George Cross News Letter

NO.138(1988)
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SKYLINE EXPLORATIONS LTD.(SKX-T,V)
VERY HIGH GRADE GOLD MINE PRODUCTION STARTED
PRODUCTION OBJECTIVE 60,000 OZ.GOLD IN YEAR ONE
AND 100,000 OZ. IN YEAR TWO AND BEYOND
EXCITING HIGH GRADE GOLD ZONES DEVELOPING ORE RESERVES

Waste rock started to be processed through Skyline Explorations' 200/400 ton per day capacity concentrating on July 5,1988 to begin the tune-up.

It is expected that low grade ore will start to be processed through the plant in the next few days. Ore grading in the 0.6 to 1.0 oz.gold per ton range will begin flowing through the plant on a regular basis in two to four weeks. The plant is scheduled to be in continuous operation at about 200 tons per day in August. The plant is forecast to slowly increase daily throughput to the range of 400 tons per day towards the end of 1988 and into early 1989. The mill throughput increase will be determined mostly by the speed at which the mine achieves the ability to supply increased tonnages of ore to the plant.

The current objective is to produce a total of 20,000 to 25,000 oz. gold by Nov.30,1988, and have proven reserves for three years of production (400,000 to 450,000 tons) opened underground. Published proven and probable reserves are 1,080,000 tons grading 0.704 oz.gold/t. The geologically inferred tonnages are some 4,000,000 tons of 0.50 oz.gold/t plus copper and silver.

In 1980, Reg E. Davis, president, first acquired for Skyline a 100% interest in the property, which is at 3,800 feet elevation on the north slope of Johnny Mt., two miles south of the Iskut River, 30 miles west of Wrangell, Alaska and 100 km. north of Stewart B.C.. (AREA MAP OVERLEAF PAGE 1). Since then, in excess of $34,000,000 has been spent on exploration and development by a variety of junior and major companies. Skyline once again owns 100% of the property, subject to no royalties, carried or back-in interests.

At Oct.31,1987, the company had 8,350,155 shares issued, plus 1,579,224 shares reserved for exercise of options and warrants for 9,929,379 shares fully diluted. By an underwriting of 1,200,000 shares and warrants at $12.50 each in October 1987, Pemberton Houston Willoughby provided the company with $15,600,000. About the same time the company sold to Ron Shon, chairman, a $6,000,000 debenture with a warrant bonus to provide a total of $21,000,000.

In the Dec.4,1987 annual report, Mr.Davis stated, "Initial annual production is estimated to be approximately 60,000 ounces of gold and is expected to increase to approximately 100,000 ounces of gold over the next two years." Until you visit the almost fully operating mine and mill perched on the side of the mountain and look at the high grade veins underground it is hard to believe such a forecast. After a property visit and talks with the on-site people doing the job it seems not only achievable but also, with continued good luck, exceedable.

In late 1987, Orocan Engineering Inc. took a turn-key contract to design, engineer and erect the concentrator and building for $5,000,000.

Subsequent design changes and modifications to provide for low cost increases of capacity from 200 tons to 400/450 tons per day have added $1,500,000 in overrun costs. It is currently estimated that with $500,000 to $750,000 for plant modifications, after start up, the mill will have a capacity of 400/450 tons per day at a total capital cost of $7,500,000. Such capital costs are considered unusually low given the remote location and difficult winter weather conditions. A significant factor in achieving these capital costs can be attributed to the use of used equipment. Included in this cost is a first class trailer camp and recreation facilities to accommodate 112 men. Currently, the camp is servicing about 170 people since the Inel crew of 15 and the Gulf International crew of 15, the saw mill crew and crews from several other exploration jobs, while not staying in the camp, are provisioned from the airstrip.

Much of the heavy equipment was walked into the property over a winter road up the Iskut River and overland to the mine. A further contributing factor to the relatively modest capital cost has been the completion of a 4,800 foot long airstrip on a bench less than a quarter of a mile from the main haulage portal. The landing strip accommodates Hercules aircraft, which were used in October and again in late December and early January to move much of the mill machinery and equipment to the mine from Wrangell. The airstrip was a busy place on July 15. At one point there were seven fixed wing and two helicopters landing or taking off at about the same time. (CONTINUED ON PAGE TWO)

SKYLINE EXPLORATIONS LTD. (SKX-T,V)

CONTINUED FROM PAGE ONE- There are two main levels in the mine, the upper level, No.11, at 3,750 feet elevation and the main haulage level, No.10, the portal of which is 150 feet from the primary crusher/coarse ore bin 150 feet lower at 3,600 feet elevation. On the No.11 level, there are five stopes developed and ready for production and three further stopes under preparation. On the No.10 level, two stopes are under development and five further stopes are planned. Indications are that by early 1989 the mine will be developed to produce 400 to 500 tons per day on a continuous basis. Currently there is a stockpile of six month mill feed, some 53,000 tons grading 0.73 oz. gold/t. Of this amount there are 26,000 tons on surface with the balance broken in the stopes underground. One bonus is some 13,000 tons broken in the stopes above the No.11 level that will average 0.84 oz.gold/t.

