOW UNDERWAY

30-35 man crew, working 24 hours a day, 7 days a week, are driving a 3100-foot long ramp decline, to develop proved reserves and are also driving a 4300-foot exploration crosscut to test 7 partially drilled veins as well as running one diamond drill rig testing the high grade Camp vein. Houston Metals has arranged $2,200,000 of flow-through financing to be spent by 29Feb88 and additional funds are being arranged to complete a feasibility study by May 1988 on a 500 ton per day sequential flotation concentrator plant to process 175,000 mined tons per year.

Houston was listed on the Vancouver Stock Exchange Oct.29,1986 and has raised $5,006,948 since, made up of $3,252,608 flow-through, $889,200 private placement, $705,000 underwriting and $160,140 through option exercises. A further $2,200,000 flow-through funding has been committed and on Jan.21,1988 the company received approval for a private placement of 400,000 shares at $1.05 each with warrants to purchase 400,000 shares at $1.30 for one year with Andpher Trust Company. The company currently has 7,600,000 shares issued and 4,569,124 shares reserved for options, warrants and flow-through issued which indicates a fully diluted 12,170,000 shares issued.

The Silver Queen Mine is located at 2500 feet elevation on Owen Lake, 35 miles south of the town of Houston, and 20 miles west of the Equity Silver Mine in central B.C. The property covers an area 6 km east west by 7 km north-south, split into 3 ownership blocks with Houston Metals holding between 60% and 70% of each and being operator on all. (SEE PROPERTY LOCATION MAP OVERLEAF) Block 1 - the Silver Queen or Placer Dome block; Block 2 - the Cole Lake or Houston Metals; Block 3 - the New Nadina block. As shown on the map overleaf, most of the reserves are on the claims where Houston has spent $3,000,000, well in excess of the $300,000 by 31Dec86 to earn a 60% interest and must complete a feasibility study as well as attaining a minimum of 50 tons per day production by 31Dec1989 to complete the acquisition. Upon completion of the feasibility report, NEW NADINA EXPLORATIONS LTD. (NNA-V) holds the option to provide 40% of the capital costs to production or be diluted down to 10% or 20% net profits interest. Placer Developmenet is also entitled to a 20% net profit interest from Block 1 of the property. Houston is entitled to 2.5 times all of its exploration expenditures, estimated at $15,000,000, out of 80% of cash flow before New Nadina will participate to its full 40% working interest.

By expenditure of $600,000 on Block 2, Houston will have earned a 60% interest. PetroMac must then match expenditures on Block 2 or reduce to an 8.5% interest. Houston will earn its interest by March 1988. New Nadina has no interest in this block.

If New Nadina does not contribute to expenditures interests will be: Block 1, Houston 70%, Placer 20%, New Nadina 10%; Block 2 Houston 60% to 91.5%, Placer and New Nadina nil; Block 3 Houston 80%, New Nadina 20%, Placer

Reserves have been upgraded and expanded by the recent work. The new calculations for the feasiblility study are forecast to show substantial further increases.

| | TONNAGE | GOLD OZ/TON | SILVER OZ/TON | COPPER % | LEAD % | ZINC % |
|---|---|---|---|---|---|---|
| Proven Ore | 609,290 | 0.105 | 7.44 | 0.48 | 1.58 | 6.64 |
| Probable | 155,875 | 0.046 | 19.63 | 1.19 | 0.76 | 5.90 |
| Possible | 833,075 | No Grade Assignment | | | | |
| Total Tons | 1,598,240 | | | | | |

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These reserves are in the No.2, No.3 and No.5 veins, all above the 2600 elevation level. Each vein has good tonnage potential along strike and particularly to depth. In the Camp vein the probable and possible 100,000 tons is estimated to grade: 0.03 oz.gold/t, 30 oz.silver/t, 0.23% copper, 1.01% lead,2.98% zinc. Currently, the geologically possible tonnage is considered to be in the 3,000,000 ton range. In addition to the base and percious metals the Silver Queen Mine contains germanium and indium. The extraction and sale of these metals is under study.

Houston has made substantial expenditures on metallurgy. Lakefield Research has developed a sequential flotation which separates the ore into copper, zinc and lead concentrates. The zinc and lead concentrates are readily saleable. The copper concentrate is high in arsenic and antimony, and requires a specialized smelter or further benefication at the mine. Houston is exploring the beneficiation of this concentrate by heat treatment, acid wash and autoclave. Coastech Research and Cominco Engineering are retained to assist in these studies. Direct cyanidation of the pyrite tailings and bioleach/ neutralization is being explored to scavenge any gold and silver associated with the pyrite.

