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**RHYOLITE RESOURCES INC. (RHY-V)**

**MILL START UP FORECAST - Rhyolite Resources Inc. has signed an agreement for a group of private investors to provide \$200,000 by 31Dec89 for**

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a 50% interest in the shallow, near surface, ores from the Yew properties Exclusion zone on Texada Island, B.C.

The Yew properties Exclusion is part of the North Texada joint venture between Rhyolite and Echo Bay Mines Ltd. which gives Rhyolite the right to excavate, mill and process for its own account near-surface mineralization underlying 14 contiguous claims referred to as the Yew properties. An independent evaluation of flat-lying skarn mineralization on a part of the Yew #7 claim gave probable reserves of 34,810 tons grading 0.5 oz.gold/t and 2% copper and estimated combined probable and possible reserves of 78,000 tons grading 0.35 oz.gold/t & 1.2% copper. These figures assume a thickness of 0.5 meter.

Rhyolite will be the operator of the project, and it will make available its concentrator, with a rated capacity of 100 tons per day, on a custom-milling and priority basis. The investors have a 2-year option to purchase a 50% interest in the concentrator for \$750,000. The expenditure of \$200,000 will earn the investors a 50% interest in the Rob & Lund claims on the mainland north of Powell River, B.C. where there is the possibility of open pit mining of high-grade zinc-copper-silver mineralization and barging to Texada Island for treatment.

This agreement replaces a previous agreement dated 8Aug88 for the exploitation of the shallow reserves in concert with Polestar Exploration Inc. which has been terminated by mutual consent.

92F General