Harry Skoglund, Mine Manager, pointed out that there is also an area where a minimum of 6,000 tons will average in excess of 1.0 oz. gold/t. Then, he continued, there is the high grade such as 900 tons that will average 10 oz.gold/ton and 3,000 tons over 3.0 oz. gold/t. "We know about these high grade pockets and are expecting more of them. He was careful to point out that the high grade areas are erratic by nature and can't be counted on to make the monthly forecast of ounces, but enough of them have been developed to be fairly confident that there will be more developed as production and exploration continues underground. The vein varies from one foot to over 30 feet wide and may average 10 to 15 feet. In some areas the vein is mined to a three foot width but much of the mining is to eight feet. Definition drilling is now underway in the vein above the No.10 and No.11 levels in preparation for stope development. This area of the mine will likely be mined using hydraulic backfill if the current engineering work on cost estimates is satisfactory. Mining to date has been by shrinkage stope using trackless equipment. Assay results from sampling underground have been consistently higher than the assay results from diamond drill cores. The veins, Discovery and No.16, are open to extension to the east and west with exploration drilling in these directions planned for later in the year. There is also the Zephrin, which averaged 1.75 oz.gold/t over a 55 foot length, or 1.452 oz.gold/t over a 180 foot strike length and a 6 foot average width. The Zephrin appears to strike almost at right angles to the Discovery and No.16 veins. The veins are remarkably continuous both laterally and vertically. Drilling to confirm further depth continuity is also underway. A decline from the No.10 level has been started.

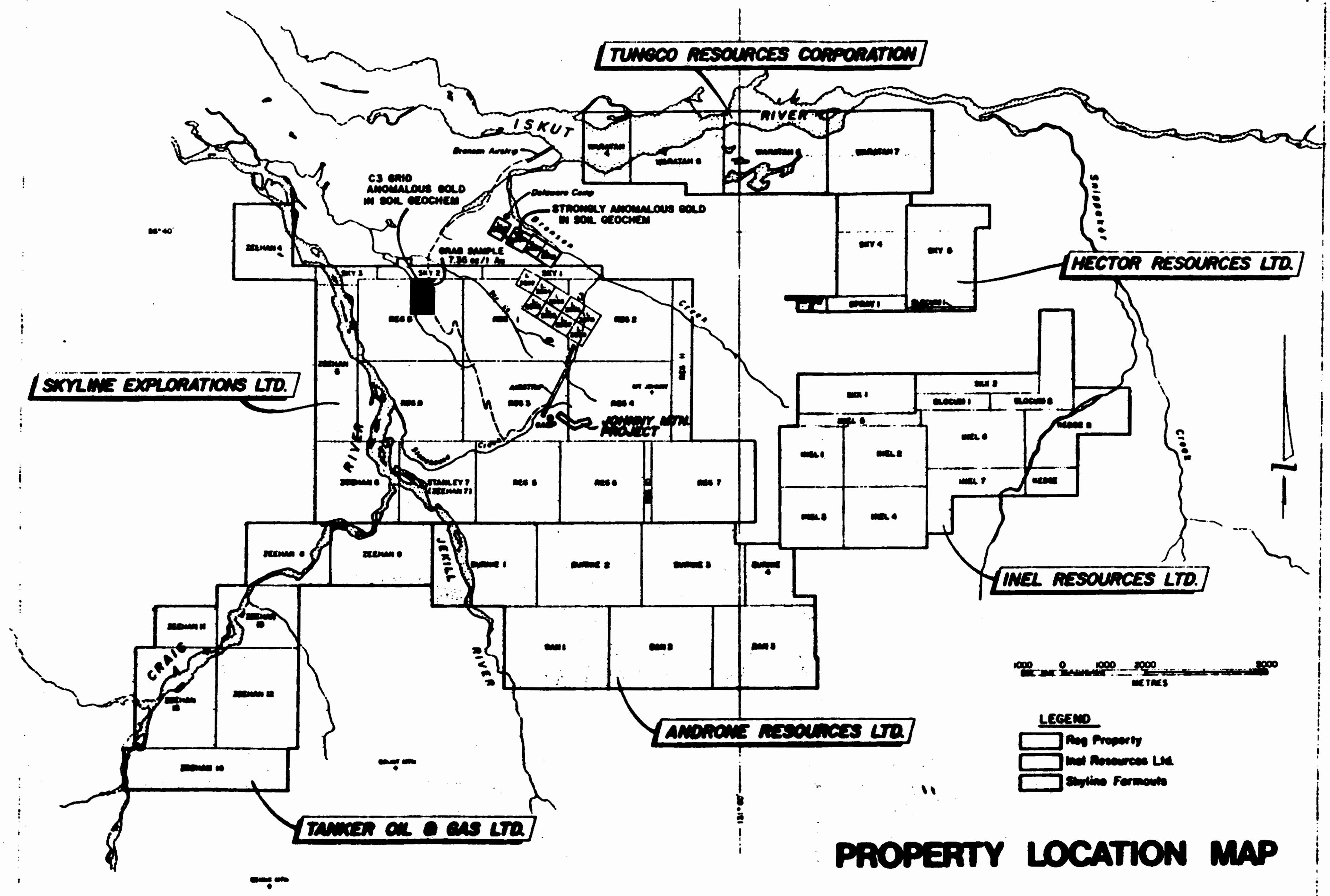
A tote road was built from the Iskut River up about 3,000 feet and over a distance of about 7 miles to the mine, to provide access for heavy equipment. Upgrading this tote road to haul road standards is to be completed by October.