Houston has retained A.W. (Bert) Easton, formerly general manager of Cominco's metals division, as a consultant to locate smelters willing to accept this copper concentrate. James Wade & Associates, mining engineers, Toronto, Ontario, and Norecol Environmental Consultants Ltd., Vancouver, B.C., are retained to "fast track" the feasibility study and environmental impact report by early 1988.

Property mine manager is Webb Cummings, P. Eng., formerly manager of the Silvana mine at New Denver, B.C. Directors of Houston Metals are : A.A.Petancic, president, J. Michael Mackey, Hugh Farris, John Petancic and George O.M. Stewart.

The 3100-foot long minus 15% decline is 13 feet by 9 feet high and to 15Jan88 had advanced 1,250 feet from the 2600 elevation portal. At the current pace of advance, 30 feet per day, it should reach total depth in early March at about 465 feet down dip on a high grade silver-gold-zinc ore shoot, mainly in the No.3 vein. Drilling in the target area suggests a zoning containing higher precious metals with increased depth. Indications are that the decline and follow-up work will prove a minimum of 150,000 tons of better grade ore in the 0.25 oz.gold/t, 10 oz.silver/t and 10% combined lead-zinc range.

The 4,300-foot long crosscut, also on the 2800-foot elevation is being driven 9 ft. by 9 ft. from west to east at 30 ft per day. to test 7 veins including the high grade Cole Lake vein. (See Map) On 15Jan88 the crosscut was 1250 feet from the portal and is scheduled to enter the target area, where Houston holds options to earn a 91.5% property interest, in early February at about 2300 feet from the portal.

The Camp vein is a main diamond drill target with a minimum 5000 additional feet planned for the the next few months. Where tested by drilling on a 7000-foot long electromagnetic anomaly, high grade values of 420 ounces per ton in Ruby silver have encouraged the program. Other results on the Camp vein include 100,000 probable and possible tons grading 30 oz. silver per ton, 0.03 oz.gold/t, 1.01% lead, 2.98% zinc and 0.23% copper. Some of the veins to be tested in this work include:

-Cole-traced 1,000 feet, and 500 feet below surface, across widths to 15 feet. Assays show:

2.5 oz.silver/t, 3.2% lead, 2.8% zinc

40.0 oz.silver/t at 500 feet below surface

8.8 oz.silver/t, 3.3% lead, 3.4% zinc, 0.45% copper

-Jack-traced 700 feet, 100 feet below surface, minimum 2 feet wide. Old drill hole assays show: 8.0 oz.silver/t, 1.0% zinc, 1% copper. This Jack vein was intersected across 4 feet of mineralization Jan.20,1988 in the crosscut.