The concentrating plant was engineered to crush and grind up to 400 tons per day and is being tuned up at 200 tons per day assuming an ore head grade of 1.3% copper, 0.8 oz.gold/t and 1.65 oz.silver/t. The plant is to produce three gold products:

- a gravity circuit consisting of a duplex jig and a lab sized vibrating table to recover a concentrate grading 3,500 oz.gold/t, recovering 25% of the gold from the ore;
- a flotation concentrate containing 85% of the copper plus 55% of the gold and 76.7% of the silver;
- and a dore bar from cyanide vat leaching and Merril Crow zinc precipitate recovery which will be furnaced into dore bars containing about 15% of the gold in the ore. Commissioning of the mill is forecast to be completed in four to six weeks. Overall gold recovery is projected to be in excess of 95%.

Some fresh exploration excitement had been introduced to the company by the discovery, or rediscovery, of the showings on the Red Bluff; claims which could represent a sub-parallel structure similar to the Twin Zone on the adjoining Snip mine of Cominco 60% and Delaware Resources 40%. The Red Bluff zone has been mapped as 650 feet along strike and open, and from 1 to 2.5 feet wide, grading from 0.1 to 0.9 oz.gold/t. The nearby Road showing graded 8.5 oz.gold/t across 1 foot over a strike length of 13 feet. Drilling is underway.

Further excitement is added by Skline's ownership of 750,000 escrow shares or about 7.8% of the 9,635,655 issued shares of INEL RESOURCES LTD. (ILE-V), which holds a property almost adjoining to the east where high grade gold showings are being explored.



PROPERTY LOCATION MAP

CATEAR RESOURCES LTD. (CAA.A-V)

MILL MODIFICATIONS UNDERWAY- Catear Resources Ltd. reports that modifications are being made to the mill equipment on the Goldwedge property in the Sulphurets area, 50 km north of Stewart, B.C. The company tested some material and found that the gold was coming out of the mill as a coarse product. Once the modifications are complete, the mill will be running at 120 tons per day for the duration of the 10,000 ton test. Using a grade of 0.825 oz.gold/ton (drift average) and a gold recovery of 80% on the gravity circuit, a total of 79 oz gold a day will be collected. Additional gold values will be collected using a flotation system which will increase recoveries to about 97%. Based on 28 operating days per month, this would produce a cash flow of $41,870 a day or $1,172,360 a month at $530 CDN per ounce. The cost per ounce is $186.60 CDN or monthly costs of $412,759 on 2,212 ounces of gold; which results in a net profit of $759,600 per month during the duration of the 10,000 ton mill test.

GULF INTERNATIONAL MINERALS LTD. (GIM-V), managed by the same Davis group, holds a 100% interest in the McLymont property, located 20 km to the northeast of the Skyline mine, where a recent drill hole cut 12 feet of core containing visible gold in the Northeast vein area. Assays are awaited. In July 1988, Gulf completed a private placement of 500,000 units at $2.20 each, bringing the issued shares to 3,464,479. SEE GCNL NO.45, 4Mar88, P.3, for a review of the 1987 program on the McLymont property.

HOYLE RESOURCES INC. (HYL-V) reports it has contracted a drill program to start 17Jul88 on its L.J. property in the Gold Bridge area of B.C. Chip samples from trenches across the veins in 1987 assayed up to 0.548 oz.gold/t and 2.1 oz.silver/t.

LARAMIDE RESOURCES LTD. (LAM-V) has acquired an additional 250,000 shares of TASEKO MINES LIMITED (TKO-V) for 125,000 shares of Laramide to bring its holdings in Taseko to 516,500 shares or 12.4% of the issued capital. Taseko owns the Fish Lake gold-copper deposit in the Taseko Lake area of B.C., which contains an estimated resource of 220,000,000 tons of 0.015 oz. gold/ton and 0.24% copper. The Fish Lake property is subject to an option agreement with Cominco Ltd. The validity of the agreement is disputed by Taseko.