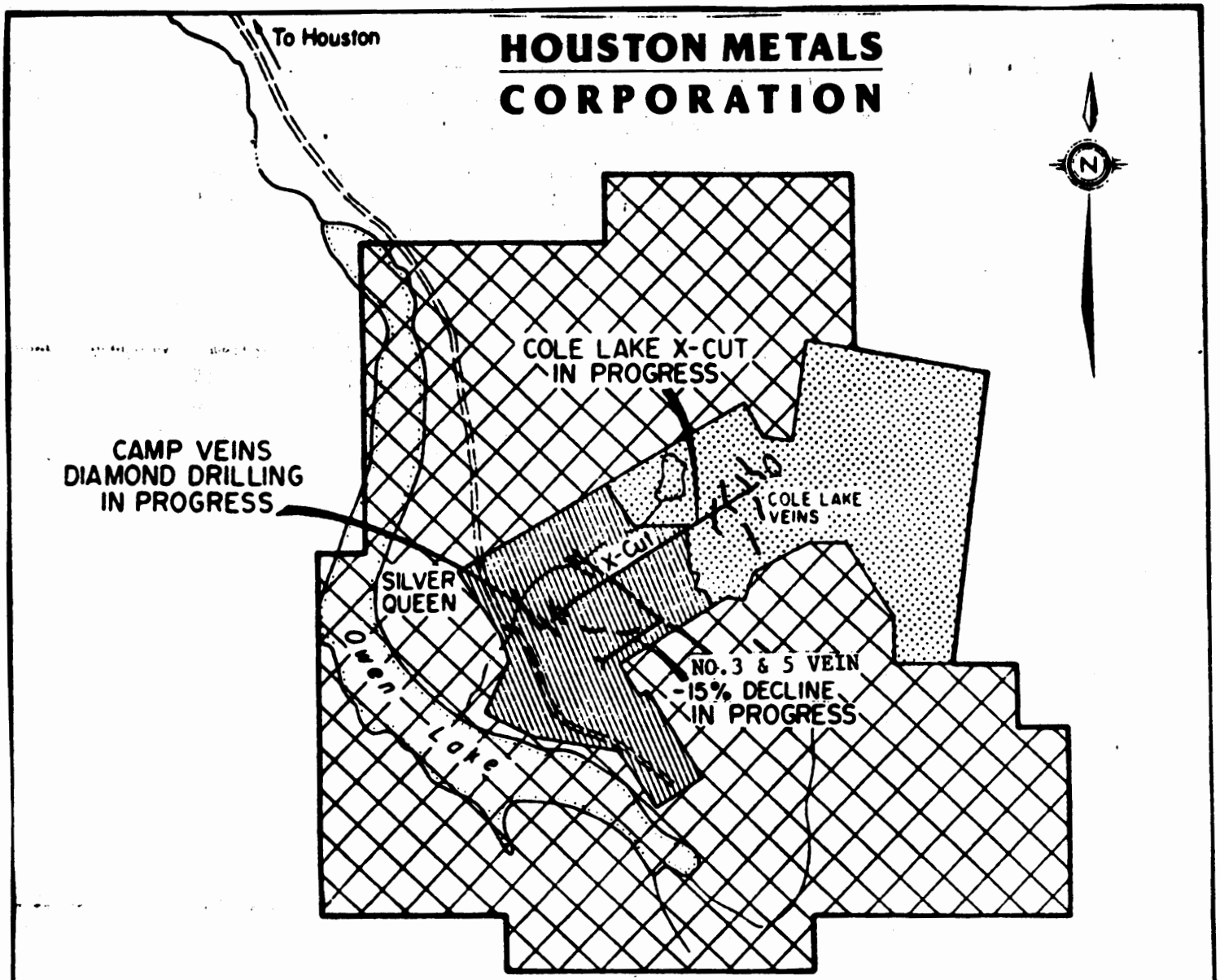
-Axel-traced 1,500 feet over 7 feet of width.

-George Lake Lineament vein-traced 1,000 feet long, 10 to 20 feet wide, massive sulphides, no assays owing to poor core recovery.

-NG6 vein -traced 170 feet long, 2 feet wide, to a depth of 80 feet.

Assays show: 8.7 oz.silver/t 4.2% lead, 14.0% zinc, 0.55% copper and 13.05 oz.silver/t, 12.8% lead, 10.2% zinc.

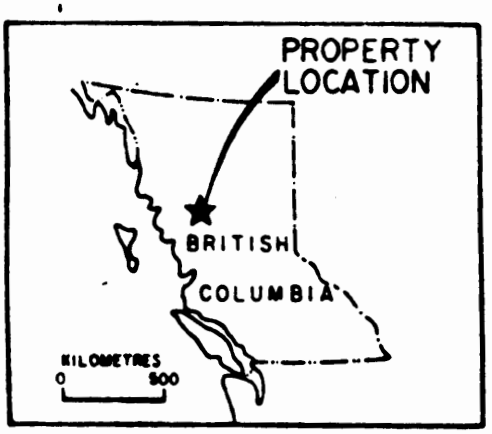
# HOUSTON METALS CORPORATION




BLOCK 1 — PLACER-DOME INC. - 17 CROWN GRANTED CLAIMS
-OPTIONED TO NEW NADINA AND HOUSTON METALS

BLOCK 2 — PETROMAC ENERGY INC. - 23 CLAIMS
-OPTIONED TO HOUSTON METALS

BLOCK 3 — NEW NADINA EXPLORATION LTD. - 9 CLAIMS (94 UNITS)
-AGREEMENT WITH HOUSTON METALS




Km 0 0.5 1.0 2.0 Km

HOUSTON METALS CORP.

PROPERTY MAP

# SILVER QUEEN MINE

Scale. 1:50,000 | Date. Jan. 1988

6